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April 27, 2023

Summary of Financial Results for the Fiscal Year Ended March 31, 2023 (Consolidated)

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 Listing: Tokyo Stock Exchange
 Securities code: 3778
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Scheduled date of annual general meeting of shareholders: June 22, 2023

Scheduled date to commence dividend payment: June 23, 2023

Scheduled date to file annual securities report: June 15, 2023

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for institutional investors and securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	20,622	3.0	1,093	43.2	965	48.7	666	142.0
Fiscal year ended March 31, 2022	20,019	(9.7)	763	(44.4)	649	(40.9)	275	(63.7)

Note: Comprehensive income Fiscal year ended March 31, 2023 ¥678 million [123.5%]
 Fiscal year ended March 31, 2022 ¥303 million [(61.1)%]

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	18.29	-	8.0	3.5	5.3
Fiscal year ended March 31, 2022	7.55	-	3.4	2.3	3.8

Reference: Share of profit (loss) of investments accounted for using equity method

Fiscal year ended March 31, 2023 ¥(1) million

Fiscal year ended March 31, 2022 ¥23 million

(2) Consolidated financial conditions

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	26,256	8,486	31.8	234.10
Fiscal year ended March 31, 2022	28,396	8,449	29.3	228.01

Reference: Shareholders' equity Fiscal year ended March 31, 2023 ¥8,348 million

Fiscal year ended March 31, 2022 ¥8,317 million

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	3,963	(606)	(3,999)	4,810
Fiscal year ended March 31, 2022	3,957	(1,674)	(1,005)	5,452

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	-	0.00	-	3.00	3.00	109	39.7	1.3
Fiscal year ended March 31, 2023	-	0.00	-	3.50	3.50	124	19.1	1.5
Fiscal year ending March 31, 2024 (forecast)	-	0.00	-	3.50	3.50		15.0	

3. Consolidated forecast for the fiscal year ending March 31, 2024 (from April 1, 2023, to March 31, 2024)

(%: Changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	10,500	5.1	250	(42.7)	180	(52.3)	120	(51.4)	3.36
Full year	22,800	10.6	1,450	32.7	1,300	34.6	850	27.5	23.83

*** Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in the scope of consolidation): None
 Newly included: - company
 Excluded: - company
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement: None
- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

Fiscal year ended March 31, 2023	37,620,700 shares
Fiscal year ended March 31, 2022	37,620,700 shares

- (ii) Number of treasury shares at the end of the period

Fiscal year ended March 31, 2023	1,958,144 shares
Fiscal year ended March 31, 2022	1,140,644 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	36,449,485 shares
Fiscal year ended March 31, 2022	36,480,056 shares

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1. Overview of operating results

(1) Overview of operating results for the fiscal year ended March 31, 2023

In the fiscal year ended March 31, 2023, Japan's economy is expected to recover partly owing to the effect of various measures implemented, even with COVID-19. However, as monetary tightening policies are still implemented globally, there is concern that declining overseas economies may weigh down businesses in Japan. In addition, careful attention must be paid to the impact of price hikes, supply constraints, and fluctuations in financial and capital markets, etc.

As digital transformation progresses, almost all companies are expected to accelerate the use of a third platform (Cloud, Mobility, Big Data, Social Technologies) and migrate their IT infrastructure to a cloud-based one on a full scale. We anticipate that the cloud Internet infrastructure market, to which the Group belongs, will continue to expand as expectations for a domestic public cloud are growing.

In these circumstances, the Group aims to support the realization of what customers "want to do" by providing the Group's one-stop services from system integration and development, and provision, maintenance, operation and customer support, etc. of cloud internet infrastructure services. With the main goal of realizing the success of more than 480,000 existing customers and potential customers, the Company focuses on expanding cloud-services that have high growth potential in the future.

Net sales were 20,622,900 thousand yen (up 3.0% year on year) thanks to continued favorable sales of cloud-services, although a contract for a large project in a physical base service expired while building a cloud-focused structure.

Operating profit was 1,093,053 thousand yen (up 43.2% year on year) due to increased net sales, together with the improved investment efficiency from cloud-focused structure and optimized data centers, etc., despite higher electricity costs due to surging crude oil prices and higher domain acquisition costs due to the weaker yen.

Ordinary profit was 965,830 thousand yen (up 48.7% year on year) mainly due to increased operating profit.

Profit attributable to owners of parent was 666,551 thousand yen (up 142.0% year on year) mainly due to increased operating profit.

Net sales by service category are as follows:

(i) Cloud-Services

Net sales of cloud-services were 11,840,595 thousand yen (up 8.0% year on year) mainly because SAKURA's cloud and VPS continued to perform favorably.

(ii) Physical base service

Net sales of physical base services were 3,638,388 thousand yen (down 19.1% year on year), mainly due to the expiration of a large high-performance computing service project.

(iii) Other services

Net sales of other services were 5,143,917 thousand yen (up 12.9% year on year), mainly due to the recording of sales related to government satellite data and the acquisition of large projects at Group companies.

(2) Overview of financial condition for the fiscal year ended March 31, 2023

Assets, liabilities and net assets at the end of the fiscal year ended March 31, 2023, and the factors affecting them are as follows:

(i) Assets

Total assets at the end of the fiscal year ended March 31, 2023, decreased 2,140,217 thousand yen (down 7.5% year on year) to 26,256,109 thousand yen. This was mainly due to a drop in property, plant and equipment due to depreciation, a decrease in cash and deposits due to payment of accounts payable–trade and repayment of borrowings, and a fall in accounts receivable–trade.

(ii) Liabilities

Total liabilities at the end of the fiscal year ended March 31, 2023, fell 2,176,427 thousand yen (down 10.9% year on year) to 17,769,970 thousand yen. This was mainly due to a decrease in borrowings and accounts payable–trade.

(iii) Net assets

The balance of net assets at the end of the fiscal year ended March 31, 2023, grew 36,210 thousand yen (up 0.4% year on year) to 8,486,139 thousand yen. This was mainly due to an increase in retained earnings due to the recording of profit attributable to owners of parent.

(3) Overview of cash flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2023, fell 641,964 thousand yen (down 11.8% year on year) to 4,810,628 thousand yen.

Consolidated cash flows by activities and factors affecting cash flows are as follows:

(i) Cash flows from operating activities

Net cash provided by operating activities in the fiscal year ended March 31, 2023, was up 5,673 thousand yen (up 0.1% year on year) to 3,963,420 thousand yen. This was mainly due to a decrease in accounts receivables - trade.

(ii) Cash flows from investing activities

Net cash used in investing activities in the fiscal year ended March 31, 2023 was down 1,068,637 thousand yen (down 63.8% year on year) to -606,129 thousand yen. This was mainly due to a decrease in purchase of property, plant and equipment, including service equipment.

(iii) Cash flows from financing activities

Net cash used in financing activities in the fiscal year ended March 31, 2023, increased 2,994,097 thousand yen (up 297.8% year on year) to -3,999,374 thousand yen. This was mainly due to repayment in borrowings and purchase of treasury shares.

(4) Outlook for the future

As DX trends advance widely, even non-IT companies have begun to make profit in a digital world. Demand for GPU and other sophisticated computing resources is increasing due to the development of AI and large-scale language models and an advance in the commercial use of VR technologies. However, Japan's dependence on overseas supply chains is generating more IT-related trade deficits. From the viewpoint of economic security, expectations for a national public cloud are growing.

In these circumstances, at the Group we strive to promote the growth of our cloud business, and develop new services that go beyond the extension or streamlining of existing businesses with other companies with our experience and technological capabilities fostered through providing up-to-date value since the early stage of the Internet. Moreover, taking advantage of our insights and track record gained in public projects and the high-performance computing services provided in our proprietary data center, we strive to meet new computing demand related to AI and the virtual economy, etc. Specifically, at the Group we will enhance IaaS, our core business, through co-creation and support, by expanding our customer base to companies including manufacturers, central and local governments and agencies that promote DX. The Group plans to expand sales and marketing staff by hiring about 100 employees within the current fiscal year for medium- to long-term growth. This is to strengthen its cloud-services for the adoption of cloud computing in governments, hire engineers for new service development, and strengthen the system to handle the increase in DX support and co-creation projects.

By implementing these initiatives, etc., the Group expects higher revenue due to the steady growth of cloud-services in the fiscal year ending March 31, 2024, and also expects higher profits mainly due to sales growth in highly profitable cloud-services while continuing to make active investment for medium- to long-term growth.

In these circumstances, the consolidated earnings forecasts for the fiscal year ending March 31, 2024, are net sales of 22,800,000 thousand yen, operating profit of 1,450,000 thousand yen, ordinary profit of 1,300,000 thousand yen, and profit attributable to owners of parent of 850,000 thousand yen.

2. Basic view on the selection of appropriate accounting standard

The Group plans to adopt J-GAAP for the time being in light of its business operations in Japan and the trend of adoption of IFRS among peer companies.

The Group will consider adopting IFRS appropriately, taking into account various situations in and outside Japan.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

	(Thousands of yen)	
	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Fiscal year ended March 31, 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	5,452,592	4,810,628
Accounts receivable—trade	2,700,190	2,392,419
Merchandise and finished goods	17,179	13,384
Work in process	32,455	-
Supplies	652,393	526,641
Other	934,809	1,201,459
Allowance for doubtful accounts	(13,460)	(13,545)
Total current assets	9,776,159	8,930,987
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,457,911	6,899,139
Tools, furniture and fixtures, net	2,578,257	1,981,395
Land	640,139	640,139
Leased assets, net	5,049,248	5,176,950
Other, net	-	18,477
Total property, plant and equipment	15,725,557	14,716,102
Intangible assets		
Other	426,342	508,025
Total Intangible assets	426,342	508,025
Investments and other assets		
Investment securities	514,835	517,935
Deferred tax assets	423,199	364,355
Other	1,536,196	1,224,427
Allowance for doubtful accounts	(5,964)	(5,724)
Total investments and other assets	2,468,267	2,100,994
Total non-current assets	18,620,168	17,325,122
Total assets	28,396,327	26,256,109

(Thousands of yen)

	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Fiscal year ended March 31, 2023 (as of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable–trade	1,613,404	917,034
Short-term borrowings	1,451,000	320,000
Current portion of long-term borrowings	918,082	813,183
Lease liabilities	1,196,356	1,225,371
Income taxes payable	77,803	230,986
Advances received	4,420,646	4,864,278
Provision for bonuses	353,180	390,795
Provision for bonuses for directors (and other officers)	1,350	6,750
Other	1,277,474	1,072,113
Total current liabilities	11,309,298	9,840,514
Non-current liabilities		
Long-term borrowings	3,475,436	2,662,253
Lease liabilities	4,459,855	4,537,003
Asset retirement obligations	677,412	680,274
Provision for share awards	-	28,666
Other	24,395	21,258
Total non-current liabilities	8,637,099	7,929,456
Total liabilities	19,946,398	17,769,970
Net assets		
Shareholders' equity		
Share capital	2,256,921	2,256,921
Capital surplus	1,366,388	1,378,747
Retained earnings	5,289,923	5,847,035
Treasury shares	(600,029)	(1,145,475)
Total shareholders' equity	8,313,203	8,337,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30	4,632
Foreign currency translation adjustment	4,468	7,024
Deferred gains or losses on hedges	-	(175)
Total accumulated other comprehensive income	4,499	11,482
Non-controlling interests	132,225	137,428
Total net assets	8,449,929	8,486,139
Total liabilities and net assets	28,396,327	26,256,109

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Net sales	20,019,177	20,622,900
Cost of sales	15,311,108	15,255,276
Gross profit	4,708,068	5,367,624
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	5	587
Salaries and allowances	1,255,128	1,372,555
Provision for bonuses	136,979	157,977
Provision for bonuses for directors (and other officers)	1,350	6,750
Commission expenses	861,663	935,541
Rent expenses on land and buildings	287,327	192,618
Other	1,402,472	1,608,541
Total selling, general and administrative expenses	3,944,927	4,274,570
Operating profit	763,141	1,093,053
Non-operating income		
Interest income	513	39
Dividend income	3,360	3,600
Share of profit of entities accounted for using equity method	23,178	-
Reversal of allowance for doubtful accounts	1,080	724
Gain on sale of crypto assets	37,710	8,759
Outsourcing service income	12,860	14,660
Secondment income	20,205	20,573
Rental income from land and buildings	4,641	4,157
Other	7,444	16,295
Total non-operating income	110,995	68,810
Non-operating expenses		
Interest expenses	171,050	154,641
Share of loss of entities accounted for using equity method	-	1,688
Foreign exchange losses	2,356	19,692
Other	51,298	20,010
Total non-operating expenses	224,704	196,032
Ordinary profit	649,431	965,830
Extraordinary income		
Gain on sale of non-current assets	12,840	8,574
Total extraordinary income	12,840	8,574
Extraordinary losses		
Loss on sale of non-current assets	3,120	-
Loss on retirement of non-current assets	43,822	13,291
Impairment losses	142,730	-
Loss on relocation of head office	85,018	-
Other	1,031	1,314
Total extraordinary losses	275,722	14,605
Profit before income taxes	386,549	959,799
Income taxes - current	94,698	229,108
Income taxes - deferred	(8,356)	58,937
Total income taxes	86,342	288,045
Profit	300,206	671,754
Profit attributable to non-controlling interests	24,754	5,202
Profit attributable to owners of parent	275,451	666,551

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Profit	300,206	671,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31	26
Foreign currency translation adjustment	3,433	2,555
Deferred gains or losses on hedges	-	(175)
Share of other comprehensive income of entities accounted for using equity method	-	4,575
Total other comprehensive income	3,464	6,982
Comprehensive income	303,671	678,736
(Breakdown)		
Comprehensive income attributable to owners of parent	278,916	673,534
Comprehensive income attributable to non-controlling interests	24,754	5,202

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022 (from April 1, 2021, to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,256,921	1,366,388	4,979,727	(600,029)	8,003,006
Cumulative effects of changes in accounting policies			144,184		144,184
Restated balance	2,256,921	1,366,388	5,123,912	(600,029)	8,147,191
Changes during period					
Dividends of surplus			(109,440)		(109,440)
Profit attributable to owners of parent			275,451		275,451
Purchase of treasury shares					-
Disposal of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	166,011	-	166,011
Balance at end of period	2,256,921	1,366,388	5,289,923	(600,029)	8,313,203

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	1,035	-	1,035	109,653	8,113,694
Cumulative effects of changes in accounting policies					(2,181)	142,003
Restated balance	(0)	1,035	-	1,035	107,471	8,255,698
Changes during period						
Dividends of surplus						(109,440)
Profit attributable to owners of parent						275,451
Purchase of treasury shares						-
Disposal of treasury shares						-
Net changes in items other than shareholders' equity	31	3,433	-	3,464	24,754	28,219
Total changes during period	31	3,433	-	3,464	24,754	194,230
Balance at end of period	30	4,468	-	4,499	132,225	8,449,929

Fiscal year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,256,921	1,366,388	5,289,923	(600,029)	8,313,203
Cumulative effects of changes in accounting policies					-
Restated balance	2,256,921	1,366,388	5,289,923	(600,029)	8,313,203
Changes during period					
Dividends of surplus			(109,440)		(109,440)
Profit attributable to owners of parent			666,551		666,551
Purchase of treasury shares				(599,961)	(599,961)
Disposal of treasury shares		12,359		54,516	66,875
Net changes in items other than shareholders' equity					
Total changes during period	-	12,359	557,111	(545,445)	24,025
Balance at end of period	2,256,921	1,378,747	5,847,035	(1,145,475)	8,337,228

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	30	4,468	-	4,499	132,225	8,449,929
Cumulative effects of changes in accounting policies						-
Restated balance	30	4,468	-	4,499	132,225	8,449,929
Changes during period						
Dividends of surplus						(109,440)
Profit attributable to owners of parent						666,551
Purchase of treasury shares						(599,961)
Disposal of treasury shares						66,875
Net changes in items other than shareholders' equity	4,601	2,555	(175)	6,982	5,202	12,184
Total changes during period	4,601	2,555	(175)	6,982	5,202	36,210
Balance at end of period	4,632	7,024	(175)	11,482	137,428	8,486,139

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	386,549	959,799
Depreciation	3,253,506	2,774,760
Impairment losses	142,730	-
Amortization of goodwill	23,479	14,658
Increase (decrease) in allowance for doubtful accounts	(1,400)	(154)
Increase (decrease) in provision for bonuses	25,660	37,614
Increase (decrease) in provision for bonuses for directors (and other officers)	1,350	5,400
Increase (decrease) in provision for share awards	-	28,666
Interest and dividend income	(3,873)	(3,639)
Interest expenses	171,050	154,641
Loss (gain) on investments in investment partnerships	18,336	7,830
Loss on retirement of non-current assets	43,822	13,291
Loss (gain) on sale of non-current assets	(9,720)	(8,574)
Decrease (increase) in consumption taxes refund receivable	55,032	-
Increase (decrease) in accrued consumption taxes	(77,179)	37,460
Decrease (increase) in trade receivables	(532,948)	307,770
Increase (decrease) in advances received	36,803	439,754
Decrease (increase) in inventories	(105,562)	162,001
Increase (decrease) in trade payables	1,055,893	(696,370)
Other	(207,995)	(62,786)
subtotal	4,275,535	4,172,125
Interest and dividends received	3,872	3,639
Interest paid	(170,445)	(154,745)
Income taxes refund (paid)	(151,215)	(57,599)
Cash flows from operating activities	3,957,746	3,963,420
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,293,130)	(498,240)
Purchase of intangible assets	(132,947)	(272,099)
Purchase of investment securities	(30,000)	(20,000)
Purchase of shares of subsidiaries and associates	(108,000)	-
Payments of leasehold and guarantee deposits	(27,009)	(20,555)
Proceeds from refund of leasehold and guarantee deposits	63,289	356,746
Other	(146,968)	(151,979)
Cash flows from investing activities	(1,674,766)	(606,129)

(Thousands of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,766,000	1,396,000
Repayments of short-term borrowings	(2,350,000)	(2,527,000)
Proceeds from long-term borrowings	1,010,000	-
Repayments of long-term borrowings	(933,568)	(918,082)
Repayments of lease liabilities	(1,358,908)	(1,302,251)
Proceeds from sale and leaseback transactions	9,039	80,358
Repayments of installment payables	(38,926)	(17,605)
Purchase of treasury shares	-	(601,282)
Dividends paid	(108,912)	(109,509)
Cash flows from financing activities	(1,005,276)	(3,999,374)
Effect of exchange rate change on cash and cash equivalents	123	117
Net increase (decrease) in cash and cash equivalents	1,277,827	(641,964)
Cash and cash equivalents at beginning of period	4,174,765	5,452,592
Cash and cash equivalents at end of period	5,452,592	4,810,628

(5) Notes to Consolidated Financial Statements

(Notes on the assumption of going concern)

There are no applicable matters to be reported.

(Material particulars that serve as the basis for preparation of consolidated financial statements)

1. Particulars concerning the scope of consolidation

- (1) Number of consolidated subsidiaries 6

Name of consolidated subsidiaries

Gehirn Inc.

SAKURA Mobile Limited

ITM Inc.

BitStar Inc.

Prunus-Solutions Inc.

IzumoBASE, INC.

- (2) Name of non-consolidated subsidiary: Tellus Inc.

Reason why the non-consolidated subsidiary company was excluded from the scope of consolidation

The non-consolidated subsidiary Tellus Inc. is small in size and its total assets, net sales, net income (the amounts corresponding to the Company's equity interest) and retained earnings (the amounts corresponding to the Company's equity interest) have no material impact on the consolidated financial statements.

2. Particulars concerning the application of the equity method

- (1) Number of affiliates accounted for using equity method 2

Name of companies

S2i inc.

BBSakura Networks, Inc.

For S2i inc., an equity-method affiliate, its financial closing date differs from that of the Company, and therefore, financial statements based on the provisional settlement of accounts, carried out on the consolidated closing date, are used.

- (2) Name of major companies, etc. which are excluded from application of the equity method

Limited Liability Partnership Fukuoka City Start-up Support Facility Management Committee Reason for the exclusion from application of the equity method

The affiliates, etc. that are excluded from the application of the equity method have no material impact on the consolidated financial statements in terms of net profit (loss) and retained earnings (the amounts corresponding to the Company's equity interest, respectively) even if they are excluded from the application of the equity method, and lack overall materiality.

3. Particulars concerning the business year, etc. of consolidated subsidiaries

The closing date of SAKURA Mobile Limited is December 31.

The financial statements based on the provisional settlement of accounts, carried out on the consolidated closing date, are used.

The closing dates of other consolidated subsidiaries are the same as the consolidated closing date.

(Additional information)

(Introduction of restricted stock compensation plan)

At the 23rd Annual General Meeting of Shareholders of the Company held on June 23, 2022, the Company introduced a stock compensation plan (hereinafter referred to as the “System”) in which eligible directors (excluding outside directors; hereinafter referred to as “Eligible Directors”) receive Restricted Shares to Eligible Directors with the aim of sharing the benefits and risks of stock price fluctuations with shareholders even more and increasing their motivation to contribute to stock price appreciation and corporate value improvement.

The Company resolved at the meeting of its Board of Directors held on June 23, 2022, to allot 125,000 shares of its common stock as specified shares with restriction on transfer. Specifically, the Company grants monetary remuneration receivables totaling 66,875 thousand yen to Eligible Directors and Executive Officers of the Company as Restricted Share-based compensation for the period from the date of the Company’s 23rd Annual General Meeting of Shareholders to the date of its 24th Annual General Meeting of Shareholders convened in June 2023. Thereafter, the Eligible Allottees pay all the monetary remuneration receivables so granted in the form of property contributed in kind. The payment was completed on July 8, 2022.

(Introduction of Stock Benefit Trust (J-ESOP))

In order to increase the willingness, morale and motivation of its employees to lead the organization and business, the Company resolved at a meeting of the Board of Directors held on July 28, 2022, to introduce the Stock Benefit Trust (J-ESOP) (hereinafter referred to as the “Plan,” and the trust established based on the trust agreement concluded with Mizuho Trust & Banking Corporation concerning the Plan is referred to as the “Trust”), an incentive plan to provide its own shares to employees.

Following the introduction of the Plan, the Company resolved to dispose of treasury shares through third-party allotment, and the payment was completed on August 15, 2022. As to the accounting treatment of the disposal of treasury shares, considering the Company and the Trust as one unit, the Company records the assets and liabilities including the treasury shares owned by the Trust on the consolidated balance sheets.

The book value and the number of shares of the Company (treasury shares) still owned by the Trust as of the end of the fiscal year ended March 31, 2023, is 155,358 thousand yen and 274,000 shares.

(Segment information)

Information on the Group’s business segments has been omitted because the Group is comprised of a single reportable segment engaged in the internet infrastructure business.

(Per share information)

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Net assets per share	228.01 yen	234.10 yen
Net income per share	7.55 yen	18.29 yen

Notes: 1. Diluted net income per share has been omitted because there are no diluted shares.

2. The basis for calculating net income per share is as follows:

3. The Company has introduced Stock Benefit Trust (J-ESOP). In the number of treasury shares that are deducted when calculating the number of treasury shares at year end and the average number of shares during the period which constitute the basis for calculating net assets per share and profit per share for the fiscal year ended March 31, 2023, the shares of the Company's stock held by the Trust (274,000 shares as of the end of the fiscal year ended March 31, 2023, and the average number of shares during the same period of 171,907 shares) are included.

	Fiscal year ended March 31, 2022 (From April 1, 2021, to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022, to March 31, 2023)
Profit attributable to owners of parent (thousand yen)	275,451	666,551
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent of common stock (thousand yen)	275,451	666,551
Average number of shares of common stock during the period (shares)	36,480,056	36,449,485

(Significant subsequent events)

There are no applicable matters to be reported.