

Consolidated Financial Results for the Third Quarter ended December 31, 2012 [J-GAAP]

January 30, 2013

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
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 Scheduled date of filing quarterly securities reports: February 13, 2013
 Scheduled date for dividend payment: —
 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 Third Quarter ended Dec. 31, 2012(Apr. 1, 2012 through Dec. 31, 2012)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Nine months ended Dec. 31, 2012	201,400	61.6	13,949	140.9	15,145	74.4	14,634	(32.4)
Nine months ended Dec. 31, 2011	124,604	33.1	5,790	60.8	8,684	128.7	21,636	897.1

(Note) Comprehensive income:

Third Quarter Ended Dec. 31, 2012:14,741 million yen (-29.3%) Third Quarter Ended Dec. 31, 2011:20,847 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2012	141.17	137.49
Nine months ended Dec. 31, 2011	318.54	200.75

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of Dec. 31, 2012	296,897	105,447	33.7	965.82
As of Mar. 31, 2012	300,928	124,419	39.6	860.37

(Reference) Shareholders' equity: As of Dec. 31, 2012 ¥100,119 million As of Mar. 31, 2012 ¥119,189 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2011	—	16.00	—	16.00	32.00
FY 2012	—	18.00	—	—	—
FY 2012 (Forecast)	—	—	—	18.00	36.00

(Note)Revisions during this quarter of Dividends forecasts for Fiscal Year 2012: None

3. Consolidated Financial Forecasts for Fiscal Year 2012 (April 1, 2012 to March 31, 2013)

(Millions of yen unless otherwise stated)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
		%		%		%		%		Yen
Full Year	280,000	39.8	20,000	55.3	20,300	21.9	15,000	(41.6)		144.70

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2012: None

- (1) Changes in significant subsidiaries during the period : None
- (2) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections
 - 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
- (3) Number of shares issued (Common stock)
 - 1) The number of shares issued as of the period-end (including treasury stock)

As of Dec. 31, 2012	107,986,403 shares
As of Mar. 31, 2012	107,986,403 shares
 - 2) The number of shares of treasury stock as of the period-end

As of Dec. 31, 2012	4,324,010 shares
As of Mar. 31, 2012	4,322,267 shares
 - 3) The average number of shares during the period (Apr. 1, 2012 to Dec. 31, 2012)

As of Dec. 31, 2012	103,663,372 shares
As of Dec. 31, 2011	67,925,257 shares

* Statement of implementation status for auditing procedures

- These consolidated quarterly financial results for the Third quarter are exempt from auditing procedures based on the Financial Instruments and Exchange Act. Auditing procedures based on the Financial Instruments and Exchange Act had not been completed as of the release of these consolidated quarterly financial results.

* 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. Actual results may vary from these forecasts for various reasons. 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 Forecast for the fiscal year ending March 31, 2013” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on Jan. 30, 2013. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on SCSK’s website promptly thereafter.

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1. Qualitative information regarding Operating Results for the quarter ended December 31, 2012

(1) Qualitative information of Consolidated Business Results

In the Japanese economy in the third-quarter period under review, consumer spending was firm and earthquake disaster-related reconstruction demand increased. However, business confidence was marked by caution from start to finish, particularly in manufacturing against a backdrop of the effects of the strong yen and concerns of a downturn in overseas economies.

Additionally, the recent worsening of Sino-Japanese relations has had an impact on Japan's economy, making the domestic business climate generally weak.

Despite these economic trends, the business environment surrounding SCSK Group has seen stable corporate earnings, and IT investment by corporate customers has shown a recovery trend and is becoming firm after having been continuously reduced or postponed in recent years.

In particular, actual demand for strategic IT investment is being seen, with the manufacturing and distribution sectors taking measures to strengthen production and sales and globalize activities, the telecommunications industry enhancing systems for smartphone-related business, and strong demand in the financial industry for IT investment relating to business mergers and integration, particularly from banking and insurance industry customers. Additionally, demand has grown for cloud-type IT services to further increase work efficiency and production, while data centers' needs for business continuity planning and disaster recovery, spurred by the Great East Japan Earthquake of two years ago, are on an increasing trend.

Turning to the Company's consolidated operating results for the period under review, net sales increased 61.6% compared to the same period of the previous fiscal year to ¥201,400 million, supported by the business environment outlined above and reflecting strong business growth, especially with distribution and telecommunications customers in systems development, as well as the increased business scale due to the merger.

Operating income increased 140.9% year on year to ¥13,949 million. This was attributable to an increase in profitability from increased efficiency and reduced expenses in numerous areas, including SG&A costs. Ordinary income increased 74.4% to ¥15,145 million. Net income decreased 32.4% to ¥14,634 million, reflecting the absence of deferred tax assets arising from the merger that were recorded in the previous year. For the period under review, net income before income taxes, etc. actually increased significantly over the previous comparable period.

The Japanese economy, despite concerns of a downturn in overseas economies, is expected to respond to the effects of the new administration's introduction of a large emergency economic stimulus and inflation targets as part of monetary policy management. Since the beginning of the year the forex market, hitherto marked by the strong yen, has entered a corrective phase and could link to economic recovery in the near future in response to the market's expectations for these policies.

The business environment must continue to be watched closely for changes. While it seems likely to continue firming in the near term, fears of a renewed downward swing may emerge, depending on the status of overseas economies and the effectiveness of the new administration's policies, and this may lead to further caution on IT investment among corporate customers.

(2) Qualitative information of Consolidated Financial Position

Cash and cash equivalents (“cash”) as of December 31, 2012 decreased ¥1,919 million compared to March 31, 2012 to ¥61,742 million. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

Cash flow from operating activities

Net cash provided by operating activities was ¥15,908 million.

The main cash inflow factors were net income before income taxes and minority interests of ¥15,178 million, depreciation of ¥4,956 million and a decrease in accounts receivable of ¥5,288 million. The main cash outflow factors were a decrease in accounts payable of ¥2,281 million and a decrease in “Other” of ¥7,868 million due to payment of a one-time expense relating to the reorganization of personnel system.

Cash flow from investing activities

Net cash used in financing activities was ¥5,316 million.

The main cash inflow factor was liquidation of investment securities of ¥2,207 million and income from the recovery of short-term loans of ¥1,357 million. The main cash outflow factors were acquisition of tangible fixed assets of ¥7,932 million and acquisition of intangible fixed assets of ¥1,879 million.

Cash flow from financing activities

Net cash used in financing activities was ¥12,542 million.

The main cash inflow factors were long-term borrowings of ¥20,000 million and issuance of bonds of ¥10,000 million. The main cash outflow factors were share repurchase of ¥30,081 million, repayment of long-term debt of ¥7,500 million, dividend payments of ¥1,662 million (¥16 per share) for the fiscal year ending March 31, 2012 and interim dividend payments of ¥1,870 million (¥18 per share) for the fiscal year ending March 31, 2013.

(3) Qualitative information of Consolidated Financial Forecast for the fiscal year ending March 31, 2013

Business performance for the third quarter of this fiscal year was generally in accordance with forecasts and there are no changes to the consolidated forecasts issued on October 31, 2012.

*Characteristics of SCSK Group’s quarterly results

As many companies in Japan have fiscal years that run from April to March, adoption and inspection of computer systems tends to be concentrated in September and March, respectively the halfway point and end of the April to March fiscal year. Excluding sales covered by contract agreements, SCSK Group mainly records sales on a receipt-and-inspection basis. This means that Group business results fluctuate by season, with sales and income tending to be concentrated in the second and fourth quarters of each year.

2.Summary information (notes)

(1)Transfer of important subsidiaries in the three months under review

No applicable items

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

No applicable items

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

No applicable items

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2012	As of Dec. 31, 2012
ASSETS		
Current assets		
Cash and deposits	28,158	21,882
Notes and accounts receivable-trade	55,942	50,682
Short-term investment securities	1,599	1,399
Operational investment securities	35,787	37,360
Merchandise and finished goods	2,923	3,630
Work in process	619	1,224
Raw materials and supplies	33	20
Short-term loans receivable	17,275	15,891
Deposits paid	36,802	41,059
Other	18,887	20,299
Allowance for doubtful accounts	(10,818)	(10,795)
Total current assets	187,212	182,654
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	25,753	26,979
Land	19,614	22,118
Others, net	8,340	7,665
Total property, plant and equipment	53,708	56,763
Intangible assets		
Goodwill	454	371
Other	7,229	7,416
Total intangible assets	7,683	7,787
Investments and other assets		
Investment securities	15,944	13,941
Other	36,719	36,052
Allowance for doubtful accounts	(340)	(302)
Total investments and other assets	52,323	49,691
Total noncurrent assets	113,715	114,243
Total assets	300,928	296,897

(Unit: Millions of Yen)

	As of Mar. 31, 2011	As of Dec. 31, 2012
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	16,270	13,980
Current portion of bonds with subscription rights to shares	-	35,000
Current portion of long-term loans payable	10,000	10,000
Income taxes payable	579	403
Provision for bonuses	5,753	2,831
Provision for directors' bonuses	66	56
Provision for loss on construction contracts	261	78
Deposits received of prepaid cards	59,220	62,858
Other	30,395	24,516
Total current liabilities	122,548	149,725
Noncurrent liabilities		
Bonds payable	-	10,000
Bonds with subscription rights to shares	35,000	-
Long-term loans payable	9,860	22,360
Provision for retirement benefits	4,190	4,900
Provision for directors' retirement benefits	53	45
Asset retirement obligations	1,341	1,391
Other	3,515	3,025
Total noncurrent liabilities	53,960	41,723
Total liabilities	176,508	191,449
NET ASSETS		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	33,152	3,074
Retained earnings	73,554	84,638
Treasury stock	(8,690)	(8,692)
Total shareholders' equity	119,168	100,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	787	603
Deferred gains or losses on hedges	(27)	11
Foreign currency translation adjustment	(738)	(668)
Total accumulated other comprehensive income	21	(53)
Subscription rights to shares	190	192
Minority interests	5,039	5,135
Total net assets	124,419	105,447
Total liabilities and net assets	300,928	296,897

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

(Unit: Millions of Yen)

	From Apr. 1, 2011 to Dec. 31, 2011	From Apr. 1, 2012 to Dec. 31, 2012
Net sales	124,604	201,400
Cost of sales	96,546	154,940
Gross profit	28,058	46,460
Selling, general and administrative expenses	22,267	32,511
Operating income	5,790	13,949
Non-operating income		
Interest income	100	165
Dividends income	78	286
Equity in earnings of affiliates	143	209
Gain on investments in partnership	2,640	379
Hoard profit of prepaid card	278	881
Other	62	382
Total non-operating income	3,302	2,304
Non-operating expenses		
Interest expenses	97	315
Loss on valuation of investment securities	118	80
Foreign exchange losses	16	37
Retirement benefit expenses	65	195
Financing expenses	-	218
Other	110	262
Total non-operating expenses	408	1,108
Ordinary income	8,684	15,145
Extraordinary income		
Gain on sales of noncurrent assets	3	5
Gain on sales of investment securities	17	96
Gain on sales of subsidiaries and affiliates' stocks	101	6
Gain on sales of memberships	10	0
Gain on reversal of subscription rights to shares	7	-
Total extraordinary income	141	109
Extraordinary loss		
Loss on retirement of noncurrent assets	56	50
Loss on sales of noncurrent assets	1	0
Impairment loss	1,700	-
Loss on sales of membership	0	1
Loss on valuation of membership	4	23
Loss on sales of investment securities	4	0
Loss on valuation of investment securities	16	-
Merger expenses	207	-
Total extraordinary losses	1,991	76
Income before income taxes and minority interests	6,835	15,178
Income taxes — current	159	964
Income taxes — deferred	(14,996)	(595)
Total income taxes	(14,837)	368
Income before minority interests	21,673	14,810
Minority interests in income	36	175
Net income	21,636	14,634

Consolidated Quarterly Statements of Comprehensive Income

(Unit: Millions of Yen)

	From Apr. 1, 2011 to Dec. 31, 2011	From Apr. 1, 2012 to Dec. 31, 2012
Income before minority interests	21,673	14,810
Other comprehensive income		
Valuation difference on available-for-sale securities	(742)	(187)
Deferred gains or losses on hedges	31	38
Foreign currency translation adjustment	(90)	69
Gain or Loss on change in equity	-	7
Share of other comprehensive income of associates accounted for using equity method	(25)	3
Total other comprehensive income	(825)	(68)
Comprehensive income	20,847	14,741
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	20,812	14,563
Comprehensive income attributable to minority interests	34	178

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: Millions of Yen)

	From Apr. 1, 2011 to Dec. 31, 2011	From Apr. 1, 2012 to Dec. 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	6,835	15,178
Depreciation and amortization	3,391	4,956
Amortization of goodwill	67	82
Impairment loss	1,700	-
Increase (decrease) in allowance for doubtful accounts	(69)	(48)
Increase (decrease) in provision for retirement benefits	16	711
Decrease (increase) in prepaid pension costs	(849)	(224)
Loss on retirement of noncurrent assets	56	50
Loss(gain) on sales of noncurrent assets	(1)	(5)
Loss (gain) on valuation of investment securities	135	80
Loss (gain) on sales of investment securities	(14)	(99)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(101)	(6)
Equity in (earnings) losses of affiliates	(143)	(209)
Share-based compensation expenses	20	1
Interest and dividends income	(178)	(452)
Interest expenses paid on loans and bonds	97	315
Loss (gain) on investments in partnership	(2,640)	(379)
Decrease (increase) in investment securities for sale	-	(1,921)
Decrease (increase) in notes and accounts receivable-trade	5,872	5,288
Decrease (increase) in inventories	147	(1,301)
Increase (decrease) in notes and accounts payable-trade	(2,854)	(2,281)
Increase (decrease) in deposits received of prepaid cards	1,196	3,637
Directors' bonus payments	(47)	(65)
Other, net	1,355	(7,868)
Subtotal	13,993	15,440
Interest and dividends income received	323	564
Interest expenses paid	(24)	(280)
Income taxes paid refund	(4,289)	183
Net cash provided by (used in) operating activities	10,003	15,908
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(899)	(3,299)
Proceeds from sales and redemption of securities	805	3,600
Purchase of property, plant and equipment	(1,457)	(7,932)
Proceeds from sales of property, plant and equipment	1,604	1
Purchase of intangible assets	(1,861)	(1,879)
Purchase of investment securities	(13,918)	(198)
Proceeds from sales and redemption of investment securities	1,875	2,207
Collection of short-term loans receivable	46	1,357
Proceeds from purchase of business	169	-
Proceeds from withdrawal of investments in partnership	5,412	569
Payments for lease and guarantee deposits	(95)	(85)
Proceeds from collection of lease and guarantee deposits	55	93
Other, net	(52)	249
Net cash provided by (used in) investing activities	(8,315)	(5,316)

(Unit: Millions of Yen)

	From Apr. 1, 2011 to Dec. 31, 2011	From Apr. 1, 2012 to Dec. 31, 2012
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	-	20,000
Repayment of long-term loans payable	(2,515)	(7,500)
Proceeds from issuance of bonds	-	10,000
Repayments of lease obligations	(846)	(1,348)
Purchase of treasury stock	(6)	(30,081)
Proceeds from sales of treasury stock	3	1
Cash dividends paid	(1,606)	(3,532)
Cash dividends paid to minority shareholders	(40)	(83)
Other, net	1	2
Net cash provided by (used in) financing activities	(5,011)	(12,542)
Effect of exchange rate change on cash and cash equivalents	(69)	46
Net increase (decrease) in cash and cash equivalents	(3,392)	(1,904)
Cash and cash equivalents at beginning of period	25,892	63,661
Increase in cash and cash equivalents resulting from merger	31,648	-
Increase (decrease) in cash and cash equivalents resulting from change of scope consolidation	-	(15)
Cash and cash equivalents at end of period	54,147	61,742

(4) Notes regarding the Premise of a Going Concern

No applicable items.

(5) Segment Information

I. Third quarter of fiscal year ended March 31, 2012 (April 1, 2011 to December 31, 2011)

Information on Sales, Income (Loss) by Reported Segment

(Unit: Millions of Yen)

	Industrial Systems Business	Financial Systems Business	Global Systems Business	Business Solutions and Cross-Functional Business	Business Services	IT Management	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	29,545	19,254	8,884	6,278	7,797	14,204	37,366	742
(2) Inter-segment sales or transfers	1,613	57	292	1,162	292	3,360	1,756	52
Total	31,159	19,312	9,177	7,441	8,089	17,565	39,123	794
Segment income	1,120	1,461	1,200	115	64	1,171	1,075	128

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	529	124,604	—	124,604
(2) Inter-segment sales or transfers	6	8,595	(8,595)	—
Total	536	133,199	(8,595)	124,604
Segment income	182	6,519	(729)	5,790

Notes: Adjustments are as follows:

1. The adjustment of (¥ 729million) to segment income represents general corporate expenses that have not been allocated to the reported segments.
2. Segment income has been reconciled to operating income in the consolidated income statement.

II. Third quarter of fiscal year ending March 31, 2013 (April 1, 2012 to December 31, 2012)

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

(Unit: Millions of Yen)

	Industrial Systems Business	Financial Systems Business	Global Systems Business	Business Solutions and Cross-Functional Business	Business Services	IT Management	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	48,673	37,358	9,062	11,888	23,192	28,326	39,765	2,572
(2) Inter-segment sales or transfers	1,880	175	944	2,996	1,016	5,864	3,822	109
Total	50,553	37,534	10,006	14,885	24,209	34,190	43,588	2,681
Segment income	3,485	3,207	1,439	969	690	2,230	2,016	573

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	560	201,400	—	201,400
(2) Inter-segment sales or transfers	12	16,823	(16,823)	—
Total	573	218,224	(16,823)	201,400
Segment income	178	14,792	(842)	13,949

Notes: Adjustments are as follows:

1. The adjustments of (¥842 million) to segment income represent general corporate expenses that have not been allocated to the reported segments.
2. Segment income has been reconciled to operating income in the consolidated income statement.

2) Changes in reported segments

Effective the first-quarter period under review SCSK reorganized its reported segments. Seven of its previous eight reported segments (excluding Prepaid Card, which remains unchanged), as well as business at domestic branches included in the Other segment, were reorganized into seven new reported segments. The seven segments subject to reorganization were: Distribution & Manufacturing System Solution, Financial System and ERP Solution, Global Solution, IT Platform Solution, Systems Development, IT Management, and BPO. The seven new reported segments after the reorganization are: Industrial Systems Business, Financial Systems Business, Global Systems Business, Business Solutions and Cross-Functional Business, Business Services, IT Management, and IT Platform Solutions. The reorganization aims to further accelerate business integration following the merger with CSK Corporation on October 1, 2011, while also strengthening the framework for pursuing the three strategies identified in SCSK's business plan, namely, pursuing cross-selling, strengthening cloud solution business, and expanding global solution business.

Some of the new reported segments are organized by industry, while some are organized by function. By industry, Industrial Systems Business generally encompasses systems development business for all customers other than financial institutions, while Financial Systems Business covers systems development business for

financial institutions. Global Systems Business consists of provision of IT services for the Sumitomo Corporation group and for Japanese corporations' global business development. By function, Business Solutions and Cross-Functional Business comprises improvement of productivity and quality for systems development business, provision of ERP and specified solutions, and promotion of offshore and nearshore development. Business Services encompasses all BPO services, while IT Management includes all IT management services, including datacenter services and infrastructure development. IT Platform Solutions covers software and hardware sales and related services.

Segment information for the previous first-quarter period has been restated according to new reported segments for comparison purposes.

(6) Notes concerning significant changes in shareholders' equity

In accordance with the resolution at a board meeting, SCSK repurchased and retired the Class A and Class B preferred shares issued by the former CSK Corporation that SCSK succeeded to when it merged with the former CSK on October 1, 2011. As a result, in the nine months under review capital surplus decreased by ¥30,077 million. As of December 31, 2012 capital surplus was ¥3,074 million.