

## Transcript of results briefing

### Business Results Summary for Fiscal Year Ended March 2022 and Business Strategies for Fiscal Year Ending March 2023

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President and Chief Operating Officer

#### ■ Introduction

Greetings, my name is Takaaki Touma, and I recently assumed the position of president and chief operating officer of SCSK Corporation.

Stepping into the shoes of former President Toru Tanihara, I plan to build upon the trajectory of SCSK's growth over a decade while incorporating my own perspective into management. Through this approach, I hope to accelerate growth while at the same time helping us provide value to society.

Today, we will be looking our performance in the fiscal year ended March 31, 2022, along with the progress of SCSK's medium-term management plan. I will also be talking about the business policies that I will implementing in the fiscal year ending March 31, 2023.

Managing Executive Officer Yasuhiko Oka will be offering more details on our quantitative performance a little later on.

Before we begin, I would like to take a moment to introduce myself.

After graduating from university, I joined then Sumisho Computer Systems Corporation in 1987. As an engineer, I had the experience of developing countless systems and managing projects primarily for manufacturing industry customers in the Kansai region of Japan. I was later put in charge of an organization serving all industrial field customers. Also, over the past two years, I have played a part in management as the responsible for human resources. In these positions, I was able to observe the Company from an overarching management perspective. Going forward, I will utilize this perspective in my role as president as I devoutly work together with customers and other members of SCSK to heighten our corporate value.

#### ■1. FY2021 Financial Result (1). Summary (slide 1)

I would now like to begin our overview of consolidated performance in the fiscal year ended March 31, 2022. Please look at slide 2.

As shown on the lower half of this slide, SCSK posted net sales of ¥414.1 billion and operating profit of ¥47.5 billion in the fiscal year ended March 31, 2022, while dividend payments of ¥46.67 per share were issued. This made for our 10th consecutive year of higher sales, profit, and dividends.

The fiscal year ended March 31, 2022, was the second year of our medium-term management plan, and we believe that we have proceeded to advance business activities for improving current performance and measures based on the core strategies of the plan throughout this year.

Customers continued to display a strong appetite for IT investment, and a particularly pronounced increase in inquiries related to large-scale projects was seen beginning in the second half of the fiscal

year. These factors created an operating environment that has been consistently favorable to our business.

■ **1. FY2021 Financial Results (2). Net Sales (slide 3)**

I would now like to offer some details about net sales and operating profit. Please look at slide 3.

Our operating environment was supported by strong digitization demand, despite the lingering sense of uncertainty associated with the COVID-19 pandemic. At the same time, however, certain sectors of our business were impacted by inability to supply products due to semiconductor shortages and supply chain disruptions.

As a result of these factors, net sales increased 4.4% year on year, to ¥414.1 billion.

Performance of the Financial IT Business segment and the IT Platform Solutions segment were growing steadily.

■ **1. FY2021 Financial Results (3). Operating Profit (slide 4)**

Operating profit was up 3.7% year on year, to ¥47.5 billion. Profit was adversely impacted by an increase in unprofitable projects as well as the expenses associated with business investments. Nevertheless, overall profit was up due to the benefits of higher net sales and increases to profitability from improved productivity.

I believe that our ability to achieve profit growth while conducting investments in future business growth as planned was a significant success of SCSK's management in the fiscal year ended March 31, 2022.

■ **2. Progress of Mid-term Business Plan (1). Sustainability management (slide 5)**

Next, I would like to discuss the progress of SCSK's medium-term management plan, which is slated to conclude with the fiscal year ending March 31, 2023. Please look at slides 5 and 6.

The SCSK Group's corporate philosophy is "Create Our Future of Dreams." We have defined material issues to shape the exercise of this philosophy, and we are working toward our vision of becoming a co-creative IT company that contributes to the realization of a sustainable society in 2030.

■ **2. Progress of Mid-term Business Plan (2). Mid-term Business Plan (slide 6)**

The current three-year medium-term management plan was established as the first step toward realizing this vision for 2030. Over the past two years, we have been moving forward with business activities based on the three core strategies of the plan: Core Business Innovation, Commercialization of DX, and Investment in People. As I mentioned earlier, we made steady progress in advancing these core strategies.

■ **2. Progress of Mid-term Business Plan (3). Core Business Innovation (slide 7 to slide 10)**

Looking now at slide 7, I will offer some details on the successes of these strategies achieved thus far.

Let us begin with the strategy of Core Business Innovation. This strategy is centered around "Monozukuri innovations", which target improvements to productivity and to the quality of business

processes, and Subdivision innovations, for enhancing customer contact points through business reforms, as well as measures for developing the foundations for supporting these innovations.

In regard to “*Monozukuri* innovations”, we have nearly completed the development of all functions planned for our proprietary S-Cred+ platform, which will be instrumental to innovations in this area.

S-Cred+ has been designed to act as a platform for aggregating and utilizing software, solutions, and other SCSK intellectual properties; a development platform that allows for low-code, no-code development to be carried out while maintaining quality in systems development; and an IaaS and PaaS technology platform for providing Group intellectual properties as well as the cloud services of cloud vendors.

The fiscal year ending March 31, 2023, will represent the roll-out phase for the S-Cred+ platform, during which we will deploy this platform on a Companywide basis, promote its usage, and target qualitative innovations to our IT services.

Turning to slide 8, I would like to explain exactly what I mean by qualitative innovations to our IT services.

We are moving forward with efforts to improve the value of our data center services. These efforts include enhancing connectivity, through measures such as approaching points of presence and internet exchanges, in order to develop a competitive edge in relation to costs, security, and speeds. This competitive edge will enable us to develop a broad-ranging ecosystem with cloud business operators, that will incorporate SCSK private cloud services and hybrid clouds offered together with USiZE. We thereby aim to differentiate SCSK services.

After accomplishing this, we will utilize S-Cred+ as a PaaS platform to develop a cloud service integrator business. This business will combine numerous proprietary IT services based on SCSK intellectual properties with our data center services as well as with the services of various cloud vendors.

With slide 9, we will look at innovations to customer contact points and subdivisions.

In subdivision innovations, we have been fostering service managers while evolving subdivisions into bases for providing digital transformation proposals. At the same time, we seek to quickly capitalize on the benefits of “*Monozukuri* innovations” while promoting remote and nearshore development.

Also, in the fiscal year ending March 31, 2023, we will actively provide digitalization proposals to customers with the goal of acquiring consulting orders while also enhancing SoR and otherwise contributing to customers’ digital transformations.

One initiative for building the foundations for supporting these efforts is the enhancement of the staff at regional bases. I will offer some details on this initiative on slide 10.

As the first stage of our efforts to enhance the staff at regional bases, we sought to recruit IT staff in rural while bolstering our ability to supply DevOps and other SCSK IT services. We have thereby made strong progress toward our defined quantitative targets.

Focuses in the fiscal year ended March 31, 2023, will include the ongoing expansion of our staff coupled with the cultivation of sophisticated human resources at rural bases. In this manner, we aim

to create a network of human resources in the Kanto, Chubu, and Kansai regions of Japan and of sophisticated IT human resources. We also hope to accelerate the cultivation of sophisticated human resources in rural areas and the mobilization of these human resources in initiatives in other regions.

As the second stage of these efforts to enhance staff at regional bases, we will utilize the fiscal year ending March 31, 2023, as time for beginning our transformation into a Co-Creative IT company that serves local communities so that our rural staff can contribute to digital transformation for invigorating rural economies in the future.

## ■ 2. Progress of Mid-term Business Plan (4). Commercialization of DX (slide 11)

Moving on, slide 11 contains a diagram detailing the progress of our strategy of Commercialization of DX, a central core strategy of the medium-term management plan. This diagram shows the focus areas SCSK has defined for commercializing digital transformation as well as the business development stages we are at in each area. Overall, our initiatives in the fiscal year ended March 31, 2022, have brought us to the stage of verifying business development issues and the value to be provided. Some projects are even reaching the stage of commencing actual operations. In the fiscal year ending March 31, 2023, we will continue to advance the business plans for each project with the aim of progressing to the point at which we can start business activities.

We allocated a staff of more than 400 individuals, including subcontractors, to the Commercialization of DX during the fiscal year ended March 31, 2022. However, we were unable to reach the stage of generating business profits. As such, an investment cost of ¥3.0 billion was incurred with regard to these activities.

Nonetheless, we intend to once again conduct hundreds of millions of yen worth of business investments in these efforts during the fiscal year ending March 31, 2023. We are currently in a relatively difficult phase of this undertaking, but we remain committed to developing these projects into businesses for driving future growth by taking a management perspective toward gauging the future growth and earnings potential of each project.

## ■ 2. Progress of Mid-term Business Plan: (5). Investment in People (slide 12)

Slide 12 looks at our strategy of Investment in People. Based on this strategy, we have been educating and training our people to help them acquire the specialized technical and business knowledge and skills required to ensure success in advancing the core strategies.

At the same time, we have completely overhauled our human resource systems to facilitate the cultivation of a corporate culture encouraging the tackling of challenges and the autonomous career development efforts of sophisticated human resources.

As a result, we had conducted ¥7.0 billion of the ¥10.0 billion budgeted for Investments in People under the medium-term management plan as of March 31, 2022. I feel confident in saying that we have made strong progress in enhancing, diversifying, and expanding our staff as necessary to accelerate business growth.

## ■ 3. FY2022 (Final year of Mid-term Business Plan) Business Forecasts (slide 13)

This wraps up my explanation of the progress of our medium-term management plan and the initiatives to be implemented in the fiscal year ending March 31, 2023, based on this plan. I would

now like talk about our performance forecasts and business policies for the fiscal year ending March 31, 2023, the final year of the medium-term management plan. Let us take a look at slide 13.

This slide details the plan's targets for net sales, the operating profit margin, and return on equity with target figures as well as figures for the three years of the plan beginning with first-year performance and ending with final-year forecasts.

For the fiscal year ending March 31, 2023, we are projecting net sales of ¥450.0 billion, operating profit of ¥54.0 billion, profit attributable to owners of parent of ¥38.0 billion, an operating profit margin of 12.0%, and return on equity of 14.7%. The COVID-19 pandemic struck around when we announced the medium-term management plan. This and the recent uncertainty seen in the global political and economic climate have forced us to admit that accomplishing our initial net sales target of ¥500.0 billion may be unfeasible. Nevertheless, we feel that the profitability improvements we had targeted are within reach and can be achieved even while conducting the business investments needed to support future growth.

#### ■ 4. FY2022 (Final year of Mid-term Business Plan) Business Policy (slide 14 to slide 16)

The last topic I would like to talk about today is the Groupwide policies that will be implemented beginning in the fiscal year ending March 31, 2023, as part of my approach toward management.

Please look at 14.

First of all, I aim to evolve the SCSK's IT services business so that we can function as a digital transformation enabler.

As the digitalization trend advances throughout society, we are adopting a broad definition of digitalization that entails using digital technologies and data to enhance customers' businesses. Based this definition, I believe SCSK is expected to provide IT services that incorporate the digital technologies and data platforms necessary for advancing digital transformation. In the SoR field, for example, we need to contribute to improved operational efficiency, help gather operating data and organize this data into a valuable state, and develop and provide new platforms that can be used as SoE and SoI.

Addressing such customer needs will require everyone involved in management at SCSK to actively work to deepen their understanding regarding the business innovation challenges faced by customers. Moreover, we must bolster our business and IT consulting capabilities and provide digital transformation support proposals to customers through all contact points in order to supply IT services that contribute to business reforms.

Also, we plan to reorient our overall marketing approach, changing our focus from individual customers to place increased emphasis on the market as whole. This change will involve redeveloping the proprietary IT services and intellectual properties SCSK has continued to refine on an individual customer-basis in order to create solutions that can be applied to a given industry or business model. At the same time, we will look to help address the digitalization challenges faced by specific industries and business models.

Slide 15 shows a somewhat general example of these efforts in the manufacturing and distribution industries. We are also investigating the issues faced by other customers to help us develop various combinations of SCSK intellectual properties in order to develop comprehensive IT services that address industry and business-model specific needs.

We will promote the provision of these services as cloud services based on our proprietary platform, as I explained earlier, and services as a digital transformation enabler in the same way.

Next, I will explain the two business policies described on page 16.

Our enterprise resource planning business is one venue through which we will strategically strengthen operations in specific fields. This business provides enterprise resource planning services centered on SoR. Several companies are examining the possibility of conducting IT investments for the purpose of enhancing their functions as digital transformation platforms and may thus have a need for such services. This is an area in which the strengths and value of SCSK pertaining to offerings like SAP and ProActive are matched to customer needs. We therefore focus on new developments in the ERP business and strengthening our frameworks in this area.

As for our global businesses, our focus in the past has primarily been on supporting the global business expansion initiatives of Japanese companies. Going forward, however, we will endeavor to enhance our business in a manner that will allow us to target new markets through means such as approaching overseas companies and promoting digital transformation operations in emerging markets.

Meanwhile, we have set the target of an operating profit margin surpassing 15%, the standard level of profitability for global IT services providers, for our efforts to bolster profitability through business portfolio reforms over the medium-term. To accomplish this goal, it will be imperative for us to transform our business in order to become a digital transformation enabler while accelerating our transition toward cloud services businesses. For this reason, there is a need for us to conduct multifaceted revision and changes of our business portfolio.

I also recognize that capital, business, and other alliances as well as mergers and acquisition will be crucial to the success of business portfolio reforms. We will therefore be taking an even more aggressive stance toward forming such relationships in the future.

## ■ 5. Management Approach

As the final part of this explanation of my business policies today, I would like to talk about the type of management to which I aspire. We will now look at slide 17.

As I mentioned, I was in charge of human resources over the past two years. Based on this experience, I view officers and employees of the SCSK Group as stakeholders whose happiness we should seek to improve. Well-being management is the venue through which I aim to accomplish this goal.

Happiness is not merely tied to one's pay. Rather, we sense happiness in our ability to feel that we are growing in various ways as a person, to find satisfaction and motivation in this growth and in our work, to exercise our talents, and to understand that we are contributing to society in this manner. By going beyond the scope of conventional health and productivity management to support the well-being of employees, I hope to help all members of the Group experience autonomous growth. Moreover, I believe that this process will in turn enhance the social meaning of SCSK and contribute to our sustainable growth as a company.

Of course, the pursuit of individual happiness must be founded on an understanding of diverse values. If we are to be united in our quest to provide value to society, everyone at SCSK must share

an understanding of our purpose and vision as a company. I call this Value-Driven Management, and I aspire to practice this management.

Moreover, it is important for this understanding to be shared, not only among employees, but also with a wide variety of other stakeholders. When we understand and respect each other's diversity, we will be able to create new value that is greater than could have been achieved by a single company.

This concludes my somewhat lengthy discussion of topics like the business policies I will be implementing going forward. I thank you for sticking with me. Also, I hope you will continue to offer your support and understanding to SCSK.