

News Release



SCSK Corporation

October 30th, 2017

Announcement of Share Transfer of a Subsidiary

Tokyo, October 30, 2017 – SCSK Corporation (headquartered in Koto-ku, Tokyo; Tooru Tanihara, President; hereinafter “SCSK”), announced today that its Meeting of Board of Directors approved that the Company transferred all the shares of one of its consolidated subsidiaries, QUO CARD Co., Ltd. (headquartered in Chuo-ku, Tokyo; Takashi Kobayashi, President & CEO, hereinafter “QUO Card”) to T-Gaia Corporation (headquartered in Shibuya-ku, Tokyo, Nobutaka Kanaji, President & CEO; hereinafter “T-Gaia”), and concluded the contract on the share transfer.

1. Reason of the Transfer

QUO Card started its pre-paid card business in 1995 as an issuer of QUO CARD, pre-paid card usable at various kinds of retailers all across Japan, regardless of type of retailing, including convenience stores, book stores, drugstores, family restaurants and gas stations, and developed its business to what it is now with more than fifteen-six thousand affiliated stores and accumulated issued amount of more than 1,000 billion yen at the end of September 2017.

T-Gaia, on the other hand, successfully secured its position as a mobile phone retailer since its inception in 1992. They have expanded distributing business of settlement services^{*1}, by at first selling prepaid type of mobile phones, and issuing pre-paid cards designed for mobile phones at convenience stores in 2000, and expanded its business into prepaid type electronic money with PINs^{*2}, as well as gift cards. Their business grew to the extent that they provide prepaid cards at as many as fifty-seven thousand outlets, responding to the various needs of consumers.

T-Gaia, with its settlement service business at its core, and QUO Card's prepaid card business have strong association. Therefore, we believe that putting QUO Card under the umbrella of T-Gaia by this share transfer contributes to the expansion of business of T-Gaia Group, creating synergies by sharing business know-how and customer base, which will provide more opportunities for business expansion of QUO Card at the same time.

Since its inception of QUO Card, SCSK has been seeking synergies between core businesses of each company, IT Services business and QUO Card business. However, concrete results, sufficient enough to contribute to the business expansion of the two businesses, have yet to be seen so far. Against this backdrop, in order to focus its management resources on IT services business, SCSK decided to transfer all of shares of QUO Card to T-Gaia, as a process of selection and concentration of business operation for building its best business portfolio.

- ※ 1 Sale of Prepaid Electronic Money with PIN・・・T-Gaia sells pre-paid type electronic money on the internet by issuing online money PIN for prepaid settlement system on the internet through Kiosk used as multimedia terminal placed at convenience store
- ※ 2 Sale of Gift Card・・・ T-Gaia sells pre-paid card at stores such as convenience stores which can buy items including applications, items in games and music on the internet.

2. Outline of Share Transfer

SCSK is to transfer all the shares of QUO Card it holds to T-Gaia

3. Outline of the Company Shares of which SCSK is to Transfer

(1) Company Name	QUO CARD Co., Ltd.		
(2) Address	2-4-1, Nihonbachi Honcho, Chuo-ku, Tokyo		
(3) Name and Title of Representative	President & CEO: Mr. Takashi Kobayashi		
(4) Business Lines	Issuing of card (Pre-paid type and others) , Settlement services, Maintenance services associate with card and Sales of Card related apparatus		
(5) Capital Stock	1,810 millions of yen		
(6) Date of Foundation	December 4 th , 1987		
(7) Major Shareholder and Shareholding Ratio	SCSK Corporation, 100%		
(8) Relationship between the listed company (SCSK)	Capital Relationship	SCSK holds shares of QUO Card equivalent of 9,160 voting rights (100% of total voting rights)	
	Personnel Relation ship	Two directors of SCSK also serve as directors of QUO Card	
	Business Relationship	SCSK provides to QUO Card personnel and labor management operation services as well as network services	
	Whether or not it falls under "Related Parties" category	YES	
(9) Financial Position, Business Results for the Past Three Fiscal Years	(Unit: Millions of Yen)		
Fiscal Year	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Net Assets	8,998	9,812	11,018

Total Assets	92,019	99,274	109,338
Net Assets per share (JPY)	982,265.54	1,071,204.28	1,202,802.41
Net Sales	3,379	3,219	3,308
Operating Profit	265	231	280
Ordinary Profit	1,668	1,617	1,847
Profit Attributable to Owners of Parent	720	853	1,267
Net Profit Per Share (JPY)	78,614.86	93,130.64	138,324.51
Dividend Per Share (JPY)	—	—	—

4. Details of the Company to whom SCSK Transfer

(1) Company Name	T-Gaia Corporation
(2) Address	4-1-18, Ebisu, Shibuya-ku, Tokyo
(3) Name and Title of Representative	President & CEO Mr. Nobutaka Kanaji
(4) Business Lines	(1) Sales of mobile phones and agency businesses (2) Agency business of communication services including network solutions and broadband services (3) Settlement services and other new businesses
(5) Capital Stock	JPY 3,154 Million
(6) Date of Foundation	February 20, 1992
(7) Net Assets	JPY 29,389 Million (as of March 31, 2017)
(8) Total Assets	JPY 75,282 Million (as of March 31, 2017)
(9) Major Shareholder and Shareholding Ratio (as of March 31, 2017)	Sumitomo Corporation 29.52% HIKARI TSUSHIN, INC. 15.09% The Master Trust Bank of Japan, Ltd. (Trust Account) 1.92% Japan Trustee Services Bank, Ltd. (Trust Account) 1.50% Info Service, Inc. 1.44% T-Gaia Employee Stock Ownership Association 0.94% NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) (Standing Proxy: NOMURA SECURITIES CO., LTD.) 0.77% NOMURA SECURITIES CO., LTD. 0.66% JPMCB NA ITS LONDON CLIENTS AC MORGAN STANLEY AND CO INTERNATIONAL LIMITED (Standing Proxy Mizuho Bank, Ltd.) 0.65% THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Mizuho Bank, Ltd.) 0.80%

(10) Relation between the listed company (SCSK)	Capital Relationship	N/A
	Personnel Relationship	Mr. Hiroyuki Koike, director of SCSK, also serves as director of T-Gaia. One employee of SCSK goes on loan to T-Gaia.
	Business Relationship	SCSK provides system development and maintenance services to T-Gaia.
	Whether or not it falls under "Related Parties" category	T-Gaia is SCSK's Related Party as T-Gaia is a subsidiary of SCSK's Parent Company, Sumitomo Corporation.

5. Number, Value, Holding Status of Shares to be Transferred

(1) Number of shares held by SCSK before transfer	9,160 (Voting Rights: 9,160) (Proportion of Voting Rights: 100%)
(2) Number of shares to be transferred	9,160 (Voting Rights: 9,160) (Proportion of Voting Rights: 100%)
(3) Value	JPY 22,500 Millions
(4) Number of shares held by SCSK after t transfer	0 (Voting Rights: 0) (Proportion of Voting Rights: 0%)

6. Schedule of Share Transfer

(1) Date of Resolution of Board of Directors	October 30, 2017
(2) Signing Date of the Share Transfer Agreement	October 30, 2017
(3) Date of Execution	December 1, 2017 (Scheduled)

7. Outlook of Business Results for Fiscal Year ending March 31, 2018

Its impact on consolidated financial forecasts for Fiscal Year ending March 31, 2018 announced on April 28, is reflected on the news release titled "Announcement of Revision of Financial Forecasts for the Fiscal Year ending March 31, 2018, and its Likelihood of Yielding Extraordinary Income (*Japanese Only*)".

8. Matters Regarding Business Deals with Controlling Shareholder

(1). Matters Regarding Business Deals with Controlling Shareholders and Compliance to the Policies of Protecting Minority Shareholders

This share transfer applies to "Business Deals with Controlling Shareholder" as its counterpart, T-Gaia, has Sumitomo Corporation, SCSK's Parent Company, as its Parent Company.

Further, SCSK's "Policies of protecting minority shareholders in dealing with controlling shareholders," set forth in SCSK's Corporate Governance Report filed on August 31, 2017, are as follows:

In dealing with its parent company, Sumitomo Corporation, and its group companies, SCSK makes sure to carry all the business operations just the same manner as we do with companies with no capital ties in order not to give any disadvantages to minority shareholders.

With regard to this share transfer, SCSK believes that appropriate measures are taken to comply with the above policy by delineating following two items: (2) Matters regarding measures to secure fairness and avoid conflict of interest, (3) Outline of opinion of third party who has no interest with Controlling Shareholder regarding this share transfer and its impact on minority shareholders, as stated below, and SCSK believes that those treatments satisfy our policies stated above.

(2) Matters regarding measures to secure fairness and avoid conflict of interest

In determining the value of the shares to transfer, in order to secure fairness and its validity, SCSK hired Deloitte Tohmatsu Financial Advisory LLC., independent calculation agent (hereinafter "Calculation Agent"), who has no interest with Sumitomo Corporation and T-Gaia, and obtained share value calculation report as of October 27, 2017. Value of the shares to be transferred was agreed with T-Gaia through discussion, confirming that it fell within the range of the value calculation report.

Further, SCSK's Meeting of the Board of Directors held today, where all the directors except for Mr. Hiroyuki Koike, Mr. Daisuke Mikogami, Mr. Koji Tamefusa and Mr. Yasunori Anzai attended, unanimously resolved that SCSK sells all the shares of QUO Card to T-Gaia. During the discussion, all the directors attended carefully examined the conditions presented based on the calculation report prepared by the Calculation Agent, and reached to the conclusion that this share transfer contributes to enhancing the corporate value of SCSK, and that all the conditions are valid. Out of concerns for causing conflict of interest, directors who have interest with Sumitomo Corporation and / or T-Gaia did not participate in discussions regarding this share transfer, nor resolution process at today's meeting of Board of Directors. Those directors include Mr. Hiroyuki Koike, who also serves as director of T-Gaia and holds an executive position at Sumitomo Corporation, as well as Mr. Daisuke Mikogami, Mr. Koji Tamefusa, Mr. Yasunori Anzai, who also hold executive positions at Sumitomo Corporation. With regard to the resolution by the Meeting of the Board of Directors, six of the members of Audit and Supervisory Committees, specifically all the members except for Mr. Yasunori Anzai, all of those are outside directors, agreed on the share transfer without any objection.

Considering the process mentioned above, SCSK determined that our board meeting took appropriate and sufficient measures to secure fairness and avoid conflict of interest with regard to this share transfer.

(3) Outline of opinion of third party who has no interest with Controlling Shareholder regarding this share transfer and its impact on minority shareholders

As this share transfer falls under the category of Business Deals with Controlling Shareholder, pursuant to our policies set forth above, this issue was submitted to the Governance Committee, an advisory body of SCSK's Meeting of Board of Directors. After the deliberation among three standing members who also serve as outside directors of SCSK (Mr. Kimitoshi Yabuki, Mr. Kiyoto Matsuda, and

Mr. Masaichi Nakamura) and one non-standing members (Tobimatsu Low; Attorney Mr. Junichi Tobimatsu), following answers were submitted as of October 30, 2017*:

1. The objective of this transfer is legitimate because through this transfer, SCSK is trying to focus its management resources on its core businesses consisting of IT infrastructure, application development, and BPO services.
2. Appropriate consideration towards minority shareholders were given in a fair manner considering the fact that SCSK chose the transferee by competitive tender bit, that they obtained the value calculation report from the Calculation Agency, and that all directors who have possibilities of causing concern for having interest with Sumitomo Corporation and /nor T-Gaia were not involved in all the discussion and negotiation process with T-Gaia and resolution process at SCSK's Meeting of Board of Directors,
3. Conditions for this share transfer were decided based on the value calculation report prepared by the Calculation Agency and outcome of negotiation with T-Gaia, therefore it is considered that fairness are ensured.
4. This share transfer is to be conducted as a process of selection and concentration of business operations, and considered to contribute to enhancing corporate value of SCSK.
5. Considering the above (1 to 4), it is considered that it does not give any disadvantage to minority shareholders of SCSK that its, SCSK's Meeting of Board of Directors resolved that SCSK conduct this share transfer.

*Mr. Tooru Tanihara, who serves as standing member of the Governance Committee, did not attend this deliberation.

(Media inquiries)

Yuka Hirose

Corporate Communication Department

SCSK Corporation

Tel: +81-3-5166-1150