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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.

October 28, 2020

**SB Technology Corp.**  
**Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2021**  
**(Six Months Ended September 30, 2020)**

[Japanese GAAP]

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

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

Representative: Shinichi Ata, President & CEO

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Scheduled date of filing of Quarterly Report: November 13, 2020

Scheduled date of payment of dividend: November 30, 2020

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, 2020 (April 1, 2020 – September 30, 2020)**

(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	%
Six Months ended Sep.30, 2020	31,864	18.7	1,596	19.0	1,576	17.5	892	11.6
Six Months ended Sep.30, 2019	26,841	9.3	1,341	32.2	1,341	72.2	799	64.1

Note: Comprehensive income (million yen) Six Months ended Sep.30, 2020: 916 (up 11.1%)

Six Months ended Sep.30, 2019: 825 (up 68.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six Months ended Sep.30, 2020	44.25	43.96
Six Months ended Sep.30, 2019	40.05	39.57

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep.30, 2020	33,894	18,209	50.0	839.60
As of Mar.31, 2020	32,486	17,617	50.5	813.94

Reference: Shareholders' equity (million yen) As of Sep.30, 2020: 16,954 As of Mar.31, 2020: 16,410

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar.31, 2020	—	10.00	—	20.00	30.00
Fiscal year ending Mar.31, 2020	—	15.00			
Fiscal year ending Mar.31, 2020 (forecast)			—	15.00	30.00

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

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

(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	62,000	6.3	3,600	18.6	3,600	18.7	2,100	13.1	104.10

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, 2020:	22,695,000shares	As of Mar.31, 2020:	22,663,200shares
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- ii. Number of treasury shares at the end of the period

As of Sep.30, 2020:	2,501,422shares	As of Mar.31, 2020:	2,501,422shares
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- iii. Average number of shares outstanding during the period

Six Months ended Sep.30, 2020:	20,173,056shares	Six Months ended Sep.30, 2019:	19,968,991shares
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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 meeting

The Company plans to hold the financial results meeting for institutional investors and analysts on Wednesday, October 28, 2020.

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 Financial Results of the Period Under Review .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Position .....	5
(3) Explanation on Consolidated Forecast 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 Quarterly Consolidated Financial Statements .....	11
(Going Concern Assumption) .....	11
(Significant Changes in Shareholders' Equity) .....	11
(Changes in the scope of consolidation and the scope of application of the equity method) .....	11

## 1. Qualitative Information on Financial Results of the Period Under Review

### (1) Explanation of Business Results

Economic activities stalled with the impact of the global pandemic of COVID-19. While consumer spending is showing signs of recovery at the moment, the pace of recovery in corporate business performance and capital investment is expected to be slower, given that companies remain highly uncertain about the future. Many companies have been taking measures for cloud computing and telework in the April-September period, as self-restraint on going out and non-contact behavior and services are socially required. However, new challenges such as the strengthening of security measures and online sales have become evident.

To respond to changes associated with this new era, known as the "new normal," companies are strengthening their strategic business domains and responding to Digital Transformation (DX) to secure their competitive advantage, and in public offices and municipalities, moves to establish a digital agency to realize a digital government and break away from traditional reliance on official seals are also occurring. The growth of IT investment in Japan is expected to slow compared to the period before the effects of COVID-19 are actualized, but we believe that urgent issues and demand for strategic IT investment are firm.

Amid this business environment, the ICT services business remained firm, and performance by solution was as follows compared to the same period in the previous fiscal year.

In Business IT Solutions, system development and IoT projects for business divisions of SoftBank Corp. expanded. In addition, sales increased due to significant growth in IoT system development projects for global manufacturers, which we regard as a focus industry, and progress in projects to develop electronic application platforms for the Ministry of Agriculture, Forestry and Fisheries.

In Corporate IT Solutions, although the development phase of large-scale cloud systems at the Group companies of SoftBank Corp. peaked and shifted to the operational phase, sales grew in the building of zero trust security, the help desk operation business, and clouXion and managed security services, which are our own services.

In Technical Solutions, which provides solutions for on-premises environments, vendor management projects in the IT field of SoftBank Corp., which began in 3Q of the previous fiscal year, led the increase in sales. However, outsourcing expenses increased due to the rapid growth in the number of development partners and the number of partner employees, resulting in a decrease in the marginal income ratio.

The consolidation of DENEN Co. Ltd. in the second quarter under review also had the effect of increasing sales.

In EC Solutions, the e-commerce management agency business at Norton Store declined, but the font business remained strong, resulting in a decrease in sales but an increase in profits.

In addition, although M&A transaction costs were temporarily incurred, net sales, marginal income, operating income, ordinary income, and profit attributable to owners of parent reached record highs for the 1Q of the fiscal year under review, and the results were as follows.

(Millions of yen)

	Six-month ended September 30, 2019	Six-month ended September 30, 2020	Change (Amount)	Change (Ratio)
Net sales	26,841	31,864	5,022	18.7%
Marginal profit	7,738	9,031	1,292	16.7%
Fixed costs	6,397	7,434	1,037	16.2%
Operating profit	1,341	1,596	255	19.0%
Ordinary profit	1,341	1,576	234	17.5%
Profit attributable to owners of parent	799	892	93	11.6%
Net income per share	JPY 40.05	JPY 44.25	JPY 4.21	10.5%

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

The promotion of workstyle reform and remote work is accelerating amid the COVID-19 pandemic, and diverse workstyles that are free of time and place are being sought. However, security risks and issues unique to a remote working environment utilizing cloud computing are beginning to emerge.

The general concept of security measures in the past was the so-called "border type" that seeks to maintain corporate security by defining the physical location where employees work as the company. However, given that it has become common for employees to work at home or elsewhere, it is no longer possible to ensure their safety with conventional security measure models.

In this environment, a security measure model called "zero trust security," in which all communications are suspected and monitored without distinguishing between internal and external communications, is attracting attention. We have adopted this model and provide security solutions to realize zero trust security and managed security services in which security experts constantly monitor and analyze communication logs.

New security risks have emerged as a result of the accelerated progress in under COVID-19, and we received many inquiries about cloud security projects in the period under review.

In addition, in one of the clouXion series, cases of introducing "Flow," a work flow service that improves the efficiency of application and authorization work, are increasing. The introduction of Flow has had numerous effects, including the resolution of customers' issues in the remote working environment, such as eliminating the need to come to the office due to the digitization of application and authorization work, and progress in paperless operations.

In the current fiscal year, the second year of the third medium-term management plan, our own service sales during the period under review increased 52.3% year on year, to 932 million yen. We have set a target ratio of recurring sales of our original services to total partner sales as of the end of March 2022 at 50%, and it reached 22.7% as of the end of September 2020.

- Consult and generate business IT

We have a particular focus on the fields of global manufacturing, construction, and agriculture. In these industries, we regard the use of cloud computing to strengthen customers' competitiveness, the development of IoT services, collaboration between sales support systems and marketing systems, and efforts to realize digitalization across the entire government as significant opportunities.

Consequently, we are promoting research and development and the development of new services and strengthening our development system.

Partly due to the impact of COVID-19, we are accelerating our online sales efforts as a new workstyle corresponding to the new normal. In DX Sales for Microsoft Teams, which we began offering during the period under review, data links between Microsoft Teams and Microsoft Dynamics 365 enable us to automatically record the performance of online sales activities using Teams conference and visualize comparisons with call planning, thereby leading to appropriate actions to prevent delays in response to customers and opportunity losses.

In recent years, the need to use data by connecting with various systems and IoT equipment inside and outside the building is also growing in building automation systems that automate the management and control of building facilities in order to improve the efficiency of building management and the energy saving, convenience and comfort of buildings. On the other hand, the risk of cyber attacks targeting building automation systems is also increasing. To address these issues, we have developed Smart Secure Service, the latest cyber security system for building automation systems, together with customers and partner companies, and have demonstrated that more robust security performance can be achieved in buildings owned by customers. We have started providing this service as a distribution outlet.

We will continue to support the growth of customers' business by working on the collaborative creation of business with our customers.

In the fiscal year ending March 31, 2022, we have set as management indicators a hike in the net sales weighting of Corporate IT Solutions and Business IT Solutions, which will achieve cloud-first strategies for companies, to 50% and the achievement of "consolidated operating profit of 4.3 billion yen (CAGR20% growth from the fiscal year ended March 31, 2019)."

The percentage of sales from business IT solutions and corporate IT solutions for the six-month period under review decreased by 1.9 percentage points year on year, to 34.0%. Operating profit increased 19.0% year on year, to 1,596 million yen.

<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.

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.	- SB 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	- SB 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.	- SB Technology Corp. - Cybertrust Japan Co., Ltd. - DENEN Co. Ltd.
E-commerce solutions	- Operation of e-commerce sites as agent - Online sales of font licenses, etc.	- SB Technology Corp. - Fontworks Inc.

(Millions of yen)

		Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Change (Amount)	Change (Ratio)
Business IT solutions	Net Sales	1,633	2,490	857	52.5%
	Marginal profit	733	914	180	24.6%
	Profit margins	44.9%	36.7%	(8.2) pt.	—
Corporate IT solutions	Net Sales	7,997	8,346	349	4.4%
	Marginal profit	3,096	3,505	409	13.2%
	Profit margins	38.7%	42.0%	3.3 pt.	—
Technical solutions	Net Sales	6,379	10,381	4,002	62.7%
	Marginal profit	2,314	3,000	685	29.6%
	Profit margins	36.3%	28.9%	(7.4) pt.	—
E-commerce solutions	Net Sales	10,831	10,646	(185)	(1.7) %
	Marginal profit	1,593	1,610	16	1.0%
	Profit margins	14.7%	15.1%	0.4 pt.	—
Total	Net Sales	26,841	31,864	5,022	18.7%
	Marginal profit	7,738	9,031	1,292	16.7%
	Profit margins	28.8%	28.3%	(0.5) pt.	—

(2) Overview of financial positions for the current period

Assets, Liabilities and Net assets

(Millions of yen)

	As of September 30, 2019	As of September 30, 2020	Change (Amount)
Total assets	32,486	33,894	1,408
Net assets	17,617	18,209	592
Shareholder's equity ratio	50.5%	50.0%	(0.5) pt.

(Assets)

Total assets increased 1,408 million yen from the end of the previous fiscal year, to 33,894 million yen at the end of the six-month period under review.

Current assets decreased 7 million yen from the end of the previous fiscal year, mainly because of a decrease in cash and deposits.

Non-current assets increased 1,415 million yen, mainly due to an increase in deferred goodwill.

(Liabilities)

Total liabilities decreased 816 million yen from the end of the previous fiscal year, to 15,685 million yen at the end of the six-month period under review.

Current liabilities decreased 510 million yen, mainly due to a decrease in accounts payable.

Non-current liabilities increased 1,326 million yen, mainly attributable to a decrease in long-term advances received.

(Net assets)

Net assets increased 592 million yen from the end of the previous fiscal year, to 18,209 million yen at the end of the six-month period under review, mainly due to an increase in retained earnings.

(3) Explanation on Consolidated Forecast and Other Forward-looking Statements

The earnings forecasts are based on information currently available, but actual results may differ from these forecasts due to various factors.

In the period under review, the order backlog maintained a high level, and net sales and operating profit remained firm, despite our upfront investment in pre-sales activities, demonstration experiments, service development, and system enhancements. From the third quarter, we plan to achieve profit growth to exceed the year-ago level, while continuing to make the necessary investments.

The forecast of consolidated financial results for the fiscal year ending March 31, 2021, which we announced on April 27, 2020, remains unchanged.

## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	9,826	9,162
Notes and accounts receivable - trade	12,714	12,648
Merchandise	26	127
Work in process	757	1,000
Other	1,026	1,404
Allowance for doubtful accounts	△0	△0
<b>Total current assets</b>	<b>24,350</b>	<b>24,342</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	731	854
Tools, furniture and fixtures, net	756	831
Other, net	—	4
<b>Total property, plant and equipment</b>	<b>1,488</b>	<b>1,690</b>
Intangible assets		
Goodwill	554	1,440
Software	1,397	1,885
Software in progress	591	574
Customer relationships	335	303
Other	170	156
<b>Total intangible assets</b>	<b>3,049</b>	<b>4,361</b>
Investments and other assets		
Investment securities	782	668
Deferred tax assets	960	1,106
Other	1,854	1,726
<b>Total investments and other assets</b>	<b>3,597</b>	<b>3,500</b>
<b>Total non-current assets</b>	<b>8,135</b>	<b>9,551</b>
<b>Total assets</b>	<b>32,486</b>	<b>33,894</b>



(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	8,258	6,527
Current portion of long-term borrowings	—	529
Lease obligations	88	87
Accounts payable - other	1,163	990
Income taxes payable	810	735
Advances received	1,554	1,884
Provision for bonuses	1,055	1,280
Provision for bonuses for directors (and other officers)	—	58
Provision for loss on order received	198	187
Provision for defect repair	1	1
Asset retirement obligations	—	9
Other	397	725
<b>Total current liabilities</b>	<b>13,528</b>	<b>13,018</b>
Non-current liabilities		
Long-term borrowings	—	1,370
Lease obligations	291	248
Deferred tax liabilities	68	66
Long-term advances received	495	431
Retirement benefit liability	45	49
Asset retirement obligations	326	356
Other	112	144
<b>Total non-current liabilities</b>	<b>1,340</b>	<b>2,666</b>
<b>Total liabilities</b>	<b>14,869</b>	<b>15,685</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,176	1,201
Capital surplus	1,268	1,293
Retained earnings	15,549	16,038
Treasury shares	△1,568	△1,568
<b>Total shareholders' equity</b>	<b>16,425</b>	<b>16,965</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△17	△13
Foreign currency translation adjustment	2	2
<b>Total accumulated other comprehensive income</b>	<b>△14</b>	<b>△10</b>
Share acquisition rights	205	233
Non-controlling interests	1,000	1,021
<b>Total net assets</b>	<b>17,617</b>	<b>18,209</b>
<b>Total liabilities and net assets</b>	<b>32,486</b>	<b>33,894</b>

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	26,841	31,864
Cost of sales	22,353	26,643
Gross profit	4,488	5,220
Selling, general and administrative expenses	3,147	3,624
Operating profit	1,341	1,596
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	5	6
Subsidies for employment adjustment	—	1
Miscellaneous income	5	3
Total non-operating income	11	12
Non-operating expenses		
Interest expenses	3	6
Foreign exchange losses	5	1
Commission expenses	—	16
Miscellaneous loss	1	6
Total non-operating expenses	10	32
Ordinary profit	1,341	1,576
Extraordinary losses		
Loss on step acquisitions	—	5
Impairment loss	14	—
Loss on valuation of investment securities	—	29
Office relocation expenses	—	14
Total extraordinary losses	14	49
Profit before income taxes	1,327	1,527
Income taxes - current	495	684
Income taxes - deferred	8	△70
Total income taxes	504	614
Profit	823	913
Profit attributable to		
Profit attributable to owners of parent	799	892
Profit attributable to non-controlling interests	23	20
Other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Foreign currency translation adjustment	△1	0
Total other comprehensive income	2	3
Comprehensive income	825	916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	802	896
Comprehensive income attributable to non-controlling interests	23	20

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,327	1,527
Depreciation	507	547
Impairment loss	14	8
Amortization of goodwill	77	102
Share-based remuneration expenses	55	54
Increase (decrease) in allowance for doubtful accounts	△1	△0
Increase (decrease) in provision for bonuses	127	88
Increase (decrease) in provision for bonuses for directors (and other officers)	45	55
Increase (decrease) in retirement benefit liability	3	△0
Increase (decrease) in provision for loss on order received	△26	△11
Increase (decrease) in provision for defect repair	△0	0
Interest and dividend income	△0	△0
Interest expenses	3	6
Loss (gain) on step acquisitions	—	5
Share of loss (profit) of entities accounted for using equity method	△5	△6
Loss (gain) on investments in investment partnerships	1	2
Loss (gain) on valuation of investment securities	—	29
Decrease (increase) in trade receivables	982	458
Decrease (increase) in inventories	△255	△180
Decrease (increase) in trade receivables	△282	△286
Increase (decrease) in trade payables	△259	△1,859
Increase (decrease) in accrued consumption taxes	△76	227
Increase (decrease) in trade payables	△7	△13
Other, net	2	1
Subtotal	2,232	755
Interest and dividends received	0	0
Interest paid	△4	△7
Income taxes paid	△557	△798
Net cash provided by (used in) operating activities	1,670	△49
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	—	11
Purchase of property, plant and equipment	△109	△319
Purchase of intangible assets	△467	△757
Purchase of investment securities	△123	—
Collection of loans receivable	3	3
Payments of guarantee deposits	△114	△3
Proceeds from refund of guarantee deposits	0	69
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△692
Other, net	5	△48
Net cash provided by (used in) investing activities	△806	△1,737

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	—	1,530
Repayments of long-term borrowings	△24	△175
Proceeds from issuance of shares	130	42
Purchase of treasury shares	△0	—
Dividends paid	△395	△402
Repayments of lease obligations	△39	△44
Proceeds from share issuance to non-controlling shareholders	10	—
<b>Net cash provided by (used in) financing activities</b>	<b>△320</b>	<b>950</b>
Effect of exchange rate change on cash and cash equivalents	△1	△0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>542</b>	<b>△837</b>
Cash and cash equivalents at beginning of period	8,728	9,826
<b>Cash and cash equivalents at end of period</b>	<b>9,271</b>	<b>8,988</b>

**(4) Notes to Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Changes in the scope of consolidation and the scope of application of the equity method**

Because the Company acquired all shares of DENEN Co. Ltd. in the first half under review, it is included in the scope of consolidation. In addition, I/O System Integration Co., Ltd., a wholly owned subsidiary of DENEN Co. Ltd., is also included in the scope of consolidation.

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