Consolidated Financial Results for the Fiscal Year ended March 31, 2015 [J-GAAP]

April 28, 2015

Company Name:	SCSK Corporation
Securities Code:	9719
Stock Exchange Listing:	Tokyo Stock Exchange, 1st Section
URL:	http://www.scsk.jp
Representative:	Yoshio Ohsawa, President
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Scheduled date of the Annual General Meeting of Shareholders:	June 25, 2015
Scheduled date for dividend payment:	June 4, 2015
Scheduled date for filing of Securities Report:	June 25, 2015
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 Fiscal Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(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		Net income	
		%		%		%		%
FY2014	297,633	3.3	28,003	16.8	30,667	19.4	15,638	-15.0
FY2013	288,236	3.4	23,974	15.2	25,690	15.6	18,387	9.9

(Note) Comprehensive income: FY2014 ¥18,174 million (-5.5%) FY2013 ¥19,236 million (9.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
FY2014	150.71	150.02	12.4	9.4	9.4
FY2013	177.26	174.24	16.5	8.0	8.3

(Reference) Equity in earnings of affiliates: FY2014 ¥472 million FY2013 ¥321 million

(2) Consolidated Financial Position

(Millions of yen unless otherwise stated)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2015	334,290	138,536	39.6	1,276.37
As of March 31, 2014	317,932	126,159	37.9	1,161.29

(Reference) Shareholders' equity: As of March 31, 2015 ¥132,458 million As of March 31, 2014 ¥120,488 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY2014	29,707	5,166	-8,395	85,713
FY2013	35,342	-26,045	-33,739	59,004

2. Dividends

	Dividends per share (Yen)					Total dividends (Millions of yen)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
							%	%
FY2013	—	20.00	—	20.00	40.00	4,159	22.6	3.7
FY2014	—	25.00	—	25.00	50.00	5,200	33.2	4.1
FY2015 (Forecast)	—	35.00	—	35.00	70.00		33.0	

3. Consolidated Financial Forecasts for Fiscal Year 2015 (April 1, 2015 to March 31, 2016)

(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
Six months ending September 30, 2015	148,500	4.2	11,500	3.2	12,000	0.9	9,300	0.7	89.61
Full Year	310,000	4.2	29,000	3.6	30,000	-2.2	22,000	40.7	211.99

*Notes

(1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries accompanying changes in scope of consolidation)

(2) 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: Yes
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

(3) Number of shares issued (Common stock)

1) The number of shares issued as of the period-end (including treasury stock)

As of March 31, 2015	107,986,403shares
As of March 31, 2014	107,986,403 shares

2) The number of shares of treasury stock as of the period-end

As of March 31, 2015	4,208,816shares
As of March 31, 2014	4,231,885 shares

3) The average number of shares during the period

As of March 31, 2015	103,764,860shares
As of March 31, 2014	103,731,201shares

(Reference) Summary of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal Year 2014 (April 1, 2014 to March 31, 2015)

(1) Non-Consolidated Operating Results

(Millions of yen unless otherwise stated)
(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2014	235,929	3.1	22,356	15.1	23,711	19.8	12,420	-19.4
FY2013	228,732	3.3	19,419	16.5	19,798	12.6	15,416	12.6

	Net income per share	Diluted net income per share
	Yen	Yen
FY2014	119.43	119.31
FY2013	148.28	146.31

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2015	280,202	120,371	42.9	1,156.30
As of March 31, 2014	266,651	112,177	42.0	1,077.45

(Reference) Shareholders' equity: As of March 31, 2015 ¥120,264million As of March 31, 2014 ¥112,042 million

*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.

*Notice regarding the appropriate use of the financial forecasts

・This document contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. For a variety of reasons, actual financial results may differ materially from the forecasts presented here. For further notification on the use of matters assumed concerning the results forecasts and the forecasts, please see Consolidated forecasts for the fiscal year ending March 31, 2015, page 10.

・SCSK will hold a results briefing for institutional investors and analysts on April 28, 2015. Materials used in the briefing, a transcript of the main questions and answers, and related information will be published on SCSK's website promptly thereafter.

Contents

1. Operating results and analysis

(1) Analysis of operating results

In the period under review, the Japanese economy continued a mild recovery overall, supported by a recovery in personal consumption underpinned by strong capital expenditures and improvements in the employment situation, mainly at large companies. While the consumption tax hike in April 2014 continued to have an effect, contributing to the slow pace of housing sales and construction starts, there were signs of improvements in corporate activities, including production and exports, in the period under review supported by a drop in the price of oil and sustained yen depreciation.

In terms of the outlook for the economy, despite moves towards monetary normalization in the U.S. and concerns about the economies of emerging countries and resource-producing countries, the economy is beginning to show signs of following a self-sustaining recovery track, as evidenced by the recovery in business confidence indicated in the Bank of Japan Tankan survey, coupled with decisions to increase base pay in many industries and expectations for steady improvements in the wage environment, which should boost the household sector. The Japanese government and Bank of Japan’s various economic measures, including monetary policy, are also having an effect, and the economic recovery appears likely to continue for some time.

IT investment appetite among customers began to recover in various industries in the IT services market while strong IT investment demand among customers became apparent in the financial, manufacturing, telecommunications and other industries.

In the financial industry, there was an increase in IT systems investment supported by factors including development demand for operations systems by major banks and systems modification demand in the banking and securities industries in response to system revisions.

In the manufacturing industry, in addition to IT system upgrade investment in the automotive and electronic parts industries, corporate customers’ strategic IT investment demand is gradually being realized as part of reinforcing production and marketing activities and global business expansion.

Many more companies are considering renewing their IT infrastructures, prompting a large increase in demand for cloud-type IT infrastructure services for further improving business efficiency and productivity as well as data center services related to business continuity planning and disaster recovery.

In the Company’s operating results for the period under review, consolidated net sales increased 3.3% compared to the same period of the previous fiscal year to ¥297,633 million. This reflects an increase in IT investment demand primarily among manufacturing, financial and telecommunications industry customers and the steady performance of the cloud business and other IT management service businesses. Operating income increased 16.8% to ¥28,003 million, reflecting an increase in profits from increased earnings as well as higher business efficiency and a decrease in unprofitable projects. Ordinary income increased 19.4% to ¥30,667 million, reflecting an increase in operating income as well as gains recorded on the sale of some investment securities. Net income decreased 15.0% to ¥15,638 million, reflecting the recording of one-time loss including extraordinary losses such as office relocation expenses and a tax expense for the partial reversal of deferred tax assets accompanying corporate tax revisions.

Business results by reported segment follow. In accordance with changes in the segmentation method for the fiscal year under review, results for the previous fiscal year have been restated to enable comparison.

(Unit: Millions of yen unless otherwise stated)

Net sales by segment	Previous fiscal year (April 1, 2013-March 31 2014)		Fiscal year under review (April 1, 2014-March 31 2015)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Industrial Systems Business	68,847	5,476	72,398	6,711	3,550	1,235
Financial Systems Business	55,176	5,879	55,416	6,550	240	670
Global Systems Business	13,922	1,956	12,889	1,750	-1,033	-206
Business Solutions	15,947	1,543	14,386	1,652	-1,561	108
Business Services	31,854	1,524	33,732	2,113	1,878	588
IT Management	37,358	3,889	39,867	4,945	2,509	1,055
IT Platform Solutions	61,293	4,445	64,790	5,147	3,497	701
Prepaid Card Business	3,042	148	3,378	265	335	116
Other	793	265	774	325	-19	59
Adjusted total	-	-1,155	-	-1,458	-	-302
Total	288,236	23,974	297,633	28,003	9,397	4,028

(Notes) 1 Net sales by segment is based on sales to external customers.

Industrial Systems Business

Industrial Systems Business

Due to an increase in projects for the telecommunications and manufacturers mainly automotive industries, net sales increased 5.2% to ¥72,398 million, while segment income increased 22.6% to ¥6,711 million.

Financial Systems Business

Large-scale projects from the insurance industry and other industries declined from the high levels of the previous year, but this was offset by system development projects for the banking and securities industries, among other factors, and as a result net sales increased 0.4% to ¥55,416 million, while segment income increased 11.4% to ¥6,550 million.

Global Systems Business

Net sales decreased 7.4% to ¥12,889 million, reflecting a decline in the high level of distribution industry large-scale project activity seen in the previous year, while segment income decreased 10.6% to ¥1,750 million.

Business Solutions

While net sales decreased 9.8% to ¥14,386 million, reflecting a reduction in the multiple ERP projects that supported results in the previous year, segment income increased 7.0% to ¥1,652 million as a result of efficiencies made in expenses and other factors.

Business Services

As a result of strong performance in product support business for the manufacturing industry, net sales increased 5.9% to ¥33,732 million, while segment income increased 38.6% to ¥2,113 million.

IT Management

As a result of expansion of various cloud services supported by firm demand for renewal of IT infrastructure among client companies and the start of a large-scale IT infrastructure maintenance project in the manufacturing industry, net sales increased 6.7% to ¥39,867 million, while segment income increased 27.1% to ¥4,945 million.

IT Platform Solutions

As a result of increased sales of IT products for the telecommunications industry, net sales increased 5.7% to ¥64,790 million, while segment income increased 15.8% to ¥5,147 million.

Prepaid Card Business

Business related to the issuing and settlement of prepaid cards was firm, and as a result net sales increased 11.0% to ¥3,378 million, while segment income increased 78.6% to ¥265 million.

Other

Net sales (facility maintenance and lease income) decreased 2.4% to ¥774 million, while segment income increased 22.5% to ¥325 million.

Net sales in the sales segment of Systems Development, Operation, Maintenance and Services, Systems Sales and Prepaid Card Business were as follows.

	Previous fiscal year (April 1, 2013- March 31 2014)		Fiscal year under review (April 1, 2014- March 31 2015)		Comparison with previous fiscal year	
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	117,597	40.8	117,843	39.6	245	0.2
System Maintenance and Operation/ Services	107,577	37.3	110,720	37.2	3,143	2.9
Packaged Software/ Hardware Sales	60,019	20.8	65,691	22.1	5,672	9.5
Prepaid Card	3,042	1.1	3,378	1.1	335	11.0
Total	288,236	100.0	297,633	100.0	9,397	3.3

In Systems Development, despite a reduction in the large-scale integration projects for the insurance industry that drove performance during the previous fiscal year, as a result of steady progress in new projects in the banking, securities, telecommunications and other industries, net sales rose 0.2% to ¥117,843 million.

In System Maintenance and Operation/Services, as a result of extremely strong demand for various cloud services and data centers related to IT infrastructure combined with strongly performing BPO services backed by an increase in mobile device demand, net sales increased 2.9% to ¥110,720 million.

In Packaged Software/Hardware Sales, demand was high for network IT equipment for the telecommunications industry, and as a result net sales increased 9.5% to ¥65,691 million.

In Prepaid Card, business related to the issuing and settlement of prepaid cards was firm, and as a result net sales increased 11.0% to ¥3,378 million.

(2) Analysis of financial position

(1) Assets, liabilities and net assets

Assets

Assets as of March 31, 2015 were ¥334,290 million, a increase of 5.1%, or ¥16,357 million, compared to March 31, 2014.

Liabilities

Liabilities as of March 31, 2015 were ¥195,753 million, a increase of 2.1%, or ¥3,980 million, compared to March 31, 2014.

Net assets

Net assets as of March 31, 2015 were ¥138,536 million, an increase of 9.8%, or ¥12,376 million, compared to March 31, 2014.

(2) Analysis of cash flow

Cash and cash equivalents ("cash") as of March 31, 2015 was ¥85,713 million, a increase of ¥26,708 million compared to March 31, 2014. 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 ¥29,707 million.

The main cash inflow factors were net income before income taxes and minority interests of ¥26,471 million and depreciation of ¥6,865 million. The main cash outflow factors were a decrease in accounts payable of ¥2,046 million.

Cash flow from investing activities

Net cash used in investing activities was ¥5,166 million.

The main cash inflow factor was repayments of deposits of ¥18,000 million and proceeds from redemption of securities of ¥3,100 million. The main cash outflow factors were payments for the acquisition of tangible fixed assets of ¥10,796 million and acquisition of intangible fixed assets of ¥3,108 million.

Cash flow from financing activities

Net cash used in financing activities was ¥8,395 million.

The main cash outflow factors were a decrease in funds due to repayment of borrowings of ¥2,000 million (net) and dividend payments of ¥2,079 million (¥20 per share) for the year-end dividend of the fiscal year ended March 31, 2014 and ¥2,599 million (¥25 per share) for the interim period of the fiscal year ending March 31, 2015.

With respect to cash flow for the fiscal year ending March 31, 2016, the Company forecasts an increase in net cash provided by operating activities due to income before taxes and minority interests, depreciation and amortization expenses and other factors. For cash flow from investing activities, the Company plans to make capital investments for the purpose of establishing strategic businesses as well as enhancing its business earnings base. In financing activities, net cash outflows are projected, reflecting loan repayments and dividend payments.

(Reference) Trends in cash-flow related indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Equity ratio (%)	77.6	39.6	31.8	37.9	39.6
Equity ratio based on market price (%)	47.8	45.2	58.9	90.8	104.5
Ratio of interest-bearing debt to cash flow (%)	33.3	267.3	352.3	176.5	194.5
Interest coverage ratio (times)	273.5	119.0	64.5	106.2	133.6

- Shareholders' equity ratio = Shareholders' equity/total assets
- Shareholders' equity ratio based on market price = Market capitalization/total assets
- Ratio of interest-bearing debt to cash flow = Interest-bearing debt/cash flow
- Interest coverage ratio = Cash flow/interest paid

Notes:

1. All indicators are calculated from consolidated financial results figures.
2. Market capitalization = share price at end of period x total shares outstanding at end of period (excluding treasury stock)
3. Cash flow is net cash from operating activities.
4. Interest-bearing debt is all debt recorded on the consolidated balance sheet on which interest is paid.

(3) Consolidated forecasts for the fiscal year ending March 31, 2016

Currently, the Japanese economy is undergoing an overall recovery, and there is a particular recovery beginning in the appetite for capital investment among corporate managers.

Based on this economic outlook, corporate IT investment demand driven by the financial industry is expected to be firm in the new fiscal year. There are many financial institutions, including those in the banking and securities industries, that have conducted aggressive IT investment since last year, as well as financial institutions, such as those in the leasing industry, that have not necessarily conducted forward-looking IT investment recently and where IT investment for the renewal of IT systems and strengthening of competitiveness can be expected. Even outside of the financial industry, demand for strategic IT investment is being seen for global products in the manufacturing industry, omni-channel development in the distribution industry and big data-related development, and the number of concrete projects can be expected to increase in the future. Furthermore, demand for IT investment in various areas is expected to pick up, including increases in demand for renewal investment with the aging of IT infrastructure and demand for various cloud-type IT services.

In aiming for further growth, the Company has established a new medium-term management plan covering the next five years. This medium-term management plan is positioned as a stage of business development for the future goal of becoming a leading company in the IT services industry, and based on this plan we aim to achieve even higher profitability. Specifically, the plan will implement the three basic strategies of a shift to a service-oriented business, the promotion of strategic business that captures the changing times, and a second stage of global expansion following the first stage in the previous medium-term management plan, while steadily implementing initiatives aimed at strengthening our management base including measures for improving business profitability and enhancing operational efficiency, in order to be a highly profitable growth business over the medium term. Since this will be the first year of the mid-term management plan, we are to shift personnel to strategic businesses and make investments in various businesses as a strategic move to establish a foundation for future growth. Even taking into consideration of these initiatives, we aim to improve business performance going forward by firmly capturing the increase in demand for IT investment over the near term.

Reflecting the above outlook and based on the Company’s policies, consolidated forecasts for the fiscal year ending March 31, 2016 are as follows.

	Forecast	(YoY)
Consolidated sales	¥310,000 million	(＋4.2%)
Consolidated operating income	¥29,000 million	(＋3.6%)
Consolidated ordinary income	¥30,000 million	(-2.2%)
Consolidated net income	¥22,000 million	(＋40.7%)

The above forecasts were created based on economic trends and the market environment as of the day these statements were issued. For various reasons, actual results may differ from the forecasts, and the forecasts may be subject to revision.

(4) Basic policy for distribution of earnings, and dividends for the fiscal years ending March 2014 and 2015

In determining dividends, the Company aims to increase returns to shareholders in response to stronger consolidated results. In that process, the Company gives comprehensive consideration to its financial position, earnings trends, dividend payout ratio as well as reserves for future business investment.

The Company pays dividends twice a year from its surplus: an interim dividend and a year-end dividend. The decision on whether to pay dividends lies with the Board of Directors.

The Company regards the acquisition of treasury shares as one means of returning profits to shareholders, and will consider any such acquisitions taking into account share price trends and shareholder return via dividend payments.

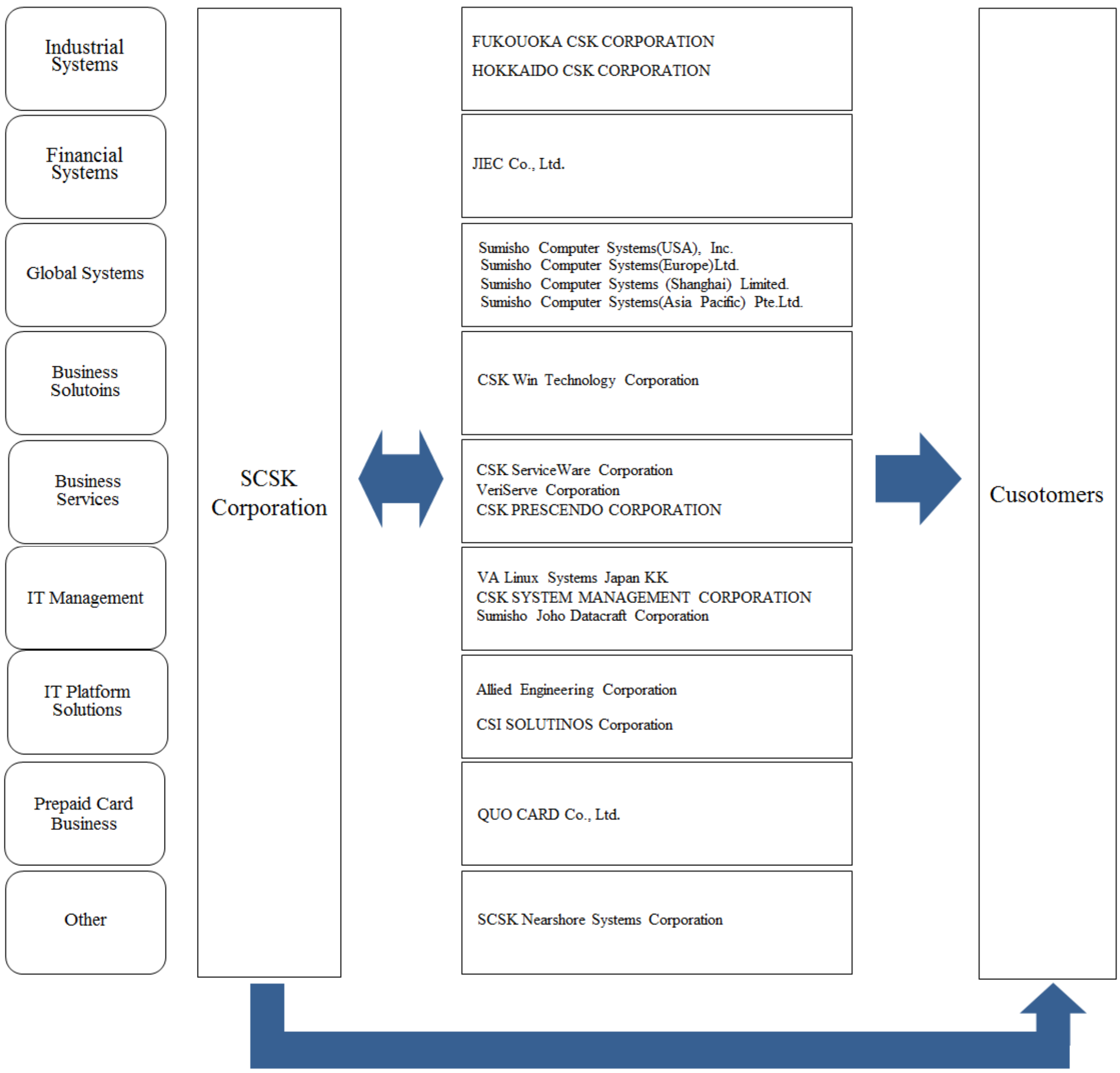
For the fiscal year under review, as results were generally in line with the forecasts as announced last April, the proposed year-end dividend is ¥25 per share. Together with the interim dividend of ¥25 per share made in December, the total annual dividend will be ¥50 per share, a year-on-year increase of ¥10 per share.

For the next fiscal year, ending March 31, 2016, in accordance with the increased forecast for earnings, the annual dividend is expected to increase ¥20 per share to ¥70 per share, comprising an interim dividend of ¥35 per share and a year-end dividend of ¥35 per share.

2. Overview of the Group

The SCSK Group consists of 22 consolidated subsidiaries and 3 equity-method affiliates, and offers business service in IT infrastructure, application development, and BPO through collaboration among business segments in Industrial Systems, Financial Systems, Global Systems, Business Solutions, Business Services, IT Management, IT Platform Solutions, Prepaid Card Business, and Other. SCSK's parent company Sumitomo Corporation is a major customer.

SCSK Group's business segments and major subsidiaries and affiliates are as in the chart below.



(Notes) 1. In each segment except for Prepaid Card Business, the Company and its Group companies engage in business directly with customers, while conducting business that complements intra-Group functions.

2. Affiliated companies are primarily consolidated subsidiaries.

(Listed consolidated subsidiaries)

JIEC Co., Ltd.

VERISERVE Corporation

3. Management Policies

(1) Basic Policy

The Group's management philosophy consists of its mission to "create our future of dreams," and promises to "respect each other," "provide excellent service utilizing reliable technology," and "sustain growth from a global and future perspective."

Based on this management philosophy, each executive and employee of the Group will aim to develop trust with client companies and continue to achieve growth from global and future perspectives. At the same time, all members of the Group will work together with client companies, shareholders and all stakeholders to generate new value, aiming to create our future of dreams.

(2) Management Goals

At the present time, SCSK Group has identified the following important management goals from the perspective of ensuring stable growth in corporate value through continued business expansion.

(a) Increase operating income and EPS

(b) Improve operating margins and ROE

(3) Medium-term Business Strategies and Tasks Ahead

a. Business environment outlook

A gentle recovery trend has continued in the Japanese economy, characterized by improvements in corporate earnings triggered by factors including the drop in the price of oil and the recovery of production as well as continued improvements in the labor and wage environments.

With this business sentiment as a background, we see capital investment, primarily in the financial and manufacturing industries, as being a continuous factor contributing to recovery, and we expect moderate growth to continue in IT investment in areas such as increased demand for various systems development, cloud-type IT services and outsourcing, as well as investments reflecting various system change involving financial institutions and government agencies.

Within this environment, IT investment needs are expanding to include investment needs with the main objectives of cost reduction and efficiency improvement, as well as strategic IT investment to establish competitive advantages for their companies. In addition, global IT investment is expanding in line with concepts such as the paradigm shift away from system ownership with the penetration of cloud services, system standardization and optimization on a global level, and the strengthening of head office governance, as well as further diversification through the utilization of big data.

The key to differentiation in the IT services industry will lie in whether we can respond appropriately to these diversifying needs, and whether we can continue to provide higher added value services at a satisfactory quality level as the No. 1 partner that supports companies' business strategies through IT. It is becoming necessary to respond to structural changes in traditional business models as represented by contract-type and labor-intensive business that has been at the center of IT services up until now, and to implement company-wide, strategic initiatives in order to promptly strengthen the services and products provided.

b. Medium-term management tasks and business strategy

In this environment, the Company will aim for continuous growth by working to resolve various business issues facing corporate customers through accurately perceiving corporate customers' needs and providing optimal services, and by creating new value through IT.

The Company merged with CSK in October 2011, and got off to a new start as SCSK with a three-year medium-term management plan through the year ended March 31, 2015. Since then, we have achieved the management targets of the medium-term management plan and enhanced the management base through strengthening and expanding the business base by implementing the key strategies of pursuing cross selling, expanding the global solutions business and strengthening the cloud solutions business, while also working to actively integrate and merge organizations and functions and improve the efficiency of business and operations.

In the new medium-term management plan, the period of the plan is positioned as a second stage for the Company to develop into one of the leading companies in the industry, based on which we will develop and implement a dynamic growth strategy with the high level of profitability we have established since the merger as a foundation for growth.

We have established three basic strategies for medium-term growth. Specifically: 1. making a shift to a service-oriented business, 2. promoting strategic business that captures the changing times, and 3. achieving a second stage of global expansion. Other strategies of the plan include improvements to operational quality in system development aimed at further enhancing the management base and improvements to operational efficiency through reforms in work styles.

Going forward, we will steadily implement these strategies through concrete measures.

i). Shift to a service-oriented business

As a result of factors including the diversification of customer needs and the paradigm shift from ownership to usage of systems, structural changes are beginning to occur, specifically a shift from traditional business models as represented by contract-type and labor-intensive business to service-oriented business. The Company views these structural changes as an opportunity for active growth, and will strongly promote strategic initiatives aimed at expanding service-oriented business in advance of competitors. Based on the intellectual property rights that we have accumulated, we will create high value added services that only SCSK can provide, and offer these to our customers over the long term in order to improve our competitiveness.

Specifically, we will expand our existing service-oriented business that includes various SaaS applications being provided for customers in the distribution industry including retailers and dispensing pharmacies, the USiZE pay-for-use IT infrastructure provision service, and various BPO services including contact centers while working to improve added value through new services that combine system development, infrastructure, and BPO.

In order to implement these measures, from April 2015 we will adopt an organizational structure that makes it possible to integrate and provide systems development, infrastructure construction, and systems operations to corporate customers in different industries (manufacturing, telecommunications, distribution and finance) as we work to expand business through the creation of high value added services and long-term, stable relationships with customers.

ii). Promote strategic business that captures the changing times

By effectively using the Company’s human resources, technical components, track record, and accumulated know-how we will focus the allocation of management resources and the strategic expansion of business on growth industries and in fields where we can demonstrate our strengths, while being mindful of their future potential and growth potential.

For example, in the automotive embedded systems business for the automotive industry, a large amount of advanced software development is required for one model of automobile, and global standards are rapidly evolving.

Within this environment, with the aim of being the No. 1 vendor/provider of AUTOSAR (AUTomotive Open System ARchitecture) compatible OSs and middleware (basic software), we will significantly expand personnel and actively conduct investment for R&D and business promotion.

Furthermore, in response to the medium- to long-term strategies and active systems investment of leading global financial institutions, we will aim to strategically expand business in global business through means such as strengthening operations and implementing resource strategies.

iii). Second stage of global expansion

The Company defines the "greater Japanese market" as including IT demand accompanying the overseas expansion of customers; that is, all demand for IT services arising from the overseas expansion of Japanese companies that principally conduct business activities in Japan.

The Company has effectively used the experience and know-how it has developed through the provision of IT support for the global expansion of many customers, including the Sumitomo Corporation Group, to implement a global strategy of providing high-quality support based on Japanese standards for the "greater Japanese market" in order to increase the sales ratio of global business.

This global strategy will be further pursued within the new medium-term management plan. In addition to the initiatives implemented to date, we will strengthen systems for overseas businesses within the strategic businesses set forth in the basic strategies of the medium-term management plan such as automotive embedded systems and major financial institutions in order to further expand our global business.

While we implement these basic strategies, we will also improve operational quality through the promotion of company-wide development standards and the strengthening of project management capabilities, and the enhancement of operational efficiency through improvements in office efficiency and operational processes.

In addition, we will continue to develop internal management structures for the entire Group in areas including internal control, risk management, compliance, and security management.

Since FY2013 the Company has conducted initiatives for working style reform, called the Smart Challenge 20 program, focused on reducing overtime and encouraging employees to take their paid vacation days. The aim is to ensure that we have a healthy and motivated workforce capable of engaging in productive, creative high added value work for customers and society.

In addition, we have introduced a discretionary work system, flex-time system, work from home system, generous child-care and family-care measures, and a full employment system up to age 65 to support working styles aligned with employees' life stages, as well as the active promotion of a "back-up system" that allows the acquisition of additional paid vacation days if an unexpected event such as an illness or accident occurs after all paid vacation days have been used, and the scheduled award of paid vacation days, all aimed towards the full utilization of paid vacation days. Frameworks have been successfully adopted to reward employees based on the degree of organizational and individual attainment of these various systems and measures; in other words, the level of improvement in working styles.

We provide career support programs to promote the active appointment of female human resources to managerial positions. We have set the goal of having 100 female officers and line mangers by 2018, and we provide career development support in line with this goal that includes training in response to the development issues of each generation of female employees.

These efforts by the Company have received external recognition that include 1st place overall in the 2014 Best Companies that Effectively Utilize their Employees survey sponsored by the Nihon Keizai Shimbun, the IT General Award in the IT Awards sponsored by the Japan Institute of Information Technology, selection among the FY2013 Diversity Management Selection 100 sponsored by the Japanese Ministry of Economy, Trade and Industry, and selection as a FY2014 Health & Productivity Stock and FY2014 Nadeshiko Brand jointly selected by the Japanese Ministry of Economy, Trade and Industry and Tokyo Stock Exchange.

From FY2015, in order to further promote and instill improvements in working styles and the health of employees, we will change personnel systems with the aim of having each and every employee pursue more efficient and healthy working styles without worrying about overtime allowances, and will also introduce new health promotion measures that provide each employee with points based on implementing lifestyle habits needed to maintain and improve health, and the results of regular health examinations, and improvements in these.

Based on the idea that our employees will be motivated by these efforts to create a working environment that is “a pleasant, safe, fulfilling place to work”, and that this will ultimately lead to strong business results and help create a virtuous cycle in which profits can be returned to stakeholders, the Company is further enhancing its systems in four areas: work-life balance, diversity, health management and personnel development.

Through these measures, SCSK is aiming to put into practice its corporate philosophy: “We create our future of dreams.”

4. Basic Policy on the Selection of Accounting Standards

For its accounting standards, the Group applies J-GAAP to ensure that its consolidated financial statements can be compared across time and with other companies in the same industry in Japan.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of Mar. 31, 2014	As of Mar. 31, 2015
ASSETS		
Current assets		
Cash and deposits	19,156	25,908
Notes and accounts receivable-trade	63,372	63,687
Lease receivables and investment assets	2,365	443
Securities	1,101	900
Operational investment securities	40,372	18,957
Merchandise and finished goods	2,459	4,528
Work in process	1,757	522
Raw materials and supplies	28	25
Deferred tax assets	10,481	9,563
Guarantee deposits	11	24,788
Deposits paid	58,864	61,798
Other	10,955	12,353
Allowance for doubtful accounts	-30	-32
Total current assets	210,896	223,444
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	25,194	23,720
Tools, furniture and fixtures, net	5,850	6,342
Land	20,681	20,681
Lease assets, net	1,905	1,551
Construction in progress	3,552	11,874
Others, net	3	5
Total property, plant and equipment	57,187	64,175
Intangible assets		
Goodwill	251	169
Other	6,964	7,793
Total intangible assets	7,216	7,963
Investments and other assets		
Investment securities	8,313	9,675
Long-term prepaid expenses	621	939
Net defined benefit asset	2,295	2,305
Lease and guarantee deposits	6,519	7,651
Deferred tax assets	23,500	17,062
Other	1,634	1,340
Allowance for doubtful accounts	- 252	-268
Total investments and other assets	42,632	38,706
Total noncurrent assets	107,036	110,845
Total assets	317,932	334,290

(Unit: Millions of yen)

	As of Mar. 31, 2014	As of Mar. 31, 2015
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	19,644	17,769
Short-term loans payable	17,000	10,000
Current portion of bonds	—	5,000
Current portion of long-term loans payable	—	10,000
Lease obligations	3,253	1,086
Income taxes payable	2,471	2,212
Provision for bonuses	7,492	6,585
Provision for directors' bonuses	121	133
Provision for loss on construction contracts	78	27
Deposits received of prepaid cards	70,647	77,204
Other	24,816	30,779
Total current liabilities	145,524	160,799
Noncurrent liabilities		
Bonds payable	20,000	15,000
Long-term loans payable	20,000	15,000
Lease obligations	2,109	1,694
Net defined benefit liability	192	209
Provision for directors' retirement benefits	29	24
Asset retirement obligations	1,508	1,538
Long-term lease and guarantee deposits	501	524
Other	1,905	962
Total noncurrent liabilities	46,248	34,954
Total liabilities	191,773	195,753
NET ASSETS		
Shareholders' equity	21,152	21,152
Capital stock	3,061	3,054
Capital surplus	101,176	111,171
Retained earnings	-8,510	-8,471
Treasury stock	116,880	126,907
Total shareholders' equity		
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,129	2,520
Deferred gains or losses on hedges	-0	-16
Foreign currency translation adjustment	-57	361
Remeasurements of defined benefit plans	2,537	2,684
Total accumulated other comprehensive income	3,608	5,550
Subscription rights to shares	135	106
Minority interests	5,535	5,971
Total net assets	126,159	138,536
Total liabilities and net assets	317,932	334,290

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: Millions of yen)

	From Apr. 1, 2013 to Mar. 31, 2014	From Apr. 1, 2014 to Mar. 31, 2015
Net sales	288,236	297,633
Cost of sales	219,511	225,163
Gross profit	68,724	72,469
Selling, general and administrative expenses	44,749	44,466
Operating income	23,974	28,003
Non-operating income		
Interest income	215	97
Dividend income	46	48
Share of profit of entities accounted for using equity method	321	472
Gain on sales of investment securities	280	1,043
Hoard profit of prepaid card	1,166	1,394
Other	616	392
Total non-operating income	2,646	3,449
Non-operating expenses		
Interest expenses	327	221
Retirement benefit expenses	260	260
Loss on sales of investment securities	41	39
Other	301	262
Total non-operating expenses	930	784
Ordinary income	25,690	30,667
Extraordinary income		
Gain on sales of non-current assets	239	2
Gain on sales of investment securities	3	451
Gain on sales of subsidiaries and affiliates' stocks	0	—
Gain on sales of memberships	13	—
Gain on reversal of subscription rights to shares	6	3
Total extraordinary income	263	456
Extraordinary losses		
Loss on retirement of non-current assets	168	364
Loss on sales of non-current assets	226	0
Impairment loss	1,119	0
Loss on valuation of investment securities	2,609	1
Loss on valuation of stocks of subsidiaries and affiliates	811	—
Loss on liquidation of subsidiaries	89	—
Business withdrawal loss	401	—
Office transfer related expenses	818	2,595
Burden of loss on outside the contract	-	409
Compensation expenses	250	1,111
Contractual termination penalties	-	170
Total extraordinary losses	6,496	4,653
Income before income taxes and minority interests	19,457	26,471
Income taxes — current	2,597	2,944
Income taxes — deferred	-1,794	7,439
Total income taxes	803	10,384
Income before minority interests	18,654	16,087
Minority interests in income	266	448
Net income	18,387	15,638

(2). **Consolidated Statements of Comprehensive Income**

(Unit: Millions of yen)

	From Apr. 1, 2013 to Mar. 31, 2014	From Apr. 1, 2014 to Mar. 31, 2015
Income before minority interests	18,654	16,087
Other comprehensive income		
Valuation difference on available-for-sale securities	155	1,365
Deferred gains or losses on hedges	-9	-15
Foreign currency translation adjustment	406	413
Remeasurements of defined benefit plans	—	277
Gain or loss on change in equity	5	—
Share of other comprehensive income of entities accounted for using equity method	23	46
Total other comprehensive income	581	2,087
Comprehensive income	19,236	18,174
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,963	17,580
Comprehensive income attributable to minority interests	272	594

(3) Consolidated Statements of Shareholders' Equity

Previous fiscal year (April 1, 2013- March 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital reserve	Capital surplus	Treasury stock	Total shareholders' equity
Balance at beginning of current period	21,152	3,066	86,735	-8,654	102,300
Cumulative effects of changes in accounting policies					—
Restated balance	21,152	3,066	86,735	-8,654	102,300
Changes of items during period					
Dividends of surplus			-3,949		-3,949
Net income			18,387		18,387
Difference in change in equity			3		3
Purchase of treasury stock				-25	-25
Disposal of treasury stock		-4		155	150
Change in equity in affiliates accounted for by equity method-treasury stock				14	14
Net changes in line items other than shareholders' equity/capital					
Total changes of items during period	—	-4	14,440	143	14,579
Balance at the end of the period	21,152	3,061	101,176	-8,510	116,880

	Accumulated other comprehensive income					New share subscription rights	Minority interest	Total net assets
	Valuation and difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at beginning of current period	957	8	-468	—	498	168	5,241	108,208
Cumulative effects of changes in accounting policies								—
Restated balance	957	8	-468	—	498	168	5,241	108,208
Changes of items during period								
Dividends of surplus								-3,949
Net income								18,387
Difference in change in equity								3
Purchase of treasury stock								-25
Disposal of treasury stock								150
Change in equity in affiliates accounted for by equity method-treasury stock								14
Net changes in line items other than shareholders' equity/capital	171	-9	410	2,537	3,109	-32	294	3,371
Total changes of items during the period	171	-9	410	2,537	3,109	-32	294	17,951
Balance at the end of the period	1,129	-0	-57	2,537	3,608	135	5,535	126,159

Fiscal year under review (April 1, 2014- March 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital reserve	Capital surplus	Treasury stock	Total shareholders' equity
Balance at beginning of current period	21,152	3,061	101,176	-8,510	116,880
Cumulative effects of changes in accounting policies			-964		-964
Restated balance	21,152	3,061	100,212	-8,510	115,916
Changes of items during period					
Dividends of surplus			-4,679		-4,679
Net income			15,638		15,638
Difference in change in equity					—
Purchase of treasury stock				-21	-21
Disposal of treasury stock		-7		53	46
Change in equity in affiliates accounted for by equity method-treasury stock				6	6
Net changes in line items other than shareholders' equity/capital					
Total changes of items during the period	—	-7	10,958	39	10,990
Balance at the end of the period	21,152	3,054	111,171	-8,471	126,907

	Accumulated other comprehensive income					New share subscription rights	Minority interest	Total net assets
	Valuation and difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at beginning of current period	1,129	-0	-57	2,537	3,608	135	5,535	126,159
Cumulative effects of changes in accounting policies								-964
Restated balance	1,129	-0	-57	2,537	3,608	135	5,535	125,196
Changes of items during period								
Dividends of surplus								-4,679
Net income								15,638
Difference in change in equity								—
Purchase of treasury stock								-21
Disposal of treasury stock								46
Change in equity in affiliates accounted for by equity method-treasury stock								6
Net changes in line items other than shareholders' equity/capital	1,390	-15	419	147	1,942	-28	435	2,349
Total changes of items during the period	1,390	-15	419	147	1,942	-28	435	13,340
Balance at the end of the period	2,520	-16	361	2,684	5,550	106	5,971	138,536

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	From Apr. 1, 2013 to Mar. 31, 2014	From Apr. 1, 2014 to Mar. 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	19,457	26,471
Depreciation	6,841	6,865
Amortization of goodwill	92	87
Impairment loss	1,119	—
Increase (decrease) in allowance for doubtful accounts	-118	17
Increase (decrease) in net defined benefit liability	-158	58
Decrease (increase) in net defined benefit asset	-176	-1,054
Loss on retirement of non-current assets	168	364
Loss (gain) on sales of non-current assets	-12	-2
Loss (gain) on valuation of investment securities	2,609	46
Loss (gain) on sales of investment securities	-242	-1,455
Loss on valuation of shares of subsidiaries and associates	811	—
Loss (gain) on sales of shares of subsidiaries and associates	-0	—
Share of (profit) loss of entities accounted for using equity method	-321	-472
Interest and dividend income	-261	-145
Interest expenses paid on loans and bonds	327	221
Decrease (increase) in investment securities for sale	-3,160	21,335
Decrease (increase) in notes and accounts receivable-trade	-1,638	-89
Decrease (increase) in inventories	-775	-809
Decrease (increase) in guarantee deposits	-	-24,775
Increase (decrease) in notes and accounts payable-trade	2,051	-2,046
Increase (decrease) in deposits received of prepaid cards	6,232	6,556
Directors' bonus payments	-123	-139
Other	3,283	2,822
Subtotal	36,006	33,856
Interest and dividend income received	493	288
Interest expenses paid	-332	-222
Compensation expenses paid	—	-697
Contractual termination penalties paid	—	-170
Income taxes (paid) refund	-824	-3,347
Net cash provided by (used in) operating activities	35,342	29,707

(Unit: Millions of yen)

	From Apr. 1, 2013 to Mar. 31, 2014	From Apr. 1, 2014 to Mar. 31, 2015
Cash flows from investing activities		
Payments of deposit	-18,000	-331
Proceeds from withdrawal deposit	—	18,000
Purchase of securities	-3,199	-3,200
Proceeds from sales and redemption of securities	3,428	3,100
Purchase of property, plant and equipment	-7,016	-10,796
Proceeds from sales of property, plant and equipment	484	6
Purchase of intangible assets	-1,925	-3,108
Purchase of investment securities	-1,004	-7
Proceeds from sales and redemption of investment securities	873	1,584
Proceeds from purchase of stock of subsidiaries with change of scope of consolidation	—	421
Collection of short-term loans receivable	151	26
Proceeds from liquidation of subsidiaries	186	675
Proceeds from withdrawal of investments in partnership	552	188
Payments for lease and guarantee deposits	-499	-1,313
Proceeds from collection of lease and guarantee deposits	547	201
Payments for asset retirement obligations	-267	—
Other	-356	-281
Net cash provided by (used in) investing activities	-26,045	5,166
Cash flows from financing activities		
Increase in short-term loans payable	17,000	7,500
Repayment of short-term loans payable	—	-14,500
Proceeds from long-term loans payable	—	5,000
Repayment of long-term loans payable	-9,860	—
Redemption of bonds	-35,000	—
Repayments of lease obligations	-1,925	-1,522
Purchase of treasury shares	-25	-21
Proceeds from sales of treasury stock	123	21
Cash dividends paid	-3,949	-4,679
Cash dividends paid to minority shareholders	-102	-192
Net cash provided by (used in) financing activities	-33,739	-8,395
Effect of exchange rate change on cash and cash equivalents	344	230
Net increase (decrease) in cash and cash equivalents	-24,097	26,708
Cash and cash equivalents at the beginning of period	83,247	59,004
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-146	—
Cash and cash equivalents at the end of period	59,004	85,713

(5) Notes to Consolidated Financial Statements

(Notes regarding the Premise of a Going Concern)

No applicable items.

(Significant Items for the Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

(1) 22 consolidated subsidiaries

HOKKAIDO CSK CORPORATION
FUKUOKA CSK CORPORATION
JIEC Co., Ltd.
Sumisho Computer Systems (USA), Inc.
SUMISHO COMPUTER SYSTEMS (EUROPE) LTD.
Sumisho Computer Systems (Shanghai) Limited
Sumisho Computer Systems (Asia Pacific) Pte. Ltd.
CSK WinTechnology Corporation
CSK ServiceWare Corporation
VeriServe Corporation
CSK PRESCENDO CORPORATION
VA Linux Systems Japan K.K
CSK SYSTEM MANAGEMENT CORPORATION
Sumisho Joho Datacraft Corporation
Allied Engineering Corporation
CSI SOLUTIONS Corporation
QUO CARD Co., Ltd.
SCSK Nearshore Systems Corporation
Veriserve Shanghai Corporation
Two other investment partnerships and one silent partnership

Sumisho Joho Datacraft Corporation, previously a subsidiary accounted for by the equity method, has been included within the scope of consolidation following the acquisition of additional shares on May 1, 2014.

The former consolidated subsidiaries CSK Nearshore Systems Corporation and SCS Solutions Inc. were merged on October 1, 2014 with CSK Nearshore Systems Corporation as the surviving entity, and the name of the company was changed to SCSK Nearshore Systems Corporation.

(2) Major non-consolidated subsidiaries and affiliates

Tokyo Green Systems Corporation

Non-consolidated subsidiaries are excluded from consolidation because they are all small in size, and their total assets, sales, net income and retained earnings are immaterial to the consolidated financial statements.

2 Application of the Equity Method

3 equity-method affiliates
ATLED Co., Ltd.
ARGO GRAPHICS Inc.
GIOT CORPORATION

Non-consolidated subsidiaries not accounted for by the equity method (Tokyo Green Systems Corporation, etc.) are excluded from accounting under the equity method because they are all small in size and their total assets, sales, net income and retained earnings are immaterial to the consolidated financial statements.

3 Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of SUMISHO COMPUTER SYSTEMS (EUROPE) LTD., Sumisho Computer Systems (Shanghai) Co., Ltd., Sumisho Computer Systems (Asia Pacific) Pte. Ltd., Veriserve Shanghai Corporation, and two other investment partnerships is December 31. While preparation of the consolidated financial statements for the fiscal year ended March 31, 2015 is based on the financial statements for the period from January 1, 2014 through to December 31, 2014, because it was resolved to dissolve Veriserve Shanghai Corporation at the meeting of the Board of Directors of the Company's consolidated subsidiary held on February 16, 2015 and the subsidiary is being liquidated as of the fiscal year-end of the Company, the fifteen-month period ended March 31, 2015 will be included in the scope of consolidation in order to incorporate the financial position and business results after the resolution to dissolve the subsidiary.

Note that necessary adjustments have been made for consolidation purposes with regard to material transactions that took place in the period between the above period-end and the fiscal year-end of the Company.

Except for the items stated above, items are omitted for any information that did not change significantly in the period since the most recent Securities Report (filed June 26, 2014).

(Changes in Accounting Policies)

SCSK has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; "the Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, latest revision March 26, 2015; "the Guidance on Accounting Standard for Retirement Benefits") from the first quarter of the current fiscal year and has reviewed the calculation method of retirement benefit obligations and service costs in accordance with the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits. The period allocation methodology for the estimated retirement benefit amount was changed from a straight line basis to payment calculation type, and the determination of the discount rate was changed from a single discount rate to plural discount rates (yield curve).

In accordance with transitional treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits for the application of accounting standards for retirement benefits, the impact on retained earnings resulting from the change has been recorded in Changes in accounting policy for retirement benefit obligations and service cost at the beginning of the period under review.

As a result of this change, retirement benefit-related assets decreased by ¥1,680 million and retained earnings decreased by ¥964 million at the beginning of the first quarter. The resulting effect on profit and loss is immaterial.

(Changes in Method of Presentation)

(Consolidated Balance Sheet)

Reflecting its increased materiality, the amount for "Guarantee deposit" which was previously included in "Other" in the "Current assets" section of the financial statement, has been listed separately from the fiscal year under review. The consolidated financial statement for the previous fiscal year has been revised in accordance with this change in presentation.

As a result, the figure of ¥11 million for "Guarantee deposit" is now listed as a separate item from the figure of ¥10,960 million of in "Other" under the "Non-operating income" section in the Consolidated Balance Sheet for the previous fiscal year.

(Consolidated Statements of Cash Flows)

Reflecting its increased materiality, the amount for "Proceeds from liquidation of subsidiaries" which was previously included in "Other" in the "Cash flows from investing activities" section of the financial statement, has been listed separately from the fiscal year under review. The consolidated financial statement for the previous fiscal year has been revised in accordance with this change in presentation.

As a result, the figure of -¥169 million that had been stated in “Other” under the “Cash flows from investing activities” section in the Consolidated Statements of Cash Flows for the previous fiscal year has been reformatted as ¥186 million for “Proceeds from the liquidation of subsidiaries” and -¥356 million for “Other.”

(Segment Information, etc.)

(Segment information)

1. Overview of reported segments

The Company designates its reported segments according to the business divisions as organizational units. The Board of Directors and the Chairman and President decide on the allocation of business resources, evaluate business performance, and conduct other such managerial duties in reference to these organizational units, with such managerial decision-making directly reflected in the pursuit of business activities within those business divisions.

The Company's business groups are arranged by IT service business area in consideration of client characteristics. Each business division plans and pursues its activities under a companywide business strategy as it relates to its own service area. Based on this arrangement, eight reportable segments have been designated: Industrial Systems, Financial Systems, Global Systems, Business Solutions, Business Services, IT Management, IT Platform Solutions, and Prepaid Card Business.

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

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

(1) Industrial Systems: This business group manages manufacturing, communication, distribution, media, and service industries, all based on advanced SI capabilities and business know-how. It offers the Company's self-developed ERP package, “ProActive,” and a variety of other solutions pertaining to SCM, CRM, EDI, BI, enterprise systems, information systems and EC websites.

(2) Financial Systems: This business group supplies system services for banks, brokerages, insurance companies, and a variety of other financial business extending to credit card issuers and sales finance companies, utilizing experience and technological capabilities built up over years of experience with financial industry clientele.

(3) Global Systems: This business group offers IT services, including local site support, for companies around the world. It draws on expertise and experience accumulated over years of providing support to such globally active clients as Sumitomo Corporation.

(4) Solutions: This business group offers ERP solutions centered on “SAP ERP” from SAP and “Oracle EBS” from Oracle, along with such peripheral solutions relating to CRM, IT governance and BI.

(5) Business Services: This business group offers a full range of business services, including technical support, customer support, help desk operation, telephone sales support and data entry, software verification/testing services, and a full range of fulfillment services, from EC site configuration and installation to back office operations and logistics.

(6) IT Management: This business group operates ten domestic netXDC solution-oriented data centers, known for the robustness of their facilities and the sophistication of their security controls. From these data centers it provides solutions-driven outsourcing services to meet a full range of client needs, including operational cost reduction, infrastructure integration and optimization, governance intensification and project continuity, infrastructural support for a variety of cloud computing options (private, public and hybrid), and a variety of other IT services, including website management and 24/7/365 SE support.

(7) IT Platform Solutions: This business group provides a wide range of products and advanced engineering services, including server storage devices, high performance computing (HPC) hardware and software, network switches and routers, VoIP products, IP telephony systems, communications/CATV devices, security-related products and data conversion tools.

(8) Prepaid Card Business: The prepaid card business provides issuing and settlement services for prepaid cards, develops and markets card systems, etc.

2. Accounting methods used to calculate net sales, segment income (loss) and other items for reported segments

Accounting method for reported segments is the same as described in “Significant Items for the Preparation of Consolidated Financial Statements.” Income of reported segments is based on operating income. Internal net sales or transfers are based on current market prices.

3. Information on Sales, Income (Loss) by Reported segment

For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(Unit: Millions of yen)

	Industrial Systems	Financial Systems	Global Systems	Business Solutions	Business Services	IT Manage-ment	IT Platform solutions	Prepaid Card Business
Sales								
(1) Outside customers	68,847	55,176	13,922	15,947	31,854	37,358	61,293	3,042
(2) Inter-segment sales or transfers	1,751	385	2,527	1,970	1,639	9,338	6,401	91
Total	70,598	55,562	16,450	17,918	33,493	46,696	67,694	3,133
Segment income (loss)	5,476	5,879	1,956	1,543	1,524	3,889	4,445	148
Segment assets	25,654	19,201	6,165	7,341	11,932	42,549	27,296	51,782
Other								
Depreciation and amortization	923	187	166	1,059	283	2,719	474	79
Investments in equity method affiliates	173	—	—	—	25	153	3,487	—
Net increase in tangible fixed assets and intangible fixed assets	1,073	257	45	609	206	5,596	582	150

	Other	Total	Adjustments Note 1	Per consolidated financial statements Note 2
Sales				
(1) Outside customers	793	288,236	—	288,236
(2) Inter-segment sales or transfers	2,642	26,747	-26,747	—
Total	3,436	314,984	-26,747	288,236
Segment income (loss)	265	25,130	-1,155	23,974
Segment assets	5,375	197,300	120,632	317,932
Other				
Depreciation and amortization	176	6,072	768	6,841
Investments in equity method affiliates	—	3,840	—	3,840
Net increase in tangible fixed assets and intangible fixed assets	3	8,525	1,154	9,680

Notes: 1 Adjustments are as follows:

(1) ¥1,155 million subtraction from operating income (loss) to reflect companywide expenses, etc., not allocated to any reportable segment.

(2) ¥120,632 million addition to segment assets to reflect companywide assets, etc., not allocated to any reportable segment.

(3) ¥768 million addition to depreciation to reflect depreciation charges on companywide assets.

(4) ¥1,154 million addition to increase/decrease in tangible/intangible assets to reflect net additions to companywide assets (new headquarters building, etc.).

2 Segment-specific income (loss) is presented as operating income from the Consolidated Statements of Income as adjusted for intersegment transfers and companywide allocations.

For the fiscal year ended March 31, 2015(April 1, 2014 – March 31, 2015)

(Unit: Millions of yen)

	Industrial Systems	Financial Systems	Global Systems	Business Solutions	Business Services	IT Manage-ment	IT Platform solutions	Prepaid Card Business
Sales								
(1) Outside customers	72,398	55,416	12,889	14,386	33,732	39,867	64,790	3,378
(2) Inter-segment sales or transfers	1,372	524	7,207	2,245	4,012	11,154	7,308	1
Total	73,770	55,940	20,097	16,631	37,745	51,021	72,098	3,379
Segment income (loss)	6,711	6,550	1,750	1,652	2,113	4,945	5,147	265
Segment assets	21,799	20,978	7,070	7,792	10,113	49,237	28,657	55,102
Other								
Depreciation and amortization	889	185	138	994	298	2,796	494	69
Investments in equity method affiliates	187	—	—	—	29	—	3,837	—
Net increase in tangible fixed assets and intangible fixed assets	1,211	207	463	1,199	168	9,395	691	6

	Other	Total	Adjustments Note 1	Per consolidated financial statements Note 2
Sales				
(1) Outside customers	774	297,633	—	297,633
(2) Inter-segment sales or transfers	2,553	36,379	-36,379	—
Total	3,327	334,012	-36,379	297,633
Segment income (loss)	325	29,461	-1,458	28,003
Segment assets	4,866	205,619	128,670	334,290
Other				
Depreciation and amortization	173	6,039	825	6,865
Investments in equity method affiliates	—	4,054	—	4,054
Net increase in tangible fixed assets and intangible fixed assets	1	13,344	1,482	14,827

Notes: 1 Adjustments are as follows:

(1) ¥1,458 million subtraction from operating income (loss) to reflect companywide expenses, etc., not allocated to any reportable segment.

(2) ¥128,670 million addition to segment assets to reflect companywide assets, etc., not allocated to any reportable segment.

(3) ¥825 million addition to depreciation to reflect depreciation charges on companywide assets.

(4) ¥1,482 million addition to increase/decrease in tangible/intangible assets to reflect net additions to companywide assets (new headquarters building, etc.).

2 Segment-specific income (loss) is presented as operating income from the Consolidated Statements of Income as adjusted for intersegment transfers and companywide allocations.

(Related information)

Previous fiscal year (April 1, 2013- March 31, 2014)

1 Information by products and services

Disclosure of relevant information is omitted as similar information is disclosed in the Segment information.

2 Information by geographic segment

1) Sales

Sales information by geographic segment is not shown because sales in Japan account for over 90% of sales on the consolidated statement of income.

2) Tangible fixed assets

Tangible fixed asset information by geographic segment is not shown because tangible fixed assets in Japan account for over 90% of tangible fixed assets on the consolidated balance sheet.

Fiscal year under review (April 1, 2014 - March 31, 2015)

1 Information by products and services

Disclosure of relevant information is omitted as similar information is disclosed in the Segment information.

2 Information by geographic segment

1) Sales

Sales information by geographic segment is not shown because sales in Japan account for over 90% of sales on the consolidated statement of income.

2) Tangible fixed assets

Tangible fixed asset information by geographic segment is not shown because tangible fixed assets in Japan account for over 90% of tangible fixed assets on the consolidated balance sheet.

Information on impairment loss from fixed assets by reported segment

Previous fiscal year (April 1, 2013 - March 31, 2014)

(Unit: Millions of Yen)

	Industrial Systems	Financial Systems	Global Systems	Business Solutions	Business Services	IT Manage-ment	IT Platform solutions	Prepaid Card Business
Impairment loss	—	—	—	—	2	—	—	—

	Others	Elimination and corporate	Total
Impairment loss	—	1,117	1,119

Fiscal year under review (April 1, 2014 - March 31, 2015)

Not applicable.

Information on amortization of goodwill and unamortized balance by reported segment

Previous fiscal year (April 1, 2013- March 31, 2014)

(Unit: Millions of Yen)

	Industrial Systems	Financial Systems	Global Systems	Business Solutions	Business Services	IT Manage-ment	IT Platform solutions	Prepaid Card Business
Amortization of goodwill	—	7	0	—	20	2	44	—
Balance at end of period	—	—	—	—	62	—	147	—

	Others	Elimination and corporate	Total
Amortization of goodwill	16	—	92
Balance at end of period	42	—	251

Fiscal year under review (April 1, 2014- March 31, 2015)

(Unit: Millions of Yen))

	Industrial Systems	Financial Systems	Global Systems	Business Solutions	Business Services	IT Manage-ment	IT Platform solutions	Prepaid Card Business
Amortization of goodwill	3	—	—	—	20	1	44	—
Balance at end of period	—	—	—	—	41	—	102	—

	Others	Elimination and corporate	Total
Amortization of goodwill	16	—	87
Balance at end of period	25	—	169

Information on amortization of goodwill by reported segment

Previous fiscal year(April 1, 2013 - March 31, 2014)

Not applicable.

Fiscal year under review (April 1, 2014 - March 31, 2015)

Not applicable.

(Per-Share Information)

(Unit: Yen)

Item	Fiscal Year 2014 (April 1, 2013 to March 31, 2014)	Fiscal Year 2015 (April 1, 2014 to March 31, 2015)
Net assets per share	1,161.29	1,276.37
Net income per share	177.26	150.71
Fully diluted net income per share	174.24	150.02

Note:
1. Net income per share and fully diluted net income per share are calculated on the following basis.

Item		Fiscal Year 2014 (April 1, 2013 to March 31, 2014)	Fiscal Year 2015 (April 1, 2014 to March 31, 2015)
Net income per share			
Net income	(Millions of yen)	18,387	15,638
Amount not attributable to common stock	(Millions of yen)	—	—
Net income attributable to common stock	(Millions of yen)	18,387	15,638
Average number of shares of common stock during the period	(shares)	103,731,201	103,764,860
Fully diluted net income per share			
Net income adjustment amount	(Millions of yen)	-33	-56
(of which, interest paid (after deduction of equivalent tax amount))	(Millions of yen)	(30)	(—)
(Of which, change in holdings in equity method affiliates due to issuance of subscription rights)	(Millions of yen)	(-64)	(-56)
Increase in the number of common shares	(shares)	1,606,530	99,824
(of which, stock acquisition rights)	(shares)	(111,434)	(99,824)
(of which, 1st convertible bonds with stock acquisition rights attached)	(shares)	(1,495,096)	(—)
Overview of residual shares not included in the calculation of fully diluted net income per share as they do not have a dilutive effect		—	—

(Important post balance-sheet events)

No applicable items.

5. Other

Change of Directors and Corporate Auditors

1 Change of Representatives

None

2 Change of Other Directors and Corporate Auditors
(from June 2015, at the end of the Annual General Meeting of Shareholders)

(1) Retired Director

Naoaki Mashimo (as of March 31, 2015)

(2) Candidates for new appointment as representative director

Kimio Fukushima	(Current position: Senior Managing Executive Officer)
Toshiyuki Kato	(Current position: Managing Executive Officer)
Yuko Yasuda	(Current position: Executive Committee Member of Russell Reynolds Associates, Inc.)

(3) Director scheduled to retire

Satoru Toriyama (To be appointed as a Corporate Advisor)

Note: Ms. Yuko Yasuda is a candidate Outside Director, as required by laws and regulations.