

Consolidated Financial Results for the Quarterly Period ended September 30, 2011 [J-GAAP]

October 31, 2011

Company Name: SCSK Corporation (Sumisho Computer Systems Corporation)
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
 URL: <http://www.scsk.jp>
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 Scheduled date for dividend payment: December 1, 2011
 Scheduled date for filing of Securities Report: November 11, 2011
 Preparation of supplementary information material on financial results (yes/no): Yes
 Financial results conference for institutional investors and analysts (yes/no): Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Quarterly Period ended September 30, 2011

(April 1, 2011 to September 30, 2011)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

Quarterly period ended	Net sales		Operating income		Ordinary income		Net income	
	Yen	%	Yen	%	Yen	%	Yen	%
September 30, 2011	59,609	Δ4.8	2,222	Δ9.7	5,132	98.4	3,134	103.4
September 30, 2010	62,618	1.9	2,461	27.7	2,587	22.2	1,541	95.4

(Note) Comprehensive income: September 30, 2011 ¥2,245 million (65.3%) September 30, 2010 ¥1,358 million

Quarterly period ended	Net income per share	Diluted net income per share
	Yen	Yen
September 30, 2011	62.73	62.60
September 30, 2010	30.85	30.80

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

Quarterly period ended	Total assets	Net assets	Equity ratio
	Yen	Yen	%
September 30, 2011	120,459	96,022	79.4
September 30, 2010	121,284	94,568	77.6

(Reference) Shareholders' equity: September 30, 2011 ¥95,621 million September 30, 2010 ¥94,161 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2010	—	16.00	—	16.00	32.00
FY 2011	—	16.00	—	—	—
FY 2011 (Forecast)	—	—	—	16.00	32.00

(Note) Changes in dividends forecast for FY 2011 as of Sep 30, 2011 : None

3. Consolidated Financial Forecasts for Fiscal Year 2011 (April 1, 2011 to March 31, 2012)

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the corresponding period of the previous fiscal year)

Full Year	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen
	207,300	56.1	12,200	72.4	15,000	104.3	38,000	899.1	494.73

(Note) Changes in forecast of consolidated operating results for FY2011 as of Sep 30, 2011 : Yes

*Net income per share has been calculated by using the average number of shares during the interim period and other factors including the increase in the number of shares following the merger.

4. Other

- (1) Changes in significant subsidiaries during the period : None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes accounting estimate and restatement prior period financial statements after error corrections : None
 - 1) Changes in accounting policies, changes in accounting standards and other regulations: None
 - 2) Changes in accounting policies due to other reasons: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of prior period financial statements after error corrections: None

(4) Number of shares issued (Common stock)

- 1) The number of shares issued as of the period-end (including treasury stock)

As of September 30, 2011	54,291,447 shares
As of March 31, 2011	54,291,447 shares
- 2) The number of shares of treasury stock as of the period-end

As of September 30, 2011	4,327,841 shares
As of March 31, 2011	4,332,589 shares
- 3) The average number of shares during the period

As of September 30, 2011	49,962,023 shares
As of September 30, 2010	49,957,882 shares

* Indication regarding execution of quarterly review procedures

- At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

* Cautionary Statement Concerning Appropriate Use of Financial Forecasts and Other Explanatory Notes

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Due to various factors, the actual result may vary from these forecasts. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Qualitative Information of Consolidated Financial Forecasts for the fiscal year ending March 31, 2012” on page 3 of the attached.

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1. Qualitative Information regarding Operating Results

(1) Qualitative Information of Consolidated Business Results

During the interim period under review, the domestic economy has demonstrated a trend towards recovery. Although economic activity enormously declined right after the Great East Japan Earthquake, with particular emphasis on the period after June, business production and manufacturing, exports as well as demand have recovered, and consumer spending has hit bottom amidst other factors leading to sustained economic recovery. Despite these factors, uncertainties regarding the future of the domestic economy heightened against a background impacted by a strong yen caused by factors such as financial and political problems in the US and Europe, the threat of an economic recession overseas, and others.

In our operating environment, IT investment sentiment among our clients continues to grow steadily as companies continue to strengthen activities to make up for the delay of the production and as the recovery from the Great East Japan Earthquake continues. Not only has interest in cloud-related services and data centers for BCPs (Business Continuity Plans) and disaster recovery greatly increased, demand is also comparatively higher than the same period of the previous fiscal year after June.

Currently, due to the impact on operating results by the economic slowdown in Europe and the US, the rapid appreciation of the yen as well as the floods in Thailand, however with particular emphasis on export businesses, we can not ignore the risk of future restrained corporate IT investment.

Consolidated net sales for the interim period were ¥59,609 million, 4.8% lower than the interim period of the previous fiscal year due to decreases in distributors and transportation industry despite increases in software development sales for manufacturers, distributors and others, as well as the allocation of a portion of large-sized IT product distribution orders delayed to the second half of the fiscal year. Operating income was ¥2,222 million, 9.7% lower than the interim period of the previous fiscal year and largely in accordance with initial plans. Despite the effects of decreased revenues, profitability in the IT product distribution business has improved. Ordinary income and net income were both higher at ¥5,132 million, up 98.4%, and ¥3,134 million, up 103.4% due to recording gains from on investments in an investment consortium.

(2) Qualitative information of Consolidated Financial Position

As of the end of the interim period cash and cash equivalents were ¥25,935 million, ¥43 million higher than the end of the previous consolidated fiscal year. The main contributing factors are detailed below.

Cash flow from operating activities

Net cash inflow from operating activities during the period under review was ¥7,638 million. This was primarily due to net income before income taxes and minority interests of ¥5,036 million, depreciation of ¥1,765 million and a decrease in accounts receivable of ¥7,725 million, while there were cash outflows primarily due to a decrease in accounts payable of ¥2,686 million.

Cash flow from investing activities

Net cash outflow from investing activities during the period under review was ¥6,331 million. This was primarily due to payments of ¥766 million for acquisition of property and equipments, ¥852 million for the purchases of software and other intangible assets and ¥10,232 million for the purchases of investment securities, while there were cash inflows primarily due to proceeds from withdrawal of investments in partnership ¥5,328 million.

Cash flow from financing activities

Net cash outflow from investing activities during the period under review was ¥1,252 million. This was primarily due to a ¥803 payment for cash dividends paid for year-end dividends (¥16 per share) for the fiscal year ended March 2011.

(3) Qualitative Information of Consolidated Financial Forecasts for the fiscal year ending March 31, 2012

The full-year financial forecast has been revised concomitant with the merger with CSK Corporation (“CSK”) on October 1st, taking into account factors such as the operating environment, business trends, strategic initiatives, and the impact of accounting treatment and other matters related to the merger.

The financial crisis in Europe and the accompanying strong yen have brought considerable uncertainty to the outlook for the domestic and global economy, and the outlook for corporate IT investment is also unclear. However, SCSK operations are proceeding favorably, and business performance, including the operations absorbed through the merger, is progressing steadily.

With due consideration of the above factors, and taking a conservative view of the business outlook, the full-year forecasts for sales and operating income have been revised to reflect the initial forecasts for both the surviving company in the merger and the extinguished company. Accordingly, the sales and operating income figures for the revised forecast are a combination of the initial full-year forecasts for Sumisho Computer Systems Corporation (“SCS”) and the initial second-half forecasts of CSK.

At the ordinary income and net income levels, the initial forecasts have been revised to reflect improved operating efficiencies and also costs arising from strategic initiatives to reduce future operating expenses, while also incorporating the recording of deferred tax assets associated with accounting treatment for the merger.

2. Summary information and related items

(1) Changes in significant subsidiaries during the period:

No applicable items

(2) Adoption of specific accounting in preparing quarterly consolidated financial statements:

No applicable items

(3) Changes in accounting policies, changes accounting estimate and restatement prior period financial statements after error corrections:

No applicable items

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011
ASSETS		
Current assets		
Cash and deposits	6,003	1,409
Notes and accounts receivable-trade	29,810	22,057
Short-term investment securities	10,211	12
Merchandise and finished goods	2,871	2,544
Work in process	136	255
Raw materials and supplies	17	11
Deposits paid	9,688	24,526
Other	6,385	6,949
Allowance for doubtful accounts	(3)	(2)
Total current assets	65,122	57,764
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,208	13,915
Land	14,667	14,667
Others, net	4,003	4,064
Total property, plant and equipment	32,879	32,647
Intangible assets		
Goodwill	412	396
Other	5,874	5,884
Total intangible assets	6,286	6,280
Investments and other assets		
Investment securities	11,374	17,641
Other	5,759	6,183
Allowance for doubtful accounts	(138)	(58)
Total investments and other assets	16,995	23,766
Total noncurrent assets	56,161	62,694
Total assets	121,284	120,459

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Sep. 30, 2011
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	10,163	7,494
Income taxes payable	1,859	1,384
Provision for bonuses	1,829	1,923
Provision for directors' bonuses	45	18
Provision for loss on construction contracts	28	3
Other	9,508	10,699
Total current liabilities	23,435	21,522
Noncurrent liabilities		
Provision for retirement benefits	105	103
Provision for directors' retirement benefits	27	27
Asset retirement obligations	887	917
Other	2,259	1,865
Total noncurrent liabilities	3,280	2,913
Total liabilities	26,715	24,436
NET ASSETS		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	31,299	31,299
Retained earnings	50,373	52,703
Treasury stock	(8,717)	(8,707)
Total shareholders' equity	94,108	96,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	862	21
Deferred gains or losses on hedges	(81)	(87)
Foreign currency translation adjustment	(727)	(761)
Total accumulated other comprehensive income	52	(827)
Subscription rights to shares	197	199
Minority interests	209	201
Total net assets	94,568	96,022
Total liabilities and net assets	121,284	120,459

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income

(Unit: Millions of Yen)

	From Apr. 1, 2010 to Sep. 30, 2010	From Apr. 1, 2011 to Sep. 30, 2011
Net sales	62,618	59,609
Cost of sales	49,081	46,355
Gross profit	13,536	13,254
Selling, general and administrative expenses	11,075	11,031
Operating income	2,461	2,222
Non-operating income		
Interest income	70	51
Dividends income	47	68
Equity in earnings of affiliates	51	129
Gain on investments in partnership	-	2,646
Other	45	29
Total non-operating income	215	2,925
Non-operating expenses		
Interest expenses	11	10
Loss on investments in partnership	48	-
Settlement package	19	-
Foreign exchange losses	2	3
Other	6	0
Total non-operating expenses	89	15
Ordinary income	2,587	5,132
Extraordinary income		
Gain on sales of noncurrent assets	0	-
Gain on sales of investment securities	299	0
Gain on sales of membership	-	0
Gain on reversal of subscription rights to shares	5	7
Total extraordinary income	305	8
Extraordinary loss		
Loss on retirement of noncurrent assets	31	13
Loss on sales of noncurrent assets	3	-
Loss on sales of membership	-	0
Loss on valuation of investment securities	-	16
Loss on adjustment for changes of accounting standard for asset retirement obligations	40	-
Office transfer related expenses	169	-
Merger expenses	-	74
Total extraordinary loss	245	104
Income before income taxes and minority interests	2,647	5,036
Income taxes — current	1,346	1,768
Income taxes — deferred	(217)	142
Total income taxes	1,128	1,910
Income before minority interests	1,518	3,126
Minority interests in loss	(22)	(8)
Net income	1,541	3,134

Quarterly Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	From Apr. 1, 2010 to Sep. 30, 2010	From Apr. 1, 2011 to Sep. 30, 2011
Income before minority interests	1,518	3,126
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(857)
Deferred gains or losses on hedges	(97)	(5)
Foreign currency translation adjustment	(55)	(34)
Share of other comprehensive income of associates accounted for using equity method	(2)	17
Total other comprehensive income	(160)	(880)
Comprehensive income	1,358	2,245
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,381	2,253
Comprehensive income attributable to minority interests	(22)	(8)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	From Apr. 1, 2010 to Sep. 30, 2010	From Apr. 1, 2011 to Sep. 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,647	5,036
Depreciation and amortization	1,670	1,765
Amortization of goodwill	46	44
Increase (decrease) in allowance for doubtful accounts	(23)	(76)
Increase (decrease) in provision for retirement benefits	2	(2)
Increase (decrease) in provision for relocation costs of headquarter office	(342)	-
Decrease (increase) in prepaid pension costs	122	(391)
Loss on retirement of noncurrent assets	31	13
Loss (gain) on sales of noncurrent assets	3	-
Loss (gain) on valuation of investment securities	-	16
Loss (gain) on sales of investment securities	(299)	(0)
Equity in (earnings) losses of affiliates	(51)	(129)
Share-based compensation expenses	32	19
Loss on adjustment for changes of accounting standard for asset retirement obligations	40	-
Interest and dividends income	(118)	(119)
Loss (gain) on investments in partnership	48	(2,646)
Decrease (increase) in notes and accounts receivable-trade	3,103	7,725
Decrease (increase) in inventories	1,130	236
Increase (decrease) in notes and accounts payable-trade	(3,749)	(2,686)
Directors' bonus payments	(78)	(45)
Other, net	1,299	793
Subtotal	5,518	9,551
Interest and dividends income received	235	232
Interest expenses paid	(11)	(10)
Income taxes paid	(719)	(2,135)
Net cash provided by (used in) operating activities	5,022	7,638
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	-	5
Purchase of property, plant and equipment	(2,215)	(766)
Proceeds from sales of property, plant and equipment	0	-
Purchase of intangible assets	(873)	(852)
Purchase of investment securities	(2)	(10,232)
Proceeds from sales and redemption of investment securities	640	0
Proceeds from withdrawal of investments in partnership	-	5,328
Proceeds from purchase of business	-	169
Payments for transfer of business	(5)	-
Payments for lease and guarantee deposits	(1,323)	(74)
Proceeds from collection of lease and guarantee deposits	21	10
Other, net	13	80
Net cash provided by (used in) investing activities	(3,744)	(6,331)

(Unit: Millions of Yen)

	From Apr. 1, 2010 to Sep. 30, 2010	From Apr. 1, 2011 to Sep. 30, 2011
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(378)	(448)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(803)	(803)
Net cash provided by (used in) financing activities	(1,182)	(1,252)
Effect of exchange rate change on cash and cash equivalents	(62)	(11)
Net increase (decrease) in cash and cash equivalents	32	43
Cash and cash equivalents at the beginning of period	26,202	25,892
Cash and cash equivalents at the end of period	26,235	25,935

(4) Notes to Going Concern Assumption

None

(5) Segment Information

I. Fiscal Year 2010 (April 1, 2010, to September 30, 2010)

Information on Sales, Income (Loss) by Reported Segment

(Unit: Millions of Yen)

	Distribution & Manufacturing System Solution Business	Financial System & ERP Solution Business	Global Solution Business	IT Platform Solution Business	Others	Total	Adjustments (Notes 1)	Amounts Reported in the Consolidated Financial Statements (Notes 2)
Sales								
(1) Outside customers	16,980	10,576	7,981	23,920	3,158	62,618	—	62,618
(2) Inter-segment sales or transfers	46	134	58	1,911	5	2,156	(2,156)	—
Total	17,026	10,711	8,040	25,832	3,164	64,774	(2,156)	62,618
Segmental income (loss)	553	(100)	915	1,440	(82)	2,726	(265)	2,461

Notes: The details of “Adjustments” are as follows:

1. The Adjustments of (¥265 million) on Segmental income (loss) represent general corporate expenses, which are not allocated to the reported segments.
2. The Segmental income (loss) is adjusted with operating income in the Consolidated Statements of Income.

II. Fiscal Year 2011 (April 1, 2011, to September 30, 2011)

1) Information on Sales, Income (Loss) by Reported Segment

(Unit: Millions of Yen)

	Distribution & Manufacturing System Solution Business	Financial System & ERP Solution Business	Global Solution Business	IT Platform Solution Business	Others	Total	Adjustments (Notes 1)	Amounts Reported in the Consolidated Financial Statements (Notes 2)
Sales								
(1) Outside customers	17,272	9,337	7,502	21,896	3,601	59,609	—	59,609
(2) Inter-segment sales or transfers	614	119	94	2,013	0	2,842	(2,842)	—
Total	17,887	9,457	7,596	23,909	3,601	62,452	(2,842)	59,609
Segmental income (loss)	559	(174)	903	1,067	101	2,457	(235)	2,222

Notes: The details of “Adjustments” are as follows:

1. The Adjustments of (¥235 million) on Segmental income (loss) represent general corporate expenses, which are not allocated to the reported segments.
2. The Segmental income (loss) is adjusted with operating income in the Consolidated Statements of Income.

2) Changes in Reported Segment

Due to the rearrangement of the reported segments in the first quarter of the fiscal year under review, partial amendments have been made in external sales and operating income in the second quarter of the last fiscal year (six-months ended September 30, 2010) in accordance with the rearrangement.

(6) Notes to Concerning Major Changes in Shareholder's Equity

None