

Consolidated Results of Operations for 3rd Quarter of Fiscal Year Ending March 2019

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I . Highlights for 3rd Quarter of FY2018

Net Sales

255,917 JPY Million

YOY 4.5%

Operating Profit

26,496 JPY Million

YOY 22.9%

Order Backlog

120,307 JPY Million

YOY 19.7%

Operating Margin

10.4 %

YOY 1.5 p.p.

II. Consolidated Statements of Income

(Millions of yen)

	Apr. 2017- Dec. 2017	Apr. 2018- Dec. 2018	Increase/Decrease	
			Amount	Change (%)
Net Sales	244,851	255,917	11,066	4.5%
Gross Profit	58,610	63,807	5,196	8.9%
(Gross Profit Margin)	(23.9%)	(24.9%)		
SG&A Expenses	37,045	37,311	265	0.7%
Operating Profit	21,565	26,496	4,930	22.9%
(Operating Profit Margin)	(8.8%)	(10.4%)		
Ordinary Profit	23,035	27,064	4,029	17.5%
Profit attributable to owners of parent	25,495	17,765	-7,730	-30.3%

III. Sales Comparison by Sales Segment

(Millions of yen)

	Apr. 2017- Dec. 2017	Apr. 2018- Dec. 2018	Increase/Decrease	
			Amount	Change (%)
Systems Development	94,254 (38.5%)	102,288 (40.0%)	8,034	8.5%
System Maintenance and Operation/ Services	96,033 (39.2%)	98,970 (38.7%)	2,936	3.1%
Packaged Software/ Hardware Sales	51,614 (21.1%)	54,659 (21.4%)	3,044	5.9%
Prepaid Card	2,948 (1.2%)	— (—)	-2,948	-100.0%
Total	244,851 (100.0%)	255,917 (100.0%)	11,066	4.5%

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

※ () indicate composition ratio.

IV. Incoming Orders and Backlog

(Millions of yen)

		Apr. 2017- Dec. 2017	Apr. 2018- Dec. 2018	Increase/Decrease	
				Amount	Change (%)
Systems Development	Incoming orders	97,246	109,829	12,582	12.9%
	Backlog	27,474	33,838	6,364	23.2%
System Maintenance and Operation/ Services	Incoming orders	77,402	86,761	9,359	12.1%
	Backlog	63,218	69,354	6,135	9.7%
Packaged Software /Hardware Sales	Incoming orders	51,402	62,587	11,184	21.8%
	Backlog	9,801	17,113	7,312	74.6%
Total	Incoming orders	226,051	259,178	33,126	14.7%
	Backlog	100,495	120,307	19,812	19.7%

V. Sales Comparison by Customer Industry

(Millions of yen)

	Apr. 2017- Dec. 2017		Apr. 2018- Dec. 2018		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Change (%)
Manufacturers	66,457	27.1%	71,905	28.1%	5,448	8.2%
Distributors	39,877	16.3%	44,228	17.3%	4,350	10.9%
Financial Institutions	55,361	22.6%	56,462	22.1%	1,101	2.0%
Banks	17,479	7.1%	17,461	6.8%	-17	-0.1%
Securities Firms	8,054	3.3%	6,342	2.5%	-1,711	-21.3%
Shopping Credit/ Leasing Companies	9,620	3.9%	10,287	4.0%	666	6.9%
Insurance Companies	20,207	8.3%	22,371	8.7%	2,163	10.7%
Communications/ Transportation	41,701	17.0%	43,904	17.2%	2,202	5.3%
Utilities	2,835	1.2%	4,513	1.8%	1,678	59.2%
Services/Others*	38,617	15.8%	34,902	13.6%	-3,714	-9.6%
Total	244,851	100.0%	255,917	100.0%	11,066	4.5%

※"Others" from Apr. 2017 to Sept. 2017 includes sales of Prepaid Card Business.

VI. Business Performance by Reportable Segment

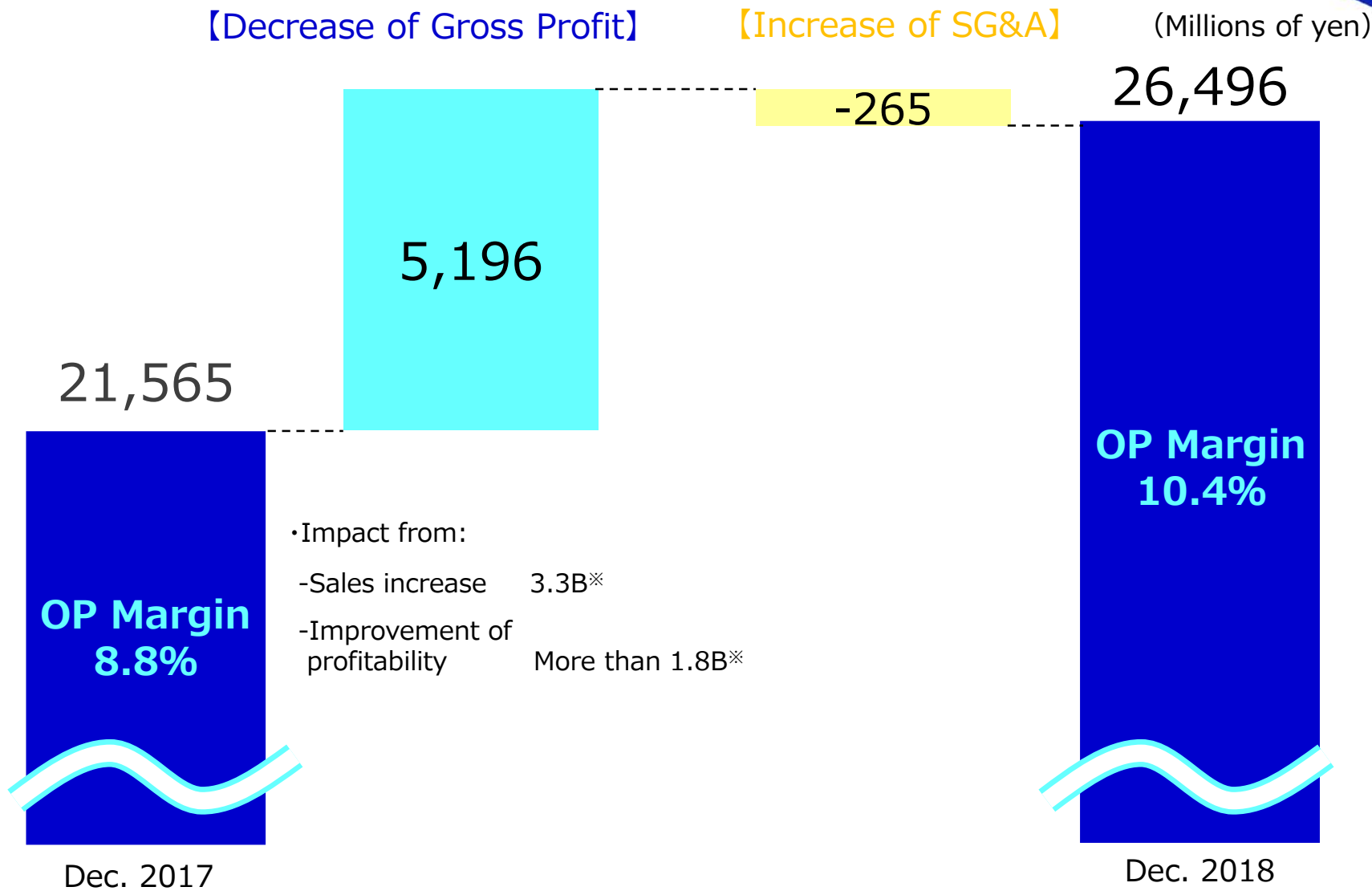
(Millions of yen)

External Sales	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	IT Platform Solutions	IT Management	Others	Adjustments	Total
Apr. 2018~ Dec. 2018	31,347	44,606	46,660	11,220	50,101	38,557	32,848	574	–	255,917
Apr. 2017~ Dec. 2017	27,889	42,471	47,010	9,425	46,896	36,771	30,859	3,526	–	244,851
Increase/Decrease (Amount)	3,458	2,135	-350	1,795	3,205	1,785	1,988	-2,951	–	11,066
Increase/Decrease (%)	12.4%	5.0%	-0.7%	19.0%	6.8%	4.9%	6.4%	-83.7%	–	4.5%

Segment Profit	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	IT Platform Solutions	IT Management	Others	Adjustments	Total
Apr. 2018~ Dec. 2018	4,502	4,424	4,922	1,888	3,951	4,118	4,278	12	-1,602	26,496
Apr. 2017~ Dec. 2017	3,315	4,857	3,999	1,375	3,020	3,288	3,086	272	-1,651	21,565
Increase/Decrease (Amount)	1,186	-432	922	513	930	829	1,191	-260	48	4,930
Increase/Decrease (%)	35.8%	-8.9%	23.1%	37.4%	30.8%	25.2%	38.6%	-95.5%	–	22.9%

※"Others" from Apr. 2017 to Sept. 2017 includes sales of Prepaid Card Business.

VII. Operating Profit Analysis

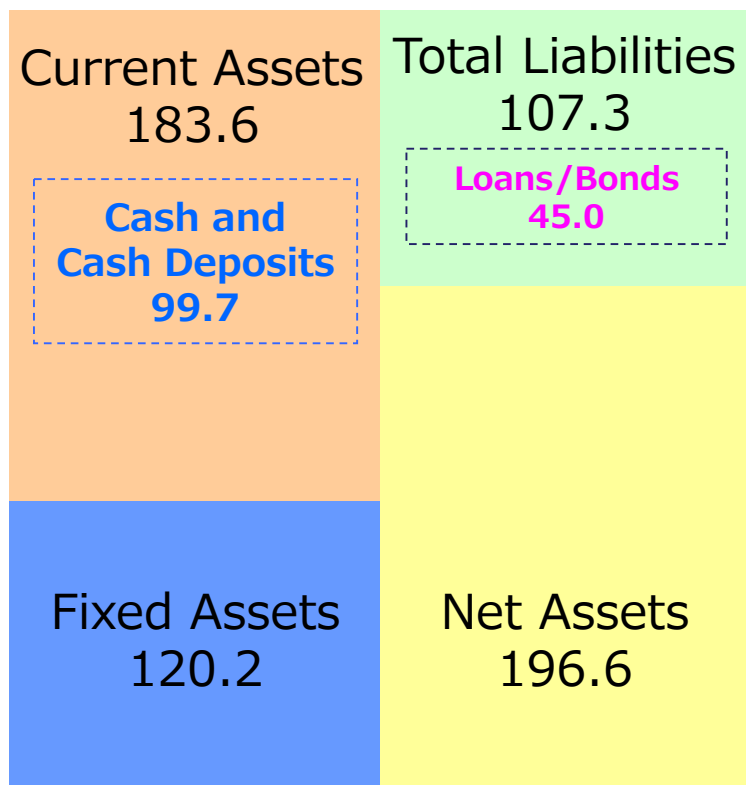


*Adjusted QUO CARD Co., Ltd. revenue and other impact

VIII. Consolidated Balance Sheets

As of March 31, 2018

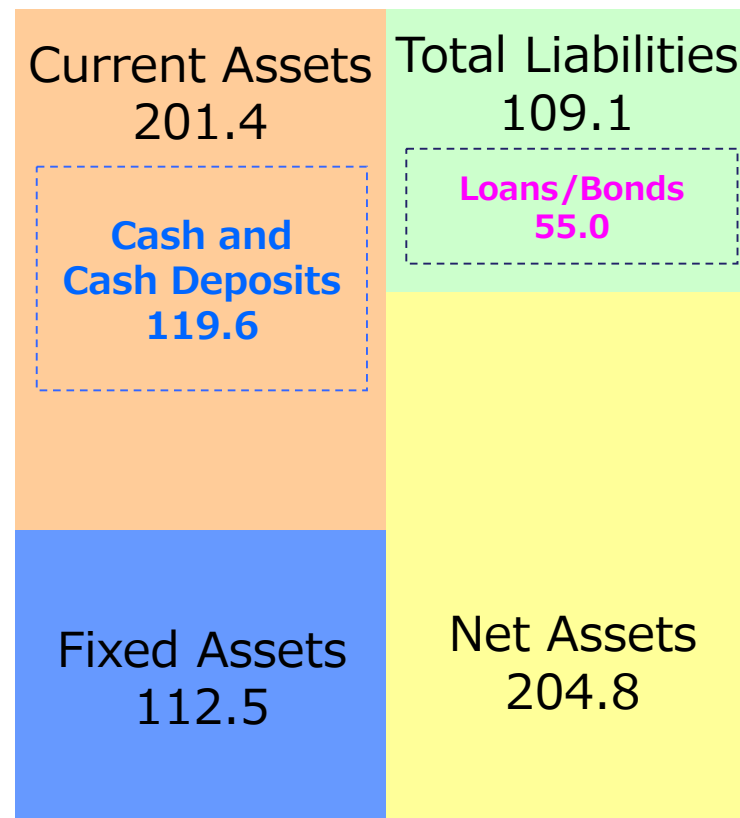
Total Assets 303.9 (Billions of yen)



Equity Ratio 62.3%
BPS JPY1,822.54

As of December 31, 2018

Total Assets 313.9 (Billions of yen)



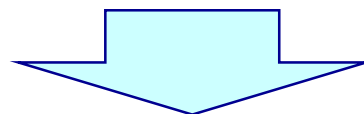
Equity Ratio 62.8%
BPS JPY1,897.60

IX. Revised Forecasts for FY2018

■ Previous Forecasts Released on 29th Oct. 2018

(%: Rate of Change, YOY)

Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
JPY B	%	JPY B	%	JPY B	%	JPY B	%
345.0	2.5	37.0	6.9	37.5	3.3	25.0	-23.1



■ Revised Forecasts

([] :Amounts Revised,%:Rate of Change, YOY)

Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
JPY B	%	JPY B	%	JPY B	%	JPY B	%
353.0 [8.0]	4.9	39.0 [2.0]	12.7	39.0 [1.5]	7.5	26.5 [1.5]	-18.4

X. Tender Offers to Acquire All of the Common Stock of VeriServe and JIEC

■ Overview of Tender Offers

SCSK resolved at the meeting of its board of directors held on January 31, 2019 to implement two of Tender Offers to acquire all the Common Stock of its listed subsidiaries, VeriServe Corporation and JIEC Co., Ltd. with the aim of making them wholly-owned subsidiaries of the Company.

Target Company	VeriServe Corporation	JIEC Co., Ltd.
Current shareholding ratio	55.59%	69.52%
Period for Purchase	From February 1, 2019 through March 18, 2019	
Price for Purchase	Per Share of Common Stock JPY 6,700	Per Share of Common Stock JPY 2,750
Aggregate Tender Offer Price	15.52 JPY billion	5.75 JPY billion
Other	If the Company fails to acquire all of the Target Company Common Stock through the Tender Offer, the Company intends to acquire all of the Target Company Common Stock by implementing the series of procedures designed to make the Company the sole shareholder of the Target Company ("Squeeze-Out Procedures").	

■ Outline of Target Company

	(JPY million)	(JPY million)
Net Sales [※]	11,366	14,919
Operating Margin [※]	1,547	1,345
Net Profit [※]	1,069	912
Business Details	System validation services, security-related inspection services, and other testing services	System development services with IT platform technologies as its core competencies and other IT services

※Fiscal year ended March 31,2018

XI. Structural Reforms (Scheduled for April 2019)

Organizational structure reforms to facilitate the exercise of the “SCSK Group’s Overall Capacities” and the “Improvement of Division Profitability” in order to enhance SCSK’s IT services to better address customer issues and strengthen and expand the Company’s integration services
 → Establishment of Mobility Systems Business Group, Contact Center Service Division.

Development of organizational structure for “Creation and Commercialization of New Businesses in the Digital Transformation Field”
 → Establishment of DX Center.

Creation of organizational structure for “Enhancement of Existing Businesses through Manufacturing Innovations (Business Structure Innovations)”
 → Establishment of DevOps Innovation Center.

In line with the abovementioned objectives, the Sales Coordination Group will be reorganized as will the organizations and businesses contained within business groups. In addition, a partial reorganization will be instituted to organizations within the Corporate Group and an organization tasked with promoting business investments will be established.

Attention on the use of this document

- We have made amendment of previous year's data in page 6 (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- We have made amendment of previous year's data in page 7 (Business Performance by Reportable Segment) to enable a fair comparison with this year's data under realigned reported segments.

Disclaimer

- This data is intended to provide information about the Group's performance and business strategy and is not intended to solicit the purchase or sales of shares in Group companies.
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