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Summary of questions and answers at the Q1 FY2023 Earnings Results of Operations

Date of the event: July 27, 2023 16:00-16:40

Venue: SB Technology Corp. Head Office (Teams held)

Respondent: Shinichi Ata, President & CEO --- (1) The first part, (2),(3),(5),(6)
Masaaki Okazaki, Executive Vice President CFO --- (1) The last part, (4),(7)

< Questioner 1 >

(1) Would you tell us about the amount of money you will earn from the transfer of Fontworks, Inc. shares and how it will be used?

In 2013, we acquired Fontworks, Inc. for approximately ¥2 billion, bringing the current sale price to approximately ¥10 billion. We intend to use the proceeds to invest in future growth.

The increase in cash and deposits is expected to be a total of ¥9 billion, and is expected to be about ¥7 billion in the current fiscal year and about ¥2 billion thereafter.

< Questioner 2 >

(2) Are there prospects for gross margins from 2Q in the Public Sector to be higher or lower than in Q1?

Regarding a demonstration phase of the Real property of base registries of the Digital Agency which received the order this time, fundamental research and system development are necessary stage, and about 100 million yen allowance was carried out in this first quarter.

We believe that the gross profit margin will improve after this.

(3) What is the status of inquiries regarding "Azure OpenAI Service"? And how do you think about the impact on your performance?

Many inquiries are received at present.

We would like to create general-purpose solutions instead of individual responses by using examples of development to customers.

Contributions to earnings are expected from the next fiscal year onward.

(4) Are there any possibilities to affect the use of funds gained from the transfer of Fontworks, Inc. stocks?

The Company is considering investing in growth in the funds that it will obtain from the share transfer, and at this point it has not considered using the dividend, but it has increased the dividend in line with the expansion of results from the past, and will consider this in the current fiscal year also while monitoring the progress of results excluding the gain on sale.

< Questioner 3 >

(5) The goal of FY24 consolidated operating profit in the medium-term management plan is to be reduced by 900 million yen. Can we consider all of this to be the impact of Fontworks, Inc.?

As you are aware, we are considering only the impact of Fontworks, Inc. from the ¥8 billion target.

(6) Please tell us about the size and profitability of the Real property of base registries of the Digital Agency, as well as their future prospects.

We recognize that the Real property of base registries is the backbone of the data held by each ministry and agency.

This project is still in the demonstration stage, and while the scale and profitability of the overall project are still uncertain, we would like to utilize the latest technology to respond.

< Questioner 4 >

(7) Please tell us in detail about the increase in SG&A expenses.

This represents a year-on-year increase of about 310 million yen, of which personnel expenses increased by 170 million yen, outsourcing expenses increased by 70 million yen, and other overhead expenses increased.

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