

IR Meeting about Business Integration with Net One Systems, Co., Ltd.

Q&A Session Summary

Date: September 19, 2025 4:00-5:00 PM

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President & CEO of Net One Systems Co., Ltd.
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Q. What are the factors behind the forecast that the ¥50 billion in sales synergies with Net One Systems Co., Ltd. will grow exponentially as time progress? Also, why are the levels of profitability of business synergy initiatives expected to surpass the Company-wide average and how feasible will it be to achieve these levels?

A. We have begun pursuing sales synergies in the security field through cross-selling targeting those portions of our respective customer bases that do not overlap, or, in other words, those customers that are served by either Net One Systems or SCSK but not the other. When approaching such customers, we will not merely seek to sell standalone products. Rather, we will look to achieve a larger scale of projects by combining multiple solutions and managed services. At the same time, we will target substantial organic growth rates in both companies' existing security operations. These efforts are projected to result in net sales of around ¥120 billion in the fiscal year ending March 31, [2030 / 2031]. Including the additional ¥40 billion in sales to be generated through security business synergies, as indicated in the presentation materials, we expect to be able to grow our security operations to the point that they produce sales of more than ¥160 billion.

The business integration with Net One Systems is anticipated to enable us to provide higher-value-added proposals to customers and thereby bolster profit margins. For example, in the security field we should be able to supply services integrating everything from networks to applications, making it possible to offer comprehensive proposals that entail subcontracting the entirety of customers' IT management processes. This will allow us to present proposals that start with upstream processes and thus have prices that reflect the additional value provided via comprehensive services. The result should be higher profit margins. This is especially true when it comes to intellectual property businesses, such as consulting, security analysis, and sophisticated AI-powered managed services, which are areas associated with the ¥40.0 billion in net sales to be generated through security business synergies. We anticipate high margins with regard to these areas. Accordingly, the Company projects an operating margin of around 20% for the total ¥50.0 billion in sales to be produced through all business synergies.

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Q. Do the quantitative targets announced today include cross-selling to municipal government agencies, an area of strength for Net One Systems?

A. The quantitative targets we announced today do not incorporate synergies in businesses catering municipal government agencies to any significant degree. However, we do recognize that this is an area with massive potential. We therefore intend to advance aggressive initiatives for building a strong position in the market for serving municipal government agencies. SCSK has yet to explore the markets associated with municipal government agencies and other public-sector constituents. We are thus currently at the stage where we are examining how best to combine systems integration and network integration services to approach constituents of these markets, including municipal government agencies and educational institutions.

Q. I feel that the Company's targets related to cross-selling are actually a bit low in comparison to the potential sales that could be generated through this approach. Are these low targets a result of constraints associated with staff or sales activities?

A. Our cross-selling targets may seem a bit low when compared to expectations. However, this is because our business is currently highly dependent on people. Going forward, we look to develop software and services and utilize AI to create business models that are less dependent on people with the aim of increasing the number of projects that can be handled by each employee. We are in the process of developing organizations and services as part of post-merger integration. By succeeding with this respect, we hope to generate results that surpass our announced targets.

Q. Achieving an additional ¥50.0 billion on top of the net sales of ¥200 billion already associated with the strategic accounts to be the targets of synergies seems to imply that transaction volumes for these accounts will increase by 25%. Does this projection assume that these customers will migrate from other IT vendors to SCSK?

A. The 70 strategic accounts will not be the only customers with regard to which we will target business synergies. In generating synergies in relation to the strategic accounts, our focus will indeed be encouraging customers using other vendors to migrate to SCSK. We have been approaching major customers of both companies with integrated solutions combining Net One Systems' scope products with SCSK's applications layers since April 2025. Customers' anticipation for the value to be provided by such one-stop services have been surpassing even our expectations. Accordingly, we will be formulating action plans for living up to these anticipations going forward.

Q. I understand that SCSK and Net One Systems both already possess an assortment of security-related solutions. Will the companies be developing new solutions as part of the efforts to generate ¥50 billion in sales synergies? If so, am I correct in assuming that these new services will begin contributing to sales during the latter half of the Medium-Term management plan?

A. We plan to launch new services in the near future. We are currently seeing growth in comprehensive security monitoring services in the North American market. Our Palo Alto Networks and Cisco are being adjusted in accordance with our approach as we seek to supply services for monitoring everything, ranging from applications to infrastructure, from the perspective of security. We thereby aim to provide what we refer to as "Digital Resilience." Net One Systems'

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security service team is working with SCSK's team to develop services with the goal of fostering a business based on this concept.

Q. Is there any difference in the levels of ease with which you will be able to generate synergies through cross-selling depending on whether you are trying to sell applications to infrastructure users or vice versa?

A. We had initially anticipated difficulty in proposing applications to infrastructure users. Contrary to these expectations, however, we have received reports from Net One Systems of projects based around the theme of exploring how to utilize applications in cloud infrastructure. There have also been cases in which SCSK has worked together with Net One Systems to approach manufacturing industry customers that already use the services of both companies. In these cases, we have solicited the appeal of the comprehensive capabilities arising from joint efforts between the two companies in terms of revising outsourcing services for the entirety of IT infrastructure-related processes. We have seen such cases evolve into large-scale negotiations regarding outsourcing of all of a customer's infrastructure-related processes.

Q. Why was it decided to delay the integration by one year? Can we still expect sufficient synergies given that plans seem to be behind initial expectations?

A. If we were to undertake the integration in April 2026, it would have required decisions to be finalized by July 2025. Working toward this end, we began preparing to conduct post-merger integration over the period from January to March 2025, and Net One Systems started being operated as a wholly owned subsidiary in April. However, there were a lot of obstacles toward finalizing decisions by July, such as the needs to make a new company name and to acquire an associated internet domain. While examining these factors, we came to the decision that we needed more time to determine the ideal management structure, and thus choose to take a more careful approach toward our plans going forward. The full integration may be taking place a year later than initially intended, but we are moving ahead with those processes where we can. For example, we plan to integrate our distributor businesses a step ahead of the main integration in April 2026. We also look to virtually integrate our account management organizations. Meanwhile, brisk discussions are taking place at all levels of frontline organizations on how we can generate synergies in the future.

Q. Given that the business integration will be delayed by a year, how will this affect the timing of recording one-time integration and other expenses and when these costs will peak? Also, I understand that Net One Systems recently redeveloped its core systems. As systems integration is one of the areas where you are anticipating cost synergies, is there any chance that this company will need to once again redevelop its systems?

A. The integration expenses will be largely concentrated in the fiscal year ending March 31, 2026, and will include consulting and other costs associated with preparations for the integration. We expect that these expenses will be contained within the initially projected amount of ¥1.5 billion for integration expenses. It is possible that the delay in the integration timing might result in additional expenses being incurred in the fiscal year ending March 31, 2027. We are currently in the process of calculating the potential expenses, and we plan to disclose our estimates once they have been finalized.

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In regard to your question about systems integration, our policy for the foreseeable is to develop our business by linking both companies' systems. The expenses associated with this system linkage will be contained within the amount of ¥1.5 billion estimated for integration expenses in the fiscal year ending March 31, 2026. Should these expenses spill over into the next fiscal year, we will disclose the projected amounts of expenses once those projections are finalized. The possibility of a full-fledged overhaul of core systems will be discussed during the process of formulating the next Medium-Term management plan.

Q. How will earnings be impacted by systems integration- and office-related investments? Is it possible that these investments might halve, or even completely counteract, the benefits of the ¥6.0 billion in cost synergies?

A. The investment amounts for systems integration- and office-related investments have been calculated on the basis of cash outflows, and we have yet to make a preliminary calculation that clearly estimates the potential impacts on earnings. The majority of office-related investment amounts will not have an impact on earnings as these amounts will include things like deposits. The amounts for cost synergies were not calculated to account for the systems integration- and office-related investments. Rather, these amounts reflect our examination of the possible synergistic benefits to be generated between the corporate functions of Net One Systems and SCSK. We also anticipate that systems integration-related investments may lead to additional cost synergies.

Q. What level of operating profit does SCSK project in the fiscal year ending March 31, 2031?

A. SCSK is targeting net sales of ¥1 trillion in the fiscal year ending March 31, 2031. As a result of the integration, we believe that achieving this target is entirely feasible given our normal compound annual growth rate. At the moment, we expect that operating profit in the fiscal year ending March 31, 2031 will be between ¥150 billion and ¥170 billion and that EBITDA will amount to more than ¥200 billion. However, these outlooks may change during the process of formulating the five-year Medium-Term management plan currently in the works.

Q. Some companies have disclosed targets for cutting development costs through the utilization of AI, indicating how the use of AI will be a major factor influencing the future of companies in the IT industry. What are the president's thoughts regarding the use of AI in light of the changes in the operating environment to be seen post integration?

A. SCSK plans to introduce AI to pursue higher levels of productivity in development areas of expertise as well as in the upstream processes associated with conditions definition and with enterprise resource planning and other intellectual property. We also intend to utilize AI in relation to business process outsourcing and verification services. In the security field, our emphasis will be on AI governance as we develop new business strategies focused on digital resilience. These strategies will entail the development of standardized security and application programming interface frameworks for addressing the new threat of generative AI. By achieving high levels of productivity in this endeavor, we will seek to improve operating margins.

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Q. What is your short-term outlook for synergies in the fiscal years ending March 31, 2027 and 2028?

A. For the time being, our efforts to achieve synergies will be focused on cross-selling of products and solutions to previously unapproached customers. From a long-term perspective, however, we are moving ahead with a number of research projects aimed at supplying greater levels of value with an eye to [2030 / the fiscal year ending March 31, [2030 / 2031]]. In these projects, we are formulating overarching business visions, such as those for schemes combining the network technologies of Net One Systems with the managed services of both companies in the mobility business of SCSK.

Q. What type of integration expenses are expected to be incurred in the fiscal year ending March 31, 2027?

A. The majority of cash outflows associated with corporate divisions and other areas for integration expenses will be incurred during the fiscal year ending March 31, 2026. Our goal is to complete detailed plans for the overall integration during this fiscal year and then to steadily implement these plans beginning in the fiscal year ending March 31, 2027. Moreover, we will not hesitate to integrate those corporate functions for which there is no need to wait until April 2027, but will rather perform integration beginning in April 2026 where possible.

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