

Disclaimer:

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October 27, 2021

**SB Technology Corp.**  
**Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2022**  
**(Six Months Ended September 30, 2021)**

[Japanese GAAP]

**Company name:** SB Technology Corp. (Tokyo Stock Exchange/Code No. 4726)

(URL <https://www.softbanktech.co.jp/>)

Representative: Shinichi Ata, President & CEO

Contact: Masaaki Okazaki, Member of the Board, Executive Vice President & CFO

Phone: +81-3-6892-3063

Scheduled date of filing of Quarterly Report: October 27, 2021

Scheduled date of payment of dividend: December 1, 2021

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 – September 30, 2021)**

(1) Consolidated Results of Operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2021	31,316	—	2,205	—	2,189	—	1,315	—
Six months ended Sep. 30, 2020	31,864	18.7	1,595	19.0	1,575	17.4	892	11.6

Note: Comprehensive income (million yen) Six months ended Sep.30, 2021: 1,402 (—%)  
Six months ended Sep.30, 2020: 916 (up 11.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	65.04	64.27
Six months ended Sep. 30, 2020	44.24	43.95

Note1: Effective from the beginning of the fiscal year ending March 2022, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc., and accordingly, the consolidated results above for the fiscal year ending March 2022 is the amount after the adoption of the said accounting standard, etc.

Note2: During the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the related consolidated operating results for the six months ended September 2020 reflect the provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2021	38,503	21,247	49.6	944.25
As of Mar. 31, 2021	38,798	19,577	47.1	902.72

Reference: Shareholders' equity (million yen) As of Sep.30, 2021: 19,111 As of Mar. 31, 2021: 18,255

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	15.00	-	25.00	40.00
Fiscal year ending Mar.31, 2022	-	20.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecast)	-	-	-	20.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	65,000	—	4,600	—	4,600	—	2,800	—	138.40

Note1: Revisions to the most recently announced consolidated forecast: Yes

For details, please refer to the press release titled “Notice on the Revision of Earnings Forecast” that was announced today(October 27, 2021).

Note2: Effective from the beginning of the fiscal year ending March 2022, the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., and accordingly, the forecast of consolidated business results above is the amount after the adoption of the said accounting standard, etc.

#### \* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

- i. Changes in accounting policies due to revisions in accounting standards, others: Yes
- ii. Changes in accounting policies other than i. above: None
- iii. Changes in accounting estimates: None
- iv. Restatements: None

(4) Number of outstanding shares (common stock)

- i. Number of shares outstanding at the end of the period (including treasury shares)
 

As of Sep.30, 2021:	22,742,800shares	As of Mar. 31, 2021:	22,728,500shares
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- ii. Number of treasury shares at the end of the period
 

As of Sep.30, 2021:	2,503,449shares	As of Mar. 31, 2021:	2,505,822shares
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- iii. Average number of shares outstanding during the period
 

Six months ended Sep.30, 2021:	20,231,050shares	Six months ended Sep. 30, 2020:	20,173,056shares
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\* This consolidated financial report is not subject to quarterly review procedures by a certified public accountant or audit company.

\* Explanation for appropriate use of operating forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in this report are based on assumptions based upon valid and other reasonable information available to the Company at the time this report was created. This report is not promised by the Company regarding future performance. The actual performance may differ significantly from these forecasts for a variety of reasons.

How to view supplementary information at the financial results meeting

The Company plans to hold the financial results meeting (online) for institutional investors and analysts on Wednesday, October 27, 2021. Supplementary materials for financial results will be disclosed, using the Timely Disclosure network (TDnet), and will be available on the Company’s website (<https://www.softbanktech.co.jp/corp/ir/>).

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## 1. Qualitative Information on Financial Results of the Period Under Review

### (1) Explanation of Business Results

Digitization is accelerating both at companies and in government in response to the impact of the COVID-19 pandemic in addition to demand from domestic companies for the use of digital technology to increase their competitiveness. The Japanese government has also started working in earnest to create a digitized society. In September 2021, it established the Digital Agency, whose mission is people-friendly digitization that leaves no one behind.

Demand for investment in digital transformation (DX) of companies in Japan is increasing, including the development of a secure telecommuting environment, use of cloud computing, and the creation and improvement of businesses using digital technology. Government offices also need to develop and digitize identification and authentication functions, integrate and standardize systems and data, and take cyber security measures. With this background, the Company and other ICT-related companies must achieve sweeping social reform.

Amid this business environment, the ICT services business remained firm, and performance by solution was as follows compared to the same period in the previous fiscal year.

In Business IT Solutions, both sales and profits increased. Contributing factors included the operation of electronic application platforms at the Ministry of Agriculture, Forestry and Fisheries in government DX projects and the progress of additional development initiatives. In addition, projects for business divisions of SoftBank Corp. to renovate their websites expanded.

In Corporate IT Solutions, both sales and profits increased thanks to the growth of cloud system development and the Company's original services, including the managed security service and clouXion, associated with workstyle reforms.

Technical Solutions providing solutions for on-premises environments also achieved an increase in sales and profits through the expansion of system development for SoftBank Corp. and the range of operation projects as a strategic system integrator.

In EC Solutions, while the "Accounting Standard for Revenue Recognition" has had an impact from the quarter under review, performance has been solid and consistent with the initial forecast.

As a result, the Group's financial results for the first six months of the fiscal year under review were as follows.

Marginal income, operating income, ordinary income and profit attributable to owners of parent achieved record highs for the first six-month period.

(Millions of yen)

	Six-month ended September 30, 2021	Six-month ended September 30, 2021	Change (Amount)	Change (Ratio)
Net sales	23,286	31,316	8,030	34.5%
Marginal income	8,987	10,824	1,837	20.4%
Fixed costs	7,391	8,618	1,226	16.6%
Operating income	1,595	2,205	610	38.3%
Ordinary income	1,575	2,189	613	39.0%
Profit attributable to owners of parent	892	1,315	423	47.5%
Net income per share	JPY44.24	JPY65.04	JPY20.80	47.0%

Regarding the actual results of the previous fiscal year, unaudited reference values that reflect differences arising from the application of the Accounting Standard for Revenue Recognition are shown.

The Group operates in a single reportable segment of the ICT Services segment. Refer to "Solution Segment Explanation" on page 5 for details on the content and performance of the solutions that comprise the ICT Services segment.

< Progress in the third medium-term management plan >

The Group focuses on the third medium-term management plan by positioning “be a service provider for corp IT” and “consult and generate business IT” as key themes.

- Be a service provider for corp IT

By evolving into a service provider, the Company will support more customers' efforts to promote DX.

The Company holds a top-level market share in Japan in cloud solutions installed mainly at large companies and public offices, from Microsoft 365 to system development for business divisions using Microsoft Azure. Leveraging the knowledge and process assets that we have acquired through these individual development projects, we develop authentication services, workflow services, and other services that complement the use of Microsoft's cloud services under the brand name clouXion. Our early exploration of cloud security was also driven by our top-class track record in cloud installation in Japan and relevant knowledge. The Company provides a one-stop solution for a wide range of services to support customers in the protection of their important information assets and business continuity. These services comprise support for introducing security measures against the threat of complex cyber-attacks, managed security services (MSS) for security measure operation and monitoring, support for building Computer Security Incident Response Teams (CSIRT) that reinforce internal frameworks to prepare for possible cyber-attacks, and consulting for comprehensive security measures for companies.

In April 2022, the Company will begin providing services meeting the requirements established by the Ministry of Internal Affairs and Communications for the renewal of its local government information security cloud service, a priority area in the fiscal year under review. This service is developed using the know-how acquired from the current information security cloud service provided to four prefectural governments since 2016 and will be continuously improved after the launch to provide best practices. To date, the Company has successfully bid in 10 prefectures. In some of the prefectures, the Company will start the transfer from the current system to the next information security cloud in the fiscal year under review.

- Consult and generate business IT

Our focus industries are global manufacturing, construction, agriculture, and public offices and municipalities, and we are working with our clients to co-create new business models and consulting and supporting our clients' planning and implementation of DX strategies for the growth of their core businesses and the development of the industry as a whole.

Through these efforts, the Company will aim to offer solutions to common issues in the industry. For the construction industry, the Company started providing Con-Bridge, a secure service for facilitating complex management of IDs at places with heavy human traffic. The Ministry of Agriculture, Forestry and Fisheries is developing systems and reforming its operations with an aim to run all operations online. The Company provides not only system development but educational training, with a total of approximately 3,400 employees are scheduled to participate by the end of the current fiscal year. Through such activities, of approximately 3,000 relevant applications, approximately 500 by the end of March 2021 and approximately 900 by the end of September 2021 have been digitized. Electronic application platforms were fully launched in FY2021. The Company is working with the Ministry of Agriculture, Forestry and Fisheries with the aim of raising the rate of online use to 60% by FY2025. The Company will continue to examine customer needs, develop further collaboration with IT services, and add more functions to the services, thereby supporting customers' business growth and achieving the Company's sales growth.

In the fiscal year ending March 31, 2022, we have set as management indicators a hike in the net sales weighting of Corporate IT Solutions and Business IT Solutions, which will achieve cloud-first strategies for companies, to 50% and the achievement of "consolidated operating income of 4.3 billion yen (CAGR20% growth from the fiscal year ended March 31, 2019)."

The Corporate IT Solutions and Business IT Solutions net sales weighting for the first six months of the fiscal year under review increased 1.3 percentage points from the previous fiscal year to 48.1%. Operating income increased 38.3% year on year, to 2,205 million yen.

< Sustainability initiatives >

In line with its corporate philosophy of "Information Revolution – Happiness for everyone," the SoftBank Group aims to be a corporate group which provides the services and technologies most needed by people around the world and it has used the telecommunications business as a basis for becoming involved in a range of businesses in the information and technology fields and for maximizing its corporate value. As part of the SoftBank Group, we have defined our mission as "Information Revolution – Happiness for everyone- Technologies design the Future" and we are helping enrich the information society through the provision of ICT services. Following "Vision 2030" implemented in the fiscal year ended March 31, 2019, we adopted a new vision in the fiscal year ended March 31, 2020, namely "We generate new value to the world by leading technologies and creativeness with diverse work styles and opportunity-full culture." In line with this vision, we are currently supporting remote working platforms during the COVID crisis, and using ICT services to help address social problems such as labor shortages and improvement of productivity in the construction and agricultural industries, and we are implementing initiatives to achieve the sustainable development goals (SDGs). The Group will continue working with various stakeholders to solve social issues and help realize a sustainable society through its business activities and corporate activities.

< Solution Segment Explanation >

The Group operates in a single reportable segment of the ICT Services segment. Details and results of the main solutions that make up the ICT Services segment are as follows.

Amounts for the same period of the previous fiscal year for each solution segment are calculated in accordance with the current booking method.

Solution category	Details of solutions	Core companies
Business IT solutions	[Cloud business/For business divisions] - Consulting services - DX solutions - AI/ IoT solutions, etc.	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - REDEN Corp.
Corporate IT solutions	[Cloud business/For overall company or administration division] - Cloud integration - Business efficiency improvement services - Cloud security services - Security operation monitoring services - Electronic authentication solutions	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - M-SOLUTIONS, Inc. - Kan Corporation - ASORA Tech Corp.
Technical solutions	- On-premise system integration - Equipment sales, building, operation, and maintenance services - Sales and embedded system development of products related to Linux/OSS, etc.	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - DENEN Co. Ltd. - I/O system integration Co., LTD.
E-commerce solutions	- Operation of e-commerce sites as agent - Online sales of font licenses, etc.	- SB Technology Corp. - Fontworks Inc.

(Millions of yen)

		Six-month period ended September 30, 2020	Six-month period ended September 30, 2021	Change (Amount)	Change (Ratio)
Business IT solutions	Net Sales	2,514	5,277	2,762	109.9%
	Marginal income	918	1,548	630	68.7%
	Profit margins	36.5%	29.3%	(7.2) pt.	—
Corporate IT solutions	Net Sales	8,389	9,782	1,393	16.6%
	Marginal income	3,500	3,665	165	4.7%
	Profit margins	41.7%	37.5%	(4.2) pt.	—
Technical solutions	Net Sales	10,314	14,181	3,866	37.5%
	Marginal income	2,960	4,016	1,056	35.7%
	Income margins	28.7%	28.3%	(0.4) pt.	—
E-commerce solutions	Net Sales	2,068	2,075	7	0.4%
	Marginal income	1,608	1,593	(15)	(0.9)%
	Income margins	77.8%	76.8%	(1.0) pt.	—
Total	Net Sales	23,286	31,316	8,030	34.5%
	Marginal income	8,987	10,824	1,837	20.4%
	Income margins	38.6%	34.6%	(4.0) pt.	—

## (2) Explanation of Financial Position

Assets, Liabilities and Net assets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021	Change
Total assets	38,798	38,503	(294)
Net assets	19,577	21,247	1,669
Shareholder's equity ratio	47.1%	49.6%	2.5pt.

### (Assets)

Total assets decreased 294 million yen from the end of the previous fiscal year, to 38,503 million yen at the end of the six-month period under review.

Current assets decreased 303 million yen from the end of the previous fiscal year, mainly due to a decrease in notes and accounts receivable - trade.

Non-current assets increased 7 million yen, mainly due to an increase in software.

### (Liabilities)

Total liabilities decreased 1,964 million yen from the end of the previous fiscal year, to 17,256 million yen at the end of the six-month period under review.

Current liabilities decreased 1,792 million yen, mainly due to a decrease in accounts payable.

Non-current liabilities decreased 171 million yen, mainly attributable to a decrease in long-term borrowings.

### (Net assets)

Net assets increased 1,669 million yen from the end of the previous fiscal year, to 21,247 million yen at the end of the six-month period under review, mainly due to an increase in non-controlling interests.

## (3) Explanation on Consolidated Forecast and Other Forward-looking Statements

Based on its recent performance, the Company has revised its consolidated financial forecasts for the fiscal year ending March 31, 2022, announced on April 27, 2021, as presented below.

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecasts(A)	59,000	4,300	4,300	2,600	128.76
Revised forecasts(B)	65,000	4,600	4,600	2,800	138.40
Change (B - A)	6,000	300	300	200	—
Change(%)	10.2	7.0	7.0	7.7	—
(Reference) Actual consolidated results for the previous fiscal year (Fiscal year ended March 31, 2021)	52,533	3,855	3,981	2,428	120.25

Digitization is accelerating due to the impact of the COVID-19 pandemic, in addition to demand from companies in Japan for the use of digital technology to enhance their competitiveness, and companies' appetite for DX investment is further increasing. By seizing such opportunities, the Company is developing and operating large digital government projects and expanding system development for SoftBank Corp. and the range of operation projects as a strategic system integrator.

Taking into account the consolidated financial results for the first half of the fiscal year under review and the current trends in orders, the Company has decided to revise its full-year consolidated financial forecasts upward based on the outlook that net sales, operating income, ordinary income, and profit attributable to owners of parent are all likely to exceed the initial forecasts.



## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	9,722	9,872
Notes and accounts receivable - trade	17,428	—
Notes and accounts receivable - trade, and contract assets	—	15,309
Merchandise	82	100
Work in process	648	—
Other	1,254	3,550
Allowance for doubtful accounts	△0	△0
Total current assets	29,135	28,832
Non-current assets		
Property, plant and equipment		
Buildings, net	812	780
Tools, furniture and fixtures, net	840	772
Other, net	5	5
Construction in progress	0	239
Total property, plant and equipment	1,659	1,797
Intangible assets		
Goodwill	1,271	1,146
Software	1,692	2,213
Software in progress	1,070	786
Customer relationships	334	298
Other	145	130
Total intangible assets	4,514	4,574
Investments and other assets		
Investment securities	636	617
Deferred tax assets	1,229	1,042
Other	1,621	1,636
Total investments and other assets	3,487	3,296
Total non-current assets	9,661	9,668
Deferred assets		
Share issuance costs	1	3
Total deferred assets	1	3
Total assets	38,798	38,503

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	9,162	5,149
Current portion of long-term borrowings	470	458
Lease obligations	187	152
Accounts payable - other	1,248	4,395
Income taxes payable	1,021	705
Advances received	1,913	—
Contract liabilities	—	2,195
Provision for bonuses	1,572	1,306
Provision for bonuses for directors (and other officers)	—	54
Provision for loss on order received	309	127
Provision for defect repair	2	2
Asset retirement obligations	—	5
Other	1,019	562
Total current liabilities	16,907	15,114
Non-current liabilities		
Long-term borrowings	1,133	908
Lease obligations	104	95
Deferred tax liabilities	80	31
Long-term advances received	445	—
Contract liabilities	—	631
Retirement benefit liability	47	51
Asset retirement obligations	359	354
Other	142	69
Total non-current liabilities	2,313	2,141
Total liabilities	19,221	17,256
Net assets		
Shareholders' equity		
Share capital	1,235	1,254
Capital surplus	1,327	1,547
Retained earnings	17,271	17,879
Treasury shares	△1,568	△1,567
Total shareholders' equity	18,266	19,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△14	△5
Foreign currency translation adjustment	3	3
Total accumulated other comprehensive income	△10	△2
Share acquisition rights	233	244
Non-controlling interests	1,088	1,891
Total net assets	19,577	21,247
Total liabilities and net assets	38,798	38,503

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**(For the Six-month Period)**

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	31,864	31,316
Cost of sales	26,643	24,945
Gross profit	5,220	6,371
Selling, general and administrative expenses	3,625	4,165
Operating income	1,595	2,205
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	6	2
Gain on investments in investment partnerships	—	6
Subsidy income	1	10
Miscellaneous income	3	3
Total non-operating income	12	22
Non-operating expenses		
Interest expenses	6	7
Donations	—	10
Foreign exchange losses	1	9
Commission expenses	16	—
Miscellaneous loss	6	12
Total non-operating expenses	32	39
Ordinary income	1,575	2,189
Extraordinary income		
Gain on sales of investment securities	—	5
Subsidiaries directors' retirement allowance repayment gain	—	18
Total extraordinary income	—	24
Extraordinary losses		
Loss on step acquisitions	5	—
Impairment loss	—	4
Subsidiary company head office transfer cost	—	4
Loss on valuation of investment securities	29	—
Salaries and allowance for prior periods	—	17
Office relocation expenses	14	—
Total extraordinary losses	49	26
Profit before income taxes	1,526	2,187
Income taxes - current	684	566
Income taxes - deferred	△71	226
Total income taxes	613	792
Profit	912	1,394
Profit attributable to		
Profit attributable to owners of parent	892	1,315
Profit attributable to non-controlling interests	20	79
Other comprehensive income		
Valuation difference on available-for-sale securities	3	8
Foreign currency translation adjustment	0	△0
Total other comprehensive income	3	7
Comprehensive income	916	1,402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	896	1,323
Comprehensive income attributable to non-controlling interests	20	79

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,526	2,187
Depreciation	549	620
Impairment loss	—	4
Subsidiary company head office transfer cost	—	4
Office transfer expenses	14	—
Amortization of goodwill	101	124
Amortization of share issuance costs	—	0
Share-based remuneration expenses	54	35
Increase (decrease) in allowance for doubtful accounts	△0	0
Increase (decrease) in provision for bonuses	88	△266
Increase (decrease) in provision for bonuses for directors (and other officers)	55	54
Increase (decrease) in retirement benefit liability	△0	3
Increase (decrease) in provision for loss on order received	△11	△146
Increase (decrease) in provision for defect repair	0	△0
Interest and dividend income	△0	△0
Interest expenses	6	7
Loss (gain) on step acquisitions	5	—
Share of loss (profit) of entities accounted for using equity method	△6	△2
Loss (gain) on investments in investment partnerships	2	△6
Loss (gain) on sales of investment securities	—	△5
Loss (gain) on valuation of investment securities	29	—
Decrease (increase) in trade receivables	458	5,471
Decrease (increase) in inventories	△180	404
Decrease (increase) in contract assets	—	△3,406
Decrease (increase) in trade receivables	△286	△2,412
Increase (decrease) in trade payables	△1,859	△4,013
Increase (decrease) in contract liabilities	—	1,459
Increase (decrease) in accrued consumption taxes	227	△410
Increase (decrease) in trade payables	△18	1,800
Other, net	1	31
Subtotal	755	1,540
Interest and dividends received	0	0
Interest paid	△7	△7
Income taxes paid	△798	△916
Net cash provided by (used in) operating activities	△49	616

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	30	24
Purchase of property, plant and equipment	△319	△94
Purchase of intangible assets	△757	△675
Purchase of investment securities	—	45
Proceeds from collection of loans receivable	3	3
Payments of guarantee deposits	△3	△6
Proceeds from refund of guarantee deposits	69	66
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△692	—
Other, net	△66	△15
<b>Net cash provided by (used in) investing activities</b>	<b>△1,737</b>	<b>△651</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	1,530	—
Repayments of long-term borrowings	△175	△256
Proceeds from issuance of shares	42	34
Purchase of treasury shares	—	△0
Proceeds from disposal of treasury shares	—	4
Dividends paid	△402	△504
Repayments of lease obligations	△44	△43
Proceeds from share issuance to non-controlling shareholders	—	504
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	458
<b>Net cash provided by (used in) financing activities</b>	<b>950</b>	<b>196</b>
Effect of exchange rate change on cash and cash equivalents	△0	1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>△837</b>	<b>162</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,826</b>	<b>9,648</b>
<b>Cash and cash equivalents at end of period</b>	<b>8,988</b>	<b>9,811</b>

#### (4) Notes to Quarterly Consolidated Financial Statements

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Changes in accounting policies**

1. The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 dated March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard"), etc. at the beginning of the first three months of the fiscal year under review. Under the standard, revenue is recognized, when the Company transfers the control of a promised good or service to a customer, in an amount that the Company expects to receive in exchange for such good or service. The principal changes resulting from the above are as follows.

(i) In EC Solutions, the gross amount was previously used in revenue recognition for the e-commerce management agency business based on the classification of the principal transaction. Under the newly applied accounting standard, it is classified as an agent transaction and a net amount of revenue, after deducting purchase prices to be paid to suppliers from the amount to be received from the customer, is recognized as revenue.

(ii) In contract development projects, the Company had previously applied the percentage-of-completion method as the revenue recognition standard for construction contracts whose outcome was deemed certain, and the completed-contract method for other construction contracts. Under the newly applied accounting standard, a contract development project is judged to be a performance obligation to be satisfied over a certain period. The degree of progress in satisfying the performance obligation is reasonably estimated and revenue is recognized based on the degree of progress. In cases where cost incurred is expected to be collected, although the degree of progress cannot be reasonably estimated, revenue is recognized using the cost recovery method. The degree of progress in satisfying the performance obligation is estimated based on the cost incurred as a percentage of estimated total cost (input method).

The Revenue Recognition Accounting Standard, etc. is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. A new accounting policy is applied starting at the beginning of the first three months of the fiscal year under review, using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first three-month period, either by adding it to or deducting it from retained surplus as of the beginning of the first three-month period.

As a result, net sales and cost of sales, for the sixth three months of the fiscal year under review decreased by 8,088 million yen and 8.121 million yen, respectively. Operating income, ordinary income and profit before income taxes for the sixth three months of the fiscal year under review increased by 32 million yen, 32 million yen and 32 million yen, respectively. The balance of retained earnings as of the beginning of the first six-month period declined by 202 million yen.

With the application of the Revenue Recognition Accounting Standard, etc. "trade notes and accounts receivable" posted under "current assets" on the balance sheet of the previous fiscal year are included in "trade notes, accounts receivable and contract assets" starting in the first three months of the fiscal year under review. Starting in the first three-month period, "advances received" previously posted under "current liabilities" are now included in "contractual liabilities" under "current liabilities," and "long-term advances received" under "current liabilities" are included in "contractual liabilities" under "current liabilities."

A portion of "trade notes and accounts receivable" posted under "current assets" is now included in "Other" and a portion of "accounts payable - trade" is included in "accounts payable - other." In accordance with the provisional measures stipulated in Paragraph 89-2 of the accounting standard, reclassification of reported amounts for the previous fiscal year has not been made to conform with current classifications.

2. The Company started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 dated July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standard") at the beginning of the first three months of the fiscal year under review. It also decided to apply new accounting policies to be established in future periods by the Fair Value Measurement Accounting Standard, in accordance with Paragraph 19 of the Fair Value Measurement Accounting Standard and provisional measures stipulated in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 dated July 4, 2019). There is no impact on the quarterly consolidated financial statements.

##### *Disclaimer:*

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*