

IR Meeting with President

Takaaki Touma
President and Chief Operating Officer

June 7, 2022

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Greetings, my name is Takaaki Touma, and I assumed the position of president and chief operating officer of SCSK Corporation in April 2022.

What you just watched is a TV commercial advertising SCSK that we began broadcasting in May. I suspect that there may be those among you who feel that it does not really match the image of SCSK.

However, this is intentional as we sought to use this commercial to change SCSK's rather reserved image.

We produced this commercial based on the recognition that it necessary to increase recognition of SCSK among a wider swath of the population given the importance of co-creation with the end user- and business-related divisions of customers if we are to grow our business through digital transformation.

The commercial also encapsulates our desire for SCSK to be a company that our employees, as well as their friends and families, feel proud to be associated with.

Our next step after boosting recognition of SCSK will be to work to grant people a better understanding of what type of company we are.

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1. Impressions



- **Television advertising**
- **Strong client base**
- **Human capabilities to support business expansion**

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Two months have passed since I took up the mantle of president. I would therefore like to use this opportunity to tell you how I perceive the Company at this moment.

SCSK boasts a customer base encompassing some 8,000 companies in financial, communications, transportation, and other industries.

When I became president, I was met with numerous congratulatory messages and gifts of flowers from customers, which served to remind me of just how large our customer base is.

I was also reminded of the importance of the human resources supporting our business growth.

SCSK's growth is driven by its own employees as well as by the 15,000 to 20,000 people who work at its various business partners, and these two months have made it clear to me that we have secured sufficient production capabilities for supporting the future growth of our business.

2. Path to the Present

SCSK

- 10 consecutive years of higher sales and profits
- Steady expansion of business scale based on appropriate policies in each phase after the merger



Medium-Term Management Plan (2013/3-2015/3)
Promoting true integration and pursuing merger synergies

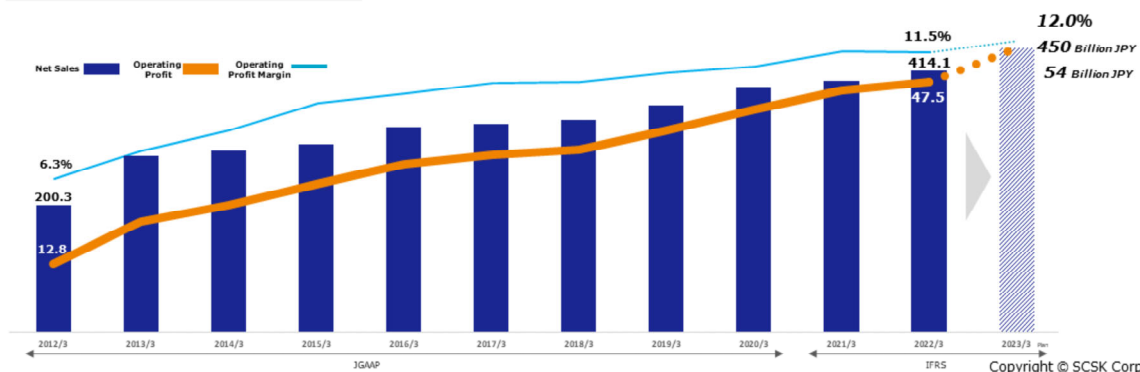
- Expand sales through cross-selling strategy
- Increase profitability through the core partner system and our proprietary development standard SE*
- Working style reform
- Global strategy

Medium-Term Management Plan (2016/3-2020/3)
Moving away from a labor-intensive business

- Shift to service-oriented business
- Automotive software development
- Enter into the second stage of global business expansion

Medium-Term Management Plan (2021/3-2023/3)
Business Reforms to Create New Value

- Commercialization of DX
- Core Business Innovation
- Investment in People



SCSK has continued to see growth in sales and profit over the decade since its birth through the merger.

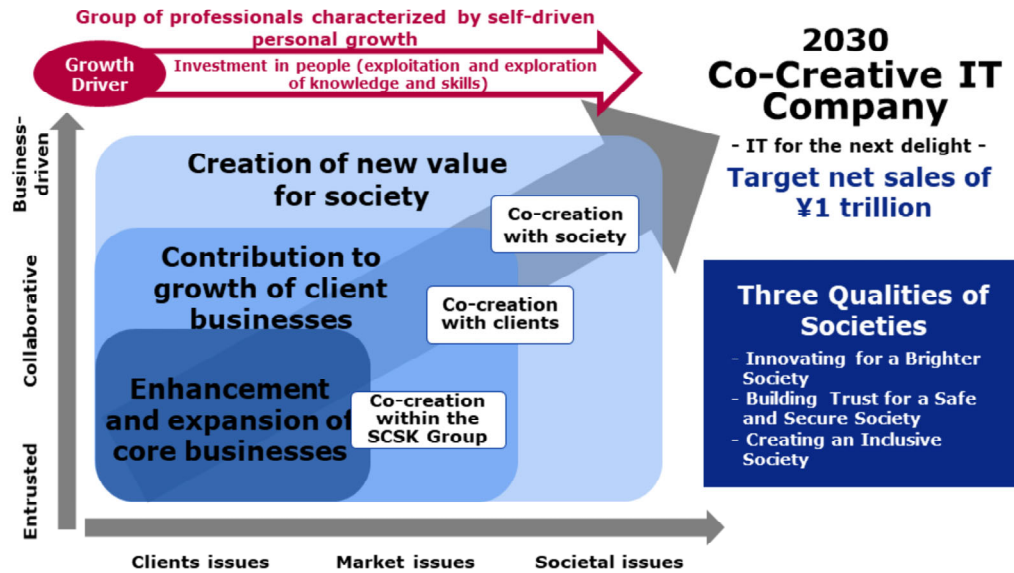
However, I believe that this accomplishment was nothing out of the ordinary when you consider the consistently favorable operating environment the IT industry has enjoyed throughout this period.

At the same time, I also must admit that SCSK will be unable to continue its growth if it fails to change its approach to adapt to the emerging digital society and to the rapid pace of the complex changes seen in industry structures.

It is therefore imperative that our employees maintain a healthy sense of the danger we face. Moreover, there is a need for me, as president, to advance the self-transformation of the Company amid this period of true transformation. We also must clearly communicate the directives and business portfolios SCSK will be pursuing going forward.

The comprehensive lineup of services our business offers is a strength of SCSK. I therefore look to build upon this strength by continuing to develop distinctive and competitive services in fields where we can excel.

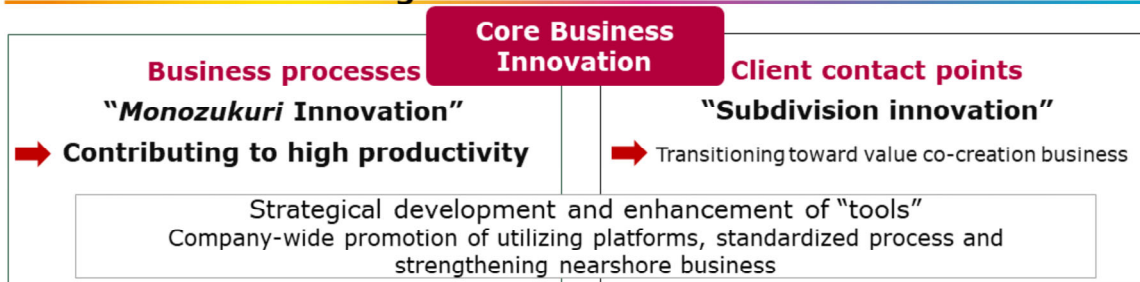
3. Looking ahead: Grand Design 2030



On this slide, you will see the framework of Grand Design 2030. Announced two years ago, Grand Design 2030 describes a growth process and vision for SCSK to work toward leading up to 2030.

Guided by this vision, SCSK will engage in self-driven initiatives to create businesses that contribute to the resolution of social issues together with customers and partners. We thereby aim to become a Co-Creative IT Company with ¥1 trillion in net sales by 2030.

4. Looking ahead: Medium-Term Management Plan 2021-2023



■ Toward a full-scale rollout phase of S-Cred+ platform

- Improve productivity, including group companies and core partners
→ Targeting a 30% improvement
- The number of projects in FY21 exceeded 70. First aiming for a project application rate of 30%.

■ Accelerate training of service managers

- Develop advanced IT engineers who understand customers' DX strategies and work in an integrated manner from planning to implementation
- Cultivation of 90 employees over the 2 years of the Medium-Term Management Plan
→ Target of 150 employees over the 3 years of the Medium-Term Management Plan

With this slide, we will look at core business innovation, which is one of the three core strategies of the current medium-term management plan. With this regard, it has been previously mentioned that we are promoting both *Monozukuri* innovations and subdivision innovations.

Our S-Cred+ development as operation platform will be key to our promotion of these two types of innovation, and this platform has finally reached the full-fledged rollout phase. With this platform, we are targeting a 30% improvement in productivity along with a project application rate of 30% or more.

Another element of our approach toward innovation is service managers, engineers who are capable of making proactive proposals to customers based on a clear understanding of their digital transformation strategies as well as the issues faced by their industries. We are seeing smooth progress in the cultivation of such service managers.

4. Looking ahead: Medium-Term Management Plan 2021-2023

SCSK

Be the Cloud Service Integrator

Utilization of group intellectual property

- Application of packages and templates installed in platforms
- Developed as a platform for the provision of proprietary services



Increasing the added value of data centers

- Wide-ranging ecosystem with cloud operators



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One of SCSK's goals is to become a cloud service integrator.

The S-Cred+ platform is a proprietary framework that allows for improved productivity in systems development and operation.

This platform will be equipped with a marketplace function providing access to ProActive, atWill Template, and other offerings from among SCSK's diverse lineup of intellectual properties. We thereby aim to evolve S-Cred+ into a venue for supplying high-value-added cloud services.

We also intend to incorporate the intellectual properties of major business partners into the S-Cred+ platform to elevate this platform to the state of a tool for co-creation with various partners.

4. Looking ahead: Medium-Term Management Plan 2021-2023



Moving to the second stage by improving digital human resources capabilities through qualitative and quantitative expansion of regional bases

Aiming to be a domestic network of advanced IT personnel and a co-creation IT company in local communities

<1st Stage>

Expansion of Group Regional Bases
 ("Expansion of Employment", "Promotion of Work Style Reforms" and "Women's Active Participation" in local areas)
 ⇒ Acquisition and development of IT personnel
 ⇒ Qualitative and quantitative enhancements to our service capabilities such as DevOps service

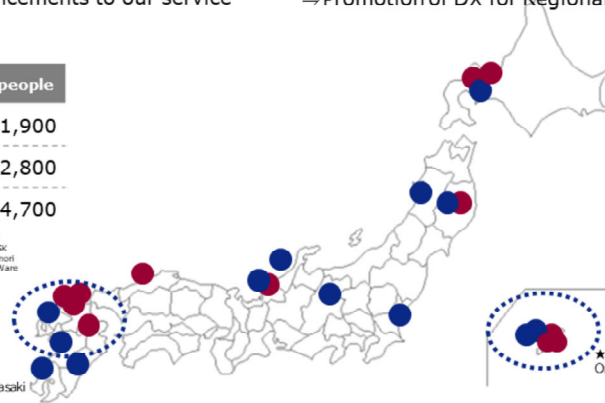


<2nd Stage>

Development of advanced IT human resources at regional bases
 ⇒ Cross-regional utilization of domestic IT human resources
 ⇒ Promotion of DX for Regional Revitalization

	#of base	#of people
● Development	13	Approx. 1,900
● Verification, BPO	12	Approx. 2,800
Total	25	Approx. 4,700

*Number of people includes Business Partners(as of End of March 2022)
 *Development base includes SCSK Nearshore Systems Corporation, SCSK HOKKAIDO CORPORATION, SCSK KYUSHU CORPORATION and SCSK Minor Solutions Corporation, Verification and BPO base includes SCSK ServiceWare Corporation and VeriServe Corporation



★Kyusyu area
 Nearshore base to be opened in Oita and Nagasaki in FY2022

★Okinawa
 Opened a base in Urasoe city in fall 2021

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SCSK is pursuing quantitative and qualitative expansions to its network of regional bases in order to further augment the human resource capabilities on which its business depends.

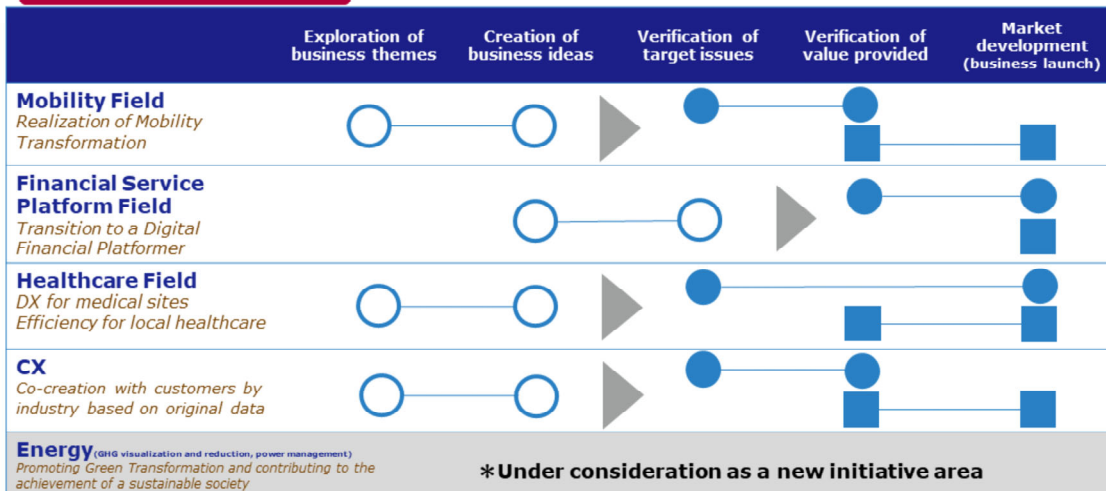
Currently, we have a development network comprised of SCSK Nearshore Systems Corporation and 12 other bases with a staff of around 1,900 employees. Meanwhile, our network of verification service and business process outsourcing service bases consists of 12 bases staffed by some 2,800 individuals. VeriServe Corporation is an example of a verification service base while SCSK ServiceWare Corporation is a base providing business process outsourcing services. This makes for a combined staff of nearly 5,000 employees working at regional bases across Japan.

This staff was assembled through the first stage of our efforts to expand regional bases, a process that took several years.

The second stage of these efforts will entail the cultivation and utilization of sophisticated human resources capable of accelerating regional digital transformation at regional bases. We will complement these initiatives with ongoing quantitative expansions to our regional base network.

4. Looking ahead: Medium-Term Management Plan 2021-2023

Commercialization of DX



○ Beginning of FY21 ● Beginning of FY22 ■ End of FY22

Investment and costs: FY20 approx. ¥2 billion FY21 approx. ¥3 billion FY22(plan) approx. ¥4 billion

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I would now like to talk about our strategy of Commercialization of DX.

This core strategy of the current medium-term management plan has been advanced through the development of the relevant services and frameworks. We are making steady progress in the respective phases of our initiatives in each of the defined priority areas. We are also fostering human resources capable of creating new businesses through initiatives for the Commercialization of DX. In the fiscal year ending March 31, 2023, SCSK plans to incur investment expenses of around ¥4.0 billion in relation to this strategy.

Initiatives in these areas require us to start from scratch. Accordingly, it will take some time before we begin to see the benefits to performance. Nevertheless, I am committed to achieving success in these areas through initiatives such as combining services over the medium term.

5. Recognition of the current situation and three evolutions for sustainable growth

Recognition of the current situation in the third year of the Medium-Term Management Plan

Accelerating changes in the business environment

- Acceleration and progress of digitization
- Changes in the role of IT vendors
- Transition to a block economy
- Changes in social structure due to COVID-19
- Increasing awareness of decarbonization

Three Evolutions for Sustainable Growth

● Evolution of customer relationships

Customers, business fields, service content, and relationships with customers

● Evolution of business model

Sales methods, business models, and pricing

● Evolution of organizations and people

Operations, roles, experiences, cultures, and thoughts

We need "Self-transformation Capabilities"

Aiming to be a "Game Changer" that determines the direction of social transformation

The fiscal year ending March 31, 2023, my first year as president, is an important year, simultaneously being the year in which we will conclude the current medium-term management plan and the one in which we will formulate the next plan.

Ensuring that SCSK can continue to grow into the future will require us to move away from our prior policies and to reexamine our business models and our relationships with customers. We must also carefully reevaluate our value to the market and communicate this value to customers. Furthermore, we will need to abandon preconceptions with regard our organizations, people, and culture to adopt new approaches in these areas.

One area in particular need of reforms is our salesforce. We also must transform our relationships with customers to better accommodate the COVID-19 pandemic, and this means that our salesforce needs to be reformed to take advantage of new workstyles.

Moreover, there has been no fundamental change to the value of project managers, system engineers, and other technical professionals in the IT industry for decades. The rapid digitalization trend and other operating environment changes present a need for an industry-wide drive to raise the market value of IT human resources.

Through this approach, we should seek to bolster the self-transformation capabilities of organizations and employees in order to grow SCSK into a company that can spur the transformation of markets and of society as a whole.

6. FY2022 Priority Initiatives



1. Evolution to "DX Enabler"

2. From Client-Oriented to Market-Oriented

3. Strategic enhancement of specific areas

4. Strengthen profitability by reforming business portfolio

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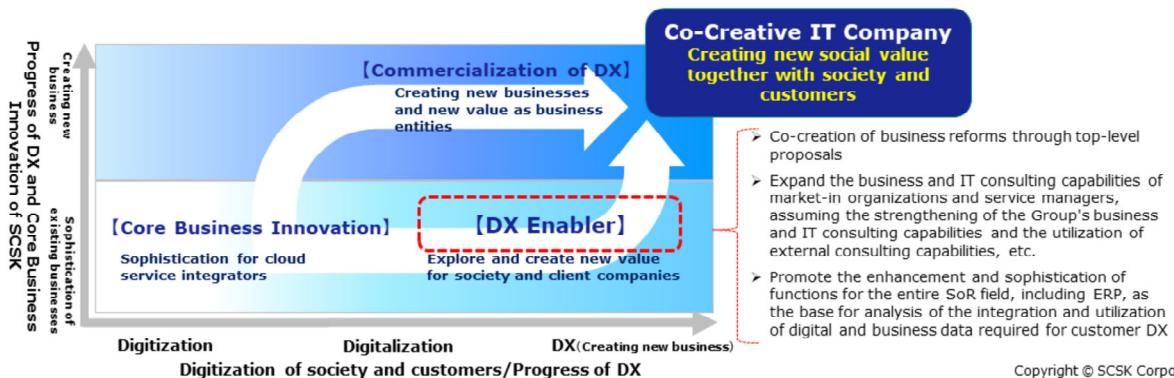
Moving on, we will now take a look at four of the priority initiatives we will be advancing in the fiscal year ending March 31, 2023.

6. FY2022 Priority Initiatives 1

Evolution to "DX Enabler"

Significantly shifting the current IT-service business to the business of promoting Digitalization/DX support for customers

DX Enabler: Business operators that enable and support the DX efforts of customers and companies Supporting and promoting the realization of customers' new businesses based on the dissemination of advanced digital Technology



I would first like to talk about our efforts to evolve into a digital transformation enabler.

SCSK's medium-term management plan defines the three core strategies of Core Business Innovation, Commercialization of DX, and Investment in People. Initiatives for Commercialization of DX require us to start from scratch. This makes the process a bit more challenging and thus requires us to advance an array of commercialization initiatives.

At the same time, there are also digital transformation projects for us to capitalize on in existing businesses. For example, in the SoR field, there is potential for digital transformation for the perspective of creating a warehouse of dynamic and viable data. I believe that initiatives in this area could eventually lead to us creating value through digital transformation in fields such as SoI and SoE. Our goal of evolving into a digital transformation facilitator was put forth with such a path in mind.

What I mean to say is that divisions tasked with the Commercialization of DX must not limit their efforts to digital transformation businesses. Rather, they will need to act based on the shared recognition that all of our businesses promote the digital transformation of customers and to incorporate the perspective of digital transformation into their proposals to customers. We also must foster human resources in accordance with this view.

In this manner, we will bolster our lineup of services and technologies that support digital transformation as we seek to evolve into a digital transformation enabler.

6. FY2022 Priority Initiatives 2

SCSK

From Client-Oriented to Market-Oriented

Expanding shared services for industries by leveraging our strengths in intellectual property cultivated for clients

Comprehensive IT services that meet industry-specific needs by combining customer challenges and our intellectual property

For the
manufacturing
industry



- IT services using expertise cultivated at manufacturing sites to create templates for operations ranging from production to logistics and post-sales service
- Flexible construction and customization on low-code no-code development infrastructure

For the
distribution
industry



- IT services that encompass solutions for sophistication of customer contact areas, such as contact centers, web commerce, and fulfillment services, to FACE and other e-commerce business platform services

For the
financial
industry



- Total solutions to support a variety of financial crime countermeasures, including money laundering, money transfer fraud, antisocial forces, and account fraud
- October 2021 Launched next-generation versions (with AI functions, provided in the cloud)

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Next, SCSK aims to move away from a client-oriented approach to adopt a market-oriented approach.

As part of its base of 8,000 customers, SCSK proposes business strategies to top-100 companies that drive their respective industries.

Going forward, we must call upon the expertise gained through business activities advanced with such customers to take part in high-quality projects that connect customer industries or that contribute to the development and utilization of intellectual properties.

By reassessing the markets we serve, we will look to explore projects that can help enhance SCSK's intellectual properties. Through these efforts, we aim to bolster productivity and profitability by amassing intellectual properties and incorporating these properties into our S-Cred+ platform.

SCSK will thus be enhancing its lineup of unique, cross-industry services, such as those for the manufacturing, distribution, and financial industries shown on this slide.

6. FY2022 Priority Initiatives 3



Strategic enhancement of specific areas

Positioning ERP Business and Global Business as Company-wide Strategies Cross-Divisional Sectors

ERP Business

- Respond to digital data and business infrastructure building needs required to promote customer DX
- Important technological element as **DX Enabler**
- Efforts for SAP Business Technology Platform (SAP BTP)
- Further expansion of **ProActive C4** sales channels by group companies

Global Business

- Restructuring business targeting the global market, centered on IT services (SAP etc.), which are rated as global standards
- Commercialize Digitalization and DX results in Japan, the U.S. and Europe in **Emerging Markets**
- **Capital alliances and collaboration** partners with overseas vendors

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The next priority initiative we will look at is the strategic enhancement of specific areas.

There has been a sharp decrease in the number of large-scale projects that entail developing core or other systems from scratch. It would thus not be a mistake to say that, today, the vast majority of projects of scales larger than ¥1.0 billion are for SAP or other enterprise resource planning (ERP) systems.

Projects in the ERP field usually boast high profitability, and rarely end up being unprofitable. We have therefore positioned operations in this field as a strategic business, and we are accelerating human resources development, utilizing our new SAP Business Technology Platform, and building frameworks that can accommodate large-scale projects accordingly. We will also reassess the position of our proprietary ProActive ERP solutions within the businesses of the SCSK Group and revise our sales systems with an emphasis on coordination with SCSK Minori Solutions Corporation. The goal of these undertakings will be stimulating rapid business growth. Possessing a proprietary ERP package is a strength, and I intend to fully capitalize on this strength.

At the same time, we have been supporting Sumitomo Corporation through our global business for several years. This relationship also represents a strength for us to take advantage of. Another area of strength is our capital alliances and collaborative partnerships with overseas vendors. This strength is being utilized to commence sales of SCSK intellectual properties in Southeast Asia and North America through overseas IT vendors.

SCSK is also teaming with Sumitomo Corporation to develop digital transformation businesses. Our respective strengths are being employed to advance commercialization initiatives in this endeavor.

For example, Sumitomo Corporation's strong presence in Southeast Asia is an asset that will be leveraged as we develop a unique global business that is founded on SCSK's technical digital transformation insight.

Strengthen profitability by reforming business portfolio

Aiming for an operating profit margin of over 15% in the medium term

Essential elements for achieving

- **Shifting business to DX Enabler**
- **Accelerating conversion to cloud service integrators**
Link data center services and PaaS solutions, combine them with our proprietary intellectual property-based IT services, and combine them with the services of cloud vendors
- **Achieving high profitability** by downsizing and exiting unprofitable businesses and reallocating resources
- **Review our portfolio of businesses**
SCSK Minori Solutions Corporation to cultivate the medium-sized enterprise market
- Pursue alliances, capital and business alliances, **M&A** etc.

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We are also working to strengthen profitability by reforming our business portfolio with the goal of achieving an operating profit margin of over 15% in the medium term.

SCSK has carved out a leading position in the industry in terms of its profit margin, but we cannot deny that our lead with this regard has been shrinking as our rivals continue to heighten their own profitability. Accordingly, there is a need for us to pursue new heights of profitability.

It is for this reason that we have put forth the medium-term target of an operating profit margin of over 15%.

Accomplishing this target will require us to evolve into a digital transformation enabler and transition a cloud service integrator founded on the S-Cred⁺ platform.

I was in charge of a business serving industrial customers as recently as two years ago. In this capacity, I was able to raise the operating profit margin of this business to nearly 15%. Moreover, this was at a time when we were still not sufficiently taking advantage of SCSK's intellectual properties.

Accordingly, I believe that the target of a Companywide operating profit margin of 15% is entirely obtainable if we can achieve a massive boost in profitability by transitioning to a cloud service integrator and capitalizing on our intellectual properties.

7. Management Approach

"Value-Driven Management ↔ Well-Being Management"

Beyond
"Health and Productivity
Management" to
"Well-Being Management"

- Pursuing Well-Being
- Autonomous Growth of Human Resources
(Capacity development/ Exercise of ability)
- Strengthen our raison d'être and achieve sustainable corporate growth

"Value-Driven
Management"

- The meanings of "Value-Driven Management"
 - ▶ Understanding our corporate philosophy and business vision
 - ▶ Respect, sympathy and resonance of diverse individuals
- Realizing Co-Creation
(Creating large and new social value that individuals and companies can't achieve)

In the two years prior to my becoming president, I found myself in a position overseeing human resources.

I feel confident saying that SCSK is an industry leader when it comes to workstyle reforms and health and productivity management.

However, our peers have also recently been making progress with this regard, and I am well aware of the fact that SCSK must decide how it wants to take the next step if it is to continue to be a leader in this field.

When I was positioned in our human resource division, I defined our purpose as acting as the vanguards for well-being management at the Company based on the belief that we should emphasize workplace motivation going forward.

Motivation arises from the process of employees proposing, through our business activities, answers to the questions of what the SCSK Group should provide to society and how it should make social contributions.

If we can become an organization where it is easy to find such answers, I have no doubt that employees will come to feel greater levels of motivation and fulfillment toward their work. This process will, in turn, help us form a better relationship with society and contribute to increased happiness.

This is the essence of well-being management.

Promoting a sense of value-driven management is a practice that will help us in pursuing well-being management.

We must foster a sense of mutual understanding among all employees with regard to our corporate philosophy, material issues, and business vision.

Without such mutual understanding, co-creation is impossible.

Conversely, if we can build mutual understanding among employees and encourage a united approach toward improving corporate value through our management, this approach will no doubt contribute to well-being.

This is the policy on which I hope to base my management.

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