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January 31, 2019

SoftBank Technology Corp.
Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2019
(Nine Months Ended December 31, 2018)

[Japanese GAAP]

Company name: SoftBank Technology Corp. (Tokyo Stock Exchange/Code No. 4726)
 (URL <https://www.softbanktech.co.jp/>)

Representative: Shinichi Ata, President & CEO

Contact: Tetsuya Shimizu, Vice President & Senior Director of Corporate Planning

Phone: +81-3-6892-3063

Scheduled date of filing of Quarterly Report: February 13, 2019

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, 2018 (April 1, 2018 – December 31, 2018)

(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, 2018	36,724	2.2	1,513	31.4	1,279	11.6	781	7.8
Nine Months ended Dec. 31, 2017	35,931	4.9	1,151	5.3	1,146	11.7	724	18.2

Note: Comprehensive income (million yen) Nine Months ended Dec. 31, 2018: 781 (up 1.8%)
 Nine Months ended Dec. 31, 2017: 767 (up 22.8%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine Months ended Dec. 31, 2018	39.59		38.85	
Nine Months ended Dec. 31, 2017	36.86		35.81	

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Per share data for the FY2017 were calculated supposing the share split as conducted at the beginning of the fiscal year

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	25,469	15,141	55.6	715.64
As of Mar. 31, 2018	26,153	14,532	52.5	693.64

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 14,152 As of Mar. 31, 2018: 13,723

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	15.00	15.00
Fiscal year ending Mar. 31, 2019	-	0.00	-		
Fiscal year ending Mar. 31, 2019 (forecast)				15.00	15.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	52,000	5.8	2,500	14.9	2,500	4.2	1,600	2.8	81.09

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: Yes
- iii. Changes in accounting estimates: None
- iv. Restatements: None

(4) Number of outstanding shares (common stock)

- i. Number of shares outstanding at the end of the period (including treasury shares)
As of Dec. 31, 2018: 22,277,200 shares As of Mar. 31, 2018: 22,085,600 shares
- ii. Number of treasury shares at the end of the period
As of Dec. 31, 2018: 2,501,279 shares As of Mar. 31, 2018: 2,301,242 shares
- iii. Average number of shares outstanding during the period
Nine Months ended Dec. 31, 2018: 19,731,199 shares Nine Months ended Dec. 31, 2017: 19,677,110 shares

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Per share data for the FY2017 were calculated supposing the share split as conducted at the beginning of the fiscal year

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

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

Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in this report are based on assumptions based upon valid and other reasonable information available to the Company at the time this report was created. This report is not 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 (January 31, 2019), using the Timely Disclosure network (TDnet), and will be available on the Company's website (<https://www.softbanktech.co.jp/corp/ir/>).

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1. Qualitative Information on Financial Results of the Period Under Review

(1) Explanation of Business Results

In the second three-year plan (for the fiscal year ended March 31, 2017 to the fiscal year ending March 31, 2019), the Company has set the basic strategies of “cloud integration,” “IoT business development” and “build a solid profit structure” based on the slogan of becoming a “business partner of customers.” The Company operates business while striving to achieve the key themes based on these strategies. The Company has set “total net sales of the three focus businesses” and “operating income and the operating income margin” as the most important management indicators to monitor progress in its basic strategies and to improve the profitability of core businesses as the Company shifts to a service business, respectively.

<Topics in the nine-month period under review>

- In the nine-month period under review (April 1, 2018 – December 31, 2018), the Company achieved record operating income, ordinary income and profit attributable to owners of parent.
- In the third quarter of the current fiscal year (October 2018 – December 2018), the Company also achieved a record operating income.

<Results of operation of the Company>

In the IT service industry in which the Company operates, demand for system investments in the utilization of cloud, data linkage, AI and automatization to strengthen efforts for workstyle reforms and increase productivity was firm, and demand was also trending higher for strategic IT investment in business IT to grow the core business of clients and secure their competitive advantage.

In addition, given rising demand for web security measures against cyber-attacks, the frequency of which is expected to increase toward the Tokyo 2020 Olympic and Paralympic Games, together with growing demand for security operation services to respond to the shortage of security staff and quickly detect and deal with attacks such as unauthorized hacking and the falsification and destruction of data, the business environment in the nine-month period under review remained strong.

In this environment, among enterprise clients (large corporations and public offices and municipalities), although projects to develop infrastructure to manage digital content were decreasing, orders for the design and construction projects of an environment to efficiently and comprehensively manage IT resources on the cloud, as well as solutions related to Microsoft Office 365 and security operation and surveillance services increased.

For SoftBank group companies, sales of certain hardware equipment that did little to create and maintain added value were discontinued in the second quarter of the previous year, and development projects other than the cloud have been on a declining trend since then. However, operation service projects and development projects on the cloud increased.

In the Symantec business for individuals, the switch to high-performance products made progress.

As a result of the above, the financial results for the nine-month period under review saw an increase in income, thanks to a rise in the sales weighting of the three focus businesses and continuously strong orders for operation service projects, while growth investments such as service development and recruitment activities were maintained in the final year of the second three-year plan.

	(Millions of yen)				(Yen)
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Nine months ended Dec. 31, 2018	36,724	1,513	1,279	781	39.59
Nine months ended Dec. 31, 2017	35,931	1,151	1,146	724	36.86
Change (Ratio)	2.2%	31.4%	11.6%	7.8%	7.4%
(Reference) Fiscal year ended March 31, 2018	49,140	2,176	2,399	1,556	79.09

(a) Net sales

Net sales stood at 36,724 million yen, an increase of 793 million yen (2.2%) from the same period of the previous year.

Net sales increased as a result of the firm performance of the E-commerce services business in addition to the steady progress of the security solutions business and the cloud solutions business, while sales declined in the IT infrastructure solutions business due to the termination of sales of certain hardware equipment.

(b) Marginal profit (Note)

Marginal profit was 10,509 million yen, an increase of 697 million yen (7.1%) year on year. This was chiefly due to an increase in sales in the security solutions business and the E-commerce services business. The marginal profit ratio was 28.6%, a rise of 1.3 percentage point from the same period of the previous year.

(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 to 8,996 million yen, up 336 million yen (3.9%) year on year. This was mainly due to an increase in expenses associated with the merger and relocation of subsidiaries.

(d) Operating income

As a result of the above, operating income rose to 1,513 million yen, up 361 million yen (31.4%) year on year. The operating income margin was 4.1%, rising 0.9 percentage point from the same period of the previous year.

(e) Non-operating income and expenses

Non-operating expenses were 233 million yen, an increase of 228 million yen in expenses from a year earlier (non-operating expenses of 4 million yen). This was mainly attributable to a rise in the share of the loss of entities accounted for using the equity method in the second quarter (Note).

(Note) All shares of the relevant entities were sold in the second quarter.

(f) Ordinary income

As a result of items (d) to (e), ordinary income came to 1,279 million yen, an increase of 132 million yen (11.6%) year on year.

(g) Extraordinary income and losses

Net extraordinary income was 19 million yen, a decrease of 0 million yen (3.8%) year on year.

(h) Profit before income taxes

As a result of items (f) to (g), profit before income taxes rose to 1,299 million yen, up 132 million yen (11.3%) year on year.

(i) Total income taxes

Total income taxes increased 104 million yen (26.7%) year on year, to 494 million yen.

(j) Profit attributable to owners of parent

As a result of items (h) to (i), profit attributable to owners of parent increased 56 million yen (7.8%) year on year, to 781 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.

As the Company reviewed the service category for some services, the amounts of net sales and marginal profit in each service category in the same period of the previous year were calculated according to the current calculation method.

Segment		Service category	Main services	Core companies
Reportable segment	ICT Services	Digital marketing	E-commerce services	- SoftBank Technology Corp. - Fontworks Inc. - Kan Corporation
			Data analytics	
		Platform solutions	IT infrastructure solutions	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd.
			Security solutions	
		Cloud systems	System integration	- SoftBank Technology Corp. - M-SOLUTIONS, Inc. - ASORA Tech Corp. - REDEN Corp
			Cloud solutions	

<Major services in the digital marketing business>

• E-commerce services

The operation of Symantec Stores as an agent, the development and sale of font sets, and the provision of web fonts and web font platform services.

• Data analytics

The 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.

• IT infrastructure solutions

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

• Security solutions

The provision of security operation services, the sale and introduction of vulnerability diagnostic tests and products to protect against targeted attacks, and the provision of encryption and authentication services using e-certification, and comprehensive solutions that combine other security products.

• System integration

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

• Cloud solutions

The provision of support for moving clients' information systems and business applications to the cloud and subsequent system operation and monitoring services, and self-developed cloud services.

(Millions of yen)

		Nine-month period ended Dec. 31, 2017	Nine-month period ended Dec. 31, 2018	Change (Amount)	Change (Ratio)	
Digital marketing	Net sales	16,405	16,876	470	2.9%	
	Marginal profit	2,377	2,555	178	7.5%	
	Profit margins	14.5%	15.1%	0.6pt.	—	
	E-commerce services	Net sales	14,850	15,615	764	5.1%
		Marginal profit	1,785	2,112	327	18.3%
		Profit margins	12.0%	13.5%	1.5pt.	—
	Data analytics	Net sales	1,555	1,261	△294	△18.9%
		Marginal profit	591	443	△148	△25.1%
		Profit margins	38.0%	35.1%	△2.9pt.	—
Platform solutions	Net sales	8,615	8,347	△267	△3.1%	
	Marginal profit	3,430	3,808	377	11.0%	
	Profit margins	39.8%	45.6%	5.8pt.	—	
	IT infrastructure solutions	Net sales	5,454	4,323	△1,130	△20.7%
		Marginal profit	1,821	1,750	△71	△3.9%
		Profit margins	33.4%	40.5%	7.1pt.	—
	Security solutions	Net sales	3,160	4,024	863	27.3%
		Marginal profit	1,608	2,057	449	27.9%
		Profit margins	50.9%	51.1%	0.2pt.	—
Cloud systems	Net sales	10,909	11,499	589	5.4%	
	Marginal profit	4,003	4,145	141	3.5%	
	Profit margins	36.7%	36.0%	△0.7pt.	—	
	System integration	Net sales	5,939	5,820	△118	△2.0%
		Marginal profit	2,213	2,254	41	1.9%
		Profit margins	37.3%	38.7%	1.4pt.	—
	Cloud solutions	Net sales	4,970	5,678	708	14.2%
		Marginal profit	1,790	1,890	99	5.6%
		Profit margins	36.0%	33.3%	△2.7pt.	—
Total	Net sales	35,931	36,724	793	2.2%	
	Marginal profit	9,811	10,509	697	7.1%	
	Profit margins	27.3%	28.6%	1.3pt.	—	

(2) Explanation of Financial Position

i. Assets, Liabilities, and Net Assets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	(Reference) As of December 31, 2017
Total assets	26,153	25,469	24,537
Net assets	14,532	15,141	13,602
Shareholders' equity ratio	52.5%	55.6%	52.3%

The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 on February 16, 2018)" at the beginning of the first quarter of the current fiscal year and compared financial positions using figures at the end of the previous fiscal year after processing them retroactively.

(Assets)

Total assets decreased 684 million yen from the end of the previous fiscal year, to 25,469 million yen at the end of the nine-month period under review.

Current assets decreased 432 million yen from the end of the previous fiscal year, mainly because of a decrease in notes and accounts receivable-trade.

Non-current assets decreased 251 million yen from the end of the previous fiscal year, mainly due to a decline in investment securities.

(Liabilities)

Total liabilities decreased 1,293 million yen from the end of the previous fiscal year, to 10,327 million yen at the end of the nine-month period under review.

Current liabilities decreased 1,323 million yen from the end of the previous fiscal year mainly due to a decline in accounts payable - trade.

Non-current liabilities increased 29 million yen from the end of the previous fiscal year mainly attributable to an increase in lease obligations.

(Net assets)

Net assets increased 609 million yen from the end of the previous fiscal year, to 15,141 million yen, mainly thanks to a rise in retained earnings.

(3) Explanation on 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, 2019, which was announced on April 25, 2018.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	7,606,554	8,118,836
Notes and accounts receivable - trade	9,503,786	8,000,235
Merchandise	38,019	51,842
Work in process	245,521	621,395
Other	1,062,356	1,230,469
Allowance for doubtful accounts	△2,145	△1,306
Total current assets	18,454,091	18,021,473
Non-current assets		
Property, plant and equipment		
Buildings, net	495,018	663,531
Tools, furniture and fixtures, net	693,379	667,463
Total property, plant and equipment	1,188,397	1,330,994
Intangible assets		
Goodwill	865,965	749,240
Software	1,192,113	1,326,564
Software in progress	328,771	465,115
Customer Relationships	463,017	415,118
Other	228,350	207,023
Total intangible assets	3,078,219	3,163,063
Investments and other assets		
Investment securities	1,091,045	728,064
Deferred tax assets	689,178	603,729
Other	1,652,429	1,621,820
Total investments and other assets	3,432,654	2,953,614
Total non-current assets	7,699,271	7,447,672
Total assets	26,153,362	25,469,146

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	5,510,396	5,007,569
Current portion of long-term loans payable	320,400	104,800
Lease obligations	362,068	346,982
Accounts payable - other	788,572	946,131
Income taxes payable	602,871	108,574
Advances received	1,546,919	1,500,220
Provision for bonuses	797,140	401,075
Provision for directors' bonuses	-	51,750
Provision for loss on order received	24,923	6,483
Provision for defect repair	7,899	1,396
Asset retirement obligations	28,968	-
Other	439,183	631,086
Total current liabilities	10,429,343	9,106,070
Non-current liabilities		
Long-term loans payable	24,700	-
Lease obligations	8,417	116,522
Deferred tax liabilities	123,524	110,555
Long-term advances received	699,588	546,298
Net defined benefit liability	42,609	41,550
Asset retirement obligations	278,835	293,714
Other	13,622	112,573
Total non-current liabilities	1,191,296	1,221,214
Total liabilities	11,620,640	10,327,285
Net assets		
Shareholders' equity		
Capital stock	885,364	966,170
Capital surplus	859,538	1,082,902
Retained earnings	13,200,330	13,684,638
Treasury shares	△1,230,979	△1,568,392
Total shareholders' equity	13,714,253	14,165,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,865	△16,756
Foreign currency translation adjustment	4,161	3,911
Total accumulated other comprehensive income	9,026	△12,844
Share acquisition rights	123,149	143,156
Non-controlling interests	686,292	846,230
Total net assets	14,532,722	15,141,860
Total liabilities and net assets	26,153,362	25,469,146

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

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	35,931,002	36,724,127
Cost of sales	30,336,993	30,695,298
Gross profit	5,594,009	6,028,829
Selling, general and administrative expenses	4,442,169	4,515,443
Operating profit	1,151,839	1,513,386
Non-operating income		
Interest income	504	216
Dividend income	450	1,092
Share of profit of entities accounted for using equity method	13,567	-
Subsidy income	12,629	18,370
Miscellaneous income	4,467	4,883
Total non-operating income	31,618	24,562
Non-operating expenses		
Interest expenses	10,491	6,662
Share of loss of entities accounted for using equity method	-	236,731
Foreign exchange losses	20,393	10,535
Miscellaneous loss	5,634	4,158
Total non-operating expenses	36,519	258,088
Ordinary profit	1,146,939	1,279,860
Extraordinary income		
Gain on sales of investment securities	20,670	86,204
Total extraordinary income	20,670	86,204
Extraordinary losses		
Business office transfer expenses	-	66,311
Total extraordinary losses	-	66,311
Profit before income taxes	1,167,609	1,299,754
Income taxes - current	300,124	411,520
Income taxes - deferred	90,264	82,921
Total income taxes	390,388	494,442
Profit	777,220	805,311
Profit attributable to		
Profit attributable to owners of parent	724,835	781,073
Profit attributable to non-controlling interests	52,385	24,238
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ10,766	Δ23,657
Foreign currency translation adjustment	914	Δ277
Total other comprehensive income	Δ9,852	Δ23,934
Comprehensive income	767,368	781,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	714,745	759,201
Comprehensive income attributable to non-controlling interests	52,622	22,176

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)
Not applicable.

(Significant Changes in Shareholders' Equity)
Not applicable.

(Changes in accounting policies)

(Adoption of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions and others)

The Company has decided to adopt the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 36 on January 12, 2018; hereinafter "ASBJ PITF No. 36") on and after April 1, 2018 and account for transactions granting its employees and others share acquisition rights, which involve considerations, with vesting conditions in compliance with the "Accounting Standard for Share-based Payment" (ASBJ Statement No. 8 on December 27, 2005).

However, the Company complies with the temporary arrangements stipulated in Paragraph 10 (3) of the ASBJ PITF No. 36 for the adoption of the ASBJ PITF No. 36 and continues the accounting adopted by the Company for transactions granting the employees and others share acquisition rights, which involve considerations, with vesting conditions prior to the date of the adoption of the ASBJ PITF No. 36.

(Changes in accounting policies that are difficult, differentiating from changes in accounting estimates)

(Changes in the depreciation method of property, plant and equipment)

While the Group adopted the declining-balance method for property, plant and equipment other than leased assets and facilities attached to buildings that were newly acquired on or after April 1, 2016 in the past, the Group has changed it to the straight-line method from the first quarter of the current fiscal year.

This change is based on our judgment as a result of reviewing the depreciation method of property, plant and equipment provided for various businesses in the wake of the publication of our policy of focusing on cloud development projects and recurring projects in the future that depreciation using the straight-line method is commensurate with and more appropriate for the actual utilization status of facilities, given that cloud development and recurring projects with a limited use of fixed assets are expected to increase and that existing stock businesses such as the monitoring, operation and maintenance of customers' systems that will use fixed assets stably are expected to grow further in importance for the overall Group.

As a result, gross profit has increased 25 million yen and operating income, ordinary income and profit before income taxes have risen 51 million yen, respectively, in the nine-month period under review in comparison with the past method.

(Additional information)

(Adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) was adopted from the beginning of the three-month period under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.