SCSK

SCSK REPORT 2016

Fiscal year ended March 31, 2016

Create Our Future of Dreams

Chairman's Letter

Create Our Future of Dreams

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.

At the time of this merger, we defined our corporate philosophy as "Create Our Future of Dreams."

This philosophy 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.

Guided by this corporate philosophy, we have implemented countless management and business initiatives, thoroughly promoting operational quality and efficiency and achieving substantial performance growth along the way. The first of the three promises defined to help us practice this philosophy is "respecting each other." To fulfill this promise, we have continued to move forward as a company that exercises employee potential, with management and employees united, as we focused on creating comfortable workplace environments.

Fiscal 2016 is the second year of the five-year Medium-Term Management Plan that started in fiscal 2015. During this year, we will transform our business structure and continue to advance the core strategies of the Medium-Term Management Plan in strides to realize dynamic corporate growth. At the same time, we place an even greater emphasis on initiatives for strengthening our management base, such as those for further utilizing women, senior citizens, and people with disabilities and for promoting health and productivity management.

In terms of our management team, in fiscal 2016 we increased the number of outside directors designated as independent directors and transitioned to a Company with Audit and Supervisory Committee as described in the Companies Act of Japan. We anticipate that these moves will enhance the supervisory function of the Board of Directors and strengthen corporate governance systems, thereby further improving the health and efficiency of management.

SCSK strives to resolve the issues faced by customers and society through the utilization of cutting-edge IT services and will continue doing so into the future. By creating value in this manner, we will work to build a future of dreams.

We ask for your continued support as we move forward.

August 2016

Yoshio Osawa
Chairman

Corporate Philosophy

— Our Mission —

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.

Contents / External Recognition

Strength for Leading the Industry

In this section, representatives from senior management will discuss the current state of SCSK, and we will also explain our business model and the progress of the Medium-Term Management Plan.

Special Feature

The special feature will take a look at our priority measures for improving corporate value.

Strength for Creating Corporate Value

This section will illustrate the link between SCSK's financial soundness and corporate value and its CSR activities and also explain the various value creation initiatives of the Company's business groups.

Strength for Achieving Sustainable Growth

This section focuses on the foundations supporting SCSK's sustainable growth through the lenses of corporate governance systems and important CSR themes.

Editorial Policy

Integrated Report 2016 has been compiled as an integrated report that contains information on performance and business strategies as well as non-financial information, such as that pertaining to corporate social responsibility (CSR) activities. We hope this report will facilitate understanding with regard to SCSK's efforts to realize stable, ongoing improvements in corporate value from a medium- to long-term perspective.

Scope of report	SCSK and the SCSK Group	Publication date	August 2016

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, 10 Principles

Disclaimer

External Recognition

- Selected as a winner of the FY2014 Diversity Management Selection 100 conducted by the Ministry of Economy, Trade and Industry (METI)

  DIVERSITY MANAGEMENT SELECTION 100 2014

- Second Consecutive Year of placed No. 1 in overall rankings in Nikkei Inc.'s survey of companies that fully exercise their employees' potential (2014 and 2015)

- Received 1st place award for HR department excellence in the HR Department Awards 2015 sponsored by the Japan HR Association

- Presented with the Japanese government's Advanced Corporation Awards 2015 for the Promotion of Women

- Second Consecutive Year selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the Tokyo Stock Exchange (TSE) and METI (FY2014 and FY2015)

  健康経営銘柄 2016 Health and Productivity

- Second Consecutive Year selected as "Nadeshiko Brand" designation jointly hosted by the TSE and METI (FY2014 and FY2015)

  NADE SHI KO BRAND 2016

- Placed No. 1 in the CSR Company Ranking 2015 and 2016 compiled by Toyo Keizai Inc., in the area of effective talent management

- Institutional Investor LLC ranked No. 1 for the software sector in Most Honored Company category of the 2016 All-Japan Executive Team rankings

  2016 Investor ALL-JAPAN EXECUTIVE TEAM MOST HONORED COMPANY

President's Message

Creation of Customer Value

Greetings, my name is Tooru Tanihara, and I assumed the position of president of SCSK Corporation on April 1, 2016.

Since SCSK was born out of the merger of Sumisho Computer Systems Corporation and CSK Corporation, we have forged ahead with various measures to enhance earnings capacity, including integrating the organizations and uniting corporate cultures inherited from our predecessors and otherwise working to improve operational efficiency and quality. We have also instituted human resource-related measures aimed at creating pleasant workplace environments and exercising the potential of our employees. These measures have served to strengthen and expand our management base.

In the future, we will continue to institute these various management measures in the pursuit of further corporate growth while pushing ahead with the core strategies of the Medium-Term Management Plan announced in 2015, namely "shifting to service-oriented businesses," "promoting strategic businesses that capture the changing times," and "entering into the second stage of global business expansion." As we progress ahead, I hope to set forth a clear roadmap toward our becoming one of the leading companies in the IT services industry by accelerating advancement of these core strategies to heighten SCSK's growth potential and earnings capacity.

I believe the most important thing we must consider in advancing our IT services businesses is the customer's perspective. Since joining SCSK, I have always worked close to the frontlines, and I have had the opportunity to serve customers from all the industries that we service. As I carried out my duties, I constantly asked myself, "Are we truly helping customers improve their corporate value?" Still driven by this one question, I am committed to contributing to the creation of value for customers. To this end, I will utilize IT services that take full advantage of the technologies, insight, and intellectual properties we have accumulated over the years while mustering the collective strength of the SCSK Group to resolve customers' management issues. I thus stand dedicated to ushering in a new era for SCSK, one built upon a constant awareness of the customer's perspective.

I am devoted to living up to the expectations of our stakeholders, and hope that I can look forward to your continued support as we accomplish great things.

August 2016

Tooru Tanihara
President

Performance in Fiscal 2015

Performance exceeded our full-year performance forecasts in fiscal 2015 with net sales of ¥323.9 billion, operating income of ¥31.7 billion, and profit attributable to owners of parent of ¥26.9 billion, making for our fourth consecutive year of higher sales and profits since the October 2011 merger.

This strong performance was largely a result of our ability to boost profit margins to a greater extent than initially anticipated. These higher margins were due in part to efforts to improve internal operational quality and productivity, and they proved especially beneficial against the backdrop of plentiful IT investment demand, which was particularly robust in systems development businesses targeting the financial industry and also strong among a portion of the communications industry, as well as the solid demand for business process outsourcing (BPO) services from manufacturers.

In consideration of this impressive performance, we raised dividends for the fourth consecutive year, issuing a year-end dividend of ¥40 per share, which made for full-year dividend payments of ¥75 per share. This was ¥5 above the initial forecast of ¥35 per share for the year-end dividend and ¥70 per share for full-year dividend payments.

Forecasts for Fiscal 2016

In fiscal 2016, we will allocate a greater portion of management resources toward strengthening the businesses that will serve as future growth drivers through such means as shifting to service-oriented businesses and starting up strategic businesses. Even after advancing these measures and absorbing the impacts of various management cost increases, we forecast higher net sales and operating income, with net sales of ¥330.0 billion, operating income of ¥33.0 billion, and profit attributable to owners of parent of ¥25.0 billion.

In terms of dividends, we plan to issue full-year dividend payments of ¥85 per share, consisting of an interim dividend and year-end dividend of ¥42.50 per share and making for a ¥10-per-share increase and five straight years of higher dividends. This decision was made in consideration of the degree to which the Company's financial base has been improved to date as well as the earnings capacity increases we expect in the future. Moreover, this decision was a reflection of our desire to return profits to shareholders.

Forecasts for Fiscal 2016

	Fiscal 2015	Fiscal 2016	Increase / Decrease
Net sales	¥323.9 Billion	¥330.0 Billion	+1.9%
Operating income	¥31.7 Billion	¥33.0 Billion	+3.8%
Profit attributable to owners of parent	¥26.9 Billion	¥25.0 Billion	−7.3%
Full-year dividend	¥75	¥85	+¥10

Core Strategies of the Medium-Term Management Plan

On April 28, 2015, SCSK unveiled a new Medium-Term Management Plan set to end with fiscal 2019. I would like to explain the business policies of this plan along with a view of its three core strategies.

"Shifting to Service-Oriented Businesses"
Providing conventional systems development, maintenance, and operation services is a representative example of a labor-intensive business, which, of course, means that higher orders results in higher labor and other costs. The IT industry is currently suffering from a lack of engineers, and the work force as a whole will likely shrink in the future. For this reason, corporate growth through attempts to maximize earnings under this business model will be restricted so long as the supply of capable engineers is limited.

SCSK is advancing a strategy of shifting to service-oriented businesses. When we speak of service-oriented businesses, we refer to those businesses that fully leverage our accumulated business expertise and intellectual properties and, being based on those intellectual properties, are not dependent upon our ability to secure a sufficient supply of system engineers. This strategy is crucial to our future as it will not only help us increase business performance in the short term but will also remove the limit on our earnings growth, effectively heightening the very growth potential of SCSK.

Service-oriented businesses entail constructing industry-standard basic operational systems as the Company's intellectual assets and IT assets and providing operation of these

systems as a service to customers on a pay-per-use basis. These systems are to be tailored to the operating processes of target customer industries and will include, for example, order receipt and placement systems and store management systems for the distribution industry and securities processing systems for the financial industry. Going forward, we will greatly expand our IT services operations through the development of such service-oriented businesses. However, this does not mean that we will convert all of our existing businesses to service-oriented businesses.

We will cater to the needs of customers pursuing low-cost operations with service-oriented businesses. At the same time, we will assign seasoned engineers specializing in particular industries to respond to the strategic IT needs of individual customers. By providing services on both of these fronts, we will supply customers with the most ideal high-value-added services. We are transforming our business structure while responding to customers' various IT needs, and thereby aim to develop SCSK into the high-growth, high-earning company described in the Medium-Term Management Plan.

In fiscal 2016, we will plant the seeds for the future growth of service-oriented businesses and commence the full-fledged launch of a wide range of operational support services to provide customers with as diverse an assortment of proposals as possible.

"Promoting Strategic Businesses that Capture the Changing Times" and "Entering into the Second Stage of Global Business Expansion"

I will now explain Medium-Term Management Plan's second and third core strategies—"promoting strategic businesses that capture the changing times" and "entering into the second stage of global business expansion."

These two strategies arise from one question: "What should we do as an IT vendor to make Japanese industry great again?" At SCSK, we speak of the "greater Japanese market," which refers to the market for providing IT services to customers that increase their competitiveness and consequently corporate value and supporting the overseas expansion of Japanese companies with IT. As a group of IT specialists, we strive to supply Japanese companies with the tools they need to compete on the global stage. This desire lies at the base of both the second and third core strategies.

One specific area targeted through these strategies is Automotive Software Business. In this field, we will offer IT support for boosting the competitiveness of Japanese automobile manufacturers in their overseas and other operations.

The automobile industry is currently advancing numerous initiatives for creating advanced driving support and automated driving systems, raising the bar for automotive software, which is now expected to provide even more sophisticated and complex functionality to help give rise to such systems. In addition, with regard to the electronic control units, or ECUs, that control automobile parts, while ECUs originally functioned independently, there is now a need for mutual linkage between them. This trend has resulted in exponential growth in the amount of development work required to create these units. Amidst these circumstances, the methods of developing automotive software are ongoing various evolutions. For example, the standardization of operating systems and middleware for the AUTOSAR automotive software architecture has been promoted for around a decade now, particularly among European automobile manufacturers.

SCSK undertook an initiative to develop QINeS–BSW ver 1.0, an operating system and middleware that is compliant with AUTOSAR, three years ago. We released this product in October 2015.

QINeS–BSW ver 1.0 is an amalgamation of our business experience and the various sophisticated software development technologies that we have accumulated as systems development specialists. Moreover, this product is built upon our long history in automotive software development and strong relationships with automobile manufacturers.

In addition to encouraging automobile manufacturers to adopt QINeS–BSW [ver1.0], our business targets also include supplying platforms for developing software applications, offering architecture alteration support, and providing other IT services. The creation of more-advanced automotive software development technologies is currently a pressing issue. As a forerunner among Japanese IT companies in this field, this situation is anticipated to present significant business opportunities for SCSK in the future. While it is still unclear what the final form of our business model in this field will look like, we remain committed to starting up such a business.

By advancing these core strategies, we will transform our business structure and continue to make powerful augmentations to our management base. We thereby aim to achieve our targets for fiscal 2019, the final year of the Medium-Term Management Plan, of ¥50.0 billion for operating income, between 10% and 12% for the operating income margin, 15.0% for return on equity (ROE), and ¥320 for earnings per share.

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 Strategies	Strengthen Management Base
1. Shift to service-oriented businesses 2. Promote strategic businesses that capture the changing times 3. Enter 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

Strategies for Fiscal 2016

Fiscal 2016 and 2017 will be important years for SCSK. Over these two years, we must establish a roadmap for the transformation of our business structure and portfolios through the shift to service-oriented businesses and the establishment of strategic businesses.

The current IT industry is characterized by the need to respond to differing conditions when addressing each customer industry. At the moment, IT investment demand is firmly centered on financial industry customers, creating the potential for substantial business growth, particularly with regard to the systems development business. However, this does not mean that we can become complacent and let up on our efforts to transform business structures with an eye to the sustainable growth of SCSK five or 10 years down the line. In fiscal 2016, we will actively allocate human resources and make other business investments in the pursuit of future growth, remaining careful not to overextend ourselves. In this manner, we will draw up a roadmap for future business growth.

In addition, we will expand our current focus on introducing the internal SmartEpisode Plus (SE⁺) development standards throughout the Group to promote the adoption of these standards by major partner companies. By devoting such effort to improving operational quality and development productivity, we will continue striving to boost profitability.

On our path to becoming a true leading company, ensuring that SCSK is a company that exercises employee potential will be a management task of extreme importance. Addressing this task will include creating pleasant and rewarding workplace environments and promoting health and productivity management, work–life balance, and diversity. To ensure that SCSK is always a company at which employees can work toward lofty ambitions, we will continue to implement the *Kenko Waku Waku Mileage* program, the Smart Work Challenge program, and various other management measures in fiscal 2016.

We at SCSK are committed to improving our corporate value to a level that meets the expectations of investors, customers, and all of our other stakeholders. We will go about this by transforming our business structure to guarantee robust growth in the future.

While I realize that SCSK's road to becoming a true leading company is still incredibly long, I hope that you will continue to support us on this journey.

Striving to become the leading company in the IT services industry, SCSK will transform its business structure to realize growth with an eye to the future.

Fiscal 2015 marked the first year of a new Medium-Term Management Plan, and a smooth start was made toward the accomplishment of the plan's goals. In the years that come, SCSK will push forward with the core strategies of this plan through a concerted effort leading up to the plan's final year of fiscal 2019 while advancing initiatives for reinforcing its management base. In this manner, we will seek to ensure robust growth going forward.

Fiscal 2019
(Final year targets of current Medium-Term Management Plan)

Operating income	¥50.0 billion
Operating income margin	10~12 %
ROE	15.0 %

Fiscal 2015
(Performance in first year of current Medium-Term Management Plan)

Operating income	¥31.7 billion
Operating income margin	9.8 %
ROE	19.4 %

Achievement of Previous Medium-Term Management Plan Targets

Fiscal 2014
(Performance under previous Medium-Term Management Plan)

Operating income	¥28.0 billion
Operating income margin	9.4 %
ROE	12.4 %

Fiscal 2011
(Performance in first year after the merger)

Operating income	¥16.9 billion
Operating income margin	6.3 %
ROE	24.1 %

Fiscal 2011 performance figures are the total of the full-year results of SCSK and the first-half (April–September 2011) results of CSK Corporation.

Core Strategies

1 Shift to service-oriented businesses

2 Promote strategic businesses that capture the changing times

3 Enter into the second stage of global business expansion

Strengthen Management Base

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

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

SCSK's Business Model

SCSK is supporting businesses in creating new value and developing globally with a full range of IT-related services.
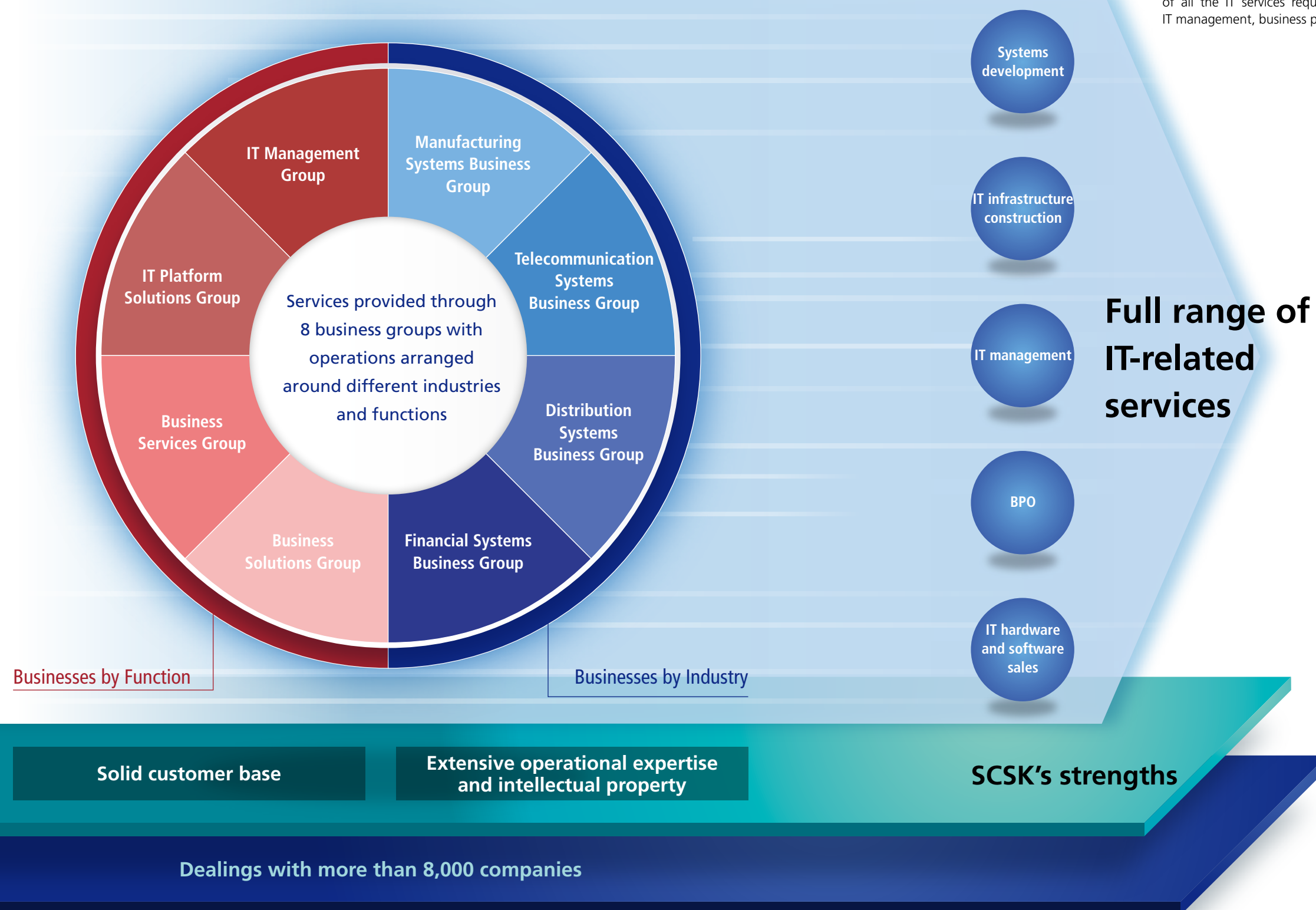
SCSK has a long history of providing IT services to a wide range of industries, including the manufacturing, communications, distribution, and financial industries. Our strengths lie in our solid customer base, which contains leading companies in these industries, and in the operational expertise and technologies that enable us to respond to demand for IT services unique to each industry. We also have experience supporting the global expansion of the Sumitomo Corporation Group and countless other customers. SCSK is thus able to offer optimal IT services to Japanese companies looking to develop their operations overseas.

Leveraging these strengths, we support customers' businesses by providing a complete lineup of all the IT services required, from systems development to IT infrastructure construction, IT management, business process outsourcing (BPO), and sales of IT hardware and software.

Services provided through 8 business groups with operations arranged around different industries and functions

- IT Management Group
- Manufacturing Systems Business Group
- IT Platform Solutions Group
- Telecommunication Systems Business Group
- Business Services Group
- Distribution Systems Business Group
- Business Solutions Group
- Financial Systems Business Group

Businesses by Function

Businesses by Industry

- Systems development
- IT infrastructure construction
- IT management
- BPO
- IT hardware and software sales

Full range of IT-related services

Customer Companies

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Solid customer base

Extensive operational expertise and intellectual property

SCSK's strengths

Dealings with more than 8,000 companies

Special Feature 1

Shift to Service-Oriented Businesses in Pursuit of More-Robust Growth

SCSK supports customers' businesses over the long term by creating distinctive, high-value-added services based on its intellectual properties and IT assets.

❯ Service-Oriented Businesses

Security Services

Refer to P. 49

CarePlus

Refer to P. 47

Total E-commerce Outsourcing Services

Refer to P. 45

FastAPP ProActive

PrimeTiaas®
Telephony infrastructure as a service

Refer to P. 43

Digital Marketing

Refer to P. 35

Billing and Customer Management Systems

Refer to P. 37

Omni-channel Support Services

Refer to P. 39

Services for Financial Institutions

Refer to P. 41

SCSK

- IT Management Group
- Manufacturing Systems Business Group
- Telecommunication Systems Business Group
- Distribution Systems Business Group
- Financial Systems Business Group
- Business Solutions Group
- Business Services Group
- IT Platform Solutions Group

Conventional systems development, maintenance, operation, and other service businesses were labor-intensive endeavors, meaning that increases in orders would lead to increases in labor and other costs. However, on top of the recent lack of engineers in the IT industry, the future contraction of the work force is becoming an ever-more real possibility. Accordingly, under this model, no matter how a company may attempt to maximize earnings, the limited supply of engineers will restrict their future growth.

SCSK, meanwhile, has adopted a strategy of creating business models that are not dependent on the number of people. For example, by fully levering our accumulated expertise and intellectual properties we have developed business models that provide industry-standard system operations as a service

on a pay-per-use basis. These business models, which we refer to as "service-oriented businesses," are an important undertaking for future growth.

However, this does not mean that all of SCSK's traditional businesses will be converted to service-oriented businesses, which utilize standardization and framework for business operation measures to cater to the needs of customers pursuing low-cost operations. Alongside such businesses, we will provide services that respond to customer investment needs for unique strategic systems, strengthening our traditional system engineering capabilities to enhance these services. By offering both types of services, we will supply customers with the most ideal high-value-added services.

Special Feature 2
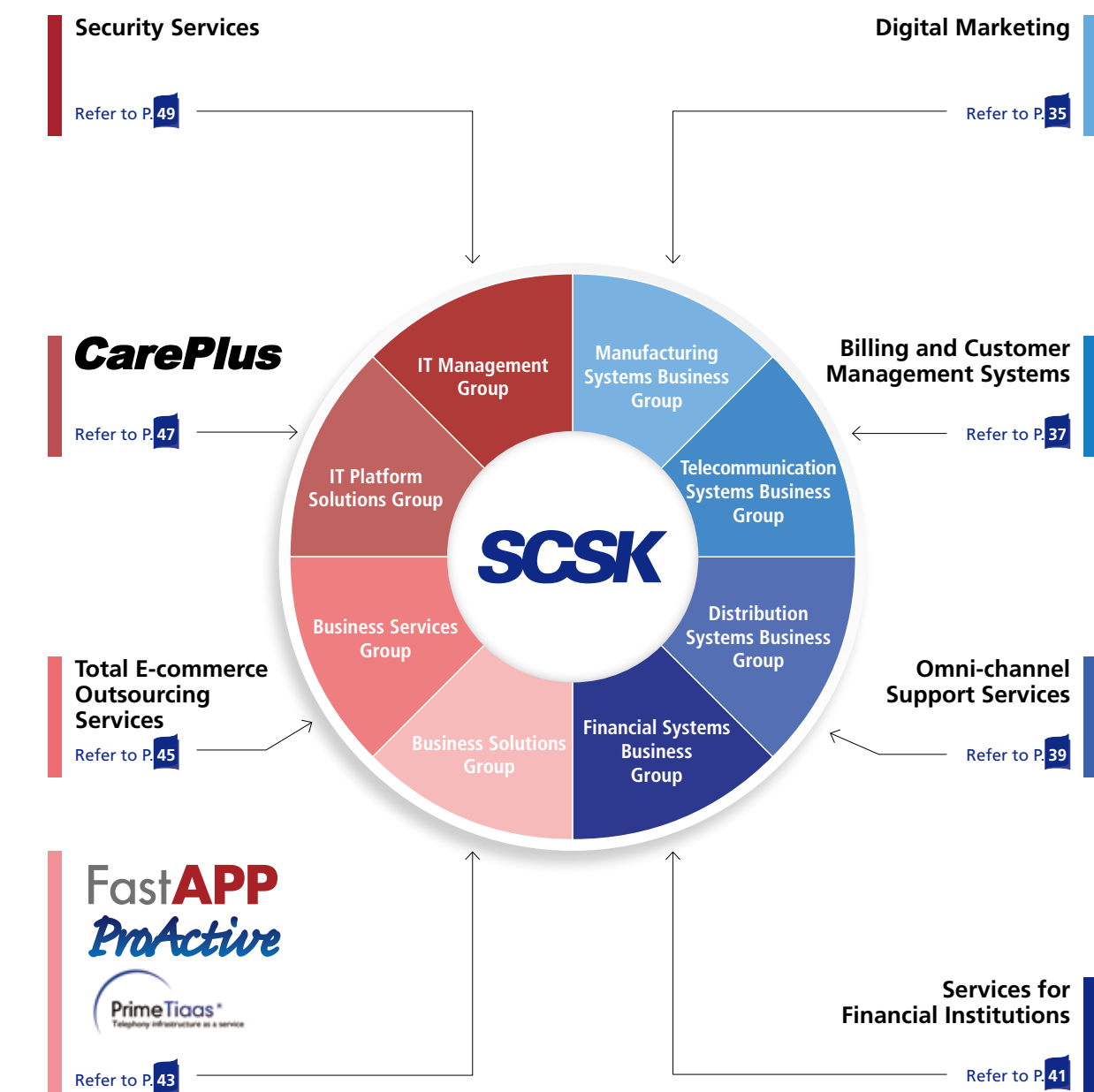
Improving Operational Quality to Realize Steady Earnings Growth

SCSK continues to increase the earnings capacity of its business by concentrating its wealth of accumulated expertise to deliver high operational quality.

SCSK's Philosophy on Quality

SCSK believes that customer satisfaction is the top priority when it comes to the quality provided by products and services.

Accordingly, it is essential to improve the quality of operations in terms of both management and deliverables. We refer to the combination of these two types of quality as "SCSK Quality."

Customer trusts and is satisfied with SCSK's organization and members, meaning SCSK is able to provide high-quality management skills and professional support

SCSK Quality = **Management Quality** + **Deliverables Quality**

Products or services delivered to customers that satisfy the objectives defined by customer requirements
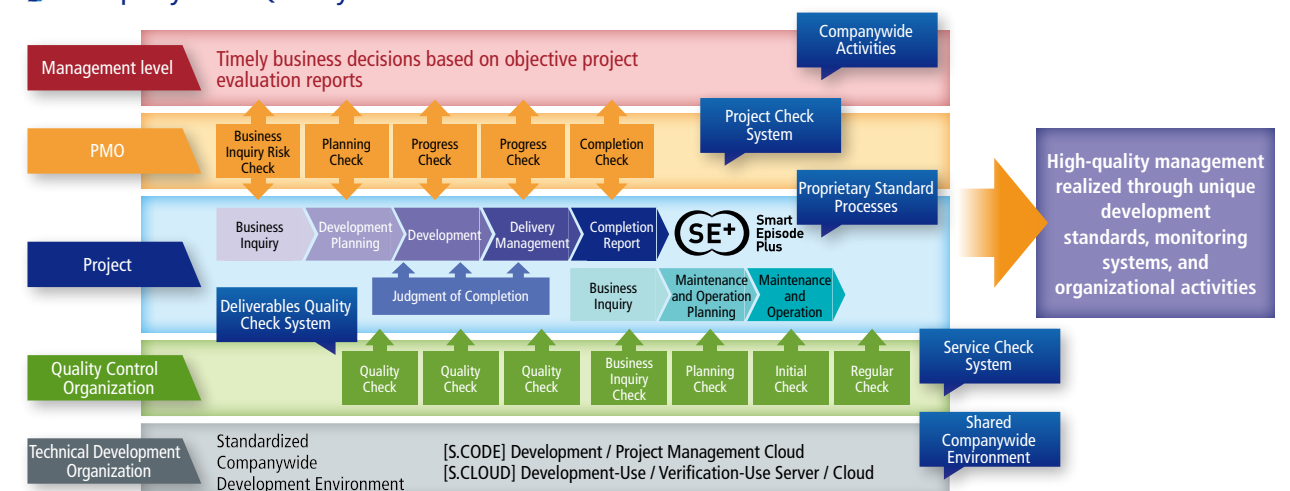
Framework Supporting Quality on a Companywide Basis

In addition to general quality management processes implemented in projects, we promote Companywide quality improvement activities formulated from a third-party perspective (Project Management Office (PMO), quality control divisions, etc.). Through such activities, we are raising quality throughout the entire period of projects and across the organization. Further improvements in quality as well as productivity are pursued through SmartEpisode Plus (SE^+) development standards and the S.CODE and S.CLOUD development environments.

❯ Companywide Quality Control Framework

Management level — Timely business decisions based on objective project evaluation reports

Companywide Activities

PMO — Business Inquiry Risk Check | Planning Check | Progress Check | Progress Check | Completion Check — **Project Check System**

Proprietary Standard Processes

Project — Business Inquiry | Development Planning | Development | Delivery Management | Completion Report — SE^+ Smart Episode Plus

Deliverables Quality Check System

Judgment of Completion | Business Inquiry | Maintenance and Operation Planning | Maintenance and Operation

Quality Control Organization — Quality Check | Quality Check | Quality Check | Business Inquiry Check | Planning Check | Initial Check | Regular Check — **Service Check System**

Technical Development Organization — Standardized Companywide Development Environment — [S.CODE] Development / Project Management Cloud | [S.CLOUD] Development-Use / Verification-Use Server / Cloud — **Shared Companywide Environment**

High-quality management realized through unique development standards, monitoring systems, and organizational activities

Future Quality Improvement Initiatives

SCSK aims to advance a step further in its traditional efforts for limiting exposure to unprofitable projects in order to pursue enhanced competitiveness through higher quality. In fiscal 2016, we introduced the SE^+ (Navi) project management system, based on which we will forge ahead with visualization of all aspects of the development process, boosting development quality and productivity along the way.

Moving ahead, SCSK will continue to heighten quality and boost the earnings capacity of its business to provide products and services with assured quality.

FY2012	FY2013	FY2014	FY2015	FY2016
• Expanded application of project check system • Introduced quality check system • Began applying SE^+	• Introduced service check system	• Distributed SE^+ guidebooks to all employees	• Enhanced education programs • Shared case studies related to risk analysis results • Introduced risk management sheets	• Launched SE^+ (Navi) • Introduced SE^+ certification test system

Exercising Employee Potential to Change the IT Industry and Consequently Common Practices in Japan

SCSK plays a pioneering role by promoting working style reforms based around health and productivity management, seeking to entrench these practices throughout the IT industry and Japanese society as a whole.

## Successes of Working Style Reforms

At the time of the 2011 merger, we put forth our corporate philosophy as "Create Our Future of Dreams." Based on this philosophy, we defined our promise of "respecting each other." Our aim of "becoming a company with a pleasant and rewarding workplace" is meant to ensure that we can exercise this philosophy. We thus promote health and productivity management based on the belief that the health of those working at SCSK underpins everything we do.

Taking this belief to heart, the top management at the time assumed the position of chief health officer (CHO). In this capacity, he guides us as we create successes in various areas on this front that continue to demonstrate our dedication to this belief to directors, employees, and their families. For example, we have pushed forward with numerous initiatives for facilitating employees' health and well-being, including promoting overtime work reduction and paid vacation acquisition and encouraging employees to stop smoking. These efforts have enabled us to entrench new working styles throughout the Company, thereby realizing shortened work hours and heightened productivity. The Company continues to grow as a result.

The successes of these working style reforms have earned high acclaim from outside the Company. Specifically, in 2015 SCSK claimed the No. 1 position in Nikkei Inc.'s survey of

companies that fully exercise their employees' potential for the second consecutive year. In addition, Japan's Cabinet Office presented the Company with the Japanese government's Advanced Corporation Awards for the Promotion of Women. Such recognition has served to increase recognition of SCSK while improving its corporate and brand image.

Operating Income, Overtime Hours, and Ratio of Employees Taking Annual Paid Leave

Overtime hours   Ratio of employees taking annual paid leave (%)

- Operating income
- Overtime hours (left axis)
- Ratio of employees taking annual paid leave (right axis)
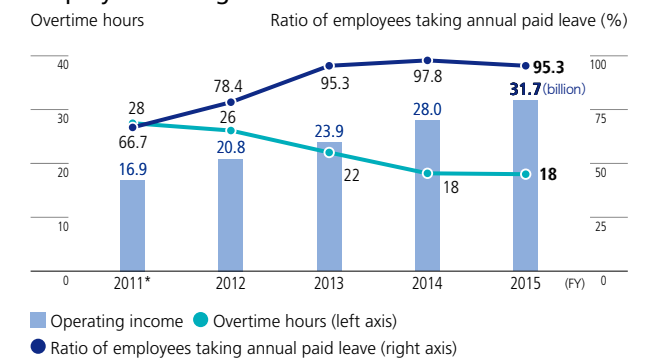
* The fiscal 2011 operating income figure is the total of the full-year results of SCSK and the first-half (April–September 2011) results of CSK Corporation.

Communication of Our Commitment to Working Style Reforms

SCSK implements working style reforms to boost the productivity of all employees with the ultimate goal of heightening corporate competitiveness. These initiatives have been referenced by industry peers and customers alike as exemplary

models of management success. We will continue to disclose information on the initiatives instituted by SCSK with the aim of furthering the advancement of working style reforms at companies throughout Japan.

Working Style Reform Initiatives

- Companywide application of flextime system
- Introduction of discretionary work system
- Initiatives to reduce overtime by half
- Promotion of taking paid vacation
- Introduction of a new leave system

- Commencement of Smart Work Challenge 20
- Enhancement of the telecommuting system
- Distribution of tablets

- Continued implementation of Smart Work Challenge 20
- Shortening of designated working hours
- Upgrading of the leave system
- Assumption of CHO position by then top management

- Name change of Smart Work Challenge 20 to Smart Work Challenge
- Introduction of the *Kenko Waku Waku Mileage* program
- Revision of human resource systems (expansion of discretionary work system, etc.)

FY2012	FY2013	FY2014	FY2015	FY2016
Award	★ Presented with the Minister's Award in the Award for Companies Providing Career Support in 2013—for Companies Committed to Human Resources Development ★ Selected as a winner of the FY2014 Diversity Management Selection 100 conducted by the Ministry of Economy, Trade and Industry (METI)	★ Placed No. 1 in overall rankings in Nikkei Inc.'s 2014 survey of companies that fully exercise their employees' potential ★ 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 ★ Placed No. 1 in CSR Company Ranking 2015 compiled by Toyo Keizai Inc., in the area of effective talent management	★ Placed No. 1 in overall rankings in Nikkei Inc.'s 2015 survey of companies that fully exercise their employees' potential ★ Received 1st place award for HR department excellence in the HR Department Awards 2015 sponsored by the Japan HR Association ★ Presented with the Japanese government's Advanced Corporation Awards for the Promotion of Women ★ Granted FY2015 "Nadeshiko Brand" designation jointly hosted by the TSE and METI ★ Selected as "Brand of Companies Enhancing Corporate Value through Health & Productivity" jointly organized by the TSE and METI	★ Placed No. 1 in CSR Company Ranking 2016 compiled by Toyo Keizai Inc., in the area of effective talent management

Strength for Creating Corporate Value

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

CFO Message

We are steadily improving our financial base and bolstering shareholders' equity supported by expanded earnings and cash flows.

We continue to heighten SCSK's corporate value and equity value through shareholder returns and strategic business investments based on core strategies, all while securing a diverse range of funding sources that allow for flexible fund-raising.

Tetsuya Fukunaga
Director, CFO
Senior Managing Executive Officer

Operating Income / Operating Income Margin

Millions of yen / %

	2012/3*	2013/3	2014/3	2015/3	2016/3	2017/3 (Forecast)
Operating income	12,879	20,803	23,974	28,003	31,785	33,000
Operating income margin	6.4	7.5	8.3	9.4	9.8	10.0

■ Operating income (left) ● Operating income margin (right)
*Figures of CSK before the merger date (October 1, 2011) are not included.

Overview of Performance in Fiscal 2015

❯ Could you please explain the Company's performance in fiscal 2015?

In fiscal 2015, we posted increased sales and profit for the fourth consecutive year since the merger in October 2011. Moreover, our performance in this year exceeded our forecasts, which had been revised upwards twice during the course of the year.

Net sales were up 8.8% year on year. Performance was strong in the systems development business, especially to the financial industry, where we target a wide range of sub-sectors within the industry, while steady performance was seen in maintenance and operation services businesses including business process outsourcing (BPO), primarily for the manufacturing and distribution industries. Also, particularly large contributions were made by large-scale sales of IT products to certain communications industry customers.

Operating income rose 13.5% year on year following higher sales as well as improved productivity resulting from steadfast measures for increasing operational quality. These contributors outweighed the year-on-year rise in selling, general and administrative expenses that was a product of higher size-based corporate taxes due to tax system revisions as well as increased expenses related to office relocations, promotion for health and productivity management, and various marketing measures. The operating income margin reached a post-merger high of 9.8% due to the impressive progress in the reinforcement and expansion of earnings bases.

Profit attributable to owners of parent surged 72.4%. This impressive result came mainly thanks to an increase in operating income that exceeded our business forecast and the booking of approximately ¥6.0 billion in deferred tax assets, reflecting an additional booking of deferred tax assets beyond what was initially envisioned for the year, and additions to and subtractions from deferred tax assets due to revisions to corporate tax rules. When using a standard tax rate basis calculation excluding these tax benefits, profit attributable to owners of parent still rose by more than 30% due to the increase in operating income.

❯ What factors do you think contributed to this improvement in profitability?

The improvement in overall profitability was largely a result of the higher profitability and productivity primarily seen in the systems development business. With our main focus being reinforcing our management base, we have continued to enhance efficiency with regard to operations as well as personnel and outsourcing expenses since the merger. In addition, we have steadily advanced measures seeking higher operational quality, which has been positioned as a key management issue. Specifically, we are pushing forward with a Companywide effort to improve development productivity and quality by establishing proprietary development standards and promoting their application in all development projects.

As I mentioned previously, the operating income margin came to 9.8% in fiscal 2015, which represents a year-on-year increase of 0.4 percentage point. Several factors placed downward pressure on this margin during fiscal 2015, including reduced profitability due to increased sales in the relatively low-margin systems sales business as well as our involvement in unprofitable projects and the conducting of various business investments. Regardless, we were able to improve the operating income margin thanks to higher productivity and profitability in the systems development business.
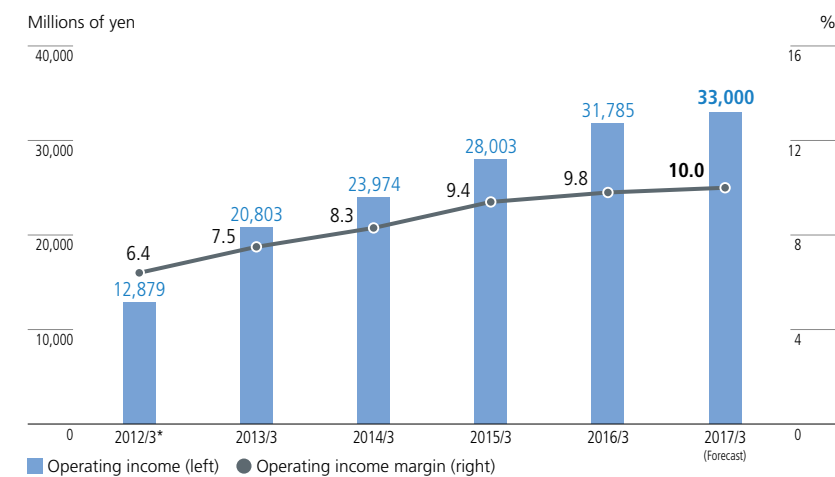
Fiscal 2016 Forecasts

❯ What is your outlook for the operating environment in fiscal 2016?

In fiscal 2015, the domestic economy displayed a gentle recovery trend. In fiscal 2016, however, we are already seeing a certain degree of uncertainty in business confidence among our customers. This stems from fluctuation risks in financial capital markets due to volatility in foreign exchange and interest rates as well as growing downturn risks in overseas economies, particularly those of emerging Asian countries. Although IT investment demand is currently holding firm, demand levels could easily change based on customer business confidence going forward. As such, our scenario for fiscal 2016 is based on the assumption that our customers will adopt a cautious approach toward IT investments.

However, in this operating environment, we expect customers' IT investment demand to reflect the IT needs of the industry sector to which each customer belongs. We thus anticipate that, with regard to customers in the financial and distribution industries, the growth trend in strategic IT investment will continue as these companies seek to enhance their competitive edge. In the financial industry, we anticipate that investment demand will come in the forms of new operational systems development demand from customers seeking to boost their competitiveness as well as upgrade demand for existing systems meant to accommodate revised regulatory systems. Also contributing to performance will be the distribution industry, where strategic IT investment demand for systems development to support omni-channel retailing and big data analysis is materializing. With regard to manufacturers, however, companies whose performance is heavily influenced by foreign exchange rate movements, we expect that even if these companies do not go as far as to revise IT investment plans, they will exercise caution in terms of the timing of investments. Accordingly, we will endeavor to get a clear understanding of customers' medium-term IT strategies, based on which we will actively propose various cloud-based IT and other services with the aim of expanding business earnings.

❯ What are the Company's performance forecasts for fiscal 2016?

As I just mentioned, a sense of uncertainty is present in the IT investment trends of some manufacturing industry customers. However, we expect that strong systems development investment demand will continue in the financial and distribution industries, as was the case in fiscal 2015. We also anticipate stable performance in maintenance and operation services, including those services aimed at manufacturing and distribution industries. Under these circumstances, we will continue to reinforce our earnings base by pursuing improved productivity and operational quality centered on the systems development business. Fiscal 2016 will be the second year of our Medium-Term Management Plan, and will thus accelerate the advancement of business activities in line with core strategies. Specifically, we will allocate business resources to proactive investments for our shift to service-oriented businesses while establishing strategic businesses.

Based on this outlook and policies, our fiscal 2016 forecasts project net sales of ¥330.0 billion, up ¥6.0 billion year on year; operating income of ¥33.0 billion, up ¥1.2 billion; and profit attributable to owners of parent of ¥25.0 billion, down ¥1.9 billion.

Equity Capital / ROE

Millions of yen

%

150,000 / 30

145,420

132,458

119,189 120,488

100,000 / 20

102,799

24.1

19.4

15.1 16.5

12.4

50,000 / 10

0 2012/3 2013/3 2014/3 2015/3 2016/3 0

- Equity capital (left)
- ROE (right)

Payout Ratio

%

50

40 37 35 33 37 **40**

33

30 33

29 **35**

22 23

20

10

0 2013/3 2014/3 2015/3 2016/3 2017/3
(Forecast)

- Payout ratio (left)
- Payout ratio (Standard tax rate basis) (right)
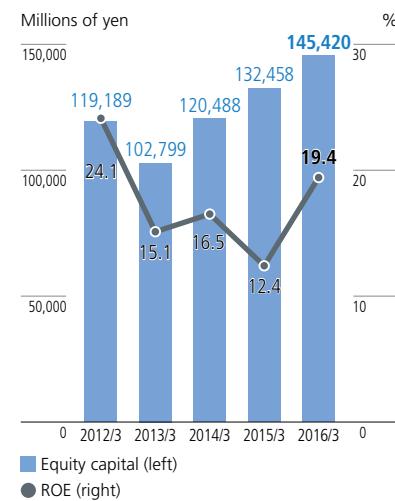
With regard to the ¥1.2 billion year-on-year increase forecast for operating income, we expect to achieve this earnings growth while absorbing the impacts of higher operating expenses resulting from various factors related to regulatory systems and operating environment conditions. For example, expenses will rise ¥0.9 billion due to higher size-based corporate taxes following tax system revisions while negative interest rate will stimulate an increase of more than ¥0.9 billion in retirement benefit expenses. While these cost increases will be unavoidable, we believe they can be successfully absorbed.

We also plan to conduct business investments that will add up to a substantial amount. These investments will include strategic investments in the automotive software systems business, initiatives associated with development and marketing for creating service-oriented businesses, and efforts for establishing enhanced development standards. We will conduct these investments based on the belief that we should plant as many seeds as we can under these relatively favorable business conditions. By nurturing these seeds, we hope to grow new platforms for increasing earnings capacity, thereby bringing about great change in our business and furthering us down the path toward the fiscal 2019 goals of the Medium-Term Management Plan and to value creation in the future. We are driven to conduct these necessary investments by our strong commitment to advancing the core strategies of the Medium-Term Management Plan. As such, our performance forecasts have been made to entail absorbing the cost of these investments to achieve increases in both sales and profit.

Profit attributable to owners of parent is set to decrease in fiscal 2016. However, this decrease is expected to result from a ¥3.1 billion decline in tax benefits, compared with ¥6.0 billion in the previous fiscal year, meaning the Company will be only recording deferred tax assets of ¥2.9 billion in fiscal 2016. When using a standard tax rate basis calculation excluding these tax effects, profit attributable to owners of parent is expected to rise on the back of higher operating income.

What are some of the key elements to be considered with regard to the Company's financial position?

The Group positions return on equity (ROE)—a representative indicator of capital efficiency—as its one of the most important management indexes. Guided by this indicator, we are advancing core strategies geared toward boosting earnings over the medium term. These strategies include conducting business investments aggressively, restructuring our operations so as to shift to service-oriented businesses, and starting up new strategic businesses.

Supported by plentiful operating cash flows, the equity ratio rose 1.6 points, from 39.6% in fiscal 2014 to 41.2% in fiscal 2015, and the balance of cash, deposits, and deposits paid climbed to nearly ¥100.0 billion. As a result, net interest-bearing debt—interest-bearing debt net of cash and deposits in the prepaid card business of wholly owned subsidiary QUO CARD Co., Ltd.—was in the negative, which represents a cash surplus, for the first time since the merger. In other words, we have been successful in decreasing interest-bearing debt to such an extent that we are effectively operating debt-free.

Going forward, we will strive to improve our financial base and increase shareholders' equity by expanding earnings and
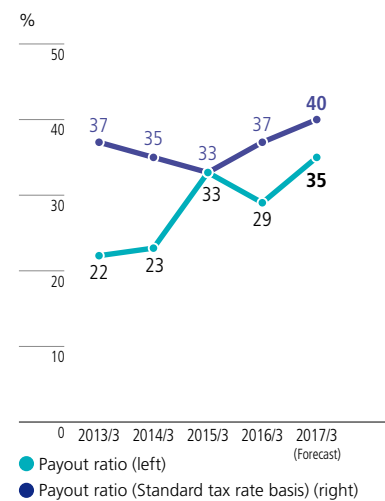
cash flows. At the same time, we will heighten corporate value and equity value through shareholder returns and strategic business investments based on core strategies, all while securing a diverse range of funding sources that allow for flexible fund-raising.

What are SCSK's policies for shareholder returns?

With regard to returning profits to shareholders, we aim to provide robust dividends 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 2015, we issued a year-end dividend of ¥40 per share, ¥5 higher than the initial forecast of ¥35 per share. When combined with the interim dividend, this made for full-year dividend payments of ¥75 per share, also ¥5 higher than the initial forecast of ¥70 per share.

For fiscal 2016, we will continue targeting a dividend payout ratio of approximately 40%, the same level as in fiscal 2015. Based on this target and in consideration of our strong financial position and solid business performance trends, we plan to issue full-year dividend payments of ¥85 per share, up ¥10 year on year, making for our fifth consecutive year of higher dividend payments. Looking ahead, we intend to take full advantage of our continually growing cash flows as funds for investments in the strategic businesses that will support future growth. At the same time, we will increase dividends in line with anticipated performance improvements in order to enhance shareholder returns.

Lastly, please be aware that the targeted dividend payout ratio is based on the forecast amount of profit attributable to owners of parent calculated on a standard tax rate basis excluding the effects of factors such as the tax benefit of the net loss carry forwards.

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 2015.

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Financial Highlights

Net Sales

¥**323.9**billion

Millions of yen

	2012/3	2013/3	2014/3	2015/3	2016/3
	200,326	278,634	288,236	297,633	323,945

- ■ Systems Development
- ■ System Maintenance and Operation / Services
- ■ Packaged Software / Hardware Sales　■ Prepaid Card Business

Operating Income Margin

9.8%

Millions of yen / %

	2012/3	2013/3	2014/3	2015/3	2016/3
Operating income	12,879	20,803	23,974	28,003	31,785
Operating income margin	6.4	7.5	8.3	9.4	9.8

- ■ Operating income (left)
- ● Operating income margin (right)

ROE

19.4%

Millions of yen / %

	2012/3	2013/3	2014/3	2015/3	2016/3
Equity capital	119,189	102,799	120,488	132,458	145,420
ROE	24.1	15.1	16.5	12.4	19.4

- ■ Equity capital* (left)
- ● ROE (right)

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

Dividend Payments

¥**75**

Yen

	2012/3	2013/3	2014/3	2015/3	2016/3
Total	32	36	40	50	75
Six-month period-end	16	18	20	25	35
Year-end	16	18	20	25	40

- ■ Six-month period-end
- ■ Year-end

SCSK Corporation: Financial Indicators (Consolidated)

(Millions of yen)

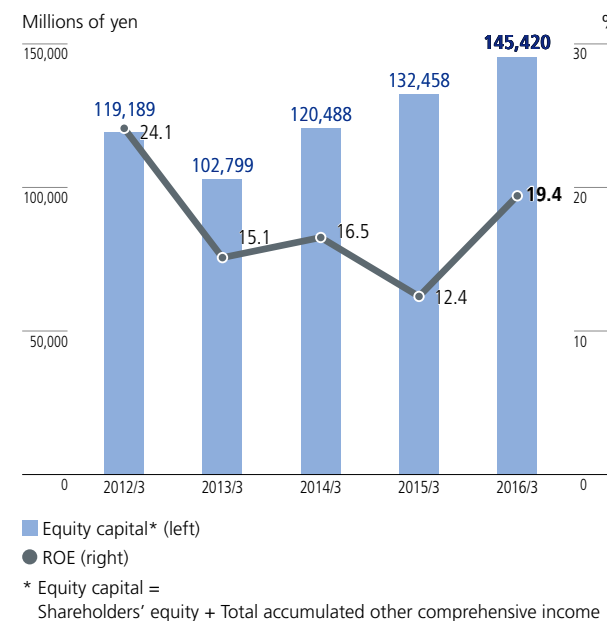| Income Statements	2012/3*¹	2013/3	2014/3	2015/3	2016/3
Net sales	200,326	278,634	288,236	297,633	323,945
Systems Development	73,811	112,316	117,597	117,843	124,470
System Maintenance and Operation / Services	68,296	104,284	107,577	110,720	119,170
Packaged Software / Hardware Sales	56,496	58,731	60,019	65,691	77,087
Prepaid Card Business	1,722	3,302	3,042	3,378	3,217
Gross profit	46,370	64,466	68,724	72,469	78,021
Gross profit margin (%)	23.1	23.1	23.8	24.3	24.1
SG&A expenses	33,490	43,663	44,749	44,466	46,235
Operating income	12,879	20,803	23,974	28,003	31,785
Operating income margin (%)	6.4	7.5	8.3	9.4	9.8
Profit attributable to owners of parent	25,669	16,730	18,387	15,638	26,956

Cash Flows (Millions of yen)

Cash flows from operating activities	22,249	25,156	35,342	29,707	34,730
Cash flows from investing activities	(8,112)	(249)	(26,045)	5,166	(9,473)
Free cash flows*²	14,137	24,906	9,297	34,873	25,257
Cash flows from financing activities	(7,965)	(5,512)	(33,739)	(8,395)	(12,338)
Cash and cash equivalents at end of period	63,661	83,247	59,004	85,713	98,445

Financial Position (Millions of yen)

Total assets	300,928	322,828	317,932	334,290	352,676
Net assets	124,419	108,208	126,159	138,536	151,546
Equity capital	119,189	102,799	120,488	132,458	145,420
Interest-bearing debt + Preferred shares*³	84,860	84,860	57,000	55,000	50,000

Per Share Data (Yen)

BPS	860.37	991.48	1,161.29	1,276.37	1,401.00
EPS	334.19	161.39	177.26	150.71	259.72

Major Indicators

ROE (%)	24.1	15.1	16.5	12.4	19.4
ROA (%)	7.9	7.1	8.0	9.4	9.8
Equity ratio (%)	39.6	31.8	37.9	39.6	41.2
Debt/Equity ratio (Times)	0.46	0.83	0.47	0.42	0.34
Number of employees	11,995	11,797	11,689	11,754	11,769
Capital expenditures (Millions of yen)	7,954	10,219	9,441	14,842	12,046
Depreciation and amortization (Millions of yen)	5,380	6,690	6,841	6,865	8,003
R&D expenses (Millions of yen)	417	566	449	267	117
Stock prices (Yen)	1,312	1,835	2,781	3,365	4,400

*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 on the same day, June 27, 2012.

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

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 business activities.

Hisakazu Suzuki
Representative Director, Executive Vice President
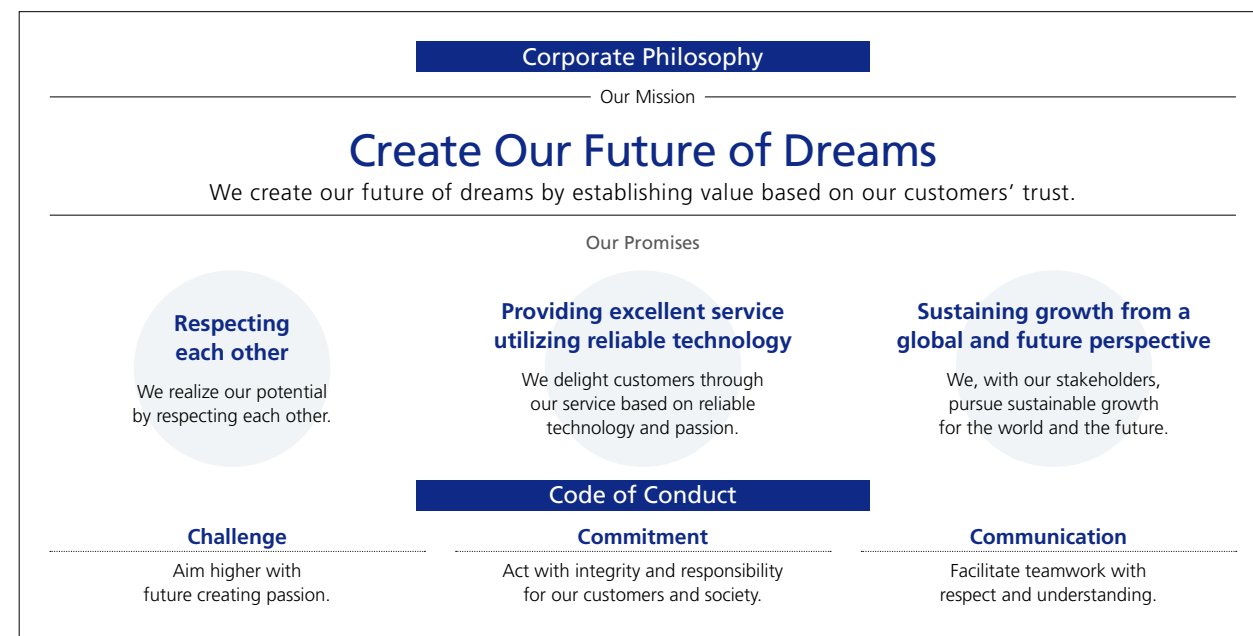
SCSK's Corporate Philosophy and CSR

Our corporate philosophy of "Our Future of Dreams" can only be realized in the presence of a sustainable society. For this reason, resolving social issues is a task of extreme urgency.

In order to accomplish this task, 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 we face.

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 address social issues by attending to the issues faced by customers. We believe that this type of indirect social contribution is a CSR activity suitable for SCSK.

With the synergies created between our IT services business and our quest to help resolve social issues, we will move forward, step by step, with the creation of an affluent society.

Corporate Philosophy

— Our Mission —

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.

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 business activities.

Our Ideal

To become a company that contributes to society through its business activities
- The Company contributes to the development of a sustainable society through its business activities.
- Employees are actively engaged in their work with an awareness of their coexistence with society.

2015~2020
- Find and develop projects that will lead to the resolution of many of the issues facing society
- Enhance the quality of social contribution and environmentally friendly activities
- Expand CSR activities to Group companies
- Collaborate and coordinate activities with suppliers

2012~2014
- Carried out analysis of CSR activities referencing ISO 26000
- Built a CSR management structure and set CSR targets
- Further refined existing projects that work toward the resolution of many of the issues facing society
- Participated in social contribution and environmentally friendly activities

Observance of International CSR Guidelines and Principles

SCSK observes international CSR guidelines and principles in its CSR activities.

U.N. Global Compact

SCSK has been participating in the U.N. Global Compact since 2007. We support the Compact's 10 principles relating to human rights, labour, the environment, and anti-corruption, and reflect this support in our business activities.

ISO 26000

SCSK has been practicing management based on the core subjects of ISO 26000 since 2012, and each division is working toward the related CSR goals it has defined.

Sustainable Development Goals

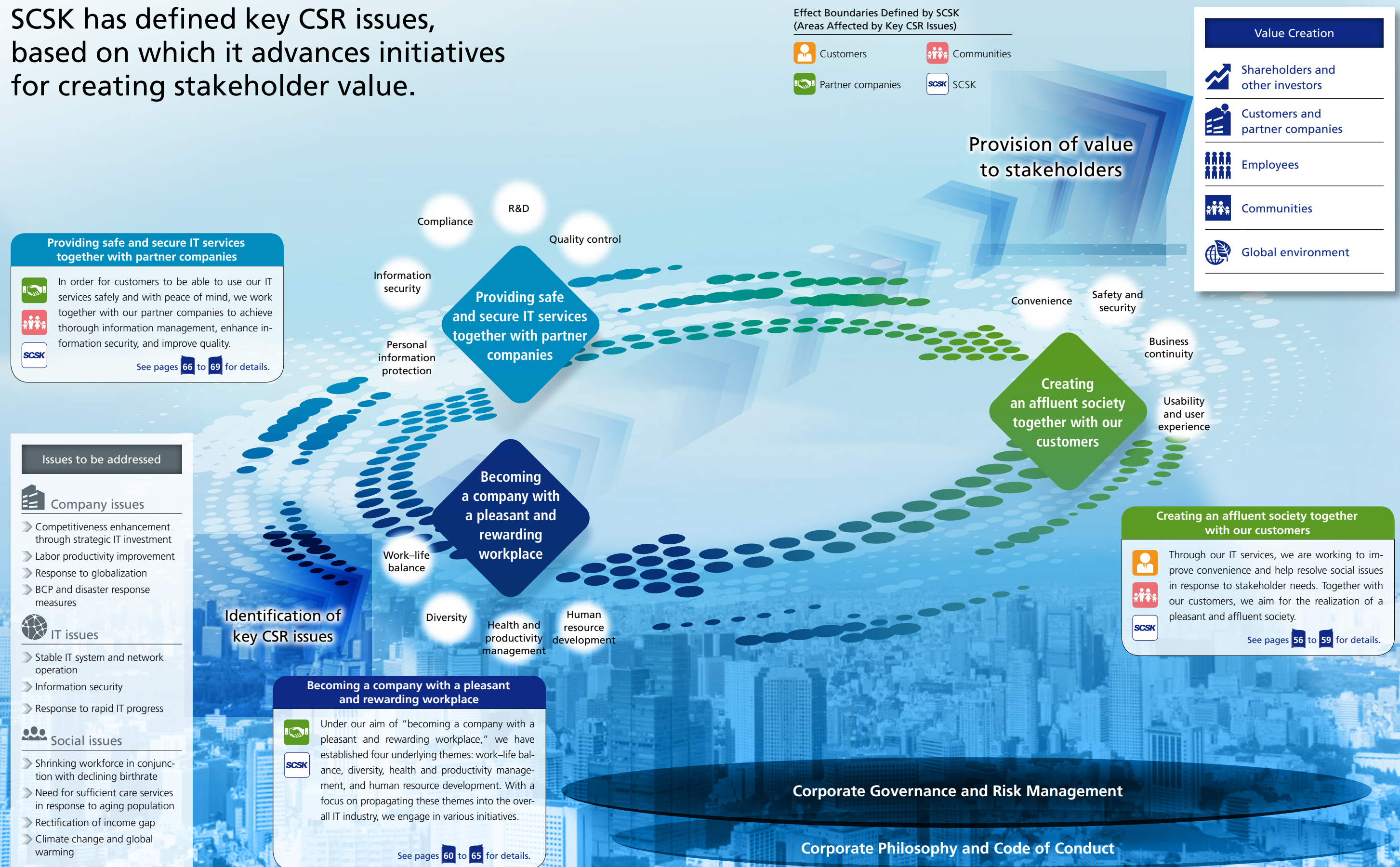SCSK is preparing to begin making contributions to the accomplishment of the Sustainable Development Goals (SDGs) set forth by the United Nations in 2015.

Global Reporting Initiative Guidelines

SCSK's integrated reports and the CSR activities reports available on the Company's corporate website were constructed while referencing the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines, Fourth Edition (G4).
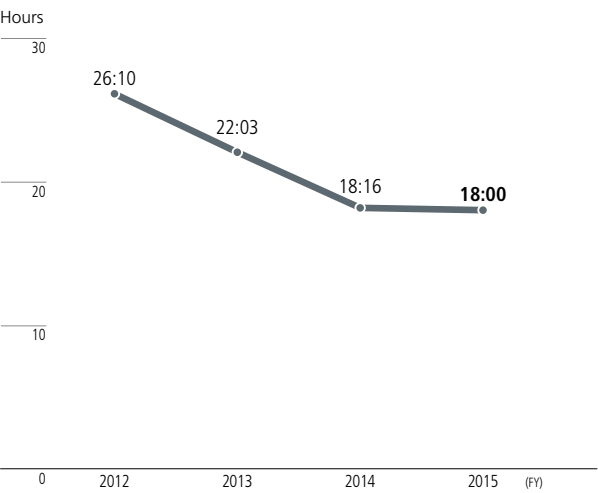
Value Creation and Key CSR Issues

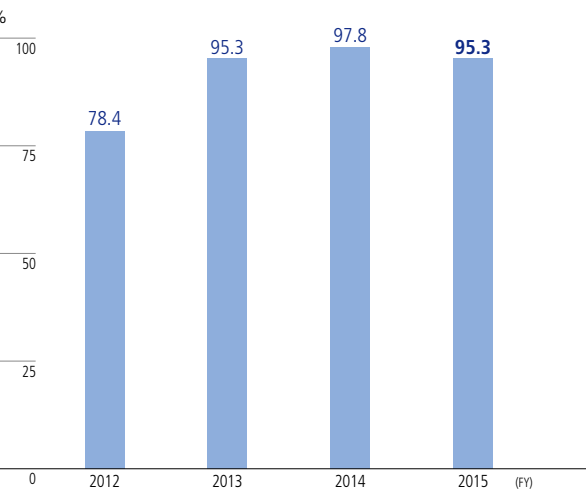## SCSK has defined key CSR issues, based on which it advances initiatives for creating stakeholder value.

Effect Boundaries Defined by SCSK (Areas Affected by Key CSR Issues)

- Customers
- Communities
- Partner companies
- SCSK

Value Creation

- Shareholders and other investors
- Customers and partner companies
- Employees
- Communities
- Global environment

Provision of value to stakeholders

Providing safe and secure IT services together with partner companies

In order for customers to be able to use our IT services safely and with peace of mind, we work together with our partner companies to achieve thorough information management, enhance information security, and improve quality.

Issues to be addressed

Company issues
- Competitiveness enhancement through strategic IT investment
- Labor productivity improvement
- Response to globalization
- BCP and disaster response measures

IT issues
- Stable IT system and network operation
- Information security
- Response to rapid IT progress

Social issues
- Shrinking workforce in conjunction with declining birthrate
- Need for sufficient care services in response to aging population
- Rectification of income gap
- Climate change and global warming

Identification of key CSR issues

R&D
Compliance
Quality control
Information security
Personal information protection

Providing safe and secure IT services together with partner companies

Convenience
Safety and security
Business continuity
Usability and user experience

Creating an affluent society together with our customers

Becoming a company with a pleasant and rewarding workplace

Work–life balance
Diversity
Health and productivity management
Human resource development

Creating an affluent society together with our customers

Through our IT services, we are working to improve convenience and help resolve social issues in response to stakeholder needs. Together with our customers, we aim for the realization of a pleasant and affluent society.

Becoming a company with a pleasant and rewarding workplace

Under our aim of "becoming a company with a pleasant and rewarding workplace," we have established four underlying themes: work–life balance, diversity, health and productivity management, and human resource development. With a focus on propagating these themes into the overall IT industry, we engage in various initiatives.

Corporate Governance and Risk Management

Corporate Philosophy and Code of Conduct

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Nonfinancial Highlights

Average Monthly Overtime Hours (Average for all Employees)*1

18 hours, 00 minutes per month

Hours

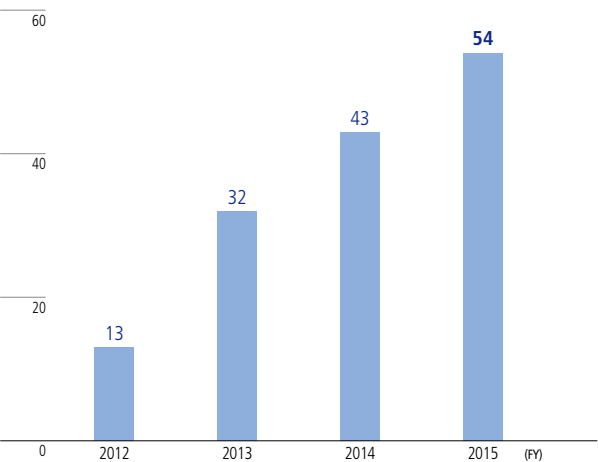|			
30			
26:10			
20	22:03	18:16	**18:00**
10			
0	2012	2013	2014 2015 (FY)

Ratio of Employees Taking Annual Paid Leave (Average for all Employees)*1

95.3 %

%

100		95.3	97.8	**95.3**
75	78.4			
50				
25				
0	2012	2013	2014	2015 (FY)

Number of Female Managers

54

60				**54**
40		32	43	
20	13			
0	2012	2013	2014	2015 (FY)

Number of Employees Using Balance Support Leave*4

729

800				**729**
600	449	496	621	274
400	142	161	222	455
200	307	335	399	
0	2012	2013	2014	2015 (FY)

■ Male ■ Female

SCSK Corporation, Non-Consolidated Index

Data on Labor Practices

			FY2012	FY2013	FY2014	FY2015
Number of employees			7,494	7,385	7,328	7,261
		Male	6,257	6,162	6,091	6,022
		Female	1,237	1,223	1,237	1,239
Recruitment	Number of new recruits (newly graduated)		93	90	99	122
		Male	68	61	67	80
		Female	25	29	32	42
Diversity	Number of people with disabilities*2		139	153	171	179
	Number of female managers		13	32	43	54
Work–life balance	Average monthly overtime hours*1		26 hours, 10 minutes per month	22 hours, 03 minutes per month	18 hours, 16 minutes per month	18 hours, 00 minutes per month
	Ratio of employees taking annual paid leave*1		78.4%	95.3%	97.8%	95.3%
	Number of employees using childcare leave		163 (Male: 2, Female: 161)	189 (Male: 7, Female: 182)	208 (Male: 8, Female: 200)	208 (Male: 8, Female: 200)
	Number of employees using nursing care leave		3 (Male: 2, Female: 1)	3 (Male: 3, Female: 0)	4 (Male: 4, Female: 0)	1 (Male: 1, Female: 0)
	Number of employees using reduced work hour programs		182 (Male: 2, Female: 180)	179 (Male: 2, Female: 177)	191 (Male: 2, Female: 189)	216 (Male: 3, Female: 213)
	Number of employees using maternity leave*3		86	76	74	85
	Number of employees using parental leave		187	184	152	169
	Number of employees using balance support leave*4		449 (Male: 307, Female: 142)	496 (Male: 335, Female: 161)	621 (Male: 399, Female: 222)	729 (Male: 455, Female: 274)
	Number of employees using child nursing leave		363 (Male: 228, Female: 135)	419 (Male: 266, Female: 153)	438 (Male: 265, Female: 173)	458 (Male: 260, Female: 198)
Nursing care support seminars	Number of seminars held (Times)		3	3	16	14
	Number of participants		192	155	1,088	1,126

Data on Environmental Impact*5

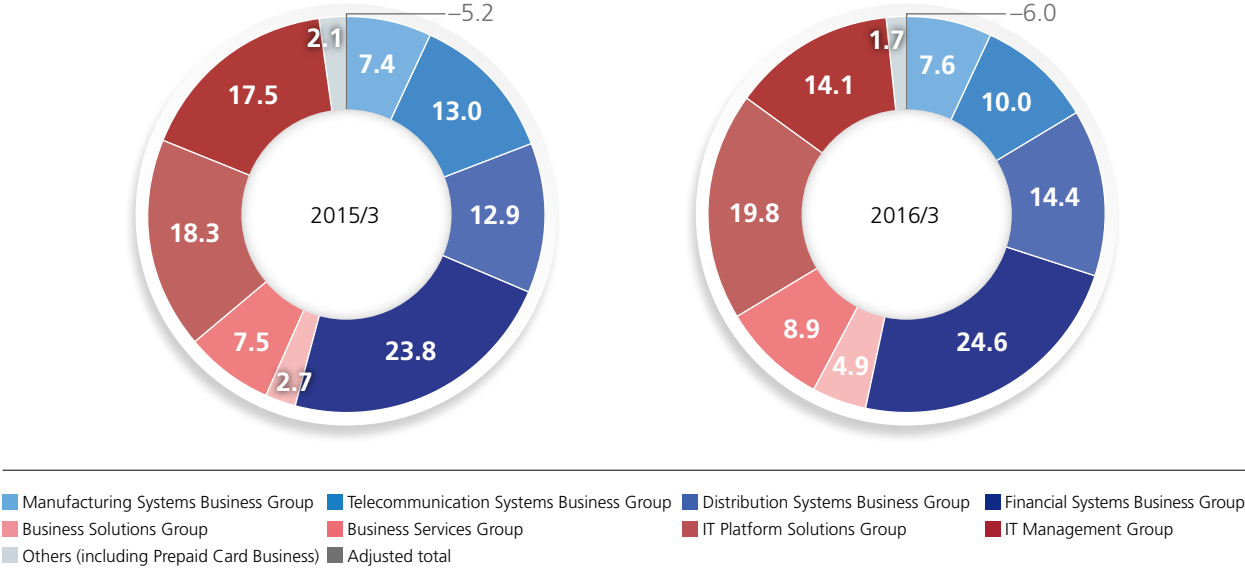|			FY2012	FY2013	FY2014	FY2015
Data on environmental impact	Power consumption	Total (MWh)	89,808	91,266	93,013	88,931
		Break-down / Offices in Japan (MWh)	18,057	16,463	15,072	14,124
		Break-down / Data centers (MWh)	71,751	74,803	77,941	74,807
	Thermal energy consumption (GJ)		879,979	894,101	911,181	867,229
	CO_2 emissions from fuel combustion (t-CO_2)		41,393	47,341	48,636	45,612
	Volume of office paper purchased (1,000 sheets)		37,771	33,363	32,577	34,390
	General waste (t)		309	331	361	357
	General waste recycling rate		77%	78%	85%	83%
	Industrial waste (t)		95	161	130	172
	Industrial waste recycling rate		100%	100%	100%	100%
	Total waste (t)		404	492	491	529
Data centers annual average PUE at data centers	Tokyo Center 1		1.62	1.63	1.58	1.63
	Tokyo Center 2		1.75	1.78	1.79	1.82
	Chiba Center		1.46	1.47	1.53	1.57
	Sanda Center		1.75	1.80	1.74	1.79

*1. Average for all employees including those under the discretionary work system and supervisors
*2. Employment ratio of the 10 Group companies in Japan certified as affiliates. Figures for each year are as of June 1.
*3. 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.
*4. Balance support leave: This type of paid leave is applicable to employees in the following instances:
  A. When the employee is providing nursing care to a family member (the employee's spouse, or a family member (within the second degree) of the employee or the employee's spouse). However, this does not include family members who have received nursing care authorization.
  B. When the employee must accompany his or her child to receive necessary vaccinations, or attend an event at his or her child's school, up until the child graduates from elementary school
  C. When the employee goes to the hospital for infertility treatment
  Note: For A and B above, the employee receives a maximum of five paid holidays, regardless of the number of family members he or she provides nursing care to or the number of children the employee has.
*5. Aggregated data as of June 2016

Business Overview

▶ Distribution of Net Sales (%)

2015/3
1.4 · 9.3 · 7.7 · 10.5 · 18.6 · 6.2 · 11.3 · 21.8 · 13.2

2016/3
1.2 · 8.1 · 6.3 · 10.2 · 20.1 · 5.9 · 12.1 · 23.8 · 12.3

■ Manufacturing Systems Business Group ■ Telecommunication Systems Business Group ■ Distribution Systems Business Group ■ Financial Systems Business Group
■ Business Solutions Group ■ Business Services Group ■ IT Platform Solutions Group ■ IT Management Group
■ Others (including Prepaid Card Business)

▶ Distribution of Operating Income (%)

2015/3
−5.2
2.1 · 7.4 · 13.0 · 12.9 · 23.8 · 2.7 · 7.5 · 18.3 · 17.5

2016/3
−6.0
1.7 · 7.6 · 10.0 · 14.4 · 24.6 · 4.9 · 8.9 · 19.8 · 14.1

■ Manufacturing Systems Business Group ■ Telecommunication Systems Business Group ■ Distribution Systems Business Group ■ Financial Systems Business Group
■ Business Solutions Group ■ Business Services Group ■ IT Platform Solutions Group ■ IT Management Group
■ Others (including Prepaid Card Business) ■ Adjusted total

▶ Business Overview

Businesses by Industry

Manufacturing Systems Business Group

The Manufacturing Systems Business Group primarily serves customers in the manufacturing industry. Calling upon our years of experience and accumulated expertise, we supply a broad range of IT solutions on a global basis. These solutions span a range of operational processes from production to sales in areas including the strategic automotive software systems business.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 27.7 / 2.0
2016/3 — **26.2** / **2.4**

Telecommunication Systems Business Group

The Telecommunication Systems Business Group provides optimal integrated services through combinations of various IT solutions to customers in the communications, utilities, and media industries.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 22.8 / 3.6
2016/3 — **20.4** / **3.1**

Distribution Systems Business Group

The Distribution Systems Business Group provides combinations of IT solutions for the distribution, trading, service, and pharmaceuticals industries. This group also supports the overseas business development efforts of customers seeking to expand on the global stage.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 31.1 / 3.6
2016/3 — **32.9** / **4.5**

Financial Systems Business Group

The Financial Systems Business Group provides systems development, operation, and maintenance services for various fields, including banking and trust banking, life and non-life insurance, securities, the leasing business, and the credit card business. As a professional with experience developing sophisticated financial systems, this group aids in the advancement of financial business strategies while also supporting safe and efficient management.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 55.4 / 6.6
2016/3 — **64.9** / **7.8**

Businesses by Function

Business Solutions Group

The Business Solutions Group provides application management outsourcing (AMO) services that cover the entire system life cycle, from installation and development to maintenance and operation, centered on enterprise resource planning (ERP) and customer relationship management (CRM). These services are provided in a manner that is ideally suited to customers' business goals.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 18.3 / 0.7
2016/3 — **19.0** / **1.5**

Business Services Group

The Business Services Group provides a lineup of solutions that combine human operations with IT. These solutions include various business process outsourcing (BPO) services based out of contact centers, verification services that evaluate systems and security from a third-party perspective, and total e-commerce outsourcing services.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 33.7 / 2.1
2016/3 — **39.2** / **2.8**

IT Platform Solutions Group

The IT Platform Solutions Group offers flexible support for a variety of customer initiatives in manufacturing with computer-aided design (CAD), computer-aided engineering (CAE) and other areas as well as IT infrastructure. Leveraging cutting-edge technologies, this group provides products and services that accurately respond to customer needs to flexibly support customers' various businesses.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 64.7 / 5.1
2016/3 — **77.1** / **6.2**

IT Management Group

The IT Management Group provides customers with cloud services comprised of servers, networks, security devices, data centers, and other components that form the base of customers' IT service platforms. These components are arranged into optimal combinations from the perspective of management and operation.

■ Net sales
■ Operating income
(Billions of yen)

2015/3 — 39.3 / 4.8
2016/3 — **39.8** / **4.4**

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Manufacturing Systems Business Group

Growing with Customers and Heightening the International Competitiveness of Japan's Manufacturing Industry

Katsuya Imoto
Director, Senior Managing Executive Officer
General Manager, Manufacturing Systems Business Group

The Manufacturing Systems Business Group provides systems development services as well as maintenance and operation services for the full range of operational processes. Supplying these services on a global scale, we cater to customers in a diverse range of manufacturing industries, including the automobile, home electronics, and electrical and precision machinery industries.

Offerings such as production and inventory management systems, global supply chain management (SCM) systems, and CRM systems are characterized by the high-quality services we offer, steeped in the rich operational knowledge and sophisticated technological capabilities we have developed through close interaction with customers.

Of particular note for our automobile industry product strategies is our automotive software systems business. Operations in this area, which is garnering increasingly high attention, have been positioned as a strategic business, and we are advancing this business through a concerted Companywide effort.

SCSK has a history spanning more than 30 years in the automotive software systems business, and we were among the first to begin employing the AUTOSAR architecture, which is steadily becoming the global standard, and the new method of model-based development. Looking ahead, we will continue to provide products and services that are in line with customer expectations, boasting the high levels of quality and reliability required by the automobile industry while also meeting safety and security needs.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Net sales down due to the absence of large projects that supported performance in the previous year; operating income up following improved productivity and profitability

❯ Deal flow strong for IT investment amid appearance of demand for strategic IT investment for accommodating global operations and other undertakings

Future Initiatives

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 to make contributions to customers' management reforms expeditiously.

First and foremost, we will take an even more earnest stance toward engaging with customers on an individual basis, striving always to develop the deepest possible understanding of customers. By sharing the experience of examining the management issues of customers and of considering and formulating solutions for these issues, we hope to become a true partner to customers, fully capable of providing pertinent advice.

Furthermore, the Manufacturing Systems Business Group aims to create service-oriented businesses for the manufacturing industry by leveraging its experience and expertise as well as the SCSK Group's comprehensive strengths. For example, we plan to utilize Internet of Things (IoT) technologies to provide services related to maintenance for the prevention of product failure, repairs, and secondhand sales in the expansive after-market.

Through these efforts, we aim to contribute to the further development of the manufacturing industry, one of Japan's cornerstone industries employing approximately 10 million people.
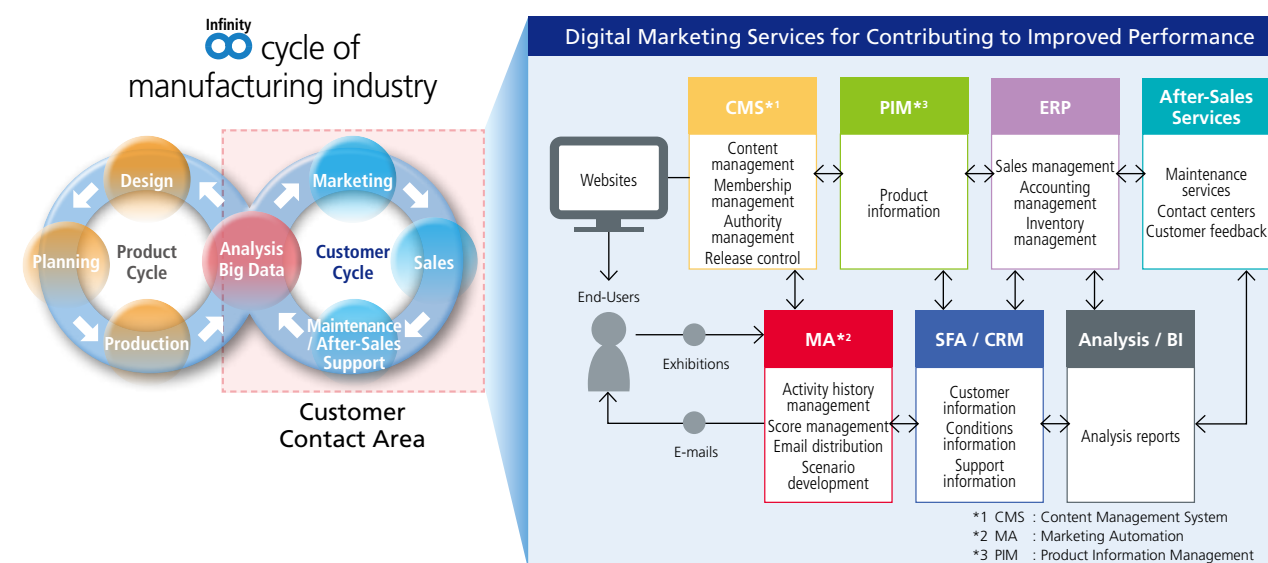
Service-Oriented Businesses (Digital Marketing Services)

According to a recent survey, the value created by companies that actively utilize IT to connect with their customers is substantially higher than the value created by companies that do not utilize IT in this manner. The current era is one in which the competitiveness of companies hinges on the ability to formulate appropriate business strategies based on information collected through a diverse range of customer contact points, including conventional phone calls and call centers as well as websites, social networking sites, and email magazines. In this era, it is crucial to fully understand the thought processes and interests of customers. Aggressive strategic investments are what is required now, specifically those investments that allow companies to take full advantage of IT to provide optimal products and services at the ideal timing for soliciting to customers.

The Manufacturing Systems Business Group provides a complete lineup of services for managing customer contact points. These services include those for individual contact points, such as the development of websites, call center systems, and various contact point operation services. In addition, we also offer services for managing the information accumulated by numerous contact points, including integrating (compile big data) and analyzing this information and proposing utilization methods. Furthermore, we respond to customer information collection needs with support for acquiring more viable information from customer contact points.

❯ ## Overview of Services

∞ cycle of manufacturing industry

Design — Marketing
Planning / Product Cycle — Analysis Big Data / Customer Cycle — Sales
Production — Maintenance / After-Sales Support

Customer Contact Area

Digital Marketing Services for Contributing to Improved Performance

CMS*1 — Content management / Membership management / Authority management / Release control

PIM*3 — Product information

ERP — Sales management / Accounting management / Inventory management

After-Sales Services — Maintenance services / Contact centers / Customer feedback

Websites

End-Users

Exhibitions

E-mails

MA*2 — Activity history management / Score management / Email distribution / Scenario development

SFA / CRM — Customer information / Conditions information / Support information

Analysis / BI — Analysis reports

*1 CMS : Content Management System
*2 MA : Marketing Automation
*3 PIM : Product Information Management

QINeS® Automotive Systems Supporting Automobile Design for a Brighter Future

In recent years, the computerization of automobiles has been advancing rapidly. At the same time, the functions of automobiles have been growing increasingly more sophisticated with each coming year, leading to more complex automotive systems and greatly expanding the volume of development work. These trends have made ensuring reliability of software, a task of utmost importance for automobile manufacturers. SCSK has a history of more than 30 years of providing services and solutions for automotive systems. In 2015, we launched our new AUTOSAR-compliant QINeS® service, which includes made-in-Japan basic software (BSW). We are now able to provide services, including BSW, process creation for development and management, training, and engineering services, on a one-stop basis. Through the sharing of software and the automation of software development processes, we help achieve higher levels of quality and productivity in automotive systems development. In this manner, we are contributing to the realization of a brighter future driven by automobiles that benefits people, society, and the environment.

Shoichi Kondo
Senior Executive Officer,
Automotive Systems
Business Div.

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Telecommunication Systems Business Group

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

Kenji Mukai
Managing Executive Officer
General Manager, Telecommunication Systems Business Group

The Telecommunication Systems Business Group provides optimal integrated services through combinations of various IT solutions to customers in the communications, utilities (electricity and gas), and media fields.

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 (electricity and gas) industry, we are involved in projects in highly specialized areas related to energy policies and electricity deregulation, and are taking initiatives in regard to the construction of a new type of energy management IT system. For the media industry, we handle backbone systems for cable TV and televised home-shopping companies, providing operational and maintenance support for these systems. We work to optimize these companies' CRM systems and strengthen their management base. We also provide full support for IT-related operations.

What these three business areas have in common is the fact that they all have direct interaction with customers' end-users, and to provide the various systems the Company has developed in the area of end-user relations to these three differing customer groups is a significant strength of this group. Through comprehensive, full outsourcing services, the group contributes to reducing the burden of development and operational tasks for its customers.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Net sales and operating income down as a large-scale, media industry system integration project was completed in fiscal 2014

❯ Strong systems development demand in the communications industry and firm demand for systems development and various system upgrades in relation to electricity deregulation in the utilities industry

Future Initiatives

For the new Medium-Term Management Plan, we have identified three key tasks to undertake: (1) further expand our services 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 promote 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 (electricity and Gas), and media, while aiming to establish a solid business foundation and provide prompt support for the new business domains of our customers.

Service-Oriented Businesses (Billing and Customer Management Systems)

One example of a service-oriented business offered by the Telecommunication Systems Business Group is the development and provision of billing and customer management systems for a cable TV operator. The customer we serve in this business operates cable TV channels with 5 million subscribers in total, effectively meaning that this group supplies Japan's largest billing and customer management system, covering more than half of the total cable TV subscribers in Japan.

In this business, SCSK owns customer billing systems as an asset and provides use of the system as a service. As billing systems are core systems for the customer, the provision of these systems by the Telecommunication Systems Business Group has led the group to be called upon to develop and introduce peripheral systems as well as to handle system operation and maintenance. Going forward, we will strive to expand our service-oriented businesses while responding flexibly to changes in customer businesses.

❯ Overview of Services
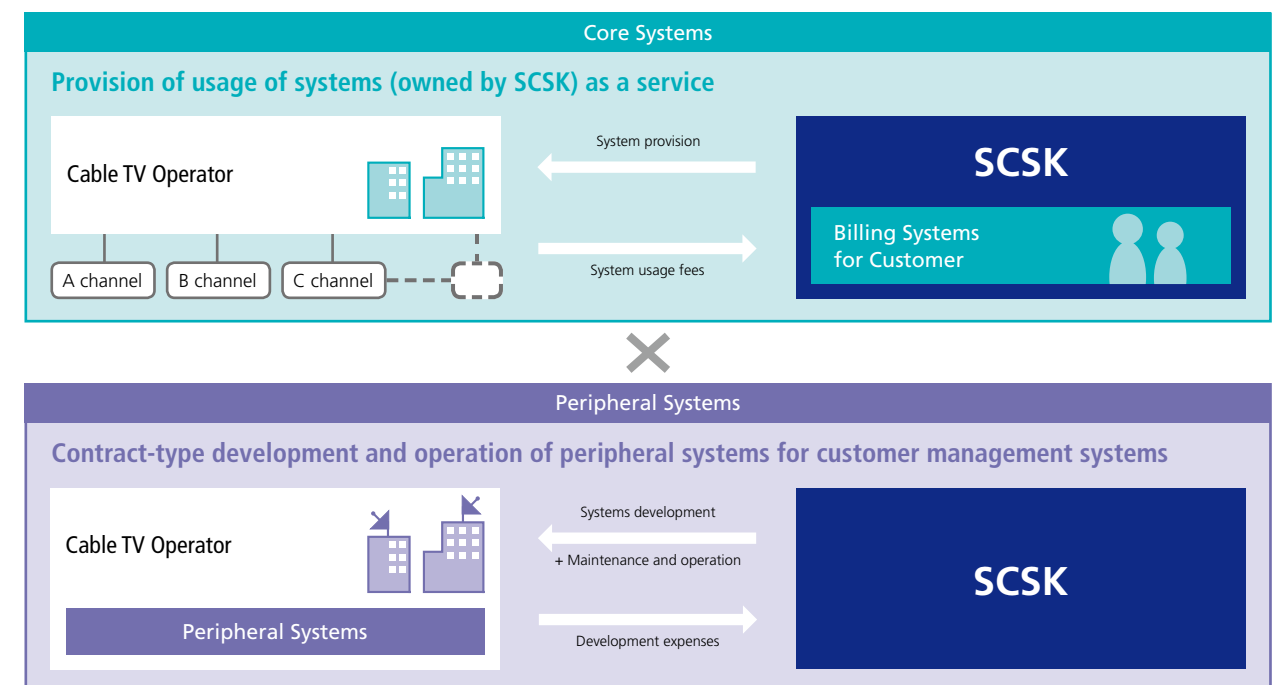
Core Systems

Provision of usage of systems (owned by SCSK) as a service

Cable TV Operator

A channel | B channel | C channel

System provision

System usage fees

SCSK
Billing Systems for Customer

Peripheral Systems

Contract-type development and operation of peripheral systems for customer management systems

Cable TV Operator

Peripheral Systems

Systems development
+ Maintenance and operation

Development expenses

SCSK

Electricity Retail Operation Systems

CASE STUDY Resolving Social Issues through Our Business Activities

Support for Stable Energy Provision

SCSK took part in the development of a fee calculation and customer management system for Japanese electricity provider, Summit Energy Corporation, for its electricity retail operations targeting low-voltage users (standard households and small-scale businesses). In this undertaking, SCSK provided support for the entire project while supplying a cloud platform using its USiZE infrastructure. Summit Energy works to ensure a stable supply of electricity and is also engaged in building new biomass power plants and operating wind power plants to generate energy with low environmental impact. As a business partner to Summit Energy, SCSK has been supporting this company's electricity retail operations since 2013. Such support has included helping refine and develop IT system platforms in conjunction with the expansion of Summit Energy's business and aiding in response to regulatory system revisions. Going forward, SCSK will continue to make such indirect contributions to stable electricity supplies and reduced environmental footprints.

Masakazu Hakuno
General Manager, Energy Systems Dept., Telecommunication & Public Sector Systems Sales Dept.
Deputy General Management, Telecommunication Systems Dept. I

Distribution Systems Business Group

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

Tatsujiro Naito
Director, Senior Managing Executive Officer
General Manager, Distribution Systems Business Group

The Distribution Systems Business Group provides IT solutions services designed specifically for customer industries, such as the trading, distribution, food, pharmaceuticals, and real estate industries.

As for the trading industry, our biggest customer is Sumitomo Corporation and its group companies, to which we provide IT services through one-stop full outsourcing spanning from planning to maintenance and operation to support this group's consolidated global management.

For supermarkets and pharmacies in the distribution industry and for real estate brokerages in the real estate industry, we provide sales support solution services. These solutions include tools for sales promotion, marketing, and data analysis as well as other services that support the frontline operations of our customers.

For the pharmaceuticals industry, we provide data analysis services to enterprises and organizations dealing with clinical development and offer sales support systems for medical representatives (MRs). With these offerings, we maintain a leading share in the sales and marketing solutions area of the pharmaceuticals industry.

Globally, we have operating bases in Japan and in four other countries. With a support structure organized around these five bases, we provide swift, detailed services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Net sales and operating income up due to higher orders for electronic data interchange (EDI) and other cloud services and for development projects in the e-commerce and CRM fields targeting a transition to an omni-channel approach and the utilization of big data

Future Initiatives

In the Distribution Systems Business Group, we aim to provide customers with competitive services. These services will leverage the strengths built on the know-how obtained in providing full outsourcing services for Sumitomo Corporation and our lineup of solutions designed specifically for the distribution, pharmaceuticals, and real estate industries.

For the distribution industry, we will supply cloud-based support services to address the trend toward omni-channel approaches that has been a subject of attention for the entire industry. In addition, we aim to offer new services in the area of big data, such as customer, merchandise, and inventory services.

In addition, as part of our global business expansion, we will help bolster the competitiveness of Japanese companies and support their overseas expansion efforts from an IT perspective. To advance the "entering into the second stage of global business expansion" strategy of our new Medium-Term Management Plan, we will collaborate with other divisions within SCSK in assisting megabanks in their forays into overseas markets and with the automotive software systems business in its future global expansion to strengthen our global operations.

## Service-Oriented Businesses (Omni-channel Support Services)

The Distribution Systems Business Group offers support for the marketing strategies of retailers, consumer goods manufacturers, and other members of the distribution industry. Through this support, we help customers adopt an omni-channel approach by integrating brick and mortar stores, websites, events, and various other sales channels.

The spread of smartphones and social media has served as a catalyst for a change in the purchasing habits of consumers. People are now able to make purchases through a variety of sales channels, unfettered by concerns of time or place, based on information they themselves have collected. In this environment, it is especially important for distributors to create integrated purchasing processes that do not require consumers to consider the channels used.

Against this backdrop, this group will cater to the needs arising from customers' omni-channel marketing strategies. Specifically, we will provide sharing services through cloud service architecture by combining our frontline operation support solutions (including CRM, e-commerce, and Internet-based solutions) with marketing strategy support solutions (including sales data management and analysis), both of which represent areas of strength for this group.

❯ Overview of Services
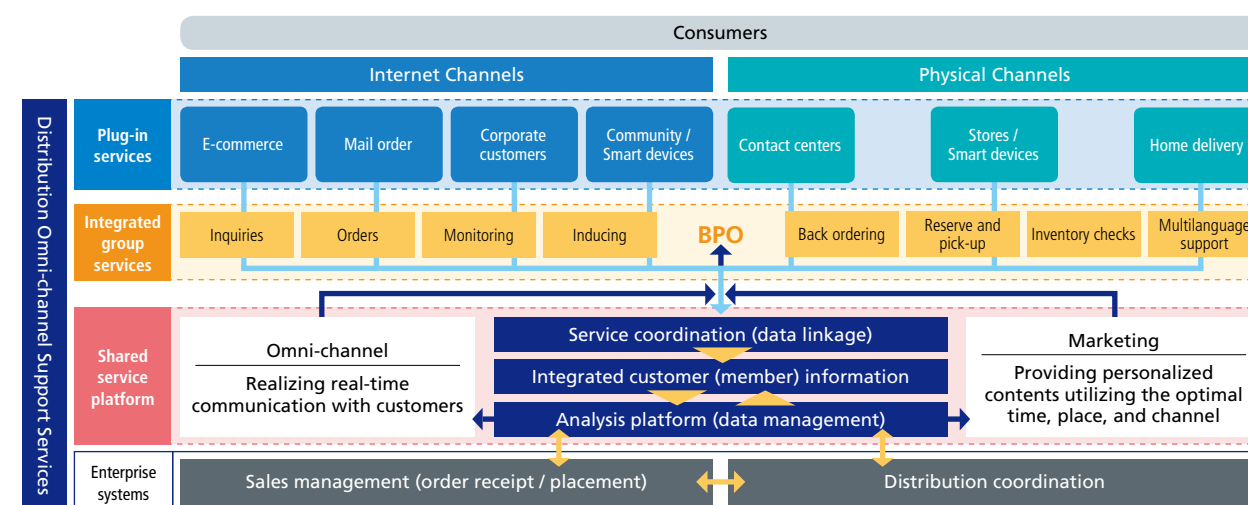
CASE STUDY   Resolving Social Issues through Our Business Activities

Realization of More Fulfilling and Enjoyable Culinary Lives Using IT

As the population in Japan is aging, a growing number of people are becoming unable to go shopping for themselves due to health problems. This situation is becoming a social issue. Against this background, the supermarket industry is expected to function as a community-rooted lifeline for responding to the shopping needs of the community by providing the food that is indispensable to our daily lives. Based on this recognition, we support the operation of supermarkets of all sizes throughout Japan. One way we offer this support is through our super-market cloud electronic data interchange (EDI) service, called "SUMAKURA," which is compliant with the distribution business message standards (BMSs) and endorsed as an industry standard by the four major organizations in the supermarket industry*. This service allows processes ranging from ordering to billing to be conducted seamlessly.

SCSK is also participating in the Scenario 2025 project for researching the ideal form of the supermarkets of the future. Looking ahead, we will work together with the members of the distribution industry, using IT to contribute to the realization of a society in which fulfilling and enjoyable culinary lives may continue to be enjoyed by all.

Hitoshi Akiba
General Manager, Sales Dept.,
Distribution Systems Dept. II

* Four major organizations in the supermarket industry: Japan Supermarkets Association, All Japan Supermarket Association, New Supermarket Association of Japan, and Japan Voluntary Chain Association

Financial Systems Business Group

Creating the Financial Industry's Future Together
with Our Customers

Masanori Furunuma
Director, Executive Vice President
General Manager, Financial Systems Business Group

In the Financial Systems Business Group, SCSK provides systems 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 for financial products continue to become more diverse as institutions expand their operations overseas, as online trading becomes more popular, and as people more frequently use tablets or the Internet to carry out transactions. In this environment, financial institutions are increasingly working to improve the quality of their customer service using IT as they strive to differentiate themselves from others.

The Financial Systems Business Group has established a structure to provide detailed services overseas that adheres to the high standards of Japanese quality. Under this structure, we are taking initiatives to create new business models making use of our overseas bases. For Japanese financial institutions that are expanding overseas, we provide operational systems development and various other services. We also offer support to help Japanese financial institutions develop an extensive menu of sophisticated financial services that can compete with those of Western institutions.

Furthermore, we provide a wide range of solutions for security measures, disaster recovery, and business continuity plans (BCPs) that allow our customers to achieve the financial industry's top priority—safety and security.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Strong demand for development of operational systems to enhance competitiveness among all financial industry customers including banks, securities firms, insurance companies, credit card companies, and leasing companies

❯ Net sales and operating income up due to solid demand for system reforms to address revisions to various regulatory systems

Future Initiatives

The Financial Systems Business Group is taking on the challenge of establishing a business model that provides not only systems development, operation and maintenance services but also Information and Communications Technology (ICT) services specifically for the financial industry, including call centers and BPO services. In conjunction with the expansion of Japanese financial institutions' businesses overseas, our group

is accelerating the construction of a support structure for global services that can provide one-stop, full outsourcing services encompassing the development and operation of enterprise systems and various financial service systems for corporate customers. 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 to the international competitiveness of Japanese financial institutions.

In supporting the overseas expansion 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 cultivate globally competent employees capable of handling complex issues in the various business fields of the financial industry.

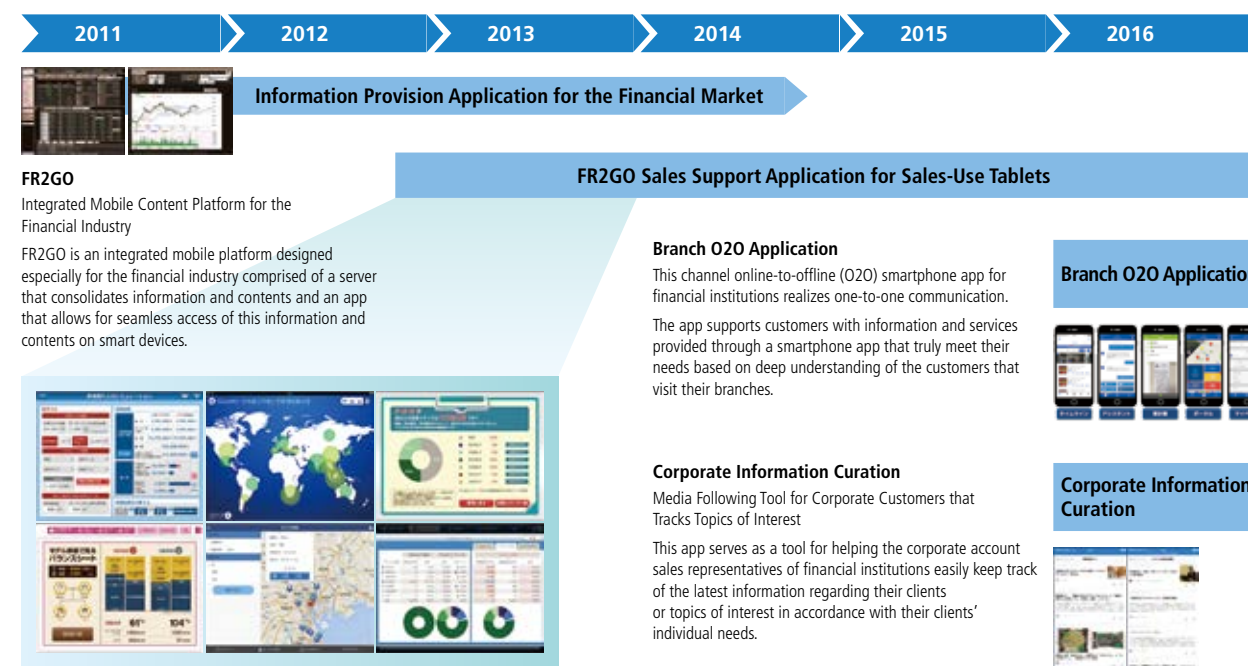## Service-Oriented Businesses (Services for Financial Institutions)

Recently, the rapid spread of smartphones and diversification of consumer needs has been stimulating energetic open innovation activities for creating new value in the financial industry.

Against this backdrop, the Financial Systems Business Group seeks to provide services that are optimally matched to the needs of each individual customer based on a user's perspective. To this end, we are reinforcing our systems for promoting the creation of new financial services. Specifically, we are collecting and verifying information on advanced technologies, which can be seen as the foundations for creating new value.

Based on the information gained through these efforts, we are formulating business models for use in catering to the needs of financial institutions. Specific measures with this regard include developing FinTech* applications for regional banks and enhancing anti-money laundering services. In addition, we are participating in research associations operated by other companies and in consortiums. Also, we are pursuing coordination with FinTech companies in our efforts to create innovative services.

* Portmanteau of "finance" and "technology"

❯ Examples of Initiatives

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |

Information Provision Application for the Financial Market

FR2GO
Integrated Mobile Content Platform for the Financial Industry

FR2GO is an integrated mobile platform designed especially for the financial industry comprised of a server that consolidates information and contents and an app that allows for seamless access of this information and contents on smart devices.

FR2GO Sales Support Application for Sales-Use Tablets

Branch O2O Application
This channel online-to-offline (O2O) smartphone app for financial institutions realizes one-to-one communication.

The app supports customers with information and services provided through a smartphone app that truly meet their needs based on deep understanding of the customers that visit their branches.

Branch O2O Application

Corporate Information Curation
Media Following Tool for Corporate Customers that Tracks Topics of Interest

This app serves as a tool for helping the corporate account sales representatives of financial institutions easily keep track of the latest information regarding their clients or topics of interest in accordance with their clients' individual needs.

Corporate Information Curation

CASE STUDY   Resolving Social Issues through Our Business Activities

Nearshore Development

Utilizing Nearshore Bases for Financial Systems Development

Since systems development demand largely arises in the Tokyo metropolitan area, systems development companies that have bases outside of this area often find it difficult to make full use of their capable human resources as they can face trouble in securing an ongoing supply of orders locally. This situation can cause the employment conditions for skilled engineers seeking to work in their home town to deviate from their desires.

SCSK has transferred certain operations related to functional expansions and maintenance and operation of large-scale systems, primarily financial systems, to subsidiary SCSK Nearshore Systems Corporation (SCSK-NS), which provides system development services out of five domestic bases in Iwate, Kanagawa, Fukui, Miyazaki, and Okinawa prefectures.

Going forward, the Company will continue to work together with SCSK-NS to create local jobs and invigorate local industries while providing robust and secure financial systems to its customers.

Satoshi Ueda
General Manager, Banking, Systems Dept. I
Financial Systems Business Div. I

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Business Solutions Group

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

Masahiko Suzuki
Director, Executive Vice President
General Manager, Business Solutions Group

In the Business Solutions Group, SCSK offers a variety of products through our unique AMO outsourcing services that cover the entire system lifecycle. These services are provided in the optimal format for each of our customers, and center on ERP packages including SAP, Oracle, and our proprietary ProActive package as well as Salesforce and other CRM products and various kinds of data linkage and analysis tools. With our AMO services, customers' systems are remotely maintained and operated from the Company's premises. The greatest strength of these services is their ability to provide customers with a wide-ranging menu of well-organized technical know-how. AMO services are used by numerous customers because they are able to turn expenses for maintenance and operation of systems, which are normally treated as fixed costs, into variable costs.

In addition, we offer cloud environments through FastAPP, an SCSK original high-speed systems development and implementation framework that allows for swift development, easy operation, and flexible improvements of business applications.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Net sales and operating income up

❯ Higher sales due to solid numbers of ProActive and other ERP businesses and increased income following improved productivity and decreased low-margin projects

Future Initiatives

Based on the core strategies of the Medium-Term Management Plan, the Business Solutions Group will accelerate the shift toward proprietary services backed by SCSK's intellectual property and IT assets. We will thus seek to accumulate expertise through involvement in customers operations while making templates for expanding AMO services.

As a measure to reinforce our business foundation in order to accomplish this objective, we will work to ensure that our engineers are multi-skilled 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 enhance frameworks for providing systems development, introduction, maintenance, operation, and other services.

Service-Oriented Businesses (PrimeTiaas)

One of the offerings of the Business Solutions Group is PrimeTiaas, which provides an application service provider (ASP)-type call center platform that allows for contact centers (call centers) to be established swiftly and at low costs.

Users of PrimeTiaas are able to virtually allocate platform resources simply by realigning the tenant partition of the voice platform server. Moreover, this service is provided on a pay-per-use basis to lower the initial investment for starting up a call center and limit ongoing running costs. In addition, PrimeTiaas users may outsource processes other than those related to contact centers to Group companies that supply business process outsourcing (BPO) services.

Going forward, we will continue to address user needs for cloud-based contact centers through system operation and other services, aiming to create a business with the potential to continue well into the future.

❯ Overview of Services

| End-users | PrimeTiaas Telephony infrastructure as a service | Contact Centers (run by SCSK's customers) |

Contact logs　Interactive voice response
Call recording　Automatic call distribution
Computer telephony integration　Reports and analyses

Mediums and Devices

Compatible with Various Usage Styles

In-Home Contact Center
Operators working from Home

BPO Contact Center
Subcontractor
SCSK ServiceWare Corporation

CASE STUDY　Resolving Social Issues through Our Business Activities

Labor Shortage Solutions Using AI Technologies

SCSK offers a service called "Desse," a frequently asked question response system equipped with a question response engine powered by artificial intelligence (AI) technologies. This system provides customers with quick access to the information they seek by having a website-based character process and respond to their request (question). Through such innovative uses of IT, we will endeavor to contribute to society by improving customer convenience and supplying solutions to labor shortages in the labor necessary for responding to customer inquiries.

Tooru Inada
Manager, Section III,
Solution Dept. III,
AMO Business Div. II

Business Services Group

Contributing to Higher Performance for Customers through Services Combining Human Resources, Operational Expertise, and IT

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

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

Out of its 13 contact centers across Japan, SCSK ServiceWare provides various industries with technical support, help desk services, digital communication services, and other BPO services that utilize its robust service provision track record and strong operational know-how.

Backed by years of experience and its systematic verification theory, VeriServe conducts various verification services from the perspective of a third party, independent from the developers' side. These services include system verification for IT-related products as well as verification of applications.

SCSK Prescendo develops outsourcing businesses that offer total outsourcing services, primarily for the fashion and apparel industry, for all the operational processes related to customers' e-commerce operations.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Net sales and operating income up for fourth consecutive year since the merger

❯ Solid performance seen for support services for communications and financial industry, verification services for the manufacturing industry, total outsourcing services for e-commerce, and various other services

Future Initiatives

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. While helping customers reduce costs, we will also contribute to higher earnings through direct approaches for improving operational processes and quality as well as sales activities. In addition, the group will assist customers in expanding into new business domains. Through these efforts, the group aims to provide even higher-value-added services to its customers.

In our digital communications services, we support the operation of the various channels through which customers pursue appropriate communication with end-users. Specially, we provide digital field management services aimed at improving customer satisfaction, ranging from process design and construction to ongoing data management, analysis, and improvement, on a one-stop basis. In addition, through our verification services we participate in projects from the stages of defining requirements and design in order to heighten the quality, cost, and delivery (QCD) aspects of the product and application development process as whole.

Going forward, we will leverage our accumulated management resources and IT platforms to advance initiatives for developing more sophisticated services combining human resources, operational expertise, and IT.

Service-Oriented Businesses (Total E-commerce Outsourcing Services)
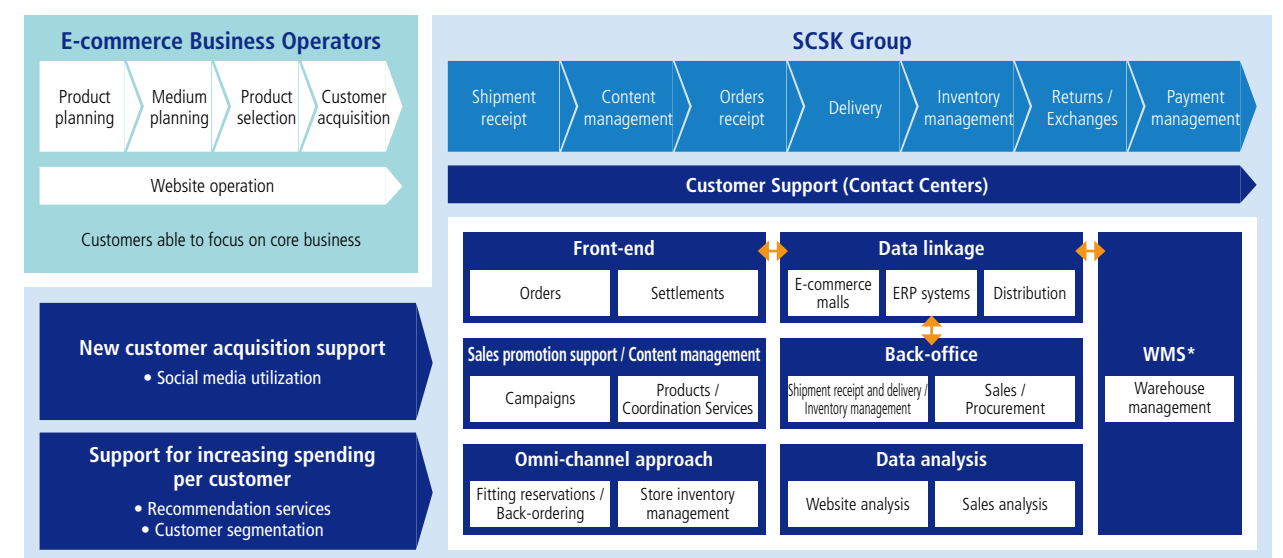
The Business Services Group offers total e-commerce outsourcing services for the fashion and apparel industry. These services encompass all operational processes related to the industry and range from cloud-base services, including construction of websites that potential purchasers view, order receipt and placement systems, and warehouse management systems. In addition, we provide such services as customer support, measuring and photographing services at our logistic centers for products so that they may be listed on websites, uploading of descriptions, and management of incoming and outgoing of deliveries, inventories, returns and exchanges, and payments. Recently, we have also begun providing concierge services in which we respond to phone calls from potential buyers asking about the feel of materials and sizes of products.

It is not uncommon for e-commerce businesses to grow rapidly. SCSK's outsourcing services are able to respond flexibly even if product trading volumes increase, thereby allowing our customers to focus on product planning and customer acquisition without concerning themselves with investments in systems or warehouses.

Looking ahead, we aim to maintain stable operation of these services while preemptively responding to market changes, such as the rising demand for data linkage exemplified by the omni-channel approach, to provide new services that contribute to increased sales for customers.

❯ Overview of Services

E-commerce Business Operators

| Product planning | Medium planning | Product selection | Customer acquisition |

Website operation

Customers able to focus on core business

New customer acquisition support
- Social media utilization

Support for increasing spending per customer
- Recommendation services
- Customer segmentation

SCSK Group

| Shipment receipt | Content management | Orders receipt | Delivery | Inventory management | Returns / Exchanges | Payment management |

Customer Support (Contact Centers)

Front-end

| Orders | Settlements |

Data linkage

| E-commerce malls | ERP systems | Distribution |

Sales promotion support / Content management

| Campaigns | Products / Coordination Services |

Back-office

| Shipment receipt and delivery / Inventory management | Sales / Procurement |

WMS*

Warehouse management

Omni-channel approach

| Fitting reservations / Back-ordering | Store inventory management |

Data analysis

| Website analysis | Sales analysis |

* WMS: Warehouse Management System

CASE STUDY   Resolving Social Issues through Our Business Activities

Support Services for Verification of Development Documents

Support Services for Verification of Development Documents

Contributing to the Advancement of Software-Using Societies

Software has become an indispensable part of our daily lives and is constantly growing more sophisticated and complex, requiring massive amounts of work to develop. If the specification, design, and other development documents for creating software contain contradictions, errors, or ambiguity, it can result in malfunctions in the software.

To prevent such malfunctions, we provide support services for the verification of development documents that utilize proprietarily tools employing the knowledge accumulated over our years of operation to conduct automatic verification of development documents. We then make proposals for improvements after analyzing the results. These services greatly reduce the additional workload required to rework software if malfunctions are detected while contributing to the improvement of quality and lowering development costs. With these and other verification services, we aim to improve the quality of customer services and products and thereby help make society safer and comfortable.

Osamu Kuwano
General Manager, Solutions
Business Dept.,
VeriServe Corporation

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

IT Platform Solutions Group

Bolstering Sales of IT Products and Expanding Maintenance and Operation Services

Naoaki Mashimo
Director, Managing Executive Officer
General Manager, IT Platform Solutions Group

By combining servers and network devices as well as security products, the IT Platform Solutions Group provides support for the development of optimal IT infrastructure. The group also handles IT solutions for each step of the manufacturing process, such as design, planning, simulation analysis, and production preparation, and also provides maintenance and operation services for products and services after they are delivered to customers.

In addition, the IT Platform Solutions Group 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, which include our subsidiary in the United States and the Sumitomo Corporation Group, to cultivate products that possess cutting-edge and unique technologies. In addition, we offer optimal product combinations based on the business operations and needs of our customers by customizing individual products and software in the same manner as one would tune a musical instrument. This ability displays the high-value-added know-how that is our group's greatest strength.

Furthermore, we offer a range of total support services. These services include the Outsourcing Onsite Service, which responds to customer needs for curtailing fixed costs by providing services at customer worksites on a pay-per-use basis through IT equipment owned by the Company, and CarePlus, which has a strong track record in maintenance and operation services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

❯ Double-digit growth for net sales and operating income

❯ High level of IT product sales to communications providers

Future Initiatives

While maintaining its focus on expanding sales from its existing businesses, the IT Platform Solutions Group is also accelerating initiatives for "shifting to service-oriented businesses," a core strategy in the current Medium-Term Management Plan.

In existing businesses, we will harness the various expertise of our five business divisions and work to increase profits through improved efficiency in business management. At the same time, the group will further refine its ability to propose optimal combinations of products with the goal of expanding its businesses.

In its service-oriented businesses, the group will create high-value-added services and provide these services to customers over the long term. As part of these efforts, we have established a project team within the group to facilitate the expansion of our lineup of services performed on behalf of the customer. In addition, while working to enhance the brand image of its existing CarePlus service-oriented business, the group will itemize its service menu by product and bolster its offerings to develop a lineup of highly convenient maintenance and operation services.

To advance these initiatives, it will be essential to develop human resources that have deep knowledge and skills related to product development and that are able to make proposals to customers. The group will assemble engineers currently dispersed throughout Japan in its IT technology centers, integrate education programs, and work to enhance employee technological capabilities through intensive trainings.
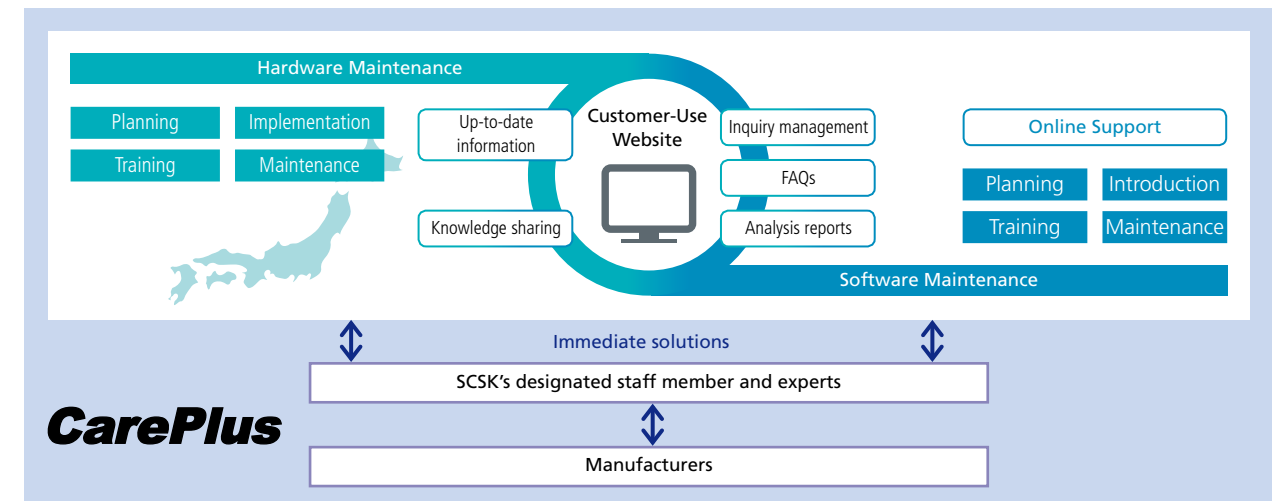
Service-Oriented Businesses

Under its CarePlus brand, the IT Platform Solutions Group offers a lineup of total support services, ranging from installation (planning and construction) to training, monitoring, maintenance and operation, for network, security, server, storage, and other IT infrastructure equipment. Furthermore, we bolstered our lineup in fiscal 2015 to include services for users of designing services, simulation analysis services, and production preparation software services and for various middleware users. Specifically, we provide website-based inquiry response services and technology information provision services. In addition, we now provide the Outsourcing Onsite Service, a pay-per-use service in which customers can use services provided through IT equipment owned by the Company instead of purchasing their own equipment. This service addresses the needs for loan-based IT equipment usage styles that differ from the traditional ownership style of purchasing and operating the equipment used in one's business.

In the future, we will continue to differentiate SCSK's offerings from those of rivals by developing a broader and more sophisticated service menu for CarePlus and the Outsourcing Onsite Service. We will work to grow sales of maintenance and operation services by increasing the feeling of trust we provide to customers while advancing initiatives to bolster product sales.

❯ Overview of CarePlus Services

Hardware Maintenance			Customer-Use Website		Online Support	
Planning	Implementation	Up-to-date information		Inquiry management		
Training	Maintenance			FAQs	Planning	Introduction
		Knowledge sharing		Analysis reports	Training	Maintenance
				Software Maintenance		

CarePlus

Immediate solutions

SCSK's designated staff member and experts

Manufacturers

CASE STUDY Resolving Social Issues through Our Business Activities

YAMAHA
ネットワーク機器

Comfortable Networking Environments Using Yamaha Routers for the Small and Medium-Sized Companies that are Supporting Japan

Routers are a type of network equipment used to connect LAN lines to Internet and WAN services. However, installing routers is not only incredibly expensive, but configuring and operating this equipment can be exceptionally difficult, creating a high hurdle for introduction at small and medium-sized companies.

Working together with Yamaha Corporation, SCSK strives to help small and medium-sized companies overcome this hurdle by promoting low-price, high-stability routers that are easily installed. We pursue this goal in our capacity as the general distributor for Yamaha network devices in Japan.

Yamaha network devices can track the status of LAN connections to resolve issues related to LAN environments, which have recently come to be characterized by complex arrangements of equipment and cables, and thereby enable networks to be used comfortably. By offering solutions that allow network operation at multiple stores to be managed by a small number of people, we are helping resolve the issues faced by small and medium-sized companies.

Takao Yoshida
General Manager, Network Product Dept.
IT Products & Services Div.

IT Management Group

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

Tetsuya Ueda
Managing Executive Officer
General Manager, IT Management Group

The IT Management Group works to resolve the issues its 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 management of data centers that store customer data, we help customers eliminate management risks and improve corporate value.

This group is strengthening its overall capacity to provide IT management services based on three themes. The first theme is "proof of stable IT services." Our efforts in this area include utilizing unique frameworks for visualizing various issues related to IT services in order to provide stable services that offer reassurance. The second theme is "realization of continuously evolving IT services." With regard to this theme, we seek to improve the operational quality of customer systems to stabilize customer business foundations. The third theme is "provision of customer-value-creating IT services." Based on this theme, we work to discover what types of value customers are in need of and what they will need in the future so that we can address these needs. The IT Management Group defines its mission as contributing to the creation of value for customers through the provision of such IT services.

Review of Fiscal 2015 and Future Initiatives

Review of Fiscal 2015

➤ Full-fledged, industry-wide IT demand growth trend in various fields due to customer needs for IaaS, PaaS, and other cloud-based IT services for strengthening businesses and improving operational efficiency

Future Initiatives

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 order to promote service innovation, the group will move forward with the advancement of core services, such as system operation, security, network, 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 give form to customer desires, the group will provide the IT strategy formulation support service, a service in which service managers work together with the customer in on-site operations and formulate medium-term IT investment plans.

Furthermore, the group is working to bolster its competitiveness by improving convenience and the overall quality of its services and business operations. At the same time, to promote 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 services and also further its global expansion. Through these efforts, the group will strive to make greater contributions to improving the corporate value of customer companies.

Service-Oriented Businesses (Security Services)

The IT Management Group offers various security services, including security services that monitor network equipment from our data centers as well as hybrid-security services that combine monitoring and operations by stationing engineers at customer premises to implement provisional response measures when an issue arises. At the moment, several operating environment developments are stimulating brisk investment in construction and operation of security systems. These developments include the obligation for private-sector companies (electricity-, communications-, waterworks-, and financial-sector companies) to institute security measures described in The Basic Act on Cybersecurity, the occurrence of incidents regarding information leakages from within companies and targeted attacks, and the rising management risk awareness accompanying economic globalization. However, there are currently very few engineers that understand security systems well enough to be able to respond to these types of threats appropriately, and this lack of human resources with security skills is exceptionally severe among our customers. To address this issue, we offer services in which engineers stationed at customer premises are well-versed on the customer's system environment or the engineers that operate customers' data center systems offer operational support for customer security systems. By becoming a close-by and reliable partner to customers, these engineers help eliminate and reduce the management risks threatening customers. SCSK will continue to cultivate greater numbers of engineers with a strong understanding of security systems going forward in order to contribute to the advancement of comprehensive IT management at customer facilities.

➤ Overview of Services

Value Creation through IT Management

Customers

Elimination of Management Risks and Optimization of IT Investments

SCSK Overall Capacities

Provision of Customer-Value-Creating IT Services

Realization of Continuously Evolving IT Services

Platform construction | On-site operation
Cloud services
Data centers
Security

Proof of Stable IT Services

Visualization of operation processes | Quality improvement

Stable service PDCA cycles

Customer issues → Requirement clarification → Issue visualization → IT implementation plans → Understanding of operations and sharing of issues / IT optimization and standardization of operations → Analysis/Evaluation → Improvement plan drafting

CASE STUDY   Resolving Social Issues through Our Business Activities

SECURE YOUR SITE

IT Risk Management Support Services Contributing to the Development of a Sound Information-Oriented Society

The recent trend toward more sophisticated management has made IT risk management related to personal information and information on business partners a task of extreme importance. SCSK strives to protect customers' precious IT assets from various threats. To prepare for incidental threats, such as natural disasters or human error, we offer solid physical security measures and total IT platform management services. In addition, we help combat threats of malicious intent, such as security breaches by hackers and information leaks by insiders, with our security consulting and remote monitoring services as well as our state-of-the-art security technologies. IT platforms are likely to become even more important fixtures of social infrastructure going forward. We will therefore continue contributing to society by providing environments that allow for management information to be used safely and comfortably.

Chihiro Uchida
General Manager, Security
Services Dept.,
netX Data Center Business Div.

Strength for Achieving Sustainable Growth

Corporate Governance

SCSK is working to ensure transparency in management, strengthen appropriate governance and monitoring structures, and enhance the soundness of management through ongoing risk management.

Basic Policy

Embracing its focus on corporate social responsibility (CSR), the SCSK Group conducts business activities with an eye to shareholders and other stakeholders. From this perspective, the Group considers raising the efficiency and soundness of management as well as ensuring transparency in the decision making process as the most basic components of its corporate governance. Rating these matters high among management priorities, we aim to build an optimal management structure that befits SCSK.

The Company transitioned from the Company with Board of Company Auditors to the Company with Audit and Supervisory Committee in June 2016. In conjunction with this transition, the Company converted its structure from that of a Company with Board of Company Auditors to become a Company with Audit and Supervisory Committee, where outside directors form a majority. This move was made to enhance the management oversight function of the Board of Directors and strengthen corporate governance structure in order to improve the soundness and efficiency of management.

Corporate Governance Structure

Board of Directors
As of June 28, 2016, the Board of Directors comprised 19 members, including five outside directors, of which four were independent directors. The Board of Directors makes decisions on important management issues and supervises operational execution.

Executive Officers
The Company introduced an executive officer system on January 1, 2005. Through this system, executive officers are assigned responsibility for areas of operational execution based on the directions of the president and act in accordance with the management policies decided by the Board of Directors. This system clarifies that authority for making decisions on important management matters and supervising operational execution collectively resides with the Board of Directors. In addition, the system allows for the establishment and strengthening of oversight systems to ensure that effective operational execution can be conducted based on swifter decisions regarding management policies by the Board of Directors. In these ways, the executive officer system contributes to enhanced corporate governance.

Management Committee
The Management Committee, made up of members including directors and executive officers, has been established to function as an advisory body to the president with regard to important operational execution matters. This committee was created with the aim of strengthening both corporate governance and operational execution capabilities by creating a system with clear separation of management oversight and execution functions in which executive officers, including the president, have authority and responsible for matters of daily operational execution.

Nomination and Remuneration Advisory Committee
The Nomination and Remuneration Advisory Committee is a committee voluntarily established by the Board of Directors with the purpose of strengthening the oversight function of the Board of Directors and increasing management transparency.

Outside directors that are also designated as independent directors make up a majority of the members of the Nomination and Remuneration Advisory Committee. This committee is responsible for discussing director candidates and remuneration.
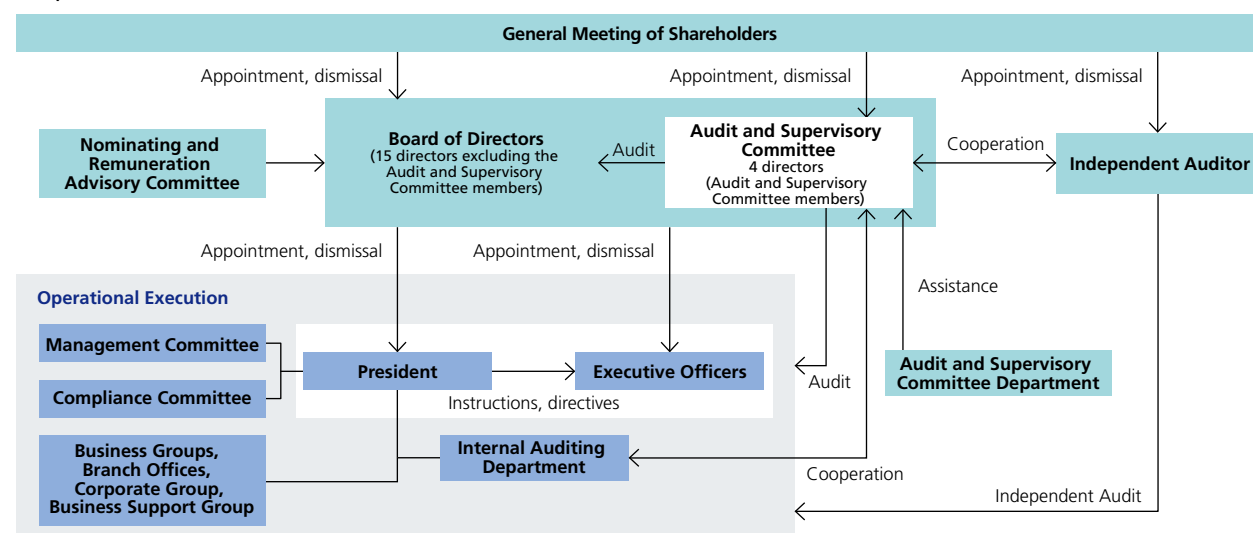
Audit and Supervisory Committee
The Company has established the Audit and Supervisory Committee, which is intended to install a monitoring system centered around oversight of operational execution by the Board of Directors as well as audits and supervision by the Audit and Supervisory Committee.

The Audit and Supervisory Committee is membered by four outside directors, of which three are independent directors. The committee receives reports on important audit-related matters, based on which it holds discussions and makes decisions.

Audits by Audit and Supervisory Committee
In addition to periodically receiving reports from the Internal Auditing Department, the Audit and Supervisory Committee is able to request to conduct investigations when necessary. The Audit and Supervisory Committee also meets regularly with the independent auditor to audit and supervise the execution of duties by directors (excluding those directors that serve as members of the Audit and Supervisory Committee) and the operational execution of executive officers.

Members of the Audit and Supervisory Committee attend meetings of the Board of Directors and other important meetings and request reports on the business activities of directors (excluding those directors that serve as members of the Audit and Supervisory Committee) and executive officers when necessary in order to collect information on the status of operational execution. In addition, the Company has established the Audit and Supervisory Committee Department to aid the activities of the Audit and Supervisory Committee. Equipped with a dedicated staff, this department helps heighten the effectiveness of audits.

Internal Controls
A Basic Policy on Internal Controls has been formulated to ensure that operational execution and other activities by directors comply with applicable laws and regulations. The policy ensures the Company has a system to confirm that internal controls are functioning effectively. By continuously reviewing this policy in line with the changing management environment, SCSK is building a structure of the internal controls system that addresses needs as they arise.

Internal Audits
The Internal Auditing Department is under the direct supervision of the president and acts as an internal auditing system in order to confirm that internal controls are functioning effectively and to supervise the implementation of internal controls.

The department examines and evaluates the control activities and risk management activities of all business activities of SCSK and its subsidiaries and affiliates that the Company has a management authority over. These examinations and evaluations are conducted from an independent and objective standpoint and are based on laws and regulations as well as management policies. When necessary, the department provides recommendations 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.

Corporate Governance Structure

Transition to Company with Audit and Supervisory Committee

Following a resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016, the Company transitioned from the previously adopted the Company with Board of Company Auditors to the Company with Audit and Supervisory Committee. In conjunction with this transition, the Company established an Audit and Supervisory Committee membered by a majority of outside directors.

The transition to the Company with Audit and Supervisory Committee entails certain members of the Audit and Supervisory Committee serving as members of the Board of Directors. In this capacity, they contribute to a more-effective supervisory function by participating in and supervising the Board of Directors. In addition, this system enables swifter management decisions by allowing the authority for important operational execution decisions to be delegated from the Board of Directors to individual directors.

Before **Company with Board of Company Auditors**

After **Company with Audit and Supervisory Committee**

Corporate Governance
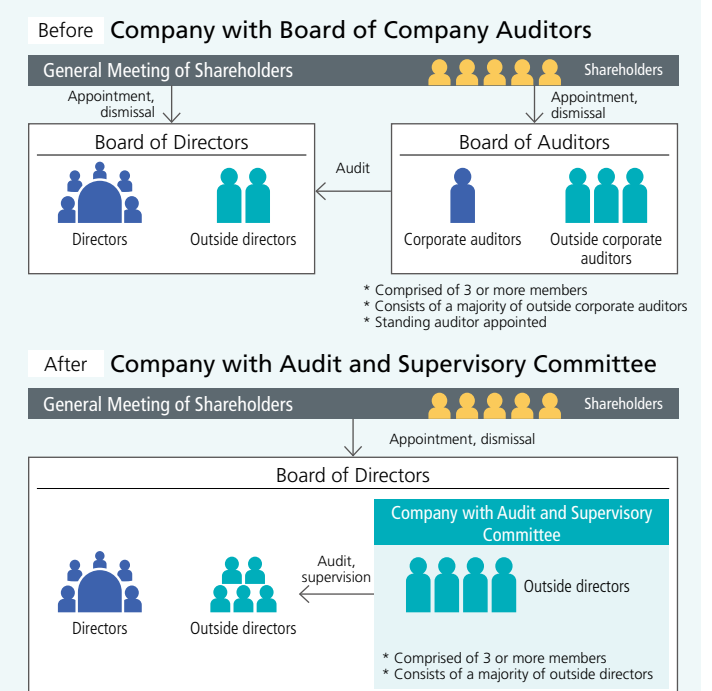
Independent and Outside Directors

SCSK observes the conditions for outside directors provided by the Companies Act of Japan as well as the independence criteria stipulated by the Tokyo Stock Exchange. As such, four of the Company's five outside directors have been designated as independent directors. By appointing such independent outside directors that present no risk of conflicts of interest with general shareholders, the Company has enabled discussions at meetings of the Board of Directors to incorporate opinions from independent, impartial perspectives.

Remuneration for Directors

The policies, procedures, and calculation methods, and exact amounts of remuneration of directors (excluding those directors that serve as members of the Audit and Supervisory Committee) are discussed in the Nomination and Remuneration Advisory Committee and then decided by the Board of Directors. Calculation methods take into account the Company's business scale and the need to secure human resources, and individual remuneration amounts are determined in consideration of the accomplishments of specific directors and the Company's business performance. Remuneration amounts for directors that serve as members of the Audit and Supervisory Committee are decided through discussions among directors that serve as members of the Audit and Supervisory Committee.

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. At the Ordinary General Meeting of Shareholders held on June 28, 2016, the upper limits for annual director remuneration were set as follows.

Upper Limits for Annual Director Remuneration:

Internal directors (excluding those directors that serve as members of the Audit and Supervisory Committee) ¥960 million

Outside directors (excluding those directors that serve as members of the Audit and Supervisory Committee) ¥40 million

Directors that serve as members of the Audit and Supervisory Committee ¥150 million

Remuneration for Fiscal 2015

Category	Number of People	Remuneration Amount
Directors	19	¥767 million
Corporate auditors	4	¥58 million

Risk Management

SCSK has set the Risk Management Regulation in relation to the risks it may be exposed to during its business activities. The regulation divides risks 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. In accordance with this regulation, SCSK makes efforts to thoroughly understand and anticipate risks both inside and outside the Company and makes recommendations to its management on how to address risks. In this way, SCSK works to maintain and enhance its credibility as a corporation. At the same time, in the case that a risk materializes, the Company works to minimize losses and maintain stable business activities.

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.

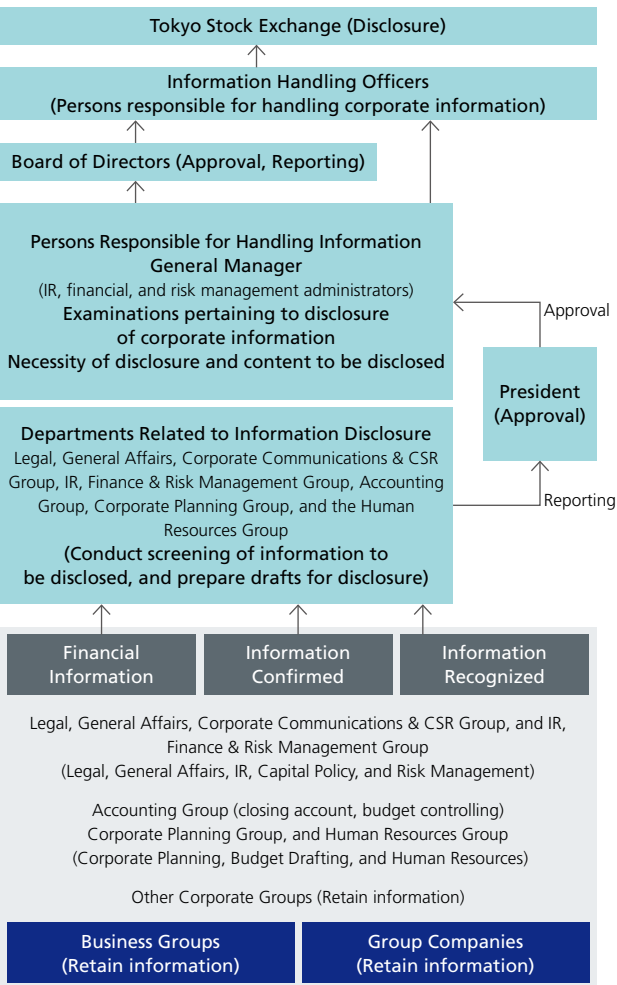| Outside Director	Outside Directors (Audit and Supervisory Committee Members)			
Iwao Fuchigami	Yoshiharu Takano	Shigeki Yasunami	Yuko Yasuda	Shigenobu Aikyo
Independent Director	Independent Director	Independent Director	Independent Director

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, has established the following system for the disclosure of corporate information. Through this system, we work to disclose information in a timely, appropriate, and fair manner.

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 effective collection of information that is subject to disclosure, screen what is to be disclosed, and prepare drafts for disclosure.
2. Upon receiving authorization from the president, information handling officers—the persons responsible for supervising the management and disclosure of information—confirm the content and determine whether disclosure is required.
3. The information handling officers appropriately disclose corporate information after receiving approval from the Board of Directors when necessary.

Structure for Timely Disclosure

Tokyo Stock Exchange (Disclosure)

Information Handling Officers
(Persons responsible for handling corporate information)

Board of Directors (Approval, Reporting)

Persons Responsible for Handling Information
General Manager
(IR, financial, and risk management administrators)
Examinations pertaining to disclosure
of corporate information
Necessity of disclosure and content to be disclosed

Approval

President
(Approval)

Departments Related to Information Disclosure
Legal, General Affairs, Corporate Communications & CSR Group, IR, Finance & Risk Management Group, Accounting Group, Corporate Planning Group, and the Human Resources Group
(Conduct screening of information to be disclosed, and prepare drafts for disclosure)

Reporting

Financial Information	Information Confirmed	Information Recognized

Legal, General Affairs, Corporate Communications & CSR Group, and IR, Finance & Risk Management Group
(Legal, General Affairs, IR, Capital Policy, and Risk Management)

Accounting Group (closing account, budget controlling)
Corporate Planning Group, and Human Resources Group
(Corporate Planning, Budget Drafting, and Human Resources)

Other Corporate Groups (Retain information)

Business Groups (Retain information)	Group Companies (Retain information)

Communication with Shareholders and Other Investors

SCSK regards investor relations (IR) activities as a way to establish a constructive relationship with capital markets and build trust in relationships with shareholders and other investors though the timely, fair, and voluntary disclosure of corporate information. A director has been assigned responsibility for conducting IR activities. Centered on this director, the Company has established internal systems for ensuring the appropriate and timely disclosure of information on corporate activities for shareholders and other investors. In terms of actual communication, we work to facilitate direct discussions between this director and shareholders and other investors whenever possible. In addition, SCSK positions IR activities as strategic activities for the enhancement of corporate value and is therefore actively promoting IR activities. Specifically, the Company holds quarterly briefings on financial results and plans and conducts briefings on business activities and business strategies as appropriate. In addition, SCSK makes efforts to regularly conduct road shows to visit overseas investors and expand the range of IR-related information disclosed on the Company website.

Recognized in the 2015 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 for the second consecutive year at the 21th annual (fiscal 2015) 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 stance for IR; 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 to the conditions of each industry.

ディスクロージャー
2015年度 優良企業

Disclosure

日本証券アナリスト協会
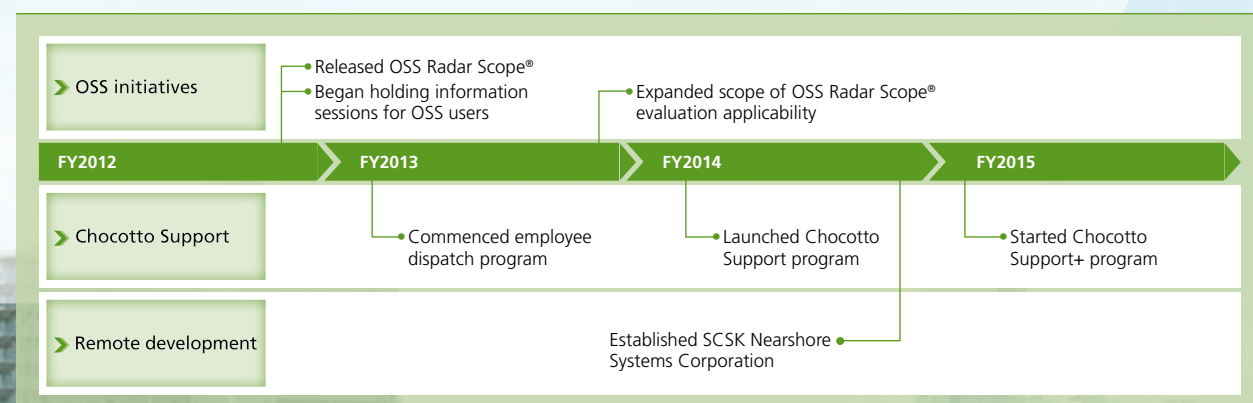The Securities Analysts Association of Japan

Creating an Affluent Society together with Our Customers

Through our IT services, we are working to improve convenience and help resolve social issues in response to stakeholder needs. Together with our customers, we aim for the realization of a pleasant and affluent society.

ISO 26000 Core Subject	FY2016 Targets	Related Pages	
Consumer issues	• Creation of businesses that will lead to the resolution of social issues • Advancement of R&D activities • Provision of technology-related information • Promotion of user experience and usability	Pursuit of Operational Quality and Enhanced Operational Efficiency	Pages 14–15
		Case Study	Pages 35–49
		Open Source Software (OSS)	Page 57
		R&D Initiatives	Page 57
		Ino-one	Page 58
Community involvement and development	• Communication with stakeholders • Expansion of nearshore development • Encouragement of employee participation in social contribution activities	Nearshore Development	Page 58
		Resolution of Social Issues through our Business Activities (BankSavior™ case study)	Page 59
		Social Contribution Activities	Page 59
The environment	• Implementation of environmental management • Advancement of energy- and resource-saving activities at offices • Management of waste and harmful chemical substances • Promotion of green procurement	SCSK corporate website	

	FY2012	FY2013	FY2014	FY2015
OSS initiatives		• Released OSS Radar Scope® • Began holding information sessions for OSS users	• Expanded scope of OSS Radar Scope® evaluation applicability	
Chocotto Support		• Commenced employee dispatch program	• Launched Chocotto Support program	• Started Chocotto Support+ program
Remote development			• Established SCSK Nearshore Systems Corporation	

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. ICT is now 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 research and development, conduct verification of new technologies, and raise internal awareness regarding those new technologies.

Open Source Software

Open Source Software (OSS) has become indispensable to the IT platforms that support social infrastructure. However, the introduction of OSS into company systems is usually preceded by concerns arising from a lack of information or uneasiness regarding the availability of related support. At SCSK, we promote the advancement of OSS while encouraging its adoption with technologies related to the use and development of such software.

At the same time, we are actively building relationships with communities by providing the latest OSS information by means of our OSS selection support services and OSS technology verification reports as well as through information sessions for OSS users.
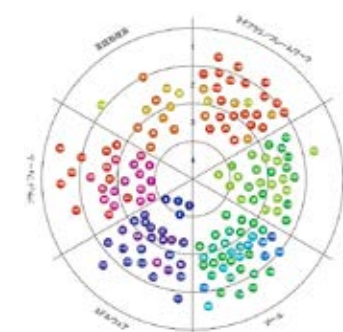
OSS Radar Scope®:
A service that ranks OSS through evaluations using proprietary SCSK standards and also compiles radar charts based on these evaluations

R&D Initiatives

SCSK selects R&D themes based on IT market changes as well as the type of ICT environment in demand among companies. When choosing themes, we determine those technologies that will be of importance to SCSK based on trends in the development of cutting-edge technologies, thereby ensuring that the results of R&D activities will be applicable to the Company's services.

R&D themes include individual technology areas that have continued to drive the advancement of IT trends, such as cloud computing, mobile, and big data technologies. In addition, the Internet of Things (IoT), which combines these technologies to create new ICT environments and usage value, has been picked up as an R&D theme, and we are proceeding with R&D activities to allow us to accurately respond to changes in the IT market.

AI / Machine Learning	The Internet of Things (IoT)
We are advancing research and development of big data processing technologies as well as of technologies for creating value from the perspectives of more autonomous and efficient natural language processing and machine learning.	We are advancing surveys and verification of the situations in which the IoT is used and the basic technologies needed to facilitate such use.

R&D Themes

Technology Trends	Next-Generation System Platforms
Based on an understanding of IT market changes as well as trends among competitors and analyses of business directives, the Company identifies the technological fields and specific areas to be focused on going forward.	The Company is pushing forward with surveys and research on the automation technologies, application programming interface development and usage technologies, and other technologies that will be crucial to creating next-generation systems.

Initiatives as a Company that Exercises Employee Potential
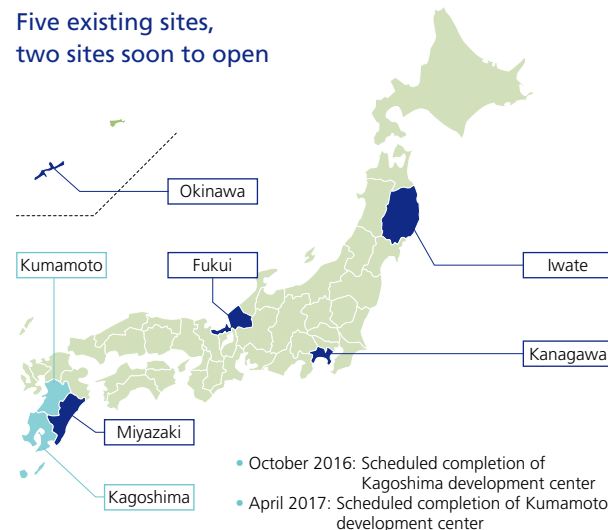
SCSK Technology Contest technoco

We began holding the SCSK Technology Contest technoco in fiscal 2015 to provide an opportunity for competitors of various ages and technical skill levels to exercise their creativity and seek stimulation from various perspectives. technoco is an event that seeks to advertise the interesting and fun nature of technology as well as the joy of coming up with imaginative new ideas. As such, the event attracts individuals looking to try out new technologies as well as those wishing to show off their fine-honed skills and techniques and those wanting to give form to their brainchild. The participants in this event form teams and then immerse themselves in application development or technical craftsmanship. In the future, we plan to continue holding such events in order to provide employees with opportunities to expand their potential and unlock new possibilities for technology.

テクのこ
Technology Contest

Key CSR issue: Creating an Affluent Society together with Our Customers

Nearshore Development to Contribute to the Local Community

Five existing sites, two sites soon to open

Okinawa

Kumamoto

Fukui

Iwate

Kanagawa

Miyazaki

Kagoshima

- October 2016: Scheduled completion of Kagoshima development center
- April 2017: Scheduled completion of Kumamoto development center

SCSK is currently expanding the scale of its nearshore development operations*1 in order to advance strategic businesses.

We are reinforcing the operating structures of SCSK Nearshore Systems Corporation, a subsidiary responsible for nearshore development. At the same time, we are utilizing the diversity of the company's staff, which includes those individuals seeking to work in rural areas and senior citizen employees, and collaborating with locally based IT companies. Through these efforts, we are working to transfer management to prefectural bases for enhancement development*2 projects that SCSK continues to manage out of the Tokyo metropolitan area. In this manner, SCSK Nearshore Systems strives to create jobs for IT human resources at prefectural bases while deploying the working style reforms advocated by the Company in these areas to realize a rural IT industry with people-drawing power.

*1. Nearshore development: Systems development activities performed at domestic offices outside of Tokyo
*2. Enhancement development: Maintenance development services that entail improving and refining existing systems to enhance performance and quality or expand, systems, and/or add new features

Ino-one Employee-Driven Idea Innovation Program

Ino-one is a program that encourages employees to produce innovative ideas that can be used in creating new businesses for SCSK. First held in fiscal 2010, this program invites employees to submit ideas born out of unrestrained thinking that extend beyond the boundaries of everyday work. Promising submissions undergo a period of examination after which they are transformed into new businesses when feasible.

The aim of Ino-one is to foster a culture that encourages a wide range of employees to actively think and thereby uncover ideas that will drive the future growth and evolution of the Company. The competition is also designed to incorporate the diverse perspectives and experiences of employees into their work and create new innovations and value.

Over the six years during which this contest has been held, a total of approximately 1,000 employees from across the Group have participated, and we have received roughly 570 idea submissions. Three of the submitted ideas have been transformed into new businesses, while the business feasibility of two others is currently being investigated (as of June 2016).


イノワン 2016

Open to all SCSK Group employees

Create ideas → Formulate business plans → Hypothetically examine business plans → Establish new businesses

Support from both inside and outside of the Company

Resources needed for examination

Company support for realizing business plans

Comment from Proposer of 2nd Place-Winning Idea in FY2015 Ino-one

Long Road to Commercialization

Seeing the Ino-one as a chance to give form to those ideas we are always thinking, my coworkers and I put our heads together to come up with a submission. I was able to remain committed to this undertaking, even when times were tough, thanks to the support and cooperation of my coworkers and supervisor, and I am extremely pleased to now have this opportunity to commercialize our idea.

As a representative of our team, I am currently engaged in a project for commercializing our submission. There are a lot of obstacles to be overcome on this long road, but I will forge ahead toward commercialization while conducting ongoing investigations and examinations.

Jun Okui
SCSK ServiceWare Corporation
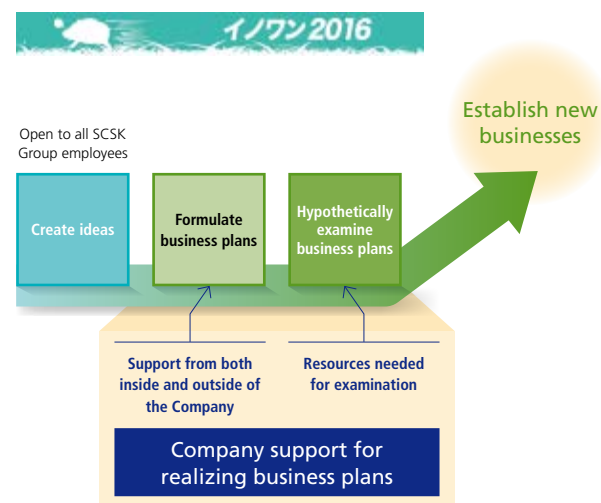
Resolution of Social Contributions through Our Business Activities

BankSavior

Contribution to the Prevention of to Financial Crimes

BankSavior™ is a monitoring solution for detecting and preventing money laundering, bank transfer scams, and various other financial crimes related to financial institutions, including those involving antisocial forces.

BankSavior™ uses transaction data and customer information, such as that on withdrawals and deposits at ATMs and Internet transactions, to identify transactions that have a high possibility of being connected to financial crime. Accounts in which problematic transactions take place are monitored by operational divisions. In addition, we also hold BankSavior™ user meetings twice a year to provide users with information about financial crimes and allow them to share information amongst themselves, thereby supporting crime prevention measures in the financial industry.

BankSavior™ user meeting

Social Contribution Activities

CAMP
Children's Art Museum & Park

CAMP

Through workshops, the Children's Art Museum & Park (CAMP) program fosters child creativity in interactive settings. The creative activities, group work, and project presentations that children can participate in at these workshops help expand circles of communication. Many of the adult facilitators that support these workshops are SCSK employee volunteers.

CAMP Workshops Held	(April 2001 – March 2016)
Number of CAMP workshops held:	746
Number of CAMP workshop participants:	14,888
Number of SCSK employee facilitators:	806

Earth One

Earth One

This is a social contribution activities club consisting of employee volunteers. The club contributes to society by holding charity events, engaging in volunteer work, and making donations. Through these activities, Earth One members aid environmental preservation and regional development activities and also offer support for developing countries and for people with disabilities. In fiscal 2015, Earth One members jointly sponsored the "Fifth Annual Yell Run in Yokohama Red Brick Park Supported by VISA, AIG," which was hosted by the Special Olympics Nippon Foundation, by working as part of its steering committee. Members also offered support to the social participation efforts of people with disabilities and took part in environmental preservation activities, reconstruction support efforts in the quake-stricken Tohoku region, and other initiatives in various regions.

Initiatives as a Company that Exercises Employee Potential

Tohoku Entrepreneur Support Program

Working together with general incorporated association MAKOTO, we provide the Chocotto Support from SCSK (Chocotto Support) program, which entails employees volunteering to work pro bono, leveraging their work skills and specialist knowledge and experience to resolve IT-related issues faced by entrepreneurs in the Tohoku region.

Since 2015, we have received the support of NPO Nimaime-no-Meishi, which has allowed us to expand this program to create the improved Chocotto Support from SCSK+ (Chocotto Support+) program.

In this reinvented program, volunteers are not limited to SCSK employees, but rather include various working adults from both inside and outside the Company, who provide support to Tohoku entrepreneurs in IT and other areas. This program grants SCSK employees the chance to participate in jointprojects advanced by teams with members from various industries, a growth opportunity that is not often found in everyday operations.

ちょこサポ

Becoming a Company with a Pleasant and Rewarding Workplace

Under our aim of "becoming a company with a pleasant and rewarding workplace," we have established four underlying themes: work–life balance, diversity, health and productivity management, and human resource development. With a focus on propagating these themes into the overall IT industry, we engage in various initiatives.

ISO 26000 Core Subject	FY2016 Targets	Related Pages
Labour practices	• Implementation of working style reforms	
	• Promotion of women's empowerment in the workplace	Initiatives as a Company that Exercises Employee Potential — Pages 16-17
	• Advancement of diversity measures	Working Style Reforms — Page 61
	• Promotion of work–life balance	Work–Life Balance — Page 62
	• Enhancement of human resource development measures	Diversity — Page 62
	• Institution of IT Skill Level Assessment system	Health and Productivity Management — Page 64
	• Practice of health and productivity management	Human Resource Development — Page 65
	• Placement of human resources in optimal positions	
Human rights	• Thorough respect for human rights	SCSK corporate website

A Company with a Pleasant and Rewarding Workplace

At SCSK, we are reinforcing our working style reform efforts under the belief that this brings about a virtuous cycle. Specifically, the added value brought about by each employee that works with enthusiasm leads to growth and solid results for SCSK, making it possible to return the Company's profits to its stakeholders.

スマチャレ Smart Work Challenge

Smart Work Challenge

One of the promises included in SCSK's Corporate Philosophy states that we are committed to "respecting each other." Based on this promise, in April 2013, we launched the Smart Work Challenge 20*1 program, an initiative aimed at ensuring that SCSK is a pleasant and rewarding place to work. 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 highly successful at decreasing the average amount of overtime and encouraging employees to take paid vacation days.

One of the major obstacles that needed to be overcome in order to accomplish the challenge's goal was the reduction of overtime compensation received by employees. To address this issue, we implemented a system through which all full-time employees receive a compensation payment equivalent to the overtime compensation they would have normally been expected to receive, regardless of how much overtime they actually worked. This amount is added on top of their standard monthly salary. Through this system, we aim to further eliminate employee concerns for overtime compensation in order to encourage staff to pursue even more efficient working styles.
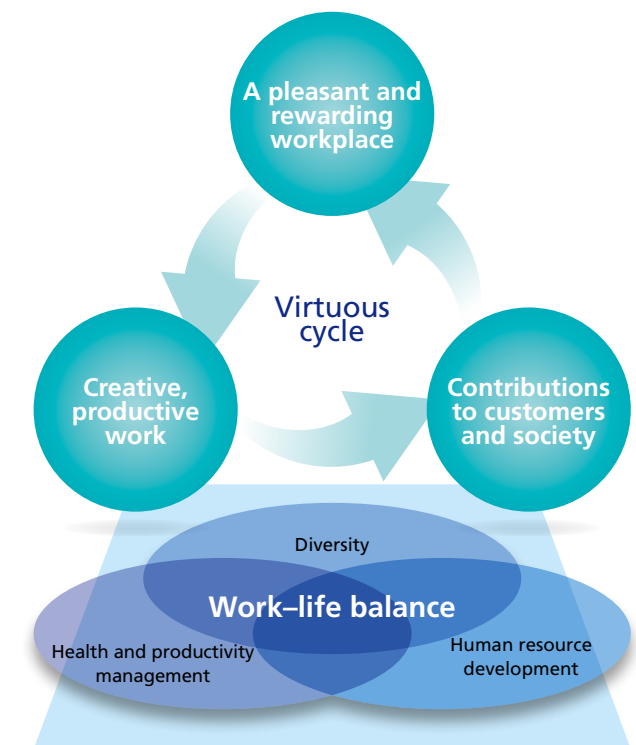
*1 Renamed to "Smart Work Challenge" in fiscal 2015

Average Monthly Overtime Hours (Companywide Average*2)
FY2011 — 27 hours, 46 min.
FY2015 — 18 hours, 00 min.

Rate of Consumed Annual Paid Vacation Days (Companywide Average*2)
FY2011 — 66.7%
FY2015 — 95.3%

*2 Average for all employees including those under the discretionary work system and supervisors

Working Style Reform—Work Anywhere

SCSK launched the Work Anywhere program to accommodate the more-diverse range of working styles made possible by implementation of sophisticated working style reforms, such as work process alterations, office environment enhancement, and IT infrastructure installation.

As it is now possible to maintain sufficient levels of communication between workers even in satellite work environments, we are advancing this program to further promote usage of the Company's telecommuting system. We thereby aim to help employees improve their work–life balance by allowing for a variety of working styles to be adopted based on employee lifestyles through efforts that include enhancing child-rearing and nursing care support systems.

A pleasant and rewarding workplace

Virtuous cycle

Creative, productive work

Contributions to customers and society

Diversity

Work–life balance

Health and productivity management

Human resource development

Initiatives as a Company that Exercises Employee Potential

Fulfillment Everyday with Work Anywhere

In my department, a number of employees use the telecommuting system, and I too take advantage of this system once a week. From home, I can connect to the office with my PC by utilizing a remote access virtual private network and am able to interact with coworkers using voice and video delivered through IP telephony. These conveniences help me work comfortably, safely, and efficiently from my own home. More importantly, the telecommuting system has granted me greater amounts of time to spend on leisure, with my family, or engaged in self-study, making my everyday life more varied and fulfilling.
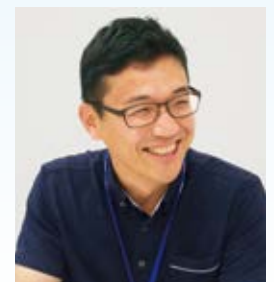
Nobuo Saito
Tokyo General Affairs Dept., General Affairs Div., Legal, General Affairs, Corporate Communications & CSR Group

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Key CSR issue: Becoming a Company with a Pleasant and Rewarding Workplace

Work–Life Balance

We strive to allow all employees to choose from a diverse range of flexible working styles based on their life stage and we are building a workplace environment in which they can do so and still exercise their talents to the fullest. Moreover, we are enhancing our various systems and measures that facilitate a harmonious balance between one's work and private lives by helping secure the time necessary for living a healthy and fulfilling life in connection with one's family and community.

Support for Balancing Work and Child-Rearing

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 child-care 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 about balancing work and child-rearing and about supporting such efforts.

Certified as a "Company Supporting Childcare"

Support for Balancing Work and Nursing Care

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 tele-commuting 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 leave periods 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 4,500 employees, including general managers and other managers from all divisions 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.

Nursing care seminar

Diversity

SCSK puts emphasis on diversity in order to turn the various personalities and senses of values of its employees into organizational strengths and to enable these employees to maximize their capabilities so as to create innovative services and enhance corporate value. We are working to support women's career advancement, to employ people with disabilities and assist their activities, and to 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 jobs while exercising their skills and their individuality, regardless of age, gender, disability, or nationality.

Realization of Diversity in the Truest Sense

Promoting diversity requires us to be aware of the various ways of thinking and looking at the world that are held by our diverse range of employees and to be accepting and respectful of these differences. As one measure for facilitating this kind of understanding, SCSK held a special diversity seminar in June 2015. Conducted by an outside lecturer and attended by around 300 employees, this seminar was aimed at informing a large body of employees about diversity initiatives. In addition, in fiscal 2016 we implemented a diversity e-learning program, which all employees are required to take.

Going forward, we will continue to advance such diversity initiatives to cultivate a corporate culture that can accept and utilize the diversity of employees.

Special diversity seminar

Promotion of Women's Empowerment in the Workplace

SCSK strives to be a company where female employees can contribute their talents, and it is enhancing its human resource development programs and working style reforms to this effect. The Company has been actively developing work–life balance support systems to prevent difficulties in striking a balance between child-rearing and one's job. At the same time, realizing that extensive work hours can be a major obstacle for women in the workplace, we are endeavoring to 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 fiscal 2018. With the aim of accomplishing this goal, SCSK will actively carry out efforts to support women's career development through such means as providing training that address the issues faced by female employees in each age group.

These initiatives constitute an action plan for the promotion of women's participation as defined by the Act on Promotion of Women's Participation and Advancement in the Workplace, which was established in 2015.

Going forward, SCSK will continue to cultivate a corporate culture that is conducive to the contributions of female employees as it strives to create a workplace environment in which all employees may realize their full potential.

Number of Women in Officer and Line Management Positions (Actual and Goal)		
FY2012 (Actual)	FY2015 (Actual)	FY2018 (goal)
13	54	100

Testimony of a Female Manager

When I first began attempting to raise my child while working in a management position, I was quite unsure of how successful I could be. Now, however, I have achieved a balance between my child and my management job by adjusting the work of my entire section, not just myself, a process that has improved overall efficiency. This accomplishment would have been impossible if not for the support of my family and those around me and the understanding of my coworkers.

When it comes to balancing child-rearing and work, everyone's values and situations are different. I, however, want to maintain this balance between my work and my home life and child as I continue to develop my carrier and contribute to the Company.

Miwako Yamaguchi
Business Solutions Group, General Manager, Sect. III, Dept. II, Proactive Business Solutions Div.

Encouragement of 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. This company 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*
2.05% (As of June 1, 2016)

* Employment rate of the 10 core Group companies in Japan certified as affiliates

Active Utilization of Senior Citizen Employees

Based on the changing social environment and unstable economic climate, SCSK has instituted a system that allows all employees that desire reemployment after reaching the mandatory retirement age of 60 to be able to work with peace of mind until age 65. Moreover, we offer a Career Workshop for employees in their 50s and 60s in order to provide support for self-driven career development and thereby give such employees an opportunity to learn about life planning and career planning and to supply them with a more-diverse range of career options. This support is meant to help ensure that employees can remain financially independent even in their later years. We also aid employees in their efforts to accumulate the assets necessary for realizing their life plans.

Diversity-Related Awards

Awards for Companies in which Women Shine
In recognition of its excellence in promoting women's empowerment, SCSK was presented with the Prime Minister's Award in the FY2015 Awards for Companies in which Women Shine.

Nadeshiko Brand
On March 16, 2016, SCSK was selected as one of the FY2015 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. This is the Company's second year of inclusion.

Diversity Management Selection 100
SCSK received the Ministry of Economy, Trade and Industry Award the 2014 Diversity Management Selection 100, which is an award by the Ministry of Economy, Trade and Industry.

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

Strength for Leading the Industry

Strength for Creating Corporate Value

Strength for Achieving Sustainable Growth

Health and Productivity Management

We believe that the health of our employees underpins everything we do. For this reason, we promote health and productivity management, and our commitment to this practice is inscribed in our work rules.

Health and Productivity Management Principles Inscribed in Work Rules Chapter 12 —Health and Productivity Management	**Article 78—Health and Productivity Management Principles** The Company and its employees must respect the following health and productivity management principles. "The health of employees underpins the happiness of individual employees and their families as well as the development of the Company's business. It is only when employees are able to deliver their best performance due to being in good mental and physical health and feeling motivated in their work that the Company will be able to delight its customers with services of the highest caliber."

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 to better enable employees to work in a productive and creative manner. The program comprises a point system through which employees earn "mileage" points for achievements that include regular exercise to the degree necessary for maintaining or improving one's health or based on the results of their annual health checkups. In conjunction with the number of points accumulated over the course of one year, an employee may be awarded incentive payments.

| Factors Considered in *Kenko Waku Waku Mileage* Program |
| --- |
| **Good Habits** Walking for exercise, eating breakfast, having no alcohol day, brushing teeth, quitting smoking |
| **Health Checkup Results** BMI, blood lipid levels, glucose metabolism, liver function, blood pressure |

Major Achievements

Improved ratio of employees walking for exercise	FY2014 34%	→	**FY2015 64%**
Improved ratio of employees eating breakfast	FY2014 71%	→	**FY2015 84%**
Improved ratio of employees having no alcohol days	FY2014 82%	→	**FY2015 89%**
Improved ratio of employees undergoing dental examinations	FY2014 31%	→	**FY2015 60%**
Reduced ratio of employees that smoke	FY2008 36%	→	**FY2015 20%**

Measures and Facilities for Promoting Health and Productivity Management

We provide numerous opportunities for enhancing understanding about health improvement, including group health literacy trainings targeting general managers and other managers as well as health literacy e-learning programs for all employees.

Furthermore, we carry out health-related questionnaire surveys to track employee lifestyle habits and awareness levels. The results of these surveys are used in providing health-related guidance and are submitted to quantitative trend analyses so that this information can be utilized to formulate measures for improving employee lifestyles.

☑ **SCSK Clinic**
This in-house medical office was established with the aim of expanding the range of health and productivity management measures.

☑ **Relaxation Rooms**
SCSK has established massage facilities known as Relaxation Rooms in order to help employees stay refreshed and efficient.

☑ **SCSK Counseling Room**
The SCSK Counseling Room is a general consultation venue staffed by specialists that help employees address personal or work-related concerns.
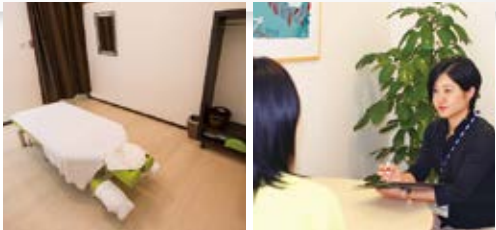
Second Consecutive Year of Selection as a Health and Productivity Stock

This joint program is sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange and recognizes companies that exhibit excellence in terms of health and productivity management. In 2016, the second year of the program, for each of 25 industry categories, one company was chosen from among all companies listed on the Tokyo Stock Exchange, and SCSK was selected in the information and communications category for the second consecutive year.

健康経営銘柄2016
Health and Productivity

Human Resource Development

SCSK equates the growth of all of its employees with the growth of the Company, and we are therefore focused on the continual career development of our employees.

Human Resource Policy and Evaluation Systems

In consideration of the Basic Ideals of the Company's Human Resource Policy—"By encouraging the enhancement of individual capabilities and applying the most appropriate, organization management, SCSK will maximize employees' performance."—we have defined the "Expected Roles and Skillsets" to be fulfilled for each grade as well as the "Competency Assessment Criteria," which indicates specific behaviors and processes that are sought in the execution of duties.

Competency Assessment Criteria, which are in line with SCSK's Code of Conduct of "Challenge, Commitment, and Communication," define specific behavior along with 10 evaluation items. Through this system, SCSK works to ensure that its Code of Conduct is put into practice by employees.

IT Skill Level Assessment

The IT Skill Level Assessment is designed to promote the improvement of employees' specialist skills and to make the sales or technical skill levels of employees clearly apparent through recognition of such improvements, thereby cultivating an environment that is conducive to ongoing employee growth. This system certifies employees' specialized sales and technical skills and knowledge as belonging to one of seven levels based on the Company's career framework.

Our career framework consists of 14 job categories in 34 specialty fields, which are defined based on the characteristics of the Company's business as well as the Skill Standards for IT Professionals (ITSS), Embedded Technology Skill Standards (ETSS), and Users' Information Systems Skill Standards (UISS).

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

Employee Career Development

The Career Development Plan system provides employees with an opportunity to think about their career and discuss it during meetings with their supervisor. The primary goal of this system is to allow supervisors to plan position, role, and duty allocations for one to two years in the future based on the aspirations and goals of individual employees as well as the expectations of the organization. In addition, SCSK has instituted the Job Challenge System to promote the growth of employees and the utilization of the right people in the right jobs, as well as the Internal Free Agent System, which is designed to support individual employees in enhancing their skills and developing their careers. Through these systems, we help employees exercise autonomy in actively advancing their careers.

SCSK i-University

SCSK i-University was established as a framework for providing all employees with opportunities for ongoing growth and learning. This program supplies comprehensive Companywide human resource development systems based on a broad definition that includes traditional education systems as well as support for enhancing communication utilizing SCSK Learning Park and programs for learning about systems and infrastructure.

Based on the belief that it is the efforts of all employees that will drive SCSK's growth, we will support the growth of every employee through SCSK i-University.
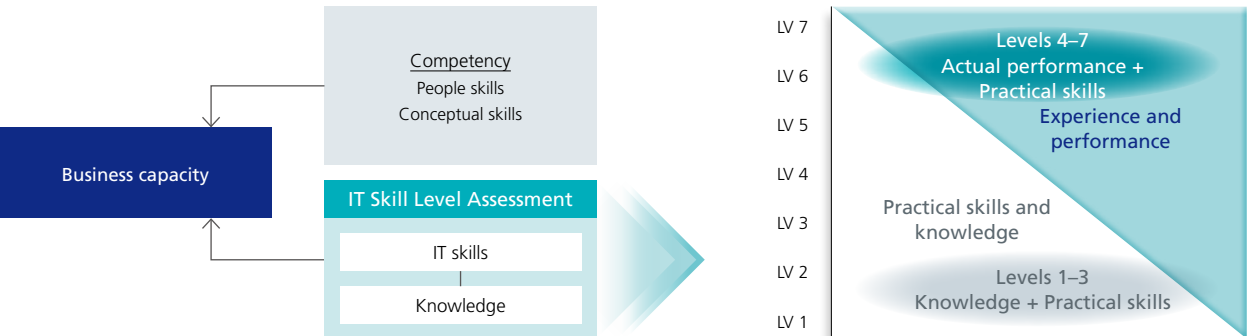
SCSK i-University

SCSK Learning Park   Training room

IT Skill Level Assessment

Overview of IT Skill Level Assessment System based on SCSK Career Framework

Business capacity	Competency People skills Conceptual skills
	IT Skill Level Assessment IT skills Knowledge

LV 7 — Levels 4–7 Actual performance + Practical skills
LV 6 — Experience and performance
LV 5
LV 4 — Practical skills and knowledge
LV 3
LV 2 — Levels 1–3 Knowledge + Practical skills
LV 1

Source: Skill Structure Forming Human Resource Model, Skill Standards for IT Professionals, Version 3; Information-technology Promotion Agency, Japan (IPA)

Providing Safe and Secure IT Services together with Partner Companies

In order for customers to be able to use our IT services safely and with peace of mind, we work together with our partner companies to achieve thorough information management, enhance information security, and improve quality.

ISO 26000 Core Subject	FY2016 Targets	Related Pages
Fair operating practices	• Enhancement of CSR activity coordination with partner companies • Scrutiny of CSR purchasing policies plan • Reinforcement of compliance	Collaboration with Partner Companies — Page 67 Compliance — Page 68 Fair Trading — Page 68 Information Security — Page 68 Personal Information Protection — Page 69
Consumer issues	• Improvement of operational quality	Pursuit of Operational Quality and Enhanced Operational Efficiency — Pages 14-15 Resolution of Social Issues through Our Business Activities — Page 69

Collaboration with partner companies

Ongoing measures
• Request submission of written corporate pledges
• Hold informational seminars on compliance in relation to subcontracting for partner companies
• Conduct on-site reviews

FY2012	FY2013	FY2014	FY2015

Compliance

Ongoing measures
• Hold basic compliance courses (e-Learning)

Information security and personal information protection

Ongoing measures
• Hold training courses on information security and the protection of personal information (e-Learning)

Collaboration with Partner Companies

SCSK conducts its business activities with a high sense of ethics and enhances information security through trust-based relationships with its partners.

Basic Policy

In conducting its business, SCSK subcontracts tasks to various partner companies. Based on our corporate philosophy and Code of Conduct, we comply with laws and internal regulations as we strive to provide safe and secure IT services with a commitment to fair and sincere business transactions with our partners. As our business handles information—an extremely valuable asset for our customers—we naturally believe that information security training and education activities, as well as stringent compliance, are of crucial importance. Equally important, however, are operational quality improvement, health and productivity management, and reforms of employee working styles. Striving to help the IT industry develop into an appealing industry that draws talented and capable individuals, we will continue to advance initiatives together with our partners.

Themes for Initiatives with Partner Companies

Compliance Promotion	Operational Quality Improvement	Health and Productivity Management / Reforms of Employee Working Styles
■ Enhancement of information security ■ Strict observance of laws and contract conditions	■ Proposals and collaboration from early process phases ■ Development standardization (SE*, etc.) ■ Promotion of subcontracting	■ Sharing of health and productivity management initiatives ■ Tracking of shared indicators (Compliance with Article 36 of the Labor Standards Act, etc.)

Informational Seminars and On-Site Reviews for Partner Companies

At SCSK, we recognize that taking initiatives to ensure compliance and promote reforms of working styles 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 in relation to subcontracting, and require their participation in these seminars. In addition, we share information on the reforms of working styles and the health and productivity management initiatives conducted at the Company to contribute to improvements with regard to the issues that plague the IT industry, such as labor-intensive operations and the multiple subcontracting structure of the industry. We are also preparing to set and track shared targets for SCSK and its partners.

Furthermore, SCSK staff members that are in charge of partner management go to partner companies to carry out on-site reviews and confirm actual operating conditions.

Message from a Business Partner

Despite the current era being characterized by such trends as cloud computing, big data, and IoT, the IT industry is still an unpopular area for employment, a situation I had always found most unfortunate. It was when I was struggling with this concern that I had the opportunity to hear about SCSK's reforms of working styles. Hearing of these reforms made me realize the value of conviction in inspiring employees, how important it is to reiterate your beliefs repeatedly, and reminded me of the necessity of a strong passion to change the world. I now feel empowered toward transforming the IT industry into a more appealing area for employment, and I hope to promote reforms of working styles together with SCSK and other partner companies to realize this goal.

Shigeyuki Onishi
President
Computer Institute of Japan, Ltd.

Key CSR issue: Providing Safe and Secure IT Services together with Partner Companies

Compliance

SCSK views compliance as observing laws and regulations, and acting with a high sense of ethics within the norms of society. Based on its 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 director and 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.

We have established the Compliance Rules, created the SCSK Compliance Manual, and developed an organizational structure for compliance-related efforts. Furthermore, SCSK has established the Compliance Committee in order to carry out proper compliance implementation. We also hold 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, an internal reporting system has been implemented to facilitate the prevention and early resolution of compliance violations.

Lectures on the SCSK Compliance Manual and Written Corporate Pledges Held in Fiscal 2015 (e-Learning)

Participation rate:
100%
(intended for all employees)

System to Promote Compliance
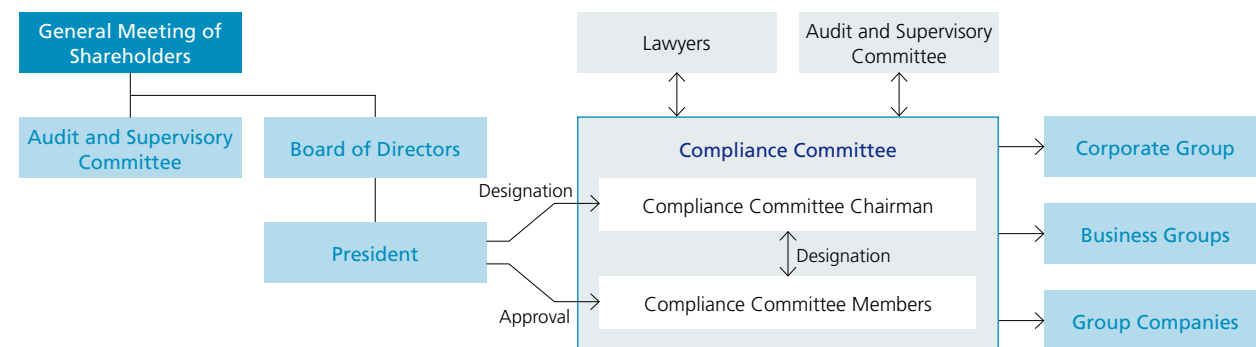
Fair Trading

The SCSK Compliance Manual clearly establishes measures for ensuring fair trading as specific rules about compliance. Its standards include a Code of Business Activities, which sets forth requirements for appropriately utilizing dispatch and subcontract work and respecting and protecting intellectual property rights. These standards support the building of trust-based commercial relationships with our suppliers through fair and free competition. The manual also outlines corporate ethics required for fair operating practices in its Code for Employees as Members of Society, which includes rules against corruption and rules concerning political donations and stresses the importance of resisting organized crime.

Information Security

To protect information assets from various threats and to 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. 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. 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, and we are working to prevent occurrences of issues related to information security. Furthermore SCSK's Information Security Management System has received ISO 27001:2013 certification.

Personal Information Protection

SCSK recognizes the importance of the protection of personal information and is committed to ensuring compliance with laws about the handling of such information and other guidelines and rules established by administrative authorities.

In addition, 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. SCSK has also established a Personal Information Management System*[1] that is compliant with the JIS Q 15001 standard, and we are implementing this system while pursuing ongoing improvements.

*1. Personal Information Management System: A system for managing personal information, including policies, structures, plans, implementation, and operational monitoring and review provisions

Courses on Information Security and the Protection of Personal Information Held in Fiscal 2015 (e-Learning)

Participation rate:
100%
(intended for all employees)

🌐 Resolution of Social Issues through Our Business Activities

Data Centers Supporting People and Society

As our lives and society become more comfortable in tandem with the advancement of IT, ensuring the smooth operation of electricity, gas, water, and other public and social infrastructure is starting to require massive amounts of data as well as the ability for IT systems to be consistently used safely and securely. Data centers are necessary to manage this breadth of data and operate these IT systems.

For more than 25 years, SCSK has managed and operated safe and secure data centers. Safe havens for the precious systems and data of customers, these facilities have always delivered the durability needed to withstand various natural disasters and cyber threats while ensuring that society and business activities can continue without issue. One such facility is netXDC Chiba Center 2, which was opened in spring 2015 and is equipped with state-of-the-art equipment and functions, thereby boasting the highest level of safety in Japan. SCSK stands firm in its commitment to offer protection from large-scale natural disasters and system malfunctions for the data that is crucial to the business continuity of companies, financial institutions, and other customers that support our everyday lives by providing housing, food, clothing, and other necessities.

Through the management and operation of data centers featuring a full range of safety measures, SCSK will continue to support the everyday lives of customers and other members of society.

Integrated management of numerous data centers linked through a wide-area network