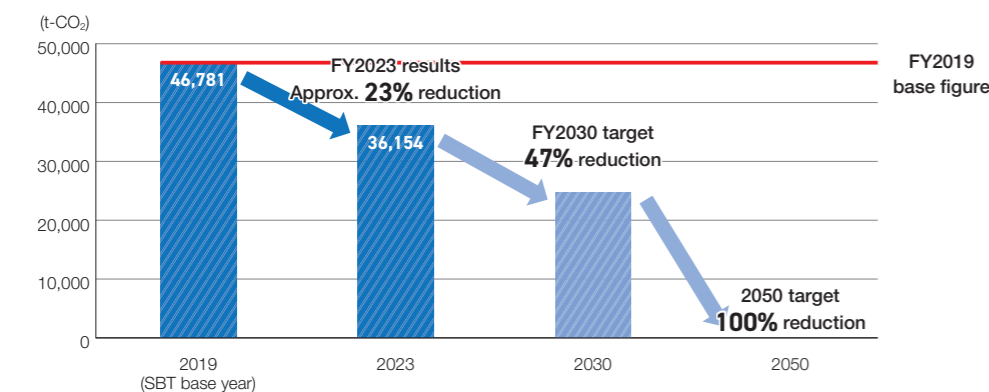# ENVIRONMENT
Global Environmental Contributions

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 SBTi[*1].

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

(t-CO_2)

- 2019 (SBT base year): 46,781 — FY2019 base figure
- FY2023 results Approx. **23%** reduction
- 2023: 36,154
- FY2030 target **47%** reduction
- 2050 target **100%** reduction

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.
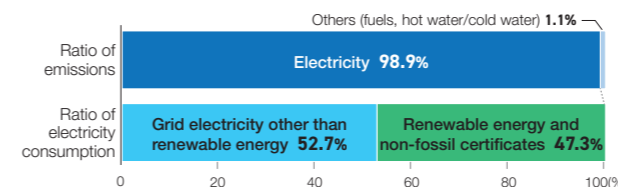
Progress Toward Scope 3 Emissions Reduction Targets

(t-CO_2)

- 2019 (SBT base year): 575,116 — FY2019 base figure
- FY2023 results Approx. **9%** increase
- 2023: 629,558
- FY2030 target **28%** reduction

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-CO_2 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-CO_2 per year, and the renewable energy ratio of electricity was 47.3%.

netXDC Chiba Center 3 (SI3)

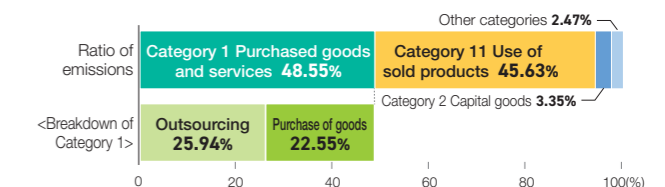## Main initiatives to reduce Scope 3 emissions

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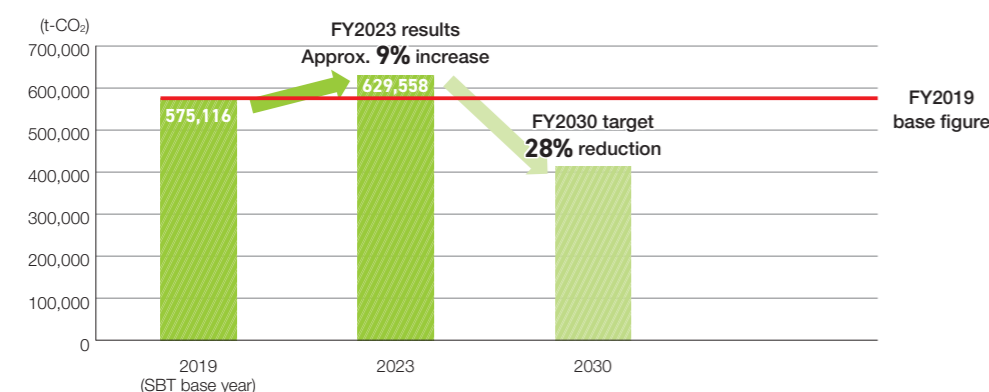
For Core partners, which are the core outsourcing partners of the SCSK Group, we explain and exchange views on the Group's initiatives to reduce greenhouse gas emissions. We also ask them to provide data on greenhouse gas emissions, and take other measures to promote concrete initiatives while gaining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

- Ratio of emissions: Electricity **98.9%** — Others (fuels, hot water/cold water) **1.1%**
- Ratio of electricity consumption: Grid electricity other than renewable energy **52.7%** — Renewable energy and non-fossil certificates **47.3%**

Scope 3 Emission Ratio (FY2023)

- Ratio of emissions: Category 1 Purchased goods and services **48.55%** — Category 11 Use of sold products **45.63%** — Category 2 Capital goods **3.35%** — Other categories **2.47%**
- <Breakdown of Category 1>: Outsourcing **25.94%** — Purchase of goods **22.55%**

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*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)

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

Foundation Supporting Value Creation

Global Environmental Contributions

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/assuarance_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	● The status of sustainability-related initiatives is reported to the Board of Directors, and the Board of Directors provides appropriate supervision.
		● Factoring ESG performance, including performance in responses to climate issues, into calculations of Director Remuneration (performance-linked compensation)
Strategy	Scenario analysis	● 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	● 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	● 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	● 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	● 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	● 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	● Establishing an organizational structure and processes to minimize the identified climate-related risks and maximize opportunities
Metrics and Targets	Metrics and Targets	● 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	● 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	● 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	● Working to maintain and conserve biodiversity and participating in the TNFD Forum
	Stakeholder feedback mechanism	● 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

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

Foundation Supporting Value Creation

Global Environmental Contributions

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.

Strategy

Overview of each scenario

Worldviews for a 1.5℃ scenario and a 4℃ 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℃ scenario

We have assumed a society where bold policies and technologies are implemented to limit the temperature rise to 1.5℃ 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℃ scenario

We have assumed a society where the temperature will rise more than 4℃ 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℃	Risk	Policy and Legal	Increased operating costs due to the introduction and expansion of carbon pricing
1.5℃	Risk	Market	Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy
1.5℃	Opportunity	Products/Services	Increased sales due to expanded sales of products and services that contribute to decarbonization
4℃	Risk	Acute	Decreased sales due to damage to facilities/inventories at major domestic business sites and lost profits caused by heavy rains and foods
4℃	Risk	Acute	Decreased sales due to shutdowns caused by the disruption of transportation due to extreme weather events like typhoons
4℃	Risk	Chronic	Decreased sales due to shutdowns caused by the restrictions on the use of cooling water at data centers during droughts
4℃	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℃ 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℃ 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	Financial impact (billions of yen) 2050
1.5℃	Risk	Increased operating costs due to the introduction and expansion of carbon pricing[2]	Expenses	−0.5	−
1.5℃	Risk	Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy	Expenses	−0.7	−10.2
1.5℃	Opportunity	Increased sales due to expanded sales of products and services that contribute to decarbonization[3]	Sales	+1.2	+9.9
4℃	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℃	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)
1.5℃	Risk	Increased power procurement costs due to rising electricity prices resulting from the widespread use of renewable energy	Optimizing equipment operations to conserve energy and purchasing renewable energy to stabilize power procurement costs (e.g.,PPA)
1.5℃	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℃	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.

Metrics and Targets

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

*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.

Foundation Supporting Value Creation

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

Diverse Team of Professionals

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.

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

Medium-Term Management Plan (FY2023–FY2025)

Policy of human resources strategy	Priority Measures	Management Indicators (non-financial)

Personnel System and Human Resources Development in Line with Business Strategy

"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

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)

Well-Being Management to Improve "Job Satisfaction" of Employees

"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)
- Thought Diversity
- Profile Diversity
- Opinion Diversity

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

Sense of contribution
- Motivation
- Future Creation

SCSK Engagement indicators

Growth
- Career
- Organization

Work Engagement

Safety and security
- Health
- Working Styles
- DEI

Positive Working Environment

Practicing Well-Being Management (SCSK Well-Being Score)

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

Grand Design 2030

Co-Creative IT Company

Foundation Supporting Value Creation

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

Diverse Team of Professionals

"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
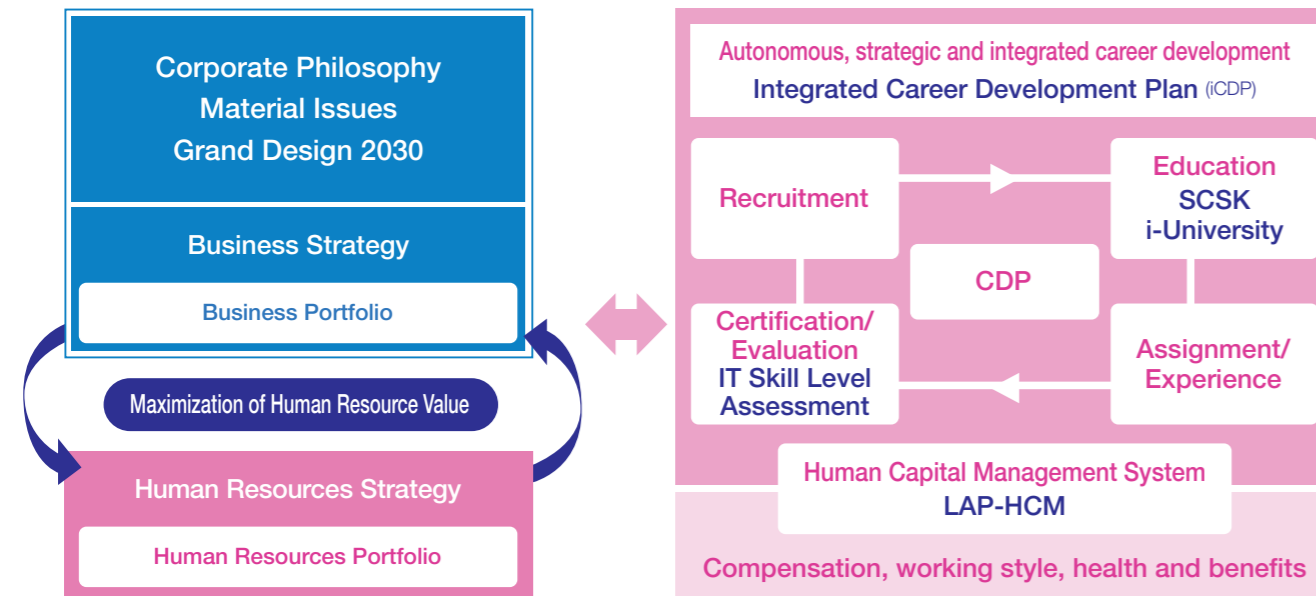
Integrated human resources development program (SCSK i-University)

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)

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)

Foundation Supporting Value Creation

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

Diverse Team of Professionals

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 transfered)

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.
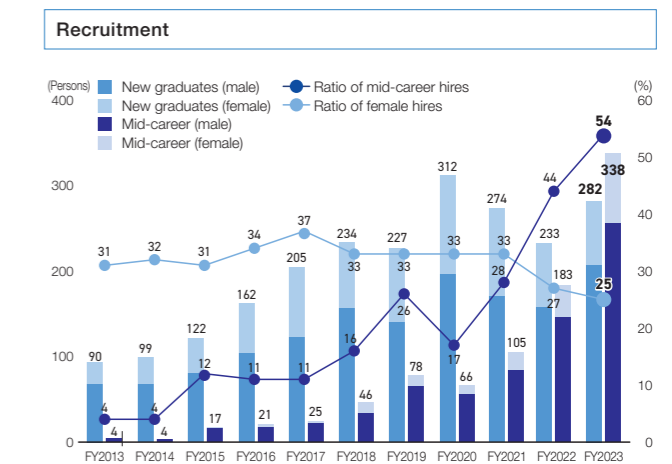
Securing advanced professional human resources

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

Foundation Supporting Value Creation

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

Diverse Team of Professionals

"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.

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.

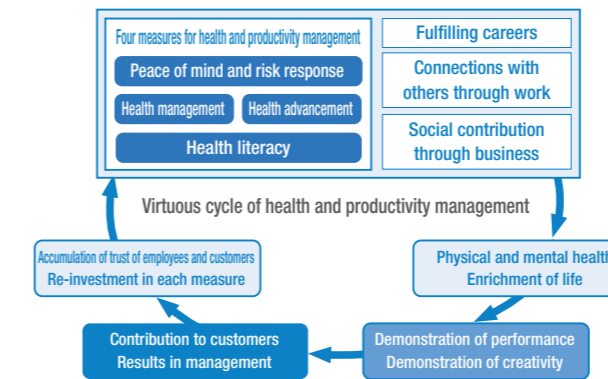#### Working style reforms (Smart Work Challenge)

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"**

- Eliminating long working hours through efficient work styles
- From uniform to flexible work styles

Smart Work Challenge

Kenko Waku Waku Mileage program

Toward a company where employees maintain both physical and mental health

Toward a company where employees can feel a sense of contribution to society and job satisfaction through the value creation

1st STAGE Working Style Reforms 2012 onward

2nd STAGE Health and Productivity Management 2015 onward

3rd STAGE Well-Being Management 2021 onward

SCSK Well-Being Score

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.

Four measures for health and productivity management: Peace of mind and risk response / Health management / Health advancement / Health literacy

Fulfilling careers / Connections with others through work / Social contribution through business

Virtuous cycle of health and productivity management

Accumulation of trust of employees and customers — Re-investment in each measure

Physical and mental health — Enrichment of life

Contribution to customers — Results in management

Demonstration of performance — Demonstration of creativity

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%)
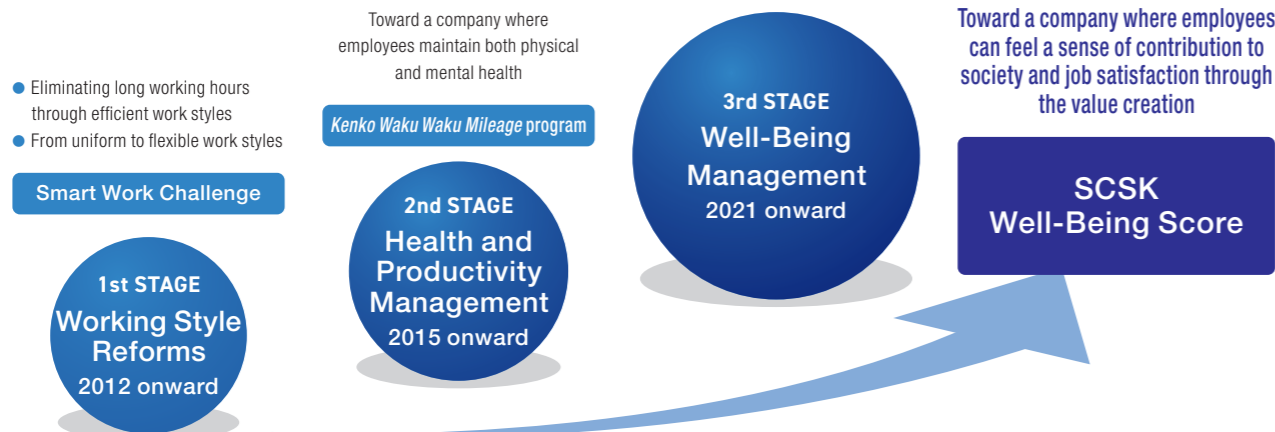
Contribution to society —Participation in Health & Productivity Management Alliance

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.

Foundation Supporting Value Creation

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

Diverse Team of Professionals

"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) | Thought Diversity (diversity in thoughts and abilities) | Opinion Diversity (diversity in opinions and views expressed) |

We recognize and utilize all kinds of diversity within the organization.

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.

Foundation Supporting Value Creation

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

Diverse Team of Professionals

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 senor 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.

SCSK Security Corporation website
https://scsksecurity.co.jp/ (in Japanese)

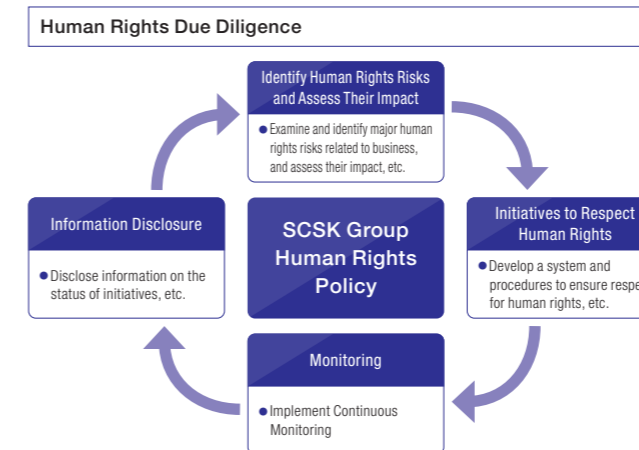# Initiatives toward Respect for Human Rights

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.

Human Rights Due Diligence

Identify Human Rights Risks and Assess Their Impact
● Examine and identify major human rights risks related to business, and assess their impact, etc.

Initiatives to Respect Human Rights
● Develop a system and procedures to ensure respect for human rights, etc.

Monitoring
● Implement Continuous Monitoring

Information Disclosure
● Disclose information on the status of initiatives, etc.

SCSK Group Human Rights Policy

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.

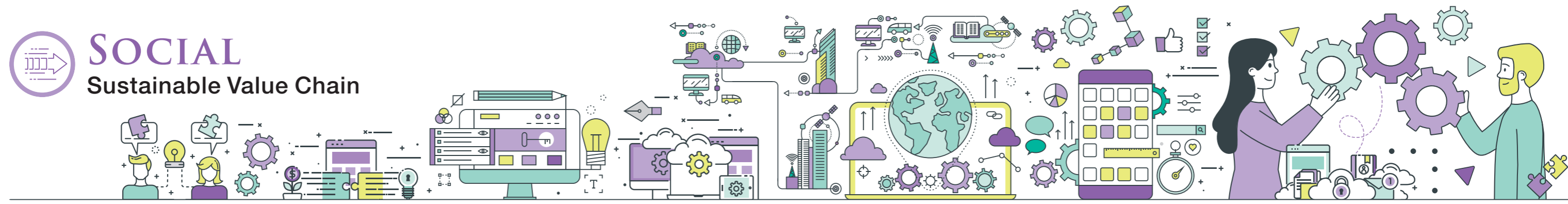**Monitoring**

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

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

Foundation Supporting Value Creation
Sustainable Value Chain

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.
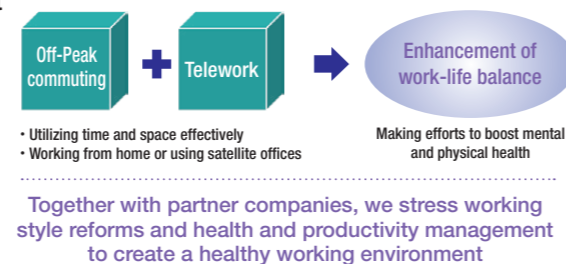
Increasing efficiency of contract operations

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-EDI[1]. 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	● Development and management standardization (SE+, etc.) ● Mutual evaluation of projects	● Rollout of SCSK development standards (SE+) and Monozukuri innovation platform (S-Cred+) 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	● Sharing of health and productivity management measures/initiatives ● Enhancement of work-life balance	● 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	● Increase in efficiency of contract procedures through use of Web-EDI ● Sharing of communication portal	● 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	● Strict observance of laws related to outsourcing ● Enhancement of information security	● 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	● 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.	● 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.

Foundation Supporting Value Creation

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

Sustainable Value Chain

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.

Partner companies (Figures for partner companies in urban areas)	Growth rate of outsourcing costs	Status of contractor satisfaction survey (Targeting core partners)	Working style reforms and health and productivity management (Average of core partners)
• Number of companies Approx. 650 • Employees Approx. 12,000	• Year-on-year Approx. 13.7% • Average of the most recent five years Approx. 10.0%	• Company-wide CS survey conducted by 850 employees • Mutual evaluation for each project (110 cases per year)	• Rate of consumed annual paid vacation days 73%/year • Overtime hours 14.2 hours/month

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.

Partner companies in urban areas (Mutual understanding, specialized type)	Regional partners (Human resources development and coexistence)	Offshoring (Differentiation from competitors)	Global partners (Differentiation from competitors)
• Core partners • Man-hours provided • On-site response • Specialized type partners	• Domestic Group companies • Internal reserves of technology • More advanced human resources • Shift to upstream processes	• Offshore partners • Securing work resources on a large scale • Support in different time zones and languages • Leading the way in global remote work	• Overseas Group companies • Hub for global development • Developing/Exploring advanced technologies

Eliminating information security incidents and harassment

Securing stable supply of IT human resources

Respect for and emphasis on diversity

Partner companies in urban areas (Mutual understanding, specialized type)

Offshoring (Differentiation from competitors)

SCSK Group

Social contribution through advanced IT technology

Sharing knowledge, insights, development skills, technical information, analytical capabilities, etc.

Regional partners (Human resources development and coexistence)

Global partners (Differentiation from competitors)

Regional revitalization and contribution to local communities

SDGs Initiatives

Improving productivity, and maintaining high and stable quality

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)
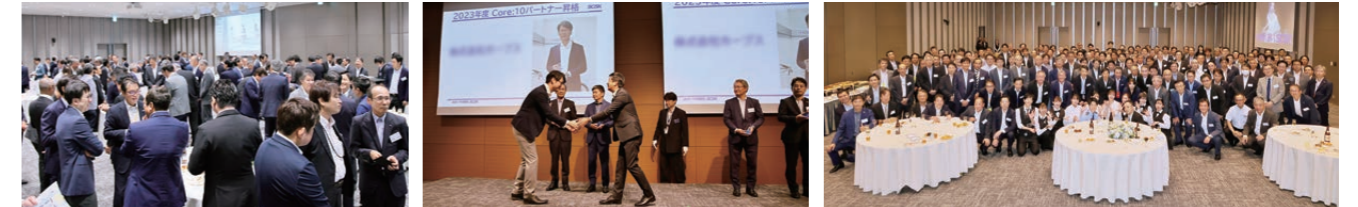
Expansion of nearshore development centers and cooperation with local IT companies

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.
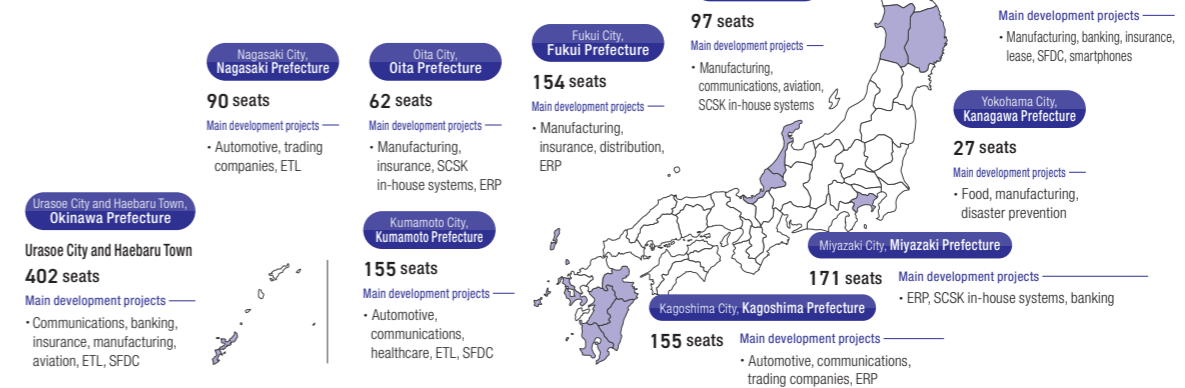

Bird's eye view of nearshore network

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

Akita City, Akita Prefecture
58 seats
Main development projects —
• Retail, manufacturing

Morioka City, Iwate Prefecture
80 seats
Main development projects —
• Manufacturing, banking, insurance, lease, SFDC, smartphones

Kanazawa City, Ishikawa Prefecture
97 seats
Main development projects —
• Manufacturing, communications, aviation, SCSK in-house systems

Fukui City, Fukui Prefecture
154 seats
Main development projects —
• Manufacturing, insurance, distribution, ERP

Nagasaki City, Nagasaki Prefecture
90 seats
Main development projects —
• Automotive, trading companies, ETL

Oita City, Oita Prefecture
62 seats
Main development projects —
• Manufacturing, insurance, SCSK in-house systems, ERP

Yokohama City, Kanagawa Prefecture
27 seats
Main development projects —
• Food, manufacturing, disaster prevention

Urasoe City and Haebaru Town, Okinawa Prefecture
402 seats
Main development projects —
• Communications, banking, insurance, manufacturing, aviation, ETL, SFDC

Kumamoto City, Kumamoto Prefecture
155 seats
Main development projects —
• Automotive, communications, healthcare, ETL, SFDC

Miyazaki City, Miyazaki Prefecture
171 seats
Main development projects —
• ERP, SCSK in-house systems, banking

Kagoshima City, Kagoshima Prefecture
155 seats
Main development projects —
• Automotive, communications, trading companies, ERP

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.

Foundation Supporting Value Creation
Transparent Governance

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-subsidiary 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-subsidiary 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.

Foundation Supporting Value Creation

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

Transparent Governance

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

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.

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

Corporate Governance Structure

General Meeting of Shareholders

3) Conflict of Interest Advisory Committee

4) Nomination and Remuneration Advisory Committee

1) Board of Directors — 7 Directors (excluding the Audit and Supervisory Committee Members) Chair: Chairman and Director

2) Audit and Supervisory Committee — 4 Directors (Audit and Supervisory Committee Members)

Accounting Auditor

Audit and Supervisory Committee Office

Operational Execution

6) Management Committee

Compliance Committee

President

Managing Officer, Internal Auditing Dept.
7) Internal Auditing Dept.

5) Senior Executive Officers and Senior Corporate Officers

Business groups, Branch offices Group Corporate, Business Support Group

Name	Composition	Role, system, and initiatives
1) Board of Directors Meetings in FY2023: 12 Chairman of the Board: Chairman and Director *Non-executive director	Internal Directors: 5 / 11 / Independent Outside Directors: 6 Including 2 females	● 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	Internal Director: 1 / 4 / Independent Outside Directors: 3 Including 1 female	● 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	Independent outside expert: 1 / 7 / Independent Outside Directors: 6 Including 2 females	● 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	Internal Directors: 2 / 8 / Independent Outside Directors: 6 Including 2 females	● 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	● 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	● Established as an advisory body to the President on important business matters ● Participants consist of 12 Senior Executive Officers
7) Internal Auditing Dept.	● 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

Foundation Supporting Value Creation

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

Transparent Governance

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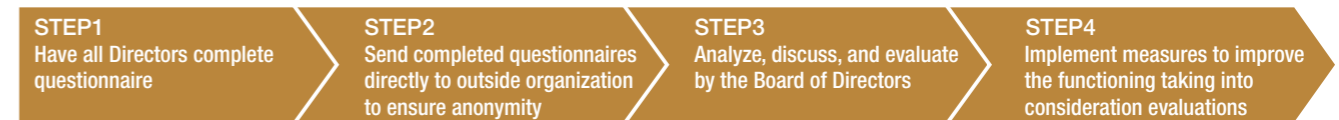
Looking ahead, taking into account the results of this evaluation, SCSK's Board of Directors will swiftly address the issues identified based on a thorough review and will continue to promote measures for enhancing the functions of the Board of Directors.

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

STEP1 Have all Directors complete questionnaire
STEP2 Send completed questionnaires directly to outside organization to ensure anonymity
STEP3 Analyze, discuss, and evaluate by the Board of Directors
STEP4 Implement measures to improve the functioning taking into consideration evaluations

Main Questionnaire Items
- Items related to composition of the Board of Directors
- Items related to operations of the Board of Directors
- Items related to discussions by the Board of Directors
- Items related to Board of Directors' monitoring function
- Items related to support system for Directors (including Audit and Supervisory Committee Members), etc.

Summary of FY2023 Evaluation Results
- The following items received positive evaluations, indicating that in general the Board of Directors functions effectively:
  - Appropriate management of conflicts of interest
  - Free, open-minded, and constructive discussion and exchange of views
  - Overall operation, including content of advance explanations and timing of meetings
  - More active discussions through reviewing proposals to be deliberated by the Board of Directors, etc.

Issues and Future Initiatives
- Recognized that the following issues should continue to be addressed:
  1) Providing continuous training opportunities for Directors
  2) Discussions for formulating management plans with greater awareness of capital efficiency
  3) Periodic review of the business portfolio
  4) Ensuring the diversity of the Board of Directors, including the skill matrix
- We have made improvements about 1) to 3) of the above issues through discussions outside the Board of Directors, for example, through various inspections and opinion exchange meetings as well as through discussions about the Medium-Term Management Plan. We have also made improvements about 4) through further involvement of the Nomination and Remuneration Advisory Committee.

Transparent Governance

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

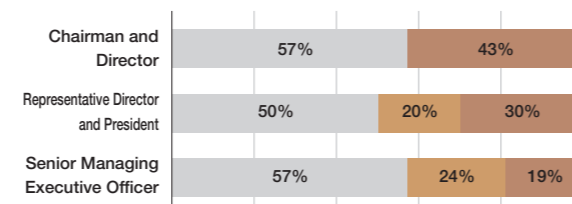| Category	Total remuneration (millions of yen)	Remuneration by type (millions of yen)			Number of people
		Fixed compensation (cash)	Short-term performance-linked compensation (cash)	Medium- to long-term performance-linked compensation (stock-based)	
Directors (excluding Directors who are Audit and 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	❶ 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
	❷ 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)
- ▊ ❶ Short-term performance-linked compensation (cash)
- ▊ ❷ Medium- to long-term performance-linked compensation (stock-based)

Chairman and Director	57%		43%
Representative Director and President	50%	20%	30%
Senior Managing Executive Officer	57%	24%	19%

Policy and indicators for performance-linked compensation

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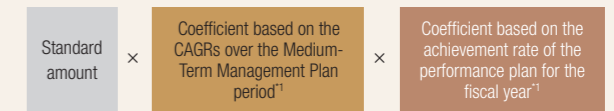
The ratio of the Company performance portion and the personal performance portion is 100% and 0% for the Representative Director and President, and 60% and 40% for the Director and Senior Managing Executive Officer.

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%.

$$\text{Standard amount} \times \text{Coefficient based on the CAGRs over the Medium-Term Management Plan period}^{[1]} \times \text{Coefficient based on the achievement rate of the performance plan for the fiscal year}^{[1]}$$

[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%.

$$\text{Standard amount} \times \text{Coefficient based on personal evaluation}^{[2]}$$
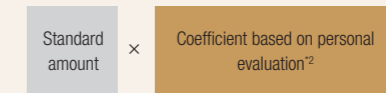
[2] Personal evaluation items
- Selection of and focus on high-potential business domains
- Promotion of Value-Driven Management (sharing of philosophy and vision with employees)
- Environmental, social, and governance initiatives

❷ 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.

Foundation Supporting Value Creation

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

Transparent Governance

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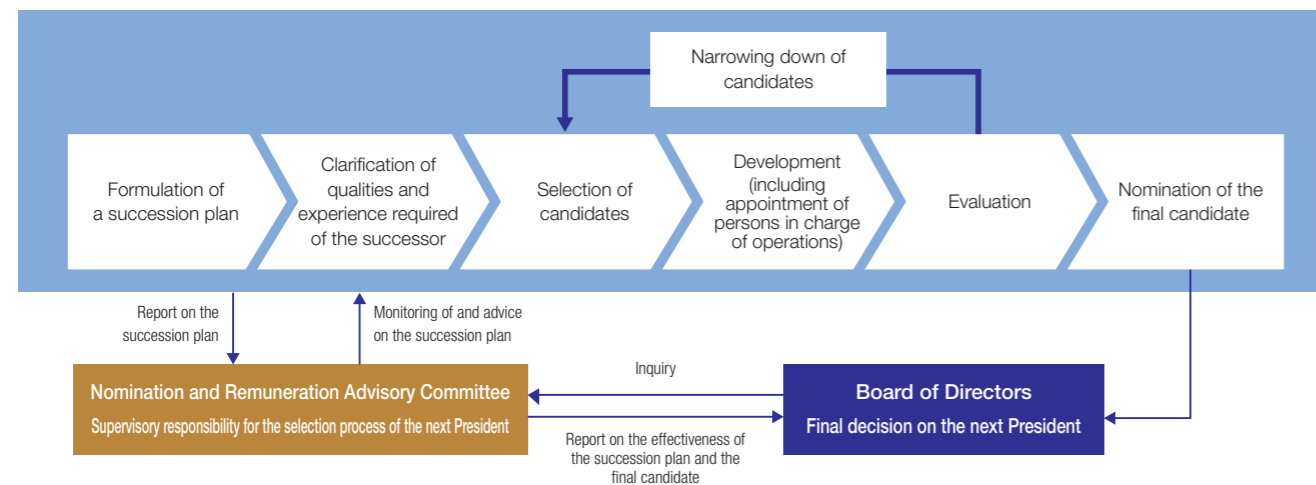
Significance of Parent-and-Subsidiary Listing and Policy to Protect Minority Shareholders

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

(millions of yen) ■ Total balance —●— Number of issues
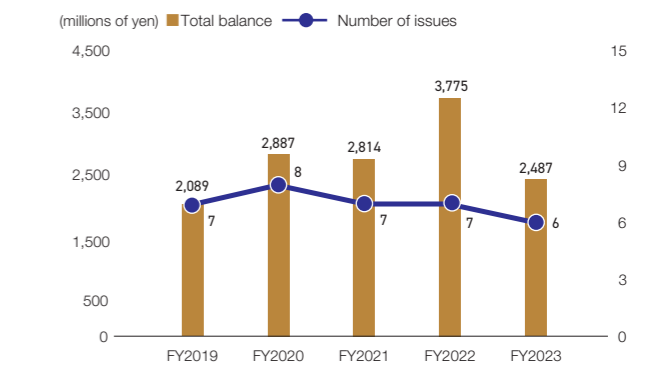
- In FY2022, the balance increased due to the initial public offering of MicroAd, Inc. in which SCSK held shares.

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)

Foundation Supporting Value Creation

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

Transparent Governance

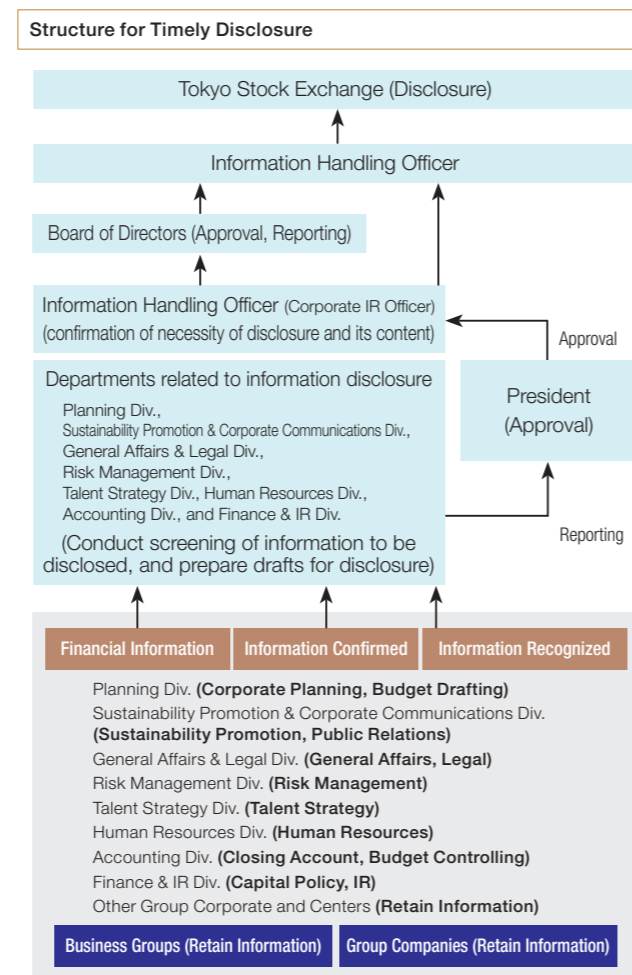## Enhancing Information Disclosure

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

Tokyo Stock Exchange (Disclosure)

Information Handling Officer

Board of Directors (Approval, Reporting)

Information Handling Officer (Corporate IR Officer) (confirmation of necessity of disclosure and its content)

President (Approval) — Approval

Departments related to information disclosure
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.
(Conduct screening of information to be disclosed, and prepare drafts for disclosure)

Reporting

Financial Information	Information Confirmed	Information Recognized

Planning Div. **(Corporate Planning, Budget Drafting)**
Sustainability Promotion & Corporate Communications Div. **(Sustainability Promotion, Public Relations)**
General Affairs & Legal Div. **(General Affairs, Legal)**
Risk Management Div. **(Risk Management)**
Talent Strategy Div. **(Talent Strategy)**
Human Resources Div. **(Human Resources)**
Accounting Div. **(Closing Account, Budget Controlling)**
Finance & IR Div. **(Capital Policy, IR)**
Other Group Corporate and Centers **(Retain Information)**

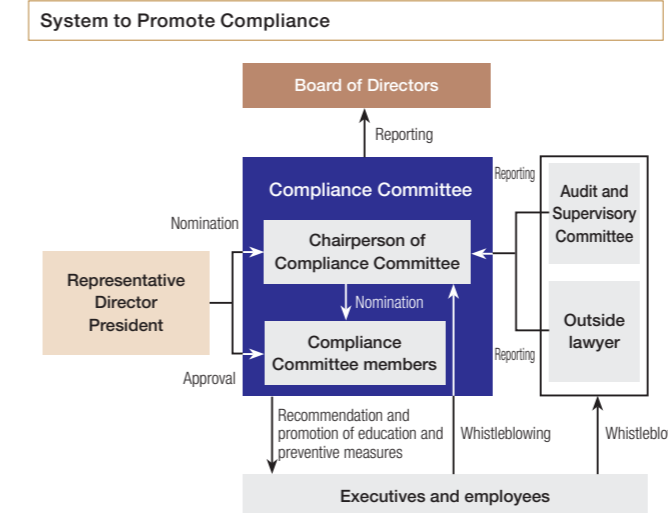| Business Groups (Retain Information)	Group Companies (Retain Information)

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

Board of Directors

Reporting

Compliance Committee
Chairperson of Compliance Committee
Compliance Committee members

Representative Director President — Nomination — Approval

Audit and Supervisory Committee

Outside lawyer

Reporting

Recommendation and promotion of education and preventive measures / Whistleblowing / Whistleblowing

Executives and employees

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%

Transparent Governance

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.
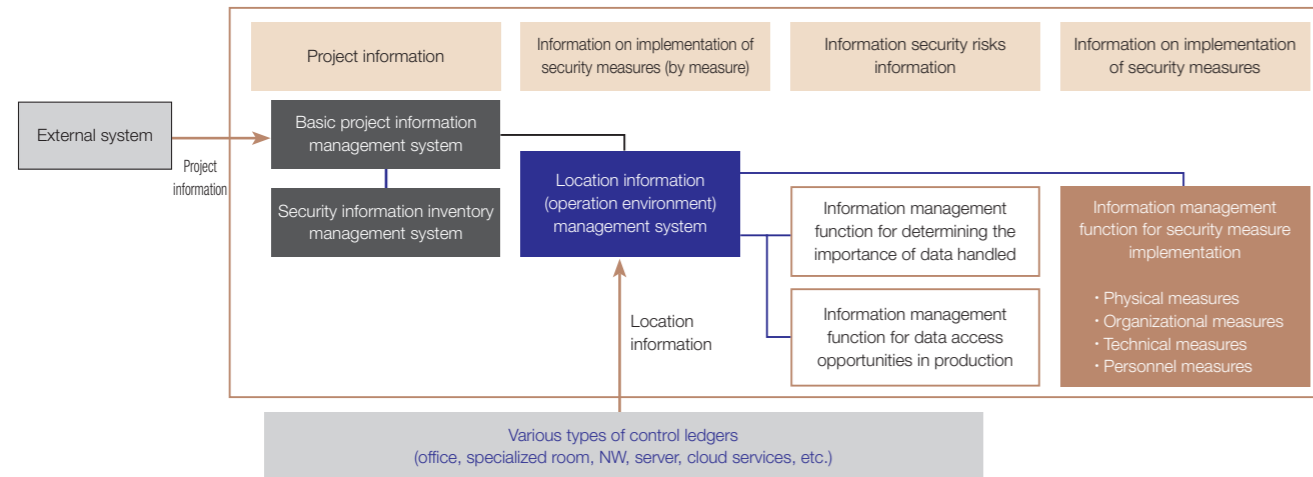
Response to Cyber Security Incidents

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.

|	
Responding to emergencies	● To minimize damage should an incident occur, SCSK-CSIRT has established rules on the structure and response procedures that enable speedy decisions on system shutdown and recovery.
Training and drills	● We provide all executives and employees with information security education using e-learning to prevent damage from cyberattacks. ● We conduct phishing email drills to prevent damage from targeted attacks. ● In addition, we are carrying out tabletop drills based on incident scenarios so that SCSK-CSIRT and related departments can collaborate smoothly and implement a swift response, etc.
Response to vulnerabilities	● We have established security countermeasure standards for servers and cloud services accessible from the Internet. We regularly assess their compliance with the standards while also checking and correcting their vulnerabilities.

SCSK-CSIRT System Diagram
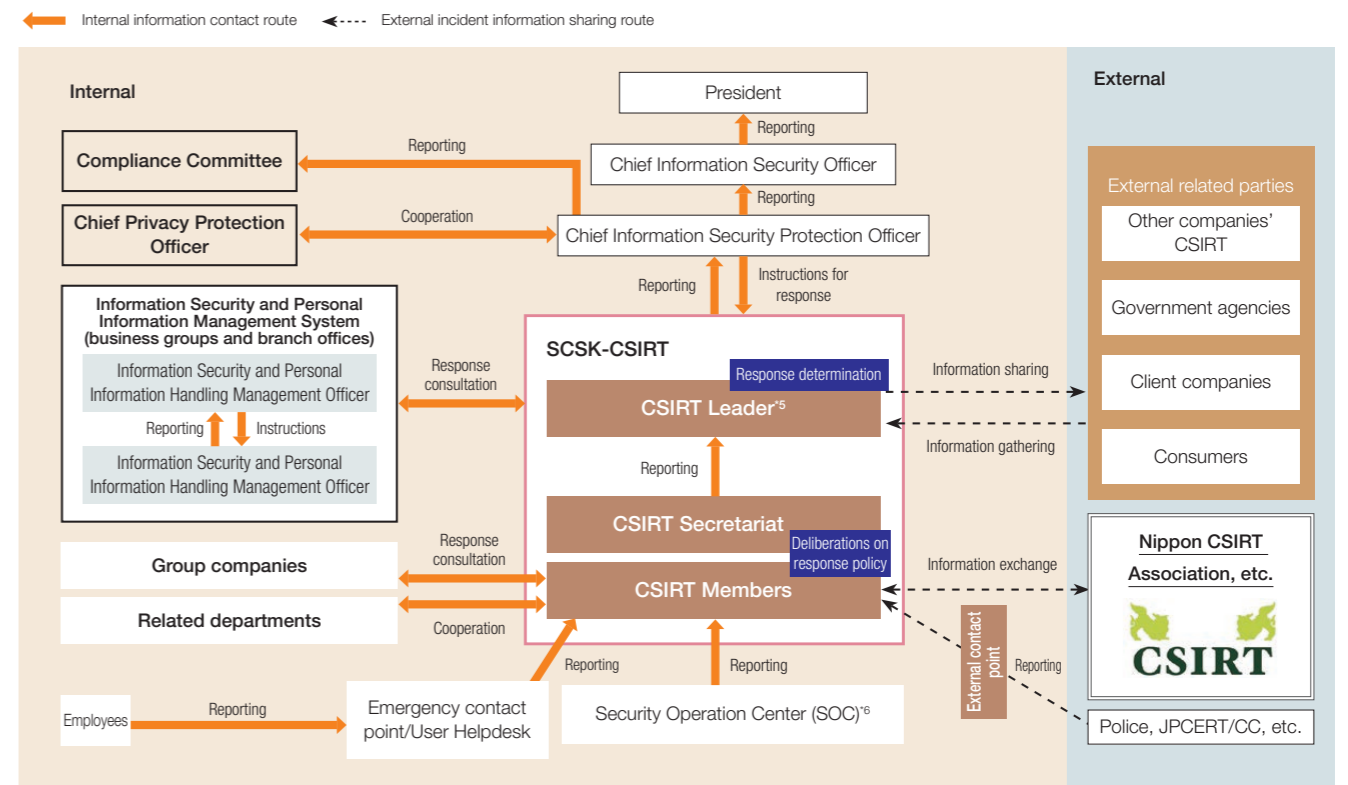
*1 S-SIMS: SCSK Security Information Management System
*2 SCSK-CSIRT (Computer Security Incident Response Team): A permanent organization that carries out activities in response to computer security incidents
*3 JPCERT/CC (Japan Computer Emergency Response Team Coordination Center)
*4 NISC (National 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.

Foundation Supporting Value Creation

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

Transparent Governance

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
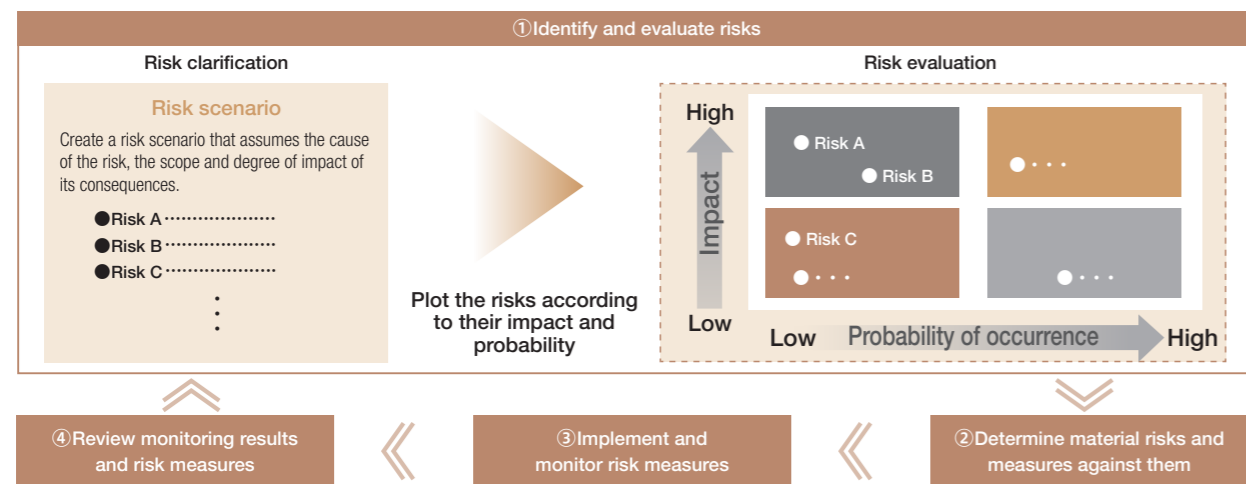
Risk management system

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
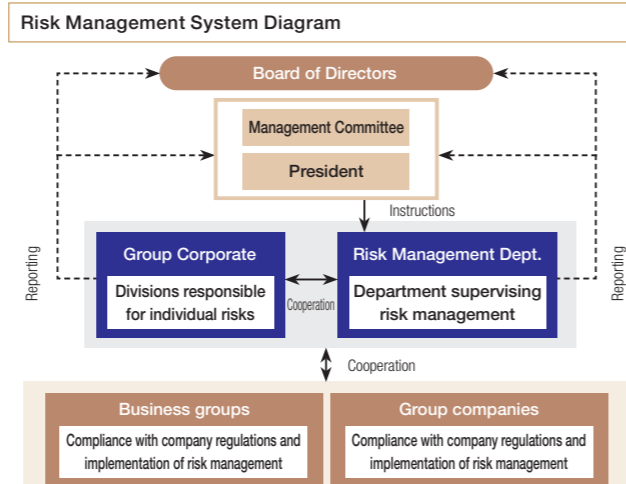
Concrete risk countermeasures

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)

100%

*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

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

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)

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.

Foundation Supporting Value Creation

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

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

Board of Directors

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

Position/Name	Hideki Yamano	Takaaki Touma	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 — 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
Attendance — Audit and Supervisory Committee	—	—	—	—	—	14 out of 14 meetings
Committee — Conflict of Interest Advisory Committee					●	●
Committee — Nomination and Remuneration Advisory Committee	●	●			●	●
Director Skills — Corporate management	●	●			●	
Director Skills — Finance/accounting					●	
Director Skills — Technology		●				●
Director Skills — Organization/human resources	●	●				●
Director Skills — Marketing	●	●		●		
Director Skills — Environmental/social/human rights	●					
Director Skills — Legal/risk management			●			
Director Skills — Global	●		●	●	●	

Position/Name	Shoei Yamana	Hiromichi Jitsuno	Yasuo Miki	Hidetaka Matsuishi	Yumiko Waseda
	Outside Director	Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)
	Independent Director		Independent Director	Independent Director	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 — Board of Directors	—	10 out of 10 meetings	12 out of 12 meetings	10 out of 10 meetings	10 out of 10 meetings
Attendance — 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	●		●	●	●
Committee — Nomination and Remuneration Advisory Committee	●		●	●	●
Director Skills — Corporate management	●		●	●	
Director Skills — Finance/accounting				●	
Director Skills — Technology			●		
Director Skills — Organization/human resources	●			●	
Director Skills — Marketing	●			●	
Director Skills — Environmental/social/human rights	●				●
Director Skills — Legal/risk management		●			●
Director Skills — Global	●				

Officers

President
Takaaki Touma

Senior Managing Executive Officer
Tsutomu Ozaki
Tetsuya Ueda
Atsushi Watanabe
Yasushi Shimizu

Managing Executive Officers
Yoshiyuki Shinbori
Yasuhiko Oka
Tadashi Miyagawa
Koji Watanabe
Ken Takano
Masaki Komine
Takaya Yamamoto
Kenji Toda
Shunichiro Fukushima

Senior Executive Officers
Yukihiko Saito
Eri Kawanabe
Masayuki Kikuchi
Takaaki Ishida
Shoji Shiuchi
Yoshinari Kobayashi
Jun Kawamura

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

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.