Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [J-GAAP]

April 27, 2018

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	
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Scheduled date of the Annual General Meeting of Shareholders:	June 26, 2018
Scheduled date for dividend payment:	June 5, 2018
Scheduled date for filing of Securities Report:	June 26, 2018
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, 2018 (April 1, 2017 to March 31, 2018)

(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	
		%		%		%		%
FY2017	336,654	2.2	34,602	2.6	36,291	0.5	32,488	14.2
FY2016	329,303	1.7	33,714	6.1	36,121	7.5	28,458	5.6

(Note) Comprehensive income: FY2017 ¥32,990 million (6.7%) FY2016 ¥30,923 million (57.4%)

	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	%	%	%
FY2017	312.95	312.80	18.2	10.5	10.3
FY2016	274.16	273.96	18.2	9.7	10.2

(Reference) Equity in earnings of affiliates: FY2017 ¥537 million FY2016 ¥477 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2018	303,914	196,600	62.3	1,822.54
As of March 31, 2017	389,537	173,674	42.8	1,607.74

(Reference) Shareholders' equity: As of March 31, 2018 ¥189,214 million As of March 31, 2017 ¥166,897 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
FY2017	37,096	-35,394	-25,763	99,797
FY2016	37,161	-11,982	476	123,935

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			
							%	%
FY2016	—	42.50	—	47.50	90.00	9,362	32.8	6.0
FY2017	—	47.50	—	47.50	95.00	9,883	30.4	5.5
FY2018(Forecast)	—	50.00	—	50.00	100.00		41.5	

3. Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(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, 2018	165,000	0.9	15,000	13.0	15,000	5.1	10,000	-16.9	96.32
Full year	345,000	2.5	37,000	6.9	37,500	3.3	25,000	-23.1	240.80

*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, 2018	104,181,803 shares
As of March 31, 2017	107,986,403 shares

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

As of March 31, 2018	362,918 shares
As of March 31, 2017	4,177,266 shares

3) The average number of shares during the period

As of March 31, 2018	103,813,610 shares
As of March 31, 2017	103,803,262shares

(Reference) Summary of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(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	
		%		%		%		%
FY2017	263,069	1.8	27,195	3.3	29,043	-6.4	31,960	28.5
FY2016	258,348	0.9	26,319	5.8	31,036	22.1	24,866	9.4

	Net profit per share	Diluted net profit per share
	Yen	Yen
FY2017	307.21	307.06
FY2016	239.04	238.89

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2018	293,694	175,118	59.6	1,682.63
As of March 31, 2017	323,648	153,080	47.3	1,470.76

(Reference) Shareholders' equity: As of March 31, 2018 ¥175,060 million As of March 31, 2017 ¥153,010 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, 2019," on page 8.

・SCSK will hold a results briefing for institutional investors and analysts on April 27, 2018. 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, 2018, the Company judged that the overall recovery trend in the domestic economy was continuing amid solid domestic and overseas demand. The corporate sector saw improved corporate earnings and business sentiment supported by the continuation of the upward trend in exports and the gradual increase in production levels. In the consumer sector, we witnessed higher consumer spending buoyed by an improved job market along with other indicators that pointed to economic recovery.

Our outlook for the economy is that, in the midst of ongoing improvements in corporate earnings, the job market, and wages, the gradual recovery trend will continue. However, a sense of uncertainty is plaguing the political and economic climate around the world, which is becoming increasingly characterized by protectionism. Prominent concerns include geopolitical risks in the Middle East and East Asia, the state of government affairs under the current administration in the United States, and issues regarding the United Kingdom’s decision to leave the European Union. Accordingly, scrutiny is imperative in judging economic trends for the purpose of making management decisions going forward.

In this environment, the IT services market saw the emergence of IT investment demand among customers in relation to business model reforms and digital transformation. This market also benefited from robust system upgrade investment demand from customers, which included demand for IT investment aimed at improving productivity, boosting efficiency, and reducing labor requirements as part of working style reforms and efforts to address labor shortages. In this manner, there was a general upward trend in overall IT investment demand.

In the manufacturing industry, the deal flow, which had remained stable previously, began to gain strength during the second half of the fiscal year under review. This trend was 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 responding to the trend toward self-driving cars, other highly functional vehicles, and electric automotive systems. 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 for business enhancement purposes is on the rise, particularly among customers 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 of 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 overseas operations and Internet services.

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

Looking at the Company’s operating results for the fiscal year under review, consolidated net sales increased 2.2% year on year, to ¥336,654 million, following strong performance in systems development businesses serving the manufacturing industry, the distribution industry, and the communications industry as well as in maintenance and operation and services businesses catering to the financial industry.

Operating profit was up 2.6% year on year, to ¥34,602 million, following a recovery in profitability during the second half of the fiscal year as well as the income growth accompanying an increase in full-year sales.

These factors counteracted the decline in operating profit in the six-month period ended September 30, 2017, which was a result of lackluster performance lack of effective action in systems development businesses targeting the financial industry as well as reduced profitability stemming from higher business investment-related expenses associated with the promotion of service-oriented businesses and new strategic businesses.

Ordinary profit was up 0.5% year on year, to ¥36,291 million, due to the higher operating profit. Profit attributable to owners of parent increased 14.2%, to ¥32,488 million, as a result of the extraordinary income recorded following the gain on the transference of shares in QUO CARD Co., Ltd., on December 1, 2017.

(Unit: Millions of yen unless otherwise stated)

Net sales by segment	Previous fiscal year (April 1, 2016-March 31 2017)		Fiscal year under review (April 1, 2017-March 31 2018)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Manufacturing Systems Business	40,194	4,269	40,784	4,714	589	445
Telecommunication Systems Business	26,758	5,308	27,313	5,548	555	239
Distribution Systems Business	45,792	6,603	47,137	6,641	1,345	37
Financial Systems Business	70,543	7,369	69,630	7,137	-912	-231
Business Solutions	23,754	1,440	25,731	1,658	1,976	217
Business Services	42,811	3,302	44,467	3,049	1,655	-253
IT Platform Solutions	75,379	7,159	77,873	8,043	2,493	884
Other	4,068	538	3,716	378	-351	-159
Adjusted total	—	-2,278	—	-2,569	—	-291
Total	329,303	33,714	336,654	34,602	7,351	887

Manufacturing Systems Business

Net sales increased 1.5%, to ¥40,784 million, and segment profit rose 10.4%, to ¥4,714 million, due to solid trends in systems development orders from the automotive industry and the machinery manufacturing industry..

Telecommunication Systems Business

Net sales grew 2.1%, to ¥27,313 million, and segment profit increased 4.5%, to ¥5,548 million, thanks to the robust amount of system development and maintenance and operation and service orders from major communications carriers.

Distribution Systems Business

Net sales increased 2.9%, to ¥47,137 million, and segment profit rose 0.6%, to ¥6,641 million, supported by a large appetite for IT investment in the digital marketing field among customers.

Financial Systems Business

Net sales were down 1.3%, to ¥69,630 million, due to the heavy impacts of the absence of previously recorded large-scale orders from the banking industry, a factor that was accounted for in initial forecasts. Segment profit, similarly, decreased 3.1%, to ¥7,137 million, as a result of the lower sales and the impacts of unprofitable projects. At the moment, certain large-scale projects for the insurance industry are starting up, and the Company projects more favorable business trends going forward.

Business Solutions

Net sales increased 8.3%, to ¥25,731 million, and segment profit was up 15.1%, to ¥1,658 million, following impressive performance in enterprise resources planning (ERP)-related projects and the smooth commencement of service-oriented businesses based on SCSK intellectual properties.

Business Services

Net sales increased 3.9%, to ¥44,467 million, thanks to brisk demand for BPO services. Meanwhile, segment profit declined 7.7%, to ¥3,049 million, due to increases in marketing expenses and in business investment expenses associated with the opening of a service center aimed at reinforcing business operations through the development of new e-commerce services and the provision of BPO services.

IT Platform Solutions

Net sales were up 3.3%, to ¥77,873 million, and segment profit increased 12.3%, to ¥8,043 million, due to higher sales of IT products to customers in the manufacturing industry and the communications industry.

Other

Net sales, including sales of the prepaid card business, decreased 8.7%, to ¥3,716 million, following the transference of all shares of stock in QUO CARD Co., Ltd., which operated the prepaid card business, on December 1, 2017. Segment profit was down 29.7%, to ¥378 million, for the same reason. As a result of the transference of QUO CARD’s stock, the prepaid card business was excluded from the scope of consolidation and included in the “Other” category to reflect the reduced materiality of the prepaid card business.

(Unit: Millions of yen unless otherwise stated)

	Previous fiscal year (April 1, 2016- March 31 2017)		Fiscal year under review (April 1, 2017- March 31 2018)		Comparison with previous fiscal year	
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	127,051	38.6	128,387	38.1	1,336	1.1
System Maintenance and Operation/ Services	125,802	38.2	129,071	38.3	3,269	2.6
Packaged Software/ Hardware Sales	73,147	22.2	76,247	22.6	3,100	4.2
Prepaid Card	3,302	1.0	2,948	0.9	-354	-10.7
Total	329,303	100.0	336,654	100.0	7,351	2.2

In Systems Development, despite the absence of previously recorded large-scale development orders from financial industry customers, net sales rose 1.1%, to ¥128,387 million, due to solid performance in projects for customers in the manufacturing industry, the distribution 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 various cloud services related to IT infrastructure, net sales increased 2.6%, to ¥129,071 million.

In Packaged Software / Hardware Sales, net sales increased 4.2%, to ¥76,247 million, due to solid demands for hardware and software from the manufacturing industry and for network IT equipment demands from the communication industry.

In Prepaid Card, net sales were down 10.7%, to ¥2,948 million, following the transference of all shares of stock in QUO CARD on December 1, 2017.

(2) Summary of financial position

i). Assets, liabilities and net assets

(Assets)

Assets as of March 31, 2018 were ¥303,914 million, a decrease of 22.0% or ¥85,623 million compared to March 31, 2017.

(Liabilities)

Liabilities as of March 31, 2018 were ¥107,313 million, a decrease of 50.3% or ¥108,549 million compared to March 31, 2017.

(Net assets)

Net assets as of March 31, 2018 were ¥196,600 million, an increase of 13.2% or ¥22,926 million compared to March 31, 2017.

(3) Overview of cash flows

Cash and cash equivalents (“cash”) as of March 31, 2018, decreased ¥24,137 million compared to March 31, 2017, to ¥99,797 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 ¥37,096 million.

Major factors increasing cash were profit before income taxes of ¥43,489 million and depreciation of ¥10,013 million. Major factors decreasing cash were increase in notes and accounts receivable-trade of ¥1,753 million, increase in guarantee deposits of ¥6,316 million, decrease in notes and accounts payable-trade of ¥1,073 million, and gain on sales of investment securities of ¥10,801 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥35,394 million.

Major factors decreasing cash were purchase of property, plant and equipment of ¥10,042 million, purchase of intangible assets of ¥3,865 million, and payments for sales of shares of subsidiaries resulting in change in scope of consolidation of ¥20,618 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥25,763 million.

A major factor increasing cash was proceeds from issuance of bonds of ¥10,000 million.

Major factors decreasing cash were repayments of long-term loans payable of ¥10,000 million, redemption of bonds of ¥15,000 million, and dividend payments of ¥4,941 million (¥47.5 per share) for the year-end dividend for the fiscal year ended March 31, 2017, and ¥4,941 million (¥47.5 per share) for the interim dividend for the fiscal year ending March 31, 2018.

With respect to cash flows in the fiscal year ending March 31, 2019, 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, 2019

In the fiscal year ending March 31, 2019, overall business trends are expected to be more favorable than in the fiscal year ended March 31, 2018. Factors behind this outlook include the continuation of the robust IT investment demand trend that emerged among manufacturing industry customers during the second half of the fiscal year ended March 31, 2018, and recent order trends in systems development operations targeting financial industry customers. However, a lingering opaqueness remains with regard to the outlook for future IT investment trends among customers amid uncertainty stemming from political and economic conditions around the world.

The Medium-term Management Plan, which is slated to end with the fiscal year ending March 31, 2020, 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, 2019, we will accelerate the shift to service-oriented businesses while pursuing earning growth driven by existing businesses as well as by new service-oriented businesses. We will also focus on strengthening our management base and improving profitability, most notably by boosting operational quality and increasing productivity. In addition, SCSK will seek to capture the currently robust IT investment demand while implementing its core strategies and advancing other measures to heighten our earnings capacity and working to enhance its earnings foundations.

Reflecting the above outlook and based on the Company’s policies, consolidated forecasts for the fiscal year ending March 31, 2019, are as follows.

	Forecasts	(YoY)
Consolidated sales	¥345,000 million	(2.5%)
Consolidated operating profit	¥37,000 million	(6.9%)
Consolidated ordinary profit	¥37,500 million	(3.3%)
Consolidated profit attributable to owners of parent	¥25,000 million	(-23.1%)

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, 2018, and the fiscal year ending March 31, 2019

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.

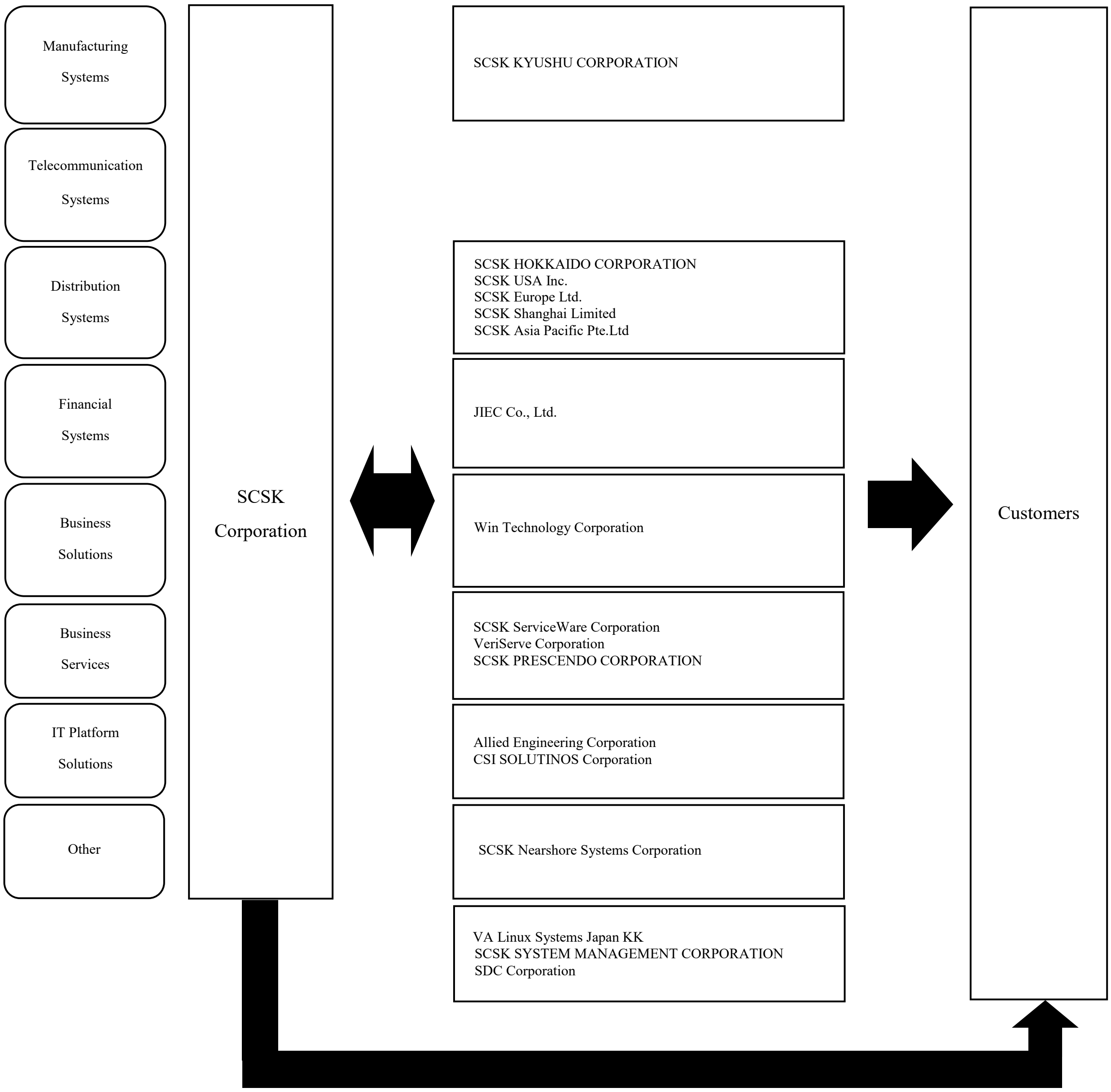
For the fiscal year ended March 31, 2018, the Company will adhere to its initial dividend forecast by issuing a year-end dividend of ¥47.50 per share. This decision was based on the fact that, although profit attributable to owners of parent was higher than initially anticipated, this outcome was primarily a result of the recording of extraordinary income following the transference of shares of stock in a consolidated subsidiary. Combined with the interim dividend of ¥47.50 per share issued in December 2017, this year-end dividend will make for a total annual dividend of ¥95.00 per share, an increase of ¥5 per share over the annual dividend of ¥90.00 issued for the fiscal year ended March 31, 2017.

For the fiscal year ending March 31, 2019, based on the Company's financial foundation and anticipated increases in earnings capacity, we plan to raise the annual dividend for the seventh consecutive year, this time by ¥5 per share, to ¥100.00 per share, comprising an interim dividend of ¥50.00 per share and a year-end dividend of ¥50.00 per share, as part of our efforts to enhance shareholder returns.

2. Overview of the Group

The SCSK Group consists of SCSK, 19 consolidated subsidiaries, 2 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 Systems, Telecommunication Systems, Distribution Systems, Financial Systems, Business Solutions, Business Services, IT Platform Solutions, 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

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

The domestic IT market is anticipated to display a sustained trend toward modest growth. At the same time, there will be a rising need to shift from traditional business models, as represented by labor-intensive, contract-type businesses, to service-oriented business models. Such structural changes are becoming necessary as a result of factors including the diversification of customers' IT utilization needs and a paradigm shift from ownership to usage of systems. In addition, the transition to the Internet of Things (IoT), FinTech, artificial intelligence (AI), omni-channel retailing, and other digital technologies is stimulating a shift in the nature of customer investment, from traditional investment targeting operational efficiency to investment aimed at competitiveness augmentations and business reforms utilizing cutting edge-technologies.

The Company views these market changes as an opportunity for the proactive pursuit of growth. Seeking to function as a strategic IT partner to its customers, SCSK will strive to achieve business growth and improve corporate value together with its customers. We announced the Medium-Term Management Plan in April 2015 to guide these efforts. Under this plan, we are advancing the following three core strategies.

i). Shift to service-oriented businesses

We are committed to creating original, high-value-added services that only SCSK can provide and expanding businesses through stable, long-term relationships with customers. Through these efforts, we will seek to enhance the Company's competitiveness in the market.

As part of these efforts, we will expand our existing services by utilizing the technologies and intellectual properties SCSK has accumulated to date. These services include various SaaS applications, which are currently being deployed at retailers, pharmacy chains, and other customers within the distribution industry; USiZE brand pay-per-use IT infrastructure provision services; and assorted BPO services, most notably contact centers. In addition, we will promote service-oriented businesses, such as those offering SaaS-type services that combine ProActive (our propriety enterprise resource planning (comprehensive backbone operations system) package) solutions and USiZE infrastructure.

At the same time, we will endeavor to supply next-generation contact center services that make it possible to provide smooth customer support in response to inquiries via telephone, email, social media, and various other channels as such inquiries are becoming more common due to the proliferation of smartphones and the Internet. We will also combine voice recognition systems and AI technologies to create new value while continuing to build upon our relationships with partner companies possessing strengths in AI and other specialized fields. In this manner, SCSK will strive to develop new services utilizing cutting-edge technologies.

Through these initiatives, we aim to expand our future growth potential as we seek transition to a high-growth, high-profitability business structure under the Medium-Term Management Plan, an objective we will work toward by continuing efforts to establish new businesses that address customer needs and to reinforce our ability to propose new solutions.

ii). Promote strategic businesses that capture the changing times

Effectively using the Company's human resources, technical capabilities, track record, and accumulated know-how, we will focus on growth industries and fields in which we can demonstrate our strengths while prioritizing the allocation of management resources to these areas in order to achieve the strategic expansion of our business while being mindful of the future potential and growth potential of each area.

In the automotive software systems business, which serves the automotive industry, for example, the development of software for one model requires large amounts of work and technically advanced processes. There has also been a rapid drive to achieve compliance with global standards. In this environment, in a move to be the No. 1 vendor and provider of global standard-compatible operating systems and middleware for automotive software development, known as basic software (BSW), we will significantly expand related staff sizes and conduct business investments for research and development and business promotion.

Since November 2014, we have been taking part in a strategic business alliance through which our automotive software systems business and six IT companies dealing with automotive embedded software each apply their particular expertise to support the electronic control unit (ECU)* software development efforts of Japanese automakers and their suppliers, an initiative that is promoting our business related to AUTOSAR (AUTomotive Open System ARchitecture), a global standard automotive software. As one success of this effort, in October 2015 we began providing QINeS-BSW, a domestically produced BSW for automotive applications that features our proprietary, real time, AUTOSAR-compliant operating system, and related services. As a result, we have now come to receive BSW-related orders from several parts manufacturers.

iii). Enter into the second stage of global business expansion

The Company defines the "greater Japanese market" as the market encompassing the IT service demand accompanying the overseas expansion of customers; in other words, all demands for IT services arising from the overseas expansion of Japanese companies that principally conduct business activities in Japan.

The Company has effectively used the experience and know-how it has developed through the provision of IT support for the global expansion of many customers, including the Sumitomo Corporation Group, to implement a global strategy of providing high-quality support based on Japanese standards to the greater Japanese market in order to increase the ratio of sales from its global business. Going forward, we will continue to examine the possibility of collaborating with local companies, actually engaging in such partnerships when appropriate, in order to offer flexible support for the global expansion of efforts to be made by automotive software systems companies and major financial institutions.

As we implement these basic strategies, we will also work to further reinforce our operating foundations by enhancing operational quality through the promotion of Companywide development standards and the strengthening of our project management capabilities while raising operational efficiency through the efficient utilization of offices and reforms to operational processes. At the same time, we seek to win further trust from our customers and shareholders by continuing to develop internal, Group-wide management structures in such areas as internal control, risk management, compliance, and security management.

With the aim of becoming a company with a pleasant and rewarding workplace, SCSK is moving ahead with efforts to enhance its workplace environment centered around working style reforms and health and productivity management. These efforts are being advanced in part through unique SCSK initiatives that have been in place for some time now, including the Smart Work Challenge program (a working style reform program that focuses on reducing overtime and encouraging employees to take their paid vacation days) and the Kenko Waku Waku Mileage Program (a program through which employees are encouraged to work toward health improvement with special incentive bonuses for those who attain their goals). In addition, we are deploying other initiatives unique to SCSK, such as the Dokodemo WORK (Work Anywhere Project) initiative (a program aimed at creating new working styles centered on the principle of remote work that allows employees to work at home or other locations).

We are also committed to ensuring that we provide a workplace environment enabling all employees to work while exercising their skills and their individuality, regardless of age, gender, disability, or nationality. As part of these efforts, we are continually establishing and expanding systems for supporting employees seeking to balance their work with childcare or nursing care as well as for helping employees develop individual career plans.

These efforts and their results have received a wide range of external recognition. For example, SCSK received an award in the human resources utilization category of the NIKKEI Smart Work Awards 2018 organized by Nikkei Inc. and was presented with the grand prize (Chairman's Award) in the Japan Telework Association's 18th Telework Promotion Awards. Furthermore, the Company has continued to be included in the Health & Productivity Stock and the Nadeshiko Brand selections, which are jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for four consecutive years.

At SCSK, we are advancing working style reform efforts under the belief that such efforts generate a virtuous cycle. Specifically, the value brought about by each employee that works with enthusiasm leads to the creation of new value for customers and subsequent growth and solid results for SCSK, making it possible to return the Company's profits to stakeholders. Through these measures, SCSK is aiming to fulfill its corporate mission—"create our future of dreams"—together with its stakeholders.

* A generic term for an embedded system that controls one or more electrical systems and subsystems within a motor vehicle

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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Assets		
Current assets		
Cash and deposits	27,363	16,456
Notes and accounts receivable - trade	65,764	66,665
Lease receivables and investment assets	378	396
Operational investment securities	6,056	—
Merchandise and finished goods	6,779	5,137
Work in process	341	900
Raw materials and supplies	50	49
Deferred tax assets	7,602	7,556
Deposits paid	98,171	83,340
Guarantee deposits	45,359	—
Other	14,486	10,779
Allowance for doubtful accounts	-47	-41
Total current assets	272,306	191,240
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,863	31,543
Tools, furniture and fixtures, net	7,759	7,802
Land	19,821	19,821
Leased assets, net	1,580	1,714
Construction in progress	4,518	12,581
Other, net	2	1
Total property, plant and equipment	68,546	73,464
Intangible assets		
Goodwill	133	84
Other	11,691	9,472
Total intangible assets	11,825	9,556
Investments and other assets		
Investment securities	9,564	10,625
Long-term prepaid expenses	1,220	1,202
Net defined benefit asset	13	—
Lease and guarantee deposits	6,889	6,909
Deferred tax assets	18,248	9,740
Other	1,046	1,294
Allowance for doubtful accounts	-124	-119
Total investments and other assets	36,857	29,652
Total non-current assets	117,230	112,673
Total assets	389,537	303,914

(Millions of yen)

	As of Mar. 31, 2017	As of Mar. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,362	20,013
Short-term loans payable	10,000	10,000
Current portion of bonds	15,000	—
Current portion of long-term loans payable	10,000	5,000
Lease obligations	988	975
Income taxes payable	2,262	4,802
Provision for bonuses	6,418	5,651
Provision for directors' bonuses	195	79
Provision for loss on construction contracts	50	329
Deposits received of prepaid cards	91,828	—
Other	25,814	23,712
Total current liabilities	183,919	70,564
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term loans payable	5,000	—
Lease obligations	1,667	2,183
Provision for directors' retirement benefits	20	20
Net defined benefit liability	2,359	1,468
Asset retirement obligations	2,278	2,391
Long-term lease and guarantee deposited	532	603
Other	84	80
Total non-current liabilities	31,943	36,748
Total liabilities	215,862	107,313
Net assets		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	3,047	1,299
Retained earnings	151,722	168,363
Treasury shares	-8,425	-711
Total shareholders' equity	167,497	190,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,308	2,274
Deferred gains or losses on hedges	-5	-5
Foreign currency translation adjustment	-73	-154
Remeasurements of defined benefit plans	-2,829	-3,004
Total accumulated other comprehensive income	-599	-890
Share acquisition rights	70	57
Non-controlling interests	6,706	7,329
Total net assets	173,674	196,600
Total liabilities and net assets	389,537	303,914

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	From Apr. 1, 2016 to Mar. 31, 2017	From Apr. 1, 2017 to Mar. 31, 2018
Net sales	329,303	336,654
Cost of sales	247,548	253,098
Gross profit	81,754	83,555
Selling, general and administrative expenses	48,040	48,953
Operating profit	33,714	34,602
Non-operating income		
Interest income	68	91
Dividend income	67	66
Share of profit of entities accounted for using equity method	477	537
Gain on sales of investment securities	375	56
Hoard profit of prepaid card	1,564	1,006
Other	176	313
Total non-operating income	2,729	2,071
Non-operating expenses		
Interest expenses	162	126
Loss on sales of investment securities	—	1
Bond issuance cost	48	48
Other	111	206
Total non-operating expenses	322	382
Ordinary profit	36,121	36,291
Extraordinary income		
Gain on sales of non-current assets	15	2
Gain on sales of investment securities	671	10,756
Total extraordinary income	686	10,759
Extraordinary losses		
Loss on retirement of non-current assets	80	750
Loss on sales of non-current assets	34	32
Non recurring depreciation on software	—	1,231
Impairment loss	37	1,425
Loss on sales of investment securities	—	10
Loss on valuation of investment securities	7	101
Loss on sales of membership	0	—
Loss on valuation of membership	3	10
Compensation expenses	816	—
Total extraordinary losses	980	3,561
Profit before income taxes	35,827	43,489
Income taxes - current	3,875	6,093
Income taxes - deferred	2,679	4,099
Total income taxes	6,554	10,192
Profit	29,273	33,296
Profit attributable to non-controlling interests	814	807
Profit attributable to owners of parent	28,458	32,488

Consolidated Statements of Comprehensive Income

(Millions of yen)

	From Apr. 1, 2016 to Mar. 31, 2017	From Apr. 1, 2017 to Mar. 31, 2018
Profit	29,273	33,296
Other comprehensive income		
Valuation difference on available-for-sale securities	745	-48
Deferred gains or losses on hedges	84	-0
Foreign currency translation adjustment	-229	-98
Remeasurements of defined benefit plans, net of tax	1,051	-203
Share of other comprehensive income of entities accounted for using equity method	-0	45
Total other comprehensive income	1,650	-305
Comprehensive income	30,923	32,990
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,088	32,197
Comprehensive income attributable to non-controlling interests	835	793

(3) Consolidated Statements of Change in Net Assets

Previous fiscal year (April 1, 2016- March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2016	21,152	3,054	131,886	-8,444	147,649
Changes of items during period					
Dividends of surplus			-8,582		-8,582
Profit attributable to owners of parent			28,458		28,458
Change in ownership interest of parent due to transactions with non-controlling interests		-0			-0
Purchase of treasury shares				-10	-10
Disposal of treasury shares		-6		27	20
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				2	2
Change of scope of equity method			-40		-40
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	-7	19,835	18	19,847
Balance at March 31, 2017	21,152	3,047	151,722	-8,425	167,497

(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, 2016	1,556	-89	169	-3,866	-2,229	88	6,038	151,546
Changes of items during period								
Dividends of surplus					—			-8,582
Profit attributable to owners of parent					—			28,458
Change in ownership interest of parent due to transactions with non-controlling interests					—			-0
Purchase of treasury shares					—			-10
Disposal of treasury shares					—			20
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					—			2
Change of scope of equity method					—			-40
Net changes of items other than shareholders' equity	752	84	-243	1,036	1,630	-18	668	2,279
Total changes of items during period	752	84	-243	1,036	1,630	-18	668	22,127
Balance at March 31, 2017	2,308	-5	-73	-2,829	-599	70	6,706	173,674

Fiscal year under review (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
Change of scope of equity method					—
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
Change of scope of equity method					—			—
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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	From Apr. 1, 2016 to Mar. 31, 2017	From Apr. 1, 2017 to Mar. 31, 2018
Cash flows from operating activities		
Profit before income taxes	35,827	43,489
Depreciation	8,972	10,013
Amortization of goodwill	98	49
Impairment loss	37	1,425
Increase (decrease) in allowance for doubtful accounts	-181	-10
Increase (decrease) in net defined benefit liability	-1,805	-931
Decrease (increase) in net defined benefit asset	-3	13
Loss on retirement of non-current assets	80	750
Loss (gain) on sales of non-current assets	19	29
Non recurring depreciation on software	—	1,231
Loss (gain) on valuation of investment securities	7	101
Loss (gain) on sales of investment securities	-1,046	-10,801
Share of loss (profit) of entities accounted for using equity method	-477	-537
Interest and dividend income	-135	-157
Interest expenses paid on loans and bonds	162	126
Decrease (increase) in investment securities for sale	3,964	2,091
Decrease (increase) in notes and accounts receivable - trade	-2,441	-1,753
Decrease (increase) in inventories	-994	-513
Decrease (increase) in guarantee deposits	-7,927	-6,316
Increase (decrease) in notes and accounts payable - trade	1,689	-1,073
Increase (decrease) in deposits received of prepaid cards	8,039	1,790
Other, net	-240	663
Subtotal	43,646	39,682
Interest and dividend income received	285	319
Interest expenses paid	-160	-142
Compensation expenses paid	-825	—
Income taxes (paid) refund	-5,785	-2,763
Net cash provided by (used in) operating activities	37,161	37,096

(Millions of yen)

	From Apr. 1, 2016 to Mar. 31, 2017	From Apr. 1, 2017 to Mar. 31, 2018
Cash flows from investing activities		
Proceeds from sales and redemption of securities	700	—
Purchase of property, plant and equipment	-7,876	-10,042
Proceeds from sales of property, plant and equipment	1,278	16
Purchase of intangible assets	-6,725	-3,865
Purchase of investment securities	-403	-892
Proceeds from sales and redemption of investment securities	1,263	298
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	-20,618
Collection of short-term loans receivable	6	7
Proceeds from withdrawal of investments in partnership	126	85
Payments for lease and guarantee deposits	-227	-281
Proceeds from collection of lease and guarantee deposits	153	255
Other, net	-277	-357
Net cash provided by (used in) investing activities	-11,982	-35,394
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	10,000
Redemption of bonds	—	-15,000
Repayments of lease obligations	-778	-691
Purchase of treasury shares	-10	-22
Proceeds from sales of treasury shares	14	2
Cash dividends paid	-8,582	-9,883
Dividends paid to non-controlling interests	-166	-169
Net cash provided by (used in) financing activities	476	-25,763
Effect of exchange rate change on cash and cash equivalents	-165	-76
Net increase (decrease) in cash and cash equivalents	25,489	-24,137
Cash and cash equivalents at beginning of period	98,445	123,935
Cash and cash equivalents at end of period	123,935	99,797

(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) 19 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
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

All shares of stock held in QUO CARD Co., Ltd., were transferred in the on December 1, 2017, and this company was excluded from the scope of consolidation thereafter.

(2) Major non-consolidated subsidiaries and affiliates

Skeed Co. Ltd.
VERISERVE OKINAWA TEST CENTER CORPORATION
Tokyo Green Systems Corporation

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

VERISERVE OKINAWA TEST CENTER CORPORATION

(2) Consolidated equity method affiliate: 2

ARGO GRAPHICS Inc.
Asian Frontier Co.,Ltd

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.

Asian Frontier Co.,Ltd, has been included within the scope of equity method application from the third quarter ended December 31, 2017, following the acquisition of the shares of this company’s stock.

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, 2018, is based on the financial statements for the period from January 1, 2017, through to December 31, 2017.

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 23, 2017).

(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 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 industry.

(ii) Telecommunication Systems Business: This business group focuses mainly on the telecommunications, energy, and media sectors, to which it provides optimally integrated services drawn together from IT solutions in such areas as core systems, information management systems, CRM systems, and service systems.

(iii) Distribution Systems Business: This business group provides IT solution packages configured from various core systems, information systems, SCM systems, CRM systems, and e-commerce solutions to customers in the distribution, trading, service, and pharmaceutical industries. In addition, this business supports overseas business expansion by providing optimal IT solutions to customers seeking to develop their operations globally.

(iv) 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.

(v) Business Solutions: This business group provides application management outsourcing (AMO) services that cover the entire system lifecycle, from development and installation to maintenance and operation. These services, optimally arranged to meet the business objectives of our customers, center on 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 a wide range of IT solutions in fields including the focus area of automotive software systems.

(vi) Business Services: This business group combines IT with its human resources and operational knowhow to provide a level of BPO services that only an IT company can deliver. These services include a variety of BPO services provided via our 14 call centers and contact centers in Japan; third-party verification services, such as systems and security verification; and total outsourcing services for e-commerce that utilize our three fulfillment centers in the Tokyo metropolitan area.

(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.

(2) Reorganization of reportable segments, etc.

Effective April 1, 2018, the Company changed part of its organization.

All shares of stock held in QUO CARD Co., Ltd., which conducted the prepaid card business, were transferred. on December 1, 2017. Accordingly, this company was excluded from the scope of consolidation and the prepaid card business was included under the "Other" category.

Segment information for the fiscal year ended March 31, 2017, has been restated to reflect this change.

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, 2017(April 1, 2016 – March 31, 2017)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Sales, income, and assets by reportable segment							
(1) Sales to third parties	40,194	26,758	45,792	70,543	23,754	42,811	75,379
(2) Intersegment sales and transfers	3,656	1,213	9,102	955	3,540	2,378	5,975
Total	43,851	27,971	54,895	71,498	27,294	45,189	81,355
Segment profit	4,269	5,308	6,603	7,369	1,440	3,302	7,159
Segment assets	18,822	11,183	36,817	31,958	11,788	12,944	31,371
Other items							
Depreciation and amortization	1,459	617	1,575	1,057	903	388	853
Investments in equity-method affiliates	—	—	—	—	—	101	4,216
Net increase/decrease in tangible/intangible fixed assets	1,875	944	2,863	3,821	2,090	746	1,435

	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	4,068	329,303	—	329,303
2) Intersegment sales and transfers	3,007	29,828	-29,828	—
Total	7,076	359,131	-29,828	329,303
Segment profit	538	35,992	-2,278	33,714
Segment assets	70,577	225,463	164,073	389,537
Other items				
Depreciation and amortization	253	7,110	1,861	8,972
Investments in equity-method affiliates	—	4,317	—	4,317
Net increase/decrease in tangible/intangible fixed assets	35	13,813	1,522	15,335

Notes: 1. Adjustments are as follows:
(1) ¥2,278 million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.
(2) ¥164,073 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.
(3) ¥1,861 million addition to depreciation to reflect depreciation charges on Companywide assets.
(4) ¥1,522 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, 2018(April 1, 2017 – March 31, 2018)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Sales, income, and assets by reportable segment							
(1) Sales to third parties	40,784	27,313	47,137	69,630	25,731	44,467	77,873
(2) Intersegment sales and transfers	3,205	1,255	9,639	1,449	4,100	1,988	6,361
Total	43,990	28,569	56,777	71,079	29,831	46,455	84,234
Segment profit	4,714	5,548	6,641	7,137	1,658	3,049	8,043
Segment assets	21,190	13,321	36,613	30,136	12,255	13,780	34,634
Other items							
Depreciation and amortization	1,495	560	1,479	2,918	1,544	464	904
Investments in equity-method affiliates	—	—	—	—	—	104	4,630
Net increase/decrease in tangible/intangible fixed assets	2,369	2,446	4,192	2,065	1,940	597	1,279

	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	31,009	-31,009	—
Total	6,725	367,664	-31,009	336,654
Segment profit	378	37,171	-2,569	34,602
Segment assets	4,259	166,191	137,722	303,914
Other items				
Depreciation and amortization	174	9,541	1,703	11,245
Investments in equity-method affiliates	—	4,735	187	4,922
Net increase/decrease in tangible/intangible fixed assets	30	14,922	665	15,588

Notes: 1. Adjustments are as follows:

(1) ¥2,569million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.

(2) ¥137,722 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.

(3) ¥1,703 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) ¥665 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, 2016 - March 31, 2017)

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, 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.

Information regarding impairment loss on fixed assets by reportable segment

Previous fiscal year (April 1, 2016 - March 31, 2017)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Impairment loss	—	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Impairment loss	—	37	37

Fiscal year under review (April 1, 2017 - March 31, 2018)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Impairment loss	—	—	—	—	—	—	—

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

Information on amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2016- March 31, 2017)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
Amortization of goodwill	30	—	—	—	—	20	38
Balance at end of period	114	—	—	—	—	—	19

	Others	Elimination and corporate	Total
Amortization of goodwill	8	—	98
Balance at end of period	—	—	133

Fiscal year under review (April 1, 2017- March 31, 2018)

(Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions
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

Information on amortization of goodwill by reportable segment

Previous fiscal year (April 1, 2016 - March 31, 2017)

Not applicable

Fiscal year under review (April 1, 2017 - March 31, 2018)

Not applicable

(Per Share Information)

(Yen)

Item	Fiscal 2016 (April 1, 2016 - March 31, 2017)	Fiscal 2017 (April 1, 2017 - March 31, 2018)
Net assets per share	1,607.74	1,822.54
Net profit per share	274.16	312.95
Fully diluted net profit per share	273.96	312.80

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

Item		Fiscal 2016 (April 1, 2016 - March 31, 2017)	Fiscal 2017 (April 1, 2017 - March 31, 2018)
Net profit per share			
Net profit	(Millions of yen)	28,458	32,488
Amount not attributable to common stock	(Millions of yen)	—	—
Net profit attributable to common stock	(Millions of yen)	28,458	32,488
Average number of shares of common stock during the period	(Shares)	103,803,262	103,813,610
Fully diluted net profit per share			
Profit attributable to owners of parent (adjusted amount)	(Millions of yen)	-3	—
(Of which, change in holdings in equity-method affiliates due to issuance of subscription rights)	(Millions of yen)	(-3)	(—)
Increase in the number of common shares	(Shares)	63,042	51,745
(Of which, stock acquisition rights)	(Shares)	(63,042)	(51,745)
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