

Disclaimer:

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

October 29, 2019

**SB Technology Corp.**  
**Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2020**  
**(Six Months Ended September 30, 2019)**

[Japanese GAAP]

**Company name:** SB 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: November 13, 2019

Scheduled date of payment of dividend: December 2, 2019

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 Six Months Ended September 30, 2019 (April 1, 2019 – September 30, 2019)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six Months ended Sep. 30, 2019	26,841	9.3	1,341	32.2	1,341	72.2	799	64.1
Six Months ended Sep. 30, 2018	24,561	1.5	1,014	40.8	778	12.4	487	18.2

Note: Comprehensive income (million yen) Six Months ended Sep. 30, 2019: 825 (up 68.4%)

Six Months ended Sep. 30, 2018: 490 (up 12.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six Months ended Sep. 30, 2019	40.05	39.57
Six Months ended Sep. 30, 2018	24.71	24.25

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	27,968	16,580	55.2	770.18
As of Mar. 31, 2019	27,492	15,857	53.9	747.03

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 15,452 As of Mar. 31, 2019: 14,820

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	20.00	20.00
Fiscal year ending Mar. 31, 2020	-	10.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecast)	-	-	-	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 profit		Ordinary profit		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	85.13

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 Sep. 30, 2019:	22,564,600shares	As of Mar. 31, 2019:	22,340,600shares
----------------------	------------------	----------------------	------------------
- ii. Number of treasury shares at the end of the period

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

Six Months ended Sep. 30, 2019:	19,968,991shares	Six Months ended Sep. 30, 2018:	19,724,788shares
---------------------------------	------------------	---------------------------------	------------------

\* 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 information at the financial results meeting

The Company plans to hold the financial results meeting for institutional investors and analysts on Tuesday, October 29, 2019.

Supplementary materials for financial results will be disclosed, using the Timely Disclosure network (TDnet), and will be available on the Company's website (<https://www.softbanktech.co.jp/corp/ir/>).

○Appendix  
Table of Contents

1. Qualitative Information on Results for the Six Months Ended September 30, 2019 .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	5
(3) Explanation on Consolidated Earnings Forecasts and Other Forward-looking Statements .....	5
2. Quarterly Consolidated Financial Statements .....	6
(1) Quarterly Consolidated Balance Sheet .....	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	8
(For the Six-month Period) .....	8
(3) Quarterly Consolidated Statement of Cash Flows .....	9
(4) Notes to Consolidated Financial Statements .....	11
(Going Concern Assumption) .....	11
(Significant Changes in Shareholders' Equity) .....	11

## 1. Qualitative Information on Results for the Six Months Ended September 30, 2019

### (1) Explanation of Business Results

IT strategies for domestic companies, government agencies and local governments are shifting from on-premises to cloud-first based strategies.

In the field of corporate IT, which is provided internally by the information systems division, system investment remained firm due to robust demand for cloud services to improve productivity against the backdrop of workstyle reform and labor shortages, as well as strong demand for security measures.

In the field of business IT, which is used to strengthen strategic businesses and secure competitive advantages, IT investment was generally on an uptrend as demand increased for products and services that use digital technologies and data, known as DX (Digital Transformation), and business model transformation.

In this business climate, Corporate IT Solutions' security-related consulting and solutions businesses, particularly in the manufacturing industry, continued to perform strongly. In addition, sales and profits increased due to growth in proprietary cloud services and managed security services developed under the Microsoft Solutions and clouXion brands, which have been strong in the past.

In Business IT Solutions, although sales of web analysis-related solutions declined, sales and profits rose due to increases in data platform construction projects for the manufacturing industry and cloud development projects for central government agencies.

In Technical Solutions, which provides on-premises environmental solutions, both sales and profits increased as a result of steady growth in development and operation service projects for SoftBank Group Corp.

In EC Solutions, the e-commerce management agency business of the Symantec Store performed well and both sales and profits increased.

As a result, the Group's financial results for the first six months of the fiscal year under review were as follows.

Net sales, marginal profit, operating profit, ordinary profit and profit attributable to owners of parent achieved record highs for the first six-month period.

(Millions of yen)

	Same period last year	First six months under review	Change	Rate of change
Net sales	24,561	26,841	2,280	9.3%
Marginal profit	7,013	7,738	725	10.3%
Fixed cost	5,999	6,397	398	6.6%
Operating profit	1,014	1,341	326	32.2%
Ordinary profit	778	1,341	562	72.2%
Profit attributable to owners of parent	487	799	312	64.1%
Net income per share	JPY24.71	JPY40.05	JPY15.34	62.1%

The Group operates in a single reportable segment of the ICT Services segment. Refer to "Solution Segment Explanation" on page 4 for details on the content and performance of the solutions that comprise the ICT Services segment.

< Progress of the third medium-term management plan >

We have positioned “be a service provider for corp IT” and “consult and generate business IT” as priority themes and are promoting the third medium-term management plan.

- Be a service provider for corp IT

We expanded our lineup of clouXion and managed security services. We are also making steady progress in preparing for the expansion of our business, such as establishing distributor agreements and concluding agreements with partner companies.

- Consult and generate business IT

We are focusing on collaborative creation in the fields of global manufacturing, construction and agriculture. In these industries, we are using cloud computing to strengthen competitiveness and support customers in developing IoT services, and we are strengthening relationships with business partner companies and organizations.

In addition, in the fiscal year ending March 31, 2022, we have raised the net sales composition ratio of Corporate IT Solutions and Business IT Solutions, which will achieve cloud-first strategies for companies of 50%, and have set a management indicator of realizing “consolidated operating profit of JPY4.3 billion (CAGR 20% growth from the fiscal year ended March 31, 2019).”

The net sales composition ratio of Corporate IT Solutions and Business IT Solutions for the six months ended September 30, 2019 increased by YoY 2.2 percentage points to 35.0%. Operating profit rose 32.2% YoY to JPY1,341 million, in line with our target growth rate.

< Solution Segment Explanation >

The Group operates in a single reportable segment of the ICT Services segment. Details and results of the main solutions that make up the ICT Services segment are as follows.

As a result of comparing each company's business and solution content to confirm the progress of the priority measures set in the third medium-term management plan, the items for "Details of Solutions" and "Names of Major Operating Companies" have been changed from those listed in the Annual Securities Report for the previous fiscal year.

Amounts for the same period of the previous fiscal year for each solution segment are calculated in accordance with the current booking method.

Solution segment	Details of solutions	Names of major operating companies
Business IT Solutions	Cloud business/For business division: <ul style="list-style-type: none"> <li>• Consulting service</li> <li>• DX Solutions</li> <li>• AI, IoT solutions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• SB Technology Corp.</li> <li>• Cybertrust Japan Co., Ltd.</li> <li>• REDEN Corp.</li> </ul>
Corporate IT Solutions	Cloud business/For corporate and administrative divisions: <ul style="list-style-type: none"> <li>• Cloud integration</li> <li>• Business efficiency improvement services</li> <li>• Cloud security services</li> <li>• Security operations monitoring service</li> <li>• E-authentication solutions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• SB Technology Corp.</li> <li>• Cybertrust Japan Co., Ltd.</li> <li>• M-SOLUTIONS, Inc.</li> <li>• Kan Corporation</li> <li>• ASORA Tech Corp.</li> </ul>
Technical Solutions	<ul style="list-style-type: none"> <li>• On-premises system integration</li> <li>• Equipment sales, construction, operation and maintenance services</li> <li>• Sales and embedded developments of Linux/OSS related products, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• SB Technology Corp.</li> <li>• Cybertrust Japan Co., Ltd.</li> </ul>
EC Solutions	<ul style="list-style-type: none"> <li>• EC site management agency</li> <li>• E-commerce sales of font licenses, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• SB Technology Corp.</li> <li>• Fontworks Inc.</li> </ul>

(Millions of yen)

		Same period last year	First six months under review	Change	Rate of change
Business IT Solutions	Net sales	1,557	1,654	96	6.2%
	Marginal profit	554	770	216	38.9%
	Profit ratio	35.6%	46.6%	11.0 points	-
Corporate IT Solutions	Net sales	6,502	7,750	1,247	19.2%
	Marginal profit	2,656	3,020	364	13.7%
	Profit ratio	40.9%	39.0%	△1.9 points	-
Technical Solutions	Net sales	6,263	6,605	342	5.5%
	Marginal profit	2,289	2,353	63	2.8%
	Profit ratio	36.6%	35.6%	△1.0 points	-
EC Solutions	Net sales	10,237	10,831	593	5.8%
	Marginal profit	1,512	1,593	80	5.4%
	Profit ratio	14.8%	14.7%	△0.1 points	-
Total	Net sales	24,561	26,841	2,280	9.3%
	Marginal profit	7,013	7,738	725	10.3%
	Profit ratio	28.6%	28.8%	0.2 points	-

## (2) Explanation of Financial Position

Financial position

(Millions of yen)

	End of the previous term	End of the 2Q of the current fiscal year	Change
Total assets	27,492	27,968	475
Net assets	15,857	16,580	723
Shareholder's equity ratio	53.9%	55.2%	1.3 points

### (Assets)

Total assets at the end of the 2Q of the fiscal year under review increased JPY475 million from the end of the previous fiscal year, to JPY27,968 million.

Current assets increased by JPY81 million from the end of the previous fiscal year mainly due to an increase in cash and deposits.

Non-current assets increased by JPY394 million from the end of the previous fiscal year mainly due to an increase in investment securities.

### (Liabilities)

Liabilities at the end of the 2Q of the fiscal year under review decreased JPY247 million from the end of the previous fiscal year to JPY11,387 million.

Current liabilities decreased by JPY145 million from the end of the previous fiscal year mainly due to a decrease in accounts payable-trade.

Non-current liabilities decreased by JPY101 million from the end of the previous fiscal year, mainly due to a decrease in long-term advances received.

### (Net Assets)

Net assets at the end of the 2Q of the fiscal year under review increased by JPY723 million from the end of the previous fiscal year to JPY16,580 million mainly due to an increase in retained earnings.

## (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

Earnings forecasts are based on information currently available to the Company. Actual results may differ due to a variety of factors.

There are no changes to the consolidated earnings forecasts for the fiscal year ending March 31, 2020, announced on April 24, 2019.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	8,728	9,271
Notes and accounts receivable - trade	10,011	9,029
Merchandise	36	77
Work in process	259	418
Other	973	1,291
Allowance for doubtful accounts	△1	△0
<b>Total current assets</b>	<b>20,008</b>	<b>20,089</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	584	598
Tools, furniture and fixtures, net	636	664
Construction in progress	—	15
<b>Total property, plant and equipment</b>	<b>1,220</b>	<b>1,279</b>
Intangible assets		
Goodwill	710	632
Software	1,297	1,336
Software in progress	461	548
Customer relationships	399	367
Other	199	185
<b>Total intangible assets</b>	<b>3,068</b>	<b>3,070</b>
Investments and other assets		
Investment securities	717	850
Deferred tax assets	818	801
Other	1,658	1,877
<b>Total investments and other assets</b>	<b>3,194</b>	<b>3,529</b>
<b>Total non-current assets</b>	<b>7,484</b>	<b>7,879</b>
<b>Total assets</b>	<b>27,492</b>	<b>27,968</b>

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	5,515	5,255
Current portion of long-term borrowings	24	—
Lease obligations	81	83
Accounts payable - other	893	863
Income taxes payable	663	583
Advances received	1,505	1,690
Provision for bonuses	902	1,029
Provision for bonuses for directors (and other officers)	—	45
Provision for loss on order received	41	14
Provision for defect repair	0	—
Asset retirement obligations	5	5
Other	580	495
<b>Total current liabilities</b>	<b>10,212</b>	<b>10,067</b>
Non-current liabilities		
Lease obligations	373	332
Deferred tax liabilities	87	79
Long-term advances received	517	436
Retirement benefit liability	43	46
Asset retirement obligations	287	312
Other	112	112
<b>Total non-current liabilities</b>	<b>1,422</b>	<b>1,320</b>
<b>Total liabilities</b>	<b>11,634</b>	<b>11,387</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	995	1,120
Capital surplus	1,111	1,212
Retained earnings	14,290	14,693
Treasury shares	△1,568	△1,568
<b>Total shareholders' equity</b>	<b>14,829</b>	<b>15,458</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△12	△8
Foreign currency translation adjustment	3	2
<b>Total accumulated other comprehensive income</b>	<b>△8</b>	<b>△6</b>
Share acquisition rights	160	195
Non-controlling interests	876	933
<b>Total net assets</b>	<b>15,857</b>	<b>16,580</b>
<b>Total liabilities and net assets</b>	<b>27,492</b>	<b>27,968</b>

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	24,561	26,841
Cost of sales	20,545	22,353
Gross profit	4,015	4,488
Selling, general and administrative expenses	3,001	3,147
Operating profit	1,014	1,341
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	—	5
Subsidy income	12	—
Miscellaneous income	3	5
Total non-operating income	16	11
Non-operating expenses		
Interest expenses	4	3
Share of loss of entities accounted for using equity method	238	—
Foreign exchange losses	4	5
Miscellaneous loss	4	1
Total non-operating expenses	251	10
Ordinary profit	778	1,341
Extraordinary income		
Gain on sales of investment securities	86	—
Total extraordinary income	86	—
Extraordinary losses		
Impairment loss	—	14
Office relocation expenses	63	—
Total extraordinary losses	63	14
Profit before income taxes	802	1,327
Income taxes - current	395	495
Income taxes - deferred	△86	8
Total income taxes	308	504
Profit	493	823
Profit attributable to		
Profit attributable to owners of parent	487	799
Profit attributable to non-controlling interests	6	23
Other comprehensive income		
Valuation difference on available-for-sale securities	△2	3
Foreign currency translation adjustment	△0	△1
Total other comprehensive income	△3	2
Comprehensive income	490	825
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	484	802
Comprehensive income attributable to non-controlling interests	5	23

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	802	1,327
Depreciation	522	507
Impairment loss	—	14
Amortization of goodwill	77	77
Share-based remuneration expenses	18	55
Increase (decrease) in allowance for doubtful accounts	△0	△1
Increase (decrease) in provision for bonuses	76	127
Increase (decrease) in provision for bonuses for directors (and other officers)	41	45
Increase (decrease) in retirement benefit liability	△2	3
Increase (decrease) in provision for loss on order received	△2	△26
Increase (decrease) in provision for defect repair	1	△0
Interest and dividend income	△0	△0
Interest expenses	4	3
Share of loss (profit) of entities accounted for using equity method	238	△5
Loss (gain) on investments in investment partnerships	2	1
Loss (gain) on sales of investment securities	△86	—
Decrease (increase) in trade receivables	1,396	982
Decrease (increase) in inventories	△186	△255
Decrease (increase) in trade receivables	△103	△282
Increase (decrease) in trade payables	△866	△259
Increase (decrease) in accrued consumption taxes	△30	△76
Increase (decrease) in trade payables	45	△7
Other, net	1	2
<b>Subtotal</b>	<b>1,950</b>	<b>2,232</b>
Interest and dividends received	0	0
Interest paid	△4	△4
Income taxes paid	△489	△557
<b>Net cash provided by (used in) operating activities</b>	<b>1,456</b>	<b>1,670</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	△127	△109
Purchase of intangible assets	△477	△467
Purchase of investment securities	△9	△123
Proceeds from sales of investment securities	133	—
Collection of loans receivable	3	3
Payments of guarantee deposits	△173	△114
Proceeds from refund of guarantee deposits	0	0
Other, net	△29	5
<b>Net cash provided by (used in) investing activities</b>	<b>△681</b>	<b>△806</b>

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Repayments of long-term borrowings	△160	△24
Proceeds from issuance of shares	70	130
Purchase of treasury shares	△337	△0
Dividends paid	△297	△395
Repayments of lease obligations	△39	△39
Proceeds from share issuance to non-controlling shareholders	280	10
Net cash provided by (used in) financing activities	△482	△320
Effect of exchange rate change on cash and cash equivalents	0	△1
Net increase (decrease) in cash and cash equivalents	292	542
Cash and cash equivalents at beginning of period	7,606	8,728
Cash and cash equivalents at end of period	7,899	9,271

(4) Notes to Consolidated Financial Statements

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

*Disclaimer:*

*This financial report is solely a translation of "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.*