

※It is translated by AI

Summary of questions and answers at the Q1 FY2020 Earnings Results of Operations

Date of the event: July 28, 2020 16:00-17:00
Venue: SB Technology Corp. Head Office
Respondent: Shinichi Ata, President & CEO

<Questionnaire 1>

(1) As a result of the upfront investment, operating income for the 2Q is expected to be on a par with the previous fiscal year. Please tell us whether this impact will have an impact on operating income for the 3Q and the 4Q on par with the previous fiscal year.

In the 2H of the fiscal year, we expect to incur upfront costs to acquire large-scale public projects in the 2H and FY2021. When a large-scale project is received, revenue is recognized according to the degree of progress in the percentage-of-completion method. In the 2H of the fiscal year, we expect to exceed the previous fiscal year's level.

(2) Some people are talking about the digital governance implementation plan (electronic application related, 90% of administrative procedures computerized by the end of Mar 2025). How long should we look at it?

Given the government's policy and budget, we cannot provide a clear answer at this time, but we are preparing to respond as much as possible.

(3) Where is the competition in terms of support for digital governance implementation plans?

It is a talk that all government offices and municipalities will proceed all at once, and I think it's a sense of what the domestic SIER will do in response to the total issue. For this reason, we cannot provide a clear answer to our competitors at this point in time.

Nevertheless, we are aware that our efforts with the Ministry of Agriculture, Forestry and Fisheries include our track record in the development and operation of nationwide agricultural land navigation systems and our track record in the development of electronic applications, and we are in a position to make the most of the knowledge and experience that we have accumulated in these areas.

(4) FY2020Q1 had anticipated a slump in business in manufacturing, but contrary to expectations, business in manufacturing was firm. Under the current circumstances, can we think that the projects for the manufacturing industry are currently firm?

In the 1Q of the current year, the company said it was good at making steady progress in the projects it received in the 4Q of the last year. As for the current situation, there is a fact that some projects are sliding. However, the impression is that an increasing number of customers are considering priorities for new normal responses from Jun onward on the assumption that the current situation will continue. There is an increasing trend in IT investments, especially CRM-related inquiries, to accommodate new normalies. As CRM projects have a long footing, we would like to lead to a backlog of orders in the 2Q.

(5) Are the growth of the font business as planned? Did it grow unexpectedly?

The font business has been growing steadily since the year before last and is in line with our plan.

<Questionnaire 2>

(6) Please tell us about the business environment and current initiatives of the subsidiary's cyber trusts.

Cybertrust (CTJ) is a company that has passed the auditing standard of WebTrust for CA, an international electronic certification authority, and has a certification authority in Japan. There are only 2 companies in Japan that meet this requirement, and CTJ is 1 of them.

At present, CTJs are promoting the incorporation of iTrust (i-Trust) as an electronic certification service into social infrastructures. As telework and DX (Digital Transformation) advance, data exchange and contracts will increase on-line, so we expect strong demand for personal identification and electronic document certification.

(7) How do you see CTJ's growth in SB Technology's Third Medium-Term Management Plan?

Although CTJ's business may grow rapidly because it is mainly built into services and sold online rather than directly, we expect the current business to grow steadily in the medium-term plan.