

Disclaimer:

This financial report is solely a translation of the "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

July 31, 2024

SB Technology Corp.
Consolidated Financial Report for the First Quarter of Fiscal Year Ending March 31, 2025
(Three Months Ended June 30, 2024)

[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

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Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly 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 Three Months Ended June 30, 2024 (April 1, 2024 – June 30, 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	%
Three months ended Jun. 30, 2024	15,617	(2.1)	869	(17.7)	611	(42.0)	348	(31.1)
Three months ended Jun. 30, 2023	15,958	2.6	1,057	(2.6)	1,054	(1.4)	505	(21.9)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2024: 398 (down 28.5%)

Three months ended Jun. 30, 2023: 557 (down 20.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2024	17.48	17.31
Three months ended Jun. 30, 2023	25.44	25.18

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2024	51,060	32,192	57.4	1,472.11
As of Mar. 31, 2024	51,694	32,619	57.5	1,493.86

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2024: 29,307

As of Mar. 31, 2024: 29,730

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2024	—	30.00	—	40.00	70.00
Fiscal year ending Mar. 31, 2025	—	—	—	—	—
Fiscal year ending Mar. 31, 2025 (forecast)	—	0.00	—	0.00	0.00

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

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)	178.35

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

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

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

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

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2024:	22,757,800 shares	As of Mar. 31, 2024:	22,757,800 shares
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- ii. Number of treasury shares at the end of the period

As of Jun. 30, 2024:	2,849,306 shares	As of Mar. 31, 2024:	2,856,067 shares
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- iii. Average number of shares outstanding during the period

Three months ended Jun. 30, 2024:	19,905,125 shares	Three months ended Jun. 30, 2023:	19,864,851 shares
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* Review of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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.

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1. Overview of Business Results

(1) Explanation of Business Results

During the first quarter under review, prices of energy resources and commodities 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 gradually recovered, as economic activity returned to normal.

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 also rolled out services reflecting knowhow gained through in-house use and joint demonstration experiments with customers and utilizing state-of-the-art technologies in various business applications.

Cyberattacks targeting weaknesses in security measures are still trending up and it has become apparent that both individual companies and entire supply chains need to take cyber security measures.

The Company and other ICT-related companies are expected to respond to rapid social changes through the promotion of DX accompanied with support for security measures, as well as develop human resources with high-level DX technology literacy.

Amid this business environment, the ICT services business remained firm, and performance by market was as follows compared to the same period in the previous fiscal year.

- Telecommunication

Both sales and profits increased in the Telecommunication segment, with a decrease in vendor management projects for SoftBank Corp. more than offset by an increase in projects for the routine development of SoftBank Corp.'s internal systems.

- Enterprise

Both sales and profits rose in the Enterprise segment due to steady growth of projects for developing cloud services, mainly for key customers and their group companies, as well as increased security projects including the Company's own Managed Security Services.

- Public Sector

Both sales and profits decreased in the Public Sector segment, with various large-scale projects such as projects concerned with the DX strategy of the Ministry of Agriculture, Forestry and Fisheries and Local Government Information Security Cloud entering the operation phase, despite progress with the acquisition of DX projects for other ministries and agencies.

- 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 statement.

As a result, the Group's financial results for the first three months of the fiscal year under review were as follows.

(Millions of yen)

	Three-month ended June 30, 2023	Three-month ended June 30, 2024	Change (Amount)	Change (Ratio)
Net sales	15,958	15,617	(340)	(2.1)%
Gross profit	3,693	3,354	(339)	(9.2)%
Total selling, general and administrative expenses	2,636	2,484	(151)	(5.7)%
Operating income	1,057	869	(187)	(17.7)%
Ordinary income	1,054	611	(443)	(42.0)%
Profit attributable to owners of parent	505	348	(157)	(31.1)%
EBITDA(*)	1,505	1,205	(299)	(19.9)%
Net income per share	JPY 25.44	JPY 17.48	JPY (7.95)	(31.3)%

*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 market 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)

While the promotion of diverse work styles, including telework, and digitization have led to an increase in companies using SaaS in recent years, there has also been an uptick in damage such as the unintentional disclosure or leakage of information. With the use of SaaS expected to increase further going forward and companies required to accurately understand and manage their usage as an organization, the difficulties that those in charge of information systems and

security have in comprehensively understanding internal use of SaaS is an issue which needs to be addressed. To resolve this issue, the Company launched “SaaS Patrol”, a tool for centrally managing internal SaaS usage. This tool increases the efficiency of the SaaS management operations performed by an organization's information system division or security personnel and reduces security risk associated with the use of SaaS.

The Company also launched “Animalook” as a service promoting diverse work styles and increased business efficiency. “Animalook” is a service that allows veterinarians to make video calls and schedule and manage consultations, which are necessary when conducting remote consultations for livestock. Veterinarians visit farmers to conduct consultations for livestock, however due to geographical factors such as remote locations and remote islands and a chronic shortage of veterinarians, the workload per person is currently high. To address this situation, “Animalook” improves the efficiency of veterinarians' work through remote consultations. It also supports the work style reform of veterinarians who conduct consultations for livestock, for example, making it easy for veterinarians to access consultation data through the central management of consultation histories including consultation recordings and prescribing-related data in the cloud.

The Company will help customers realize DX by increasing the efficiency of security operations and providing cloud services.

(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).

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,	- SB Technology Corp.

(Millions of yen)

		Three-month period ended June 30, 2023	Three-month period ended June 30, 2024	Change (Amount)	Change (Ratio)
Telecommunication	Net Sales	3,669	3,784	115	3.1%
	Gross profit	658	684	25	3.9%
	Profit margins	18.0%	18.1%	0.1pt.	—
Enterprise	Net Sales	7,862	8,688	826	10.5%
	Gross profit	1,889	2,121	232	12.3%
	Profit margins	24.0%	24.4%	0.4pt.	—
Public Sector	Net Sales	3,403	2,862	(540)	(15.9) %
	Gross profit	465	438	(26)	(5.8) %
	Profit margins	13.7%	15.3%	1.6pt.	—
Consumer	Net Sales	1,023	281	(741)	(72.5) %
	Gross profit	679	110	(569)	(83.8) %
	Profit margins	66.4%	39.1%	(27.3) pt.	—
Total	Net Sales	15,958	15,617	(340)	(2.1) %
	Gross profit	3,693	3,354	(339)	(9.2) %
	Profit margins	23.1%	21.5%	(1.6)pt.	—

(2) Explanation of Financial Position

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024	(Reference) As of June 30, 2023
Total assets	51,694	51,060	41,032
Net assets	32,619	32,192	25,000
Shareholder's equity ratio	57.5%	57.4%	54.3%

(Assets)

As of the end of the first quarter under review, assets were 51,060 million yen, a decrease of 634 million yen from the end of the previous fiscal year.

Current assets fell 891 million yen from the end of the previous fiscal year, in part due to decreases in notes and accounts receivable-trade and contract assets, despite growth in cash and deposits and other current assets.

Non-current assets increased 257 million yen from the end of the previous fiscal year, mainly due to increases in buildings, tools, furniture and fixtures, despite decline in deferred tax assets.

(Liabilities)

As of the end of the first quarter under review, liabilities totaled 18,868 million yen, a decrease of 207 million yen compared with the end of the previous fiscal year.

Current liabilities declined 54 million yen from the end of the previous fiscal year, in part reflecting decreases in accounts payable - trade, income taxes payable and provision for bonuses, despite an increase in contract liabilities.

Non-current liabilities decreased 152 million yen from the end of the previous fiscal year, mainly attributable to decreases in long-term borrowings and lease liabilities.

(Net assets)

Net assets at the end of the first quarter under review totaled 32,192 million yen, a decrease of 426 million yen from the end of the previous fiscal year, mainly due to a decrease in retained earnings.

(3) Future expectations

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 forecast of consolidated financial results for the fiscal year ending March 31, 2025, which we announced on April 25, 2024, remains unchanged.

As stated in Notice of Expression of Opinion in Support of the Tender Offer for the Company's Shares, etc. by Our Parent Company, SoftBank Corp. and Recommendation to Tender released on April 25, 2024 (including correction based on (Correction) Regarding Partial Correction to "Notice of Expression of Opinion in Support of the Tender Offer for the Company's Shares, etc. by Our Parent Company, SoftBank Corp. and Recommendation to Tender" released on May 27, 2024) and Notice Regarding Approval of Share Consolidation, Abolition of Provisions on Unit Share Numbers, and Partial Amendments to the Articles of Incorporation released on July 1, 2024, the Company's shares will be delisted on September 6, 2024 through the implementation of a tender offer by SoftBank Corp. and the prescribed procedures thereafter.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,833	16,809
Notes and accounts receivable - trade, and contract assets	25,289	16,758
Merchandise	250	164
Accounts receivable - other	3,819	3,568
Other	1,464	3,466
Allowance for doubtful accounts	(2)	(3)
Total current assets	41,654	40,762
Non-current assets		
Property, plant and equipment		
Buildings, net	512	778
Tools, furniture and fixtures, net	789	1,040
Other, net	149	71
Total property, plant and equipment	1,451	1,890
Intangible assets		
Goodwill	595	565
Software	1,850	1,933
Software in progress	636	621
Customer relationships	37	35
Other	56	50
Total intangible assets	3,176	3,205
Investments and other assets		
Investment securities	909	912
Deferred tax assets	1,267	1,054
Other	3,235	3,234
Total investments and other assets	5,412	5,201
Total non-current assets	10,039	10,297
Deferred assets		
Share issuance costs	0	—
Total deferred assets	0	—
Total assets	51,694	51,060

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	6,074	4,360
Current portion of long-term borrowings	290	290
Lease liabilities	16	78
Accounts payable - other	4,690	4,150
Income taxes payable	1,659	51
Contract liabilities	2,346	6,663
Provision for bonuses	1,681	642
Provision for bonuses for directors (and other officers)	—	24
Provision for loss on orders received	438	396
Provision for defect repair	3	—
Asset retirement obligations	—	48
Other	761	1,199
Total current liabilities	17,962	17,907
Non-current liabilities		
Long-term borrowings	109	37
Lease liabilities	65	—
Contract liabilities	560	521
Retirement benefit liability	4	4
Asset retirement obligations	318	343
Other	55	55
Total non-current liabilities	1,113	960
Total liabilities	19,075	18,868
Net assets		
Shareholders' equity		
Share capital	1,270	1,270
Capital surplus	1,656	1,674
Retained earnings	29,253	28,805
Treasury shares	(2,567)	(2,562)
Total shareholders' equity	29,613	29,188
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	109	111
Foreign currency translation adjustment	7	7
Total accumulated other comprehensive income	116	118
Share acquisition rights	316	309
Non-controlling interests	2,572	2,575
Total net assets	32,619	32,192
Total liabilities and net assets	51,694	51,060

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

(Millions of yen)

	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Net sales	15,958	15,617
Cost of sales	12,265	12,263
Gross profit	3,693	3,354
Selling, general and administrative expenses	2,636	2,484
Operating profit	1,057	869
Non-operating income		
Interest income	0	0
Dividend income	1	2
Share of profit of entities accounted for using equity method	3	3
Refund of defined contribution pension plan	1	1
Foreign exchange gains	1	—
Subsidy income	0	4
Miscellaneous income	2	0
Total non-operating income	11	12
Non-operating expenses		
Interest expenses	1	1
Commission expenses	—	250
Donations	10	10
Foreign exchange losses	—	7
Miscellaneous losses	2	0
Total non-operating expenses	13	269
Ordinary profit	1,054	611
Extraordinary income		
Gain on reversal of share acquisition rights	—	4
Total extraordinary income	—	4
Extraordinary losses		
Industrial accident settlement	70	—
Amortization of goodwill	63	—
Total extraordinary losses	133	—
Profit before income taxes	921	616
Income taxes - current	86	9
Income taxes - deferred	279	211
Total income taxes	366	221
Profit	555	395
Profit attributable to		
Profit attributable to owners of parent	505	348
Profit attributable to non-controlling interests	50	47
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	1	0
Total other comprehensive income	1	2
Comprehensive income	557	398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	506	350
Comprehensive income attributable to non-controlling interests	50	48

(3) Notes to Consolidated Financial Statements

Reclassifications

Quarterly Consolidated Statements of Income and Comprehensive Income

Subsidy income, which was included in proceeds from miscellaneous income under the non-operating income category in the first quarter of the previous fiscal year, is presented separately beginning from the first quarter under review because its significance in terms of value has increased. 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, the 3 million yen presented as proceeds from miscellaneous income under the non-operating income category in the Quarterly Consolidated Statements of Income and Comprehensive Income for the first quarter of the previous fiscal year has been adjusted to subsidy income of 0 million yen and proceeds from miscellaneous income of 2 million yen.

Segment information

[Segment information]

Since the Group has only a single business segment (ICT Services), the statement is omitted.

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in accounting estimates

(Change in estimates of asset retirement obligations)

As a result of the headquarter office renovation and the recent surge in prices, the Company changed its estimates for expected period of use and restoration costs with respect to asset retirement obligations which it had recognized as restoration obligations arising from the Company's real estate lease agreements.

An increase resulting from this change in estimates, 74 million yen, was added to asset retirement obligations before the change. The impact of this change on income is insignificant.

Notes on quarterly consolidated statement of cash flows

The Company did not prepare quarterly consolidated statements of cash flows for the three-month period under review. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the three-month period under review are as follows:

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Depreciation	383 million yen	305 million yen
Amortization of goodwill	127	30

Significant subsequent events

(Share consolidation, abolition of provisions on unit share numbers, partial amendments to the Articles of Incorporation, and cancellation of treasury shares)

I. Consolidation of shares

1. Purpose and reason for the consolidation of shares

SoftBank Corp. (the "Tender Offeror") implemented a tender offer (the "Tender Offer") for all the Company's shares (excludes the Company's shares owned by the Tender Offeror and treasury shares owned by the Company) and all the Share Acquisition Rights (Note), with the period from April 26, 2024 to June 11, 2024 as the period for tendering in the Tender Offer (the "Tender Offer Period"). As stated in Notice Concerning the Results of the Tender Offer for the Company's Shares by Our Parent Company, SoftBank Corp. released on June 12, 2024, as a result of the Tender Offer, on June 18, 2024, which

is the start date of settlement for the Tender Offer, the Tender Offeror acquired 7,180,978 of the Company's shares tendered in the Tender Offer. As a result, the Tender Offeror came to own 17,915,978 of the Company's shares (ownership ratio of 88.14%).

By a resolution of the Board of Directors on July 1, 2024, the Company resolved to convene an Extraordinary General Meeting of Shareholders to be held on August 5, 2024 (the "Extraordinary General Meeting of Shareholders") and to submit to the Extraordinary General Meeting of Shareholders a resolution regarding a consolidation of the Company's shares in the ratio of 9,900,000: 1 (the "Share Consolidation"), the abolition of the unit share number provisions, and partial amendments to the Articles of Incorporation, subject to the approval of shareholders.

(Note) The Share Acquisition Rights collectively refers to the following share acquisition rights:

- (a) Share acquisition rights issued pursuant to a resolution of the Company's Board of Directors held on September 26, 2018
(Exercise period: October 1, 2020 to September 30, 2024)
- (b) Share acquisition rights issued pursuant to a resolution of the Company's Board of Directors held on September 29, 2021
(Exercise period: October 1, 2023 to September 30, 2025)
- (c) Share acquisition rights issued pursuant to a resolution of the Company's Board of Directors held on June 20, 2022
(Exercise period: July 1, 2025 to June 30, 2028)

2. Overview of the Share Consolidation

(1) Schedule of the Share Consolidation

(i) Announcement of the record date for the Extraordinary General Meeting of Shareholders	May 27, 2024
(ii) Record date for the Extraordinary General Meeting of Shareholders	June 19, 2024
(iii) Date of resolution by the Board of Directors	July 1, 2024
(iv) Date of the Extraordinary General Meeting of Shareholders	August 5, 2024 (planned)
(v) Designation as delisted stock	August 5, 2024 (planned)
(vi) Final date of trading of the Company's shares	September 5, 2024 (planned)
(vii) Date of delisting of the Company's shares	September 6, 2024 (planned)
(viii) Effective date of the Share Consolidation	September 10, 2024 (planned)

(2) Details of the Share Consolidation

(i) Type of shares to be consolidated

Common shares

(ii) Ratio of consolidation

The Company's shares will be consolidated in a ratio of 9,900,000: 1.

(iii) Decrease in total number of outstanding shares

19,908,513 shares

(iv) Total number of outstanding shares before the effective date

19,908,515 shares

(Note) Since the Company resolved at a meeting of the Board of Directors held on July 1, 2024 to cancel 2,849,285 treasury shares (equivalent to all the treasury shares owned by the Company as of June 19, 2024) on September 9, 2024, the total number of outstanding shares before the effective date is the total number of outstanding shares after such cancellation.

(v) Total number of outstanding shares after the effective date

2 shares

(vi) Total number of authorized shares on the effective date

2 shares

(vii) Method of treatment of fractional shares and amount of money expected to be delivered to shareholders as a result

of such treatment

As a result of the Share Consolidation, the number of shares of the Company held by shareholders other than the Tender Offeror will be reduced to fractions of less than one share.

The method of treatment of fractions of less than one share resulting from the Share Consolidation will be to sell a number of shares equivalent to the total number of shares (if the total number of shares includes fractions of less than one share, such fractions will be rounded down in accordance with Article 235, Paragraph 1 of the Companies Act. [Here, the “Companies Act” refers to Law No. 86 of 2005, including subsequent amendments. The same shall apply hereafter.]) in accordance with the provisions of Article 235 of the Companies Act and other related laws and regulations, and the proceeds from such sale will be delivered to shareholders in proportion to the number of fractional shares they hold.

With respect to such sale procedures, since the purpose of the Share Consolidation is to reduce the shareholders of the Company to the Tender Offeror only as part of the transaction, and the Company's shares will be delisted on September 6, 2024 and will become shares without a share price, it is, therefore, unlikely that buyers will emerge in an auction. In view of this, the Company plans to sell the shares to the Tender Offeror after obtaining permission of the court pursuant to Article 234, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the said Act.

Regarding the sale price in this case, if the necessary court approval is obtained as planned, the Company plans to set a price that ensures delivery of an amount equivalent to the amount obtained by multiplying the number of the Company's shares held by shareholders by 2,950 yen, which is the same as the Tender Offer price. However, the actual amount to be delivered may differ from the above amount in cases where permission of the court cannot be obtained or where fractional adjustments are required in the calculation.

(viii) Impact on per share information

Per share information for the first three months of the previous fiscal year and the first three months of the current fiscal year calculated based on the assumption that the Share Consolidation had been carried out at the beginning of the previous fiscal year is as follows.

	Three-month period ended June 30, 2023	Three-month period ended June 30, 2024
Net income per share	252,634,829.00 yen	174,005,465.50 yen
Diluted net income per share	—yen	—yen

(Notes) Diluted net income per share is not stated because there is no potential dilution.

3. Expected delisting

As stated in 1. Purpose and reason for the consolidation of shares above, subject to the approval of shareholders at the Extraordinary General Meeting of Shareholders, the Company plans to implement the Share Consolidation and reduce its shareholders to the Tender Offeror only.

As a result, the Company's shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange.

In terms of the schedule, the Company's shares are expected to be designated as delisted stock from August 5, 2024 to September 5, 2024, and to then be delisted on September 6, 2024.

After being delisted, the Company's shares will no longer be tradable on the Prime Market of the Tokyo Stock Exchange.

II. Abolition of provisions on unit share numbers

1. Reason for abolition

If the Share Consolidation takes effect, the total number of outstanding shares of the Company will be reduced to two and there will no longer be any need for provisions on unit share numbers.

2. Date of abolition

Tuesday, September 10, 2024 (Scheduled)

3. Condition of abolition

Abolition will be subject to the proposal on the Share Consolidation and the proposal on partial amendments to the Articles of Incorporation concerning abolition of provisions on unit share numbers being approved and adopted as originally proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation taking effect.

III. Partial amendments to the Articles of Incorporation

1. Purpose of amending the Articles of Incorporation

- (i) If the proposal on the Share Consolidation is approved and adopted as originally proposed and the Share Consolidation takes effect, the total number of authorized shares of the Company's stock will be reduced to two in accordance with the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify this point, the Company would like to amend Article 6 (Total Number of Shares Authorized to be Issued) of the Articles of Incorporation subject to the Share Consolidation taking effect.
- (ii) If the proposal on the Share Consolidation is approved and adopted as originally proposed and the Share Consolidation takes effect, the Company's total number of outstanding shares will be two shares, and it will no longer be necessary to specify the number of shares in a share unit. Subject to the Share Consolidation taking effect, in order to abolish the provision that currently makes 100 shares the share unit for the Company's shares, the entire text of Article 8 (Number of Shares Constituting One Unit), Article 9 (Rights of Shareholders Holding Shares Less than One Unit), and Article 10 (Additional Purchase for Shares Less than One Unit) of the Articles of Incorporation will be deleted, and in conjunction with the amendment the article numbers will be shifted up.
- (iii) If the proposal on the Share Consolidation is approved and adopted as originally proposed, with the implementation of the Stock Consolidation, the Company's shares will be delisted and the Company's shareholders will be reduced to the Tender Offeror only. Accordingly, provisions on the electronic provision of reference materials for the general meeting of shareholders will no longer be needed. Therefore, subject to the Share Consolidation taking effect, the entire text of Article 16 (Measures for Electronic Provision, Etc.) of the Articles of Incorporation will be deleted, and in conjunction with the amendment the article numbers will be shifted up.

2. Details of the amendments to the Articles of Incorporation

Details of the amendments are as described below.

The amendments to the Articles of Incorporation will take effect on September 10, 2024, subject to the proposal on the Share Consolidation being approved and adopted as originally proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation taking effect.

(The changes are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>eighty five million one hundred twenty one thousand and six hundred (85,121,600)</u> shares.</p>	<p>(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>two (2)</u> shares.</p>
<p><u>(Number of Shares Constituting One Unit)</u> Article 8. The number of shares constituting one unit of the Company shall be <u>one hundred (100) shares.</u></p>	(Deleted)
<p><u>(Rights of Shareholders Holding Shares Less than One Unit)</u> Article 9. The shareholders of the Company shall not <u>exercise any rights other than those described below with respect to shares less than one unit held by them:</u></p> <p><u>(i) The rights specified in each item of Article 189, Paragraph 2 of the Companies Act;</u></p> <p><u>(ii) The right to make a claim under the provisions of</u></p>	(Deleted)

<p><u>Article 166, Paragraph 1 of the Companies Act;</u></p> <p><u>(iii) The rights to receive an allotment of offered shares and an allotment of offered stock acquisition rights, in proportion to the number of shares held by each shareholders; and</u></p> <p><u>(iv) The rights to make a claim as provided for in the next Article.</u></p> <p><u>(Additional Purchase for Shares Less than One Unit)</u></p> <p><u>Article 10. A shareholder may, in accordance with the Share Handling Regulations, request the Company to sell its shares which would constitute one unit when added to the shares less than one unit held by the shareholder.</u></p> <p>Article <u>11</u> to Article <u>15</u> (Omitted)</p> <p><u>(Measures for Electronic Provision, Etc.)</u></p> <p><u>Article 16. The Company shall, when convening a general meeting of shareholders, provide information contained in the reference materials for the general meeting of shareholders, etc. electronically.</u></p> <p><u>(ii) Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p>Article <u>17</u> to Article <u>41</u> (Omitted)</p>	<p>(Deleted)</p> <p>Article <u>8</u> to Article <u>12</u> (Unchanged)</p> <p>(Deleted)</p> <p>Article <u>13</u> to Article <u>37</u> (Unchanged)</p>
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3. Schedule of the amendment of the Articles of Incorporation

Tuesday, September 10, 2024 (Scheduled)

4. Condition of amendments to the Articles of Incorporation

The amendments to the Articles of Incorporation are subject to the proposal on the Share Consolidation being approved and adopted as originally proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation taking effect.

IV. Cancellation of treasury shares

The Company resolved by resolution of the Board of Directors on July 1, 2024 to cancel treasury shares owned by the Company in accordance with the provisions of Article 178 of the Companies Act.

1. Class of shares to be cancelled: Common share of the Company

2. Number of shares to be cancelled: 2,849,285 shares (12.5% of the total number of outstanding shares before the cancellation)
(Note) Figures are rounded off to the second decimal place.

3. Planned date of cancellation: September 9, 2024

Such cancellation of treasury shares is subject to each of the proposals relating to the Share Consolidation with September 10, 2024 as the effective date being approved and adopted as originally proposed at the Extraordinary General Meeting of Shareholders.

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.