



Create Our Future of Dreams

Corporate Philosophy

Our Mission

Create Our Future of Dreams

We create our future of dreams by establishing value based on our customers' trust.





Our Promises

Respecting each other

We realize our potential by respecting each other.

Providing excellent service utilizing reliable technology

We delight customers through our service based on reliable technology and passion.

Sustaining growth from a global and future perspective

We, with our stakeholders, pursue sustainable growth for the world and the future.

Code of Conduct

Challenge

Aim higher with future creating passion.

Commitment

Act with integrity and responsibility for our customers and society.

Communication

Facilitate teamwork with respect and understanding.



Introduction

Corporate Philosophy	P1
Contents/Editorial Policy	P3

Message from the Top Management

Message from the Top Management	P5
---------------------------------------	----



Value Creation Story

SCSK's History	P11
SCSK's Businesses	P13
Value Creation Process	P15
Source of value creation: Management resources of SCSK	P17
SCSK's Sustainability Management	P19
Grand Design 2030	P25
Technology Vision 2030	P27

Strategies to Create Value

Review of the Medium-Term Management Plan ...	P29
---	-----

Progress of the Medium-Term Management Plan

• Outline of the Medium-Term Management Plan (FY2023–FY2025)	P31
• Management Targets (Financial and Non-Financial) Progress Summary ...	P33
• Core Strategy 1	P35
• Core Strategy 2	P36
• Core Strategy 3	P37
• Managerial Foundation Reinforcement	P38
• Message from the General Manager, Technology Strategy Div.	P39
• Message from the Assistant General Manager, Human Resources	P41



Message from the Officer in Charge of Finance	P43
---	-----



Strategies by Business Group and Group Company	P47
---	-----

Co-creation Example Cases: Co-creation with Clients	P59
---	-----

Co-creation Example Cases: Co-creation with Society	P61
---	-----

SCSK's Initiatives in the Climate Change Business	P63
---	-----

Editorial Policy

SCSK Report 2024 has been compiled as a report that contains information on performance and business strategies as well as non-financial information, such as that pertaining to sustainability activities. We hope this report will facilitate understanding with regard to SCSK's efforts to realize stable, ongoing improvements in corporate value from a medium- to long-term perspective while paying attention to stakeholders.

Scope of report	SCSK and the SCSK Group	Publication date	December 2024 (The original Japanese report was published in September 2024, therefore, the information is as of September 2024)
Reporting period	FY2023 (April 2023 to March 2024) *Includes some information for FY2024		
Guidelines referenced			
<ul style="list-style-type: none"> • U.N. Global Compact • ISO26000 • The International Integrated Reporting Framework, published by the International Financial Reporting Standards (IFRS) Foundation • Global Reporting Initiative (GRI) GRI Standards • Ministry of Economy, Trade and Industry (METI)'s Guidance for Collaborative Value Creation 			

Important Information Regarding Report Terminology

The names of products, services, etc. listed in this report are the trademarks or registered trademarks of SCSK or respective companies, etc. In addition, some of the references to "SCSK" and "the Company" in this report may refer to the entire "SCSK Group."

Disclaimer

This report is intended to provide information about the performance and business strategies of SCSK and is not intended to solicit the purchase or sales of SCSK's stock. Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice. SCSK cannot be held responsible for losses resulting from information contained in this report. This report may not be reproduced or retransmitted without authorization.

Foundation Supporting Value Creation

Global Environmental Contributions	P65
• Information Disclosure based on TCFD Recommendations	P69
Diverse Team of Professionals	P71
• CASE STUDY	P81
Initiatives toward Respect for Human Rights	P82
Sustainable Value Chain	P83
Transparent Governance	P87
• Message from the Chairman of the Board	P87
• Message from the Chairpersons	P88
• Message from Newly Appointed Outside Directors	P102
• Executive Members	P103

Data Section

Financial and Non-Financial Highlights	P105
Main Financial Data	P107
Performance Analysis	P109
Main Non-Financial Data	P113
Corporate Information	P117
External Recognition	P120
Communication with Shareholders and Other Investors	P121
Column	P122
• Opened “SCSK LINK SQUARE,” a SCSK Branding Base	
• “CAMP,” SCSK Group’s Social Contribution Activity	

Changes from Last Fiscal Year

With the aim of making it easier for readers to understand SCSK’s efforts, we have changed the structure of the report, focusing on the following three points.

1

Addition of Management Resources

We have contributed to solving social issues by utilizing financial capital, intellectual capital, natural capital, social capital, and human capital. Our management resources accumulated over the years are summarized in an easy-to-understand list. We will pursue further value creation by combining these five types of capital, strategically utilizing and enhancing them.

2

Message about Our Strengths: Technologies and Human Resources

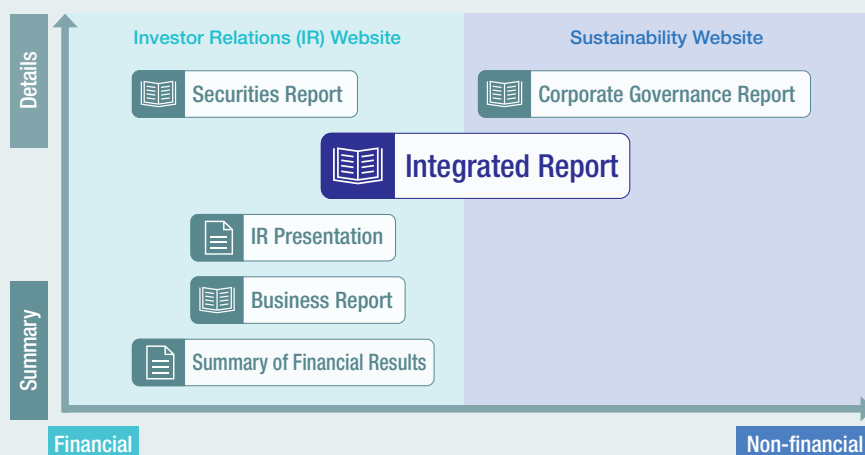
The personnel in charge of various divisions explain the current initiatives in promoting the Core Strategies of the Medium-Term Management Plan, particularly the promotion of technology-driven approach and the maximization of human resource value, which are the bases for strengthening the management foundation.

3

Strengthening Disclosure of Corporate Governance

In line with the change in governance structure effective April 2024, we have posted messages from the newly appointed Chairman of the Board as well as the newly appointed Chairs of the Nomination and Remuneration Advisory Committee and the Conflict of Interest Advisory Committee. We have also taken steps to further improve the quality of disclosure by, for example, enhancing the descriptions of discussions at the Board of Directors meetings.

Information Disclosure Media



SCSK Corporate Website

https://www.scsk.jp/index_en.html



Investor Relations (IR) Website

https://www.scsk.jp/ir_en/index.html



Sustainability Website

https://www.scsk.jp/corp_en/csr/index.html





Leading the Way to the N

We will accelerate co-creation w
promote the application of digital

Representative Director
President

Takaaki Tsuma

Summary of the Previous Fiscal Year (first year of the Medium-Term Management Plan)

Review of FY2023

Two years have passed since I assumed the position of president. In that time, I have been committed to an empathetic style of management (Value-Driven Management) not only with executives and employees, but also with many stakeholders as my vision for management. In today's world, in which social issues have become increasingly diverse and complex, it is difficult for any one individual or company to respond to them independently, and I realize that "co-creation," the aim of which is to generate new value through mutual collaboration, is vital.

Moreover, in this era, companies are positioning "digital" at the core of their growth strategies. This indicates dramatic change in society's positioning, expectations, and view of the IT industry itself. It is my strong belief that we are once again being called upon to take on the challenge of resolving social issues by delivering digital technology, which evolves daily, to customers and society in the most appropriate manner, and by creating new value together.

In such an era, looking back over the past year, despite the impact of rising prices due to the sharp increases in energy and raw material prices and the impact of exchange rate trends owing to interest rate fluctuations, the IT services market continues to expand, underpinned by a robust appetite for IT investment across a broad

Next Stage as a Co-Creative IT Company

With empathetic stakeholders and
IT technology to the resolution of social issues.

range of industries. At our company, too, the strong demand for IT investment—centered on our key customers—resulted in better-than-expected business performance. For the 12th consecutive term since the merger in 2011, we were able to complete FY2023 with increases in sales, profit, and dividends.

“Penetration” is the key to implementing the Medium-Term Management Plan

In implementing Grand Design 2030, which lays out the vision for our company, and the second Medium-Term Management Plan (launched in April 2023) for 2030, we considered that gaining the understanding and support of our employees superseded all else in terms of importance. Given this, we have been creating more opportunities to refer to the plan's policies from the fiscal year ended March 31, 2023. Furthermore, at the beginning of the fiscal year ended March 31, 2024, I took part in kick-off meetings for all six business groups. At these meetings, I spoke directly in my own words concerning the implementation of the Medium-Term Management Plan. It was the first time for a president of SCSK to take part in a business group kick-off meeting, but I think it was a good opportunity to speak face-to-face with employees. In addition, we conducted several town hall meetings, dividing 206 department managers into small groups to promote two-way communication and ensure comprehensive understanding of the issues on the part of the managers at the forefront of each business.

 P25 Grand Design 2030

We conduct an annual survey to gauge the understanding of the Medium-Term Management Plan, and in its first year, the majority of employees responded that they understood the contents of the plan and kept it in mind while performing their daily duties. We believe we have

communicated the plan well to many employees, and that this has helped to foster a high level of awareness with regard to its implementation. We are only partway through the period of the plan, but based on the positive responses and actions of employees through means such as surveys—as well as the progress made in the plan's first year—I feel that the efforts of the general managers and department managers, who have played a leading role in promoting it, are beginning to bear fruit.

My own experience was the reason I was so particular about gaining understanding of the plan. When I was a young engineer, I didn't immediately understand the perspective of management. I feel we need to adjust the way we communicate and explain things depending on the age and position of the person with whom we are communicating. For this reason, I asked department heads to carefully exchange views with and provide explanation to their members.

We believe that explaining to each member in detail how their own efforts impact the company's performance, customers, and beyond that, industry and society, will lead to higher job motivation of employees and deriving a sense of fulfillment from their work.

Further Growth Based on Core Strategies

To achieve continuous growth

Of the three core strategies set out in the Medium-Term Management Plan, we have established company-wide measures and have been implementing them for a year across all existing businesses under Core Strategy 1 (Decisive Business Shifts – Three Shifts). Each business

Message from the Top Management

has shown concrete progress, and we are beginning to see some results. We hope to continue this progress and make this year, the second year of the plan, one in which we further strengthen the momentum of Core Strategy 1, leading to further implementation.

Going forward, I want our focus to be on two strategies: Core Strategy 2, which will lead the growth of our business, and Core Strategy 3, the aim of which is to develop next-generation digital businesses.



Lead growth markets

Core Strategy 2 promotes business in three areas: “modernization services for solving social and customer issues,” “innovation services for new value creation,” and “integration services supporting society’s digitalization.”

Looking at “modernization services,” the digital supply chain business in the manufacturing domain in particular is progressing well. Our customer base exceeds 8,000 companies, and of these, 30% of sales are accounted for by transactions with manufacturing industry customers. Buoyed by our strong relationships with manufacturing industry customers, we have been working together to achieve supply chain DX, based on our business

knowledge and the technological capabilities cultivated through our system construction centered on SAP and ERP. This has resulted in us receiving numerous inquiries for large-scale system restructuring—primarily from customers whom we had not previously worked with in the ERP realm—and orders are building up steadily.

Turning now to the second area, “innovation services,” business is performing well, particularly in the mobility business, including areas where advanced digital talent is utilized and in the verification services business, led by subsidiary VeriServe Corporation. The mobility industry is currently undergoing a period of what is said to be once-in-a-century change, and is transitioning from a focus on hardware-centered automotive manufacturing to automobile and service manufacturing centered on software. The Software Defined Vehicle, or SDV, has attracted attention in recent years. Our company also rapidly ascertained this change, and we have been accelerating co-creative endeavors with automotive manufacturing and suppliers with the objective of becoming a co-creative mobility service provider, a leader of the SDV era. One example would be the conclusion of a strategic partnership with Honda Motor Co., Ltd. and the launch of collaborative efforts with Renesas Electronics Corporation and TOYOTA Connected Corporation. Underpinned by our expertise with mobility and IT, we will continue to accelerate our collaborative strategy with the goal of becoming a co-creative mobility service provider spearheading the SDV era.

Finally, with regard to “integration services,” we launched SCSK Security Corporation in August 2023. Until now, we have provided cyber security-related services and leveraged the advanced technologies of product vendors to offer product businesses. Since most Japanese companies employ the best-of-breed approach when it comes to cyber security measures, however, issues such as the occurrence of security holes due to a lack of coordination across products and investments not being optimized owing to functional overlap are becoming apparent. Given these circumstances, we established SCSK Security Corporation with the intent of contributing to solving increasingly complex, sophisticated cyber security issues by merging two businesses that SCSK has cultivated over many years. We will work to reduce companies’ cyber security risks and maximize ROI in the security domain, thereby contributing to the realization of a safe, secure society.

[P36 Medium-Term Management Plan Core Strategy 2](#)

[P81 Establishment of SCSK Security](#)

Creating Next-Generation digital business

Our aim with Core Strategy 3 is to create “next-generation digital businesses” that leverage the knowledge we have accumulated through our core businesses—as well as our

expertise in business design and the development of new businesses that we have accumulated over the years—to achieve non-linear business growth.

One area we are focusing on is GX. In line with the launch of the Medium-Term Management Plan, we have established the GX Business Div. in Business Design Group, which heads up new business development, and have been working to create new services. We have already released services such as EneTrack and ZEBiT that contribute to society's decarbonization, and are now moving toward monetization. Societal demand for solutions to the issues in this domain is strong, and the market for them is so vast that it is challenging to grasp. The power of our human resources is vital as we attempt to demonstrate our value in this domain. Many business design personnel in the GX Business Div. are striving to create new services that will contribute to resolving environmental issues society faces, with the assistance of experts in energy-related fields.

Another key factor is the power of the collective; in other words, the creation of an ecosystem. Even if we talk about expanding our business in these areas, it is clear that we will at some point reach our limits on our own. To scale up our business significantly, it will be necessary to establish partnerships with companies that have similar aspirations. There may even be cases in which we need to consider M&A. To achieve this, we first need to make our strengths in this field clear to the outside world, as well as the technical areas in which we excel and the services we offer. Failing that, we cannot expect companies to want to collaborate with SCSK. We will continue to provide services to the world that only SCSK can offer.

[P63 SCSK's Initiatives in the Climate Change Business](#)

We are also focused on the customer experience (CX) domain.

In this area, we are leveraging digital technology to realize rich customer experiences that correspond to diversifying values and lifestyles. In May 2024, the company 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 scheduled for October 1, 2024. This integration will serve to consolidate the development resources of the two companies and combine know-how to enhance development efficiency and reinforce the structure for service expansion. In addition to e-commerce (EC) development, through EC site management, fulfillment services, and digital marketing, the new company will also contribute to raising customers' business performance. We will combine these powerful services to promote an offering-type business model that encompasses everything from upstream consulting to systems development and operation.

[P37 Medium-Term Management Plan Core Strategy 3](#)

New Initiatives to Deepen Health and Productivity Management and Attract Diverse Human Resources

Move beyond health and productivity management to Well-Being Management

We undertook work style reforms in 2012, our aim being to achieve ways of working that are more efficient and flexible. We have promoted health and productivity management since 2015, believing that becoming a company healthy in both mind and body would lead to employee happiness and the company's sustainable growth. With regard to health and productivity management, we have received external recognition, including being the only company to be selected as a Health and Productivity Stock for 10 straight years, since the first year of the recognition program. As the next stage, from 2021 we defined Well-Being Management and are promoting a host of initiatives to evolve into a company that contributes to society through value creation and where employees gain a sense of job satisfaction.

I have spent many years building my career in workplaces, centered on customers in the manufacturing industry. From my time as a project manager, I have been considering how to heighten job satisfaction. To this point, the IT industry has primarily been about constructing and operating systems in customers' backyards. There have been limited opportunities to contribute directly to



Message from the Top Management

society or deliver services or systems directly to general consumers. It was, in a sense, an indirect contribution to society. The impression people have of the IT industry these days, however, is far stronger than it has ever been. The opportunities for direct societal contributions and to take on the challenge of resolving social issues have also expanded considerably. I sincerely feel that we have finally become such an industry. With this background, when I was appointed director in charge of human resources in 2020, after pleasantness and health and productivity management, I wanted to focus firmly on job satisfaction, so I launched Well-Being internally.

This does not mean, however, that we will be able to advance a cause just by ordering people to fall in line. Given our experience to date, we believe that achieving widespread adoption requires the accurate assessment of the current situation and continuous improvement. Based on our belief that employee awareness would not improve without this, in 2024 we established a proprietary indicator, the SCSK Well-Being Score, and began working on fixed-point observation and rotating the improvement cycle.

[P41 Message from the Assistant General Manager, Human Resources](#)

Toward an SCSK that attracts talent

Thanks to our various initiatives—including work style reforms—we have become a company to which many new graduates are applying. Meanwhile, with regard to mid-career recruiting—in which we expect to secure experienced, capable personnel—the competition to acquire human resources is continuing to intensify, not only in the IT industry, but also to the point that customers are involved.

With the aim of creating a company that attracts talent and where people can play active roles, in April 2024, we established a new Talent Strategy Div. and began working on establishing a structure. To create a company where a diverse range of versatile people can gather and contribute, we hope to reform our personnel system—including compensation—to make it more clear-cut, and to create an open and transparent environment in which people and organizations are able to fully demonstrate their capabilities.

Moreover, this approach to creating this environment cannot exclusively be carried out internally. We must also engender empathy and support from partner companies responsible for day-to-day operations. It is essential to work closely with partner companies to continue delivering high-quality services to our customers. We will share with our partner companies the measures and systems we have implemented to enhance quality and productivity, as well as our numerous initiatives in work style reforms, health and productivity management, and

Well-Being, with our partner companies. By doing so, we hope to grow together as leaders in efforts to promote the digitalization of customers and society.

[P83 Sustainable Value Chain](#)

Business Transformation Driven by Technology Vision 2030

Issues that have emerged

What I have felt over the past year or two is that we need to transform our business in accordance with the external environment. In the case of SCSK, we need to utilize advanced technology to change our business model.

SCSK ServiceWare Corporation, for instance, which is engaged in the BPO services business, has been employing chatbots to respond to inquiries at its call center. The advent of generative AI, however, is further advancing the sophistication of their use. New technologies emerging and conventional ones evolving can impact existing businesses. We also feel that we need to change constantly without resting on our laurels. With the aim of showing the direction in which we will incorporate advanced technologies into our business going forward, we formulated and, in July 2024, announced the SCSK Group technology strategy Technology Vision 2030.

Technology Vision 2030

By maximizing the use of advanced digital technology, creating and utilizing technological IP, and co-creating with a diverse range of stakeholders, the vision aims to transform us into a digital offering group.

To respond to rapid societal change and the business environment and meet our customers' diverse needs, we will promote the use of digital technology and intellectual property to create new value and develop new businesses. Furthermore, we will bolster our co-creative efforts with research institutions and startup companies, and work to augment our digital capabilities by cultivating and acquiring advanced digital talent and collaborating with partners in the digital technology domain. We will continue, through these initiatives, to work toward achieving the three goals we have established for 2030.

[P27 Technology Vision 2030](#)

To Stakeholders

Our goal is to become a Co-Creative IT Company

We have opened branding base SCSK LINK SQUARE, which we have positioned as a place to foster new co-creative efforts, in Tokyo Midtown Yaesu. The purpose and concept of this base was to create a place where customers can partake in the value created through the SCSK Group's business, where people can experience new ways of working through the live office, and where people can co-create, verify, demonstrate, and disseminate advanced technologies and initiatives across industry boundaries. SCSK LINK SQUARE affords us the opportunity to introduce our latest solutions to visitors and for them to experience cutting-edge digital technology, while promoting the SCSK brand.

[P122 Column](#)

We stipulate in Grand Design 2030 that we aim to become a Co-Creative IT Company in 2030. Toward

achieving this goal, we are striving to make dramatic improvements to our comprehensive corporate value. Comprehensive corporate value is the value that our group aims to realize as its fundamental corporate strength to practice sustainability management as a growth strategy and to become a Co-Creative IT Company in 2030. In concrete terms, it refers to corporate value that encompasses non-financial factors such as economic, social, and human capital value. Enhancing our comprehensive corporate value will empower us to create an SCSK Group that attracts and is chosen by people including customers, development partners, product vendors, operational partners, students, and current IT engineers. We believe that this, in turn, will lead to the realization of a Co-Creative IT Company. At the same time, we will raise the market value of each individual employee, implement human capital management, and heighten the job satisfaction of our executives and employees.

We look forward to continued support and guidance from our stakeholders as we at SCSK continue to take on the challenge of transformation.



SCSK's History

SCS

1969 onward

Sumisho Computer Service Corporation
 (later Sumisho Computer Systems Corporation)

- 1989 Listed on the Second Section of the Tokyo Stock Exchange
- 1991 Listed on the First Section of the Tokyo Stock Exchange
- 2005 Merged with Sumisho Electronics Co., Ltd.

CSK

1968 onward

Computer Services Corporation
 (later CSK Corporation)

- 1982 Listed on the Second Section of the Tokyo Stock Exchange
- 1985 Listed on the First Section of the Tokyo Stock Exchange

SCSK was created through the merger of Sumisho Computer Systems Corporation and CSK Corporation in October 2011. Both companies began their businesses more than 50 years ago, and Sumisho Computer Systems Corporation, as a member of the Sumitomo Corporation Group, has achieved growth by leveraging its strength in reliability and global support capabilities. At the same time, CSK Corporation has demonstrated its energy and assertiveness to build a unique position as an independent firm that was a self-starter.

Since the merger, we have been providing the full line of IT services from IT consulting to BPO required for business based on our expanded service base, resolving client issues at over 8,000 companies. In addition, under the corporate philosophy of "Create Our Future of Dreams," we are working to develop and expand the earnings base that will form the basis for growth, such as by improving operational quality and business efficiency. At the same time, we aim to be a company that is comfortable and rewarding to work for, and are leading the industry as a leading company in working-style reforms and health and productivity management. These initiatives have led to stable business growth and the achievement of high earnings levels in the IT services industry.

History

https://www.scsk.jp/corp_en/history.html


Medium-Term Management Plan

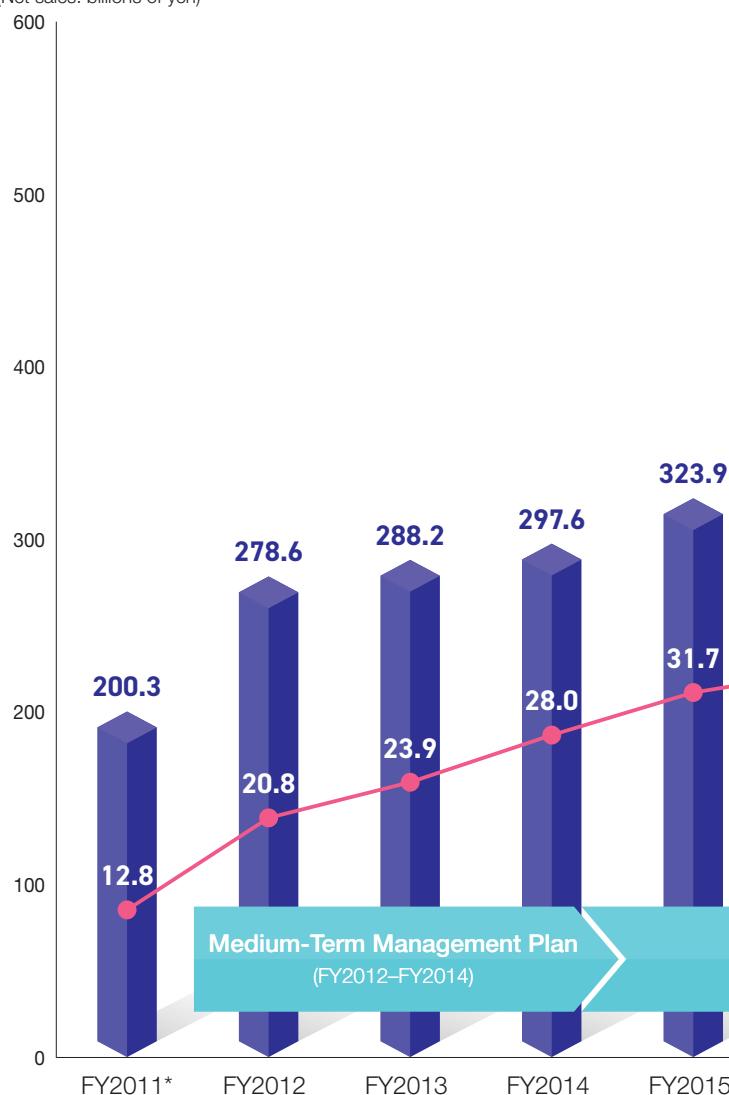
P29

Financial Highlights

P105

Trends in Net Sales and Operating Profit

(Net sales: billions of yen)



*Figures for CSK Corporation before the merger date (October 1, 2011) are not included.

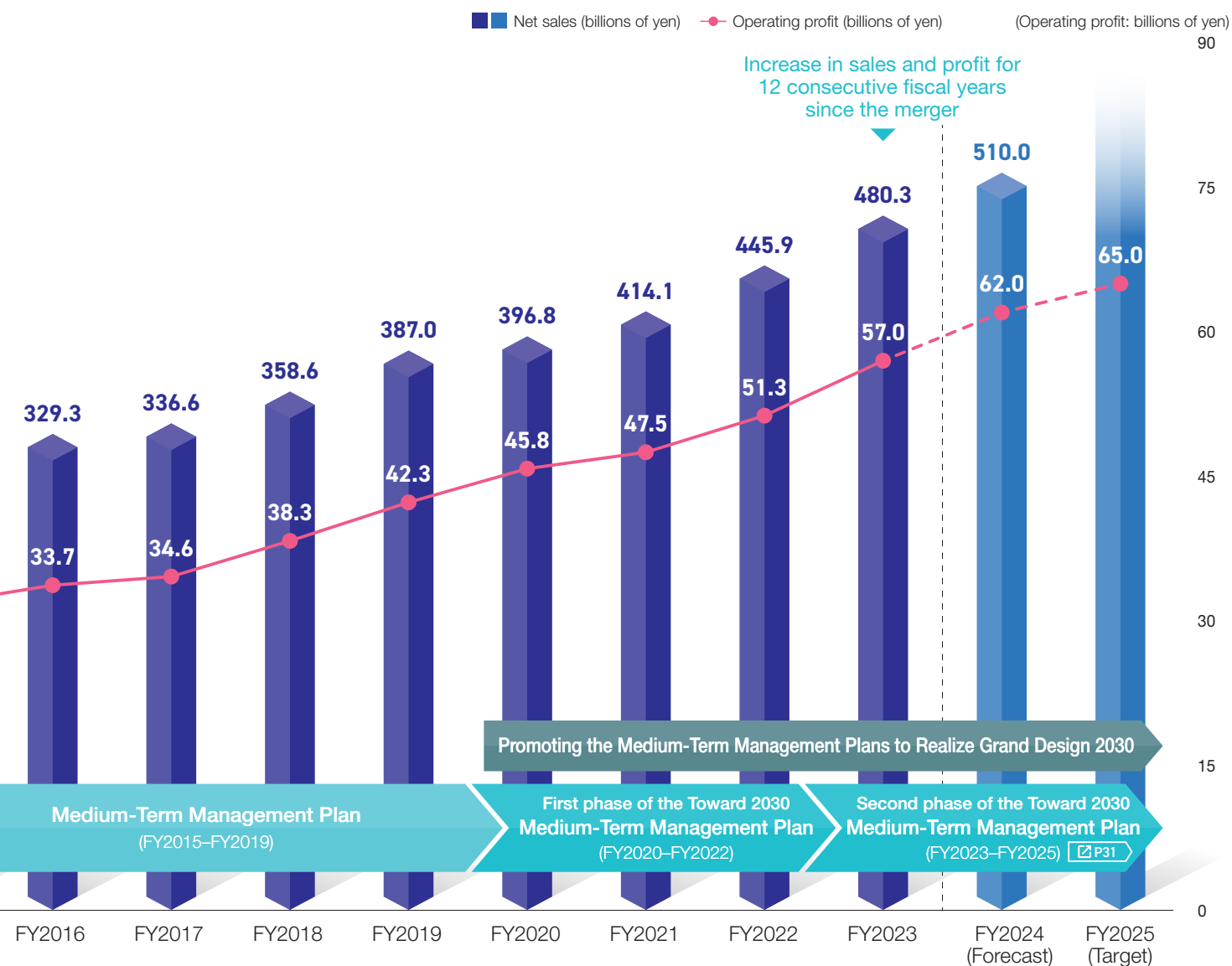
Management
integration in
October 2011



2011 onward

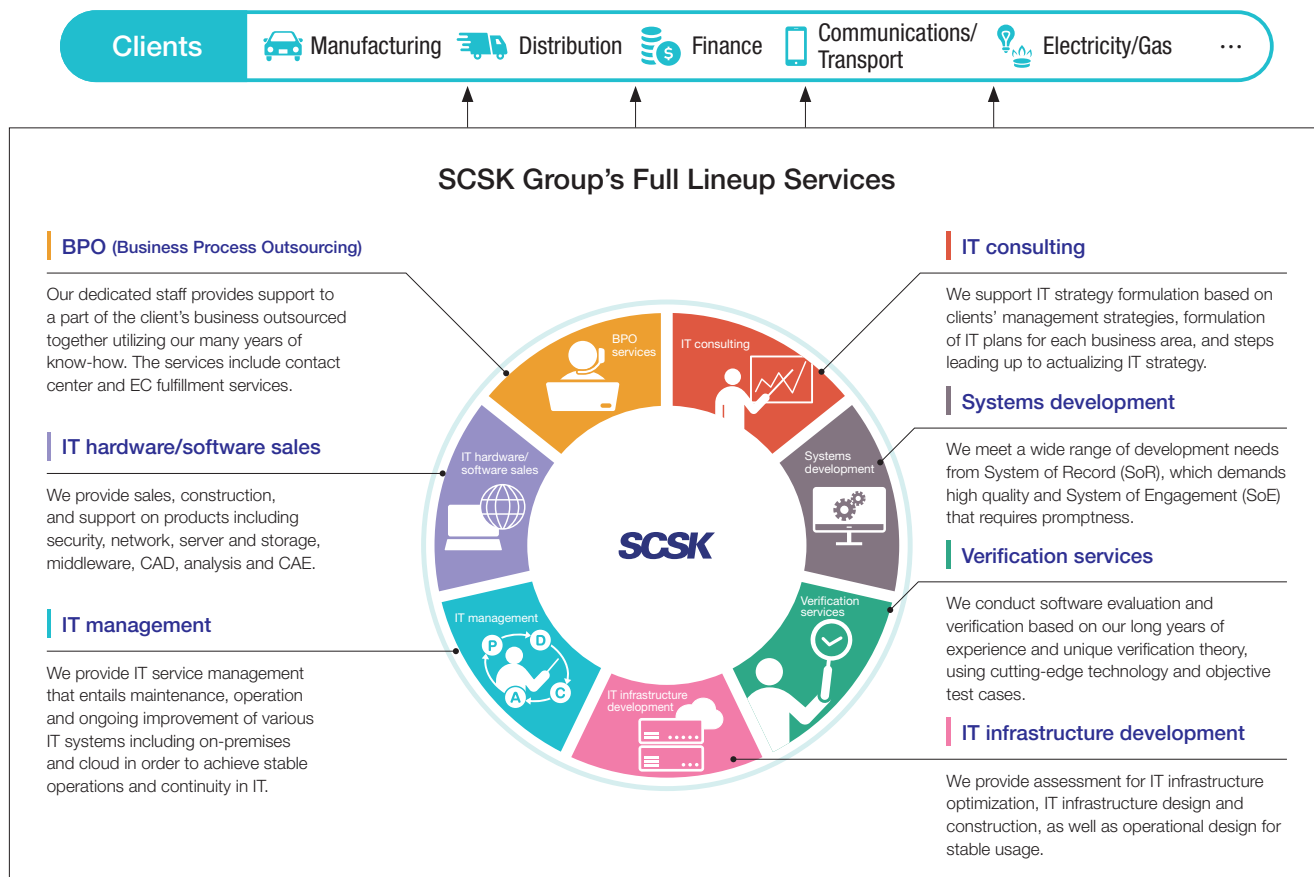
SCSK Corporation

- 2019 50th anniversary of SCSK Corporation's founding
- 2021 10th anniversary since merger
- 2022 Transitioned to the TSE Prime Market



Businesses of the SCSK Group

The SCSK Group continues to meet the IT needs of a wide range of clients who widely support society with seven services. We build strong relationships of trust with clients by being knowledgeable of their strategies and operations through our long years of partnerships.



By Sales Segment

Systems Development



- In order to develop company-specific systems aimed at expanding clients' businesses, we provide overall IT services related to systems development, from consulting to systems development and IT infrastructure development.
- We carry out everything from the definition of system requirements required by clients, to the design of essential functions, application development, the establishment of an environment for operating the system, and operational design for stable use, etc.

System Maintenance and Operation/Services



- We provide IT management services such as system monitoring and troubleshooting to ensure the safe and stable operation of systems after installation.
- This sales segment includes BPO services such as data center business, contact center, and EC fulfillment services, and verification services.

Packaged Software/Hardware Sales



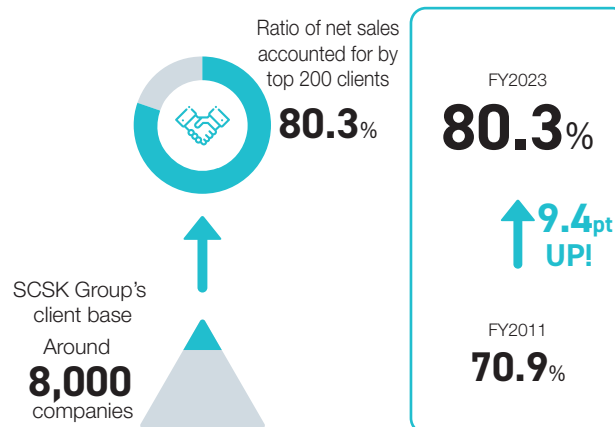
- We procure and sell IT hardware such as servers and network equipment, and software such as ERP, CAE solutions, and groupware.
- We utilize our networks in Japan and overseas to identify new merchandise and support their introduction in a form that is optimal for the clients' network environment and security environment.

SCSK Group's Premier Client Base

During the course of providing IT solutions to numerous industries over many years through the provision of our full lineup services, the SCSK Group has established solid relationships of trust with around 8,000 client companies spanning a multitude of industries. In particular, transactions with the top 200 companies in terms of sales, mainly large companies, accounted for more than 80% of consolidated sales in the fiscal year ended March 31, 2024. Expansion of the scope and scale of business entrusted to us by leading customers in each industry is one of the factors behind our sustained growth.

Going forward, we will work to further build relationships as a strategic IT partner that supports clients' business transformations through co-creation, by utilizing the relationships of trust built up with our clients over many years.

Percentage of Consolidated Net Sales Accounted for by Top 200 Clients



Strengthening of Service Delivery Systems

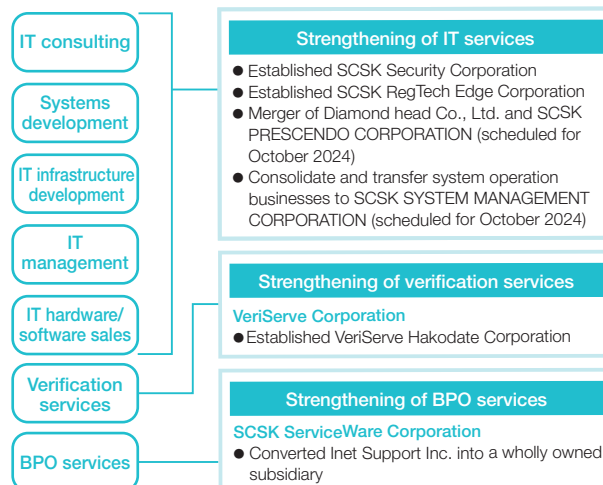
The SCSK Group is strengthening its structure to provide a full lineup of services by establishing subsidiaries, conducting M&As, and reorganizing the companies within the Group in order to expand technical capabilities, sales capabilities, and services in each business domain.

In FY2023, the first year of the Medium-Term Management Plan that began in April 2023, we established SCSK Security Corporation as a dedicated business company specializing in cybersecurity measures, and SCSK RegTech Edge Corporation as a group of specialists in anti-money laundering (AML), which supports financial institutions' financial crime prevention measures, as part of our efforts to strengthen our IT services. In addition, we are establishing subsidiaries and conducting M&As in order to strengthen verification services and BPO.

In October 2024, with the aim of strengthening CX services, we plan to merge our equity-method affiliates Diamond head Co., Ltd. and SCSK PRESCENDO CORPORATION. In addition, through a company split (simplified absorption-type company split), we will have SCSK SYSTEM MANAGEMENT CORPORATION, a wholly-owned company, take over our system operation businesses. Through the consolidation and

transfer of the system operation businesses to SCSK SYSTEM MANAGEMENT CORPORATION, we plan to strengthen our competitiveness by sharpening our focus.

Going forward, we will continue to create new value by further strengthening our service delivery structure.



Introduction of New Companies

SCSK Security Corporation

In recent years, corporate security risks have increased due to the complexity of IT technologies and the evolution and increase of cyber-attacks. To address these issues, SCSK Security Corporation provides high-quality service and support that utilizes advanced security technologies and specialized knowledge.

<https://scsksecurity.co.jp/> (in Japanese)



P81

SCSK RegTech Edge Corporation

SCSK RegTech Edge Corporation is a specialized company that supports measures against financial crime with a foreign exchange transaction analysis business license. Since 2004, the company has been providing AML solutions centered on the BankSavior series, contributing to the establishment of a more effective AML system.

<https://scsk-re.co.jp/> (in Japanese)



P59

Value Creation Process

The SCSK Group will promote sustainability management as a growth strategy.

We aim to become a “Co-Creative IT Company in 2030” by solving social issues and generating new value through our business by addressing our material issues with our corporate philosophy as the origin of our business.

2 Business Activities

IT Consulting

IT management

Systems Development

IT hardware/
software sales

Verification services

BPO Services

IT infrastructure
development

P13

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

P31

Providing the full line of IT services from
IT consulting to BPO required for business



Material issues with
the aim of solving social
issues and achieving
sustainable growth

P19

SCSK

2030 Co-Creative IT for the ne



Material issues as the foundation
supporting sustainable growth

P19

Corporate Philosophy

Our Mission

Create Our Future of Dreams

We create our future of dreams
by establishing value based on
our customers' trust.

P1

1 Management Resources (Input) P17

Financial capital

Sound financial base supporting
sustainable growth

Intellectual Capital

Technological capabilities to
solve social and client issues

Natural Capital

Business activities that
contribute to the global
environment

Social and Relationship Capital

Premier client base and sound
value chain

Human Capital

Professional human resources with various skills and experience
Well-Being Management that continues to provide
new value to society

Dynamic business development through the utilization of
the five types of capital that support business activities

Co-creation-oriented corporate culture

Co-creation with clients

Co-creation with society

Promote co-creation with stakeholders who share our future of dreams

☑ P59

Contributing to the realization of a sustainable society

3 Creation of Value

Social value

- Innovating for a brighter society
- Building trust for a safe and secure society
- Creating an inclusive society

Economic value

- Increasing profits
- Enhancing capital efficiency
- Maximizing shareholder value

☑ (Reference) Output: P33 Management Target Progress Summary (Financial and Non-Financial)

Continuously resolve social issues and create new value through our business

Vision
Be the IT Company
that brings next delight ☑ P25

External Environment for SCSK Group

Paradigm shift of technology

Social issues and trends

Upgrade and expand management resources

(Outcome)

Source of value creation: Management resources of SCSK

SCSK has grown by identifying changes and needs in society and contributing to solving social issues. Over the years, we have built up a variety of capital that is the source of our strengths today. We will pursue further value creation by strategically utilizing and expanding these capital.

Financial Capital

Sound financial base supporting sustainable growth

- Equity attributable to owners of parent ratio (%) **64.1%**
- ROE **14.1%**
- Credit rating **A+**
(Long-term credit rating by Japan Credit Rating Agency, Ltd. (JCR))
- Total amount of growth investments
¥100.0 billion / 3 years (Medium-Term Management Plan)

Intellectual Capital

Technological capabilities to solve social and client issues

- Service menu that contributes to resolving issues
Approx. **500** (Total number of products and services)
- SCSK's proprietary development platform **S-Cred⁺**
- SCSK development standard **SE⁺**
- Amount invested in R&D/business development
¥20.0 billion - ¥30.0 billion / 3 years
(Medium-Term Management Plan growth investments)



Human

Professional human resources with various skills and experience
Well-Being Management that continues to provide new value to society

- Number of employees on a consolidated basis **16,296**
- Major professional human resources
 - Number of employees certified under the IT Skill Level Assessment **6,355**
 - Consulting and business design personnel **319**
 - Advanced project manager (PM) personnel **183**
 - Number of employees who have completed training to develop advanced technologies **1,745**

Natural Capital

Business activities that contribute to the global environment

- Ratio of renewable energy **47.3%**
- Information disclosure based on TCFD recommendations
- Energy efficient data centers

Social and Relationship Capital

Premier client base and sound value chain

- Client base: Approx. **8,000** companies
- Partner companies in urban areas
Approx. **650** companies
(approx. **12,000** employees)
- Collaboration with Core partners
- Robust business network in Japan and overseas

Capital

- Average annual hours of training per employee **64** hours

- Engagement
89.3% of respondents agreed that SCSK is a "pleasant place to work."

78.0% of respondents agreed that SCSK is a "rewarding place to work."

- Amount invested in people
¥10.0 billion - ¥20.0 billion / 3 years
(Medium-Term Management Plan growth investments)

*FY2023 results

Sustainability Management as a Growth Strategy of the Group

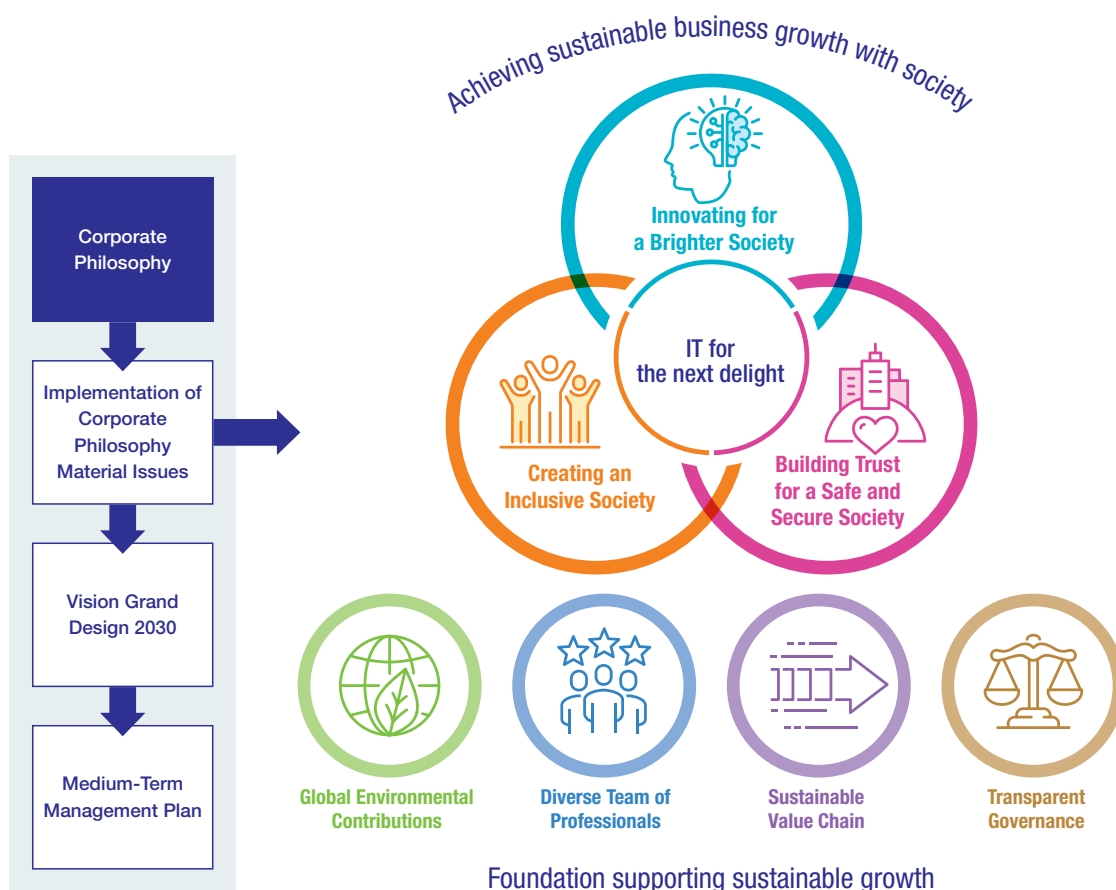
Under the corporate philosophy “Create Our Future of Dreams,” the SCSK Group is promoting sustainability management as part of its growth strategy.

We will continuously assess the impact of our business activities on the environment and society and promote improvements. In addition, we will consider changes in the business environment toward the realization of a decarbonized and recycling-oriented society as an opportunity and capture new business opportunities that leverage our core competencies. By so doing, we aim to create economic value and social value which are needed by society and will grow sustainably along with society.

SCSK Group's material issues

In recent years, social issues have become increasingly complex and serious due to rapid changes in the social environment arising from responses to climate change issues and emerging geopolitical risks. Companies irrespective of industry are being called on to conduct management to resolve social issues

through their business and achieve sustainable growth together with society. The SCSK Group evaluated a range of issues faced by society from a business perspective, seeking to achieve its corporate philosophy of “Create Our Future of Dreams,” and specified the issues that it views as particularly important and that it should prioritize taking action on to achieve growth together with society as material issues.



Achieving sustainable business growth with society

We aim to achieve sustainable business growth by resolving social issues through our efforts to achieve the three qualities of society via our business activities. The three material issues are interrelated and connected to the concept of “IT for the next delight.”



Foundation supporting sustainable growth

The “foundation supporting sustainable growth” refers to creating the SCSK Group's management foundation by accelerating ESG-driven initiatives, and at the same time, creating a foundation to realize the upper three material issues.



IT for the next delight

“IT for the next delight” signifies that SCSK Group will continue achieving sustainable growth that supports people's happiness, even if the term IT is expressed using different words in the future.

Examples of initiatives for each material issue

Material Issues	Main Initiative Examples and Results	Related SDGs
 Innovating for a Brighter Society	<ul style="list-style-type: none"> General account transaction monitoring system BankSavior responds to scams quickly and flexibly P59 Subscription-based cloud service CollaboView to help solve regional and corporate issues through IoT P61 SCSK climate change response business initiatives PERSEFONI, ZEBIT, and EneTrack P63 	  
 Building Trust for a Safe and Secure Society	<ul style="list-style-type: none"> Dr2GO provides high-quality medical services to contribute to the creation of next-generation healthcare  Swiftly providing highly secure business environment using cloud-based security network services (SASE solutions)  	  
 Creating an Inclusive Society	<ul style="list-style-type: none"> Providing tailored lifestyle support through future asset formation (Asset Formation Lounge Efukuri, an asset formation platform for company employees)  Promoting initiatives for regional development and resolution of regional issues by using digital technology (SCSK Nearshore Systems Corporation, SCSK HOKKAIDO CORPORATION, and SCSK Minori Solutions Corporation)  	  
 Global Environmental Contributions	<ul style="list-style-type: none"> Greenhouse gas emissions reduction targets and initiatives for reduction P65 Implementing activities to reduce greenhouse gas emissions with partner companies P66 Developing a decarbonized economy transition plan P68 Information disclosure based on TCFD recommendations P69 Initiatives toward biodiversity P67 Environmental performance data P116 	 
 Diverse Team of Professionals	<ul style="list-style-type: none"> "Business strategy and human resources portfolio" to improve and utilize abilities and skills P73 "Treatment and remuneration systems" to appropriately evaluate abilities and skills and reward performance P76 "Well-Being Management" that leads to value creation P77 "Diversity and inclusion" that respect and draw on diversity P79 Human resources data P113 	   
 Sustainable Value Chain	<ul style="list-style-type: none"> Collaborate with partner companies to improve quality and productivity, promote introduction of health and productivity management, heighten efficiency of contract work, ensure information security and compliance, promote work engagement and nearshore and offshore activities P83 Share the SCSK Group Supply Chain Sustainability Promotion Guidelines and promote initiatives related to respect for human rights and reduction of greenhouse gas emissions P84 	  
 Transparent Governance	<ul style="list-style-type: none"> Corporate governance structure enabling practice of sustainability management P89 Remuneration system for directors (Basic Policy on Remuneration, policy on performance-linked compensation and index) P93 Systems and initiatives to ensure compliance P98 Initiatives to enhance information security and response to security incidents P99 Basic Policy on Risk Management and concrete risk countermeasures P101 	

Process for Compiling Material Issues

STEP 1

► Discussions from perspectives of social value creation and management foundation

Identified social issues from the perspectives of social value creation and management foundation

Perspective of social value creation

Identified social issues to address from the perspective of achieving sustainable growth by resolving social issues through business
(Co-creation with clients and society)

Perspective of management foundation

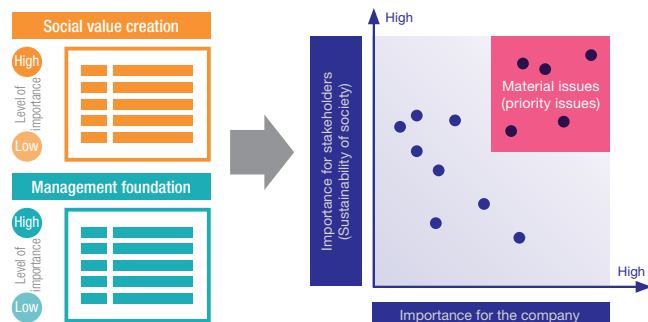
Identified social issues to consider from the perspective of mitigating negative impacts that business has on the environment and society
(ISO 26000, SASB, GRI, ESG, SDGs)

STEP 2

► Mapping on matrix

Held discussions on social issues identified in Step 1 from the perspectives of social value creation and management foundation to assess importance

Assessed the importance of social issues for SCSK and for stakeholders from long-term perspective and mapped them to materiality matrix



STEP 3

► Preparation of draft material issues

Prepared material issues considering importance for both management and stakeholders

STEP 4

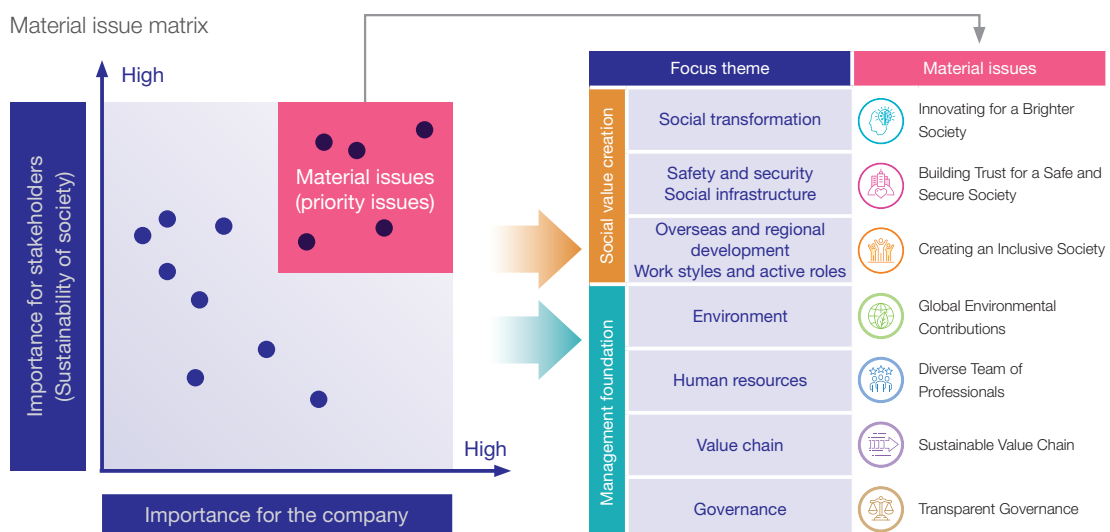
► Dialogue with stakeholders

Conducted interviews of stakeholders (employee questionnaire, outside experts, etc.)

STEP 5

► Formulation of material issues

Formulated material issues after resolution passed by the Management Committee and the Board of Directors



Promotion of Sustainability Management and Our Governance System

Promotion of sustainability management

The SCSK Group established the Sustainability Committee as an advisory body to the Representative Director and President, in order to confirm and review company-wide issues and measures to be taken in relation to promotion of sustainability management, which forms part of the Group's growth strategy.

Chaired by a general manager, the Sustainability Committee is composed of Working Group 1 and Working Group 2. Working Group 1 is chaired by the Sustainability Committee chairperson, and its members are composed of general managers from Group Corporate. Working Group 1 discusses and examines issues that should be addressed from a managerial perspective in the medium- to long-term to practice sustainability management.

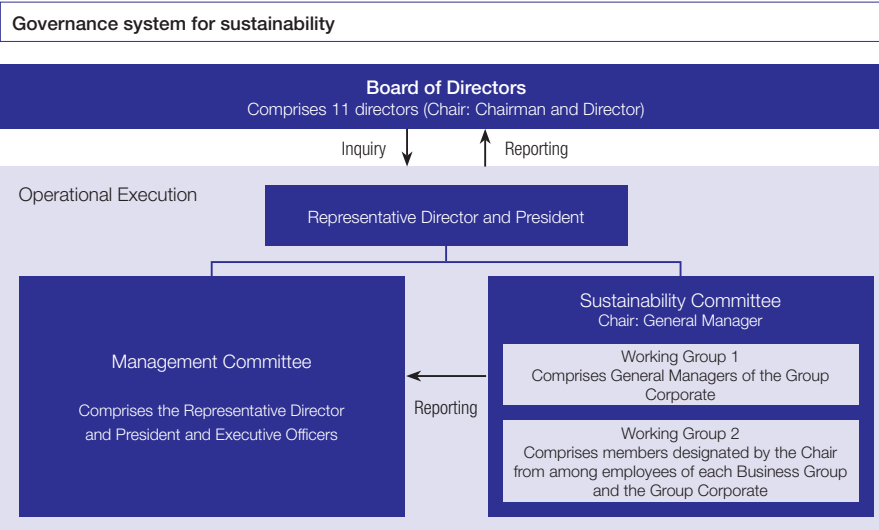
Working Group 2 is positioned as a group to examine initiatives aimed at promoting understanding and fostering a sustainability management-oriented culture. The Group is chaired by a Business Group executive officer, and members are selected from executives and employees of each Business Group and Group Corporate.

Governance system for sustainability

Matters deliberated by the Sustainability Committee are periodically reported to the Management Committee for further discussion from the perspective of company-wide management, after which the Sustainability Committee reports to the Board of Directors, which provides appropriate supervision.

Main Matters Reported to the Board of Directors in FY2023

- Sustainability management promotion structure and Sustainability Committee activity report
- Report on human rights policy and human rights due diligence initiatives, human rights issues and response
- Report in response to the annual publication of the UK Modern Slavery Act statement
- Report on the calculation of GHG emissions and the results of the comparative analysis against the preceding year, as well as on environmental issues and response
- Overview of social contribution activities and activity report



Roles and status of implementation of each sustainability-related council		
Board of Directors (twice)		Regularly receive reports from the Sustainability Committee on important sustainability-related matters and provide oversight, and receive details of discussions at Management Committee meetings
Management Committee (8 times)		Regularly receive reports from the Sustainability Committee on important sustainability-related issues, discuss measures related to company-wide management
Sustainability Committee	Working Group 1 (4 times)	Deliberate and confirm company-wide sustainability-related issues and measures to address them. Working Group 1 regularly reports the results of deliberation to the Management Committee and the Board of Directors.
	Working Group 2 (9 times)	Discuss and consider matters necessary to foster the SCSK Group's understanding and culture of sustainability management and material issues.

Activities of the Sustainability Committee

Working Group 1 of the Sustainability Committee

Working Group 1 collects information on global sustainability trends. It also reviews the implementation status and any deficiencies in measures related to material issues—a priority issue for the SCSK Group—and discusses issues that need to be addressed from a medium- to long-term perspective, and considers measures.

[Main Review Themes of FY2023 by Working Group 1]

- Review of the global information disclosure standards related to sustainability, as well as review aimed to increase non-financial disclosure items in securities reports
- Confirm development of supply chain sustainability promotion guidelines, request endorsement by partners and suppliers
- Confirm the status of implementation of various initiatives toward human rights due diligence and respect for human rights
- Confirm response to the publication of a statement on UK Modern Slavery Act
- Develop a decarbonized economy transition plan, identify initiatives to reduce GHG emissions
- Participate in Taskforce on Nature-related Financial Disclosures (TNFD) Forum, confirm TNFD disclosure standards

Working Group 2 of the Sustainability Committee

First, through study sessions and discussions, the selected members of Working Group 2 deepen their understanding of sustainability. Then, as an SCSK Group growth strategy, they consider various measures to enable as many employees as possible to understand and practice sustainability management. We also expect Working Group members to act as evangelists.

Major Items for Implementation for FY2023 by Working Group 2

- Input and workshops on understanding and personalizing sustainability management and material issues
- Identify issues, discuss and consider effective measures to penetrate their own organizations
- Hold discussions between Working Group members and chairperson/ president on issues and initiatives to promote understanding

Message from Outside Director



Hidetaka Matsuishi,
Independent Outside Director
(Audit & Supervisory Committee Member)

Society today is faced with myriad social issues, including climate change, resource and food depletion, and natural disasters. We have come to experience firsthand—particularly recently—that the destruction of nature caused by mass production, consumption, and disposal has resulted in drastic changes in climate. Rapid climate change is leading to the depletion of resources and food as well as natural disasters, and it is imperative that initiatives to address environmental issues for the sake of tomorrow are undertaken swiftly.

As our aim is to become a Co-Creative IT Company, we believe that we should face these social issues and grow by utilizing IT technology to resolve the issues and create new value. In addition to serving as a weapon for solving issues related to efficiency, labor saving, and productivity improvement, IT leads to new schemes and innovation. We believe that, in addition to our traditional system-building capabilities, we should take maximum advantage of recent digital technologies such as generative AI to contribute to society and expand our business, which we will support through our Board of Directors. The Board of Directors and the Audit and Supervisory Committee regularly discuss and exchange opinions on sustainability.

We aim to be a leader in activities related to the environment, human rights, and social contribution, and through co-creation with customers and society, we will provide support that will lead to the creation of value that only SCSK is capable of.

Topic

Initiatives to further understanding and foster a culture of sustainability management and material issues as an SCSK Group growth strategy

Working Group 2 of the Sustainability comprises members selected from each Business Group. The Working Group examines measures to promote understanding of sustainability management and material issues and to foster a culture of sustainability, and serves as an evangelist, promoting activities to spread the concept across the organization. In addition to acquiring the fundamental knowledge of sustainability-related changes in the external environment that are necessary for penetration, as well as the SCSK Group's initiatives concerning sustainability, the Working Group also held a workshop where opinions were exchanged on the resolution of social issues through projects they are involved in, and investigated and presented sustainability initiatives undertaken by customers.



Comments from Working Group members through the activities of Working Group 2

- To deepen my understanding of and personalize sustainability management and material issues, I learned that, in addition to inputting knowledge, I must consider the relationship between the organization's business and social issues. It is vital to deepen our understanding of the value created by our organization's business.
- I felt that it is important to heighten the level of understanding of sustainability in general among all employees, as well as to increase the number of people proposing new businesses and implementing changes in existing endeavors.

Activities undertaken at each organization by Working Group members

Based on the lessons learned through the activities of Working Group 2, members are driving the study and implementation of measures to promote sustainability management and material issues tailored to each organization. Dissemination through their own organizations also helps to facilitate intra-organizational communication while deepening mutual understanding.

Through internal discussions, the Business Design Group has concluded that the essence of sustainability management is society, companies, and individuals continuing to grow in a sustainable manner.

As part of efforts to promote the understanding of sustainability management, a workshop was held to clarify My Materiality (purpose for living and meaning of existence) and to identify the overlap between My Materiality and the social significance of the company's business operations. The workshops not only improved the sense of responsibility with regard to work, but also deepened employees' mutual understanding by exposing them to a diverse range of values.

We promote sustainability management initiatives, with a sense of responsibility and job satisfaction as it relates to our work. Going forward, we would like to continue our efforts in this activity.

Yuta Shimaya
CX Business Div. Section 2,
Planning Promotion Dept.
Business Design Group



The Products & Services Business Group implemented measures including intra-group surveys and sustainability meetings at the department and section levels. As the Group has offices in several locations, we selected evangelists for each head office to support the implementation of measures tailored to the actual conditions of each office and held meetings regularly to enable evangelists to closely share information. As a result of the measures taken, the proportion of respondents who "feel material issues are related to their work" rose from 46% before the measures to 84%, and the "personalization" of material issues was successfully promoted.

This fiscal year, as we have added new members, we will continue conducting and enjoying activities that contribute to our business.

Hanano Sawada
Business Planning Section, Business
Promotion Dept.
Network Security Div.
Products & Services Business Group



Grand Design 2030

In putting its corporate philosophy into practice, the SCSK Group evaluated a range of issues faced by society from a business perspective, and specified the issues that it views as particularly important and that it should prioritize taking action on to achieve growth together with society as material issues in 2020. At the same time, we have formulated Grand Design 2030 as our medium- to long-term vision, based on our corporate philosophy and material issues as the SCSK Group's reason for existence. Under Grand Design 2030, we aim to become a Co-Creative IT Company in 2030 by taking initiative in businesses that contribute to the resolution of social issues together with our clients and partners.

To improve the SCSK Group's essential corporate strength toward realizing our vision, we have set forth the goal, "Challenge net sales of ¥1 trillion," with the aim of dramatic improvements in comprehensive corporate value, which incorporates economic value, as well as non-financial factors such as social and human capital value, and becoming a first-class company that leads in solving social issues based on the creation of value that is not bound by tradition or past standards. As a concrete step toward realization, we are working on a Medium-Term Management Plan.

Management policies for "2030 Co-Creative IT Company"

1

Enhancement and expansion of core businesses

- Contribute to the digitalization and transformation of client businesses as a partner by enhancing human resource and technical capabilities
- Improve earnings capacity to generate growth potential and funds to fuel investments oriented toward future sustainable growth

2

Contribution to the growth of client businesses

- Contribute to address market-wide issues by leveraging intellectual properties and insight in transactions and co-creation with customers

3

Creation of new value for society

- Challenge to create next-generation digital businesses founded on core business insight to lead the resolution of social issues



Corporate Philosophy

Implementation of
Corporate Philosophy
Material IssuesVision
Grand Design 2030Medium-Term
Management Plan2030
Co-Creative IT Company

—IT for the Next Delight—

SCSK Group aims to be a "Co-Creative IT Company" that promotes co-creation with customers, partner companies, and the community by improving our human capital. It is a corporate group that continues to provide value to address various issues.

Dramatic improvements in
"comprehensive corporate value"Challenge on the scale of
Net Sales 1 Trillion Yen

Timeline for 2030

2030 Co-Creative IT Company –IT for the next delight–

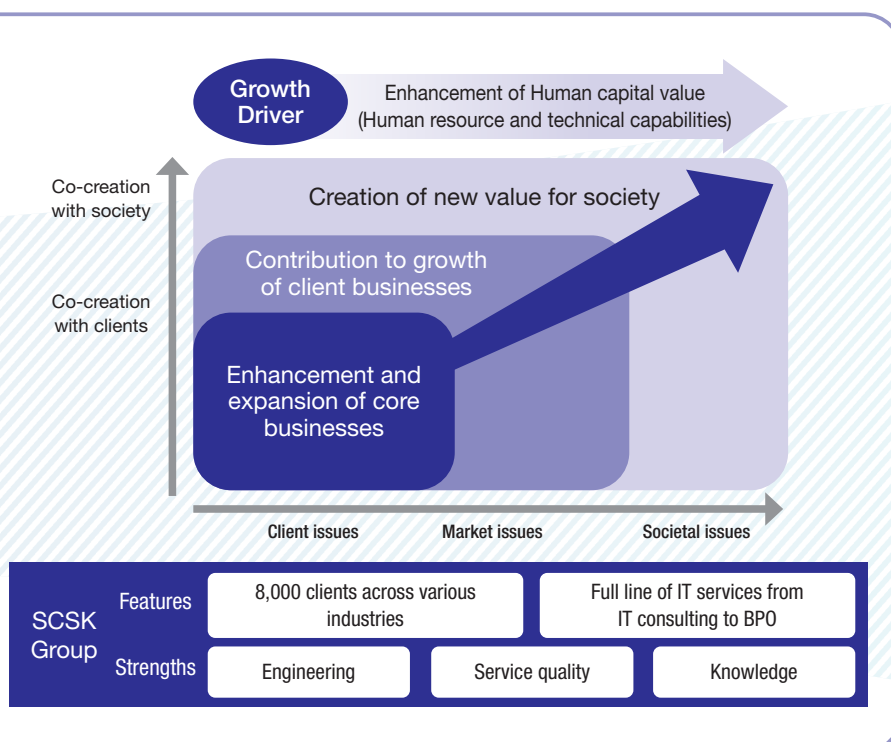
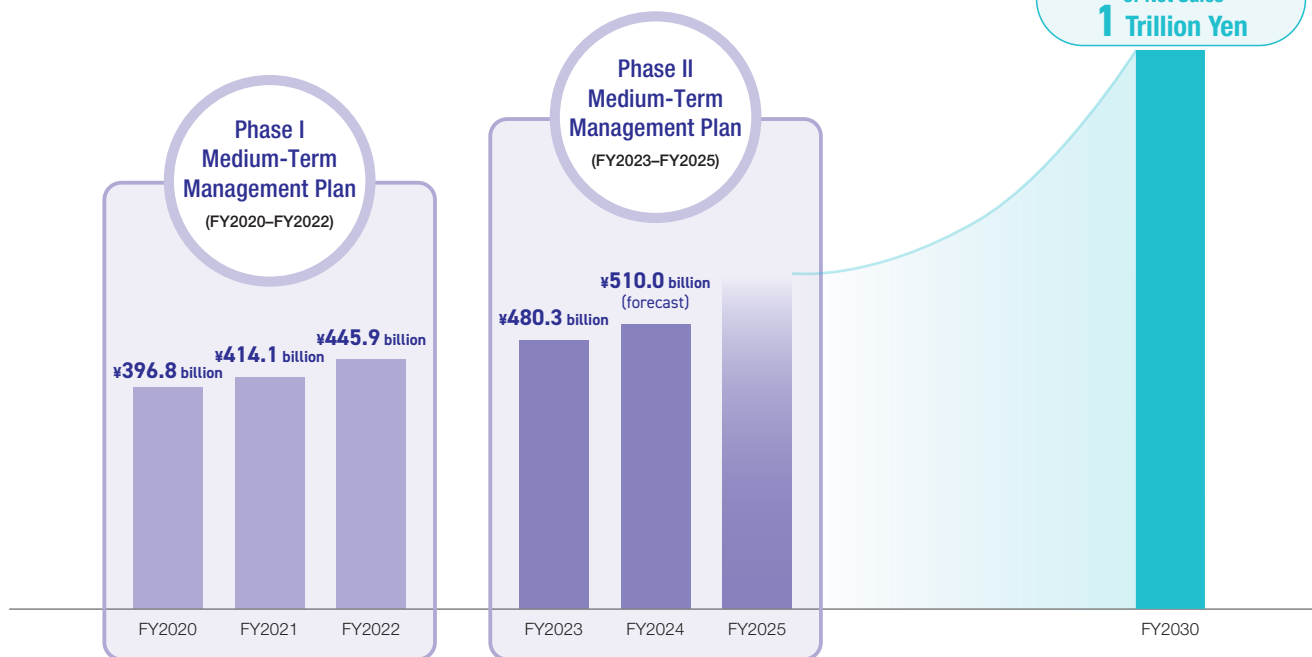
- April 2020: Formulation of Grand Design 2030
- July 2024: Formulation of SCSK Group technology strategy “Technology Vision 2030”

[P27 Technology Vision 2030](#)

Toward 2030

Dramatic improvements in “comprehensive corporate value”

Challenge on the scale of Net Sales
1 Trillion Yen



Value Creation through Business

Co-creation with society

[P61 Co-creation Example Cases](#)

Co-creation with clients

[P59 Co-creation Example Cases](#)



SCSK formulated the SCSK Group technology strategy “Technology Vision 2030” and released it in July 2024 with the aim of accelerating initiatives toward achieving its goal of becoming a Co-Creative IT Company.

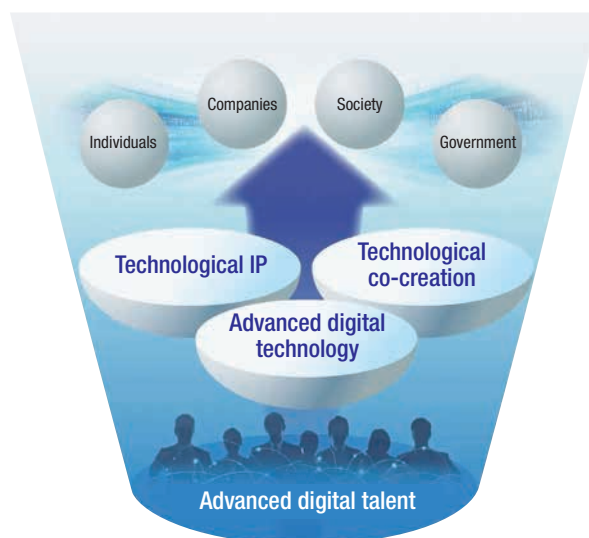
In recent years, the swift evolution and expansion of digital technologies has transformed the environment surrounding companies and society, making it essential to utilize digital technologies in corporate activities and social life. Through the initiatives of this Technology Vision 2030, SCSK will continue achieving high added value and high productivity by maximizing its use of advanced digital technology and will deal with social issues and trends.

Technology Vision 2030: “Transforming into a Digital Offering Group”

SCSK has established Technology Vision 2030 with the aim of transforming itself into a digital offering group. Three elements are essential to achieving this transformation. In addition to “advanced digital technology,” there are “technological intellectual property,” the cornerstone of the offering, and “technological co-creation,” which will lead to the realization of the SCSK Group’s vision of becoming a Co-Creative IT Company.

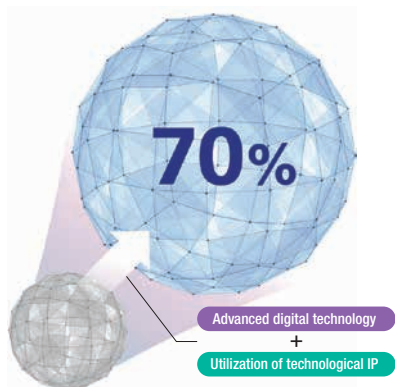
In concrete terms, to enable companies and society to experience the value of using advanced digital technologies, we will incorporate them into our products and services and deliver them to the market as solutions. We will then transform the acquired expertise and know-how into intellectual property and continue to promote a value cycle for its further utilization. We will also engage in co-creative activities with a diverse range of stakeholders in the development and deployment of new solutions that address the issues our customers and society face.

To steadily drive these initiatives forward, we will further strengthen and expand our advanced digital talent to enhance our human capital, while cultivating collaborative partners and reinforcing relationships to enhance our digital business capabilities.



Technology Vision 2030: Goals

Achieve a digital offering business ratio of 70% or more



100% application of AI-driven development



Expansion to 10,000 advanced digital talent



P39 Message from the General Manager, Technology Strategy Div.

Visit the website for more details on Technology Vision 2030.
https://www.scsk.jp/sp/technology_strategy/index.html (in Japanese only)



Areas of focus for digital technology

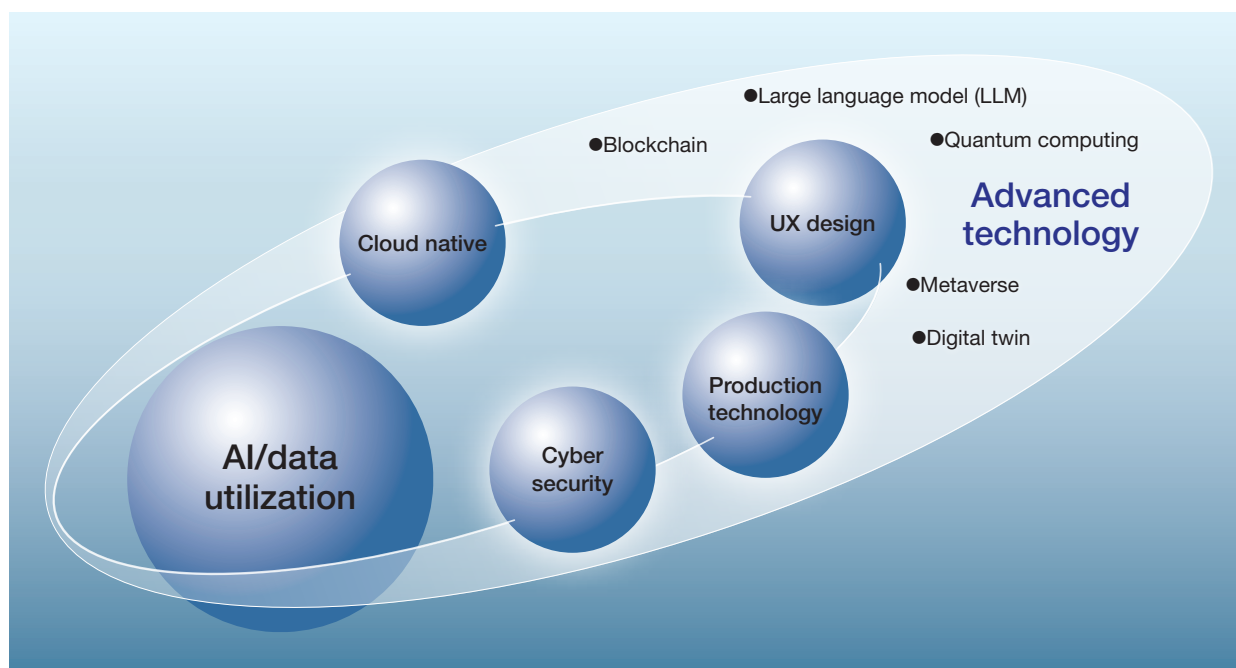
Among the six areas we have identified as key digital technologies, we will focus on maximizing the use of various “AI/data utilization” technologies—which have in recent years rapidly evolved and spread—and promote the realization of solutions that merge these with other digital technologies. We will apply “User experience (UX) design” from the strategy and planning stages of a business or service to clarify the value of its use early on, thereby promoting initiatives that lead to higher added value. The key to achieving this service is the application of “Cloud-native” technology, which enables the timely, swift, and flexible development of application services.

In the “production technology” domain, we are working to achieve AI-driven development. This will accelerate delivery through heightened productivity and aid customers in the rapid

deployment of IT services in their businesses, while also enhancing the developer experience.

Moreover, to respond to cyber-attacks—which are becoming more advanced and sophisticated and have become an issue on a global scale—we will promote the acquisition of cutting-edge technologies and solutions in the “Cyber security” domain and work to realize the safety and security of our customers and society.

The market is beginning to see the penetration of next-generation technologies such as virtual (XR) and quantum computing. While further augmenting its investment in technology, by promoting co-creation through open innovation, SCSK will introduce pioneering technologies to society and business.



Improving digital capabilities

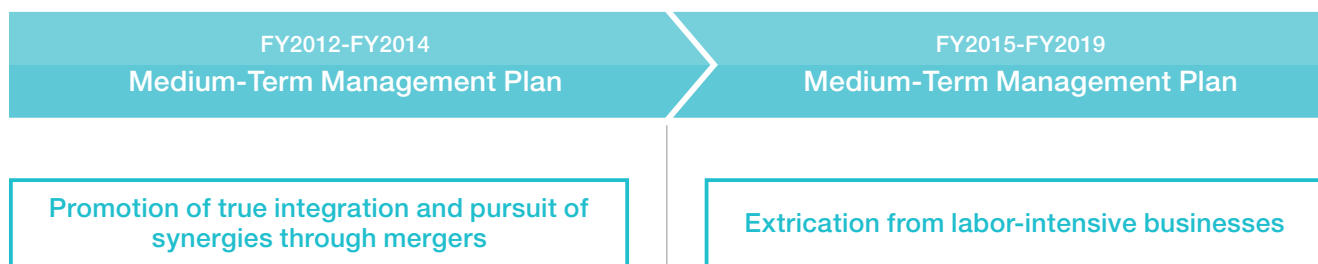
We will further reinforce the recruitment and training of the advanced digital talent to respond to rapidly changing market needs and diversifying social issues through digital technology.

Moreover, we will further promote measures to raise the level of expertise and boost skills in the digital technology domain, while also promoting business and practical human resource cultivation by sharing the knowledge and know-how of internal experts appointed to the digital Center of Excellence (CoE).

At the same time, we will work to develop and expand cooperative and alliance partners in the digital domain. Through these efforts, we will bolster and expand the systems that enable us to be deeply involved in our clients' business strategies from the deliberation stage and use digital technologies to create new value.



Review of the Medium-Term Management Plan



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%

- 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.

	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%

- 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.

FY2020-FY2022

Toward 2030 Medium-Term Management Plan Phase I

Business Transformation for New Value Creation

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

◆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

Internal-Environment

◆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

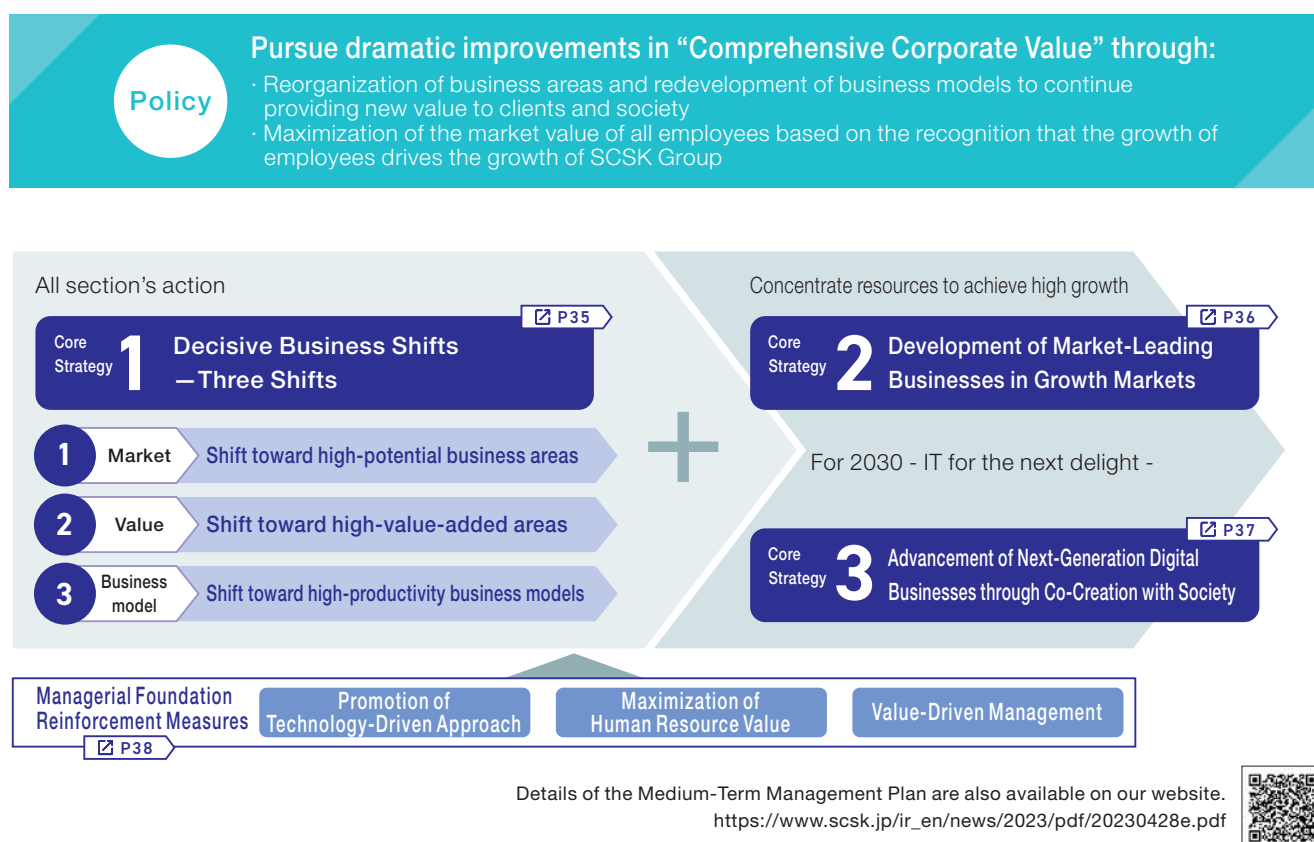
Progress of the Medium-Term Management Plan

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



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



Shareholder returns

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



Growth investment

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



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

- Engagement¹
90% or more
- Performance volatility²
90% or more
- Number of females in general manager positions³
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)

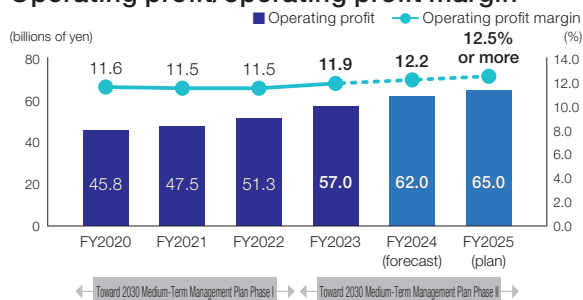
Progress of the Medium-Term Management Plan

Management Indicators (Financial and Non-Financial) Progress Summary

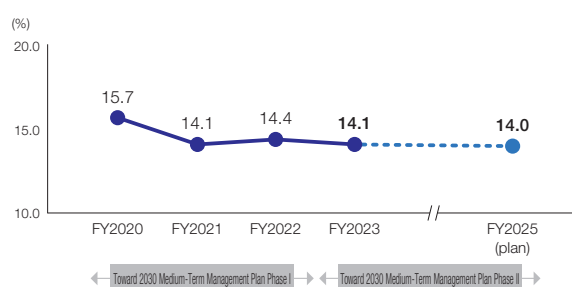
Financial targets

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

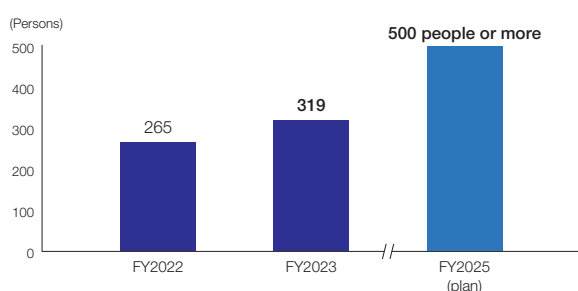


ROE

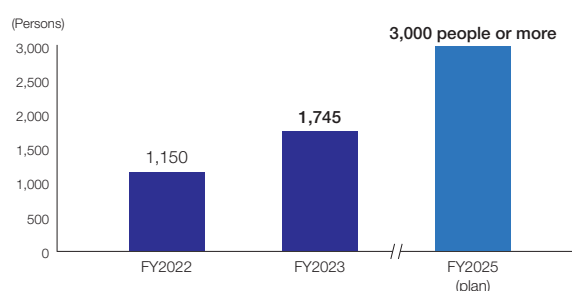
Human resources portfolio/human resource development [P73](#)

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.

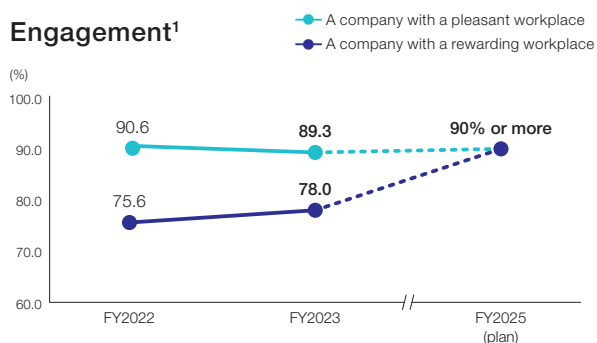
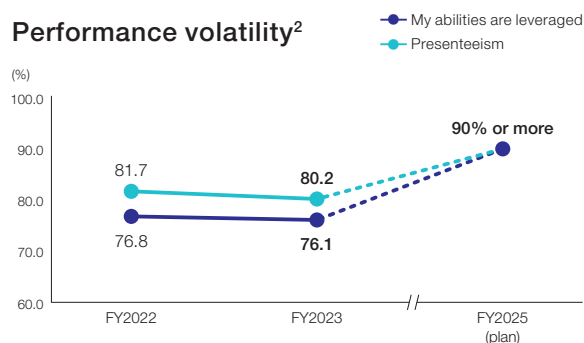
Consulting and business design personnel



Certificated advanced engineers

Well-Being/D&I promotion [P77](#)

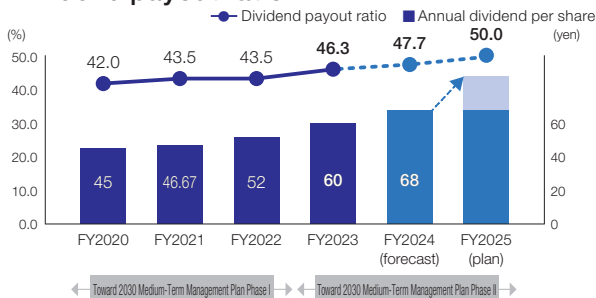
In addition to balancing work comfort and job satisfaction, we also aim to achieve a high standard of mental and physical health and performance. To this end, we are continuously implementing initiatives while regularly monitoring employee engagement and performance volatility.

Engagement¹Performance volatility²

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



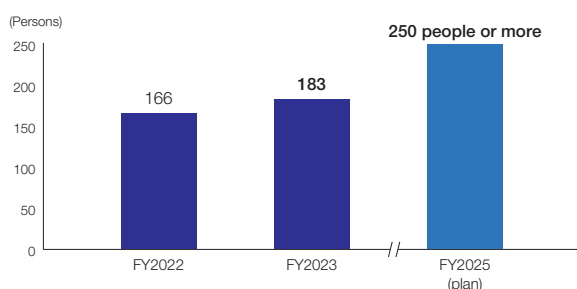
Growth investment

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.

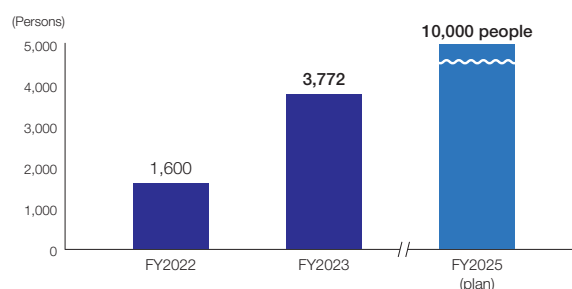
Investment amount

	(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

Advanced PM talent



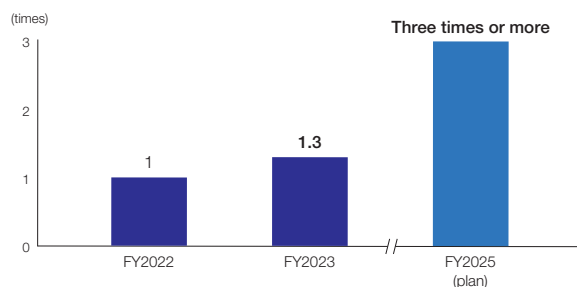
Certificated IT engineers for the Digital Skill Standard Training



Global Environmental Contributions P 65

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

Number of females in general manager positions³



*FY2022 as 1

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.

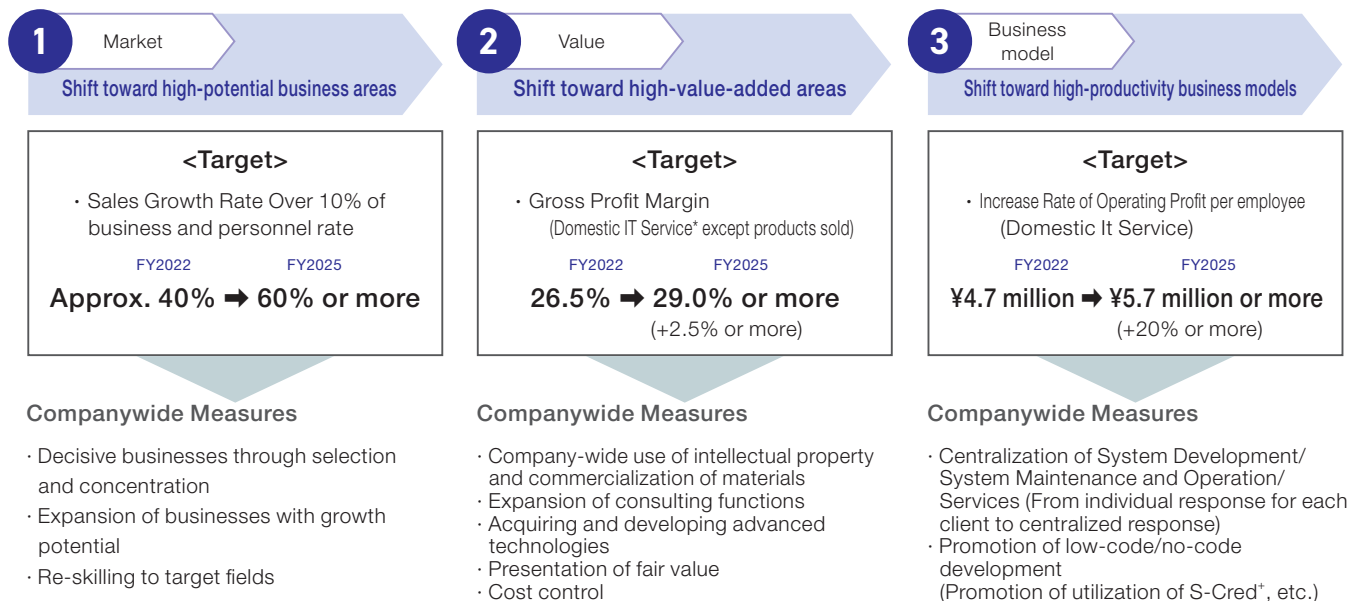
3 Calculated as a percentage compared with the fiscal year ended March 31, 2023 (results)

Progress of the Medium-Term Management Plan

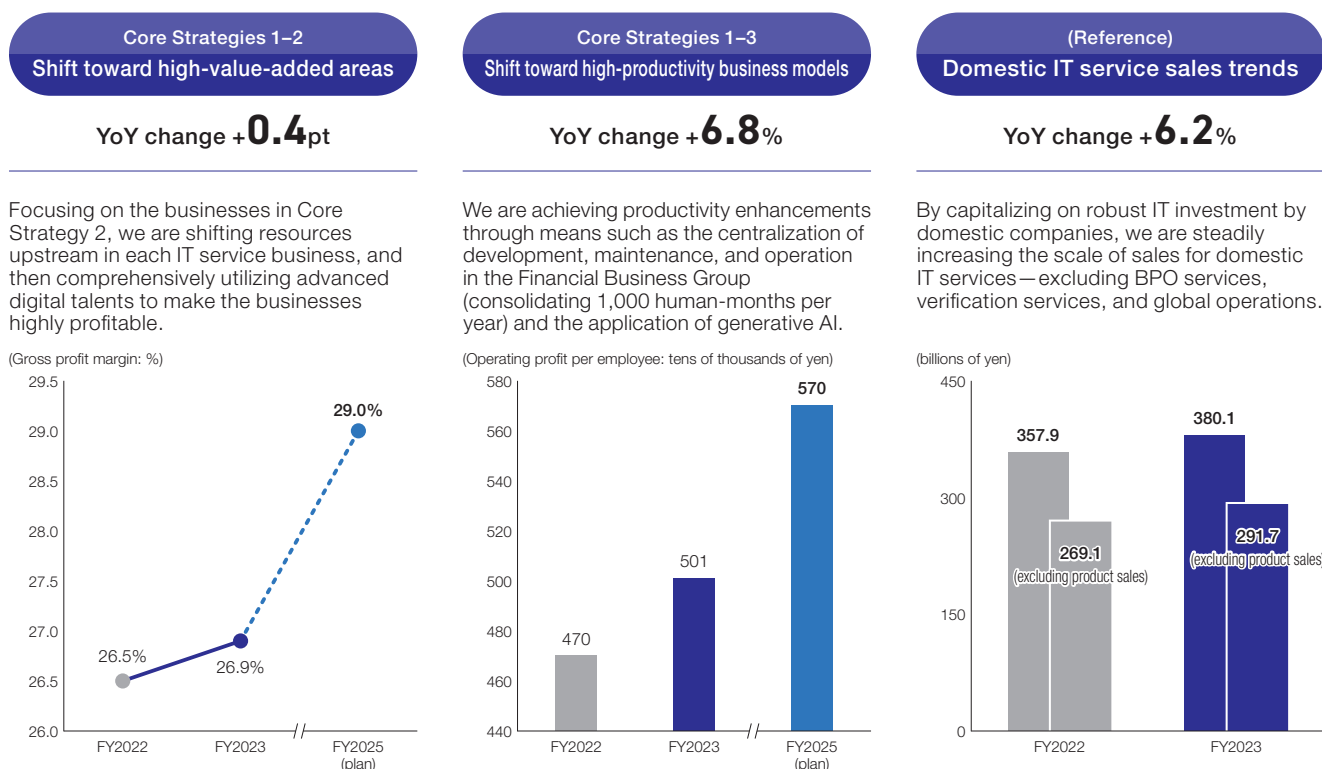
Toward 2030 Medium-Term Management Plan Phase II Group Core Strategies

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.”



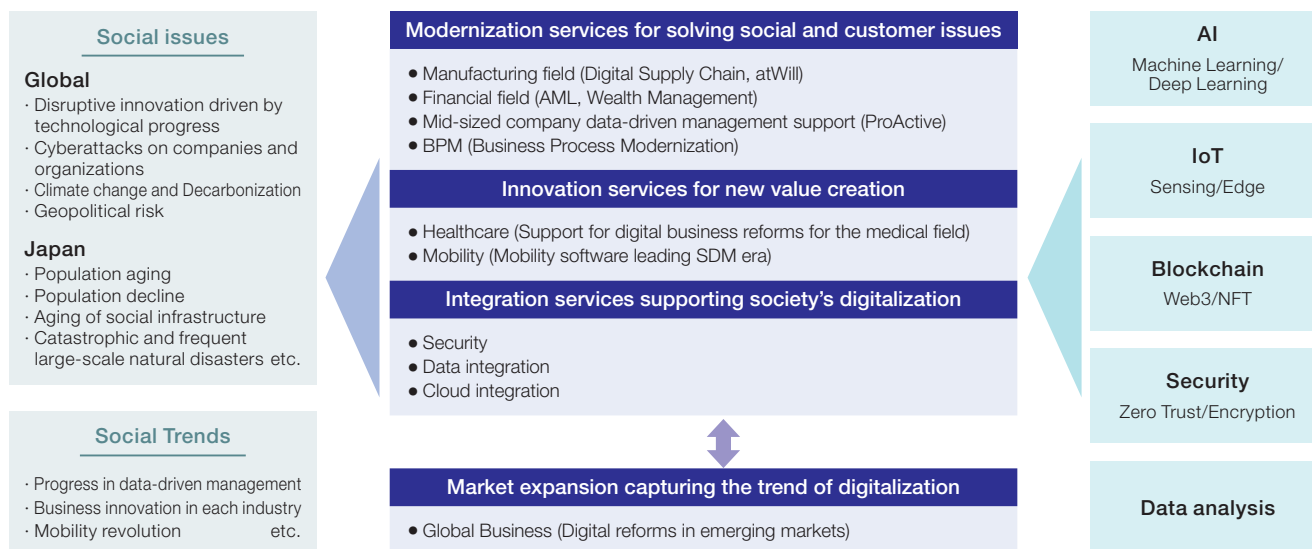
Progress of Core Strategy 1*



*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.



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.

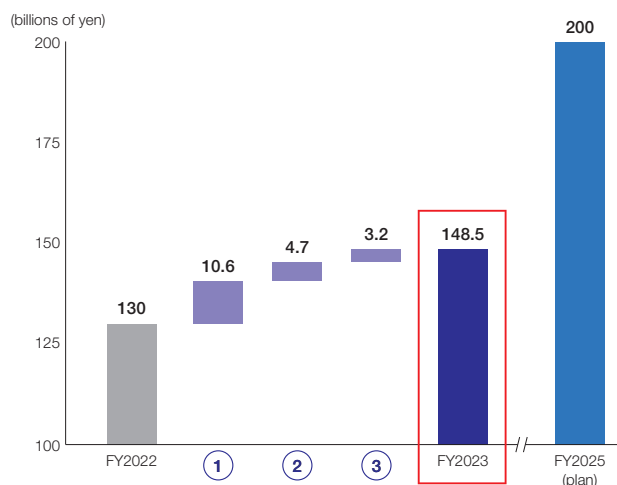
[P49 Industrial Business Group](#) Moreover, along with our integration of the ProActive business with the production management solution atWill in April 2024, in terms of the business model, we transitioned to an SaaS-type recurring revenue model. [P55 ProActive Business Solutions Div.](#)

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%**



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

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.



GX field

Promoting businesses to realize GX in society

- Promoting the use of renewable energy
- Carbon Management, etc.

P63

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.



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 CO₂ 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.

[For more details on ZEBiT, please click here. \(in Japanese\)](#)



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	<ul style="list-style-type: none"> ● 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)
	Intellectual property value	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Based on open innovation themes established by each Business Group, investigate and promote introduction activities for startups abroad and in Japan.
	Business Strategy and Human Resources Portfolio	<ul style="list-style-type: none"> ● 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)
Maximization of Human Resource Value	Well-Being Management	<ul style="list-style-type: none"> ● 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.
	Treatment and remuneration systems	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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

[P39 Message from the General Manager, Technology Strategy Div.](#)

[P41 Message from the Assistant General Manager, Human Resources](#)





Forerunner in Digital Transformation

SCSK's Strategy for Generative AI

Katsushi Fukui

Senior Corporate Officer
General Manager, Technology Strategy Div.

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 Prime-Tiaas, 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.

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

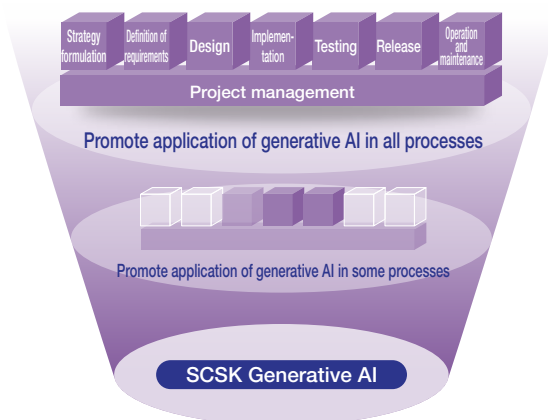
The effective use of generative AI in system development requires the know-how to prompt the generative AI to output results that match the user's, or engineer's, expectations. We are accumulating and sharing the knowledge gained from the trials, and are promoting its smooth application to other projects. 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

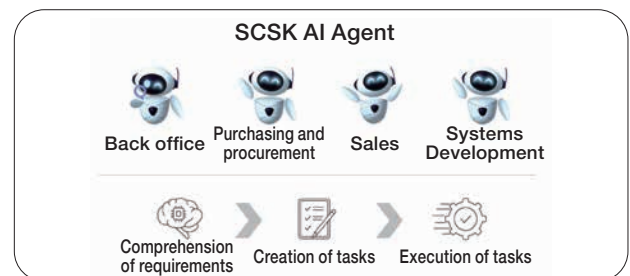
Progress in AI-driven development will bring commensurate changes in the skills of engineers. In addition to traditional design and programming skills, prompt engineering skills are essential in effectively utilizing AI. Understanding evolving AI models is also important. In addition to providing development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



Accelerate the digital shift, cultivate and expand our 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.



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

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.



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 beginning 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.



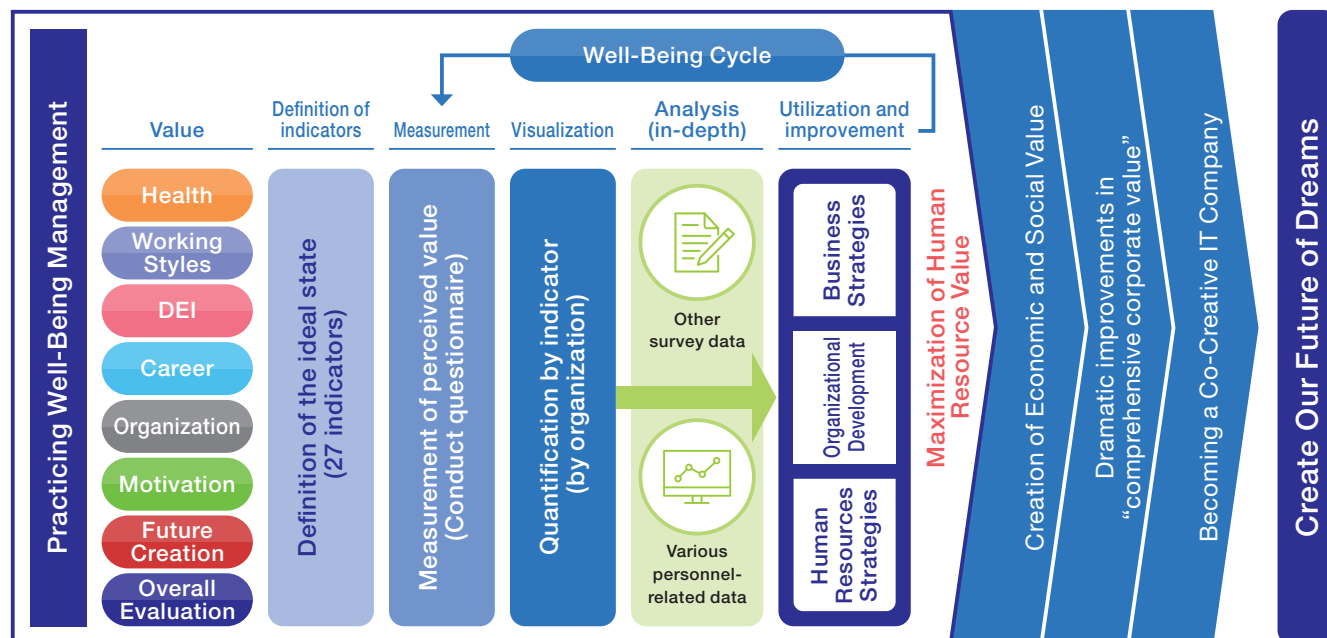
Well-Being Cycle

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.

Create Our Future of Dreams



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.

[P109 Performance Analysis \(FY2023\)](#)

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

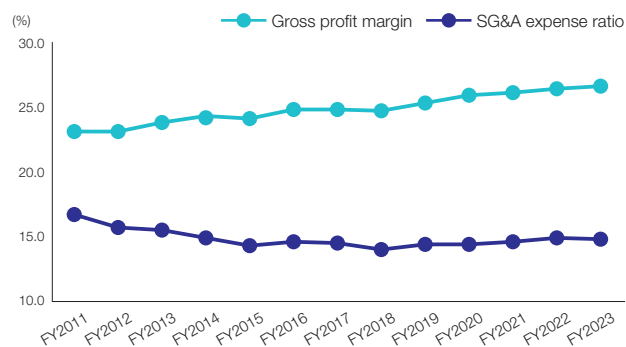
Monitoring cost structure changes

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.

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.

[P33 Management Target \(Financial and Non-Financial\) Progress Summary](#)

[P35-36 Progress on Core Strategies 1 and 2](#)

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.

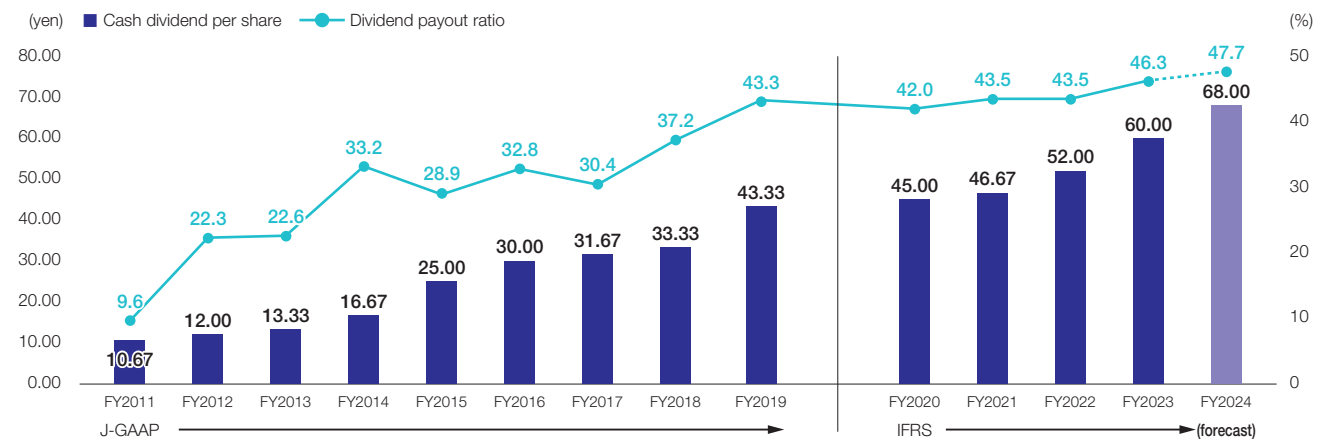
Bolstering shareholder returns centered on dividends

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*



*Dividend per share and dividend payout ratio taking into account the stock split executed on October 1, 2021.

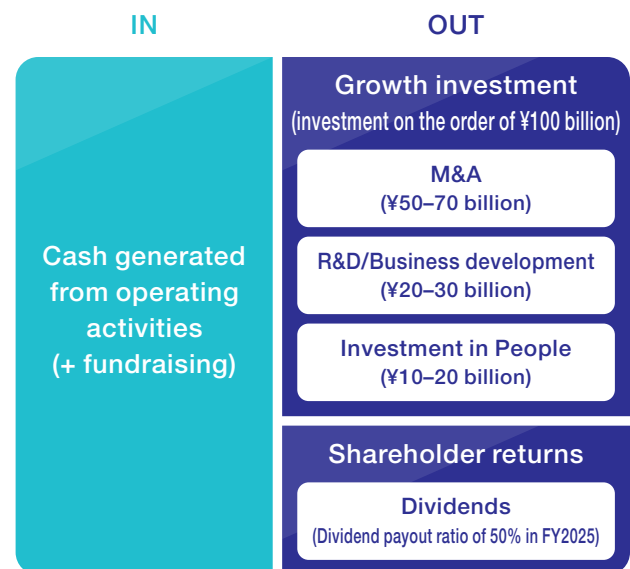
Stable financial foundation supports diverse fund procurement

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



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.

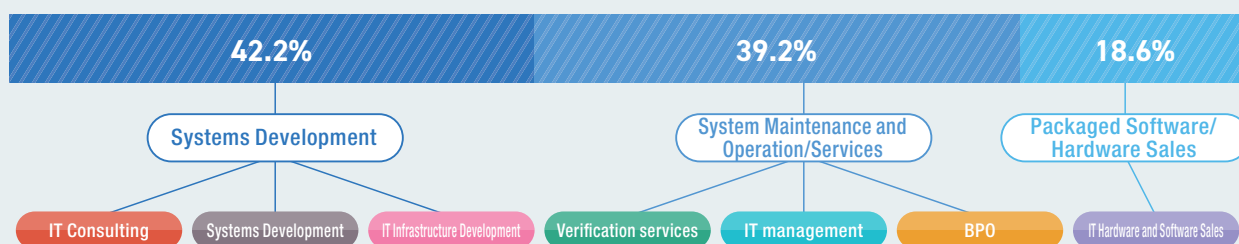
[P121 Communication with Shareholders and Other Investors](#)

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



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 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 businesses, including ERP peripheral solutions in the PLM, MES, and Sol areas. We have enhanced our business knowledge and systemization 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 administrative work” and “securing human resources and maximizing market value” in executing strategic businesses, including those other than the DSC business. Under “digitalization of development, 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 personnel 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 solutions. We will accelerate the growth of the services business by strengthening business investments in the wealth management area and global markets.

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.

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 develop human resources through various educational programs in an environment where people are valued and adept at co-creating with clients
- 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)



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 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.

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.

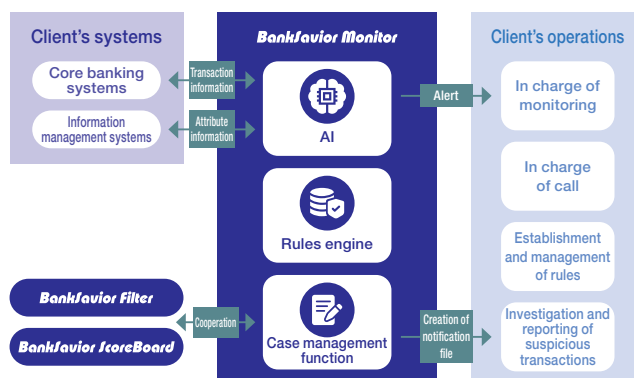
SCSK began providing “BankSavior Monitor” (hereinafter referred to as BSM), which monitors fraudulent transactions such as special fraud, for financial institutions in 2005, when special fraud damage was expanding. Since then, more than 80 financial institutions have used BSM. Behind the expansion of 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 crucial 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



Website of
The Hiroshima Bank, Ltd.
<https://www.hirogin.co.jp/eng/>



This is how the “next-generation BankSavior”
was born. (in Japanese)
<https://www.scsk.jp/corp/business/story04/>



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



Niihama City, Ehime SCSK Heartnetwork Co., Ltd.

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

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)



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

Message from the Directors

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	<ul style="list-style-type: none"> ■ Ascertain emission sources and volume ■ Manage and improve the efficiency of energy use 	<ul style="list-style-type: none"> ■ Review operations ■ Review energy usage/availability ■ Review product/service offerings 	<ul style="list-style-type: none"> ■ 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

PICK UP 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 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

CaseStudy



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 CO₂ 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—CO₂ emitted during the operation of buildings—through a carbon management function that visualizes buildings' CO₂ 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.



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

Voices of Users

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

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.)



ENVIRONMENT

Global Environmental Contributions



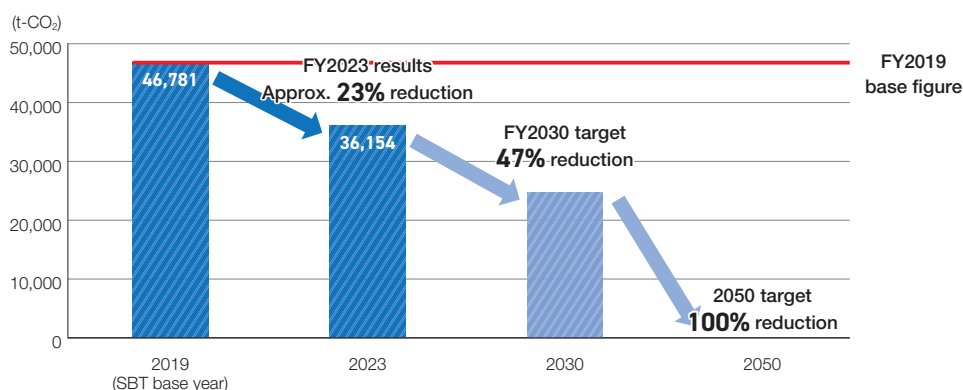
Greenhouse Gas Emissions Reduction Targets and Initiatives for Reduction of the SCSK Group

In addition to actively engaging in environmentally friendly business activities, the SCSK Group views the transition to a decarbonized society as a business opportunity. We will contribute to the realization of a decarbonized society and the development of a sustainable society through co-creation with clients and partner companies across a wide range of industries. To reduce greenhouse gas emissions, we have set medium- to long-term reduction targets that have been certified by the SBTi¹.

SCSK Group's GHG reduction targets

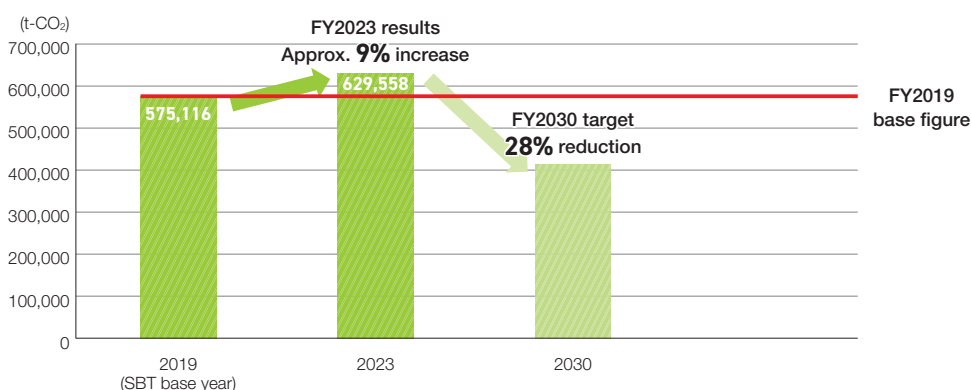
Scope 1 and 2 ²	● Reduce emissions 47% by FY2030 compared to FY2019 (1.5°C target)
	● Reduce emissions 100% by 2050
Scope 3 ³	● Reduce emissions 28% by FY2030 compared to FY2019

Progress Toward Scope 1 and 2 Emissions Reduction Targets



In FY2023, we reduced greenhouse gas emissions by approximately 23% compared to FY2019 (SBT base year) by utilizing renewable energy and non-fossil fuel energy certificates.

Progress Toward Scope 3 Emissions Reduction Targets



In FY2023, greenhouse gas emissions increased by approximately 9% compared to FY2019 (SBT base year) due to an increase in "outsourcing fees and purchase of goods" (Category 1: Purchased goods and services) and an increase in "electricity usage of products" (Category 11: Use of sold products) associated with business expansion.



Main initiatives to reduce Scope 1 and 2 emissions

The SCSK Group is taking measures to reduce greenhouse gas emissions from the use of electric power, which accounts for the majority of Scope 1 and 2. In FY2023, we reduced the annual emissions by approximately 477 t-CO₂ at our data centers through efforts to minimize power consumption, including optimal operation of equipment and LED lighting. Through the use of renewable energy and non-fossil fuel energy certificates, we reduced greenhouse gas emissions by approximately 33,654 t-CO₂ per year, and the renewable energy ratio of electricity was 47.3%.



netXDC Chiba Center 3 (SI3)

Main initiatives to reduce Scope 3 emissions

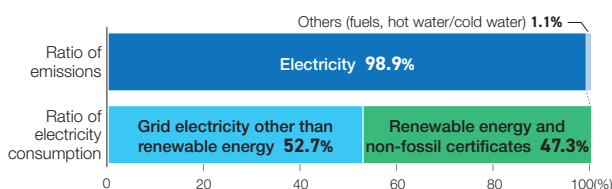
The Scope 3 emissions of the SCSK Group are mainly from Category 1 (Purchased goods and services) and Category 11 (Use of sold products). For Category 1, the main sources of emissions are purchases associated with the sales of goods and outsourcing to partner companies.

In promoting initiatives to reduce greenhouse gas emissions, we have begun switching to a calculation method that enables us to understand the actual status of greenhouse gas emissions of outsourcing partner companies, which account for 25.94% of Scope 3 emissions as a whole. We will promote the formulation and implementation of more effective measures toward the reduction of emissions through the assessment of the actual status of greenhouse gas emissions of the outsourcing partner companies.

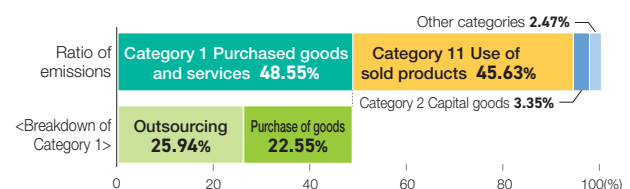
For Core partners, which are the core outsourcing partners of the SCSK Group, we explain and exchange views on the Group's initiatives to reduce greenhouse gas emissions. We also ask them to provide data on greenhouse gas emissions, and take other measures to promote concrete initiatives while gaining their understanding.

Through these initiatives, we will accelerate the reduction of Scope 3 emissions together with our partner companies.

Scope 1 and 2 Emissions Ratio (FY2023)



Scope 3 Emission Ratio (FY2023)



*1 SBT (Science Based Targets) initiative: An initiative calling for companies to establish reduction targets consistent with scientific knowledge in order to stop the increase in average worldwide temperature.

*2 Scope 1: Direct emissions of greenhouse gases from a company's own business activities

Scope 2: Indirect greenhouse gas emissions associated with the use of electricity, heat and steam, etc., supplied by other companies.

*3 Scope 3: Indirect greenhouse gas emissions not included in Scope 1 and Scope 2 (emissions of other companies related to a company's own business activities)

Environmental Management

Environmental management system

SCSK has acquired ISO 14001 certification, which is an environmental management system standard, and established a system in which approval of the officer in charge of the environment is to be obtained through management review. Each organizational unit uses its own environmental management system to promote measures to reduce environmental impact.

We regularly monitor energy use and greenhouse gas emissions at our offices and data centers, and have set reduction targets, based on which various measures are underway.

Status of environmental targets for our offices

SCSK has been promoting initiatives to mitigate environmental impacts by establishing office environment targets on office and site operations in 2015 as part of its environmental management system (EMS). In FY2023, owing to promotion of less use of paper through reduction of multifunction printers in each office, in addition to changes in work conditions due to remote working and online meetings becoming the norm, we achieved reductions greatly exceeding our targets for the amount of copier paper purchased and general waste emissions. We will continue to work to reduce environmental impacts through our EMS activities.

Achievement of Office Environment Targets

Scope (total volume)	FY2023 targets ^{*1}	FY2023 results
Amount of copier paper purchased	32% or higher reduction	86.9% reduction ^{*2}
General waste emissions	8% or higher reduction	40.1% reduction

Initiatives for recycling and reducing waste electronics

SCSK delivers electronic devices, mainly used IT equipment, to contractors for recycling based on internal rules regarding data erasure.

In order to reduce waste, it is also important to keep the number of computers and mobile devices in use at an appropriate level by thoroughly managing and efficiently operating their inventory. We are also working to rationalize the number of devices used by having a dedicated department centrally manage the inventory and operation status of business devices used by each business group.

Initiatives toward biodiversity

SCSK conducts its business activities with due consideration to the preservation of the environment, including ecosystems, as well as the maintenance and preservation of biodiversity.

In order to ensure the stable performance of servers and other IT equipment, the SCSK Group's data centers operate air conditioning and cooling facilities using water in some cases. We monitor the temperature and humidity of each area and rack inside our data centers in real time and perform fine-tuned optimization to minimize waste and loss in air conditioning and cooling. In addition, at an energy-efficient, environmentally friendly data center (netXDC Chiba Center 3), we have adopted air-cooled free cooling chillers that dissipate heat into the surrounding air to cool IT equipment. By so doing, we contribute to saving about 300,000 tons of water annually, as compared to using water-cooled turbo chillers that constantly release heat through water evaporation.

In support of the philosophy of the Taskforce on Nature-related Financial Disclosures^{*3} ("TNFD"), SCSK participated in the TNFD Forum in August 2023. Through the participation in the TNFD Forum, we work to contribute to the development of a framework for the appropriate assessment and disclosure of risks and opportunities related to natural capital of corporations including supply chains and biodiversity, and further preserve biodiversity.

Training for officers and employees

Through annual training, our officers and employees deepen their understanding of the latest environmental trends and the SCSK Group's environment-related initiatives.

Third party verification and assurance

We have obtained a third party verification and assurance from KPMG AZSA Sustainability Co., Ltd., a third party certifier, for the disclosure of greenhouse gas emissions (Scope 1, 2 and 3 emissions), waste and water consumption. We will continue striving to disclose highly reliable information in the future.

The Independent Assurance Statement provided by the Third Party is available on the SCSK Website.
https://www.scsk.jp/corp_en/csr/pdf/assurance_statement_2023_e.pdf



Transition Plan to a Decarbonized Economy

The SCSK Group formulated a transition plan to a decarbonized economy toward the realization of a decarbonized and recycling-oriented society. We will promote concrete initiatives for each element of the transition plan.

TCFD recommendation	Elements of the transition plan ^{*4}	Overview of the SCSK's initiatives
Governance	Governance	<ul style="list-style-type: none"> The status of sustainability-related initiatives is reported to the Board of Directors, and the Board of Directors provides appropriate supervision.
		<ul style="list-style-type: none"> Factoring ESG performance, including performance in responses to climate issues, into calculations of Director Remuneration (performance-linked compensation)
Strategy	Scenario analysis	<ul style="list-style-type: none"> Conducting a TCFD scenario analysis for the entire Company using multiple scenarios (1.5 °C and 4 °C scenarios) based on the IEA and IPCC scenarios Evaluating the financial impact of the risks and opportunities identified through scenario analysis and developing countermeasures
	Business plan	<ul style="list-style-type: none"> Providing services to facilitate decarbonization and increase companies' use of renewable energy to contribute to the creation of a decarbonized society
	Greenhouse gas emissions reduction plan	<ul style="list-style-type: none"> Utilizing renewable energy (solar power, non-fossil fuel energy certificates, I-RECs, etc.) and conserving energy in offices Considering long-term agreements to procure renewable energy (through PPAs) following a greenhouse gas emissions reduction plan
	Financial planning	<ul style="list-style-type: none"> Issuing green bonds to construct and renovate environmentally friendly data centers Planning to develop a financial plan to achieve greenhouse gas emissions reduction targets
	Value chain engagement and Low carbon initiatives	<ul style="list-style-type: none"> Establishing a "The SCSK Group Supply Chain Sustainability Promotion Guidelines" as a code of conduct regarding labor, health and safety, environment, etc. Asking our Core partners to exchange opinions on future reduction measures and to provide us with data on greenhouse gas emissions
	Policy engagement	<ul style="list-style-type: none"> Requesting multiple organizations that SCSK is a member of to create policies regarding the disclosure of non-financial information and participating in discussions to establish rules for creating new markets
Risk Management	Risks and Opportunities	<ul style="list-style-type: none"> Establishing an organizational structure and processes to minimize the identified climate-related risks and maximize opportunities
Metrics and Targets	Metrics and Targets	<ul style="list-style-type: none"> Establishing greenhouse gas emissions reduction indicators as (non-financial) performance indicators in the Medium-Term Management Plan Setting medium- to long-term greenhouse gas emissions reduction targets that have been certified by the SBT Initiative
	Scope 1, 2 and 3 accounting with verification	<ul style="list-style-type: none"> Calculating greenhouse gas emissions and obtaining third-party verification and assurance for highly reliable information disclosure
Others	Training related to climate change issues and the environment	<ul style="list-style-type: none"> Providing training to officers and employees annually on the latest environmental trends, the Group's climate change issues and environmental initiatives
	Initiatives related to biodiversity	<ul style="list-style-type: none"> Working to maintain and conserve biodiversity and participating in the TNFD Forum
	Stakeholder feedback mechanism	<ul style="list-style-type: none"> Engaging in conversations with various stakeholders to promote sustainability management practices

*1 Compared to FY2015

*2 Business locations with ISO certification only

*3 TNFD: Taskforce on Nature-related Financial Disclosures. An international organization that develops a framework for the appropriate assessment and disclosure of risks and opportunities related to natural capital and biodiversity

*4 Organized with reference to "CDP Technical Note: Reporting on Climate Transition Plans" by CDP; "Recommendations and Guidance on Financial Institution Net-zero Transition Plans" by Glasgow Financial Alliance for Net Zero (GFANZ); "Guidance on Metrics, Targets, and Transition Plans" by TCFD; "The TPT Disclosure Framework" by TPT; and "Integrity Matters: Net Zero commitments by Businesses, Financial Institutions, Cities and Regions" by the United Nations' High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities

Information Disclosure based on TCFD Recommendations

The Group recognizes that responding to climate change is an important management issue and attaches great importance to strategy and flexibility in dealing with uncertain situation changes. In FY2021, based on these views, we conducted a scenario analysis for the data center business, which accounts for 80% of the Group's greenhouse gas emissions and is considered to have a significant impact on climate change. In FY2023, we broadened the scope of the scenario analysis to include all businesses to determine the impact of climate change on the entire the Group and reviewed the selected scenarios.

Governance

As regards the response to climate change, Sustainability Committee, an advisory committee chaired by Representative Director, President, considers and confirms corporation-wide issues and measures.

The content of consideration is passed over from the Sustainability Committee to Management Committee to be further discussed in the context of corporation-wide management; after that, the Sustainability Promotion Committee regularly reports to the Board of Directors for appropriate supervision.

[P22 Promotion of Sustainability Management and Our Governance System](#)

Strategy

Overview of each scenario

Worldviews for a 1.5°C scenario and a 4°C scenario were defined based on the external scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We have identified risks and opportunities linked to climate change by referencing various government reports and disclosure standards such as SASB and IFRS S2.

1.5°C scenario

We have assumed a society where bold policies and technologies are implemented to limit the temperature rise to 1.5°C or less above the pre-industrial level at the end of the 21st century, mainly based on the Net Zero Emissions by 2050 Scenario (NZE) and Announced Pledges Scenario (APS) used in the IEA's World Energy Outlook (WEO) 2023.

4°C scenario

We have assumed a society where the temperature will rise more than 4°C above pre-industrial levels by the end of the 21st century due to continuous reliance on fossil fuels and increasing greenhouse gas emissions, mainly based on the RCP8.5 scenario and the SSP5-8.5 scenario in the IPCC's 5th and 6th Assessment Reports.

For more information about specific risks and opportunities, please see "Impact of Risks and Opportunities."

Impact of Risks and Opportunities

Scenario	Type		Impact items
1.5°C	Risk	Policy and Legal	Increased operating costs due to the introduction and expansion of carbon pricing
		Market	Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy
	Opportunity	Products/Services	Increased sales due to expanded sales of products and services that contribute to decarbonization
4°C	Risk	Acute	Decreased sales due to damage to facilities/inventories at major domestic business sites and lost profits caused by heavy rains and foods
			Decreased sales due to shutdowns caused by the disruption of transportation due to extreme weather events like typhoons
		Chronic	Decreased sales due to shutdowns caused by the restrictions on the use of cooling water at data centers during droughts
	Opportunity	Products/Services	Increased sales due to an increase in demand for data centers resilient ¹ to heavy rains and foods

Business impact assessment for each scenario

1.5°C scenario

We have evaluated the risk of an increase in operating costs due to the introduction and expansion of carbon pricing. The evaluation is based on the assumption that we will implement measures to reduce greenhouse gas emissions to reach the Group's targets of reducing Scope 1 and Scope 2 emissions (a 47% reduction from FY2019 by FY2030 and a 100% reduction

by 2050). As a result, it is also assumed that the negative impact of carbon pricing will be reduced. We have also evaluated the possible increase in power procurement costs attributed to the rising price of electricity primarily driven by the greater utilization of decarbonized energy sources.

We have evaluated opportunities to increase sales by leveraging the increasing demand for decarbonized data centers, which is driven by society's increasing commitment to the reduction of greenhouse gas emissions, and the rising need for new services aligned with the changes in the social environment.

4°C scenario

We have evaluated the risks of flooding and drought due to climate change at our major domestic offices. We used Aqueduct, a tool provided by the World Resources Institute (WRI), to confirm that there are no flood or drought risks at each office. We have concluded that these risks do not have the potential to financially impact us. Enabling our employees to

work remotely, the Group is not at risk of being financially affected by transportation disruptions caused by extreme weather events such as typhoons.

We have evaluated an opportunity to increase sales through data centers that are resilient to natural disasters as extreme weather events are on the rise due to climate change.

Financial Impact Evaluation Results for Major Impact Items

Scenario	Type	Major impact items	Category	Financial impact (billions of yen)	
				2030	2050
1.5°C	Risk	Increased operating costs due to the introduction and expansion of carbon pricing ^{*2}	Expenses	-0.5	-
		Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy	Expenses	-0.7	-10.2
	Opportunity	Increased sales due to expanded sales of products and services that contribute to decarbonization ^{*3}	Sales	+1.2	+9.9
4°C	Opportunity	Increased sales due to an increase in demand for data centers resilient to heavy rains and foods	Sales	+1.1	+5.4

Definition of countermeasures

We identified risks and opportunities in each scenario, and considered policy directions as well as perspectives of countermeasures.

In future, we will continue consideration of measures to avoid or mitigate risks and to seize opportunities; we will also aim at enhancing resilience of business activities through implementation of designed measures.

Examples of Countermeasures Related to Major Impact Items

Scenario	Type	Major Impact Items	Examples of Countermeasures
1.5°C	Risk	Increased operating costs due to the introduction and expansion of carbon pricing	Optimizing equipment operations to conserve energy and purchasing renewable energy to stabilize power procurement costs (e.g.,PPA)
		Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy	
	Opportunity	Increased sales due to expanded sales of products and services that contribute to decarbonization	Investing in the development of new projects that contribute to decarbonization and expanding businesses related to decarbonization
4°C	Opportunity	Increased sales due to an increase in demand for data centers resilient to heavy rains and foods	Maintaining and enhancing data centers' resilience to natural disasters to develop and expand data center services

Risk management

SCSK has established the Risk Management Regulations, so that we can appropriately manage risks that could have a material impact on the Group's business.

The Department supervising risk management collaborates with the Divisions responsible for individual risks to analyze risks based on external reports and advice from outside experts. The Divisions responsible for individual risks submit reports on the analyzed risks to the Sustainability Committee, which examines and identifies risks. The identified risk items are reported by the Divisions responsible for individual risks to the Department

supervising risk management, and are appropriately managed in accordance with the Risk Management Regulations.

[P101 Risk Management System](#)

Metrics and Targets

SCSK has set greenhouse gas emissions reduction targets and is working on initiatives to reduce such emissions.

[P65 SCSK Group's GHG Reduction Targets](#)

*1 Resilient: Toughness and resiliency to quickly recover in the event of problems caused by natural disasters, etc.

*2 The financial impact evaluation was based on the assumption that greenhouse gas emissions reduction targets will be met.

*3 An increase in sales resulting from the optimization of sales prices in response to increased power procurement costs was excluded from the estimates.



SOCIAL

Diverse Team of Professionals



Human Resources Strategy

SCSK's human capital management

The SCSK Group has announced “Our Promises” to realize our Corporate Philosophy, “Create Our Future of Dreams.” The first of the promises is “Respecting each other,” and we have promised that we respect personality and value of each and every employee and leverage abilities of each other to the maximum extent. The SCSK Group's greatest asset, which is also its growth driver, is its “people.” Placing “job satisfaction” of each and every one of our employees at the core, we use our core competence to contribute to the solution of various social issues together with our customers and society. While creating new value, we aim to grow sustainably together with society.

Under the Medium-Term Management Plan, our policy is to dramatically improve our “Comprehensive Corporate Value,” which is corporate value that encompasses economic value, social value, and human capital value that is non-financial elements. With regard to the enhancement of human capital value, our basic policy is “Maximization of Human Resource

Value” for each and every employee. In addition to active investment in the development of employee capabilities, we also promote initiatives to enhance employee capabilities and enable employees to demonstrate their capabilities to the maximum extent possible through dynamic linkage between business strategies and human resources strategies.

Moreover, we are promoting “Well-Being Management,” which enhances job satisfaction and engagement through contribution to the creation of social value and economic value, in addition to a pleasant working environment that has been developed mainly through working style reforms and health and productivity management.

Through the implementation of Well-Being Management, we aim to improve the Group's engagement by creating an environment in which employees can feel “pleasantness” and “job satisfaction,” with each employee's willingness to contribute as the driving force of value creation.

Medium-Term Management Plan (FY2023–FY2025)

Policy of human resources strategy

Personnel System and Human Resources Development in Line with Business Strategy

Well-Being Management to Improve “Job Satisfaction” of Employees

Priority Measures



“Business strategy and human resources portfolio” to improve and utilize abilities and skills [P73](#)

- Dynamic linkage between business strategy and human resources strategy
- Career development platform to realize maximization of human resource value
- Comprehensive human resources development program—SCSK i-University
- Development of advanced digital talent who leads business strategy
- Support for autonomous career development



“Treatment and remuneration systems” to appropriately evaluate abilities and skills and reward performance [P76](#)

- Personnel system that serves as a foundation for maximization of human resource value
- Securing advanced professional human resources



“Well-Being Management” that leads to creation of value [P77](#)

- Promotion of Well-Being Management
- Improvement of physical and mental health and demonstration of performance
- Improvement of SCSK engagement



“Diversity and inclusion” that respect and draw on diversity [P79](#)

- Promotion of diversity and inclusion (D&I)
- Profile Diversity
- Thought Diversity
- Opinion Diversity



Human resources strategy

With the aim of realizing the Grand Design 2030 “Co-Creative IT Company,” we have established four priority measures in line with our basic policy of Maximization of Human Resource Value, and will make optimal human capital investments of ¥10 billion to ¥20 billion in order to acquire and develop professional human resources and raise remuneration levels to ensure competitiveness.

Personnel system and human resources development in line with business strategy

We aim to maximize human resource value through business strategy and human resources strategy, as well as demonstration of abilities by each and every one of our employees and linkage with their motivation to grow.

Priority measure (1) “Business strategy and human resources portfolio” to improve and utilize abilities and skills

Priority measure (2) “Treatment and remuneration systems” to appropriately evaluate abilities and skills and reward performance

Well-Being Management to improve “job satisfaction” of employees

While each and every employee is in good physical and mental condition and maintains a high level of engagement with the organization, we aim to improve “job satisfaction” of employees by their realizing autonomous growth and creating new value through our business.

Priority measure (3) “Well-Being Management” that leads to creation of value

Priority measure (4) “Diversity and inclusion” that respect and draw on diversity

Management Indicators (non-financial)

Indicators and Targets

Improvement of consulting functions and strengthening business development

Talent for consulting and business design **500** persons or more (**319** persons in FY2023)

Development of cutting-edge digital engineers

Persons who completed cutting-edge engineer development training **3,000** persons or more (**1,745** persons in FY2023)

Execution of high quality projects

Advanced PM talent **250** persons or more (**183** persons in FY2023)

Strengthening company-wide education and development

Persons who completed digital skill standard education for the all Group IT engineers: **10,000** persons (**3,772** persons in FY2023)

Indicators and Targets

First-hand experience of pleasantness and job satisfaction

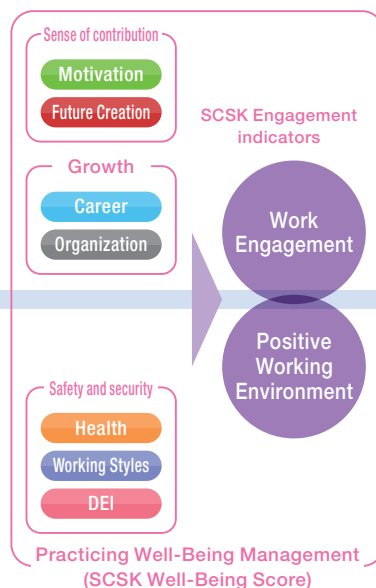
Employee awareness survey: Engagement **90%** or higher

Physical and mental health and demonstration of performance

Employee awareness surveys:
Degree of performance demonstration **90%** or higher

Deepening of diversity and inclusion

Number of females in general manager positions **Three** times or more



Dramatic improvements in comprehensive corporate value
(economic value, social value, and human capital value)

Grand Design 2030
Co-Creative IT Company

“Business Strategy and Human Resources Portfolio” to Improve and Utilize Abilities and Skills

Dynamic linkage between business strategy and human resources strategy

A medium-term human resources portfolio plan, which is dynamically linked to business strategies, is formulated at the organizational unit that manages each business. Based on this plan, human resources development and re-skilling combining on-the-job training and off-the-job training are implemented, and employees with skills and a high level of specialization that match business strategies are developed. In addition, we aim to maximize the value of human resources by simultaneously promoting business structural reforms, the allocation of human resources to the right person in the right place, and the development of a workplace environment, so that a diverse range of employees can fully demonstrate their capabilities and motivation.

As a result of our efforts to date, we have recognized the gap between the human resources portfolio, which shows the skills and personnel composition necessary to achieve our business plans, and our current status. The process for planning and executing of developing human resources, securing stable human resources, and the optimal allocation of personnel to eliminate that gap is gaining ground. While flexibly responding to changes in the market environment, we will further accelerate this effort and advance initiatives aimed at maximizing the value of human resources and improving the corporate value of the SCSK Group.

Career development platform to realize maximization of human resource value

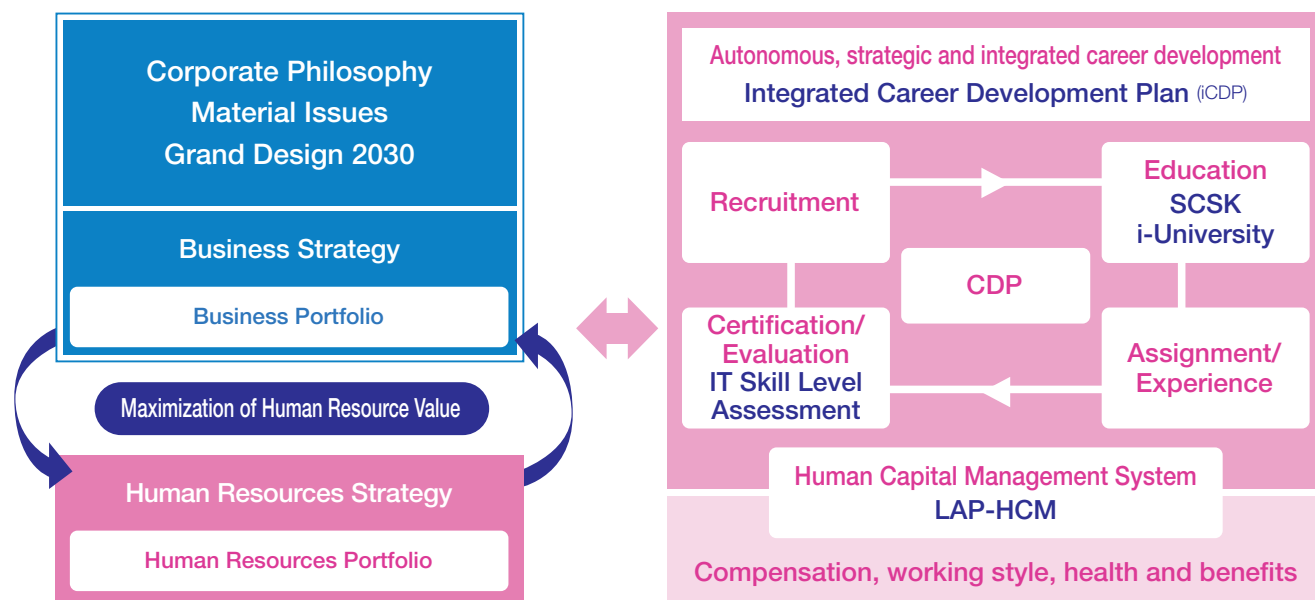
In order to maximize the value of human resources through business growth and the growth of each and every employee, it is necessary to link business strategy and human resources strategy, as well as the demonstration of abilities of each and every employee and the motivation to grow. To this end, we have established the Integrated Career Development Plan (ICDP) as an autonomous, strategic, and integrated career development platform, and operate it as a basic cycle to maximize human resource value with a focus on links to human resources systems and measures.

In addition, in order to effectively operate “ICDP,” we have introduced “LAP-HCM,” a human capital management system for visualizing and analyzing human resources information. As a result, we have developed company-wide human resources strategies, formulated organizational management and development plans, and utilized them to raise the skills of individual employees and promote autonomous career development, thereby fostering a learning culture.

Learning, Action and Pleasure = LAP

We will continue to accumulate learning and practice.
That leads to pleasure.

*HCM = Human Capital Management



Integrated human resources development program (SCSK i-University)

SCSK i-University is a framework for providing opportunities for continuous learning and grow. It is an educational system and also a human resources development system in the broad sense of the term, which includes schemes and infrastructure. Company-wide education aims to strengthen both mind (people skills) and skills (job skills) according to the grade of the personnel system and the specialization level in the IT skill level assessment. It provides more than 200 training courses in five categories: career development, leadership development, global business skills development, specialized skills development, and re-skilling. In FY2023, 26,900 persons participated in the i-University company-wide education (in total).

i-University also includes cross-border learning through external dispatch, which leads to the acquisition of new perspectives through learning from people from different industries and the fostering of a mindset for co-creation with society.

Division Specific Training

- Supplement of company-wide training
- Education of skills unique to each business group

Number of i-University participants

Company-wide Training	Total number of participants
Career development	1,768
Leadership development	1,857
Global business skills development	169
Specialized skills development	11,446
Workshop by Job Type	11,325
Engineering Training	121
Re-skilling	11,660
Literacy	9,877
Service manager	645
Business creator/consultant	34
Full-stack engineer	1,104

Schemes and infrastructure

- Online courses (group training and e-Learning)
- SCSK Learning Park (class room courses at our training facility)
- MA-N@vi (course management system)
- ProActive (HR management system)

Development of advanced digital talent who leads business strategy

In the Medium-Term Management Plan, in addition to the development of cutting-edge engineer, we have set specific targets to strengthen recruitment and training of talent for consulting and business design who will be responsible for improving consulting functions and strengthening new business development, and advanced project manager talent who will be capable of executing and managing high quality projects, in an effort to strengthen the development of advanced digital talent.

Talent for consulting and business design

Aiming to promote business that can lead the market and create next-generation digital business, we conduct practical workshop-style training programs in line with the process based on the ideas of design-oriented and lean startup. By increasing training opportunities to acquire the knowledge and skills necessary to develop new businesses and create new technologies, we will strengthen and expand the development of 500 persons or more of talent for consulting and business design by FY2025. (FY2023 result: 319 persons)

Cutting-edge digital engineers

It is important to develop advanced engineers who can respond to the rapid development of digital technology and the digital transformation of clients. By expanding training programs that correspond to the roles and skill items of the Digital Skill Standards and enhance practical skills, we will enhance their professional competence related to cloud and digital technologies and strengthen the development of 3,000 or more of cutting-edge digital engineers by FY2025. (FY2023 result: 1,745 persons)

 **P106 Financial and Non-Financial Highlights (Employees who have completed training to develop advanced technologies (cumulative total))**

Advanced project manager talent

In response to the recent trend where the size and complexity of projects are significantly increasing, we are strengthening our decision-making and action capabilities through case studies and case method, and conducting training on the essentials of management to lead large-scale projects, so that we can maintain high quality even in highly difficult projects. In the community activities of the PM working group, we aim to improve our organizational project management capabilities by sharing internal case studies and forming personal networks, and will strengthen recruitment and development of the talent, so that we have 250 persons or more of advanced project manager by FY2025. (FY2023 result: 183 persons)

Talent with digital skills

To promote the creation of new business models and services, we are implementing Digital Skill Standard Training for all employees, including those of Group companies. In addition to acquiring the concept of DX and the technology to realize it, we will instill the significance and importance of learning about the latest technology trends and market trends, and aim to develop 10,000 persons of talent with digital skills by FY2025. (FY2023 result: 3,772 persons)

Support for autonomous career development

As people are expected to work longer with diversified choices in occupation, and the business environment is changing extremely rapidly, employees are expected to actively and continuously develop their own careers. We aim to foster “career ownership,” which raises the awareness and motivation to act of each and every employee to proactively engage in his or her own career, and “learning culture,” a culture in which employees continue to learn autonomously.

Career Development Plan (CDP) system

In addition to each and every employee engaging in autonomous career development, it is important for the organization to be aware of the human resource portfolio in line with the business strategy and to aim for the achievement of the business strategy. Under the CDP system, which is positioned at the center of “iCDP,” a platform for autonomous career development, each and every employee reflects on his or her strengths and issues, considers his or her future career, and expresses his or her views to his or her superior. In addition to considering the assignment of duties one or two years in the future based on the expectations of the organization, the training plan for improving specialized abilities is coordinated between the employee and his or her superior, providing an important opportunity for dialogue to enhance the employee’s ability to demonstrate his or her capabilities and motivation to grow.

IT Skill Level Assessment

Employees’ IT skill levels are assessed and certified on a seven-level scale based on the SCSK Career Framework, thereby visualizing the specialization of employees in engineering/sales positions and their career steps, and promoting employee growth. Through the process of IT Skill Level Assessment screening, we identify the gaps from the targeted levels, and employees and their supervisors formulate and implement specific training plans, in an effort to effectively improve the IT skill level of employees. We have created a specialized working group composed of experts in each job type. The working group discusses assessment screenings and undertakes training activities, such as creating communities for each job type and sharing case studies.

In addition, we are utilizing the “Digital Skill Standards” released by the Ministry of Economy, Trade and Industry (IPA) in December 2022 to promote the visualization of digital talent. We will move forward with efforts to strengthen specialization in line with the needs of the time by securing human resources for business innovation, engineers with multiple skills, and human resources for security, AI, and data science.

Personnel recruitment program (Job Challenge Program)

Under this program, the departments of Group companies that are looking for human resources conduct recruitment within the Group companies, and employees who wish to be transferred to each department can apply for the job. If they pass the screening by the recruitment department, the transfer is realized. This system supports the growth of employees and the placement of the right people in the right jobs. (FY2023 result: 56 persons have transferred)

Internal free agent (FA) program (Career Challenge Program)

With this program, employees can appeal their backgrounds, skills and desired duties to the desired department. Under this system, employees who have received an offer from a desired department can be transferred if an agreement is reached with the department after negotiations. This system supports autonomous career development of employees. (FY2023 result: 10 persons have transferred)

Promoting and supporting self-development (*Kotsukatsu*)

Guided by the notion that steady effort is key to success, we implement *Kotsukatsu* as a way of supporting our employees’ efforts to engage in self-development. Through the provision of “stipend for learning,” “rewards for acquiring certification,” “learning incentives,” etc., we encourage self-development, and promote the acquisition of various skills and knowledge, as well as the acquisition of experience. In addition, by providing place to share *Kotsukatsu* experience internally and supporting continuous learning that leads to growth, we aim to foster a learning culture in which employees raise their awareness of continuing to learn together.



Mutsuko Kumashiro,
Chairperson of the Service Manager Working Group, IT Skill Level Assessment
(General Manager, General Financial Systems Dept. III, Financial Systems Business Div. II)

Service manager leading innovation of business structure toward Grand Design 2030

Service managers have a role to play in taking responsibility for service quality, increasing client satisfaction, and expanding the business, to identify clients’ needs and continue to provide safe and high value-added services. For this reason, we plan and implement our business strategies and core business innovation in order to stay abreast of clients’ management issues and business strategies, and to grow together with clients. It is important that this basic mindset is always kept in mind by all employees who have contact with clients, not limited to service managers, and is utilized in their daily operations. As the chairperson of the working group, I would like to work on the development of service managers and contribute to the development of personnel capable of carrying out this basic mindset.

“Treatment and Remuneration Systems” to Appropriately Evaluate Abilities and Skills and Reward Performance

Personnel system that serves as a foundation for maximization of human resource value

We have developed a system to appropriately evaluate and reward the value of human resources in order to secure and retain excellent human resources in the highly competitive IT human resources market, as well as to foster a corporate culture in which each and every employee can set high goals and take on challenges with enthusiasm, and enable employees to continue to grow by making the most of their abilities.

As for the personnel system, we have adopted a dual ladder human resources system that realizes the optimal development and treatment of human resources according to the expectations and roles of each career path, including “GM positions” for management personnel who are responsible for business growth through organizational operations, and “Specialists” for professional personnel who are responsible for executing business strategies. We aim to become a company that allows diverse human resources to develop their abilities, and where autonomous human resources, who maintain ambitions to take on challenges and grow, gather.

In addition, in order to promote the active participation of senior human resources, we have introduced the program for full-time employment of seniors, which provides employment as a full-time employee for the age of 60 to the age of 65, and rewards those who have made significant contributions to the organization. Furthermore, we have introduced the Senior Expert Program, which enables the continued employment of

employees aged 65 or older based on certain criteria, and have created an environment in which personnel with a high level of expertise who continue to demonstrate their abilities can continue to play an active role at SCSK.

With respect to the evaluation and treatment of IT skills, an IT skill certification allowance and a lump sum payment are provided to those who have been certified and evaluated at a higher level of IT skill levels under the IT Skill Level Assessment. We are working to maximize the market value of each and every employee through appropriate treatment of advanced professional human resources, as well as efforts to promote employees’ challenge to higher levels of work and learning toward higher levels of certification.

As competition to acquire IT human resources has intensified and their market value has increased recently, we are reviewing remuneration levels in order to secure excellent human resources and further improve employee engagement. In July 2023, we raised the expected annual salary by an average of 5% for the Company as a whole and by an average of 3% to 7% for each grade. In July 2024, we raised the remuneration level by an average of 6.1% for the Company as a whole and by an average of up to about 10% for each grade. We will continue to promote initiatives to maximize the value of human resources while improving employee engagement.

Securing advanced professional human resources

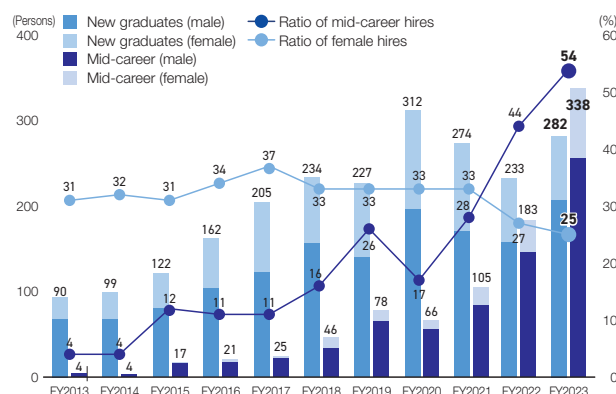
To date, we have focused on recruiting new graduates in line with the expansion of our business scale. In recent years, however, we have strengthened the recruitment of mid-career professionals who can respond quickly to changes in the business environment, and are working to secure professional human resources who will be responsible for business strategies. We are also actively engaged in the recruitment of women, with a ratio of female hires to both new graduates and mid-career employees around 30%.

In addition, the Company is also proactively working to secure human resources through the Re-join System, which aims to promote the re-employment of retirees who have developed various experiences and skills after retiring from SCSK, and the referral hiring, which aims to discover and secure excellent human resources who are active outside the Company.

In order to secure talented human resources with high market value who can contribute to business growth, we have established the “ADV positions,” which enable us to treat employees with an annual income of more than ¥30 million, and are working to expand the pool of highly skilled professionals. The Smart Work Plus, which was introduced as a second job program, encourages the acquisition of skills and business experience outside the scope of SCSK, and also hires advanced professional

human resources from outside the Company in a form of second job to harness their knowledge and expertise in developing innovation and new business, thereby aiming to contribute to the provision of new value.

Recruitment



“Well-Being Management” That Leads to Creation of Value

Promotion of Well-Being Management

We aim to raise employee motivation and performance through the autonomous growth of each employee and the creation of new value through co-creation with customers and society. To this end, we have been actively working to create a positive working environment where employees can work safely and securely. Based on this, we will continue to promote “Well-Being Management” that provides new value to society. Based on the idea that “in addition to physical and mental health, a sense of fulfillment in work, job satisfaction, and a feeling of being useful to society lead to a sense of Well-Being and happiness for each and every employee,” we will continue to practice health and productivity management and promote initiatives to maintain a high level of engagement.

[P41 Message from the Assistant General Manager, Human Resources](#)

Health and productivity management as the foundation of Well-Being Management

The “Principles for Health and Productivity Management” clearly states that the health of each and every employee is the basis for the happiness of employees and their families and for business growth. This statement has been set out in the work rules along with the responsibilities to be fulfilled by the Company and its employees. As such, we have promoted initiatives as a leading company in working style reforms and health and productivity management.

Under the Medium-Term Management Plan, we are promoting “Well-Being Management,” which enhances job satisfaction through contribution to the creation of social value and economic value, in addition to a comfortable working environment that has been developed through the promotion of working style reforms and health and productivity management to date. In implementing the Medium-Term Management Plan, we have created an officer position in charge of DEIB & Well-Being Promotion, as well as dedicated organization, to accelerate initiatives.

SCSK’s initiatives have been highly evaluated by external parties. In the Health and Productivity Management Survey conducted by the Ministry of Economy, Trade and Industry (METI), SCSK was evaluated as a company that makes strategic efforts to manage employees’ health from a management perspective, and was selected as a Health and Productivity Stock Selection by the METI and the Tokyo Stock Exchange for the 10th consecutive year since its launch in 2015.

Working style reforms (Smart Work Challenge)

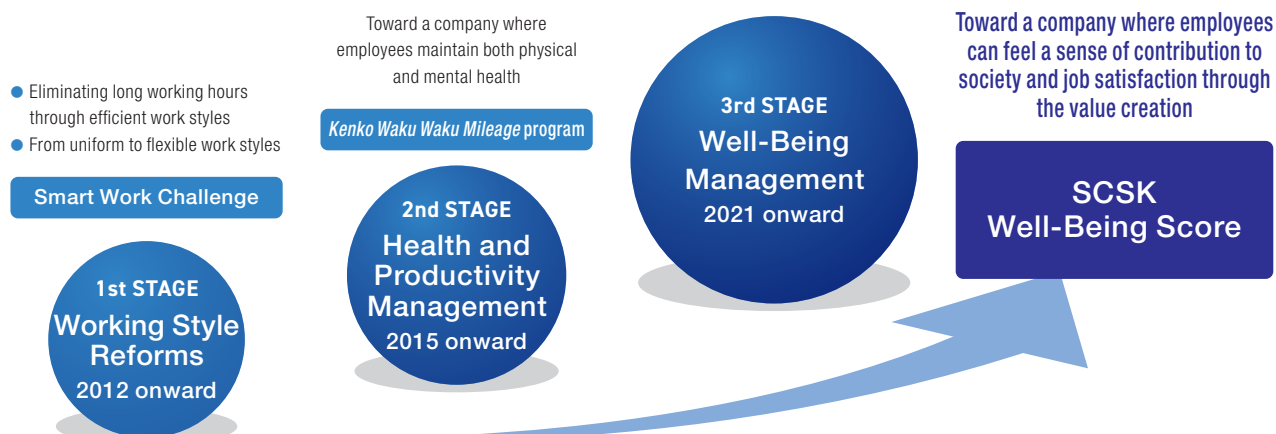
Smart Work Challenge, which was launched in FY2013, is a company-wide measure to promote a highly productive work style, targeting 20 hours or less of the average monthly overtime hours and 100% of the rate of consumed annual paid vacation days. Since FY2020, overtime hours have increased in line with rapid changes in work styles due to the COVID-19 pandemic. However, by combining office work and remote work to realize a new way of working that is efficient and highly productive, we have maintained the percentage of positive responses to the employee engagement item “SCSK is a company with a pleasant workplace” at 90% or higher.

Health and productivity management (Kenko Waku Waku Mileage program)

The “Kenko Waku Waku Mileage program,” launched in FY2015, is an initiative aimed at establishing healthy behavior and routines and improving health literacy. Points are awarded for employees’ healthy behavior and health checkup results, and incentives are paid according to the number of points earned per year. Since its launch, almost all employees have participated in the program, contributing to the promotion of actions and the enhancement of awareness that lead to the maintenance and improvement of health. The percentage of positive responses to the employee engagement item “Happiness due to improved health” has been 90% or higher.

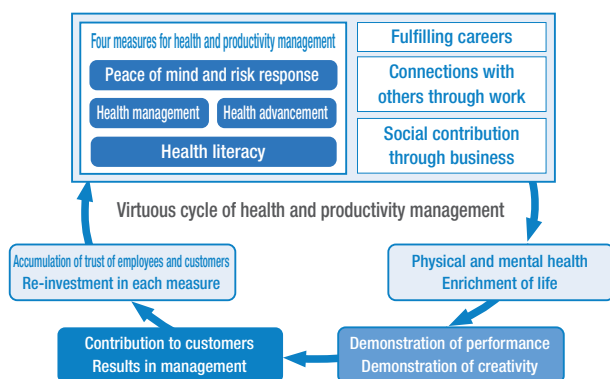
Move beyond health and productivity Management to “Well-Being Management”

From “pleasantness” to “job satisfaction”



Improvement of physical and mental health and demonstration of performance

In order to continue to provide new value to society, SCSK has implemented various health measures based on the four pillars of “health management,” “health advancement,” “health literacy,” and “peace of mind and risk response,” so that each and every employee can maintain good physical and mental conditions and perform at their best.



We also focus on mental and physical health and performance demonstration, and have been conducting “pulse surveys” to periodically assess mental and physical health conditions, the burden of work, and the degree of communication, and to visualize the changes. We assess “mental and physical conditions and work conditions” on a weekly basis and “human relationships and the degree of performance demonstration” on a monthly basis, and utilize these as opportunities to objectively reflect on one’s own conditions. The pulse surveys also include a consultation form for superiors, the Human Resources Department, the Health Consultation Office, and the Counseling Room, so that employees can receive appropriate support at an early stage according to the content of the consultation.

In addition, as the results of the pulse surveys can be tabulated and displayed in a timely manner on an organizational basis, line managers understand changes and trends within the organization, and utilize this information in management.

As the foundation of SCSK’s business development is for each and every employee to continuously demonstrate high performance in a state of mental, physical, and social health, we have set a target of “90% or higher of the degree of performance demonstration” and are promoting initiatives. (FY2023 result: 80.2%)

Improvement of SCSK engagement

In order to realize “Well-Being” for employees, it is important for each and every employee to feel a sense of job satisfaction. It is also important for the Company, its top management, and leaders to support the diverse sense of happiness that each and every employee is seeking, while at the same time clearly indicating the corporate philosophy and the business vision and goals that will contribute to social issues, and for both parties to share a common understanding. We hold town hall meetings to deepen two-way communication between management and employees, and operate “hiroba,” an information website for sharing various activities within the Group, in an effort to foster empathy and a sense of unity.

In addition, in terms of the working environment, we have formulated a next-generation workplace strategy, and based on the concept of “a starting point for new co-creation,” we are promoting initiatives to realize workplaces where employees gather, deepen intellectual production activities and communication, and link those to the creation of new value.



Workplaces that encourage co-creation

Through the implementation of Well-Being Management, we aim to improve the Group’s engagement by creating an environment in which employees can feel “pleasantness” and “job satisfaction,” with each employee’s willingness to contribute as the driving force of value creation. We have set a target of “engagement (pleasantness and job satisfaction) of 90% or higher” and are promoting initiatives. (FY2023 result: pleasantness 89.3% and job satisfaction 78.0%)

Contribution to society —Participation in Health & Productivity Management Alliance

SCSK aims to contribute to the promotion of health and productivity management in society as a whole by sharing its experience and know-how related to the promotion of health and productivity management that it has accumulated so far with a wide range of people outside the company. In 2023, SCSK participated in the “Health & Productivity Management Alliance” (established in June 2023) as a representative managing company, and is working to co-create formats and results for health and productivity management through planning and management of the alliance and sharing of health measures among participating companies across industries.

In FY2024, SCSK will provide the “questionnaire on health and productivity management,” which SCSK has been continuously working on, as one of measures for assessment. In addition, SCSK will hold subcommittee meetings aimed at putting the health and productivity management into practice and spreading it, which will provide a venue for learning about the health and productivity management and forming networks, to support the health and productivity management of each company.

“Diversity and Inclusion” That Respect and Draw on Diversity

Promotion of diversity and inclusion (D&I)

We aim to “enhance organizational capabilities by allowing diverse human resources to recognize and understand each other as peers,” and are developing measures to understand and utilize diversity from three perspectives: “profiles,” “thoughts and capabilities,” and “opinions and views expressed.” We aim to be a company that continues to achieve sustainable growth and create new value by drawing out the full potential of all our human resources and applying that potential to business growth.

From FY2024, we have added the elements of Equity and Belonging (defined as “working together”) to D&I, and are evolving the concept of Diversity, Equity, Inclusion, and Belonging (DEIB) in an effort to foster an organizational culture in which each employee can demonstrate his or her capabilities without any anxieties, as a workplace where fair and impartial responses can be made according to the situation of each individual, and as a place of his or her own.



Profile Diversity (diversity in profiles)

Promotion of Active Participation by Women

Since establishing an organization dedicated to the promotion of D&I in 2012, we have been proactively promoting the active participation by female employees. The promotion of active participation by women in the workplace is the foundation of D&I promotion that supports the Company’s management policy toward realizing its goal of becoming a “Co-Creative IT Company in 2030,” and is an essential element in implementing “sustainability management,” which is positioned as a management strategy of the Company.

Since 2021, in order to increase the ratio of women involved in important decision-making and ensure diversity in management, targets for promotion of women have been set for each position, and training programs have been implemented. In addition, we have introduced the Supporter System (fostering of general manager level) and the Supporter Plus System (fostering of officer level) in which a person in charge of a business organization nominates candidates for the

promotion and works on developing them as a supporter. We aim to further create value by actively promoting the appointment of women to high-ranking positions and thereby engaging in organizational management and business activities from various perspectives.

In addition, we are systematically training women who possess a high level of expertise in IT, which is the core of our business, (Level 5 or higher in the IT Skill Level Assessment). Through those efforts, we aim to achieve the target of tripling or more the number of female line managers in general manager positions or higher by FY2025. (FY2023 result: 1.3 times/as compared with FY2022 result)

SCSK’s initiatives have been highly evaluated by external parties, and SCSK has been selected nine times as a “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a listed company that is excellent in promotion of active participation by women.

Promotion and Development Targets for Women

Position	Target
Director	30% by the end of FY2030
Senior Executive Officer and Senior Corporate Officer	20% by the end of FY2030
General manager level (General Manager and Deputy General Manager)	12% by the end of FY2025 20% or higher by the end of FY2030
Advanced specialist (IT Skill Level Assessment Level 5 or higher)	150 persons by the end of FY2025



Officer level development program

Support for balancing work with childcare and nursing care

SCSK is working to create an environment where employees, regardless of gender, can balance work and life events and continue to work without any anxieties. In addition, we have developed a system that enables diverse and flexible working styles that are not bound by time or place, so that employees can continue to build their careers in conjunction with their life events.

In supporting the balance of childcare with work, we designed a system aiming to create an environment which enables both men and women to participate in childcare and balance it with work. As a result of efforts to recommend employees taking extended childcare leave in installments and introduced several other leaves related to childcare, the percentage of male employees extended childcare leave increased tenfold from five years ago, and when the percentage of employees taking leave related to childcare (including extended one), exceeded 93%.

With regard to the measures for balancing work and nursing care, we actively provide information through nursing care seminars and individual counseling sessions, in order to enable employees to continue working even if nursing care arises.

Promotion of active participation by persons with disabilities

As a model company which employs people with severe disabilities, the Tokyo Metropolitan Government, the Tama City Government, and SCSK established through co-investment “Tokyo Green Systems Corporation (tgs)” in 1992 as a third-sector company. With the philosophy of “participation, independence, and symbiosis,” tgs aims to achieve “independence and contribution” and promotes employment of employees with disabilities as a special-purpose subsidiary of SCSK.

SCSK Group companies are also working to create an environment in which diverse human resources can work together, and to instill the philosophy of normalization in employees. To this end, SCSK Group companies are strengthening their efforts to employ human resources with disabilities and support their active participation. Furthermore, we aim to contribute to a society in which diverse human resources play active roles with vigor by employing para-athletes and supporting their activities.

In addition, relaxation rooms are set up at major sites of SCSK, where visually-impaired persons who are qualified as “massage and finger-pressure therapists” based on national license are playing an active role as health keepers.

Website of TOKYO GREEN SYSTEMS CORPORATION
<https://www.tgs.co.jp> (in Japanese)



Initiatives for LGBTQ

The Company is working to clarify its policies, including clearly stating the prohibition of discrimination based on sexual orientation in the Compliance Manual. In addition, we are working to develop an environment where all employees can work with peace of mind, which includes allowing same sex and common-law partners to be considered “spouse” under the company’s internal programs. Furthermore, we have also established a hotline, and hold seminars for all employees to promote understanding and conduct training for managers as well as employees in charge of human resources including at Group companies. We hand out Ally* stickers to those who request one to symbolize their commitment to understanding, supporting and assisting the LGBTQ community, and we run an Ally community where employees who identify as an LGBTQ Ally can discuss issues and SCSK’s measures for LGBTQ inclusion.



Thought Diversity (diversity in thoughts and abilities)

We are strengthening mid-career recruitment in order to secure professional human resources who will be responsible for business strategies, and various professional human resources with different experiences, values, and abilities are having significant roles to play. By recognizing and respecting different styles and differences in ways of thinking, we find ideas and solutions that have never been seen before, leading to diversity in thoughts and abilities. In addition, by visualizing the profile of each employee through the human capital management system (LAP-HCM), we aim to revitalize communication across organizational boundaries.

Opinion Diversity (diversity in opinions and views expressed)

We are promoting initiatives aimed at creating an organization that makes use of diverse opinions and viewpoints of each individual. To date, we have published a guidebook, developed an internal portal site, and conducted training for management with the aim of instilling an understanding among all employees.

We will continue to work toward creating a workplace where diverse personalities are recognized, and employees respect each other and can freely express their opinions with high psychological safety.

External initiatives — supporting women’s careers

We participate in “WITTy (Women in IT in Toyosu),” which is formed by eight IT companies. WITTy is a community that was created with the aim of supporting the further advancement of female engineers working in the IT industry beyond the boundaries of the company. Since its establishment in 2013, the NRI Group has regularly held exchange events to share industry-specific concerns and issues, continue to work energetically, and draw up a career that suits them. We will continue to cooperate and advance various initiatives to enable women to play active roles throughout the industry.

*Ally is a collective term for people who support the LGBTQ community.



CASE STUDY

Spearheaded the founding of SCSK Security, a dedicated cybersecurity company, to address endless social issues.

Shumpei Kuroki Director, Senior Executive Officer, SCSK Security Corporation

Mr. Kuroki has over 10 years of experience in sales, business development, and management in the security realm. Later, he promoted SCSK Security's business concept. As an executive director and senior executive officer, he played a leading role in formation of the company, setting up the business and the operation, as well as execution of the absorption-type split of the business.

— Background of the establishment of SCSK Security Corporation

In recent years, advances in digitalization have led to cyberattacks becoming increasingly sophisticated and complex, further heightening the importance of security measures in business activities. It was my belief that we needed to establish a corporation that was financially stable and to provide an enduring response to the ever-expanding security challenges as a manifestation of one of our material issues, the realization of a safe and secure society. Moreover, after many years in the security business, I felt that the security industry business model at the time had not changed significantly and had not adapted to changes in the environment. This desire I had matched the company's strategy, and SCSK Security Corporation was established in August 2023. I established SCSK Security Corporation. It is a company specializing in cybersecurity that regards the resolution of security issues as a business opportunity and pursues a sustainable new business model.

— Integration of knowledge across business groups

SCSK Security Corporation launched full-scale operations following the absorption-type split of the security business developed by SCSK's Products & Services Business Group and Solution Business Group. The Products & Services Business Group is a product specialist that enters into agency agreements with security product vendors and sells products of those vendors. Meanwhile, the Solution Business Group specializes in security services, supporting customers from the perspective of service operation, without dependence on any particular products.

In line with the increasing sophistication in cyberattacks, security technologies are increasing in complexity, and it is difficult for customers to respond to cyber threats with only the resources on hand. My business experience in both of the aforementioned business groups had me convinced that the merging of our respective strengths would enable us to cope with an increasingly complex environment. Currently, SCSK Security shares expertise from both business groups and provides customers with comprehensive support in improving their security operations, in addition to introducing products incorporating cutting-edge technologies.

— Active participation of advanced security human resources

We have employees known as ethical hackers, others who plan business development with product vendors that possess cutting-edge technologies, and consultants that are specialists in assessing security. SCSK has chosen the security field, a growing market, as a priority business area and has spun the business off into a separate corporation. This has created numerous opportunities for highly skilled security personnel to become more active, including the establishment of a chief technology officer (CTO) position, the promotion of new service planning, and collaboration with new product vendors. This has resulted not only in the increase in business value, but as a specialized security company, we have seen human resource growth and significantly heightened employee engagement. Moreover, to maximize each employee's market value, we are looking to attract highly skilled personnel through the introduction of a human resources system designed specifically for a specialized security company and branding activities that fully emphasize our security technology.

— Vision and future of SCSK Security Corporation

The SCSK Group has established a numerical target of achieving group-wide security business sales of ¥100 billion by 2030. Our vision, however, is consistently to solve the security problem as a social issue. Security threats continue to grow and are now beyond the level where our generation alone can resolve them. With complexity seen to be increasing going forward, security issues will never be fully resolved. Amidst these constantly growing challenges, we see our mission as creating a system that can respond in an enduring way. Furthermore, with the acceleration of cyberattacks, there will be situations where we will struggle to respond with our resources alone. This makes co-creative efforts with stakeholders absolutely essential. Our pursuit of new business models and leveraging of each other's strengths will help us to expand our problem-solving ecosystem and become a co-creative IT company.



Initiatives toward Respect for Human Rights

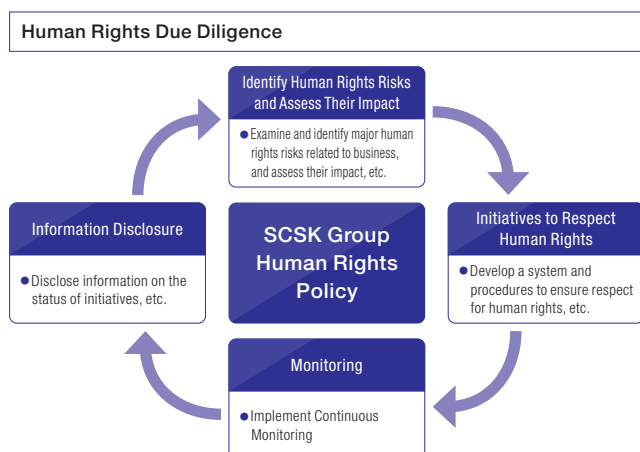
The SCSK Group aims, based on our corporate philosophy of “Create Our Future of Dreams,” to serve as a corporate group that contributes to society through our business activities, and works with our various stakeholders to create a prosperous society. To achieve that goal, the SCSK Group has made a statement of “Respecting each other” as one of our promises in our corporate philosophy in order to respect the individuality and values of each person involved in our business activities and to fully maximize their respective skills. The SCSK Group will continue to promote respect for human rights with its stakeholders, based on its corporate philosophy.

SCSK Group Human Rights Policy

The SCSK Group has formulated a “SCSK Group Human Rights Policy” which sets out our approach and responsibilities as a corporate group that respects the human rights of all people affected by the SCSK Group’s business activities, based on our corporate philosophy and Code of Conduct. The policy states that the Group respects human rights as expressed in the “International Bill of Human Rights” and the “ILO Declaration on Fundamental Principles and Rights at Work” adopted by the International Labour Organization and pursues business activities respecting human rights based on the UN Guiding Principles on Business and Human Rights. The SCSK Group complies with the Policy and fulfills its social responsibilities through initiatives to respect human rights.

Human Rights Due Diligence

The SCSK Group has been performing human rights due diligence since FY2022, based on the “SCSK Group Human Rights Policy.” The SCSK Group carries out its human due diligence process in line with international guidelines such as the UN Guiding Principles on Business and Human Rights, the UN Guiding Principles Reporting Framework, and the OECD Due Diligence Guidance for Responsible Business Conduct.



Identify human rights risks and assess their impact

During FY2022, we retained external experts and identified human rights risks that should be addressed as a priority, based on sectoral, geographical, and enterprise-specific risks, in order to assess the impact and risks to human rights across the SCSK Group. The identified human rights risks totaled seven items, including those involving mental health, harassment, human rights abuses relating to suppliers/contractors, and overseas business.

During FY2023, the SCSK Group, based on expert opinions, focused on prevention and mitigation measures for identified human rights risks. The SCSK Group will continue to carry out business activities that consider human rights by monitoring and engaging in improvement and correction efforts.

Major initiatives to respect human rights

Internal education

To raise awareness of respect for human rights, the SCSK Group provides training programs for officers and employees as well as internal seminars, on topics such as “Human Rights Policy,” “Prevention of Harassment,” “Promotion of Diversity,” and “Mental Health.”

Building a responsible supply chain

The SCSK Group reviewed the “Supply Chain Sustainability Policy,” which had been established to contribute to the sustainable development of society through sincere and fair business activities undertaken with its suppliers. It then formulated the “SCSK Group Supply Chain Sustainability Promotion Guidelines” in FY2023.

The Guidelines provide a code of conduct concerning labor, health and safety, environment, ethics, quality and safety, information security, business continuity planning, and management systems based on “Responsible Business Alliance Code of Conduct” published by the Responsible Business Alliance (RBA) and “Responsible Business Conduct Guidelines” published by Japan Electronics and Information Technology Industries Association (JEITA). In promoting sustainable management, the SCSK Group respects the Guidelines when engaging in our business activities. The SCSK Group asks our suppliers for their understanding, support, and implementation of these Guidelines, and engages in joint efforts toward respect for human rights.

[P84 Initiatives to promote sustainability through the supply chain](#)

Monitoring

Establishment of Remedy Hotline

The SCSK Group established a hotline and a whistleblower system (or “speak up” system) that enables employees of the SCSK Group and partner companies to report and consult on any sexual or power harassment that occurs, or any compliance issues that are noticed, in the workplace. The privacy of the person filing the report is completely protected and guarantees are in place to ensure that persons who report a problem, as well as persons who cooperate in verifying the facts, are not subjected to unfair treatment.

Information disclosure

SCSK discloses a summary of the operating results of the remedy hotline within and outside the company, to the extent that this does not hinder either proper execution of operations or protection of the confidentiality of interested parties, trust, honor, privacy, and other rights of interested parties.

For details of the SCSK Group’s Human Rights Policy and initiatives to respect human rights, please visit the website.
https://www.scsk.jp/corp_en/csr/social/humanrights.html



SOCIAL Sustainable Value Chain



Basic Approach toward Partner Companies

Companies provide their customers with various products and services. The ability to deliver consistent and high-quality services to customers requires close collaboration with various partner companies in the value chain of business activities. The SCSK Group provides high-quality, safe, and reliable services by building long-lasting relationships with partner companies and establishing a sound value chain. In addition, working with our partner companies on various issues, we will continue to contribute to the growth of the IT industry and aim to implement Well-Being Management by increasing the added value within the value chain and promoting various efforts, including working style reforms, health and productivity management activities, and sustainability management.



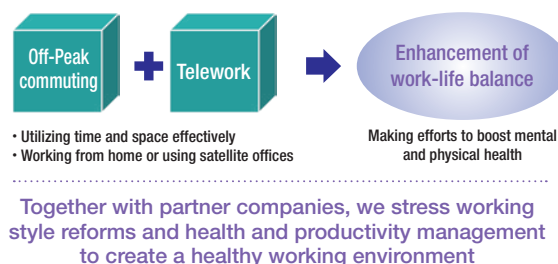
Long-Lasting Relationships with Partners That Lead the IT Industry

Improving quality and productivity

Along with partner companies, the SCSK Group has continued to work to improve quality and productivity over many years, and is moving forward with stable systems development, maintenance, and operation using the SCSK development standard (SE⁺). We are also working with partner companies to leverage our proprietary Monozukuri innovation platform (S-Cred⁺) and achieve more advanced development and operation for the future. Furthermore, by conducting project-based mutual evaluations and analyzing and using those evaluations, we and our partner companies are continuing to increase quality and productivity.

Working style reforms and health and productivity management

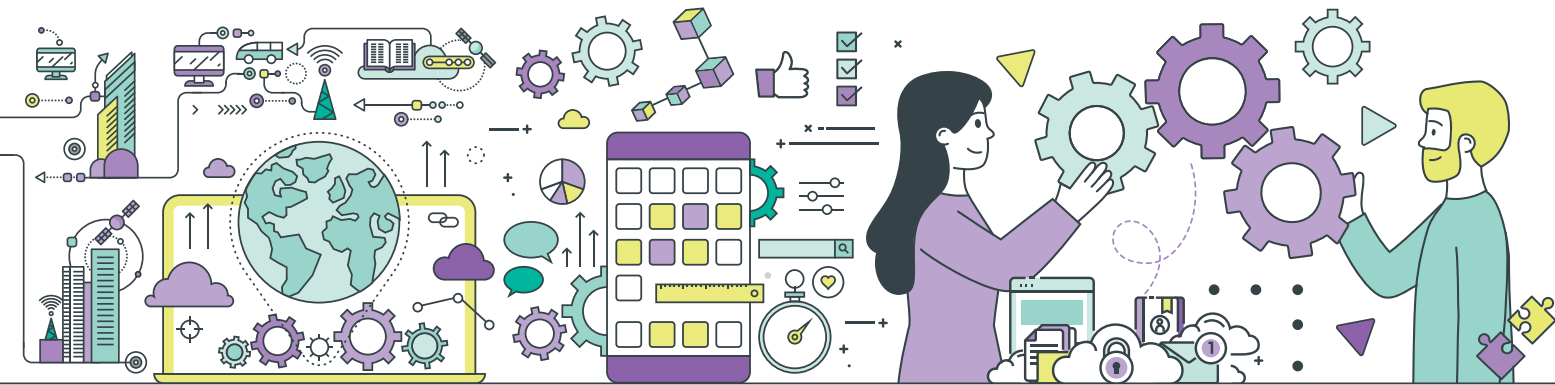
Stressing working style reforms and health and productivity management in order to create an IT industry that attracts talent, the SCSK Group works with its partner companies to create an environment in which organizations can achieve high quality and productivity. We are also working to correct and eliminate the traditional practices of long work hours and unpaid overtime. Furthermore, we are striving to help employees more fully realize a work-life balance by actively introducing telework as a flexible working style that makes it possible for individuals to make effective use of time and space.



Increasing efficiency of contract operations

The SCSK Group has dramatically increased not only its own but also partner companies' work efficiency by completing the massive number of contract procedures, which exceed 30,000 annually, through Web-EDI¹. Making use of a seamless communication portal, we are also working to increase the quality of operations by linking important items related to regulatory and general compliance.





Thoroughly implementing information security and compliance

When handling information that is the important assets of clients, the SCSK Group and its partner companies demand thorough compliance with the Information Security Guidelines set by SCSK and undertake several other activities, such as regular briefings and field audits.

To eliminate information security incidents, we also thoroughly implement information security and compliance with partner companies, work to create a safe and reliable value chain that offers high added value, and win the trust of clients and society.

Promoting sustainability

Having received the understanding and consent of partner companies, the SCSK Group undertakes IT industry sustainability promotion activities with those companies.

In March 2024, we formulated the “SCSK Group Supply Chain Sustainability Promotion Guidelines,” which is a code of conduct for contributing to the sustainable development of society through sincere and fair business activities.

The SCSK Group respects the Guidelines and promotes its business activities based on the sustainability management promotion structure.



Initiative Themes

Theme	Key point	Examples of initiatives
Improving Quality and Productivity	<ul style="list-style-type: none"> Development and management standardization (SE¹, etc.) Mutual evaluation of projects 	<ul style="list-style-type: none"> Rollout of SCSK development standards (SE¹) and Monozukuri innovation platform (S-Cred²) at partner companies for stable systems development, maintenance and operation Improvement in quality and productivity by sharing results of mutual project evaluations with partner companies
Working Style Reforms and Health and Productivity Management	<ul style="list-style-type: none"> Sharing of health and productivity management measures/initiatives Enhancement of work-life balance 	<ul style="list-style-type: none"> Sharing the average overtime hours and the rate of consumed annual paid vacation days as indicators with partner companies Active introduction and promotion of telework as a flexible working style
Increasing Efficiency of Contract Operations	<ul style="list-style-type: none"> Increase in efficiency of contract procedures through use of Web-EDI Sharing of communication portal 	<ul style="list-style-type: none"> Elimination of the use of paper for outsourcing contract procedures through the use of SCSK's Web-EDI system (SE Link) (99% use rate) Promotion of thorough regulatory compliance and important items through the communication of information to all partners using SE Link portal and two-way communication
Thoroughly Implementing Information Security and Compliance	<ul style="list-style-type: none"> Strict observance of laws related to outsourcing Enhancement of information security 	<ul style="list-style-type: none"> Requirement of partner companies to comply with SCSK's Information Security Guidelines and activities such as field audits Briefings for all partner companies to ensure and strengthen information security and compliance
Promoting Sustainability	<ul style="list-style-type: none"> Sharing of the “SCSK Group Supply Chain Sustainability Promotion Guidelines” Explanation of the SCSK Group Human Rights Policy, activities to reduce greenhouse gas emissions, etc. 	<ul style="list-style-type: none"> Explanation of the “SCSK Group Supply Chain Sustainability Promotion Guidelines” at briefings for all partners Explanation of not only policy on respecting human rights and human rights due diligence, but also SCSK Group greenhouse gas emission reduction targets and various measures to reduce emissions

[P65 SCSK Group's GHG Reduction Targets](#)

*1 Web-EDI (Electronic Data Interchange): a system for increasing work efficiency by conducting business transactions between companies over the Internet

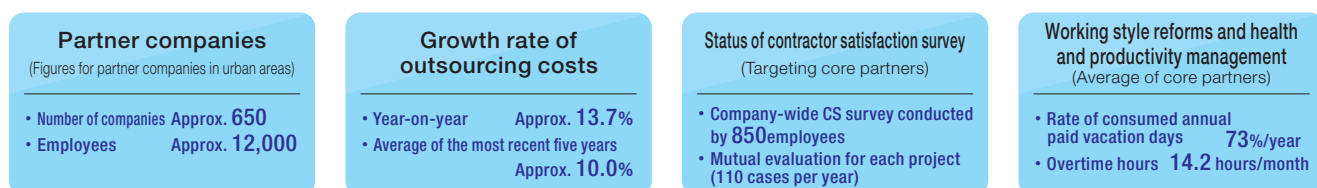
*2 “SE Link” is a registered trademark of SCSK Corporation.

Collaboration with Partners

Ensuring the stability of outsourcing transactions through collaboration and co-creation

The SCSK Group has been addressing the shortage of IT human resources that comes from the impending wave of falling birthrate and aging population by introducing advanced technology utilizing AI together with partner companies, and enhancing systems development and operation, and has thus secured a stable outsourcing transaction scale.

The Group has also secured excellent human resources through offshoring and has engaged in exchanges and sharing of development standards for conducting stable outsourcing transactions. Furthermore, it has engaged in personnel exchanges to reduce misunderstandings and problems caused by language barriers and differences in cultures, customs, and values, thus promoting respect for diversity and SDGs.



Work engagement with partner companies

The SCSK Group classifies its partner companies into “Urban Area Partners,” “Regional Partners,” “Offshoring,” and “Global Partners,” and builds equal and win-win relationships by sharing knowledge, insight, development skills, technical information, analytical capabilities, etc., so that each company can “maximize its characteristics and strengths.”

The Group also works together with excellent local partner companies and local public entities to promote employment in local industries and regional revitalization, thus deepening a sense of solidarity with local communities and further improving and deepening work engagement.



Core Partner Conference

The SCSK Group designates main partner companies that help it achieve higher quality and productivity and engage in continuous and stable transactions as core partners. We are working to deepen engagement and implement additional measures to improve quality and expand business.

At our annual Core Partner Conference, we share business plans with participating companies and gain their understanding regarding the direction of business. (Held for 11 consecutive years)



Expansion of nearshore development centers and cooperation with local IT companies

The SCSK Group aims to promote work-life balance and further develop its business together with local communities by proactively participating in local issues from its 12 business bases across Japan and creating an environment that enables the growth and contribution of local communities and the realization of community-based lifestyles.

The Group also promotes the recruitment and upgrading of excellent IT human resources by proactively collaborating with local IT companies.

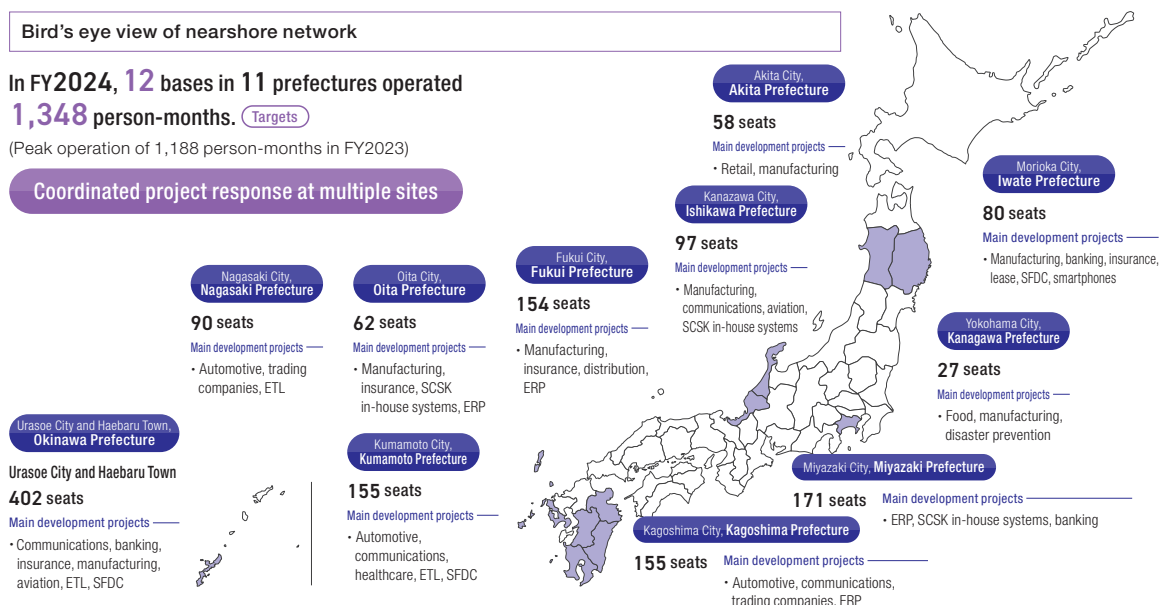


Bird's eye view of nearshore network

In FY2024, **12** bases in **11** prefectures operated
1,348 person-months. Targets

(Peak operation of 1,188 person-months in FY2023)

Coordinated project response at multiple sites



Securing stable resources through offshoring

The SCSK Group promotes collaboration in the IT service business with overseas companies in Vietnam, China and other countries as offshore partners. We are working with some companies to launch offshore development centers, standardize systems development and operations, promote personnel exchanges, share intellectual property, and plan seamless resource strategies. We will overcome the shortage of IT human resources in Japan and provide stable IT services to our clients.



GOVERNANCE

Transparent Governance



Message from the Chairman of the Board

Hideki Yamano Chairman and Director, Chairman of the Board

Striving to ensure the smooth, efficient operation of the Board of Directors and management transparency, and promote governance to achieve sustainable growth



In June 2022, I was appointed as Representative Director Chairman. Since the change in governance structure on April 1, 2024, I have assumed the role of non-executive Chairman and Director, as well as Chairman of the Board of Directors, taking over from Mr. Tetsuya Kubo, Independent Outside Director. One of the objectives for this governance system

reform was to centralize all executive-level authority in the hands of President, Mr. Takaaki Touma, for quicker decision-making, while allowing the Chairman to step away from business execution and focus on the supervision of management as a director. In addition, as a part of the governance reform, the Board is shifting to a composition in which the majority of the members are Independent Outside Directors. With the chairman, who is an internal director with a comprehensive knowledge of our business, leading the Board of Directors' oversight, we are working to ensure the Board's smooth, efficient operation and greater management transparency.

As the SCSK Group's business expands and its engagement with the society grows, the responsibility of our Board of Directors to gain insight into the surrounding business environment and determine management policies is becoming large and complex each year. The topics discussed at Board meetings have become increasingly diverse, and many of them demand strategic judgment and timely, appropriate review. Given these circumstances, I feel that, as the Chairman, my focus should be put on setting appropriate agendas year-round and ensuring lively discussions. We will decide on the content and frequency of the topics to be discussed, while referring to the results of the Board of Directors effectiveness questionnaire from the preceding fiscal year and incorporating each director's opinions. We will also strive to manage meetings in a manner that encourages active discussion among the Board members.

The fiscal year ending March 31, 2025 marks the halfway point of the current Medium-Term Management Plan, and will be an important year for ensuring the full execution of the Plan. Moreover, 2030, a milestone year that we have positioned

toward achievement of our future visions, is just over five years away. I feel that the time has come for us to assess our current accomplishment level and to resume the discussion about our long-term growth story. The Board will ensure monitoring of the progress of the Medium-Term Management Plan's initiatives, while delegating actual execution to the executive side. Regarding the long-term vision and key policies, the executive side and the Board of Directors will share their opinions and wisdom in order to push forward with the management of the company. As Chairman, by steering these discussions, I intend to contribute to the SCSK Group's sustainable growth and enhancement of its corporate value.

In recent years, we have recognized that sustainability and the promotion of DEI, such as the appointment of women, are extremely important management themes regardless of industry, not excepting SCSK Group. For instance, as the business environment changes while the world pursues a decarbonized society and a recycling-oriented economy, how will the SCSK Group position itself and hone its competitiveness? How can we foster and establish a corporate culture in which diverse human resources can play active roles in a fair manner and contribute to the development of the company as a whole? Those are the issues that need to be addressed at the Board meetings and the results should be reflected in measures implemented by the executive side, further promoting the cycle of subsequent discussion and feedback to the workplace and management.

Furthermore, we believe it is necessary to deepen the discussion regarding the succession plan for future presidents and management team, and the selection of Outside Directors who can provide a wealth of experience and skills required for effective supervision. We will closely work with the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors, and proceed with a clearly established timeline.

For the sake of a company's sustainable growth, it is important to have not just "defensive" governance but "offensive" as well. The Board of Directors is not only expected to serve as a brake, but to create an environment in which the executive side can safely press down on the accelerator. As Chairman of the Board, I will lead the discussion, always bearing in mind that the Board's supervisory function and business execution should be independent from each other but inseparable two wheels of the company moving in one direction.



Message from the Chair

Tetsuya Kubo Outside Director, Chair of the Nomination and Remuneration Advisory Committee



Responsibilities of the Chair of the Nomination and Remuneration Advisory Committee in a parent-and-subsidary listed company

It has been three years since I was appointed as an Outside Director of SCSK, and in April 2024 I was named Chair of the Nomination and Remuneration Advisory Committee. Over the course of my 40+ years in banking and securities, I have had the opportunity to be involved in many board meetings and provide governance-related advice as I faced the financial and capital markets. Leveraging my experience to this point, as the leader of the Nomination and Remuneration Advisory Committee, my most important role is to ensure that we meet the higher corporate governance requirements of the Tokyo Stock Exchange Prime Market.

SCSK, as a parent-and-subsidary listed company, in the interest of protecting minority shareholders, is required to maintain and implement transparent, fair corporate governance that is completely devoid of any air of suspicion from the perspective of the capital markets. From this year, for the purpose of clarifying the roles of the chairman and president, the board of directors has been reorganized so that Hideki Yamano is the Chairman of the Board of Directors, and the roles of the two committees chaired by Independent Outside Directors have increased in significance. As Chair of the Nomination and Remuneration Advisory Committee, I believe it is important to provide the Board of Directors with appropriate participation and advice when considering particularly important matters such as director nomination and compensation, including the perspective of

gender and skill diversity. Regarding the Committee's most important mission—choosing a new president—it is important to review the process employed to select the current president, increase the transparency of the process, and suggest ways to choose an appropriate, talented leader. Meanwhile, it is vital for the Board to have a robust discussion on matters such as the president's term of office and qualifications without being bound by convention. We would also like to discuss the process for the selection of management team members at the committee meetings and look into better succession plans.

Finally, now that the roles of the chairman and president have been clarified, I hope that President Touma will be able to demonstrate even stronger leadership and that, with DX and AI serving as tailwinds, SCSK will grow even larger. We hope that revealing the logic tied to our vision and growth will enhance employee engagement as well as corporate value. I think SCSK has tremendous potential, and the possibility for growth of the co-creative IT company it aims to become is also extremely large. We will always consider the functioning as a team and the effectiveness of the Board of Directors, and support as much as possible the development of the company to the maximum extent possible.

Message from the Chair

Yumiko Waseda Outside Director (Audit and Supervisory Committee Member) Chair of the Conflict of Interest Advisory Committee



The role of the Conflict of Interest Advisory Committee —In light of the Corporate Governance Code

In the fiscal year ended March 31, 2024, I was appointed as an Outside Director and Audit and Supervisory Committee Member, and at the same time was named Chair of the then-Governance Committee. As an attorney, I have served as an outside auditor for multiple companies and have worked to put corporate governance into practice. I intend to do my best to capitalize on this experience at SCSK as well.

Until the fiscal year ended March 31, 2024, SCSK had a Nomination and Remuneration Advisory Subcommittee and a Conflict of Interest Advisory Subcommittee under the purview of the Governance Committee. With the aim of further augmenting governance, however, from this fiscal year, the two committees have become independent, becoming the Nomination and Remuneration Advisory Committee and the Conflict of Interest Advisory Committee, respectively. I am the Chair of the Conflict of Interest Advisory Committee.

All six Independent Outside Directors are members of the Conflict of Interest Advisory Committee, accompanied by independent outside experts (attorneys). Its roles are 1) to deliberate in advance on matters that require Board approval under Japan's Companies Act, such as transactions between SCSK and its directors that may involve a conflict of interest, and 2) to deliberate as necessary on matters on which it consults with the Board of Directors and other

bodies to ensure fairness, including transactions between SCSK and related parties. In either case, the Committee reports its findings to the Board of Directors.

The fairness of the business relationship with parent company Sumitomo Corporation in particular must be verified and guaranteed from the viewpoint of protecting minority shareholders. This is the single most important role of the Conflict of Interest Advisory Committee. This is based on Supplementary Principle 4-8 [3] of Japan's Corporate Governance Code.

In concrete terms, in the case of important transactions with the parent company, the Conflict of Interest Advisory Committee deliberates on the issue and submits a report to the Board, which then votes on whether to go forward with the transaction. Moreover, we receive regular, data-based reports on the status of transactions with Sumitomo Corporation, and we confirm that the conditions being applied are the same as for normal transactions with business partners with whom SCSK has no capital relationship.

Going forward, the Conflict of Interest Advisory Committee will continue working from the viewpoint of protecting minority shareholders. We also believe it is important to disclose the company's activities in an easy-to-understand manner for stakeholders.

Basic Approach and System for Corporate Governance

Embracing its focus on corporate social responsibility, the SCSK Group implements sustainability management with an eye to shareholders and other stakeholders.

From this perspective, the SCSK Group considers raising the efficiency and soundness of management as well as ensuring transparency in the decision-making process as the most basic components of its corporate governance. Rating these matters high among management priorities, we aim to build an optimal management structure that benefits SCSK the most.

In FY2024, the Group has switched to a system in which the majority of the Board of Directors consists of Independent Outside Directors, with the view to further protecting the interests of minority shareholders and strengthening the supervisory function of the Board. It also ensures further transparency in corporate governance with the Board of Directors chaired by Chairman and Director who is not involved in business execution and leads the supervision by the Board of Directors and with the reorganization of the Governance Committee, which is an advisory body to the Board of Directors or similar entities. Through these initiatives, the Group further improves management efficiency, maintains the soundness of

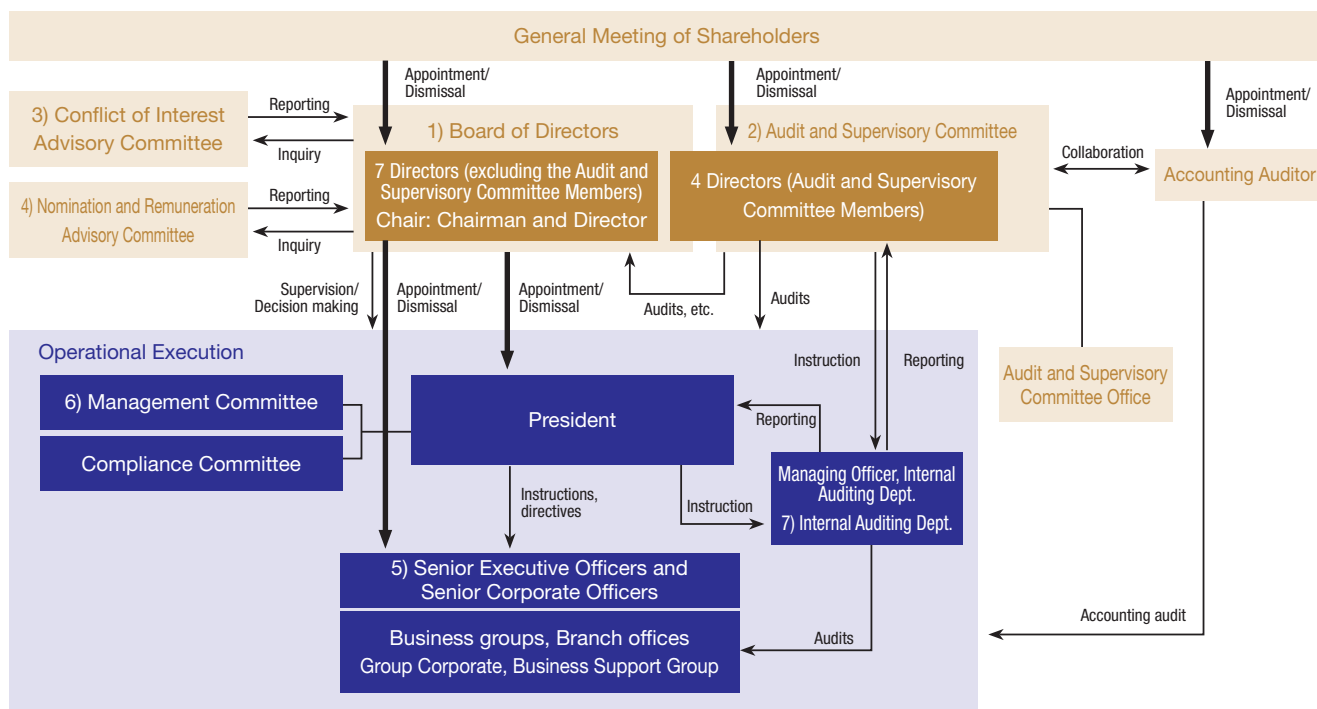
Overview of Corporate Governance System (as of June 20, 2024)

Institutional design	Company with Audit and Supervisory Committee
Directors	11 (of which 6 are Independent Outside Directors)
Chairman of the Board	Hideki Yamano, (Chairman and Director) *Non-executive director
Audit and Supervisory Committee Members	4 (of which 3 are Independent Outside Directors)
Term of Directors stipulated in Articles of Incorporation	Directors who are not Audit and Supervisory Committee Members: 1 year Directors who are Audit and Supervisory Committee Members: 2 years
Executive Officer system	Adopt

management, ensures transparency, and further advances the corporate governance system.

We implement each of the principles set forth in the Tokyo Stock Exchange's Corporate Governance Code and provide detailed disclosures within our Corporate Governance Report based on each principle.

Corporate Governance Structure



Name	Composition	Role, system, and initiatives
1) Board of Directors Meetings in FY2023: 12 Chairman of the Board: Chairman and Director *Non-executive director		<ul style="list-style-type: none"> ● Makes decisions regarding important managerial issues and supervises execution of operations ● Holds regular meetings (generally once a month) and extraordinary meetings (when necessary) ● Primarily examines matters stipulated by laws and regulations, matters stipulated by company regulations, and important managerial matters, including management strategy and management plan
2) Audit and Supervisory Committee Meetings in FY2023: 14 Chair: Internal Director		<ul style="list-style-type: none"> ● Conducts organized audits that make use of the internal control system, and audits and supervises the execution of the business operations by the Executive Officers from an independent and objective perspective ● See “Reasons for Elections and Summary of Their Expected Roles” for knowledge possessed by Independent Outside Directors P91
3) Conflict of Interest Advisory Committee Meetings in FY2023: 3 Chair: Independent Outside Director		<ul style="list-style-type: none"> ● Primarily deliberates on transactions that could involve a conflict of interest between SCSK and its Directors, matters that require the approval of the Board of Directors as per the Companies Act, and transactions between SCSK and related parties, and matters that the Board of Directors or similar entities seek advice on as necessary to ensure the fairness of decision-making by such entities ● Composed of Independent Outside Directors and independent outside experts
4) Nomination and Remuneration Advisory Committee Meetings in FY2023: 7 Chair: Independent Outside Director		<ul style="list-style-type: none"> ● Primarily deliberates on: 1) matters concerning the criteria and process for selecting Directors, Senior Executive Officers, and Senior Corporate Officers, as well as the appointment and dismissal of Directors; 2) matters concerning the remuneration for Directors, Senior Executive Officers, and Senior Corporate Officers; and 3) matters that the Board of Directors and other entities may consult on as necessary to ensure the fairness of decision-making by such entities.

Name	Role, system, and initiatives
5) Senior Executive Officers and Senior Corporate Officers	<ul style="list-style-type: none"> ● Divided into Senior Executive Officers who are responsible for business execution throughout the SCSK Group and Senior Corporate Officers who are responsible for execution of operations in a particular business domain in order to clarify roles and responsibilities of officers ● Senior Executive Officers and Senior Corporate Officers execute operations while following the instructions and orders of the President in line with management policies set by the Board of Directors
6) Management Committee	<ul style="list-style-type: none"> ● Established as an advisory body to the President on important business matters ● Participants consist of 12 Senior Executive Officers
7) Internal Auditing Dept.	<ul style="list-style-type: none"> ● Examines and evaluates control activities and risk management related to overall management activities at SCSK, its subsidiaries, etc., from various perspectives, including improving effectiveness and efficiency of operations and ensuring the reliability of financial reports ● Reports on internal audit plans and results directly to the Board of Directors, the President, and the Audit and Supervisory Committee

Appointment and Dismissal of Directors and Procedures

When appointing and dismissing Directors (excluding those who are Audit and Supervisory Committee Members), the Nomination and Remuneration Advisory Committee is consulted, and the appointment and dismissal is tabled at the General Meeting of Shareholders after being resolved by the Board of Directors taking into consideration the opinion of the Audit and Supervisory Committee. In addition, for candidates for Directors who are Audit and Supervisory Committee Members, the approval of the Audit and Supervisory Committee is obtained, and then they are appointed or dismissed through the same process.

As for the composition and number of Board of Directors members, decisions are made taking into consideration the skills that should be possessed by the SCSK's Board of Directors and the balance and diversity of skills possessed by each Director.

To maintain and improve Directors' supervision of execution of duties, Independent Outside Director about whom there are no concerns of conflict of interest with general shareholders will continue to be selected. Outside Directors who possess management judgement based on a wide range of business activities attend Board of Directors meetings and provide advice to maximize corporate value.

Selection criteria

Directors (excluding Directors who are Audit and Supervisory Committee Members)

- Possess knowledge, experience, and track record required of SCSK Directors
- Can constructively participate in deliberations at Board of Directors meetings
- Possess outstanding management skills and insight into thoroughly adhering to laws, regulations, and corporate ethics
- For Directors who also serve as executive officers, possess extensive knowledge in responsible fields

Directors who are Audit and Supervisory Committee Members

- Possess specialized insight and experience as Director who is an Audit and Supervisory Committee Member and can conduct audits from an objective perspective

Outside Directors

- In addition to the above, possess specialized and broad insights into corporate management and various fields

Reasons for Elections and Summary of Their Expected Roles

Outside Director		Reasons for Elections and Summary of Their Expected Roles
Tetsuya Kubo (Chair of the Nomination and Remuneration Advisory Committee)	Independent Director	Mr. Tetsuya Kubo possesses robust management experience gained over years of serving in important positions at major financial institutions as well as wide-ranging knowledge pertaining to global businesses. We believe that the experience and insights that he has acquired through his career qualify him to help maintain and enhance the supervision of execution of operations at SCSK and to offer advice on all areas of management, and we have thus selected him as an Outside Director.
Sadayo Hirata	Independent Director	Ms. Sadayo Hirata has a wealth of experience as an engineer as well as academic insight pertaining to IT and technology management. We believe that the experience and insights that she has acquired through her career qualify her to help maintain and enhance the supervision of execution of operations at SCSK and to offer advice on all areas of management, and we have thus selected her as an Outside Director.
Shoei Yamana	Independent Director	Mr. Shoei Yamana possesses robust management experience and wide-ranging knowledge of the environment, society, and human rights obtained through his long career at senior positions at a major precision equipment company. We believe that the experience and insights that he has acquired through his career qualify him to help maintain and enhance the supervision of execution of operations at SCSK and to offer advice on all areas of management, and we have thus selected him as an Outside Director.
Yasuo Miki	Audit and Supervisory Committee Member Independent Director	Mr. Yasuo Miki possesses a breadth of experience in managing IT companies as well as wide-ranging technology knowledge. He was selected as an Outside Director who is an Audit and Supervisory Committee Member because we believe the experience and insights he has acquired through his career qualify him to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Hidetaka Matsuishi	Audit and Supervisory Committee Member Independent Director	Mr. Hidetaka Matsuishi possesses robust management experience and wide-ranging knowledge of marketing, finance, and accounting obtained through his long career at senior positions at a major electric instruments company. He was selected as an Outside Director who is an Audit and Supervisory Committee Member because we believe the experience and insights he has acquired through his career qualify him to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.
Yumiko Waseda (Chair of the Conflict of Interest Advisory Committee)	Audit and Supervisory Committee Member Independent Director	Ms. Yumiko Waseda possesses specialized knowledge and experience as an attorney and wide-ranging insight into environmental, social, and human rights issues. She was selected as an Outside Director who is an Audit and Supervisory Committee Member because we believe the experience and insights she has acquired through her career qualify her to help maintain and enhance supervision of execution of operations at SCSK and to provide advice on overall management.

Stimulating Deliberation at the Board of Directors Meetings

We strive to ensure that discussions at the Board of Directors meetings are lively and substantive by enhancing the materials for the meetings, providing advance explanations to Outside Directors, providing information about SCSK's businesses, and offering opportunities for the exchange of opinions and site visits.

Additionally, the secretariat determines the annual schedule and deliberation matters of the Board of Directors in advance to every extent possible, continuously reviews agenda standards, and carefully selects matters requiring resolution of the Board of Directors. In this manner, sufficient time is dedicated to deliberations on truly material matters.

Specific matters submitted and reported in FY2023

*Matters related to the Medium-Term Management Plan

● Corporate governance

- Integrated risk management status (April)
- Evaluating the effectiveness of the Board of Directors (May)
- Report on compliance (June)
- Transactions with related parties (October)
- Reorganization of the Governance Committee (January and March)

● Sustainability

- Human resources measures (Well-Being Management, D&I, etc.)* (July)
- Human capital status and human resources strategy* (September)
- Human rights, environment, and social contribution activities (September and October)
- Sustainability management status* (October)

● Operational execution status

- Technology strategy* (October)
- Progress of large-scale important projects* (October and January)
- Overall progress of the Medium-Term Management Plan* (November)
- Open innovation and investment activities (January)

etc.

Evaluating the effectiveness of the Board of Directors

Every year, SCSK carries out self-evaluation and analysis concerning the effectiveness of the Board of Directors since FY2016 in order to improve the functions of the Board of Directors and enhance corporate value as a result.

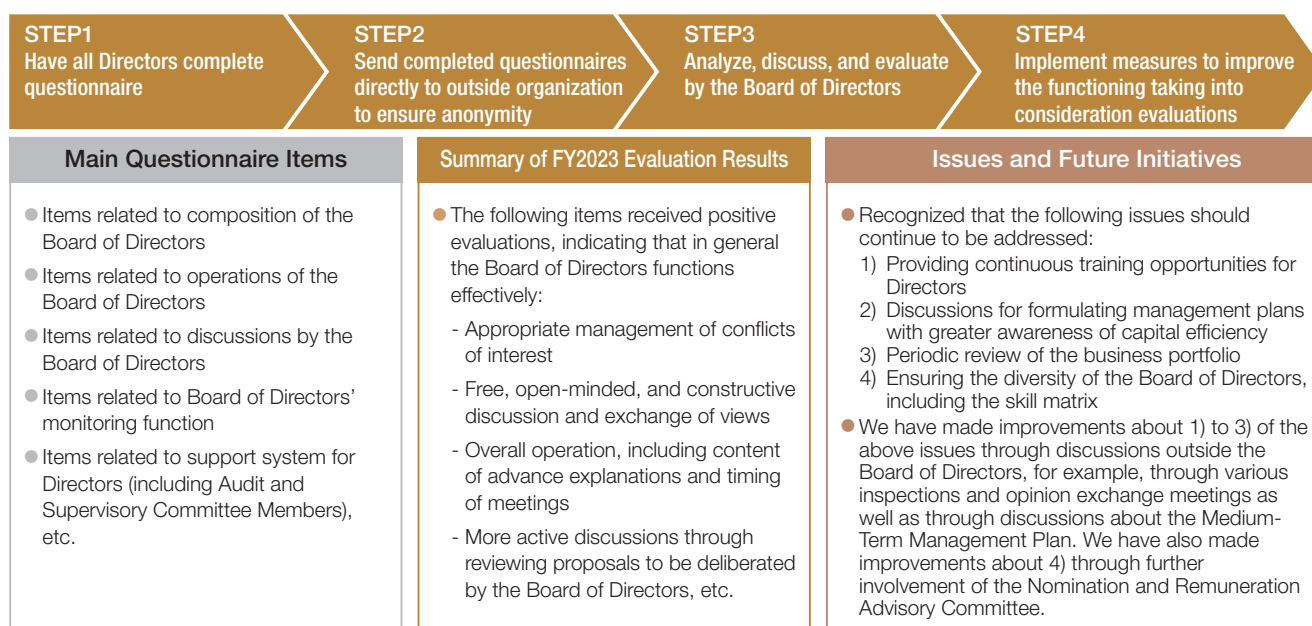
Looking ahead, taking into account the results of this evaluation, SCSK's Board of Directors will swiftly address the issues identified based on a thorough review and will continue to promote measures for enhancing the functions of the Board of Directors.

Evaluation method

As for the FY2023 self-evaluation and analysis, we conducted a questionnaire survey in February 2024 of all Directors who were Board of Directors Members, receiving advice from an outside organization.

Anonymity was ensured by having Directors submit completed questionnaires to the outside organization. After receiving a report on the results from the outside organization, an analysis, discussion, and evaluation were conducted at the Board of Directors meeting held in May 2024.

Evaluation/Analysis Process



Support and Training System for Directors

Outside Director support system

Outside Directors are provided with Board of Directors meeting material in advance and opportunities to receive advance explanations of items such as agendas. In addition, staff to aid Outside Directors who are Audit and Supervisory Committee Members have been assigned to the Audit and Supervisory Committee Office.

Providing training opportunities for Directors

Both when and after taking up their position, Directors have the opportunity to receive training so that they can acquire knowledge related to SCSK Group management and thus fulfill their roles and responsibilities.

Remuneration for Directors

Basic policy on remuneration for Directors and procedures for deciding amount of remuneration

SCSK pays out annual remuneration to Directors including performance-linked compensation, within the maximum amount as determined at the Ordinary General Meeting of Shareholders.

Policies and procedures for determining the content of remuneration, etc. for Directors, calculation methods, and levels of remuneration for Directors are deliberated by the Nomination and Remuneration Advisory Committee, the majority of which

are Independent Outside Directors, and resolved by the Board of Directors.

Remuneration for Directors who are Audit and Supervisory Committee Members is determined through discussion among Directors who are Audit and Supervisory Committee Members pursuant to the provisions of Article 361, Paragraph 3 of the Companies Act.

Remuneration for Directors in FY2023

Category	Total remuneration (millions of yen)	Remuneration by type (millions of yen)			Number of people
		Fixed compensation (cash)	Short-term performance-linked compensation (cash)	Medium- to long-term performance- linked compensation (stock-based)	
Directors (excluding Directors who are Audit and Supervisory Committee Members)	328	173	92	62	8
(of whom, Independent Outside Director)	(14)	(14)	(-)	(-)	(1)
Directors who are Audit and Supervisory Committee Members	82	81	0	-	8
(of whom, Independent Outside Director)	(61)	(61)	(-)	(-)	(7)

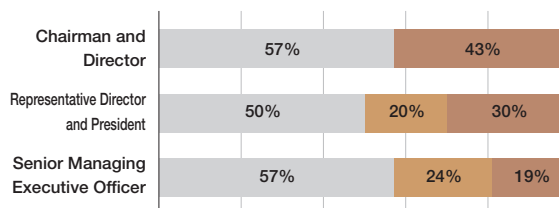
Types, summary, and composition of Director remuneration

Compensation type		Summary	Reflects individual evaluation
Fixed	Fixed compensation (cash)	Fixed amount for each Director position is paid monthly	No
Variable	① Short-term performance-linked compensation (cash)	Standard amount set for each Director position is adjusted for the Company and personal performances for the fiscal year and paid in June of the following year	Yes
	② Medium- to long-term performance-linked compensation (stock-based)	Restricted stock compensation is granted each year and restriction on transfer is eliminated when retiring	No

Composition of compensation

Note: In cases where short-term performance-linked compensation is paid in the standard amount

- Fixed compensation (cash)
- ① Short-term performance-linked compensation (cash)
- ② Medium- to long-term performance-linked compensation (stock-based)



Policy and indicators for performance-linked compensation

① Short-term performance-linked compensation (cash compensation)

Short-term performance-linked compensation is calculated by adjusting the standard amount set for each Director position based on the Company and personal performances for the fiscal year and is paid after the fiscal year ends.

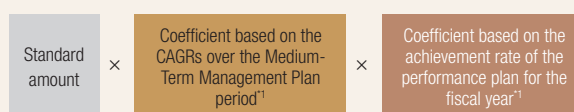
The ratio of the Company performance portion and the personal performance portion is 100% and 0% for the Representative Director and President, and 60% and 40% for the Director and Senior Managing Executive Officer.

Ratio of the Company performance portion and the personal performance portion

Director position	Company performance portion	Personal performance portion
Representative Director and President	100%	—
Director and Senior Managing Executive Officer	60%	40%

Company performance portion

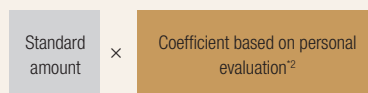
The Company performance portion is calculated by multiplying the standard amount by two coefficients—one is based on the compound annual growth rates (CAGR)^{*1} of net sales and operating profit over the Medium-Term Management Plan period^{*1} while the other is based on the rates of achievement of the net sales and operating profit targets for the fiscal year^{*1}—with the aim of incentivizing the Directors to strive to achieve the Company's sustainable growth and its performance plan. The Company performance coefficients are designed so that they can cause the standard amount to decrease by up to 75% or increase by up to 80%.



^{*1} When obtaining each of the CAGRs and the achievement rate of the fiscal year plan, net sales and operating profit are factored in at a ratio of 30:70

Personal performance portion

The personal performance portion is calculated by multiplying the standard amount by the coefficient that reflects the evaluation of each person's accomplishments^{*2} in environmental, social, governance, and other areas, with the aim of enhancing the effectiveness of the managerial foundation reinforcement measures underlying the Medium-Term Management Plan's core strategies. The personal performance coefficient is designed so that it can cause the standard amount to decrease by up to 100% or increase by up to 50%.



^{*2} Personal evaluation items

- Selection of and focus on high-potential business domains
- Promotion of Value-Driven Management (sharing of philosophy and vision with employees)
- Environmental, social, and governance initiatives

② Medium- to long-term performance-linked compensation (stock-based compensation)

Each year, SCSK grants the Directors (excluding Outside Directors, part-time Directors, and Directors who are Audit and Supervisory Committee Members) its common stock as restricted shares after the Ordinary General Meeting of Shareholders, with the aim of incentivizing them to embody the sustained improvement in corporate value depicted in Grand Design 2030 and promoting greater sharing of value with all shareholders.

The restricted transfer period is, in principle, from the day the restricted shares are granted until the day the person resigns from directorship of SCSK, in order to facilitate the sharing of value with shareholders over the medium to long term.

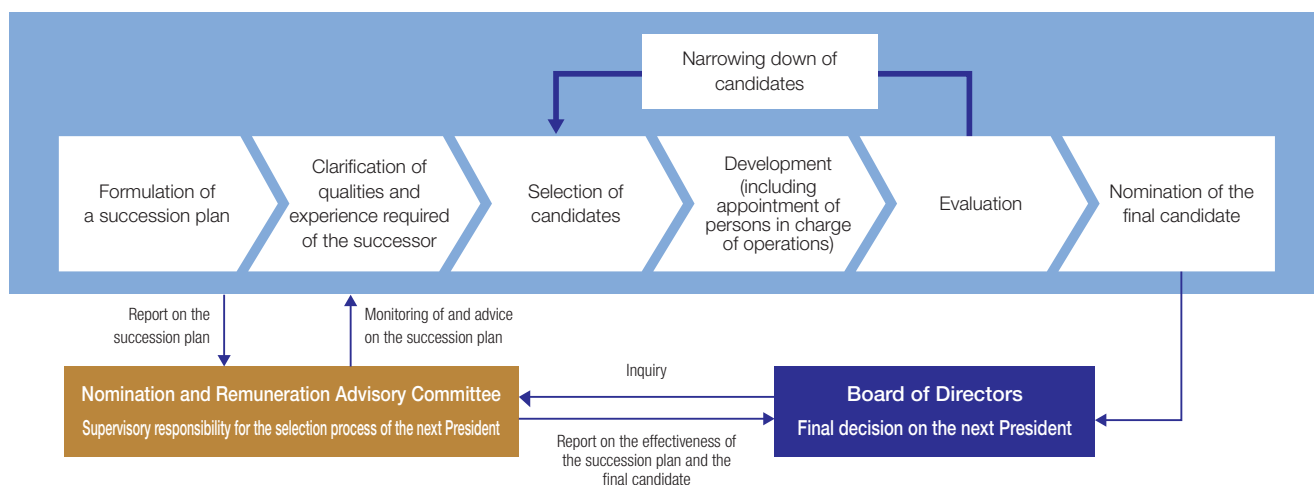
Both Senior Executive Officers and Senior Corporate Officers are also granted restricted shares.

Succession Plan

Succession plan for the President

SCSK has formulated and implemented a succession plan for the President, with the aim of continuously securing corporate managers who will contribute to medium- to long-term growth and improvement of corporate value. In the succession plan, the requirements for successor candidates and the process for selecting them are defined. The selection process emphasizes transparency and fairness, and the Nomination and Remuneration Advisory Committee, the majority of which are Independent Outside Directors, supervises the selection of the final candidate

from an objective standpoint. Specifically, the Committee examines the process of selecting successor candidates and provides advice after monitoring whether or not the succession plan, including the development and evaluation of the selected candidates, is effectively executed. The final candidate is selected by resolution of the Board of Directors upon consultation with the Nomination and Remuneration Advisory Committee.



Significance of Parent-and-Subsidiary Listing and Policy to Protect Minority Shareholders

Significance of parent-and-subsidiary listing

- We will work closely with our parent company, Sumitomo Corporation, to support and enhance the execution of its global business by building and operating its IT platform, and to create global businesses in areas such as digital transformation (DX) and open innovation. We will thus be able to acquire new business opportunities and business partners, to share business strategies with Sumitomo Corporation, and to leverage each other's strengths, which will in turn enhance each other's corporate value.
- There are several advantages for SCSK to be a listed company. These include the establishment of a solid financial base with the increased ability to raise funds, the enhanced credibility through the establishment and operation of a governance structure with transparency in corporate management and an internal control system, the enhanced corporate name recognition and brand power in recruiting personnel, the enhanced credibility with its clients, the enhanced reliability of its services, and the improved motivation of its officers and employees.

Policy on the Protection of Minority Shareholders

- The 11 Directors of SCSK include 6 Outside Directors who are Independent Directors with no concerns about conflict of interest with general shareholders. Therefore, the majority of the Directors are Independent Outside Directors, which allows for independent decision-making on important management matters and supervision of business execution. We have also established the Conflict of Interest Advisory Committee, which is composed of Independent Outside Directors and independent outside experts, as an advisory body to the Board of Directors, or similar entities, with the view to ensuring fairness and transparency.
- Sumitomo Corporation, the parent company, places no constraints on our business activities in our transactions with it, and the transaction terms are the same as those that would be applied to regular transactions with clients that we do not have a capital relationship with. We recognize this as ensuring a certain level of independence. As for those transactions that are material, advance consultations are held with the Conflict of Interest Advisory Committee, and the Board of Directors decides whether to conduct the transactions after receiving a report from the Committee. Furthermore, the fairness of the transactions with Sumitomo Corporation is ensured by regularly reporting to the Committee. In FY2023, sales to the said company accounted for 5.9% of total net sales.

Policy on Strategically-Held Shares

SCSK owns the shares of business partners determined to contribute to the promotion of its core business strategies and to its sustainable growth and enhanced corporate value, weighing the balance between return on investment of those shares and the company's cost of capital. Following this policy, SCSK sells shares that it deems to have partly or completely lost their significance or reasonableness.

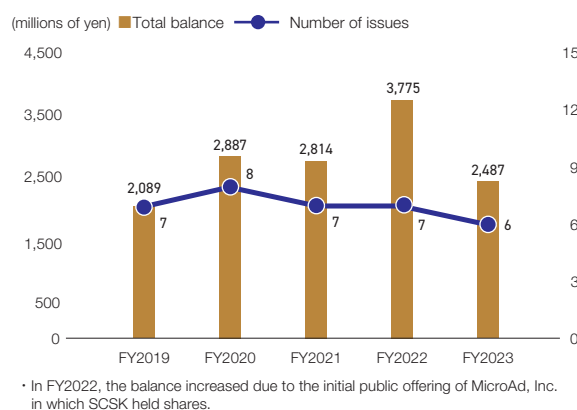
SCSK also annually examines the significance and reasonableness of holding investment shares and the desirability of continuing to hold them by comprehensively considering quantitative information such as the profit obtained from transactions with the companies that it has invested in, the amount of annual dividends received, and gains or losses on valuation of stock, as well as qualitative information such as the status of achievement of investment objectives (e.g., maintaining and strengthening relationships with the invested companies).

After the results of this review are compiled, they are annually reported to the Board of Directors along with the significance of the investment shares, the book value recorded on the balance sheet, the gains or losses on valuation, the performance and business plan of the business partners over the past three years, and the decision about whether to continue to hold the shares.

Those shares determined to lack significance and validity to continue to hold them after the review will be sold while considering the impacts on our business and markets.

In FY2023, as SCSK sold two issues as well as due to the initial public offering of NETSTARS Co., Ltd., in which SCSK held shares, it held six issues in the amount of ¥2,487 million as of the end of March 2024.

Strategically-held shares and number of remaining issues held



Internal Control

We have established the “Basic Policy for Building the Internal Control System” aimed at achieving the “effectiveness and efficiency of operations,” “reliability of reporting,” “compliance with laws and regulations related to business activities,” and “safeguarding of assets” within the SCSK Group.

The “Basic Policy for Building the Internal Control System” defines the basic policies and necessary measures regarding the system to ensure that the execution of duties by the directors of SCSK complies with laws and regulations, as well

as the Articles of Incorporation and the system to ensure the appropriateness of business operations of the SCSK Group. We check the current internal control system and conduct constant reviews, thus building an effective internal control system that meets the needs of the times.

Basic Policy for Building the Internal Control System
https://www.scsk.jp/internal_control.html (in Japanese only)



Enhancing Information Disclosure

Basic policy

Information disclosure represents an important responsibility of management from the standpoint of ensuring the transparency and fairness of the company's decision-making. We strive to carry out information disclosure in an appropriate and timely manner in order to help deepen understanding among various stakeholders, including shareholders and other investors, about decision-making by the SCSK Group's management and its business activities.

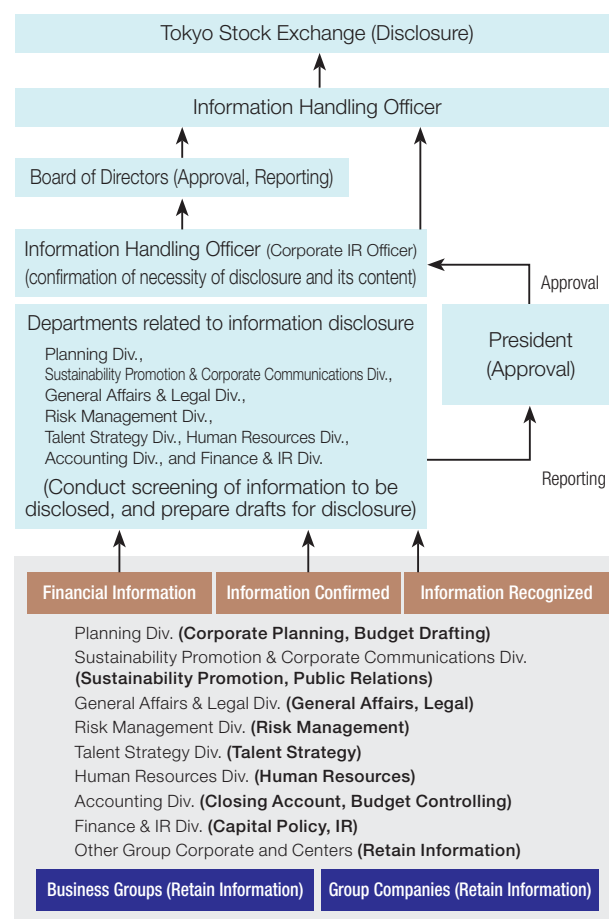
The Group's basic policy on information disclosures is to disclose information in a proactive manner. In addition to disclosures on operating results and financial information pursuant to laws and regulations, non-financial information (including ESG elements concerning governance along with social and environmental issues) deemed material by SCSK is also communicated using various means, including the corporate website and SCSK Report.

Structure for timely disclosure

The SCSK Group recognizes that a high level of management transparency is an important component of corporate governance. Also, as a measure to ensure this transparency, it has established the following system for the disclosure of corporate information. Through this system, we work to disclose information in a timely, appropriate, and fair manner.

1. The Planning Div., Sustainability Promotion & Corporate Communications Div., General Affairs & Legal Div., Risk Management Div., Talent Strategy Div., Human Resources Div., Accounting Div., and Finance & IR Div. properly gather information that is subject to disclosure, screen what is to be disclosed, and prepare drafts for disclosure.
2. Upon receiving authorization from the President, the information handling officers—the person responsible for supervising the management and disclosure of information—confirm the content and determine whether disclosure is required.
3. The information handling officers appropriately disclose corporate information after receiving approval from the Board of Directors when necessary.

Structure for Timely Disclosure



Compliance System

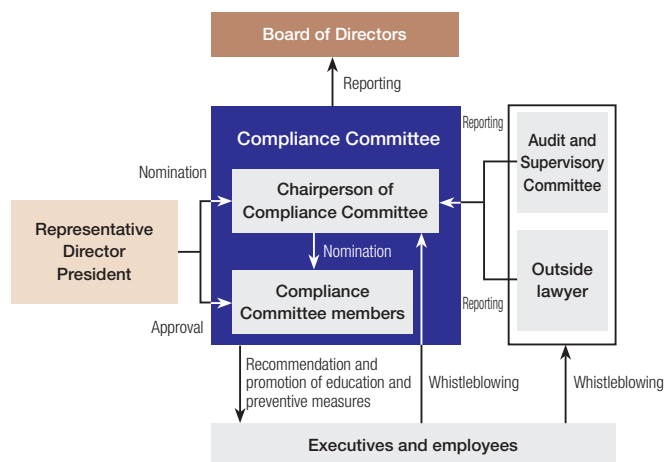
Basic approach

SCSK views compliance as observing laws and regulations, and acting with a high sense of ethics within the norms of society. Based on its corporate philosophy and Code of Conduct, SCSK considers acting sincerely and appropriately as members of society and corporate citizens to be the most important principle for Director and employee conduct. Each individual Director and employee is responsible for his/her own actions based on the concept of compliance, and strives to produce results that fulfill the social responsibility of the entire company as an organization.

Structure and system

Following our basic approach to compliance, we have established Compliance Rules and compiled a Compliance Manual as well as built an organizational structure for compliance. We have set up a Compliance Committee to follow through with our commitment to compliance. This committee determines and revises company-wide policies on compliance, maintains and manages the compliance system, coordinates with relevant departments, monitors implementation status, and shares information.

System to Promote Compliance



Whistleblower system

We have established a whistleblower system (or “speak up” system) for quickly resolving compliance violations and preventing such violations from occurring by enabling employees of the SCSK Group and partner companies to report and consult on problems.

Contact points and whistleblowing methods

The SCSK Group has the following three contact points. Whistleblowers may report a problem to any of them by email or other method.

- 1) Chairperson of Compliance Committee
- 2) Audit and Supervisory Committee
- 3) Outside lawyer (reports may be anonymous)

Regardless of the point of contact, the privacy of whistleblowers and other related parties is strictly protected along with the confidentiality of reported matters. Guarantees are in place to ensure the whistleblowers are not subjected to unfair treatment.

Investigation of matters

All reports and consultations are handled promptly by the contact points, and investigation is conducted based on policies established by the Chairperson of the Compliance Committee.

The results of investigations are promptly informed to the whistleblower. The results of investigations and details of corrective measures are also reported to the Board of Directors, the Audit and Supervisory Committee, the Compliance Committee, and similar entities.

Disclosure of results

In FY2023, nine speak-up cases were received by the SCSK Group as a whole. Under the leadership and supervision of the Chairperson of the Compliance Committee, each case was investigated in cooperation with the relevant departments and, based thereon, corrective and other appropriate measures were taken.

The hotline, which has been permanently established, aside from the whistleblower system, responded to 100 consultations.

Fair transactions

The SCSK Compliance Manual clearly stipulates that the SCSK Group must ensure fair transactions as specific rules about compliance. Its standards include a Code of Business Activities, which sets forth requirements for compliance with the Anti-Monopoly Act and prohibition of unfair competition. These standards support the development of commercial relationships based on trust with our suppliers through fair and free competition. The manual also outlines corporate ethics required for fair operating practices in its Code for Employees as Members of Society, setting rules on anti-bribery, political donations, and the handling of antisocial forces.

Education and training

It is essential for each employee to be able to make correct decisions and actions in compliance with the law, regardless of whether relating to business or not. Toward that end, we provide information on compliance as well as various forms of compliance training, including group training for new employees and newly appointed managers, e-learning, and compliance meetings (group discussions on compliance). In regard to important applicable laws and regulations, we post our Compliance Manual and other information pertaining to those laws and regulations on each company’s intranet portal site to foster greater awareness of compliance.

FY2023 training results

Percent of employees who took compliance e-learning course

100%

Initiatives to Upgrade Information Security

Management frameworks for information security

SCSK considers information security to be one of management's top priorities. We have established the Chief Information Security Officer as the person in charge of building the information security structure and information security management system as well as the process for continual improvement.

In addition to the above, the Information Security Management Dept. has been established as an organization to aid the Chief Information Security Officer and manage and promote information security at SCSK.

The Information Security Management Dept., which is under the Chief Information Security Officer, takes the lead in increasing mutual collaboration among information security related departments and implementing information security measures across the entire company in unison with business groups.

Initiatives to strengthen information security

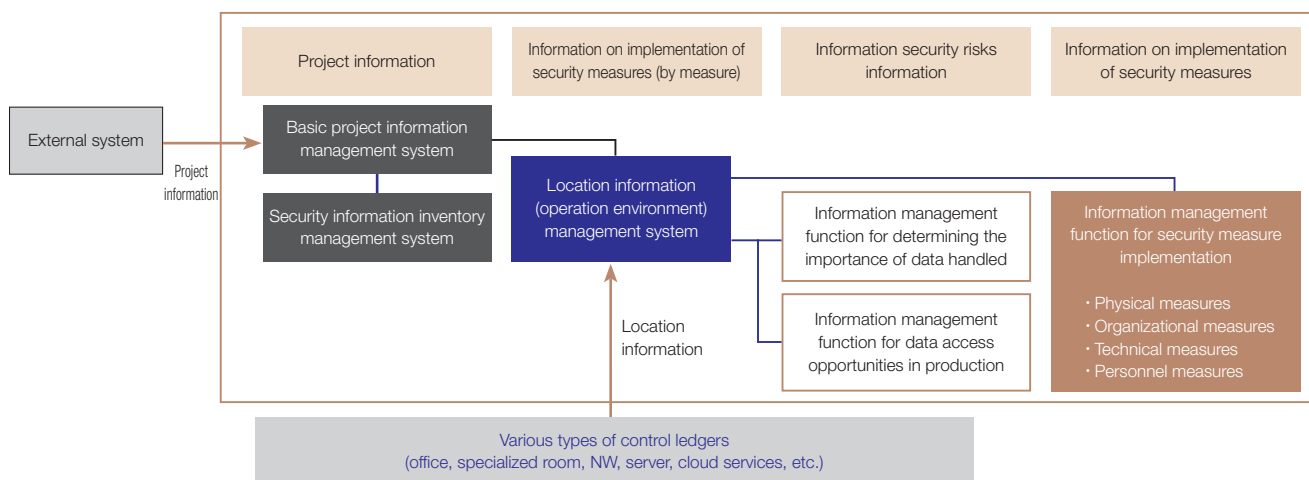
At SCSK, we have incorporated information security standards into SmartEpisode Plus (SE⁺), our standards for executing operations such as developing and operating systems.

To protect information assets that are the important assets of clients, we are also making information handled and risks visible, building a system to evaluate and improve security measures (S-SIMS*), and continuing to undertake surveys and improvement activities covering 220 items and targeting all projects being undertaken, regardless of monetary amount or size.

As an IT business operator entrusted with the important information assets of clients, we will continue to improve engagement awareness and professional ethics through training for all employees.

Summary of the SCSK Security Information Management System (S-SIMS)

This is a system for obtaining an integrated understanding of and making visible the information security risks and state of security measures for each project and running through the PDCA cycle for appropriate information management by collaborating with worksites and organization line levels.



Response to Cyber Security Incidents

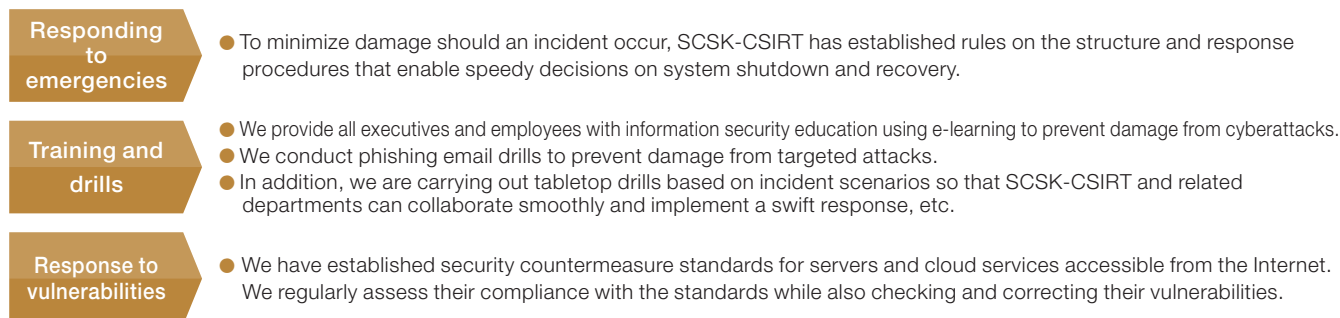
SCSK-CSIRT^{*2} system

We have organized SCSK-CSIRT to ensure a prompt response and minimize damage should a computer security incident occur.

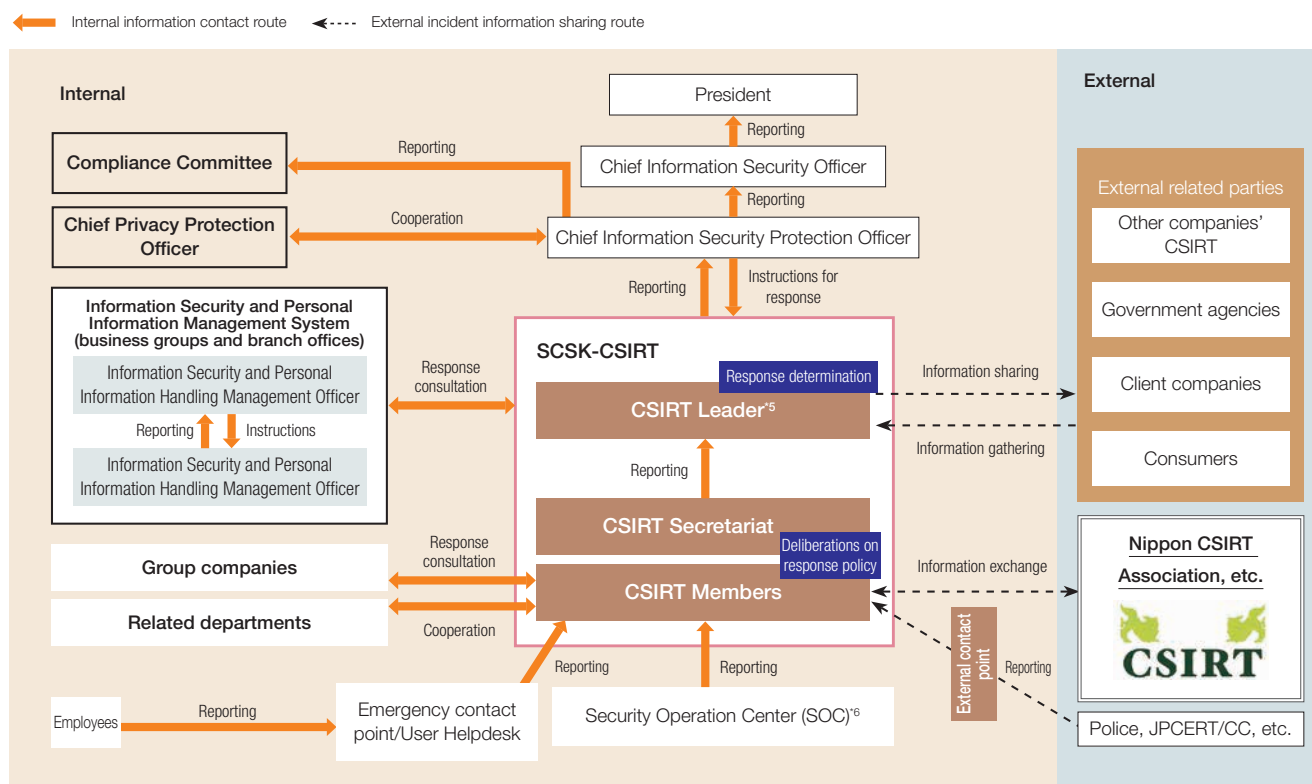
Aimed at appropriate incident response, departments in charge of internal information systems and departments responsible for cybersecurity work together to analyze incidents

and discuss response policy and methods. They also work alongside external organizations, such as JPCERT/CC^{*3} and NISC.^{*4}

By obtaining an accurate understanding of the situation through a prompt discussion with the relevant departments on compliance, legal matters, business impacts, and so forth, SCSK-CSIRT makes a speedy decision on a response based on the degree of impacts.



SCSK-CSIRT System Diagram



*1 S-SIMS: SCSK Security Information Management System

*2 SCSK-CSIRT (Computer Security Incident Response Team): A permanent organization that carries out activities in response to computer security incidents

*3 JPCERT/CC (Japan Computer Emergency Response Team Coordination Center)

*4 NISC (National center of Incident readiness and Strategy for Cybersecurity)

*5 The general manager of the department responsible for information security or center director serves as the leader. The current CSIRT Leader is the General Manager of the Corporate Information Systems Div. (as of April 2024).

*6 SCSK has built a CSIRT system to handle cybersecurity incidents, and constantly cooperates with the Security Operation Center (SOC), which is responsible for monitoring networks and devices, including SCSK in-house network.

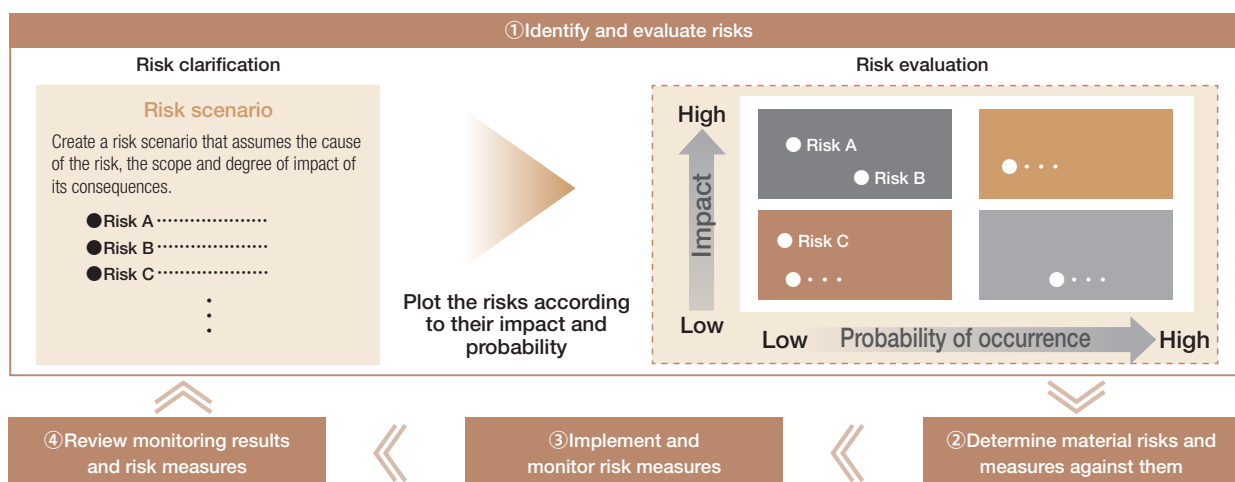
Risk Management

Basic policy

SCSK's Risk Management Regulations define risk as the possibility of incurring loss and the possibility that returns obtained from business activities fall short of expectations. To ensure the stability of the SCSK Group's business activities and enhance corporate value, we examine all possible forms of risk during execution of business activities and engage in continuous risk management with the purposes described below.

Consistent performance and growth	Increase the consistency of performance and ensure sustainable growth by administering operations so that actual results do not vary from forecasts.
Reinforcing corporate structure	Limit losses from latent risks posed by the business model to enable business continuity even when risks emerge.
Maintain trust	Maintain and increase trust by fulfilling corporate social responsibilities including legal compliance.

Risk Management Process



Risk management system

To appropriately manage risks that could have a serious impact on business, SCSK has the Risk Management Dept. as the responsible unit and conducts Group-wide risk management. While business groups and Group companies engage in day-to-day risk management, the Group Corporate collaborates with them on top of managing its own risks.

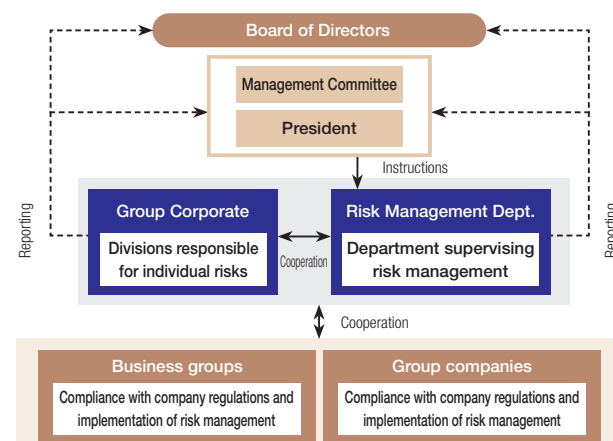
In accordance with the Risk Management Regulations, we conduct risk assessments (identifying, analyzing, and evaluating risks) on an annual basis. Joining hands with other units, the Risk Management Dept. develops a risk scenario, clarifies risks, evaluates them on the two dimensions of impact and probability, and visualizes the results into a Group-wide risk map. Risks are evaluated quantitatively to the extent possible, while also using some qualitative methods. With respect to material risks that are determined to require focused efforts as a result of the evaluation, we work to undertake proper measures, paying attention to their characteristics and status. Those measures are monitored, and then reviewed based on their outcomes.

To ensure the proper functioning of these risk management activities, the Risk Management Dept. centrally monitors and evaluates the risk management situation from a Group-wide

perspective, reports regularly to the President, and receives instructions on the risk response policy as needed. The Risk Management Dept. also reports on the overall situation of its activities first to the Management Committee and then to the Board of Directors.

The SCSK Group is working to enhance risk management through the above risk management activities in order to adapt to the changing business environment.

Risk Management System Diagram



Concrete risk countermeasures

Emergency response and business continuity plan

In preparation for unforeseen emergencies that could have a major impact on the SCSK Group, such as major disasters and pandemics, SCSK has established rules of conduct and organizational frameworks. We are implementing a number of advanced measures, centered on the Disaster Risk Management Subcommittee, which is composed of related departments at each office and with the president or office manager serving as the person in charge. These measures include stockpiling food, water, and other supplies, conducting drills with the employee safety confirmation system, conducting training on setting up disaster headquarters, establishing a system to address emergencies that take place at night or on holidays, creating a disaster response website, developing a mutual support system in the event the head office (Tokyo metropolitan area) or other locations are damaged, and information sharing and awareness-raising activities for executives and employees via a disaster countermeasure portal. Furthermore, we are working to ensure the effectiveness of the business continuity plan by conducting annual reviews.

Safety confirmation training

SCSK introduced its employee safety confirmation system, the purpose of which is to confirm and ascertain the safety of employees and their families and damage at the various offices when a disaster occurs and to quickly restore business, in 2011, and conducts regular drills involving all employees.

Response rate for first drill (FY2024)

*98.2% as of 3 hours after start of drill and 100% after 33 hours (the drill continues until all employees respond)



Initiatives toward household disaster prevention

At SCSK, we are working on not only natural disaster countermeasures for offices but also activities to raise awareness about countermeasures for individual employees' homes (disaster risk reduction at home) as a growing number of employees are teleworking.

As part of this, we issue a Home Disaster Prevention Manual, and provide e-learning training and seminars to all employees. We are working to create a business continuity system by continuing to implement natural disaster countermeasures at both the office and homes.

Message from Newly Appointed Outside Directors



Shoei Yamana
Outside Director

*Current position(s) of directors as of June 20, 2024







Profile*

Apr. 1977 : Joined Minolta Camera Co., Ltd.
Jan. 2001 : CEO, Minolta QMS Inc.
Jul. 2002 : Executive Officer and General Manager of Management Planning Division, Minolta Co., Ltd.
Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company, Minolta Co., Ltd.
Aug. 2003 : Senior Executive Officer, Konica Minolta Holdings, Inc.
Oct. 2003 : Senior Executive Officer, Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.)
Managing Director, Konica Minolta Business Technologies, Inc.
Jun. 2006 : Director and Senior Executive Officer in charge of Corporate Strategy, Konica Minolta Holdings, Inc.
Apr. 2011 : Director and Senior Executive Officer, Konica Minolta Holdings, Inc.; Representative Director and President; Konica Minolta Business Technologies, Inc.
Apr. 2013 : Director and Senior Managing Executive Officer, Konica Minolta, Inc.
Apr. 2014 : Director, President and CEO, and Representative Executive Officer, Konica Minolta, Inc.
Apr. 2022 : Director, Executive Chairman and Executive Officer of Konica Minolta, Inc. (resigned in June 2023)
Jun. 2022 : Outside Director, TDK Corporation (current)
Jun. 2023 : Outside Director, Zensho Holdings Co., Ltd. (current)
Jun. 2024 : Outside Director, Japan Post Insurance Co., Ltd. (current)

We will contribute to fostering a Board culture unique to SCSK and to creating a path to the next stage of growth.

As the head of a manufacturing company that operates globally, I have focused for many years on repositioning companies into growth businesses, transforming businesses into services, and personalizing the SDGs through my business. While the application of technology is essential, value is created through the power of human resources. We have persistently worked to restructure our vision and Code of Conduct in accordance with prevailing conditions, and to transform our culture into one that values challenges. Today, the world bears witness to a further acceleration of disruptive technological innovation and its momentum, and I am convinced that people-centric management is more necessary now than ever if we are to achieve an affluent society. SCSK has the wonderful ability to work with its customers to create social and environmental value. The only way to sustainably enhance corporate value is for many leaders with vision to stand up, involve others, and continue to create unprecedented new value. Meanwhile, it is also essential to hone SCSK's unique characteristics and strengths to form a genre that is overwhelmingly superior to others. My intent is to make every effort to foster a Board culture in which Outside Directors, outside audit and supervisory committee members, and senior management work in unison toward SCSK's vision for 2030, while at the same time fulfilling their respective roles to achieve medium- to long-term corporate value enhancement. Furthermore, while encouraging globalization and the evolution of business models as a platform, we also intend to contribute to realizing the next stage of growth by collaborating to forge a path to that stage.

Board of Directors

							
		Hideki Yamano	Takaaki Tsuma	Tsutomu Ozaki	Shinichi Kato	Tetsuya Kubo	Sadayo Hirata
		Chairman and Director	Representative Director President	Director Senior Managing Executive Officer	Director	Outside Director	Outside Director
		Chairman of the Board				Independent Director Chair of Nomination and Remuneration Advisory Committee	Independent Director
Number of Company shares owned		21,353 shares	24,153 shares	3,693 shares	0 shares	0 shares	200 shares
Attendance for FY2023	Board of Directors	12 out of 12 meetings	12 out of 12 meetings	10 out of 10 meetings	—	12 out of 12 meetings	12 out of 12 meetings
	Audit and Supervisory Committee	—	—	—	—	—	14 out of 14 meetings
Committee	Conflict of Interest Advisory Committee					●	●
	Nomination and Remuneration Advisory Committee	●	●			●	●
Director Skills	Corporate management	●	●			●	
	Finance/ accounting					●	
	Technology		●				●
	Organization/ human resources	●	●				●
	Marketing	●	●		●		
	Environmental/ social/human rights	●					
	Legal/risk management			●			
	Global	●		●	●	●	

Officers

President	Takaaki Tsuma	Managing Executive Officers	Yoshiyuki Shinbori Yasuhiko Oka Tadashi Miyagawa Koji Watanabe Ken Takano Masaki Komine Takaya Yamamoto Kenji Toda Shunichiro Fukushima	Senior Corporate Officers	Takayuki Okuhara Kan Takahashi Masahiro Otani Masaaki Mori Kenji Ichiba Shu Wei Ikuo Uchiyama Yousuke Tsutaya Tomoyuki Naruke Masayuki Tanabe Hideya Nakashima Yoshihiro Jinbo Toshiyuki Takahashi Mitsuru Osawa Hideho Masuda Atsushi Sugiyama Kenji Inoue Hiroshi Ogasawara Satoshi Kitao	Seiya Otsuka Tamio Ishibashi Emi Shimizu Hideki Koguchi Naoto Furuya Tomotaka Honma Masayoshi Hasegawa Yoko Otani Mitsuhiro Matsuda Takayuki Yamauchi Takashi Shimotori Katsushi Fukui
Senior Managing Executive Officer	Tsutomu Ozaki Tetsuya Ueda Atsushi Watanabe Yasushi Shimizu	Senior Executive Officers	Yukihiko Saito Eri Kawanabe Masayuki Kikuchi Takaaki Ishida Shoji Shiuchi Yoshinari Kobayashi Jun Kawamura			

Career summaries of the Directors are available on the website below.
https://www.scsk.jp/corp_en/outline.html



Position/Name

Shohei Yamana

Outside Director

Independent Director

Hiromichi Jitsuno

Director
(Audit and Supervisory
Committee Member)

Yasuo Miki

Outside Director
(Audit and Supervisory
Committee Member)

Independent Director

Hidetaka Matsuishi

Outside Director
(Audit and Supervisory
Committee Member)

Independent Director

Yumiko Waseda

Outside Director
(Audit and Supervisory
Committee Member)

Independent Director
Chair of Conflict of
Interest Advisory Committee

Number of Company shares owned		0 shares	0 shares	100 shares	1,000 shares	0 shares
Attendance for FY2023	Board of Directors	—	10 out of 10 meetings	12 out of 12 meetings	10 out of 10 meetings	10 out of 10 meetings
	Audit and Supervisory Committee	—	11 out of 11 meetings	14 out of 14 meetings	11 out of 11 meetings	10 out of 11 meetings
Committee	Conflict of Interest Advisory Committee	●		●	●	●
	Nomination and Remuneration Advisory Committee	●		●	●	●
Director Skills	Corporate management	●		●	●	
	Finance/accounting				●	
	Technology			●		
	Organization/human resources	●			●	
	Marketing	●			●	
	Environmental/social/human rights	●				●
	Legal/risk management		●			●
	Global	●				

Skills required of the Board of Directors

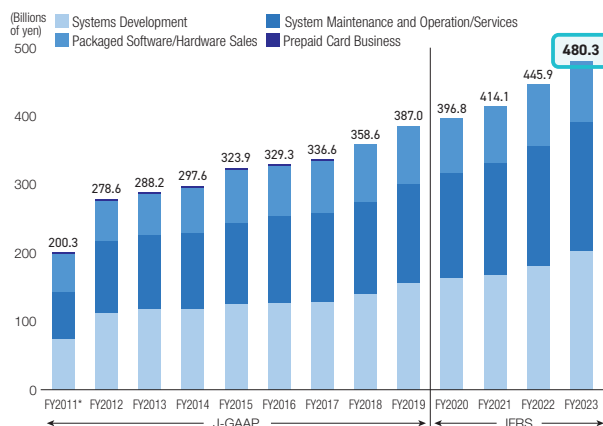
The Company decides the size of its Board of Directors and its membership based on consideration of the diversity and balance of the skills of members. To assist in this process, the following list has been prepared of the skills deemed necessary in order to ensure that the Board of Directors is equipped with the knowledge, experience, and capacities required to advance the SCSK Group's growth strategies.

Skill	Display Name	Reason for Selection
Corporate management experience	Corporate management	Corporate management experience is necessary for assessing the opportunities and risks in the Company's diverse businesses and for guiding investments to help ensure ongoing growth. SCSK is promoting sustainability management as a growth strategy, meaning that it must position the resolution of various social issues as an earnings opportunity and actively contribute to the resolution of these issues. Corporate management experience is imperative for making appropriate management resource investment and other management decisions for this purpose.
Financial and accounting expertise and experience	Finance/accounting	Financial and accounting expertise and experience are crucial for accessing business growth potential and profitability in pursuit of high capital efficiency and for practicing timely and appropriate disclosure and highly transparent corporate governance.
Technological expertise, foresight, and experience	Technology	Technological expertise, foresight, and experience are needed for making appropriate management decisions pertaining to the introduction of technologies in various fields for use in resolving corporate and social issues.
Organization and human resource management expertise and experience	Organization/human resources	Organization and human resource management expertise and experience are required to ensure that the Company can offer opportunities and organizations in which professionals with diverse skills and backgrounds can share a common set of values and grow and succeed while exercising their individuality and expertise.
Expertise and experience pertaining to market and economic environments and trends	Marketing	Expertise and experience pertaining to market and economic environments and trends are necessary to identify the issues that may emerge from social or economic changes and to guide the appropriate development and provision of solutions for addressing these issues.
Expertise and experience pertaining to environmental, social, and human rights issues	Environmental/social/human rights	Expertise and experience pertaining to environmental, social, and human rights issues are imperative to accurately assessing social issues related to global warming, human rights, regional disparities, and other factors and to identifying the areas in which SCSK can contribute to the resolution of such issues. These skills are also vital to enabling SCSK to develop sound value chains and fulfill other social responsibilities.
Legal and risk management expertise and experience	Legal/risk management	Legal and risk management expertise and experience are required to ensure strict compliance and highly effective oversight of management as well as to the development and implementation of appropriate management systems for risks and other matters.
Global business expertise and experience	Global	Global business expertise and experience are vital to the Company's efforts to capitalize on the growth opportunities presented by global digitization trends.

Financial and Non-Financial Highlights

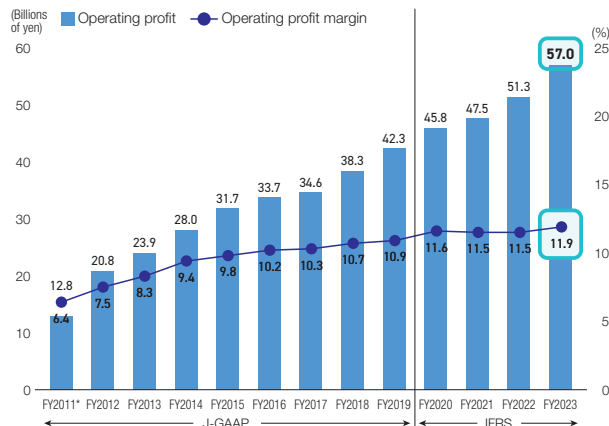
Net sales

¥480.3 billion



Operating Profit/Operating Profit Margin

¥57.0 billion/11.9%



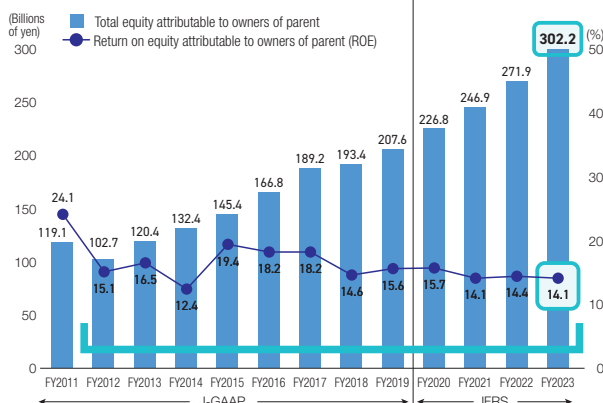
Under the Medium-Term Management Plan (FY2012 to FY2014) after the merger in October 2011, the Group capitalized on the expanded client base from the merger to promote cross-selling of services in which the respective companies have strengths and increased sales. Under the Medium-Term Management Plan (FY2015 to FY2019), the Group transformed the business structure into a non-labor-intensive business model and made steady progress in enhancing its management foundation, and, as a result, achieved a compound annual growth rate of 5.4% for sales and 8.6% for operating profit.

Under the Medium-Term Management Plan (FY2020 to FY2022), the Group has positioned Core Business Innovation, Commercialization of DX, and Investment in People as its core strategies to transform its core business and create new businesses. Since the start of the plan, we have continued to conduct business under COVID-19 restrictions, society's digitization has accelerated amid the shift to a new normal, not the least of which is demand for IT investment among client companies gradually shifting to an uptick. Given such business conditions, the Group achieved an average annual growth rate of 4.8% for net sales and 6.7% for operating profit, notwithstanding the increased business investment cost following the strategy of the Medium-Term Management Plan. In FY2023, which is the first year of the Medium-Term Management Plan (FY2023 to FY2025), the Group's strong will to invest in IT with the aim of expanding its business and strengthening its competitiveness was supported by demand from client companies in a wide range of industries. As a result, net sales increased 7.7% to ¥480.3 billion and operating profit increased 11.0% to ¥57.0 billion, achieving increases both in sales and profit for 12 consecutive fiscal years since the merger.

*Figures of CSK Corporation before the merger date (October 1, 2011) are not included.

Total Equity Attributable to Owners of Parent/Return on Equity Attributable to Owners of Parent (ROE)

¥302.2 billion/14.1%

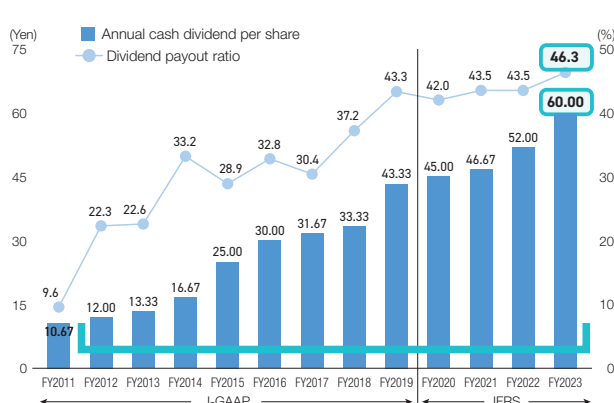


Backed by strong business results, total equity attributable to owners of parent has increased for 11 consecutive years, except for FY2012 when it decreased owing to redemption of preferred shares. ROE during this period has also been maintained well above the industry standard of 9.4%* due to the pursuit of management focused on capital efficiency.

*Company calculation based on the Japan Exchange Group Inc.'s Average PER and PBR by Size and Types of Industry (March 2024).

Annual Cash Dividend per Share*/Dividend Payout Ratio

¥60.00/46.3%

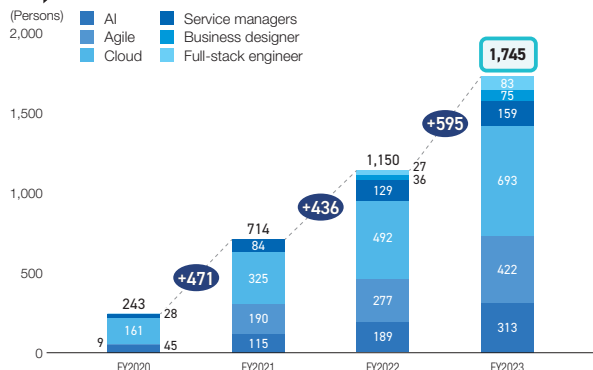


We have continued to provide dividends in line with increases in business results. The annual dividend for FY2023 was ¥60 per share, an ¥8 increase from the previous fiscal year. This was the 12th consecutive year we have increased the dividend, and the dividend per share has increased 5.6-fold from ¥10.67 in FY2011 when the companies merged.

*SCSK carried out a one-for-three split of its common stock on October 1, 2021. Previous years' financial data is presented with values converted after the stock split.

Number of Employees Who Have Completed Training to Develop Advanced Technologies (Cumulative Total)

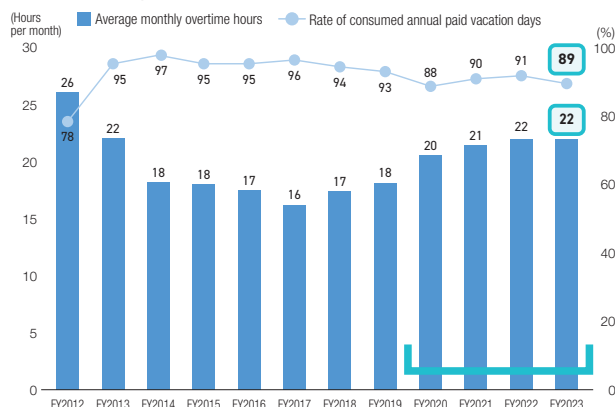
1,745 persons



In response to the rapid evolution of digital technology, we are focusing on developing advanced digital talent who will support the digital transformation of our clients. We constantly review and enhance our training programs on advanced technologies such as AI, cloud, and agile in light of market trends, technological trends, needs of business divisions. The training programs for service managers, business designers, and full-stack engineers consist of hands-on curricula over the course of several months, and the participation of in-house experts as observers enhances the effectiveness of the training programs. We will continue to provide and improve training programs necessary for achieving our business strategies.

Average Monthly Overtime Hours/Rate of Consumed Annual Paid Vacation Days

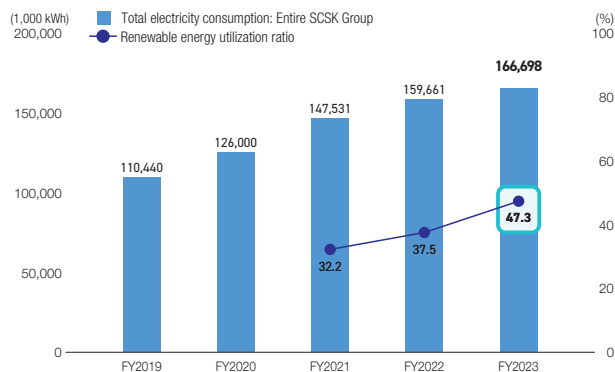
22 hours/89%



In FY2013, we began initiatives to reduce overtime hours and increase the rate of paid leave taken. These initiatives have produced some results; for example, we have maintained a high rate of paid leave taken. However, overtime hours have been increasing since FY2020. Another problem is the tendency of highly difficult tasks to be disproportionately assigned to highly skilled employees. To improve such a situation, we will encourage each and every employee to improve his or her skills and abilities, and utilize technologies such as generative AI to reduce and level the workload.

Total Electricity Consumption: Entire SCSK Group/Renewable Energy Utilization Ratio

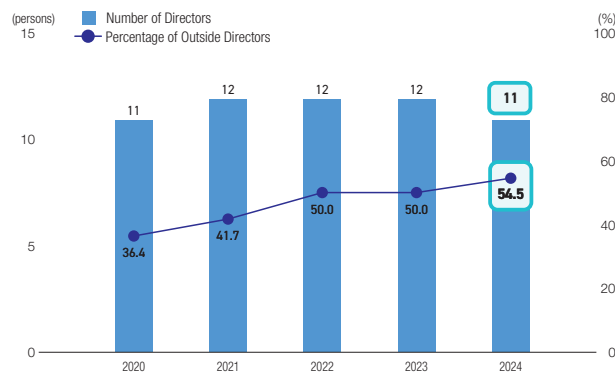
166,698 1,000kWh/47.3%



Although the total amount of electricity consumption is on an increasing trend as our business expands, we have been promoting measures to reduce greenhouse gas emissions from the use of electricity. Through the use of renewable energy and non-fossil certificates, we reduced greenhouse gas emissions by approximately 33,654t-CO₂ per year in FY2023, and the renewable energy utilization ratio of electricity was 47.3%.

Number of Directors/Percentage of Outside Directors

11 persons/54.5%



As for the composition and number of the Board of Directors members, decisions are made taking into consideration the skills that should be possessed by the SCSK's Board of Directors, their balance, and diversity. We continue to elect Outside Directors to maintain and improve the function of supervising the execution of duties by Directors.

After the General Meeting of Shareholders in 2024, Outside Directors consist of a majority of the Board of Directors, which has strengthened corporate governance.

*Number and percentage after the General Meeting of Shareholders

Main Financial Data

Consolidated Management Indicators

J-GAAP

Income Statements		FY2011 ¹	FY2012	FY2013	FY2014	FY2015	FY2016
Net sales		200,326	278,634	288,236	297,633	323,945	329,303
	Systems Development	73,811	112,316	117,597	117,843	124,470	127,051
	System Maintenance and Operation/Services	68,296	104,284	107,577	110,720	119,170	125,802
	Packaged Software/Hardware Sales	56,496	58,731	60,019	65,691	77,087	73,147
	Prepaid Card Business ²	1,722	3,302	3,042	3,378	3,217	3,302
Gross profit		46,370	64,466	68,724	72,469	78,021	81,754
Gross profit margin (%)		23.1	23.1	23.8	24.3	24.1	24.8
SG&A expenses ³		33,490	43,663	44,749	44,466	46,235	48,040
Operating profit		12,879	20,803	23,974	28,003	31,785	33,714
Operating profit margin (%)		6.4	7.5	8.3	9.4	9.8	10.2
Ordinary profit		16,659	22,228	25,690	30,667	33,610	36,121
Profit attributable to owners of parent		25,669	16,730	18,387	15,638	26,956	28,458

Cash Flows							
Cash flows from operating activities		22,249	25,156	35,342	29,707	34,730	37,161
Cash flows from investing activities		(8,122)	(249)	(26,045)	5,166	(9,473)	(11,982)
Free cash flows		14,137	24,907	9,297	34,873	25,257	25,178
Cash flows from financing activities		(7,965)	(5,512)	(33,739)	(8,395)	(12,338)	476
Cash and cash equivalents at end of period		63,661	83,247	59,004	85,713	98,445	123,935

Financial Position							
Total assets		300,928	322,828	317,932	334,290	352,676	389,537
Total equity		124,419	108,208	126,159	138,536	151,546	173,674
Equity attributable to owners of parent		119,189	102,799	120,488	132,458	145,420	166,897
Interest-bearing debt + preferred shares ⁴		84,860	84,860	57,000	55,000	50,000	60,000

Per-Share Information ⁵							
BPS		286.79	330.49	387.10	425.46	467.00	535.91
EPS		111.40	53.80	59.09	50.24	86.57	91.39
Annual dividend per share		10.67	12.00	13.33	16.67	25.00	30.00

Major Indicators							
Return on equity attributable to owners of parent (ROE) (%)		24.1	15.1	16.5	12.4	19.4	18.2
Ordinary profit to assets ratio (ROA) (%)		7.9	7.1	8.0	9.4	9.8	9.7
Profit before tax to total assets ratio (ROA) (%)		—	—	—	—	—	—
Equity attributable to owners of parent ratio (%)		39.6	31.8	37.9	39.6	41.2	42.8
Debt/Equity ratio (times)		0.46	0.83	0.47	0.42	0.34	0.36
Number of employees		11,995	11,797	11,689	11,754	11,769	11,910
Capital expenditures (millions of yen)		7,954	10,219	9,441	14,842	12,046	15,335
Depreciation and amortization (millions of yen)		5,380	6,690	6,841	6,865	8,003	8,972
R&D expenses (millions of yen)		417	566	449	267	117	266
Stock prices (yen) ⁵		437.3	611.7	927.0	1,121.7	1,466.7	1,473.3
Price-book ratio (PBR) (times)		1.5	1.9	2.4	2.6	3.1	2.7
Price-earnings ratio (PER) (times)		3.9	11.4	15.7	22.3	16.9	16.1
Total shareholder return (TSR) (%) ⁶		107.3	152.4	232.0	283.3	372.9	381.8

¹ Figures of CSK Corporation before the merger date (October 1, 2011) are not included.

² All the shares of QUO CARD Co., Ltd., which constitutes Prepaid Card Business, were transferred as of December 1, 2017.

³ After transition to IFRS, values are presented including the other income and expenses.

⁴ The figure as of March 31, 2012 includes ¥30.0 billion of preferred stock assumed by the company in FY2011 as a result of the merger with CSK Corporation. All of this preferred stock was acquired from the financial institutions holding the shares on May 31, 2012, and based on a resolution passed at the Ordinary General Meeting of Shareholders held on June 27, 2012, all of these preferred stocks were cancelled on the same day, June 27, 2012.

Interest-bearing debt is debt on which interest is paid excluding lease obligations.

⁵ SCSK carried out a one-for-three split of its common stock on October 1, 2021. Previous years' financial data is presented with values converted after the stock split.

⁶ Calculated with the merger date (October 1, 2011) as 100%.

IFRS

(Unit: millions of yen)

FY2017	FY2018	FY2019	FY2019	FY2020	FY2021	FY2022	FY2023
336,654	358,654	387,003	385,295	396,853	414,150	445,912	480,307
128,387	140,092	155,835	156,190	163,090	167,967	180,433	202,799
129,071	134,132	143,429	143,410	152,518	162,407	175,638	188,340
76,247	84,430	87,738	85,694	81,243	83,776	89,841	89,168
2,948	—	—	—	—	—	—	—
83,555	88,742	97,954	97,192	102,969	108,187	117,679	127,971
24.8	24.7	25.3	25.2	25.9	26.1	26.4	26.6
48,953	50,363	55,628	57,144	57,090	60,632	66,317	70,966
34,602	38,378	42,326	40,048	45,878	47,555	51,361	57,004
10.3	10.7	10.9	10.4	11.6	11.5	11.5	11.9
36,291	38,650	43,014	—	—	—	—	—
32,488	27,892	31,201	28,765	33,435	33,470	37,301	40,461

(Unit: millions of yen)

37,096	33,511	48,950	55,710	50,219	59,081	43,592	67,900
(35,394)	(7,163)	(27,338)	(27,484)	(20,586)	(14,927)	(14,950)	(19,898)
1,702	26,348	21,612	28,226	29,633	44,153	28,642	48,002
(25,763)	(19,995)	(16,369)	(22,923)	(32,488)	(32,342)	(29,074)	(25,881)
99,797	106,198	111,695	111,695	108,768	121,251	121,425	144,360

(Unit: millions of yen)

303,914	314,844	342,485	362,241	380,399	407,609	435,469	471,400
196,600	194,468	208,072	200,405	227,338	247,363	272,403	302,910
189,214	193,412	207,681	200,047	226,874	246,921	271,909	302,254
45,000	55,000	55,400	55,325	45,056	36,459	31,727	31,245

(Unit: yen)

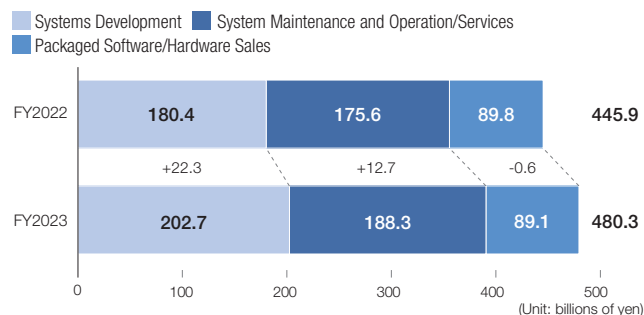
607.51	620.93	666.72	640.85	726.77	790.86	870.56	967.36
104.32	89.55	100.17	92.13	107.09	107.20	119.44	129.51
31.67	33.33	43.33	43.33	45.00	46.67	52.00	60.00

18.2	14.6	15.6	14.9	15.7	14.1	14.4	14.1
10.5	12.5	13.1	—	—	—	—	—
—	—	—	11.7	12.5	12.3	12.7	12.7
62.3	61.4	60.6	55.2	59.6	60.6	62.4	64.1
0.24	0.28	0.27	0.28	0.20	0.15	0.12	0.10
12,054	12,365	13,979	13,979	14,550	14,938	15,328	16,296
15,588	15,163	13,604	20,759	38,972	25,708	26,208	14,757
11,245	10,530	10,358	17,303	18,437	19,881	20,629	21,646
280	725	1,190	1,190	874	1,097	1,058	965
1,531.7	1,645.0	1,605.0	1,605.0	2,186.7	2,101.0	1,935.0	2,837.5
2.5	2.6	2.4	2.5	3.0	2.7	2.2	2.9
14.7	18.4	16.0	17.4	20.4	19.6	16.2	21.9
403.6	439.1	439.9	439.9	591.8	582.3	554.7	728.3

Performance Analysis (FY2023 Consolidated Financial Results)

1. Net Sales Analysis

1-1. By Sales Segment



System Maintenance and Operation/Services

Services included in

Verification Services, IT Management, BPO

P13



Although the impact of a decrease in sales due to a partial revision of accounting treatment in the data center business continued, net sales increased by ¥12.7 billion (7.2%) year on year in all quarters, to ¥188.3 billion, owing to strong performance in management services, verification services, etc.

Systems Development

Services included in

IT Consulting, Systems Development, IT Infrastructure Development

P13



Net sales continued to grow throughout the year thanks to strong demand related to AML projects for the finance industry, development projects for the manufacturing and distribution industries, etc., resulting in net sales of ¥202.7 billion, an increase of ¥22.3 billion (12.4%), for the full year.

Packaged Software/Hardware Sales

Services included in

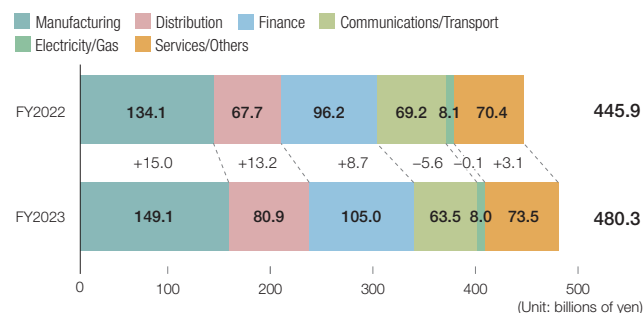
IT Hardware/Software Sales

P13



Although demand for network security products was strong, net sales decreased by ¥0.6 billion (0.7%) year on year to ¥89.1 billion due to an impact of the reactionary decrease in license sales for the financial industry and a decrease in sales of network equipment for specific clients in the communications industry.

1-2. By Client Industry



Manufacturing

Net sales increased by ¥15.0 billion (11.2%) year on year to ¥149.1 billion, due to increases in strategic investment and verification services for the automotive industry, projects for the electric machinery industry, and in core system development projects for other manufacturing industries.



Distribution

Net sales increased by ¥13.2 billion (19.5%) year on year to ¥80.9 billion, owing to increases in systems development projects, such as large-scale core systems development projects using SAP, as well as in network security equipment sales to wholesale distributors.



Finance

Net sales increased by ¥8.7 billion (9.1%) year on year to ¥105.0 billion due to an increase mainly in systems development projects for the banks, credit, and leasing industries.



Communications/Transport

Net sales decreased by ¥5.6 billion (8.2%) year on year to ¥63.5 billion, due to a reactionary decrease in sales of network equipment to certain clients in the communications industry.



Electricity/Gas

Net sales decreased by ¥0.1 billion (1.4%) year on year to ¥8.0 billion, on a par with the previous fiscal year throughout the year.



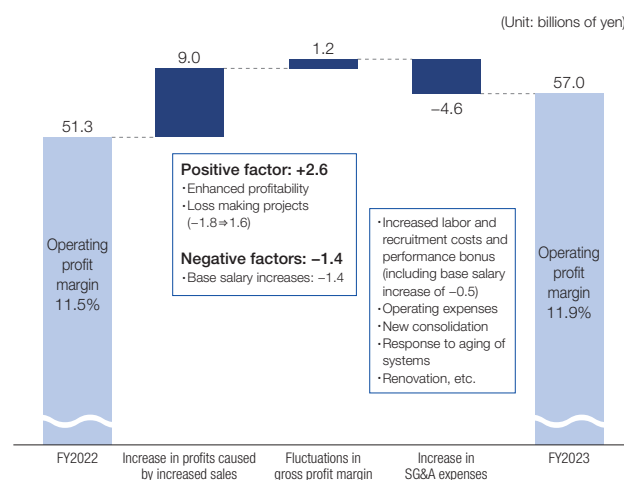
Services/Others

Net sales increased by ¥3.1 billion (4.4%) to ¥73.5 billion due to the impact of a newly consolidated subsidiary (Inet Support Inc.) and packaged software/hardware sales to government offices and academic research institutions, etc.

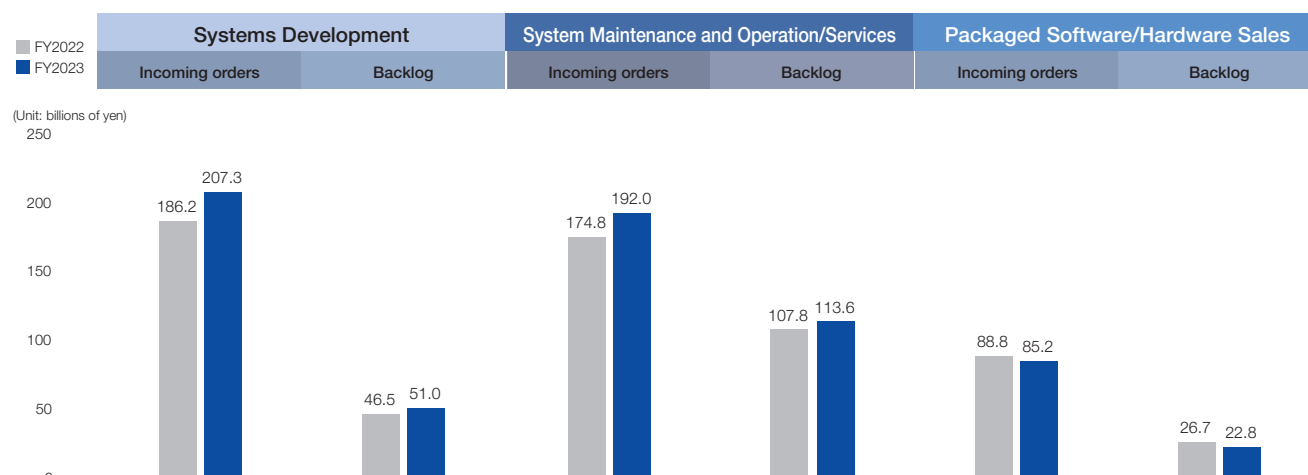
2. Operating Profit Analysis

Gross profit increased by approximately ¥10.2 billion (8.7%), as profitability improved by approximately ¥2.6 billion due to progress in passing on higher costs to clients through the presentation of fair prices and improved productivity, in addition to the reduction in the negative impact of unprofitable projects, and as these factors absorbed the impact of cost increases resulting from base salary increases.

The increase in selling, general and administrative expenses was due mainly to base salary increases, performance bonuses, increases in personnel expenses and recruiting-related expenses due to new recruitment, an increase in operating expenses, as well as the addition of consolidated subsidiaries. In addition, office renovations and measures to address aging systems, which occurred in the fourth quarter, were also the main factors behind the increase in selling, general and administrative expenses.



3. Incoming Orders and Backlog (by Sales Segment)



Systems Development

Incoming orders increased by ¥21.1 billion (11.3%) and backlog increased by ¥4.5 billion (9.9%) due to an increase in, for example, core system development projects, development projects for the financial industry, and projects for the manufacturing industry. Investment demand remains robust at present, and net sales are expected to increase mainly in the manufacturing, distribution, and financial industries.

System Maintenance and Operation/Services

Incoming orders increased by ¥17.2 billion (9.9%) and backlog increased by ¥5.7 billion (5.4%) due to factors such as an increase in management services and strong performance of verification services, and we believe that net sales will continue to be stable in the future.

Packaged Software/Hardware Sales

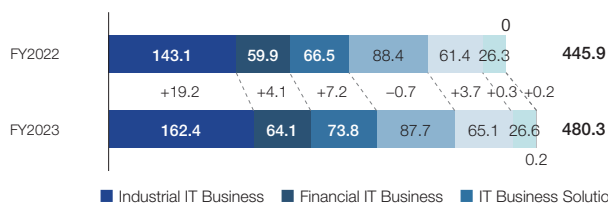
Incoming orders decreased by ¥3.6 billion (4.1%) and backlog decreased by ¥3.9 billion (14.7%) due to factors such as a decrease in network equipment for specific clients in the communications industry and a reactionary decrease in sales of large-scale hardware. The backlog decreased in reaction to some advance orders placed by specific clients in the previous fiscal year. However, demand for network and security products is expected to remain strong.

Performance Analysis (FY2023 Consolidated Financial Results)

4. Analysis by Reportable Segment

Net Sales

(Unit: billions of yen)



Operating Profit

(Unit: billions of yen)



Industrial IT Business Segment

The segment provides multiple IT solutions, mainly systems development, to clients principally in the manufacturing, communications, and distribution industries.

Net Sales and Segment Profit

Investment demand from a wide range of industries expanded, including an increase in core system reconstruction projects for the distribution industry and development projects for the communications industry and various manufacturing industries including automobiles and electronics. After absorbing the effects of unprofitable projects, net sales increased by ¥19.2 billion (13.5%) year on year to ¥162.4 billion, and segment profit increased by ¥3.1 billion (16.8%) year on year to ¥21.9 billion.

Incoming Orders and Backlog

Incoming orders increased by ¥16.5 billion (11.1%) year on year to ¥165.8 billion, and backlog increased by ¥3.3 billion (6.2%) year on year to ¥57.8 billion, due to demand for development and verification services for the manufacturing industry, mainly the automotive industry, and demand for systems development for the distribution industry and the communications industry.

Financial IT Business Segment

The segment engages in systems development, maintenance, and operation services for financial institutions—including banks, trust banks, insurance companies, securities firms, shopping credit/leasing companies—to help clients materialize their business strategies and to support their secure and efficient business operations.

Net Sales and Segment Profit

Net sales increased by ¥4.1 billion (7.0%) year on year to ¥64.1 billion, mainly due to an increase in development projects for the securities industry, in addition to the expansion of AML projects for the banking, mail order and leasing industries. Segment profit increased by ¥0.6 billion (8.9%) year on year to ¥7.5 billion, due to an increase in profits resulting from increased sales, as well as a reaction to unprofitable projects that occurred in the previous fiscal year.

Incoming Orders and Backlog

Incoming orders increased by ¥4.8 billion (7.9%) year on year to ¥66.1 billion, and backlog increased by ¥1.9 billion (9.0%) year on year to ¥23.5 billion, owing to an accumulation of AML projects for the banking industry and the acquisition of replacement projects for the securities industry.

IT Business Solutions Segment

The segment offers ERP products, which include ProActive, a product we developed, SAP and Oracle offerings, as well as BPO services.

Net Sales and Segment Profit

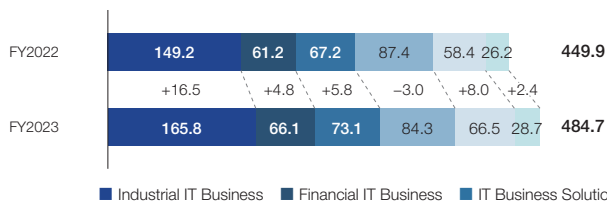
Net sales increased by ¥7.2 billion (11.0%) year on year to ¥73.8 billion due to the impact of new consolidation in the BPO business associated with an M&A, in addition to the robust ERP construction projects and the steady accumulation of projects in the ProActive business. Segment profit decreased by ¥1.1 billion (16.4%) year on year to ¥5.8 billion due to upfront costs associated with strengthening the re-skilling of engineers as we promoted a shift of resources to the digital supply chain business, as well as the impact of a reactionary decrease in public-sector projects in the BPO business.

Incoming Orders and Backlog

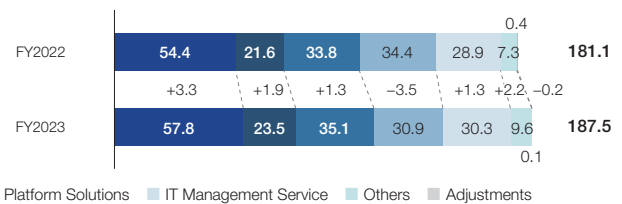
Incoming orders increased by ¥5.8 billion (8.8%) year on year to ¥73.1 billion, and backlog increased by ¥1.3 billion (3.9%) year on year to ¥35.1 billion owing to an increase in ERP projects and EC-related construction projects involving SAP and ProActive, as well as the effects of M&As in the BPO business.

Incoming orders

(Unit: billions of yen)

**Backlog**

(Unit: billions of yen)



■ Industrial IT Business ■ Financial IT Business ■ IT Business Solutions ■ IT Platform Solutions ■ IT Management Service ■ Others ■ Adjustments

IT Platform Solutions Segment

The segment sells hardware and software products and provides maintenance and support for them.

Net Sales and Segment Profit

Although there was a decrease in profits from network equipment for specific clients in the communications industry, net sales were ¥87.7 billion and segment profit were ¥12.5 billion due to strong sales of network security products and an increase in hardware sales to manufacturers and academic research institutions. As a result, full-year net sales were almost on par with the previous fiscal year.

Incoming Orders and Backlog

Incoming orders decreased by ¥3.0 billion (3.5%) year on year to ¥84.3 billion, and backlog decreased by ¥3.5 billion (10.2%) year on year to ¥30.9 billion, due mainly to a decrease in network equipment for specific clients in the communications industry and a reactionary decrease in sales of large-scale hardware, despite strong demand for network and security products.

IT Management Service Segment

The segment engages primarily in the data center business and the provision of cloud infrastructure and management services.

Net Sales and Segment Profit

Net sales increased by ¥3.7 billion (6.1%) year on year to ¥65.1 billion, mainly from management services of clients in the financial industry, as demand for cloud shift and lift services continued. In addition, inter-segment transactions increased due to an increase in infrastructure-related projects from industrial IT and financial IT clients, in addition to resolving the impact of a rise in electricity costs that could not be passed on to clients in the first half of the previous fiscal year. As a result, segment profit increased by ¥2.5 billion (35.2%) year on year to ¥9.9 billion.

Incoming Orders and Backlog

Incoming orders increased by ¥8.0 billion (13.8%) year on year to ¥66.5 billion, and backlog increased by ¥1.3 billion (4.6%) year on year to ¥30.3 billion due to solid growth in incoming orders related to management services resulting from increased demand for cloud shift and lift services.

Others Segment

The segment provides a variety of IT solutions mainly for medium-sized companies while performing remote development (nearshore development) leveraging the characteristics of its regional bases.

Net Sales and Segment Profit

Net sales increased by ¥0.3 billion (1.3%) year on year to ¥26.6 billion mainly due to systems development at SCSK Minor Solutions Corporation. Segment profit increased by ¥0.4 billion (32.9%) year on year to ¥1.8 billion owing to an improvement in the sales mix and a decrease in system integration expenses.

Incoming Orders and Backlog

Incoming orders increased by ¥2.4 billion (9.3%) year on year to ¥28.7 billion, and backlog increased by ¥2.2 billion (30.7%) year on year to ¥9.6 billion due to an increase in systems development projects at SCSK Minor Solutions Corporation.

Main Non-Financial Data

Human Resources Data

Consolidated^{*1}

			FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees			13,979	14,405	14,938	15,328	16,296
By gender	Male		10,921	11,106	11,371	11,558	12,208
		Female	3,058	3,299	3,567	3,770	4,088
By region	Japan		13,665	14,086	14,592	14,927	15,811
		Asia	151	153	162	213	287
		Americas	83	80	82	81	85
		Europe	80	86	102	107	113

Non-Consolidated^{*1}

Number of employees				7,384	8,357	8,462	8,470	8,611
By gender		Male	5,940	6,664	6,692	6,645	6,704	
		Female	1,444	1,693	1,770	1,825	1,907	
By age	20s	Male	585	798	893	947	1,088	
		Female	358	479	536	568	603	
		Total	943	1,277	1,429	1,515	1,691	
	30s	Male	1,036	1,090	1,000	1,000	1,034	
		Female	478	485	461	444	473	
		Total	1,514	1,575	1,461	1,444	1,507	
	40s	Male	1,916	2,104	2,077	2,012	1,910	
		Female	441	524	529	543	534	
		Total	2,357	2,628	2,606	2,555	2,444	
	50s	Male	2,075	2,221	2,175	2,076	2,003	
		Female	163	195	230	254	275	
		Total	2,238	2,416	2,405	2,330	2,278	
	60s	Male	328	451	546	610	669	
		Female	4	10	15	16	22	
		Total	332	461	561	626	691	
	Number of line managers ²			1,015	1,101	1,053	1,028	1,017
	By gender		Male	929	1,013	968	940	927
			Female	86	88	85	88	90
By position	Officer, Division General Manager Positions	Male	90	106	107	110	100	
		Female	1	1	3	3	4	
		Total	91	107	110	113	104	
	Department Manager Positions	Male	328	347	329	327	320	
		Female	14	13	11	13	19	
		Total	342	360	340	340	339	
	Section Manager Positions	Male	511	560	532	503	507	
		Female	71	74	71	72	67	
		Total	582	634	603	575	574	
Number of new recruits		Male	140	196	170	157	207	
		Female	87	116	104	76	75	
		Total	227	312	274	233	282	
Number of mid-career professionals hired ³		Male	65	56	84	146	256	
		Female	13	10	21	37	82	
		Total	78	66	105	183	338	
Number of non-Japanese employees			31	41	41	39	43	
Number of people with disabilities ⁴			262	275	270	329	332	
Employment Rate (%)			2.32	2.33	2.23	2.40	2.40	

			FY2019	FY2020	FY2021	FY2022	FY2023
Average years of service	Male		20.2	20.0	20.1	20.1	19.5
	Female		12.3	12.3	12.5	12.8	12.7
	Total		18.7	18.4	18.5	18.5	18.0
Average Annual Salary ^{*5} (thousands of yen)			7,359	7,526	7,522	7,467	7,642
Differences between male and female salaries (%)			77.8	80.2	80.6	81.2	82.7
Turnover ^{*6}	Male		160	138	165	236	212
	Female		27	28	43	54	75
	Total		187	166	208	290	287
	Turnover Rate ^{*7} (%)	Male	2.6	2.0	2.4	3.5	3.1
		Female	1.8	1.6	2.4	2.9	3.9
		Total	2.5	1.9	2.4	3.3	3.3
Average monthly overtime hours ^{*8} (hours/month)			18	20	21	22	22
Annual paid vacation	Average days taken (days)		18.1	17.3	17.8	18.0	17.3
	Acquisition rate (%)		93.0	88.7	90.9	91.8	89.5
Percentage of teleworking (%)			7.4	58.0	61.8	54.5	47.4
Number of employees using reduced work hour programs	Male		7	6	7	7	8
	Female		258	268	253	244	223
	Total		265	274	260	251	231
Number of employees using childcare leave	By gender	Male	19	45	53	74	78
		Female	178	183	162	155	149
		Total	197	228	215	229	227
	Acquisition rate (%)	Male	9.1	14.6	27.7	32.7	39.2
		Female	100.0	100.0	100.0	100.0	100.0
		Total	33.2	37.3	50.4	53.3	53.0
	Return rate (%)	Male	100.0	100.0	100.0	100.0	100.0
		Female	94.8	97.5	95.7	98.6	98.0
		Total	95.7	98.3	97.3	99.2	99.1
	Average number of days taken (days)	Male	89	65	29	64	99
		Female	437	482	413	420	410
		Total	377	337	268	270	234
Number of employees using extended nursing care leave	Male		1	2	1	1	3
	Female		0	1	1	3	2
	Total		1	3	2	4	5
Number of employees using nursing care leave	Male		162	145	141	164	170
	Female		30	26	29	38	45
	Total		192	171	170	202	215
Number of employees using maternity leave ^{*9}			63	47	41	43	45
Number of employees using parental leave			122	89	86	100	86
Number of employees using balance support leave ^{*10}	Male		669	497	475	408	480
	Female		399	363	370	350	417
	Total		1,068	860	845	758	897
Number of employees using child nursing leave	Male		261	143	198	186	217
	Female		235	161	208	178	192
	Total		496	304	406	364	409

*1 Data is calculated as of March 31 each fiscal year except where noted.

*2 Excluding directors, but including employees on loan.

*3 Total of mid-career professionals for full-time employees and specialized full-time employees

*4 Figures as of June 1 each fiscal year including main domestic Group companies with certification as special purpose subsidiary or affiliated company.

*5 Average annual salary of full-time employees, specialized full-time employees and senior full-time employees.

*6 Number of full-time employees, specialized full-time employees, contract employees, senior full-time employees, and senior expert employees, who resigned voluntarily

*7 Average number of employees for each fiscal year used as the parameter.

*8 Average for all employees including those under the discretionary work system and supervisors.

*9 Available to pregnant women in half-day increments to allow them to take time off for various related ailments, such as morning sickness, and for prenatal checkups (10 days a year).

*10 Paid leave that can be taken by the hour (up to a total of five days per year) to care for a family member, to accompany his/her child to receive necessary vaccinations or health exams or attend an event at his/her child's school, up until the child graduates from junior high school, or to undergo infertility treatments in a hospital.

Main Non-Financial Data

Human Resources Data

	FY2019	FY2020	FY2021	FY2022	FY2023
Average annual hours of training per employee (hours)	—	60	62	58	64
Average training expenses per employee (10 thousand yen)	—	24.8	26.0	24.9	27.3
Number of trainees dispatched overseas	15	5	12	15	13
Number of employees with a Career Development Plan (CDP)	7,110	8,170	8,315	8,164	8,249
Number of transferees using the personnel recruitment program and internal free agent (FA) program ^{*11}	100	42	93	86	66
Number of employees certified under the IT Skill Level Assessment ^{*12} (Lv1 to Lv7)	5,214	5,116	5,950	5,771	6,355
SCSK Career Frame					
Strategic job types	696	680	722	714	912
Development job types	3,571	3,503	3,734	3,415	3,377
Operations job types	796	787	802	712	696
Administrative job types	151	146	151	158	166
Young employee career development (development, infrastructure, systems management, embedded, sales) ^{*13}	—	—	541	772	1,204
Regular health exam uptake rate (%)	100.0	100.0	100.0	100.0	100.0
Reexam rate ^{*14} (%)	100.0	99.1	100.0	100.0	100.0
Rate of employees requiring specified health guidance ^{*14} (%)	21.0	23.0	20.5	20.1	18.9
Stress check uptake rate (%)	91.6	93.7	92.1	91.5	92.3
Number of employees on leave ^{*15}	52	59	69	77	81
Absence rate (%)	—	0.2	0.2	0.2	0.2
Number of industrial accidents	5	5	5	2	2
Kenko Waku Waku Mileage Program participation rate (%)	98.8	99.5	98.8	98.4	97.7
Number of participants in health literacy training ^{*16}	1,750	4,061	2,925	3,115	3,118
Health behaviors and habits					
Average number of steps	9,675	7,478	7,925	8,209	8,418
Employees who do not eat breakfast ^{*17} (%)	14.6	16.5	18.9	19.8	20.5
Dental exam uptake rate ^{*18} (%)	46.5	42.2	43.9	45.4	60.2
Short sleeping hours ^{*19} (%)	11.8	9.6	9.3	10.6	11.1
Employees who smoke (%)	16.0	15.0	14.1	13.9	13.4
Indicators on physical/mental health, job satisfaction and productivity					
Subjective health ^{*20} (%)	86.5	89.1	88.2	85.2	83.6
Presenteeism (performance demonstration level) ^{*21} (%)	83.5	86.2	84.2	81.7	80.2
Absenteeism ^{*22} (%)	67.0	75.4	70.8	69.3	63.7
Employee awareness survey ^{*23} (%)					
SCSK is a company with a pleasant workplace	90.0	92.1	91.8	90.6	89.3
SCSK is a company with a rewarding workplace	72.9	78.6	77.7	75.6	78.0
My abilities are fully leveraged	74.6	77.1	76.9	76.8	76.1

*11 Personnel recruitment takes place twice annually and internal FA is once annually. However, personnel recruitment took place only once in FY2020.

*12 A program that certifies IT skills according to seven levels based on SCSK Career Framework.

Strategic job types (business creator, sales, consultant, service manager BASM, service manager ITSM, marketing)

Development job types (project manager, IT architect, AP specialist, embedded software development, IT specialist, product specialist, R&D expert, full-stack engineer, scrum master, and product owner)

Operations job types (customer service, IT service management)

Administrative job types (administrative support staff-engineering)

*13 Defined as Lv1 to Lv3.

*14 Data for each fiscal year is calculated as of July 31 of the following year.

*15 Number of employees on leave due to non-occupational injury or illness.

*16 Total number of participants in training on the themes of diet, exercise, sleep, women's health, and by age group in any given fiscal year.

*17 The percentage of employees who responded, "I rarely eat breakfast (0 to 3 times a week)."

*18 Until FY2022: The percentage of employees who answered "Two or more times per year" or "One time per year" in response to the question, "Dental exams are believed to be necessary one to two times per year. How frequently do you receive dental exams?"

FY2023: The percentage of employees who answered "Visited a dentist" in response to the question, "It is said to be ideal to have a dental exam once or twice a year in order to check the health condition of your teeth. Have you visited a dentist for treatment or an exam in the past year?"

*19 The percentage of employees who answered "Less than 5 hours" in response to the question, "How much sleep do you normally get?"

*20 The percentage of employees who answered "I'm healthy" or "I'm more healthy than unhealthy" in response to the question, "What is your health condition?"

*21 The percentage of employees who answered that they can demonstrate "80% or more of the abilities" they can demonstrate when they are in healthy conditions.

*22 The percentage of employees who answered "0 hours" in response to the question, "How many work hours did you take off or make adjustments due to a health issue in the previous three months?"

*23 The percentage of employees who responded positively to the statements, "SCSK is a company with a pleasant workplace," "SCSK is a company with a rewarding workplace, and "My abilities are fully demonstrated" in the employee awareness survey.

Governance-related Data

(Number and percentage after the General Meeting of Shareholders)

	2020	2021	2022	2023	2024
Composition of the Board of Directors					
Number of Directors	11	12	12	12	11
Number of Outside Directors	4	5	6	6	6
Number of Independent Outside Directors included	4	5	6	6	6
Percentage of Outside Directors (%)	36.4	41.7	50.0	50.0	54.5
Number of Female Directors	1	1	2	3	2
Percentage of Female Directors (%)	9.1	8.3	16.7	25.0	18.2

Environmental Performance Data

			FY2019	FY2020	FY2021	FY2022	FY2023
Electricity consumption	Total: Entire SCSK Group (1,000 kWh)		110,440	126,000	147,531	159,661	166,698
	Break-down	Offices (1,000 kWh)	25,119	23,694	25,020	25,920	25,742
		Data centers (1,000 kWh)	85,321	102,306	122,511	133,741	140,956
	Renewable energy	Utilization volume (1,000 kWh)	—	—	47,500	59,843	78,792
		Utilization ratio (%)	—	—	32.2	37.5	47.3
Fuel	Total (quantity in GJ)		3,013	3,823	4,651	4,332	4,257
	Break-down	Kerosene (kl)	19	23	40	13	14
		Light oil (kl)	—	—	1	2	2
		Diesel (kl)	27	46	39	38	42
		Gasoline (kl)	—	12	26	39	34
		Utility gas (1,000 m³)	28	17	16	21	20
Steam, hot water, cold water (quantity in GJ)			17,721	16,265	14,004	11,814	10,000
Volume of office paper purchased (1,000 sheets)			17,767	6,417	5,156	5,403	4,483
General waste ^{*1 *2 *3} (t)			203	140	149	134	149
Industrial waste ^{*1 *2 *3} (t)			159	16	44	33	89
Water Withdrawal (m³)			—	—	—	—	194,993
Water Discharge (m³)			—	—	—	—	194,993

(t-CO₂)

Greenhouse gas emissions		FY2019	FY2020	FY2021	FY2022	FY2023
Scope 1	Direct emissions	184	249	307	277	279
Scope 2	Indirect emissions from energy	46,597	52,354	39,537	36,298	35,875
Scope 3	Other indirect emissions	575,116	538,328	493,934	575,556	629,558
Total		621,897	590,930	533,778	612,131	665,712

Scope 3 Breakdown by category

Category 1	Purchased goods and services	259,173	250,615	231,542	281,953	305,656
Category 2	Capital goods	21,092	27,572	24,302	51,897	21,085
Category 3	Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	7,992	9,031	10,456	11,231	6,325
Category 4	Upstream transportation and distribution ^{*4} excluded from calculation	—	—	—	—	—
Category 5	Waste generated in operations	343	273	315	269	358
Category 6	Business travel	6,155	917	1,270	3,013	4,368
Category 7	Employee commuting	5,604	4,951	3,440	3,736	4,465
Category 8	Upstream leased assets ^{*5} excluded from calculation	—	—	—	—	—
Category 9	Downstream transportation and distribution ^{*6} excluded from calculation	—	—	—	—	—
Category 10	Processing of sold products ^{*7} excluded from calculation	—	—	—	—	—
Category 11	Use of sold products	274,735	244,947	222,592	223,442	287,258
Category 12	End-of-life treatment of sold products	22	22	16	15	42
Category 13	Downstream leased assets ^{*8} excluded from calculation	—	—	—	—	—
Category 14	Franchises ^{*9} excluded from calculation	—	—	—	—	—
Category 15	Investments ^{*10} excluded from calculation	—	—	—	—	—
Total		575,116	538,328	493,934	575,556	629,558

(t-CO₂/million yen)

Greenhouse gas emissions intensity		FY2019	FY2020	FY2021	FY2022	FY2023
Upstream greenhouse gas emissions intensity of Scope 1+2+3		0.90	0.87	0.75	0.87	0.79

*1 The company does not produce any hazardous waste from its business operations.

*2 SCSK Offices: (Toyosu Head Office/Odaiba Office/Tama Center Office/Nishinihon Kitahama Office/Nishinihon Senri Office/Nishinihon Honmachi Office/Chubu Office/Hiroshima Office/Kyushu Office/)

*3 SCSK Data Centers: (netXDC Tokyo Center 1/ netXDC Tokyo Center 2/ netXDC Chiba Center/ netXDC Chiba Center 2/ netXDC Chiba Center 3/ netXDC Sanda Center/ netXDC Sanda Center 2)

*4 Calculated in Category 1.

*5 Emissions through the lease of relevant offices are calculated in Scopes 1 and 2.

*6 Not applicable because it is difficult to collect data required to calculate emissions.

*7 Not applicable because the Company does not manufacture or sell intermediate products.

*8 Not applicable because the Company does not engage in the property leasing business.

*9 Not applicable because the Company does not engage in the franchise business.

*10 Not applicable because the Group does not engage in the investment business.

Basic Information

Established	October 25, 1969		
Capital	¥21,420 million	Head office	Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan TEL: +81-3-5166-2500 URL: https://www.scsk.jp/index_en.html
Total number of employees	16,296 (Consolidated)		

Base Information

Toyosu Head Office	Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo TOYOSU FORESIA, 3-2-24, Toyosu, Koto-ku, Tokyo	Chubu Office	SC Fushimi BLDG., 2-16-26, Nishiki, Naka-ku, Nagoya-shi, Aichi
SCSK LINK SQUARE	Tokyo Midtown Yaesu, Yaesu Central Tower, 2-2-1, Yaesu, Chuo-ku, Tokyo	Hiroshima Office	Hiroshima High Bldg. 21, 3-1, Kanayama-cho, Naka-ku, Hiroshima-shi, Hiroshima
Odaiba Office	Tradepia Odaiba, 2-3-1, Daiba, Minato-ku, Tokyo	Kyushu Office	CONNECT SQUARE HAKATA, 1-17-1, Hakataekihigashi, Hakata-ku, Fukuoka-shi, Fukuoka
Nishinihon Kitahama Office	Osaka Shoken Torihikijo Bldg., 1-8-16, Kitahama, Chuo-ku, Osaka-shi, Osaka	Tama Center Office	SCSK Tama Center Bldg., 2-3, Sannoushita, Tama-shi, Tokyo
Nishinihon Senri Office	Sumitomo Corporation Senri Bldg., 1-2-2, Shinsenri Nishimachi, Toyonaka-shi, Osaka	SCSK Group Okinawa Center Office	4-35-2, Gusukuma, Urasoe-shi, Okinawa
Nishinihon Honmachi Office	Metlife Honmachi Square Bldg., 2-5-7, Honmachi, Chuo-ku, Osaka-shi, Osaka		

*Opened in June 2024

Group Companies

 = IT Consulting
  = Systems Development
  = Verification services
  = IT infrastructure development
 = IT management
  = IT hardware/software sales
  = BPO services

SCSK ServiceWare Corporation

SCSK ServiceWare provides BPO services with high added value in domains such as contact centers, back offices, and help desk operation with operational knowledge, IT, and human resources as its strengths.

VeriServe Corporation

For nearly 40 years, VeriServe has helped more than 1,100 companies improve the quality of products with embedded software and information systems.

SCSK Minori Solutions Corporation

With expertise in diverse industries and technological capabilities in virtualization, cloud technologies, Microsoft technologies, and more, SCSK Minori Solutions supports the digitalization of a wide range of medium-sized companies and other clients with comprehensive ICT capabilities.

SCSK KYUSHU CORPORATION

Under the slogan "a company that contributes to the vitalization of the region through IT services," SCSK Kyushu contributes to the growth of clients as a technical company that represents the SCSK Group in the Kyushu Region.

SCSK HOKKAIDO CORPORATION

Focusing on our clients in Hokkaido and northern Tohoku, SCSK Hokkaido provides support for small- and medium-sized enterprise DX, core systems for distributors, IT infrastructure development and various solutions for agriculture, food manufacturing, and inspection operations.

SCSK RegTech Edge Corporation

As a company specializing in AML (anti-money laundering) measures, SCSK RegTech Edge supports the development of AML systems through accumulated expertise and advanced service offerings to help realize a safe and secure society.

Skeed Co., Ltd.

An IoT data distribution infrastructure through a unique decentralized autonomous architecture. Skeed provides development, sales, and maintenance of high efficiency file distribution technology, high capacity high speed file transfer software, etc. to many offices.

SCSK SYSTEM MANAGEMENT CORPORATION

With extensive experience in the systems operation and management service field, SCSK System Management provides high quality and high added-value services, always engaging in improvement of clients' systems operation quality, and contributing to business stabilization.

VA Linux Systems Japan K.K.

VA Linux offers advanced services including development and failure analysis related to the Linux Kernel, in-vehicle operating systems, cloud computing, containers and networks by highly professional engineers with in-depth source-code expertise in infrastructure OSS.

SDC Corporation

SDC offers full spectrum of innovative network infrastructure products and solutions as well as professional services for next-gen network design, build, maintenance and operation by our highly skilled and experienced engineers.

SCSK NEC Data Center Management, Ltd.

SCSK NEC Data Center Management owns data center assets in Inzai City, Chiba, and provides data center services and network services to SCSK and NEC.

SCSK Security Corporation

SCSK Security contributes to a safe and secure society by using advanced security technology and expertise to provide high-quality services and support. It also maximizes return on enterprise security investment.

Allied Engineering Corporation

Allied Engineering provides product development, sales, and maintenance of the structural analysis software, ADVENTURECluster, provides development, sales and maintenance of the parts specifications design system from the required product specifications and provides the contracted consulting service for CAE analyses.

SCSK Automotive H&S Corporation

Under our mission of "Bringing happiness to everybody involved," SCSK Automotive H&S provides software development support services by specialized engineers toward creating a future mobility society.

SCSK PRESCENDO CORPORATION

SCSK PRESCENDO provides support for clients to expand their EC business through an ever-evolving EC (electronic commerce) platform called "FACE," high-quality fulfillment services, and management support services that improve sales.

Gran Manibus Co., Ltd.

Under the philosophy "creating social value through business," Gran Manibus provides consulting support in the management and IT fields and a business incubation service using advanced technologies.

SCSK Nearshore Systems Corporation

SCSK Nearshore Systems provides remote services to regional offices in Japan centering around software development and maintenance operations for the IT services deployed by respective SCSK Group companies.

TOKYO GREEN SYSTEMS CORPORATION

A special purpose subsidiary under the quasi-public corporation method with Tama City, Tokyo, Tokyo Green Systems provides disabled persons who have the motivation to work places for participation in society and deploys businesses such as administration, cleaning, and agriculture aimed at supporting their independence.

ARGO GRAPHICS Inc.*

As a technical solution provider, ARGO GRAPHICS provides IT solutions mainly to clients in the manufacturing industry, including automobiles and semiconductors, supporting clients' manufacturing with diverse products and advanced technical capabilities.

Diamond head Co., Ltd.*

Diamond head provides full support for the operations necessary for e-commerce operations from product photography, design, providing EC system and sales support systems, EC site operations, online marketing, to distribution support.

*Company accounted for using the equity method.

SCSK USA Inc.

In cooperation with SCSK and its overseas local companies, SCSK USA provides large-scale, high-quality digitalization promotion and operation services that it has developed over many years, and promotes the co-creation of advanced businesses with clients utilizing cutting edge technologies unique to USA.

SCSK Europe Ltd.

With a base in London, SCSK Europe provides various Japanese quality IT services primarily to Japanese businesses located in Europe and Middle East Africa. Promoting a number of overseas DX projects, it has strengthened initiatives to transform business models using digital technologies in recent years.

SCSK Shanghai Limited

Targeting China and other East Asian countries, SCSK Shanghai provides IT services by leveraging its accumulated knowledge and refined technical capabilities. It provides smooth and reliable support for clients' businesses as a multilingual player between Japan and local companies.

SCSK Asia Pacific Pte. Ltd.

SCSK Asia Pacific provides a full line up of IT services as a strategic DX partner to Japanese companies based in Singapore, South, East and West Asia, and Australia given its understanding of the local requirements and track record with large scale projects.

PT SCSK Global Indonesia

With Jakarta as the base, SCSK Global Indonesia provides high-quality IT solutions as a strategic IT partner to businesses. In addition, it also provides a wide range of support on overall IT that goes along with clients' commercialization of DX.

SCSK Myanmar Ltd.

Located in Yangon, SCSK Myanmar provides high-quality IT solutions as a strategic IT partner to businesses based in Myanmar. It creates new values for clients and contributes to development of the local community through the commercialization of DX.

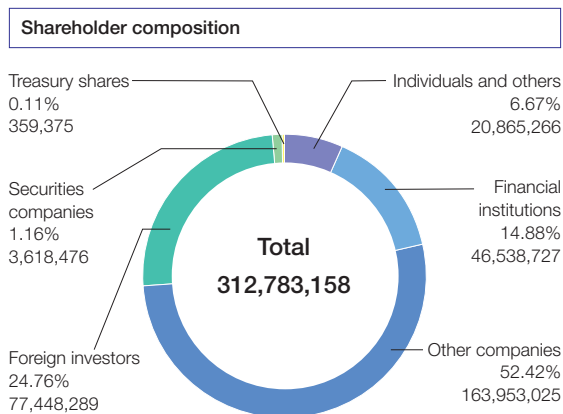
Investor Information

Stock/Shareholder Information

Class of stock	Common Stock
Number of shares authorized	600,000,000
Number of shares issued	312,783,158 (including 359,375 treasury shares)
Number of shareholders	26,638

Stock listing	Tokyo Stock Exchange, Prime Market
Stock code	9719
Stock trading unit	100
Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
Independent certified public accountant	KPMG AZSA LLC

Distribution of Shareholders (Common Stock)



Major Shareholders

	Name of Shareholder	Number of Shares Held	Shareholding Ratio ¹
1	SUMITOMO CORPORATION	158,091,477	50.60
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	22,924,800	7.34
3	Custody Bank of Japan, Ltd. (Trust Account)	14,957,400	4.79
4	SCSK Group Employee Stock Ownership Association	6,781,064	2.17
5	STATE STREET BANK WEST CLIENT -TREATY 505234	4,440,476	1.42
6	SSBTC CLIENT OMNIBUS ACCOUNT	4,108,202	1.31
7	ARGO GRAPHICS Inc.	3,046,500	0.98
8	STATE STREET BANK AND TRUST COMPANY 505001	2,408,660	0.77
9	JAPAN POST INSURANCE Co., Ltd.	2,146,200	0.69
10	GOVERNMENT OF NORWAY	2,030,122	0.65

¹ Shareholding ratio is calculated exclusive of treasury stock (359,375 shares).

Total Shareholder Return (TSR)^{*2}



^{*2} October 3, 2011 indexed as 100

External Recognition

Evaluation regarding ESG



Rated 4.5 stars in the 7th Nikkei Smart Work Management Survey



Selected as a Health and Productivity Stock Selection for the tenth consecutive year



Recognized as Certified Outstanding Health & Productivity Management Organization (Large Enterprise Category) "White 500" for the eighth consecutive year



Selected for THE DIVERSITY MANAGEMENT 2.0 PRIME (FY2018)



Selected as a Nadeshiko Brand 2024 (9th time: FY2014–FY2021, FY2023)



For the sixth consecutive year, received the Gold rating, the highest rating, in the PRIDE Index for LGBTQ-Related initiatives



Received an A- rating in CDP Climate Change Report 2023



Rated highest in CDP Supplier Engagement Assessment and selected as a "Supplier Engagement Leader"

Inclusion in Various Indices



An investment product for pension funds and institutional investors, which is managed by Sompo Asset Management Co. Ltd. and broadly invests in companies with high ESG ratings



An index series that reflects performance of companies which excel in the global standards for environment, society, and governance (ESG) defined by FTSE Russell



Received an A in the MSCI ESG rating, a global benchmark for ESG investment provided by MSCI ESG Research

Selected for all ESG indices covering domestic stocks adopted by Government Pension Investment Fund (GPIF)



An index defined by FTSE Russell, which reflects performance of excellent Japanese companies in ESG measures^{*1}



An index that reflects performance of excellent Japanese companies in ESG measures in each sector defined by FTSE Russell^{*2}

2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数

An index consisting of companies with higher ESG ratings selected from each industry classified according to the Global Industry Classification Standard (GICS), based on MSCI Nihonkabu IMI Index

2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

A theme-based index consisting of companies which excel in gender diversity based on the MSCI Japan IMI Top 700 Index

Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)

An index designed for companies in which an established gender diversity policy has permeated as corporate culture, and ones which are committed to equal opportunities for employees regardless of gender, utilizing data and evaluation methods provided by Equileap*

*Independent, specialized data provider based in Amsterdam, the Netherlands, which provides a wide range of gender indicators



A stock index focusing on the environment among "ESG investments" jointly developed by S&P Dow Jones Indices and Japan Exchange Group

Disclaimer

THE INCLUSION OF SCSK CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SCSK CORPORATION BY MSCI OR ANY OF ITS AFFILIATES.

THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SCSK Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SCSK Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Communication with Shareholders and Other Investors

The SCSK Group actively holds constructive communication with shareholders and other investors according to a scope and means acceptable in order to contribute to sustainable growth and the enhancement of medium- to long-term corporate value. We have created a structure for promoting constructive communication with shareholders and other investors, led by the Corporate IR Officer. This officer is mainly responsible for establishing an internal system for disclosing information on our business activities to shareholders and other investors in an appropriate and timely manner. In terms of actual communication, we work to hold direct discussions between this officer and shareholders and other investors whenever possible. In FY2023, we engaged in highly transparent IR activities through communication with a total of approximately 500 analysts and investors in Japan and overseas.

As an initiative to promote dialogue with shareholders and other investors, we hold quarterly financial results conferences. Moreover, for FY2023, we held a briefing on the new Medium-Term Management Plan and a sustainability briefing to deepen understanding about the SCSK Group's operations. In addition, we proactively engage in IR activities, such as holding a briefing for individual investors for the first time.

As for dialogue with overseas investors, in FY2023, we actively participated in conferences which securities firms held in Japan for overseas institutional investors, continuing from the previous year, and have ongoing dialogue with those investors in FY2024. We also resumed in-person IR meetings abroad in FY2023.

Opinions received through these dialogues are reported to the Board of Directors and the management team in a timely and appropriate manner, and are utilized in management and IR activities. For example, we held a sustainability briefing with the aim of reflecting the content of the dialogue when formulating the new Medium-Term Management Plan and having each officer in charge explain directly to institutional investors about their questions on ESG-related issues.

Main Dialogue Themes in FY2023

- Market environment for IT services
- Performance trends
- New Medium-Term Management Plan
- Financial and non-financial strategies
- Human resources strategy, etc.

Main Activities (IR Events) in FY2023

Holding a briefing on the new Medium-Term Management Plan

The Representative Director and President explained the details of the new Medium-Term Management Plan published at the time of the announcement of full-year financial results in April 2023, and had a dialogue with institutional investors and analysts.



Holding a sustainability briefing

The officers in charge of Human Resources & General Affairs Div., Sustainability Promotion & Corporate Communications Div. and Finance, Accounting & IR Div. presented the SCSK Group's initiatives for sustainability management, and had a dialogue with institutional investors and analysts.



Holding a briefing for individual investors

The officer in charge of Finance, Accounting & IR Div. explained the SCSK Group's business overview and initiatives for sustainable growth in the future were explained online to individual investors.

*The materials are only available in Japanese.



For the materials presented at events for analysts and institutional investors to date, please visit:
https://www.scsk.jp/ir_en/library/analyst_meeting/index.html



About the Cover

The cover page and concept page of this booklet are inspired by "Co-creation Space for a Comfortable Future," the concept of "SCSK Link Square," which was opened in June 2024 as a base for strengthening the brand power and co-creation of the SCSK Group.

Warm green is used as a key color to express a comfortable and sustainable image where nature, people and IT are intermingled.

For details of SCSK LINK SQUARE, please refer to the page on the right.



Opened “SCSK LINK SQUARE,” a SCSK Branding Base

SCSK opened “SCSK LINK SQUARE” in Tokyo Midtown Yaesu in June 2024 as a base for communicating with and co-creation with clients to further strengthen the brand power of the SCSK Group. It will be a place where clients will recognize the significance of the SCSK Group’s existence and the value it provides, and where they can experience SCSK’s latest solutions and cutting-edge digital technologies. The SCSK Group will use SCSK LINK SQUARE as a starting point to create new value required by society.



The logo represents the image of “connecting” and “gathering” through this place.



WELCOME AREA



EXPERIENCE AREA



COLLABORATION AREA



EVENT AREA

About SCSK LINK SQUARE

Toward the realization of our corporate philosophy “Create Our Future of Dreams,” the SCSK Group is promoting sustainability management as part of its growth strategy. SCSK LINK SQUARE was established with the following three objectives and missions toward the realization of “Co-Creative IT Company” as set forth in Grand Design 2030.

Purpose of SCSK LINK SQUARE

- A place to share the SCSK Group’s value creation through its business with clients
- A place where clients can experience a new and flexible work style in a live office
- A place to co-create, demonstrate, and communicate leading-edge technologies and initiatives across industries

By creating an open and flexible space, it is also possible to revitalize communication between employees across organizational boundaries.

Area overview

SCSK LINK SQUARE consists of five areas: “WELCOME AREA,” “EXPERIENCE AREA,” “LIVE OFFICE AREA,” “COLLABORATION AREA,” and “EVENT AREA.” Each area is designed so that clients can deepen understanding about SCSK, communicate with each other, and engage in co-creation activities aimed at creating value.

Concept of SCSK LINK SQUARE

The concept of SCSK LINK SQUARE is a “Co-creation Space for a Comfortable Future.” Through this place, we hope to generate “co-creation” with our clients and other visitors by providing them with a wonderful and comfortable “co-creation experience.”

Column

“CAMP,” SCSK Group’s Social Contribution Activity

Children’s Art Museum & Park (CAMP) was launched in April 2001 as a social contribution activity of the SCSK Group to foster the “Ability to create in harmony with one another” of children, who will be forging the future.

CAMP places the highest priority on activities that children can enjoy on their own initiative, and provides workshops for elementary and junior high school students that incorporate the five elements of “thinking,” “making,” “connecting,” “presenting,” and “reflecting.” Through the experience of co-creation activities in group work, children will learn various ways of expressing themselves, and develop the sociality and a spirit of enjoyment by accepting others and diversity, which will be required of children in the future.

Five elements of CAMP workshops:



CAMP is active throughout Japan, mainly at the SCSK Group’s bases.

Number of workshops held: 1,242; Total number of participants: 24,046
(April 2001 - March 2024)



By developing CAMP activities in collaboration with industry, academia, and government at SCSK Group bases throughout Japan, we promote activities to foster the next generation and contribute to regional revitalization. At the workshops, employees from each base and local university students play an active role as facilitators who draw out the independence of children and provide appropriate support according to each situation. The experience as facilitators is an opportunity to learn and gain awareness.



For further details about CAMP, please visit:
<https://www.camp-k.com/>
(in Japanese only)



IT for the Next Delight.

SCSK