Strategies to Create Value

Review of the Medium-Term Management Plan

FY2012-FY2014 Medium-Term Management Plan	FY2015-FY2019 Medium-Term Management Plan	FY2020-FY2022 Toward 2030 Medium-Term Management Plan Phase I

Promotion of true integration and pursuit of synergies through mergers	Extrication from labor-intensive businesses	Business Transformation for New Value Creation

Review of Core Strategies

Pursue cross-selling
- Capitalized on expanded client base from the merger to promote company-wide cross-selling of services where both companies excel and increased sales.

Expand the global solutions business
- Utilized track record in global markets to develop support system for Japanese companies' overseas operations, including expanded and reinforced overseas bases and business assistance, and increased relevant sales.

Expand the cloud solutions business
- Newly established the netXDC Chiba Center 2 (SI2). Expanded cloud-based IT services using our network of data centers, which is among the largest in the industry.

Shifting to service-oriented businesses
- Expanded service-oriented businesses that provide standardized and generalized business operations as shared-use systems utilizing our know-how, expertise and IP, and promoted the shift away from a labor-intensive business model.
- Expanded scale of business to about 20% of total net sales.

Promoting strategic business
- Developed in-house BSW (basic software) as a platform for automotive software systems and brought to market our proprietary product QINeS-BSW.
- Experienced a delay in increasing profits compared to the initial plan due to changes in the automobile market. As a result, we did not turn a profit in this core strategy during the Medium-Term Management Plan.

Enter into the second stage of global business expansion
- Promoted the further global business expansion of various IT services, including support for the IT needs of Japanese companies' local subsidiaries.
- Newly established bases in Myanmar and Indonesia to reinforce the business foundation in ASEAN.

Main Initiatives for Managerial Foundation Reinforcement

Operational quality, efficiency and productivity
FY2012　Began use of Smart Episode Plus (SE+)
FY2013　Introduced Service Check System (quality management of system operations)
FY2014　Introduced Core Partner Program

Pleasant, fulfilling place to work/promote health and productivity management
FY2013　Launched Smart Work Challenge
FY2014　Overtime hours: 20 hours or less; rate of consumed annual paid vacation days: 95% or more

Enhance human resource capabilities
FY2012　Introduced IT Skill Level Assessment

Operational quality, efficiency and productivity
FY2016　Introduced SE+ certification program
　　　　　Introduced SE+ (Navi)
FY2018　Achieved 100% SE+ in-house compliance rate

Pleasant, fulfilling place to work/promote health and productivity management
FY2015　Introduced *Kenko Waku Mileage* program
FY2017　Commenced Dokodemo WORK
FY2018　Introduced the program for full-time employment of seniors
FY2019　Introduced Second Job program (Smart Work Plus)

Enhance human resource capabilities
FY2015　Launched Technoco, a hackathon for cultivating self-led talent in IT
FY2016　Opened SCSK i-University
FY2017　Began *Kotsukatsu*, supporting self-development
FY2019　Began providing stipend for learning

Results and Review of Management Targets

FY2014		
	Targets	Results (J-GAAP)
Net sales	¥300 billion	¥297.6 billion
Operating profit	¥25–30 billion	¥28 billion
Operating profit margin	8〜10%	9.4%
ROE	10% or more	12.4%

FY2019		
	Targets	Results (J-GAAP)
Operating profit	¥50 billion	¥42.3 billion
Operating profit margin	10〜12%	10.9%
EPS	¥320	¥300
ROE	15%	15.6%

- Promoted the true combination of both companies since the merger in October 2011 by developing a management foundation using various initiatives.
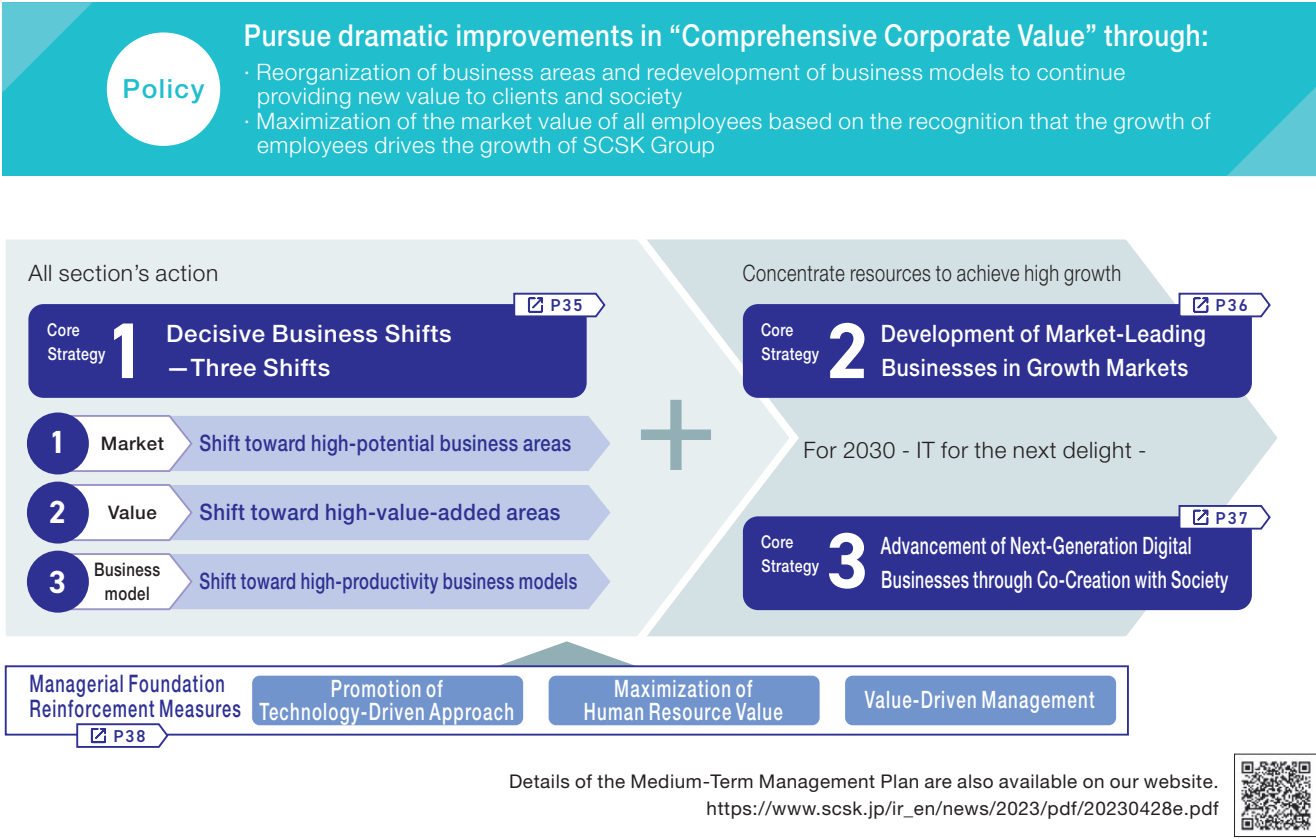- Achieved business expansion driven by merger synergies as expected and fulfilled management targets.

- Made steady progress with reinforcing the management foundation and transform business structure (move away from labor-intensive business model). Achieved high profit growth, with net sales growth rate at 5.4% CAGR and operating profit growth rate at 8.6% CAGR during the Medium-Term Management Plan.
- Although the profitability of strategic businesses is delayed, the operating profit target of generating ¥40 to ¥45 billion from the shift to existing businesses and service-oriented businesses progressed according to plan.

Review of Core Strategies

Core business innovation
- Promote monozukuri and branch office innovation in core businesses to establish competitive advantage by innovating business processes and customer contact points.
- Newly developed S-Cred+ as a "Monozukuri innovation" platform

Commercialization of DX
- Focus on creation of new businesses in four priority fields: Mobility, Financial Service Platform, Healthcare, and CX

Investment in people
- Aggressively invest in people—SCSK's greatest asset and the driving force behind its growth—to promote human resources advancement, diversification, and expansion

Main Initiatives for Managerial Foundation Reinforcement

Augmentation of comprehensive Group capabilities
FY2020　Established nearshore development centers in Akita and Ishikawa prefectures
FY2021　Reorganization of Group to facilitate approach toward middle market companies (Establishment of SCSK Minori Solutions)
FY2022　Established nearshore development centers in Oita and Nagasaki Prefectures

Promotion of management that fully exercises our employee's potential
FY2020　Introduction of multi-track personnel system
FY2022　Senior Expert Program (Implementation of program allowing for ongoing employment past age 65)

Fostering of co-creation-oriented corporate culture
FY2020　Launched the "Mirai-Sozo" Program (Future Creation Program), a program for the creation of new business, and "Beyond 2030," a program where young talent and senior management can exchange opinions

Results and Review of Management Targets

	FY2022	
	Targets	Results (IFRS)
Net sales	¥500 billion or more*	¥445.9 billion
Operating profit margin	10〜12%	11.5%
ROE	15% or more	14.4%

ROIC maintenance target level during the Medium-Term Management Plan period: 10.0–12.0% ⇒ 11.9%
*Includes inorganic sales growth through M&A

Results and review of management targets
- Attributable partly to the impact of the COVID-19 pandemic on business activities, business innovation and DX commercialization made limited contributions to business performance. As we responded, however, to robust strategic investment in cloud and digitalization in existing areas by customers, we achieved record net sales and operating profit.
- Continued high profit growth with an AAGR of 4.8% for net sales and 6.7% for operating profit during the period of the Medium-Term Management Plan.

Toward 2030 Medium-Term Management Plan: Recognition of current state of affairs toward Phase II

To support continued sustainable growth in uncertain times when changes in the business environment are accelerating and the future is challenging to predict, we will engage in self-transformation by restructuring our business fields and business model more thoroughly than in the past in Phase II of our Medium-Term Management Plan toward 2030.

External-Environment	Internal-Environment
◆Social trend · The Japanese government promotes digitalization to strengthen international competitiveness · Segmentation and instability of the supply chain due to geopolitical risks, and soaring prices/labor costs against the backdrop of the energy situation ◆Client trend/IT service industry trend · Increasing interest in in-house production of IT to respond to changes in the marketplace · Shortage of IT professionals and intensified competition to acquire IT professionals due to in-house production	◆Issues of SCSK: three stagnations 1) "Client relationships" · Clients, business fields, services, and client relationships 2) "Business models" · Sales methods, business models and pricing 3) "Organizations/People" · Assignment, roles, work experience, culture, philosophy, etc.

◆Advanced technologies trend
· Expand practical application areas for AI, robotics, and IoT techniques
· Continued emergence of new technological innovations, such as quantum computing

Strategies to Create Value

Progress of the Medium-Term Management Plan

Toward 2030 Phase II   Outline of the Medium-Term Management Plan (FY2023–FY2025)

In April 2023, the SCSK Group announced its latest Medium-Term Management Plan (FY2023–FY2025).

This Medium-Term Management Plan is positioned as Phase II of the plan toward the realization of Grand Design 2030. In addition to restructuring our business fields and business model and actively working on areas that provide Group-generated new value, we will shift to a more highly profitable, productive business model. We will also work to maximize each employee's market value by fostering a work environment in which employees can fully demonstrate their abilities and by selecting and building business fields and business models. Specific efforts to promote these initiatives are summarized in our Group core strategies.

Group core strategies

Policy — Pursue dramatic improvements in "Comprehensive Corporate Value" through:
· Reorganization of business areas and redevelopment of business models to continue providing new value to clients and society
· Maximization of the market value of all employees based on the recognition that the growth of employees drives the growth of SCSK Group

All section's action

Core Strategy 1 Decisive Business Shifts —Three Shifts   P35

1 Market   Shift toward high-potential business areas
2 Value   Shift toward high-value-added areas
3 Business model   Shift toward high-productivity business models

Concentrate resources to achieve high growth

Core Strategy 2 Development of Market-Leading Businesses in Growth Markets   P36

For 2030 - IT for the next delight -

Core Strategy 3 Advancement of Next-Generation Digital Businesses through Co-Creation with Society   P37

Managerial Foundation Reinforcement Measures   P38 | Promotion of Technology-Driven Approach | Maximization of Human Resource Value | Value-Driven Management

Details of the Medium-Term Management Plan are also available on our website.
https://www.scsk.jp/ir_en/news/2023/pdf/20230428e.pdf

What is "comprehensive corporate value"?

Value to be created by utilizing the SCSK Group's fundamental corporate capabilities in practicing sustainability management as a growth strategy and working to become a Co-Creative IT Company in 2030 under SCSK Group Medium-Term Management Plan (FY2023–FY2025). Corporate value including both economic value and non-financial factors such as social value and human capital value.

· Economic Value: Value that is reflected in market capitalization (market's evaluation) as a company with significant earnings power and growth potential pursuing long-term profit growth
· Social Value: Value deemed to contribute to a sustainable society by address in environmental and social issues
· Human Capital Value: Value of skills drawn out through investments positioning human resources as a form of capital (skill development, workplace environment, etc.)

Management indicators (financial)

Financial targets

Aiming at high profit growth by reorganizing business areas and redeveloping business models for sustainable growth

Operating profit
¥**65.0** billion

Operating profit margin
12.5% or more

ROE
14%

Shareholder returns

Expand shareholder returns and increase the dividend payout ratio in line with earnings growth

Dividend payout ratio
50% (FY2025)

Growth investment

Aggressive investment of ¥100 billion over three years to further augment the SCSK Group's strengths

M&A
¥50–70 billion
→ ● Acquisition of advanced technologies, specialized business knowledge, resources, including global M&A to strengthen competitiveness in growth and strategic areas

Strengthen Business Foundation ¥30–50 billion

R&D·Business Development ¥20–30 billion
→ ● R&D investment to develop and expand in-house intellectual property
● Investment and alliances in domestic and overseas ventures for research on advanced technologies
● Capital expenditures to strengthen the management foundation

Investment in People ¥10–20 billion
→ ● Continuous developing of advanced engineers
● Strengthen recruitment of highly skilled personnel, particularly consultants
● Improvement of the pay and work conditions

Management indicators (non-financial)

Human resources portfolio/ human resource development

● Consulting and business design personnel
500 people or more
● Certificated advanced engineers
3,000 people or more
● Advanced PM talent
250 people or more
● Certificated IT engineers for the Digital Skill Standard Training
10,000 people

Well-Being/D&I promotion

● Engagement[1]
90% or more
● Performance volatility[2]
90% or more
● Number of females in general manager positions[3]
Three times or more

Global Environmental Contributions

● Reduction rate of greenhouse gas emissions (compared with FY2019) Scope 1 + 2 (fiscal 2030 and 2050)
FY2030 **47**% reduction
FY2050 **100**% reduction

Scope 3 (fiscal 2030)
FY2030 **28**% reduction

1 The percentage of employees who answered positively in response to both of the items "SCSK is a company with a pleasant workplace" and "SCSK is a company with a rewarding workplace" in the employee awareness survey.
2 The percentage of employees who answered positively in response to the item "My abilities are fully leveraged" in the employee awareness survey and who answered that "80% of my performance is demonstrated on the assumption that performance made in healthy conditions is 100%" in the health questionnaire survey.
3 Calculated as a percentage compared with the fiscal year ended March 31, 2023 (results)

Progress of the Medium-Term Management Plan

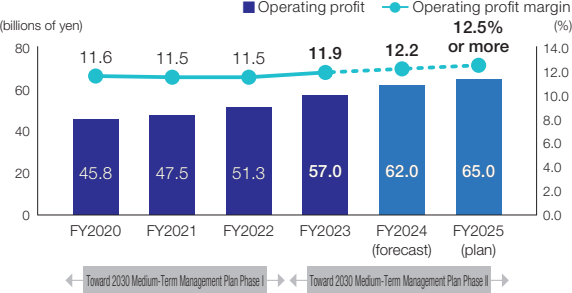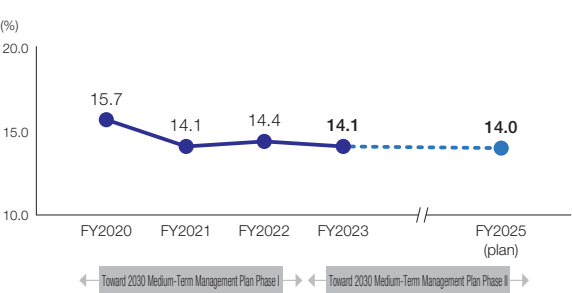## Management Indicators (Financial and Non-Financial) Progress Summary

Financial targets

Operating profit increased by ¥5.6 billion year on year, and the operating profit margin improved by 0.3 percentage points. In addition to the increase in profits due to higher revenue, the impact of rising costs was absorbed by the progress of initiatives related to offering appropriate prices and higher profitability due to improved productivity. Moreover, we have maintained ROE at around 14%.

Operating profit/operating profit margin

■ Operating profit ● Operating profit margin

(billions of yen) / (%)

	FY2020	FY2021	FY2022	FY2023	FY2024 (forecast)	FY2025 (plan)
Operating profit margin	11.6	11.5	11.5	11.9	12.2	12.5% or more
Operating profit	45.8	47.5	51.3	57.0	62.0	65.0

Toward 2030 Medium-Term Management Plan Phase I ↔ Toward 2030 Medium-Term Management Plan Phase II

ROE

(%)

FY2020	FY2021	FY2022	FY2023	FY2025 (plan)
15.7	14.1	14.4	14.1	14.0

Toward 2030 Medium-Term Management Plan Phase I ↔ Toward 2030 Medium-Term Management Plan Phase II

Shareholder returns

With the dividend payout ratio at 46.3%, we are steadily progressing toward achieving a ratio of 50% in the fiscal year ending March 31, 2026.

Dividend payout ratio

● Dividend payout ratio ■ Annual dividend per share

(%) / (yen)

	FY2020	FY2021	FY2022	FY2023	FY2024 (forecast)	FY2025 (plan)
Dividend payout ratio	42.0	43.5	43.5	46.3	47.7	50.0
Annual dividend per share	45	46.67	52	60	68	

Toward 2030 Medium-Term Management Plan Phase I ↔ Toward 2030 Medium-Term Management Plan Phase II
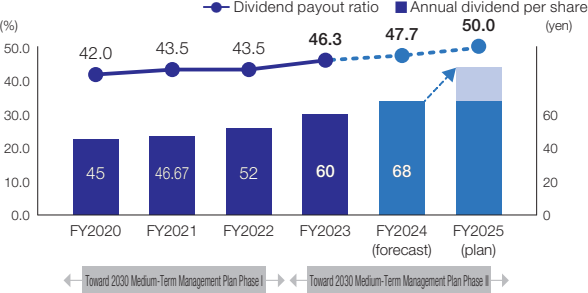
Growth investment

We plan to invest aggressively, committing ¥100 billion over the three years of the Medium-Term Management Plan, and executed investments of ¥28.4 billion during the fiscal year ended March 31, 2024.

Investment amount (billions of yen)

	FY2023	Investment plan
M&A	6.9	50–70
R&D·Business Development	16.2	20–30
Investment in people	5.1	10–20
Total	28.4	100

Human resources portfolio/human resource development [P73]

To push forward the promotion of the core strategies we set forth in the Medium-Term Management Plan, we have established non-financial targets for structural expansion in the four key fields and are focusing on cultivating human resources. As we continue our human resource development and expansion initiatives, we have a steady increase in all fields.

Consulting and business design personnel
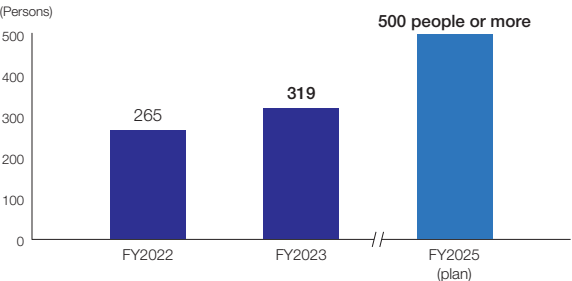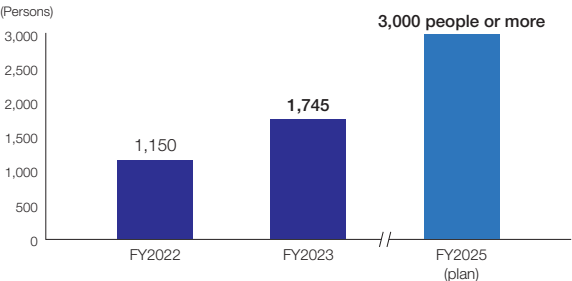
(Persons)

FY2022	FY2023	FY2025 (plan)
265	319	500 people or more

Certificated advanced engineers

(Persons)

FY2022	FY2023	FY2025 (plan)
1,150	1,745	3,000 people or more

Advanced PM talent

(Persons)

FY2022	FY2023	FY2025 (plan)
166	183	250 people or more

Certificated IT engineers for the Digital Skill Standard Training

(Persons)

FY2022	FY2023	FY2025 (plan)
1,600	3,772	10,000 people
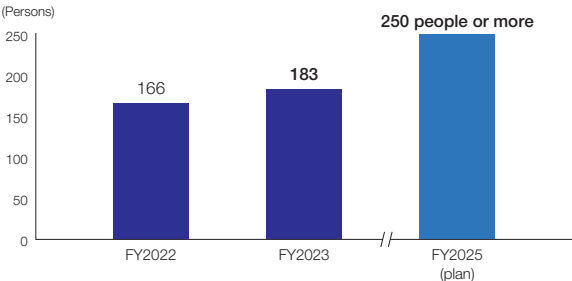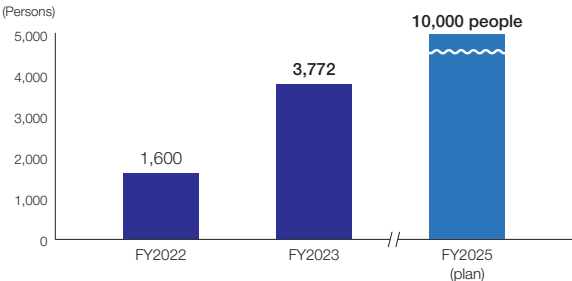
Well-Being/D&I promotion [P77]

In addition to balancing work comfort and job satisfaction, we also aim to achieve a high standard of mental and physical health and performance. To this end, we are continuously implementing initiatives while regularly monitoring employee engagement and performance volatility.
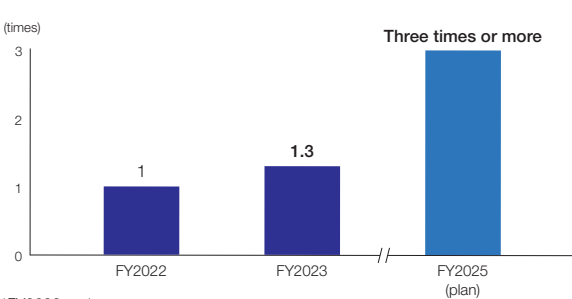
Engagement[1]
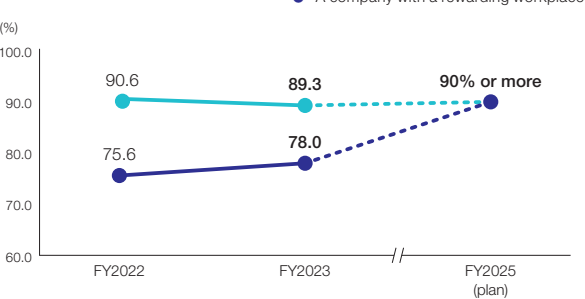
● A company with a pleasant workplace ● A company with a rewarding workplace

(%)

	FY2022	FY2023	FY2025 (plan)
A company with a pleasant workplace	90.6	89.3	90% or more
A company with a rewarding workplace	75.6	78.0	

Performance volatility[2]

● My abilities are leveraged ● Presenteeism

(%)

	FY2022	FY2023	FY2025 (plan)
Presenteeism	81.7	80.2	90% or more
My abilities are leveraged	76.8	76.1	

Number of females in general manager positions[3]

(times)

FY2022	FY2023	FY2025 (plan)
1	1.3	Three times or more
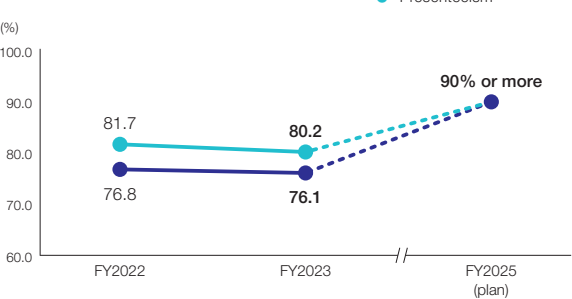
*FY2022 as 1

Global Environmental Contributions [P65]

As part of our contribution to the global environment, we are implementing initiatives to mitigate GHG emissions.

Reduction rate of greenhouse gas emissions (compared with FY2019)

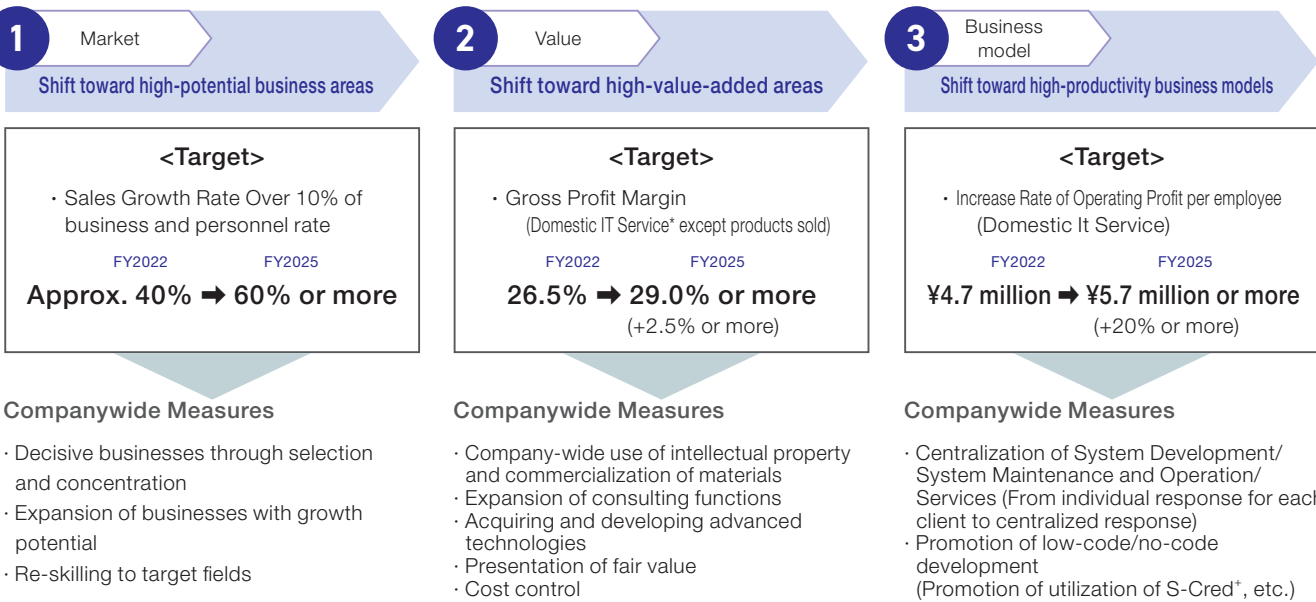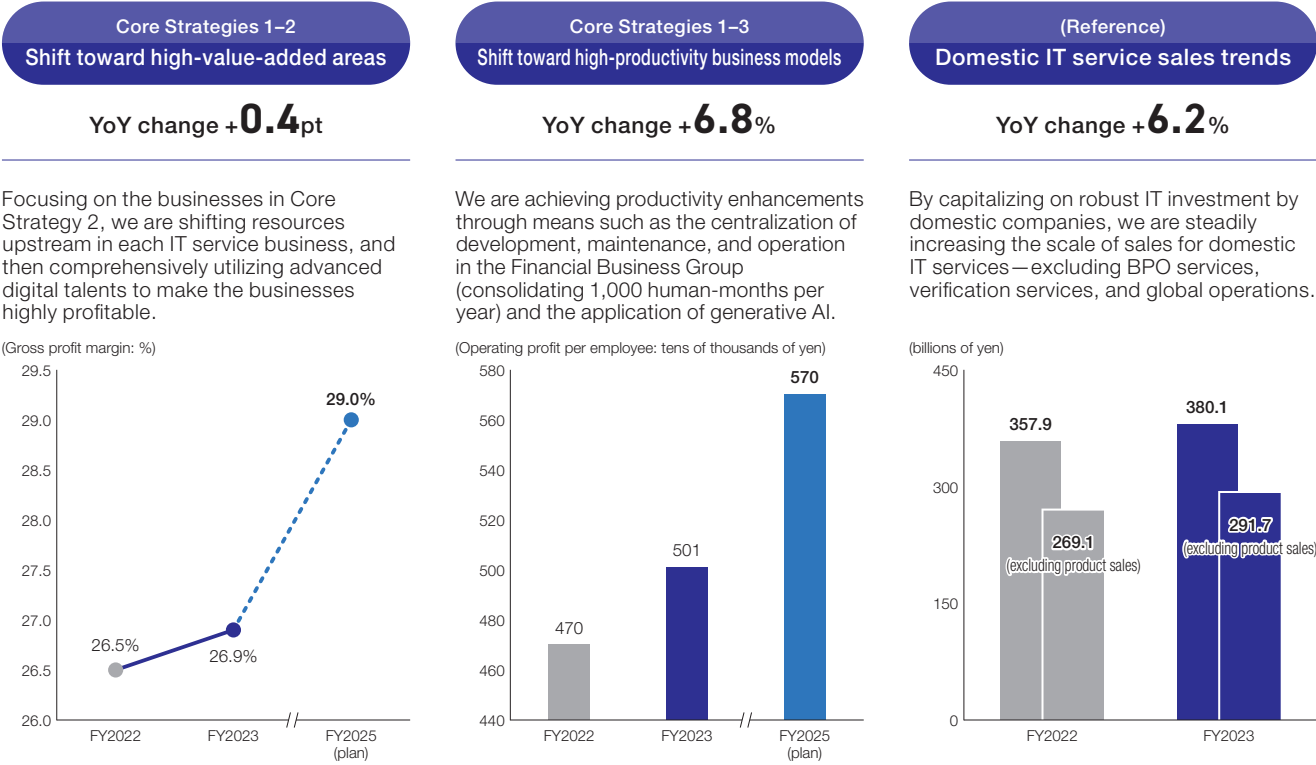|	FY2022 (result)	FY2030 (target)	FY2050 (target)
Scope 1 + 2	Approx. 23% reduction	47% reduction	100% reduction
Scope 3	Approx. 9% increase	28% reduction	—

1 The percentage of employees who answered positively in response to both of the items "SCSK is a company with a pleasant workplace" and "SCSK is a company with a rewarding workplace" in the employee awareness survey.
2 The percentage of employees who answered positively in response to the item "My abilities are fully leveraged" in the employee awareness survey and who answered that "80% of my performance is demonstrated on the assumption that performance made in healthy conditions is 100%" in the health questionnaire survey.
3 Calculated as a percentage compared with the fiscal year ended March 31, 2023 (results)

Strategies to Create Value

Progress of the Medium-Term Management Plan

Toward 2030 Medium-Term Management Plan Phase II Group Core Strategies

Core Strategy 1 Decisive Business Shifts—Three Shifts

In Core Strategy 1, we will be re-organized and business models will be redeveloped to adapt to operating environment changes and achieve sustainable growth. Moreover, we will create investment capacity and growth capacity toward sustainable growth while improving profitability to transform our corporate structure by overcoming the three stagnations for the SCSK Group: "Client relationship," "Business models" and "Organization/People."

1 Market
Shift toward high-potential business areas

\<Target\>
· Sales Growth Rate Over 10% of business and personnel rate

FY2022   FY2025
Approx. 40% ➡ 60% or more

Companywide Measures
· Decisive businesses through selection and concentration
· Expansion of businesses with growth potential
· Re-skilling to target fields

2 Value
Shift toward high-value-added areas

\<Target\>
· Gross Profit Margin
(Domestic IT Service* except products sold)

FY2022   FY2025
26.5% ➡ 29.0% or more
(+2.5% or more)

Companywide Measures
· Company-wide use of intellectual property and commercialization of materials
· Expansion of consulting functions
· Acquiring and developing advanced technologies
· Presentation of fair value
· Cost control

3 Business model
Shift toward high-productivity business models

\<Target\>
· Increase Rate of Operating Profit per employee (Domestic It Service)

FY2022   FY2025
¥4.7 million ➡ ¥5.7 million or more
(+20% or more)

Companywide Measures
· Centralization of System Development/ System Maintenance and Operation/ Services (From individual response for each client to centralized response)
· Promotion of low-code/no-code development
(Promotion of utilization of S-Cred*, etc.)

Progress of Core Strategy 1*

Core Strategies 1–2
Shift toward high-value-added areas

YoY change +0.4pt

Focusing on the businesses in Core Strategy 2, we are shifting resources upstream in each IT service business, and then comprehensively utilizing advanced digital talents to make the businesses highly profitable.

(Gross profit margin: %)

29.5
29.0 — 29.0%
28.5
28.0
27.5
27.0 — 26.9%
26.5 — 26.5%
26.0
FY2022   FY2023   FY2025 (plan)

Core Strategies 1–3
Shift toward high-productivity business models

YoY change +6.8%

We are achieving productivity enhancements through means such as the centralization of development, maintenance, and operation in the Financial Business Group (consolidating 1,000 human-months per year) and the application of generative AI.

(Operating profit per employee: tens of thousands of yen)

580
560
540
520 — 501
500
480
470
460
440
FY2022   FY2023   FY2025 (plan) — 570

(Reference)
Domestic IT service sales trends

YoY change +6.2%

By capitalizing on robust IT investment by domestic companies, we are steadily increasing the scale of sales for domestic IT services—excluding BPO services, verification services, and global operations.

(billions of yen)

450
357.9   380.1
300
269.1 (excluding product sales)   291.7 (excluding product sales)
150
0
FY2022   FY2023

*We will disclose the results of Core Strategy 1-1 in the final year of the Medium-Term Management Plan, and will calculate the results of Core Strategy 1-2 based on sales excluding domestic IT services and retail sales. For information on sales scale, please refer to "(Reference) Domestic IT service sales trends."

Core Strategy 2 Development of Market-Leading Businesses in Growth Markets

Regarding Core Strategy 2, the SCSK group will pursue high growth while contributing to market growth by exercising its strengths in growing markets and technology areas related to cloud and digital technologies. Moreover, we will be reallocated in a manner that is not within resources of current organization, advanced technologies will be utilized in an organization-wide manner, and SCSK Group will constantly seek out new target businesses.

Social issues

Global
· Disruptive innovation driven by technological progress
· Cyberattacks on companies and organizations
· Climate change and Decarbonization
· Geopolitical risk

Japan
· Population aging
· Population decline
· Aging of social infrastructure
· Catastrophic and frequent large-scale natural disasters etc.

Social Trends
· Progress in data-driven management
· Business innovation in each industry
· Mobility revolution   etc.

Modernization services for solving social and customer issues
● Manufacturing field (Digital Supply Chain, atWill)
● Financial field (AML, Wealth Management)
● Mid-sized company data-driven management support (ProActive)
● BPM (Business Process Modernization)

Innovation services for new value creation
● Healthcare (Support for digital business reforms for the medical field)
● Mobility (Mobility software leading SDM era)

Integration services supporting society's digitalization
● Security
● Data integration
● Cloud integration

Market expansion capturing the trend of digitalization
● Global Business (Digital reforms in emerging markets)

AI
Machine Learning/ Deep Learning

IoT
Sensing/Edge

Blockchain
Web3/NFT

Security
Zero Trust/Encryption

Data analysis

Progress of Core Strategy 2

The sales scale for Core Strategy 2 increased 14.3% year on year to ¥148.5 billion. High growth was achieved that served to drive the company's results overall. This was primarily attributable to the solid performance of the digital supply chain (DSC) business, an increase in ProActive projects for invoice support, etc., and growth in the mobility business, where we capitalized on the automotive industry's strategic investment demand.

Core Strategy 2 entails the promotion of a host of initiatives to expand the scale of sales. Looking at modernization services, in response to the DX-related needs of its manufacturing industry customers, the digital supply chain business is shifting human resources on the order of several hundred people to handle large-scale projects. [🔗 P49 Industrial Business Group] Moreover, along with our integration of the ProActive business with the production management solution atWill in April 2024, in terms of the business model, we transitioned to an SaaS-type recurring revenue model. [🔗 P55 ProActive Business Solutions Div.]

Turning to innovation services, we are accelerating co-creation with automakers and suppliers in the mobility business to become a co-creative mobility service provider to take the lead in the SDM era. [🔗 P53 Mobility Business Group]

In our integration services business, leveraging the knowledge and expertise we had accumulated in the security field to date, we established SCSK Security Corporation in August 2023 as a specialized company in the same field. We are expanding our business by augmenting the training and recruiting of highly specialized personnel, including ethical hackers. [🔗 P81 CASE STUDY]
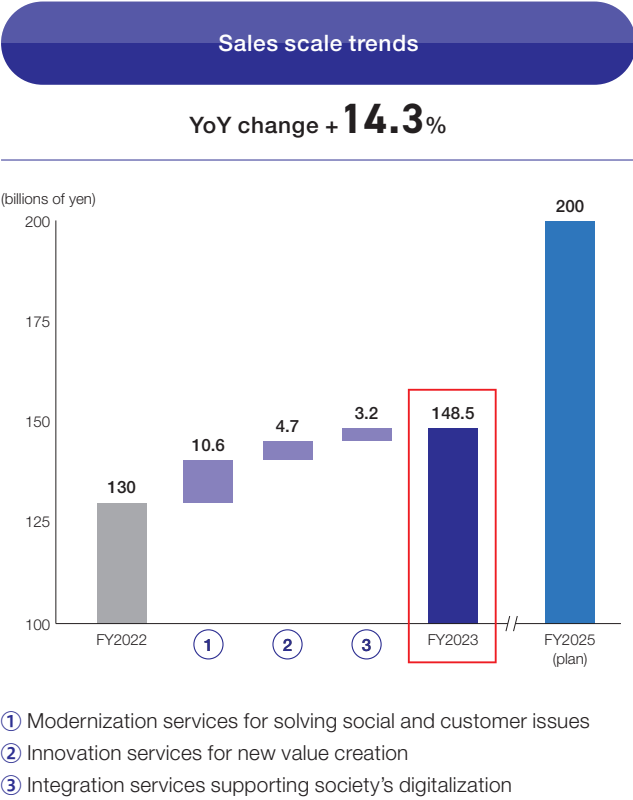
Sales scale trends

YoY change +14.3%

(billions of yen)

200 — 200
175
150 — 148.5
130   10.6   4.7   3.2
125
100
FY2022   ①   ②   ③   FY2023   FY2025 (plan)

① Modernization services for solving social and customer issues
② Innovation services for new value creation
③ Integration services supporting society's digitalization

Strategies to Create Value

Progress of the Medium-Term Management Plan

Core Strategy 3 Advancement of Next-Generation Digital Businesses through Co-Creation with Society

In Core Strategy 3, by leveraging our core business insight, we will lead the creation of completely new, next-generation digital business and of new value for society.

New business possibilities will constantly be explored in areas based on the SCSK Group's material issues.

Achieving sustainable business growth with society

Innovating for a Brighter Society

IT for the next delight

Creating an Inclusive Society

Building Trust for a Safe and Secure Society

Global Environmental Contributions

Diverse Team of Professionals

Sustainable Value Chain

Transparent Governance

Foundation supporting sustainable growth

GX field ⤓ P63
Promoting businesses to realize GX in society
· Promoting the use of renewable energy
· Carbon Management, etc.

Security field
Contributing to the realization of a safe and secure digital society in response to intensifying threats from cyber-attacks
· Anti-fraud measures using advanced technologies, etc.

Customer experience field
Utilizing digital technologies to realize a rich customer experience for diversifying values and lifestyles in the use of products and services

Regional Revitalization/Responding to regional issues
Promoting initiatives for regional development and issues-solving by digital technology
· Revitalization of regional economies through digital currencies
· Regional co-creation model development, etc.

Healthcare—Self-care field
Contribute to improving health and solving issues in the self-care field by measures to presymptomatic disease and preventing illness cultivated in the healthcare field
· Realization of measures to presymptomatic disease and prevention of illness, contribution to reduction of medical costs, etc.

Wealth management field
In order to support a prosperous Second Life in the age of 100 life, we will utilize digital technologies to improve the financial literacy of each individual and contribute to asset building

Initiatives toward enhancing CX services

The SCSK Group decided on a basic policy to reorganize wholly owned subsidiary SCSK PRESCENDO Corporation and equity method affiliate Diamond head Co., Ltd. as a new entity by integrating them. The merger is part of the SCSK Group's Medium-Term Management Plan, the aim of which is to create next-generation digital businesses and enhance the customer experience. Until now, Diamond head and SCSK PRESCENDO have leveraged their respective strengths together in creating new value. Our objectives for the merger are to optimize and streamline management resources and provide services with a high level of customer satisfaction. We also aim to establish CX services that support ethical consumption behavior as a contribution to the realization of a sustainable society Moreover, through new purchasing experiences in the Online Merges with Offline (OMO) domain, we intend to provide new value to BtoC customers.

Diamond head × SCSK PRESCENDO

ZEBiT launched, a service that contributes to the realization of a decarbonized society by enabling GX management for building.

On April 1, 2024, we launched ZEBiT, a service for owners and managers of small- and medium-scale commercial buildings to help them conserve energy and mitigate CO_2 emissions from their buildings. Net Zero Energy Building (ZEB)—for which demand is strong today, particularly for commercial buildings—is a building that aims to achieve a comfortable indoor environment while reducing to net zero the building's annual primary energy consumption balance.

To support the conversion of buildings to ZEB, ZEBiT leverages IoT technology to enhance the efficiency of facility operation and accelerate commercial building GX.

ZEBiT

Managerial Foundation Reinforcement

In promoting our three core strategies, we will undertake three initiatives to reinforce our management foundation: "Promotion of Technology-Driven Approach," "Maximization of Human Resource Value," and "Value-Driven Management."

Promotion of Technology-Driven Approach

We will create new value and develop new businesses by acquiring advanced technologies, and expand the number of highly advanced engineers for social implementation. We will also further strengthen open innovation by making business expertise, copyrighted works, and more accumulated over many years into intellectual property, enhancing intellectual property value by promoting the use of intellectual property to resolve customer issues at all customer fronts, and strengthen the promotion of open innovation, such as collaboration with venture companies through fund investments and other means.

Maximization of Human Resource Value

SCSK Group Medium-Term Management Plan (FY2023–FY2025) defines the policy of "Maximization of the market value of all employees based on the recognition that the growth of employees drives the growth of the SCSK Group." In implementing this policy, to enable diverse human resources to play active roles, we will optimize business strategies and human resource portfolios, develop the foundation through treatment and remuneration systems, promote Well-Being Management and health management, and practice diversity and inclusion.

Value-Driven Management

The SCSK Group is promoting Value-Driven Management based on the fact that fostering mutual understanding between employees and the company (including leaders, senior management as such) can drive the creation of new value to degrees that could not be realized by a single individual or company.

Main Initiatives for FY2024		
Promotion of Technology-Driven Approach	Advanced technology	● Company-wide release of generative AI guidelines (April 2023) ● Construction and release of SCSK-GAI, SCSK's proprietary generative AI (May 2023) ● Establish CoE to aggregate technical information and experts (AI/data utilization, UX, cloud native, architects) ⤓ P39 Message from the General Manager, Technology Strategy Div.
	Intellectual property value	● Introduce measures to encourage the acquisition of patents as a means of promoting innovation (incentive system, etc.), and consider establishing a dedicated intellectual property strategy organization
	Open innovation	● Based on open innovation themes established by each Business Group, investigate and promote introduction activities for startups abroad and in Japan.
Maximization of Human Resource Value	Business Strategy and Human Resources Portfolio	● Each Business Group formulates human resource portfolio plan ● Conduct recruitment and reskilling in accordance with human resource portfolio plan (training to cultivate advanced engineers, Digital Skill Standard Training)
	Well-Being Management	● Formulated the SCSK Well-Being Score to assess actual work comfort and job satisfaction, and conducted a survey. ● Participated in the Health & Productivity Management Alliance as one of the representative organizing companies, with the aim of giving back to society through health management. ● Opened SCSK LINK SQUARE to promote workplace strategy to encourage co-creation. ⤓ P41 Message from the Assistant General Manager, Human Resources
	Treatment and remuneration systems	● Raised the standard through revisions to remuneration (average of 5% in FY2023) ● Considered the introduction of a compensation system reflective of business growth
	Diversity and inclusion	● Introduced an executive-level training program for women to ensure management diversity ● Appointed general manager-level personnel from outside the company
Value-Driven Management	Value-Driven Management	● Senior management attends all Business Group kick-off meetings to explain Medium-Term Management Plan ● Conduct town hall meetings with the company's president for department heads, who are key in promoting the Medium-Term Management Plan

Strategies to Create Value
Progress of the Medium-Term Management Plan

Forerunner in Digital Transformation

SCSK's Strategy for Generative AI

Katsushi Fukui
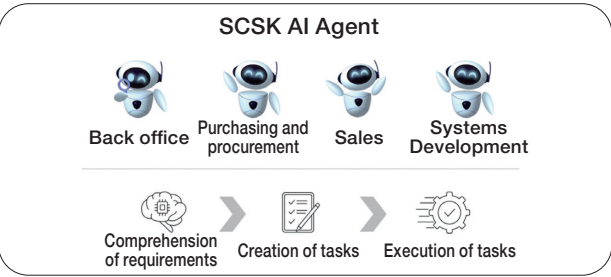Senior Corporate Officer
General Manager, Technology Strategy Div.

1. Application of generative AI to all system development processes
In large-scale system development, the use of generative AI in all processes from requirements definition to operation is expected to raise productivity. In the phase encompassing requirements definition and design, generative AI can be utilized in each phase, including support for document creation—such as draft generation and item review—in the phase encompassing requirements definition and design, code generation and test case creation during the implementation and testing phases, and incident response and report generation during operation. We have already accumulated results of partial application on a trial basis, and have begun verification of effective mechanisms that contribute to improved productivity and quality.

2. Standardization and transformation of related IP into tools
The effective use of generative AI in system development requires the know-how to prompt the generative AI to output results that match the user's, or engineer's, expectations. We are accumulating and sharing the knowledge gained from the trials, and are promoting its smooth application to other projects. To achieve an effective AI-driven development mechanism, we are also promoting a common development environment.

3. Prepare development process suitable for AI-driven development
As the proportion of tasks we entrust to AI increases, there will be changes in the method of creating deliverables and a review of the development process will become necessary. We have been proceeding with development using the company-wide development standard SmartEpisode Plus (SE⁺). Going forward, we will also develop a standard process suitable for AI-driven development and evolve it to ensure increased stability in terms of quality.

4. Cultivating talent for AI-driven development
Progress in AI-driven development will bring commensurate changes in the skills of engineers. In addition to traditional design and programming skills, prompt engineering skills are essential in effectively utilizing AI. Understanding evolving AI models is also important. In addition to providing development standards and tools, SCSK will focus on cultivating personnel to engage in AI-driven development.

Since the initial release of ChatGPT by OpenAI in 2022, the spread of the use of generative AI has been swift. The emergence of large language models (LLMs)—the performance of which exceeds that of conventional natural language models—has expanded the scope of AI applications in a host of business settings, and many companies have tested it and are producing results. Recognizing the importance of generative AI, we also view it as a technology that will significantly impact on the industry overall, and have been promoting related initiatives from early on, including in-house verification.

From enhanced business sophistication to enhanced service sophistication through generative AI

As soon as ChatGPT was available, we have been providing SCSK Generative AI (SCSK-GAI), an environment that enables employees to use generative AI in their work with peace of mind. We have also worked to provide the "Idea Kitchen" workshop, which organizes the application of generative AI to various tasks, and also supported to implement a dedicated environment for the advancement of information retrieval and inquiry services. To promote these initiatives, we have established support structures including a digital CoE comprising in-house experts and the SCSK AI Integration Lab, an organization dedicated to the promotion of AI.

Meanwhile, we are also promoting the use of generative AI to our own products, including community chatbots for our no-code development tool CELF and the incorporation of generative AI functionality into PrimeTiaas, our cloud contact center service. Leveraging the knowledge gained from introducing generative AI to our own products through its evaluation, we provide a host of generative AI related services using various cloud services.

We will continue to develop more advanced functions such as AI agents and fine tuning approaches into practical use, and to expand the range of AI applications. In addition to BankSavior - an integrated anti-money laundering solution - and other existing AI products, we will continue to advance the sophistication of our solutions by incorporating AI functions into ProActive, a domestically produced cloud-based ERP product, and atWill, a manufacturing industry development platform.

Promoting AI-driven development to transform business models

Contributing to system development is one of areas with the most promise for the use of generative AI. Our expectations for innovation in this area are high, and through several projects we have tested, we have successfully confirmed some positive results. We will continue the measures described below to further promote the use of generative AI.

Accelerate the digital shift, cultivate and expand our advanced advanced digital talents

The emergence and evolution of generative AI is expected to lead to the acceleration of digitalization by increasing opportunities for higher sophistication in business and new business creation. To make advanced technologies that continue to emerge usable in business strategy, we will create a pipeline that connects R&D with it, and provide solutions that are quickly adaptable to our customers' business operations.

We are working to expand our digital capabilities through a variety of measures. In the technological fields we have set as our focus, to strengthen our in-house technical and solution capabilities to handle the number of digital projects that will continue to increase, we are also working to upgrade our human resources development programs and develop an expertise appraisal system. With this mechanism for advancing digital human resources at the core, we will continue to expand our digital resources, including those of Group and partner companies.

Cultivating advanced digital talent toward digital transformation

Cultivating highly skilled advanced digital talents requires the honing of practical skills through actual work experience. It is also necessary to systematically acquire fundamental knowledge and techniques, and to undergo training to further boost practical skills. The company-wide education program includes training for advanced engineers in AI, cloud, and full-stack engineering to enhance their digital implementation capabilities. Moreover, in FY2024, we added prompt engineering training, critical to generative AI. We also offer practical training to enable personnel to acquire the knowledge and skills necessary for business creation and to enhance customer co-creative skills.

In addition to meeting business strategy needs, we will continue to expand our training programs while keeping abreast of market and technology trends. Advancing the visualization of human resources will serve to promote the strengthening of expertise companywide.

Sawako Goto
General Manager,
Expertise Promotion Dept., Talent Strategy Div.

Message from the Top Management   Value Creation Story   Strategies to Create Value   Foundation Supporting Value Creation   Data Section

Strategies to Create Value

Progress of the Medium-Term Management Plan

Human resource strategy to realize maximization of human resource value

Well-Being Management as a driver of value creation

Eri Kawanabe
Executive Officer,
Assistant General Manager, Human Resources & General Affairs
(DEIB & Well-Being Promotion)

Aim of SCSK's Well-Being Management

Since FY2021, the SCSK Group has been committed to Well-Being Management. Our aim is to become a company that contributes to society through value creation, and one where people can feel a sense of job satisfaction. From FY2023, as a guideline for Well-Being Management, we have defined the seven values of Well-Being at SCSK, and by promoting specific measures, we are working to ensure that the policies are disseminated to our employees and to foster a corporate culture that reflects them.

Well-Being is generally defined as good physical, mental, and social condition. In the Well-Being Management that we promote, we pay particular attention to the Well-Being of our employees as it relates to work.

Underpinning this is our strong desire for all employees to experience self-realization, a sense of accomplishment, and job satisfaction in contributing to society through our business and various other activities, which can only be realized through SCSK.

Seven values of Well-Being at SCSK

Originating with the work style reforms initiated in 2012, we have been working for many years to create a comfortable working environment for our employees. This includes management's efforts begging in 2015, to promote employees' physical/mental health, diversity in workplace, and human resource development. SCSK's seven values of Well-Being build on these initiatives and further define "Motivational Well-Being" and "Future Well-Being."

Our wish is for our employees to be fully engaged in SCSK's business and various other activities. At the same time, while prioritizing health—the premise of the personalized work style and quality of life we value—we aim to improve the Well-Being of each and every employee while balancing the seven values. Going forward, we will focus more on job satisfaction than comfort and work to construct a new corporate culture rife with fulfillment and future creation with all employees.

Well-Being Cycle

Along with defining the values that serve as the core of Well-Being Management, we have also launched the Well-Being Cycle as a process to put them into practice. We define 27 indicators for the seven values and visualize employees' true sense of Well-Being through the measurement results, in the form of the SCSK Well-Being Score. The purpose is not to evaluate highs or lows in terms of numbers, but to use the data to ascertain the condition of the company/organization. By comparing the results with the actual situation, the company, organization, and employees will establish a cycle that improves employees' Well-Being.

SCSK conducted a preliminary survey of Well-being Score in March 2024. The results revealed the perceived levels of comfort and job satisfaction at SCSK, as well as the factors we need to emphasize to improve this level. By implementing such visualization and analysis, we clarify the current Well-Being status, provide employees and the organization with feedback, and consider actions for future human resource strategies and put them into practice. Moreover, implementing a variety of measures from perspectives such as management, organization, and human resources in parallel is a process that is essential in enhancing Well-Being.

Going forward, we will expand the Well-Being Score survey to Group companies and promote Well-Being Management groupwide.
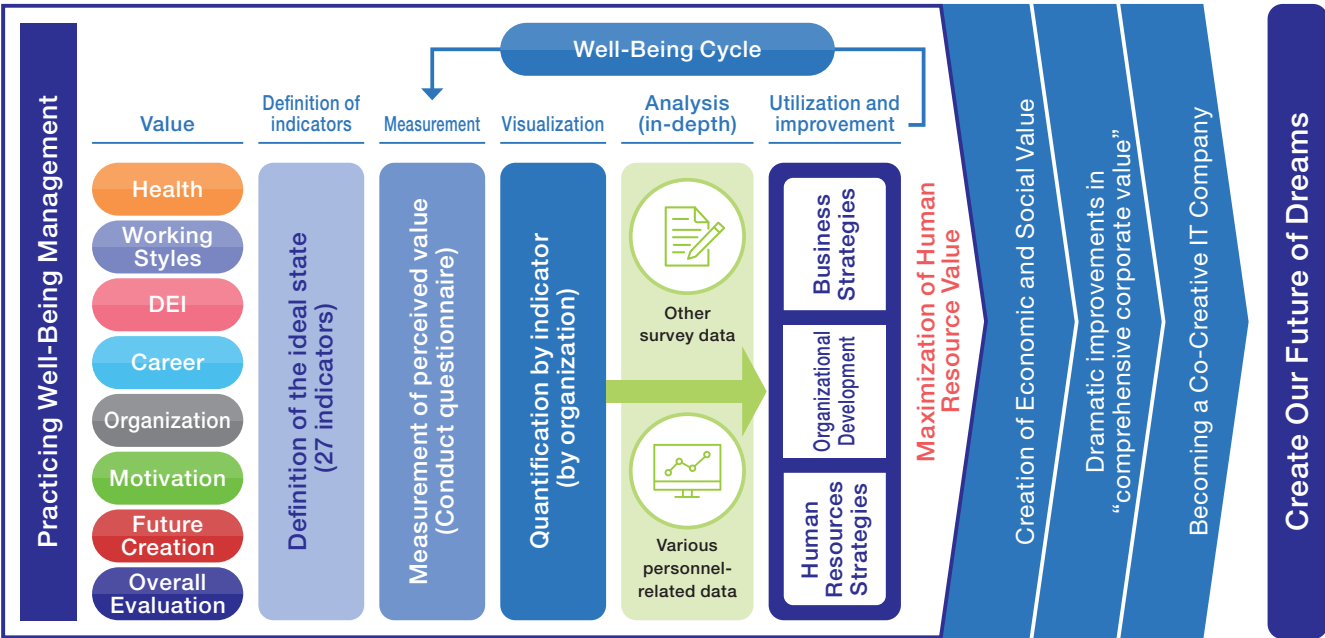
Virtuous circle achieved through Well-Being Management

Thus, the primary objectives of SCSK's Well-Being Management are to foster an environment in which employees, the organization, and the company grow together, and to become a company where all employees feel comfort and job satisfaction in their work. We hope this results in further increased engagement.

In realizing our long-term goal of becoming a co-creative IT company, the driving force behind value creation will be the fostering of a willingness to contribute proactively on the part of each employee. We will move forward with initiatives to create a virtuous circle in which the realization of value creation leads to further engagement and a heightened sense of Well-Being in our people.

Message from the Officer in Charge of Finance

Yasuhiko Oka
Managing Executive Officers
In charge of Accounting, Finance and IR

Please review the Company's performance for the fiscal year ended March 31, 2024.

In the fiscal year ended March 31, 2024, IT investment demand was stronger than expected—particularly from our key clients in the manufacturing, distribution, and financial industries—most notably for system development projects. This contributed to net sales increasing by 7.7% year-on-year to ¥480.3 billion, and operating profit rising by 11.0% to ¥57 billion.

At the beginning of the fiscal year, the presumption was that the completion of large-scale investments in hardware for specific customers and increased levels of compensation would impact our performance, but the results fully exceeded these assumptions as we achieved record net sales and operating profit. It was a year in which we felt tangible evidence of our solid growth.

Meanwhile, as we have now recorded in excess of ¥1 billion in unprofitable projects for the second consecutive term from the fiscal year ended March 31, 2023, we recognize the need to reinforce our project management capabilities. In addition to strengthening SE⁺—which we have been working on for some time—and cultivating advanced project management personnel as outlined in the non-financial indicators of the Medium-Term Management, I would like to reiterate our intent to work to improve project quality while also promoting the use of AI generated in the requirements definition process. This process is prone to causing projects to become unprofitable.

Results for FY2023 (year on year)

(Unit: billions of yen)	FY2022	FY2023	Change	Rate of change
Net sales	445.9	480.3	34.3	7.7%
Gross profit	117.6	127.9	10.2	8.7%
Gross profit margin	26.4%	26.6%	0.3%	
SG&A expenses*	(66.3)	(70.9)	(4.6)	7.0%
Operating profit	51.3	57.0	5.6	11.0%
Operating profit margin	11.5%	11.9%	0.3%	
Profit attributable to owners of parent	37.3	40.4	3.1	8.5%

*Including other income and expenses

Monitoring cost structure changes

Net sales and profits have increased for 12 consecutive fiscal years since the merger. The SG&A expense ratio is one indicator we monitor in the process of balancing business growth against improvement in profit. This indicator has generally remained at around 15%. As such, it is an indicator that is regularly discussed during investor relations (IR) interviews. While closely monitoring SG&A expense ratio trends, we have been conscious of the need to spend money where necessary and to keep a tight rein on spending otherwise.

The structural composition of SG&A expenses has changed in recent years. There has been a relative increase, for instance, in the proportion of expenses related to various types of education, including the strengthening of advanced digital talent cultivation, as well as the hiring of highly specialized personnel and marketing activities geared toward enhancing corporate recognition. We recognize that these initiatives will lead to improved profitability in business growth. Our intent is to continue monitoring the situation while being aware of medium- to long-term growth and enhancement in corporate value.

Year-on-year changes in gross profit margin and SG&A expense ratio
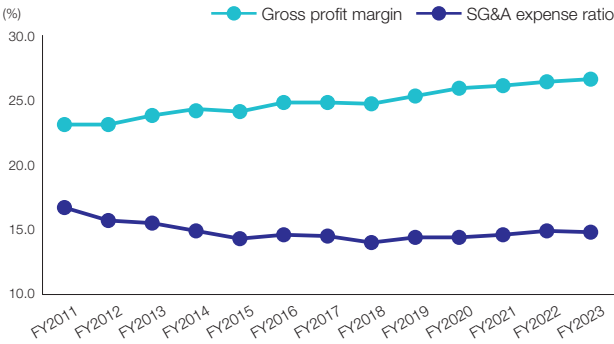
Progress in the first year of the Medium-Term Management Plan

In addition to company-wide financial targets, quantitative targets have been incorporated into the current Medium-Term Management from a core strategy and non-financial perspective. While more clearly demonstrating our commitment, it is also a manifestation of our desire to heighten transparency regarding the progress of our Medium-Term Management. Looking back on the first year (fiscal year ending March 31, 2024) of the Medium-Term Management, what I wish to focus on is the progress of Core Strategies 1 and 2 and financial targets.

By promoting three core strategies in the Medium-Term Management Plan, we are working to transform our business portfolio. Of these, Core Strategy 1 sets forth three shifts, the first of which is Core Strategy 1-1, a shift toward high-potential business areas. Core Strategy 1-1 seeks to increase the proportion of businesses with high rates of net sales growth of 10% or more by identifying business areas with potential for growth and profitability, and by decisively implementing a selection and concentration policy for all existing businesses. We have already identified businesses from which we expect to withdraw, and have begun stepping away from such businesses and shifting resources to growth areas.

The second shift of Core Strategy 1 is toward high-value-added areas. In Core Strategy 1-2, we are simultaneously promoting multiple company-wide measures, such as providing customers with added value in the form of our own intellectual properties—including new intellectual properties created in the course of our business activities—working to create thoroughly, highly profitable businesses once resources have been allocated to more upstream processes in each of our IT service businesses. While there has been progress with these initiatives, the pace of gross profit margin improvement (Domestic IT Service excluding products sold), an indicator, was limited to 26.9%, a year-on-year increase of 0.4%. This is chiefly due to the occurrence of unprofitable projects, as mentioned in my earlier review of FY2024 results. We will continue promoting company-wide measures toward achieving our target gross profit margin of 29.0% and further improving project quality as a means of consolidating our position.

The third shift of Core Strategy 1 is toward high-productivity models. The amount of operating profit per employee increased 6.8% year on year due to a shift from compensation based on the volume of labor to a model based on service and offering value through standardization of processes and consolidation of resources, centralization of development, maintenance and operation, and S-Cred⁺. In addition to these initiatives, we will further enhance productivity by promoting the use of generative AI—although it is still in the trial stages—in each system development process.

Next, with regard to Core Strategy 2, positioned as the driver of our business growth, net sales increased 14.3% year on year to ¥148.5 billion. This was primarily attributable to contributions to sales growth from the digital supply chain, mobility, and security businesses. We will further accelerate the pace of growth in Core Strategy 2 while maximizing the strengths of each business in the strategy, such as intellectual properties and human resources familiar with the operations of each business.

Strategies to Create Value

Message from the Top Management　　Value Creation Story　　**Strategies to Create Value**　　Foundation Supporting Value Creation　　Data Section

Message from the Officer in Charge of Finance

From the perspective of profitability and capital efficiency, the financial targets of the Medium-Term Management Plan are operating profit of ¥65 billion, operating profit margin of 12.5% or higher, and ROE of 14%. We recognize that we are making steady progress in all areas, with the figures for FY2023 being ¥57 billion and 11.9%, respectively. Additionally, ROE was 14.1%. While pursuing business growth through measures such

as strengthening the earnings base and strategically allocating capital, we will continue striving to achieve our goals.

Growth investments in support of core strategy implementation

We believe it is important to execute growth investment aggressively to powerfully promote our core strategies. With regard to growth investment, we plan to invest a total of ¥100 billion over the three-year period of the Medium-Term Management Plan in the three areas of M&A, R&D and business development, and investment in people. In the fiscal year ended March 31, 2024, we invested ¥28.4 billion. The breakdown of the investment is ¥6.9 billion for M&A, ¥16.2 billion for R&D and business development, and ¥5.1 billion for investment in people.

First, in the area of M&A, our main achievement is activity to augment our BPO business. We believe that M&A is an important management measure to pursue inorganic growth. As such, we plan to allocate ¥50–70 billion in funds to M&A over the three years to help bolster our competitiveness in growth markets and technology areas, not only in Japan but also in the ASEAN region and other markets abroad.

Next, in the area of R&D and business development, we have pursued investments and alliances primarily in the business areas listed in Core Strategy 2, in addition to investing in R&D with the aim of developing and upgrading our own intellectual property. Through alliances with companies that possess complementary assets, such as venture companies with cutting-edge technologies, we want to further increase the added

value of the services our group has to offer. We plan to invest ¥20-30 billion in this area over the three-year period of the Medium-Term Management Plan.

Finally, in the area of investment in people, along with the cultivation of human resources such as personnel for consulting and business design, advanced digital technicians, and skilled project management personnel—listed in the non-financial indicators—the company is augmenting its recruitment of personnel possessing high-level skills and technologies in the face of intensifying competition for IT talent. In the fiscal year ended March 31, 2024, we hired approximately 1,000 mid-career personnel. It is vital to maximize the value of human resources by ensuring each employee's continuous growth and enabling them to take full advantage of their capabilities. Given this, we raised employee compensation levels for the fiscal year ending March 2025, as we did in the preceding fiscal year, by increasing the compensation table and revising the requirements for receiving qualification rewards. We will continue earnest investment on the scale of ¥10 to 20 billion in "people," our single greatest asset.

By steadily investing in these three areas and supporting core strategy implementation, we intend to further accelerate our medium- to long-term business growth.
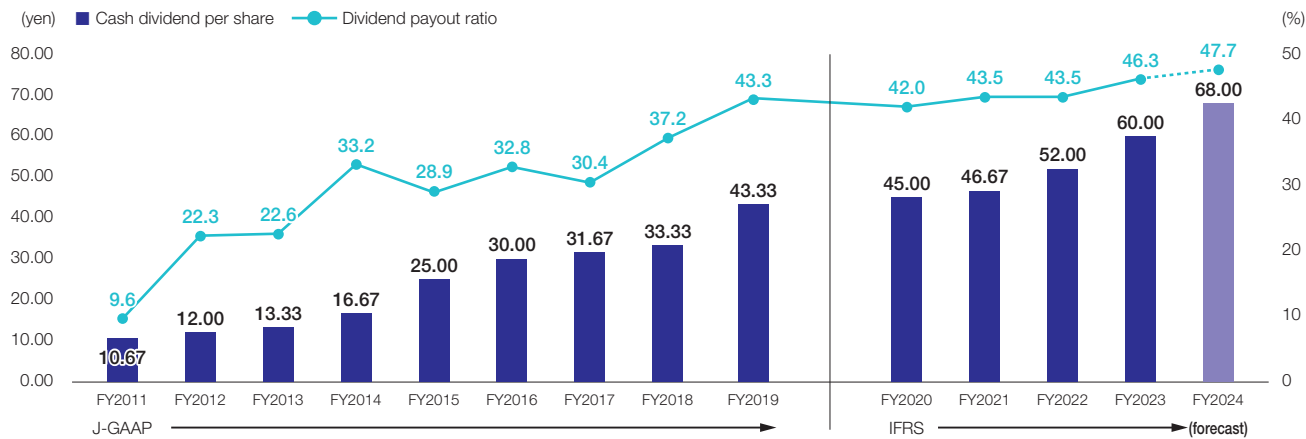
Bolstering shareholder returns centered on dividends

With regard to how we return our profits to shareholders, we aim to provide dividends in line with improvements in consolidated business results, while comprehensively taking into account financial position, earnings trends, dividend payout ratio, and the need to maintain sufficient internal reserves for future business investments. During the Medium-Term Management Plan period, we will strive to further bolster shareholder returns. We plan to raise the dividend payout ratio to 50% in the fiscal year ending March 2026, in line with the expansion of business performance.

The year-end dividend for FY2023 is ¥32 per share, which, together with the interim dividend of ¥28 per share, brings the annual dividend to ¥60 per share (dividend payout ratio of 46.3%). For FY2024, we plan to increase the annual regular dividend by ¥8 per share to ¥68 (interim dividend of ¥34, year-end dividend of ¥34, dividend payout ratio of 47.7%), marking the 13th consecutive year of dividend growth.

We will continue to consider share repurchases, taking into account factors such as stock price trends. At this time, however, we intend to bolster shareholder returns, with a focus on dividends.

Cash Dividend per Share/Dividend Payout Ratio*

(yen) ■ Cash dividend per share ── Dividend payout ratio (%)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Cash dividend per share	10.67	12.00	13.33	16.67	25.00	30.00	31.67	33.33	43.33	45.00	46.67	52.00	60.00	68.00
Dividend payout ratio	9.6	22.3	22.6	33.2	28.9	32.8	30.4	37.2	43.3	42.0	43.5	43.5	46.3	47.7

J-GAAP ── IFRS ── (forecast)

*Dividend per share and dividend payout ratio taking into account the stock split executed on October 1, 2021.
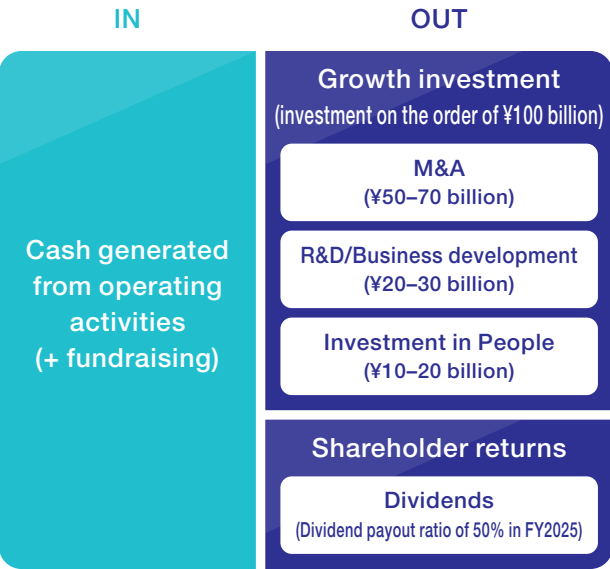
Stable financial foundation supports diverse fund procurement

In pushing forward the Medium-Term Management Plan, our basic policy is to utilize our own funds from internal reserves as well as cash flow from operating activities to meet the capital requirements for strengthening and expanding our business. Meanwhile, we anticipate that fundraising may be necessary depending on the progress of M&A and other investments. If such cases arise, we will undertake a variety of financing methods. These include borrowing from financial institutions, utilizing syndicated loans, and issuing different classes of bonds.

As for the Company's current financial position, as of March 31, 2024, the Company had interest-bearing debt of ¥31.2 billion through bank loans and issuance of bonds, with a debt/equity ratio of 0.1 times, and an equity ratio attributable to owners of parent of 64.1%, which indicates that the Company has established a sound financial base. The Group's credit rating is A+*, attributable partly to the evaluation of the Group's continuous business growth and resulting sound financial base.

*Long-term credit rating by Japan Credit Rating Agency, Ltd. (JCR)

Cash allocation

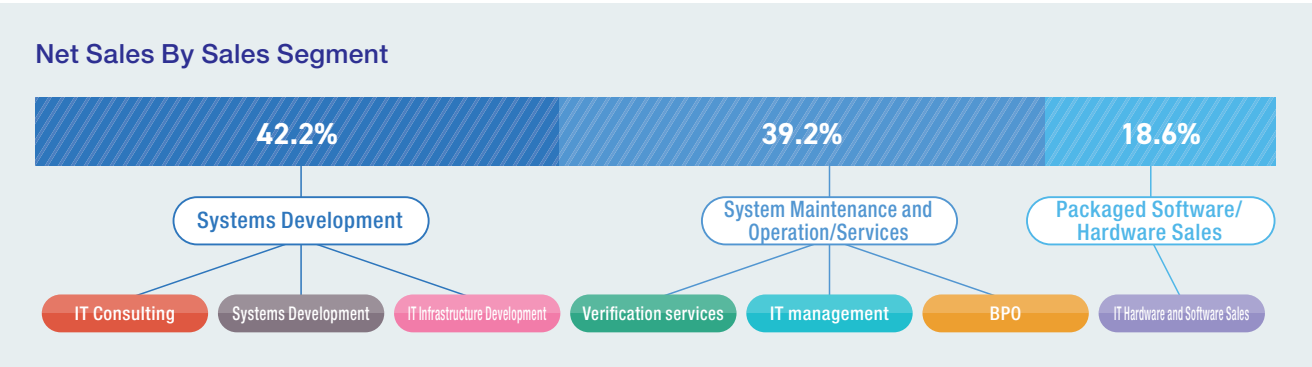| IN	OUT
	Growth investment (investment on the order of ¥100 billion)
Cash generated from operating activities (+ fundraising)	**M&A** (¥50–70 billion)
	R&D/Business development (¥20–30 billion)
	Investment in People (¥10–20 billion)
	Shareholder returns
	Dividends (Dividend payout ratio of 50% in FY2025)

To our shareholders and other investors

In closing, I would like to touch on dialogue with shareholders and other investors. In the fiscal year ended March 31, 2024, we renewed our focus on enhancing this dialogue. Major initiatives include holding sustainability briefings for the first time and explanatory sessions for individual investors, as well as continuing the investor meetings we conduct abroad. We believe that this dialogue represents an important opportunity to deepen your understanding of SCSK.

Going forward, I will continue to monitor the overall business situation of the Group and fulfill my mission as the officer in charge of finance of appropriately managing financial risk. Moreover, we will work diligently to disclose more substantial information and deepen the dialogue with our stakeholders to enable them to grasp our business strategy and the progress of our growth businesses in a more concrete way. We look forward to your continued support for the Company.

Message from the Top Management   Value Creation Story   **Strategies to Create Value**   Foundation Supporting Value Creation   Data Section

Strategies to Create Value

Strategies by Business Group and Group Company

Strategies by Business Group and Group Company

In order to create new value for customers and society and achieve sustainable business growth for the SCSK Group, we will make company-wide efforts to make business transitions in existing areas as set forth in the Medium-Term Management Plan. At the same time, we are committed to promoting business that leads growth markets by leveraging IT services in which each Business Group and Group company has strengths, as well as to creating next-generation digital business.

Net Sales By Sales Segment

42.2%	39.2%	18.6%
Systems Development	System Maintenance and Operation/Services	Packaged Software/Hardware Sales

IT Consulting · Systems Development · IT Infrastructure Development · Verification services · IT management · BPO · IT Hardware and Software Sales

■ Industrial Business Group
Main services: IT consulting · Systems development · IT management

Business description The Industrial Business Group provides one-stop IT services, including consulting, system construction, and maintenance and operation for diverse industries spanning from manufacturing, distribution, and communications to media. It contributes to improving the productivity and stability of its clients' businesses through its business knowledge in various industries and its advanced, high-quality IT services. It also utilizes advanced digital technologies to engage in co-creation businesses with its clients in an effort to solve issues in the industry and society.

■ Financial Business Group
Main services: IT consulting · Systems development · IT infrastructure development · IT management

Business description The Financial Business Group offers a broad range of services, from systems development, maintenance and operation to services leveraging intellectual property for the financial industry fields including banks, insurance companies, securities firms and shopping credit/leasing companies. It is now working to enhance profitability and create new businesses using its business foundation as a springboard for delivering greater market value, steadily responding to needs of financial institutions toward sustainable growth that change in step with changes in behavioral patterns and advancement of digitalization.

■ Solution Business Group
Main services: IT consulting · Systems development · IT infrastructure development · IT management · IT hardware and software sales

Business description The Solution Business Group provides various services ranging widely from IT infrastructure to the application layer without boundaries between industries and business categories, in response to diversifying needs of clients and society. It proposes and provides optimal IT solutions that combine the SCSK Group's proprietary technologies and intellectual property with the services and latest technologies of cloud service providers, and contributes to improvement of business value and solution of social issues as a co-creation partner for clients.

■ Products & Services Business Group
Main services: IT infrastructure development · IT hardware and software sales

Business description The Products & Services Business Group provides one stop services for sales, implementation, and maintenance of IT products that support its clients' DX promotion. In particular, it focuses on the six core business areas of Cybersecurity, Networking, Cloud native infrastructure, AI/data platform, Digital twin, and Decarbonization. It not only provides stand-alone products but also contributes to helping its clients solve issues through a value-added business model that integrates multiple products and advanced technical services.

■ Mobility Business Group
Main services: IT consulting · Systems development · IT hardware and software sales

Business description The Mobility Business Group provides services and products realizing next-generation mobility society that is friendly to humans and the earth. It provides services to support the development of next-generation mobility, which includes engineering support services and software products for development of safety and electrification features of automobiles. In addition, by leveraging its knowledge of automotive manufacturing and advanced IT technology, it provides mobility services that aim to address social challenges by industry, such as logistics and finance.

■ Business Design Group
Main services: IT consulting · Systems development · IT management

Business description The Business Design Group aims to create next-generation digital businesses through co-creation with society, strengthen collaboration with its clients and strategic partners, and build a new business portfolio that contributes to solving social issues. It focuses mainly on creating businesses in the areas of healthcare, CX, GX, and local revitalization and responses to regional issues, and also advances the existing IT solutions business.

■ ProActive Business Solutions Div.
Main services: IT consulting · Systems development · IT hardware and software sales

Business description The ProActive Business Solutions Div. provides product development, market development, implementation support, and related offering services for ProActive and atWill, which are business applications of the SCSK Group produced in-house. These products are used mainly by medium-sized and large companies with annual sales of ¥10.0 billion or more, and have been installed by more than 7,300 companies. Its domestic ERP system provides integrated support nationwide, from product development to implementation and operation support.

■ SCSK ServiceWare Corporation
Main services: IT consulting · BPO

Business description SCSK ServiceWare Corporation specializes in "Business Knowledge," "IT," and "Human Resources." The company provides BPO services (e.g., contact centers, sales, technical support, help desks and back-office operations) to various industries as organically integrated services. The company also plays a supporting role in the optimization of various operations: it provides support for contact centers leveraging AI and RPA in addition to business consulting for reform and sales support.

■ VeriServe Corporation
Main services: IT consulting · Verification services

Business description As digitization of society accelerates, software development and system engineering are becoming more sophisticated and complex day by day, and maintaining and improving their quality is essential to realizing a safe and secure society. As a company specializing in software quality improvement, VeriServe Corporation provides services such as software testing, development process improvement and operational support, cybersecurity, and IT consulting in all industrial fields.

■ SCSK Minori Solutions Corporation
Main services: IT consulting · Systems development · IT infrastructure development · IT management · IT hardware and software sales

Business description At the SCSK Group, SCSK Minori Solutions Corporation develops new markets for medium-sized companies. It combines "latest technologies" and "optimal services" to address its clients' IT challenges and make proposals to support digitalization for optimization of operations and business growth. It also brings together specialized skills in various fields that it has developed through many years of experience and achievements, and provides total support from "application development" and "IT infrastructure," which are necessary for building systems, to "operation services" for the entire system.

Organizational Reform

On April 1, 2024, the following organizational changes were made to designate businesses and functions to be promoted by the entire Company toward further strengthening of the core strategies of the Medium-Term Management Plan. We will accelerate business promotion by making investment and other decisions from a company-wide perspective, regardless of the performance status, etc., of the higher-level organizations, and by making it possible to engage in various collaborations and negotiations directly with other business groups and organizations without going through the conventional higher-level organizations.

"ProActive Business Solutions Div."
We have positioned the "ProActive Business Solutions Div.," which is responsible for ProActive, an original ERP package, as an independent organization that does not belong to any business group. We also integrated the atWill business (production management solutions business for manufacturers) of the Industrial Business Group.

"Global Business Strategy Div."
We have positioned the Global Business Strategy Div. as an independent organization in the "Business Support" division that does not belong to any business group, with the view to promoting the "Global Strategy" set forth in the Medium-Term Management Plan on a company-wide basis.

"Technology Strategy Div."
We have positioned the Technology Strategy Div. as an independent organization in the "Business Support" division as an organization that formulates technology strategies linked to business strategies, enhances differentiation and profitability through the use of technological intellectual property, enhances productivity through AI-driven development, and promotes the development of advanced digital talents.

Strategies to Create Value
Strategies by Business Group

Industrial Business Group

We will establish business areas that lead the "now" and "future" of the industry and clients, and transform ourselves into an entity that "clients and society" want for co-creation.

Tadashi Miyagawa
Managing Executive Officer, General Manager, Industrial Business Group

Strengths

- Delivery capabilities by approximately 2,000 employees with high expertise and approximately 4,700 business partners
- Strong client relationships centered around approximately 130 locations where employees are stationed at clients' sites and provide IT services
- Comprehensive capabilities including IT consulting for core systems of major companies as well as system construction, maintenance, and operation.
- Capabilities to provide various solutions that realize ERP such as SAP and Oracle and data-driven management

Business environment

Opportunities

- Digitization needs of companies
- Demand for building digital supply chains among major manufacturers
- Favorable performance of large companies
- Global Markets

Risks

- Shortage of IT human resources (intensified recruitment competition)
- Automation of development using advanced technologies such as generative AI
- Rapid technological evolution (obsolescence of existing technologies and services)
- Increased disaster risk and economic uncertainty

Specific measures to address opportunities and risks

Focus resources on strategic business areas and contribute to addressing challenges faced by the industry and clients
- Promote the digital supply chain business (support initiatives to transform supply chain operations using digital technology targeting major manufacturers)
- Expand account business of key clients
- Promote fully-managed services through the development of intellectual property and assets and the sharing of the services.
- Promote digitalization of development, sales, and administrative work utilizing advanced technologies such as generative AI
- Secure human resources and maximize market value

Key strategies and progress toward realizing the Medium-Term Management Plan

One of the strategic business areas of the Industrial Business Group is the promotion of the "digital supply chain (DSC) business." We support supply chain innovation utilizing digital technologies for manufacturers capitalizing on the SCSK's robust track record in delivering SAP and other ERP services, on engineers who perform them, and on business expertise fostered by developing systems for major manufacturers. We have received inquiries regarding the restructuring of large-scale mission-critical systems, which has resulted in the expansion of the project pipeline and orders. We are expanding our business-es, including ERP peripheral solutions in the PLM, MES, and Sol areas. We have enhanced our business knowledge and system-ization know-how by carefully selecting and concentrating businesses, and have pursued the development of intellectual property and assets. This has led to an increase in the number of Fit to Standard system introduction projects. We are also promoting "digitalization of development, sales, and administra-tive work" and "securing human resources and maximizing market value" in executing strategic businesses, including those other than the DSC business. Under "digitalization of develop-ment, sales, and administrative work," we aim to improve the productivity and sophistication of operations in each area by utilizing advanced digital technologies centered on generative AI. We are currently conducting technology verification based on specific projects, building a foundation that all employees can easily use, and deploying it on site.

Under "securing human resources and maximizing market value," we are making efforts to secure and develop human resources based on a human resources portfolio linked to strategic businesses. We shift employees to strategic business areas, strengthen mid-career recruitment, and strengthen relationships with business partners. We thus secure a supply structure that responds to project demand, while focusing on developing human resources with a high level of expertise, including consulting personnel who will lead the transformation of clients' management and operations, advanced PM person-nel who can execute large-scale projects, and digital talent who will contribute to business innovation through advanced digital technologies.

Through these strategic initiatives, we aim to achieve the targets set forth in the Medium-Term Management Plan.

Financial Business Group

The Financial Business Group aims to be a "digital finance provider" that brings new value to changing financial markets and society through the sophistication of the SI business and the creation of service-oriented businesses.

Takaya Yamamoto
Managing Executive Officer, General Manager, Financial Business Group

Strengths

- Knowledge and operational experience built up through systems development, maintenance, and operation services for a wide range of financial institutions
- Intellectual property and services that are essential for solving social issues such as asset formation and countermeasures against financial crimes and increasing the competitiveness of clients.
- Team able to support clients from development to operation and maintenance of various systems to address the globalization of financial institutions

Business environment

Opportunities

- Structural changes in the financial market due to changes in market conditions, such as a decrease in population, changes in behavior patterns, and promotion of client-oriented financial transactions
- Removal of the negative interest rate policy and shift to a nation as a leading asset management center
- Security issues accompanying the increase in financial crimes and cyber attacks
- Response to diversifying laws and regulations, and technological innovation

Risks

- In-house production at financial institutions and gradual decrease in large-scale system development projects
- Shortage of human resources in the IT market and intensifying competition to acquire human resources

Specific measures to address opportunities and risks

Strengthen activities for "transformation of business structure" and implement strategies for sustainable growth
- Transformation of the SI business — Fundamentally reform our SI business for employees of all ages with AI-powered processes and a development center, etc.
- Expansion of service business area — Expand the market share and go beyond the boundaries of business categories in intellectual property where our strengths lie; for example, AML, SWIFT, and credit
- Investment in human resources and business — Develop advanced specialists (advanced PMs, business consultants, AI engineers, etc.) Invest in highly profitable and fast-growing new businesses

Key strategies and progress toward realizing the Medium-Term Management Plan

The Financial Business Group has established six Group KPIs on the themes of "transformation of the SI business" and "expansion of service business area" to measure the progress of the Medium-Term Management Plan, and has implemented monitoring to keep track of the progress.

Under "transformation of the SI business," we are shifting away from the conventional person-month business model and promoting initiatives such as reallocating resources to growth potential business areas and high value-added businesses. Furthermore, we are making efforts to improve profitability by increasing client value, continuously reviewing appropriate selling prices, examining areas for further selection and concentration, and strengthening monitoring of high-risk projects to prevent quality issues. We are also promoting the use of development centers to improve productivity. In particular, we have upgraded the development centers to headquarters starting this fiscal year, with the aim of shifting to a high-productivity model and accelerating the creation of value through the sophistication of the human resources and know-how that we have gathered.

Under "expansion of service business area," on the other hand, we established a dedicated anti-money laundering company, "SCSK RegTech Edge Corporation" in January 2024 as the first company to obtain a license for funds transfer transaction analysis service providers, and began its business operations. We aim to provide high value-added services in the field of financial crime prevention, centered on our AML solution "BankSavior." In March 2023, we formed a capital and business alliance with MILIZE Co., Ltd., which has strengths in AI and financial technology, and we will strengthen collaboration in DX support for financial institutions as well as in the development of the Embedded Finance area and wealth management services.

We aim to expand our market share and go beyond the boundaries of business categories in intellectual property where our strengths lie; for example, SWIFT-related and credit solu-tions. We will accelerate the growth of the services business by strengthening business investments in the wealth management area and global markets.

Strategies to Create Value

Message from the Top Management   Value Creation Story   **Strategies to Create Value**   Foundation Supporting Value Creation   Data Section

Strategies by Business Group

Solution Business Group

The Solution Business Group provides IT solutions that bring new value to customers and society by leveraging synergies between tangible and intangible assets and collaborative partners, centered on horizontal areas regardless of industry or business category.

Ken Takano
Managing Executive Officer, General Manager, Solution Business Group

Strengths

- Diverse cloud services covering IT infrastructure to application
- Cutting edge data centers in Japan with excellent connectivity with major cloud service providers and the Internet
- Extensive experience and knowledge cultivated through IT support from applications to IT infrastructure, including core systems of the Sumitomo Corporation Group
- High value-added services seamlessly provided for clients through the re-skilling of human resources

Business environment

Opportunities
- Demand for IT support due to diversification of working styles
- New business opportunities created by IoT data collection and analysis
- Domestic data storage and strengthened data sovereignty
- Utilization of generative AI in various forms (content generation, program development, etc.)

Risks
- Cost increase due to unexpected price fluctuations and soaring material costs
- Obsolescence of services and shortage of IT human resources due to rapid technological changes
- Tightening of data privacy regulations due to an increase in cyber threats

Specific measures to address opportunities and risks

1) **Utilization of tangible and intangible assets** — We utilize tangible and intangible assets of the Group to provide cutting-edge solutions that meet our clients' needs.

2) **Strengthened collaboration with partners** — We will create synergies with our collaborative partners by combining each other's technologies and intellectual property, and deepen our partnerships to create new value.

3) **Promotion of co-creation by advanced specialists** — We develop value-creating IT consultants and service management personnel, and achieve sustainable growth together with our clients.

Key strategies and progress toward realizing the Medium-Term Management Plan

1) Utilization of tangible and intangible assets

Data centers, the Group's important assets, began providing "SCNX (SCSK Cloud netXchange)," a public cloud connection service, in April 2023. We utilize a secure, low-latency connection environment with the public cloud and provide services to a wide range of clients as the optimal data centers for their multi-cloud and hybrid cloud use. In November 2023, we also began providing a "high-load housing service" to respond to the generative AI market, and have been receiving more and more inquiries from clients in the AI business and the manufacturing industry.

2) Strengthened collaboration with partners

The cloud business has steadily been expanding through collaboration with hyperscalers such as AWS, Microsoft, and Google. In particular, we strengthened collaboration with AWS through a three year strategic collaboration agreement, which we concluded in October 2023. There is also an increasing need for infrastructure modernization, not on a system by system basis but as an entire enterprise, as well as for optimal cloud utilization, and the construction of large-scale hybrid clouds has increased. We will further expand businesses centered on AI by strengthening in-house production and IT consulting services that use AI and shifting to high value-added fields.

3) Promotion of co-creation by advanced specialists

We have completed the training of more than 200 IT consultants and service management personnel, and are shifting to a client-support business that emphasizes the strengthening of services that respond to clients' needs as well as the development of new services. We are promoting further development of human resources and strengthening skills specialized in the manufacturing and medical fields, thus strengthening value co-creation with clients in these fields. We are also developing human resources for global business development. Through these initiatives, we aim to provide services with high added value and high productivity.

Products & Services Business Group

The Products & Services Business Group serves as the core of the ecosystem that ties clients with technologies and thus contributes to solving social issues and creating value for clients.

Masaki Komine
Managing Executive Officer, General Manager, Products & Services Business Group

Strengths

- Professionals in the product sales business who discover superior products from all over the world and provide them to the domestic market
- A value-added business model that adds the SCSK Group's unique services to products equipped with latest technologies
- Highly skilled engineers with extensive knowledge and experience in a wide range of product lineups
- Deep and strong relationships built up over many years with clients, vendors (suppliers), and resellers

Business environment

Opportunities
- Demand for strengthening IT infrastructure to support clients in their business transformation and digital transformation
- Increased security risks due to the evolution of AI technology
- Sale (export) of domestic products to fast-growing Asian countries

Risks
- The rise of new technology causing deterioration in the competitiveness of products we carry or disappearance of the market
- Changes in the business environment resulting from the acquisition of vendors (suppliers) and changes in strategy
- Shortage of engineers due to intensifying competition for recruitment of human resources

Specific measures to address opportunities and risks

1) **Initiatives for growth markets** — Set six core businesses: Cybersecurity, Networking, Cloud native infrastructure, AI/data platform, Digital twin, and Decarbonization, and implement strategies for each of these business areas

2) **Creation of value-added business model** — Maximize added value through composite product services and shift to a business model based on offerings and intellectual property

3) **Global development (Asian markets)** — Commercialize the Group's products in Asia

Key strategies and progress toward realizing the Medium-Term Management Plan

1) Initiatives for growth markets

We identify changes in the IT infrastructure market, define six core businesses as growth areas, and implement strategies formulated for each business. In the Cybersecurity area, one of our core businesses, we established SCSK Security Corporation as a business subsidiary of the Group in August 2023. We aim to differentiate ourselves by providing high-level services that integrate product sales, security operations, and IT consulting, and leverage the comprehensive capabilities of the SCSK Group to become a leader in the rapidly growing Cybersecurity market. In the Digital twin area, we have achieved results by implementing leading-edge examples for automobile companies, such as visualization of production lines and appearance inspections using AI. The Group will continue to carry more and more products equipped with latest technologies such as AI, and enhance the Group's presence in growth markets.

2) Creation of value-added business model

In December 2023, we launched the Cloud-native platform "NebulaShift" in collaboration with multiple vendors. With digital transformation driving up demand for the modernization and agile development of applications suitable for cloud deployment, NebulaShift has been launched as an offer-type platform service that packages infrastructure for meeting this demand and technical assistance such as IT consulting and education. It has been highly evaluated by both clients and vendors, and in 2024, we plan to create multiple similar platform services that leverage SCSK's strengths as added value.

3) Global development (Asian markets)

With a view to developing the Asian market for products carried by the Group, we have completed market research on countries that we are planning to expand into, and are developing local sales partners and formulating business plans. Global expansion is the cornerstone of the Group's medium- to long-term growth strategy, and we will accelerate our initiatives by leveraging capital alliances as options.

Strategies by Business Group

Mobility Business Group

The Mobility Business Group supports future mobility society as a co-creation-oriented mobility service provider by linking mobility, social infrastructure, and industry and inter-company data.

Koji Watanabe
Managing Executive Officer, General Manager, Mobility Business Group

Strengths

- Knowledge of automotive software control backed by extensive experience in advanced functions (autonomous driving and electrification)
- Automotive software system development structure following certified functional safety processes
- Ability to develop mobility services and introduce them into society by leveraging knowledge of automotive manufacturing and advanced IT technologies
- A framework for retaining engineers who are familiar with both the IT and mobility areas, and for continuously recruiting and developing human resources

Business environment

Opportunities

- Spread of Software Defined Mobility (SDM) where software is the root of value
- Changes in the industrial structure resulting from the development of horizontal specialization of manufacturing
- Progress in standardization and cross-industry collaboration for vehicle data utilization

Risks

- Shortage of engineers due to intensifying competition for recruitment of mobility engineers
- Diversification of technologies required for mobility and increased difficulty of keeping up with globally competitive advanced technologies
- Increased security risk and privacy violation risk

Specific measures to address opportunities and risks

The Group aims to become a "co-creation-oriented mobility service provider that leads the SDM era," and undertake the following two strategies.
1) SDM supplier: Based on the achievements of QINeS-BSW, we provide services for development and sales of software products and advanced support services to support mobility development in the SDM era.
2) Mobility service provider: We provide next-generation mobility services and platforms utilizing data of movement of humans and goods, based on knowledge in automotive manufacturing and advanced IT technologies.

Key strategies and progress toward realizing the Medium-Term Management Plan

In the SDM supplier area, we have promoted the development of products and services as well as the development of human resources for the purpose of SDM through co-creation with automotive manufactures and suppliers, including a strategic partnership with Honda Motor Co., Ltd. In the mobility service provider area, we are globally developing services that will lead to the creation of future cities, including the launch of fleet management services in Southeast Asia in collaboration with TOYOTA Connected Corporation. Through these initiatives, we have increased our name recognition as the number- one player in Japan with knowledge in both IT and mobility, and have gained an advantage in co-creation and recruitment.

On the other hand, the environment surrounding the mobility business is rapidly changing. In particular, technological evolution toward SDM, which makes software the source of value, is accelerating, and there is a need for a variety of technologies that go beyond "Driving, Steering, and Braking." The trend for SDM is not limited to automobiles, but is expected to spread to various forms of mobility, including air mobility and personal mobility, and the digital integration of social infrastructure and mobility is expected to advance.

In view of these market trends, the Group will realize products and services that will strengthen the competitiveness of the domestic mobility industry in terms of SDM development. Although the evolution of mobility technologies and needs differ from region to region, the SCSK Group will identify the technological trends and then accumulate and develop SDM-related technologies (autonomous driving, electrification, interior space, etc.) through co-creation with global players, promoting their application and standardization in automobiles and other forms of mobility. We will further begin initiatives in the data integration area to link industry and inter-company data toward the planning and implementation of services necessary for a future mobility society.

We will also create mobility engineers, which is an issue in the industry, and to that end, will strengthen human resources development, including re-skilling, and continue to expand strategic partnerships.

Business Design Group

The Business Design Group contributes to addressing social challenges, continues to create new value that society needs, and aims for "sustainable development."

Tetsuya Ueda
Senior Managing Executive Officer, General Manager, Business Design Group

Strengths

- Business development capabilities leveraging latest digital technologies (e.g., AI, IoT, and Web3), client base, and industry knowledge
- Know-how in solving business issues in the healthcare area (work style reforms for healthcare professionals, efficiency improvement of local medical services, etc.)
- EC co-creation and accompanying services that realizes the sophistication of customer contact points in the CX area and the improvement of sales for clients
- Know-how related to energy business that leads to the realization of a decarbonized society in the GX area

Business environment

Opportunities

- The needs to solve social issues stemming from the rapid progress of digital technology and the VUCA era have been increasing in each of the areas covered by the Group, namely healthcare, CX, GX, and local revitalization, and the Company, which has both industry knowledge and digital technology, can play an increasingly larger role.

Risks

- Rapid changes in the business environment and business model
- Responding to changes in people's behaviors and values as well as to new lifestyles
- Shortage of advanced specialists capable of business transformation utilizing digital technology

Specific measures to address opportunities and risks

1) Accelerate the development of hospitals that offer solutions for social issues in the healthcare area and establish the earnings base
2) Expand EC co-creation and accompanying services for the CX area
3) Develop carbon management and energy management businesses toward realization of a decarbonized society
4) Develop new businesses that contribute to solution of local issues through co-creation with local communities

Key strategies and progress toward realizing the Medium-Term Management Plan

1) Accelerate the development of hospitals that offer solutions for social issues in the healthcare area and establish the earnings base
We will contribute to work style reforms for healthcare professionals and efficiency improvement of local medical services by deploying in hospitals "Dr2GO," the SCSK Group's unique medical communication platform. We will also contribute widely to the healthcare industry by providing valuable information through co-creation with pharmaceutical manufacturers. The platform is already in use at many hospitals in Japan, including university hospitals, core hospitals, and regional hospitals. We will promote regional medical cooperation through the use of Dr2GO at core hospitals and affiliated hospitals that support regional medical care, and develop a new communication model that connects doctors and pharmaceutical manufacturers.
2) Expand EC co-creation and accompanying services for the CX area
We will aim to expand our business by providing services such as an e-commerce platform, digital marketing, and fulfillment in a co-creation/accompanying model to companies that are planning to expand e-commerce. In October 2024, Diamond head Co., Ltd. and SCSK PRESCENDO CORPORATION will merge to form the core company of the CX Business. We will partner and co-create with clients in apparel, general merchandise, and cosmetics, engage in our own e-commerce business, establish services that are essential for ethical consumption behavior, and contribute to the realization of a sustainable society.
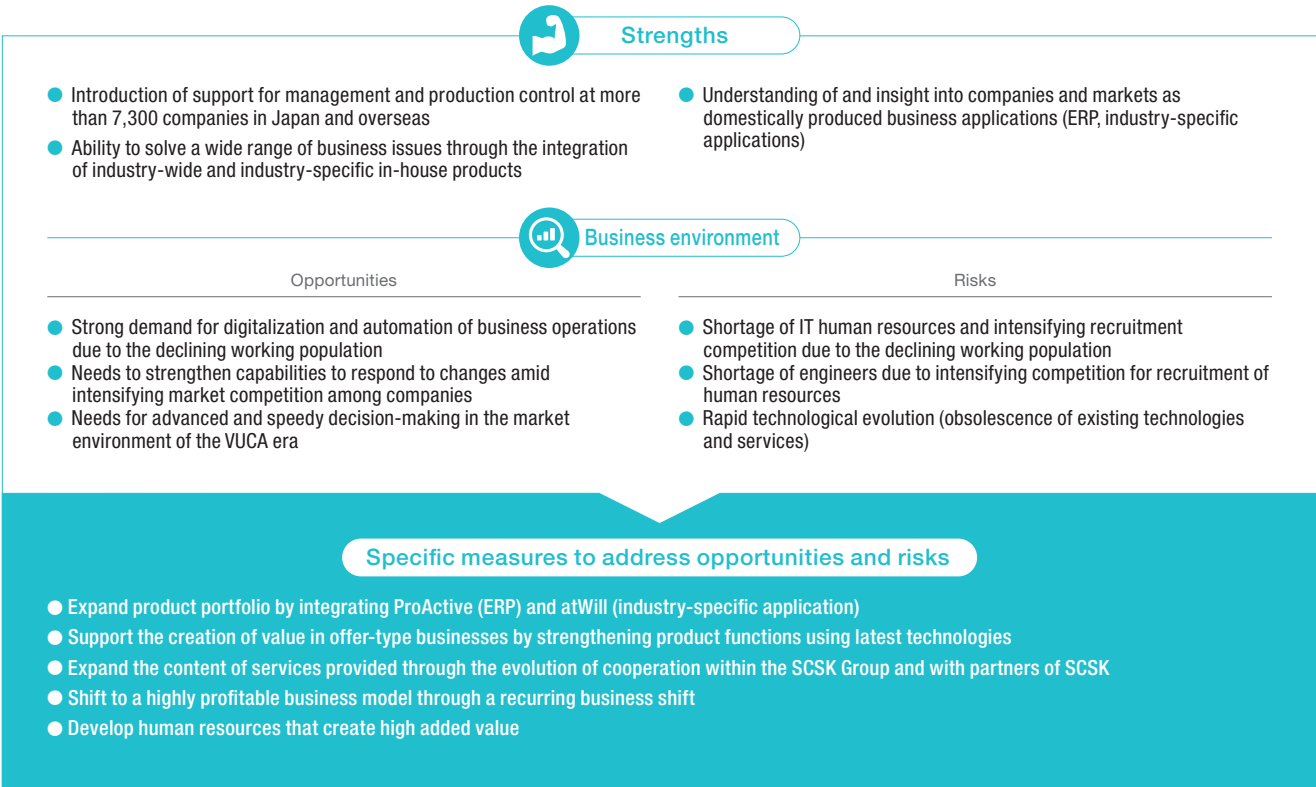3) Develop carbon management and energy management businesses toward realization of a decarbonized society
In May 2023, we became the first platform operator in Japan accredited by the International Tracking Standard Foundation, and began offering "EneTrack," a domestic trading platform service for I-REC. In April 2024, we began providing "ZEBiT," a service that supports energy-saving and decarbonization of small and medium-sized business buildings. Through these and other initiatives, we aim to accelerate business development and realize decarbonized and recycling-oriented society.
4) Develop new businesses that contribute to solution of local issues through co-creation with local communities
In the areas of local revitalization and responses to regional issues, we will accelerate business development that will lead to the creation of new value through co-creation with local governments (Okinawa Prefecture, etc.) and local companies, as well as initiatives to work with regional sports teams, etc. to increase the relevant population using Web3 technology.

Message from the Top Management   Value Creation Story   **Strategies to Create Value**   Foundation Supporting Value Creation   Data Section

Strategies to Create Value

Strategies by Business Group

ProActive Business Solutions Div.

The ProActive Business Solutions Div. consolidates the intellectual property of the SCSK Group and aims to become a cloud-based business application provider that supports the core of the offering business.

Masayuki Kikuchi
Senior Executive Officer, ProActive Business Solutions Div.

Strengths

- Introduction of support for management and production control at more than 7,300 companies in Japan and overseas
- Ability to solve a wide range of business issues through the integration of industry-wide and industry-specific in-house products
- Understanding of and insight into companies and markets as domestically produced business applications (ERP, industry-specific applications)

Business environment

Opportunities

- Strong demand for digitalization and automation of business operations due to the declining working population
- Needs to strengthen capabilities to respond to changes amid intensifying market competition among companies
- Needs for advanced and speedy decision-making in the market environment of the VUCA era

Risks

- Shortage of IT human resources and intensifying recruitment competition due to the declining working population
- Shortage of engineers due to intensifying competition for recruitment of human resources
- Rapid technological evolution (obsolescence of existing technologies and services)

Specific measures to address opportunities and risks

- Expand product portfolio by integrating ProActive (ERP) and atWill (industry-specific application)
- Support the creation of value in offer-type businesses by strengthening product functions using latest technologies
- Expand the content of services provided through the evolution of cooperation within the SCSK Group and with partners of SCSK
- Shift to a highly profitable business model through a recurring business shift
- Develop human resources that create high added value

Key strategies and progress toward realizing the Medium-Term Management Plan

The ProActive Business Solutions Div. is modernizing its business to accelerate the Time to Market toward the realization of the Medium-Term Management Plan.

As part of its modernization initiatives:

1. It has been expanding the product portfolio by accelerating the integration of the former ProActive and former atWill businesses. In FY2024, we will begin releasing a new service for the "materials and material processing," "machinery and electronics," and "construction" industries as industry-standard functions. We will also expand these functions to non-manufacturing industries.
2. We will aim to provide high added value and integrate with the latest technologies where the SCSK Group's strengths lie.
3. As we have become a company-wide business, we have been promoting cooperation with various business entities inside and outside the Company, and as the first step, we will provide joint solutions with the Products & Services Business Group.
4. We have been strengthening our lineup of offering services, and in the second half of FY2024, will launch a new service into the market.

5. We will review our business structure with the aim of promptly providing cloud-based applications to the market, and increase our market contact rate.

In the human resources business area, we provide not only cloud-based services but also BPO services that specialize in human resources operations in collaboration with PASONA HR Solution Inc. The two companies will work together to solve client issues by providing comprehensive outsourcing for increasingly complex human resources operations (personnel matters, salaries, attendance, and talent management).

To realize these initiatives in a speedy manner, we significantly changed the organizational structure of the Division at the beginning of FY2024 and reset various KPIs, thus taking the first step toward a structure to realize not only the top line but also high profitability. We plan to communicate the details of our offering services and product roadmap to the market through events and the media in the second half of FY2024.

We look forward to the continued growth of the ProActive business.

SCSK ServiceWare Corporation

As a "Business Service Platformer," we will continue to promote Business Process Modernization and provide new value to society.

Atsushi Watanabe
President

Strengths

- Our proprietary management standard system, "SWC Management Framework," and knowledge accumulated from diverse industries and operations
- Our ability to introduce and use practical cutting-edge IT technology, and to design operations that connect management and workplace (a quintessential strength of SCSK Group)
- Our ability to develop human resources through various educational programs in an environment where people are valued and adept at co-creating with clients

Business environment

Opportunities

- The need to adapt to evolving digital technologies such as AI and automation
- Changes in business due to digitization, such as diversification of customer contact points and industry-crossing collaboration
- The need to secure a labor force due to the diversification of personal values and work styles

Risks

- Clients: The scope of IT/AI in business processes is expanding, pushing traditional BPO values to extinction and reducing demand.
- Competitors: a wide range of industries, including IT companies are entering the BPO market.
- Our company: a reduction in quality regarding human resource management (administration and on-site management, etc.)

Specific measures to address opportunities and risks

- Promote Business Process Modernization that creates new value using IT to transform business processes in line with market needs.
- Work to realize a business service platform model.
- Explore next-generation services to expand and enhance existing businesses.
- Bolster business process construction and IT utilization capabilities.
- Set finance and repair & maintenance as core business areas.
- Designate next generation service areas to explore upcoming growth opportunities.

Key strategies and progress toward realizing the Medium-Term Management Plan

Amid severe market fluctuations, we are shifting to a business service platformer model to achieve high profitability, growth potential and to reform our business model to meet market needs. In our Medium-Term Management Plan, we are working to build a foundation for growth by promoting Business Process Modernization. To accomplish this task, we are relying on essential capabilities that involve "Business process construction," "IT utilization, "and reforms pertaining to the "Organizational revitalization," "Total optimization," and "Service business development."

"Business process construction" and "IT utilization" are essential capabilities for 1) visualizing business processes from the perspective of on-site operations and 2) implementing Business Process Modernization while reaching a consensus with customers. We are currently working to develop human resources capable of fulfilling these roles.

In the business area where we are focusing our efforts to shift to a business service platform model, we have been entrusted by two banks with mortgage loan screening operations for banks based on financial service intermediary operations. Moving forward, we will continue to expand transactions using

financial service intermediary operations while also working to standardize services.

In the next-generation services area, we have received orders from multiple local governments for digital gift certificate services with premiums using mobile payments and have begun providing support for regional revitalization. In addition, we expect the Online Travel Agent Service, which was launched for overseas travel agencies to sell travel products, which include activities and tickets, in Japan, to contribute to regional economic revitalization.

With exception to planning and auditing, we have we have acquired ISO9001 certification for our entire organization as part of our effort to expand and enhance our existing businesses.

All business processes based on SCSK ServiceWare's proprietary management standard system "SWC Management Framework" are recognized for their continuous improvement activities aimed at enhancing customer satisfaction and meeting international standards regarding quality management practices.

Strategies to Create Value

Strategies by Business Group

VeriServe Corporation

VeriServe Corporation will be a partner for its clients in supporting their development with its ability to redefine software quality, thus accelerating innovation and realizing a safe and secure society.

Yoshiyuki Shinbori
Chief Executive Officer

Strengths

- Comprehensive development support, including participation from upstream development processes, IT consulting, cybersecurity, project management (e.g., PMO)
- A track record of transactions in all industries, including mobility, embedded devices, industrial systems, enterprise, Web services, and entertainment (over 1,100 companies and approximately 40,000 projects)
- A wealth of experience and accumulated know-how in the mobility field (autonomous driving and advanced driver assistance systems, IVI systems, process improvement, etc.)

Business environment

Opportunities

- Needs for modernization and digital transformation of legacy systems
- Emergence of new products and services due to technological innovation
- Progress toward a new mobility society
- Increase in demand for cybersecurity

Risks

- Shortage of IT engineers due to the declining domestic population
- Disruptive innovation due to technological progress

Specific measures to address opportunities and risks

1) Expansion of business in strategic areas	Expand the areas of mobility, business systems, entertainment, and cybersecurity
2) Building internal system to promote in-house DX	Strengthen the R & D division and expand VERISERVE VIETNAM COMPANY LIMITED as a development function
3) Increased production capacity	Secure human resources through recruitment, expansion of nearshore bases, M&As, etc.
4) Strengthening of organizational capabilities	Develop human resources and enhance management capabilities

Key strategies and progress toward realizing the Medium-Term Management Plan

1) Expansion of business in strategic areas
In the mobility field, both sales and profit increased steadily, mainly due to transactions with major manufacturers in Japan. In the entertainment field, we made multiple investments in AIQVE ONE Inc. a Group company, and participated in multiple joint development projects for game applications. We are also actively promoting business expansion, including the acquisition of the entertainment businesses of companies that have strengths in the XR/VR area, the acquisition of human resources with knowledge of the area, and the acquisition of multiple advanced PM and PL human resources through mergers with companies that were our business partners. In the cybersecurity field, we are developing services for IoT devices in general, automobiles (in-vehicle devices), medical devices, etc., and are also in the process of developing products related to PSIRT[1] and SBOM[2].
2) Building internal system to promote in-house DX
We utilize VERISERVE VIETNAM COMPANY LIMITED, which was established as a development company, improve the efficiency and sophistication of projects for clients, and develop a number of tools for reducing internal administrative work. We have also begun in-house product development. We are also promoting the improvement of AI literacy and the sharing of knowledge by introducing generative AI within the company and implementing AI human resources development measures in various divisions.
3) Increased production capacity
We established VeriServe Hakodate Corporation as our second nearshore base. The Group as a whole has increased the number of employees by approximately 300 since FY2022 through measures such as strengthening recruitment, expanding nearshore bases, and M&As.
4) Strengthening of organizational capabilities
Implement training programs for executives to foster the next generation of management personnel We also restructured the training program for line workers, and a total of more than 200 employees participated in it. Furthermore, we are thoroughly strengthening governance by building an information asset management system capable of real-time management and by reducing the number of reported incidents by about half from the previous year.

*1 PSIRT: Product Security Incident Response Team
*2 SBOM: Software Bill of Materials

SCSK Minori Solutions Corporation

Realizing a sustainable society with IT
—We optimally combine latest IT technologies and services to provide continuous and flexible support for clients

Kenji Toda
Representative Director and President

Strengths

- An account service that creates business innovation by leveraging business and industry knowledge as a co-creation partner
- Technology solutions that support clients' system infrastructures, including Hybrid Cloud and Microsoft technologies
- Business solutions that accelerate clients' businesses, including ERP and collaboration solutions

Business environment

Opportunities

- Expanding demand for digitalization of operations and information among medium-sized companies
- Rapid expansion of AI utilization and demand for advanced technologies such as IoT and cloud utilization
- Mid-tier market demand leveraging the comprehensive capabilities of the SCSK Group
- Client base supported by transactions with more than 1,000 clients

Risks

- Shift to in-house production by clients utilizing low-code and no-code technologies
- Review by clients of IT investments due to the global situation and economic trends
- Chronic shortage of IT engineers with advanced and specialized skills

Specific measures to address opportunities and risks

1) Account Services	Provide services that promote co-creation businesses and solve business issues by continuing to cultivate clients leveraging business knowledge accumulated in the manufacturing and financial industries
2) Technology Solutions	Leverage Microsoft technologies cultivated over the years and establish a Hybrid Cloud Platform to overwhelmingly differentiate ourselves from the competitors
3) Business Solutions	Expand business by developing ERP solutions through collaboration with the SCSK Group as well as by utilizing our unique agency portal solutions

Key strategies and progress toward realizing the Medium-Term Management Plan

1) Account Services
We will create an account plan for each client that we focus on, and work together with manufacturing and sales to cultivate clients. We will also establish our position as a co-creation partner by consolidating transactions with companies that we outsource to and expect to benefit from collaboration with, and by strengthening relationships to improve quality and earn the trust of clients.
2) Technology Solutions
We will select focus areas and concentrate resources on them. In selecting focus areas, we will disclose six new solutions related to Microsoft technologies, and in particular, promote sale of "Windows11 Migration Support Service" and "Microsoft 365 Zero Trust Security Implementation."
   In the Hybrid Cloud Area, we have made progress in the use of AWS and Azure as service menus for medium-sized companies, and will continue to develop menus featuring cloud products and services. We will also promote Hybrid Cloud Integration by identifying examples of large-scale Azure migration projects, which we have been working on since FY2023.
3) Business Solutions
In the original products business, we have acquired new leads by strengthening joint business plans with software vendors, co-hosting webinars, and exhibiting at events. We will aim for significant growth by continuously promoting proposals to clients and expanding sales of agency portal solutions (a new service).
   In ERP solutions, we plan to strengthen our development structure and improve productivity by developing human resources and expanding system introduction and function templates. We will also establish a new sales department specializing in solutions and thus strengthen our proposal capabilities and win contracts.

Message from the Top Management   Value Creation Story   **Strategies to Create Value**   Foundation Supporting Value Creation   Data Section

Strategies to Create Value

Co-creation Example Cases: Co-creation with Clients

The Hiroshima Bank, Ltd. ✕ SCSK

General account transaction monitoring system BankSavior that responds to scams quickly and flexibly

Social issues in the background
- Expansion of fraud damage caused by financial crimes such as special fraud
- Request to strengthen international anti-money laundering measures (AML)

Value provided to society
- Preventing the spread of financial crime damage by enhancing the detection of illegal transactions
- Providing safe and secure financial services that protect customers

An increase in the number of victims of fraud has become a national issue in Japan. According to the National Police Agency, the reported amount of special fraud damage in 2023 was ¥45.26 billion, an increase of about 22% from the previous year. On the other hand, the clearance rate for special fraud cases in 2023 was only about 38% of the 19,038 cases recognized.

SCSK began providing "BankSavior Monitor" (hereinafter referred to as BSM), which monitors fraudulent transactions such as special fraud, for financial institutions in 2005, when special fraud damage was expanding. Since then, more than 80 financial institutions have used BSM. Behind the expansion of this service was the co-creation between those responsible for financial crime countermeasures at financial institutions and SCSK. In order to share the latest financial crime information and industry trends with BankSavior users, SCSK has held information exchange meetings inviting users since 2010. At the meeting, we are not only contributing to the sophistication of countermeasures at each company, but also aiming to implement new functions in BSM that make use of users' voices to address rapidly changing financial crimes by supporting the formation of collective knowledge through exchange of information among stake holders. Functions developed from the users' voices include a flexible monitoring scenario setting function that can respond to the latest techniques of fraudsters and a real-time transaction monitoring function that quickly detects the occurrence of fraud. These functions contribute to financial institutions' anti-fraud measures.

The Hiroshima Bank, Ltd., which is the largest regional bank in the Chugoku and Shikoku regions, utilizes the transaction monitoring function of BSM to prevent damage from special fraud. In the past, persons in charge at The Hiroshima Bank, Ltd. have been troubled by incidents in which fraudsters made phone calls pretending to be police officers, etc., explained false procedures on the grounds of fraudulent use of cash

cards, and then replaced and stole the cards. Early detection of the damage is clucial as the criminals withdraw up to the daily transaction limit until the victims notice their cards have been replaced. However, since there are a certain number of cases where ordinary depositors withdraw money in the same manner, false detection has been a problem. Under these circumstances, those analyzing the damage pattern noticed the distinctive behavior of criminals, and created a dedicated scenario using the BSM monitoring scenario. This led to a reduction in false detections and the realization of early damage detection. Furthermore, by coordinating the information with the Hiroshima Prefectural Police based on the detection results, it has also led to the early search and arrest of criminals.

The case and actual monitoring scenario of The Hiroshima Bank, Ltd. have been disseminated to BankSavior users nationwide through information exchange meetings, etc., and are being utilized in special fraud countermeasures in various regions. SCSK will continue to share information with BankSavior users that will help prevent the spread of fraud damage.

Overview of BankSavior Monitor

Client's systems
- Core banking systems
- Information management systems

BankSavior Monitor
- AI
- Rules engine
- Case management function

Transaction information
Attribute information

BankSavior Filter
BankSavior ScoreBoard

Cooperation

Client's operations
- In charge of monitoring
- In charge of call
- Establishment and management of rules
- Investigation and reporting of suspicious transactions

Alert
Creation of notification file

Voice of client

Fulfilling our mission as a financial institution and protecting our customers from financial crime

SCSK's BankSavior Monitor, which continues to evolve by incorporating the opinions of financial institutions, is an essential system for detecting fraudulent transactions such as fraud. The highly flexible monitoring scenario setting function can quickly respond to ever-changing fraud techniques, contributing to the prevention of fraud damage.

We believe that one of our missions as a financial institution is to protect customers' deposits from fraud and other threats that have increased in recent years.

Fraud techniques are truly sophisticated, and in addition, criminal offenders share information rapidly. As such, financial institutions with weak countermeasures and their customers tend to be targeted. In order to protect customers' deposits from such fraud, all financial institutions need to take high-level countermeasures against fraud. For this purpose, it is essential for financial institutions to share information on new fraud techniques, effective monitoring scenarios, methods of cooperation with investigative authorities, etc.

In the future, SCSK will continue to play a central role in enhancing the sophistication and effectiveness of financial crime countermeasures through the exchange of information among BankSavior users.

Mr. Satoshi Morimoto

Manager in charge of Anti-Money Laundering and Other Financial Crime Control Office
Risk Management Division
The Hiroshima Bank, Ltd.

Voice of SCSK representative

Contributing to the realization of a safe and secure society with BankSavior as a core

BankSavior has evolved through public-private partnerships and exchanges of views with corporate users. I am pleased that the unique monitoring scenario developed by The Hiroshima Bank, Ltd. has led to the strengthened cooperation with investigative authorities and the prevention of the spread of fraud damage, and that this case has spread to BankSavior users throughout Japan through information exchange meetings, etc.

In recent years, the techniques of financial crimes have become more sophisticated and diversified day by day, and continuous and prompt anti-money laundering (AML) measures are required. In 2023, SCSK established SCSK RegTech Edge Corporation, a specialized company that supports measures against financial crime, in order to contribute to building a more effective AML framework. To improve the accuracy of fraud detection, the company developed a shared-use mixed AI model that can detect fraudulent transactions using a subsidy from the Financial Services Agency, and began providing it in July 2024.

In the fight against financial crime, it is essential to form collective knowledge that transcends corporate boundaries. SCSK will continue to work with user companies to strengthen the functions of BankSavior, while contributing to the realization of a safe and secure society through public-private partnerships.

Takehiko Akasaka

Deputy General Manager,
AML Development Div.,
SCSK RegTech Edge Corporation

AML Business Promotion Dept.
Financial Solutions Business Div.
Financial Business Group
SCSK Corporation

Co-creation Example Cases: Co-creation with Society

Website of Niihama City, Ehime
https://www.city.niihama.lg.jp/
(in Japanese)

Website of Heartnetwork Co., Ltd.
https://heartnetwork.jp/
(in Japanese)

CollaboView
https://collaboview.scsk.jp/
(in Japanese)

Niihama City, Ehime
Heartnetwork Co., Ltd. ✕ SCSK

Subscription-based cloud service CollaboView to help solve regional and corporate issues through IoT

Social issues in the background
- Decrease in labor force due to declining birthrate and aging population
- Decline in regional economic power due to a decrease in labor force

Value created
- Ensuring the safety and security of the entire town in times of disaster and in peacetime
- Revitalizing regional economies and maintaining and improving quality through the use of IoT

In recent years, Japan's working-age population is expected to decline to 52.75 million in 2050 due to the declining birthrate and aging population[1]. As a result, close ties among residents have been diluted, and the number of local government employees has been on a downward trend. Under these circumstances, services to "watch over" children, the elderly, and other people using IoT technology are expanding.

In addition, as natural disasters caused by heavy rain and earthquakes become more severe and frequent, there are increasing expectations for the realization of efficient and effective disaster prevention and mitigation through the use of IoT technology that does not rely on patrols by people, but instead collects disaster-related information in real time and in detail, and provides evacuation information, etc. quickly and accurately.

On the other hand, the provision of such services requires a robust communication network that is resistant to disasters. In particular, in the event of a large-scale disaster, service outages associated with line congestion, equipment failure, or power failure must be avoided.

In order to resolve these issues, SCSK is using IoT technology to provide "CollaboView watch-over," which monitors the safety and security of residents, toward the realization of "sustainable community development" by local governments, based on its corporate philosophy, "Create our Future of Dreams."

This service is a Low Power Wide Area (LPWA) network that uses a unique protocol that is resistant to disasters, developed by Skeed Co., Ltd., a subsidiary of SCSK.
1) An autonomous distributed network that can be handled by anyone without setting
2) Power-saving operation with solar cells, making it less susceptible to power outages
3) A self-defense network that can be used outdoors without requiring approval or notification, such as a wireless LAN
These are the biggest features of the network. Therefore, you can use the service immediately with a small start, and it is possible to suppress communication expenses.

For example, by continuously collecting data from a wide variety of sensors, including flood sensors, through CollaboView, if a disaster occurs, the accuracy of disaster predictions can be improved and evacuation actions can be made more efficient by quickly issuing evacuation orders, etc.

Furthermore, by installing communication devices throughout the region to build this network and by having children and the elderly carry tags, it becomes possible to grasp their location information. In this way, it is possible to build a mechanism that is useful for improving services for residents to protect them, such as watching over family members using smartphone applications in normal times, and in the event of a disaster, grasping the evacuation status of family members and heading toward the support for people vulnerable to disaster.

In addition, in CollaboView, we not only provide "watch-over" services for local governments, but also work extensively to address the issue of the decline in the Japanese working-age population.

Even in the face of a decline in productivity in the private sector and primary industries, it is possible to realize systems that contribute to improving productivity, such as "work efficiency improvement" and "employee safety and health management" for employees in offices, factories, and worksites, by collecting data from various sensors, analyzing data for each issue, and automating operations and various management operations.

In 2021, Niihama City, Ehime, together with Heartnetwork Co., Ltd., set up the network throughout the city, and began a demonstration experiment to watch elementary school students on their way to and from school. Currently, it is provided as a watch-over service for parents. In addition, this network has been widely utilized, including for the installation of flood sensors, and we are working together to promote smart city efforts throughout the city.

Use Cases of CollaboView

Factories
Equipment management
Preventive maintenance of facilities
Safety management for workers

Regions
Disaster prevention measures
Watching over children
Reduction of administrative workload

Offices
Identifying the location
Assessment of working conditions
Office analysis
Understanding of the environment

Primary industries
Confirming the location of livestock
Safety and health management
Visualization of the aquaculture environment

Voice of client
Using IT to create a city where people can live safely and securely

Niihama City, Ehime is working to promote a smart city that utilizes cutting-edge technologies such as information and communications technology (ICT), in order to resolve various issues faced by the region, such as responding to the worsening population decline and disaster prevention measures.

Under these circumstances, we believe that "CollaboView watch-over," a city watch solution provided by SCSK, will lead to the promotion of smart city efforts of the City, including ensuring the safety and security of children in the region and quickly obtaining flooding information in the event of heavy rain.

In the future, through cooperation with SCSK, we will aim to realize the "Town of Akagane, where residents want to live and continue to live," which is a slogan of the City.

Mr. Katsuyuki Ishikawa
Mayor of Niihama City[2]

Voice of partner
Utilization for development of community that is comfortable for citizens to live in

We are a cable television operator with service areas in Niihama City and Saijo City. In recent years, we have adopted the catchphrase "A company for town development," and together with the local government and companies, we have been helping to make the city a better place for citizens to live. One of our major missions is the promotion of smart city efforts that resolve regional issues. We will continue to utilize the proprietary LPWA network that we have introduced as an important regional infrastructure, including services of "watching over" and "understanding flooding information." In addition, we would like SCSK Corporation to utilize the nationwide cable television network and play an active role as a partner in the promotion of DX beyond the region.

Mr. Naoto Ito
President and Representative Director, Heartnetwork Co., Ltd.

Voice of SCSK representative
Promoting smart city efforts through public-private partnership utilizing CollaboView

CollaboView aims to resolve regional issues, improve services for residents, realize sustainable town development, enhance the attractiveness of towns, and revitalize regional economies.

In Niihama City, Ehime, with the cooperation of Heartnetwork Co., Ltd., a local cable television company, we are promoting support for the resolution of regional issues, including watching over elementary school students. In addition, CollaboView Factory was selected in an open recruitment for business conducted by Ehime Prefectural Government this year, and we would like to accelerate its use, first from within Ehime Prefecture, and also for the improvement in production efficiency and the safety and health management of employees in the manufacturing industry nationwide.

SCSK will use these initiatives as model businesses for regional revitalization, and will work to expand them nationwide and even overseas.

Nao Fukawa
Business Promotion Section
Skeed Business Promotion Dept.
Solution Business Promotion Div.
Solution Business Group
SCSK Corporation

*1 Cited from "2022 White Paper on the Aging Society," Cabinet Office (2022)
*2 Mayor Ishikawa's term ended on November 15, 2024.

SCSK's Initiatives in the Climate Change Business

We will aim for further business growth through climate change countermeasures.

Takayuki Okuhara
Senior Corporate Officer
Business Design Group
General Manager, GX Business Div.

While it is said that we are transitioning from the era of global warming to one of global boiling, there are also reports that ESG investments are encountering headwinds. We believe, however, that it is common sense that it is the responsibility of our generation to pass on the global environment inherited from our predecessors to future generations in a good state. It is inevitable that there will be a reasonable cost incurred by society as a whole for this, but there will be opportunities to contribute to the global environment through business activities.

Amidst these conditions, we approach society's expectations from two perspectives. For many years since our establishment, from the standpoint of a systems integrator, we have made contributions to energy companies and numerous other customers who support this country. We hope to continue to contribute as a GX enabler for our customers. This is the first of the two aforementioned perspectives.

The second is that, as the business entity, we are in a position to contribute to the realization of a carbon-neutral society through the GX services and solutions that we have created ourselves. Although we are latecomers to this position, we have a number of people with business design knowledge accumulated through the commercialization of DX that has continued since the previous Medium-Term Management Plan, as well as AI know-how that is essential for GX. We have the ability to pave the way for the future. EneTrack, which launched operations in 2023, and ZEBiT, which entered the market in the spring of 2024, are good examples.

We will continue to launch GX services that only we can create, and grow these businesses with an eye toward contributing to our business performance at the earliest possible time.

Major SCSK Group climate change response solutions

	Response to climate change		
	Assess current situation, formulate strategy	Reduce CO_2 emissions	Promote renewable energy
Market	■ Ascertain emission sources and volume ■ Manage and improve the efficiency of energy use	■ Review operations ■ Review energy usage/availability ■ Review product/service offerings	■ Purchase/trade emission credits ■ Utilize renewable energy attribute certificate
Services provided	PERSEFONI — Carbon accounting platform (GHG emission calculation, analysis)	ZEBiT — Decarbonization solutions for commercial buildings	EneTrack — International Renewable Energy Certification (I-REC) platform service, a standard for international renewable energy attribute certification

ZEBiT launched, a service that contributes to the realization of a decarbonized society by enabling GX management for building.

Approximately one-third of total domestic CO_2 emissions is caused by buildings, it's crucial to decarbonize buildings in achieving carbon neutrality. While the government's promotion of Net Zero Energy Building (ZEB) and various measures such as the Building Energy Conservation Act have led to progress in the decarbonization of large-scale and new buildings, the fact is that older, small and medium-scale buildings are lagging behind.

To address this social issue, in April 2024, SCSK launched ZEBiT, a decarbonization solution for small and medium-scale commercial buildings. ZEBiT enables to reduce operational carbon—CO_2 emitted during the operation of buildings—through a carbon management function that visualizes buildings' CO_2 emissions by automatically gathering energy data, and an energy management function as a cloud service that controls equipment using ZEB active technology. This service can be installed in existing buildings without replacing any equipment, resulting in reduced initial costs and enabling a rapid start to GX management for buildings.

ZEBiT is a service developed via co-creation with several partners in relevant industries, construction, building equipment and real estate. We will continue to work with our partners to expand power management and other functions and develop our business, with the three-year goal of installing the system in a cumulative total of 800 buildings.

Chuo-Nittochi Co., Ltd.

Ms. Machiko Nakase
Senior Manager
Business Management Department
Digital Transformation Promotion Section
Chuo-Nittochi Co., Ltd.

As a comprehensive real estate company, we own and operate quite a few buildings and are undertaking GX management of buildings to make them carbon neutral. Until now, the management of energy data has been rather labor-intensive, making it difficult to formulate timely measures and implement them appropriately. As such, we believed that a system was necessary that would facilitate data-driven decision making.

The introduction of ZEBiT has enabled the timely and accurate collection and visualization, or understanding, of energy data.* Monitoring and utilizing the data visualized by ZEBiT allows the business division responsible for operations to devise GX measures. Putting it into practice has resulted in front-line reactions including "I think we could use it for this as well." The change in the mindsets of people is palpable.

*As of July 2024, demonstration installations had been conducted at 13 buildings

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Employee roundtable discussion: talent to lead the GX business

Four young employees assigned to the GX Business Div. who are leading business development and delivering services to energy companies to mitigate GHG emissions, and Mr. Katsuhiko Naito, an SCSK advisor and an expert on the economics of renewable energy, discussed solving problems through business and the significance of the SCSK Group's involvement in GX.

Diverse business design personnel to support the creation of businesses

Mai Naito: I feel the strength of the GX Business Div. is that it brings together people with great diversity in terms of expertise. We are a "hodgepodge organization"—in the best sense of the term—with a wide range of personnel involved in business design. This includes engineers, business development, sales, and marketing. It is an environment in which we can collaborate with professionals in the fields we need, when we need them.
Kunugi: There are some who are IT specialists, and others are experts in GHG emissions calculation. Each of us possesses knowledge that complements that of our colleagues. The soil to create new business ideas is extremely fertile. The business development know-how is also systematized. And, while my previous job was in the energy industry and I am a newcomer to IT business development, it is reassuring to know that I have this accumulated know-how to refer to.
Tabuchi: In addition to this diversity, I think another characteristic of this company is that, while as a corporation we must view this from a profit-making perspective, the members of the organization have a shared awareness that we are contributing to society through our own businesses.
Tsukagoshi: That's true. I am in charge of EneTrack (I-REC platform service). Instead of thinking only about a single solution, however, I have begun broadening my perspective to consider the value the GX Business Div. as a whole can offer to society and to our customers.

Significance of the SCSK Group's GX initiatives and future vision

Tabuchi: The SCSK Group has been engaged in business with power and other energy companies for quite some time, and I am also heading up systems integration (SI) business for such customers. We are currently supporting a particular customer's efforts to cut costs by optimizing its power facilities, and the economic value resulting from these endeavors will provide the impetus for the customer's next investment. Through our provision of DX support to these energy companies that are leading Japan, we will also work together to advance the GX of society, and—while indirectly—help resolve social issues.
Kunugi: Referring to what you just said, my aim in the development of decarbonization projects for small- and medium-sized enterprises (SMEs) goes beyond decarbonization to the creation of a virtuous cycle that will lead to the enhanced competitiveness and profitability of these smaller firms, which in turn will serve to revitalize the local economy overall. We believe that achieving this kind of regional decarbonization ecosystem will require the cooperation of many stakeholders. That is why we want to involve all of our stakeholders in co-creating a better future.
Mai Naito: I am currently in charge of ZEBiT. Our short-term objective is to make ZEBiT the global standard. With regard to long-term objectives, I have a one-year-old child, and my desire to leave society in a better place for my child becomes more intense whenever I see news concerning extreme weather events such as heat waves and torrential rains. I feel that these thoughts have become even clearer in my mind as my motivation to pursue projects related to decarbonization and energy conservation.
Tsukagoshi: As a product manager, what I would like to focus on first is making EneTrack the international energy attribute certification standard. Furthermore, I have come to feel even more strongly through my involvement in GX business development that, through our business, I want to contribute to society and to the environment. While leveraging the SCSK Group's software power, I want to continue taking on the challenge of creating businesses that will pass a healthy global environment on to the next generation.
Katsuhiko Naito: Achieving a carbon-neutral society requires the successful coordination and management of diverse natural energy sources and social activities. This makes meticulous management using digital technology essential. And, given SCSK's expertise in software, society's expectations of us are higher. While there are not many businesses in Japan that operate on the business entity side, the GX Business Div. is in the unique position of operating in this manner—despite being in the SI industry, which is one that receives orders. It is vital that we successfully ride the wave of global-scale game changing and continue creating new business and value. Moreover, times of game change represent opportunities for younger people to rise to prominence. Amidst the urgent need to address the climate change issue, my hope for all of you is that, while continuing to hone your expertise in your respective businesses, you will grow as individuals who continue to offer value to society.

Photo, from left to right
Ryota Kunugi (Carbon Neutral Business Development Dept., GX Business Div.)
Mai Naito (Carbon Neutral Solution Dept., GX Business Div.)
Katsuhiko Naito (Advisor, Professor, Graduate School of Environmental Studies, Tohoku University; Chairman, Japan Tracking Association)
Yuka Tsukagoshi (EneTrack Dept., GX Business Div.)
Daisuke Tabuchi (Energy Systems Business Dept., GX Business Div.)