Transcript of results briefing

Results of Operations for Six-Month Period Ended September 30, 2018

Tooru Tanihara
Representative Director
President and Chief Operating Officer,
SCSK Corporation

■ Results of Operations for Six-Month Period Ended September 30, 2018 (slide1)

Greetings, my name is Tooru Tanihara, and I am the president of SCSK Corporation. I would like to thank you for joining us today for this financial results briefing meeting.

I will now begin my explanation of our financial results in the six-month period ended September 30, 2018, and our full-year forecasts for the fiscal year ending March 31, 2019.

In the six-month period ended September 30, 2018, performance exceeded our initial forecasts. The impressive consolidated performance was supported by strong performance in almost every segment, which itself was driven by systems development businesses amidst growth in IT investment demand seen among all customers in all industries.

Specifically,

・Net sales: ¥167.4 billion (up 2.4% year on year)

・Operating profit: ¥16.0 billion (up 20.6% year on year)

・*Operating margin: 9.6% (up 1.4 percentage points)*

・Ordinary profit: ¥16.3 billion (up 14.6% year on year)

・Profit attributable to owners of parent: ¥10.8 billion (down 10.0% year on year)

The decrease in profit attributable to owners of parent was a result of the transference of QUO Card, which was conducted in the previous fiscal year.

CFO Fukunaga will provide more details on this performance later in today’s presentation. For now, let me say that we were able to set new six-month records for net sales, operating profit, and the operating margin.

Moving on, I would like to discuss the environments and trends in each industry that supported this performance.

Systems development businesses catering to the manufacturing industry enjoyed strong performance in the second half of the previous fiscal year, particularly the fourth quarter. This trend has been continuing in the current fiscal year, with increases in order numbers, net sales, and incoming orders that exceeded our initial forecasts. Accordingly, this trend has been a major driver behind the favorable Companywide performance posted in the six-month period ended September 30, 2018.

Based on past experience and as you may be aware, IT investment trends in the manufacturing industry are highly dependent on customer earnings trends. For this reason, we believe that the current trend toward proactive IT investment, which began in the second half of the previous fiscal year, has been supported by the robust performance and operating cash flows among customers that have continued since the previous fiscal year.

The IT investment trends currently seen in the manufacturing industry encompass a wide range of investment fields. In addition to higher IT investment linked to performance, we have been seeing investments aimed at labor saving to address labor shortfalls through working style reforms and other means. Furthermore, customers have been investing in upgrades to existing operational systems, an area in which investment has not be anywhere near brisk since the 2008 financial crisis. There has also been a trend toward strategic investment, such as smart factory and other IoT-related investments and investment in automotive software systems, which have been becoming increasingly more functional, as indicated by the rise of automated driving and electric vehicles.

Based on these trends, I believe that the increase in IT demand in the manufacturing industry is not a temporary trend but rather an ongoing trend representative of our current position in the medium- to long-term investment cycle.

The trends seen in the previous fiscal year are continuing in the distribution and service industries as well. By these trends, I refer to the IT system investment and service demand centered on customers in consumer businesses for strengthening aspects of operations such as digital marketing and customer relationship management.

As for the financial industry, a considerable number of customers, including major banks, limited their total investment expenditures given the downward pressure placed on earnings by Japan's negative interest rate policy. Nonetheless, there has been an ongoing growth trend in strategic IT investment by financial industry customers looking to ensure ongoing competitiveness. Among these investments have been IT investments aimed at applications including enhancing online services through means such as utilizing FinTech, artificial intelligence, and other new IT technologies.

As I mentioned at the beginning of this presentation, SCSK's performance grew centered on systems development businesses amidst the robust IT investment demand seen among such customers, which are among our primary targets. We were thereby able to achieve six-month performance that exceeded our initial forecasts.

With this, I conclude my overview of our performance in the six-month period ended September 30, 2018. As for our forecasts for performance in the fiscal year ending March 31, 2019, the manufacturing and other industries are expected to face an uncertain outlook for global political and economic conditions as we advance into the second half of the fiscal year. This outlook is predicated on the instability of financial and capital markets arising from trade friction between the United States and China and the interest rate hike in the United States.

Looking ahead, future business trends will be more or less consistent with the trends seen thus far, which have been manifesting in favorable order backlogs. Also, to reiterate, I am certain that the upward trend in IT investment demand will continue over the medium to long term.

■ Full-Year Forecasts for Fiscal Year Ending March 31, 2019 (slide2)

Assessing the fiscal year ending March 31, 2019, on a full-year basis, however, it is clear that we cannot ignore the impacts of short-term changes in the global economy going forward, and it is incredibly difficult to formulate an outlook for IT services businesses catering to the manufacturing industry that includes factors such as short-term fluctuations in IT investment demand. As for businesses serving the financial industry, although our full-year performance forecasts account for the commencement of a significant number of large-scale and other projects, we cannot guarantee that all of the projects scheduled will actually come to fruition.

Accordingly, we have chosen not to revise our previous forecasts for full-year performance in the fiscal year ending March 31, 2019, which project net sales of ¥345.0 billion, operating profit of ¥37.0 billion, and profit attributable to owners of parent of ¥25.0 billion. As we progress through this fiscal year, we will forge ahead with business investments, as has been stated previously, and we continue efforts to ensure the accomplishment of our performance forecasts.

Having said this, I would like to wrap up this overview of our financial results in the six-month period ended September 30, 2018, and our full-year forecasts for the fiscal year ending March 31, 2019.

■ Shift to Service-Oriented Businesses (slide3)

The shift to service-oriented businesses is one of our core strategies. Next, I would like to discuss the progress of this shift.

In the six-month period ended September 30, 2018, net sales from service-oriented businesses amounted to ¥36.0 billion, a year-on-year increase of 6% from the figure of ¥34.0 billion posted in the previous equivalent period. This growth fell short of our target for sales growth for this year of 10% or more. This outcome was a result of the conclusion of a long-term contract for a large-scale business process outsourcing project. In service-oriented businesses, such as the pay-per-usage, cloud service, and SaaS service businesses we recently created based on existing intellectual properties, we have sustained sales growth of nearly 10%. Management is not satisfied with this result, but we do believe it is within the acceptable range of progress toward our full-year forecasts.

Through our Companywide efforts to date, we have achieved a smooth increase in the numbers of services we offer while also conducting ongoing business investments.

Looking ahead, we will conduct comprehensive marketing activities and proactively propose projects to major customers through the Sales Coordination Group established in the fiscal year ending March 31, 2019. We thereby aim to achieve the sales growth target of 10% or more put forth at the beginning of the fiscal year.

■ **Strategic Businesses 1—Automotive Software Systems Business (slide4)**

Moving on, I would like to explain our progress in strategic businesses during the fiscal year ending March 31, 2019. I will begin with the high-interest topic of the automotive software systems business.

The operating environment for the automotive software systems business is changing constantly.

As has been stated previously, our initial business plan had originally projected that AUTOSAR, a software standard for the automotive industry, would spread to all areas of automotive software systems development. However, as you know, the development of advanced driver-assistance systems, automated driving, and other highly functional systems is progressing much faster than expected, and companies from other industries are entering into the automotive market. As a result, people have come to expect value from automobiles that exceeds the idea of driving or a means of transportation. If automobiles can be linked to other parts of society and endowed with automated driving capabilities, they can become mobile offices. Meanwhile, electric vehicles have the potential to double as household batteries. In this manner, services are being created that betray the prior concept of the automotive industry.

Going forward, it will be important to keep a keen eye on the rapidly changing operating environment and industry trends as SCSK refines and implements its business strategies. SCSK's management is thus at the threshold of turbulent seas.

At the results briefing for the fiscal year ended March 31, 2018, we were forced to inform you that the timing at which the automotive software systems business is projected to become profitable will likely be later than planned. Regardless, there will be no fundamental changes to the course we have set for this business. We will, however, need to weather these turbulent seas by conducting the necessary investments at the required timing based on an accurate understanding of industry trends.

Current conditions in this business are essentially the same as those described back in April of this year. What has changed is that QINeS-BSW has been adopted for use in the development of next-generation automobile models in the fiscal year ending March 31, 2019, adding to those that employed this basic software during the previous fiscal year, and we have received orders from new customers seeking the assistance of SCSK as a partner in development.

Our QINeS operations generated sales in the area of ¥0.2 billion during the six-month period ended September 30, 2018. While this figure is significantly lower than our original target, it still represents steady progress in the growth of this business and the recovery of our investment therein.

For your reference, the automotive software systems business based on a broad definition, including model-based development, continues to enjoy brisk performance, with sales growth of more than 20% year on year.

■ Strategic Businesses 2—Commercialization of Digital Transformations (DX) (slide5)

Next, I would like to talk about our efforts to commercialize digital transformations. This initiative is one of our focuses among the new initiatives we are advancing as part of our promotion of strategic businesses to explore new markets, not only in the automotive software systems business but also in other fields over the medium to long term.

As you know, digital transformations are spreading across all industries, and the ICT and borderless trends are advancing at a rapid clip. Is this era, simply embracing digital technologies will not be enough; customers will need to identify the aspects of their operations requiring transformation and then to disrupt and rebuild their own operations and business model.

SCSK is committed to supporting customers in transforming their businesses in this manner. With our broad customer base of around 8,000 companies, we have accumulated extensive insight and a wealth of technologies related to customers' various business trials through our participation in the development of operational systems for numerous industrials and companies. Leveraging these assets, we will identify what customers will need for the transformation of their business model from a cross-industry perspective. In this undertaking, we will aspire to base our efforts on an understanding of the latest trends pertaining to cutting-edge technologies, solutions, and other innovations.

Furthermore, we aim to create and commercialize new businesses in the digital transformation field as we work together with customers to support their digital transformations.

To facilitate these efforts, we have resolved to establish the DX & Innovation Business Committee effective November 1, 2018. This cross-Company organization will be tasked with consolidating information regarding the wide-ranging needs of customers in relation to the digital transformations expected to become common place in all industries and supporting the creation and commercialization of new business models, both together with customers and exclusively by SCSK.

This committee will thus be responsible for promoting the digital transformations of customers and for commercializing digital transformations as services to be offered by SCSK through combinations of its various technologies and frameworks. By means of these initiatives, we will identify and develop technologies and intellectual assets that will be advantageous to the commercialization of digital transformations while also recruiting and cultivating human resources that are similarly beneficial. We thereby aim to heighten SCSK's ability to promote digital transformations.

In the medium-term management plan it launched in the fiscal year ending March 31, 2019, parent company Sumitomo Corporation has defined its intent to pursue revolution in business models and upgrading of business by the acceleration of digital transformation. SCSK has roles to play that is strategically important to Sumitomo Corporation's business in this field. We have been involved in the DX Center, which was set up by Sumitomo Corporation to facilitate the creation of next-generation businesses, since its inception, and we are working together with this company to promote digital transformations throughout the Sumitomo Corporation Group.

The experience and insight gained through coordination and collaboration with Sumitomo Corporation will be fully utilized as we increasingly partner with other companies boasting new technologies and business models that relate to digital transformations. Through this approach, we hope to contribute, as a partner, to the transformation of the business models of a wide range of customers while also commercializing various digital transformation-related services.

■ In Closing

This wraps up my explanation of performance, business trends, the progress of business strategies, and our efforts to commercialize digital transformations.

In closing, let me say that SCSK is devoted to tackling digital transformations head on and to commercializing these transformations. Nevertheless, we recognize that “digital transformation” is a buzzword with the potential to mislead customers and SCSK itself. Faced with a massive paradigm shift, we must be careful to avoid being misled by buzzwords in order to guide business transformations appropriately, to guarantee sustainable improvements in corporate value. And, above all else, we must help improve the value of customers’ businesses in a manner that contributes to the growth of our own business.

With this, I conclude my portion of today’s presentation. I would like to ask for your ongoing support and understanding of the Company.

Thank you.

Transcript of results briefing

Consolidated Results of Operations for Six-Month Period Ended September 30, 2018

Tetsuya Fukunaga

Director, CFO

Senior Managing Executive Officer

SCSK Corporation

■ Introduction

Greetings, I am Tetsuya Fukunaga, CFO of SCSK Corporation.

■ Contents

I would like to begin today's presentation with an explanation of our performance in the six-month period ended September 30, 2018. This explanation will follow the materials that have been distributed to you.

■ Consolidated Performance Highlights（Slide2）

Please turn to slide 2. Here you will see highlights of our consolidated performance in the six-month period. As mentioned by President Tanihara, sales and profit grew year on year in the six-month period, and we were able to reach new record highs for six-month net sales and operating profit.

As explained at the results briefing for the three-month period ended June 30, 2018, strong business trends have continued since the start of the fiscal year. Specifically, the upward trend in IT investment demand among manufacturing industry customers that emerged in the second half of the previous fiscal year has been ongoing, and demand levels are exceeding our initial forecasts.

As explained by President Tanihara, in addition to strategic investment demand for boosting competitiveness, which included demand for investments to adopt AI, IoT, or other new technologies, we saw the emergence of demand for investing in upgrades to various operational systems. These investments were aimed at reducing labor requirements as well as transforming certain legacy systems into open systems, among other applications.

At the same time, IT service businesses catering to the distribution industry continued to enjoy strong performance primarily stimulated by demand for digital marketing-related investment. Businesses serving the financial industry, meanwhile, witnessed the commencement of a certain, albeit limit, assortment of new projects scheduled for the fiscal year ending March 31, 2019. Overall, these developments contributed to a year-on-year increase in net sales of 2.4%. If the impact of the transference of QUO CARD Co., Ltd., which was conducted in the second half of the previous fiscal year, is excluded, net sales rose by 3.6% in the six-month period ended September 30, 2018.

Current business trends are strong. As shown on this slide, consolidated order backlog was up 13.3%.

Operating income increased 20.6% year on year. Factors behind this increase included the higher sales stemming from the strong business trends I just explained as well as the benefits of fewer unprofitable projects and of higher productivity, which arose from efforts to boost work quality and streamline operations. These factors enabled us to absorb the impacts of the slight rise in business investment-related expenses that had been initially expected.
As a result, the operating margin increased 1.4 percentage points, to 9.6%.

■ Consolidated Statements of Income（Slide3）
Turning now to slide 3, here is a summary of SCSK's consolidated statements of income.

Net sales and operating profit were as I just explained. We will therefore be looking primarily at profit attributable to owners of parent.

Profit attributable to owners of parent decreased 10% year on year. This decrease was largely a result of the transference of QUO Card, which operated the prepaid card business, conducted in the previous fiscal year. Specifically, the decrease can be attributed to a total reduction of ¥3.4 billion from the absence of QUO Card's profit of ¥0.6 billion and of tax benefits of ¥2.8 billion associated with the transference that were recorded in the fiscal year ended March 31, 2018. For reference purposes, profit attributable to owners of parent rose approximately 25% if these impacts are excluded.

This concludes my summary of our consolidated statements of income.

■ Sales Comparison by Sales Segment（Slide4）
Moving on, I would now like to more closely examine earning figures for the period under review through our usual presentation materials. On slide 4, you will see a comparison of sales by segment.

Sales in the systems development segment grew 6.2% year on year. This outcome was a result of the robust demand in systems development businesses serving manufacturing industry and distribution industry customers, a trend continuing from the first quarter. The benefits of this demand compensated for the impacts of the rebound from large-scale projects for financial institutions recorded in the previous fiscal year. As explained by President Tanihara, an upward trend was seen for strategic IT investment demand from manufacturing industry customers, such as automobile and electrical machinery manufacturers, as well as for operational system upgrade demand, which was a product of higher earnings among customers. In addition, systems development demand in the omni-channel marketing and digital marketing fields remained brisk among distribution industry customers and certain communications industry customers.

Sales in the system maintenance and operation and services segment were up 2.6% year on year, regardless of the heavy impact of certain customers for business process outsourcing (BPO) services reducing the scale of their large-scale contracts during the fiscal year ended March 31, 2018. As was the case in the previous fiscal year, demand from distribution industry customers for IT services related to augmenting e-commerce and customer relationship management systems to adopt an omni-channel retailing approach remained relatively strong. These factors contributed to firm sales in the system maintenance and operation and services segment, which includes service-oriented businesses as well as offerings such as cloud services.

Packaged software / hardware sales increased 0.9% year on year because of strong sales of hardware accompanying large-scale development projects for distribution industry customers and of IT products for automobile and other manufacturers. These factors outweighed the massive decreases in network IT equipment sales to certain communications industry customers and in projects for the academic sector.

As all shares of QUO CARD Co., Ltd., were transferred on December 1, 2017, the performance of the prepaid card business is not included in the performance for the six-month period ended September 30, 2018, and will not be included in performance going forward.

■ Incoming Orders and Backlog（Slide5）

Looking at slide 5, I would like to discuss the order trends seen in each sales segment.

Incoming orders and order backlog increased by 12.8% and 13.3%, respectively, on the back of higher incoming orders and backlog for systems development, for system maintenance and operation and services, and for Packaged software / hardware sales.

Although incoming orders in the systems development segment were heavily impacted by the rebound from previously recorded orders from major financial institutions following the conclusion of development projects, double-digit growth was achieved in both income orders and order backlog due to smooth increases in orders from manufacturing, distribution, and communications industry customers. The increase in orders from the manufacturing industry was a result of firm overall demand for strategic IT investment along with robust upgrade demand pertaining to operational systems related to enterprise resource planning, production management, and customer relationship management, as has been explained previously.

In regard to maintenance and operation services, both incoming orders and order backlog increased year on year. Although we felt the impacts of certain manufacturing industry customers for our BPO services reducing the scale of their previously large-scale contracts, overall orders were buoyed by a rise in outsourcing-related orders pertaining to e-commerce and customer relationship management systems for adopting an omni-channel retailing approach as well as the expansion of service-oriented businesses.

Incoming orders and order backlog for systems sales grew year on year. Contributors to this outcome included increases in security-related demand as well as in high-performance computing demand from academic sector. Another factor was growth in demand for IT products among automobile and other manufacturers. These demand trends have manifested in orders scheduled for the second half of the fiscal year being recorded during the six-month period ended September 30, 2018. These factors counteracted the large decrease in network product orders from certain communications industry customers.

■ Sales Comparison by Customer Industry（Slide6）

Turning to slide 6, I will now explain sales and other trends by customer industry.

Sales to manufacturers rose by 7.7% in reflection of the aforementioned rise in strategic investment demand and in labor-saving and other facility upgrade demand.

Sales to distributors increased 12.5% year on year. This increase was due to the previously mentioned e-commerce and customer relationship management development and outsourcing projects aimed at enhancing digital marketing measures and adopting an omni-channel retailing approach.

Sales to financial institutions were down 1.2% year on year. Sales in this category were heavily impacted by the conclusion of large-scale orders from banks and securities firms that had previously contributed to sales. This factor outweighed benefits of the commencement of certain new projects and the increased scale of existing development projects for insurance industry customers.

Sales to the communications and transportation industries were up 0.9% year on year. The strong sales of systems development and system maintenance and operation services to communications and transportation industry customers effectively offset the large decrease in network product sales to certain communications industry customers.

Sales to power and gas providers rose 49.6% due to robust customer relationship management and other systems development demand in relation to facility upgrades, an area where demand has been limited since the Great East Japan Earthquake.

■ Business Performance by Reportable Segment（Slide7）

We will now move on to slide 7, which shows a breakdown of the performance I just discussed by reportable segment.

As was explained in the results briefing for the three-month period ended June 30, 2018, we are accelerating the shift to service-oriented business with the aim of accomplishing the goals of the Medium-Term Management Plan, which is set to conclude with the fiscal year ending March 31, 2020. Meanwhile, we are endeavoring to respond to the increasingly sophisticated strategic IT needs of customers in the midst of the advancing digital transformation. To support efforts on these fronts, we undertook a partial reform of our organization during the three-months ended June 30, 2018. The segment information contained on this slide is based on the new organizational structure. Figures for the previous fiscal year have been restated to reflect the new organizational structure.

First of all, the Manufacturing & Telecommunication Systems Business Group continued to enjoy robust orders from automobile manufacturers, and the trend in orders from electrical machinery and electronic component manufacturers was also strong. Orders from power and gas providers, which are included in this segment, grew as well. As a result, both sales and profit were up in this segment.

The Distribution & Media Systems Business Group posted an increase in sales following brisk orders from customers in various industries engaged in consumer businesses. However, profit was down due to the rebound from certain media Packaged software / hardware sales to communications industry customers recorded in the previous fiscal year as well as due to higher business investment expenses.

Sales were down in the Financial Systems Business Group, which was heavily impacted by the conclusion of large-scale projects that had previously contributed to sales. However, profit was up due to the commencement of certain new projects as well as a year-on-year decrease in business investment expenses.

The Global System Solutions & Innovation Business Group posted higher sales and profit thanks to the steady flow of orders from our parent company and the solid performance of overseas consolidated subsidiaries.

The Business Solutions Group witnessed firm demand for enterprise resource planning-related system upgrade investments, which were centered on our proprietary ProActive enterprise resource planning package, coupled with a solid level of orders in service-oriented businesses and outsourcing service businesses, leading to higher sales and profit.

The IT Platform Solutions Group achieved growth in sales and profit due to increased sales of IT products to the manufacturing industry.

Lastly, the IT Management Group was able to achieve increases in both sales and profit thanks to firm demand for an array of platform system development and cloud IT services, a trend that was also seen in the first quarter.

With this, I would like to wrap up my explanation of performance by reportable segment.

■ Operating Profit Analysis（Slide8）

Up until now, I have focused on net sales in our discussion of performance in the six-month period ended September 30, 2018.

Looking now at slide 8, I would like to explain the factors that influenced operating profit.

I mentioned some of the factors contributing to increased profit in the period under review at the beginning of this presentation. To reiterate, we owe our profit growth to higher sales on the back of favorable business trends together with the benefits of profitability improvements realized through increased productivity and other means. I would now like to take this opportunity to elaborate on some of the specific factors that influenced operating profit.

I will start by explaining some of the specific factors increasing profit. First of all, let me talk about unprofitable projects. In the previous equivalent period, losses from unprofitable projects amounted to roughly ¥0.5 billion. The amount of losses from unprofitable projects recorded during six-month period ended September 30, 2018, was around ¥0.3 billion, making for a year-on-year decrease of ¥0.2 billion. This difference had the effect of buoying operating income.

Detractors from operating profit were the same as those discussed at the results briefing for the three-month period ended June 30, 2018. These included the change in the period for calculating bonuses explained when announcing financial results for the fiscal year ended March 31, 2018, which resulted in certain expenses that would have previously been incurred in the fourth quarter of the previous fiscal year being delayed until the period under review. We also recorded higher business investment-related expenses in association with automotive software system and other investments budgeted for the fiscal year ending March 31, 2019, while the earnings of QUO CARD that were included in performance for the previous equivalent period were gone in the period under review. These factors had the combined effect of decreasing profit by ¥0.7 billion year on year.

The net impact of all of the specific factors I just explained had the effect of decreasing operating profit by approximately ¥0.5 billion.

Adding this amount to the increase of ¥2.7 billion in operating income, we will arrive at the figure of roughly ¥3.2 billion, which represents the boost to operating profit from higher sales and improvements to overall business profitability.

Of the ¥3.2 billion increase in operating income, ¥1.4 billion can be attributed to higher sales while ¥1.8 billion was a result of the profitability improvements aside from the specific factors influencing profit I just explained.

The operating margin was influenced by the specific factors I have explained as well as the higher profitability that was a product of our various efforts. As a result, the operating margin rose 1.5 percentage points from 8.1% in the previous equivalent period to 9.6% in the period under review, as mentioned at the start of this presentation. We will continue to pursue improved productivity and profitability going forward.

This ends my supplementary explanation of the factors that influenced operating profit.

■ Consolidated Balance Sheets（Slide9）

Moving on from the consolidated statements of income, we will now discuss our consolidated balance sheet. Please turn to slide 9.

In September 2018, the Company issued ¥10.0 billion worth of straight bonds with a maturity period of five years.
Meanwhile, operating cash flows showed a smooth increase, contributing to higher cash and deposits.

The equity ratio was 62.1%, relatively unchanged from the previous fiscal year-end.

Going forward, we will conduct proactive business investments in line with our core strategies while enhancing our balance sheet, financial position, and shareholders' equity. At the same time, funds will be allocated to increasing shareholder returns centered on dividends. All of these activities will be funded by boosting earnings and operating cash flows.

■ Consolidated Performance Forecasts / Interim Dividend（Slide10）

With this, I conclude our look at consolidated performance.

As the final topics of my portion of today's presentation, I would like to touch on our consolidated performance forecasts and on interim dividends. Please look at slide 10.

As stated, performance in the six-month period ended September 30, 2018, exceeded our initial forecasts. The deal flow remains strong, and, overall, we do not expect any interruptions to the upward trend in strategic IT investment demand from corporate clients.

However, as President Tanihara mentioned, we have chosen not to revise our initial performance forecasts. This decision was based on the instability of the stock market; the opaque operating environment, in part a product of global political and economic uncertainty; the unclear outlook for the businesses serving the financial industry; and our intention to carry out the business investments initially budgeted for the second half of fiscal year as originally planned.

As there has been no change to our full-year performance forecasts, we have also chosen not to change our initial plan for the interim dividend, which calls for a year-on-year increase of ¥2.5 per share, making for an interim dividend of ¥50.0 per share.

During the fiscal year ending March 31, 2019, the fourth year of the Medium-Term Management Plan, we will decisively transition to a business structure promising higher growth potential and profitability. At the same time, we will continue implementing wide-ranging improvements to our management and earnings bases, which will include diligently enacting management measures, such as the *Smart Work Challenge* program and health and productivity management, and enhancing corporate governance systems with the aim of becoming a company offering a pleasant and rewarding workplace to all officers and employees. I hope we can look forward to the ongoing support of investors as we undertake these transformations.

This concludes my portion of today's presentation.

In closing, I would like to thank you all for joining us for this results briefing.