

**Consolidated Financial Results for the Interim Period
of the Fiscal Year Ending March 31, 2018
(April 1, 2017 – September 30, 2017)
[J-GAAP]**

October 30, 2017

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
 URL: <http://www.scsk.jp>
 Representative: Tooru Tanihara, President and Representative Director
 Inquiries: Kazuyuki Matsunaga
 General Manager, Accounting Control Department TEL: +81-3-5166-2500
 Scheduled date of filing quarterly securities reports: November 13, 2017
 Scheduled date for dividend payment: December 1, 2017
 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 Interim Period Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Six months ended Sept. 30, 2017	163,466	3.8	13,272	-9.8	14,273	-9.6	12,034	-9.4
Six months ended Sept. 30, 2016	157,412	1.7	14,723	5.7	15,781	6.8	13,286	20.7

(Note) Comprehensive income:

Interim period ended Sept. 30, 2017: ¥12,491 million (-3.7%) Interim period ended Sept. 30, 2016: ¥12,972 million (24.6%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended Sept. 30, 2017	115.93	115.87
Six months ended Sept. 30, 2016	128.00	127.80

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Sept. 30, 2017	382,877	181,122	45.5
As of March 31, 2017	389,537	173,674	42.8

(Reference) Shareholders' equity: As of Sept. 30, 2017 ¥174,113 million As of March 31, 2017 ¥166,897 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2016	—	42.50	—	47.50	90.00
FY 2017	—	47.50			
FY 2017 (Forecast)				47.50	95.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2017: None

3. Consolidated Financial Forecasts for Fiscal Year 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen unless otherwise stated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
		%		%		%		%	Yen
Full Year	340,000	3.2	36,000	6.8	37,000	2.4	33,500	17.7	322.69

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2017: Yes

※ Notes

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

As of Sept. 30, 2017	107,986,403 shares
As of March 31, 2017	107,986,403 shares
 - 2) The number of shares of treasury stock as of the period-end

As of Sept. 30, 2017	4,172,038 shares
As of March 31, 2017	4,177,266 shares
 - 3) The average number of shares during the period

As of Sept. 30, 2017	103,812,288 shares
As of Sept. 30, 2016	103,801,670 shares

*Notification regarding the auditing process

- This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act. Therefore, and as of the time of disclosure, the auditing process of this financial report has not been completed.

* Cautionary statement concerning appropriate use of financial forecasts and other explanatory notes

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Qualitative information of Consolidated Financial Forecast for the fiscal year ending March 31, 2018” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on October 30, 2017. 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 Six-Month Period Ended September 30, 2017

In the six-month period ended September 30, 2017, the Japanese economy continued to display a moderate recovery trend supported by improved corporate earnings and increased consumer spending. These developments can, in part, be attributed to the economic stimulus measures implemented by the Japanese government as well as to the monetary easing measures and low interest rate policies instituted by the Bank of Japan.

Our outlook for the economy is that, in the midst of ongoing improvements in the job market and in wages, the gradual recovery trend will continue. However, a sense of uncertainty is plaguing the political and economic climate overseas. Prominent concerns include geopolitical risks in the Middle East and East Asia and the state of government affairs under the current administration in the United States. Accordingly, scrutiny is imperative in judging economic trends for the purpose of making management decisions going forward.

In this environment, strategic IT investment demand for reinforcing strategic businesses or securing a competitive edge is rising in the IT services market. Entering into the second quarter, we have also begun seeing robust system upgrade demand among customer companies looking to improve productivity, bolster efficiency, or reduce labor requirements. Goals of this investment include implementing working style reforms and addressing labor shortfalls. In this manner, there was a general upward trend in overall IT investment demand.

In the manufacturing industry, there is currently a solid deal flow that is being driven in part by the need for compatibility with the Internet of Things (IoT), which is entering into a full-fledged proliferation period, and for strategic globalization initiatives. This solid deal flow was also supported by demand for verification services for pre-market products, which are growing ever more sophisticated, and for business process outsourcing (BPO) services related to products and services.

In distribution, service, and other industries, strategic IT investment and IT services demand is on the rise, particularly among customer companies engaging in consumer businesses. This demand was largely associated with investment related to e-commerce, customer relationship management (CRM), and big data analysis for the purposes of enhancing digital marketing initiatives and facilitating omni-channel retailing.

In the financial industry, despite the rebound from previously strong investment demand following the conclusion of large-scale projects with certain customers, systems development and other IT investment demand for boosting competitiveness is proving to be firm overall, primarily among customers in the banking and insurance sectors. Specific investment targets include the development of systems for the application of FinTech, artificial intelligence (AI), or other new IT technologies and the realization of more sophisticated settlement systems.

In addition, demand for various cloud-based IT services has been on the rise in IaaS, PaaS, and other IT infrastructure sectors against a backdrop of a strong appetite among customer companies for investment to heighten operational efficiency and a lack of IT employees at these companies. A similar increase was seen in demand for IT services in the operational system field, although here it was limited to certain sectors.

Looking at the Company's operating results for the period under review, consolidated net sales increased 3.8% year on year, to ¥163,466 million, following a rise in systems development orders from the manufacturing and distribution industries as well as higher systems sales to the communications industry.

Despite the higher net sales, operating profit decreased 9.8% year on year, to ¥13,272 million. This outcome was in part due to higher business investment expenses in strategic businesses and service-oriented businesses and delays in the commencement of certain large-scale systems development projects for the financial industry.

Ordinary profit was down 9.6%, to ¥14,273 million, as a result of the decrease in operating profit. Meanwhile, profit attributable to owners of parent declined 9.4%, to ¥12,034 million, despite the recording of the tax benefits resulting from share transfer of one of consolidated subsidiaries, which was offset by the rebound from the tax benefits recorded in the three-month period ended June 30, 2016, as a result of a change in accounting standards.

The Medium-Term Management Plan launched in fiscal year ended March 31, 2016, delineates three core strategies for its five-year period. We are, first, to “shift to service-oriented businesses;” second, to “promote strategic businesses that capture the changing times;” and third, to “enter into the second stage of global business expansion.” We are aggressively moving forward with measures based on these core strategies to achieve the plan’s goals.

In the fiscal year ending March 31, 2018, we will continue to steadily execute appropriate business investments for advancing these core strategies while also focusing on strengthening our management base and improving profitability, most notably by boosting operational quality and increasing productivity. Furthermore, we will capture the currently robust IT investment demand to heighten our earnings capacity while reinforcing earnings foundations by improving the productivity and operational quality of all of our businesses, not only systems development but also maintenance and operation services and system sales.

(2) Summary of financial position

Cash and cash equivalents (“cash”) as of September 30, 2017 decreased ¥9,841 million compared to March 31, 2017 to ¥114,093 million. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥12,768 million.

The main cash inflow factors were profit before income taxes of ¥14,239 million, depreciation of ¥4,788 million and ¥5,357 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥5,170 million, an increase in inventories of ¥1,306 million, and a decrease of ¥5,846 million due to an increase in guarantee deposits.

(Cash flow from investing activities)

Net cash used in investing activities was ¥7,174 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥5,035 million, and acquisition of intangible assets of ¥1,701 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥15,397 million.

The main cash outflow factors were repayment of long-term loans of 10,000 and dividend payments of ¥4,941 million (¥47.5 per share) for the year-end dividend of the fiscal year ended March 31, 2017.

(3) Qualitative Information of Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2018

SCSK anticipates that figures for net sales, operating profit, and ordinary profit will be higher than initially forecast during the second half of the fiscal year ending March 31, 2018. Factors contributing to this outlook include the projected start of large-scale projects for the financial industry during the second half of the fiscal year against the backdrop of strong demand for strategic investment and efficiency improvement investment among customer companies. Accordingly, the Company has chosen not to revise the full-year forecasts for the fiscal year ending March 31, 2018, that were announced on April 28, 2017. With regard to profit attributable to owners of parent, as stated in news releases announced today, titled “Announcement of Share Transfer of a Subsidiary”, share transfer of QUO CARD Co. Ltd. is likely to yield extraordinary income. Therefore, SCSK has revised its forecast for the fiscal year ending March 31, 2018 from that announced on April 30 2017 as follows:

(Revised Consolidated Results Forecasts for fiscal year ending March 31, 2018)

Unit: Millions of yen
 (Unless otherwise stated)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to owners of parent	Net Profit per share
Previous Forecast (A)	340,000	36,000	37,000	24,500	JPY236.01
Revised Forecast (B)	340,000	36,000	37,000	33,500	JPY322.69
Change (B-A)	—	—	—	9,000	—
Change (%)	—	—	—	36.7	—
(For reference) Results for fiscal year ended March 31, 2017	329,303	33,714	36,121	28,458	JPY274.16

For the details of the transfer, please refer to news release titled “Announcement of Share Transfer of a Subsidiary” and “Announcement of Revision of Forecast for Fiscal Year ending March 31, 2017, and Likelihood of Recording Extraordinary Income (*Japanese only*)” announced today.

Note: Consolidated financial forecasts are based on the information available at the time of release of this document. Actual performance may differ materially from forecasts for a variety of reasons.

* 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.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Sept. 30, 2017
Assets		
Current assets		
Cash and deposits	27,363	19,639
Notes and accounts receivable - trade	65,764	60,402
Operational investment securities	6,056	3,934
Merchandise and finished goods	6,779	7,516
Work in process	341	913
Raw materials and supplies	50	49
Deposits paid	98,171	96,054
Guarantee deposits	45,359	51,200
Other	22,466	25,598
Allowance for doubtful accounts	-47	-35
Total current assets	272,306	265,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,863	33,921
Land	19,821	19,821
Other, net	13,862	17,558
Total property, plant and equipment	68,546	71,301
Intangible assets		
Goodwill	133	99
Other	11,691	11,329
Total intangible assets	11,825	11,428
Investments and other assets		
Investment securities	9,564	10,325
Other	27,417	24,667
Allowance for doubtful accounts	-124	-118
Total investments and other assets	36,857	34,875
Total non-current assets	117,230	117,604
Total assets	389,537	382,877

(Unit: Millions of Yen)

	As of Mar. 31, 2017	As of Sept. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,362	16,188
Short-term loans payable	10,000	10,000
Current portion of bonds	15,000	5,000
Current portion of long-term loans payable	10,000	5,000
Income taxes payable	2,262	3,012
Provision for bonuses	6,418	5,790
Provision for directors' bonuses	195	24
Provision for loss on construction contracts	50	73
Deposits received of prepaid cards	91,828	92,025
Other	26,802	28,230
Total current liabilities	183,919	165,346
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	5,000	—
Provision for directors' retirement benefits	20	20
Net defined benefit liability	2,359	1,814
Asset retirement obligations	2,278	2,406
Other	2,284	2,166
Total non-current liabilities	31,943	36,408
Total liabilities	215,862	201,754
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	3,047	3,046
Retained earnings	151,722	158,815
Treasury shares	-8,425	-8,419
Total shareholders' equity	167,497	174,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,308	2,467
Deferred gains or losses on hedges	-5	7
Foreign currency translation adjustment	-73	-104
Remeasurements of defined benefit plans	-2,829	-2,852
Total accumulated other comprehensive income	-599	-481
Subscription rights to shares	70	65
Non-controlling interests	6,706	6,943
Total net assets	173,674	181,122
Total liabilities and net assets	389,537	382,877

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

(Unit: Millions of Yen)

	From Apr. 1, 2016 to Sept. 30, 2016	From Apr. 1, 2017 to Sept. 30, 2017
Net sales	157,412	163,466
Cost of sales	118,951	125,122
Gross profit	38,460	38,343
Selling, general and administrative expenses	23,737	25,070
Operating profit	14,723	13,272
Non-operating income		
Interest income	35	36
Dividend income	32	39
Share of profit of entities accounted for using equity method	249	258
Hoard profit of prepaid card	696	737
Other	176	96
Total non-operating income	1,188	1,167
Non-operating expenses		
Interest expenses	81	65
Loss on sales of investment securities	—	1
Bond issuance cost	—	48
Other	48	52
Total non-operating expenses	129	167
Ordinary profit	15,781	14,273
Extraordinary income		
Gain on sales of non-current assets	13	2
Gain on sales of investment securities	2	—
Total extraordinary income	16	2
Extraordinary losses		
Loss on retirement of non-current assets	11	12
Loss on sales of non-current assets	5	20
Impairment loss	37	—
Loss on valuation of investment securities	0	—
Loss on sales of membership	0	—
Loss on valuation of membership	3	3
Total extraordinary losses	59	35
Profit before income taxes	15,738	14,239
Income taxes - current	1,000	2,279
Income taxes - deferred	1,090	-410
Total income taxes	2,091	1,868
Profit	13,647	12,370
Profit attributable to non-controlling interests	360	336
Profit attributable to owners of parent	13,286	12,034

Consolidated Quarterly Statements of Comprehensive Income

(Unit: Millions of Yen)

	From Apr. 1, 2016 to Sept. 30, 2016	From Apr. 1, 2017 to Sept. 30, 2017
Profit	13,647	12,370
Other comprehensive income		
Valuation difference on available-for-sale securities	-61	148
Deferred gains or losses on hedges	56	13
Foreign currency translation adjustment	-624	-33
Remeasurements of defined benefit plans, net of tax	27	-29
Share of other comprehensive income of entities accounted for using equity method	-73	22
Total other comprehensive income	-675	120
Comprehensive income	12,972	12,491
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,600	12,151
Comprehensive income attributable to non-controlling interests	372	339

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: Millions of Yen)

	From Apr. 1, 2016 to Sept. 30, 2016	From Apr. 1, 2017 to Sept. 30, 2017
Cash flows from operating activities		
Profit before income taxes	15,738	14,239
Depreciation	4,167	4,788
Amortization of goodwill	53	34
Impairment loss	37	—
Increase (decrease) in allowance for doubtful accounts	-178	-18
Increase (decrease) in net defined benefit liability	-1,333	-464
Decrease (increase) in net defined benefit asset	0	13
Loss on retirement of non-current assets	11	12
Loss (gain) on sales of non-current assets	-7	17
Loss (gain) on valuation of investment securities	0	—
Loss (gain) on sales of investment securities	-2	1
Share of (profit) loss of entities accounted for using equity method	-249	-258
Interest and dividend income	-67	-75
Interest expenses paid on loans and bonds	81	65
Loss (gain) on investments in partnership	8	-40
Decrease (increase) in investment securities for sale	1,911	2,088
Decrease (increase) in notes and accounts receivable - trade	3,282	5,357
Decrease (increase) in inventories	-766	-1,306
Decrease (increase) in guarantee deposits	-4,914	-5,846
Increase (decrease) in notes and accounts payable - trade	-1,457	-5,170
Increase (decrease) in deposits received of prepaid cards	1,319	197
Other, net	-2,519	263
Subtotal	15,117	13,902
Interest and dividend income received	167	159
Interest expenses paid	-74	-80
Compensation expenses paid	-15	—
Income taxes (paid) refund	-3,706	-1,213
Net cash provided by (used in) operating activities	11,489	12,768

(Unit: Millions of Yen)

	From Apr. 1, 2016 to Sept. 30, 2016	From Apr. 1, 2017 to Sept. 30, 2017
Cash flows from investing activities		
Proceeds from sales and redemption of securities	700	—
Purchase of property, plant and equipment	-6,325	-5,035
Proceeds from sales of property, plant and equipment	986	6
Purchase of intangible assets	-2,704	-1,701
Purchase of investment securities	-300	-400
Proceeds from sales and redemption of investment securities	35	115
Collection of short-term loans receivable	3	4
Proceeds from withdrawal of investments in partnership	41	—
Payments for lease and guarantee deposits	-76	-199
Proceeds from collection of lease and guarantee deposits	95	146
Other, net	-210	-110
Net cash provided by (used in) investing activities	-7,755	-7,174
Cash flows from financing activities		
Increase in short-term loans payable	10,000	10,000
Decrease in short-term loans payable	-10,000	-10,000
Proceeds from long-term loans payable	5,000	—
Repayments of long-term loans payable	-5,000	-10,000
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	-10,000
Repayments of lease obligations	-387	-345
Purchase of treasury shares	-3	-7
Proceeds from sales of treasury shares	0	0
Cash dividends paid	-4,160	-4,941
Dividends paid to non-controlling interests	-105	-102
Net cash provided by (used in) financing activities	-4,657	-15,397
Effect of exchange rate change on cash and cash equivalents	-491	-38
Net increase (decrease) in cash and cash equivalents	-1,414	-9,841
Cash and cash equivalents at beginning of period	98,445	123,935
Cash and cash equivalents at end of period	97,031	114,093

(4) Notes regarding Consolidated Financial Results for the interim period ended September 30, 2017

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Notes concerning significant changes in shareholders' equity)

No applicable items.

(Segment Information)

I. Interim period of fiscal year ended March 31, 2017 (April 1, 2016 to September 30, 2016)

Information on Sales, Segment profit (loss) by Reportable Segment

(Unit: Millions of Yen)

	Manufacturing Systems Business	Telecommunication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	19,215	12,995	22,402	34,957	11,662	20,830	33,422	1,539
(2) Intersegment sales or transfers	2,058	525	4,774	422	1,572	1,134	2,999	0
Total	21,274	13,521	27,177	35,379	13,235	21,965	36,422	1,540
Segment profit (loss)	1,854	2,262	3,222	3,653	571	1,475	2,455	146

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	387	157,412	—	157,412
(2) Intersegment sales or transfers	1,394	14,884	-14,884	—
Total	1,781	172,296	-14,884	157,412
Segment profit (loss)	58	15,700	-976	14,723

Notes: Adjustments are as follows:

1. The adjustment loss of ¥976 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. Interim period of fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017)

1) Information on Sales, Segment profit (loss) by Reportable Segment

(Unit: Millions of Yen)

	Manufacturing Systems Business	Telecommunication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	19,503	12,894	22,747	34,764	12,437	21,581	37,260	1,892
(2) Intersegment sales or transfers	1,529	538	5,013	732	2,038	970	2,969	0
Total	21,032	13,433	27,760	35,496	14,476	22,551	40,229	1,892
Segment profit (loss)	1,551	2,333	2,566	2,998	401	1,169	3,222	150

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	384	163,466	—	163,466
(2) Intersegment sales or transfers	1,548	15,341	-15,341	—
Total	1,933	178,807	-15,341	163,466
Segment profit (loss)	17	14,411	-1,138	13,272

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,138 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 reporting segments

The Company has changed part of its organization during the fiscal year under review, and has made amendment of the previous year's data in External Sales and Segment profit by Reportable Segment to enable a fair comparison with this year's data under realigned reportable segments.