Good afternoon. My name is Manami Takahashi, Investor Relation of SCSK, and I'm here today with Mr. Fukunaga, CFO of the Company.

At this time I would like to welcome everyone to the SCSK first Quarter 2017 Earnings Call.

As announced earlier, materials of this conference call are placed on our website. Please refer to those materials as we continue.

Now, let me touch upon today's agenda. Mr. Fukunaga will talk about earnings results. After his remarks, there will be a question and answer session.

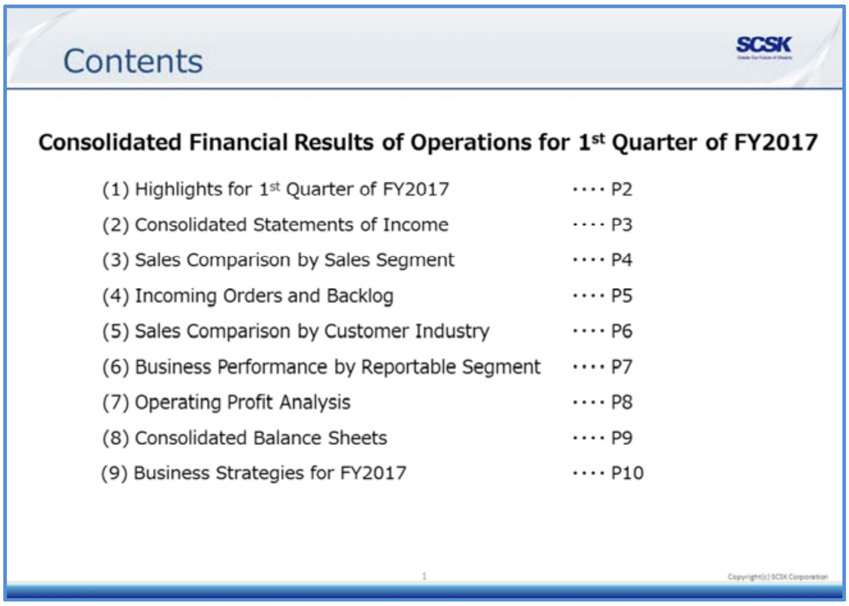
Please note that this call is scheduled to end at around 5 p.m.

With that, I'll turn the call over to Mr. Fukunaga.

Hello. I am Tetsuya Fukunaga.

I would like to start by thanking you all for taking time out of your busy schedules to join us for this teleconference, during which we will discuss the performance of SCSK Corporation during the three-month period ended June 30, 2017.

Let us begin our look at the Company's consolidated performance.



First, I will be offering an overview of our consolidated performance in the three-month period ended June 30, 2017.

I would like to provide details on each item of this summary of the consolidated statements of income for the three-month period based on the framework provided by our usual presentation materials.

Please look at slide 2, which displays consolidated performance highlights. I will begin by offering an overview of our performance in the three-month period ended June 30, 2017. As you can see on this slide, sales were up while profit was down.

An overall year-on-year increase of 2.5% in net sales was achieved due to higher sales in the systems development, system maintenance and operation and services, and system sales segments, primarily from the distribution and telecommunications industries.

Although operating profit received a boost of hundreds of millions of yen due to higher net sales, it was also impacted by various detractors. These detractors included increased business investment-related expenses, such as R&D expenses and depreciation and amortization accompanying the start of service-oriented businesses and new strategic businesses, as well as higher marketing expenses and the rebound from the recording of high-margin orders in the first quarter of the previous fiscal year. However, these detractors where incorporated into our initial estimates and were more or less in line with these estimates. Another large detractor from operating profit was the upfront expenses associated with a new systems development order from a specific securities industry customer. Other detractors included higher bonuses paid in reflection of the strong performance achieved in the previous fiscal year as well as losses recorded in relation to certain unprofitable projects. As a result of these factors, operating profit decreased 36.5% year on year. I will discuss these detractors from profit in more detail a little later on. Although operating profit decreased sharply year on year in the period under review, one of the largest reasons behind this decline among the aforementioned expenses was the upfront expenses associated with a new systems development order from a securities industry customer. If these upfront expenses are excluded, performance was generally as anticipated.

With regard to the new systems development order from a securities industry customer, we are unable to actually conclude the development contract during the first period, and only the upfront expenses were recorded as a result. We are now negotiating for the agreement on the contract, and expect ¥1 billion or more in revenues to be earned during the 2nd quarter or later this fiscal year.

The operating margin declined 3.1 percentage points. We were successful at improving productivity and profitability in the systems development and system maintenance and operation and services segments. However, the benefits of these improvements were offset by the large impact of the previously mentioned new systems development order from a securities industry customer as well as the impacts of higher business investment-related expenses and certain unprofitable projects.

Consolidated order backlog was up 2.9% year on year following higher order backlogs in the system maintenance and operation and services and system sales segments.

(2) Consolidated Statements of Income

SCSK

(Millions of yen)

	Apr. 2016-Jun. 2016	Apr. 2017-Jun. 2017	Increase/Decrease Amount	Increase/Decrease Change (%)
Net Sales	75,352	**77,219**	1,866	2.5%
Gross Profit	18,211	**16,824**	- 1,387	- 7.6%
(Gross Profit Margin)	(24.2%)	**(21.8%)**		
SG&A Expenses	12,086	**12,934**	847	7.0%
Operating Profit	6,124	**3,889**	- 2,235	- 36.5%
(Operating Profit Margin)	(8.1%)	**(5.0%)**		
Ordinary Profit	6,732	**4,455**	- 2,276	- 33.8%
Profit attributable to owners of parent	7,296	**2,844**	- 4,452	- 61.0%

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Turning now to slide 3, here is a summary of SCSK's consolidated statements of income.

I touched on some of the main items displayed on this slide when discussing the previous slide. I would thus like to focus on profit attributable to owners of parent.

In addition to the declines in operating profit and ordinary profit, profit attributable to owners of parent was impacted by the rebound from the roughly ¥3.0 billion in tax benefits recorded in the three-month period ended June 30, 2016, as a result of a change in accounting standards. The impact of this rebound equated to a 41.1% year-on-year decrease in profit attributable to owners of parent. When the factors reducing operating profit are accounted for, profit attributable to owners of parent was down 61.0% year on year in the three-month period June 30, 2017. Let me reassure you that the rebound from the previously recorded tax benefits will only affect performance in this three-month period and will not influence performance in the remainder of the fiscal year.

I would like to conclude this performance overview with an explanation of our performance forecasts.

Operating profit underwent a substantial year-on-year decrease. However, our internal estimates had originally projected profit increases resulted from higher sales as well as an increase in various expenses, which was forecast to result in a similar decline in operating profit. I will go into the projected expenses and their amounts a little later. Once again, performance is still in line with forecasts when excluding the aforementioned upfront expenses associated with a new systems development order from a securities industry customer and the rise in bonus payments.

The bottom-up estimates of business groups for the six-month period ending September 30, 2017, project operating profit of around ¥10 billion, and we will continue to pursue this figure through our business activities. Moreover, in regard to the upfront expenses associated with a new systems development order from a securities industry customer that so heavily impacted performance in the three-month period, we expect revenues from said order of more than ¥1 billion to be earned during the 2nd quarter or later this fiscal year. As such, these expenses will not have a significant impact on full-year performance. Based on the above, we have chosen not to revise the forecasts for the six-month period ending September 30, 2017, or for the fiscal year ending March 31, 2018, that were released on April 28, 2017.

(3) Sales Comparison by Sales Segment

SCSK

(Millions of yen)

	Apr. 2016-Jun. 2016	Apr. 2017-Jun. 2017	Increase/Decrease	
			Amount	Change (%)
Systems Development	29,735 (39.5%)	**29,559 (38.3%)**	*- 176*	*- 0.6%*
System Maintenance and Operation/ Services	30,438 (40.4%)	**31,313 (40.6%)**	*874*	*2.9%*
Packaged Software/ Hardware Sales	14,351 (19.0%)	**15,448 (20.0%)**	*1,096*	*7.6%*
Prepaid Card	826 (1.1%)	**898 (1.2%)**	*71*	*8.6%*
Total	75,352 (100.0%)	**77,219 (100.0%)**	*1,866*	*2.5%*

Moving on, I would now like to more closely examine earning figures for the period under review through our usual presentation materials. To begin, please look at the sales comparison by segment on slide 4.

In the systems development segment, there was strong systems development demand among customers in the communications industry. With regard to manufacturing industry customers, we are witnessing solid demand for strategic IT investment for boosting competitiveness among automotive sector customers. Regardless, sales in this segment were down 0.6% due to the conclusion of several medium-sized systems development orders from financial industry customers and the fact that projects for this fiscal year have not been completely started up as well as the impacts of the aforementioned upfront expenses associated with a new systems development order from a securities industry customer.

Sales were up 2.9% year on year in the system maintenance and operation and services segment. Overall strong demand was seen in the distribution industry for an assortment of services related to enhancing e-commerce and customer relations management systems for facilitating omni-channel retailing. Sales of maintenance and operation services, including those from IT cloud service operations, were generally firm, showing a year-on-year increase of 2.9%, as SCSK developed its service-oriented businesses amidst the trend toward cloud services.

System sales benefited from orders for sales of network IT equipment to communications industry customers, leading to an increase in sales of 7.6% year on year.

(4) Incoming Orders and Backlog

(Millions of yen)

		Apr. 2016-Jun. 2016	Apr. 2017-Jun. 2017	Increase/Decrease	
				Amount	Change (%)
Systems Development	Incoming orders	31,044	**30,109**	- 935	- 3.0%
	Backlog	26,420	**25,874**	- 546	- 2.1%
System Maintenance and Operation/Services	Incoming orders	28,591	**27,183**	- 1,408	- 4.9%
	Backlog	75,923	**77,720**	1,796	2.4%
Packaged Software /Hardware Sales	Incoming orders	17,321	**16,972**	- 349	- 2.0%
	Backlog	9,470	**11,501**	2,030	21.4%
Total	Incoming orders	76,958	**74,264**	- 2,693	- 3.5%
	Backlog	111,814	**115,095**	3,280	2.9%

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Looking at slide 5, I would like to discuss order trends seen in each sales segment.

Incoming orders and order backlog for systems development declined by 3.0% and 2.1%, respectively. Factors behind these declines included the absence of orders from financial industry customers that were recorded previously, which we first explained in the last fiscal year, as well as the new order from a securities industry customer that I explained before. This new order will be recorded during the fiscal year. Looking ahead, we expect to be able to start up new projects and recover order backlog during the fiscal year ending March 31, 2018, given the continually large appetite for strategic IT investment seen among customers in industries including the manufacturing, service, and life and non-life insurance industries.

In regard to maintenance and operation services, incoming orders declined by 4.9% year on year as the renewal of certain contracts was delayed. Order backlog, meanwhile, increased by 2.4% due to strong demand for product support services as well as for outsourcing services related to e-commerce and customer relationship management measures for facilitating omni-channel retailing.

Incoming orders for system sales decreased 2.0% year on year due to the rebound from orders recorded in the same period of the previous fiscal year while order backlog increased 21.4% due to the accumulation of network IT equipment sales orders from customers in the communications industry.

(5) Sales Comparison by Customer Industry

(Millions of yen)

	Apr. 2016 - Jun. 2016		Apr. 2017 – Jun. 2017		Increase/ Decrease	
	Amount	Composition	Amount	Composition	Amount	Change (%)
Manufacturers	21,150	28.1%	**20,812**	**27.0%**	- 337	- 1.6%
Distributors	12,521	16.6%	**12,851**	**16.6%**	329	2.6%
Financial Institutions	18,005	23.9%	**17,651**	**22.9%**	- 353	- 2.0%
Banks	5,834	7.7%	**5,883**	**7.6%**	49	0.8%
Securities Firms	2,197	2.9%	**2,176**	**2.8%**	- 20	- 0.9%
Shopping Credit/ Leasing Companies	2,981	4.0%	**2,889**	**3.7%**	- 91	- 3.1%
Insurance Companies	6,991	9.3%	**6,701**	**8.7%**	- 290	- 4.2%
Communications/ Transportation	11,007	14.6%	**13,453**	**17.4%**	2,445	22.2%
Utilities	932	1.2%	**806**	**1.0%**	- 126	- 13.6%
Services/Others※	11,735	15.6%	**11,644**	**15.1%**	- 91	- 0.8%
Total	75,352	100.0%	**77,219**	**100.0%**	1,866	2.5%

※Others includes Prepaid Card Business

Turning to slide 6, I will now explain trends in sales by customer industry, although I can only touch on the major trends.

Sales to manufacturers were down 1.6% year on year. There was a solid demand trend for systems development, including conventional automotive software development, from automobile manufacturers. However, this solid demand could not counteract the decline in the scale of orders from certain electronic components manufacturers and the decrease in orders for product verification services from electrical machinery manufacturers.

Sales to distributors increased 2.6% year on year. This increase was attributable to a rise in e-commerce- and customer relations management system-related development projects and outsourcing for helping customers adopt an omni-channel retailing approach.

Sales to financial institutions decreased 2.0% year on year due to the aforementioned conclusion of various systems development projects. Nevertheless, robust demand for strategic IT investment is being seen primarily among customers in the life and non-life insurance industries, and we thus expect to be able to recover from this decrease as we kick off new projects during the remainder of the fiscal year.

Sales to the communications and transportation industries were up 22.2% year on year. This increase can be largely attributed to higher sales from major communications carriers in the systems development, system maintenance and operation and services, and system sales segments.

(6) External Sales and Segment Profit by Reportable Segment

SCSK

(Millions of yen)

External Sales	Manufacturing Systems	Telecommunication Systems	Distribution Systems	Financial Systems	Business Solution	Business Services	Platform Solution	Prepaid Card	Others	Adjustments	Total
Apr. 2017~ Jun. 2017	9,265	6,403	11,098	16,778	6,053	10,418	16,112	898	190	–	77,219
Apr. 2016~ Jun. 2016	9,530	6,306	10,894	16,976	5,795	10,145	14,685	826	192	–	75,352
Increase/Decrease (Amount)	- 265	96	203	- 198	258	273	1,427	71	- 2	–	1,866
Increase/Decrease (%)	- 2.8%	1.5%	1.9%	- 1.2%	4.5%	2.7%	9.7%	8.6%	- 1.0%	–	2.5%

Segment Profit	Manufacturing Systems	Telecommunication Systems	Distribution Systems	Financial Systems	Business Solution	Business Services	Platform Solution	Prepaid Card	Others	Adjustments	Total
Apr. 2017~ Jun. 2017	318	990	940	583	61	393	1,018	101	-19	-498	3,889
Apr. 2016~ Jun. 2016	835	1,018	1,328	1,925	214	567	624	111	-9	-491	6,124
Increase/Decrease (Amount)	- 517	- 27	- 388	- 1,342	- 153	- 174	394	- 9	- 9	- 7	- 2,235
Increase/Decrease (%)	- 61.9%	- 2.7%	- 29.2%	- 69.7%	- 71.4%	- 30.7%	63.2%	- 9.0%	–	–	- 36.5%

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We will now move on to slide 7, which shows a breakdown of the performance I have explained thus far by reportable segment.

In regard to performance in reportable segments, the performance in the Manufacturing Systems Business Group, the Telecommunication Systems Business Group, the Distribution Systems Business Group, and the Financial Systems Business Group, all of which serve our target industries, largely reflected the trends for customer industries that I just explained.

Despite a solid flow of orders from automobile manufacturers, sales and profit were down in the Manufacturing Systems Business Group as a result of the decrease in the scales of orders from electronic components manufacturers as well as the impact from unprofitable projects.

The Telecommunication Systems Business Group achieved higher sales due to a strong inflow of orders for systems development from major telecommunications carriers. However, as projects for this fiscal year are currently in the start-up phase, income declined slightly.

Sales were up for the Distribution Systems Business Group due to higher orders from the service industry customers developing consumer businesses, but income was down due to the impacts of unprofitable projects.

Performance in the Financial Systems Business Group was heavily impacted by the upfront expenses related to a specific development project that I explained previously. Other factors affecting performance included the conclusion of various systems development projects, higher expenses for starting up new businesses, and unprofitable projects. As a result, sales and profit were down in this segment.

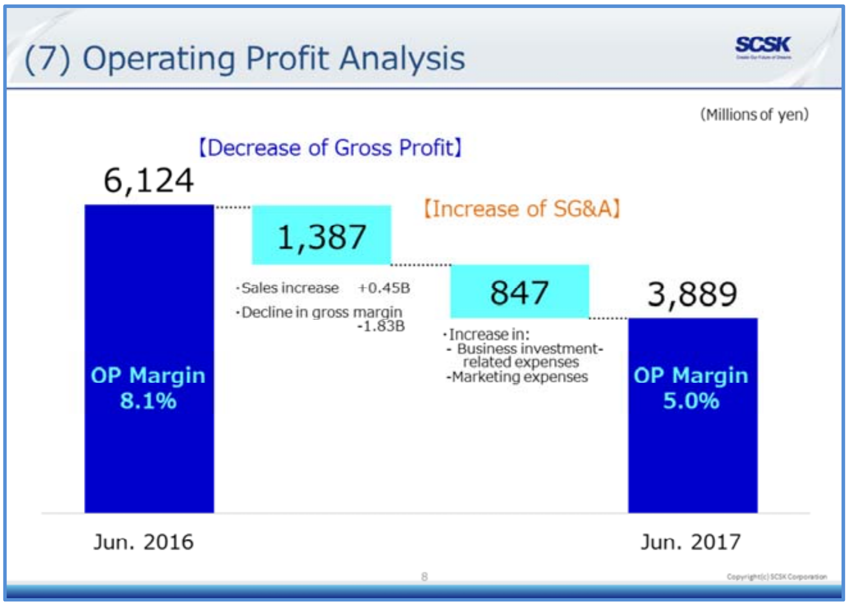
The Business Solutions Group saw sales grow due to higher enterprise resource planning sales. However, profit decreased due to a rise in strategic business investment expenses as a result of the automotive software systems business being included in this segment beginning in the fiscal year ending March 31, 2018.

In the Business Services Group, sales grew on the back of robust demand for the full spectrum of outsourcing services. However, profit declined due to an increase in expenses associated with the opening of a new service center aimed at facilitating the provision of high-quality business process outsourcing services.

Finally, the IT Platform Solutions Group recorded higher sales and profit due to an increase in IT product sales from communications industry customers.

With this, I would like to wrap up my explanation of performance by reportable segment.

Up until now, I have focused on net sales in our discussion of performance in the three month period ended June 30, 2017.



Looking now at slide 8, I would next like to elaborate on the factors that influenced operating profit. In particular, I will talk about the expenses incurred during the period.

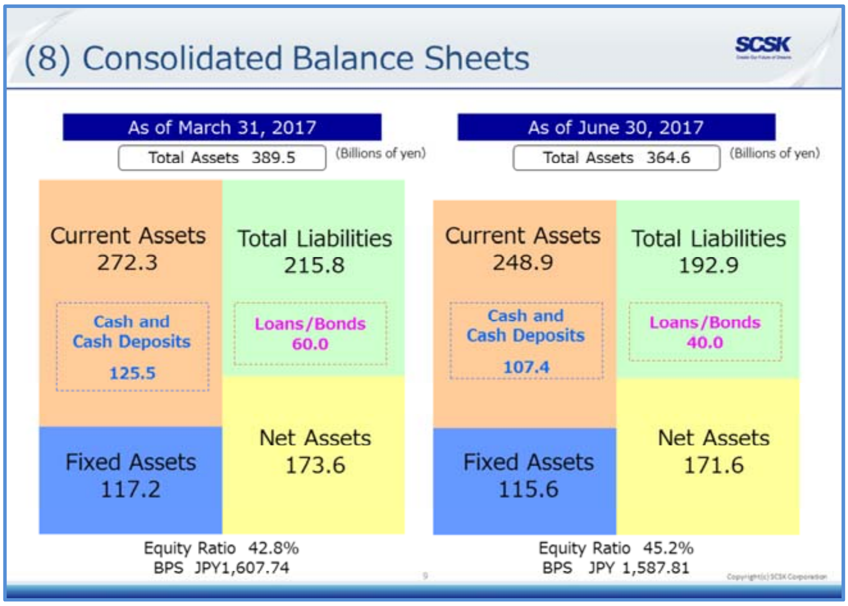
I will begin by explaining the increases in expenses that had been anticipated in our internal estimate for the three-month period. Total expenses of ¥ 0.5billion or more were set to be recorded in relation to strategic business investments in the automotive software systems (BSW) business, compared with a short of ¥0.3 billion in the same period of the previous fiscal year. This increase of around ¥0.25 billion was to be largely a result of higher depreciation and amortization amounts attributable to basic software products. Meanwhile, expenses for starting up new service-oriented businesses were forecast to increase by approximately ¥0.25 billion and were to be primarily comprised of R&D expenses and depreciation and amortization. In addition, although losses from unprofitable projects only amounted to a few tens of thousands of yen in the three-month period ended June 30, 2016, SCSK anticipates ¥1.0 billion worth of losses from unprofitable projects each fiscal year. In the period under review, such losses were projected to amount to ¥0.25 billion. At the same time, profit was forecast to decrease by several hundreds of millions of yen do to the absence of a high-margin project recorded in the three-month period ended June 30, 2016. The Company also accounted for an increase in marketing expenses of approximately ¥0.5 billion. In the manner, we anticipated that total expenses would increase by approximately ¥ 1 billion and more in the three-month period ended June 30, 2017, and that profit would be around ¥5 billion despite hundreds of millions of yen in extra income to be generated through higher sales.

In addition to the above, we also recorded the aforementioned upfront expenses in relation to a new project from a securities industry customer, from which we expect to earn revenues of more than ¥1 billion during the 2nd quarter or later this fiscal year. Also, actual losses from unprofitable projects amounted to ¥0.4 billion, ¥0.15 billion higher than the anticipated amount. Another ¥0.2billion worth of unexpected expenses came in the form of higher bonuses payments in reflection of performance in the fiscal year ended March 31, 2017. Operating profit in the three-month period decreased as a result of these forecast-exceeding expenses.

Once again, the upfront expenses associated with a new systems development order from a securities industry customer had the largest impact on the Company's performance. As stated, through this project, it is expected that revenues in excess of ¥1 billion will be earned during the 2nd quarter or later this fiscal year. In addition, the unprofitable projects we are engaged in, three to be exact, are approaching conclusion, and losses from these projects are not forecast to rise during the first half of the fiscal year.

The operating margin showed a year-on-year decrease in the three-month period due to the aforementioned increases in expenses. When these specific factors are excluded, we see an ongoing increased in productivity and profitability in the systems development and system maintenance and operation and services segments. SCSK will pursue higher levels of productivity and operational quality going forward.

With this, I conclude my explanation of the factors that influenced operating profit.



Moving on from the consolidated statements of income, we will now discuss our consolidated balance sheet. Please turn to slide 9.

During the three-month period, the Company used funds in its possession to redeem ¥10.0 billion worth of straight bonds that had reached maturity and also to repay ¥10.0 billion worth of bank loans from local bank syndicates. As a result, cash, deposits, and deposits paid decreased from March 31, 2017, while the equity ratio rose to 45.2%.

In addition SCSK issued ¥10.0 billion worth of straight bonds with a five-year maturity period in July 2017. This bond issuance was conducted as a means of procuring funds to redeem straight bonds and repay bank loans that are scheduled to reach maturity during the fiscal year ending March 31, 2018. Moreover, the issuance was also a flexible move that enabled us to take advantage of the financial market’s low interest rates, which are exemplified by the negative interest rates on five-year Japanese government bonds, to secure funds for fueling medium- to long-term growth at low interest rates.

These bonds received an A rating (stable outlook) from Japan Credit Rating Agency, Ltd., and were issued with an interest rate of 0.14%.

Going forward, we will strive to increase earnings and operating cash flows to improve our balance sheet and financial base and steadily grow shareholders’ equity. At the same time, we will allocate funds to making strategic investments and to returning profits to shareholders through dividends and other means.

With this, I end my explanation of SCSK’s consolidated performance in the three-month period ended June 30, 2017.

I would now like to touch briefly upon the progress of our strategies for the fiscal year ending March 31, 2018. Please turn to slide 10.

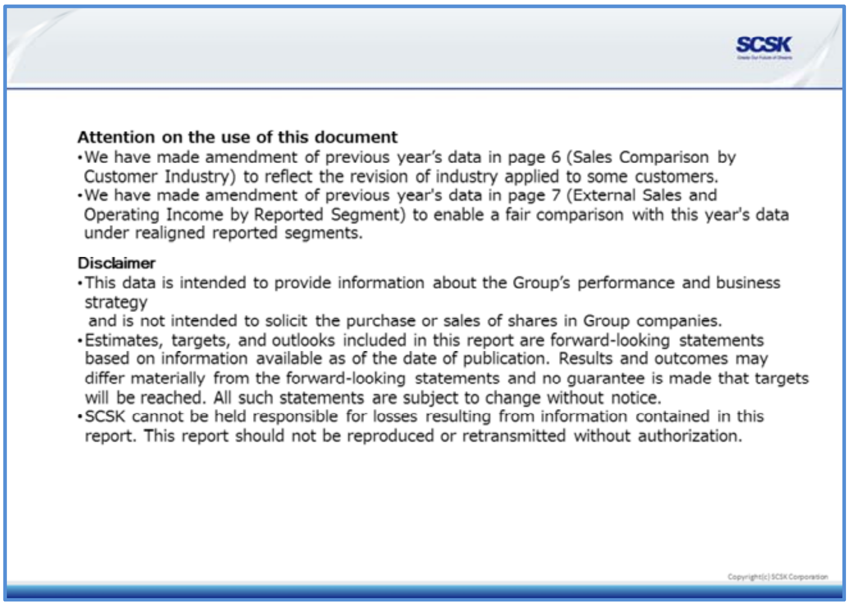
With regard to the shift to service-oriented businesses, one of our core strategies, the various organizations within the Company are working together to combine their operational expertise and cutting-edge IT technologies with the aim of creating unique system services that address shared customer needs and operational standardization needs..

SCSK is striving to accurately identify new business needs in each of the industries it targets. For example, we are eyeing the needs related to the trend toward implementing IoT technologies in the manufacturing industry, the development of omni-channel retailing operations in the distribution industry, and the opportunities for introducing FinTech and artificial intelligence technologies in the financial industry. At the same time, we are deploying a diverse range of service-oriented businesses with the goal of applying new technologies to customers' business reorganization needs. Specific initiatives include launching a new brand called "Next Trend," which consists of services that support the omni-channel retailing operations of the distribution industry. Under this brand, we are arranging a lineup of sales and marketing support services that encompass everything from coordination, comprehensive management, and analysis of data to the actual formulation of sales and marketing strategies. In addition, we are working to incorporate artificial intelligence technologies into the operational systems developed and operated by SCSK. This goal is being pursued through coordination with Preferred Networks, Inc., a company that possesses machine learning, deep learning, and image analysis technologies, as well as with our numerous other partners that also boast state-of-the-art artificial intelligence technologies.

On the whole, our initiatives on this front are still in the preparatory phase and it is necessary that we devote an adequate amount of business investment expenses to these initiatives, as stated previously. However, some businesses, such as cloud services related to IT infrastructure, have already taken off. We thus expect double-digit sales growth in service-oriented businesses on a full-year basis.

As for the high-interest topic of the automotive software systems business, a new strategic business, there have been no noteworthy changes in the situation since we last spoke at the teleconference discussing results for the fiscal year ended March 31, 2017. Progress with regard to these businesses is as planned. In order words, our accumulation of technologies and original basic software assets is moving ahead on schedule. While I cannot offer details as usual due to confidentiality agreements with customers, it can be said that we are currently engaged in business negotiations with customers through which we aim to accomplish our target of generating earnings from these operations during the second half of the fiscal year.

With this, I would like to conclude my brief overview of the progress of our business strategies for the fiscal year ending March 31, 2018.



This fiscal year will be the third year of the current Medium-Term Management Plan, which aims to grow SCSK into a leading company in the IT services industry. During this year, SCSK will forge ahead with the transition to a business structure with higher profitability and growth potential. At the same time, we will endeavor to strengthen all aspects of our management base by undertaking initiatives ranging from promoting health and productivity management and building a pleasant and fulfilling place to work to enhancing corporate governance systems.

In closing, I would like to thank our investors for their ongoing understanding and support.

We greatly appreciate you taking the time to participate in this teleconference.