

SCSK Corporation IR Meeting with President Q&A Session Summary

Date : June 7, 2022 10:00-11:00AM / 3:30-4:30PM

Speaker : Takaaki Touma, President and Chief Operating Officer

□Future Growth of SCSK

Q. Has SCSK defined any quantitative targets for its priority initiatives for the fiscal year ending March 31, 2023?

A. The ultimate goal of our initiatives is to improve corporate value. This, of course, means that we need to practice management with clear performance targets in sight. SCSK currently ranks between the 220th and the 200th largest companies in terms of market capitalization in Japan. Accordingly, our first goal will be to become the 150th largest company. When we translate this goal to the necessary level of operating profit, we end up with a target of net sales of ¥1 trillion, which is anticipated to make for a market capitalization of more than ¥1 trillion. To accomplish this goal, we will take a back casting approach toward our business portfolio. The vision for our portfolio created by this approach will be made clear in the next medium-term management plan.

Q. Aside for M&A activities, are there any other areas where progress was not as projected by the medium-term management plan over the past two years? Are efforts of Commercialization of DX on schedule, or have delays been seen with this regard?

A. We had initially projected that our efforts of Commercialization of DX would not be generating any significant earnings during the period of the medium-term management plan. Accordingly, it is not as though progress in this area is behind schedule, but rather that we failed to properly illustrate the assumptions that had been incorporated into our business plans. In the fiscal year ending March 31, 2023, we will develop concrete business plans while making investment decisions that include predefined exit conditions. Candidates for the fifth and sixth investment themes have emerged, and, while we may experience some initial hardships with regard to these initiatives, we remain committed to the Commercialization of DX from a forward-looking perspective.

Q. It seems as though SCSK is still a prisoner of its past legacy. What steps can management take to transform the corporate culture into one that is more conducive

to new solutions being produced from the lower ranks of the Company?

A. SCSK is a company that has always been devoted to quality. However, this has led to a chronic fear of failure, making a focus on avoiding issues an entrenched part of our culture. In the era of digital transformation, it will be imperative to foster a corporate culture that encourages employees to tackle new challenges without fear of failure. Changing our corporate culture entails changing how we perceive things, and this is something that cannot be done overnight. We therefore view this as a goal to be worked toward with an eye to 2030. We also anticipate that there may, in cases, be a need to alter the very structure of the organization in order to recruit diverse and talented human resources and enable swift and bold decision-making. For this reason, the possibilities of spinning businesses off into separate companies or establishing joint ventures with Group or other companies will be examined as appropriate.

Q. With regard to what type of services does SCSK boast a competitive edge over its competitors?

A. SCSK employs a number of specialists when it comes to core securities systems for the financial industry. We have thus been receiving an increasing volume of orders from online securities companies. For this reason, we look to cement our business frameworks, which include core partners, in order to advertise the fact that SCSK has strengths putting it on the same level as industry leaders.

As for the industrial field, we possess strength in that we are the only company offering integrated systems that encompass everything spanning from upstream product lifecycle management and analysis software to the associated production management apparatuses.

Moreover, SCSK is the only company of its size to possess its own brand of enterprise resource planning (ERP) solutions, namely ProActive. When it comes to products, there is no real difference in functionality between our products and rival offerings. We have, however, been lacking in terms of marketing and sales capabilities. SCSK therefore looks to increase the recognition of its ProActive solutions. I also feel that we are poised to grow this business beyond the boundaries of the respective business division and to thereby build a team that can compete with market share leaders through means such as bold shifts of resources.

Q. What types of investments will be conducted going forward?

A. Recently, we have seen a move to utilize ERP solutions as part of efforts to monetize large customer systems. SCSK, with its strengths in regard to ERP, is in a prime position to take advantage of this trend. We will thus be looking to reinforce our ERP operations through business alliances and M&A activities. As for the

Commercialization of DX, we cannot, for example, create the regional healthcare coordination services we look to develop in the healthcare field with our existing Dr2GO and MR2GO services alone. To compensate for our deficiencies in this field, we aim to coordinate with companies that are promising, despite potentially being small, and that demonstrate substantial strength in areas such as digital medical records or healthcare institution frameworks. We also recognize that we will need to conduct M&A activities and other investments over the long term, and we will therefore take a proactive approach toward such investments.

□New Leadership at SCSK

Q. What are SCSK's policies for recruiting and developing human resources? Also, what are your thoughts with regard to the rising wages being offered by foreign companies in the labor market?

A. On a consolidated basis, the SCSK Group hires more than 400 new graduates a year, and this level of recruitment is expected to continue for the foreseeable future. We also hire around 120 mid-career individuals each year, but we have received reports from the front lines indicating that we may need to secure a greater number of such individuals going forward. However, large increases to our staff size carry risks. Accordingly, we will be looking to develop our business through co-creation while working together with Group companies and core partners.

New human resource systems have been introduced over the past two years, leading to a rise in the wages of mid-level employees. We have also long had systems in place for recognizing specialized skills, which have enabled us to track employee skills.

Looking ahead, we look to identify the types of human resources we need for our businesses based on the business portfolio described in the new medium-term management plan. It will be important to complement this with human resource systems that allow employees to develop the skills we deem necessary. Moreover, we also must consider the possibility of further reforming our human resource systems to help us recruit human resources with specialized skills and retain talented employees.

The labor market is not only being impacted by the rise in wages offered by foreign companies; we are also feeling the effects of the trend of companies looking for internal options for their IT needs. This is creating issues with regard to recruitment and retention, but these issues are also affecting our peers. In light of this situation, SCSK will not hesitate to dedicate the necessary funds to continue investing in and

developing human resources. This approach will result in increased costs, which will make it important to boost the market value of our services in tandem with this rise in personnel expenses.

Q. President Takaaki Touma, you are the third president since SCSK's inception. The prior two presidents proceeded to grow SCSK after the merger. What direction do you want to take SCSK?

A. I have served on the front lines since joining SCSK, with the exception of the two years prior to my taking up the mantle of president, when I was in a position overseeing human resources. This experience has given me a keen awareness of SCSK's dedication to working together with customers, something that definitely represents a strength. Developing projects together with customers places various limitations on us. Nevertheless, it is important to always remember the fundamental purpose and essence of the project at hand and to set clear priorities so that the project can be advanced with a shared sense of understanding among all stakeholders. The ability to do this is one of the core elements of being a project manager. Moreover, success with this regard helps build trust with the customer and can become the reason that we are gifted with the next opportunity for co-creation. I believe that people grow through such experiences, and I therefore want as many of our employees as possible to be given the opportunity to gain experience on the front lines.

One of SCSK's strengths is our full lineup of development, operation, business process outsourcing, and verification services. This has also been a source of praise from customers. My duty is thus to build upon this already strong lineup while also helping the Company branch out into fields and services that are peripheral to existing operations. I therefore hope to manage SCSK in a manner that will allow us to create and grow new, competitive services, even as we continue to capitalize on the strength of our established existing offerings, and to thereby promote the Commercialization of DX.

Q. From your viewpoint as president, does SCSK still retain some of the culture or characteristics of its pre-merger predecessors?

A. More than a decade has passed since the merger, and the number of employees that joined after the merger has been steadily increasing. The managers from the time of the merger have also been progressively replaced with newer employees. As a result, I would say that the culture and characteristics of our predecessors has been almost completely overwritten. However, one area in which the prior culture has yet to be disseminated throughout the Group is the IT Platform Solutions segment. Employees

in this segment primarily conduct the sale of products, a task at which they excel. They are also masterful at digital marketing and at the cultivation of markets. It is my hope to utilize such employees more widely throughout the SCSK Group in order to facilitate Groupwide synergies.

□Relationship with Sumitomo Corporation

Q. What type of distance is maintained between Sumitomo Corporation and SCSK?

A. I feel that, in the past, it was relatively rare for us to have opportunities to take direct advantage of our relationship with Sumitomo Corporation in our business activities. However, I believe that this relationship is changing. Sumitomo Corporation has mentioned on various occasions that SCSK, which functions as the core of its IT and digital transformation businesses, should be viewed as a partner in creating new businesses. For SCSK, we will likely be unable to succeed on the global business stage if we do not exercise leadership in reorganizing and utilizing the networks, sales channels, and industry frameworks of Sumitomo Corporation in order to transform these strengths into our own. These strengths will be all the more important if we seek to advance self-driven initiatives for Commercialization of DX. I therefore believe that we are currently standing at a new starting line for our relationship with Sumitomo Corporation.

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