

**SCSK Corporation**  
**Consolidated Financial Results for the Three Months Ended June 30, 2025**  
**Q&A Session Summary**

Date: July 29, 2025 4:00-5:00 PM

Speaker: Yasuhiko Oka, Managing Executive Officer

Q. What year-on-year changes were seen in incoming orders and order backlog for Net One Systems Co., Ltd. in the three-month period ended June 30, 2025?

A. On a pro forma basis, incoming orders and order backlog for Net One Systems were down year on year in reaction of large-scale orders recorded in the public and partner segments in the previous equivalent period. Nevertheless, we expect strong orders to be posted on a full-year basis in light of Net One Systems recording large-scale orders in the public segment in July 2025.

Q. How would you assess SCSK's performance in the three-month period ended June 30, 2025, in comparison to internal forecasts?

A. Performance in the three-month period ended June 30, 2025, surpassed internal forecasts. Our internal forecasts assumed that IT investment demand would be firm, despite the economic uncertainty caused by the reciprocal tariffs implemented by the United States and Japan and other factors. Net sales were in line with the forecasts, while profit was higher than forecast due to an improved sales mix, recovery in PROACTIVE and business process outsourcing operations, and increased profitability in data center-related businesses. At Net One Systems, profit margins improved as the increase in earnings in the high-margin public segment compensated for the decline in sales in the partner segment.

Q. Was the one-time gain of ¥1.7 billion recorded by Net One Systems in relation to lawsuits included in the internal forecasts?

A. No, this gain was not included in internal forecasts.

Q. What has SCSK chosen not to revise its full-year forecasts?

A. Accomplishing our full-year forecasts presents a high hurdle for both SCSK and Net One Systems. The challenges for SCSK are a result of the rise in earnings achieved in the second quarter of the fiscal year ended March 31, 2025, despite the recording of a ¥1.1 billion loss on the disposal of certain PROACTIVE software assets. For Net One System, the challenge comes from how we already instituted an upward revision to forecasts for the six-month period ending September 30, 2025 in reflection of the ahead-of-schedule recording of certain projects that would normally be incurred in the third order. Accordingly, we have decided to wait to see what type of trends emerge in the second quarter before revising full-year forecasts for the fiscal year ending March 31, 2026.

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Q. It was stated that, of ¥1.7 billion in total merger expenses, merger expenses excluding purchase price allocation only amounted to ¥0.1 billion. What is the outlook for these costs in the remainder of the fiscal year ending March 31, 2026?

A. The majority of the ¥0.1 billion in merger expenses excluding purchase price allocation incurred in the three-month period ended June 30, 2025, was consulting fees associated with post-merger integration. We plan to continue employing the services of consultants throughout the remainder of the fiscal year ending March 31, 2026. We may also incur expenses for redeveloping systems or infrastructure. If possible, we would like to prepare an explanation of the directives of such system re-development and related matters and of the merger costs to be incurred going forward and to present this explanation at the general briefing scheduled to be held in September 2025. As mentioned at the beginning of the fiscal year, it is still unclear if we will be able to allocate the entirety of the ¥1.5 billion in merger expenses during the fiscal year ending March 31, 2026, but we have no intention of expanding the associated budgets at this point in time.

Q. Growth was sluggish in incoming orders for systems development at SCSK. What is the outlook for these orders in the remainder of the fiscal year ending March 31, 2026?

A. In the three-month period ended June 30, 2025, incoming orders was decreased in reaction of the large-scale orders recorded in the previous equivalent period. Specifically, we are referring to core systems development projects for the communications and distribution industries and projects for non-bank financial institutions of a scale of ¥500 million to ¥1 billion each. Another factor affecting orders was the change in renewal timings of contracts with non-life insurance companies. These factors were within the scope of our projections. Despite these factors, the decline in orders was limited due to the strong trends in orders from the communications and automotive industries. We therefore feel that this performance was not at all bad.

In regard to the remainder of the fiscal year ending March 31, 2026, we project the continuation of strong trends in orders from the communications and automotive industries. We are also engaged in multiple underway core systems development projects, and our pipeline currently includes new projects for the manufacturing industries and banks. Orders for these projects should be recorded late in the second quarter or maybe in the third quarter. Although the outlook is opaque given the economic uncertainty, we expect that the impact on performance will be minimal.

Q. What sort of impacts will the reciprocal tariffs have on SCSK's operations related to the automotive industry?

A. At the moment, we do not expect the reciprocal tariffs to have a significant impact on performance, but we cannot say that they will have no impact on performance going forward. It is entirely possible that customers may begin talking of limiting investment later in the fiscal year. SCSK has large exposure in the manufacturing industry. Accordingly, it is imperative that we carefully monitor the trends of those customers who are continuing investments in core systems. Fortunately, demand is currently strong, and we therefore do not see any real need for concern at this point in time.

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