

Disclaimer:

This financial report is solely a translation of the “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.

January 27, 2022

SB Technology Corp.
Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2022
(Nine Months Ended December 31, 2021)

[Japanese GAAP]

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

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

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Scheduled date of filing of Quarterly Report: February 10, 2022

Scheduled date of payment of dividend: —

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 Nine Months Ended December 31, 2021 (April 1, 2021 – December 31, 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	%
Nine Months ended Dec. 31, 2021	47,626	—	3,660	—	3,622	—	2,187	—
Nine Months ended Dec. 31, 2020	49,062	19.9	2,473	14.8	2,461	13.8	1,479	11.5

Note: Comprehensive income (million yen)

Nine Months ended Dec. 31, 2021: 3,435 (—%)

Nine Months ended Dec. 31, 2020: 1,510 (up 9.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine Months ended Dec. 31, 2021	108.10	106.75
Nine Months ended Dec. 31, 2020	73.28	72.79

Note: 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). The adoption of the accounting standard, etc. has significant effects on net sales and income, and no year-on-year percentage changes are stated for the results for the first nine months of the fiscal year ending March 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2021	40,872	22,908	50.6	1,021.20
As of Mar. 31, 2021	38,798	19,577	47.1	902.72

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2021: 20,678

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)				30.00	50.00

Note: Revisions to the most recently announced dividend forecast: Yes

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)

Full year	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
	65,000	—	5,000	—	5,000	—	3,000	—	148.25

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 and Dividend Forecast (Increased Dividend) for the Fiscal Year Ending March 31, 2022” that was announced today (January 27, 2022).

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 Dec. 31, 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 Dec. 31, 2021:	2,493,482shares	As of Mar. 31, 2021:	2,505,822shares
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- iii. Average number of shares outstanding during the period

Nine Months ended Dec. 31, 2021:	20,235,495shares	Nine Months ended Dec. 31, 2020:	20,184,851shares
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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 Thursday, January 27, 2022. 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

Although a large number of people have been vaccinated against COVID-19, there is concern about the spread of a new COVID-19 variant. There are continuing needs for non-contact equipment in society, and companies in Japan are promoting the development of a secure telecommuting environment and the use of cloud computing. Demand is strong for investment in digital transformation (DX), including the creation and improvement of businesses using digital technology.

Government offices also develop and digitize identification and authentication functions, integrate and standardize systems and data, and take cyber security measures. The Digital Agency acts as a control tower and works closely with ministries and agencies.

Giving rising awareness of the need for a sustainable society, advancing digital transformation is essential in all industries. In this environment, a talent shortage is a major challenge in the entire IT industry. The Company and other ICT-related companies nevertheless help customers advance digital transformation and achieve social reform by building systems for individual customers and widely providing services and value to society.

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 to build cloud systems for manufacturers expanded.

In Corporate IT Solutions, both sales and profits increased thanks to the growth of cloud system development and the launch of projects to build local government information security cloud systems, associated with workstyle reforms.

Technical Solutions providing solutions for on-premises environments also achieved an increase in sales and profits through the successful 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 nine-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 Nine- period.

(Millions of yen)

	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021	Change (Amount)	Change (Ratio)
Net sales	35,842	47,626	11,783	32.9%
Marginal income	13,820	16,526	2,706	19.6%
Fixed costs	11,347	12,866	1,519	13.4%
Operating income	2,473	3,660	1,187	48.0%
Ordinary income	2,461	3,622	1,161	47.2%
Profit attributable to owners of parent	1,479	2,187	708	47.9%
Net income per share	JPY 73.28	JPY 108.10	JPY 34.82	47.5%

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 4 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 has started the transfer from the current system to the next information security cloud in the fiscal year under review. We plan to make further proposals that can be used by many local governments.

- 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.

Meanwhile, 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 for online operations, with a total of approximately 3,400 employees are scheduled to participate by the end of the current fiscal year.

Through those activities, the Company is helping digitize applications at the Ministry of Agriculture, Forestry and Fisheries. Based on those achievements in online operations and its knowledge about them, the Company is striving to develop online application services for other ministries and agencies and local governments.

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 nine months of the fiscal year under review increased 3.8 percentage points from the previous fiscal year to 48.2%. Operating income increased 48.0% year on year, to 3,660 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)

		Nine-month period ended December 31, 2020	Nine-month period ended December 31, 2021	Change (Amount)	Change (Ratio)
Business IT solutions	Net Sales	3,688	8,510	4,821	130.7%
	Marginal income	1,367	2,654	1,287	94.2%
	Profit margins	37.1%	31.2%	(5.9)pt	—
Corporate IT solutions	Net Sales	12,242	14,451	2,209	18.0%
	Marginal income	5,247	5,599	351	6.7%
	Profit margins	42.9%	38.7%	(4.2)pt	—
Technical solutions	Net Sales	16,889	21,613	4,723	28.0%
	Marginal income	4,883	5,944	1,061	21.7%
	Income margins	28.9%	27.5%	(1.4)pt	—
E-commerce solutions	Net Sales	3,021	3,050	28	1.0%
	Marginal income	2,322	2,328	6	0.3%
	Income margins	76.9%	76.3%	(0.6)pt	—
Total	Net Sales	35,842	47,626	11,783	32.9%
	Marginal income	13,820	16,526	2,706	19.6%
	Income margins	38.6%	34.7%	(3.9)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	40,872	2,074
Net assets	19,577	22,908	3,330
Shareholder's equity ratio	47.1%	50.6%	3.5pt.

(Assets)

Net assets at the end of the first nine months under review totaled 40,872 million yen, an increase of 2,074 million yen from the end of the previous fiscal year.

Current assets increased 681 million yen, mainly due to an increase in "other."

Non-current assets increased 1,391 million yen chiefly because of an increase in investment securities.

(Liabilities)

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

Current liabilities decreased 1,055 million yen, mainly due to a decrease in accounts payable.

Non-current liabilities decreased 201 million yen, mainly attributable to a decrease in long-term borrowings.

(Net assets)

Net assets at the end of the first nine months under review totaled 22,908 million yen, an increase of 3,330 million yen from the end of the previous fiscal year, reflecting increases in the valuation difference on available-for-sale securities and retained earnings.

(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 October 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)	65,000	4,600	4,600	2,800	138.40
Revised forecasts(B)	65,000	5,000	5,000	3,000	148.25
Change (B – A)	0	400	400	200	—
Change(%)	0.0	8.7	8.7	7.1	—
(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.

In light of the reduction in the risk of cost increases due to the progress of the third quarter consolidated results and the strengthening of project cost management, the forecasts for operating income, ordinary income, and net income attributable to owners of the parent are expected to exceed the forecasts, and therefore the full-year consolidated results forecasts have been revised upward.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	9,722	8,729
Notes and accounts receivable - trade	17,428	—
Notes and accounts receivable - trade, and contract assets	—	17,580
Merchandise	82	82
Work in process	648	—
Other	1,254	3,425
Allowance for doubtful accounts	△0	△0
Total current assets	29,135	29,817
Non-current assets		
Property, plant and equipment		
Buildings, net	812	752
Tools, furniture and fixtures, net	840	769
Other, net	5	4
Construction in progress	0	521
Total property, plant and equipment	1,659	2,048
Intangible assets		
Goodwill	1,271	1,083
Software	1,692	2,244
Software in progress	1,070	968
Customer relationships	334	280
Other	145	122
Total intangible assets	4,514	4,700
Investments and other assets		
Investment securities	636	2,171
Deferred tax assets	1,229	368
Other	1,621	1,763
Total investments and other assets	3,487	4,303
Total non-current assets	9,661	11,052
Deferred assets		
Share issuance costs	1	2
Total deferred assets	1	2
Total assets	38,798	40,872

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	9,162	5,727
Current portion of long-term borrowings	470	433
Lease obligations	187	136
Accounts payable - other	1,248	5,022
Income taxes payable	1,021	338
Advances received	1,913	—
Contract liabilities	—	2,128
Provision for bonuses	1,572	673
Provision for bonuses for directors (and other officers)	—	74
Provision for loss on order received	309	220
Provision for defect repair	2	2
Other	1,019	1,094
Total current liabilities	16,907	15,852
Non-current liabilities		
Long-term borrowings	1,133	819
Lease obligations	104	90
Deferred tax liabilities	80	42
Long-term advances received	445	—
Contract liabilities	—	681
Retirement benefit liability	47	52
Asset retirement obligations	359	356
Other	142	69
Total non-current liabilities	2,313	2,112
Total liabilities	19,221	17,964
Net assets		
Shareholders' equity		
Share capital	1,235	1,254
Capital surplus	1,327	1,557
Retained earnings	17,271	18,345
Treasury shares	△1,568	△1,561
Total shareholders' equity	18,266	19,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△14	1,078
Foreign currency translation adjustment	3	3
Total accumulated other comprehensive income	△10	1,082
Share acquisition rights	233	261
Non-controlling interests	1,088	1,967
Total net assets	19,577	22,908
Total liabilities and net assets	38,798	40,872

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

(Millions of yen)

	Nine Months ended December 31, 2020	Nine Months ended December 31, 2021
Net sales	49,062	47,626
Cost of sales	41,121	37,683
Gross profit	7,940	9,943
Selling, general and administrative expenses	5,467	6,282
Operating profit	2,473	3,660
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	11	5
Subsidy income	11	10
Miscellaneous income	11	5
Total non-operating income	34	21
Non-operating expenses		
Interest expenses	11	11
Donations	—	10
Foreign exchange losses	3	17
Commission expenses	16	—
Miscellaneous loss	14	19
Total non-operating expenses	46	58
Ordinary profit	2,461	3,622
Extraordinary income		
Gain on sales of investment securities	103	5
Subsidiaries directors' retirement allowance repayment gain	—	18
Total extraordinary income	103	24
Extraordinary losses		
Loss on step acquisitions	5	—
Impairment loss	53	4
Subsidiary company head office transfer cost	—	5
Loss on valuation of investment securities	29	—
Salaries and allowance for prior periods	—	17
Office relocation expenses	14	—
Total extraordinary losses	103	27
Profit before income taxes	2,461	3,619
Income taxes - current	780	844
Income taxes - deferred	174	432
Total income taxes	954	1,276
Profit	1,506	2,342

(Millions of yen)

	Nine Months ended December 31, 2020	Nine Months ended December 31, 2021
Profit attributable to		
Profit attributable to owners of parent	1,479	2,187
Profit attributable to non-controlling interests	27	155
Other comprehensive income		
Valuation difference on available-for-sale securities	2	1,092
Foreign currency translation adjustment	0	0
Total other comprehensive income	3	1,092
Comprehensive income	1,510	3,435
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,482	3,280
Comprehensive income attributable to non-controlling interests	27	155

(3) Notes to 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 nine months of the fiscal year under review decreased by 12,139 million yen and 12,171 million yen, respectively. Operating income, ordinary income and profit before income taxes for the nine months of the fiscal year under review decreased by 31 million yen, 31 million yen and 31 million yen, respectively. The balance of retained earnings as of the beginning of the first nine-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.