IT for the Next Delight.

SCSK

SCSK

SCSK REPORT 2023

From Apr. 1, 2022 to Mar. 31, 2023

Create Our Future of Dreams

SCSK Group aims to be a "Co-Creative IT Company" that promotes co-creation with customers, partner companies, and the community by improving our human capital. It is a corporate group that continues to provide value to address various issues.

The SCSK Group has been providing the full line-up of IT services necessary for business for fifty years, resolving client issues at over 8,000 companies.

Now, toward our next leap forward, we are engaging in new challenges to solve issues in various business categories and industries, and for society through co-creation with clients and society based on IT.

Corporate Philosophy

Our Mission

Create Our Future of Dreams

We create our future of dreams by establishing value based on our customers' trust.

Our Promises

Respecting each other

We realize our potential by respecting each other.

Providing excellent service utilizing reliable technology

We delight customers through our service based on reliable technology and passion.

Sustaining growth from a global and future perspective

We, with our stakeholders, pursue sustainable growth for the world and the future.

Code of Conduct

Challenge

Aim higher with future creating passion.

Commitment

Act with integrity and responsibility for our customers and society.

Communication

Facilitate teamwork with respect and understanding.

Editorial Policy

SCSK Report 2023 has been compiled as a report that contains information on performance and business strategies as well as non-financial information, such as that pertaining to sustainability activities.
We hope this report will facilitate understanding with regard to SCSK's efforts to realize stable, ongoing improvements in corporate value from a medium- to long-term perspective while paying attention to stakeholders.

Scope of report	SCSK and the SCSK Group
Publication date	November 2023 (The original Japanese report was published in September 2023, therefore, the information is as of September 2023)
Reporting period	FY2022 (April 2022 to March 2023) *Includes some information for FY2023

Guidelines referenced

- U.N. Global Compact
- ISO26000
- The International Integrated Reporting Framework, published by the International Financial Reporting Standards (IFRS) Foundation
- Global Reporting Initiative (GRI) GRI Standards
- Ministry of Economy, Trade and Industry (METI)'s Guidance for Collaborative Value Creation

Important Information Regarding Report Terminology

The names of products, services, etc. listed in this report are the trademarks or registered trademarks of SCSK or respective companies, etc. In addition, some of the references to "SCSK" and "the Company" in this report may refer to the entire "SCSK Group."

Disclaimer

This report is intended to provide information about the performance and business strategies of SCSK and is not intended to solicit the purchase or sales of SCSK's stock. Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice. SCSK cannot be held responsible for losses resulting from information contained in this report. This report may not be reproduced or retransmitted without authorization.

Introduction
3 Corporate Philosophy/Editorial Policy
4 Contents
5 This is SCSK
7 SCSK's History
9 Value Creation Process

Message from the Top Management
11 President's Message
17 Special Tripartite Discussion – Toward Becoming a "Co-Creative IT Company" between Chairman, [Chairman × Independent Outside Directors (Chairman of the Board/ Audit and Supervisory Committee)]

Value Creation Story
25 SCSK's Sustainability Management
31 Grand Design 2030
33 Co-creation Example Cases
33 Co-creation with clients
• Sumitomo Mitsui Auto Service Company, Limited and SCSK
• Kurashiki Central Hospital (Ohara HealthCare Foundation) and SCSK
35 Co-creation with society
• Realization of a carbon-free society by SCSK
• Regional revitalization and solution of local issues by the SCSK Group
37 Medium-Term Management Plan
37 Overall Review of the Medium-Term Management Plan (FY2020–FY2022)
39 Outline of the Medium-Term Management Plan (FY2023–FY2025)
41 Medium-Term Management Plan/Core Strategies
45 Message from the Officer in Charge of Finance
49 SCSK's Businesses

Foundation Supporting Value Creation
59 Global Environmental Contributions
61 Information Disclosure based on TCFD Recommendations
63 Dialogue between Officers in Charge of Human Resources
67 Human Resource Strategy
69 Diverse Team of Professionals
77 Case Study ("Mirai-Sozo" Program (Future Creation Program)
79 Sustainable Value Chain
81 Transparent Governance
94 Message from Newly Appointed Outside Directors
95 Executive Members

Data Section
99 Analysis on Performance
103 Financial and Non-Financial Highlights
105 Main Financial Data
107 Main Non-Financial Data
111 Corporate Information

114 Column on Co-creation

Changes from Last Fiscal Year

With the aim of making it easier for readers to understand SCSK's efforts, we have changed the structure of the report, focusing on the following four points.

1. Addition of "This is SCSK"

SCSK's strengths and characteristics have been sorted out from the three perspectives: economic value, social value, and human capital value. Please see this as a "snapshot" that reflects SCSK's situation at this point in time.

2. Updating the Value Creation Process

We have updated the design so as to reflect value creation at SCSK more than ever. This process is characterized by the inclusion of a "Co-Creation-Oriented Corporate Culture" in the value creation cycle, in addition to our corporate philosophy and the seven material issues which can be said to be the essential part of the value creation at SCSK. By working to create value following this process, SCSK aims to become a "Co-Creative IT Company in 2030," which is our long-term vision, while contributing to creation of a sustainable society.

3. Addition of Co-creation Example Cases

Here, we introduce how SCSK works to create value following the value creation process through four specific examples (co-creation example cases). You can also review material issues related to each co-creation example case.

4. Enhanced Information Disclosure Regarding Human Capital

Dialogue between officers in charge of human resources was conducted to deepen your understanding of our efforts toward "human resources" which are SCSK's most valuable property, and this section also provides an overall view of our human resources strategy and the status of promotion of various efforts. In addition, we are striving to expand disclosure of information related to human capital, centered on the disclosure of main non-financial data.

Composition of Information Disclosure Media

Integrated Reporting

Integrated Report

Investor Relations Detailed Information
Investor Relations Website
https://www.scsk.jp/ir_en/index.html

Sustainability Detailed Information
Sustainability Website
https://www.scsk.jp/corp_en/csr/index.html

Introduction | This is SCSK (SCSK's strengths/assessment)

In order to realize Grand Design 2030 (> P31), we will work to maximize economic value, social value, and human capital value to dramatic improvements of our "Comprehensive Corporate Value."

Human Capital Value (FY2022 results)

Number of employees **15,328** persons

Number of employees certified under the IT Skill Level Assessment*1 (Lv1 to Lv7 total)
5,771 persons

Number of SCSK i-University Training participants (total number)
25,362 persons

Average annual hours of training per employee*1
58 hours

Consulting and business design personnel[1]
265 persons

Advanced project manager (PM) personnel*1
166 persons

Number of advanced engineers*1
1,150 persons

Average number of days of childcare leave taken*1 **270** days
Male **64** days Female **420** days

Childcare leave return rate*1
99.2%

Number of female executives and line managers*1
88 persons

Employee awareness survey "Engagement"*1
90.6% of respondents agreed that SCSK is a "pleasant place to work."
75.6% of respondents agreed that SCSK is a "rewarding place to work."

Health and Productivity Stock Selection
Selected for the ninth consecutive year

Toyo Keizai Inc.
Ranking of "Companies dedicated to the career development of its employees" in 2023
First to take the top spot in the IT industry

Economic Value (FY2022 results)

11 consecutive years of increased sales, profit, and dividend since the merger in 2011

Net sales ¥**445.9** billion

Operating profit ¥**51.3** billion

Operating profit margin **11.5**%

Annual dividend per share ¥**52**

▶ **4.8** times from the first fiscal year of the merger*2

Share price at end of period ¥**1,935**

▶ **4.4** times from the first fiscal year of the merger*2

ROE **14.4**%

Societal Value

Received the highest assessment in CDP's Supplier Engagement Rating*3

Meeting the IT needs of a wide range of industries
Number of customers
More than **8,000** companies

Own intellectual property that contributes to the resolution of social issues

Integrated anti-money laundering solution
Introduced at **40**%or more of regional banks in Japan
BankSavior

Track record of system implementation overseas
Over **200** locations in **38** countries

Long-Life ERP Helps Midsize Enterprises Go Digital
Installed at more than
6,600 companies
ProActive

A domestic network covering
17 Prefectures that contributes to regional revitalization and solutions to regional issues*4
(as of March 31, 2023)

Communication platform for solving healthcare issues
P34

< About "Comprehensive Corporate Value">
Value to be created by utilizing the SCSK Group's fundamental corporate capabilities in practicing sustainability management as a growth strategy and working to become a Co-Creative IT Company in 2030 under SCSK Group Medium-Term Management Plan (FY2023–FY2025). Value including both economic value and non-financial factors such as social value and human capital value*

* Economic Value : Value that is reflected in market capitalization (market's evaluation) as a company with significant earnings power and growth potential pursuing long-term profit growth
Social Value : Value deemed to contribute to a sustainable society by address ingenvironmental and social issues
Human Capital Value : Value of skills drawn out through investments positioning human resources as a form of capital (skill development, workplace environment, etc.)

*1 Non-consolidated results
*2 Comparison of annual dividend per share and year-end share price after the stock split on October 1, 2021
*3 CDP is a non-governmental organization (NGO) managed by a UK charity that operates a global disclosure system for investors, companies, nations, regions and cities to manage their own environmental impacts
*4 Excluding Tokyo, Chiba, Saitama, Kanagawa, Aichi, Osaka and Hyogo

Challenge of Value-Creating Businesses
This is how the "next-generation BankSavior" was born. (in Japanese)
https://www.scsk.jp/corp/business/story04/

Challenge of Value-Creating Businesses
The Secret Story behind the Birth of ProActive C4: The Determination and Enthusiasm of Its Name (in Japanese)
https://www.scsk.jp/corp/business/story03/

Introduction SCSK's History

1969 onward SCS

Sumisho Computer Service Corporation (later Sumisho Computer Systems Corporation)

Sumisho Computer Systems Corporation established trust and a global support network as a member of the Sumitomo Corporation Group

1989: Listed on the Second Section of the Tokyo Stock Exchange
1991: Listed on the First Section of the Tokyo Stock Exchange
2005: Merged with Sumisho Electronics Co., Ltd.

1968 onward CSK

Computer Services Corporation (later CSK Corporation)

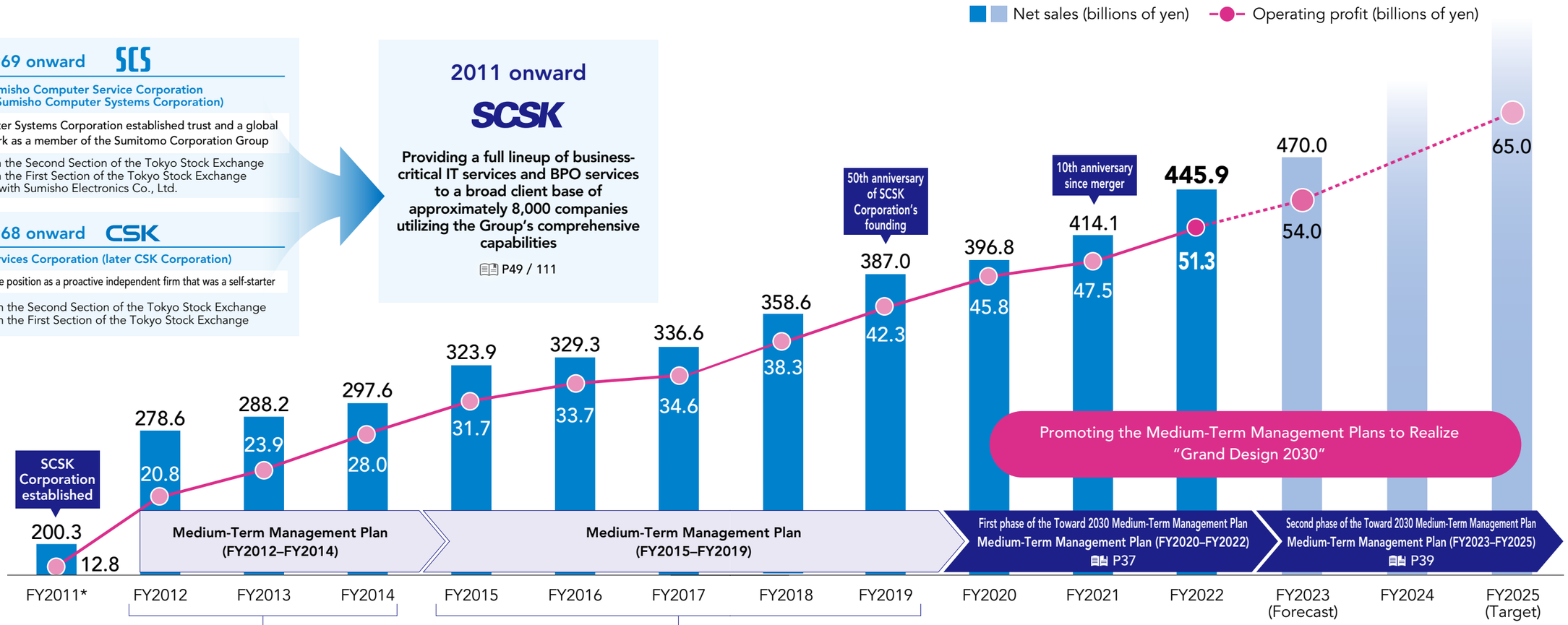
CSK built up a unique position as a proactive independent firm that was a self-starter

1982: Listed on the Second Section of the Tokyo Stock Exchange
1985: Listed on the First Section of the Tokyo Stock Exchange

2011 onward SCSK

Providing a full lineup of business-critical IT services and BPO services to a broad client base of approximately 8,000 companies utilizing the Group's comprehensive capabilities

P49 / 111



Review of the Medium-Term Management Plan (FY2012–FY2014)

Core Strategies

Pursue cross-selling

- Capitalized on expanded client base from the merger to promote company-wide cross-selling of services where both companies excel and increased sales.

Expand the global solutions business

- Utilized track record in global markets to develop support system for Japanese companies' overseas operations, including expanded and reinforced overseas bases and business assistance, and increased relevant sales.

Strengthen the cloud solutions business

- Newly established the netXDC Chiba Center 2 (SI2). Expanded cloud-based IT services using our network of data centers (DC), which is among the largest in the industry.

Managerial Foundation Reinforcement

Operational Quality, Efficiency and Productivity

FY2012 Began use of Smart Episode Plus (SE+)
FY2013 Introduced Service Check System (quality management of system operations)
FY2014 Introduced Core Partner Program

Pleasant, Fulfilling Place to Work/Promote Health and Productivity Management

FY2013 Launched *Smart Work Challenge*

Enhance Human Resource Capabilities

FY2012 Introduced IT Skill Level Assessment

Results and Review of Management Targets

	Target	FY2014 Results
Net sales	¥300 billion	¥297.6 billion
Operating profit	¥25 - 30 billion	¥28 billion
Operating profit margin	8 - 10%	9.4%
ROE	10% or more	12.4%

- Promoted the true combination of both companies since the merger in October 2011 by developing a management foundation using various initiatives.
- Achieved business expansion driven by merger synergies as expected and fulfilled management targets.

*Figures for CSK before the merger date (October 1, 2011) are not included.

Review of the Medium-Term Management Plan (FY2015–FY2019)

Core Strategies

Shifting to service-oriented businesses

- Expanded service-oriented businesses that provide standardized and generalized business operations as shared-use systems utilizing our know-how, expertise and IP, and promoted the shift away from a labor-intensive business model.
- Expanded scale of business to about 20% of total net sales.

Promoting strategic business

- Developed in-house BSW (basic software) as a platform for automotive software systems and brought to market our proprietary product QINeS-BSW.
- Experienced a delay in increasing profits compared to the initial plan due to changes in the automobile market. As a result, we did not turn a profit in this core strategy during the Medium-Term Management Plan.

Enter into the second stage of global business expansion

- Promoted the further global business expansion of various IT services, including support for the IT needs of Japanese companies' local subsidiaries.
- Newly established bases in Myanmar and Indonesia to reinforce the business foundation in ASEAN.

Managerial Foundation Reinforcement

Operational Quality, Efficiency and Productivity

FY2016 Introduced SE+ certification program
Introduced SE+ (Navi)

Pleasant, Fulfilling Place to Work/Promote Health and Productivity Management

FY2015 Introduced *Kenko Waku Mileage* Program
FY2017 Commenced *Dokodemo WORK*
FY2018 Introduced the program for full-time employment of seniors
FY2019 Introduced Second Job program (Smart Work Plus)

Enhance Human Resource Capabilities

FY2015 Launched *Technoco*, a hackathon for cultivating self-led talent in IT
FY2016 Opened SCSK i-University
FY2017 Began *Kotsukatsu*, supporting self-development
FY2019 Began providing stipend for learning

Results and Review of Management Targets

	Target	FY2019 Results (J-GAAP)
Operating profit	¥50 billion	¥42.3 billion
Operating profit margin	10 - 12%	10.9%
EPS	¥320	¥300
ROE	15%	15.6%

- Made steady progress with reinforcing the management foundation and transform business structure (move away from labor-intensive business model). Achieved high profit growth, with net sales growth rate at 5.4% CAGR and operating profit growth rate at 8.6% CAGR during the Medium-Term Management Plan.
- Although the profitability of strategic businesses is delayed, the operating profit target of generating ¥40 to ¥50 billion from existing businesses and service-oriented businesses progressed according to plan.

Introduction Value Creation Process

The SCSK Group will promote sustainability management as a growth strategy.
We aim to become a "Co-Creative IT Company in 2030" by solving social issues and generating new value through our business by addressing our material issues with our corporate philosophy as the origin of our business.

Contributing to the realization of a sustainable society

Co-creation-oriented corporate culture

Co-creation with clients

Co-creation with society

Promote co-creation with stakeholders who share our future of dreams P33

Material issues with the aim of solving social issues and achieving sustainable growth P25

❷ Business Activities x Strengths

- IT consulting
- Systems development
- Verification services
- IT infrastructure development
- IT management
- IT hardware/ software sales
- BPO services

Strengths
Engineering capability × service quality × business knowledge

Providing a full lineup of IT services for all business needs.

❸ Creation of Value (Outcome)

Social value
- Innovating for a brighter society
- Building trust for a safe and secure society
- Creating an inclusive society

Economic value
- Increasing profits
- Enhancing capital efficiency
- Maximizing shareholder value

Continuously resolve social issues and create new value through our business

SCSK Vision

2030 Co-Creative IT Company

IT for the next delight P31

Material issues as the foundation supporting sustainable growth P25

Corporate Philosophy P3

❶ Management Resources (Input)

- Financial capital >P45
- Intellectual capital >P44 / 51
- Natural capital >P59
- Social and relationship capital >P49 / 79
- Human capital >P63

Dynamic business development through the utilization of the five types of capital that support business activities

Upgrade and expand management resources

External Environment for SCSK Group

- Paradigm shift of technology
- Social issues and trends

P38 / 41

Mutual Understanding is the essence of co-creation. We will accelerate co-creation with stakeholders who share our vision of "Our Future of Dreams" with the aim of solving issues faced by our customers and society.

Representative Director
President
Takaaki Touma

Achieving record-breaking performance, moving on to the next stage of growth

Review of FY2022 results

Just over one year has passed since I took over as president in April 2022. Looking back on this period, I'd say it was a year in which I was reminded of the potential of IT. Following the COVID-19 pandemic, I feel that the light on IT is more intense than ever before. I believe this is proof of the indispensability of IT to each of us, as well as to companies and society, in realizing a prosperous future.

In the fiscal year ended March 31, 2023—the final year of the previous Medium-Term Management Plan—we achieved record-breaking performance and saw increased sales, profit, and dividends for the 11th consecutive fiscal year since the merger in 2011. In the business environment, consumption and capital investment showed a gradual pickup under the living-with-COVID mindset. At the same time, however, the high degree of uncertainty continued to surface due to business environment changes such as higher raw material prices caused by Russia's invasion of Ukraine and import prices pushed upward by the depreciated yen. We believe that our success in achieving stable business growth amidst these circumstances is the result of our continued efforts to reinforce our managerial foundation reinforcement. It is also a reflection of the expectations that our customers and society have with an IT services company.

Furthermore, in the fiscal year ended March 31, 2023, we proceeded steadily with preliminary preparations for our next stage of growth. To ensure our sustained growth, we need to create more services that only SCSK is able to offer. In building a unique service, it is essential to employ approaches such as M&A and alliances to fill in the missing pieces. As a result of such discussions over the past year, early in the fiscal year ending March 31, 2024, we announced an M&A transaction to strengthen our BPO business, as well as capital and business alliances to push business development forward in the healthcare and financial businesses. We are confident that these activities will lead to more rapid business growth.

Toward becoming a "Co-Creative IT Company" that grows together with customers and society

Contributing to the realization of a sustainable society

It seems to me that "sustainability" is a word that is used more frequently than a few years ago. For instance, lectures related to the United Nations' Sustainable Development Goals (SDGs) in educational settings such as universities and high schools, as well as events related to SDGs, have become commonplace. It is evident that the momentum toward a sustainable society is expanding to all strata of society. This is also manifested in the way society views companies, with the manner in which they are working to solve social issues by leveraging their businesses, assets, and strengths becoming an important indicator in corporate evaluation.

Under our corporate philosophy of Create Our Future of Dreams, the SCSK Group also positions the concept of sustainability management at the core of its management, aiming for sustainable growth by contributing to the resolution of social issues. In April 2020, we also identified seven material issues forming the compass in the promotion of our sustainability management. In light of the orientation of these seven material issues, we have established Grand Design 2030, in which we set forth our long-term vision of evolving into a Co-Creative IT Company. This is the representation of our corporate group that continues to provide value in response to various issues by promoting co-creative efforts with customers, partners, and society through the enhancement of human capital, the Group's greatest asset.

P25 SCSK Group's Sustainability Management
P31 Grand Design 2030

Accelerate co-creation connected by empathy

As social issues become increasingly diverse and complex, the concept of co-creation—which aims at the creation of new value beyond a single individual or company—has become indispensable.

I have experienced and learned firsthand the rewards and joys of co-creation, as well as its difficulties, through involvement in numerous projects as a system engineer and project manager. The creation of new value through co-creation requires that all parties involved align their perceptions and awareness, and unite in their desire to succeed. As each party has various restrictions and is in a different position, each needs to consider things from the counterpart's perspective to find solutions. That is where empathy comes in, and I believe that empathy with others is the essence of co-creation. Co-creation connected by empathy incorporates the driving force in

President's Message

the creation of greater value. I view the concept of mutual understanding as a vital component in embodying our corporate philosophy of "co-creation" and in accelerating the efforts for co-creation with our diverse group of stakeholders. This is also the reason why, since taking over as president, I have upheld "VALUE-driven management" as the vision of management I hope to bring to fruition.

There are many ways to regard and interpret co-creation. The SCSK Group should be oriented toward co-creation that is singular to SCSK and, as a result, create value that is commensurately unique. Through co-creation with stakeholders who share "Our Future of Dreams," we hope to resolve the issues faced by our customers and society, while enhancing the Well-Being of our people who bear the responsibility for this co-creation, eventually realizing our sustainable growth as a corporate group.

P17 Special Tripartite Discussion
P33 Co-creation Example Cases

The second Medium-Term Management Plan toward 2030 has been launched.

Toward a dramatic improvements in comprehensive corporate value

In April 2023, we announced the second Medium-Term Management Plan (FY2023–FY2025), with the aim of realizing our goal of becoming a Grand Design 2030. This is the first medium-term management plan that I have been fully committed to formulating as President of the Company. We must achieve the plan goals to realize our vision.

Along with the goal of becoming a Co-Creative IT Company, Grand Design 2030 also outlines two directions: "dramatic improvements in comprehensive corporate value" and "challenge on the scale of Net Sales 1 Trillion Yen." Comprehensive corporate value is used as a corporate value that encompasses non-financial factors such as human capital value, in addition to economic value and social value. Toward the dramatic improvements in comprehensive corporate value, the new Medium-Term Management Plan is based on the following two policies: i) reorganization of business areas and redevelopment of business models to continue providing new value to customers and society, and ii) maximization of the market value of each and every employee based on the recognition that the growth of employees drives the growth of SCSK Group.

P39 Outline of the Medium-Term Management Plan (FY2023–FY2025)

Review of previous Medium-Term Management Plan

In the first Medium-Term Management Plan (FY2020–FY2022) toward 2030, we promoted three core strategies: Core Business Innovation, Commercialization of DX, and Investment in People, with the aim of expanding business on a global basis.

Despite the impact of COVID-19 during the previous Medium-Term Management Plan period, we believe that we succeeded in steadily implementing the necessary measures in accordance with the plan initially envisioned in each of the three core strategies. Meanwhile, both core Business Innovation and Commercialization of DX resulted in limited contributions to earnings. We recognize the importance of bringing the new Medium-Term Management Plan into the profit realization phase as envisioned in each of these core strategies.

P37 Overall Review of Medium-Term Management Plan (FY2020–FY2022)

Awareness of external and internal environments

Compared to three years ago, when we formulated the Previous Medium-Term Management Plan, changes in the external environment have become increasingly dramatic, and we are now in an era of uncertainty in which it is difficult to foresee the future. The emergence of generative AI, represented by ChatGPT, is one of the most significant impacts. SCSK has also built a generative AI (SCSK Generative AI). All officers and employees began using it in May 2023 for the improvement of business efficiency and productivity, application to products and services, and creation of new businesses. The impact of generative AI on society is significant, even more so than when "digital transformation" became a buzzword. We are convinced it has the potential to accelerate the digitalization of businesses and society.

Looking at the SCSK Group internally, in responding to changes in the business environment and ensuring sustainable growth, the most recent challenges for the Group are stagnations in the following three aspects: client relationship, business model, and organization/people. These stagnations can slow the response to changes, acting as an impediment to future growth. We must continue to transform our business so we can tackle this challenge head-on and enhance the Group's growth trajectory toward 2030. We must now once again bolster the profitability of our group by self-transforming ourselves through the reorganization of our business fields and models much more profoundly than ever before.

Group core strategies

Based on this recognition of the environment, we have set forth three core strategies and managerial foundation reinforcement measures to reinforce our management foundation in the new Medium-Term Business Plan.

Core Strategy 1 Decisive Business Shifts –Three Shifts

In order to break through the three stagnations as mentioned earlier, with strong determination, we positioned Decisive Business Shifts as the first of our core strategies. We will promote a business shift that consists of three perspectives for all of the Group's areas of business. The objectives here are to boost profitability and create investment capacity to strongly promote Core Strategies 2 and 3, explained later, as well as to create capacity for future growth.

The first shift is toward high-potential business areas. As the digital society continues to evolve, we will identify areas of business where growth is anticipated. And, by putting a drastic focus on core competencies, we will increase the proportion of businesses with high rates of net sales growth from the current 40% to 60% or more in a three-year period.

The second shift is toward high-value-added areas. Stated another way, we are transitioning from a contract-based model to the created-value based one. To achieve this, it is essential that we ascertain the issues faced by customers, the market, and society, and actively make proposals and recommendations toward resolutions, including the exercise of our consulting function. With
a view to this, we will promote competency development efforts as well. For instance, we plan to increase the number of employees who excel in consulting and new business development to 500 or more over a three-year period. Moreover, based on the insight and intellectual property that we have cultivated, we will also promote product packaging and commercialization while concurrently working to acquire advanced technologies, thereby shifting to high-value-added areas and increasing the gross profit margin of the domestic IT service business —excluding product sales—by 2.5% or more.

The third shift is toward high-productivity models. The shift from compensation based on the volume of labor to a model based on service and offering value will be accomplished by standardizing processes and consolidating resources. We will raise productivity by thoroughly applying the results of business innovations made in the previous Medium-Term Management Plan. This includes the centralization of development, maintenance, and operation, and the expansion of low-code and no-code development using S-Cred+ (Smart Co-work on Relationship, Engineering and Design Plus). This will result in a 20% increase in operating profit per employee in the domestic IT service business.

Core Strategy 2 Development of Market-Leading Businesses in Growth Markets

Core Strategy 2 is positioned as a growth driver for our group and specifically outlines a business portfolio where we can exercise our strengths in an era of cloud and digital technologies. By maximizing the use of the SCSK Group's cloud and digital technologies, we plan to lead the market growth in markets and technological areas where high growth is anticipated, and increase the scale of net sales of the target business from the current ¥130 billion to ¥200 billion over a three-year period. We will generate resources to support this expansion in the process of promoting Core Strategy 1.

We anticipate growth of ¥70 billion over the three-year period. One of the drivers of this expansion is the digital supply chain business in the manufacturing domain. We will contribute to the realization of our clients' data-driven management by innovating a series of manufacturing operation systems, based around ERP to enable so-called digital supply chain management, and by providing a full range of IT services that enable business data to be used strategically.

We will also expand anti-money laundering (AML) and fraud detection businesses, for which considerable growth is foreseen in the financial domain, as a foundation for a safe and secure digital society. BankSavior, the intellectual property of SCSK, has been adopted by more than 40% of regional banks. We aim to broaden our target market by developing such AML solutions for financial institutions as well as companies in other industries that require financial functions. In the mobility business, we aim to become the industry's top-level Software-Driven Supplier based on our track record with QINeS-BSW products, which are domestically produced BSW compliant with AUTOSAR. Recently, we reached a basic agreement with Honda Motor Co., Ltd. on a "Strategic Partnership in the Software Development Area," with the aim of deepening our collaborative development relationship to realize our strategies for the SDM era, in which software-centered vehicle manufacturing is accelerating. Through these initiatives, we aim to contribute to the automotive industry and expand our mobility business while working to strengthen our relationships with automakers.

In addition to the businesses listed here, in each of the businesses in Core Strategy 2, we will make maximum use of our strengths, such as our own intellectual property and human resources who are well versed in the operations of each business, to develop businesses that are uniquely SCSK.

Core Strategy 3 Advancement of Next-Generation Digital Businesses through Co-Creation with Society

Core Strategy 3 is positioned as an area where we will undertake sustained business development and challenges starting from the Group's material issues to create next-generation digital businesses where business growth will be achieved in a non-traditional way, while capitalizing on our insight into business design and new business development accumulated in the commercialization of DX under the previous Medium-Term Management Plan, in addition to the insight we have cultivated in our core areas of business.

For example, in one of our material issues, "Innovating for a Brighter Society," we will take on the challenge of creating digital services that contribute to the improvement of individual financial literacy and asset formation by utilizing digital technology to support a prosperous second life in the age of 100 years of life through the development of the wealth management domain. In 2021, we signed a "Collaboration Agreement on DX Promotion for Shuri Castle Restoration" with Okinawa Prefecture, and we are undertaking new town development utilizing digital technology. We are also looking to promote local development and regional problem solving in which knowledge and know-how accumulated through solving problems, such as realizing town development that balances living and tourism, will be developed as a regional co-creation model and applied to various regions.

Although we expect the businesses outlined in Core Strategy 3 to blossom in the medium to long term, we hope to increase the number of businesses that contribute to the sustainable growth of our group, while we also create businesses that contribute to resolving social issues, by planting seeds for the future and nurturing them carefully.

Managerial Foundation Reinforcement

The three initiatives to strengthen the managerial foundation are "Promotion of Technology-Driven Approach," "Maximization of Human Resource Value,"and "Value-Driven Management." In particular, to enthusiastically promote "Value-Driven Management"—the vision we desire for management—we have positioned this as one of the areas of the managerial foundation needing reinforcement in the new Medium-Term Management Plan. As a first step toward realizing Value-Driven Management, I personally attended all of the business group kick-off meetings held at the beginning of the fiscal year ending March 31, 2024. I also held town hall meetings with general managers in order to convey my thoughts on the new Medium-Term Management Plan directly and in my own words to our officers and employees. This is also an opportunity to hear the thoughts and feelings of people in the field, and we believe that this sparks two-way communication.

As stated in the three promises of our corporate philosophy, our group is committed to "Promotion of Technology-Driven Approach," and we aim to contribute to customers' and society's digitalization by taking the initiative, starting with our advanced technology. The strengthening measure to achieve this is the Promotion of Technology-Driven Approach. At the start of the new Medium-Term Management Plan, we reorganized the R&D Center and established the Technology Strategy Division as a Center of Excellence (CoE) organization to promote the development and implementation of advanced technologies. Examples of the advanced technologies promoted by the division include generative AI and natural language processing technologies. Regarding natural language processing technology, in fact, over the years we have sent many of our employees to Japan's National Institute of Information and Communications Technology (NICT). Those members are spearheading the development and provision of PrimeAgent, an AI interactive web agent. The division brings together engineers who are extremely knowledgeable in these specific areas. It works together with business groups and group companies in their strategies for applying advanced technologies to co-creation.

If we are to improve comprehensive corporate value by taking human capital value into account, we must maximize the market value and human resource value of each employee. From this perspective, while linking our business strategy to our human resource portfolio, we will also take another look at our benefit and compensation systems, and develop further measures to deepen Well-Being management as well as diversity and inclusion. In addition to mental and physical health, we are working to maximize the value of our human resources in order to create an environment in which employees can fully demonstrate their abilities with high performance and motivation.

P41 Medium-Term Management Plan/ SCSK Group's Core Strategies

Management Targets

The financial targets for the new Medium-Term Management Plan are operating profit of ¥65 billion, operating profit margin of 12.5% or more, and ROE of 14%. Looking at dividends, we plan to increase the return of profits to shareholders and boost the dividend payout ratio to 50%.

The SCSK Group aims to achieve an operating profit margin of 15% over the medium term, and has set a minimum target of 12.5% in the new Medium-Term Management Plan. Currently, we must also absorb cost increases in response to price hikes, including elevated compensation levels and higher outsourcing costs for partner companies. Moreover, we will make investment on the order of ¥100 billion over the next three years to ensure future growth.

P45 Message from the Officer in Charge of Finance

With regard to non-financial targets, the topics we identified centered on people-related indicators such as our human resources portfolio, human resources development and Well-Being, and the promotion of diversity and inclusion. We have been involved in initiatives related to human capital management, and we have expressed our desire to further accelerate these initiatives.

For many years, I was responsible for clients in the manufacturing domain in western Japan, one of which was Panasonic Corporation. Konosuke Matsushita, the company's founder, famously said, "We make people first before making products." I feel that this is truly the essence of business. As President, my primary mission is to thoroughly commit to creating and nurturing people.

Specifically, human resource development is organized into the three values that make up the comprehensive corporate value mentioned earlier. First of all, from the perspective of human capital value, it is a matter of course for each and every one of us to improve our technological capabilities, but before doing so, it is essential to have the mindset and ethics to always do the right thing. This also resonates with the concept of integrity. By building on this foundation and combining it with our management philosophy, Code of Conduct, and materiality, I think we can make effective use of our enhanced technological capabilities for our customers and society. We will continue to conduct in-house education and work with management to maintain and improve a high level of awareness. From the perspective of social and economic value, there is an urgent need to develop human resources that create value. Each and every one of us must change our business model from the conventional one in which we undertake systems requested by our customers, to one in which we offer proposals that are directly linked to our customers' businesses or that go into the creation of new business models and foster a relationship of co-creation. Although this cannot be achieved overnight, we are determined to take a top-down approach to maximizing the value we create.

P63 Dialogue between Officers in Charge of Human Resources
P69 Diverse Team of Professionals

To Stakeholders

Setting lofty goals and aiming for further growth

In SCSK Report 2022, I conveyed the following message to you: "I want us to be a corporate group that sets the bar high and provides a true sense of our future goals." Over the past year, this feeling has only grown.

In the new Medium-Term Management Plan, we will promote various business shifts, an inevitable path to realizing the vision we have set forth in Grand Design 2030. This process also demands decision-making that transcends individual business units. I believe that such dynamic, company-wide—and indeed Group-wide—reallocation of resources is top management's first and foremost role. We will responsibly execute the business shift outlined in the new Medium-Term Management Plan and concentrate resources on Core Strategy 2, a driver of growth. In Core Strategy 3—which entails the creation of next-generation digital businesses—we will also assess the economic and social value generated by each business. Furthermore, while taking into account future expansion potential, we will withdraw from businesses requiring such action and instead concentrate our resources on promising businesses and domains.

As our new Medium-Term Management Plan gets underway, we will do our utmost to dramatically improve the Group's comprehensive corporate value by building stronger, more solid relationships of trust with our clients and by prioritizing dialogue with our stakeholders, including investors, shareholders, partner companies, and company officers and employees. I would like to thank our stakeholders for their continued support.

Toward Becoming a "Co-Creative IT Company"

In April 2023, the SCSK Group announced the new Medium-Term Management Plan (FY2023–FY2025) to realize its long-term vision of becoming a Co-Creative IT Company. A tripartite discussion was held by Chairman Hideki Yamano, and Independent Outside Directors Tetsuya Kubo and Kazuko Shiraishi to concretely reflect the image of the Co-Creative IT Company.

Significance of SCSK's existence

Yamano: I'm going to start on a slightly more casual topic. When I speak with younger people in the company, I often say to them, "SCSK is currently popular. Now is the time to demonstrate what we're capable of." The reason I feel this way is that there seem to be two expectations for our company.

One is society's expectations for companies in general. As public societal institutions, companies have always been committed to fulfilling their social responsibilities and contributing to society in a variety of ways. As climate change and other threats to social sustainability have become increasingly severe in recent years, however, there are even greater expectations for companies to resolve social issues in the course of conducting their business activities. The other is expectations for digital technology. In the 21st century, IT and digital technologies have flourished in what is referred to as the fourth industrial revolution, rapidly enhancing the convenience of people's lives. And digital technology has become vital to corporate business model transformation and growth.

When we view ourselves against this historical background, we are proud that the SCSK Group has the considerable range of responsiveness and technical capabilities to satisfy external expectations and contribute to society's sustainable development, as well as the human resources underpinning these capabilities. With the emphasis on corporate social responsibility and the need to leverage digital technology to create new value, I believe now is the time to capitalize on our strengths and experience to demonstrate the value of SCSK's existence.

Kubo: The concept that a company should be useful to society is undeniable. Who is the company for? A company exists for its stakeholders, which encompass shareholders, customers, employees, and the local community, and it is a social entity. I believe that the Group can only fulfill its reason for being by playing a useful role in society.

Today, our society faces numerous challenges. In resolving such issues, the meaning of the Group's existence is becoming very significant. One of these is digital transformation, or DX. Many issues are related to the SCSK Group in one way or another. The opportunities for the Group's activities have expanded to an extent not seen before, and the industry and the Group companies have high expectations. This heightening of social expectations is very gratifying for our people, as it means that they can contribute to society, which gives them great pleasure.

Shiraishi: The United Nations' Sustainable Development Goals (SDGs) and environment, social, and governance (ESG) initiatives cannot be neglected when it comes to being useful to society. I have many years of experience as a diplomat, and I witnessed the adoption of the SDGs at the UN Summit in 2015 in New York. While the SDGs are an initiative by governments and international organizations to resolve social issues, companies take the lead with regard to ESG initiatives toward solving the issues, and disclose their status to investors. The importance of ESG information is increasing rapidly, and all companies need to take it seriously.

As an IT services company, the SCSK Group has a lot to do to help solve social issues, but disclosing the results in a visible, easy-to-understand manner poses a challenge. It is, for instance, difficult for us—as an IT services company—to set comprehensible ESG goals and tangibly demonstrate improvements, unlike manufacturing companies that use coal and oil. In terms of social contribution, however, the Group has a long history of contributing to society. I am confident we can contribute significantly to solving social issues from this aspect by using IT, one of our strengths. The problem, though, is that results are not instant. We must bear that in mind and continue to make steady contributions.

Yamano: Since the dawn of time, human beings have evolved using tools and technologies that they themselves invented. IT is another of humankind's great inventions. Generative AI has recently emerged, and as

its practical application advances going forward, it will effect dramatic change on the world. We are in the midst of a paradigm shift, and I believe that SCSK can continue to be a link between cutting-edge technologies and people's daily lives—as well as corporate activities—by leveraging the experience and capabilities we have accumulated. As well as being aware of our strengths and positioning, we hope to continue to communicate the value of our existence while proceeding with self-transformation.

What is the Co-Creative IT Company that SCSK wishes to become?

Yamano: The Co-Creative IT Company is the long-term vision we have outlined in Grand Design 2030. I only became involved in SCSK management in 2022. Once I joined, I was surprised at how much the word "co-creation" permeated the company. The word was flying around everywhere in SCSK. So, I thought I would try to interpret the meaning in my own way. The first thing that caught my attention was that the Group's vision is not to be a number one or a leading IT company, but a Co-Creative IT Company. My own interpretation was that they greatly value co-creation and consider it their identity. I then decided to take one more step to discern the meaning of co-creation, and delved into the specifics of "with whom" and "what" to co-create.

I was instantly able to find the answer to "what" to co-create. What is required of us must be the creation of new value, such as social and economic value. As for the other question, "with whom," after some thought, I have concluded that it is collaboration with a broad range of stakeholders. The co-creation partners can extend beyond clients and partner companies to include officers and employees, local communities, and society as a whole, as well as venture companies possessing advanced digital technology, academia, and institutions and organizations such as media, financial institutions, NGOs, NPOs, and even future generations. If our objective as a Co-Creative IT Company is to create new value through collaboration with these stakeholders, then co-creation reaches beyond business and constitutes a contribution to society at large.

Through my own attempts at these interpretations, a vision formed of the kind of Co-Creative IT Company we should aim to be. I felt that it is important to discuss within the company with whom and what to co-create to further raise company-wide awareness toward co-creation.

Shiraishi: When I first heard the term, I likewise felt it difficult to understand with whom, what, and the direction we should take. While everyone within the company naturally understands this well, it may be a little challenging for people outside the company to get a clear picture.

With regard to "with whom" and "what," I am in full agreement with Mr. Yamano. When considering direction, it is often overlooked, but I guess that the phrase "IT for the Next Delight," which is written just below "Co-Creative IT Company" in Grand Design 2030, may aid us in understanding. Once I read this sentence, I was convinced that SCSK aims to be an IT company that supports people's happiness through co-creation, and one that creates such value.

Of course, any company can simply say that it aspires to be a Co-Creative IT Company. I actually wondered if our objectives differed from those of other IT companies. My view is that the answer lies in our material issues, formulated in parallel with Grand Design 2030. In our material issues, there are three societies that we seek to realize through our business activities: "Brighter Society," "Safe and Secure Society," and "Inclusive Society," all of which will underpin our daily lives of happiness. By working toward the achievement of such societies, we should be able to bring the vision of a unique, Co-Creative IT Company to fruition. In the process of promoting such initiatives, I also believe that it is vital to promote activities for conveying the vision we are aiming for in an easy-to-understand manner to facilitate understanding of our objective among stakeholders.

Kubo: The term "co-creation" has been used by numerous companies recently, so it is important to think carefully about what it means to us. What I believe is particularly important is for us to gather more concrete examples of co-creation that will have an impact as a group. Not having these would inhibit understanding on the part of stakeholders, and the spread of the idea, I think. One such example is co-creation with different industries beyond imagination.

Another would be co-creative efforts with the local community. I recently visited Okinawa for an off-site meeting attended by Independent Outside Directors. The Group is helping to promote new urban development using digital technology in Shuri Castle Park and the surrounding area. Given the Group's capabilities, we should be able to increase the number of high-impact cases such as this. By doing so, we will be able to more concretely demonstrate the vision we aim for, both within and outside the company.

Yamano: I, too, am convinced that the Group can do more. The trust and credibility that we have built up through our achievements will certainly serve as the foundation for a broad range of co-creative activities. Meanwhile, to remain a Co-Creative IT Company, it is essential that we continue to hone our own abilities and technical prowess, reinforce our managerial foundation, and strive to maintain our appeal as a company. For us to be sustainable, naturally we need to develop the strength and profitability to survive the competition.

New Medium-Term Management Plan to realize our vision

Yamano: We announced our new Medium-Term Management Plan in April 2023. In formulating the plan, we kept our Independent Outside Directors posted on progress from the framework stage and involved them in discussions as we compiled the plan. We received comments from Independent Outside Directors and we were particularly impressed by their repeated suggestions that we review previous plans and apply the lessons learned, as well as those for the thoroughness of measures to reform our business model. I understand that the point was the importance of committing to the plan, which implicated the necessity to eliminate abstract words and mere slogans.

My own desire for the new Medium-Term Management Plan was enforcement. Looking back at previous plans, there were strategies and measures that were not totally implemented, so I have decided to focus on full enforcement above all else in the new Medium-Term Management Plan. I will work toward the completion of the new plan so that I can proudly say, when asked what the difference is between the previous and new Medium-Term Management Plans, that they differ in terms of level of commitment to enforcement.

Kubo: I believe that the new Medium-Term Management Plan is now more practicable than ever before. Rather than serving as no more than a rallying cry, it has clarified the path that the Group needs to follow to achieve its vision.

As Chairman of the Board, I requested that thorough discussions be done in the review process. To ensure this plan is highly practicable, solid verification of previous plans is essential. The place to start is the analysis and verification of past efforts—successes and failures alike—and after thoroughly sorting out the areas where we fell short, we need to deepen our discussion on future plans.

In my review, I paid particular attention to whether we have shared the profits steadily accumulated since the merger in a way that distributes them equitably to our shareholders, officers and employees, and other stakeholders. This verification process has confirmed to me that we have exercised proper care. This is just one example, but we have also used exact figures in discussing the past before considering the future.

Shiraishi: Since I am the only one of the three of us who was present during the discussion for the formulation of the Medium-Term Management Plan (FY2020–FY2022) ("previous plan"), I would like to mention a comparison with the previous plan. I was able to take part in the discussions regarding this new plan from a very early phase in the process. This was because of the lessons learned from the previous plan. In formulating the previous plan, discussions were dominated by something that had been built up to a certain degree of completion on the executive side, which limited the time available for fundamental discussions. Given this experience, I participated in the

discussions for the new plan from the early stages, which led to richer talks. In the early discussions regarding the new plan, I believed that it was vital to review the framework of our core strategies as well as the need for self-transformation amid drastic changes in the business environment. The executive team listened sincerely to these ideas. I feel that through a series of constructive discussions, we were able to devise a new Medium-Term Management Plan that is highly practicable and easy to act on to realize our objectives.

Kubo: As for the Board of Directors as a whole, the discussion on the new Mid-Term Management Plan elicited a broad range of opinions, and it was so active that it ran over the allotted time. Since the Board of Directors is composed of people from different backgrounds, the members expressed various opinions commensurate with their awareness of the issues, and some comments were based on experience members had acquired at other companies. The fact that we struggled with time allocation also indicates that the discussion came together in a positive way. Our Board of Directors has an atmosphere in which members can ask questions without hesitation, and the new Medium-Term Management Plan was developed amid rapid-fire discussion.

Yamano: Since these discussions did result in the formulation of the new Medium-Term Management Plan, the only thing remaining is implementation. Currently, we are focusing on spreading the holistic goals throughout the company so that they properly cascade to the goals of each organization and individual. Moreover, since an accurate evaluation of results will spark the next motivation, we would like to appropriately evaluate the officers and employees who contributed to the achievement of the plan. I think it is essential to steadily address the evaluation part of the plan to facilitate successful implementation.

Value creation unique to SCSK

Yamano: With regard to how the Group's value creation should be, my view is that we aim to be an outright co-creative company. We are proud to say that the Group is Japan's best health and productivity management company, and fortunately, we have received external recognition in this regard. Next, I would like to work on setting us apart with a determination to become Japan's best co-creative company.

Responding flexibly to customer feedback and the needs of society is vital in achieving this. A form of co-creation is one such example. There are cases in which the Group takes the initiative in co-creation, while in other cases, the reverse is true. There will also be co-creation involving the provision of only certain functions. By considering what we are and are not capable of, and by flexibly pursuing a host of possibilities, we should see an expansion in new business or business opportunities.

This kind of co-creation also demands fresh, flexible thinking. These ideas are undoubtedly created by diverse human resources. It is not something that is possible relying solely on a handful of management's ideas. Capturing the essence of changes in the world requires young people, and middle-aged and senior people to work together to share their collective wisdom. The era we are entering is one in which the outcome will be governed by wisdom. I believe that the co-creativity and competitiveness of the Group will be determined by the quality and quantity of these discussions. And diversity and inclusion (D&I) is crucial in terms of bringing together diverse ideas. If the Group can make progress with D&I, it will further broaden the possibilities. I would like to make SCSK Japan's best co-creative company, where everyone shares wisdom with each other, regardless of age or position.

Shiraishi: I strongly agree with Mr. Yamano's view on the use of human resources. I am particularly fond of the Beyond 2030 initiative. In this program, young employees selected from across the SCSK Group are placed into teams to think about and discuss the Group's future and its contribution to society through its businesses. Each team reports the results of discussions to top management and exchanges opinions. A dialogue between young people and top management is an endeavor with tremendous potential in grasping the needs of the times.

Co-creation by the Group includes not only co-creating with clients, but also co-creation that connects clients with other clients. If clients and employees are isolated like dots, and those dots are not connected horizontally, it is impossible for them to connect or fuse. Examples of such co-creation, however, have already been created. As an example, Dr2GO (P34) is a platform that connects patients, hospitals, local communities, and medical device and drug manufacturers to solve issues in the medical field. It is truly a co-creative project that connects a broad array of stakeholders, typical of the Group.

Kubo: The Group's value creation is yielding steady results. Ms. Shiraishi has provided an excellent example of co-creation. But not all challenges we take on result in success. Still, it is important to take on the challenge of creating new value. The Group has an impressive track record of working style reform and health and productivity management. We have a culture that is

open to giving things a try, without fear of failure. "Nobody is perfect." The atmosphere in which we support each other as a team in attempting to break a barrier—even if there is a degree of failure—creates new value. We live in an era of rapid and drastic change. I expect our people to carry on the challenge of creating new value, without being bound to past success stories and stereotypes.

Toward Long-Term Growth

Shiraishi: What Mr. Kubo just said is also related to the notion of respecting D&I. Having served as Ambassador for Women, Human Rights and Humanitarian Affairs during my diplomatic service, I pay particular attention to D&I. D&I is currently in a transitional period, and as such does not necessarily need to be bound by numerical targets. We are not required to imitate other companies. Since the essence of D&I is providing reasonable accommodations to create a favorable working environment for everyone, I think we should respond by considering what lies beyond such numerical targets.

The SCSK Group has already been selected as a Health and Productivity Stock Selection for nine consecutive years, and as a Nadeshiko Brand for eight straight years. I hope that SCSK will continue to engage in activities to further develop D&I while continuing to show respect for employees in managing the company. One of the challenges facing the IT industry, for example, is securing IT personnel. It is my belief that women are the solution to the IT personnel shortage, and the activation of women is the key to solving this problem. It is my strong desire to promote the expansion and development of female IT personnel, through activities to make female students aware of the Group, and provision of re-skilling training and internal programs for our female employees who wish to work as IT personnel. We hope to develop this kind of D&I unique to the SCSK Group in concrete measures.

From my experience as a diplomat, another area of interest for me is globalization. This promotion was affected by the pandemic. Since the new Medium-Term Management Plan's intent is to expand business with a focus on the ASEAN region, however, I will share my own experience for the project's strategic promotion.

Kubo: The growth of the Group hinges on two key factors. One is to become a unique company. The Group's business continues to expand, but we should not just look to broaden the scale of our operations in a haphazard manner; we should become a company that is recognized externally as being a key player in particular fields. This is also in line with President Touma's idea. I would very much like to see this happen within the three-year period covered by the new Medium-Term Management Plan.

The other factor is the enhancement of employee engagement. We should take the next step, from being a company comfortable to work for, to being one worthwhile working for. Achieving this will require us to make employees and their families feel proud to work for SCSK. We should work to increase the number of employees who empathize with the Group's activities that bring value to society, and those who are willing to contribute to the growth of SCSK. The Group's human resources are its most valuable property, and we have a lot of great people. We need to reorganize our management structure to maximize the power of our people. I am particularly interested in making a contribution to these two issues.

Yamano: While we will continue to face a host of management challenges, we will boldly seize new business opportunities while bearing in mind the SCSK Group's medium- to long-term growth and our vision for the future.

At Board of Directors meetings, Independent Outside Directors regularly provide frank opinions based on their rich experience and expertise. Although the words "internal" and "outside" may give the impression of being in opposition, from the perspective of the Group's sustainable growth and enhancement of comprehensive corporate value, we are one management team that shares the same objectives, and we will continue to work collaboratively, by gathering our wisdom, to bring our vision of becoming a Co-Creative IT Company to fruition.

Value Creation Story

Contents

SCSK's Sustainability Management ····· P25

Grand Design 2030 ····· P31

Co-creation Example Cases ····· P33

Co-creation with clients
- Sumitomo Mitsui Auto Service Company, Limited and SCSKK
- Kurashiki Central Hospital (Ohara HealthCare Foundation) and SCSK

Co-creation with society
- Achievement of a Decarbonized Society by SCSK
- Regional Revitalization and Problem Solving by SCSK

Medium-Term Management Plan ····· P37
- Overall Review of the Medium-Term Management Plan (FY2020–FY2022)
- Outline of the Medium-Term Management Plan (FY2023–FY2025)

Medium-Term Management Plan/Core Strategies ····· P41
- Core Strategy 1: Decisive Business Shifts—Three Shifts
- Core Strategy 2: Development of Market-Leading Businesses in Growth Markets
- Core Strategy 3: Advancement of Next-Generation Digital Businesses through Co-Creation with Society
- Managerial Foundation Reinforcement

Message from the Officer in Charge of Finance ····· P45

SCSK's Businesses ····· P49
- At a Glance
- Strategies by Business Group

Chapter Summary

Leveraging the various capitals we have cultivated over the years, the SCSK Group aims to create a sustainable society through its business, together with its customers and partners, and local communities and society. In this section, we explain the "Value Creation Story" of the SCSK Group toward creation of a brighter future.

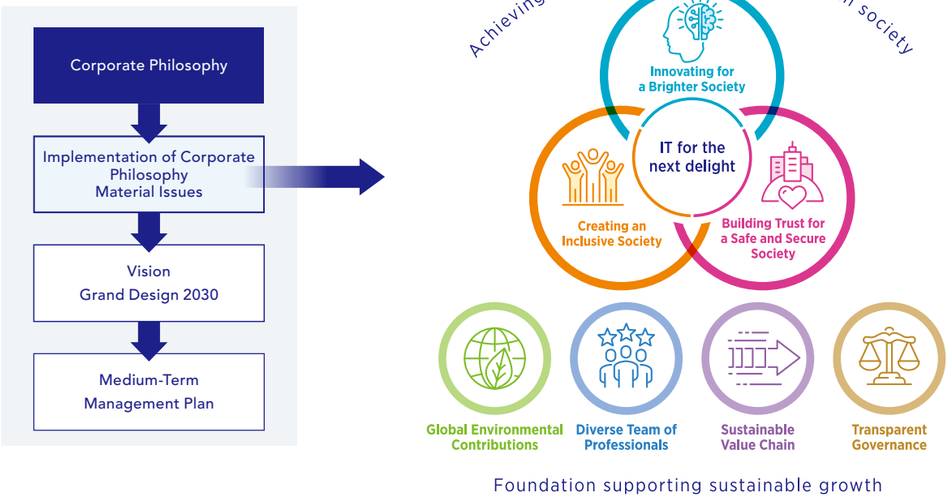
Sustainability Management as a Growth Strategy of the Group

Under the corporate philosophy "Create Our Future of Dreams," the SCSK Group is promoting sustainability management as part of its growth strategy.

We will continuously assess the impact of our business activities on the environment and society and promote improvements. In addition, we will consider changes in the business environment toward the realization of a decarbonized and recycling-oriented society as an opportunity and capture new business opportunities that leverage our core competencies. By so doing, we aim to create economic value and social value which are needed by society and will grow sustainably along with society.

SCSK Group's material issues

In recent years, social issues have become increasingly complex and serious due to rapid changes in the social environment arising from responses to climate change issues and emerging geopolitical risks. Companies irrespective of industry are being called on to conduct management to resolve social issues through their business and achieve sustainable growth together with society. The SCSK Group evaluated a range of issues faced by society from a business perspective, seeking to achieve its corporate philosophy of "Create Our Future of Dreams," and specified the issues that it views as particularly important and that it should prioritize taking action on to achieve growth together with society as material issues.



Achieving sustainable business growth with society

We aim to achieve sustainable business growth by resolving social issues through our efforts to achieve the three qualities of society via our business activities. The three material issues are interrelated and connected to the concept of "IT for the next delight."

Foundation supporting sustainable growth

The "foundation supporting sustainable growth" refers to creating the SCSK Group's management foundation by accelerating ESG-driven initiatives, and at the same time, creating a foundation to realize the upper three material issues.

IT for the next delight

"IT for the next delight" signifies that SCSK Group will continue achieving sustainable growth that supports people's happiness, even if the term IT is expressed using different words in the future.

Examples of initiatives for each material issue

Material Issues		Main Initiative Examples and Results		Related SDGs
Innovating for a Brighter Society	While engaging in co-creation with our customers and partners with a focus on the major changes digital technology is bringing to industry and society, we create greater affluence and comfort by turning technology into innovation to address social challenges and create social value.	● Mobility services that enable safe and secure movement of people and goods (Sumitomo Mitsui Auto Service Company, Limited)	P33	9, 11, 17
		● Dr2GO provides high-quality medical services to contribute to the creation of next-generation healthcare (Kurashiki Central Hospital (Ohara HealthCare Foundation))	P34	
Building Trust for a Safe and Secure Society	Our resilient and reliable business platforms connect customers and partners across industries and support increased safety and security for all by allowing companies to improve the quality of their business activities and people to have better everyday experiences.	● Contributing to creation of a decarbonized society through promotion of decarbonization of companies and the use of renewable energy	P35	9, 11, 17
		● Promoting initiatives for regional development and resolution of regional issues by using digital technology (SCSK Nearshore Systems Corporation, SCSK HOKKAIDO CORPORATION, and SCSK Minori Solutions Corporation)	P36	
		● Swiftly providing highly secure business continuity environment using cloud-based security network services (SASE solutions)		
Creating an Inclusive Society	Our business is global and contributes to growth and development in many countries and regions. We use our understanding of technology and its impacts to help build more inclusive societies that offer more opportunities to more people.	● Preventing financial crimes and providing reliable financial services (BankSavior® series)		8, 10, 17
		● Providing tailored lifestyle support through future asset formation (Asset Formation Lounge Efukuri, an asset formation platform for company employees)		
Global Environmental Contributions	We are addressing the impacts climate change is having on our business while helping create a better global environment by integrating environmental considerations into our business activities and creating and expanding environmentally sustainable business opportunities.	● Promoting more efficient energy usage and utilization of non-fossil certificates aimed at reducing greenhouse gas emissions	P59	7, 13
		● Sharing and implementing activities to reduce greenhouse gas emissions with partner companies	P59	
		● Information disclosure based on the TCFD recommendations	P61	
		● Environmental performance data	P110	
		● Participation in the TNFD Forum	P60	
Diverse Team of Professionals	We are a team of professionals with diverse expertise and experience and a shared set of values. Since we embrace diversity as a source of creativity, we strive to create workplaces and opportunities to engage our team and keep them growing professionally and as individuals.	● Empathetic leadership in transformation, development of professional human resources, and support for autonomous career development	P69	3, 4, 5, 8
		● Providing both a pleasant and rewarding workplace, and making efforts to shift from health and productivity management to Well-Being management	P73	
		● Promoting diversity and inclusion by respecting diverse personalities and values and mutually leveraging potentials of everyone to a maximum extent	P75	
		● Implementing initiatives aimed at respect for human rights (human rights due diligence)	P29	
		● Human resources data	P107	
Sustainable Value Chain	We minimize any negative impacts associated with our value chain. In addition to service quality, we also work with partners to advance environmental and social goals such as sustainability, diversity, human rights and innovation to support our customers' sustainable growth.	● Improvement of quality and productivity through collaboration with partner companies, promotion of introduction of health and productivity management, streamlining of contract-related work, and thorough information security compliance	P80	8, 9, 17
		● Sharing of sustainability policy, explanation of human rights policy, and sharing and implementation of activities to reduce greenhouse gas emissions	P80	
Transparent Governance	We conduct effective management oversight while ensuring transparency and compliance, and have established and maintain management frameworks for sound information and risk management.	● A corporate governance system that realizes sustainable growth	P81	16
		● Enhancing disclosure regarding the officer remuneration system (short-term performance-linked compensation and medium- to long-term performance-linked compensation)	P85	
		● Implementing initiatives aimed at compliance (whistleblower system, fair transactions, and education)	P89	
		● Implementation of appropriate risk management (business continuity plan, advancement of information security, and security incidents)	P90	

Process for Compiling Material Issues

STEP 1

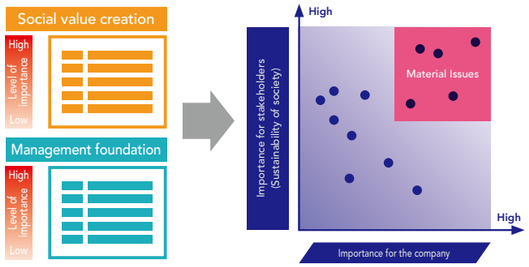
Discussions from perspectives of social value creation and management foundation

- Identified social issues from the perspectives of social value creation and management foundation
  - Perspective of social value creation
    Identified social issues to address from the perspective of achieving sustainable growth by resolving social issues through business (Co-creation with clients and society)
  - Perspective of management foundation
    Identified social issues to consider from the perspective of mitigating negative impacts that business has on the environment and society
    (ISO 26000, SASB, GRI, ESG, SDGs)

STEP 2

Mapping on matrix

- Held discussions on social issues identified in Step 1 from the perspectives of social value creation and management foundation to assess importance
- Assessed the importance of social issues for SCSK and for stakeholders from long-term perspective and mapped them to materiality matrix



STEP 3

Preparation of draft material issues

- Prepared material issues considering importance for both management and stakeholders

STEP 4

Dialogue with stakeholders

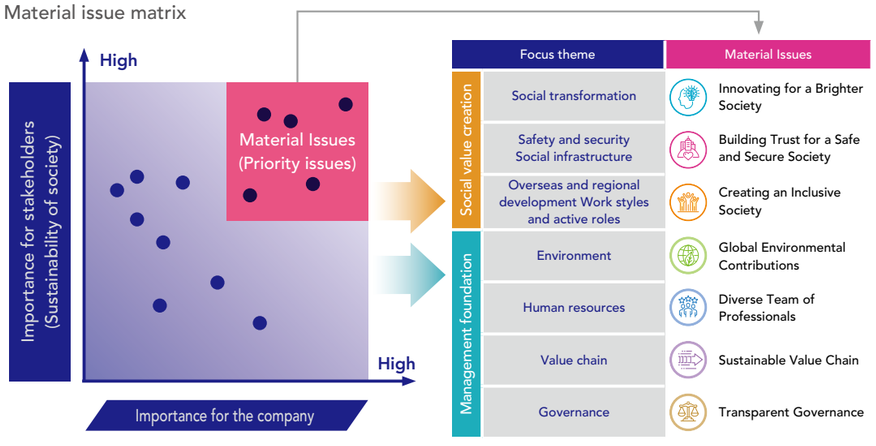
- Conducted interviews of stakeholders (employee questionnaire, outside experts, etc.)

STEP 5

Formulation of material issues

- Formulated material issues after resolution passed by the Management Committee and the Board of Directors

Material issue matrix



Promotion of Sustainability Management and Our Governance System

Promotion of sustainability management

The SCSK Group established the Sustainability Committee as an advisory body to Representative Director and Chairman and Representative Director and President, in order to confirm and review company-wide issues and measures to be undertaken in relation to promotion of sustainability management, which forms part of the Group's growth strategy.

Chaired by a general manager, the Sustainability Committee is composed of Working Group 1 and Working Group 2.

Working Group 1 is chaired by the general manager and comprises members from the executive management team representing the Group Corporate. It confirms and reviews the implementation status of the Company's measures in terms of sustainability and material issues along with future initiatives.

Working Group 2 is chaired by the General Manager of the Business Group who selects the members from among employees of the Business Group and Group Corporate. It reviews matters regarding the SCSK Group's ideal approaches to sustainability management and initiatives to address material issues. These members are selected with the expectations that they will play a role as outspoken leaders of activities to promote the penetration of sustainability within the organization to which they belong and fostering of a corporate culture that embraces sustainability.

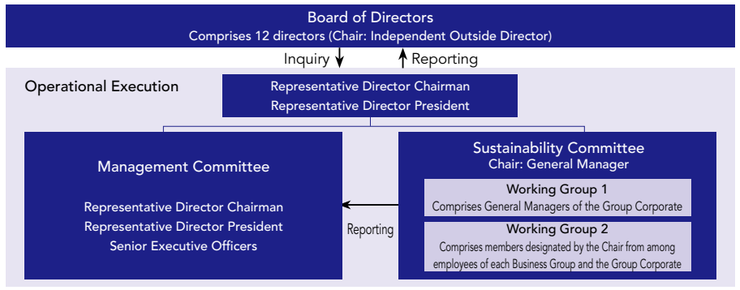
Governance System for sustainability

The Sustainability Committee periodically reports its findings to the Management Committee, and after further discussions are held at the Management Committee from a company-wide management perspective, the Sustainability Committee reports to the Board of Directors, and the Board of Directors provides appropriate supervision.

[Main Matters Reported to the Board of Directors in FY2021]

- Sustainability Management Promotion System
- Activities of Working Group 1 and Working Group 2 of the Sustainability Committee
- Initiatives and examples related to material issues
- Greenhouse gas emissions reduction targets and initiatives for reduction of the SCSK Group
- SCSK Group Human Rights Policy and initiatives toward human rights
- SCSK Group's social contribution activities (CAMP and Earth One)

Governance System for Sustainability and Composition of Meeting Bodies



Message from Outside Director

Sadayo Hirata
Outside Director
(Audit and Supervisory Committee Member)

Besides reporting at meetings of the Board of Directors, last year, I inspected the Company's initiatives related to the Shurijo Castle reconstruction DX business, collaboration with people with disabilities in IT operations and agriculture in Tama City, and programming education for children (CAMP; see page 114). "Seeing is believing." I felt deep empathy for the way each employee took advantage of IT to think for themselves and sincerely take on challenges against many difficulties posed by complex social issues, aiming to realize the philosophy, "Create Our Future of Dreams." I am committed to being even more proactive in making recommendations to management, so that I can encourage this co-creation approach to spread to clients and society through business of the SCSK Group.

Activities of Working Group 1 of the Sustainability Committee

Working Group 1 reviews the implementation status of measures of the Company for sustainability and material issues and any shortfalls. At the same time, in implementing sustainability management, it discusses matters that the SCSK Group should address over the medium to long term, as well as matters, the environment, and policies that the Group should be aware of.

The meetings were held four times in total in FY2022.

[Main Review Themes of FY2022]

- Review of the international information disclosure standards related to sustainability, as well as review aimed to increase the disclosure items in securities reports
- Review of the status of initiatives toward reducing greenhouse gas emissions and their results
- Review of the SCSK Group Human Rights Policy and initiatives toward human rights due diligence, as well as review of the response to the U.K. Modern Slavery Act

[Major Discussions Held by Working Group 1]

We deepened our understanding of the latest trends in information disclosure standards, which are being developed internationally, and reviewed any shortfalls related to our initiatives toward information disclosure. We also reviewed the progress of preparations for disclosure of non-financial information, such as human capital and the environment.

With regard to the environment, we discussed medium- to long-term measures, including the procurement and use of renewable energy, in addition to the fact that continuous efforts to reduce greenhouse gas emissions, including through the supply chain, are important.

We discussed our future efforts in respecting human rights, including in the supply chain.

Topic | Initiatives toward Human Rights

In June 2022, we formulated the SCSK Group Human Rights Policy (the "Policy") based on such international guidelines as "International Bill of Human Rights" and "Guiding Principles on Business and Human Rights."

Conducting Human Rights Due Diligence

In accordance with the Policy, the SCSK Group used external experts to conduct human rights due diligence, with the aim of identifying, preventing, and remedying risks to human rights posed by business activities. The SCSK Group conducts human rights due diligence using processes that are in line with the international guidelines, such as the UN "Guiding Principles on Business and Human Rights," "UN Guiding Principles Reporting Framework," and "OECD Due Diligence Guidance for Responsible Business Conduct."

As the first step, in order to assess the group-wide impact of and risks to human rights, we identified human rights risks that should be addressed with priority, based on risks unique to the business type, region, and each company. The human rights risks identified consist of the following seven categories: risks related to mental health, harassment, human rights infringement related to procurement and contractors, overseas operations, among other risks.

The SCSK Group will add new initiatives in addition to continuing and strengthening the initiatives already in place, based on the opinions of external experts. Through such means and others, we will advance measures to prevent and mitigate identified human rights risks, and thereby strive to conduct business activities in a manner that takes human rights into consideration.

Education and Training

The SCSK Group conducts training related to human rights through e-learning for employees, as well as training for newly hired employees and that for people in managerial positions. In addition, in briefing sessions for contractors held for partners companies, we provide explanations about our "Supply Chain Sustainability Policy (which include consideration for human rights issues, the work environment, etc.)" and "SCSK Group Human Rights Policy," and through conducting a questionnaire, we ask for their understanding and support of each policy item. We provide explanations individually to core partners to receive questions and opinions. By holding such dialogue, we are striving to establish a sound supply chain.

Establishing Remedial Hotlines

The SCSK Group has established a "hotline" and a "whistleblower system (or speak up system)" (see page 90) through which employees of the SCSK Group and partner companies can report and consult on any sexual harassment, abuse of authority, compliance problems they notice in their workplace.

Under its corporate philosophy of "Create Our Future of Dreams," the SCSK Group is working to create a prosperous society together with its stakeholders aiming to become a company that contributes to society through its business activities. Toward this end, one of the promises in our corporate philosophy is "respecting each other," ensuring that we respect the individuality and values of every person involved in our business operations and utilize their skills to the fullest.

The SCSK Group will continue to promote respect for human rights based on its corporate philosophy.

Activities of Working Group 2 of the Sustainability Committee

Working Group 2 is examining measures to "deepen employees' understanding of sustainability management and materiality" and "foster organizational culture" toward the realization of sustainability management, which is the SCSK Group's growth strategy.

When considering measures, each committee member takes the initiative and places importance on the "excitement" that makes people want to participate in the activities.

The working group consists of diverse members from various backgrounds. The working group meets about once a month and exchanges opinions on measures and checks the progress of measures to promote understanding.

[Major Discussions Held by Working Group 2]

- Exchange of opinions among the heads of each business group, subcommittee heads, and subcommittee members toward the dissemination of sustainability management activities (dissemination of understanding and cultivation of culture) in their own organizations
- Report on promotion activities in each organization by committee members
- Exchange of opinions between Chairman Yamano and committee members to promote understanding and foster culture

Topic | Exchanged opinions with Chairman Yamano to promote understanding of sustainability management and materiality and foster a culture

With the aim of promoting employee understanding of and fostering a corporate culture that embraces sustainability management and material issues, the working group members had dialogue with Chairman Yamano, on the status and challenges relating to the activities to promote understanding within the organizations to which they belong, which are conducted at each Business Group and the Group Corporate, and exchanged opinions on future activities.

Activities Undertaken at Each Organization to Which Each Member Belong

Kumi Nakamura
Core Business Innovation Group

At the Core Business Innovation Group, supporters who support the working group members have initiated activities to lead to further activities to promote understanding. Supporters play a central role in checking the status of penetration in their own organizations, and work to elicit interest and concern through information dissemination and dialogue.

As part of efforts to foster a sense of excitement as the key, comprehension tests in the form of quizzes, etc. are conducted, so that people can learn about sustainability management and material issues in a fun manner. We also deepen understanding through dialogue across organizations. These efforts have created new connections that transcend organizational affiliations and have led to the revitalization of the organizations.

Yufuko Hirata
Solution Business Group

The Solution Business Group have been independently holding workshops since FY2021 as an activity to face SDGs and material issues with a sense of ownership. For each workshop, two persons are selected from each division to understand the material issues of their company and other companies and consider points of empathy, and also visit clients. Starting from this fiscal year, we intend to increase the number of participants in workshops and provide more employees with opportunities to learn. By so doing, we will form the basis for promoting sustainability management.

Comment from Chairman Yamano

Working Group 2 of the Sustainability Committee plays an important role in widely disseminating the aims and measures of sustainability management promoted by the Group and gaining understanding within the company.

I hope that the working group first encourages each employee to think about the connection between our corporate activities and sustainability. These efforts take time and steady effort before results are felt. However, that is precisely why it is important that we keep a sense of speed, set goals, and proceed in a planned manner. Let's aim to be a leading company not only in health management but also in sustainability management.

In putting its corporate philosophy into practice, the SCSK Group evaluated a range of issues faced by society from a business perspective, and specified the issues that it views as particularly important and that it should prioritize taking action on to achieve growth together with society as material issues in 2020. At the same time, we have formulated Grand Design 2030 as our medium- to long-term vision, based on our management philosophy and material issues as the SCSK Group's reason for existence. Under Grand Design 2030, we aim to become a Co-Creative IT Company in 2030 by taking initiative in businesses that contribute to the resolution of social issues together with our clients and partners.

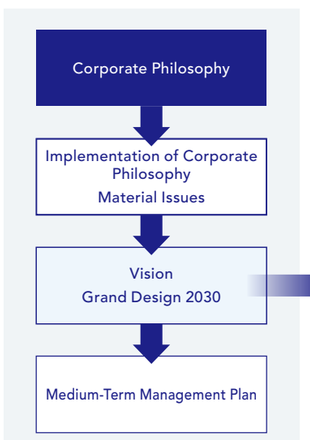
To improve the SCSK Group's essential corporate strength toward realizing our vision, we have set forth the goal, "Challenge net sales of ¥1 trillion," with the aim of dramatic improvements in comprehensive corporate value, which incorporates economic value, as well as non-financial factors such as social and human capital value, and becoming a first-class company that leads in solving social issues based on the creation of value that is not bound by tradition or past standards. As a concrete step toward realization, we are working on a Medium-Term Management Plan.

Management policies for "2030 Co-Creative IT Company"

1 Enhancement and expansion of core businesses
- Contribute to the digitalization and transformation of client businesses as a partner by enhancing human resource and technical capabilities
- Improve earnings capacity to generate growth potential and funds to fuel investments oriented toward future sustainable growth

2 Contribution to the growth of client businesses
- Contribute to address market-wide issues by leveraging intellectual properties and insight in transactions and co-creation with customers

3 Creation of new value for society
- Challenge to create next-generation digital businesses founded on core business insight to lead the resolution of social issues

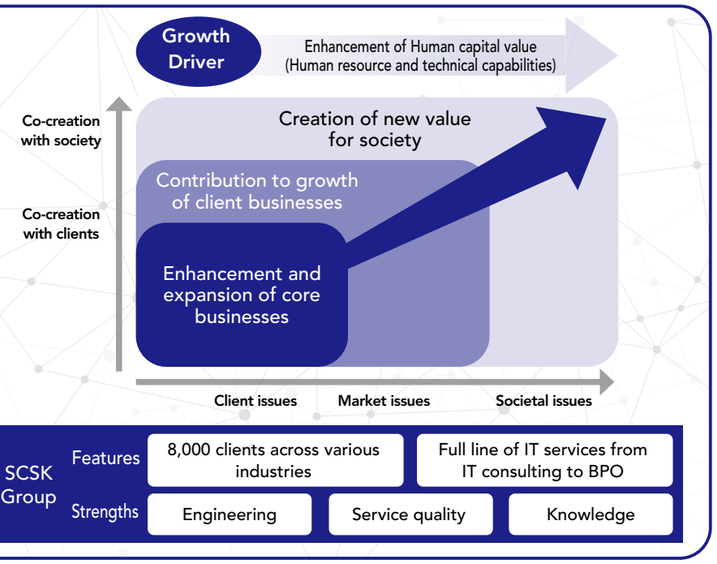


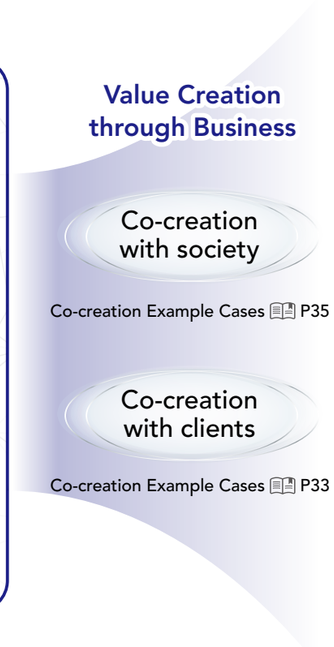
2030 Co-Creative IT Company

— IT for the Next Delight —

SCSK Group aims to be a "Co-Creative IT Company" that promotes co-creation with customers, parter companies, and the community by improving our human capital. It is a corporate group that continues to provide value to address various issues.

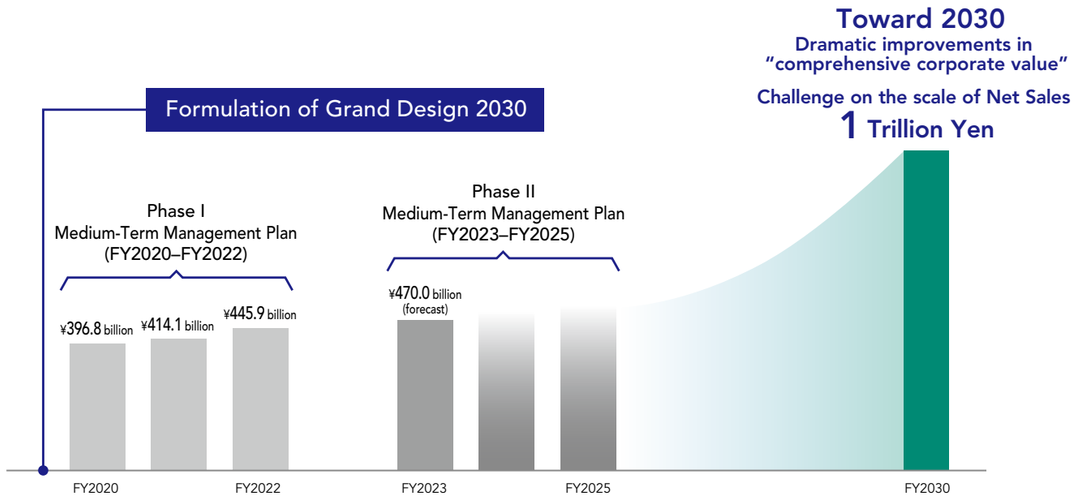
Dramatic improvements in "comprehensive corporate value"
Challenge on the scale of Net Sales 1 Trillion Yen





Timeline for 2030

2030 Co-Creative IT Company — IT for the Next Delight —



Co-creation with clients

Sumitomo Mitsui Auto Service Company, Limited SCSK

Related material issues

Mobility services that enable safe and secure movement of people and goods

Social issues in the background

- Diversification of workforce resulting from aging of society and declining birthrate
- Expansion of corporate social responsibility (CSR) for global environmental sustainability

Value provided to society

- Formation of a safe, secure mobility society
- Achievement of a secure global environment for future generations

The automotive industry is in the throes of a once-in-a-century transformation. The trend toward electrification, autonomous driving, the evolution from ownership to usage, and the integration of all things connected to the car into the social infrastructure —known as CASE—is progressing.

Sumitomo Mitsui Auto Service provides high-quality comprehensive fleet management services based on automobile leasing and has been working to promptly provide new value that satisfies customer needs, based on the vision in its management philosophy: "We contribute to the progress of the automotive society and the improvement of the global environment by continuously providing new values that our customers embraces."

Meanwhile, SCSK is augmenting the development of services that contribute to the resolution of social issues and clients' businesses (maximizing customer value), with the aim of becoming a "co-creation-oriented mobility servicer that leads the SDM* era," based on our management philosophy, "Create Our Future of Dreams."

SCSK and Sumitomo Mitsui Auto Service, which share a philosophy and business vision, have joined forces to create mobility services under the theme of realizing a safe, secure society for the movement of people and goods.

The first such service is ALnote, an app compliant with mandatory alcohol testing with the aim of eradicating drunk driving, which can result in serious accidents. It features a high-operability design to simplify input for the driver, making it easy for everyone to understand. Business operators will be able to easily confirm and record inspection status, which will bolster management oversight and ensure legal compliance.

Sumitomo Mitsui Auto Service and SCSK will further augment their co-creation relationship to deliver innovative mobility services that evolve all aspects of human mobility toward the realization of a safe, secure, and sustainable society.

*Software defined mobility (SDM): Next-generation mobility that helps realize CASE, enabling the creation of value through software

Voice of Client

Hiroshi Oguma
Senior Managing Executive Officer
General Manager, Mobility & EVStrategy promotion Division Sumitomo Mitsui Auto Service Company, Limited

We will continue to provide new value and evolving services toward creating a sustainable future.

The development of mobility services under the theme of realizing a safe, secure society for the movement of people and goods is in line with our management philosophy, and we feel that this initiative is meaningful. ALnote is a response to mandatory alcohol checks aimed at eliminating drunk driving, and it is one example of a solution to a societal issue. We will continue tackling many societal issues through co-creation and work to create a sustainable future. We look forward to building a closer partnership with SCSK and leverage the strengths of both companies to realize a safe, prosperous future.

Co-creation with clients

Kurashiki Central Hospital (Ohara HealthCare Foundation) SCSK

Related material issues

Dr2GO provides high-quality medical services to contribute to the creation of next-generation healthcare

Social issues in the background

- Long working hours for doctors and shortage of healthcare workers
- The concentration of patients in hospitals that provide advanced medical care poorly functioning regional medical care

Value provided to society

- Promoting team-based medical care, enhancing efficiency in securing medical information to improve work styles, and offering standardized medical care
- Enhancing efficiency of patient transport operations and other aspects of healthcare throughout the region

Under Japan's national health insurance system, everyone has access to quality medical services. Hospitals that provide medical services, however, are facing multiple societal issues. These include aging patients, a shortage of medical personnel, the concentration of patients in hospitals that provide advanced medical care, and the burden of coordinating inter-hospital transfers, which is proving a strain on medical care facilities.

To solve these social issues, since 2018, SCSK has been involved in co-creative efforts with Kurashiki Central Hospital—one of Japan's largest medical facilities—to develop and provide the Dr2GO service. Dr2GO leverages IT to reform the work styles of healthcare workers and enhance the efficiency of regional healthcare.

Working style reforms for healthcare workers

To reform healthcare workers' work styles, it is important to have a system that supports patient-centric, team-based care and a system that provides standardized, team-based care.

Dr2GO supports work style reform via information sharing and communication functions specifically for the medical field. In addition, by utilizing AI and distributing information such as guidelines necessary for medical care, we support the provision of medical care that conforms to the guidelines.

Digital transformation (DX) of regional medical care

To alleviate the concentration of patients in hospitals that offer higher quality medical care, it is important to have a system to treat patients at multiple hospitals.

Dr2GO provides a patient transfer mechanism and a mechanism to facilitate information sharing and communication between hospitals, contributing to the realization of medical care that looks after patients in the region.

Future initiatives

SCSK has launched an initiative to revolutionize the operations of healthcare industry, which is connected with hospitals, by utilizing a healthcare platform that enables work style reform for healthcare workers and the digital transformation of regional healthcare. We aim to solve social issues by establishing services that contribute to all people involved in healthcare and promoting DX in the healthcare field.

For more details, please visit our website.
https://www.scsk.jp/sp/dr2go/

Voice of Client

Yuichi Kawase
Chief, Department of Cardiovascular Medicine, Kurashiki Central Hospital (Ohara HealthCare Foundation)

It is our hope that Dr2GO will become a mechanism that contributes to healthcare advancement.

Dr2GO—developed in collaboration with SCSK following an exchange of opinions on functions necessary in the medical field—is used not only for in-hospital treatment in our department, but also as a medical communication platform in the region. It has become an indispensable tool in ensuring continuity of patient care.

As Dr2GO is a tool that also has a potential of further advancement, we believe that it will evolve steadily as we tackle each issue that arises in the medical field.

We hope that the healthcare industry—the foundation underpinning medical care—will actively take part in the Dr2GO project and share their opinions, thereby uniting medical field and industry in support of patients, and forming a system that contributes to the medical care advancement.

Co-creation with society

Achievement of a Decarbonized Society SCSK

Related material issues

Innovating for a Brighter Society | Building Trust for a Safe and Secure Society | Global Environmental Contributions

Contributing to creation of a decarbonized society through promotion of decarbonization of companies and the use of renewable energy

Social issues in the background

- Increasing frequency and severity of natural disasters due to global warming
- Delayed response from companies regarding the realization of a decarbonized society

Value provided to society

- Contribute to decarbonization of companies and help realize a decarbonized society
- Promote the spread of safely, accurately usable renewable energy sources

Driven by concerns that more frequent, severe natural disasters resulting from the advancement of global warming will have a serious impact on social and economic activity, global-scale efforts are underway to realize a decarbonized society. While there is an expectation for companies to work toward reducing greenhouse gas (GHG) emissions—considered a factor in global warming—they are not certain where to start in grasping and reducing these emissions.

In response to these challenges, SCSK is developing services to promote the decarbonization of society.

By providing these services, we accept the challenge of creating new businesses that realize both social and economic value.

Contribute to decarbonization of companies: GX.CONNECT/GX.CONCIERGE

SCSK offers GX.CONNECT, our proprietary core digital solution for its carbon management business.

GX.CONNECT is a platform that provides a one-stop service encompassing everything from data collection to management of energy consumption and GHG emissions to enable emissions management based on detailed data and actual measurements, vital in promoting GX management.

The platform leverages AI, IoT, system linkage, and virtual smart meters to automatically gather, process, and aggregate data toward providing analysis and predictive simulation for decarbonization and energy conservation of companies.

GX.CONCIERGE is a service in which Sumitomo Corporation, ABeam Consulting and SCSK formulate GX strategies and roadmaps and implement GHG reduction measures (such as energy-saving initiatives and use of renewable energy) based on digital technology, for clients' carbon management.

For more information on GX.CONCIERGE and GX.CONNECT, please visit the website.
https://www.gx-concierge.com/
in Japanese only

Dissemination and promotion of renewable energy: EneTrack

EneTrack is a platform service for I-REC domestic use that distributes energy attribute certificates (EACs) of renewable energy safely and accurately. International Renewable Energy Certification (I-REC) is a standard for international energy attribute certification equivalent to REC in North America and GO in Europe.

I-REC is deployed in over 50 countries around the world and can be used for reporting to international initiatives such as CDP, SBT, and RE100.

Energy attribute certificates allow third parties to verify when, where, and how energy was created and by whom it was used.

Through EneTrack, SCSK will contribute to the dissemination of renewable energy by promoting I-REC distribution.

For more information on EneTrack, please visit the website.
https://www.scsk.jp/sp/enetrack/en/

Response to climate change

	Assess current situation, formulate strategy	Reduce CO_2 emissions	Environmental value trading
Market	■ Ascertain emission sources and volume ■ Manage and improve the efficiency of energy use	■ Review operations ■ Review energy usage/availability ■ Review product/service offerings	■ Purchase/trade emission credits ■ Utilize renewable energy attribute certificate
Services provided	GX CONCIERGE: Carbon Management Service Support for GX strategy formulation, plan/measure implementation Powered by Sumitomo Corporation, ABeam Consulting, and SCSK GX.CONNECT: GX management platform		EneTrack Renewable energy attribute certificate of international standard I-REC Platform services

Co-creation with society

Regional Revitalization and Problem Solving SCSK Group

Related material issues

Innovating for a Brighter Society | Building Trust for a Safe and Secure Society | Creating an Inclusive Society

Promoting initiatives for regional development and resolution of regional issues by using digital technology

Social issues in the background

- Labor shortage due to population inflow to urban areas
- Delay in promotion of work style reform in rural areas
- Decline in local economic and social sustainability

Value provided to society

- Promotion of digital transformation (DX) to enhance productivity and eliminate labor shortages
- Contributing to the sustainable development of local communities through the implementation of working style reforms
- Contribution to regional revitalization and problem solving through co-creation by industry-government-academia collaboration

As the decline of the population and workforce continue due to the falling birthrate and aging population, rural areas in particular are faced with numerous challenges. These include labor shortages as a result of the population outflow to urban areas, a decline in diversity of work locations and work styles, a lack of IT human resources causing delays in digitization, and the decline of regional economies and communities.

To address these issues, the SCSK Group is contributing to the creation of IT jobs and the revitalization of the IT industry by reforming work styles in rural areas, promoting the participation of women and seniors in active roles, hiring U-turn (those who return to their hometown for employment) and I-turn (those who relocate from their hometown, usually urban areas, to rural areas for employment) IT engineers, and promoting the development of highly skilled IT personnel.

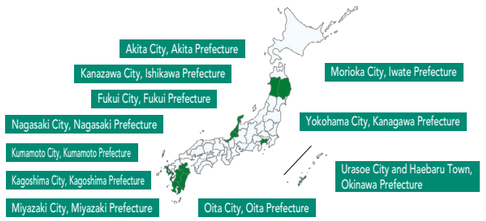
We also aim to create new value for society and work with society to achieve sustainable growth by promoting regional revitalization and problem-solving initiatives through the application of digital technologies and co-creative efforts via industry-government-academia collaboration.

Key SCSK Group initiatives toward solving regional issues

Creation of new jobs and contribution to sustainable regional community development (SCSK Nearshore Systems Corporation)

By establishing a system to ensure stable growth (1,025 employees in the fiscal year ended March 31, 2023) by taking on software development and maintenance projects for which orders were placed in the Tokyo metropolitan area at each regional office nationwide, we will create jobs for IT personnel and develop a regional approach to work styles, thereby contributing to the development of sustainable regional communities.

Nearshore development centers



Promoting industry-government-academia cooperation to solve regional issues (SCSK HOKKAIDO CORPORATION)

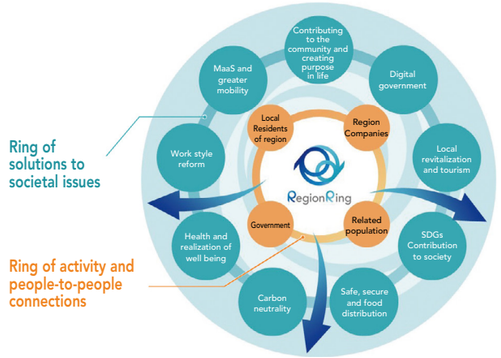
The SCSK Group has concluded a collaborative agreement with Hokkaido University. Through the formation of an open innovation environment centered on IT education and the cultivation of highly skilled IT human resources to promote DX in Hokkaido, we are striving to solve regional issues and contribute to new value creation. We hold programming classes, chiefly for high school and university students, where SCSK Group employees act as facilitators. We also operate The Hokkaido Society 5.0 Future Creation Workshop and other workshops as part of collaborative efforts to solve regional issues with Hokkaido University, supported by the Hokkaido Government and other municipalities.

Region Ring® helps regions achieve economic development and solve societal issues in unison (SCSK Minori Solutions Corporation)

Region Ring® is a blockchain-based digital platform that issues and manages regional currency, points, and tickets. Examples of functions include promoting the use of digital currency in local shopping areas and stores, stimulating local consumption, boosting tourism, and promoting digital government. Our aim is to help each region realize its vision by creating new community activity via digital currency, thereby contributing to the revitalization of the regional economy and society.

*Region Ring® is a product of Mitsubishi Research Institute, Inc. (MRI). The SCSK Group is responsible for system development and operation, and provides the service together with MRI.

A prosperous and sustainable world in an era with a global population of 10 billion and lifespans of 100 years



*Region Ring® is a registered trademark of Mitsubishi Research Institute, Inc.

Medium-Term Management Plan

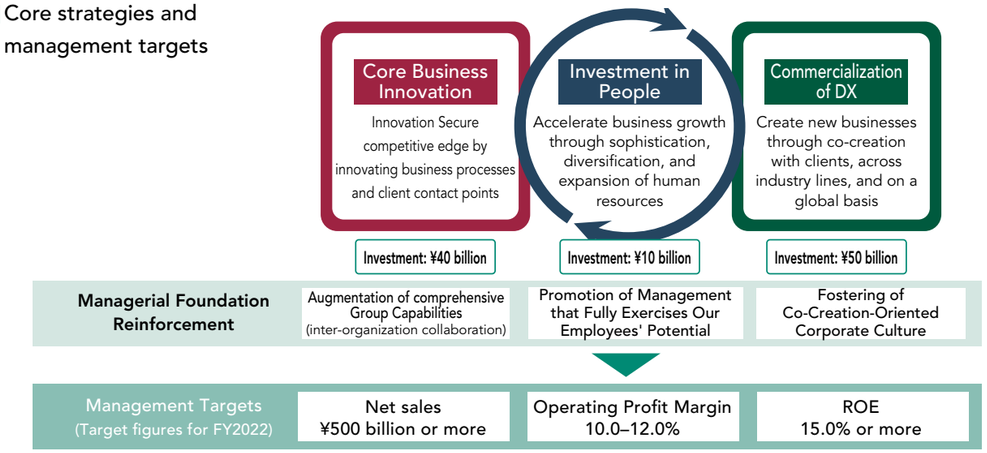
Toward 2030 Medium-Term Management Plan Phase I

Overall Review of the Medium-Term Management Plan (FY2020–FY2022)

Medium-Term Management Plan (FY2020–FY2022), which covered the three-year period beginning in April 2020, promoted initiatives based on the core strategies of core business innovation, commercialization of DX, and investment in people.

Despite the considerable impact of the COVID-19 pandemic, progress was made along the planning lines in all of the core strategies. Meanwhile, we achieved steady business growth and reached a record-high net sales and operating profit, despite limited contribution to earnings from core business innovation and commercialization of DX, as we responded to our customers' robust strategic investment in promoting cloud computing and digitalization in existing areas.

Core strategies and management targets



Progress of core strategies

	Overview of progress	Investment plan	Investment results
Core Business Innovation	**Business processes: *Monozukuri* innovation** [++] Newly developed "*Monozukuri* innovation" platform, S-Cred+ [+] Promoting utilization of S-Cred+ platform **Client contact point: Subdivision innovation** [+] Developing service managers as the core of strengthening client contacts	¥40 billion	¥33.6 billion
Commercialization of DX (Four key areas of focus)	**Mobility Field** [+] Strengthened relationships with clients and partners and conducted trials of new services **Financial Service Platform Field** [++] Created TAMP business and the Efukuri business in the wealth management marketplace **Healthcare Field** [++] Developed new service with Dr2GO as centered for the work style reform of medical workers and the efficiency improvement problem of regional medical treatment **CX Field** [+] Released related product of "altcircle", client contact points service	¥50 billion*1	¥15.1 billion
Investment in People	[++] Developing advanced engineers(AI, Agile and Cloud) [++] Increased the number of new graduates and mid-career recruits [++] Expanded nearshore bases to 12 in 11 prefectures nationwide (1,025 employees)	¥10 billion	¥9.6 billion
	Total	¥100 billion	¥58.3 billion

*1 Including M&A

Major Managerial Foundation Reinforcement Measures

Augmentation of Comprehensive Group Capabilities	• Reorganization of Group to facilitate approach toward middle market companies (Establishment of SCSK Minori Solutions) • Established development center as nearshore development strategy (FY2020 Akita and Ishikawa, FY2022 Oita and Nagasaki) • Augmentation of contact center facilities in BPO business • Verification services business Entry into video game QA market and establishment of R&D base in Vietnam
Promotion of Management that Fully Exercises Our Employee's Potential	• Introduction of multi-track personnel system • Implemented measures of the Diversity & Inclusion (Promotion of female line managers, Work-Life Balance Support such as child nursing or nursing care and measures related to LGBTQ) • Senior Expert Program (Implementation of program allowing for ongoing employment past age 65)
Fostering of Co-Creation-Oriented Corporate Culture	• Future Creation Program Commercialization and supply of EneTrack renewable energy certificates transaction and tracking service • Beyond2030 Program for discussion about the future of the SCSK Group between young employees and senior management

FY2022 results

	FY2019	FY2022		
	Results (J-GAAP)	Targets	Results (IFRS)	(Compared to FY2019)
Net sales	¥387.0 billion	¥500.0 billion or more*2	¥445.9 billion	(CAGR 4.8%)
Operating profit	¥42.3 billion	—	¥51.3 billion	(CAGR 6.7%)
Operating profit margin	10.9%	10.0–12.0%	11.5%	(+ 0.6pt)
ROE	15.6%	15.0% or more	14.4%	(–1.2pt)

ROIC maintenance target level during the Medium-Term Management Plan period: 10.0–12.0% ⇒ 11.9%

*2 Includes inorganic sales growth through M&A

Toward 2030 Medium-Term Management Plan: Recognition of current state of affairs toward phase II

To support continued sustainable growth in uncertain times when changes in the business environment are accelerating and the future is challenging to predict, we will engage in self-transformation by restructuring our business fields and business model more thoroughly than in the past in Phase II of our Medium-Term Management Plan toward 2030.

External-Environment

◆Social Trend
- The Japanese government promotes digitalization to strengthen international competitiveness
- Segmentation and instability of the supply chain due to geopolitical risks, and soaring prices/labor costs against the backdrop of the energy situation

◆Client Trend/IT Service Industry Trend
- Increasing interest in in-house production of IT to respond to changes in the marketplace
- Shortage of IT professional and intensified competition to acquire IT professional due to in-house production

Internal-Environment

◆Issues of SCSK: Three Stagnations

(1) "Client relationship"
- Client, business field, service, and client relationship

(2) "Business models"
- Sales methods, business models and pricing

(3) "Organizations/People"
- Assignment, roles, work experience, culture, philosophy, etc.

◆Core strategy issues

[Core business innovation]
(*Monozukuri* innovation)
- S-Cred+ Description Acceleration

(Subdivision innovation)
- Acceleration of consulting activities, such as recommendation and proposal, that contribute to solving client

[Commercialization of DX]
- Acceleration of solving social issues through our business
- Early contribution to earnings during the next Medium-Term Management Plan period
- Revitalize business creation and promote market expansion, including the establishment of new business areas

◆Advanced Technologies Trend
- Expand practical application areas for AI, robotics, and IoT techniques
- Continued emergence of new technological innovations, such as quantum computing

Toward 2030 Medium-Term Management Plan Phase II

Outline of the Medium-Term Management Plan (FY2023–FY2025)

In April 2023, the SCSK Group announced its latest Medium-Term Management Plan (FY2023–FY2025).

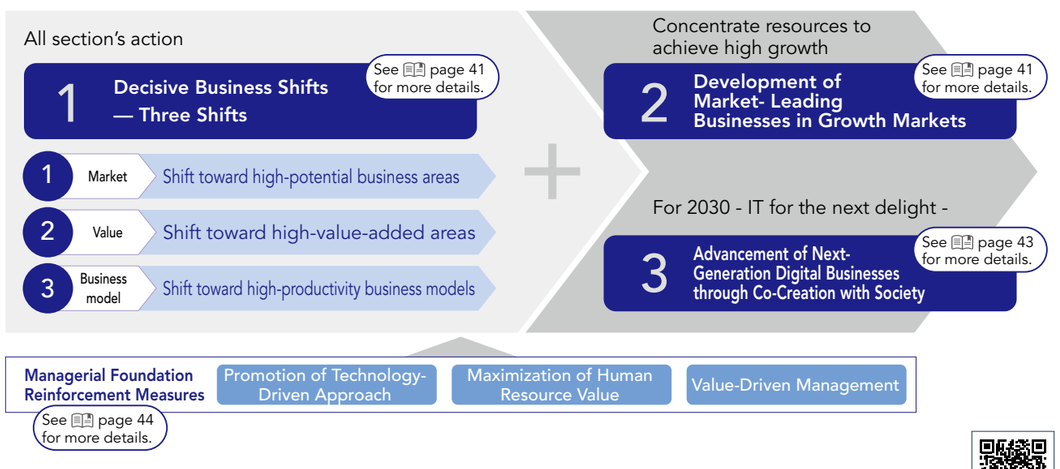
This Medium-Term Management Plan is positioned as Phase II of the plan toward the realization of Grand Design 2030. In addition to restructuring our business fields and business model and actively working on areas that provide Group-generated new value, we will shift to a more highly profitable, productive business model. We will also work to maximize each employee's market value by fostering a work environment in which employees can fully demonstrate their abilities and by selecting and building business fields and business models. Specific efforts to promote these initiatives are summarized in our Group core strategies.

Group core strategies

Policy

Pursue dramatic improvements in "Comprehensive Corporate Value" through:

- Reorganization of business areas and redevelopment of business models to continue providing new value to clients and society
- Maximization of the market value of all employees based on the recognition that the growth of employees drives the growth of SCSK Group



Details of the Medium-Term Management Plan are also available on our website.
https://www.scsk.jp/ir/management/mid_term.html

What is "comprehensive corporate value"?

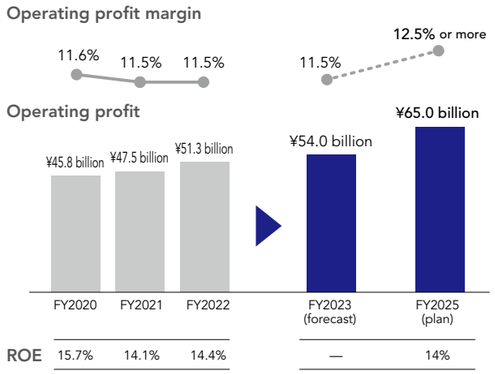
Value to be created by utilizing the SCSK Group's fundamental corporate capabilities in practicing sustainability management as a growth strategy and working to become a Co-Creative IT Company in 2030 under SCSK Group Medium-Term Management Plan (FY2023–FY2025). Value including both economic value and non-financial factors such as social value and human capital value*

* Economic Value : Value that is reflected in market capitalization (market's evaluation) as a company with significant earnings power and growth potential pursuing long-term profit growth
Social Value : Value deemed to contribute to a sustainable society by address in environmental and social issues
Human Capital : Value of skills drawn out through investments positioning human resources as a form of capital (skill development, workplace environment, etc.)

Management indicators (financial)

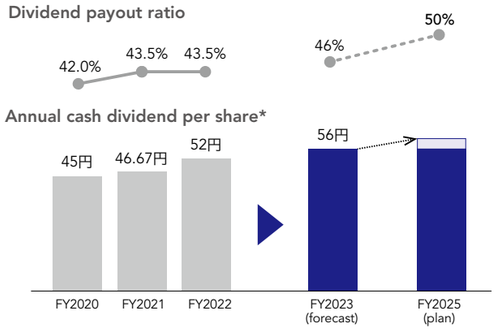
Financial targets

Aiming at high profit growth by reorganizing of business areas and redeveloping of business models for sustainable growth



Shareholder returns

Expand shareholder returns with increasing the dividend payout ratio in line with earnings growth



* Effective October 1, 2021, the Company conducted a three for-one stock split of its common stock.
Results prior to the stock split have been converted to reflect the stock split.

Growth investment

Aggressive investment of ¥100 billion over three years to further strengthen the SCSK Group's strengths

Management indicators (non-financial)

Human resources portfolio/ human resource development

- Consulting and business design personnel
- Certificated advanced engineers
- Advanced PM personnel
- Certificated IT engineers for the Digital Skill Standard Training

P68

Well-Being/ D&I promotion

- Engagement
- Performance Volatility
- Number of female department managers

P68

Contributing to Reducing Environmental Impact and Achieving Zero-Net

- Reduction rate of greenhouse gas emissions
  Scope1 + 2 (fiscal 2030 and 2050)
  Scope3 (fiscal 2030)

P59

Toward 2030 Medium-Term Management Plan Phase II

Group Core Strategies

Core Strategy 1 Decisive Business Shifts—Three Shifts

In core strategy 1, we will be re-organized and business models will be redeveloped to adapt to operating environment changes and achieve sustainable growth.Moreover, we will create investment capacity and growth capacity toward sustainable growth while improving profitability to transform our corporate structure by overcoming the three stagnated elements that three stagnations for the SCSK Group:"Client relationship", "Business models" and "Organization/ People" (>p.38).

1 Market — Shift toward high-potential business areas

<Target>

Sales Growth Rate
Over 10% of business and personnel rate

FY2022	FY2025
Approx.40%	60% or more

Companywide Measures

- Decisive businesses through selection and concentration
- Expansion of businesses with growth potential
- Re-skilling to target fields

2 Value — Shift toward high-value-added areas

<Target>

Gross Profit Margin
(Domestic IT Service except products sales)

FY2022	FY2025
26.5%	29.0% or more (+2.5% or more)

Companywide Measures

- Company-wide use of intellectual property and commercialization of materials
- Expansion of consulting functions
- Acquiring and developing advanced technologies
- Presentation of fair value
- Cost control

3 Business model — Shift toward high-productivity models

<Target>

Increase Rate of Operating Profit per employee
(Domestic IT Service)

FY2022	FY2025
¥4.7 million	¥5.7 million or more (+20% or more)

Companywide Measures

- Centralization of System Development/ System Maintenance and Operation/ Services
  (From individual response for each client to centralized response)
- Promotion of low-code/no-code development
  (Promotion of utilization of S-Cred+, etc.)

Core Strategy 2 Development of Market-Leading Businesses in Growth Markets

Regarding core strategy 2, the SCSK group will pursue high growth while contributing to market growth by exercising its strengths in growing markets and technology areas related to cloud and digital technologies. Moreover, we will be reallocated in a manner that is not within resources of current organization, advanced technologies will be utilized in an organization-wide manner, and SCSK Group will constantly seek out new target businesses.

Net Sales
FY2025 ¥200 billion
↑
FY2022 ¥130 billion
(CAGR 15.4%)

Social Issues

Global
- Disruptive innovation driven by technological progress
- Cyberattacks on companies and organizations
- Climate change and Decarbonization
- Geopolitical risk

Japan
- Population aging
- Population decline
- Aging of social infrastructure
- Catastrophic and frequent large-scale natural disasters etc.

Social Trends
- Progress in data-driven management
- Business innovation in each industry
- Mobility revolution etc.

Leading Cloud&Digital

Modernization services for solving social and customer issues
- Manufacturing field (Digital Supply Chain, atWill)
- Financial field (AML, Wealth Management)
- Mid-sized company data-driven management support (ProActive)
- BPM (Business Process Modernization)

Innovation services for new value creation
- Healthcare (Support for digital business reforms for the medical field)
- Mobility (Mobility software leading SDM era)

Integration services supporting society's digitalization
- Security
- Data integration
- Cloud integration

↕

Market expansion capturing the trend of digitalization
- Global Business (Digital reforms in emerging markets)

【AI】 Machine Learning/ Deep Learning

【IoT】 Sensing/Edge

【Blockchain】 Web3/NFT

【Security】 Zero Trust/Encryption

【Data analysis】

Modernization services for solving social and customer issues

Manufacturing field	**Digital Supply Chain** Support for supply chain innovation utilizing digital technologies for manufacturers capitalizing on SCSK's robust track record in delivering SAP and other ERP services and related engineers as well as business expertise fostered by developing systems for major manufacturers. **atWill (Vertical SaaS)** Provision of multi-platform and tenant SaaS services for specific manufacturing business models based on intellectual properties founded on robust delivery track record for SCSK's proprietary atWill solution to contribute to growth and competitiveness of middle market manufacturers and manufacturing SMEs.
Financial field	**Anti-money laundering** Supply of BankSavior, CardSavior, and other comprehensive SCSK support solutions complying with FSA and METI Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism to banks, securities companies, insurance companies, credit companies, financial service providers, and other financial institutions; plans to expand scope of services to accommodate areas such as cryptocurrency and trading. <Topics> SCSK selected as assisting company in FSA program for projects enhancing anti-money laundering measures. **Wealth Management** TAMP: Expansion of service lineup centered on Advyzon to support operations based on fiduciary responsibilities for security companies, regional banks, independent financial advisors, and other financial brokers. Efukuri: Enhancement of functions and information provision to supply robust welfare services, including those that support asset building by employees of adopting companies. <Topics> Alliance with MILIZE Co., Ltd., which has strengths in AI and financial technology
Mid-sized company data-driven management support	**ProActive** Support for digitalization and transformation of middle market companies supporting domestic economy by enhancing user interface/experience of cloud ERP services and bolstering sales management and other functions centered on ProActive ERP package.
BPM	**Business Process Modernization** Support for resolution of customer issues (ongoing acquisition of customers and business process streamlining, etc.) by redesigning business processes with IT and digital technologies based on data and knowledge accumulated in relation to client contact points and business processes. <Topics> Acquisition of Inet Support Inc.

Innovation services for new value creation

Healthcare	**Support for digital business reforms for the medical field** Response to healthcare professional shortage, lacking regional healthcare functions, and other social issues through deployment of SCSK's proprietary Dr2GO solution to hospitals; development of new earnings foundations through sophisticated digital promotion services for pharmaceutical and medical device companies and data services for streamlining drug development using Dr2GO. <Topics> Began a business alliance with 4DIN Ltd. in the real-world evidence business for the pharmaceutical industry and academia.
Mobility	**Mobility software leading SDM era** Development and sales of software for SDM era based on QINeS-BSW track record; pursuit of position as industry-leading software-driven supplier by utilizing insight and expertise to adapt to changes in automotive industry; support for realization of a safe and secure society while catering to needs for high levels of quality in applicable fields with proprietary verification technologies. <Topics> Basic agreement reached with Honda Motor Co., Ltd. on a strategic partnership in the area of software development

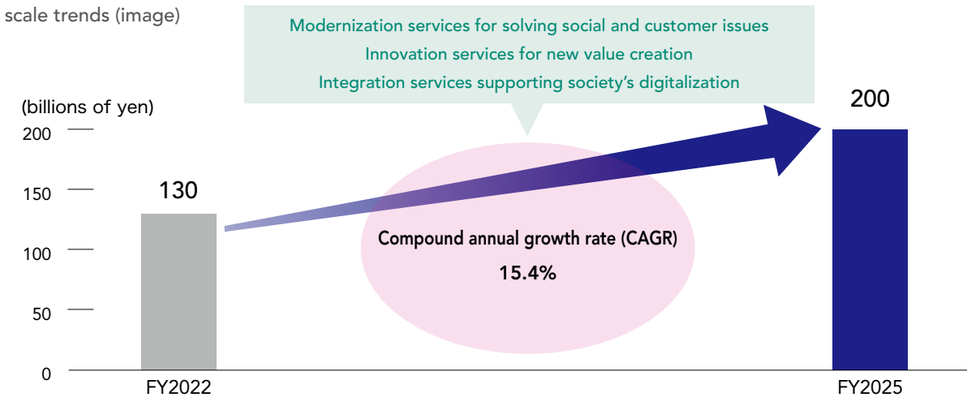
Integration services supporting society's digitalization

Security	Contribution to resolution of increasingly complexly and complicated cybersecurity issues by utilizing systems integration consulting, platform development, and operation services and combining highquality products built on cutting-edge technologies <Topics> Establishment of dedicated security company
Global Business	**Digital reforms in emerging markets** Promotion of M&A activities and other strategic initiatives while approaching local companies in ASEAN region through efforts focused on SCSK's competitive digital services and intellectual properties.

Medium-Term Management Plan / Core Strategies

Core Strategy 2 (Continued)

Sales scale trends (image)



Core Strategy 3 Advancement of Next-Generation Digital Businesses through Co-Creation with Society

In core strategy 3, by leveraging on our core business insight, we will lead the creation of completely new, next-generation digital business and of new value for society. New business possibilities will constantly be explored in areas based on the SCSK Group's material issues.

GX field
Promoting businesses to realize GX in society
- Promoting the use of renewable energy
- Carbon Management, etc.

Security field
Contributing to the realization of a safe and secure digital society in response to intensifying threats from cyber-attacks
- Anti-fraud measures using advanced technologies, etc.

Customer experience field
Utilizing digital technologies to realize a rich customer experience for diversifying values and lifestyles in the use of products and services

Regional Revitalization/Responding to regional issues
Promoting initiatives for regional development and issues-solving by digital technology
- Revitalization of regional economies through digital currencies
- Regional co-creation model development, etc.

Healthcare～Self-care field
Contribute to improving health and solving issues in the self-care field by measures to presymptomatic disease and preventing illness cultivated in the healthcare field
- Realization of measures to presymptomatic disease and prevention of illness, contribution to reduction of medical costs, etc.

Wealth management field
In order to support a prosperous Second Life in the age of 100 life, we will utilize digital technologies to improve the financial literacy of each individual and contribute to asset building

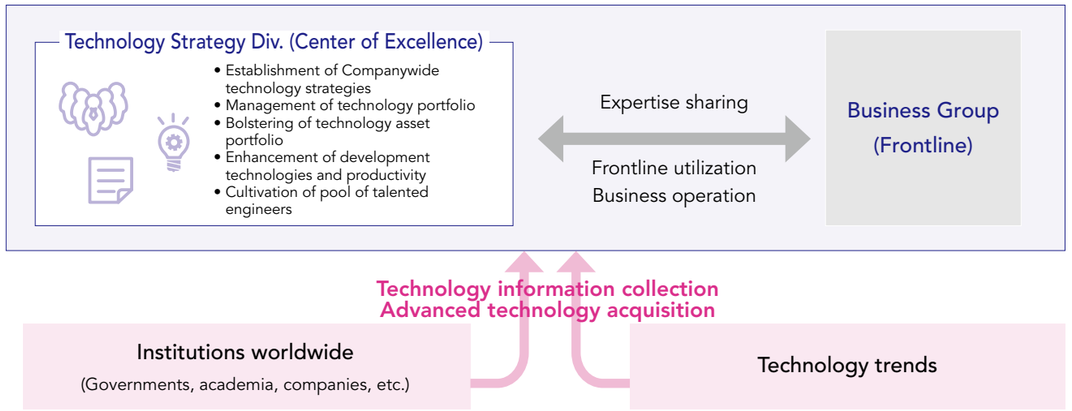
Managerial Foundation Reinforcement Measures

In promoting our three core strategies, we will undertake three initiatives to reinforce our management foundation: "Promotion of Technology-Driven Approach," "Maximization of Human Resource Value," and "Value-Driven Management."

Promotion of Technology-Driven Approach

We will create new value and develop new businesses by acquiring advanced technologies, and expand the number of highly advanced engineers for social implementation. We will also further strengthen open innovation by making business expertise, copyrighted works, and more accumulated over many years into intellectual property, enhancing intellectual property value by promoting the use of intellectual property to resolve customer issues at all customer fronts, and strengthen 5 the promotion of open innovation, such as collaboration with venture companies through fund investments and other means.

Creation of New Value and Exploration of New Businesses



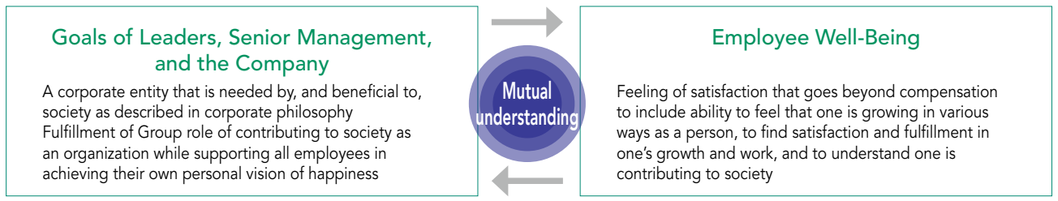
Maximization of Human Resource Value

SCSK Group Medium-Term Management Plan (FY2023–FY2025) defines the policy of "Maximization of the market value of all employees based on the recognition that the growth of employees drives the growth of the SCSK Group." In implementing this policy, we aim to facilitate contributions from diverse employees by promoting diversity and inclusion as well as Well-Being and health and productivity management. We will also seek to lay the appropriate foundations through the improvement of our human resource portfolio based on business strategy and compensation and remuneration systems.

Value-Driven Management

The SCSK Group is promoting Value-Driven Management based on the fact that fostering mutual understanding between employees and the company (including leaders, senior management as such) can drive the creation of new value to degrees that could not be realized by a single individual or company.

Mutual understanding regarding individual growth and Well-Being



Mutual understanding pertaining to corporate philosophy, business vision, raison d'être, and future direction

Message from the Officer in Charge of Finance

Yasuhiko Oka
Managing Executive Officer
In charge of Finance, Accounting and IR

——Please review the Company's performance for the fiscal year ended March 31, 2023.

Performance in this past fiscal year was more heavily weighted toward the second half than in previous years. As the acceleration of digitization drives an increase in the strategic importance of IT systems in client companies, the participation of diverse stakeholders, including not only the IT department but also corporate planning department and business sites, has become more prominent in system implementation. Consequently, there is a trend of taking longer time for requirements definition, which is an initial phase of system development, and compared with the implementation phase, we believe that the conversion from orders to sales must also require more time. Against this backdrop, the fiscal year ended March 31, 2023 began with lower profits owing to the concentration of the initial phases of large development projects in the 1st quarter, an increase in depreciation expenses related to business investments, and the impact of rising electricity costs. The turnaround to higher profits was mainly attributable to the progress of large-scale development projects into the full-scale implementation phase, resulting in record full-year profits and the 11th consecutive year of increased sales and profits since the merger.

Meanwhile, both net sales and operating profit fell short of initial forecasts (net sales of ¥450 billion and operating profit of ¥54 billion). In terms of net sales, prolonged delay in sales conversion in the 1st quarter were longer than anticipated. With respect to operating profit, in addition to the reasons behind the failure to achieve net sales, it was also due to higher recruiting-related expenses to bolster human resources, and increased personnel expenses. However, we believe that the most significant factors were direct losses due to loss-making projects and the resulting opportunity losses.

Results for FY2022 (year on year)

(Unit: billions of yen)	FY2021	FY2022	Change	Rate of change
Net sales	414.1	**445.9**	31.7	7.7%
Gross profit	108.1	**117.6**	9.4	8.8%
Gross profit margin	26.1%	**26.4%**	0.3%	
SG&A expenses*	(60.6)	**(66.3)**	(5.6)	9.4%
Operating profit	47.5	**51.3**	3.8	8.0%
Operating profit margin	11.5%	**11.5%**	0.0%	
Profit attributable to owners of parent	33.4	**37.3**	3.8	11.4%

* Including other income and expenses

The growing strategic importance of IT systems has led to the systems becoming increasingly large and more complex. In addition to strengthening SE+ and utilizing the S-Cred+ platform, initiatives which had been underway for some time, we will further strengthen project management, such as through the development of advanced PM personnel, one of the non-financial indicators in our new Medium-Term Management Plan (FY2023–FY2025), and deepen communication with our clients, with the aim of reducing loss-making projects and thereby boosting profitability.

P99 Performance Analysis (FY2022)

——Please share your assessment of the financial targets of the Medium-Term Management Plan (FY2020–FY2022).

Under the Medium-Term Management Plan, which started in FY2020, the Company established three core strategies of 'core business innovation', 'commercialization of DX,'and 'investment in people' to achieve the goals of net sales of ¥500 billion or more, operating profit margin of 10.0%–12.0%, and ROE of 15% or more.

Looking back at the financial targets, we did not achieve our net sales target due to mild stagnation in organic growth due to COVID-19 and the failure to realize inorganic growth through M&A. The absolute amount of profit was accordingly lower than expected, resulting in an ROE of 14.7%. Meanwhile, regarding profitability, the Company was able to absorb costs derived from business investments for the future and achieve an operating profit margin of 11.5%. Accordingly, we assess that productivity improvements in existing business domains are ongoing.

——Please comment on business investment in the Medium-Term Management Plan.

During the three years of the previous plan, we invested ¥58.3 billion in total in the core strategies: 'core business innovation', "commercialization of DX," and "investment in people." We believe that the various measures, including the construction of the S-Cred+ *monozukuri* innovation platform, the creation of service development and platform businesses such as 'Dr2GO', 'TAMP', and 'Efukuri', and investments in sophistication and development of human resources, have generally progressed as planned. Going forward, we intend to link the results of the previous Medium-Term Management Plan's initiatives to the new plan, and firmly link them to our business performance.

——What kind of investments do you intend to make under the new plan? And can you provide background on the need for those investments?

We believe it is necessary to fundamentally change our business portfolio if we are going to achieve 'the dramatic improvements in comprehensive corporate value'set forth in Grand Design 2030. For this purpose, we will work to transform our business portfolio by promoting the three core strategies of the new Medium-Term Management Plan. In core strategy 1, 'Decisive business shifts', we intend to break through the challenge of the three immobilized elements facing the SCSK Group by making a drastic selection of businesses among all existing businesses from the perspectives of profitability and growth potential, reallocating resources to business areas with potential for growth, and shifting to high-value-added areas and high-productivity models. Moreover, under core strategy 2, 'Development of market-leading businesses in growth markets', we intend to achieve high growth by focusing companywide resources, including those generated under core strategy 1, on businesses in markets and technological areas that we deem are poised for growth. Our aim under core strategy 3, 'Advancement of "next-generation digital businesses" through co-creation with society', is to create "next-generation digital businesses" not bound by tradition or past standards originating from the SCSK Group's materiality, such as businesses for the realization of social green transformation (GX) and regional revitalization and problem-solving domains leveraging digital technology, while utilizing the knowledge of our core businesses.

We plan to invest a total of ¥100 billion in the areas of "'M&A'", "'R&D/Business development', and 'investment in people' toward realizing this strategy. In FY2023, we have already conducted M&A to augment our BPO business. We further plan to allocate ¥50–70 billion to M&A over the three years to help bolster our competitiveness in growth markets and technology areas, not only in Japan but also in the ASEAN region and other markets abroad.

In the area of 'R&D/business development', we plan to invest ¥20–30 billion in R&D to develop and expand our own intellectual properties, in domestic and overseas venture investments and alliances with the aim of researching cutting-edge technologies, and in capital expenditures to reinforce our management foundation. We have already announced alliances we have formed with MILIZE Inc., with an eye toward co-creation in DX support to financial institutions and the financial service platform domain, and 4DIN Ltd., which works to create data services in the healthcare domain. Through these alliances, we hope to further enhance the added value of the Group's services.

Message from the Officer in Charge of Finance

With regard to 'investment in people', we plan to invest ¥10 to 20 billion to cope with intensifying competition for human resources and for the training and recruitment of highly skilled engineers and consultants.

Through these investments, we intend to steadily execute the new Medium-Term Management Plan and further accelerate the business growth of the SCSK Group toward 2030.

——How will the investments be financed?

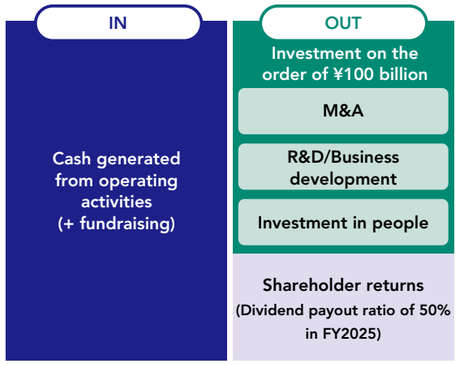
In pushing forward the Medium-Term Management Plan, our basic policy is to utilize our own funds from internal reserves as well as cash flow from operating activities to meet the capital requirements for strengthening and expanding our business.

Meanwhile, we anticipate that fundraising may be necessary depending on the progress of M&A and other investments. If such cases arise, we will undertake a variety of financing methods. These include borrowing from financial institutions, utilizing syndicated loans, and issuing different classes of bonds.

As for the Company's current financial position, as of March 31, 2023, the Company had interest-bearing debt of ¥31.7 billion through bank loans and issuance of bonds, with a debt/equity ratio of 0.12 times, and an equity ratio attributable to owners of parent of 62.4%, which indicates that the Company has established a sound financial base. The Group's credit rating is' A+*1', attributable partly to the evaluation of the Group's continuous business growth and resulting sound financial base.

*1 Long-term credit rating by Japan Credit Rating Agency, Ltd. (JCR)

Cash flow allocation



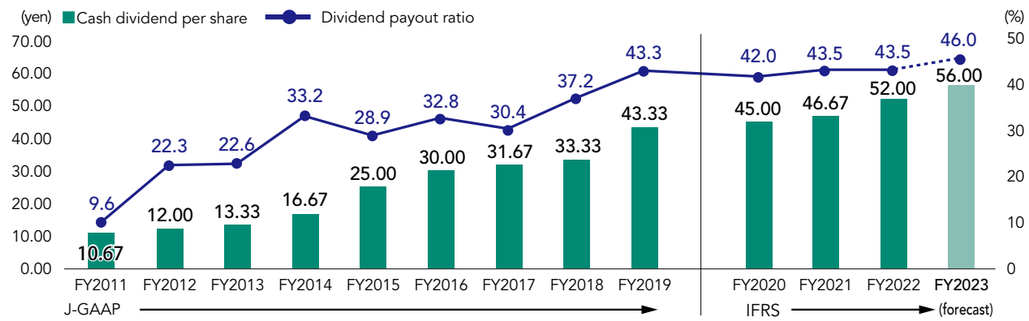
——Please share your thoughts on shareholder return and cost of capital.

With regard to how we return our profits to shareholders, we aim to provide dividends in line with improvements in consolidated business results, while comprehensively taking into account financial position, earnings trends, dividend payout ratio, and the need to maintain sufficient internal reserves for future business investments. During the new Medium-Term Management Plan period, we will increase the dividend payout ratio to 50% commensurate with the expansion of business performance in FY2025. And as regards ROE, which has been one of our management indicators for some time, we will aim to achieve ROE of 14.0%.

The year-end dividend for FY2022 is ¥26 per share, which, together with the interim dividend of ¥26 per share, brings the annual dividend to ¥52 per share (dividend payout ratio of 43.5%). For FY2023, we plan to increase the annual regular dividend by ¥4 per share to ¥56 (interim dividend of ¥28, year-end dividend of ¥28, dividend payout ratio of 46.0%), marking the 12th consecutive year of dividend growth.

We will continue to consider share repurchases, taking into account factors such as stock prices trends. Due to issues such as stock liquidity ratio, however, at this time we intend to bolster shareholder returns, with a focus on dividends.

Cash Dividend per Share/Dividend Payout Ratio*2



*2 Dividend per share and dividend payout ratio taking into account the stock split executed on October 1, 2021.

——What is the outlook of business performance*3 for FY2023, the first year of the new Medium-Term Management Plan?

The risk does exist that a downturn in overseas economies could exert downward pressure on the Japanese economy as global austerity measures continue. In spite of this, in the IT services market, there is a robust appetite for IT investment across a broad range of industries to expand business and bolster competitiveness, and we expect the trend toward expansion in IT investment at client companies to continue.

The Group is aiming for a 5.4% increase in net sales to 470 billion yen driven by robust inquiries, on the back of robust strategic business investments mainly in the manufacturing and distribution industries and continued brisk activity in core system construction projects, despite a reaction to the completion of large-scale hardware investments by certain customers.

On the earnings front, we expect operating profit to increase 5.1% to ¥54 billion, with an operating margin of 11.5%, and net profit attributable to owners of the parent company to increase 1.9% to ¥38 billion. These increases are expected to be offset by increased employee compensation levels (implemented in July 2023) in light of intensifying competition for IT human resources and soaring prices. We expect a recovery, however, on the back of higher revenues from large-scale development projects, efforts to optimize transaction prices, and further improvements in project quality and productivity.

While continuing to invest in the future growth of our business, we will drive growth forward by continuing and strengthening our response to the IT investment needs of our clients, which includes reinforcing our business foundation and support for digitization.

*3 As of April 28, 2023 announcement

——Finally, is there anything you would like to add for the Company's shareholders and investors?

Through dialogue with our shareholders and investors, we communicate our strategies. Expectations, evaluations, and other feedback obtained during such dialogue are returned to the Company and reflected in management. I believe that my most crucial mission is to serve as a hub between SCSK and the outside world. We will strive for timely, appropriate information disclosure to facilitate understanding of our core strategies and management targets established in the new Medium-Term Management Plan, as well as our progress in ESG-related initiatives. We look forward to your continued support.

SCSK's Businesses (At a Glance)

The SCSK Group provides a full lineup of services, from business-essential IT services to BPO, to customers in Japan and overseas who support society at large. In order to create new value for customers and society and achieve sustainable business growth for the SCSK Group, we will make company-wide efforts to make business transitions in existing areas as set forth in the Medium-Term Management Plan. At the same time, we are committed to promoting business that leads growth markets by leveraging IT services in which each Business Group and Group company has strengths, as well as to creating next-generation digital business.

BPO (Business Process Outsourcing)

Our dedicated staff provides support to a part of the client's business outsourced together utilizing our many years of know-how. The services include contact center and EC fulfillment services.

IT hardware/software sales

We provide sales, construction, and support on products including security, network, server and storage, middleware, CAD, analysis and CAE.

IT management

We provide IT service management that entails maintenance, operation and ongoing improvement of various IT systems including on-premises and cloud in order to achieve stable operations and continuity in IT.

IT consulting

We support IT strategy formulation based on clients' management strategies, formulation of IT plans for each business area, and steps leading up to actualizing IT strategy.

Systems development

We meet a wide range of development needs from System of Record (SoR), which demands high quality and System of Engagement (SoE) that requires promptness.

Verification services

We conduct software evaluation and verification based on our long years of experience and unique verification theory, using cutting-edge technology and objective test cases.

IT infrastructure development

We provide assessment for IT infrastructure optimization, IT infrastructure design and construction, as well as operational design for stable usage.

Clients Manufacturing | Distribution | Finance | Communications/ Transport | …

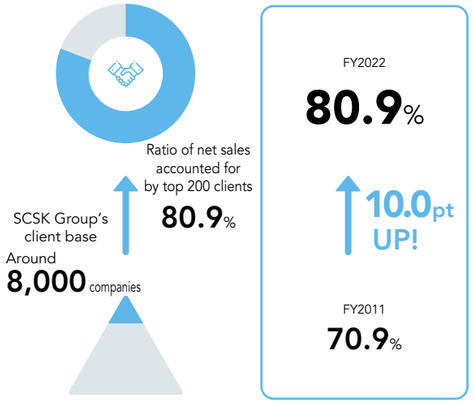
SCSK Group's Premier Client Base

During the course of providing IT solutions to numerous industries over many years, the SCSK Group has established solid relationships of trust with around 8,000 client companies spanning a multitude of industries. In particular, transactions with the top 200 companies in terms of sales, mainly large companies, accounted for more than 80% of consolidated sales in the fiscal year ended March 31, 2023. Expansion of the scope and scale of business entrusted to us by leading customers in each industry is one of the factors behind our sustained growth.

In addition, to achieve further growth, we will focus on further expanding our client base by strengthening our approach to middle market companies with efforts led by SCSK Minori Solutions Corporation, while promoting an effort to expand sales and provision of "atWill (vertical SaaS)," which is a production management solution for medium-sized companies and SMEs, as well as "ProActive," our in-house ERP package.

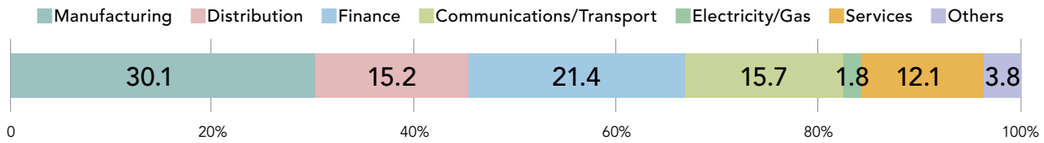
Going forward, we will work to further build relationships as a strategic IT partner that supports clients' business transformations through co-creation, by utilizing the relationships of trust built up with our clients over many years.

Percentage of Consolidated Net Sales Accounted for by Top 200 Clients

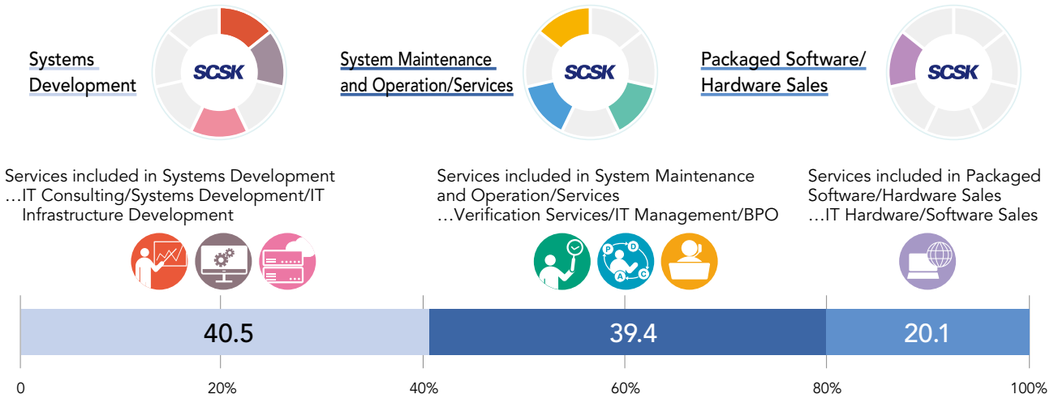


Sales Composition (FY2022)

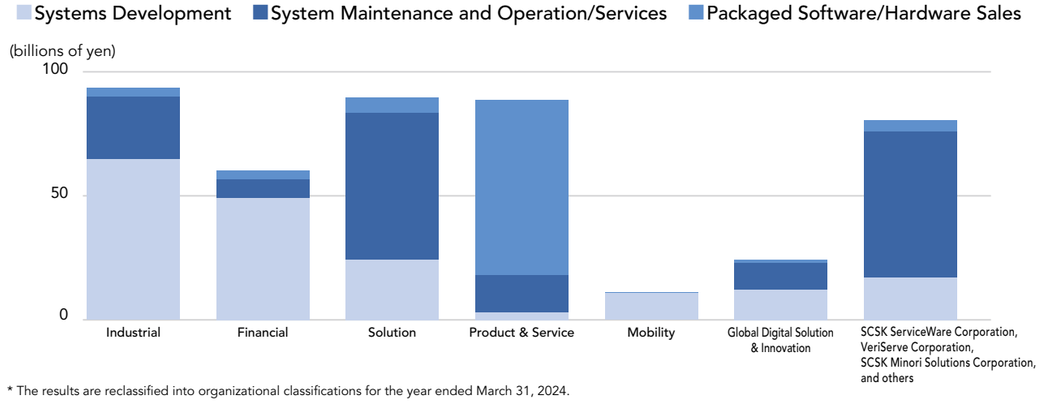
By Industry



By Sales Segment



By Business Group*



* The results are reclassified into organizational classifications for the year ended March 31, 2024.

Industrial Business Group

Business Overview

The Industrial Business Group provides one-stop IT services, including consulting, system construction, and maintenance and operation for diverse industries spanning from manufacturing, distribution, and communications to media, but excluding the financial industry. It contributes to the enhancement of value of clients' business through digitalization, by providing business knowledge in various industries and advanced and high-quality IT services. In addition, it also works to create co-creation projects that provide new value to industries and society.

Main client industries

Main services

Strengths

- Advanced IT services that support projects valued at over ¥100 billion per year and 2,000 employees with high expertise
- Strong client relationships centered around locations, etc. where employees are stationed at clients' sites and providing IT services (130 locations)
- Complete compatibility with solutions such as SAP and Salesforce that serve at the core of clients' business
- Provision of a range of original solutions represented by business templates covering a wide range of areas, such as production management and after-sales service, utilizing a wealth of installation experience

Strategy for Achieving the Medium-Term Management Plan

We will provide IT services that drive the "now" and "future" of the industry and clients, and aim to contribute to solving social issues through co-creation with clients and society.

We will focus our resources on strategic business domains to provide high value-added IT services, and contribute to the business of our industry and clients.

1) Modernization service (manufacturing industry)
   Supporting supply chain business transformation of major manufacturing companies based on our extensive implementation experience with SAP and major manufacturing companies, and providing the "atWill (vertical SaaS) business" as a production management solution for small- and medium-sized manufacturing companies
2) Highly specialized CRM and sales management solutions tailored to the characteristics of target industries
3) Establishing relationships with clients as a strategic partner and efforts toward co-creation
   Providing fully managed services and efforts made with clients to address social challenges

Tadashi Miyagawa
Managing Executive Officer
General Manager, Industrial Business Group

Financial Business Group

Business Overview

The Financial Business Group offers a broad range of services, from systems development, maintenance and operation to services leveraging intellectual property for financial industry fields including banks, insurance companies, securities firms and shopping credit/ leasing companies. It is now working to enhance operations and create new businesses using its business foundation as a springboard for delivering greater market value, steadily responding to needs of financial institutions toward sustainable growth that change in step with changes in behavioral patterns and advancement of digitalization.

Main client industries

Main services

Strengths

- Knowledge and operational experience built up through systems development, maintenance, and operation services for a wide range of financial institutions
- Intellectual property and services that are essential for solving social issues such as asset formation and countermeasures against financial crimes and increasing the competitiveness of clients
- Team able to support clients from development to operation and maintenance of various systems to address the globalization of financial institutions

Strategy for Achieving the Medium-Term Management Plan

We will accelerate the transformation of our business structure with the key themes of "addressing social challenges," "globalization," and "co-creation with clients" to achieve sustainable growth of not only us but also customers in the financial industry.

The environment surrounding the financial industry is undergoing major changes due to the digital shift in society, changes in behavioral patterns, and financial deregulation. By expanding business that captures these changes, we will further transform the business structure of the entire Business Group.

We aim to achieve sustainable growth by responding to increasing social demands. To that end, our efforts include expansion of service business in the areas of AML and other financial crime prevention, wealth management, etc., provided based on advanced expertise; shift of system development business to high value-added domains to strengthen clients' competitiveness; centralization of development system, and productivity improvement through service-oriented shift of our maintenance model.

Takaya Yamamoto
Managing Executive Officer
General Manager, Financial Business Group

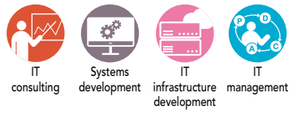
Solution Business Group

Business Overview

The Solution Business Group provides various services ranging widely from IT infrastructure to the application layer without boundaries between industries and business categories, in response to diversifying needs of customers and society. It proposes and provides optimal IT solutions that combine the Company's proprietary technologies and intellectual property with the services and latest technologies of cloud service providers, and contributes to improvement of business value and solution of social issues as a co-creation partner for customers.

Main client industries

Main services



Strengths

- Diverse cloud services covering IT infrastructure to application
- "ProActive," a long-life ERP that boasts the installation in over 6,500 companies for 30 years
- Cutting edge data centers in Japan with excellent connectivity with major cloud service providers and the Internet
- Extensive experience and knowledge cultivated through IT support from applications to IT infrastructure, including core systems of the Sumitomo Corporation Group

Strategy for Achieving the Medium-Term Management Plan

We will provide IT solutions that bring new value to our customers and society through three business transitions.

We will conduct three business transitions in order to continue to provide value to customers and society in times of uncertainty. The first transition will be that we expand our capabilities in the cloud market which is expected to grow by focusing on cloud-native development, including Salesforce as aPaaS, and multi-cloud compatibility centered around AWS, Azure, and Google Cloud. The second transition will be that we offer a wide range of high value-added solutions represented by "ProActive," an ERP system that enables data-driven management for our customers. The third transition will be that we shift to businesses that should be focused on by developing highly specialized human resources through reskilling and skills enhancement of human capital of the Group.

Ken Takano
Managing Executive Officer
General Manager, Solution Business Group

Product & Service Business Group

Business Overview

The Products & Services Business Group provides sales, construction, and support services on products for each domain of security, network, server and storage, application software, CAD, CAE and PLM*. It will expand products and services to support DX promotion at companies, and aim to improve satisfaction of clients by working to solve issues of clients through extensive product lineup and coordination based on advanced technical skills and experience.

Main client industries

Main services

Strengths

- Professionals in the product sales business who search for and develop sales of superior products from all over the world
- Providing products equipped with the latest technology combined with SCSK's unique services
- Engineers who have advanced technologies in a wide range of product lineups
- Deep and strong relationships built up over many years with clients, manufacturers and resellers

Strategy for Achieving the Medium-Term Management Plan

We will realize co-creation IT by establishing an ecosystem for the Product & Service Business in growth markets.

The IT environment continues to change, as exemplified by increasing shift to cloud computing, greater importance placed on network reliability and security, and focus on container technology in the IT infrastructure market. We see these changes as opportunities, set security, network, container, hybrid cloud, data use, digital twins, and decarbonization as the targets in growth markets, and intend to provide products equipped with the latest technology together with high value-added services in these domains. In addition, the Product & Service Business will serve as the core of the ecosystem that ties clients with technologies in order to contribute to solving social issues and creating value for clients and realize sustainable growth of SCSK.

Masaki Komine
Managing Executive Officer
General Manager, Product & Service Business Group

Mobility Business Group

Business Overview

The Mobility Business Group provides services and products realizing next-generation mobility society that is friendly to humans and the earth. It provides services to support the development of next-generation mobility, which includes engineering support services and software products for development of safety and electrification features of automobiles. In addition, by leveraging its knowledge of car manufacturing and advanced IT technology, it provides mobility services that aim to address social challenges by industry, such as distribution and finance.

Main client industries

Main services

Strengths

- One-stop development system, from application to platform
- Extensive development track record in advanced functions (autonomous driving and electrification)
- Automotive software system development structure following certified functional safety processes
- Providing Out-Car services using knowledge from In-Car
- Foundation for human resources development to continuously develop mobility engineers (such as establishment of a subsidiary dedicated to software development)

Strategy for Achieving the Medium-Term Management Plan

Aiming to become a co-creation-oriented mobility servicer that leads the SDM era, we will contribute to mobility society that is friendly to humans and the earth by leveraging our knowledge of mobility and IT.

Mobility has evolved into "SDM" (Software Defined Mobility) where software is the root of value. Meanwhile, "mobility services," which create new value from movement of humans and goods, are gaining more importance. The Group aims to become a "co-creation-oriented mobility servicer that leads the SDM era," and undertake the following two strategies.

1) SDM supplier: Based on the achievements of QINeS-BSW, we provide services for development and sales of software products and advanced support services to support mobility development in the SDM era.
2) Mobility servicer: We provide next-generation mobility services and platforms utilizing data of movement of humans and goods, based on In-Car knowledge and advanced IT technologies.

Koji Watanabe
Managing Executive Officer
General Manager, Mobility Business Group

Global Digital Solution & Innovation Business Group

Business Overview

Toward the creation of next-generation digital business, the Global Digital Solution & Innovation Business Group will strengthen the global network among overseas six sites as well as ties with Sumitomo Corporation and strategic partners, and thereby aim to build a new business portfolio to contribute to society. Aiming for realization of a decarbonized society, in addition to healthcare and customer experience domains, it will also focus on business creation and advancement in the green transformation domain.

Main client industries

Main services

Strengths

- Strong relationships with strategic partners including the Sumitomo Corporation Group which engage in a large number of businesses in Japan and overseas
- Ability to build networks with industry experts and leading companies
- Know-how in resolving operational issues in the healthcare industry
- Accompanying services to enhance contact points with clients and improve their sales
- Know-how related to energy business that leads to the realization of a decarbonized society

Strategy for Achieving the Medium-Term Management Plan

We work to ensure optimal allocation of management resources and strengthening of business development capabilities and contribute to addressing social challenges together with society, with the aim of achieving "sustainable development."

As social transformation through DX is progressing, with the aim of becoming a sustainable business group that face social issues squarely in 2030, we will place our focus on the following points, while working to ensure optimal allocation of management resources and strengthening of business development capabilities.

1) Work style reforms for healthcare professionals, efficiency improvement of local medical services, and launch of new healthcare businesses
2) Expansion of accompanying services to improve sales from EC, etc. of business operators for consumers
3) Launch of carbon management and energy management businesses toward realization of a decarbonized society
4) Expansion of overseas businesses and realization of inorganic growth
5) Launch of new businesses that contribute to solution of local issues through co-creation with local communities

Tetsuya Ueda
Senior Managing Executive Officer
General Manager, Global Digital Solution & Innovation Business Group

* PLM (Product Lifecycle Management): A method of centralizing product development to improve cost efficiency, product quality, and decision-making speed

SCSK ServiceWare Corporation

Business Overview

We aim to be a "Business Service Platformer" that continues to provide society with new, innovative business value by organically combining our "Business Knowledge," "IT," and "Human Resources," to provide BPO services that act as optimal solutions, meeting the business and frontline challenges of our clients. We provide support by operating contact centers utilizing AI and RPA to optimize various work processes such as aiding with operational reform and sales activities.

Main client industries

Main services

Strengths

- Ability to fully harness our unique management system ("SWC Management Framework") and knowledge, accumulated from various industries and operations.
- Ability to introduce and use practical cutting-edge IT technology (a quintessential strength of SCSK Group).
- Ability to develop human resources, nurtured through various training programs in an environment where people are valued and adept at co-creating with clients.

Strategy for Achieving the Medium-Term Management Plan

We promote Business Process Modernization that transforms business processes by utilizing IT in step with changes in the market.

Due to the evolution of smart devices and changes in behavioral patterns caused by the COVID-19 pandemic, consumers are now actively obtaining information through websites, apps, and chat services. Society that has developed diverse values and communication is now requiring companies to transform their business models, improve efficiency utilizing AI and RPA, and collect and use digital data. We promote Business Process Modernization (BPM*) that creates new value by utilizing IT according to needs of the market and transforming business processes. We are committed to developing human resources with the ability to build business processes and use IT, providing services that engender transformation in companies and promote DX.

Atsushi Watanabe
President

VeriServe Corporation

Business Overview

As the digital society progresses and software systems become more sophisticated and complex, it is becoming extremely difficult to build and maintain the everyday norm. We promote digital society by focusing on "quality" as the most important issue of projects to develop such software systems, using specialized technologies and tools to solve the issue, and providing all kinds of support for quality improvement.

Main client industries

Main services

Strengths

- Ability to resolve frontline issues appropriately and flexibly using past experience and know-how in response to the unique quality challenges on clients' development frontline
- Research of how to use new IT to ensure quality and advanced research linked to the frontline of development
- Group of specialists in quality assurance with advanced technical prowess underpinned by the latest technical training and objective qualifications

Strategy for Achieving the Medium-Term Management Plan

We will implement safety, security, and comfort into all kinds of products and services in the world and support acceleration of customers' businesses.

The market environment has been changing greatly due to rapid digitalization and advancement of technologies. Companies and governments are promoting digitalization such as proactive introduction of DX and providing products and services that incorporate new technologies such as artificial intelligence. Systems will become increasingly sophisticated and complex. Under such circumstances, we will focus on the mobility area including automated driving, the cyber security area, and the business systems area that requires efficiency and flexibility. In addition, we will push forward with the development of tools that utilize latest technologies including artificial intelligence, and make a shift to a new service model using such tools. By so doing, we aim to achieve high productivity in overall software development and accelerate customers' businesses.

Yoshiyuki Shinbori
President

SCSK Minori Solutions Corporation

Business Overview

At the SCSK Group, SCSK Minori Solutions Corporation is responsible for developing markets for medium-sized companies. The company takes "application development," "multi-cloud platform" and "Microsoft technologies" as the core-value technologies to promote customers' business growth; and providing the following services: "business execution support" through introduction of business applications and data use technologies, "total IT support" through building of cloud infrastructure and operational management support.

Main client industries

Main services

Strengths

- ERP solutions for medium-sized companies (ProActive and SAP ByDesign)
- Building of BPM* environments (intra-mart, as well as SmartWorkFlow, an in-house product)
- Data use solutions (SAS and SQL)
- Implementation of modern workplaces using Microsoft technologies (PlayBackMail, etc.)
- CAE services
- Services for building and operating cloud infrastructure

Strategy for Achieving the Medium-Term Management Plan

We will work to develop mainly markets for medium-sized companies with the following three pillars: "response to growth markets/social issues," "adding higher value," and "creating high productivity models."

1) Response to growth markets & social issues: We aim to achieve more than double-digit annual sales growth by improving operational efficiency and providing solutions such as ERP that realizes advanced use of information, in addition to workflows, data analysis, etc.
2) Adding higher value: In the ICT infrastructure area, we will use cloud technologies and Microsoft technologies to promote the infrastructure building and operation business and add higher value to the products and service of the company. By so doing, we aim for further improvement of profitability.
3) Creating a high productivity model: Our SI business strives for quality and productivity improvement through the use of SE+, "subdivision" innovation, low-code development, strengthened project management, and measures for partners. By so doing, we aim to expand the business further as the stable profit base.

Yuji Morishita
President

*BPM(Business Process Mangement)…Business management practices that model, analyze, improve, and optimize business processes

Foundation Supporting Value Creation

Contents

* FY2022 Results

Environment

Global Environmental Contributions P59 — Natural Capital

- Greenhouse gas emissions (Scopes 1 and 2) reduction: Approx. 22%* (Base year for reduction is FY2019)
- Ratio of renewable energy to energy consumption: 37.5%*
- Participated in the TNFD Forum (TNFD: Taskforce on Nature-Related Financial Disclosures)

Social

Diverse Team of Professionals* P69 — Human Capital

- Received Human Capital Leaders Award 2022
- Ranked top at the ranking for "Companies Dedicated to the Career Development of its Employees" in 2023
- Participated in the Health and Productivity Management Alliance as a representative managing company

Sustainable Value Chain* P79 — Social and Relationship Capital

- Scale of outsourced business: +24.4% (compared to FY2019)
- Working style reforms at core partner companies: Rate of consumed annual paid vacation days 70.9%; Average monthly overtime hours 15 hours 38 minutes (average for past five years)
- Core Partner Conference: Held 10th consecutive years

Governance

Transparent Governance P81

- Percentage of Board of Directors members who are Independent Outside Director: 50%
- Percentage of females on the Board of Directors: 25% (+1 person compared to FY2022)
- Disclosed the number of internal reports and labor consultations

Chapter Summary

Through ESG-Related initiatives, the SCSK Group aims for sustainable growth while strengthening its "foundation for supporting value creation." This section provides a detailed explanation of the SCSK Group's initiatives in each of the four materiality areas.

Global Environmental Contributions

Greenhouse Gas Emissions Reduction Targets and Initiatives for Reduction of the SCSK Group

To reduce greenhouse gas emissions, the SCSK Group has set medium- to long-term reduction targets that have been certified by the SBTi*1. In addition to actively engaging in environmentally friendly business activities to reduce greenhouse gas emissions, we view the transition to a carbon-free society as a business opportunity. We will contribute to the realization of a carbon-free society and the development of a sustainable society through co-creation with clients and partners across a wide range of industries.

SCSK Group's GHG Reduction Targets

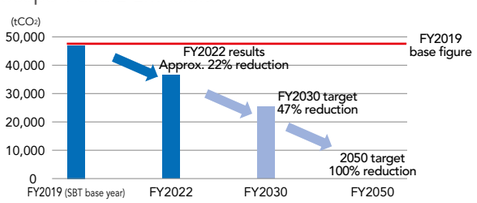
Scope 1 and 2*2	• Reduce emissions 47% by FY2030 compared to FY2019 (1.5°C target) • Reduce emissions 100% by 2050
Scope 3*3	• Reduce emissions 28% by FY2030 compared to FY2019

*1 SBT (Science Based Targets) initiative: An initiative calling for companies to establish reduction targets consistent with scientific knowledge in order to stop the increase in average worldwide temperature.
*2 Scope 1: Direct emissions of greenhouse gases from a company's own business activities
Scope 2: Indirect emissions associated with the use of electricity, heat and steam, etc., supplied by other companies.
*3 Scope 3: Indirect emissions not included in Scope 1 and Scope 2 (emissions of other companies related to a company's own business activities)

Main Initiatives to Reduce Scope 1 and 2 Emissions and Initiatives at Data Centers

The SCSK Group's data centers account for approximately 80% of the Group's greenhouse gas emissions. Here, we are promoting the efficient use of energy by LED lighting and optimal operation of equipment, and continuously working to minimize power consumption. Through these initiatives, we reduced approx. 137 t-CO_2 annually.

Scope 1 and 2 Emissions



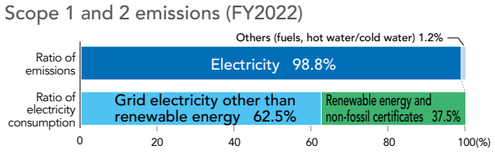
Use of Renewable Energy

The SCSK Group promotes reduction of greenhouse gases by utilizing renewable energy and non-fossil fuel energy certificates.

In FY2022, we reduced greenhouse gas emissions by approximately 27,966 tons by utilizing them. As a result, the ratio of renewable energy was approximately 37% in the fiscal year.

Scope 1 and 2 emissions are mainly from the use of electricity. In order to reduce emissions, we will continue to analyze the emissions situation and promote the ongoing study and steady implementation of reduction measures.

Scope 1 and 2 emissions (FY2022)



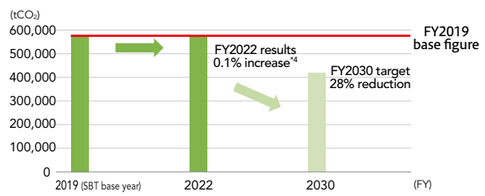
Main Initiatives to Reduce Scope 3 Emissions

The SCSK Group's Scope3 emissions are mainly from Category 1 and Category 11. For Category 1, the main sources of emissions are sales of goods and outsourcing to partner companies. Outsourcing accounted for 25.4% of total Scope3 emissions.

The SCSK Group has formulated a "Supply Chain Sustainability Policy," which sets policies for addressing environmental issues, including human rights, labor, environmental considerations, and climate change, and provides explanations at the "Core Partner Conference" and "Briefing for Partoner Company."

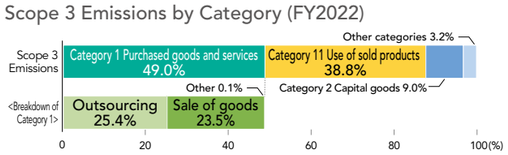
FY2022, we asked our Core partners to exchange opinions on future reduction measures and to provide us with data on greenhouse gas emissions. In this way, we proceeded with concrete initiatives while gaining their understanding.

Scope 3 Emissions



*4 In FY2022, emissions increased due to an increase in outsourcing fees and sale of goods owing to expansion of our business as well as an increase in capital investment associated with the opening of netXDC Chiba Center 3.

Scope 3 Emissions by Category (FY2022)



Environmental Management

Environmental Management System

SCSK has acquired ISO 14001 certification, which is an environmental management system standard, and established a system in which approval of the officer in charge of the environment is to be obtained through management review. Each organizational unit uses its own environmental management system to promote measures to reduce environmental impact.
We also conduct environmental training for executives and employees.

We regularly monitor energy use and greenhouse gas emissions at the SCSK Group's offices and data centers, and have set reduction targets, based on which various measures are underway.

Status of Environmental Targets for Our Offices

SCSK has been promoting initiatives to mitigate environmental impacts by establishing office environment targets on office and site operations in 2015 as part of its environmental management system (EMS). In FY2022, owing to promotion of less use of paper through reduction of multifunction printers in each office, in addition to changes in work conditions due to remote working and online meetings becoming the norm, we achieved reductions greatly exceeding our targets for the amount of copier paper purchased and general waste emissions. We will continue to work to reduce environmental impacts through our EMS activities.

Achievement of Office Environment Targets

Scope (total volume)	FY2022 targets*5	FY2022 results
Amount of copier paper purchased	28% or higher reduction	85.0% reduction*6
General waste emissions	7% or higher reduction	47.3% reduction

*5 Compared to FY2015
*6 Business locations with ISO certification only

Initiatives for Recycling and Reducing Waste Electronics

SCSK delivers electronic devices, mainly used IT equipment, to contractors for recycling based on internal rules regarding data erasure.

In order to reduce waste, it is also important to keep the number of computers and mobile devices in use at an appropriate level by thoroughly managing and efficiently operating their inventory. SCSK is also working to rationalize the number of devices used by having a dedicated department centrally manage the inventory and operation status of business devices used by each business group.

Initiatives for the Efficient Use and Reduction of Water Resources

In order to ensure the stable performance of servers and other IT equipment, our data centers operate air conditioning and cooling facilities using water in some cases. The SCSK Group monitors the temperature and humidity of each area and rack inside our data centers in real time and performs fine-tuned optimization to minimize waste and loss in air conditioning and cooling. In addition, at an energy-efficient, environmentally friendly data center (netXDC Chiba Center 3), we have adopted air-cooled free cooling chillers that dissipate heat into the surrounding air to cool IT equipment. By so doing, we contribute to saving about 300,000 tons of water annually, as compared to using water-cooled turbo chillers that constantly release heat through water evaporation.

Training for Officers and Employees

We conduct training every year on the latest environmental trends and the SCSK Group's climate change issues and environmental initiatives to deepen understanding of SCSK Group's environmental initiatives.

Third Party Verification and Assurance

We obtain third party verification and assurance from KPMG AZSA Sustainability Co., Ltd., a third party certifier, concerning Scope 1, 2 and 3 emissions for the disclosure of greenhouse gas emissions. We will continue striving to disclose highly reliable information in the future.

The Independent Assurance Statement provided by the Third Party is available on the SCSK Website.
https://www.scsk.jp/corp_en/csr/pdf/assuarance_statement_2022_e.pdf

Initiatives Toward Biodiversity

The SCSK Group gives due consideration to the preservation of the environment, including ecosystems, and the maintenance and preservation of biodiversity, and is working to reduce, reuse, and recycle waste and efficiently use and reduce the use of water resources.

In support of the philosophy of the Taskforce on Nature-related Financial Disclosures*7 ("TNFD"), we participated in the TNFD Forum in August 2023.

Through the participation in the TNFD Forum, we work to contribute to the development of a framework for the appropriate assessment and disclosure of risks and opportunities related to natural capital of corporations including supply chains and biodiversity, and further preserve biodiversity.

*7 TNFD: Taskforce on Nature-related Financial Disclosures. An international organization that develops a framework for the appropriate assessment and disclosure of risks and opportunities related to natural capital and biodiversity

Global Environmental Contributions

Information Disclosure based on TCFD Recommendations

Governance

The SCSK Group's Sustainability Committee, which serves as an advisory body to the Representative Director and Chairman and Representative Director and President, examines and confirms company-wide issues related to climate change and other sustainability issues, as well as initiatives and measures to be addressed.

The Sustainability Committee periodically reports its findings to the Management Committee, and after further discussions are held at the Management Committee from a company-wide management perspective, the Sustainability Committee reports to the Board of Directors, and the Board of Directors provides appropriate supervision.

P28 Promotion of Sustainability Management and Our Governance System

Strategy

The data center business, which accounts for approximately 80% of the SCSK Group's greenhouse gas emissions and is considered to suffer a large impact from climate change (carbon tax, environmental regulations, etc.), was selected as the target of scenario analysis. The physical and transition risks related to climate change were then ascertained and business opportunities were identified. The selected scenarios include the 4°C scenario and the 1.5°C scenario.

Overview of Main Risks

Transition risks include switching to renewable energy and energy-saving equipment due to the introduction of carbon taxes and the tightening of energy-saving regulations, and an increase in costs for measures such as the purchase of green electricity. In addition, physical risks include an increase in data center operation and recovery costs due to natural disasters, along with an increase in data center operating costs owing to higher air conditioning costs and power consumption required for cooling because of rising temperatures.

Overview of Main Opportunities

Main opportunities are increased demand for decarbonized data centers and resilient data centers, an increase in the volume of communication traffic and a growing need for the storage of large amounts of data due to the advent of a digital society in the future, and demand for peripheral services for the utilization of big data housed in data centers.

We evaluated the effect of these risks and opportunities on business according to a three-point scale of "+" or "-".

P62 Assessment Results of Main Impacts

Overview of Each Scenario

4°C scenario
A scenario in which economic activities are prioritized, carbon regulations and the use of renewable energy do not progress, leaving the situation to run its course with natural disasters becoming more severe

1.5°C scenario
A scenario in which policies such as higher carbon taxes and tighter carbon emission regulations spread around the world and a proactive transition toward decarbonization progresses

Business Impact Assessment of 4°C Scenario

Although air conditioning costs will increase due to rising temperatures, the impact on business will be limited by continuous efforts to improve efficiency and labor savings. Since the sites for the construction of data center is selected after conducting preliminary surveys of areas that are less affected by natural disasters such as heavy rain and flooding, the impact of heavy rain and flooding was evaluated as small in this scenario analysis. On the other hand, we evaluated that business opportunities will increase from the perspective of BCP due to the greater intensity of natural disasters, and that it is possible to increase revenue by providing resilient data center services that respond to business opportunities.

Business Impact Assessment of 1.5°C Scenario

As policies such as carbon taxes and carbon emission regulations spread around the world, carbon prices and electricity prices will soar, increasing business costs. With regard to carbon prices, it is possible to mitigate the impact of increased carbon prices by promoting initiatives in line with greenhouse gas emission reduction targets certified by the SBTi. In addition, although higher electricity prices are expected to increase electricity costs, we assessed that it would not have a significant impact on our business. Due to the global trend toward decarbonization, we assessed that clients' awareness of environmental consideration will increase, and that the demand for decarbonized data centers will grow.

SCSK has been promoting improvements in data center operation efficiency and energy-saving performance, such as advanced air conditioning control using AI and other technologies. Currently, in addition to existing initiatives, we are considering the active use of renewable energy in an effort to decarbonize our data centers. Looking ahead, we assessed that by promoting environmentally friendly decarbonized data center services, we will be able to increase revenue.

Assessment Results of Main Impacts

4°C scenario

Summary: Expected to see increased air conditioning costs from higher average temperature, occurrence of costs to address natural disasters, and rising demand for resilient data centers due to increased severity of natural disasters

Impact evaluation

Category	Major impact items	Impact on revenue*1 2030	Impact on revenue*1 2050
Sales	Increased demand for resilient data centers*2	++	+++
	Increased demand for data centers due to increased communication and data processing volumes	+	+
Costs	Fluctuations in electricity prices*3	–	++
	Rising electricity usage (air conditioning costs)	–	––
	Rising costs for addressing physical risks	–	––

1.5°C scenario

Summary: In response to higher costs caused by higher carbon taxes, it is possible to reduce carbon tax costs by working to reduce greenhouse gas emissions, and demand for decarbonized data centers is expected to increase

Impact evaluation

Category	Major impact items	Impact on revenue*1 2030	Impact on revenue*1 2050
Sales	Increased demand for decarbonized data centers and new services addressing changes in social environment	++	+++
	Increased demand for data centers due to increased communication and data processing volumes	+	+
Costs	Fluctuations in electricity prices	–	––
	Higher carbon taxes*4	(––)	(–––)

*1 The effect of the main business impacts in each scenario on revenue is evaluated according to a relative three-point scale of "+" or "-".
*2 Costs for the establishment and operation of resilient data centers are not subject to estimation. Depending on the assumed scenario, the cost impact can be large.
*3 According to reports by the IEA and others, the electricity price in the 4°C scenario is assumed to increase in 2030 but decrease by 2050.
*4 It is assumed that by reducing greenhouse gas emissions, it will be possible to mitigate the impact of higher costs caused by higher carbon taxes.

Definition of Countermeasures

Going forward, we will continuously consider measures to avoid and mitigate risks and seize opportunities. Our aim is to improve the resilience of our business activities by implementing the measures we have formulated. Countermeasures are defined as follows.

Definition of Countermeasures for Climate Change-Related Risks and Opportunities

Scenario	Direction of measures	Perspective of countermeasures	Examples of countermeasures
4°C scenario	Creation of new services	Expand resilient data centers	● Build new data centers designed to be resilient against disasters of greater intensity ● Select data center sites considering the impacts from natural disasters ● Establish mutual redundancies between data centers
Common to scenario	Energy conservation	Control electricity costs	● Procure electricity generated at night or at a low cost using new technology
		Control electricity usage	● Control air conditioning and electricity usage by utilizing IoT and AI or other new technologies
	Creation of new services	Effectively utilize waste heat from data centers	● Use waste heat from data centers for community development or in other business domains
1.5°C scenario	Renewable energy	Introduce renewable energy	● Promote virtual PPA through purchase of renewable energy certificates ● Direct purchase of electricity generated from renewable energy (PPA) ● Establish or acquire renewable energy power plants
	Creation of new services	Establish new services related to decarbonized data centers	● Create new services that address changes in legislation or social environment

Risk Management

The SCSK Group has established the Risk Management Regulations, so that we can appropriately manage risks that could have a material impact on the Group's business. With regard to risks related to sustainability, the departments in charge of risks and the department responsible for risk management jointly analyze risk items based on external reports and advice from external experts.

The analyzed risk items are reported by the departments in charge of risks to the Sustainability Committee which verifies and identifies risks. The identified risk items are reported by the departments in charge of risks to the department responsible for risk management, and are appropriately managed in accordance with the Risk Management Regulations.

P91 Risk Management System

Indicators and Targets

The SCSK Group has set greenhouse gas emissions reduction targets and is working on initiatives to reduce such emissions.

P59 SCSK Group's GHG Reduction Targets

Yasushi Shimizu
Senior Managing Executive Officer
General Manager, Human Resources & General Affairs

×

Eri Kawanabe
Executive Officer, Assistant General Manager, Human Resources & General Affairs (D&I·Well-Being Promotion)

Increase human resources capable of creating value in future market toward becoming Co-Creative IT Company in 2030

In April 2023, SCSK launched a Medium-Term Management Plan toward becoming a Co-Creative IT Company as envisioned in Grand Design 2030. The officer in charge of human resources and the officer in charge of D&I Well-Being promotion discussed human capital management and Well-Being management, which will support the efforts of the new Medium-Term Management Plan to dramatically improvements in comprehensive corporate value

——Society has recognized SCSK as a company that promotes working style reform and health and productivity management. Please tell us about the human resource strategy you have been pursuing and SCSK's current position in the market.

Shimizu: The SCSK Group's greatest asset, which is also its growth driver, is its "people." As such, we have undertaken various human resource strategies, including personnel development and fostering of a comfortable work environment.

Under the Medium-Term Management Plan, which had been in effect for three years since FY2020, we aggressively invested in human resources based on our three core strategies: "core business innovation," "commercialization of DX," and "investment in people," as the first step toward realizing a Co-Creative IT Company. Among various initiatives, we concentrated on developing and expanding human resources responsible for providing consulting services to help clients bring their DX strategies to fruition, and augmenting and cultivating personnel who have both the engineering and business skills required for the commercialization of DX.

We also worked to create a corporate culture in which each and every employee can set high goals and take on challenges with enthusiasm, to introduce a new multi-track personnel system aimed at creating an environment in which employees can continue to step up as professionals with a high level of expertise, and to introduce a senior full-time employee system in which senior employees are positioned as core personnel. Through these efforts, we were able to steadily advance the sophistication, diversification, and expansion of the human resources required for business growth.

As a leading company in the area of working style reform and health management, the Company has created a workplace environment that enables it to make the most of its human resources. The Company has been selected as a health management brand for nine consecutive years and has been a leader in work-style reform in the industry.

Kawanabe: I was involved in working style reform and health management initiatives from both the human resources and on-site perspectives, and I realized that employee attitudes toward work and working styles would change significantly. In addition, I think we were able to achieve a high level of work quality and productivity under a comfortable working environment, as well as a high employee retention rate and stable recruitment of human resources.

This is the result of SCSK's early efforts on the development of human resources that respect personality and value of each and every employee to maximize the ability of each other, and the creation of a comfortable work environment based on the promise of "Respecting each other" in the SCSK Group's corporate philosophy, Create Our Future of Dreams. It can be said that this is the foundation of the Company's human capital.

As we promoted working style reforms and health management, we gained the experience of top management and employees working together to change our corporate culture. This experience is extremely significant for the future growth of our business, and at the same time is a great asset.

——One of the measures in the new Medium-Term Management Plan to reinforce the management foundation is maximization of human resource value. What measures does SCSK, already regarded highly by society, plan to implement for the next phase?

Shimizu: The basic policy of the New Medium-Term Management Plan is to work with customers and society to identify business opportunities in a variety of social issues and to create the economic and social value needed by society. In addition, we aim to achieve dramatic improvements in overall corporate value by dramatic improvements in comprehensive corporate value

In addition to the human resource investment we have proactively been implementing, we will focus on four key initiatives: "business strategy and human resources portfolio," "treatment and remuneration systems," "Well-Being management," and "diversity and inclusion."

It is essential to link management and human resource strategies and demonstration of each employee's ability and their motivation to grow if we are to increase human capital value. Aiming to achieve the goals of the New Medium-Term Management Plan and Grand Design 2030, we will draw up an ideal human resources portfolio that corresponds to our business strategy, and by continuously refining our human resources portfolio, we will realize human resources management that links our business strategy with our human resources strategy.

Moreover, we will review our "treatment and remuneration systems," which emphasizes human resource value and contribution to growth, in conjunction with a review of our career framework to accommodate the development of highly skilled digital human resources.

Based on the iCDP (Integrated Career Development Plan), which is a foundation for

autonomous, strategic, and integrated career development formulated in the previous Medium-Term Management Plan, we will implement a human resources strategy that maximizes the abilities of each employee and enhances their motivation to grow by emphasizing the autonomy of each employee while enhancing the linkage between various personnel systems and measures.

Kawanabe: From this fiscal year, we will focus on "Well-Being management" and "diversity and inclusion" by establishing a dedicated organization. We will realize Well-Being management, which combines ease of work and job satisfaction, as an evolution of the working style reform, health and productivity management, and other measures we have undertaken to date.

The ability for every employee to feel a sense of personal growth and fulfillment through the creation of value such as solving social issues and contributing to clients is SCSK's ideal form of job satisfaction, and is one of the Company's well-being management ideals.

As for "diversity and inclusion"—another key measure—since we established a dedicated organization to promote diversity in 2012, we have been working from the perspective of profile diversity. This includes the active participation of women, employment of people with disabilities, and the advancement of senior employees.

In particular, in order to realize an organizational culture in which a truly diverse range of human resources can play an active role, we have set targets for the fiscal year ending March 31, 2026 of having at least 12% of female department managers and at least 150 highly specialized human resources (Level 5 or higher under the Company's Specialty Certification System), and will focus on supporting the development of female employees and their career development.

What is even more important in the future is to ensure diversity in decision-making and to create value by making full use of "thought diversity" and "opinion diversity" in business.

——In society, human capital management and Well-Being management have gained increased attention, and we often hear of these words recently. What are SCSK's thoughts on this?

Shimizu: As we have discussed so far, the most important management resource for our company, which aims to create new value needed by our customers and society through the use of our core competence, digital technology, is "people." Human capital management is the essence of business management.

On the other hand, no matter how much we invest in human resources and develop excellent human resources, if we cannot assign jobs that can utilize the abilities and skills of the excellent human resources, it will be a waste of investment for the company.

The key points of the new Mid-term Plan are not only the selection of businesses based on market needs, but also the selection of markets and business areas with growth potential that can enhance the capabilities of employees, and the promotion of reforms to business areas and business models with high profitability and productivity that can maximize the capabilities of employees.

As a result, we're convinced that the key is to create a virtuous cycle that enhances employee job satisfaction, which in turn will lead to further business transformation and value creation.

Kawanabe: In order to continue to provide new value to society, it is also important to maintain a good physical and mental condition and maintain a high level of engagement with the organization. In Well-Being management, I would like to connect a sense of fulfillment and job satisfaction in work and a sense of being useful to society to a sense of Well-Being in each and every employee.

From a standpoint of human resource department, we will provide support for all organizations and employees to make them aware of how their work contributes to society and clients in various ways.

——SCSK's vision for 2030 is to become a Co-Creative IT Company. What is required of the human resources department to achieve this?

Shimizu: The new Mid-Term Plan presents a major challenge that can be said to be a test case for 2030.This means developing new business areas in which we can make the most of the capabilities and skills of our human resources and reforming our business model.This represents a major shift in our corporate culture and represents a step forward in our human capital management.

In order to achieve this, it is necessary for top management to speak about the direction the company should take and its initiatives, and for both management and employees to deeply sympathize with each other. For this reason, the New Medium-Term Plan calls for the promotion of management that empathizes with each other in order to strengthen the management foundation.

The Human Resources Department will strengthen the linkage between business and human resources strategies and promote human resources management to realize the desired human resources portfolio. At the same time, we will strongly promote empathic management that demonstrates the power of the organization. In this way, we will work to ensure the realization of becoming a Co-Creative IT Company, raised in Grand Design 2030.

Kawanabe: For the SCSK Group—which is striving to be a Co-Creative IT Company—it is vital to always be cognizant of societal sustainability.

Each and every employee, not only the company and the organization, should think about what we need to do into the future as our challenges, and the members of our diverse workforce should cooperate to solve such challenges and give shape to solutions, which will help the Company to endure.

As a human resources department, we will work tirelessly to build a company that can create unimaginable value through communication among skilled, experienced personnel.

Human Resource Strategy

Human Resource Strategy

Basic Approach

The SCSK Group has announced "Our Promises" to realize our Corporate Philosophy, "Create Our Future of Dreams." The first of the promises is "Respecting each other," and we have promised that we respect personality and value of each and every employee and leverage abilities of each other to the maximum extent.

The SCSK Group's greatest asset, which is also its growth driver, is its "people." Placing "job satisfaction" of each and every one of our employees at the core, we use digital technologies, which are our core competence, to contribute to the solution of various social issues together with our customers and society. While creating new value needed by society, we aim to grow sustainably together with society.

SCSK Basic Policy on Human Resource Management

Personnel system and human resources development in line with business strategy

We aim to maximize human resource value at all times through management strategy and human resources strategy, as well as demonstration of abilities by each and every one of our employees and linkage with their motivation to grow. We established the Integrated Career Development Plan (iCDP) as an autonomous, strategic, and integrated career development platform to conduct recruitment, education, assignment, and evaluation in a comprehensive manner as a basic cycle for maximizing human resource value. By so doing, we are working to draw forth abilities and motivation of employees, develop "leaders of transformation and empathy" and "professional human resources" who can take on challenges of creating new value, and foster a "learning culture" where everyone learns autonomously.

Well-Being management to improve "job satisfaction" of employees

We create new value based on autonomous growth of each employee and co-creation through business and aim to improve "job satisfaction" of employees. In addition, we are continuously working to build a pleasant working environment so employees can feel secure and demonstrate their abilities to the fullest. At the same time, we will move forward with efforts to implement Well-Being management based on the idea that "physical and mental health, a sense of fulfillment and reward from work, and a sense of being useful to society lead to happiness and Well-Being of each employee."

Previous Medium-Term Management Plan (FY2020–FY2022) "Investment in People"	New Medium-Term Management Plan (FY2023–FY2025) "Maximization of Human Resource Value"

Personnel System and Human Resource Development in Line with Business Strategy

"Diverse Team of Professionals"
P.69
- Business strategy and human resources portfolio
- Empathetic leadership in tansformation, Professional human resources
- Autonomous career development

Introduction and revision of systems to better reflect corporate philosophy and management policies
- Introduced multi-track human resource system to realize development and treatment of employees according to expectations for and roles of them
- Established new ADV positions with the aim of acquiring and developing advanced specialists
- Revised the program for full-time employment of seniors that realizes full employment of people aged 65
- Introduced the Senior Expert Program, a system of continued employment for employees aged 65 or older

Re-skilling and up-skilling in line with business strategies
- Developed service managers linked to core business innovation
- Developed business design talent linked to commercialization of DX
- Implemented leadership development through company-wide introduction of an organizational development program

Autonomous career development
- Built a basis for autonomous, strategic and integrated career development
- Launched the Young Employee Career Development Program
- Fostered learning culture through promotion of and support for *Kotsukatsu*, measures to support self-development

"Treatment and remuneration systems" to appropriately evaluate abilities and skills and reward performance

"Business strategy and human resources portfolio" to improve and utilize abilities and skills

Indicators and Targets

Improved consulting functions and strengthened business development	Development of cutting-edge digital engineers	Execution of high quality projects
Talent for consulting and business design 500 persons or more (265 persons in FY2022)	Persons who completed cutting-edge engineer development training 3,000 persons or more (1,150 persons in FY2022)	Advanced PM talent 250 persons or more (166 persons in FY2022)

Strengthened company-wide education and development

Persons who completed digital skill standard education for Group IT engineers: 10,000 persons (1,600 in FY2022)

Well-Being Management to Improve "Job Satisfaction" of Employees

"Diverse Team of Professionals"
P.73
- Well-Being management
- Diversity and inclusion

Promotion of working style reforms and health and productivity management
- Promoted new working styles to accommodate the "new normal"
- Established routines through the *Kenko Waku Waku Mileage* Program, a health promotion measures in which all employees participate
- Implemented "pulse surveys" as an advanced health advancement measure including physical and mental health

Diversity and inclusion
- Planned and implemented D&I management advisory measures through which heads of organizations formulate action plans
- Actively promoted women to line manager positions, developed advanced specialists, and implemented career development

"Well-Being management" that leads to creation of value

"Diversity and inclusion" that respect and draw on diversity

Indicators and Targets

First-hand experience of pleasantness and job satisfaction	Physical and mental health and demonstration of performance	Deepening of diversity and inclusion
Employee awareness survey Engagement 90% or higher*1	Employee awareness surveys and health questionnaire surveys Degree of performance demonstration 90% or higher*2	Number of females in general manager positions Three times or more

Dramatic improvements in comprehensive corporate value (economic value, social value, and human capital value)

Grand Design 2030

Co-Creative IT Company

*1 The percentage of employees who answered positively in response to both of the items "SCSK is a company with a pleasant workplace" and "SCSK is a company with rewarding workplace" in the employee awareness survey. The results in FY2022 (on a non-consolidated basis) were 90.6% and 75.6%, respectively. The scope of the survey will be expanded to the Group companies in Japan in the future.

*2 The percentage of employees who answered positively in response to the item "My abilities are fully leveraged" in the employee awareness survey and who answered that "80% of my performance is demonstrated on the assumption that performance made in healthy conditions is 100%" in the health questionnaire survey. The results in FY2022 (on a non-consolidated basis) were 76.8% and 81.6%, respectively. The scope of the survey will also be expanded to the Group companies in Japan in the future, along with *1.

Diverse Team of Professionals

Social

Business Strategy and Human Resources Portfolio

In order to promote dramatic improvements of "comprehensive corporate value" toward becoming a "Co-Creative IT Company" set forth in Grand Design 2030, SCSK has made it a basic policy for human resource development to maximize human resource value at all times through growth of business and each and every one of our employees. Going forward, we will formulate a human resources portfolio and human resource development plans that are linked to our business strategies corresponding to changes in the business environment, and at the same time, we will promote a business structural reform to enable employees to improve their abilities and skills and demonstrate them to the maximum extent. By so doing, we will draw forth employees' motivation and abilities and promote development of and active participation by diverse professional human resources who can take on challenges to create new value. To this end, we will work to link our business strategies with the human resources portfolio more dynamically than ever before, and secure human resources stably, develop advanced digital talent, and review our systems to appropriately evaluate employees' abilities and skills and reward performance, with the aim of achieving our business strategies.

SCSK's Basic Cycle to Maximize Human Capital

In order to raise the value of human resources, it is necessary to link business and human resource strategies, as well as the ability of each employee to demonstrate his or her abilities and the desire to grow. We have established the Integrated Career Development Plan (iCDP) as an autonomous, strategic, and integrated career development platform, and operate it as a basic cycle to maximize human resource value with a focus on ties between the multiple systems and measures listed on the right.

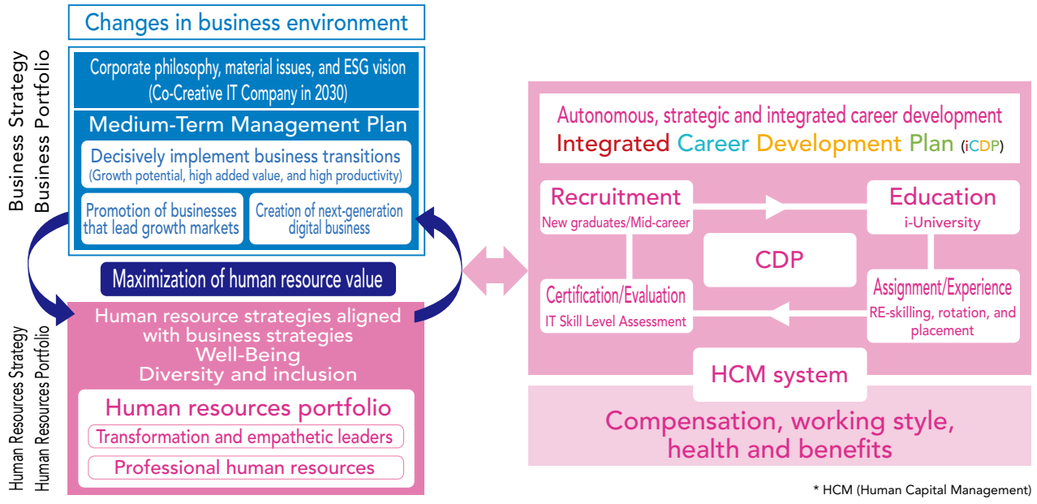
In addition, to prepare for future changes in business and technological needs, we have been promoting a career development program since the fiscal year ended March 2021, with the aim of encouraging young employees to become multi-skilled and develop the ability to respond to changes. As part of our long-term efforts to become a Co-Creation IT Company, we will comprehensively develop iCDP measures (recruitment, education, placement, and evaluation).

Going forward, we will accelerate initiatives to maximize human resource value by using the human capital management (HCM*) system, which visualizes the abilities and skills of organizations and individuals developed under these initiatives in real time.

IT Skill Level Assessment P70
A framework to visualize human resources by defining an ideal vision of human resources in each field of specialization and evaluating and certifying the level of achievement

SCSK i-University P71
Company-wide educational systems and plans that provide opportunities for continuous learning and growth

CDP Program P72
A framework that leads to the development and assignment of employees by sharing their career plans with their superiors so that they can continue to achieve high performance at work and grow while demonstrating the diversity and specialization of each employee



* HCM (Human Capital Management)

Personnel System / Acquisition and Development of Diverse Human Resources

We aim to draw forth the capabilities of employees to the maximum extent by providing a large role to employees who demonstrate their skills regardless of their age or years of experience, and treating them in a way commensurate with the role. To that end, we have adopted a multi-track personnel system which realizes optimal human resource development and treatment according to the expectations for and roles of each career path. We aim to become a company that allows diverse human resources to develop their abilities autonomously and demonstrate their skills and where those who maintain ambitions to take on challenges and grow autonomously can be nurtured and gather together.

In addition, in the IT industry in which technical changes are significant and growing more sophisticated, the value of human resources with advanced expertise is increasing. Against this background, we have established positions that can earn over ¥30 million annually in order to develop and acquire advanced specialists, and are working to increase the number of advanced specialists by promoting them from inside the company and recruiting them from outside the company.

We will enhance our efforts for the recruitment of new graduate and mid-career hires to secure a stable number of diverse human resources necessary for the sustainable growth of our business.

P104 Number of employees

IT Skill Level Assessment / Development of Advanced Digital Talent

The IT Skill Level Assessment, which assesses and certifies employees' IT skill level on a seven-level scale based on SCSK Career Framework, is a program that visualizes the specialization of sales and engineering employees and promotes employee growth. We work to effectively improve the IT skill level of employees by ascertaining the gap from the target level through assessment screening and having employees and the organization formulate concrete human resource training plans. In addition, we have created a specialized working group composed of experts in each job type. The working group discusses assessment screenings and undertakes training activities, such as creating communities for each job type, sharing case studies, and supporting the creation of training curriculum.

At the same time, in order to become a Co-Creative IT Company in 2030, we are utilizing the "Digital Skill Standards" released by the Ministry of Economy, Trade and Industry (IPA) in December 2022 to promote the visualization of digital talent. We will move forward with efforts to strengthen specialization in line with the needs of the time by securing human resources for business innovation, engineers with multiple skills, and human resources for security, AI, and data science.

		Level 1–3	Level 4–7
Strategic	Job type (6)	Department certification (superior approved)	Company certification (screening meeting)
Development	Job type (7)		
Operations	Job type (2)		
Administrative	Job type (1)		
Young employee career development	Skill improvement field (5)	Young employee career certification	

SCSK Career Framework/Breakdown of Job Types : P109

Empathetic Leadership in Transformation and Professional Human Resources

In maximizing human resource value of each employee, the role played by leaders is extremely important. Leaders are required to select projects in which each and every one of employees can enhance his or her abilities as professional human resources, and to provide opportunities and environments where employees can demonstrate their abilities to the maximum extent and grow. In addition, if both leaders and employees think about things from the perspective of the other and have dialogues together, empathy will be generated within the organization and it will become a driver of transformation. We are working to strengthen the leadership development that utilizes human capital to the maximum extent through the organizational development program introduced on a company-wide basis in FY2020, among others, and are also developing professional human resources to make the shift to a human resources portfolio in line with our business strategy.

Fostering of Management Talent / Organizational Development toward Penetration and Implementation of Medium-Term Management Plan

As part of efforts to build an organization appropriate for the execution of its business strategy, we conduct surveys participated by all employees, gain a quantitative understanding of the strengths and challenges of each organization based on the employees' perspectives, and accelerate and instill an organization development cycle. For general managers who lead organization development, we provide an educational program to allow them to practically acquire capabilities to build strategies and transform organizations toward the penetration and implementation of the Medium-Term Management Plan. In addition, we provide department managers with training to improve the psychological safety and work engagement of department members and hold repeated dialogues within the organization, thereby generating synergies between organizations and leading them to the maximization of the organization's performance.

Diverse Team of Professionals

Fostering Professional Talent

To reinforce the fostering of advanced digital talent, we newly added Re-Skilling courses to the training system starting in FY2022, and are working to shift the human resources portfolio. With this category, we will expand and offer a program for broadly acquiring new literacy to reinforce basic skills, and also a practical training program accompanying job switch to service manager, business designer, and full-stack engineer, all of whom are directly connected to the business strategy and will have higher demand in the future. At the same time, we will focus on fostering the following four types of talent who will be in charge of the business strategy under the Medium-Term Management Plan.

Improved Consulting Functions and Strengthened Business Development

We are working to foster talent for consulting and business design with the aim of promoting business that can lead the market and creating next-generation digital business. We conduct practical workshop-style training programs in line with the process based on the ideas of design thinking and lean startup. By further increasing opportunities for training and learning to acquire knowledge and skills necessary to create business, we will strengthen and expand talent who will be in charge of developing new business.

Talent for consulting and business design
Result 265 persons ▶ Target 500 persons or more

Development of Cutting-Edge Digital Engineers

It is important to develop advanced engineers who can respond to the rapid development of digital technology and the digital transformation of clients. By expanding training programs that correspond to the roles and skill items of the Digital Skill Standards and enhance practical skills, we will enhance their professional competence related to cloud and digital technologies.

Employees who have completed training to develop advanced technologies
Result 1,150 persons ▶ Target 3,000 persons or more

Execution of High Quality Projects

In response to the recent trend where the size and complexity of projects are significantly increasing, we intend to hire and foster advanced PM talent capable of managing highly difficult projects while maintaining high quality. Furthermore, we are also promoting community activities to strengthen project management capabilities.By sharing knowledge on key points of project management and forming personal networks, we are leading to the improvement of project management capabilities in an organizational manner.

Advanced PM talent
Result 166 persons ▶ Target 250 persons or more

Strengthening of Company-wide Education and Training of Talent with Advanced Digital Skills

Society and the business environment of clients are changing significantly, and digital technology is also evolving rapidly. To acquire the ability to use digital technology and promote the creation of new business models and services, we intend to implement training of the Digital Skill Standards for all IT engineers, including those of Group companies.

Persons who completed the Digital Skill Standards training (on a Group-consolidated basis)
Result 1,600 persons ▶ Target 10,000 persons or more

Human Resources Development Program — i-University

SCSK i-University is a framework for providing all employees with opportunities for continual growth and learning. It is an educational system and also a company-wide integrated human resources development system in the broad sense of the term, which includes schemes and infrastructure for supporting active communication.

We believe that the success of each and every one of our employees drives SCSK's growth. Based on this idea, common company-wide training is provided according to the following five categories: career development, leadership development, global business skills development, specialized skills development and re-skilling, with the goal of strengthening both mind (people skills) and skills (job skills), based on personnel grade and specialization level. In FY2022, 25,362 persons participated in the i-University training program (in total).

Learning and growth	Common company-wide	• Career development	
		• Leadership development	
		• Global business skills development	
		• Specialized skills development	
		• Re-Skilling	Literacy
			Service manager
			Business designer
			Full-stack engineer
	Division specific	• Supplement company-wide training • Development of skills unique to each business group	
Communication		• Workshops for responsible departments, job types, etc.	
Schemes and infrastructure		• Online courses (group training and e-Learning) • SCSK Learning Park • MA-N@vi (course management system) • ProActive (HR management system)	

Support for Autonomous Career Development

As professional life is extended and business is changing extremely rapidly, employees are expected to actively and continuously develop their own careers and their autonomous career management is becoming increasingly important. Accordingly, SCSK has created various measures and programs so that employees can proactively think about their career. In addition, we are working to foster "learning culture," a culture in which each employee learns autonomously, by promoting and supporting self-development, including learning outside of work. Through these measures and programs, we aim to raise each employee's awareness of career development from a long-term perspective, and also to encourage sustainable growth of employees and their contribution to the business.

Career Development Plan (CDP) system

In addition to each and every employee engaging in autonomous career development, it is also important for the organization to be aware of the human resource portfolio in line with the business strategy and to aim for the achievement of the business strategy. Against this background, under the CDP system, each and every employee reviews his or her strengths and issues through interviews with his or her superior, and based on the expectations of the organization, he or she coordinates assignments and duties one or two years from now. This is an important opportunity to discuss personal career goals and expectations based on the direction of the company.

Measures and Programs to Promote Autonomous Career Development

Young Employee Career Development Program

We launched the program with the objective of allowing young employees to acquire multiple skills and foster their adaptability to changes in order to prepare for changes in future business and technology needs. Through this program, we are providing training on IT and business basics so that employees can acquire multiple skills in their first four years after recruitment as new graduates. We certify the level of their achievement in the utilization of the knowledge learned and their practical skills. Furthermore, we conduct "career and advice interviews" to allow young employees to think autonomously about their own career, and implement "job rotations" to aim for further growth in a new environment different from their initial assignment.

Personnel Recruitment Program (Job Challenge Program)

Under this program, the departments of Group companies that are looking for human resources conduct recruitment, and employees who wish to be transferred to each department apply for the job. If they pass the screening by the recruitment department, the transfer is realized. This system supports the growth of employees and the placement of the right people in the right jobs.

Career in One's 50s or Older (Senior)

We previously provided career training for employees when they reach 53 years of age in preparation for the era of seniors who were hired in large numbers. The timing to implement this training has been reviewed and the program has been revamped to target the applicants for rehiring and senior regular employees who are 58 years of age and older. We plan to offer training programs that encourage senior employees to establish and prepare an image of playing an active role in the workplace. We also plan to offer career counseling by an outside career advisor to those who wish to participate.

Internal Free Agent (FA) Program (Career Challenge Program)

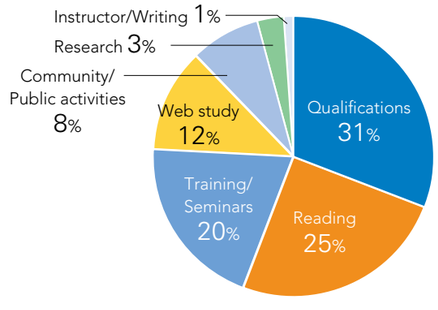
With this program, employees can register their backgrounds, skills and desired duties and appeal to the desired department. Under this system, employees who have received an offer from a desired department can be transferred if an agreement is reached with the department after negotiations. This system supports individual skill development and career development.

Promoting and Supporting Self-Development (*Kotsukatsu*) / Stipend for Learning

Guided by the notion that steady effort is key to success, we implement *Kotsukatsu* as a way of supporting our employees' efforts to engage in self-development. We internally share case studies in various learning activities that employees applied for and support their continuous learning that leads to growth, and aim to build a scheme by which employees can raise each other's spirits.

In promoting independent self-development efforts including learning outside of work, we provide all employees with "stipend for learning" in a monthly amount of ¥5,000. We also provide "learning incentives" through distribution of pre-paid cards for purchasing books and provision of learning content, depending on the achievements in self-development activities. By so doing, we encourage employees to have the habit of recording and reflecting on daily self-development activities.

[*Kotsukatsu*] Breakdown of applications by category



Diverse Team of Professionals

Well-Being Management

We aim to raise employee motivation and performance through the autonomous growth of each employee and the creation of new value through co-creation with customers and society. To this end, we have been actively working to create a comfortable working environment where employees can work safely and securely. Based on this, we will continue to promote "Well-Being Management" that provides new value to society. Based on the idea that "in addition to physical and mental health, a sense of fulfillment in work, job satisfaction, and a feeling of being useful to society lead to a sense of Well-Being and happiness for each and every employee," we will continue to practice health management and promote initiatives to maintain a high level of engagement with the organization.

Establishment of a Dedicated Organization to Promote Well-Being

In order to promote Well-Being Management throughout the Group, we have newly established a Director in Charge of Well-Being Management and a dedicated organization. Based on the human capital base that we have built up through our work style reforms and health management initiatives, we will practice Well-Being management, in which each and every employee feels a sense of job satisfaction and continues to create value for society.

Health and Productivity Management as the foundation of Well-Being management

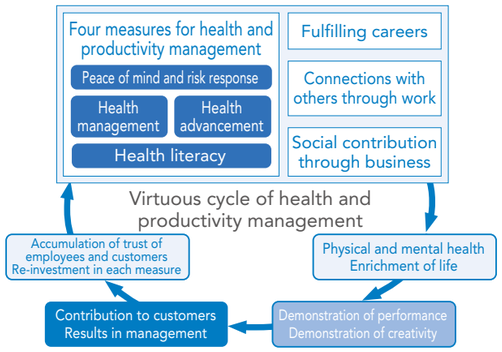
The SCSK Group values "people" as the most precious property that supports the foundation of its business. Accordingly, the Group clearly states in its "Principles for Health and Productivity Management" that mental and physical health of each employee is the basis for its business growth, and has also stipulated the statement in the work rules along with the responsibilities to be fulfilled by the company and employees. As such, we have worked on health and productivity management over the medium to long term as priority measures to maximize human resource value.

The D&I/Well-Being Promotion Department, which plans and implements health-related measures, SCSK's Committee for Creating a Pleasant Workplace Environment, which is run by employees, and SCSK Health Insurance Society, which is responsible for insurance benefits and health insurance business, work together, while top management assumes the position of Chief Health Officer. In this way, we will push forward with our efforts toward Well-Being management, which has evolved from our initiatives for health and productivity management carried out for many years.

Initiatives for Health and Productivity Management

SCSK's health and productivity management is centered around four measures, namely "health literacy," "health advancement," "health management," and "peace of mind and risk response." We are working to change employees' awareness and behavior with the aim of improving their sense of reward and job performance, as well as their mental and physical health.

We believe that the results of efforts for health and productivity management will maintain a good mental and physical health condition of employees, leading to Well-Being management that allows for demonstration of a high level of performance at work, growth and a sense of fulfillment and heightened job satisfaction of each employee.



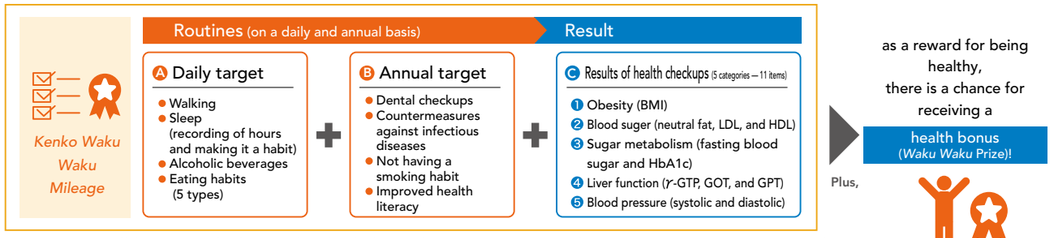
Contribution to Society — Participation in Health & Productivity Management Alliance

SCSK aims to contribute to the promotion of health and productivity management in society as a whole by sharing its experience and know-how related to the promotion of health and productivity management that it has accumulated so far with a wide range of people outside the company. In 2023, SCSK participated in the "Health & Productivity Management Alliance" (established in June 2023) as a representative managing company, and is working to co-create formats and results for health and productivity management through planning and management of the alliance and sharing of health measures among participating companies across industries. In the health and productivity management assessment which is an initiative of the alliance, the "questionnaire on health and productivity management" that SCSK has conducted on a continuous basis has been adopted as a measure for assessment. In addition, we will prepare a "Health and Productivity Management Issue Map," which allows for benchmark comparison with participating companies.

Establishment of routines through the *Kenko Waku Waku Mileage* Program

The "*Kenko Waku Waku Mileage program*," which is the basic measure for health promotion, rewards employees with points based on healthy behavior and health checkup results, and provides incentives according to the number of points earned each year. At SCSK, we have used health questionnaires to identify employee's issues and needs, and have implemented measures to promote healthy behavior habits (diet, exercise, and sleep). The survey also confirmed that there is a correlation between healthy behavior and performance.

Based on this, we continue to implement the "Kenko Waku Waku Mileage program" as a basic policy, while holding various events to improve behavior and awareness. In the fiscal year ended March 2023, we conducted health care checks to measure our own health status, including walking ability, body composition, physical strength, stress, and cognitive function, as well as charity walking events. In addition to the Healthy Exciting Mileage program, through messages from top management and these events, the amount of activity (average number of steps), which decreased to 7,478 steps due to the novel coronavirus outbreak, has improved to 8,209 steps.



Incentives will be provided to individuals based on points earned in one year (A+B+C) and points earned as a bonus for continuous achievements

Physical and Mental Health and Demonstration of Performance

Since the fiscal year ended March 31, 2023, we have been conducting weekly "pulse surveys" to periodically assess mental and physical health conditions, the burden of work, and the degree of communication, and to visualize the changes. The results are used by each and every employee for self-care to maintain their health, as well as for management based on changes and trends throughout the organization. We will continue to work to ensure that our diverse human resources can continue to demonstrate high performance in a state of mental, physical, and social health.

Employee Awareness Surveys and Health Questionnaire Surveys/Degree of Performance Demonstration			
My abilities are fully demonstrated	76.8%	▶	Target 90% or higher
Performance demonstrated in a good health condition	81.7%	▶	Target 90% or higher

Striking a Balance Between Pleasantness and Job Satisfaction

In 2012, when the term "working style reform" had not yet been used widely, SCSK began its efforts to realize efficient and flexible working styles, and has been working to achieve this goal ever since. We are continuously working on Smart Work Challenge launched in FY2013 as a foundation for human capital with the aim of achieving the targets of reducing average monthly overtime hours to 20 hours or less and ensuring employees take all of their annual paid vacation days every year.

In becoming a "Co-Creative IT Company" in 2030, we will improve the health of our employees, create opportunities for their personal growth, and achieve their job satisfaction and sustainable business growth. By so doing, we will create new value for society.

Employee Awareness Survey/Engagement			
Pleasantness	90.6%	▶	Target 90% or higher
Job satisfaction	75.6%	▶	Target 90% or higher

P104 Average Monthly Overtime Hours / Rate of Consumed Annual Paid Vacation Days

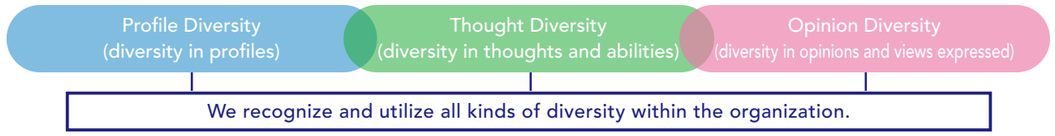
Smart Work Plus (Second Job Program)

The program encourages the acquisition of skills and business experience outside the scope of SCSK through second jobs and side businesses, and also hires specialized human resources from outside the company in a form of second job to harness their knowledge and expertise in developing innovation and new business, thereby aiming to contribute to the provision of new value.

Diverse Team of Professionals

Diversity and Inclusion

We are promoting D & I with the aim of creating a workplace environment in which all employees can make the most of their abilities. Our D & I aims to "enhance organizational capabilities by allowing diverse human resources to recognize and understand each other as peers," and we are developing measures to understand and utilize diversity as an organization from three perspectives: "attributes," "thinking content and ability," and "opinions and views expressed." We aim to be a company that continues to achieve sustainable growth and create new value-added services by drawing out the full potential of all our human resources and applying that potential to SCSK's business growth.



Promotion of Diversity and Inclusion

SCSK established an organization dedicated to the promotion of diversity in 2012. Since then, we have implemented a number of initiatives for leveraging the skills of seniors, women, and employees with disabilities. With the aim of creating a workplace where human resources with diverse backgrounds respect each other and can play an active role, we conduct rank-based training to promote understanding of D & I and hold seminars for all employees. We also use our portal site and in-house magazine to provide information on the significance of D & I, introduce initiatives, and issue messages from top management on a regular basis.

The Medium-Term Management Plan recognizes that the performance of all human resources is the Company's growth driver, and positions the promotion of D & I as one of the elements necessary to maximize the value of human resources. We have also established a "D&I Committee" to promote this initiative company-wide.

Fostering of an Organizational Culture

Management Advisory Sessions

As part of our efforts to promote D & I, we have held Management Advisory Sessions for the top management of each organization for three years since 2020. The purpose of these measures is to foster an organizational culture that contributes to innovation and creation of business through the implementation of D & I. They are designed to identify issues in the organization in charge, and to consider, formulate, and implement action plans for improvement. By implementing these measures under the leadership of top management, a sense of unity within the organization is fostered, leading to the effective implementation of measures.

Creation of D&I Promotion Guidebook

We produce and distribute pamphlets that summarize our company's philosophy and definitions of words so that all employees can share a common understanding of Diversity & Inclusion and put it into practice. The booklet also includes specific actions and advice aimed at fostering an inclusive organizational culture. By using the booklet in training and other activities, we aim to create an organization in which all employees can make the most of their abilities with peace of mind.

Initiatives for Empowering a Diverse Workforce

Promoting the Active Participation of Women

We have been working actively to promote active participation by women, based on the idea that realizing an organizational culture where women can truly shine is a foundation for realizing a broader scope of diversity and inclusion. We have set targets of increasing the ratio of women in general manager positions to 12% and the number of female human resources with extremely advanced specializations to 150 (level 5 or higher in the IT Skill Level Assessment of the Company) over the five-year period from FY2021 through FY2025, and we are promoting training to reach the targets. These targets are positioned as management targets, and we will promote initiatives while monitoring their status.

Measures for LGBTQ

We are working to develop an environment where all employees can work with peace of mind, which includes allowing same sex and common-law partners to be considered "spouse" under the company's internal programs. Our policy is clearly laid out in the Compliance Manual, which explains the ban on discrimination due to gender orientation. In addition to a hotline, we also hold seminars for all employees to promote understanding and conduct training for managers as well as employees in charge of human resources including at Group companies.

We hand out Ally* stickers to those who request one to symbolize their commitment to understanding, supporting and assisting the LGBTQ community, and we run an Ally community where employees who identify as an LGBTQ Ally can discuss issues and SCSK's measures for LGBTQ inclusion.

*Ally is a collective term for people who support the LGBTQ community.

Promotion of Active Participation by Employees with Disabilities

As a model company which employs people with severe disabilities, the Tokyo Metropolitan Government, the Tama City Government, and SCSK, a private-sector company, established through co-investment "Tokyo Green Systems Corporation (tgs)" in 1992 as a third-sector company. With the philosophy of "participation, independence, and symbiosis", tgs aims to achieve "independence and contribution" and promotes employment of employees with disabilities as a special-purpose subsidiary of SCSK.

In addition, relaxation rooms are set up at major sites of SCSK, where visually-impaired persons who are qualified as "massage and finger-pressure therapists" based on national license are playing an active role as health keepers.

Support for Balancing Work with Childcare or Family Care

We are making efforts to create a foundation in which employees from various backgrounds can excel at work on the same stage. As part of these efforts, we rectify the problem of long working hours, introduce remote work and flex time systems to provide flexibility in workplace and working hours, and offer various leave programs that allow employees to take time off by half a day or by the hour, thus proceeding with the development of an environment where all employees can actively participate in their work.

Additionally, we have developed a program to support employees working reduced hours due to childcare or family care so that they can return to full-time work at an early stage. We also hold seminars that deepen the understanding of these issues and seek out solutions together and roundtable meetings to facilitate communication and information sharing among employees, thereby working to support autonomous career development.

External Initiatives – Supporting Women's Careers

We participate in "WITTy (Women in IT in Toyosu)," which is formed by nine IT companies.
WITTy is a community that was created with the aim of supporting the further advancement of female engineers working in the IT industry beyond the boundaries of the company. Since its establishment in 2013, the NRI Group has regularly held exchange events to share industry-specific concerns and issues, continue to work energetically, and draw up a career that suits them.
We will continue to cooperate and advance various initiatives to enable women to play active roles throughout the industry.

Diverse Team of Professionals

CASE STUDY "Mirai-Sozo" Program (Future Creation Program)

EneTrack, a platform for I-REC*1 domestic use that performs secure, accurate distribution of renewable energy attribute certificates

Motohiro Takano
Global Digital Solution & Innovation Business Group

Profile
Mr. Takano has over a decade of experience as an engineer, including credit card fraud detection. He later supported the launch of new businesses as an operations consultant. In 2020, he applied for the first "Mirai-Sozo" Program (Future Creation Program) and was selected for a business commercialization project. Since 2021, he has been engaged in developing projects toward achieving a decarbonized society.

SCSK is implementing the SCSK Group "Mirai-Sozo" Program, a business plan competition oriented toward producing entrepreneurs who will take on the challenge of new businesses with more dynamic ideas that are not bound by convention, with the aim of becoming a Co-Creative IT Company. We interviewed the EneTrack Business Development Program Manager, who has succeeded in newly commercializing EneTrack, about the process of commercialization as well as current efforts and thoughts. EneTrack, a platform that facilitates the use of I-REC by companies, was selected for the inaugural edition of the program and released on a full scale in July 2023.

——"Mirai-Sozo" Program that encouraged new business commercialization

The theme on which EneTrack is based is one that I had been working on since around 2018 with an external research group that I was involved in outside of work. In transforming the idea into business, we received a tailwind in the form of changes in the external environment. With the government's announcement related to carbon neutrality, the demand for decarbonization across the supply chain and the need for companies to decarbonize their own GHG emissions and energy procurement activities are growing, and we have met with numerous people to form a concrete picture of our business.

We initially considered launching a business as a start-up, but creating a business plan and profit-and-loss plan necessary to seek outside investment were hurdles that proved too high and time-consuming to research, study, and create outside of our regular work. While investigating various avenues of commercialization, I learned that the company was implementing the "Mirai-Sozo" Program internally. With the approval of the study group members, I applied for the program. If selected for the program, participants receive a certain amount of budget from the company. The Company is very serious about the program, and I was truly encouraged by the ability to start a business without leaving SCSK, and thereby to convert the human networks that I have cultivated internally and externally, as well as the credibility of the Company, into new business power and speed.

While there were over 30 applications for the first round, I believe that my business plan was ultimately selected because, most importantly, the idea was in line with the current theme of decarbonization management, it was unique to SCSK in that it leveraged IT to achieve a breakthrough in a small-scale, inefficient area such as residential solar power, and it fit SCSK's theme of "co-creating new value for society" with outside experts.

——EneTrack, a platform that facilitates use of I-REC by companies

In recent years, decarbonization management has grown into a key theme for companies, and those entities taking part in international initiatives to combat climate change (CDP, RE100*2, etc.) are actively introducing electricity generated from renewable energy sources (renewable energy electricity). If it is not sufficient to meet their targets, however, they must purchase renewable energy (electricity) certificates. Possession of this renewable energy certificate proves that the company has chosen to use renewable energy. It was extremely difficult, however, to prove the legitimacy of the certificates and the tracking evidence of their power attributes.

Moreover, while the government's carbon neutrality statement has increased the demand for decarbonization across the supply chain and the need for companies, there are still many companies that want to do so but are either unable or do not know where to start.

The new service solved those issues and its full-fledged release occurred in July 2023 under the name EneTrack. It is noteworthy that we are the first in Japan to earn accreditation from the global standard I-REC for the certification of renewable energy attributes. For renewable energy generator and consumer companies, issuing, transferring, and redumption processes for renewable energy certificates can be streamlined online, and they gain worldwide credibility for compliance with the I-REC standard.

I-REC-compliant renewable energy certificates are usable in 50 countries around the world, so we are looking to expand our business to Japanese corporations operating overseas. Eventually, we also hope to expand into services targeting individuals.

——Toward a Co-Creative IT Company

The SCSK Group has a climate and systems that encourage people willing to take on new challenges. We believe that, while creating new value is by no means easy, by selecting and building business fields and business models that can materialize the abilities and thoughts of individuals to the maximum extent, we can expand the possibility of creating unprecedented new business models, and that this will lead to us achieving our goal of becoming a Co-Creative IT Company.

For more details, please visit the website.
https://www.scsk.jp/sp/enetrack/en/

*1 I-REC : Renewable energy electricity certificates, standards for which are defined by the International REC Standard Foundation (The Netherlands)
*2 CDP : An NGO dedicated to providing investors with corporate environmental information
RE100 : An international initiative involving businesses that have committed to using renewable energy sources for 100% of the electricity used in their own operations

External Recognition

- Nikkei Inc.
  Nikkei Smart Work Management Survey Five stars
- Ministry of Economy, Trade and Industry (METI), Tokyo Stock Exchange
  Selected as a Health & Productivity Stock Selection for the ninth consecutive year
- Nippon Kenko Kaigi (certifying entity)
  Recognized as Certified Outstanding Health & Productivity Management Organization (Large Enterprise Category) "White 500" for the seventh consecutive year
- METI
  Selected for THE DIVERSITY MANAGEMENT 2.0 PRIME (FY2018)
- work with Pride
  For the fifth consecutive year, received the Gold rating, the highest rating, in the PRIDE Index for LGBTQ-Related initiatives
- Ministry of Economy, Trade and Industry (METI), Tokyo Stock Exchange
  Selected as a Nadeshiko Brand for eight consecutive years (FY2014–FY2021)
- Toyo Keizai Inc.
  Ranked first in the ranking of "Companies dedicated to the career development of its employees" (Platinum Career Ranking) in 2023.
- Received Human Capital Leaders 2022 Award, jointly organized by HR Technology Consortium, HR Research Institute (ProFuture Inc.), and MS&AD InterRisk Research & Consulting, Inc.
- CDP
  Received the highest assessment in CDP's Supplier Engagement Rating

Sustainable Value Chain

Social

Basic Approach toward Partner Companies

Companies provide their customers with various products and services. The ability to deliver consistent and high-quality services to customers requires close collaboration with various partner companies in the value chain of business activities.

SCSK provides high-quality, safe, and reliable services by building long-lasting relationships with partner companies and establishing a sound value chain.

In addition, working with our partner companies on various issues, we will continue to contribute to the growth of the IT industry and aim to implement Well-Being management by increasing the added value within the value chain and promoting various efforts, including working style reforms, health and productivity management activities, and sustainability management.

Long-Lasting Relationships with Partners That Lead the IT Industry

Improving Quality and Productivity

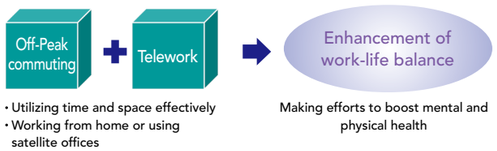
Along with partner companies, SCSK has continued to work to improve quality and productivity over many years, and is moving forward with stable systems development, maintenance, and operation using the SCSK development standard (SE+). We are also working with partner companies to leverage our proprietary *Monozukuri* innovation platform (S-Cred+) and achieve more advanced development and operation for the future.

Furthermore, by conducting project-based mutual evaluations and analyzing and using those evaluations, we and our partner companies are continuing to increase quality and productivity.

Working Style Reforms and Health and Productivity Management

Stressing working style reforms and health and productivity management in order to create an IT industry that attracts talent, SCSK works with its partner companies to create an environment in which organizations can achieve high quality and productivity. We are also working to correct and eliminate the traditional practices of long work hours and unpaid overtime.

Furthermore, we are striving to help employees more fully realize a work-life balance by actively introducing telework as a flexible working style that makes it possible for individuals to make effective use of time and space.



Increasing Efficiency of Contract Operations

SCSK has dramatically increased not only its own but also partner companies' work efficiency by completing the massive number of contract procedures, which exceed 30,000 annually, through Web-EDI*1. Making use of a seamless communication portal, we are also working to increase the quality of operations by linking important items related to regulatory and general compliance.

*1 Web-EDI (Electronic Data Interchange): a system for increasing work efficiency by conducting business transactions between companies over the Internet

*2 "SE Link" is a registered trademark of SCSK Corporation.

Thoroughly Implementing Information Security and Compliance

When handling information that is the important assets of clients, SCSK and its partner companies demand thorough compliance with Information Security Guidelines set by SCSK and undertake several other activities, such as regular briefings and field audits.

To eliminate information security incidents, we also thoroughly implement information security and compliance with partner companies, work to create a safe and reliable value chain that offers high value added, and win the trust of client and society.

Promoting Sustainability

Having received the understanding and consent of partner companies, SCSK undertakes IT industry sustainability promotion activities with those companies.

In addition to sharing with partner companies the SCSK Group Human Rights Policy formulated in May 2022, we conduct activities to raise awareness of respect for human rights.

Furthermore, to reduce greenhouse gas emissions, including those from the supply chain, we not only share information on the various measures related to awareness of the climate change problem and reducing emission, but also promote initiatives to realize a sustainable society.

Initiative Themes

Theme	Key point	Examples of initiatives
Improving Quality and Productivity	● Development and management standardization (SE+, etc.) ● Mutual evaluation of projects	● Rollout of SCSK development standards (SE+) and *Monozukuri* innovation platform (S-Cred+) at partner companies for stable systems development, maintenance and operation ● Improvement in quality and productivity by sharing results of mutual project evaluations with partner companies
Working Style Reforms and Health and Productivity Management	● Sharing of health and productivity management measures/initiatives ● Enhancement of work-life balance	● Commendation of partner companies who achieve positive outcomes after sharing average overtime hours and rate of consumed annual paid vacation days as indicators with partner companies ● Active introduction and promotion of telework as a flexible working style
Increasing Efficiency of Contract Operations	● Increase in efficiency of contract procedures through use of Web-EDI ● Sharing of communication portal	● Elimination of the use of paper for outsourcing contract procedures through the use of SCSK's Web-EDI system (SE Link) (99% use rate) ● Promotion of thorough regulatory compliance and important items through the communication of information to all partners using SE Link portal and two-way communication
Thoroughly Implementing Information Security and Compliance	● Strict observance of laws related to outsourcing ● Enhancement of information security	● Requirement of partner companies to comply with SCSK's Information Security Guidelines and activities such as field audits ● Briefings for all partner companies to ensure and strengthen information security and compliance
Promoting Sustainability	● Sharing of sustainability policy ● Explanation of SCSK Group Human Rights Policy, activities to reduce greenhouse gas emissions, etc.	● Explanation of sustainability policy within the supply chain at all-partner briefings ● Explanation of not only policy on respecting human rights and human rights due diligence, but also SCSK Group greenhouse gas emission reduction targets and various measures to reduce emissions

Collaboration with Partners

Core Partner Conference

SCSK designates main partner companies that help it achieve higher quality and productivity and engage in continuous and stable transactions as core partners. We are working to deepen engagement and implement additional measures to improve quality and expand business.

At our annual Core Partner Conference, we share business plans with participating companies and gain their understanding regarding the direction of business.

Comment from a Partner Company

Koshiro Someya
IST-Software Co., Ltd.
Representative Director and President

Through years of transactions with SCSK, we have been working to meet SCSK's particular emphasis on quality improvement and expectations for partners, which have been shared with us on an ongoing basis.

To fulfill SCSK's expectations, our employees have made consistent efforts. This has led to our highly regarded quality and productivity, which our employees and I truly appreciate.

Going forward, we will work even harder to meet customer expectations.

Transparent Governance

Basic Approach and System for Corporate Governance

Embracing its focus on corporate social responsibility, the SCSK Group implements sustainability management with an eye to shareholders and other stakeholders.

From this perspective, the SCSK Group considers raising the efficiency and soundness of management as well as ensuring transparency in the decision-making process as the most basic components of its corporate governance. Rating these matters high among management priorities, we aim to build an optimal management structure that benefits SCSK the most.

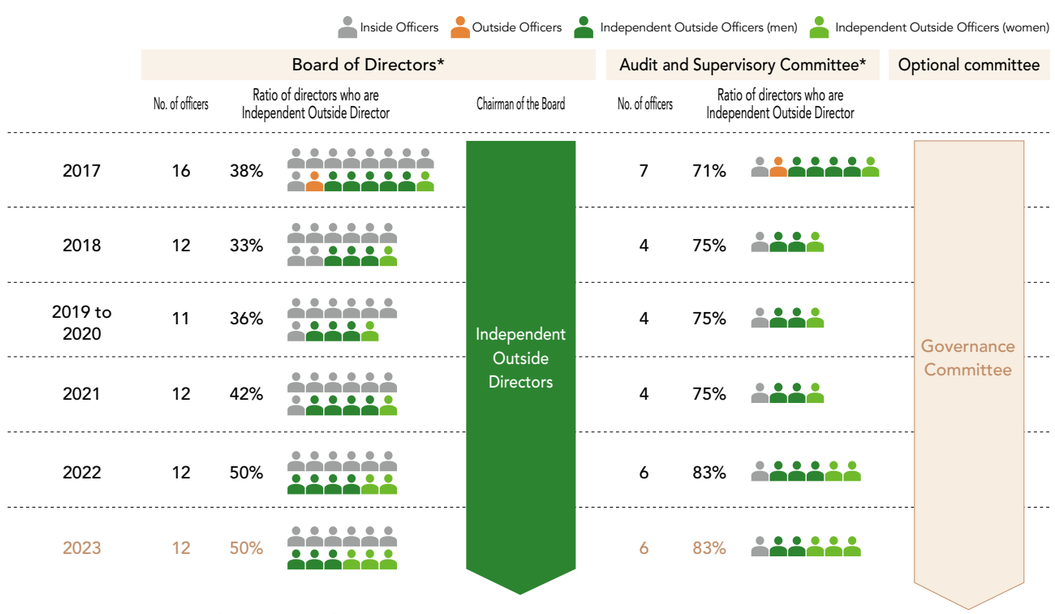
We implement each of the principles set forth in the Tokyo Stock Exchange's Corporate Governance Code and provide detailed disclosures within our Corporate Governance Report based on each principle.

Overview of Corporate Governance System (as of June 22, 2023)

Institutional design	Company with Audit and Supervisory Committee
Directors	12 (of which 6 are Independent Outside Director)
Chairman of the Board	Tetsuya Kubo (Independent Outside Director)

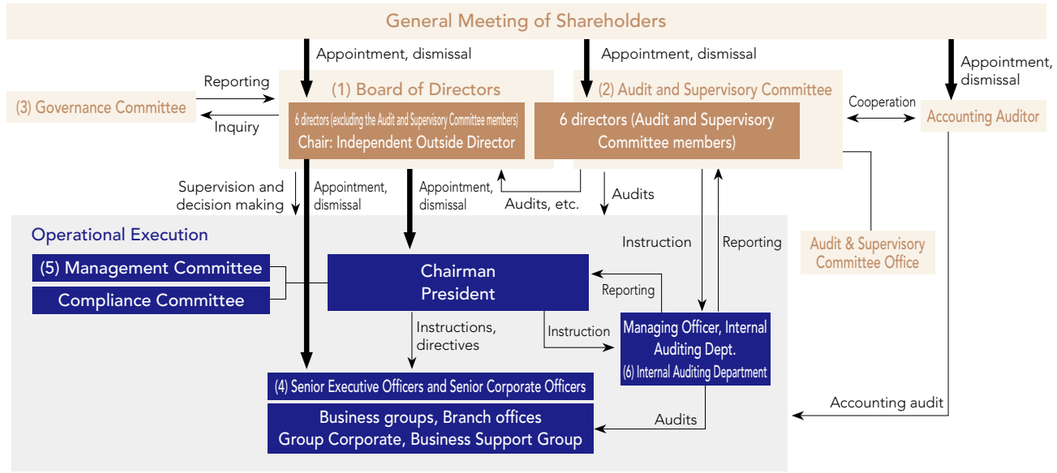
Audit and Supervisory Committee members	6 (of which 5 are Independent Outside Director)
Term of directors stipulated in Articles of Incorporation	Directors who are not Audit and Supervisory Committee members: 1 year Directors who are Audit and Supervisory Committee members: 2 years
Executive Officer system	Adopt

History of Efforts to Strengthen Corporate Governance



* Number and percentage after the General Meeting of Shareholders

Corporate Governance Structure



Name	Independent Outside Directors	Role, system, and initiatives
(1) Board of Directors Times met in FY2022: 13 Chairman of the Board: Independent Outside Director	6/12 Women: 3	● Makes decisions regarding important managerial issues and supervises execution of operations ● Holds regular meetings (generally once a month) and extraordinary meetings (when necessary) ● Primarily examines matters stipulated by laws and regulations, matters stipulated by company regulations, and important managerial matters, including management strategy and management plan
(2) Audit and Supervisory Committee Times met in FY2022: 13 Chair: Inside Director	5/6 Women: 3	● Conducts organized audits that make use of the internal control system, and audits and supervises the execution of the business operations by the Executive Officers from an independent and objective perspective ● See page 83 "Reasons for Elections and Summary of Their Expected Roles" for knowledge possessed by Independent Outside Director P83
(3) Governance Committee		● Established as an advisory committee to the Board of Directors or similar entities to ensure fairness and transparency and that appropriate consideration is given to the shared interest by SCSK and its shareholders when decisions are made by the Board of Directors, etc.
Conflict of Interest Advisory Subcommittee Times met in FY2022: 3 Chair: Independent Outside Director	7/7 Independent outside expert: 1 Women: 3	● Primarily deliberates on transactions that could involve a conflict of interest between SCSK and its directors, matters that require the approval of the Board of Directors as per the Companies Act, and transactions between SCSK and related parties that the Board of Directors or similar entities seek advice on as it is necessary to ensure the fairness of decision-making by the Board of Directors ● Composed of Independent Outside Director and independent outside experts
Nomination and Remuneration Advisory Subcommittee Times met in FY2022: 8 Chair: Independent Outside Director	6/8 Women: 3	● Primarily deliberates on matters such as criteria and process for selecting directors, Senior Executive Officers, and Senior Corporate Officers, selection and dismissal of directors, remuneration for directors, Senior Executive Officers, and Senior Corporate Officers, and matters that the Board of Directors or similar entities seek advice on as it is necessary to ensure the fairness of decision-making by the Board of Directors

Name	Role, system, and initiatives
(4) Senior Executive Officers and Senior Corporate Officers	● Divided into Senior Executive Officers who are responsible for business execution throughout the SCSK Group and Senior Corporate Officers who are responsible for execution of operations in a particular business domain in order to clarify roles and responsibilities of officers ● Senior Executive Officers and Senior Corporate Officers execute operations while following the instructions and orders of the Chairman and the President in line with management policies set by the Board of Directors
(5) Management Committee	● Established as an advisory body to the Chairman, the President, on important business matters ● Participants consist of 14 senior executive officers
(6) Internal Auditing Department	● Examines and evaluates control activities and risk management related to overall management activities at SCSK, its subsidiaries, etc., from various perspectives, including improving effectiveness and efficiency of operations and ensuring the reliability of financial reports ● Reports on internal audit plans and results directly to the Board of Directors, the Chairman, the President, and the Audit and Supervisory Committee

Transparent Governance

Election and Dismissal of Directors and Procedures

When electing and dismissing directors (excluding those who are Audit and Supervisory Committee members), the Nomination and Remuneration Advisory Subcommittee of the Governance Committee is consulted, and the election and dismissal is tabled at the General Meeting of Shareholders after being resolved by the Board of Directors taking into consideration the opinion of the Audit and Supervisory Committee. In addition, for candidates for directors who are Audit and Supervisory Committee members, the approval of the Audit and Supervisory Committee is obtained, and then they are elected or dismissed through the same process.

As for the composition and number of Board of Directors members, decisions are made taking into consideration the skills that should be possessed by the SCSK's Board of Directors and the balance and diversity of skills possessed by each director.

To maintain and improve directors' supervision of execution of duties, Independent Outside Director about whom there are no concerns of conflict of interest with general shareholders will continue to be selected. Outside Directors who possess management judgement based on a wide range of business activities attend Board of Directors meetings and provide advice to maximize corporate value.

Selection Criteria

Directors (excluding directors who are Audit and Supervisory Committee members)

- Possess knowledge, experience, and track record required of SCSK directors
- Can constructively participate in deliberations at Board of Directors meetings
- Possess outstanding management skills and insight into thoroughly adhering to laws, regulations, and corporate ethics
- For directors who also serve as executive officers, possess extensive knowledge in responsible fields

Directors who are Audit and Supervisory Committee members

- Possess specialized insight and experience as director who is an Audit and Supervisory Committee member and can conduct audits from an objective perspective

Outside Directors

- In addition to the above, possess specialized and broad insights into corporate management and various fields

Reasons for Elections and Summary of Their Expected Roles

Outside Directors		Reasons for Elections and Summary of Their Expected Roles
Tetsuya Kubo (Chairman of the Board)	Independent Director	Mr. Tetsuya Kubo possesses robust management experience gained over years of serving in important positions at major financial institutions as well as wide-ranging knowledge pertaining to global businesses. We believe that the experience and insights that he has acquired through his career qualify him to help maintain and enhance the supervision of execution of operations at SCSK and to offer advice on all areas of management, and we have thus selected him as an Outside Director.
Kazuko Shiraishi	Audit and Supervisory Committee Member, Independent Director	Ms. Kazuko Shiraishi possesses a strong, global background as well as wide-ranging knowledge pertaining to environmental, social, and human rights issues gained in her role as a diplomat. She was selected as an Outside Director who is an Audit and Supervisory Committee member because we believe the experience and insights she has acquired through her career qualify her to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Yasuo Miki	Audit and Supervisory Committee Member, Independent Director	Mr. Yasuo Miki possesses a breadth of experience in managing IT companies as well as wide-ranging technology knowledge. He was selected as an Outside Director who is an Audit and Supervisory Committee member because we believe the experience and insights he has acquired through his career qualify him to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Sadayo Hirata	Audit and Supervisory Committee Member, Independent Director	Ms. Sadayo Hirata has a wealth of experience as an engineer as well as academic insight pertaining to IT and technology management. She was selected as an Outside Director who is an Audit and Supervisory Committee member because we believe the experience and insights she has acquired through her career qualify her to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Hidetaka Matsuishi	Audit and Supervisory Committee Member, Independent Director	Mr. Hidetaka Matsuishi possesses robust management experience and wide-ranging knowledge of marketing obtained through his long career at senior positions at a major electric instruments company. He was selected as an Outside Director who is an Audit and Supervisory Committee member because we believe the experience and insights he has acquired through his career qualify him to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Yumiko Waseda (Governance Committee Chair)	Audit and Supervisory Committee Member, Independent Director	Ms. Yumiko Waseda possesses specialized knowledge and experience as an attorney and wide-ranging insight into environmental, social, and human rights issues. She was selected as an Outside Director who is an Audit and Supervisory Committee member because we believe the experience and insights she has acquired through her career qualify her to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.

Stimulating Deliberation at the Board of Directors Meetings

The secretariat of the Board of Directors led mainly by the Legal Department strives to enhance handout materials for the Board of Directors and to ensure discussions during meetings of the Board of Directors are active and substantial by conducting prior explanations for Outside Directors.

Additionally, the secretariat determines the annual schedule and deliberation matters of the Board of Directors in advance to every extent possible, continuously reviews agenda standards, and carefully selects matters requiring resolution of the Board of Directors. In this manner, sufficient time is dedicated to deliberations on truly material matters.

Specific Matters Submitted and Reported in FY2022

- Matters related to corporate governance
- Matters related to organization and human resources
- Sustainability initiatives P28
- Matters related to the execution of important operations (disposal and acceptance of important assets, etc.)
- Matters related to the state of execution of operations (compliance, state of risk management, strategically-held shares, etc.)
- Matters related to progress in implementing Medium-Term Management Plan (including efforts to promote diversity and inclusion), etc.

Evaluating the Effectiveness of the Board of Directors

Initiatives to Improve the Effectiveness of the Board of Directors

Every year, SCSK carries out self-evaluation and analysis concerning the effectiveness of the Board of Directors since FY2016 in order to improve the functions of the Board of Directors and enhance corporate value as a result.

Looking ahead, taking into account the results of this evaluation, SCSK's Board of Directors will swiftly address the issues identified based on a thorough review and will continue to promote measures for enhancing the functions of the Board of Directors.

Evaluation Method

As for the FY2022 self-evaluation and analysis, we conducted a questionnaire survey in February 2023 of all directors who were Board of Directors members, receiving advice from an outside organization.

Anonymity was ensured by having directors submit completed questionnaires to the outside organization. After receiving a report on the results from the outside organization, an analysis, discussion, and evaluation were conducted at the Board of Directors meeting held in May 2023.

Evaluation/Analysis Process

STEP1 Have all directors complete questionnaire → **STEP2** Send completed questionnaires directly to outside organization to ensure anonymity → **STEP3** Analyze, discuss, and evaluate by the Board of Directors → **STEP4** Implement measures to improve the functioning taking into consideration evaluations

Main Questionnaire Items

- Items related to composition of the Board of Directors
- Items related to operations of the Board of Directors
- Items related to discussions by the Board of Directors
- Items related to Board of Directors' monitoring function
- Items related to support system for directors (including Audit and Supervisory Committee members), etc.

Summary of FY2022 Evaluation Results

- The following items received positive evaluations, indicating that in general the Board of Directors functions effectively:
  - Appropriate management of conflicts of interest
  - Free, open-minded, and constructive discussion and exchange of views
  - Succession plan
  - System for cooperation between directors and the Internal Auditing Department
  - Overall operation, including content of advance explanations and timing of meetings, and other matters

Issues and Future Initiatives

- It has been acknowledged that the issues identified in the previous year, namely, the formulation of a management plan with a greater recognition of capital efficiency and a regular review of the business portfolio, require continued discussion.
- As there was the opinion that matters to be deliberated by the Board of Directors should be reviewed to encourage even more vigorous discussion, we will continue to undertake initiatives to improve the functioning of the Board of Directors.

Support and Training System for Directors

Outside Director Support System

Outside directors are provided with Board of Directors meeting material in advance and opportunities to receive advance explanations of items such as agendas. In addition, staff to aid Outside Directors who are Audit and Supervisory Committee members have been assigned to the Audit & Supervisory Committee Office.

Providing Training Opportunities for Directors

Both when and after taking up their position, directors have the opportunity to receive training so that they can acquire knowledge related to SCSK Group management and thus fulfill their roles and responsibilities.

Remuneration for Directors

Basic Policy on Remuneration for Directors and Procedures for Deciding Amount of Remuneration

SCSK pays out annual remuneration to directors including performance-linked compensation, within the maximum amount as determined at the Ordinary General Meeting of Shareholders.

The policies, procedures, and calculation methods, and level of remuneration of directors (excluding Outside Directors, part-time directors, and directors who are Audit and Supervisory Committee members) are decided by resolution of the Board of Directors taking into account the results of examinations by the Nomination and Remuneration Advisory Subcommittee of the Governance Committee, a majority of whose members consist of Independent Outside Director. The Audit and Supervisory Committee confirms the validity of remuneration level based on roles and duties of directors considering the fairness of the calculation of remuneration and business performance.

Remuneration for directors who are Audit and Supervisory Committee members is determined through discussion among directors who are Audit and Supervisory Committee members pursuant to the provisions of Article 361, Paragraph 3 of the Companies Act.

Remuneration for Directors in FY2022

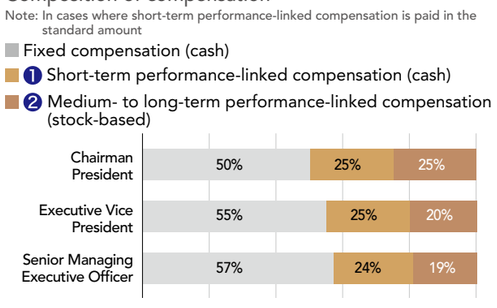
Category	Total remuneration (millions of yen)	Remuneration by type (millions of yen)			Number of people
		Fixed compensation (cash)	Short-term performance-linked compensation (cash)	Medium- to long-term performance-linked compensation (stock-based)	
Directors (excluding directors who are Audit and Supervisory Committee members)	292	179	62	50	11
(of whom, Independent Outside Director)	(15)	(15)	(—)	(—)	(2)
Directors who are Audit and Supervisory Committee members	75	75	—	—	6
(of whom, Independent Outside Director)	(54)	(54)	(—)	(—)	(5)

Types, Summary, and Composition of Director Remuneration

	Compensation type	Summary	Reflects individual evaluation
Fixed	Fixed compensation (cash)	Fixed amount for each director position is paid monthly	No
Variable	❶ Short-term performance-linked compensation (cash)	Standard amount set for each director position is adjusted for the Company and personal performances for the fiscal year and paid in June of the following year	Yes
Variable	❷ Medium- to long-term performance-linked compensation (stock-based)	Restricted stock compensation is granted each year and restriction on transfer is eliminated when retiring	No

Composition of compensation

Note: In cases where short-term performance-linked compensation is paid in the standard amount



Policy and Indicators for Performance-Linked Compensation

❶ Short-term performance-linked compensation (cash compensation)

Short-term performance-linked compensation is calculated by adjusting the standard amount set for each director position based on the Company and personal performances for the fiscal year and is paid after the fiscal year ends.

The ratio of the Company performance portion and the personal performance portion is 100% and 0% for the Chairman and the President, and 60% and 40% for the Executive Vice President and the Senior Managing Executive Officer.

Ratio of the Company performance portion and the personal performance portion

Director position	Company performance portion	Personal performance portion
Chairman President	100%	—
Executive Vice President Senior Managing Executive Officer	60%	40%

Company performance portion

The Company performance portion is calculated by multiplying the standard amount by two coefficients—one is based on the compound annual growth rates (CAGR)*1 of net sales and operating profit over the Medium-Term Management Plan period*1 while the other is based on the rates of achievement of the net sales and operating profit targets for the fiscal year*1—with the aim of incentivizing the directors to strive to achieve the Company's sustainable growth and its performance plan. The Company performance coefficients are designed so that they can cause the standard amount to decrease by up to 75% or increase by up to 80%.

Standard amount × Coefficient based on the CAGRs over the Medium-Term Management Plan period*1 × Coefficient based on the achievement rate of the performance plan for the fiscal year*1

*1 When obtaining each of the CAGRs and the achievement rate of the fiscal year plan, net sales and operating profit are factored in at a ratio of 30:70

Personal performance portion

The personal performance portion is calculated by multiplying the standard amount by the coefficient that reflects the evaluation of each person's accomplishments*2 in environmental, social, governance, and other areas, with the aim of enhancing the effectiveness of the managerial foundation reinforcement measures underlying the Medium-Term Management Plan's core strategies. The personal performance coefficient is designed so that it can cause the standard amount to decrease by up to 100% or increase by up to 50%.

Standard amount × Coefficient based on personal evaluation*2

*2 Personal evaluation items
- Selection of and focus on high-potential business domains
- Promotion of Value-Driven Management (sharing of philosophy and vision with employees)
- Environmental, social, and governance initiatives

❷ Medium- to long-term performance-linked compensation (stock-based compensation)

Each year, SCSK grants the directors (excluding Outside Directors, part-time directors, and directors who are Audit and Supervisory Committee members) its common stock as restricted shares after the Ordinary General Meeting of Shareholders, with the aim of incentivizing them to embody the sustained improvement in corporate value depicted in Grand Design 2030 and promoting greater sharing of value with all shareholders.

The restricted transfer period is, in principle, from the day the restricted shares are granted until the day the person resigns from directorship, in order to facilitate the sharing of value with shareholders over the medium to long term.

Both Senior Executive Officers and Senior Corporate Officers are also granted restricted shares.

Policy on the Protection of Minority Shareholders

Policy on the Protection of Minority Shareholders in Ensuring Independence from Parent Company

To protect minority shareholders, the Board of Directors consists of 12 directors, and 6 of those directors are Independent Outside Director, about whom there are no concerns about conflict of interest with general shareholders. The Board of Directors makes important management decisions and supervises the execution of operations from an independent perspective. Moreover, to ensure fairness and transparency and that appropriate consideration is given to the shared interest of SCSK and its shareholders, SCSK has established the Conflict of Interest Advisory Subcommittee under the Governance Committee. This subcommittee is composed of Independent Outside Director and independent outside experts, serving as an advisory body to the Board of Directors or similar entities.

One SCSK director is from the parent company, and efforts are made to strengthen and expand the business foundation. Furthermore, material matters regarding the execution of operations when conducting business are decided based on agreement by the Board of Directors, which ensures the autonomy and independence of management decisions by SCSK, a listed company.

Policy on the Protection of Minority Shareholders in Transactions with Parent Company

SCSK takes steps so that transactions with its parent company Sumitomo Corporation are not detrimental to minority shareholders.

In FY2022, sales to the parent company accounted for 5.2% of total net sales. The parent company places no constraints on business activities, and transaction terms are the same as those that would be applied to regular transactions with clients that we do not have a capital relationship with. We recognize this as ensuring a certain level of independence.

As for those transactions that are material, advance consultations are held with the Conflict of Interest Advisory Subcommittee of the Governance Committee, and the Board of Directors decides whether to conduct the transaction after receiving a report from the subcommittee.

Furthermore, we ensure fairness by having reports on the state of business with the parent company regularly submitted to the Conflict of Interest Advisory Subcommittee of the Governance Committee.

Transparent Governance

Policy on Strategically-Held Shares

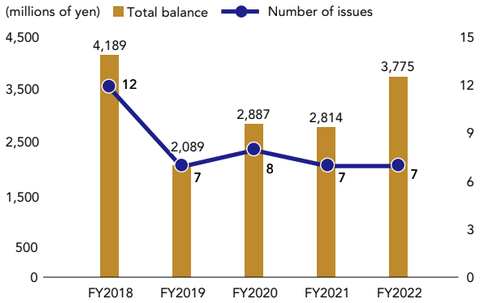
SCSK owns the shares of business partners determined to contribute to the promotion of its business strategies and to benefit its sustainable growth and enhanced corporate value, weighing the balance between return on investment of those shares and the company's cost of capital. Following this policy, shares determined to no longer carry significance or whose holding is no longer reasonable will be disposed of.

In addition, the validity of those holdings is reviewed and determined regularly on an annual basis, holistically taking into account such quantitative factors as cost and benefit associated with those holdings and such qualitative factors as achievement of the purpose of those holdings including maintaining or strengthening of the relationship with the business partner. After the results of this review are compiled, they are reported to the Board of Directors along with the purpose, book value recorded on the balance sheet, valuation gain or loss, trailing three-year performance and business plan of the business partners, our future holding policy of each shares, and adequacy of each holding.

Those shares determined to lack purpose and validity after the review will be sold while considering the impacts on our business and markets.

Strategically-held shares and number of remaining issues held

The number of issues fell from 12 in FY2018 to 7 in FY2022.



* In FY2019, the number declined due to a change in the purpose for holding shares of Minori Solutions Co., Ltd. (transformation into subsidiary) that SCSK held.
* In FY2022, the balance increased due to the initial public offering of MicroAd, Inc. in which SCSK held shares.

Internal Control

SCSK has established the Basic Policy for Building the Internal Control System so that the execution of duties by directors conforms to laws and the Articles of Incorporation and that other operations along with the operations of the corporate group comprising SCSK and its subsidiaries are performed appropriately.

In accordance with this basic policy, we continuously check the effectiveness of the internal control system and conduct reviews based on the changing management climate, which allows us to modify the internal control system on occasion as the need arises. The SCSK Group is working to strengthen governance in order to reasonably guarantee the achievement of the four goals of (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and regulations related to business activities, and (4) safeguarding of assets during the course of its business operations.

Basic Policy for Building the Internal Control System
https://www.scsk.jp/internal_control.html (in Japanese only)

Enhancing Information Disclosures and Communication

Basic Policy

Information disclosure represents an important responsibility of management from the standpoint of ensuring the transparency and fairness of the company's decision-making. We strive to carry out information disclosure in an appropriate and timely manner in order to help deepen understanding among various stakeholders, including shareholders and other investors, about decision-making by SCSK Group's management and the company's business activities.

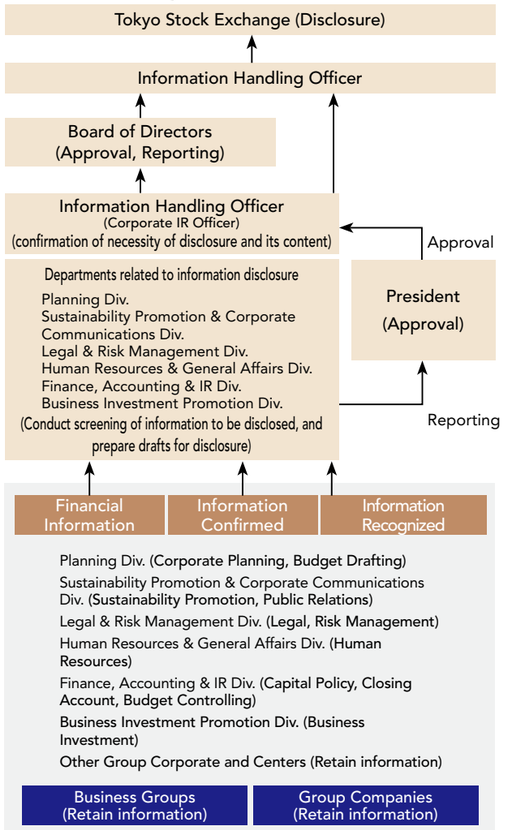
The Group's basic policy on information disclosures is to disclose information in a proactive manner. In addition to disclosures on operating results and financial information pursuant to laws and regulations, non-financial information (including ESG elements concerning governance along with social and environmental issues) deemed material by SCSK is also communicated using various means, including the corporate website and SCSK Report.

Structure for Timely Disclosure

The SCSK Group recognizes that a high level of management transparency is an important component of corporate governance. Also, as a measure to ensure this transparency, the company has established the following system for the disclosure of corporate information. Through this system, we work to disclose information in a timely, appropriate, and fair manner.

1. The Planning Division, Sustainability Promotion & Corporate Communications Division, Legal & Risk Management Division, Human Resources & General Affairs Division, Finance, Accounting & IR Division, and Business Investment Promotion Division properly gather information that is subject to disclosure, screen what is to be disclosed, and prepare drafts for disclosure.
2. Upon receiving authorization from the President, the information handling officers—the person responsible for supervising the management and disclosure of information—confirm the content and determine whether disclosure is required.
3. The information handling officers appropriately disclose corporate information after receiving approval from the Board of Directors when necessary.

Structure for Timely Disclosure



Communication with Shareholders and Other Investors

The SCSK Group actively holds constructive communication with shareholders and other investors according to a scope and means acceptable in order to contribute to sustainable growth and the enhancement of medium- to long-term corporate value. We have created a structure for promoting constructive communication with shareholders and other investors, led by the Corporate IR Officer. This officer is mainly responsible for establishing an internal system for disclosing information on our business activities to shareholders and other investors in an appropriate and timely manner. In terms of actual communication, we work to facilitate direct discussions between this officer and shareholders and other investors whenever possible.

Furthermore, we actively engage in IR activities.

As a means for promoting engagement with shareholders and other investors, we hold quarterly financial results conferences, and plan and conduct briefings as appropriate to deepen understanding about the SCSK Group's operations. Outside Japan, we actively participated in investment conferences hosted by securities firms for overseas institutional investors in FY2022, and have ongoing dialogue with those investors in FY2023. Also, having carefully considered the state of COVID-19 infections and the wishes of investors in respective countries, we resumed in-person IR meetings abroad in FY2023.

Events for analysts and institutional investors held in and after FY2022 (other than financial results briefings)

Event date	Event title	Main speaker
June 2022	IR Meeting with President	President
October 2022	Analyst Meeting on Mobility Business	General Manager of the Mobility Business Group
June 2023	IR Meeting about SCSK's New Medium-Term Management Plan	President

For the materials presented at events for analysists and institutional investors to date, please visit:
https://www.scsk.jp/ir_en/library/analyst_meeting/index.html

Enhancing Information Disclosures and Communication (Continued)

Inclusion in Various Indices

As a result of our proactive disclosure of information through various means of communication, including our website and integrated reports, we have been selected for the following indexes.

- Sompo Sustainability Index (formerly SNAM Sustainability Index) established by Sompo Asset Management Co., Ltd.
- FTSE4Good Index Series
- FTSE Blossom Japan Index*1
- FTSE Blossom Japan Sector Relative index*2

*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SCSK Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SCSK Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

- MSCI ESG Leaders Indexes
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)

THE INCLUSION OF [SCSK Corporation] IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF [SCSK Corporation] BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

- Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)
- S & P/JPX Carbon Efficient Index

2023 Sompo Sustainability Index

FTSE4Good

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

2023 MSCI ESG Leaders Indexes Constituent

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

Compliance System

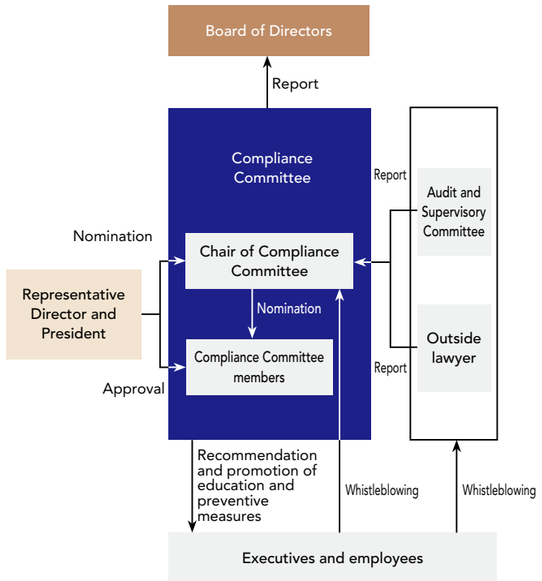
Basic Approach

SCSK views compliance as observing laws and regulations, and acting with a high sense of ethics within the norms of society. Based on its corporate philosophy and Code of Conduct, SCSK considers acting sincerely and appropriately as members of society and corporate citizens to be the most important principle for director and employee conduct. Each individual director and employee is responsible for his/her own actions based on the concept of compliance, and strives to produce results that fulfill the social responsibility of the entire company as an organization.

Structure and System

Following our basic approach to compliance, we have established Compliance Rules and compiled a Compliance Manual as well as built an organizational structure for compliance. We have set up a Compliance Committee to follow through with our commitment to compliance. This committee determines and revises company-wide policies on compliance, maintains and manages the compliance system, coordinates with relevant departments, monitors implementation status, and shares information.

System to Promote Compliance



Whistleblower System

We have established a whistleblower system (or "speak up" system) for quickly resolving compliance violations and preventing such violations from occurring by enabling employees of the SCSK Group and partner companies to report and consult on problems.

Contact Points and Whistleblowing Methods

Whistleblowers may report a problem to any of the three following contact points by email or another method at their own discretion:

① Chair of Compliance Committee
② Audit and Supervisory Committee
③ Outside lawyer (reports may be anonymous)

Regardless of the point of contact, the privacy of whistleblowers and other related parties is strictly protected along with the confidentiality of reported matters. Guarantees are in place to ensure the whistleblowers are not subjected to unfair treatment.

Investigation of Matters

All reports and consultations are handled promptly by the contact points. If necessary, investigation is conducted in cooperation with relevant departments based on policies established by the Chair of the Compliance Committee.

The results of investigations are promptly informed to the whistleblower. The results of investigations and details of corrective measures are also reported to the Board of Directors, the Audit and Supervisory Committee, the Compliance Committee, and similar entities.

Disclosure of Results

In FY2022, seven speak-up cases were received by the SCSK Group as a whole. Under the leadership and direction of the Chair of the Compliance Committee, each case was investigated in cooperation with the relevant departments and, based thereon, corrective and other appropriate measures were taken. The investigation results were communicated to the whistleblowers.

Aside from the whistleblower system, we have created hotline on a permanent basis, which responded to 78 consultations.

Fair Transactions

The SCSK Compliance Manual clearly stipulates that the SCSK Group must ensure fair transactions as specific rules about compliance. Its standards include a Code of Business Activities, which sets forth requirements for compliance with the Anti-Monopoly Act and prohibition of unfair competition. These standards support the development of commercial relationships based on trust with our suppliers through fair and free competition. The manual also outlines corporate ethics required for fair operating practices in its Code for Employees as Members of Society, setting rules on anti-bribery, political donations, and the handling of antisocial forces.

Education and Training

It is essential for each employee to be able to make correct decisions and actions in compliance with the law, regardless of whether relating to business or not. Toward that end, we provide information on compliance as well as various forms of compliance training, including group training for new employees and newly appointed managers, e-Learning, and compliance meetings (group discussions on compliance). In regard to important applicable laws and regulations, we post our Compliance Manual and other information pertaining to those laws and regulations on each company's intranet portal site to foster greater awareness of compliance.

FY2022 Training Results

Percent of employees who took compliance e-Learning course

100%

Risk Management

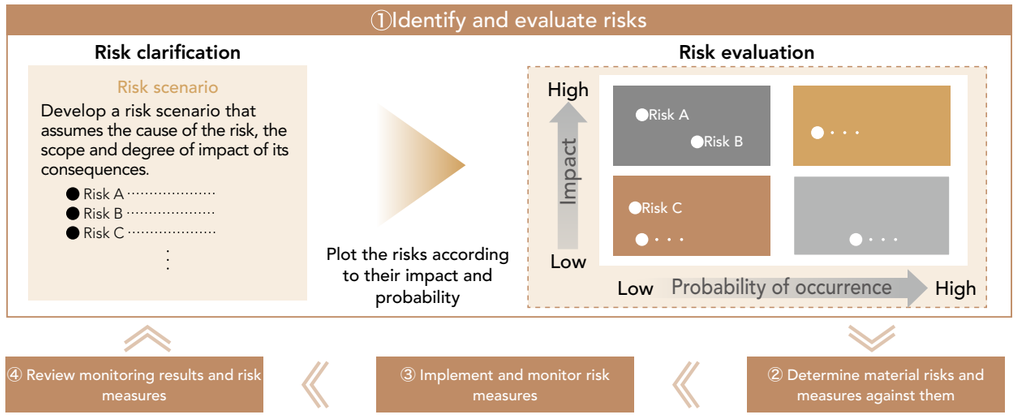
Basic Policy on Risk Management

SCSK's Risk Management Regulations define risk as the possibility of incurring loss and the possibility that returns obtained from business activities fall short of will deviate from expectations. To ensure the stability of the SCSK Group's business activities and enhance corporate value, we examine all possible forms of risk during execution of business activities and engage in continuous risk management with the purposes described below.

Consistent performance and growth	Increase the consistency of performance and ensure sustainable growth by administering operations so that actual results do not vary from forecasts.
Reinforcing corporate structure	Limit losses from latent risks posed by the business model to enable business continuity even when risks emerge.
Maintain trust	Maintain and increase trust by fulfilling corporate social responsibilities including legal compliance.

Transparent Governance

Risk Management Process



Risk Management System

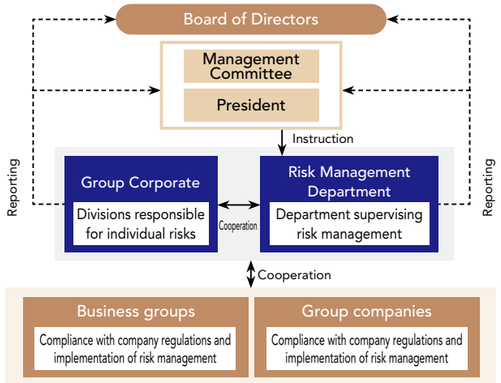
To appropriately manage risks that could have a serious impact on business, SCSK has the Risk Management Department as the responsible unit and conducts Group-wide risk management. While business groups and Group companies engage in day-to-day risk management, the Group Corporate collaborates with them on top of managing its own risks.

In accordance with the Risk Management Regulations, we conduct risk assessments (identifying, analyzing, and evaluating risks) on an annual basis. Joining hands with other units, the Risk Management Department develops a risk scenario, clarifies risks, evaluates them on the two dimensions of impact and probability, and visualizes the results into a Group-wide risk map. Risks are evaluated quantitatively to the extent possible, while also using some qualitative methods. With respect to material risks that are determined to require focused efforts as a result of the evaluation, we work to undertake proper measures, paying attention to their characteristics and status. Those measures are monitored, and then reviewed based on their outcomes.

To ensure the proper functioning of these risk management activities, the Risk Management Department centrally monitors and evaluates the risk management situation from a Group-wide perspective, reports regularly to the President, and receives instructions on the risk response policy as needed. The Risk Management Department also reports on the overall situation of its activities first to the Management Committee and then to the Board of Directors.

The SCSK Group is working to enhance risk management through the above risk management activities in order to adapt to the changing business environment.

Risk Management System Diagram



Concrete Risk Countermeasures

Emergency Response and Business Continuity Plan

In preparation for unforeseen emergencies that could have a major impact on the SCSK Group, such as major disasters and pandemics, SCSK has established rules of conduct and organizational frameworks. We are implementing a number of advanced measures, centered on the Disaster Risk Management Subcommittee, which is composed of related departments at each office and with the president or office manager serving as the person in charge. These measures include stockpiling food, water, and other supplies, conducting drills with the employee safety confirmation system, conducting training on setting up disaster headquarters, establishing a system to address emergencies that take place at night or on holidays, creating a disaster response website, and sharing information and raising awareness among employees through disaster response portal, e-Learning, and disaster preparedness seminars. Furthermore, we are working to ensure the effectiveness of the business continuity plan by conducting annual reviews.

Safety Confirmation Training

SCSK introduced its employee safety confirmation system, the purpose of which is to confirm and ascertain the safety of employees and their families and damage at the various offices when a disaster occurs and to quickly restore business, in 2011, and conducts regular drills involving all employees.

Response rate for first drill (FY2023)

· 98.8% as of 3 hours after start of drill and 100% after 8 hours (the drill continues until all employees respond)

Initiatives Related to Risk Reduction at Homes Accompanying Changes in Work Styles

At SCSK, we are working on not only natural disaster countermeasures for offices but also activities to raise awareness about countermeasures for individual employees' homes (disaster risk reduction at home) as a growing number of employees work from home.

As part of this, we issue a Home Disaster Prevention Manual, and provide e-learning training and seminars to all employees. We are working to create a business continuity system by continuing to implement natural disaster countermeasures at both the office and homes.

Initiatives to Upgrade Information Security

Management Frameworks for Information Security

SCSK considers information security to be one of management's top priorities. We have established the Chief Information Security Officer as the person in charge of building the information security structure and information security management system as well as the process for continual improvement.

In addition to the above, the Information Security Management Department has been established as an organization to aid the Chief Information Security Officer and manage and promote information security at SCSK.

The Information Security Management Department, which is under the Chief Information Security Officer, takes the lead in increasing mutual collaboration among information security related departments and implementing information security measures across the entire company in unison with business groups.

Initiatives to Strengthen Information Security

At SCSK, we have incorporated information security standards into SmartEpisode Plus (SE+), our standards for executing operations such as developing and operating systems.

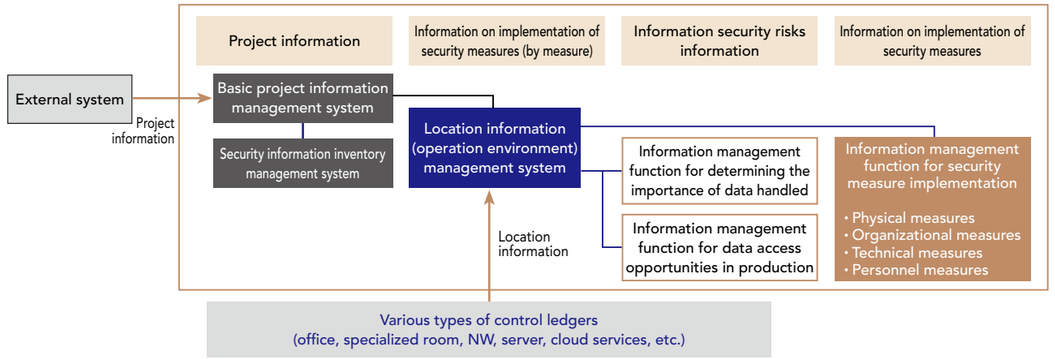
To protect information assets that are the important assets of clients, we are also making information handled and risks visible, building a system to evaluate and improve security measures (S-SIMS*), and continuing to undertake surveys and improvement activities covering 220 items and targeting all projects being undertaken, regardless of monetary amount or size.

As an IT business operator entrusted with the important information assets of clients, we will continue to improve engagement awareness and professional ethics through training for all employees.

* S-SIMS: SCSK Security Information Management System

Summary of the SCSK Security Information Management System (S-SIMS)

This is a system for obtaining an integrated understanding of and making visible the information security risks and state of security measures for each project and running through the PDCA cycle for appropriate information management by collaborating with worksites and organization line levels.



Transparent Governance

Response to Cyber Security Incidents

SCSK-CSIRT[*1] System

We have organized SCSK-CSIRT to ensure a prompt response and minimize damage should a computer security incident occur.

Aimed at appropriate incident response, departments in charge of internal information systems and departments responsible for cybersecurity work together to analyze incidents and discuss response policy and methods. They also work alongside external organizations, such as JPCERT/CC[*2] and NISC.[*3]

By obtaining an accurate understanding of the situation through a prompt discussion with the relevant departments on compliance, legal matters, business impacts, and so forth, SCSK-CSIRT makes a speedy decision on a response based on the degree of impacts.

*1 SCSK-CSIRT (Computer Security Incident Response Team): A permanent organization that carries out activities in response to computer security incidents
*2 JPCERT/CC (Japan Computer Emergency Response Team Coordination Center)
*3 NISC (National center of Incident readiness and Strategy for Cybersecurity)

Responding to Emergencies

- To minimize damage should an incident occur, SCSK-CSIRT has established rules on the structure and response procedures that enable speedy decisions on system shutdown and recovery.

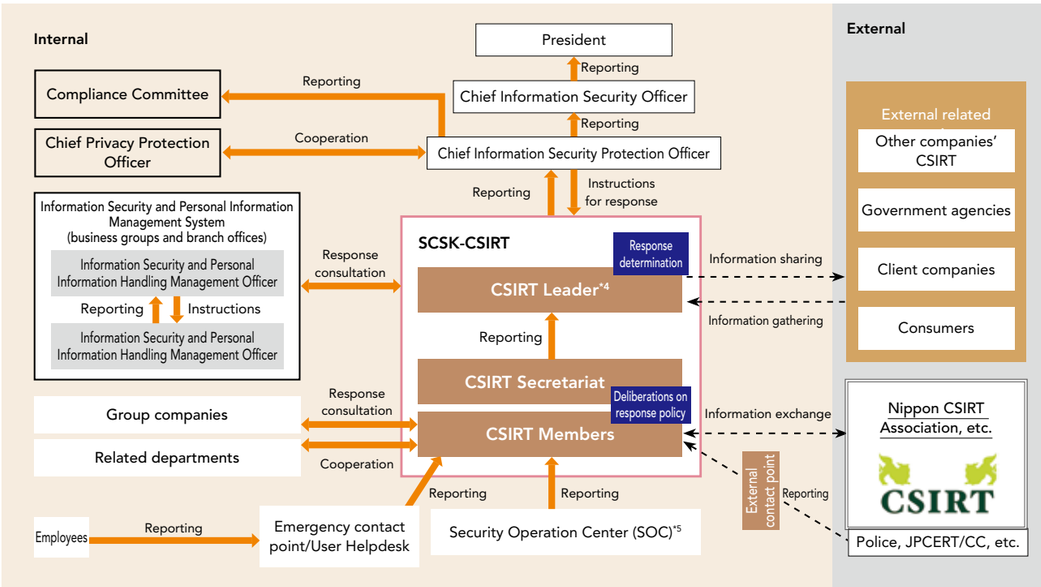
Training and Drills

- We provide employees with information security education using e-learning to prevent damage from cyberattacks.
- We conduct phishing email drills to prevent damage from targeted attacks.
- In addition, we are carrying out tabletop drills based on incident scenarios so that SCSK-CSIRT and related departments can collaborate smoothly and implement a swift response, etc.

Response to Vulnerabilities

- We have established security countermeasure standards for servers and cloud services accessible from the Internet. We regularly assess their compliance with the standards while also checking and correcting their vulnerabilities.

SCSK-CSIRT System Diagram



*4 The general manager of the department responsible for information security or center director serves as the leader. The current CSIRT Leader is the General Manager of the Corporate Information Systems Division (as of April 2023).
*5 SCSK has built a CSIRT system to handle cybersecurity incidents, and constantly cooperates with the Security Operation Center (SOC), which is responsible for monitoring networks and devices, including SCSK in-house network.

Message from Newly Appointed Outside Directors

* Current position(s) of directors as of June 22, 2023

Hidetaka Matsuishi

Independent Outside Director
(Audit & Supervisory Committee Member)

Profile*
Apr. 1981 : Joined Ricoh Company, Ltd.
Jan. 2003 : Representative Director and President of Nishi Tokyo Ricoh Co., Ltd.
Apr. 2005 : Representative Director, President and CEO of Ricoh Tohoku Co., Ltd.
Jul. 2009 : Representative Director and President of Ricoh IT Solutions Co., Ltd. (resigned in March 2010)
Jul. 2010 : Corporate Executive Vice President of Ricoh Japan Corporation
Apr. 2013 : Corporate Executive Vice President of RICOH LEASING COMPANY, LTD.
Jun. 2013 : Director of RICOH LEASING COMPANY, LTD.; Corporate Executive Vice President
Apr. 2014 : Group Executive Officer (Corporate Senior Vice President) of Ricoh Company, Ltd.
Representative Director, President and CEO of RICOH LEASING COMPANY, LTD. (resigned in June 2016)
Jun. 2016 : Corporate Senior Vice President of Ricoh Company, Ltd.; General Manager of Japan Marketing Group
Representative Director, President and CEO of Ricoh Japan Corporation (resigned in March 2018)
Apr. 2018 : Corporate Executive Vice President of Ricoh Company, Ltd.; CFO (Chief Financial Officer), General Manager of Business Planning Division
Jun. 2018 : Director of Ricoh Company, Ltd.; Corporate Executive Vice President, CFO (Chief Financial Officer), General Manager of Business Planning Division
Apr. 2021 : Director of Ricoh Company, Ltd.; Executive Corporate Officer (resigned in June 2022)
CFO (Chief Financial Officer), General Manager of Corporate Planning Division (resigned in March 2022)
Aug. 2022: Outside Director of JDC CORPORATION (present)

With extensive experience as a top executive, I will contribute to realization of SCSK's self-improvement.

My relationship with SCSK dates back to my tenure as President of RICOH LEASING COMPANY, LTD. It began because SCSK was regularly garnering ESG-related awards, and I did benchmarking survey on it. As stated in "Our Promises" under the Company's corporate philosophy, "Respecting each other," I feel that SCSK is a company that values people. This is in line with the founding spirit of the Ricoh San-Ai Group, where I worked for 41 years, namely, loving "people," "country" and "work," and I deeply empathize with its attitude.

In my first 20 years with the Ricoh San-Ai Group, I gained experienced in a broad range of positions in the field and staff divisions, including marketing, business strategy, and human resources. During the latter 20 years of my career, I was involved in management, leading four corporate restructurings as a top executive, and finally as chief financial officer (CFO) of Ricoh Co., Ltd. in charge of finance and management strategy. During that time, the pandemic sparked a business crisis when working patterns shifted to remote work arrangements and the use of multifunctional equipment was reduced by half. Although we did reduce costs by ¥100.0 billion, the need for further structural reform prompted us to implement more than 10 reforms in rapid succession, including introducing a company system.

SCSK is also in the midst of its own transformation toward 2030. I will help realize the enhancement of its corporate value by mobilizing all of my experience and contributing to transformation.

Yumiko Waseda

Independent Outside Director
(Audit and Supervisory Committee Member)
Governance Committee Chair

Profile*
Apr. 1985 : Joined Matsuda Masayuki Law & Patent Office (currently Mori Hamada & Matsumoto)
Apr. 2005 : Executive Governor of Japan Federation of Bar Associations
Apr. 2013 : Joined Tokyo Roppongi Law & Patent Office
Jan. 2014 : Partner of Tokyo Roppongi Law & Patent Office (present)
Mar. 2014 : Outside Audit & Supervisory Board Member of Kao Corporation
Mar. 2015 : Outside Audit & Supervisory Board Member of Asahi Group Holdings, Ltd.
Apr. 2016 : President of Daini Tokyo Bar Association
May 2017 : Vice Governor of Benseiren (present)
Aug. 2020: Managing Governor of Japan Law Foundation (present)
Jun. 2021 : Outside Audit & Supervisory Board Member of IHI Corporation (present)
Mar. 2023 : Outside Audit & Supervisory Board Member of CHUGAI PHARMACEUTICAL CO., LTD. (present)

I will support the sustainable growth of SCSK, which aims to become a Co-Creative IT Company in 2030.

As an attorney, I have dealt with intellectual property, corporate legal affairs, general civil affairs, compliance, and other related matters. One area which I have been involved in is software-related laws, including disputes over system development. Moreover, as a bar association officer, I also experienced the perspective of a system ordering party when I placed an order for a core system.

In recent years, I have been appointed as an Outside Director of several companies. During this time, I have endeavored to implement corporate governance practices, and to engage in constructive discussions at Board of Directors meetings—which also included perspectives on diversity—toward realizing sustainable growth and improving the corporate value of the companies I served.

The current advanced, rapid development of IT and digital technologies including generative AI, coupled with changes in life post-pandemic and the emergence of geopolitical risks, have sparked a paradigm shift in society.

This era of considerable change driven mainly by IT and digital technologies will serve as a great opportunity for SCSK, which is committed to becoming a Co-Creative IT Company in 2030. I would like to apply my experience to contribute to SCSK's growth—in even the most modest of ways.

Executive Members *Current position(s) of directors as of June 22, 2023

Board of Directors

Position/Name	Hideki Yamano	Takaaki Touma	Tetsuya Fukunaga	Tsutomu Ozaki	Masaki Nakajima	Tetsuya Kubo
	Representative Director Chairman	Representative Director President	Director Executive Vice President	Director Senior Managing Executive Officer	Director	Outside Director Independent Director Chairman of the Board
Number of Company shares owned	10,405 shares	13,905 shares	36,442 shares	0 shares	0 shares	0 shares
Attendance for FY2022: Board of Directors	11 out of 11 meetings	11 out of 11 meetings	13 out of 13 meetings	—	—	13 out of 13 meetings
Attendance for FY2022: Audit and Supervisory Committee	—	—	—	—	—	—
Governance Committee Composition: Conflict of Interest Advisory Subcommittee						●
Governance Committee Composition: Nomination and Remuneration Advisory Subcommittee	●	●				●
Director Skills: Corporate management	●	●				●
Director Skills: Finance/accounting			●			●
Director Skills: Technology		●				
Director Skills: Organization/human resources	●	●				
Director Skills: Marketing	●	●			●	
Director Skills: Environmental/social/human rights	●					
Director Skills: Legal/risk management			●	●		
Director Skills: Global	●		●	●	●	●

Officers

Chairman
- Hideki Yamano

President
- Takaaki Touma

Executive Vice President
- Tetsuya Fukunaga

Senior Managing Executive Officers
- Tsutomu Ozaki
- Tetsuya Ueda
- Atsushi Watanabe
- Yasushi Shimizu

Managing Executive Officers
- Yoshiyuki Shinbori
- Yasuhiko Oka
- Tadashi Miyagawa
- Koji Watanabe
- Mineo Yokoyama
- Ken Takano
- Masaki Komine
- Takaya Yamamoto
- Kenji Toda
- Shunichiro Fukushima

Senior Executive Officers
- Yukihiko Saito
- Eri Kawanabe

Senior Corporate Officers
- Yoshinori Kawashima
- Takayuki Okuhara
- Toshihiko Mitsuishi
- Kan Takahashi
- Masahiro Otani
- Masaaki Mori
- Takaaki Ishida
- Junichi Horie
- Shoji Shiuchi
- Kenji Ichiba
- Shu Wei
- Ikuo Uchiyama
- Toshihiko Kusakabe
- Yoshinari Kobayashi
- Yousuke Tsutaya
- Tomoyuki Naruke
- Masayuki Tanabe
- Hideya Nakashima
- Yoshihiro Jinbo
- Toshiyuki Takahashi
- Mitsuru Osawa
- Hideho Masuda
- Atsushi Sugiyama
- Kenji Inoue
- Jun Kawamura
- Hiroshi Ogasawara
- Satoshi Kitao
- Seiya Otsuka
- Tadashi Takakura
- Tamio Ishibashi
- Emi Shimizu
- Shinji Hasumi
- Hideki Kouguchi
- Naoto Furuya
- Akiyoshi Yamada
- Tomotaka Honma
- Masayoshi Hasegawa
- Yoko Otani

Career summaries of the Directors are available on the website below.
https://www.scsk.jp/corp_en/outline.html

Position/Name	Hiromichi Jitsuno	Kazuko Shiraishi	Yasuo Miki	Sadayo Hirata	Hidetaka Matsuishi	Yumiko Waseda
	Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member) Independent Director	Outside Director (Audit and Supervisory Committee Member) Independent Director	Outside Director (Audit and Supervisory Committee Member) Independent Director	Outside Director (Audit and Supervisory Committee Member) Independent Director	Outside Director (Audit and Supervisory Committee Member) Independent Director Governance Committee Chair
Number of Company shares owned	0 shares	3,600 shares	100 shares	0 shares	1,000 shares	0 shares
Attendance for FY2022: Board of Directors	—	13 out of 13 meetings	11 out of 11 meetings	11 out of 11 meetings	—	—
Attendance for FY2022: Audit and Supervisory Committee	—	13 out of 13 meetings	11 out of 11 meetings	11 out of 11 meetings	—	—
Governance Committee Composition: Conflict of Interest Advisory Subcommittee		●	●	●	●	●
Governance Committee Composition: Nomination and Remuneration Advisory Subcommittee		●	●	●	●	●
Director Skills: Corporate management			●		●	
Director Skills: Finance/accounting					●	
Director Skills: Technology			●	●		
Director Skills: Organization/human resources				●	●	
Director Skills: Marketing					●	
Director Skills: Environmental/social/human rights		●				●
Director Skills: Legal/risk management	●					●
Director Skills: Global		●				

Skills Required of the Board of Directors

The Company decides the size of its Board of Directors and its membership based on consideration of the diversity and balance of the skills of members. To assist in this process, the following list has been prepared of the skills deemed necessary in order to ensure that the Board of Directors is equipped with the knowledge, experience, and capacities required to advance the SCSK Group's growth strategies.

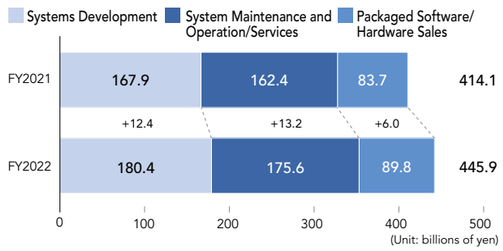
Skill	Display Name	Reason for Selection
Corporate management experience	Corporate management	Corporate management experience is necessary for assessing the opportunities and risks in the Company's diverse businesses and for guiding investments to help ensure ongoing growth. SCSK is promoting sustainability management as a growth strategy, meaning that it must position the resolution of various social issues as an earnings opportunity and actively contribute to the resolution of these issues. Corporate management experience is imperative for making appropriate management resource investment and other management decisions for this purpose.
Financial and accounting expertise and experience	Finance/accounting	Financial and accounting expertise and experience are crucial for accessing business growth potential and profitability in pursuit of high capital efficiency and for practicing timely and appropriate disclosure and highly transparent corporate governance.
Technological expertise, foresight, and experience	Technology	Technological expertise, foresight, and experience are needed for making appropriate management decisions pertaining to the introduction of technologies in various fields for use in resolving corporate and social issues.
Organization and human resource management expertise and experience	Organization/human resources	Organization and human resource management expertise and experience are required to ensure that the Company can offer opportunities and organizations in which professionals with diverse skills and backgrounds can share a common set of values and grow and succeed while exercising their individuality and expertise.
Expertise and experience pertaining to market and economic environments and trends	Marketing	Expertise and experience pertaining to market and economic environments and trends are necessary to identify the issues that may emerge from social or economic changes and to guide the appropriate development and provision of solutions for addressing these issues.
Expertise and experience pertaining to environmental, social, and human rights issues	Environmental/social/human rights	Expertise and experience pertaining to environmental, social, and human rights issues are imperative to accurately assessing social issues related to global warming, human rights, regional disparities, and other factors and to identifying the areas in which SCSK can contribute to the resolution of such issues. These skills are also vital to enabling SCSK to develop sound value chains and fulfill other social responsibilities.
Legal and risk management expertise and experience	Legal/risk management	Legal and risk management expertise and experience are required to ensure strict compliance and highly effective oversight of management as well as to the development and implementation of appropriate management systems for risks and other matters.
Global business expertise and experience	Global	Global business expertise and experience are vital to the Company's efforts to capitalize on the growth opportunities presented by global digitization trends.

Data Section

Data Section | Performance Analysis (FY2022 Consolidated Business Results)

1. Net Sales Analysis

1-1. By Sales Segment



Systems Development

Services included in Systems Development (>P49)
…IT Consulting/Systems Development/IT Infrastructure Development

Net sales increased by ¥12.4 billion (7.4%) year on year to ¥180.4 billion, driven principally by stronger investment demand of the automotive industry and an increase in core system development projects for the manufacturing and distribution industries.

System Maintenance and Operation/Services

Services included in System Maintenance and Operation/Services (>P49)
…Verification Services/IT Management/BPO

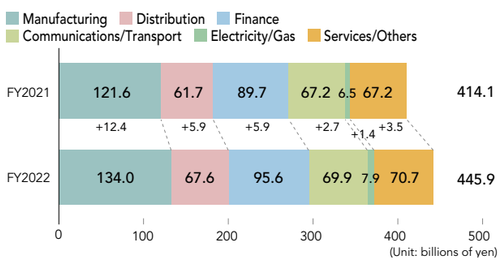
Net sales increased by ¥13.2 billion (8.1%) year on year to ¥175.6 billion, thanks to strong growth in the data center business, verification services, and the BPO services.

Packaged Software/Hardware Sales

Services included in Packaged Software/Hardware Sales (>P49)
…IT Hardware/Software Sales

Net sales increased by ¥6.0 billion (7.2%) year on year to ¥89.8 billion, as a reactionary decrease in hardware sales to academic institutions was more than offset by equipment sales to a certain customer in the communications industry and by strong demand for network security products.

1-2. By Client Industry



Manufacturing

Net sales increased by ¥12.4 billion (10.2%) year on year to ¥134.0 billion, due mainly to increases in strategic investment and verification services for the automotive industry and in core system development projects for other manufacturing industries.

Distribution

Net sales increased by ¥5.8 billion (9.5%) year on year to ¥67.6 billion, owing to increases in systems development projects, such as large-scale core system development projects using SAP and projects for strengthening operating foundations, as well as in network security equipment sales to wholesale distributors.

Finance

Net sales increased by ¥5.9 billion (6.6%) year on year to ¥95.6 billion, principally on account of increases in foundation operation and maintenance projects for the banks, credit, and leasing industries and in fraud detection system sales to the shopping credit/leasing companies.

Communications/Transport

Net sales increased by ¥2.6 billion (3.9%) year on year to ¥69.9 billion, propelled by an increase in sales of multiple pieces of network equipment to the communications industry.

Electricity/Gas

Net sales increased by ¥1.3 billion (21.3%) year on year to ¥7.9 billion, buoyed by increases in system development projects and system sales including a company-wide terminal renewal project for the electricity industry, and in maintenance and operation projects for the gas industry.

Services/Others

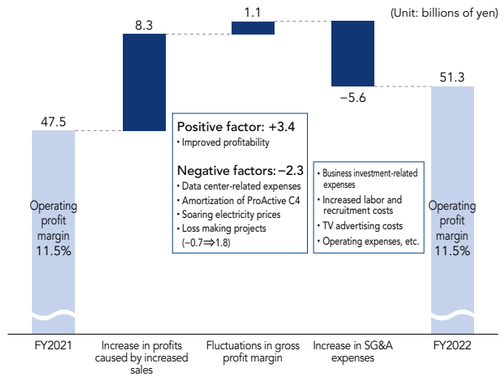
Net sales increased by ¥3.5 billion (5.2%) year on year to ¥70.7 billion, mainly due to increases in sales of core system development projects and the data center business for the services industry, and the expansion of BPO projects and sales of large-scale hardware projects for government agencies.

2. Operating Profit Analysis

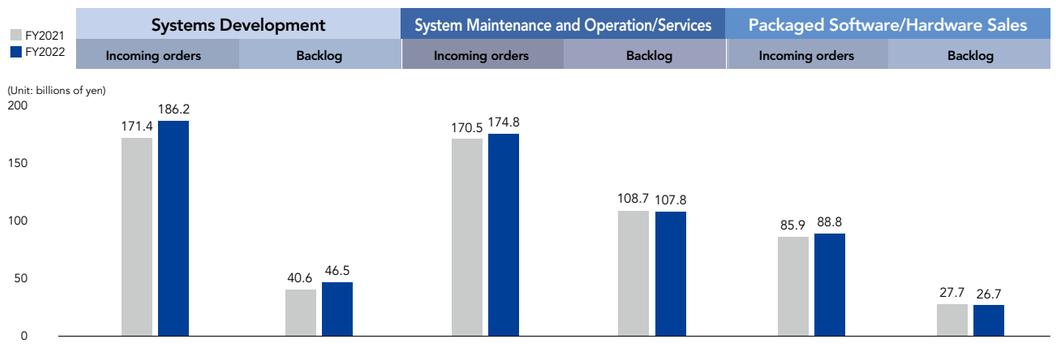
Gross profit increased by ¥9.4 billion (8.8%) year on year. This was attributable to an ¥8.3 billion increase in profit associated with higher sales and to improved profitability in systems development and other segments (+¥1.1 billion) that more than cancelled out negative factors, including higher data center-related expenses such as depreciation and operation costs, an increase in amortization of ProActive C4, the impact of soaring electricity prices, and multiple loss-making projects.

Selling, general and administrative expenses* increased by ¥5.6 billion (9.4%) year on year, owing to increases in the strategic business investment-related expenses and labor and recruitment costs expended in line with the core strategies of the Medium-Term Management Plan (FY2020 to FY2022) as well as increases in TV advertising costs for strengthening marketing activities and in operating expenses.

* Include other income and expenses



3. Incoming Orders and Backlog (by Sales Segment)



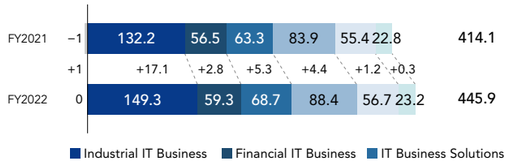
Systems Development	Incoming orders increased by ¥14.8 billion (8.7%) to ¥186.2 billion year on year, and backlog increased by ¥5.8 billion (14.4%) to ¥46.5 billion as investment demand in the automotive industry and core system development projects for the manufacturing and distribution industries exceeded a reactionary decrease in systems development projects for the services and finance industries.
System Maintenance and Operation/Services	Orders received for the fiscal year under review increased ¥4.2 billion, or 2.5%, to ¥174.8 billion. This was due to an increase in verification services, which offset the impact of a partial accounting revision in the data center business. The order backlog decreased by ¥800 million (0.7%) to ¥107.8 billion due to the impact of the revision of accounting treatment in the Data Center Business and the impact of cancellation of a major customer in the BPO Business.
Packaged Software/ Hardware Sales	Incoming orders increased by ¥2.9 billion (3.4%) year on year to ¥88.8 billion, owing mainly to large-scale hardware sales projects for the manufacturing industry and network security product sales to the distribution industry. On the other hand, backlog decreased by ¥0.9 billion (3.6%) year on year to ¥26.7 billion, affected by the front-loaded bulk orders for equipment placed in the previous fiscal year by a certain customer in the communications industry.

Data Section | Performance Analysis (FY2022 Consolidated Business Results)

4. Analysis by Reportable Segment

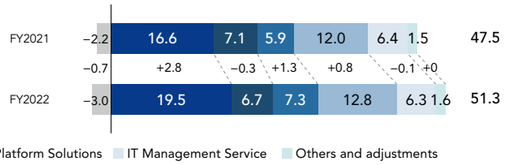
Net Sales

(Unit: billions of yen)



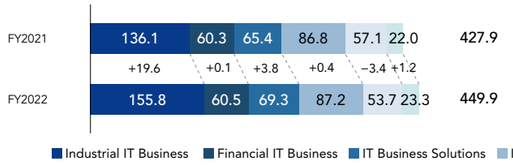
Operating Profit

(Unit: billions of yen)



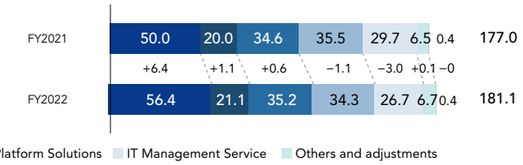
Incoming Orders

(Unit: billions of yen)



Backlog

(Unit: billions of yen)



Industrial IT Business Financial IT Business IT Business Solutions IT Platform Solutions IT Management Service Others and adjustments

■ Industrial IT Business Segment

The segment provides multiple IT solutions, mainly systems development, to customers principally in the manufacturing, communications, and distribution industries.

Net Sales and Segment Profit

Net sales increased by ¥17.1 billion (13.0%) year on year to ¥149.3 billion, and segment profit grew by ¥2.8 billion (17.3%) to ¥19.5 billion. Factors behind this outcome included increased sales of verification services and higher core systems redevelopment service sales to the distribution industry along with growth in investment demand pertaining to automobiles, electric machinery, and other strategic manufacturing areas.

Incoming Orders and Backlog

Incoming orders increased by ¥19.6 billion (14.5%) year on year to ¥155.8 billion, and backlog increased by ¥6.4 billion (12.8%) to ¥56.4 billion, owing to increase in core system development projects for the distribution industry, the capturing of systems development demand in the wide range of industries including manufacturers such as automotive, and communications and transport industries, as well as expansion of verification services.

■ Financial IT Business Segment

The segment engages in systems development, maintenance, and operation services for financial institutions—including banks, trust banks, insurance companies, securities firms, shopping credit/leasing companies-to help customers materialize their business strategies and to support their secure and efficient business operations.

Net Sales and Segment Profit

Net sales increased by ¥2.8 billion (5.1%) year on year to ¥59.3 billion, thanks to the expansion of fraud detection system projects and DevOps projects for the shopping credit/leasing companies and to large-scale license sales to the insurance companies. Segment profit decreased by ¥0.3 billion, or 4.4%, to ¥6.7 billion. This was largely due to the impact of approximately ¥1.4 billion in loss-making projects, despite an increase in profits accompanying the increase in sales.

Incoming Orders and Backlog

Incoming orders increased by ¥0.1 billion (0.3%) year on year to ¥60.5 billion. An increase in fraud detection system projects for the shopping credit/leasing companies and the acquisition of large-scale license projects for the insurance companies were largely offset by a reactionary decrease in projects for the insurance companies and the securities firms from FY2021. Backlog increased by ¥1.1 billion (5.6%) year on year to ¥21.1 billion due primarily to the acquisition of fraud detection system projects for the shopping credit/leasing companies.

■ IT Business Solutions Segment

The segment offers ERP products, which include ProActive, a product we developed, SAP and Oracle offerings, as well as BPO services.

Net Sales and Segment Profit

Net sales increased by ¥5.3 billion (8.5%) year on year to ¥68.7 billion mainly as a result of capturing demand for core system development in the manufacturing and many other industries and expanding the BPO business. Segment profit increased by ¥1.3 billion (22.5%) year on year to ¥7.3 billion owing to higher sales, despite an increase in amortization associated with the release of additional modules for ProActive C4, a cloud-based ERP product.

Incoming Orders and Backlog

Incoming orders increased by ¥3.8 billion (5.9%) year on year to ¥69.3 billion. An increase in ERP construction projects for a wide range of industries, including the manufacturing industry, exceeded negative factors caused by some customers who cancelled or reduced contracts in the BPO business. Backlog also increased by ¥0.5 billion (1.7%) year on year to ¥35.2 billion for the same reason, although the amount of increase was smaller than that of incoming orders.

■ IT Platform Solutions Segment

The segment sells hardware and software products and provides maintenance and support for them.

Net Sales and Segment Profit

Net sales increased by ¥4.4 billion (5.3%) to ¥88.4 billion and operating profit increased by ¥0.8 billion (6.9%) to ¥12.8 billion. as a reactionary decrease in hardware sales to academic institutions was more than offset by equipment sales to a certain customer in the communications industry and by solid sales of network and security products.

Incoming Orders and Backlog

Incoming orders increased by ¥0.4 billion (0.5%) to ¥87.2 billion. This was the result of accumulated efforts, such as an increase in sales of network equipment to the distribution industry and the acquisition of large-scale hardware sales projects for the automotive industry, which cancelled out declines in large-scale hardware sales to academic and research institutions and in sales of equipment to a certain customer in the communications industry. Backlog decreased by ¥1.1 billion (3.3%) to ¥34.3 billion primarily because the sales of equipment to a certain customer in the communications industry had been recognized in net sales.

■ IT Management Service Segment

The segment engages primarily in the data center business and the provision of cloud infrastructure and management services.

Net Sales and Segment Profit

Net sales increased by ¥1.2 billion (2.2%) year on year to ¥56.7 billion owing chiefly to the expansion of the data center business in spite of negative factors such as declines in management services for the communications industry and in infrastructure construction projects for the distribution industry. Segment profit decreased by ¥0.1 billion (2.5%) year on year to ¥6.3 billion due mainly to increases in depreciation and operation costs of the data center completed in FY2022 and the impact of soaring electricity prices.

Incoming Orders and Backlog

Incoming orders decreased by ¥3.4 billion (6.0%) year on year to ¥53.7 billion, and backlog decreased by ¥3.0 billion (10.1%) to ¥26.7 billion. These decreases, however, were due to a reactionary decrease in hardware sales projects to clients in the credit and leasing industries and to the revision of certain accounting treatments for the data center business. If these factors were excluded, both incoming orders and backlog would remain almost unchanged from FY2021.

■ Others Segment

The segment provides a variety of IT solutions mainly for medium-sized companies while performing remote development (nearshore development) leveraging the characteristics of its regional bases.

Net Sales and Segment Profit

Net sales increased by ¥0.3 billion (1.7%) year on year to ¥23.2 billion thanks mainly to increased net sales of systems development at SCSK Minori Solutions Corporation. Segment profit remained almost unchanged year on year at ¥1.6 billion as the effect of higher sales cancelled out the impact of higher costs that included recruitment costs at SCSK Nearshore Systems Corporation.

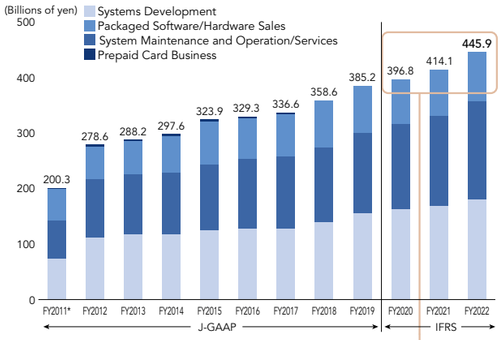
Incoming Orders and Backlog

Incoming orders increased by ¥1.2 billion (5.9%) year on year to ¥23.3 billion. This was due to an increase in SCSK Minori Solutions' system development projects and delays in the renewals of some contracts that were renewed every year from FY2021 to FY2022. Backlog increased by ¥0.1 billion (1.8%) year on year to ¥6.7 billion owing to an increase in SCSK Minori Solutions' system development projects.

Data Section | Financial and Non-Financial Highlights

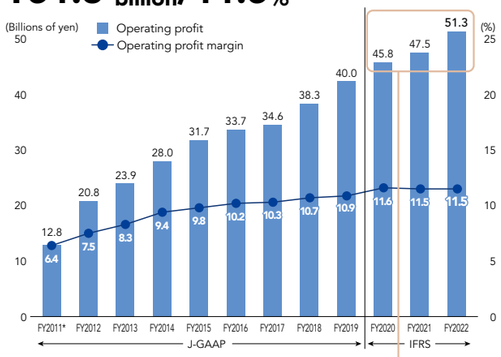
Net Sales

¥445.9 billion



Operating Profit/Operating Profit Margin

¥51.3 billion/11.5%



Under the Medium-Term Management Plan (FY2012 to FY2014) after the merger in October 2011, the Group capitalized on the expanded client base from the merger to promote cross-selling of services in which the respective companies have strengths and increased sales.

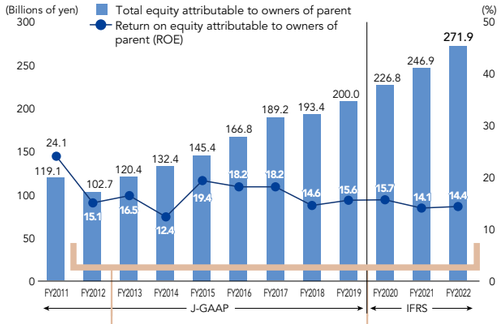
Under the Medium-Term Management Plan (FY2015 to FY2019), the Group transformed the business structure into a non-labor-intensive business model and made steady progress in enhancing its management foundation, and, as a result, achieved a compound annual growth rate of 5.4% for sales and 8.6% for operating profit.

Under the Medium-Term Management Plan (FY2020 to FY2022), the Group has positioned Core Business Innovation, Commercialization of DX, and Investment in People as its core strategies to transform its core business and create new businesses. Since the start of the plan, we have continued to conduct business under COVID-19 restrictions, society's digitization has accelerated amid the shift to a new normal, not the least of which is demand for IT investment among client companies gradually shifting to an uptick. Given such business conditions, despite the increased business investment cost following the strategy of the Medium-Term Management Plan, the Group achieved an average annual growth rate of 4.8% for sales and 6.7% for operating profit over the three-year period up to FY2022, marking 11 consecutive years of sales and profit growth.

* Figures of CSK Corporation before the merger date (October 1, 2011) are not included.

Total Equity Attributable to Owners of Parent/ Return on Equity Attributable to Owners of Parent (ROE)

¥271.9 billion/14.4%

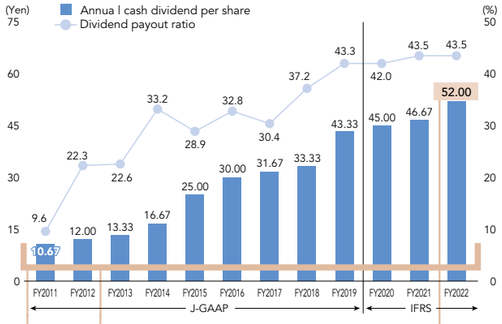


Backed by strong business results, total equity attributable to owners of parent has increased for 10 consecutive years, except for FY2012 when it decreased owing to redemption of preferred shares. ROE during this period has also been maintained well above the industry standard of 9.5%* due to the pursuit of management focused on capital efficiency.

* Company calculation based on the Japan Exchange Group Inc.'s *Average PER and PBR by Size and Types of Industry* (March 2023).

Annual Cash Dividend per Share/ Dividend Payout Ratio

¥52.00/43.5%



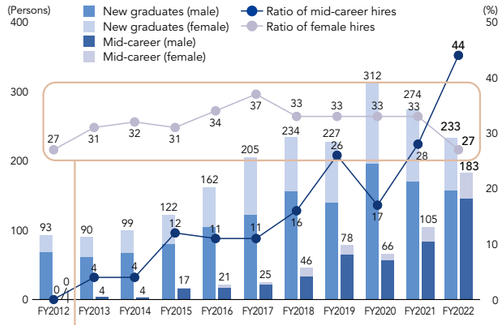
We have continued to provide dividends in line with increases in business results. The annual dividend for FY2022 was ¥52 per share, a ¥5.33 increase from the previous fiscal year.

This was the 11th consecutive year we have increased the dividend, and the dividend per share has increased about 4.8-fold from ¥10.67 in FY2011 when the companies merged.

(Note) SCSK carried out a one-for-three split of its common stock on October 1, 2021. Previous years' financial data is presented with values converted after the stock split.

Recruitment

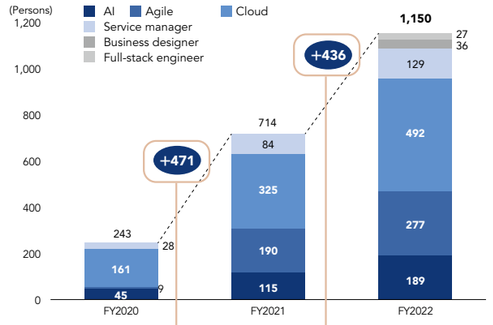
New graduates hired **233 persons** | Mid-career professionals hired **183 persons** | Ratio of mid-career hires **44%** | Ratio of female hires **27%**



In line with our expanded business scale, our recruitment has focused on new graduates. However, in recent years we have also stepped up the recruitment of mid-career professionals who provide an immediate impact on our business. We are also actively engaged in the recruitment of women, with a ratio of female hires around 30%. We aim to secure a stable number of human resources in terms of both new graduate and mid-career recruitment necessary for the sustainable growth of our business. Furthermore, under the Re-join System that was launched in FY2020 to facilitate the reemployment of former employees, 12 people have rejoined the company to date.

Number of Employees Who Have Completed Training to Develop Advanced Technologies (Cumulative Total)

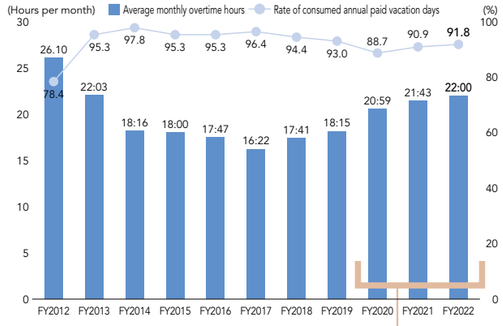
Cumulative total: 1,150 persons



We strive to develop advanced digital talent capable of leading the market. To that end, we provide multiple advanced training programs for engineers. In regard to training on AI, cloud, agile, and so forth, we review and enhance the training programs in light of the latest digital technology and trends as well as frontline needs. Service managers, business designers, and full-stack engineers are developed through practical hands-on training programs. We will continue to provide and enhance training programs that are needed to achieve our business strategies.

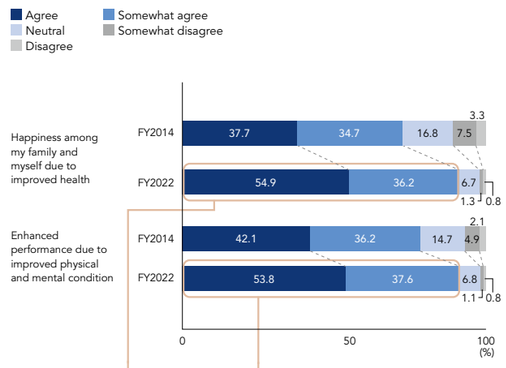
Average Monthly Overtime Hours/ Rate of Consumed Annual Paid Vacation Days

22 hours/91.8%



Since FY 2013, we have taken up the challenge of reforming our working style reforms, focusing on reducing overtime hours and increasing the rate of paid leave taken, and have achieved a certain level of success. "Although overtime hours have increased since the fiscal year ended March 2021, we are promoting initiatives that aim to realize a new efficient and highly productive way of working by combining office work and remote work while providing opportunities for employees to grow further."

Rating of Health and Productivity Management



Since FY2015, we have been promoting Health and Productivity Management as part of our management strategy. Over the years, the percentage of employees who feel happiness in themselves and at home as a result of improved health as well as enhanced performance at work from better mental and physical condition has been steadily increasing through such initiatives implemented as the *Kenko Waku Waku Mileage* Program.

Main Financial Data

Consolidated Management Indicators

J-GAAP → IFRS →

(Unit: millions of yen)

Income Statements	FY2011*1	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020	FY2021	FY2022
Net sales	200,326	278,634	288,236	297,633	323,945	329,303	336,654	358,654	387,003	385,295	396,853	414,150	445,912
Systems Development	73,811	112,316	117,597	117,843	124,470	127,051	128,387	140,092	155,835	156,190	163,090	167,967	180,433
System Maintenance and Operation/Services	68,296	104,284	107,577	110,720	119,170	125,802	129,071	134,132	143,429	143,410	152,518	162,407	175,638
Packaged Software/Hardware Sales	56,496	58,731	60,019	65,691	77,087	73,147	76,247	84,430	87,738	85,694	81,243	83,776	89,841
Prepaid Card Business*2	1,722	3,302	3,042	3,378	3,217	3,302	2,948	—	—	—	—	—	—
Gross profit	46,370	64,466	68,724	72,469	78,021	81,754	83,555	88,742	97,954	97,192	102,969	108,187	117,679
Gross profit margin (%)	23.1	23.1	23.8	24.3	24.1	24.8	24.8	24.7	25.3	25.2	25.9	26.1	26.4
SG&A expenses*3	33,490	43,663	44,749	44,466	46,235	48,040	48,953	50,363	55,628	57,144	57,090	60,632	66,317
Operating profit	12,879	20,803	23,974	28,003	31,785	33,714	34,602	38,378	42,326	40,048	45,878	47,555	51,361
Operating profit margin (%)	6.4	7.5	8.3	9.4	9.8	10.2	10.3	10.7	10.9	10.4	11.6	11.5	11.5
Ordinary profit	16,659	22,228	25,690	30,667	33,610	36,121	36,291	38,650	43,014	—	—	—	—
Profit attributable to owners of parent	25,669	16,730	18,387	15,638	26,956	28,458	32,488	27,892	31,201	28,765	33,435	33,470	37,301

(Unit: millions of yen)

Cash Flows													
Cash flows from operating activities	22,249	25,156	35,342	29,707	34,730	37,161	37,096	33,511	48,950	55,710	50,219	59,081	43,592
Cash flows from investing activities	(8,112)	(249)	(26,045)	5,166	(9,473)	(11,982)	(35,394)	(7,163)	(27,338)	(27,484)	(20,586)	(14,927)	(14,950)
Free cash flows	14,137	24,907	9,297	34,873	25,257	25,178	1,702	26,348	21,612	28,226	29,633	44,153	28,642
Cash flows from financing activities	(7,965)	(5,512)	(33,739)	(8,395)	(12,338)	476	(25,763)	(19,995)	(16,309)	(22,923)	(32,488)	(32,342)	(29,074)
Cash and cash equivalents at end of period	63,661	83,247	59,004	85,713	98,445	123,935	99,797	106,198	111,695	111,695	108,768	121,251	121,425

(Unit: millions of yen)

Financial Position													
Total assets	300,928	322,828	317,932	334,290	352,676	389,537	303,914	314,844	342,485	362,241	380,399	407,609	435,469
Total equity	124,419	108,208	126,159	138,536	151,546	173,674	196,600	194,468	208,072	200,405	227,338	247,363	272,403
Equity attributable to owners of parent	119,189	102,799	120,488	132,458	145,420	166,897	189,214	193,412	207,681	200,047	226,874	246,921	271,909
Interest-bearing debt + preferred shares*4	84,860	84,860	57,000	55,000	50,000	60,000	45,000	55,000	55,400	55,325	45,056	36,459	31,727

(Unit: yen)

Per-Share Information*5													
BPS	286.79	330.49	387.10	425.46	467.00	535.91	607.51	620.93	666.72	640.85	726.77	790.86	870.56
EPS	111.40	53.80	59.09	50.24	86.57	91.39	104.32	89.55	100.17	92.13	107.09	107.20	119.44
Annual dividend per share	10.67	12.00	13.33	16.67	25.00	30.00	31.67	33.33	43.33	43.33	45.00	46.67	52.00

Major Indicators													
Return on equity attributable to owners of parent (ROE) (%)	24.1	15.1	16.5	12.4	19.4	18.2	18.2	14.6	15.6	14.9	15.7	14.1	14.4
Ordinary profit to assets ratio (ROA) (%)	7.9	7.1	8.0	9.4	9.8	9.7	10.5	12.5	13.1	—	—	—	—
Profit before tax to total assets ratio (ROA) (%)	—	—	—	—	—	—	—	—	—	11.7	12.5	12.3	12.7
Equity attributable to owners of parent ratio (%)	39.6	31.8	37.9	39.6	41.2	42.8	62.3	61.4	60.6	55.2	59.6	60.6	62.4
Debt/Equity ratio (times)	0.46	0.83	0.47	0.42	0.34	0.36	0.24	0.28	0.27	0.28	0.20	0.15	0.12
Number of employees	11,995	11,797	11,689	11,754	11,769	11,910	12,054	12,365	13,979	13,979	14,550	14,938	15,328
Capital expenditures (millions of yen)	7,954	10,219	9,441	14,842	12,046	15,335	15,588	15,163	13,604	20,759	38,972	25,708	26,208
Depreciation and amortization (millions of yen)	5,380	6,690	6,841	6,865	8,003	8,972	11,245	10,530	10,358	17,303	18,437	19,881	20,629
R&D expenses (millions of yen)	417	566	449	267	117	266	280	725	1,190	1,190	874	1,097	1,058
Stock prices (yen)*5	437.3	611.7	927.0	1,121.7	1,466.7	1,473.3	1,531.7	1,645.0	1,605.0	1,605.0	2,186.7	2,101.0	1,935.0
Price-book ratio (PBR) (times)	1.5	1.9	2.4	2.6	3.1	2.7	2.5	2.6	2.4	2.5	3.0	2.7	2.2
Price-earnings ratio (PER) (times)	3.9	11.4	15.7	22.3	16.9	16.1	14.7	18.4	16.0	17.4	20.4	19.6	16.2
Total shareholder return (TSR) (%)*6	107.3	152.4	232.0	283.3	372.9	381.8	403.6	439.1	439.9	439.9	591.8	582.3	554.7

*1 Figures of CSK Corporation before the merger date (October 1, 2011) are not included.
*2 All the shares of QUO CARD Co., Ltd., which constitutes Prepaid Card Business, were transferred as of December 1, 2017.
*3 After transition to IFRS, values are presented including the other income and expenses.
*4 The figure as of March 31, 2012 includes ¥30.0 billion of preferred stock assumed by the company in FY2011 as a result of the merger with CSK Corporation. All of this preferred stock was acquired from the financial institutions holding the shares on May 31, 2012, and based on a resolution passed at the Ordinary General Meeting of Shareholders held on June 27, 2012, all of these preferred stocks were cancelled on the same day, June 27, 2012.
Interest-bearing debt is debt on which interest is paid excluding lease obligations.
*5 SCSK carried out a one-for-three split of its common stock on October 1, 2021. Previous years' financial data is presented with values converted after the stock split.
*6 Calculated with the merger date (October 1, 2011) as 100%.

Main Non-Financial Data

Human Resources Data

Consolidated[*1]

			FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees			12,289	13,979	14,405	14,938	15,328
By gender		Male	9,702	10,921	11,106	11,371	11,558
		Female	2,587	3,058	3,299	3,567	3,770
By region		Japan	12,026	13,665	14,086	14,592	14,927
		Asia	109	151	153	162	213
		Americas	85	83	80	82	81
		Europe	69	80	86	102	107

Non-Consolidated[*1]

				FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees				7,280	7,384	8,357	8,462	8,470
By Gender			Male	5,919	5,940	6,664	6,692	6,645
			Female	1,361	1,444	1,693	1,770	1,825
By age	20s		Male	520	585	798	893	947
			Female	304	358	479	536	568
			Total	824	943	1,277	1,429	1,515
	30s		Male	1,207	1,036	1,090	1,000	1,000
			Female	524	478	485	461	444
			Total	1,731	1,514	1,575	1,461	1,444
	40s		Male	1,949	1,916	2,104	2,077	2,012
			Female	401	441	524	529	543
			Total	2,350	2,357	2,628	2,606	2,555
	50s		Male	1,997	2,075	2,221	2,175	2,076
			Female	128	163	195	230	254
			Total	2,125	2,238	2,416	2,405	2,330
	60s		Male	245	328	451	546	610
			Female	5	4	10	15	16
			Total	250	332	461	561	626
Number of line managers[*2]				952	1,015	1,101	1,053	1,028
By Gender			Male	878	929	1,013	968	940
			Female	74	86	88	85	88
By Position	Officer, Division General Manager Positions		Male	87	90	106	107	110
			Female	1	1	1	3	3
			Total	88	91	107	110	113
	Department Manager Positions		Male	308	328	347	329	327
			Female	12	14	13	11	13
			Total	320	342	360	340	340
	Section Manager Positions		Male	483	511	560	532	503
			Female	61	71	74	71	72
			Total	544	582	634	603	575
Number of new recruits			Male	156	140	196	170	157
			Female	78	87	116	104	76
			Total	234	227	312	274	233
Number of mid-career professionals hired[*3]			Male	33	65	56	84	146
			Female	13	13	10	21	37
			Total	46	78	66	105	183
Number of non-Japanese employees				38	36	48	47	39
Number of people with disabilities[*4]				263	262	275	270	329
Employment Rate (%)				2.45	2.32	2.33	2.23	2.40

			FY2018	FY2019	FY2020	FY2021	FY2022
Average years of service		Male	19.8	20.3	20.0	20.1	20.0
		Female	12.3	12.3	12.3	12.4	12.6
		Total	18.1	18.4	18.5	18.4	18.4
Average Annual Salary[*5] (thousands of yen)			7,257	7,359	7,526	7,522	7,467
	Differences between male and female salaries (%)		76.8	77.8	80.2	80.6	81.2
Turnover[*6]		Male	146	165	149	176	194
		Female	40	27	28	43	52
		Total	186	192	177	219	246
	Turnover Rate[*7] (%)	Male	2.3	2.6	2.1	2.5	3.0
		Female	2.8	1.8	1.6	2.3	2.8
		Total	2.3	2.6	1.9	2.2	3.0
Average monthly overtime hours[*8] (hours/month)			17:41	18:15	20:59	21:43	22:00
Annual paid vacation[*9]	Average days taken (days)		18.5	18.1	17.3	17.8	18.0
	Acquisition rate (%)		94.4	93.0	88.7	90.9	91.8
Percentage of teleworking[*8*9] (%)			5.7	7.4	58.0	61.8	54.5
Number of employees using reduced work hour programs		Male	4	7	6	7	7
		Female	250	258	268	253	244
		Total	254	265	274	260	251
Number of employees using childcare leave	By gender	Male	16	19	45	53	74
		Female	192	178	183	162	155
		Total	208	197	228	215	229
	Acquisition rate (%)	Male	3.2	9.1	14.6	27.7	32.7
		Female	100.0	100.0	100.0	100.0	100.0
		Total	29.6	33.2	37.3	50.4	53.3
	Return rate (%)	Male	100.0	100.0	100.0	100.0	100.0
		Female	92.7	94.8	97.5	95.7	98.6
		Total	93.5	95.7	98.3	97.3	99.2
	Average number of days taken (days)	Male	68	89	65	29	64
		Female	413	437	482	413	420
		Total	369	377	337	268	270
Number of employees using extended nursing care leave		Male	1	1	2	1	1
		Female	0	0	1	1	3
		Total	1	1	3	2	4
Number of employees using nursing care leave		Male	158	162	145	141	164
		Female	26	30	26	29	38
		Total	184	192	171	170	202
Number of employees using maternity leave[*10]			62	63	47	41	43
Number of employees using parental leave			131	122	89	86	156
Number of employees using balance support leave[*11]		Male	629	669	497	475	408
		Female	364	399	363	370	350
		Total	993	1,068	860	845	758
Number of employees using child nursing leave		Male	253	261	143	198	186
		Female	212	235	161	208	178
		Total	465	496	304	406	364

*1 Data is calculated as of March 31 each fiscal year except where noted.
*2 Excluding directors, but including employees on loan.
*3 Total of mid-career professionals for full-time employees and specialized full-time employees
*4 Figures as of June 1 each fiscal year including main domestic Group companies with certification as special purpose subsidiary or affiliated company.
*5 Average annual salary of full-time employees, specialized full-time employees and senior full-time employees.
*6 Voluntary resignation of full-time employees and specialized full-time employees (excluding mandatory retirement and job transfers, etc.).
*7 Number of employees as of April 1 each fiscal year used as the parameter.
*8 Average for all employees including those under the discretionary work system and supervisors.
*9 Removed the limit on the number of times teleworking in February 2020 (used to be limited to eight times per month [except where special circumstances otherwise warranted it]).
*10 Available to pregnant women in half-day increments to allow them to take time off for various related ailments, such as morning sickness, and for prenatal checkups (10 days a year).
*11 Paid leave that can be taken in half-day increments (up to a total of five days per year) to care for a family member, to accompany his/her child to receive necessary vaccinations or health exams or attend an event at his/her child's school, up until the child graduates from junior high school, or to undergo infertility treatments in a hospital.

Main Non-Financial Data

Human Resources Data

		FY2018	FY2019	FY2020	FY2021	FY2022
Average annual hours of training per employee (hours)		—	—	60	62	58
Number of trainees dispatched overseas		14	15	5	12	15
Number of employees with a Career Development Plan (CDP)		7,118	7,110	8,170	8,315	8,164
Number of transferees using the personnel recruitment program and internal free agent (FA) program*12		84	100	42	93	86
Number of employees certified under the IT Skill Level Assessment*13 (Lv1 to Lv7)		5,108	5,214	5,116	5,950	5,771
SCSK Career Frame	Strategic job types	663	696	680	722	714
	Development job types	3,505	3,571	3,503	3,734	3,415
	Operations job types	796	796	787	802	712
	Administrative job types	144	151	146	151	158
Young employee career development (development, infrastructure, systems management, embedded, sales)*14		—	—	—	541	772
Regular health exam uptake rate (%)		100.0	100.0	100.0	100.0	100.0
Reexam rate*15 (%)		58.7	100.0	99.1	100.0	100.0
Rate of employees requiring specified health guidance*15 (%)		22.3	21.0	23.0	20.5	20.1
Stress check uptake rate (%)		90.6	91.6	93.7	92.1	91.5
Number of employees on leave*16		43	52	59	69	77
Absence rate (%)		—	—	0.2	0.2	0.2
Number of industrial accidents		3	5	5	5	2
Kenko Waku Waku Mileage Program participation rate (%)		99.9	98.8	99.5	98.8	98.4
Number of participants in health literacy training*17		530	1,750	4,061	2,925	3,115
Health behaviors and habits	Average number of steps	9,929	9,675	7,478	7,925	8,209
	Employees who do not eat breakfast*18 (%)	15.1	14.6	16.5	18.9	19.8
	Dental exam uptake rate*19 (%)	48.0	46.5	42.2	43.9	45.4
	Short sleeping hours*20 (%)	15.0	11.8	9.6	9.3	10.6
	Employees who smoke (%)	16.1	16.0	15.0	14.1	13.9
Indicators on physical/mental health, job satisfaction and productivity	Subjective health*21 (%)	84.4	86.5	89.1	88.2	85.2
	Presenteeism (performance demonstration level)*22 (%)	83.4	83.5	86.2	84.2	81.7
	Absenteeism*23 (%)	65.1	67.0	75.4	70.8	69.3
Employee awareness survey*24 (%)	SCSK is a company with a pleasant workplace	89.2	90.0	92.1	91.8	90.6
	SCSK is a company with a rewarding workplace	73.8	72.9	78.6	77.7	75.6
	My abilities are fully leveraged	74.1	74.6	77.1	76.9	76.8

*12 Personnel recruitment takes place twice annually and internal FA is once annually. However, personnel recruitment took place only once in FY2020.
*13 A program that certifies IT skills according to seven levels based on SCSK Career Framework.
Strategic job types (business creator, sales, consultant, service manager BASM, service manager ITSM, marketing)
Development job types (project manager, IT architect, AP specialist, embedded software development, IT specialist, product specialist, R&D expert)
Operations job types (customer service, IT service management)
Administrative job types (administrative support staff-engineering)
*14 Defined as Lv1 to Lv3.
*15 Data for each fiscal year is calculated as of July 31 of the following year.
*16 Number of employees on leave due to non-occupational injury or illness.
*17 Total number of participants in training on the themes of diet, exercise, sleep, women's health, and by age group in any given fiscal year.
*18 The percentage of employees who responded, "I rarely eat breakfast (0 to 3 times a week)."
*19 The percentage of employees who answered "Two or more times per year" or "One time per year" in response to the question, "Dental exams are believed to be necessary one to two times per year. How frequently do you receive dental exams?"
*20 The percentage of employees who answered "Less than 5 hours" in response to the question, "How much sleep do you normally get?"
*21 The percentage of employees who answered "I'm healthy" or "I'm more healthy than unhealthy" in response to the question, "What is your health condition?"
*22 The percentage of employees who answered that they can demonstrate "80% or more of the abilities" they can demonstrate when they are in healthy conditions.
*23 The percentage of employees who answered "0 hours" in response to the question, "How many work hours did you take off or make adjustments due to a health issue in the previous three months?"
*24 The percentage of employees who responded positively to the statements, "SCSK is a company with a pleasant workplace," "SCSK is a company with a rewarding workplace, and "My abilities are fully demonstrated" in the employee awareness survey.

Environmental Performance Data

			FY2018	FY2019	FY2020	FY2021	FY2022
Electricity consumption	Total: Entire SCSK Group (1,000 kWh)		91,861	110,440	126,000	147,531	159,661
	Break-down	Offices (1,000 kWh)	24,373	25,119	23,694	25,020	25,920
		Data centers (1,000 kWh)	67,488	85,321	102,306	122,511	133,741
	Renewable energy	Utilization volume (1,000 kWh)	—	—	—	47,500	59,843
		Utilization ratio (%)	—	—	—	32.2	37.5
Fuel	Total (quantity in GJ)		2,631	3,013	3,823	4,651	4,332
	Break-down	Kerosene (kl)	16	19	23	40	13
		Light oil (kl)	—	—	—	1	2
		Diesel (kl)	12	27	46	39	38
		Gasoline (kl)	—	—	12	26	39
		Utility gas (1,000 m^3)	35	28	17	16	21
Steam, hot water, cold water (quantity in GJ)			15,655	17,721	16,265	14,004	11,814
Volume of office paper purchased (1,000 sheets)			20,250	17,767	6,417	5,156	5,403
General waste*1 (t)			215	203	140	149	134
Industrial waste*1 (t)			187	159	16	44	33

*1 The company does not produce any hazardous waste from its business operations.

($t\text{-}CO_2$)

Greenhouse gas emissions		FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1	Direct emissions	149	184	249	307	277
Scope 2	Indirect emissions from energy	43,483	46,597	52,354	39,537	36,298
Scope 3	Other indirect emissions	—	575,116	538,328	493,934	575,556
Total		—	621,897	590,930	533,778	612,131

Scope 3 Breakdown by category						
Category 1	Purchased goods and services	—	259,173	250,615	231,542	281,953
Category 2	Capital goods	—	21,092	27,572	24,302	51,897
Category 3	Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	—	7,992	9,031	10,456	11,231
Category 4	Upstream transportation and distribution*2 excluded from calculation	—	—	—	—	—
Category 5	Waste generated in operations	—	343	273	315	269
Category 6	Business travel	—	6,155	917	1,270	3,013
Category 7	Employee commuting	—	5,604	4,951	3,440	3,736
Category 8	Upstream leased assets*3 excluded from calculation	—	—	—	—	—
Category 9	Downstream transportation and distribution*4 excluded from calculation	—	—	—	—	—
Category 10	Processing of sold products*5 excluded from calculation	—	—	—	—	—
Category 11	Use of sold products	—	274,735	244,947	222,592	223,442
Category 12	End-of-life treatment of sold products	—	22	22	16	15
Category 13	Downstream leased assets*6 excluded from calculation	—	—	—	—	—
Category 14	Franchises*7 excluded from calculation	—	—	—	—	—
Category 15	Investments*8 excluded from calculation	—	—	—	—	—
Total		—	575,116	538,328	493,934	575,556

*2 Calculated in Category 1.
*3 Emissions through the lease of relevant offices are calculated in Scopes 1 and 2.
*4 Not applicable because it is difficult to collect data required to calculate emissions.
*5 Not applicable because the Company does not manufacture or sell intermediate products.
*6 Not applicable because the Company does not engage in the property leasing business.
*7 Not applicable because the Company does not engage in the franchise business.
*8 Not applicable because the Group does not engage in the investment business.

Data Section | Corporate Information (as of March 31, 2023)

Basic Information

Established	October 25, 1969
Capital	¥21,285 million
Total number of employees	15,328 (Consolidated)

Head office	Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan TEL: +81-3-5166-2500 URL: https://www.scsk.jp/index_en.html

Base Information

Toyosu Head Office
Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo
TOYOSU FORESIA, 3-2-24, Toyosu, Koto-ku, Tokyo

Odaiba Office
Tradepia Odaiba, 2-3-1, Daiba,
Minato-ku, Tokyo

Nishinihon Kitahama Office
Osaka Shoken Torihikijo Bldg., 1-8-16,
Kitahama, Chuo-ku, Osaka-shi, Osaka

Nishinihon Senri Office
Sumitomo Corporation Senri Bldg. , 1-2-2,
Shinsenri Nishimachi, Toyonaka-shi, Osaka

Nishinihon Honmachi Office
Metlife Honmachi Square Bldg., 2-5-7,
Honmachi, Chuo-ku, Osaka-shi, Osaka

Chubu Office
SC Fushimi BLDG., 2-16-26,
Nishiki, Naka-ku, Nagoya-shi, Aichi

Hiroshima Office
Hiroshima High Bldg. 21, 3-1,
Kanayama-cho, Naka-ku, Hiroshima-shi, Hiroshima

Kyushu Office
Hakata kangen Bldg., 3-30-23,
Hakata-ekimae, Hakata-ku, Fukuoka-shi, Fukuoka

Tama Center Office
SCSK Tama Center Bldg., 2-3,
Sannoushita, Tama-shi, Tokyo

SCSK Group Okinawa Center Office
4-35-2, Gusukuma,
Urasoe-shi, Okinawa

Group Companies

Domestic

SCSK ServiceWare Corporation	Consulting, BPO
VeriServe Corporation	Consulting, Verification services
SCSK Minori Solutions Corporation	Consulting, Systems development, IT infrastructure development, IT management, IT hardware/software sales
SCSK KYUSHU CORPORATION	Systems development, IT infrastructure development, IT management
SCSK HOKKAIDO CORPORATION	Systems development, IT infrastructure development, IT management, IT hardware/software sales
SCSK PRESCENDO CORPORATION	Consulting, BPO
Skeed Co., Ltd.	Consulting, Systems development, IT hardware/software sales
SCSK SYSTEM MANAGEMENT CORPORATION	IT management
VA Linux Systems Japan KK	Consulting, Systems development, Verification services
SDC Corporation	IT infrastructure development, IT management, IT hardware/software sales
SCSK NEC Data Center Management, Ltd.	IT management
Allied Engineering Corporation	Consulting, Systems development, IT hardware/software sales
SCSK Automotive H&S Corporation	Systems development
Gran Manibus Co., Ltd.	Consulting
SCSK Nearshore Systems Corporation	Systems development
TOKYO GREEN SYSTEMS CORPORATION	
ARGO GRAPHICS Inc.*	IT hardware/software sales
Diamond Head Co., Ltd.*	Systems development, BPO

*Company accounted for using the equity method.

Overseas

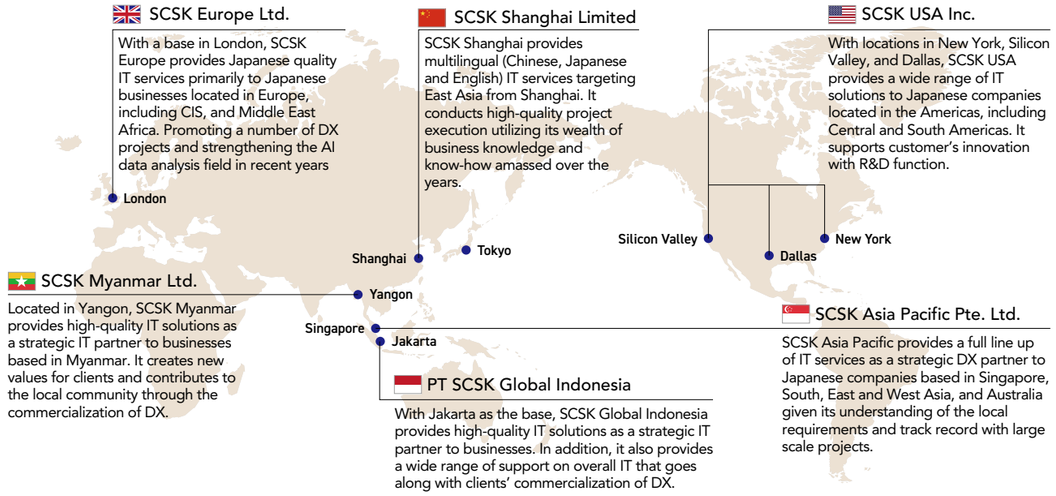
SCSK USA Inc.	Consulting, Systems development, IT infrastructure development, IT management, IT hardware/software sales
SCSK Europe Ltd.	Consulting, Systems development, IT infrastructure development, IT management
SCSK Shanghai Limited	Consulting, Systems development, IT infrastructure development, IT management
SCSK Asia Pacific Pte. Ltd.	Consulting, Systems development, Verification services, IT infrastructure development, IT management, IT hardware/software sales
PT SCSK Global Indonesia	Consulting, Systems development, IT infrastructure development, IT management
SCSK Myanmar Ltd.	Consulting, Systems development, IT infrastructure development, IT management

Consulting | Systems development | Verification services | IT infrastructure development | IT management | IT hardware/software sales | BPO

Global Network

Overseas Network

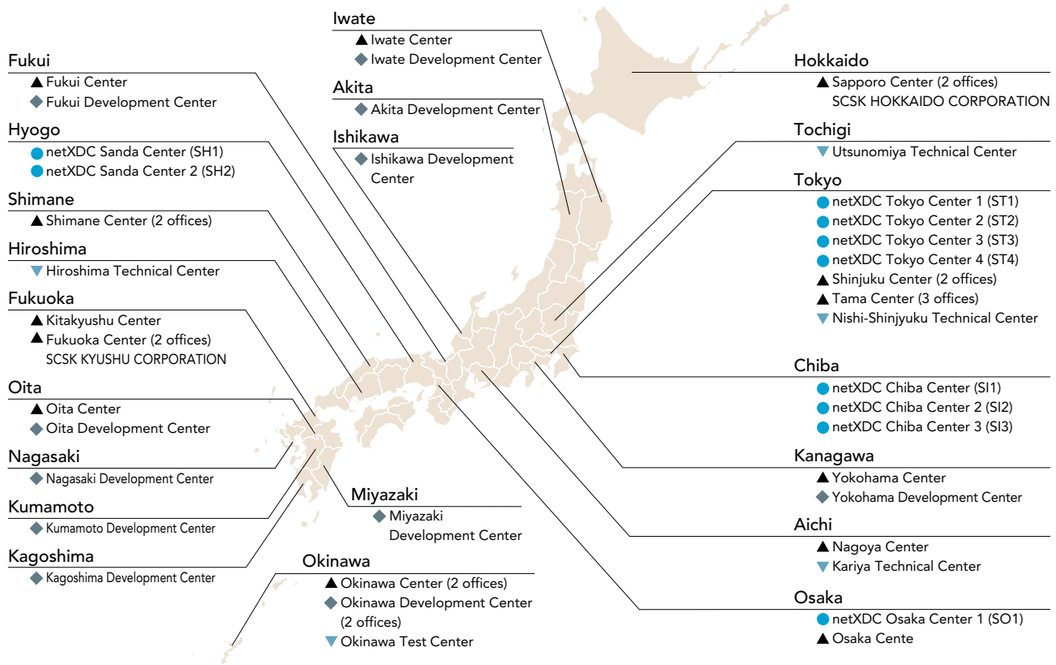
Our worldwide network provides strong support for customers' global business development.



Domestic Network

Our domestic network provides high-quality services with unwavering reliability and security.

● Data Center ▲ BPO Center ◆ Near-Shore Center ▼ Verification Center



Corporate Information (as of March 31, 2023)

Investor Information

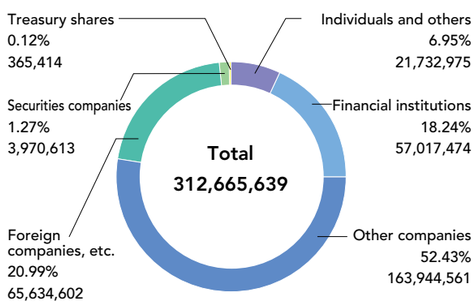
Stock/Shareholder Information

Class of stock	Common Stock
Number of shares authorized	600,000,000
Number of shares issued	312,665,639 (including 365,414 treasury shares)
Number of shareholders	27,845

Stock listing	Tokyo Stock Exchange, Prime Market
Stock code	9719
Stock trading unit	100
Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
Independent certified public accountant	KPMG AZSA LLC

Distribution of Shareholders (Common Stock)

Shareholder composition

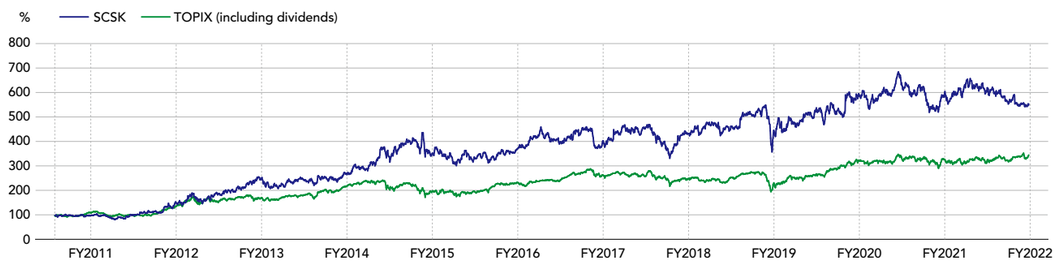


Major Shareholders

	Name of Shareholder	Number of Shares Held	Shareholding Ratio*
1	SUMITOMO CORPORATION	158,091,477	50.62
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	27,412,700	8.78
3	Custody Bank of Japan, Ltd. (Trust Account)	19,878,700	6.37
4	SCSK Group Employee Stock Ownership Association	7,015,925	2.25
5	SSBTC CLIENT OMNIBUS ACCOUNT	3,568,005	1.14
6	STATE STREET BANK WEST CLIENT -TREATY 505234	3,134,876	1.00
7	ARGO GRAPHICS Inc.	3,046,500	0.98
8	STATE STREET BANK AND TRUST COMPANY 505001	3,016,696	0.97
9	JAPAN POST INSURANCE Co., Ltd.	2,146,200	0.69
10	Nippon Life Insurance Company	1,768,500	0.57

*Shareholding ratio is calculated exclusive of treasury stock.

Total Shareholder Return (TSR)*



*October 3, 2011 indexed as 100

About cover pages and concept pages

The cover and concept pages of this report are based on the Value Creation Process (> P9). Along with the management philosophy, which can be said to be the foundation of SCSK's value creation, the cover features a recycling line based on the colors of materiality, as well as a globe symbolizing the company's contribution to the realization of a sustainable society through its business activities. The concept page that follows expresses our desire to solve social issues and create new value through our business, as well as our desire to co-create with our customers, partners, and society toward "Our Future of Dream."

SCSK Begins Airing a TV Commercial to Gain Recognition

To view the TV commercial, please visit our special website at: https://www.scsk.jp/pr/cm/ (Japanese only)

As we worked to become a Co-Creative IT Company in 2030, we came to realize the necessity of raising SCSK's recognition. In the past, we mainly did business with clients' IT divisions. However, we realized that we would not be able to become their true partner without involving their business division and management in moving projects forward. Therefore, we weighed various options to raise SCSK's recognition among businesspeople and eventually selected a TV commercial as the potentially most effective medium. What we paid particular attention to when creating the commercial was to deliver the message that SCSK is an IT company. To ensure that the short 15-second commercial is retained in the memory of many people, we limited the amount of information delivered, using simple and catchy language. TV commercials are effective not only to raise a company's recognition but also to increase the pride that employees have in the company they work for. As we have entered the second year of this initiative, survey results indicate that we have been gaining recognition and that employee engagement has also been increasing.

We will continue striving to become widely recognized by society as a company that truly unlocks the maximum potential of IT and "creates our future of dreams" as committed in our mission.

SCSK and University of Tokyo Jointly Develop a Workshop for Children Using AI Image Recognition Technology

The Children's Art Museum&Park (CAMP) is a next-generation development activity by the SCSK Group for children who will be forging the future. Through workshops, CAMP fosters child creativity in interactive settings. Through the creative activities, group work, and project presentations that the children experience in their workshops, they are able to find their own ways to express themselves and expand their circle of communication. Since the start of the initiative in April 2001, more than 1,200 CAMP workshops have been held nationwide, attracting over 23,000 participants.

Recently, CAMP has developed a new type of workshop that utilizes AI image recognition technology. The workshop is based on the idea proposed by employees of SCSK Minori Solutions Corporation which won an outstanding award at the Workshop Idea Competition—an event that was held with the participation of SCSK Group companies to commemorate the 20th anniversary of CAMP as part of co-creation in the corporate social responsibility field. Development work was conducted with the cooperation of the Yamauchi Laboratory of Interfaculty Initiative in Information Studies, the University Tokyo, with whom we had jointly developed CAMP. The workshop reflects the SCSK Group's wish that children take interest in IT and familiarize themselves with AI, which is being talked about everywhere. The participating children experience firsthand the process of game creation that utilizes image-recognition AI, while at the same time learning the risk of AI malfunctioning and the importance of feeding accurate information.

CAMP
Children's Art Museum & Park

For further details about CAMP, please visit: https://www.camp-k.com/ (Japanese only)