

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.

July 27, 2023

**SB Technology Corp.**  
**Consolidated Financial Report for the First Quarter of Fiscal Year Ending March 31, 2024**  
**(Three Months Ended June 30, 2023)**

[Japanese GAAP]

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

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

Representative: Shinichi Ata, President & CEO

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Scheduled date of filing of Quarterly Report: August 10, 2023

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 Three Months Ended June 30, 2023 (April 1, 2023 – June 30, 2023)**

(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	%
Three months ended Jun. 30, 2023	15,958	2.6	1,057	Δ2.6	1,054	Δ1.4	505	Δ21.9
Three months ended Jun. 30, 2022	15,560	3.8	1,085	19.0	1,070	21.9	646	25.1

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2023: 557 (down 20.2%)

Three months ended Jun. 30, 2022: 697 (up 25.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	25.44	25.18
Three months ended Jun. 30, 2022	32.01	31.68

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2023	41,032	25,000	54.3	1,121.75
As of Mar. 31, 2023	45,466	25,167	49.4	1,131.42

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2023: 22,283

As of Mar. 31, 2023: 22,475

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	—	25.00	—	35.00	60.00
Fiscal year ending Mar. 31, 2024	—	—	—	—	—
Fiscal year ending Mar. 31, 2024 (forecast)	—	30.00	—	30.00	60.00

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

**3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)**

(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	68,000	1.1	5,900	6.2	5,750	4.6	8,200	134.5	412.79

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: None
- 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 Jun. 30, 2023:	22,757,800 shares	As of Mar. 31, 2023:	22,757,800 shares
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- ii. Number of treasury shares at the end of the period

As of Jun. 30, 2023:	2,892,968shares	As of Mar. 31, 2023:	2,892,930shares
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- iii. Average number of shares outstanding during the period

Three months ended Jun. 30, 2023:	19,864,851shares	Three months ended Jun. 30, 2022:	20,201,538shares
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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 materials for quarterly financial results

The Company plans to hold a financial results meeting (online) for institutional investors and analysts on July 27, 2023. Supplementary materials for the quarterly financial results will be disclosed today (July 27, 2023), 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) Explanation of Business Results

During the first quarter under review, prices of energy resources and commodities soared due in part to concerns about the global situation and the weaker yen associated with higher interest rates overseas to control inflation. However, the Japanese economy saw continuous movement toward a recovery with social and economic activities normalizing and domestic economic activities revitalizing, albeit modestly, as a result of the reclassification of COVID-19 as a class 5 infectious disease.

In this operating environment, companies pursued a number of initiatives, including advancing digital transformation (DX) using digital technologies and promoting the use of the cloud to address workstyle changes, as well as enhancing security measures to address cyberattacks, toward their goal of transforming their business. As a result, Japanese corporate demand for investment in digital transformation (DX) has steadily increased.

In addition, moves to use state-of-the-art technologies to reduce cost, improve business efficiency and create new workstyles have been further revitalized, as exemplified by the attention that has been drawn to ChatGPT, a type of generative AI. The Company has developed a unique system that works together with the Azure OpenAI Service, generative AI provided by Microsoft. About 1,000 of the Company's employees began using this system from June 2023. The Company has linked this system to Microsoft Teams, the inquiry management system, and other systems, seeking to improve business efficiency and productivity.

Additionally, the number of cybercrimes targeting weaknesses in security measures continued to increase. The government made it mandatory for its contractors to take cybersecurity measures conforming to the US government standard within the fiscal year ending March 31, 2024. In these conditions, it has become apparent that both individual companies and entire supply chains need to take cyber security measures.

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, as well as develop human resources with high-level DX technology literacy.

Amid this business environment, the ICT services business remained strong, and full-year net sales, gross profit, operating income, and ordinary income all reached record highs.

- Telecommunication

Sales in the Telecommunication segment fell year on year as forecast at the beginning of the fiscal year, due to a decrease in vendor management projects for SoftBank Corp. and the impact of investment control. However, profit margins for the segment improved, reflecting the increased efficiency of system development.

- Enterprise

Both sales and profits increased in the Enterprise segment. A decline in profit margins that resulted from license sales for deepening business relationships with a group of key customers was more than offset by the steady growth of projects for developing cloud services, mainly for manufacturers and other key customers, as well as the Company's own Managed Security Services (MSS).

- Public Sector

Both sales and profits in the Public Sector segment grew year on year. Sales increased because large-scale projects, including projects for an electronic application platform and digital maps for the Ministry of Agriculture, Forestry and Fisheries and Local Government Information Security Cloud, entered the operation phase, and seasonal fluctuations in sales decreased. Profit margins also improved.

- Consumer

Both sales and profit in the Consumer segment sank year on year, impacted by changes in the contract with NortonLifeLock Inc. in the business operating e-commerce sites as an agent. The declines in sales and profits were in accordance with the Company's forecasts at the beginning of the current fiscal year.

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

(Millions of yen)

	Three-month ended June 30, 2022	Three-month ended June 30, 2023	Change (Amount)	Change (Ratio)
Net sales	15,560	15,958	397	2.6%
Gross profit	3,405	3,693	287	8.4%
Total selling, general and administrative expenses	2,320	2,636	315	13.6%
Operating income	1,085	1,057	(28)	(2.6) %
Ordinary income	1,070	1,054	(15)	(1.4) %
Profit attributable to owners of parent	646	505	(141)	(21.9) %
EBITDA(*)	1,494	1,505	11	0.7%
Net income per share	JPY 32.01	JPY 25.44	JPY(6.58)	(20.5) %

\*Note: EBITDA=Operating income + Amortization of goodwill (Total selling, general and administrative expenses) + Depreciation

The Group operates in a single reportable segment of the ICT Services segment. Refer to "Segment Explanation" on page 6 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 (The force of pushing up)
- Promote co-creation-type DX utilizing data that realizes customer transformation (The force of pulling up)
- DX Consultation and IT education for the development and creation of DX human resources (The force of moving ahead)

When moving forward with customers' DX, secure system infrastructure and internal environments are vital. While the importance of security is increasing, there is a shortage of security specialists in Japan generally, and it is difficult for individual companies to secure excellent security personnel. In response, the Company began to provide MSS for Vulnerability Management (VRM), which supports customers' security operations. In Japan, there are frequent cases where damage is incurred from cyberattacks resulting from the abuse of unintentionally disclosed IT assets or the abuse of a vulnerability in a system for which no appropriate measures were taken. Therefore, comprehensive, continuous asset management is needed as the foundation for appropriate security measures. However, there are issues, such as cumbersome management reflecting the increase in the number of IT assets being managed, and the need for staff with specialized knowledge and experience to conduct daily checks. To solve these issues, the Company will leverage the knowledge of system and security operations that it has cultivated to date to collect and visualize information about IT assets to manage and their vulnerabilities, automate prioritization, and unify the management of identified vulnerabilities, thus helping customers manage vulnerabilities efficiently.

In addition, the use of internal data accumulated about secure infrastructure is important in implementing high-level DX. In April 2023, jointly with Ryukoku University, the Company began an initiative to develop highly specialized human resources who will lead the digitalization Japanese industries in the agriculture sector and will seek to boost their added value. The Company developed data analysis infrastructure which permits students to access data freely and enables them to analyze and utilize the data and it provided comprehensive support for data utilization including the collection, visualization and analysis of data. Further, for internal data utilization, the Company developed a unique system that works together with Azure OpenAI Service, a type of generative AI. Approx. 1,000 of the Company's employees began to use this system in June 2023. The system the Company developed on its own includes embedded business logic, for which the Company applied the extensive development track record it has accumulated with Microsoft solutions. It is a highly scalable system which is easily expandable and allows for the addition of a range of business applications and databases. The Company has connected this system to the systems it uses internally, including Microsoft Teams and the inquiry management system, to improve business efficiency and productivity. Based on the expertise it has obtained from using the system internally, in addition to the technical capabilities related to Microsoft solutions cultivated to date and its knowledge regarding security when using cloud services safely, the Company has begun to develop services using the Azure OpenAI Service, aiming to contribute to customers' DX.

(3) Targeted management indicators

Reflecting the Notice Concerning Change in Consolidated Subsidiary (Transfer of Shares), Recording of Extraordinary Income and Revision of Financial Results Forecast, which was announced on July 19, 2023, the Company decided to change its forecast operating profit of 8,000 million yen, a management indicator for the final fiscal year of the Fourth Medium-Term Management Plan, to 7,100 million yen. The Company has not changed the target consolidated operating profit ratio of above 9% or the target cloud security service sales of above 50,000 million yen.

During the Fourth Medium-Term Management Plan, the Company will continue to help customers achieve business growth by providing cloud security services, working to expand the Group's businesses and increase its corporate value.

< 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. Moreover, the Company will achieve sustainable growth and continuously supply new value to society through efforts to promote sustainability management. In this context, the Company has set 12 key performance indicators (KPIs) to resolve the six Material issues (Materiality).

< 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.

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	[For Telecommunication] - Construction, operation and maintenance of on-premises systems (including private cloud) - Cloud consulting/Migration assistance / Construction / Operation - Security monitoring operation service, etc	- SB Technology Corp. - DENEN Co. Ltd.
Enterprise	[For Enterprise] - Cloud consulting/Migration assistance / Construction / Operation / IT education service, AI/IoT/DX Solution - Security consulting/Introduction support/Monitoring operation service, - Electronic authentication solution, etc	- SB Technology Corp. - M-SOLUTIONS, Inc. - Kan Corporation - Cybertrust Japan Co., Ltd. - I/O system integration Co., LTD.
Public Sector	[For Public sector] - Cloud migration assistance/Construction/Operation/IT education service, AI/IoT/DX Solution - Security consulting/Introduction support/Monitoring operation service, etc	- SB Technology Corp. - ASORA Tech Corp. - REDEN Corp.
Consumer	- EC site operation Substitute such as Norton Store, - EC sales of font licenses, etc	- SB Technology Corp. - Fontworks Inc.

(Millions of yen)

		Three month period ended June 30, 2022	Three month period ended June 30, 2023	Change (Amount)	Change (Ratio)
Telecommunication	Net Sales	5,079	3,669	(1,409)	(27.8) %
	Gross profit	797	660	(136)	(17.1) %
	Profit margins	15.7%	18.0%	2.3 pt.	—
Enterprise	Net Sales	7,021	7,862	840	12.0%
	Gross profit	1,762	1,883	121	6.9%
	Profit margins	25.1%	24.0%	(1.1) pt.	—
Public Sector	Net Sales	2,374	3,403	1,028	43.3%
	Gross profit	147	468	321	217.8%
	Profit margins	6.2%	13.8%	7.6 pt.	—
Consumer	Net Sales	1,084	1,023	(61)	(5.7) %
	Gross profit	699	679	(19)	(2.8) %
	Profit margins	64.5%	66.4%	1.9 pt.	—
Total	Net Sales	15,560	15,958	397	2.6%
	Gross profit	3,405	3,693	287	8.4%
	Profit margins	21.9%	23.1%	1.2 pt.	—



## (2) Explanation of Financial Position

Assets, Liabilities and Net assets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023	(Reference) As of June 30, 2022
Total assets	45,466	41,032	39,429
Net assets	25,167	25,000	23,007
Shareholder's equity ratio	49.4%	54.3%	52.3%

### (Assets)

Total assets decreased 4,433 million yen from the end of the previous fiscal year, to 41,032 million yen at the end of the three-month period under review.

Current assets decreased 4,036 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 395 million yen, mainly due to a decrease in deferred tax assets.

### (Liabilities)

Total liabilities decreased 4,265 million yen from the end of the previous fiscal year, to 16,032 million yen at the end of the three-month period under review.

Current liabilities decreased 4,113 million yen, mainly due to decreases in accounts payable.

Non-current liabilities decreased 152 million yen from the end of the previous fiscal year as a result primarily of a fall in long-term borrowings.

### (Net assets)

Net assets at the end of the first quarter under review totaled 25,000 million yen, a decrease of 167 million yen from the end of the previous fiscal year, mainly due to a decrease in retained earnings.

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

As announced in the Notice Concerning Change in Consolidated Subsidiary (Transfer of Shares), Recording of Extraordinary Income and Revision of Financial Results Forecast on July 19, 2023, the Company has revised the financial results forecast for the fiscal year ending March 31, 2024, which it announced on April 27, 2023, as described below.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share	
	Million yen	Million yen	Million yen	Million yen	Yen	
Previous forecast (A)	69,000	6,400	6,350	3,950	197.68	
Revised forecasts (B)	68,000	5,900	5,750	8,200	410.37	
Change (B-A)	(1,000)	(500)	(600)	+4,250	-	
Change (%)	(1.4)%	(7.8)%	(9.4)%	+107.6%	-	
(Reference) Actual results in the previous fiscal year (Year ended March 31, 2023)	67,227	5,557	5,499	3,497	175.03	

The full-year consolidated financial results forecast for the fiscal year ending March 31, 2024, which was announced on April 27, 2023, has been revised as indicated above because Fontworks Inc.' performances in October 2023 and beyond are not reflected in forecasts due to its exclusion from consolidation, as well as the impact of the extraordinary income to be recorded due to the transfer. The Company is still in the process of carefully examining future trends from business perspectives.

The Company has made no changes to its dividend forecasts for the fiscal year ending March 31, 2024 that it announced on April 27, 2023. The Company plans to pay ordinary dividends of 60 yen per share for the fiscal year, including interim dividends

of 30 yen per share and year-end dividends of 30 yen per share, keeping the amounts unchanged from the fiscal year ended March 31, 2023.

## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,221	12,935
Notes and accounts receivable - trade, and contract assets	24,133	13,402
Merchandise	131	187
Other	3,136	5,060
Allowance for doubtful accounts	△0	△0
Total current assets	35,622	31,585
Non-current assets		
Property, plant and equipment		
Buildings, net	684	665
Tools, furniture and fixtures, net	991	959
Other, net	5	34
Total property, plant and equipment	1,681	1,659
Intangible assets		
Goodwill	836	708
Software	2,531	2,445
Software in progress	476	644
Customer relationships	189	171
Other	86	79
Total intangible assets	4,120	4,048
Investments and other assets		
Investment securities	667	670
Deferred tax assets	1,297	1,017
Other	2,075	2,051
Total investments and other assets	4,040	3,738
Total non-current assets	9,842	9,446
Deferred assets		
Share issuance costs	1	0
Total deferred assets	1	0
<b>Total assets</b>	45,466	41,032

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	7,020	3,785
Current portion of long-term borrowings	309	339
Lease liabilities	14	12
Accounts payable - other	4,493	4,453
Income taxes payable	1,372	135
Contract liabilities	2,186	3,043
Provision for bonuses	1,784	614
Provision for bonuses for directors (and other officers)	—	31
Provision for loss on orders received	626	660
Provision for defect repair	39	6
Other	742	1,394
Total current liabilities	18,590	14,477
Non-current liabilities		
Long-term borrowings	489	380
Lease liabilities	81	78
Contract liabilities	670	626
Retirement benefit liability	60	62
Asset retirement obligations	336	337
Other	69	69
Total non-current liabilities	1,708	1,555
Total liabilities	20,298	16,032
Net assets		
Shareholders' equity		
Share capital	1,270	1,270
Capital surplus	1,613	1,610
Retained earnings	22,182	21,992
Treasury shares	△2,600	△2,600
Total shareholders' equity	22,466	22,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Foreign currency translation adjustment	5	6
Total accumulated other comprehensive income	9	10
Share acquisition rights	320	340
Non-controlling interests	2,371	2,376
Total net assets	25,167	25,000
Total liabilities and net assets	45,466	41,032

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

(Millions of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	15,560	15,958
Cost of sales	12,154	12,265
Gross profit	3,405	3,693
Selling, general and administrative expenses	2,320	2,636
Operating profit	1,085	1,057
Non-operating income		
Interest income	0	0
Dividend income	2	1
Share of profit of entities accounted for using equity method	—	3
Refund of defined contribution pension plan	0	1
Foreign exchange gains	—	1
Miscellaneous income	6	3
Total non-operating income	9	11
Non-operating expenses		
Interest expenses	2	1
Share of loss of entities accounted for using equity method	1	—
Donations	10	10
Foreign exchange losses	10	—
Miscellaneous losses	0	2
Total non-operating expenses	24	13
Ordinary profit	1,070	1,054
Extraordinary income		
Gain on reversal of share acquisition rights	7	—
Total extraordinary income	7	—
Extraordinary losses		
Industrial accident settlement	—	70
Amortization of goodwill	—	63
Total extraordinary losses	—	133
Profit before income taxes	1,077	921
Income taxes - current	64	86
Income taxes - deferred	316	279
Total income taxes	380	366
Profit	696	555
Profit attributable to		
Profit attributable to owners of parent	646	505
Profit attributable to non-controlling interests	49	50
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	1	1
Total other comprehensive income	1	1
Comprehensive income	697	557
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	648	506
Comprehensive income attributable to non-controlling interests	49	50

(3) Notes to Consolidated Financial Statements  
**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Significant subsequent events**

(Transfer of shares in a consolidated subsidiary and intangible assets)

At a meeting of the Board of Directors held on July 19, 2023, the Company passed a resolution on the transfer of all the shares (hereinafter, the "Share Transfer") that the Company holds in Fontworks Inc., its consolidated subsidiary, to Monotype K.K., and the transfer of intangible assets related to Fontworks' business (hereinafter the "Asset Transfer" and when referred to collectively with the Share Transfer, the "Transfer") to Monotype Imaging Inc. As a result, Fontworks Inc. is excluded from the consolidated subsidiaries of the Company.

1. Overview of the Transfer

(1) Reason for the Transfer

Under its management policy, namely, "Achieve Significant Growth," the Company acquired Fontworks, a company that engages in the planning, development and sale of digital fonts, the development of software, and the provision of technical services and OEM services, etc. in June 2013, making it a consolidated subsidiary. Fontworks continued to contribute to the Group's business expansion in the e-commerce area. However, its digital font business and the growth that it had been achieving through synergies with the Company in the e-commerce area have plateaued, while the Group has started to shift its strategic area of focus to cloud security.

In this situation, the Company has agreed to the Transfer because it believes that it is mutually beneficial that Fontworks operates its business in an environment where it can achieve further growth and pursue business synergies including global development, namely, operating business as part of Monotype U.S. and Monotype Japan.

(2) the subsidiary to be changed

Trade name	Fontworks Inc.
Address	5F, Nissin Aoyama Building, 3-2-4 Kita-Aoyama, Minato-ku, Tokyo
Outline of the business	Planning, development and sale of digital fonts (fonts), software development, technical services, OEM services, etc.

(3) the recipient of the Share Transfer

Trade name	Monotype K.K.
Address	5F, MG Ichigaya Building, 1-9 Gobanchou, Chiyoda-ku, Tokyo
Outline of the business	1. To sell, import, manage, maintain, and give advice on software for image processing, such as fonts, printer drivers and color imaging. 2. All other businesses related to or connected with the activities described in item above.

(4) the recipient of the Asset Transfer

Trade name	Monotype Imaging Inc.
Address	600 Unicorn Park Drive, 4 <sup>th</sup> Floor, Woburn, MA 01801
Outline of the business	1. To design, develop, sell, import, manage, maintain, and give advice on software for image processing, such as fonts, printer drivers and color imaging. 2. All other businesses related to or connected with the activities described in item

	above.
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(5) Number of shares to be transferred, transfer price and the number of shares held before and after transfer

Number of shares held before the change	200 shares (Number of voting rights: 200, Percentage of voting rights: 100.0%)
Number of shares to be transferred	200 shares (Number of voting rights: 200)
Transfer price	With respect to the Share Transfer and the Asset Transfer, due to confidentiality requirements specified in the agreement on the Transfer, the Company refrains from disclosing transfer prices, which have been determined through negotiations in which calculations of the value of shares and intangible assets by the recipient of the Transfer were taken into consideration.
Number of shares held after the transfer	- shares (Number of voting rights: -, Percentage of voting rights: -%)

(6) Schedule

Date of resolution by the Board of Directors	July 19, 2023
Date of the signing of the share transfer agreement	July 19, 2023
Date of transfer	September 1, 2023 (Schedule)

2. Recording of extraordinary income

Due to the Transfer, the Company has decided to record gains on the sale of shares of subsidiaries and transfer of intangible assets, which amount to 6,200 million yen in total, as extraordinary income for the first six months of the fiscal year ending March 31, 2024.

*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.*