

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, 2022

## SB Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 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 General Shareholders' Meeting: June 20, 2022

Scheduled date of filing of Securities Report: June 20, 2022

Scheduled date of payment of dividend: June 21, 2022

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, 2022 (April 1, 2021 – March 31, 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	%
Fiscal year ended Mar. 31, 2022	66,183	—	5,152	—	5,133	—	3,630	—
Fiscal year ended Mar. 31, 2021	70,451	20.8	3,855	27.0	3,981	31.3	2,428	30.8

Note: Comprehensive income (million yen)

Fiscal year ended Mar. 31, 2022: 3,872 (—%)

Fiscal year ended Mar. 31, 2021: 2,520 (up 29.8%)

	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, 2022	179.39	177.44	18.5	12.3	7.8
Fiscal year ended Mar. 31, 2021	120.25	119.46	14.0	11.2	5.5

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2022: 10 Fiscal year ended Mar. 31, 2021: 15

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

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	44,365	23,379	47.5	1,039.71
As of Mar. 31, 2021	38,798	19,577	47.1	902.72

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2022: 21,062

As of Mar. 31, 2021: 18,255

#### (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, 2022	400	△861	△493	8,701
Fiscal year ended Mar. 31, 2021	1,900	△2,410	329	9,648

### 2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2021	—	15.00	—	25.00	40.00	808	33.3	4.7
Fiscal year ended Mar. 31, 2022	—	20.00	—	30.00	50.00	1,012	27.9	5.1
Fiscal year ending Mar. 31, 2023 (forecast)	—	25.00	—	25.00	50.00			

### 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

(April 1, 2022 – March 31, 2023)

The consolidated financial results forecast for the fiscal year ending March 31, 2023, cannot be provided due to the difficulty of reasonably and accurately estimating the figures at this time. We will promptly announce the consolidated financial results forecast when it becomes possible to disclose it.

#### \* 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: Yes
- 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, 2022:	22,742,800 shares	As of Mar. 31, 2021:	22,728,500 shares
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- ii. Number of treasury shares at the end of the period
 

As of Mar. 31, 2022:	2,484,351 shares	As of Mar. 31, 2021:	2,505,822 shares
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- iii. Average number of shares outstanding during the period
 

Fiscal year ended Mar. 31, 2022:	20,239,627 shares	Fiscal year ended Mar. 31, 2021:	20,193,158 shares
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#### Reference: Summary of Non-consolidated Financial Results

##### Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	56,923	—	3,738	—	3,699	—	3,136	—
Fiscal year ended Mar. 31, 2021	61,369	17.5	2,865	45.7	2,833	44.5	1,737	30.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	154.95	154.27
Fiscal year ended Mar. 31, 2021	86.04	85.47

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

(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, 2022	38,236	18,436	47.5	896.42
As of Mar. 31, 2021	33,422	16,270	48.0	793.22

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 18,160 As of Mar. 31, 2021: 16,041

\* 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

The consolidated financial results forecast for the fiscal year ending March 31, 2023, cannot be provided due to the difficulty of reasonably and accurately estimating the figures at this time, but We will promptly announce the consolidated financial results forecast when it becomes possible to disclose it.

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.

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 April 27, 2022. Supplementary materials for financial results will be disclosed, using the Timely Disclosure network (TDnet), and will be available on the Company's website (<https://www.softbanktech.co.jp/corp/ir/>).

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## 1. Overview of Business Results

### (1) Explanation of Business Results

During the fiscal year under review, a resumption of economic activity, albeit moderate, began thanks to an increase in vaccination rates and the establishment of non-contact lifestyles, even as the threat of COVID-19 persisted. In response to social demand for restraints on outings and for non-contact communication, companies worked to establish a secure environment for telecommuting, to promote the use of cloud computing due to changes in working styles, and to create and strengthen businesses using digital technologies. As a result, Japanese corporate demand for investment in digital transformation (DX) has steadily increased.

Meanwhile, companies were forced to review security measures in response to changing work styles and the rising number of cybercrimes targeting vulnerable areas. In addition, as supply chains grow increasingly complex, the need for security measures throughout supply chains has clearly emerged in response to an increase in cyber-attacks against suppliers.

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 strong, and full-year net sales, marginal income, operating income, ordinary income, and profit attributable to owners of parent all reached record highs.

In Business IT Solutions, both sales and profit increased thanks to steady progress made in the additional development and operation of electronic application platforms for the Ministry of Agriculture, Forestry and Fisheries in government DX projects, which was received in the fiscal year ended March 31, 2021, and an increase in cloud system development projects for manufacturers.

In Corporate IT Solutions, both sales and profit increased thanks to the growth of cloud system development for Softbank Group companies and large companies and the next building and transferring phases of local government information security cloud systems.

Technical Solutions providing solutions for on-premises environments also achieved increases in sales and profit through vendor management projects in the IT field of Softbank Corp. and system development projects.

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

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change (Amount)	Change (Ratio)
Net sales	52,533	66,183	13,649	26.0%
Marginal income	19,819	22,943	3,123	15.8%
Fixed costs	15,964	17,790	1,826	11.4%
Operating income	3,855	5,152	1,297	33.7%
Ordinary income	3,981	5,133	1,152	28.9%
Profit attributable to owners of parent	2,428	3,630	1,202	49.5%
Net income per share	JPY 120.25	JPY 179.39	JPY 59.14	49.2%

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

In the fiscal year ended 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 36.5% year on year, to 32,873 million yen. The Corporate IT Solutions and Business IT Solutions net sales weighting increased 3.8 percentage points from the previous fiscal year to 49.7%, 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 4 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 category	Details of solutions	Core companies
Business IT solutions	[Cloud business/For business divisions] - Consulting services - DX solutions - AI/ IoT solutions, etc.	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - REDEN Corp.
Corporate IT solutions	[Cloud business/For overall company or administration division] - Cloud integration - Business efficiency improvement services - Cloud security services - Security operation monitoring services - Electronic authentication solutions	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - M-SOLUTIONS, Inc. - Kan Corporation - ASORA Tech Corp.
Technical solutions	- On-premise system integration - Equipment sales, building, operation, and maintenance services - Sales and embedded system development of products related to Linux/OSS, etc.	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - DENEN Co. Ltd. - I/O system integration Co., LTD.
E-commerce solutions	- Operation of e-commerce sites as agent - Online sales of font licenses, etc.	- SB Technology Corp. - Fontworks Inc.

(Millions of yen)

		Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change (Amount)	Change (Ratio)
Business IT solutions	Net Sales	6,429	12,162	5,733	89.2%
	Marginal income	2,269	4,012	1,743	76.8%
	Profit margins	35.3%	33.0%	(2.3) points	—
Corporate IT solutions	Net Sales	17,660	20,711	3,050	17.3%
	Marginal income	7,345	7,835	489	6.7%
	Profit margins	41.6%	37.8%	(3.8) points	—
Technical solutions	Net Sales	24,394	29,242	4,847	19.9%
	Marginal income	7,079	8,014	934	13.2%
	Income margins	29.0%	27.4%	(1.6) points	—
E-commerce solutions	Net Sales	4,049	4,067	17	0.4%
	Marginal income	3,124	3,080	(43)	(1.4)%
	Income margins	77.2%	75.8%	(1.4) points	—
Total	Net Sales	52,533	66,183	13,649	26.0%
	Marginal income	19,819	22,943	3,123	15.8%
	Income margins	37.7%	34.7%	(3.1) points	—

## (2) Explanation of Financial Position

Assets, Liabilities and Net assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022	Change
Total assets	38,798	44,365	5,566
Net assets	19,577	23,379	3,802
Shareholder's equity ratio	47.1%	47.5%	0.4 pts.
Net assets per share	JPY 902.72	JPY 1,039.71	JPY 136.99

### (Assets)

Assets at the end of the fiscal year under review totaled 44,365 million yen, an increase of 5,566 million yen from the end of the previous fiscal year.

Current assets increased 5,191 million yen from the end of the previous fiscal year mainly due to an increase in notes and accounts receivable - trade, and contract assets.

Non-current assets increased 374 million yen from the end of the previous fiscal year chiefly because of an increase in software.

### (Liabilities)

Liabilities at the end of the fiscal year under review totaled 20,985 million yen, an increase of 1,764 million yen from the end of the previous fiscal year.

Current liabilities rose 1,989 million yen from the end of the previous fiscal year due in part to growth in accounts payable - other.

Non-current liabilities decreased 224 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 fiscal year under review increased by 3,802 million yen from the end of the previous fiscal year to 23,379 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, 2021	Fiscal year ended March 31, 2022	Changes (Amount)
Cash flows from operating activities	1,900	400	(1,500)
Cash flows from investing activities	(2,410)	(861)	1,548
Cash flows from financing activities	329	(493)	(822)
Changes in cash and cash equivalents	(177)	(947)	(770)
Balance of cash and cash equivalents at end of period	9,648	8,701	(947)

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) decreased 947 million yen from the end of the previous consolidated fiscal year to 8,701 million yen.

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

**(Cash flows from operating activities)**

Net cash provided by operating activities totaled 400 million yen. This was caused in large part by profit before income taxes of 5,633 million yen, which more than offset an increase of 4,906 million yen in trade receivables and contract assets.

In comparison to the previous fiscal year, the recovery of invested capital in decrease (increase) in trade receivables increased by 4,321 million yen and profit before income taxes grew by 1,752 million yen. This was, however, more than offset by a decrease of 4,906 million yen in decrease (increase) in trade receivables and contract assets, an increase of 2,408 million yen in cash used in increase (decrease) in trade payables; as a result, cash provided decreased by 1,500 million yen.

**(Cash flows from investing activities)**

Cash used in investing activities was 861 million yen. This resulted chiefly from the cash of 1,463 million yen used for the acquisition of intangible assets.

In comparison to the previous fiscal year, cash used decreased by 1,548 million yen as a result primarily of 763 million yen in proceeds from sales of investment securities and 680 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation.

**(Cash flows from financing activities)**

Net cash used in financing activities totaled 493 million yen. This was attributable mainly of cash used for dividends paid of 909 million yen and repayments of long-term borrowings of 490 million yen, which more than offset increases including 504 million yen in proceeds from share issuance to non-controlling shareholders and 458 million yen in proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation.

In comparison to the previous fiscal year, cash provided decreased by 822 million yen as a consequence chiefly of a fall of 1,530 million yen in proceeds from long-term borrowings, which more than offset 504 million yen in proceeds from the issuing of shares to non-controlling shareholders and 458 million yen in proceeds from the sale of shares of subsidiaries not resulting in a change in scope of consolidation.

#### **(4) Future expectations**

The Group is examining its forecasts for the next consolidated financial results together with the development of the fourth medium-term management plan. While net sales and operating income are expected to grow, precise amounts are yet to be determined at this point due to the Company's judgment that the calculation of appropriate and rational values would be difficult.

The Group will announce its forecasts as soon as calculation becomes possible, taking into account the progress to be made in the subsequent months.

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 50 yen per share, the same amount as for the fiscal year under review, comprising an interim dividend of 25 yen per share and a year-end dividend of 25 yen per share,

## **2. Basic views on selection of accounting standards**

The Group will prepare its consolidated financial statements under Japanese standards for the foreseeable future, taking into account the comparability of the terms of consolidated financial statements and the comparability among companies.

The Group's policy is to respond appropriately to the application of IFRS in view of developments both in Japan and overseas.

**Consolidated Financial Statements**  
**(1) Consolidated Balance Sheet**

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,722	8,762
Notes and accounts receivable - trade	17,428	—
Notes and accounts receivable - trade, and contract assets	—	22,290
Merchandise	82	66
Work in process	648	—
Other	1,254	3,207
Allowance for doubtful accounts	△0	△0
Total current assets	29,135	34,326
Non-current assets		
Property, plant and equipment		
Buildings	1,674	1,700
Accumulated depreciation	△861	△960
Buildings, net	812	739
Tools, furniture and fixtures	2,488	2,347
Accumulated depreciation	△1,648	△1,431
Tools, furniture and fixtures, net	840	916
Other	9	13
Accumulated depreciation	△3	△7
Other, net	5	5
Total property, plant and equipment	1,659	1,661
Intangible assets		
Goodwill	1,271	1,093
Software	1,692	2,553
Software in progress	1,070	461
Customer relationships	334	262
Other	145	116
Total intangible assets	4,514	4,486
Investments and other assets		
Investment securities	636	625
Deferred tax assets	1,229	1,309
Other	1,621	1,953
Total investments and other assets	3,487	3,888
Total non-current assets	9,661	10,036
Deferred assets		
Share issuance costs	1	2
Total deferred assets	1	2
<b>Total assets</b>	<b>38,798</b>	<b>44,365</b>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	9,162	7,528
Current portion of long-term borrowings	470	394
Lease liabilities	187	19
Accounts payable - other	1,248	4,719
Income taxes payable	1,021	1,379
Advances received	1,913	—
Contract liabilities	—	1,835
Provision for bonuses	1,572	1,876
Provision for loss on orders received	309	403
Provision for defect repair	2	16
Asset retirement obligations	—	24
Other	1,019	699
Total current liabilities	16,907	18,896
Non-current liabilities		
Long-term borrowings	1,133	799
Lease liabilities	104	96
Deferred tax liabilities	80	26
Long-term advances received	445	—
Contract liabilities	—	709
Retirement benefit liability	47	53
Asset retirement obligations	359	334
Other	142	69
Total non-current liabilities	2,313	2,088
Total liabilities	19,221	20,985
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,235	1,254
Capital surplus	1,327	1,567
Retained earnings	17,271	19,789
Treasury shares	△1,568	△1,555
Total shareholders' equity	18,266	21,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△14	2
Foreign currency translation adjustment	3	4
Total accumulated other comprehensive income	△10	7
Share acquisition rights	233	279
Non-controlling interests	1,088	2,037
Total net assets	19,577	23,379
Total liabilities and net assets	38,798	44,365

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	70,451	66,183
Cost of sales	59,068	52,209
Gross profit	11,383	13,974
Selling, general and administrative expenses	7,527	8,821
Operating profit	3,855	5,152
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	15	10
Dividend income of insurance	4	7
Subsidy income	144	22
Miscellaneous income	13	7
Total non-operating income	177	48
Non-operating expenses		
Interest expenses	15	16
Loss on investments in investment partnerships	2	2
Loss on extinguishment of share-based remuneration expenses	6	—
Donations	—	10
Foreign exchange losses	2	18
Commission expenses	18	—
Miscellaneous losses	6	20
Total non-operating expenses	51	67
Ordinary profit	3,981	5,133
Extraordinary income		
Gain on sale of investment securities	103	862
Subsidiaries directors' retirement allowance repayment gain	—	18
Total extraordinary income	103	881
Extraordinary losses		
Loss on step acquisitions	5	—
Loss on retirement of non-current assets	25	242
Impairment losses	127	105
Subsidiary company head office transfer cost	—	5
Loss on valuation of investment securities	31	—
Salaries and allowance for prior periods	—	17
Office relocation expenses	14	11
Total extraordinary losses	203	381
Profit before income taxes	3,880	5,633
Income taxes - current	1,569	1,823
Income taxes - deferred	△205	△45
Total income taxes	1,364	1,778
Profit	2,516	3,854
Profit attributable to		
Profit attributable to owners of parent	2,428	3,630
Profit attributable to non-controlling interests	88	223

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	2	16
Foreign currency translation adjustment	1	1
Total other comprehensive income	4	18
<b>Comprehensive income</b>	<b>2,520</b>	<b>3,872</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,432	3,648
Comprehensive income attributable to non-controlling interests	88	223

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	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 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	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—
Net changes in 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 during period						
Issuance of new shares	—	—	—	—	—	118
Dividends of surplus	—	—	—	—	—	△706
Profit attributable to owners of parent	—	—	—	—	—	2,428
Purchase of treasury shares	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—
Net changes in 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

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,235	1,327	17,271	△1,568	18,266
Cumulative effects of changes in accounting policies	—	—	△202	—	△202
Restated balance	1,235	1,327	17,068	△1,568	18,063
Changes during period					
Issuance of new shares	18	18	—	—	37
Dividends of surplus	—	—	△910	—	△910
Profit attributable to owners of parent	—	—	3,630	—	3,630
Purchase of treasury shares	—	—	—	△0	△0
Disposal of treasury shares	—	24	—	13	37
Change in ownership interest of parent due to transactions with non-controlling interests	—	196	—	—	196
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	18	239	2,720	12	2,992
Balance at end of period	1,254	1,567	19,789	△1,555	21,055

	Accumulated other comprehensive income			Share acquisition on 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	△14	3	△10	233	1,088	19,577
Cumulative effects of changes in accounting policies	—	—	—	—	—	△202
Restated balance	△14	3	△10	233	1,088	19,375
Changes during period						
Issuance of new shares	—	—	—	—	—	37
Dividends of surplus	—	—	—	—	—	△910
Profit attributable to owners of parent	—	—	—	—	—	3,630
Purchase of treasury shares	—	—	—	—	—	△0
Disposal of treasury shares	—	—	—	—	—	37
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	196
Net changes in items other than shareholders' equity	16	0	17	46	948	1,012
Total changes during period	16	0	17	46	948	4,004
Balance at end of period	2	4	7	279	2,037	23,379

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,880	5,633
Depreciation	1,152	1,300
Impairment losses	127	105
Subsidiary company head office transfer cost	—	5
Office transfer expenses	14	11
Amortization of goodwill	226	249
Share-based payment expenses	86	98
Increase (decrease) in allowance for doubtful accounts	0	△0
Increase (decrease) in provision for bonuses	380	303
Increase (decrease) in retirement benefit liability	△1	5
Increase (decrease) in provision for loss on orders received	110	129
Increase (decrease) in provision for defect repair	1	13
Loss on retirement of non-current assets	25	242
Interest and dividend income	△0	△0
Interest expenses	15	16
Loss (gain) on step acquisitions	5	—
Share of loss (profit) of entities accounted for using equity method	△15	△10
Loss (gain) on investments in investment partnerships	2	2
Loss (gain) on sale of investment securities	△103	△862
Loss (gain) on valuation of investment securities	31	—
Decrease (increase) in trade receivables	△4,321	—
Decrease (increase) in notes and accounts receivable - trade and contract assets	—	△4,906
Decrease (increase) in inventories	243	343
Decrease (increase) in trade receivables	△91	△2,286
Increase (decrease) in trade payables	774	△1,633
Increase (decrease) in contract liabilities	—	2,404
Increase (decrease) in accrued consumption taxes	643	△271
Increase (decrease) in trade payables	122	1,101
Other, net	18	2
Subtotal	3,328	1,995
Interest and dividends received	0	0
Interest paid	△16	△16
Income taxes refund (paid)	△1,411	△1,578
Net cash provided by (used in) operating activities	1,900	400

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	160	24
Purchase of property, plant and equipment	△459	△383
Purchase of intangible assets	△1,545	△1,463
Proceeds from sale of investment securities	140	903
Proceeds from collection of loans receivable	6	6
Payments of guarantee deposits	△4	△9
Proceeds from refund of guarantee deposits	80	92
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△692	△11
Other, net	△96	△19
Net cash provided by (used in) investing activities	△2,410	△861
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	—	2,500
Repayments of short-term borrowings	—	△2,500
Proceeds from long-term borrowings	1,530	—
Repayments of long-term borrowings	△502	△490
Proceeds from issuance of shares	95	34
Purchase of treasury shares	—	△0
Proceeds from disposal of treasury shares	—	29
Dividends paid	△704	△909
Repayments of lease liabilities	△88	△118
Proceeds from share issuance to non-controlling shareholders	—	504
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	458
Net cash provided by (used in) financing activities	329	△493
Effect of exchange rate change on cash and cash equivalents	2	6
Net increase (decrease) in cash and cash equivalents	△177	△947
Cash and cash equivalents at beginning of period	9,826	9,648
Cash and cash equivalents at end of period	9,648	8,701

## (5) Notes to Consolidated Financial Statements

### (Going Concern Assumption)

Not applicable.

### (Changes in accounting policies)

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

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

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

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

As a result, net sales and cost of sales, for the fiscal year under review decreased by 16,989 million yen and 17,036 million yen, respectively. Operating income, ordinary income and profit before income taxes for the fiscal year under review increased by 47 million yen, 47 million yen and 47 million yen, respectively. The balance of retained earnings as of the beginning of the fiscal year under review declined by 202 million yen.

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

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

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

(Segment information)

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

(Per-share information)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	902.72 yen	1,039.71 yen
Net income per share	120.25 yen	179.39 yen
Diluted net income per share	119.46 yen	177.44 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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	2,428	3,630
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	2,428	3,630
Average number during the period (share)	20,193,158	20,239,627
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	(23)
Increase in common shares (share)	133,908	89,437
(of which, share acquisition rights (share))	133,908	89,437
Summary of dilutive shares not included in calculating diluted net income per share due to no dilutive effect	<p>1. The Company (Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 47,000 shares</p> <p>2. Consolidated subsidiary (Cybertrust Japan Co., Ltd.) (Share acquisition rights) Resolution by the Board of Directors on March 14, 2017 Common shares: 400,000 shares</p>	<p>1. The Company (Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 195,000 shares</p> <p>Resolution by the Board of Directors on September 29, 2021 Common shares: 238,500 shares</p>

(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.