

Disclaimer:

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

January 30, 2020

**SB Technology Corp.**  
**Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2020**  
**(Nine Months Ended December 31, 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: February 13, 2020

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

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

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 1, 2019 – December 31, 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	%
Nine Months ended Dec. 31, 2019	40,916	11.4	2,154	42.4	2,162	68.9	1,326	69.8
Nine Months ended Dec. 31, 2018	36,724	2.2	1,513	31.4	1,279	11.6	781	7.8

Note: Comprehensive income (million yen) Nine Months ended Dec. 31, 2019: 1,381 (up 76.8%)

Nine Months ended Dec. 31, 2018: 781 (up 1.8%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine Months ended Dec. 31, 2019	66.26		65.51	
Nine Months ended Dec. 31, 2018	39.59		38.85	

(2) Consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Dec. 31, 2019	29,105		17,040		54.6		788.17	
As of Mar. 31, 2019	27,492		15,857		53.9		747.03	

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2019: 15,890

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	84.92	

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 Dec. 31, 2019:	22,662,200shares	As of Mar. 31, 2019:	22,340,600shares
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- ii. Number of treasury shares at the end of the period

As of Dec. 31, 2019:	2,501,422shares	As of Mar. 31, 2019:	2,501,279shares
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- iii. Average number of shares outstanding during the period

Nine Months ended Dec. 31, 2019:	20,018,615shares	Nine Months ended Dec. 31, 2018:	19,731,199shares
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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 information at the financial results

Supplementary materials for financial results will be disclosed today (January 30, 2020), 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 Results for the Nine Months Ended December 31, 2019

### (1) Explanation of Business Results

IT strategy of Japanese companies, government agencies, and local governments is 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 environment, Corporate IT Solutions performed strongly and both sales and profits increased. In solutions utilizing Microsoft's SaaS/PaaS, in particular, systems development projects using Azure grew. In Security Solutions, there was an increase in customer-specific security monitoring and security consulting projects. In clouXion of in-house services, we have added a simple introduction pack for Microsoft Teams, which introduces Microsoft Teams in a short period of time to meet the growing demand for its use.

Business IT Solutions performed strongly, and both sales and profits increased. IoT system development projects for the global manufacturing industry, which we have positioned as a key industry, grew significantly. IoT Core Connect of our services is also seeing an increase in the number of users. On the other hand, web analysis-related solutions are shrinking due to a review of strategies.

In Technical Solutions, which provides solutions for the on-premises environment, the number of vendor management projects in the IT-related area of SoftBank Corp, which started in the 3Q, expanded. Revenues and profits also increased due to solid performance in development and operation services for SoftBank group companies.

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

As a result, the Group's financial results for the first 9 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 nine-month period.

(Millions of yen)

	Same period last year	First nine months under review	Change	Rate of change
Net Sales	36,724	40,916	4,192	11.4%
Marginal profit	10,509	11,702	1,193	11.4%
Fixed cost	8,996	9,547	551	6.1%
Operating profit	1,513	2,154	641	42.4%
Ordinary profit	1,279	2,162	882	68.9%
Profit attributable to owners of parent	781	1,326	545	69.8%
Net income per share	JPY39.59	JPY66.26	JPY26.67	67.4%

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.

- Consulting 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 (CAGR20% growth from the fiscal year ended March 31, 2019)".

The net sales composition ratio of Corporate IT Solutions and Business IT Solutions for the nine months ended December 31, 2019 increased by YoY 1.3 percentage points to 34.4%. Operating profit rose 42.4% YoY to JPY2,154 million.

< 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 "Name of major operating companies" have been changed from the 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 nine months under review	Change	Rate of change
Business IT Solutions	Net Sales	2,302	2,550	248	10.8%
	Marginal profit	831	1,169	338	40.7%
	Profit ratio	36.1%	45.9%	9.8 points	-
Corporate IT Solutions	Net Sales	9,846	11,516	1,670	17.0%
	Marginal profit	4,099	4,663	564	13.8%
	Profit ratio	41.6%	40.5%	△ 1.1 points	-
Technical Solutions	Net Sales	8,960	10,535	1,575	17.6%
	Marginal profit	3,334	3,569	235	7.1%
	Profit ratio	37.2%	33.9%	△ 3.3 points	-
EC Solutions	Net Sales	15,615	16,313	698	4.5%
	Marginal profit	2,244	2,300	55	2.5%
	Profit ratio	14.4%	14.1%	△0.3 points	-
Total	Net Sales	36,724	40,916	4,192	11.4%
	Marginal profit	10,509	11,702	1,193	11.4%
	Profit ratio	28.6%	28.6%	0.0 point	-

(2) Explanation of Financial Position

Financial position	(Millions of yen)		
	End of the previous term	End of the 3Q of the current fiscal year	Change
Total assets	27,492	29,105	1,613
Net assets	15,857	17,040	1,183
Shareholder's equity ratio	53.9%	54.6%	0.7 points

(Assets)

Total assets at the end of the 3Q of the fiscal year under review increased JPY1,613 million from the end of the previous fiscal year, to JPY29,105 million.

Current assets increased by JPY1,275 million from the end of the previous fiscal year mainly due to an increase in cash and deposits.

Non-current assets increased by JPY337 million from the end of the previous fiscal year mainly due to an increase in buildings.

(Liabilities)

Liabilities at the end of the 3Q of the current fiscal year increased by JPY430 million from the end of the previous fiscal year to JPY12,065 million.

Current liabilities increased by JPY477 million from the end of the previous fiscal year mainly due to an increase in accounts payable-trade.

Non-current liabilities decreased by JPY46 million from the end of the previous fiscal year mainly due to a decrease in lease obligations.

(Net Assets)

Net assets at the end of the 3Q of the current fiscal year under review increased by JPY1,183 million from the end of the previous fiscal year to JPY17,040 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.

## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	8,728	9,631
Notes and accounts receivable - trade	10,011	9,356
Merchandise	36	145
Work in process	259	925
Other	973	1,225
Allowance for doubtful accounts	△1	△0
<b>Total current assets</b>	<b>20,008</b>	<b>21,283</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	584	743
Tools, furniture and fixtures, net	636	754
Construction in progress	—	67
<b>Total property, plant and equipment</b>	<b>1,220</b>	<b>1,565</b>
Intangible assets		
Goodwill	710	593
Software	1,297	1,436
Software in progress	461	455
Customer relationships	399	351
Other	199	178
<b>Total intangible assets</b>	<b>3,068</b>	<b>3,015</b>
Investments and other assets		
Investment securities	717	858
Deferred tax assets	818	627
Other	1,658	1,755
<b>Total investments and other assets</b>	<b>3,194</b>	<b>3,241</b>
<b>Total non-current assets</b>	<b>7,484</b>	<b>7,822</b>
<b>Total assets</b>	<b>27,492</b>	<b>29,105</b>

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	5,515	6,309
Current portion of long-term borrowings	24	—
Lease obligations	81	88
Accounts payable - other	893	1,370
Income taxes payable	663	182
Advances received	1,505	1,556
Provision for bonuses	902	447
Provision for bonuses for directors (and other officers)	—	60
Provision for loss on order received	41	16
Provision for defect repair	0	—
Asset retirement obligations	5	—
Other	580	657
<b>Total current liabilities</b>	<b>10,212</b>	<b>10,689</b>
Non-current liabilities		
Lease obligations	373	313
Deferred tax liabilities	87	90
Long-term advances received	517	489
Retirement benefit liability	43	47
Asset retirement obligations	287	320
Other	112	112
<b>Total non-current liabilities</b>	<b>1,422</b>	<b>1,375</b>
<b>Total liabilities</b>	<b>11,634</b>	<b>12,065</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	995	1,175
Capital surplus	1,111	1,267
Retained earnings	14,290	15,019
Treasury shares	△1,568	△1,568
<b>Total shareholders' equity</b>	<b>14,829</b>	<b>15,894</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△12	△7
Foreign currency translation adjustment	3	3
<b>Total accumulated other comprehensive income</b>	<b>△8</b>	<b>△4</b>
Share acquisition rights	160	190
Non-controlling interests	876	960
<b>Total net assets</b>	<b>15,857</b>	<b>17,040</b>
<b>Total liabilities and net assets</b>	<b>27,492</b>	<b>29,105</b>

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

(Millions of yen)

	Nine Months ended December 31, 2018	Nine Months ended December 31, 2019
Net sales	36,724	40,916
Cost of sales	30,695	34,000
Gross profit	6,028	6,915
Selling, general and administrative expenses	4,515	4,760
Operating profit	1,513	2,154
Non-operating income		
Interest and dividend income	1	1
Share of profit of entities accounted for using equity method	—	11
Subsidy income	18	—
Miscellaneous income	4	8
Total non-operating income	24	21
Non-operating expenses		
Interest expenses	6	5
Share of loss of entities accounted for using equity method	236	—
Foreign exchange losses	10	4
Miscellaneous loss	4	3
Total non-operating expenses	258	14
Ordinary profit	1,279	2,162
Extraordinary income		
Gain on sales of investment securities	86	2
Total extraordinary income	86	2
Extraordinary losses		
Impairment loss	—	14
Office relocation expenses	66	—
Total extraordinary losses	66	14
Profit before income taxes	1,299	2,150
Income taxes - current	411	580
Income taxes - deferred	82	192
Total income taxes	494	773
Profit	805	1,376
Profit attributable to		
Profit attributable to owners of parent	781	1,326
Profit attributable to non-controlling interests	24	50
Other comprehensive income		
Valuation difference on available-for-sale securities	△23	5
Foreign currency translation adjustment	△0	△0
Total other comprehensive income	△23	4
Comprehensive income	781	1,381
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	759	1,330
Comprehensive income attributable to non-controlling interests	22	50

(3) Notes to Consolidated Financial Statements

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

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