

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

October 29, 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: November 13, 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 Second Quarter ended September 30, 2018(April 1, 2018 to September 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	
		%		%		%		%
Six months ended Sept. 30, 2018	167,424	2.4	16,004	20.6	16,364	14.6	10,836	-10.0
Six months ended Sept. 30, 2017	163,466	3.8	13,272	-9.8	14,273	-9.6	12,034	-9.4

(Note) Comprehensive income:

Second Quarter Ended Sept. 30, 2018: ¥11,790 million (-5.6%)    Second Quarter Ended Sept. 30, 2017: ¥12,491 million (-3.7%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended Sept. 30, 2018	104.38	104.34
Six months ended Sept. 30, 2017	115.93	115.87

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Sept.30, 2018	315,356	203,334	62.1
As of March 31, 2018	303,914	196,600	62.3

(Reference) Shareholders' equity:    As of Sept. 30, 2018    ¥195,728 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	—	50.00	—	—	—
FY 2018 (Forecast)	—	—	—	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
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 Sept. 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 Sept. 30, 2018	352,005shares
As of March 31, 2018	362,918shares

- 3) The average number of shares during the period

As of Sept. 30, 2018	103,826,009 shares
As of Sept. 30, 2017	103,812,288 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 September 29, 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.

## Contents

1. Qualitative information regarding operating results for the quarter ended September 30, 2018	2
(1) Analysis of operating results	2
(2) Summary of financial position	3
(3) Consolidated Financial Forecasts for the fiscal year ending March 31, 2019	3
2. Consolidated quarterly financial statements	4
(1) Consolidated quarterly balance sheets	4
(2) Consolidated quarterly statements of income and comprehensive income	6
(3) Consolidated quarterly statements of cash flows	8
(4) Notes regarding consolidated financial results for the first quarter ended September 30, 2018	10
(Notes regarding the premise of a going concern)	10
(Notes concerning significant changes in shareholder's equity)	10
(Supplementary Information)	10
(Segment information)	11

## **1. Qualitative information regarding operating results for the Six-month period ended September 30, 2018**

### **(1) Analysis of operating results**

In the six-month period ended September 30, 2018, the Company judged that the domestic economy was undergoing a modest recovery against a backdrop of strong corporate earnings and industrial production. Specifically, capital investment was up and there were steady improvements in wages and in the job market.

Our general outlook for the domestic economy projects that, in the midst of ongoing improvements in corporate earnings, the job market, and wages, the trend toward gradual recovery in all areas of the economy will continue. However, a 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 emerging and resource-rich countries, and risk of fluctuations in financial capital markets, which are heavily influenced by the policy interest rate in the United States. 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 demand for the purposes of automation, labor saving, and productivity improvement to address labor shortfalls through means including the implementation of working style reforms. We also saw the emergence of operational system upgrade demand aimed at transforming certain legacy systems into open systems.

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, deal flows are increasing at an ever-faster pace. Specific areas in which this increase is being seen include demand for IoT-related projects, most notably smart factories, 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 services demand for reinforcing businesses 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, performance was impacted by the rebound from previously strong investment trends following the conclusion of large-scale development projects for certain financial institutions, and numerous financial institutions limited their total investment expenditures in response to Japan's negative interest rate policy. Nevertheless, demand for IT investment for augmenting operations was strong, primarily among customers in the banking and insurance sectors. Targets of this demand included the application of FinTech, artificial intelligence (AI), and other new IT technologies, the reinforcement and expansion of overseas operations, and the realization of more sophisticated online banking 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 2.4% year on year, to ¥167,424 million, following brisk system development sales, particularly to customers in the manufacturing industry and the distribution industry, as well as higher sales of system maintenance and operation services to customers in all industries.

Operating profit was up 20.6% year on year, to ¥16,004 million, due to the higher net sales coupled with improved profitability attributable to increased development productivity, which itself stemmed from efforts to boost work quality and streamline operations.

Ordinary profit grew 14.6%, to ¥16,364 million, as a result of the increase in operating profit. Although business earnings were up, profit attributable to owners of the parent decreased 10.0%, to ¥10,836 million, due to the absence of the tax benefits recorded in the previous fiscal year in association with the transference of the shares of a subsidiary's stock.

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 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 September 30, 2018 increased ¥15,960 million compared to March 31, 2018 to ¥115,828 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 ¥18,014 million.

The main cash inflow factors were profit before income taxes of ¥16,329 million, depreciation of ¥4,560 million and ¥6,465 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥2,587 million, and a decrease of ¥3,950 million in payments for income taxes.

### **(Cash flow from investing activities)**

Net cash investing activities was ¥6,689 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥4,393 million, and acquisition of intangible assets of ¥1,668 million.

### **(Cash flow from financing activities)**

Net cash provided by financing activities was ¥4,613 million.

The main cash inflow factor was an increase in proceeds from issuance of bonds of ¥10,000 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 six-month period ended September 30, 2018, was strong, exceeding our initial forecasts. Regardless, the Company has chosen not to revise the forecasts for the fiscal year ending March 31, 2019, that were announced on April 27, 2018, in light of the threat of downturns in the domestic and global economies due to trade friction and fluctuations in financial capital market conditions.

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2018	As of Sept. 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	16,456	17,892
Notes and accounts receivable - trade	66,665	60,252
Merchandise and finished goods	5,137	5,635
Work in process	900	745
Raw materials and supplies	49	44
Deposits paid	83,340	97,935
Other	11,175	13,264
Allowance for doubtful accounts	-41	-24
<b>Total current assets</b>	<b>183,684</b>	<b>195,745</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,543	30,876
Land	19,821	19,821
Other, net	22,099	23,694
<b>Total property, plant and equipment</b>	<b>73,464</b>	<b>74,392</b>
Intangible assets		
Goodwill	84	68
Other	9,472	9,310
<b>Total intangible assets</b>	<b>9,556</b>	<b>9,379</b>
Investments and other assets		
Investment securities	10,625	12,034
Other	26,702	23,883
Allowance for doubtful accounts	-119	-79
<b>Total investments and other assets</b>	<b>37,209</b>	<b>35,838</b>
<b>Total non-current assets</b>	<b>120,229</b>	<b>119,610</b>
<b>Total assets</b>	<b>303,914</b>	<b>315,356</b>

(Millions of Yen)

	As of Mar. 31, 2018	As of Sept. 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,013	17,417
Short-term loans payable	10,000	15,000
Current portion of long-term loans payable	5,000	—
Income taxes payable	4,802	3,297
Provision for bonuses	5,651	5,384
Provision for directors' bonuses	79	27
Provision for loss on construction contracts	329	279
Other	24,687	24,576
<b>Total current liabilities</b>	<b>70,564</b>	<b>65,983</b>
Non-current liabilities		
Bonds payable	30,000	40,000
Provision for directors' retirement benefits	20	20
Net defined benefit liability	1,468	962
Asset retirement obligations	2,391	2,447
Other	2,867	2,607
<b>Total non-current liabilities</b>	<b>36,748</b>	<b>46,038</b>
<b>Total liabilities</b>	<b>107,313</b>	<b>112,021</b>
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	1,299	1,299
Retained earnings	168,363	174,249
Treasury shares	-711	-692
<b>Total shareholders' equity</b>	<b>190,104</b>	<b>196,009</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,274	2,574
Deferred gains or losses on hedges	-5	21
Foreign currency translation adjustment	-154	-115
Remeasurements of defined benefit plans	-3,004	-2,762
<b>Total accumulated other comprehensive income</b>	<b>-890</b>	<b>-280</b>
Share acquisition rights	57	42
Non-controlling interests	7,329	7,563
<b>Total net assets</b>	<b>196,600</b>	<b>203,334</b>
<b>Total liabilities and net assets</b>	<b>303,914</b>	<b>315,356</b>

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

(Millions of Yen)

	From Apr. 1, 2017 to Sept. 30, 2017	From Apr. 1, 2018 to Sept. 30, 2018
Net sales	163,466	167,424
Cost of sales	125,122	126,205
Gross profit	38,343	41,218
Selling, general and administrative expenses	25,070	25,213
Operating profit	13,272	16,004
Non-operating income		
Interest income	36	31
Dividend income	39	37
Share of profit of entities accounted for using equity method	258	359
Hoard profit of prepaid card	737	—
Other	96	86
Total non-operating income	1,167	514
Non-operating expenses		
Interest expenses	65	54
Loss on sales of investment securities	1	2
Bond issuance cost	48	48
Other	52	49
Total non-operating expenses	167	154
Ordinary profit	14,273	16,364
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of memberships	—	0
Total extraordinary income	2	1
Extraordinary losses		
Loss on retirement of non-current assets	12	16
Loss on sales of non-current assets	20	20
Loss on sales of membership	—	0
Loss on valuation of membership	3	—
Total extraordinary losses	35	36
Profit before income taxes	14,239	16,329
Income taxes - current	2,279	2,554
Income taxes - deferred	-410	2,595
Total income taxes	1,868	5,150
Profit	12,370	11,179
Profit attributable to non-controlling interests	336	342
Profit attributable to owners of parent	12,034	10,836



**Consolidated Quarterly Statements of Comprehensive Income**

(Millions of Yen)

	From Apr. 1, 2017 to Sept. 30, 2017	From Apr. 1, 2018 to Sept. 30, 2018
Profit	12,370	11,179
Other comprehensive income		
Valuation difference on available-for-sale securities	148	284
Deferred gains or losses on hedges	13	27
Foreign currency translation adjustment	-33	56
Remeasurements of defined benefit plans, net of tax	-29	241
Share of other comprehensive income of entities accounted for using equity method	22	1
Total other comprehensive income	120	611
Comprehensive income	12,491	11,790
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,151	11,446
Comprehensive income attributable to non-controlling interests	339	344

**(3) Consolidated Quarterly Statements of Cash Flows**

(Millions of Yen)

	From Apr. 1, 2017 to Sept. 30, 2017	From Apr. 1, 2018 to Sept. 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	14,239	16,329
Depreciation	4,788	4,560
Amortization of goodwill	34	15
Increase (decrease) in allowance for doubtful accounts	-18	-57
Increase (decrease) in net defined benefit liability	-464	-505
Decrease (increase) in net defined benefit asset	13	—
Loss on retirement of non-current assets	12	16
Loss (gain) on sales of non-current assets	17	18
Loss (gain) on sales of investment securities	1	2
Share of loss (profit) of entities accounted for using equity method	-258	-359
Interest and dividend income	-75	-68
Interest expenses paid on loans and bonds	65	54
Loss (gain) on investments in partnership	-40	-14
Decrease (increase) in investment securities for sale	2,088	—
Decrease (increase) in notes and accounts receivable - trade	5,357	6,465
Decrease (increase) in inventories	-1,306	-327
Decrease (increase) in guarantee deposits	-5,846	—
Increase (decrease) in notes and accounts payable - trade	-5,170	-2,587
Increase (decrease) in deposits received of prepaid cards	197	—
Other, net	263	-1,686
Subtotal	13,902	21,853
Interest and dividend income received	159	165
Interest expenses paid	-80	-53
Income taxes (paid) refund	-1,213	-3,950
Net cash provided by (used in) operating activities	12,768	18,014

(Millions of Yen)

	From Apr. 1, 2017 to Sept. 30, 2017	From Apr. 1, 2018 to Sept. 30, 2018
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-5,035	-4,393
Proceeds from sales of property, plant and equipment	6	12
Purchase of intangible assets	-1,701	-1,668
Purchase of investment securities	-400	-885
Proceeds from sales and redemption of investment securities	115	—
Collection of short-term loans receivable	4	19
Proceeds from withdrawal of investments in partnership	—	40
Payments for lease and guarantee deposits	-199	-97
Proceeds from collection of lease and guarantee deposits	146	417
Other, net	-110	-134
Net cash provided by (used in) investing activities	-7,174	-6,689
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	10,000	15,000
Decrease in short-term loans payable	-10,000	-10,000
Repayments of long-term loans payable	-10,000	-5,000
Proceeds from issuance of bonds	10,000	10,000
Redemption of bonds	-10,000	—
Repayments of lease obligations	-345	-329
Purchase of treasury shares	-7	-6
Proceeds from sales of treasury shares	0	0
Cash dividends paid	-4,941	-4,941
Dividends paid to non-controlling interests	-102	-109
Net cash provided by (used in) financing activities	-15,397	4,613
Effect of exchange rate change on cash and cash equivalents	-38	21
Net increase (decrease) in cash and cash equivalents	-9,841	15,960
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	114,093	115,828

**(4) Notes regarding Consolidated Financial Results for the Second Quarter ended September 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. Second quarter of fiscal year ended March 31, 2018 (April 1, 2017 to September 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	18,164	28,886	31,531	6,235	31,047	25,068	20,254
(2) Intersegment sales or transfers	453	554	253	3,824	2,630	3,068	5,986
Total	18,618	29,441	31,785	10,059	33,678	28,137	26,240
Segment profit (loss)	1,792	3,357	2,646	821	1,606	2,131	1,841

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	2,276	163,466	—	163,466
(2) Intersegment sales or transfers	1,549	18,321	-18,321	—
Total	3,826	181,787	-18,321	163,466
Segment profit (loss)	168	14,365	-1,092	13,272

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,092 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. Second quarter of fiscal year ending March 31, 2019 (April 1, 2018 to September 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	20,119	29,349	30,387	7,214	32,883	25,687	21,344
(2) Intersegment sales or transfers	439	465	308	2,468	2,319	3,346	7,265
Total	20,559	29,815	30,695	9,683	35,202	29,033	28,610
Segment profit (loss)	2,564	3,104	2,859	1,151	2,094	2,720	2,603

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	436	167,424	—	167,424
(2) Intersegment sales or transfers	1,596	18,209	-18,209	—
Total	2,032	185,633	-18,209	167,424
Segment profit (loss)	-7	17,090	-1,085	16,004

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,085 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.

Segment information for the six-month period ended September 30, 2018, has been restated to reflect this change in reportable segments.