

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.

January 25, 2023

SB Technology Corp. Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2023 (Nine Months Ended December 31, 2022)

[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 filing of Quarterly Report: February 13, 2023

Scheduled date of payment of dividend: —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine months Ended December 31, 2022 (April 1, 2022 – December 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	%
Nine months ended Dec. 31, 2022	48,231	1.3	3,541	△3.2	3,489	△3.7	2,108	△3.6
Nine months ended Dec. 31, 2021	47,626	—	3,660	—	3,622	—	2,187	—

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 2,301 (down 33.0%)

Nine months ended Dec. 31, 2021: 3,435 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	105.32	104.36
Nine months ended Dec. 31, 2021	108.10	106.75

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 Dec. 31, 2022	41,116	23,647	51.3	1,061.63
As of Mar. 31, 2022	44,365	23,379	47.5	1,039.71

Reference: Shareholders’ equity (million yen)

As of Dec.31, 2022: 21,090

As of Mar. 31, 2022: 21,062

2. Dividends

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	67,000	1.2	5,400	4.8	5,380	4.8	3,400	△6.4	169.84

Note: Revisions to the most recently announced consolidated forecast: Yes

*** Notes**

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

(2) Application of special accounting for presenting quarterly consolidated financial statements: None

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

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

(4) Number of outstanding shares (common stock)

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

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

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

Nine months ended Dec.31, 2022:	20,019,152shares	Nine months ended Dec. 31, 2021:	20,235,495shares
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* This consolidated financial report is not subject to quarterly review procedures by a certified public accountant or audit company.

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

Cautionary statement with respect to forward-looking statements

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

How to view supplementary information at the financial results meeting

The Company plans to hold the financial results meeting (online) for institutional investors and analysts on Wednesday, January 25, 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/>).

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	8,762	8,903
Notes and accounts receivable - trade, and contract assets	22,290	19,071
Merchandise	66	126
Other	3,207	3,522
Allowance for doubtful accounts	△0	△0
Total current assets	34,326	31,623
Non-current assets		
Property, plant and equipment		
Buildings, net	739	703
Tools, furniture and fixtures, net	916	845
Other, net	5	420
Total property, plant and equipment	1,661	1,969
Intangible assets		
Goodwill	1,093	900
Software	2,553	2,375
Software in progress	461	727
Customer relationships	262	207
Other	116	93
Total intangible assets	4,486	4,305
Investments and other assets		
Investment securities	625	655
Deferred tax assets	1,309	722
Other	1,953	1,838
Total investments and other assets	3,888	3,216
Total non-current assets	10,036	9,491
Deferred assets		
Share issuance costs	2	1
Total deferred assets	2	1
Total assets	44,365	41,116

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	7,528	5,616
Current portion of long-term borrowings	394	318
Lease liabilities	19	17
Accounts payable - other	4,719	4,825
Income taxes payable	1,379	279
Contract liabilities	1,835	2,731
Provision for bonuses	1,876	644
Provision for bonuses for directors (and other officers)	—	71
Provision for loss on order received	403	249
Provision for defect repair	16	—
Asset retirement obligations	24	—
Other	699	1,097
Total current liabilities	18,896	15,851
Non-current liabilities		
Long-term borrowings	799	565
Lease liabilities	96	83
Deferred tax liabilities	26	18
Contract liabilities	709	485
Retirement benefit liability	53	58
Asset retirement obligations	334	336
Other	69	69
Total non-current liabilities	2,088	1,617
Total liabilities	20,985	17,469
Net assets		
Shareholders' equity		
Share capital	1,254	1,270
Capital surplus	1,567	1,615
Retained earnings	19,789	20,793
Treasury shares	△1,555	△2,600
Total shareholders' equity	21,055	21,079
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	5
Foreign currency translation adjustment	4	6
Total accumulated other comprehensive income	7	11
Share acquisition rights	279	305
Non-controlling interests	2,037	2,251
Total net assets	23,379	23,647
Total liabilities and net assets	44,365	41,116

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	47,626	48,231
Cost of sales	37,683	37,661
Gross profit	9,943	10,569
Selling, general and administrative expenses	6,282	7,028
Operating profit	3,660	3,541
Non-operating income		
Interest income	0	0
Dividend income	0	2
Share of profit of entities accounted for using equity method	5	3
Subsidy income	10	—
Miscellaneous income	5	15
Total non-operating income	21	22
Non-operating expenses		
Interest expenses	11	6
Donations	10	10
Foreign exchange losses	17	25
Commission expenses	—	20
Miscellaneous losses	19	12
Total non-operating expenses	58	74
Ordinary profit	3,622	3,489
Extraordinary income		
Gain on sale of investment securities	5	—
Compensation income	—	16
Gain on reversal of share acquisition rights	—	17
Subsidiaries directors' retirement allowance repayment gain	18	—
Total extraordinary income	24	34
Extraordinary losses		
Impairment losses	4	—
Subsidiary company head office transfer cost	5	—
Salaries and allowance for prior periods	17	—
Total extraordinary losses	27	—
Profit before income taxes	3,619	3,523
Income taxes - current	844	647
Income taxes - deferred	432	578
Total income taxes	1,276	1,226
Profit	2,342	2,297

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit attributable to		
Profit attributable to owners of parent	2,187	2,108
Profit attributable to non-controlling interests	155	188
Other comprehensive income		
Valuation difference on available-for-sale securities	1,092	2
Foreign currency translation adjustment	0	2
Total other comprehensive income	1,092	4
Comprehensive income	3,435	2,301
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,280	2,112
Comprehensive income attributable to non-controlling interests	155	189

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Purchase of treasury stock

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

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

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

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