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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/>).

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
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
Total current assets	24,350	24,342
Non-current assets		
Property, plant and equipment		
Buildings, net	731	854
Tools, furniture and fixtures, net	756	831
Other, net	—	4
Total property, plant and equipment	1,488	1,690
Intangible assets		
Goodwill	554	1,440
Software	1,397	1,885
Software in progress	591	574
Customer relationships	335	303
Other	170	156
Total intangible assets	3,049	4,361
Investments and other assets		
Investment securities	782	668
Deferred tax assets	960	1,106
Other	1,854	1,726
Total investments and other assets	3,597	3,500
Total non-current assets	8,135	9,551
Total assets	32,486	33,894

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
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
Total current liabilities	13,528	13,018
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
Total non-current liabilities	1,340	2,666
Total liabilities	14,869	15,685
Net assets		
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
Total shareholders' equity	16,425	16,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△17	△13
Foreign currency translation adjustment	2	2
Total accumulated other comprehensive income	△14	△10
Share acquisition rights	205	233
Non-controlling interests	1,000	1,021
Total net assets	17,617	18,209
Total liabilities and net assets	32,486	33,894

(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
Cash flows from operating activities		
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
Cash flows from investing activities		
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
Cash flows from financing activities		
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	—
Net cash provided by (used in) financing activities	△320	950
Effect of exchange rate change on cash and cash equivalents	△1	△0
Net increase (decrease) in cash and cash equivalents	542	△837
Cash and cash equivalents at beginning of period	8,728	9,826
Cash and cash equivalents at end of period	9,271	8,988

(4) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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