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April 24, 2019

SoftBank Technology Corp.
Consolidated Financial Report for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: SoftBank Technology Corp. (Tokyo Stock Exchange/Code No. 4726)
(URL https://www.softbanktech.co.jp/)
Representative: Shinichi Ata, President & CEO
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Scheduled date of General Shareholders' Meeting: June 17, 2019
Scheduled date of filing of Securities Report: June 17, 2019
Scheduled date of payment of dividend: June 18, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	%
Fiscal year ended Mar. 31, 2019	50,430	2.6	2,513	15.5	2,291	(4.5)	1,386	(10.9)
Fiscal year ended Mar. 31, 2018	49,140	(2.2)	2,176	(2.9)	2,399	4.9	1,556	(2.6)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 1,420 (down 12.7%)
Fiscal year ended Mar. 31, 2018: 1,627 (down 0.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	70.23	68.98	9.7	8.5	5.0
Fiscal year ended Mar. 31, 2018	79.09	76.95	11.8	9.1	4.4

Reference: Equity in earnings of affiliates (million yen)
Fiscal year ended Mar. 31, 2019: (234) Fiscal year ended Mar. 31, 2018: 239

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 March 31, 2017 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 Mar. 31, 2019	27,492	15,857	53.9	747.03
As of Mar. 31, 2018	26,153	14,532	52.5	693.64

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 14,820 As of Mar. 31, 2018: 13,723

(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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	2,784	(1,092)	(567)	8,728
Fiscal year ended Mar. 31, 2018	3,077	(997)	(548)	7,606

2. Dividends

	Dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	0.00	-	15.00	15.00	296	19.0	2.3
Fiscal year ended Mar. 31, 2019	-	0.00	-	20.00	20.00	396	28.5	2.8
Fiscal year ending Mar. 31, 2020 (forecast)	-	10.00	-	10.00	20.00		23.2	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	54,000	7.1	3,000	19.3	2,900	26.6	1,700	22.6	86.09

*** Notes**

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

(2) 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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2019: 22,340,600 shares　As of Mar. 31, 2018: 22,085,600 shares

ii. Number of treasury shares at the end of the period

As of Mar. 31, 2019 2,501,279 shares　As of Mar. 31, 2018: 2,301,242 shares

iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 19,746,843shares　Fiscal year ended Mar. 31, 2018: 19,681,941 shares

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Numbers of share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated Results of Operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	44,734	1.3	1,693	2.3	1,750	(9.6)	1,249	(20.9)
Fiscal year ended Mar. 31, 2018	44,157	(3.0)	1,655	2.0	1,936	19.3	1,580	39.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	63.26	62.13
Fiscal year ended Mar. 31, 2018	80.29	78.11

Note: The Company conducted the 2-for-1 share split of the Company's common stock on June 1, 2017. Numbers of share data for the March 31, 2017 were calculated supposing the share split as conducted at the beginning of the fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	24,861	13,959	55.5	695.71
As of Mar. 31, 2018	23,939	13,103	54.2	656.24

Reference: Shareholders' equity (million yen)　As of Mar. 31, 2019: 13,802　As of Mar. 31, 2018: 12,983

* This consolidated financial report is not subject to fiscal year ended 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 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 information at the financial results meeting

The Company plans to hold a financial results meeting for institutional investors and analysts on Wednesday, April 24, 2019, using the Timely Disclosure network (TDnet), and will be available on the Company's website (https://www.softbanktech.co.jp/corp/ir/).

○Appendix
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1. Overview of Business Results

(1) Explanations of business results for the current period

(i) Overview of business results

(Millions of yen) (Yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Fiscal year ended March 31, 2019	50,430	2,513	2,291	1,386	70.23
Fiscal year ended March 31, 2018	49,140	2,176	2,399	1,556	79.09
Change (Ratio)	2.6%	15.5%	(4.5)%	(10.9)%	(11.2)%

For the consolidated fiscal year under review, net sales and operating income reached record highs.

Net sales increased 2.6% year on year, to 50,430 million yen. This resulted from strong sales of cloud solutions and security solutions.

Operating income increased 15.5% year on year, to 2,513 million yen, following growth in the sales weighting of key businesses and the expansion of the recurring business. In addition, the operating income ratio stood at 5.0% up, 0.6 percentage points year on year, after the strategic withdrawal of less profitable hardware sales.

Ordinary income decreased 4.5% year on year, to 2,291 million yen, affected by a temporary non-operating loss incurred for the fiscal year under review in contrast with a non-operating income for the preceding fiscal year. As a consequence, profit attributable to owners of parent also decreased 10.9% year on year, to 1,386 million yen.

(ii) Overview of service category

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.

<table>
<tr><th colspan="2">Segment</th><th>Service category</th><th>Main services</th><th>Core companies</th></tr>
<tr><td rowspan="6">Reportable segment</td><td rowspan="6">ICT Services</td><td rowspan="2">Digital marketing</td><td>E-commerce services</td><td rowspan="2">- SoftBank Technology Corp.
- Fontworks Inc.
- Kan Corporation</td></tr>
<tr><td>Data analytics</td></tr>
<tr><td rowspan="2">Platform solutions</td><td>IT infrastructure solutions</td><td rowspan="2">- SoftBank Technology Corp.
- Cybertrust Japan Co., Ltd.</td></tr>
<tr><td>Security solutions</td></tr>
<tr><td rowspan="2">Cloud systems</td><td>System integration</td><td rowspan="2">- SoftBank Technology Corp.
- M-SOLUTIONS, Inc.
- ASORA Tech Corp.
- REDEN Corp</td></tr>
<tr><td>Cloud solutions</td></tr>
</table>

Solutions	Major Services
E-commerce services	E-commerce site operation services, development and sales of font sets, and provision of font services
Data analytics	Construction of data management platforms, access log analysis, data analysis, BI tools, and provision of consulting services
IT infrastructure solutions	Sales of servers and network hardware, provision of operation and maintenance services, sales of Linux- and OSS-related products, and development of embedded Linux and OSS solutions
Security solutions	Security operation and monitoring services, vulnerability checks, sales and introduction of products against cyber attacks and provision of electronic certificate services
System integration	Development of information systems except cloud systems, development of applications, and provision of operation services
Cloud solutions	Transfer of internal business information systems to cloud, cloud consulting and provision of independent cloud services

- Digital marketing

Net sales in the digital marketing business increased 3.1% year on year, to 22,656 million yen, and marginal profit was also up 7.3% year on year, to 3,435 million yen. E-commerce services achieved a rise in sales and income after progress in the transition to products with greater functions in the Symantec Store business for personal users and the healthy performance of the font business. Meanwhile, data analytics saw its sales and income drop amid a decline in orders for consulting for e-commerce operators and access analysis tools.

- Platform solutions

Net sales in the platform solutions business decreased 0.6% year on year, to 11,483 million yen, whereas marginal profit increased 10.3% year on year, to 5,302 million yen. Sales and income of IT infrastructure solutions tumbled due to the withdrawal of less profitable hardware sales, but their profit ratio soared 6.0 percentage points year on year. Security solutions attained growth in sales and income amid briskness in security operation and monitoring services and electronic certification services.

- Cloud systems

Net sales in the cloud systems business increased 4.3% year on year, to 16,290 million yen, and marginal profit increased 0.8% year on year, to 5,784 million yen. System integration worked to shift from commissioned systems development to operation services. A decrease in spot development projects resulted in a slide in sales and income. Cloud solutions achieved growth in both sales and income, given that the introduction of cloud-based communication platforms and enterprise mobility services aimed at higher productivity and security levels showed strength. On the other hand, the profit ratio slid due to a rise in the percentage of license sales with poor profitability and loss-making projects.

(Millions of yen)

		Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Change (Amount)	Change (Ratio)
Digital marketing	Net sales	21,970	22,656	685	3.1%
	Marginal profit	3,200	3,435	234	7.3%
	Profit margins	14.6%	15.2%	0.6pt.	—
E-commerce services	Net sales	19,900	20,993	1,093	5.5%
	Marginal profit	2,408	2,860	451	18.8%
	Profit margins	12.1%	13.6%	1.5 pt.	—
Data analytics	Net sales	2,070	1,663	(407)	(19.7)%
	Marginal profit	791	574	(216)	(27.4)%
	Profit margins	38.2%	34.6%	(3.6) pt.	—
Platform solutions	Net sales	11,555	11,483	(72)	(0.6)%
	Marginal profit	4,805	5,302	496	10.3%
	Profit margins	41.6%	46.2%	4.6 pt.	—
IT infrastructure solutions	Net sales	7,131	5,955	(1,175)	(16.5)%
	Marginal profit	2,500	2,447	(52)	(2.1)%
	Profit margins	35.1%	41.1%	6.0 pt.	—
Security solutions	Net sales	4,424	5,527	1,103	24.9%
	Marginal profit	2,305	2,854	548	23.8%
	Profit margins	52.1%	51.6%	(0.5) pt.	—
Cloud systems	Net sales	15,614	16,290	675	4.3%
	Marginal profit	5,737	5,784	46	0.8%
	Profit margins	36.7%	35.5%	(1.2) pt.	—
System integration	Net sales	8,651	8,226	(424)	(4.9)%
	Marginal profit	3,201	3,056	(144)	(4.5)%
	Profit margins	37.0%	37.2%	0.2 pt.	—
Cloud solutions	Net sales	6,962	8,063	1,100	15.8%
	Marginal profit	2,536	2,727	191	7.5%
	Profit margins	36.4%	33.8%	(2.6) pt.	—
Total	Net sales	49,140	50,430	1,289	2.6%
	Marginal profit	13,744	14,521	777	5.7%
	Profit margins	28.0%	28.8%	0.8 pt.	—

(iii) Understanding and analysis of business results and other circumstances

The second medium-term management plan for the period from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019 defined three basic strategies, specifically cloud integration, IoT business development and building of a solid profit structure, under the slogan of becoming the business partner of customers. The Company operated its businesses in an effort to accomplish its priority goals based on these strategies.

In this process, the Company set a target of offering extra value to customers by integrating three focus businesses defined in the first medium-term management plan for the period from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, namely cloud, security and big data, and defined the total sales of these three businesses as one of the most important business indicators. In addition, while it worked on the shift of businesses to services for the purpose of departing from its labor-intensive business model, it defined operating income and the operating income ratio as the most significant indicators, given that they reflect the profitability of the core business.

<a. Understanding of business circumstances>

Many industries and business sectors began to realize the need to take measures against cyberattacks, to implement work style reforms with the use of information technologies (IT), to make good use of cloud services and to address the shortage of IT professionals essential to these actions as business challenges. In light of this, the Company understands that demand has grown for the cloud and security. In addition, demand for business creation based on big data, artificial intelligence (AI) and the Internet of Things (IoT) and for strategic IT investments to increase competitiveness was on an upward trend.

On the other hand, amid growing demand for system engineers and security professionals among all companies, the cost of securing competent personnel with IT skills is also on the rise. The Group is aware that it is of growing importance to take actions aimed at increasing employee satisfaction, including the reduction and leveling of workloads, mental care, the development of an environment that paves the way for flexible work styles, and improvements in work-life balance.

<b. Analysis of business results>

Under these circumstances, cloud solutions showed strong results for the fiscal year under review. There was a rise in demand for integrated mobile management solutions for security in cloud utilization on mobile and tablet terminals. Moreover, in security solutions, demand increased for security operation and monitoring services, given that security analysts were in short supply and that corporate clients needed to achieve the early discovery of and recovery from cyberattacks. The performance of e-commerce services was also strong. Increasingly, general users shifted to high-performance security products with a view to preparing themselves for ransomware attacks and cyberattacks, and fonts were in growing demand.

Meanwhile, commissioned spot development declined in system integration amid the ongoing transition to operation services. In terms of IT infrastructure solutions, servers and network equipment remained in demand, but the Company decided to bring its sales of less profitable specific equipment to an end in the previous fiscal year, and it focused its efforts on projects with higher profitability. In data analytics, demand for the personalization of e-commerce sites for consumers, or the optimization of services according to personal preferences and behaviors, is growing. However, it was on a downward trend in the Group due to the growing market shares of advertising agencies and other changes in external conditions.

<u>Total sales of the three focus businesses</u>

Under the second medium-term management plan, the Company endeavored to attain at least 20% growth in the compound average growth rate (CAGR) from the total sales of the three focus businesses for the fiscal year ended March 31, 2014. For the fiscal year under review, growth in cloud solutions and security solutions among the focus businesses is considered to have helped earn higher net sales and operating income than ever before.

In cloud solutions, the cloud shift of communication platforms and cloud-based solutions achieved healthy sales, while unprofitable projects in the business IT domain, which aimed to contribute to customers' business development, had a negative impact on revenues. In security solutions, security operation and monitoring services were bullish. Data analytics suffered a sales slide as a result of a strategy change. Net sales of the focus businesses stood at 16,141 million yen, and their marginal profit was 6,515 million yen.

As a result of this, the CAGR of total sales in the focus businesses from the fiscal year ended March 31, 2014 to the fiscal year under review was 34.8%. These businesses accounted for 32.0% of net sales and 44.9% of marginal profit for the fiscal year under review.

Operating income and operating income ratio

With a view to attaining growth in operating income and the operating income ratio, the Company worked to increase sales of cloud and security solutions, their net sales shares and net sales of recurring businesses, and it strategically withdrew less profitable sales of equipment. These efforts consequently improved the operating income ratio. The overconcentration in the fourth quarter eased and the operating income goal of 2,500 million yen is estimated to have been met for the fiscal year under review.

In addition, the Company stepped up the project management system for suppressing unprofitable projects. A department dedicated to project management was established, and the ratio of the Company's engineering personnel holding the industry's standard Project Management Professional (PMP) qualification reached 23% on a non-consolidated basis. For the purpose of swiftly establishing its unique position in the IoT market, the Company positively invested in demonstration trials using cutting-edge technologies.

On the other hand, the Company saw a number of unprofitable projects in the business IT domain as a result of its attempts in this area, in which demand was expected to grow increasingly in the future. The Company perceives that they had adverse impacts on its business results.

(2) Overview of financial position for the current period

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Change (Amount)
Total Assets	26,153	27,492	1,339
Net Assets	14,532	15,857	1,324
Shareholder's equity ratio	52.5%	53.9%	1.4 point
Net assets per share	693.64 yen	747.03 yen	53.39 yen

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 current fiscal year and compared financial positions using figures at the end of the previous fiscal year after processing them retroactively.

(Assets)

Total assets increased 1,339 million yen from the end of the previous fiscal year, to 27,492 million yen at the e current consolidated fiscal year under review.

Current assets increased 1,554 million yen from the end of the previous fiscal year, mainly because of an increase in cash and deposits.

Non-current assets decreased 214 million yen from the end of the previous fiscal year, mainly due to a decline in investment securities.

(Liabilities)

Total liabilities increased 14 million yen from the end of the previous fiscal year to 11,634 million yen at the end of the current consolidated fiscal year under review.

Current liabilities decreased 216 million yen mainly due to a decrease in current portion of long-term loans payable.

Non-current liabilities increased 230 million yen mainly due to an increase in lease obligations

(Net assets)

Net assets increased 1,324 million yen from the end of the previous fiscal year to 15,857 million yen at the current consolidated fiscal year under review.

(3) Overview of cash flows for the current fiscal year

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Changes (Amount)
Cash flows from operating activities	3,077	2,784	(292)
Cash flows from investing activities	(997)	(1,092)	(95)
Cash flows from financing activities	(548)	(567)	(19)
Changes in cash and cash equivalents	1,530	1,122	(408)
Balance of cash and cash equivalents at end of period	7,606	8,728	1,122

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) increased 1,122 million yen from the end of the previous consolidated fiscal year to 8,728 million yen. The status of individual cash flows and factors in the current consolidated fiscal year are as follows:

(Cash flows from operating activities)

Cash provided by operating activities amounted to 2,784 million yen. This was due mainly to cash used of 909 million yen in the payment of income taxes, as well as cash provided of 2,255 million yen from profit before income taxes and 1,027 million yen arising from depreciation.

Compared with the previous consolidated fiscal year, cash used decreased 1,631 million yen because of changes in accounts payable while cash collected decreased 2,470 million yen because of changes in accounts receivable , consequently cash provided decreased 292 million yen.

(Cash flows from investing activities)

Cash used in investing activities amounted to 1,092 million yen. This was mainly due to cash used for the purchase of in tangible assets of 904 million yen.

In comparison with the previous consolidated fiscal year, cash provided by the sale of investment securities increased 184 million yen, and cash used in payments for guarantee deposits increased 202 million yen. Consequently, cash used increased 95 million yen.

(Cash flows from financing activities)

Cash used in financing activities amounted to 567 million yen. This was due chiefly to cash provided of 280 million yen as proceeds from share issuance to non-controlling shareholders, cash used of 337 million in the purchase of treasury shares, cash used of 320 million yen in the repayment of long-term loans payable and cash used of 297 million yen in cash dividends paid.

In comparison with the previous consolidated fiscal year, cash provided by proceeds from share issuance to non-controlling shareholders increased 280 million yen, and cash used increased 19 million yen, due mainly to 407 million yen worth of decrease in cash provided as proceeds from sale of shares of subsidiaries with no change in the scope of consolidation.

2. Management Policies

(1) Review of the second medium-term management plan

<Basic strategies>

The Group endeavored to address the following three priority challenges under the second medium-term management plan:

(i) Cloud integration
(ii) IoT business development
(iii) Build a solid profit structure

(i) Cloud integration

The Group has accumulated its track record in introducing Microsoft solutions to large businesses and governmental offices. In so doing, it has gained extensive expertise by addressing security issues unique to the cloud environment, data analysis and visualization, linkage between different cloud services and improvements in the user interface (UI) and user experience (UX).

The Group thus developed services based on its accumulated expertise and launched the clouXion brand for its cloud services. The Group regarded this as one of the achievements made during this period.

In addition to the sales, introduction and maintenance of products for security measures, the Company started offering managed security services covering operation and monitoring. It constructed an original log analysis platform designed to work with these services in the cloud and integrated security analysts' analytical algorithms into artificial intelligence to achieve enhancements in quality and work efficiency. In addition, it erected a global monitoring center to prepare itself for timely action based on the security operation and monitoring of Japanese companies' overseas bases. This is regarded as another major achievement.

(ii) IoT business development

The Company carried out joint demonstration trials and joint research with customers and corporate partners. As a request, it established foundations for providing one-stop IoT solutions encompassing from devices to the cloud. The Company considers this to be a significant achievement.

In the domain of devices, the Company began offering the secure IoT platform as well as fonts for very small screens. The secure IoT platform is intended to securely manage the life cycles of IoT devices.

In the cloud domain, the Company launched IoT Core Connect, which supports the data management and visualization of IoT devices and collaboration with AI and other solutions.

On the other hand, the IoT business has yet to make a significant contribution to revenues. The Company will step up efforts to expand this business.

(iii) Build a solid profit structure

The Company has strengthened its project management system for the purpose of controlling unprofitable large-scale projects.

With respect to waterfall development projects in the area of corporate IT for information systems departments dealing mainly with internal systems, the Company achieved project management that reduced unprofitable large-sized projects.

Concerning development projects in the business IT area for operating departments, however, changes in the requirements and other conditions occurred in order to adapt to the rapidly-changing business circumstances. Consequently, some unprofitable projects came into existence in this area.

The Company considers that in the future, it will be necessary to take some measures in the business IT domain, such as preparations for transitions to scrum development approaches.

In the fields of the cloud, security and IoT, the Company developed independent services. However, sales channels for these are under construction. In the future, the Company will bolster its sales system with a view toward enlarging these services.

In the period of the second medium-term management plan, the Company accumulated knowledge in cloud and security solutions for enterprises, and the Group succeeded in evolving from a team of system engineers and network engineers into a group of specialists in the cloud and security.

(2) Third medium-term management plan

(i) Basic business policy

The Group is part of the SoftBank Group, and the SoftBank Group aims to be a corporate group that provides technologies and services needed the most by people around the world and maximizes corporate value under the corporate philosophy of *Information Revolution, – Happiness for everyone* formulated by SoftBank Group Corporation..

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. The Group has a management policy of creating a prosperous information society through the provision of ICT services.

(ii) Priority measures

The Group will carry out the third medium-term management plan by defining "Be a Service Provider for Corp IT" and "Consult and Generate Business IT" as its priority issues.

(a) Be a Service Provider for Corp IT

- Concentrate on enterprise cloud and cyber security integration into services
- Accelerate enterprise cloud and cyber security services
- Execute certainly in-direct sales business with own services

(b) Consult and Generate Business IT

- Accelerate the cloud shift and digital transformation of existing customers
- Generate customer's businesses cooperatively by IoT and emerging technologies
- Shift to scrum development process with customer

It will also continue its endeavors to gain competent personnel, to build an environment where its employees can work with strong motivation and high productivity, and to implement work style reforms. It is undertaking numerous different actions, including the provision of opportunities for building up specialist skills, long-term education including personnel reshuffles and the mentor program, active utilization of mobile and cutting-edge IT technologies, institutional reforms for new work styles, and the introduction of flexible leave of absence programs that can be used for learning and life events.

(iii) New category of solutions

The Group determines the ICT services business as its sole reportable segment. Traditionally, it has announced the business results of principal services in the ICT services business in the form of results in different service categories and those of major solutions constituting separate service categories as the results in different solution categories.

For the following fiscal year onwards, the Group will withdraw the service categories and publish its business results in the new solution categories detailed below in a bid to better present the progress of the priority measures determined in its third medium-term management plan.

Solutions	Major services	Core companies
Business IT solutions	- Consulting and IT solutions that help customers achieve business growth - IoT services	- SoftBank Technology Corp. - Fontworks Inc. - Cybertrust Japan Co., Ltd. - REDEN Corp.
Corporate IT solutions	- Cloud services and security operation and monitoring services - Cloud & security consulting for work style reforms - Cloud integration and sales of products for security measures	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd. - ASOR A Tech Corp.
Technical solutions	- System integration except cloud systems - Hardware sales, construction, operation and maintenance services - Sales of Linux- and OSS-related products, and development of embedded Linux and OSS solutions	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd. - M SOLUTIONS, Inc. - Kan Corporation
E-commerce solutions	- E-commerce site operation services and others	- SoftBank Technology Corp.

(iv) Targets of management indicators

The Group defined business IT solutions and corporate IT solutions as focus businesses in its third medium-term management plan for the period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 and is now striving towards expanding its business and continuously boosting its corporate value. For the fiscal year under review, these businesses are responsible for 35% of the Group’s net sales. It has set a target of increasing this percentage to 50%. It has adopted a top priority indicator target of achieving consolidated operating income of 4,300 million yen, which means CAGR of 20% from the level attained for the fiscal year ended March 31, 2019. In addition, it will carry out business management with the aim of meeting another goal of 13% for return on equity (ROE) for the fiscal year ending March 31, 2022.

(3) Forecast of consolidated financial results for the fiscal year ending March 31, 2020

For the next fiscal year, against a backdrop of the decrease in the working population and birth rate and the aging of the population in Japan and the shortage of IT professionals and security specialists, corporate demand will remain for stepping up corporate actions on work style reforms, for making good use of the cloud to increase productivity and for measures against cyberattacks and security operation and monitoring services.

In addition, the support for parts of the servers offered by Microsoft is due to come to an end in July 2019 and January 2020. Accordingly, demand for migration, which means an upgrade to new servers and data transfers, is projected to grow. The manufacturer announced that the extended security update program would be available for three years after the termination of the support. Demand for the transition of servers to the cloud is also expected to rise.

Under circumstances where events such as those mentioned above are forecast, the Group will focus its efforts on offering corporate IT functions in place of clients and on taking charge of the operation and monitoring of these functions. The Group will rapidly accelerate sales of its independent services that it has prepared under the second medium-term management plan and endeavor to meet demand for migration and transition to the cloud as well as the subsequent soaring demand for cloud security.

The Group will also press ahead with the shift of development projects in the business IT field to scrum development with a view to meeting customers' expectations concerning swiftness and their requests.

The Group thus forecast net sales of 54,000 million yen, operating income of 3,000 million yen, ordinary income of 2,900 million yen and profit attributable to owners of parent of 1,700 million yen for the following fiscal year.

The following portrays the forecast of consolidated financial results for the fiscal year ending March 31, 2020 on the basis of the outlook and the policy discussed above.

(Millions of yen) (Yen)

	Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Forecasts for the fiscal year ending March 31, 2020	54,000	3,000	2,900	1,700	86.09
Actual results for the fiscal year ended March 31, 2019	50,430	2,513	2,291	1,386	70.23
Change (Ratio)	7.1%	19.3%	26.6%	22.6%	22.6%

The forecast of financial results is based on information currently available, but actual figures may differ from forecast ones due to a range of factors.

(4) Basic policy on profit distribution and dividends for the current and next periods

The Group strengthens the business structure and strives for sustainable increase s in enterprise value, considering the interests of shareholders and of significant management policies. As a measure to return profits to shareholders, in our policy, we distribute the fruits through the payment of dividends The dividends are paid stably and continuously, given consolidated business results, investment plan and cash on hand for the fiscal years.

The Group has carried out the second medium-term management plan and fulfilled the top priority business indicator target of operating income of 2,500 million yen to prepare for moving to the next stage. The Group is hence increasing the ordinary dividend by five yen per share from the level for the preceding fiscal year, to 20 yen per share.

For the following fiscal year, the Group is planning to pay an ordinary dividend of 20 yen per share, the same amount as for the fiscal year under review, comprising an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share, with a view to enhancing opportunities to return profits to shareholders, given that the overconcentration in the fourth quarter is being addressed.

Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	7,606	8,728
Notes and accounts receivable - trade	9,503	10,011
Merchandise	38	36
Work in process	245	259
Other	1,062	973
Allowance for doubtful accounts	△2	△1
Total current assets	18,454	20,008
Non-current assets		
Property, plant and equipment		
Buildings	1,138	1,220
Accumulated depreciation	△643	△635
Buildings, net	495	584
Tools, furniture and fixtures	2,356	1,975
Accumulated depreciation	△1,662	△1,339
Tools, furniture and fixtures, net	693	636
Total property, plant and equipment	1,188	1,220
Intangible assets		
Goodwill	865	710
Software	1,192	1,297
Software in progress	328	461
Customer relationships	463	399
Other	228	199
Total intangible assets	3,078	3,068
Investments and other assets		
Investment securities	1,091	717
Deferred tax assets	689	818
Other	1,652	1,658
Total investments and other assets	3,432	3,194
Total non-current assets	7,699	7,484
Total assets	26,153	27,492

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	5,510	5,515
Current portion of long-term loans payable	320	24
Lease obligations	362	81
Accounts payable - other	788	893
Income taxes payable	602	663
Advances received	1,546	1,505
Provision for bonuses	797	902
Provision for loss on order received	24	41
Provision for defect repair	7	0
Asset retirement obligations	28	5
Other	439	580
Total current liabilities	10,429	10,212
Non-current liabilities		
Long-term loans payable	24	－
Lease obligations	8	373
Deferred tax liabilities	123	87
Long-term advances received	699	517
Retirement benefit liability	42	43
Asset retirement obligations	278	287
Other	13	112
Total non-current liabilities	1,191	1,422
Total liabilities	11,620	11,634
Net assets		
Shareholders' equity		
Capital stock	885	995
Capital surplus	859	1,111
Retained earnings	13,200	14,290
Treasury shares	△1,230	△1,568
Total shareholders' equity	13,714	14,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	△12
Foreign currency translation adjustment	4	3
Total accumulated other comprehensive income	9	△8
Share acquisition rights	123	160
Non-controlling interests	686	876
Total net assets	14,532	15,857
Total liabilities and net assets	26,153	27,492

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	49,140	50,430
Cost of sales	41,192	41,973
Gross profit	7,948	8,457
Selling, general and administrative expenses	5,772	5,943
Operating profit	2,176	2,513
Non-operating income		
Interest income and dividend income	1	1
Share of profit of entities accounted for using equity method	239	―
Dividend income of insurance	4	5
Subsidy income	12	18
Miscellaneous income	10	12
Total non-operating income	268	37
Non-operating expenses		
Interest expenses	13	10
Share of loss of entities accounted for using equity method	―	234
Foreign exchange losses	26	10
Miscellaneous loss	5	4
Total non-operating expenses	45	259
Ordinary profit	2,399	2,291
Extraordinary income		
Gain on sales of investment securities	20	86
Total extraordinary income	20	86
Extraordinary losses		
Impairment loss	27	55
Office transfer expenses	―	66
Mid cancellation penalty fee	13	―
Total extraordinary losses	40	122
Profit before income taxes	2,379	2,255
Income taxes - current	729	974
Income taxes - deferred	12	△157
Total income taxes	741	816
Profit	1,637	1,439
Profit attributable to		
Profit attributable to owners of parent	1,556	1,386
Profit attributable to non-controlling interests	80	52
Other comprehensive income		
Valuation difference on available-for-sale securities	△10	△18
Foreign currency translation adjustment	0	△0
Total other comprehensive income	△10	△18
Comprehensive income	1,627	1,420
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,546	1,369
Comprehensive income attributable to non-controlling interests	80	51

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	785	695	11,938	△872	12,547
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	100	100	－	－	200
Dividends of surplus	－	－	△295	－	△295
Profit attributable to owners of parent	－	－	1,556	－	1,556
Purchase of treasury shares	－	－	－	△358	△358
Change in ownership interest of parent due to transactions with non-controlling interests	－	63	－	－	63
Net changes of items other than shareholders' equity	－	－	－	－	－
Total changes of items during period	100	163	1,261	△358	1,167
Balance at end of current period	885	859	13,200	△1,230	13,714

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	15	3	19	108	340	13,015
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights	－	－	－	－	－	200
Dividends of surplus	－	－	－	－	－	△295
Profit attributable to owners of parent	－	－	－	－	－	1,556
Purchase of treasury shares	－	－	－	－	－	△358
Change in ownership interest of parent due to transactions with non-controlling interests	－	－	－	－	－	63
Net changes of items other than shareholders' equity	△10	0	△10	14	345	349
Total changes of items during period	△10	0	△10	14	345	1,516
Balance at end of current period	4	4	9	123	686	14,532

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	885	859	13,200	△1,230	13,714
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	110	110	－	－	220
Dividends of surplus	－	－	△296	－	△296
Profit attributable to owners of parent	－	－	1,386	－	1,386
Purchase of treasury shares	－	－	－	△337	△337
Change in ownership interest of parent due to transactions with non-controlling interests	－	141	－	－	141
Net changes of items other than shareholders' equity	－	－	－	－	－
Total changes of items during period	110	251	1,090	△337	1,114
Balance at end of current period	995	1,111	14,290	△1,568	14,829

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	4	4	9	123	686	14,532
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights	－	－	－	－	－	220
Dividends of surplus	－	－	－	－	－	△296
Profit attributable to owners of parent	－	－	－	－	－	1,386
Purchase of treasury shares	－	－	－	－	－	△337
Change in ownership interest of parent due to transactions with non-controlling interests	－	－	－	－	－	141
Net changes of items other than shareholders' equity	△17	△0	△17	37	190	209
Total changes of items during period	△17	△0	△17	37	190	1,324
Balance at end of current period	△12	3	△8	160	876	15,857

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,379	2,255
Depreciation	977	1,027
Impairment loss	27	55
Amortization of goodwill	155	155
Share-based compensation expenses	48	71
Increase (decrease) in allowance for doubtful accounts	△50	△0
Increase (decrease) in provision for bonuses	55	105
Increase (decrease) in retirement benefit liability	△11	0
Increase (decrease) in provision for loss on order received	11	16
Increase (decrease) in provision for defect repair	7	△7
Interest and dividend income	△1	△1
Interest expenses	13	10
Share of loss (profit) of entities accounted for using equity method	△239	234
Loss (gain) on investments in partnership	1	3
Loss (gain) on sales of investment securities	△20	△86
Decrease (increase) in notes and accounts receivable - trade	1,962	△507
Decrease (increase) in inventories	22	△12
Decrease (increase) in operating receivables	223	343
Increase (decrease) in notes and accounts payable - trade	△1,626	4
Increase (decrease) in accrued consumption taxes	15	22
Increase (decrease) in operating debt	△162	5
Other, net	2	5
Subtotal	3,793	3,702
Interest and dividend income received	0	1
Interest expenses paid	△13	△10
Income taxes (paid) refund	△704	△909
Net cash provided by (used in) operating activities	3,077	2,784
Cash flows from investing activities		
Revenue from withdrawal of periodic deposit	114	－
Purchase of property, plant and equipment	△271	△174
Purchase of intangible assets	△825	△904
Purchase of investment securities	－	△9
Proceeds from sales of investment securities	20	205
Collection of loans receivable	1	6
Payments for guarantee deposits	△43	△245
Proceeds from collection of guarantee deposits	11	69
Other, net	△5	△39
Net cash provided by (used in) investing activities	△997	△1,092

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Repayments of long-term loans payable	△293	△320
Redemption of bonds	△100	―
Proceeds from issuance of common shares	166	186
Purchase of treasury shares	△358	△337
Cash dividends paid	△294	△297
Repayments of lease obligations	△75	△79
Proceeds from share issuance to non-controlling shareholders	―	280
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	407	―
Net cash provided by (used in) financing activities	△548	△567
Effect of exchange rate change on cash and cash equivalents	0	△1
Net increase (decrease) in cash and cash equivalents	1,530	1,122
Cash and cash equivalents at beginning of period	6,075	7,606
Cash and cash equivalents at end of period	7,606	8,728

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

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 29 million yen and operating income, ordinary income and profit before income taxes have risen 59 million yen, respectively, in the nine-month period under review in comparison with the past method.

(Segment information)

We have omitted the statement of segment information because the IC T service business is the only business segment of our group.

(Per share information)

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
Net assets per share	693.64 yen	747.03 yen
Net income per share	79.09 yen	70.23 yen
Diluted net income per share	76.95 yen	68.98 yen

(Note) 1. The Company conducted a two for one stock split of its common stock with an effective date of June 1, 2017. Net assets per share, net income per share and diluted net income per share were calculated assuming that the stock split was conduct ed at the beginning of the previous consolidated fiscal year.

2. The following shows the basis for the calculation of net income per share and diluted net income per share.

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	1,556	1,386
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	1,556	1,386
Average number during the period (share)	19,681,941	19,746,843
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	—
Increase in common shares (share)	548,756	357,676
(of which, share acquisition rights (share))	(548,756)	(357,676)
Summary of dilutive shares not included in calculating diluted net income per share due to no dilutive effect	(Share acquisition rights) Resolution by the Board of Directors on August 24, 2016 Common shares: 544,000 shares Resolution by the Board of Directors on August 23, 2017 Common shares: 119,000 shares	(Share acquisition rights) Resolution by the Board of Directors on August 24, 2016 Common shares: 544,000 shares Resolution by the Board of Directors on August 23, 2017 Common shares: 42,500 shares Resolution by the Board of Directors on September 26, 2018 Common shares: 216,500 shares

(Significant Changes in Shareholders' Equity)

Not applicable.