

SCSK Group Medium-Term Management Plan (FY2020–2022)

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President and Chief Operating Officer

April 28, 2020

- 1. Review of Previous Medium-Term Management Plan (FY2015–2019)**
- 2. Vision for the SCSK Group**
- 3. Medium-Term Management Plan (FY2020–2022)**

1 . Review of Previous Medium-Term Management Plan (FY2015–2019)

Review of Previous Medium-Term Management Plan

➤ Realize profitable growth through structural transformations

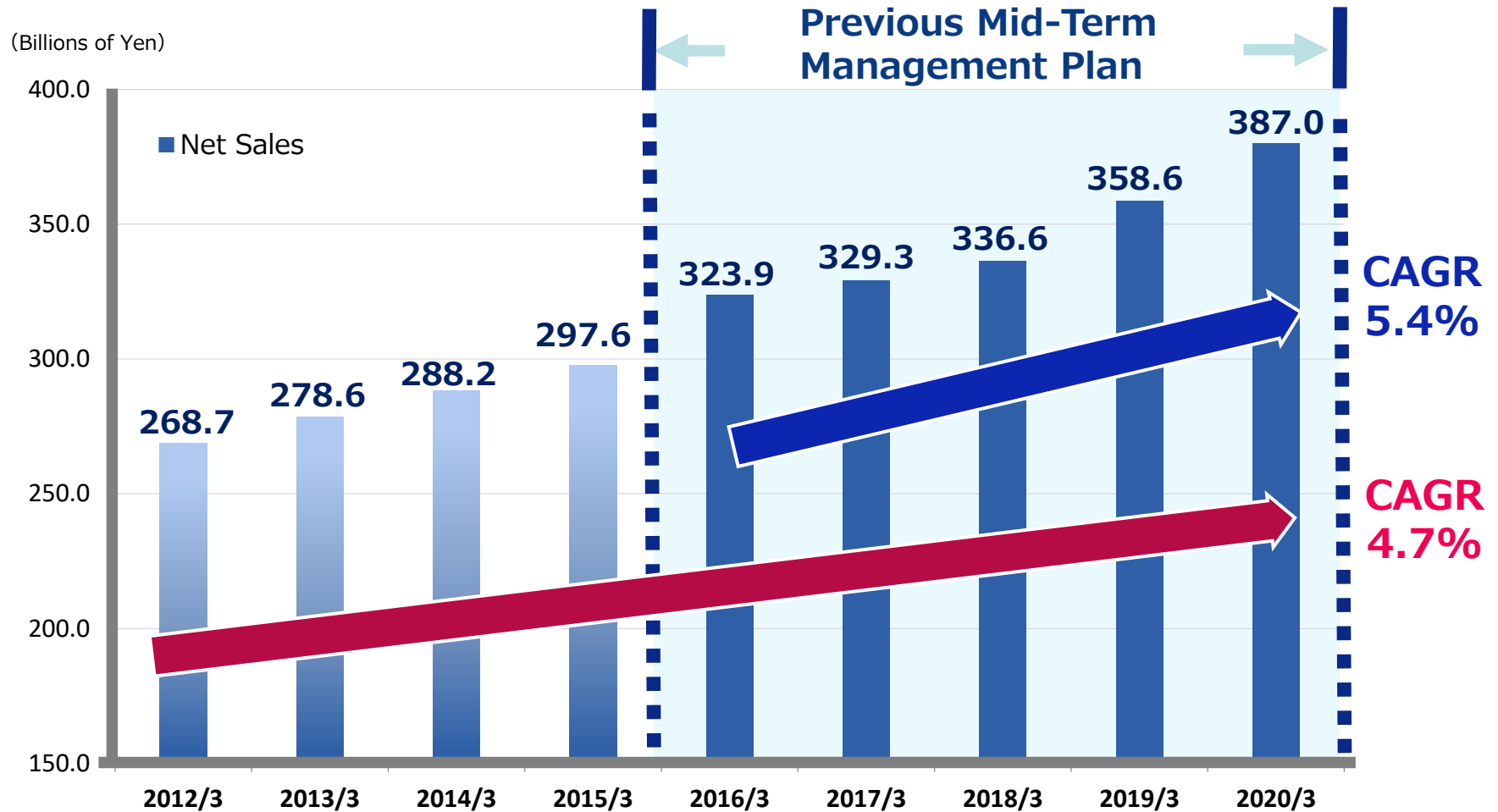
(Non-percentage and “¥” numbers below are in units of billion yen)

	FY2014	FY2019		
	Results	Target	Results	(vs FY2014)
Net sales	297.6 ➡	-	387.0	(+30.0%)
Operating profit	28.0 ➡	50.0 [※]	42.3	(+51.1%)
Operating profit margin	9.4% ➡	10-12%	10.9%	(+ 1.5pt)
ROE	12.4% ➡	15%	15.6%	(+ 3.2pt)
EPS	¥150 ➡	¥320	¥300	(+ ¥150)

※Operating profit target Existing businesses: 40.0-45.0 + Automotive/M&A: 5.0-10.0

Net Sales Trends

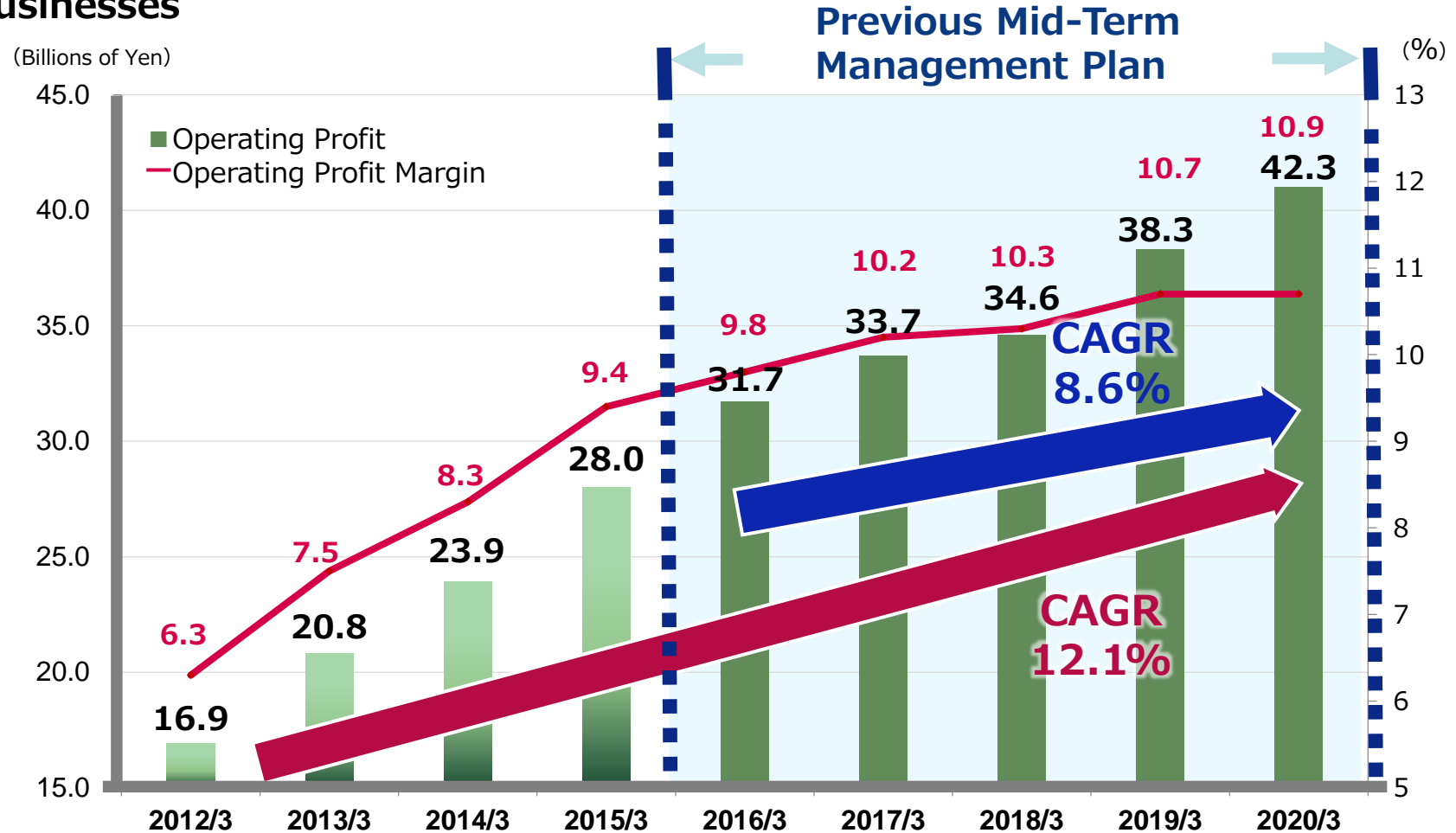
- Since the merger, continued revenue growth, with an average annual growth rate (CAGR) of 4.7%
- CAGR of 5.4% in the previous mid-term management plan period



※ In 2012/3, The figures are based on pro-forma aggregation of CSK figures before the merger.

Operating Profit / Operating Profit Margin Trends

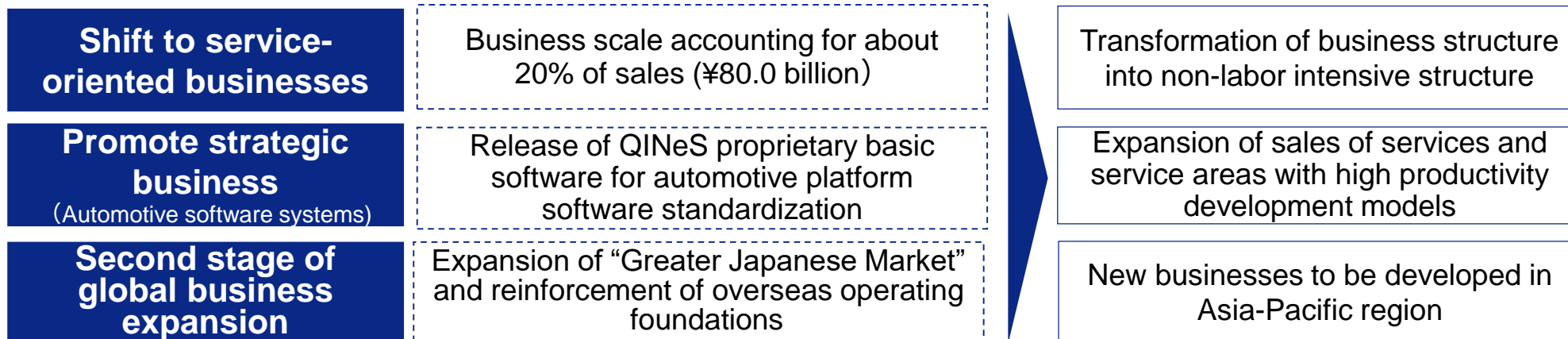
- Since the merger, continued profit growth, with an average annual growth rate (CAGR) of 12.1%
- During the previous mid-term management plan period, CAGR of 8.6% was achieved while changing the business structure and investing in various businesses



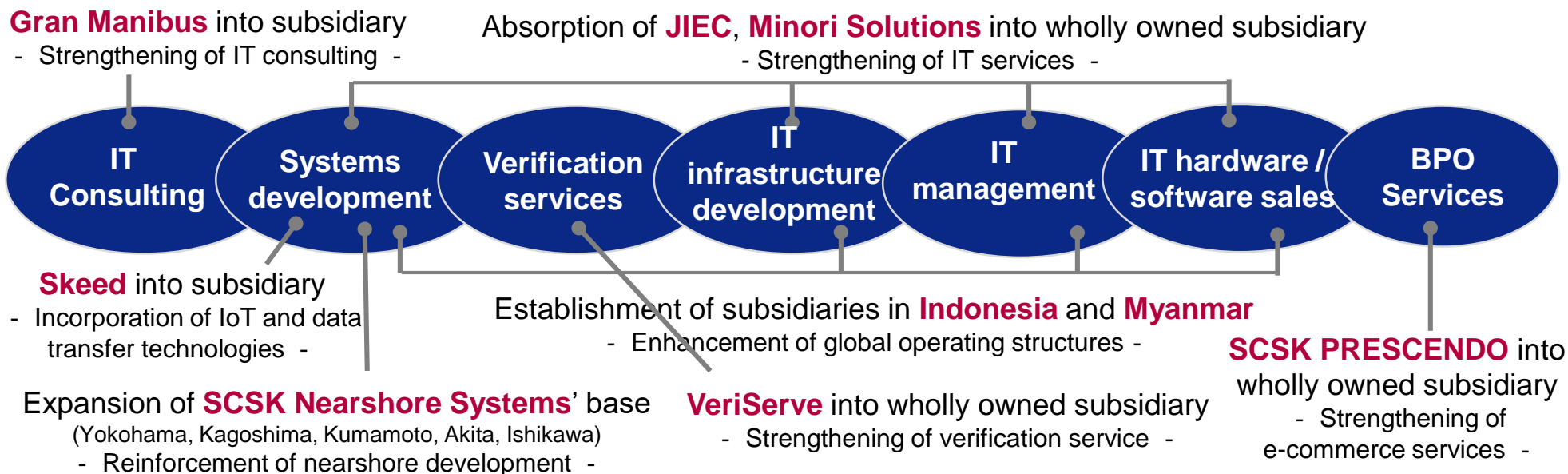
※ In 2012/3, The figures are based on pro-forma aggregation of CSK figures before the merger.

Review of Previous Medium-Term Management Plan

➤ Results of Core Strategies



➤ Reinforcement of Group Structures



■ Initiatives to Strengthen Management Base

1 Seek Operational Quality

- Company-wide application of development process standards “SE+”
- Visualizing project status with “SE+(Navi)”
- Promoting companywide quality improvement activities developed from a third-party perspective, such as Project Management Office (PMO) and quality control divisions
- Reinforcement of client base
- Strengthening of relationships with core partners
 - Holding a core partner conference／Deployment of SE+／Promotion of working style reforms
- Promotion of near shore development※2

2 Improve business Profitability

3 Enhance Operational Efficiency

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

- Smart Work Challenge
 - reducing overtime work/encouraging employees to take paid vacation
- Dokodemo WORK
- Kenko Waku Waku Mileage program
- Promotion of women’s empowerment in the workplace
- Leveraging the skills of seniors

5 Enhance Human Resource Capabilities

- IT skill level assesmnet
- “Kotsukatsu”—Supporting Self-Development
- “Technoco”—a hackathon for cultivating self-led talent in IT

※1 PMO : Project Management Office ※2 near shore development : System development at local offices in Japan

Review of Previous Medium-Term Management Plan

➤ External Recognition

Third consecutive year to win Human Resources Prize (2018–2020)

“Nikkei Smart Work Awards”

in which leading companies in productivity through working style reforms are selected by Nikkei Inc.

Top Prize

“First Platinum Career Award”

Organized by Toyo Keizai Inc. to select companies that promote employee career planning and development



Chairman's Prize (Grand Prize)

“18th Telework Promotion Awards” organized by Japan Telework Association

Top ranking as an “Eruboshi”

certified excellent company based on the Act of Promotion of Women's Participation and Advancement in the Workplace



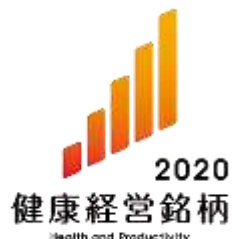
“Diversity Management Selection 100 Prime”

New Diversity Management Selection 100 of Ministry of Economy, Trade and Industry



Included in “Health & Productivity Stock Selection” and “Nadeshiko Brand” for sixth consecutive year (2015–2020)

Selected by Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange



Third consecutive year of inclusion in “FTSE4 Good Index Series” and “FTSE Blossom Japan Index” (2017–2019)

Indexes compiling companies with superior ESG ratings



FTSE4Good



FTSE Blossom
Japan

2. Vision for the SCSK Group

➤ Need for structural change across IT services industry in light of advent of digital society

【Domestic IT Market】

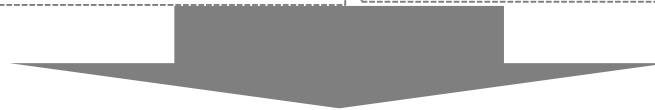
- Return to normal levels of demand despite modest growth trend
- **Fundamental changes** fueled by cutting-edge technologies
- Shift in human resource demand from problem solving-oriented to value creation-oriented personnel
- Transition toward **in-house IT development** as businesses become more intimately linked to IT
- **Intensification of competition to secure IT personnel with our clients and other companies**, etc.

【Client Trend】

- Expanded provision of **integrated, cross-industry services** as digital transformations accelerate
- **Trend toward clients supplying IT services** fueled by in-house digital transformations, etc

【Technologies and Trends】

- Emergence of solutions combining AI, IoT, 5G, sharing, API, etc. as de facto standard, etc.



➤ Need for medium- to long-term strategies for drastically transformation

- Response to rapid **fundamental changes** in IT investment
- Improvement in **value creation capacity** in preparation for IT-driven evolution

Overview of Management Plan

- Promotion of “Sustainability Management” as groupwide growth strategy



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.



Foundation supporting sustainable growth

Implementation of Corporate Philosophy – Material Issues

Material Issues	Concrete Initiative Examples	Related SDGs
Innovating for a Brighter Society	<ul style="list-style-type: none"> ● AI utilization ● Commercialization of DX(Support clients' transformation of business model and business process) ● Realization of more comfortable mobility 	  
Building Trust for a Safe and Secure Society	<ul style="list-style-type: none"> ● Secure and stable operation of social infrastructure ● Cybersecurity ● Platform services (for specified industries, processes, etc.) ● Financial irregularity detection system 	  
Creating an Inclusive Society	<ul style="list-style-type: none"> ● ICT solutions enabling work-style reforms ● Global business support ● Near shore development base deployment (revitalization and HR development in regional areas) 	  
Global Environmental Contributions	<ul style="list-style-type: none"> ● Implementation of environmental action plan ● Environmental impact reduction initiatives ● Development of environmental impact reduction solutions ● Utilization of renewable energy 	 
Diverse Team of Professionals	<ul style="list-style-type: none"> ● Support for ongoing employee skill development and realization of diverse career paths ● Establishment of environments conducive to contributions by diverse human resources 	   
Sustainable Value Chain	<ul style="list-style-type: none"> ● Quality and productivity improvements through coordination with partner companies ● Improvements in project and development process quality ● Dissemination and exercise of sustainability policies 	  
Transparent Governance	<ul style="list-style-type: none"> ● Compliance and respect for human rights ● Appropriate information and risk management ● Reinforcement of corporate governance systems needed for sustainable growth 	

Group of professionals characterized by self-driven personal growth

**Growth
Driver**

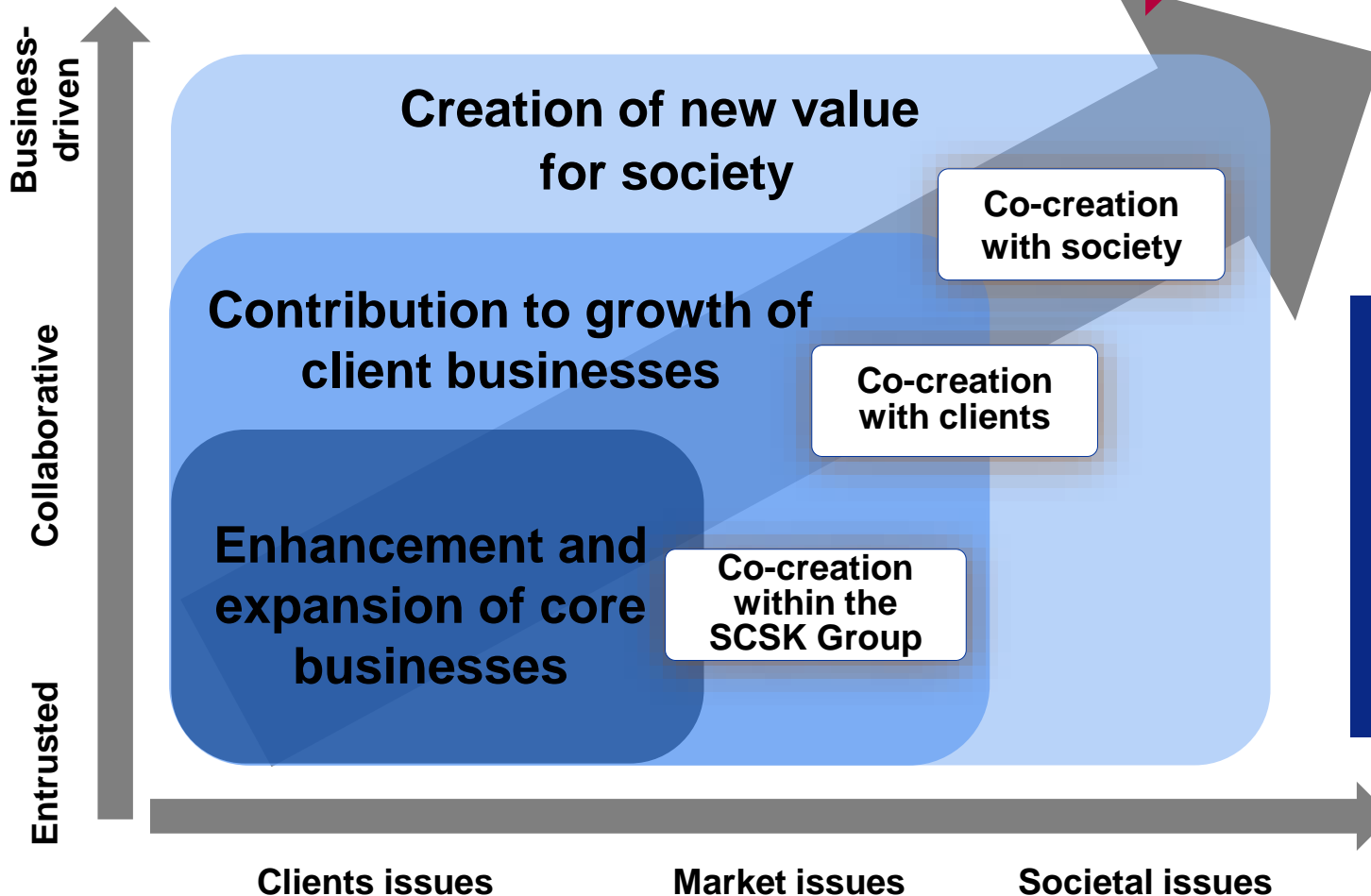
Investment in people (exploitation and exploration
of knowledge and skills)

2030 Co-Creative IT Company

- IT for the next delight -
**Target net sales of
¥1 trillion**

Three Qualities of Societies

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



Clients issues

Market issues

Societal issues

Medium- to Long-Term Business Policy

- Pursuit of Sustainable business Growth

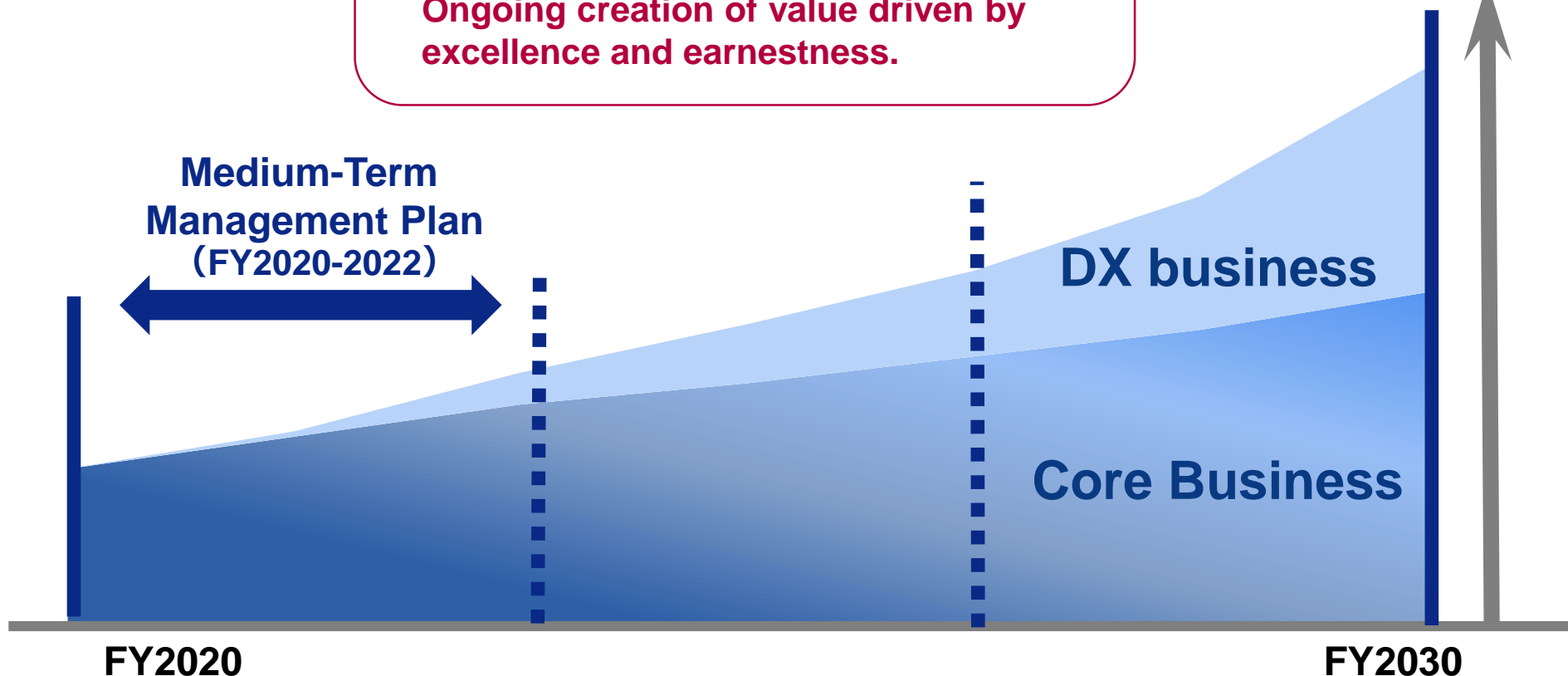
- Expand enhance core business while pursuing growth through new, co-creation-driven businesses (digital transformation businesses)

【Group Stance】

Ongoing creation of value driven by excellence and earnestness.

2030 Co-Creative IT Company

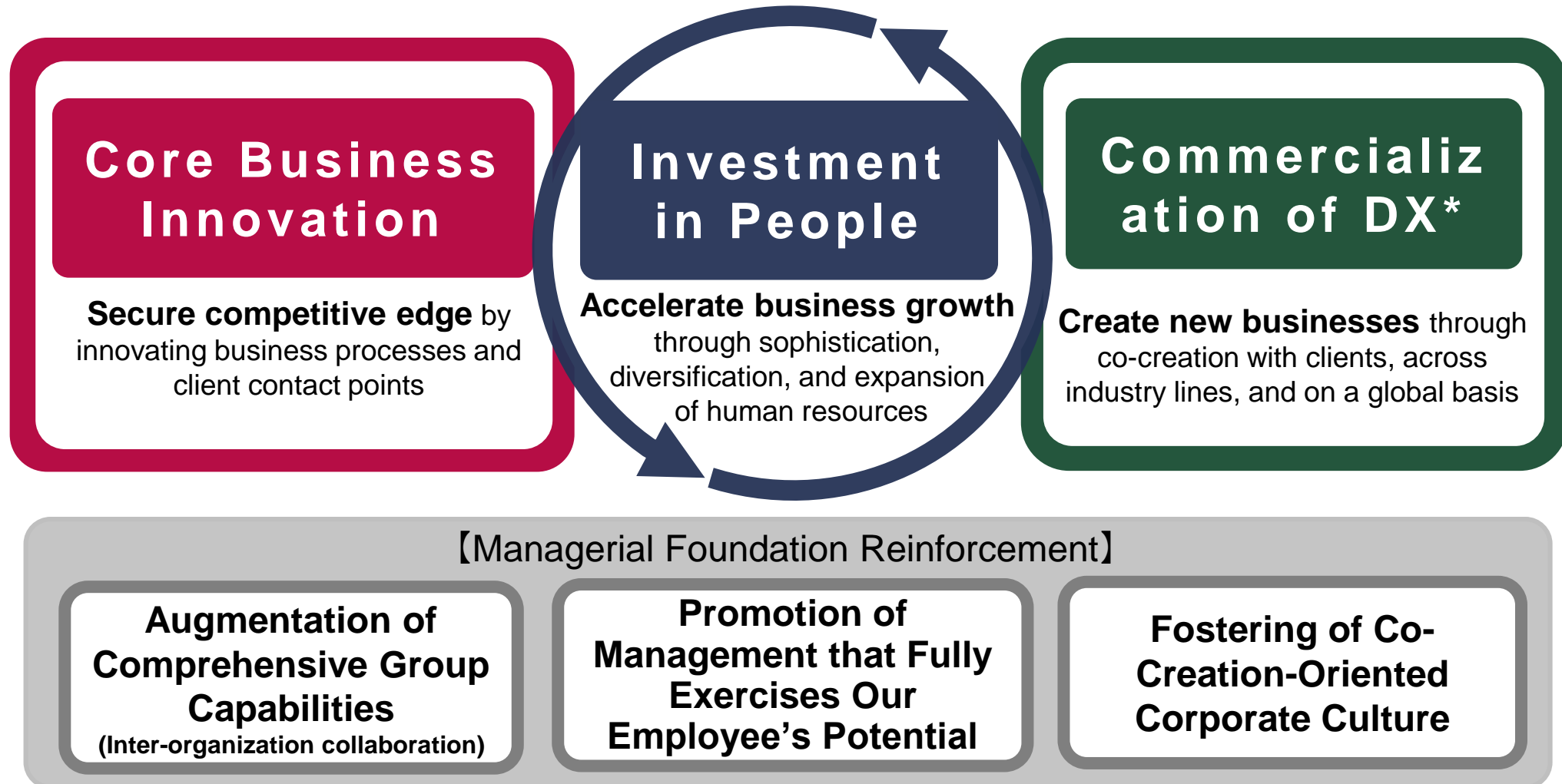
- IT for the next delight -
Target net sales of
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3. Medium-Term Management Plan (FY2020–2022)

Medium-Term Management Plan - Core Strategies

- Expand global operations by advancing three core strategies and managerial foundation reinforcement measures



Core Strategies 1: Core Business Innovation

➤ Secure competitive edge by innovating business processes and client contact points in core business

« System-Related Issues Facing Many Japanese Companies -“2025 Digital Cliff”^{*1} - »

- Legacy system issues (black box nature, obsolescence, expansiveness, and complexity)
- Inability to coordinate and utilize data through individual system optimization
- Lack of engineers at system-using companies, etc.

Core Business Innovation

- **Business processes** : ”***Monozukuri*** innovations^{*2}”
contributing to high productivity
- **Client contact points** : “***Subdivision***^{*3} innovations”
for transitioning toward value co-creation with clients

Development and enhancement of tools underpinning business innovations
(Platforms, methods, standardized processes, tools, nearshore and offshore development systems)

^{*1} METI Releases a Report on Digital Transformation: Overcoming of '2025 Digital Cliff' Involving IT Systems and Full-fledged Development of Efforts for Digital Transformation

^{*2} SCSK's software engineering innovation

^{*3} Subdivision = Bases positioned on client premises on a full-time basis

Core Strategies 1: Core Business Innovation

- *Monozukuri* innovations

- Provide diverse IT services boasting high levels of quality, productivity, and flexibility centered on “*Monozukuri* innovation platform”



- Technology
- Methodology
- Intellectual properties
- Expertise



(Initially released in FY2020)

***Monozukuri* innovation
Platform**

※ **S-Cred+**



IaaS + PaaS

- Low-code no-code development
- Automation of infrastructure building and operation
- Accumulation and utilization of intellectual properties
- Standardization of development, maintenance, and operation

Output

Improvement of quality
through standardization

Massive productivity
increases

Increased responsiveness
to business changes

Diversification of
service models
(service-oriented businesses)

SOE / SOR system
optimization

Core Strategies 1: Core Business Innovation

- Subdivision Innovations

- **Transform subdivisions from full-time IT support organizations to value-co-creating organizations supporting client business and IT strategies**

*Currently, more than 10,000 members (including business partners) are working at subdivisions.

Client Bases

Support client business with deeper understanding of strategies and needs (points for co-creation with clients)

<Positioning / Education>

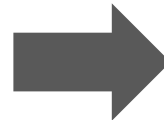
Service managers

- Creation of client value
- Business / IT strategies
- Sourcing strategies, etc

Highly skilled engineers

- Provision of swift and optimal services in response to business changes

Full utilization of tools



Client issue and needs
Information linkage

SCSK

Coordinated approach toward delivering services that utilizes frameworks and intellectual properties

SCSK Bases (HUB)

**Remote
Nearshore
Offshore**

- ❑ Optimization of base functions and human resource positioning
- ❑ Promotion of *Monozukuri* innovations
- ❑ Full utilization of Group intellectual properties

Commercialization of DX

Creation of new value for society through co-creation

- SCSK-driven approach to new business and service development through increased co-creation

DX Support

Provision of client and industry business value-improving services

- Services underpinning proactive IT provided as partner to clients
- Industry-standard platform services for increasing value

DX Foundations

Provision of comprehensive IT system optimization services

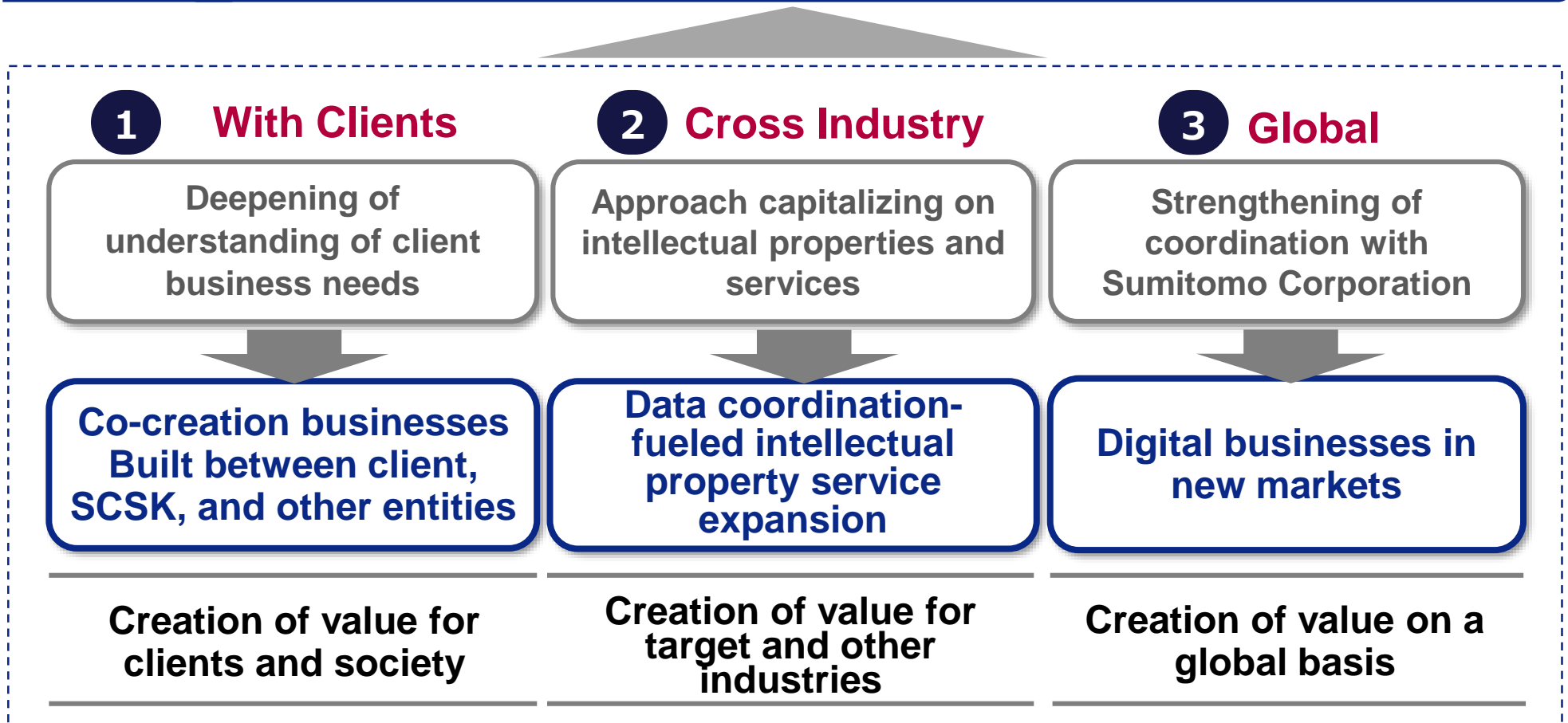
- System modernization and inter-system data coordination
- Development, maintenance, and operation standardization and comprehensive outsourcing

Core Strategies 2: Commercialization of DX

- Three Approaches

**Commercialization
of DX**

**Creation of new value for society through
co-creation**



Core Strategies 2: Commercialization of DX

- Priority Fields

1 Mobility Field

Social Tasks

- Realize sustainable, safe, and secure transportation systems (Modes of transportation for senior citizens and underpopulated areas, alleviation of traffic congestion, etc.)
- Mitigate CO2-associated climate change risks

Co-Creative Approach

Branch out from shared connected platforms to telematics and MaaS fields

Strengths

Automotive equipment track record (embedded development / verification), traffic accident detection track record, etc

Co-Creation

Sumitomo Corporation Group's business foundation base of clients in other industries

2 Financial Service Platform Field

Social Tasks

- Enhance financial systems in response to operating environment changes by digitization
- Develop financial systems that contribute to healthy economic growth in emerging countries

Co-Creative Approach

Provide financial service platforms for specific industries through broad-ranging co-creation

Strengths

Track record in development, operation, and BPO services for all industries, multi-payment technologies, etc.

Co-Creation

Client base, Sumitomo Corporation's overseas operating foundations, partners specializing in specific fields

3 Healthcare Field

Social Tasks

- Address disparities in access to healthcare (respond to lack of physicians, bolster regional healthcare systems)
- Reduce healthcare expenses through appropriate medicine use
- Maintain social security functions by extending healthy lifespans

Co-Creative Approach

Promote data-linkage between individuals and healthcare-related companies healthcare system enhancement and streamlining preventative medicine and healthcare management

Strengths

Track record in wide-ranging healthcare fields

Co-Creation

Healthcare institutions, pharmaceutical industry, pharmaceutical wholesalers, pharmacies, health and life insurance industries

4 Customer Experience Field

Social Tasks

- Develop industries that are responsive to the diversification of values
- Incorporate customer input into products and services with digital technologies and thereby contributing to social prosperity

Co-Creative Approach

Help create greater levels of corporate value by aiding in the development of supply and value chains attuned to customer input

Strengths

Call center, e-commerce, and fulfillment services, etc.

Co-Creation

Base of customers from multiple industries

Core Strategies 2: Commercialization of DX

- Global

- Focus on addressing advanced technologies and business models of North America and Europe and on creating DX businesses centered on Southeast Asia

Step up timely business coordination with Sumitomo Corporation and **create DX businesses** together with local overseas companies

SCSK Europe

SCSK USA

Silicon Valley

Dallas

SCSK Shanghai

SCSK Myanmar

SCSK Asia Pacific

SCSK Global Indonesia

Promote open innovation by approaching overseas venture through CVCs and organizations such as HAX Tokyo and PnP



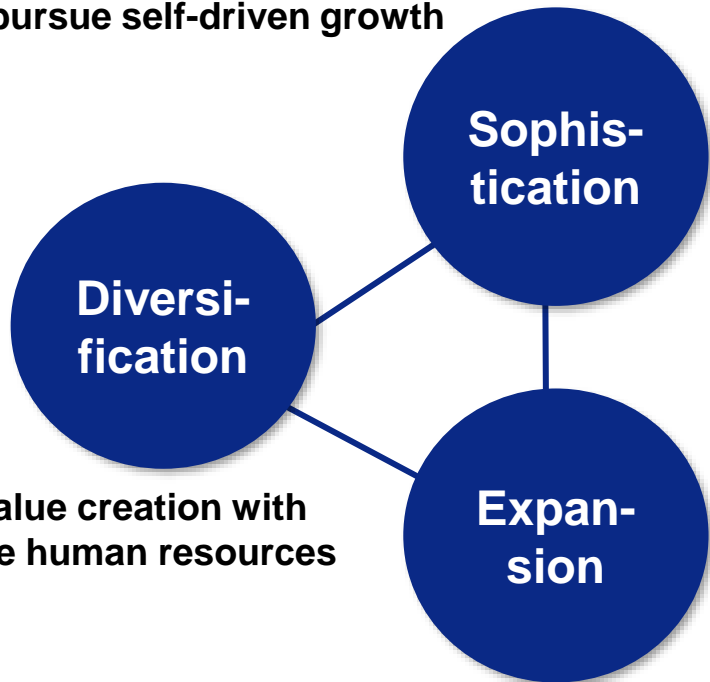
Expand global DX businesses by **stepping up global human resource recruitment and development efforts** and coordinating with strategic overseas partners

Develop financial and cloud businesses through co-creation with prominent local overseas companies **centered on bases in Southeast Asia**

Core Strategies 3: Investment in People

- Position people as our greatest asset and growth driver
- Accelerate business growth by sophistication, diversifying, and expanding human resources

Company that attracts and fosters ambitious human resources propelled to pursue self-driven growth



Fuel value creation with diverse human resources

Bolster global human resource pool supporting ongoing business growth

<Focus of Human Resource Investment>

➤ Reinvention of SCSK's human resource systems

- Compensation matched to employee ability and role
- Recruitment of highly skilled personnel
(Establishment of ADV positions / ¥30 million earners)

➤ Co-creative organization development spurred by diverse human resources

- Promotion of diversity and inclusion to breed innovation

➤ Expanding of worldwide human resources

- Amassment of 1,000 nearshore development staff)
- Redoubling of global human development and recruitment efforts

Core Strategies 3: Investment in People

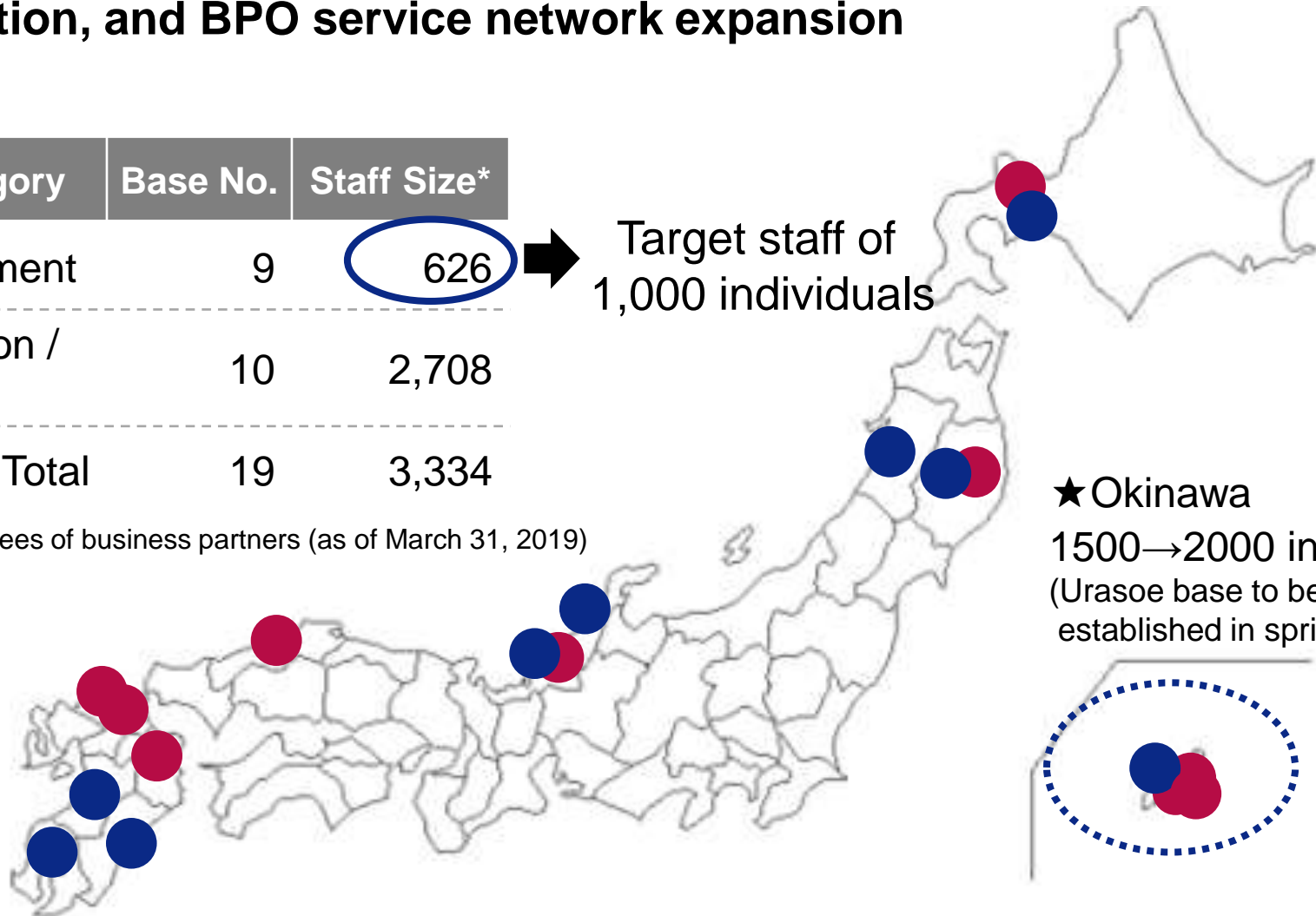
- Expansion of Base Network in Rural Regions

- Invigorate rural economies by creating employment opportunities, promoting relocations, fostering IT staff, etc. via nearshore development, verification, and BPO service network expansion

Base Category	Base No.	Staff Size*
Development	9	626
Verification / BPO	10	2,708
Total	19	3,334

* Includes employees of business partners (as of March 31, 2019)

➡ Target staff of 1,000 individuals



Augmentation of comprehensive Group capabilities (Inter-organization collaboration)

Strength of SCSK Group

- ✓ Diverse service lineup
Consulting, application development, embedded automotive software development, system operation, data centers, system verification, BPO services, product sales, etc.
- ✓ Wide-ranging client base: 8,000 companies (base encompassing all industries)
- ✓ Global network backed by track record

Promotion of Management that Fully Exercises Our Employee's Potential

- Transformation into a company at which employees are empowered to succeed
 - Promote health and productivity management, comfortable workplaces, and motivation
 - Highly engaging organizations
- Diversity and inclusion

Fostering of Co-Creation-Oriented Corporate Culture

- Linking and merging individual strengths in house
- Learning from and utilization of others

➤ Continue proactive investment to fuel future growth

Core Business Innovation: ¥40.0 Billion

(billion yen)

Augmenting MSP* and MONOKAKU platform functions	30.0
Service-oriented business software	10.0

* Managed Service Platform

Commercialization of DX: ¥50.0 Billion

R&D investments for commercialization of DX	50.0
Priority fields (M&As, joint venture establishment, etc.)	
Venture companies worldwide to drive cutting-edge R&D	

Investment in People: ¥10.0 Billion

Enhancement of human resource recruitment and development efforts, improvement of compensation levels	10.0
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Total investments: Approx. ¥100.0 billion

(Non-percentage numbers below are in units of billion yen)

Target (SCSK Group's ambition) FY2030 : Net sales of ¥1 trillion



	FY2019		FY2022
	Results		Target
Net sales	387.0	➔	500.0 or more
Operating profit margin	10.9%	➔	10.0-12.0%
ROE	15.6%	➔	15% or more

■ Capital efficiency index

*** ROIC maintenance target level : 10 – 12 %**
(In the medium-term management plan period)

Operating Environment Changes Created by COVID-19 Pandemic

- Unclear outlook for level of impact of global economic contraction on IT services industry and SCSK's performance
- Substantial changes in values stemming from COVID-19 influences affecting national policy, people's lives and lifestyles, jobs, working styles, etc.
- Operating environment changes projected to result from COVID-19 pandemic to be directly linked to value provision through core strategies of new medium-term management plan
- Promotion of sustainability management by the SCSK Group as it pursues ongoing growth together with society by addressing social issues while accelerating employee health and motivation initiatives



Operating Environment Changes

Fundamental Changes in Working Styles Not Bound by Location or Assembly Methods

Core Business Innovation + Investment in People

- Delivery of IT services founded on safe and secure dispersed use
- Provision of remote work environments and leading-edge initiative examples

Working Styles Envisioned by the SCSK Group
「Remote work available nationwide」

(Transition from in-office work to telework and finally freedom in living location)

Desires for a Safe, Secure, and Sustainable Society

~Health, food, mobility, logistics, clean energy, education, culture, etc.~

Commercialization of DX + Investment in People

- Enhancement and convenience improvement using digital technologies
- Value provision in mobility, financial service platform, healthcare, and customer experience priority fields

■ Earnings forecasts (IFRS)

(Non-percentage numbers below are in units of billion yen)

	FY2019	FY2020
	Reference ※	Forecasts
Net Sales	387.0	380.0
Operating Profit	40.0	41.0
Operating Profit Margin	10.3%	10.8%
Net Profit Attributable to Owners of Parent	28.3	29.0

■ Dividend Forecasts

	FY2019	FY2020
Annual Dividend per Share	JPY130 (Ordinary dividend : 110円/ Commemorative dividend : 20円)	JPY130

※Unaudited reference value considering only major differences between IFRS and J-GAAP.
This may change due to the results of accounting audits.

Create Our Future of Dreams

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

SCSK GROUP

【Japan】

SCSK ServiceWare Corporation
VeriServe Corporation
Minori Solutions Co., Ltd.
SCSK KYUSHU CORPORATION
SCSK HOKKAIDO CORPORATION
SCSK PRESCENDO CORPORATION
Skeed Co., Ltd.
CSI SOLUTIONS Corporation
Allied Engineering Corporation

WinTechnology Corporation
SCSK SYSTEM MANAGEMENT
CORPORATION
VA Linux Systems Japan KK
SDC Corporation
Gran Manibus Co., Ltd.
SCSK Nearshore Systems Corporation
Tokyo Green Systems Corporation

【Overseas】

SCSK USA Inc.
SCSK Europe Ltd.
SCSK Shanghai Limited
SCSK Asia Pacific Pte. Ltd.
PT SCSK Global Indonesia
SCSK Myanmar Ltd.