

※It is translated by AI

Summary of questions and answers at the Q1 FY2022 Earnings Results of Operations

Date of the event: July 27, 2022 16:00-17:00
Venue: SB Technology Corp. Head Office (Teams held)
Respondent: Shinichi Ata, President & CEO --- (2),(4),(5),(6)
Masaaki Okazaki, Executive Vice President CFO --- (1),(3)

< Questioner 1 >

- (1) Regarding FY24 operating income target of 8 billion yen outlined in the medium-term management plan, I would like to hear about the direction of improving sales growth and profitability in the various markets.

We plan to increase both sales and profits in the public sector and enterprise domains. In the enterprise market, we intend to increase our share of SoftBank group companies other than SoftBank Corp. and deepen our presence in other enterprise companies. In telecommunications market, we expect sales growth to not be significant, but profits to grow as it seeks to improve its structural profit margins by returning to projects with low efficiency and profitability, including vendor management projects, which are transactions with SoftBank Corp.

- (2) It is said that you will return projects with low efficiency and profitability to SoftBank Corp., but what is the outlook?

The story is already underway. We have been promoting standardization for three years, but as a result, we will return to areas where our role is small. We also will contribute in areas where we can take on challenges, even if there are risks, and secure profits. We think that the effects of improved profitability will appear from 2H onward.

- (3) Please tell us the factors behind changes from the previous fiscal year about the operating income target for the current fiscal year.

The forecasts for the current fiscal year are for net sales to increase 5.8% and operating income to rise 4.8%, but gross profit is forecast to increase around 15%, including the impact of the change in the contract with NortonLifeLock Inc. and SG&A expenses to increase around 20%, including structural reform costs.

< Questioner 2 >

- (4) FY24 operating income targets have been raised by 1.5 billion yen from the previous fiscal year, but what are the factors behind the significant growth?

It has set a target of growing FY22 operating income by 20% annually from 5.4 billion yen. After factoring in the decline in profits due to the change to the contract with NortonLifeLock Inc. and other risks that have already been seen, it is expected that the recurring business will accumulate, such as the development of services aimed at the customer base of 417 local governments acquired through the local government information security cloud. As a result of these contributions to earnings from FY23, operating income is expected to grow.

- (5) Of FY24's operating income target of 8 billion yen, what is the subsidiary Cybertrust Japan Co., Ltd.?

As Cybertrust Japan Co., Ltd. has announced, it incorporates FY24 operating income target of 2 billion yen.

< Questioner 3 >

(6) Q1 results were strong, but the full-year operating profit forecast of 5.4 billion yen is conservative.

Profitability improved due to the absence of unprofitable projects in Q1 of the previous year. Demand is also robust in this fiscal year, including the receipt of an additional order for local government information security cloud in two prefectures, but it is expected that the main contribution to profits from operations and service development will be from the next fiscal year onwards, and in this fiscal year the plan incorporates structural reform costs and the impact of contract changes with NortonLifeLock Inc.