Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [J-GAAP]

April 26, 2019

Company name:	SCSK Corporation	
Securities code:	9719	
Stock exchange listing:	Tokyo Stock Exchange, 1st Section	
URL:	http://www.scsk.jp	
Representative:	Tooru Tanihara, Representative Director, President and Chief Operating Officer	
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Scheduled date of the Annual General Meeting of Shareholders:		June 25, 2019
Scheduled date for dividend payment:		June 4, 2019
Scheduled date for filing of Securities Report:		June 25, 2019
Preparation of supplementary information materials on financial results (yes/no):		Yes
Financial results briefing for institutional investors and analysts (yes/no):		Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
FY2018	358,654	6.5	38,378	10.9	38,650	6.5	27,892	△14.1
FY2017	336,654	2.2	34,602	2.6	36,291	0.5	32,488	14.2

(Note) Comprehensive income: FY2018 ¥27,248 million (-17.4%) FY2017 ¥32,990 million (6.7%)

	Net profit per share	Diluted net profit per share	Return on equity	Ordinary profit to assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2018	268.64	268.55	14.6	12.5	10.7
FY2017	312.95	312.80	18.2	10.5	10.3

(Reference) Equity in earnings of affiliates: FY2018 ¥750 million FY2017 ¥537 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2019	314,844	194,468	61.4	1,862.78
As of March 31, 2018	303,914	196,600	62.3	1,822.54

(Reference) Shareholders' equity: As of March 31, 2019 ¥193,412 million As of March 31, 2018 ¥189,214 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY2018	33,511	-7,163	-19,995	106,198
FY2017	37,096	-35,394	-25,763	99,797

2. Dividends

	Dividends per share (Yen)					Total dividends (Millions of yen)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
							%	%
FY2017	—	47.50	—	47.50	95.00	9,883	30.4	5.5
FY2018	—	50.00	—	50.00	100.00	10,405	37.2	5.4
FY2019(Forecast)	—	65.00	—	65.00	130.00		48.2	

3. Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(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		Profit attributable to owners of parent per share
		%		%		%		%	Yen
Six months ending September 30, 2019	180,000	7.5	17,500	9.3	17,500	6.9	12,000	10.7	115.57
Full year	380,000	6.0	41,000	6.8	41,000	6.1	28,000	0.4	269.67

*Notes
(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries accompanying changes in scope of consolidation) :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 shares)

As of March 31, 2019	104,181,803 shares
As of March 31, 2018	104,181,803 shares

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

As of March 31, 2019	351,781 shares
As of March 31, 2018	362,918 shares

3) The average number of shares during the period

As of March 31, 2019	103,827,903 shares
As of March 31, 2018	103,813,610 shares

(Reference) Summary of Non-Consolidated Business Results
1. Non-Consolidated Business Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)
(1) Non-Consolidated Operating Results
(Millions of yen unless otherwise stated)
(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
		%		%		%		%
FY2018	284,145	8.0	30,411	11.8	31,933	10.0	24,728	-22.6
FY2017	263,069	1.8	27,195	3.3	29,043	-6.4	31,960	28.5

	Net profit per share	Diluted net profit per share
	Yen	Yen
FY2018	237.66	237.58
FY2017	307.21	307.06

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2019	318,397	189,484	59.5	1,820.67
As of March 31, 2018	293,694	175,118	59.6	1,682.63

(Reference) Shareholders' equity: As of March 31, 2019 ¥189,443 million As of March 31, 2018 ¥175,060 million

*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.

*Notice regarding the appropriate use of the financial forecasts
・This document contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. For a variety of reasons, actual financial results may differ materially from the forecasts presented here. For further notification on the use of matters assumed concerning the results and other forecasts and the forecasts, please see "forecasts for the fiscal year ending March 31, 2020," on page 8.
・SCSK will hold a results briefing for institutional investors and analysts on April 26, 2019. Materials used in the briefing, a transcript of the main questions and answers, and related information will be published on SCSK's website promptly thereafter.

Contents

1. Qualitative Information Regarding Operating Results

(1) Analysis of operating results

In the fiscal year ended March 31, 2019, the Company judged that the domestic economy was experiencing an ongoing modest recovery trend stimulated by economic conditions that were beneficial despite the sluggish conditions in certain export and production sectors. Specific examples of strong conditions included an upward trend in capital investment for implementing labor-saving measures to address labor shortfalls and the continuous improvement of the job market, which drove up wages and spurred a gradual recovery in consumer spending.

Our outlook for the domestic economy projects that, in the midst of strong internal demand exhibited through capital investment and consumer spending, the modest recovery trend will continue. However, a growing sense of uncertainty is plaguing the global political and economic climate. Prominent concerns include the risks of increased trade friction and economic recession in countries such as the United States and China stemming from the protectionist trade policies of the United States, issues surrounding the United Kingdom’s decision to leave the European Union, the threat of economic downturn in emerging and resource-rich countries, the potential for fluctuations in financial capital markets, and geopolitical risks. 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 addressing software and hardware that will be reaching the ends of their service periods and at transforming certain legacy systems into open systems.

At the same time, strategic IT investment demand, for applications such as 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, there was a strong trend in demand for IoT-related projects as well as for automotive embedded software development projects, which are increasingly involving highly functional vehicles and electric automotive systems. In addition, we witnessed a robust deal flow in various areas of IT services businesses serving the manufacturing industry that was stimulated by a rise in 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, IT services demand for reinforcing businesses showed a smooth 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. Looking ahead, demand for IT investment for augmenting operations is expected to show robust growth going forward. Targets of this investment will include measures for realizing more sophisticated online banking and Internet services, such as the application of FinTech, artificial intelligence (AI), and other new IT technologies, as well as the diversification of payment methods and the reinforcement and expansion of overseas operations.

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 shortages of in-house IT engineers at customer companies and a strong appetite among these companies for investment to heighten operational efficiency. A similar increase was seen in demand for core systems and in demand for system operation outsourcing services and other IT services in the operational system field, although here it was limited to certain sectors.

In the fiscal year ended March 31, 2019, increases were achieved in net sales, operating profit, and ordinary profit as a result of the aforementioned strong operating environment and IT investment demand trends, making for the seventh consecutive year of higher sales and profit.

Net sales increased 6.5% year on year, to ¥358,654 million, due in part to robust performance in systems development businesses and in maintenance and operation and services businesses against a backdrop of brisk demand for IT investment among customers in the manufacturing and distribution industries, an area in which an upward trend in demand emerged during the second half of the fiscal year ended March 31, 2018, and continued on throughout the fiscal year ended March 31, 2019. In addition, system sales increased centered on communications industry customers.

Operating profit was up 10.9% year on year, to ¥38,378 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 6.5%, to ¥38,650 million, as a result of the increase in operating profit. However, profit attributable to owners of parent decreased 14.1%, to ¥27,892 million, due to the absence of the extraordinary income recorded in the previous fiscal year in association with the transference of shares in QUO CARD Co., Ltd.

(Unit: Millions of yen unless otherwise stated)

Net sales by segment	Previous fiscal year (April 1, 2017-March 31 2018)		Fiscal year under review (April 1, 2018-March 31 2019)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Manufacturing & Telecommunication Systems Business	38,404	5,266	43,369	6,346	4,965	1,079
Distribution & Media Systems Business	58,176	7,019	63,054	6,599	4,877	-420
Financial Systems Business	62,351	6,290	63,932	7,375	1,580	1,084
Global System Solutions & Innovation Business	13,260	2,243	15,560	2,558	2,300	314
Business Solutions	63,519	4,645	68,198	4,650	4,679	4
IT Platform Solutions	55,039	6,176	59,058	7,208	4,019	1,032
IT Management	42,184	5,096	44,780	5,877	2,596	781
Other	3,716	378	699	-41	-3,017	-420
Adjusted total	—	-2,515	—	-2,196	—	318
Total	336,654	34,602	358,654	38,378	22,000	3,775

(Manufacturing & Telecommunication Systems Business)

Net sales increased 12.9% year on year, to ¥43,369 million, and segment profit rose 20.5%, to ¥6,346 million. This segment benefited from the strong IT investment demand from automotive, electronic component, and construction industry customers seen throughout the fiscal year. In addition, orders from power and gas providers, which are included in this segment, continued to grow over the course of the fiscal year.

(Manufacturing & Telecommunication Systems Business)

Net sales rose 8.4% year on year, to ¥63,054 million, following brisk orders from customers in various industries engaged in consumer businesses and, on a customer industry basis, higher media system sales to communications industry customers. Segment profit, meanwhile, declined 6.0%, to ¥6,599 million, due to a rise in business investment expenses and diminished profitability in systems sales.

(Manufacturing & Telecommunication Systems Business)

Net sales rose 2.5% year on year, to ¥63,932 million, and segment profit grew 17.2%, to ¥7,375 million, thanks to the commencement of projects targeting insurance industry customers and system upgrade demand from leasing industry customers, which offset the impacts of the rebound from the conclusion of large-scale projects.

(Global System Solutions & Innovation Business)

Net sales were up 17.3% year on year, to ¥15,560 million, and segment profit rose 14.0%, to ¥2,558 million, as a result of the steady flow of orders from the parent company.

(Business Solutions)

Net sales increased 7.4% year on year, to ¥68,198 million, as a result of the brisk demand for enterprise resource planning-related system upgrade investments and for outsourcing services as well as in service-oriented businesses. However, segment profit was relatively unchanged year on year at ¥4,650 million, due to the early depreciation of automotive systems basic software and other business assets.

(IT Platform Solutions)

Net sales increased 7.3% year on year, to ¥59,058 million, and segment profit rose 16.7%, to ¥7,208 million, due to increased sales of IT products to the manufacturing industry and hardware to academic research institutions.

(IT Management)

Net sales were up 6.2% year on year, to ¥44,780 million, and segment profit grew 15.3%, to ¥5,877 million, thanks to firm demand for an array of platform system development and cloud IT services.

(Other)

All shares of stock in QUO CARD Co., Ltd., were transferred on December 1, 2017, and this company therefore had no impact on performance in the fiscal year ended March 31, 2019. As a result, net sales of ¥699 million, a year-on-year decrease of 81.2%, and segment loss of ¥41 million were recorded in the “Other” category.

(Unit: Millions of yen unless otherwise stated)

	Previous fiscal year (April 1, 2017- March 31 2018)		Fiscal year under review (April 1, 2018- March 31 2019)		Comparison with previous fiscal year	
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	128,387	38.1	140,092	39.1	11,704	9.1
System Maintenance and Operation/ Services	129,071	38.3	134,132	37.4	5,061	3.9
Packaged Software/ Hardware Sales	76,247	22.6	84,430	23.5	8,182	10.7
Prepaid Card	2,948	0.9	—	—	-2,948	-100.0
Total	336,654	100.0	358,654	100.0	22,000	6.5

In Systems Development, despite the absence of previously recorded large-scale development orders from certain financial industry customers, net sales rose 9.1%, to ¥140,092 million, due to solid performance in projects for customers in the manufacturing industry, the distribution industry, the financial industry, and the communications industry.

In System Maintenance and Operation / Services, as a result of strong performance in BPO services, particularly in the distribution and financial industries, combined with robust demand for core systems and various cloud services related to IT infrastructure, net sales increased 3.9%, to ¥134,132 million.

In Packaged Software / Hardware Sales, net sales increased 10.7%, to ¥84,430 million, due to solid trends in sales of network IT equipment to certain communications industry customers and sales of hardware for academic research institutions.

In Prepaid Card, all shares of stock in QUO CARD were transferred on December 1, 2017, and this company therefore had no impact on performance in the fiscal year ended March 31, 2019.

(2) Summary of financial position

i). Assets, liabilities and net assets

(Assets)

Assets as of March 31, 2019 were ¥314,844million, a decrease of 3.6% or ¥10,930 million compared to March 31, 2018.

(Liabilities)

Liabilities as of March 31, 2019 were ¥120,375 million, a decrease of 12.2% or ¥13,062 million compared to March 31, 2018.

(Net assets)

Net assets as of March 31, 2018 were ¥194,468 million, an increase of 1.1% or ¥2,131 million compared to March 31, 2018.

(3) Overview of cash flows

Cash and cash equivalents (“cash”) as of March 31, 2019, increased ¥6,330 million compared to March 31, 2018, to ¥106,198 million. The changes in each type of cash flow and the main factors for such changes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥33,511 million. (decreased ¥3,585 million compared to March 31, 2018)

The main cash inflow factors were profit before income taxes of ¥39,477 million, depreciation of ¥10,530 million, and an increase in notes and accounts payable-trade of ¥2,078 million. The main cash outflow factors were an increase in notes and accounts receivable-trade of ¥7,995 million, an increase in inventories of ¥2,213 million, and income taxes paid of ¥6,472 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥7,163 million. (increased ¥28,230 million compared to March 31, 2018)

The main cash inflow factor was an increase in proceeds from sales of property, plant and equipment of ¥8,168 million. The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥12,022 million and acquisition of intangible assets of ¥3,234 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥19,995 million. (increased ¥5,767 million compared to March 31, 2018)

The main cash inflow factor was proceeds from issuance of bonds of ¥10,000 million. The main cash outflow factors were payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥19,045 million, 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 ended March 31, 2019.

With respect to cash flows in the fiscal year ending March 31, 2020, the Company forecasts an increase in net cash provided by operating activities as a result of growth in operating revenues. As for cash outflows, the Company plans to conduct ongoing investments for the expansion of strategic businesses and capital investment for the enhancement of the Company's earnings base while also directing funds to debt repayment, straight bond redemption, and dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2020

In the fiscal year ending March 31, 2020, it will be difficult to form an accurate outlook for IT investment trends by customers due to the rising sense of opaqueness surrounding global political and economic conditions stemming from trade issues and the risks of economic recession in the United States, China, and Europe. Conversely, IT investment demand is currently strong among manufacturing and distribution industry customers and projects for financial industry customers are commencing. Accordingly, it can be judged that the operating environment at the beginning of the fiscal year ending March 31, 2020, is more favorable than the environment seen at the start of the fiscal year ended March 31, 2019.

In the fiscal year ending March 31, 2020, SCSK will accelerate the shift to service-oriented businesses while developing both new and existing businesses. We thereby aim to capture the currently robust IT investment demand in order to achieve earnings growth. At the same time, core strategies and other measures for boosting business profitability will be implemented as the Company also focuses on initiatives for improving work quality, productivity, and earnings capacity to reinforce operating and earnings foundations.

The fiscal year ending March 31, 2020, will be an important year as it represents both the final year of the current medium-term management plan and the period leading up to the next medium-term management plan. In this year, SCSK will advance the shift to service-oriented businesses and other core strategies grounded on the operating foundations that have been solidified thus far while also developing certain new core businesses ahead of schedule to prepare for the next medium-term management plan. Accordingly, the Company will build new business investment frameworks and conduct the necessary investments to start developing new core businesses. The Company will simultaneously work to capitalize on the IT investment trends seen among customers in conventional IT services businesses to achieve steady earnings growth.

Reflecting the above outlook and based on the Company's policies, consolidated forecasts for the fiscal year ending March 31, 2020, are as follows.

	Forecasts	(YoY)
Consolidated sales	¥380,000 million	(6.0%)
Consolidated operating profit	¥41,000 million	(6.8%)
Consolidated ordinary profit	¥41,000 million	(6.1%)
Consolidated profit attributable to owners of parent	¥28,000 million	(0.4%)

The above forecasts were created based on economic trends and the market environment as of the day these statements were issued. For various reasons, actual results may differ from the forecasts, and the forecasts may be subject to revision.

(5) Basic policy for distribution of earnings and dividends for the fiscal year ended March 31, 2019, and the fiscal year ending March 31, 2020

In determining dividends, the Company aims to increase returns to shareholders in conjunction with improved consolidated financial results. As part of this process, the Company gives comprehensive consideration to its financial position, earnings trends, dividend payout ratio, and reserves for future business investment.

The Company pays dividends twice a year from its surplus: an interim dividend and a year-end dividend. Decisions regarding interim and year-end dividends are made by the Board of Directors.

The Company regards the acquisition of treasury shares as one means of returning profits to shareholders, and it will consider any such acquisitions while taking into account share price trends, the aforementioned matters considered when determining dividends, and the shareholder returns to be made via dividend payments.

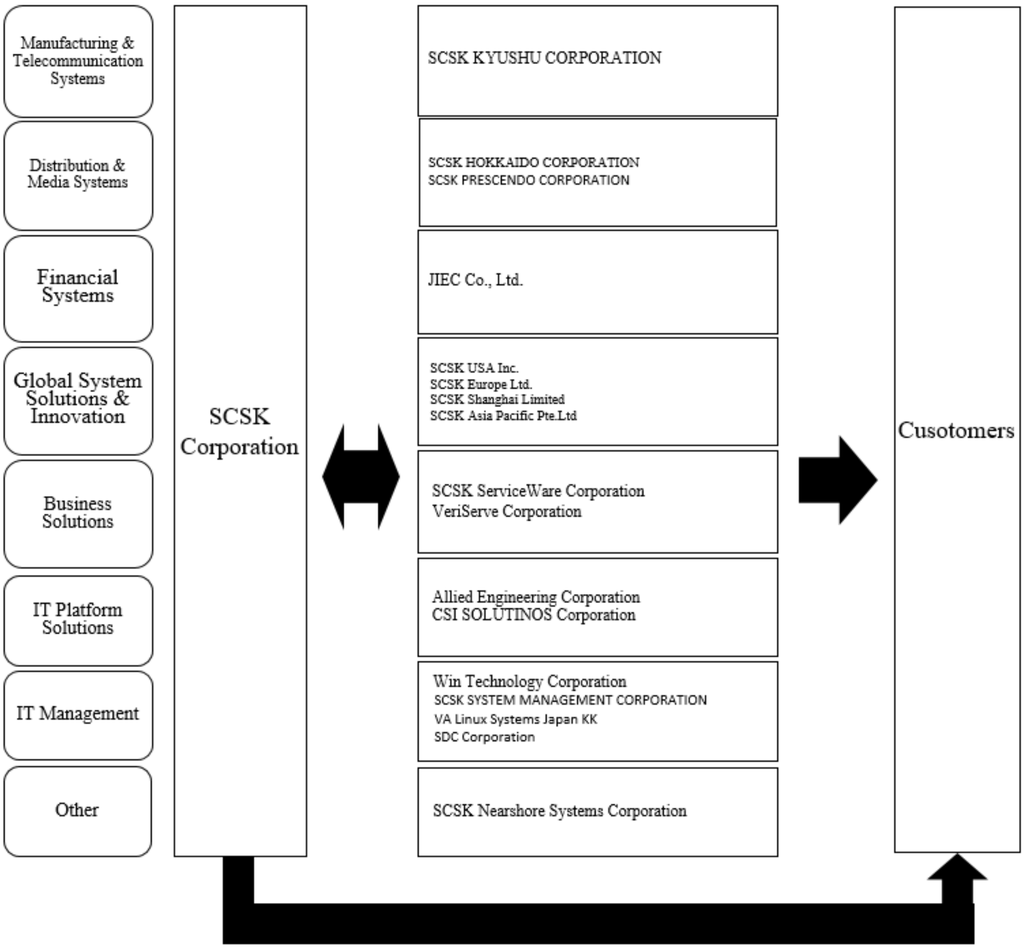
For the fiscal year ended March 31, 2019, the Company will adhere to its initial dividend forecast by issuing a year-end dividend of ¥50.00 per share. Combined with the interim dividend of ¥50.00 per share issued in December 2018, this year-end dividend will make for a total annual dividend of ¥100.00 per share, an increase of ¥5.00 per share over the annual dividend of ¥95.00 issued for the fiscal year ended March 31, 2018.

For the fiscal year ending March 31, 2020, based on the Company's financial foundation and anticipated increases in earnings capacity, we intend to issue a ordinary dividend of ¥110.00 per share, an increase of ¥10.00 per share from the fiscal year ended March 31, 2019. In addition, SCSK will celebrate the 50th anniversary of its founding in October 2019, and we therefore plan to issue a special dividend of ¥20.00 per share to commemorate the 50th anniversary of SCSK's founding and to express our gratitude to our shareholders for their support thus far. This will make for the eighth consecutive year of higher dividends with a full-year dividend of ¥130.00 per share, an increase of ¥30.00 per share, comprised of an interim dividend of ¥65.00 per share (6rd5nary dividend of ¥55.00 and commemorative dividend of ¥10.00) and a year-end dividend of ¥65.00 per share (rd5nary dividend of ¥55.00 and commemorative dividend of ¥10.00).

2. Overview of the Group

The SCSK Group consists of SCSK, 20 consolidated subsidiaries, 1 equity-method affiliates, and 1 equity-method non-consolidated affiliate, and offers business service in IT infrastructure, application development, and BPO through collaboration among business segments in Manufacturing & Telecommunication Systems, Distribution & Media Systems, Financial Systems, Global System Solutions & Innovation, Business Solutions, IT Platform Solutions , IT Management , and Other. SCSK's parent company, Sumitomo Corporation, is a major customer.

SCSK Group's business segments and major subsidiaries and affiliates are as in the chart below.



(Notes) 1. In each segment, the Company and its Group companies engage in business directly with customers, while conducting business that complements intra-Group functions.

2. Affiliated companies are primarily consolidated subsidiaries.

(Listed consolidated subsidiaries)

JIEC Co., Ltd.

VeriServe Corporation

(Note) JIEC Co., Ltd., and VeriServe Corporation were delisted from stock exchanges on April 18, 2019, and converted into wholly owned subsidiaries on April 23, 2019, following tender offers for the common shares of these companies' stock that took place over the period from February 1 to March 18, 2019, and a cash-out request issued on March 27, 2019.

3. Management Polices

(1) Basic Policy

The Group's management philosophy consists of its mission to "create our future of dreams" and three promises for achieving this mission of "respecting each other," "providing excellent service utilizing reliable technology," and "sustaining growth from a global and future perspective." Based on this management philosophy, we will apply advanced IT services and innovative ideas to resolve the issues faced by our customers and society at large, generate new value through IT, and create a future in line with the aspirations of our customers and society. It is through these efforts that we seek ongoing growth into the future.

(2) Management Goals

The SCSK Group has set forth the following important management goals from the perspective of ensuring further improvements in corporate value through continued business expansion.

a. Increase operating profit and earnings per share

b. Improve the operating profit margin and return on equity

(3) Medium- to Long-term Management Strategy

(i) Progress of Medium-Term Management Plan

The domestic IT services market is anticipated to continue to experience modest growth. At the same time, IT services companies will be pressed to undergo structural changes in order to respond to the diversification of companies' IT needs, the shift from system ownership to usage, the chronic lack of engineers in Japan, and other market conditions. SCSK views such market changes as opportunities for proactive growth, which prompted the Company to launch a medium-term management plan delineating the following three core strategies in April 2015.

<Core strategy>

i. Shift to service-oriented businesses

SCSK is moving away from conventional business models, as represented by labor-intensive, contract development, and shifting toward service-oriented businesses that are not dependent on the supply of engineers. Through this shift, the Company aims to address the shortage of engineers in Japan and respond to the diversifying IT needs of customers. We also look to secure surplus growth potential to achieve the rapid growth and high profitability called for by the medium-term management plan. We leverage the intellectual properties cultivated to date as well as our industry-specific operational know-how to offer shared-use and pay-per-usage IT services and create other highly original, high-value-added services that are unique to SCSK. At the same time, SCSK is expanding its business through stable, long-term relationships with customers. These measures are part of our approach toward boosting SCSK's competitiveness.

Service Examples

- Desse Next-Generation Contact Center and Multilanguage AI-Powered Interactive Web Agent

Desse functions as a next-generation contact center for realizing smooth customer support in response to inquiries from a wide range of channels, including telephones, email, and social media, which have become more common forms of contact as use of smartphones and the Internet spread. In addition, this service features an automated response system that combines a voice recognition system and AI technologies in order to realize efficient user support for a variety of products and services.

- Next Trend Omni-Channel Retailing and Support Service for the Distribution Industry

Next Trend offers total support omni-channel systems, such as Internet and e-commerce systems and contact centers; analysis, planning, and implementation services for the sales and marketing fields; and data linkage and management analysis platforms for customer relationship management and customer management.

ii. Promote strategic businesses that capture the changing times

We will prioritize the allocation of management resources to growth industries and fields in which we can demonstrate our strengths, while being mindful of the future potential and growth potential of each area, in order to cultivate future core businesses.

Automotive Software Systems Business

SCSK has a strong track record in the development of automotive systems for Japanese automakers. Leveraging this track record, we were among the first to begin model-based development, an approach that contributes to higher quality and efficiency in development, and we have continued to steadily grow our business since. In addition, in October 2015 we commenced sales of QINeS BSW, a proprietarily developed, domestically produced basic software for automotive applications that features a real-time operating system and is compliant with AUTOSAR (AUTomotive Opn System ARchitecture), a standardized architecture for automotive software. We also began providing system develop support services at this time. SCSK is able to supply a full lineup of basic software that forms the foundation of automotive systems and model-based development services that support the development of automotive software systems. In this capacity, we will bolster our staff while investing in research and development and in our business so that SCSK can better contribute to increased competitiveness for Japan's automotive industry.

iii. Enter into the second stage of global business expansion

SCSK is committed to capturing the IT services demand resulted from customers' overseas expansion efforts or, in other words, the trend toward Japanese companies growing their businesses overseas while maintaining their focus on the Japanese market (SCSK refers to the segment of the market represented by this demand as the "greater Japanese market"). To this end, we are implementing a global strategy of providing high-quality support based on Japanese standards in order to increase the ratio of sales from our global business. Furthermore, in October 2018 SCSK concluded a memorandum of understanding with FPT Corporation (head office: Hanoi, Vietnam), Vietnam's largest ICT company, pertaining to a comprehensive IT services business partnership in the Asia-Pacific region. Through this partnership, we aim to expand our business by bolstering our ability to supply engineers and expanding the scope of the services we provide in the Asia-Pacific region.

(ii) Response to Digital Transformations

Recent advancements in artificial intelligence, Internet of Things, and other digital technologies have stimulated a rise in demand for IT investment aimed at improving the efficiency of conventional operations as well as in aggressive IT investment for utilizing IT investments to boost competitiveness or to undertake digital business model transformations. Furthermore, digital technologies have triggered a rise in cross-industry, inter-company co-creation that goes beyond conventional frameworks to create new businesses and services. SCSK seeks to respond to this market change through an ongoing effort to enhance core businesses while shifting management resources to digital transformation-related fields. At the same time, we are reinforcing business foundations in these fields as we engage in co-creation with customers and deploy new services and solutions to generate new value for customers.

1. Enhancement of Business Operations through Manufacturing Innovations

SCSK established the DevOps Innovation Center in April 2019. This organization is tasked with carrying on prior efforts to create proprietary software engineering environments for Companywide application and accelerating initiatives that utilize these environments to realize development that does not entail as much effort and promote DevOps. Moreover, the center will play an important role in enhancing and expanding core businesses and in shifting management resources to digital transformation-related businesses.

2. Reinforcement of Business Foundations in Digital Transformation-Related Fields

Established in November 2018, the DX & Innovation Business Committee is responsible for formulating strategies and promoting commercialization efforts in digital transformation-related fields. This committee is complemented by the DX Center, a dedicated organization established in April 2019 to broaden our insight into digital technologies and their application, bolster our digital technology-related staff, and otherwise reinforce our business foundations in digital transformation-related fields. The DX Center is a central organization in SCSK's promotion of digital transformations. It is thus tasked with utilizing digital technologies to support the transformation of customers' business models and processes, developing new services and solutions employing

SCSK's intellectual properties, and establishing new businesses through co-creation with customers and parent company Sumitomo Corporation.

3. Partnership with Plug and Play

In November 2018, SCSK concluded a partnership agreement with Plug and Play (head office: Sunnyvale, California, United States), a world-leading venture capital and accelerator firm that supports start-ups together with major companies. The goal of this partnership is to enhance and expand upon the Group's operations in existing service and technological fields. Through this partnership, we will seek to gain information and insight from Plug and Play's U.S. head office while creating business opportunities primarily in digital transformation-related fields.

(iii) Human Resource Development and Workplace Cultivation

Changes in the domestic IT services market are driving diversification in the types of IT human resources needed. It can therefore be expected that there will be a rise in demand for human resources that are talented at creating value, by supporting the innovation of customers' businesses or working with customers to create new value, along with demand for traditional human resources adept at resolving issues. SCSK thus sees a need to implement human resource development measures that are matched to the changing market while helping all of its employees better exercise their talents and individuality and feel energized in their work. Through these efforts, we aim to realize a virtuous cycle in which we generate higher value for customers and are thereby able to achieve more substantial corporate performance and growth and subsequently issue greater returns to stakeholders. This is one of the reasons we are focused on cultivating a workplace environment in which employees can more easily exercise their talents.

As part of our efforts on this front, we are promoting health and productivity management and working style reforms, which are focused on reducing overtime work, encouraging employees to use their paid vacation days, and implementing a remote work program that allows employees to work at home or at other locations. Other examples of working style reforms include programs that support employees in balancing their work with childrearing or nursing care, systems enabling employees to take side jobs, the implementation and expansion of employee career development support programs, and the cultivation of workplace environments that are conducive to work by employees of all ages, genders, physical and mental capacities, and nationalities. We continue to expand the scope of our working styles reforms while promoting such reforms.

These efforts and their results have earned recognition from a variety of organizations. For example, SCSK was selected for inclusion among other companies that promote ongoing, Companywide diversity management in the Diversity Management Selection 100 Prime program sponsored by the Ministry of Economy, Trade and Industry. SCSK also received the Human Resources Prize at the NIKKEI Smart Work Awards 2019 organized by Nikkei Inc. as well as a special encouragement award in the Minister of Health, Labour and Welfare's awards for enterprises that promote telework. Furthermore, the Company has been granted the Nadeshiko Brand and Health and Productivity Management Brand designations, organized jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for five consecutive years.

4. Basic Policy on the Selection of Accounting Standards

For its accounting standards, the Group applies J-GAAP to ensure that its consolidated financial statements can be compared across time and with other companies in the same industry in Japan.

The Company is examining the possibility of voluntarily adopting International Financial Reporting Standards.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2018	As of Mar. 31, 2019
Assets		
Current assets		
Cash and deposits	16,456	21,170
Notes and accounts receivable - trade	66,665	74,698
Lease receivables and investment assets	396	334
Merchandise and finished goods	5,137	7,831
Work in process	900	360
Raw materials and supplies	49	117
Deposits paid	83,340	85,028
Other	10,779	11,496
Allowance for doubtful accounts	-41	-31
Total current assets	183,684	201,007
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,543	43,566
Tools, furniture and fixtures, net	7,802	9,233
Land	19,821	14,169
Leased assets, net	1,714	1,552
Construction in progress	12,581	2,310
Other, net	1	0
Total property, plant and equipment	73,464	70,833
Intangible assets		
Goodwill	84	53
Other	9,472	8,155
Total intangible assets	9,556	8,208
Investments and other assets		
Investment securities	10,625	11,773
Long-term prepaid expenses	1,202	1,563
Leasehold and guarantee deposits	6,909	6,759
Deferred tax assets	17,297	13,709
Other	1,294	1,042
Allowance for doubtful accounts	-119	-53
Total investments and other assets	37,209	34,794
Total non-current assets	120,229	113,837
Total assets	303,914	314,844

(Millions of yen)

	As of Mar. 31, 2018	As of Mar. 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,013	22,087
Short-term loans payable	10,000	15,000
Current portion of long-term loans payable	5,000	—
Lease obligations	975	843
Income taxes payable	4,802	4,898
Provision for bonuses	5,651	5,910
Provision for bonuses for directors (and other officers)	79	57
Provision for loss on construction contracts	329	228
Other	23,712	23,499
Total current liabilities	70,564	72,525
Non-current liabilities		
Bonds payable	30,000	40,000
Lease obligations	2,183	1,909
Provision for retirement benefits for directors (and other officers)	20	20
Retirement benefit liability	1,468	2,902
Asset retirement obligations	2,391	2,779
Long-term leasehold and guarantee deposits	603	154
Other	80	83
Total non-current liabilities	36,748	47,850
Total liabilities	107,313	120,375
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	1,299	—
Retained earnings	168,363	175,223
Treasury shares	-711	-694
Total shareholders' equity	190,104	195,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,274	2,076
Deferred gains or losses on hedges	-5	-21
Foreign currency translation adjustment	-154	-182
Remeasurements of defined benefit plans	-3,004	-4,141
Total accumulated other comprehensive income	-890	-2,269
Share acquisition rights	57	40
Non-controlling interests	7,329	1,015
Total net assets	196,600	194,468
Total liabilities and net assets	303,914	314,844

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	From Apr. 1, 2017 to Mar. 31, 2018	From Apr. 1, 2018 to Mar. 31, 2019
Net sales	336,654	358,654
Cost of sales	253,098	269,912
Gross profit	83,555	88,742
Selling, general and administrative expenses	48,953	50,363
Operating profit	34,602	38,378
Non-operating income		
Interest income	91	65
Dividend income	66	71
Share of profit of entities accounted for using equity method	537	750
Gain on sales of investment securities	56	—
Hoard profit of prepaid card	1,006	—
Other	313	173
Total non-operating income	2,071	1,061
Non-operating expenses		
Interest expenses	126	115
Loss on sales of investment securities	1	2
Bond issuance cost	48	48
Subsidiary stock acquisition-related cost	—	495
Other	206	128
Total non-operating expenses	382	789
Ordinary profit	36,291	38,650
Extraordinary income		
Gain on sales of non-current assets	2	371
Gain on sales of investment securities	10,756	1,024
Gain on sales of memberships	—	0
Gain on step acquisitions	—	47
Total extraordinary income	10,759	1,443
Extraordinary losses		
Loss on retirement of non-current assets	750	57
Loss on sales of non-current assets	32	44
Non recurring depreciation on software	1,231	—
Impairment loss	1,425	—
Loss on sales of investment securities	10	1
Loss on valuation of investment securities	101	—
Loss on sales of membership	—	0
Loss on valuation of membership	10	—
Compensation expenses	—	294
Disaster loss	—	217
Total extraordinary losses	3,561	615
Profit before income taxes	43,489	39,477
Income taxes - current	6,093	6,567
Income taxes - deferred	4,099	4,221
Total income taxes	10,192	10,788
Profit	33,296	28,688
Profit attributable to non-controlling interests	807	796
Profit attributable to owners of parent	32,488	27,892

Consolidated Statements of Comprehensive Income

(Millions of yen)

	From Apr. 1, 2017 to Mar. 31, 2018	From Apr. 1, 2018 to Mar. 31, 2019
Profit	33,296	28,688
Other comprehensive income		
Valuation difference on available-for-sale securities	-48	-185
Deferred gains or losses on hedges	-0	-15
Foreign currency translation adjustment	-98	-20
Remeasurements of defined benefit plans, net of tax	-203	-1,199
Share of other comprehensive income of entities accounted for using equity method	45	-18
Total other comprehensive income	-305	-1,440
Comprehensive income	32,990	27,248
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,197	26,513
Comprehensive income attributable to non-controlling interests	793	735

(3) Consolidated Statements of Change in Net Assets

Previous fiscal year (April 1, 2017- March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	21,152	3,047	151,722	-8,425	167,497
Changes of items during period					
Dividends of surplus			-9,883		-9,883
Profit attributable to owners of parent			32,488		32,488
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Purchase of treasury shares				-22	-22
Disposal of treasury shares		-5		20	15
Retirement of treasury shares		-7,708		7,708	—
Transfer to capital surplus from retained earnings		5,965	-5,965		—
Change in treasury shares arising from change in equity in entities accounted for using equity method				7	7
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	-1,747	16,640	7,714	22,607
Balance at March 31, 2018	21,152	1,299	168,363	-711	190,104

(Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2017	2,308	-5	-73	-2,829	-599	70	6,706	173,674
Changes of items during period								
Dividends of surplus					—			-9,883
Profit attributable to owners of parent					—			32,488
Change in ownership interest of parent due to transactions with non-controlling interests					—			1
Purchase of treasury shares					—			-22
Disposal of treasury shares					—			15
Retirement of treasury shares					—			—
Transfer to capital surplus from retained earnings					—			—
Change in treasury shares arising from change in equity in entities accounted for using equity method					—			7
Net changes of items other than shareholders' equity	-34	-0	-80	-175	-291	-12	622	319
Total changes of items during period	-34	-0	-80	-175	-291	-12	622	22,926
Balance at March 31, 2018	2,274	-5	-154	-3,004	-890	57	7,329	196,600

Fiscal year under review (April 1, 2018- March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	21,152	1,299	168,363	-711	190,104
Changes of items during period					
Dividends of surplus			-10,144		-10,144
Profit attributable to owners of parent			27,892		27,892
Change in ownership interest of parent due to transactions with non-controlling interests		-12,178			-12,178
Purchase of treasury shares				-11	-11
Disposal of treasury shares		-8		28	19
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings		10,887	-10,887		—
Change in treasury shares arising from change in equity in entities accounted for using equity method					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	-1,299	6,860	16	5,577
Balance at March 31, 2019	21,152	—	175,223	-694	195,681

(Millions of yen)

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2018	2,274	-5	-154	-3,004	-890	57	7,329	196,600
Changes of items during period								
Dividends of surplus					—			-10,144
Profit attributable to owners of parent					—			27,892
Change in ownership interest of parent due to transactions with non-controlling interests					—			-12,178
Purchase of treasury shares					—			-11
Disposal of treasury shares					—			19
Retirement of treasury shares					—			—
Transfer to capital surplus from retained earnings					—			—
Change in treasury shares arising from change in equity in entities accounted for using equity method					—			—
Net changes of items other than shareholders' equity	-198	-15	-27	-1,137	-1,378	-16	-6,313	-7,709
Total changes of items during period	-198	-15	-27	-1,137	-1,378	-16	-6,313	-2,131
Balance at March 31, 2019	2,076	-21	-182	-4,141	-2,269	40	1,015	194,468

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	From Apr. 1, 2017 to Mar. 31, 2018	From Apr. 1, 2018 to Mar. 31, 2019
Cash flows from operating activities		
Profit before income taxes	43,489	39,477
Depreciation	10,013	10,530
Amortization of goodwill	49	30
Impairment loss	1,425	—
Increase (decrease) in allowance for doubtful accounts	-10	-76
Increase (decrease) in retirement benefit liability	-931	-1,003
Decrease (increase) in retirement benefit asset	13	—
Loss on retirement of non-current assets	750	57
Loss (gain) on sales of non-current assets	29	-326
Non recurring depreciation on software	1,231	—
Loss (gain) on valuation of investment securities	101	—
Loss (gain) on sales of investment securities	-10,801	-1,020
Share of loss (profit) of entities accounted for using equity method	-537	-750
Loss (gain) on step acquisitions	—	-47
Interest and dividend income	-157	-137
Interest expenses paid on loans and bonds	126	115
Compensation expenses	—	294
Loss on disaster	—	217
Decrease (increase) in investment securities for sale	2,091	—
Decrease (increase) in notes and accounts receivable - trade	-1,753	-7,995
Decrease (increase) in inventories	-513	-2,213
Decrease (increase) in guarantee deposits	-6,316	—
Increase (decrease) in notes and accounts payable - trade	-1,073	2,078
Increase (decrease) in deposits received of prepaid cards	1,790	—
Other, net	663	772
Subtotal	39,682	40,002
Interest and dividend income received	319	327
Interest expenses paid	-142	-114
Compensation expenses paid	—	-224
Payments for loss on disaster	—	-6
Income taxes (paid) refund	-2,763	-6,472
Net cash provided by (used in) operating activities	37,096	33,511

(Millions of yen)

	From Apr. 1, 2017 to Mar. 31, 2018	From Apr. 1, 2018 to Mar. 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	-10,042	-12,022
Proceeds from sales of property, plant and equipment	16	8,168
Purchase of intangible assets	-3,865	-3,234
Purchase of investment securities	-892	-1,274
Proceeds from sales and redemption of investment securities	298	1,210
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-20,618	—
Payments of short-term loans receivable	-8	-208
Collection of short-term loans receivable	7	154
Proceeds from withdrawal of investments in partnership	85	113
Payments for leasehold and guarantee deposits	-281	-483
Proceeds from collection of leasehold and guarantee deposits	255	614
Other, net	-349	-199
Net cash provided by (used in) investing activities	-35,394	-7,163
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	-15,000	—
Repayments of lease obligations	-691	-615
Purchase of treasury shares	-22	-12
Proceeds from sales of treasury shares	2	2
Cash dividends paid	-9,883	-10,144
Dividends paid to non-controlling interests	-169	-181
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-19,045
Net cash provided by (used in) financing activities	-25,763	-19,995
Effect of exchange rate change on cash and cash equivalents	-76	-21
Net increase (decrease) in cash and cash equivalents	-24,137	6,330
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	99,797	106,198

(5) Notes to Consolidated Financial Statements

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Significant Items for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) 20 consolidated subsidiaries

SCSK KYUSHU CORPORATION
SCSK HOKKAIDO CORPORATION
SCSK USA inc.
SCSK Europe Ltd.
SCSK Shanghai Limited.
SCSK Asia Pacific Pte. Ltd.
JIEC Co., Ltd.
WinTechnology Corporation
SCSK ServiceWare Corporation
VeriServe Corporation
VERISERVE OKINAWA TEST CENTER CORPORATION
SCSK PRESCENDO CORPORATION
Allied Engineering Corporation
CSI SOLUTIONS Corporation
SCSK Nearshore Systems Corporation
VA Linux Systems Japan K.K
SCSK SYSTEM MANAGEMENT CORPORATION
SDC Corporation
One investment partnership and one silent partnership

Effective from April 1, 2018, VERISERVE OKINAWA TEST CENTER CORPORATION was included in the scope of consolidation to reflect its increased materiality.

(2) Major non-consolidated subsidiaries and affiliates

Skeed Co. Ltd.
Tokyo Green Systems Corporation
Gran Manibus Co,. Ltd

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are all small in size and their total assets and net sales and the portions of net income and retained earnings attributable to the Company are immaterial to the consolidated financial statements.

2. Equity-method affiliates

(1) Non-consolidated equity-method affiliate: 1

Gran Manibus Co,. Ltd

(2) Consolidated equity method affiliate: 1

ARGO GRAPHICS Inc.

Non-consolidated subsidiaries not treated under the equity method (Skeed Co. Ltd. and Tokyo Green Systems Corporation) are excluded from the application of said method because their overall importance within the Group is low and their impacts on net income, retained earnings, and other factors are minor.

Effective from April 1, 2018, VERISERVE OKINAWA TEST CENTER CORPORATION was excluded from the scope of equity method application and included in the scope of consolidation to reflect its increased materiality.

Effective October 1, 2018, Asian Frontier Co., Ltd., was converted from an equity method affiliate into a non-consolidated equity-method affiliate following the acquisition of additional shares of this company's stock.

In addition, the name of Asian Frontier Co., Ltd., was changed to Gran Manibus Co., Ltd.

3. Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of SCSK Europe Ltd., SCSK Shanghai Limited, SCSK Asia Pacific Pte. Ltd., and one investment partnership is December 31. Therefore, for those companies, preparation of the consolidated financial statements for the fiscal year ended March 31, 2019, is based on the financial statements for the period from January 1, 2018, through to December 31, 2018.

Note that necessary adjustments have been made for consolidation purposes with regard to material transactions that took place in the period between the above period-end and the fiscal year-end of the Company.

Except for the items stated above, items are omitted for any information that did not change significantly in the period since the most recent Securities Report (filed June 26, 2018).

(Segment Information, etc.)

【Segment Information】

1. Summary of reportable segments

(1) Method for designation of reportable segments

The Company designates its reportable segments according to customer industry and IT service business area. The Board of Directors and the President decide on the allocation of business resources and evaluate business performance in relation to these reportable segment, with such managerial decision-making directly reflected in the advancement of business activities within those reported segments.

Based on this arrangement, seven reportable segments have been designated: Manufacturing Systems Business, Telecommunication Systems Business, Distribution Systems Business, Financial Systems Business, Business Solutions, Business Services, and IT Platform Solutions.

Businesses not included within the above are presented in the aggregate as "Others."

Details on the business activities of each reportable segment are as follows.

(i) Manufacturing & Telecommunication Systems Business: This business group provides a wide range of IT solutions on a global scale. These solutions include core systems, manufacturing management systems, information management systems, supply chain management (SCM) systems, and customer relationship management (CRM) systems. Our services leverage the experience and know-how that we have cultivated over many years throughout the chain of operational processes from production to sales. The customers of this business are primarily companies in the manufacturing, telecommunications, and energy industries.

(ii) Distribution & Media Systems Business: This business group provides IT solution packages configured from various core systems, information systems, SCM systems, CRM systems, and e-commerce systems primarily to customers in the distribution, service, and media industries.

(iii) Financial Systems Business: This business group engages in systems development, maintenance, and operation for financial institutions. As professionals that understand financial operations and possess a strong track record of creating sophisticated financial systems, members of this business group's staff support safe and efficient management and help customers implement their financial business strategies. The business group provides these services primarily to financial institutions, such as banks and trust banks as well as insurance, securities, lease, and credit companies.

(iv) Global System Solutions & Innovation Business: This business group provides to optimal IT solutions primarily to trading companies and the global bases of customers from among a lineup that includes core systems, information management systems, SCM systems, and CRM systems.

(v) Business Solutions: This business group provides a wide range of IT solutions. These solutions include automotive software systems as well as application management outsourcing (AMO) services that cover the entire system lifecycle, from development and installation to maintenance and operation, for enterprise resources planning (ERP) and CRM products, such as our internally developed ProActive ERP package, SAP, and Oracle offerings as well as Salesforce. In addition, this business group offers the type of business process outsourcing services that only an IT company can. These services merge support performed by human hands with IT.

(vii) IT Platform Solutions: This business group draws on solid technical capabilities and know-how to leverage computer-aided design (CAD), computer-aided engineering (CAE), and other advanced technologies in the fields of IT infrastructure and manufacturing. In this way, IT Platform Solutions provides services and products that accurately address the needs of customers and offers flexible support for a wide range of customer businesses.

(vii) IT Management: This business group develops solutions-oriented netXDC data centers, which boast robust facilities and high-level security, in East and West Japan to provide customers with proposal-based outsourcing services that address their management issues pertaining to operating cost reductions, infrastructure integration and optimization, governance enhancement, and business risk mitigation. The business group also supplies cloud infrastructure and offers its on-site SE support management services 24 hours a day, 365 days a year.

(2) Reorganization of reportable segments, etc.

Effective April 1, 2018, SCSK instituted organizational reforms with the goal of reinforcing the functions of business groups in order to 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 fiscal year ended March 31, 2018, has been restated to reflect this change in reportable segments.

2. Accounting method for reportable segments

The accounting method for reportable segments is the same as described in "Significant Items for the Preparation of Consolidated Financial Statements."

The profit of reportable segments is based on operating profit. Inter-segment sales and transfers are based on current market prices.

3. Information on sales, income (loss), assets, and other items by reportable segment

For the fiscal year ended March 31, 2018(April 1, 2017 – March 31, 2018)

(Millions of yen)

	Manufacturing &Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	IT Platform Solutions	IT Management
Sales, income, and assets by reportable segment							
(1) Sales to third parties	38,404	58,176	62,351	13,260	63,519	55,039	42,184
(2) Intersegment sales and transfers	906	1,036	519	7,315	5,221	6,476	12,577
Total	39,311	59,213	62,871	20,575	68,740	61,516	54,761
Segment profit	5,266	7,019	6,290	2,243	4,645	6,176	5,096
Segment assets	10,457	17,571	19,801	7,574	20,805	26,570	60,518
Other items							
Depreciation and amortization	56	709	2,400	166	1,726	635	3,671
Investments in equity-method affiliates	—	—	—	—	104	4,630	—
Net increase/decrease in tangible/intangible fixed assets	191	2,431	392	280	1,771	746	9,048

	Others Note 3	Total	Adjustments Note 1	Per Consolidated Financial Statements Note 2
Sales, income, and assets by reportable segment				
(1)Sales to third parties	3,716	336,654	—	336,654
2) Intersegment sales and transfers	3,008	37,061	-37,061	—
Total	6,725	373,716	-37,061	336,654
Segment profit	378	37,117	-2,515	34,602
Segment assets	4,259	167,559	136,354	303,914
Other items				
Depreciation and amortization	255	9,622	1,622	11,245
Investments in equity-method affiliates	—	4,735	187	4,922
Net increase/decrease in tangible/intangible fixed assets	126	14,989	599	15,588

Notes: 1. Adjustments are as follows:
(1) ¥2,515 million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.
(2) ¥136,354 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.
(3) ¥1,622 million addition to depreciation to reflect depreciation charges on Companywide assets.
(4) ¥187 million addition to investments in equity-method affiliates to reflect investments conducted as part of Companywide measures not allocated to any reportable segment
(5) ¥599 million addition to increase/decrease in tangible/intangible assets to reflect net additions to Companywide assets (new headquarters building, etc.).

2. Segment-specific profit is presented as operating profit from the Consolidated Statements of Income as adjusted for intersegment transfers and Companywide allocations.

3. The “Other” category includes business segments that are not part of reportable segments, such as the prepaid card business.

For the fiscal year ended March 31, 2019(April 1, 2018 – March 31, 2019)

(Millions of yen)

	Manufacturing &Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	IT Platform Solutions	IT Management
Sales, income, and assets by reportable segment							
(1) Sales to third parties	43,369	63,054	63,932	15,560	68,198	59,058	44,780
(2) Intersegment sales and transfers	1,096	903	869	5,505	5,338	6,971	16,090
Total	44,466	63,957	64,802	21,066	73,536	66,030	60,871
Segment profit	6,346	6,599	7,375	2,558	4,650	7,208	5,877
Segment assets	12,412	19,966	22,535	8,930	23,358	30,664	66,057
Other items							
Depreciation and amortization	71	803	326	233	2,884	646	3,893
Investments in equity-method affiliates	—	—	—	—	—	5,185	—
Net increase/decrease in tangible/intangible fixed assets	69	1,419	74	697	1,740	654	10,240

	Others Note 3	Total	Adjustments Note 1	Per Consolidated Financial Statements Note 2
Sales, income, and assets by reportable segment				
(1)Sales to third parties	699	358,654	—	358,654
(2) Intersegment sales and transfers	3,394	40,170	-40,170	—
Total	4,093	398,825	-40,170	358,654
Segment profit	-41	40,575	-2,196	38,378
Segment assets	1,923	185,848	128,996	314,844
Other items				
Depreciation and amortization	239	9,099	1,430	10,530
Investments in equity-method affiliates	—	5,185	438	5,623
Net increase/decrease in tangible/intangible fixed assets	1	14,897	438	15,336

Notes: 1. Adjustments are as follows:
(1) ¥2,196million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.
(2) ¥128,996 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.
(3) ¥1,430 million addition to depreciation to reflect depreciation charges on Companywide assets.
(4) ¥438 million addition to investments in equity-method affiliates to reflect investments conducted as part of Companywide measures not allocated to any reportable segment
(5) ¥438 million addition to increase/decrease in tangible/intangible assets to reflect net additions to Companywide assets (new headquarters building, etc.).
2. Segment-specific profit is presented as operating profit from the Consolidated Statements of Income as adjusted for intersegment transfers and Companywide allocations.
3. The “Other” category includes business segments that are not part of reportable segments, such as the prepaid card business.

【Related information】

Previous fiscal year (April 1, 2017 - March 31, 2018)

1. Information about products and services

Disclosure of relevant information is omitted as similar information is disclosed in the segment information.

2. Information about geographic area

1) Sales

Sales data by geographic area is not presented as sales in Japan account for over 90% of net sales.

2) Property, plant and equipment

Property, plant and equipment data by geographic area is not presented as property, plant and equipment located in Japan account for over 90% of total property, plant and equipment.

3. Information about major customers

Disclosure of relevant information is omitted as no sales to any single external party accounted for more than 10% of sales on the consolidated statement of income.

Fiscal year under review (April 1, 2018 - March 31, 2019)

1. Information about products and services

Disclosure of relevant information is omitted as similar information is disclosed in the segment information.

2. Information about geographic area

1) Sales

Sales data by geographic area is not presented as sales in Japan account for over 90% of net sales.

2) Property, plant and equipment

Property, plant and equipment data by geographic area is not presented as property, plant and equipment located in Japan account for over 90% of total property, plant and equipment.

3. Information about major customers

Disclosure of relevant information is omitted as no sales to any single external party accounted for more than 10% of sales on the consolidated statement of income.

Information regarding impairment loss on fixed assets by reportable segment

Previous fiscal year (April 1, 2017 - March 31, 2018)

(Millions of yen)

	Manufacturing &Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	IT Platform Solutions	IT Management
Impairment loss	—	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Impairment loss	—	1,425	1,425

Fiscal year under review (April 1, 2018 - March 31, 2019)

Not applicable

Information on amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2017- March 31, 2018)

(Millions of yen)

	Manufacturing &Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	IT Platform Solutions	IT Management
Amortization of goodwill	30	—	—	—	—	19	—
Balance at end of period	84	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Amortization of goodwill	—	—	49
Balance at end of period	—	—	84

Fiscal year under review (April 1, 2018- March 31, 2019)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Amortization of goodwill	30	—	—	—	—	—	—
Balance at end of period	53	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Amortization of goodwill	—	—	30
Balance at end of period	—	—	53

Information on amortization of goodwill by reportable segment

Previous fiscal year (April 1, 2017 - March 31, 2018)

Not applicable

Fiscal year under review (April 1, 2018 - March 31, 2019)

Not applicable

(Per Share Information)

(Yen)

Item	Fiscal 2017 (April 1, 2017 - March 31, 2018)	Fiscal 2018 (April 1, 2018 - March 31, 2019)
Net assets per share	1,822.54	1,862.78
Net profit per share	312.95	268.64
Fully diluted net profit per share	312.80	268.55

Note:
Net profit per share and fully diluted net profit per share are calculated on the following basis.

Item		Fiscal 2017 (April 1, 2017 - March 31, 2018)	Fiscal 2018 (April 1, 2018 - March 31, 2019)
Net profit per share			
Net profit	(Millions of yen)	32,488	27,892
Amount not attributable to common stock	(Millions of yen)	—	—
Net profit attributable to common stock	(Millions of yen)	32,488	27,892
Average number of shares of common stock during the period	(Shares)	103,813,610	103,827,903
Fully diluted net profit per share			
Profit attributable to owners of parent (adjusted amount)	(Millions of yen)	—	—
(Of which, change in holdings in equity-method affiliates due to issuance of subscription rights)	(Millions of yen)	(—)	(—)
Increase in the number of common shares	(Shares)	51,745	35,558
(Of which, stock acquisition rights)	(Shares)	(51,745)	(35,558)
Overview of residual shares not included in the calculation of fully diluted net profit per share as they do not have a dilutive effect		—	—

(Significant subsequent events)

Not applicable