

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.

April 27, 2020

SB Technology Corp. Consolidated Financial Report for the Fiscal Year Ended March 31, 2020

[Japanese GAAP]

Company name: SB Technology Corp. (Tokyo Stock Exchange, Security code: 4726)

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

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Scheduled date of General Shareholders' Meeting: June 26, 2020

Scheduled date of filing of Securities Report: June 29, 2020

Scheduled date of payment of dividend: June 29, 2020

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, 2020 (April 1, 2019 to March 31, 2020)

(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	%
Fiscal year ended Mar. 31, 2020	58,324	15.7	3,035	20.8	3,033	32.4	1,856	33.8
Fiscal year ended Mar. 31, 2019	50,430	2.6	2,513	15.5	2,291	(4.5)	1,386	(10.9)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: 1,941 (up 36.7%)

Fiscal year ended Mar. 31, 2019: 1,420 (down 12.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2020	92.56	91.53	11.9	10.1	5.2
Fiscal year ended Mar. 31, 2019	70.23	68.98	9.7	8.5	5.0

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2020: 1 Fiscal year ended Mar. 31, 2019: (234)

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	32,486	17,617	50.5	813.94
As of Mar. 31, 2019	27,492	15,857	53.9	747.03

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2020: 16,410

As of Mar. 31, 2019: 14,820

(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, 2020	3,329	(1,753)	(477)	9,826
Fiscal year ended Mar. 31, 2019	2,784	(1,092)	(567)	8,728

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, 2019	—	0.00	—	20.00	20.00	396	28.5	2.8
Fiscal year ended Mar. 31, 2020	—	10.00	—	20.00	30.00	603	32.4	3.8
Fiscal year ending Mar. 31, 2021 (forecast)	—	15.00	—	15.00	30.00		28.6	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	62,000	6.3	3,600	18.6	3,600	18.7	2,100	13.1	104.72

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, 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

(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, 2020:	22,663,200 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 Mar. 31, 2020:	2,501,422 shares	As of Mar. 31, 2019:	2,501,279 shares
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- iii. Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020:	20,054,168 shares	Fiscal year ended Mar. 31, 2019:	19,746,843 shares
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Reference: Summary of Non-Consolidated Financial Results**Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)**

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	52,220	16.7	1,967	16.1	1,960	12.0	1,327	6.3
Fiscal year ended Mar. 31, 2019	44,734	1.3	1,693	2.3	1,750	(9.6)	1,249	(20.9)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	66.19	65.45
Fiscal year ended Mar. 31, 2019	63.26	62.13

(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, 2020	29,178	15,090	51.0	738.44
As of Mar. 31, 2019	24,861	13,959	55.5	695.71

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 14,888 As of Mar. 31, 2019: 13,802

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

* Explanation about appropriate use of operating forecasts and other special items

Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance and other forward-looking statements 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 does not constitute promises by the Company with respect to 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 online for institutional investors and analysts on Monday, April 27, 2020. Supplementary materials for the 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/>).

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1. Overview of Business Results

(1) Overview of business results for the current period

IT strategy of Japanese companies, government agencies, and local governments is shifting from on premises to cloud first based strategies. In order to promote the Digital Transformation (DX), which brings about changes in all aspects of everyday life through the penetration of IT, there is growing momentum for investment in cloud adoption and use for improving productivity, and security measures for responding to teleworking. In addition, corporate needs for strategic IT use are rising, including investments in DX to strengthen strategic business domains and secure competitive advantages.

In the 4Q, the global outbreak of COVID-19 threatened people's livelihoods, leading to uncertainty about the global economy and stock market turmoil. However, the impact on the Company's business performance in the fiscal year under review was limited.

Against this backdrop, the ICT services business performed strongly, and the solutions businesses saw higher sales and profits.

In Corporate IT Solutions, solutions utilizing Microsoft's SaaS/PaaS performed strongly and both sales and profits increased, 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 telework.

In Business IT Solutions, projects for developing IoT systems for the global manufacturing industry, which was designated as one of our key industries, grew significantly. In addition, we received a contract for the development of an electronic application platform from the Ministry of Agriculture, Forestry and Fisheries and sales increased. However, web analysis-related solutions are shrinking due to strategic revisions.

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 consolidated 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 full year.

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change	Rate of change
Net sales	50,430	58,324	7,894	15.7%
Marginal profit	14,521	16,461	1,939	13.4%
Fixed cost	12,008	13,425	1,417	11.8%
Operating profit	2,513	3,035	522	20.8%
Ordinary profit	2,291	3,033	741	32.4%
Profit attributable to owners of parent	1,386	1,856	469	33.8%
Net income per share	JPY70.23	JPY 92.56	JPY 22.33	31.8%

The Group operates in a single reportable segment of the ICT Services segment. Refer to "Solution Segment Explanation" on page 3 for details on the content and performance of the solutions that comprise the ICT Services segment.

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

(Millions of yen)

		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change (Amount)	Change (Ratio)
Business IT Solutions	Net sales	3,398	4,518	1,119	32.9%
	Marginal profit	1,338	1,736	397	29.7%
	Profit ratio	39.4%	38.4%	△1.0 points	—
Corporate IT Solutions	Net sales	13,634	16,403	2,769	20.3%
	Marginal profit	5,588	6,567	978	17.5%
	Profit ratio	41.0%	40.0%	△1.0 points	—
Technical Solutions	Net sales	12,403	15,380	2,976	24.0%
	Marginal profit	4,602	4,960	358	7.8%
	Profit ratio	37.1%	32.3%	△4.8 points	—
EC Solutions	Net sales	20,993	22,022	1,028	4.9%
	Marginal profit	2,992	3,198	205	6.9%
	Profit ratio	14.3%	14.5%	0.2 points	—
Total	Net sales	50,430	58,324	7,894	15.7%
	Marginal profit	14,521	16,461	1,939	13.4%
	Profit ratio	28.8%	28.2%	△0.6 points	—

< Recognition of Business Conditions >

In the ICT-related market in which the Group operates, the environment is changing rapidly with the advent of ever-evolving technologies and diverse services. There is growing demand for strategic IT use among companies, including cloud adoption and use to improve productivity, security measures for telework, and investment in DX, which is used to strengthen customers' strategic business domains and secure competitive advantages.

However, the outlook remains uncertain due to the stagnation of the global economy and the turmoil in the stock market caused by the prolonged outbreak of COVID-19, and it is necessary to closely monitor corporate capital investment trends. The government's emergency economic measures are divided into the emergency support phase and the V-shaped recovery phase, and there is a possibility that the government's business investment toward the recovery of economic activities will be delayed depending on how the situation progresses.

In this business environment, in order to achieve business growth and increase corporate value together with our customers by meeting customer needs and contributing to the growth of their core businesses, we have been promoting our business with the following priority themes since the fiscal year ended March 31, 2020 as the Third Medium-Term Management Plan.

< 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. In the fiscal year under review, the first year of the Third Medium-Term Management Plan, in-house service sales increased 50.9% year on year to 1,385 million yen, and recurring sales of our original services accounted for 21.5% of total partner sales as of the end of the fiscal year.

- 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 making progress in the use of cloud computing to strengthen our competitiveness, supporting customers' development of IoT services, and realizing digitalization across the entire government. Specifically, we are participating in the development of IoT systems provided by global manufacturers to end users and are developing electronic application platforms as part of the development of the DX infrastructure promoted by the Ministry of Agriculture, Forestry and Fisheries.

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 March31,2019)".

The net sales composition ratio of Corporate IT Solutions and Business IT Solutions for the fiscal year under review, increased by YoY 2.1 percentage points to 35.9%. Operating profit rose 20.8% YoY to JPY3,035 million.

(2) Overview of financial positions for the current period

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020	Change (Amount)
Total assets	27,492	32,486	4,993
Net assets	15,857	17,617	1,759
Shareholder's equity ratio	53.9%	50.5%	△3.4 points
Net assets per share	747.03 yen	813.94 yen	66.91 yen

(Assets)

Total assets increased 4,993 million yen from the end of the previous fiscal year, to 32,486 million yen at the e current consolidated fiscal year under review.

Current assets increased by 4,342 million yen from the end of the previous fiscal year, mainly due to an increase in notes and accounts receivable trade.

Non-current assets increased by 651 million yen from the end of the previous fiscal year, mainly due to an increase in buildings.

(Liabilities)

Total liabilities increased 3,234 million yen from the end of the previous fiscal year to 14,869 million yen at the end of the current consolidated fiscal year under review.

Current liabilities increased by 3,315 million yen from the end of the previous fiscal year, mainly due to an increase in accounts payable trade.

Non-current liabilities decreased by 81 million yen 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 fiscal year under review increased by 1,759 million yen from the end of the previous fiscal year to 17,617 million yen, due mainly to an increase in retained earnings.

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Changes(Amount)
Cash flows from operating activities	2,784	3,329	545
Cash flows from investing activities	△1,092	△1,753	△660
Cash flows from financing activities	△567	△477	90
Changes in cash and cash equivalents	1,122	1,097	△25
Balance of cash and cash equivalents at end of period	8,728	9,826	1,097

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “cash”) increased 1,097 million yen from the end of the previous consolidated fiscal year to 9,826 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 3,329 million yen. This was due mainly to cash used of 1,038 million yen in the payment of income taxes, as well as cash provided of 2,974 million yen from profit before income taxes and 1,060 million yen arising from depreciation.

Compared with the previous consolidated fiscal year, cash collected decreased 2,194 million yen because of changes in accounts receivable, while cash used decreased 2,739 million yen because of changes in accounts payable, consequently cash provided increased 660 million yen.

(Cash flows from investing activities)

Cash used in investing activities amounted to 1,753 million yen. This was mainly due to cash used for the purchase of intangible assets of 935 million yen.

In comparison with the previous consolidated fiscal year, cash used by the purchase of property, plant and equipment of 347 million yen, the sale of investment securities decreased 203 million yen. Consequently, cash used increased 660 million yen.

(Cash flows from financing activities)

Cash used in financing activities amounted to 477million yen. This was due chiefly to cash provided of 215 million yen as proceeds from issuance of shares, while cash used of 596 million yen in cash dividends paid.

Compared with the previous fiscal year, cash used in this segment decreased by 90 million yen, mainly due to a 337 million yen decrease in payments for treasury stock and a 295 million yen decrease in payments for repayments of long-term debt, despite a 298 million yen increase in dividends paid and a 270 million yen decrease in proceeds from payments from non-controlling interests.

2. Management Policies

(1) Basic policy

Based on our corporate philosophy of "Information Revolution - Happiness for everyone: Technologies Design the Future," we aim to be a business partner that constantly takes on the challenge of acquiring cutting-edge ICT technologies to make customers' operations more efficient and reduce costs, and to achieve growth in their core business through ICT services.

Based on the corporate philosophy of "Information Revolution - Happiness for everyone," the SoftBank Group, to which we belong, strives to maximize corporate value and to become a group that provides the technologies and services that people around the world need most. It is engaged in a variety of businesses in the field of information and technology. As the core provider of ICT services in the SoftBank Group, we will support the IT systems of SoftBank Group companies in Japan. At the same time, we will contribute to the realization of an affluent information-oriented society by leveraging synergies with the SoftBank Group companies and providing ICT services to solve a variety of issues faced by customers.

(2) Third Medium-Term Management Plan

Our management policy states that we should grow significantly. In the First Medium-Term Management Plan, from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, we focused on three areas: cloud, security, and big data, and promoted business expansion. We have positioned the fiscal years ended March 31, 2017, March 31, 2018 and March 31, 2019 as the Second Medium-Term Management Plan, and have built a foundation for expanding recurring business by fusing security measures and the added value of big data analysis on the cloud to increase value for customers and by enhancing the servicing of these focus areas. From the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022 as the Third Medium-Term Management Plan, we focus on "Be a service provider for corp IT" and "Consult and generate business IT" to contribute to our customers' businesses.

In the fiscal year ending March 31, 2022, we will raise net sales ratio of Corporate IT Solutions and Business IT Solutions to 50%, which will achieve the company's cloud-first strategy. In addition, we set the management index to achieve consolidated operating profit of 43 million yen (CAGR20% growth starting from the fiscal year ended March 31, 2019). We aim to achieve a return on equity (ROE) of 13% in the fiscal year ending March 31, 2022.

< Be a service provider for corp IT >

Aiming to establish a new earnings base that does not depend on the supply capabilities of engineers' resources, we aim to turn cloud and security expertise acquired through individual development, introduction projects and customer needs into services. Our services, such as clouXion and managed security services, which have been enhanced so far, have been introduced and set up by our engineers. However, in the future, we will also invest in services that do not involve installation work, and we will work to enable our customers to introduce cloud computing and provide support for security measures as soon as possible.

In terms of expanding sales of services, we are working to conclude sales agency contracts with partner companies that support customers while using our services for customers to introduce cloud computing and take security measures. We have set the target of achieving a 50% share of partner sales in recurring sales of our services by the end of March 2022.

< Consult and generate business IT >

We are working to co-create new businesses that leverage IoT and cutting-edge technologies for the growth of our customers' core businesses. As for training our consultants, we aim to acquire knowledge of Business Analysis Body of Knowledge (BABOK), which allows us to systematically acquire business analyses. Moreover, in the rapidly changing business IT and DX domains, we must respond flexibly to the business conditions of our customers, so we are shifting from a water-fall type to a scrum-type of development method.

With regard to enterprise customers, the Company is taking advantage of cloud utilization in the corporate IT field, which it uses to reform workstyles and improve productivity, to strengthen relationships and deepen understanding of the industry, and to engage in the co-creation of businesses, such as the development of services for end users through cutting-edge technologies.

To date, we have focused on providing DX support mainly in the agricultural sector to government clients. In the fiscal year ended March 31, 2020, we received an order for an electronic application platform project from the Ministry of Agriculture, Forestry and Fisheries. We view the shift to electronic filing, which is expected to see an increase in demand in the future, as a major opportunity, and have been examining the possibility of horizontal expansion to other ministries and agencies. With the revision of the digital government implementation plan in December 2019, we determined that the accuracy of the creation of concrete projects has increased, and we shifted the development scope of the electronic application platform project to a form that can be deployed horizontally. Looking ahead, we will take advantage of the knowledge we have cultivated in electronic application platform projects to implement the digital government envisaged by the government and respond to electronic application platform projects in other ministries and agencies.

In April 2020, we reorganized our organization from a function-based organization to a business unit system to better face customers and grow based on the belief that it is essential to cultivate and secure human resources, which are a source of added value, to steadily implement the measures described above. At the same time, we reviewed our authority to create an environment in which business operations can be promoted with quick decision-making within each division, and to create an environment in which we can take on new challenges. In order to secure human resources, we will establish a resource management department to strengthen collaboration with development partners.

In addition, we will implement a variety of measures, such as flextime and telework, to realize a diverse workstyle that is unique to a technology company.

(3) Forecast of consolidated financial results for the fiscal year ending March 31, 2021

In Corporate IT Solutions, investment is likely to increase in new security measures in conjunction with the introduction of tools and the development of systems for telework and digitalization, with a view toward working the so-called post-corona world (the world after the novel coronavirus pandemic). We will invest in the development of services that do not require engineering work and will strengthen partner sales to promptly respond to the rising demand for cloud security.

In Business IT Solutions, the manufacturing and construction industries, which are our main focus, have been hard hit by the impact of the novel coronavirus, and there are some uncertainties in the outlook. However, we believe that co-creation of services utilizing digital technologies and data and investment in DX to respond to business model reforms will continue. In the public sector, we expect digital government to be promoted, and we will focus on the development and horizontal development of an electronic application platform. In addition, web analysis solutions, which had been shrinking in the past, are expected to turn flat.

In Technical Solutions, we expect the number of vendor management projects in the IT domain of SoftBank Corp. to continue to increase, but we will also control variable costs.

EC Solutions is expected to begin declining due to a review of contracts with business partners.

The Group thus forecasts net sales of 62,000 million yen, operating profit of 3,600 million yen, ordinary profit of 3,600 million yen and profit attributable to owners of parent of 2,100 million yen for the next fiscal year.

The following portrays the forecast of consolidated financial results for the fiscal year ending March 31, 2021 based on the outlook and the policy discussed above.

	(Millions of yen)				(Yen)
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
Forecasts for the fiscal year ending March 31, 2021	62,000	3,600	3,600	2,100	104.72
Actual results for the fiscal year ended March 31, 2020	58,324	3,035	3,033	1,856	92.56
Change (%)	6.3%	18.6%	18.7%	13.1%	13.1%

The forecast of financial results is based on information currently available, and actual figures may differ from the forecast 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 increases 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.

Under the third Medium-Term Management Plan, we have positioned CAGR20% growth in operating profit as our highest management indicator, starting from FY2020. As a result of achieving an operating profit of 3 billion which is the forecast for the fiscal year ended March 31, 2020, and as we expect continuous growth in the future, we are hence increasing the ordinary dividend by JPY10 per share from the level for the preceding fiscal year, to JPY20 per share.

For the following fiscal year, we are planning to pay an ordinary dividend of 30 yen per share, the same amount as for the fiscal year under review, comprising an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share,

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	8,728	9,826
Notes and accounts receivable - trade	10,011	12,714
Merchandise	36	26
Work in process	259	757
Other	973	1,026
Allowance for doubtful accounts	(1)	(0)
Total current assets	20,008	24,350
Non-current assets		
Property, plant and equipment		
Buildings	1,220	1,428
Accumulated depreciation	(635)	(697)
Buildings, net	584	731
Tools, furniture and fixtures	1,975	2,235
Accumulated depreciation	(1,339)	(1,479)
Tools, furniture and fixtures, net	636	756
Total property, plant and equipment	1,220	1,488
Intangible assets		
Goodwill	710	554
Software	1,297	1,397
Software in progress	461	591
Customer relationships	399	335
Other	199	170
Total intangible assets	3,068	3,049
Investments and other assets		
Investment securities	717	782
Deferred tax assets	818	960
Other	1,658	1,854
Total investments and other assets	3,194	3,597
Total non-current assets	7,484	8,135
Total assets	27,492	32,486

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	5,515	8,258
Current portion of long-term borrowings	24	—
Lease obligations	81	88
Accounts payable - other	893	1,163
Income taxes payable	663	810
Advances received	1,505	1,554
Provision for bonuses	902	1,055
Provision for loss on order received	41	198
Provision for defect repair	0	1
Asset retirement obligations	5	—
Other	580	397
Total current liabilities	10,212	13,528
Non-current liabilities		
Lease obligations	373	291
Deferred tax liabilities	87	68
Long-term advances received	517	495
Retirement benefit liability	43	45
Asset retirement obligations	287	326
Other	112	112
Total non-current liabilities	1,422	1,340
Total liabilities	11,634	14,869
Net assets		
Shareholders' equity		
Share capital	995	1,176
Capital surplus	1,111	1,268
Retained earnings	14,290	15,549
Treasury shares	(1,568)	(1,568)
Total shareholders' equity	14,829	16,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(17)
Foreign currency translation adjustment	3	2
Total accumulated other comprehensive income	(8)	(14)
Share acquisition rights	160	205
Non-controlling interests	876	1,000
Total net assets	15,857	17,617
Total liabilities and net assets	27,492	32,486

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	50,430	58,324
Cost of sales	41,973	48,897
Gross profit	8,457	9,426
Selling, general and administrative expenses	5,943	6,391
Operating profit	2,513	3,035
Non-operating income		
Interest and dividend income	1	1
Share of profit of entities accounted for using equity method	—	1
Dividend income of insurance	5	3
Subsidy income	18	2
Miscellaneous income	12	10
Total non-operating income	37	19
Non-operating expenses		
Interest expenses	10	7
Share of loss of entities accounted for using equity method	234	—
Loss on investments in investment partnerships	3	2
Foreign exchange losses	10	8
Miscellaneous loss	1	3
Total non-operating expenses	259	22
Ordinary profit	2,291	3,033
Extraordinary income		
Gain on sales of investment securities	86	2
Gain on reversal of share acquisition rights	—	5
Total extraordinary income	86	7
Extraordinary losses		
Impairment loss	55	15
Loss on valuation of investment securities	—	50
Office relocation expenses	66	—
Total extraordinary losses	122	66
Profit before income taxes	2,255	2,974
Income taxes - current	974	1,185
Income taxes - deferred	(157)	(158)
Total income taxes	816	1,027
Profit	1,439	1,947
Profit attributable to		
Profit attributable to owners of parent	1,386	1,856
Profit attributable to non-controlling interests	52	91
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	(4)
Foreign currency translation adjustment	(0)	(1)
Total other comprehensive income	(18)	(6)
Comprehensive income	1,420	1,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,369	1,850
Comprehensive income attributable to non-controlling interests	51	91

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	885	859	13,200	(1,230)	13,714
Changes during period					
Issuance of new shares	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 in items other than shareholders' equity	—	—	—	—	—
Total changes during period	110	251	1,090	(337)	1,114
Balance at end of 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 period	4	4	9	123	686	14,532
Changes during period						
Issuance of new shares	—	—	—	—	—	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 in items other than shareholders' equity	(17)	(0)	(17)	37	190	209
Total changes during period	(17)	(0)	(17)	37	190	1,324
Balance at end of period	(12)	3	(8)	160	876	15,857

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	995	1,111	14,290	(1,568)	14,829
Changes during period					
Issuance of new shares	180	180	—	—	361
Dividends of surplus	—	—	(597)	—	(597)
Profit attributable to owners of parent	—	—	1,856	—	1,856
Purchase of treasury shares	—	—	—	(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests	—	(23)	—	—	(23)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	180	157	1,258	(0)	1,596
Balance at end of period	1,176	1,268	15,549	(1,568)	16,425

	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 period	(12)	3	(8)	160	876	15,857
Changes during period						
Issuance of new shares	—	—	—	—	—	361
Dividends of surplus	—	—	—	—	—	(597)
Profit attributable to owners of parent	—	—	—	—	—	1,856
Purchase of treasury shares	—	—	—	—	—	(0)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	(23)
Net changes in items other than shareholders' equity	(4)	(1)	(6)	45	124	163
Total changes during period	(4)	(1)	(6)	45	124	1,759
Balance at end of period	(17)	2	(14)	205	1,000	17,617

(4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
(Millions of yen)		
Cash flows from operating activities		
Profit before income taxes	2,255	2,974
Depreciation	1,027	1,060
Impairment loss	55	15
Amortization of goodwill	155	155
Share-based remuneration expenses	71	115
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in provision for bonuses	105	152
Increase (decrease) in retirement benefit liability	0	2
Increase (decrease) in provision for loss on order received	16	157
Increase (decrease) in provision for defect repair	(7)	0
Interest and dividend income	(1)	(1)
Interest expenses	10	7
Share of loss (profit) of entities accounted for using equity method	234	(1)
Loss (gain) on investments in investment partnerships	3	2
Loss (gain) on sales of investment securities	(86)	(2)
Loss (gain) on valuation of investment securities	—	50
Decrease (increase) in trade receivables	(507)	(2,702)
Decrease (increase) in inventories	(12)	(545)
Decrease (increase) in trade receivables	343	53
Increase (decrease) in trade payables	4	2,743
Increase (decrease) in accrued consumption taxes	22	(85)
Increase (decrease) in trade payables	5	219
Other, net	5	1
Subtotal	3,702	4,373
Interest and dividends received	1	1
Interest paid	(10)	(7)
Income taxes (paid) refund	(909)	(1,038)
Net cash provided by (used in) operating activities	2,784	3,329
Cash flows from investing activities		
Purchase of property, plant and equipment	(174)	(522)
Purchase of intangible assets	(904)	(935)
Purchase of investment securities	(9)	(123)
Proceeds from sales of investment securities	205	2
Collection of loans receivable	6	6
Payments of guarantee deposits	(245)	(228)
Proceeds from refund of guarantee deposits	69	14
Other, net	(39)	33
Net cash provided by (used in) investing activities	(1,092)	(1,753)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Repayments of long-term borrowings	(320)	(24)
Proceeds from issuance of shares	186	215
Purchase of treasury shares	(337)	(0)
Dividends paid	(297)	(596)
Repayments of lease obligations	(79)	(81)
Proceeds from share issuance to non-controlling shareholders	280	10
Net cash provided by (used in) financing activities	(567)	(477)
Effect of exchange rate change on cash and cash equivalents	(1)	(1)
Net increase (decrease) in cash and cash equivalents	1,122	1,097
Cash and cash equivalents at beginning of period	7,606	8,728
Cash and cash equivalents at end of period	8,728	9,826

(5) Notes to Consolidated Financial Statements

(Going concern assumption)

Not applicable.

(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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net assets per share	747.03 yen	813.94 yen
Net income per share	70.23 yen	92.56 yen
Diluted net income per share	68.98 yen	91.53 yen

(Note) 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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net income per share		
Profit attributable to owners of the parent (thousands of yen)	1,386	1,856
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of the parent concerning common shares (thousands of yen)	1,386	1,856
Average number during the period (share)	19,746,843	20,054,168
Diluted net income per share		
Adjustments on profit attributable to owners of the parent (thousands of yen)	—	—
Increase in common shares (share)	357,676	226,196
(of which, share acquisition rights (share))	(357,676)	(226,196)
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: 42,500 shares Resolution by the Board of Directors on September 26, 2018 Common shares: 216,500 shares	(Share acquisition rights) Resolution by the Board of Directors on September 26, 2018 Common shares: 210,500 shares

(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.