

**Consolidated Financial Results for the First Quarter
of the fiscal year ending March 31, 2017
(April 1, 2016 - June 30, 2016)
[J-GAAP]**

July 28, 2016

Company Name: SCSK Corporation
 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
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 Scheduled date of filing quarterly securities reports August 10, 2016
 Scheduled date for dividend payment: —
 Preparation of supplementary information material on financial results (yes/no): Yes
 Financial results conference for institutional investors and analysts (yes/no): Yes

(Amounts of less than ¥1 million are truncated)

1. Consolidated Business Results for the First Quarter ended June 30, 2016(April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results

(Millions of yen unless otherwise stated)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		%		%		%		%
Three months ended June 30, 2016	75,352	1.8	6,124	12.6	6,732	15.5	7,296	66.0
Three months ended June 30, 2015	74,026	11.2	5,440	65.9	5,830	60.0	4,395	45.9

(Note) Comprehensive income:

First Quarter Ended June 30, 2016: 7,035 million yen (61.2%) First Quarter Ended June 30, 2015: 4,364 million yen (39.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	70.30	70.11
Three months ended June 30, 2015	42.35	41.92

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of June 30, 2016	349,620	154,352	42.4
As of March 31, 2016	352,676	151,546	41.2

(Reference) Shareholders' equity: As of June 30, 2016 ¥148,114 million As of March 31, 2016 ¥145,420 million

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
FY 2015	—	35.00	—	40.00	75.00
FY 2016	—	—	—	—	—
FY 2016 (Forecast)	—	42.50	—	42.50	85.00

(Note) Revisions during this quarter of Dividends forecasts for Fiscal Year 2016: None

3. Consolidated Financial Forecasts for Fiscal Year 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen unless otherwise stated)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
		%		%		%		%	Yen
Six months ending September 30, 2016	156,000	0.8	14,000	0.5	15,000	1.5	12,500	13.6	120.43
Full Year	330,000	1.9	33,000	3.8	34,000	1.2	25,000	-7.3	240.85

(Note) Revisions during this quarter of consolidated earnings forecasts for Fiscal Year 2016: None

※ Notes

- (1) Changes in significant subsidiaries during the period : None
- (2) Adoption of specific accounting procedures in preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections
- 1) Changes in accounting policies, changes in accounting standards and other regulations: None
 - 2) Changes in accounting policies due to other reasons: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of prior period financial statements after error corrections: None
- (4) Number of shares issued (Common stock)
- 1) The number of shares issued as of the period-end (including treasury stock)

As of June 30, 2016	107,986,403 shares
As of March 31, 2016	107,986,403 shares
 - 2) The number of shares of treasury stock as of the period-end

As of June 30, 2016	4,183,978 shares
As of March 31, 2016	4,189,210 shares
 - 3) The average number of shares during the period

As of June 30, 2016	103,799,697 shares
As of June 30, 2015	103,784,740 shares

*Notification regarding the auditing process

- This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act. Therefore, and as of the time of disclosure, the auditing process of this financial report has not been completed.

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

- The financial forecasts contained in this document are based on the information currently available and certain assumptions deemed reasonable. Actual results may vary from these forecasts for various reasons. With regard to the assumptions on which financial forecasts are based and other explanatory notes in connection with the use of financial forecasts, please refer to “Qualitative information of Consolidated Financial Forecast for the fiscal year ending March 31, 2017” on page 3.
- SCSK will hold a results briefing for institutional investors and analysts on July 28, 2016. Materials used in the briefing, a transcript of the main questions and answers, and other related information will be published on SCSK’s website promptly thereafter.

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1. Qualitative Information Regarding Operating Results for the Three-Month Period Ended June 30, 2016

(1) Qualitative information of Consolidated Business Results

In the three-month period ended June 30, 2016, the Japanese economy was plagued by the continuation of low consumer confidence, which impacted consumer spending. Conversely, government economic stimulus measures and the Bank of Japan's monetary easing measures contributed to firm corporate earnings and a solid job market.

The outlook for the Japanese economy is for a modest recovery trend supported by internal demand. However, equity, foreign exchange, and other global financial markets are feeling the impacts of the United Kingdom's choice to leave the European Union. Accordingly, there is a rising sense of uncertainty in the European economy as well as in the economies of Asian and other emerging and resource-rich countries. For this reason, it will be important to judge economic conditions over the foreseeable future based on trends in financial markets with the potential to heavily impact the Japanese economy, such as through yen appreciation, and overseas political and economic trends.

In this environment, there was an upward trend in IT investment demand in the IT services market. This trend was a result of higher demand for strategic IT investment among corporate customers for purposes such as securing a competitive edge or starting up new businesses as well as relatively strong demand for operational system investment to improve efficiency.

In the manufacturing and distribution industries, strategic IT investment demand materialized in relation to globalization, omni-channel retailing, and big data analysis measures, and deal flow for IT investment projects was solid accordingly.

In the financial industry, there was robust demand for redevelopment of various operational systems to boost competitiveness or heighten operational efficiency among major financial institutions, particularly in the banking and insurance sectors. As such, we saw a growth trend in IT investment demand centered on system development.

In addition, the trend toward increased investment demand in the IT infrastructure field continued on from the previous fiscal year. This demand was seen in various industries, where corporate customers sought to invest in IaaS, PaaS, and other cloud-related IT services for further improving operational efficiency.

Looking at the Company's operating results for the period under review, consolidated net sales increased 1.8% year on year, to ¥75,352 million. This increase came on the back of the favorable trend in system development demand among financial industry customers that continued on from the previous fiscal year as well as the strong solid performance in maintenance and operation and service businesses. These factors offset the decrease resulted from the cutover of large-scale system development projects for securities companies and the absence of large-scale system sales to communications industry customers from the three-month period ended June 30, 2015.

Operating income was up 12.6%, to ¥6,124 million. In addition to the factors boosting sales, operating income benefited from improved productivity due to steadfast measures for heightening operational quality as well as increased efficiency with regard to selling, general and administrative expenses.

Ordinary income rose 15.5%, to ¥6,732 million, following the increase in operating income. Meanwhile, profit attributable to owners of parent jumped 66.0%, to ¥7,296 million, due to the higher operating income and the tax benefits resulted from a change in accounting standards.

In the previous fiscal year, the Group announced a Medium-term Management Plan with the fiscal year ending March 31, 2020 as its final year. Targeting robust medium-term growth in operating income coupled with improved profitability, we are pushing forward with the plan's three core strategies of "shifting to service-oriented businesses," "promoting strategic businesses that capture the changing times," and "entering into the second stage of global business expansion."

Moving forward in the period under review, we will accelerate efforts to advance the plan's core strategies, particularly with regard to shifting to service-oriented businesses and promoting new strategic businesses. At the same time, we will focus on strengthening our management base and boosting earnings capacity through various measures including improving operational quality and productivity. Dedicating efforts to capturing the currently robust IT investment and advancing the aforementioned core strategies alongside other management measures for expanding business earnings, we will seek to transition to a business structure with higher profitability and growth potential.

(2) Qualitative information of consolidated financial position

Cash and cash equivalents (“cash”) as of June 30, 2016 decreased ¥284 million compared to March 31, 2016 to ¥98,160 million. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥5,651 million.

The main cash inflow factors were net income before income taxes of ¥6,743 million, depreciation of ¥2,095 million and ¥10,983 million increase in funds stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥5,067 million, an increase in inventories of ¥2,173 million, and a decrease of ¥3,996 million due to an increase in guarantee deposits.

(Cash flow from investing activities)

Net cash used in investing activities was ¥1,247 million.

The main cash inflow factor was gain from sales of tangible fixed assets of ¥982 million. The main cash outflow factors were payment for the acquisition of tangible fixed assets of ¥2,090 million, and acquisition of intangible fixed assets of ¥779 million.

(Cash flow from financing activities)

Net cash used in financing activities was ¥4,430 million.

The main cash outflow factor was dividend payments of ¥4,160 million (¥40 per share) for the year-end dividend of the fiscal year ended March 31, 2016.

(3) Qualitative information of consolidated financial forecasts for the fiscal year ending March 31, 2017

Despite the strong operating results posted in the three-month period ended June 30, 2016, the Company has chosen not to revise the first-half and full-year forecasts for the fiscal year ending March 31, 2017, announced on April 28, 2016, in consideration of global political and economic trends as well as financial and capital market trends.

* Characteristics of the Company’s quarterly operating results

It is common for companies in Japan to have fiscal years that begin on April 1 and end on March 31 of the following year. For this reason, system introductions and inspections tend to be concentrated in September and March (the midpoint and end of each fiscal year). Excluding sales covered by contract agreements, the Company primarily records sales on a receipt-and-inspection basis. Accordingly, performance fluctuates by season, with sales and income tending to be concentrated in the second and fourth quarter of each fiscal year.

2. Summary information (notes)

(1) Transfer of important subsidiaries in the first quarter

No applicable items

(2) Adoption of specific accounting procedures in preparing quarterly consolidated financial statements

No applicable items

(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections

No applicable items

3. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2016	As of Jun. 30, 2016
ASSETS		
Current assets		
Cash and deposits	20,840	20,181
Notes and accounts receivable-trade	63,373	52,279
Short term investment securities	800	100
Operational investment securities	10,110	9,121
Merchandise and finished goods	5,373	6,028
Work in process	752	2,271
Raw materials and supplies	53	50
Deposits paid	79,004	79,478
Guarantee Deposits	37,443	41,430
Other	20,465	23,721
Allowance for doubtful accounts	-41	-38
Total current assets	238,175	234,625
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,119	36,593
Land	20,583	19,952
Other, net	12,169	9,812
Total property, plant and equipment	66,872	66,358
Intangible assets		
Goodwill	232	205
Other	8,297	8,309
Total intangible assets	8,529	8,515
Investments and other assets		
Investment securities	8,075	7,997
Other	31,334	32,434
Allowance for doubtful accounts	-311	-311
Total investments and other assets	39,098	40,120
Total non-current assets	114,500	114,994
Total assets	352,676	349,620

(Unit: Millions of Yen)

	As of Mar. 31, 2016	As of Jun. 30, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	19,679	14,547
Short-term loans payable	10,000	10,000
Current portion of bonds	—	10,000
Current portion of long-term loans payable	5,000	15,000
Income taxes payable	3,725	260
Provision for bonuses	6,275	1,902
Provision for directors' bonuses	258	22
Provision for loss on construction contracts	984	806
Deposits received of prepaid cards	83,788	85,105
Other	26,542	33,718
Total current liabilities	156,255	171,363
Non-current liabilities		
Bonds payable	25,000	15,000
Long-term loans payable	10,000	—
Provision for directors' retirement benefits	24	20
Net defined benefit liability	5,759	4,594
Asset retirement obligations	2,056	2,062
Other	2,033	2,226
Total non-current liabilities	44,873	23,904
Total liabilities	201,129	195,268
NET ASSETS		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	3,054	3,051
Retained earnings	131,886	135,022
Treasury shares	-8,444	-8,434
Total shareholders' equity	147,649	150,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,556	1,487
Deferred gains or losses on hedges	-89	-142
Foreign currency translation adjustment	169	-184
Remeasurements of defined benefit plans	-3,866	-3,838
Total accumulated other comprehensive income	-2,229	-2,677
Subscription rights to shares	88	83
Non-controlling interests	6,038	6,154
Total net assets	151,546	154,352
Total liabilities and net assets	352,676	349,620

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

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Jun. 30, 2015	From Apr. 1, 2016 to Jun. 30, 2016
Net sales	74,026	75,352
Cost of sales	56,746	57,141
Gross profit	17,280	18,211
Selling, general and administrative expenses	11,839	12,086
Operating income	5,440	6,124
Non-operating income		
Interest income	20	20
Dividend income	36	31
Equity earnings of affiliates	71	133
Hoard profit of prepaid card	342	361
Other	40	121
Total non-operating income	512	668
Non-operating expenses		
Interest expenses	48	41
Bond issuance cost	48	—
Other	25	19
Total non-operating expenses	122	61
Ordinary income	5,830	6,732
Extraordinary income		
Gain on sales of non-current assets	0	11
Gain on sales of investment securities	—	2
Total extraordinary income	0	14
Extraordinary loss		
Loss on retirement of non-current assets	9	2
Loss on sales of non-current assets	10	1
Office transfer related expenses	344	—
Total extraordinary loss	364	3
Income before income taxes	5,466	6,743
Income taxes — current	106	134
Income taxes — deferred	847	-861
Total income taxes	953	-726
Profit	4,512	7,469
Profit attributable to non-controlling interests	116	173
Profit attributable to owners of parent	4,395	7,296

Consolidated Quarterly Statements of Comprehensive Income

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Jun. 30, 2015	From Apr. 1, 2016 to Jun. 30, 2016
Profit	4,512	7,469
Other comprehensive income		
Valuation difference on available-for-sale securities	-61	-28
Deferred gains or losses on hedges	7	-52
Foreign currency translation adjustment	-18	-336
Remeasurements of defined benefit plans, net of tax	-75	40
Share of other comprehensive income of associates accounted for using equity method	0	-56
Total other comprehensive income	-147	-434
Comprehensive income	4,364	7,035
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,261	6,849
Comprehensive income attributable to non-controlling interests	102	186

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Jun. 30, 2015	From Apr. 1, 2016 to Jun. 30, 2016
Cash flows from operating activities		
Income before income taxes	5,466	6,743
Depreciation	1,898	2,095
Amortization of goodwill	20	26
Increase (decrease) in allowance for doubtful accounts	-2	-3
Increase (decrease) in net defined benefit liability	17	-1,090
Decrease (increase) in net defined benefit asset	-256	0
Loss on retirement of non-current assets	9	2
Loss (gain) on sales of non-current assets	10	-10
Loss(gain)on sales of investment securities	—	-2
Equity in earnings (losses) of affiliates	-71	-133
Interest and dividend income	-57	-52
Interest expenses paid on loans and bonds	48	41
Loss (gain) on investments in partnership	-23	-0
Decrease (increase) in investment securities for sale	6,708	974
Decrease (increase) in notes and accounts receivable - trade	14,211	10,983
Decrease (increase) in inventories	-2,572	-2,713
Decrease (increase) in guarantee deposits	-9,725	-3,996
Increase (decrease) in notes and accounts payable - trade	-1,204	-5,067
Increase (decrease) in deposits received of prepaid cards	890	1,316
Other, net	-4,423	-1,201
Subtotal	10,941	8,453
Interest and dividend income received	148	135
Interest expenses paid	-50	-55
Compensation expenses paid	-664	—
Income taxes (paid) refund	-1,683	-2,880
Net cash provided by (used in) operating activities	8,692	5,651

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Jun. 30, 2015	From Apr. 1, 2016 to Jun. 30, 2016
Cash flows from investing activities		
Purchase of short-term investment securities	-1,000	—
Proceeds from sales and redemption of securities	800	700
Purchase of property, plant and equipment	-3,074	-2,090
Proceeds from sales of property, plant and equipment	3	982
Purchase of intangible assets	-748	-779
Purchase of investment securities	-0	-0
Proceeds from sales and redemption of investment securities	0	35
Collection of short-term loans receivable	2	1
Proceeds from withdrawal of investments in partnership	60	4
Payments for lease and guarantee deposits	-20	-40
Proceeds from collection of lease and guarantee deposits	11	86
Other, net	82	-148
Net cash provided by (used in) investing activities	-3,882	-1,247
Cash flows from financing activities		
Repayments of long-term loans payable	-10,000	—
Proceeds from issuance of bonds	10,000	—
Repayments of lease obligations	-186	-198
Purchase of treasury shares	-3	-2
Proceeds from sales of treasury shares	15	0
Cash dividends paid	-2,600	-4,160
Dividends paid to non-controlling interests	-58	-70
Net cash provided by (used in) financing activities	-2,833	-4,430
Effect of exchange rate change on cash and cash equivalents	-1	-258
Net increase (decrease) in cash and cash equivalents	1,975	-284
Cash and cash equivalents	85,713	98,445
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-81	—
Cash and cash equivalents at end of period	87,606	98,160

(4) Notes regarding Consolidated Financial Results for the First Quarter ended June 30, 2016

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Notes concerning significant changes in shareholders' equity)

No applicable items.

(Segment Information)

I. First quarter of fiscal year ended March 31, 2016 (April 1, 2015 to June 30, 2015)

Information on Sales, Income (Loss) by Reported Segment

(Unit: Millions of Yen)

	Manufacturing Systems Business	Telecommunication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	9,371	5,828	11,751	15,513	4,789	8,610	17,155	812
(2) Inter-segment sales or transfers	625	336	3,514	83	567	631	1,371	0
Total	9,997	6,164	15,265	15,597	5,357	9,241	18,527	813
Segment income (loss)	268	895	1,562	1,586	222	279	915	91

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	194	74,026	—	74,026
(2) Inter-segment sales or transfers	425	7,557	-7,557	—
Total	620	81,584	-7,557	74,026
Segment income (loss)	17	5,838	-398	5,440

Notes: Adjustments are as follows:

1. The adjustment loss of ¥398 million to segment income (loss) represent general corporate expenses that have not been allocated to the reported segments.
2. Segment income (loss) has been reconciled to operating income in the consolidated income statement.

II. First quarter of fiscal year ending March 31, 2017 (April 1, 2016 to June 30, 2016)

1) Information on Sales, Income (Loss) by Reported Segment

(Unit: Millions of Yen)

	Manufacturing Systems Business	Telecommunication Systems Business	Distribution Systems Business	Financial Systems Business	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	10,106	6,266	11,453	16,959	4,718	10,145	14,685	826
(2) Inter-segment sales or transfers	1,142	423	1,859	184	667	562	1,500	0
Total	11,248	6,689	13,312	17,143	5,385	10,707	16,185	827
Segment income (loss)	661	1,005	1,403	1,901	357	567	616	111

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	192	75,352	—	75,352
(2) Inter-segment sales or transfers	683	7,023	-7,023	—
Total	875	82,375	-7,023	75,352
Segment income (loss)	-9	6,616	-491	6,124

Notes: Adjustments are as follows:

1. The adjustment loss of ¥491 million to segment income (loss) represent general corporate expenses that have not been allocated to the reported segments.
2. Segment income (loss) has been reconciled to operating income in the consolidated income statement.

2) Changes in reporting segments

The Company has changed part of its organization during the fiscal year under review, and has made amendment of the previous year's data in External Sales and Operating Income by Reported Segment to enable a fair comparison with this year's data under realigned reported segments.