

SCSK Corporation
Consolidated Financial Results for the Fiscal Year Ended March 2025
and Financial Forecasts for the Fiscal Year Ending March 2026

Date: April 30, 2025 4:00-5:00 PM

Speaker: Yasuhiko Oka, Managing Executive Officer

■ **Contents (slide 1)**

Greetings, my name is Yasuhiko Oka, and I am a managing executive officer of SCSK corporation.

■ **Summary of Financial Results (PL/Incoming Orders/Backlog) (slide 2)**

Looking first at slide 2, I would like to begin by providing an overview of consolidated performance in the fiscal year ended March 31, 2025.

In the year under review, SCSK posted net sales of ¥596.0 billion, up 24.1% year on year; operating profit of ¥66.1 billion, up 16.0%; and profit attributable to owners of parent of ¥45.0 billion, up 11.3%.

A number of issues emerged in the fiscal year ended March 31, 2025, such as the disposal of certain software assets in PROACTIVE operations and reductions in sales and profit in business process outsourcing operations due to a challenging operating environment. Nevertheless, we were able to deliver impressive financial results thanks to the generally strong IT demand seen among customers.

Consolidated performance was affected by the conversion of Net One Systems Co., Ltd., into a consolidated subsidiary. I will touch on this matter and how it will influence performance a bit later on.

The rate of growth in profit attributable to owners of parent was lower than that for operating profit due to impairment losses on investment securities and financial expenses associated with integration measures.

Incoming orders in the fiscal year ended March 31, 2025, including the fourth-quarter performance of Net One Systems, increased 26.5% year on year, to ¥613.1 billion, while the order backlog rose 67.5%, to ¥314.1 billion. These trends were a reflection the currently brisk IT investment demand.

Let us now look at slide 3.

■ **Summary of Financial Results from Jan. to Mar. 2025 (PL/Incoming Orders/Backlog) (slide 3)**

This slide shows performance in the fourth quarter of the fiscal year ended March 31, 2025. Included in these figures is the performance of Net One Systems, which specifically amounted to ¥72.7 billion in net sales, ¥9.1 billion in operating profit, ¥74.9 billion in incoming orders, and ¥111.6 billion in order backlog.

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Please turn to slide 4.

■ Net Sales Analysis (slide 4)

The graph on the top half of this slide shows year-on-year changes in net sales by sales segment in the fiscal year ended March 31, 2025. These figures exclude the performance of Net One Systems.

The Systems Development segment posted growth of 6.0% in net sales, despite the absence of previously recorded orders from the distribution industry, due to increases in development projects for the manufacturing industry, primarily the automotive sector, and in the projects for the banking industry.

The System Maintenance and Operation / Services segment achieved net sales growth of 8.0% as a result of the strong performance of management services and verification services as well as the benefits of newly consolidated companies in the e-commerce businesses, which offset the decline from the absence of previously recorded BPO sales.

Net sales in the Packaged Software / Hardware Sales segment rose 17.6% year on year due to increases in sales of security products and in hardware sales to academic research institutions.

When the ¥72.7 billion in fourth-quarter net sales of Net One Systems are added to the sales of these three sales segments, it makes for a figure of ¥596.0 billion in total net sales for the fiscal year ended March 31, 2025. This performance is in line with the revised forecast released in the third quarter.

Let us look next at slide 5.

■ Operating Profit Analysis (slide 5)

Next, slide 5 shows factors affecting operating profit in the fiscal year ended March 31, 2025.

The lefthand side of the slide shows performance of SCSK prior to the consolidation of Net One Systems.

Higher net sales buoyed operating profit by ¥11.4 billion.

In terms of factors affecting the gross profit margin, downward pressure was felt from the impacts of increases in low-margin system sales, the conclusion of public-sector BPO projects, higher investment expenses attributable to structural reforms, and a rise in costs associated with strengthening PROACTIVE operations. Nevertheless, both gross profit and the gross profit margin were buoyed by improved profit margins for systems development, which were due in part to lower impacts from unprofitable projects, and for verification services.

Selling, general and administrative (SG&A) expenses were up as a result of higher personnel expenses following the increases to base salaries and other wage increases as well as promotions and staff expansions. Other factors driving up SG&A expenses included higher expenses for sales activities and costs incurred in relation to office renovations and measures for addressing aging systems.

Net other expenses amounted to ¥1.5 billion as benefits of the gains on sales of real estate

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recorded throughout the fiscal year were counteracted by the second round of losses on disposal of PROACTIVE software assets that was unfortunately recorded in the fourth quarter.

Operating profit thus came to amount to ¥61.8 billion due to generally strong performance, essentially the same as the ¥62.0 billion projected, despite the one-time software disposal losses.

After adding the ¥9.1 billion in operating profit from Net One Systems and deducting integration-related expenses and amortization on PPA (purchase price allocation), this makes for ¥66.1 billion in operating profit for the fiscal year ended March 31, 2025.

This figure falls a mere ¥0.4 billion short of the revised forecasts of ¥66.5 billion announced in the third quarter. This outcome was a result of the recording of ¥1.5 billion in amortization on PPA that was not reflected in the aforementioned forecasts. Accordingly, we believe that we were able to produce strong results that greatly surpassed the forecast when excluding this factor.

Please look at slide 6.

■ Incoming Orders/Backlog Analysis (slide 6)

This slide shows a breakdown of factors affecting incoming orders and order backlog by sales segment. Discussions of orders for the three segments will use figures that exclude the impacts of the consolidation of Net One Systems.

The Systems Development segment saw increases in incoming orders and order backlog of 5.5% and 7.4%, respectively. These increases were a result of growth in systems development orders from automotive and communications industry customers and higher SAP-related digital supply chain orders from manufacturing industry customers.

Despite the impacts of the absence of previously recorded BPO orders, incoming orders in the System Maintenance and Operation / Services segment were up 8.0% and order backlog grew 3.6% following increases in orders for management services, strong performance for verification services, and the benefits of newly consolidated companies in the e-commerce businesses.

In the Packaged Software / Hardware Sales segment, meanwhile, incoming orders and order backlog increased 31.3% and 30.9%, respectively, as a result of rises in network equipment orders from certain communications industry customers and growth in sales of security products and high-performance computing and other hardware.

As shown on this slide, the consolidation of Net One Systems boosted total order backlog by ¥74.9 billion and order backlog by ¥111.6 billion.

■ Business Performance by Reportable Segment(Net Sales/Operating Profit/Operating Profit Margin) (slide 7)

I would next like to talk about performance by segment with slide 7.

Overall, the strong business trends and struggling IT solutions performance seen leading up to December 31, 2024, have proven to be ongoing. I will therefore be focusing our discussion on those segments for which changes were seen in the fourth quarter of the fiscal year ended March 31, 2025.

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In the Financial IT Business segment, improvements to profit margins attributable to higher productivity and earnings contributions from consolidated subsidiaries resulted in a massive increase in profit.

The IT Business Solutions segment, meanwhile, saw losses increase due to the deterioration of performance in PROACTIVE and BPO operations as well as the losses on disposal of PROACTIVE software assets recorded in fourth quarter.

At the same time, profit margins were down in the IT Platform Solutions segment due to the absence of high-margin projects recorded in the fourth quarter of the fiscal year ended March 31, 2024.

However, the introduction of Net One Systems into the IT Platform Solutions segment boosted net sales in this segment by ¥72.7 billion and heightened operating profit by ¥6.5 billion. The rise in operating profit was limited due to the impacts of merger-related expenses associated with PPA and with Net One Systems itself.

■ Business Performance by Reportable Segment (Incoming Orders/Backlog) (slide 8)

Moving on to slide 8, we will look next at trends in incoming orders and order backlog by segment.

I will only be explaining those segments that saw changes in trends in incoming orders and order backlog in comparison to the third quarter of the fiscal year ended March 31, 2025.

The Financial IT Business segment witnessed an increase in order backlog following the receipt of comprehensive full-year order contracts in the fourth quarter.

In the IT Business Solutions segment, fourth-quarter earnings growth surpassed the level of growth seen in the third quarter due to the accumulation of incoming orders and order backlog in the PROACTIVE operations.

Meanwhile, amounts of ¥74.9 billion and ¥111.6 billion were added to incoming orders and order backlog, respectively, for the IT Platform Solutions segment to reflect the orders and backlog of Net One Systems.

■ Business Performance by Reportable Segment Analysis (slide 9 to 10)

Slides 9 and 10 offer a summary of the factors affecting segment performance that I just explained. I will not be offering any additional comments on these slides.

Next, I would like to explain our forecasts for full-year performance and dividend payments in the fiscal year ending March 31, 2026.

Let us take a look at slide 11.

■ FY2025 Consolidated Financial/Dividend Forecasts (slide 11)

Entering into the fiscal year ending March 31, 2026, we find ourselves facing incredibly opaque macroeconomic conditions, due to factors such as the trade policies of the United States. Nevertheless, we had a strong order backlog on March 31, 2025, and our order pipeline looks

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similar to as it did in the previous fiscal year. Given this reality as well as the brisk internal demand seen among major customers, we anticipate that the impacts of the opaque conditions on performance will be minimal.

Based on these considerations, our forecasts for full-year performance in the fiscal year ending March 31, 2026, project net sales of ¥790.0 billion, an increase of 32.5% year on year; operating profit of ¥85.0 billion, an increase of 28.6%; and profit attributable to owners of parent of ¥57.6 billion, and increase of 27.9%.

Meanwhile, we plan to issue annual dividend payments of ¥94 per share, an increase of ¥23 per share, which should make for a dividend payout ratio of 51.0%, higher than the target of 50.0% set for the Medium-Term Management Plan.

The figures for the fiscal year ended March 31, 2025, displayed on this slide do not reflect the performance of Net One Systems over the nine-month period ended December 31, 2024, and therefore should only be viewed as reference figures.

On the next slide, we provide a supplementary proforma basis look at performance figures.

■ FY2025 Proforma Consolidated Financial Forecasts (slide 12)

As shown on this slide, SCSK is projected to achieve increases of 4.1% in net sales and 10.0 % in operating profit on a pro forma basis in the fiscal year ending March 31, 2026. Net One Systems, meanwhile, is expected to see increases of 5.3% in net sales and 8.7% in operating profit. When including PPA and other integration-related expenses, the increase in net sales should be 4.5% while the rise in operating profit becomes 6.1%.

Factors behind these increases will include the benefits of underway enterprise resource planning projects and growth in sales to the communications and automotive industries in the Industrial IT Business, which will be supported by our current order backlog and pipeline. Meanwhile, the Financial IT Business is projected to continue enjoying rises in sales to the banking industry while the IT Management Service segment sees growth in data center- and management service - related operations. Meanwhile, weak performance is forecast in the IT Platform Solutions due to the rebound from the previously strong performance for certain product lines.

In the IT Business Solutions segment, we anticipate benefits from the absence of the software disposal losses and other one-time costs recorded in the previous fiscal year. This factor, combined with the aforementioned factors driving up sales, will contribute to higher sales and profit in the fiscal year ending March 31, 2026.

Net One Systems, meanwhile, is anticipated to benefit from growth in operations serving the public sector driven by social infrastructure projects as well as projects for which orders have already been received from municipal governance agencies. These factors will offset the rebound from the strong performance in relation to the private enterprise sector that this company witnessed in the previous fiscal year.

Due to these factors, we are projecting an operating margin of 10.8% in the fiscal year ending March 31, 2026. As shown on this slide, this figure should be 12.5% when looking at SCSK alone, a figure on par with the management targets prescribed by the Medium-Term Management Plan.

■ Finance Policy (slide 13)

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Slide 13 details the financial impacts of the Net One Systems tender offer bid. Feel free to look over this slide later should you feel inclined.

This concludes my portion of today's presentation. SCSK looks forward to your ongoing support and encouragement.

We greatly appreciate you taking the time to join us today.

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