
SCSK Announces Reforms to Group Business Structures — Conversion of VeriServe and JIEC into Wholly Owned Subsidiaries —

Tokyo, January 31, 2019—SCSK, a global IT service company, announced that, at a meeting of the Board of Directors held today, it was resolved to acquire shares of listed subsidiaries VeriServe Corporation (Securities Code: 3724, the First Section of the Tokyo Stock Exchange Inc.) and JIEC Co., Ltd. (Securities Code: 4291, the Second Section of the Tokyo Stock Exchange Inc.), through tender offers pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) with the aim of converting these companies into wholly owned subsidiaries.

The domestic IT service market, in which the SCSK Group operates, is expected to continue to experience gradual growth. At the same time, however, a rapid digital transformation trend is permeating the market, driven by the ever more sophisticated and diverse needs of customers and the introduction of Internet of Things, FinTech, artificial intelligence, and other new technologies.

The current Medium-Term Management Plan, which is slated to conclude with the fiscal year ending March 31, 2020, delineates core strategies, including the shift to service-oriented businesses. Based on these core strategies, this plan guides us in pursuing improvements to corporate value through an approach toward developing operations that incorporates both new and existing businesses. Realizing sustainable earnings growth while responding to the aforementioned trends will require SCSK to implement the core strategies of the Medium-Term Management Plan and other measures for boosting business profitability. The Company will also need to advance initiatives for improving operational quality, heightening productivity, and otherwise increasing profitability. Furthermore, it will be imperative to reform and enhance management and revenue foundations to better match the times by responding flexibly to operating environment changes through means such as revisions to Group-wide business structures.

For this reason, the Company must create frameworks that enable flexible and mutual use of the necessary management resources and then construct business structures that will allow for the swift execution of the management strategies to be put forth in the next Medium-Term Management Plan, which we are currently in the process of formulating. To this end, SCSK will seek to optimize and integrate control of the Group's management resource portfolio, which is largely comprised of intellectual properties, IT assets, and human capital, while averting the possibility of a future conflict of interest between the parent company and minority shareholders arising from both the parent and the subsidiary being listed companies.

Having judged this timing to be ideal given the rapid pace at which today's operating environment is evolving, the tender offers and conversion of listed subsidiaries VeriServe and JIEC into wholly owned subsidiaries were undertaken to construct the business structures necessary for the aforementioned undertakings. The conversion of these two companies into wholly owned subsidiaries will be immensely beneficial to the enhancement of the corporate value of the entire SCSK Group. The benefits include allowing for mutual use without any restrictions of resources such as customer base, business base, and financial base and enabling decisions regarding Group management strategies to be made more flexibly and quickly.

SCSK remains committed to transforming business structures in reflection of future operating environment changes in order to improve our Group's competitiveness and achieve sustainable growth from a medium- to long-term perspective.

For more information on the tender offers for shares of these listed subsidiaries, please refer to the separately issued news releases titled *Notice Concerning Commencement of Tender Offer for the Shares of VeriServe Corporation (Securities Code: 3724)* and *Notice Concerning Commencement of Tender Offer for the Shares of JIEC Co., Ltd. (Securities Code: 4291)*.