

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

January 31, 2020

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: February 13, 2020
 Scheduled date for dividend payment: —
 Preparation of supplementary information material on financial results (yes/no): Yes
 Financial results conference for institutional investors and analysts (yes/no): Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the Third Quarter ended December 31, 2019(April 1, 2019 to December 31, 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	
		%		%		%		%
Nine months ended Dec. 31, 2019	280,722	9.7	30,879	16.5	31,477	16.3	23,049	29.7
Nine months ended Dec. 31, 2018	255,917	4.5	26,496	22.9	27,064	17.5	17,765	-30.3

(Note) Comprehensive income:

Third Quarter Ended Dec. 31, 2019: ¥23,025 million (24.2%) Third Quarter Ended Dec. 31, 2018: ¥18,537 million (-29.1%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Nine months ended Dec. 31, 2019	221.99	221.94
Nine months ended Dec. 31, 2018	171.10	171.04

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Dec.31, 2019	320,345	203,524	63.3
As of March 31, 2019	314,844	194,468	61.4

(Reference) Shareholders' equity: As of Dec. 31, 2019 ¥202,688 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 Dec. 31, 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 Dec. 31, 2019	350,202 shares
As of March 31, 2019	351,781 shares

- 3) The average number of shares during the period

As of Dec. 31, 2019	103,831,276 shares
As of Dec. 31, 2018	103,827,164 shares

*Notification regarding the auditing process

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

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

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Consolidated Financial Forecast for the fiscal year ending March 31, 2020” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on January 31, 2020. 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 nine-month period ended December 31, 2019

(1) Analysis of operating results

In the nine-month period ended December 31, 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 increasingly sluggish conditions centered on the manufacturing industry. At the same time, there was a gradual rise in capital investment centered on investments for implementing labor-saving measures to address labor shortfalls, although concern for corporate earnings is increasing focused on the manufacturing industry.

As for the economic outlook, a sense of uncertainty is plaguing the global political and economic climate. Prominent concerns include the risks of increased trade friction and economic recession in China stemming from the protectionist trade policies of the United States, issues surrounding the United Kingdom's decision to leave the European Union, the threat of economic downturn in emerging and resource-rich countries, the potential for fluctuations in financial capital markets, and geopolitical risks. 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 system investment demand for the purposes of working style reforms, responses to labor shortfalls, productivity improvements, automation, and labor saving along with brisk strategic IT investment demand for reinforcing strategic businesses or securing a competitive edge. We also saw the emergence of operational system upgrade demand aimed at transforming the legacy systems that still pervade various industries into open systems together with demand for addressing software that will be reaching the ends of their service periods. 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 strategic investments for expanding operations or boosting competitiveness and operational system upgrade investments, such as those for converting certain legacy systems to open 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 utilizing FinTech, artificial intelligence (AI), and other new IT technologies and for realizing more sophisticated online banking and Internet services as well as the diversification of payment methods and the reinforcement and expansion of overseas operations.

In the distribution industry, demand for IT investment was on the rise as indicated by the higher numbers of core system redevelopment and upgrade projects, largely among customer companies engaging in consumer businesses. This trend came on the back of demand in the customer and sales information analysis fields and in the omni-channel retailing-related e-commerce and customer relationship management (CRM) 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 December 31, 2019, net sales increased 9.7% year on year, to ¥280,722 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 16.5% year on year, to ¥30,879 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 16.3%, to ¥31,447 million, and profit attributable to owners of parent increased 29.7%, to ¥23,049 million, as a result of the increase in operating profit.

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. 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. At the same time, we are creating frameworks for supporting the swift launch of priority strategies in preparation for the next medium-term management plan.

(2) Summary of financial position

Cash and cash equivalents (“cash”) as of December 31, 2019 decreased ¥2,988 million compared to March 31, 2019 to ¥103,425 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 ¥34,787 million.

The main cash inflow factors were profit before income taxes of ¥32,821 million, depreciation of ¥7,766 million and ¥10,067 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were an increase in inventories of ¥2,333 million, a decrease in accounts payable of ¥2,722 million, and a decrease of ¥7,492 million in payments for income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was ¥22,820 million.

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥7,217 million, acquisition of intangible assets of ¥2,304 million, and payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Minori Solutions Co., Ltd.) of ¥12,590 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥14,828 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 ¥2,231 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, and ¥6,763 million (¥65.0 per share, including the 50th anniversary commemorative dividend of ¥10.0) for the interim dividend of the fiscal year ending March 31, 2020.

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

Consolidated performance in the nine-month period ended December 31, 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 a comprehensive evaluation looking at factors including 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 Dec. 31, 2019
Assets		
Current assets		
Cash and deposits	21,170	49,886
Notes and accounts receivable - trade	74,698	67,164
Securities	—	300
Merchandise and finished goods	7,831	9,489
Work in process	360	1,277
Raw materials and supplies	117	111
Deposits paid	85,028	53,618
Other	11,831	13,641
Allowance for doubtful accounts	-31	-52
Total current assets	201,007	195,437
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,566	41,991
Land	14,169	14,204
Other, net	13,096	17,497
Total property, plant and equipment	70,833	73,692
Intangible assets		
Goodwill	53	14,260
Other	8,155	7,676
Total intangible assets	8,208	21,936
Investments and other assets		
Investment securities	11,773	11,490
Other	23,074	17,838
Allowance for doubtful accounts	-53	-50
Total investments and other assets	34,794	29,278
Total non-current assets	113,837	124,908
Total assets	314,844	320,345

(Millions of Yen)

	As of Mar. 31, 2019	As of Dec. 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,087	20,099
Short-term borrowings	15,000	15,400
Current portion of bonds	—	10,000
Income taxes payable	4,898	1,304
Provision for bonuses	5,910	1,902
Provision for bonuses for directors (and other officers)	57	48
Provision for loss on construction contracts	228	341
Other	24,343	29,881
Total current liabilities	72,525	78,976
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	2,825
Asset retirement obligations	2,779	3,102
Other	2,147	1,900
Total non-current liabilities	47,850	37,844
Total liabilities	120,375	116,821
Net assets		
Shareholders' equity		
Share capital	21,152	21,152
Retained earnings	175,223	184,585
Treasury shares	-694	-696
Total shareholders' equity	195,681	205,042
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,076	1,603
Deferred gains or losses on hedges	-21	17
Foreign currency translation adjustment	-182	-330
Remeasurements of defined benefit plans	-4,141	-3,645
Total accumulated other comprehensive income	-2,269	-2,353
Share acquisition rights	40	31
Non-controlling interests	1,015	804
Total net assets	194,468	203,524
Total liabilities and net assets	314,844	320,345

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

(Millions of Yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019
Net sales	255,917	280,722
Cost of sales	192,110	209,627
Gross profit	63,807	71,095
Selling, general and administrative expenses	37,311	40,215
Operating profit	26,496	30,879
Non-operating income		
Interest income	47	49
Dividend income	71	78
Share of profit of entities accounted for using equity method	557	707
Other	138	159
Total non-operating income	813	995
Non-operating expenses		
Interest expenses	83	93
Loss on sales of investment securities	2	—
Subsidiary stock acquisition-related cost	—	220
Other	159	83
Total non-operating expenses	245	397
Ordinary profit	27,064	31,477
Extraordinary income		
Gain on sales of non-current assets	371	0
Gain on sales of investment securities	0	253
Gain on sales of memberships	0	—
Gain on step acquisitions	47	1,556
Gain on reversal of share acquisition rights	—	5
Total extraordinary income	418	1,816
Extraordinary losses		
Loss on retirement of non-current assets	27	22
Loss on sales of non-current assets	44	0
Impairment loss	—	202
Loss on sales of investment securities	1	—
Loss on sales of membership	0	0
Compensation expenses	224	248
Disaster loss	217	—
Total extraordinary losses	516	473
Profit before income taxes	26,967	32,821
Income taxes - current	3,456	4,410
Income taxes - deferred	5,160	5,303
Total income taxes	8,617	9,713
Profit	18,350	23,107
Profit attributable to non-controlling interests	584	57
Profit attributable to owners of parent	17,765	23,049

Consolidated Quarterly Statements of Comprehensive Income

(Millions of Yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2018 to Dec. 31, 2019
Profit	18,350	23,107
Other comprehensive income		
Valuation difference on available-for-sale securities	-206	-524
Deferred gains or losses on hedges	-12	38
Foreign currency translation adjustment	84	-151
Remeasurements of defined benefit plans, net of tax	361	493
Share of other comprehensive income of entities accounted for using equity method	-39	60
Total other comprehensive income	187	-82
Comprehensive income	18,537	23,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,948	22,965
Comprehensive income attributable to non-controlling interests	588	60

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of Yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019
Cash flows from operating activities		
Profit before income taxes	26,967	32,821
Depreciation	6,952	7,766
Amortization of goodwill	22	58
Impairment loss	—	202
Increase (decrease) in allowance for doubtful accounts	-57	16
Increase (decrease) in retirement benefit liability	-761	-851
Loss on retirement of non-current assets	27	22
Loss (gain) on sales of non-current assets	-326	-0
Loss (gain) on sales of investment securities	3	-253
Share of loss (profit) of entities accounted for using equity method	-557	-707
Loss (gain) on step acquisitions	-47	-1,556
Interest and dividend income	-118	-128
Interest expenses on borrowings and bonds	83	93
Compensation expenses	224	248
Loss on disaster	217	—
Loss (gain) on investments in investment partnerships	-33	-7
Decrease (increase) in trade receivables	6,095	10,067
Decrease (increase) in inventories	-2,579	-2,333
Increase (decrease) in trade payables	-1,363	-2,722
Other, net	-2,996	-399
Subtotal	31,754	42,333
Interest and dividends received	309	366
Interest paid	-86	-96
Compensation expenses paid	—	-132
Payments associated with disaster loss	—	-191
Income taxes (paid) refund	-6,421	-7,492
Net cash provided by (used in) operating activities	25,555	34,787

(Millions of Yen)

	From Apr. 1, 2018 to Dec. 31, 2018	From Apr. 1, 2019 to Dec. 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	-9,747	-7,217
Proceeds from sales of property, plant and equipment	8,163	1
Purchase of intangible assets	-2,292	-2,304
Purchase of investment securities	-1,101	-965
Proceeds from sales and redemption of investment securities	54	304
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-12,590
Short-term loan advances	-202	-2
Collection of short-term loans receivable	153	4
Proceeds from withdrawal of investments in partnership	86	46
Payments of leasehold and guarantee deposits	-425	-220
Proceeds from refund of leasehold and guarantee deposits	448	286
Other, net	-170	-162
Net cash provided by (used in) investing activities	-5,033	-22,820
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	-472	-451
Purchase of treasury shares	-10	-10
Proceeds from sales of treasury shares	2	0
Dividends paid	-10,144	-11,966
Dividends paid to non-controlling interests	-180	-55
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-2,231
Net cash provided by (used in) financing activities	-804	-14,828
Effect of exchange rate change on cash and cash equivalents	63	-126
Net increase (decrease) in cash and cash equivalents	19,781	-2,988
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	119,649	103,425

(4) Notes regarding Consolidated Financial Results for the Third Quarter ended December 31, 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. Third quarter of fiscal year ended March 31, 2019 (April 1, 2018 to December 31, 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	31,347	44,606	46,660	11,218	36,147	14,077	38,425
(2) Intersegment sales or transfers	802	663	530	4,385	3,222	244	4,792
Total	32,149	45,270	47,190	15,603	39,369	14,322	43,218
Segment profit (loss)	4,476	4,418	4,905	1,905	3,612	426	4,099

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	32,848	586	255,917	—	255,917
(2) Intersegment sales or transfers	11,137	2,770	28,548	-28,548	—
Total	43,985	3,356	284,466	-28,548	255,917
Segment profit (loss)	4,256	-56	28,044	-1,548	26,496

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,548 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. Third quarter of fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 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	37,034	47,106	47,611	13,683	39,095	16,224	43,133
(2) Intersegment sales or transfers	641	862	1,018	6,048	3,726	463	5,143
Total	37,676	47,969	48,629	19,732	42,821	16,688	48,276
Segment profit (loss)	4,655	5,435	5,591	2,037	4,431	830	4,945

	IT Management	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales					
(1) Outside customers	36,103	729	280,722	—	280,722
(2) Intersegment sales or transfers	11,004	3,291	32,199	-32,199	—
Total	47,107	4,020	312,922	-32,199	280,722
Segment profit (loss)	4,765	-120	32,571	-1,692	30,879

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,692 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 nine-month period ended December 31, 2018, has been restated to reflect this change in reportable segments.