

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.

April 27, 2021

## SB Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 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 General Shareholders' Meeting: June 21, 2021

Scheduled date of filing of Securities Report: June 21, 2021

Scheduled date of payment of dividend: June 22, 2021

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 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	%
Fiscal year ended Mar. 31, 2021	70,451	20.8	3,855	27.0	3,981	31.3	2,428	30.8
Fiscal year ended Mar. 31, 2020	58,324	15.7	3,035	20.8	3,033	32.4	1,856	33.8

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2021: 2,520 (up 29.8%)

Fiscal year ended Mar. 31, 2020: 1,941 (up 36.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2021	120.25	119.46	14.0	11.2	5.5
Fiscal year ended Mar. 31, 2020	92.56	91.53	11.9	10.1	5.2

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2021: 15 Fiscal year ended Mar. 31, 2020: 1

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	38,798	19,577	47.1	902.72
As of Mar. 31, 2020	32,486	17,617	50.5	813.94

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 18,255

As of Mar. 31, 2020: 16,410

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2021	1,900	△2,410	329	9,648
Fiscal year ended Mar. 31, 2020	3,329	△1,753	△477	9,826

### 2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2020	—	10.00	—	20.00	30.00	603	32.4	3.8
Fiscal year ended Mar. 31, 2021	—	15.00	—	25.00	40.00	808	33.3	4.7
Fiscal year ending Mar. 31, 2022 (forecast)	—	20.00	—	20.00	40.00		31.1	

### 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	59,000	—	4,300	—	4,300	—	2,600	—	128.76

Note: Due to the change in accounting policy, starting from the Fiscal year 2021, the timing of revenue recognition has been changed to Inspection Basis. Therefore, the percentage changes are not shown.

**\* Notes**

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

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

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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2021:	22,728,500 shares	As of Mar. 31, 2020:	22,663,200 shares
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- ii. Number of treasury shares at the end of the period
 

As of Mar. 31, 2021:	2,505,822 shares	As of Mar. 31, 2020:	2,501,422 shares
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- iii. Average number of shares outstanding during the period
 

Fiscal year ended Mar. 31, 2021:	20,193,158 shares	Fiscal year ended Mar. 31, 2020:	20,054,168 shares
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**Reference: Summary of Non-consolidated Financial Results**

**Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)**

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2021	61,369	17.5	2,865	45.7	2,833	44.5	1,737	30.9
Fiscal year ended Mar. 31, 2020	52,220	16.7	1,967	16.1	1,960	12.0	1,327	6.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2021	86.04	85.47
Fiscal year ended Mar. 31, 2020	66.19	65.45

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	33,422	16,270	48.0	793.22
As of Mar. 31, 2020	29,178	15,090	51.0	738.44

Reference: Shareholders' equity (million yen) As of Mar. 31, 2021: 16,041 As of Mar. 31, 2020: 14,888

\* This consolidated financial report is not subject to fiscal year ended 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 considered appropriate 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, April 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. Overview of Business Results

### (1) Overview of business results for the current period

During the fiscal year under review, the COVID-19 pandemic caused the stagnation of economic activity in Japan. With the intermittent resurgence of COVID-19 infections, the outlook remained extremely uncertain, and another state of emergency has been declared. With people being asked to refrain from going out and to avoid contact with others, many companies have promoted digitalization and cloud computing and shifted to teleworking as much as possible.

In addition, companies were forced to review security measures in response to rapidly changing work styles and the rising number of cybercrimes targeting vulnerable areas. Companies, public offices and municipalities must continue to strengthen their security measures.

In response to these major changes in society, it was necessary for companies to strengthen their strategic business domains and promote digital transformation (DX) to secure a competitive advantage in this new normal created by the COVID-19 pandemic. In the public sector, the Digital Agency was established to establish a digital government, and there has been an acceleration of the DX strategies of the ministries, agencies, and local governments during the fiscal year under review.

Although the growth of IT investment in Japan has slowed when compared with investment prior to the pandemic, we believe that demand for strategic IT investments that respond to needs in this new normal and promote DX was strong.

Against this backdrop, the ICT services business performed strongly, and net Sales, marginal profit, operating profit, ordinary profit, and profit attributable to owners of parent achieved record highs for the full year.

In Business IT Solutions, system development and IoT projects for business divisions of SoftBank Corp. expanded. In addition, we completed the development of an electronic application platform for the Ministry of Agriculture, Forestry and Fisheries in the government DX business, which was received in the fiscal year ended March 31, 2020, and maintained and operated the Japanese version of O-NET for the Ministry of Health, Labour and Welfare. As a result of these and other factors, both sales and profits increased.

In corporate IT solutions, there was a decline in the backlash from SoftBank's group-wide efforts to develop large-scale cloud systems, but as part of DX, building zero trust security, operating help desk services, as well as growth in sales of our own clouXion services and managed security services, resulting increase in both sales and profits.

In Technical Solutions, which provides solutions for on-premises environments, vendor management projects in the IT field of SoftBank Corp., which began in 3Q of the previous fiscal year, led the increase in sales. The consolidation of DENEN Co. Ltd. in the second quarter under review also had the effect of increasing sales.

In EC Solutions, the e-commerce management agency business at Norton Store declined, but the font business remained strong, resulting in a decrease in sales but an increase in profits.

The Group's financial results for the consolidated fiscal year under review were as follows.

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change	Rate of change
Net sales	58,324	70,451	12,126	20.8%
Marginal profit	16,461	19,926	3,465	21.0%
Fixed cost	13,425	16,071	2,645	19.7%
Operating profit	3,035	3,855	819	27.0%
Ordinary profit	3,033	3,981	948	31.3%
Profit attributable to owners of parent	1,856	2,428	572	30.8%
Net income per share	JPY 92.56	JPY 120.25	JPY 27.69	29.9%

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%.

Net sales of Corporate IT Solutions and Business IT Solutions for the consolidated fiscal year under review increased by 14.9% year on year, to 24,059 million yen. The Corporate IT Solutions and Business IT Solutions net sales weighting decreased 1.8 percentage points from the previous fiscal year to 34.1%, affected by the increase in sales of technical solutions.

The Group operates in a single reportable segment of the ICT Services segment. Refer to "Solution Segment Explanation" on page 6 for details on the content and performance of the solutions that comprise the ICT Services segment.

< 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 Segment	Details of solutions	Names of major operating companies
Business IT Solutions	Cloud business/For business division: • Consulting service • DX Solutions • AI, IoT solutions, etc.	• SB Technology Corp. • Cybertrust Japan Co., Ltd. • REDEN Corp.
Corporate IT Solutions	Cloud business/For corporate and administrative divisions: • Cloud Integration • Business efficiency improvement services • Cloud security services • Security operations monitoring service • E-authentication solutions, etc.	• SB Technology Corp. • Cybertrust Japan Co., Ltd. • M-SOLUTIONS, Inc. • Kan Corporation • ASORA Tech Corp.
Technical Solutions	• On-premises system integration • Equipment sales, construction, operation and maintenance services • Sales and embedded developments of Linux/OSS related products, etc.	• SB Technology Corp. • Cybertrust Japan Co., Ltd. • DENEN Co. Ltd.
EC Solutions	• EC site management agency • E-commerce sales of font licenses, etc.	• SB Technology Corp. • Fontworks Inc.

(Millions of yen)

		Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change (Amount)	Change (Ratio)
Business IT Solutions	Net sales	4,659	6,386	1,727	37.1%
	Marginal profit	1,756	2,259	502	28.6%
	Profit ratio	37.7%	35.4%	(2.3) points	—
Corporate IT Solutions	Net sales	16,270	17,672	1,401	8.6%
	Marginal profit	6,553	7,353	800	12.2%
	Profit ratio	40.3%	41.6%	1.3 points	—
Technical Solutions	Net sales	15,371	24,425	9,053	58.9%
	Marginal profit	4,953	7,189	2,235	45.1%
	Profit ratio	32.2%	29.4%	(2.8) points	—
EC Solutions	Net sales	22,022	21,966	(55)	(0.3)%
	Marginal profit	3,198	3,124	(73)	(2.3)%
	Profit ratio	14.5%	14.2%	(0.3) points	—
Total	Net sales	58,324	70,451	12,126	20.8%
	Marginal profit	16,461	19,926	3,465	21.0%
	Profit ratio	28.2%	28.3%	0.1 points	—

(2) Overview of financial position for the current period

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Change (Amount)
Total assets	32,486	38,798	6,312
Net assets	17,617	19,577	1,960
Shareholder's equity ratio	50.5%	47.1%	(3.4) points
Net assets per share	813.94 yen	902.72 yen	88.78 yen

**(Assets)**

Total assets increased 6,312 million yen from the end of the previous fiscal year, to 38,798 million yen at the e current consolidated fiscal year under review.

Current assets increased by 4,785 million yen from the end of the previous fiscal year, mainly due to an increase in notes and accounts receivable trade.

Non-current assets increased 1,525 million yen, mainly due to an increase in deferred goodwill.

Deferred assets increased 1 million yen from the end of the previous fiscal year, due to an increase in share issuance costs.

**(Liabilities)**

Total liabilities increased 4,351 million yen from the end of the previous fiscal year to 19,221 million yen at the end of the current consolidated fiscal year under review.

Current liabilities increased by 3,378 million yen from the end of the previous fiscal year, mainly due to an increase in accounts payable trade.

Non-current liabilities increased by 972 million yen from the end of the previous fiscal year, mainly due to increase in long-term borrowings.

**(Net assets)**

Net assets at the end of the fiscal year under review increased by 1,960 million yen from the end of the previous fiscal year to 19,577 million yen, due mainly to an increase in retained earnings.

(3) Overview of cash flows for the current period

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Changes(Amount)
Cash flows from operating activities	3,329	1,900	(1,429)
Cash flows from investing activities	(1,753)	(2,410)	(656)
Cash flows from financing activities	(477)	329	807
Changes in cash and cash equivalents	1,097	(177)	(1,274)
Balance of cash and cash equivalents at end of period	9,826	9,648	(177)

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) decreased 177 million yen from the end of the previous consolidated fiscal year to 9,648 million yen.

The status of individual cash flows and factors in the current consolidated fiscal year are as follows:

**(Cash flows from operating activities)**

Cash provided by operating activities amounted to 1,900 million yen. This was due mainly to an increase of 4,321 million yen in trade receivables, as well as cash provided of 3,880 million yen from profit before income taxes and 1,152 million yen arising from depreciation.

Compared with the previous consolidated fiscal year, profit before income taxes increased 906 million yen, while cash used increased 1,969 million yen because of changes in accounts payable, consequently cash provided decreased 1,429 million yen.

**(Cash flows from investing activities)**

Cash used in investing activities amounted to 2,410 million yen. This was mainly due to cash used for the purchase of intangible assets of 1,545 million yen.

In comparison with the previous consolidated fiscal year, cash used for purchase of shares of subsidiaries resulting in change in scope of consolidation increased 692 million yen. Consequently, cash used increased 656 million yen.

**(Cash flows from financing activities)**

Cash used in financing activities amounted to 329 million yen. This was due chiefly to cash used for 704 million yen in cash dividends paid, while there was also cash provided of 1,530 million yen in proceeds from long-term loans payable.

Compared with the previous fiscal year, although repayment of long-term loans payable increased by 477 million yen, proceeds from long-term loans payable increased by 1,530 million yen. As a result, net cash provided by operating activities increased by 807 million yen.



## 2. Management Policies

### (1) Basic policy

Based on our corporate philosophy of "Information Revolution - Happiness for Everyone: Technologies Design the Future," we aim to be a business partner that constantly takes on the challenge of acquiring cutting-edge ICT technologies to make customers' operations more efficient and reduce costs, and to achieve growth in their core business through ICT services.

Based on the corporate philosophy of "Information Revolution - Happiness for everyone," the SoftBank Group, to which we belong, strives to maximize corporate value and to become a group that provides the technologies and services that people around the world need most. It is engaged in a variety of businesses in the field of information and technology. As the core provider of ICT services in the SoftBank Group, we will support the IT systems of SoftBank Group companies in Japan. At the same time, we will contribute to the realization of an affluent information-oriented society by leveraging synergies with the SoftBank Group companies and providing ICT services to solve a variety of issues faced by customers.

For the Group to achieve sustainable growth, we believe it is important to conduct business that contributes to the resolution of social issues. We currently support remote working platforms amid the COVID-19 pandemic, and we are leveraging ICT services to help address social problems such as the labor shortage and the need to improve productivity in the construction and agricultural industries. We are implementing these and other 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.

### (2) Third Medium-Term Management Plan

Our management policy states that we should grow significantly. In the First Medium-Term Management Plan, from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, we focused on three areas: cloud, security, and big data, and promoted business expansion. We have positioned the fiscal years ended March 31, 2017, March 31, 2018 and March 31, 2019 as the Second Medium-Term Management Plan, and have built a foundation for expanding recurring business by fusing security measures and the added value of big data analysis on the cloud to increase value for customers and by enhancing the servicing of these focus areas. From the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022 as the Third Medium-Term Management Plan, we focus on "Be a service provider for corp IT" and "Consult and generate business IT" to contribute to our customers' businesses.

In the fiscal year ending March 31, 2022, we will raise net sales ratio of Corporate IT Solutions and Business IT Solutions to 50%, which will achieve the company's cloud-first strategy. In addition, we set the management index to achieve consolidated operating profit of 43 million yen (CAGR20% growth starting from the fiscal year ended March 31, 2019). We aim to achieve a return on equity (ROE) of 13% in the fiscal year ending March 31, 2022. We achieved our ROE target of 13% for the fiscal year ending March 31, 2022, one year ahead of schedule. We will aim to achieve the same ROE in the next fiscal year as well.

#### < Be a service provider for corp IT >

We believe that providing our technology and expertise as a service or platform is essential for providing greater value to society in a sustainable manner.

We were one of the first to enter the cloud business in 2009, at the dawn of the cloud era, and we have leveraged the knowledge and process assets that we have acquired through individual development projects for major corporations to develop several authentication services, workflow services, and other services that complement Microsoft's cloud services. We are developing a group of cloud services to accelerate our customers' DX initiatives under the brand name clouXion.

To strengthen the security of local governments' computer systems, we embarked upon projects to improve the resilience of municipal governments' information systems and build prefectural government information security clouds. We built and have operated four prefectures' information security clouds for four years, more than any other IT vendor. The construction and operation of municipal information security clouds required us to respond to the individual needs of each municipality with unique system and service requirements. Through this experience, we have accumulated a wide range of hardware and software expertise for municipalities, including security products and services expertise and the

ability to provide support that improves the operational efficiency of prefectures and municipalities. Through these efforts, we have begun to build a service-based municipal information security cloud that meets the standard requirements of the Ministry of Internal Affairs and Communications (MIC), including cyber-attack security measures and efficiency and convenience improvements for municipalities. These services can be procured jointly by multiple prefectures regardless of area.

In the past, we have focused on direct sales to expand services sales. However, to provide value to society, we will cooperate with SoftBank Group companies and other partners to develop systems and services facilitating indirect sales.

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

#### < 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. We believe the use of cloud computing and advanced technologies to strengthen the competitiveness of our customers and the promotion of digital government are major opportunities, and we are actively engaged in research and development, the development of new services, and the strengthening of our development system.

To date, we have focused on indirect DX support for the information system departments of our enterprise and government customers. However, we are now shifting our focus to support through services and platforms in this area. Going forward, we would like to focus more directly on helping customers strengthen their competitiveness through consulting.

As an example of our contribution to the core business, we have supported the DX strategy of the Ministry of Agriculture, Forestry and Fisheries by creating Zenkoku Nouchi Navi, migrating the agricultural land ledger to the cloud in the fiscal year ended March 2016, developing a common application service for the digitalization of applications, and implementing demonstration experiments for the efficient digitalization of subsequent applications. In the fiscal year under review, we received orders for the additional development and operation of the common application service and for digital maps, and will continue to promote co-creation for the realization of digital government.

In addition, we are working to promote DX in all focus industries. In the construction industry, we are promoting the use of ICT at construction sites and developing services in cooperation areas. The shift to new work styles using IT tools such as online meetings and remote working from locations other than construction sites is accelerating, and ID management and security is becoming an issue as many people come and go. To address this issue, we developed Con-Bridge through our co-creation model with a major general contractor. Con-Bridge is a service providing features tailored to on-site needs, based on integrated ID management using our unique authentication infrastructure. Going forward, we plan to expand the service's features and link it to other external IT services.

We will continue to hone our cutting-edge technology and creativity for the co-creation of new businesses to support DX as a partner for the transformation of our customers' businesses.

We believe that it is essential to cultivate and secure human resources, which are a source of added value, to steadily implement the measures described above. We believe that training consultants is important for us to expand our services and support the DX of our clients' businesses. We therefore provide an environment that enable consultants to take on new challenges and gain new experience, and we also support their becoming a Certified Business Analysis Professional (CBAP) certified based on the Business Analysis Body of Knowledge (BABOK) standard, which enables them to systematically acquire business analysis skills.

In July 2020, we introduced a system enabling our employees to choose between mainly teleworking and mainly working in the office as a new work style in the new normal created by the COVID-19 pandemic. We are exploring what our office should be in the future, in order to realize the diverse work styles that are typical of a technology company.

(3) Forecast of consolidated financial results for the fiscal year ending March 31, 2022

In Business IT solutions, we see great opportunities in corporate DX and the government's efforts to realize digital government. In the fiscal year under review, we received orders for the additional development and operation of an electronic application project for the Ministry of Agriculture, Forestry and Fisheries and a digital map project. The next fiscal year will see us engaged in the development and operation phases of these projects. Thus, we expect our business IT solutions to expand.

In corporate IT solutions, we are expecting advances in the use of cloud computing and security-related services, which are necessary in the new normal era created by the COVID-19 pandemic. We will focus on the development and expansion of services with the goal of increasing profits in ways that do not depend on the supply of resources.

In Technical Solutions, we expect IT support for our group companies, mainly SoftBank Corp., to expand, and as a result, we expect sales to remain strong.

In EC Solutions, license sales on e-commerce sites will be recorded on a net basis due to the application of accounting standards for revenue recognition.

In the next fiscal year, we plan to actively hire approximately 150 new graduates and mid-career workers, and conduct restricted training and events during the pandemic. In addition, we plan to make aggressive upfront investments in R&D and sales promotion activities for major opportunities related to public offices and municipalities, corporate DX support, and the expansion of service sales.

The Group thus forecasts net sales of 59,000 million yen, operating profit of 4,300 million yen, ordinary profit of 4,300 million yen and profit attributable to owners of parent of 2,600 million yen for the next fiscal year.

The following portrays the forecast of consolidated financial results for the fiscal year ending March 31, 2022 based on the outlook and the policy discussed above.

	(Millions of yen)				(Yen)
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
Forecasts for the fiscal year ending March 31, 2022	59,000	4,300	4,300	2,600	128.76

The above forecast is calculated based on the accounting standard for revenue recognition, as this standard will be applied from the fiscal year ending March 31, 2022. For this reason, changes from the actual values for the fiscal year ended March 31, 2021 prior to the application of this standard are not shown.

The forecast of financial results is based on information currently available, and actual figures may differ from the forecast due to a range of factors.

(4) Basic policy on profit distribution and dividends for the current and next periods

The Group strengthens the business structure and strives for sustainable increases in enterprise value, considering the interests of shareholders and of significant management policies. As a measure to return profits to shareholders, in our policy, we distribute the fruits through the payment of dividends. The dividends are paid stably and continuously, given consolidated business results, investment plan and cash on hand for the fiscal years.

Under the third Medium-Term Management Plan, we have positioned CAGR20% growth in operating profit as our highest management indicator, starting from FY2020. In the fiscal year ended March 31, 2021, profit attributable to owners of parent increased 30.8% year on year to 2,428 million yen. As we expect continued growth in the future, we plan to pay an ordinary dividend of 40 yen per share, an increase of 10 yen from the previous fiscal year.

For the following fiscal year, we are planning to pay an ordinary dividend of 40 yen per share, the same amount as for the fiscal year under review, comprising an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share,

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	9,826	9,722
Notes and accounts receivable - trade	12,714	17,428
Merchandise	26	82
Work in process	757	648
Other	1,026	1,254
Allowance for doubtful accounts	△0	△0
<b>Total current assets</b>	<b>24,350</b>	<b>29,135</b>
Non-current assets		
Property, plant and equipment		
Buildings	1,428	1,674
Accumulated depreciation	△697	△861
Buildings, net	731	812
Tools, furniture and fixtures	2,235	2,488
Accumulated depreciation	△1,479	△1,648
Tools, furniture and fixtures, net	756	840
Other	—	9
Accumulated depreciation	—	△3
Other, net	—	5
<b>Total property, plant and equipment</b>	<b>1,488</b>	<b>1,659</b>
Intangible assets		
Goodwill	554	1,271
Software	1,397	1,692
Software in progress	591	1,070
Customer relationships	335	334
Other	170	145
<b>Total intangible assets</b>	<b>3,049</b>	<b>4,514</b>
Investments and other assets		
Investment securities	782	636
Deferred tax assets	960	1,229
Other	1,854	1,621
<b>Total investments and other assets</b>	<b>3,597</b>	<b>3,487</b>
<b>Total non-current assets</b>	<b>8,135</b>	<b>9,661</b>
Deferred assets		
Share issuance costs	—	1
<b>Total deferred assets</b>	<b>—</b>	<b>1</b>
<b>Total assets</b>	<b>32,486</b>	<b>38,798</b>

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	8,258	9,162
Current portion of long-term borrowings	—	470
Lease obligations	88	187
Accounts payable - other	1,163	1,248
Income taxes payable	810	1,021
Advances received	1,554	1,913
Provision for bonuses	1,055	1,572
Provision for loss on order received	198	309
Provision for defect repair	1	2
Other	397	1,019
<b>Total current liabilities</b>	<b>13,528</b>	<b>16,907</b>
Non-current liabilities		
Long-term borrowings	—	1,133
Lease obligations	291	104
Deferred tax liabilities	68	80
Long-term advances received	495	445
Retirement benefit liability	45	47
Asset retirement obligations	326	359
Other	112	142
<b>Total non-current liabilities</b>	<b>1,340</b>	<b>2,313</b>
<b>Total liabilities</b>	<b>14,869</b>	<b>19,221</b>
Net assets		
Shareholders' equity		
Share capital	1,176	1,235
Capital surplus	1,268	1,327
Retained earnings	15,549	17,271
Treasury shares	△1,568	△1,568
<b>Total shareholders' equity</b>	<b>16,425</b>	<b>18,266</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△17	△14
Foreign currency translation adjustment	2	3
<b>Total accumulated other comprehensive income</b>	<b>△14</b>	<b>△10</b>
Share acquisition rights	205	233
Non-controlling interests	1,000	1,088
<b>Total net assets</b>	<b>17,617</b>	<b>19,577</b>
<b>Total liabilities and net assets</b>	<b>32,486</b>	<b>38,798</b>

## (2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	58,324	70,451
Cost of sales	48,897	59,068
Gross profit	9,426	11,383
Selling, general and administrative expenses	6,391	7,527
Operating profit	3,035	3,855
Non-operating income		
Interest and dividend income	1	0
Share of profit of entities accounted for using equity method	1	15
Dividend income of insurance	3	4
Subsidy income	2	144
Miscellaneous income	10	13
Total non-operating income	19	177
Non-operating expenses		
Interest expenses	7	15
Loss on investments in investment partnerships	2	2
Loss on extinguishment of share-based remuneration expenses	—	6
Foreign exchange losses	8	2
Commission expenses	—	18
Miscellaneous losses	3	6
Total non-operating expenses	22	51
Ordinary profit	3,033	3,981
Extraordinary income		
Gain on sale of investment securities	2	103
Gain on reversal of share acquisition rights	5	—
Total extraordinary income	7	103
Extraordinary losses		
Loss on step acquisitions	—	5
Loss on retirement of non-current assets	—	25
Impairment losses	15	127
Loss on valuation of investment securities	50	31
Office relocation expenses	—	14
Total extraordinary losses	66	203
Profit before income taxes	2,974	3,880
Income taxes - current	1,185	1,569
Income taxes - deferred	△158	△205
Total income taxes	1,027	1,364
Profit	1,947	2,516

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
<b>Profit attributable to</b>		
Profit attributable to owners of parent	1,856	2,428
Profit attributable to non-controlling interests	91	88
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	△4	2
Foreign currency translation adjustment	△1	1
<b>Total other comprehensive income</b>	<b>△6</b>	<b>4</b>
<b>Comprehensive income</b>	<b>1,941</b>	<b>2,520</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	1,850	2,432
Comprehensive income attributable to non-controlling interests	91	88

### (3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	995	1,111	14,290	△1,568	14,829
Changes of during period					
Issuance of new shares	180	180	—	—	361
Dividends of surplus	—	—	△597	—	△597
Profit attributable to owners of parent	—	—	1,856	—	1,856
Purchase of treasury shares	—	—	—	△0	△0
Change in ownership interest of parent due to transactions with non-controlling interests	—	△23	—	—	△23
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	180	157	1,258	△0	1,596
Balance at end of period	1,176	1,268	15,549	△1,568	16,425

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	△12	3	△8	160	876	15,857
Changes of during period						
Issuance of new shares	—	—	—	—	—	361
Dividends of surplus	—	—	—	—	—	△597
Profit attributable to owners of parent	—	—	—	—	—	1,856
Purchase of treasury shares	—	—	—	—	—	△0
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	△23
Net changes in items other than shareholders' equity	△4	△1	△6	45	124	163
Total changes during period	△4	△1	△6	45	124	1,759
Balance at end of period	△17	2	△14	205	1,000	17,617



Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,176	1,268	15,549	△1,568	16,425
Changes of during period					
Issuance of new shares	59	59	—	—	118
Dividends of surplus	—	—	△706	—	△706
Profit attributable to owners of parent	—	—	2,428	—	2,428
Purchase of treasury shares	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during period	59	59	1,722	—	1,840
Balance at end of period	1,235	1,327	17,271	△1,568	18,266

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	△17	2	△14	205	1,000	17,617
Changes of during period						
Issuance of new shares	—	—	—	—	—	118
Dividends of surplus	—	—	—	—	—	△706
Profit attributable to owners of parent	—	—	—	—	—	2,428
Purchase of treasury shares	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—
Net changes of items other than shareholders' equity	2	1	4	27	88	119
Total changes during period	2	1	4	27	88	1,960
Balance at end of period	△14	3	△10	233	1,088	19,577

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,974	3,880
Depreciation	1,060	1,152
Impairment losses	15	127
Office transfer expenses	—	14
Amortization of goodwill	155	226
Share-based payment expenses	115	86
Increase (decrease) in allowance for doubtful accounts	△1	0
Increase (decrease) in provision for bonuses	152	380
Increase (decrease) in retirement benefit liability	2	△1
Increase (decrease) in provision for loss on order received	157	110
Increase (decrease) in provision for defect repair	0	1
Loss on retirement of intangible assets	—	25
Interest and dividend income	△1	△0
Interest expenses	7	15
Loss (gain) on step acquisitions	—	5
Share of loss (profit) of entities accounted for using equity method	△1	△15
Loss (gain) on investments in investment partnerships	2	2
Loss (gain) on sale of investment securities	△2	△103
Loss (gain) on valuation of investment securities	50	31
Decrease (increase) in trade receivables	△2,702	△4,321
Decrease (increase) in inventories	△545	243
Decrease (increase) in trade receivables	53	△91
Increase (decrease) in trade payables	2,743	774
Increase (decrease) in accrued consumption taxes	△85	643
Increase (decrease) in trade payables	219	122
Other, net	1	18
Subtotal	4,373	3,328
Interest and dividends received	1	0
Interest paid	△7	△16
Income taxes refund (paid)	△1,038	△1,411
Net cash provided by (used in) operating activities	3,329	1,900

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	—	160
Purchase of property, plant and equipment	△522	△459
Purchase of intangible assets	△935	△1,545
Purchase of investment securities	△123	—
Proceeds from sale of investment securities	2	140
Proceeds from collection of loans receivable	6	6
Payments of guarantee deposits	△228	△4
Proceeds from refund of guarantee deposits	14	80
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△692
Other, net	33	△96
Net cash provided by (used in) investing activities	△1,753	△2,410
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	—	1,530
Repayments of long-term borrowings	△24	△502
Proceeds from issuance of shares	215	95
Purchase of treasury shares	△0	—
Dividends paid	△596	△704
Repayments of lease obligations	△81	△88
Proceeds from share issuance to non-controlling shareholders	10	—
Net cash provided by (used in) financing activities	△477	329
Effect of exchange rate change on cash and cash equivalents	△1	2
Net increase (decrease) in cash and cash equivalents	1,097	△177
Cash and cash equivalents at beginning of period	8,728	9,826
Cash and cash equivalents at end of period	9,826	9,648

## (5) Notes to Consolidated Financial Statements

(Going concern assumption)

Not applicable.

(Changes in the scope of consolidation and the scope of application of the equity method)

Because the Company acquired all shares of DENEN Co. Ltd. in the first half under review, it is included in the scope of consolidation. In addition, I/O System Integration Co., Ltd., a wholly owned subsidiary of DENEN Co. Ltd., is also included in the scope of consolidation.

(Segment information)

We have omitted the statement of segment information because the ICT service business is the only business segment of our group.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net assets per share	813.94 yen	902.72 yen
Net income per share	92.56 yen	120.25 yen
Diluted net income per share	91.53 yen	119.46 yen

(Note) The following shows the basis for the calculation of net income per share and diluted net income per share.

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	1,856	2,428
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	1,856	2,428
Average number during the period (share)	20,054,168	20,193,158
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	—
Increase in common shares (share)	226,196	133,908
(of which, share acquisition rights (share))	(226,196)	(133,908)
Summary of dilutive shares not included in calculating diluted net income per share due to no dilutive effect	(Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 210,500 shares	(Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 47,000 shares

(Significant Subsequent Events)

Not applicable.

*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.*