

Consolidated Financial Results for 1st Quarter of Fiscal Year Ending March 2023

Yasuhiko Oka
Managing Executive Officer

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1st Quarter of FY2022 Consolidated Financial Results

- Summary of Financial Results (PL/Incoming Orders/Backlog)
- Operating Profit Analysis
- Net Sales and Backlog Analysis
- Business Performance by Reportable Segment (Sales/Operating Profit/Operating Profit Margin)
- Business Performance by Reportable Segment (Incoming Orders/Backlog)
- Business Performance by Reportable Segment Analysis
- Topics

Appendix

- Comparison by Sales Segment (Sales/Incoming Orders/Backlog)
- Sales Comparison by Customer Industry

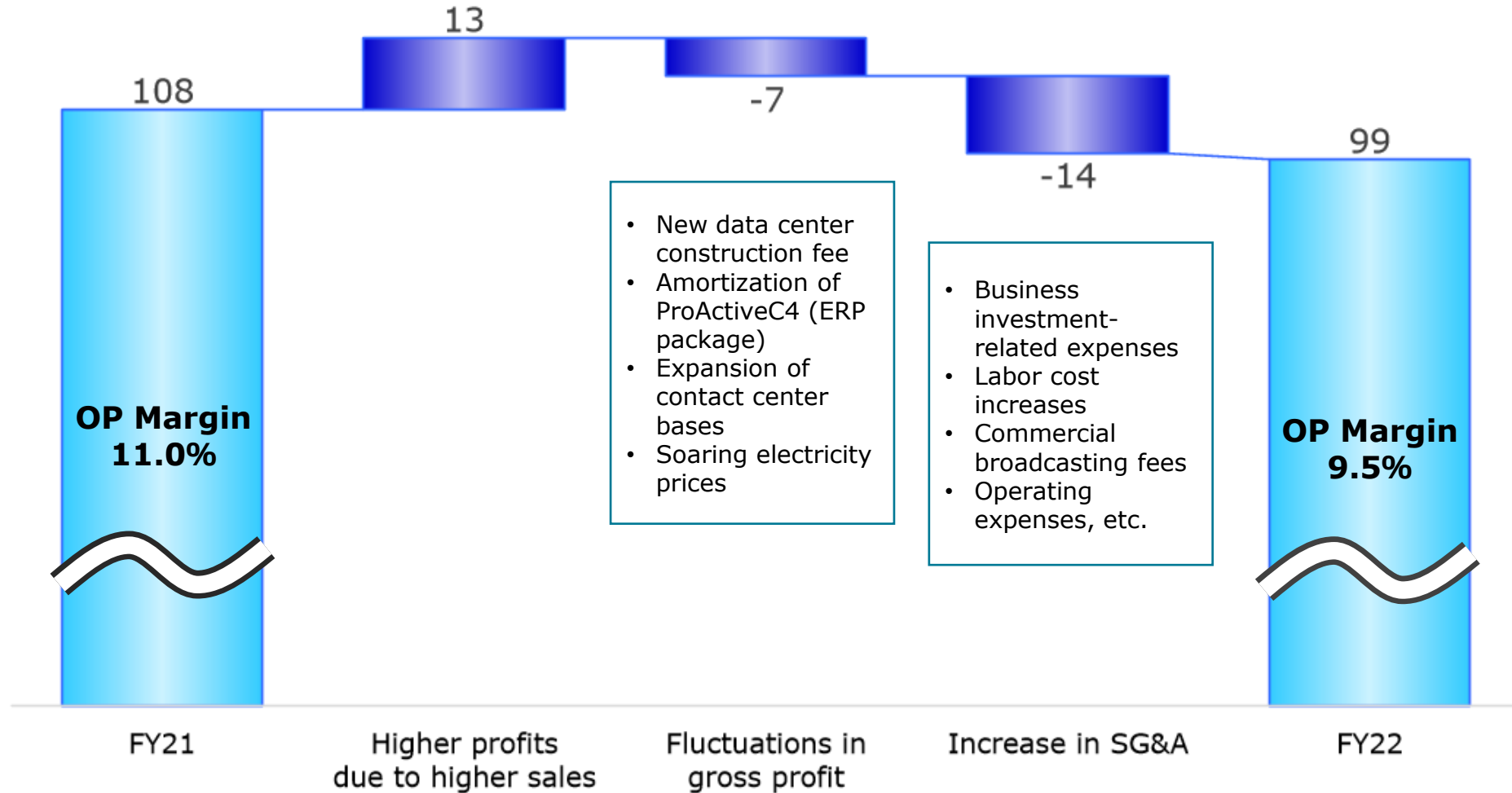
(Millions of yen)

	FY2021	FY2022	Increase/Decrease	
	(Apr. 2021 - Jun. 2021)	(Apr. 2022 - Jun. 2022)	Amount	%
Net Sales	99,210	104,417	5,207	5.2%
Gross Profit	25,428	25,989	560	2.2%
Gross Profit Margin	25.6%	24.9%	-0.7%	
SG&A Expenses*	- 14,541	- 16,052	- 1,510	10.4%
Operating Profit	10,887	9,937	- 949	-8.7%
Operating Profit Margin	11.0%	9.5%	-1.5%	
Profit attributable to owners of parent	7,703	7,006	- 697	-9.1%
Incoming Orders	87,314	99,733	12,419	14.2%
Backlog	151,376	172,398	21,022	13.9%

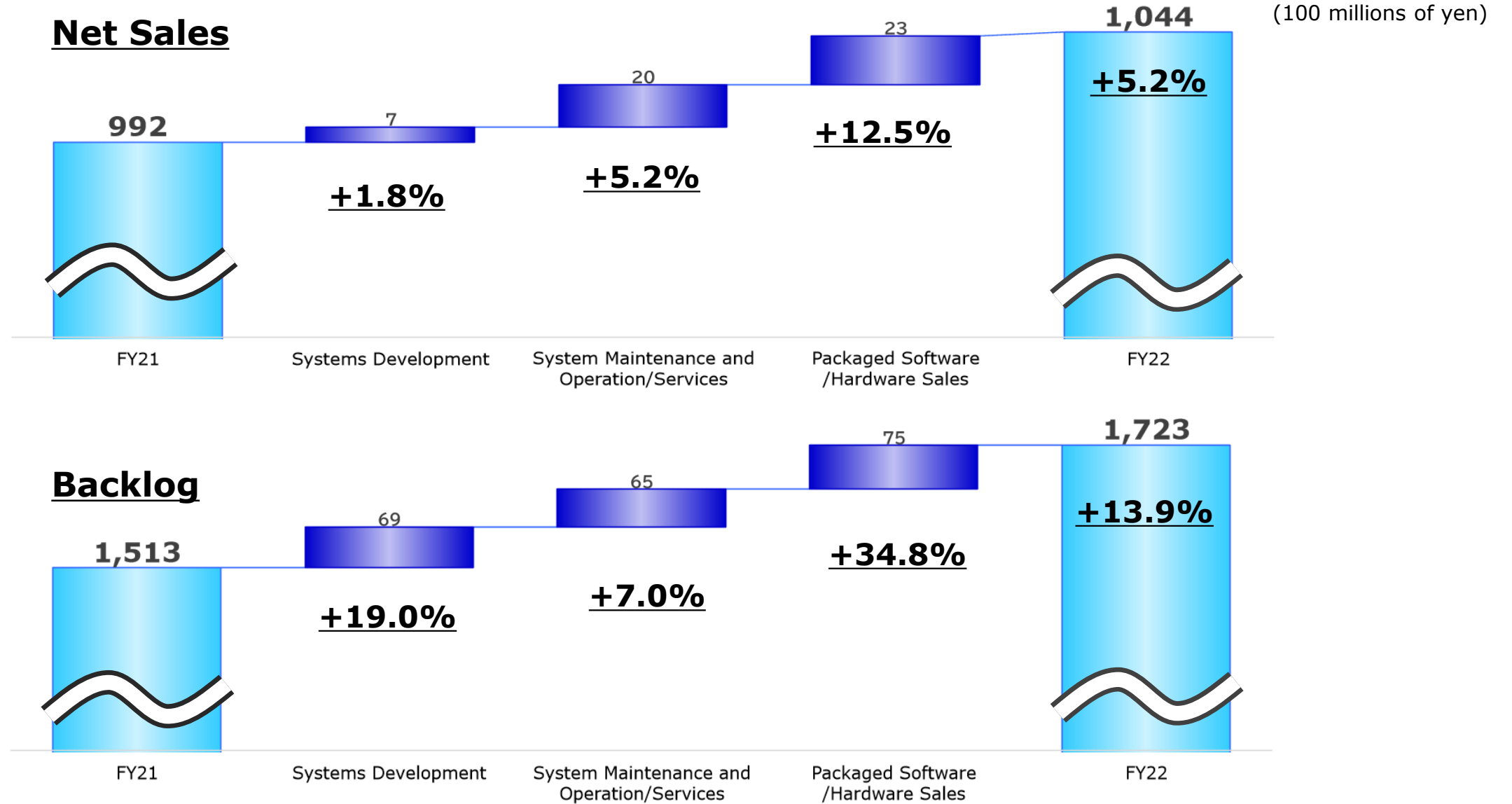
*Including other income and expenses

FY2022 Q1 Operating Profit Analysis

(100 millions of yen)



FY2022 Q1 Net Sales and Backlog Analysis

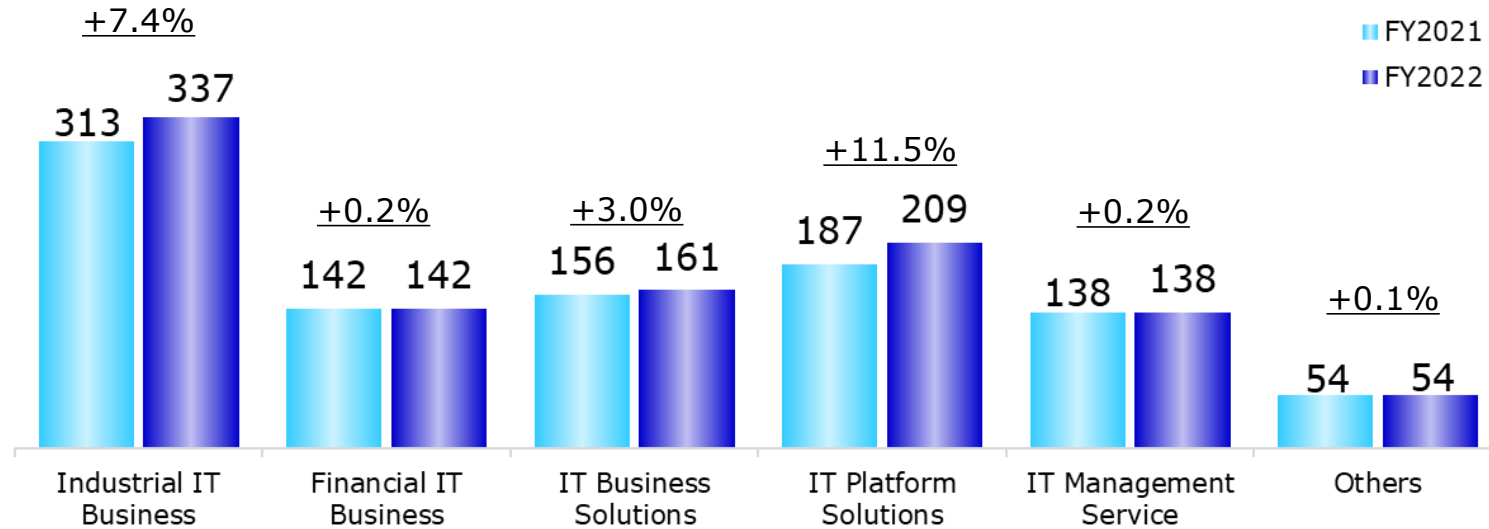


FY2022 Q1 Business Performance by Reportable Segment

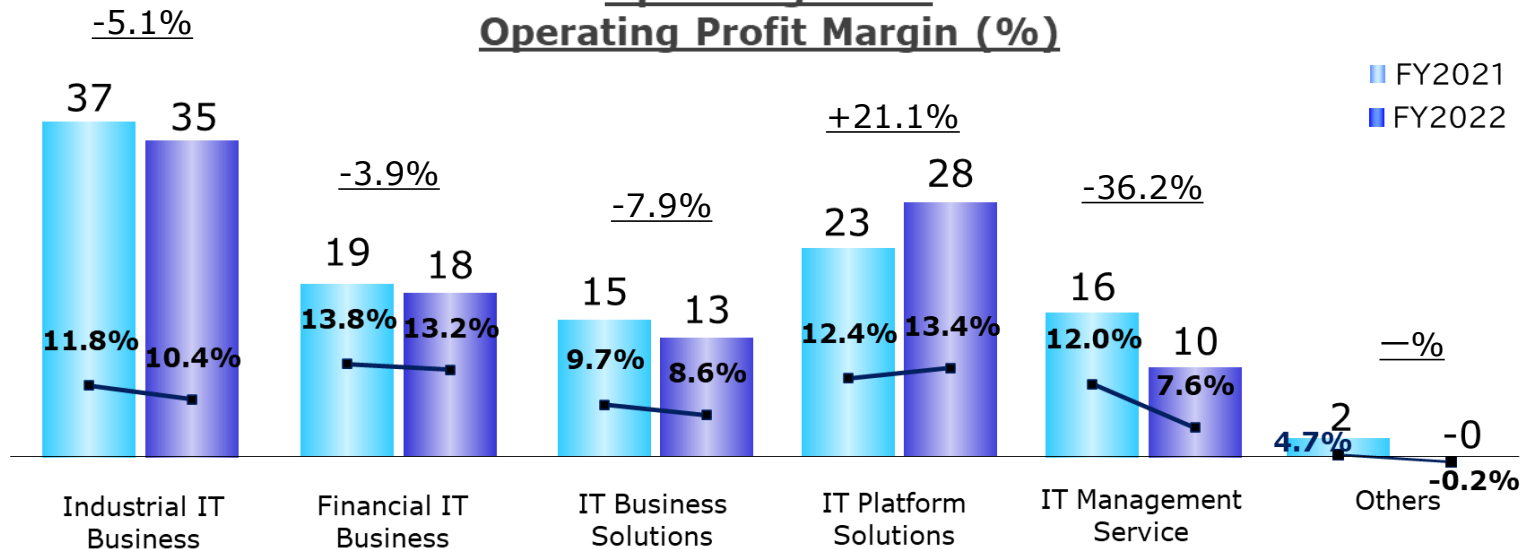


(100 millions of yen)

Net Sales

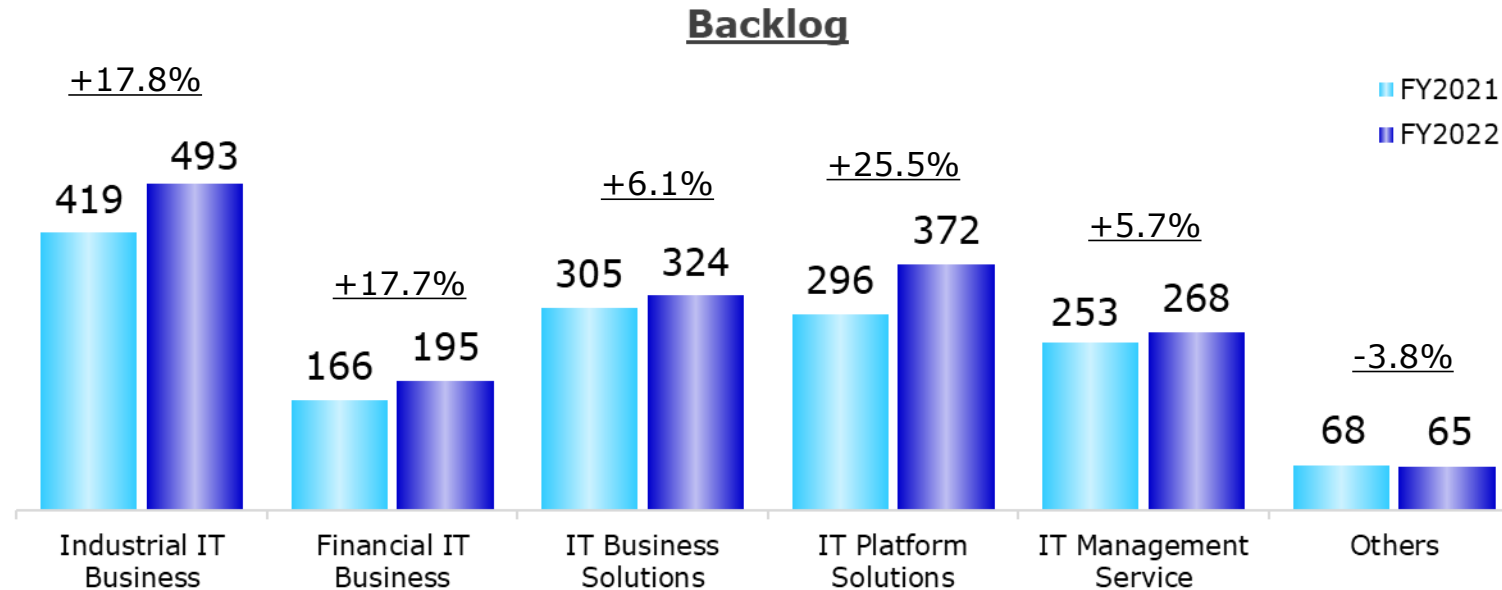
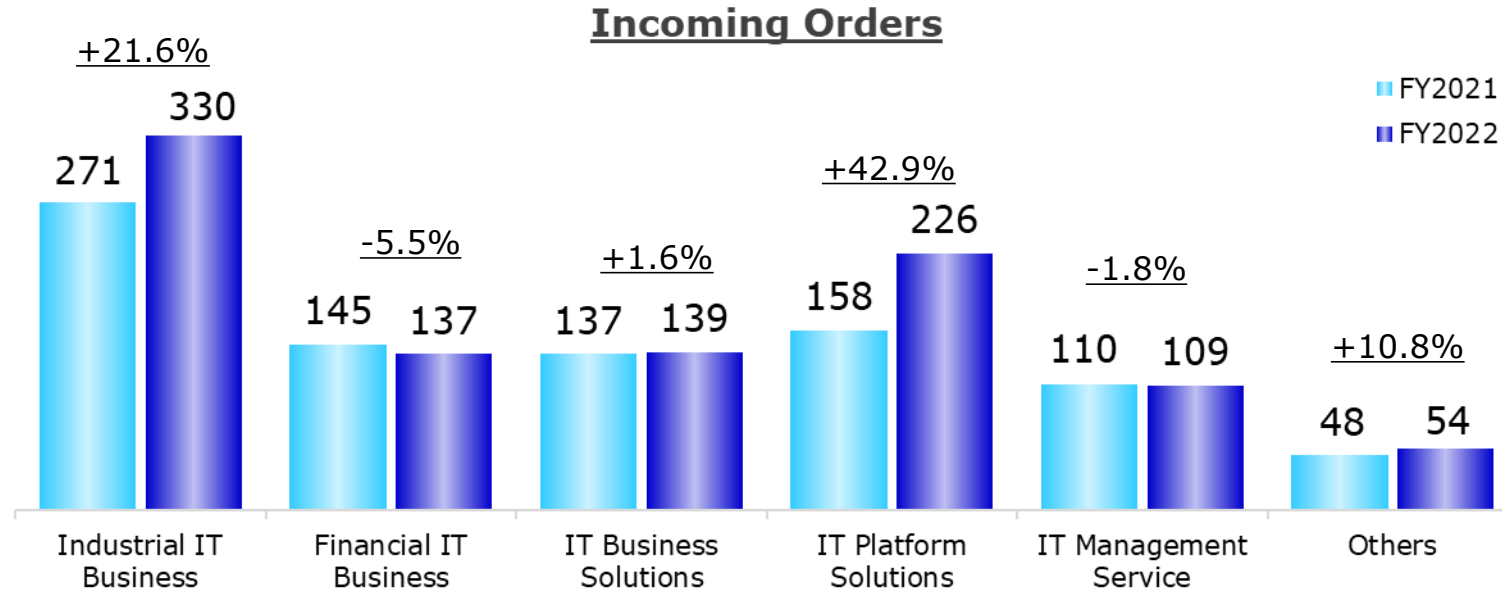


Operating Profit Margin (%)



FY2022 Q1 Business Performance by Reportable Segment

(100 millions of yen)



Segment	Net Sales	Operating Profit	Incoming Orders/ Backlog
Industrial IT Business	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increase in the number of projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services for the automotive industry 	<ul style="list-style-type: none"> ↗ Contribution of projects for the automotive industry ↘ Impact of DX commercialization investment costs ↘ Expansion of R&D expenses for verification services ↘ Decline in reaction to high-profit projects in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Demand for strategic investment in the automotive industry ↗ Increase in the number of projects for rebuilding core systems in the distribution industry ↗ Expansion of verification services for the automotive industry ↗ Increase in demand for system development for the gas industry
Financial IT Business	<ul style="list-style-type: none"> ↗ Increase in international-related business system projects for the banking industry ↗ Expansion of DevOps projects in the credit and leasing industries ↘ Decrease in reaction to large-scale projects for life and non-life insurance companies in the previous fiscal year 	<ul style="list-style-type: none"> ↗ Contribution of projects for banking, securities, credit, and leasing industries ↘ Decrease in reaction to large-scale projects for life and non-life insurance companies in the previous fiscal year ↘ Upfront costs associated with the launch of new services 	<ul style="list-style-type: none"> ↗ Acquisition of large-scale hardware and software projects in the credit and leasing industries ↘ Decrease in reaction to large-scale projects for the securities industry in the previous fiscal year
IT Business Solution	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the service and machinery industries, etc. ↘ Cancellation and downsizing of some customers in the fulfillment service 	<ul style="list-style-type: none"> ↗ Contribution of core system development projects ↘ Business investment by expanding contact center business bases ↘ Increase of amortization of ERP package 	<ul style="list-style-type: none"> ↗ Acquisition of core system development projects in the several industries ↘ Cancellation and downsizing of some customers in the contact center business

* ↗: Factors for increase ↘: Factors for decrease →: No change

<u>Segment</u>	<u>Net Sales</u>	<u>Operating Profit</u>	<u>Incoming Orders/ Backlog</u>
<p>IT Platform Solution</p>	<ul style="list-style-type: none"> ➤ Firm sales of network equipment to the communications industry ➤ Decline in reaction to sales of hardware to academic institutions 		<ul style="list-style-type: none"> ➤ Increase in orders for network equipment for the communications industry ➤ Sales of large-scale hardware to the automobile and service industries
<p>IT Management Service</p>	<ul style="list-style-type: none"> ➤ Increase the data center business in response to brisk demand for cloud services ➤ Decline in management services for the communications and financial industries 	<ul style="list-style-type: none"> ➤ Accrual of depreciation of newly established data center ➤ Impact of soaring electricity prices in the energy market ➤ Decline in reaction to high-profit projects in the previous fiscal year 	<ul style="list-style-type: none"> ➤ Increase the data center business in response to brisk demand for cloud services ➤ Decrease in incoming orders due to the impact of timing differences in contract conclusion
<p>Others</p>	<p>➔ Almost unchanged from the previous fiscal year</p>	<ul style="list-style-type: none"> ➤ Decreased due to expenses for strengthening the management base and expenses for expanding local bases 	<ul style="list-style-type: none"> ➤ Increase in incoming orders due to the impact of timing differences in contract conclusion

* ➤: Factors for increase ➤: Factors for decrease ➔: No change

Launched "Efukuri Asset Building Lounge" platform service

Social Issues

Social security system issues due to low fertility and aging population

Growing importance of building one's own assets in the age of 100 years of life


Company

Want to offer benefit programs to employees, such as asset-building support

Employees

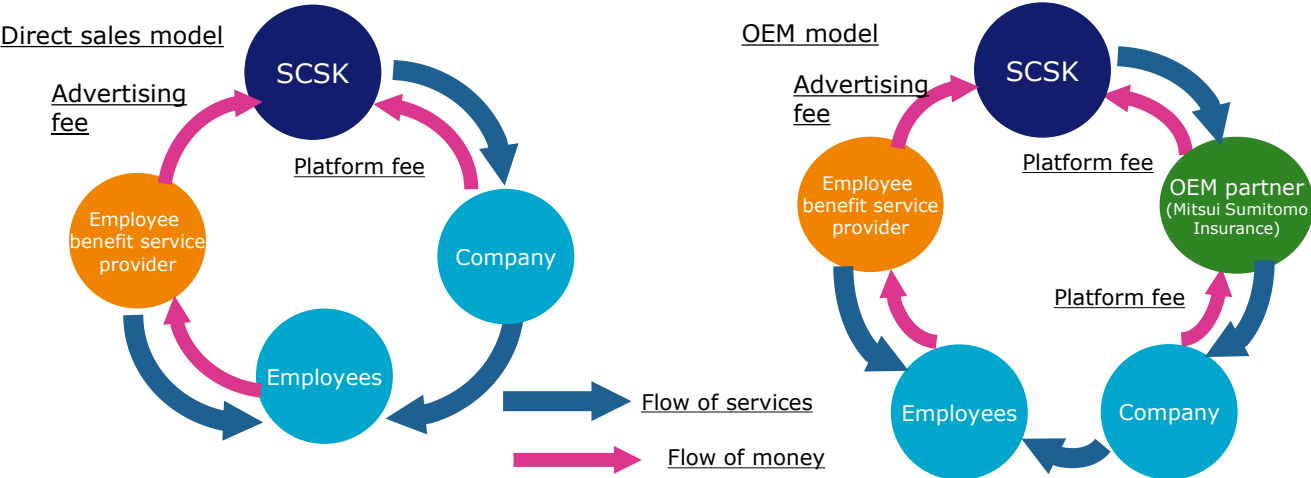
Want to design a life plan including retirement based on an elaborate income/expense simulation





Total support for employees working in companies to relieve their financial worries and enrich their lives

DX promotion in the Financial Service Platforms



三井住友海上

Also offered as a new service by Mitsui Sumitomo Insurance Co.

Business Alliance Agreement with FPT Software Company Regarding Overseas Sales of QINeS BSW



2018: Signed a memorandum of understanding for a comprehensive collaborative partnership in the IT services business in the Asia-Pacific region



2022: Entered into a business alliance contract for the overseas sales of QINeS BSW



Planning to expand global sales, including overseas automotive and parts manufacturers, based on this alliance

Appendix

Systems Development

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	40,494	41,238	744	1.8%
Incoming Orders	39,798	44,002	4,204	10.6%
Backlog	36,485	43,421	6,936	19.0%

➤ Net Sales

- Decrease in reaction to development projects for life and non-life insurance companies
- Demand for investment in strategic areas for the automotive industry and projects for the construction of core systems for the service and machinery industries increased

➤ Incoming Orders

- Decrease in reaction to projects for strengthening the business foundation in the securities industry
- Increased due to projects for the construction of core systems for the distribution industry, demand for strategic investment for the automotive industry, and demand for system development for the gas industry

➤ Backlog

- In addition to the same factors behind changes in incoming orders, increased due to DevOps projects for the installment sales finance and leasing industries, projects for overseas branches and for the international accounting system in the banking industry

System Maintenance and Operation/Services

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	39,515	41,578	2,062	5.2%
Incoming Orders	32,053	32,450	397	1.2%
Backlog	93,078	99,579	6,500	7.0%

- Net Sales
 - Cancellation and downsizing of some customers in the EC fulfillment service
 - Strong demand for data center business and verification services
- Incoming Orders
 - Decreased due to cancellation and downsizing of some customers in the BPO business
 - Increased verification services
- Backlog
 - Increased verification services and data center business

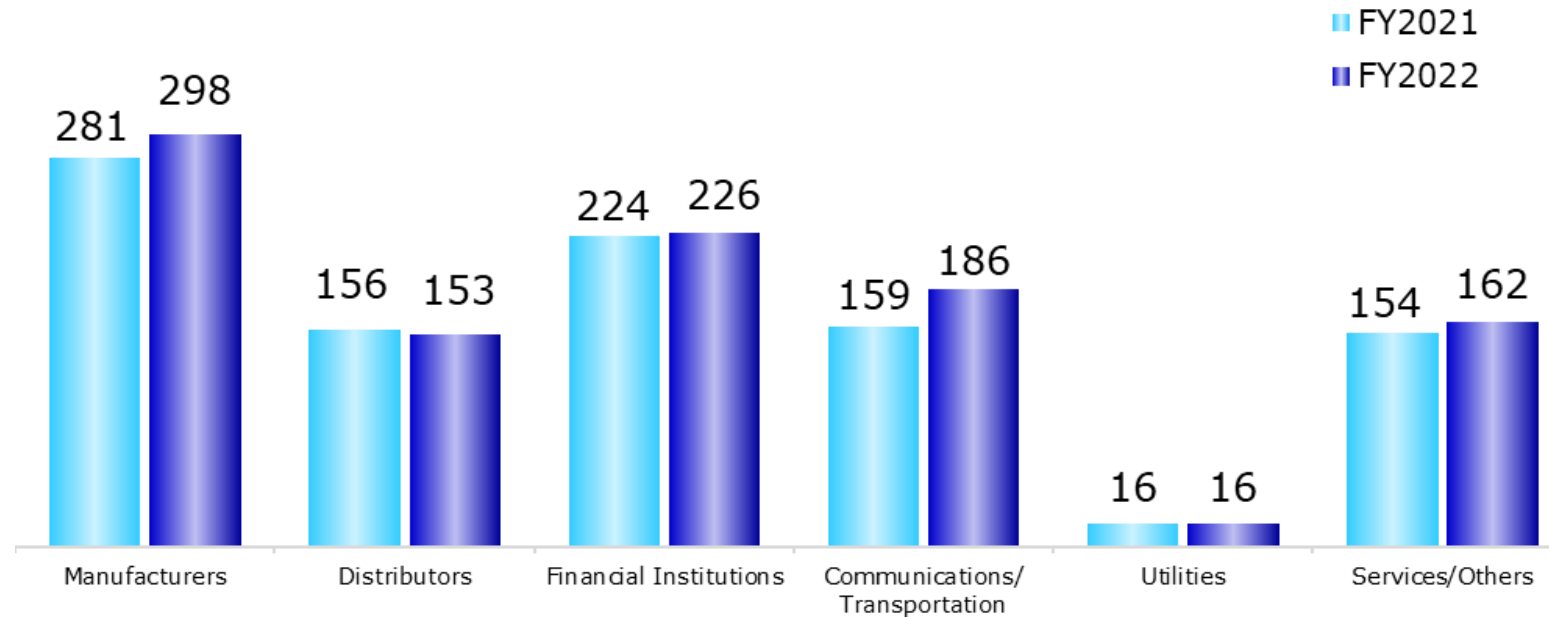
Packaged Software/Hardware Sales

(Millions of yen)

	FY2021	FY2022	YoY	YoY %
Net Sales	19,200	21,600	2,399	12.5%
Incoming Orders	15,462	23,280	7,817	50.6%
Backlog	21,811	29,397	7,586	34.8%

- Net Sales
 - Decline in reaction to sales of hardware to academic institutions
 - Increased in sales of large-scale hardware to the automotive industry and multiple academic research institutions
- Incoming Orders/Backlog
 - Increased due to sales of multiple network equipment to the communications industry, and sales of large hardware to the service and automotive industries
 - Increase in network security devices

(100 millions of yen)



- In the manufacturing industry, sales rose due to the establishment of core systems for the machinery industry and verification services for the automotive industry
- In the distribution industry, sales of network and security equipment declined
- In the finance industry, cloud services for the banking, credit and leasing industries increased
- In the communications and transportation industry, sales of network equipment increased in the communications industry
- Electricity and gas (utilities) industry remained almost unchanged from the same period of the previous fiscal year
- In the services and others business, in addition to projects for the construction of core systems, there was an increase in data center business and BPO-related, etc.

Attention on the use of this document

- We have made amendment of previous year's data (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- Business Performance by Reportable Segments have been reclassified to reflect the change in segment classification in the fiscal year under review. Accordingly, results for the previous fiscal year have been reclassified to reflect this change in segment classification.

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