

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 25, 2024

SB Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 2024

[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 17, 2024

Scheduled date of filing of Securities Report: June 17, 2024

Scheduled date of payment of dividend: June 18, 2024

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: None (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, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	65,704	△2.3	5,699	2.6	5,473	△0.5	8,363	139.2
Fiscal year ended Mar. 31, 2023	67,227	1.6	5,557	7.8	5,499	7.1	3,497	△3.7

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2024: 8,692 (up 128.6%)
Fiscal year ended Mar. 31, 2023: 3,802 (down 1.8%)

	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, 2024	420.55	419.59	32.0	11.3	8.7
Fiscal year ended Mar. 31, 2023	175.03	173.52	16.1	12.2	8.3

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2024: 10 Fiscal year ended Mar. 31, 2023: 5

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2024	51,694	32,619	57.5	1,493.86
As of Mar. 31, 2023	45,466	25,167	49.4	1,131.42

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2024: 29,730

As of Mar. 31, 2023: 22,475

(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, 2024	2,256	1,161	△819	10,772
Fiscal year ended Mar. 31, 2023	3,450	△1,500	△2,496	8,160

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, 2023	Yen —	Yen 25.00	Yen —	Yen 35.00	Yen 60.00	Million yen 1,191	% 34.3	% 5.5
Fiscal year ended Mar. 31, 2024	—	30.00	—	40.00	70.00	1,393	16.6	5.3
Fiscal year ending Mar. 31, 2025 (forecast)	—	0.00	—	0.00	0.00			

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	69,500	5.8	5,720	0.4	5,670	3.6	3,550	△57.6	178.50

* Notes

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

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

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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2024:	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 Mar. 31, 2024	2,856,067 shares	As of Mar. 31, 2023:	2,892,930 shares
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- iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2024:	19,887,886 shares	Fiscal year ended Mar. 31, 2023:	19,981,416 shares
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Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	56,585	△2.7	4,013	4.7	7,126	91.2	9,821	268.2
Fiscal year ended Mar. 31, 2023	58,129	2.1	3,835	2.6	3,728	0.8	2,667	△14.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2024	493.86	—
Fiscal year ended Mar. 31, 2023	133.50	133.42

(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, 2024	43,935	27,783	62.5	1,380.31
As of Mar. 31, 2023	38,850	19,066	48.3	943.83

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2024: 27,470

As of Mar. 31, 2023: 18,748

* This consolidated financial report is not subject to fiscal year ended review procedures by a certified public accountant or audit company.

* Explanation for appropriate use of operating forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in this report are based on assumptions considered appropriate and other reasonable information available to the Company at the time this report was created. This report is not promised by the Company regarding future performance. The actual performance may differ significantly from these forecasts for a variety of reasons.

How to view supplementary information at the financial results meeting

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/>).

○Appendix

Table of Contents

1. Overview of Business Results	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	6
(3) Overview of cash flows for the current period	7
(4) Future expectations	8
2. Basic views on selection of accounting standards	9
3. Consolidated Financial Statements and Major Notes	10
(1) Consolidated Balance Sheet	10
(2) Consolidated Statements of Income and Comprehensive Income	12
(3) Consolidated Statement of Changes in Equity	14
(4) Consolidated Statement of Cash Flows	16
(5) Notes on Consolidated Financial Statements	18
(Going Concern Assumption)	18
(Reclassifications)	18
(Segment information)	18
(Per-share information)	18
(Significant subsequent events)	19

1. Overview of Business Results

(1) Explanation of Business Results

During the fiscal year under review, prices of energy resources and commodities continued to rise 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, as economic activities gathered momentum.

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 and generative AI 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 will also aim to increase operational efficiency in a range of business applications using its core technologies to improve response accuracy, applying the expertise acquired through internal use and joint demonstration experiments with our customers.

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.

- Telecommunication

Sales in the Telecommunication segment fell year on 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 and a shrinkage in sales share of vendor management projects.

- Enterprise

Both sales and profits increased and profit margins improved in the Enterprise segment. Contributing factors included an increase in the number of projects to build cloud systems for priority customers and their group companies and steady progress in the Company's own Managed Security Services (MSS).

- Public Sector

Sales and profits rose after an increase in projects concerned with the DX strategy of the Ministry of Agriculture, Forestry and Fisheries. An increase in operation projects for the Local Government Information Security Cloud and others led to a rise in gross profit margin.

- Consumer

Both sales and profits decreased in the Consumer segment, reflecting the impact of changes in the contract with NortonLifeLock Co., Ltd. in the business of operating e-commerce sites as an agent and the exclusion of Fontworks Inc. from consolidated statements in the third quarter.

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

Moreover, the share transfer of Fontworks Inc. resulted in record high profit attributable to owners of parent.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change (Amount)	Change (Ratio)
Net sales	67,227	65,704	(1,523)	(2.3) %
Gross profit	15,194	15,760	565	3.7 %
Total selling, general and administrative expenses	9,637	10,061	423	4.4 %
Operating income	5,557	5,699	141	2.6 %
Ordinary income	5,499	5,473	(25)	(0.5) %
Profit attributable to owners of parent	3,497	8,363	4,866	139.2 %
EBITDA(*)	7,217	7,316	98	1.4 %
Net income per share	JPY 175.03	JPY 420.55	JPY 245.52	140.3 %

*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.

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)

The use of generative AI has become considered in many scenes to increase the efficiency of customers' operations and digital transformation (DX). Meanwhile, the Company heard from many customers on its introduction about issues with respect to risk management for security and privacy protection, accuracy of its responses and its usefulness. The Company developed core technologies linked to Azure OpenAI Service, which opened the way for the secure use of generative AI. It

then used the service in-house and in joint demonstration experiments with customers. Capitalizing on the know-how it has obtained through these initiatives, the Company developed a service to readily use generative AI in a secure environment and released the “dailyAI service option for use of personal data”. This option allows users to instruct the AI to analyze or summarize data in their own files. It may be used for analyzing data in files, checking typographical errors and omissions in regulations and specifications for correction, translating texts into foreign languages and many other purposes. It bills individual corporate customers according to the number of tokens and not according to the number of users so that a large number of users may easily use the generative AI. The Company will integrate the analysis of data at hand and internal corporate data with generative AI, aspiring to offer useful services that help improve work efficiency and productivity.

The Company understands that the cloud environment and security measures for it are essential to the use of data. In particular, security measures have been of increasing importance in recent years. The Company provides one-stop services covering the design and construction of security measures as well as subsequent monitoring and operation. In addition, it has developed and released MSS for Vulnerability Risk Management (VRM) and Cloud Patrol to strengthen day-to-day risk management, including management of vulnerabilities including an increase in IT assets and deficiencies in settings in association with the use of cloud services. As a result of its intensive efforts for the security business, the Company was ranked first in two categories, namely the market for security information and event management (SIEM) operation analysis services and managed extended detection and response (XDR) services and the market for Microsoft 365 operation and monitoring services, in ITR Market View: Endpoint Security and Data Leakage Protection Security Operation Center (SOC) Service Markets 2023 issued by ITR Corporation. The Company held the largest market share for the second consecutive year. This report says that the Company had a market share of 20.4% in the Japanese market for SIEM operation analysis services and managed XDR services and 37.8% in the Japanese market for Microsoft 365 operation and monitoring services. Expected to maintain large market shares for FY2023, the Company will expand and enrich its services in order to keep helping customers with business continuation.

In addition, to further accelerate offshore development, in March 2024 the Company invested in NTQ Solution JSC. (headquartered in Hanoi, Vietnam). The Company recognizes that securing talented engineers is a key element to future business growth in order to meet customer demands and develop new services, and is expanding the scale of offshore development usage as one of the measures to accomplish this. The Company began doing business with NTQ Solution JSC in 2019 and has built a relationship enabling the two companies to grow together. The Company will aid in the future expansion of offshore development, the cultivation and exchange of human resources and the creation of new value, further accelerating the businesses of both companies.

The Company will continue to focus on the three priority themes to help customers achieve DX and will steadily execute the Fourth Medium-Term Management Plan.

(3) 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.

< 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.

The Company transferred all of its holdings in Fontworks Inc., comprising the Consumer segment, on September 1, 2023. The financial results of Fontworks Inc. until the last day of the first six months under review are posted for the fiscal year under review.

(Millions of yen)

		Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Change (Amount)	Change (Ratio)
Telecommunication	Net Sales	19,575	15,630	(3,944)	(20.1) %
	Gross profit	3,348	3,010	(338)	(10.1) %
	Profit margins	17.1%	19.3%	2.2 pt.	—
Enterprise	Net Sales	30,356	33,595	3,238	10.7 %
	Gross profit	7,925	8,994	1,068	13.5 %
	Profit margins	26.1%	26.8%	0.7 pt.	—
Public Sector	Net Sales	13,224	13,878	654	4.9 %
	Gross profit	1,310	2,132	822	62.8 %
	Profit margins	9.9%	15.4%	5.5 pt.	—
Consumer	Net Sales	4,070	2,598	(1,471)	(36.2) %
	Gross profit	2,610	1,622	(987)	(37.8) %
	Profit margins	64.1%	62.4%	(1.7) pt.	—
Total	Net Sales	67,227	65,704	(1,523)	(2.3) %
	Gross profit	15,194	15,760	565	3.7%
	Profit margins	22.6%	24.0%	1.4 pt.	—

(2) Explanation of Financial Position

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024	Change
Total assets	45,466	51,694	6,228
Net assets	25,167	32,619	7,451
Shareholder's equity ratio	49.4 %	57.5 %	8.1 pt.
Net assets per share	JPY 1,131.42	JPY 1,493.86	JPY 362.44

(Assets)

Total assets increased 6,228 million yen from the end of the previous fiscal year, to 51,694 million yen at the end of the previous fiscal year.

Current assets rose 6,032 million yen from the end of the previous fiscal year, in part due to growth in cash and deposits as well as accounts receivable - other.

Non-current assets increased 197 million yen from the end of the previous fiscal year as a result primarily of an increase in investments and other assets, which more than offset a decrease in intangible assets and property, plant and equipment.

(Liabilities)

Total liabilities decreased 1,222 million yen from the end of the previous fiscal year, to 19,075 million yen at the end of the previous fiscal year.

Current liabilities declined 628 million yen from the end of the previous fiscal year, in part reflecting a decrease in accounts payable - trade, despite increases in income taxes payable.

Non-current liabilities decreased 594 million yen, mainly attributable to decreases in long-term borrowings and contract liabilities.

(Net assets)

Net assets at the end of the fiscal year under review totaled 32,619 million yen, an increase of 7,451 million yen from the end of the previous fiscal year, which was mainly due to an increase in retained earnings caused by posing of 6,623 million yen as a gain on transfer from business divestitures.

(3) Overview of cash flows for the current period

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Changes (Amount)
Cash flows from operating activities	3,450	2,256	(1,194)
Cash flows from investing activities	(1,500)	1,161	2,662
Cash flows from financing activities	(2,496)	(819)	1,676
Changes in cash and cash equivalents	(540)	2,612	3,153
Balance of cash and cash equivalents at end of period	8,160	10,772	2,612

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) increased 2,612 million yen from the end of the previous consolidated fiscal year to 10,772 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 2,256 million yen. This was caused in large part by profit before income taxes of 11,620 million yen, which more than offset the use of 2,694 million yen used for income tax payments in addition to a 6,623 million yen gain on transfer from business divestitures.

Compared with the previous fiscal year, profit before income taxes increased by 6,164 million yen. However, net cash provided declined by 1,194 million yen, mainly due to an increased payments on income tax payment of 1,047 million yen, and 6,623 million yen in gain on transfer from business divestitures.

(Cash flows from investing activities)

Net cash provided by investing activities totaled 1,161 million yen. This resulted chiefly from 2,771 million collected as proceeds from business divestitures, more than offsetting 1,275 million yen used for the acquisition of intangible assets and 206 million yen used for the purchase of property, plant and equipment.

In comparison with the previous fiscal year, cash provided increased by 2,662 million yen, mainly as a consequence of the proceeds from business divestitures increasing by 2,771 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 819 million yen. This chiefly reflected the dividend payment of 1,291 million yen combined with cash outflows of 399 million yen and 100 million yen respectively due to the repayments of long-term and short-term borrowings, more than offsetting proceeds of 951 million yen from short-term borrowings.

Compared with the previous fiscal year, net cash used in financing activities fell 1,676 million yen, mainly reflecting a 1,400 million yen decrease in repayments of short-term borrowings and a 1,098 million yen drop in the purchase of treasury shares, despite dividend payments rising by 187 million yen in addition to a 548 million yen reduction in proceeds from short-term borrowings.

(4) Future expectations

Economic activity is expected to recover in Japan in the fiscal year ending March 31, 2025 despite ongoing concerns about the global economy. Consequently, with labor shortages becoming more apparent and companies expected to accelerate their investment in automation, labor reduction and other technologies to address worker shortages, the Company believes that demand for investment in DX technologies will remain steady.

In this operating environment, the Company will continue to aim to achieve the growth of its business in the fiscal year ending March 31, 2025, while at the same time improving profit margins by boosting productivity and reducing costs through the development of services.

In the Telecommunications segment, sales are expected to remain flat as the return of vendor management projects have run their course and customers' appetite for investment has started to show signs of a recovery. The Company intends to increase its gross profit margins continuously by improving productivity through the standardization of development and other measures and facilitating the utilization of overseas resources.

In the Enterprise segment, the number of projects of prospective customers are engaged in are expected to increase, reflecting the continuation of strong demand related to the promotion of DX and the use of generative AI with an eye toward the post COVID-19 business environment. In security, sales will continue to rise because the steady progress in Managed Security Services is expected to continue.

In the Public Sector segment, the Company projects an increase in projects for other government ministries and agencies, utilizing the knowledge gained from large-scale projects implemented for the Ministry of Agriculture, Forestry and Fisheries to date.

In the Consumer segment, there will be a declining trend in sales due to the impact of contract changes in the contract in the business of operating e-commerce sites as an agent.

Base on the above outlook and policy, the forecast of consolidated business results for the fiscal year ending March 31, 2024 is as follows.

		(Millions of yen)			(Yen)
	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Forecasts for fiscal year ending March 31, 2025	69,500	5,720	5,670	3,550	178.50
Results for fiscal year ended March 31, 2024	65,704	5,699	5,473	8,363	420.55
Change (Amount)	3,795	20	196	(4,813)	(242.05)
Change (Ratio)	5.8%	0.4%	3.6%	(57.6) %	(57.6) %

The results forecasts are based on information currently available and actual results may differ from the forecasts due to a variety of factors going forward.

The Group considers the return of profits to shareholders to be one of its most important management policies. With this in mind, it will strive to continually increase its corporate value while simultaneously working to strengthen its corporate structure. Its shareholder return policy, which is based on the distribution of its achievements through dividend payments, is to maintain stable and consistent dividends while comprehensively considering a range of factors such as the yearly consolidated financial results, investment plans, cash on hand and other factors. In addition, it intends to consider the acquisition and/or cancellation of treasury shares and other measures while simultaneously factoring in trends in the share price, financial conditions, etc.

Given the year-on-year increase in operating profit, for the fiscal year ended March 31, 2024 the Company plans to issue an ordinary year-end dividend of 40 yen per share, an increase of 5 yen from the previous year.

As an interim dividend of 30 yen per share was issued at the end of the second quarter, this brings the annual dividend to 70 yen per share for the year.

Regarding the dividends of surplus in the next fiscal year, as stated in the notice issued today, April 25, 2024, titled "Notice of Opinion in Favor of the Tender Offer for Shares of SB Technology Corp. from its Parent Company SoftBank Corp. and Recommendation to Accept the Tender Offer," in light of the fact that SoftBank Corp. plans to make a tender offer for the common shares of the Company, the Company has resolved to not issue an interim dividend or year-end dividend for the fiscal year ending March 31, 2025.

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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	8,221	10,833
Notes and accounts receivable - trade, and contract assets	24,133	25,289
Merchandise	131	250
Accounts receivable - other	1,674	3,819
Other	1,462	1,464
Allowance for doubtful accounts	△0	△2
Total current assets	35,622	41,654
Non-current assets		
Property, plant and equipment		
Buildings	1,685	1,508
Accumulated depreciation	△1,001	△995
Buildings, net	684	512
Tools, furniture and fixtures	2,561	2,404
Accumulated depreciation	△1,570	△1,614
Tools, furniture and fixtures, net	991	789
Other	14	155
Accumulated depreciation	△9	△6
Other, net	5	149
Total property, plant and equipment	1,681	1,451
Intangible assets		
Goodwill	836	595
Software	2,531	1,850
Software in progress	476	636
Customer relationships	189	37
Other	86	56
Total intangible assets	4,120	3,176
Investments and other assets		
Investment securities	667	909
Deferred tax assets	1,297	1,267
Other	2,075	3,235
Total investments and other assets	4,040	5,412
Total non-current assets	9,842	10,039
Deferred assets		
Share issuance costs	1	0
Total deferred assets	1	0
Total assets	45,466	51,694

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	7,020	6,074
Current portion of long-term borrowings	309	290
Lease liabilities	14	16
Accounts payable - other	4,493	4,690
Income taxes payable	1,372	1,659
Contract liabilities	2,186	2,346
Provision for bonuses	1,784	1,681
Provision for loss on orders received	626	438
Provision for defect repair	39	3
Other	742	761
Total current liabilities	18,590	17,962
Non-current liabilities		
Long-term borrowings	489	109
Lease liabilities	81	65
Contract liabilities	670	560
Retirement benefit liability	60	4
Asset retirement obligations	336	318
Other	69	55
Total non-current liabilities	1,708	1,113
Total liabilities	20,298	19,075
Net assets		
Shareholders' equity		
Share capital	1,270	1,270
Capital surplus	1,613	1,656
Retained earnings	22,182	29,253
Treasury shares	△2,600	△2,567
Total shareholders' equity	22,466	29,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	109
Foreign currency translation adjustment	5	7
Total accumulated other comprehensive income	9	116
Share acquisition rights	320	316
Non-controlling interests	2,371	2,572
Total net assets	25,167	32,619
Total liabilities and net assets	45,466	51,694

(2) Consolidated Statements of Income and Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	67,227	65,704
Cost of sales	52,032	49,944
Gross profit	15,194	15,760
Selling, general and administrative expenses	9,637	10,061
Operating profit	5,557	5,699
Non-operating income		
Interest income	0	0
Dividend income	2	1
Share of profit of entities accounted for using equity method	5	10
Dividend income of insurance	7	11
Subsidy income	8	2
Miscellaneous income	17	14
Total non-operating income	42	41
Non-operating expenses		
Interest expenses	9	5
Commission expenses	40	175
Loss on investments in investment partnerships	5	5
Donations	10	20
Foreign exchange losses	23	3
Provision of allowance for doubtful accounts	—	50
Miscellaneous losses	12	5
Total non-operating expenses	100	266
Ordinary profit	5,499	5,473
Extraordinary income		
Gain on sale of investment securities	—	3
Compensation income	16	—
Gain on reversal of share acquisition rights	21	32
Gain on transfer from business divestitures	—	6,623
Total extraordinary income	38	6,658
Extraordinary losses		
Impairment losses	—	345
Loss on retirement of non-current assets	81	12
Industrial accident settlement	—	70
Amortization of goodwill	—	63
Loss on forgiveness of debt	—	20
Total extraordinary losses	81	511
Profit before income taxes	5,456	11,620
Income taxes - current	1,670	3,050
Income taxes - deferred	△14	△14
Total income taxes	1,655	3,035
Profit	3,800	8,584

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to		
Profit attributable to owners of parent	3,497	8,363
Profit attributable to non-controlling interests	302	220
Other comprehensive income		
Valuation difference on available-for-sale securities	0	105
Foreign currency translation adjustment	1	2
Total other comprehensive income	2	108
Comprehensive income	3,802	8,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,499	8,471
Comprehensive income attributable to non-controlling interests	302	221

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,254	1,567	19,789	△1,555	21,055
Changes during period					
Issuance of new shares	16	16	—	—	32
Dividends of surplus	—	—	△1,104	—	△1,104
Profit attributable to owners of parent	—	—	3,497	—	3,497
Purchase of treasury shares	—	—	—	△1,094	△1,094
Disposal of treasury shares	—	36	—	49	86
Change in ownership interest of parent due to transactions with non-controlling interests	—	△6	—	—	△6
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	16	46	2,392	△1,044	1,410
Balance at end of period	1,270	1,613	22,182	△2,600	22,466

	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	2	4	7	279	2,037	23,379
Changes during period						
Issuance of new shares	—	—	—	—	—	32
Dividends of surplus	—	—	—	—	—	△1,104
Profit attributable to owners of parent	—	—	—	—	—	3,497
Purchase of treasury shares	—	—	—	—	—	△1,094
Disposal of treasury shares	—	—	—	—	—	86
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	△6
Net changes in items other than shareholders' equity	0	1	2	40	334	377
Total changes during period	0	1	2	40	334	1,787
Balance at end of period	3	5	9	320	2,371	25,167

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,270	1,613	22,182	△2,600	22,466
Changes during period					
Issuance of new shares	—	—	—	—	—
Dividends of surplus	—	—	△1,292	—	△1,292
Profit attributable to owners of parent	—	—	8,363	—	8,363
Purchase of treasury shares	—	—	—	△0	△0
Disposal of treasury shares	—	53	—	33	87
Change in ownership interest of parent due to transactions with non-controlling interests	—	△11	—	—	△11
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	—	42	7,071	32	7,147
Balance at end of period	1,270	1,656	29,253	△2,567	29,613

	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	3	5	9	320	2,371	25,167
Changes during period						
Issuance of new shares	—	—	—	—	—	—
Dividends of surplus	—	—	—	—	—	△1,292
Profit attributable to owners of parent	—	—	—	—	—	8,363
Purchase of treasury shares	—	—	—	—	—	△0
Disposal of treasury shares	—	—	—	—	—	87
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	△11
Net changes in items other than shareholders' equity	105	1	107	△4	200	304
Total changes during period	105	1	107	△4	200	7,451
Balance at end of period	109	7	116	316	2,572	32,619

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	5,456	11,620
Depreciation	1,403	1,439
Impairment losses	—	345
Amortization of goodwill	257	240
Share-based payment expenses	105	66
Increase (decrease) in allowance for doubtful accounts	3	50
Increase (decrease) in provision for bonuses	△92	△44
Increase (decrease) in retirement benefit liability	7	4
Increase (decrease) in provision for loss on orders received	222	△187
Increase (decrease) in provision for defect repair	23	△35
Loss on retirement of non-current assets	81	12
Interest and dividend income	△3	△2
Compensation income	16	—
Interest expenses	9	5
Commission expenses	40	175
Share of loss (profit) of entities accounted for using equity method	△5	△10
Loss (gain) on sale of investment securities	—	△3
Loss (gain) on investments in investment partnerships	5	5
Gain on transfer from business divestitures	—	△6,623
Decrease (increase) in accounts receivable - trade, and contract assets	△1,843	△1,498
Decrease (increase) in inventories	△6	△102
Decrease (increase) in trade receivables	△210	268
Increase (decrease) in trade payables	△507	△897
Increase (decrease) in contract liabilities	310	58
Increase (decrease) in accrued consumption taxes	74	14
Increase (decrease) in trade payables	△172	183
Other, net	△71	△140
Subtotal	5,103	4,948
Interest and dividends received	3	8
Interest paid	△9	△5
Income taxes refund (paid)	△1,646	△2,694
Net cash provided by (used in) operating activities	3,450	2,256
Cash flows from investing activities		
Purchase of property, plant and equipment	△454	△206
Purchase of intangible assets	△1,047	△1,275
Purchase of investment securities	△45	△112
Proceeds from sale of investment securities	0	3
Proceeds from business divestitures	—	2,771
Proceeds from collection of loans receivable	6	0
Payments of guarantee deposits	△7	△3
Proceeds from refund of guarantee deposits	60	4
Other, net	△12	△21
Net cash provided by (used in) investing activities	△1,500	1,161

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	1,500	951
Repayments of short-term borrowings	△1,500	△100
Repayments of long-term borrowings	△401	△399
Proceeds from issuance of shares	32	—
Purchase of treasury shares	△1,098	△0
Proceeds from disposal of treasury shares	69	66
Dividends paid	△1,103	△1,291
Dividends paid to non-controlling interests	—	△59
Repayments of lease liabilities	△19	△14
Proceeds from share issuance to non-controlling shareholders	24	27
Net cash provided by (used in) financing activities	△2,496	△819
Effect of exchange rate change on cash and cash equivalents	5	14
Net increase (decrease) in cash and cash equivalents	△540	2,612
Cash and cash equivalents at beginning of period	8,701	8,160
Cash and cash equivalents at end of period	8,160	10,772

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

(Consolidated balance sheet)

In the previous fiscal year, "accounts receivable - other" was displayed in "Other" under "Current assets," but starting in the fiscal year under review has been presented as a separate item, reflecting its increased importance in financial terms. To reflect this change in presentation, quarterly consolidated financial statements for the first quarter of the previous fiscal year have been adjusted.

As a result, in the consolidated balance sheet for the previous fiscal year, the 3,136 million yen shown in "Other" under "Current assets" has been reclassified as 1,674 million yen in "Accounts receivable - other" and 1,462 million yen in "Other."

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, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Net assets per share	1,131.42yen	1,493.86yen
Net income per share	175.03yen	420.55yen
Diluted net income per share	173.52yen	419.59yen

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Net income per share		
Profit attributable to owners of the parent(thousands of yen)	3,497	8,363
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	3,497	8,363
Average number during the period (share)	19,981,416	19,887,886
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	(27)	(19)
Increase in common shares (share)	12,366	—
(of which, share acquisition rights (share))	(12,366)	(—)
Summary of dilutive shares not included in calculating diluted net income per share due to no dilutive effect	1.The Company (Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 180,000 shares Resolution by the Board of Directors on September 29, 2021 Common shares: 229,000 shares Resolution by the Board of Directors on June 20, 2022 Common shares: 54,700 shares	1.The Company (Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 158,000 shares Resolution by the Board of Directors on September 29, 2021 Common shares: 216,000 shares Resolution by the Board of Directors on June 20, 2022 Common shares: 50,200 shares

Significant subsequent events

At the Company's Board of Directors meeting held on April 25, 2024, the Board of Directors resolved with regard to the Company's controlling shareholder (parent company) SoftBank Corp. ("Tender Offeror making a tender offer ("the Tender Offer") for common shares of the Company ("Company shares") and share acquisition rights, that it was in favor of the tender offer, that it would recommend that the Company's shareholders accept the tender offer, and that it would leave the decision of whether to accept the tender offer for share acquisition rights to the holders of said stock acquisition rights ("Stock Acquisition Rights Holders").

The above resolution at the Board of Directors meeting described above was made on the assumption that the Tender Offeror intends to make the Company into its wholly owned subsidiary through the Tender Offer and a series of subsequent proceedings and that the Company's stock will be delisted.

For details, see the notice issued on April 25, 2024 titled "Notice of Opinion in Favor of the Tender Offer for Shares of SB Technology Corp. from its Parent Company SoftBank Corp. and Recommendation to Accept the Tender Offer."

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.