

SCSK REPORT 2016

Fiscal year ended March 31, 2016



Create Our Future of Dreams



Create Our Future of Dreams

SCSK Corporation is a global IT services company that was created through the merger of Sumisho Computer Systems Corporation and CSK Corporation in October 2011.

At the time of this merger, we defined our corporate philosophy as "Create Our Future of Dreams."

This philosophy means that all executives and employees will foster relationships of trust with customers to generate new value in our aim to create a future of dreams together.

Guided by this corporate philosophy, we have implemented countless management and business initiatives, thoroughly promoting operational quality and efficiency and achieving substantial performance growth along the way. The first of the three promises defined to help us practice this philosophy is "respecting each other." To fulfill this promise, we have continued to move forward as a company that exercises employee potential, with management and employees united, as we focused on creating comfortable workplace environments.

Fiscal 2016 is the second year of the five-year Medium-Term Management Plan that started in fiscal 2015. During this year, we will transform our business structure and continue to advance the core strategies of the Medium-Term Management Plan in strides to realize dynamic corporate growth. At the same time, we place an even greater emphasis on initiatives for strengthening our management base, such as those for further utilizing women, senior citizens, and people with disabilities and for promoting health and productivity management.

In terms of our management team, in fiscal 2016 we increased the number of outside directors designated as independent directors and transitioned to a Company with Audit and Supervisory Committee as described in the Companies Act of Japan. We anticipate that these moves will enhance the supervisory function of the Board of Directors and strengthen corporate governance systems, thereby further improving the health and efficiency of management.

SCSK strives to resolve the issues faced by customers and society through the utilization of cutting-edge IT services and will continue doing so into the future. By creating value in this manner, we will work to build a future of dreams.

We ask for your continued support as we move forward.

August 2016



Yoshio Osawa

Chairman

Corporate Philosophy

Our Mission

Create Our Future of Dreams

We create our future of dreams by establishing value based on our customers' trust.

Our Promises

Respecting each other

We realize our potential by respecting each other.

Providing excellent service utilizing reliable technology

We delight customers through our service based on reliable technology and passion.

Sustaining growth from a global and future perspective

We, with our stakeholders, pursue sustainable growth for the world and the future.

Code of Conduct

Challenge

Aim higher with future creating passion.

Commitment

Act with integrity and responsibility for our customers and society.

Communication

Facilitate teamwork with respect and understanding.

Strength for Leading the Industry




In this section, representatives from senior management will discuss the current state of SCSK, and we will also explain our business model and the progress of the Medium-Term Management Plan.

- 1 Chairman's Letter / Corporate Philosophy
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- 8 Progress of the Medium-Term Management Plan
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Special Feature

The special feature will take a look at our priority measures for improving corporate value.

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- 16  Exercising Employee Potential to Change the IT Industry and Consequently Common Practices in Japan



Editorial Policy

Integrated Report 2016 has been compiled as an integrated report that contains information on performance and business strategies as well as non-financial information, such as that pertaining to corporate social responsibility (CSR) activities. We hope this report will facilitate understanding with regard to SCSK's efforts to realize stable, ongoing improvements in corporate value from a medium- to long-term perspective.

Scope of report SCSK and the SCSK Group Publication date August 2016

Guidelines referenced

- The International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework
- ISO 26000
- Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines, Fourth Edition (G4)
- The United Nations Global Compact, 10 Principles

Disclaimer

This report is intended to provide information about the performance and business strategies of the SCSK Group and is not intended to solicit the purchase or sales of shares in Group companies. Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice. The Company cannot be held responsible for losses resulting from information contained in this report. This report should not be reproduced or retransmitted without authorization.

Strength for Creating Corporate Value

This section will illustrate the link between SCSK's financial soundness and corporate value and its CSR activities and also explain the various value creation initiatives of the Company's business groups.

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Strength for Achieving Sustainable Growth

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External Recognition

- Selected as a winner of the FY2014 Diversity Management Selection 100 conducted by the Ministry of Economy, Trade and Industry (METI)
- Second Consecutive Year selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the Tokyo Stock Exchange (TSE) and METI (FY2014 and FY2015)
- Placed No. 1 in the CSR Company Ranking 2015 and 2016 compiled by Toyo Keizai Inc., in the area of effective talent management
- Institutional Investor LLC ranked No. 1 for the software sector in Most Honored Company category of the 2016 All-Japan Executive Team rankings



- Second Consecutive Year of placed No. 1 in overall rankings in Nikkei Inc.'s survey of companies that fully exercise their employees' potential (2014 and 2015)
- Received 1st place award for HR department excellence in the HR Department Awards 2015 sponsored by the Japan HR Association

- Second Consecutive Year selected as "Nadeshiko Brand" designation jointly hosted by the TSE and METI (FY2014 and FY2015)



- Presented with the Japanese government's Advanced Corporation Awards 2015 for the Promotion of Women



Creation of Customer Value

Greetings, my name is Tooru Tanihara, and I assumed the position of president of SCSK Corporation on April 1, 2016.

Since SCSK was born out of the merger of Sumisho Computer Systems Corporation and CSK Corporation, we have forged ahead with various measures to enhance earnings capacity, including integrating the organizations and uniting corporate cultures inherited from our predecessors and otherwise working to improve operational efficiency and quality. We have also instituted human resource-related measures aimed at creating pleasant workplace environments and exercising the potential of our employees. These measures have served to strengthen and expand our management base.

In the future, we will continue to institute these various management measures in the pursuit of further corporate growth while pushing ahead with the core strategies of the Medium-Term Management Plan announced in 2015, namely "shifting to service-oriented businesses," "promoting strategic businesses that capture the changing times," and "entering into the second stage of global business expansion." As we progress ahead, I hope to set forth a clear roadmap toward our becoming one of the leading companies in the IT services industry by accelerating advancement of these core strategies to heighten SCSK's growth potential and earnings capacity.

I believe the most important thing we must consider in advancing our IT services businesses is the customer's perspective. Since joining SCSK, I have always worked close to the frontlines, and I have had the opportunity to serve customers from all the industries that we service. As I carried out my duties, I constantly asked myself, "Are we truly helping customers improve their corporate value?" Still driven by this one question, I am committed to contributing to the creation of value for customers. To this end, I will utilize IT services that take full advantage of the technologies, insight, and intellectual properties we have accumulated over the years while mustering the collective strength of the SCSK Group to resolve customers' management issues. I thus stand dedicated to ushering in a new era for SCSK, one built upon a constant awareness of the customer's perspective.

I am devoted to living up to the expectations of our stakeholders, and hope that I can look forward to your continued support as we accomplish great things.

August 2016

Tooru Tanihara
President

Performance in Fiscal 2015

Performance exceeded our full-year performance forecasts in fiscal 2015 with net sales of ¥323.9 billion, operating income of ¥31.7 billion, and profit attributable to owners of parent of ¥26.9 billion, making for our fourth consecutive year of higher sales and profits since the October 2011 merger.

This strong performance was largely a result of our ability to boost profit margins to a greater extent than initially anticipated. These higher margins were due in part to efforts to improve internal operational quality and productivity, and they proved especially beneficial against the backdrop of plentiful IT investment demand, which was particularly robust in systems

development businesses targeting the financial industry and also strong among a portion of the communications industry, as well as the solid demand for business process outsourcing (BPO) services from manufacturers.

In consideration of this impressive performance, we raised dividends for the fourth consecutive year, issuing a year-end dividend of ¥40 per share, which made for full-year dividend payments of ¥75 per share. This was ¥5 above the initial forecast of ¥35 per share for the year-end dividend and ¥70 per share for full-year dividend payments.

Forecasts for Fiscal 2016

In fiscal 2016, we will allocate a greater portion of management resources toward strengthening the businesses that will serve as future growth drivers through such means as shifting to service-oriented businesses and starting up strategic businesses. Even after advancing these measures and absorbing the impacts of various management cost increases, we forecast higher net sales and operating income, with net sales of ¥330.0 billion, operating income of ¥33.0 billion, and profit attributable to owners of parent of ¥25.0 billion.

In terms of dividends, we plan to issue full-year dividend payments of ¥85 per share, consisting of an interim dividend and year-end dividend of ¥42.50 per share and making for a ¥10-per-share increase and five straight years of higher dividends. This decision was made in consideration of the degree to which the Company's financial base has been improved to date as well as the earnings capacity increases we expect in the future. Moreover, this decision was a reflection of our desire to return profits to shareholders.

Forecasts for Fiscal 2016

	Fiscal 2015	Fiscal 2016	Increase / Decrease
Net sales	¥323.9 Billion	¥330.0 Billion	+1.9%
Operating income	¥31.7 Billion	¥33.0 Billion	+3.8%
Profit attributable to owners of parent	¥26.9 Billion	¥25.0 Billion	-7.3%
Full-year dividend	¥75	¥85	+¥10

Core Strategies of the Medium-Term Management Plan

On April 28, 2015, SCSK unveiled a new Medium-Term Management Plan set to end with fiscal 2019. I would like to explain the business policies of this plan along with a view of its three core strategies.

"Shifting to Service-Oriented Businesses"

Providing conventional systems development, maintenance, and operation services is a representative example of a labor-intensive business, which, of course, means that higher orders results in higher labor and other costs. The IT industry is currently suffering from a lack of engineers, and the work force as a whole will likely shrink in the future. For this reason, corporate growth through attempts to maximize earnings under this business model will be restricted so long as the supply of

capable engineers is limited.

SCSK is advancing a strategy of shifting to service-oriented businesses. When we speak of service-oriented businesses, we refer to those businesses that fully leverage our accumulated business expertise and intellectual properties and, being based on those intellectual properties, are not dependent upon our ability to secure a sufficient supply of system engineers. This strategy is crucial to our future as it will not only help us increase business performance in the short term but will also remove the limit on our earnings growth, effectively heightening the very growth potential of SCSK.

Service-oriented businesses entail constructing industry-standard basic operational systems as the Company's intellectual assets and IT assets and providing operation of these

systems as a service to customers on a pay-per-use basis. These systems are to be tailored to the operating processes of target customer industries and will include, for example, order receipt and placement systems and store management systems for the distribution industry and securities processing systems for the financial industry. Going forward, we will greatly expand our IT services operations through the development of such service-oriented businesses. However, this does not mean that we will convert all of our existing businesses to service-oriented businesses.

We will cater to the needs of customers pursuing low-cost operations with service-oriented businesses. At the same time, we will assign seasoned engineers specializing in particular industries to respond to the strategic IT needs of individual customers. By providing services on both of these fronts, we will supply customers with the most ideal high-value-added services. We are transforming our business structure while responding to customers' various IT needs, and thereby aim to develop SCSK into the high-growth, high-earning company described in the Medium-Term Management Plan.

In fiscal 2016, we will plant the seeds for the future growth of service-oriented businesses and commence the full-fledged launch of a wide range of operational support services to provide customers with as diverse an assortment of proposals as possible.



“Promoting Strategic Businesses that Capture the Changing Times” and “Entering into the Second Stage of Global Business Expansion”

I will now explain Medium-Term Management Plan's second and third core strategies—“promoting strategic businesses that capture the changing times” and “entering into the second stage of global business expansion.”

These two strategies arise from one question: “What should we do as an IT vendor to make Japanese industry great again?” At SCSK, we speak of the “greater Japanese market,” which refers to the market for providing IT services to customers that increase their competitiveness and consequently corporate value and supporting the overseas expansion of Japanese companies with IT. As a group of IT specialists, we strive to supply Japanese companies with the tools they need to compete on the global stage. This desire lies at the base of both the second and third core strategies.

One specific area targeted through these strategies is Automotive Software Business. In this field, we will offer IT support for boosting the competitiveness of Japanese automobile manufacturers in their overseas and other operations.

The automobile industry is currently advancing numerous initiatives for creating advanced driving support and automated driving systems, raising the bar for automotive software, which is now expected to provide even more sophisticated and complex functionality to help give rise to such systems. In addition, with regard to the electronic control units, or ECUs, that control automobile parts, while ECUs originally functioned independently, there is now a need for mutual linkage between them. This trend has resulted in exponential growth in the amount of development work required to create these units. Amidst these circumstances, the methods of developing automotive software are ongoing various evolutions. For example, the standardization of operating systems and middleware for the AUTOSAR automotive software architecture has been promoted for around a decade now, particularly among European automobile manufacturers.

SCSK undertook an initiative to develop QINeS-BSW ver 1.0, an operating system and middleware that is compliant with AUTOSAR, three years ago. We released this product in October 2015.

QINeS-BSW ver 1.0 is an amalgamation of our business experience and the various sophisticated software development technologies that we have accumulated as systems development specialists. Moreover, this product is built upon our long history in automotive software development and strong relationships with automobile manufacturers.

In addition to encouraging automobile manufacturers to adopt QINeS-BSW [ver1.0], our business targets also include supplying platforms for developing software applications, offering architecture alteration support, and providing other IT services. The creation of more-advanced automotive software development technologies is currently a pressing issue. As a forerunner among Japanese IT companies in this field, this situation is anticipated to present significant business opportunities for SCSK in the future. While it is still unclear what the final form of our business model in this field will look like, we remain committed to starting up such a business.

By advancing these core strategies, we will transform our business structure and continue to make powerful augmentations to our management base. We thereby aim to achieve our targets for fiscal 2019, the final year of the Medium-Term Management Plan, of ¥50.0 billion for operating income, between 10% and 12% for the operating income margin, 15.0% for return on equity (ROE), and ¥320 for earnings per share.

Strategies for Fiscal 2016

Fiscal 2016 and 2017 will be important years for SCSK. Over these two years, we must establish a roadmap for the transformation of our business structure and portfolios through the shift to service-oriented businesses and the establishment of strategic businesses.

The current IT industry is characterized by the need to respond to differing conditions when addressing each customer industry. At the moment, IT investment demand is firmly centered on financial industry customers, creating the potential for substantial business growth, particularly with regard to the systems development business. However, this does not mean that we can become complacent and let up on our efforts to transform business structures with an eye to the sustainable growth of SCSK five or 10 years down the line. In fiscal 2016, we will actively allocate human resources and make other business investments in the pursuit of future growth, remaining careful not to overextend ourselves. In this manner, we will draw up a roadmap for future business growth.

In addition, we will expand our current focus on introducing the internal SmartEpisode Plus (SE⁺) development standards throughout the Group to promote the adoption of these standards by major partner companies. By devoting such effort to improving operational quality and development productivity, we will continue striving to boost profitability.

Medium-Term Management Plan (2015/4-2020/3)

Transform Business Structure (to a non-labor-intensive business) / Dynamic Growth Strategy
Aiming to Achieve High Profit Growth

Core Strategies

1. Shift to service-oriented businesses
2. Promote strategic businesses that capture the changing times
3. Enter into the second stage of global business expansion

Strengthen Management Base

1. Seek operational quality
2. Improve business profitability
3. Enhance operational efficiency
4. Pleasant, fulfilling place to work / Promote health and productivity mgt.
5. Enhance human resource capabilities

On our path to becoming a true leading company, ensuring that SCSK is a company that exercises employee potential will be a management task of extreme importance. Addressing this task will include creating pleasant and rewording workplace environments and promoting health and productivity management, work-life balance, and diversity. To ensure that SCSK is always a company at which employees can work toward lofty ambitions, we will continue to implement the *Kenko Waku Waku Mileage* program, the Smart Work Challenge program, and various other management measures in fiscal 2016.

We at SCSK are committed to improving our corporate value to a level that meets the expectations of investors, customers, and all of our other stakeholders. We will go about this by transforming our business structure to guarantee robust growth in the future.

While I realize that SCSK's road to becoming a true leading company is still incredibly long, I hope that you will continue to support us on this journey.

Striving to become the leading company in the IT services industry, SCSK will transform its business structure to realize growth with an eye to the future.

Fiscal 2015 marked the first year of a new Medium-Term Management Plan, and a smooth start was made toward the accomplishment of the plan's goals. In the years that come, SCSK will push forward with the core strategies of this plan through a concerted effort leading up to the plan's final year of fiscal 2019 while advancing initiatives for reinforcing its management base. In this manner, we will seek to ensure robust growth going forward.

Achievement of Previous Medium-Term Management Plan Targets

Fiscal 2014

(Performance under previous Medium-Term Management Plan)

Operating income **¥28.0 billion**

Operating income margin **9.4%**

ROE **12.4%**

Fiscal 2011

(Performance in first year after the merger)

Operating income **¥16.9 billion**

Operating income margin **6.3%**

ROE **24.1%**

Fiscal 2011 performance figures are the total of the full-year results of SCSK and the first-half (April–September 2011) results of CSK Corporation.

Fiscal 2015

(Performance in first year of current Medium-Term Management Plan)

Operating income **¥31.7 billion**

Operating income margin **9.8%**

ROE **19.4%**

Fiscal 2019

(Final year targets of current Medium-Term Management Plan)

Operating income **¥50.0 billion**

Operating income margin **10~12%**

ROE **15.0%**

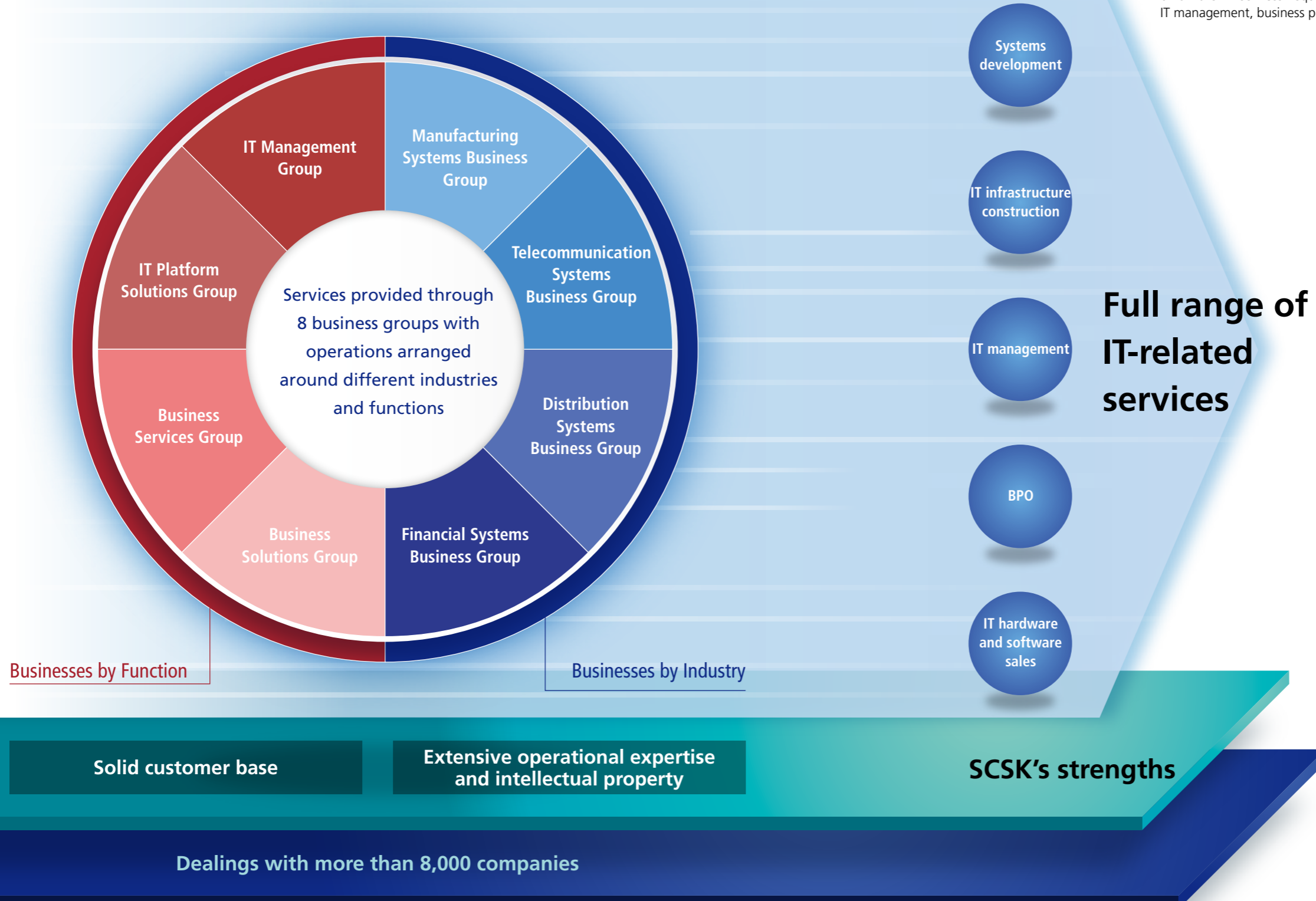
Core Strategies

- 1 Shift to service-oriented businesses
- 2 Promote strategic businesses that capture the changing times
- 3 Enter into the second stage of global business expansion

Strengthen Management Base

- 1 Seek operational quality
- 2 Improve business profitability
- 3 Enhance operational efficiency
- 4 Pleasant, fulfilling place to work / Promote health and productivity mgt.
- 5 Enhance human resource capabilities

SCSK is supporting businesses in creating new value and developing globally with a full range of IT-related services.



SCSK has a long history of providing IT services to a wide range of industries, including the manufacturing, communications, distribution, and financial industries. Our strengths lie in our solid customer base, which contains leading companies in these industries, and in the operational expertise and technologies that enable us to respond to demand for IT services unique to each industry. We also have experience supporting the global expansion of the Sumitomo Corporation Group and countless other customers. SCSK is thus able to offer optimal IT services to Japanese companies looking to develop their operations overseas.

Leveraging these strengths, we support customers' businesses by providing a complete lineup of all the IT services required, from systems development to IT infrastructure construction, IT management, business process outsourcing (BPO), and sales of IT hardware and software.

Customer Companies





Shift to Service-Oriented Businesses in Pursuit of More-Robust Growth

SCSK supports customers' businesses over the long term by creating distinctive, high-value-added services based on its intellectual properties and IT assets.

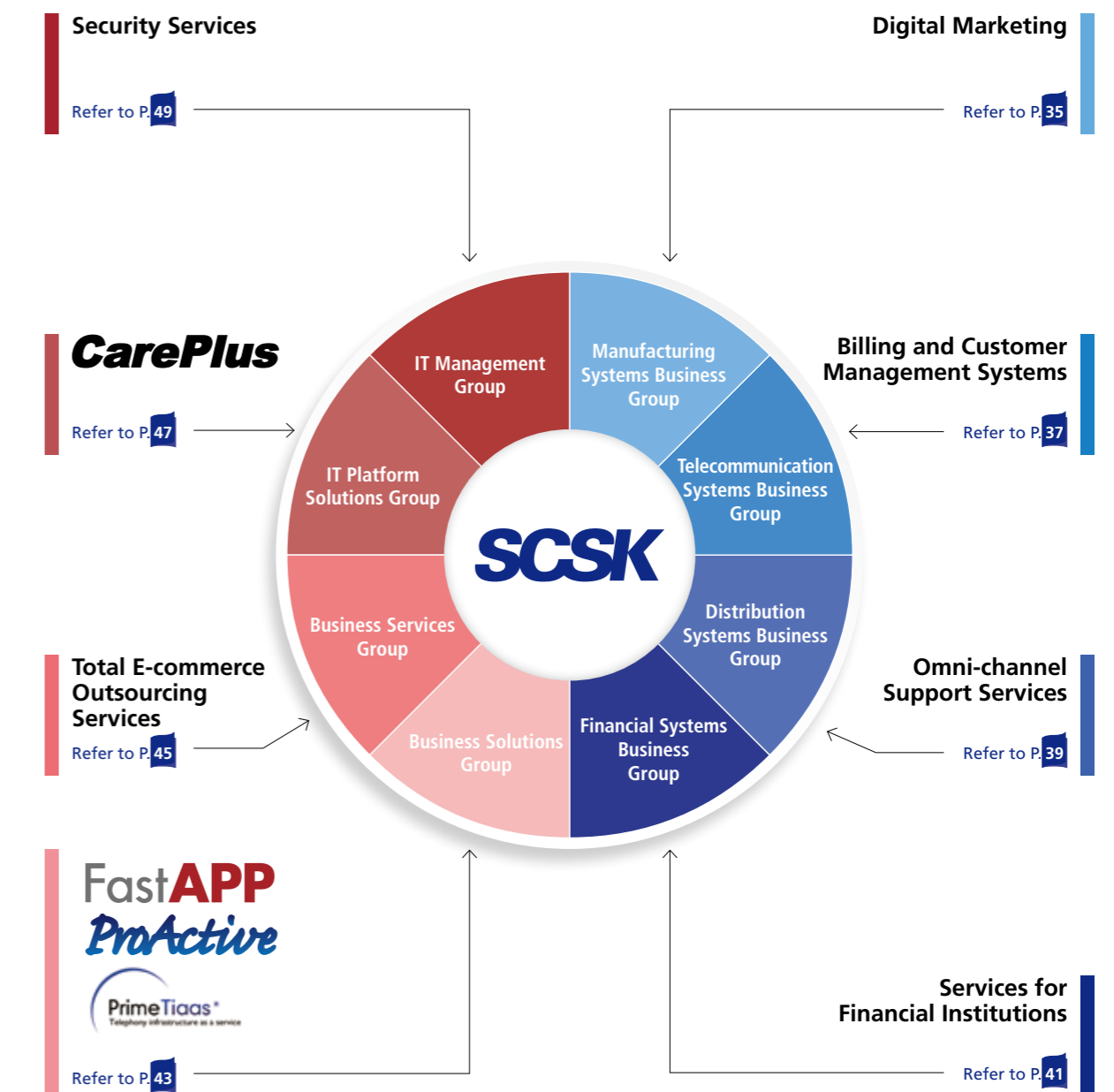
Conventional systems development, maintenance, operation, and other service businesses were labor-intensive endeavors, meaning that increases in orders would lead to increases in labor and other costs. However, on top of the recent lack of engineers in the IT industry, the future contraction of the work force is becoming an ever-more real possibility. Accordingly, under this model, no matter how a company may attempt to maximize earnings, the limited supply of engineers will restrict their future growth.

SCSK, meanwhile, has adopted a strategy of creating business models that are not dependent on the number of people. For example, by fully leveraging our accumulated expertise and intellectual properties we have developed business models that provide industry-standard system operations as a service

on a pay-per-use basis. These business models, which we refer to as "service-oriented businesses," are an important undertaking for future growth.

However, this does not mean that all of SCSK's traditional businesses will be converted to service-oriented businesses, which utilize standardization and framework for business operation measures to cater to the needs of customers pursuing low-cost operations. Alongside such businesses, we will provide services that respond to customer investment needs for unique strategic systems, strengthening our traditional system engineering capabilities to enhance these services. By offering both types of services, we will supply customers with the most ideal high-value-added services.

Service-Oriented Businesses





Improving Operational Quality to Realize Steady Earnings Growth

SCSK continues to increase the earnings capacity of its business by concentrating its wealth of accumulated expertise to deliver high operational quality.



FY2012 → FY2013 → FY2014 → FY2015 → FY2016

- FY2012**
 - Expanded application of project check system
 - Introduced quality check system
 - Began applying SE⁺
- FY2013**
 - Introduced service check system
- FY2014**
 - Distributed SE⁺ guidebooks to all employees
- FY2015**
 - Enhanced education programs
 - Shared case studies related to risk analysis results
 - Introduced risk management sheets
- FY2016**
 - Launched SE⁺ (Navi)
 - Introduced SE⁺ certification test system



SCSK's Philosophy on Quality

SCSK believes that customer satisfaction is the top priority when it comes to the quality provided by products and services.

Accordingly, it is essential to improve the quality of operations in terms of both management and deliverables. We refer to the combination of these two types of quality as "SCSK Quality."

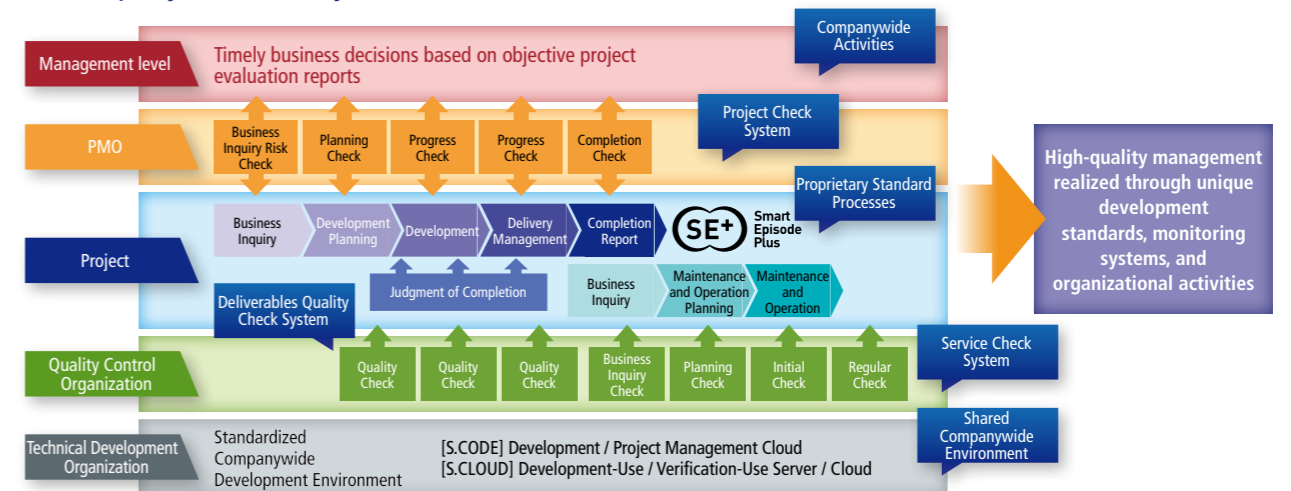


Framework Supporting Quality on a Companywide Basis

In addition to general quality management processes implemented in projects, we promote Companywide quality improvement activities formulated from a third-party perspective (Project Management Office (PMO), quality control divisions, etc.). Through such activities, we are raising quality

throughout the entire period of projects and across the organization. Further improvements in quality as well as productivity are pursued through SmartEpisode Plus (SE⁺) development standards and the S.CODE and S.CLOUD development environments.

Companywide Quality Control Framework



Future Quality Improvement Initiatives

SCSK aims to advance a step further in its traditional efforts for limiting exposure to unprofitable projects in order to pursue enhanced competitiveness through higher quality. In fiscal 2016, we introduced the SE⁺ (Navi) project management system, based on which we will forge ahead with visualization of all aspects of the development process, boosting development quality and productivity along the way.

Moving ahead, SCSK will continue to heighten quality and boost the earnings capacity of its business to provide products and services with assured quality.



Exercising Employee Potential to Change the IT Industry and Consequently Common Practices in Japan

SCSK plays a pioneering role by promoting working style reforms based around health and productivity management, seeking to entrench these practices throughout the IT industry and Japanese society as a whole.



Successes of Working Style Reforms

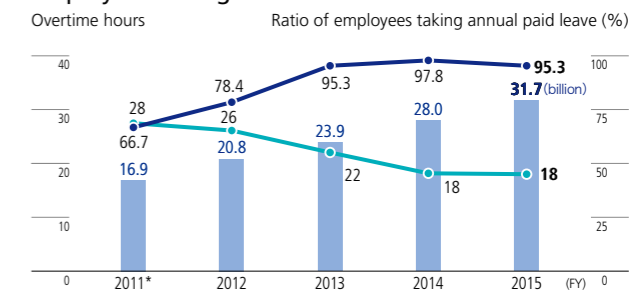
At the time of the 2011 merger, we put forth our corporate philosophy as "Create Our Future of Dreams." Based on this philosophy, we defined our promise of "respecting each other." Our aim of "becoming a company with a pleasant and rewarding workplace" is meant to ensure that we can exercise this philosophy. We thus promote health and productivity management based on the belief that the health of those working at SCSK underpins everything we do.

Taking this belief to heart, the top management at the time assumed the position of chief health officer (CHO). In this capacity, he guides us as we create successes in various areas on this front that continue to demonstrate our dedication to this belief to directors, employees, and their families. For example, we have pushed forward with numerous initiatives for facilitating employees' health and well-being, including promoting overtime work reduction and paid vacation acquisition and encouraging employees to stop smoking. These efforts have enabled us to entrench new working styles throughout the Company, thereby realizing shortened work hours and heightened productivity. The Company continues to grow as a result.

The successes of these working style reforms have earned high acclaim from outside the Company. Specifically, in 2015 SCSK claimed the No. 1 position in Nikkei Inc.'s survey of

companies that fully exercise their employees' potential for the second consecutive year. In addition, Japan's Cabinet Office presented the Company with the Japanese government's Advanced Corporation Awards for the Promotion of Women. Such recognition has served to increase recognition of SCSK while improving its corporate and brand image.

Operating Income, Overtime Hours, and Ratio of Employees Taking Annual Paid Leave



Operating income (blue bars), Overtime hours (left axis, green line), Ratio of employees taking annual paid leave (right axis, blue line). * The fiscal 2011 operating income figure is the total of the full-year results of SCSK and the first-half (April–September 2011) results of CSK Corporation.

Communication of Our Commitment to Working Style Reforms

SCSK implements working style reforms to boost the productivity of all employees with the ultimate goal of heightening corporate competitiveness. These initiatives have been referenced by industry peers and customers alike as exemplary

models of management success. We will continue to disclose information on the initiatives instituted by SCSK with the aim of furthering the advancement of working style reforms at companies throughout Japan.

Working Style Reform Initiatives

- Companywide application of flextime system
- Introduction of discretionary work system
- Initiatives to reduce overtime by half
- Promotion of taking paid vacation
- Introduction of a new leave system
- Commencement of Smart Work Challenge 20
- Enhancement of the telecommuting system
- Distribution of tablets
- Continued implementation of Smart Work Challenge 20
- Shortening of designated working hours
- Upgrading of the leave system
- Assumption of CHO position by then top management
- Name change of Smart Work Challenge 20 to Smart Work Challenge
- Introduction of the *Kenko Waku Waku Mileage* program
- Revision of human resource systems (expansion of discretionary work system, etc.)

For more details on becoming a company with a pleasant and rewarding workplace, please refer to pages 60 to 65.

FY2012	FY2013	FY2014	FY2015	FY2016
	<ul style="list-style-type: none"> ★ Presented with the Minister's Award in the Award for Companies Providing Career Support in 2013—for Companies Committed to Human Resources Development ★ Selected as a winner of the FY2014 Diversity Management Selection 100 conducted by the Ministry of Economy, Trade and Industry (METI) 	<ul style="list-style-type: none"> ★ Placed No. 1 in overall rankings in Nikkei Inc.'s 2014 survey of companies that fully exercise their employees' potential ★ Granted FY2014 "Nadeshiko Brand" designation jointly hosted by the Tokyo Stock Exchange (TSE) and METI ★ Selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the TSE and METI ★ Placed No. 1 in CSR Company Ranking 2015 compiled by Toyo Keizai Inc., in the area of effective talent management 	<ul style="list-style-type: none"> ★ Placed No. 1 in overall rankings in Nikkei Inc.'s 2015 survey of companies that fully exercise their employees' potential ★ Received 1st place award for HR department excellence in the HR Department Awards 2015 sponsored by the Japan HR Association ★ Presented with the Japanese government's Advanced Corporation Awards for the Promotion of Women ★ Granted FY2015 "Nadeshiko Brand" designation jointly hosted by the TSE and METI ★ Selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the TSE and METI 	<ul style="list-style-type: none"> ★ Placed No. 1 in CSR Company Ranking 2016 compiled by Toyo Keizai Inc., in the area of effective talent management



Strength for Creating Corporate Value

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Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth



CFO Message

We are steadily improving our financial base and bolstering shareholders' equity supported by expanded earnings and cash flows.

We continue to heighten SCSK's corporate value and equity value through shareholder returns and strategic business investments based on core strategies, all while securing a diverse range of funding sources that allow for flexible fund-raising.

Tetsuya Fukunaga

Director, CFO
Senior Managing Executive Officer



Overview of Performance in Fiscal 2015

► Could you please explain the Company's performance in fiscal 2015?

In fiscal 2015, we posted increased sales and profit for the fourth consecutive year since the merger in October 2011. Moreover, our performance in this year exceeded our forecasts, which had been revised upwards twice during the course of the year.

Net sales were up 8.8% year on year. Performance was strong in the systems development business, especially to the financial industry, where we target a wide range of sub-sectors within the industry, while steady performance was seen in maintenance and operation services businesses including business process outsourcing (BPO), primarily for the manufacturing and distribution industries. Also, particularly large contributions were made by large-scale sales of IT products to certain communications industry customers.

Operating income rose 13.5% year on year following higher sales as well as improved productivity resulting from steadfast measures for increasing operational quality. These contributors outweighed the year-on-year rise in selling, general and administrative expenses that was a product of higher size-based corporate taxes due to tax system revisions as well as increased expenses related to office relocations, promotion for health and productivity management, and various marketing measures. The operating income margin reached a post-merger high of 9.8% due to the impressive progress in the reinforcement and expansion of earnings bases.

Profit attributable to owners of parent surged 72.4%. This impressive result came mainly thanks to an increase in operating income that exceeded our business forecast and the booking of approximately ¥6.0 billion in deferred tax assets, reflecting an additional booking of deferred tax assets beyond

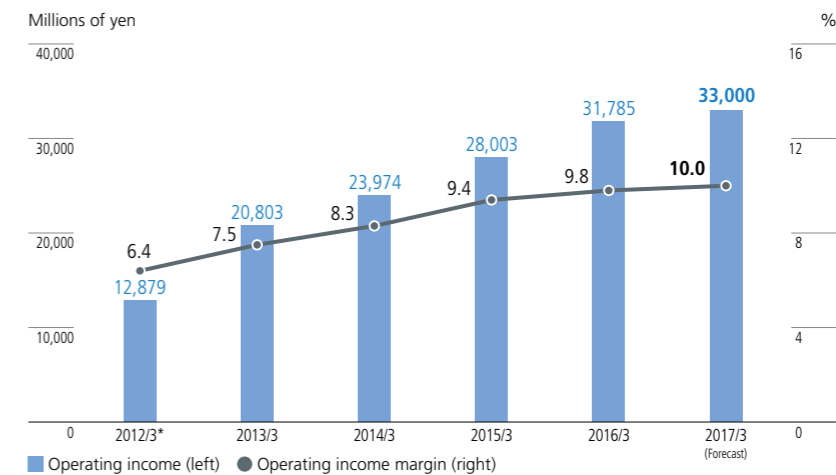
what was initially envisioned for the year, and additions to and subtractions from deferred tax assets due to revisions to corporate tax rules. When using a standard tax rate basis calculation excluding these tax benefits, profit attributable to owners of parent still rose by more than 30% due to the increase in operating income.

► What factors do you think contributed to this improvement in profitability?

The improvement in overall profitability was largely a result of the higher profitability and productivity primarily seen in the systems development business. With our main focus being reinforcing our management base, we have continued to enhance efficiency with regard to operations as well as personnel and outsourcing expenses since the merger. In addition, we have steadily advanced measures seeking higher operational quality, which has been positioned as a key management issue. Specifically, we are pushing forward with a Companywide effort to improve development productivity and quality by establishing proprietary development standards and promoting their application in all development projects.

As I mentioned previously, the operating income margin came to 9.8% in fiscal 2015, which represents a year-on-year increase of 0.4 percentage point. Several factors placed downward pressure on this margin during fiscal 2015, including reduced profitability due to increased sales in the relatively low-margin systems sales business as well as our involvement in unprofitable projects and the conducting of various business investments. Regardless, we were able to improve the operating income margin thanks to higher productivity and profitability in the systems development business.

Operating Income / Operating Income Margin



Fiscal 2016 Forecasts

► What is your outlook for the operating environment in fiscal 2016?

In fiscal 2015, the domestic economy displayed a gentle recovery trend. In fiscal 2016, however, we are already seeing a certain degree of uncertainty in business confidence among our customers. This stems from fluctuation risks in financial capital markets due to volatility in foreign exchange and interest rates as well as growing downturn risks in overseas economies, particularly those of emerging Asian countries. Although IT investment demand is currently holding firm, demand levels could easily change based on customer business confidence going forward. As such, our scenario for fiscal 2016 is based on the assumption that our customers will adopt a cautious approach toward IT investments.

However, in this operating environment, we expect customers' IT investment demand to reflect the IT needs of the industry sector to which each customer belongs. We thus anticipate that, with regard to customers in the financial and distribution industries, the growth trend in strategic IT investment will continue as these companies seek to enhance their competitive edge. In the financial industry, we anticipate that investment demand will come in the forms of new operational systems development demand from customers seeking to boost their competitiveness as well as upgrade demand for existing systems meant to accommodate revised regulatory systems. Also contributing to performance will be the distribution industry, where strategic IT investment demand for systems development to support omni-channel retailing and big data analysis is materializing. With regard to manufacturers, however, companies whose performance is heavily influenced by foreign exchange rate movements, we expect that even if these

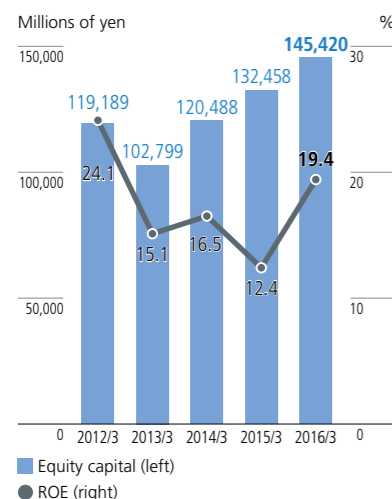
companies do not go as far as to revise IT investment plans, they will exercise caution in terms of the timing of investments. Accordingly, we will endeavor to get a clear understanding of customers' medium-term IT strategies, based on which we will actively propose various cloud-based IT and other services with the aim of expanding business earnings.

► What are the Company's performance forecasts for fiscal 2016?

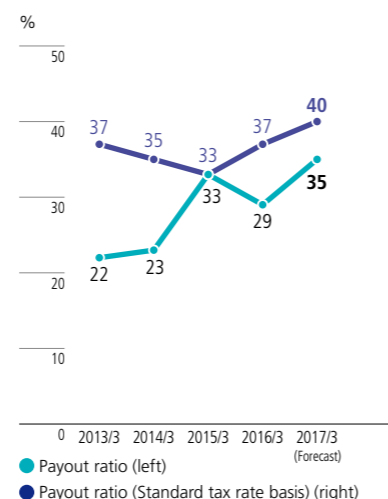
As I just mentioned, a sense of uncertainty is present in the IT investment trends of some manufacturing industry customers. However, we expect that strong systems development investment demand will continue in the financial and distribution industries, as was the case in fiscal 2015. We also anticipate stable performance in maintenance and operation services, including those services aimed at manufacturing and distribution industries. Under these circumstances, we will continue to reinforce our earnings base by pursuing improved productivity and operational quality centered on the systems development business. Fiscal 2016 will be the second year of our Medium-Term Management Plan, and will thus accelerate the advancement of business activities in line with core strategies. Specifically, we will allocate business resources to proactive investments for our shift to service-oriented businesses while establishing strategic businesses.

Based on this outlook and policies, our fiscal 2016 forecasts project net sales of ¥330.0 billion, up ¥6.0 billion year on year; operating income of ¥33.0 billion, up ¥1.2 billion; and profit attributable to owners of parent of ¥25.0 billion, down ¥1.9 billion.

Equity Capital / ROE



Payout Ratio



With regard to the ¥1.2 billion year-on-year increase forecast for operating income, we expect to achieve this earnings growth while absorbing the impacts of higher operating expenses resulting from various factors related to regulatory systems and operating environment conditions. For example, expenses will rise ¥0.9 billion due to higher size-based corporate taxes following tax system revisions while negative interest rate will stimulate an increase of more than ¥0.9 billion in retirement benefit expenses. While these cost increases will be unavoidable, we believe they can be successfully absorbed.

We also plan to conduct business investments that will add up to a substantial amount. These investments will include strategic investments in the automotive software systems business, initiatives associated with development and marketing for creating service-oriented businesses, and efforts for establishing enhanced development standards. We will conduct these investments based on the belief that we should plant as many seeds as we can under these relatively favorable business conditions. By nurturing these seeds, we hope to grow new platforms for increasing earnings capacity, thereby bringing about great change in our business and furthering us down the path toward the fiscal 2019 goals of the Medium-Term Management Plan and to value creation in the future. We are driven to conduct these necessary investments by our strong commitment to advancing the core strategies of the Medium-Term Management Plan. As such, our performance forecasts have been made to entail absorbing the cost of these investments to achieve increases in both sales and profit.

Profit attributable to owners of parent is set to decrease in fiscal 2016. However, this decrease is expected to result from

a ¥3.1 billion decline in tax benefits, compared with ¥6.0 billion in the previous fiscal year, meaning the Company will be only recording deferred tax assets of ¥2.9 billion in fiscal 2016. When using a standard tax rate basis calculation excluding these tax effects, profit attributable to owners of parent is expected to rise on the back of higher operating income.

► What are some of the key elements to be considered with regard to the Company's financial position?

The Group positions return on equity (ROE)—a representative indicator of capital efficiency—as its one of the most important management indexes. Guided by this indicator, we are advancing core strategies geared toward boosting earnings over the medium term. These strategies include conducting business investments aggressively, restructuring our operations so as to shift to service-oriented businesses, and starting up new strategic businesses.

Supported by plentiful operating cash flows, the equity ratio rose 1.6 points, from 39.6% in fiscal 2014 to 41.2% in fiscal 2015, and the balance of cash, deposits, and deposits paid climbed to nearly ¥100.0 billion. As a result, net interest-bearing debt—interest-bearing debt net of cash and deposits in the prepaid card business of wholly owned subsidiary QUO CARD Co., Ltd.—was in the negative, which represents a cash surplus, for the first time since the merger. In other words, we have been successful in decreasing interest-bearing debt to such an extent that we are effectively operating debt-free.

Going forward, we will strive to improve our financial base and increase shareholders' equity by expanding earnings and



cash flows. At the same time, we will heighten corporate value and equity value through shareholder returns and strategic business investments based on core strategies, all while securing a diverse range of funding sources that allow for flexible fund-raising.

► What are SCSK's policies for shareholder returns?

With regard to returning profits to shareholders, we aim to provide robust dividends in line with improvements in consolidated business results, while comprehensively taking into account the Company's financial position, earnings trends, dividend payout ratio, and the need to maintain sufficient internal reserves for future business investment.

Since the merger, we have continued to increase dividend payments in conjunction with earnings growth. In fiscal 2015, we issued a year-end dividend of ¥40 per share, ¥5 higher than the initial forecast of ¥35 per share. When combined with the interim dividend, this made for full-year dividend payments of ¥75 per share, also ¥5 higher than the initial forecast of ¥70 per share.

About Standard Tax Rate Basis

"Standard tax rate basis" refers to calculations of corporate income taxes conducted on an effective tax rate basis excluding the effects of the tax-saving measures that take advantage of the net loss carry forwards inherited from CSK at the time of the merger. Accordingly, standard tax rate basis is the method for tax calculation based on the effective tax rate excluding the deferred tax assets recorded each year up until fiscal 2015.

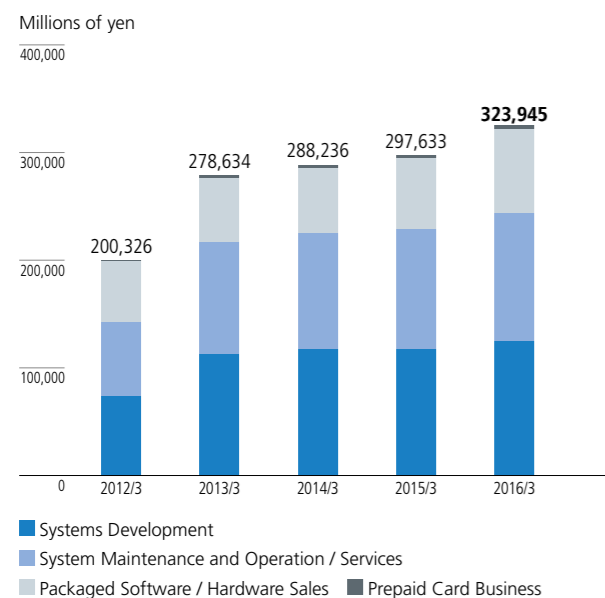
For fiscal 2016, we will continue targeting a dividend payout ratio of approximately 40%, the same level as in fiscal 2015. Based on this target and in consideration of our strong financial position and solid business performance trends, we plan to issue full-year dividend payments of ¥85 per share, up ¥10 year on year, making for our fifth consecutive year of higher dividend payments. Looking ahead, we intend to take full advantage of our continually growing cash flows as funds for investments in the strategic businesses that will support future growth. At the same time, we will increase dividends in line with anticipated performance improvements in order to enhance shareholder returns.

Lastly, please be aware that the targeted dividend payout ratio is based on the forecast amount of profit attributable to owners of parent calculated on a standard tax rate basis excluding the effects of factors such as the tax benefit of the net loss carry forwards.

Financial Highlights

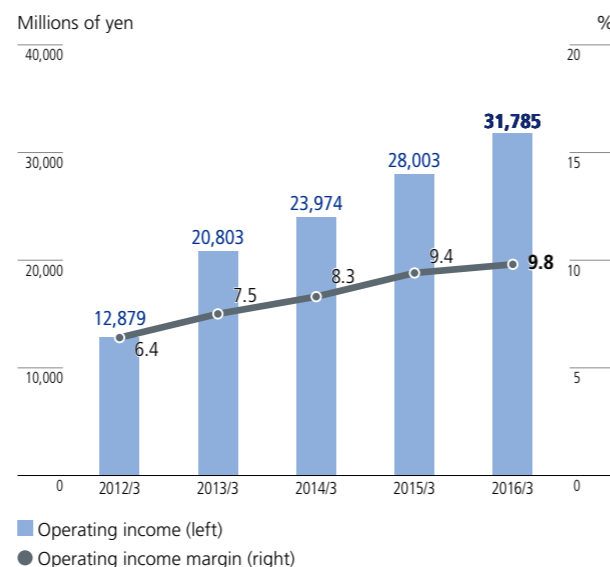
Net Sales

¥323.9 billion



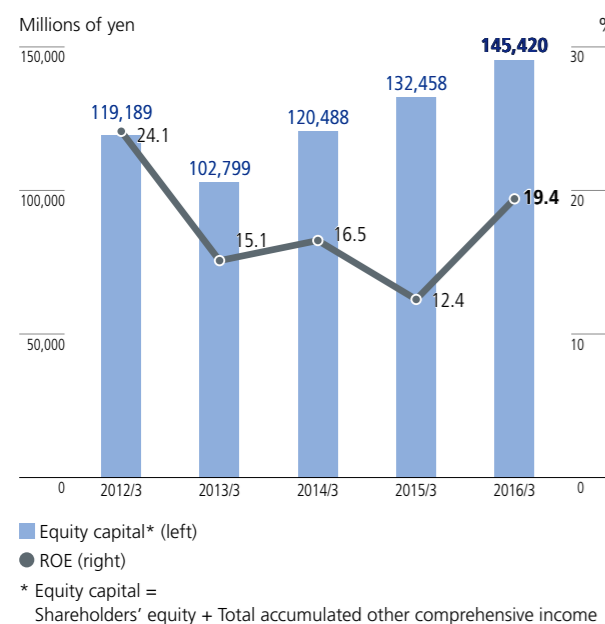
Operating Income Margin

9.8%



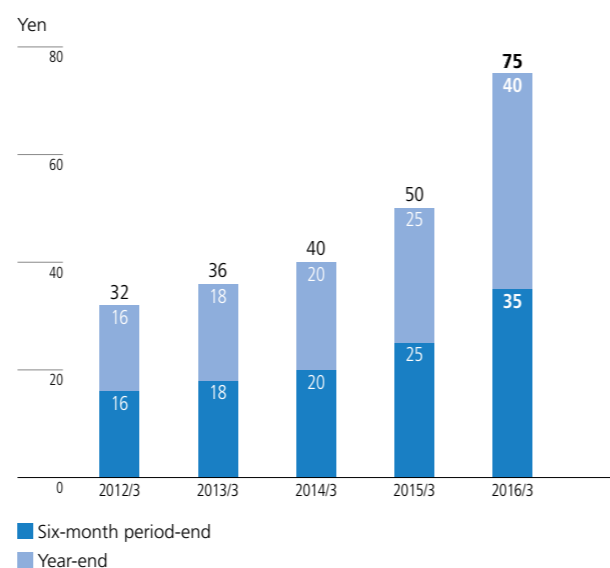
ROE

19.4%



Dividend Payments

¥75



SCSK Corporation: Financial Indicators (Consolidated)

(Millions of yen)

Income Statements	2012/3* ¹	2013/3	2014/3	2015/3	2016/3
Net sales	200,326	278,634	288,236	297,633	323,945
Systems Development	73,811	112,316	117,597	117,843	124,470
System Maintenance and Operation / Services	68,296	104,284	107,577	110,720	119,170
Packaged Software / Hardware Sales	56,496	58,731	60,019	65,691	77,087
Prepaid Card Business	1,722	3,302	3,042	3,378	3,217
Gross profit	46,370	64,466	68,724	72,469	78,021
Gross profit margin (%)	23.1	23.1	23.8	24.3	24.1
SG&A expenses	33,490	43,663	44,749	44,466	46,235
Operating income	12,879	20,803	23,974	28,003	31,785
Operating income margin (%)	6.4	7.5	8.3	9.4	9.8
Profit attributable to owners of parent	25,669	16,730	18,387	15,638	26,956

Cash Flows

(Millions of yen)

Cash flows from operating activities	22,249	25,156	35,342	29,707	34,730
Cash flows from investing activities	(8,112)	(249)	(26,045)	5,166	(9,473)
Free cash flows* ²	14,137	24,906	9,297	34,873	25,257
Cash flows from financing activities	(7,965)	(5,512)	(33,739)	(8,395)	(12,338)
Cash and cash equivalents at end of period	63,661	83,247	59,004	85,713	98,445

Financial Position

(Millions of yen)

Total assets	300,928	322,828	317,932	334,290	352,676
Net assets	124,419	108,208	126,159	138,536	151,546
Equity capital	119,189	102,799	120,488	132,458	145,420
Interest-bearing debt + Preferred shares* ³	84,860	84,860	57,000	55,000	50,000

Per Share Data

(Yen)

BPS	860.37	991.48	1,161.29	1,276.37	1,401.00
EPS	334.19	161.39	177.26	150.71	259.72

Major Indicators

ROE (%)	24.1	15.1	16.5	12.4	19.4
ROA (%)	7.9	7.1	8.0	9.4	9.8
Equity ratio (%)	39.6	31.8	37.9	39.6	41.2
Debt/Equity ratio (Times)	0.46	0.83	0.47	0.42	0.34
Number of employees	11,995	11,797	11,689	11,754	11,769
Capital expenditures (Millions of yen)	7,954	10,219	9,441	14,842	12,046
Depreciation and amortization (Millions of yen)	5,380	6,690	6,841	6,865	8,003
R&D expenses (Millions of yen)	417	566	449	267	117
Stock prices (Yen)	1,312	1,835	2,781	3,365	4,400

*1. Figures of CSK before the merger date (October 1, 2011) are not included

*2. Free cash flows = Cash flows from operating activities + Cash flows from investing activities

*3. The figure as of March 31, 2012 includes ¥30.0 billion of preferred stocks assumed by the Company in fiscal 2011 as a result of the merger with CSK Corporation. All of these preferred stocks were acquired from the financial institutions holding the shares on May 31, 2012, and based on a resolution passed at the Ordinary General Meeting of Shareholders held on June 27, 2012, and all of these preferred stocks were cancelled on the same day, June 27, 2012.



Together with its stakeholders, SCSK will work toward the creation of an affluent society under its aim of becoming a company that contributes to society through its business activities.

Hisakazu Suzuki
Representative Director, Executive Vice President

SCSK's Corporate Philosophy and CSR

Our corporate philosophy of "Our Future of Dreams" can only be realized in the presence of a sustainable society. For this reason, resolving social issues is a task of extreme urgency.

In order to accomplish this task, each employee must take on these issues with passion (Challenge). We must also earnestly face the issues confronting our customers and society as if they are our own, and carry out our actions in a responsible manner (Commitment), as well as respect and cooperate with our associates (Communication). At the same time, it is necessary that we remain in touch with society and maintain a continual awareness of the issues we face.

SCSK is creating new value through IT and developing businesses that support the business activities of its customers. In addition to directly resolving social issues through our

business, we will also work to help address social issues by attending to the issues faced by customers. We believe that this type of indirect social contribution is a CSR activity suitable for SCSK.

With the synergies created between our IT services business and our quest to help resolve social issues, we will move forward, step by step, with the creation of an affluent society.



CSR Activities Geared toward Becoming the Company We Aspire to Be

SCSK promotes systematic CSR activities with the aim of becoming a company that contributes to society through its business activities.



Observance of International CSR Guidelines and Principles

SCSK observes international CSR guidelines and principles in its CSR activities.



U.N. Global Compact

SCSK has been participating in the U.N. Global Compact since 2007. We support the Compact's 10 principles relating to human rights, labour, the environment, and anti-corruption, and reflect this support in our business activities.

Sustainable Development Goals

SCSK is preparing to begin making contributions to the accomplishment of the Sustainable Development Goals (SDGs) set forth by the United Nations in 2015.

ISO 26000

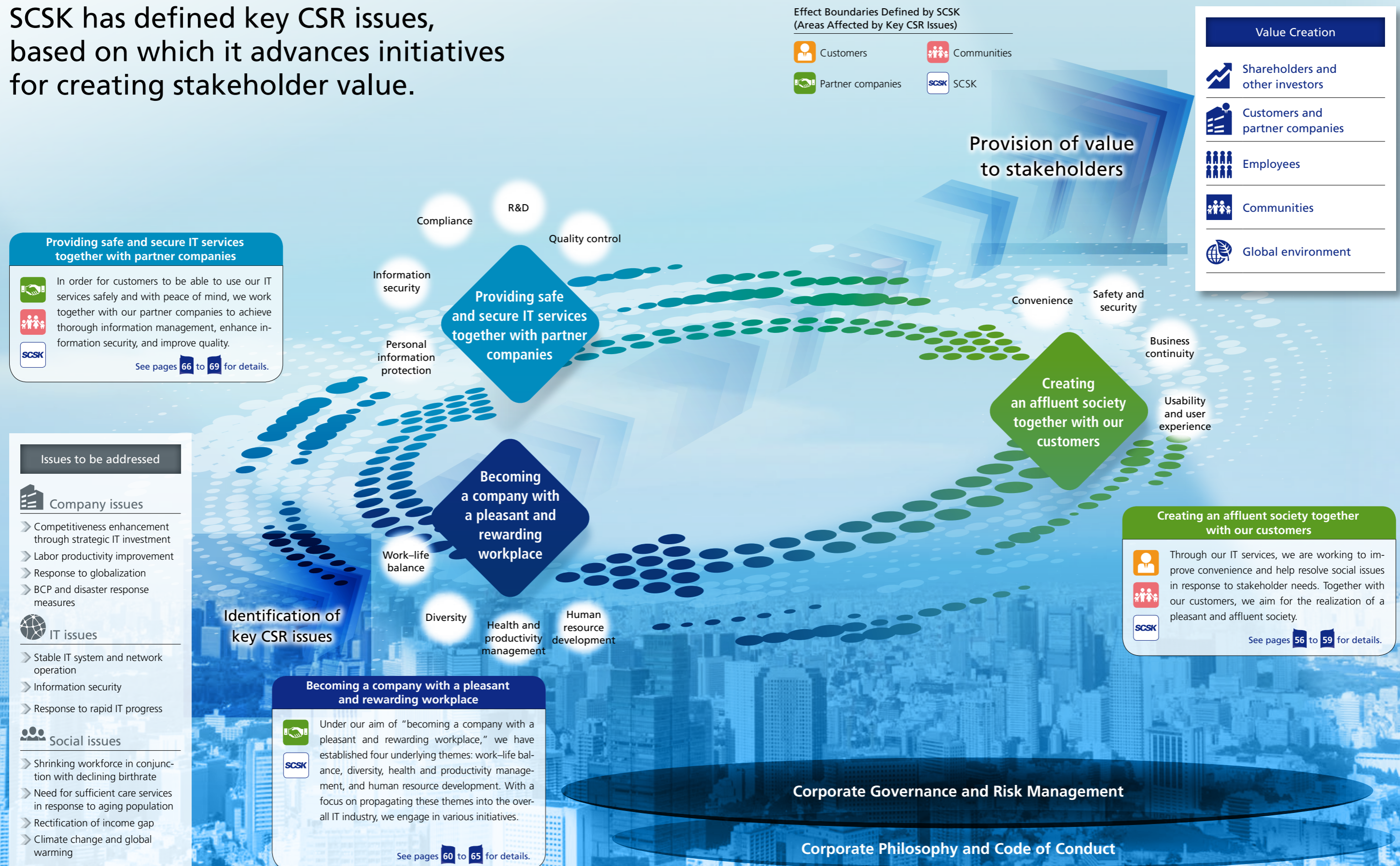
SCSK has been practicing management based on the core subjects of ISO 26000 since 2012, and each division is working toward the related CSR goals it has defined.

Global Reporting Initiative Guidelines

SCSK's integrated reports and the CSR activities reports available on the Company's corporate website were constructed while referencing the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines, Fourth Edition (G4).

Value Creation and Key CSR Issues

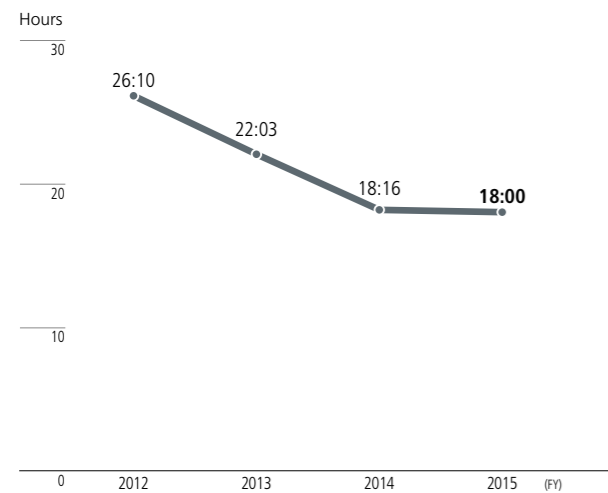
SCSK has defined key CSR issues, based on which it advances initiatives for creating stakeholder value.



Nonfinancial Highlights

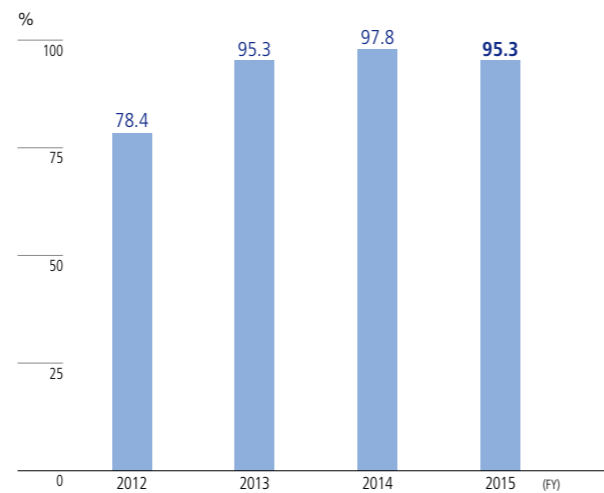
Average Monthly Overtime Hours
(Average for all Employees)*1

18 hours, **00** minutes per month



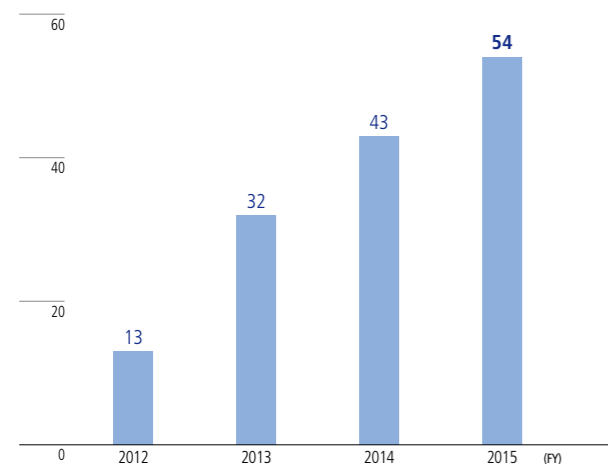
Ratio of Employees Taking Annual Paid Leave
(Average for all Employees)*1

95.3%



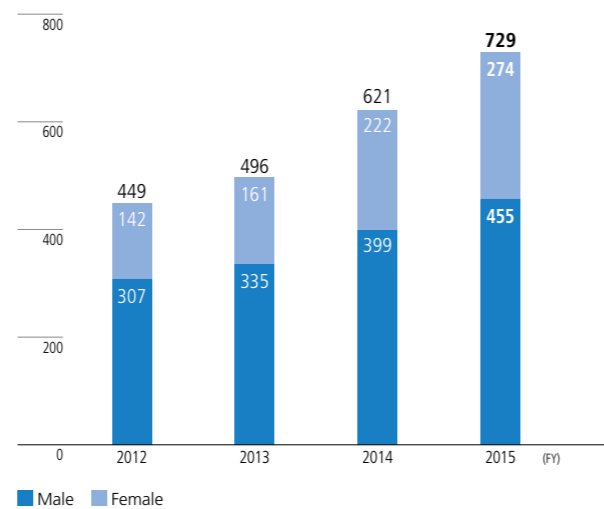
Number of Female Managers

54



Number of Employees Using Balance Support Leave*4

729



SCSK Corporation, Non-Consolidated Index

Data on Labor Practices

		FY2012	FY2013	FY2014	FY2015
Number of employees		7,494	7,385	7,328	7,261
	Male	6,257	6,162	6,091	6,022
	Female	1,237	1,223	1,237	1,239
Recruitment	Number of new recruits (newly graduated)	93	90	99	122
	Male	68	61	67	80
	Female	25	29	32	42
Diversity	Number of people with disabilities*2	139	153	171	179
	Number of female managers	13	32	43	54
Work-life balance	Average monthly overtime hours*1	26 hours, 10 minutes per month	22 hours, 03 minutes per month	18 hours, 16 minutes per month	18 hours, 00 minutes per month
	Ratio of employees taking annual paid leave*1	78.4%	95.3%	97.8%	95.3%
	Number of employees using childcare leave	163 (Male: 2, Female: 161)	189 (Male: 7, Female: 182)	208 (Male: 8, Female: 200)	208 (Male: 8, Female: 200)
	Number of employees using nursing care leave	3 (Male: 2, Female: 1)	3 (Male: 3, Female: 0)	4 (Male: 4, Female: 0)	1 (Male: 1, Female: 0)
	Number of employees using reduced work hour programs	182 (Male: 2, Female: 180)	179 (Male: 2, Female: 177)	191 (Male: 2, Female: 189)	216 (Male: 3, Female: 213)
	Number of employees using maternity leave*3	86	76	74	85
	Number of employees using parental leave	187	184	152	169
	Number of employees using balance support leave*4	449 (Male: 307, Female: 142)	496 (Male: 335, Female: 161)	621 (Male: 399, Female: 222)	729 (Male: 455, Female: 274)
	Number of employees using child nursing leave	363 (Male: 228, Female: 135)	419 (Male: 266, Female: 153)	438 (Male: 265, Female: 173)	458 (Male: 260, Female: 198)
	Nursing care support seminars	Number of seminars held (Times)	3	3	16
	Number of participants	192	155	1,088	1,126

Data on Environmental Impact*5

		FY2012	FY2013	FY2014	FY2015
Power consumption	Total (MWh)	89,808	91,266	93,013	88,931
	Break-down				
	Offices in Japan (MWh)	18,057	16,463	15,072	14,124
	Data centers (MWh)	71,751	74,803	77,941	74,807
Thermal energy consumption (GJ)		879,979	894,101	911,181	867,229
CO ₂ emissions from fuel combustion (t-CO ₂)		41,393	47,341	48,636	45,612
Volume of office paper purchased (1,000 sheets)		37,771	33,363	32,577	34,390
General waste (t)		309	331	361	357
General waste recycling rate		77%	78%	85%	83%
Industrial waste (t)		95	161	130	172
Industrial waste recycling rate		100%	100%	100%	100%
Total waste (t)		404	492	491	529
Data centers annual average PUE at data centers	Tokyo Center 1	1.62	1.63	1.58	1.63
	Tokyo Center 2	1.75	1.78	1.79	1.82
	Chiba Center	1.46	1.47	1.53	1.57
	Sanda Center	1.75	1.80	1.74	1.79

*1. Average for all employees including those under the discretionary work system and supervisors

*2. Employment ratio of the 10 Group companies in Japan certified as affiliates. Figures for each year are as of June 1.

*3. Available to pregnant women in half-day increments to allow them to take time off for various related ailments, such as morning sickness, and for prenatal checkups.

*4. Balance support leave: This type of paid leave is applicable to employees in the following instances:

A. When the employee is providing nursing care to a family member (the employee's spouse, or a family member (within the second degree) of the employee or the employee's spouse). However, this does not include family members who have received nursing care authorization.

B. When the employee must accompany his or her child to receive necessary vaccinations, or attend an event at his or her child's school, up until the child graduates from elementary school

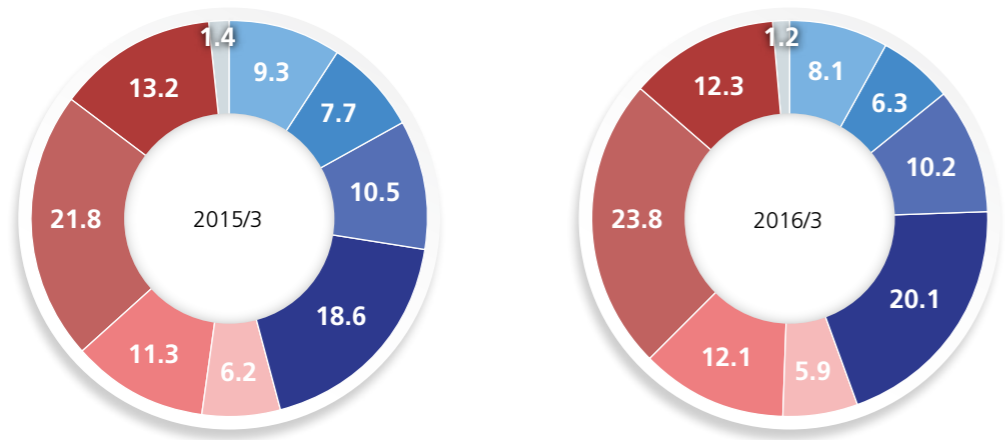
C. When the employee goes to the hospital for infertility treatment

Note: For A and B above, the employee receives a maximum of five paid holidays, regardless of the number of family members he or she provides nursing care to or the number of children the employee has.

*5. Aggregated data as of June 2016

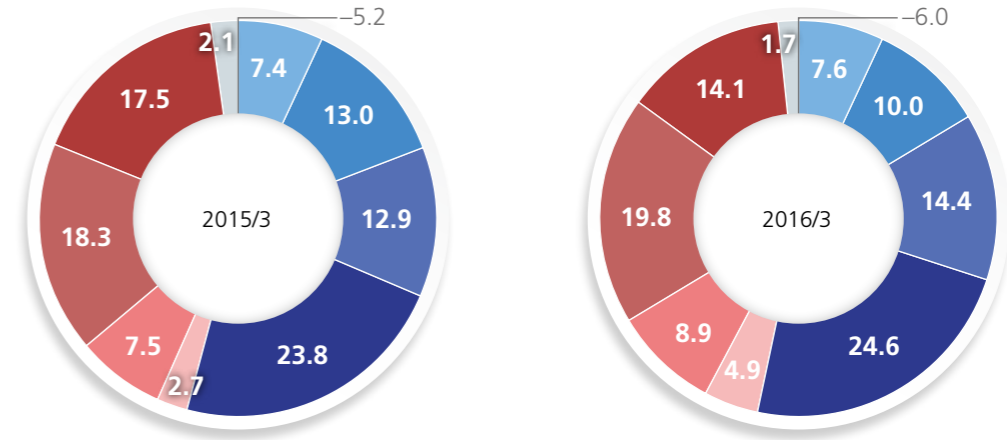
Business Overview

► Distribution of Net Sales (%)



■ Manufacturing Systems Business Group
 ■ Telecommunication Systems Business Group
 ■ Distribution Systems Business Group
 ■ Financial Systems Business Group
■ Business Solutions Group
 ■ Business Services Group
 ■ IT Platform Solutions Group
 ■ IT Management Group
■ Others (including Prepaid Card Business)

► Distribution of Operating Income (%)



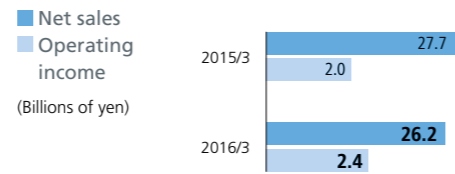
■ Manufacturing Systems Business Group
 ■ Telecommunication Systems Business Group
 ■ Distribution Systems Business Group
 ■ Financial Systems Business Group
■ Business Solutions Group
 ■ Business Services Group
 ■ IT Platform Solutions Group
 ■ IT Management Group
■ Others (including Prepaid Card Business)
 ■ Adjusted total

► Business Overview

Businesses by Industry

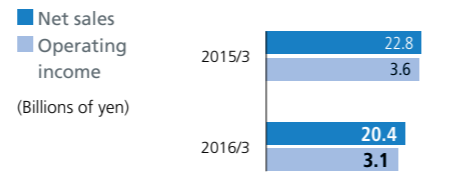
Manufacturing Systems Business Group

The Manufacturing Systems Business Group primarily serves customers in the manufacturing industry. Calling upon our years of experience and accumulated expertise, we supply a broad range of IT solutions on a global basis. These solutions span a range of operational processes from production to sales in areas including the strategic automotive software systems business.



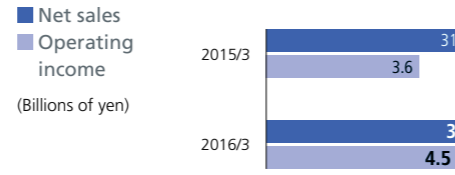
Telecommunication Systems Business Group

The Telecommunication Systems Business Group provides optimal integrated services through combinations of various IT solutions to customers in the communications, utilities, and media industries.



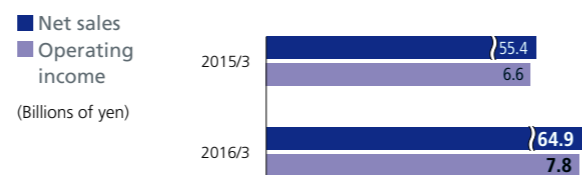
Distribution Systems Business Group

The Distribution Systems Business Group provides combinations of IT solutions for the distribution, trading, service, and pharmaceuticals industries. This group also supports the overseas business development efforts of customers seeking to expand on the global stage.



Financial Systems Business Group

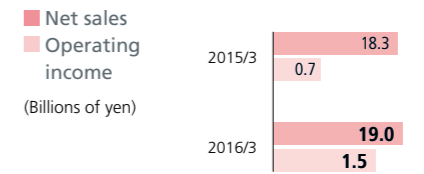
The Financial Systems Business Group provides systems development, operation, and maintenance services for various fields, including banking and trust banking, life and non-life insurance, securities, the leasing business, and the credit card business. As a professional with experience developing sophisticated financial systems, this group aids in the advancement of financial business strategies while also supporting safe and efficient management.



Businesses by Function

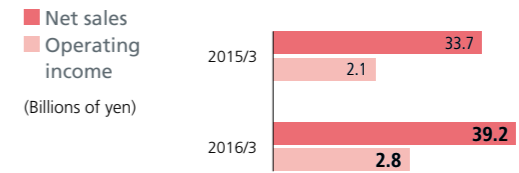
Business Solutions Group

The Business Solutions Group provides application management outsourcing (AMO) services that cover the entire system life cycle, from installation and development to maintenance and operation, centered on enterprise resource planning (ERP) and customer relationship management (CRM). These services are provided in a manner that is ideally suited to customers' business goals.



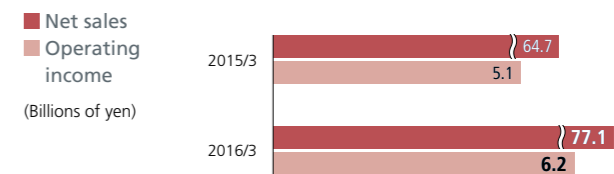
Business Services Group

The Business Services Group provides a lineup of solutions that combine human operations with IT. These solutions include various business process outsourcing (BPO) services based out of contact centers, verification services that evaluate systems and security from a third-party perspective, and total e-commerce outsourcing services.



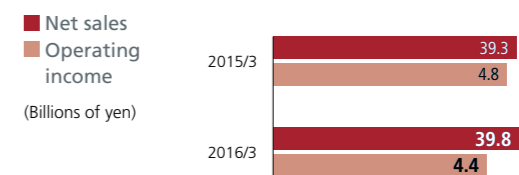
IT Platform Solutions Group

The IT Platform Solutions Group offers flexible support for a variety of customer initiatives in manufacturing with computer-aided design (CAD), computer-aided engineering (CAE) and other areas as well as IT infrastructure. Leveraging cutting-edge technologies, this group provides products and services that accurately respond to customer needs to flexibly support customers' various businesses.



IT Management Group

The IT Management Group provides customers with cloud services comprised of servers, networks, security devices, data centers, and other components that form the base of customers' IT service platforms. These components are arranged into optimal combinations from the perspective of management and operation.



Manufacturing Systems Business Group

Growing with Customers and Heightening the International Competitiveness of Japan's Manufacturing Industry



Katsuya Imoto

Director, Senior Managing Executive Officer
General Manager, Manufacturing Systems Business Group

The Manufacturing Systems Business Group provides systems development services as well as maintenance and operation services for the full range of operational processes. Supplying these services on a global scale, we cater to customers in a diverse range of manufacturing industries, including the automobile, home electronics, and electrical and precision machinery industries.

Offerings such as production and inventory management systems, global supply chain management (SCM) systems, and CRM systems are characterized by the high-quality services we offer, steeped in the rich operational knowledge and sophisticated technological capabilities we have developed through close interaction with customers.

Of particular note for our automobile industry product strategies is our automotive software systems business. Operations in this area, which is garnering increasingly high attention, have been positioned as a strategic business, and we are advancing this business through a concerted Companywide effort.

SCSK has a history spanning more than 30 years in the automotive software systems business, and we were among the first to begin employing the AUTOSAR architecture, which is steadily becoming the global standard, and the new method of model-based development. Looking ahead, we will continue to provide products and services that are in line with customer expectations, boasting the high levels of quality and reliability required by the automobile industry while also meeting safety and security needs.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Net sales down due to the absence of large projects that supported performance in the previous year; operating income up following improved productivity and profitability
- ▶ Deal flow strong for IT investment amid appearance of demand for strategic IT investment for accommodating global operations and other undertakings

Future Initiatives

The Manufacturing Systems Business Group has adopted "establishing a solid position to support the Japanese manufacturing industry by leveraging services and quality unique to SCSK" as its main policy. Under this policy, the group is accelerating the following initiatives to make contributions to customers' management reforms expeditiously.

First and foremost, we will take an even more earnest stance toward engaging with customers on an individual basis, striving always to develop the deepest possible understanding of customers. By sharing the experience of examining the management issues of customers and of considering and formulating solutions for these issues, we hope to become a true partner to customers, fully capable of providing pertinent advice.

Furthermore, the Manufacturing Systems Business Group aims to create service-oriented businesses for the manufacturing industry by leveraging its experience and expertise as well as the SCSK Group's comprehensive strengths. For example, we plan to utilize Internet of Things (IoT) technologies to provide services related to maintenance for the prevention of product failure, repairs, and secondhand sales in the expansive after-market.

Through these efforts, we aim to contribute to the further development of the manufacturing industry, one of Japan's cornerstone industries employing approximately 10 million people.

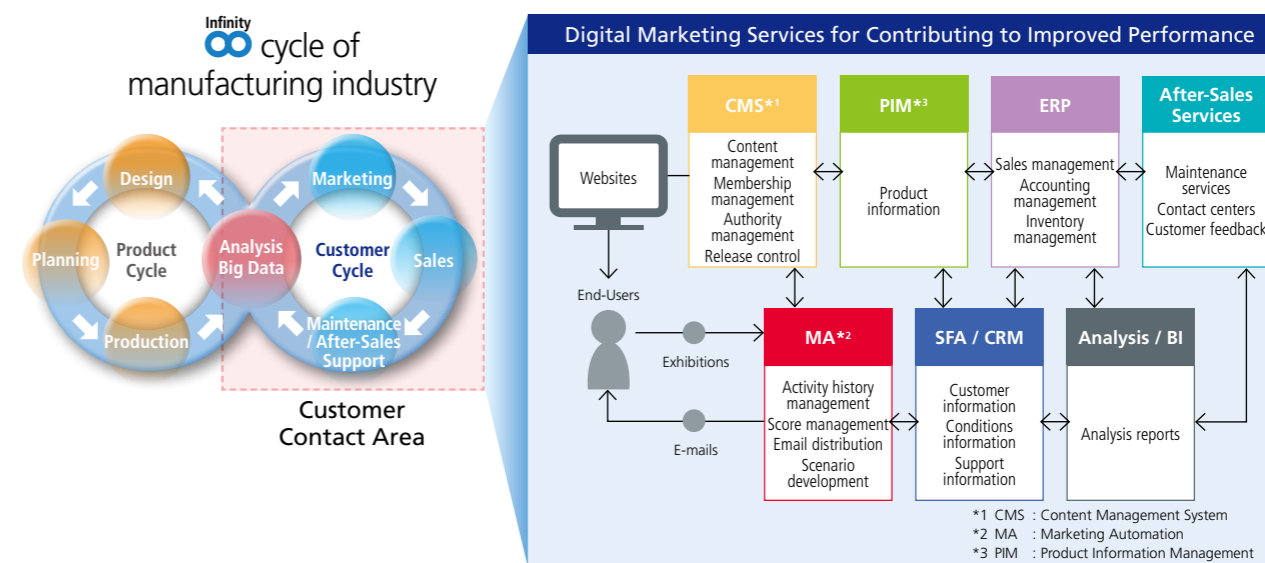
Service-Oriented Businesses (Digital Marketing Services)

According to a recent survey, the value created by companies that actively utilize IT to connect with their customers is substantially higher than the value created by companies that do not utilize IT in this manner. The current era is one in which the competitiveness of companies hinges on the ability to formulate appropriate business strategies based on information collected through a diverse range of customer contact points, including conventional phone calls and call centers as well as websites, social networking sites, and email magazines. In this era, it is crucial to fully understand the thought processes and interests of customers. Aggressive strategic investments are what is required now, specifically those investments that allow companies to take full advantage of IT to provide optimal

products and services at the ideal timing for soliciting to customers.

The Manufacturing Systems Business Group provides a complete lineup of services for managing customer contact points. These services include those for individual contact points, such as the development of websites, call center systems, and various contact point operation services. In addition, we also offer services for managing the information accumulated by numerous contact points, including integrating (compile big data) and analyzing this information and proposing utilization methods. Furthermore, we respond to customer information collection needs with support for acquiring more viable information from customer contact points.

Overview of Services



CASE STUDY Resolving Social Issues through Our Business Activities

QINeS® Automotive Systems Supporting Automobile Design for a Brighter Future

In recent years, the computerization of automobiles has been advancing rapidly. At the same time, the functions of automobiles have been growing increasingly more sophisticated with each coming year, leading to more complex automotive systems and greatly expanding the volume of development work. These trends have made ensuring reliability of software, a task of utmost importance for automobile manufacturers. SCSK has a history of more than 30 years of providing services and solutions for automotive systems. In 2015, we launched our new AUTOSAR-compliant QINeS® service, which includes made-in-Japan basic software (BSW). We are now able to provide services, including BSW, process creation for development and management, training, and engineering services, on a one-stop basis. Through the sharing of software and the automation of software development processes, we help achieve higher levels of quality and productivity in automotive systems development. In this manner, we are contributing to the realization of a brighter future driven by automobiles that benefits people, society, and the environment.



Shoichi Kondo
Senior Executive Officer,
Automotive Systems
Business Div.

Telecommunication Systems Business Group

Clearing a Path for Growth in the Communications, Utilities (Electricity and Gas), and Media Fields



Kenji Mukai
Managing Executive Officer
General Manager, Telecommunication Systems Business Group

The Telecommunication Systems Business Group provides optimal integrated services through combinations of various IT solutions to customers in the communications, utilities (electricity and gas), and media fields.

For the communications industry, we provide services such as construction of customer management systems including sales order management systems and billing systems for major mobile telephone companies. We also provide maintenance and operational services of these systems. For the utilities (electricity and gas) industry, we are involved in projects in highly specialized areas related to energy policies and electricity deregulation, and are taking initiatives in regard to the construction of a new type of energy management IT system. For the media industry, we handle backbone systems for cable

TV and televised home-shopping companies, providing operational and maintenance support for these systems. We work to optimize these companies' CRM systems and strengthen their management base. We also provide full support for IT-related operations.

What these three business areas have in common is the fact that they all have direct interaction with customers' end-users, and to provide the various systems the Company has developed in the area of end-user relations to these three differing customer groups is a significant strength of this group. Through comprehensive, full outsourcing services, the group contributes to reducing the burden of development and operational tasks for its customers.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Net sales and operating income down as a large-scale, media industry system integration project was completed in fiscal 2014
- ▶ Strong systems development demand in the communications industry and firm demand for systems development and various system upgrades in relation to electricity deregulation in the utilities industry

Future Initiatives

For the new Medium-Term Management Plan, we have identified three key tasks to undertake: (1) further expand our services into the strategic business domains of customers, (2) establish strategies for service-oriented businesses and take on challenges under those strategies, and (3) develop human resources, enhance operational efficiency, and improve productivity.

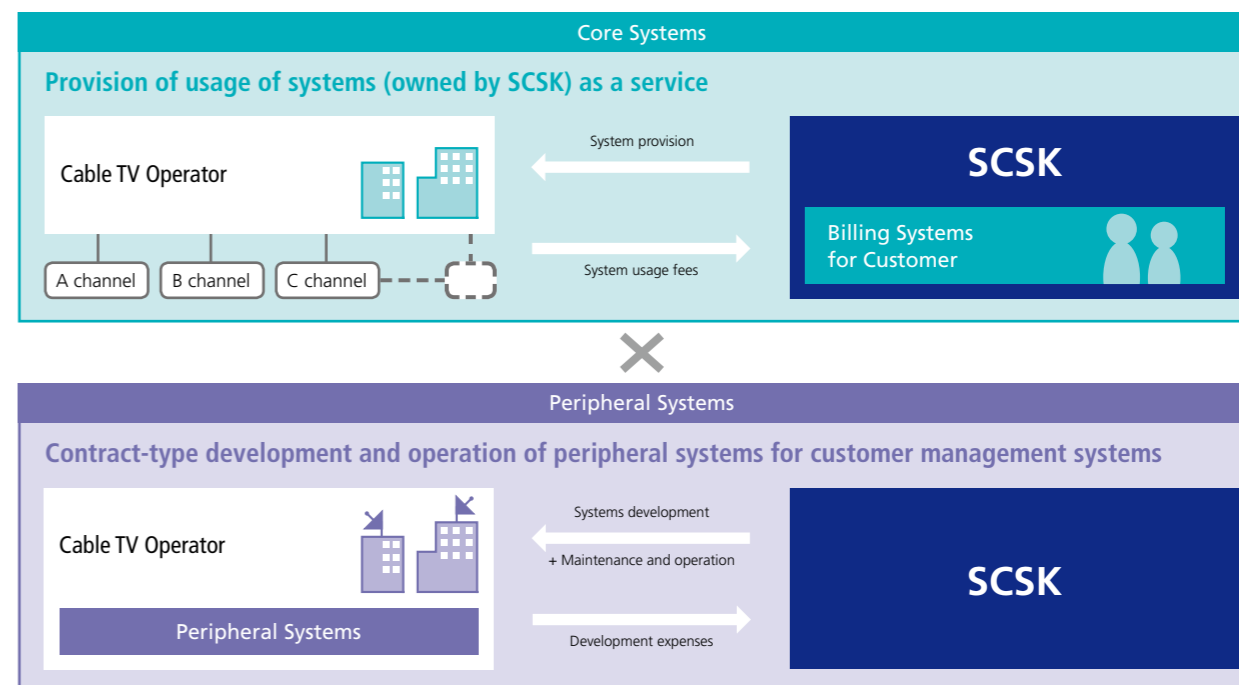
In order to accomplish the three key tasks, we will make each employee aware of these tasks and share information in every detail in order to direct the Group on a course for growth. We will also work to promote the move to cloud computing in the business-to-consumer (B2C) area, which contains a diverse range of potential business opportunities, including sales management and billing services. Furthermore, we will promote cooperation and integration among our business fields, including communications, utilities (electricity and Gas), and media, while aiming to establish a solid business foundation and provide prompt support for the new business domains of our customers.

Service-Oriented Businesses (Billing and Customer Management Systems)

One example of a service-oriented business offered by the Telecommunication Systems Business Group is the development and provision of billing and customer management systems for a cable TV operator. The customer we serve in this business operates cable TV channels with 5 million subscribers in total, effectively meaning that this group supplies Japan's largest billing and customer management system, covering more than half of the total cable TV subscribers in Japan.

In this business, SCSK owns customer billing systems as an asset and provides use of the system as a service. As billing systems are core systems for the customer, the provision of these systems by the Telecommunication Systems Business Group has led the group to be called upon to develop and introduce peripheral systems as well as to handle system operation and maintenance. Going forward, we will strive to expand our service-oriented businesses while responding flexibly to changes in customer businesses.

Overview of Services



CASE STUDY Resolving Social Issues through Our Business Activities

Electricity Retail Operation Systems

Support for Stable Energy Provision

SCSK took part in the development of a fee calculation and customer management system for Japanese electricity provider, Summit Energy Corporation, for its electricity retail operations targeting low-voltage users (standard households and small-scale businesses). In this undertaking, SCSK provided support for the entire project while supplying a cloud platform using its USIZE infrastructure. Summit Energy works to ensure a stable supply of electricity and is also engaged in building new biomass power plants and operating wind power plants to generate energy with low environmental impact. As a business partner to Summit Energy, SCSK has been supporting this company's electricity retail operations since 2013. Such support has included helping refine and develop IT system platforms in conjunction with the expansion of Summit Energy's business and aiding in response to regulatory system revisions. Going forward, SCSK will continue to make such indirect contributions to stable electricity supplies and reduced environmental footprints.



Masakazu Hakuno
General Manager, Energy Systems Dept., Telecommunication & Public Sector Systems Sales Dept. Deputy General Management, Telecommunication Systems Dept. I

Distribution Systems Business Group

Refining Strengths and Focusing on Provision of Services with a Competitive Edge



Tatsujiro Naito
Director, Senior Managing Executive Officer
General Manager, Distribution Systems Business Group

The Distribution Systems Business Group provides IT solutions services designed specifically for customer industries, such as the trading, distribution, food, pharmaceuticals, and real estate industries.

As for the trading industry, our biggest customer is Sumitomo Corporation and its group companies, to which we provide IT services through one-stop full outsourcing spanning from planning to maintenance and operation to support this group's consolidated global management.

For supermarkets and pharmacies in the distribution industry and for real estate brokerages in the real estate industry, we provide sales support solution services. These solutions include

tools for sales promotion, marketing, and data analysis as well as other services that support the frontline operations of our customers.

For the pharmaceuticals industry, we provide data analysis services to enterprises and organizations dealing with clinical development and offer sales support systems for medical representatives (MRs). With these offerings, we maintain a leading share in the sales and marketing solutions area of the pharmaceuticals industry.

Globally, we have operating bases in Japan and in four other countries. With a support structure organized around these five bases, we provide swift, detailed services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Net sales and operating income up due to higher orders for electronic data interchange (EDI) and other cloud services and for development projects in the e-commerce and CRM fields targeting a transition to an omni-channel approach and the utilization of big data

Future Initiatives

In the Distribution Systems Business Group, we aim to provide customers with competitive services. These services will leverage the strengths built on the know-how obtained in providing full outsourcing services for Sumitomo Corporation and our lineup of solutions designed specifically for the distribution, pharmaceuticals, and real estate industries.

For the distribution industry, we will supply cloud-based support services to address the trend toward omni-channel approaches that has been a subject of attention for the entire industry. In addition, we aim to offer new services in the area of big data, such as customer, merchandise, and inventory services.

In addition, as part of our global business expansion, we will help bolster the competitiveness of Japanese companies and support their overseas expansion efforts from an IT perspective. To advance the "entering into the second stage of global business expansion" strategy of our new Medium-Term Management Plan, we will collaborate with other divisions within SCSK in assisting megabanks in their forays into overseas markets and with the automotive software systems business in its future global expansion to strengthen our global operations.

Service-Oriented Businesses (Omni-channel Support Services)

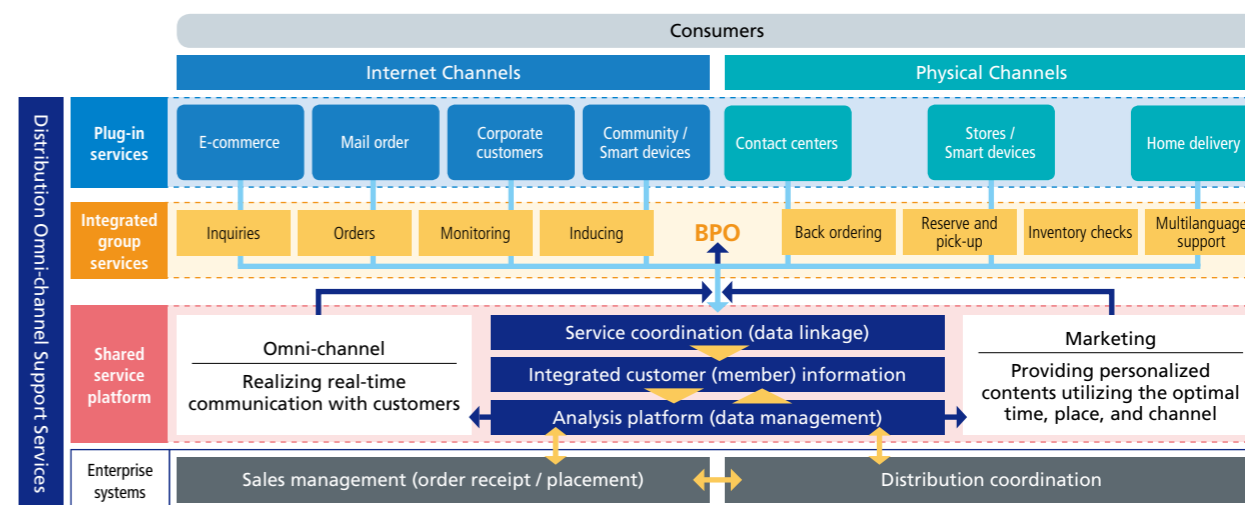
The Distribution Systems Business Group offers support for the marketing strategies of retailers, consumer goods manufacturers, and other members of the distribution industry. Through this support, we help customers adopt an omni-channel approach by integrating brick and mortar stores, websites, events, and various other sales channels.

The spread of smartphones and social media has served as a catalyst for a change in the purchasing habits of consumers. People are now able to make purchases through a variety of sales channels, unfettered by concerns of time or place, based on information they themselves have collected. In this environment,

it is especially important for distributors to create integrated purchasing processes that do not require consumers to consider the channels used.

Against this backdrop, this group will cater to the needs arising from customers' omni-channel marketing strategies. Specifically, we will provide sharing services through cloud service architecture by combining our frontline operation support solutions (including CRM, e-commerce, and Internet-based solutions) with marketing strategy support solutions (including sales data management and analysis), both of which represent areas of strength for this group.

Overview of Services



CASE STUDY Resolving Social Issues through Our Business Activities



Realization of More Fulfilling and Enjoyable Culinary Lives Using IT

As the population in Japan is aging, a growing number of people are becoming unable to go shopping for themselves due to health problems. This situation is becoming a social issue. Against this background, the supermarket industry is expected to function as a community-rooted lifeline for responding to the shopping needs of the community by providing the food that is indispensable to our daily lives. Based on this recognition, we support the operation of supermarkets of all sizes throughout Japan. One way we offer this support is through our super-market cloud electronic data interchange (EDI) service, called "SUMAKURA," which is compliant with the distribution business message standards (BMSs) and endorsed as an industry standard by the four major organizations in the supermarket industry*. This service allows processes ranging from ordering to billing to be conducted seamlessly.

SCSK is also participating in the Scenario 2025 project for researching the ideal form of the supermarkets of the future. Looking ahead, we will work together with the members of the distribution industry, using IT to contribute to the realization of a society in which fulfilling and enjoyable culinary lives may continue to be enjoyed by all.



Hitoshi Akiba
General Manager, Sales Dept.,
Distribution Systems Dept. II

* Four major organizations in the supermarket industry: Japan Supermarkets Association, All Japan Supermarket Association, New Supermarket Association of Japan, and Japan Voluntary Chain Association

Financial Systems Business Group

Creating the Financial Industry's Future Together
with Our Customers



Masanori Furunuma
Director, Executive Vice President
General Manager, Financial Systems Business Group

In the Financial Systems Business Group, SCSK provides systems development, operation, and maintenance services for almost every business field that financial institutions engage in, including banking and trust banking, life and non-life insurance, securities, the leasing business, and the credit card business.

In the financial industry, sales channels for financial products continue to become more diverse as institutions expand their operations overseas, as online trading becomes more popular, and as people more frequently use tablets or the Internet to carry out transactions. In this environment, financial institutions are increasingly working to improve the quality of their customer service using IT as they strive to differentiate themselves from others.

The Financial Systems Business Group has established a structure to provide detailed services overseas that adheres to the high standards of Japanese quality. Under this structure, we are taking initiatives to create new business models making use of our overseas bases. For Japanese financial institutions that are expanding overseas, we provide operational systems development and various other services. We also offer support to help Japanese financial institutions develop an extensive menu of sophisticated financial services that can compete with those of Western institutions.

Furthermore, we provide a wide range of solutions for security measures, disaster recovery, and business continuity plans (BCPs) that allow our customers to achieve the financial industry's top priority—safety and security.

is accelerating the construction of a support structure for global services that can provide one-stop, full outsourcing services encompassing the development and operation of enterprise systems and various financial service systems for corporate customers. Also, drawing on our accumulated intellectual properties, we are establishing service-oriented businesses and moving forward with reforms to our earnings model. Taking charge of creating new business models that meld finance with IT, we support improvements to the international competitiveness of Japanese financial institutions.

In supporting the overseas expansion of Japanese financial institutions, our group will move forward with the relocation of the necessary human resources. At the same time, through the business operations of overseas bases, we will work to cultivate globally competent employees capable of handling complex issues in the various business fields of the financial industry.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Strong demand for development of operational systems to enhance competitiveness among all financial industry customers including banks, securities firms, insurance companies, credit card companies, and leasing companies
- ▶ Net sales and operating income up due to solid demand for system reforms to address revisions to various regulatory systems

Future Initiatives

The Financial Systems Business Group is taking on the challenge of establishing a business model that provides not only systems development, operation and maintenance services but also Information and Communications Technology (ICT) services specifically for the financial industry, including call centers and BPO services. In conjunction with the expansion of Japanese financial institutions' businesses overseas, our group

Service-Oriented Businesses (Services for Financial Institutions)

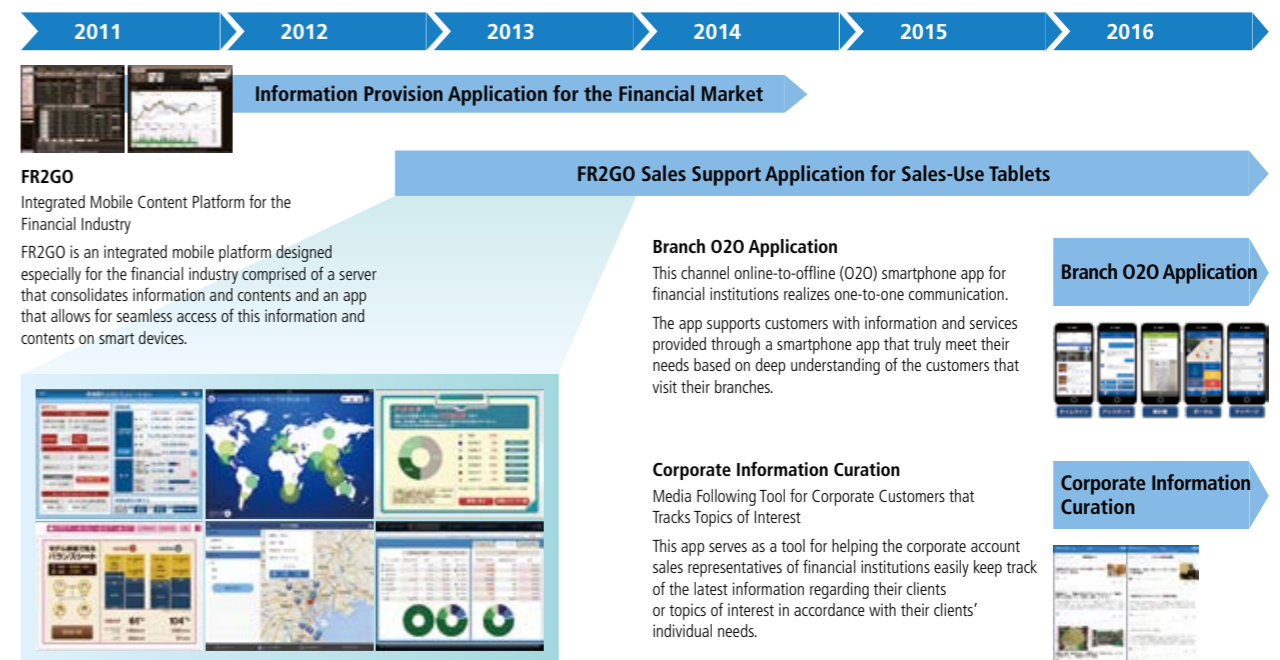
Recently, the rapid spread of smartphones and diversification of consumer needs has been stimulating energetic open innovation activities for creating new value in the financial industry.

Against this backdrop, the Financial Systems Business Group seeks to provide services that are optimally matched to the needs of each individual customer based on a user's perspective. To this end, we are reinforcing our systems for promoting the creation of new financial services. Specifically, we are collecting and verifying information on advanced technologies, which can be seen as the foundations for creating new value.

Based on the information gained through these efforts, we are formulating business models for use in catering to the needs of financial institutions. Specific measures with this regard include developing FinTech* applications for regional banks and enhancing anti-money laundering services. In addition, we are participating in research associations operated by other companies and in consortiums. Also, we are pursuing coordination with FinTech companies in our efforts to create innovative services.

* Portmanteau of "finance" and "technology"

Examples of Initiatives



CASE STUDY Resolving Social Issues through Our Business Activities

Utilizing Nearshore Bases for Financial Systems Development

Since systems development demand largely arises in the Tokyo metropolitan area, systems development companies that have bases outside of this area often find it difficult to make full use of their capable human resources as they can face trouble in securing an ongoing supply of orders locally. This situation can cause the employment conditions for skilled engineers seeking to work in their home town to deviate from their desires.

SCSK has transferred certain operations related to functional expansions and maintenance and operation of large-scale systems, primarily financial systems, to subsidiary SCSK Nearshore Systems Corporation (SCSK-NS), which provides system development services out of five domestic bases in Iwate, Kanagawa, Fukui, Miyazaki, and Okinawa prefectures.

Going forward, the Company will continue to work together with SCSK-NS to create local jobs and invigorate local industries while providing robust and secure financial systems to its customers.



Satoshi Ueda
General Manager, Banking,
Systems Dept. I
Financial Systems Business Div. I

Business Solutions Group

Creating a New Value Chain, from Systems Development and Installation to Maintenance and Operation through AMO

Masahiko Suzuki

Director, Executive Vice President
General Manager, Business Solutions Group



In the Business Solutions Group, SCSK offers a variety of products through our unique AMO outsourcing services that cover the entire system lifecycle. These services are provided in the optimal format for each of our customers, and center on ERP packages including SAP, Oracle, and our proprietary ProActive package as well as Salesforce and other CRM products and various kinds of data linkage and analysis tools. With our AMO services, customers' systems are remotely maintained and operated from the Company's premises. The greatest strength of these services is their ability to provide customers with a

wide-ranging menu of well-organized technical know-how. AMO services are used by numerous customers because they are able to turn expenses for maintenance and operation of systems, which are normally treated as fixed costs, into variable costs.

In addition, we offer cloud environments through FastAPP, an SCSK original high-speed systems development and implementation framework that allows for swift development, easy operation, and flexible improvements of business applications.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Net sales and operating income up
- ▶ Higher sales due to solid numbers of ProActive and other ERP businesses and increased income following improved productivity and decreased low-margin projects

Future Initiatives

Based on the core strategies of the Medium-Term Management Plan, the Business Solutions Group will accelerate the shift toward proprietary services backed by SCSK's intellectual property and IT assets. We will thus seek to accumulate expertise through involvement in customers operations while making templates for expanding AMO services.

As a measure to reinforce our business foundation in order to accomplish this objective, we will work to ensure that our engineers are multi-skilled and relocate our personnel to develop human resources that can provide more efficient, more sophisticated services to our customers.

Through these efforts, the Group will strengthen the link between people engaged in each service and enhance frameworks for providing systems development, introduction, maintenance, operation, and other services.

Service-Oriented Businesses (PrimeTiaas)

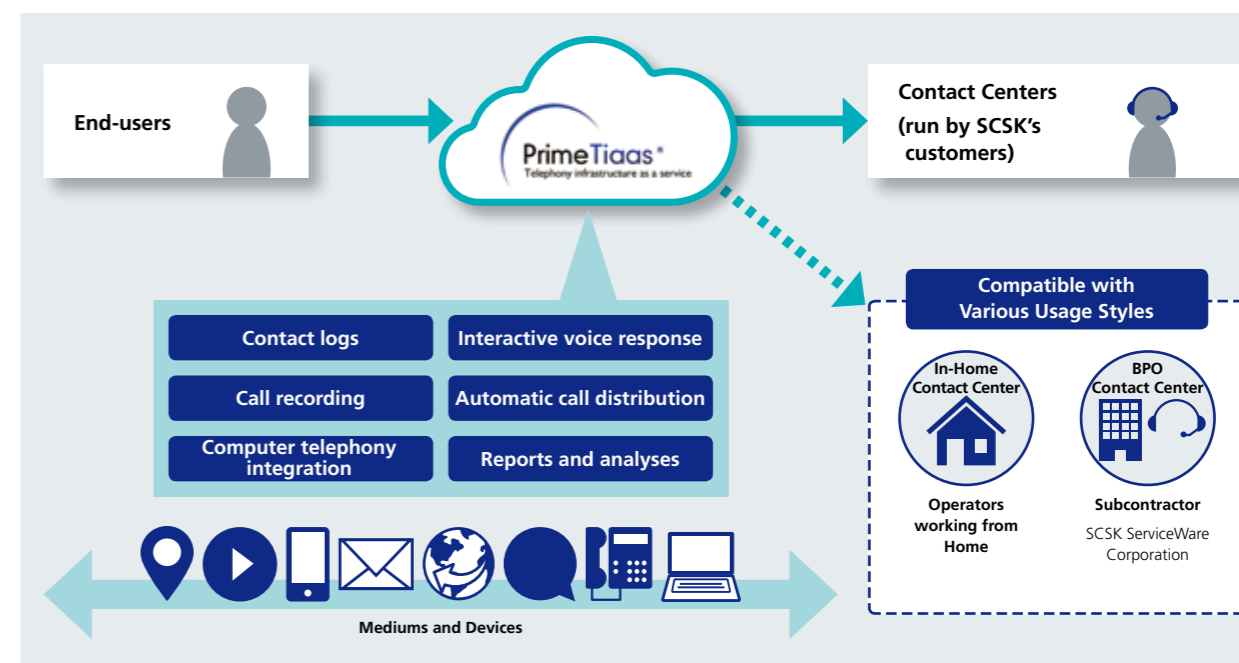
One of the offerings of the Business Solutions Group is PrimeTiaas, which provides an application service provider (ASP)-type call center platform that allows for contact centers (call centers) to be established swiftly and at low costs.

Users of PrimeTiaas are able to virtually allocate platform resources simply by realigning the tenant partition of the voice platform server. Moreover, this service is provided on a pay-per-use basis to lower the initial investment for starting up a call center and limit ongoing running costs. In addition, PrimeTiaas users may outsource processes other than those

related to contact centers to Group companies that supply business process outsourcing (BPO) services.

Going forward, we will continue to address user needs for cloud-based contact centers through system operation and other services, aiming to create a business with the potential to continue well into the future.

Overview of Services



CASE STUDY Resolving Social Issues through Our Business Activities



Labor Shortage Solutions Using AI Technologies

SCSK offers a service called "Desse," a frequently asked question response system equipped with a question response engine powered by artificial intelligence (AI) technologies. This system provides customers with quick access to the information they seek by having a website-based character process and respond to their request (question). Through such innovative uses of IT, we will endeavor to contribute to society by improving customer convenience and supplying solutions to labor shortages in the labor necessary for responding to customer inquiries.



Tooru Inada

Manager, Section III,
Solution Dept. III,
AMO Business Div. II

Business Services Group

Contributing to Higher Performance for Customers through Services
Combining Human Resources, Operational Expertise, and IT



Tatsuyasu Kumazaki

Director, Senior Managing Executive Officer
General Manager, Business Services Group

The Business Services Group comprises SCSK ServiceWare Corporation, VeriServe Corporation, and SCSK Prescendo Corporation as well as the Business Promotion Division, which is in charge of sales support and planning and promotion of new businesses.

Out of its 13 contact centers across Japan, SCSK ServiceWare provides various industries with technical support, help desk services, digital communication services, and other BPO services that utilize its robust service provision track record and strong operational know-how.

Backed by years of experience and its systematic verification theory, VeriServe conducts various verification services from the perspective of a third party, independent from the developers' side. These services include system verification for IT-related products as well as verification of applications.

SCSK Prescendo develops outsourcing businesses that offer total outsourcing services, primarily for the fashion and apparel industry, for all the operational processes related to customers' e-commerce operations.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Net sales and operating income up for fourth consecutive year since the merger
- ▶ Solid performance seen for support services for communications and financial industry, verification services for the manufacturing industry, total outsourcing services for e-commerce, and various other services

Future Initiatives

In the Business Services Group, we are combining our human resources and operational know-how with IT to provide BPO services unique to an IT company. While helping customers reduce costs, we will also contribute to higher earnings through direct approaches for improving operational processes and quality as well as sales activities. In addition, the group will assist customers in expanding into new business domains. Through these efforts, the group aims to provide even higher-value-added services to its customers.

In our digital communications services, we support the operation of the various channels through which customers pursue appropriate communication with end-users. Specially, we provide digital field management services aimed at improving customer satisfaction, ranging from process design and construction to ongoing data management, analysis, and improvement, on a one-stop basis. In addition, through our verification services we participate in projects from the stages of defining requirements and design in order to heighten the quality, cost, and delivery (QCD) aspects of the product and application development process as whole.

Going forward, we will leverage our accumulated management resources and IT platforms to advance initiatives for developing more sophisticated services combining human resources, operational expertise, and IT.

Service-Oriented Businesses (Total E-commerce Outsourcing Services)

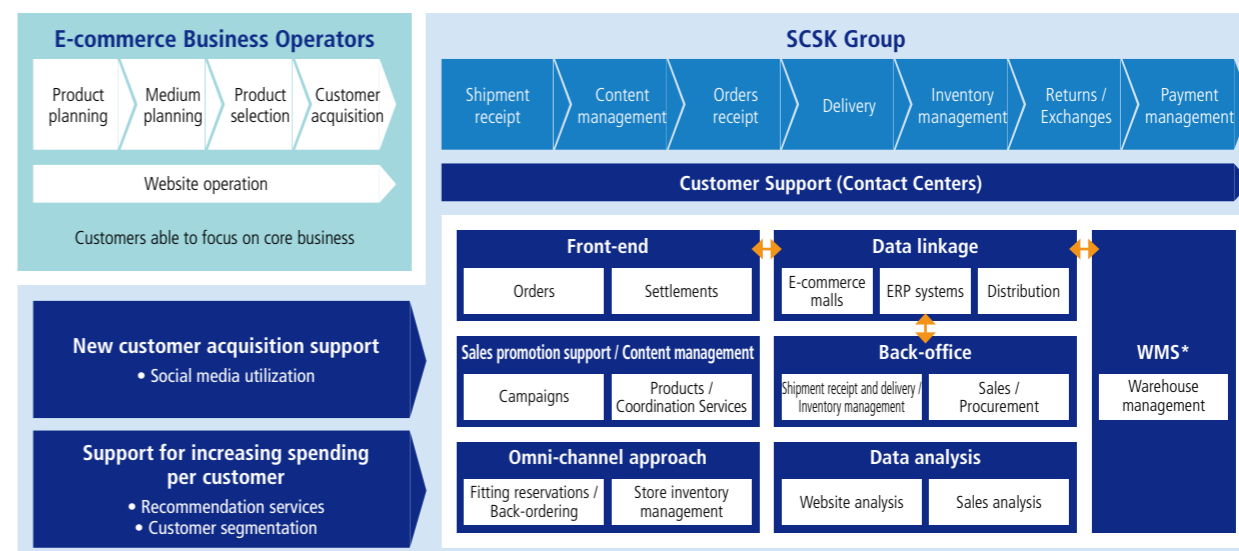
The Business Services Group offers total e-commerce outsourcing services for the fashion and apparel industry. These services encompass all operational processes related to the industry and range from cloud-base services, including construction of websites that potential purchasers view, order receipt and placement systems, and warehouse management systems. In addition, we provide such services as customer support, measuring and photographing services at our logistic centers for products so that they may be listed on websites, uploading of descriptions, and management of incoming and outgoing of deliveries, inventories, returns and exchanges, and payments. Recently, we have also begun providing concierge services in which we respond to phone calls from potential

buyers asking about the feel of materials and sizes of products.

It is not uncommon for e-commerce businesses to grow rapidly. SCSK's outsourcing services are able to respond flexibly even if product trading volumes increase, thereby allowing our customers to focus on product planning and customer acquisition without concerning themselves with investments in systems or warehouses.

Looking ahead, we aim to maintain stable operation of these services while preemptively responding to market changes, such as the rising demand for data linkage exemplified by the omni-channel approach, to provide new services that contribute to increased sales for customers.

Overview of Services



* WMS: Warehouse Management System

CASE STUDY Resolving Social Issues through Our Business Activities

Support Services for Verification of Development Documents

Support Services for Verification of Development Documents Contributing to the Advancement of Software-Using Societies

Software has become an indispensable part of our daily lives and is constantly growing more sophisticated and complex, requiring massive amounts of work to develop. If the specification, design, and other development documents for creating software contain contradictions, errors, or ambiguity, it can result in malfunctions in the software.

To prevent such malfunctions, we provide support services for the verification of development documents that utilize proprietary tools employing the knowledge accumulated over our years of operation to conduct automatic verification of development documents. We then make proposals for improvements after analyzing the results. These services greatly reduce the additional workload required to rework software if malfunctions are detected while contributing to the improvement of quality and lowering development costs. With these and other verification services, we aim to improve the quality of customer services and products and thereby help make society safer and comfortable.



Osamu Kuwano

General Manager, Solutions
Business Dept.,
VeriServe Corporation

IT Platform Solutions Group

Bolstering Sales of IT Products and Expanding Maintenance and Operation Services



Naoaki Mashimo

Director, Managing Executive Officer
General Manager, IT Platform Solutions Group

By combining servers and network devices as well as security products, the IT Platform Solutions Group provides support for the development of optimal IT infrastructure. The group also handles IT solutions for each step of the manufacturing process, such as design, planning, simulation analysis, and production preparation, and also provides maintenance and operation services for products and services after they are delivered to customers.

In addition, the IT Platform Solutions Group works to discover the latest IT products from around the world and is in charge of providing these products to customers. To this end, we utilize our global networks, which include our subsidiary in the United States and the Sumitomo Corporation Group, to

cultivate products that possess cutting-edge and unique technologies. In addition, we offer optimal product combinations based on the business operations and needs of our customers by customizing individual products and software in the same manner as one would tune a musical instrument. This ability displays the high-value-added know-how that is our group's greatest strength.

Furthermore, we offer a range of total support services. These services include the Outsourcing Onsite Service, which responds to customer needs for curtailing fixed costs by providing services at customer worksites on a pay-per-use basis through IT equipment owned by the Company, and CarePlus, which has a strong track record in maintenance and operation services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Double-digit growth for net sales and operating income
- ▶ High level of IT product sales to communications providers

Future Initiatives

While maintaining its focus on expanding sales from its existing businesses, the IT Platform Solutions Group is also accelerating initiatives for "shifting to service-oriented businesses," a core strategy in the current Medium-Term Management Plan.

In existing businesses, we will harness the various expertise of our five business divisions and work to increase profits through improved efficiency in business management. At the same time, the group will further refine its ability to propose optimal combinations of products with the goal of expanding its businesses.

In its service-oriented businesses, the group will create high-value-added services and provide these services to customers over the long term. As part of these efforts, we have established a project team within the group to facilitate the expansion of our lineup of services performed on behalf of the customer. In addition, while working to enhance the brand image of its existing CarePlus service-oriented business, the group will itemize its service menu by product and bolster its offerings to develop a lineup of highly convenient maintenance and operation services.

To advance these initiatives, it will be essential to develop human resources that have deep knowledge and skills related to product development and that are able to make proposals to customers. The group will assemble engineers currently dispersed throughout Japan in its IT technology centers, integrate education programs, and work to enhance employee technological capabilities through intensive trainings.

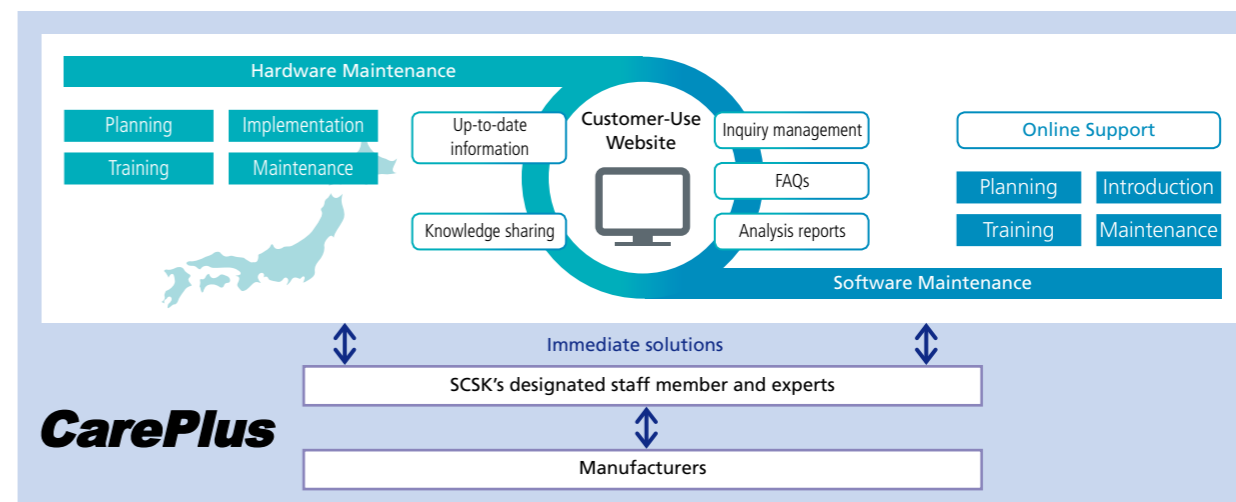
Service-Oriented Businesses

Under its CarePlus brand, the IT Platform Solutions Group offers a lineup of total support services, ranging from installation (planning and construction) to training, monitoring, maintenance and operation, for network, security, server, storage, and other IT infrastructure equipment. Furthermore, we bolstered our lineup in fiscal 2015 to include services for users of designing services, simulation analysis services, and production preparation software services and for various middleware users. Specifically, we provide website-based inquiry response services and technology information provision services. In addition, we now provide the Outsourcing Onsite Service, a pay-per-use service in which customers can use services

provided through IT equipment owned by the Company instead of purchasing their own equipment. This service addresses the needs for loan-based IT equipment usage styles that differ from the traditional ownership style of purchasing and operating the equipment used in one's business.

In the future, we will continue to differentiate SCSK's offerings from those of rivals by developing a broader and more sophisticated service menu for CarePlus and the Outsourcing Onsite Service. We will work to grow sales of maintenance and operation services by increasing the feeling of trust we provide to customers while advancing initiatives to bolster product sales.

Overview of CarePlus Services



CASE STUDY Resolving Social Issues through Our Business Activities



Comfortable Networking Environments Using Yamaha Routers for the Small and Medium-Sized Companies that are Supporting Japan

Routers are a type of network equipment used to connect LAN lines to Internet and WAN services. However, installing routers is not only incredibly expensive, but configuring and operating this equipment can be exceptionally difficult, creating a high hurdle for introduction at small and medium-sized companies.

Working together with Yamaha Corporation, SCSK strives to help small and medium-sized companies overcome this hurdle by promoting low-price, high-stability routers that are easily installed. We pursue this goal in our capacity as the general distributor for Yamaha network devices in Japan.

Yamaha network devices can track the status of LAN connections to resolve issues related to LAN environments, which have recently come to be characterized by complex arrangements of equipment and cables, and thereby enable networks to be used comfortably. By offering solutions that allow network operation at multiple stores to be managed by a small number of people, we are helping resolve the issues faced by small and medium-sized companies.



Takao Yoshida
General Manager, Network
Product Dept.
IT Products & Services Div.

IT Management Group

Contributing to the Improvement of Corporate Value through the Comprehensive Strengths of IT Management Services



Tetsuya Ueda
Managing Executive Officer
General Manager, IT Management Group

The IT Management Group works to resolve the issues its customers face in business management and operation by leveraging the power of IT. Through our IT services, such as construction and operation of customer-owned IT system infrastructure as well as management of data centers that store customer data, we help customers eliminate management risks and improve corporate value.

This group is strengthening its overall capacity to provide IT management services based on three themes. The first theme is "proof of stable IT services." Our efforts in this area include utilizing unique frameworks for visualizing various issues

related to IT services in order to provide stable services that offer reassurance. The second theme is "realization of continuously evolving IT services." With regard to this theme, we seek to improve the operational quality of customer systems to stabilize customer business foundations. The third theme is "provision of customer-value-creating IT services." Based on this theme, we work to discover what types of value customers are in need of and what they will need in the future so that we can address these needs. The IT Management Group defines its mission as contributing to the creation of value for customers through the provision of such IT services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

- ▶ Full-fledged, industry-wide IT demand growth trend in various fields due to customer needs for IaaS, PaaS, and other cloud-based IT services for strengthening businesses and improving operational efficiency

Future Initiatives

The IT Management Group has adopted "accelerating speed in shifting to service-oriented businesses" as its Group policy and is working to promote service innovation, bolster competitiveness, and nurture advanced IT technological experts.

In order to promote service innovation, the group will move forward with the advancement of core services, such as system operation, security, network, and cloud services. At the same time, it will improve communication within the group and focus its efforts on creating new services. In addition, in order to give form to customer desires, the group will provide the IT strategy formulation support service, a service in which service managers work together with the customer in on-site operations and formulate medium-term IT investment plans.

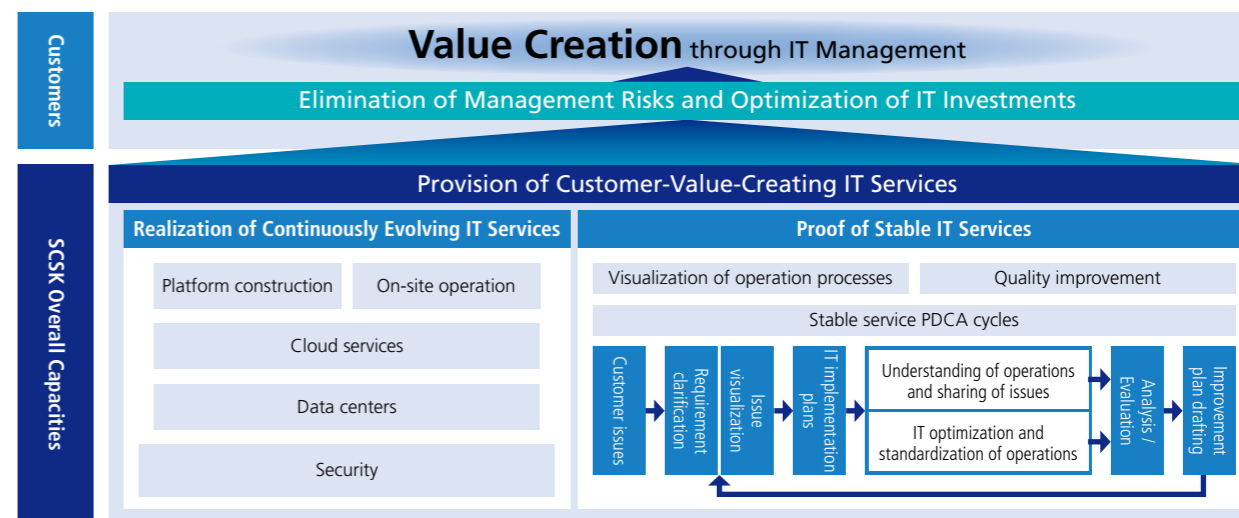
Furthermore, the group is working to bolster its competitiveness by improving convenience and the overall quality of its services and business operations. At the same time, to promote service-oriented businesses, the group will accelerate the fostering of advanced IT technological experts in order to reinforce its service management, cloud services, and security services and also further its global expansion. Through these efforts, the group will strive to make greater contributions to improving the corporate value of customer companies.

Service-Oriented Businesses (Security Services)

The IT Management Group offers various security services, including security services that monitor network equipment from our data centers as well as hybrid-security services that combine monitoring and operations by stationing engineers at customer premises to implement provisional response measures when an issue arises. At the moment, several operating environment developments are stimulating brisk investment in construction and operation of security systems. These developments include the obligation for private-sector companies (electricity-, communications-, waterworks-, and financial-sector companies) to institute security measures described in The Basic Act on Cybersecurity, the occurrence of incidents regarding information leakages from within companies and targeted attacks, and the rising management risk awareness accompanying economic globalization. However, there are

currently very few engineers that understand security systems well enough to be able to respond to these types of threats appropriately, and this lack of human resources with security skills is exceptionally severe among our customers. To address this issue, we offer services in which engineers stationed at customer premises are well-versed on the customer's system environment or the engineers that operate customers' data center systems offer operational support for customer security systems. By becoming a close-by and reliable partner to customers, these engineers help eliminate and reduce the management risks threatening customers. SCSK will continue to cultivate greater numbers of engineers with a strong understanding of security systems going forward in order to contribute to the advancement of comprehensive IT management at customer facilities.

Overview of Services



CASE STUDY Resolving Social Issues through Our Business Activities



IT Risk Management Support Services Contributing to the Development of a Sound Information-Oriented Society

The recent trend toward more sophisticated management has made IT risk management related to personal information and information on business partners a task of extreme importance. SCSK strives to protect customers' precious IT assets from various threats. To prepare for incidental threats, such as natural disasters or human error, we offer solid physical security measures and total IT platform management services. In addition, we help combat threats of malicious intent, such as security breaches by hackers and information leaks by insiders, with our security consulting and remote monitoring services as well as our state-of-the-art security technologies. IT platforms are likely to become even more important fixtures of social infrastructure going forward. We will therefore continue contributing to society by providing environments that allow for management information to be used safely and comfortably.



Chihiro Uchida
General Manager, Security Services Dept., netX Data Center Business Div.



Strength for Achieving Sustainable Growth

52 Corporate Governance

56 Creating an Affluent Society Together with Our Customers

60 Becoming a Company with a Pleasant and Rewarding Workplace

66 Providing Safe and Secure IT Services Together with Partner Companies

Corporate Governance

SCSK is working to ensure transparency in management, strengthen appropriate governance and monitoring structures, and enhance the soundness of management through ongoing risk management.

Basic Policy

Embracing its focus on corporate social responsibility (CSR), the SCSK Group conducts business activities with an eye to shareholders and other stakeholders. From this perspective, the Group considers raising the efficiency and soundness of management as well as ensuring transparency in the decision making process as the most basic components of its corporate governance. Rating these matters high among management priorities, we aim to build an optimal management structure that befits SCSK.

The Company transitioned from the Company with Board of Company Auditors to the Company with Audit and Supervisory Committee in June 2016. In conjunction with this transition, the Company converted its structure from that of a Company with Board of Company Auditors to become a Company with Audit and Supervisory Committee, where outside directors form a majority. This move was made to enhance the management oversight function of the Board of Directors and strengthen corporate governance structure in order to improve the soundness and efficiency of management.

Corporate Governance Structure

Board of Directors

As of June 28, 2016, the Board of Directors comprised 19 members, including five outside directors, of which four were independent directors. The Board of Directors makes decisions on important management issues and supervises operational execution.

Executive Officers

The Company introduced an executive officer system on January 1, 2005. Through this system, executive officers are assigned responsibility for areas of operational execution

based on the directions of the president and act in accordance with the management policies decided by the Board of Directors. This system clarifies that authority for making decisions on important management matters and supervising operational execution collectively resides with the Board of Directors. In addition, the system allows for the establishment and strengthening of oversight systems to ensure that effective operational execution can be conducted based on swifter decisions regarding management policies by the Board of Directors. In these ways, the executive officer system contributes to enhanced corporate governance.

Management Committee

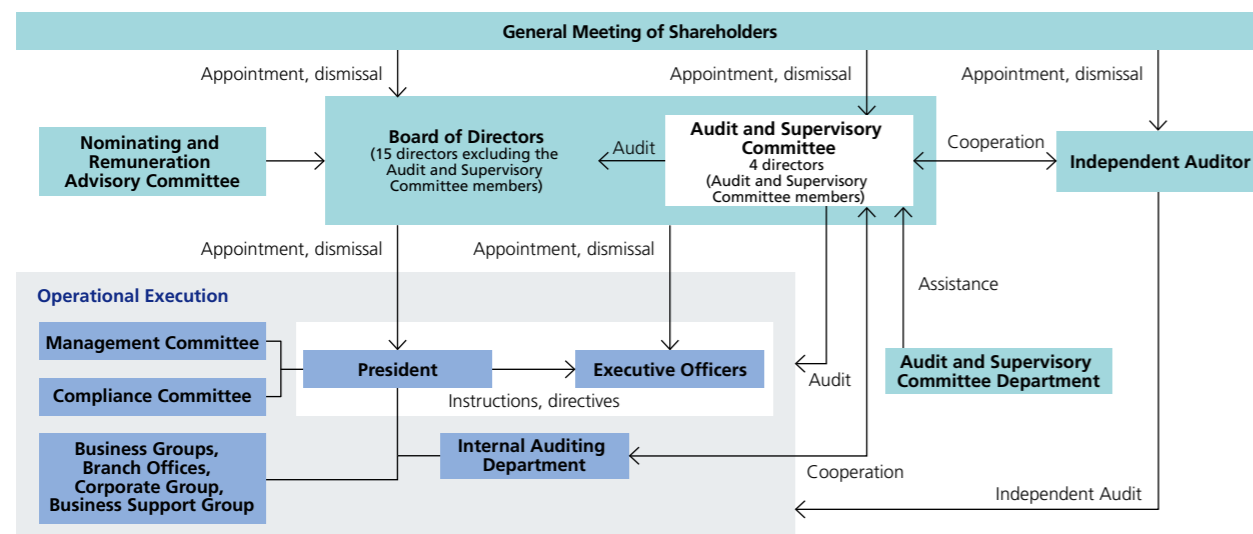
The Management Committee, made up of members including directors and executive officers, has been established to function as an advisory body to the president with regard to important operational execution matters. This committee was created with the aim of strengthening both corporate governance and operational execution capabilities by creating a system with clear separation of management oversight and execution functions in which executive officers, including the president, have authority and responsible for matters of daily operational execution.

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is a committee voluntarily established by the Board of Directors with the purpose of strengthening the oversight function of the Board of Directors and increasing management transparency.

Outside directors that are also designated as independent directors make up a majority of the members of the Nomination and Remuneration Advisory Committee. This committee is responsible for discussing director candidates and remuneration.

Corporate Governance Structure



Audit and Supervisory Committee

The Company has established the Audit and Supervisory Committee, which is intended to install a monitoring system centered around oversight of operational execution by the Board of Directors as well as audits and supervision by the Audit and Supervisory Committee.

The Audit and Supervisory Committee is membered by four outside directors, of which three are independent directors. The committee receives reports on important audit-related matters, based on which it holds discussions and makes decisions.

Audits by Audit and Supervisory Committee

In addition to periodically receiving reports from the Internal Auditing Department, the Audit and Supervisory Committee is able to request to conduct investigations when necessary. The Audit and Supervisory Committee also meets regularly with the independent auditor to audit and supervise the execution of duties by directors (excluding those directors that serve as members of the Audit and Supervisory Committee) and the operational execution of executive officers.

Members of the Audit and Supervisory Committee attend meetings of the Board of Directors and other important meetings and request reports on the business activities of directors (excluding those directors that serve as members of the Audit and Supervisory Committee) and executive officers when necessary in order to collect information on the status of operational execution. In addition, the Company has established the Audit and Supervisory Committee Department to aid the activities of the Audit and Supervisory Committee. Equipped with a dedicated staff, this department helps heighten the effectiveness of audits.

Internal Controls

A Basic Policy on Internal Controls has been formulated to ensure that operational execution and other activities by directors comply with applicable laws and regulations. The policy ensures the Company has a system to confirm that internal controls are functioning effectively. By continuously reviewing this policy in line with the changing management environment, SCSK is building a structure of the internal controls system that addresses needs as they arise.

Internal Audits

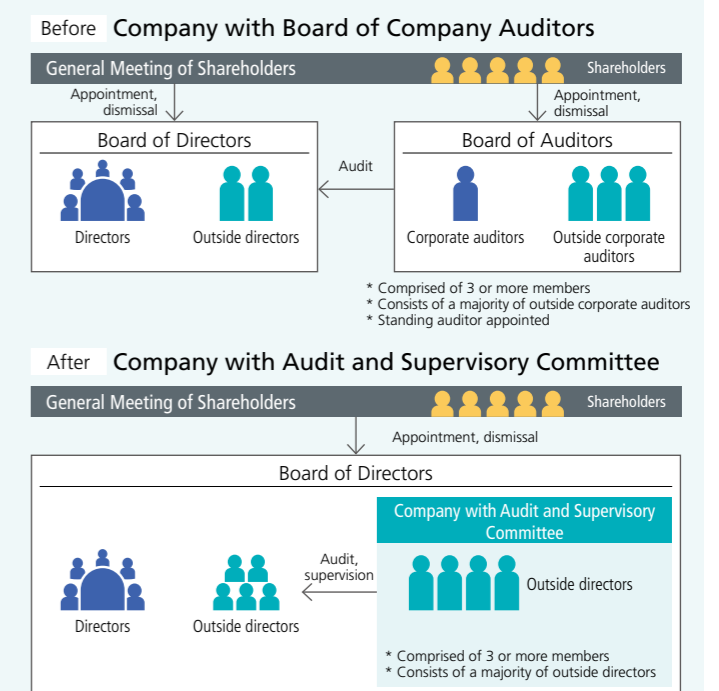
The Internal Auditing Department is under the direct supervision of the president and acts as an internal auditing system in order to confirm that internal controls are functioning effectively and to supervise the implementation of internal controls.

The department examines and evaluates the control activities and risk management activities of all business activities of SCSK and its subsidiaries and affiliates that the Company has a management authority over. These examinations and evaluations are conducted from an independent and objective standpoint and are based on laws and regulations as well as management policies. When necessary, the department provides recommendations and counsel on how to improve management activities. In this way, the Internal Auditing Department conducts audits to contribute to the improvement of the SCSK Group's corporate value and the development of its business.

Transition to Company with Audit and Supervisory Committee

Following a resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016, the Company transitioned from the previously adopted the Company with Board of Company Auditors to the Company with Audit and Supervisory Committee. In conjunction with this transition, the Company established an Audit and Supervisory Committee membered by a majority of outside directors.

The transition to the Company with Audit and Supervisory Committee entails certain members of the Audit and Supervisory Committee serving as members of the Board of Directors. In this capacity, they contribute to a more-effective supervisory function by participating in and supervising the Board of Directors. In addition, this system enables swifter management decisions by allowing the authority for important operational execution decisions to be delegated from the Board of Directors to individual directors.



Independent and Outside Directors

SCSK observes the conditions for outside directors provided by the Companies Act of Japan as well as the independence criteria stipulated by the Tokyo Stock Exchange. As such, four of the Company's five outside directors have been designated as independent directors. By appointing such independent outside directors that present no risk of conflicts of interest with general shareholders, the Company has enabled discussions at meetings of the Board of Directors to incorporate opinions from independent, impartial perspectives.

Remuneration for Directors

The policies, procedures, and calculation methods, and exact amounts of remuneration of directors (excluding those directors that serve as members of the Audit and Supervisory Committee) are discussed by the Nomination and Remuneration Advisory Committee and then decided by the Board of Directors. Calculation methods take into account the Company's business scale and the need to secure human resources, and individual remuneration amounts are determined in consideration of the accomplishments of specific directors and the Company's business performance. Remuneration amounts for directors that serve as members of the Audit and Supervisory Committee are decided through discussions among directors that serve as members of the Audit and Supervisory Committee.

SCSK decides the upper limit for director remuneration at the Ordinary General Meeting of Shareholders, and annual remuneration to directors, including bonuses, is paid within that limit. At the Ordinary General Meeting of Shareholders held on June 28, 2016, the upper limits for annual director remuneration were set as follows.

Upper Limits for Annual Director Remuneration:

Internal directors (excluding those directors that serve as members of the Audit and Supervisory Committee)	¥960 million
Outside directors (excluding those directors that serve as members of the Audit and Supervisory Committee)	¥40 million
Directors that serve as members of the Audit and Supervisory Committee	¥150 million

Outside Director	Outside Directors (Audit and Supervisory Committee Members)			
				
Iwao Fuchigami Independent Director	Yoshiharu Takano Independent Director	Shigeki Yasunami Independent Director	Yuko Yasuda Independent Director	Shigenobu Aikyo Independent Director

Remuneration for Fiscal 2015

Category	Number of People	Remuneration Amount
Directors	19	¥767 million
Corporate auditors	4	¥58 million

Risk Management

SCSK has set the Risk Management Regulation in relation to the risks it may be exposed to during its business activities. The regulation divides risks into four categories: 1) strategic risk, including market, business opportunity, and investment risk; 2) operational risk, including litigation, environmental, and labor affairs risk; 3) financial risk, including inventory and foreign exchange risk; and 4) hazard risk, including natural disaster, information system, and accident/malfunction risk. In accordance with this regulation, SCSK makes efforts to thoroughly understand and anticipate risks both inside and outside the Company and makes recommendations to its management on how to address risks. In this way, SCSK works to maintain and enhance its credibility as a corporation. At the same time, in the case that a risk materializes, the Company works to minimize losses and maintain stable business activities.

Initiatives Related to Emergency Response and Business Continuity Plans

To prepare for the occurrence of large-scale disasters, pandemics, and other unforeseen circumstances that may have a grave impact on the SCSK Group, the Company has established rules of conduct and organizational frameworks to respond to emergencies.

The Company is taking advanced measures such as adopting an employee safety confirmation system; stockpiling food, water, and other supplies; and conducting drills for setting up disaster headquarters. The Company also runs a portal site to post disaster-related information in order to raise employees awareness on disaster response as a preventative measure.

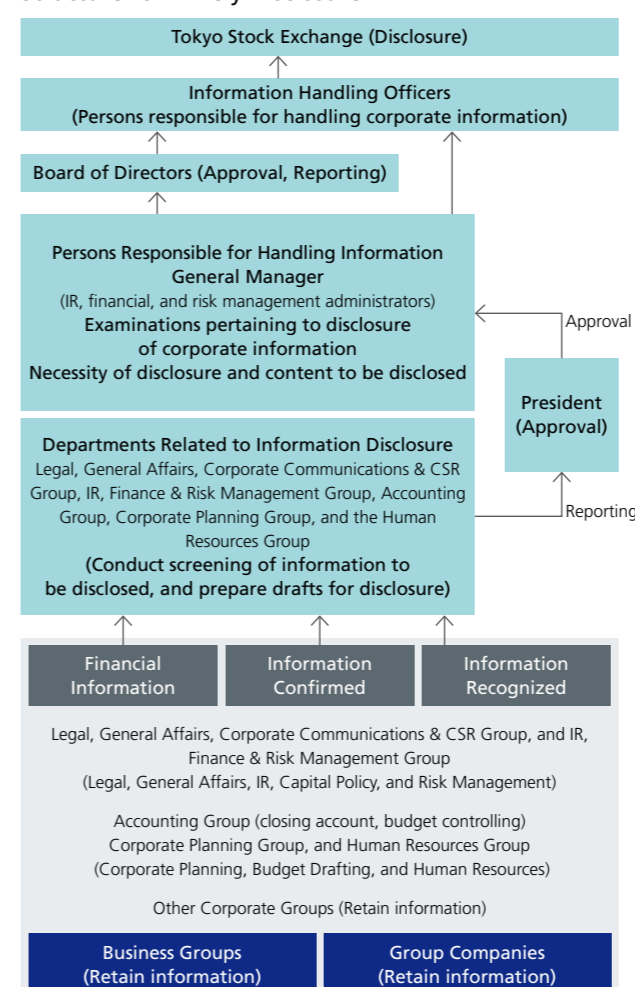
Furthermore, the Company has prepared a business continuity plan (BCP) and re-examines it each year.

Structure for Timely Disclosure

SCSK recognizes that a high level of management transparency is an important component of corporate governance and, as a measure to ensure this transparency, has established the following system for the disclosure of corporate information. Through this system, we work to disclose information in a timely, appropriate, and fair manner.

1. The Legal, General Affairs, Corporate Communications & CSR Group; the IR, Finance & Risk Management Group; the Accounting Group; the Corporate Planning Group; and the Human Resources Group carry out the effective collection of information that is subject to disclosure, screen what is to be disclosed, and prepare drafts for disclosure.
2. Upon receiving authorization from the president, information handling officers—the persons responsible for supervising the management and disclosure of information—confirm the content and determine whether disclosure is required.
3. The information handling officers appropriately disclose corporate information after receiving approval from the Board of Directors when necessary.

Structure for Timely Disclosure



Communication with Shareholders and Other Investors

SCSK regards investor relations (IR) activities as a way to establish a constructive relationship with capital markets and build trust in relationships with shareholders and other investors through the timely, fair, and voluntary disclosure of corporate information. A director has been assigned responsibility for conducting IR activities. Centered on this director, the Company has established internal systems for ensuring the appropriate and timely disclosure of information on corporate activities for shareholders and other investors. In terms of actual communication, we work to facilitate direct discussions between this director and shareholders and other investors whenever possible. In addition, SCSK positions IR activities as strategic activities for the enhancement of corporate value and is therefore actively promoting IR activities. Specifically, the Company holds quarterly briefings on financial results and plans and conducts briefings on business activities and business strategies as appropriate. In addition, SCSK makes efforts to regularly conduct road shows to visit overseas investors and expand the range of IR-related information disclosed on the Company website.

Recognized in the 2015 Awards for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan

SCSK was selected as the No. 1 company in the computer software division for the second consecutive year at the 21th annual (fiscal 2015) Awards for Excellence in Corporate Disclosure hosted by the Securities Analysts Association of Japan.

This selection system was established by the Corporate Disclosure Study Group of the Securities Analysts Association of Japan for the purpose of promoting and improving the disclosure of corporate information. SCSK received high recognition in all five categories: 1) management's approach to IR, functions of IR divisions, and basic stance for IR; 2) disclosure of information at briefings and interviews and through explanatory documents; 3) fairness of disclosure; 4) disclosure of corporate governance-related information; and 5) voluntary disclosure of information that conforms to the conditions of each industry.

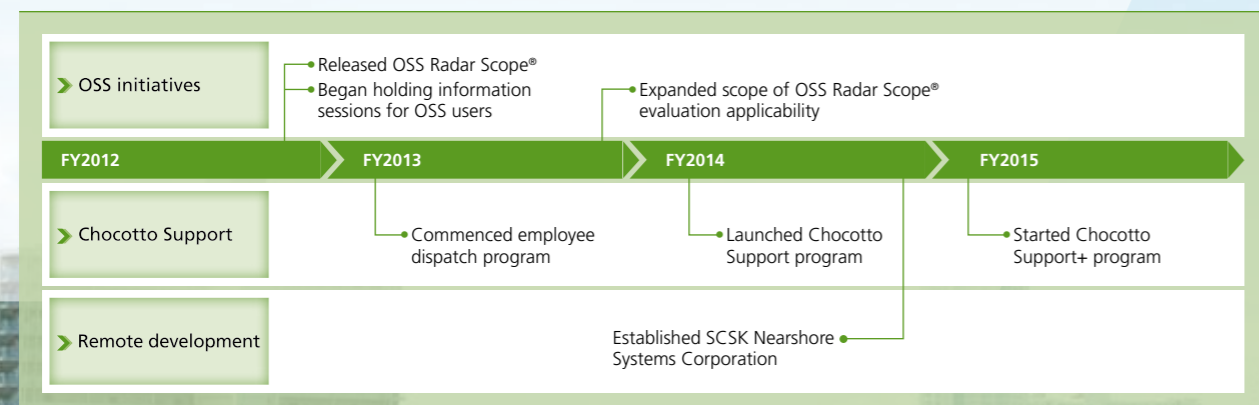




Creating an Affluent Society together with Our Customers

Through our IT services, we are working to improve convenience and help resolve social issues in response to stakeholder needs. Together with our customers, we aim for the realization of a pleasant and affluent society.

ISO 26000 Core Subject	FY2016 Targets	Related Pages
Consumer issues	<ul style="list-style-type: none"> Creation of businesses that will lead to the resolution of social issues Advancement of R&D activities Provision of technology-related information Promotion of user experience and usability 	Pursuit of Operational Quality and Enhanced Operational Efficiency Pages 14–15 Case Study Pages 35–49 Open Source Software (OSS) Page 57 R&D Initiatives Page 57 Ino-one Page 58
Community involvement and development	<ul style="list-style-type: none"> Communication with stakeholders Expansion of nearshore development Encouragement of employee participation in social contribution activities 	Nearshore Development Page 58 Resolution of Social Issues through our Business Activities (BankSavior™ case study) Page 59 Social Contribution Activities Page 59
The environment	<ul style="list-style-type: none"> Implementation of environmental management Advancement of energy- and resource-saving activities at offices Management of waste and harmful chemical substances Promotion of green procurement 	SCSK corporate website



Provision of Assured Technology

Responding swiftly to the rapid changes in information and communications technology (ICT) and providing the appropriate services to customers are the most important responsibilities of an IT company. ICT is now an integral part of our clients' business activities and the lives of consumers in general. The daily examination, verification, and technical development for

the practical application of new technologies are essential to having customers use these technologies securely and without any concern.

SCSK has a dedicated internal division to carry out research and development, conduct verification of new technologies, and raise internal awareness regarding those new technologies.

Open Source Software

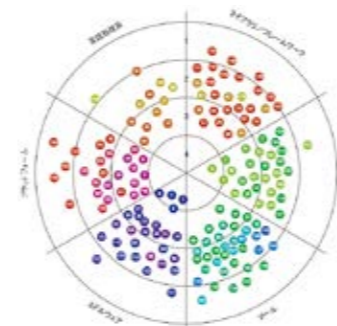
Open Source Software (OSS) has become indispensable to the IT platforms that support social infrastructure. However, the introduction of OSS into company systems is usually preceded by concerns arising from a lack of information or uneasiness regarding the availability of related support. At SCSK, we promote the advancement of OSS while encouraging its adoption with technologies related to the use and development of such software.

At the same time, we are actively building relationships with communities by providing the latest OSS information by means of our OSS selection support services and OSS technology verification reports as well as through information sessions for OSS users.

R&D Initiatives

SCSK selects R&D themes based on IT market changes as well as the type of ICT environment in demand among companies. When choosing themes, we determine those technologies that will be of importance to SCSK based on trends in the development of cutting-edge technologies, thereby ensuring that the results of R&D activities will be applicable to the Company's services.

R&D themes include individual technology areas that have continued to drive the advancement of IT trends, such as cloud computing, mobile, and big data technologies. In addition, the Internet of Things (IoT), which combines these technologies to create new ICT environments and usage value, has been picked up as an R&D theme, and we are proceeding with R&D activities to allow us to accurately respond to changes in the IT market.



OSS Radar Scope®: A service that ranks OSS through evaluations using proprietary SCSK standards and also compiles radar charts based on these evaluations

AI / Machine Learning
We are advancing research and development of big data processing technologies as well as of technologies for creating value from the perspectives of more autonomous and efficient natural language processing and machine learning.

The Internet of Things (IoT)
We are advancing surveys and verification of the situations in which the IoT is used and the basic technologies needed to facilitate such use.

R&D Themes

Technology Trends
Based on an understanding of IT market changes as well as trends among competitors and analyses of business directives, the Company identifies the technological fields and specific areas to be focused on going forward.

Next-Generation System Platforms
The Company is pushing forward with surveys and research on the automation technologies, application programming interface development and usage technologies, and other technologies that will be crucial to creating next-generation systems.

Initiatives as a Company that Exercises Employee Potential

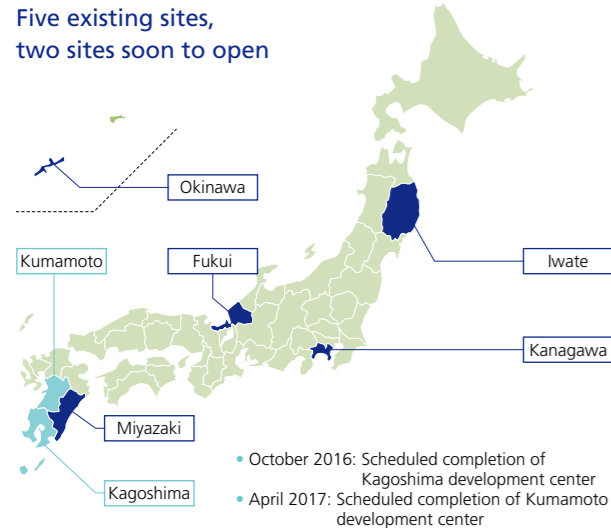
SCSK Technology Contest technoco

We began holding the SCSK Technology Contest technoco in fiscal 2015 to provide an opportunity for competitors of various ages and technical skill levels to exercise their creativity and seek stimulation from various perspectives. technoco is an event that seeks to advertise the interesting and fun nature of technology as well as the joy of coming up with imaginative new ideas. As such, the event attracts individuals looking to try out new technologies as well as those wishing to show off their fine-honed skills and techniques and those wanting to give form to their brainchild. The participants in this event form teams and then immerse themselves in application development or technical craftsmanship. In the future, we plan to continue holding such events in order to provide employees with opportunities to expand their potential and unlock new possibilities for technology.



Nearshore Development to Contribute to the Local Community

Five existing sites, two sites soon to open



SCSK is currently expanding the scale of its nearshore development operations*1 in order to advance strategic businesses.

We are reinforcing the operating structures of SCSK Nearshore Systems Corporation, a subsidiary responsible for nearshore development. At the same time, we are utilizing the diversity of the company's staff, which includes those individuals seeking to work in rural areas and senior citizen employees, and collaborating with locally based IT companies. Through these efforts, we are working to transfer management to prefectural bases for enhancement development*2 projects that SCSK continues to manage out of the Tokyo metropolitan area. In this manner, SCSK Nearshore Systems strives to create jobs for IT human resources at prefectural bases while deploying the working style reforms advocated by the Company in these areas to realize a rural IT industry with people-drawing power.

*1. Nearshore development: Systems development activities performed at domestic offices outside of Tokyo

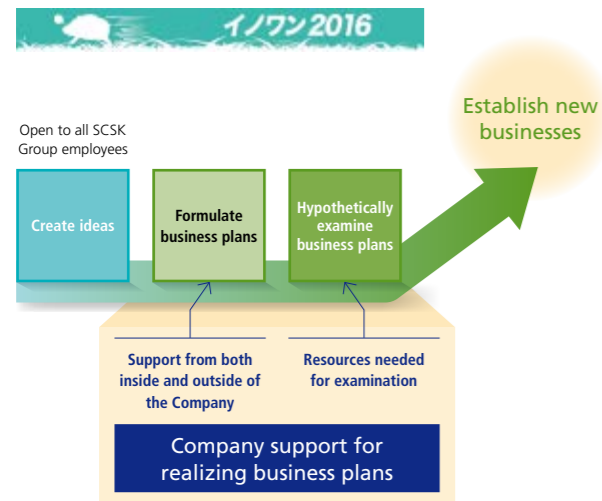
*2. Enhancement development: Maintenance development services that entail improving and refining existing systems to enhance performance and quality or expand, systems, and/or add new features

Ino-one Employee-Driven Idea Innovation Program

Ino-one is a program that encourages employees to produce innovative ideas that can be used in creating new businesses for SCSK. First held in fiscal 2010, this program invites employees to submit ideas born out of unrestrained thinking that extend beyond the boundaries of everyday work. Promising submissions undergo a period of examination after which they are transformed into new businesses when feasible.

The aim of Ino-one is to foster a culture that encourages a wide range of employees to actively think and thereby uncover ideas that will drive the future growth and evolution of the Company. The competition is also designed to incorporate the diverse perspectives and experiences of employees into their work and create new innovations and value.

Over the six years during which this contest has been held, a total of approximately 1,000 employees from across the Group have participated, and we have received roughly 570 idea submissions. Three of the submitted ideas have been transformed into new businesses, while the business feasibility of two others is currently being investigated (as of June 2016).



Comment from Proposer of 2nd Place-Winning Idea in FY2015 Ino-one

Long Road to Commercialization

Seeing the Ino-one as a chance to give form to those ideas we are always thinking, my coworkers and I put our heads together to come up with a submission. I was able to remain committed to this undertaking, even when times were tough, thanks to the support and cooperation of my coworkers and supervisor, and I am extremely pleased to now have this opportunity to commercialize our idea.

As a representative of our team, I am currently engaged in a project for commercializing our submission. There are a lot of obstacles to be overcome on this long road, but I will forge ahead toward commercialization while conducting ongoing investigations and examinations.

Jun Okui
SCSK ServiceWare Corporation



Resolution of Social Contributions through Our Business Activities

Contribution to the Prevention of Financial Crimes

BankSavior™ is a monitoring solution for detecting and preventing money laundering, bank transfer scams, and various other financial crimes related to financial institutions, including those involving antisocial forces.

BankSavior™ uses transaction data and customer information, such as that on withdrawals and deposits at ATMs and Internet transactions, to identify transactions that have a high possibility of being connected to financial crime. Accounts in which problematic transactions take place are monitored by operational divisions. In addition, we also hold BankSavior™ user meetings twice a year to provide users with information about financial crimes and allow them to share information amongst themselves, thereby supporting crime prevention measures in the financial industry.



BankSavior™ user meeting

Social Contribution Activities



CAMP

Through workshops, the Children's Art Museum & Park (CAMP) program fosters child creativity in interactive settings. The creative activities, group work, and project presentations that children can participate in at these workshops help expand circles of communication. Many of the adult facilitators that support these workshops are SCSK employee volunteers.



CAMP Workshops Held	(April 2001 – March 2016)
Number of CAMP workshops held:	746
Number of CAMP workshop participants:	14,888
Number of SCSK employee facilitators:	806



Earth One

This is a social contribution activities club consisting of employee volunteers. The club contributes to society by holding charity events, engaging in volunteer work, and making donations. Through these activities, Earth One members aid environmental preservation and regional development activities and also offer support for developing countries and for people with disabilities. In fiscal 2015, Earth One members jointly sponsored the "Fifth Annual Yell Run in Yokohama Red Brick Park Supported by VISA, AIG," which was hosted by the Special Olympics Nippon Foundation, by working as part of its steering committee. Members also offered support to the social participation efforts of people with disabilities and took part in environmental preservation activities, reconstruction support efforts in the quake-stricken Tohoku region, and other initiatives in various regions.



Initiatives as a Company that Exercises Employee Potential

Tohoku Entrepreneur Support Program

Working together with general incorporated association MAKOTO, we provide the Chocotto Support from SCSK (Chocotto Support) program, which entails employees volunteering to work pro bono, leveraging their work skills and specialist knowledge and experience to resolve IT-related issues faced by entrepreneurs in the Tohoku region.

Since 2015, we have received the support of NPO Nimaimo-no-Meishi, which has allowed us to expand this program to create the improved Chocotto Support from SCSK+ (Chocotto Support+) program.

In this reinvented program, volunteers are not limited to SCSK employees, but rather include various working adults from both inside and outside the Company, who provide support to Tohoku entrepreneurs in IT and other areas. This program grants SCSK employees the chance to participate in joint projects advanced by teams with members from various industries, a growth opportunity that is not often found in everyday operations.





Becoming a Company with a Pleasant and Rewarding Workplace

Under our aim of “becoming a company with a pleasant and rewarding workplace,” we have established four underlying themes: work–life balance, diversity, health and productivity management, and human resource development. With a focus on propagating these themes into the overall IT industry, we engage in various initiatives.

ISO 26000 Core Subject	FY2016 Targets	Related Pages	
Labour practices	<ul style="list-style-type: none"> Implementation of working style reforms Promotion of women's empowerment in the workplace Advancement of diversity measures Promotion of work–life balance Enhancement of human resource development measures Institution of IT Skill Level Assessment system Practice of health and productivity management Placement of human resources in optimal positions 	<ul style="list-style-type: none"> Initiatives as a Company that Exercises Employee Potential Pages 16-17 Working Style Reforms Page 61 Work–Life Balance Page 62 Diversity Page 62 Health and Productivity Management Page 64 Human Resource Development Page 65 	
	Human rights	<ul style="list-style-type: none"> Thorough respect for human rights 	<ul style="list-style-type: none"> SCSK corporate website

➤ For a list of working style reform initiatives conducted to date, please refer to pages 16 and 17.

A Company with a Pleasant and Rewarding Workplace

At SCSK, we are reinforcing our working style reform efforts under the belief that this brings about a virtuous cycle. Specifically, the added value brought about by each employee that works with enthusiasm leads to growth and solid results for SCSK, making it possible to return the Company's profits to its stakeholders.

スマチャレ Smart Work Challenge

Smart Work Challenge

One of the promises included in SCSK's Corporate Philosophy states that we are committed to “respecting each other.” Based on this promise, in April 2013, we launched the Smart Work Challenge 20*1 program, an initiative aimed at ensuring that SCSK is a pleasant and rewarding place to work. Smart Work Challenge 20 is named after the purpose of the program—endeavoring (“challenge”) to achieve the goal (“20”) through more efficient (“smart”) labor (“work”) and its stated goal of “20” refers to employees taking 20 paid vacation days a year as well as limiting average monthly overtime to 20 hours. This program has been highly successful at decreasing the average amount of overtime and encouraging employees to take paid vacation days.

One of the major obstacles that needed to be overcome in order to accomplish the challenge's goal was the reduction of overtime compensation received by employees. To address this issue, we implemented a system through which all full-time employees receive a compensation payment equivalent to the overtime compensation they would have normally been expected to receive, regardless of how much overtime they actually worked. This amount is added on top of their standard monthly salary. Through this system, we aim to further eliminate employee concerns for overtime compensation in order to encourage staff to pursue even more efficient working styles.

*1 Renamed to “Smart Work Challenge” in fiscal 2015

Average Monthly Overtime Hours (Companywide Average**)	
FY2011	FY2015
27 hours, 46 min.	18 hours, 00 min.

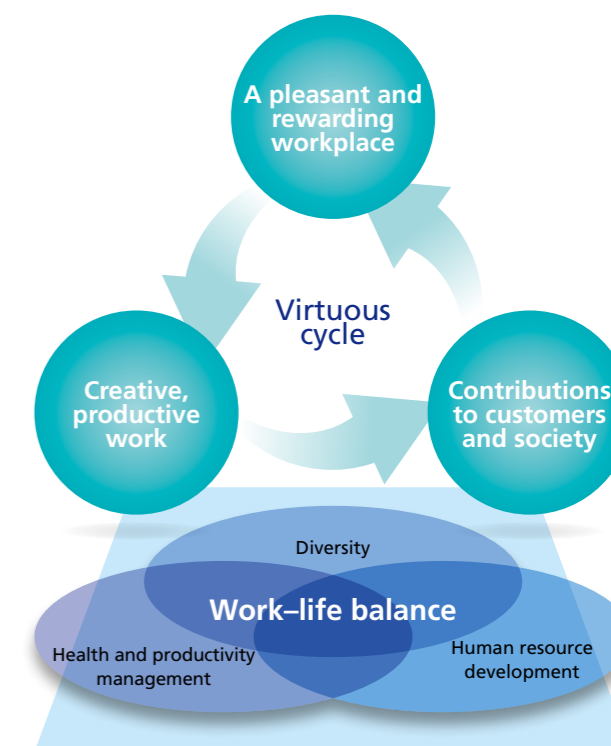
Rate of Consumed Annual Paid Vacation Days (Companywide Average**)	
FY2011	FY2015
66.7%	95.3%

*2 Average for all employees including those under the discretionary work system and supervisors

Working Style Reform—Work Anywhere

SCSK launched the Work Anywhere program to accommodate the more-diverse range of working styles made possible by implementation of sophisticated working style reforms, such as work process alterations, office environment enhancement, and IT infrastructure installation.

As it is now possible to maintain sufficient levels of communication between workers even in satellite work environments, we are advancing this program to further promote usage of the Company's telecommuting system. We thereby aim to help employees improve their work–life balance by allowing for a variety of working styles to be adopted based on employee lifestyles through efforts that include enhancing child-rearing and nursing care support systems.



Initiatives as a Company that Exercises Employee Potential

Fulfillment Everyday with Work Anywhere

In my department, a number of employees use the telecommuting system, and I too take advantage of this system once a week. From home, I can connect to the office with my PC by utilizing a remote access virtual private network and am able to interact with coworkers using voice and video delivered through IP telephony. These conveniences help me work comfortably, safely, and efficiently from my own home. More importantly, the telecommuting system has granted me greater amounts of time to spend on leisure, with my family, or engaged in self-study, making my everyday life more varied and fulfilling.



Nobuo Saito
Tokyo General Affairs Dept.,
General Affairs Div.,
Legal, General Affairs,
Corporate Communications &
CSR Group

Work-Life Balance

We strive to allow all employees to choose from a diverse range of flexible working styles based on their life stage and we are building a workplace environment in which they can do so and still exercise their talents to the fullest. Moreover, we are enhancing our various systems and measures that facilitate a harmonious balance between one's work and private lives by helping secure the time necessary for living a healthy and fulfilling life in connection with one's family and community.

Support for Balancing Work and Child-Rearing

SCSK aims to enable employees going through life events, such as childbirth or child-rearing, to work in a flexible manner. To facilitate a smooth return to work for employees taking childcare leave and to ensure that these employees can continue working with enthusiasm, we periodically hold seminars on issues related to returning to work after such leave. These seminars serve as opportunities for these employees and their supervisors to deepen their understanding about balancing work and child-rearing and about supporting such efforts.



Certified as a "Company Supporting Childcare"

also offers nursing leave, balance support leave, and other leave systems. Under SCSK's nursing leave system, an employee may take up to six nursing leave periods for a total of 365 days per family member requiring the employee's care. A nursing leave allowance is paid to the employee for part of this leave.

In fiscal 2014, we began holding a series of nursing care seminars targeting approximately 4,500 employees, including general managers and other managers from all divisions as well as employees over the age of 40. These seminars help employees acquire basic knowledge with regard to providing nursing care and allow them to better understand SCSK's work-life balance support systems.



Nursing care seminar

Support for Balancing Work and Nursing Care

Various support measures, including systems enabling flexible working styles, are available to employees involved in nursing care of family members. Systems allowing for short-time work-days or limited late-night and overtime work as well as a telecommuting system and other support are provided to help such employees balance work and nursing care. The Company

Diversity

SCSK puts emphasis on diversity in order to turn the various personalities and senses of values of its employees into organizational strengths and to enable these employees to maximize their capabilities so as to create innovative services and enhance corporate value. We are working to support women's career advancement, to employ people with disabilities and assist their activities, and to hire non-Japanese employees. At the same time, SCSK provides a wide range of work-life balance support measures to help employees continue working, even when raising children or providing nursing care for family members. Through these efforts, SCSK is creating a workplace environment that allows all employees to perform their jobs while exercising their skills and their individuality, regardless of age, gender, disability, or nationality.

Realization of Diversity in the Truest Sense

Promoting diversity requires us to be aware of the various ways of thinking and looking at the world that are held by our diverse range of employees and to be accepting and respectful of these differences. As one measure for facilitating this kind of understanding, SCSK held a special diversity seminar in June 2015. Conducted by an outside lecturer and attended by around 300 employees, this seminar was aimed at informing a large body of employees about diversity initiatives. In addition, in fiscal 2016 we implemented a diversity e-learning program, which all employees are required to take.

Going forward, we will continue to advance such diversity initiatives to cultivate a corporate culture that can accept and utilize the diversity of employees.



Special diversity seminar

Promotion of Women's Empowerment in the Workplace

SCSK strives to be a company where female employees can contribute their talents, and it is enhancing its human resource development programs and working style reforms to this effect. The Company has been actively developing work-life balance support systems to prevent difficulties in striking a balance between child-rearing and one's job. At the same time, realizing that extensive work hours can be a major obstacle for women in the workplace, we are endeavoring to reduce overtime and creating working styles to help realize a workplace environment that is conducive to taking leave. Furthermore, with the aim of supporting female employees in making further contributions, we established a goal of increasing the number of women in officer and line management positions to 100 by fiscal 2018. With the aim of accomplishing this goal, SCSK will actively carry out efforts to support women's career development through such means as providing training that address the issues faced by female employees in each age group.

These initiatives constitute an action plan for the promotion of women's participation as defined by the Act on Promotion of Women's Participation and Advancement in the Workplace, which was established in 2015.

Going forward, SCSK will continue to cultivate a corporate culture that is conducive to the contributions of female employees as it strives to create a workplace environment in which all employees may realize their full potential.

Number of Women in Officer and Line Management Positions (Actual and Goal)		
FY2012 (Actual)	FY2015 (Actual)	FY2018 (goal)
13	54	100

Testimony of a Female Manager

When I first began attempting to raise my child while working in a management position, I was quite unsure of how successful I could be. Now, however, I have achieved a balance between my child and my management job by adjusting the work of my entire section, not just myself, a process that has improved overall efficiency. This accomplishment would have been impossible if not for the support of my family and those around me and the understanding of my coworkers.

When it comes to balancing child-rearing and work, everyone's values and situations are different. I, however, want to maintain this balance between my work and my home life and child as I continue to develop my carrier and contribute to the Company.



Miwako Yamaguchi

Business Solutions Group,
General Manager, Sect. III, Dept. II,
Proactive Business Solutions Div.

Encouragement of Further Involvement of People with Disabilities

Tokyo Green Systems Corporation (tgs) was established in 1992 as a third-sector enterprise through a joint capital investment by the Tokyo Metropolitan Government, Tama City, and SCSK. This company is a model company for the employment of people with severe disabilities. As a special subsidiary of SCSK, tgs also promotes the SCSK Group's employment of persons with disabilities and is committed to upholding the principles of participation, independence, and coexistence. It is headquartered at SCSK's Tama Center Office and focuses on janitorial service, park maintenance, agricultural work, and restaurant service operations as well as staffing of in-office concession stands, collection and delivery services, and other businesses. We have also established Relaxation Rooms (massage facilities) at our major offices, where tgs employees with visual impairments serve as in-house massage therapists.

SCSK Group Employment Rate for People with Disabilities*
2.05% (As of June 1, 2016)

* Employment rate of the 10 core Group companies in Japan certified as affiliates

Active Utilization of Senior Citizen Employees

Based on the changing social environment and unstable economic climate, SCSK has instituted a system that allows all employees that desire reemployment after reaching the mandatory retirement age of 60 to be able to work with peace of mind until age 65. Moreover, we offer a Career Workshop for employees in their 50s and 60s in order to provide support for self-driven career development and thereby give such employees an opportunity to learn about life planning and career planning and to supply them with a more-diverse range of career options. This support is meant to help ensure that employees can remain financially independent even in their later years. We also aid employees in their efforts to accumulate the assets necessary for realizing their life plans.



Diversity-Related Awards

• Awards for Companies in which Women Shine

In recognition of its excellence in promoting women's empowerment, SCSK was presented with the Prime Minister's Award in the FY2015 Awards for Companies in which Women Shine.

• Nadeshiko Brand

On March 16, 2016, SCSK was selected as one of the FY2015 Nadeshiko Brand, which recognizes companies that actively work to promote the participation of women through measures such as reforming working styles and supporting the career development of female employees. This is the Company's second year of inclusion.



• Diversity Management Selection 100

SCSK received the Ministry of Economy, Trade and Industry Award the 2014 Diversity Management Selection 100, which is an award by the Ministry of Economy, Trade and Industry.

Diversity management entails utilizing a diverse range of people and providing them with opportunities to realize their full potential to create innovation and value.



Health and Productivity Management

We believe that the health of our employees underpins everything we do. For this reason, we promote health and productivity management, and our commitment to this practice is inscribed in our work rules.

Health and Productivity Management Principles Inscribed in Work Rules
Chapter 12
—Health and Productivity Management

Article 78—Health and Productivity Management Principles

The Company and its employees must respect the following health and productivity management principles. “The health of employees underpins the happiness of individual employees and their families as well as the development of the Company’s business. It is only when employees are able to deliver their best performance due to being in good mental and physical health and feeling motivated in their work that the Company will be able to delight its customers with services of the highest caliber.”

Kenko Waku Waku Mileage Program



The *Kenko Waku Waku Mileage* program was launched in April 2015 to help improve the health of employees in order to prevent illness and to better enable employees to work in a productive and creative manner. The program comprises a point system through which employees earn “mileage” points for achievements that include regular exercise to the degree necessary for maintaining or improving one’s health or based on the results of their annual health checkups. In conjunction with the number of points accumulated over the course of one year, an employee may be awarded incentive payments.

Factors Considered in Kenko Waku Waku Mileage Program

Good Habits

Walking for exercise, eating breakfast, having no alcohol day, brushing teeth, quitting smoking

Health Checkup Results

BMI, blood lipid levels, glucose metabolism, liver function, blood pressure

Major Achievements

Improved ratio of employees walking for exercise	FY2014 34% → FY2015 64%
Improved ratio of employees eating breakfast	FY2014 71% → FY2015 84%
Improved ratio of employees having no alcohol days	FY2014 82% → FY2015 89%
Improved ratio of employees undergoing dental examinations	FY2014 31% → FY2015 60%
Reduced ratio of employees that smoke	FY2008 36% → FY2015 20%

Measures and Facilities for Promoting Health and Productivity Management

We provide numerous opportunities for enhancing understanding about health improvement, including group health literacy trainings targeting general managers and other managers as well as health literacy e-learning programs for all employees.

Furthermore, we carry out health-related questionnaire surveys to track employee lifestyle habits and awareness levels. The results of these surveys are used in providing health-related guidance and are submitted to quantitative trend analyses so that this information can be utilized to formulate measures for improving employee lifestyles.

SCSK Clinic

This in-house medical office was established with the aim of expanding the range of health and productivity management measures.

Relaxation Rooms

SCSK has established massage facilities known as Relaxation Rooms in order to help employees stay refreshed and efficient.

SCSK Counseling Room

The SCSK Counseling Room is a general consultation venue staffed by specialists that help employees address personal or work-related concerns.



Second Consecutive Year of Selection as a Health and Productivity Stock

This joint program is sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange and recognizes companies that exhibit excellence in terms of health and productivity management. In 2016, the second year of the program, for each of 25 industry categories, one company was chosen from among all companies listed on the Tokyo Stock Exchange, and SCSK was selected in the information and communications category for the second consecutive year.

健康経営銘柄 2016
Health and Productivity Stock 2016



Human Resource Development

SCSK equates the growth of all of its employees with the growth of the Company, and we are therefore focused on the continual career development of our employees.

Human Resource Policy and Evaluation Systems

In consideration of the Basic Ideals of the Company’s Human Resource Policy—“By encouraging the enhancement of individual capabilities and applying the most appropriate, organization management, SCSK will maximize employees’ performance.”—we have defined the “Expected Roles and Skillsets” to be fulfilled for each grade as well as the “Competency Assessment Criteria,” which indicates specific behaviors and processes that are sought in the execution of duties.

Competency Assessment Criteria, which are in line with SCSK’s Code of Conduct of “Challenge, Commitment, and Communication,” define specific behavior along with 10 evaluation items. Through this system, SCSK works to ensure that its Code of Conduct is put into practice by employees.

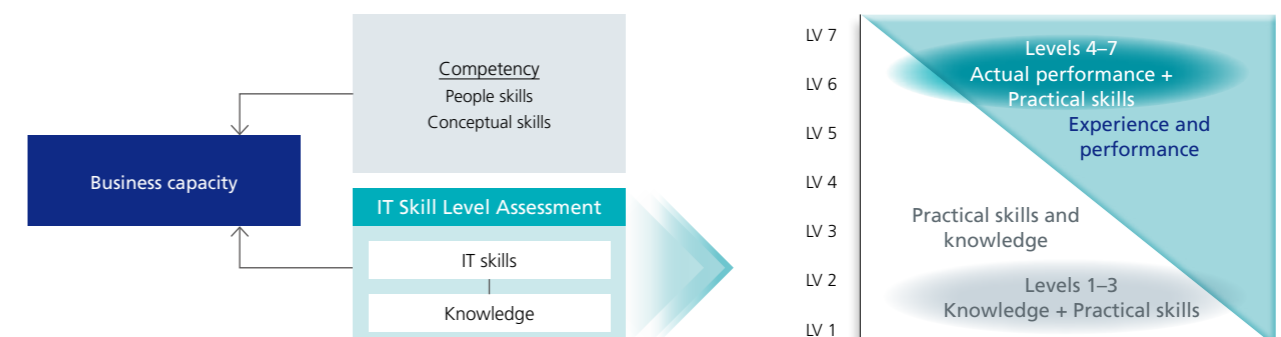
IT Skill Level Assessment

The IT Skill Level Assessment is designed to promote the improvement of employees’ specialist skills and to make the sales or technical skill levels of employees clearly apparent through recognition of such improvements, thereby cultivating an environment that is conducive to ongoing employee growth. This system certifies employees’ specialized sales and technical skills and knowledge as belonging to one of seven levels based on the Company’s career framework.

Our career framework consists of 14 job categories in 34 specialty fields, which are defined based on the characteristics of the Company’s business as well as the Skill Standards for IT Professionals (ITSS), Embedded Technology Skill Standards (ETSS), and Users’ Information Systems Skill Standards (UISS).

Through the IT Skill Level Assessment, applicants are evaluated by exceptionally talented IT-related employees selected from throughout the Company, who provide these individuals with custom-tailored advice about their strengths, weaknesses, and the skills they need to acquire. This system helps provide a framework within which employees are able to plan their career over the next three to five or even 10 years.

IT Skill Level Assessment



Source: Skill Structure Forming Human Resource Model, Skill Standards for IT Professionals, Version 3; Information-technology Promotion Agency, Japan (IPA)

Employee Career Development

The Career Development Plan system provides employees with an opportunity to think about their career and discuss it during meetings with their supervisor. The primary goal of this system is to allow supervisors to plan position, role, and duty allocations for one to two years in the future based on the aspirations and goals of individual employees as well as the expectations of the organization. In addition, SCSK has instituted the Job Challenge System to promote the growth of employees and the utilization of the right people in the right jobs, as well as the Internal Free Agent System, which is designed to support individual employees in enhancing their skills and developing their careers. Through these systems, we help employees exercise autonomy in actively advancing their careers.

SCSK i-University

SCSK i-University was established as a framework for providing all employees with opportunities for ongoing growth and learning. This program supplies comprehensive Companywide human resource development systems based on a broad definition that includes traditional education systems as well as support for enhancing communication utilizing SCSK Learning Park and programs for learning about systems and infrastructure.

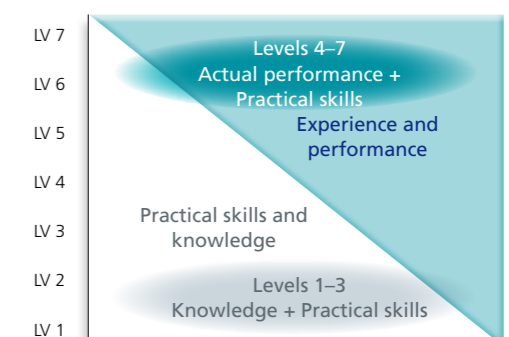
Based on the belief that it is the efforts of all employees that will drive SCSK’s growth, we will support the growth of every employee through SCSK i-University.



SCSK Learning Park

Training room



Overview of IT Skill Level Assessment System based on SCSK Career Framework





Providing Safe and Secure IT Services together with Partner Companies

In order for customers to be able to use our IT services safely and with peace of mind, we work together with our partner companies to achieve thorough information management, enhance information security, and improve quality.

ISO 26000 Core Subject	FY2016 Targets	Related Pages
 Fair operating practices	<ul style="list-style-type: none"> Enhancement of CSR activity coordination with partner companies Scrutiny of CSR purchasing policies plan Reinforcement of compliance 	Collaboration with Partner Companies Page 67 Compliance Page 68 Fair Trading Page 68 Information Security Page 68 Personal Information Protection Page 69
 Consumer issues	<ul style="list-style-type: none"> Improvement of operational quality 	Pursuit of Operational Quality and Enhanced Operational Efficiency Pages 14-15 Resolution of Social Issues through Our Business Activities Page 69

Collaboration with partner companies

Ongoing measures

- Request submission of written corporate pledges
- Hold informational seminars on compliance in relation to subcontracting for partner companies
- Conduct on-site reviews

FY2012

FY2013

FY2014

FY2015

Compliance

Ongoing measures

- Hold basic compliance courses (e-Learning)

Information security and personal information protection

Ongoing measures

- Hold training courses on information security and the protection of personal information (e-Learning)

For pursuit of operational quality and enhanced operational efficiency, please refer to pages 14 and 15.

Collaboration with Partner Companies

SCSK conducts its business activities with a high sense of ethics and enhances information security through trust-based relationships with its partners.

Basic Policy

In conducting its business, SCSK subcontracts tasks to various partner companies. Based on our corporate philosophy and Code of Conduct, we comply with laws and internal regulations as we strive to provide safe and secure IT services with a commitment to fair and sincere business transactions with our partners. As our business handles information—an extremely valuable asset for our customers—we naturally believe that

information security training and education activities, as well as stringent compliance, are of crucial importance. Equally important, however, are operational quality improvement, health and productivity management, and reforms of employee working styles. Striving to help the IT industry develop into an appealing industry that draws talented and capable individuals, we will continue to advance initiatives together with our partners.

Themes for Initiatives with Partner Companies

Compliance Promotion

- Enhancement of information security
- Strict observance of laws and contract conditions

Operational Quality Improvement

- Proposals and collaboration from early process phases
- Development standardization (SE*, etc.)
- Promotion of subcontracting

Health and Productivity Management / Reforms of Employee Working Styles

- Sharing of health and productivity management initiatives
- Tracking of shared indicators (Compliance with Article 36 of the Labor Standards Act, etc.)

Informational Seminars and On-Site Reviews for Partner Companies

At SCSK, we recognize that taking initiatives to ensure compliance and promote reforms of working styles is not something to be done by the Company alone, but rather should be done in cooperation with all of our partner companies. Accordingly



we hold informational seminars designed for our partner companies with regard to compliance in relation to subcontracting, and require their participation in these seminars. In addition, we share information on the reforms of working styles and the health and productivity management initiatives conducted at the Company to contribute to improvements with regard to the issues that plague the IT industry, such as labor-intensive operations and the multiple subcontracting structure of the industry. We are also preparing to set and track shared targets for SCSK and its partners.

Furthermore, SCSK staff members that are in charge of partner management go to partner companies to carry out on-site reviews and confirm actual operating conditions.

Message from a Business Partner

Despite the current era being characterized by such trends as cloud computing, big data, and IoT, the IT industry is still an unpopular area for employment, a situation I had always found most unfortunate. It was when I was struggling with this concern that I had the opportunity to hear about SCSK's reforms of working styles. Hearing of these reforms made me realize the value of conviction in inspiring employees, how important it is to reiterate your beliefs repeatedly, and reminded me of the necessity of a strong passion to change the world. I now feel empowered toward transforming the IT industry into a more appealing area for employment, and I hope to promote reforms of working styles together with SCSK and other partner companies to realize this goal.



Shigeyuki Onishi
President
Computer Institute of Japan, Ltd.

Compliance

SCSK views compliance as observing laws and regulations, and acting with a high sense of ethics within the norms of society. Based on its corporate philosophy and Code of Conduct, SCSK expects its directors and employees to conduct themselves in a sincere and appropriate manner as members of society and the Company. Each individual director and employee is responsible for his/her own actions based on the concept of compliance, and strives to produce results that fulfill the social responsibility of the entire Company as an organization.

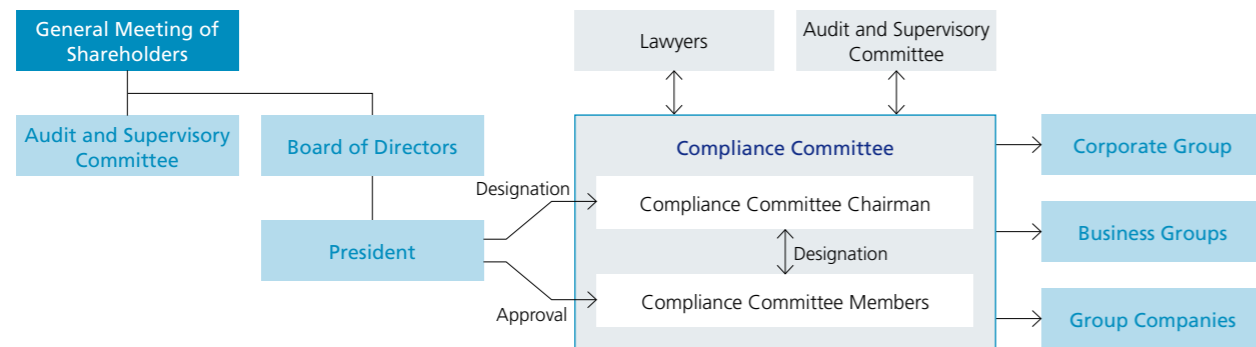
We have established the Compliance Rules, created the SCSK Compliance Manual, and developed an organizational structure for compliance-related efforts. Furthermore, SCSK has established the Compliance Committee in order to carry

out proper compliance implementation. We also hold a variety of compliance-related training sessions to enable employees to make correct decisions and take actions that do not violate compliance under any circumstances. In addition, an internal reporting system has been implemented to facilitate the prevention and early resolution of compliance violations.

Lectures on the SCSK Compliance Manual and Written Corporate Pledges Held in Fiscal 2015 (e-Learning)

Participation rate: **100%**
(intended for all employees)

System to Promote Compliance



Fair Trading

The SCSK Compliance Manual clearly establishes measures for ensuring fair trading as specific rules about compliance. Its standards include a Code of Business Activities, which sets forth requirements for appropriately utilizing dispatch and subcontract work and respecting and protecting intellectual property rights. These standards support the building of trust-based commercial relationships with our suppliers through fair and free competition. The manual also outlines corporate ethics required for fair operating practices in its Code for Employees as Members of Society, which includes rules against

corruption and rules concerning political donations and stresses the importance of resisting organized crime.



Information Security

To protect information assets from various threats and to fulfill its social mission, SCSK has established and is operating the Information Security Management System. We are continuously evaluating risks to information assets and ensuring the effectiveness of countermeasures for these risks. To ensure that each of our employees, as well as everyone that does business with SCSK, understands our Information Security Management System, including the Basic Policy, we engage in extensive educational activities, such as holding training

courses on information security and the protection of personal information. We also require our subcontractors to adhere strictly to the Information Security Guidelines that we have established, in accordance with article 22 of our Commercial Transactions Code, and we are working to prevent occurrences of issues related to information security. Furthermore SCSK's Information Security Management System has received ISO 27001:2013 certification.

Personal Information Protection

SCSK recognizes the importance of the protection of personal information and is committed to ensuring compliance with laws about the handling of such information and other guidelines and rules established by administrative authorities.

In addition, we have established the Personal Information Protection Policy and will ensure that every executive, employee, and person involved in SCSK's activities comply with the policy. SCSK has also established a Personal Information Management System*1 that is compliant with the JIS Q 15001 standard, and we are implementing this system while pursuing ongoing improvements.

*1. Personal Information Management System: A system for managing personal information, including policies, structures, plans, implementation, and operational monitoring and review provisions

Courses on Information Security and the Protection of Personal Information Held in Fiscal 2015 (e-Learning)

Participation rate: **100%**
(intended for all employees)



Resolution of Social Issues through Our Business Activities

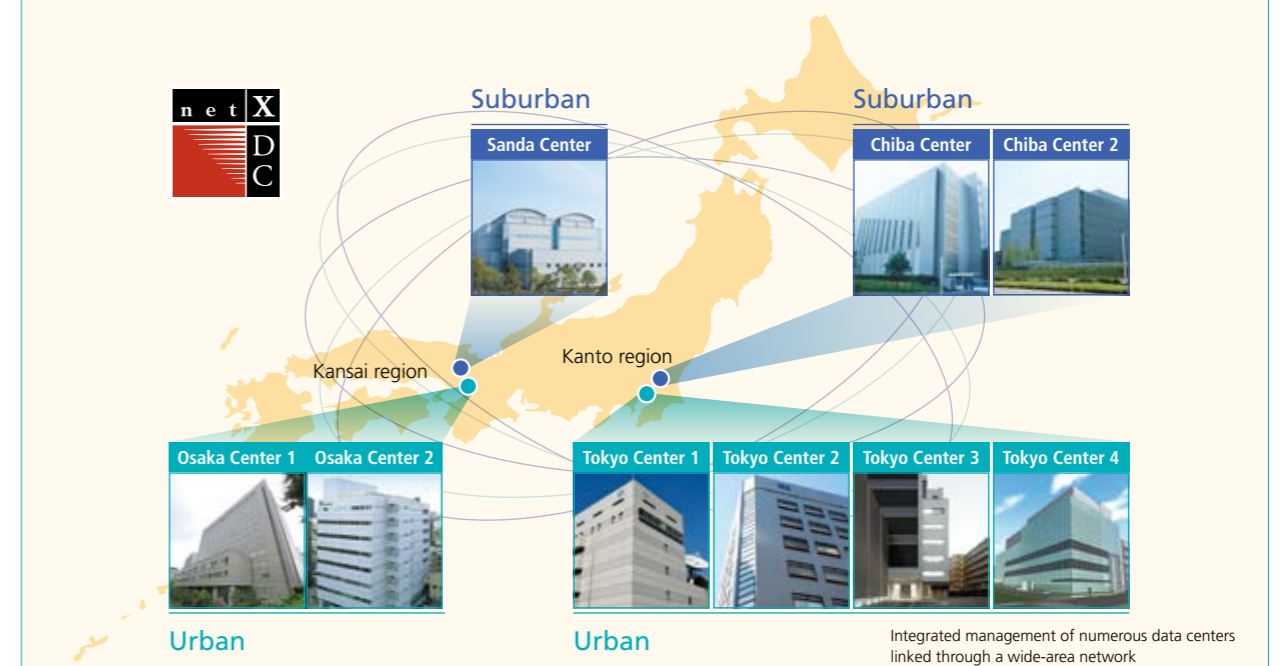
Data Centers Supporting People and Society

As our lives and society become more comfortable in tandem with the advancement of IT, ensuring the smooth operation of electricity, gas, water, and other public and social infrastructure is starting to require massive amounts of data as well as the ability for IT systems to be consistently used safely and securely. Data centers are necessary to manage this breadth of data and operate these IT systems.

For more than 25 years, SCSK has managed and operated safe and secure data centers. Safe havens for the precious systems and data of customers, these facilities have always delivered the durability needed to withstand various natural disasters and cyber threats while ensuring that society and business activities can continue without issue. One such

facility is netXDC Chiba Center 2, which was opened in spring 2015 and is equipped with state-of-the-art equipment and functions, thereby boasting the highest level of safety in Japan. SCSK stands firm in its commitment to offer protection from large-scale natural disasters and system malfunctions for the data that is crucial to the business continuity of companies, financial institutions, and other customers that support our everyday lives by providing housing, food, clothing, and other necessities.

Through the management and operation of data centers featuring a full range of safety measures, SCSK will continue to support the everyday lives of customers and other members of society.



Integrated management of numerous data centers linked through a wide-area network

Financial Section

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Management's Discussion and Analysis

I OVERVIEW OF RESULTS

1. Economic and Industry Trends

In the period under review, the Japanese economy showed an improving trend in both corporate earnings and employment. Various policy initiatives, most notably economic stimulus measures implemented by the government as well as monetary easing policies taken by the Bank of Japan, kept the economy on a mild recovery track, although signs of weakness remain apparent.

In terms of the outlook for the economy, a recovery is expected to continue, albeit at a moderate pace, on the assumption that recovery in employment and income will continue. However, a number of factors require close watching, including the risk of a downturn in the overseas economic situation, particularly in emerging economies in Asia and those that rely on exports of natural resources, and volatility in forex rates, interest rates and other aspects of the financial markets.

In the IT services market, demand for strategic IT investment aimed at enhancing competitiveness or supporting advances into new business areas has continued to rise. Demand for investment in operational systems, generally intended to improve process efficiency, also remains brisk. Overall, IT investment demand is on an uptrend.

In the financial industry in particular, IT investment demand grew substantially among banks, securities companies and insurers, centered on systems development. This reflects a continuing high level of interest in systems development to support various work processes and enhance competitiveness and solid underlying demand for system upgrades and revisions to accommodate changes in regulations.

In the manufacturing and distribution industries, there has been a solid underlying flow of IT investment deals on an emergence of strategic IT investment in support of global business expansion, omni-channelization, big data analysis and other objectives.

Demand for IT services has manifested in earnest in a variety of areas as customers seek to strengthen their businesses or enhance work efficiency. Of particular note is strong demand for networking related IT products from certain telecommunications service providers and demand for various cloud-related IT services, including IaaS and PaaS.

2. Consolidated Results

■ Net Sales

Net sales increased 8.8% from the previous fiscal year to ¥323,945 million. This reflects brisk demand for systems development among a wide range of financial industry customers, a variety of maintenance services for customers in the manufacturing and distribution industries and networking-related IT products among telecommunications service providers. Accordingly, there has been steady sales growth in all three sales segments, including Systems Development, System Maintenance and Operation / Services and Packaged Software / Hardware Sales.

■ Operating Income

Operating income increased 13.5% to ¥31,785 million, mainly due to revenue growth combined with factors including productivity enhancements on the steady implementation of measures to improve operational quality, increased efficiency in SG&A and other expenses.

■ Non-Operating Income (Expenses)

Non-operating income was recorded in the amount of ¥1,073 million, an increase of ¥2,605 million from last year's non-operating expenses of ¥1,531 million, mainly because of the positive impact of a decrease in office transfer related expenses offsetting the decrease in gain on sales of investment securities.

■ Profit before Income Taxes

Profit before income taxes increased 24.1% from the previous year to ¥32,858 million.

■ Income Taxes

Income taxes for the fiscal year decreased to ¥5,116 million, reflecting an additional booking of deferred tax assets beyond what was initially envisioned for the year and additions to / subtractions from deferred tax assets per revisions to corporate tax rules.

■ Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests totaled ¥786 million.

■ Profit Attributable to Owners of Parent

Profit attributable to owners of parent rose 72.4% to ¥26,956 million on increased operating income together with the effect, of tax deferral accounting.

II OVERVIEW OF RESULTS BY REPORTED SEGMENT

Business results by reported segment follow. Net sales by segment is based on sales to external customers.

(Unit: Millions of yen unless otherwise stated)

	Previous fiscal year (April 1, 2014 - March 31, 2015)		Fiscal year under review (April 1, 2015 - March 31, 2016)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Manufacturing Systems Business	¥ 42,531	¥ 3,049	¥ 40,849	¥ 3,220	¥ (1,681)	¥ 170
Telecommunication Systems Business	28,225	5,097	25,628	4,471	(2,597)	(625)
Distribution Systems Business	44,981	5,435	46,754	6,321	1,772	885
Financial Systems Business	60,829	7,183	71,259	8,386	10,429	1,202
Business Solutions	18,392	804	19,052	1,592	659	788
Business Services	33,732	2,125	39,273	2,839	5,540	713
IT Platform Solutions	64,790	5,173	77,135	6,314	12,345	1,140
Prepaid Card Business	3,378	267	3,217	225	(160)	(41)
Others	770	325	774	313	3	(12)
Adjusted total	-	(1,458)	-	(1,898)	-	(440)
Total	¥297,633	¥28,003	¥323,945	¥31,785	¥26,311	¥3,782

■ Manufacturing Systems Business

Net sales decreased 4.0% to ¥40,849 million, reflecting a reactionary decline from last year's high level of activity surrounding large-scale projects in the manufacturing industry, but segment income increased 5.6% to ¥3,220 million due to improvements in productivity and profitability.

■ Telecommunication Systems Business

Net sales decreased 9.2% to ¥25,628 million, reflecting a reduction in large-scale systems integration projects that supported results in the previous year, and segment income decreased 12.3% to ¥4,471 million.

■ Distribution Systems Business

Net sales increased 3.9% to ¥46,754 million, and segment income increased 16.3% to ¥6,321 million as a result of our efforts in responding to demand for omni-channelization and an increase in systems development projects in the EC and CRM areas taking advantage of big data as well as other EDI cloud services projects.

■ Financial Systems Business

Net sales increased 17.1% to ¥71,259 million, and segment income increased 16.7% to ¥8,386 million as a result of increased IT investment demands for operation systems development as well as system modification needs to reflect various changes in regulations. This was apparent across all segments in the financial industry, including banks, which showed especially solid demand, securities firms, insurance companies, credit card companies and leasing companies.

■ Business Solutions

Net sales increased 3.6% to ¥19,052 million as a result of steady performance of ERP-related projects. Segment income increased 98.0% to ¥1,592 million as a result of improvements in productivity as well as a decrease in low-profit projects.

■ Business Services

Net sales increased 16.4% to ¥39,273 million and segment income increased 33.6% to ¥2,839 million as a result of solid growth in various BPO services, including product support services and verification services, particularly for customers in the manufacturing and distribution industries.

■ IT Platform Solutions

Net sales increased 19.1% to ¥77,135 million and segment income increased 22.0% to ¥6,314 million as a result of an increase in sales of IT products to certain customers in the telecommunications industry.

■ Prepaid Card Business

Net sales decreased 4.8% to ¥3,217 million, reflecting a reduction in large sales projects for card devices that boosted results in the previous year, and segment income decreased 15.6% to ¥225 million.

■ Others

Net sales (facility maintenance and lease income, etc.) increased 0.5% to ¥774 million, while segment income decreased 3.7% to ¥313 million.

III NET SALES BY SEGMENT

Net sales in the sales segments of Systems Development, System Maintenance and Operation/ Services, Packaged Software / Hardware Sales and Prepaid Card are described below.

(Unit: Millions of yen unless otherwise stated)

	Previous fiscal year (April 1, 2014 - March 31, 2015)		Fiscal year under review (April 1, 2015 - March 31, 2016)		Comparison with previous fiscal year	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Change (%)
Systems Development	¥117,843	39.6	¥124,470	38.4	¥6,626	5.6
System Maintenance and Operation / Services	110,720	37.2	119,170	36.8	8,449	7.6
Packaged Software / Hardware Sales	65,691	22.1	77,087	23.8	11,395	17.3
Prepaid Card	3,378	1.1	3,217	1.0	(160)	(4.8)
Total	¥297,633	100.0	¥323,945	100.0	¥26,311	8.8

In Systems Development, despite a reduction in large-scale projects that drove performance during the previous fiscal year, net sales rose 5.6% to ¥124,470 million as a result of solid performance in projects for the financial industry.

In System Maintenance and Operation / Services, as a result of strengthened demand for various cloud services related to IT infrastructure combined with strong performance in BPO services particularly in the manufacturing and distribution industries, net sales increased 7.6% to ¥119,170 million.

In Packaged Software/ Hardware Sales, strong sales of IT products for the telecommunications industry resulted in an increase in net sales of 17.3% to ¥77,087 million.

In Prepaid Card, a decline in the number of large-scale equipment replacement projects that supported performance in the previous fiscal year resulted in a decrease in net sales of 4.8% to ¥3,217 million.

IV FINANCIAL POSITION

■ Total Assets

Assets as of March 31, 2016 were ¥352,676 million, an increase of 5.5% or ¥18,386 million compared to March 31, 2015.

Current assets increased ¥14,730 million to ¥238,175 million. Non-current assets increased ¥3,655 million to ¥114,500 million.

■ Liabilities

Liabilities as of March 31, 2016 were ¥201,129 million, an increase of 2.7%, or ¥5,375 million, compared to March 31, 2015.

■ Net Assets

Net assets as of March 31, 2016 were ¥151,546 million, an increase of 9.4%, or ¥13,010 million, compared to March 31, 2015.

V CASH FLOWS

Cash and cash equivalents ("cash") increased by ¥12,732 million year on year to ¥98,445 million. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

■ Cash Flows from Operating Activities

Net cash provided by operating activities was ¥34,730 million.

The main cash inflow factors were profit before income taxes of ¥32,858 million, depreciation of ¥8,003 million and an increase in cash of ¥1,958 million in response to an increase in notes and accounts payable - trade. The main cash outflow factor was a decrease of ¥12,655 million in response to an increase in guarantee deposits.

■ Cash Flows from Investing Activities

Net cash used in investing activities was ¥9,473 million.

The main cash inflow factor was a redemption of securities of ¥4,000 million. The main cash outflow factors were payments for the acquisitions of ¥7,946 million in property, plant and equipment and ¥3,524 million in intangible assets.

■ Cash Flows from Financing Activities

Net cash used in financing activities was ¥12,338 million.

The main cash outflow factors were a decrease in funds due to loans payable of ¥10,000 million (net) and dividend payments of ¥2,600 million (¥25 per share) for the year-end dividend of the year ended March 31, 2015 and ¥3,640 million (¥35 per share) for the dividend of the interim period of the year ended March 31, 2016.

Business Risks

The following risks could potentially have a significant impact on SCSK Group's business, operating results and/or financial position. Matters in this section regarding future developments are based on the Company's judgment as of June 28, 2016.

1 Risks Related to the Business Environment

The information services industry in which SCSK Group operates experiences intense competition—among specialist IT service companies, from IT hardware vendors attempting to enter the IT service sector and from overseas companies. Given this situation, changes in the business environment can lead to major and rapid changes in customers' IT investment needs, and these changes, as well as continued price competition within the industry significantly beyond the level being seen at this time, could have a major impact on the Group's results.

In addition, the Group provides a range of IT services to customer companies in a variety of industries and with various business formats, and the timing and scope of customers' IT investment is both directly and indirectly affected by the economic environment and factors like interest rate and currency movements. Furthermore, the Prepaid Card Business faces the possibility of competition arising from other payment methods, and this could also have an impact on the Group's results.

2 Risks Related to Systems Development

The SCSK Group undertakes information systems development for customer companies. However, as systems development becomes increasingly complex with shorter delivery schedules, there is the possibility that costs will increase if quality cannot be maintained as planned, development cannot be completed as planned or development cannot be completed within the scheduled timeframe. This could have an impact on the Group's results. In addition, the Group uses many subcontractors, including offshore development companies, to maintain production capacity, increase cost efficiency and utilize technological capabilities and expertise. With this use of subcontractors, there is the possibility that productivity and quality cannot be maintained as expected.

The Group therefore strives to reduce risk through systematic efforts to ensure that unforeseen malfunctions do not arise in the overall systems delivered, through checks at the negotiation and estimate stages, management of the project's progress by specialist divisions, quality checks, general inspections of subcontractors and progress and quality management for systems development operations.

3 Risks Related to Addressing Technological Innovation

The information services industry in which the SCSK Group operates experiences extremely fast-paced technological innovation, which creates the possibility that the Group's technologies, technical abilities, and expertise will become outdated. In addition, rapid changes in industry standards for the software and hardware used to construct the systems and provide the services of customers, which are the source of the Group's earnings, could lead to a loss of technical or price advantages for those systems and services. As a result, if the Group is unable to predict or recognize trends in technological changes within the industry or is able to predict but not able to respond appropriately to those changes, this could have an impact on the Group's results.

To appropriately respond to technological innovation in a timely manner, the Group promotes the enhancement of employees' capabilities and the systematic identification and acquisition of new technologies. In addition, the Group disperses the technical capabilities and product procurement capacity used to build systems and provide services. At the same time, it promotes business operations that are not overly reliant on any particular technology, expertise or product.

4 Risks Related to Information Security

From systems development through to the operational stage, the SCSK Group handles various types of confidential information, including personal information held by customer companies and technical information related to customer companies' systems. In the event this confidential information were to be leaked or altered because of a computer virus, unauthorized access, human error, damage to the customer's system or for any other reason, the customer could seek compensatory damages and the Group could suffer a loss of confidence that could have an impact on the Group's results.

Therefore, in addition to maintaining thorough compliance and strengthening physical security measures, we implement programs to strengthen information security throughout education and training, including at subcontractors that handle confidential information. We also work to insure that subcontractors maintain the same levels of information security and information management as those of SCSK through on-site reviews at subcontractors when necessary.

5 Risks Related to Investment

The SCSK Group invests in or provides credit such as loans to operating companies and venture capital companies for the purpose of strengthening our solutions, maintaining production capacity, acquiring and enhancing technical capabilities in cutting-edge areas and maintaining the ability to procure the latest hardware and software and purchases prototype products from these companies. Investments are also made for packaged software development and service development in priority business and new business areas.

The failure to get returns as initially anticipated as a result of deterioration in earnings or shortfalls in the business plans of the invested businesses or the borrowers could have an impact on the Group's results. Therefore, a risk management structure has been established to give thorough consideration to the entities to be invested in and to the borrowers, their business plans and the risk versus return on the investments when making investment decisions, and to confirm and monitor the progress under the plan after the investment is made.

6 Risks Related to Litigation

The SCSK Group sells and delivers software and hardware products developed and manufactured outside the Group to a large number of customer companies, and there is the possibility of litigation arising as a result of infringement of intellectual property rights in connection with these business activities. The details and outcomes of such litigation could have an impact on the Group's results.

7 Risks Related to Fluctuations in Defined Benefit Pension

The plan assets in the Group pension fund increase and decrease as a result of investment performance. In addition, assumptions, which are one of the components used in pension benefit accounting to calculate retirement benefit obligations, fluctuate as a result of factors including the aging and retirement of employees and new employees enrolling in the pension program. Plan assets and assumptions are subject to change due to factors that are beyond the control of SCSK's management, and these changes could have an impact on the Group's results.

8 Risks Related to the Possibility of Recovery of Deferred Tax Assets

The Group recognized deferred tax assets that are expected to be recovered from taxable income arising from business transactions. However, the inability to recover these assets because of a shortfall from planned operating results or tax system revisions, including changes in tax rates, could necessitate reversals of deferred tax assets, which could have an impact on the Group's results.

9 Risks Related to Impairment on Fixed Assets

As of March 31, 2016, the SCSK Group owned land and structures with a book value of ¥54,702 million. These assets are used for offices, including leased offices, data centers, dormitories, and employee housing. Data centers and leased offices are classified with their respective business segment, and other assets are classified as corporate assets, and movements in land prices or the SCSK Group's performances could have an impact on the Group's results.

In the period under review, impairment losses were booked with regard to the facilities which were decided to be sold and businesses to be withdrawn. As a result of the assessment, for on non-current assets categorized by business segment, no item was regarded as impaired except for those mentioned above.

10 Risks Related to Product Procurement

The SCSK Group procures a wide range of specially selected hardware and software products in Japan and from overseas and supplies these products to customers. Sudden, unexpected changes in vendors' business strategies could result in changes in product specifications or the termination of supplies, which could have an impact on the Group's results.

In order to cope with such circumstances, we utilize our overseas offices and networks in order to identify, and procure new products and to keep pace with technological trends overseas. Also, we pursue joint business strategies with vendors in Japan and overseas to keep abreast of developments and enable stable product procurement.

11 Risks Related to Non-Recovery of Assets

The SCSK Group sells products, undertakes systems development and provides services to a large number of customer companies. The payments for many of these transactions take place after the product or service is delivered. Deterioration in the customer company's financial position could lead to delay in the recovery of SCSK's claims or make recovery difficult, and this could have an impact on the Group's results.

Therefore, the Group manages credit, confirms the status of customer companies' credit and sets appropriate credit limits independently of the operating division and also regularly monitors the status of unpaid claims and recovery. Appropriate accounting measures, including the recording of allowances for doubtful accounts, are taken as necessary.

12 Risks Related to Large-Scale Natural Disasters

Many of the SCSK Group's offices and assets, including the head office, are concentrated in large metropolitan areas, and the occurrence of a major natural disaster like an earthquake occurring directly beneath Tokyo or in the Nankai Trough or the outbreak of a new type of influenza or other infectious disease with the potential to spread globally could have an impact on the Group's results.

In order to strengthen its structure to ensure business continuity in the event of unforeseen circumstances, the Group has formulated business continuity plans and prepared backup offices where managerial duties can be performed in the event of such circumstances.

13 Risks Related to Retaining and Development of Human Resources

The SCSK Group's business activities rely heavily on human resources. In the event that the Group fails to secure needed personnel and to develop human resources as originally planned, there could be an impact on the Group's results.

While SCSK focuses on maintaining a workplace environment that emphasizes four perspectives of work life balance, diversity, health and productivity management, and human resource development, the Group strives to hire, retain, and develop quality human resources in all of our business areas.

Consolidated Balance Sheets

SCSK Corporation and Consolidated Subsidiaries
March 31, 2016 and 2015

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Current assets:			
Cash and deposits (Notes 3, 9 and 21)	¥ 20,840	¥ 25,908	\$ 184,951
Notes and accounts receivable - trade (Notes 3 and 4)	63,373	63,687	562,423
Securities (Notes 3, 5 and 21)	800	900	7,103
Operational investment securities (Notes 3, 5 and 9)	10,110	18,957	89,730
Inventories (Note 6)	6,178	5,076	54,833
Deferred tax assets (Note 12)	7,392	9,563	65,609
Deposits paid (Notes 3 and 21)	79,004	61,798	701,141
Guarantee deposits (Notes 3 and 9)	37,443	24,788	332,295
Other	13,072	12,796	116,011
Allowance for doubtful accounts	(41)	(32)	(368)
Total current assets	238,175	223,444	2,113,732
Property, plant and equipment (Notes 7, 11, 16, 17 and 23)	66,872	64,175	593,471
Investments and other assets:			
Investment securities (Notes 3 and 5)	3,881	5,612	34,449
Investment in unconsolidated subsidiaries and affiliates (Notes 3 and 5)	4,193	4,063	37,220
Deferred tax assets (Note 12)	21,969	17,062	194,970
Intangible assets (Note 16)	8,529	7,963	75,698
Net defined benefit asset (Note 10)	10	2,305	93
Other (Note 3)	9,355	9,932	83,023
Allowance for doubtful accounts	(311)	(268)	(2,767)
Total investments and other assets	47,628	46,669	422,688
Total assets	¥352,676	¥334,290	\$3,129,892

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Current liabilities:			
Notes and accounts payable - trade (Notes 3 and 4)	¥ 19,679	¥ 17,769	\$ 174,653
Short-term loans payable (Notes 3 and 8)	10,000	10,000	88,746
Current portion of long-term debts (Notes 3 and 8)	5,980	16,086	53,070
Provision for bonuses	6,275	6,585	55,693
Provision for directors' bonuses	258	133	2,295
Provision for loss on construction contracts	984	27	8,737
Deposits received of prepaid cards (Note 3)	83,788	77,204	743,598
Income taxes payable (Note 12)	3,725	2,212	33,065
Other (Notes 9 and 11)	25,562	30,779	226,859
Total current liabilities	156,255	160,799	1,386,721
Non-current liabilities:			
Long-term debts (Notes 3 and 8)	36,435	31,694	323,349
Net defined benefit liability (Note 10)	5,759	209	51,112
Provision for directors' retirement benefits	24	24	217
Asset retirement obligations (Note 11)	2,056	1,538	18,250
Other	598	1,487	5,309
Total non-current liabilities	44,873	34,954	398,239
Contingent liabilities (Note 24)			
NET ASSETS (Note 13):			
Shareholders' equity:			
Capital stock (Note 13)	21,152	21,152	187,724
Capital surplus	3,054	3,054	27,105
Retained earnings	131,886	111,171	1,170,454
Treasury shares:			
4,189,210 shares in 2016 and 4,208,816 shares in 2015 (Note 13)	(8,444)	(8,471)	(74,940)
Total shareholders' equity	147,649	126,907	1,310,344
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,556	2,520	13,814
Deferred gains or losses on hedges	(89)	(16)	(793)
Foreign currency translation adjustment	169	361	1,503
Remeasurements of defined benefit plans	(3,866)	2,684	(34,309)
Total accumulated other comprehensive income	(2,229)	5,550	(19,785)
Subscription rights to shares (Notes 13 and 25)	88	106	785
Non-controlling interests	6,038	5,971	53,587
Total net assets	151,546	138,536	1,344,932
Total liabilities and net assets	¥352,676	¥334,290	\$3,129,892

Consolidated Statements of Income

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Net sales	¥323,945	¥297,633	\$2,874,913
Cost of sales (Note 14)	245,923	225,163	2,182,498
Gross profit	78,021	72,469	692,414
Selling, general and administrative expenses (Note 15)	46,235	44,466	410,327
Operating income	31,785	28,003	282,087
Non-operating income (expenses):			
Interest and dividend income	159	145	1,415
Share of profit of entities accounted for using equity method	344	472	3,056
Gain on sales of investment securities	248	1,455	2,209
Hoard profit of prepaid card	1,376	1,394	12,212
Interest expenses	(197)	(221)	(1,753)
Loss on valuation of investment securities (Note 5)	–	(46)	–
Bond issuance cost	(48)	–	(428)
Loss on retirement of non-current assets (Note 16)	(87)	(364)	(776)
Impairment loss (Note 17)	(356)	–	(3,167)
Office transfer related expenses (Note 18)	(374)	(2,595)	(3,322)
Compensation expenses	(76)	(1,111)	(678)
Burden of loss on outside the contract	–	(409)	–
Contractual termination penalties	–	(170)	–
Other, net	85	(80)	758
Total	1,073	(1,531)	9,525
Profit before income taxes	32,858	26,471	291,612
Income taxes (Note 12):			
Current	4,151	2,944	36,844
Deferred	964	7,439	8,563
Total	5,116	10,384	45,407
Profit	¥ 27,742	¥ 16,087	\$ 246,205
Profit attributable to non-controlling interests	786	448	6,978
Profit attributable to owners of parent	¥ 26,956	¥ 15,638	\$ 239,226

	Yen		U.S. dollars (Note 2)
	2016	2015	2016
Earnings per share of common stock (Note 19):			
Basic	¥259.72	¥150.71	\$2.30
Diluted	259.28	150.02	2.30
Cash dividends per share applicable to the year	75.00	50.00	0.66

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Profit	¥27,742	¥16,087	\$246,205
Other comprehensive income (Note 20):			
Valuation difference on available-for-sale securities	(915)	1,365	(8,122)
Deferred gains or losses on hedges	(73)	(15)	(649)
Foreign currency translation adjustment	(160)	413	(1,422)
Remeasurements of defined benefit plans, net of tax	(6,828)	277	(60,597)
Share of other comprehensive income of entities accounted for using equity method	(115)	46	(1,024)
Total other comprehensive income	(8,092)	2,087	(71,816)
Comprehensive income	¥19,650	¥18,174	\$174,388
Comprehensive income attributable to:			
Owners of parent	¥19,175	¥17,580	\$170,180
Non-controlling interests	474	594	4,208

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen					Millions of yen							Total net assets
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at April 1, 2014	¥21,152	¥3,061	¥101,176	¥(8,510)	¥116,880	¥1,129	¥ (0)	¥ (57)	¥ 2,537	¥ 3,608	¥135	¥5,535	¥126,159
Cumulative effects of changes in accounting policies	-	-	(964)	-	(964)	-	-	-	-	-	-	-	(964)
Restated balance at April 1, 2014	21,152	3,061	100,212	(8,510)	115,916	1,129	(0)	(57)	2,537	3,608	135	5,535	125,196
Dividends of surplus (Note 13)	-	-	(4,679)	-	(4,679)	-	-	-	-	-	-	-	(4,679)
Profit attributable to owners of parent	-	-	15,638	-	15,638	-	-	-	-	-	-	-	15,638
Purchase of treasury shares	-	-	-	(21)	(21)	-	-	-	-	-	-	-	(21)
Disposal of treasury shares	-	(7)	-	53	46	-	-	-	-	-	-	-	46
Change in treasury shares arising from change in equity in entities accounted for using equity method	-	-	-	6	6	-	-	-	-	-	-	-	6
Net changes of items other than shareholders' equity	-	-	-	-	-	1,390	(15)	419	147	1,942	(28)	435	2,349
Balance at March 31, 2015	21,152	3,054	111,171	(8,471)	126,907	2,520	(16)	361	2,684	5,550	106	5,971	138,536
Balance at April 1, 2015	21,152	3,054	111,171	(8,471)	126,907	2,520	(16)	361	2,684	5,550	106	5,971	138,536
Dividends of surplus (Note 13)	-	-	(6,240)	-	(6,240)	-	-	-	-	-	-	-	(6,240)
Profit attributable to owners of parent	-	-	26,956	-	26,956	-	-	-	-	-	-	-	26,956
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	7	-	-	7	-	-	-	-	-	-	-	7
Purchase of treasury shares	-	-	-	(22)	(22)	-	-	-	-	-	-	-	(22)
Disposal of treasury shares	-	(7)	-	42	34	-	-	-	-	-	-	-	34
Change in treasury shares arising from change in equity in entities accounted for using equity method	-	-	-	7	7	-	-	-	-	-	-	-	7
Net changes of items other than shareholders' equity	-	-	-	-	-	(963)	(73)	(192)	(6,550)	(7,780)	(18)	66	(7,731)
Balance at March 31, 2016	¥21,152	¥3,054	¥131,886	¥(8,444)	¥147,649	¥1,556	¥(89)	¥ 169	¥(3,866)	¥(2,229)	¥ 88	¥6,038	¥151,546

	Thousands of U.S. dollars (Note 2)					Thousands of U.S. dollars (Note 2)							Total net assets
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at April 1, 2015	\$187,724	\$27,106	\$ 986,612	\$(75,179)	\$1,126,265	\$22,367	\$(143)	\$ 3,212	\$ 23,824	\$ 49,260	\$ 947	\$52,995	\$1,229,468
Dividends of surplus (Note 13)	-	-	(55,384)	-	(55,384)	-	-	-	-	-	-	-	(55,384)
Profit attributable to owners of parent	-	-	239,226	-	239,226	-	-	-	-	-	-	-	239,226
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	65	-	-	65	-	-	-	-	-	-	-	65
Purchase of treasury shares	-	-	-	(203)	(203)	-	-	-	-	-	-	-	(203)
Disposal of treasury shares	-	(66)	-	376	310	-	-	-	-	-	-	-	310
Change in treasury shares arising from change in equity in entities accounted for using equity method	-	-	-	66	66	-	-	-	-	-	-	-	66
Net changes of items other than shareholders' equity	-	-	-	-	-	(8,552)	(649)	(1,708)	(58,134)	(69,046)	(161)	591	(68,615)
Balance at March 31, 2016	\$187,724	\$27,105	\$1,170,454	\$(74,940)	\$1,310,344	\$13,814	\$(793)	\$ 1,503	\$(34,309)	\$(19,785)	\$ 785	\$53,587	\$1,344,932

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 32,858	¥ 26,471	\$ 291,612
Depreciation and amortization	8,003	6,865	71,026
Impairment loss	356	–	3,167
Increase in net defined benefit liability	62	58	550
Increase in net defined benefit asset	(1,096)	(1,054)	(9,729)
Loss on retirement of non-current assets	87	364	776
Loss on valuation of investment securities	–	46	–
Gain on sales of investment securities	(248)	(1,455)	(2,209)
Decrease in investment securities for sale	8,784	21,335	77,956
Decrease (increase) in notes and accounts receivable - trade	226	(89)	2,006
Increase in inventories	(1,102)	(809)	(9,786)
Increase in guarantee deposits	(12,655)	(24,775)	(112,311)
Increase (decrease) in notes and accounts payable - trade	1,958	(2,046)	17,378
Increase in deposits received of prepaid cards	6,584	6,556	58,434
Other, net	(3,099)	2,388	(27,510)
Sub-total	40,718	33,856	361,361
Interest and dividend income received	324	288	2,879
Interest expenses paid	(191)	(222)	(1,701)
Compensation expenses paid	(664)	(697)	(5,892)
Payments for office transfer related expenses	(2,508)	–	(22,259)
Contractual termination penalties paid	–	(170)	–
Income taxes paid	(2,948)	(3,347)	(26,164)
Net cash provided by operating activities	34,730	29,707	308,222
Cash flows from investing activities:			
Payments of deposit	–	(331)	–
Proceeds from withdrawal deposit	351	18,000	3,121
Purchase of property, plant and equipment	(7,946)	(10,796)	(70,526)
Proceeds from sales of property, plant and equipment	9	6	80
Purchase of intangible assets	(3,524)	(3,108)	(31,279)
Purchase of investment securities	(59)	(7)	(527)
Purchase of securities	(3,900)	(3,200)	(34,611)
Proceeds from sales and redemption of securities	4,000	3,100	35,498
Proceeds from sales and redemption of investment securities	562	1,584	4,993
Collection of short-term loans receivable	7	26	68
Payments for transfer of business	(211)	–	(1,875)
Proceeds from withdrawal of investments in partnership	235	188	2,090
Other, net	1,002	(296)	8,895
Net cash provided by (used in) investing activities	(9,473)	5,166	(84,072)
Cash flows from financing activities:			
Increase in short-term loans payable	10,000	7,500	88,746
Decrease in short-term loans payable	(10,000)	(14,500)	(88,746)
Proceeds from long-term loans payable	–	5,000	–
Repayments of long-term loans payable	(10,000)	–	(88,746)
Proceeds from issuance of bonds	10,000	–	88,746
Redemption of bonds	(5,000)	–	(44,373)
Repayments of lease obligations	(691)	(1,522)	(6,138)
Purchase of treasury shares	(23)	(21)	(204)
Cash dividends paid	(6,240)	(4,679)	(55,384)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(262)	–	(2,325)
Other, net	(121)	(171)	(1,074)
Net cash used in financing activities	(12,338)	(8,395)	(109,502)
Effect of exchange rate change on cash and cash equivalents	(104)	230	(928)
Net increase in cash and cash equivalents	12,813	26,708	113,720
Cash and cash equivalents at beginning of period	85,713	59,004	760,677
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(81)	–	(725)
Cash and cash equivalents at end of period (Note 21)	¥ 98,445	¥ 85,713	\$ 873,672

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

SCSK Corporation and Consolidated Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of presentation

SCSK Corporation (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with the standards of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

Effective from the year ended March 31, 2016, the Company has changed to omit amounts of less than one million yen on the accompanying financial statements, as permitted by the Financial Instruments and Exchange Act of Japan. Amounts in the prior year’s financial statements have been modified to conform to the current year’s presentation. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards

Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using the Equity Method” (PITF No. 24), the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods between 5 and 10 years for the years ended March 31, 2016 and 2015. Any immaterial amounts are fully recognized as expenses as incurred.

At March 31, 2016, the number of consolidated subsidiaries and affiliates accounted for by the equity method were 20 and 3 (22 and 3 in 2015), respectively. Certain subsidiaries were excluded from the scope of consolidation and the equity method. The aggregate amount of total assets, net sales, profit and retained earnings of these excluded subsidiaries would not have had a material effect on the consolidated financial statements if they had been included in the consolidation or if the equity method had been applied for these investments. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost. Where there has been decline, an other than temporary, in the value of such investments, these investments have been written down.

Subsidiaries, SCSK Europe Ltd., SCSK Shanghai Limited, SCSK Asia Pacific Pte. Ltd. and one partnership are consolidated using their financial statements at their respective fiscal year-end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from intercompany transactions are eliminated.

(3) Foreign currency translation**(a) Translation of accounts**

All short- and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

(b) Financial statements denominated in foreign currencies

Balance sheets of foreign consolidated subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Statements of income of foreign consolidated subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

(4) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with insignificant risk of changes in value, maturities not exceeding three months at the time of purchase and Money Management Funds and others are considered to be cash and cash equivalents.

(5) Operational investment securities

Marketable securities held for gaining financial revenue for operational purposes are classified as operational investment securities. Financial revenue such as interest derived from the operational investment securities is included in net sales of the consolidated statements of income.

(6) Securities

The Company and its consolidated subsidiaries (collectively, the "Group") examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliates or (d) all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities"). The Group did not hold any security defined as (a) above at March 31, 2016 and 2015.

Held-to-maturity debt securities are stated at amortized cost computed based on the straight-line method. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for by the equity method are stated at the moving average cost. Available-for-sale securities with fair value are stated at fair value at the balance sheet date. Valuation differences on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average method. Available-for-sale securities without fair value are stated at the moving average cost. Investments in partnerships considered as securities in accordance with the Financial Instruments and Exchange Act of Japan are stated at amounts of net shares based on their available financial statements at reporting dates designated by partnership agreements.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates or available-for-sale securities declines significantly, such securities are restated at fair value and the difference between fair value and the carrying amount is recognized as "Loss on valuation of investment securities" or "Loss on valuation of stocks of subsidiaries and affiliates" in the consolidated statement of income in the period of the decline. For equity securities without fair value, if the net asset value of the investee declines significantly, such securities are adjusted to net asset value with the corresponding losses recognized in the consolidated statement of income in the period of the decline. In these cases, the fair value or the net asset value will be the carrying amount of the securities at the beginning of the following fiscal year.

(7) Inventories

Merchandise and finished goods are principally stated by the specific identification method with the write-down of the carrying value as a result of declines in profitability. Work in process is stated by the specific identification method write-down of the carrying value as a result of declines in profitability.

(8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. The allowance for doubtful accounts consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical percentage of collection losses.

(9) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method based on the estimated useful life of the asset and the residual value determined by the Group.

(10) Leases

Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of the assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

Leased assets of finance leases except for those which transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with no residual value.

(11) Intangible assets (excluding leased assets)

Capitalized costs of software for internal use are amortized using the straight-line method over the estimated useful life of the software (within 5 years). Capitalized costs of software developed for external sales are amortized as the higher of (a) the amount based on projected sales amounts or (b) the amount equally allocated for the remaining period (within 3 years). Other intangible assets are amortized using the straight-line method.

(12) Amortization for deferred assets

Bond issue costs are fully expensed as incurred.

(13) Provision for bonuses

Provision for bonuses is provided based on the estimated amounts payable at the balance sheet date.

(14) Provision for directors' bonuses

Provision for directors' bonuses is provided based on the estimated amounts payable at the balance sheet date.

(15) Provision for loss on construction contracts

Provision for loss on construction contracts is provided for estimated future losses related to construction contracts.

(16) Provision for directors' retirement benefits

The Company and certain consolidated subsidiaries record provision for directors' retirement benefits based on an estimated amount payable to directors upon retirement. An estimate is based only on the period prior to the date of abolishment of the directors' retirement benefit plan, which was approved at the shareholders' meeting in previous years.

(17) Defined benefit

The retirement benefit obligation for employees is attributed to each period by a benefit formula basis over the estimated years of service of the eligible employees.

Past service costs are amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period of mainly 1 to 12 years. Actuarial gains and losses are amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period, which is mainly 5 to 13 years, beginning from the following fiscal year.

Certain consolidated subsidiaries apply the simplified method that assumes the amount required for voluntary resignation at the end of the term to be retirement benefit obligations in computing net defined benefit liability and retirement benefit costs.

Unrealized actuarial gains and losses and unrealized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income, net of tax.

(18) Income taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for tax losses carried forward and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(19) Revenue recognition**(a) Revenue from construction contracts**

The percentage of completion method is applied to contracts for which substantial progress toward certain results is reasonably dependable at the end of the fiscal year under review. The estimation of the degree of completion of a contract at the fiscal year-end is determined by the percentage of the cost incurred to the estimated total costs. The completed contract method is applied to other contracts.

(b) Prepaid card sales

Upon issuance of prepaid cards, the face value is recognized as "Deposits received of prepaid cards," with subsequent deductions as the cards are used. The Group estimates any remaining value of the prepaid cards that are considered unlikely to be used, based on the requirement under Japan's Corporation Tax Act, which takes into account the year of issuance for the basis of estimation. Any amounts that are determined to be unlikely used are recognized as "Hoard profit of prepaid card" in Non-operating income with subsequent deductions from "Deposits received of prepaid cards."

(20) Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

(21) Amortization of goodwill

Goodwill is amortized over a period of 5 to 10 years by the straight-line method. However, the full amount of goodwill that is not material is expensed as incurred.

(22) Derivative and hedge accounting

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to operations, except for those that meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as a component of net assets. Appropriation treatment is applied for receivables and payables denominated in foreign currencies hedged by forward foreign exchange contracts. With appropriation treatment, receivables and payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for specific hedge accounting. Derivative transactions are implemented based on actual demands and not

for trading or speculative purposes. Hedge effectiveness is not assessed at the balance sheet date since forward foreign exchange contracts with the same amounts and maturities denominated in the same foreign currencies, based on risk management policies, are appropriated when the forward foreign exchange contracts are entered into. Therefore, their following correlation in exchange fluctuations is fully confirmed.

All derivative transactions are carried with domestic financial institutions that have high credit ratings, and credit risk arising from contractual default by these counterparties is assumed to be low.

(23) Per share information

Basic profit per share is computed by dividing profit available to common stock shareholders by the weighted-average number of shares of common stock issuing for the period. Diluted profit per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted profit per share of common stock assumes full exercise of the outstanding subscription rights to shares with an applicable adjustment.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(24) Application of consolidated taxation system

The Company and certain domestic consolidated subsidiaries applied a consolidated taxation system.

(25) Accounting changes

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards") from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion

following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year's comparative information were reclassified to conform to such changes in the current year's presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2(4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively.

In the consolidated statements of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities," and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

The changes of the accounting policies described above have had no significant impact on the consolidated financial statements or per share information.

(26) Accounting standard issued but not yet applied

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26"))

(1) Overview

Following the framework in Auditing Committee Report No. 66, "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the year ending March 31, 2017

(3) Effects of application of the Guidance

The Company is currently evaluating the effects of application.

2 U.S. DOLLAR AMOUNTS

The accompanying consolidated financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥112.68 to U.S.\$1.00, the rate of exchange

prevailing at March 31, 2016. This translation should not be construed as a representation that the amounts shown have been converted into U.S. dollars at such rate.

3 FINANCIAL INSTRUMENTS

1. Matters related to financial instruments

(1) Policy for financial instruments

For the management of surplus funds, the Group's policy is to invest in deposits at banks and mainly operational investment securities. As for raising funds, the Group mainly raises funds through bank loans and corporate bonds and uses funds on hand. Also, the Group does not use derivative instruments for speculative or trading purposes and only uses forward foreign exchange contracts to mitigate the risk of currency rate fluctuations for debts and credits denominated in foreign currencies.

(2) Types of financial instruments, related risks and risk management for financial instruments

Trade receivables such as trade notes and accounts receivable are exposed to customer credit risk.

In accordance with the internal policy of the Group for managing credit risk arising from receivables, the Group monitors the credit worthiness of their main customers on a regular basis and monitors due dates and outstanding balances by individual customers.

A subsidiary which operates the Prepaid Card Business holds debt securities as operational investment securities. The Group holds investment securities which mainly consist of stocks issued by companies with which the Group has business relationships. These securities are exposed to market risk.

The Group periodically reviews market prices of these securities in order to mitigate market risk.

Substantially all trade payables, such as trade notes and accounts payable, have payment due dates within one year and are exposed to liquidity risk.

Some trade payables denominated in foreign currency arising from import transactions are exposed to foreign

currency exchange risk. The Group enters into forward foreign exchange contracts to reduce foreign currency exchange risk with financial institutions which have high credit ratings in order to reduce credit risk.

Short-term loans payable are mainly for raising working capital for operating transactions. These loans payable with the final due date in September 2016 are exposed to liquidity risk.

Deposits received of prepaid cards related to the Prepaid Card Business, which the subsidiary operates, are no-interest bearing financial obligations. Although deposits received of prepaid cards are not exposed to risk of interest rate fluctuations, they are exposed to liquidity risk.

Bonds payable are issued and used mainly for capital expenditures. These bonds with the final due date in June 2020 are exposed to liquidity risk.

Long-term loans payable mainly consists of a syndicated loan provided by 22 main banks. This syndicated loan due in May 2017 with variable interest rates is exposed to liquidity risk as well as the risk of interest rate fluctuations.

Trade payables, loans payables, deposits received of prepaid cards and bonds payable are exposed to liquidity risk, which is the risk of failing to settle as scheduled. The Company comprehensively manages the Group's cash flow by using cash management systems. In addition, the Company receives a monthly cash flow report from each Group company and maintains Groupwide cash management.

Regarding derivative transactions, forward foreign exchange contracts were entered into for the purpose of hedging foreign currency exchange risk deriving of trade payables and trade receivables denominated in foreign currencies.

2. Fair values of financial instruments

The carrying value of financial instruments on the consolidated balance sheets at March 31, 2016 and 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Year ended March 31, 2016					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars		
Assets:						
(1) Cash and deposits	¥20,840	¥20,840	¥ -	\$184,951	\$184,951	\$ -
(2) Notes and accounts receivable - trade	63,373	63,373	-	562,423	562,423	-
(3) Securities:						
Held-to-maturity debt securities	700	700	-	6,212	6,212	-
Available-for-sale securities	100	100	-	891	891	-
(4) Operational investment securities:						
Available-for-sale securities	10,110	10,110	-	89,730	89,730	-
(5) Deposits paid	79,004	79,004	-	701,141	701,141	-
(6) Guarantee deposits	37,443	37,443	-	332,295	332,295	-
(7) Investment securities	2,897	2,897	-	25,711	25,711	-
(8) Shares of subsidiaries and associates	3,913	4,109	196	34,727	36,471	1,744
(9) Lease and guarantee deposits	6,855	6,851	(3)	60,841	60,807	(33)
Liabilities:						
(1) Notes and accounts payable - trade	¥19,679	¥19,679	¥ -	\$174,653	\$174,653	\$ -
(2) Short-term loans payable	10,000	10,000	-	88,746	88,746	-
(4) Current portion of long-term loans payable	5,000	5,000	-	44,373	44,373	-
(5) Deposits received of prepaid cards	83,788	83,788	-	743,598	743,598	-
(6) Bonds payable	25,000	25,073	(73)	221,867	222,516	(648)
(7) Long-term loans payable	10,000	9,988	11	88,746	88,643	103
(8) Derivative transactions	129	129	-	1,148	1,148	-

	Year ended March 31, 2015		
	Carrying value	Fair value	Difference
	Millions of yen		
Assets:			
(1) Cash and deposits	¥25,908	¥25,908	¥ –
(2) Notes and accounts receivable - trade	63,687	63,687	–
(3) Securities:			
Held-to-maturity debt securities	800	800	–
Available-for-sale securities	100	100	–
(4) Operational investment securities:			
Available-for-sale securities	18,957	18,957	–
(5) Deposits paid	61,798	61,798	–
(6) Guarantee deposits	24,788	24,788	–
(7) Investment securities	4,331	4,331	–
(8) Shares of subsidiaries and associates	3,837	4,223	385
(9) Lease and guarantee deposits	7,651	7,569	(82)
Liabilities:			
(1) Notes and accounts payable - trade	¥17,769	¥17,769	¥ –
(2) Short-term loans payable	10,000	10,000	–
(3) Current portion of bonds	5,000	5,000	–
(4) Current portion of long-term loans payable	10,000	10,000	–
(5) Deposits received of prepaid cards	77,204	77,204	–
(6) Bonds payable	15,000	15,068	(68)
(7) Long-term loans payable	15,000	14,993	6
(8) Derivative transactions	24	24	–

Receivables and payables incurred as a result of derivatives are presented on a net basis.

Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

<Assets>

(1) Cash and deposits, (2) Notes and accounts receivable - trade and (5) Deposits paid

Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Securities, (4) Operational investment securities, (7) Investment securities and (8) Shares of subsidiaries and associates

The fair value of these securities is based on either quoted market prices or prices provided by the correspondent financial institutions. The carrying value is used as the fair value for certain securities with short-term maturities because the fair value is nearly equal to the carrying value.

(6) Guarantee deposits

Guarantee deposits are mainly guarantee deposits for issuance pursuant to "the Act on Settlement." The carrying value is used as the fair value because guarantee deposits are expected to be settled in a short period of time and the fair value is nearly equal to the carrying value.

(9) Lease and guarantee deposits

The fair value of lease and guarantee deposits with maturities exceeding one year is based on the present value discounted by reasonable rates.

<Liabilities>

(1) Notes and accounts payable - trade, (2) Short-term loans payable, (3) Current portion of bonds and (4) Current portion of long-term loans payable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Deposits received of prepaid cards

Deposits received of prepaid cards are obligations to pay usage amounts reported in notifications from stores where the "QUO card" prepaid card is usable and its fair value is based on its carrying value since they are settled in a short period of time.

(6) Bonds payable

The fair value of bonds payable is based on the present value of total principal and interest discounted by the interest rate to be applied if similar new bonds are issued.

(7) Long-term loans payable

The fair value of long-term loans payable is based on the present value of total principal and interest discounted by the interest rate to be applied if similar new long-term loans are incurred.

(8) Derivative transactions

Information on the fair value of derivatives is included in Note 4, "Derivative transactions."

3. Financial instruments for which it is extremely difficult to determine the fair value

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Unlisted equity securities	¥ 516	¥ 569	\$ 4,579
Investments in partnership	749	936	6,651
Total	¥1,265	¥1,505	\$11,231

As quoted market price was not available and it was extremely difficult to estimate future cash flows, the carrying value of the above financial instruments was not included in (7) Investment securities and (8) Shares of subsidiaries and associates.

4. The redemption schedule for monetary receivables and marketable securities with maturities at March 31, 2016 was as follows:

	March 31, 2016							
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	Millions of yen				Thousands of U.S. dollars			
Cash and deposits	¥ 20,840	¥ –	¥ –	¥ –	\$ 184,951	\$ –	\$ –	\$ –
Notes and accounts receivable - trade	63,373	–	–	–	562,423	–	–	–
Deposits paid	79,004	–	–	–	701,141	–	–	–
Guarantee deposits	37,443	–	–	–	332,295	–	–	–
Securities, operational investment securities and investment securities:								
Held-to-maturity debt securities	700	–	–	–	6,212	–	–	–
Available-for-sale securities with maturities:								
Government/municipal bonds	3,946	6,164	–	–	35,020	54,710	–	–
Corporate bonds	–	–	–	–	–	–	–	–
Total	¥205,308	¥6,164	¥ –	¥ –	\$1,822,045	\$54,710	\$ –	\$ –

Note: Available-for-sale securities of ¥88 million (\$788 thousand) with scheduled amounts subject to change due to fluctuations in fair value were not included in available-for-sale securities with maturities in the above table.

4 DERIVATIVE TRANSACTIONS

The notional amount and the estimated fair value of the derivative instruments outstanding at March 31, 2016 and 2015 are summarized as follows:

		March 31, 2016					
Type of transaction	Hedged item	Notional amount Millions of yen	Portion due after one year included in notional amount		Notional amount Thousands of U.S. dollars	Portion due after one year included in notional amount	
			Notional amount	Fair value		Notional amount	Fair value
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts							
Sell	Forecast transactions in foreign currency						
USD, GBP		¥ 338	¥ –	¥ 6	\$ 3,002	\$ –	\$ 54
Buy							
USD, EUR, GBP, RMB, SGD		2,941	103	(135)	26,107	914	(1,202)
Derivative transactions for which appropriation treatment has been applied							
Forward foreign exchange contracts							
Sell	Accounts receivable – trade						
USD, GBP		418	–	*2	3,711	–	*2
Buy	Accounts payable – trade						
USD, EUR, GBP, SGD		1,063	–	*2	9,435	–	*2
Total		¥4,761	¥103	¥(129)	\$42,257	\$914	\$(1,148)

		March 31, 2015		
Type of transaction	Hedged item	Notional amount Millions of yen	Portion due after one year included in notional amount	
			Notional amount	Fair value
Derivative transactions for which deferral hedge accounting has been applied				
Forward foreign exchange contracts				
Sell	Forecast transactions in foreign currency			
USD, GBP		¥1,594	¥–	¥(33)
Buy				
USD, EUR, GBP		1,440	6	8
Derivative transactions for which appropriation treatment has been applied				
Forward foreign exchange contracts				
Sell	Accounts receivable – trade			
USD, GBP		2,349	–	*2
Buy	Accounts payable – trade			
USD, EUR, GBP, SGD		598	–	*2
Total		¥5,982	¥6	¥(24)

Notes: 1. Fair value was based on the prices obtained from financial institutions.

*2. Forward foreign exchange contracts for which appropriation treatment had been applied were accounted for together with accounts payable and accounts receivable designated as hedged items. Therefore, their fair values were included in the fair value of the hedged accounts payable and accounts receivable.

5 INFORMATION ON SECURITIES

The following tables summarize acquisition cost, carrying value and fair value of securities with fair value.

1. Held-to-maturity debt securities with fair value

	March 31, 2016					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars		
1. Securities with fair value exceeding book value:						
Government/municipal bonds	¥ –	¥ –	¥ –	\$ –	\$ –	\$ –
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
2. Securities with fair value not exceeding book value:						
Government/municipal bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	700	700	–	6,212	6,212	–
Subtotal	700	700	–	6,212	6,212	–
Total	¥700	¥700	¥–	\$6,212	\$6,212	\$–

	March 31, 2015		
	Carrying value	Fair value	Difference
	Millions of yen		
1. Securities with fair value exceeding book value:			
Government/municipal bonds	¥ –	¥ –	¥ –
Corporate bonds	–	–	–
Others	–	–	–
Subtotal	–	–	–
2. Securities with fair value not exceeding book value:			
Government/municipal bonds	–	–	–
Corporate bonds	–	–	–
Others	800	800	–
Subtotal	800	800	–
Total	¥800	¥800	¥–

2. Available-for-sale securities with fair value

	March 31, 2016					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	Millions of yen			Thousands of U.S. dollars		
1. Securities with book value exceeding acquisition cost:						
Equity securities	¥ 2,689	¥ 1,080	¥1,609	\$ 23,872	\$ 9,586	\$14,286
Debt securities:						
Government/municipal bonds	10,110	9,959	151	89,730	88,388	1,342
Corporate bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
Subtotal	12,800	11,039	1,761	113,603	97,974	15,628
2. Securities with book value not exceeding acquisition cost:						
Equity securities	118	120	(1)	1,050	1,066	(16)
Debt securities:						
Government/municipal bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Others	189	201	(12)	1,679	1,792	(112)
Subtotal	307	322	(14)	2,729	2,858	(128)
Total	¥13,108	¥11,361	¥1,746	\$116,332	\$100,833	\$15,499

Note: Unlisted equity securities of ¥516 million (\$4,579 thousand) and investments in partnership of ¥749 million (\$6,651 thousand) were not included in the above table since quoted market price was not available and it was extremely difficult to estimate future cash flows.

	March 31, 2015		
	Carrying value	Acquisition cost	Difference
	Millions of yen		
1. Securities with book value exceeding acquisition cost:			
Equity securities	¥ 4,042	¥ 1,199	¥2,842
Debt securities:			
Government/municipal bonds	12,678	12,464	213
Corporate bonds	-	-	-
Others	-	-	-
Subtotal	16,720	13,664	3,056
2. Securities with book value not exceeding acquisition cost:			
Equity securities	194	207	(12)
Debt securities:			
Government/municipal bonds	6,279	6,279	(0)
Corporate bonds	-	-	-
Others	194	201	(7)
Subtotal	6,668	6,688	(19)
Total	¥23,389	¥20,352	¥3,037

Note: Unlisted equity securities of ¥569 million and investments in partnership of ¥936 million were not included in the above table since quoted market price was not available and it was extremely difficult to estimate future cash flows.

3. Sales of available-for-sale securities

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Sales proceeds:			
Equity securities	¥562	¥1,584	\$4,993
Debt securities	-	-	-
Others	-	-	-
Aggregate gains:			
Equity securities	¥248	¥1,495	\$2,209
Debt securities	-	-	-
Others	-	-	-
Aggregate losses:			
Equity securities	¥ -	¥ 39	\$ -
Debt securities	-	-	-
Others	-	-	-

4. Loss on valuation of available-for-sale securities with fair value

No loss on valuation of available-for-sale securities with fair value was recorded for the years ended March 31, 2016 and 2015.

6 INVENTORIES

The following inventories and provision for loss on construction contracts related to construction contracts that are likely to incur losses are not offset but presented in gross amounts.

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Work in process	¥389	¥15	\$3,453

7 PROPERTY, PLANT AND EQUIPMENT

Acquisition cost, accumulated depreciation and carrying value of property and equipment were as follows:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Acquisition cost:			
Buildings and structures	¥ 62,438	¥ 50,605	\$ 554,125
Tools, furniture and fixtures	18,308	17,912	162,481
Land	21,799	21,799	193,467
Leased assets	2,929	3,476	26,001
Construction in progress	3,271	11,874	29,035
Others	12	11	109
Total	108,761	105,679	965,221
Accumulated depreciation	(41,888)	(41,504)	(371,749)
Carrying value	¥ 66,872	¥ 64,175	\$ 593,471

8 SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBTS

Short-term loans payable and current portion of long-term debts at March 31, 2016 and 2015 consisted of the following:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Short-term loans principally from banks, average annual interest rates of 0.15% in 2016 and 0.22% in 2015	¥10,000	¥10,000	\$ 88,746
Loans principally from banks, average annual interest rates of 0.25% in 2016 and 0.22% in 2015	5,000	10,000	44,373
0.26% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2016)	–	5,000	–
Finance lease obligations – current (at an average interest rate of 2.77% in 2016 and 3.05% in 2015)	980	1,086	8,697
Total	¥15,980	¥26,086	\$141,817

Long-term debts at March 31, 2016 and 2015 consisted of the following:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Loans principally from banks due serially through May 2017 annual average interest rate of 0.15% in 2016	¥15,000	¥ 25,000	\$133,120
0.50% unsecured bonds (maturity period: from May 29, 2012 to May 29, 2017)	10,000	10,000	88,746
0.26% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2016)	–	5,000	–
0.34% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2018)	5,000	5,000	44,373
0.33% unsecured bonds (maturity period: from June 24, 2015 to June 24, 2020)	10,000	–	88,746
Finance lease obligations (at an average interest rate of 2.36% in 2016 and 2.57% in 2015, maturing from 2017 to 2023)	2,415	2,780	21,432
Less current portion	(5,980)	(16,086)	(53,070)
Total long-term debts	¥36,435	¥ 31,694	\$323,349

The aggregate annual maturities of loans payable, bonds payable and finance lease obligation at March 31, 2016 were as follows:

Year ending March 31	March 31	
	2016	2016
	Millions of yen	Thousands of U.S. dollars
2017	¥15,980	\$141,817
2018	25,679	227,894
2019	415	3,689
2020 and thereafter	10,340	91,765
Total	¥52,415	\$465,166

9 PLEDGED ASSETS

The following assets were pledged as collateral for other current liabilities of ¥1,602 million (\$14,218 thousand) and ¥1,577 million at March 31, 2016 and 2015, respectively.

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Cash and deposits	¥1,500	¥1,500	\$13,312

Operational investment securities and guarantee deposits of ¥47,472 million (\$421,300 thousand) and ¥43,648 million were lodged as security deposits pursuant to "the Act on Settlement" at March 31, 2016 and 2015, respectively.

10 EMPLOYEES' PENSION AND DEFINED BENEFITS

The Company and certain consolidated subsidiaries have defined benefit plans and defined contribution plans. Certain domestic consolidated subsidiaries calculated retirement benefit obligations using a simplified method.

1. Defined benefit plans

(1) Movement in retirement benefit obligations, except for subsidiaries applying the simplified method

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥63,584	¥56,120	\$564,293
Cumulative effect of changes in accounting policies	–	1,680	–
Restated balance at beginning of period	63,584	57,800	564,293
Service costs	2,837	2,675	25,178
Interest costs	718	830	6,377
Actuarial gains and losses	6,648	3,303	59,006
Benefits paid	(1,446)	(1,064)	(12,839)
Past service costs	–	(24)	–
Others	62	64	550
Balance at end of period	¥72,404	¥63,584	\$642,566

(2) Movement in plan assets, except for subsidiaries applying the simplified method

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥65,670	¥58,229	\$582,809
Expected return on plan assets	1,322	1,171	11,736
Actuarial gains and losses	(2,231)	3,954	(19,799)
Contributions paid by the employer	3,343	3,322	29,672
Benefits paid	(1,446)	(1,064)	(12,839)
Others	(2)	56	(24)
Balance at end of period	¥66,656	¥65,670	\$591,554

(3) Movement in net defined benefit liability applying the simplified method

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥ (9)	¥ 6	\$(85)
Retirement benefit costs	16	(6)	148
Benefits paid	(1)	(4)	(9)
Contributions to fund	(5)	(5)	(44)
Balance at end of period	¥ 1	¥(9)	\$ 9

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Funded retirement benefit obligations	¥ 72,517	¥ 63,681	\$ 643,566
Plan assets	(66,779)	(65,789)	(592,650)
	5,737	(2,107)	50,919
Unfunded retirement benefit obligations	11	11	102
Total net asset for retirement benefits	5,748	(2,095)	51,018
Net defined benefit liability	5,759	209	51,112
Net defined benefit asset	(10)	(2,305)	(93)
Total net asset for retirement benefits	¥ 5,748	¥ (2,095)	\$ 51,019

Note: The above mentioned amounts include the plans using the simplified method.

Notes to Consolidated Financial Statements

(5) Retirement benefit expenses

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Service costs	¥ 2,837	¥ 2,675	\$ 25,178
Interest costs	718	830	6,377
Expected return on assets	(1,322)	(1,171)	(11,736)
Net actuarial gains and losses amortization	(1,052)	(833)	(9,340)
Past service costs amortization	5	123	45
Amortization of transition obligations	–	260	–
Retirement benefit expenses calculated on the simplified method	16	(6)	148
Others	223	148	1,980
Total retirement benefit expenses	¥ 1,425	¥ 2,026	\$ 12,653

(6) Remeasurements of defined benefit plans, before tax

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Past service costs	¥ 5	¥ 148	\$ 45
Actuarial gains and losses	(9,931)	(181)	(88,143)
Net retirement benefit obligations at transition	–	260	–
Total balance	¥(9,926)	¥ 228	\$ (88,098)

(7) Accumulated remeasurements of defined benefit plans, before tax

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Past service costs yet to be recognized	¥ (18)	¥ (13)	\$ (167)
Actuarial gains and losses yet to be recognized	5,597	(4,334)	49,677
Total balance	¥5,578	¥(4,347)	\$49,510

(8) Plan assets

1. Categories of plan assets

	March 31	
	2016	2015
Bonds	51%	49%
Equity securities	26%	28%
Cash and deposits	3%	2%
Assets in an insurer's general account	9%	8%
Hedge fund	9%	10%
Others	2%	3%
Total	100%	100%

2. Long-term expected rate of return on assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2016 and 2015 were as follows:

	March 31	
	2016	2015
Discount rate	0.6%	1.1%
Long-term expected rate of return on assets	2.0%	2.0%

2. Defined contribution plans

The amounts which the Company and certain consolidated subsidiaries contributed to the defined contribution plans were ¥1,252 million (\$11,114 thousand) and ¥1,232 million for the years ended March 31, 2016 and 2015, respectively.

11 ASSET RETIREMENT OBLIGATIONS

1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore assets to their original state, etc., related to real estate lease agreements on the head office building and other office buildings.

2. Calculation method for asset retirement obligations

The expected period of use is estimated as mainly 15 years from the acquisition of property, plant and equipment, and the amounts of asset retirement obligations are calculated by using a discount rate ranging from 0.176% to 1.744% in 2016 and 0.750% to 1.744% in 2015.

3. Changes in asset retirement obligations for the years ended March 31, 2016 and 2015

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥1,652	¥1,508	\$14,668
Increase due to acquisition of property and equipment	471	317	4,180
Adjustment due to passage of time	23	22	207
Decrease due to fulfillment of asset retirement obligations	(36)	(194)	(324)
Decrease due to change in estimates	(9)	–	(81)
Balance at end of period	¥2,101	¥1,652	\$18,649

At March 31, 2016, it became clear that a cost required for the asset retirement decreased. Thus, the Company deducted ¥9 million (\$81 thousand) from the balance of asset retirement obligations as a change in estimate.

The balance at end of period for the years ended March 31, 2016 and 2015 included ¥45 million (\$399 thousand) and ¥114 million of asset retirement obligations under other current liabilities, respectively.

12 INCOME TAXES

On March 29, 2016, amendments to the Japanese tax regulations were enacted. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets after deducting deferred tax liabilities

decreased by ¥1,805 million (\$16,024 thousand) as of March 31, 2016, deferred income tax expense recognized for the year ended March 31, 2016 increased by ¥1,757 million (\$15,594 thousand), valuation difference on available-for-sale securities increased by ¥35 million (\$317 thousand), deferred gains or losses on hedges decreased by ¥1 million (\$16 thousand) and remeasurements of defined benefit plans decreased by ¥82 million (\$730 thousand).

The reconciliation between the statutory tax rate reflected in the consolidated statements of income and the effective tax rate for the years ended March 31, 2016 and 2015 was as follows:

	Year ended March 31	
	2016	2015
Statutory income tax rates	33.1%	35.6%
Effect of:		
Expenses not deductible for income tax purposes	0.6	0.7
Amortization of goodwill	0.1	0.1
Share of profit of entities accounted for using the equity method	(0.3)	(0.6)
Base portion of inhabitants taxes	0.5	0.6
Change in valuation allowance	(22.3)	(6.9)
Effect on deferred tax assets and deferred tax liabilities from changes in tax regulations	5.3	9.3
Others	(1.3)	0.4
Effective tax rate	15.6%	39.2%

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:			
Tax losses carried forward	¥ 49,772	¥ 59,229	\$ 441,718
Provision for bonuses	2,024	2,240	17,964
Allowance for doubtful accounts	108	97	961
Net defined benefit liability	1,771	68	15,724
Depreciation	93	225	828
Impairment loss	504	408	4,476
Unrecognized profit of prepaid cards	3,662	3,353	32,505
Payable for integration to retirement pension plans	264	577	2,347
Loss on valuation of investment securities	1,584	1,769	14,063
Office transfer related expenses	500	855	4,442
Others	2,433	1,898	21,597
Total gross deferred tax assets	62,720	70,723	556,629
Valuation allowance	(31,902)	(41,462)	(283,121)
Total deferred tax assets	30,818	29,261	273,507
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(664)	(1,155)	(5,896)
Removal expenses for asset retirement obligations	(398)	(350)	(3,532)
Net defined benefit asset	(3)	(749)	(32)
Others	(390)	(381)	(3,466)
Total deferred tax liabilities	(1,456)	(2,636)	(12,927)
Net deferred tax assets	¥ 29,362	¥ 26,625	\$ 260,580

13 NET ASSETS

Under the Japanese Companies Act (hereinafter, the "Act") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

In cases in which a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or

legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in-capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

Capital stock consists of common stock. Common stock at March 31, 2016 and 2015 was as follows:

	Number of shares			
	2016		2015	
	Authorized	Issued	Authorized	Issued
Common stock	200,000,000	107,986,403	200,000,000	107,986,403
Total	200,000,000	107,986,403	200,000,000	107,986,403

Supplementary information for the consolidated statements of changes in net assets

Year ended March 31, 2016

1) Number of issued shares

	Common stock
Number of shares at April 1, 2015	107,986,403
Increase during the period ended March 31, 2016	-
Decrease during the period ended March 31, 2016	-
Number of shares at March 31, 2016	107,986,403

2) Number of treasury shares

	Common stock
Number of shares at April 1, 2015	4,208,816
Increase during the period ended March 31, 2016	5,365
Decrease during the period ended March 31, 2016	24,971
Number of shares at March 31, 2016	4,189,210

Notes: 1. The increase in the number of treasury shares was due to the following:
 - Purchases of less-than-one-unit treasury shares: 5,365 shares
 2. The decrease in the number of treasury shares was due to the following:
 - Disposals of less-than-one-unit shares: 410 shares
 - Exercise of subscription rights to shares: 20,600 shares
 - Decrease due to change in equity in entities accounted for using the equity method: 3,961 shares

3) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2016	¥88 million (\$785 thousand)

4) Matters related to dividends

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on April 28, 2015 were as follows:

a. Total amount of dividends	¥2,600 million (\$23,075 thousand)
b. Dividends per share	¥25.00
c. Record date	March 31, 2015
d. Effective date	June 4, 2015

Approvals by the Board of Directors' meeting on October 30, 2015 were as follows:

a. Total amount of dividends	¥3,640 million (\$32,308 thousand)
b. Dividends per share	¥35.00
c. Record date	September 30, 2015
d. Effective date	December 1, 2015

(2) Dividends whose record date is attributable to the year ended March 31, 2016 but whose effective date is to be after the balance sheet date

The Company received the approvals at the Board of Directors' meeting on April 28, 2016 as follows:

Dividend payments on common stock

a. Total amount of dividends	¥4,160 million (\$36,927 thousand)
b. Dividends per share	¥40.00
c. Record date	March 31, 2016
d. Effective date	June 7, 2016

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1) Number of issued shares

	Common stock
Number of shares at April 1, 2014	107,986,403
Increase during the period ended March 31, 2015	–
Decrease during the period ended March 31, 2015	–
Number of shares at March 31, 2015	107,986,403

2) Number of treasury shares

	Common stock
Number of shares at April 1, 2014	4,231,885
Increase during the period ended March 31, 2015	7,232
Decrease during the period ended March 31, 2015	30,301
Number of shares at March 31, 2015	4,208,816

Notes: 1. The increase in the number of treasury shares was due to the following:
 - Purchases of less-than-one-unit treasury shares: 7,232 shares
 2. The decrease in the number of treasury shares was due to the following:
 - Disposals of less-than-one-unit shares: 846 shares
 - Exercise of subscription rights to shares: 25,800 shares
 - Decrease due to change in equity in entities accounted for using the equity method: 3,655 shares

3) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2015	¥106 million

4) Matters related to dividends

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on April 30, 2014 were as follows:

a. Total amount of dividends	¥2,079 million
b. Dividends per share	¥20.00
c. Record date	March 31, 2014
d. Effective date	June 5, 2014

Approvals by the Board of Directors' meeting on October 31, 2014 were as follows:

a. Total amount of dividends	¥2,599 million
b. Dividends per share	¥25.00
c. Record date	September 30, 2014
d. Effective date	December 1, 2014

(2) Dividends whose record date is attributable to the year ended March 31, 2015 but whose effective date is to be after the balance sheet date

The Company received approvals at the Board of Directors' meeting on April 28, 2015 as follows:

Dividend payments on common stock

a. Total amount of dividends	¥2,600 million
b. Dividends per share	¥25.00
c. Record date	March 31, 2015
d. Effective date	June 4, 2015

14 COST OF SALES

Provision for loss on construction contracts included in "Cost of sales" was as follows:

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Provision for loss on construction contracts	¥977	¥9	\$8,679

15 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major elements of "Selling, general and administrative expenses" for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Salaries and bonuses	¥19,718	¥19,059	\$174,993
Retirement benefit expenses	960	1,036	8,524
Welfare expenses	4,455	4,284	39,539
Rent expenses	3,480	3,432	30,890
Depreciation	1,829	1,591	16,231
Business consignment expenses	2,226	2,447	19,761
Taxes and dues	2,227	1,776	19,769
Provision for bonuses	1,664	1,833	14,767
Provision for directors' bonuses	258	133	2,295
Others	9,414	8,871	83,551
Total	¥46,235	¥44,466	\$410,327

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, were recognized in the consolidated statements of income in the year incurred. The total amount of research and development expenses included in "Selling, general and administrative expenses" was ¥117 million (\$1,046 thousand) and ¥267 million for the years ended March 31, 2016 and 2015, respectively.

16 LOSS ON RETIREMENT OF NON-CURRENT ASSETS

Loss on retirement of non-current assets for the years ended March 31, 2016 and 2015 was as follows:

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Buildings and structures	¥12	¥ 67	\$110
Tools, furniture and fixtures	65	75	579
Leased assets	0	23	1
Construction in progress	-	52	-
Software	1	145	16
Others	7	0	67
Total	¥87	¥364	\$776

17 IMPAIRMENT LOSS

The Group classifies business assets by the smallest unit independently generating cash flows based on business segments.

Dormant assets and business assets for which a decision was made to restructure or withdraw from business are grouped by individual unit.

For the year ended March 31, 2016, the Group recognized an impairment loss of ¥258 million (\$2,298 thousand) for business assets for which a decision was made to withdraw from business by decreasing the book value to the recoverable amount. The recoverable amount is generally determined by its value in use. The Group determined that the recoverable amount of those assets was zero since their future cash flows are expected to be negative.

In addition, the Group decided to sell a training facility classified as a dormant asset and recognized an impairment loss of ¥98 million (\$869 thousand) by decreasing its book value to the recoverable amount that was the net selling value based on the contracted price.

Location	Use	Type of assets
Koto-ku, Tokyo	Business assets	Software
Souraku-gun, Kyoto	Training facility	Land

18 OFFICE TRANSFER RELATED EXPENSES

Office transfer related expenses included mainly rents incurred during the restoration period for the year ended March 31, 2016 and contractual termination penalties for the year ended March 31, 2015.

19 AMOUNTS PER SHARE

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Yen		U.S. dollars
Profit:			
Basic	¥259.72	¥150.71	\$2.30
Diluted	259.28	150.02	2.30
Cash dividends applicable to the year	¥ 75.00	¥ 50.00	\$0.66

	March 31		March 31
	2016	2015	2016
	Yen		U.S. dollars
Net assets	¥1,401.00	¥1,276.37	\$12.43

Basic profit per share was computed based on profit attributable to common stock shareholders and the weighted average number of shares of common stock outstanding during the year. Diluted profit per share was computed based on profit attributable to common stock shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and subscription rights to shares.

Net assets per share was computed based on net assets, excluding share subscription rights and non-controlling interests, and the number of common stock outstanding at the year-end.

Cash dividends per share represented the cash dividends proposed by the Board of Directors as applicable to the respective years together with any interim dividends of surplus.

The bases for calculation were as follows:

1. Basic and diluted profit per share

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Profit per share:			
Profit attributable to owners of parent	¥26,956	¥15,638	\$239,226
Amount not attributable to common shareholders	—	—	—
Profit attributable to common stock shareholders	26,956	15,638	239,226
Diluted profit per share:			
Adjustment to profit attributable to owners of parent	(25)	(56)	(226)
(of which, change in holdings in equity-method affiliates due to their issuance of subscription rights)	(25)	(56)	(226)

	Year ended March 31	
	2016	2015
	Thousands of shares	
Weighted average number of shares for basic profit	103,789	103,764
Increase in shares of common stock:		
Exercise of warrants	—	—
Exercise of subscription rights to shares	77	99
Number of shares for dilutive profit	103,866	103,864

2. Net assets per share

	March 31	
	2016	2015
	Thousands of shares	
The number of shares of common stock used for the calculation of net assets per share	103,797	103,777

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Total net assets	¥151,546	¥138,536	\$1,344,932
Amounts deducted from total net assets:			
Subscription rights to shares	88	106	785
Non-controlling interests	6,038	5,971	53,587
Net assets attributable to common stock shareholders	¥145,420	¥132,458	\$1,290,559

20 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents components of reclassification adjustment and income tax of other comprehensive income for the years ended March 31, 2016 and 2015:

	Year ended March 31		Year ended March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Other comprehensive income:			
Valuation difference on available-for-sale securities:			
(Losses) gains arising during the year	¥(1,419)	¥1,913	\$(12,601)
Reclassification adjustments for gains (losses) included in income statements	12	28	106
Before tax amounts	(1,407)	1,941	(12,494)
Tax (expenses) benefits	492	(576)	4,372
Subtotal, net of tax	(915)	1,365	(8,122)
Deferred gains or losses on hedges:			
Losses arising during the year	(105)	(23)	(932)
Reclassification adjustments for gains included in income statements	–	–	–
Before tax amounts	(105)	(23)	(932)
Tax (expenses) benefits	31	7	283
Subtotal, net of tax	(73)	(15)	(649)
Foreign currency translation adjustment:			
(Losses) gains arising during the year	(160)	418	(1,422)
Reclassification adjustments for gains (losses) included in income statements	–	(4)	–
Before tax amounts	(160)	413	(1,422)
Tax (expenses) benefits	–	–	–
Subtotal, net of tax	(160)	413	(1,422)
Remeasurements of defined benefit plans:			
(Losses) gains arising during the year	(8,879)	676	(78,803)
Reclassification adjustments for gains (losses) included in income statements	(1,047)	(448)	(9,295)
Before tax amounts	(9,926)	228	(88,098)
Tax (expenses) benefits	3,098	49	27,500
Subtotal, net of tax	(6,828)	277	(60,597)
Share of other comprehensive income of entities accounted for using equity method:			
(Losses) gains arising during the year	(115)	47	(1,024)
Reclassification adjustments for gains (losses) included in income statements	–	(1)	–
Subtotal, net of tax	(115)	46	(1,024)
Total other comprehensive income	¥(8,092)	¥2,087	\$(71,816)

21 CASH FLOW INFORMATION

Reconciliation of cash and cash equivalents

Reconciliation of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows was as follows:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Cash and deposits	¥20,840	¥25,908	\$184,951
Securities	800	900	7,103
Deposits paid	79,004	61,798	701,141
Deposits paid with original maturities of more than three months	–	(355)	–
Time deposits with original maturities of more than three months or those submitted as collateral for loans payable	(1,500)	(1,738)	(13,312)
Bond investment trusts and government bonds with original maturities of more than three months	(700)	(800)	(6,212)
Cash and cash equivalents	¥98,445	¥85,713	\$873,672

22 LEASE TRANSACTIONS

(a) Lessee – Finance leases

Leased assets consist mainly of property, plant and equipment in head offices and data centers.

Calculation method of depreciation equivalents

Depreciation equivalents are calculated using the straight-line method over the lease term without residual value.

(b) Lessee – Operating leases

Lease commitments under non-cancellable operating leases were as follows:

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
As a lessee:			
Due within one year	¥ 3,332	¥ 3,779	\$ 29,578
Due over one year	15,320	18,653	135,964
Total	¥18,653	¥22,433	\$165,542

23 RELATED PARTY TRANSACTIONS

1. Transactions with related parties

Related party transactions during the years ended March 31, 2016 and 2015 were as follows:

(1) Transactions between the Company and related parties

(A) Sumitomo Corporation

Attribute	Year ended March 31	
	2016	2015
Name of the company	Parent company Sumitomo Corporation	Parent company Sumitomo Corporation
Location	Chuo-ku, Tokyo	Chuo-ku, Tokyo
Common stock amount (millions of yen)	¥219,278 (\$1,946,032 thousand)	¥219,278
Type of business	Trading company	Trading company
Percentage of voting shares in the Company (%)	Direct 51.10%	Direct 51.20%
Relationship of related party	Providing of data processing services and software development services	Providing of data processing services and software development services
Transaction amounts (millions of yen):		
Sales of data processing services and software development services*2	¥14,934 (\$132,536 thousand)	¥14,856
Balance at year-end (millions of yen):		
Accounts receivable - trade	¥2,551 (\$22,640 thousand)	¥3,390

Notes: 1. In the amounts above, consumption taxes were included in the outstanding balances at year-end, but not in transaction amounts.

*2. The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

(B) Subsidiary of Sumitomo Corporation

Attribute	Year ended March 31	
	2016	2015
	Company which has an identical parent company	Company which has an identical parent company
Name of the company	Sumitomo Shoji Financial Management Co., Ltd.	Sumitomo Shoji Financial Management Co., Ltd.
Location	Chuo-ku, Tokyo	Chuo-ku, Tokyo
Common stock amount (millions of yen)	¥100 (\$887 thousand)	¥100
Type of business	Financing	Financing
Percentage of voting shares in the Company (%)	N/A	N/A
Relationship of related party	Deposit of funds	Deposit of funds
Transaction amounts (millions of yen):		
Depositing of funds*2	¥623,700 (\$5,535,143 thousand)	¥362,200
Interest income*2	¥179 (\$1,594 thousand)	¥171
Balance at year-end (millions of yen):		
Deposits paid	¥78,000 (\$692,225 thousand)	¥61,000
Accrued income	¥17 (\$153 thousand)	¥12

Notes: 1. In transaction amounts and the amounts of balance at year-end, consumption taxes were not included.

*2. The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

(2) Transactions between the consolidated subsidiaries of the Company and related parties

Not applicable

2. Notes regarding the parent company and important affiliates

(1) Parent company information

Sumitomo Corporation (Listed on the Tokyo, Nagoya and Fukuoka stock exchanges)

(2) Summary of financial information of important affiliates

Not applicable

24 CONTINGENT LIABILITIES

There were no material contingent liabilities at March 31, 2016 and 2015.

25 STOCK OPTIONS**1. Amount of income and expenses related to stock option plans and the account recorded for the years ended March 31, 2016 and 2015 is as follows:**

	March 31		March 31
	2016	2015	2016
	Millions of yen		Thousands of U.S. dollars
Gain on reversal of subscription rights to shares	¥ –	¥3	\$ –

2. Outline of stock options

Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Grantees' Position	10 directors 14 executive officers	9 directors 12 executive officers	9 directors 17 executive officers	9 directors 16 executive officers	9 directors 14 executive officers	9 directors 14 executive officers
Number of Options Granted	Common stock 16,400 shares	Common stock 22,900 shares	Common stock 53,500 shares	Common stock 31,100 shares	Common stock 50,000 shares	Common stock 45,400 shares
Date of Grant	July 27, 2007	July 29, 2008	July 30, 2009	July 30, 2009	July 30, 2010	July 30, 2010
Vesting Condition	*1	*2	*3	*4	*5	*6
Applicable Period of Service	No provisions	No provisions	July 30, 2009 – June 30, 2011	No provisions	July 30, 2010 – June 30, 2012	No provisions
Exercisable Period	July 28, 2007 – July 26, 2027	July 30, 2008 – July 28, 2028	July 1, 2011 – June 30, 2014	July 31, 2009 – July 29, 2029	July 1, 2012 – June 30, 2015	July 31, 2010 – July 29, 2030

Notes: The number of subscription rights to shares was expressed in number of shares to be issued upon exercise.

*1 The Holders can exercise the rights for only two years from the day following the date when they lose positions of director or executive officer of the Company (hereinafter, the "initial day of exercise period"). Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2025, they shall only be able to exercise the rights on and after August 1, 2025. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 27, 2007 for the year ended March 31, 2007.

*2 The Holders can exercise the rights for only two years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2026, they shall only be able to exercise the rights on and after August 1, 2026. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 26, 2008 for the year ended March 31, 2008.

*3 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.

*4 The Holders can exercise the rights for only two years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2027, they shall only be able to exercise the rights on and after August 1, 2027. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.

*5 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Holders retire as directors, corporate auditors or executive officers of the Company or its subsidiaries and affiliates at the expiration of their terms, or where the Board of Directors of the Company recognizes that there is a justifiable reason. In this case, the Holders shall only be able to exercise the rights for one year from one day later than either the day of occurring such causes or July 1, 2012. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.

*6 The Holders can exercise the rights for only 10 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2028, they shall only be able to exercise the rights on and after August 1, 2028. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of the Board of Directors and the general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.

3. Number and movement of stock options

The following tables were based on the stock options which existed for the years ended March 31, 2016 and 2015. The number of stock options was expressed by the number of shares to be issued upon exercise.

	Number of shares					
	2007 Stock Option	2008 Stock Option	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Non-vested:						
Outstanding at April 1, 2014	-	-	-	-	-	-
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	-
Outstanding at March 31, 2015	-	-	-	-	-	-
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	-
Outstanding at March 31, 2016	-	-	-	-	-	-
Vested:						
Outstanding at April 1, 2014	7,400	13,600	15,500	26,700	16,000	42,200
Vested	-	-	-	-	-	-
Exercised	2,200	3,600	7,500	7,500	5,000	-
Forfeited	-	-	8,000	-	-	-
Outstanding at March 31, 2015	5,200	10,000	-	19,200	11,000	42,200
Vested	-	-	-	-	-	-
Exercised	1,800	2,400	-	3,300	11,000	2,100
Forfeited	-	-	-	-	-	-
Outstanding at March 31, 2016	3,400	7,600	-	15,900	-	40,100

4. Price information of stock options

	March 31, 2016					
	Yen					
	2007 Stock Option	2008 Stock Option	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price	¥ 1	¥ 1	¥ -	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise	4,750	4,547	-	4,492	3,565	4,675
Fair valuation price (date of grant)	2,156	1,774	-	1,363	284	1,149

	March 31, 2016					
	U.S. dollars					
	2007 Stock Option	2008 Stock Option	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price	\$ 0.01	\$ 0.01	\$ -	\$ 0.01	\$12.21	\$ 0.01
Average market price of the stock at the time of exercise	42.15	40.35	-	39.87	31.64	41.49
Fair valuation price (date of grant)	19.13	15.74	-	12.10	2.52	10.20

	March 31, 2015					
	Yen					
	2007 Stock Option	2008 Stock Option	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price	¥ 1	¥ 1	¥1,564	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise	2,940	2,935	2,728	2,999	2,933	-
Fair valuation price (date of grant)	2,156	1,774	380	1,363	284	1,149

5. Method of estimating exercised stock options

Since it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually been forfeited is reflected.

26 SEGMENT INFORMATION

1. Summary of reportable segments

The Company designates its reportable segments according to the clients' business category and business characteristics of IT services. The Board of Directors and the President decide on the allocation of business resources, evaluate business performance and conduct other such managerial duties in reference to these reportable segments, with such managerial decision making directly reflected in the pursuit of business activities within those reportable segments.

The Company has designated eight reportable segments according to the clients' business category and business characteristics of IT services: Manufacturing Systems Business, Telecommunication Systems Business, Distribution Systems Business, Financial Systems Business, Business Solutions, Business Services, IT Platform Solutions and Prepaid Card Business.

Businesses not included within the above are presented in the aggregate as "Others."

Presented below is an overview of the business activities of each of the reportable segments.

- (1) Manufacturing Systems Business: This business group provides a wide range of IT solutions on a global scale. These solutions include the business' core field of automotive embedded systems as well as enterprise systems, manufacturing management systems, management information systems and SCM/CRM. 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 principally companies in the manufacturing industry.
- (2) Telecommunication Systems Business: This business group provides optimal integrated services through combinations of various IT solutions. These include enterprise systems, management information systems, CRM and service systems. The customers of this business are principally companies in the communications, energy and media industries.
- (3) Distribution Systems Business: This business group provides a combination of various IT solutions. These include enterprise systems, management information systems, SCM, CRM and e-commerce websites. The customers of this business are

principally companies in the distribution, trading, service and pharmaceutical industries. In addition, this business supports overseas business expansion by providing optimal IT solutions to customers aiming to expand their business overseas.

- (4) Financial Systems Business: This business group engages in systems development, maintenance and operation for financial institutions. As professionals who understand financial operations and possess a strong track record of creating sophisticated financial systems, this business supports safe and effective management and works toward achieving a financial business strategy based on trust. The Financial Systems Business provides these services primarily to financial institutions such as banks and trust banks, as well as insurance, securities, lease and credit companies.
- (5) Business Solutions: This business group provides application management outsourcing (AMO) services that cover the entire system life cycle, from implementation and development to maintenance and operation. These services, which are provided in the optimal format for customers' business objectives, are centered on ERP and CRM products, such as ProActive, SAP, Oracle and Salesforce.
- (6) Business Services: This business group provides solutions that combine human operations and IT into BPO services that only an IT company can deliver. These include a variety of BPO services provided via our 13 call centers and contact centers in Japan; third-party verification services, such as systems and security verification; and total outsourcing services for e-commerce that utilize our three fulfillment centers in the Tokyo metropolitan area.
- (7) IT Platform Solutions: This business group draws on solid technical capabilities and know-how to leverage CAD, 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.
- (8) Prepaid Card Business: This business group provides issuing and settlement services for prepaid cards, develops and markets card systems, etc.

Effective from the year ended March 31, 2016, the Company reorganized its operating segments to provide comprehensive services including systems development, infrastructure construction and system operations for its clients by their business category. This reorganization allows the Company to establish a business structure for promotion and expansion of "Shifting to service-oriented business," one of the three strategies set forth in the Medium-Term Management Plan started from the year ended March 31, 2016.

As a result, "Industrial Systems Business" and "Global Systems Business" segments were reorganized to three segments: "Manufacturing Systems Business," "Telecommunication Systems Business" and "Distribution Systems Business" based on its clients' business category. These segments are in charge of services including systems development for clients in the manufacturing, telecommunication and distribution industries. In addition, the platform integration service, system operation service, data solutions-oriented

data centers (netXDC) and other services which had been grouped in the "IT Management" segment were transferred to other relevant reportable segments.

The segment information for the year ended March 31, 2015, as stated below in "3. Sales, income, assets and other items for each reportable segment," have been prepared to conform to the presentation after the reorganization of reportable segments.

2. Calculation of sales, income, assets and other items amounts by reportable segment

The accounting treatment for the Group's reportable segments is generally the same as described in Note 1, "Summary of significant accounting policies."

The segment income figures stated in the reportable segments are based on operating income. The intersegment sales or the intersegment figures are based on actual market prices.

3. Sales, income, assets and other items for each reportable segment

Segment data for the years ended March 31, 2016 and 2015 were as follows:

	Year ended March 31, 2016					
	Reportable Segment					
	Manufacturing Systems Business	Tele-communication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services
	Millions of yen					
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥40,849	¥25,628	¥46,754	¥71,259	¥19,052	¥39,273
Intersegment sales and transfers	3,193	2,715	10,035	551	2,839	2,343
Total	44,042	28,343	56,790	71,810	21,892	41,617
Segment income	3,220	4,471	6,321	8,386	1,592	2,839
Segment assets	24,660	10,541	32,307	28,198	10,816	11,861
Other items						
Depreciation and amortization	1,171	544	1,880	599	1,703	384
Investments in equity-method affiliates	-	-	182	-	-	89
Net increase in tangible/intangible fixed assets	3,074	602	2,341	878	1,181	482

	Year ended March 31, 2016					
	Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card Business	Others	Total		
	Millions of yen					
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥77,135	¥ 3,217	¥ 774	¥323,945	¥ -	¥323,945
Intersegment sales and transfers	6,251	1	2,109	30,041	(30,041)	-
Total	83,386	3,218	2,884	353,986	(30,041)	323,945
Segment income	6,314	225	313	33,684	(1,898)	31,785
Segment assets	29,408	59,154	4,841	211,790	140,886	352,676
Other items						
Depreciation and amortization	616	81	177	7,159	843	8,003
Investments in equity-method affiliates	3,913	-	-	4,185	-	4,185
Net increase in tangible/intangible fixed assets	892	131	3	9,589	2,457	12,046

	Year ended March 31, 2016					
	Reportable Segment					
	Manufacturing Systems Business	Tele-communication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services
	Thousands of U.S. dollars					

Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	\$362,528	\$227,445	\$414,934	\$632,405	\$169,082	\$348,538
Intersegment sales and transfers	28,338	24,098	89,060	4,892	25,202	20,801
Total	390,866	251,543	503,994	637,297	194,285	369,339
Segment income	28,578	39,683	56,103	74,429	14,130	25,198
Segment assets	218,849	93,553	286,720	250,252	95,993	105,263
Other items						
Depreciation and amortization	10,393	4,834	16,689	5,316	15,119	3,415
Investments in equity-method affiliates	-	-	1,620	-	-	798
Net increase in tangible/intangible fixed assets	27,283	5,346	20,779	7,799	10,486	4,283

	Year ended March 31, 2016					
	Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card Business	Others	Total		
	Thousands of U.S. dollars					

Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	\$684,553	\$ 28,553	\$ 6,872	\$2,874,913	\$ -	\$2,874,913
Intersegment sales and transfers	55,478	11	18,724	266,608	(266,608)	-
Total	740,031	28,564	25,597	3,141,521	(266,608)	2,874,913
Segment income	56,036	2,000	2,779	298,939	(16,852)	282,087
Segment assets	260,988	524,980	42,968	1,879,570	1,250,321	3,129,892
Other items						
Depreciation and amortization	5,467	727	1,575	63,537	7,488	71,026
Investments in equity-method affiliates	34,727	-	-	37,145	-	37,145
Net increase in tangible/intangible fixed assets	7,920	1,169	33	85,102	21,809	106,912

Notes: 1. Adjustments were as follows:

- (1) The adjustment of ¥(1,898) million (\$16,852 thousand) to segment income represented general corporate expenses that were not allocated to a reportable segment.
- (2) The adjustment of ¥140,886 million (\$1,250,321 thousand) to segment assets represented corporate assets that were not allocated to a reportable segment.
- (3) The adjustment of ¥843 million (\$7,488 thousand) to depreciation represented charges to corporate assets that were not allocated to a reportable segment.
- (4) The adjustment of ¥2,457 million (\$21,809 thousand) to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company's headquarters building.

2. Segment income was reconciled to operating income in the consolidated statements of income.

	Year ended March 31, 2015					
	Reportable Segment					
	Manufacturing Systems Business	Tele-communication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services
	Millions of yen					
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥42,531	¥28,225	¥44,981	¥60,829	¥18,392	¥33,732
Intersegment sales and transfers	2,653	1,810	8,699	627	3,228	4,012
Total	45,184	30,035	53,681	61,457	21,621	37,745
Segment income	3,049	5,097	5,435	7,183	804	2,125
Segment assets	23,545	11,328	31,662	26,025	12,006	10,572
Other items						
Depreciation and amortization	919	512	1,530	439	1,467	325
Investments in equity-method affiliates	–	–	187	–	–	29
Net increase in tangible/intangible fixed assets	3,568	977	4,251	1,136	2,037	269

	Year ended March 31, 2015					
	Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card Business	Others	Total		
	Millions of yen					
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥64,790	¥ 3,378	¥ 770	¥297,633	¥ –	¥297,633
Intersegment sales and transfers	7,308	1	1,925	30,267	(30,267)	–
Total	72,098	3,379	2,696	327,900	(30,267)	297,633
Segment income	5,173	267	325	29,461	(1,458)	28,003
Segment assets	30,433	55,177	4,866	205,619	128,670	334,290
Other items						
Depreciation and amortization	598	73	173	6,039	825	6,865
Investments in equity-method affiliates	3,837	–	–	4,054	–	4,054
Net increase in tangible/intangible fixed assets	1,079	22	1	13,344	1,482	14,827

Notes: 1. Adjustments were as follows:

- (1) The adjustment of ¥(1,458) million to segment income represented general corporate expenses that were not allocated to a reportable segment.
- (2) The adjustment of ¥128,670 million to segment assets represented corporate assets that were not allocated to a reportable segment.
- (3) The adjustment of ¥825 million to depreciation represented charges to corporate assets that were not allocated to a reportable segment.
- (4) The adjustment of ¥1,482 million to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company's headquarters building.

2. Segment income was reconciled to operating income in the consolidated statements of income.

4. Related information

(1) Information about products and services

Sales data by products and services for the years ended March 31, 2016 and 2015 was not presented as similar information was disclosed in the above segment information.

(2) Information about geographic area

(a) Net sales

Sales data by geographic area for the years ended March 31, 2016 and 2015 was not presented as the sales of Japan represented more than 90% of net sales.

(b) Property, plant and equipment

Property, plant and equipment data by geographic area at March 31, 2016 and 2015 was not presented as property, plant and equipment located in Japan represented more than 90% of total property, plant and equipment.

(3) Information about major customers

Information about major customers for the year ended March 31, 2016 is shown below. Of the net sales to external customers, no customer accounted for 10% or more of net sales in the consolidated statements of income for the year ended March 31, 2015.

	Year ended March 31	
	2016	
	Millions of yen	Thousands of U.S. dollars
Sales to Jupiter Telecommunications Co., Ltd.	¥33,280	\$295,352

Note: Amounts of sales to customers that belonged to the same group as that of Sumitomo Corporation were not included in the sales above.

5. Information regarding impairment loss on fixed assets by reportable segment

Information regarding impairment loss on fixed assets by reportable segment for the year ended March 31, 2016 was shown below. No impairment loss on fixed assets was recorded for the year ended March 31, 2015.

	Year ended March 31	
	2016	
	Millions of yen	Thousands of U.S. dollars
Manufacturing Systems Business	¥ –	\$ –
Telecommunication Systems Business	–	–
Distribution Systems Business	258	2,298
Financial Systems Business	–	–
Business Solutions	–	–
Business Services	–	–
IT Platform Solutions	–	–
Prepaid Card Business	–	–
Others	–	–
Corporate assets and eliminations	98	869
Total	¥356	\$3,167

6. Information regarding amortization of goodwill and remaining balances of goodwill by reportable segment

Information regarding amortization of goodwill and remaining balances by reportable segment for the years ended March 31, 2016 and 2015 was as follows.

	Year ended March 31			
	2016			
	Amortization of goodwill	Remaining balance	Amortization of goodwill	Remaining balance
	Millions of yen		Thousands of U.S. dollars	
Manufacturing Systems Business	¥ –	¥ –	\$ –	\$ –
Telecommunication Systems Business	–	–	–	–
Distribution Systems Business	–	–	–	–
Financial Systems Business	–	–	–	–
Business Solutions	–	–	–	–
Business Services	20	20	183	183
IT Platform Solutions	52	203	462	1,804
Prepaid Card Business	–	–	–	–
Others	16	8	149	74
Corporate assets and eliminations	–	–	–	–
Total	¥89	¥232	\$796	\$2,062

	Year ended March 31	
	2015	
	Amortization of goodwill	Remaining balance
	Millions of yen	
Manufacturing Systems Business	¥ –	¥ –
Telecommunication Systems Business	–	–
Distribution Systems Business	–	–
Financial Systems Business	–	–
Business Solutions	3	–
Business Services	20	41
IT Platform Solutions	44	102
Prepaid Card Business	–	–
Others	18	25
Corporate assets and eliminations	–	–
Total	¥87	¥169

27 SUBSEQUENT EVENTS

There were no significant subsequent events.

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of SCSK Corporation:

We have audited the accompanying consolidated financial statements of SCSK Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SCSK Corporation and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 27, 2016
Tokyo, Japan

Corporate Data

Corporate Data (As of March 31, 2016)

Established	October 25, 1969	Head office	Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan TEL : +81-3-5166-2500 URL : http://www.scsk.jp/index_en.html
Capital	¥21,152 million		
Total number of employees	11,769 (Consolidated)		

Board of Directors, Corporate Auditors (As of June 28, 2016)

Chairman	Yoshio Osawa	Director	Tatsujiro Naito
Vice Chairman	Michihiko Kanegae	Director	Katsuya Imoto
President*	Tooru Tanihara	Director	Naoaki Mashimo
Director*	Hisakazu Suzuki	Director	Hiroyuki Koike
Director*	Hiroyuki Yamazaki	Outside Director	Iwao Fuchigami
Director	Masahiko Suzuki	Outside Director (Audit and Supervisory Committee Member)	Yoshiharu Takano
Director	Masanori Furunuma	Outside Director (Audit and Supervisory Committee Member)	Shigeki Yasunami
Director	Tatsuyasu Kumazaki	Outside Director (Audit and Supervisory Committee Member)	Yuko Yasuda
Director	Tetsuya Fukunaga	Outside Director (Audit and Supervisory Committee Member)	Shigenobu Aikyo
Director	Masatoshi Endou		

* Representative Director

Investor Information (As of March 31, 2016)

Stock / Shareholder Information

Class of stock	Common Stock	Stock listing	First Section of the Tokyo Stock Exchange
Number of shares authorized	200,000,000	Stock code	9719
Number of shares issued	107,986,403 (including treasury stock of 3,962,652 shares)	Stock trading unit	100
Number of shareholders	34,481	Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
		Independent certified public accountant	KPMG AZSA LLC

Distribution of Shareholders (Common Stock)

Shareholder composition

Type of Investor	Number of Investors	Composition
Individuals and others	33,609	97.47%
Financial institutions	59	0.17%
Other companies	391	1.13%
Foreign companies, etc.	371	1.08%
Securities companies	50	0.15%
Treasury shares	1	0.00%
Total	34,481	100.00%

Distribution of shares

Type of Investor	Number of Investors	Composition
Individuals and others	8,730,317	8.08%
Financial institutions	16,532,066	15.31%
Other companies	54,814,578	50.76%
Foreign companies, etc.	22,619,444	20.95%
Securities companies	1,327,346	1.23%
Treasury shares	3,962,652	3.67%
Total	107,986,403	100.00%

Major Shareholders

Name of Shareholder	Number of Shares Held	Shareholding Ratio
1 Sumitomo Corporation	52,697,159	50.66%
2 Japan Trustee Services Bank, Ltd. (trust account)	5,716,800	5.50%
3 SCSK Group Employee Stock Ownership Association	2,561,038	2.46%
4 The Master Trust Bank of Japan, Ltd. (trust account)	2,527,800	2.43%
5 State Street Bank and Trust Company	1,355,853	1.30%
6 JPMC Oppenheimer JASDEC Lending Account	1,208,008	1.16%
7 Argo Graphics Inc.	1,015,500	0.98%
8 Trust & Custody Services Bank, Ltd. (securities investment trust account)	916,100	0.88%
9 State Street Bank and Trust Company 505103	618,850	0.59%
10 Chase Manhattan Bank GTS Clients Account Escrow	607,832	0.58%

Note: SCSK owns 3,962,652 shares of treasury shares, but is excluded from the major shareholders list and calculations of shareholding ratio mentioned above.

Network (As of April 1, 2016)

Global Network

Our worldwide network provides strong support for customers' global business development



Group Companies (As of April 1, 2016)

Overseas

- SCSK USA Inc.
- SCSK Europe Ltd.
- SCSK Shanghai Limited
- SCSK Asia Pacific Pte. Ltd.

Domestic

- SCSK KYUSHU CORPORATION
- SCSK HOKKAIDO CORPORATION
- JIEC Co., Ltd.
- WinTechnology Corporation
- SCSK ServiceWare Corporation
- VeriServe Corporation
- SCSK PRESCENDO CORPORATION
- CSI SOLUTIONS Corporation
- Allied Engineering Corporation
- SCSK SYSTEM MANAGEMENT CORPORATION
- VA Linux Systems Japan KK
- SDC Corporation
- SCSK Nearshore Systems Corporation
- Tokyo Green Systems Corporation
- QUO CARD Co., Ltd.
- ATLED Co., Ltd.*
- ARGO GRAPHICS Inc.*

*Companies accounted for using the equity method