

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [J-GAAP]

April 28, 2020

Company name: SCSK Corporation
 Securities code: 9719
 Stock exchange listing: Tokyo Stock Exchange, 1st Section
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 Scheduled date of the Annual General Meeting of Shareholders: June 23, 2020
 Scheduled date for dividend payment: June 2, 2020
 Scheduled date for filing of Securities Report: June 23, 2020
 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, 2020 (April 1, 2019 to March 31, 2020)

(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	
		%		%		%		%
FY2019	387,003	7.9	42,326	10.3	43,014	11.3	31,201	11.9
FY2018	358,654	6.5	38,378	10.9	38,650	6.5	27,892	-14.1

(Note) Comprehensive income: FY2019 ¥28,910 million (6.1%) FY2018 ¥27,248 million (-17.4%)

	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	%	%	%
FY2019	300.50	300.43	15.6	13.1	10.9
FY2018	268.64	268.55	14.6	12.5	10.7

(Reference) Equity in earnings of affiliates: FY2019 ¥923 million FY2018 ¥750 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2020	342,485	208,072	60.6	2,000.16
As of March 31, 2019	314,844	194,468	61.4	1,862.78

(Reference) Shareholders' equity: As of March 31, 2020 ¥207,680 million As of March 31, 2019 ¥193,412 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
FY2019	48,950	-27,338	-16,309	111,695
FY2018	33,511	-7,163	-19,995	106,198

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			
FY2018	—	50.00	—	50.00	100.00	10,405	37.2	5.4
FY2019	—	65.00	—	65.00	130.00	13,526	43.3	6.7
FY2020(Forecast)	—	65.00	—	65.00	130.00		46.6	

3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2020 to March 31, 2021)

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

	Net sales		Operating profit		Profit before tax		Profit attributable to owners of parent		Profit attributable to owners of parent per share
		%		%		%		%	Yen
Full year	380,000	—	41,000	—	41,700	—	29,000	—	278.70

Note: The Company has chosen to adopt International Financial Reporting Standards (IFRS) effective April 1, 2020. Accordingly, the above consolidated financial forecasts for the fiscal year ending March 31, 2021, are based on IFRS standards. In addition, comparisons have not been provided with the performance figures for the fiscal year ended March 31, 2020, prepared based on the previously employed Japanese generally accepted accounting principles (J-GAAP). For more information on consolidated financial forecasts, please refer to “(4) Forecasts for the fiscal year ending March 31, 2021” under “1. Qualitative Information Regarding Operating Results” on page 9.

*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, 2020	104,181,803 shares
As of March 31, 2019	104,181,803 shares

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

As of March 31, 2020	349,839 shares
As of March 31, 2019	351,781 shares

- 3) The average number of shares during the period

As of March 31, 2020	103,831,412 shares
As of March 31, 2019	103,827,903 shares

(Reference) Summary of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(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	
		%		%		%		%
FY2019	304,637	7.2	33,366	9.7	34,859	9.2	25,025	1.2
FY2018	284,145	8.0	30,411	11.8	31,933	10.0	24,728	-22.6

	Net profit per share	Diluted net profit per share
	Yen	Yen
FY2019	240.50	240.44
FY2018	237.66	237.58

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2020	346,486	201,581	58.2	1,937.00
As of March 31, 2019	318,397	189,484	59.5	1,820.67

(Reference) Shareholders' equity: As of March 31, 2020 ¥201,551 million As of March 31, 2019 ¥189,443 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, 2021," on page 9.
- SCSK will hold a results briefing for institutional investors and analysts on April 28, 2020. 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.

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1. Qualitative Information Regarding Operating Results

(1) Analysis of operating results

In the fiscal year ended March 31, 2020, the Japanese economy showed a modest recovery trend against a backdrop of robust corporate earnings, a strong job market, and higher wages. However, the global COVID-19 pandemic that struck the world in 2020 has greatly restricted consumer spending, and the effects have spread to the job market. This pandemic is also impeding manufacturing and other economic activities in China and resulting in difficulties in procuring components, thereby diminishing corporate earnings and giving rise to a growing sense of concern for a potential economic recession.

The Japanese economy is projected to continue to face incredibly adverse conditions as the COVID-19 pandemic becomes increasingly widespread. Given the risks of further downturn in domestic and overseas economies associated with the pandemic, an even greater degree of scrutiny will be required when judging economic trends for the purpose of making management decisions going forward.

In this environment, the IT services market witnessed growth in strategic investment demand, such as that for the purposes of reinforcing strategic operations or securing a competitive edge, coupled with robust system investment demand for implementing productivity improvements, automation and labor-saving initiatives, working style reforms, and responses to labor shortfalls. 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 firm trend in overall IT investment demand and that the impacts of the COVID-19 pandemic were limited in the fiscal year ended March 31, 2020.

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. Other areas were demand for business process outsourcing (BPO) services related to products and services; verification services for pre-market products, which are growing ever more sophisticated; and operational system upgrade investments, such as those for converting certain legacy systems into open systems.

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 the reinforcement and expansion of overseas operations and other methods of augmenting operations is proving robust. Similarly strong is demand for investment in 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 for the diversification of payment methods.

In the communications and transportation industries, IT investment demand is on the rise, as seen in increased development projects for enhancing customer services in the communications industry and growth in new core systems development and core systems redevelopment projects in the transportation industry.

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 fiscal year ended March 31, 2020, sales and profit were up for the eighth consecutive year as a result of the IT investment trends arising from aforementioned favorable operating environment.

Net sales in the fiscal year ended March 31, 2020, increased 7.9% year on year, to ¥387,003 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 10.3% year on year, to ¥42,326 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 11.3%, to ¥43,014 million, and profit attributable to owners of parent increased 11.9%, to ¥31,201 million, as a result of the increase in operating profit.

Performance by segment was as follows. Net sales represents the amount of sales to external customers.

(Unit: Millions of yen unless otherwise stated)

Net sales by segment	Previous fiscal year (April 1, 2018- March 31 2019)		Fiscal year under review (April 1, 2019- March 31 2020)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Manufacturing & Telecommunication Systems Business	43,369	6,308	49,960	6,280	6,591	-28
Distribution & Media Systems Business	63,054	6,589	62,382	7,326	-671	737
Financial Systems Business	63,932	7,349	63,860	7,223	-71	-125
Global System Solutions & Innovation Business	15,553	2,576	18,249	2,592	2,696	15
Business Solutions	48,829	5,016	52,578	5,112	3,749	96
Mobility Systems	19,550	-265	22,279	1,246	2,728	1,512
IT Platform Solutions	58,857	7,163	63,844	8,242	4,986	1,078
IT Management	44,780	5,845	48,457	6,447	3,677	601
Other	726	-86	5,389	80	4,662	166
Adjusted total	—	-2,120	—	-2,226	—	-106
Total	358,654	38,378	387,003	42,326	28,348	3,948

(Manufacturing & Telecommunication Systems Business)

Net sales were up 15.2% year on year, to ¥49,960 million, as a result of strong trends in systems development projects for automobile, gas, and communications industry customers as well as an increase in operational system upgrade projects for construction industry customers. Segment profit, meanwhile, was down 0.4%, to ¥6,280 million, due to the impacts of unprofitable projects.

(Distribution & Media Systems Business)

Net sales were down 1.1% year on year, to ¥62,382 million, due to a decline in earnings from certain comprehensive e-commerce outsourcing-related fulfillment services and a rebound from previously recorded large-scale orders from distribution industry customers. These factors counteracted the benefits of the strong performance of system sales orders from the communications industry seen in the first half of the fiscal year. Conversely, segment profit was up 11.2% year on year, to ¥7,326 million, as a result of the absence of R&D expenses recorded in association with business investments in the previous fiscal year.

(Financial Systems Business)

Net sales were down 0.1% year on year, to ¥63,860 million, due to the rebound from large-scale hardware sales recorded in the previous fiscal year, a factor that offset the strong system upgrade demand from the banking, credit, and leasing industries. Segment profit similarly decreased 1.7%, to ¥7,223 million, as a result of the impacts of unprofitable projects.

(Global System Solutions & Innovation Business)

Net sales increased 17.3% year on year, to ¥18,249 million, following a rise in orders from trading companies. Segment profit was up 0.6%, to ¥2,592 million, due to the benefits of the aforementioned increase in net sales, which outweighed the rise in costs that accompanied the expansion of operations in Southeast Asia.

(Business Solutions)

Net sales rose 7.7% year on year, to ¥52,578 million, as a result of strong enterprise resource planning-related system upgrade demand and brisk performance in BPO service operations. Despite an increase in R&D activities, segment profit was up 1.9%, to ¥5,112 million, because of the aforementioned rise in net sales.

(Mobility Systems)

Net sales increased 14.0% year on year, to ¥22,279 million, and segment profit was ¥1,246 million, compared with segment loss of ¥265 million in the previous fiscal year. This outcome was attributable to the strong performance of verification services for the automotive industry along with robust embedded automotive software development demand.

(IT Platform Solutions)

Net sales rose 8.5% year on year, to ¥63,844 million, and segment profit was up 15.1%, to ¥8,242 million, as a result of higher systems sales to the manufacturing industry.

(IT Management)

Net sales increased 8.2% year on year, to ¥48,457, and segment profit rose 10.3%, to ¥6,447 million, following brisk demand in management service and data center businesses

(Other)

Due to the impact of newly consolidated subsidiaries, net sales rose 642.2% year on year, to ¥5,389 million, whereas segment profit amounted to ¥80 million, compared with segment loss of ¥86 million in the previous fiscal year.

Sales in the Company's service-based sales segments, namely Systems Development, System Maintenance and Operation / Services, and Packaged Software / Hardware Sales, were as follows.

(Unit: Millions of yen unless otherwise stated)

	Previous fiscal year		Fiscal year under review		Comparison with previous fiscal year	
	(April 1, 2018-March 31 2019)		(April 1, 2019-March 31 2020)			
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	140,092	39.1	155,835	40.3	15,742	11.2
System Maintenance and Operation/ Services	134,132	37.4	143,429	37.1	9,297	6.9
Packaged Software/ Hardware Sales	84,430	23.5	87,738	22.7	3,308	3.9
Total	358,654	100.0	387,003	100.0	28,348	7.9

In Systems Development, net sales increased 11.2% year on year, to ¥155,835 million. Factors behind this increase included demand for IT investment aimed at reinforcing strategic businesses or securing a competitive edge, redevelopment of enterprise resource planning systems, improvement of productivity, and implementation

of labor-saving measures. This demand was seen amid continuously brisk IT investment demand from the manufacturing, distribution, finance, communications, and transportation industries.

In System Maintenance and Operation / Services, net sales rose 6.9% year on year, to ¥143,429 million. This increase can be attributed to the expansion of systems maintenance and pre-market verification service operations, which was a reflection of favorable systems development trends, as well as the firm performance of BPO service businesses related to products and services. These favorable developments outweighed the impacts of a decline in earnings from certain comprehensive e-commerce outsourcing-related fulfillment services for the distribution industry.

In Packaged Software / Hardware Sales, net sales were up 3.9% year on year, to ¥87,738 million, because of an increase in hardware sales to manufacturers as well as a first-half rise in sales of network equipment to communications industry customers.

(2) Summary of financial position

i). Assets, liabilities and net assets

(Assets)

Assets as of March 31, 2020 were ¥342,485million, an increase of 8.8% or ¥27,640 million compared to March 31, 2019.

(Liabilities)

Liabilities as of March 31, 2020 were ¥134,413 million, an increase of 11.7% or ¥14,037 million compared to March 31, 2019.

(Net assets)

Net assets as of March 31, 2020 were ¥208,072 million, an increase of 7.0% or ¥13,603 million compared to March 31, 2019.

(3) Overview of cash flows

Cash and cash equivalents (“cash”) as of March 31, 2020, increased ¥5,496 million compared to March 31, 2019, to ¥111,695 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 ¥48,950 million (increased ¥15,438 million in comparison to the previous fiscal year).

The main cash inflow factors were profit before income taxes of ¥43,961 million, depreciation of ¥10,358 million, and an increase in notes and accounts payable-trade of ¥2,231 million. The main cash outflow factors were an increase in notes and accounts receivable-trade of ¥1,584 million, an increase in inventories of ¥1,409 million, and income taxes paid of ¥7,660 million.

(Cash flow from investing activities)

Net cash used in investing activities was ¥27,338 million (up ¥20,175 million in comparison to the previous fiscal year).

The main cash outflow factors were payment for the acquisition of property, plant and equipment of ¥9,721 million, acquisition of intangible assets of ¥3,183 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 ¥16,309 million (down ¥3,686 million in comparison to the previous fiscal year).

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 ¥3,569 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 ended March 31, 2020.

With respect to cash flows in the fiscal year ending March 31, 2021, the Company forecasts to secure stable operating cash flow through the advancement of the strategies delineated in the Company's medium-term management plan, despite the impact of COVID-19 pandemic. 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, bond redemption, and dividend payments.

(4) Forecasts for the fiscal year ending March 31, 2021

In the fiscal year ending March 31, 2021, the Company expects to continue to face a challenging operating environment as a result of the impacts of the worldwide COVID-19 pandemic, and it is therefore difficult to accurately project future IT investment trends among customers. It will be crucial to carefully monitor business trends in the fiscal year ending March 31, 2021, as it is possible that customers' IT investment plans may be delayed if the COVID-19 pandemic is prolonged.

In the pursuit of further growth, the SCSK Group will be promoting sustainability management as a growth strategy. Positioning its corporate philosophy and material issues as the Group's purpose, we will pursue our vision of becoming a co-creative IT company in 2030 with the goal of achieving sustainable development together with society. In its new medium-term management plan, the Group has defined three core strategies—core business innovation, commercialization of digital transformations, and investment in people—and three managerial foundation reinforcement measures—augmentation of comprehensive Group capabilities, promotion of management that fully exercises our employees' potential, and fostering of co-creation-oriented corporate culture. These core strategies and managerial foundation reinforcement measures will be advanced to grow the Group's business on a global scale and move it toward the realization of its vision.

Reflecting the above outlook and based on the Company's policies, consolidated forecasts for the fiscal year ending March 31, 2021, are as follows.

	Forecasts
Consolidated sales	¥380,000 million
Consolidated operating profit	¥41,000 million
Profit Before tax	¥41,700 million
Consolidated profit attributable to owners of parent	¥29,000 million

The above forecasts are based on International Financial Reporting Standards (IFRS) as opposed to the previously employed Japanese generally accepted accounting principles (J-GAAP).

In addition, these 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, 2020, and the fiscal year ending March 31, 2021

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.

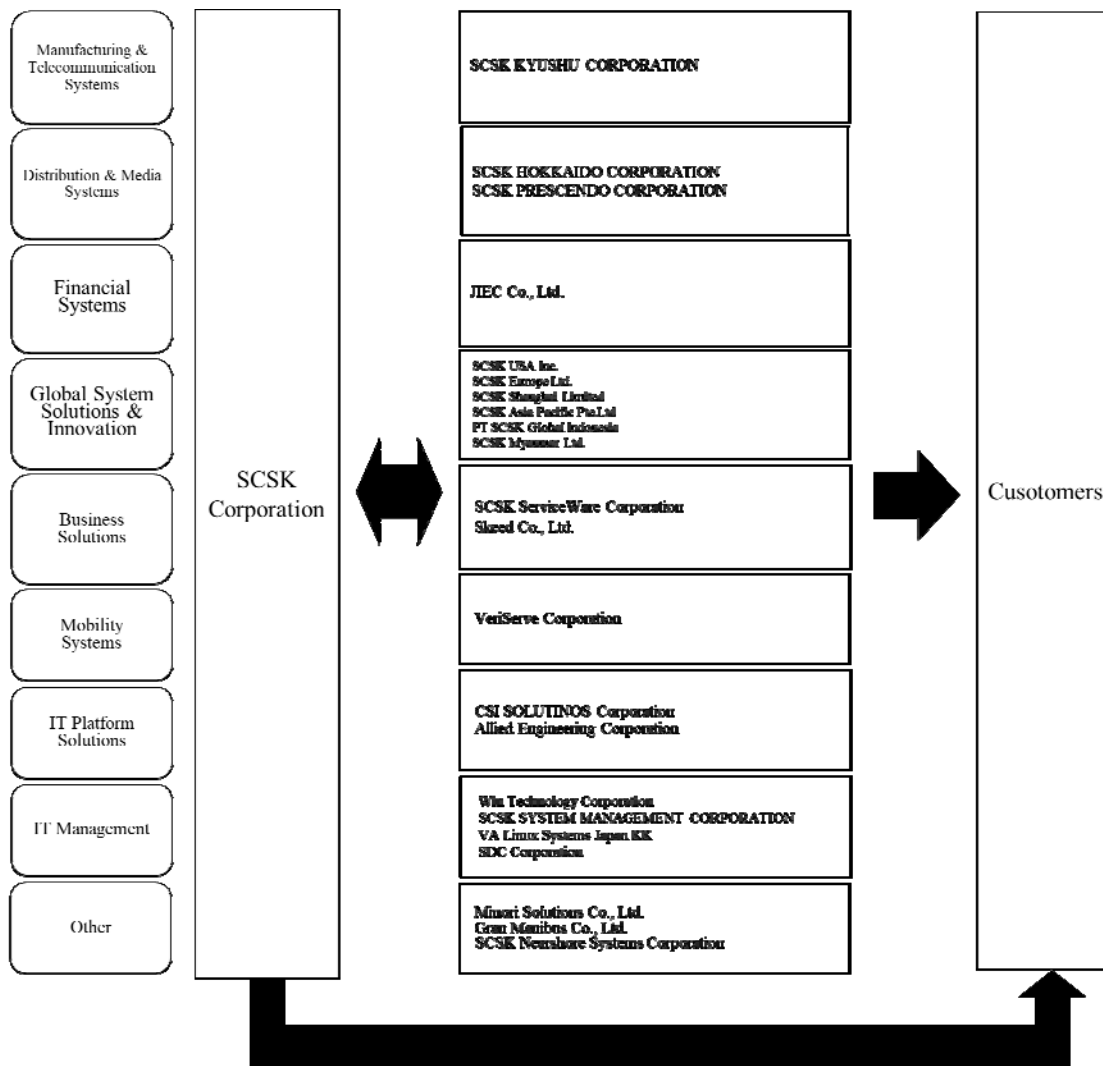
For the fiscal year ended March 31, 2020, the Company will issue a commemorative dividend of ¥20 per share to commemorate the 50th anniversary of SCSK's founding. Accordingly, the year-end dividend will amount to ¥65.00 per share (ordinary dividend of ¥55.00 and commemorative dividend of ¥10.00) as initially planned. Combined with the interim dividend of ¥65.00 per share (ordinary dividend of ¥55.00 and commemorative dividend of ¥10.00) issued in December 2019, this will make for an annual dividend of ¥130.00 per share (ordinary dividend of ¥110.00 and commemorative dividend of ¥20.00), which is in line with initial plans and ¥30.00 higher than the annual dividend of ¥100.00 issued for the fiscal year ended March 31, 2019.

For the fiscal year ending March 31, 2021, we intend to issue an annual dividend of ¥130.00 per share (interim dividend of ¥65.00 and year-end dividend of ¥65.00) based on the Company's financial base and anticipated increases in earnings capacity. This amount will represent an increase of ¥20.00 per share, making for an ordinary annual dividend of ¥130.00 per share and effectively for the ninth consecutive year of higher dividends.

2. Overview of the Group

The SCSK Group consists of SCSK, 25 consolidated subsidiaries, and 2 equity-method affiliates, and offers business service in IT consulting, Systems development, verification service, IT infrastructure construction, IT management, IT hardware/software sales and BPO through collaboration among business segments in Manufacturing & Telecommunication Systems, Distribution & Media Systems, Financial Systems, Global System Solutions & Innovation, Business Solutions, Mobility Systems, IT Platform Solutions, IT Management, 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.



3. Management Polices

(1) Operating Environment and Tasks to Be Addressed

The advent of a digital society is transforming the Japanese IT market and resulting in drastic changes in trends pertaining to customers, technologies, and other matters, presenting a need for widespread structural changes across the IT services industry.

Domestic IT Market	<ul style="list-style-type: none"> · Accelerating fundamental changes in IT investment · Transition toward in-house IT development as businesses become more intimately linked to IT · Intensification of competition to secure IT personnel with customers and other companies, etc.
Customer Trend	<ul style="list-style-type: none"> · Expanding orders for business model transformation utilizing IT · Expanded provision of integrated, cross-industry services, etc.
Technologies and Trends	<ul style="list-style-type: none"> · Emergence of solutions combining AI, IoT, 5G, sharing, API, etc. as de facto standard

The five-year medium-term management plan that covered the period from April 1, 2015, to March 31, 2020, guided the SCSK Group in a concerted effort that enabled it to transform its business structure and realize profitable growth. A certain degree of success was achieved in relation to all three core strategies of the plan, namely shift to service-oriented businesses, promote strategic businesses that capture the changing times, and enter into the second stage of global business expansion. With regard to the shift to service-oriented businesses, specifically, service-oriented businesses have grown to represent approximately 20% of total net sales. In addition, steady progress is being made in the strategic automotive software systems business. An example of this progress would be the adoption of SCSK products in next-generation automobile models.

Given the current operating environment, however, the SCSK Group must recognize the fact that it will hit the limit to the growth of its business if it simply continues to follow the course it has been on thus far. Conversely, the Group acknowledges that the changes arising from the digitization trend present significant potential for the creation of new value for society and customers. The Group therefore realizes that future growth will require medium- to long-term strategies that drastically transform the Group.

(2) Medium- to Long-Term Management Strategy

The SCSK Group views sustainability management as a growth strategy.

Looking ahead, achieving ongoing growth for the SCSK Group will require a long-term perspective accounting for the values of various stakeholders and the social impacts of companies as well as management that contributes to the resolution of social issues.

Moreover, we have defined material issues for the SCSK Group for the purpose of encouraging reflection on and exercise of our corporate philosophy of “Create Our Future of Dreams” by illustrating a long-term growth vision. Based on the direction put forth by these material issues, the SCSK Group established Grand Design 2030, a vision for the Group in 2030, and the new medium-term management plan, a roadmap for the accomplishment of this vision.



<Material Issues>

Based on the SCSK Group’s business and strengths and its role in society, the following seven material issues have been defined.

Achieving Sustainable Business Growth with Society

- Innovating for a Brighter Society
- Building Trust for a Safe and Secure Society
- Creating an Inclusive Society

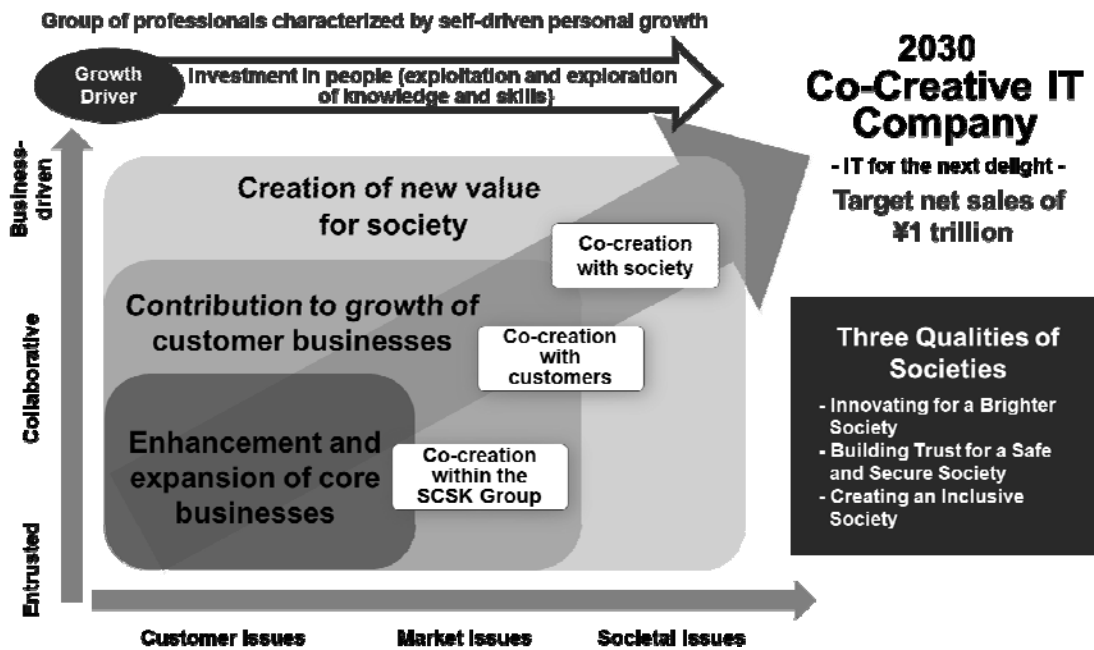
Foundation Supporting Sustainable Growth

- Global Environmental Contribution
- Diverse Team of Professionals
- Sustainable Value Chain
- Transparent Governance

<Grand Design 2030>

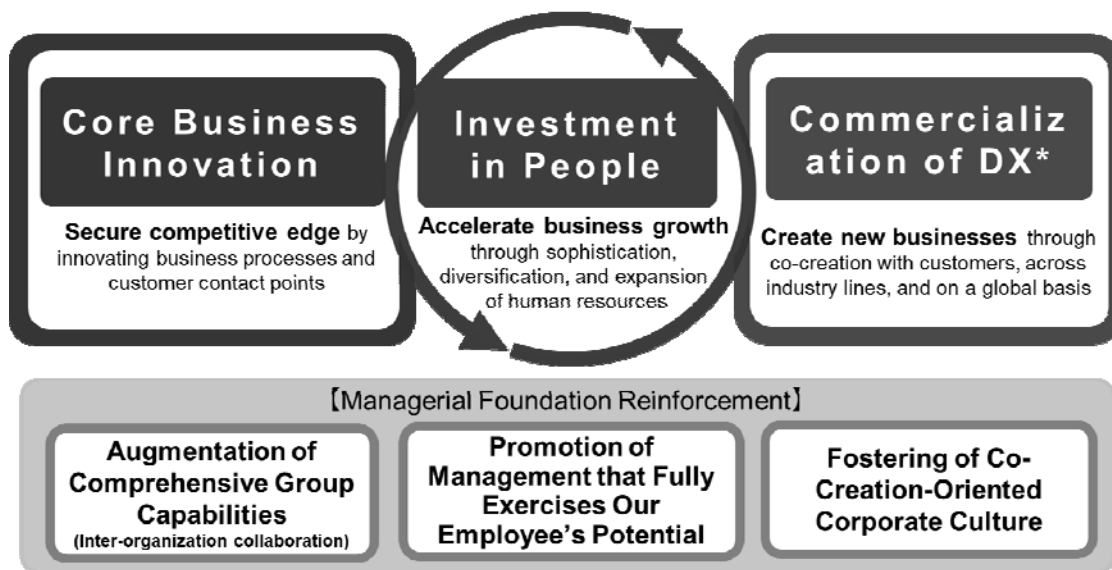
Positioning the corporate philosophy and material issues as the SCSK Group’s purpose, the Group will pursue its vision of becoming a co-creative IT company in 2030 with the goal of achieving sustainable development together with society.

This undertaking will see the Group expanding the creation of value for customers and society through its core IT services businesses and advancing self-driven social value creation initiatives as it seeks to grow together with customers and society. Through these efforts, we aim to achieve net sales of ¥1 trillion in the fiscal year ending March 31, 2031.



<Medium-Term Management Plan (FY2020–FY2022)>

As the first step toward accomplishing its vision of becoming a co-creative IT company in 2030, the SCSK Group will advance the following three core strategies and managerial foundation reinforcement measures over the three-year period beginning with the fiscal year ending March 31, 2021, and thereby expand its business on a global scale.



Core Strategies

1. Core business innovation—Secure competitive edge by innovating business processes and customer contact points in core businesses
2. Commercialization of digital transformations—Create new businesses through co-creation with customers, across industry lines, and on a global basis
3. Investment in people—Accelerate business growth through enhancement, diversification, and expansion of human resources

Managerial Foundation Reinforcement Measures

1. Augmentation of comprehensive Group capabilities
2. Promotion of management that fully exercises our employees' potential
3. Fostering of co-creation-oriented corporate culture

Investment

Continue proactive investment to fuel future growth (three-year total investments of approx. ¥100.0 billion)

Management Targets

The SCSK Group will pursue the following management targets with the goal of improving corporate value through ongoing business growth and the ambitious pursuit of new pinnacles of growth.

Net sales: ¥500.0 billion or more

Operating profit margin: 10.0%–12.0%

Return on equity: 15.0% or more

Note: Return on invested capital is to be maintained at the level of 10.0%–12.0% over the period of the medium-term management plan.

(3) Initiatives Under the Medium-Term Management Plan (FY2020–2022)

<Core Strategies>

(i) Core Business Innovation

In addition to continuing to enhance and expand its core businesses, the SCSK Group will need to offer strong

support to customers in resolving various issues as an IT service provider if it is to achieve ongoing growth moving forward. These issues include legacy system issues, such as the so-called “2025 Digital Cliff,” which refers to the issues that will occur when many of the engineers that developed companies’ current legacy systems retire. Other issues include the inability to coordinate and utilize data through individual system optimization as well as engineer shortages. To this end, the SCSK Group will pursue innovation in its core businesses from the following two perspectives in order to enhance business processes and customer contact points and thereby secure a competitive edge that allows the Group to address customer needs.

1. *Monozukuri* Innovations

The SCSK Group will advance initiatives to achieve massive increases in service productivity, quality, and flexibility and thereby heighten responsiveness to business changes, diversify services models, and optimize systems of engagement and systems of record. SCSK’s newly developed S-Cred+ (Smart Co-work on Relationship, Engineering and Design Plus) *Monozukuri* innovation platform, which was released in April 2020, will be central to these initiatives.

2. Subdivision Innovations*

Subdivisions are a major characteristic and strength of the SCSK Group with its focus on frontline operations. The Group aims to transform subdivisions from full-time support organizations to value-co-creating organizations that support customer business and IT strategies.

To this end, the Group will enhance customer contact points by positioning service managers, who will be responsible for gaining a deeper understanding of customer strategies and needs, and highly skilled engineers, who will swiftly deliver the ideal services needed to respond to business changes, on customer premises on a full-time basis.

Subdivisions will coordinate with SCSK bases to further the Group’s evolution toward the next stage of co-creation with customers.

* Subdivisions are bases positioned on customer premises on a full-time basis.

(ii) Commercialization of Digital Transformations

Recent progress in digital technologies has stimulated a rise in demand for IT investment aimed at improving the efficiency of conventional operations as well as in aggressive IT investment for capitalizing on the progress in digital technologies to boost competitiveness or to undertake business model transformations. Furthermore, digital technologies have triggered a rise in cross-industry, inter-company co-creation that goes beyond conventional frameworks to create new businesses and services. Viewing these market changes as opportunities for further growth, the SCSK Group will act as the driver behind its business as it seeks to develop operations that co-create new value for society while leveraging the strengths of its core business.

The Group’s approach toward the commercialization of digital transformations will be focused on co-creation with customers, cross industry co-creation targeting specific industries, and global co-creation with Sumitomo Corporation.

The Group is currently examining the possibility of creating new businesses in the four priority fields of mobility, financial service platforms, healthcare, and customer experiences. The Group is engaged in a cross-divisional examination of what strengths it can utilize and with what partners we can engage in co-creation in order to generate new value in response to the social issues seen in each field with the aim of increasing its ability to create new businesses.

(iii) Investment in People

The SCSK Group’s greatest asset and the driver behind its growth is its people. The Group will therefore be proactively investing in people, with a particular focus on enhancing, diversifying, and expanding human resources, in order to accelerate business growth.

Investments will be primarily directed toward the establishment of human resource systems that will allow all employees to exercise their skills and individuality, the promotion of diversity and inclusion for the purpose of

facilitating co-creation with diverse human resources, and the expansion of worldwide human resources.

Furthermore, SCSK's human resource systems will be revised effective July 1, 2020. This change will be aimed at transitioning to skill- and role-based compensation levels and at acquiring highly talented individuals with specialized skills and will entail the establishment of advanced positions (offering salaries of ¥30 million a year).

As part of its efforts to bolster its domestic staff, the SCSK Group is actively expanding recruitment outside of major urban centers with a particular focus on increasing its nearshore development staff to 1,000 people. A major aim of these efforts will be to invigorate rural economies by creating employment opportunities, encouraging employees to relocate to rural regions, and fostering IT staff.

<Managerial Foundation Reinforcement Measures>

The SCSK Group will advance the following three managerial foundation reinforcement measures to facilitate the advancement of the aforementioned three core strategies.

1. Augmentation of Comprehensive Group Capabilities

The SCSK Group will combine its diverse resources and insight in order to create substantial value and thereby exercise its comprehensive Group capabilities, which other companies cannot mimic.

2. Promotion of Management that Fully Exercises Our Employees' Potential

Through this measure, the SCSK Group aims to create an inclusive society as described in its material issues. At the same time, we will work to increase work motivation and engagement alongside the health and productivity management and workplace comfort improvement initiatives we have been implementing thus far.

3. Fostering of Co-Creation-Oriented Corporate Culture

The SCSK Group aspires to foster a culture of autonomously linking and merging individual strengths in order to evolve into a conglomerate that can co-create value.

4. Basic Policy on the Selection of Accounting Standards

Effective April 1, 2020, the Company adopted IFRS in place of the previously employed J-GAAP standards. This decision was made for the purpose of improving the international comparability of the Company's financial information in capital markets and enhancing administrative management and governance.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020
Assets		
Current assets		
Cash and deposits	21,170	32,072
Notes and accounts receivable - trade	74,698	78,828
Lease receivables and investments in leases	334	340
Securities	—	299
Merchandise and finished goods	7,831	9,150
Work in process	360	671
Raw materials and supplies	117	133
Deposits paid	85,028	79,703
Other	11,496	13,600
Allowance for doubtful accounts	-31	-48
Total current assets	201,007	214,752
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,566	44,587
Tools, furniture and fixtures, net	9,233	9,878
Land	14,169	14,204
Leased assets, net	1,552	1,384
Construction in progress	2,310	4,745
Other, net	0	1
Total property, plant and equipment	70,833	74,801
Intangible assets		
Goodwill	53	13,889
Other	8,155	7,494
Total intangible assets	8,208	21,384
Investments and other assets		
Investment securities	11,773	11,854
Long-term prepaid expenses	1,563	1,599
Leasehold and guarantee deposits	6,759	7,178
Deferred tax assets	13,709	10,044
Other	1,042	918
Allowance for doubtful accounts	-53	-50
Total investments and other assets	34,794	31,546
Total non-current assets	113,837	127,732
Total assets	314,844	342,485

(Millions of yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,087	25,054
Short-term borrowings	15,000	15,400
Current portion of bonds payable	—	10,000
Lease obligations	843	836
Income taxes payable	4,898	5,091
Provision for bonuses	5,910	6,972
Provision for bonuses for directors (and other officers)	57	65
Provision for loss on construction contracts	228	507
Other	23,499	29,960
Total current liabilities	72,525	93,889
Non-current liabilities		
Bonds payable	40,000	30,000
Lease obligations	1,909	1,581
Provision for retirement benefits for directors (and other officers)	20	11
Retirement benefit liability	2,902	5,532
Asset retirement obligations	2,779	3,115
Long-term leasehold and guarantee deposits received	154	156
Other	83	127
Total non-current liabilities	47,850	40,523
Total liabilities	120,375	134,413
Net assets		
Shareholders' equity		
Share capital	21,152	21,152
Retained earnings	175,223	191,881
Treasury shares	-694	-698
Total shareholders' equity	195,681	212,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,076	1,066
Deferred gains or losses on hedges	-21	23
Foreign currency translation adjustment	-182	-197
Remeasurements of defined benefit plans	-4,141	-5,547
Total accumulated other comprehensive income	-2,269	-4,655
Share acquisition rights	40	30
Non-controlling interests	1,015	361
Total net assets	194,468	208,072
Total liabilities and net assets	314,844	342,485

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

	(Millions of yen)	
	From Apr. 1, 2018 to Mar. 31, 2019	From Apr. 1, 2019 to Mar. 31, 2020
Net sales	358,654	387,003
Cost of sales	269,912	289,048
Gross profit	88,742	97,954
Selling, general and administrative expenses	50,363	55,628
Operating profit	38,378	42,326
Non-operating income		
Interest income	65	65
Dividend income	71	79
Share of profit of entities accounted for using equity method	750	923
Other	173	212
Total non-operating income	1,061	1,280
Non-operating expenses		
Interest expenses	115	123
Loss on sales of investment securities	2	8
Bond issuance costs	48	—
Subsidiary stock acquisition-related cost	495	342
Other	128	117
Total non-operating expenses	789	592
Ordinary profit	38,650	43,014
Extraordinary income		
Gain on sales of non-current assets	371	10
Gain on sales of investment securities	1,024	331
Gain on sales of memberships	0	—
Gain on step acquisitions	47	1,556
Gain on reversal of share acquisition rights	—	5
Received settlement fee	—	123
Total extraordinary income	1,443	2,028
Extraordinary losses		
Loss on retirement of non-current assets	57	53
Loss on sales of non-current assets	44	6
Impairment loss	—	508
Loss on sales of investment securities	1	—
Loss on valuation of investment securities	—	4
Loss on sales of membership	0	0
Compensation expenses	294	505
Disaster loss	217	—
Loss on liquidation of subsidiaries	—	2
Total extraordinary losses	615	1,080
Profit before income taxes	39,477	43,961
Income taxes - current	6,567	7,723
Income taxes - deferred	4,221	4,943
Total income taxes	10,788	12,666
Profit	28,688	31,294
Profit attributable to non-controlling interests	796	93
Profit attributable to owners of parent	27,892	31,201

Consolidated Statements of Comprehensive Income

(Millions of yen)

	From Apr. 1, 2018 to Mar. 31, 2019	From Apr. 1, 2019 to Mar. 31, 2020
Profit	28,688	31,294
Other comprehensive income		
Valuation difference on available-for-sale securities	-185	-981
Deferred gains or losses on hedges	-15	44
Foreign currency translation adjustment	-20	-29
Remeasurements of defined benefit plans, net of tax	-1,199	-1,410
Share of other comprehensive income of entities accounted for using equity method	-18	-6
Total other comprehensive income	-1,440	-2,384
Comprehensive income	27,248	28,910
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,513	28,815
Comprehensive income attributable to non-controlling interests	735	95

(3) Consolidated Statements of Change in Net Assets

Previous fiscal year (April 1, 2018- March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	21,152	1,299	168,363	-711	190,104
Changes of items during period					
Dividends of surplus			-10,144		-10,144
Profit attributable to owners of parent			27,892		27,892
Change in ownership interest of parent due to transactions with non- controlling interests		-12,178			-12,178
Purchase of treasury shares				-11	-11
Disposal of treasury shares		-8		28	19
Transfer to capital surplus from retained earnings		10,887	-10,887		—
Change in scope of consolidation					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	-1,299	6,860	16	5,577
Balance at March 31, 2019	21,152	—	175,223	-694	195,681

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	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			
Balance at April 1, 2018	2,274	-5	-154	-3,004	-890	57	7,329	196,600
Changes of items during period								
Dividends of surplus					—			-10,144
Profit attributable to owners of parent					—			27,892
Change in ownership interest of parent due to transactions with non-controlling interests					—			-12,178
Purchase of treasury shares					—			-11
Disposal of treasury shares					—			19
Transfer to capital surplus from retained earnings					—			—
Change in scope of consolidation					—			—
Net changes of items other than shareholders' equity	-198	-15	-27	-1,137	-1,378	-16	-6,313	-7,709
Total changes of items during period	-198	-15	-27	-1,137	-1,378	-16	-6,313	-2,131
Balance at March 31, 2019	2,076	-21	-182	-4,141	-2,269	40	1,015	194,468

Fiscal year under review (April 1, 2019- March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	21,152	—	175,223	-694	195,681
Changes of items during period					
Dividends of surplus			-11,966		-11,966
Profit attributable to owners of parent			31,201		31,201
Change in ownership interest of parent due to transactions with non- controlling interests		-2,497			-2,497
Purchase of treasury shares				-13	-13
Disposal of treasury shares		-2		9	6
Transfer to capital surplus from retained earnings		2,500	-2,500		—
Change in scope of consolidation			-77		-77
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	16,657	-3	16,653
Balance at March 31, 2020	21,152	—	191,881	-698	212,335

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	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			
Balance at April 1, 2019	2,076	-21	-182	-4,141	-2,269	40	1,015	194,468
Changes of items during period								
Dividends of surplus					—			-11,966
Profit attributable to owners of parent					—			31,201
Change in ownership interest of parent due to transactions with non-controlling interests					—			-2,497
Purchase of treasury shares					—			-13
Disposal of treasury shares					—			6
Transfer to capital surplus from retained earnings					—			—
Change in scope of consolidation					—			-77
Net changes of items other than shareholders' equity	-1,010	44	-15	-1,405	-2,386	-10	-653	-3,050
Total changes of items during period	-1,010	44	-15	-1,405	-2,386	-10	-653	13,603
Balance at March 31, 2020	1,066	23	-197	-5,547	-4,655	30	361	208,072

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	From Apr. 1, 2018 to Mar. 31, 2019	From Apr. 1, 2019 to Mar. 31, 2020
Cash flows from operating activities		
Profit before income taxes	39,477	43,961
Depreciation	10,530	10,358
Amortization of goodwill	30	428
Impairment loss	—	508
Increase (decrease) in allowance for doubtful accounts	-76	11
Increase (decrease) in retirement benefit liability	-1,003	-1,142
Loss on retirement of non-current assets	57	53
Loss (gain) on sales of non-current assets	-326	-4
Loss (gain) on valuation of investment securities	—	4
Loss (gain) on sales of investment securities	-1,020	-323
Share of loss (profit) of entities accounted for using equity method	-750	-923
Loss (gain) on step acquisitions	-47	-1,556
Interest and dividend income	-137	-144
Received settlement fee	—	-123
Interest expenses on borrowings and bonds	115	123
Compensation expenses	294	505
Loss on disaster	217	—
Decrease (increase) in trade receivables	-7,995	-1,584
Decrease (increase) in inventories	-2,213	-1,409
Increase (decrease) in trade payables	2,078	2,231
Increase (decrease) in advances received	535	2,162
Increase (decrease) in accrued consumption taxes	-1,004	4,830
Other, net	1,241	-1,162
Subtotal	40,002	56,805
Interest and dividends received	327	381
Receipt Settlement received	—	123
Interest paid	-114	-123
Compensation expenses paid	-224	-385
Payments associated with disaster loss	-6	-191
Income taxes (paid) refund	-6,472	-7,660
Net cash provided by (used in) operating activities	33,511	48,950

(Millions of yen)

	From Apr. 1, 2018 to Mar. 31, 2019	From Apr. 1, 2019 to Mar. 31, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	-12,022	-9,721
Proceeds from sales of property, plant and equipment	8,168	1
Purchase of intangible assets	-3,234	-3,183
Purchase of investment securities	-1,274	-2,102
Proceeds from sales and redemption of investment securities	1,210	578
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-12,590
Short-term loan advances	-208	-4
Collection of short-term loans receivable	154	5
Proceeds from withdrawal of investments in partnership	113	49
Payments of leasehold and guarantee deposits	-483	-511
Proceeds from refund of leasehold and guarantee deposits	614	347
Other, net	-199	-207
Net cash provided by (used in) investing activities	-7,163	-27,338
Cash flows from financing activities		
Proceeds from short-term borrowings	15,000	15,300
Repayments of short-term borrowings	-10,000	-15,335
Repayments of long-term borrowings	-5,000	-78
Proceeds from issuance of bonds	10,000	—
Repayments of lease obligations	-615	-590
Purchase of treasury shares	-12	-14
Proceeds from sales of treasury shares	2	1
Dividends paid	-10,144	-11,967
Dividends paid to non-controlling interests	-181	-55
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-19,045	-3,569
Net cash provided by (used in) financing activities	-19,995	-16,309
Effect of exchange rate change on cash and cash equivalents	-21	-19
Net increase (decrease) in cash and cash equivalents	6,330	5,281
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	106,198	111,695

(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) 25 consolidated subsidiaries

SCSK KYUSHU CORPORATION
SCSK HOKKAIDO CORPORATION
SCSK USA inc.
SCSK Europe Ltd.
SCSK Shanghai Limited.
SCSK Asia Pacific Pte. Ltd.
PT SCSK GLOBAL INDONESIA
SCSK Myanmar Ltd.
JIEC Co., Ltd.
WinTechnology Corporation
SCSK ServiceWare Corporation
VeriServe Corporation
VERISERVE OKINAWA TEST CENTER 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
Gran Manibus Co., Ltd.
Skeed Co., Ltd.
Minori Solutions Co., Ltd.

One investment partnership and one silent partnership

Effective from the first quarter of the fiscal year ended March 31, 2020, Gran Manibus Co., Ltd., and Skeed Co. Ltd. were included in the scope of consolidation to reflect their increased materiality.

Effective from the second quarter of the fiscal year ended March 31, 2020, PT SCSK Global Indonesia and SCSK Myanmar Ltd. were included in the scope of consolidation following investments to establish these companies.

Effective from the third quarter of the fiscal year ended March 31, 2020, Minori Solutions Co., Ltd., was included in the scope of consolidation following the acquisition of stock in this company.

(2) Major non-consolidated subsidiaries and affiliates

Tokyo Green Systems Corporation

Effective from the first quarter of the fiscal year ended March 31, 2020, Skeed Co. Ltd. was included in the scope of consolidation to reflect its increased materiality.

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

Consolidated equity method affiliate: 2

ARGO GRAPHICS Inc.

Presidio SCSK Digital Fund

Effective from the first quarter of the fiscal year ended March 31, 2020, Gran Manibus Co., Ltd., was excluded from the scope of equity method application and included in the scope of consolidation to reflect its increased materiality.

Effective from the second quarter of the fiscal year ended March 31, 2020, Presidio SCSK Digital Fund, LLC., was established as an equity method affiliate through investment in this organization.

3. Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of SCSK Europe Ltd., SCSK Shanghai Limited, SCSK Asia Pacific Pte. Ltd., PT SCSK GLOBAL INDONESIA, and one investment partnership is December 31. Therefore, for those companies, preparation of the consolidated financial statements for the fiscal year ended March 31, 2020, is based on the financial statements for the period from January 1, 2019, through to December 31, 2019.

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 25, 2019).

(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 Representative director, President and Chief Operating Officer 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 reportable segments.

Based on this arrangement, seven reportable segments have been designated: Manufacturing & Telecommunication Systems Business, Distribution & Media Systems Business, Financial Systems Business, Global System Solutions & Innovation Business, Business Solutions, Mobility Systems, IT Platform Solutions, and IT Management.

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 & Telecommunication 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, telecommunications, and energy industries.
- (ii) Distribution & Media Systems Business: This business group provides IT solution packages configured from various core systems, information systems, SCM systems, CRM systems, and e-commerce systems primarily to customers in the distribution, service, and media industries.
- (iii) 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.
- (iv) Global System Solutions & Innovation Business: This business group provides to optimal IT solutions primarily to trading companies and the global bases of customers from among a lineup that includes core systems, information management systems, SCM systems, and CRM systems.
- (v) Business Solutions: This business group provides a wide range of IT solutions. These solutions include contact center services as well as application management outsourcing (AMO) services that cover the entire system lifecycle, from development and installation to maintenance and operation, for 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 the type of business process outsourcing services that only an IT company can. These services merge support performed by human hands with IT.
- (vi) Mobility Systems: This business group supplies the automotive industry and other customers with a wide range of solutions for automobile electronic control units on a global basis. These solutions include the development of embedded software through a model-based development approach, proprietary SCSK middleware (QINeS-BSW), software assessments, and process improvement measures.
- (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.

- (viii) IT Management: This business group develops solutions-oriented netXDC data centers, which boast robust facilities and high-level security, in East and West Japan to provide customers with proposal-based outsourcing services that address their management issues pertaining to operating cost reductions, infrastructure integration and optimization, governance enhancement, and business risk mitigation. The business group also supplies cloud infrastructure and offers its on-site SE support management services 24 hours a day, 365 days a year.

(2) Reorganization of reportable segments, etc.

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 fiscal year ended March 31, 2019, has been restated to reflect this change in reportable segments.

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, 2019(April 1, 2018 – March 31, 2019)

(Millions of yen)

	Manufacturing & Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	Mobility Systems	IT Platform Solutions	IT Management
Sales, income, and assets by reportable segment								
(1) Sales to third parties	43,369	63,054	63,932	15,553	48,829	19,550	58,857	44,780
(2) Intersegment sales and transfers	1,096	903	869	5,505	4,761	397	6,918	16,090
Total	44,466	63,957	64,802	21,058	53,591	19,947	65,776	60,871
Segment profit	6,308	6,589	7,349	2,576	5,016	-265	7,163	5,845
Segment assets	12,412	19,973	22,535	8,893	13,635	9,787	30,593	66,057
Other items								
Depreciation and amortization	71	803	326	233	688	2,179	645	3,893
Investments in equity-method affiliates	—	—	—	—	—	—	5,185	—
Net increase/decrease in tangible/intangible fixed assets	69	1,372	71	697	696	1,016	645	10,160

	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	726	358,654	—	358,654
2) Intersegment sales and transfers	3,766	40,309	-40,309	—
Total	4,492	398,964	-40,309	358,654
Segment profit	-86	40,498	-2,120	38,378
Segment assets	1,858	185,746	129,098	314,844
Other items				
Depreciation and amortization	256	9,099	1,430	10,530
Investments in equity-method affiliates	438	5,623	—	5,623
Net increase/decrease in tangible/intangible fixed assets	63	14,793	369	15,163

Notes: 1. Adjustments are as follows:

- (1) ¥2,120 million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.
 - (2) ¥129,098 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.
 - (3) ¥1,430 million addition to depreciation to reflect depreciation charges on Companywide assets.
 - (4) ¥369 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.

For the fiscal year ended March 31, 2019(April 1, 2019 – March 31, 2020)

(Millions of yen)

	Manufacturing & Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	Mobility Systems	IT Platform Solutions	IT Management
Sales, income, and assets by reportable segment								
(1) Sales to third parties	49,960	62,382	63,860	18,249	52,578	22,279	63,844	48,457
(2) Intersegment sales and transfers	833	1,313	1,357	10,106	5,020	613	6,931	15,099
Total	50,793	63,696	65,217	28,356	57,599	22,893	70,776	63,556
Segment profit	6,280	7,326	7,223	2,592	5,112	1,246	8,242	6,447
Segment assets	14,222	15,676	19,613	10,292	15,750	8,997	33,426	69,429
Other items								
Depreciation and amortization	75	1,009	238	374	595	1,173	629	4,732
Investments in equity-method affiliates	—	—	—	459	—	—	5,873	—
Net increase/decrease in tangible/intangible fixed assets	125	794	113	326	1,560	1,204	747	7,853

	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	5,389	387,003	—	387,003
(2) Intersegment sales and transfers	4,919	46,195	-46,195	—
Total	10,308	433,198	-46,195	387,003
Segment profit	80	44,553	-2,226	42,326
Segment assets	27,317	214,725	127,760	342,485
Other items				
Depreciation and amortization	219	9,049	1,308	10,358
Investments in equity-method affiliates	—	6,333	—	6,333
Net increase/decrease in tangible/intangible fixed assets	126	12,853	750	13,604

Notes: 1. Adjustments are as follows:

- (1) ¥2,226 million subtraction from operating income to reflect Companywide expenses, etc., not allocated to any reportable segment.
 - (2) ¥127,760 million addition to segment assets to reflect Companywide assets, etc., not allocated to any reportable segment.
 - (3) ¥1,308 million addition to depreciation to reflect depreciation charges on Companywide assets.
 - (4) ¥750 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.

【Related information】

Previous fiscal year (April 1, 2018 - March 31, 2019)

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, 2019 - March 31, 2020)

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, 2018 - March 31, 2019)

Not applicable

Fiscal year under review (April 1, 2019 - March 31, 2020)

(Millions of yen)

	Manufacturing & Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	Mobility Systems	IT Platform Solutions	IT Management
Impairment loss	—	202	306	—	—	—	—	—

	Others	Elimination and corporate	Total
Impairment loss	—	—	508

Information on amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2018- March 31, 2019)

(Millions of yen)

	Manufacturing & Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	Mobility Systems	IT Platform Solutions	IT Management
Amortization of goodwill	30	—	—	—	—	—	—	—
Balance at end of period	53	—	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Amortization of goodwill	—	—	30
Balance at end of period	—	—	53

Fiscal year under review (April 1, 2019- March 31, 2020)

(Millions of yen)

	Manufacturing & Telecommunication Systems	Distribution & Media Systems	Financial Systems	Global System Solutions & Innovation	Business Solutions	Mobility Systems	IT Platform Solutions	IT Management
Amortization of goodwill	30	—	—	—	—	—	—	—
Balance at end of period	22	—	—	—	—	—	—	—

	Others	Elimination and corporate	Total
Amortization of goodwill	398	—	428
Balance at end of period	13,866	—	13,889

Information on amortization of goodwill by reportable segment

Previous fiscal year (April 1, 2018 - March 31, 2019)

Not applicable

Fiscal year under review (April 1, 2019 - March 31, 2020)

Not applicable

(Per Share Information)

(Yen)

Item	Fiscal 2018 (April 1, 2018 - March 31, 2019)	Fiscal 2019 (April 1, 2019 - March 31, 2020)
Net assets per share	1,862.78	2,000.16
Net profit per share	268.64	300.50
Fully diluted net profit per share	268.55	300.43

Note:

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

Item	Fiscal 2018 (April 1, 2018 - March 31, 2019)	Fiscal 2019 (April 1, 2019 - March 31, 2020)
Net profit per share		
Net profit (Millions of yen)	27,892	31,201
Amount not attributable to common stock (Millions of yen)	—	—
Net profit attributable to common stock (Millions of yen)	27,892	31,201
Average number of shares of common stock during the period (Shares)	103,827,903	103,831,412
Fully diluted net profit per share		
Profit attributable to owners of parent (adjusted amount) (Millions of yen)	—	—
(Of which, change in holdings in equity-method affiliates due to issuance of subscription rights) (Millions of yen)	(—)	(—)
Increase in the number of common shares (Shares)	35,558	26,622
(Of which, stock acquisition rights) (Shares)	(35,558)	(26,622)
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