Greetings, my name is Tooru Tanihara, the president of SCSK Corporation. I would like to thank you for joining us today for this financial results briefing meeting.

Financial Results for 2nd Quarter of Fiscal Year 2017

(Billions of Yen)

	Apr. 2016-Sep. 2016	Apr. 2017-Sep. 2017	Increase/Decrease Amount	%
Net Sales	157.4	**163.4**	*6.0*	*3.8%*
Operating Profit	14.7	**13.2**	*-1.4*	*-9.8%*
Ordinary Profit	15.7	**14.2**	*-1.5*	*-9.6%*
Net Profit Attributable to Owners of Parent	13.2	**12.0**	*-1.2*	*-9.4%*

Let us start our discussion of performance in the six-month period ended September 30, 2017. As shown, net sales increased by 6 billion year-on-year to 164.4 billion yen, while operating profit were down by 1.4 billion to 13.2 billion, and ordinary profit, down by 1.5 billion to 14.2 billion, and profit attributable to owners of parent down by 1.2 billion to 12 billion.

CFO Fukunaga will go into this performance in more detail later on, but I would like to briefly explain some main points. Net sales were up year on year in businesses selling IT products to communications industry customers, among others. However, profit declined due to various factors. As one of these factors, we incurred higher expenses in association with the restructuring of SCSK's business portfolio, which included an increase in business investment costs for facilitating the shift toward service-oriented businesses and the development of strategic businesses. In addition, commencement of large-scale systems development projects for major financial institutions, including banks and insurance companies, were delayed longer than expected while the profitability of our business process outsourcing, or BPO, operations were down in comparison to the previous equivalent period.

Some of you probably remember the new systems development order from a securities industry customer that had a large impact on performance in the three-month period ended June 30, 2017. Although we were unable to conclude a contract for this order by June 30, we were successful in concluding this contract at the end of September. Accordingly, we were able to record the entire amount of sales associated with the upfront development expenses incurred during three-month period in the six-month period ended September 30, 2017. With the conclusion of the contract, this order has been completed.

As you know, SCSK's operating environment is currently characterized by a trend toward IT systems being viewed as a part of social infrastructure. Such systems have thus become indispensable to the efforts of customers to grow or strengthen their business. In the fiscal year ending March 31, 2018, we have been seeing brisk IT investment demand in all target customer industries, including the manufacturing, financial, and distribution industries. The deal flow from these industries was also strong, particularly with regard to strategic IT investment projects aimed at business expansion.

Given the aging population, declining birthrate, labor shortfalls, and other social trends, there is a significant need for IT investment to improve operational efficiency, particularly through labor savings. Demand is therefore rising among customers for cloud services in the infrastructure field and for various IT services in the application field. We are also seeing the emergence of upgrade demand for large-scale enterprise resource planning systems in the midst of upgrade demand for other IT infrastructure. Accordingly, we anticipate substantial, ongoing growth in IT demand among SCSK's more than 8,000 customers.

(Continued on to the following page)

Financial Results for 2nd Quarter of Fiscal Year 2017 - Cont. -

(Billions of Yen)

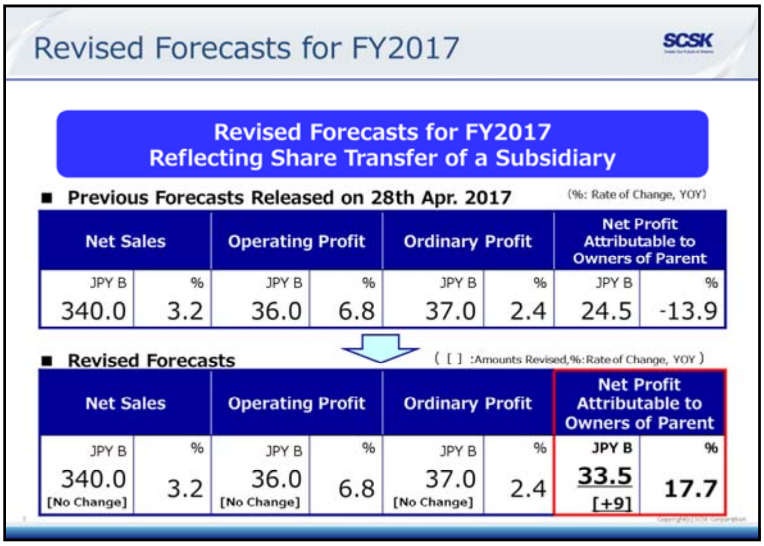
	Apr. 2016- Sep. 2016	**Apr. 2017- Sep. 2017**	*Increase/Decrease*	
			Amount	*%*
Net Sales	157.4	**163.4**	*6.0*	*3.8%*
Operating Profit	14.7	**13.2**	*-1.4*	*-9.8%*
Ordinary Profit	15.7	**14.2**	*-1.5*	*-9.6%*
Net Profit Attributable to Owners of Parent	13.2	**12.0**	*-1.2*	*-9.4%*

(Continued from the previous page)

However, the landscape of the IT market is not what it used to be, and we can no longer expect customers to bring us promising projects if we just wait. Rather, it is crucial that we forge trust-based business relationship with customers as IT partners by endeavoring to adopt their perspective, in the truest sense of the word, with regard to strategic IT investment and to work together with them in expanding their business. We must also employ sophisticated technologies in addressing customer needs. It is therefore essential for us to leverage the expertise and customer relationships we have developed to date and take advantage of cutting-edge technologies to propose systems that are beneficial to customers.

Meanwhile, our ability to address streamlining demand will hinge on whether or not we are successful in creating service-oriented businesses and uniting the entire organization in developing these businesses. If we are slow in furnishing responses to customer needs, we risk losing even those customers that been with SCSK for many years to the platform- and stock-type IT services of competitors. Such loses would diminish the foundations supporting our future growth.

We are therefore fully aware of the need to dedicate ourselves to accelerating the shift toward service-oriented businesses during the fiscal year ending March 31, 2018. Business investments associated with this shift may adversely impact performance through upfront costs and other causes, but we are prepared to make this sacrifice as these investments are vital. As a result of such business investments and business portfolio restructuring expenses, performance in the six-month period ended September 30, 2017, may seem to be in a temporary slump. We hope that you will recognize this slump as indicating our commitment to continually implementing the management strategies needed to achieve stable business growth in the future.



I would now like to explain the trends we anticipate during the second half of the fiscal year ending March 31, 2018, as well as some topics pertaining to management and our full-year forecasts.

In terms of second-half trends, as stated, we anticipate a strong deal flow supported by a large appetite among customer companies for strategic investment and efficiency improvement investment.

Performance in second half of the fiscal year is projected to exceed our initial expectations. Trends supporting this performance will include the start of projects during the second half of the fiscal year, which will contrast the delays in large-scale projects with banks, insurance companies, and other major financial institutions seen during the first half of the fiscal year. In addition, we expect that we will continue to receive a steady flow of small-sized orders from the distribution industry while several new projects for the manufacturing industry start up. We also look forward to sales in service-oriented businesses growing in line with our initial forecasts. Furthermore, the factors leading to cost increase including business investment and other expenses will not be significantly large when compared to the previous equivalent period.

Accordingly, there have not been any noteworthy changes to our full-year forecasts for consolidated financial results which had been announced earlier:

Net Sales of 340 billion (year-on-year increase of 3.2%), Operating Profit of 36 billion (year-on-year increase of 6.8%), Ordinary Profit of 37 billion (year-on-year increase of 2.4%).

We will therefore target performance that coincides with our initial financial results forecasts.

I would now like to touch upon some topics pertaining to management with the potential to significantly impact SCSK's performance and financial position in the second half of the fiscal year ending March 31, 2018. At SCSK's board meeting held today, we decided to sell all the shares of QUO CARD Co., Ltd. to T-Gaia Corporation.

The closing date for the deal is set on December 1st, 2017, and the transaction will have huge impact on our financial results of 3rd quarter or later this fiscal year. Therefore, considering its impact, we decided to revise our forecasts for net income attributable to owners of parent for the year ending March 31, 2018 upward by 9 billion to 33.5 billion yen (year-on-year increase of 17.7%). This figure reflects the extraordinary income (gains on sales of investment securities). As for the details of the changes in our financial position caused by this transaction, CFO Fukunaga will explain to you later in his presentation.

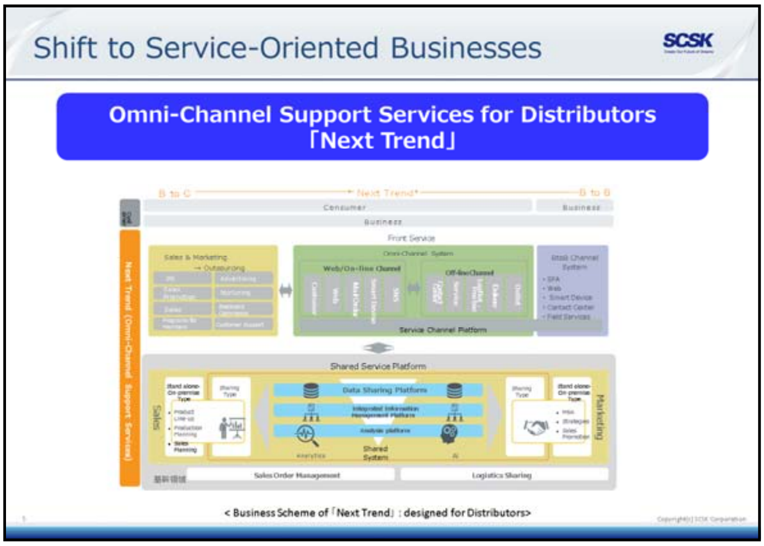
Although SCSK had been seeking synergy with QUO Card business, we reached a conclusion that because of its nature as B to C business, it would be difficult to generate significant growth if QUO Card stays within SCSK group.

Since Quo Card has strong brand recognition among consumers, we believe Quo Card would become better able to deploy a business model best suited for B-to C with T-Gaia. Further, as a member of T-Gaia group, which is engaged in consumer business under the umbrella of Sumitomo Corporation, Quo Card could leverage its status as a member of Sumitomo Corporation Group better in expanding its business further.

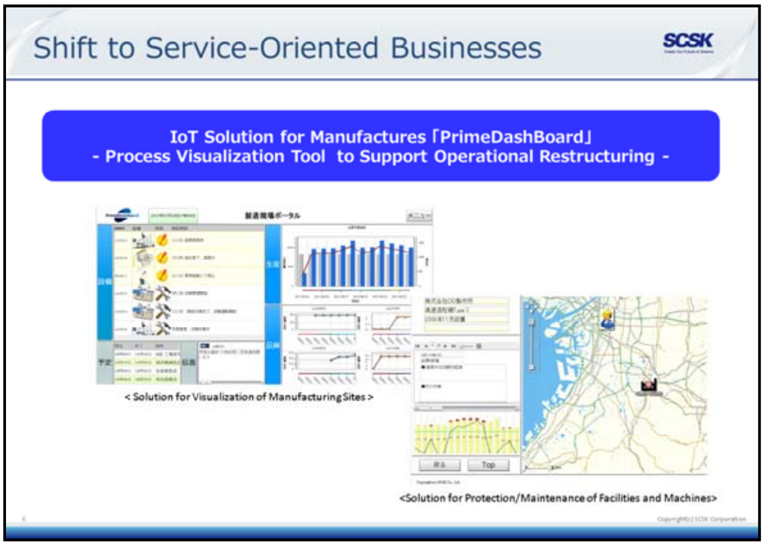
As for the funds procured through this transaction, we are thinking of allocating to future investments when opportunity arises in advancing core strategies. Specifically, the reinforcement of our operating foundations through new investments in the automotive systems business and other businesses and the expansion of the datacenter that we recently celebrated completion of in the Kansai region. Also, as has been stated previously, we are always considering M&A activities as a potential way to use funds should a beneficial opportunity present itself.

With this, I would like to conclude my discussion of second-half trends, management topics, and our full-year forecasts.

I would next like to talk about the progress of our core strategies. First, we will look at our efforts to shift to service-oriented businesses. During the financial results briefing in April 2017, I explained that our service-oriented businesses were not merely cloud services. Rather, these services entail merging the services and solutions for which we have developed a track record with certain state-of-the-art technologies to provide customers with one-stop service for everything from operations and consulting to evaluation and analysis. Furthermore, we are developing platforms that will enable us to provide comprehensive services for the value chains and customer business cycles of entire industry across all sections.

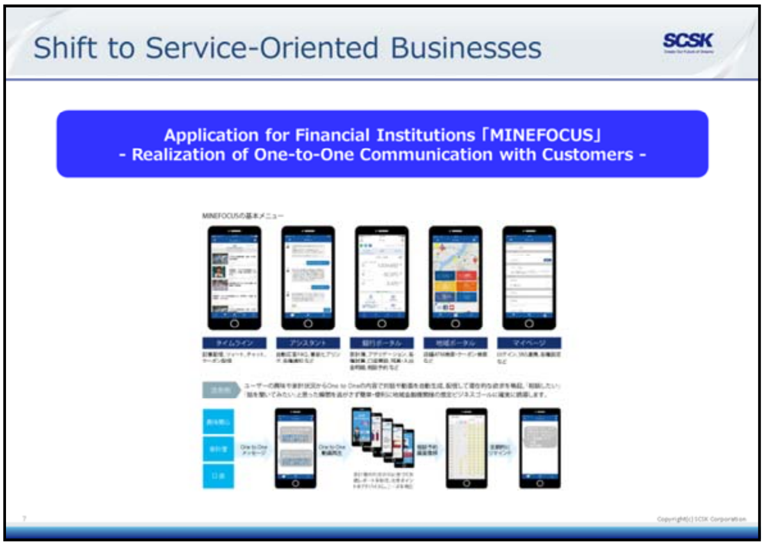


On this front, we established our new "Next Trend" brand of omni-channel retailing support services for the distribution industry. This new brand represents our commitment to creating an IT service platform that will allow us to offer various combinations of existing and new services for supporting customers. Through these service combinations, we will, for example, help incorporate omni-channel retailing into the existing services of individual customers and provide support for integrating physical and virtual businesses in the digital marketing field. Among the offerings in SCSK's service-oriented businesses are PrimeTiaas, a cloud-based service that provides the functions necessary for rapid, low-cost contact center set up, and VOiC Finder, a service that analyzes the verbal expressions used by customers calling contact centers and the written expressions used in social networking services and emails to automatically compile FAQs. By combining such services and tools, we will seek to provide customers with IT services that ideally meet their needs.



For the manufacturing industry, we offer PrimeDashBoard, a line of IoT solutions that track data at manufacturing sites. This service platform is founded on the insight SCSK has gained through years of supplying IT solutions to manufacturing sites and is capable of providing customers with data collection, data storage and management, and data tracking and analysis services.

For the financial industry, we will provide the MINEFORCUS smartphone application. This mobile banking service enables regional banks to practice one-on-one communication with the customers that use their services.

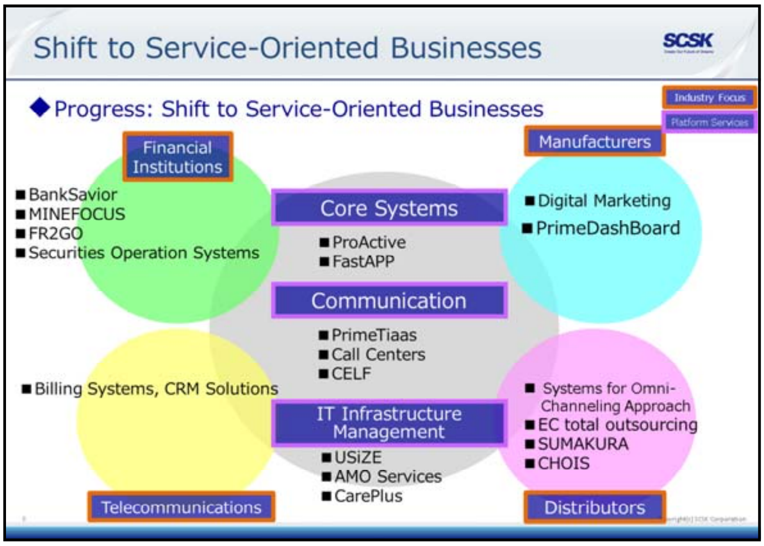


MINEFORCUS features the various functions expected of a platform service, making it possible for banks to choose the combination of services their own customers require in order to tailor the application to the needs of their customer base.

In this manner, SCSK is simultaneously creating new IT services and working to develop these services into platforms.

In terms of this business portfolio transition, the fiscal year ending March 31, 2018, is still a period in which we need to conduct investments and incur other upfront costs. As we undertake this transition, we recognize that some of the new service-oriented businesses could syphon sales away from existing businesses. Nonetheless, we are taking a forward-looking perspective toward the restructuring expenses. We thus stand committed to shifting to scalable service-oriented businesses in order to ensure high profitability and robust, ongoing growth in the future.

Recently, competition has been spreading across industry lines and growing more intense. We see inter-industry collaboration as a viable tool for winning out against this competition. In such collaboration, we will use the IT service platforms I have explained thus far to become an inter-industry IT servicer that incorporates the evolution of digital technologies and links customers together. We will provide services and systems in this capacity to help customers transform their business models in line with their strategic ambitions.



I would now like to touch briefly on the scale of SCSK's service-oriented businesses. In the fiscal year ended March 31, 2017, these businesses generated total sales of approximately ¥50.0 billion. In the fiscal year ending March 31, 2018, we are targeting year-on-year growth of 10%. Moreover, sales from these businesses totaled ¥28.0 billion in the six-month period ended September 30, 2017, representing year-on-year growth of 10% and making for progress that coincides with our plans for the full year. In this manner, we are making smooth progress in transforming our business portfolio.

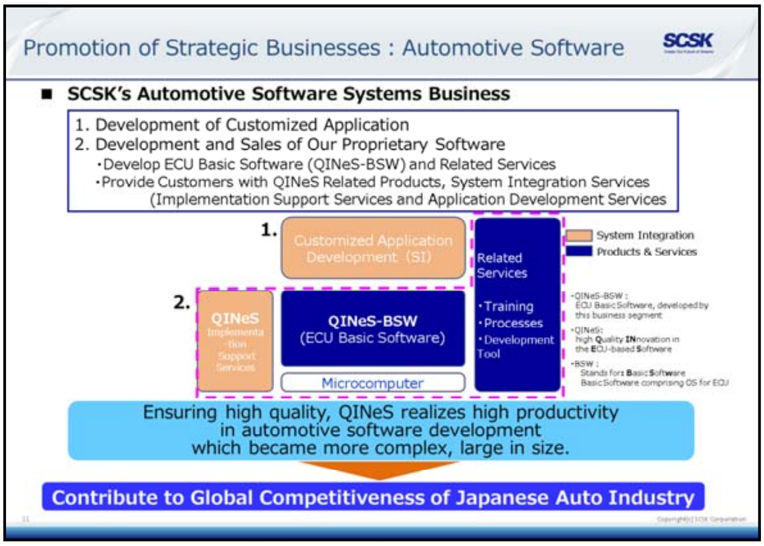
Many of you are no doubt aware of the fact that SCSK positions the automotive systems business as one of its strategic businesses. However, this is not our only strategic business. Please let me take some time to briefly explain one of our other strategic businesses: the artificial intelligence, or AI, business. In September 2016, we formed business alliances with three companies in the AI field: Preferred Networks, Inc., a company promoting AI development based on deep learning and image analysis technologies; Asian Frontier Co., Ltd., a company that provides solutions utilizing AI technologies; and Ridge-i Co., Ltd., an affiliate of Asian Frontier. Together with these partners, we are moving ahead with verification tests that entail applying AI-powered system solutions. Recently, we invested in Asian Frontier, converting into an affiliate accounted for using the equity method, out of recognition of the need to further reinforce our operations in this field.

One specific example of our efforts to apply AI technologies is a verification test being conducted together with a customer (Aioi Nissay Dowa Insurance Co., Ltd.) of a system that efficiently performs damage surveys for insurance purposes. This system utilizes SCSK's DIMo AI platform, which is centered on deep learning, to analyze images in order to automatically calculate the amount of insurance payments based on actual accident images.

Also, we are engaged in more than 50 other AI-field projects. Almost all of these are still at the proof concept level.

As we approach the era of edge computing and fog computing, we believe that one of SCSK's missions is to determine the type of practical AI applications that will truly beneficial to customers and to make these applications a reality. In order to fulfill this mission, it will be important for us to anticipate a broad range of fields in which AI will see practical application. We must then select and utilize the optimal AI for the decision nodes of each field from among a diverse range of AI technologies, including both SCSK technologies and external technologies. We plan to begin building collaborative relationships with various AI developers today to ensure we are up to the task when the time comes.

In our AI business, we hope to help resolve the issues faced by customers in a wide range of fields, and we will work to this end by combining the AI technologies we have accumulated with other IT technologies as well as with technologies related to areas such as big data, the IoT, and robotic process automation.



Lastly, I would like to touch on SCSK's automotive systems business. As you might have guessed, there is not a lot to talk about. However, I can say that we are receiving more inquiries from original equipment manufacturers and tier 1 component manufacturers than had been anticipated.

In terms of SCSK's market position and competition in the market, we are faced with a difficult position in which we are forced to compete with European and U.S. rivals like Vector Software, Inc., and Mentor, both of which have track records in supplying basic software using older versions of AUTOSAR. Nevertheless, the movement to introduce AUTOSAR is currently gaining momentum among Japanese automobile manufacturers, and such manufacturers are increasingly examining multiple basic software vendors. We therefore expect to be able to announce the conclusion of some contracts during the fiscal year ending March 31, 2018, just as we have stated previously.

For example, a certain tier 1 component manufacturer has practically finalized the decision to use SCSK's QINeS-BSW in components connected to automobile bodies. I cannot offer any details on the contract as it is still under negotiation, but I will reiterate that our progress in the automobile systems business is in line with internal plans.

With this, I wrap up my explanation of the progress of our core strategies. In closing, as president of SCSK, I am committed to implementing working style reforms, enhancing our business portfolio, and improving productivity and operational quality in order to elevate the Company to the position of industry leader.

Our performance in the six-month period ended September 31, 2017, was lower than initial forecast. Nevertheless, we will do everything in our power to achieve our full-year forecasts for the fiscal year ending March 31, 2018. I hope we can look forward to your ongoing support.

Thank you again for joining us today.

Create Our Future of Dreams

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

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Greetings, I am Tetsuya Fukunaga.

I would like to begin today's presentation with an explanation of our performance in the six-month period ended September 30, 2017, and our full-year forecasts for performance in fiscal year ending March 31, 2018. This explanation will follow the materials that have been distributed to you, and I will be elaborating on certain topics.

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SCSK

Consolidated Financial Results of Operations for 2nd Quarter of FY2017

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Please turn to slide 2. Here you will see highlights of our consolidated performance in the six-month period. First, I will be offering an overview of our consolidated performance. As mentioned by President Tanihara, sales grew year on year in the six-month period, while profit was down.

Net sales were up 3.8% year on year. This outcome was attributable to strong growth in sales centered on the communications industry. Specifically, sales of systems for this industry increased to an extent that exceeded our initial expectations.

Operating profit, meanwhile, 9.8% decreased year on year. Factors behind this decrease included increases in depreciation and amortization and R&D expenses associated with investments for facilitating the shift toward service-oriented businesses and the development of strategic businesses as well as other initially anticipated expenses associated with the restructuring of SCSK's business portfolio. Meanwhile, There were expenses related to investments in businesses targeting the distribution industry and investments in business process outsourcing or BPO services as well as marketing expenses that exceeded our initial projections.

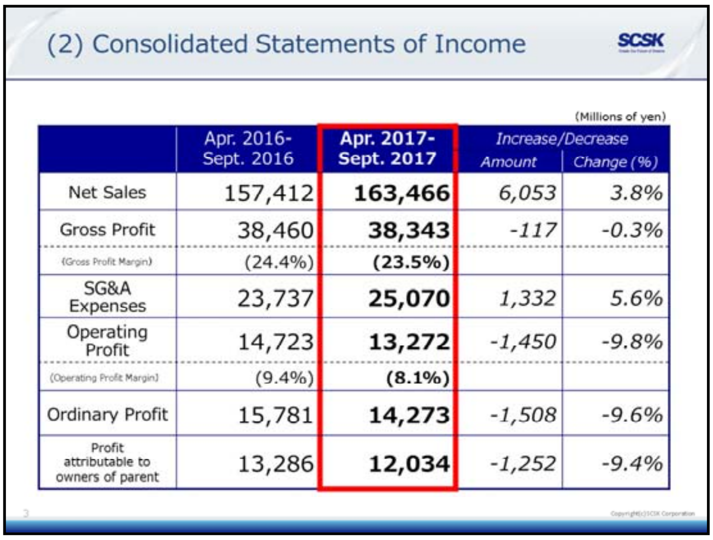
We attempted to compensate for the higher expenses by increasing business earnings, but overall profitability declined in comparison to our initial estimates. Reasons for this decline included an increase in the portion of sales attributable to relatively low-margin systems sales as well as delays in the commencement of large-scale projects for customers in the financial industries. The increases in expenses I speak all represent necessary investments for advancing the shift toward service-oriented businesses and the development of strategic businesses. In this manner, our management strategies are proceeding steadily. Furthermore, these restructuring expenses are not anticipated to increase to any significant degree during the second half of the fiscal year. I will touch on this subject a little more later in this presentation.

Other factors behind the decrease in operating profit included losses on unprofitable projects. However, these detractions were more or less in line with our initial expectations.

In regard to the new systems development order from a securities industry customer that had a large impact on performance in the three-month period ended June 30, 2017, we succeeded in concluding a contract for this order at the end of September. Accordingly, in the six-month period ended September 30, 2017, we were able to record the entire amount of sales associated with the upfront development expenses incurred during three-month period. This order has thus been concluded.

Turning to the operating margin, as stated, several factors negatively affect operating profitability. As a result, the operating income was down 1.3 percentage points year on year.

Lastly, overall order backlog decreased 2.8% year on year due to lower backlog for system sales orders. I will talk about this subject in more detail a little later.



(2) Consolidated Statements of Income

(Millions of yen)

	Apr. 2016-Sept. 2016	Apr. 2017-Sept. 2017	Increase/Decrease Amount	Increase/Decrease Change (%)
Net Sales	157,412	**163,466**	6,053	3.8%
Gross Profit	38,460	**38,343**	-117	-0.3%
(Gross Profit Margin)	(24.4%)	**(23.5%)**		
SG&A Expenses	23,737	**25,070**	1,332	5.6%
Operating Profit	14,723	**13,272**	-1,450	-9.8%
(Operating Profit Margin)	(9.4%)	**(8.1%)**		
Ordinary Profit	15,781	**14,273**	-1,508	-9.6%
Profit attributable to owners of parent	13,286	**12,034**	-1,252	-9.4%

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.

Along with a sale of shares in one of our affiliated companies, which I will explain later in detail, a certain amount of tax benefit was recorded which increased profit attributable to owners of parent in the six-month period ended September 30, 2017. However, 1st quarter of last fiscal year, specifically in the three-month period ended June 30, 2016, ¥3.0 billion in tax benefit was recorded as a result of a change in accounting standards. Therefore, as a year-on-year comparison, we saw one billion of negative impact on a net basis. Together with the decrease in operating profit, profit attributable to owners of parents decreased by 9.4% from the same period of the last fiscal year.

This concludes our look at SCSK’s consolidated statements of income.

(3) Sales Comparison by Sales Segment

SCSK

(Millions of yen)

	Apr. 2016-Sept. 2016	**Apr. 2017-Sept. 2017**	Increase/Decrease	
			Amount	*Change (%)*
Systems Development	61,957 (39.4%)	**62,489 (38.2%)**	*531*	*0.9%*
System Maintenance and Operation/ Services	61,776 (39.2%)	**63,560 (38.9%)**	*1,784*	*2.9%*
Packaged Software/ Hardware Sales	32,138 (20.4%)	**35,524 (21.7%)**	*3,385*	*10.5%*
Prepaid Card	1,539 (1.0%)	**1,892 (1.2%)**	*352*	*22.9%*
Total	157,412 (100.0%)	**163,466 (100.0%)**	*6,053*	*3.8%*

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, sales were up 0.9% year on year. There were delays in the commencement of large-scale projects for banks, insurance companies, and other major financial institutions. However, the impacts of these delays were counteracted by strong demand. Specifically, we saw brisk systems development demand from distribution industry customers looking to step up their digital marketing efforts as well as solid strategic IT investment demand from automobile and other manufacturers and from communications industry customers such as major telecommunications carriers. During the second half of the fiscal year, we expect to increase sales more than what we had at the first half, as several core-system development projects for efficiency improvements and labor saving are expected to commence, and several mid-to-large-scale projects for insurance companies are anticipated to be put into motion.

Sales were up 2.9% year on year in the system maintenance and operation and services segment. Similar to the systems development segment, this segment benefited from service demand among distribution industry customers looking to step up their digital marketing efforts. In addition, sales of maintenance and operation services, including those driven by demand for IT cloud services, were firm, showing a year-on-year increase of 2.9%.

System sales were once again buoyed by orders for sales of network IT equipment to communications industry customers, as was the case in the three-month period ended June 30, 2017, leading to an increase in sales of 10.5% year on year.

(4) Incoming Orders and Backlog

SCSK

(Millions of yen)

		Apr. 2016- Sept. 2016	Apr. 2017- Sept. 2017	Increase/Decrease Amount	Increase/Decrease Change (%)
Systems Development	Incoming orders	63,480	**64,038**	558	0.9%
	Backlog	26,633	**26,873**	240	0.9%
System Maintenance and Operation/ Services	Incoming orders	54,744	**51,709**	-3,035	-5.5%
	Backlog	70,739	**69,999**	-739	-1.0%
Packaged Software /Hardware Sales	Incoming orders	36,499	**33,918**	-2,580	-7.1%
	Backlog	10,860	**8,371**	-2,489	-22.9%
Total	Incoming orders	154,724	**149,667**	-5,056	-3.3%
	Backlog	108,233	**105,245**	-2,988	-2.8%

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

Incoming orders for systems development increased 0.9% year on year. It is true that orders in this segment suffered due to the absence of orders from customers in the financial industry that were recorded in the same period of last year as well as delays in large projects in the same industry. However, these detractors were offset by new orders for enhancing e-commerce operations and reinforcing customer relationship management systems from other industries.

Looking ahead, we anticipate a smooth increase in order amounts during the second half of the fiscal year as large-scale contracts with insurance companies and other customers will be entering into the renewal phase during this period.

In regard to maintenance and operation services, incoming orders decreased 5.5% year on year while order backlog was down 1.0%. We continued to experience an increase in orders in conjunction with our strategies for expanding service-oriented businesses. Conversely, certain major customers for our conventional BPO services reduced the scale of their contracts or delayed their contract renewal.

There were large declines in incoming orders and order backlog, respectively, for system sales. These declines were a product of the disparity in the timings of receipt of network IT equipment sales orders for communications industry customers. And the order trends seen during the first half of the fiscal year do not represent an issue in terms of full-year performance.

(5) Sales Comparison by Customer Industry

SCSK

(Millions of yen)

	Apr. 2016 – Sept. 2016		Apr. 2017 – Sept. 2017		Increase/ Decrease	
	Amount	Composition	Amount	Composition	Amount	Change (%)
Manufacturers	44,054	28.0%	**44,253**	**27.1%**	*198*	*0.5%*
Distributors	25,059	15.9%	**26,158**	**16.0%**	*1,099*	*4.4%*
Financial Institutions	37,335	23.7%	**36,649**	**22.4%**	*-685*	*-1.8%*
Banks	12,198	7.7%	**11,753**	**7.2%**	*-445*	*-3.7%*
Securities Firms	5,105	3.2%	**5,590**	**3.4%**	*484*	*9.5%*
Shopping Credit/ Leasing Companies	6,176	3.9%	**6,048**	**3.7%**	*-128*	*-2.1%*
Insurance Companies	13,854	8.8%	**13,258**	**8.1%**	*-596*	*-4.3%*
Communications/ Transportation	23,998	15.2%	**28,448**	**17.4%**	*4,449*	*18.5%*
Utilities	1,711	1.1%	**1,871**	**1.1%**	*160*	*9.4%*
Services/Others※	25,253	16.0%	**26,083**	**16.0%**	*830*	*3.3%*
Total	157,412	100.0%	**163,466**	**100.0%**	*6,053*	*3.8%*

※Services / 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 up 0.5 % year on year. We continued to see a strong demand trend for systems development, including conventional automotive software development from automobile manufacturers. However, the benefits of this trend were outweighed by a decrease in sales of product verification services from certain electrical machinery manufacturers.

Sales to distributors increased 4.4 % year on year. This increase was attributable to an ongoing rise in e-commerce- and customer relationship management system-related development projects and outsourcing for helping customers adopt an omni-channel retailing approach.

Sales to financial institutions decreased 1.8 % year on year. Factors behind this decrease included the delayed start of projects during the current fiscal year as well as the rebound from certain orders from financial institutions that were mentioned in the previous fiscal year and the conclusion of various systems development projects. Given that we are seeing the commencement of several large-scale projects with insurance companies and other customers, we expect sales to recover during the second half of the fiscal year. Also, to reiterate, in the six-month period ended September 30, 2017, we were able to record the entire amount of sales associated with an order from a securities industry customer for which upfront development expenses were incurred during the three-month period ended June 30, 2017.

Sales to the communications and transportation industries were up 18.5% year on year. This increase can be largely attributed to strong growth in 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

(Millions of yen)

External Sales	Manufacturing Systems	Telecommunication Systems	Distribution Systems	Financial Systems	Business Solution	Business Services	Platform Solution	Prepaid Card	Others	Adjustment	Total
Apr. 2017~ Sept. 2017	19,503	12,894	22,747	34,764	12,437	21,581	37,260	1,892	384	–	163,466
Apr. 2016~ Sept. 2016	19,215	12,995	22,402	34,957	11,662	22,830	33,422	1,539	387	–	157,412
Increase/Decrease (Amount)	287	-100	344	-193	775	751	3,837	352	-2	–	6,053
Increase/Decrease (%)	1.5%	-0.8%	1.5%	-0.6%	6.6%	3.6%	11.5%	22.9%	-0.5%	–	3.8%

Segment Profit	Manufacturing Systems	Telecommunication Systems	Distribution Systems	Financial Systems	Business Solution	Business Services	Platform Solution	Prepaid Card	Others	Adjustment	Total
Apr. 2017~ Sept. 2017	1,551	2,333	2,566	2,998	401	1,169	3,222	150	17	-1,138	13,272
Apr. 2016~ Sept. 2016	1,854	2,262	3,222	3,653	571	1,475	2,455	146	58	-976	14,723
Increase/Decrease (Amount)	-303	70	-656	-655	-169	-306	767	3	-40	-161	-1,450
Increase/Decrease (%)	-16.3%	3.1%	-20.4%	-17.9%	-29.7%	-20.8%	31.3%	2.5%	-69.0%	–	-9.8%

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

First, sales were up in the Manufacturing Systems Business Group due to a continually solid flow of orders from automobile manufacturers, but profit was down as a result of unprofitable projects.

Sales decreased year on year in the Telecommunication Systems Business Group due to the absence of large-scale orders recorded during the second quarter of the previous fiscal year. Profit, meanwhile, was up following a favorable increase in systems development orders from major customers. The Distribution Systems Business Group achieved higher sales thanks to brisk investment for e-commerce and customer relationship management applications by customers looking to adopt an omni-channel retailing approach, but profit decreased as a result of the impacts of business reinforcement initiatives for shifting to Service Oriented businesses and certain unprofitable projects.

Performance in the Financial Systems Business Group was affected by the absence of large projects we enjoyed same period of previous year, delivered to Banks, and impact of which was anticipated from the beginning of the fiscal year. Also, delay in the commencement of large-scale projects for insurance companies. In addition, this group experienced higher expenses for starting new businesses and was also impacted by unprofitable projects, leading to a decline in profit.

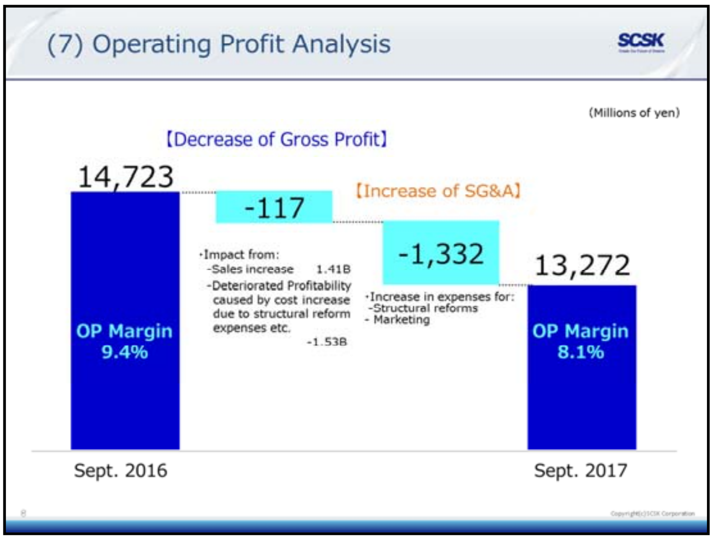
Enterprise resource planning sales have been brisk this year in the Business Solutions Group, and SCSK was able to start up new service-oriented businesses without issue. Sales in this group were up as a result. However, profit decreased due to a rise in strategic business investment expenses as a result 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, a trend that continued from the first quarter. However, profit declined due in part to an increase in business investment expenses associated with the opening of a service center aimed at reinforcing business operations through the development of new e-commerce services and the provision of BPO services. Another detractor was decreases in the profitability of certain projects.

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

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 six-month period ended September 30, 2017.



Looking now at slide 8, I would next like to elaborate on the factors that influenced operating profit on a year-on-year comparison basis.
As you can see, sales increase contributed the increase of operating profit by 1.4 billion yen. However, expenses, putting cost of sales and SG&A together, increased by 2.8 billion, which resulted in 1.4 billion year-on-year decrease of operating profit.
Now, let me touch upon the increases in expenses that had been anticipated in our internal estimate for the six-month period.
Total expenses of ¥1.1billion were recorded in relation to strategic business investments in the automotive software systems business, compared with ¥0.6 billion in the same period of the previous fiscal year. This increase of ¥0.5 billion was largely a result of higher depreciation and amortization amounts attributable to basic software products. Meanwhile, expenses for starting up new service-oriented businesses increased by approximately ¥0.5 billion and were primarily comprised of personnel expenses, development expenses, and depreciation and amortization. As was explained at the beginning of the fiscal year, expenses related to structural reforms and marketing expenses were expected to increase, and they did indeed increase, rising by approximately ¥0.4 billion in the six-month period under review, higher than initially anticipated. To reiterate what was said at the beginning of this presentation, this increase in expenses was for strategically necessary business investments and management initiatives. Losses from unprofitable projects amounted to ¥0.5billion in the six-month period ended September 30, 2017, an increase of ¥0.3 billion from ¥0.2 billion in the previous equivalent period. Although these losses did place downward pressure on profit, the losses will be contained within the scope of the ¥1.0 billion we budget for such losses as we always did in the past. Furthermore, the rebound from the high-profit orders recorded in the three-month period ended June 30, 2016, resulted in relative decline as much as a few hundred million yen, as was initially anticipated. Those expenses which I explained were components of the year on year decrease of more than 2.0 billion yen.
In addition, there were increase in expenses or detractor which had not been expected at the begging of the fiscal year, including the rise in bonus payments described in results presentation for the three-month period ended June 30, 2017, the decrease in profitability in operations targeting the distribution industry and in BPO services due to higher business investment-related expenses and marketing expenses which became apparent from three-month period ended September 30, 2017, as well as delays in the commencement of large-scale projects for customers in the financial industries. Furthermore, although sales were recorded with regard to the systems development order from a securities industry customer for which upfront expenses were incurred in the three-month period ended June 30, 2017, sales from this order was significantly less than what was projected for the six-month period. Each of those expenses/ detractor had several hundred millions of negative impact, and as a result, operating profit fell below our forecast.
Although aforementioned expenses related to structural reforms had negative impact as much as 2.8 billion on a year-on-year comparison basis for the first half, of the 2.8 billion, several hundred of million were related to expenses which could incur specifically for the first half, and just as amortization cost in the automotive software business, around 1billion were expenses that started to be recorded from second half of the previous fiscal year.

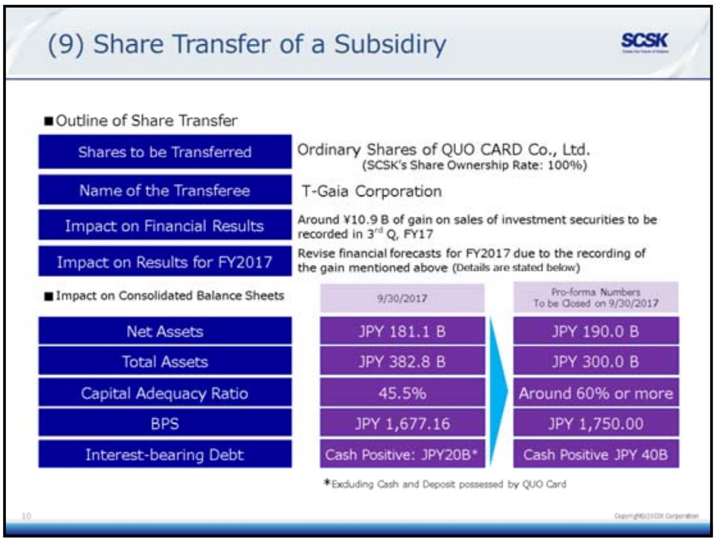
Moving on from the consolidated statements of income, we will now discuss our consolidated balance sheet. Please turn to slide 9.

During the six-month period, the Company redeemed ¥10.0 billion worth of straight bonds that had reached maturity and repaid ¥10.0 billion worth of bank loans from local bank syndicates.

In addition, a new batch of ¥10.0 billion worth of straight bonds was issued in July 2017 with a maturity period of five years.

These moves led to a ¥10.0 billion reduction in interest-bearing debt. As a result, cash, deposits, and deposits paid decreased, while the equity ratio rose from March 31, 2017 by around 3% to reach 45.5%.

SCSK is committed to reinforcing its financial position with a foundation formed by solid operating cash flows.



Next, let me touch upon one of our news releases announced today titled "Announcement of Transfer of Shares in an Affiliated Company.". I'd like to explain this transfer including outline of the scheme, its impact on our balance sheets, statements of income for this fiscal year, as this has huge impact on our financial condition. Please turn to page 10. As Mr. Tanihara explained earlier, SCSK's Board meeting decided today that SCSK sell all of shares of Quo Card, one of our affiliated companies, to T-gaia corporation. Impact on our PL from this share transfer amounts to ¥ 10.9 billion, which comes as extraordinary gain. We already concluded share transfer agreement,

But we expect the closing date at 6th of December 2017, and extraordinary gain will be recorded in the third quarter ending December 31, 2017.

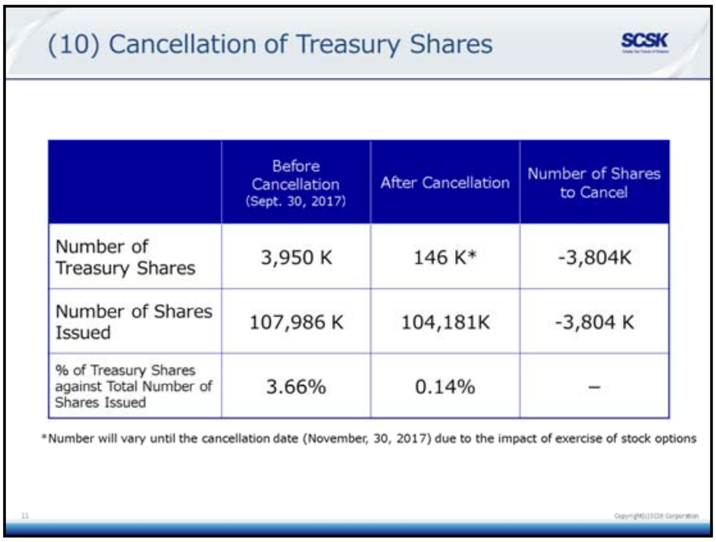
We expect the share transfer value will amount to around ¥ 22.5 billion, generating significant amount of cash available. However, in the meantime, as Mr. Tanihara explained, those fund will be spent on future investments when opportunity arises in advancing core strategies. For example, in order to accelerate shift to Service Oriented Businesses, we plan to expand our Data Center facility as our IT infrastructure. Also, as I always said, we would consider the possibility of M&A with this cash if any promising deal arises.

Next, let me touch upon its impact on our balance sheets. As a nature of prepaid card business, they have to keep deposit paid by customers until customers actually spend. That means we have sizable assets and liabilities at the same time, and currently that amounted to ¥100 billion.

Because of this transfer, however, their total assets, as well as liabilities and net assets will be eliminated from balance sheets of SCSK. Assuming SCSK sell all the shares of Quo Card at the end of September 2017, their assets are no longer included in SCSK's balance sheets, including around ¥ 92 billion of deposits received of prepaid card, cash and cash equivalents associated with the deposits, as well as financial securities as an obligation to deposit, including operational investment securities and guarantee deposit.

As I explained earlier, considering the increase of net assets derived from extraordinary gain (Gain on sales of investment securities), we would see decrease of 83 billion in total assets, increase of 9 billion in net assets, leading to the improvement of capital adequacy ratio from 46% to 60%.

However, please do remember that all these figures are hypothetical calculation utilizing current financial information on condition that share transfer is closed at the end of September. In reality, however, we have to incorporate operating costs/profits that accrue until the closing date.

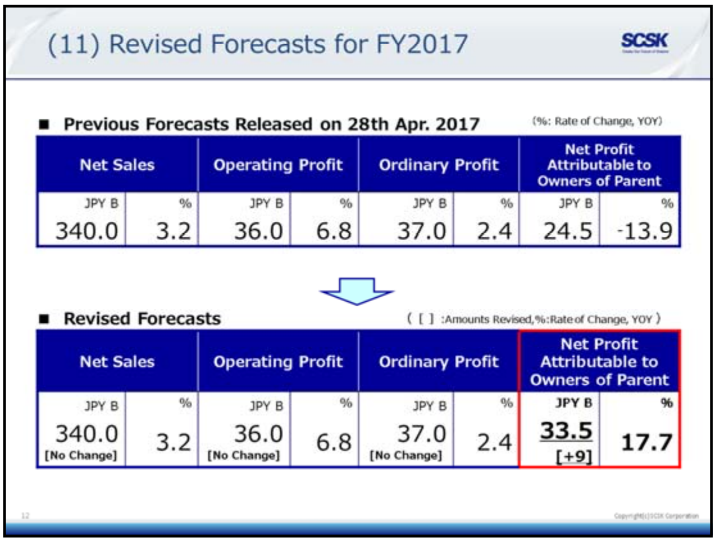


	Before Cancellation (Sept. 30, 2017)	After Cancellation	Number of Shares to Cancel
Number of Treasury Shares	3,950 K	146 K*	-3,804K
Number of Shares Issued	107,986 K	104,181K	-3,804 K
% of Treasury Shares against Total Number of Shares Issued	3.66%	0.14%	–

*Number will vary until the cancellation date (November, 30, 2017) due to the impact of exercise of stock options

Moving on, today I would also like to announce the cancellation of treasury shares. Please allow me to offer some details on this subject.
As of September 30, 2017, the Company held 3,650 thousand shares of treasury shares, equivalent to3.66 % of the total number of shares issued. Out of consideration for recent stock price trends and projected levels of on-hand cash, we decided to cancel all shares of treasury shares, with the exception of a portion that has been deemed necessary to hold for the foreseeable future, as part of our capital measures.

The Company has maintained holdings of treasury shares up until this point as a provision to be used for future M&A activities. However, given the current level of cash on-hand as well as the cash derived from share transfer of QUO Card, as much as ¥22.5 billion, we have judged that the Company is in possession of sufficient funds for the business investments and M&A activities that may be conducted in the foreseeable future. Furthermore, the current number of authorized shares will be enough to meet any needs to issue new shares that may arise as part of capital measures. Accordingly, it was determined that treasury shares holdings would not be necessary in the foreseeable future.
The Company deemed it necessary to continue holding roughly146,000 shares of treasury shares in relation to stock options that could be exercised and other considerations. Excluding these shares, the remaining [3.8 million / 3,800,000] shares of treasury shares currently held by the Company will be cancelled.



(11) Revised Forecasts for FY2017

SCSK

■ Previous Forecasts Released on 28th Apr. 2017 (%: Rate of Change, YOY)

Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
JPY B	%	JPY B	%	JPY B	%	JPY B	%
340.0	3.2	36.0	6.8	37.0	2.4	24.5	-13.9

■ Revised Forecasts ([ ] :Amounts Revised,%:Rate of Change, YOY)

Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
JPY B	%	JPY B	%	JPY B	%	JPY B	%
340.0 [No Change]	3.2	36.0 [No Change]	6.8	37.0 [No Change]	2.4	33.5 [+9]	17.7

As explained by President Tanihara, we anticipate a robust blend of strategic IT investment for securing a competitive edge and IT investment for efficiency improvements and labor saving to be seen among customers in the second half of fiscal year. Looking at current business trends, we believe it is possible that second-half performance may exceed our initial forecasts, although achieving such strong performance will not necessarily be easy.

During the first half of the fiscal year, progress was slow in negotiating large contracts with major financial institutions. However, these contracts are beginning to take form, and we are also witnessing the continuation of the solid deal flow from the distribution industry, among others.

In addition, we have started several new development projects for the manufacturing industry.

First-half sales from service oriented businesses, which are at the heart of one of SCSK's core strategies, showed smooth year-on-year growth of around 10%. We expect a similar increase to be seen on a full-year basis.

As stated previously, we do not anticipate any large year-on-year increase in restructuring expenses or other costs to occur during the second half of the fiscal year. This outcome will be due in part to our efforts to limit selling, general and administrative expenses.

Accordingly, there have been no noteworthy revisions to our full-year forecasts for net sales, operating profit, or ordinary profit.

As for profit attributable to owners of parents, as explained earlier, extraordinary gain (Gain on sales of investment securities) from share transfer of QUO Card, is reflected, and 9 billion is increased to 33.5 billion (YOY 17.7%).

With this, I would like to conclude my portion of today's presentation.

We greatly appreciate you taking the time to join us today.

Attention on the use of this document
- We have made amendment of previous year's data in page 6 (Sales Comparison by Customer Industry) to reflect the revision of industry applied to some customers.
- We have made amendment of previous year's data in page 7 (External Sales and Operating Income by Reported Segment) to enable a fair comparison with this year's data under realigned reported segments.

Disclaimer
- This data is intended to provide information about the Group's performance and business strategy
 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.
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