

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, 2023

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

Contact: Masaaki Okazaki, Member of the Board, Executive Vice President & CFO

Phone: +81-3-6892-3063

Scheduled date of General Shareholders' Meeting: June 19, 2023

Scheduled date of filing of Securities Report: June 19, 2023

Scheduled date of payment of dividend: June 20, 2023

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, 2023 (April 1, 2022 – March 31, 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	%
Fiscal year ended Mar. 31, 2023	67,227	1.6	5,557	7.8	5,499	7.1	3,497	△3.7
Fiscal year ended Mar. 31, 2022	66,183	—	5,152	—	5,133	—	3,630	—

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

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

	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, 2023	175.03	173.52	16.1	12.2	8.3
Fiscal year ended Mar. 31, 2022	179.39	177.44	18.5	12.3	7.8

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2023: 5 Fiscal year ended Mar. 31, 2022: 10

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

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	45,466	25,167	49.4	1,131.42
As of Mar. 31, 2022	44,365	23,379	47.5	1,039.71

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2023: 22,475

As of Mar. 31, 2022: 21,062

(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, 2023	3,450	△1,500	△2,496	8,160
Fiscal year ended Mar. 31, 2022	400	△861	△493	8,701

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, 2022	Yen —	Yen 20.00	Yen —	Yen 30.00	Yen 50.00	Million yen 1,012	% 27.9	% 5.1
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 ending Mar. 31, 2024 (forecast)	Yen —	Yen 30.00	Yen —	Yen 30.00	Yen 60.00			

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	69,000	2.6	6,400	15.2	6,350	15.5	3,950	12.9	197.68

* 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

Note: For details, please refer to "3. Consolidated Financial Statements and Major Notes, (5) Notes on Consolidated Financial Statements (Changes in accounting policies) on page 18 of the accompanying materials.

(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, 2023:	22,757,800 shares	As of Mar. 31, 2022:	22,742,800 shares
----------------------	-------------------	----------------------	-------------------
- ii. Number of treasury shares at the end of the period

As of Mar. 31, 2023:	2,892,930 shares	As of Mar. 31, 2022:	2,484,351 shares
----------------------	------------------	----------------------	------------------
- iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2023:	19,981,416 shares	Fiscal year ended Mar. 31, 2022:	20,239,627 shares
----------------------------------	-------------------	----------------------------------	-------------------

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	58,129	2.1	3,835	2.6	3,728	0.8	2,667	△14.9
Fiscal year ended Mar. 31, 2022	56,923	—	3,738	—	3,699	—	3,136	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2023	133.50	133.42
Fiscal year ended Mar. 31, 2022	154.95	154.27

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, 2023	38,850	19,066	48.3	943.83
As of Mar. 31, 2022	38,236	18,436	47.5	896.42

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 18,748 As of Mar. 31, 2022: 18,160

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

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

Cautionary statement with respect to forward-looking statements

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

How to view supplementary information at the financial results meeting

The Company plans to hold a financial results meeting (online) for institutional investors and analysts on April 27, 2023. 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	5
(3) Overview of cash flows for the current period	6
(4) Future expectations	7
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
(Changes in accounting policies)	18
(Segment information)	18
(Per-share information)	19
(Significant subsequent events)	19

1. Overview of Business Results

(1) Explanation of Business Results

During the fiscal year under review, economic activity recovered, albeit moderately, due to the establishment of new lifestyles and the easing of restrictions, even as the threat of COVID-19 persisted. In this operating environment, companies were expected to continue to implement initiatives such as initiatives advancing their digital transformation (DX), reinforcing operations using digital technologies, and promoting the use of cloud computing services to address changing workstyles. As a result, Japanese corporate demand for investment in DX remained steady. In addition, with labor shortages becoming more apparent due to the recovery of economic activity, companies were under pressure to accelerate their investment in automation, labor reduction and other technologies to address worker shortages. In addition, the number of cybercrimes targeting vulnerable business areas was rising. More companies are disclosing cyber security risks and countermeasures and are adopted cyber security measures as a key element of business continuity.

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

- Enterprise

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 manufacturers and steady progress in the Company's own Managed Security Services (MSS).

- Public Sector

Sales grew, supported by projects for the Ministry of Agriculture, Forestry and Fisheries, specifically, the additional development and application of an electronic application platform, the preparation of digital maps, and the operational launch of the next-generation Local Government Information Security Cloud Services. However, growth in gross profit was more modest due to an increase in costs for provisions for an allowance related to next-generation Local Government Information Security Cloud Services.

- Consumer

Profit increased, reflecting the acquisition of a large projects by Fontworks Inc., a consolidated subsidiary of the Company, despite the impact of changes in the contract with NortonLifeLock Co., Ltd. in the business of operating e-commerce sites as an agent.

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change (Amount)	Change (Ratio)
Net sales	66,183	67,227	1,044	1.6%
Gross profit	13,974	15,194	1,220	8.7%
Total selling, general and administrative expenses	8,821	9,637	816	9.3%
Operating income	5,152	5,557	404	7.8%
Ordinary income	5,133	5,499	365	7.1%
Profit attributable to owners of parent	3,630	3,497	(133)	(3.7)%
EBITDA(*)	6,702	7,217	514	7.7%
Net income per share	JPY 179.39	JPY 175.03	JPY (4.37)	(2.4)%

*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 4 for details on the content and performance of the solutions that comprise the ICT Services segment.

< Segment Explanation >

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

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

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

Category	Details	Core companies
Telecommunication	[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 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 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)

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change (Amount)	Change (Ratio)
Telecommunication	Net Sales	22,888	19,575	(3,313)	(14.5)%
	Gross profit	3,208	3,343	135	4.2%
	Profit margins	14.0%	17.1%	3.1 pt.	—
Enterprise	Net Sales	28,993	30,358	1,364	4.7%
	Gross profit	7,136	7,929	792	11.1%
	Profit margins	24.6%	26.1%	1.5 pt.	—
Public Sector	Net Sales	10,230	13,223	2,992	29.2%
	Gross profit	1,126	1,315	188	16.8%
	Profit margins	11.0%	9.9%	(1.1) pt.	—
Consumer	Net Sales	4,070	4,070	0	0.0%
	Gross profit	2,502	2,606	104	4.2%
	Profit margins	61.5%	64.0%	2.5 pt.	—
Total	Net Sales	66,183	67,227	1,044	1.6%
	Gross profit	13,974	15,194	1,220	8.7%
	Profit margins	21.1%	22.6%	1.5 pt.	—

(2) Explanation of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Change
Total assets	44,365	45,466	1,100
Net assets	23,379	25,167	1,787
Shareholder's equity ratio	47.5%	49.4%	1.9 pt.
Net assets per share	JPY 1,039.71	JPY 1,131.42	JPY 91.71

(Assets)

Assets at the end of the fiscal year under review totaled 45,466 million yen, an increase of 1,100 million yen from the end of the previous fiscal year.

Current assets increased 1,295 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 liabilities decreased 193 million yen from the end of the previous fiscal year as a result primarily of a fall in goodwill.

(Liabilities)

Liabilities at the end of the fiscal year under review totaled 20,298 million yen, an increase of 686 million yen from the end of the previous fiscal year.

Current liabilities decreased 306 million yen, mainly due to decreases in accounts payable.

Non-current liabilities decreased 380 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 totaled 25,167 million yen, an increase of 1,787 million yen from the end of the previous fiscal year, mainly due to increases in retained earnings and non-controlling interests, despite higher treasury shares.

(3) Overview of cash flows for the current period

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Changes (Amount)
Cash flows from operating activities	400	3,450	3,050
Cash flows from investing activities	(861)	(1,500)	(639)
Cash flows from financing activities	(493)	(2,496)	(2,003)
Changes in cash and cash equivalents	(947)	(540)	406
Balance of cash and cash equivalents at end of period	8,701	8,160	(540)

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) decreased 540 million yen from the end of the previous consolidated fiscal year to 8,160 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 3,450 million yen. This was caused in large part by profit before income taxes of 5,456 million yen, which more than offset an increase of 1,843 million yen in trade receivables and contract assets.

In comparison to the previous fiscal year, cash decreased 2,093 million yen in increase (decrease) in contract liabilities, which was more than offset by an increase of 3,063 million yen in decrease (increase) in trade receivables and contract assets and an increase of 2,076 million yen in cash collected in decrease (increase) in trade payables. As a result, cash provided increased 3,050 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 1,500 million yen. This resulted chiefly from the cash of 1,047 million yen used for the acquisition of intangible assets.

Compared with the previous fiscal year, cash used increased 639 million yen, chiefly owing to a decrease of 415 million yen in cash outflows linked to the purchase of intangible assets and a decrease of 899 million yen in proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities totaled 2,496 million yen. This chiefly reflected the dividend payment of 1,103 million yen, as well as the cash outflow of 1,098 million yen due to the acquisition of treasury shares.

In comparison to the previous fiscal year, cash used increased 2,003 million yen as a consequence chiefly of an increase of 1,097 million yen in cashflows linked to the acquisition of treasury shares, coupled with a decrease of 479 million yen in proceeds from the issuing of shares to non-controlling shareholders and a decrease of 458 million yen in proceeds from the sale of shares of subsidiaries not resulting in a change in scope of consolidation.

(4) Future expectations

Economic activity is expected to recover in Japan in the fiscal year ending March 31, 2024 amid the expected further relaxation of COVID-19 countermeasures, 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, it will continue to aim to achieve the growth of its business in the fiscal year ending March 31, 2024 while at the same time improving profitability through the improvement of productivity and the reduction of non-conforming quality expenses.

In the Telecommunication segment, although sales are expected to decrease due to the return of a vendor management project and a change in customers' appetite for investment, 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 with an eye toward the post COVID-19 business environment, while 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 anticipates that it will be able to improve profitability, partly by reducing costs through the improvement of quality and productivity and partly because various large projects will be in their operation phase.

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.

Regarding its consolidated results for the fiscal year ending March 31, 2024, based on the above, the Company forecasts net sales of 69,000 million yen, operating income of 6,400 million yen, ordinary income of 6,350 million yen, and profit attributable to owners of parent of 3,950 million yen.

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, 2024	69,000	6,400	6,350	3,950	197.68
Results for fiscal year ended March 31, 2023	67,227	5,557	5,499	3,497	175.03
Change (Amount)	1,772	842	850	452	22.65
Change (Ratio)	2.6%	15.2%	15.5%	12.9%	12.9%

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.

Regarding the fourth Medium-Term Management Plan, the Company established that operating income was the most important management indicator, and laid out its target of achieving an operating income of 8.0 billion yen in the fiscal year ending March 31, 2025. It achieved profit attributable to owners of parent of 3,497 million yen in the fiscal year ended March 31, 2023. Although profit decreased from the previous year, if the impact of the sale of investment securities is excluded, it increases. Further, with continued growth anticipated in the future, the Company plans to pay an ordinary dividend of 60 yen per share for the fiscal year under review, an increase of 10 yen from the previous fiscal year.

Regarding dividends for the fiscal year ending March 31, 2024, the Company plans to pay ordinary dividends of 60 yen per share, 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 under review.

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	8,762	8,221
Notes and accounts receivable		
- trade, and contract assets	22,290	24,133
Merchandise	66	131
Other	3,207	3,136
Allowance for doubtful accounts	△0	△0
Total current assets	34,326	35,622
Non-current assets		
Property, plant and equipment		
Buildings	1,700	1,685
Accumulated depreciation	△960	△1,001
Buildings, net	739	684
Tools, furniture and fixtures	2,347	2,561
Accumulated depreciation	△1,431	△1,570
Tools, furniture and fixtures, net	916	991
Other	13	14
Accumulated depreciation	△7	△9
Other, net	5	5
Total property, plant and equipment	1,661	1,681
Intangible assets		
Goodwill	1,093	836
Software	2,553	2,531
Software in progress	461	476
Customer relationships	262	189
Other	116	86
Total intangible assets	4,486	4,120
Investments and other assets		
Investment securities	625	667
Deferred tax assets	1,309	1,297
Other	1,953	2,075
Total investments and other assets	3,888	4,040
Total non-current assets	10,036	9,842
Deferred assets		
Share issuance costs	2	1
Total deferred assets	2	1
Total assets	44,365	45,466

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	7,528	7,020
Current portion of long-term borrowings	394	309
Lease liabilities	19	14
Accounts payable - other	4,719	4,493
Income taxes payable	1,379	1,372
Contract liabilities	1,835	2,186
Provision for bonuses	1,876	1,784
Provision for loss on orders received	403	626
Provision for defect repair	16	39
Asset retirement obligations	24	—
Other	699	742
Total current liabilities	18,896	18,590
Non-current liabilities		
Long-term borrowings	799	489
Lease liabilities	96	81
Deferred tax liabilities	26	—
Contract liabilities	709	670
Retirement benefit liability	53	60
Asset retirement obligations	334	336
Other	69	69
Total non-current liabilities	2,088	1,708
Total liabilities	20,985	20,298
Net assets		
Shareholders' equity		
Share capital	1,254	1,270
Capital surplus	1,567	1,613
Retained earnings	19,789	22,182
Treasury shares	△1,555	△2,600
Total shareholders' equity	21,055	22,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	3
Foreign currency translation adjustment	4	5
Total accumulated other comprehensive income	7	9
Share acquisition rights	279	320
Non-controlling interests	2,037	2,371
Total net assets	23,379	25,167
Total liabilities and net assets	44,365	45,466

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	66,183	67,227
Cost of sales	52,209	52,032
Gross profit	13,974	15,194
Selling, general and administrative expenses	8,821	9,637
Operating profit	5,152	5,557
Non-operating income		
Interest income	0	0
Dividend income	0	2
Share of profit of entities accounted for using equity method	10	5
Dividend income of insurance	7	7
Subsidy income	22	8
Miscellaneous income	7	17
Total non-operating income	48	42
Non-operating expenses		
Interest expenses	16	9
Loss on investments in investment partnerships	2	5
Donations	10	10
Foreign exchange losses	18	23
Commission expenses	—	40
Miscellaneous losses	20	12
Total non-operating expenses	67	100
Ordinary profit	5,133	5,499
Extraordinary income		
Gain on sale of investment securities	862	—
Compensation income	—	16
Gain on reversal of share acquisition rights	—	21
Subsidiaries directors' retirement allowance repayment gain	18	—
Total extraordinary income	881	38
Extraordinary losses		
Loss on retirement of non-current assets	242	81
Impairment losses	105	—
Subsidiary company head office transfer cost	5	—
Salaries and allowance for prior periods	17	—
Office relocation expenses	11	—
Total extraordinary losses	381	81
Profit before income taxes	5,633	5,456
Income taxes - current	1,823	1,670
Income taxes - deferred	△45	△14
Total income taxes	1,778	1,655
Profit	3,854	3,800
Profit attributable to		
Profit attributable to owners of parent	3,630	3,497
Profit attributable to non-controlling interests	223	302

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	16	0
Foreign currency translation adjustment	1	1
Total other comprehensive income	18	2
Comprehensive income	3,872	3,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,648	3,499
Comprehensive income attributable to non-controlling interests	223	302

(3) Consolidated Statement of Changes in Equity

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 of items 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 of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	18	239	2,720	12	2,992
Balance at end of current period	1,254	1,567	19,789	△1,555	21,055

	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	△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 of items during period						
Issuance of new shares - exercise of share acquisition rights	—	—	—	—	—	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 of items other than shareholders' equity	16	0	17	46	948	1,012
Total changes of items during period	16	0	17	46	948	4,004
Balance at end of current period	2	4	7	279	2,037	23,379

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 current period	1,254	1,567	19,789	△1,555	21,055
Changes of items 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

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,633	5,456
Depreciation	1,300	1,403
Impairment losses	105	—
Subsidiary company head office transfer cost	5	—
Office transfer expenses	11	—
Amortization of goodwill	249	257
Share-based payment expenses	98	105
Increase (decrease) in allowance for doubtful accounts	△0	3
Increase (decrease) in provision for bonuses	303	△92
Increase (decrease) in retirement benefit liability	5	7
Increase (decrease) in provision for loss on orders received	129	222
Increase (decrease) in provision for defect repair	13	23
Loss on retirement of non-current assets	242	81
Interest and dividend income	△0	△3
Compensation income	—	16
Interest expenses	16	9
Commission expenses	—	40
Share of loss (profit) of entities accounted for using equity method	△10	△5
Loss (gain) on investments in investment partnerships	2	5
Loss (gain) on sale of investment securities	△862	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	△4,906	△1,843
Decrease (increase) in inventories	343	△6
Decrease (increase) in trade receivables	△2,286	△210
Increase (decrease) in trade payables	△1,633	△507
Increase (decrease) in contract liabilities	2,404	310
Increase (decrease) in accrued consumption taxes	△271	74
Increase (decrease) in trade payables	1,101	△172
Other, net	2	△71
Subtotal	1,995	5,103
Interest and dividends received	0	3
Interest paid	△16	△9
Income taxes refund (paid)	△1,578	△1,646
Net cash provided by (used in) operating activities	400	3,450
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	24	—
Purchase of property, plant and equipment	△383	△454
Purchase of intangible assets	△1,463	△1,047
Purchase of investment securities	—	△45
Proceeds from sale of investment securities	903	4
Proceeds from collection of loans receivable	6	6
Payments of guarantee deposits	△9	△7
Proceeds from refund of guarantee deposits	92	60
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△11	—
Other, net	△19	△16
Net cash provided by (used in) investing activities	△861	△1,500

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	2,500	1,500
Repayments of short-term borrowings	△2,500	△1,500
Repayments of long-term borrowings	△490	△401
Proceeds from issuance of shares	34	32
Purchase of treasury shares	△0	△1,098
Proceeds from disposal of treasury shares	29	69
Dividends paid	△909	△1,103
Repayments of lease liabilities	△118	△19
Proceeds from share issuance to non-controlling shareholders	504	24
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	458	—
Net cash provided by (used in) financing activities	△493	△2,496
Effect of exchange rate change on cash and cash equivalents	6	5
Net increase (decrease) in cash and cash equivalents	△947	△540
Cash and cash equivalents at beginning of period	9,648	8,701
Cash and cash equivalents at end of period	8,701	8,160

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in accounting policies

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

Reclassifications

(Consolidated Statements of Income and Comprehensive Income)

Dividend income, which was included in interest and dividend income in the previous fiscal year, is presented separately beginning from the fiscal year under review because its significance in terms of value has increased. To reflect this change in presentation, consolidated financial statements for the previous fiscal year have been adjusted. As a result, the 0 million yen presented as interest and dividend income under the non-operating income category in the Consolidated Statements of Income and Comprehensive Income for the previous fiscal year has been adjusted to interest income of 0 million yen and dividend income of 0 million yen.

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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Net assets per share	1,039.71 yen	1,131.42 yen
Net income per share	179.39 yen	175.03 yen
Diluted net income per share	177.44 yen	173.52 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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Net income per share		
Profit attributable to owners of the parent(thousands of yen)	3,630	3,497
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	3,630	3,497
Average number during the period (share)	20,239,627	19,981,416
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	(23)	(27)
Increase in common shares (share)	89,437	12,366
(of which, share acquisition rights (share))	89,437	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: 195,000 shares Resolution by the Board of Directors on September 29, 2021 Common shares: 238,500 shares	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

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.