

**Consolidated Financial Results for the First Quarter  
of the fiscal year ending March 31, 2020  
(April 1, 2019 - June 30, 2019)  
[J-GAAP]**

July 29, 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 August 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 First Quarter ended June 30, 2019(April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Three months ended June 30, 2019	90,967	13.5	7,833	23.7	8,131	23.4	5,542	28.8
Three months ended June 30, 2018	80,166	3.8	6,333	62.8	6,588	47.9	4,301	51.2

(Note) Comprehensive income:

First Quarter Ended June 30, 2019: ¥6,048 million (34.3%) First Quarter Ended June 30, 2018: ¥4,503 million (48.9%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Three months ended June 30, 2019	53.38	53.36
Three months ended June 30, 2018	41.43	41.41

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2019	310,174	192,986	62.1
As of March 31, 2019	314,844	194,468	61.4

(Reference) Shareholders' equity: As of June 30, 2019 ¥192,617 million As of March 31, 2019 ¥193,412 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2018	—	50.00	—	50.00	100.00
FY 2019	—	—	—	—	—
FY 2019 (Forecast)	—	65.00	—	65.00	130.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2019: None

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

(Millions of yen unless otherwise stated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
		%		%		%		%	Yen
Six months ending September 30, 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

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2019: None

※ Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Adoption of specific accounting procedures in preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections
  - 1) Changes in accounting policies, changes in accounting standards and other regulations: None
  - 2) Changes in accounting policies due to other reasons: None
  - 3) Changes in accounting estimates: None
  - 4) Restatement of prior period financial statements after error corrections: None
- (4) Number of shares issued (Common stock)

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

As of June 30, 2019	104,181,803 shares
As of March 31, 2019	104,181,803 shares

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

As of June 30, 2019	351,037 shares
As of March 31, 2019	351,781 shares

- 3) The average number of shares during the period

As of June 30, 2019	103,830,567 shares
As of June 30, 2018	103,822,629 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.

\* 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, 2020” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on July 29, 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 three-month period ended June 30, 2019**

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

In the three-month period ended June 30, 2019, the Company judged that the domestic economy was experiencing a modest recovery trend as ongoing improvements in the job market and in wages offset the negative impacts of continuously sluggish conditions in certain export and production sectors. At the same time, examples of strong conditions were seen including an upward trend in capital investment for implementing labor-saving measures to address labor shortfalls and firm corporate earnings.

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. In addition, it is incredibly likely that the consumption tax rate in Japan will be increased in October 2019. 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 the legacy systems that still pervade various industries into open systems.

At the same time, strategic IT investment demand, for applications such as reinforcing strategic businesses or securing a competitive edge, remains high among customer companies. In this manner, it was judged that there was a general upward trend in overall IT investment demand.

In the manufacturing industry, demand was strong in several areas. Examples of such areas included 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, and operational system upgrades. Other areas were 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 the financial industry, numerous financial institutions refrained from making capital investments in response to Japan's negative interest rate policy. Looking ahead, demand for IT investment for augmenting operations is proving robust. Targets of this investment 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 the distribution industry, demand for IT investment was on the rise as indicated by the higher numbers of core system redevelopment and upgrade projects. This trend came on the back of demand in the omni-channel retailing-related e-commerce and customer relationship management (CRM) fields, largely among customer companies engaging in consumer businesses, and in the customer and sales information analysis fields.

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

In the three-month period ended June 30, 2019, net sales increased 13.5% year on year, to ¥90,967 million, due to higher sales in the three distinctive service categories of SCSK—systems development, system maintenance and operation services, and system sales—as a result of IT investment demand, from customers in the manufacturing industry and the distribution industry, which has been rising since the previous fiscal year.

Operating profit was up 23.7% year on year, to ¥7,833 million, due to the higher net sales coupled with improved profitability attributable to increased development productivity, which itself stemmed from efforts to boost general work quality and streamline operations.

Ordinary profit grew 23.4%, to ¥8,131 million, and profit attributable to owners of parent increased 28.8%, to ¥5,542 million, as a result of the increase in operating profit.

SCSK is continuing to promote the shift to service-oriented businesses in the fiscal year ending March 31, 2020. We are deploying a two-pronged approach consisting of new and existing 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.

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 and execute new business development measures 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.

## **(2) Summary of financial position**

Cash and cash equivalents (“cash”) as of June 30, 2019 increased ¥7,010 million compared to March 31, 2019 to ¥113,424 million as a result of considering to ¥214 million of cash increase due to new consolidation. 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 ¥14,502 million.

The main cash inflow factors were profit before income taxes of ¥8,002 million, depreciation of ¥2,573 million and ¥14,605 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥5,191 million, and a decrease of ¥3,911 million in payments for income taxes.

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

Net cash used in investing activities was ¥1,991 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥1,291 million, and acquisition of intangible assets of ¥733 million.

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

Net cash used in financing activities was ¥5,478 million.

The main cash outflow factor was dividend payments of ¥5,202 million (¥50.0 per share) for the year-end dividend of the fiscal year ended March 31, 2019.

## **(3) Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2020**

Consolidated performance in the three-month period ended June 30, 2019, was strong. Regardless, the Company has chosen not to revise the forecasts for the six-month period ending September 30, 2018, and the fiscal year ending March 31, 2020, that were announced on April 26, 2019, in light of the current global political and economic climate and recent financial and capital market trends.

\* Characteristics of the Company's quarterly operating results

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

## 2. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	21,170	20,883
Notes and accounts receivable - trade	74,698	60,181
Merchandise and finished goods	7,831	8,835
Work in process	360	990
Raw materials and supplies	117	111
Deposits paid	85,028	92,541
Other	11,831	15,387
Allowance for doubtful accounts	-31	-51
<b>Total current assets</b>	<b>201,007</b>	<b>198,879</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,566	43,023
Land	14,169	14,169
Other, net	13,096	13,196
<b>Total property, plant and equipment</b>	<b>70,833</b>	<b>70,390</b>
Intangible assets		
Goodwill	53	253
Other	8,155	8,014
<b>Total intangible assets</b>	<b>8,208</b>	<b>8,267</b>
Investments and other assets		
Investment securities	11,773	11,998
Other	23,074	20,688
Allowance for doubtful accounts	-53	-50
<b>Total investments and other assets</b>	<b>34,794</b>	<b>32,636</b>
<b>Total non-current assets</b>	<b>113,837</b>	<b>111,294</b>
<b>Total assets</b>	<b>314,844</b>	<b>310,174</b>

(Millions of Yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,087	16,926
Short-term borrowings	15,000	15,000
Current portion of bonds	—	10,000
Income taxes payable	4,898	739
Provision for bonuses	5,910	1,532
Provision for bonuses for directors (and other officers)	57	15
Provision for loss on construction contracts	228	524
Other	24,343	34,596
<b>Total current liabilities</b>	<b>72,525</b>	<b>79,336</b>
Non-current liabilities		
Bonds payable	40,000	30,000
Provision for retirement benefits for directors (and other officers)	20	15
Retirement benefit liability	2,902	2,635
Asset retirement obligations	2,779	2,999
Other	2,147	2,201
<b>Total non-current liabilities</b>	<b>47,850</b>	<b>37,851</b>
<b>Total liabilities</b>	<b>120,375</b>	<b>117,187</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	21,152	21,152
Retained earnings	175,223	173,933
Treasury shares	-694	-694
<b>Total shareholders' equity</b>	<b>195,681</b>	<b>194,391</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,076	2,405
Deferred gains or losses on hedges	-21	8
Foreign currency translation adjustment	-182	-210
Remeasurements of defined benefit plans	-4,141	-3,978
<b>Total accumulated other comprehensive income</b>	<b>-2,269</b>	<b>-1,774</b>
Share acquisition rights	40	34
Non-controlling interests	1,015	334
<b>Total net assets</b>	<b>194,468</b>	<b>192,986</b>
<b>Total liabilities and net assets</b>	<b>314,844</b>	<b>310,174</b>



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

(Millions of Yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019
Net sales	80,166	90,967
Cost of sales	60,916	69,256
Gross profit	19,249	21,711
Selling, general and administrative expenses	12,916	13,877
Operating profit	6,333	7,833
Non-operating income		
Interest income	17	16
Dividend income	36	43
Share of profit of entities accounted for using equity method	196	251
Other	53	66
Total non-operating income	304	378
Non-operating expenses		
Interest expenses	26	31
Subsidiary stock acquisition-related cost	—	35
Other	22	13
Total non-operating expenses	49	80
Ordinary profit	6,588	8,131
Extraordinary income		
Gain on sales of memberships	0	—
Gain on reversal of share acquisition rights	—	5
Total extraordinary income	0	5
Extraordinary losses		
Loss on retirement of non-current assets	1	6
Loss on sales of non-current assets	19	—
Loss on sales of membership	0	0
Compensation expenses	—	128
Total extraordinary losses	20	135
Profit before income taxes	6,567	8,002
Income taxes - current	142	495
Income taxes - deferred	1,995	1,954
Total income taxes	2,138	2,450
Profit	4,429	5,551
Profit attributable to non-controlling interests	127	9
Profit attributable to owners of parent	4,301	5,542

**Consolidated Quarterly Statements of Comprehensive Income**

(Millions of Yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019
Profit	4,429	5,551
Other comprehensive income		
Valuation difference on available-for-sale securities	15	327
Deferred gains or losses on hedges	16	29
Foreign currency translation adjustment	-47	-34
Remeasurements of defined benefit plans, net of tax	120	164
Share of other comprehensive income of entities accounted for using equity method	-30	9
Total other comprehensive income	74	497
Comprehensive income	4,503	6,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,374	6,036
Comprehensive income attributable to non-controlling interests	129	11

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

(Millions of Yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,567	8,002
Depreciation	2,254	2,573
Amortization of goodwill	7	19
Increase (decrease) in allowance for doubtful accounts	-57	16
Increase (decrease) in retirement benefit liability	-242	-267
Loss on retirement of non-current assets	1	6
Loss (gain) on sales of non-current assets	19	—
Share of loss (profit) of entities accounted for using equity method	-196	-251
Interest and dividend income	-54	-59
Interest expenses on borrowings and bonds	26	31
Compensation expenses	—	128
Loss (gain) on investments in investment partnerships	8	-19
Decrease (increase) in trade receivables	12,909	14,605
Decrease (increase) in inventories	-12	-1,620
Increase (decrease) in trade payables	-3,707	-5,191
Other, net	-1,526	298
Subtotal	15,996	18,270
Interest and dividends received	151	179
Interest paid	-34	-35
Income taxes (paid) refund	-3,695	-3,911
Net cash provided by (used in) operating activities	12,418	14,502

(Millions of Yen)

	From Apr. 1, 2018 to Jun. 30, 2018	From Apr. 1, 2019 to Jun. 30, 2019
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-2,741	-1,291
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	-907	-733
Purchase of investment securities	-679	-26
Short-term loan advances	-1	-2
Collection of short-term loans receivable	1	1
Proceeds from withdrawal of investments in partnership	40	17
Payments of leasehold and guarantee deposits	-26	-50
Proceeds from refund of leasehold and guarantee deposits	365	106
Other, net	-3	-11
Net cash provided by (used in) investing activities	-3,951	-1,991
<b>Cash flows from financing activities</b>		
Repayments of short-term borrowings	—	-35
Repayments of long-term borrowings	—	-78
Repayments of lease obligations	-173	-158
Purchase of treasury shares	-2	-3
Proceeds from sales of treasury shares	0	0
Dividends paid	-4,941	-5,202
Dividends paid to non-controlling interests	-69	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-0
Net cash provided by (used in) financing activities	-5,187	-5,478
Effect of exchange rate change on cash and cash equivalents	-64	-22
Net increase (decrease) in cash and cash equivalents	3,215	7,010
Cash and cash equivalents at beginning of period	99,797	106,198
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	70	214
Cash and cash equivalents at end of period	103,083	113,424

**(4) Notes regarding Consolidated Financial Results for the First Quarter ended June 30, 2019**

**(Notes regarding the Premise of a Going Concern)**

No applicable items.

**(Notes concerning significant changes in shareholders' equity)**

No applicable items.

(Segment Information)

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

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	Mobility Systems	IT Platform Solutions
Sales							
(1) Outside customers	9,812	13,912	14,922	3,465	11,272	4,289	12,053
(2) Intersegment sales or transfers	182	253	129	1,629	1,041	52	1,576
Total	9,995	14,165	15,051	5,095	12,313	4,342	13,630
Segment profit (loss)	1,007	1,468	1,034	567	849	-76	998

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	10,232	207	80,166	—	80,166
(2) Intersegment sales or transfers	3,296	861	9,024	-9,024	—
Total	13,528	1,069	89,191	-9,024	80,166
Segment profit (loss)	1,005	-110	6,745	-412	6,333

Notes: Adjustments are as follows:

1. The adjustment loss of ¥412 million to segment profit (loss) represent general corporate expenses that have not been allocated to the reportable segments.
2. Segment profit (loss) has been reconciled to operating profit in the consolidated income statement.

II. First quarter of fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019)

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	Mobility Systems	IT Platform Solutions
Sales							
(1) Outside customers	12,309	15,556	15,380	4,229	12,443	4,818	14,443
(2) Intersegment sales or transfers	189	276	327	1,679	1,369	134	1,529
Total	12,499	15,832	15,707	5,908	13,812	4,952	15,972
Segment profit (loss)	1,042	1,699	1,310	567	1,279	-50	1,464

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	11,531	255	90,967	—	90,967
(2) Intersegment sales or transfers	3,473	1,043	10,023	-10,023	—
Total	15,005	1,299	100,991	-10,023	90,967
Segment profit (loss)	1,113	-48	8,379	-545	7,833

Notes: Adjustments are as follows:

1. The adjustment loss of ¥545 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, 2019, the Company established the Mobility Systems Group. Responsible for the strategic automotive software systems business, this group was established for the purpose of building a strong business promotion system that integrates the automotive application development field (model-based development) and the platform field (QINeS) and of enhancing business management, including the formulation of future business strategies.

In conjunction with this move, the Mobility Systems reportable segment was established and the automotive software systems business was transferred from the Business Solutions segment to the Mobility Systems.

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