

Consolidated Financial Results for 3rd Quarter of Fiscal Year Ending March 2021

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SCSK Corporation

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Summary of Financial Results from Apr. to Dec. 2020

(PL/Incoming Orders/Backlog)

(Millions of yen)

	FY2019 (Apr. 2019 - Dec. 2019)	FY2020 (Apr. 2020 - Dec. 2020)	Increase/Decrease	
			Amount	%
Net Sales	280,914	290,866	9,952	3.5%
Gross Profit	71,554	75,406	3,852	5.4%
Gross Profit Margin	25.5%	25.9%	0.5%	
SG&A Expenses* ¹	-40,017	-41,408	-1,391	3.5%
Operating Profit	31,536	33,997	2,461	7.8%
Operating Profit Margin	11.2%	11.7%	0.5%	
Profit attributable to owners of parent	22,189	23,782	1,592	7.2%
Incoming Orders	265,104	280,060	14,955	5.6%
Backlog* ²	125,556	136,335	10,778	8.6%

*¹Including other income and expenses*²As Minor Solutions Co., Ltd. was made a consolidated subsidiary in December 2019, only the order backlog is included as a result in the third quarter of the fiscal year ended March 2020.

Summary of Financial Results from Oct. to Dec. 2020

(PL/Incoming Orders/Backlog)

(Millions of yen)

	FY2019 (Oct. 2019 - Dec. 2019)	FY2020 (Oct. 2020 - Dec. 2020)	Increase/Decrease	
			Amount	%
Net Sales	93,650	101,111	7,460	8.0%
Gross Profit	24,457	26,491	2,034	8.3%
Gross Profit Margin	26.1%	26.2%	0.1%	
SG&A Expenses* ¹	-13,323	-13,711	-387	2.9%
Operating Profit	11,134	12,780	1,646	14.8%
Operating Profit Margin	11.9%	12.6%	0.8%	
Profit attributable to owners of parent	7,689	8,912	1,223	15.9%
Incoming Orders	85,475	100,144	14,669	17.2%
Backlog* ²	125,556	136,335	10,778	8.6%

*¹Including other income and expenses*²As Minori Solutions Co., Ltd. was made a consolidated subsidiary in December 2019, only the order backlog is included as a result in the third quarter of the fiscal year ended March 2020.

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

Systems Development

(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2019	FY2020	Change	Change %
Net Sales	114,855	119,847	4,992	4.3%
	38,587	41,373	2,785	7.2%
Incoming	112,077	119,417	7,339	6.5%
Orders	34,948	39,118	4,170	11.9%
Backlog*	34,761	35,935	1,173	3.4%

*As Minori Solutions Co., Ltd. was made a consolidated subsidiary in December 2019, only the order backlog is included as a result in the third quarter of the fiscal year ended March 2020.

➤ Net Sales

Decreased in the banking and the securities industry, but increased in the next-generation systems for the food industry, investment on the strengthening customer contact points in the communication industry, and strategic business investment demand in the automobile industry.

➤ Incoming Orders / Backlog

Rebound from previously recorded large-scale orders from the life insurance industry, the securities industry, and the utilities industry, however, investment on the strengthening customer contact points in the communication industry increased, and also next-generation systems for the food industry, and core system redevelopment projects in the distribution industry increased as well.

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

System Maintenance and Operation/ Services

(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2019	FY2020	Change	Change %
Net Sales	106,170	112,893	6,723	6.3%
	36,126	38,369	2,242	6.2%
Incoming Orders	89,070	96,302	7,231	8.1%
	28,446	31,337	2,891	10.2%
Backlog*	71,529	76,531	5,002	7.0%

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➤ Net Sales

Management services for the manufacturing and financial industries and BPO businesses which was led by demand increase of contact centers remained firm following on from the first half of the fiscal year

➤ Incoming Orders / Backlog

Verification services for the manufacturing industry decreased, but management service for the distribution industry, data center business, and BPO business led by contact centers and, e-commerce related business increased

Comparison by Sales Segment (Sales/Incoming Orders/Backlog)

Packaged Software/ Hardware Sales

(Lower row: The three-month period from Oct. to Dec.)

(Millions of yen)

	FY2019	FY2020	Change	Change %
Net Sales	59,888	58,125	-1,763	-2.9%
	18,936	21,368	2,431	12.8%
Incoming Orders	63,956	64,340	384	0.6%
	22,080	29,688	7,607	34.5%
Backlog*	19,265	23,867	4,602	23.9%

*As Minori Solutions Co., Ltd. was made a consolidated subsidiary in December 2019, only the order backlog is included as a result in the third quarter of the fiscal year ended March 2020.

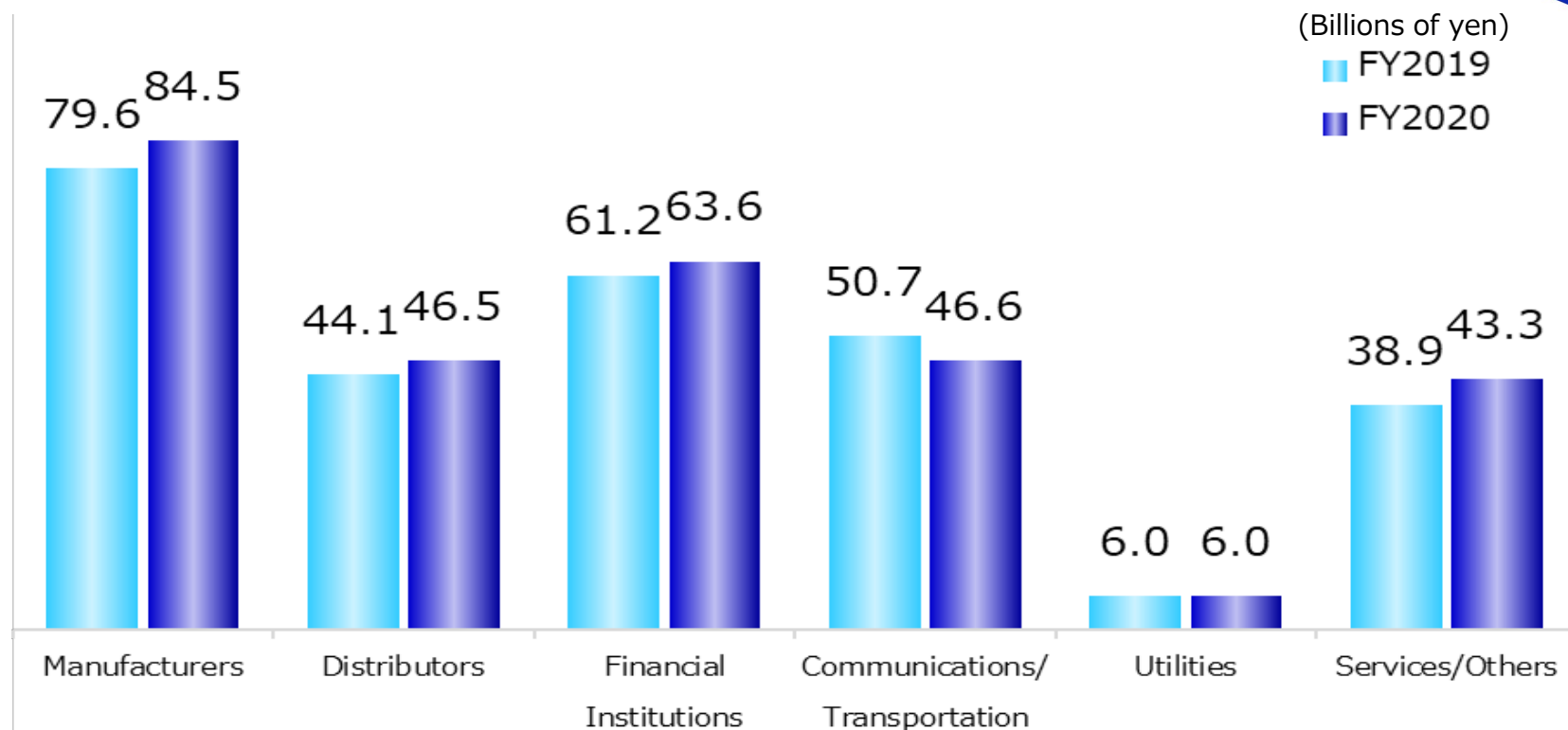
➤ Net Sales

Decreased in the sales of network equipment to the communications industry and demand of hardware products, although the sales of network security products and of hardware products for academic research institutions increased.

➤ Incoming Orders / Backlog

Increased by the demand for network security products and incoming order of the network products for the communication industry

Sales Comparison by Customer Industry



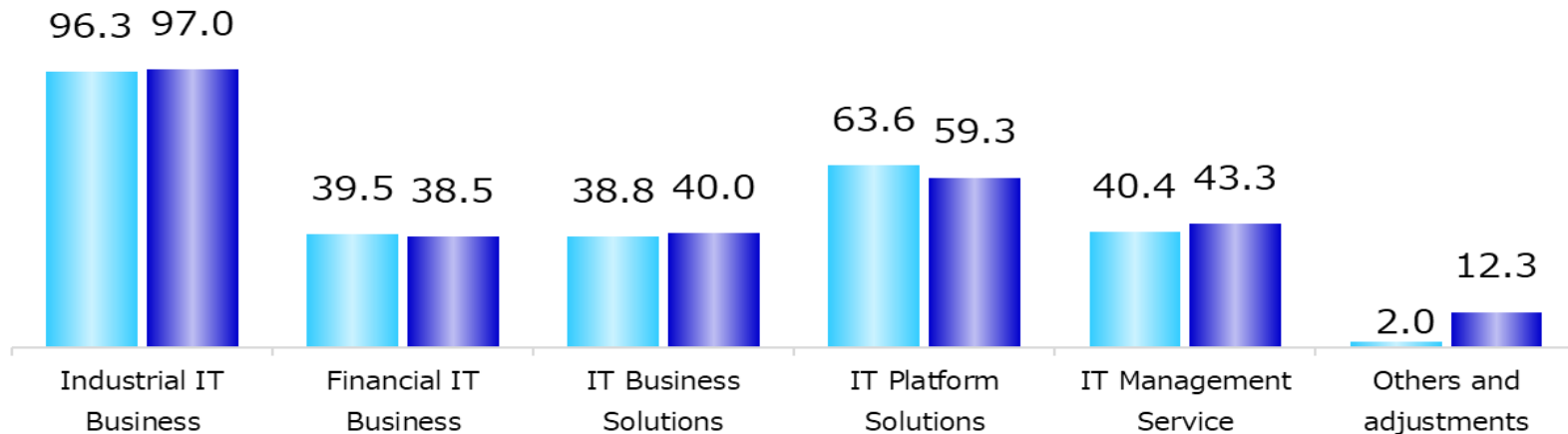
- In the manufacturing industry, next-generation systems for the food industry, demand for system upgrades for electrical machinery manufacturers, and IT investment demand for precision equipment manufactures increased.
- In the distribution industry, sales of network security products and core system redevelopment projects increased.
- In the financial industry, increased system maintenance and operation/ services such as management service, and increased sales of licenses etc for the banking industry.
- In the communications and transport industry, there's investment demand for the strengthening customer contact points, but sales of network products decreased.
- In the service and other industry, increased sales in data center businesses and e-commerce-related business, and sales of hardware for academic research institutions also increased.

Business Performance by Reportable Segment

Net Sales

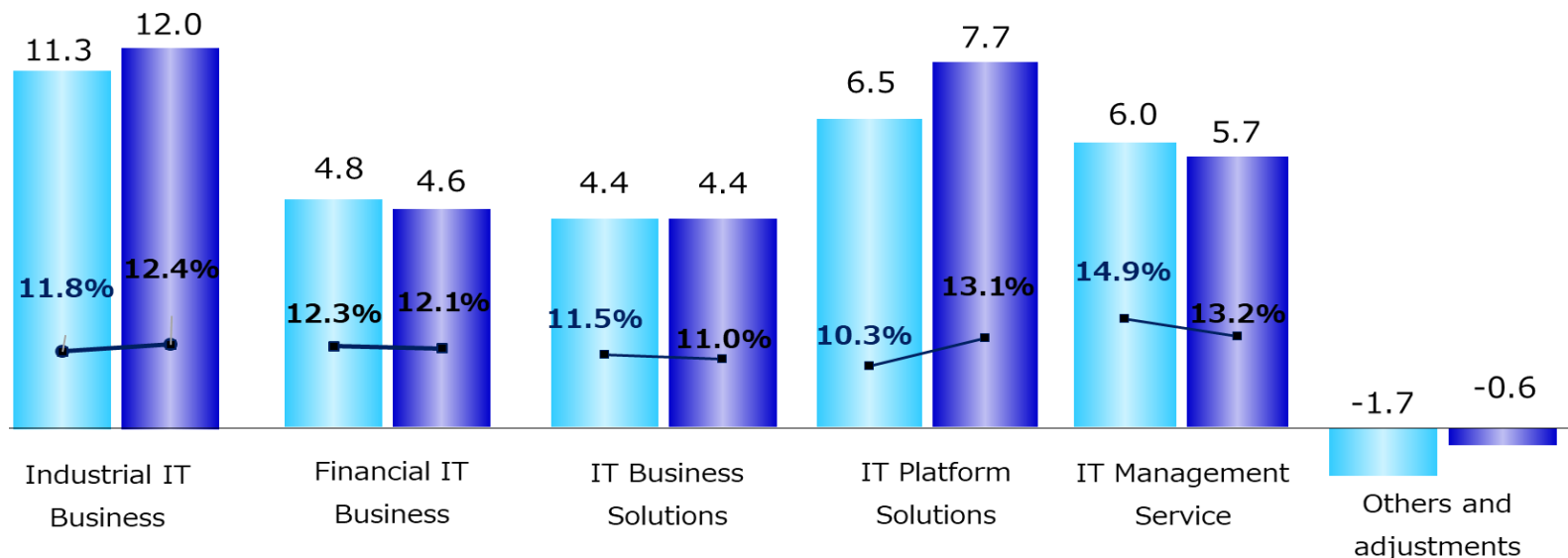
(Billions of yen)

FY2019
FY2020

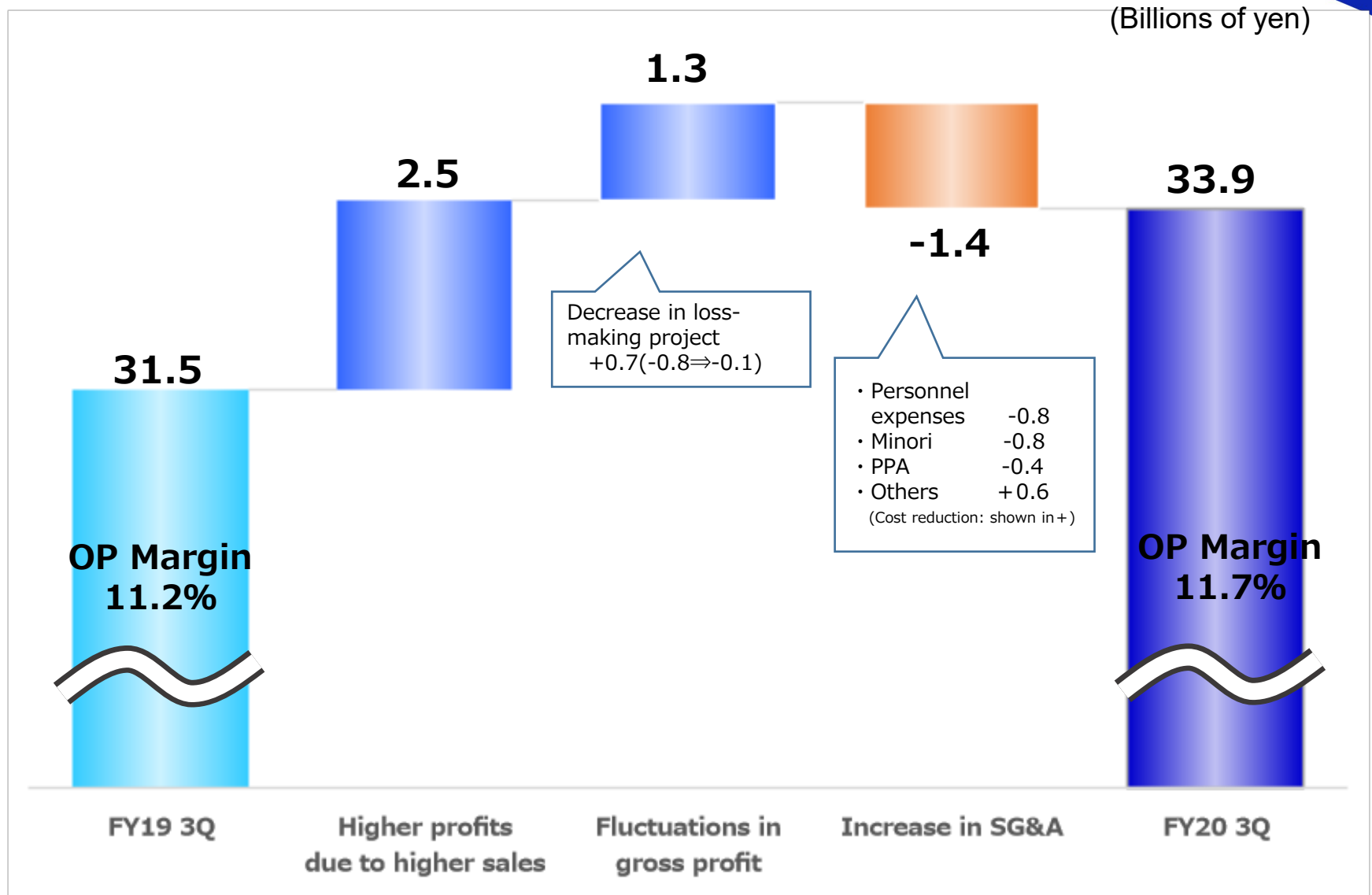


Operating Profit and Operating Profit Margin

FY2019
FY2020



Operating Profit Analysis



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

2nd Quarter

- While the willingness to invest is rising as we seek out new normal, it takes customers time to make decisions.
- Demand related to remote work, digitalization, and strengthening of customer contact areas continues.
- In the medium to long-term, provision of IT services through safe and secure dispersed operation (core business innovation) and enhancement and convenience improvement in digital technologies (commercialization of DX)
- The unpredictable environment remains unchanged from the situation where the end of the COVID-19 infections is still not visible, and opaqueness of investment trends continues.



Current

- From 2nd Quarter onward, opportunities from face-to-face with clients recovered for investment projects that materialized, and projects that took time to make decisions and execute budgets progressed.
- Demand related to remote work, digitalization, and strengthening of customer contact areas continues.
- The medium-to long-term perspective remains unchanged. "Core business innovation" and "Commercialization of DX" are expected to progress.
- In the third Quarter, the business environment is improving, but from the third wave of COVID-19, the government again issued an emergency declaration.. Uncertainty about investment trends continues in an unpredictable environment.

Action in SCSK

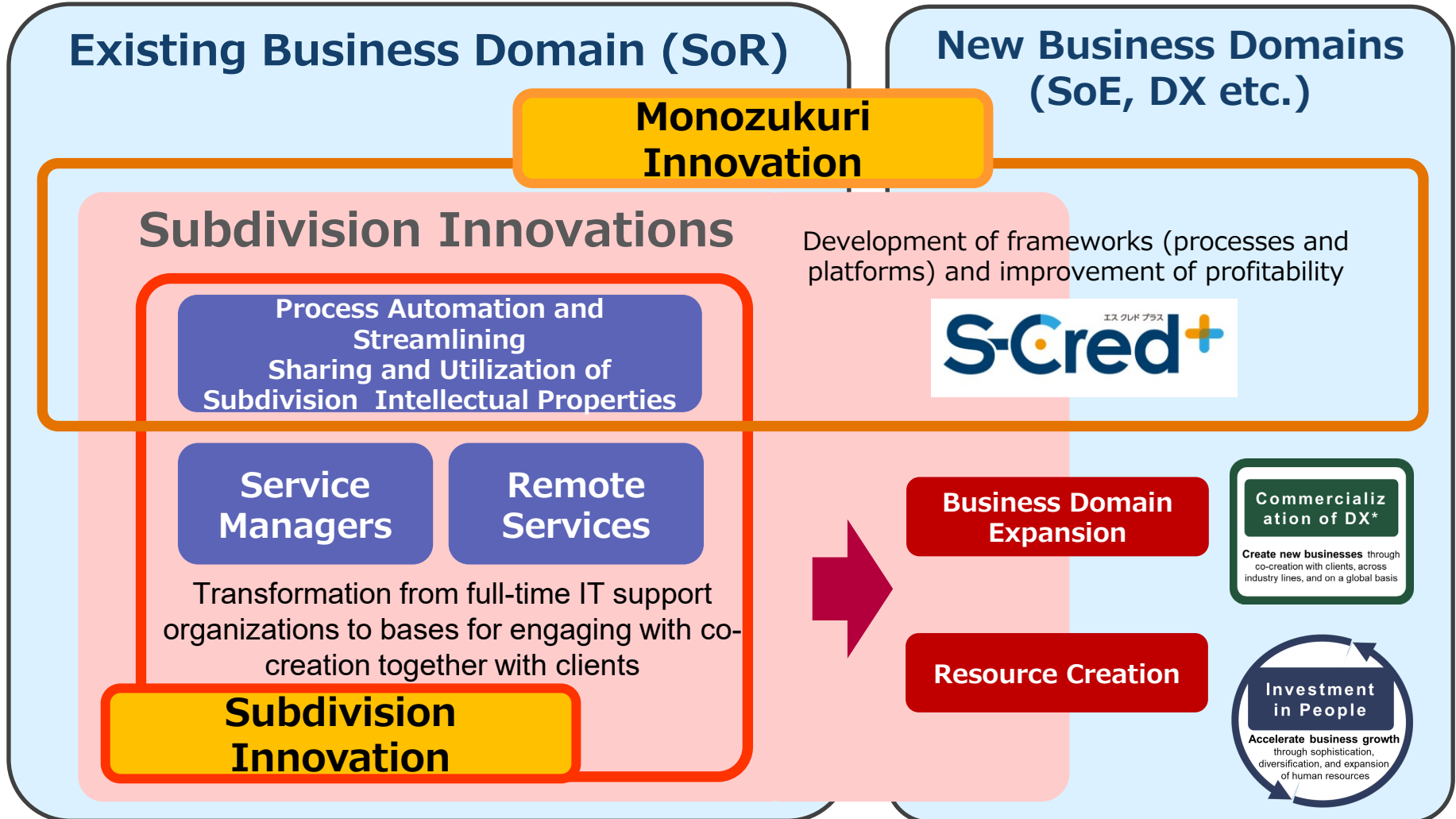
- Continue measures to prevent the spread of COVID-19 and implement work styles that are conscious of productivity

Revising Consolidated Financial Forecasts and Interim Dividends

(Millions of yen)

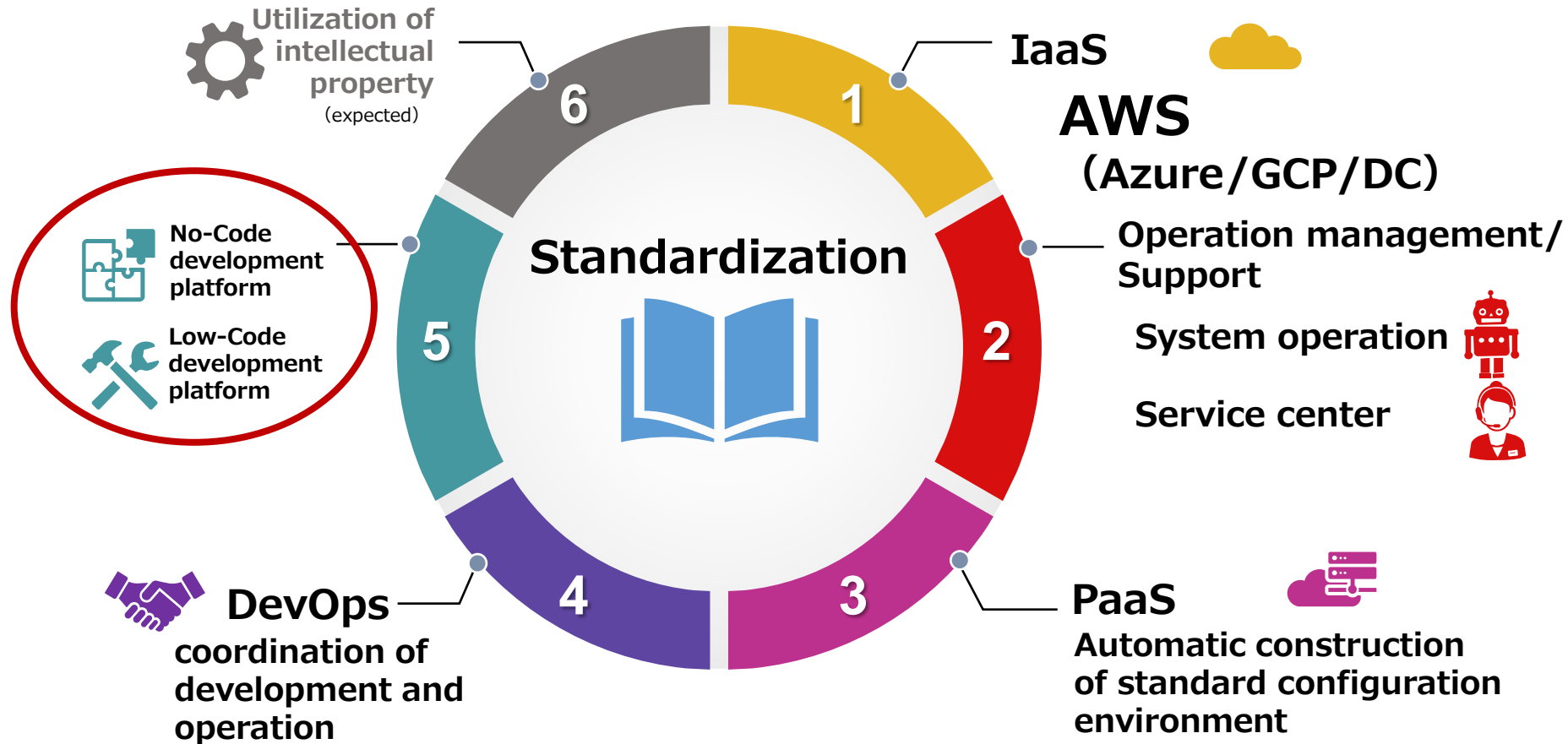
	FY2020 Previous Forecasts (A)	FY2020 Revised Forecasts (B)	Increase/Decrease	
			Amount (B-A)	%
Net Sales	380,000	400,000	20,000	5.3%
Operating Profit	41,000	45,000	4,000	9.8%
Operating Profit Margin	10.8%	11.3%	0.5%	
Profit attributable to owners of parent	29,000	31,500	2,500	8.6%
Dividends per share (Yen)	130	135	5	

■ Subdivision Innovation and Monozukuri Innovation



Core Strategies : Core Business Innovation/ Monozukuri Innovation

■ The "S-Cred+ Platform" consists of six services based on standardization

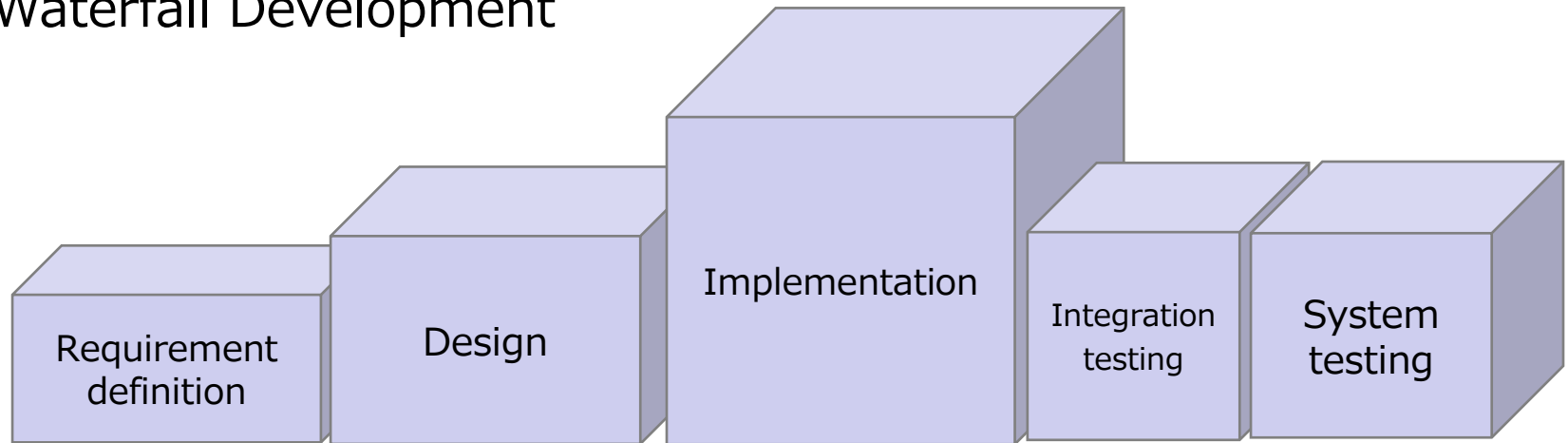


SCSK combine services in line with the nature of the project to develop, operate, and maintain systems for clients

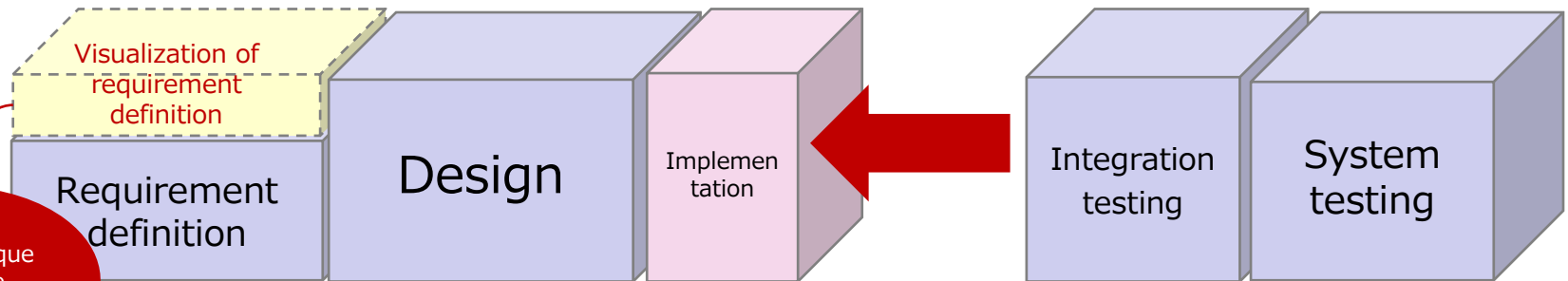
Core Strategies : Core Business Innovation/ Monozukuri Innovation

■ Image of low-code development process

- Waterfall Development



Applying low-code development



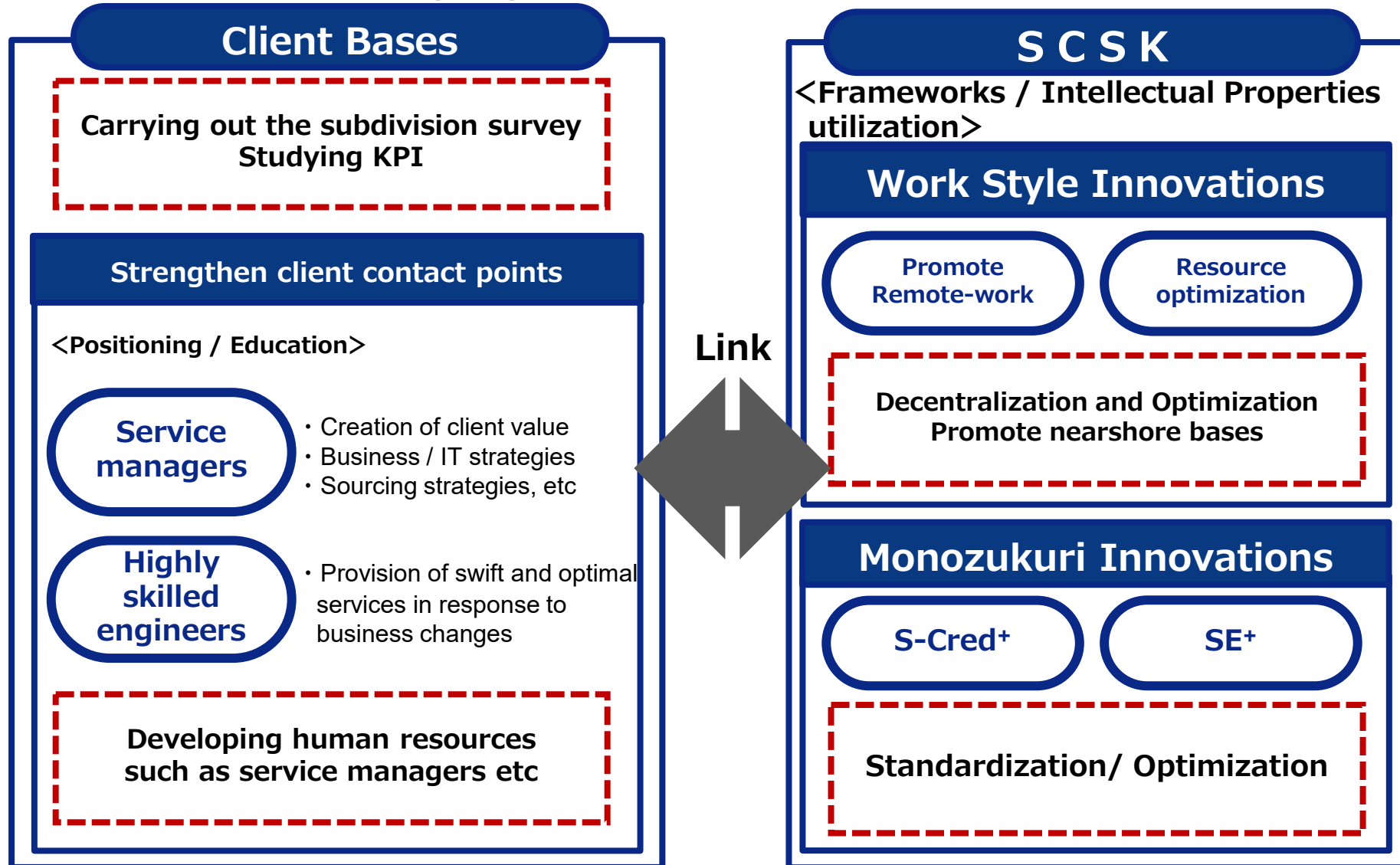
Low-code development



Core Strategies :

Core Business Innovation – Subdivision Innovations

- Shift from “a full-time IT support organization model” to “a value-co-creating organization model”



Core Strategies :

Core Business Innovation – Subdivision Innovations

- Carrying out the subdivision survey
- Various branch offices that differ in terms of size, industry, form of contract with clients, etc
- Visualization of multifaceted items and evaluation of multiple improvement ranges

<Visualization Factors>

<Co-creation of customer value>

**Strengthening
client contact
points**

<Improvement of
productivity>

**Work Style
Innovations**

<Sophistication of HR>

**Human resource
development**

<Compliance>

Soundness

<Quality>

**Monozukuri
Innovations**

From "business
support" to "value-
co-creation"

<Goal>

Client

- Client DX support
- Create business value
- SOR optimization

SCSK

- Creating resources
- Improvement of productivity and profitability

■ Creation of new business through co-creation

Commerciali- -zation of DX

Creation of new value for society through co-creation

- SCSK-driven approach to new business and service development through increased co-creation
 - Mobility
 - Healthcare
 - Financial Service Platform
 - Customer Experience etc

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 Framework
 - SNN
 - Linguistic AI
 - X.CONNECT etc

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 : Commercialization of DX - Priority Fields

■ Be themselves a business entity, expand co-creation, and develop new businesses and services

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

**Start offering accident detection system utilizing telematics technology
"Telematics Non-Life Insurance System"**

2 Financial Service Platform Field

Social Tasks

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

**Planning to provide services for financial products and service intermediaries
"System solution platform development"**

3 Healthcare Field

Social Tasks

- Address disparities in access to healthcare (lack of physicians, improving the quality of community medical services)
- Reduce healthcare expenses through appropriate medicine use
- Maintain social security functions by extending healthy lifespans

Start offering "Pharmacy-Scope" which promptly provides drug distribution and prescription data

4 Customer Experience Field

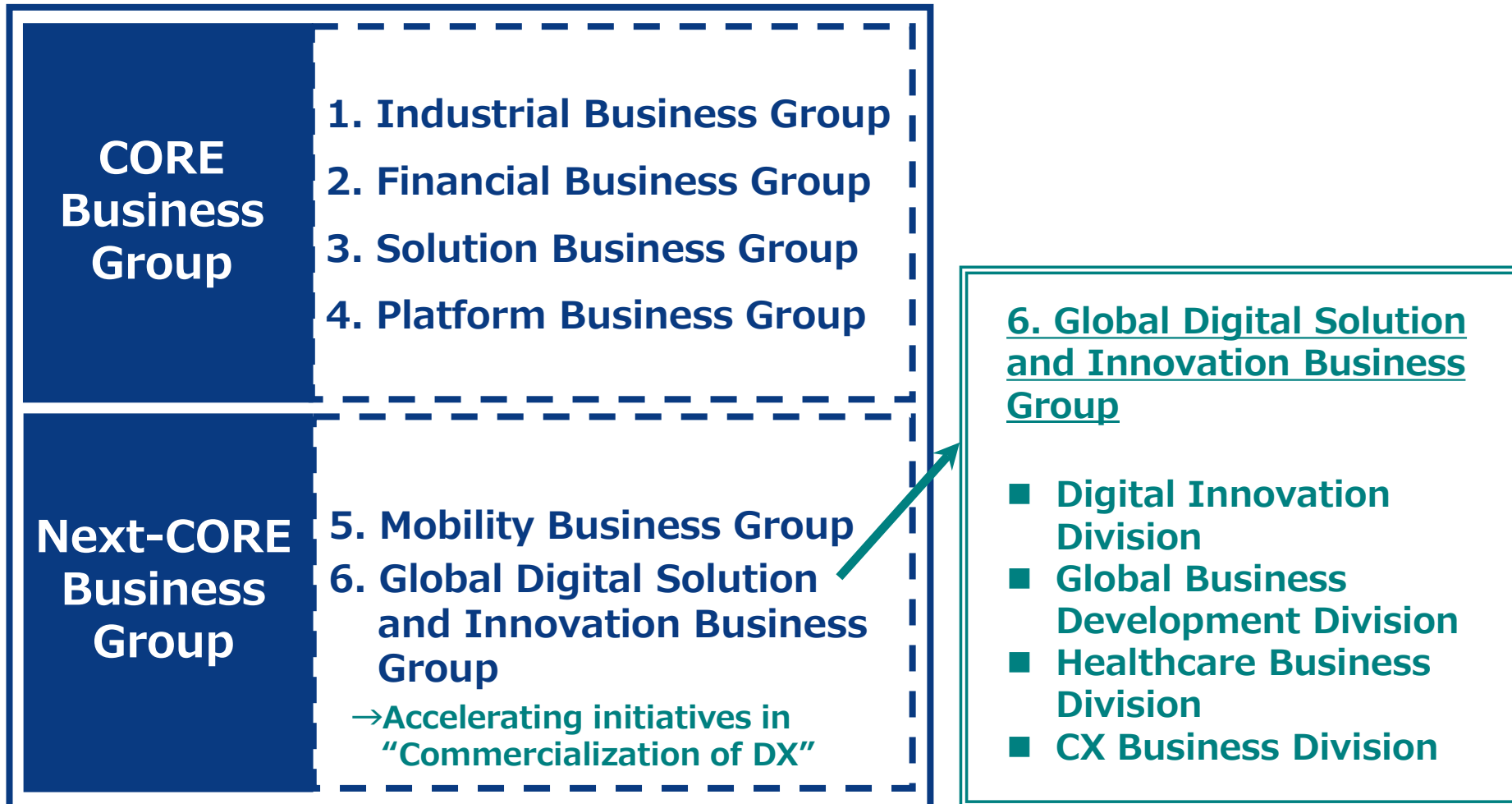
Social Tasks

- 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

Start offering "altcircle", a CX-domain service that integrates digital marketing, digital communications, and e-commerce

FY2021 Structural Reforms

- Reorganizing the structure to accelerate initiatives under SCSK Group Medium-Term Management Plan
- Reorganization of Business Group Structure
- Accelerate through the twin pillars of “CORE Business Group” and “Next-CORE Business Group”



Attention on the use of this document

- We have made amendment of previous year's data in page 7 (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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