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Summary of questions and answers at the Q4 FY2021 Earnings Results of Operations

Date of the event: April 27, 2022 16:00-17:00
Venue: SB Technology Corp. Head Office (Teams held)
Respondent: Shinichi Ata, President & CEO

< Questioner 1 >

(1) What is the details of the next information security cloud incident that occurred in March?

On March 18, 2022, an unauthorized relay (open relay) occurred in the mail relay system of the local government's information security cloud, which we built and managed, due to a lack of configuration changes during troubleshooting maintenance. Approximately 910000 malicious e-mails were sent as a result of being used to send e-mails to a malicious third party. The details are explained on our website and should be read. Regarding this case, we will thoroughly implement measures to prevent the occurrence of such a situation as well as deep reflection.

March 21, 2022

[about unauthorized relaying of external mail using our mail relay system](#)

March 23, 2022

[Unauthorized Relaying of External Mail by Mail Relay System Managed by us \(Second Report\)](#)

(2) In the Fourth Medium-Term Management Plan, it is said that gross profit will be disclosed. How will the company improve its gross profit margin?

We would like to work on both improving productivity and reforming our product portfolio. We would like to provide a platform such as the one realized by the electronic application base of the Ministry of Agriculture, Forestry and Fisheries, and to support the promotion of DX by the customer himself/herself with low code and no code on the platform. It also hopes to improve profitability in the upstream process while focusing on consulting. For more information, it will explain it when announcing Q1 FY22 results.

(3) Do you intend to increase sales mainly to SOFTBANK CORP. against the target of ¥50 billion in cloud security & service sales?

Although what we call cloud is public cloud, SoftBank Corp. has its own data center, which is not applicable to this definition. Among SoftBank Corp. projects related to the public cloud, such as Azure and AWS, apply to the cloud business, but other companies are the main sources of growth.

< Questioner 2 >

(1) The 4th Mid-Term Management Plan calls for an improvement in the operating income margin from 7.8% to the 9% level. How will it improve?

We plan to discuss more detailed information at the time of FY22 Q1 results, but we would like to improve profitability by increasing the composition ratio of cloud security and services.

(2) If Softbank projects with lower marginal profit margins are to be liquidated in the restructuring of FY22, what do you think sales growth will slow?

In the vendor management project of SOFTBANK CORP., "standardization of SI" was carried out, and the effect of reducing wasteful development and testing was achieved. On the other hand, the effects of vendor management projects have run their course, and while there is no expectation that they will expand in the same manner as before, they are expected to grow overall, including at other companies.

< Questioner 3 >

(1) What is the progress of the next-generation local government information security cloud? Is there a plan to bid on FY22?

FY21 received orders in 10 prefectures: Aomori, Iwate, Akita, Miyagi, Yamagata, Fukushima, Niigata, Tochigi, Nagasaki, and Saga Prefectures. Our strengths are to reduce costs and standardize security levels by integrating services. FY22 wants to bid on a province that can make use of these features.

(2) How do you see the impact of contract changes in the EC business on profit declines in the EC business?

FY22 is expected to have the highest impact on business results, and operating margins are expected to drop by around ¥400 million. Because EC has a high profit margin, it is necessary to improve profitability through other solutions in order to improve profit margins while being affected by this.

(3) What is the progress of the next-generation local government information security cloud? Is there a plan to bid on FY22?

We think that demand for DX and security measures by companies will continue to be strong, but the impact of our restructuring and contract changes in the e-commerce business to realize them will halt FY22 slightly. We think margins will improve from FY23 onward.