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**Transcript of results briefing**
**Consolidated Financial Results for the 1st Quarter of Fiscal Year Ending March 2024**

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## ■ Contents (slide 1)

Greetings, my name is Yasuhiko Oka, and I am a managing executive officer of SCSK Corporation.

Thank you for taking time out of your busy schedules to join us to discuss SCSK's consolidated financial results in the three-month period ended June 30, 2023.

Todays' presentation will touch on the topics displayed on the table of contents on slide 1.

## ■ Summary of Financial Results (PL/Incoming Orders/Backlog) (slide 2)

Please look at slide 2, which displays consolidated performance highlights.

As shown on this slide, in the three-month period ended June 30, 2023, SCSK Corporation posted net sales of ¥113.3 billion, an increase of 8.6% year on year; operating profit of ¥12.9 billion, an increase of 30.3%; and profit attributable to owners of parent of ¥9.0 billion, an increase of 28.6%.

I will go into performance in a little more detail bit later, but let me now mention that we set new records for both net sales and operating profit in the three-month period ended June 30, 2023. Net sales grew due to the consistently strong demand for IT investment among customers. This sales growth contributed to an incredible increase in operating profit of ¥3.0 billion, more than 30% year on year. This increase is especially impressive in light of the decrease of ¥0.9 billion seen in operating profit in the previous equivalent period.

In addition, incoming orders were up 3.2%, to ¥102.9 billion, and order backlog rose 0.2%, to ¥172.7 billion. This level of order growth may seem low, but we feel that it represents a solid increase when you consider the actual impact on performance. I will be giving a breakdown of incoming orders and backlog by segment a little later.

## ■ Net Sales Analysis (slide 3)

Please turn to slide 3.

The graph on this slide shows year-on-year changes and growth rates in sales by sales segment.

The Systems Development segment posted a strong year-on-year increase in net sales of ¥6.6 billion, or 16.2%. This increase was a result of sales growth centered on the manufacturing and distribution industries stimulated by brisk IT investment demand.

As explained at the financial results briefing for the fiscal year ended March 31, 2023, the System Maintenance and Operation / Services segment was impacted by changes to accounting method in the data center business, which decreased sales. Nevertheless, this segment saw net sales rise by ¥3.8 billion, or 9.3%, year on year as a result of the strong performance of verification services and the benefits of acquisitions related to business process outsourcing (BPO) services.

Conversely, net sales were down by ¥1.5 billion, or 7.3%, in the Packaged Software / Hardware

Sales segment. Although there was strong demand for network security products, the benefits of this demand were counteracted by the initially anticipated decline in sales of network equipment to specific customer in the communications industry.

### ■ Operating Profit Analysis (slide 4)

Next, slide 4 shows factors affecting operating profit.

As you can see on this slide, higher net sales buoyed operating profit by ¥2.2 billion. In terms of factors affecting the gross profit margin, loss-making projects detracted ¥0.2 billion from operating profit while the profitability secured in the Systems Development and System Maintenance and Operation / Services segments boosted profit by around ¥1.6 billion.

Selling, general and administrative (SG&A) expenses were up as a result increases in personnel and recruitment expenses following the hiring of new graduates and mid-career individuals. Other factors included rises in expenses for sales activities and the addition of expenses attributable to newly consolidated subsidiaries.

As a result, operating profit in the three-month period ended June 30, 2023, grew 30.3%, to ¥12.9 billion, and the operating profit margin came to 11.4%.

### ■ Incoming Orders/Backlog Analysis (slide 5)

Let us know turn to slide 5, which shows a breakdown of factors affecting incoming orders and order backlog by sales segment in the three-month period ended June 30, 2023.

The Systems Development segment saw increases in incoming orders and order backlog of 10.7% and 9.0%, respectively. These increases were a result of higher orders for core system development services and for development services for the automotive industry. We anticipate that these orders will contribute to strong performance throughout the remainder of the fiscal year.

Incoming orders and order backlog in the System Maintenance and Operation / Services segment felt downward pressure as a result of the previously mentioned changes in accounting method associated with the data center business. This translated to a reduction in order backlog equivalent to one year’s worth of orders. Nevertheless, incoming orders were up 13.5% and order backlog increased 1.8% as a result of strong trends in orders for verification and absence of the BPO service contract cancelations and reductions seen among certain customers in the previous equivalent period. These orders are expected to contribute to stable sales growth in the fiscal year ending March 31, 2024.

In the Packaged Software / Hardware Sales segment, meanwhile, incoming orders decreased 25.2% and order backlog was down 18.0%. This outcome was a result of a decline in orders for network equipment due in part to the rebound from batch orders received ahead of schedule in the previous equivalent period. Another factor was large-scale investments by certain communications industry customers returning to normal levels.

### ■ Business Performance by Reportable Segment (Net Sales/Operating Profit /Operating Profit Margin) (slide 6)

I would next like to talk about performance by segment in the three-month period ended June 30, 2023, with slide 6.

We will begin by looking at the Industrial IT Business segment on the lefthand side of the slide, and then work to the right from there to discuss the factors affecting net sales and operating profit in all segments.

In the Industrial IT Business segment, net sales were up ¥6.8 billion and operating profit rose ¥1.9 billion. Factors behind these increases included growth in core system redevelopment orders from the distribution industry and in verification and software development support services for the automotive industry. In addition, this segment benefited from systems development demand associated with efforts to strengthen client contact points and accommodate Japan's newly instituted invoice system from manufacturing, communications, distribution, and a wide range of other industries.

In the Financial IT Business segment, net sales rose due to the segment's ability to incorporate demand related to fraud detection systems and cloud systems development services from the credit and leasing industries and to acquire systems development orders from securities companies. However, operating profit was down due to the heavy impacts of the cancelation of projects for redeveloping overseas branches at the behest of banking industry customers and the rebound from previously recorded international calculation systems.

The IT Business Solutions achieved an increase in net sales of ¥2.4 billion. This segment once again benefited from strong demand for core system development services, which drove growth in license sales and development orders from the distribution and manufacturing industries. In addition, sales of BPO services were up as a result of the acquisition announced in April 2023. Operating profit was up year on year as the higher net sales allowed the segment to absorb the impacts of a rise in costs for ramping up sales activities for ProActive and for accelerating employee reskilling initiatives with the aim of growing enterprise resource planning (ERP) businesses.

Moving on, the IT Platform Solutions segment saw decreases of ¥1.4 billion in net sales and ¥0.5 billion in operating profit. This outcome was a result of the heavy impact of the rebound from previously recorded sales of equipment to certain communications industry customers, which outweighed the benefits of the continuation of strong sales of network security products.

Next, the IT Management Service segment achieved an increase in net sales that surpassed the figure for external sales displayed on this slide when including inter-segment sales. This is because of increases in platform development projects for customers of the Industrial IT Business and Financial IT Business segments stimulated by growth in demand associated with transitioning to cloud systems and redeveloping existing systems to use cloud infrastructure. Operating profit showed a substantial year-on-year increase as a result of this sales growth coupled with the benefits of the transference to customers the impacts of higher electricity bills, which had not been fully completed in the previous equivalent period.

Lastly, the Others segment posted sales in line with the previous equivalent period as a decrease in systems sales was counterbalanced by an increase in systems development projects for manufacturing, financial, distribution, and a wide range of other industries at SCSK Minori Solutions Corporation. Operating profit, meanwhile, was up ¥0.2 billion because of a more profitable sales mix and a decrease in SG&A expenses due to the absence of the office relocation and system integration expenses incurred by SCSK Minori Solutions in the previous equivalent period.

## ■ Business Performance by Reportable Segment (Incoming Orders/Backlog) (slide 7)

Moving on to slide 7, we will look next at trends in incoming orders and order backlog by segment.

Beginning with the Industrial IT Business segment, this segment posted year-on-year increases in incoming orders and order backlog of ¥3.9 billion and ¥3.2 billion, respectively. These increases in orders were a result of the receipt of orders for later phases of core system redevelopment projects for the distribution and communications industries that are ongoing from the previous fiscal year. In addition, the segment was able to capitalize on systems development demand and verification service demand from manufacturers of items such as automobiles and electrical machinery.

Only a slight increase was seen in incoming orders in the Financial IT Business segment as the rise in orders associated with accommodating new systems from the securities and life and non-life insurance industries was counterbalanced by the absence of overseas branch system redevelopment and international calculation system orders from the banking industry recorded in the previous equivalent period. Order backlog, meanwhile, was up ¥0.6 billion as a result of the aforementioned orders from the securities and life and non-life insurance industries.

Incoming orders in the IT Business Solutions segment were up ¥2.6 billion due to growth in core system development and migration orders involving SAP and ProActive as well as the absence of the BPO service contract cancelations and reductions seen among certain customers in the previous equivalent period. At the same time, order backlog increased ¥2.9 billion as a result of growth in ERP-related orders and the benefits of newly consolidated acquisitions in the BPO business.

Decreases of ¥4.6 billion in incoming orders and ¥4.2 billion in order backlog were posted in the IT Platform Solutions segment as the large decline in equipment orders from certain communication industry customers outweighed the increase in standard network equipment orders.

In the IT Management Service segment, incoming orders were strong in relation to cloud and managed services. Order backlog, however, decreased substantially as a result of the impacts as a result of changes in accounting practices associated with the data center business implemented in the fiscal year ending March 31, 2024. The impacts of this change on performance are expected to be minimal.

Looking last at the Others segment, incoming orders and order backlog both rose by ¥1.0 billion in reflection of increases in systems development and system sales orders received by SCSK Minori Solutions.

**■ Business Performance by Reportable Segment Analysis (slide 8 to 9)**
Slides 8 and 9 offer a summary of the factors affecting segment performance that I just explained. I will not be offering any additional comments on these slides.

**■ Topics (slide 10 to 11)**
Please look at slide 10.

With this I conclude my discussion of performance. In closing, I would like to talk about some topics related to the new Medium-Term Management Plan.

In SCSK's new Medium-Term Management Plan, which was announced in April 2023, we have positioned core strategy 2 as the central growth driver for the SCSK Group. Based on this strategy, we will utilize our cloud and digital technologies to develop market-leading business in growth markets in pursuit of high earnings growth.

The businesses we are currently targeting under this strategy are indicated on the lefthand side of this slide. Among these, we have already announced initiatives such as the formation of capital alliances and the establishment of preparatory companies in relation to the financial, business process modernization, healthcare, and mobility businesses. If you would like more details on these matters, I invite you to refer to the respective new releases. Today, I would like to focus on the basic agreement for a strategic software development partnership with Honda Motor Co., Ltd., that was announced on July 7, 2023.

SCSK has been engaged in ongoing transactions with Honda in a number of fields including systems development and verification. Recently, we concluded an agreement with this company regarding a strategic partnership in the software development field. This agreement is be aimed at building upon our collaborative development relationship so that both Honda and SCSK can accomplish their goals for the era of software-defined mobility, in which software is anticipated to play a primary role in accelerating automobile development.

Through partnership, we plan to assemble a mobility engineering team of more than 1,000 members in Japan to serve Honda in 2030. In addition, we look to engage in collaborative initiatives with Honda in the four areas indicated on the bottom righthand corner of this slide.

The SCSK Group is committed to contributing to the automotive industry and growing its mobility business with new services and solutions while also supplying a wide range of sophisticated development support services.

This concludes my portion of today’s presentation. SCSK looks forward to your ongoing support and encouragement.

We greatly appreciate you taking the time to join us today.

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