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Summary of questions and answers at the Q1 FY2021 Earnings Results of Operations

Date of the event: July 28, 2021 16:00-17:00
Venue: SB Technology Corp. Head Office
Respondent: Shinichi Ata, President & CEO

<Questioner 1>

- (1) I think this is an example of the Company's strategy of developing its next-generation local government information security cloud projects to multiple customers by converting the know-how it has cultivated to services. I understand that there have been some difficulties so far, but I would like to ask what your thoughts on future expansion are.

2016 In the fiscal year, we built 4 prefectures: Iwate, Miyagi, Niigata, and Nagasaki. We began operations in FY2017, and as we continue to operate these prefectures, we accumulated know-how and confirmed issues. We are confident that we will be able to provide services in the best form that we think in terms of both cost and quality in the next fiscal year in the form of 3 stages: basic services, optional services, and individual customization, in a manner that meets the guidelines of the Ministry of Internal Affairs and Communications. Since bidding will continue in the future, we will continue to respond so that it can be used by many local governments.

- (2) Please tell us about the profitability of business IT solutions. Outsourcing expenses are expected to increase in the current fiscal year, when large-scale orders for public works projects are expected, but what are your outlook for the future?

There are also major development projects in the field of supporting customers' core business support or the provision of administrative services. In these projects, external cash outflows will increase as we proceed with the cooperation of many development partners. As a result, this will structurally depress the marginal profit ratio. Meanwhile, we are also offering platforms for collaborative areas in industries such as Con-Bridge. In the medium to long term, our policy is to raise profitability.

- (3) I think that the order backlog is also at a high level and there are many inquiries for projects, but is it still possible to raise the status of the corresponding resources?

We recognize that the issue of resources is an important management issue. As 1 of our responses to this issue, we have been advancing vendor management projects with SoftBank Corp. for 2 years. This project has greatly increased the number of partners, and we now have around 2,800 partners per month. Thanks to the support of these partner companies, we are able to take on a variety of challenges. Since it is clear that resources will be needed in the future, we will continue to strive as an important management issue.

- (4) It is said that recruitment will continue to be strengthened in the current fiscal year, but what are your thoughts on M&A aimed at further growth and acquisition of development resources overseas?

Regarding M&A, we hold monthly meetings and continue to consider it, but there is no thing that can be talked about as of today.

We recognize that resources are an important management issue, and are promoting the use of the Global Security Monitoring Center and offshore facilities.

As we are unable to go to local markets due in part to the Corona disaster, it will take some time from the perspective of finding reliable partners. However, we believe that globalization is also necessary, and we will also develop new partners overseas, particularly in Asia.