

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 31, 2017

SoftBank Technology Corp.
Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2017
(Nine Months Ended December 31, 2016)

[Japanese GAAP]

Company name: SoftBank Technology Corp. (Tokyo Stock Exchange/Code No. 4726)

(URL <http://www.softbanktech.co.jp/>)

Representative: Shinichi Ata, President & CEO

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Scheduled date of filing of Quarterly Report: February 13, 2017

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2016

(April 1, 2016 – December 31, 2016)

(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, 2016	34,243	13.9	1,008	(0.6)	1,027	9.8	613	26.3
Nine months ended Dec. 31, 2015	30,075	5.0	1,014	61.1	935	50.8	485	(8.3)

Note: Comprehensive income (million yen)

Nine months ended Dec. 31, 2016: 624 (up 58.2%)

Nine months ended Dec. 31, 2015: 394 (down 30.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	63.20	61.61
Nine months ended Dec. 31, 2015	50.00	49.57

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2016	23,724	11,920	48.4	1,175.90
As of Mar. 31, 2016	25,974	11,726	43.1	1,159.88

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2016: 11,489

As of Mar. 31, 2016: 11,188

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	30.00	30.00
Fiscal year ending Mar. 31, 2017	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2017 (forecast)	-	-	-	30.00	30.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

(April 1, 2016 – March 31, 2017)

(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	47,000	4.1	2,400	4.0	2,300	3.1	1,500	6.7	154.65

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

*** 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

Note: Please refer to “2. Matters Related to Summary Information (Notes), (1) Changes in Accounting Policies and Accounting Estimates, and Restatements” on page 5 of the attachments for further information.

(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, 2016:	10,821,200 shares	As of Mar. 31, 2016:	10,696,900 shares
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ii. Number of treasury shares at the end of the period

As of Dec. 31, 2016:	1,050,621 shares	As of Mar. 31, 2016:	1,050,490 shares
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iii. Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	9,699,623 shares	Nine months ended Dec. 31, 2015:	9,709,011 shares
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* Information regarding the implementation of quarterly review procedures

The current quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of this disclosure, the review procedures for the quarterly consolidated financial statements to be filed have not been completed.

* 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 promises by the Company regarding future performance. The actual performance may differ significantly from these forecasts for a variety of reasons.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today on Tuesday, January 31, 2017, using the Timely Disclosure network (TDnet), and will be available on the Company’s website (<http://www.softbanktech.co.jp/corp/ir/>).

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1. Overview of Results of Operations and Financial Position

(1) Overview of Results of Operations

		(Millions of yen)			(Yen)
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Nine months ended December 31, 2016	34,243	1,008	1,027	613	63.20
Nine months ended December 31, 2015	30,075	1,014	935	485	50.00
Change (Ratio)	13.9%	(0.6)%	9.8%	26.3%	26.4%
(Reference) Fiscal year ended March 31, 2016	45,163	2,308	2,230	1,405	144.74

In the first nine months of the fiscal year ending March 31, 2017, net sales increased 13.9% year on year to 34,243 million yen, operating income decreased 0.6% to 1,008 million yen, ordinary income increased 9.8% to 1,027 million yen and profit attributable to owners of parent increased 26.3% to 613 million yen.

The main factors affecting earnings for the current period were as follows:

(a) Net sales

Net sales increased 4,167 million yen (+13.9%) year on year to 34,243 million yen. This increase was mainly thanks to an increase in sales from system development, operation and maintenance services for the SoftBank Group companies, increased orders for hardware sales in the platform solutions business, and a growth in Symantec Store sales.

(b) Marginal profit (see note)

Marginal profit increased 683 million yen (+8.4%) to 8,781 million yen, while marginal profit ratio decreased. This was mainly due to an increase in subcontractor costs associated with increased sales from system development, operation and maintenance services for the SoftBank Group companies, and an increase in hardware sales in the platform solutions business.

Note: Marginal profit = Net sales – Variable costs (cost of merchandise, subcontractor costs, distribution expenses and other items that increase and decrease with sales).

(c) Fixed costs

Fixed costs increased 689 million yen (+9.7%) to 7,772 million yen. This increase was mainly due to an increase in personnel expenses caused by strengthening of recruiting activities.

(d) Operating income

As a result of the above items, operating income decreased 5 million yen (-0.6%) to 1,008 million yen.

(e) EBITDA (see note)

EBITDA decreased 21 million yen (-1.2%) to 1,720 million yen.

Note: EBITDA= Operating income/loss + Depreciation + Amortization of goodwill

(f) Non-operating income and expenses

Net non-operating income was 18 million yen, an increase of 97 million yen from a 78 million yen loss one year earlier. This was mainly thanks to an increase in share of profit of entities accounted for using equity method.

(g) Ordinary income

As a result of items (d) to (f), ordinary income increased 91 million yen (+9.8%) to 1,027 million yen.

(h) Extraordinary income and losses

Net extraordinary income decreased 8 million yen from a 8 million yen income one year earlier. As a result, there was no extraordinary income or loss in the first nine months of the current fiscal year.

(i) Profit before income taxes

As a result of items (g) to (h), profit before income taxes increased 82 million yen (+8.7%) to 1,027 million yen.

(j) Total income taxes

Total income taxes decreased 47 million yen (-11.4%) to 368 million yen.

(k) Profit attributable to owners of parent

As a result of items (i) to (j), profit attributable to owners of parent increased 127 million yen (+26.3%) to 613 million yen.

The Company has only a single business segment, which is the ICT services business. The following table shows the earnings from the primary components of this business segment. Note that some service categories have changed their names in the first quarter.

Revisions were made to the categorization of some services. As a result, the revised methods were used to calculate net sales and marginal profit for each service category in the previous fiscal year.

Segment		Service category	Main services	Core companies
Reportable segment	ICT Services	Digital marketing	<ul style="list-style-type: none"> • Operation of e-commerce sites of the clients, development and sales of font sets, and provision of web font services • Construction of websites and provision of website access log analysis tools, data analyses and consulting services 	<ul style="list-style-type: none"> • SoftBank Technology Corp. • Fontworks Inc. • Kan Corporation
		Platform solutions	<ul style="list-style-type: none"> • Construction of IT platforms and provision of operation and maintenance services and Linux solutions • Provision of vulnerability diagnosis tests, protection services against advanced persistent threat, authentication and encryption services using e-certification 	<ul style="list-style-type: none"> • SoftBank Technology Corp. • Cybertrust Japan Co., Ltd. • Miracle Linux Corporation
		Cloud systems	<ul style="list-style-type: none"> • Development of IT systems, provision of operation and maintenance services, and development of applications for tablets, smartphones and robots • Support for moving IT infrastructure to the cloud and provision of original cloud services with outstanding compatibility 	<ul style="list-style-type: none"> • SoftBank Technology Corp. • M-SOLUTIONS, Inc. • ASORA Tech Corp. • REDEN Corp.

a. Digital marketing

(Millions of yen)

	Nine-month Period Ended December 31, 2015	Nine-month Period Ended December 31, 2016	Change (Amount)	Change (Ratio)
Net sales	15,735	16,411	676	4.3%
Marginal profit	2,417	2,347	(70)	(2.9)%

Major services in the digital marketing business

- E-commerce services

Operation of Symantec Stores, development and sale of font sets, and the provision of web fonts and web font platform services

- Data analytics

Construction of website content management systems and the provision of access log analysis, BI tools for collecting, processing and analyzing data, and associated consulting services. Also providing services for analysis of internal logs and for measurement of advertising effectiveness, and other services

Results of operations of the digital marketing business

Net sales in the digital marketing business increased 676 million yen (+4.3%) to 16,411 million yen. This was mainly the result of an increase in Symantec Store sales.

Marginal profit in this business decreased 70 million yen (-2.9%) to 2,347 million yen. Although there was a growth in the Symantec Store sales, marginal profit decreased due to a decrease in sales from website access log analysis tool services and construction of website content management systems. Another reason was lower sales at subsidiary Fontworks Inc., which had a large project order in the first quarter of the previous fiscal year.

b. Platform solutions

(Millions of yen)

	Nine-month Period Ended December 31, 2015	Nine-month Period Ended December 31, 2016	Change (Amount)	Change (Ratio)
Net sales	7,989	9,713	1,723	21.6%
Marginal profit	2,845	3,300	455	16.0%

Major services in the platform solutions business

- IT infrastructure solutions

Sales of servers and network equipment, construction of IT infrastructure, and provision of operation and maintenance services, Linux OS and digital signage systems, integrated monitoring tools, and support services

- Security solutions

Provision of security system monitoring services, protection against advanced persistent threat, diagnostic services, comprehensive solutions which combine security products, encryption and authentication services using e-certification, and other services

Results of operations of the platform solutions business

Net sales in the platform solutions business increased 1,723 million yen (+21.6%) to 9,713 million yen. The main reasons include an increase in large hardware sales in IT infrastructure solutions and increased orders for construction of local governments' security systems.

Marginal profit in this business increased 455 million yen (+16.0%) to 3,300 million yen. This increase was caused by the growth in both IT infrastructure and security solutions sales. In addition, subsidiaries Cybertrust Japan Co., Ltd. and Miracle Linux Corporation, both of which provide original content and services, also contributed to an increase in marginal profit.

c. Cloud systems

(Millions of yen)

	Nine-month Period Ended December 31, 2015	Nine-month Period Ended December 31, 2016	Change (Amount)	Change (Ratio)
Net sales	6,350	8,118	1,767	27.8%
Marginal profit	2,834	3,133	298	10.5%

Major services in the cloud systems business

- System integration

Development of IT systems and the provision of associated operation and maintenance services. Also the development and sales of applications for smartphones, tablets and robots and of development support tools

- Cloud solutions

Provision of support for moving clients' communication systems to the cloud and subsequent system operation and monitoring services, original services for achieving both user convenience and corporate security

Results of operations of the cloud systems business

Net sales in the cloud systems business increased 1,767 million yen (+27.8%) to 8,118 million yen. This increase was mainly thanks to an increase in orders for system development, operation and maintenance services for the SoftBank Group companies.

Marginal profit in this business increased 298 million yen (+10.5%) to 3,133 million yen. This was mainly thanks to the steady progress of system development, operation and maintenance projects for the SoftBank Group companies and cloud development and maintenance projects for the public sector.

(2) Overview of Financial Position

Assets, Liabilities, and Net Assets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016	(Reference) As of December 31, 2015
Total assets	25,974	23,724	21,959
Net assets	11,726	11,920	10,873
Shareholders' equity ratio	43.1%	48.4%	47.2%

Assets

Total assets decreased 2,249 million yen from the end of the previous fiscal year to 23,724 million yen at the end of the third quarter of the current fiscal year.

Current assets decreased 2,381 million yen mainly due to a decrease in notes and accounts receivable-trade.

Non-current assets increased 131 million yen mainly due to increases in software and software in progress.

Liabilities

Total liabilities decreased 2,443 million yen from the end of the previous fiscal year to 11,804 million yen at the end of the third quarter of the current fiscal year.

Current liabilities decreased 2,290 million yen mainly thanks to a decrease in accounts payable-trade.

Non-current liabilities decreased 153 million yen mainly thanks to a decrease in long-term loans payable.

Net assets

Net assets increased 193 million yen from the end of the previous fiscal year to 11,920 million yen at the end of the third quarter of the current fiscal year. This was mainly thanks to an increase in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Forecasts are based on information currently available to the Company. Actual performance may differ from these forecasts for a number of reasons.

The Company maintains its consolidated forecasts for the fiscal year ending March 31, 2017 that was announced on April 26, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Law, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the results of operations in the first nine months of the current fiscal year is insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	5,721,789	5,929,452
Notes and accounts receivable-trade	11,279,578	7,829,732
Merchandise	221,142	423,182
Work in process	260,724	788,711
Deferred tax assets	377,998	221,482
Other	976,404	1,260,538
Allowance for doubtful accounts	(8,206)	(5,218)
Total current assets	18,829,431	16,447,881
Non-current assets		
Property, plant and equipment		
Buildings, net	515,562	495,910
Tools, furniture and fixtures, net	776,185	725,167
Construction in progress	9,684	498
Total property, plant and equipment	1,301,431	1,221,576
Intangible assets		
Goodwill	1,201,211	1,077,149
Software	965,181	1,094,451
Software in progress	89,180	222,121
Customer relationships	590,745	542,847
Other	281,943	261,695
Total intangible assets	3,128,262	3,198,266
Investments and other assets		
Investment securities	912,669	946,052
Deferred tax assets	243,755	261,418
Other	1,616,230	1,699,859
Allowance for doubtful accounts	(57,587)	(50,736)
Total investments and other assets	2,715,067	2,856,594
Total non-current assets	7,144,761	7,276,436
Total assets	25,974,192	23,724,317

(Thousands of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	7,293,231	5,722,355
Current portion of long-term loans payable	324,650	321,500
Lease obligations	71,413	74,672
Accounts payable-other	701,044	752,143
Income taxes payable	590,404	37,229
Advances received	1,356,680	1,421,996
Provision for bonuses	608,652	318,360
Provision for directors' bonuses	-	51,541
Provision for loss on order received	2,420	23,600
Other	810,105	744,859
Total current liabilities	11,758,602	9,468,259
Non-current liabilities		
Bonds payable	100,000	-
Long-term loans payable	638,800	425,200
Lease obligations	434,093	389,715
Deferred tax liabilities	118,567	153,781
Long-term advances received	670,407	982,992
Net defined benefit liability	74,220	89,312
Asset retirement obligations	257,714	274,881
Other	195,388	20,016
Total non-current liabilities	2,489,192	2,335,899
Total liabilities	14,247,795	11,804,159
Net assets		
Shareholders' equity		
Capital stock	664,456	740,030
Capital surplus	714,919	650,358
Retained earnings	10,629,573	10,953,218
Treasury shares	(872,008)	(872,336)
Total shareholders' equity	11,136,939	11,471,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	47,778	15,360
Foreign currency translation adjustment	3,987	2,586
Total accumulated other comprehensive income	51,766	17,947
Subscription rights to shares	102,010	109,883
Non-controlling interests	435,680	321,056
Total net assets	11,726,397	11,920,158
Total liabilities and net assets	25,974,192	23,724,317

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(For the Nine-month Period)

(Thousands of yen)

	Nine-month Period Ended December 31, 2015	Nine-month Period Ended December 31, 2016
Net sales	30,075,839	34,243,235
Cost of sales	25,310,372	29,020,254
Gross profit	4,765,467	5,222,980
Selling, general and administrative expenses	3,750,664	4,214,007
Operating income	1,014,802	1,008,973
Non-operating income		
Interest income	256	775
Share of profit of entities accounted for using equity method	-	30,012
Foreign exchange gains	3,471	-
Miscellaneous income	8,783	4,950
Total non-operating income	12,510	35,738
Non-operating expenses		
Interest expenses	19,001	14,541
Share of loss of entities accounted for using equity method	69,215	-
Loss on investments in partnership	779	-
Foreign exchange losses	-	2,160
Miscellaneous loss	2,378	783
Total non-operating expenses	91,374	17,484
Ordinary income	935,938	1,027,226
Extraordinary income		
Gain on sales of investment securities	11,500	-
Gain on revision of retirement benefit plan	4,029	-
Total extraordinary income	15,529	-
Extraordinary losses		
Loss on sales of investment securities	4,703	-
Impairment loss	1,930	-
Total extraordinary losses	6,634	-
Profit before income taxes	944,833	1,027,226
Income taxes-current	240,153	178,627
Income taxes-deferred	176,174	190,037
Total income taxes	416,328	368,664
Profit	528,505	658,562
Profit attributable to:		
Owners of parent	485,485	613,037
Non-controlling interests	43,020	45,524
Other comprehensive income		
Valuation difference on available-for-sale securities	(132,445)	(32,418)
Foreign currency translation adjustment	(1,754)	(1,401)
Share of other comprehensive income of entities accounted for using equity method	540	-
Total other comprehensive income	(133,660)	(33,819)
Comprehensive income	394,845	624,742
Comprehensive income attributable to:		
Owners of parent	352,455	579,218
Non-controlling interests	42,390	45,524

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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