

# **Consolidated Financial Results for 1st Quarter of Fiscal Year Ending March 2021**

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SCSK Corporation

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# 1st Quarter of Fiscal Year Ending March 2021 (IFRS)

## Summary of Financial Results (PL/Incoming Orders/Backlog)



(Millions of yen)

	FY2019 (Apr. 2019 - jun. 2019)	FY2020 (Apr. 2020 - jun. 2020)	Increase/Decrease	
			Amount	Change
Net Sales	91,331	<b>94,356</b>	3,025	3.3%
Gross Profit	22,061	<b>24,045</b>	1,983	9.0%
Gross Profit Margin	24.2%	<b>25.5%</b>	1.3%	
SG&A Expenses <sup>※</sup>	-13,649	<b>-13,766</b>	-116	0.9%
Operating Profit	8,412	<b>10,279</b>	1,866	22.2%
Operating Profit Margin	9.2%	<b>10.9%</b>	1.7%	
Profit attributable to owners of parent	6,101	<b>7,260</b>	1,159	19.0%
Incoming Orders	87,556	<b>83,738</b>	-3,817	-4.4%
Backlog	133,732	<b>136,523</b>	2,790	2.1%

※Including other income and expenses

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Comparison by Sales Segment (Sales/Incoming Orders/Backlog)



## Systems Development

(Millions of yen)

	FY2019 (Apr. 2019 - jun. 2019)	FY2020 (Apr. 2020 - jun. 2020)	Increase/Decrease	
			Amount	Change
Net Sales	37,352	<b>38,664</b>	1,312	3.5%
Incoming Orders	37,111	<b>38,543</b>	1,431	3.9%
Backlog	34,598	<b>36,244</b>	1,646	4.8%

### **Net Sales :**

Despite transient IFRS adjustments, sales increased due to strategic business investments in the automotive industry, IT-related investments to ensure competitive advantage, and Minori solutions.

### **Incoming Orders / Backlog :**

Increased as a reactionary decline in large-scale projects for the securities industry was offset by demand for large-scale projects for the reconstruction of backbone systems.

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Comparison by Sales Segment (Sales/Incoming Orders/Backlog)



## System Maintenance and Operation / Services (Millions of yen)

	FY2019 (Apr. 2019 - jun. 2019)	FY2020 (Apr. 2020 - jun. 2020)	Increase/Decrease	
			Amount	Change
Net Sales	34,322	<b>36,851</b>	2,529	7.4%
Incoming Orders	30,041	<b>30,071</b>	30	0.1%
Backlog	83,358	<b>86,343</b>	2,984	3.6%

### **Net Sales :**

Higher sales from data center business and BPO services

### **Incoming Orders / Backlog :**

Business process outsourcing (BPO) business offset the decline in the communications and distribution industries, resulting in a year-on-year increase. The order backlog increased due to the accumulation of BPO business and data center business orders in the previous fiscal year.

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Comparison by Sales Segment (Sales/Incoming Orders/Backlog)



## Packaged Software / Hardware Sales

(Millions of yen)

	FY2019 (Apr. 2019 - jun. 2019)	FY2020 (Apr. 2020 - jun. 2020)	Increase/Decrease	
			Amount	Change
Net Sales	19,656	<b>18,840</b>	-815	-4.1%
Incoming Orders	20,403	<b>15,124</b>	-5,278	-25.9%
Backlog	15,775	<b>13,935</b>	-1,840	-11.7%

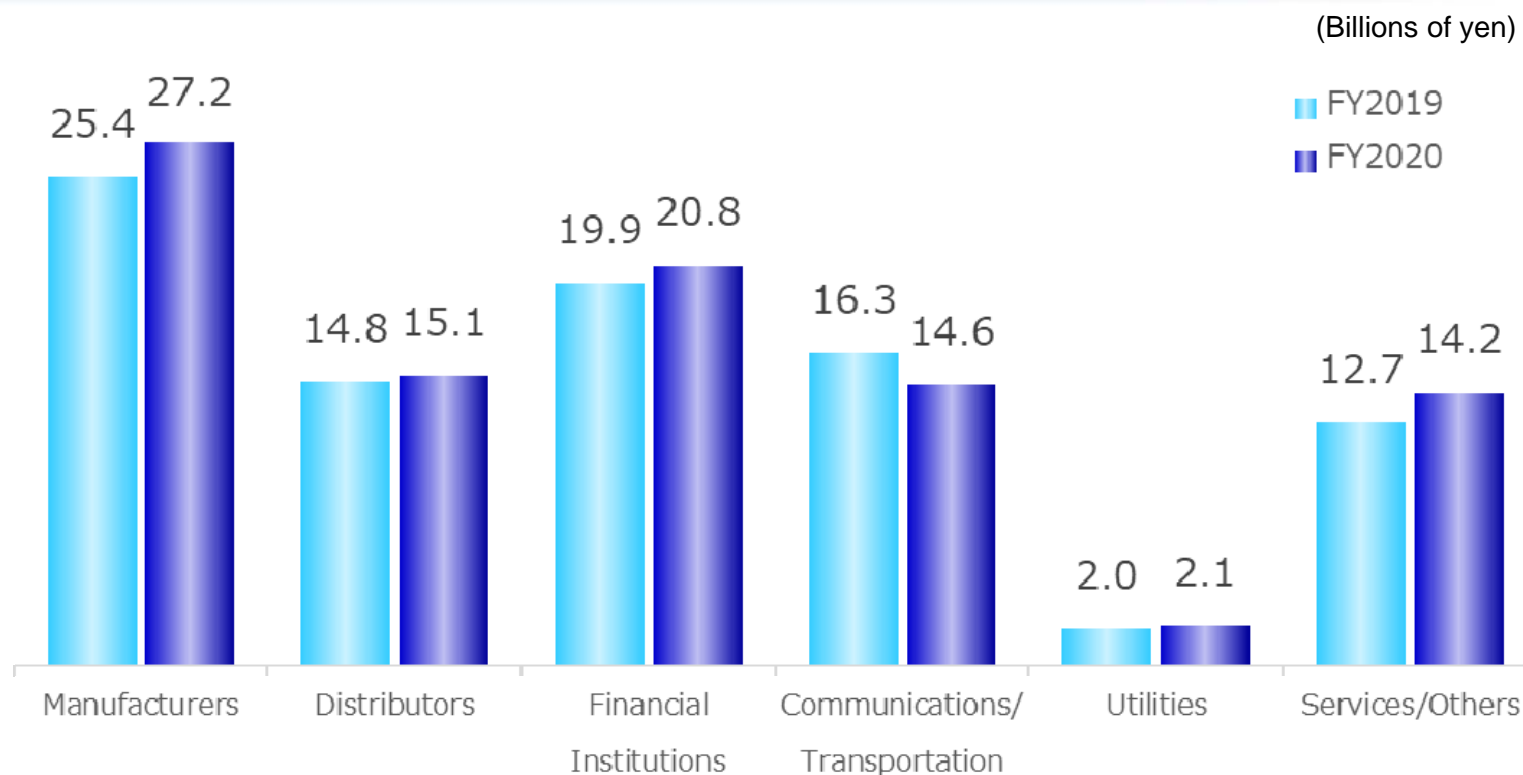
### **Net Sales :**

Although sales of hardware to academic institutions increased, sales of network equipment to the communications industry and sales of large-scale hardware to the manufacturing industry declined.

### **Incoming Orders / Backlog :**

Decrease in sales of network equipment to the communications industry and large-scale hardware to the manufacturing industry

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Sales Comparison by Customer Industry



- In the manufacturing industry, demand for system development and verification services at the time of product development to meet the demand for strategic IT investment for automobile manufacturers, and demand for system upgrades for electrical machinery manufacturers increased.
- In the financial industry, sales of systems upgrade projects for banks, storage sales, and hardware sales to consumer credit and leasing companies increased.
- In the service and other industries, sales of hardware for data center business and academic research increased.

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS)

## Change of Reportable Segment

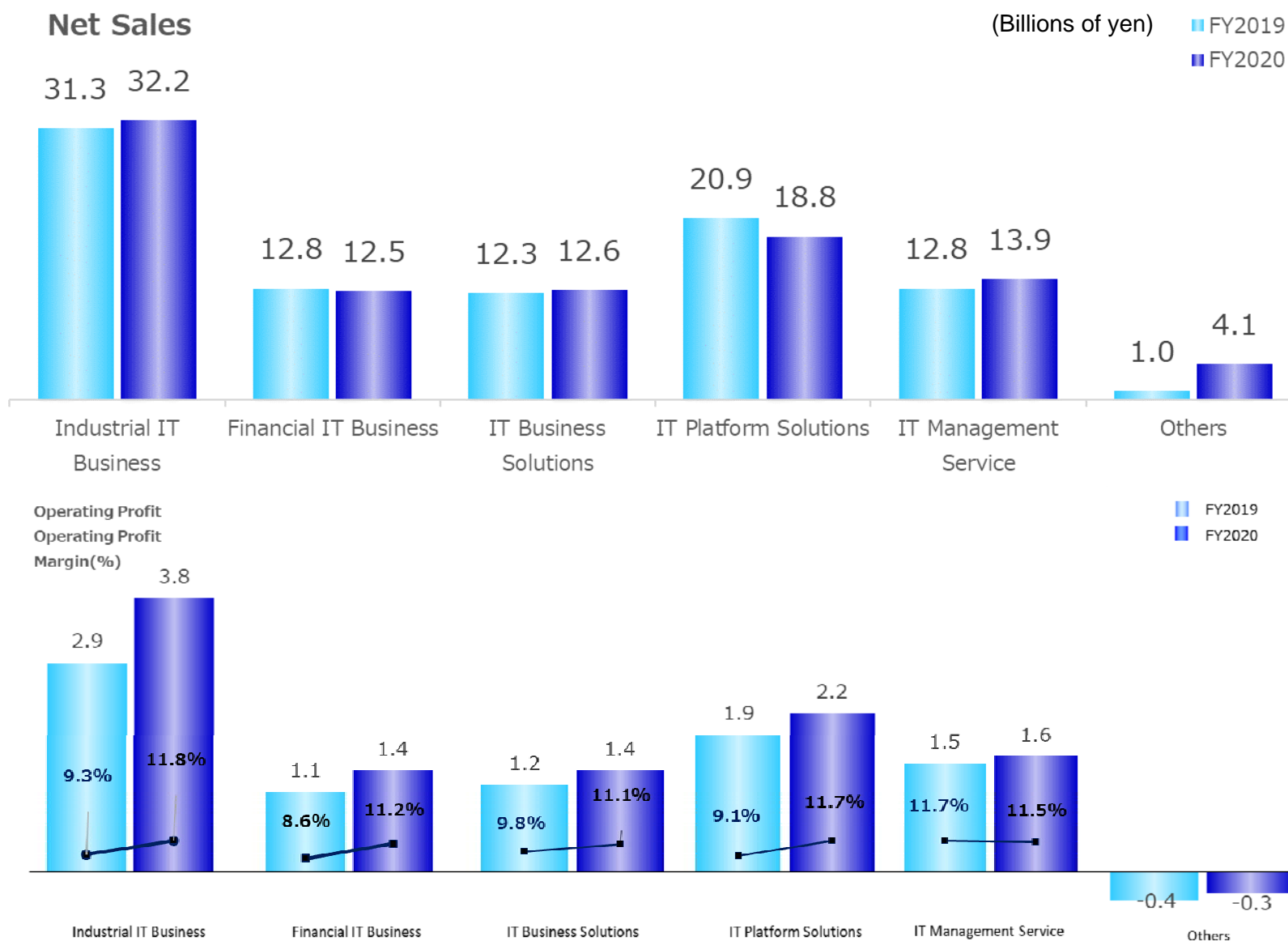
<u>Previous Fiscal Year</u>
Manufacturing & Telecommunication Systems Business
Distribution & Media Systems Business
Financial Systems Business
Global System Solutions & Innovation Business
Business Solutions
Mobility Systems
IT Platform Solutions
IT Management
Others/Adjustments



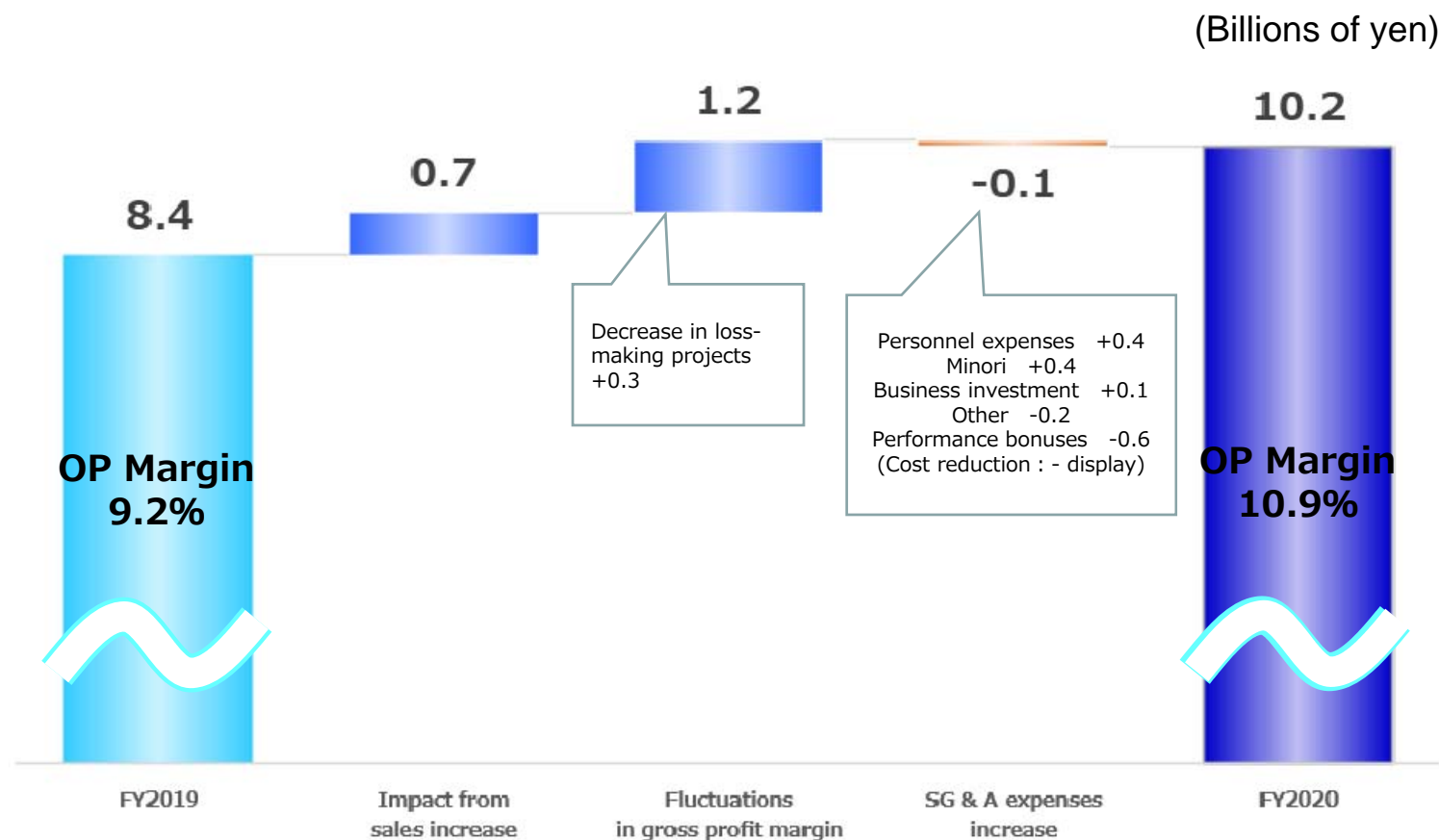
<u>After the Change</u>
Industrial IT Business
Financial IT Business
IT Business Solutions
IT Platform Solutions
IT Management Service
Others



# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Business Performance by Reportable Segment



# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Operating Profit Analysis



- Decrease in loss-making projects approx. ¥0.3 bn plus
- Impact of monthly difference in booking of performance bonuses approx. ¥1.7 bn plus
- Amortization of intangibles associated with Minori Solutions' M&A approx. ¥0.1 bn minus

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS) Quarterly IFRS Recombination of FY2019

(Millions of yen)

J-GAAP	1Q		2Q		3Q		4Q		Full Year	
	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)
Net Sales	90,967	100.0	96,361	100.0	93,393	100.0	106,280	100.0	387,003	100.0
Cross Profit	21,711	23.9	25,150	26.1	24,233	25.9	26,859	25.3	97,954	25.3
SG&A Expenses	13,877	15.3	13,183	13.7	13,154	14.1	15,412	14.5	55,628	14.4
Operating Profit	7,833	8.6	11,966	12.4	11,079	11.9	11,446	10.8	42,326	10.9
Profit attributable to owners of parent	5,542	6.1	8,254	8.6	9,253	9.9	8,151	7.7	31,201	8.1



IFRS <sup>※1</sup>	1Q		2Q		3Q		4Q		Full Year	
	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)	Amount	Composition ratio(%)
Net Sales	91,331	100.0	95,932	100.0	93,650	100.0	104,381	100.0	385,295	100.0
Cross Profit	22,061	24.2	25,237	26.3	24,457	26.1	25,436	24.4	97,192	25.2
SG&A Expenses <sup>※2</sup>	-13,649	14.9	-13,247	13.8	-13,204	14.1	-17,042	16.3	-57,144	14.8
Operating Profit	8,412	9.2	11,989	12.5	11,252	12.0	8,393	8.0	40,048	10.4
Profit attributable to owners of parent	6,101	6.7	8,394	8.7	7,806	8.3	6,462	6.2	28,765	7.5

※1 : From 2Q to 4Q, the figures are unaudited reference values considering only the major differences from the J-GAAP, so they may be changed due to the results of accounting audits.

※2 : Including other income and expenses

# 1st Quarter of Fiscal Year Ending March 2021 (IFRS)

## Impact of COVID-19 Pandemic

### Operating Environment Trends

- Sluggish economic activity due to supply chain disruptions stemming from global COVID-19 pandemic
- Low appetites for investment among companies
- Accelerated trend toward contact-free, non-face-to-face operations exemplified by remote work among customers

### Internal Conditions

- Safety and security of employees prioritized, peak remote working rates of more than 80% for employees stationed at Company sites and 60% of employees stationed on customer premises
- Delays in new investment execution and decisions by certain customers
- Transformation of working style reforms to more flexible and unique forms

### Opportunities / Positive Trends

- Transition to execution phase of investment plans previously affected by execution and decision delays after the cancellation of Japan's state of emergency declaration
- Rises in demand related to entrenchment of remote work and other working styles not bound by location as new norm, particularly strong focus on enhancement of customer contact points
- Provision of IT services through safe and secure dispersed operation (core business innovation) and enhancement and convenience improvement in digital technologies (commercialization of DX)

### Threats / Negative Trends

- Ongoing opaqueness of investment trends amid environment requiring diligence due to factors such as concern for second wave of COVID-19 infections

# Consolidated Financial Forecasts

## No change from initial forecasts

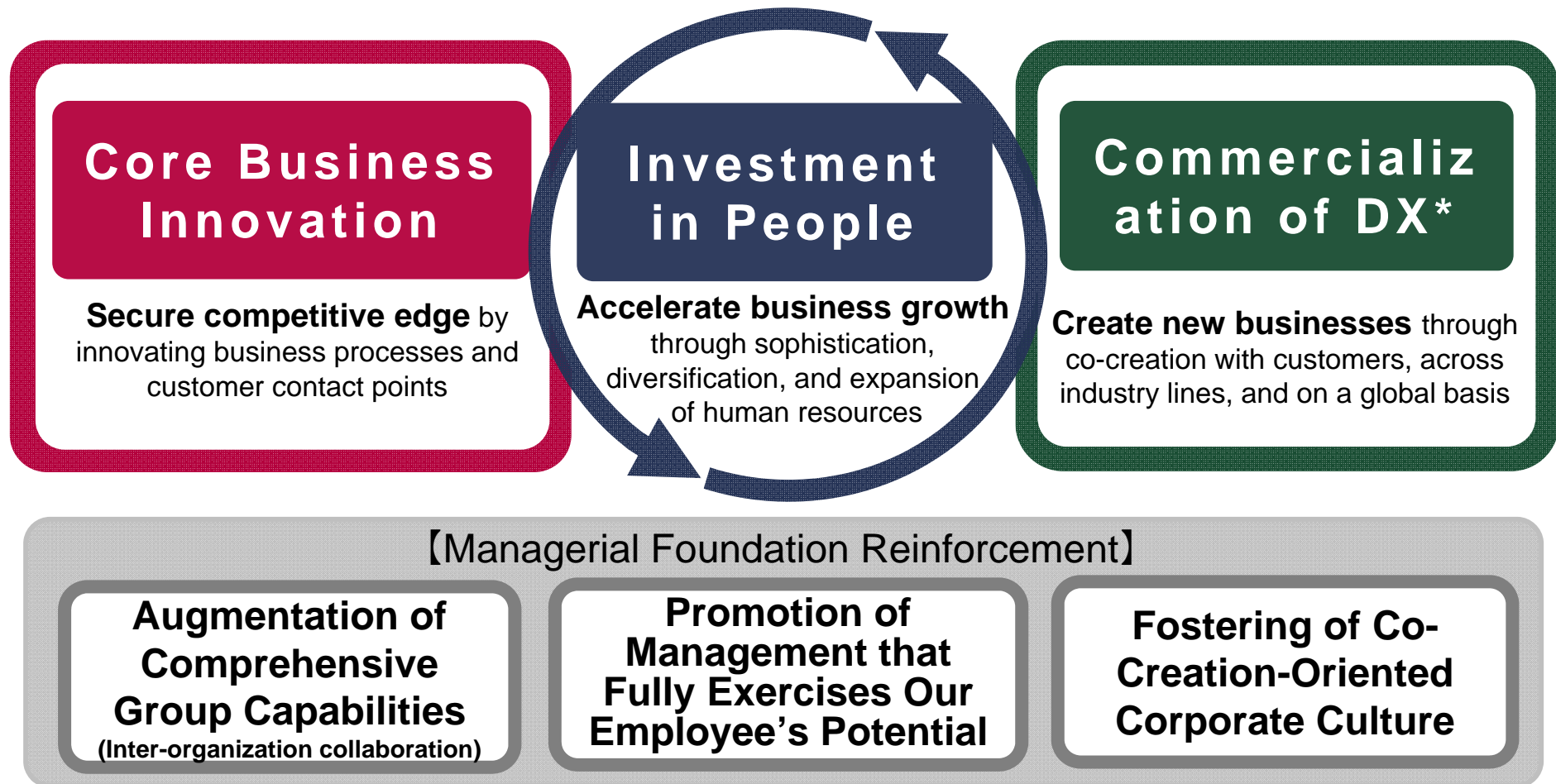
(Millions of yen)

	<b>FY2019 Results</b>	<b>FY2020 Forecasts</b>	<b>Change Amount</b>
Net Sales	385,295	380,000	-5,295
Operating Profit	40,048	41,000	952
Operating Profit Margin	10.4%	10.8%	0.4%
Profit Attributable to Owners of Parent	28,765	29,000	235
Annual Dividend per Share (yen)	Ordinary dividend 110 Commemorative dividend 20	130	—

# Medium-Term Management Plan

## - Core Strategies -

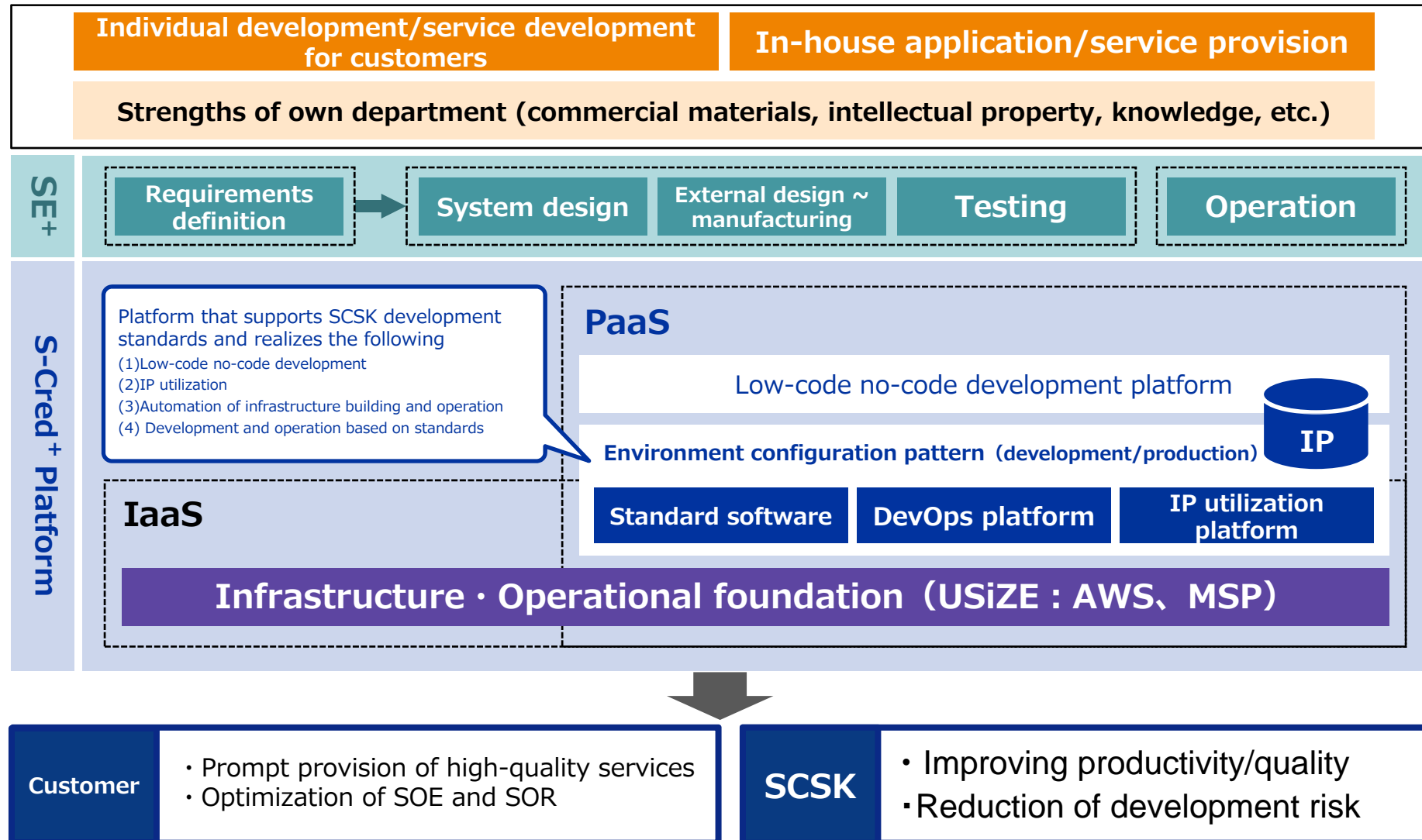
- Expand global operations by advancing three core strategies and managerial foundation reinforcement measures



# Core Strategies 1: Core Business Innovation

## - *Monozukuri* innovations

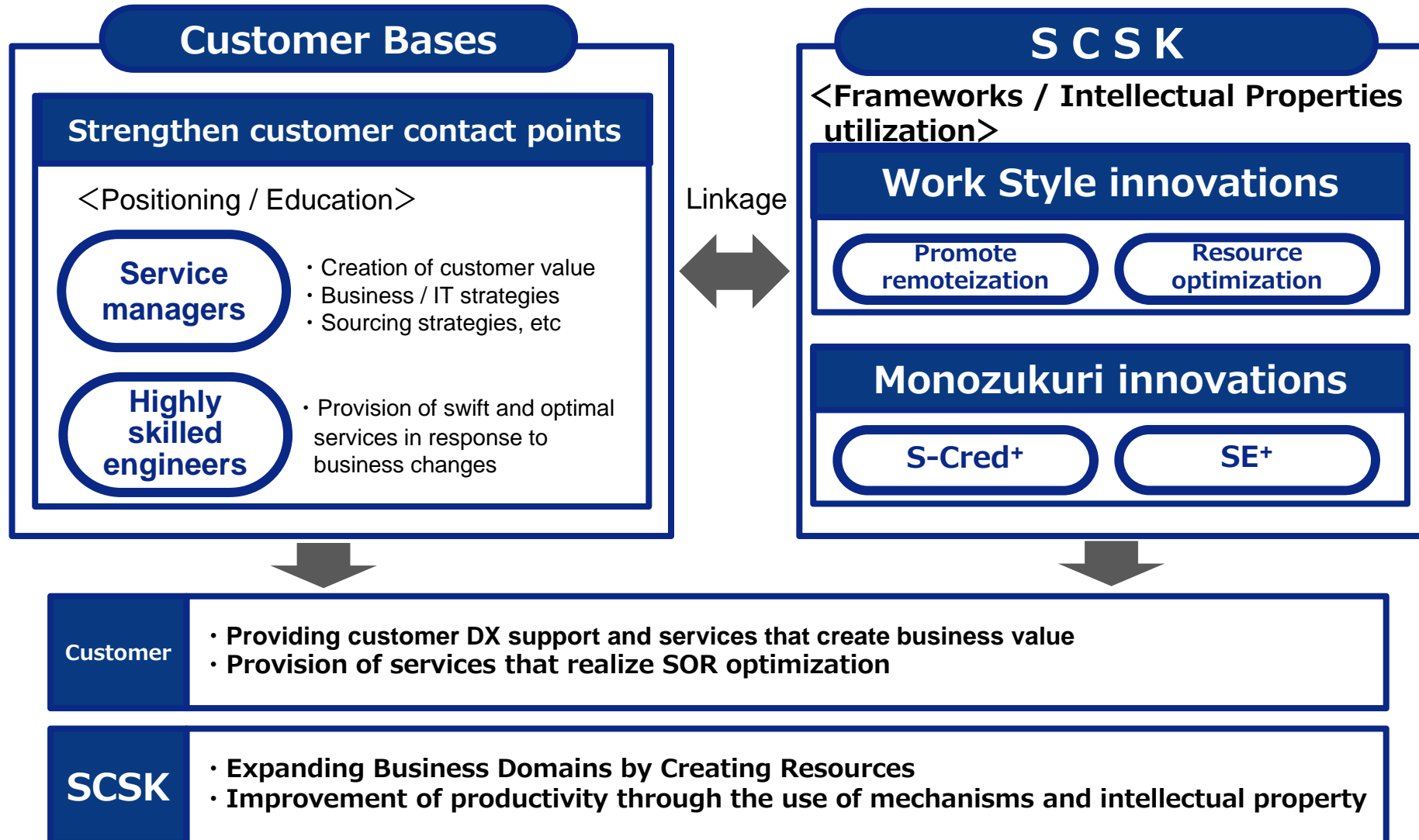
- Providing optimal service to customers centered on the *Monozukuri* Innovation Platform



# Core Strategies 1: Core Business Innovation

## - Subdivision Innovations

- Increasing the sophistication of the subdivisions services and roles from "business support" to "value-co-creation"





# Core Strategies 2: Commercialization of DX

## 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 customers 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

Customer 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.

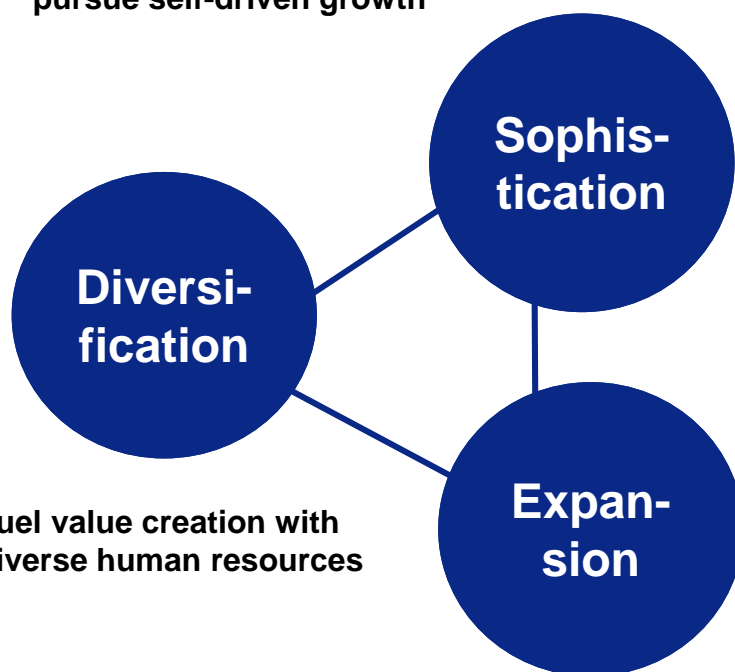
### Co-Creation

Base of customers from multiple industries

# Core Strategies 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

# Management Targets (IFRS)

(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	385.2	➔	<b>500.0 or more</b>
Operating profit margin	10.4%	➔	<b>10.0-12.0%</b>
ROE	15.0%	➔	<b>15% or more</b>

## ■ Capital efficiency index

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

### **Attention on the use of this document**

- We have made amendment of previous year's data in page 6 (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- We have made amendment of previous year's data in page 8 (Business Performance by Reportable Segment) to enable a fair comparison with this year's data under realigned reportable segments.

### **Disclaimer**

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