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## Summary of questions and answers at the Q3 FY2021 Earnings Results of Operations

Date of the event: January 27, 2022 16:00-17:00

Venue: SB Technology Corp. Head Office

Respondent: Shinichi Ata, President & CEO . . . ( 2 )( 3 )

Masaaki Okazaki, Executive Vice President CFO . . . ( 1 )

< Questioner 1 >

(1) The reason for the upward revision is to improve revenue by reducing costs, but what specific effort should you take?

We have been reviewing costs by thoroughly implementing project cost management and identifying reduction items. Although there was an accumulation of fine-tuned projects, there was a major improvement in large-scale projects in the public sector.

(2) Until now, the operating profit margin has been around 7% to 7.5%. Where do you think there have been issues?

During the period of the First Medium-Term Management Plan and the Second Medium-Term Management Plan, there were periods in which the proportion of the thinly performing product sales business was high, and there were periods in which there were projects that undermined profitability as the Company took challenges in cutting-edge technologies such as cloud computing and security. In response to this, the company has stopped the product sales business and has been strengthening project management. In the Third Medium-Term Management Plan, the Company considered that the factors behind the failure to improve profitability were that the volume of licensing sales remained constant, that it promoted vendor management projects in order to grow sales and expand development partners, and that it promoted the business with a policy of acquiring a certain number of low-margin challenge projects, judged to be necessary for future growth.

(3) Operating margins are lower than those of competitors, but what is this difference arising from?

You think there are two. The first is that the composition ratio of high-margin products for services and packaged products is low, and the second is that the Company has been promoting its business with a policy of acquiring a certain number of low-margin challenge projects, judged to be necessary for future growth. Going forward, the company intends to raise profitability by establishing a service business while taking on new challenges.