

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

January 31, 2019

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, 2019
 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 December 31, 2018(April 1, 2018 to December 31, 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	
		%		%		%		%
Nine months ended Dec. 31, 2018	255,917	4.5	26,496	22.9	27,064	17.5	17,765	-30.3
Nine months ended Dec. 31, 2017	244,851	2.4	21,565	-7.7	23,035	-8.4	25,495	25.9

(Note) Comprehensive income:

Third Quarter Ended Dec. 31, 2018: ¥18,537 million (-29.1%) Third Quarter Ended Dec. 31, 2017: ¥26,142 million (24.0%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Nine months ended Dec. 31, 2018	171.10	171.04
Nine months ended Dec. 31, 2017	245.59	245.47

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Dec.31, 2018	313,965	204,806	62.8
As of March 31, 2018	303,914	196,600	62.3

(Reference) Shareholders' equity: As of Dec. 31, 2018 ¥197,026 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	353,000	4.9	39,000	12.7	39,000	7.5	26,500	-18.4		255.23

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2018: Yes

※ 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 Dec. 31, 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 Dec. 31, 2018	352,466shares
As of March 31, 2018	362,918shares

- 3) The average number of shares during the period

As of Dec. 31, 2018	103,827,164 shares
As of Dec. 31, 2017	103,812,814 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 January 31, 2019. 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 nine-month period ended December 31, 2018

(1) Analysis of operating results

In the nine-month period ended December 31, 2018, the Company judged that the domestic economy was experiencing an ongoing modest recovery trend overall. In the corporate sector, recovery was seen in production levels, contributing to strong corporate earnings. In addition, there was an upward trend in capital investment funded by companies' robust cash flows. These investments were largely directed toward labor-saving measures to address labor shortfalls. Meanwhile, the continuous improvement of the job market drove up wages and spurred a gradual recovery in consumer spending, and other indicators pointing to economic recovery were confirmed.

Our general outlook for the domestic economy projects that, in the midst of ongoing improvements in capital investment, consumer spending, and other aspects of internal demand, the trend toward recovery in all areas of the economy will continue. However, a growing 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 risks of increased trade friction and economic recession in countries such as the United States and China, 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 potential for fluctuations in financial capital markets, which are heavily influenced by the policy interest rate in the United States. Accordingly, ongoing 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 continues to rise 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 with regard to demand 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 in-house IT engineers at these companies. A similar increase was seen in demand for system operation outsourcing services and other 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 4.5% year on year, to ¥255,917 million, as the trend toward brisk systems development, particularly among customers in

the manufacturing industry and the distribution industry, continued on from the second half of the previous fiscal year and sales of system maintenance and operation services as well as system sales were strong.

Operating profit was up 22.9% year on year, to ¥26,496 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 17.5%, to ¥27,064 million, as a result of the increase in operating profit. However, profit attributable to owners of parent decreased 30.3%, to ¥17,765 million, due to the absence of the extraordinary income recorded in the previous equivalent period in association with the transference of shares in QUO CARD Co., Ltd.

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 December 31, 2018 increased ¥19,781 million compared to March 31, 2018 to ¥119,649 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 ¥25,555 million.

The main cash inflow factors were profit before income taxes of ¥26,967 million, depreciation of ¥6,952 million and ¥6,095 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in funds stemming from an increase in inventories of ¥2,579 million, a decrease in accounts payable of ¥1,363 million, and a decrease of ¥6,421 million in payments for income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was ¥5,033 million.

The main cash inflow factor was an increase in proceeds from sales of property, plant and equipment of ¥8,163 million. The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥9,747 million, and acquisition of intangible assets of ¥2,292 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥804 million.

The main cash inflow factor was an increase in funds due to proceeds from issuance of bonds of ¥10,000 million. The main cash outflow factors were dividend payments of ¥4,941 million (¥47.5 per share) for the year-end dividend of the fiscal year ended March 31, 2018, and ¥5,202 million (¥50.0 per share) for the interim dividend of the fiscal year ending March 31, 2019.

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

The Company has chosen to revise the forecasts for the fiscal year ending March 31, 2019, that were announced on April 27, 2018, as follows in reflection of recent business trends.

(Revision of forecasts for the fiscal year ending March 31, 2019)

Unit: Millions of yen
 (Unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to owners of parent	Net Profit per share
Previous Forecast (A)	345,000	37,000	37,500	25,000	JPY 240.80
Revised Forecast (B)	353,000	39,000	39,000	26,500	JPY 255.23
Change (B-A)	8,000	2,000	1,500	1,500	—
Change (%)	2.3	5.4	4.0	6.0	—
(For reference) Results for fiscal year ended March 31, 2018	336,654	34,602	36,291	32,488	JPY 312.95

Despite the threat of downturns in the domestic and global economies due to trade friction and fluctuations in financial capital market conditions, customers are exhibiting strong demand for strategic investment and for investment in efficiency improvements. Against this backdrop, IT investment demand and deal flows are strong and exceeding initial forecasts, especially in the manufacturing and distribution industries. Based on these trends as well as recent order trends, the Company now projects that the figures for net sales, operating profit, ordinary profit, and profit attributable to owners of parent in the fiscal year ending March 31, 2019, will surpass the initial forecasts.

* Forecasts are forward-looking statements based on information available as of the date of financial results announcement. Actual performance may differ from forecasts for various reasons.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Assets		
Current assets		
Cash and deposits	16,456	18,098
Notes and accounts receivable - trade	66,665	60,620
Merchandise and finished goods	5,137	7,430
Work in process	900	1,177
Raw materials and supplies	49	68
Deposits paid	83,340	101,550
Other	11,175	12,486
Allowance for doubtful accounts	-41	-24
Total current assets	183,684	201,407
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,543	43,750
Land	19,821	14,169
Other, net	22,099	12,590
Total property, plant and equipment	73,464	70,511
Intangible assets		
Goodwill	84	61
Other	9,472	8,826
Total intangible assets	9,556	8,887
Investments and other assets		
Investment securities	10,625	11,590
Other	26,702	21,648
Allowance for doubtful accounts	-119	-79
Total investments and other assets	37,209	33,159
Total non-current assets	120,229	112,557
Total assets	303,914	313,965

(Millions of Yen)

	As of Mar. 31, 2018	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,013	18,652
Short-term loans payable	10,000	15,000
Current portion of long-term loans payable	5,000	—
Income taxes payable	4,802	1,243
Provision for bonuses	5,651	1,622
Provision for directors' bonuses	79	42
Provision for loss on construction contracts	329	606
Other	24,687	26,205
Total current liabilities	70,564	63,372
Non-current liabilities		
Bonds payable	30,000	40,000
Provision for directors' retirement benefits	20	20
Net defined benefit liability	1,468	706
Asset retirement obligations	2,391	2,669
Other	2,867	2,390
Total non-current liabilities	36,748	45,786
Total liabilities	107,313	109,159
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	1,299	1,299
Retained earnings	168,363	175,975
Treasury shares	-711	-694
Total shareholders' equity	190,104	197,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,274	2,012
Deferred gains or losses on hedges	-5	-18
Foreign currency translation adjustment	-154	-68
Remeasurements of defined benefit plans	-3,004	-2,631
Total accumulated other comprehensive income	-890	-706
Share acquisition rights	57	42
Non-controlling interests	7,329	7,737
Total net assets	196,600	204,806
Total liabilities and net assets	303,914	313,965

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

(Millions of Yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018
Net sales	244,851	255,917
Cost of sales	186,240	192,110
Gross profit	58,610	63,807
Selling, general and administrative expenses	37,045	37,311
Operating profit	21,565	26,496
Non-operating income		
Interest income	59	47
Dividend income	65	71
Share of profit of entities accounted for using equity method	365	557
Hoard profit of prepaid card	1,006	—
Other	239	138
Total non-operating income	1,736	813
Non-operating expenses		
Interest expenses	96	83
Loss on sales of investment securities	1	2
Other	168	159
Total non-operating expenses	266	245
Ordinary profit	23,035	27,064
Extraordinary income		
Gain on sales of non-current assets	2	371
Gain on sales of investment securities	10,750	0
Gain on sales of memberships	—	0
Gain on step acquisitions	—	47
Total extraordinary income	10,753	418
Extraordinary losses		
Loss on retirement of non-current assets	14	27
Loss on sales of non-current assets	30	44
Loss on sales of investment securities	—	1
Loss on sales of membership	—	0
Loss on valuation of membership	3	—
Compensation expenses	—	224
Disaster loss	—	217
Total extraordinary losses	48	516
Profit before income taxes	33,740	26,967
Income taxes - current	3,376	3,456
Income taxes - deferred	4,361	5,160
Total income taxes	7,738	8,617
Profit	26,001	18,350
Profit attributable to non-controlling interests	506	584
Profit attributable to owners of parent	25,495	17,765

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018
Profit	26,001	18,350
Other comprehensive income		
Valuation difference on available-for-sale securities	117	-206
Deferred gains or losses on hedges	13	-12
Foreign currency translation adjustment	17	84
Remeasurements of defined benefit plans, net of tax	-70	361
Share of other comprehensive income of entities accounted for using equity method	62	-39
Total other comprehensive income	141	187
Comprehensive income	26,142	18,537
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,632	17,948
Comprehensive income attributable to non-controlling interests	510	588

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018
Cash flows from operating activities		
Profit before income taxes	33,740	26,967
Depreciation	7,631	6,952
Amortization of goodwill	42	22
Increase (decrease) in allowance for doubtful accounts	-19	-57
Increase (decrease) in net defined benefit liability	-705	-761
Decrease (increase) in net defined benefit asset	13	—
Loss on retirement of non-current assets	14	27
Loss (gain) on sales of non-current assets	27	-326
Loss (gain) on sales of investment securities	-10,749	3
Share of loss (profit) of entities accounted for using equity method	-365	-557
Loss (gain) on step acquisitions	—	-47
Interest and dividend income	-125	-118
Interest expenses paid on loans and bonds	96	83
Compensation expenses	—	224
Loss on disaster	—	217
Loss (gain) on investments in partnership	-158	-33
Decrease (increase) in investment securities for sale	2,091	—
Decrease (increase) in notes and accounts receivable - trade	7,866	6,095
Decrease (increase) in inventories	-2,616	-2,579
Decrease (increase) in guarantee deposits	-6,316	—
Increase (decrease) in notes and accounts payable - trade	-4,642	-1,363
Increase (decrease) in deposits received of prepaid cards	1,790	—
Other, net	-2,491	-2,996
Subtotal	25,126	31,754
Interest and dividend income received	288	309
Interest expenses paid	-113	-86
Income taxes (paid) refund	-2,684	-6,421
Net cash provided by (used in) operating activities	22,616	25,555

(Millions of Yen)

	From Apr. 1, 2017 to Dec. 31, 2017	From Apr. 1, 2018 to Dec. 31, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	-5,826	-9,747
Proceeds from sales of property, plant and equipment	7	8,163
Purchase of intangible assets	-2,406	-2,292
Purchase of investment securities	-592	-1,101
Proceeds from sales and redemption of investment securities	196	54
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-20,618	—
Payments of short-term loans receivable	-6	-202
Collection of short-term loans receivable	6	153
Proceeds from withdrawal of investments in partnership	40	86
Payments for lease and guarantee deposits	-241	-425
Proceeds from collection of lease and guarantee deposits	204	448
Other, net	-258	-170
Net cash provided by (used in) investing activities	-29,496	-5,033
Cash flows from financing activities		
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	-510	-472
Purchase of treasury shares	-17	-10
Proceeds from sales of treasury shares	1	2
Cash dividends paid	-9,883	-10,144
Dividends paid to non-controlling interests	-167	-180
Net cash provided by (used in) financing activities	-20,578	-804
Effect of exchange rate change on cash and cash equivalents	0	63
Net increase (decrease) in cash and cash equivalents	-27,457	19,781
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	96,477	119,649

(4) Notes regarding Consolidated Financial Results for the Third Quarter ended December 31, 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. Third quarter of fiscal year ended March 31, 2018 (April 1, 2017 to December 31, 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	27,889	42,471	47,010	9,425	46,896	36,771	30,859
(2) Intersegment sales or transfers	687	793	388	5,466	3,887	4,868	8,963
Total	28,576	43,264	47,399	14,892	50,784	41,640	39,823
Segment profit (loss)	3,315	4,857	3,999	1,375	3,020	3,288	3,086

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	3,526	244,851	—	244,851
(2) Intersegment sales or transfers	2,267	27,323	-27,323	—
Total	5,794	272,175	-27,323	244,851
Segment profit (loss)	272	23,216	-1,651	21,565

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,651 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. Third quarter of fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 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	31,347	44,606	46,660	11,220	50,101	38,557	32,848
(2) Intersegment sales or transfers	802	663	530	4,385	3,602	4,837	11,137
Total	32,149	45,270	47,190	15,606	53,703	43,395	43,985
Segment profit (loss)	4,502	4,424	4,922	1,888	3,951	4,118	4,278

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	574	255,917	—	255,917
(2) Intersegment sales or transfers	2,484	28,443	-28,443	—
Total	3,059	284,361	-28,443	255,917
Segment profit (loss)	12	28,099	-1,602	26,496

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,602 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 nine-month period ended December 31, 2017, has been restated to reflect this change in reportable segments.