

※ It is translated by AI

First Quarter of Fiscal Year Ending March 31,
2024 (FY2023)

Results of Operations

July 27, 2023

SB Technology Corp.

Security Code : 4726

<https://www.softbanktech.co.jp/en/>

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Financial Results

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FY23 Q1
Financial
Results

Higher revenues in Public Sector& Enterprise, sales achieved record highs as Q1 Operating income decreased due to restrained investment in Telecommunication and strengthened recruitment.

Orders
Received

Orders received for the demonstration phase of horizontal development projects in the map-related field, although orders received decreased due to the effects of Local Government Information SC* in the previous fiscal year.

FY23
Forecast

Net income has been revised upward by ¥4.25 billion to ¥8.2 billion compared to the initial forecast due to the recording of extraordinary income associated with the transfer of shares of subsidiary Fontworks, Inc.
(Revised full-year forecast for net sales of ¥68 billion and operating income of ¥5.9 billion)

Consolidated P/L (Full year cumulative)

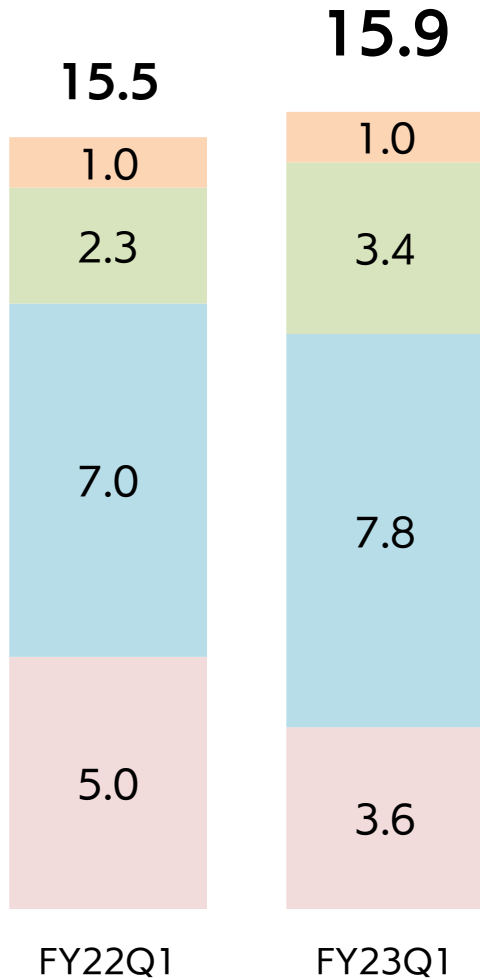
| FY2023 Q1

- Despite growth in Public Sector and Enterprise, operating income decreased due to restrained investment in Telecommunication and higher SG&A expenses.
- Net income decreased by -¥140 million due to the recording of an extraordinary loss associated with the devaluation of shares of a subsidiary. etc.

| [Millions of yen] | (Profit margin) | FY23Q1 | FY22Q1 | Change | Change % |
|---|-----------------|--------------------|-----------------|--------|----------|
| Net sales | | Record High 15,958 | 15,560 | +397 | +2.6% |
| Operating income | | 1,057 (6.6%) | 1,085 (7.0%) | ▲28 | ▲2.6% |
| Ordinary income | | 1,054 (6.6%) | 1,070 (6.9%) | ▲15 | ▲1.4% |
| Profit attributable to owners of parent Net profit | | 505 (3.2%) | 646 (4.2%) | ▲141 | ▲21.9% |
| EBITDA ※ | | Record High 1,505 | 1,494 | +11 | +0.7% |

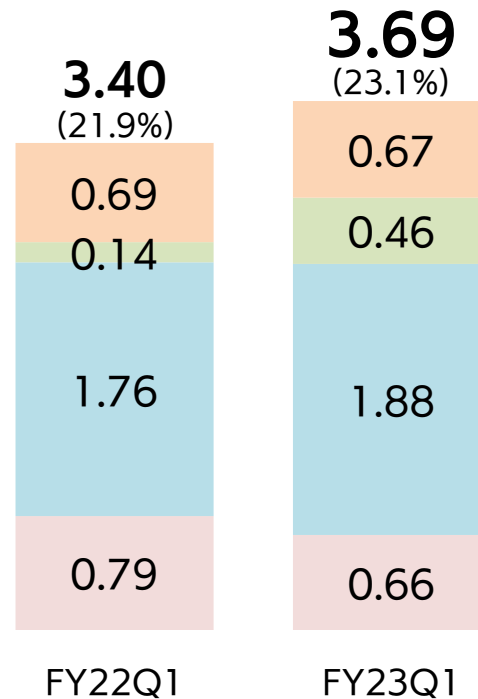
*EBITDA=Operating income+Amortization of goodwill+Depreciation

Net sales



Gross profit

(Billions of yen)
(Profit margin)



Consumer : Flat in sales, and Decrease in profits

- Contract changes with NortonLifeLock Co., Ltd. were affected, but progress was largely as originally anticipated.

Public Sector : Increase in both sales and profits

- Growth in sales through projects for the Ministry of Agriculture, Forestry and Fisheries and the operation of Local Government Information SC, Profit margins also improved

Enterprise : Increase in both sales and profits

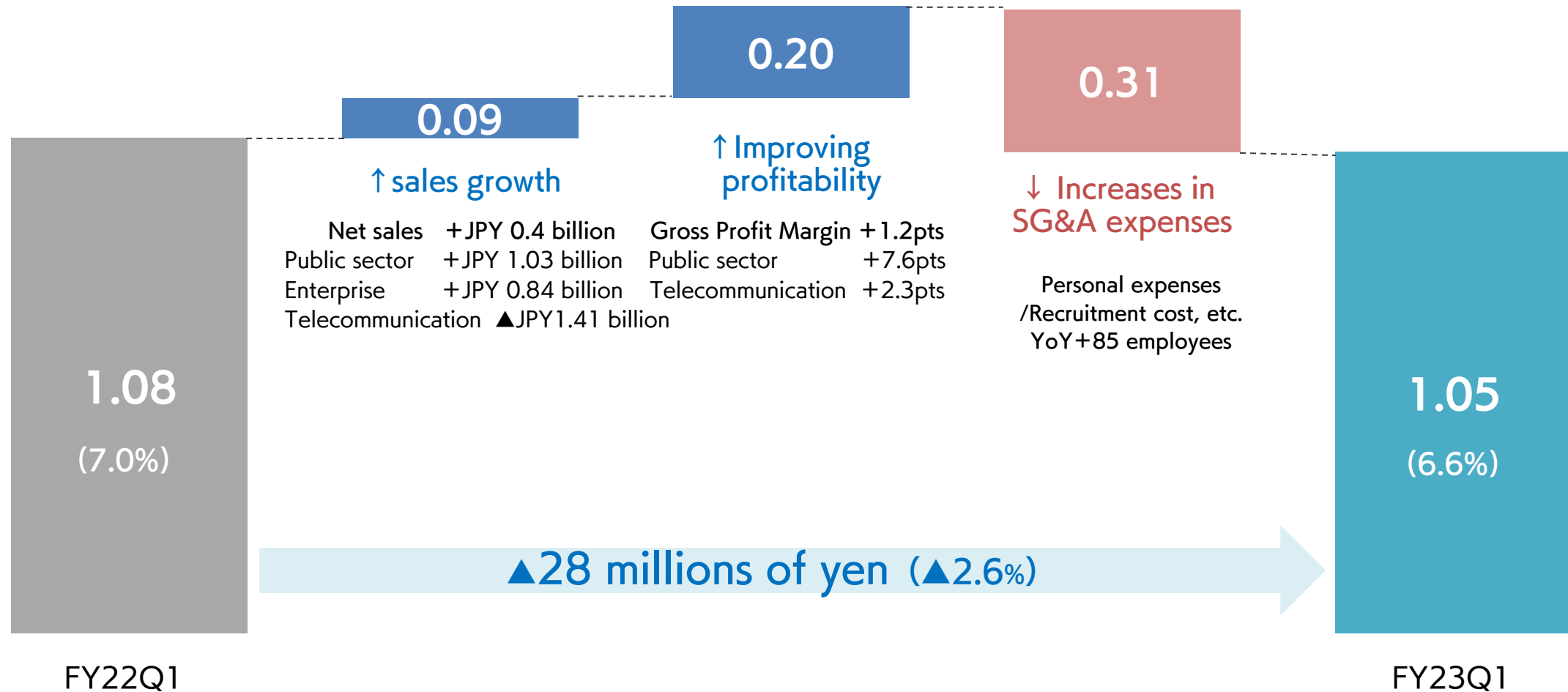
- Profit margin declined temporarily due to licensing sales to cultivate focus customer groups
- Cloud construction and MSS* for the manufacturing industry performed well.

Telecommunication : Decrease in both sales and profits

- Despite lower sales due to a decrease in vendor management projects and the impact of restrained investment, profitability improved due to progress in efficiency improvement.

*Abbreviation for Managed Security Service

- Gross profit margin improved by 1.2 percentage points due to improved profitability in the Public sector and Telecommunication.
- Increased hiring to more than 1,500 employees on a consolidated basis. Operating income decreased by ¥28 million due to an increase in SG&A expenses.



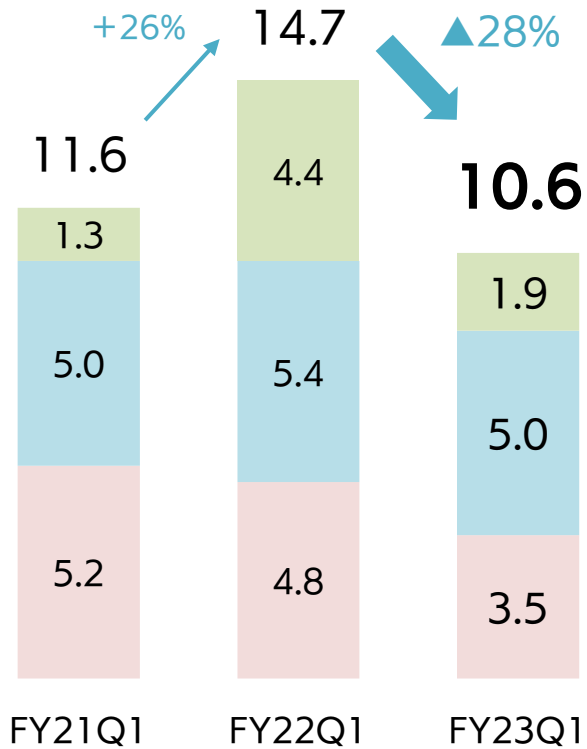
FY22Q1

FY23Q1

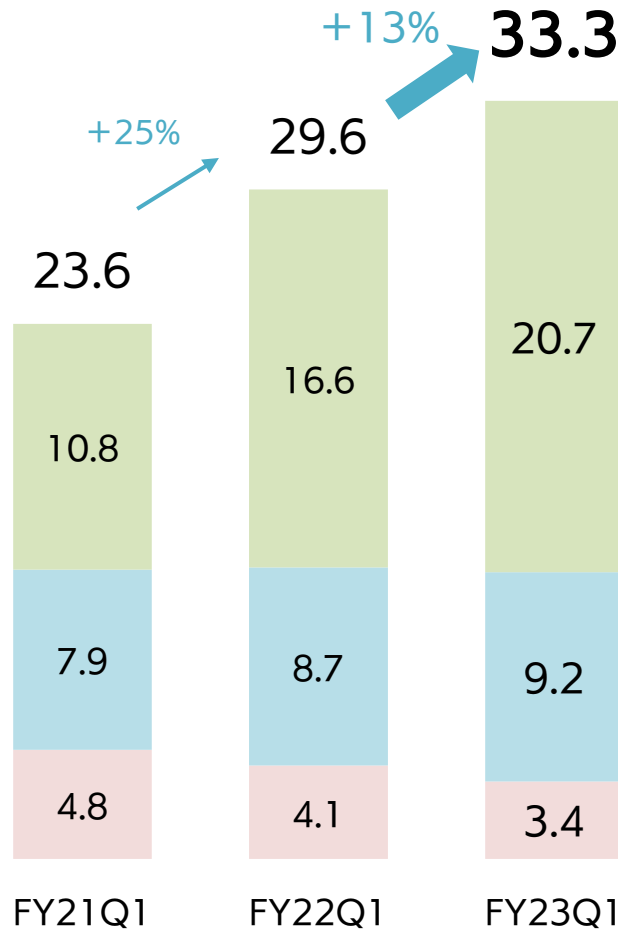
[Billions of yen] (Profit margin)

Orders received

- Public Sector
- Enterprise
- Telecommunication



Order Backlog



Single order balance (YoY basis)

JPY **3.7** billions UP

FY23Q1 Main orders

- Public Sector : Received an order for the demonstration phase of the Digital Agency's Real property of base registries, and received an order for Local Government Information SC and a project from the Ministry of Agriculture and Fisheries in FY22Q1, and this resulted in a reactionary decline
- Enterprise : Sales of licenses and equipment decreased.
- Telecommunication : Steady development of internal systems and reduction in vendor management projects
- Approximately 60% of the order backlog is expected to generate sales in FY23

Revisions to FY23 full-year earnings forecasts

| FY2023 Q1

- Revised full-year earnings forecasts in connection with the transfer of shares of consolidated subsidiary Fontworks Inc. on September 1, 2023
- From the initial plan, Net sales to Consumer were -¥1 billion, Operating income was -¥500 million, and Net profit was +¥4.25 billion due to the impact of the gain on sale
- The policy of growing with security and cloud utilization centered on the Enterprise and Public Sector have not changed.

| [Millions of yen] | (Profit margin) | FY23 (Initial forecast) | FY23 (Current revision) | Change | FY23Q1 (Actual) | Progress rate |
|---|-------------------|----------------------------|----------------------------|--------------------------|------------------------|---------------|
| Net sales | | 69,000 | 68,000 | ▲1,000 | 15,958 | 23.5% |
| | Telecommunication | 16,300 | 16,300 | 0 | 3,669 | 22.5% |
| | Enterprise | 35,400 | 35,400 | 0 | 7,862 | 22.2% |
| | Public Sector | 14,000 | 14,000 | 0 | 3,403 | 24.3% |
| | Consumer | 3,300 | 2,300 | ▲1,000 | 1,023 | 44.5% |
| Operating income | | 6,400 (9.3%) | 5,900 (8.7%) | ▲500 (▲0.6%) | 1,057 (6.6%) | 17.9% |
| Ordinary income | | 6,350 (9.2%) | 5,750 (8.5%) | ▲600 (▲0.6%) | 1,054 (6.6%) | 18.3% |
| Profit attributable to owners of parent Net profit | | 3,950 (5.7%) | 8,200 (12.1%) | +4,250 (+6.4%) | 505 (3.2%) | 6.2% |

* Fontworks Inc. is not subject to consolidation after Q3

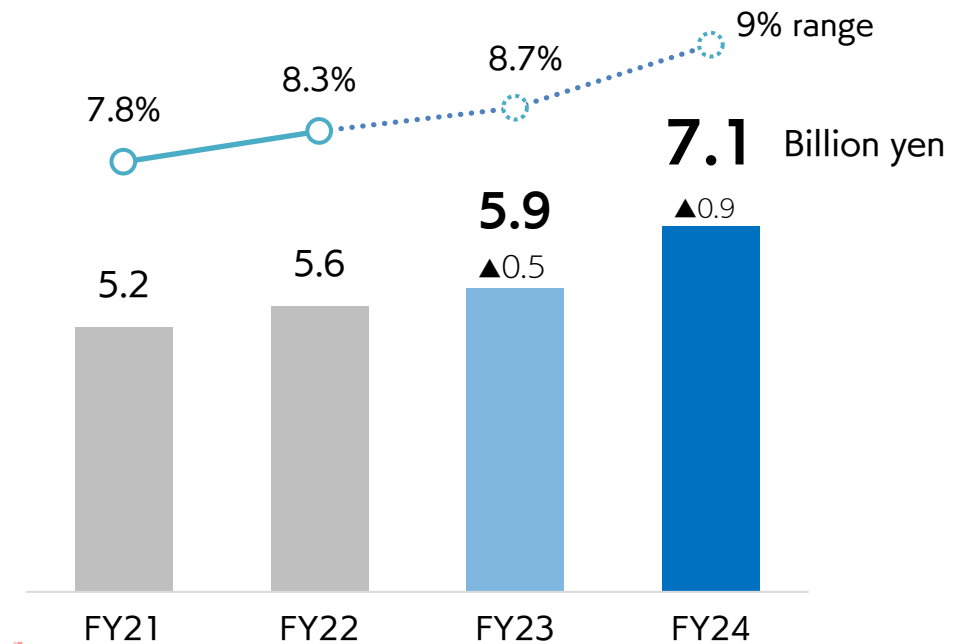
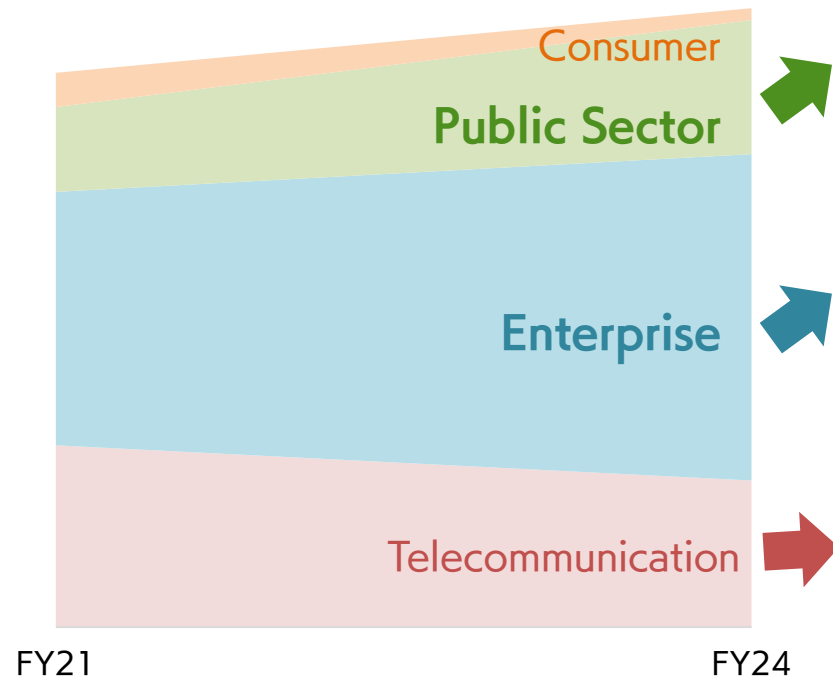
Progress of Medium-Term Management Plan

4th Medium-Term Management Plan
(FY22 - FY24)

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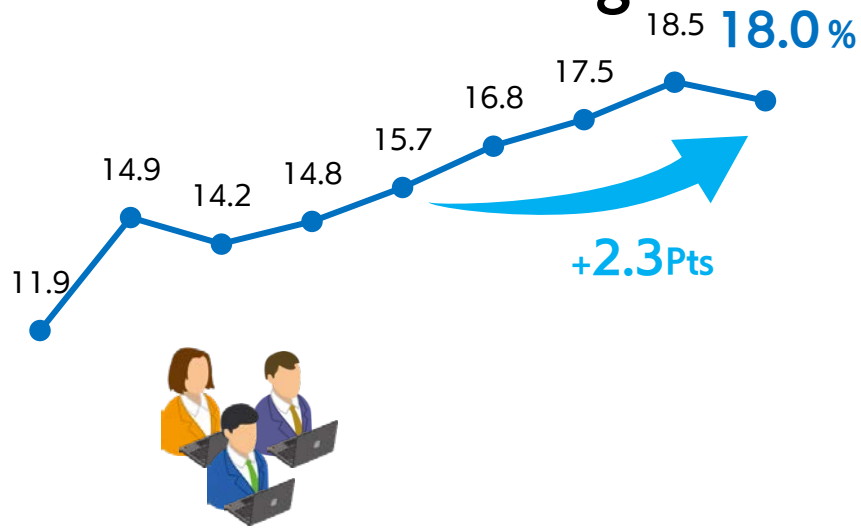
FY24 Management Indicators

1. Operating income 8 billion → JPY 7.1 billion
2. Operating Income 9% range
3. Cloud Security & Services Net sales over JPY 50 billion



FY24's Operating income target was revised to ¥7.1 billion in connection with the transfer of shares of subsidiaries. Continue to aim for Operating income in the 9% range

Transition of Gross Profit Margin



| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
|------|----|----|----|------|----|----|----|------|
| FY21 | | | | FY22 | | | | FY23 |

Offshore initiatives

Cost reduction

Win-Win Relation to SOFTBANK CORP. by enhancing added value through cost-reduction

+

Expanding capabilities

Received orders by expanding the technical field of supply and challenging projects in new fields.

+

Expansion and efficiency of engineer resources



- Full-scale launch from Q2 and expansion from Q3
- Leading application in AI and other cutting-edge areas, for use in Enterprise and Public Sector

Q1 plans to invest in offshore operations, and make full-scale use from Q2 to expand significantly from 2H onward



Microsoft Japan Microsoft Cloud Partner Program

Approved as the solution partner in all six fields

In all 6 fields, SBT is the only company in Japan ※1

Microsoft Japan Partner of the Year 2023



Awarded for 10 consecutive years

To promote customer's digital transformation through Microsoft 365 E5 Security and Microsoft Sentinel implementation support were evaluated.

Microsoft Top Partner Engineer Award is newly established



Received awards to 2 employees from us

Achievements in projects in the areas of "Business Application" and "Security" are evaluated.



"Microsoft 365 Operation Monitoring Service" "SIEM Operation Analysis Service/Managed XDR Service" market

Ranked No. 1 share of sales by vendor ※2

Achieved 2 in the 6 areas of domestic endpoint security measures/ Information leakage countermeasure SOC services for which ITR is investigating

"SIEM Operation Analysis Service" market

Ranked No. 1 share of sales ※3



In SIEM management services market, we hold 33.6% of the domestic market in terms of sales value in fiscal 2022 and have the largest market share.

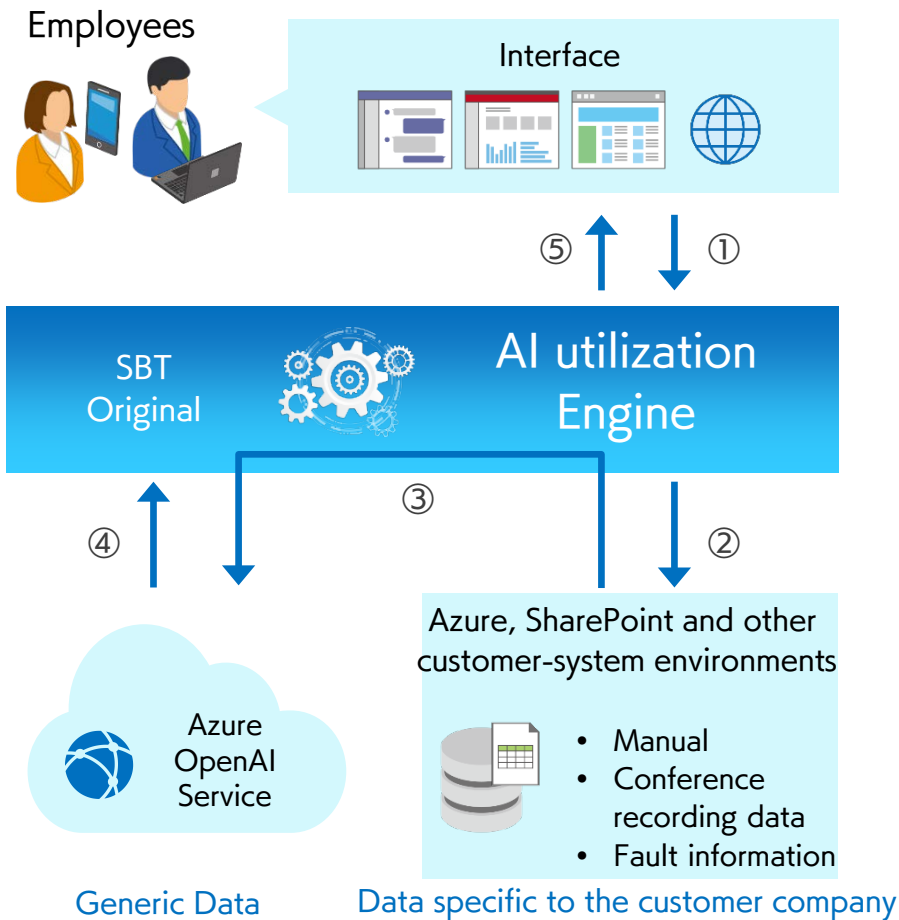
In fiscal 2023, SBT is expected to grow by double digits, at 110.3% compared to the previous year, and is expected to be ranked No. 1 in the market

In addition to evaluating Microsoft techniques and initiatives, the security-market presence has increased in recent years.

* 1 : As of July, 2023

* 2 : Source: ITR "ITR Market View: Endpoint-security/information-leakage SOC Services Marketing 2022" Vendor-based sales share FY2021)

* 3 : Source: Deloitte Tohmatsu MIC Research Institute Co., Ltd. "Managed Security Services Market Status and Forecast 2023 Edition" (Published in June ,2023) <https://mic-r.co.jp/mr/02800/>



Customer business type




Customer Usage Scenes and Needs

- Refer to the installation manual and other manuals/company regulations.
- Response to confirmation of conformity with the construction rules
- Ideas by utilizing new technology data
- Checking and referencing the chemical manual
- Responses based on academic society data
- English input/output is also possible for global companies
- Summary report of fault information and search for similar faults
- Audio translation and summary with conference video as data source

Supporting diverse customer groups in ways to utilize various Azure OpenAI Service
To propose ways to utilize the knowledge of our in-house use

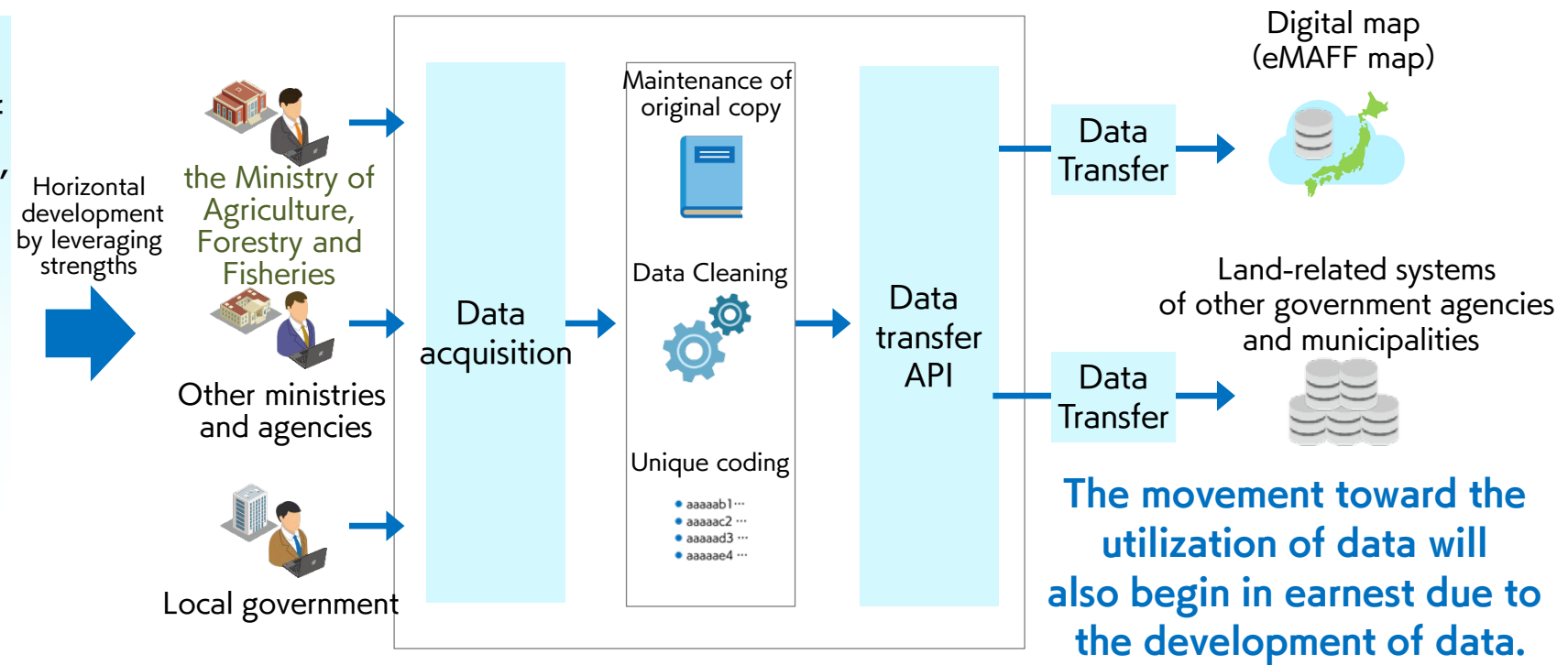
Strength of SB technology



Responsible for Digital Mapping (eMAFF map) of the Ministry of Agriculture, Forestry and Fisheries

Required for subsequent projects,
Implemented data cleaning and linking of address strings

Overview of a demonstration phase of Real property of base registries* of the Digital Agency



Received orders for demonstration projects for the Real property of base registries, which will be used for horizontal development of map-related projects. The scope of subsequent projects will also expand, for example, by utilizing the data.

4th Medium-Term Management Plan / FY24 Management Indicators

1. Operating income 8 billion → JPY 7.1 billion
2. Operating Income 9% range
3. Cloud Security & Services
Net sales over JPY 50 billion

Information Revolution - Happiness for everyone

- Technologies Design the Future -

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