

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

October 30, 2019

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
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 Scheduled date of filing quarterly securities reports: November 13, 2019
 Scheduled date for dividend payment: December 2, 2019
 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 Second Quarter ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Six months ended Sept. 30, 2019	187,329	11.9	19,800	23.7	20,337	24.3	13,796	27.3
Six months ended Sept. 30, 2018	167,424	2.4	16,004	20.6	16,364	14.6	10,836	-10.0

(Note) Comprehensive income:

Second Quarter Ended Sept. 30, 2019: ¥14,158 million (20.1%) Second Quarter Ended Sept. 30, 2018: ¥11,790 million (-5.6%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended Sept. 30, 2019	132.88	132.84
Six months ended Sept. 30, 2018	104.38	104.34

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Sept. 30, 2019	317,147	201,036	63.3
As of March 31, 2019	314,844	194,468	61.4

(Reference) Shareholders' equity: As of Sept. 30, 2019 ¥200,701 million As of March 31, 2019 ¥193,412 million

2. Dividends

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

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

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

(Millions of yen unless otherwise stated)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
		%		%		%		%	Yen
Full Year	380,000	6.0	41,000	6.8	41,000	6.1	28,000	0.4	269.67

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

※ Notes

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

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

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

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

As of September 30, 2019	349,266 shares
As of March 31, 2019	351,781 shares

- 3) The average number of shares during the period

As of September 30, 2019	103,830,951 shares
As of September 30, 2018	103,826,009 shares

*Notification regarding the auditing process

- This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act.

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

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Consolidated Financial Forecasts for the fiscal year ending March 31, 2020” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on October 30, 2019. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on SCSK’s website promptly thereafter.

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1. Qualitative information regarding operating results for the six-month period ended September 30, 2019

(1) Analysis of operating results

In the six-month period ended September 30, 2019, the Company judged that the domestic economy was experiencing a modest recovery trend as ongoing improvements in the job market and in wages offset the negative impacts of prolonged sluggish conditions centered on exports. At the same time, there was a gradual rise in capital investment centered on investments for implementing labor-saving measures to address labor shortfalls, and corporate earnings were solid overall, although concern is increasing focused on the manufacturing industry.

However, a growing sense of uncertainty is plaguing the global political and economic climate. Prominent concerns include the risks of increased trade friction and economic recession in countries such as the United States and China stemming from the protectionist trade policies of the United States, issues surrounding the United Kingdom's decision to leave the European Union, the threat of economic downturn in emerging and resource-rich countries, possible increases in crude oil prices, the potential for fluctuations in financial capital markets, and geopolitical risks. In addition, there is a need to consider the potential economic impacts of increasingly frequent natural disasters, such as Typhoon No. 19. Accordingly, ongoing scrutiny is imperative in judging economic trends for the purpose of making management decisions going forward.

In this environment, the IT services market witnessed growth in strategic IT investment demand for reinforcing strategic businesses or securing a competitive edge along with strong system investment demand for the purposes of working style reforms, responses to labor shortfalls, productivity improvements, automation, and labor saving. We also saw the emergence of operational system upgrade demand aimed at addressing software that will be reaching the ends of their service periods and at transforming the legacy systems that still pervade various industries into open systems. In this manner, it was judged that there was a general upward trend in overall IT investment demand.

In the manufacturing industry, conditions held firm supported by demand in several areas. Examples of such areas included demand for IoT-related projects, operational system upgrades, and automotive embedded software development projects, which are increasingly involving highly functional vehicles and electric automotive systems. Other areas were demand for business process outsourcing (BPO) services related to products and services and verification services for pre-market products, which are growing ever more sophisticated.

In the financial industry, numerous financial institutions refrained from making capital investments in response to Japan's negative interest rate policy and other market conditions. Looking ahead, demand for IT investment for augmenting operations is proving robust. Targets of this investment include measures for realizing more sophisticated online banking and Internet services, the diversification of payment methods, and other applications of FinTech, artificial intelligence (AI), and other new IT technologies as well as the reinforcement and expansion of overseas operations.

In the distribution industry, demand for IT investment was on the rise as indicated by the higher numbers of core system redevelopment and upgrade projects, largely among customer companies engaging in consumer businesses. This trend came on the back of demand in the omni-channel retailing-related e-commerce and customer relationship management (CRM) fields and in the customer and sales information analysis fields.

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

In the six-month period ended September 30, 2019, net sales increased 11.9% year on year, to ¥187,329 million, due to higher sales in the three distinctive service categories of SCSK—systems development, system maintenance and operation services, and system sales—as a result of IT investment demand, from customers in the manufacturing industry, which has been rising since the previous fiscal year.

Operating profit was up 23.7% year on year, to ¥19,800 million, due to the higher net sales coupled with improved profitability attributable to increased development productivity, which itself stemmed from efforts to boost

general work quality and streamline operations.

Ordinary profit grew 24.3%, to ¥20,337 million, and profit attributable to owners of parent increased 27.3%, to ¥13,796 million, as a result of the increase in operating profit.

SCSK is continuing to promote the shift to service-oriented businesses in the fiscal year ending March 31, 2020. We are deploying a two-pronged approach consisting of new and existing businesses with the aim of incorporating the currently robust IT investment demand and thereby achieving earnings growth. The Company is also moving ahead with measures for increasing business profitability centered on its core strategies while implementing various measures to improve operational quality and productivity and otherwise reinforce profitability. In these manners, we are working to bolster our management and earnings bases.

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

(2) Summary of financial position

Cash and cash equivalents (“cash”) as of September 30, 2019 increased ¥7,723 million compared to March 31, 2019 to ¥114,136 million as a result of considering to ¥214 million of cash increase due to new consolidation. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥22,400 million.

The main cash inflow factors were profit before income taxes of ¥19,993 million, depreciation of ¥5,132 million and ¥7,670 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥4,285 million, and a decrease of ¥4,314 million in payments for income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was ¥6,749 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥4,567 million, and acquisition of intangible assets of ¥1,461 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥7,800 million.

The main cash outflow factors were payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥2,114 million and dividend payments of ¥5,202 million (¥50.0 per share) for the year-end dividend of the fiscal year ended March 31, 2019.

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

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

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2019	As of Sept. 30, 2019
Assets		
Current assets		
Cash and deposits	21,170	21,559
Notes and accounts receivable - trade	74,698	67,100
Securities	—	300
Merchandise and finished goods	7,831	7,772
Work in process	360	1,041
Raw materials and supplies	117	113
Deposits paid	85,028	92,576
Other	11,831	14,456
Allowance for doubtful accounts	-31	-52
Total current assets	201,007	204,870
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,566	42,379
Land	14,169	14,169
Other, net	13,096	15,673
Total property, plant and equipment	70,833	72,222
Intangible assets		
Goodwill	53	234
Other	8,155	7,722
Total intangible assets	8,208	7,956
Investments and other assets		
Investment securities	11,773	12,197
Other	23,074	19,950
Allowance for doubtful accounts	-53	-50
Total investments and other assets	34,794	32,097
Total non-current assets	113,837	112,277
Total assets	314,844	317,147

(Millions of Yen)

	As of Mar. 31, 2019	As of Sept. 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,087	17,828
Short-term borrowings	15,000	15,000
Current portion of bonds	—	10,000
Income taxes payable	4,898	4,020
Provision for bonuses	5,910	5,729
Provision for bonuses for directors (and other officers)	57	32
Provision for loss on construction contracts	228	375
Other	24,343	25,675
Total current liabilities	72,525	78,661
Non-current liabilities		
Bonds payable	40,000	30,000
Provision for retirement benefits for directors (and other officers)	20	15
Retirement benefit liability	2,902	2,333
Asset retirement obligations	2,779	3,090
Other	2,147	2,010
Total non-current liabilities	47,850	37,450
Total liabilities	120,375	116,111
Net assets		
Shareholders' equity		
Share capital	21,152	21,152
Retained earnings	175,223	182,184
Treasury shares	-694	-690
Total shareholders' equity	195,681	202,646
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,076	2,231
Deferred gains or losses on hedges	-21	-26
Foreign currency translation adjustment	-182	-338
Remeasurements of defined benefit plans	-4,141	-3,811
Total accumulated other comprehensive income	-2,269	-1,944
Share acquisition rights	40	31
Non-controlling interests	1,015	303
Total net assets	194,468	201,036
Total liabilities and net assets	314,844	317,147

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

(Millions of Yen)

	From Apr. 1, 2018 to Sept. 30, 2018	From Apr. 1, 2019 to Sept. 30, 2019
Net sales	167,424	187,329
Cost of sales	126,205	140,467
Gross profit	41,218	46,861
Selling, general and administrative expenses	25,213	27,061
Operating profit	16,004	19,800
Non-operating income		
Interest income	31	33
Dividend income	37	43
Share of profit of entities accounted for using equity method	359	488
Other	86	97
Total non-operating income	514	663
Non-operating expenses		
Interest expenses	54	62
Loss on sales of investment securities	2	—
Bond issuance cost	48	—
Subsidiary stock acquisition-related cost	—	35
Other	49	28
Total non-operating expenses	154	126
Ordinary profit	16,364	20,337
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of memberships	0	—
Gain on reversal of share acquisition rights	—	5
Total extraordinary income	1	6
Extraordinary losses		
Loss on retirement of non-current assets	16	18
Loss on sales of non-current assets	20	0
Impairment loss	—	202
Loss on sales of membership	0	0
Compensation expenses	—	129
Total extraordinary losses	36	349
Profit before income taxes	16,329	19,993
Income taxes - current	2,554	3,441
Income taxes - deferred	2,595	2,719
Total income taxes	5,150	6,161
Profit	11,179	13,831
Profit attributable to non-controlling interests	342	34
Profit attributable to owners of parent	10,836	13,796

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	From Apr. 1, 2018 to Sept. 30, 2018	From Apr. 1, 2019 to Sept. 30, 2019
Profit	11,179	13,831
Other comprehensive income		
Valuation difference on available-for-sale securities	284	133
Deferred gains or losses on hedges	27	-5
Foreign currency translation adjustment	56	-159
Remeasurements of defined benefit plans, net of tax	241	329
Share of other comprehensive income of entities accounted for using equity method	1	28
Total other comprehensive income	611	326
Comprehensive income	11,790	14,158
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,446	14,120
Comprehensive income attributable to non-controlling interests	344	37

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2018 to Sept. 30, 2018	From Apr. 1, 2019 to Sept. 30, 2019
Cash flows from operating activities		
Profit before income taxes	16,329	19,993
Depreciation	4,560	5,132
Amortization of goodwill	15	38
Impairment loss	—	202
Increase (decrease) in allowance for doubtful accounts	-57	16
Increase (decrease) in retirement benefit liability	-505	-569
Loss on retirement of non-current assets	16	18
Loss (gain) on sales of non-current assets	18	-0
Loss (gain) on sales of investment securities	2	—
Share of loss (profit) of entities accounted for using equity method	-359	-488
Interest and dividend income	-68	-77
Interest expenses on borrowings and bonds	54	62
Compensation expenses	—	129
Loss (gain) on investments in investment partnerships	-14	-9
Decrease (increase) in trade receivables	6,465	7,670
Decrease (increase) in inventories	-327	-611
Increase (decrease) in trade payables	-2,587	-4,285
Other, net	-1,686	-422
Subtotal	21,853	26,799
Interest and dividends received	165	197
Interest paid	-53	-62
Compensation expenses paid	—	-28
Payments associated with disaster loss	—	-191
Income taxes (paid) refund	-3,950	-4,314
Net cash provided by (used in) operating activities	18,014	22,400

(Millions of Yen)

	From Apr. 1, 2018 to Sept. 30, 2018	From Apr. 1, 2019 to Sept. 30, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	-4,393	-4,567
Proceeds from sales of property, plant and equipment	12	1
Purchase of intangible assets	-1,668	-1,461
Purchase of investment securities	-885	-565
Short-term loan advances	-36	-2
Collection of short-term loans receivable	19	2
Proceeds from withdrawal of investments in partnership	40	17
Payments of leasehold and guarantee deposits	-97	-208
Proceeds from refund of leasehold and guarantee deposits	417	190
Other, net	-97	-158
Net cash provided by (used in) investing activities	-6,689	-6,749
Cash flows from financing activities		
Proceeds from short-term borrowings	15,000	15,000
Repayments of short-term borrowings	-10,000	-15,035
Repayments of long-term borrowings	-5,000	-78
Proceeds from issuance of bonds	10,000	—
Repayments of lease obligations	-329	-309
Purchase of treasury shares	-6	-4
Proceeds from sales of treasury shares	0	0
Dividends paid	-4,941	-5,202
Dividends paid to non-controlling interests	-109	-55
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-2,114
Net cash provided by (used in) financing activities	4,613	-7,800
Effect of exchange rate change on cash and cash equivalents	21	-126
Net increase (decrease) in cash and cash equivalents	15,960	7,723
Cash and cash equivalents at beginning of period	99,797	106,198
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	70	214
Cash and cash equivalents at end of period	115,828	114,136

(4) Notes regarding Consolidated Financial Results for the Second Quarter ended September 30, 2019

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Notes concerning significant changes in shareholders' equity)

No applicable items.

(Segment Information)

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

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

(Millions of Yen)

	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	Mobility Systems	IT Platform Solutions
Sales							
(1) Outside customers	20,119	29,349	30,387	7,214	23,698	9,252	25,621
(2) Intersegment sales or transfers	439	465	308	2,468	2,110	134	3,312
Total	20,559	29,815	30,695	9,683	25,809	9,387	28,934
Segment profit (loss)	2,544	3,099	2,844	1,165	1,953	215	2,714

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	21,344	434	167,424	—	167,424
(2) Intersegment sales or transfers	7,265	1,791	18,298	-18,298	—
Total	28,610	2,226	185,722	-18,298	167,424
Segment profit (loss)	2,585	-82	17,040	-1,035	16,004

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,035 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. Second quarter of fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

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

(Millions of Yen)

	Manufacturing & Telecommunication Systems Business	Distribution & Media Systems Business	Financial Systems Business	Global System Solutions & Innovation Business	Business Solutions	Mobility Systems	IT Platform Solutions
Sales							
(1) Outside customers	24,647	32,497	31,400	9,029	25,735	10,748	28,922
(2) Intersegment sales or transfers	406	543	681	4,365	2,511	317	3,327
Total	25,054	33,041	32,081	13,394	28,247	11,066	32,249
Segment profit (loss)	2,978	3,869	3,413	1,223	2,721	610	3,342

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	23,863	484	187,329	—	187,329
(2) Intersegment sales or transfers	7,203	2,140	21,497	-21,497	—
Total	31,066	2,624	208,826	-21,497	187,329
Segment profit (loss)	2,897	-107	20,949	-1,148	19,800

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,148 million to segment profit (loss) represent general corporate expenses that have not been allocated to the reportable segments.
2. Segment profit (loss) has been reconciled to operating profit in the consolidated income statement.

2) Changes in reportable segments

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

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

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