

**Consolidated Financial Results for the First Quarter
of the fiscal year ending March 31, 2019
(April 1, 2018 - June 30, 2018)
[J-GAAP]**

July 30, 2018

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 August 10, 2018
 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 First Quarter ended June 30, 2018(April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Three months ended June 30, 2018	80,166	3.8	6,333	62.8	6,588	47.9	4,301	51.2
Three months ended June 30, 2017	77,219	2.5	3,889	-36.5	4,455	-33.8	2,844	-61.0

(Note) Comprehensive income:

First Quarter Ended June 30, 2018: ¥4,503 million (48.9%) First Quarter Ended June 30, 2017: ¥3,025 million (-57.0%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Three months ended June 30, 2018	41.43	41.41
Three months ended June 30, 2017	27.40	27.38

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2018	296,199	196,090	63.7
As of March 31, 2018	303,914	196,600	62.3

(Reference) Shareholders' equity: As of June 30, 2018 ¥188,653 million As of March 31, 2018 ¥189,214 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2017	—	47.50	—	47.50	95.00
FY 2018	—	—	—	—	—
FY 2018 (Forecast)	—	50.00	—	50.00	100.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2018: None

3. Consolidated Financial Forecasts for Fiscal Year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen unless otherwise stated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
		%		%		%		%	Yen
Six months ending September 30, 2018	165,000	0.9	15,000	13.0	15,000	5.1	10,000	-16.9	96.32
Full Year	345,000	2.5	37,000	6.9	37,500	3.3	25,000	-23.1	240.80

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2018: None

※ Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Adoption of specific accounting procedures in preparing quarterly consolidated financial statements: None
- (3) 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
- (4) Number of shares issued (Common stock)

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

As of June 30, 2018	104,181,803 shares
As of March 31, 2018	104,181,803 shares

- 2) The number of shares of treasury stock as of the period-end

As of June 30, 2018	357,466shares
As of March 31, 2018	362,918shares

- 3) The average number of shares during the period

As of June 30, 2018	103,822,629 shares
As of June 30, 2017	103,810,013 shares

*Notification regarding the auditing process

- This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act. Therefore, and as of the time of disclosure, the auditing process of this financial report has not been completed.

* 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 “Consolidated Financial Forecast for the fiscal year ending March 31, 2019” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on July 30, 2018. 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 three-month period ended June 30, 2018

(1) Analysis of operating results

In the three-month period ended June 30, 2018, a steady recovery trend continued in the domestic economy against a backdrop of economic growth overseas and robust domestic demand. Specifically, corporate earnings rose and the job market showed steady improvement amid recovery in exports and a gentle increase in production activities.

Our outlook for the domestic economy is that, in the midst of ongoing improvements in corporate earnings, the job market, and wages, the gradual recovery trend will continue. However, a persistent sense of uncertainty is plaguing the global political and economic climate. Prominent concerns include the protectionist trade policies of the United States and the accompanying risk of increased trade friction, geopolitical risks in the Middle East and East Asia, issues surrounding the United Kingdom's decision to leave the European Union, the threat of economic downturn in Asian and other emerging and resource-rich countries, and risk of fluctuations in financial capital markets. Accordingly, scrutiny is imperative in judging economic trends for the purpose of making management decisions going forward.

In this environment, the IT services market experienced robust system upgrade demand for the purposes of automation, labor saving, and productivity improvement to address labor shortfalls through means including the implementation of working style reforms.

At the same time, strategic IT investment demand for reinforcing strategic businesses or securing a competitive edge is rising among customer companies. In this manner, there was a general upward trend in overall IT investment demand.

In the manufacturing industry, there is currently a solid increase in the deal flow for smart factory and other IoT-related projects as well as for automotive embedded software development projects, which are increasingly involving self-driving cars, other highly functional vehicles, and electric automotive systems. The deal flow was also on the rise for verification services for pre-market products, which are growing ever more sophisticated, and for business process outsourcing (BPO) services related to products and services.

In distribution, service, and other industries, strategic IT investment demand for reinforcing businesses and IT services demand is on the rise, particularly among customer companies engaging in consumer businesses. This demand was largely associated with investment related to e-commerce, customer relationship management (CRM), and big data analysis for the purposes of enhancing digital marketing initiatives and facilitating omni-channel retailing.

In the financial industry, despite the lingering impacts of the massive rebound from prior investment demand following the conclusion of large-scale development projects for certain financial institutions, systems development and other IT investment demand is proving to be firm overall, primarily among customers in the banking and insurance sectors. Specific investment targets include the development of systems for the application of FinTech, artificial intelligence (AI), or other new IT technologies and the realization of more sophisticated overseas operations and Internet services.

In addition, demand for various cloud-based IT services has been on the rise in IaaS, PaaS, and other IT infrastructure sectors against a backdrop of a strong appetite among customer companies for investment to heighten operational efficiency and to compensate for shortages of IT employees at these companies. A similar increase was seen in demand for IT services in the operational system field, although here it was limited to certain sectors.

Looking at the Company's operating results for the period under review, consolidated net sales increased 3.8% year on year, to ¥80,166 million, following increases in the three distinctive service categories of SCSK—systems development, system maintenance and operation services, and system sales—primarily to customers in the manufacturing industry and the distribution industry.

Operating profit was up 62.8%, to ¥6,333 million, due to the higher sales; the absence of extraordinary detractors from income, such as the upfront expenses recorded in association with a new systems development order recorded in the three-month period ended June 30, 2017; and the fact that losses from unprofitable projects were almost nonexistent. As a result of the increase in operating profit, ordinary profit was up 47.9% year on year, to ¥6,588

million, and profit attributable to owners of parent increased 51.2%, to ¥4,301 million.

The five-year Medium-Term Management Plan with the fiscal year ending March 31, 2020, as its final year delineates three core strategies for its period. We are, first, to “shift to service-oriented businesses;” second, to “promote strategic businesses that capture the changing times;” and third, to “enter into the second stage of global business expansion.” We are aggressively moving forward with measures based on these core strategies to achieve the plan’s goals.

SCSK is continuing to promote the shift to service-oriented businesses in the fiscal year ending March 31, 2019. We are deploying a two-pronged approach consisting of new and existing businesses and focused on service-oriented businesses with the aim of incorporating the currently robust IT investment demand and thereby achieving earnings growth. The Company is also moving ahead with measures for increasing business profitability centered on its core strategies while implementing various measures to improve operational quality and productivity and otherwise reinforce profitability. In these manners, we are working to bolster our management and earnings bases.

(2) Summary of financial position

Cash and cash equivalents (“cash”) as of June 30, 2018 increased ¥3,215 million compared to March 31, 2018 to ¥103,083 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 ¥12,418 million.

The main cash inflow factors were profit before income taxes of ¥6,567 million, depreciation of ¥2,254 million and ¥12,909 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥3,707 million, and a decrease of ¥3,695 million in payments for income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was ¥3,951 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥2,741 million, and acquisition of intangible assets of ¥907 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥5,187 million.

The main cash outflow factor was dividend payments of ¥4,941 million (¥47.5 per share) for the year-end dividend of the fiscal year ended March 31, 2018.

(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2019

Consolidated performance in the three-month period ended June 30, 2018, was strong. Regardless, the Company has chosen not to revise the forecasts for the six-month period ending September 30, 2018, and the fiscal year ending March 31, 2019, that were announced on April 27, 2018, in light of the current global political and economic climate and recent financial and capital market trends.

*** Characteristics of the Company’s quarterly operating results**

It is common for companies in Japan to have fiscal years that begin on April 1 and end on March 31 of the following year. For this reason, system introductions and inspections tend to be concentrated in September and March (the midpoint and end of each fiscal year). Excluding sales covered by time and materials contract, the Company primarily records sales on a receipt-and-inspection basis. Accordingly, performance fluctuates by season, with sales and income tending to be concentrated in the second and fourth quarter of each fiscal year.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Assets		
Current assets		
Cash and deposits	16,456	17,739
Notes and accounts receivable - trade	66,665	53,793
Merchandise and finished goods	5,137	5,402
Work in process	900	661
Raw materials and supplies	49	45
Deposits paid	83,340	85,344
Other	11,175	13,869
Allowance for doubtful accounts	-41	-24
Total current assets	183,684	176,831
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,543	31,052
Land	19,821	19,821
Other, net	22,099	23,383
Total property, plant and equipment	73,464	74,256
Intangible assets		
Goodwill	84	76
Other	9,472	9,431
Total intangible assets	9,556	9,507
Investments and other assets		
Investment securities	10,625	11,245
Other	26,702	24,437
Allowance for doubtful accounts	-119	-79
Total investments and other assets	37,209	35,603
Total non-current assets	120,229	119,368
Total assets	303,914	296,199

(Millions of Yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,013	16,303
Short-term loans payable	10,000	10,000
Current portion of long-term loans payable	5,000	5,000
Income taxes payable	4,802	431
Provision for bonuses	5,651	1,372
Provision for directors' bonuses	79	11
Provision for loss on construction contracts	329	7
Other	24,687	30,589
Total current liabilities	70,564	63,715
Non-current liabilities		
Bonds payable	30,000	30,000
Provision for directors' retirement benefits	20	20
Net defined benefit liability	1,468	1,225
Asset retirement obligations	2,391	2,466
Other	2,867	2,680
Total non-current liabilities	36,748	36,392
Total liabilities	107,313	100,108
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	1,299	1,299
Retained earnings	168,363	167,719
Treasury shares	-711	-701
Total shareholders' equity	190,104	189,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,274	2,271
Deferred gains or losses on hedges	-5	10
Foreign currency translation adjustment	-154	-215
Remeasurements of defined benefit plans	-3,004	-2,883
Total accumulated other comprehensive income	-890	-817
Share acquisition rights	57	48
Non-controlling interests	7,329	7,388
Total net assets	196,600	196,090
Total liabilities and net assets	303,914	296,199

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

(Millions of Yen)

	From Apr. 1, 2017 to Jun. 30, 2017	From Apr. 1, 2018 to Jun. 30, 2018
Net sales	77,219	80,166
Cost of sales	60,395	60,916
Gross profit	16,824	19,249
Selling, general and administrative expenses	12,934	12,916
Operating profit	3,889	6,333
Non-operating income		
Interest income	17	17
Dividend income	39	36
Share of profit of entities accounted for using equity method	133	196
Hoard profit of prepaid card	391	—
Other	48	53
Total non-operating income	629	304
Non-operating expenses		
Interest expenses	36	26
Loss on sales of investment securities	0	—
Other	27	22
Total non-operating expenses	63	49
Ordinary profit	4,455	6,588
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on sales of memberships	—	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	6	1
Loss on sales of non-current assets	2	19
Loss on sales of membership	—	0
Total extraordinary losses	9	20
Profit before income taxes	4,446	6,567
Income taxes - current	124	142
Income taxes - deferred	1,328	1,995
Total income taxes	1,453	2,138
Profit	2,993	4,429
Profit attributable to non-controlling interests	148	127
Profit attributable to owners of parent	2,844	4,301

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	From Apr. 1, 2017 to Jun. 30, 2017	From Apr. 1, 2018 to Jun. 30, 2018
Profit	2,993	4,429
Other comprehensive income		
Valuation difference on available-for-sale securities	147	15
Deferred gains or losses on hedges	6	16
Foreign currency translation adjustment	-79	-47
Remeasurements of defined benefit plans, net of tax	-42	120
Share of other comprehensive income of entities accounted for using equity method	0	-30
Total other comprehensive income	32	74
Comprehensive income	3,025	4,503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,874	4,374
Comprehensive income attributable to non-controlling interests	150	129

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2017 to Jun. 30, 2017	From Apr. 1, 2018 to Jun. 30, 2018
Cash flows from operating activities		
Profit before income taxes	4,446	6,567
Depreciation	2,390	2,254
Amortization of goodwill	17	7
Increase (decrease) in allowance for doubtful accounts	-14	-57
Increase (decrease) in net defined benefit liability	-228	-242
Decrease (increase) in net defined benefit asset	-0	—
Loss on retirement of non-current assets	6	1
Loss (gain) on sales of non-current assets	2	19
Loss (gain) on sales of investment securities	0	—
Share of loss (profit) of entities accounted for using equity method	-133	-196
Interest and dividend income	-56	-54
Interest expenses paid on loans and bonds	36	26
Loss (gain) on investments in partnership	-14	8
Decrease (increase) in investment securities for sale	1,077	—
Decrease (increase) in notes and accounts receivable - trade	14,663	12,909
Decrease (increase) in inventories	-3,524	-12
Decrease (increase) in guarantee deposits	-4,846	—
Increase (decrease) in notes and accounts payable - trade	-4,133	-3,707
Increase (decrease) in deposits received of prepaid cards	837	—
Other, net	-443	-1,526
Subtotal	10,084	15,996
Interest and dividend income received	142	151
Interest expenses paid	-60	-34
Income taxes (paid) refund	-952	-3,695
Net cash provided by (used in) operating activities	9,212	12,418

(Millions of Yen)

	From Apr. 1, 2017 to Jun. 30, 2017	From Apr. 1, 2018 to Jun. 30, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	-927	-2,741
Proceeds from sales of property, plant and equipment	2	1
Purchase of intangible assets	-852	-907
Purchase of investment securities	-300	-679
Proceeds from sales and redemption of investment securities	26	—
Collection of short-term loans receivable	1	1
Proceeds from withdrawal of investments in partnership	—	40
Payments for lease and guarantee deposits	-149	-26
Proceeds from collection of lease and guarantee deposits	138	365
Other, net	-17	-5
Net cash provided by (used in) investing activities	-2,077	-3,951
Cash flows from financing activities		
Repayments of long-term loans payable	-10,000	—
Redemption of bonds	-10,000	—
Repayments of lease obligations	-175	-173
Purchase of treasury shares	-4	-2
Proceeds from sales of treasury shares	—	0
Cash dividends paid	-4,941	-4,941
Dividends paid to non-controlling interests	-66	-69
Net cash provided by (used in) financing activities	-25,187	-5,187
Effect of exchange rate change on cash and cash equivalents	-73	-64
Net increase (decrease) in cash and cash equivalents	-18,125	3,215
Cash and cash equivalents at beginning of period	123,935	99,797
Increase in cash and cash equivalents from newly consolidated subsidiary	—	70
Cash and cash equivalents at end of period	105,809	103,083

(4) Notes regarding Consolidated Financial Results for the First Quarter ended June 30, 2018

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Notes concerning significant changes in shareholders' equity)

No applicable items.

(Supplementary Information)

Effective April 1, 2018, the Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). In reflection of this standard, deferred tax assets are displayed under investments and other assets while deferred tax liabilities are displayed under non-current liabilities.

(Segment Information)

I. First quarter of fiscal year ended March 31, 2018 (April 1, 2017 to June 30, 2017)

Information on Sales, Segment profit (loss) by Reportable Segment

(Millions of Yen)

	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	IT Platform Solutions	IT Management
Sales							
(1) Outside customers	8,555	13,471	15,211	2,995	15,015	10,883	9,998
(2) Intersegment sales or transfers	191	328	115	2,627	1,317	1,349	2,841
Total	8,746	13,799	15,327	5,622	16,333	12,232	12,839
Segment profit (loss)	444	1,377	420	289	460	631	661

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	1,088	77,219	—	77,219
(2) Intersegment sales or transfers	801	9,571	-9,571	—
Total	1,890	86,791	-9,571	77,219
Segment profit (loss)	82	4,367	-477	3,889

Notes: Adjustments are as follows:

1. The adjustment loss of ¥477 million to segment profit (loss) represent general corporate expenses that have not been allocated to the reportable segments.
2. Segment profit (loss) has been reconciled to operating profit in the consolidated income statement.

II. First quarter of fiscal year ending March 31, 2019 (April 1, 2018 to June 30, 2018)

1) Information on Sales, Segment profit (loss) by Reportable Segment

(Millions of Yen)

	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	IT Platform Solutions	IT Management
Sales							
(1) Outside customers	9,812	13,912	14,922	3,465	15,522	12,089	10,232
(2) Intersegment sales or transfers	182	253	129	1,629	1,124	1,595	3,296
Total	9,995	14,165	15,051	5,095	16,647	13,684	13,528
Segment profit (loss)	1,022	1,474	1,048	552	713	1,003	1,019

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	210	80,166	—	80,166
(2) Intersegment sales or transfers	769	8,981	-8,981	—
Total	979	89,147	-8,981	80,166
Segment profit (loss)	-58	6,777	-444	6,333

Notes: Adjustments are as follows:

1. The adjustment loss of ¥444 million to segment profit (loss) represent general corporate expenses that have not been allocated to the reportable segments.
2. Segment profit (loss) has been reconciled to operating profit in the consolidated income statement.

2) Changes in reportable segments

Effective April 1, 2018, SCSK instituted organizational reforms with the goal of reinforcing the functions of business groups in order enhance the Company's integration capabilities to better contribute to the resolution of customers' business issues and create and increase the number of unique core solutions.

As a result of these organizational reforms, the prior reportable segments of Manufacturing Systems Business, Telecommunication Systems Business, Distribution Systems Business, Business Solutions, and Business Services were reorganized to form the Manufacturing & Telecommunication Systems Business, Distribution & Media Systems Business, Global System Solutions & Innovation Business, and Business Solutions segments. In addition, data center services, platform development, and other operations that had previously been developed on a customer segment basis were reorganized to form the IT Management segment.

Figures for sales, income, and loss by reportable segment for the three-month period ended June 30, 2017, have been restated to reflect this change in reportable segments.