Consolidated Financial Results for the Fiscal Year ended March 31, 2016 [J-GAAP]

April 28, 2016

Company Name:	SCSK Corporation	
Securities Code:	9719	
Stock Exchange Listing:	Tokyo Stock Exchange, 1st Section	
URL:	http://www.scsk.jp	
Representative:	Tooru Tanihara, President and Representative Director	
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Scheduled date of the Annual General Meeting of Shareholders:	June 28, 2016
Scheduled date for dividend payment:	June 7, 2016
Scheduled date for filing of Securities Report:	June 28, 2016
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, 2016 (April 1, 2015 to March 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 of parent	
		%		%		%		%
FY2015	323,945	8.8	31,785	13.5	33,610	9.6	26,956	72.4
FY2014	297,633	3.3	28,003	16.8	30,667	19.4	15,638	-15.0

(Note) Comprehensive income: FY2015 ¥19,650 million (8.1%) FY2014 ¥18,174 million (-5.5%)

	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	%	%	%
FY2015	259.72	259.28	19.4	9.8	9.8
FY2014	150.71	150.02	12.4	9.4	9.4

(Reference) Equity in earnings of affiliates: FY2015 ¥344 million FY2014 ¥472 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, 2016	352,676	151,546	41.2	1,401.00
As of March 31, 2015	334,290	138,536	39.6	1,276.37

(Reference) Shareholders' equity: As of March 31, 2016 ¥145,420 million As of March 31, 2015 ¥132,458 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
FY2015	34,730	-9,473	-12,338	98,445
FY2014	29,707	5,166	-8,395	85,713

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			
							%	%
FY2014	—	25.00	—	25.00	50.00	5,200	33.2	4.1
FY2015	—	35.00	—	40.00	75.00	7,801	28.9	5.6
FY2016 (Forecast)	—	42.50	—	42.50	85.00		35.3	

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

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

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

*Notes
(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries accompanying changes in scope of consolidation) :Yes
Inclusion : none (company name) exclusion: 1 (company name) : CSK Group Investment Fund
(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 shares)

As of March 31, 2016	107,986,403shares
As of March 31, 2015	107,986,403shares

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

As of March 31, 2016	4,189,210shares
As of March 31, 2015	4,208,816shares

3) The average number of shares during the period

As of March 31, 2016	103,789,208shares
As of March 31, 2015	103,764,860shares

(Reference) Summary of Non-Consolidated Business Results
1. Non-Consolidated Business Results for Fiscal Year 2015 (April 1, 2015 to March 31, 2016)
(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	
		%		%		%		%
FY2015	256,115	8.6	24,874	11.3	25,423	7.2	22,737	83.1
FY2014	235,929	3.1	22,356	15.1	23,711	19.8	12,420	-19.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015	218.60	218.43
FY2014	119.43	119.31

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
As of March 31, 2016	294,152	135,913	46.2	1,305.71
As of March 31, 2015	280,202	120,371	42.9	1,156.30

(Reference) Shareholders' equity: As of March 31, 2016 ¥135,825million As of March 31, 2015 ¥120,264million

*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, 2016, page 9.
・SCSK will hold a results briefing for institutional investors and analysts on April 28, 2016. 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 showed an improving trend in both corporate earnings and employment. Various policy initiatives, most notably economic stimulus measures implemented by the government as well as monetary easing policies taken by the Bank of Japan, kept the economy on a mild recovery track, although signs of weakness remain apparent.

In terms of the outlook for the economy, a recovery is expected to continue albeit at a moderate pace, on the assumption that recovery in the employment and income environments will continue. However, a number of factors require close watching, including the risk of a downturn in the overseas economic situation, particularly in emerging economies in Asia and those that rely on exports of natural resources, and volatility in forex rates, interest rates and other aspects of the financial markets.

In the IT services market, demand for strategic IT investment aimed at enhancing competitiveness or supporting advances into new business areas, has continued to rise. Demand for investment in operational systems, generally intended to improve process efficiency, also remains brisk. Overall, IT investment demand is on an uptrend.

In the financial industry in particular, IT investment demand grew substantially among banks, securities companies and insurers, centered on systems development. This reflects a continuing high level of interest in systems development to support various work processes and enhance competitiveness, and solid underlying demand for system upgrades and revisions to accommodate changes in regulations.

In the manufacturing and distribution industries, there has been a solid underlying flow of IT investment deals on an emergence of strategic IT investment, in support of global business expansion, omni-channelization, big data analysis, and other objectives.

Demand for IT services has manifested in earnest in a variety of areas as customers seek to strengthen their businesses or enhance work efficiency. Of particular note is strong demand for networking-related IT products from certain telecommunications service providers, and demand for various cloud-related IT services, including IaaS and PaaS.

In the Company's operating results for the period under review, consolidated net sales increased 8.8% compared to the same period of the previous fiscal year to ¥323,945 million. This reflects brisk demand for systems development among a wide range of financial industry customers, a variety of maintenance services for customers in the manufacturing and distribution industries, and networking-related IT products among telecommunications service providers. Accordingly, there has been steady sales growth in all sales segments, Systems Development, System Maintenance and Operation/ Services, and Packaged Software/ Hardware Sales. Operating income increased 13.5% to ¥31,785 million, mainly due to revenue growth, combined with factors including productivity enhancements on the steady implementation of measures to improve operational quality, increased efficiency in SG&A and other expenses. Ordinary income increased 9.6% to ¥33,610 million. Net income attributable to shareholders rose 72.4% to ¥26,956 million on increased operating income together with the effect of tax deferral accounting.

An outline of financial performance by reported segment is presented below. It should be noted that sales figures are those for sales to outside parties.

(Unit: Millions of yen unless otherwise stated)

Net sales by segment	Previous fiscal year (April 1, 2014- March 31 2015)		Fiscal year under review (April 1, 2015- March 31 2016)		Change from previous fiscal year	
	Amount	Segment Profit	Amount	Segment Profit	Amount	Segment Profit
Manufacturing Systems Business	42,531	3,049	40,849	3,220	-1,681	170
Telecommunications Systems Business	28,225	5,097	25,628	4,471	-2,597	-625
Distribution Systems Business	44,981	5,435	46,754	6,321	1,772	885
Financial Systems Business	60,829	7,183	71,259	8,386	10,429	1,202
Business Solutions	18,392	804	19,052	1,592	659	788
Business Services	33,732	2,125	39,273	2,839	5,540	713
IT Platform Solutions	64,790	5,173	77,135	6,314	12,345	1,140
Prepaid Card Business	3,378	267	3,217	225	-160	-41
Other	770	325	774	313	3	-12
Adjusted total	-	-1,458	-	-1,898	-	-440
Total	297,633	28,003	323,945	31,785	26,311	3,782

Manufacturing Systems Business

Net sales decreased 4.0% to ¥40,849 million, reflecting a reactionary decline from last year’s high level of activity surrounding large-scale projects in the manufacturing industry, but segment income increased 5.6% to ¥3,220 million due to improvements in productivity and profitability.

Telecommunication Systems Business

Net sales decreased 9.2% to ¥25,628 million, reflecting a reduction in large-scale systems integration projects that supported results in the previous year, and segment income decreased 12.3% to ¥4,471 million.

Distribution Systems Business

Net sales increased 3.9% to ¥46,754 million and segment income increased 16.3% to ¥6,321 million as a result of our efforts in responding to demand for omni-channelization and an increase in system development projects in the EC and CRM areas taking advantage of big data, as well as other EDI cloud services projects.

Financial Systems Business

Net sales increased 17.1% to ¥71,259 million and segment income increased 16.7% to ¥8,386 million as a result of increased IT investment demands for operation system development, as well as system modification needs to reflect various changes in regulations. This was apparent across all segments in the financial industry, including banks, which showed especially solid demand, securities firms, insurance companies, credit card companies and leasing companies.

Business Solutions

Net sales increased 3.6% to ¥19,052 million as a result of steady performance of ERP-related projects. Segment income increased 98.0% to ¥1,592 million as a result of improvements in productivity, as well as a decrease in low-profit projects.

Business Services
Net sales increased 16.4% to ¥39,273 million and segment income increased 33.6% to ¥2,839 million, as a result of solid growth in various BPO services, including product support services and verification services, particularly for customers in the manufacturing and distribution industries.

IT Platform Solutions
Net sales increased 19.1% to ¥77,135 million and segment income increased 22.0% to ¥6,314 million, as a result of an increase in sales of IT products to certain customers in the telecommunications industry.

Prepaid Card Business
Net sales decreased 4.8% to ¥3,217 million, reflecting a reduction in large sales projects for card devices that boosted results in the previous year, and segment income decreased 15.6% to ¥225 million.

Other
Net sales (facility maintenance and lease income, etc.) increased 0.5% to ¥774 million, while segment income decreased 3.7% to ¥313 million.

Net sales in the sales segments of Systems Development, System Maintenance and Operation/ Services, Packaged Software/ Hardware Sales, and Prepaid Card are described below.

	Previous fiscal year (April 1, 2014- March 31 2015)		Fiscal year under review (April 1, 2015- March 31 2016)		Comparison with previous fiscal year	
	Amount	Share (%)	Amount	Share(%)	Amount	Change (%)
Systems Development	117,843	39.6	124,470	38.4	6,626	5.6
System Maintenance and Operation/ Services	110,720	37.2	119,170	36.8	8,449	7.6
Packaged Software/ Hardware Sales	65,691	22.1	77,087	23.8	11,395	17.3
Prepaid Card	3,378	1.1	3,217	1.0	-160	-4.8
Total	297,633	100.0	323,945	100.0	26,311	8.8

In Systems Development, despite a reduction in large-scale projects that drove performance during the previous fiscal year, net sales rose 5.6% to ¥124,470 million as a result of solid performance in projects for the financial industry.

In System Maintenance and Operation Services, as a result of strengthened demand for various cloud services related to IT infrastructure combined with strong performance in BPO services particularly in the manufacturing and distribution industries, net sales increased 7.6% to ¥119,170 million.

In Packaged Software/ Hardware Sales, strong sales of IT products for the telecommunications industry resulted in an increase in net sales of 17.3% to ¥77,087 million.

In Prepaid Card, a decline in the number of large-scale equipment replacement projects that supported performance in the previous fiscal year resulted in a decrease in net sales of 4.8% to ¥3,217 million.

(2) Analysis of financial position

i). Assets, liabilities and net assets

(Assets)

Assets as of March 31, 2016 were ¥352,676 million, an increase of 5.5% or ¥18,386 million compared to March 31, 2015.

(Liabilities)

Liabilities as of March 31, 2016 were ¥201,129 million, an increase of 2.7%, or ¥5,375 million compared to March 31, 2015.

(Net assets)

Net assets as of March 31, 2016 were ¥151,546 million, an increase of 9.4% or ¥13,010 million compared to March 31, 2016.

ii). Analysis of cash flow

Cash and cash equivalents (“cash”) increased by ¥12,732 million year on year to ¥98,445 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 ¥34,730 million.

The main cash inflow factors were net income before taxes of ¥32,858 million, depreciation of ¥8,003 million, and ¥1,958 million increase in cash in response to an increase in trade payables. The main cash outflow factor was a decrease of ¥12,655 million in response to an increase in guarantee deposits.

(Cash flow from investing activities)

Net cash used in investing activities was ¥9,473 million.

The main cash inflow factor was a redemption of securities of ¥4,000 million. The main cash outflow factors were payments for the acquisitions of ¥7,946 million in tangible fixed assets and ¥3,524 million in intangible fixed assets.

(Cash flow from financing activities)

Net cash used in financing activities was ¥12,338 million.

The main cash outflow factors were a decrease in funds due to repayment of borrowings of ¥10,000 million (net) and dividend payments of ¥2,600 million (¥25 per share) for the year-end dividend of the fiscal year ended March 31, 2015 and ¥3,640 million (¥35 per share) for the interim period of the fiscal year ended March 31, 2016.

With respect to cash flow for the fiscal year ending March 31, 2017, the Company forecasts an increase in net cash provided by operating activities as a result of increase in operating revenue. As for cash outflows, the Company plans to conduct continuous investment for expansion of strategic businesses, capital investment for enhancement of the Company’s earnings base, as well as debt repayment and dividend payments.

(Reference) Trends in cash-flow related indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	39.6	31.8	37.9	39.6	41.2
Equity ratio based on market price (%)	45.2	58.9	90.8	104.5	129.5
Ratio of interest-bearing debt to cash flow (%)	267.3	352.3	176.5	194.5	150.9
Interest coverage ratio (times)	119.0	64.5	106.2	133.6	181.2

- 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 shares)
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) Qualitative information pertaining to consolidated forecasts for the fiscal year ending March 31, 2017

In the fiscal year ended March 31, 2016, the Japanese economy was on a moderate recovery track. However, for the fiscal year ending March 31, 2017, there is uncertainty in the economic outlook for some of the Company's corporate customers in light of such risks as volatility in financial markets arising from changes in forex and interest rates, as well as economic downturns in emerging economies in Asia and other areas outside of Japan. While IT investment demand remains solid for the time being, the potential remains that changing economic conditions could lead to a considerable softening of customer demand. Accordingly, for the year ahead it appears prudent to expect customers to be somewhat cautious in their approach to IT investment.

In this type of business environment, we expect customers' IT investment demand to largely reflect developments within their respective sectors. In the financial and distribution sectors, for example, we expect that strategic IT investment to secure or enhance competitive superiority will remain on a growth trajectory. On the other hand, we expect certain manufacturing customers to show an increasingly cautious approach to IT investment. For this fiscal year, we intend to target our IT service business expansion efforts on the financial sector, which we expect will aggressively invest in new systems development and systems modification to enhance competitiveness and accommodate regulatory developments, as well as on the distribution sector, which we expect will embark on strategic investments in support of omni-channel development and big data analysis. Despite anticipating a generally cautious approach to IT investment from manufacturing customers, we intend to pursue earnings growth in this sector by carefully analyzing our customers' medium-term IT investment needs, such as for cloud-based IT services, and aggressively proposing service propositions that are closely aligned with those needs.

Our Medium-term Management Plan, which took effect in April 2015 and will guide our company through March 2020, delineates three elements of our core strategy for that five-year period. First, we are to "shift to a service-oriented business; second, to "promote strategic business that captures the changing times"; and third, to effect a "second stage of global business expansion." In addition to these core elements, we will also advance a number of initiatives to reinforce our management base, including the pursuit of operational quality and improvement in business profitability.

For the fiscal year ending March 31, 2017 we will accelerate efforts to shift toward a service-oriented business structure and promote strategic businesses, both of which are elements of our core strategy, along with pursuing a number of initiatives to strengthen our management base, most notably to seek operational quality, improve business profitability, and enhance operational efficiency. We will work to transform our business structure and implement a dynamic growth strategy by implementing various managerial measures toward the attainment of high profit growth under this core strategy while also continuing to capture what is currently a solid level demand for IT investment.

Reflecting the above outlook and based on the Company's policies, consolidated forecasts for the fiscal year ending March 31, 2017 are as follows.

	Forecast	(YoY)
Consolidated sales	¥330,000 million	(+1.9%)
Consolidated operating income	¥33,000 million	(+3.8%)
Consolidated ordinary income	¥34,000 million	(+1.2%)
Consolidated profit attributable to owners of parent	¥25,000 million	(-7.3%)

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 ended March 31, 2016 and ending March 31, 2017

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 above issues, and shareholder return via dividend payments.

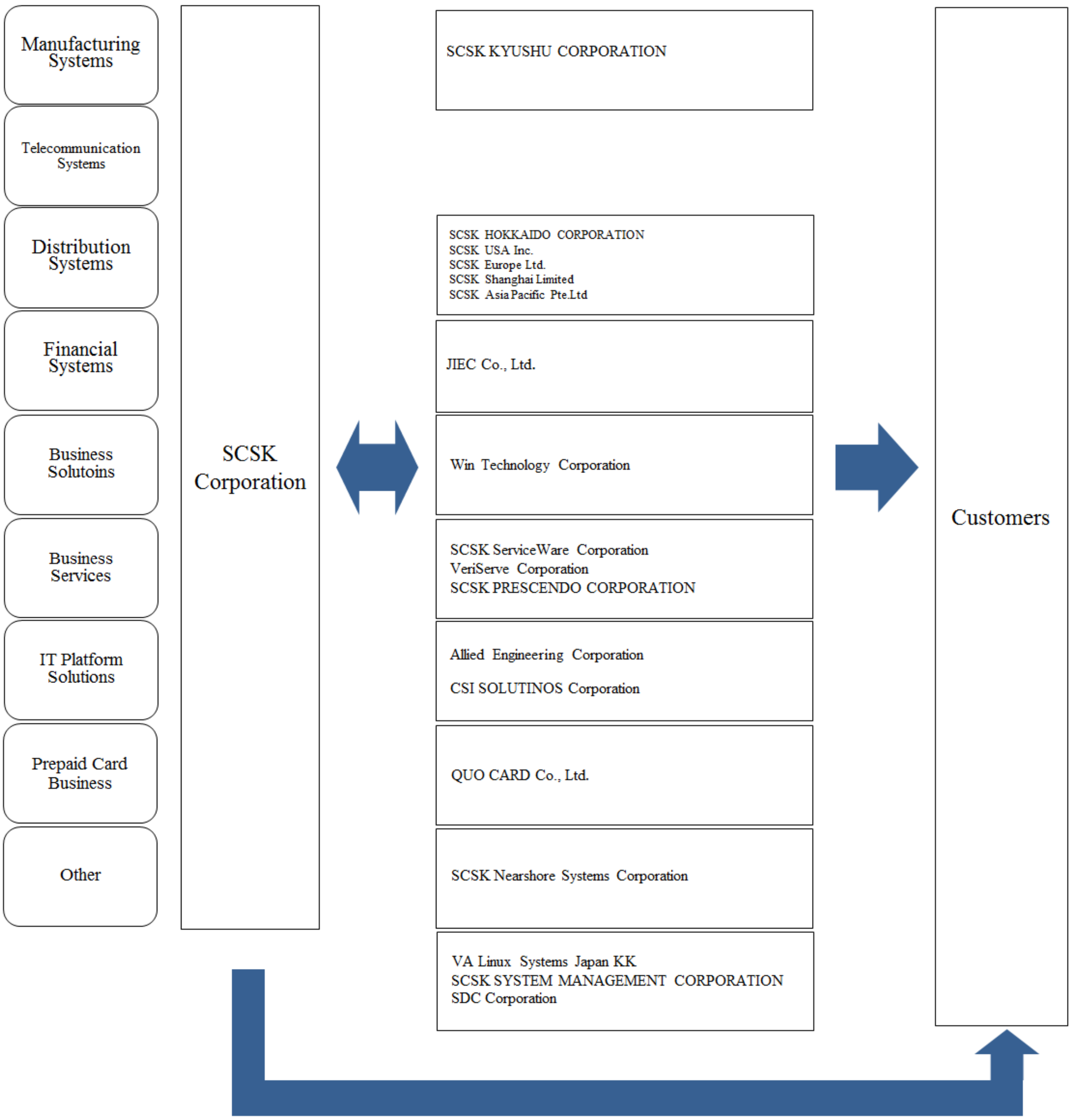
For the fiscal year ended March 31, 2016, reflecting results that exceeded our initial target for net income attributable to owners of parent, we will raise our year-end dividend by ¥5 per share more than our initial ¥35 per share target, for a year-end dividend of ¥40 per share. The total annual dividend, initially estimated at ¥70 per share, will therefore increase by ¥5 to ¥75 per share.

For the fiscal year ending March 31, 2017, based on our robust financial foundation and an anticipated increase in earnings, we plan to raise our annual dividend for the fifth consecutive year, this time by ¥10 per share to ¥85 per share, comprising an interim dividend of ¥42.50 per share and a year-end dividend of ¥42.50 per share, in line with our efforts to enhance shareholder returns.

2. Overview of the Group

The SCSK Group consists of SCSK, 20 consolidated subsidiaries, 2 equity-method affiliates, and 1 equity-method non-consolidated affiliate, and offers business service in IT infrastructure, application development, and BPO through collaboration among business segments in Manufacturing Systems, Telecommunication Systems, Distribution Systems, Financial Systems, Business Solutions, Business Services, 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 Polices

(1) Basic Policy

The Group's management philosophy consists of its mission to "create our future of dreams," and three promises for achieving this mission; to "respect each other," "provide excellent service utilizing reliable technology," and "sustain growth from a global and future perspective" Based on this management philosophy, we will apply advanced IT services and innovative ideas to resolve the issues faced by our customers and society at large, create new value through IT, and together create a future in line with the aspirations of our customers and society. It is through this philosophy that we seek continued growth into the future.

(2) Management Goals

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 income margins and ROE

(3) Medium- to Long-term Management Strategy

We announced our Medium-term Management Plan in April 2015, within which we outline our medium-term management strategies. The plan, which will guide our company over the five years from April 2015 through March 2020, identifies this period as the second stage of our business expansion, through which we will establish ourselves as a top-class firm within our industry. We will build our business on a base of high profitability created following our October 2011 merger and execute a dynamic growth strategy in pursuit of a further increase in corporate value.

The plan centers on three core strategies: (1) shift to a service-oriented business; (2) promote strategic business that captures the changing times"; and (3) effect a "second stage of global business expansion." Also, towards the reinforcement of our earnings base, we will continually strive to raise operational efficiency through measures such as improving the quality of our system development projects, and promoting working style reforms. By implementing these, we will aim to achieve the plan's management targets set for the fiscal year ending March 2020.

1. Shift to a service-oriented business

As a result of factors including a diversification of customer needs and a 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 provision-based 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. Building on our accumulated store of intellectual property rights and IT assets, we will create high value-added services that only SCSK can provide, offering these to our customers over the long term.

In April 2015 we adopted an organizational structure that allows us to integrally supply systems development, IT infrastructure implementation services, and system operation and maintenance services to corporate customers in a variety of industries (manufacturing, telecommunications, distribution, finance).

Specifically, we will expand our existing service-oriented business to cover areas including various SaaS applications, currently being deployed at retailers, pharmacy chains, and other customers within the distribution sector, pay-per usage IT infrastructure provision services named "USiZE", and assorted BPO services most notably contact centers. For instance, we are currently offering SaaS-type services that combine ProActive (our propriety ERP package) solutions and USiZE infrastructure.

Through an expansion of such service-oriented businesses, we aim to similarly expand our future growth potential. To effect the transformation toward a high-growth, high-profitability business structure under our Medium-term Management Plan, we will continue to establish new businesses targeted at customer needs and to reinforce our ability to propose new solutions.

2. 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 on growth industries and fields where we can demonstrate our strengths, and carefully allocate management resources in order to achieve the strategic expansion of business while being mindful of their future potential and growth potential.

For example, in the automotive embedded systems business for the automotive industry, the software development required for one model is both high-volume and technically advanced, and there has been rapid progress in compliance with global standards.

Within this environment, in an aim to be 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 business investments for R&D and business promotion.

In November 2014, we entered into a strategic business alliance under which our Automotive Software Business and five IT companies dealing with automotive embedded software will each apply their particular expertise to support the ECU (*1) software development efforts of Japanese automakers and their suppliers, an initiative that we expect to promote our AUTOSAR-related business. As one manifestation of this effort, in October 2015 we began providing QINeS-BSW, domestically produced basic software (BSW) for automotive applications that features our proprietary, real time, AUTOSAR-compliant OS and related services.

3. Second stage of global expansion

The Company defines the “greater Japanese market” as business responding to IT demand accompanying the overseas expansion of customers; in other words, 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 pursued even further within the new Medium-term Management Plan. In addition to these initiatives implemented up until now, we will enhance our capability for overseas local businesses in strategic businesses set forth in the basic strategies of the Medium-term Management Plan such as automotive software systems business and businesses aimed at large financial institutions in order to further expand our global business.

With regards to the global provision of services for major financial institutions, for example, we intend to enhance our ability to flexibly provide IT services, particularly in Asia, where such institutions are paying attention to for their business opportunities. In addition to strengthening our organizational presence in that region, we will also consider—and, if appropriate, implement or bolster—collaborative arrangements with domestic financial institutions capable of dependably meeting the needs of our customers and/or local firms with financial expertise.

While implementing these basic strategies, we will also work to further reinforce our management base by enhancing operational quality through promoting company-wide development standards and strengthening our project management capabilities, and raise operational efficiency through improving the efficient utilization of offices and operational processes. We also seek to win the further trust and confidence of our customers and shareholders by continuing to develop internal group-wide management structures in such areas as internal control, risk management, compliance, and security management.

Since FY2013 the Company has conducted initiatives for working style reform, called the *Smart Work Challenge 20”* program, which focuses 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 FY2015, we introduced the *“Kenko Waku Waku Mileage*” program, under which employees are encouraged to strive toward health-related improvement goals over the year, with special incentive bonuses for those who attain their goals.

We are also active promoters of new attitudes toward work. For instance, we have introduced a discretionary work system, a flex-time system, and a telecommuting system. In support of working styles aligned with employees’ life stages, we also offer adequate child-care and family-care measures, together with a full employment system up to age 65.

We also provide career support programs to promote female employees’ active role in decision making processes. We have set the goal of having 100 female employees in managerial positions by FY2018, and we provide career development support in line with this goal, including a training program to address the issues to do with career development of female employees for each generation.

These efforts by the Company have received a wide range of external recognition, including: 1st place overall in the 2014 and 2015 surveys for *Best Companies that Exert Employees Potential*, sponsored by the *Nihon Keizai Shimbun*; a 2015；a 2015 Prime Minister Prize, *the Advanced Corporation Award for the Promotion of Women* (*2); and selection as a Health & Productivity Stock (FY2014 and FY2015) and as a Nadeshiko Brand (FY2014 and FY2015) under a contest jointly conducted by the Tokyo Stock Exchange and the Japanese Ministry of Economy, Trade and Industry.

We believe that employees, creating value in an environment where employees can be enthusiastic about their work, vitality and a sense of fulfillment, will drive a virtuous cycle, creating value for customers and society at large, supporting business and earnings growth, rewarding our stakeholders and enhancing our ability to further develop our systems and support in four areas: work-life balance, diversity, health and productivity management, and personnel development.

Through these measures, SCSK is aiming to put into practice its corporate philosophy of "working together to create our future of dreams."

*1: ECU: Electronic Control Unit, a generic term for an embedded system that controls one or more electrical systems/subsystems within a motor vehicle
*2: *The Advanced Corporation Award for the Promotion of Women* (*2) a Prime Minister Prize awarded by the Gender Equality Bureau of the Cabinet Office. This award is intended to recognize companies that have made notable contributions to providing a work environment "in which women shine," including actively promoting women to executive/managerial level positions. While several similar prizes exist in Japan, this award is presented to companies that have made particularly meritorious achievements in this area.

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, 2015	As of Mar. 31, 2016
ASSETS		
Current assets		
Cash and deposits	25,908	20,840
Notes and accounts receivable-trade	63,687	63,373
Lease receivables and investment assets	443	458
Securities	900	800
Operational investment securities	18,957	10,110
Merchandise and finished goods	4,528	5,373
Work in process	522	752
Raw materials and supplies	25	53
Deferred tax assets	9,563	7,392
Deposits paid	61,798	79,004
Guarantee deposits	24,788	37,443
Other	12,353	12,613
Allowance for doubtful accounts	-32	-41
Total current assets	223,444	238,175
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	23,720	34,119
Tools, furniture and fixtures, net	6,342	7,632
Land	20,681	20,583
Lease assets, net	1,551	1,261
Construction in progress	11,874	3,271
Others, net	5	4
Total property, plant and equipment	64,175	66,872
Intangible assets		
Goodwill	169	232
Other	7,793	8,297
Total intangible assets	7,963	8,529
Investments and other assets		
Investment securities	9,675	8,075
Long-term prepaid expenses	939	1,242
Net defined benefit asset	2,305	10
Lease and guarantee deposits	7,651	6,855
Deferred tax assets	17,062	21,969
Other	1,340	1,256
Allowance for doubtful accounts	-268	-311
Total investments and other assets	38,706	39,098
Total noncurrent assets	110,845	114,500
Total assets	334,290	352,676

(Unit: Millions of yen)

	As of Mar. 31, 2015	As of Mar. 31, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	17,769	19,679
Short-term loans payable	10,000	10,000
Current portion of bonds	5,000	—
Current portion of long-term loans payable	10,000	5,000
Lease obligations	1,086	980
Income taxes payable	2,212	3,725
Provision for bonuses	6,585	6,275
Provision for directors’ bonuses	133	258
Provision for loss on construction contracts	27	984
Deposits received of prepaid cards	77,204	83,788
Other	30,779	25,562
Total current liabilities	160,799	156,255
Noncurrent liabilities		
Bonds payable	15,000	25,000
Long-term loans payable	15,000	10,000
Lease obligations	1,694	1,435
Net defined benefit liability	209	5,759
Provision for directors’ retirement benefits	24	24
Asset retirement obligations	1,538	2,056
Long-term lease and guarantee deposits	524	526
Other	962	72
Total noncurrent liabilities	34,954	44,873
Total liabilities	195,753	201,129
NET ASSETS		
Shareholders’ equity		
Capital stock	21,152	21,152
Capital surplus	3,054	3,054
Retained earnings	111,171	131,886
Treasury shares	-8,471	-8,444
Total shareholders’ equity	126,907	147,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,520	1,556
Deferred gains or losses on hedges	-16	-89
Foreign currency translation adjustment	361	169
Remeasurements of defined benefit plans	2,684	-3,866
Total accumulated other comprehensive income	5,550	-2,229
Subscription rights to shares	106	88
Minority interests	5,971	6,038
Total net assets	138,536	151,546
Total liabilities and net assets	334,290	352,676

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Unit: Millions of yen)

	From Apr. 1, 2014 to Mar. 31, 2015	From Apr. 1, 2015 to Mar. 31, 2016
Net sales	297,633	323,945
Cost of sales	225,163	245,923
Gross profit	72,469	78,021
Selling, general and administrative expenses	44,466	46,235
Operating income	28,003	31,785
Non-operating income		
Interest income	97	99
Dividend income	48	60
Share of profit of entities accounted for using equity method	472	344
Gain on sales of investment securities	1,043	89
Hoard profit of prepaid card	1,394	1,376
Other	392	310
Total non-operating income	3,449	2,279
Non-operating expenses		
Interest expenses	221	197
Retirement benefit expenses	260	—
Loss on sales of investment securities	39	—
Bond Issuance Cost	—	48
Other	262	209
Total non-operating expenses	784	455
Ordinary income	30,667	33,610
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of investment securities	451	159
Gain on reversal of subscription rights to shares	3	—
Total extraordinary income	456	160
Extraordinary losses		
Loss on retirement of non-current assets	364	87
Loss on sales of non-current assets	0	14
Impairment loss	—	356
Loss on valuation of investment securities	1	—
Loss on valuation of membership	—	2
Office transfer related expenses	2,595	374
Burden of loss on outside the contract	409	—
Compensation expenses	1,111	76
Contractual termination penalties	170	—
Total extraordinary losses	4,653	912
Income before income taxes and minority interests	26,471	32,858
Income taxes — current	2,944	4,151
Income taxes — deferred	7,439	964
Total income taxes	10,384	5,116
Profit	16,087	27,742
Profit attributable to non controlling interests	448	786
Profit attributable to owners of parent	15,638	26,956

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

(Unit: Millions of yen)

	From Apr. 1, 2014 to Mar. 31, 2015	From Apr. 1, 2015 to Mar. 31, 2016
Profit	16,087	27,742
Other comprehensive income		
Valuation difference on available-for-sale securities	1,365	-915
Deferred gains or losses on hedges	-15	-73
Foreign currency translation adjustment	413	-160
Remeasurements of defined benefit plans	277	-6,828
Share of other comprehensive income of associates accounted for using equity method	46	-115
Other comprehensive income	2,087	-8,092
Comprehensive income	18,174	19,650
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,580	19,175
Comprehensive income attributable to non controlling interests	594	474

(3) Consolidated Statements of Shareholders' Equity

Previous fiscal year (April 1, 2014- March 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury shares, at cost	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 the period					
Dividends from surplus			-4,679		-4,679
Profit attributable to owners of parent			15,638		15,638
Purchase of treasury shares				-21	-21
Disposal of treasury shares		-7		53	46
Change in equity in affiliates accounted for by equity method treasury Shares				6	6
Net changes of items other than shareholders' equity					
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							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
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 the period								
Dividends from surplus								-4,679
Profit attributable to owners of parent								15,638
Purchase of treasury shares								-21
Disposal of treasury shares								46
Change in equity in affiliates accounted for by equity method treasury Shares								6
Net changes of items other than shareholders' equity	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

Fiscal year under review (April 1, 2015- March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	21,152	3,054	111,171	-8,471	126,907
Changes of items during the period					
Dividends from surplus			-6,240		-6,240
Profit attributable to owners of parent			26,956		26, 956
Change in treasury shares of parent arising from transactions with non controlling shareholders		7			7
Purchase of treasury shares				-22	-22
Disposal of treasury shares		-7		42	34
Change in equity in affiliates accounted for by equity method treasury Shares				7	7
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	−0	20,715	26	20,742
Balance at the end of the period	21,152	3,054	131,886	-8,444	147,649

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning of current period	2,520	-16	361	2,684	5,.550	106	5,971	138,536
Changes of items during the period								
Dividends from surplus								-6,240
Profit attributable to owners of parent								26,956
Change in treasury shares of parent arising from transactions with non controlling shareholders								7
Purchase of treasury shares								-22
Disposal of treasury shares								34
Change in equity in affiliates accounted for by equity method treasury Shares								7
Net changes of items other than shareholders' equity	-963	-73	-192	-6,550	-7,780	-18	66	-7,731
Total changes of items during the period	-963	-73	-192	-6,550	-7,780	-18	66	13,010
Balance at the end of the period	1,556	-89	169	-3,866	-2,229	88	6,038	151,546

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	From Apr. 1, 2014 to Mar. 31, 2015	From Apr. 1, 2015 to Mar. 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	26,471	32,858
Depreciation	6,865	8,003
Amortization of goodwill	87	89
Impairment loss	―	356
Increase (decrease) in allowance for doubtful accounts	17	52
Increase (decrease) in net defined benefit liability	58	62
Decrease (increase) in net defined benefit asset	-1,054	-1,096
Loss on retirement of non-current assets	364	87
Loss (gain) on sales of non-current assets	-2	12
Loss (gain) on valuation of investment securities	46	―
Loss (gain) on sales of investment securities	-1,455	-248
Equity in earnings losses of affiliates	-472	-344
Interest and dividend income	-145	-159
Interest expenses paid on loans and bonds	221	197
Decrease (increase) in investment securities for sale	21,335	8,784
Decrease (increase) in notes and accounts receivable-trade	-89	226
Decrease (increase) in inventories	-809	-1,102
Decrease (increase) in guarantee deposits	-24,775	-12,655
Increase (decrease) in notes and accounts payable-trade	-2,046	1,958
Increase (decrease) in deposits received of prepaid cards	6,556	6,584
Directors' bonus payments	-139	-171
Other	2,822	-2,776
Subtotal	33,856	40,718
Interest and dividend income received	288	324
Interest expenses paid	-222	-191
Compensation expenses paid	-697	-664
Payments for move expenses	―	-2,508
Contractual termination penalties paid	-170	―
Income taxes (paid) refund	-3,347	-2,948
Net cash provided by (used in) operating activities	29,707	34,730

(Unit: Millions of yen)

	From Apr. 1, 2014 to Mar. 31, 2015	From Apr. 1, 2015 to Mar. 31, 2016
Cash flows from investing activities		
Payments of deposit	-331	—
Proceeds from withdrawal deposit	18,000	351
Purchase of securities	-3,200	-3,900
Proceeds from sales and redemption of securities	3,100	4,000
Purchase of property, plant and equipment	-10,796	-7,946
Proceeds from sales of property, plant and equipment	6	9
Purchase of intangible assets	-3,108	-3,524
Purchase of investment securities	-7	59
Proceeds from sales and redemption of investment securities	1,584	562
Proceeds from purchase of stock of subsidiaries with change of scope of consolidation	421	—
Payments for transfer of business	—	-211
Collection of short-term loans receivable	26	7
Proceeds from liquidation of subsidiaries	675	—
Proceeds from withdrawal of investments in partnership	188	235
Payments for lease and guarantee deposits	-1,313	-224
Proceeds from collection of lease and guarantee deposits	201	1,010
Other	-281	216
Net cash provided by (used in) investing activities	5,166	-9,473
Cash flows from financing activities		
Increase in short-term loans payable	7,500	10,000
Decrease in short-term loans payable	-14,500	-10,000
Proceeds from long-term loans payable	5,000	—
Repayments of long-term loans payable	—	-10,000
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	-5,000
Repayments of lease obligations	-1,522	-691
Purchase of treasury shares	-21	-23
Proceeds from sales of treasury shares	21	16
Cash dividends paid	-4,679	-6,240
Cash dividends paid to non controlling interests	-192	-137
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	-8,395	12,338
Effect of exchange rate change on cash and cash equivalents	230	-104
Net increase (decrease) in cash and cash equivalents	26,708	12,813
Cash and cash equivalents at the beginning of period	59,004	85,713
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	-81
Cash and cash equivalents at the end of period	85,713	98,445

(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) 20 consolidated subsidiaries

SCSK KYUSHU CORPORATION
SCSK HOKKAIDO CORPORATION
SCSK USA inc.
SCSK Europe Ltd.
SCSK Shanghai Limited.
SCSK Asia Pacific Pte. Ltd.
JIEC Co., Ltd.
WinTechnology Corporation
SCSK ServiceWare Corporation
VeriServe Corporation
SCSK PRESCENDO CORPORATION
Allied Engineering Corporation
CSI SOLUTIONS Corporation
QUO CARD Co., Ltd.
SCSK Nearshore Systems Corporation
VA Linux Systems Japan K.K
SCSK SYSTEM MANAGEMENT CORPORATION
SDC Corporation

One investment partnerships and one silent partnership

From the first quarter of the consolidated fiscal year under review, we have removed Veriserve Shanghai Corporation from the scope of consolidation because of its loss of materiality upon the start of liquidation proceedings for same on February 17, 2015. Also, we have removed CSK Group Investment Fund from the scope of consolidation because of a reduction of materiality upon its dissolution on June 30, 2015.

(2) Major non-consolidated subsidiaries and affiliates

GIOT CORPORATION
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.

GIOT CORPORATION, a non-consolidated subsidiary, was renamed the VERISERVE OKINAWA TEST CENTER CORPORATION on April 1, 2016.

2 Equity-method affiliates

(1) Non-consolidated equity-method affiliate : 1

GIOT CORPORATION

(2) Consolidated equity method affiliate : 2

ARGO GRAPHICS Inc.
ATLED Co., Ltd.

Tokyo Green Systems Corporation, a non-consolidated subsidiary not treated under the equity method, is excluded from the application of said method because its overall importance within the group is low and its impact on net income, retained earnings and other factors is minor.

3 Fiscal Year of Consolidated Subsidiaries

The fiscal year-end of SCSK Europe Ltd., SCSK Shanghai Limited, SCSK Asia Pacific Pte. Ltd., and one investment partnerships is December 31. Therefore, for those companies, preparation of the consolidated financial statements for the fiscal year ended March 31, 2016 is based on the financial statements for the period from January 1, 2015 through to December 31, 2015.

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 25, 2015).

(Changes in accounting policies)

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21) of September 13, 2013, the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) of September 13, 2013, and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7) of September 13, 2013, have been applied from the fiscal year under review. Differences arising from changes in holdings of subsidiaries in cases where the parent company continues to have control are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. For business combinations which occur after the beginning of the fiscal year under review, any changes to the allocation of the acquisition price arising from settlement of the provisional accounting treatment shall be reflected in the quarterly consolidated financial statements for the quarter in which the business combination occurred. Additionally, a change in presentation has been made to Net income, and the previous accounting standard category of Minority interests has changed to Non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year have been restated.

The Company has adopted these accounting standards from the beginning of the fiscal year under review, in accordance with transitional treatment based on Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

(Segment Information, etc.)

1. Overview of reported segments

The Company designates its reported segments according to customer industry and IT service business area. The Board of Directors and the Representative Director & President decide on the allocation of business resources, evaluate business performance in reference to these reported segment, with such managerial decision-making directly reflected in the pursuit of business activities within those reported segments.

Based on this arrangement, eight reportable segments have been designated: Manufacturing Systems, Telecommunication Systems, Distribution Systems, Financial Systems, Business Solutions, Business Services, IT Platform Solutions, and Prepaid Card Business.

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

(1) Manufacturing Systems: Building on years of knowledge and experience with customer industrial processes ranging from manufacturing through sales, this group provides a wide range of IT solutions in a variety of areas, from enterprise systems to production control systems, information systems, SCM/ CRM and on to automotive systems.

(2) Telecommunication Systems: This group focuses mainly on customers in the telecommunications, energy, and media sectors, to whom it provides optimally integrated services drawn together from IT solutions in such areas as enterprise systems, information systems, CRM, and service systems.

(3) Distribution Systems: This group provides IT solution packages, configured from various enterprise systems, information systems, SCM/ CRM and e-commerce solutions, to customers in the distribution, trading, service, and pharmaceutical industries. Also, to customers aiming to expand abroad, we offer a variety of optimally configured IT solutions in support of their overseas ventures.

(4) Financial Systems: This group provides a variety of system development, operation, and maintenance services to stably and efficiently support the strategic endeavors of financial institutions, mainly those in banking and trust banking, life insurance and other insurance, securities, leasing, and the credit card business.

(5) Business Solutions: This group provides AMO (Application Management Outsourcing) services that cover the entire system lifecycle, from development and installation to maintenance and operation. These services, optimally arranged to meet the business objectives of our customers, center on ERP products, beginning with our internally developed ProActive and including SAP and Oracle offerings, and on CRM products.

(6) Business Services: This group combines IT with our human resources and operational know-how to provide a level of BPO services unique to an IT company. Among the services that our group offers are: BPO backed by 13 call/ contact centers throughout Japan; third-party verification; and full EC (e-commerce) outsourcing backed by three fulfillment centers within the greater Tokyo area.

(7) IT Platform Solutions: Supported by extensive know-how and a high level of technological proficiency, this group offers flexible support for a variety of customer initiatives, in manufacturing with CAD, CAE, etc., or IT infrastructure, tailoring state-of-the-art technology and a select mix of products and services to meet customer needs.

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

(2) Recategorizing of reporting segments, etc.

Beginning from the fiscal year under review, we are restructuring our organization in support of efforts toward the client industry-based provision of system development, infrastructure building, and system maintenance/ management services. This initiative is being advanced in line with a core strategic transformation toward the promotion and growth of service-oriented businesses under our new Medium-Term Management Plan, which took effect that year.

Accordingly, two segments earlier reported as the Industrial Systems Business Group and the Global Systems Business Group have, as a result of this client industry-based reorganization, been recategorized into three reporting sections: the Manufacturing Systems Business Group, the Telecommunication Systems Business Group, and the Distribution Systems Business Group. Also, IT architecture integration, system management, datacenter (netXDC) services, and other services formerly part of the IT Management Group have been reassigned to other segments.

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)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	42,531	28,225	44,981	60,829	18,392	33,732	64,790	3,378
(2) Inter-segment sales or transfers	2,653	1,810	8,699	627	3,228	4,012	7,308	1
Total	45,184	30,035	53,681	61,457	21,621	37,745	72,098	3,379
Segment income (loss)	3,049	5,097	5,435	7,183	804	2,125	5,173	267
Segment assets	23,545	11,328	31,662	26,025	12,006	10,572	30,433	55,177
Other								
Depreciation and amortization	919	512	1,530	439	1,467	325	598	73
Investments in equity method affiliates	-	—	187	—	—	29	3,837	—
Net increase in tangible fixed assets and intangible fixed assets	3,568	977	4,251	1,136	2,037	269	1,079	22

	Other	Total	Adjustments Note 1	Per consolidated financial statements Note 2
Sales				
(1) Outside customers	770	297,633	—	297,633
(2) Inter-segment sales or transfers	1,925	30,267	-30,267	—
Total	2,696	327,900	-30,267	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.

For the fiscal year ended March 31, 2015(April 1, 2015 – March 31, 2016)

(Unit: Millions of yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Sales								
(1) Outside customers	40,849	25,628	46,754	71,259	19,052	39,273	77,135	3,217
(2) Inter-segment sales or transfers	3,193	2,715	10,035	551	2,839	2,343	6,251	1
Total	44,042	28,343	56,790	71,810	21,892	41,617	83,386	3,218
Segment income (loss)	3,220	4,471	6,321	8,386	1,592	2,839	6,314	225
Segment assets	24,660	10,541	32,307	28,198	10,816	11,861	29,408	59,154
Other								
Depreciation and amortization	1,171	544	1,880	599	1,703	384	616	81
Investments in equity method affiliates	—	—	182	—	—	89	3,913	—
Net increase in tangible fixed assets and intangible fixed assets	3,074	602	2,341	878	1,181	482	892	131

	Other	Total	Adjustments Note 1	Per consolidated financial statements Note 2
Sales				
(1) Outside customers	774	323,945	—	323,945
(2) Inter-segment sales or transfers	2,109	30,041	-30,041	—
Total	2,884	353,986	-30,041	323,945
Segment income (loss)	313	33,684	-1,898	31,785
Segment assets	4,841	221,790	140,886	352,676
Other				
Depreciation and amortization	177	7,159	843	8,003
Investments in equity method affiliates	—	4,185	—	4,185
Net increase in tangible fixed assets and intangible fixed assets	3	9,589	2,457	12,046

Notes: 1 Adjustments are as follows:

(1) ¥1,898 million subtraction from operating income (loss) to reflect companywide expenses, etc., not allocated to any reportable segment.

(2) ¥140,886 million addition to segment assets to reflect companywide assets, etc., not allocated to any reportable segment.

(3) ¥843 million addition to depreciation to reflect depreciation charges on companywide assets.

(4) ¥2,457 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, 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.

3. Major customers

Disclosure of relevant information is omitted as no sales to any single external party accounted for more than 10% of sales on the consolidated statement of income.

Fiscal year under review (April 1, 2015 - March 31, 2016)

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.

3. Major customers

(Unit: Millions of yen)

Customer	Sales	Relevant segment(s)
Jupiter Telecommunications Co. Ltd.	33,280	Telecommunication Systems IT Platform Solutions

(Note) Sales do not include those to entities within the customer's corporate group.

Information on impairment loss from fixed assets by reported segment

Previous fiscal year (April 1, 2014 - March 31, 2015)

Not applicable.

Fiscal year under review (April 1, 2015 - March 31, 2016)

(Unit: Millions of Yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Impairment loss	—	—	258	—	—	—	—	—

	Others	Elimination and corporate	Total
Impairment loss	—	98	356

Information on amortization of goodwill and unamortized balance by reported segment

Previous fiscal year (April 1, 2014- March 31, 2015)

(Unit: Millions of Yen)

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Amortization of goodwill	—	—	—	—	3	20	44	—
Balance at end of period	—	—	—	—	—	41	102	—

	Others	Elimination and corporate	Total
Amortization of goodwill	18	—	87
Balance at end of period	25	—	169

Fiscal year under review (April 1, 2015- March 31, 2016)

(Unit: Millions of Yen))

	Manufacturing Systems	Tele-communication Systems	Distribution Systems	Financial Systems	Business Solutions	Business Services	IT Platform Solutions	Prepaid Card Business
Amortization of goodwill	—	—	—	—	—	20	52	—
Balance at end of period	—	—	—	—	—	20	203	—

	Others	Elimination and corporate	Total
Amortization of goodwill	16	—	89
Balance at end of period	8	—	232

Information on amortization of goodwill by reported segment

Previous fiscal year(April 1, 2014 - March 31, 2015)

Not applicable.

Fiscal year under review (April 1, 2015 - March 31, 2016)

Not applicable.

(Per-Share Information)

(Unit: Yen)

Item	Fiscal Year 2014 (April 1, 2014 to March 31, 2015)	Fiscal Year 2015 (April 1, 2015 to March 31, 2016)
Net assets per share	1,276.37	1,401.00
Net income per share	150.71	259.72
Fully diluted net income per share	150.02	259.28

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, 2014 to March 31, 2015)	Fiscal Year 2015 (April 1, 2015 to March 31, 2016)
Net income per share			
Net income	(Millions of yen)	15,638	26,956
Amount not attributable to common stock	(Millions of yen)	—	—
Net income attributable to common stock	(Millions of yen)	15,638	26,956
Average number of shares of common stock during the period	(shares)	103,764,860	103,789,208
Fully diluted net income per share			
Profit attributable to owners of parent (adjustment amount)	(Millions of yen)	-56	-25
(Of which, change in holdings in equity method affiliates due to issuance of subscription rights)	(Millions of yen)	(-56)	(-25)
Increase in the number of common shares	(shares)	99,824	77,192
(of which, stock acquisition rights)	(shares)	(99,824)	(77.192)
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.

6. Other

Officer reassignments, retirements and appointments

1. Change in Governance Structure to a Company with an Audit and Supervisory Committee

Subject to shareholder approval at the FY2015 Ordinary Shareholders Meeting, to convene in late June 2016, the SCSK Corporation will change its governance structure to that of a company with an audit and supervisory committee. For details, please refer to our news release "SCSK to Change its Governance Structure to a Company with an Audit and Supervisory Committee" issued on February 18, 2016.

2. Officer reassignments, retirements and appointments

(1) Director reassignments

(i) Representative director reassignments (effective April 1, 2016)

President and Representative Director	Tooru Tanihara
Representative Director	Hiroyuki Yamazaki

(ii) Retired Directors (effective March 31, 2016)

Chairman	Nobuhide Nakaido (became Director and Senior Advisor)
President	Yoshio Osawa (became Chairman)
Representative Director	Tatsuyasu Kumazaki (became Director)

(2) Other officer reassignments (scheduled to take effect in June 2016 upon conclusion of the General Meeting of Shareholders)

(i) Candidates for director assignments (excluding directors who are audit or other committee members)

Vice Chairman	Michihiko Kanegae (currently Representative Director, Sumitomo Corporation)
Director	Katsuya Imoto (currently Senior Managing Executive Officer)
Director	Naoaki Mashimo (currently Managing Executive Officer)
Director	Hiroyuki Koike (currently Corporate Officer, Sumitomo Corporation)

(ii) Directors scheduled to retire (excluding directors who are audit and supervisory committee members)

Director and Senior Advisor	Nobuhide Nakaido (to become Senior Advisor)
Director	Hiroaki Kamata (to become Advisor)
Director	Shigeo Kurimoto (to become Advisor)
Director	Kimio Fukushima (to become Advisor)
Director	Takahiro Ichino (to become Advisor)
Director	Toshiyuki Kato (became President& CEO, CSI Solutions Corporation)

(iii) Candidates for director assignments (audit and supervisory committee member)

Director (audit and supervisory committee member)	Yoshiharu Takano (currently Standing Auditor)
Director (audit and supervisory committee member)	Shigeki Yasunami (currently Corporate Auditor)
Director (audit and supervisory committee member)	Yuko Yasuda (currently Director)
Director (audit and supervisory committee member)	Shigenobu Aikyo (currently Outside Director, Hashimoto Sogyo Ltd.; and Outside Director, MODEC, Inc.)

(iv) Expected corporate auditor retirements

Corporate Auditor	Yasuaki Matsuda (to become Adviser)
Corporate Auditor	Hideo Ogawa (Executive Officer, Sumitomo Corporation)

Note: All four of the candidates for director assignments (audit and supervisory committee members) are outside directors.