

Consolidated Financial Results for 3rd Quarter of Fiscal Year Ending March 2023

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January 31, 2023

3rd Quarter of FY2022 Consolidated Financial Results

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- Summary of Financial Results from Oct. to Dec. (PL/Incoming Orders/Backlog)
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- Operating Profit Analysis
- Incoming Orders/Backlog Analysis
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- Business Performance by Reportable Segment (Incoming Orders/Backlog)
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Summary of Financial Results from Apr. to Dec.

(PL/Incoming Orders/Backlog)

(Millions of yen)

	FY2021	FY2022	Increase/Decrease	
	(Apr. 2021 - Dec. 2021)	(Apr. 2022 - Dec. 2022)	Amount	%
Net Sales	302,754	323,024	20,270	6.7%
Gross Profit	79,242	84,238	4,996	6.3%
Gross Profit Margin	26.2%	26.1%	-0.1%	
SG&A Expenses*	- 44,467	- 49,058	- 4,590	10.3%
Operating Profit	34,774	35,180	405	1.2%
Operating Profit Margin	11.5%	10.9%	-0.6%	
Profit attributable to owners of parent	24,257	25,494	1,237	5.1%
Incoming Orders	298,135	305,174	7,038	2.4%
Backlog	158,653	159,232	578	0.4%

*Including other income and expenses

Summary of Financial Results from Oct. to Dec.

(PL/Incoming Orders/Backlog)

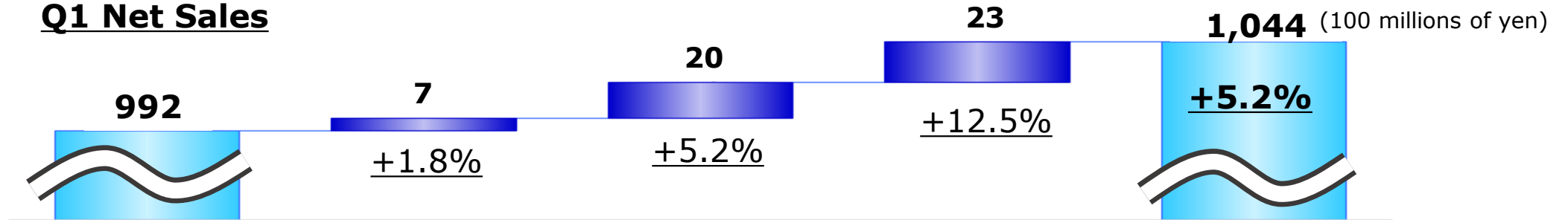
(Millions of yen)

	FY2021 (Oct. 2021 - Dec. 2021)	FY2022 (Oct. 2022 - Dec. 2022)	Increase/Decrease	
			Amount	%
Net Sales	102,729	109,924	7,195	7.0%
Gross Profit	27,258	29,013	1,755	6.4%
Gross Profit Margin	26.5%	26.4%	-0.1%	
SG&A Expenses*	- 15,074	- 16,348	- 1,274	8.5%
Operating Profit	12,184	12,665	481	3.9%
Operating Profit Margin	11.9%	11.5%	-0.3%	
Profit attributable to owners of parent	8,472	9,267	794	9.4%
Incoming Orders	103,217	100,285	- 2,931	-2.8%
Backlog	158,653	159,232	578	0.4%

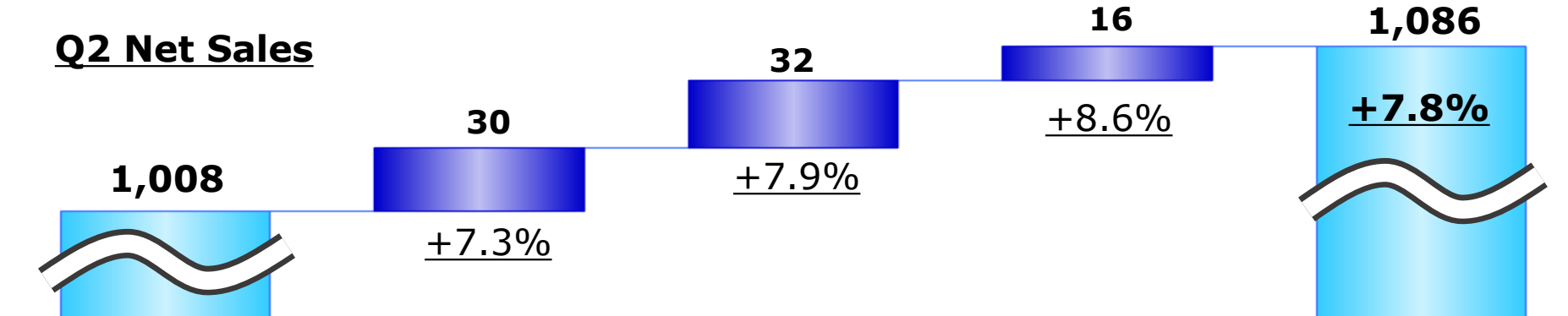
*Including other income and expenses

FY2022 Q3 Net Sales Analysis

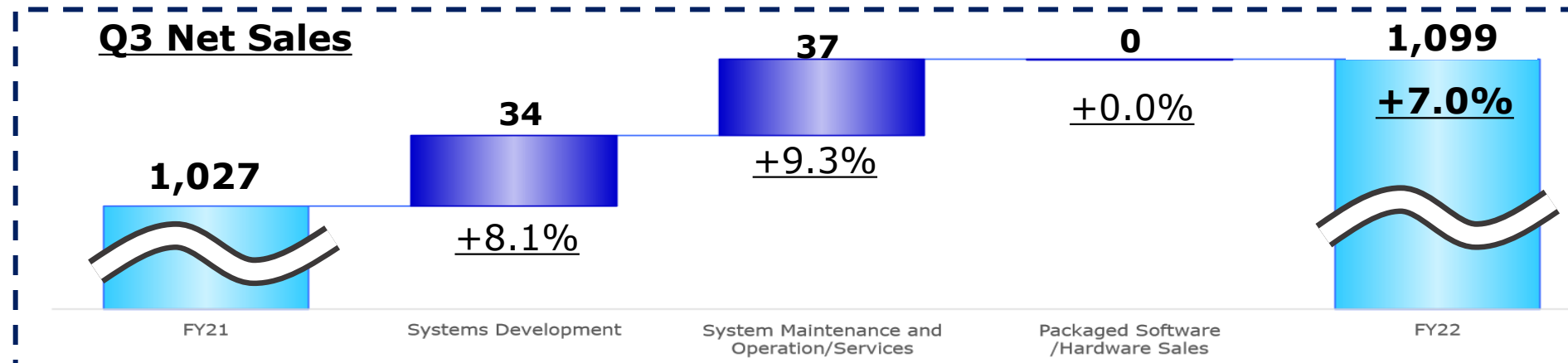
Q1 Net Sales



Q2 Net Sales



Q3 Net Sales



FY21

Systems Development

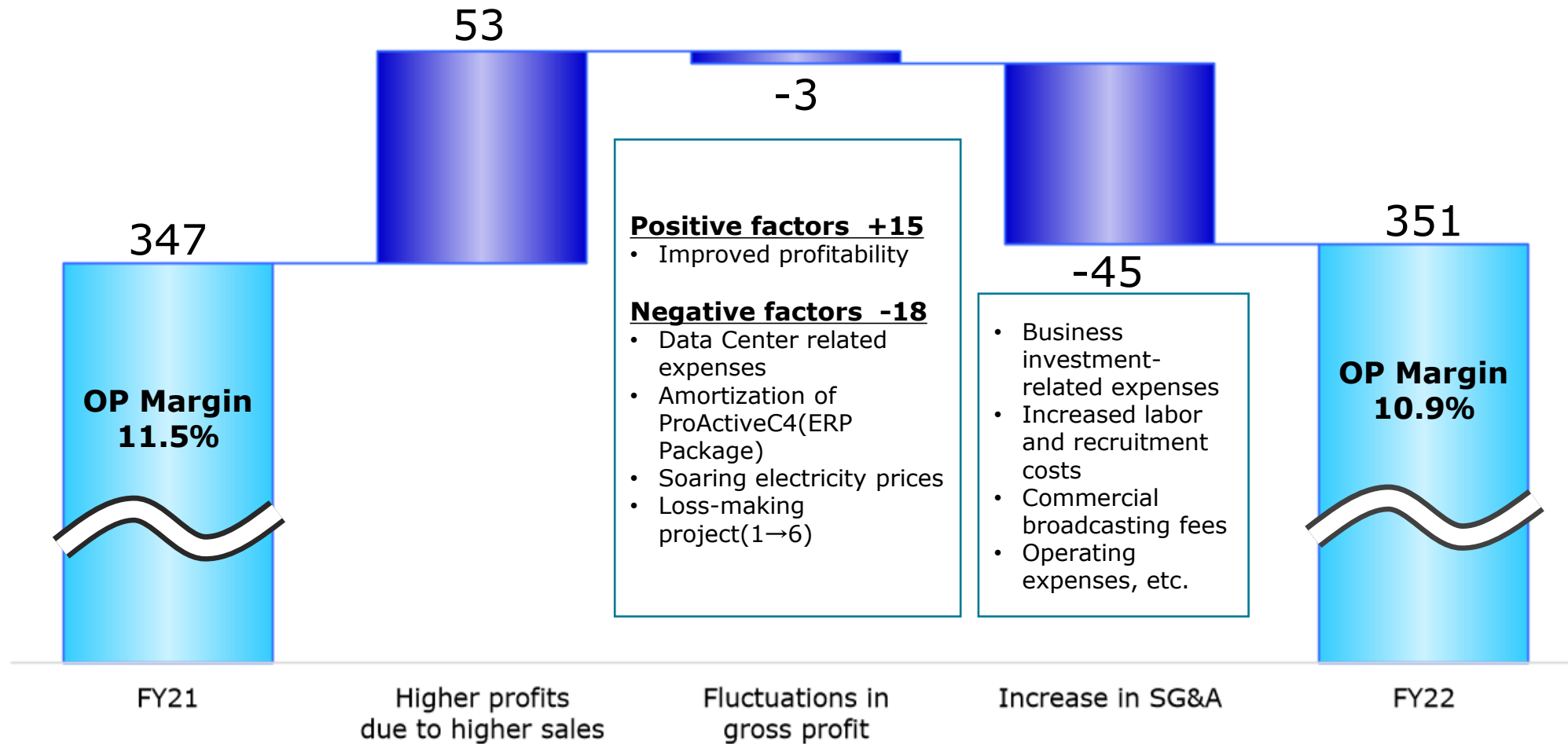
System Maintenance and
Operation/Services

Packaged Software
/Hardware Sales

FY22

FY2022 Q3 Operating Profit Analysis

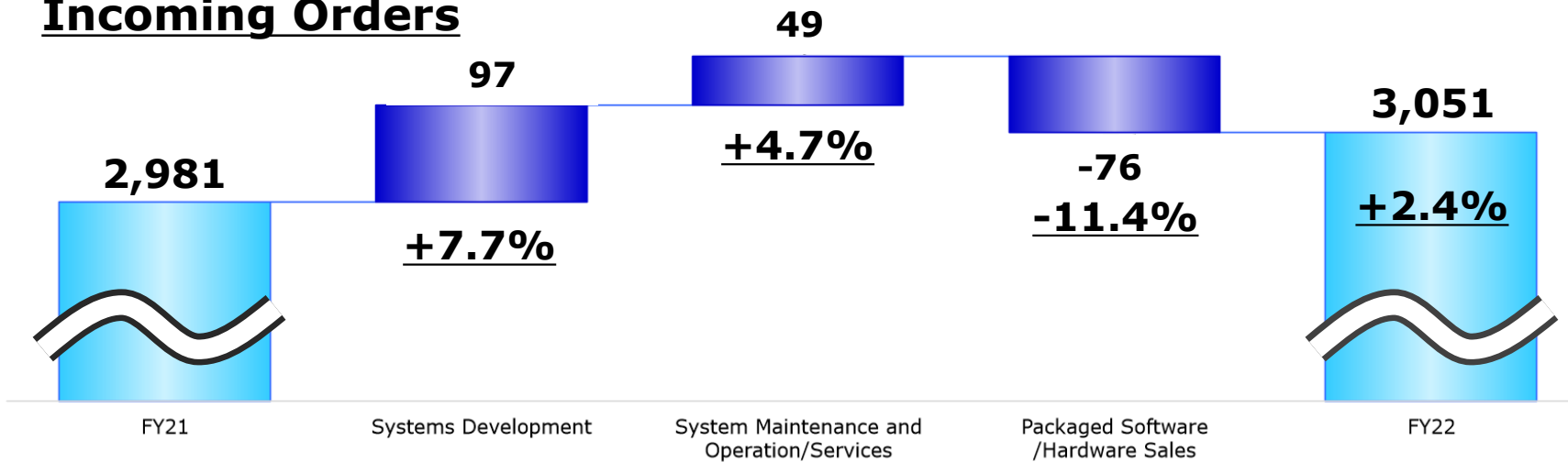
(100 millions of yen)



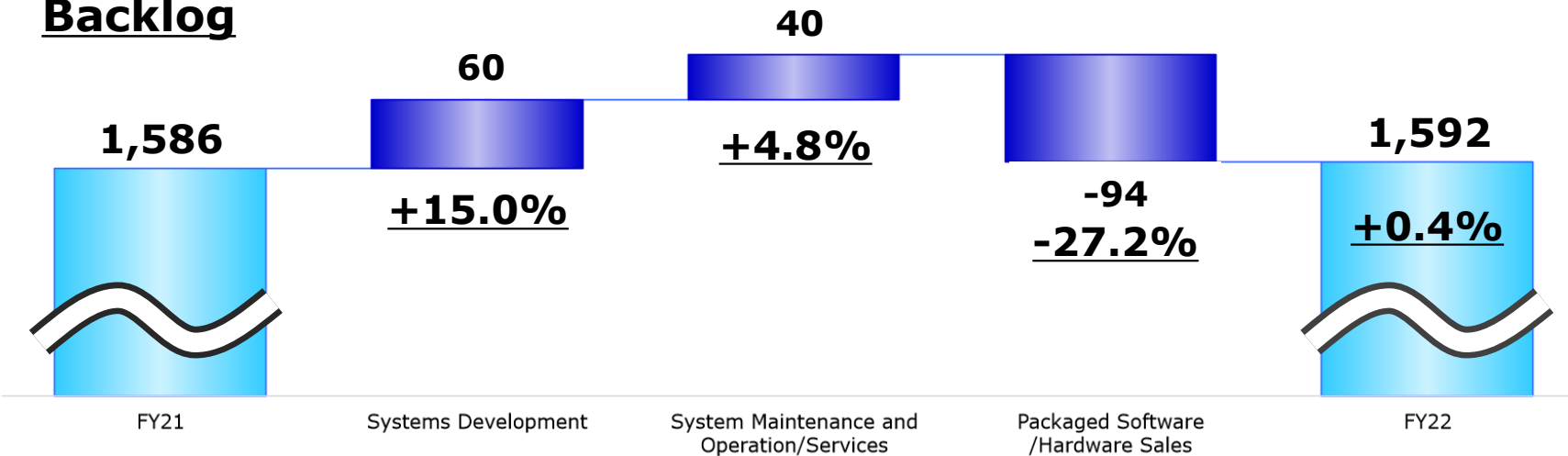
FY2022 Q3 Incoming Orders/Backlog Analysis

(100 millions of yen)

Incoming Orders



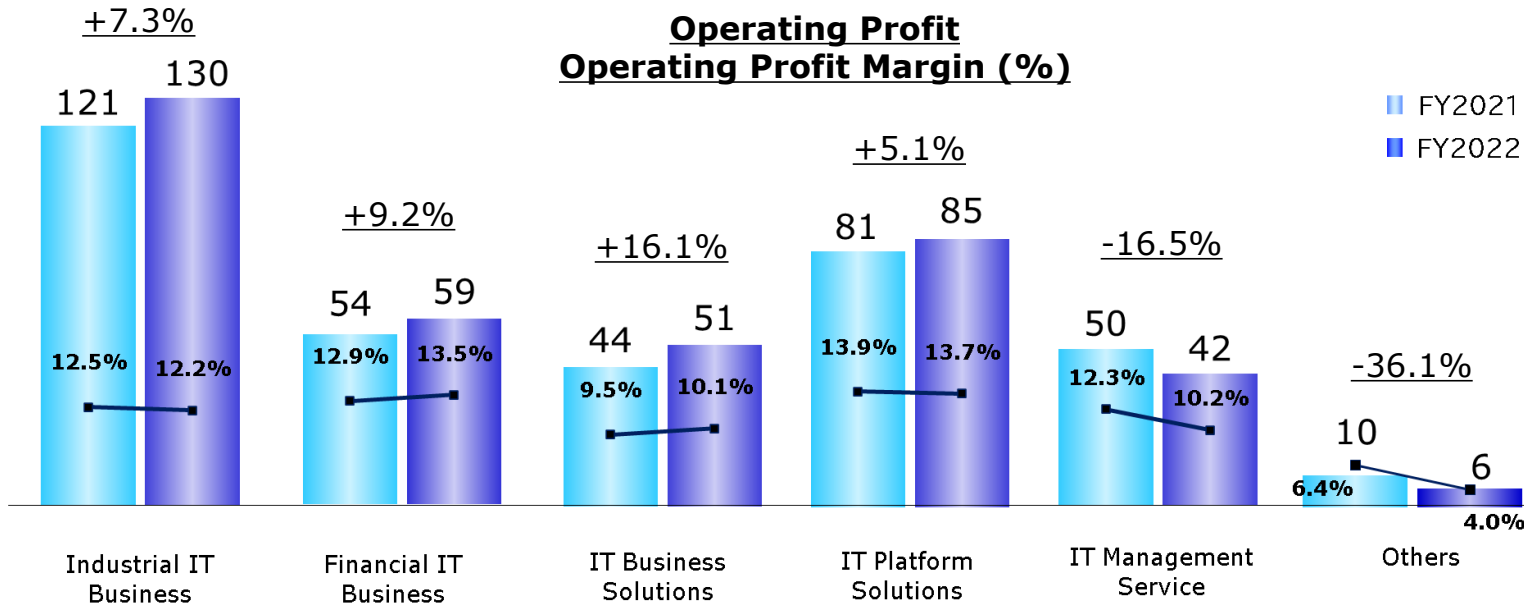
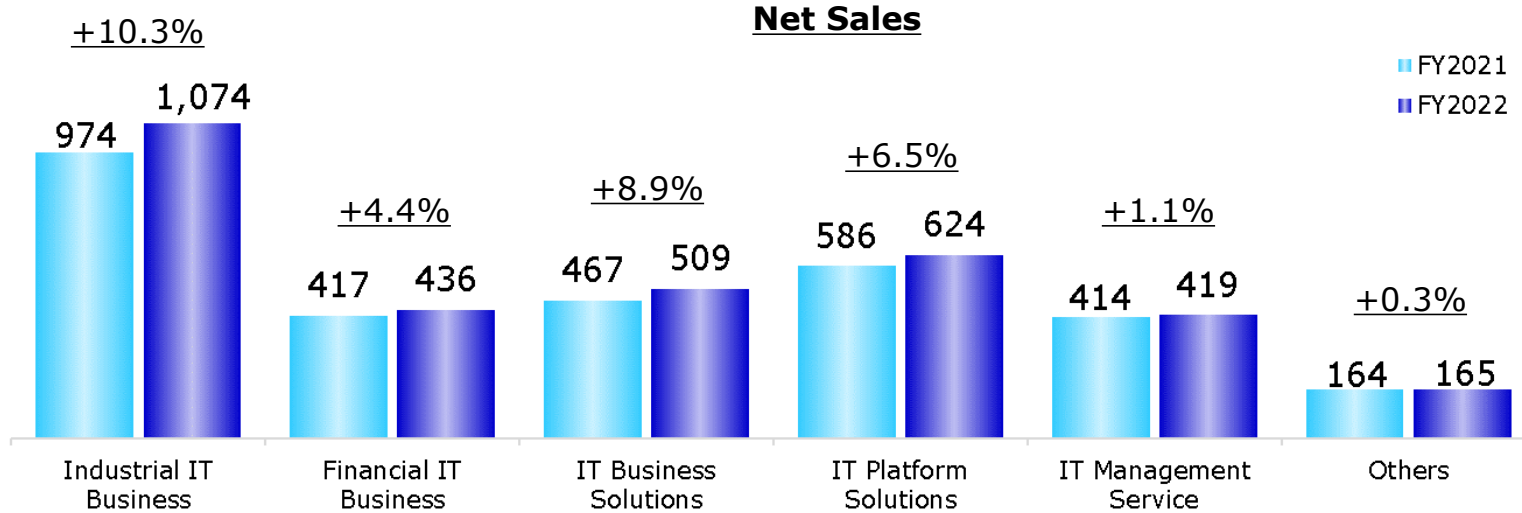
Backlog



FY2022 Q3 Business Performance by Reportable Segment



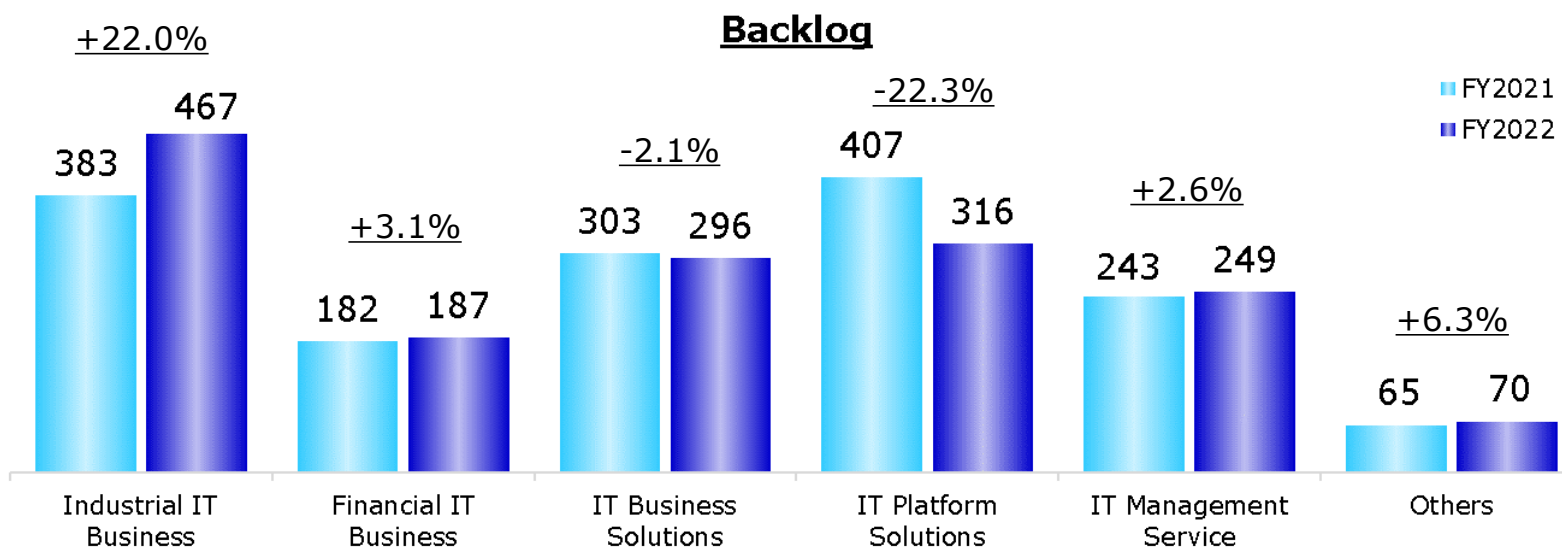
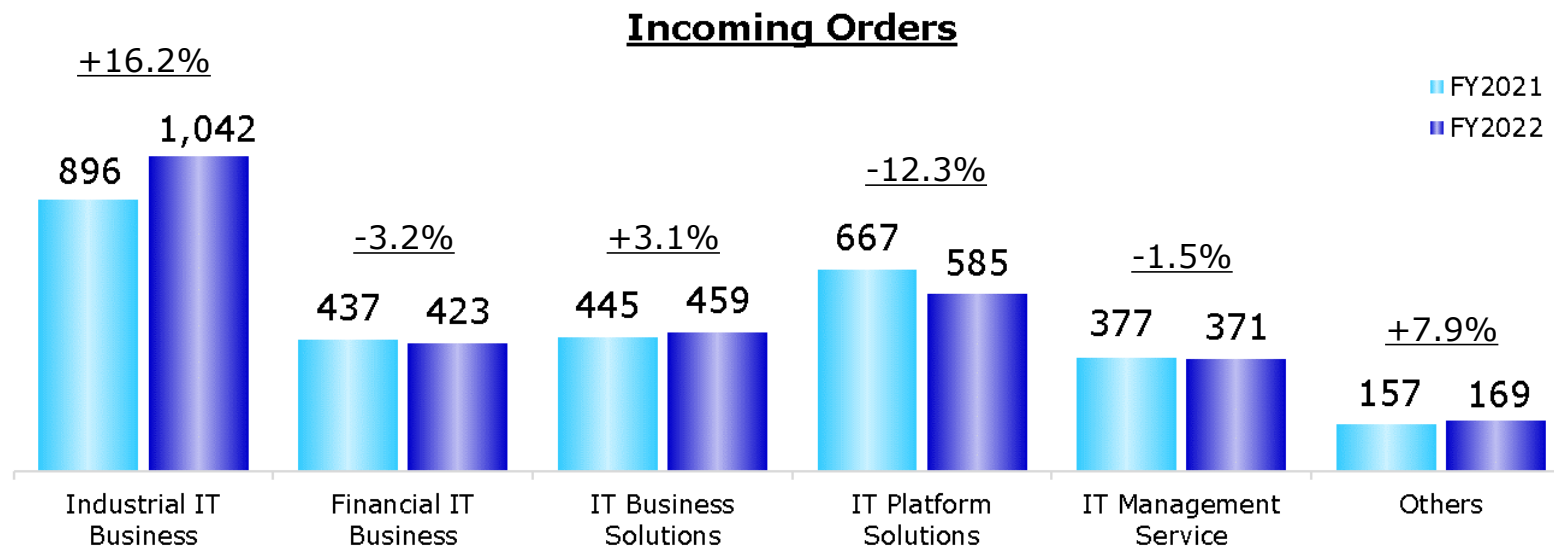
(100 millions of yen)



FY2022 Q3 Business Performance by Reportable Segment



(100 millions of yen)



Business Performance by Reportable Segment Analysis

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/Backlog</u>
Industrial IT Business	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increased in the number of projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services 	<ul style="list-style-type: none"> ↗ Contribution of projects for the automotive and the distribution industries ↘ Impact of DX commercialization investment costs ↘ Loss-making project 	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increased projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services
Financial IT Business	<ul style="list-style-type: none"> ↗ Expansion of DevOps projects in the credit and leasing industries ↗ Increased in international-related business system projects for the banking industry ↘ Decreased in reaction to large-scale projects for the life and non-life insurance industry in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Contribution of projects for the banking, credit, and leasing industries ↘ Decreased in reaction to large-scale projects for life and non-life insurance industry in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Acquisition of projects to renew the foundations of the banking industry ↗ Acquisition of fraud detection system sales projects in the credit and leasing industries ↘ Decreased in reaction to large-scale projects for the life and non-life insurance industry and for the securities industry in the previous fiscal year
IT Business Solution	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the manufacturing and service industries, etc. ↗ Increase in BPO business 	<ul style="list-style-type: none"> ↗ Contribution of core system development projects ↘ Increase of amortization of ERP package 	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the several industries ↘ Cancellation and downsizing of some customers in the contact center business

* ↗ : Factors for increase ↘ : Factors for decrease → : No change

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/Backlog</u>
IT Platform Solution	<ul style="list-style-type: none"> ↗ Increased in sales of network and security equipment to the distribution industry ↗ Increased in sales of network equipment to the communications industry ↘ Declined in reaction to sales of hardware to academic institutions 		<ul style="list-style-type: none"> ↗ Increased in sales of network equipment to the distribution industry ↘ Declined in reaction to front-loading of orders for network equipment for the communications industry ↘ Declined in reaction to sales of hardware to academic institutions
IT Management Service	<ul style="list-style-type: none"> ↗ Increased the data center business in response to brisk demand for cloud services ↘ Declined in management services for the communications industry ↘ Declined in infrastructure construction project for the distribution industry 	<ul style="list-style-type: none"> ↘ Accrual of depreciation of newly established data center ↘ Impact of soaring electricity prices in the energy market 	<ul style="list-style-type: none"> ↗ Increased the data center business in response to brisk demand for cloud services ↘ Declined in reaction to infrastructure construction project for the finance industry and the service industry and other customers ↘ Changed in contract order segment
Others	→ Almost unchanged from the previous fiscal year	<ul style="list-style-type: none"> ↘ Decreased due to expenses for strengthening the management base and expenses for expanding local bases 	<ul style="list-style-type: none"> ↗ Increased in incoming orders due to the impact of timing differences in contract conclusion ↗ Accumulate development projects for the services and the finance industries

Full-year Consolidated Financial Forecasts/Dividends Forecasts



(Millions of yen)				
	FY2022 previously annouced forecasts (A)	FY2022 Revised forecasts (B)	Increase/Decrease	
			Amount (B-A)	%
Net Sales	450,000	445,000	- 5,000	-1.1%
Gross Profit	119,000	118,000	- 1,000	-0.8%
Gross Profit Margin	26.4%	26.5%	0.1%	
SG&A Expenses*	-65,000	-66,000	- 1,000	1.5%
Operating Profit	54,000	52,000	- 2,000	-3.7%
Operating Profit Margin	12.0%	11.7%	-0.3%	
Profit attributable to owners of parent	38,000	37,500	- 500	-1.3%
Dividends per share (Yen)	52.00	52.00	-	
Dividend Payout Ratio	42.7%	43.3%		

* Including other income and expenses.

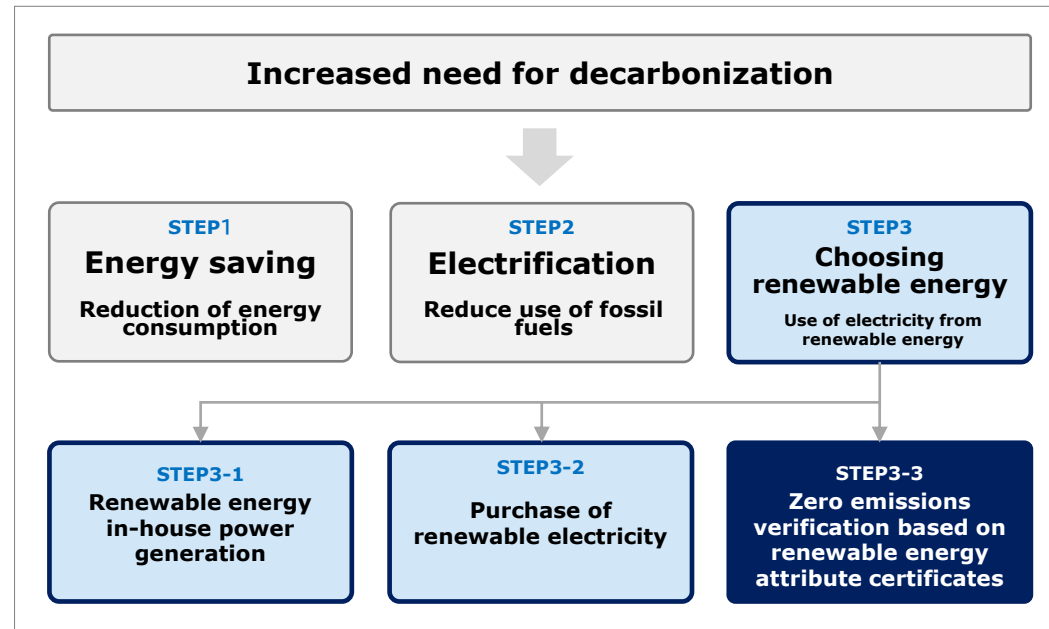
Topics

Launched business as the first domestic I-REC platform operator



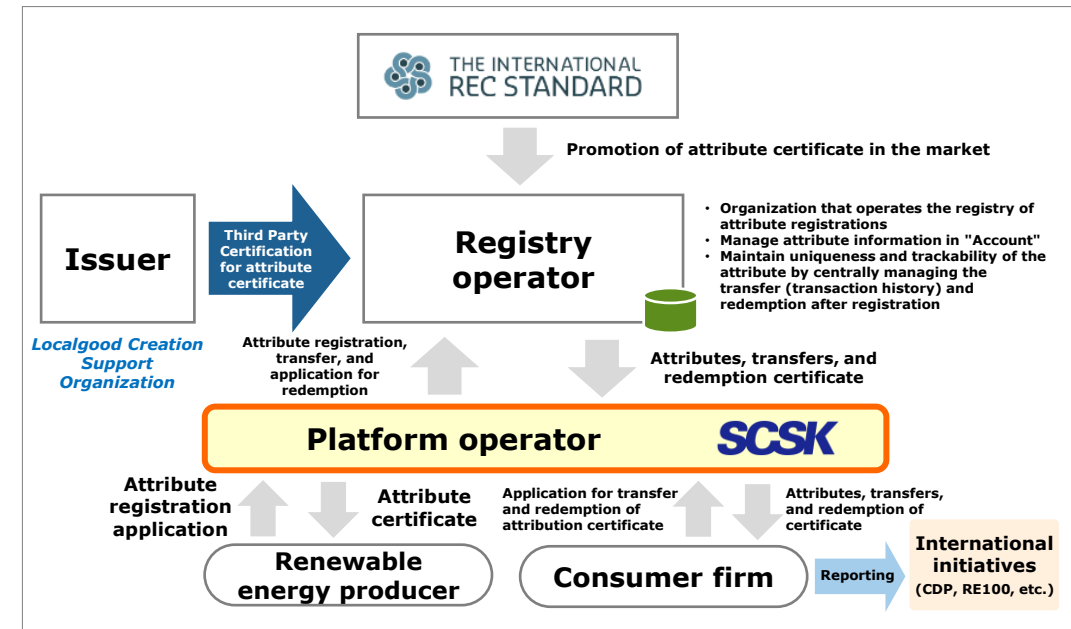
- Demand for attribution certification with high legitimacy (uniqueness and trackability) has increased in response to the growing need for decarbonization.
- EneTrack, a tracking system service conforming to I-REC, is scheduled to be launched within FY2022 as an attribute-certification tracking (issuance, transfer, and redemption of renewable attribute certificates) service that meets the requirements of the International Initiative.

Background of EneTrack Business



Promote distribution of attribute certificates and contribute to the diffusion of renewable energy

I-REC attribute certificate system



Web-system provides the functions required for attribute tracking

※"I-REC" is an internationally recognized renewable energy attribute certificate approved by CDP and RE100 as a certificate of power source attributes such as the place of production and type of power source of electric power used by companies.

It is published in approximately 50 countries worldwide in regions other than North America (REC:Renewable Energy Certificate) and Europe (GO:Guarantee of Origin).

Appendix

Systems Development

(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	124,422	131,635	7,213	5.8%
	42,400	45,827	3,427	8.1%
Incoming Orders	127,399	137,169	9,770	7.7%
	43,995	47,268	3,272	7.4%
Backlog	40,158	46,191	6,032	15.0%

- Net Sales
 - Decreased in reaction to development projects for the life and non-life insurance industry and the communications industry
 - Continuous demand for investment in strategic areas for the automotive industry
 - Increased in core system development projects etc for the manufacturing, the distribution and the service industries
- Incoming Orders/Backlog
 - Decreased in reaction to development projects for the life and non-life insurance industry and the securities industry
 - Increased due to projects for the construction of core systems for the manufacturing and the distribution industry, and demand for strategic investment for the automotive industry

System Maintenance and Operation/Services

(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	120,527	129,559	9,032	7.5%
	40,592	44,355	3,763	9.3%
Incoming Orders	103,508	108,418	4,909	4.7%
	33,977	36,037	2,059	6.1%
Backlog	83,521	87,565	4,043	4.8%

- Net Sales
 - Strong demand for the data center business, the BPO business, verification services and system maintenance
- Incoming Orders
 - Decreased due to cancellation and downsizing of some customers in the BPO business
 - Increased verification services
- Backlog
 - Increased verification services and the data center business

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

Packaged Software/Hardware Sales

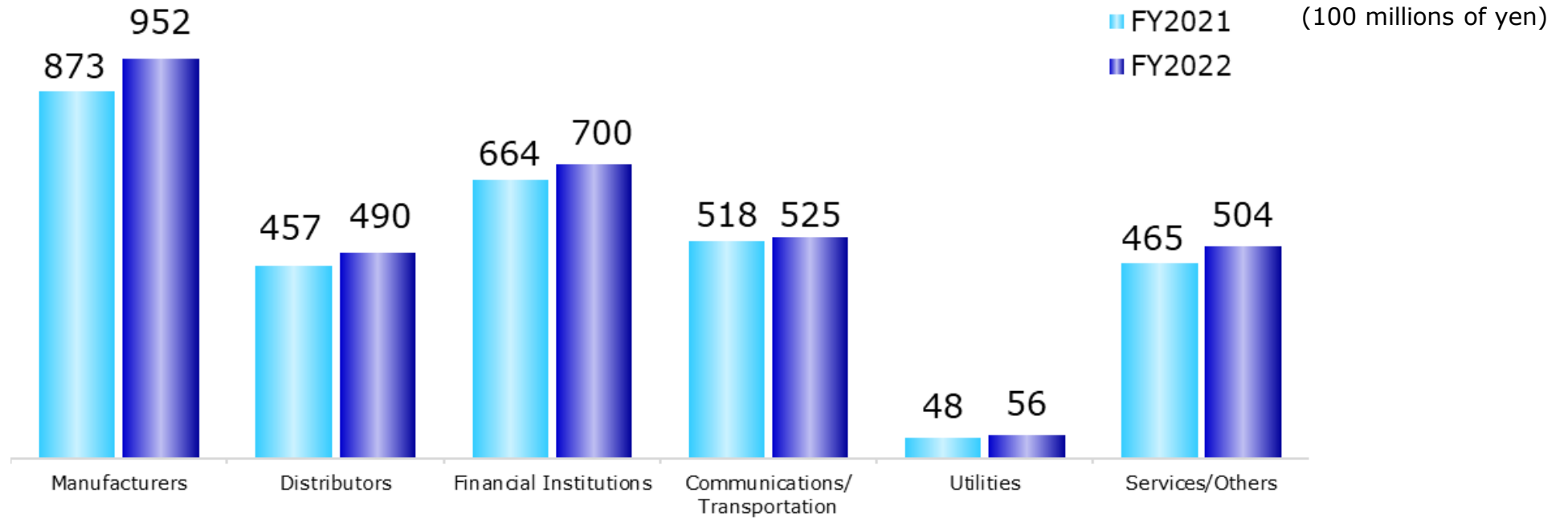
(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	57,803	61,828	4,024	7.0%
	19,736	19,740	4	0.0%
Incoming Orders	67,227	59,585	- 7,641	-11.4%
	25,244	16,980	- 8,264	-32.7%
Backlog	34,973	25,475	- 9,498	-27.2%

- Net Sales
 - Increased in sales of network and security equipment
 - Declined in reaction to sales of hardware to academic institutions
- Incoming Orders/Backlog
 - Decreased due to sales of multiple network equipment to the communications industry
 - Declined in reaction to sales of hardware to academic institutions

Sales Comparison by Customer Industry



- In the manufacturing industry, sales rose due to strategic investment and verification services for the automotive industry, and core system development projects etc for the other manufacturing industry.
- In the distribution industry, core system construction projects, business foundation strengthening projects, and network and security equipment sales increased.
- In the finance industry, maintenance projects for the banking, credit and leasing industries increased.
- In the communications and transportation industry, sales of network equipment increased for the communications industry.
- In the electricity and gas (utilities) industry, sales increased due to cloud services for the electricity industry and development projects etc for the gas industry.
- In the services and others business, in addition to projects for the construction of core systems, there was an increase in data center business and BPO-related business, etc.

Attention on the use of this document

- We have made amendment of previous year's data (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- Business Performance by Reportable Segments have been reclassified to reflect the change in segment classification in the fiscal year under review. Accordingly, results for the previous fiscal year have been reclassified to reflect this change in segment classification.

Disclaimer

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