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

July 25, 2019

SoftBank Technology Corp.
Consolidated Financial Report for the First Quarter of Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)

[Japanese GAAP]

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

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

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Scheduled date of filing of Quarterly Report: August 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 Three Months Ended June 30, 2019 (April 1, 2019 – June 30, 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	%
Three months ended Jun. 30, 2019	12,969	5.8	546	21.3	545	26.2	330	29.0
Three months ended Jun. 30, 2018	12,258	1.1	450	396.2	431	448.9	256	2,007.2

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: 337 (up 31.1%)
Three months ended Jun. 30, 2018: 257 (up 1,010.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	16.62	16.41
Three months ended Jun. 30, 2018	12.95	12.73

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2019	26,910	15,946	55.2	742.83
As of Mar. 31, 2019	27,492	15,857	53.9	747.03

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 14,856 As of Mar. 31, 2019: 14,820

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Mar. 31, 2019	Yen —	Yen 0.00	Yen —	Yen 20.00	Yen 20.00
Fiscal year ending Mar. 31, 2020	—	—	—	—	—
Fiscal year ending Mar. 31, 2020 (forecast)	—	10.00	—	10.00	20.00

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

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	85.47

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: None
- ii. Changes in accounting policies other than i. above: None
- 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 Jun. 30, 2019:	22,501,400 shares	As of Mar. 31, 2019:	22,340,600 shares
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- ii. Number of treasury shares at the end of the period

As of Jun. 30, 2019:	2,501,370shares	As of Mar. 31, 2019:	2,501,279shares
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- iii. Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	19,889,309shares	Three months ended Jun. 30, 2018:	19,774,835shares
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* 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 promised 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 (July 25, 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

The IT strategies of business enterprises, public offices, and municipalities in Japan are shifting from on-premise strategies to cloud-first ones based on the use of the cloud.

The corporate IT domain, in which the information system division provides services internally, is seeing growing demand for the introduction of the cloud, the utilization of the cloud after its introduction, and also security measures, among other services. In addition, the expansion of telework towards the Tokyo 2020 Olympic and Paralympic Games and the increasingly serious manpower shortage have led to an increase in the introduction and validation of technologies including robotic process automation (RPA) and the chatbot dialogue AI system.

In the domain of business IT, which is used by business divisions for the growth of the main business, a concept called Digital Transformation (DX), which uses digital technologies and data to transform products, services, and business models, is attracting attention. An increasing number of business enterprises are beginning to undertake demonstration experiments and IoT business using state-of-the-art technologies such as AI and IoT, starting from a small-scale experiment or business, in an effort to increase their competitiveness and obtain new growth opportunities.

In addition, damage from cyberattacks has been increasing, and moves to strengthen countermeasures against it have been activated by major enterprises, public offices, and municipalities. In response to the increasing complexity and sophistication of cyberattacks, emphasis has begun to be placed on the concept of cyber resilience, which assumes the intrusion of attackers and takes measures to minimize damage and prompt early recovery.

In this business environment, sales of business IT solutions remained unchanged from the year-ago level, reflecting the decline in sales of solutions related to web analysis. However, marginal profit increased due to an increase in projects introducing highly functional content management systems using the cloud and customer relationship management systems.

Among corporate IT solutions, Microsoft solutions, in which we have shown strength, remained strong. Sales of our clouXion brand cloud security and business efficiency improvement services and managed security services (MSS) of operating and monitoring security systems 24/7 were also strong in terms of quantity, resulting in an increase in both sales and income.

Net sales of technical solutions, in which solutions for the on-premise environment are provided, increased year on year due to the steady performance of development projects for the SoftBank Group and operation service projects. Marginal profit remained flat from the year-ago level due to a decline in equipment sales as well as the presence of a highly profitable development project in the same period of the previous year.

E-commerce solutions saw year-on-year increases in both sales and income due to the strong sales in the business of operating Symantec Store as an agent.

As a result of the above, the financial results for the three-month period under review are as follows.

Net sales, marginal profit, operating income, ordinary income, and profit attributable to owners of parent achieved record-high first-quarter results.

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change (Amount)	Change (Ratio)
Net sales	12,258	12,969	711	5.8%
Marginal profit	3,406	3,642	236	7.0%
Fixed costs	2,955	3,096	141	4.8%
Operating income	450	546	95	21.3%
Ordinary income	431	545	113	26.2%
Profit attributable to owners of parent	256	330	74	29.0%
Net income per share	JPY 12.95	JPY 16.62	JPY 3.66	28.3%

The Company has only a single business segment, which is the ICT services business. See <Explanation of solutions> on page 4 for the details and performance of solutions constituting the ICT service business.

<Progress in the third medium-term management plan>

The Group focuses on the third medium-term management plan by positioning “be a service provider for corp IT” and “consult and generate business IT” as key themes.

- Be a service provider for corp IT

During the three-month period under review, the Company enhanced the lineup of services provided as corporate IT solutions. In clouXion, the Company began providing Cloud Migration Suite, a cloud migration service for server OS for which the manufacturer’s support services are no longer available. As a managed security service (MSS), the Company began to offer MSS for CASB, which supports safe use by limiting cloud services that are not permitted by the company and formulating optimal security policies for Office 365 and others. Other achievements include the full-scale operation of the overseas monitoring base called the Global Security Operations Center, which is aimed at strengthening support for Japanese companies that have entered overseas markets. The Company is therefore making steady progress in its evolution into a service provider.

- Consult and generate business IT

Inquiries regarding projects using IoT have been increasing, mainly from manufacturers. The Company has begun to see case examples of the use of IoT in the production environment instead of demonstration experiments. The Company has continued to make investments for the co-creation of new businesses using IoT, AI, and other state-of-the-art technologies.

In addition, management indicators for the fiscal year ending March 31, 2022 include increasing the percentage of sales from business IT solutions and corporate IT solutions, which achieve cloud-first strategies of business enterprises, to 50% and achieving consolidated operating income of 4.3 billion yen (with CAGR growth of 20% from the fiscal year ended March 31, 2019 as the starting point).

The percentage of sales from business IT solutions and corporate IT solutions for the three-month period under review increased by 0.6 percentage points year on year, to 33.4%. Operating income increased 21.3% year on year, to 546 million yen, having grown at the target rate.

<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.

To determine the progress of the key themes set in the third medium-term management plan, the Company checked the details of the businesses against those of the solutions of each company once again. Consequently, changes were made to “Details of solutions” and “Core companies” from the descriptions in the securities report for the previous fiscal year.

The values for the same period of the previous year in each solution category were calculated by applying the current method.

Solution category	Details of solutions	Core companies
Business IT solutions	[Cloud business/For business divisions] - Consulting services - DX solutions - AI/ IoT solutions, etc.	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd. - REDEN Corp.
Corporate IT solutions	[Cloud business/For overall company or administration division] - Cloud integration - Business efficiency improvement services - Cloud security services - Security operation monitoring services - Electronic authentication solutions	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd. - M-SOLUTIONS, Inc. - Kan Corporation - ASORA Tech Corp.
Technical solutions	- On-premise system integration - Equipment sales, building, operation, and maintenance services - Sales and embedded system development of products related to Linux/OSS, etc.	- SoftBank Technology Corp. - Cybertrust Japan Co., Ltd.
E-commerce solutions	- Operation of e-commerce sites as agent - Online sales of font licenses, etc.	- SoftBank Technology Corp. - Fontworks Inc.

(Millions of yen)

		Three-month period ended June 30, 2018	Three-month period ended June 30, 2019	Change (Amount)	Change (Ratio)
Business IT solutions	Net Sales	768	767	(0)	(0.1)%
	Marginal profit	260	331	71	27.5%
	Profit margins	33.9%	43.2%	9.3 pt.	—
Corporate IT solutions	Net Sales	3,255	3,568	312	9.6%
	Marginal profit	1,226	1,339	113	9.3%
	Profit margins	37.7%	37.5%	(0.2) pt.	—
Technical solutions	Net Sales	2,992	3,085	92	3.1%
	Marginal profit	1,102	1,101	(1)	(0.1)%
	Profit margins	36.8%	35.7%	(1.1) pt.	—
E-commerce solutions	Net Sales	5,241	5,548	306	5.9%
	Marginal profit	817	870	52	6.5%
	Profit margins	15.6%	15.7%	0.1 pt.	—
Total	Net Sales	12,258	12,969	711	5.8%
	Marginal profit	3,406	3,642	236	7.0%
	Profit margins	27.8%	28.1%	0.3 pt.	—

(2) Overview of financial positions for the current period

Assets, Liabilities and Net assets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2019	(Reference) As of June 30, 2018
Total assets	27,492	26,910	25,502
Net assets	15,857	15,946	14,351
Shareholder's equity ratio	53.9%	55.2%	52.8%

(Assets)

Total assets decreased 582 million yen from the end of the previous fiscal year, to 26,910 million yen at the end of the three-month period under review.

Current assets decreased 515 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 66 million yen, mainly due to a decrease in deferred tax assets.

(Liabilities)

Total liabilities decreased 671 million yen from the end of the previous fiscal year, to 10,963 million yen at the end of the three-month period under review.

Current liabilities decreased 591 million yen, mainly due to a decrease in income taxes payable.

Non-current liabilities decreased 79 million yen, mainly attributable to a decrease in long-term advances received.

(Net assets)

Net assets increased 89 million yen from the end of the previous fiscal year, to 15,946 million yen at the end of the three-month period under review, mainly due to an increase in capital stock.

(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, 2020, which was announced on April 24, 2019.

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	8,728	9,756
Notes and accounts receivable - trade	10,011	7,706
Merchandise	36	106
Work in process	259	429
Other	973	1,493
Allowance for doubtful accounts	△1	△0
Total current assets	20,008	19,492
Non-current assets		
Property, plant and equipment		
Buildings, net	584	567
Tools, furniture and fixtures, net	636	632
Construction in progress	—	11
Total property, plant and equipment	1,220	1,211
Intangible assets		
Goodwill	710	671
Software	1,297	1,362
Software in progress	461	461
Customer relationships	399	383
Other	199	192
Total intangible assets	3,068	3,071
Investments and other assets		
Investment securities	717	727
Deferred tax assets	818	692
Other	1,658	1,714
Total investments and other assets	3,194	3,134
Total non-current assets	7,484	7,417
Total assets	27,492	26,910

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	5,515	5,261
Current portion of long-term borrowings	24	—
Lease obligations	81	82
Accounts payable - other	893	926
Income taxes payable	663	118
Advances received	1,505	1,819
Provision for bonuses	902	437
Provision for bonuses for directors (and other officers)	—	25
Provision for loss on order received	41	19
Provision for defect repair	0	0
Asset retirement obligations	5	5
Other	580	924
Total current liabilities	10,212	9,621
Non-current liabilities		
Lease obligations	373	353
Deferred tax liabilities	87	98
Long-term advances received	517	445
Retirement benefit liability	43	44
Asset retirement obligations	287	288
Other	112	112
Total non-current liabilities	1,422	1,342
Total liabilities	11,634	10,963
Net assets		
Shareholders' equity		
Share capital	995	1,056
Capital surplus	1,111	1,148
Retained earnings	14,290	14,224
Treasury shares	△1,568	△1,568
Total shareholders' equity	14,829	14,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△12	△6
Foreign currency translation adjustment	3	3
Total accumulated other comprehensive income	△8	△3
Share acquisition rights	160	178
Non-controlling interests	876	911
Total net assets	15,857	15,946
Total liabilities and net assets	27,492	26,910

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

(Millions of yen)

	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Net sales	12,258	12,969
Cost of sales	10,323	10,873
Gross profit	1,935	2,096
Total selling, general and administrative expenses	1,485	1,550
Operating profit	450	546
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	—	1
Subsidy income	12	—
Miscellaneous income	0	2
Total non-operating income	13	4
Non-operating expenses		
Interest expenses	2	2
Share of loss of entities accounted for using equity method	23	—
Foreign exchange losses	4	3
Miscellaneous loss	1	0
Total non-operating expenses	31	5
Ordinary profit	431	545
Profit before income taxes	431	545
Income taxes - current	95	78
Income taxes - deferred	74	134
Total income taxes	170	213
Profit	261	332
Profit attributable to		
Profit attributable to owners of parent	256	330
Profit attributable to non-controlling interests	5	1
Other comprehensive income		
Valuation difference on available-for-sale securities	△3	6
Foreign currency translation adjustment	△0	△0
Total other comprehensive income	△4	5
Comprehensive income	257	337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	251	336
Comprehensive income attributable to non-controlling interests	5	1

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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