

Create Our Future of Dreams

**SCSK**

SCSK Corporation SCSK REPORT 2015

SCSK REPORT

**2015**

Fiscal year ended March 31, 2015



Printed in Japan

## Corporate Philosophy

# Create Our Future of Dreams

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

## Our Promises

### Respecting each other

We realize our potential by respecting each other.

### Providing excellent service utilizing reliable technology

We delight customers through our service based on  
reliable technology and passion.

### Sustaining growth from a global and future perspective

We, with our stakeholders, pursue sustainable growth for  
the world and the future.

## Code of Conduct

### Challenge

Aim higher with future creating passion.

### Commitment

Act with integrity and responsibility for our customers and society.

### Communication

Facilitate teamwork with respect and understanding.

At the time of the October 2011 merger, SCSK Corporation formulated the corporate philosophy “Create Our Future of Dreams” as its everlasting mission. This means that all executives and employees will foster relationships of trust with customers to generate new value in our aim to create a future of dreams together. The definition of a “future of dreams” will differ from individual to individual. However, even if a “future of dreams” takes different forms, everyone will have a shared sense of its pursuit, and we therefore see the “future of dreams” as a universal aspiration shared by all. We will use new technologies and ideas to contribute to the creation of value in our customers' businesses, as we strive to realize a “future of dreams” for individuals at SCSK, for customers, and for Japan.

## CONTENTS

- 2 Trail of Growth Over the Past Three Years
- 4 Chairman's Letter  
Advancing the World with the Power of IT
- 6 President Interview  
To Our Stakeholders

### Segment Overview

- 12 SCSK's Products and Services
- 14 Society Founded on IT
- 16 Manufacturing Systems Business Group  
Seeking the Depth of IT Services for the Japanese  
Manufacturing Industry Based on Service-Oriented  
Businesses
- 18 Telecommunication Systems Business Group  
Clearing a Path for Growth in the Communications,  
Utilities (Electric Power & Gas), and Media Fields
- 20 Distribution Systems Business Group  
Refining Strengths and Focusing on Provision of Ser-  
vices with a Competitive Edge
- 22 Financial Systems Business Group  
Creating the Financial Industry's Future Together with  
Our Customers
- 24 Business Solutions Group  
Creating a New Value Chain, from System Development and  
Installation to Maintenance and Operation through AMO
- 26 Business Services Group  
Reforming Earnings Structure by Stepping Up Initiatives  
in New Growth Areas and Expanding Web-Related  
Businesses
- 28 IT Platform Solutions Group  
Bolstering Earnings Strength of IT Products and Expand-  
ing Maintenance and Operation Services
- 30 IT Management Group  
Contributing to the Improvement of Corporate Value  
through the Comprehensive Strengths of IT Management  
Services

- 32 CFO Message
- 34 Financial Highlights
- 36 SCSK's CSR

### Foundation for Sustainable Growth

- 38 CSR Targets and Activity Results
- 40 Organizational Governance
- 42 Human Rights / Labor Practices
- 48 Creating environment where employees can  
work with enthusiasm  
Working Style Reforms Underpinning  
Management Reforms
- 50 Fair Operating Practices
- 52 Consumer Issues
- 53 Environment
- 54 Community Involvement and Development
- 56 Chocotto Support from SCSK  
Creating a Future from Tohoku,  
Providing Support through Social Innovation

- 58 Financial Section
- 120 Corporate Data

### Editorial Policy

As of this fiscal year, SCSK has combined its annual report, which reports primarily financial information such as operating results and business strategy, with its CSR report, which reports initiatives being taken toward fulfilling corporate social responsibilities. Published as SCSK Report, it is our hope that readers of this report will gain an understanding of SCSK and the initiatives we are taking for stable, continuous improvement in corporate value from a medium- to long-term perspective.

Scope of report: SCSK and the SCSK Group  
Publication date: August 2015  
Guidelines referenced: 

- The International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework
- ISO 26000
- Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines, Fourth Edition (G4)
- The United Nations Global Compact, Ten Principles

### Disclaimer

This report is intended to provide information about the performance and business strategies the SCSK Group and is not intended to solicit the purchase or sales of shares in Group companies. Estimates, targets, and outlooks included in this report are forward-looking statements based on information available as of the date of publication. Results and outcomes may differ materially from the forward-looking statements and no guarantee is made that targets will be reached. All such statements are subject to change without notice. The Company cannot be held responsible for losses resulting from information contained in this report. This report should not be reproduced or retransmitted without authorization.



# Trail of Growth Over the Past Three Years

In 2011, SCSK Corporation was born out of the merger between Sumisho Computer Systems Corporation and CSK Corporation. Sumisho Computer Systems was a company boasting the trustworthiness and global support capabilities that comes with being a member of the Sumitomo Corporation Group. CSK Corporation, meanwhile, was a company that had established a unique position as an independent information service provider through solid planning skills, initiative, and assertiveness. The Medium-Term Management Plan established at the time of the merger called for us to pursue a true unity, coupled with synergies between the two companies. This pursuit led us to strengthen and expand our earnings base, culminating in the successful achievement of the plan's goals.

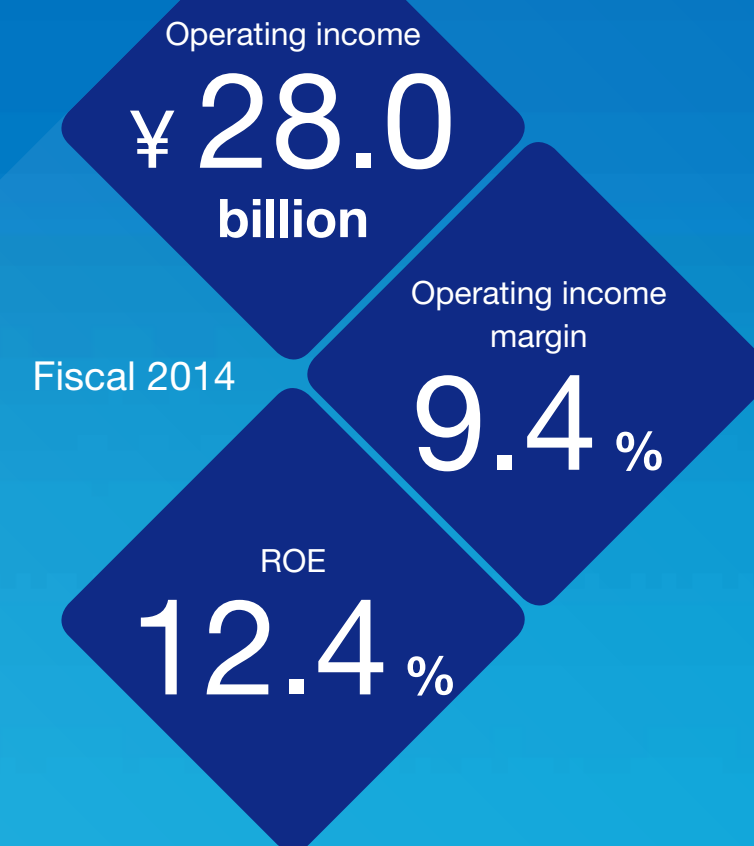
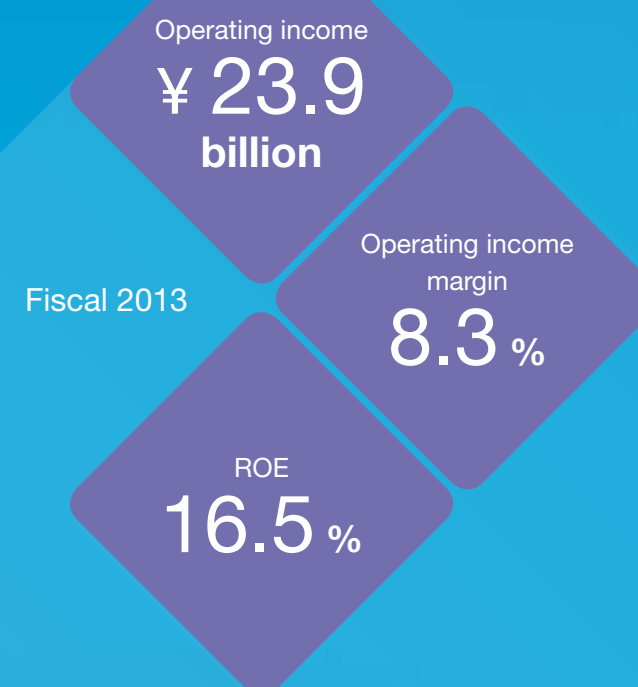
## Improved revenue base

### Core Strategies

- Pursue cross-selling
- Expand the global solutions business
- Strengthen the cloud solutions business

### Core Initiatives

- Improve profitability (organizational strength)
- Enhance human resource capabilities
- Improve operational productivity



Realize steady growth by achieving goals of the Medium-Term Management Plan, which was formulated at the time of our merger

## Chairman's Letter

# Advancing the World with the Power of IT



**Nobuhide Nakaido**

Chairman

SCSK Corporation is a global IT services company that was created through the merger of Sumisho Computer Systems Corporation and CSK Corporation in October 2011. In conjunction with this merger, we defined our corporate philosophy—"Create Our Future of Dreams"—and also set forth three promises to be kept as we work to realize this philosophy. These are "respecting each other," "providing excellent service utilizing reliable technology," and "sustaining growth from a global and future perspective."

Also at the time of the merger, we launched a three-year Medium-Term Management Plan with the three core strategies of "pursuing cross-selling," "expanding the global solutions business," and "strengthening the cloud solutions business." Over the three years of this plan, we advanced these core strategies while conducting organizational integration and harmonization, increasing business efficiency, and enhancing operational quality to form the foundations for future growth. By strengthening SCSK's earnings base in this manner, we were able to meet all of the plan's targets, including operating income, operating income margin, and return on equity (ROE) in fiscal 2014, its final year. Grounded on the management platforms established to date, we will accelerate the pace of growth to develop our business more aggressively as we pursue growth. To guide us on this path, in April 2015 we launched a new Medium-Term Management Plan, which included the three

core strategies of "shifting to service-oriented businesses," "promoting strategic businesses that capture the changing times," and "entering into the second stage of global business expansion." Based on these strategies, each of which represents an axis of growth, we will continue to strengthen existing businesses while creating and providing new high-value-added services that preemptively address the needs of the times. Through this undertaking, we plan to further support Japanese companies by offering IT solutions that boost their competitiveness and globalization.

Today, economic growth is proceeding on a global scale and the world is facing a number of issues, including climate change, food shortages due to population growth, and the depletion of finite natural resources. Looking at Japan alone, there is a wide range of complicated social issues which also need to be addressed, such as the declining birthrate, aging population, and pressing energy supply problems. SCSK's core IT services operations entail providing revolutionary solutions to customers' business issues and creating value. I am confident that this business has the potential to play a role as a form of social infrastructure for solving the numerous issues faced by society.

In addition to resolving social issues through its business activities, SCSK is a forerunner in terms of improving workplace environments through such means as enhancing childcare and nursing

care support systems, extending the retirement age to 65, and supporting career advancement of female employees. Achieving excellence on this front is another important responsibility SCSK is charged with as a leader in Japan's IT services industry. Based on this perspective, we are reforming working styles, promoting diversity, helping employees improve their health, and instituting other measures with the aim of making SCSK into a pleasant and rewarding place to work. As one measure for reforming working styles, we are advancing the Smart Work Challenge program, an initiative aimed at reducing overtime work and encouraging all employees to take 20 paid vacation days a year. The results of this initiative in fiscal 2014 greatly exceeded targets, with the average number of overtime hours worked monthly declining below our target of 20 hours to slightly over 18 hours and with employees taking 19 or more paid vacation days on average. The IT services industry is generally viewed as entailing incredibly difficult working conditions. I therefore believe that the ability to realize this degree of workplace environment improvement has significant meaning to society as a whole. In addition, we launched the "*Kenko Waku Waku Mileage*" program in fiscal 2015 with the aim of encouraging employees to pursue health improvement, with incentives provided to reward them for their efforts. These initiatives are based on the belief that assisting our employees in maintaining good physical and mental

health, and viewing their work as worthwhile will in turn enable us to provide services of the highest caliber, which grants joy and inspiration to customers. Moreover, SCSK hopes its initiatives will have a widespread influence, resulting in similar initiatives being conducted throughout the IT services industry, helping this industry and subsequently all industries grow into gratifying and fulfilling places to work.

SCSK will strive to create new value through IT services by using the latest IT and new, innovative ideas to resolve the issues that customers face in their various businesses. We will work together with customers and society to build a future that is desirable to all, and thereby continues to grow going forward.

We ask for your continued support as we move forward together.

August 2015

**Nobuhide Nakaido**

Chairman



# To Our Stakeholders



**Yoshio Osawa**  
President

**We aim to conduct dynamic growth strategies grounded on the management base established through the merger. Having accomplished the targets of the previous Medium-Term Management Plan, we have begun making powerful strides toward achieving the goals of the new Medium-Term Management Plan slated to end with fiscal 2019.**



Could you please explain the initiatives implemented under the previous Medium-Term Management Plan and their results. Also, what was accomplished in fiscal 2014, the final year of the plan, and how would you evaluate SCSK's progress in this year?

**We successfully achieved the profitability targets of the plan by advancing the three core strategies of “pursuing cross-selling,” “expanding the global solutions business,” and “strengthening the cloud solutions business.”**

In October 2011, officers from Sumisho Computer Systems Corporation and CSK Corporation assembled to prepare for the merger of the two companies. Through a series of discussions regarding business plans, we arrived at the previous Medium-Term Management Plan, which defined “strengthen our earnings base” as our goal for its three-year period. At that time, the most pressing task placed before the newly formed SCSK was to effectively harmonize the two companies to give rise to a union greater than the sum of its parts. It was with the aim of creating this extra value that we formulated the three core strategies of “pursuing cross-selling,” “expanding the global solutions business,” and “strengthening the cloud solutions business.”

The “pursuing cross-selling” strategy entails mutually utilizing the customer bases of both companies, and proposing integrated IT services by organically linking their businesses, services, and know-how. Under the “expanding the global solutions business” strategy, we defined markets associated with the efforts of Japanese companies to expand their operations overseas as the “greater Japanese market.” We then proceeded to supply this market with high-quality IT support services that were up to Japanese standards, creating significant results through this process. As part of our efforts to advance the “strengthening the cloud solutions business” strategy, we established our ninth data center, which is located in Chiba Prefecture. With this new addition, SCSK's total data center floor space rose to the industry-leading level of roughly 70,000 m<sup>2</sup>. Meanwhile, USIZE, our pay-per-usage cloud services providing IT infrastructure, performed favorably.

Through these initiatives, we successfully achieved the profitability targets of the previous Medium-Term Management Plan in the plan's final year.



What strategies will be instituted under the new Medium-Term Management Plan that began with fiscal 2015?

**Under the new Medium-Term Management Plan, we will pursue dynamic and robust earnings growth by advancing the three core strategies of “shifting to service-oriented businesses,” “promoting strategic businesses that capture the changing times,” and “entering into the second stage of global business expansion.”**

Through the initiatives of the previous Medium-Term Management Plan, we were able to surmount the challenge of integrating the organizations of both companies after the merger and subsequently strengthen SCSK's management and earnings bases. We are now poised to move onto the next stage, a stage characterized by growth. Taking into account the successes of the previous plan and the issues it left unresolved, we formulated the new Medium-Term Management Plan, which encompasses a five-year period leading up to fiscal 2019. This plan is centered on the core strategies of “shifting to service-oriented businesses,” “promoting strategic businesses that capture the changing times,” and “entering into the second stage of global business expansion.” Guided by this plan, we will target robust medium- to long-term earnings growth combined with improved business profitability in order to heighten both SCSK's corporate value and its stock value.

In regard to our management base, we will continue along the same vector represented by the previous plan's emphasis on organizational productivity and the creation of a pleasant workplace environment. Accordingly, the new Medium-Term Management Plan prescribes the following measures for strengthening the Company's management base: “seek operational quality,” “improve business profitability,” “enhance operational efficiency,” “pleasant, fulfilling place to work and promote health and productivity management,” and “enhance human resource capabilities.”

**Previous Medium-Term Management Plan (2011/10-2015/3)  
— Summary of the Plan & Performance of FY 2014 —**

**Following the two companies' merger in October 2011, promoted true integration and sought merger synergies. Improved revenue base**

	Previous mid-term plan targets	Results for FY ended March 2015
Sales	¥ 300.0 Billion	¥ 297.6 Billion
Operating Income	¥ 25.0 to 30.0 Billion	¥ 28.0 Billion
Operating Income Margin	8 – 10%	9%
ROE	At least 10%	12% *

\* Standard tax rate basis SCSK estimates

**New Medium-Term Management Plan (2015/4-2020/3)**

**Transform Business Structure (to a non-labor-intensive business)/ Dynamic Growth Strategy Aiming to Achieve High Profit Growth**

Core Strategy	Strengthen Management Base
1. Shifting to service-oriented businesses 2. Promoting strategic businesses that capture the changing times 3. Entering into the second stage of global business expansion	1. Seek operational quality 2. Improve business profitability 3. Enhance operational efficiency 4. Pleasant, fulfilling place to work/ Promote health and productivity mgt. 5. Enhance human resource capabilities



I would like to hear about each of the three core strategies. Could you please provide an overview of the first strategy of “shifting to service-oriented businesses”? Also, how are organizational structures being reformed to facilitate the advancement of this strategy?

**SCSK possesses a wealth of IT assets accumulated over the course of 45 years, which include its IT-related intellectual properties, experience, and expertise, as well as its industry-leading data centers. By utilizing these assets to provide customers with unique, high-value-added services, we aim to transition to a business model with higher profitability.**

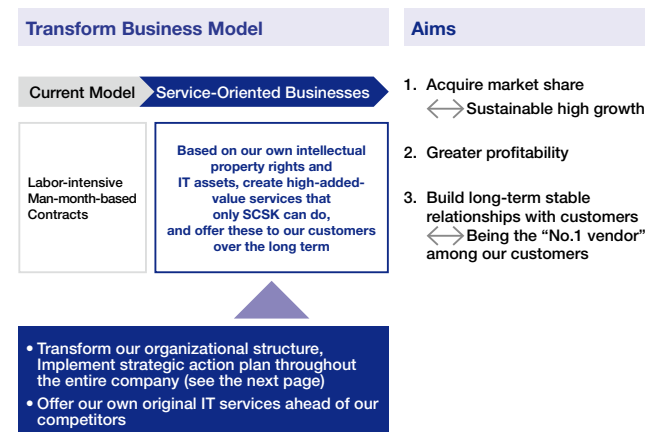
In the past, SCSK's business was centered on a labor-intensive model in which earnings were based on the monthly sales from each system engineer. Under this model, a rise in orders would be accompanied by a corresponding increase in labor and other costs, making it difficult to realize substantial growth in operating income. To become the type of highly profitable company targeted by the new Medium-Term Management Plan, it is absolutely essential that we quickly shift to service-oriented businesses. Accordingly, we will fully leverage the IT assets and intellectual properties accumulated to date to create unique, high-value-added services, and thereby transition to a business model with higher profitability.

A representative example of a service-oriented business utilizing SCSK's IT assets and intellectual properties would be the Application Management Outsourcing (AMO) business, through which we offer comprehensive maintenance and operation services to customers that have been supplied with IT systems or equipment. These services are conducted remotely from our facilities. Other examples include the business of providing various pay-per-usage services through SCSK's data centers and its USiZE cloud platform.

At the moment, existing service-oriented businesses have sales in the range of ¥40.0 billion. Over the medium term, we aim to increase these sales to approximately ¥120.0 billion.

Realizing that accomplishing this goal would require organizational reforms, we changed to a new organizational structure in April 2015. Aiming to provide one-stop services covering system development, IT infrastructure, and systems maintenance and operation, that are designed for each customer industry, we introduced industry-specific organizations and incorporated functions of the IT Management Group, which previously functioned as an independent organization responsible for infrastructure implementation and systems operation, into each industry-based organization.

#### Shifting to Service-Oriented Businesses



Would you please explain the second core strategy, “promoting strategic businesses that capture the changing times”?

**We will work to ensure the Company's sustainable development by selecting industrial fields with high growth potential, such as automobiles and energy, on which to concentrate management resource allocation.**

While Japanese companies once stood at the pinnacle of such industries as home electronics and PCs, these industries now present a difficult arena for these companies. Conversely, Japanese companies are currently leading the world in markets related to areas including electronic components, such as those used in automobiles and smartphones.

In this environment, ensuring the ongoing development of the Company will require us to select industrial fields that present high growth potential and in which SCSK can grow together with its customers, and then concentrate management resource allocation on these fields.

One such field is the automobile industry—one of Japan's mainstay industries. In this field, the software operating the electronic control units (ECUs), which are incorporated into engines and transmissions, is becoming more extensive, complex, and sophisticated. This development is being fueled by a need to create automobiles that respond to trends such as an increased drive for environment preservation and for safety and security.

This situation is creating a climate in which the ability to efficiently develop high-quality automobile software at low prices is of utmost importance for automobile manufacturers and suppliers.

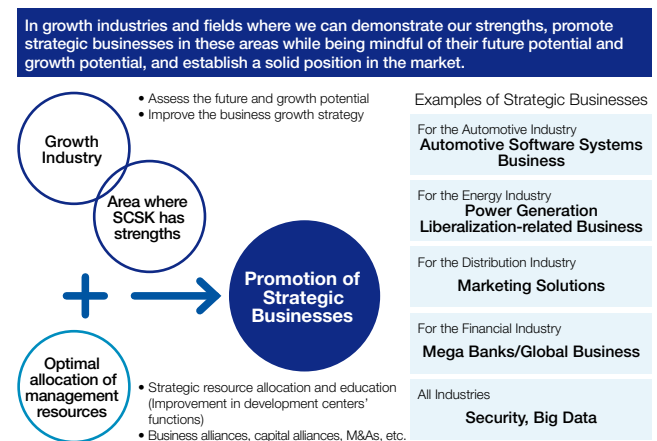
Taking advantage of this situation, SCSK aims to help accelerate the evolution of Japan's automotive industry by providing development services and software products that aid such companies in keeping their software development capability competitive.

Over the foreseeable future, we plan to cultivate an extensive force of engineers in the ECU software field, where the model-based development method is generally used, to augment our ability to provide high-quality development services.

The next step will be to develop and provide a common automotive software platform, otherwise known as basic software (BSW), employing the AUTOSAR (AUTomotive Open System ARchitecture), which is steadily becoming the global standard. In this way, we will work to become the leading ECU software supplier in both name and substance.

However, our efforts will not be limited to the automobile industry. Other industries to be targeted include the energy industry, where we hope to respond to IT demand arising from the structural

#### Promote Strategic Businesses that Capture the Changing Times



and regulatory reforms associated with the deregulation of the electricity retail market in Japan, and the distribution industry, where we plan to offer marketing solutions. We will work to establish a solid market position in these and other growth industries and fields in which SCSK can leverage its strengths by advancing strategic businesses while carefully evaluating the future prospects and growth potential of these businesses.



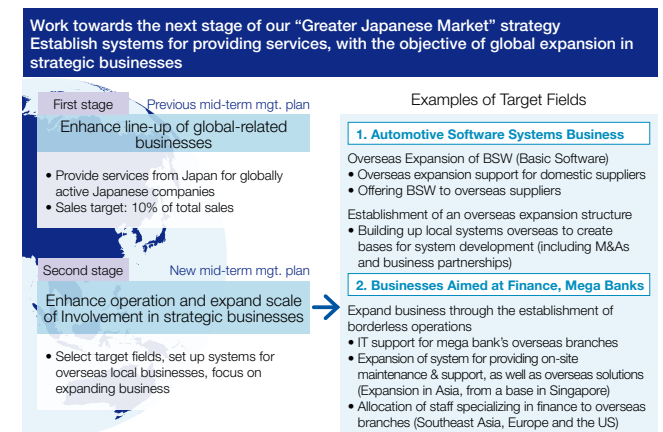
Regarding the third core strategy—“entering into the second stage of global business expansion”—what does this entail?

**We will offer IT support to address the needs of megabanks pursuing overseas expansion in earnest, and will endeavor to play an integral role in the global advancement of Japanese companies in fields such as automotive software development.**

We will continue to develop IT services businesses in the greater Japanese market, which the Previous Plan defined as the market where we provide IT support for Japanese companies expanding operations overseas, and will further grow these businesses.

Elsewhere, the financial industry is a field that is expected to grow on a global scale going forward. Japanese megabanks are currently accelerating initiatives in preparation for full-fledged overseas expansion. In tandem with this movement, SCSK is rapidly reinforcing its IT support systems in order to provide assistance to the overseas branches and subsidiaries of these megabanks. At the same time, we are also stepping up the construction of systems catering to automotive software demand in the automobile industry, where businesses are being developed on a worldwide basis. Specifically, we are organically enhancing our operations centered on the Asian and European regions, which are expected to see rising demand, but we will not deny such options as mergers and acquisitions (M&A) activities as well as business alliances to achieve growth.

#### Second Stage of Global Business Expansion



Next, would you please explain how SCSK will strengthen its management base in order to realize the business structure transformations and growth strategies targeted under the new Medium-Term Management Plan?

**As measures to strengthen our management base, we focus on efforts to “seek operational quality,” “improve business profitability,” “enhance operational efficiency,” “pleasant and fulfilling place to work and promote health and productivity management,” and “enhance human resource capabilities.”**

As we seek operational quality in SCSK's mainstay system integration business, we will advance a step further in our traditional efforts to limit exposure to unprofitable projects. Striving to improve development quality and productivity, we will utilize the internal SmartEpisode Plus (SE<sup>+</sup>) development standards throughout the Group and encourage major business partners to use them as well, while also forging ahead with visualization of all aspects of the development process with SE<sup>+</sup> NAVI. Meanwhile, the Company's business portfolio will be continually revised through business screening to improve profitability. Through this process, we will shift management resources from unprofitable businesses to strategic growth businesses with the aim of enhancing profitability.

With regard to reforming working styles, we realize that our human resources are the most important management resources for the future growth of the Company. This attitude has not gone unnoticed, as shown by the fact that SCSK was awarded 1st place in overall rankings of Nikkei Inc.'s 2014 survey of companies that exercises their employees potential. The Company was also selected as a FY2014 Nadeshiko Brand and included in FY2014 Health & Productivity Stock Selection, both of which are jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. I feel that these honors represent the high opinion of SCSK's stance of devoting its energies toward building a fulfilling, rewarding place to work. We are pursuing this goal by reducing overtime, encouraging employees to take paid days off, aiding female employees in developing their careers, and supporting employees in pursuing their work-life balance. Looking ahead, we will strive to further enhance organizational productivity and enable employees to establish an even better work-life balance. To this end, we will expand the eligibility of discretionary working systems to help them realize more flexible work styles while reforming their daily operation processes. As another initiative to build a pleasant workplace, we introduced the Companywide “*Kenko Waku Waku Mileage*” program,





a system designed to inspire employees to improve their health by awarding points for health-conscious behaviors.

To enhance human resource capabilities, we provide employees with opportunities to learn and grow on an ongoing basis. In addition, we constructed new lodging facilities at the training center located in the Tama district of Tokyo to stimulate communication among employees. By fully letting them exploit our curriculum of more than 800 training programs conducted throughout each year and these new facilities, SCSK aims to enhance the skills of engineers while also cultivating management candidates. In addition, we encourage employees to think proactively about their careers and provide them with opportunities to develop a sense of independence toward their work.

**Q** What are the quantitative targets of the new Medium-Term Management Plan? Also, what were some of the key factors considered in setting these targets?

**Before the end of the plan, we aim to achieve operating income of ¥50.0 billion, an operating income margin of between 10% and 12%, return on equity (ROE) of 15%, and earnings per share (EPS) of ¥320.**

Let me start by saying that the reason we set the period of the new Medium-Term Management Plan at five years was to display our strong commitment to the plan's ultimate goal: growth. We also recognized that five years would be needed before the plan's measures could begin making contributions to earnings. The measures I refer to include improving profitability, expanding new strategic businesses, undergoing dynamic business and organizational reforms in conjunction with "shift to service-oriented businesses," reallocating and cultivating human resources, and conducting related upfront investments.

The new Medium-Term Management Plan does not contain a sales target. This move was intentional. We wanted to advance this plan with an emphasis on final earnings, income growth, and profitability improvement. It was for this reason that we chose to set management targets only for profitability indicators, namely operating income, operating income margin, ROE, and EPS.

In fiscal 2019, the final year of the new Medium-Term Management Plan, we aim to achieve operating income of ¥50.0 billion and raise the operating income margin from the level of 9% in fiscal 2014 to between 10% and 12%. At the same time, we will strive to improve ROE from

12% in fiscal 2014 to 15%, and nearly double EPS to ¥320.

Looking beyond the plan's five-year period, we will decisively execute reforms geared toward sustainable growth while steadily building the foundations for future growth with the aim of one day elevating SCSK to the status of a top-notch IT services company.

**Q** What are your forecasts for fiscal 2015? Also, why do these forecasts project operating income growth that is so slow in comparison to past performance?

**In the first year of the new Medium-Term Management Plan, we will conduct aggressive investment targeting growth in five years going forward.**

In fiscal 2015, the first year of the new Medium-Term Management Plan, we are forecasting net sales of ¥310.0 billion, up 4.2% year on year; operating income of ¥29.0 billion, up 3.6%; and an operating income margin of 9%, the same as in fiscal 2014. At the same time, we expect ROE to increase 1 percentage point, to 13% and EPS to amount to ¥178\*.

The operating income forecast of ¥29.0 billion incorporates the expenses expected to be incurred during the fiscal year, which will exceed previous years due largely to measures to fuel future growth, particularly business investment related to the development of automotive software systems. On an organic growth basis, we anticipate that operating income will rise by more than 10% year on year.

In order to achieve the type of dynamic transformation in business structure that we aim to achieve, we will need to make investments that are at least in the range of ¥15.0–20.0 billion over the next five years. Nonetheless, we must aggressively conduct the investments required to advance the transition in business models and start up new businesses to serve as future growth drivers with bold decisiveness. We cannot become preoccupied with short-term performance. Management is charged with the mission of executing the business investments that have been deemed necessary to create the type of robust earnings growth that our stakeholders can truly appreciate five to 10 years down the line. Fiscal 2015 is the turning point at which we begin on this path.

\* ROE and EPS figures are based on internal estimates calculated on a standard tax rate basis.

**Q** What new corporate governance and management systems will be put in place to advance the new Medium-Term Management Plan?

**We are determined to realize the ideal management structure for our business based on the basic policy of improving management efficiency, maintaining sound operation, and securing transparency.**

Corporate governance is placed among the highest management priorities. SCSK's basic policy on corporate governance is to raise management efficiency and maintain healthy operations from the perspective of shareholders and various other stakeholders while securing the transparency necessary to accomplish this. All this is to be done while bearing in mind our corporate social responsibility (CSR) as a company. Based on this policy, we are determined to realize the ideal management structure for our business.

To advance the new Medium-Term Management Plan, SCSK employs a corporate governance structure organized around the General Meeting of Shareholders as the ultimate decision-making body, and contains a Board of Directors, a Board of Auditors, and an independent auditor. The Board of Directors has 18 members, three of whom are outside directors. In principle, the Board of Directors meets monthly to decide on important management issues and to supervise operational execution. To ensure that supervisory functions for the Board of Directors are executed consistently and are improved upon, we continually appoint outside directors with no conflicts of interest with general shareholders.

The term of directors is set at one year to clarify management responsibilities in each fiscal year. Full-time directors also serve concurrently as executive officers to better facilitate swift decision-making in response to actual business conditions and ensure more effective oversight of operational execution.

The Board of Auditors has four members, three of whom are outside corporate auditors. In accordance with the audit policy set by the Board of Auditors, corporate auditors attend meetings of the Board of Directors and the Management Committee as well as other management meetings, and request business reports from directors and executive officers.

The Management Committee, which is comprised of directors, executive officers, and corporate auditors, has been established as an advisory body to the chairman and the president with regard to important management matters.

**Q** Do you have any final messages for SCSK's stakeholders?

**While actively improving SCSK's profitability and financial base, we will work to elevate the Company to a top-notch status in regard to all aspects, including governance and CSR, and thereby realize a high level of shareholder returns.**

In fiscal 2015, we plan to issue an even higher level of returns to our shareholders by raising dividend payments by ¥20 per share, making for total dividends of ¥70 per share and our fourth consecutive year of increased dividends.

Only three years have passed since the merger, and SCSK is still a rather young organization. Nonetheless, through the new Medium-Term Management Plan, we are committed not only to improving SCSK's profitability and financial base but also to elevating the Company to a top-notch status in regard to all aspects of its operations, including governance and CSR. As one facet of these efforts, we combined the previously separate annual reports and CSR reports that we create for stakeholders to form a single integrated report for fiscal 2014. This report is meant to paint a portrait of SCSK's business activities and growth potential from both a financial perspective, including factors such as the Company's earnings and financial base, and a non-financial perspective, looking at our environmental and social initiatives. We hope that this report will allow our stakeholders to more comprehensively evaluate SCSK. This is just one element of the ongoing, transparent information disclosure we aim to conduct in order to help our shareholders develop a better understanding of our business as an IT services company. Moreover, we realize that Japanese society needs companies that can support its development and help to improve the convenience of people's daily lives by creating more advanced IT services. SCSK believes that we are destined to make a great contribution to society in this regard.

Everyone at SCSK is devoted to increasing corporate value from the perspective of our stakeholders, and to growing the Company into one of Japan's foremost IT services companies. I hope we can look forward to your ongoing support and understanding as we progress into the future.

Management Targets and Forecast for FY ending March 2016

	FY ended March 2015	New Medium-Term Management Plan Period	
		Forecast for FY ending March 2016	Strategic Targets for FY ending March 2020
Sales	¥ 297.6 Billion	¥ 310.0 Billion	
Operating Income	¥ 28.0 Billion	¥ 29.0 Billion	¥ 50.0 Billion
Operating Income Margin	9%	9%	10 – 12%
EPS	¥ 150*	¥ 178*	¥ 320
ROE	12%*	13%*	15%
Annual Dividend	¥ 50	¥ 70	

\* Standard tax rate basis SCSK estimates





# SCSK's Products and Services

SCKS is supporting businesses in creating new value and developing globally with a full range of IT-related services. We support customers' businesses and society itself by providing a complete lineup of all the IT services that businesses require, from system development, IT infrastructure construction, IT management, and business process outsourcing (BPO) to sales of IT hardware and software.



System development

IT infrastructure construction

IT management

BPO

IT hardware and software sales

Supporting our customers' businesses and society through IT services



# Society Founded on IT

Here we introduce some of the services the Company offers in its different segments to support society. SCSK takes a two-pronged approach to resolving social issues: addressing issues directly through its businesses and contributing to resolutions by supporting customers and aiding them in overcoming their own issues.

## Manufacturing Systems Business



Comprehensive lineup of IT services ranging from production management, procurement and purchasing management, and sales management to after-sales follow-up services provided to a diverse range of manufacturers in the automobile, home electronics, electrical and precision machinery, and other industries



High-quality automotive software system development services with robust 30-year track record that involve model-based development employing AUTOSAR architecture

Refer to page 17

## Telecommunication Systems Business



Energy management system for realizing the effective use of electricity

Refer to page 19



IT infrastructure provided for cable TV operators



Enterprise systems provided for major mobile phone service providers

## Distribution Systems Business



Super Market Cloud EDI service, an electronic data interchange service compatible with the distribution BMS (Business Message Standard)



A mobile cloud service to support the sales activities of medical representatives (MRs) at pharmaceuticals companies

Refer to page 21



Analytical services that facilitate smarter recognition in every operation



## Financial Systems Business



One-stop services covering development, operation, and maintenance of systems for financial institutions



A monitoring system that supports the detection and prevention of various financial crimes

Refer to page 23



A system that detects the fraudulent use of credit cards

## IT Management



High-value-added data centers equipped with cutting-edge security located in protected buildings and facilities

Refer to page 31



Fast and accurate countermeasures for security threats that evolve on a daily basis



Software for uniform management and control of private and public clouds through a graphical user interface (GUI)



Cloud-based development environment services that provide project management and hybrid cloud development environments



A cloud service that delivers security and safety along with swiftness and flexibility

## Business Solutions



An enterprise resource planning (ERP) package that covers core corporate functions, such as accounting, sales management, human resources, payroll, and asset management

Refer to page 25



A cloud-based voice system infrastructure that enables swift, low-cost establishment of call centers



A system development and implementation platform that allows for swift development, easy operation, and flexible improvements

## Business Services



High-value-added BPO services that address all areas of customers' business lifecycles

Refer to page 27



Services for conducting verification of IT-related products (hardware and software) and applications from a third-party perspective



One-stop IT services and fulfillment services that underpin e-commerce operations

## IT Platform Solutions



Comprehensive support service for tasks ranging from installation of IT products to operation, maintenance, and training



Service that substantially reduces the time and monetary requirements for research and development (prototyping) of fuel cells, fiber composite materials, and other advanced materials



A service that can integrate file servers scattered throughout the world to facilitate safe inter-office file sharing

Refer to page 29

# Manufacturing Systems Business Group

Seeking the Depth of IT Services for the Japanese Manufacturing Industry Based on Service-Oriented Businesses

In the Manufacturing Systems Business Group, SCSK positions the automotive software systems business as a growth area, and aims to create global standards for automotive software systems that originate from Japan. At the same time, the Group contributes to Japanese manufacturing companies through the development and operation of IT systems for global management and business operations. The Group is also creating new strategic businesses by making an entrance into the after-market, which includes total support services for products after they are sold.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 27.7 billion** Segment Income **¥ 2.0 billion**

## Business Details

The automobile industry is one of Japan's mainstay industries. As such, the Manufacturing Systems Business Group positions the development of automotive software for ECUs, which control the various behaviors of an automobile, as a strategic business. In addition, the Group provides a wide range of IT solutions for the entire operational process from production to sales for various manufacturers, such as those of household appliances and automobiles, on a global scale. These services range from development to operation of IT systems including production management, supply chain management (SCM) and customer relationship management (CRM) systems.

With the steady increase of demands for electronic components primarily for hybrid cars and those assisting safety driving, automotive software is steadily becoming a necessity as it functions as a control program for the various components. Accordingly, the field of automotive embedded software is expected to experience high growth going forward. Currently, in the automobile industry, we are introducing model-based development that is grounded on AUTOSAR standardized automotive software architecture and Automotive SPICE, a process model aiming at improving quality. In this manner, we are implementing the development of highly productive, high-quality automotive software systems.

The Group provides support services for model-based development, engages in development of BSW products (OS, driver, middleware for ECUs)

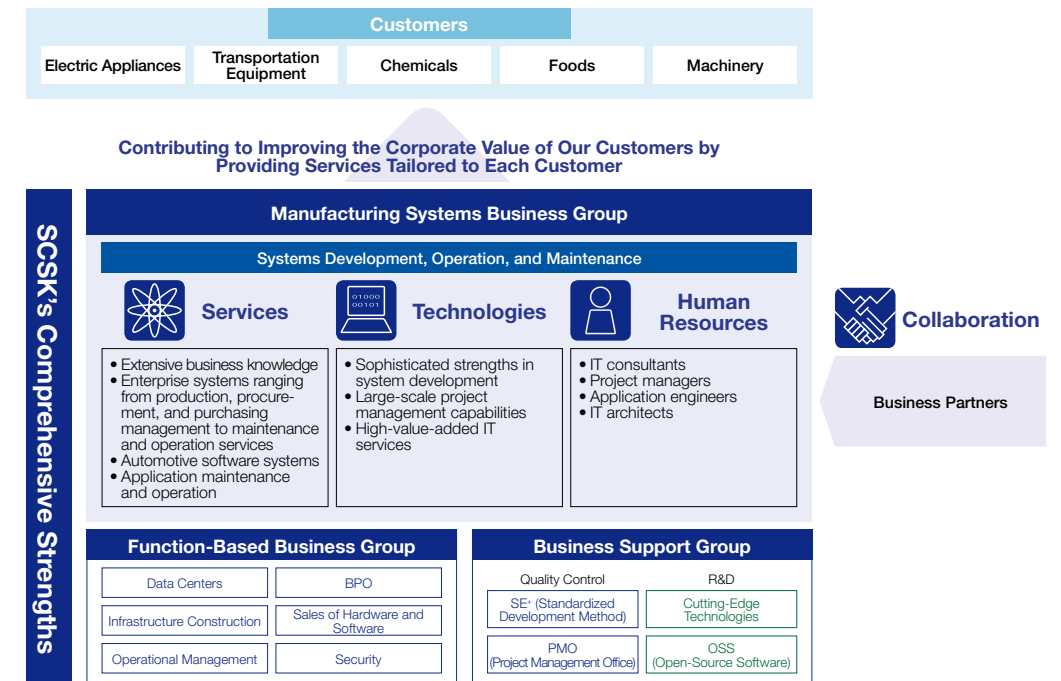
which are compliant with AUTOSAR, as well as provides support services for development of those BSW products, to Japanese automotive manufacturers and auto-parts suppliers. In order to promote this business further, we are focusing on developing internal human resources, in parallel with forming strategic partnerships with our business partners.

Meanwhile, backed by our 45-year track record of developing systems for the manufacturing industry, we are providing development and operation services for enterprise and operational systems geared toward manufacturers of household appliances, automobiles, electric machinery, and precision equipment, among others, based in the greater Tokyo, Osaka, and Nagoya region.



**Tooru Tanihara**  
Director, Senior Managing Executive Officer  
General Manager,  
Manufacturing Systems Business Group

## Business Domain



## Strategy in the New Medium-Term Management Plan

The Manufacturing Systems Business Group has adopted "establishing a solid position to support the Japanese manufacturing industry by leveraging services and quality unique to SCSK" as its main policy. Under this policy, the Group is accelerating the following initiatives.

First, the Group aims to create service-oriented businesses for the manufacturing industry by providing integrated services that leverage SCSK's comprehensive strengths.

Second, through the promotion of its customer-oriented approach, the Group will actively take part in planning core customers' management strategies and take initiatives to accelerate this approach by formulating and proposing specific action plans. Under this initiative, the Group is maintaining its focus on customers, trying to listen carefully to their unvoiced concerns, as it works to identify real management

issues and provide solutions.

Through these initiatives, the Manufacturing Systems Business Group will create new strategic businesses after the automotive software systems business. As part of these strategic businesses, the Group will take initiatives toward global businesses in the specific field of global SCM construction, which accompanies the overseas expansion of our customers. The Group will also expand its services by utilizing SCSK's comprehensive strength to enter into the expansive after-market of automobile and household appliances such as responding to after-sales inquiries from who bought automobiles and household appliances, and providing maintenance support to these customers by using IoT (Internet of Things) technologies to prevent product failure, repairs, and second-hand sales.

## CASE STUDY Resolving Social Issues through Our Business Activities



### Supporting the Safe and Reliable Development of Automobiles of the Near Future

Recently, there has been a further increase in the need for safe and reliable automobiles, and the technological evolution of automatic driving and advanced driving has been nothing short of remarkable. At the same time, computer control systems embedded in automobiles are becoming more sophisticated and complex. Accordingly, the efficient development of automotive software systems is becoming a major issue for automobile manufacturers and parts suppliers alike. In ECU development for automotive software systems, SCSK has a proven track record that spans over 30 years, and has contributed to the resolution of development issues our customers face. Keeping its focus on AUTOSAR, which is gradually becoming the development standard for automotive software, we have been actively engaging in the new method of model-based development for many years. We will continue to secure the high quality that is needed in automotive software systems, and by answering the need for safe and reliable automobiles we will continue to develop businesses that give back to society going forward.

**Masashi Sato**  
General Manager, Automotive Systems Dept. I  
Automotive Systems Business Div.

Automotive Software  
Systems



# Telecommunication Systems Business Group

Clearing a Path for Growth in the Communications, Utilities (Electric Power & Gas), and Media Fields

SCSK is taking full advantage of its sophisticated expertise and agility in the fields of communications, utilities (Electric power & Gas) and media to better position itself on a course for growth. We are also actively taking initiatives in such new business domains as next-generation services and those highly specialized areas capitalizing on the shift toward electricity deregulation. In doing so, we are taking on the challenge of providing customers with new added value.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 22.8 billion** Segment Income **¥ 3.6 billion**

## Business Details

The Telecommunication Systems Business Group provides optimal integrated services through combinations of various IT solutions to the communications, utilities (Electric power & Gas), and media fields. These solutions include enterprise systems, management information systems, CRM, and service systems.

For the communications industry, we provide services such as construction of customer management systems including sales order management systems and billing systems for major mobile telephone companies. We also provide maintenance and operational services of these systems. For the utilities (Electric power & Gas) industry, we are involved in projects of highly specialized areas related to energy policies and electricity deregulation, and we are taking initiatives in regard to the construction of new type of energy management IT systems. For the media industry, we handle enterprise systems for cable TV and televised home-shopping companies and provide operational support for these systems. We work to optimize these companies' CRM and strengthen their management base. We also provide full support for IT-related operations.

What these three businesses areas have in common is the fact that they all have direct interaction with customers' end-users, and the ability to make use of systems which have similar function in terms of end-user management and provide them to different customer group is a significant strength of the Group. Through comprehensive, full outsourcing services, the Group contributes to reducing the

load of development and operational task for our customers.

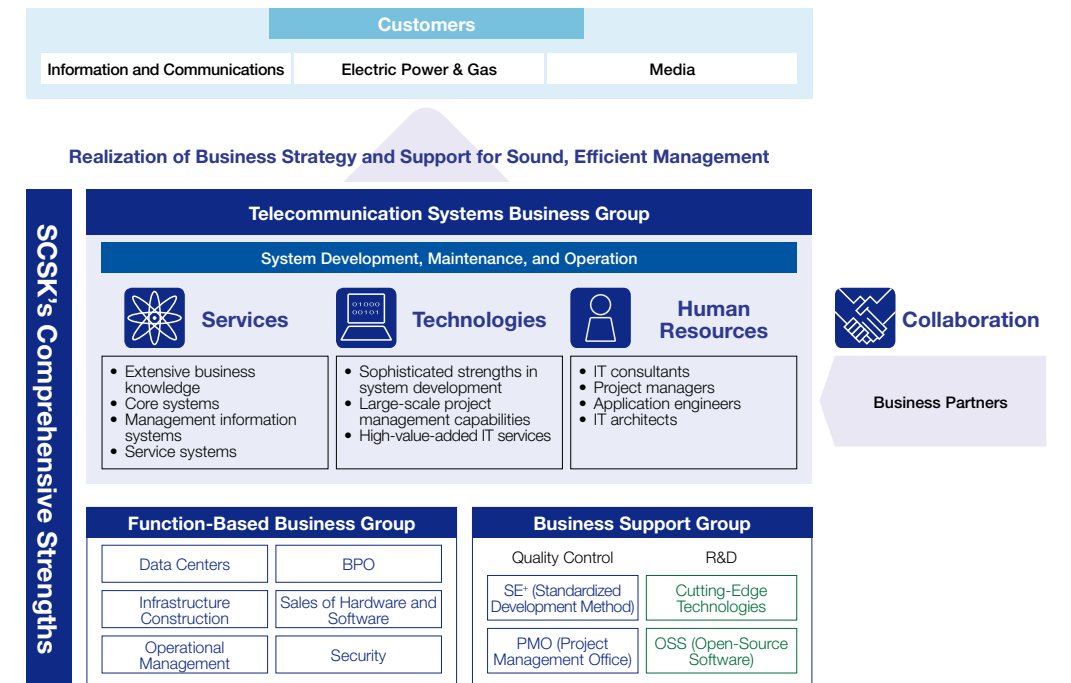
Additionally, our engineers are specialized in each business field that the Group is involved in. These engineers not only develop enterprise systems but are also involved in their maintenance and operation. Through this involvement, the engineers establish solid partnerships with customers throughout the lifecycle of the systems. We take pride in the breadth of human resources that—guided by their experience and know-how in system development, maintenance, and operation—can work together with customers to provide a diverse range of services.



**Hiroaki Kamata**

Director, Executive Vice President  
General Manager,  
Telecommunication Systems Business Group

## Business Domain



## Strategy in the New Medium-Term Management Plan

For a the new Medium-Term Management Plan, we have identified three key tasks to undertake: (1) further expand into the strategic business domains of customers, (2) establish strategies for service-oriented businesses and take on challenges under those strategies, and (3) develop human resources, enhance operational efficiency, and improve productivity.

In order to accomplish the three key tasks, we will make each employee aware of these tasks, and share information in every detail in order to direct the Group on a course for growth. We will also work to

expand our business by promoting the move to cloud computing in the business-to-consumer (B2C) area, which contains a diverse range of potential business opportunities, including sales management and billing services. Furthermore, we will promote cooperation and integration among our business fields, including communications, utilities and media, while aiming to sharpen our competitive edge by establishing a solid business foundation and providing prompt support for the new business domains of our customers.

## CASE STUDY Resolving Social Issues through Our Business Activities

### Promoting the Use of Natural Energy

Selected as a model project for "Verification of the battery storage control to promote renewable energy" for the fiscal 2013 organized by the Ministry of the Environment of Japan, the Sumitomo Corporation has been implementing an economically efficient, large-scale power storage system made from reused electric vehicle (EV) batteries on Yume-shima Island in Osaka City.

For this project, we are using "PrimeEco" and cloud-based technology to provide "Remote Monitoring Systems," which monitor information on reused EV batteries and their controlling effects on output fluctuations in nearby mega-solar power generation facilities. By automatically controlling lithium-ion batteries (LiBs) using IT technologies, PrimeEco realizes the stable use of natural energy and reductions in electricity rates by cutting usage of electricity during peak times. To contribute to the reduction of costs as well as the impact of our business activities on the environment, we will further promote the widespread use of this system going forward.

### Yoshihiro Jinbo

General Manager, Sales Promotion Dept., Business Promotion Div.  
General Manager, Telecommunication & Public Sector Systems Sales Dept.  
Telecommunication & Public Sector Systems Business Div.



# Distribution Systems Business Group

Refining Strengths and Focusing on Provision of Services with a Competitive Edge

Guided by the experience we have cultivated through full outsourcing services for Sumitomo Corporation, SCSK is working to expand and enhance service-oriented businesses for the distribution, food, and pharmaceuticals industries, aiming to improve the overall convenience of society itself at the same time.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 31.1 billion** Segment Income **¥ 3.6 billion**

## Business Details

The Distribution Systems Business Group provides IT services designed specifically for customer industries, such as the trading, distribution, food, and pharmaceutical industries. These services include enterprise systems, management information systems, SCM, and CRM.

As for business for trading companies, our biggest customer is Sumitomo Corporation and its group companies, to which we provide IT services through one-stop full outsourcing, from planning, design, and system development to installation, maintenance, and operation. We work closely with our customers to support their consolidated global management.

For the distribution industry, we provide sales support solution services, including CRM, e-commerce, and web-based solutions for major supermarkets and pharmacies, as well as medium-sized retail businesses. These solutions include tools for sales promotion, marketing, data analysis, and other services that support the frontline operations of our customers. We also provide a supermarket cloud EDI (Electronic Data Interchange) service called "SUMAKURA," which is compliant with the distribution BMS (Business Message Standard), and regarded as an industry standard by the four major organizations in the supermarket industry—Japan Supermarkets Association, All Japan Supermarket Association, New Supermarket Association of Japan, and Japan Voluntary Chain Association. In addition, we provide a distribution and retail enterprise system called "CRIPS," and a sales management system called "CHOIS," which is designed for dispensing pharmacies.

For the pharmaceuticals industry, we provide data analysis services to enterprises and organizations dealing with clinical development, offer drug information systems to health care providers as a tool for sales and marketing, and provide sales support systems for medical representatives (MRs) at pharmaceuticals companies. Accordingly, we maintain a leading share in the area of sales and making systems among approximately 30 major pharmaceuticals companies.

Globally, we have operational bases in the United States, the United Kingdom, China, and Singapore, in addition to our base in Japan. With a support structure organized around these five bases, we provide swift, detailed services, including enterprise systems that are used in Sumitomo Corporation's overseas businesses.

**Toshiyuki Kato**  
Director, Managing Executive Officer  
General Manager,  
Distribution Systems Business Group



## Business Domain

## Strategy in the New Medium-Term Management Plan



In the Distribution Systems Business Group, guided by the know-how obtained in providing full outsourcing services for Sumitomo Corporation, we are further refining our strengths, with solutions for distribution, food, and pharmaceuticals industries. Accordingly, we aim to continue providing services with a competitive edge. For the distribution industry, we will provide outsourcing services utilizing cloud service architecture, such as integrated sales systems that consolidate direct sales through bricks and mortar stores, mail order sales, and other sales channels that correspond with the transition to an omnichannel approach. We also aim to develop new services in the area of big data, such as customer, merchandise, and inventories management.

In addition, as part of our global business expansion we will bolster the competitiveness of Japanese companies and support their overseas expansion efforts from an IT perspective. To realize "entering into the second stage of global business expansion" strategy in our new Medium-Term Management Plan, we will further enhance our collaboration with other business groups within SCSK. For example, we will offer assistance to megabanks in their advance into overseas markets by joining forces with the Financial Systems Business Group, and we will provide support to the Manufacturing Systems Business Group in their global expansion of the automotive software systems business.

## CASE STUDY Resolving Social Issues through Our Business Activities

### Supporting MRs in the Pharmaceuticals Industry with IT Services

The population of Japan is aging rapidly and, accordingly, there is an increasing need for the safe, reliable provision of medical treatment. As the pharmaceuticals industry handles products that affect human life, they have a need to accurately convey the latest medical information to health care providers. SCSK supports the accurate provision of information to medical representatives (MRs) through a solution called "MR2GO," which was designed specifically for MRs in the pharmaceuticals industry. Through MR2GO-DMV, a tool for digital presentations that uses MR2GO series tablets, MRs can directly download explanatory materials, which are frequently updated, revised, or repealed, thus allowing them to provide accurate and the most up-to-date medical information to health care providers. In cases where no signal is available in medical care facilities, this downloaded information can be used completely offline. Going forward, SCSK will continue to contribute to the medical treatment area by supporting MRs in the pharmaceuticals industry with IT services.

### Kiyotaka Kajita

General Manager, Distribution Systems Dept. II  
General Manager, Pharmacy & Data Science Dept.  
Distribution Systems Business Div. I





# Financial Systems Business Group

Creating the Financial Industry's Future Together with Our Customers

Backed by know-how cultivated through our proven track record in the financial industry, the Financial Systems Business Group provides information and communications technology (ICT) services ranging from system development, operation, maintenance to call centers and BPO. In addition, we are establishing a structure that provides global support to the full-scale overseas expansion of major financial institutions, thereby working together with our customers to create new business models.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 55.4 billion** Segment Income **¥ 6.6 billion**

## Business Details

In the Financial Systems Business Group, SCSK provides system development, operation, and maintenance services for almost every business field that financial institutions engage in, including banking and trust banking, life and non-life insurance, securities, the leasing business, and the credit card business.

In the financial industry, sales channels of financial products are continuing to become more diverse, as megabank groups and life and non-life insurance companies are expanding their overseas operation, while in the securities industry, online trading is becoming more popular, and people are using tablets more frequently to carry out transactions. As a result, efforts of financial institutions to improve the quality of customer service using IT are more apparent, as each financial company is working to differentiate themselves from others.

The Financial Systems Business Group has established a structure to provide detailed services overseas with the high standards of Japanese quality. Under this structure, we are taking initiatives to create new business models making use of our overseas bases in the United States, the United Kingdom, China, and Singapore. For Japanese financial institutions that are expanding overseas, we offer various

services including developing operational systems and other services that aim to improve customers' business efficiency as well as lower their IT-related costs. Through these services, we offer support to help Japanese financial institutions realize the provision of an extensive menu of financial services, which surpasses that of most western institutions.

We also offer a diverse range of solutions, including financial settlement systems such as SWIFT, which supports international settlements, as well as frontline operation support systems for online trading. Furthermore, we provide systems for security measures, disaster recovery, and business continuity plans (BCPs) that allow our customers to achieve the financial industry's top priority of safety and security.

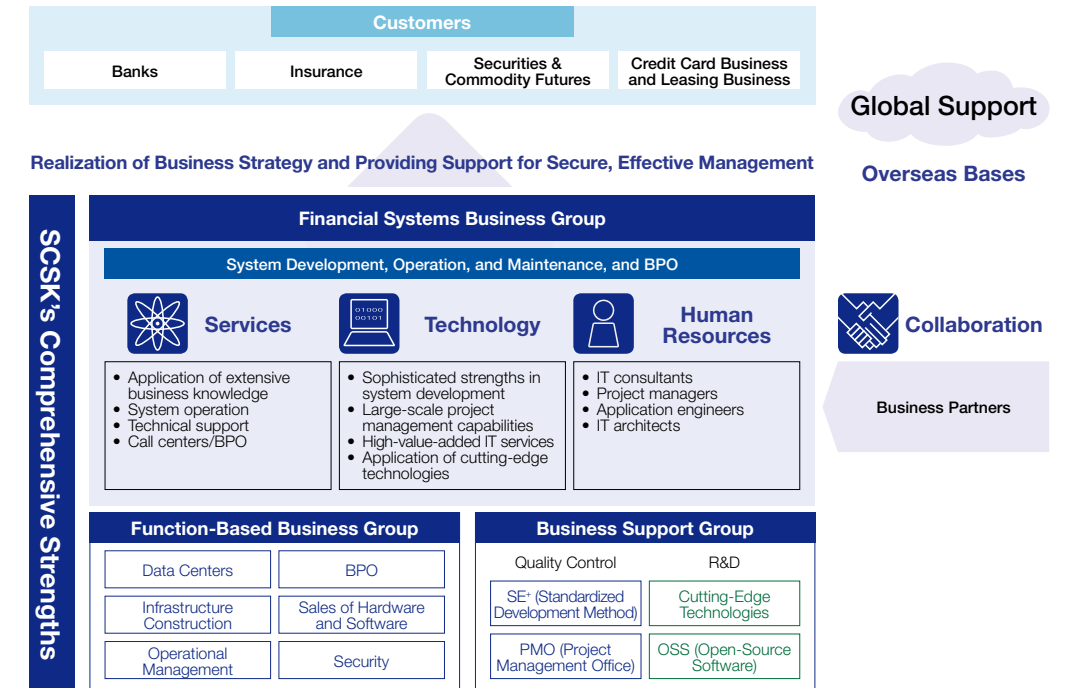


**Masanori Furunuma**

Director, Senior Managing Executive Officer  
General Manager, Financial Systems Business Group

## Business Domain

## Strategy in the New Medium-Term Management Plan



The Financial Systems Business Group is taking on the challenge of establishing a business model that provides not only system development, operation and maintenance services but also ICT services specifically for the financial industry, including call centers and BPO.

In addition, in accordance with the advancement of Japanese financial institutions overseas, our Group is accelerating the construction of a support structure for global services that can provide one-stop full outsourcing services which covers the development and operation of enterprise systems and various financial service systems for corporate customers comprehensively. Also, drawing on our accumulated intellectual

properties, we are establishing service-oriented businesses and moving forward with reforms to our earnings model. Taking charge of creating new business models that meld finance with IT, we support improvements of the international competitive edge of Japanese financial institutions.

In supporting the overseas development of Japanese financial institutions, our Group will move forward with the relocation of the necessary human resources. At the same time, through the business operations of overseas bases, we will work to enhance the capabilities of global players that can handle complex issues in the various business fields of the financial industry.

## CASE STUDY Resolving Social Issues through Our Business Activities

### Promoting Detection and Prevention of Various Financial Crimes

In recent years, financial crimes such as money laundering by antisocial forces have been occurring across borders, and criminal techniques have become increasingly defter. In addition, the increase in victims of unique types of fraud, such as bank transfer scams, has become a significant social issue. In order to detect and prevent these types of financial crimes that surround financial institutions, SCSK has developed a monitoring solution called "BankSavior™."

BankSavior™ uses customer transaction information, such as withdrawals and deposits at ATMs and Internet transactions, to identify transactions that have a high possibility of being connected to financial crime. The account where these transactions are occurring is then monitored by operational divisions. Going forward, we will continue to make improvements to BankSavior™ to ensure the safety and security of financial transactions.

### Daisuke Nakamura

General Manager,  
Structured Financial Systems Dept. II  
Financial Systems Business Div. IV

**BankSavior**

# Business Solutions Group

Creating a New Value Chain, from System Development and Installation to Maintenance and Operation through AMO

Through the Business Solutions Group, SCSK provides AMO services that cover the entire system lifecycle, from development and installation to maintenance and operation. These services, which are provided in the optimal format for the business objectives of our customers, are centered on enterprise resource planning (ERP) products such as ProActive, SAP, Oracle, and customer relationship management (CRM) products such as Salesforce. In addition, we are engaged in system development utilizing our “programingless” development tool, which adopts an advanced, SCSK-original, ultrafast development framework.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 18.3 billion** Segment Income **¥ 0.7 billion**

## Business Details

In the Business Solutions Group, SCSK offers a variety of products through our unique outsourcing services called “AMO” that cover the entire system lifecycle, from development and installation to maintenance and operation. These services are provided in the optimal format for the business objectives of our customers, and center on ERP packages including SAP, Oracle, and our proprietary package “ProActive,” as well as CRM and various kinds of data linkage and analysis tools. With our AMO services, customers’ systems are maintained and operated from SCSK’s premises via remote. The greatest strength of these services is its ability to provide customers with a wide-ranging menu of well-organized technical know-how. AMO services work to increase flexibility by turning expenses for maintenance and operation of systems, which is normally treated as fixed costs and accounting for as much as 70–80% of system-related expenses, into variable costs, thereby contributing to cutting the operational cost of our customers. Our AMO services are being used by a large number of customers, as they help reduce costs, and still keep its convenience at the same time, thereby provide added value.

In the CRM business, we offer our original solution, “PrimeTiaas,” which provides a call center platform as ASP services. PrimeTiaas is cloud-based voice system infrastructure that connects devices installed at our data centers with networks at customer call centers, and charges customers based

on usage. This allows customers to promptly start up call centers and works to curtail initial investment costs and running costs. As such, PrimeTiaas is being used by a large number of customers, and is one of the largest cloud-based voice system infrastructure services in Japan.

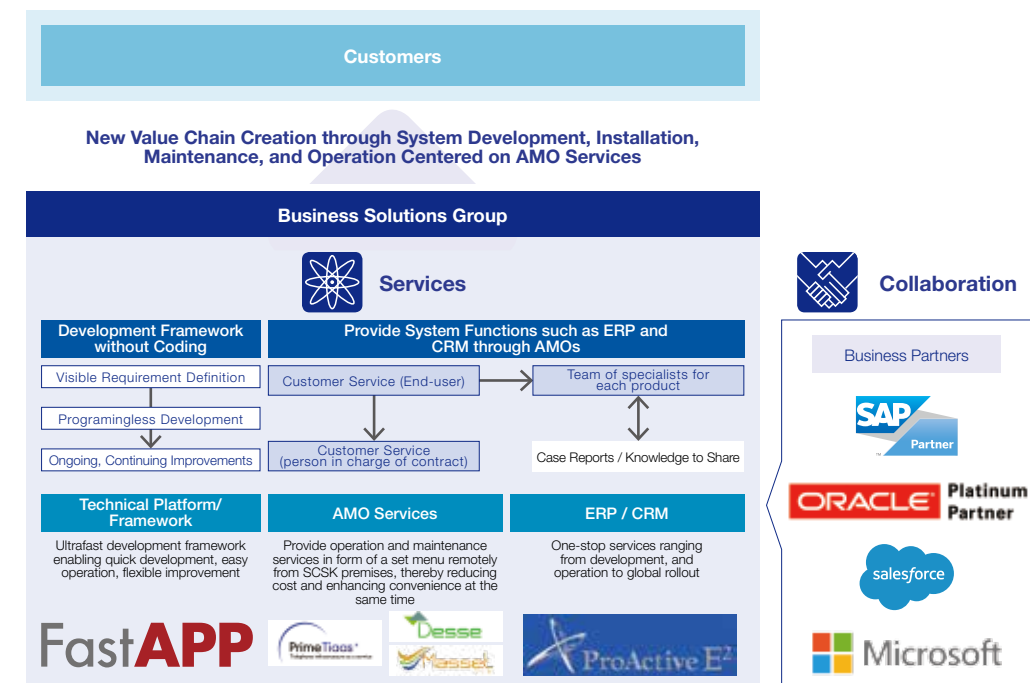
In addition, we have realized system “programingless” development through FastAPP, an SCSK-original system development and implementation framework that allows for swift development, easy operation, and flexible improvements.



**Masahiko Suzuki**

Director, Senior Managing Executive Officer  
General Manager, Business Solutions Group

## Business Domain



## Strategy in the New Medium-Term Management Plan

Among SCSK’s new Medium-Term Management Plan, the Business Solutions Group has adopted “shifting to service-oriented businesses” and “promoting strategic businesses that capture the changing times,” as our core targets. As such, our Group will promote a shift to providing proprietary services backed by SCSK’s intellectual property rights and IT assets while relocating management resources to strategic areas and accelerating the pace for growth.

To accomplish this, as a measure to reinforce our business foundation, we will work to make our engineers multi-skilled, accumulate their know-how, and make templates of the skills acquired, thereby making use of these when we design new service menu,

as we aim to expand AMO services.

Furthermore, we will rotate and relocate our personnel to develop human resources that can provide more efficient, more sophisticated services to our customers.

Through these efforts, the Group will strengthen the link between people engaged in each service, and further work to increase demands for system development, installation, maintenance, and operation. At the same time, we will endeavor to establish a new business cycle and value chain by deepening our relationships with existing customers and acquiring new customers.

## CASE STUDY Resolving Social Issues through Our Business Activities



### Supporting the Promotion of Human Resource Strategies

In Japanese society, working styles and human resources are becoming increasingly more diverse due to the declining birthrate and aging population, as well as globalization. There is a growing need to reconsider diversity in view of human resource planning. In addition, amid the accelerated pace of change in the business environment, there is also a need to develop and enhance human resources with a focus on the future, as we look to business growth. Accordingly, the importance of promoting a human resource strategy through talent management is increasing.

The ProActive E<sup>2</sup> human resources management system creates a database of employees profiles, and has a search function that allows users to search information from various points of view. In this way, ProActive E<sup>2</sup> realizes the visualization of human resources, including human resource mapping. By defining the type of talent and skills needed, ProActive E<sup>2</sup> supports the promotion of human resource strategies that systematically and effectively develop and utilize human resources.

### Shigeru Hiki

General Manager, ProActive Consulting Dept. I  
General Manager, Business Promotion Dept.  
ProActive Business Solutions Div.





# Business Services Group

Reforming Earnings Structure by Stepping Up Initiatives in New Growth Areas and Expanding Web-Related Businesses

Through the Business Services Group, SCSK is working to bolster its earnings strength and expand its business domain through its endeavors, which include adding value to its BPO services, providing verification services from the development stage of both products and systems, incorporating omnichannel compatibility for its e-commerce (EC) services, stepping up initiatives in new growth areas, and expanding web-related businesses.

## Operating Results

Fiscal year ended  
March 31, 2015

Net Sales **¥ 33.7 billion** Segment Income **¥ 2.1 billion**

## Business Details

The Business Services Group comprises CSK ServiceWare Corporation, VeriServe Corporation, and CSK Prescendo Corporation, as well as the Business Promotion Division in charge of sales support and planning and promotion of new businesses.

CSK ServiceWare has a proven track record that extends over many years in providing an abundance of services for various industries via its 13 call centers and contact centers across Japan. These services include technical support, help desk services, telemarketing, and data input. It also utilizes their strong operational know-how in providing various types of BPO services.

Backed by years of experience and its systematic verification theory, VeriServe conducts various verification services as a third party, independently from developers' side. These services include system verification for IT-related products (hardware and software) including auto parts such as in-vehicle systems and car navigation systems, mobile devices such as smartphones, digital home appliances, and industrial equipment related to the aviation and medical industries. In addition, it provides verification services of network security and enterprise applications.

CSK Prescendo develops outsourcing businesses designed for EC operations, primarily in the apparel industry. They offer total outsourcing services necessary for all the operational processes in EC. Their offerings include service operation of EC systems, back office operation, and logistics assistance delivered out of Customer Service & Logistics Centers (CLCs) located in the Tokyo metropolitan area. In addition, CSK Prescendo provides outsourcing services for customer support operations and content production. Bearing in mind current and future fashions and trends, the company is drawing on its EC-related expertise to provide services that support the omnichannel strategies of its customers.



**Takahiro Ichino**

Director, Senior Managing Executive Officer  
General Manager, Business Services Group

## Business Domain



## Strategy in the New Medium-Term Management Plan

In the Business Services Group, we are combining our human resources and operational know-how with IT to provide BPO services unique to an IT company. These services work not only to reduce costs for customers but also contribute to expand customer earnings through both improvement of operational processes and operational quality. The Group will also assist customers in their development into new business domains. With all these services, the Group aims to provide high-value-added services to its customers.

As part of this aim, the Group will continue to promote PrimeDesk™, a service that realizes business standardization and cost reductions by handling end-user inquiries on customers' behalf, conducting and analyzing business operation from end-user's perspective. The Group also seeks to be engaged

in customers' development process of products or systems by providing verification services from the stages of defining requirements and design, in order to improve the QCD (quality, cost, and delivery) of the development process as a whole.

In addition, while bearing in mind recent labor market conditions, the Group will concentrate its human resources in strategic areas to share and standardize operational know-how that tends to be accumulated individually. The Group will also further promote initiatives to upgrade its quality of services provided by both "people and systems." Furthermore, along with the increasing demands for web-related businesses which our Group is focusing on, we will establish new organizations to further accelerate initiatives toward web-related services.

## CASE STUDY Resolving Social Issues through Our Business Activities



### Support for Medical Community to Realize a Healthy Society

As the increase in medical expenses that accompanies a rapidly aging society becomes a major social issue, the social demand for preventative medicine, health care, pharmaceuticals, and the development of medical equipment is rising.

To respond to this rising social demand, CSK ServiceWare is providing related services for medical personnel. For example, to promote the education needed for a health care provider to prescribe specific drugs to patients, we are providing administrative services, such as managing e-learning contents and participation records in e-learning courses. In addition, we support medical institutions by providing help desk services for advanced medical equipment, as well as replacement services and shipping preparation for such equipment.

Going forward, we will continue to engage in business operations that support the realization of a healthy society.

### Yasuteru Nagao

General Manager, PrimeDesk Services Operation Department,  
Business Promotion Division  
CSK ServiceWare Corporation

**BPO Services**

# IT Platform Solutions Group

Bolstering Earnings Strength of IT Products and Expanding Maintenance and Operation Services

In the IT Platform Solutions Group, SCSK works to bolster earnings strength and expand sales through its know-how of “Fine-tuning” that combines world’s leading IT products with optimal solutions. We also aim to further upgrade and expand our pay-per-use maintenance and operation services.

## Business Performance

Fiscal year ended  
March 31, 2015

Net Sales **¥ 64.7 billion** Segment Income **¥ 5.1 billion**

## Business Details

By combining servers and network devices as well as security products, the IT Platform Solutions Group provides optimal support for IT infrastructure for a wide range of industries. The Group also handles IT solutions that support each step of the manufacturing process, such as computer-aided design (CAD), computer-aided engineering (CAE), analysis, and simulations, as well as provides maintenance and operation services for products and services after we deliver them to customers.

The IT Platform Solutions Group also works to discover the latest IT products from around the world and is in charge of providing these products to customers. To this end, we utilize our global networks including our subsidiary in the United States and the Sumitomo Corporation Group to cultivate products that possess cutting-edge and unique technologies. In addition, we provide the optimal product combination which suits to business operation and needs of our customers by combining individual products and software in the same manner as one would tune a musical instruments. This sort of “high-value-added know-how,” or “fine-tuning,” is our Group’s greatest strength.

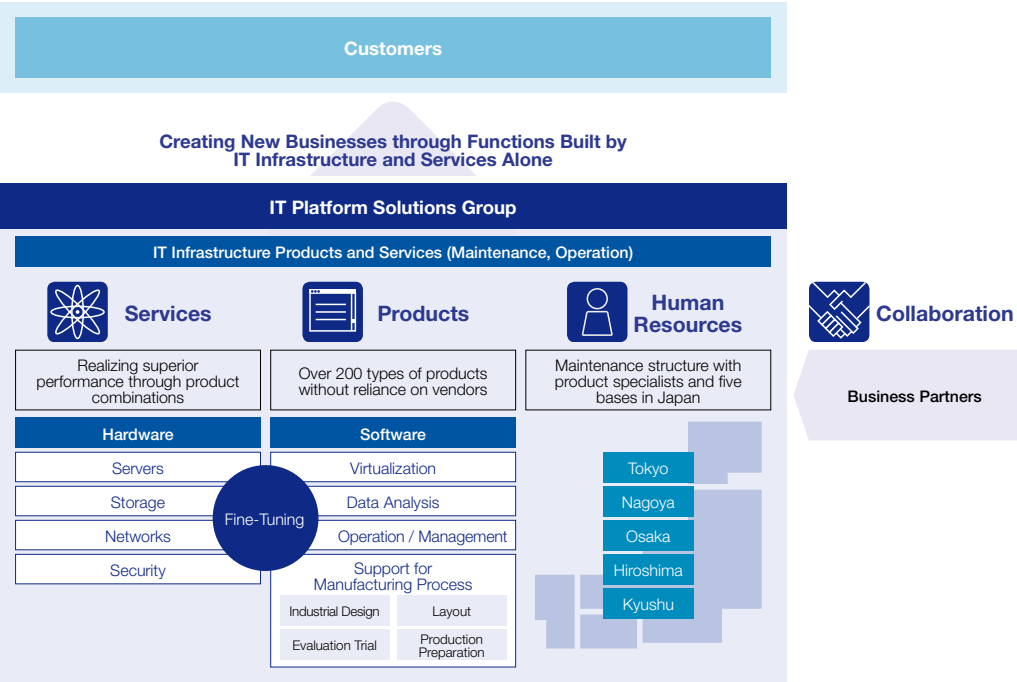
Furthermore, due to the fierce business environment that surrounds our customers, there is a growing need for them to curtail fixed costs, and we are seeing more customers shift from the existing ownership-oriented style of purchasing IT devices to a style where customers instead use these devices on loan. In order to address this need, SCSK owns IT devices on customers’ behalf, and offers them for use on a pay-per-use basis, and sometimes together with our “CarePlus” service, which has a long track record in maintenance and operation. Through these offerings, we work to provide our customers with total support services.



**Shigeo Kurimoto**

Director, Executive Vice President  
General Manager, IT Platform Solutions Group

## Business Domain



## Strategy in the New Medium-Term Management Plan

While maintaining its focus on expanding earnings from its existing businesses of selling IT products, the IT Platform Solutions Group is also accelerating initiatives toward “shifting to service-oriented businesses,” a core strategy adopted in the new Medium-Term Management Plan.

In its existing business, the Group will harness the various know-how it possesses within its five business divisions and work to increase profits through improved efficiency in business management. At the same time, the Group will further enhance the fine-tuning of its products and software with the goal of expanding its business.

In its service-oriented businesses, the Group will move beyond its value-adding businesses and focus efforts on providing functions built by services

alone. As part of these efforts, the Group will establish a project team within the Group to facilitate the creation of new services. This project team will also make efforts to enhance maintenance and operation services. While working to enhance the brand strength of its existing service CarePlus, the Group will itemize its service menu by product and continue to expand into highly profitable services. In order to realize these initiatives, it is essential to develop human resources who have deep knowledge and skills on product development and are able to make proposals to customers. The Group will centralize resources currently assigned across Japan, integrate educational programs, and work to enhance technological capabilities further through intensive trainings.

## CASE STUDY Resolving Social Issues through Our Business Activities



### Providing Services that Support IT Infrastructure

Information management is vital to the activities of a business. In addition to safety, it is also extremely important to ensure high-performance in regard to information management systems. For companies that have multiple locations, whether in Japan or overseas, servers are often installed in each office, and file sharing between these locations has long been an issue. The cloud file servers that Panzura provides maintain the ease of use of conventional file servers while making it possible to share files safely and comfortably among global locations. By integrating the multiple file servers of each location, these cloud file servers also reduce operational burden. Going forward, SCSK will maintain its focus on the resolution of issues facing companies and continue to provide high-value-added services to support its IT infrastructure.

**Tsuyoshi Tominaga**

General Manager, Enterprise Dept. I  
IT Engineering Div.





# IT Management Group

Contributing to the Improvement of Corporate Value through the Comprehensive Strengths of IT Management Services

In the IT Management Group, SCSK supports sophistication of business management and improvement of operational efficiency of its customers from the aspect of IT services. This is accomplished by working together with customers to construct and manage IT system infrastructure and through the operation of data centers. In this way, the Group contributes to value-creating initiatives that are focusing on company growth, sustainability, and soundness.

## Operating Results

Fiscal year ended March 31, 2015

Net Sales **¥ 39.3 billion** Segment Income **¥ 4.8 billion**

## Business Details

The IT Management Group works to resolve the issues our customers face in business management and operation by leveraging the power of IT. Through our IT services, such as construction and operation of customer-owned IT system infrastructure, as well as managing robust data centers that hold vast amounts of management information and corporate data, we support the improvement of corporate value by removing management risk and realizing optimal IT investment for our customers.

The IT Management Group has adopted two service concepts: "Realization of continuously evolving IT services" and "Proof of stable IT services." Under the "realization of continuously evolving IT services" concept, we provide "On-Premises Operation Services," which deploy full-time, on-site service managers not only to oversee the operation of customers' IT infrastructure and provide support for system troubles but also works to improve operational quality by resolving issues on infrastructure management. We also provide platform integration services which carry out reconstruction of IT infrastructure based on feedback from service managers, as well as the netXDC service, which utilizes SCSK's data centers ("netXDC") with high operational standards, to support the sustainable business operations of our customers through BPO operations. Under the "proof of stable IT services" concept, we support IT managers of our customers and continue to offer secure and stable IT services by utilizing our unique know-how to visualize, analyze, and evaluate various issues they

face. These issues include IT service quality, operating conditions of IT infrastructure, and security risks such as unauthorized access and system tampering.

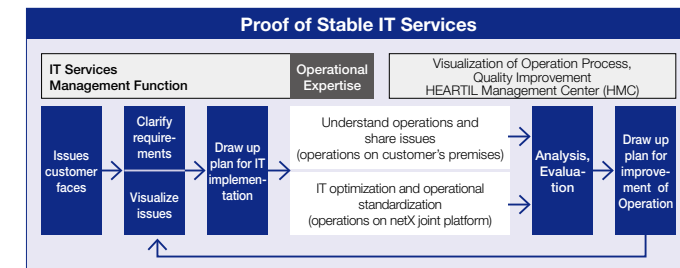
Through these types of services, we work to optimize the IT systems of our customers. At the same time, we improve the efficiency of management resources, such as IT infrastructure and engineers necessary for system operation, and strengthen business sustainability by protecting information security. Furthermore, we support our customers in their effort to upgrade their business management through the construction of an IT environment that can respond flexibly to changes in the operating environment. These efforts represents the overall mission of the IT Management Group, to contribute to the value creation of customer companies.



**Tooru Tanihara**

Director, Senior Managing Executive Officer  
General Manager, IT Management Group

## Service Concept



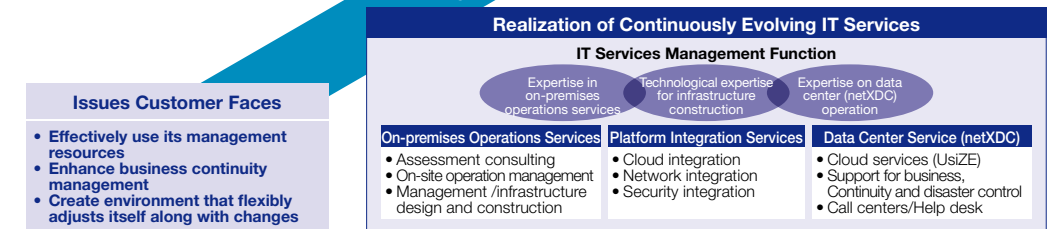
## IT Management Group seeking to create value for customers

Remove management risk and optimize IT investment

Management Perspective Operational Perspective

Business Growth  
Business Sustainability  
Business Soundness

Risk Management Process Using IT



The IT Management Group has adopted "accelerating speed in shifting to service-oriented businesses" as its Group policy, and is working to "promote service innovation," "bolster competitiveness," and "nurture advanced IT technological experts."

In "promote service innovation," the Group will move forward with the advancement of core services, such as system operation, security management network construction and management and cloud services. At the same time, it will improve communication within the Group and focus its efforts on creating new services. In addition, in order to realize customer needs, the Group will provide the IT strategy formulation support service, a service

where service managers work together with the customer in the on-site operations and formulate medium-term IT investment planning.

In addition, the Group is working to bolster its competitiveness by improving convenience and the overall quality of its services and business operation. At the same time, for the promotion of service-oriented businesses, the Group will accelerate the fostering of advanced IT technological experts in order to reinforce its service management, cloud services, and security system management services, as well as its global expansion. In this way, the Group will further contribute to improving the corporate value of customer companies.

## CASE STUDY

### Resolving Social Issues through Our Business Activities



#### Supporting the Creation of Disaster-Resistant Companies and a Disaster-Resistant Society

In order to support customer business continuity, we maintain both urban and suburban netXDC data centers in the Tokyo metropolitan area and the greater Osaka area. In addition to robust facilities, we have high operational standards and assigned experienced operational engineers at these data centers, which makes it possible for us to provide prompt and appropriate support to customers even in the event of a disaster.

In April 2015, we opened Chiba Center 2, a netXDC data center equipped with a seismic isolation design. With a robust, secure operational foundation, Chiba Center 2 combines the technological elements of servers, networks, and cloud services to provide optimal services from the business management and operational perspectives of our customers. Moreover, by providing BPO services that support business continuity in addition to its IT-related services, Chiba Center 2 helps support the creation of disaster-resistant companies and a disaster-resistant society.

#### Naruto Furukawa

General Manager, netX Sales Dept.  
netX Data Center Business Div.



# CFO Message



**Tetsuya Fukunaga**  
Director, CFO  
Senior Managing Executive Officer Group

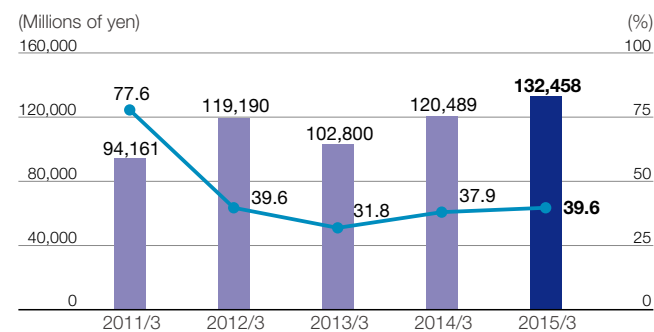
After strengthening our earnings and financial base, we will conduct aggressive business investments in the pursuit of more robust income growth and increased capital efficiency. We will also provide shareholders with appropriate returns in conjunction with increases in consolidated performance.

## 1. Strengthening Earnings and Financial Base

In working to strengthen its earnings base, SCSK has pursued increased business profitability by positioning the operating income margin and return on equity (ROE) as important indexes. In fiscal 2014, the operating income margin was 9.4% and ROE was 12.4%, meeting the respective levels of 8–10% and at least 10% that were set as strategic targets for these indicators at the time of the merger.

With regard to our financial base, we have been able to reduce interest-bearing debt approximately ¥35.0 billion, to ¥55.0 billion, down from ¥90.0 billion that was on the books at the time of the merger. This was accomplished by utilizing the operating cash flows generated during the three and a half years since the merger. As a result, consolidated net interest-bearing debt, which is comprised of loans, corporate bonds, and other interest-bearing liabilities net of cash, deposits, and deposits paid, amounted to a positive cash inflow of more than ¥30.0 billion on March 31, 2015. At the same time, we have disposed of nearly all of the non-strategic assets inherited from CSK Corporation. I therefore have confidence in saying that we have effectively cleaned up our balance sheet that we inherited at the time of the merger. This strengthening of our financial base also led the equity ratio to improve to 39.6%, up 1.7 percentage points from the previous fiscal year-end.

### Equity capital\* / Equity ratio



■ Equity capital\* (left) ◆ Equity ratio (right)

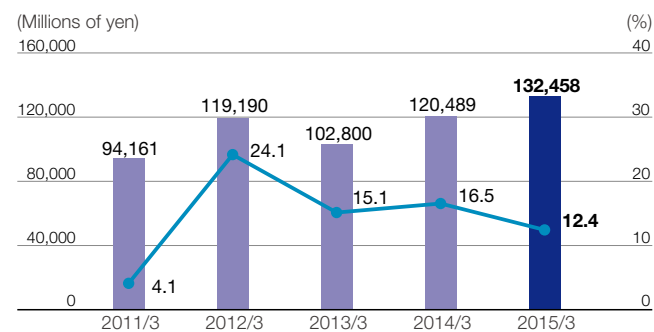
\* Equity capital = Shareholders' equity + Total accumulated other comprehensive income

## 2. Income Growth and Improved Capital Efficiency

The Group positions ROE as its most important management index. Under the new Medium-Term Management Plan that was launched in fiscal 2015, we have defined the targets of raising the ROE to 15% by fiscal 2019. To accomplish this strategic target, we are advancing core business strategies geared toward boosting earnings over the medium term. These strategies include conducting proactive business investment, restructuring our operations so as to shift from our traditional business model to service-oriented businesses, as well as starting up new strategic businesses.

At the same time, while securing a diverse range of funding sources that allow for flexible fund raising, we will be maintaining and strengthening our financial base grounded on solid operating cash flows, and pursuing sustainable growth in corporate value and stock prices.

### Equity capital\* / ROE



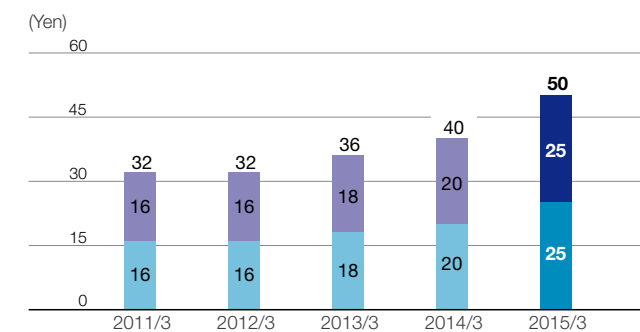
■ Equity capital\* (left) ◆ ROE (right)

## 3. Shareholder Returns

With regard to returning profits to shareholders, we aim to provide robust returns in line with improvements in consolidated business results, while comprehensively taking into account the Company's financial position, earnings trends, dividend payout ratio, and the need to maintain sufficient internal reserves for future business investment.

Since the merger, we have continued to increase dividend payments in conjunction with earnings growth. In fiscal 2014, we issued full-year dividend payments of ¥50 per share which consisted of a year-end dividend of ¥25 per share and an interim dividend of ¥25 per share. This was ¥10 per share higher than in fiscal 2013. In fiscal 2015, we plan to issue full-year dividend payments of ¥70 per share, making for a ¥20 per share increase and four straight years of increased dividends. This decision was made in consideration of the degree to which the Company's financial base and earnings capacity has been improved to date as well as the robust income growth we expect in the future. Moreover, this decision was a reflection of our desire to return profits to shareholders. Up until now, we have determined dividend payment amounts for each fiscal year by targeting a dividend payout ratio of more than 30% or above based on a preliminary calculation of net income on a standard tax rate basis. In the future, however, we aim to enhance shareholder returns by targeting a dividend payout ratio of approximately 40% based on estimated net income calculated on a standard tax rate basis.

### Dividend payments



■ Six-month period-end ■ Year-end

### About Standard Tax Rate Basis

"Standard tax rate basis" refers to calculations of corporate income taxes conducted on an effective tax rate basis excluding the effects of the tax-saving measures that take advantage of the net loss carry forwards inherited from CSK at the time of the merger. Accordingly, standard tax rate basis is the method for tax calculation based on the effective tax rate excluding the deferred tax assets recorded each year up until fiscal 2014.

In fiscal 2014, the 2015 amendments of corporate tax regulations (reduction of effective corporation tax rate and reduction of deductible amount of loss carry forward from corporate income tax) required the Company to partially reverse previously recorded deferred tax assets.

On the other hand, we have recorded additional deferred tax assets, which include what had been projected at the beginning of fiscal 2014.

Those two factors offset each other, which resulted in the fact that the payment amount of corporate income tax for financial results for fiscal 2014 became almost the same as the amount calculated based on a standard tax rate applied to other companies.

In regard to cash flows, we enjoyed the tax-saving effect for fiscal 2014 as we had originally planned.



# Financial Highlights

## SCSK Corporation: Financial Indicators (Consolidated)

(Millions of yen)						
Income Statements		2011/3	2012/3*1	2013/3	2014/3	2015/3
Net sales		132,840	200,327	278,634	288,237	297,634
	System Development	45,964	73,812	112,316	117,598	117,844
	System Maintenance and Operation/Services	37,286	68,296	104,284	107,577	110,720
	Packaged Software/Hardware Sales	49,589	56,496	58,731	60,019	65,692
	Prepaid Card Business	—	1,723	3,302	3,043	3,378
Gross profit		29,048	46,370	64,467	68,725	72,470
Gross profit margin (%)		21.9	23.1	23.1	23.8	24.3
SG&A expenses		21,972	33,490	43,663	44,750	44,467
Operating income		7,076	12,880	20,804	23,975	28,003
Operating income margin (%)		5.3	6.4	7.5	8.3	9.4
Net income		3,803	25,669	16,730	18,388	15,638

Cash Flows	(Millions of yen)				
Cash flows from operating activities	7,080	22,249	25,156	35,343	29,707
Cash flows from investing activities	(4,815)	(8,112)	(249)	(26,045)	5,166
Free cash flows*2	2,266	14,137	24,907	9,297	34,874
Cash flows from financing activities	(2,426)	(7,966)	(5,512)	(33,739)	(8,396)
Cash and cash equivalents at end of period	25,892	63,662	83,248	59,004	85,713

Financial Position					(Millions of yen)
Total assets	121,285	300,929	322,829	317,933	334,290
Net assets	94,569	124,420	108,209	126,160	138,537
Equity capital	94,161	119,190	102,800	120,489	132,458
Interest-bearing debt + Preferred shares*3	0	84,860	84,860	57,000	55,000

Per Share Data					(Yen)
BPS	1,884.78	860.37	991.48	1,161.29	1,276.37
EPS	76.13	334.19	161.39	177.26	150.71

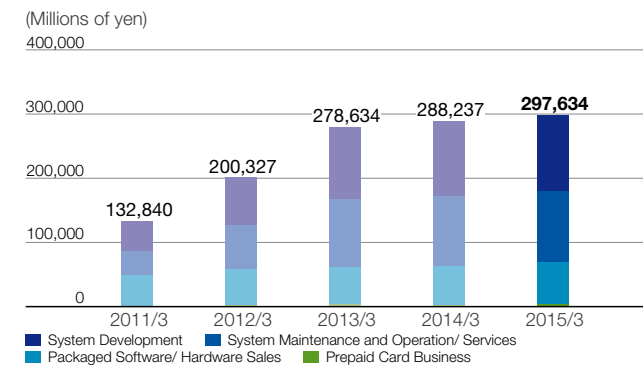
Major Indicators					
ROE (%)	4.1	24.1	15.1	16.5	12.4
ROA (%)	6.1	7.9	7.1	8.0	9.4
Equity ratio (%)	77.6	39.6	31.8	37.9	39.6
Debt/Equity ratio (Times)	0.00	0.46	0.83	0.47	0.42
Number of employees	3,517	11,995	11,797	11,689	11,754
Capital expenditures (Millions of yen)	7,121	7,955	10,219	9,441	14,842
Depreciation and amortization (Millions of yen)	3,811	5,380	6,690	6,841	6,865
R&D expenses (Millions of yen)	432	417	566	450	268
Stock prices (Yen)	1,161	1,312	1,835	2,781	3,365

\*1. Figures of CSK before the merger date (October 1, 2011) are not included.

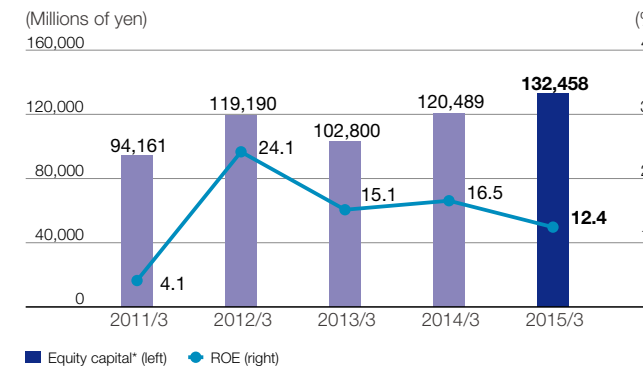
\*2. Free cash flows = Cash flows from operating activities + Cash flows from investing activities.

\*3. The figure as of March 31, 2012 includes ¥30.0 billion of preferred stocks assumed by the Company in fiscal 2011 as a result of the merger with CSK Corporation. All of these preferred stocks were acquired from the financial institutions holding the shares on May 31, 2012, and based on a resolution passed at the Ordinary General Meeting of Shareholders held on June 27, 2012, and all of these preferred stocks were cancelled the same day, June 27, 2012.

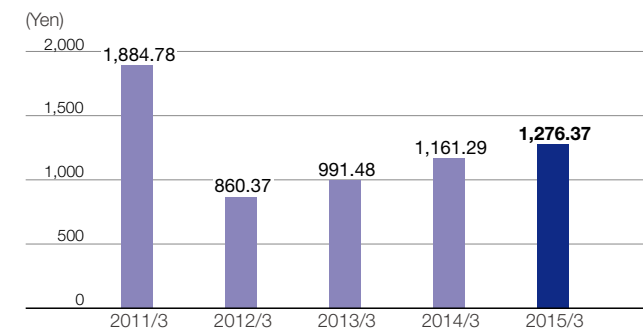
### Net sales



### Equity capital\* / ROE

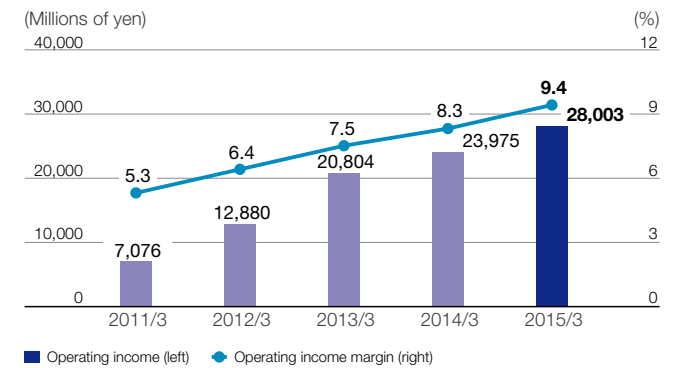


### BPS

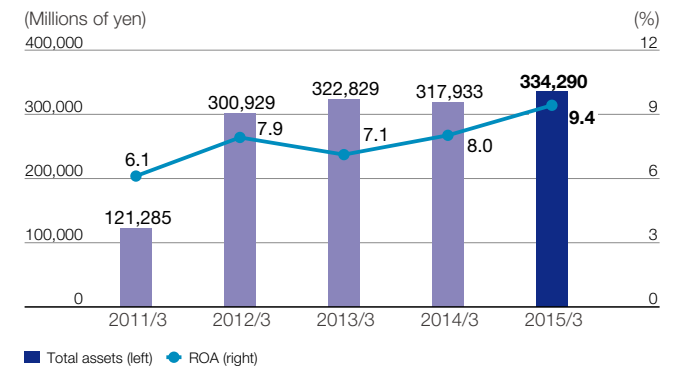


\* Equity capital = Shareholders' equity + Total accumulated other comprehensive income

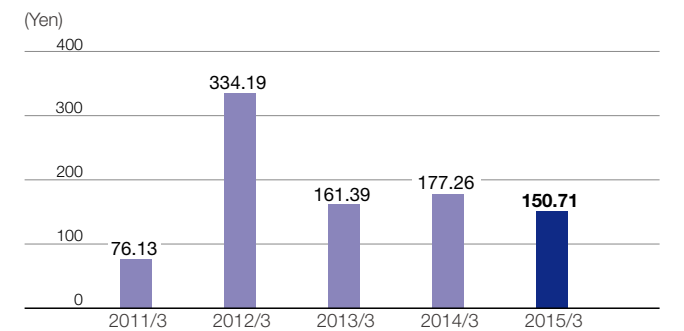
### Operating income / Operating income margin



### Total assets / ROA



### EPS



# SCSK's CSR



Together with its stakeholders,  
SCSK will work toward the creation  
of an affluent society under its aim of  
becoming a company that contributes  
to society through its core business.

**Hisakazu Suzuki**  
Representative Director, Senior  
Managing Executive Officer

## ◆ SCSK's Corporate Philosophy and CSR

Corporate Philosophy

Create Our Future  
of Dreams

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

Code of Conduct

Challenge

Aim higher with future creating passion

Commitment

Act with integrity and responsibility for our  
customers and society

Communication

Facilitate teamwork with respect and understanding

"Our Future of Dreams" can only be realized in the presence of a sustainable society.

Today's society faces a wide range of issues that are intricately interwoven. These issues cast doubt on the sustainability of society and inevitably influence corporate business activities. At the same time, corporations are expected to help resolve these issues. With our eyes set on the society of tomorrow, we at SCSK endeavor to help resolve social issues.

In order to help resolve the issues faced by society, each employee must take on these issues with passion (Challenge). We must also earnestly face the issues confronting our customers and society as if they are our own, and carry out our actions in a responsible manner (Commitment), as well as respect and cooperate with our associates (Communication). At the same time, it is necessary that we remain in touch with society and maintain a continual awareness of the issues at hand.

In putting its Code of Conduct into practice, SCSK promotes initiatives geared toward forging a corporate culture that maximizes its strength by encouraging each employee to respect others' individuality and diverse sense of values. In addition, we promote employee participation in corporate social responsibility (CSR) activities, and actively create opportunities for employees to become more aware of their coexistence with society.

SCSK is creating new value through IT, and developing businesses that support the business activities of its customers. In addition to directly resolving social issues through our business, we will also work to help resolve social issues by supporting our customers, addressing the issues they face. We believe that this type of indirect social contribution is a CSR activity suitable for SCSK.

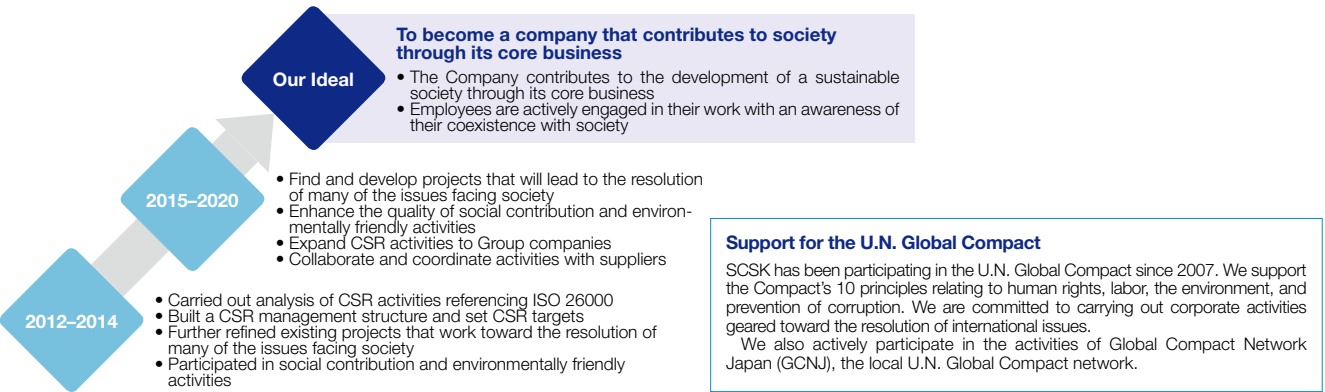
With the synergies created by helping resolve social issues through our IT services business and social contribution activities, we will move forward, step by step, with the creation of an affluent society.

## ◆ CSR Activities Geared toward Becoming the Company We Aspire to Be

SCSK promotes systematic CSR activities with the aim of becoming a company that contributes to society through its core business.

From fiscal 2012 to fiscal 2014, we referenced international guidelines such as the U.N. Global Compact and ISO 26000, as we made efforts to analyze current global conditions and establish an administration structure.

To promote our Medium-Term Management Plan from fiscal 2015 and on, we held debate over key issues of CSR with cooperation from our diverse range of stakeholders.



## ◆ Key Issues of SCSK's CSR



### Process of Determining Key Issues of CSR

SCSK decided on its key issues of CSR giving consideration to the needs of society and the influence the issues would have on its management.

SCSK engages in dialogue with its stakeholders and promotes debate, step by step, over how to best carry out these themes.

Selection of Key Issues			Verification of Key Issues of CSR		
Creation of List of Potential Candidates	Dialogue with Stakeholders (First dialogue)	Dialogue with Stakeholders (Second dialogue)	Selection of Key Issues of CSR	Debate by Junior Executive Officers	Dialogue with Stakeholders
In deciding on key issues of our CSR, we referenced such guidelines as ISO 26000, the fourth edition of the Global Reporting Initiative (GRI), and the U.S. Sustainability Accounting Standards Board (SASB), and then created a list of potential candidates for selection.	In regard to our list of potential candidates for key issues of our CSR, we engaged in dialogue with the CSR Review Forum*, which functions as an external stakeholder. The CSR Review Forum offered us their opinion on what's missing and what's unnecessary about the potential themes.	Based on the results of the first dialogue with stakeholders, we reconsidered our list of potential candidates and reevaluated their importance. We then engaged in another dialogue with the CSR Review Forum* and received their opinion.	<b>Selection of Key Issues of CSR</b>	Executive officers who have participated in GCNJ activities held a forum to exchange ideas in regard to interpretation of key issues of CSR, as well as what's missing in these issues and what's unnecessary.	In order to better understand stakeholders' opinions on our key issues of CSR, we held a forum to exchange ideas between executive officers who have participated in GCNJ activities and an outside key figure.

**Members of the CSR Review Forum**

Tomohiko Yamaguchi: CSR Review Forum-Japan, Co-Chairman  
Sachiko Kishimoto: CSR Review Forum-Japan, Co-Chairman

**Outside Key Figure**

Mariko Kawaguchi:  
Daiwa Institute of Research Ltd.

\* CSR Review Forum-Japan: A private, non-profit organization established through an alliance between numerous civil society organizations (NGOs and NPOs) that work to resolve issues on the front lines of society and individual members affiliated with these organizations. The forum aims for the creation of a sustainable society.



CSR Targets and Activity Results



March 2014: Selected as a winner of FY2014 Diversity Management Selection 100 conducted by the Ministry of Economy, Trade and Industry (METI)  
October 2014: Won the 1st place in overall rankings in Nikkei Inc.'s 2014 survey of companies which fully exercises their employees' potential  
Selected for the 2014 Awards for Excellence in Corporate Disclosure organized by the Securities Analysts Association of Japan  
December 2014: Won the IT General Award in the FY2014 Information Technology Award program hosted by the Japan Institute of Information Technology  
Won an Encouragement Award for CAMP social contribution activity in the Fifth Career Education Awards organized by METI  
March 2015: Granted FY2014 "Nadeshiko Brand" designation jointly hosted by the Tokyo Stock Exchange (TSE) and METI  
Selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the TSE and METI  
Won the No. 1 place of the CSR Company Ranking compiled by Toyo Keizai Inc., in the area of effective talent management

SCSK promotes management that is based on the core subjects of ISO 26000. Targets have been established for each division, and we are working toward achieving these targets.

ISO 26000		SCSK CSR Activities			
ISO 26000 Core Subject	Issue	Major Activities by SCSK	FY2014 CSR Targets	FY2014 CSR Activity Results	FY2015 CSR Targets
Organizational governance	Organizational governance	Corporate governance Internal controls Risk management Initiatives related to emergency response Business continuity plans (BCPs) Disclosure to stakeholders	Sophistication of the BCPs of each Business Group and Corporate Group Facilitation of the continuity of disaster preparedness Efforts to raise awareness toward Corporate Philosophy Establishment and pursuit of CSR targets at each corporate department Promotion of dialogue with stakeholders Proactive internal and external communication of CSR activities	Improved BCPs of each Business Group and Corporate Group Provided support for establishment of BCPs for Group companies Instituted disaster drills and enhanced supply stockpiles Released a portal site posting disaster-related information Established measures for epicentral earthquakes Periodically uploaded messages from management on portal sites Prepared and distributed SCSK Corporate Philosophy novelties Formulated and pursued CSR targets for the corporate group Conducted dialogues with stakeholders Issued CSR report and updated CSR page of corporate website	Ongoing enhancement of the BCPs of each Business Group and Corporate Group Enhancement of BCPs for Group companies Continuation of disaster preparedness measures and extension of its application to Group companies Efforts to raise awareness toward Corporate Philosophy Formulated CSR targets for Corporate Group and Business Support Group and ongoing pursuit of related improvements Promotion of communication with stakeholders Proactive internal and external communication of CSR activities Formulation of evaluation items about CSR activities for internal audit Implementation of sexual harassment prevention training at all Group companies
Human rights	Due diligence Human rights risk situations Avoidance of complicity Resolving grievances Discrimination and vulnerable groups Civil and political rights Economic, social, and cultural rights Fundamental principles and rights at work	U.N. Global Compact support Respect for human rights and prohibition of discrimination	Implementation of harassment prevention training at all Group companies	Implemented power harassment prevention training at all Group companies	
Labour practices	Employment and employment relationships Conditions of work and social protection Social dialogue Health and safety at work Human development and training in the workplace	Human resource development Appropriate operation of the employee evaluation system Initiatives to promote work-life balance Promotion of measures for diversity Support for persons with disabilities Promotion of employees' health and safety Health and productivity management	Promotion of women's empowerment at workplace Further promotion of work-life balance Upgrade of educational programs	Instituted program to promote and assist career advancement of female employees Promoted Smart Work Challenge program*4 Worked to eliminate excessive labor and unpaid overtime Held nursing care seminars Revised human resource systems to promote working style reforms Prepared framework for better environment by effective use of ICT to support working style reforms Enriched educational programs in response to changing education needs Expanded application of Career Workshop for those over 50 years old Implemented programs incorporating social contribution activities Conducted leadership training in the Tohoku region, which was heavily impacted by the Great East Japan Earthquake Established Business Group-based human resource development systems and committees for organizing job category-based training systems Commenced construction of SCSK Learning Park (scheduled for completion in October 2015) Conducted total renewal of global human resource development programs Provided trainings for Group companies Introduced the Kenko Waku Waku Mileage*5 program Conducted health-related questionnaire survey Opened SCSK Counseling Room and offered counseling dispatch services (Nishi-Nihon and Chubu areas) Introduced the Health Support System Provided career-related counseling for mid-level employees	Promotion of women's empowerment at workplace Further focus on measures to promote work-life balance Preparation of environment where ICT is effectively used to support working style reforms Enhancement of educational programs Promoting specialized community activities by activating job category-based special committee Improvement of human resource development systems and educational environment Human resource development of global talents Human resource development at Group companies Human resource development based on career advancement plans Implementation of measures related to the promotion of health and well-being of employees Enhancement of mental health measures Implementation of improvement measures for health literacy
The environment	Prevention of pollution Sustainable resource use Climate change mitigation and adaptation Protection of the environment, biodiversity, and restoration of natural habitats	Promotion of environmental management ISO 14001 certification Promotion of environmental targets and index Environmental business expansion Data center environmental footprint reduction	Expansion of environmental businesses Promotion of office energy-saving activities Promotion of green purchasing	Periodically disclosed data of resource-use reduction Conducted education campaigns using environmental activity promotion posters Tracked and reported the ratio of green purchasing	Ongoing promotion of diversity Support for promoting diversity at Group companies Environmental business expansion Promotion of environmental management at Group companies Promotion of office energy-saving activities Promotion of green purchasing Improvement of garbage recycling ratio Advance CSR measures related to partner companies Efforts to raise awareness inside the Company with regard to purchasing activity in consideration of CSR Examine possibility of formulating Group purchasing policies
Fair operating practices	Anti-corruption Responsible political involvement Fair competition Promoting social responsibility in the value chain Respect for property rights	Promotion of compliance Strengthening information security Initiatives conducted in collaboration with partners	Clarification of themes and formulation of policies in regard to the CSR initiatives related to subcontractors	Held briefings for partner companies Conducted on-site reviews	Implementation of R&D in consideration of issues faced by customers Disclosure of information on R&D activities Provision of open-source software (OSS)-related information within and outside of the Company Advancement of OSS license educational programs Companywide introduction of SE**1
Consumer issues	Fair marketing, factual and unbiased information, and fair contractual practices Protecting consumers' health and safety Sustainable consumption Consumer service, support, and complaint and dispute resolution Consumer data protection and privacy Access to essential services Education and awareness	Product and service quality management and enhancement Provision of reliable technology Improvements to raise customer satisfaction Strict personal information management	Implementation of R&D that takes issues faced by customers into consideration Promotion of SE**1 Smooth advancement of projects Maintenance and enhancement of service levels Prevention of the occurrence of damages to customers through thoroughly enforced quality control measures	Conducted verification testing on technological issues regarding use of systems on wearable terminals and related in-house educational activities Distributed SE**1 guidebooks Constructed Companywide system for promotion of SE**1 Took preemptive actions for possible uncollectible receivables Issued project check guide aimed at standardizing level of project management offices (PMOs) Instituted PMO checks at Group companies Conducted evaluations on system operation in order to maintain and enhance service levels (service checks) Conducted evaluations on system development in order to improve the quality of deliverables of system development (quality checks) Instituted quality evaluations of products sold by SCSK Provided information about software vulnerabilities within the Company Confirmed vulnerabilities of customer systems	Improvement of system usability of customers by incorporating user experience perspectives into SE**1 Smooth advancement of projects Maintenance and enhancement of service levels Improvement of customer satisfaction through thoroughly enforced quality control measures Creation of new businesses that contribute to society through measures such as the Innovative Idea Grand Prix*7 Active use of CAMP*2 Vitalization of Earth One*3 activities Expansion of staff at offices outside Tokyo to stimulate local economies
Community involvement and development	Community involvement Education and culture Employment creation and skills development Technology development and access Wealth and income creation Health Social investment	Promotion of social contribution activities Human resource development for talents of next-generation Cooperation with local communities and international society Global environmental protection	Active use of CAMP*2 Vitalization of Earth One*3 activities	Held CAMP*2 workshops through collaboration with customer companies Conducted CAMP*2 workshops in parts of the Tohoku region that were heavily impacted by the Great East Japan Earthquake Promoted participation in volunteer and charitable activities Worked to raise interest in social contribution activities Conducted the Chocotto Support from SCSK*6 program for aiding entrepreneurs in the Tohoku region	

\*1. SmartEpisode Plus (SE): An original development standard that defines processes and process flows with an emphasis on quality  
\*2. Children's Art Museum & Park (CAMP): A social contribution activity that fosters child creativity through workshops  
\*3. Earth One: A social contribution activity club comprised of SCSK employee volunteers  
\*4. Smart Work Challenge : An initiative aimed at reducing overtime and subsequently overall work hours while increasingly the quality of time worked and the results created

\*5. Kenko Waku Waku Mileage: A program designed to help improve employees' lifestyle habits and health checkup results in order to improve health and well-being  
\*6. Chocotto Support from SCSK: An IT pro bono activity in which employees take part in helping resolve the IT issues faced by entrepreneurs and business owners supported by MAKOTO (General Incorporated Association) in parts of the Tohoku region that were heavily impacted by the Great East Japan Earthquake  
\*7. Innovative Idea Grand Prix: A program through which employees can submit innovative business ideas, with promising ideas being put into practice by SCSK

# Organizational Governance

SCSK is working to ensure transparency in management, strengthen appropriate governance and monitoring structures, and maintain and enhance sound management through sustainable risk management.

## Corporate Governance

### ◆ Basic Policy

The SCSK Group's basic policy on corporate governance is to raise management efficiency and maintain healthy operations from the perspective of shareholders and other stakeholders, and to ensure management transparency in the process, bearing in mind our corporate social responsibility (CSR) as a company. Positioning CSR as one of our most important management issues, we aim to build an optimal management structure that befits SCSK.

### ◆ Structure and Principal Review Boards

The Company's governance structure comprises the Board of Directors, the Board of Auditors, the independent auditor, and the General Meeting of Shareholders, which serves as the Company's ultimate decision-making body.

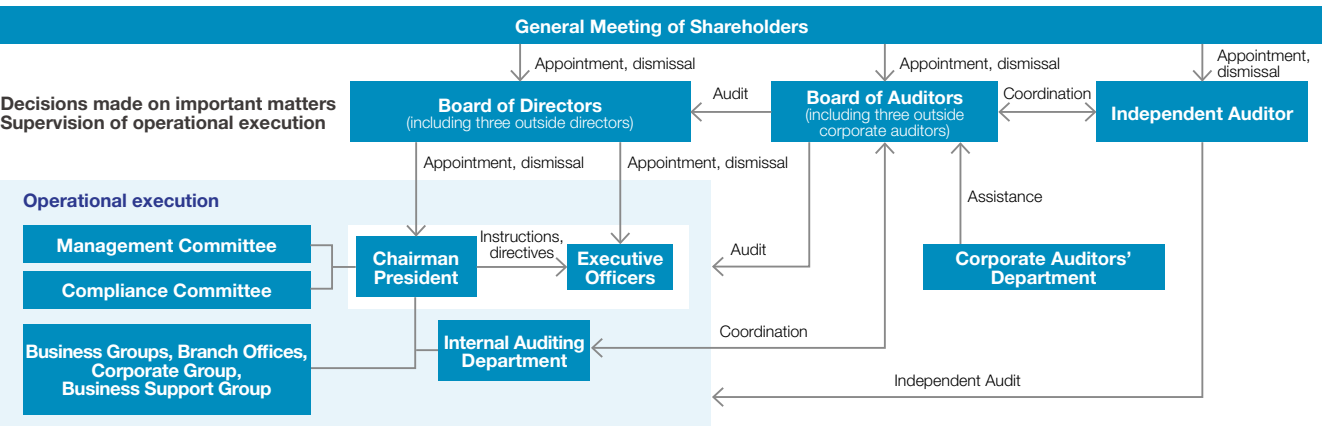
The Board of Directors comprises 18 members, including three outside directors. In principle, the Board of Directors meets monthly to decide important management issues and supervise operational execution. To maintain and enhance the supervisory function of the Board of Directors, SCSK continues to appoint outside directors (including independent directors) who have no conflict of interest with general shareholders.

The Company's directors serve one-year terms, so as to better clarify their management responsibilities in each business year. We have also implemented a system in which full-time directors serve simultaneously as executive officers, to maintain and strengthen both prompt management decision-making based on actual business circumstances and effective oversight of operational execution.

The Board of Auditors has four members, including three outside corporate auditors. The Board of Auditors receives reports, deliberates, and makes decisions regarding important audit-related matters. In accordance with auditing and other policies determined by the Board of Auditors, corporate auditors attend meetings of the Board of Directors, the Management Committee, and other important meetings. These corporate auditors also request business reports from directors and executive officers.

The Management Committee, made up of directors, executive officers, and corporate auditors, has been established to oversee operational execution. The committee functions as an advisory body to the chairman and the president, with regard to important management matters.

### Corporate Governance Structure



### ◆ Auditing and Supervisory Structure

SCSK has an auditor system for auditing and supervision that centers on the supervision of operational execution by the Board of Directors as well as auditing by the Board of Auditors.

Corporate auditors also receive reports from the Internal Auditing Department, review documentation relating to important decisions, and visit important business locations, including subsidiaries and affiliates, to inspect the status of operations and assets. Furthermore, corporate auditors meet regularly with the independent auditor to exchange information and better understand the independent auditor's activities. The corporate auditors also attend audit evaluation meetings held by the independent auditor, conduct on-site inspections of inventory assets, and work to enhance the efficiency and quality of their activities. The Corporate Auditors' Department has been established as an independent organization of the Board of Directors to assist corporate auditors in their operations, ensure that the activities of the corporate auditors are not hindered, and that the function of the corporate auditors is fully utilized.

### ◆ Internal Controls

The Board of Directors has formulated a Basic Policy on Internal Controls to ensure that operational execution and other operations comply with applicable laws and regulations. By monitoring to confirm that internal controls are functioning effectively and by continuously reviewing this policy in line with a changing management environment, SCSK is building a structure that addresses need as they arise.

### ◆ Implementation of Internal Auditing

The Internal Auditing Department has been established under the direct supervision of the chairman and the president to act as an internal auditing system to confirm that internal controls are functioning effectively and to supervise the implementation of internal controls. The department examines and evaluates the general management activities, such as control activities and risk management of SCSK and its subsidiaries and affiliates that SCSK has a management authority over. As necessary, the department provides advice and counsel on how to improve management activities. In this way, the Internal Auditing Department conducts audits to contribute to the improvement of the SCSK Group's corporate value and the development of its business.

### ◆ Risk Management

SCSK has established a Risk Management Policy to manage the risk incurred through its business activities. The policy divides risk into four categories: 1) strategic risk, including market, business opportunity, and investment risk; 2) operational risk, including litigation, environmental, and labor affairs risk; 3) financial risk, including inventory and foreign exchange risk; and 4) hazard risk, including natural disaster, information system, and accident/malfunction risk. Under this policy, SCSK makes efforts to thoroughly understand risk both inside and outside the Company, and makes recommendations on how to address risk. In this way, SCSK works to maintain and enhance its credibility as a corporation. At the same time, in the case that risk is realized, the Company works to minimize losses and maintain stable business results.

### ◆ Initiatives Related to Emergency Response and Business Continuity Plans

To prepare for the occurrence of large-scale disasters, pandemics, and other unforeseen circumstances that may have a grave impact on the SCSK Group, the Company has established rules of conduct and organizational frameworks to respond to emergencies. The Company is taking advanced measures such as adopting an employee safety confirmation system; stockpiling food, water, and other supplies; and conducting drills for setting up disaster headquarters. The Company also runs a portal site to post disaster-related information in order to raise employees awareness on disaster response as a preventative measure. Furthermore, the Company has prepared a business continuity plan (BCP) and re-examines it each year.

### ◆ Structure for Timely Disclosure

SCSK recognizes that a high level of management transparency is an important component of corporate governance and, as a measure to ensure this transparency, we have established the following structure for the disclosure of corporate information. Through this system, we work to disclose information in a timely, appropriate, and fair manner.

### Structure for Timely Disclosure



1. The Legal, General Affairs, Corporate Communications & CSR Group, the IR, Finance & Risk Management Group, the Accounting Group, the Corporate Planning Group, and the Human Resources Group carry out the appropriate collection of information that is subject to disclosure, screen what is to be disclosed, and prepare drafts for disclosure.
2. Upon receiving authorization of the chairman and the president, Information Handling Officers, the persons who are responsible for supervising, managing, and disclosing information, confirm the content and determine whether disclosure is required.
3. The Information Handling Officers make appropriate disclosure upon approval of the Board of Directors as may be necessary.

### ◆ Remuneration for Directors

As for director remuneration, the types, specific amounts, allotment and payment periods, as well as payment methods are decided at the Board of Directors' meetings. In accordance with paragraph 2 article 387 of the Companies Act, remuneration for each corporate auditor is determined through mutual consultation by corporate auditors.

### Remuneration for Fiscal 2014

Category	Number of People	Remuneration Amount
Directors	17	¥628 million
Corporate auditors	5	¥63 million
Total	22	¥691 million

SCSK decides the upper limit for director remuneration at the Ordinary General Meeting of Shareholders, and annual remuneration to directors, including bonuses, is paid within that limit. In addition, at the Ordinary General Meeting of Shareholders held on June 28, 2011, it was decided that, as of October 2011, the annual remuneration for directors shall not exceed ¥960 million (¥40 million for outside directors), and the annual remuneration for corporate auditors shall not exceed ¥150 million.

### ◆ Communication with Shareholders and Investors

SCSK regards IR activities as a way to establish a constructive relationship with capital markets and build trust in relationships with shareholders and investors through the timely, fair, and voluntary disclosure of corporate information. In addition, SCSK positions IR activities as strategic activities for the improvement of corporate value and is actively promoting IR activities. Specifically, the Company holds quarterly briefings on financial results and business operations. In addition, SCSK makes efforts to regularly conduct individual visits to overseas investors and disclose IR-related information on the Company website.

### Won the 2014 Awards for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan

SCSK was selected as the No. 1 company in the computer software division at the 20th annual (fiscal 2014) Awards for Excellence in Corporate Disclosure hosted by the Securities Analysts Association of Japan.

This selection system was established by the Corporate Disclosure Study Group of the Securities Analysts Association of Japan for the purpose of promoting and improving the disclosure of corporate information. SCSK received high recognition in all five categories: 1) management's approach to IR, functions of IR divisions, and basic IR stance; 2) disclosure of information at briefings and interviews and through explanatory documents; 3) fairness of disclosure; 4) disclosure of corporate governance-related information; and 5) voluntary disclosure of information that conforms with the conditions of each industry.



# Human Rights / Labor Practices

SCSK respects human rights and actively works to promote human resource development, diverse working styles, and the introduction of work-life balance measures. SCSK also focuses its efforts to establish an environment that enables employees to work with enthusiasm and make the most of their capabilities.

## Respect for Human Rights

### ◆ Basic Policy

Every employee must comply strictly to the SCSK Compliance Manual, which contains policies on adherence to applicable laws and regulations, respecting fundamental human rights, the avoidance of discriminatory treatment, and prevention of sexual and power harassment that ignores the individuality of persons. These policies were established based on the Constitution of Japan, the Universal Declaration of Human Rights, the International Bill of Human Rights, the Labor Standards Act, and the Act on Equal Opportunity and Treatment between Men and Women in Employment (the Equal Employment Opportunity Law). In addition, in fiscal 2014 approximately 1,500 employees in decision-making roles, such as officers, department and division managers as well as those in leadership positions, underwent training on harassment.

### Code of Respect for Human Rights (Excerpt from the SCSK Compliance Manual)

Guiding Principle
Human rights shall be respected, and no unfair discrimination shall be permitted.
Specific Guidelines
1. Directors and employees must respect the human rights of each other and maintain a pleasant work environment through cooperation.
2. Discrimination of any person based on factors with no connection to work performance, including ethnicity, nationality, gender, religious affiliation, beliefs, age, place of origin, physical or psychological disabilities, and sexual orientation, is prohibited.
3. Discriminatory remarks or behaviors, harassment, slander and libel, threatening or violent conduct, or other remarks or behaviors that are inappropriate for any director or employee that evokes fear in others or offends them are prohibited.

## Human Resource Policy

To realize its Corporate Philosophy, “Create Our Future of Dreams,” SCSK has established its human resource policy composed of the Basic Ideals and the Three Human Resource Pillars—as a shared ideal relating to the structure and management of human resource measures. The policy also covers the design and management of all human resource-related systems, compensation levels, and other policies, and aims to promote the enhancement of individual capabilities and the optimal realization of employees’ strengths.

Basic Ideals
By encouraging the enhancement of individual capabilities and applying the most appropriate, optimal organization management, SCSK will maximize employees’ performance.
Three Human Resource Pillars
• We will respect diverse individual characteristics and senses of value while stressing teamwork.
• We will work to develop employee capabilities and create a workplace environment where employees can maximize their performance.
• We will build a relationship between the Company and employees in which both can grow through equal and fair evaluations and treatment.

## Human Resource Evaluation System

### ◆ Defining “Expected Roles and Skillsets” and “Competency Assessment Criteria”

SCSK operates a grade system which handles such issues as promotions and demotions, compensations, and working hour management by each grade. Furthermore, this system defines and establishes the “Expected Roles and Skillsets” to be fulfilled for each grade as well as the “Competency Assessment Criteria,” both of which indicate specific behaviors and processes that are desired to be taken during the course of the execution of duties. This system serves as the foundation for developing the individual capabilities and executing fair evaluations and treatment that the Company’s Human Resource Policy aims for.

Competency Assessment Criteria, which are in line with SCSK’s Code of Conduct of “Challenge, Commitment, and Communication,” defines specific behavior along with 10 evaluation items. By running this system, SCSK works to ensure that its Code of Conduct is put into practice by employees.

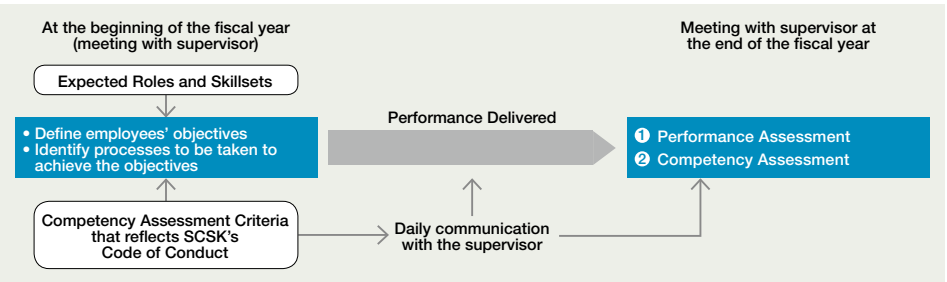
SCSK Code of Conduct	Items for Evaluation
<b>Challenge</b> Aim higher with future creating passion	Designing and planning; actions for achievement; learning and growth
<b>Commitment</b> Act with integrity and responsibility for our customers and society	Relationship building and customer-oriented mindset; judgement; display of expertise; and compliance with laws and regulations
<b>Communication</b> Facilitate teamwork with respect and understanding	Understanding of other people and organizations; ability to reach consensus; teamwork and human resource development

### ◆ The Evaluation of “Contribution Level” and “Competencies” Based on “Expected Roles and Skillsets”

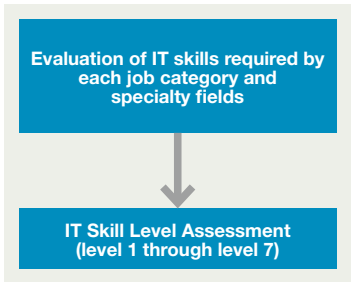
SCSK’s human resource evaluation is based on “Expected Roles and Skillsets” and is carried out from three perspectives—“Performance Assessment,” based on management by objectives, “Competency Assessment,” and “IT Skill Level Assessment,” which refers to the expertise required by job category and specialty field.

Each year’s evaluation starts with a meeting with the employee’s supervisor at the beginning of the fiscal year. The employee communicates how he/she recognizes their current situation at their job and confirms their future career ambitions to the supervisor and sets the objectives based on the “Expected Roles and Skillsets” of the employee’s grade. At the same time, the supervisor identifies the processes to be taken to achieve the objectives. As for the evaluations at the end of the fiscal year, Performance Assessment (① of the diagram on page 43), however, is not the only thing evaluated, as emphasis is also placed on the processes for achieving them. For this reason, the employee’s behavior is also assessed against the Competency Assessment Criteria, which reflects the three points of emphasis in SCSK’s Code of Conduct (Challenge, Commitment, and Communication), on the basis of the employee’s daily communication with the supervisor. A meeting regarding the result of the assessment is also carried out with the supervisor (i.e., “② Competency Assessment” of the diagram on page 43).

## Evaluation of Performance and Competency



## IT Skill Level Assessment



## Human Resource Development

### ◆ Human Resource Development Policy and Education and Training System

SCSK promotes its human resource development measures on the basis of its Corporate Philosophy and Code of Conduct. Under the belief that the growth of every employee leads to the growth of the Company, we are promoting measures to realize work-life balance and establishing a structure in which each employee can proactively continue learning for their own growth. In this way, we aim to become a company where each employee can grow and create value. Furthermore, we have established expected profiles of SCSK employees, and are engaged in the development of human resources who can embody the profiles.

In regard to training, we have developed a system that strengthens both the mindset (positive human qualities) and skillset (required capacity for work). The types of training we offer are designed in such a way that allows for the acquisition of the

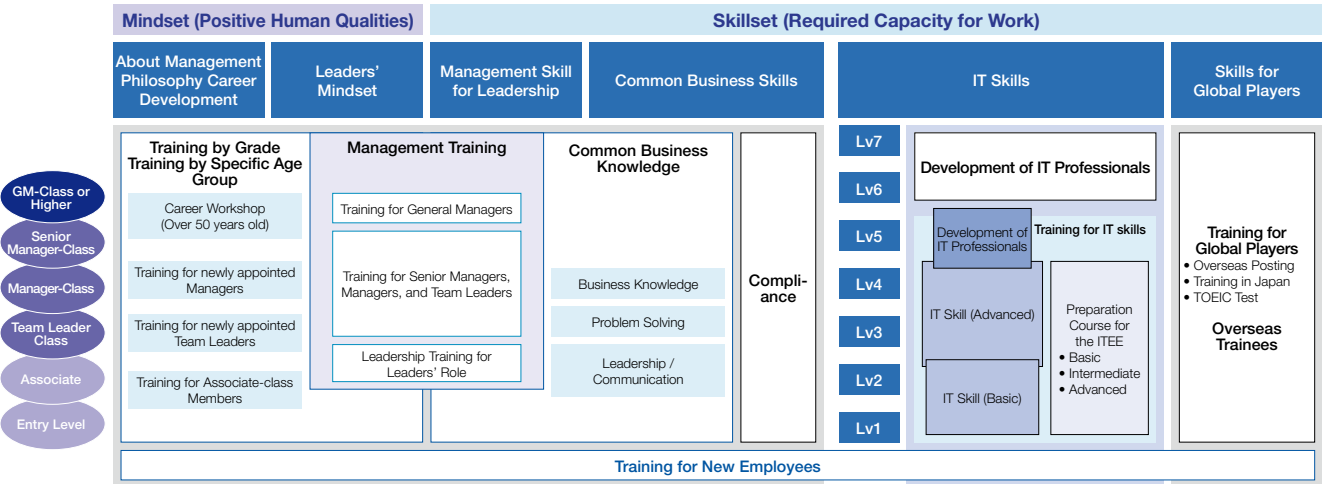
knowledge and skills that are required for the execution of work according to one’s position in the Company. Meanwhile, training for IT skills is set up to allow individuals to make their own plans for enhancement of their capabilities in accordance with their job type and position in the Company, which has been made clear through the IT Skill Level Assessment.

Human resource development at SCSK is promoted through these training system presented by the Human Resource Department, as well as education plans created by business groups, which are designed to fit their business strategies.

### Profiles of SCSK Employees

1. Human resources who embody the Corporate Philosophy
2. Human resources with outstanding mindset (positive human qualities) and skillset (required capacity for work)
3. Human resources who keep growing proactively and continuously

## SCSK Education System—Outline by Category



## SCSK Education System—Track Record of Education and Training by Category (FY2014)

Type of Training	Total Number of Participants to Date (approximate)
Management Skills	1,000
Training by Grade Level	650
Career Workshop (over 50 years old)	210
Common Business Skills	2,000
Overseas posting	45
Global Talents	320
Training in Japan	1,800
TOEIC Test	1,800
Training by Job Category	2,700
Skills Development	1,800
Preparation for the ITEE	1,800

## Establishment of the SCSK Learning Park

Construction of the SCSK Learning Park is slated to be completed in October 2015. As a core facility for human resource development under the SCSK Medium-Term Management Plan, it will be used for the purpose of improving positive human qualities and stimulating employee communication. It will be used for overnight training.



SCSK Learning Park

# Human Rights and Labor Practices

## A Company with a Pleasant, Rewarding Workplace

With the aim of always being a company providing a pleasant, rewarding workplace, SCSK is improving its working environment under the four themes of work-life balance, diversity, health and well-being, and human resource development. We are reinforcing our efforts under the belief that this brings about a virtuous cycle. That is, the added value brought about by each employee who works with enthusiasm leads to SCSK's growth and its solid results, making it possible to return the Company's profits to its stakeholders.

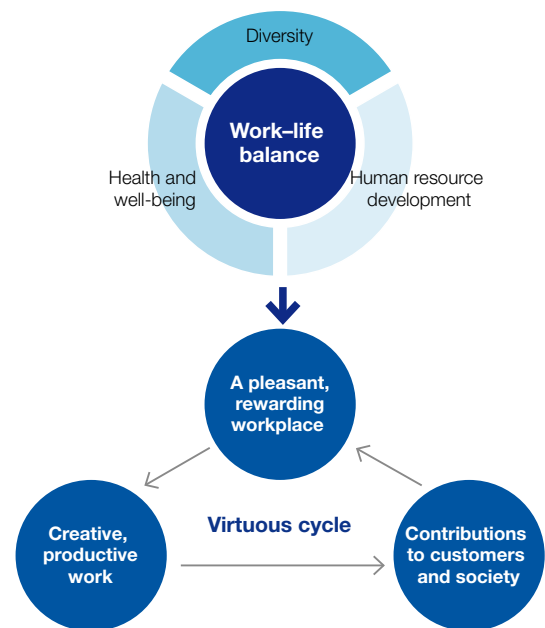
### ◆ Smart Work Challenge

The majority of people who work at a company spend a large portion of their day at their job. As such, SCSK hopes to provide systems that enable its employees to live healthier and work more efficiently so that they may feel a sense of purpose and have motivation toward their job. We thereby aim to help our employees better enjoy their lives as contributing members of SCSK. One of the promises included in SCSK's Corporate Philosophy states that we are committed to "respecting each other." It was this commitment that inspired us to launch the Smart Work Challenge 20<sup>\*1</sup> program, an initiative aimed at ensuring SCSK is a pleasant and rewarding place to work, in April 2013. Smart Work Challenge 20 is named after the purpose of the program—endeavoring ("challenge") to achieve the goal ("20") through more efficient ("smart") labor ("work")—and its stated goal of "20" refers to employees taking 20 paid vacation days a year as well as limiting average monthly overtime to 20 hours. This program has been massively successful at decreasing the average amount of overtime and encouraging employees to take paid vacation days.

<sup>\*1</sup> Renamed to "Smart Work Challenge" in fiscal 2015



Concept of an enjoyable and rewarding workplace



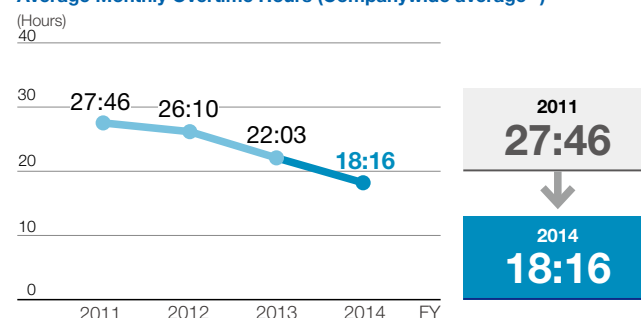
### ◆ Reform of Human Resource Systems (Expansion of discretionary work system, etc.)

One the major obstacles that needed to be overcome in order to accomplish the challenge's goals was the reduction of overtime compensation received by employees. To address this issue, SCSK

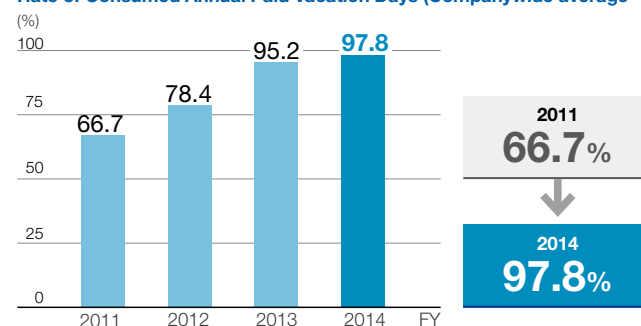
instituted an incentive system to return this lost income to employees when they achieve their goal. However, we aim to further eliminate employee concerns for overtime compensation in order to encourage staff to pursue even more efficient working styles. To this end, the incentive system was abolished in July 2015, and we instead applied the discretionary work system to all full-time employees. Through this system, applicable employees receive a compensation payment equivalent to either 20 or 34 hours of overtime compensation, with the amount determined based on rank, regardless of how much overtime they work. This amount is added on top of their standard monthly salary.

### Results of Initiatives in Fiscal 2014

#### Average Monthly Overtime Hours (Companywide average<sup>\*2</sup>)



#### Rate of Consumed Annual Paid Vacation Days (Companywide average<sup>\*2</sup>)



<sup>\*2</sup> Average for all employees including those under the discretionary work system and supervisors

### Measures toward Working Style Reforms

FY	Content
2012	<ul style="list-style-type: none"> <li>Companywide application of the flextime system</li> <li>Introduction of the discretionary work system</li> <li>Movement to reduce overtime work by half</li> <li>Promotion of taking paid vacation time</li> <li>Introduction of a new leave system</li> </ul>
2013	<ul style="list-style-type: none"> <li>Commencement of Smart Work Challenge 20</li> <li>Enhancement of the telecommuting system</li> <li>Distribution of tablets</li> </ul>
2014	<ul style="list-style-type: none"> <li>Continued implementation of Smart Work Challenge 20</li> <li>Shortening of prescribed working hours</li> <li>Upgrading of the leave system</li> </ul>
2015	<ul style="list-style-type: none"> <li>Continued implementation of Smart Work Challenge</li> <li>Introduction of "Kenko Waku Waku Mileage" program</li> <li>Reform of human resource systems (expansion of discretionary work system, etc.)</li> </ul>

### ◆ Work-Life Balance Support Systems

SCSK is working to help employees balance their work life and their private life, and is creating a workplace in which employees can work without any anxiety or concern. To help employees realize a work-life balance, the Company provides flexible working systems and introduced various leaves and vacation systems. In addition, SCSK has instituted a flextime system that is available to all employees, and in October 2013 a telecommuting system was made available to all employees that have been with the Company for more than a year.

### ◆ Child-Rearing Support

SCSK aims to enable employees going through life events, such as childbirth or child-rearing, to work in a flexible manner. To facilitate a smooth return to work for employees taking childcare leave, and to ensure that these employees can continue working with enthusiasm, we periodically hold seminars on issues related to returning to work after such leave. These seminars serve as opportunities for these employees and their supervisors to deepen their understanding with regard to balancing work and child-rearing and supporting such efforts.



Certified as a "Company Supporting Childcare"

### ◆ Nursing Care Support

Various support measures, including systems enabling flexible working styles, are available to employees involved in nursing care of family members. Systems allowing for short-time workdays or limited late-night and overtime work as well as a telecommuting system and other support are provided to help such employees balance work and nursing care. The Company also offers nursing leave, balance support leave, and other leave systems. Under SCSK's nursing leave system, an employee may take up to six nursing leaves for a total of 365 days per family member requiring the employee's care. A nursing leave allowance is paid to the employee for part of this leave.

In fiscal 2014, we began holding a series of nursing care seminars targeting approximately 3,500 employees, including general managers and other managers as well as employees over the age of 40. These seminars help employees acquire basic knowledge with regard to providing nursing care and allow them to better understand SCSK's work-life balance support systems.

Going forward, SCSK will continue to foster a basic understanding of nursing care and its support systems. As well, the Company will provide information and cultivate a workplace environment that is conducive to balancing work life and private life.

### Number of Users for Each Support System (Fiscal 2014)

System	Users
Childcare leave	208
Nursing leave	4
Short-time workday	191
Maternity time <sup>*3</sup>	74
Parental leave	152
Balance support leave <sup>*4</sup> / Child nursing leave <sup>*5</sup>	1,059

<sup>\*3</sup> Available to pregnant women in half-day increments to allow them to take time off for various related ailments, such as morning sickness, and for prenatal checkups

<sup>\*4</sup> Balance support leave: This type of paid leave is applicable to employees in the following instances:

A. When employees are providing nursing care to their spouse or any family member, or spouse's family member, within the second degree. However, this does not include family members who have received nursing care authorization.  
B. When employees must accompany their child to receive necessary vaccinations, or attend an event at their child's school, up until the child graduates from elementary school.  
C. When employees go to the hospital for infertility treatment.

Note: For A and B above, employees receive a maximum of five paid holidays, regardless of the number of family members they provide nursing care to or children they have.

<sup>\*5</sup> Combined number of users of each system

### Promoting Diversity in the Workplace

SCSK put emphasis on diversity in order to turn the various personalities and sense of values of its employees into organizational strength, and enables employees to maximize their capabilities so as to create innovative services and enhance corporate value.

We are actively working to support women's career advancement, employ people with disabilities and assist their activities, and hire non-Japanese employees. At the same time, SCSK provides a wide range of work-life balance support measures to help employees continue working, even when raising children or providing

nursing care for family members. Through these efforts, SCSK is creating a workplace environment that allows all employees to perform their job while exercising their skills and their individuality, regardless of age, gender, disability, or nationality.

### ◆ Supporting Women's Career Advancement

SCSK strives to be a company where female employees can contribute their talents, and is enhancing its human resource development programs and working style reforms. As there are many women that balance childcare with their jobs, SCSK has been actively developing work-life balance support systems. At the same time, realizing that extensive work hours can be a major obstacle for women in the workplace, we are endeavoring to thoroughly reduce overtime, and creating working styles to help realize a workplace environment that is conducive to taking leave. Furthermore, with the aim of supporting female employees in making further contributions, we established a goal of increasing the number of women in officer and line management positions to 100 by 2018. Going forward, SCSK will actively carry out efforts to support women's career development through such means as providing trainings that match the education needs of female employees in each age group with the aim of accomplishing this goal.

Number of Women in Officer and Line Management Positions (Actual and Goal)		
April 2011 (actual)	July 2015 (actual)	2018 (goal)
9	43	100

### ◆ Encouraging further Involvement of People with Disabilities

Tokyo Green Systems Corporation (tgs) was established in 1992 as a third-sector enterprise through a joint capital investment by the Tokyo Metropolitan Government, Tama City, and SCSK. tgs is a model company for the employment of people with severe disabilities. As a special subsidiary of SCSK, tgs also promotes the SCSK Group's employment of persons with disabilities and is committed to upholding the principles of participation, independence, and coexistence. It is headquartered at SCSK's Tama Center Office and focuses on janitorial service, park maintenance, agricultural work, and restaurant service operations as well as staffing of in-office concession stands, collection and delivery services, and other businesses. We have also established Relaxation Rooms (massage facilities) at our major offices, where tgs employees with visual impairments serve as in-house massage therapists.

### SCSK Group Employment Rate for People with Disabilities<sup>\*6</sup>

2.11% (As of June 1, 2015)

<sup>\*6</sup> Employment rate of the 10 core Group companies in Japan certified as affiliates

### External Recognition

#### • Diversity Management Selection 100

SCSK received the Ministry of Economy, Trade and Industry Award the Diversity Management Selection 100.

Diversity management entails utilizing a diverse range of human resources and providing them with opportunities to realize their full potential to create innovation and value.



#### • Nadeshiko Brand

On March 18, 2015, SCSK was selected as one of the 2014 Nadeshiko Brand, which recognizes companies that actively work to promote the participation of women through measures such as reforming working styles and supporting the career development of female employees.





# Human Rights and Labor Practices

## Workplace Environment for Realizing “Health and Productivity Management”

SCSK believes that a healthy mind and body are of fundamental importance to enabling individual employees to fully realize their unique potential. It is based on this belief that we work to create a workplace environment in which employees can work in good health and good spirits while feeling that their job is worthwhile.

### ◆ Kenko Waku Waku Mileage Program

The *Kenko Waku Waku Mileage* program was launched in April 2015 to help improve the health of employees in order to prevent illness and better enable them to work in a productive and creative manner.

The program comprises a point system through which employees earn “mileage” points for specified health-conscious achievements. These include regular exercise to the degree necessary for maintaining or improving one’s health and can also be based on the results of an employee’s annual health checkup or the degree to which these results improved. In conjunction with the number of points accumulated over the course of one year, an employee may be awarded incentive payments of up to ¥30,000.



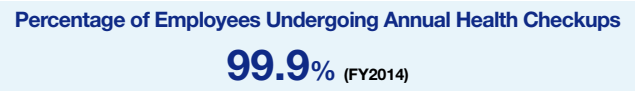
Kenko Waku Waku Mileage website

### Factor Considered in Kenko Waku Waku Mileage Program

Good Habits
Walking for exercise, quitting smoking, brushing teeth, eating breakfast, having no alcohol day
Health Checkup Results
BMI, blood lipid levels, glucose metabolism, liver function, blood pressure

### ◆ Health Checkups

Annual health checkups play an important role not only in the early detection and treatment of diseases but also in understanding the state of one’s own health so that problem areas can be improved. For this reason, all employees are obligated to annually undergo checkups, with superiors overseeing the situation so as to confirm that subordinates do in fact complete them. This system makes health management an issue for the whole company rather than just for individuals.



### ◆ SCSK Clinic

Aiming to expand the range of health management facilities it provides, SCSK established in-house medical office SCSK Clinic. This clinic is staffed by doctors specializing in diabetes, metabolism, the circulatory and digestive systems, the liver and kidneys, hypertension, and various other fields, and is therefore able to provide support for all types of lifestyle diseases. In addition to their field of specialty, the clinic’s doctors can also offer treatment for lesser disorders, such as colds or hay fever.



SCSK Clinic

### ◆ Relaxation Rooms

SCSK has established massage facilities known as Relaxation Rooms in which employees can receive massage therapy from nationally accredited masseuses to help them stay refreshed and efficient. It is not uncommon for employees who work in desk positions for long time to experience stiff shoulders or lower back pain. For this reason, time spent undergoing massages is counted as part of the hours worked by an employee. These massages are offered at affordable prices that can either be paid in cash or deducted from an employee’s salary. Furthermore, masseuses are dispatched to offices that are not equipped with Relaxation Rooms. These features make for exceptional ease of use, and this program has proved incredibly popular as a result. Moreover, employees from partner companies working at SCSK offices are also able to take advantage of Relaxation Rooms.



Relaxation Room

### ◆ Health Support System

To promote the good health of employees, the Company has introduced the Health Support System, which allows employees to view the results of their annual health checkups online. The objective is to have employees confirm their state of health and utilize the system in managing their own health. The results of health checkups from past years can also be viewed. An online pre-examination system can be used to make reports on the state of reservations and consultations as well as reports on re-examination consultations. Information related to health is also provided through the Health Support System.

As a measure to confirm the health of employees and promote well-being, beginning with fiscal 2014 health-related questionnaire surveys will be carried out each year. Based on data obtained through the questionnaire, we will provide health-related guidance, inclusive of lifestyle habits. The Company also conducts quantitative trend analyses, and utilizes this information to formulate and refine measures for improving employee lifestyle.



Screen of the Health Support System

### ◆ Anti-Smoking Measures

Smoking is a risk factor for a range of illnesses and is a cause of lifestyle-related diseases. For this reason, SCSK provides support to those employees who smoke in undergoing various treatments for quitting smoking.

In fiscal 2013, a program was instituted through which the Company covered all the treatment expenses for employees undergoing treatment at a medical facility for quitting smoking. If the employee was successful in quitting, privileges in the form of welfare benefit services were provided as an incentive. Furthermore, ¥10,000 was donated on behalf of the successful quitter to the Red Cup campaign\* operated by the United Nations (U.N.) World Food Programme.

Through this program, 294 people successfully quit smoking. When combined with past programs, SCSK has supported a total of 554 people in quitting smoking.



\* Red Cup (Fill the Cup) campaign: A U.N. World Food Programme project that supports school lunch programs. A donation of ¥10,000 makes it possible to provide nourishing meals for one full year to two children.

### ◆ Enhanced Mental Health Care

In addition to physical health, good mental health is extremely important for creating a lively workplace. Aware of this fact, SCSK is not only dealing with mental health disorders of its employees but also implementing measures to help stimulate communication in the workplace. Industrial physicians and other medical staff collaborate with the Human Resources Group in working to quickly discover and respond to any problems that employees may be experiencing. In addition, the services of an external employee assistance program (EAP) are also utilized to support employees that have taken leave for mental health reasons in returning to work and to prevent the reoccurrence of such issues.

In addition, the Company has established the SCSK Counseling Room, a full-fledged facility with three soundproof consultation booths, as a highly accessible venue for employees seeking to consult with someone about their various concerns. Six qualified staff members, including certified clinical psychologists and career advisors, are available to respond to consultations. Not only limited to issues regarding the workplace or one’s job, these specialists are able to provide support for a variety of personal and other issues.



SCSK Counseling Room



## Pleasant Workplace Environment

### ◆ SCSK’s Committee for Creating a Pleasant Workplace Environment

SCSK’s Committee for Creating a Pleasant Workplace Environment is an e-work community in which all employees participate, regardless of job category, department, or post. Based on mutual trust with management, this community strives to facilitate the personal growth of employees together with the development of the Company. This is accomplished by contributing to form a fulfilling and rewarding workplace environment. The committee serves as a representative of employees in matters related to labor management. It also carries out various efforts related to such matters as stimulating communication between employees and enriching benefits programs.



### ◆ “Positive Off” Movement

As an initiative to create a pleasant workplace environment that promotes taking paid vacations, SCSK affirms the “Positive Off” movement advocated and promoted jointly by the Japan Tourism Agency, Cabinet Office, Ministry of Health, Labor and Welfare, and the Ministry of Economy, Trade and Industry.

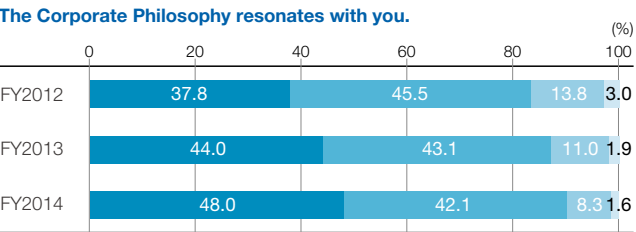


### ◆ Employee Opinion Surveys

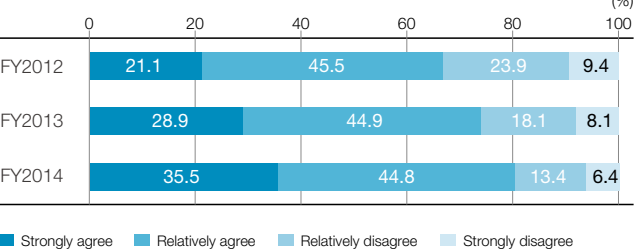
The Committee for Creating a Pleasant Workplace Environment has conducted employee opinion surveys each year since 2012 to solicit feedback with regard to the work and workplace environment at SCSK as well as the Company’s various initiatives.

These surveys cover matters regarding SCSK’s Corporate Philosophy, in other words, how well it is understood and practiced by employees, and Code of Conduct as well as those related to the workplace environment, human resource evaluation systems, and work-life balance. Opinions and requests received through these surveys are used by the Committee for Creating a Pleasant Workplace Environment in future efforts to create a workplace where each employee can create their value.

### Selected Questions and Results from Employee Opinion Survey



### You are able to establish a good balance between your work life and home life.



Strongly agree Relatively agree Relatively disagree Strongly disagree



# Working Style Reforms Underpinning Management Reforms

Eri Kawanabe

Executive Officer, Deputy General Manager  
Human Resources Group

Hiroki Sato

Professor, Graduate School of Strategic  
Management (Business School), Chuo University

Emiko Takeishi

Professor, Faculty of Lifelong Learning  
and Career Studies, Hosei University

With the aim of always providing a pleasant, rewarding workplace environment, SCSK is reforming working styles based on the four themes of work-life balance, diversity, health and productivity management, and human resource development. For this discussion, we sat down with human resource management expert Professor Hiroki Sato of Chuo University's Graduate School of Strategic Management (Business School) and Professor Emiko Takeishi of Hosei University's Faculty of Lifelong Learning and Career Studies. These individuals shared their opinions with Eri Kawanabe, Executive Officer and Deputy General Manager of the Human Resources Group, to assist SCSK in evolving working style reforms in the future.

## Work-Life Balance

### Overtime and Paid Vacation Targets Nearly Met Due to Senior Management-Led Organization-Wide Efforts

**Sato:** In recent years, a number of companies have introduced telecommuting, discretionary working systems, and other systems designed to enable flexible working styles together with frameworks for evaluating employees' performance based on results rather than time worked. However, for these initiatives to be successful, all employees need to become more sufficient with regard to self-management, and originally what is becoming an issue is, whether working style as a full-time worker is appropriately practiced or not. SCSK, I believe, adopted an ideal approach, as it first changed the manner in which full-time staff work. Specifically, the Company cut back on overtime hours, and effectively promoted the acquisition of paid vacation days. After that change, SCSK expanded the scope of application of its discretionary working system, thereby making it a model for success.

**Takeishi:** The Smart Work Challenge program SCSK launched in 2013 was advanced by first cultivating a shared understanding with regard to the program's goals, the value of accomplishing these goals, and the ideal form to be realized in this process. Specific initiatives were developed at each business division or department level. Would it not have been better to hand down measures from management based on a unified and unwavering philosophy?

**Kawanabe:** The initiatives developed at each business division or department are for basic areas of operations, such as efficient work allocation, through close communication between supervisors and their subordinates. Top management does hand down messages, and divisions in which the general managers and section managers have taken these messages to heart are generating results. I feel that this process has been directly responsible for improvements in quality and productivity.

**Sato:** Even if top management issues messages, there is no guarantee that

general managers and section managers will adhere to them. How did you create frameworks to ensure that the directions of management are followed?

**Kawanabe:** The first step was to simultaneously set the goals of cutting overtime work hours and encouraging full use of annual paid vacation days through the Smart Work Challenge. Having all employees use all of their annual paid vacations while preventing the quality of services provided to customers from being diminished required that operating processes be revised to optimally allocate work between employees. At the same time, we utilized all of the funds saved by cutting overtime hours, and consequently overtime compensation, to provide special bonuses to employees. I believe that this measure made it apparent to employees that the goal of reducing overtime hours was not so much to cut costs, but rather it was because we truly care about ensuring our employees are working in a healthy manner. Furthermore, the figures for overtime hours worked and paid vacations days acquired that we disclose are for all employees, including general managers of divisions, departments, and other managerial staff. In other words, we are pursuing workflow efficiency throughout the entire organization, and managerial staff members are expected to consider the efficiency of their own work as well. I am highly pleased with the sense of employee solidarity that has been fostered through these initiatives.

## Human Resource Development

### Custom-Tailored Career Support for All Employees to Help Achieve Career Independence

**Takeishi:** With regard to human resource development, it is important that employees feel motivated toward their work and have goals and a desire to grow. How is SCSK facilitating the development of human resources?

**Kawanabe:** Approximately 80% of SCSK's employees are IT engineers. For these employees, we provide an internal certification system consisting of seven levels based on the Skill Standards for IT Professionals defined by the Ministry of Economy, Trade and Industry. Mid-level engineers, those who have acquired level four

or higher certification, are evaluated by exceptionally talented IT-related employees selected from throughout the Company, who provide these engineers with custom-tailored advice about their strengths, weaknesses, and the skills they need to acquire. This system helps provide a framework within which engineers are able to plan their career over the next three to five or even 10 years.

**Sato:** The current era is one in which it is difficult to predict future trends with regard to the market environment and other factors, and this situation is changing the type of skills that companies require. Employees must be aware of this fact. It is never enough to simply continue doing what one always has, and it is crucial to possess the flexibility necessary to adapt to a changing environment together with a learning capacity and a wide range of skills. For this reason, employees need to continue to learn and grow. It is therefore important for companies to provide their employees with time that can be devoted to tasks other than work, and to acknowledge the accomplishments of employees that choose to study on their own. At the same time, it is vital for companies to help their employees realize that there are types of study that will be an asset to their careers five or 10 years in the future.

**Kawanabe:** I think you are absolutely right that it is important to continue learning and growing in preparation for the future. SCSK hopes that employees will use the extra time created through working style reforms to further their own growth. In addition, we plan to expand the scope of Career Trainings, which serve as an opportunity to think about one's career and acquire specific career development tools, and are currently in the process of enhancing the curriculum for these workshops. We are also examining possible options for creating frameworks that will provide opportunities for self-development in a broad sense. Not only limited to the internal trainings and qualification systems we have offered previously, these opportunities may include external forums for technology exchanges or volunteer activities. Initiatives such as these will be a priority going forward.

## Women's Career Advancement

### Creation of Framework to Further Promote Women's Active Role within the Workplace has Raised Awareness and Ambitions of Female Employees

**Takeishi:** Looking at Japan as a whole, it saddens me to say that women's participation in managerial positions is still quite low. How is SCSK working to address this issue?

**Kawanabe:** In 2015, the number of female employees in managerial positions exceeded 50, and the amount of women that are actively balancing their work life with child-rearing is growing steadily. While it has been a process of trial and error, we have pushed forward with working style reforms with the aim of reducing overtime and cultivating a workplace environment in which it is easier for women to make contributions. I believe it is these efforts that have led to these successes in empowering female employees. I also feel that the awareness and ambitions of female employees themselves is rising. This is largely a result of our efforts to foster understanding with regard to the idea that women can continue to advance their careers without any anxiety even after having children. This has been done by providing career training for female employees and giving them opportunities to network with more senior employees that can serve as role models, thereby allowing them to witness various different ways in which women can be active in the Company.

**Sato:** Several companies provide short-time workday systems to aid in child-rearing, meaning that female employees can continue to balance their work with looking after their children so long as they use these systems. However, it is still common for these individuals to be unable to return to work full-time due to the prohibitive amount

of overtime this would entail. SCSK is advancing working style reforms on a Company-wide basis, and I therefore believe that female employees will likely be able to quickly switch over to full-time after returning from childcare leave. This is a good start, but it is also important to ensure that the ability for women to continue working is not limited to certain divisions.

**Kawanabe:** That is a good point. We are seeing a rise in the number of female employees that quickly go back to working full-time after returning from childcare leave. Moving forward, we hope to help these individuals further hone their specialized skills so that they may make greater contributions to the workplace. We are enhancing training systems to this end, and I look forward to seeing how these employees grow over the future.

## Health and Productivity Management

### Entrenching Working Styles that Value the Health of All Employees

**Kawanabe:** SCSK has also been active in helping employees improve their health. To step up these efforts, we introduced the *Kenko Waku Waku Mileage* program in fiscal 2015. This program is designed to raise health awareness and encourage employees to adopt healthier lifestyles. To accomplish this, we issue monetary bonuses based on the degree to which an employee engages in health-conscious activities, the results of periodic health checkups, and the extent of improvement seen in these results.

**Sato:** Taking a broader meaning for the term "health," I think it would be best to work toward ensuring employees can lead healthy and happy lives with regard to all areas of life, including those not associated with work.

**Takeishi:** I was quite surprised to hear that "strongly agree" and "relatively agree" constituted 80% of the responses to the item "You are able to establish a good balance between your work life and private life" on the employee opinion surveys as this figure far exceeds the average for Japanese companies.

**Kawanabe:** This figure was clearly changed after instituting the Smart Work Challenge program, and I am proud to state that this change can be attributed to the program's success.

## Expectations for SCSK

**Sato:** With the working style reforms in place, SCSK is now poised to move on to the next stage of employee empowerment. Going forward, I hope the Company will continue to support women's career advancement, practice diversity management, and help employees improve their lifestyles. It is my wish for SCSK to become the type of company where all employees enjoy their work, and lead exciting and fulfilling lives.

**Takeishi:** I have nothing but praise for the speed at which SCSK has advanced reforms over the past two to three years. The IT industry is still a difficult industry to work in, requiring large amounts of overtime. I therefore hope that SCSK will share the secrets behind its successes in this area in order to contribute to improvements in working conditions across the IT industry, as this would carry great benefits for society.

**Kawanabe:** I believe that there are still many areas in which SCSK needs to pursue improvement in order to fully entrench the working style reforms and truly become a pleasant and rewarding place to work. The advice and suggestions you have provided today will be used to further our quest toward becoming an even better company.



Hiroki Sato

Professor, Graduate School of Strategic Management  
(Business School), Chuo University

Hiroki Sato is an expert in human resource management and personnel labor management, and is a leading Japanese authority on work-life balance. He plays an integral role in the "Research Project toward Realization of a Work-Life Balanced Society," a project which conducts joint research with private-sector companies since October 2008, and he is carrying out speculative, empirical, and policy-related research on the relationship between work-life balance, diversity management, and corporate management.



Emiko Takeishi

Professor, Faculty of Lifelong Learning and Career Studies,  
Hosei University

Emiko Takeishi specializes in human resource management and women's career. After taking part in the establishment of the Equal Employment Opportunity Law at the Ministry of Labour (currently, the Ministry of Health, Labour and Welfare), she was involved in private-sector think tanks before joining Hosei University. She is currently engaged in empirical research in the areas of human resource management and career development for women, work-life balance, and working style reforms.





# Fair Operating Practices

**SCSK conducts its business activities with a high sense of ethics. The Company adheres strictly to its compliance polices, works to implement fair business practices, and maintains and enhances information security through trust-based relationships with its partners.**

## Compliance

### ◆ Basic Policy

SCSK views compliance as “observing laws and regulations, and acting with a high sense of ethics within the norms of society.” Based on our Corporate Philosophy and Code of Conduct, SCSK expects its directors and employees to conduct themselves in a sincere and appropriate manner as members of society and the Company. Each individual employee is responsible for his/her own actions based on the concept of compliance, and strives to produce results that fulfill the social responsibility of the entire Company as an organization.

### ◆ Structure/System

In line with our Basic Compliance Policy, we have established the Compliance Rules and created the SCSK Compliance Manual. We have also developed an organizational structure for compliance-related efforts. Furthermore, SCSK has established the Compliance Committee in order to carry out proper compliance implementation. The Committee’s activities include determining and revising Companywide compliance policies, promoting and managing compliance structure, coordinating with related departments, confirming the status of adherence to compliance-related policies, and sharing information.

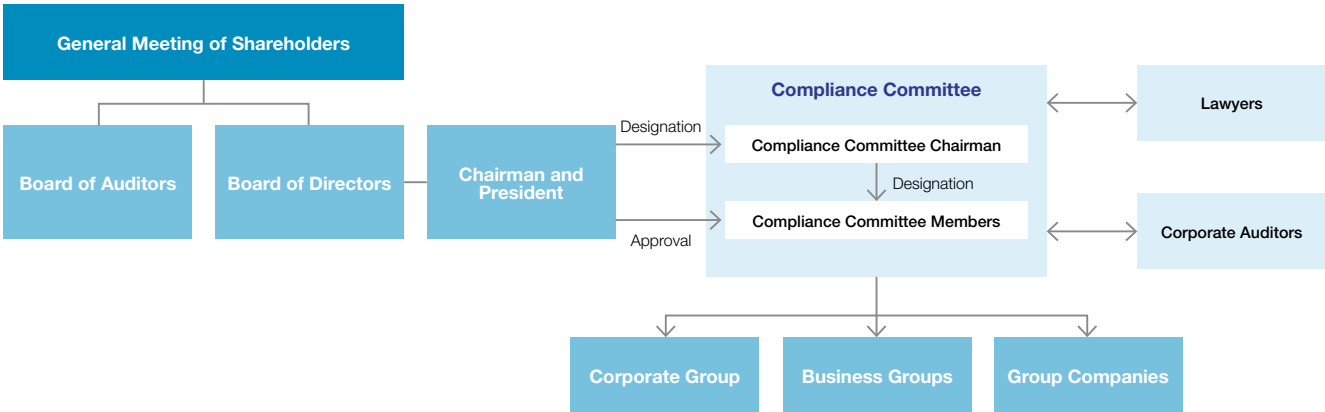
### ◆ Education and Training

Based on the belief that compliance is the responsibility of every employee, SCSK holds a variety of compliance-related training sessions to enable employees to make correct decisions and take actions that do not violate compliance under any circumstances. In addition, we also foster a mindset of compliance through the SCSK Compliance Manual, which contains detailed explanations related to major laws and regulations of particular importance, as well as the Company website, which contains compliance related information.

### Basic Compliance Courses Held in Fiscal 2014 (e-Learning)

**Participation rate: 100%** (intended for all employees)

## System to Promote Compliance



### ◆ Internal Reporting System

SCSK has established an internal reporting system for the prevention and early resolution of compliance violations. Under this system, employees of SCSK Group companies or partner companies who have discovered a compliance-related problem may report it directly to the Compliance Committee or designated attorney. The privacy of the person making the report and other parties involved as well as the confidentiality of the matter reported is strictly maintained. The system ensures there will be no reprisal for the person making the report. When information is received, appropriate action is taken. The system also provides feedback to the person who made the original report.

## Information Security

### ◆ Basic Policy

To protect information assets from various threats and fulfill its social mission, SCSK has established and is operating the Information Security Management System. We are continuously evaluating risks to information assets and ensuring the effectiveness of countermeasures for these risks. In addition, we have implemented information security measures according to the importance of the information assets involved, and are working to prevent occurrences of issues related to information security. SCSK’s Information Security Management System has received ISO 27001:2013 certification.

### ◆ Management Structure

To appropriately protect and manage all of the information assets the Company handles, we have established an information security structure and are promoting the maintenance and enhancement of its information security. We also require our subcontractors to adhere strictly to the Information Security Guidelines that we have established, in accordance with article 22 of our Commercial Transactions Code.

### ◆ Education and Training

To ensure that each of our employees, as well as everyone that does business with SCSK, understands our Information Security Management System, including the Basic Policy, we engage in extensive educational activities, such as holding training courses on information security and the protection of personal information. In addition, our Information Security Guidelines require business partners, i.e., subcontractors, to assign an internal point person to ensure adherence and to carry out regular educational activities relating to information security.

### Courses on Information Security and the Protection of Personal Information Held in Fiscal 2014 (e-Learning)

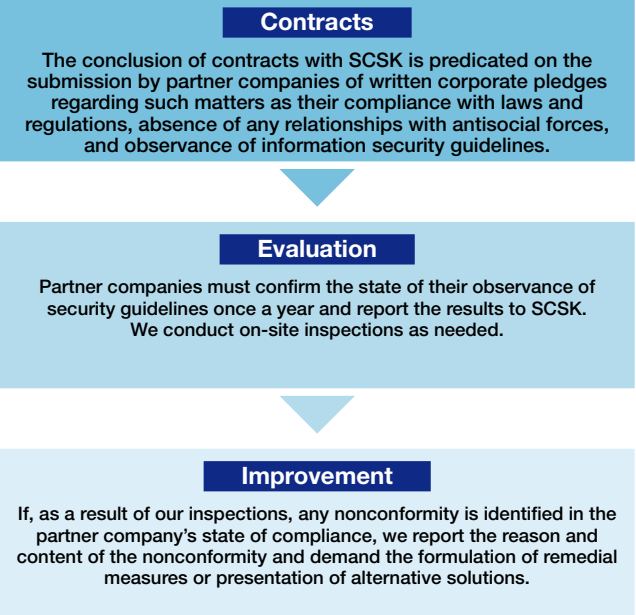
**Participation rate: 100%** (intended for all employees; unconsolidated)

## Collaboration with Partner Companies

### ◆ Basic Policy

In conducting our business, SCSK subcontracts tasks to various partner companies. As a business that handles information—an extremely valuable asset of our customers—we believe that the information security measures taken by our partners, as well as their compliance and labor management, are matters of great importance. When entering into contracts with partner companies, we require that they submit written corporate pledges regarding these matters. We also collaborate with partner companies to enhance our CSR activities.

### CSR Enhancement Process in Collaboration with Partner Companies



### ◆ Seminars for Partner Companies

At SCSK, we recognize that taking initiatives to improve information security and compliance is not something to be done by the Company alone, but rather should be done in cooperation with all of our partner companies. Accordingly, we hold informational seminars designed for our partner companies with regard to compliance regarding subcontracting, and require their participation in these seminars.

At these informational seminars, we explain SCSK’s policies and rules related to information security and compliance to partner

companies to facilitate their further understanding. In addition, we introduce SCSK’s efforts to change the way we work, and encourage our partner companies to engage in similar efforts to improve business efficiency and reduce overtime hours for the sake of their employees’ health. We also provide further detailed explanation of these efforts to partner companies who have agreed to endorse them. In this way, we receive cooperation from partner companies to improve the way the entire IT services industry works.

### ◆ On-Site Reviews

SCSK staff members that are in charge of partner management goes to partner companies to carry out on-site reviews. In these reviews, the staff member confirms that the execution of duties at partner companies—as well as their in-house rules and their actual physical security systems—conforms to SCSK’s standards for information security and compliance. For the selection of the companies to conduct an on-site review, SCSK confirms the status of business transactions, the content and scale of subcontracted work, and the status of adherence to information security policies at all partner companies.

### ◆ Core Partner System

The Core Partner System designates SCSK partner companies who realize high-quality products and services as “Core Partners.” These designations are given through approval by the Committee based on recommendations from each business group.

In fiscal 2014, to further vitalize the Core Partner System and promote its presence, SCSK held the Core Partner Kick-Off Meeting. At the meeting, SCSK and each of its business group delivered management-oriented messages to top management at partner companies. SCSK also publicly acknowledged two Core Partners for their remarkable efforts to provide high-quality services.

Going forward, SCSK will continue its efforts to reinforce the relationship between its business groups and Core Partners, and will work together with partner companies to improve the quality of its services.

## Comment from a Partner Company

Backed by its development capabilities and operational know-how cultivated in the financial industry, TOHO SYSTEM SCIENCE CO., LTD., handles a wide range of services, including system development, operation, and maintenance, as a Core Partner of SCSK.

By actively taking initiatives to change the way employees work and promoting health and productivity management, SCSK is changing the way IT engineers work. I feel that these efforts are greatly contributing to improvement of the IT industry’s status, and TOHO SYSTEM SCIENCE wholeheartedly approves of their efforts. Under our medium-term management plan, we aim to improve employee satisfaction and productivity. As such, we will work with SCSK going forward to reform the way our employees work as well as the work-life habits in the IT industry as a whole.



**Nobuo Murakami**  
President and COO  
TOHO SYSTEM SCIENCE  
CO., LTD.

To ensure that the IT products and services offered by SCSK are reliable, and can be used in a stable manner, we have a system in place to handle quality control and personal information management.

## Initiatives for Quality Control

### ◆ Basic Policy

As technical innovation and social transformation progress rapidly, SCSK's quality control efforts are evolving from what was once a simple quality assurance and control structure to a structure for providing high-value-added products and services while looking at the whole lifecycle of a system. At the same time, SCSK has also developed original educational programs to nurture persons of high caliber to maintain such quality.

### ◆ Standardization and Quality Assurance

SCSK has realized provision of high-quality products and services by using practical development standard SE\*, which places a high emphasis on quality. This system is the accumulation of SCSK's expertise on system development. We also actively embrace international standards (e.g., ISO 9001\*1 and ISO 20000\*2) in an effort to appropriately address the trend toward globalization.

\*1. ISO 9001: An international standard for quality management systems  
\*2. ISO 20000: An international standard for service management systems

### ◆ Supervisory Activities

To ensure that the content of our proposals to customers is feasible and that the product or service price is appropriate, SCSK carries out pre-proposal examinations. Furthermore, we strive for the early discovery of problems and risks as well as the prevention of their amplification by having the PMO\*3 and quality control divisions check the state of development and operation on an ongoing basis from a third-party perspective.

\*3. PMO (Project Management Office): A division dedicated to controlling, managing, and supporting the management of projects

## Provision of Assured Technology

Responding swiftly to the rapid changes in information and communications technology (ICT) and providing the appropriate services to customers are the most important responsibilities of an IT company. Mobile devices such as smartphones and tablets, which are becoming significantly popular; advanced pioneering technologies, such as cloud services and "big data"; and open-source software (OSS), which is becoming indispensable for building systems, are types of IT that have become an integral part of our clients' business activities and the lives of consumers in general. The daily examination, verification, and technical development for the practical application of new technologies are essential to having customers use these technologies securely and without any concern.

SCSK has a dedicated internal division to carry out such research and development, verification of new technologies, as well as raise internal awareness regarding those new technologies.

## Customer Service

### ◆ Help Desk Service

SCSK is connected to general consumers through the activities of its corporate customers. Through our Help Desk Service for corporate customers, we contribute to the dissemination of knowledge regarding our corporate customers' products and services.

### ◆ Product Support

SCSK offers superior overseas IT products to its customers. While we are careful to verify the quality of such products, if a customer should encounter a problem with a product, we provide appropriate support for all such products consistent with the terms and conditions of the warranty, in order for customers to feel satisfied using these products.

### ◆ Customer Satisfaction Survey

To confirm whether or not customers are satisfied with SCSK's IT services, we carry out regular customer satisfaction surveys. When our services / products are evaluated highly, we share these cases internally to encourage greater efforts to enhance customer satisfaction. If we receive complaints or suggestions for improvement, we take such feedback seriously, identifying the cause and deploying preventive measures for similar products on a Companywide basis.

## Personal Information Protection

### ◆ Management Policy

SCSK recognizes the importance of the protection of personal information and is committed to ensuring compliance with the laws regarding the handling of such information and other guidelines and rules established by administrative authorities. As well, we have established the Personal Information Protection Policy and will ensure that every executive, employee, and person involved in SCSK's activities comply with the policy.

### ◆ Management System Building

SCSK has built a Personal Information Management System\*4 in conformance with the JIS Q 15001 standard. We are currently practicing, maintaining this system, and will continue to make enhancements to it. SCSK has also received ISO 27001:2013 information security management system certification, and is strictly managing personal information based on information security policies.

\*4. A system for managing personal information including policies, structures, plans, implementation, and operational monitoring and review

To reduce the environmental footprint of its business activities and contribute to the preservation of the global environment, SCSK has established an environmental management system (EMS) and decided on environmental objectives, goals, and indices. In this way, SCSK is promoting environmental protection activities.

## Environmental Policy

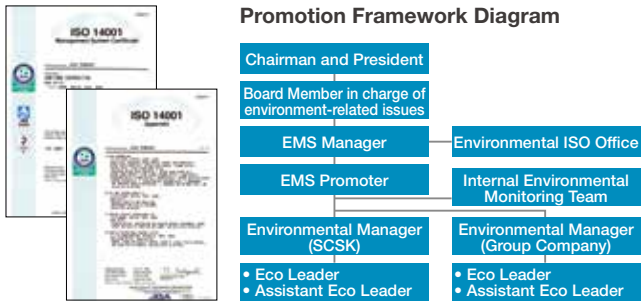
SCSK promotes environmental activities in conformance with the environmental policies and systems of Sumitomo Corporation and its Group companies.

### Sumitomo Corporation Group Environmental Policy

I. Basic Policy
The Sumitomo Corporation Group recognizes that environmental issues are global in scale and that they are long-range concerns affecting future generations. As a global organization, the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation.
II. Basic Guidelines
In pursuing its diversified business activities both within Japan and overseas, the Sumitomo Corporation Group shall comply with the following guidelines, and, through cooperation between its Group companies, work to achieve the aims of its basic environmental policy.
<b>1. Basic stance with regard to the environment:</b> To attach great importance to protecting the global environment as a good corporate citizen in keeping with its Activity Guidelines.
<b>2. Compliance with environmental legislation:</b> To strictly observe legislation related to environmental matters not only in Japan but also overseas and abide by any agreements undertaken by the Group companies.
<b>3. Caring for the natural environment:</b> To protect the natural environment and preserve biodiversity.
<b>4. Efficient use of resources and energy:</b> To be mindful of the finite availability of resources and energy and strive to use them both efficiently and effectively.
<b>5. Contributing to the building of a recycling-oriented society:</b> To endeavor to help build a recycling-oriented society by reducing waste and reusing and recycling resources.
<b>6. Promotion of businesses that contribute to environmental preservation:</b> To utilize our integrated corporate strength to promote businesses and projects which contribute to environmental preservation and reduction of the impact of society on the natural environment.
<b>7. Establishment of environmental management:</b> To use an environmental management system to prevent environmental pollution and set environmental objectives and targets which are regularly reviewed and continuously upgraded.
<b>8. Disclosure of the Environmental Policy:</b> To communicate this Environmental Policy to all people who are working for or on behalf of the Sumitomo Corporation Group, as well as disclosing it externally.

### ◆ Environmental Management Promotion Framework

The SCSK Group has acquired ISO 14001 EMS standard certification. Under the chairman and the president, SCSK has built an environmental management promotion structure in which the whole Group comes together as one. Through this framework, environmental protection activities that are based on environmental objectives, goals, and indices are being promoted continuously and systematically. The operation status of each plan is evaluated annually by an audit team and the results are reported to the management, which then initiates efforts to revise the activities as required. Through continuous improvement, we are aiming to make further contributions to environmental protection and footprint reduction.



## Environmental Objectives, Goals, and Indices

At the SCSK Group, we have established environmental objectives, goals, and indices upon which we base our environmental protection activities. Our specific objectives, goals, and indices are as follows.

Objectives	Goals	Indices
Expansion of environmental business	Promote the environmental protection activities of our clients through our business Promote the reduction of energy used in our business activities	Number of contracts related to environmentally-friendly products Data center PUEs, etc.
Preservation of office environment	Promote the effective use of resources and energy and reduce usage amounts	Energy: Amount of energy consumed Office Paper: Amount of paper purchased Waste Products: Amount of emission
Compliance with environmental laws and regulations	Confirmation of areas of laws and regulations to be applied and compliance with those	Confirmation of revisions to applicable articles and evaluations of adherence (more than once a year)
Elevation of environmental protection awareness	Implement environmental learning activities	Environmental ISO 14001 lectures and other educational activities

### ◆ Initiatives at Data Centers

SCSK reduces CO<sub>2</sub> emissions at its data centers—for which there are mounting social demands—through such measures as the installation of highly efficient equipment and the promotion of energy-saving operations. Each of our data centers is managed using power usage effectiveness (PUE = Total facility power consumption ÷ IT equipment power consumption), which is an index announced by The Green Grid, a U.S. industry group that promotes reduction in the electric power consumed by data centers.

### Creating Data Centers that Contribute to Reducing Environmental Impact

netXDC Chiba Center 2 has introduced cutting-edge environmental equipment and is actively engaged in green IT efforts. The center makes use of an outside-air cooling system that clearly separates outside air and waste heat, and uses cold outside air directly. With its optimized control of outside air, air mixing, and circulation, netXDC Chiba Center 2 has met the recommended humidity requirements of the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

Moreover, the center is slated to achieve a PUE of 1.3 through the active use of natural energy and the adoption of the latest, most-sophisticated equipment.

Going forward, the center plans to establish an EMS that conforms to ISO 14001 and 50001, and will continue its efforts to reduce environmental impact.



## Comment from a Customer

On a daily basis, Yanmar Co., Ltd. is pursuing the provision of reliable, high-quality products that achieve a high level of customer satisfaction.

By analyzing quality analysis information from our customers and distributors using the text mining tool "Masset," SCSK helped us in constructing a system that can quickly discover quality-related issues. This system is contributing to the improvement in quality of our products by analyzing the details of identified issues and providing feedback to related divisions. Going forward, I look forward to SCSK's proposals for other systems that are useful for our customers and in the workplace.

**Toshiki Hirano**  
Manager, Planning Group  
Quality Assurance Division  
Yanmar Co., Ltd.





# Community Involvement and Development



SCSK views respect for humanity and the nurturing of human resources as an important responsibility of corporate citizens. As such, the SCSK Group makes its efforts in CAMP (Children's Art Museum & Park) an ongoing social contribution activity.

## Collaboration

### ◆ Joint Workshop Development with the University of Tokyo

CAMP collaborated with Yuhei Yamauchi, a professor of the University of Tokyo Interfactory Initiative in Information Studies, and system artist Toshihiro Anzai to develop the Narigram Workshop. At the workshop, children used Narigram software developed by Anzai, which allowed them to record sounds inside and outside the venue where the workshop was held. The children then used the software to edit these sounds as they wanted, cutting, connecting, and combining certain sounds together to make their own original music.

### ◆ Multilingual Workshop with Children from Around the World

CAMP held the Cricket Workshop at the Kyoto Intercultural Summer School for Youths (KISSY), which is sponsored by the NPO Pangaea. At KISSY, children of different cultural and lingual backgrounds work together on a task, making use of IT communication tools. In doing so, the children overcome language and cultural barriers and interact freely with each other. 23 children from four different countries participated in KISSY, spending a total of six days together.

Through workshops, CAMP fosters child creativity in interactive settings. Through the creative activities, group work, and project presentations that children can participate in at these workshops, they are able to find their own ways to express themselves and expand their circle of communication. Many of the adult facilitators who support these workshops are SCSK employee volunteers.

### CAMP Workshops Held (April 2001 – March 2015)

Number of CAMP workshops held	710
Number of CAMP workshop participants	13,789
Number of SCSK employee facilitators	765

## Supporting Reconstruction by Fostering the Next Generation

CAMP continues to make efforts to support reconstruction of the Tohoku region after the March 2011 Great East Japan Earthquake. In fiscal 2014, CAMP held workshops at Tokura Elementary School in Minamisanriku Town, Miyagi Prefecture, as well as at various other locations throughout Miyagi and Fukushima prefectures. In total, 211 children participated in these workshops.



Tokura Elementary School in Minamisanriku Town (February 2015)



KISSY (August 2014)



Earth One is a social contribution activities club consisting of employee volunteers. The club holds charity events, engages in volunteer work, and makes donations to NPOs and other organizations.

## The Fourth Annual Yell Run

Hosted by the Special Olympics Nippon Foundation (SON) and co-hosted by the Yell Run Steering Committee, the "Fourth Annual Yell Run in Tamagawa Supported by VISA, AIG" was held on November 24, 2014. SON is a domestic organization that conducts various sports training for persons with disabilities throughout the year, and is a proud sponsor of the Special Olympics, an athletic competition where those with disabilities can display the results of their training.

The Fourth Annual Yell Run was held along the banks of the Tama River, which runs between the borders of Kanagawa Prefecture and the Tokyo metropolitan area. Under the autumn sky, 1,212 charity runners and 118 volunteers participated in the event. In addition to working as part of the steering committee for this event, Earth One also supports the activities of SON's regional organizations.

Special sponsors: VISA, AIG  
Sponsors: Adidas Japan K.K., Coca-Cola (Japan) Company, Limited, Nippon Suisan Kaisha, Ltd.



## The Sixth Special Olympics 2014 National Summer Games

In November 2014, the Special Olympics 2014 National Summer Games were held in Fukuoka, Japan. The games are held once every four years, and function as a qualifying competition to select teams to represent Japan in the world competition the following year. Earth One was responsible for the management of the bowling competition.

## Events Held in Japan

### ◆ Waterfront Cleanup Activities (April 2014)

Organizer: NPO Enjoy Eco School  
The waterfront cleanup activity collects garbage that has drifted ashore along Tokyo Bay. Earth One volunteered in these activities to protect the diversity of sea birds and other living organisms that inhabit the tide embankments.

### ◆ Naniwa Bridge Brush-Up Initiative (November 2014)

Implementing organizations: Osaka City Chuo Ward Office, Kita Ward Office, Sakaisuji Amenity Society, and various neighboring companies  
Earth One participated in the Naniwa Bridge Brush-Up Initiative, a regional PR activity that conveys the appeal of Osaka City by thoroughly cleaning the historic Naniwa Bridge, located in front of SCSK's Kitahama Office.

### ◆ Marathon Festival NAGOYA, AICHI 2014 (March 2015)

Organizer: Marathon Festival NAGOYA, AICHI Steering Committee  
In addition to the Nagoya Women's Marathon, the Marathon Festival NAGOYA, AICHI combines numerous other competitions, with a total of over 35,000 runners participating. SCSK has participated in this project as a management volunteer since 2013.

### ◆ Clean Fukuoka Campaign 2014 (October 2014)

Organizer: Fukuoka Overseas Students Association (FOSA), NPO Groundwork Fukuoka, and SCSK Corporation  
The Clean Fukuoka Campaign is a regional cleaning activity that started from proposals made by overseas students. SCSK has been co-hosting this activity since 2009. In 2014, SCSK employees worked together with overseas students and members of the regional community to clean the Tataru River drainage systems, located around the Umikawa area of Fukuoka City.

## Stakeholder's Comment (Efforts to Support Reconstruction)

The board game "Sonae," originated from Sendai City, was developed in an attempt to communicate the lessons learned and the value of lives in the aftermath of the Great East Japan Earthquake to not only the rest of Japan but also to its future generations. Created through cooperation between the Sendai City Hall and the citizens of Sendai, the game unites the ambitions of our organization the Committee for Regional Disaster Prevention Promotion through Public Cooperation with those of the Sendai Civil Affairs Bureau, which explores ways to encourage citizen cooperation, and the Sendai Fire Department, which aspires to popularize disaster prevention through self-help and mutual-aid efforts. Sendai Sonae was also selected for promotion by the Sendai City's System for Proposal of Citizen Cooperation Projects. We are currently working to increase awareness of the game across Japan, and are training facilitators to support this endeavor.

In the game, players assume the role of citizens of an imaginary town. They then have to think of what is necessary for themselves and their community in the event of a disaster, and what can be done to prepare for this scenario. In doing so, the game provides a practical means for players to learn about disaster prevention as well as ways to minimize risk from natural disasters. For the planning of the game, I was able to receive input from CAMP, which had held a workshop after the Great East Japan Earthquake at the children's center where I am superintendent. During the workshop, CAMP was able to relay to children how creativity that comes from the joy of thinking and the frustration of trial and error works to invigorate their spirit. It is my sincerest hope that we were able to incorporate some of this same thinking into "Sonae," and that the game helps to invigorate the spirit of children and brighten their futures.



**Takako Koiwa**  
Representative Director  
Committee for Regional  
Disaster Prevention  
Promotion through Public  
Cooperation

## Stakeholder's Comment (Expectations of Earth One)

"No matter how far medical science progresses, there will always be those born with intellectual disabilities. These people are a gift, teaching those around them the value of kindness and compassion." When I heard these words from a priest, I promised myself not to be a simple caretaker to those with disabilities, but rather help maximize their inherent capabilities and potential. I also decided that I would commit myself and all my efforts to realize a society where those with intellectual disabilities can become self-reliant and share the happiness with those around them.

Last year marked the 22nd year since I have been involved in the Special Olympics (SO), as well as the 20th year since the SO were officially established in Japan. I am extremely grateful to SCSK for their continued cooperation and employee support of the National

Summer Games, the Fukuoka Volunteer Program, the Yell Run, and various other events. These types of support activities for those with disabilities still receive little recognition. In order to spread the popularity of these activities, I would like to ask for even more SCSK employees to participate in these events to meet and interact with athletes going forward.



**Kayoko Hosokawa**  
Honorary Chairperson  
Special Olympics Nippon  
Foundation



## Chocotto Support from SCSK

# Creating a Future from Tohoku, Providing Support through Social Innovation

Under the Corporate Philosophy of “Create Our Future of Dreams,” SCSK is promoting activities that work to resolve social issues. The Company recognizes that reconstruction in the aftermath of the March 2011 Great East Japan Earthquake is a social issue for Japan that crosses the boundaries of corporations as well as public organizations. As such, SCSK is engaged in activities that address the needs and conditions of the disaster-stricken Tohoku region.

### Chocotto Support from SCSK (Chocotto Support)

Chocotto Support consists of our employees who have volunteered to work pro bono, leveraging their skills and specialist knowledge, to resolve IT-related issues which entrepreneurs and business owners in the Tohoku region face. The activities are supported by MAKOTO, a general incorporated association that provides advice on management, operation, recruitment, finance, and distribution channels for small businesses.

These entrepreneurs and business owners in the Tohoku region focus the majority of their efforts on resolving pressing social issues. As a consequence, it is often difficult for them to consider possibilities that might improve efficiency in their operations. Chocotto Support sends SCSK employees to visit these entrepreneurs and business owners and identifies the issues they face through surveys, the results of which are then used to implement support to resolve these issues.

Chocotto Support not only carries the social significance of supporting entrepreneurs and business owners in the Tohoku region but has also shown results in contributing to the growth of our employees.

#### Contributions to Employee Growth

Employees meet directly with entrepreneurs and business owners in the Tohoku region to understand their ambitions and to experience the social issues that they face firsthand.

By sharing the concept of value with those who dedicate themselves for the betterment of society, employees discover new ways to approach their own jobs and overcome challenges.

Employees use IT to resolve the issues which entrepreneurs and business owners face.

Experiencing the results of resolving issues through IT firsthand encourages our employees to consider the social significance of IT, as well as how IT is able to benefit society.

SCSK

MAKOTO

MAKOTO provides various forms of support to entrepreneurs and business owners in the Tohoku region that have strong social ambitions. These include (1) hands-on support such as assisting with fund procurement and providing management advice, (2) managing Tohoku's largest co-working office space “cocolin,” and (3) managing the crowdfunding site “Challenge Star.”

After the Great East Japan Earthquake, social issues such as the decline in the working age population and the rise in the elderly population—an issue facing Japanese society as a whole—have been progressing at an accelerated pace in the Tohoku region. At MAKOTO, we believe that the resources and know-how of large corporations are valuable tools to advance the social ambitions of entrepreneurs and business owners in the region. While receiving support from SCSK employees, MAKOTO will continue to endeavor together with these ambitious entrepreneurs and business owners to resolve the social issues facing the disaster-stricken region going forward.

#### MAKOTO (General Incorporated Association)

Location: Sendai City, Miyagi Prefecture

Business details: Support of entrepreneurs in the Tohoku region



**Tomonori Honda**  
MAKOTO Director

Support of  
entrepreneurs and  
business owners  
in the Tohoku  
region

### Companies and Organizations Receiving Support from Chocotto Support from SCSK

## Link & Rehabilitation Plus

SCSK's Chocotto Support provided support for the activities of Link & Rehabilitation Plus, a general incorporated association that develops daycare services that specialize in rehabilitation, from July 2014 to March 2015 in Ishinomaki City, Miyagi Prefecture. In response to the growing number of people authorized for nursing care, Life & Rehabilitation Plus started its business in January 2012 as the only rehabilitation facility in the Kahoku district of Ishinomaki City. Since then, Link & Rehabilitation Plus has been actively expanding its business with the aim of restoring the physical functions of those who are authorized for nursing care through rehabilitation services. In the Kahoku district, many people lost their jobs and homes in the disaster and are now living in temporary housing. The opportunity for these people to move their bodies is decreasing and, as a

result, the need for nursing care and other support is increasing.

In response to this trend, Life & Rehabilitation Plus has taken the precaution of developing not only daycare services but also fitness businesses.

In order to improve the business efficiency of Link & Rehabilitation Plus in regard to tasks that were done by hand, such as creating training plans and recording data on body weight for facility users, Chocotto Support provided Excel tools and the initial data for introducing these tools and held informational seminars on the operation of computers in order to utilize this new software. Through the digitization of processes that were once done by hand, Link & Rehabilitation Plus staff members are able to better focus their efforts.

#### Comment from a Participating Employee

I previously had not had the chance to get involved in reconstruction efforts. Hearing about Chocotto Support, I set my mind on participating in hopes that I could provide some benefit to the entrepreneurs and business owners of the Tohoku region. I actually visited the region and met with those engaged in businesses and observed their daily work. Amid severe conditions in the disaster-stricken area, such as the trend of a declining working-age population and rising elderly population, there are those starting businesses with the hopes of improving these severe conditions and bettering society as a whole. By participating in Chocotto Support, I was able to share the determination of such people. I believe that social contribution is the mission of corporations and also the reason for their existence, and further believe that ideals are not merely an official stance that corporations take, but rather the true nature of corporations themselves. If I have another opportunity, I would like to participate in this program again.



**Hiroshi Akanuma**  
IT Management Group  
Business Promotion Div.  
Project Management  
Office

#### Comment from Link & Rehabilitation Plus

At Link & Rehabilitation Plus, we are constantly using the systems that SCSK's Chocotto Support from SCSK developed for us. Thanks to SCSK's efforts digitization various procedures, we are now able to create necessary documents for the nursing care insurance business and clinical records for facility users at an amazingly fast pace. As a result, we are now able to spend the majority of our time on tasks that are essential to our business, such as engaging in communication with facility users and analyzing issues affecting them. I am extremely grateful to SCSK for their involvement in our business, beginning from the system design phase. Going forward, I would like to ask SCSK for their continued support.



**Daigo Hashimoto**  
Representative Director  
Link & Rehabilitation Plus

### Companies and Organizations Receiving Support from Chocotto Support

#### Social Project Co., Ltd. (AI-SANSAN)

Support period: June 2014 – Present  
Location: Shiogama City, Ishinomaki City, Miyagi Prefecture  
Business details: Meal delivery services for the elderly

#### YOAKEICHI Co., Ltd.

Support period: February 2015 – Present  
Location: Iwaki City, Fukushima Prefecture  
Business details: Operates and manages restaurants in the reconstruction area, provides consulting to tenants

#### TESS Co., Ltd.

Support period: February 2015 – Present  
Location: Sendai City, Miyagi Prefecture  
Business details: Conducts the development, manufacture, and sales of peddling wheelchairs

#### Link & Rehabilitation Plus (General Incorporated Association)

Support period: July 2014 – March 2015  
Location: Ishinomaki City, Tome City, Miyagi Prefecture  
Business details: Daycare services specializing in rehabilitation to resolve issues related to health of the elderly



# Financial Section

## CONTENTS

59	Management's Discussion and Analysis
63	Business Risks
66	Consolidated Balance Sheets
68	Consolidated Statements of Income
69	Consolidated Statements of Comprehensive Income
70	Consolidated Statements of Changes in Net Assets
72	Consolidated Statements of Cash Flows
73	Notes to Consolidated Financial Statements
119	Independent Auditor's Report

# Management's Discussion and Analysis

## I. Overview of Results

### 1. Economic and Industry Trends

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 the 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 systems 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.

### 2. Consolidated Results

#### ■ Net Sales

Net sales increased 3.3% from the previous fiscal year, to ¥297,634 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

Operating income increased 16.8% to ¥28,003 million due to improved operational efficiency and reduction of unprofitable projects.

#### ■ Non-Operating Income (Expenses)

Gains were recorded on the sale of some investment securities, while extraordinary losses such as office relocation expenses were incurred.

#### ■ Income before Income Taxes and Minority Interests

Income before income taxes and minority interests increased 36.0% from the previous fiscal year, to ¥26,471 million.

#### ■ Income Taxes

Income taxes for the fiscal year increased to ¥10,384 million, reflecting tax expenses for the partial reversal of deferred tax assets accompanying amendments of corporate tax regulations.

#### ■ Minority Interests

Minority interests in income totaled ¥449 million.

#### ■ Net Income

Net income decreased 15.0% to ¥15,638 million, reflecting the extraordinary losses, such as office relocation expenses and a tax expense for the partial reversal of deferred tax assets accompanying amendments of corporate tax regulations.

# Management’s Discussion and Analysis

## II. Overview of Results by Reported Segment

Business results by reported segment follow. Net sales by segment is based on sales to external customers.

	(Unit: Millions of yen unless otherwise stated)					
	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	6,712	3,551	1,236
Financial Systems Business	55,176	5,880	55,416	6,550	240	670
Global Systems Business	13,923	1,957	12,889	1,750	(1,034)	(207)
Business Solutions	15,948	1,544	14,386	1,653	(1,562)	109
Business Services	31,854	1,525	33,733	2,114	1,879	589
IT Management	37,358	3,890	39,867	4,945	2,509	1,055
IT Platform Solutions	61,293	4,445	64,791	5,147	3,498	702
Prepaid Card Business	3,043	148	3,378	265	335	117
Others	795	265	776	326	(19)	61
Adjusted total	–	(1,155)	–	(1,459)	–	(304)
Total	288,237	23,975	297,634	28,003	9,397	4,028

Note: 1 Net sales by segment is based on sales to external customers.

### ■ Industrial Systems Business

Due to an increase of projects for the telecommunications and manufacturers, mainly in the automotive industries, net sales increased 5.2% to ¥72,398 million, and segment income increased 22.6% to ¥6,712 million.

### ■ Financial Systems Business

Increase of system development projects for the banking and securities industries offset the decline of large-scale projects in the insurance and other industries of the previous year resulted in the increased net sales and segment income by 0.4% and 11.4%, to ¥55,416 and ¥6,550 million respectively.

### ■ 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, and segment income decreased 10.6% to ¥1,750 million.

### ■ Business Solutions

While net sales decreased 9.8% to ¥14,386 million, reflecting a reduction of the multiple ERP projects that supported results in the previous year, segment income increased 7.0% to ¥1,653 million as a result of improvement of operational efficiency 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 ¥33,733 million, and segment income increased 38.6% to ¥2,114 million.

### ■ IT Management

As a result of expansion of various cloud services supported by firm demand for renewal of IT infrastructure and a new large-scale IT infrastructure maintenance project in the manufacturing industry, net sales increased 6.7% to ¥39,867 million, and 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 ¥64,791 million, and segment income increased 15.8% to ¥5,147 million.

### ■ Prepaid Card Business

As business related to the issuing and settlement of prepaid cards was firm, net sales increased 11.0% to ¥3,378 million, and segment income increased 78.6% to ¥265 million.

### ■ Other

Net sales (facility maintenance and lease income) decreased 2.4% to ¥776 million, while segment income increased 22.5% to ¥326 million.

## III. Net Sales by Segment

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

	(Unit: Millions of yen unless otherwise stated)					
	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 (millions of yen)	Percent of Total (%)	Amount (millions of yen)	Percent of Total (%)	Amount (millions of yen)	Percent of Total (%)
Systems Development	117,598	40.8	117,844	39.6	246	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	65,692	22.1	5,673	9.5
Prepaid Card Business	3,043	1.1	3,378	1.1	335	11.0
Total	288,237	100.0	297,634	100.0	9,397	3.3

In Systems Development, despite a reduction in the large-scale integration projects in the insurance industry that drove performance during the previous fiscal year, steady progress in new projects in the banking, securities, telecommunications and other industries increased net sales by 0.2% to ¥117,844 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, strong demand in the network IT equipment for the telecommunications industry increased net sales by 9.5% to ¥65,692 million.

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



# Management’s Discussion and Analysis

## IV. Financial Position

### ■ Total Assets

Assets as of March 31, 2015 were ¥334,290 million, an increase of 5.1%, or ¥16,357 million, compared to March 31, 2014. Current assets increased ¥12,548 million to ¥223,445 million. Fixed assets increased ¥3,809 million to ¥110,845 million.

### ■ Liabilities

Liabilities as of March 31, 2015 were ¥195,753 million, an increase of 2.1%, or ¥3,981 million, compared to March 31, 2014.

## V. Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2015 was ¥85,713 million, an increase of ¥26,709 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 Flows from Operating Activities

Net cash provided by operating activities amounted to ¥29,707 million.

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

### ■ Net Assets

Net assets as of March 31, 2015 were ¥138,537 million, an increase of 9.8%, or ¥12,377 million, compared to March 31, 2014.

### ■ Cash Flows from Investing Activities

Net cash provided by 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 Flows from Financing Activities

Net cash used in financing activities was ¥8,396 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 ¥2,080 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.

# Business Risks

The following risks could potentially have a significant impact on SCSK Group’s business (operating results and/or financial position). Matters in this section regarding future developments are based on the Company’s judgment as of June 25, 2015.

## 1 Risks Related to the Business Environment

The information services industry in which SCSK Group operates experiences intense competition—among specialist IT service companies, from IT hardware vendors attempting to enter the IT service sector, and from overseas companies. Given this situation, changes in the business environment can lead to major and rapid changes in customers’ IT investment needs, and these changes, as well as continued price competition within the industry, significantly beyond the level being seen at this time, could have a major impact on the Group’s results.

In addition, the Group provides a range of IT services to customer companies in a variety of industries and with various business formats, and the timing and scope of customers’ IT investment is both directly and indirectly affected by the economic environment and factors like interest rate and currency movements. Furthermore, the Prepaid Card Business faces the possibility of competition arising from other payment methods, and this could also have an impact on the Group’s results.

## 2 Risks Related to Systems Development

The SCSK Group undertakes information systems development for customer companies, but as systems development becomes increasingly complex with shorter delivery schedules, there is the possibility that costs will increase if quality cannot be maintained as planned, or development cannot be completed as planned, or development cannot be completed within the scheduled timeframe, and this could have an impact on the Group’s results. In addition, the Group uses many subcontractors, including offshore development companies, to maintain production capacity, increase cost efficiency, and utilize technological capabilities and expertise, but there is the possibility that productivity and quality cannot be maintained as expected.

The Group therefore strives to reduce risk through systematic efforts to ensure that unforeseen malfunctions do not arise in the overall systems delivered, through checks at the negotiation and estimate stages and management of the project’s progress by specialist divisions, quality checks, general inspections of subcontractors, and thorough progress and quality management for system development operations.

## 3 Risks Related to Addressing Technological Innovation

The information services industry in which the SCSK Group operates experiences extremely fast-paced technological innovation, which creates the possibility that the Group’s technologies, technical abilities, and expertise will become outdated. In addition, rapid changes in industry standards for the software and hardware used to construct the systems and provide the services of customers, which are the source of the Group’s earnings, could lead to a loss of technical or price advantages for those systems and services. As a result, if the Group is unable to predict or recognize trends in technological changes within the industry, or is able to predict but not able to respond appropriately to those changes, these could have an impact on the Group’s results.

To appropriately respond to technological innovation in a timely manner, the Group promotes the enhancement of employees’ capabilities, and the systematic identification and acquisition of new technologies. In addition, the Group disperses the technical capabilities and product procurement capacity used to build systems and provide services, and at the same time promotes business operations that are not overly reliant on any particular technology, expertise, or product.

## 4 Risks Related to Information Security

From systems development through to the operational stage, the SCSK Group handles various types of confidential information, including personal information held by customer companies and technical information related to customer companies’ systems. In the event this confidential information were to be leaked or altered because of a computer virus, unauthorized access, human error, damage to the customer’s system, or for any other reason, the customer could seek compensatory damages and the Group could suffer a loss of confidence, and this could have an impact on the Group’s results.

Therefore, in addition to maintaining thorough compliance and strengthening physical security measures, we implement programs to strengthen information security throughout education and training, including at subcontractors that handle confidential information. We also work to insure that subcontractors maintain the same levels of information security and information management as those of SCSK through on-site reviews at subcontractors when necessary.

# Business Risks

## 5 Risks Related to Investments

The SCSK Group invests in or provides credit such as loans to operating companies and venture capital companies for the purpose of strengthening our solutions, maintaining production capacity, acquiring and enhancing technical capabilities in cutting-edge areas, and maintaining the ability to procure the latest hardware and software, and purchases prototype products from these companies. Investments are also made for packaged software development and service development in priority business areas and new business areas.

The failure to get returns as initially anticipated as a result of deterioration in earnings or shortfalls in the business plans of the invested businesses or the borrowers could have an impact on the Group's results.

Therefore, a risk management structure has been established to give thorough consideration to the entities to be invested, or to the borrowers, their business plans and the risk versus return on the investments when making investment decisions, and to confirm and monitor the progress under the plan after the investment is made.

## 6 Risks Related to Litigation

The SCSK Group sells and delivers software and hardware products developed and manufactured outside the Group to a large number of customer companies, and there is the possibility of litigation arising as a result of infringement of intellectual property rights in connection with these business activities. The details and outcomes of such litigation could have an impact on the Group's results.

## 7 Risks Related to Fluctuations in Defined Benefit Pension

The plan assets in the Group pension fund increase and decrease as a result of investment performance. In addition, assumptions, which are one of the components used in pension benefit accounting to calculate retirement benefit obligations, fluctuate as a result of factors including the aging and retirement of employees, and new employees enrolling in the pension program. Plan assets and assumptions are subject to change due to factors that are beyond the control of SCSK's management, and this could have an impact on the Group's results.

## 8 Risks Related to the Possibility of Recovery of Deferred Tax Assets

The Group recognized deferred tax assets that are expected to be recovered from taxable income arising from business transactions. However, the inability to recover these assets because of shortfall from planned operating results, or tax system revisions including changes in tax rates, could necessitate reversals of deferred tax assets, which could have an impact on the Group's results.

## 9 Risks Related to Impairment on Fixed Assets

As of March 31, 2015, the SCSK Group owned land and structures with a book value of ¥44,402 million, which are used for offices (including leased offices), data centers, dormitories, and employee housing. Data centers and leased offices are classified with their respective business segments, and other assets are classified as corporate assets, and movements in land prices or the SCSK Group's performances could have an impact on the Group's results.

## 10 Risks Related to Product Procurement

The SCSK Group procures a wide range of specially selected hardware and software products in Japan and from overseas, and supplies these products to customers. Sudden, unexpected changes in vendors' business strategies could result in changes in product specifications or the termination of supplies, which could have an impact on the Group's results.

In order to cope with such circumstances, we utilize our overseas offices and networks, in order to identify, and procure new products, and to keep pace with technological trends overseas. Also, we pursue joint business strategies with vendors in Japan and overseas to keep abreast of developments and enable stable product procurement.

## 11 Risks Related to Non-Recovery of Assets

The SCSK Group sells products, undertakes systems development, and provides services to a large number of customer companies. The payments for many of these transactions take place after the product or service is delivered. Deterioration in the customer company's financial position could lead to delay in the recovery of SCSK's claims, or make recovery difficult, and this could have an impact on the Group's results.

Therefore, the Group manages credit, confirms the status of customer companies' credit and sets appropriate credit limits independently of the operating division, and also regularly monitors the status of unpaid claims and recovery. Appropriate accounting measures, including the recording of allowances for doubtful accounts, are taken as necessary.

## 12 Risks Related to Large-Scale Natural Disasters

Many of the SCSK Group's offices and assets, including the head office, are concentrated in large metropolitan areas, and the occurrence of a major natural disaster like an earthquake occurring directly beneath Tokyo or in the Nankai Trough or the outbreak of a new type of influenza or other infectious disease with the potential to spread globally, could have an impact on the Group's results.

In order to strengthen its structure to ensure business continuity in the event of unforeseen circumstances, the Group has formulated business continuity plans, and prepared backup offices where managerial duties can be performed in the event of such circumstances.

## 13 Risks Related to Retaining and Development of Human Recourses

The SCSK Group's business activities rely heavily on human resources. In the event that the Group fails to secure needed personnel and to develop human resources as originally planned, there could be an impact on the Group's results.

While SCSK focuses on maintaining a workplace environment that emphasizes four perspectives of work life balance, diversity, health maintenance, and career development, the Group strives to hire, retain, and develop quality human resources in all of its business areas.



# Consolidated Balance Sheets

SCSK Corporation and Consolidated Subsidiaries  
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2015	2014	2015
<b>Current assets:</b>			
Cash and time deposits (Notes 3, 9 and 21)	¥ 25,908	¥ 19,157	\$ 215,598
Notes and accounts receivable - trade (Notes 3 and 4)	63,688	63,372	529,978
Short-term investment securities (Notes 3, 5 and 21)	900	1,101	7,493
Operational investment securities (Notes 3, 5 and 9)	18,957	40,372	157,755
Inventories (Note 6)	5,076	4,245	42,242
Deferred tax assets (Note 12)	9,563	10,482	79,582
Deposits paid (Notes 3 and 21)	61,799	58,865	514,259
Security deposits (Notes 3 and 9)	24,789	12	206,282
Others	12,798	13,322	106,490
Allowance for doubtful accounts	(33)	(31)	(273)
Total current assets	223,445	210,897	1,859,406
<b>Property and equipment</b> (Notes 7, 11, 16, 17 and 22)	64,175	57,187	534,039
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5)	5,612	3,877	46,701
Investment in unconsolidated subsidiaries and affiliates (Notes 3 and 5)	4,063	4,437	33,811
Deferred tax assets (Note 12)	17,062	23,500	141,983
Intangible assets (Note 16)	7,963	7,216	66,266
Asset for retirement benefits (Note 10)	2,305	2,295	19,184
Others (Note 3)	9,933	8,776	82,652
Allowance for doubtful accounts	(268)	(252)	(2,232)
Total investments and other assets	46,670	49,849	388,365
<b>Total assets</b>	<b>¥334,290</b>	<b>¥317,933</b>	<b>\$2,781,810</b>

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	2015	2014	2015
<b>Current liabilities:</b>			
Notes and accounts payable - trade (Notes 3 and 4)	¥ 17,769	¥ 19,644	\$ 147,868
Short-term loans payable (Notes 3 and 8)	10,000	17,000	83,215
Current portion of long-term debts (Notes 3 and 8)	16,087	3,253	133,865
Provision for bonuses	6,586	7,492	54,805
Provision for directors' bonuses	134	122	1,114
Provision for losses on construction contracts	27	79	228
Deposits received of prepaid cards (Note 3)	77,204	70,647	642,459
Income taxes payable (Note 12)	2,213	2,472	18,413
Others (Notes 3, 9 and and 11)	30,780	24,816	256,133
Total current liabilities	160,800	145,525	1,338,100
<b>Long-term liabilities:</b>			
Long-term debts (Notes 3 and 8)	31,694	42,110	263,744
Liability for retirement benefits (Note 10)	209	193	1,743
Provision for directors' retirement benefits	24	30	204
Asset retirement obligations (Note 11)	1,539	1,508	12,805
Others	1,487	2,407	12,376
Total long-term liabilities	34,953	46,248	290,872
Contingent liabilities (Note 24)			
<b>NET ASSETS</b> (Note 13):			
<b>Shareholders' equity:</b>			
Capital stock (Note 13)	21,153	21,153	176,024
Capital surplus	3,054	3,061	25,417
Retained earnings	111,172	101,176	925,119
Treasury shares, at cost:			
4,208,816 shares in 2015 and 4,231,885 shares in 2014 (Note 13)	(8,471)	(8,510)	(70,493)
Total shareholders' equity	126,908	116,880	1,056,067
<b>Accumulated other comprehensive income:</b>			
Valuation differences on available-for-sale securities	2,520	1,130	20,973
Deferred gains or losses on hedges	(17)	(1)	(135)
Foreign currency translation adjustments	362	(57)	3,012
Accumulated adjustments for retirement benefits	2,685	2,537	22,340
Total accumulated other comprehensive income	5,550	3,609	46,190
Subscription rights to shares (Notes 13 and 25)	107	135	888
Minority interests	5,972	5,536	49,693
Total net assets	138,537	126,160	1,152,838
<b>Total liabilities and net assets</b>	<b>¥334,290</b>	<b>¥317,933</b>	<b>\$2,781,810</b>

# Consolidated Statements of Income

SCSK Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Net sales</b>	<b>¥297,634</b>	¥288,237	<b>\$2,476,772</b>
Cost of sales (Note 14)	<b>225,164</b>	219,512	<b>1,873,710</b>
Gross profit	<b>72,470</b>	68,725	<b>603,062</b>
<b>Selling, general and administrative expenses</b> (Note 15)	<b>44,467</b>	44,750	<b>370,034</b>
Operating income	<b>28,003</b>	23,975	<b>233,028</b>
<b>Non-operating income (expenses):</b>			
Interest and dividends income	<b>146</b>	262	<b>1,214</b>
Equity in earnings of affiliates	<b>472</b>	321	<b>3,931</b>
Gain on sales of investment securities	<b>1,456</b>	242	<b>12,114</b>
Hoard profits of prepaid cards	<b>1,394</b>	1,167	<b>11,602</b>
Interest expenses	<b>(221)</b>	(327)	<b>(1,843)</b>
Loss on valuation of investment securities (Note 5)	<b>(47)</b>	(2,663)	<b>(390)</b>
Loss on valuation of stocks of subsidiaries and affiliates	<b>–</b>	(811)	<b>–</b>
Losses on retirement of noncurrent assets (Note 16)	<b>(365)</b>	(169)	<b>(3,035)</b>
Impairment losses (Note 17)	<b>–</b>	(1,120)	<b>–</b>
Office relocation related expenses (Note 18)	<b>(2,596)</b>	(819)	<b>(21,602)</b>
Compensation expenses	<b>(1,111)</b>	(250)	<b>(9,249)</b>
Losses on business withdrawal	<b>–</b>	(401)	<b>–</b>
Settlement paid	<b>(409)</b>	–	<b>(3,407)</b>
Loss on cancellation of lease contracts	<b>(170)</b>	–	<b>(1,415)</b>
Others, net	<b>(81)</b>	51	<b>(667)</b>
Total	<b>(1,532)</b>	(4,517)	<b>(12,747)</b>
Income before income taxes and minority interests	<b>26,471</b>	19,458	<b>220,281</b>
<b>Income taxes</b> (Note 12):			
Current	<b>2,944</b>	2,597	<b>24,503</b>
Deferred	<b>7,440</b>	(1,794)	<b>61,909</b>
Total	<b>10,384</b>	803	<b>86,412</b>
Income before minority interests	<b>16,087</b>	18,655	<b>133,869</b>
<b>Minority interests</b>	<b>449</b>	267	<b>3,733</b>
<b>Net income</b>	<b>¥ 15,638</b>	¥ 18,388	<b>\$ 130,136</b>

	Yen		U.S. dollars (Note 2)
	2015	2014	2015
Earnings per share of common stock (Note 19):			
Basic	<b>¥150.71</b>	¥177.26	<b>\$1.25</b>
Diluted	<b>150.02</b>	174.24	<b>1.25</b>
Cash dividends per share applicable to the year	<b>50.00</b>	40.00	<b>0.42</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Comprehensive Income

SCSK Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Income before minority interests</b>	<b>¥16,087</b>	¥18,655	<b>\$133,869</b>
<b>Other comprehensive income</b> (Note 20):			
Valuation differences on available-for-sale securities	<b>1,366</b>	155	<b>11,365</b>
Deferred gains or losses on hedges	<b>(16)</b>	(9)	<b>(131)</b>
Foreign currency translation adjustments	<b>413</b>	407	<b>3,439</b>
Remeasurements of defined benefit plans	<b>278</b>	–	<b>2,309</b>
Gains on change in equity	<b>–</b>	5	<b>–</b>
Share of other comprehensive income of affiliates accounted for by the equity method	<b>47</b>	23	<b>390</b>
<b>Total other comprehensive income</b>	<b>2,088</b>	581	<b>17,372</b>
<b>Comprehensive income</b>	<b>¥18,175</b>	¥19,236	<b>\$151,241</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent	<b>¥17,581</b>	¥18,963	<b>\$146,298</b>
Minority interests	<b>594</b>	273	<b>4,943</b>

The accompanying notes are an integral part of these consolidated financial statements.



# Consolidated Statements of Changes in Net Assets

SCSK Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen					Millions of yen							
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2013	¥21,153	¥3,066	¥ 86,736	¥(8,654)	¥102,301	¥ 958	¥ 9	¥(468)	¥ –	¥ 499	¥168	¥5,241	¥108,209
Cash dividends paid (Note 13)	–	–	(3,950)	–	(3,950)	–	–	–	–	–	–	–	(3,950)
Net income	–	–	18,388	–	18,388	–	–	–	–	–	–	–	18,388
Gain or loss on change in equity	–	–	2	–	2	–	–	–	–	–	–	–	2
Purchases of treasury shares	–	–	–	(26)	(26)	–	–	–	–	–	–	–	(26)
Disposals of treasury shares	–	(5)	–	156	151	–	–	–	–	–	–	–	151
Change in treasury shares arising from change in equity in entities accounted for using equity method - treasury shares	–	–	–	14	14	–	–	–	–	–	–	–	14
Net changes of items other than shareholders' equity	–	–	–	–	–	172	(10)	411	2,537	3,110	(33)	295	3,372
<b>Balance at March 31, 2014</b>	<b>21,153</b>	<b>3,061</b>	<b>101,176</b>	<b>(8,510)</b>	<b>116,880</b>	<b>1,130</b>	<b>(1)</b>	<b>(57)</b>	<b>2,537</b>	<b>3,609</b>	<b>135</b>	<b>5,536</b>	<b>126,160</b>
<b>Balance at April 1, 2014</b>	<b>21,153</b>	<b>3,061</b>	<b>101,176</b>	<b>(8,510)</b>	<b>116,880</b>	<b>1,130</b>	<b>(1)</b>	<b>(57)</b>	<b>2,537</b>	<b>3,609</b>	<b>135</b>	<b>5,536</b>	<b>126,160</b>
Cumulative effects of changes in accounting policies	–	–	(963)	–	(963)	–	–	–	–	–	–	–	(963)
Restated balance at April 1, 2014	<b>21,153</b>	<b>3,061</b>	<b>100,213</b>	<b>(8,510)</b>	<b>115,917</b>	<b>1,130</b>	<b>(1)</b>	<b>(57)</b>	<b>2,537</b>	<b>3,609</b>	<b>135</b>	<b>5,536</b>	<b>125,197</b>
Cash dividends paid (Note 13)	–	–	(4,679)	–	(4,679)	–	–	–	–	–	–	–	(4,679)
Net income	–	–	15,638	–	15,638	–	–	–	–	–	–	–	15,638
Purchases of treasury shares	–	–	–	(22)	(22)	–	–	–	–	–	–	–	(22)
Disposals of treasury shares	–	(7)	–	54	47	–	–	–	–	–	–	–	47
Change in treasury shares arising from change in equity in entities accounted for using equity method - treasury shares	–	–	–	7	7	–	–	–	–	–	–	–	7
Net changes of items other than shareholders' equity	–	–	–	–	–	1,390	(16)	419	148	1,941	(28)	436	2,349
<b>Balance at March 31, 2015</b>	<b>¥21,153</b>	<b>¥3,054</b>	<b>¥111,172</b>	<b>¥(8,471)</b>	<b>¥126,908</b>	<b>¥2,520</b>	<b>¥(17)</b>	<b>¥ 362</b>	<b>¥2,685</b>	<b>¥5,550</b>	<b>¥107</b>	<b>¥5,972</b>	<b>¥138,537</b>

	Thousands of U.S. dollars (Note 2)					Thousands of U.S. dollars (Note 2)							
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at April 1, 2014</b>	\$176,024	\$25,476	\$841,945	\$(70,820)	\$ 972,625	\$ 9,401	\$ (4)	\$ (480)	\$21,112	\$30,029	\$1,127	\$46,065	\$1,049,846
Cumulative effects of changes in accounting policies	–	–	(8,019)	–	(8,019)	–	–	–	–	–	–	–	(8,019)
Restated balance at April 1, 2014	<b>176,024</b>	<b>25,476</b>	<b>833,926</b>	<b>(70,820)</b>	<b>964,606</b>	<b>9,401</b>	<b>(4)</b>	<b>(480)</b>	<b>21,112</b>	<b>30,029</b>	<b>1,127</b>	<b>46,065</b>	<b>1,041,827</b>
Cash dividends paid (Note 13)	–	–	(38,943)	–	(38,943)	–	–	–	–	–	–	–	(38,943)
Net income	–	–	130,136	–	130,136	–	–	–	–	–	–	–	130,136
Purchases of treasury shares	–	–	–	(179)	(179)	–	–	–	–	–	–	–	(179)
Disposals of treasury shares	–	(59)	–	449	390	–	–	–	–	–	–	–	390
Change in treasury shares arising from change in equity in entities accounted for using equity method - treasury shares	–	–	–	57	57	–	–	–	–	–	–	–	57
Net changes of items other than shareholders' equity	–	–	–	–	–	11,572	(131)	3,492	1,228	16,161	(239)	3,628	19,550
<b>Balance at March 31, 2015</b>	<b>\$176,024</b>	<b>\$25,417</b>	<b>\$925,119</b>	<b>\$(70,493)</b>	<b>\$1,056,067</b>	<b>\$20,973</b>	<b>\$(135)</b>	<b>\$3,012</b>	<b>\$22,340</b>	<b>\$46,190</b>	<b>\$ 888</b>	<b>\$49,693</b>	<b>\$1,152,838</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Cash Flows

SCSK Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 26,471	¥ 19,458	\$ 220,281
Adjustments for:			
Depreciation and amortization	6,865	6,841	57,128
Impairment losses	–	1,120	–
Increase (decrease) in liability for retirement benefits	58	(159)	483
Decrease in asset for retirement benefits	(1,055)	(177)	(8,777)
Losses on retirement of noncurrent assets	365	169	3,035
Losses on valuation of investment securities	47	2,663	390
Gain on sales of investment securities	(1,456)	242	(12,114)
Changes in assets and liabilities:			
Decrease (increase) in operational investment securities	21,335	(3,160)	177,543
Increase in notes and accounts receivable - trade	(89)	(1,638)	(741)
Increase in inventories	(809)	(775)	(6,733)
Increase in security deposits	(24,775)	–	(206,166)
Increase (decrease) in notes and accounts payable - trade	(2,046)	2,051	(17,030)
Increase in deposits received of prepaid cards	6,557	6,233	54,564
Others, net	2,388	3,138	19,874
Sub-total	33,856	36,006	281,737
Interest and dividends income received	288	494	2,401
Interest expenses paid	(222)	(333)	(1,851)
Compensation paid	(697)	–	(5,804)
Cancellation of lease contracts paid	(170)	–	(1,415)
Income taxes paid	(3,348)	(824)	(27,858)
<b>Net cash provided by operating activities</b>	<b>29,707</b>	<b>35,343</b>	<b>247,210</b>
<b>Cash flows from investing activities:</b>			
Payments into deposits	(331)	(18,000)	(2,755)
Proceeds from withdrawal of deposits	18,000	–	149,788
Purchases of property and equipment	(10,796)	(7,017)	(89,841)
Proceeds from sales of property and equipment	7	484	54
Purchases of intangible assets	(3,108)	(1,926)	(25,865)
Purchases of investment securities	(7)	(1,005)	(61)
Purchases of short-term investment securities	(3,200)	(3,200)	(26,629)
Proceeds from sales and redemption of short-term investment securities	3,100	3,428	25,797
Proceeds from sales and redemption of investment securities	1,584	874	13,185
Collections of short-term loans receivable	26	152	218
Proceeds from withdrawal of investments in partnership	188	552	1,565
Others, net	(297)	(387)	(2,463)
<b>Net cash provided by (used in) investing activities</b>	<b>5,166</b>	<b>(26,045)</b>	<b>42,993</b>
<b>Cash flows from financing activities:</b>			
Proceeds from short-term loans payable	7,500	17,000	62,412
Repayments of short-term loans payable	(14,500)	–	(120,662)
Proceeds from long-term loans payable	5,000	–	41,608
Repayments of long-term loans payable	–	(9,860)	–
Redemption of bonds	–	(35,000)	–
Repayments of lease obligations	(1,523)	(1,925)	(12,673)
Purchase of treasury shares	(22)	(26)	(179)
Cash dividends paid	(4,679)	(3,950)	(38,943)
Others, net	(172)	22	(1,427)
<b>Net cash used in financing activities</b>	<b>(8,396)</b>	<b>(33,739)</b>	<b>(69,864)</b>
Effect of exchange rate changes on cash and cash equivalents	232	344	1,919
Net increase (decrease) in cash and cash equivalents	26,709	(24,097)	222,258
Cash and cash equivalents at beginning of period	59,004	83,248	491,007
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(147)	–
<b>Cash and cash equivalents at end of period (Note 21)</b>	<b>¥ 85,713</b>	<b>¥ 59,004</b>	<b>\$ 713,265</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

SCSK Corporation and Consolidated Subsidiaries

## 1. Summary of significant accounting policies

### (1) Basis of presentation

SCSK Corporation (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

### (2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. Effective April 1, 2008, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18), and effective April 1, 2010, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method” (PITF No. 24). In accordance with these PITFs, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the

United States as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods between 5 and 10 years for the years ended March 31, 2015 and 2014. Any immaterial amounts are fully recognized as expenses as incurred.

At March 31, 2015, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 22 and 3 (22 and 4 in 2014). Certain subsidiaries were excluded from the scope of consolidation and equity method. The aggregate amount of total assets, net sales, net income and retained earnings of these excluded subsidiaries would not have had a material effect on the consolidated financial statements if they had been included in the consolidation or if the equity method had been applied for these investments. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost. Where there has been a permanent decline in the value of such investments, these investments have been written down.

Subsidiaries, SUMISHO COMPUTER SYSTEMS (EUROPE) LTD., Sumisho Computer Systems (Shanghai) Limited, Sumisho Computer Systems (Asia Pacific) Pte. Ltd., Veriserve Shanghai Corporation (the “Veriserve Shanghai”) and other 2 partnerships are consolidated using their financial statements at their respective fiscal year-end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. On February 16, 2015, the board of directors of the VeriServe Corporation passed a resolution for dissolution of the Veriserve Shanghai, and the Veriserve Shanghai was under liquidation as of March 31, 2015. In order to reflect the financial positions and results of operations after the resolution for dissolution, the Veriserve Shanghai’s financial accounts for the 15 months from January 1, 2014 to March 31, 2015 were included in the scope of consolidation. All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from inter-company transactions are eliminated.



# Notes to Consolidated Financial Statements

## (3) Foreign currency translation

### (a) Translation of accounts

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

### (b) Financial statements denominated in foreign currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Statements of income of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

## (4) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with insignificant risk of changes in value, maturities not exceeding three months at the time of purchase and Money Management Funds and others are considered to be cash and cash equivalents.

## (5) Operational investment securities

Marketable securities held for gaining financial revenue for operational purposes are classified as operational investment securities. Financial revenue such as interest derived from the operational investment securities is included in net sales of the consolidated statements of income.

## (6) Investment securities

The Company and its consolidated subsidiaries (collectively, the "Group") examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliates, or (d) all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities"). The Group did not hold any security defined as (a) above at March 31, 2015 and 2014.

Held-to-maturity debt securities are stated at amortized cost computed based on the straight-line method. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for by the equity method are stated at the moving-average cost. Available-for-sale securities with fair value are stated at fair value at the balance sheet date. Valuation differences on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method. Available-for-sale securities without fair value are stated at the moving-average cost. Investments in partnership considered as securities in accordance with the Financial Instruments and Exchange Law of Japan are stated at amounts of net shares based on their available financial statements at reporting dates designated by partnership agreements.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or available-for-sale securities declines significantly, such securities are restated at fair value and the difference between fair value and the carrying amount is recognized as "Loss on valuation of investment securities" or "Loss on valuation of stocks of subsidiaries and affiliates" in the consolidated statement of income in the period of the decline. For equity securities without fair value, if the net asset value of the investee declines significantly, such securities are adjusted to net asset value with the corresponding losses recognized in the consolidated statement of income in the period of the decline. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following fiscal year.

## (7) Inventories

Merchandise and finished goods are principally stated at the specific identification method (write-down amount of carrying value as a result of declines in profitability) and work in process are stated at the specific identification method (write-down amount of carrying value as a result of declines in profitability).

## (8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. The allowance for doubtful accounts consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historic percentage of collection losses.

## (9) Property and equipment (excluding leased assets)

Depreciation of property and equipment is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Group. Significant renewals and additions are capitalized at cost. Maintenance and repairs are recognized as expense as incurred.

## (10) Leases

Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

Leased assets of finance leases except for those which transfer ownership of the leased assets to the lessee are depreciated on the straight-line method over the lease periods with no residual value.

## (11) Intangible assets (excluding leased assets)

Capitalized costs of software for internal use are amortized using the straight-line method over the estimated useful life of the software (within 5 years). Capitalized costs of software developed for external sales are amortized as the higher of (a) the amount based on projected sales amounts, or (b) the amount equally allocated for the remaining period (within 3 years).

## (12) Amortization for deferred assets

Bond issue costs are fully expensed as incurred.

## (13) Provision for bonuses

Provision for bonuses is provided based on the estimated amounts payable at the balance sheet date.

## (14) Provision for directors' bonuses

Provision for directors' bonuses is provided based on the estimated amounts payable at the balance sheet date.

## (15) Provision for losses on construction contracts

Provision for losses on construction contracts is provided for estimated future losses related to the construction contracts.

## (16) Provision for directors' retirement benefits

The Company and certain consolidated subsidiaries record provision for directors' retirement benefits based on an estimated amount payable to directors upon retirement. An estimate is only based on the period prior to the date of abolishment of the directors' retirement benefit plan, which was approved at the shareholders' meeting in previous years.

## (17) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by a benefit formula basis over the estimated years of service of the eligible employees.

Past service costs are amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period of mainly 1 to 12 years. Actuarial gains and losses are amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period, which is mainly 5 to 13 years, beginning from the following fiscal year.

Certain consolidated subsidiaries apply the simplified method that assumes the amount required for voluntary resignation at the end of the term to be retirement benefit obligations in computing net defined benefit liability and retirement benefit costs.

The unrecognized transitional obligation taken over from CSK CORPORATION is amortized over 15 years.

Unrealized actuarial gains and losses and unrealized past service costs are recorded as accumulated adjustments for retirement benefits in accumulated other comprehensive income, net of tax.

## (18) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for tax losses carried forward and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

# Notes to Consolidated Financial Statements

## (19) Revenue recognition

### (a) Revenue from construction contracts

The percentage of completion method is applied to contracts for which substantial progress toward certain results is reasonably dependable at the end of the fiscal year under review. The estimation for the degree of completion of contract at the fiscal year-end is determined by the percentage of the cost incurred to the estimated total costs. The completed contract method is applied to other contracts.

### (b) Prepaid card sales

Upon issuance of prepaid cards, the face value is recognized as “Deposits received of prepaid cards,” with subsequent deductions from as the cards are used. The Group estimates any remaining value of the prepaid cards that are considered unlikely to be used, based on the requirement under the Corporation Tax Law, which takes into account the year of issuance for the basis of estimation. Any amounts that are determined to be unlikely used are recognized as “Hoard profits of prepaid cards” in Non-operating income with subsequent deductions from “Deposits received of prepaid cards.”

## (20) Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

## (21) Amortization of goodwill

Goodwill is amortized over a period of 5 to 10 years under the straight-line method. However, the full amount of goodwill that is not material is expensed as incurred.

## (22) Derivative and hedge accounting

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to operations, except for those meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as a component of net assets. Appropriation treatment is applied for receivables and payables denominated in foreign currencies hedged by forward foreign exchange contracts. Appropriation treatment is that receivables and payables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if

the forward contracts qualify for specific hedge accounting. Derivative transactions are implemented based on actual demands and not for trading or speculative purposes. Hedge effectiveness is not assessed at the balance sheet date since forward foreign exchange contracts with the same amounts and maturities denominated in the same foreign currencies, based on risk management policies, are appropriated when the forward foreign exchange contracts are entered into, and therefore, their following correlation in exchange fluctuations is fully confirmed.

All derivative transactions are carried with domestic financial institutions that have high credit ratings and credit risk arising from contractual default by counterparties is assumed to be low.

## (23) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares issuing for the period. Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of the outstanding subscription rights to shares with an applicable adjustment.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

## (24) Application of consolidated taxation system

The Company and certain domestic consolidated subsidiaries applied a consolidated taxation system.

## (25) Accounting changes

The Company and its consolidated domestic subsidiaries adopted article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012 (hereinafter, “Statement No. 26”)) and article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, final revision March 26, 2015 (hereinafter, “Guidance No. 25”)) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line to a benefit formula basis and determining the

discount rates from a single discount rate to a multiple discount rate (yield curve).

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, asset for retirement benefits decreased by ¥1,680 million (\$13,982 thousand) and retained

## 2. U.S. dollar amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥120.17=U.S.\$1, the rate of exchange prevailing at March

## 3. Financial instruments

### 1. Matters related to financial instruments

#### (1) Policy for financial instruments

For the management of surplus funds, the Group's policy is to invest in deposits at banks and mainly operational investment securities. As for fund raising, the Group mainly raises funds through bank loans, and corporate bonds and funds on hand. Also, the Group does not use derivative instruments for speculative or trading purposes and only uses forward foreign exchange contracts to mitigate the risk of currency

earnings decreased by ¥963 million (\$8,019 thousand) at the beginning of the current fiscal year. Meanwhile, the impact of this change to profit and loss is minimal.

The effects on the segment information and the earnings per share are omitted because of the minimal impact.

31, 2015. This translation should not be construed as a representation that all amounts shown have been converted into U.S. dollars at such rate.

rate fluctuations for debts and credits denominated in foreign currencies.

#### (2) Types of financial instruments, related risks and risk management for financial instruments

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk.



# Notes to Consolidated Financial Statements

In accordance with the internal policy of the Group for managing credit risk arising from receivables, the Group monitors credit worthiness of their main customers on a periodical basis and monitors due dates and outstanding balances by individual customers.

A subsidiary which operates the Prepaid Card Business holds debt securities as operational investment securities. The Group holds investment securities which mainly consist of stocks issued by companies with which the Group has business relationships. These securities are exposed to market risk.

The Group periodically reviews market prices of these securities in order to mitigate market risk.

Substantially all trade payables, such as trade notes and accounts payables, have payment due dates within one year and are exposed to liquidity risk.

Some trade payables denominated in foreign currency arising from import transactions are exposed to foreign currency exchange risk. The Group enters into forward exchange contracts to reduce foreign currency exchange risk with financial institutions, which have high credit ratings in order to reduce credit risk.

Deposits received of prepaid cards are relating to the Prepaid Card Business which the subsidiary operates are

no-interest bearing financial obligations. Although deposits received of prepaid cards are not exposed to risk of interest rate fluctuations, they are exposed to liquidity risk.

Bonds payable are issued and used mainly for capital expenditure. These bonds with the final due in March 2018 are exposed to liquidity risk.

Long-term loans payable mainly consist of the syndicated loans provided by 22 main banks. This syndicated loan due in May 2017 with variable interest rates is exposed to liquidity risk as well as the risk of interest fluctuations.

Trade payables, loans payables, deposits received of prepaid cards and bonds payable are exposed to liquidity risk, which is the risk of failing to settle as scheduled. The Company comprehensively manages the Group's cash flow by using cash management systems. In addition, the Company receives the monthly cash flow report from each Group company and maintains Group-wide cash management.

Regarding derivative transactions, forward exchange contracts were entered into for the purpose of hedging foreign currency exchange risk deriving from trade payables and trade receivables denominated in foreign currencies.

## 2. Fair values of financial instruments

Carrying value of financial instruments on the consolidated balance sheets at March 31, 2015 and 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	March 31, 2015					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars		
Assets:						
(1) Cash and time deposits	¥25,908	¥25,908	¥ –	\$215,598	\$215,598	\$ –
(2) Notes and accounts receivable - trade	63,688	63,688	–	529,978	529,978	–
(3) Short-term investment securities:						
Held-to-maturity debt securities	800	800	–	6,657	6,657	–
Available-for-sale securities	100	100	–	835	835	–
(4) Operational investment securities:						
Available-for-sale securities	18,957	18,957	–	157,755	157,755	–
(5) Deposits paid	61,799	61,799	–	514,259	514,259	–
(6) Security deposits	24,789	24,789	–	206,282	206,282	–
(7) Investment securities	4,332	4,332	–	36,047	36,047	–
(8) Investment in unconsolidated subsidiaries and affiliates	3,838	4,223	386	31,935	35,145	3,210
(9) Lease and guarantee deposits	7,652	7,569	(83)	63,675	62,986	(688)
Liabilities:						
(1) Notes and accounts payable - trade	¥17,769	¥17,769	¥ –	\$147,868	\$147,868	\$ –
(2) Short-term loans payable	10,000	10,000	–	83,215	83,215	–
(3) Current portion of bonds payable	5,000	5,000	–	41,608	41,608	–
(4) Current portion of long-term loans payable	10,000	10,000	–	83,215	83,215	–
(5) Deposits received of prepaid cards	77,204	77,204	–	642,459	642,459	–
(6) Bonds payable	15,000	15,068	(68)	124,823	125,390	(567)
(7) Long-term loans payable	15,000	14,994	6	124,823	124,773	51
(8) Derivative transactions	24	24	–	202	202	–

# Notes to Consolidated Financial Statements

	March 31, 2014		
	Carrying value	Fair value	Difference
	Millions of yen		
Assets:			
(1) Cash and time deposits	¥19,157	¥19,157	¥ –
(2) Notes and accounts receivable - trade	63,372	63,372	–
(3) Short-term investment securities:			
Held-to-maturity debt securities	900	900	(0)
Available-for-sale securities	201	201	–
(4) Operational investment securities:			
Available-for-sale securities	40,372	40,372	–
(5) Deposits paid	58,865	58,865	–
(7) Investment securities	2,474	2,474	–
(8) Investment in unconsolidated subsidiaries and affiliates	3,488	4,006	518
(9) Lease and guarantee deposits	6,519	6,442	(77)
Liabilities:			
(1) Notes and accounts payable - trade	¥19,644	¥19,644	¥ –
(2) Short-term loans payable	17,000	17,000	–
(5) Deposits received of prepaid cards	70,647	70,647	–
(6) Bonds payable	20,000	20,093	(93)
(7) Long-term loans payable	20,000	20,001	(1)
(8) Derivative transactions	1	1	–

Receivables and payables incurred as a result of derivatives are presented on a net basis.  
Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

<Assets>

(1) Cash and time deposits, (2) Notes and accounts receivable - trade, and (5) Deposits paid  
Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Short-term investment securities, (4) Operational investment securities, (7) Investment securities, and (8) Investment in unconsolidated subsidiaries and affiliates  
The fair value of these securities is based on either quoted market prices or prices provided by the correspondent financial institutions. The carrying value is used as the fair value for certain securities with short-term maturities because the fair value is nearly equal to the carrying value.

(6) Security deposits  
Security deposits are mainly guarantee deposits for issuance pursuant to "the Act on Settlement." The carrying value is used as the fair value because guarantee deposits are expected to be settled in a short period of time and the fair value is nearly equal to the carrying value.

(9) Lease and guarantee deposits  
The fair value of lease and guarantee deposits with maturities exceeding one year is based on the present value discounted by reasonable rates.

<Liabilities>

(1) Notes and accounts payable - trade, (2) Short-term loans payable, (3) Current portion of bonds payable, and (4) Current portion of long-term loans payable  
Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Deposits received of prepaid cards  
Deposits received of prepaid cards are obligations to pay usage amounts reported in notifications from stores where prepaid card called "QUO card" is usable and its fair value is based on its carrying value since they are settled in a short period of time.

(6) Bonds payable  
The fair value of bonds payable is based on the present value of total principal and interest discounted by interest rate to be applied if similar new bonds are issued.

(7) Long-term loans payable  
The fair value of long-term loans payable is based on the present value of total principal and interest discounted by interest rate to be applied if similar new long-term loans are incurred.

(8) Derivative transactions  
Information on the fair value of derivatives in included in Note 4 "Derivative transactions."

### 3. Financial instruments for which it is extremely difficult to determine the fair value

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Unlisted equity securities	¥ 569	¥1,398	\$ 4,737
Investments in partnership	936	954	7,793
Total	¥1,505	¥2,352	\$12,530

As quoted market price was not available and it was extremely difficult to estimate future cash flows, the carrying value of the above financial instruments was not included in 2. (7) Investment securities and (8) Investment in unconsolidated subsidiaries and affiliates.

### 4. Redemption schedule for monetary receivables and marketable securities with maturities at March 31, 2015 is as follows:

	March 31, 2015							
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	Millions of yen				Thousands of U.S. dollars			
Cash and time deposits	¥ 25,908	¥ –	¥ –	¥ –	\$ 215,598	\$ –	\$ –	\$ –
Notes and accounts receivable - trade	63,688	–	–	–	529,978	–	–	–
Deposits paid	61,799	–	–	–	514,259	–	–	–
Security deposits	24,789	–	–	–	206,282	–	–	–
Short-term investment securities, operational investment securities and investment securities:								
Held-to-maturity debt securities	800	–	–	–	6,657	–	–	–
Available-for-sale securities with maturities								
Government/municipal bonds	8,688	9,867	–	–	72,294	82,111	–	–
Corporate bonds	–	–	–	–	–	–	–	–
Total	¥185,671	¥9,867	¥ –	¥ –	\$1,545,068	\$82,111	\$ –	\$ –

Note: Available-for-sale securities of ¥94 million (\$786 thousand), with their scheduled amounts being subject to change due to fluctuation of their fair value, were not included in available-for-sale securities with maturities in the above table.



# Notes to Consolidated Financial Statements

## 4. Derivative transactions

The notional amount and the estimated fair value of the derivative instruments outstanding at March 31, 2015 and 2014 were summarized as follows:

		March 31, 2015					
Type of transaction	Hedged item	Notional amount	Portion due after one year included in notional amount	Fair value	Notional amount	Portion due after one year included in notional amount	Fair value
		Millions of yen			Thousands of U.S. dollars		
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts							
Sell							
USD, GBP	Forecast transactions in foreign currency	¥1,594	¥ –	¥(33)	\$13,268	\$ –	\$(276)
Buy							
USD, EUR, GBP		1,441	6	9	11,987	51	74
Derivative transactions for which appropriation treatment has been applied							
Forward foreign exchange contracts							
Sell	Accounts receivable - trade						
USD, GBP		2,349	–	*2	19,551	–	*2
Buy	Accounts payable - trade						
USD, EUR, GBP, SGD		599	–	*2	4,981	–	*2
Total		¥5,983	¥ 6	¥(24)	\$49,787	\$51	\$(202)

		March 31, 2014		
Type of transaction	Hedged item	Notional amount	Portion due after one year included in notional amount	Fair value
			Millions of yen	
Derivative transactions for which deferral hedge accounting has been applied				
Forward foreign exchange contracts				
Sell				
USD, GBP	Forecast transactions in foreign currency	¥ 5	¥ –	¥(0)
Buy				
USD, EUR, GBP, SGD		1,524	209	(1)
Derivative transactions for which appropriation treatment has been applied				
Forward foreign exchange contracts				
Sell	Accounts receivable - trade			
USD, GBP		23	–	*2
Buy	Accounts payable - trade			
USD, EUR, GBP, SGD		408	–	*2
Total		¥1,960	¥209	¥(1)

Notes: 1. Fair value was based on the prices obtained from financial institutions.

\*2. Forward foreign exchange contracts for which appropriation treatment had been applied were accounted for together with accounts payable and accounts receivable designated as a hedged item, therefore, their fair values were included in the fair value of the hedged accounts payable and accounts receivable.

## 5. Information on investment securities

The following tables summarize acquisition cost, carrying value and fair value of securities with fair value.

### 1. Held-to-maturity debt securities with fair value

	March 31, 2015					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars		
1. Securities with fair value exceeding book value:						
Governmental/municipal bonds	¥ –	¥ –	¥ –	\$ –	\$ –	\$ –
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Sub total	–	–	–	–	–	–
2. Securities with fair value not exceeding book value:						
Governmental/municipal bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	800	800	–	6,657	6,657	–
Sub total	800	800	–	6,657	6,657	–
Total	¥800	¥800	¥ –	\$6,657	\$6,657	\$ –

	March 31, 2014		
	Carrying value	Fair value	Difference
	Millions of yen		
1. Securities with fair value exceeding book value:			
Governmental/municipal bonds	¥ –	¥ –	¥ –
Corporate bonds	–	–	–
Others	300	300	0
Sub total	300	300	0
2. Securities with fair value not exceeding book value:			
Governmental/municipal bonds	–	–	–
Corporate bonds	–	–	–
Others	600	600	–
Sub total	600	600	–
Total	¥900	¥900	¥ 0

# Notes to Consolidated Financial Statements

## 2. Available-for-sale securities with fair value

	March 31, 2015					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	Millions of yen			Thousands of U.S. dollars		
1. Securities with book value exceeding acquisition cost:						
Equity securities	¥ 4,043	¥ 1,200	¥2,843	\$ 33,638	\$ 9,984	\$23,655
Debt securities:						
Governmental/municipal bonds	12,678	12,464	214	105,504	103,723	1,780
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Sub total	16,721	13,664	3,057	139,142	113,707	25,435
2. Securities with book value not exceeding acquisition cost:						
Equity securities	195	207	(12)	1,623	1,723	(100)
Debt securities:						
Governmental/municipal bonds	6,279	6,279	(0)	52,251	52,253	(2)
Corporate bonds	—	—	—	—	—	—
Others	195	202	(7)	1,621	1,680	(59)
Sub total	6,669	6,688	(19)	55,495	55,656	(161)
Total	¥23,390	¥20,352	¥3,038	\$194,637	\$169,363	\$25,274

	March 31, 2014		
	Carrying value	Acquisition cost	Difference
	Millions of yen		
1. Securities with book value exceeding acquisition cost:			
Equity securities	¥ 2,065	¥ 1,108	¥ 957
Debt securities:			
Governmental/municipal bonds	31,044	30,749	295
Corporate bonds	101	100	1
Others	—	—	—
Sub total	33,210	31,957	1,253
2. Securities with book value not exceeding acquisition cost:			
Equity securities	315	361	(46)
Debt securities:			
Governmental/municipal bonds	9,329	9,330	(1)
Corporate bonds	—	—	—
Others	194	202	(8)
Sub total	9,838	9,893	(55)
Total	¥43,048	¥41,850	¥1,198

## 3. Sales of available-for-sale securities

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Sales proceeds:			
Equity securities	¥1,584	¥128	\$13,185
Debt securities	—	—	—
Others	—	—	—
Aggregate gains:			
Equity securities	¥1,495	¥ 12	\$12,444
Debt securities	—	—	—
Others	—	—	—
Aggregate losses:			
Equity securities	¥ 40	¥ —	\$ 330
Debt securities	—	—	—
Others	—	—	—

Note: The amounts shown in the above table do not include available-for-sale securities whose fair values are extremely difficult to determine and no quoted market prices are available.

## 4. Losses on valuation of available-for-sale securities with fair value

No losses on valuation of available-for-sale securities with fair value were recorded for the year ended March 31, 2015.

“Losses on valuation of investment securities” includes available-for-sale securities with fair value of ¥2,607 million for the year ended March 31, 2014.

The above mentioned amount does not include available-for-sale securities whose fair values are extremely difficult to determine and no quoted market prices are available.

## 6. Inventories

Inventories at March 31, 2015 and 2014 were as follows:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Merchandise and finished goods	¥4,528	¥2,459	\$37,684
Work in process	523	1,757	4,350
Raw materials and supplies	25	29	208
Total	¥5,076	¥4,245	\$42,242



# Notes to Consolidated Financial Statements

## 7. Property and equipment

Acquisition cost, accumulated depreciation and carrying value of property and equipment were as follows:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Acquisition cost:			
Buildings and structures	¥ 50,606	¥ 50,146	\$ 421,117
Tools, furniture and fixtures	17,912	17,036	149,057
Land	21,800	20,681	181,409
Leased assets	3,476	4,524	28,927
Construction in progress	11,875	3,552	98,815
Others	11	9	95
Total	105,680	95,948	879,420
Accumulated depreciation	(41,505)	(38,761)	(345,381)
Carrying value	¥ 64,175	¥ 57,187	\$ 534,039

## 8. Short-term loans payable and long-term debts

Short-term loans payable and current portion of long-term debts at March 31, 2015 and 2014 consisted of the following:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Short-term loans principally from banks, average annual interest rates of 0.22% in 2015 and 0.26% in 2014	¥10,000	¥17,000	\$ 83,215
Loans principally from banks, maturing in 2015	10,000	–	83,215
0.26% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2016)	5,000	–	41,608
Finance lease obligations – current (at an average interest rate of 3.05% in 2015 and 2.66% in 2014)	1,087	3,253	9,042
Total	¥26,087	¥20,253	\$217,080

Long-term debts at March 31, 2015 and 2014 consisted of the following:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Loans principally from banks due serially through May 2017 with annual average interest rate of 0.25% in 2015	¥ 25,000	¥20,000	\$ 208,039
0.50% unsecured bonds (maturity period: from May 29, 2012 to May 29, 2017)	10,000	10,000	83,215
0.26% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2016)	5,000	5,000	41,608
0.34% unsecured bonds (maturity period: from March 14, 2013 to March 14, 2018)	5,000	5,000	41,608
Finance lease obligations (at an average interest rate of 2.57% in 2015 and 3.03% in 2014, maturing from 2015 to 2020)	2,781	5,363	23,139
Less: current portion	(16,087)	(3,253)	(133,865)
Total long-term debts	¥ 31,694	¥42,110	\$ 263,744

The aggregate annual maturities of loans payable, bonds payable and finance lease obligations at March 31, 2015 were as follows:

	March 31	
	2015	
	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2016	¥26,087	\$217,080
2017	5,820	48,430
2018	25,516	212,332
2019 and thereafter	358	2,982
Total	¥57,781	\$480,824

# Notes to Consolidated Financial Statements

## 9. Pledged assets

The following assets were pledged as collateral for other current liabilities of ¥1,578 million (\$13,130 thousand) and ¥1,577 million at March 31, 2015 and 2014, respectively.

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Cash and time deposits	¥1,500	¥1,400	\$12,482

Operational investment securities and security deposits of ¥43,649 million (\$363,225 thousand) and ¥40,233 million were lodged as security deposits pursuant to “the Act on Settlement” at March 31, 2015 and 2014, respectively.

## 10. Employees’ pension and retirement benefits

The Company and its certain consolidated subsidiaries have defined benefit plans and defined contribution plans. A part of consolidated domestic subsidiaries calculated retirement benefit obligations using a simplified method.

### 1. Defined benefit plans

(1) Movement in retirement benefit obligations, except for subsidiaries applying simplified method

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥56,120	¥54,017	\$467,007
Cumulative effect of changes in accounting policies	1,680	–	13,982
Restated balance at beginning of period	57,800	54,017	480,989
Service costs	2,676	2,953	22,265
Interest costs	830	802	6,907
Actuarial gains and losses	3,304	(564)	27,492
Benefits paid	(1,064)	(1,119)	(8,857)
Past service costs	(25)	(3)	(207)
Others	64	34	533
Balance at end of period	¥63,585	¥56,120	\$529,122

(2) Movement in plan assets, except for subsidiaries applying simplified method

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥58,229	¥50,866	\$484,559
Expected return on plan assets	1,172	1,019	9,752
Actuarial gains and losses	3,954	3,671	32,907
Contributions paid by the employer	3,323	3,782	27,649
Benefits paid	(1,064)	(1,119)	(8,857)
Others	57	10	473
Balance at end of period	¥65,671	¥58,229	\$546,483

(3) Movement in retirement benefit obligations applying the simplified method

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥ 7	¥14	\$ 55
Retirement benefit costs	(7)	(2)	(53)
Benefits paid	(5)	(1)	(40)
Contributions to fund	(5)	(4)	(42)
Balance at end of period	¥(10)	¥ 7	\$(80)

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Funded retirement benefit obligations	¥ 63,682	¥ 56,209	\$ 529,931
Plan assets	(65,790)	(58,328)	(547,469)
	(2,108)	(2,119)	(17,538)
Unfunded retirement benefit obligations	12	17	97
Total net asset for retirement benefits	(2,096)	(2,102)	(17,441)
Liability for retirement benefits	209	193	1,743
Asset for retirement benefits	(2,305)	(2,295)	(19,184)
Total net asset for retirement benefits	¥ (2,096)	¥ (2,102)	\$ (17,441)

Note: The above mentioned amounts include plans using a simplified method.



# Notes to Consolidated Financial Statements

## (5) Retirement benefit costs

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Service costs	¥ 2,675	¥ 2,953	\$22,265
Interest costs	830	802	6,907
Expected return on plan assets	(1,172)	(1,019)	(9,752)
Net actuarial gains and losses amortization	(833)	201	(6,933)
Past service costs amortization	124	222	1,031
Amortization of transitional obligation	261	261	2,169
Retirement benefit costs calculated on a simplified method	(6)	(2)	(53)
Others	148	126	1,231
Total retirement benefit costs	¥ 2,027	¥ 3,544	\$16,865

## (6) Adjustments for retirement benefits

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Past service costs	¥(148)	¥–	\$(1,238)
Actuarial gains and losses	181	–	1,507
Net retirement benefit obligations at transition	(261)	–	(2,169)
Total balance	¥(228)	¥–	\$(1,900)

## (7) Accumulated adjustments for retirement benefits

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Past service costs that are yet to be recognized	¥ (14)	¥ 135	\$ (115)
Actuarial gains and losses that are yet to be recognized	(4,334)	(4,516)	(36,067)
Net retirement benefit obligations at transition that are yet to be recognized	–	261	–
Total balance	¥(4,348)	¥(4,120)	\$(36,182)

## (8) Plan assets

### 1. Categories of plan assets

	March 31	
	2015	2014
Bonds	49%	51%
Equity securities	28%	24%
Cash and time deposits	2%	1%
Assets in an insurers general account	8%	9%
Hedge fund	10%	9%
Others	3%	6%
Total	100%	100%

### 2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

## (9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 were as follows:

	March 31	
	2015	2014
Discount rate	1.1%	1.5%
Long-term expected rate of return	2.0%	2.0%

## 2. Defined contribution plans

The contribution amounts which the Company and its certain consolidated subsidiaries were requested from the defined contribution plans were ¥1,232 million (\$10,256 thousand) and ¥1,158 million for the years ended March 31, 2015 and 2014, respectively.

# Notes to Consolidated Financial Statements

## 11. Asset retirement obligations

### 1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore assets to their original state, etc., relating to real estate lease agreements on the head office and other office buildings.

### 2. Calculation method for asset retirement obligations

Expected period of use is estimated as mainly 15 years from the acquisition of property and equipment and the amounts of asset retirement obligations are calculated by using a discount rate ranging from 0.750% to 1.744%.

### 3. Changes in asset retirement obligations for the years ended March 31, 2015 and 2014

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Balance at beginning of period	¥1,508	¥1,406	\$12,553
Increase due to acquisition of property and equipment	317	178	2,640
Adjustment due to passage of time	22	21	180
Decrease due to fulfillment of asset retirement obligations	(194)	(97)	(1,619)
Balance at end of period	¥1,653	¥1,508	\$13,754

Balance at end of period for the year ended March 31, 2015 includes ¥114 million (\$949 thousand) of asset retirement obligations under other current liabilities.

## 12. Income taxes

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be reversed from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

From the fiscal year beginning April 1, 2015, maximum amount of net operating loss deductible for tax purpose will be reduced to 65% of deducting. Further, it will be reduced

to 50% of deducting from the fiscal year beginning April 1,2017.

Due to these changes in the statutory income tax rates and the maximum amount of net operating loss deductible for tax purpose, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥11,495 million (\$95,653 thousand) as of March 31, 2015 and deferred income tax expense recognized for the year ended March 31, 2015 increased by ¥11,722 million (\$97,542 thousand).

The reconciliation between the effective tax rate reflected in the consolidated statements of income and the statutory tax rate for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31	
	2015	2014
Statutory tax rate	35.6%	38.0%
Effect of:		
Expenses not deductible for income tax purposes	0.7	1.4
Revenues excluded from income tax such as dividends received	(0.5)	(0.6)
Dividends received from foreign subsidiaries eliminated in consolidation	0.6	0.8
Amortization of goodwill	0.1	0.1
Equity in earnings of affiliates	(0.6)	(0.6)
Base portion of inhabitants' taxes	0.6	0.9
Change in valuation allowance	(6.9)	(38.7)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	9.3	3.7
Others	0.3	(0.9)
Effective tax rate	39.2%	4.1%

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:			
Tax losses carried forward	¥ 59,229	¥72,745	\$ 492,881
Provision for bonuses	2,240	2,702	18,640
Allowance for doubtful accounts	97	97	809
Liability for retirement benefits	68	69	568
Depreciation	225	369	1,875
Impairment losses	408	557	3,399
Unrecognized profit of prepaid card	3,353	3,145	27,905
Payable for integration to retirement pension plans	577	965	4,803
Loss on valuation of investment securities	1,770	2,435	14,727
Office relocation-related expenses	856	—	7,121
Others	1,901	2,015	15,804
Total gross deferred tax assets	70,724	85,099	588,532
Valuation allowance	(41,462)	(49,064)	(345,029)
Total deferred tax assets	29,262	36,035	243,503
Deferred tax liabilities:			
Valuation differences on available-for-sale securities	(1,155)	(586)	(9,612)
Removal expenses for asset retirement obligations	(350)	(319)	(2,914)
Asset for retirement benefits	(750)	(814)	(6,238)
Others	(382)	(334)	(3,174)
Total deferred tax liabilities	(2,637)	(2,053)	(21,938)
Net deferred tax assets	¥ 26,625	¥33,982	\$ 221,565

# Notes to Consolidated Financial Statements

## 13. Net assets

Under the Japanese Corporation Law (hereinafter, the “Law”) and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings

reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Capital stock consists of common stock. Common stock at March 31, 2015 and 2014 were as follows:

	Number of shares			
	2015		2014	
	Authorized	Issued	Authorized	Issued
Common stock	200,000,000	107,986,403	200,000,000	107,986,403
Total	200,000,000	107,986,403	200,000,000	107,986,403

### Supplementary information for the consolidated statements of changes in net assets

#### Year ended March 31, 2015

##### 1) Number of issued shares

	Common stock
Number of shares at April 1, 2014	107,986,403
Increase during the period ended March 31, 2015	–
Decrease during the period ended March 31, 2015	–
Number of shares at March 31, 2015	107,986,403

##### 2) Number of treasury shares

	Common stock
Number of shares at April 1, 2014	4,231,885
Increase during the period ended March 31, 2015	7,232
Decrease during the period ended March 31, 2015	30,301
Number of shares at March 31, 2015	4,208,816

Notes: 1. Increase in the number of treasury shares was due to the following reason:  
- Purchases of less-than-one-unit treasury shares: 7,232 shares  
2. Decrease in the number of treasury shares was due to the following reasons:  
- Disposals of less-than-one-unit shares: 846 shares  
- Exercise of subscription rights to shares: 25,800 shares  
- Decrease due to change in equity in entities accounted for using the equity method: 3,655 shares

### 3) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2015	¥107 million (\$888 thousand)

### 4) Matters related to dividend

#### (1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on April 30, 2014 were as follows:

a. Total amount of dividend	¥2,080 million (\$17,308 thousand)
b. Dividend per share	¥20.00
c. Record date	March 31, 2014
d. Effective date	June 5, 2014

Approvals by the Board of Directors' meeting on October 31, 2014 were as follows:

a. Total amount of dividend	¥2,599 million (\$21,635 thousand)
b. Dividend per share	¥25.00
c. Record date	September 30, 2014
d. Effective date	December 1, 2014

#### (2) Dividends whose record date is attributable to the year ended March 31, 2015 but to be effective after the balance sheet date

The Company received the approval at the Board of Directors' meeting on April 28, 2015 as follows:

Dividend on common stock

a. Total amount of dividend	¥2,600 million (\$21,638 thousand)
b. Dividend per share	¥25.00
c. Record date	March 31, 2015
d. Effective date	June 4, 2015



# Notes to Consolidated Financial Statements

## Year ended March 31, 2014

### 1) Number of issued shares

	Common stock
Number of shares at April 1, 2013	107,986,403
Increase during the period ended March 31, 2014	—
Decrease during the period ended March 31, 2014	—
Number of shares at March 31, 2014	107,986,403

### 2) Number of treasury shares

	Common stock
Number of shares at April 1, 2013	4,303,745
Increase during the period ended March 31, 2014	10,911
Decrease during the period ended March 31, 2014	82,771
Number of shares at March 31, 2014	4,231,885

Notes: 1. Increase in the number of treasury shares was due to the following reason:  
- Purchases of less-than-one-unit treasury shares: 10,911 shares  
2. Decrease in the number of treasury shares was due to the following reasons:  
- Disposals of less-than-one-unit shares: 784 shares  
- Exercise of subscription rights to shares: 76,300 shares  
- Decrease due to change in equity in entities accounted for using the equity method: 5,687 shares

### 3) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2014	¥135 million

### 4) Matters related to dividend

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on April 26, 2013 were as follows:

a. Total amount of dividend	¥1,870 million
b. Dividend per share	¥18.00
c. Record date	March 31, 2013
d. Effective date	June 5, 2013

Approvals by the Board of Directors' meeting on October 31, 2013 were as follows:

a. Total amount of dividend	¥2,079 million
b. Dividend per share	¥20.00
c. Record date	September 30, 2013
d. Effective date	December 2, 2013

(2) Dividends whose record date is attributable to the year ended March 31, 2014 but to be effective after the balance sheet date

The Company received the approval at the Board of Directors' meeting on April 30, 2014 as follows:

Dividend on common stock

a. Total amount of dividend	¥2,080 million
b. Dividend per share	¥20.00
c. Record date	March 31, 2014
d. Effective date	June 5, 2014

# Notes to Consolidated Financial Statements

## 14. Cost of sales

Amounts of provision for losses on construction contracts included in “Cost of sales” were as follows:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Provision for losses on construction contracts	¥10	¥70	\$81

## 15. Selling, general and administrative expenses

Major elements of “Selling, general and administrative expenses” for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Salaries and bonuses	¥19,060	¥18,360	\$158,605
Employees’ pension and retirement benefit expenses	1,036	1,424	8,625
Welfare expenses	4,284	3,951	35,651
Rent	3,433	3,437	28,567
Depreciation	1,591	1,700	13,241
Business consignment expenses	2,448	2,191	20,369
Taxes and dues	1,777	1,729	14,783
Provision for bonuses	1,833	2,156	15,255
Provision for directors’ bonuses	134	122	1,114
Others	8,871	9,680	73,824
Total	¥44,467	¥44,750	\$370,034

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, were recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in “Selling, general and administrative expenses,” was ¥268 million (\$2,227 thousand) and ¥450 million for the years ended March 31, 2015 and 2014, respectively.

## 16. Losses on retirement of noncurrent assets

Losses on retirement of noncurrent assets for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Buildings and structures	¥ 67	¥ 93	\$ 558
Tools, furniture and fixtures	76	49	630
Leased assets	24	1	199
Construction in progress	52	–	436
Software	146	26	1,212
Others	0	0	0
Total	¥365	¥169	\$3,035

## 17. Impairment losses

### Year ended March 31, 2015

No impairment losses were recorded for the year ended March 31, 2015.

### Year ended March 31, 2014

Property and equipment are classified into groups based on the respective type of business, which are the units for making investment decisions.

The main assets for which the group recognized impairment losses were as follows.

Use	Location	Type of assets
Assets used for training	Souraku-gun, Kyoto	Lands

Since assets used for training that were classified as corporate assets became idle assets, their carrying amounts were devalued to recoverable amounts and differences of ¥1,118 million were charged to the consolidated statement of income as impairment losses.

Recoverable amounts of assets above were estimated by a real estate appraisal company.

# Notes to Consolidated Financial Statements

## 18. Office relocation-related expenses

Office relocation-related expenses mainly included loss on cancellation of leasehold contracts for the year ended March 31, 2015 and office relocation expenses for the year ended March 31, 2014, respectively.

## 19. Amounts per share

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Yen		U.S. dollars
Net income:			
Basic	<b>¥150.71</b>	¥177.26	<b>\$1.25</b>
Diluted	<b>150.02</b>	174.24	<b>1.25</b>
Cash dividends applicable to the year	<b>¥ 50.00</b>	¥ 40.00	<b>\$0.42</b>

	March 31		March 31
	2015	2014	2015
	Yen		U.S. dollars
Net assets	<b>¥1,276.37</b>	¥1,161.29	<b>\$10.62</b>

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and subscription rights to shares.

Net assets per share was computed based on the net assets excluding share subscription rights and minority interests and the number of common stock outstanding at the year-end.

Cash dividends per share represented the cash dividends proposed by the Board of Directors as applicable to the respective years together with any interim cash dividends paid.

The bases for calculation were as follows:

1. Basic and diluted net income per share

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Net income per share:			
Net income	<b>¥15,638</b>	¥18,388	\$130,136
Amount not attributable to common shareholders	<b>–</b>	–	–
Net income related to common stock	<b>¥15,638</b>	¥18,388	\$130,136
Diluted net income per share:			
Net income adjustment	<b>¥ (57)</b>	¥ (34)	\$ (473)
(of which, interest expenses after deducting tax)	<b>–</b>	30	–
(of which, change in holdings in equity method affiliates due to their issuance of subscription rights)	<b>(57)</b>	(64)	(473)

	Year ended March 31	
	2015	2014
	Thousands of shares	
Weighted average number of shares for basic net income	<b>103,765</b>	103,731
Increase in shares of common stock:		
Exercise of warrants	<b>–</b>	1,495
Exercise of subscription rights to shares	<b>100</b>	112
Number of shares for dilutive net income	<b>103,865</b>	105,338

2. Net assets per share

	March 31	
	2015	2014
	Thousands of shares	
The number of shares of common stock used for the calculation of net assets per share	<b>103,778</b>	103,755

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Total net assets	<b>¥138,537</b>	¥126,160	<b>\$1,152,838</b>
Amounts deducted from total net assets:			
Subscription rights to shares	<b>107</b>	135	<b>888</b>
Minority interests	<b>5,972</b>	5,536	<b>49,693</b>
Net assets attributable to shares of common stock	<b>¥132,458</b>	¥120,489	<b>\$1,102,257</b>



# Notes to Consolidated Financial Statements

## 20. Consolidated statements of comprehensive income

The following table presents components of reclassification adjustment and income tax of other comprehensive income for the years ended March 31, 2015 and 2014:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Other comprehensive income:			
Valuation differences on available-for-sale securities:			
Gains arisen during the year	¥1,913	¥226	\$15,922
Reclassification adjustments for gains (losses) included in income statements	29	1	237
Before-tax amounts	1,942	227	16,159
Tax (expenses) benefits	(576)	(72)	(4,794)
Sub-total, net of tax	1,366	155	11,365
Deferred gains or losses on hedges:			
Losses arisen during the year	(23)	(15)	(193)
Reclassification adjustments for gains included in income statements	–	–	–
Before-tax amounts	(23)	(15)	(193)
Tax (expenses) benefits	7	6	62
Sub-total, net of tax	(16)	(9)	(131)
Foreign currency translation adjustments:			
Gains arisen during the year	418	405	3,480
Reclassification adjustments for gains (losses) included in income statements	(5)	2	(41)
Before-tax amounts	413	407	3,439
Tax expenses	–	–	–
Sub-total, net of tax	413	407	3,439
Remeasurements of defined benefit plans:			
Gains arisen during the year	677	–	5,632
Reclassification adjustments for gains (losses) included in income statements	(448)	–	(3,732)
Before-tax amounts	229	–	1,900
Tax (expenses) benefits	49	–	409
Sub-total, net of tax	278	–	2,309
Gains on change in equity			
Gains arisen during the year	–	5	–
Sub-total, net of tax	–	5	–
Share of other comprehensive income of affiliates accounted for by the equity method:			
Gains arisen during the year	48	23	399
Reclassification adjustments for gains (losses) included in income statements	(1)	–	(9)
Sub-total, net of tax	47	23	390
Total other comprehensive income	¥2,088	¥581	\$17,372

## 21. Cash flow information

### 1. Reconciliation of cash and cash equivalents

Reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows was as follows:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Cash and time deposits	¥25,908	¥ 19,157	\$215,598
Short-term investment securities	900	1,101	7,493
Deposits paid	61,799	58,865	514,259
Deposits paid with original maturities of more than three months	(355)	(18,000)	(2,958)
Time deposits with original maturities of more than three months or those submitted as collateral for loans payable	(1,739)	(1,418)	(14,469)
Bond investment trusts and government bonds with original maturities of more than three months	(800)	(701)	(6,658)
Cash and cash equivalents	¥85,713	¥ 59,004	\$713,265

### 2. Non-cash investing and financing activities

(1) Finance lease assets and obligations incurred

Finance lease assets and obligations incurred for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Finance lease obligations incurred	¥731	¥6,943	\$6,086

# Notes to Consolidated Financial Statements

## 22. Lease transaction

### (a) Lessee – Finance leases

Leased assets consist mainly of facilities in head offices and data centers as property and equipment.

### Calculation method of depreciation equivalents

Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value.

### (b) Lessee – Operating leases

Lease commitments under non-cancellable operating leases were as follows:

	March 31		March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
As a lessee:			
Due within one year	¥ 3,780	¥ 4,075	\$ 31,454
Due over one year	18,653	13,485	155,225
Total	¥22,433	¥17,560	\$186,679

## 23. Related-party transactions

### 1. Transactions with related parties

Related-party transactions during the years ended March 31, 2015 and 2014 were as follows:

(1) Transactions between the Company and related parties

(A) Sumitomo Corporation

Attribute	Year ended March 31	
	2015	2014
Parent company		Parent company
Name of the company	Sumitomo Corporation	Sumitomo Corporation
Location	Chuo-ku, Tokyo	Chuo-ku, Tokyo
Common stock amount (Millions of yen)	¥219,279 (\$1,824,739 thousand)	¥219,279
Type of business	Trading company	Trading company
Percentage of voting shares in the Company (%)	Direct 51.2%	Direct 51.3%
Relationship of related party	Providing of data processing service and software development service	Providing of data processing service and software development service
Transaction amounts (Millions of yen):		
Sales of data processing service and software development service*2	¥14,856 (\$123,628 thousand)	¥16,051
Balance at year-end (Millions of yen):		
Accounts receivable - trade	¥3,391 (\$28,216 thousand)	¥3,293

Notes: 1. In the amounts above, consumption taxes were included in the outstanding balances at year-end, but not in transaction amounts.  
\*2. The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

# Notes to Consolidated Financial Statements

(B) Subsidiary of Sumitomo Corporation

Year ended March 31		
	2015	2014
Attribute	Company which has an identical parent company	Company which has an identical parent company
Name of the company	Sumitomo Shoji Financial Management Co., Ltd.	Sumitomo Shoji Financial Management Co., Ltd.
Location	Chuo-ku, Tokyo	Chuo-ku, Tokyo
Common stock amount (Millions of yen)	¥100 (\$832 thousand)	¥100
Type of business	Financing	Financing
Percentage of voting shares in the Company (%)	N/A	N/A
Relationship of related party	Deposit of funds	Deposit of funds
Transaction amounts (Millions of yen):		
Depositing of funds*2	¥362,200 (\$3,014,063 thousand)	¥488,200
Interest income*2	¥172 (\$1,427 thousand)	¥198
Balance at year-end (Millions of yen):		
Deposits paid	¥61,000 (\$507,614 thousand)	¥58,200
Accrued income	¥12 (\$103 thousand)	¥4

Notes: 1. In transaction amounts and the amounts of balance at year-end, consumption taxes were not included.  
\*2. The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

(2) Transactions between the consolidated subsidiaries of the Company and related parties

Not applicable

## 2. Notes regarding the parent company and important affiliates

(1) Parent company information

Sumitomo Corporation (Listed on Tokyo, Nagoya and Fukuoka Stock Exchange)

(2) Summary of financial information of important affiliates

Not applicable

## 24. Contingent liabilities

There were no material contingent liabilities at March 31, 2015 and 2014.

## 25. Stock options

Year ended March 31, 2015

### 1. Amount of income and expenses related to the stock option plans for the year ended March 31, 2015 and the account recorded

Gain on reversal of subscription rights to shares: ¥3 million (\$25 thousand)

### 2. Stock options outstanding for the year ended March 31, 2015 were as follows:

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2007 Stock Option	10 directors	Common stock	July 27, 2007	¥1 (\$0.01)
	14 executive officers	16,400 shares		
2008 Stock Option	9 directors	Common stock	July 29, 2008	¥1 (\$0.01)
	12 executive officers	22,900 shares		
2009 Stock Option	9 directors	Common stock	July 30, 2009	¥1,564 (\$13.01)
	17 executive officers	53,500 shares		
2009 Stock Option	9 directors	Common stock	July 30, 2009	¥1 (\$0.01)
	16 executive officers	31,100 shares		
2010 Stock Option	9 directors	Common stock	July 30, 2010	¥1,376 (\$11.45)
	14 executive officers	50,000 shares		
2010 Stock Option	9 directors	Common stock	July 30, 2010	¥1 (\$0.01)
	14 executive officers	45,400 shares		

Stock Option	Vesting Condition	Applicable Period of Service	Exercisable Period
2007 Stock Option	*1	No provisions	July 28, 2007 – July 26, 2027
2008 Stock Option	*2	No provisions	July 30, 2008 – July 28, 2028
2009 Stock Option	*3	July 30, 2009 – June 30, 2011	July 1, 2011 – June 30, 2014
2009 Stock Option	*4	No provisions	July 31, 2009 – July 29, 2029
2010 Stock Option	*5	July 30, 2010 – June 30, 2012	July 1, 2012 – June 30, 2015
2010 Stock Option	*6	No provisions	July 31, 2010 – July 29, 2030

Notes: Number of subscription rights to shares was expressed in number of shares to be issued upon exercise.  
\*1 The Holders can exercise the rights for only 2 years from the day following the date when they lose positions of directors or executive officers of the Company (hereinafter, the "initial day of exercise period"). Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2025, they shall only be able to exercise the rights on and after August 1, 2025. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the year ended March 31, 2007.  
\*2 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2026, they shall only be able to exercise the rights on and after August 1, 2026. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the year ended March 31, 2008.  
\*3 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.  
\*4 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2027, they shall only be able to exercise the rights on and after August 1, 2027. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.  
\*5 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Holders retire as directors, corporate auditors or executive officers of the Company or its subsidiaries and affiliates at the expiration of their terms, or where Board of Directors of the Company recognizes that there is a justifiable reason. In this case, the Holders shall only be able to exercise the rights for 1 year from one day later than either the day of occurring such causes or July 1, 2012. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.  
\*6 The Holders can exercise the rights for only 10 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2028, they shall only be able to exercise the rights on and after August 1, 2028. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.



# Notes to Consolidated Financial Statements

## Number and movement of stock options

The following tables were based on the stock options which existed for the year ended March 31, 2015. Number of stock options was expressed in number of shares to be issued upon exercise.

	2007 Stock Option	2008 Stock Option	2009 Stock Option
	Number of shares	Number of shares	Number of shares
Non-vested:			
Outstanding at April 1, 2014	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2015	–	–	–
Vested:			
Outstanding at April 1, 2014	7,400	13,600	15,500
Vested	–	–	–
Exercised	2,200	3,600	7,500
Forfeited	–	–	8,000
Outstanding at March 31, 2015	5,200	10,000	–

	2009 Stock Option	2010 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares
Non-vested:			
Outstanding at April 1, 2014	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2015	–	–	–
Vested:			
Outstanding at April 1, 2014	26,700	16,000	42,200
Vested	–	–	–
Exercised	7,500	5,000	–
Forfeited	–	–	–
Outstanding at March 31, 2015	19,200	11,000	42,200

## 3. Price information of stock options for the year ended March 31, 2015

	2007 Stock Option	2008 Stock Option	2009 Stock Option
Exercise price (yen)	¥ 1	¥ 1	¥1,564
Average market price of the stock at the time of exercise (yen)	2,940	2,935	2,728
Fair valuation price (date of grant) (yen)	2,156	1,774	380

	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (yen)	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise (yen)	2,999	2,933	–
Fair valuation price (date of grant) (yen)	1,363	284	1,149

	2007 Stock Option	2008 Stock Option	2009 Stock Option
Exercise price (U.S. dollar)	\$ 0.01	\$ 0.01	\$13.01
Average market price of the stock at the time of exercise (U.S. dollar)	24.47	24.42	22.70
Fair valuation price (date of grant) (U.S. dollar)	17.94	14.76	3.16

	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (U.S. dollar)	\$ 0.01	\$11.45	\$0.01
Average market price of the stock at the time of exercise (U.S. dollar)	24.96	24.41	–
Fair valuation price (date of grant) (U.S. dollar)	11.34	2.36	9.56

## 4. Method of estimating exercised stock options

The Company estimates the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.

### Year ended March 31, 2014

#### 1. Amount of income and expenses related to the stock option plans for the year ended March 31, 2014 and the account recorded

Gain on reversal of subscription rights to shares: ¥6 million

#### 2. Stock options outstanding for the year ended March 31, 2014 were as follows:

Stock Option	Grantees' Position	Number of Options Granted	Date of Grant	Exercise Price
2007 Stock Option	10 directors 14 executive officers	Common stock 16,400 shares	July 27, 2007	¥1
2008 Stock Option	9 directors 13 executive officers	Common stock 50,500 shares	July 29, 2008	¥1,964
2008 Stock Option	9 directors 12 executive officers	Common stock 22,900 shares	July 29, 2008	¥1
2009 Stock Option	9 directors 17 executive officers	Common stock 53,500 shares	July 30, 2009	¥1,564
2009 Stock Option	9 directors 16 executive officers	Common stock 31,100 shares	July 30, 2009	¥1
2010 Stock Option	9 directors 14 executive officers	Common stock 50,000 shares	July 30, 2010	¥1,376
2010 Stock Option	9 directors 14 executive officers	Common stock 45,400 shares	July 30, 2010	¥1

Notes to Consolidated Financial Statements

Stock Option	Vesting Condition	Applicable Period of Service	Exercisable Period
2007 Stock Option	*1	No provisions	July 28, 2007 – July 26, 2027
2008 Stock Option	*2	July 29, 2008 – June 30, 2010	July 1, 2010 – June 30, 2013
2008 Stock Option	*3	No provisions	July 30, 2008 – July 28, 2028
2009 Stock Option	*4	July 30, 2009 – June 30, 2011	July 1, 2011 – June 30, 2014
2009 Stock Option	*5	No provisions	July 31, 2009 – July 29, 2029
2010 Stock Option	*6	July 30, 2010 – June 30, 2012	July 1, 2012 – June 30, 2015
2010 Stock Option	*7	No provisions	July 31, 2010 – July 29, 2030

Notes: Number of subscription rights to shares was expressed in number of shares to be issued upon exercise.

\*1 The Holders can exercise the rights for only 2 years from the day following the date when they lose positions of directors or executive officers of the Company (hereinafter, the "initial day of exercise period"). Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2025, they shall only be able to exercise the rights on and after August 1, 2025. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the year ended March 31, 2007.

\*2 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the year ended March 31, 2008.

\*3 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2026, they shall only be able to exercise the rights on and after August 1, 2026. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the year ended March 31, 2008.

\*4 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.

\*5 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2027, they shall only be able to exercise the rights on and after August 1, 2027. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the year ended March 31, 2009.

\*6 The Holders need to be in the position of director, corporate auditor or executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Holders retire as directors, corporate auditors or executive officers of the Company or its subsidiaries and affiliates at the expiration of their terms, or where Board of Directors of the Company recognizes that there is a justifiable reason. In this case, the Holders shall only be able to exercise the rights for 1 year from one day later than either the day of occurring such causes or July 1, 2012. Succession of stock options shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.

\*7 The Holders can exercise the rights for only 10 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2028, they shall only be able to exercise the rights on and after August 1, 2028. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the year ended March 31, 2010.

Number and movement of stock options

The following tables were based on the stock options which existed for the year ended March 31, 2014. Number of stock options was expressed in number of shares to be issued upon exercise.

	2007 Stock Option	2008 Stock Option	2008 Stock Option	2009 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested:				
Outstanding at April 1, 2013	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at March 31, 2014	–	–	–	–
Vested:				
Outstanding at April 1, 2013	7,400	34,500	13,600	49,800
Vested	–	–	–	–
Exercised	–	18,000	–	34,300
Forfeited	–	16,500	–	–
Outstanding at March 31, 2014	7,400	–	13,600	15,500

	2009 Stock Option	2010 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares
Non-vested:			
Outstanding at April 1, 2013	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2014	–	–	–
Vested:			
Outstanding at April 1, 2013	26,700	40,000	42,200
Vested	–	–	–
Exercised	–	24,000	–
Forfeited	–	–	–
Outstanding at March 31, 2014	26,700	16,000	42,200

3. Price information of stock options for the year ended March 31, 2014

	2007 Stock Option	2008 Stock Option	2008 Stock Option	2009 Stock Option
Exercise price (yen)	¥ 1	¥1,964	¥ 1	¥1,564
Average market price of the stock at the time of exercise (yen)	–	2,131	–	2,477
Fair valuation price (date of grant) (yen)	2,156	374	1,774	380

	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (yen)	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise (yen)	–	2,318	–
Fair valuation price (date of grant) (yen)	1,363	284	1,149

4. Method of estimating exercised stock options

The Company estimates the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.

# Notes to Consolidated Financial Statements

## 26. Segment information

### 1. Summary of reportable segments

The Company designates its reported segments according to the business divisions as organizational units. The Board of Directors and 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 Business, Financial Systems Business, Global Systems Business, 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 Business: 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 Business: This business group supplies system services for banks, brokerages, insurance companies, and a variety of other financial businesses 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 Business: This business group offers IT services, including local site support, for companies which operate their business around the world. It draws on expertise and experience accumulated over years of providing support to such globally active clients as Sumitomo Corporation.
- (4) Business 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 domestic netXDC solutions-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: This business group provides issuing and settlement services for prepaid cards, develops and markets card systems, etc.

### 2. Calculation of sales, income, assets and other items amounts by reportable segment

The accounting treatment for the Group's reported business segments is generally the same as described in Note 1 "Summary of significant accounting policies."

The segment income figures stated in the reportable segments are based on operating income. The inter-segment sales or the inter-segment figures are based on actual market prices.

### 3. Sales, income, assets and other items for each reportable segment

Segment data for the years ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015						
Reportable Segment						
Industrial Systems Business	Financial Systems Business	Global Systems Business	Business Solutions	Business Services	IT Management	
Millions of yen						
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥72,398	¥55,416	¥12,889	¥14,386	¥33,733	¥39,867
Inter-segment sales and transfers	1,372	524	7,208	2,246	4,013	11,155
Total	73,770	55,940	20,097	16,632	37,746	51,022
Segment income	6,712	6,550	1,750	1,653	2,114	4,945
Segment assets	21,799	20,978	7,070	7,793	10,113	49,238
Other items						
Depreciation and amortization	890	185	138	995	298	2,796
Investments in equity-method affiliates	187	—	—	—	30	—
Net increase in tangible/intangible fixed assets	¥ 1,211	¥ 207	¥ 463	¥ 1,199	¥ 169	¥ 9,395

Year ended March 31, 2015						
Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements	
IT Platform Solutions	Prepaid Card Business	Others	Total			
Millions of yen						
Sales, income and assets by reportable segment						
Net sales:						
Sales to third parties	¥64,791	¥ 3,378	¥ 776	¥297,634	¥ —	¥297,634
Inter-segment sales and transfers	7,308	1	2,552	36,379	(36,379)	—
Total	72,099	3,379	3,328	334,013	(36,379)	297,634
Segment income	5,147	265	326	29,462	(1,459)	28,003
Segment assets	28,658	55,103	4,868	205,620	128,670	334,290
Other items						
Depreciation and amortization	494	69	174	6,039	826	6,865
Investments in equity-method affiliates	3,838	—	—	4,055	—	4,055
Net increase in tangible/intangible fixed assets	¥ 692	¥ 6	¥ 3	¥ 13,345	¥ 1,482	¥ 14,827



# Notes to Consolidated Financial Statements

	Year ended March 31, 2015					
	Reportable Segment					
	Industrial Systems Business	Financial Systems Business	Global Systems Business	Business Solutions	Business Services	IT Management
	Thousands of U.S. dollars					
<b>Sales, income and assets by reportable segment</b>						
Net sales:						
Sales to third parties	\$602,465	\$461,150	\$107,261	\$119,714	\$280,710	\$331,758
Inter-segment sales and transfers	11,419	4,361	59,980	18,686	33,391	92,823
Total	613,884	465,511	167,241	138,400	314,101	424,581
Segment income	55,854	54,510	14,564	13,753	17,588	41,152
Segment assets	181,402	174,571	58,836	64,849	84,158	409,734
<b>Other items</b>						
Depreciation and amortization	7,405	1,540	1,150	8,279	2,481	23,269
Investments in equity-method affiliates	1,559	–	–	–	247	–
Net increase in tangible/intangible fixed assets	\$ 10,079	\$ 1,726	\$ 3,853	\$ 9,979	\$ 1,406	\$ 78,184

	Year ended March 31, 2015					
	Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card Business	Others	Total		
Thousands of U.S. dollars						
<b>Sales, income and assets by reportable segment</b>						
Net sales:						
Sales to third parties	\$539,157	\$ 28,111	\$ 6,446	\$2,476,772	\$ –	\$2,476,772
Inter-segment sales and transfers	60,817	9	21,245	302,731	(302,731)	–
Total	599,974	28,120	27,691	2,779,503	(302,731)	2,476,772
Segment income	42,833	2,206	2,707	245,167	(12,139)	233,028
Segment assets	238,477	458,540	40,508	1,711,075	1,070,735	2,781,810
<b>Other items</b>						
Depreciation and amortization	4,114	576	1,443	50,257	6,871	57,128
Investments in equity-method affiliates	31,935	–	–	33,741	–	33,741
Net increase in tangible/intangible fixed assets	\$ 5,758	\$ 52	\$ 13	\$ 111,050	\$ 12,337	\$ 123,387

Notes: 1. Adjustments were as follows:  
(1) The adjustment of ¥(1,459) million (\$12,139 thousand) to segment income represented general corporate expenses that were not allocated to a reportable segment.  
(2) The adjustment of ¥128,670 million (\$1,070,735 thousand) to segment assets represented corporate assets that were not allocated to a reportable segment.  
(3) The adjustment of ¥826 million (\$6,871 thousand) to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.  
(4) The adjustment of ¥1,482 million (\$12,337 thousand) to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company's headquarters building.  
2. Segment income was reconciled to operating income in the consolidated statements of income.

	Year ended March 31, 2014					
	Reportable Segment					
	Industrial Systems Business	Financial Systems Business	Global Systems Business	Business Solutions	Business Services	IT Management
	Millions of yen					
<b>Sales, income and assets by reportable segment</b>						
Net sales:						
Sales to third parties	¥68,847	¥55,176	¥13,923	¥15,948	¥31,854	¥37,358
Inter-segment sales and transfers	1,751	386	2,527	1,971	1,639	9,338
Total	70,598	55,562	16,450	17,919	33,493	46,696
Segment income	5,476	5,880	1,957	1,544	1,525	3,890
Segment assets	25,655	19,202	6,165	7,341	11,932	42,550
<b>Other items</b>						
Depreciation and amortization	924	188	167	1,060	284	2,719
Investments in equity-method affiliates	174	—	—	—	25	153
Net increase in tangible/intangible fixed assets	¥ 1,074	¥ 257	¥ 46	¥ 610	¥ 206	¥ 5,596

	Year ended March 31, 2014						
	Reportable Segment				Adjustments	Amount recorded in the consolidated financial statements	
	IT Platform Solutions	Prepaid Card Business	Others	Total			
	Millions of yen						
<b>Sales, income and assets by reportable segment</b>							
Net sales:							
Sales to third parties	¥61,293	¥3,043	¥ 795	¥288,237	¥ –	¥288,237	
Inter-segment sales and transfers	6,402	91	2,643	26,748	(26,748)	–	
Total	67,695	3,134	3,438	314,985	(26,748)	288,237	
Segment income	4,445	148	265	25,130	(1,155)	23,975	
Segment assets	27,297	51,783	5,376	197,301	120,632	317,933	
<b>Other items</b>							
Depreciation and amortization	474	80	177	6,073	768	6,841	
Investments in equity-method affiliates	3,488	–	–	3,840	–	3,840	
Net increase in tangible/intangible fixed assets	¥ 582	¥ 151	¥ 3	¥ 8,525	¥ 1,155	¥ 9,680	

Notes: 1. Adjustments were as follows:  
(1) The adjustment of ¥(1,155) million to segment income represented general corporate expenses that were not allocated to a reportable segment.  
(2) The adjustment of ¥120,632 million to segment assets represented corporate assets that were not allocated to a reportable segment.  
(3) The adjustment of ¥768 million to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.  
(4) The adjustment of ¥1,155 million to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company's headquarters building.  
2. Segment income was reconciled to operating income in the consolidated statements of income.

# Notes to Consolidated Financial Statements

## 4. Related information

(1) Information about products and services

Sales data by products and services for the years ended March 31, 2015 and 2014 was not presented as similar information was disclosed in the above segment information.

(2) Information about geographic area

(a) Net sales

Sales data by geographic area for the years ended March 31, 2015 and 2014 was not presented as the sales of Japan represented more than 90% of net sales.

(b) Property and equipment

Property and equipment data by geographic area at March 31, 2015 and 2014 was not presented as property and equipment located in Japan represented more than 90% of total property and equipment.

(3) Information about major customers

Information about major customers for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31		Year ended March 31
	2015	2014	2015
	Millions of yen		Thousands of U.S. dollars
Sales to Sumitomo Corporation	¥14,856	¥16,051	\$123,628

Note: Amounts of sales to customers that belonged to the same group as that of Sumitomo Corporation were not included in the sales above.

## 5. Information regarding impairment losses of fixed assets by reportable segment

Information regarding impairment losses of fixed assets by reportable segment for the year ended March 31, 2014 was shown below. No impairment losses of fixed assets were recorded for the year ended March 31, 2015.

	Year ended March 31
	2014
	Millions of yen
Industrial Systems Business	¥ –
Financial Systems Business	–
Global Systems Business	–
Business Solutions	–
Business Services	2
IT Management	–
IT Platform Solutions	–
Prepaid Card Business	–
Others	–
Corporate assets and Eliminations	1,118
Total	¥1,120

## 6. Information regarding amortization of goodwill and remaining balances of goodwill by reportable segment

Information regarding amortization of goodwill and remaining balances by reportable segment for the years ended March 31, 2015 and 2014 was as follows.

	Year ended March 31			
	2015			
	Amortization of goodwill	Remaining balances	Amortization of goodwill	Remaining balances
	Millions of yen		Thousands of U.S. dollars	
Industrial Systems Business	¥ 4	¥ –	\$ 31	\$ –
Financial Systems Business	–	–	–	–
Global Systems Business	–	–	–	–
Business Solutions	–	–	–	–
Business Services	21	41	172	344
IT Management	1	–	10	–
IT Platform Solutions	45	103	370	854
Prepaid Card Business	–	–	–	–
Others	16	25	141	211
Corporate assets and Eliminations	–	–	–	–
Total	¥87	¥169	\$724	\$1,409

	Year ended March 31	
	2014	
	Amortization of goodwill	Remaining balances
	Millions of yen	
Industrial Systems Business	¥ –	¥ –
Financial Systems Business	8	–
Global Systems Business	1	–
Business Solutions	–	–
Business Services	21	62
IT Management	2	–
IT Platform Solutions	45	147
Prepaid Card Business	–	–
Others	16	42
Corporate assets and Eliminations	–	–
Total	¥93	¥ 251

# Notes to Consolidated Financial Statements

## 27. Subsequent events

### Issuance of bonds

The unsecured straight bonds denominated in yen were issued as follows:

- (1) Total amount of bonds to be issued  
¥10,000 million (\$83,215 thousand)
- (2) Issue price  
¥100 (\$0.83) per issuance for the stated value of ¥100 (\$0.83)
- (3) Interest rate  
0.332% per annum
- (4) Date of issuance  
June 24, 2015
- (5) Date of maturity  
June 24, 2020
- (6) Use of funded  
The appropriation to part of the repayment of debt

# Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors of SCSK Corporation:

We have audited the accompanying consolidated financial statements of SCSK Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SCSK Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AzSA LLC

July 29, 2015  
Tokyo, Japan



# Corporate Data

Corporate Data (As of March 31, 2015)	
Established	October 25, 1969
Capital	¥21,153 million
Total number of employees (Consolidated)	11,754
Head office	Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan TEL : +81-3-5166-2500      URL : <a href="http://www.scsk.jp/index_en.html">http://www.scsk.jp/index_en.html</a>

Board of Directors, Corporate Auditors (As of June 25, 2015)				
Chairman *1	Nobuhide Nakaido	Director	Tooru Tanihara	Outside Standing Auditor *3*4
President *1	Yoshio Osawa	Director	Takahiro Ichino	Yoshiharu Takano
Director	Hiroaki Kamata	Director	Tetsuya Fukunaga	Corporate Auditor *4
Director	Shigeo Kurimoto	Director	Hiroyuki Yamazaki	Yasuaki Matsuda
Director	Masahiko Suzuki	Director	Masatoshi Endou	Outside Corporate Auditor *3
Director *1	Hisakazu Suzuki	Director	Toshiyuki Kato	Hideo Ogawa
Director	Kimio Fukushima	Outside Director *2	Tatsujiro Naito	Outside Corporate Auditor *3
Director	Masanori Furunuma	Outside Director *2	Iwao Fuchigami	Shigeki Yasunami
Director *1	Tatsuyasu Kumazaki	Outside Director *2	Yuko Yasuda	

## Investor Information (As of March 31, 2015)

### Stock/Shareholder Information

Class of stock	Common Stock	Stock listing	First Section of the Tokyo Stock Exchange
Number of shares authorized	200,000,000	Stock code	9719
Number of shares issued	107,986,403 (including treasury stock of 3,978,297 shares)	Stock trading unit	100
Number of shareholders	37,703	Shareholder registrar	Sumitomo Mitsui Trust Bank, Limited
		Independent certified public accountant	KPMG AZSA LCC

### Distribution of Shareholders (Common Stock)

#### Shareholder composition

Type of Investor	Number of Investors	Composition
Individuals and others	36,870	97.82%
Government and public bodies	1	0.00%
Financial institutions	51	0.13%
Other companies	423	1.12%
Foreign companies, etc.	309	0.81%
Securities companies	48	0.12%
Treasury shares	1	0.00%
Total	37,703	100.00%

#### Distribution of shares

Type of Investor	Number of Stocks	Composition
Individuals and others	9,947,584	9.21%
Government and public bodies	48	0.00%
Financial institutions	16,277,954	15.07%
Other companies	54,855,350	50.82%
Foreign companies, etc.	21,814,956	20.20%
Securities companies	1,112,214	1.02%
Treasury shares	3,978,297	3.68%
Total	107,986,403	100.00%

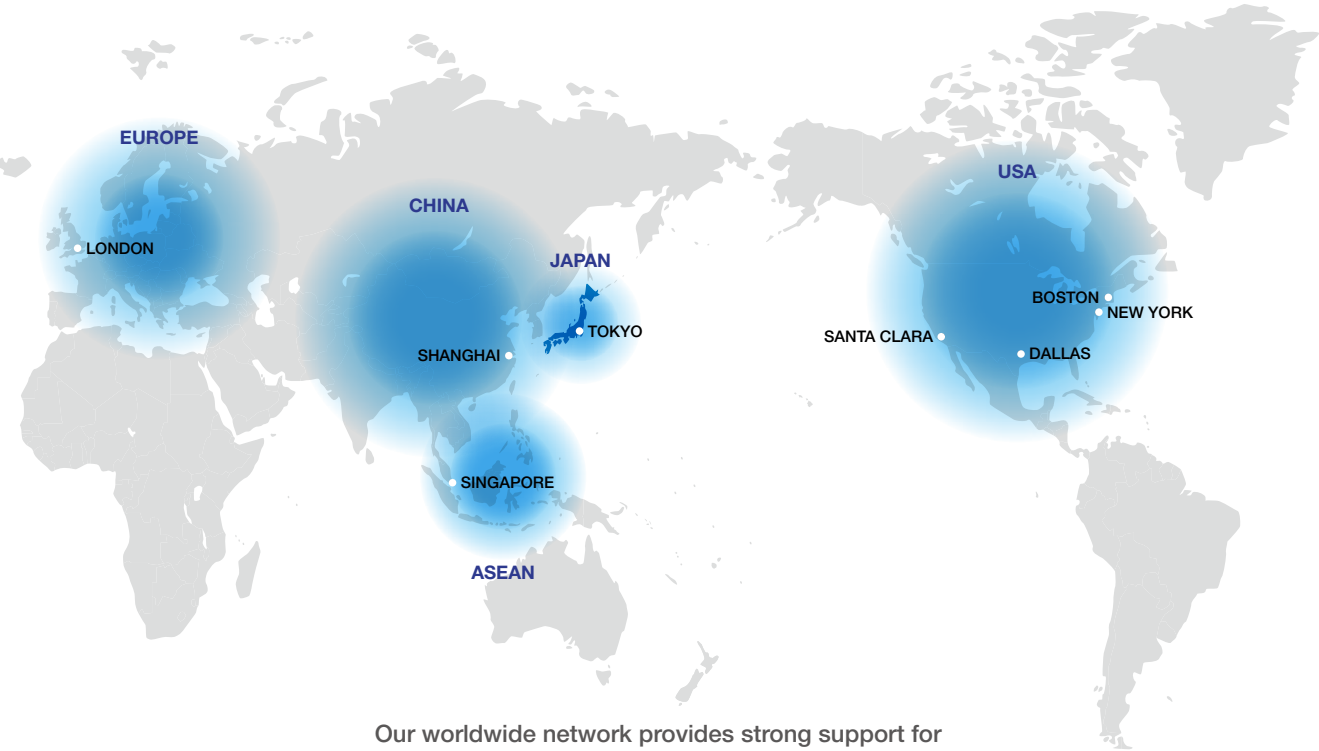
### Major Shareholders

	Name of Shareholder	Number of Shares Held	Shareholding Ratio
1	Sumitomo Corporation	52,697,159	50.67%
2	Japan Trustee Services Ownership Bank, Ltd. (trust account)	6,057,300	5.82%
3	SCSK Group Employee Stock Ownership Association	2,724,171	2.62%
4	The Master Trust Bank of Japan, Ltd. (trust account)	2,624,700	2.52%
5	JPMC Oppenheimer JASDEC Lending Account	1,301,608	1.25%
6	BBH for BBHTSIA Nomura Funds Ireland plc/Japan Strategic Value Fund	1,149,800	1.11%
7	ARGO GRAPHICS Inc.	1,015,500	0.98%
8	Chase Manhattan Bank GTS Clients Account Escrow	1,007,571	0.97%
9	State Street Bank and Trust Company	975,466	0.94%
10	Morgan Stanley & Co.	790,558	0.76%

Note: SCSK owns 3,978,297 shares of treasury shares, but is excluded from the major shareholders list and calculations of shareholding ratio mentioned above.

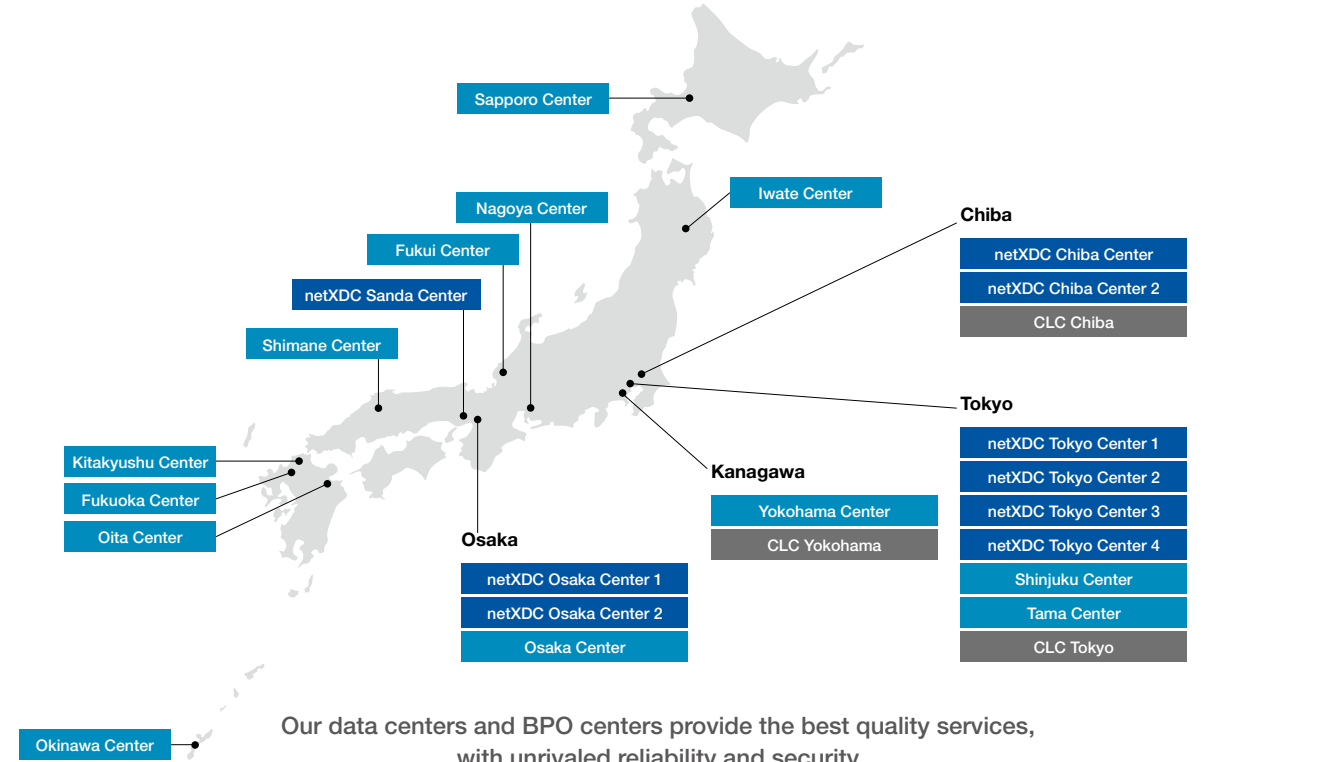
## Network (As of April 1, 2015)

### Global Network



Our worldwide network provides strong support for customers' global business development

### Data Centers/BPO Centers/CLCs



Our data centers and BPO centers provide the best quality services, with unrivaled reliability and security

■ Data Center  
■ BPO Center  
■ Customer Service & Logistics Center (CLC)