

SCSK Corporation
Consolidated Financial Results for Fiscal Year Ended March 2023
Q&A Session Summary

Date: April 28, 2023 3:30-4:30 PM
Speakers: Takaaki Touma, Representative Director and President
Yasuhiko Oka, Managing Executive Officer

Q. What is the cutover timing and the status of the two loss-making projects that emerged in the Financial IT Business segment during the fourth quarter of the fiscal year ended March 31, 2023?

A. One project was discontinued, meaning that the entirety of its impact on earnings was felt in the fiscal year ended March 31, 2023. As for the other project, provisions were recorded in the fiscal year ended March 31, 2023, to cover the related expenses and frameworks, and we are targeting a cutover timing of the second half of the fiscal year ending March 31, 2024.

Q. Could you please elaborate on the increase in personnel expenses that was attributable to staff expansion and rises in base salaries?

A. On a consolidated basis, we hired around 500 new graduates. Although we have the target figure image with regard to the recruitment of mid-career individuals, I would like to refrain from giving specific figures.

In the fiscal year ending March 31, 2024, we project a ¥8.0 billion year-on-year increase in personnel expenses, of which more than ¥2.0 billion will be attributable to rises in base salaries.

The impacts of the rises in base salaries will be felt after the revision of compensation systems scheduled for July 2024, which is in the second quarter of the fiscal year ending March 31, 2024.

Q. When it comes to transferring increases in costs to prices for customers, I believe that such negotiations are more difficult for maintenance and operation services than they are for front-end processes and consulting. What are the circumstances with this regard?

A. Over the year that has passed since I assumed the position of president, we have made progress in transferring increases in costs to prices for customers. This is even true for the prices of maintenance and operation services, which had been stagnant for decades; we were able to convince customers to accept higher prices in light of the current operating environment.

Please understand that the process of transferring cost increases to customers is moving forward. We hope to accelerate this process in the fiscal year ending March 31, 2024.

Disclaimer

·This data is intended to provide information about the Group's performance and business strategy and is not intended to solicit the purchase or sales of shares in Group companies.

·Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice.

·SCSK cannot be held responsible for losses resulting from information contained in this report. This report should not be reproduced or retransmitted without authorization.

Q. Commercialization of digital transformation was one of the core strategies under the previous Medium-Term Management Plan. How is this strategy positioned under the new Medium-Term Management Plan?

A. Healthcare and financial wealth management, which were advanced under the commercialization of digital transformation of the previous Medium-Term Management Plan, are included in the core strategy 2 of the new Medium-Term Management Plan. We intend to continue developing such businesses where SCSK stands to lead the market. It is common to think of the commercialization of digital transformation as involving developing new businesses. Quite the contrary though, there digital technologies and digital transformation opportunities that arise from existing core businesses. We have revised our approach toward the commercialization of digital transformation under the new Medium-Term Management Plan based on this recognition.

We intend to explain the growth plans for each of SCSK's businesses at the briefing on the new Medium-Term Management Plan scheduled for June 2023.

Q. The rise in selling, general and administrative expenses projected for the fiscal year ending March 31, 2024, seems large in comparison to the forecast from sales growth. What approach do you intend to take toward accomplishing your management targets, increasing sales growth rates or reducing costs? Also, what areas, in specific, do you expect to contribute to earnings?

A. Human resources with sophisticated skills or digital technology expertise will be imperative to our business going forward. For this reason, we intend to aggressively invest in human resource development, and investments for this purpose will represent a major portion of our investment under the new Medium-Term Management Plan. However, we do not expect the impact of investments on earnings to be as great as that felt under the previous Medium-Term Management Plan. We will also manage the ratio in selling, general and administrative expenses within 15%.

Under the core strategy 1 of decisive business shifts, we aim to boost profitability by further streamlining core businesses. This streamlining should create leeway to be allocated to human resource development as part of advancing the core strategy 2 of development of market-leading businesses in growth markets.

Meanwhile, we will undertake shifts oriented toward bolstering earnings power in conjunction with the pursuit of top-line growth. Under the aforementioned two core strategies, initiatives for increasing earnings power will entail a shift toward high-value-added fields with the goal of raising the gross profit margin from 26.5% to 29.0%. In this manner, we aim to grow both top-line revenue and profit.

END

Disclaimer

·This data is intended to provide information about the Group's performance and business strategy and is not intended to solicit the purchase or sales of shares in Group companies.

·Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice.

·SCSK cannot be held responsible for losses resulting from information contained in this report. This report should not be reproduced or retransmitted without authorization.