

※ It is translated by AI

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

# Results of Operations

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October 30, 2023

SB Technology Corp.

Security Code : 4726

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

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*This is an English translation of the captioned release. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the release for complete information.*

 SB Technology

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# Financial Results

SB Technology

FY23H1  
Financial  
Results

Higher revenues in Public Sector& Enterprise, sales achieved record highs as H1 Operating income was flat due to restrained investment in Telecommunication and strengthened recruitment.

Orders  
Received

Q2 orders received fell by ▲ ¥1.6 billion year on year, mainly due to the impact of the Telecommunications, but the order backlog at the end of September was a record high of ¥30.3 billion.

FY23  
Forecast

Full-year forecast: Steady progress toward net sales of ¥68 billion and operating income of ¥5.9 billion

No changes were made from forecasts based on the effects of transfer of Fontworks, Inc.' stocks, etc.

# Consolidated P/L (Apr–Sep Cumulative)

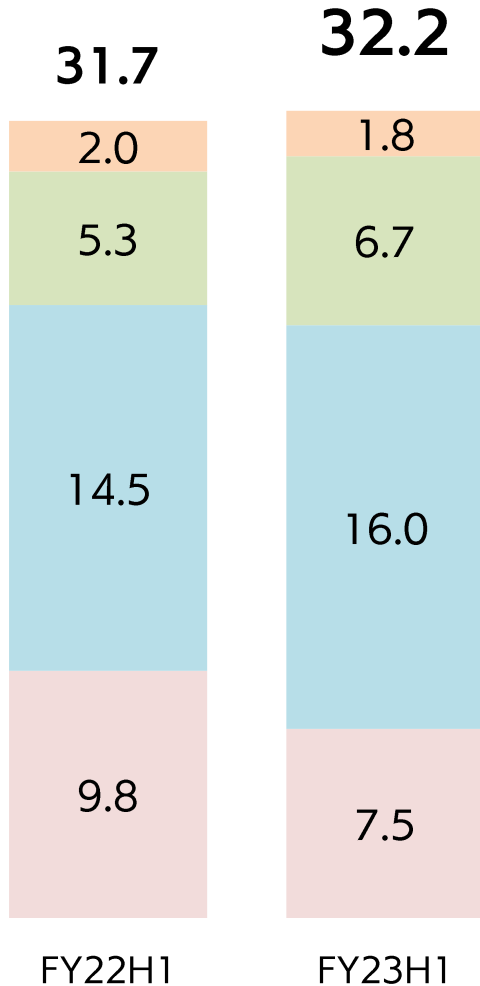
| FY2023 Q2

- Despite growth in Public Sector and Enterprise, operating income was flat due to restrained investment in Telecommunication and higher SG&A expenses.
- Increase of ¥4.9 billion in net profit due to increase of costs and sale of stock of Fontworks, Inc.

[Millions of yen] (Profit margin)	FY23H1	FY22H1	Change	Change %
Net sales	Record High 32,206	31,706	+499	+1.6%
Operating income	Record High 2,282 (7.1%)	2,270 (7.2%)	+12	+0.6%
Ordinary income	2,182 (6.8%)	2,222 (7.0%)	▲40	▲1.8%
Profit attributable to owners of parent Net profit	Record High 6,272 (19.5%)	1,346 (4.2%)	+4,926	+365.9%
EBITDA ※	Record High 3,156	3,093	+63	+2.1%

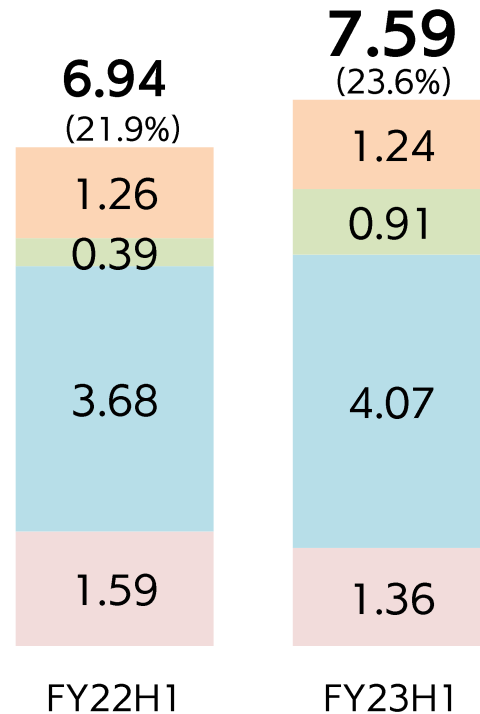
\*EBITDA=Operating income+Amortization of goodwill+Depreciation

## Net sales



## Gross profit

(Billions of yen)  
(Profit margin)



**Consumer :** Decrease in sales, and flat 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

- Projects for the Ministry of Agriculture, Forestry and Fisheries and the operation of Local Government Information SC proceeded smoothly, and the margin also improved.

**Enterprise :** Increase in both sales and profits

- Cloud projects for focus customer groups remained solid.
- MSS\*2 sales continue to grow with YoY1.5 times

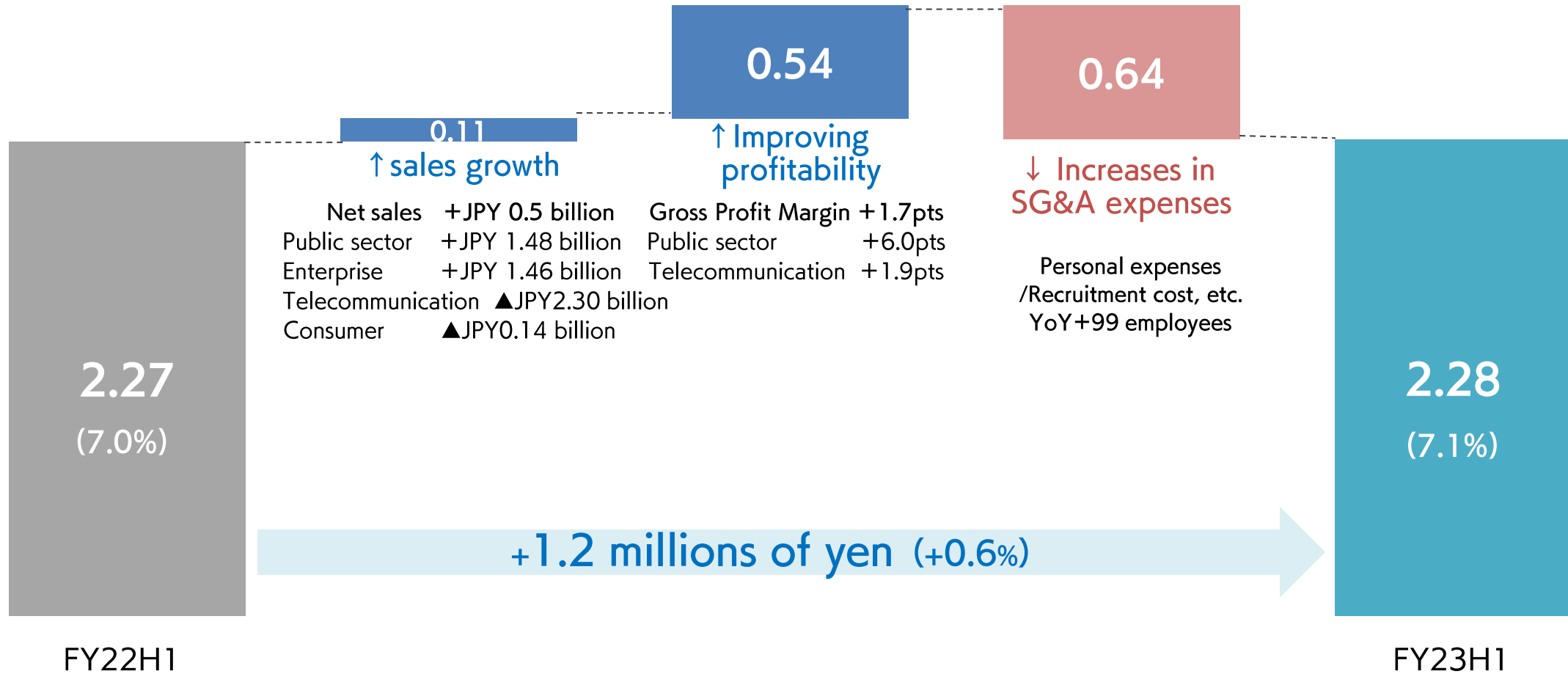
**Telecommunication :** Decrease in both sales and profits

- 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.

※1 : Abbreviation for Security Cloud

※2 : Abbreviation for Managed Security Service

- Gross profit margin improved by 1.7 percentage points due to improved profitability in the Public Sector and Telecommunication.
- SG&A expenses increased in line with hiring and strengthened resources, and operating income remained flat year on year.



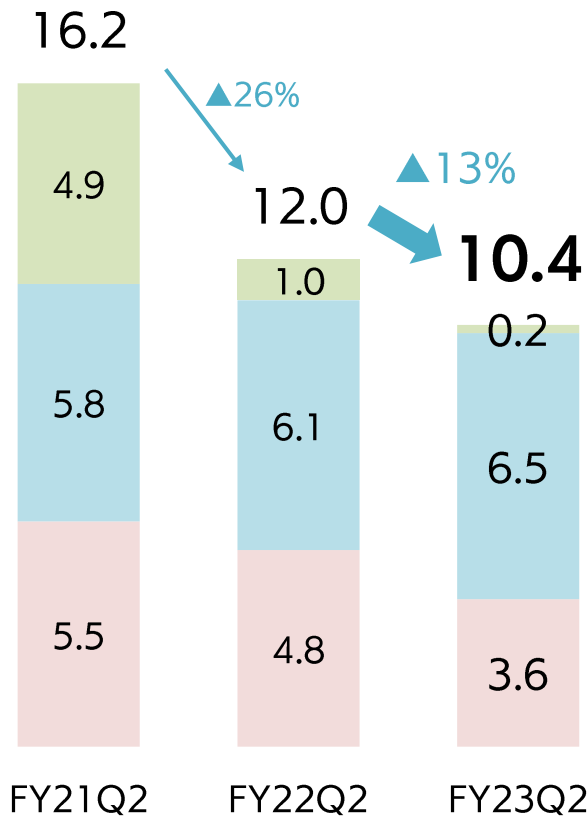
FY22H1

FY23H1

[ Billions of yen ] (Profit margin)

Orders received

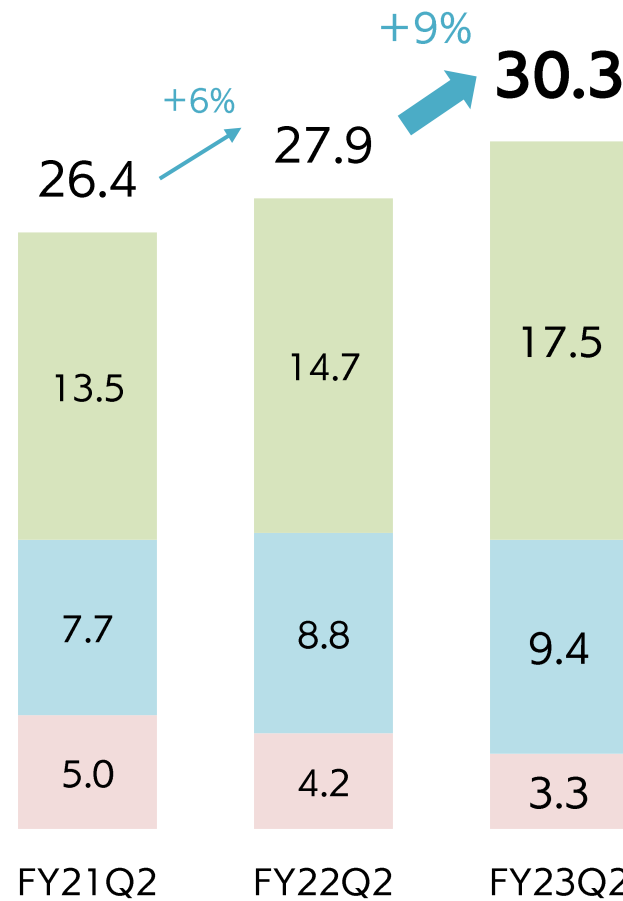
Public Sector  
Enterprise  
Telecommunication



Order Backlog

Single order balance  
(YoY basis)

JPY **2.4** billions UP



FY23Q2 Main orders

- Enterprise : Increase in development projects for solutions to improve operational efficiency
- Telecommunication : Reduction in both "Steady development of internal systems" and "Vendor management projects"
- Approximately 60% of the order backlog is expected to generate sales in FY23



# FY23 Full-year Earnings Forecasts

| FY2023 Q2

- Not changed from forecasts of results taking into account the impact of the transfer of stock, etc. of Fontworks, Inc.
- Aiming to improve profitability by expanding in-house services and improving quality and productivity

[Millions of yen]	(Profit margin)	FY23 earnings forecast ( <sup>'23/7/19</sup> revision)	FY23H1	Progress rate	FY22	YoY
Net sales		68,000	32,206	47.4%	67,227	47.9%
	Telecommunication	16,300	7,515	46.1%	19,575	38.4%
	Enterprise	35,400	16,020	45.3%	30,356	52.8%
	Public Sector	14,000	6,779	48.4%	13,224	51.3%
	Consumer	2,300	1,890	82.2%	4,070	46.4%
Operating income		5,900 (8.7%)	2,282 (7.1%)	38.7%	5,557 (8.3%)	41.1%
Ordinary income		5,750 (8.5%)	2,182 (6.8%)	38.0%	5,499 (8.2%)	39.7%
Profit attributable to owners of parent Net profit		8,200 (12.1%)	6,272 (19.5%)	76.5%	3,497 (5.2%)	179.4%

\* Fontworks Inc. is not subject to consolidation after Q3

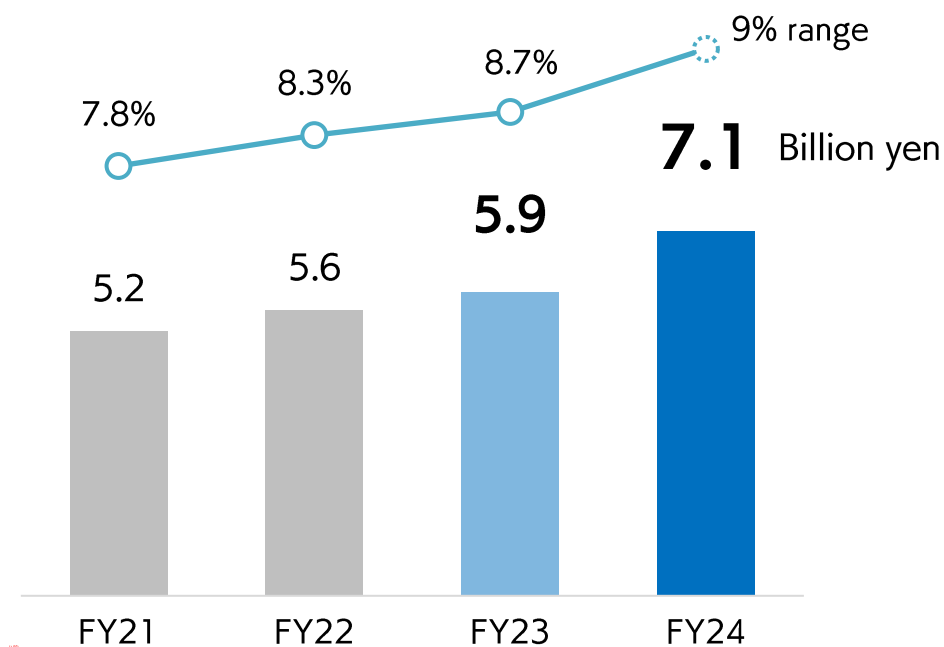
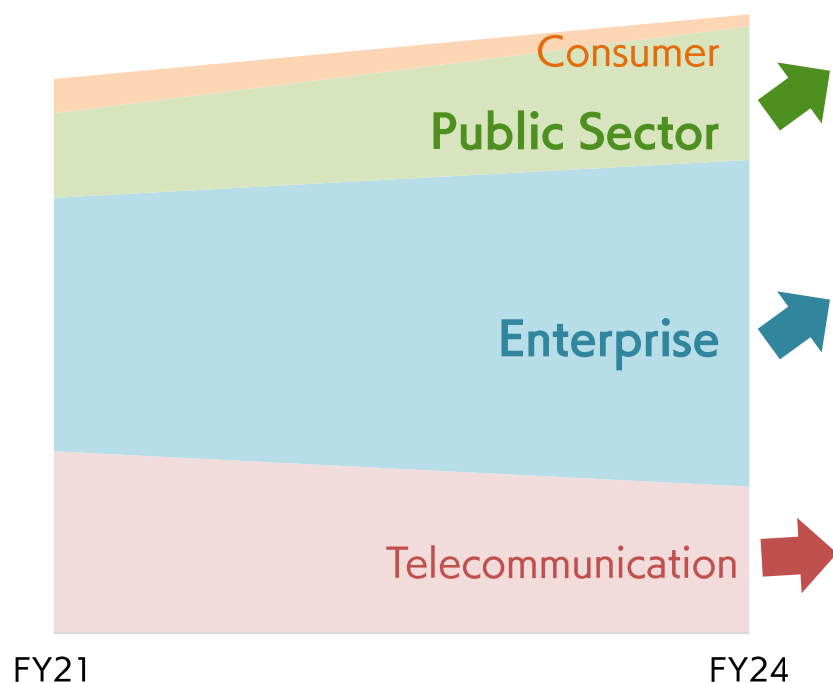
# Progress of Medium-Term Management Plan

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

— SB Technology

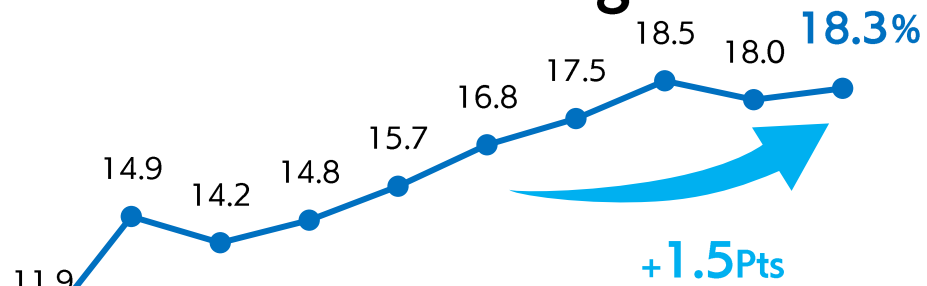
## FY24 Management Indicators

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



**Aiming for operating income of 7.1 billion yen/operating income margin in the 9% range through growth in Enterprise and Public Sector**

## Transition of Gross Profit Margin



Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FY21				FY22				FY23	

## Initiatives to Improve Profitability

Shift from vendor management projects

Shift to high-value-added projects

Vendor management projects Sales mix

FY22H1 **40%** → FY23H1 **30%**

Profit margin improved due to the impact of the composition ratio

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Offshore utilization status

Offshore use

As the end of 1Q → As the end of 2Q

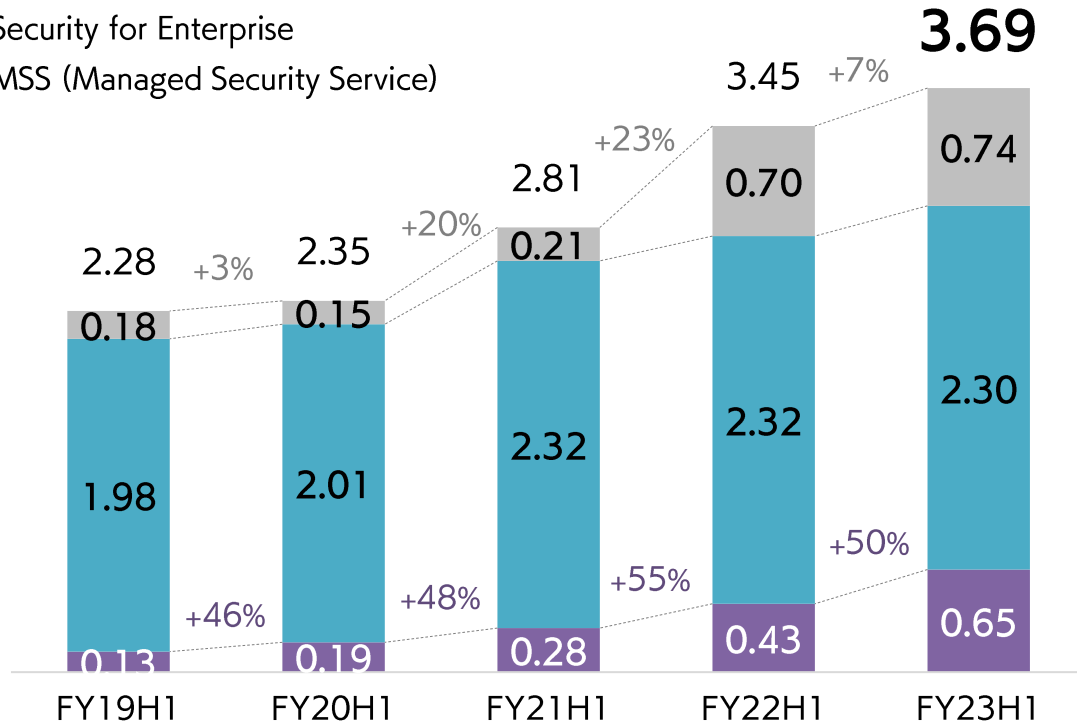
Steady expansion of areas of offshore utilization

**Steady improvement in gross profit margin due to expansion of high value-added projects and offshore utilization areas to improve profit margin**

## SBT Non-Consolidated Security-Related Business Sales

[ Billions of yen ]

- Local Government Information Security Cloud
- Security for Enterprise
- MSS (Managed Security Service)



## Investment in the security business

### Fostering security analysts



As of FY22H1: **80** → +20 person → As of FY23H1: **100**

Steady progress in recruitment and training led to an increase in analysts

### Investment to expand services



Security measures in normal times

- MSS for Vulnerability Management (VRM)
- Cloud Patrol

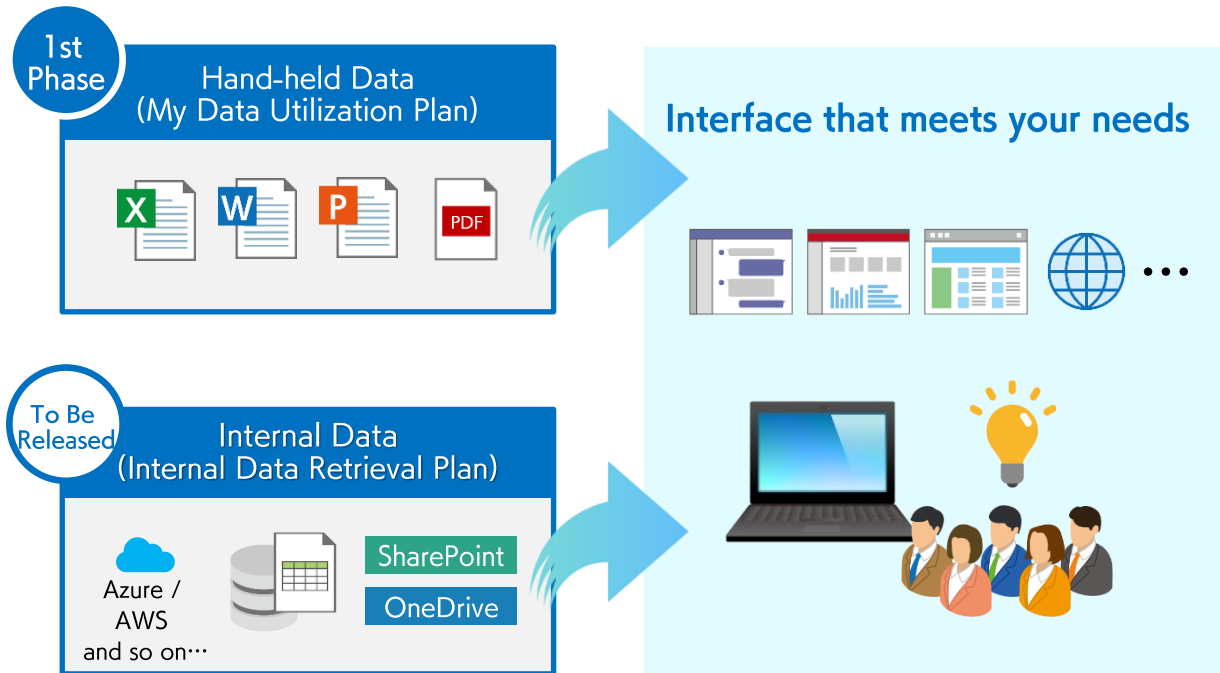
Security monitoring

- MSS for Microsoft Sentinel Advanced

MSS, the company's mainstay in-house service, grew by about 150% every year, maintaining its growth rate

Aggressive investment in development of human resources and services for future growth expansion

## DailyAI



### Main features of the service

**Instruct handy data in the Generated AI**

- Upload and use files to be analyzed from Web browsers
- Allow analysis **across multiple files**, including regular questionnaire results

**Rich security functions**

- Provided as a customer-specific platform
- Documents entered **are not learned Generated AI**
- Provision of **log management functions** for use

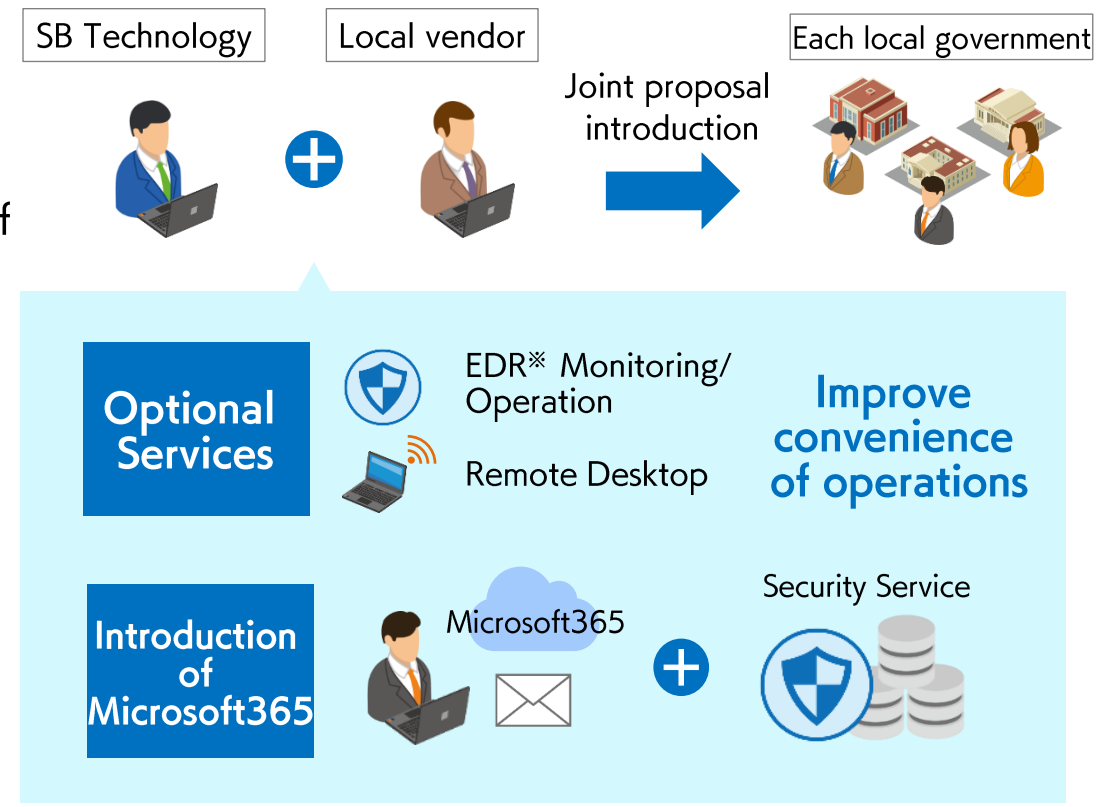
**Cost control**

- Low-cost introduction to companies or organizations with large numbers of employees due to **token-based charging** rather than user counts (From 100 million token 0.1 million yen)
- Provision of a function to prevent unexpected high-cost claims by the function to set an upper limit to the amount of token

**DailyAI (My Data Utilization Plan), a Generated AI service that utilizes hand-held data through PoC with customers, is released as the first phase.**



To expand sales of optional services




**Joint efforts to propose and introduce optional services using relationships with local vendors established at the time of the introduction of the Information Security Cloud**


※Security of endpoints such as computer terminals (Abbreviation of Endpoint Detection and Response)

	2022	2023
<b>Sustainalytics</b> (ESG Risk Rating)	<b>28.0</b> Medium Risk	<b>19.9</b> Low Risk
<b>FTSE</b> (ESG Scores)	<b>3.0</b>	<b>3.6</b>

- Selected for the first time as a constituent of FTSE Blossom Japan Index stock index, which is composed of shares of Japanese companies highly evaluated from the perspective of ESG (environmental, social, and governance).
- For FTSE Blossom Japan Sector Relative Index as well, selected for the second consecutive year from last year



**FTSE Blossom  
Japan Sector  
Relative Index**  
(From April 2022)



**FTSE Blossom  
Japan Index**  
(From July 2023)

Continue to engage in sustainability initiatives and, as a result, external evaluations are also improving



**1. Operating income 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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