

**Consolidated Financial Results for the third quarter
of the fiscal year ending March 31, 2017
(April 1, 2016 - December 31, 2016)
[J-GAAP]**

January 31, 2017

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 Securities Code: 9719
 Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
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 Scheduled date of filing quarterly securities reports February 10, 2017
 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 third quarter ended December 31, 2016 (April 1, 2016 through December 31, 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 parent	
		%		%		%		%
Nine months ended Dec. 31, 2016	239,047	1.6	23,368	4.3	25,147	6.0	20,253	14.2
Nine months ended Dec. 31, 2015	235,216	9.7	22,403	30.1	23,717	29.5	17,734	35.7

(Note) Comprehensive income:

Nine-month period ended Dec. 31, 2016: 21,084 million yen (24.3%) Nine-month period ended Dec. 31, 2015: 16,968 million yen (23.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec.31, 2016	195.12	194.91
Nine months ended Dec.31, 2015	170.87	170.47

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio
			%
As of Dec. 31, 2016	368,957	163,845	42.6
As of Mar. 31, 2016	352,676	151,546	41.2

(Reference) Shareholders' equity: As of Dec.31, 2016 ¥157,310 million As of Mar. 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	—	42.50	—	—	—
FY 2016 (Forecast)	—	—	—	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		Net income		Net income per share	
		%		%		%		%		Yen
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 shares)	
	As of Dec.31, 2016	107,986,403 shares
	As of Mar. 31, 2016	107,986,403 shares
2)	The number of treasury shares as of the period-end	
	As of Dec.31, 2016	4,185,249 shares
	As of Mar. 31, 2016	4,189,210 shares
3)	The average number of shares during the period	
	As of Dec.31, 2016	103,802,545 shares
	As of Dec.31, 2015	103,787,869 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 January 31, 2017. 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 Nine-Month Period Ended December 31, 2016

(1) Qualitative Information on Consolidated Business Results

In the period under review, the Japanese economy continued to display the moderate recovery trend that began in the previous fiscal year. This trend was supported in part by policy-related factors, such as the economic stimulus measures implemented by the Japanese government as well as the monetary easing measures and interest rate policies instituted by the Bank of Japan. Other contributions came from business environment-related factors like the yen depreciation trend that followed the presidential election in the United States. In addition, consistently high levels of corporate earnings contributed to improved business sentiment among companies, and consumer spending began to pick up. Considering these factors, Company judged that the economy was experiencing an overall recovery trend.

Our outlook for the Japanese economy projects that, in the midst of ongoing improvements in the job market and in wages, this modest recovery trend will continue due in part to the various government policies. However, there is a rising sense of uncertainty with regard to global political and economic conditions. Prominent concerns include the political and economic policies of the new government administration in the United States as well as the issues surrounding the United Kingdom's decisions to leave the European Union and the threat of economic downturn in Asian and other emerging and resource-rich countries. Accordingly, an added degree of scrutiny is imperative in judging economic trends.

In this environment, the IT services market sustained the brisk growth trend in overall IT investment demand that has continued from the previous fiscal year. SCSK witnessed conventional replacement demand from corporate customers for productivity and efficiency improvement purposes together with an increase in IT investment demand for reinforcing strategic businesses or securing a competitive edge.

Strategic IT investment and IT services demand rose in the manufacturing industry and the distribution industry, contributing to solid deal flow in both industries. In the manufacturing industry, such demand was directed toward investment that incorporates IoT compatibility, which is anticipated to lead to a full-fledged expansion of demand in the future, as well as toward strategic globalization initiatives; verification services for pre-market electronic devices, which are growing ever more sophisticated; and business process outsourcing (BPO) solutions related to products and services. In the distribution industry, this demand was largely associated with investment related to e-commerce, customer relationship management (CRM), and big data analysis for the purposes of facilitating omni-channel retailing and enhancing digital marketing initiatives.

In the financial industry, there was robust demand for redevelopment of operational systems to boost competitiveness or heighten operational efficiency of customers seen primarily among major financial institutions in the banking and insurance sectors. In addition, IT investment demand is growing smoothly, particularly for systems development purposes aimed at boosting competitiveness, examples of which include the application of FinTech, artificial intelligence, or other IT technologies to cultivate retail businesses or address the emergence of more sophisticated settlement systems.

In addition, IT services demand from corporate customers was on the rise. This demand was seen in various industries, where corporate customers sought to invest in IaaS, PaaS, and other cloud-related IT services.

Looking at the Company's operating results for the period under review, consolidated net sales increased 1.6% year on year, to ¥239,047 million. This increase came on the back of the favorable trend in systems development demand from financial industry customers that continued on from the previous fiscal year as well as the increases maintenance and operation and service sales seen in the manufacturing industry and in almost all other industries. These factors offset a decline in large-scale projects from the same period of the previous fiscal year due to an absence of systems development projects for securities companies and system sales projects for communications industry customers. This decline was projected at the beginning of the period.

Operating income was up 4.3%, to ¥23,368 million. In addition to the boost to income from the higher sales, operating income benefited from improved development productivity due to measures for heightening operational quality and increasing efficiency. This productivity improvement helped absorb a rise in expenses

that included higher size-based corporate taxes and strategic business investment expenses.

Ordinary income rose 6.0%, to ¥25,147 million, following the increase in operating income. Meanwhile, profit attributable to owners of parent jumped 14.2%, to ¥20,253 million, due to the higher operating income and various gains on investments. One such gain was on the sale of investment securities after an entity-method affiliate became listed on the stock market.

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 fiscal year ending March 31, 2017, 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 and implementing various initiatives for working style reforms. 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 work 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 December 31, 2016 increased ¥13,453 million compared to December 31, 2015 to ¥111,899 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 ¥22,898 million, an increase of ¥1,643 million compared to December 31, 2015.

The main cash inflow factors were profit before income taxes of ¥25,730 million, depreciation of ¥6,268 million and a ¥6,596 million increase in capital stemming from a decrease in accounts receivable. The main cash outflow factors were a decrease in accounts payable of ¥2,850 million, an increase in inventories of ¥1,276 million, and increase in deposits of ¥6,924 million.

Cash flow from investing activities

Net cash used in investing activities was ¥9,752 million, a decrease of ¥2,524 million compared to December 31, 2015.

The main cash outflow factors were payments for the acquisition of tangible fixed assets of ¥7,231 million and acquisition of intangible fixed assets of ¥5,013 million.

Cash flow from financing activities

Net cash provided by financing activities was ¥679 million, an increase of ¥7,857 million compared to December 31, 2015.

The main cash inflow factor was proceeds from issuance of bonds of ¥10,000 million. The main cash outflow factors were dividend payments of ¥4,160 million (¥40 per share) for the year-end dividend of the fiscal year ended March 31, 2016, and ¥4,421 million (¥42.5 per share) for the interim period of the fiscal year ending March 31, 2017.

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

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

2. Summary information (notes)

(1) Transfer of important subsidiaries in the third quarter under review

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 Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of Mar. 31, 2016	As of Dec.31, 2016
ASSETS		
Current assets		
Cash and deposits	20,840	21,209
Notes and accounts receivable-trade	63,373	56,770
Securities	800	-
Operational investment securities	10,110	7,098
Merchandise and finished goods	5,373	6,458
Work in process	752	944
Raw materials and supplies	53	48
Deposits paid	79,004	92,289
Guarantee Deposits	37,443	44,357
Other	20,465	22,177
Allowance for doubtful accounts	-41	-39
Total current assets	238,175	251,314
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,119	35,416
Land	20,583	19,855
Other, net	12,169	13,791
Total property, plant and equipment	66,872	69,063
Intangible assets		
Goodwill	232	156
Other	8,297	11,101
Total intangible assets	8,529	11,258
Investments and other assets		
Investment securities	8,075	9,291
Other	31,334	28,148
Allowance for doubtful accounts	-311	-118
Total investments and other assets	39,098	37,321
Total non-current assets	114,500	117,643
Total assets	352,676	368,957

(Unit: Millions of Yen)

	As of Mar. 31, 2016	As of Dec. 31, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	19,679	16,877
Short-term loans payable	10,000	10,000
Current portion of bonds	—	10,000
Current portion of long-term loans payable	5,000	10,000
Income taxes payable	3,725	405
Provision for bonuses	6,275	1,964
Provision for directors' bonuses	258	69
Provision for loss on construction contracts	984	360
Deposits received of prepaid cards	83,788	88,233
Other	26,542	28,682
Total current liabilities	156,255	166,593
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	10,000	5,000
Provision for directors' retirement benefits	24	20
Net defined benefit liability	5,759	4,104
Asset retirement obligations	2,056	2,112
Other	2,033	2,279
Total non-current liabilities	44,873	38,518
Total liabilities	201,129	205,112
NET ASSETS		
Shareholders' equity		
Capital stock	21,152	21,152
Capital surplus	3,054	3,051
Retained earnings	131,886	143,518
Treasury shares	-8,444	-8,440
Total shareholders' equity	147,649	159,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,556	2,224
Deferred gains or losses on hedges	-89	-14
Foreign currency translation adjustment	169	-319
Remeasurements of defined benefit plans	-3,866	-3,861
Total accumulated other comprehensive income	-2,229	-1,971
Subscription rights to shares	88	83
Non-controlling interests	6,038	6,451
Total net assets	151,546	163,845
Total liabilities and net assets	352,676	368,957

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

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Dec. 31, 2015	From Apr. 1, 2016 to Dec. 31, 2016
Net sales	235,216	239,047
Cost of sales	178,587	180,034
Gross profit	56,629	59,013
Selling, general and administrative expenses	34,225	35,644
Operating income	22,403	23,368
Non-operating income		
Interest income	73	50
Dividends income	59	66
Share of profit of entities accounted for using equity method	209	344
Gain on sales of investment securities	89	296
Hoard profit of prepaid card	1,004	1,099
Other	238	171
Total non-operating income	1,675	2,027
Non-operating expenses		
Interest expenses	149	121
Other	212	127
Total non-operating expenses	361	248
Ordinary income	23,717	25,147
Extraordinary income		
Gain on sales of non-current assets	0	13
Gain on sales of investment securities	154	669
Total extraordinary income	154	683
Extraordinary losses		
Loss on retirement of non-current assets	35	23
Loss on sales of non-current assets	14	27
Impairment loss	98	37
Loss on valuation of investment securities	—	7
Loss on sales of membership	—	0
Loss on valuation of membership	2	3
Office transfer related expenses	374	—
Compensation expenses	76	—
Total extraordinary losses	601	99
Profit before income taxes	23,269	25,730
Income taxes — current	2,281	1,759
Income taxes — deferred	2,801	3,157
Total income taxes	5,083	4,917
Profit	18,186	20,813
Profit attributable to non-controlling interests	452	559
Profit attributable to owners of parent	17,734	20,253

Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Dec. 31, 2015	From Apr. 1, 2016 to Dec. 31, 2016
Profit	18,186	20,813
Other comprehensive income		
Valuation difference on available-for-sale securities	-632	665
Deferred gains or losses on hedges	-7	74
Foreign currency translation adjustment	-31	-434
Remeasurements of defined benefit plans, net of tax	-510	14
Share of other comprehensive income of entities accounted for using equity method	-36	-48
Total other comprehensive income	-1,218	271
Comprehensive income	16,968	21,084
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,561	20,512
Comprehensive income attributable to non-controlling interests	406	572

(3) Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Dec. 31, 2015	From Apr. 1, 2016 to Dec. 31, 2016
Cash flows from operating activities		
Profit before income taxes	23,269	25,730
Depreciation	5,847	6,268
Amortization of goodwill	61	75
Impairment loss	98	37
Increase (decrease) in allowance for doubtful accounts	46	-195
Increase (decrease) in net defined benefit liability	45	-1,579
Decrease (increase) in net defined benefit asset	-829	0
Loss on retirement of non-current assets	35	23
Loss (gain) on sales of non-current assets	14	13
Loss (gain) on valuation of investment securities	—	7
Loss (gain) on sales of investment securities	-243	-965
Share of (profit) loss of entities accounted for using equity method	-209	-344
Interest and dividend income	-132	-116
Interest expenses paid on loans and bonds	149	121
Loss (gain) on investments in partnership	-155	5
Decrease (increase) in investment securities for sale	7,761	2,943
Decrease (increase) in notes and accounts receivable - trade	9,056	6,596
Decrease (increase) in inventories	-3,365	-1,276
Decrease (increase) in guarantee deposits	-11,655	-6,924
Increase (decrease) in notes and accounts payable - trade	-1,471	-2,850
Increase (decrease) in deposits received of prepaid cards	4,393	4,445
Other, net	-5,054	-3,532
Subtotal	27,662	28,486
Interest and dividend income received	298	285
Interest expenses paid	-153	-137
Compensation expenses paid	-664	-15
Payments for move expenses	-2,508	—
Income taxes (paid) refund	-3,379	-5,720
Net cash provided by (used in) operating activities	21,255	22,898

(Unit: Millions of Yen)

	From Apr. 1, 2015 to Dec. 31, 2015	From Apr. 1, 2016 to Dec. 31, 2016
Cash flows from investing activities		
Proceeds from withdrawal deposit	352	—
Purchase of securities	-3,200	—
Proceeds from sales and redemption of securities	2,800	700
Purchase of property, plant and equipment	-6,302	-7,231
Proceeds from sales of property, plant and equipment	7	1,161
Purchase of intangible assets	-2,643	-5,013
Purchase of investment securities	-0	-324
Proceeds from sales and redemption of investment securities	535	1,109
Collection of short-term loans receivable	6	5
Proceeds from withdrawal of investments in partnership	183	73
Payments for lease and guarantee deposits	-177	-100
Proceeds from collection of lease and guarantee deposits	936	107
Other, net	274	-239
Net cash provided by (used in) investing activities	-7,227	-9,752
Cash flows from financing activities		
Increase in short-term loans payable	10,000	10,000
Decrease in short-term loans payable	-10,000	-10,000
Proceeds from long-term loans payable	—	5,000
Repayments of long-term loans payable	-10,000	-5,000
Proceeds from issuance of bonds	10,000	10,000
Repayments of lease obligations	-534	-572
Purchase of treasury shares	-18	-8
Proceeds from sales of treasury shares	15	1
Cash dividends paid	-6,240	-8,582
Dividends paid to non-controlling interests	-137	-159
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-262	—
Net cash provided by (used in) financing activities	-7,178	679
Effect of exchange rate change on cash and cash equivalents	-22	-372
Net increase (decrease) in cash and cash equivalents	6,827	13,453
Cash and cash equivalents at beginning of period	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	92,458	111,899

(4) Notes regarding Consolidated Financial Results for the nine-month period ended December 31, 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. Nine-month period of fiscal year ended March 31, 2016 (April 1, 2015 to December 31, 2015)

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	29,429	17,817	35,888	51,132	14,198	28,723	55,078	2,363
(2) Inter-segment sales or transfers	2,165	1,013	8,829	361	1,908	1,743	4,297	1
Total	31,594	18,830	44,717	51,493	16,106	30,467	59,375	2,364
Segment income (loss)	1,840	2,978	5,023	6,628	966	2,041	3,711	174

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	584	235,216	—	235,216
(2) Inter-segment sales or transfers	1,408	21,727	-21,727	—
Total	1,993	256,943	-21,727	235,216
Segment income (loss)	214	23,578	-1,175	22,403

Notes: Adjustments are as follows:

1. The adjustment loss of ¥ 1,175 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. Nine-month period of fiscal year ending March 31, 2017 (April 1, 2016 to December 31, 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	30,985	19,418	35,626	52,107	14,197	31,726	52,050	2,357
(2) Inter-segment sales or transfers	3,118	1,614	7,488	705	2,300	1,760	4,344	1
Total	34,103	21,033	43,114	52,812	16,498	33,486	56,395	2,359
Segment income (loss)	2,291	3,669	5,239	5,244	1,404	2,461	4,285	182

	Others	Total	Adjustments (Note 1)	Amounts Reported in the Consolidated Financial Statements (Note 2)
Sales				
(1) Outside customers	578	239,047	—	239,047
(2) Inter-segment sales or transfers	2,147	23,483	-23,483	—
Total	2,725	262,530	-23,483	239,047
Segment income (loss)	131	24,909	-1,541	23,368

Notes: Adjustments are as follows:

1. The adjustment loss of ¥1,541 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.