

SCSK Corporation
Consolidated Financial Results for the 1st Quarter of Fiscal Year Ending March 2024
Q&A Session Summary

Date: July 28, 2023 3:30-4:30 PM

Speakers: Yasuhiko Oka, Managing Executive Officer

Q. The gross profit margin improved in the three-month period ended June 30, 2023. What is your outlook for SCSK's momentum going forward?

A. Our systems development order backlog increased by 9.0% year on year. The gross profit margin is expected to be strong throughout the remainder of the fiscal year, when excluding the impacts of the raises to base salaries instituted in July 2023.

Q. How will the loss-making projects that emerged in the three-month period ended June 30, 2023, impact performance in the rest of the fiscal year ending March 31, 2024?

A. We have already taken the necessary steps to address these loss-making projects, and improvements are being seen. Accordingly, we do not expect impacts to be felt from these projects in later parts of the fiscal year.

Q. What changes will be created by the strategic software development partnership with Honda Motor Co., Ltd.?

A. This partnership is expected to allow us to expand our relationship with Honda outside of the current area of software development support to include more upstream areas like operating systems for next-generation electronic platforms, electric power trains, advanced driving safety and automation systems, and in-vehicle infotainment systems.

Q. Now that the three-month period ended June 30, 2023, has concluded, are there any areas in which performance is deviating from the assumptions formulated at the time of the announcement of the forecasts?

A. In the three-month period ended June 30, 2023, there were no areas in which performance was lower than anticipated. Our systems development operations have been showing strong performance, our partner strategies have been successful, and smooth progress was made in recruitment. These factors led to performance that was slightly higher than anticipated.

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Q. How were trends in systems development orders in the three-month period ended June 30, 2023, in comparison to the forecasts?

A. Systems development orders are growing centered on those for SAP projects. There are multiple long-term, large-scale projects that are continuing from the previous year, and we are receiving a substantial number of inquiries for such orders. We are also getting a lot of inquiries regarding enterprise resource planning (ERP) and other core systems development projects, and trends for such orders are brisk.

Q. When will the increase in costs in association with the salary increases instituted in June 2023 be incurred?

A. We are projecting total costs of a little over ¥2.0 billion, and we will record one-third of this amount in each of the remaining quarters of the fiscal year ending March 31, 2024.

Q. How were ERP-related sales?

A. ERP-related sales came to ¥9.2 billion in the three-month period ended June 30, 2023, up ¥1.9 billion from the amount of ¥7.3 billion in the previous equivalent period. At the same time, around 20% of ProActive sales were attributable to ProActive C4.

END

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