

Disclaimer:

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October 26, 2022

SB Technology Corp.
Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2023
(Six Months Ended September 30, 2022)

[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: November 11, 2022

Scheduled date of payment of dividend: December 1, 2022

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, 2022 (April 1, 2022 – September 30, 2022)

(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, 2022	31,706	1.2	2,270	2.9	2,222	1.5	1,346	2.3
Six months ended Sep. 30, 2021	31,316	—	2,205	—	2,189	—	1,315	—

Note: Comprehensive income (million yen) Six months ended Sep.30, 2022: 1,468 (up 4.7%)

Six months ended Sep.30, 2021: 1,402 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	66.99	66.32
Six months ended Sep. 30, 2021	65.04	64.27

Note: Effective from the beginning of the fiscal year ended 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 ended March 2022 is the amount after the adoption of the said accounting standard, etc.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2022	39,782	23,289	52.4	1,048.45
As of Mar. 31, 2022	44,365	23,379	47.5	1,039.71

Reference: Shareholders' equity (million yen)

As of Sep.30, 2022: 20,828

As of Mar. 31, 2022: 21,062

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	—	20.00	—	30.00	50.00
Fiscal year ending Mar.31, 2023	—	25.00			
Fiscal year ending Mar. 31, 2023 (forecast)			—	25.00	50.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023
(April 1, 2022 – March 31, 2023)

(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	70,000	5.8	5,400	4.8	5,380	4.8	3,400	△6.4	169.19

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

*** 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, 2022:	22,757,800shares	As of Mar. 31, 2022:	22,742,800shares
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- ii. Number of treasury shares at the end of the period

As of Sep.30, 2022:	2,891,430shares	As of Mar. 31, 2022:	2,484,351shares
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- iii. Average number of shares outstanding during the period

Six months ended Sep.30, 2022:	20,095,960shares	Six months ended Sep. 30, 2021:	20,231,050shares
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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 26, 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

Despite the COVID-19 pandemic's lingering impact, economic activity has gradually returned to normal, with measures to control infections being kept in place. However, the social and economic outlook remains uncertain amid rising energy prices and inflation fueled by concerns about the world situation.

In this operating environment, companies are still under pressure to implement initiatives such as advancing digital transformation (DX), reinforcing operations using digital technologies, creating secure work-from-home environments and promoting the use of cloud computing services to address workstyle changes. As a result, Japanese corporate demand for investment in digital transformation (DX) has remained steady. Additionally, cybercrimes targeting weaknesses in security measures are on the increase. Cyber-attacks on suppliers are growing in particular as corporate supply chains continue to grow more and more complex. Under these conditions, it has become apparent that both individual companies and entire supply chains need to take cyber security measures.

Meanwhile, in the government sector, a year has passed since the establishment of the Digital Agency and steady progress is being made on the digital transformation of government, including scrapping health insurance certificates and integrating them into My Number Cards. Progress has also been made on the development of the Government Cloud, with Microsoft Azure, which is one of the Company's areas of expertise, selected as one of the cloud services. Through such initiatives, demand for the digitalization of government has also remained robust.

The Company and other ICT-related companies are expected to respond to rapid social changes through the promotion of DX accompanied with support for security measures.

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.

- Telecommunication

Sales in the Telecommunication segment fell year on year, with the shift of vendor management projects for SoftBank Corp. towards the high value added domain. However, profits for the segment rose year on year, reflecting increased efficiency and improved profit margins.

- Enterprise

Sales in the Enterprise segment rose thanks to an increase in projects related to security measures and monitoring operations for manufacturers. Profits also increased, reflecting improved profit margins as a result of partial withdrawal from unprofitable license sales and steady progress of the Company's own Managed Security Services (MSS).

- Public Sector

Sales in the Public Sector segment grew year on year, supported by projects for the additional development and application of an electronic application platform, projects preparing digital maps for the Ministry of Agriculture, Forestry and Fisheries and the operational launch of next-generation Local Government Information Security Cloud. However, growth in gross profit was more modest due to an increase in costs for dealing with faults related to next-generation Local Government Information Security Cloud.

- Consumer

Sales in the Consumer segment remained mostly flat and gross profit fell, as changes in the contract with NortonLifeLock Co., Ltd. were pushed back in the business of operating e-commerce sites as an agent.

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

Net Sales, gross profit, 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, 2022	Change (Amount)	Change (Ratio)
Net sales	31,316	31,706	389	1.2%
Gross profit	6,371	6,944	572	9.0%
Total selling, general and administrative expenses	4,165	4,673	508	12.2%
Operating income	2,205	2,270	64	2.9%
Ordinary income	2,189	2,222	33	1.5%
Profit attributable to owners of parent	1,315	1,346	30	2.3%
EBITDA(*)	2,951	3,093	141	4.8%
Net income per share	JPY65.04	JPY 66.99	JPY 1.95	3.0%

*Note: EBITDA=Operating income + Amortization of goodwill + Depreciation

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

< Progress in the Fourth Medium-Term Management Plan >

The Company and its consolidated subsidiaries (the "Group") established the Fourth Medium-Term Management Plan covering three years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, and began implementing initiatives based on the Plan.

(i) Basic business policy

The Group's mission reads: "Information Revolution, Happiness for everyone - Technologies Design the Future-" It thus enhances its advanced technologies and creativity in an environment that supports diverse work styles and attempts in an aim to be a company that continues to offer new value to society. In line with this management philosophy, it formulated a long-term vision of becoming a leader of cloud consulting and service company to increase enterprise Japanese company's competitiveness. The Group has a management policy of creating a prosperous information society through the provision of ICT services.

Furthermore, the Group is addressing a range of social issues through its corporate activities for the realization of a sustainable society. The Group identified six material issues (important issues) as themes for advancing activities for the realization of sustainability.

Please see the Company's website for more information about sustainability and the material issues.

<https://www.softbanktech.co.jp/corp/sustainability/>

The Group has a management policy of creating a prosperous information society through the provision of ICT services.

(ii) Priority theme

Progress on the priority themes under the Fourth Medium-Term Management Plan is as follows.

< Three Priority Themes and Initiatives Based on the Themes >

- Providing security and operation services to support customer's DX
- Promote co-creation-type DX utilizing data that realizes customer transformation
- DX Consultation and IT education for the development and creation of DX human resources

Security-related sales for the first six months of the consolidated fiscal year under review amounted to 4,925 million yen (up 16.9% year on year), due to steady progress in expanding sales of the Company's own Managed Security Services (MSS). The Company renovated its Security Operation Center (SBT-SOC) in July 2022. At SBT-SOC, full-time security analysts monitor customers' security systems and networks around the clock all year round. The Center provides MSS to customers to protect their systems and networks from cyber-attack and unauthorized access. In the latest renovation, the Company established an environment that is easy for security analysts to work in and enhanced the framework for providing security and operation services by roughly doubling the floor space, improving business efficiency and the office environment, bolstering cooperation with the Global Security Operation Center and other activities. Going forward, the Company will strengthen the framework to meet growing demand, aiming to increase the number of security analysts from 80 currently to 150 by FY2024.

The Company has signed a business alliance agreement with Modis Ltd. in the engineer recruitment and human resource development domain. Through this, the Company plans to create a scheme for developing and recruiting the IT engineers and consulting human resources it needs in the cloud and security domains which it is focusing on.

The Company will continue working on the Three Priority Themes aiming to steadily execute the Fourth Medium-Term Management Plan.

(iii) Targeted management indicators

The Company made cloud security services a Group priority business in the Fourth Medium-Term Management Plan covering the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. In the plan, the Company aims to expand this business and increase its value. The management indicator targets for the fiscal year ending March 31, 2025 in the final fiscal year of the Fourth Medium-Term Management Plan adopted by the Company are consolidated operating profit of 8 billion yen, consolidated operating income ratio above 9%, and cloud security service sales above 50 billion yen. The Company will advance initiatives to achieve these targets.

< Sustainability initiatives >

The SoftBank Group seeks to become a group of companies that provides the services and technologies that are most needed by people around the world based on its management policy of Information Revolution — Happiness for everyone. To be this kind of group, the SoftBank Group aims to resolve social issues of all kinds using the digital technologies it increasingly supplies to society. Another goal of the SoftBank Group is the realization of a decarbonized society. Accordingly, the SoftBank Group established the target of achieving carbon neutrality in fiscal 2030. This target means that it will reduce greenhouse gas emissions from all of its business activities to virtually zero by fiscal 2030. The Company also views initiatives regarding social issues as important management challenges that it faces. The Company will advance initiatives toward the goal of achieving carbon neutrality in fiscal 2030.

The Company believes that leveraging its strengths in cloud and security services is essential for its environmental initiatives. Regarding the material issue of contribution to the global environment through cloud services, the Company will work to contribute to the reduction of greenhouse gas emissions by advancing the highly efficient cloud services provided by data centers to reduce the amount of electricity consumed. Concerning the material issues of increasing accessibility and advancing applications for data using advanced technologies, the Company will help reduce greenhouse gas emissions and improve energy efficiency by visualizing environment-related data, such as greenhouse gas emissions and power consumption, through customers' promotion of DX and the high-safety use of data.

With the target of achieving carbon neutrality in fiscal 2030, the Company will work to reduce the Group's total greenhouse gas emissions and contribute to the realization of a decarbonized society. The Company will achieve sustainable growth by advancing sustainability management to resolve the six material issues and continuously supply new value to society.

< Segment Explanation >

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

The Company has established project teams, provided consulting services, introduced systems and provided IT education services to address issues in markets. In advancing its Fourth Medium-Term Management Plan, the Company renamed its categories as details and core companies based on the market segments to which the customers belong in order to visualize the changes in its business portfolio and facilitate the comparison of its operating results with external conditions.

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

Category	Details	Core companies
Telecommunication	<p>[For Telecommunication]</p> <ul style="list-style-type: none"> - Construction, operation and maintenance of on-premises systems (including private cloud) - Cloud consulting/Migration assistance / Construction / Operation - Security monitoring operation service, etc 	<ul style="list-style-type: none"> - SB Technology Corp. - DENEN Co. Ltd.
Enterprise	<p>[For Enterprise]</p> <ul style="list-style-type: none"> - Cloud consulting/Migration assistance / Construction / Operation / IT education service, AI/IoT Solution - Security consulting/Introduction support/Monitoring operation service, - Electronic authentication solution, etc 	<ul style="list-style-type: none"> - SB Technology Corp. - M-SOLUTIONS, Inc. - Kan Corporation - Cybertrust Japan Co., Ltd. - I/O system integration Co., LTD.
Public Sector	<p>[For Public sector]</p> <ul style="list-style-type: none"> - Cloud migration assistance/Construction/Operation/IT education service, AI/IoT Solution - Security consulting/Introduction support/Monitoring operation service, etc 	<ul style="list-style-type: none"> - SB Technology Corp. - ASORA Tech Corp. - REDEN Corp.
Consumer	<ul style="list-style-type: none"> - EC site operation Substitute such as Norton Store, - EC sales of font licenses, etc 	<ul style="list-style-type: none"> - SB Technology Corp. - Fontworks Inc.

(Millions of yen)

		Six-month period ended September 30, 2021	Six-month period ended September 30, 2022	Change (Amount)	Change (Ratio)
Telecommunication	Net Sales	10,941	9,811	(1,129)	(10.3)%
	Gross profit	1,473	1,588	115	7.9%
	Profit margins	13.5%	16.2%	2.7 pt.	—
Enterprise	Net Sales	14,304	14,561	257	1.8%
	Gross profit	3,252	3,692	440	13.6%
	Profit margins	22.7%	25.4%	2.7 pt.	—
Public Sector	Net Sales	3,986	5,302	1,316	33.0%
	Gross profit	331	401	69	21.1%
	Income margins	8.3%	7.6%	(0.7) pt.	—
Consumer	Net Sales	2,084	2,030	(54)	(2.6) %
	Gross profit	1,314	1,260	(53)	(4.1) %
	Income margins	63.1%	62.1%	(1.0) pt.	—
Total	Net Sales	31,316	31,706	389	1.2%
	Gross profit	6,371	6,944	572	9.0%
	Income margins	20.3%	21.9%	1.6 pt.	—

(2) Explanation of Financial Position

Assets, Liabilities and Net assets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022	(Reference) As of September 30, 2021
Total assets	44,365	39,782	38,503
Net assets	23,379	23,289	21,247
Shareholder's equity ratio	47.5%	52.4%	49.6%

(Assets)

Total assets decreased 4,582 million yen from the end of the previous fiscal year, to 39,782 million yen at the end of the six-month period under review.

Current assets decreased 4,039 million yen from the end of the previous fiscal year, mainly due to a decrease in Notes and accounts receivable - trade, and contract assets.

Non-current assets decreased 542 million yen, mainly due to a decrease in deferred tax assets.

(Liabilities)

Total liabilities decreased 4,491 million yen from the end of the previous fiscal year, to 16,493 million yen at the end of the six-month period under review.

Current liabilities decreased 4,238 million yen, mainly due to a decrease in accounts payable.

Non-current liabilities increased 253 million yen, mainly attributable to a decrease in long-term borrowings.

(Net assets)

Net assets at the end of the first six months under review totaled 23,289 million yen, a decrease of 90 million yen from the end of the previous fiscal year, mainly due to an increase in treasury shares, despite higher retained earnings.

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

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.

The forecast of consolidated financial results for the fiscal year ending March 31, 2023, which we announced on July 27, 2022, remains unchanged.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	8,762	10,820
Notes and accounts receivable - trade, and contract assets	22,290	15,348
Merchandise	66	130
Other	3,207	3,987
Allowance for doubtful accounts	△0	△0
Total current assets	34,326	30,286
Non-current assets		
Property, plant and equipment		
Buildings, net	739	717
Tools, furniture and fixtures, net	916	890
Other, net	5	150
Total property, plant and equipment	1,661	1,759
Intangible assets		
Goodwill	1,093	965
Software	2,553	2,420
Software in progress	461	585
Customer relationships	262	225
Other	116	101
Total intangible assets	4,486	4,298
Investments and other assets		
Investment securities	625	627
Deferred tax assets	1,309	926
Other	1,953	1,882
Total investments and other assets	3,888	3,436
Total non-current assets	10,036	9,494
Deferred assets		
Share issuance costs	2	1
Total deferred assets	2	1
Total assets	44,365	39,782

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	7,528	4,743
Current portion of long-term borrowings	394	333
Lease liabilities	19	19
Accounts payable - other	4,719	4,439
Income taxes payable	1,379	543
Contract liabilities	1,835	2,420
Provision for bonuses	1,876	1,329
Provision for bonuses for directors (and other officers)	—	53
Provision for loss on order received	403	211
Provision for defect repair	16	6
Asset retirement obligations	24	—
Other	699	557
Total current liabilities	18,896	14,658
Non-current liabilities		
Long-term borrowings	799	640
Lease liabilities	96	86
Deferred tax liabilities	26	10
Contract liabilities	709	636
Retirement benefit liability	53	56
Asset retirement obligations	334	335
Other	69	69
Total non-current liabilities	2,088	1,835
Total liabilities	20,985	16,493
Net assets		
Shareholders' equity		
Share capital	1,254	1,270
Capital surplus	1,567	1,619
Retained earnings	19,789	20,527
Treasury shares	△1,555	△2,600
Total shareholders' equity	21,055	20,818
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	5
Foreign currency translation adjustment	4	5
Total accumulated other comprehensive income	7	10
Share acquisition rights	279	288
Non-controlling interests	2,037	2,171
Total net assets	23,379	23,289
Total liabilities and net assets	44,365	39,782

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	31,316	31,706
Cost of sales	24,945	24,762
Gross profit	6,371	6,944
Selling, general and administrative expenses	4,165	4,673
Operating profit	2,205	2,270
Non-operating income		
Interest income	0	0
Dividend income	0	2
Share of profit of entities accounted for using equity method	2	1
Gain on investments in investment partnerships	6	—
Subsidy income	10	—
Miscellaneous income	3	12
Total non-operating income	22	16
Non-operating expenses		
Interest expenses	7	4
Donations	10	10
Loss on investments in investment partnerships	—	2
Foreign exchange losses	9	18
Commission expenses	—	20
Miscellaneous loss	12	8
Total non-operating expenses	39	64
Ordinary profit	2,189	2,222
Extraordinary income		
Gain on sales of investment securities	5	—
Compensation income	—	16
Gain on reversal of share acquisition rights	—	14
Subsidiaries directors' retirement allowance repayment gain	18	—
Total extraordinary income	24	30
Extraordinary losses		
Impairment loss	4	—
Subsidiary company head office transfer cost	4	—
Salaries and allowance for prior periods	17	—
Total extraordinary losses	26	—
Profit before income taxes	2,187	2,253
Income taxes - current	566	421
Income taxes - deferred	226	366
Total income taxes	792	788
Profit	1,394	1,465

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit attributable to		
Profit attributable to owners of parent	1,315	1,346
Profit attributable to non-controlling interests	79	118
Other comprehensive income		
Valuation difference on available-for-sale securities	8	2
Foreign currency translation adjustment	△0	1
Total other comprehensive income	7	3
Comprehensive income	1,402	1,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,323	1,349
Comprehensive income attributable to non-controlling interests	79	118

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,187	2,253
Depreciation	620	694
Impairment losses	4	—
Subsidiary company head office transfer cost	4	—
Amortization of goodwill	124	128
Share-based payment expenses	35	55
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	△266	△546
Increase (decrease) in provision for bonuses for directors (and other officers)	54	53
Increase (decrease) in retirement benefit liability	3	3
Increase (decrease) in provision for loss on orders received	△146	△192
Increase (decrease) in provision for defect repair	△0	△9
Interest and dividend income	△0	△2
Interest expenses	7	4
Commission expenses	—	20
Share of loss (profit) of entities accounted for using equity method	△2	△1
Loss (gain) on investments in investment partnerships	△6	2
Loss (gain) on sale of investment securities	△5	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	2,064	6,941
Decrease (increase) in inventories	404	△26
Decrease (increase) in trade receivables	△2,412	△791
Increase (decrease) in trade payables	△4,013	△2,784
Increase (decrease) in contract liabilities	1,459	510
Increase (decrease) in accrued consumption taxes	△410	△101
Increase (decrease) in trade payables	1,800	△320
Other, net	32	△10
Subtotal	1,540	5,881
Interest and dividends received	0	2
Interest paid	△7	△4
Income taxes paid	△916	△1,178
Net cash provided by (used in) operating activities	616	4,700

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	24	—
Purchase of property, plant and equipment	△94	△237
Purchase of intangible assets	△675	△570
Proceeds from sale of investment securities	45	0
Proceeds from collection of loans receivable	3	3
Payments of guarantee deposits	△6	△3
Proceeds from refund of guarantee deposits	66	0
Other, net	△15	△20
Net cash provided by (used in) investing activities	△651	△826
Cash flows from financing activities		
Repayments of long-term borrowings	△256	△227
Proceeds from issuance of shares	34	32
Purchase of treasury shares	△0	△1,098
Proceeds from disposal of treasury shares	4	69
Dividends paid	△504	△607
Repayments of lease liabilities	△43	△9
Proceeds from share issuance to non-controlling shareholders	504	14
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	458	—
Net cash provided by (used in) financing activities	196	△1,825
Effect of exchange rate change on cash and cash equivalents	1	9
Net increase (decrease) in cash and cash equivalents	162	2,057
Cash and cash equivalents at beginning of period	9,648	8,701
Cash and cash equivalents at end of period	9,811	10,758

(4) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Purchase of treasury stock

The Company purchases treasury stock from the market as per the provisions of Article 156 of the Companies Act that is applied in an alternative interpretation of Article 165, Section 3 of the Companies Act.

The purchase of treasury stock that was decided at the Board of Directors meeting held on May 13, 2022, has ended with the purchases of up to September 30, 2022.

(1) Types of shares purchased	Common Stock
(2) Number of shares purchased	469,000 shares
(3) Total amount of purchase	¥1,093,932,100
(4) Purchase period	May 16 – September 30, 2022 (contract basis)
(5) Purchase method	Market purchase on the Tokyo Stock Exchange

Changes in accounting policies

The Company decided to start applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter, while also implementing the new accounting policy stipulated in the Fair Value Measurement Implementation Guidance according to the provisional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance into the future. There is no impact on the quarterly consolidated financial statements.

Reclassifications

(Quarterly Consolidated Statements of Income and Comprehensive Income)

Dividend income, which was included in interest and dividend income in the second quarter of the previous fiscal year, is presented separately beginning from the first quarter under review because its significance in terms of value has increased. To reflect this change in presentation, quarterly consolidated financial statements for the second quarter of the previous fiscal year have been adjusted.

As a result, the 0 million yen presented as interest and dividend income under the non-operating income category in the Quarterly Consolidated Statements of Income and Comprehensive Income for the second quarter of the previous fiscal year has been adjusted to interest income of 0 million yen and dividend income of 0 million yen.

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.