

# **Consolidated Financial Results for the 3rd Quarter of Fiscal Year Ending March 2024**

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## **The 3rd Quarter of FY2023 Consolidated Financial Results**

- Summary of Financial Results from Apr. to Dec. (PL/Incoming Orders/Backlog)
- Summary of Financial Results from Oct. to Dec. (PL/Incoming Orders/Backlog)
- Net Sales Analysis
- Operating Profit Analysis
- Incoming Orders/Backlog Analysis
- Business Performance by Reportable Segment (Net Sales/Operating Profit/Operating Profit Margin)
- Business Performance by Reportable Segment (Incoming Orders/Backlog)
- Business Performance by Reportable Segment Analysis
- Full-year Consolidated Financial Forecasts/Dividends Forecasts
- Key Points of Financial Results
- Topics

## **Appendix**

- Comparison by Sales Segment (Sales/Incoming Orders/Backlog)
- Sales Comparison by Customer Industry

(Millions of yen)

	FY2022	FY2023	YoY	
	(Apr. 2022 - Dec. 2022)	(Apr. 2023 - Dec. 2023)	Amount	%
Net Sales	323,024	<b>351,363</b>	28,339	8.8%
Gross Profit	84,238	<b>92,707</b>	8,469	10.1%
Gross Profit Margin	26.1%	<b>26.4%</b>	0.3%	
SG&A Expenses*	- 49,058	<b>- 51,719</b>	- 2,660	5.4%
Operating Profit	35,180	<b>40,988</b>	5,808	16.5%
Operating Profit Margin	10.9%	<b>11.7%</b>	0.8%	
Profit attributable to owners of parent	25,494	<b>28,335</b>	2,841	11.1%
Incoming Orders	305,174	<b>330,290</b>	25,115	8.2%
Backlog	159,232	<b>162,097</b>	2,865	1.8%

\*Including other income and expenses

(Millions of yen)

	FY2022	FY2023	YoY	
	(Oct. 2022 - Dec. 2022)	(Oct. 2023 - Dec. 2023)	Amount	%
Net Sales	109,924	<b>120,167</b>	10,243	9.3%
Gross Profit	29,013	<b>31,483</b>	2,469	8.5%
Gross Profit Margin	26.4%	<b>26.2%</b>	-0.2%	
SG&A Expenses*	- 16,348	<b>- 17,421</b>	- 1,072	6.6%
Operating Profit	12,665	<b>14,062</b>	1,396	11.0%
Operating Profit Margin	11.5%	<b>11.7%</b>	0.2%	
Profit attributable to owners of parent	9,267	<b>9,867</b>	599	6.5%
Incoming Orders	100,285	<b>106,349</b>	6,064	6.0%
Backlog	159,232	<b>162,097</b>	2,865	1.8%

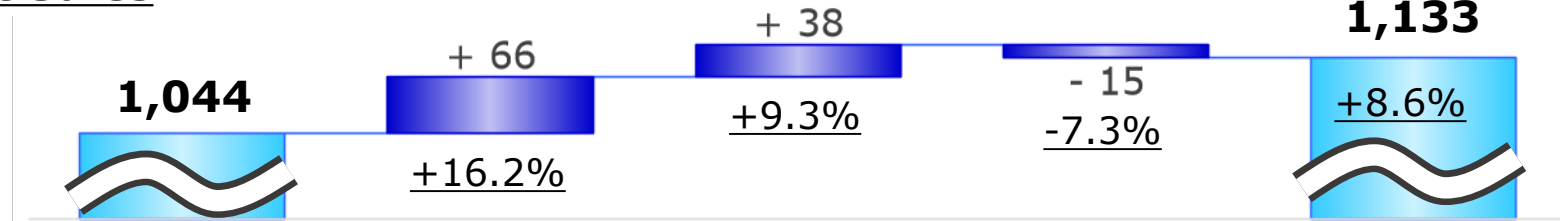
\*Including other income and expenses

# FY2023 Q3

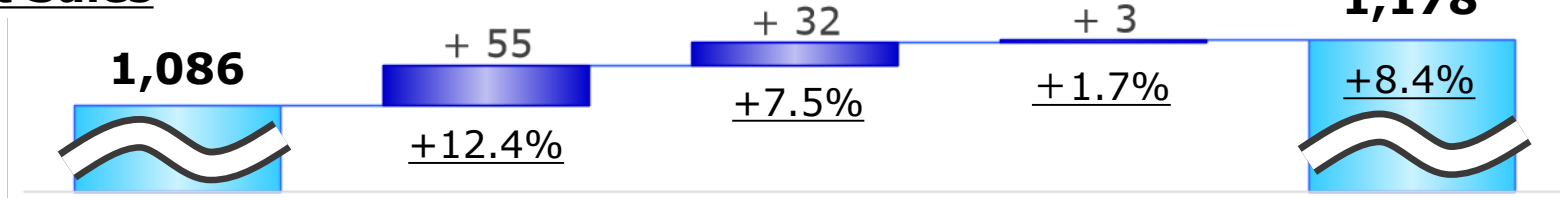
## Net Sales Analysis

(100 Millions of Yen)

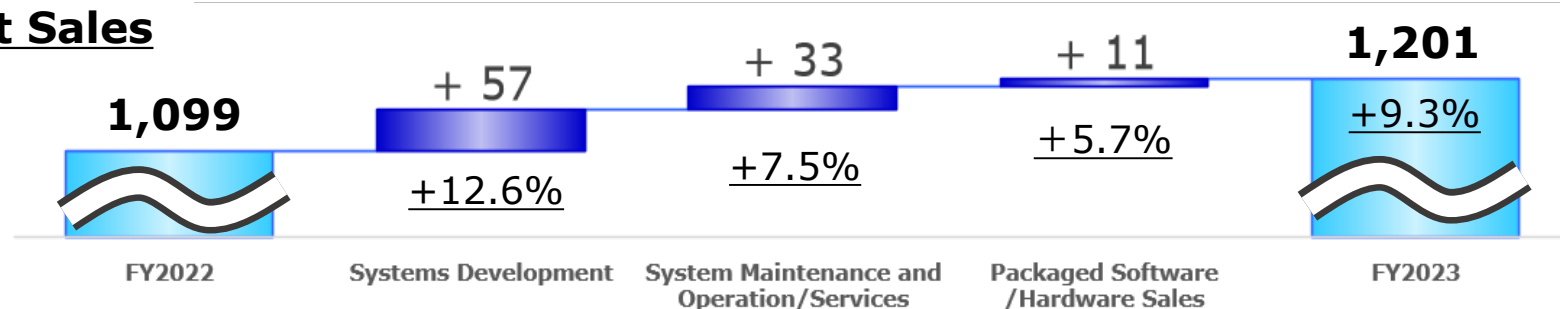
### Q1 Net Sales



### Q2 Net Sales

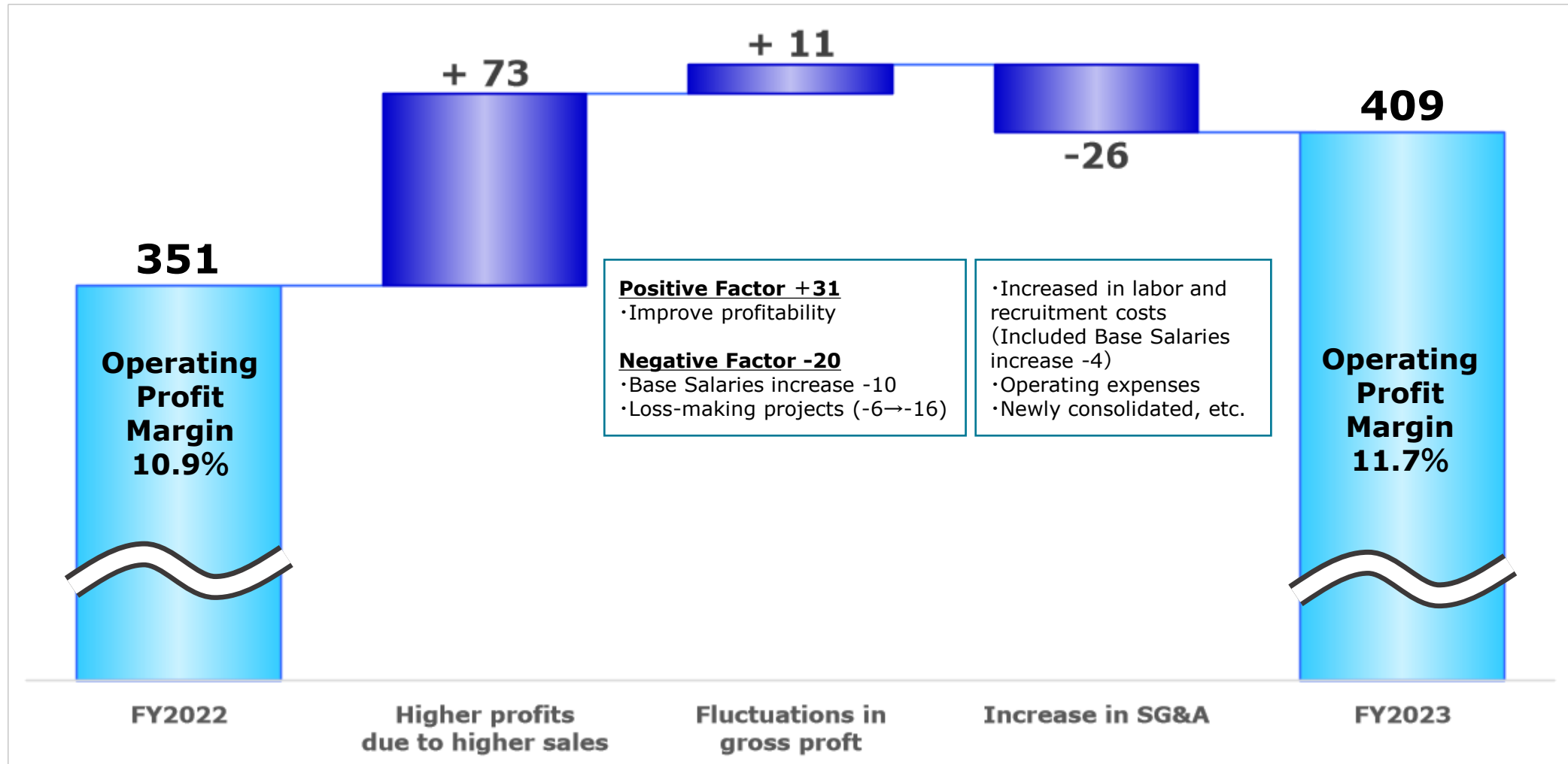


### Q3 Net Sales



# FY2023 Q3 Operating Profit Analysis

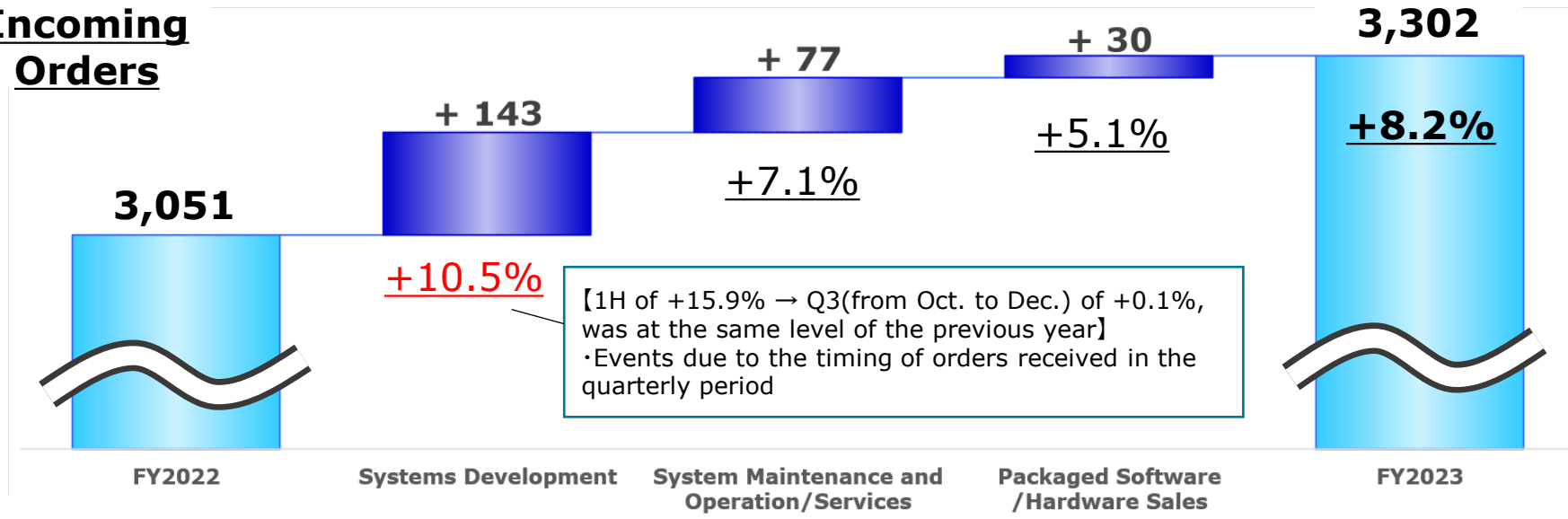
(100 Millions of Yen)



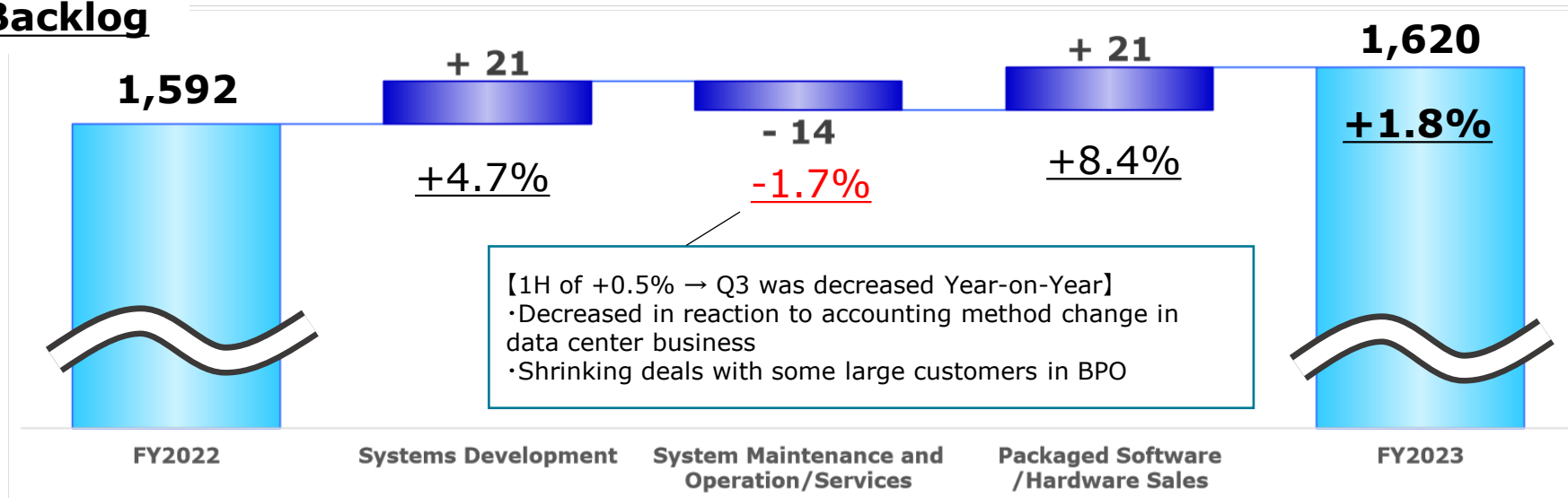
# FY2023 Q3 Incoming Orders/Backlog Analysis

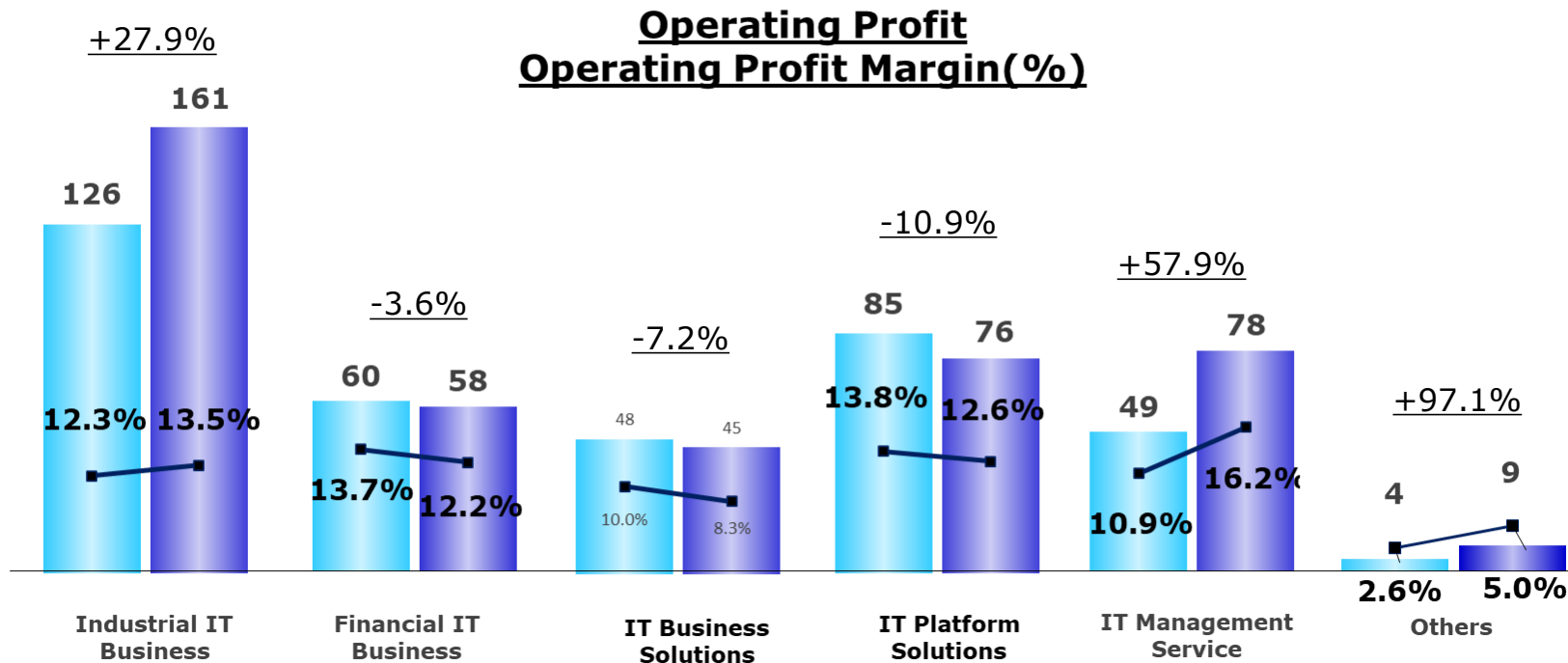
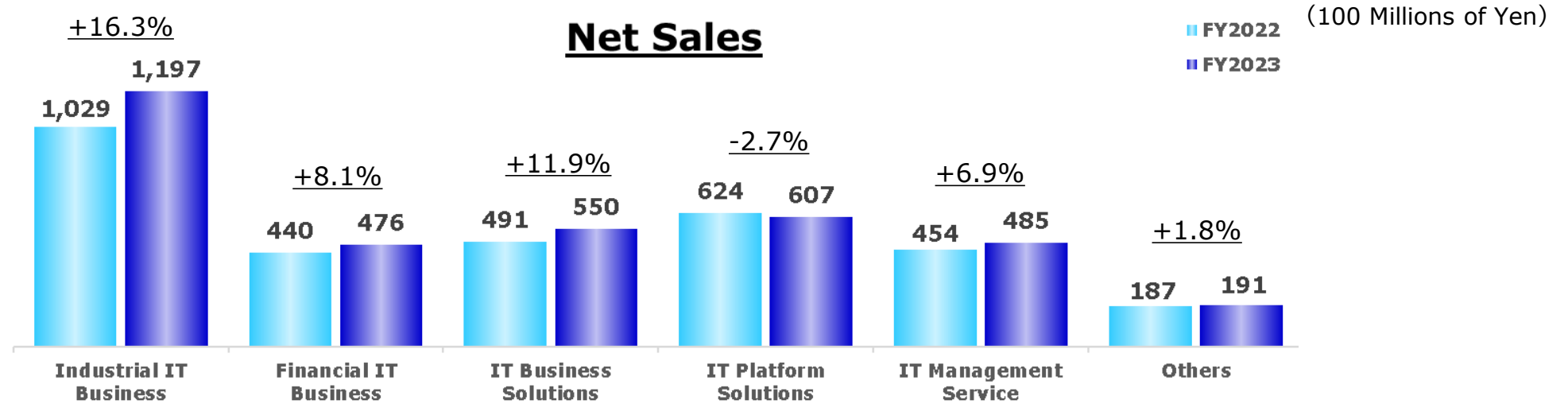
(100 Millions of Yen)

## Incoming Orders



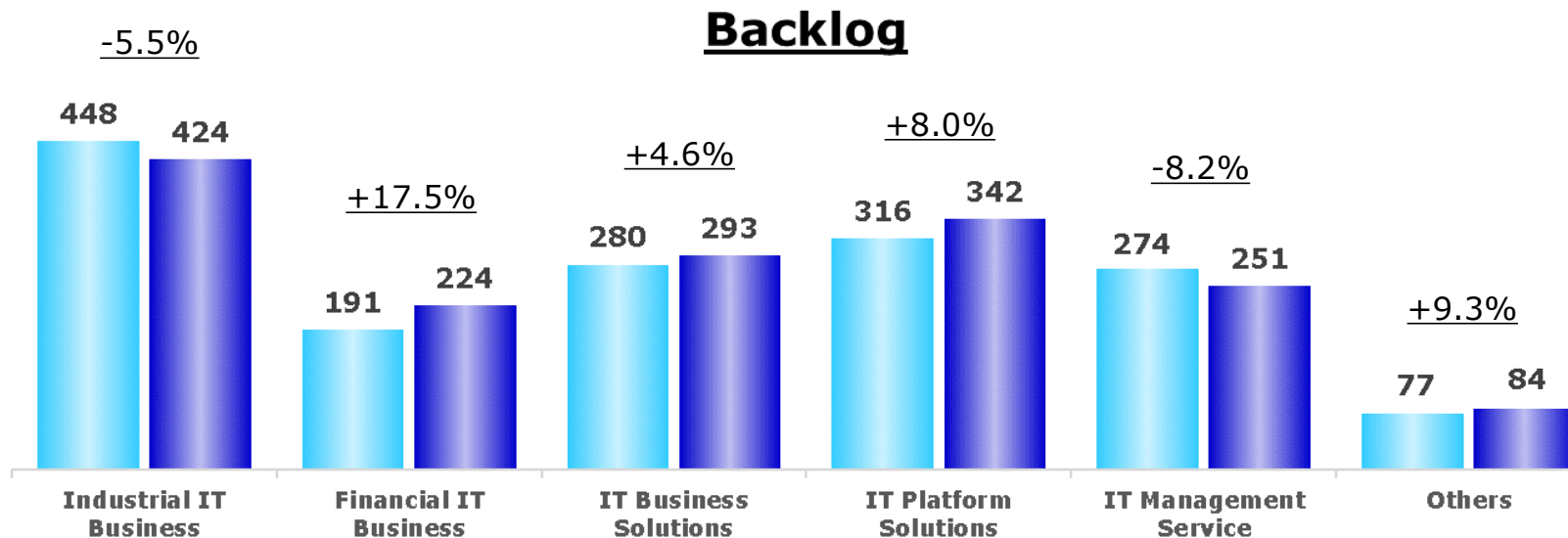
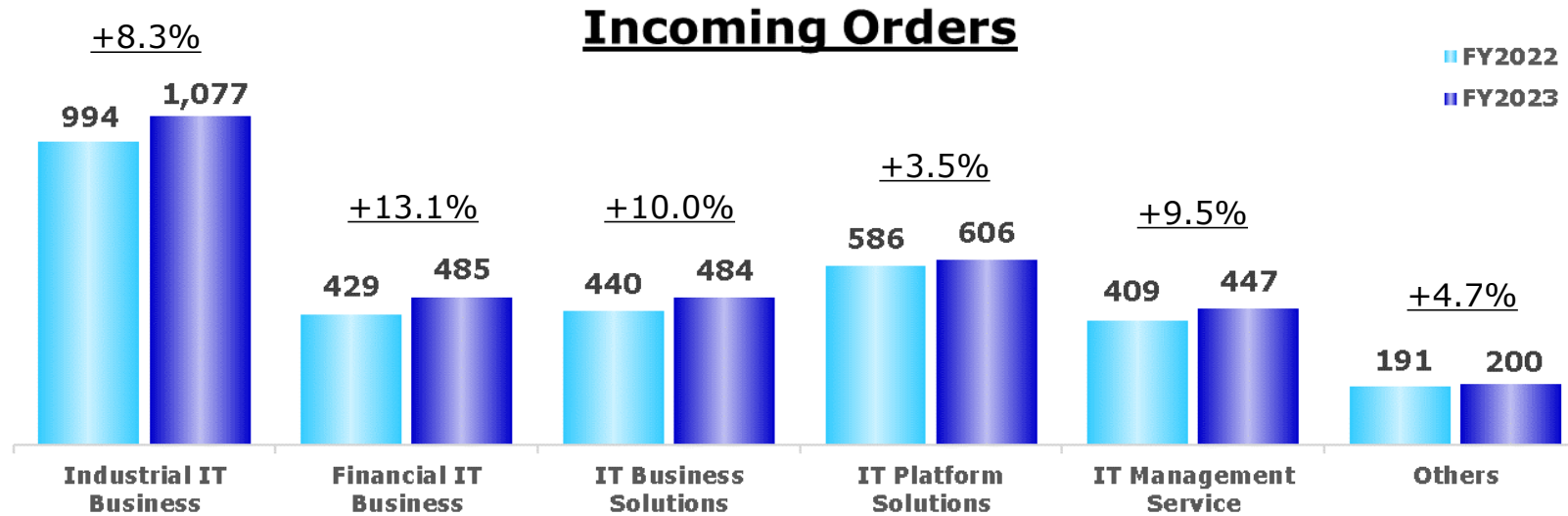
## Backlog







(100 Millions of Yen)



# FY2023 Q3

## Business Performance by Reportable Segment Analysis

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/ Backlog</u>
<b>Industrial IT Business</b>	(+)Demand for strategic investment in the automotive industry (+)Increased in core system restructuring projects for the distribution industry (+)Increased orders (+)Demand for system construction for the communications industry (+)Expansion of verification services	(+)Contribution of projects for the automotive, distribution and communications industries (−)Incidence of loss-making projects	(+)Restructuring of core systems for the distribution and communications industries (+)Increased demand for systems development for the manufacturing industry (+)Expansion of verification services (−)Sales conversion of major projects
<b>Financial IT Business</b>	(+)Expansion of AML projects for the banks and shopping credit/leasing companies (+)Increased systems development projects in the securities firms (−)Decreased in reaction to international accounting system projects		(+)Increase in AML projects for the banks and system support projects for the securities firms, and insurance companies
<b>IT Business Solution</b>	(+)Acquisition of core systems development projects for the manufacturing and distribution industry (−)Deterioration of supply and demand in the BPO business	(+)Acquisition of core system development projects in multiple industries (−)Re-skilling activities for ERP personnel (−)Deterioration of supply and demand in the BPO business	(+)Expansion of projects for the construction and migration of core systems (−)Shrinking deals with some large customers in BPO business

\*(+):Factors for increase (−):Factors for decrease

# FY2023 Q3 Business Performance by Reportable Segment Analysis

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/ Backlog</u>
<b>IT Platform Solution</b>	(+)Increased in sales of network and security products to the distribution and communications industries (−)Decreased in reaction to sales of equipment for specific customers in the communications industry (Most impact was in Q1)		(−)Decreased in reaction to orders of equipment for specific customers in the communications industry (Increased Incoming orders in Q2 and Q3) (+)Sales of network equipment
<b>IT Management Service</b>	(+)Increased in management services	(+)Increased in inter-segment transactions (+)Increased in management services (+)Reduced the burden of the increase in electricity fees in the energy market	(−)Changes in accounting method for certain contracts (+)Increased demand for management services
<b>Others</b>	(+)Increased systems development projects at SCSK Minori Solutions Corp. (−)Decreased packaged software/hardware sales projects at SCSK Minori Solutions Corp.	(+)Improved the sales mix (+)Decreased in system integration expenses	(+)Increased systems development projects for SCSK Minori Solutions Corp.

\*(+):Factors for increase (−):Factors for decrease

# Full-year Consolidated Financial Forecasts/Dividends Forecasts

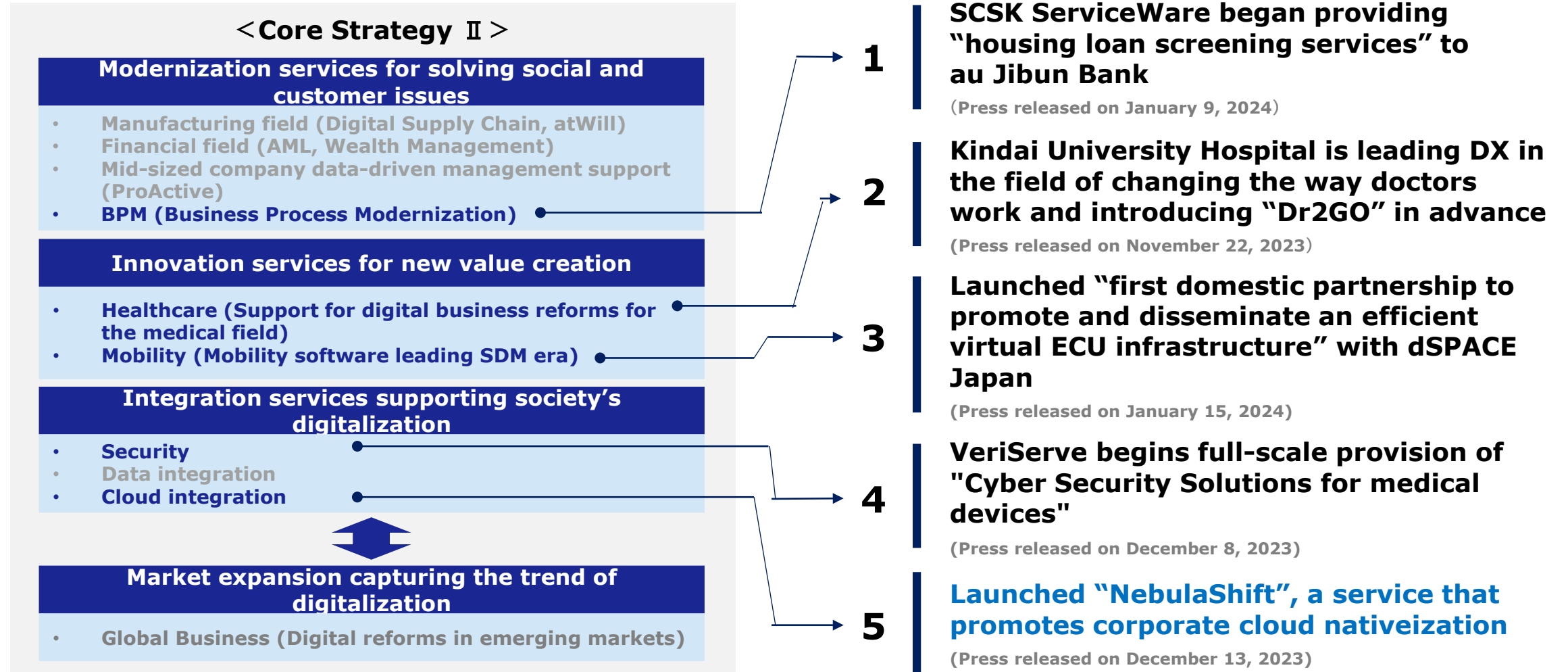
(Millions of yen)

	FY2023	FY2023	YoY	
	Pre-revision forecasts (A)	Revised forecasts (B)	Amount (B-A)	%
Net Sales	475,000	475,000	—	—
Gross Profit	127,000	127,000	—	—
Gross Profit Margin	26.7%	26.7%	—	
SG&A Expenses <sup>*</sup>	-70,500	-70,500	—	—
Operating Profit	56,500	56,500	—	—
Operating Profit Margin	11.9%	11.9%	—	
Profit attributable to owners of parent	39,500	39,500	—	—
Dividends per share (Yen)	Interim dividend	28	—	
	Year-end dividend	28	2	
		56	2	
Dividend Payout Ratio	44.3%	45.9%		

\* Including other income and expenses.

- **Strong financial results, recorded high net sales and operating profit for the Q3 and cumulative total**
  - ✓ Systems development and System maintenance and operation/services continued to increase in sales from the first half and remained firm.
  - ✓ Packaged software/hardware sales improved to almost the same level as the previous fiscal year despite the decline in sales in the first half
  - ✓ Although there were loss-making projects worth more than ¥1 billion, double-digit growth rate in Q3
- **Incoming orders and backlog are strong and weak according to sales classification**
  - ✓ Systems development: Incoming orders in Q3 were at the same level of previous fiscal year due to the timing of orders received. Pipelines increased steadily, mainly in the manufacturing and finance industries.
  - ✓ System Maintenance and operation/services: Negative year-on-year change due to a reactionary decline in backlog resulting from a change accounting method in in data center business and shrinking deals with some large customers in BPO business.
  - ✓ Packaged software/hardware sales : The backlog, which was negative year-on-year until the first half of the year, was changed to positive in Q3. Incoming orders increased for network equipment and large-scale hardware sales to customers specific to the communications industry.
- **Dividend per share increased by 2 yen**
  - ✓ The annual dividend is 58 yen, and the consolidated dividend payout ratio is 45.9%

## – Progress of Medium-Term Management Plan (FY2023-FY2025) –



- **Launched “NebulaShift”, a service that promotes corporate cloud nativeization –**

## Business Overview

- **Launched a NebulaShift in December 2023 to promote the use of cloud-native customers through collaboration between Red Hat and Hewlett-Packard Japan**
- **NebulaShift is a suite of services that combine the benefits of SCSK's technology, know-how, and partner ecosystem to ensure the seamless use of SCSK's products**

※1 NebulaShift is a generic term for services that realize cloud-nativeization, which is named as a means of lifting and shifting clouds to nebula clouds.

- URL about the service : <https://www.scsk.jp/sp/nebulashift/>

## Future development

- **Aim for ¥10 billion in sales and 50 companies introducing NebulaShift by FY2026**

# Appendix



# FY2023 Q3

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

### Systems Development

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

(Millions of yen)

	FY2022	FY2023	YoY	
	(Apr. 2022 - Dec. 2022)	(Apr. 2023 - Dec. 2023)	Amount	%
Net Sales	131,635	<b>149,637</b>	18,001	13.7%
	45,827	<b>51,621</b>	5,793	12.6%
Incoming Orders	137,169	<b>151,514</b>	14,344	10.5%
	47,268	<b>47,325</b>	57	0.1%
Backlog	46,191	<b>48,378</b>	2,186	4.7%

#### ➤ Net Sales

- Increased in core system construction projects for the distribution industry
- Increased in system development projects for the shopping credit/leasing companies and communication industry
- Continuous demand for investment in strategic domains for the automotive industry

#### ➤ Incoming Orders/Backlog

- Increased in core system construction projects for the distribution industry
- Increased in system development projects for Financial industry such as the banks, securities firms, and insurance companies
- Increased in core system construction projects and the enhancement of customer contact points for the communications industry

# FY2023 Q3 Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

## System Maintenance and Operation/Services

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

(Millions of yen)

	FY2022	FY2023	YoY	
	(Apr. 2022 - Dec. 2022)	(Apr. 2023 - Dec. 2023)	Amount	%
Net Sales	129,559	<b>139,997</b>	10,437	8.1%
	44,355	<b>47,679</b>	3,323	7.5%
Incoming Orders	108,418	<b>116,152</b>	7,734	7.1%
	36,037	<b>37,454</b>	1,416	3.9%
Backlog	87,565	<b>86,092</b>	- 1,472	-1.7%

### ➤ Net Sales

- Increased due to M&A of BPO business
- Strong demand for the verification service
- Increased in management service business

### ➤ Incoming Orders/Backlog

- Decreased due to accounting method change in data center business and shrinking deals with some large customers
- Increased in management service business and verification services

# FY2023 Q3 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)

	FY2022	FY2023	YoY	
	(Apr. 2022 - Dec. 2022)	(Apr. 2023 - Dec. 2023)	Amount	%
Net Sales	61,828	<b>61,728</b>	- 100	-0.2%
	19,740	<b>20,866</b>	1,126	5.7%
Incoming Orders	59,585	<b>62,623</b>	3,037	5.1%
	16,980	<b>21,569</b>	4,589	27.0%
Backlog	25,475	<b>27,626</b>	2,151	8.4%

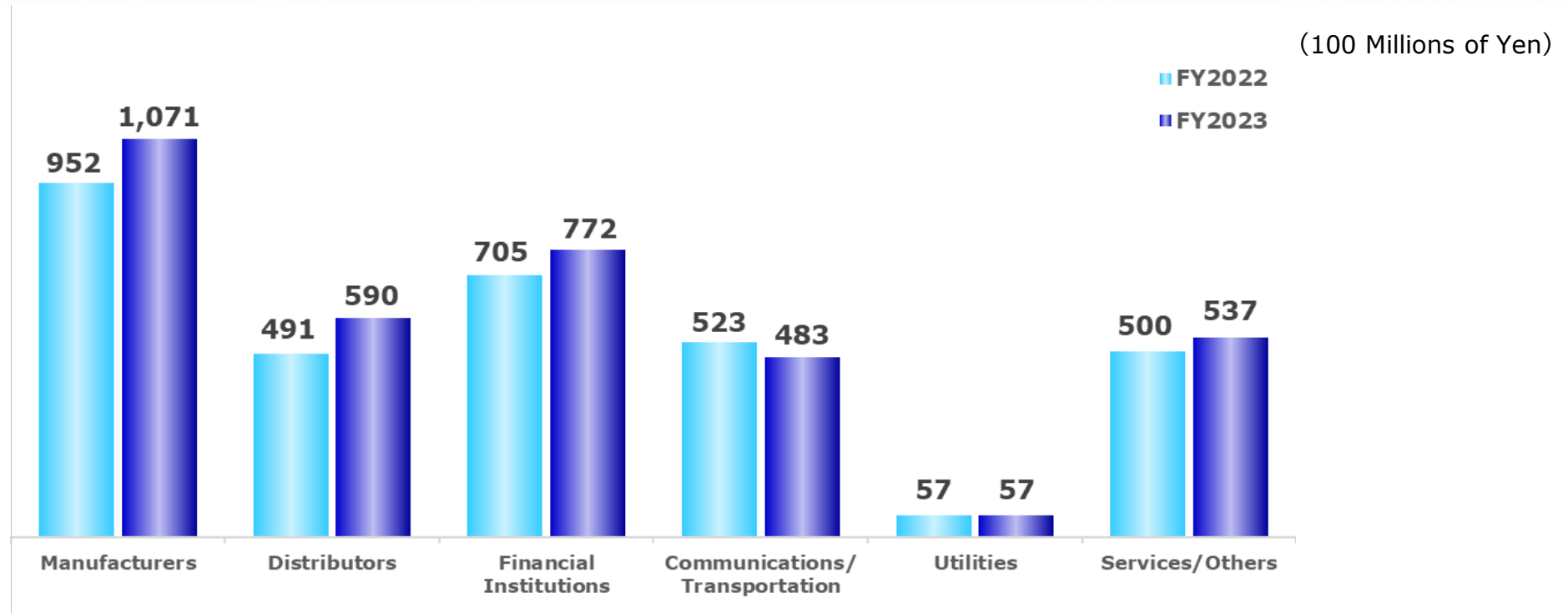
### ➤ Net Sales

- Increased in sales of network and security products
- Decreased in reaction to sales of equipment for specific customers in the communications industry  
(Increased net sales for Q2 and Q3)

### ➤ Incoming Orders/Backlog

- Increased in hardware sales of systems to academic research institute
- Decreased in reaction to sales of equipment for specific customers in the communications industry

# FY2023 Q3 Sales Comparison by Customer Industry



- In the manufacturing industry, increased due to strategic investments and verification services for the automotive industry, projects for the electrical machinery Industry, as well as systems development projects for other manufacturing industries
- In the distribution industry, increased due to core system construction projects and sales of network and security equipment
- In the finance industry, increased due to systems development projects and for shopping credit/leasing companies
- In the communications and transportation industry, decreased due to a reaction to sales of equipment to specific customers in the communications industry
- In the electric power and gas industry, remained the same level from the previous year
- In the services and other businesses, increased due to the impact of newly consolidated subsidiaries and packaged software sales of systems to the public sector and academic research institutions

### **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.

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