SCS Sumisho Computer Systems Corporation

SCS—Leading the IT Evolution

Annual Report

2007

Year ended March 31, 2007

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Unique Business Development

IT Service Industry

Quality IT Services

Solid Customer Base

Strengthen Customer Base

- Sumitomo Corporation Group
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To Expand Customer Base

Maximize IT Service Skills and Expertise Gained through Business Activities with the Entire Sumitomo Corporation Group

Notice Concerning Forward-Looking Statements: This annual report includes forward-looking statements relating to our future plans, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The Company is under no obligation—and expressly disclaims any such obligation—to update or alter its forward-looking statements.

Technical Leadership

Vendor-Accredited Certification

- Microsoft Consulting Partner
- SAP Local Alliance Partner
- Oracle E-Business Suite Partner
- SAS Consulting Partner
- MySQL Platinum Partner

SCS

Core Competence

Global Operations

Focus on Global Businesses

- Operational Bases in the United States, Europe and Asia
- Offshoring in Asia
- Exploring Best-of-Breed Technologies

To Target Multinationals from Japan

Leverage Expertise in Global IT Services with Sumitomo Corporation

A Message from the Management

Fiscal 2006, ended March 31, 2007, was designated as the year to lay a stronger revenue foundation, one that would underscore the first stage of mid-term growth for Sumisho Computer Systems Corporation (SCS). Most of the efforts over the past year were rewarded with a remarkable improvement in profitability, which put us on track for our mid-term growth.

Fiscal 2006 Consolidated Performance

In fiscal 2006, SCS identified and targeted particular business areas for special attention and drafted measures to expand their revenue base, working on priorities such as improving and fortifying management infrastructures. More specifically, these initiatives were comprised of organizational changes intended to better deliver strategies of each target business. There were efforts to enhance engineering processes in software development and improve technological expertise; changes in human resource management with focus on employee training and effective use of human capital; formation of capital and business alliances to promote competencies as a Group; and, effective use of synergies derived from the merger with Sumisho Electronics Co., Ltd. (SSE).

These efforts engendered a level of success enabling us to increase earning capability in each target business. As a result, the consolidated net sales increased 14.2% year-on-year, to ¥137,345 million. By business category, in the software development segment, the number of unprofitable projects was reduced through meticulous project management, while in the product distribution segment, the strategic reallocation of management resources into target businesses, as well as centralized hardware procurement, contributed to a recovery trend in profits. Consequently, operating income grew 31.1% year-on-year, to ¥8,560 million, and net income rose 60.8% year-on-year, to ¥4,378 million, over the previous fiscal year.

Consolidated Financial Highlights

Sumisho Computer Systems Corporation and its Subsidiaries

	Millions of yen			Thousands of U.S. dollars*
For the years ended March 31	2007	2006	2005	2007
Net sales	¥137,345	¥120,290	¥70,586	$1,163,447
Net income	4,378	2,722	3,101	37,083
Total net assets**	91,254	94,763	68,966	773,014
Total assets	116,218	125,064	80,497	984,484
Equity ratio (%)	78.2%	75.8%	85.7%	
Return on equity (%)	4.7%	3.3%	4.6%	
		Yen		U.S. dollars
Per share data (yen):				
Net income per share	¥80.91	¥53.29	¥70.93	$0.69

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2007, which was ¥118.05 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized or settled in dollars at that rate or any other rate of exchange.

**By adoption of a new accounting standard for the presentation of net assets in the balance sheet, minority interests and net unrealized gains on hedging derivatives are included in total net assets for the year ended March 31, 2007.

Striving Harder to Achieve Growth in the Mid-Term

Fiscal 2007 will be a year of greater challenges as we strive to pave a solid path toward mid-term growth. We will focus on the following five key measures aimed at reinforcing operations in our pursuit of further growth:

1. Expand target businesses and maximize synergies between target businesses;
2. Promote a differentiation strategy, including a global strategy;
3. Strengthen new-business and new-product development capabilities;
4. Elevate technology base and software development expertise; and
5. Enhance human capital.

Additionally, we will continue to engage in initiatives for stronger internal control and business process reengineering to ensure a more robust management infrastructure. Together with these five key measures, we are working to establish the basis for expanded profits and high growth, now and in the future. Finally, we seek to plant new seeds of growth, exploring SCS-style businesses that are unique to SCS and which set us apart from our competition.

SCS will consistently pursue new initiatives in our drive to become a first-class provider of IT services with high growth potential and a sharper competitive edge. On behalf of the Board of Directors, we ask for your continued support and encouragement as we work toward greater successes.

August 2007

Atsushi Nishijo
Chairman of the Board

Yasuyuki Abe
President & CEO

Growing along with Clients as Their Best Partner

SCS adheres to its corporate vision to be a global IT company, building on its people and technologies to create business value. Fiscal 2006 was designated as the year to lay a stronger revenue foundation, and a concerted Companywide effort fueled progress in its business pursuits. Fiscal 2007 will be a year in which the Company pursues expansion with mid- to long-term growth in mind.

In this interview, President & CEO Yasuyuki Abe shares his thoughts on the measures executed in fiscal 2006 and the business strategies planned for fiscal 2007.

Q: *What steps did the company take in fiscal 2006, and what is in store for fiscal 2007?*

A: Fiscal 2006 started with the implementation of a new organizational structure geared to the strategic pursuit of target businesses. We embraced measures to enhance engineering processes for software development, including the establishment of the Operational Excellent Management Division, and the improvement of technical training programs. We set up the Project Management Office and promoted thorough screening of proposals and quality control measures for projects. Furthermore, we worked toward the realization of synergies derived from the merger with SSE, and we are now seeing the burgeoning of these efforts in the potential of value-added, integrated solutions. We combined and leveraged software/core system development capabilities of former SCS and product distribution business expertise of former SSE, enabling us to capture more business opportunities from existing clients. Moreover, we formed capital and operational alliances with a view to promoting competencies as a group, as well as extending the periphery of target businesses. We also worked to upgrade the skills and performance of employees through the introduction of a new human resource management structure and an overhaul of employee training programs.

In fiscal 2007, we will reinforce the revenue foundation laid in fiscal 2006 to put us on a solid path of mid- to long-term growth. This effort hinges on five key measures: 1) to expand target businesses and maximize synergies between target businesses; 2) to promote a differentiation strategy, including a global strategy; 3) to strengthen new-business and new-product development capabilities; 4) to elevate the technology base and software development expertise; and, 5) to enhance human capital. Complementing these efforts with the improvement of management infrastructures, we are ceaselessly working to maintain and sharpen our competitive edge.

We also define a differentiation strategy, which is to cultivate what we call "SCS-style" businesses —businesses that are unique to SCS, maximizing existing expertise and/or generating new sources of profit, and position this strategy as a key challenge for all employees.

Q: *"Put the Company on a solid path for mid- to long-term growth"—exactly what does this involve, and how does it relate to other fiscal 2007 strategies?*

A: It involves further reinforcing our earning capacity, nurturing the skills of employees and enhancing human capital, and creating office environments considerate of employees—measures that will place SCS squarely on track for mid- to long-term growth. We also define a differentiation strategy, which is to cultivate what we call "SCS-style" businesses—businesses that are unique to SCS, maximizing existing expertise and/or generating new sources of profit, and position this strategy as a key challenge for all employees.

In line with these initiatives, we set our operating strategy for fiscal 2007 to achieve the five key measures I mentioned earlier. First, we will expand target businesses and maximize synergies between these businesses. We will emphasize business activities that highlight the high-valued-added quality of our services, and raise productivity through enhanced engineering processes for software development. Also, we will strive to integrate solutions that take advantage of synergies generated through the merger with SSE.

Second, we will promote a global strategy, or global businesses, generating SCS-style businesses. Integral to this initiative is to secure our position as a global IT partner noticeably different from the competition. With an enhanced ability to provide global IT services and our newly established subsidiaries in Asia, we are pursuing business opportunities abroad.

Third, we will strengthen new-business and new-product development capabilities. Based on the belief that we always need to seek out entirely new technologies with an eye to the future, we reinforced the Business Development Unit, which supports efforts to capitalize on new business opportunities and identifies new target business domains. In line with our global strategy, we are keenly watching new IT business trends in the world

It is our strong belief that such investments will help nurture aspirations and keep employees highly motivated, which will give rise to higher productivity, and, in the end, will pave the way to steady, sustainable growth.

market in view of their potential for successful application in Japan, business alliance prospects including mergers and acquisitions, as well as business investment possibilities.

Fourth, we will work on measures to elevate the standard of our technological capabilities and expertise in software development. To this end, structured training programs have been implemented and they are now available to all employees. Also, in the new human capital management structure, an individual career development plan has been designed to support individual talent, and thereby strengthen the technological advantage of the Company as a whole. We enhanced the function of the Engineering Group in order to seek technological innovations for practical usage, which continue to lead to the expansion of our business activities. Concurrently, we are exploring new technologies at our IT Architecture Laboratory, established in October 2006, where feasibility and marketability of new technologies are tested. We are striving to provide technology-oriented services that lead the way.

And fifth, in order to enhance employee performance, we continue to be firmly committed to the human resource management system adopted in fiscal 2005. As well, we will enrich training programs to foster and sustain a high level of motivation—the energy that fuels business growth—and improve technology and marketing skills.

We will augment these measures with management infrastructures improved through business process reengineering and stronger internal controls.

Q: *Could you describe the scope of SCS-style businesses?*

A: We use the term "SCS-style" to mean businesses that set us apart from our competition with distinctive competencies. It could include a business that works as a catalyst, sharpening our competitive edge across the board. Or, it could be a business that enables the rest to create more opportunities to increase profitability. Or, a completely new business that contributes to our future growth could be included in this category. The pursuit of SCS-style business is a priority in every segment of operations, and a keen sensitivity to this pursuit most certainly drives corporate growth.

Currently, most likely to evolve into SCS-style businesses are "ProActive," our own ERP package; "Curl," a Rich Internet Application (RIA) that stands at the forefront with Web 2.0; and high-performance computing (HPC), which is attracting considerable attention in the industry and confirming our view that this will be one of our driving forces going forward. The pursuit of global business as a Companywide effort is an integral part of this quest, and we commit ourselves to seeking this initiative with the same level of attention.

Q: *You have made your global strategy a management priority. Why?*

A: Our global IT services, including those provided to the Sumitomo Corporation Group, have generated solid results, turning this business into a strong pillar of our operations. With this advantage, we aim to address rising demand for global IT services from Japanese companies and support them in their globalization efforts, which, in the end, will cement our position as an IT partner.

The subsidiary we established in Shanghai now functions as a key base to provide IT support for Japanese companies setting up operations in China. In addition, by taking advantage of our strong ties with the Sumitomo Corporation Group and their worldwide network, we are engaged in identifying the world's leading-edge technologies, solutions and business models, which in turn enables us to deliver best-of-breed technologies to our clients.

Q: *In closing, do you have a message for investors?*

A: In order to achieve solid mid- to long-term growth, we will focus on boosting future profitability and will make the necessary investments for further growth. We are therefore emphasizing investments that reinforce technological expertise and enhance human capital. It is our strong belief that such investments will help nurture aspirations and keep employees highly motivated, which will give rise to higher productivity, and, in the end, will pave the way to steady, sustainable growth.

We will also strengthen efforts directed toward such themes as environmental protection, social contribution, information disclosure, compliance and respect for employees. We will endeavor to earn and maintain the trust of our stakeholders, from shareholders to business partners and employees, to the communities in which we maintain a presence. In the development of businesses unique to SCS, we will strive to uphold our best-of-the-best status and remain the only source of distinctive IT services.

The support of shareholders is instrumental to our success. I ask for your continued encouragement of our efforts.

Global Strategy

SCS's global strategies are integral to its goal of cultivating myriads of "SCS-style" businesses—pursuits that not only maximize existing expertise but also generate new sources of revenue and thereby distinguish us from the competition. Through such strategies, we will fortify our status as an IT partner to Japanese companies increasingly keen to internationalize their operations.

Within the domestic IT services industry, SCS represents a leading force in the provision of global IT services, due in part to the abundant chances of doing business with trading companies, which are involved in an extensive range of overseas activities. We have taken part in the creation, maintenance and operation of systems ideally suited to their international entities, thereby accumulating the know-how on information systems for international operations. Currently, we complement a strong presence in Japan with operational hubs in three geographical regions overseas: the United States, through two wholly owned subsidiaries—Sumisho Computer Systems (USA), Inc., with offices in New York and Dallas, and Cambridge-based Curl, Inc.; Europe, through SUMISHO COMPUTER SYSTEMS (EUROPE) LTD. based in London; and Asia, through the recent establishment of subsidiaries in Shanghai and Dalian, China.

SCS will expand its overseas operations to provide high-quality global IT services, leveraging experience gained to date in the construction of numerous systems abroad.

Three Strategies

Expand IT Services Worldwide

SCS is extending global IT services to Japanese multinationals and to Japanese companies considering establishing operations abroad. We have provided comprehensive IT services to the Sumitomo Corporation Group on a global scale and are maximizing the know-how accumulated through these activities to offer services as an IT partner to non-Sumitomo-affiliated companies engaged in business overseas. To enhance our presence on the world stage, we established a subsidiary in Shanghai in February 2007 to make IT services easily available to clients with operations in China. Further, we are pursuing extending our operational infrastructure into other Asian countries to support businesses in those regions. SCS undertook organizational changes in April 2007 and created the Global Solutions Group and the Global Business Promotion Division as part of that group, with the intention of promoting global initiatives throughout the Company.

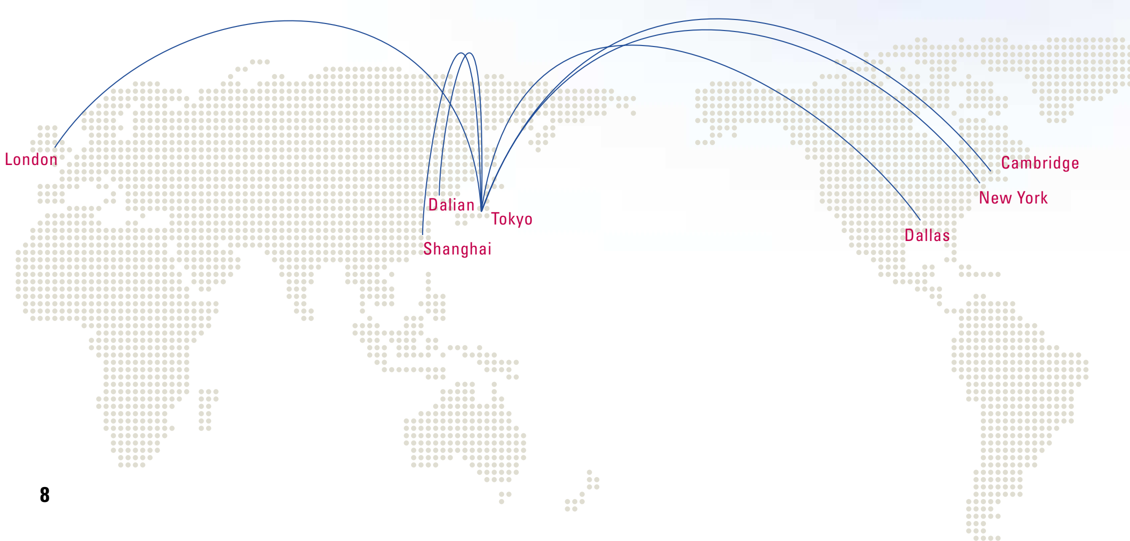
Cultivate Global Technologies, Assess Global Markets

SCS works with Sumitomo Corporation and members of the Sumitomo Corporation Group, including Silicon Valley-based Presidio STX LLC, to discern leading-edge IT product solutions around the world, especially in the United States, and deliver best-of-breed IT services and solutions to clients in the Japanese market.

Seeking to acquire commercial rights, the Company has made capital investments in close to a dozen venture companies in the United States and Asia. SCS will continue to identify leading-edge global technologies and apply these new technologies to the IT services on our business menu.

Pursue Offshore Software Development

SCS has formed alliances with overseas companies possessing sophisticated technologies and engaged in offshore software development to satisfy clients' needs for high-performance systems with modest development costs. In March 2007, we established an engineering subsidiary in Dalian, China, and devised a development format that incorporates all aspects of a project from detailed design onward, and enables the subsidiary to outsource programming processes to alliance partners. Through this framework, aspects of the development phase are more clearly defined between Japan and offshore. Furthermore, based on a thorough quality control system, we are able to generate higher quality and productivity with offshore outsourcing than has been achieved to date.

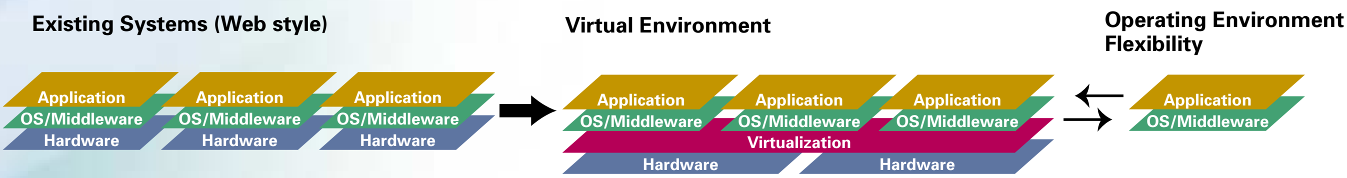


New IT Architecture

Efforts in Virtualization Technology

Corporate information systems are becoming increasingly complex, and clients are requesting greater sophistication in information systems. Notable requests include: total optimization of a system assembled from individually optimized systems, lower operating costs, fewer servers, effective use of hardware, electric power savings and improved IT governance. As a new platform that addresses these prevailing demands, the virtual environment is now drawing considerable attention. SCS is responding to these diversified market needs with an integrated view of business processes, applications and key system components of the IT infrastructure. We leverage a wide variety of virtualization technologies to maximize the usability of a virtual environment in the configuration and operation of information systems.

The SCS Group promotes applicable research on Linux/Xen, an open source virtualization technology. Our Group company, VA Linux Systems Japan K.K., is the world leader in Linux technology, and very active in the Xen development community. It provides source codes and contributes to the reinforcement of various functions of the technology. Meanwhile, SCS seeks out middleware technologies, such as "Collage" from Cassatt Corp., which manages to keep a system at its best in the virtual environment, taking the lead in encouraging the use of such applications in the configuration of virtual environment systems.



Curl: Rich Internet Application Platform

Curl is a Rich Internet Application (RIA) platform for building and deploying Web-based applications that demand complex, highly interactive interfaces previously only possible as client-server applications. Using Curl, developers can implement a new class of complex, business-critical, Web-based applications that cannot easily be developed with other RIA technologies.

Curl enables the enterprise-class capabilities that these applications require, including highly complex user interfaces, large data sets, online and off-line usage, high performance and security. The Curl language is designed specifically for use on the Web and is a full-featured, object-oriented programming language that integrates rich text formatting, GUI layout and presentation scripting. The Curl Run Time Environment (RTE) is the execution platform for the Curl language and includes an extensive collection of built-in APIs. It is invoked when loading a Curl application into the browser. The Curl's RTE supports all the popular clients including Windows, Linux and Macintosh.

Curl has been proven in large, complex RIA deployments in the United States and Asia with adoption by more than 300 customers such as Panasonic and Bank of Tokyo-Mitsubishi UFJ, Ltd., as well as more than 45 partners. With an emphasis on Curl, SCS offers comprehensive solutions for implementing rich client Web applications. Curl is also used in a number of SCS products including ProActive.

ProActive

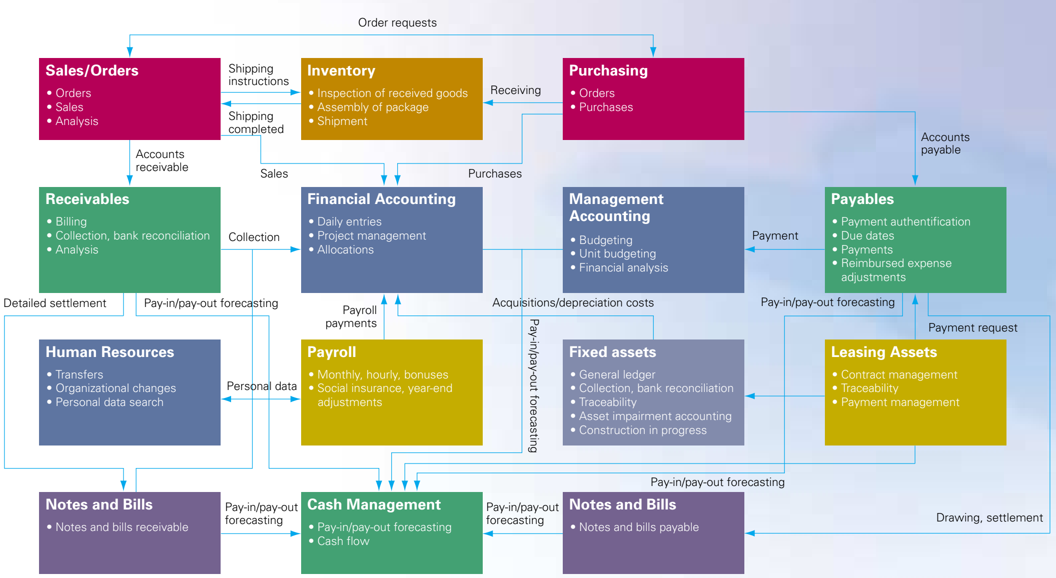
ProActive, SCS's proprietary enterprise resource planning (ERP) package, was first developed and launched in 1993 and has since been installed in over 3,000 domestic companies—primarily medium-sized enterprises. We continue to provide one-stop services, working with partner companies to extend beyond development to installation and operational support after installation.

Targeting the Small and Medium-Sized Enterprise Market

Recently, companies are required to reinforce internal control and have begun to turn their focus on management of the consolidated group, resulting in increased demands for methods to centralize real time information on corporate activities. As a solution that addresses these trends, ERP packages are sure to draw greater attention. The market for ERP packages for large enterprises—those with net sales exceeding ¥100 billion, or US$800 million—is dominated by foreign-made products designed on a grand scale. Demand from this client segment has more or less been saturated. Meanwhile, the market for small and medium-sized enterprises—those with less than ¥100 billion, or US$800 million, in annual sales—presents considerable growth potential because most have yet to introduce ERP. Many now view ERP with keen interest as an expedient method for addressing the urgency of the aforementioned needs. SCS has successfully capitalized on this potential, and ProActive is one of the leading software in the domestic ERP market for small and medium-sized enterprises.

ProActive comprises twelve modules, each handling a different business process: financial accounting, management accounting, receivables, payables, cash management, notes and bills, fixed assets, leased assets, sales/order management, purchasing and inventory control, human resources and payroll. Built on an integrated database, each module can be installed and performs individually, or a set of modules can fit together and work as a package. Thus, the system can be flexibly arranged and installed according to the individual needs of each client.

Compared with large-scale foreign-made ERP packages, ProActive provides a structure meticulously matched to the business customs and prevailing administrative needs of Japanese businesses. Moreover, its structure is designed to match the business pursuits and operating scale of small and medium-sized enterprises that are often hampered by cost restrictions and limited human resources. These reasons reflect the popularity of this ERP solution among such businesses and secure our position in this market.



ProActive Evolves with the Times

ProActive maximizes SCS's experience and includes various functions as standard specifications. It also incorporates supplementary features that support current management initiatives from an IT perspective, such as enhanced security measures, paperless bookkeeping, focus on group operations, and enhanced compliance management. The evolution of ProActive will continue, augmented with carefully selected features that make this ERP package the most indispensable aspect of corporate infrastructure for Japanese companies.

Corporate Governance

With corporate social responsibility in mind, the SCS Group adheres to a management stance that recognizes the interest of stakeholders, including but not limited to shareholders. From this perspective, the Group's approach to corporate governance highlights three principles: improving management efficiency, sustaining management soundness and ensuring a level of management transparency. Corporate governance is one of the most important management priorities at SCS, and efforts are directed toward building and maintaining the most appropriate management structure for this purpose.

Corporate Governance Structure

Board of Directors

Board members of the Company are appointed for a term of one year by shareholders at the annual general meeting of shareholders. In fiscal 2006, the Board of Directors comprised 11 members, including two outside directors.

The Chairman of the Board presides over the Board of Directors, while the President & CEO oversees all of the Company's business activities. The Company also maintains a structure wherein board members, excluding the Chairman of the Board and outside directors, serve concurrently as executive officers to accelerate decision-making processes based on actual business conditions and to preserve and further reinforce the level of effectiveness required for execution and oversight of day-to-day operations.

The Executive Committee, comprising board members, executive officers and corporate auditors, meets to discuss and resolve management issues with respect to business and the execution of operations, and to quickly and accurately assess the status of activities undertaken by the Company's business units.

Executive Officers

On January 1, 2005, the Company adopted an executive officer system whereby the Company's executive officers are responsible for the execution of operations based on commands and instructions issued by the President & CEO in accordance with management policy established by the Board of Directors. The implementation of this system has clarified the role of the Board of Directors, which makes decisions on vital management issues and supervises the execution of operations. In addition, the system underpins efforts to accelerate decisions by the Board of Directors on management policy and reinforces a supervisory structure that oversees day-to-day operations, thereby contributing to enhanced corporate governance.

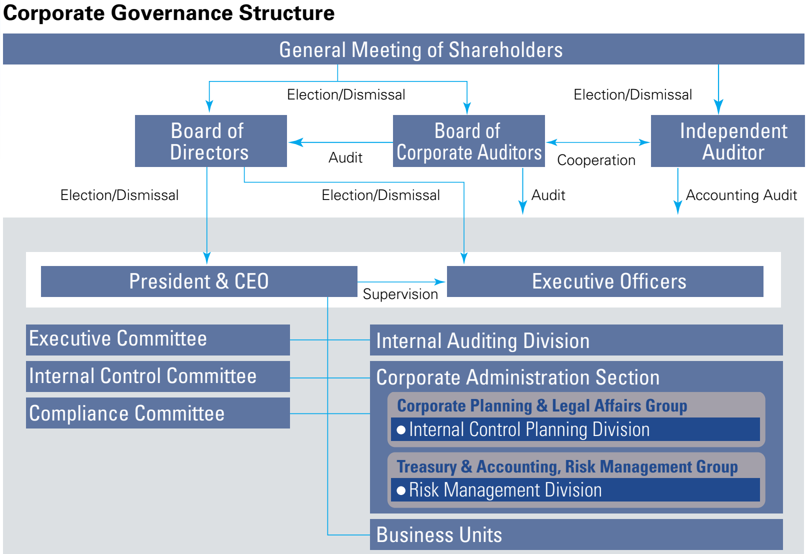
Board of Corporate Auditors

The Company maintains a corporate auditor system to supervise execution of business operations by the Board of Directors and to audit such actions by the Board of Corporate Auditors.

The Board of Corporate Auditors, which comprises four members, including three outside corporate auditors, obtains reports on important business matters relating to audits, discusses the content and makes resolutions. Corporate auditors attend meetings of the Board of Directors and the Executive Committee, as well as other important meetings, in line with auditing policy established by the Board of Corporate Auditors. They request reports from board members and executive officers, which complement reports from the Internal Auditing Division, and review essential approved documents. They also examine the status of operations and finances, based on on-site audits of principal offices, including subsidiaries of the Company.

In addition, corporate auditors meet regularly with representatives of the Company's independent auditors to understand their auditing activities and to exchange information. Corporate auditors also attend comment sessions and inventory audits held by an independent auditor, thereby striving to enhance the efficiency and quality of corporate auditing activities.

Corporate Governance Structure



Internal Control System

The Board of Directors determined the principles and structure of the system (hereafter, "the Internal Control System") needed to ensure that operations are conducted appropriately. It demands complete compliance by board members of the Company to laws and regulations as well as to the Company's Articles of Incorporation in the execution of respective duties. Our Internal Control System is described below.

Internal Control System

The principles on the Company's Internal Control System were formulated by the Board of Directors. In line with the basic policy, the Internal Control Committee and the Internal Control Planning Division were formed and operate to support daily operation and improvement of the Internal Control System. Further, the Internal Auditing Division, directly reporting to the President & CEO, oversees that the Internal Control System is operating as originally intended and functioning effectively.

Compliance System

The Company formulated the "SCS Compliance Manual" and other related rules, and constantly offers educational seminars to raise awareness of compliance among employees. The Compliance Committee was established and operates to help employees understand its commitment to compliance, to ensure that the Company remains in compliance at all levels. Also, the Company set up the "speak-up system," an internal reporting system that guarantees total protection for whistleblowers. The Company has secured direct channels between board members, executive officers and employees, to enable every employee to report compliance-related information to the Compliance Committee, corporate auditors and legal counsel.

Risk Management System

The Company has formed a framework to recognize and determine the extent of possible risks in its business pursuits. It has built a system that addresses such risks with rules and guidelines which are designed to minimize risks in each business unit. The system is complemented by the maintenance and adjustment of these rules and guidelines. In addition, the Company has a system which monitors board members' and employees' compliance with the related rules and guidelines. To prepare for unexpected developments that could have a significantly adverse effect on the Company, rules for crisis management were drafted, and a framework was erected to facilitate accurate and expeditious responses in the event of an emergency.

Internal Control System for the Group

Based on strong ties with the parent company and ties among the SCS Group, the Board of Directors of the Company articulated management principles and activity guidelines, and shared its management philosophy with the SCS Group. Efforts are also directed toward measures to ensure compliance and reinforce risk management together with the parent company and the SCS Group.

From a perspective of compliance and risk management of the Company, basic management policies and administrative guidelines for subsidiaries of the SCS Group have been drafted, while observing the independence of these companies.

The Company's internal rules stipulate that subsidiaries of the Company shall consult and discuss important business activities with the Company. Directors and Corporate Auditors appointed by the Company supervise the execution of business activities of subsidiaries of the Company. Also, business activities of the subsidiaries are within the scope of the Internal Audit of the Company. Internal audits are also conducted at the Company's core subsidiaries. The Company recommends that Group companies establish their own compliance committees, speak-up systems and other measures to underpin compliance in a similar arrangement to that of the Company.

Management

As of June 28, 2007

Photo (left to right):
(front) Atsushi Nishijo, Yasuyuki Abe, Nobuhiko Ishizaka
(back) Akira Tsuyuguchi, Kazuhiro Ogawa, Hiroaki Kamata, Izumi Yutani, Mitsuhiro Ohtsuki, Tetsuya Fukunaga, Osamu Kojima, Shigeo Kurimoto, Tatsujiro Naito

● Board of Directors

Chairman	Atsushi Nishijo
President & CEO	Yasuyuki Abe
Board Members	Nobuhiko Ishizaka
	Mitsuhiro Ohtsuki
	Izumi Yutani
	Tetsuya Fukunaga
	Hiroaki Kamata
	Osamu Kojima
	Kazuhiro Ogawa
	Shigeo Kurimoto
	Akira Tsuyuguchi
	Tatsujiro Naito*

● Auditors

Corporate Auditors	Hisao Sasayama**
	Motoki Kondo
	Isao Yamamoto**
	Masatoshi Hayashi**

* *Outside director in compliance with the requirements of Item 15, Article 2 of Corporate Law*

** *Outside corporate auditor in compliance with the requirements of Item 16, Article 2 of Corporate Law*

● Executive Officers

President & CEO	Yasuyuki Abe
Executive Vice President	Nobuhiko Ishizaka
	Mitsuhiro Ohtsuki
	Izumi Yutani
	Hiroaki Kamata
	Kazuhiro Ogawa
	Shigeo Kurimoto
Senior Vice President	Tetsuya Fukunaga
	Osamu Kojima
	Ken Fujii
	Kyoji Inomata
	Keigo Nakamura
	Kenji Tamaki
	Shoichi Takayama
	Takeshi Sugihashi
	Koichiro Nakaya
	Yoshiaki Ikeda
	Yutaka Hagio
	Tetsuo Ohyoshi
	Atsushi Innami
	Tatsuaki Shinkai
	Haruo Doi
	Hirofumi Maeda

SCS and Group Companies

As of June 28, 2007

Subsidiaries

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Billingsoft Japan Co., Ltd.

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Curl, Incorporated

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SCS Business Support Inc.

7-51-1 Kameido, Koto-ku, Tokyo 136-0071, Japan
Tel: +81-3-3636-7235 / Fax: +81-3-3636-7210

Asahi IT Solution Limited

1-21 Ageba-cho, Shinjuku-ku, Tokyo 162-0824, Japan
Tel: +81-3-3266-7674 / Fax: +81-3-3266-7694

Sumisho Computer Systems (Shanghai) Limited

40-011, 40th floor, HSBC Tower, 1000 Lu Jia Zui Ring Road, Pudong New Area, Shanghai, People's Republic of China
Tel: +86-21-6146-1898

Sumisho Computer Systems (Dalian) Co., Ltd.

17F Senmao Building No. 147 Zhongshan Road, Xigang District, Dalian,116011, People's Republic of China
Tel: +86-411-8370-6116

Affiliates

Pioneer Soft Co., Ltd.

PS Bldg., 4-22-16 Shimizu, Minami-ku, Fukuoka City, Fukuoka 815-0031, Japan
Tel: +81-92-512-0005 / Fax: +81-92-512-0042

Component Square, Inc.

Agora-Ooimachi Bldg. 4F, 1-6-3 Ooimachi, Shinagawa-ku, Tokyo 140-0014, Japan
Tel: +81-3-5743-6140 / Fax: +81-3-5743-6139

HULINKS Inc.

Minami-Shinjuku Hoshino Bldg., 5-23-13 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: +81-3-5363-9041 / Fax: +81-3-5363-9040

eBANK Systems Corporation

11F CJ Bldg., 2-7-4 Nishi-Shinbashi, Minato-ku, Tokyo 105-0003, Japan
Tel: +81-3-5510-1189

ATLED Co., Ltd.

Shibuya Higashiguchi Bld. 5F, 2-22-3, Shibuya, Shibuya-ku, Tokyo 150-0002, Japan
Tel: +81-3-3486-2812 / Fax: +81-3-3486-6203

Financial Section

Consolidated Five-Year Summary

Sumisho Computer Systems Corporation and Subsidiaries for the years ended March 31

	Millions of yen				
	2007	2006	2005	2004	2003
Net sales	¥137,345	¥120,290	¥70,586	¥76,676	¥74,134
Software development	47,913	46,266	43,866	48,152	47,781
Information processing	34,485	29,944	15,986	14,690	14,486
Software package & hardware sales	54,947	44,081	10,734	13,834	11,867
Cost of sales	106,648	99,057	59,283	63,675	59,254
Operating income	8,560	6,532	4,978	7,010	9,616
Net income	4,378	2,722	3,101	3,978	5,006
At Year-End					
Total assets	¥116,218	¥125,064	¥80,497	¥80,477	¥75,360
Total net assets*	91,254	94,763	68,966	67,053	63,822
Per Share (Yen)					
Net income per share	¥ 80.91	¥ 53.29	¥ 70.93	¥ 90.01	¥113.25
Net assets per share	1,712.27	1,746.78	1,582.54	1,537.49	1,462.93
Cash dividends declared for the year	28.00	26.00	26.00	26.00	24.00
Other Information					
Return on equity (%)	4.7%	3.3%	4.6%	6.1%	8.1%
Equity ratio (%)	78.2%	75.8%	85.7%	83.3%	84.7%

* By adoption of a new accounting standard for the presentation of net assets in the balance sheet, minority interests and net unrealized gains on hedging derivatives are included in total net assets for the year ended March 31, 2007.

Basic Management Policy

Sumisho Computer Systems Corporation (the Company) and its group companies (together with the Company, the Group) are guided in their business pursuits by a fundamental philosophy that highlights efforts to contribute to the realization of a more affluent society through the creation of new value based on high-level information technology (IT). The Group upholds a corporate mission to provide global IT services of the highest quality and to support growth in all industry sectors through the application of leading-edge technological capabilities and abundant business experience, extensive access to hardware and software procurement sources, and the dedication and determination of all employees to succeed in these respective tasks.

The Group adheres to a basic management policy aimed at earning the support of all stakeholders including client companies and shareholders—with the objectives of generating business value for client companies that concomitantly benefits the Group, to maximize the corporate value of the Group for shareholders, and to continually broaden the scope of business operations of the Group.

Mid-Term Strategies

The Group's corporate vision is to be a Global IT company building on its people and technology to promote business value. To achieve this vision, we understand that the Group must, as a cohesive unit, endeavor to provide high-quality services which contribute to progress in the business operations of client companies and thereby generate business value.

The Group has been responsible for the configuration, maintenance and operation of cross-border systems used by trading companies with diverse business activities abroad and, in this capacity, enjoys a position as one of Japan's most prominent global information service providers.

Asia, excluding the home base of Japan, was identified as the third geographical pillar of the Group's overseas network to complement operational bases in the United States and Europe, and two offices have been opened in the People's Republic of China (PRC). The Group intends to promote high-quality, global IT services by utilizing accumulated experience in these different markets and consistently reinforcing its service infrastructure.

The Group also intends to facilitate new opportunities for growth in the IT service business and to accomplish further enhancement of profitability and growth potential by utilizing capabilities in software development, system configuration and platform technologies related to outsourcing, as well as marketing expertise, a far-reaching procurement capacity for IT products and proficiency in platform architecture, based on an extensive customer base including the Sumitomo Corporation Group.

To cement its position as a top-class IT service provider, the Company has identified three strategic business domains for the Group—Industrial Solutions, which infuses industry-specific expert knowledge into system applications tailored to the needs of each client; ERP Solutions, which focuses on package software, including the one created by the Company; and Platform Solutions, which emphasizes the architecture of an IT infrastructure—and selectively allocates management resources to these operations from the perspective of promoting global IT services.

Summary of Fiscal 2006 Performance

Despite signs of fragility affected by the fluctuating economic trends in the United States and Asia, especially the PRC, the business environment in Japan remained positive during fiscal 2006, ended March 31, 2007, largely because of higher capital spending supported by continued favorable corporate performances and because of solid consumer spending underpinned by a gradual increase in employee compensation.

As for the operating environment surrounding the IT industry, it should be noted that investment in information systems, for the purpose of honing competitive superiority and enhancing profitability of client companies, has increased, supported by improvement of corporate earnings due to economic recovery.

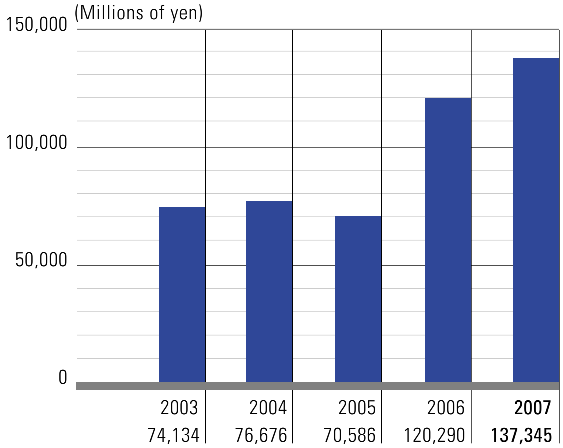
In such circumstances, the Group designated fiscal 2006 as the year for the Group to lay a stronger revenue foundation and implemented several measures to capitalize on opportunities afforded by the prevailing operating environment to reach this objective. Certain business segments were selected and restructured, whereby efforts were undertaken to improve basic revenue capabilities in each target business and to promote business expansion therein.

In the software development business, the Group marked a reduction in the number of unprofitable software development projects, reflecting the external factor of favorable market conditions as well as internal factors of enhanced engineering processes for software development, better technology platforms and meticulous project management.

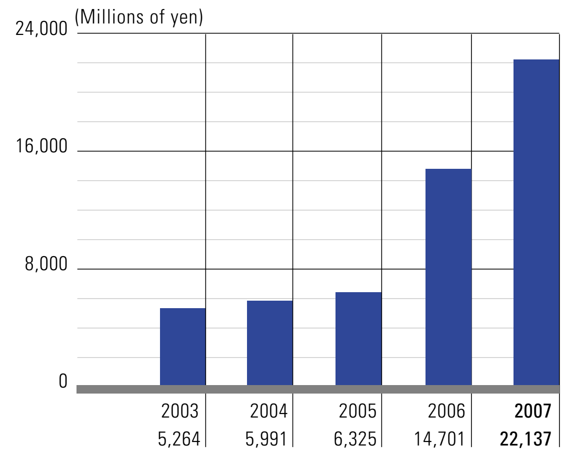
In the product distribution business, the profitability improved as a result of higher basic revenue capabilities through maintaining the business formula applied by the former Sumisho Electronics Co., Ltd., (SSE) and efforts to focus on solution development combined with other IT services.

The Group will designate fiscal 2007 as the year to lay a solid path toward mid-term growth and will strive to further reinforce operations through measures aimed at extending the

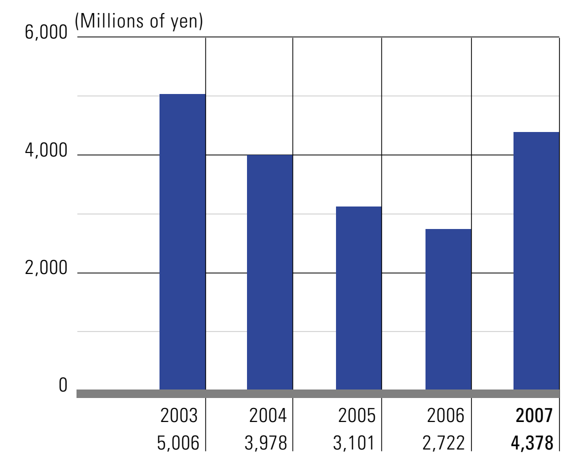
Net Sales



SG&A Expenses



Net Income



scope of existing businesses and aggressively promoting new businesses. In addition, the Group seeks to improve the structure for checking the status of software development projects on both qualitative and quantitative fronts, to further refine the accuracy of project management, to more thoroughly address project profit and quality control, and to enhance the engineering process for software development. Furthermore, personnel training will assume a broader perspective to raise the technological expertise and marketing skills of Company employees and elevate overall performance of the work force.

The Group intends to promote competencies as a group by measures such as investment in strategic businesses in order to achieve a sharper competitive edge and more comprehensive technological capabilities. For the purpose of ensuring a solid path toward future growth, the Group will pursue growth and competitive potential by implementing the measures outlined above.

Net Sales

Net sales reached ¥137,345 million in fiscal 2006 on a consolidated basis, up 14.2% from the previous fiscal year. By business category, software development contributed ¥47,913 million, up 3.6% from the previous fiscal year, chiefly owing to a significant increase in sales to the financial industry and the positive impact of the Company's merger with SSE. In information processing, sales amounted to ¥34,485 million, up 15.2% from the previous fiscal year, primarily reflecting higher sales to Sumitomo Corporation, increase of development projects moving into respective operational phases and, again, the positive impact of the Company's merger with SSE. Software package and hardware sales represented ¥54,947 million, up 24.6% from the previous fiscal year, reflecting higher sales to the communications industry as well as the Company's merger with SSE.

Operating Income

In the software development business, profitability improved reflecting the higher profitability of each project and the decrease in the number of unprofitable projects. Meanwhile, profitability in the hardware sales business improved due to higher profitability in the product solutions business achieved by reallocation of management resources to target businesses and to concentrated procurement of hardware achieved by the merger with SSE. Consequently, operating income increased by 31.1% from the previous fiscal year, to ¥8,560 million, resulting in a ratio of operating income to net sales of 6.2%, up 0.8 percentage point from the previous fiscal year.

Net Income

With significant improvements in net sales and operating income, net income amounted to ¥4,378 million, up 60.8% from the previous fiscal year.

As stated above, a certain amount of success was achieved in establishing a strong profit foundation in fiscal 2006. Seeking to lay a clear and stable path toward mid-term growth in fiscal 2007, the Group will strive to expand the profit foundation, elevate the abilities of the work force, and cultivate a more productive office environment.

Matters to Be Dealt With

The operating environment that the Group is likely to face in the future will be characterized by favorable corporate performances that encourage companies to increase active investment in systems and allocation of more capital to strategic systems designed to hone competitiveness and efficiencies in businesses. On the other hand, the trend toward curtailing costs associated with the maintenance and operation of existing systems which would not lead to improved corporate value may become more pronounced.

In such circumstances, the Company's management understands, as the current agenda for the Company, that the Company is required to implement initiatives to ensure corporate growth in the mid-term in response to the IT and system configuration needs of each client company.

Specifically, management has prioritized efforts to reinforce the operating foundation and to secure profit-building capabilities and intends to implement measures in respect of each item.

To reinforce the operating foundation, the Group will further strengthen its management infrastructure, with a focus on internal controls, compliance and security management. Also, as the core provider of IT solutions for the Sumitomo Corporation and its subsidiaries and associated companies, the Company will strive to reinforce business relationship with the Sumitomo Corporation Group. Further, the Group will promote sophistication and standardization of technical capabilities within the Group as a whole including its partner companies, and will ensure more meticulous execution of project management.

To secure profit-building capabilities, the Company will selectively allocate management resources to target businesses, raise the value-added quality of these businesses by infusing them with aspects of the existing solution business, and seek to obtain new commercial rights and attract new clients. The Company will also promote strategies that enhance the Group's global IT service ability and business expansion potential and thereby distinguish the Group from the competitors. With stronger IT support for overseas activities of client companies, the Company will attract greater interest from client companies, raise the level of client satisfaction and foster new business opportunities.

For speedy implementation of these initiatives, the Company will complement the aforementioned activities by building stronger relationships with entities in which the Company has made strategic business investments. In fiscal 2006, the Company formed a capital and business alliance with eMplex Co., Ltd., to facilitate portability between ProActive, a proprietary integrated ERP solution, and eMplex CRM, a customer relationship management solution. The Company also raised its equity stake in eBANK Systems Corporation to reinforce its status as a business partner. In addition, the Company brought Asahi IT Solution Limited under consolidation to provide small and medium-sized clients with high-value-added solutions at all system life stages. This direction will be maintained in fiscal 2007, cementing the partnership positions the Company has formed through capital and business alliances and fueling the aggressive pursuit of new business investments that reinforce profit-building capabilities.

Liquidity and Financial Position

Cash Flow Status*

Cash and cash equivalents at the end of the fiscal year amounted to ¥31,412 million on a consolidated basis, down 0.5% from the end of the previous year.

Net cash provided by operating activities declined 20.3%, to ¥5,990 million, because a decrease in accounts payable and an increase in income tax payments outweighed an increase in income before income taxes and minority interests derived from enhanced business results.

Net cash used in investing activities fell 41.3%, to minus ¥1,633 million, primarily reflecting a reduction in payments for purchases of investment securities.

Net cash used in financing activities increased 224.4%, to minus ¥4,538 million, chiefly owing to a major increase in payments for purchases of treasury stock.

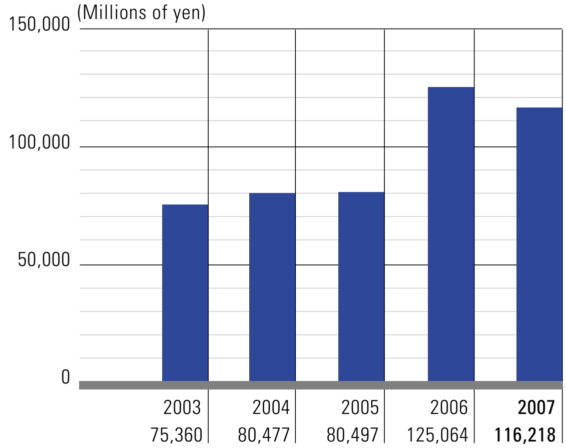
*Consolidated Statements of Cash Flows are unaudited.

Assets, Liabilities and Net Assets

Total assets stood at ¥116,218 million at March 31, 2007, down 7.1% from the end of the previous year.

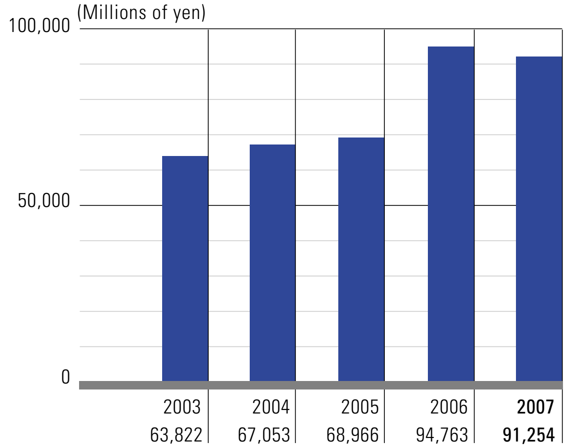
Total Assets

(Millions of yen)



Total Net Assets

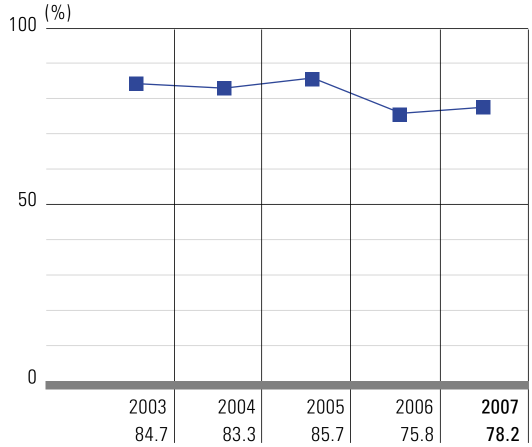
(Millions of yen)



* By adoption of a new accounting standard for the presentation of net assets in the balance sheet, minority interests and net unrealized gains on hedging derivatives are included in total net assets for the year ended March 31, 2007.

Equity Ratio

(%)



Assets

Total current assets declined ¥2,641 million, or 3.6%, to ¥71,443 million, mainly because of a decrease in securities and inventories with less seasonality of sales volumes.

Net property and equipment reached ¥28,820 million, down ¥354 million, or 1.2% from the end of the previous year, largely due to depreciation of buildings and structures, as well as integration of offices associated with a merged subsidiary.

Total investments and other assets decreased ¥5,851 million, or 26.8% from the end of the previous year, to ¥15,955 million principally because of lower net unrealized holding gains on securities reduced investment securities.

Liabilities

Total current liabilities decreased ¥2,425 million, or 9.1% from the end of the previous year, to ¥24,299 million, primarily owing to a reduction in notes and accounts payable, with less seasonality of sales volumes.

Long-term liabilities fell ¥2,397 million or 78.3% from the end of the previous year, to ¥665 million, largely because lower net unrealized holding gains on securities reduced deferred income tax liabilities.

Total Net Assets

By adoption of a new accounting standard for the presentation of net assets in the balance sheet, minority interests are included in total net assets for this fiscal year, which added ¥345 million to the total net assets. However, as a result of lower net unrealized holding gains on securities and purchases of treasury stock, total net assets decreased ¥3,509 million, or 3.7%, from the end of the previous year, to ¥91,254 million.

Fiscal 2007 Outlook

The recovery tone that currently characterizes the domestic economy is expected to continue, supported by higher capital spending, underscored by improved corporate earnings, as well as solid consumer spending, stimulated by better employment and wage conditions.

Although there is a fluctuation across respective segments of the IT market, the rallying trend in demand for IT investments is expected to continue as a whole, reflecting solid corporate performances.

In this environment, the Group will endeavor to enhance its operating foundation and profitability status to achieve a clear and stable path to growth in the mid-term; and, seeking to be not only a top-class IT service provider but also a truly valuable partner to client companies, the Group will engage in the following initiatives as well.

(1) Business selection and concentration

The Company seeks to distinguish itself as an IT service provider that leads in certain business fields, considered priority areas, and is in the upper echelon of the IT service industry overall. To achieve this goal, the Company will prudently allocate management resources to target business areas.

(2) Promoting global strategies

The Company will strengthen IT support structures at overseas operating bases of client companies and will, with distinctive global IT services, position the Group as an integrated IT partner to increasingly globalized Japanese enterprises. In addition to the United States and Europe, the Company is establishing support structures in Asia and will, based on the global IT services structures for existing client companies, including Sumitomo Corporation and its group companies, endeavor to extend IT service support proactively to new client companies intending to start overseas business.

The Group will also aggressively pursue offshore development, that is the use of resources of off-shore companies, particularly in the PRC.

To identify leading-edge IT businesses and technologies, the Company will maximize the global infrastructure of its own Group and maintain a vigilant watch for advanced techniques in use overseas in cooperation with the group companies of Sumitomo Corporation. The Company will make use of new IT businesses and technologies with business potential for the expansion of existing businesses and cultivation of new businesses.

(3) Differentiation strategy in the solutions business

The Company will actively promote the solutions business featuring originality.

In the field of ERP packaged software, the Company will enthusiastically present ProActive, a proprietary software created by the Company, to the market and, seeking to make this software the No. 1 ERP solution in the market for medium-sized companies, will direct concerted efforts toward improving the level of product performance and execute strategies to firmly entrench the brand in the market.

In the United States and within Japan, the Company will also aggressively market the proprietary programming language Curl as a Web programming for next-generation, rich client environments.

In addition, the Company plans to expand its software development and product solution businesses, such as engineering solutions and financial systems solutions, which hinge on unique industry expertise.

(4) Relationship with the group companies of Sumitomo Corporation

As the IT hub for the group companies of Sumitomo Corporation, the Company will plan and provide a variety of one-stop IT service solutions, and thereby reinforce its relationship with the Sumitomo Corporation group companies.

For Sumitomo Corporation, the Company is taking the lead in efforts to promote global IT services by installing new systems at offices in the PRC and Southeast Asia, following the United States and Europe. Further, for the group companies of Sumitomo Corporation, the Company will spearhead the introduction of standardized systems highly compatible with core systems of Sumitomo Corporation.

The Company aims to raise its profile as a provider of high-value-added IT services by applying the know-how and experience accumulated to date in the configuration of IT systems for the group companies of Sumitomo Corporation to meet the needs of other client companies as well.

(5) Stronger quality-control and production-control systems

In fiscal 2006, the Company successfully reduced the number of unprofitable projects and improved profitability from the previous fiscal year by tightening project control, including the wider application of a proposal screening system and a project check system, which tracks the profitability of each project.

Through ongoing efforts to reinforce check mechanisms at each business location, the Company will further heighten the accuracy of project control measures and improve project quality, as well as raise the level of risk management in order to further reduce the number of unprofitable projects.

(6) Enhancing employee performance

The Company will significantly expand training programs to upgrade the technological know-how and marketing skills of the employees of the Company, and will also put in full operation a personnel system introduced in fiscal 2006, and raise the motivation of employees to generate business opportunities. In addition, the Company will broaden the technological capabilities of the entire Group, including those of subcontractors.

(7) Promoting business process reengineering and reinforcing internal controls

Aiming to boost operating efficiency and foster a comfortable working environment for employees, the Company will strive to reformulate business operation procedures. In addition, while promoting business process reengineering, the Company will meticulously review operations from the perspective of stronger internal controls and raise the level of internal controls on a Groupwide basis. The Company seeks to have a systemized approach to business process reengineering in place by fiscal 2008, and will configure a new platform system for this purpose.

Risks with the potential to significantly impact on the business—that is, the operating results and financial standing of the Group—are presented below. The forward-looking statements contained in the descriptions below are deemed applicable by the Company as of the date of the consolidated financial statements, the fiscal year ended march 31, 2007.

Impact of Changes in the Business Environment

In recent years, the information services industry to which the Group belongs has been characterized by heightened competition among rival companies and a persistent trend toward reduced prices for projects, including the decline in the price of hardware. In this operating environment, if a change in economic conditions were to prompt sudden and sizable adjustments in client companies' investment activities in information technologies, or if price competition in the industry were to continue to intensify and greatly exceed previous standards, the operating results and financial standing of the Group could be adversely affected.

Risks Inherent in Configuring Information Systems

The Group undertakes the development and customization of various types of client company information systems. If the desired level of quality is not achieved or if development costs increase due to failure to complete a project within the promised time frame in the development of complex systems with short lead times, such circumstances could exert a negative effect on operating results. Therefore, in an effort to minimize factors that precipitate risk in information system configuration, dedicated teams perform project checks at the estimate stage and verify that the progress of development stays on track and profitability is maintained.

In the event the Group procures software, hardware or any other components of system architecture from outside vendors, a structure of quality control procedures, including the rigorous inspection of the shipped products, is in place to ensure that no incompatibilities will arise in these procured products. In addition, the Group is methodical in its efforts to prevent unforeseen malfunctions in any aspect of a system, including a customized system, delivered by the Group companies. However, if a malfunction were to occur in an IT-related product after the system was configured and delivered, the Group's reputation in the eyes of client companies may be tarnished or possibly irrevocably damaged, and this could have a highly detrimental effect on operating results of the Group.

Risks Inherent in Offshore Development

Seeking to respond to the global IT service needs of client companies and reduce production costs, the Group promotes the use of technology resources abroad through offshore development services. Most notably, the Company established a wholly owned subsidiary, Sumisho Computer Systems (Dalian) Co., Ltd., in the PRC, in its ongoing effort to solidify an offshore development structure underpinned by its own development technology standards. Nevertheless, business risks inherent in offshore development may arise from various factors, including differences in laws, culture, language, and customs, as well as exchange rate fluctuations, and the operating results of the Group could be negatively affected by such risks.

Responding to Technological Innovation

Technological innovation unfolds at a fast pace in the IT services industry, the business domain of the Group. Therefore, the technologies, competence, know-how and other intangible resources that the Group currently possesses could be rendered obsolete by new breakthroughs. Furthermore, software, hardware and other components used in system configuration services for client companies—a key source of profit for the Group—could erode the Group's technological superiority or price advantage due to rapid changes of industry standards regarding technologies.

To respond in a timely and accurate manner to technological innovation, the Group seeks to nurture its employees' skills and emphasizes careful investigation and acquisition of the latest in breakthrough developments applicable to the Group's business. In addition, rather than solely relying on a single technology, know-how or product that generates unduly high profit, the Group endeavors to diversify system configuration-related technologies and product procurement capabilities.

Nevertheless, the Group may not always be able to accurately anticipate new products and technologies with the potential to capture market interest and may not always be able to acquire the necessary technological capacity and apply such capacity to respective business pursuits. If the Group is unable to sufficiently predict technological trends within the industry, its operating results could suffer.

Risk of Information Leaks

In the course of business, from system development through to system operation, members of the Group may gain access to confidential information, such as personal information owned by client companies or technological data of a client customer's system. A leak or alteration of such confidential information or a malfunction in the operation of a client's system—in either case due to a computer virus, illegal access, human error or any other reason—has the potential to invite lawsuits from client companies and any other entity and to tarnish the Group's credibility.

Therefore, members of the Group will adhere to strict rules of compliance in addition to policies that ensure the physical security of information, and maintain comprehensive education and training programs for employees and outside contractors to further reinforce information security measures.

Investment in Venture Businesses

To secure technological expertise in leading-edge fields of the industry and to facilitate the procurement of products, such as the latest software and hardware, the Group embraces several forms of strategic investment in venture businesses at home and abroad, from equity participation and credit offerings to the purchase of prototype products.

The Group endeavors to avert investment risk, to the greatest extent possible, by examining the technological assets and product advantages of venture businesses with its inherent strengths in particular technologies, general know-how and investment experience.

However, investment in venture businesses includes investment and credit accommodation in companies that have yet to fully realize their financial, technological and product potentials, as well as investments in certain highly promising products for which any commercial value has yet to be proven. It is therefore possible that these strategic investments may ultimately sustain a loss rather than yield the assumed returns, which could exert a negative impact on the operating results of the Group.

Possibility of Lawsuits

The Group sells and distributes to many client companies software, hardware and other components developed and manufactured by companies outside the Group. These business activities could precipitate lawsuits filed by third parties over such issues as infringement of intellectual property rights. The content and resulting judgments of such lawsuits could hurt the Group's operating results.

Accounting for the Impairment of Fixed Assets

As of March 31, 2007, the Group owned land and buildings and structures (comprising offices, data centers and company housing, including dormitories) with a total book value of ¥26,253 million. Downward trends in the market value of land and poor Group earnings could impact the Group's operating results through accounting for the impairment of fixed assets, which was applied as from the previous consolidated fiscal year, ended March 31, 2006.

However, these fixed assets have been allocated into reasonable units for generating cash flows and deemed recoverable. Therefore, the need for impairment accounting is low at the present time.

No impairment losses on fixed assets were recognized in the consolidated fiscal year ended March 31, 2007.

Consolidated Balance Sheets

As of March 31, 2007 and 2006

ASSETS

	Millions of yen		Thousands of U.S. dollars*
	2007	2006	2007
Current assets:			
Cash and time deposits	¥ 3,542	¥ 4,658	$ 30,006
Notes and accounts receivable	29,196	29,841	247,318
Securities	701	1,900	5,935
Inventories	4,701	5,761	39,824
Deferred income taxes	1,946	1,717	16,489
Short-term loan	27,870	26,800	236,086
Other current assets	3,499	3,409	29,641
Allowance for doubtful accounts	(12)	(2)	(106)
Total current assets	71,443	74,084	605,193
Property and equipment:			
Buildings and structures	20,522	20,311	173,840
Furniture and fixtures	6,175	5,925	52,310
Land	14,668	14,668	124,252
Less: accumulated depreciation	(12,545)	(11,730)	(106,269)
Net property and equipment	28,820	29,174	244,133
Investments and other assets:			
Investments in affiliated companies	649	266	5,498
Investment securities	9,487	16,508	80,364
Long-term prepaid expenses	924	209	7,830
Lease deposits paid	1,739	1,696	14,730
Intangibles, net	2,935	2,928	24,865
Deferred income taxes	47	90	399
Other assets	267	343	2,257
Allowance for doubtful accounts	(93)	(234)	(786)
Total investments and other assets	15,955	21,806	135,157
Total assets	¥116,218	¥125,064	$984,484

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2007, which was ¥118.05 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized or settled in dollars at that rate or any other rate of exchange.

LIABILITIES AND NET ASSETS

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars* 2007
Current liabilities:			
Notes and accounts payable	¥ 12,644	¥ 14,828	$107,109
Accrued income taxes	2,410	2,100	20,417
Allowance for bonuses to employees	1,602	—	13,566
Allowance for bonuses to directors	95	—	802
Other current liabilities	7,548	9,796	63,945
Total current liabilities	24,299	26,724	205,839
Long-term liabilities:			
Deferred income taxes	136	2,254	1,151
Liability for severance and retirement benefits	216	459	1,829
Retirement benefits for directors and corporate auditors	174	206	1,470
Lease deposits received	99	112	842
Other long-term liabilities	40	31	339
Total long-term liabilities	665	3,062	5,631
Net assets: **			
Shareholders’ equity:			
Common stock:			
Authorized—200,000,000 shares			
Issued—54,291,447 shares in 2007 and 2006, respectively	21,153	21,153	179,186
Capital surplus	31,300	31,300	265,140
Retained earnings	40,396	37,451	342,194
Treasury stock, at cost	(3,183)	(196)	(26,966)
Valuation and translation adjustments:			
Net unrealized holding gains on securities, net of tax effect	1,284	5,142	10,879
Net unrealized gains on hedging derivatives, net of tax effect	2	—	15
Foreign currency translation adjustments	(42)	(87)	(356)
Minority interests	345	515	2,922
Total net assets	91,254	95,278	773,014
Total liabilities and net assets	¥116,218	¥125,064	$984,484

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2007, which was ¥118.05 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized or settled in dollars at that rate or any other rate of exchange.

** With effect from the current consolidated fiscal year, a new accounting standard for the presentation of net assets in the balance sheet and the related Implementation Guidance were applied. The financial statements for the year ended March 31, 2006 have been restated to conform to the presentation of the financial statements for the year ended March 31, 2007.

Consolidated Statements of Income

For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars*
	2007	2006	2005	2007
Net sales	¥137,345	¥120,290	¥70,586	$1,163,447
Cost and expenses:				
Cost of sales	106,648	99,057	59,283	903,417
Selling, general and administrative expenses	22,137	14,701	6,325	187,516
	128,785	113,758	65,608	1,090,933
Operating income	8,560	6,532	4,978	72,514
Other income (expenses):				
Interest and dividend income	184	96	88	1,562
Interest expense	(2)	(2)	(2)	(13)
Equity in earnings of affiliates	32	49	8	268
Gains on sale of investment securities, net	32	1,261	51	272
Write-down of investment securities and other	(101)	(61)	—	(855)
Losses on sales/disposal of fixed assets	(753)	(908)	(87)	(6,377)
Office relocation expenses	—	(141)	—	—
Loss on one-time amortization of software	—	(1,272)	—	—
Additional payment for early retirement benefits	—	(640)	—	—
Proceeds from (payment for) settlement of legal proceedings	30	(75)	—	254
Loss on settlement of a maintenance contract	(122)	—	—	(1,033)
Other, net	87	26	3	732
	(613)	(1,667)	61	(5,190)
Income before income taxes and minority interests	7,948	4,865	5,039	67,324
Income taxes:				
Current	3,118	2,313	2,119	26,412
Deferred	360	(330)	(196)	3,048
	3,478	1,983	1,923	29,460
Minority interests	92	160	15	781
Net income	¥ 4,378	¥ 2,722	¥ 3,101	$ 37,083

	Millions of yen			U.S. dollars
	2007	2006	2005	2007
Per share information:				
Basic net income per share	¥ 80.91	¥ 53.29	¥ 70.93	$ 0.69
Cash dividends declared for the year	28.00	26.00	26.00	0.24

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2007, which was ¥118.05 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized or settled in dollars at that rate or any other rate of exchange.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2007, 2006 and 2005

		Millions of yen								
		Shareholders' equity				Valuation and translation adjustments				
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Net unrealized gains on hedging derivatives	Foreign currency translation adjustment	Minority interests	Total net assets
Balance at March 31, 2004	43,589	¥21,153	¥ 20,649	¥24,838	¥ (44)	¥ 608	¥—	¥ (151)	¥ 483	¥67,536
Net income	—	—	—	3,101	—	—	—	—	—	3,101
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(4)	—	(4)
Net unrealized holding gains on securities	—	—	—	—	—	12	—	—	—	12
Cash dividends	—	—	—	(1,133)	—	—	—	—	—	(1,133)
Bonuses to directors	—	—	—	(56)	—	—	—	—	—	(56)
Purchases of treasury stock	—	—	—	—	(7)	—	—	—	—	(7)
Other, net	—	—	—	—	—	—	—	—	171	171
Balance at March 31, 2005	43,589	21,153	20,649	26,750	(52)	620	—	(155)	654	69,620
Net income	—	—	—	2,722	—	—	—	—	—	2,722
Increase by merger	10,702	—	10,651	8,762	(138)	—	—	—	—	19,275
Increase in retained earnings from newly consolidated subsidiaries	—	—	—	500	—	—	—	—	—	500
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	68	—	68
Net unrealized holding gains on securities	—	—	—	—	—	4,522	—	—	—	4,522
Cash dividends	—	—	—	(1,271)	—	—	—	—	—	(1,271)
Bonuses to directors	—	—	—	(10)	—	—	—	—	—	(10)
Disposal of treasury stock	—	—	—	(2)	4	—	—	—	—	1
Purchases of treasury stock	—	—	—	—	(9)	—	—	—	—	(9)
Other, net	—	—	—	—	—	—	—	—	(139)	(139)
Balance at March 31, 2006	54,291	21,153	31,300	37,451	(196)	5,142	—	(87)	515	95,278
Net income	—	—	—	4,378	—	—	—	—	—	4,378
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	45	—	45
Net unrealized holding gains on securities	—	—	—	—	—	(3,858)	—	—	—	(3,858)
Cash dividends	—	—	—	(1,410)	—	—	—	—	—	(1,410)
Bonuses to directors	—	—	—	(22)	—	—	—	—	—	(22)
Disposal of treasury stock	—	—	—	(1)	1	—	—	—	—	(1)
Purchases of treasury stock	—	—	—	—	(2,988)	—	—	—	—	(2,988)
Other, net	—	—	—	—	—	—	2	—	(170)	(168)
Balance at March 31, 2007	54,291	¥21,153	¥31,300	¥40,396	¥(3,183)	¥1,284	¥ 2	¥ (42)	¥ 345	¥91,254

		Thousands of U.S. dollars*								
		Shareholders' equity				Valuation and translation adjustments				
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains on securities	Net unrealized gains on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	54,291	$179,186	$265,140	$317,244	$ (1,657)	$43,561	$—	$ (734)	$ 4,361	$807,101
Net income	—	—	—	37,083	—	—	—	—	—	37,083
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	378	—	378
Net unrealized holding gains on securities	—	—	—	—	—	(32,682)	—	—	—	(32,682)
Cash dividends	—	—	—	(11,946)	—	—	—	—	—	(11,946)
Bonus to directors	—	—	—	(186)	—	—	—	—	—	(186)
Disposal of treasury stock	—	—	—	(1)	4	—	—	—	—	3
Purchases of treasury stock	—	—	—	—	(25,313)	—	—	—	—	(25,313)
Other, net	—	—	—	—	—	—	15	—	(1,439)	(1,424)
Balance at March 31, 2007	54,291	$179,186	$265,140	$342,194	$(26,966)	$10,879	$ 15	$ (356)	$ 2,922	$773,014

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2007, which was ¥118.05 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized or settled in dollars at that rate or any other rate of exchange.

Consolidated Statements of Cash Flows

For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars*
	2007	2006	2005	2007
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 7,948	¥ 4,865	¥ 5,039	$ 67,324
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	2,307	2,569	1,333	19,546
Amortization of goodwill	116	101	44	982
Increase (decrease) in allowance for doubtful accounts	(139)	(8)	(2)	(1,181)
Losses on disposal of fixed assets	750	585	83	6,352
Losses on sales of fixed assets	3	324	5	25
Gains on sale of investment securities, net	(32)	(1,261)	(51)	(272)
Loss on one-time amortization of software	—	1,272	—	—
Write-down of investment securities and other	101	61	—	855
Interest and dividend income	(184)	(96)	(88)	(1,563)
(Increase) decrease in notes and accounts receivable	702	(6,890)	1,169	5,947
(Increase) decrease in inventories	1,060	1,416	(1,025)	8,978
Increase (decrease) in accounts payable	(2,188)	6,137	(1,940)	(18,535)
Net change in liability for severance and retirement benefits	(244)	(239)	169	(2,071)
(Increase) decrease in prepaid pension costs	(531)	—	—	(4,499)
Payments for bonuses to directors	(22)	(10)	(56)	(186)
Other, net	(1,069)	(139)	731	(9,034)
Subtotal	8,578	8,687	5,411	72,668
Interest and dividend received	191	96	95	1,616
Interest paid	(1)	(2)	(2)	(13)
Income taxes paid	(2,778)	(1,262)	(2,749)	(23,531)
Net cash provided by operating activities	5,990	7,519	2,755	50,740
Cash flows from investing activities:				
Proceeds from sales or redemption of marketable securities	1,900	2,303	1,750	16,095
Payments for purchases of investment securities	(698)	(3,531)	(1,847)	(5,911)
Proceeds from sales or redemption of investment securities	78	1,414	1,433	658
Payments for purchases of property and equipment	(1,139)	(1,221)	(251)	(9,646)
Proceeds from sales of property and equipment	7	246	—	62
Payments for purchases of intangibles	(1,262)	(1,759)	(2,424)	(10,687)
Payments for purchases of securities of subsidiaries, resulting from change in scope of consolidation	(156)	—	(363)	(1,322)
Other, net	(363)	(232)	108	(3,079)
Net cash used in investing activities	(1,633)	(2,780)	(1,594)	(13,830)
Cash flows from financing activities:				
Proceeds from sales of treasury stock	0	3	—	3
Payments for purchases of treasury stock	(2,988)	(9)	(7)	(25,313)
Dividends paid	(1,410)	(1,272)	(1,133)	(11,946)
Distributions to minority interests	(101)	(121)	(31)	(860)
Repayment of long-term debt	(39)	—	—	(329)
Net cash used in financing activities	(4,538)	(1,399)	(1,171)	(38,445)
Effect of exchange rate changes on cash and cash equivalents	35	35	(1)	296
Net increase (decrease) in cash and cash equivalents	(146)	3,375	(10)	(1,238)
Cash and cash equivalents at beginning of year	31,558	19,263	19,273	267,330
Increase by merger	—	8,674	—	—
Increase due to newly consolidated subsidiaries through merger	—	246	—	—
Cash and cash equivalents at end of year	¥31,412	¥31,558	¥19,263	$266,092

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The following consolidated financial statements are a translation of the consolidated financial statements in accordance with Article 444(4) of the Corporate Law, and are provided with an Independent Auditors' Report.

Sumisho Computer Systems Corporation and Subsidiaries

Consolidated Balance Sheet (Audited)

As of March 31, 2007

Account	Amount (Millions of yen)
ASSETS	
Current assets	¥71,443
Cash and time deposits	3,542
Notes and accounts receivable	29,195
Securities	700
Inventories	4,701
Deferred income taxes	1,946
Short-term loan	27,870
Other current assets	3,499
Allowance for doubtful accounts	(12)
Fixed assets	44,775
Property and equipment	28,819
Buildings and structures	11,585
Furniture and fixtures	2,566
Land	14,667
Intangible fixed assets	2,935
Software	2,299
Goodwill	568
Other intangible fixed assets	66
Investments and other assets	13,020
Investment securities	10,136
Long-term prepaid expenses	924
Lease deposits paid	1,738
Deferred income taxes	47
Other assets	266
Allowance for doubtful accounts	(92)
Total assets	¥116,218

Account	Amount (Millions of yen)
LIABILITIES	
Current liabilities	¥24,299
Notes and accounts payable	12,644
Accrued income taxes	2,410
Allowance for bonuses to employees	1,601
Allowance for bonuses to directors	94
Other current liabilities	7,548
Long-term liabilities	664
Deferred income taxes	135
Liability for severance and retirement benefits	215
Retirement benefits for directors and corporate auditors	173
Lease deposits received	99
Other long-term liabilities	39
Total liabilities	24,964
NET ASSETS	
Shareholders' equity	89,665
Common stock	21,152
Capital surplus	31,299
Retained earnings	40,395
Treasury stock, at cost	(3,183)
Valuation, currency translation and other adjustments	1,243
Net unrealized holding gains on securities, net of tax effect	1,284
Net unrealized gains on hedging derivatives, net of tax effect	1
Foreign currency translation adjustments	(42)
Minority interests	344
Total net assets	91,254
Total liabilities and net assets	¥116,218

Sumisho Computer Systems Corporation and Subsidiaries

Consolidated Statement of Income (Audited)

For the year ended March 31, 2007

	Millions of yen	
Account	Amount	Amount
Net sales		¥137,344
Cost of sales		106,648
Gross profit		30,696
Selling, general and administrative expenses		22,136
Operating income		8,560
Other income		
Interest income	159	
Dividend income	24	
Equity in earnings of affiliates	31	
Other	177	393
Other expenses		
Interest expense	1	
Losses on investment in fund	20	
Other	38	61
Ordinary income		8,892
Extraordinary income		
Gains on sale of fixed assets	7	
Gains on sales of investment securities	32	
Proceeds from settlement of legal proceedings	30	
Other	2	71
Extraordinary losses		
Losses on disposal of fixed assets	749	
Losses on sales of fixed assets	2	
Write-down of investment securities	100	
Loss on settlement of a maintenance contract	121	
Other	41	1,016
Income before income taxes and minority interests		7,947
Income taxes—current	3,117	
Income taxes—deferred	359	3,477
Minority interests		92
Net income		4,377

Sumisho Computer Systems Corporation and Subsidiaries

Consolidated Statement of Changes in Net Assets (Audited)

For the year ended March 31, 2007

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	¥21,152	¥31,299	¥37,450	¥ (195)	¥89,707
Changes during the consolidated fiscal year:					
Dividends from retained earnings*			(705)		(705)
Dividends from retained earnings			(705)		(705)
Bonuses to directors*			(22)		(22)
Net income			4,377		4,377
Purchases of treasury stock				(2,988)	(2,988)
Disposal of treasury stock			(0)	0	0
Changes other than shareholders' equity, net					
Total changes during the consolidated fiscal year	—	—	2,945	(2,987)	(42)
Balance at March 31, 2007	¥21,152	¥31,299	¥40,395	¥(3,183)	¥89,665

	Millions of yen					
	Valuation, currency translation and other adjustments					
	Net unrealized holding gains on securities, net of tax effect	Net unrealized gains on hedging derivatives, net of tax effect	Foreign currency translation adjustments	Total valuation, currency translation and other adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥ 5,142	¥—	¥ (86)	¥ 5,055	¥ 514	¥95,278
Changes during the consolidated fiscal year:						
Dividends from retained earnings*						(705)
Dividends from retained earnings						(705)
Bonuses to directors*						(22)
Net income						4,377
Purchases of treasury stock						(2,988)
Disposal of treasury stock						0
Changes other than shareholders' equity, net	(3,858)	1	44	(3,811)	(169)	(3,981)
Total changes during the consolidated fiscal year	(3,858)	1	44	(3,811)	(169)	(4,024)
Balance at March 31, 2007	¥ 1,284	¥ 1	¥ (42)	¥ 1,243	¥ 344	¥91,254

* They were distributed by the resolution of shareholders' meeting held on June, 2006.

I. Important Policies for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries and the names of principal consolidated subsidiaries.

All twelve (12) subsidiaries are consolidated:

Sumisho Computer Systems (USA), Inc.	
SUMISHO COMPUTER SYSTEMS (EUROPE) LTD.	e-Commerce Technology Corp.
Billingsoft Japan Co., Ltd.	Curl, Incorporated
Curl International Corporation	VA Linux Systems Japan K.K.
SCS Solutions Inc.	SCS Business Support Inc.
Asahi IT Solution Limited	Sumisho Computer Systems (Shanghai) Limited
Sumisho Computer Systems (Dalian) Co., Ltd.	

Notes: 1. As Sumisho Computer Systems (Shanghai) Limited and Sumisho Computer Systems (Dalian) Co,. Ltd. were newly established as wholly owned subsidiaries by the Company, these two subsidiaries were included in the scope of consolidation of the Company as of March 31, 2007.

2. Asahi IT Solution Limited became a consolidated subsidiary through the acquisition of all of its shares and was included in the scope of consolidation of the Company as of March 31, 2007.

3. A former consolidated subsidiary, SCS IT Management Ltd., was merged with the Company as of June 1, 2006.

2. Application of the Equity Method

Number of equity method affiliates and the names of principal affiliates. All four (4) affiliates of the Company are accounted for by the equity method:

Pioneer Soft Co., Ltd.	Component Square, Inc.
HULINKS Inc.	eBANK Systems Corporation

Notes: 1. eBANK Systems Corporation became an affiliate due to the acquisition of the additional shares during the current consolidated fiscal year, and the equity method was therefore applied to the accounting of the company.

2. Advanced Network Systems Co., Ltd. ceased to be an affiliate accounted for by the equity method, since a part of its shares were sold by the Company.

3. Balance Sheet Date of Consolidated Subsidiaries

As the fiscal year end of Sumisho Computer Systems (USA), Inc., SUMISHO COMPUTER SYSTEMS (EUROPE) LTD., Billingsoft Japan Co., Ltd., Curl, Incorporated, Sumisho Computer Systems (Shanghai) Limited and Sumisho Computer Systems (Dalian) Co., Ltd. is December 31, preparation of the consolidated financial statements for the year ended March 31, 2007, is based on the financial statements for the period from January 1, 2006, through December 31, 2006, provided that necessary adjustments are made for consolidation purposes with regard to material transactions that took place in the period between the above fiscal year end and the fiscal year end of the Company.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

1) Securities

Held-to-maturity securities: Carried at amortized cost (straight-line method) .

Other securities primarily designated as available-for-sale securities for which the fair market values are readily determinable: Carried at fair market value as of the balance sheet date with changes in net unrealized holding gain or loss, net of related income taxes, included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.

Other securities primarily designated as available-for-sale securities for which the fair market values are not readily determinable: Carried at cost determined by the moving-average method.

2) Inventories

Merchandise: Principally stated at the lower of cost or market method determined by the specific identification method.

Work in process: Stated at cost determined by the specific identification method.

3) Derivative financial instruments

Stated at fair market value.

(2) Depreciation method of major depreciable assets

1) Property and equipment

Depreciation of the property and equipment is computed principally by the straight-line method.

2) Intangible fixed assets

Packaged software for sale: The annual amortization of packaged software for sale is computed using the greater of (a) the ratio of current gross revenue to the total of current and anticipated future gross revenues or (b) the straight-line method over the remaining estimated economic life of the product (principally three years or less).

Software for internal use: Software for internal use is amortized using the straight-line method over the estimated useful life (principally five years or less).

Other intangible fixed assets: Amortized on the straight-line method.

3) Long-term prepaid expenses

Amortized on the straight-line method.

(3) Accounting policies for important reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the amount calculated using the actual percentage of the Company's collection losses, and an estimated amount of uncollectible account for certain identified doubtful receivables.

2) Allowance for bonuses to employees

Allowance for bonuses to employees is provided based on the estimated amounts to cover the bonuses to be paid to the employees.

(Additional information)

Regarding the bonuses to be paid to the employees of the Company and its certain subsidiaries, the final fixed amounts at the end of each fiscal year were provided as an accrued expense in the past. However, with effect from the current consolidated fiscal year, in accordance with the revised salary and wage rule which became effective on April 1, 2006, the bonus amounts are determined taking the performance results into consideration and therefore the estimated amounts to be paid to employees are provided as allowance for bonuses to employees.

3) Allowance for bonuses to directors

Allowance for bonuses to directors is provided based on the estimated amount to cover the bonuses to be paid to the directors.

(Accounting policy change)

With effect from the current consolidated fiscal year, "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4) issued by the Accounting Standards Board of Japan (ASBJ) dated November 29, 2005, was applied. As a result, operating income, ordinary income, income before income taxes and minority interests were reduced by ¥94 million, respectively.

4) Liability for severance and retirement benefits

Liability for severance and retirement benefits for employees is provided based on the estimated amounts of the projected benefit obligation and the fair value of plan assets at the end of this consolidated fiscal year.

Unrecognized actuarial gain or loss is amortized using the straight-line method over the average remaining service period (five years), which is shorter than the average remaining service years for employees at the time of their occurrence for each consolidated fiscal year, since the following fiscal year of recognition.

However, regarding the former retirement benefit plan of the former Sumisho Electronics Co., Ltd., unrecognized actuarial gain or loss is amortized over 13 years.

Employees' prior service cost is amortized over five years.

5) Retirement benefits for directors and corporate auditors

The Company has accrued retirement benefits for directors and corporate auditors at the amount that would be required in the event that all directors and corporate auditors retired at the balance sheet date using their retirement benefit rules.

(4) Accounting for leases

Capital leases, other than those that are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that used for ordinary operating leases.

(5) Accounting for hedging activities

1) Hedge accounting

Deferred hedge accounting is applied for hedging activities. Foreign currency receivables and payables hedged by forward foreign currency contracts are translated at their respective contract rates.

2) Hedging instruments and hedged items

Hedging instruments: forward foreign currency contracts

Hedged items: foreign currency receivables and payables

3) Hedging policy

Derivative financial instruments are used according to the volume of planned import transactions, for the purpose of reducing foreign exchange risks only.

4) Method of evaluation of hedging effectiveness

As forward foreign currency contracts with the same due dates and the same amounts denominated in the same foreign currency as the hedged items are appropriated in compliance with the risk management policy at the conclusion of the forward foreign currency contracts, a high correlation between hedging instruments and hedged items is guaranteed regardless of the subsequent fluctuation in the exchange market. Therefore, an evaluation of the hedging effectiveness at the consolidated closing date is omitted.

5) Other

As all the derivative transactions are conducted with Japanese financial institutions with a high credit rating, we believe that credit risk due to the default of such business partners is low.

(6) Accounting for consumption taxes

Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of the consumption taxes.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The full portion of the assets and liabilities of the consolidated subsidiary is recorded at fair value as of the acquisition of control.

6. Amortization of Goodwill (positive or negative)

The amount of goodwill is equally amortized over a period of five to ten years on a straight-line basis. If the amount is small and insignificant, it is amortized in a lump sum at its occurrence.

Significant changes in items to prepare for consoliclated financial statements

(Accounting Standard for Presentation of Net Assets in the Balance Sheet)

With effect from the current consolidated fiscal year, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) issued by the ASBJ on December 9, 2005, were applied. The amount corresponding to the former "Shareholders' Equity" is ¥90,907 million.

Due to the application of the Accounting Standard, the presentation of net assets in the consolidated balance sheet as of March 31, 2007, is prepared in accordance with the regulation on the Corporate Law (Ordinance of the Ministry of Justice No. 87, last revised on December 22, 2006) .

Additional Information

(Classification of cost of sales and selling, general and administrative expenses)

At production department, expenses incurred in software development had been recognized as cost of sales. From this consolidated fiscal year, the expenses incurred in the department for personnel engaging in sales and administrative work, following reinforcement of sales activities resulting from review of unified production/sales operations, are posted on selling, general and administrative expenses.

As a result, cost of sales decreased by ¥1,548 million, pushing up gross profit by the same amount compared with the amount should the conventional accounting policies have been applied.

II. Notes to consolidated balance sheet

1. Accumulated depreciation of property and equipment

¥12,545 million

2. Notes matured on the balance sheet date

Notes matured on the balance sheet date are accounted for based on the actual clearance date at the clearing house.

Since the balance sheet date of the current consolidated fiscal year fell on a bank holiday, the following amounts of notes matured on the balance sheet date are included in the outstanding balance of each account:

Notes receivable	¥96 million
Notes payable	¥126 million

III. Notes to consolidated statement of changes in net assets

1. Number of outstanding shares issued at the current balance sheet date

54,291,447 common shares

2. Matters concerning dividends from surplus

Matters concerning dividends from surplus distributed during the current consolidated fiscal year

Resolved on	June 28, 2006 at the regular shareholders' meeting	October 26, 2006 at the BoD meeting
Type of shares	Common shares	Common shares
Aggregated amount of dividends	¥705 million	¥705 million
Dividends per share	¥13.00	¥13.00
Record date	March 31, 2006	September 30, 2006
Effective date	June 29, 2006	December 8, 2006

Matters concerning dividends from surplus to be distributed after the balance sheet date

Resolved on	May 16, 2007 at the BoD meeting
Type of shares	Common shares
Source of dividends	Retained earnings
Aggregated amount of dividends	¥796 million
Dividends per share	¥15.00
Record date	March 31, 2007
Effective date	June 13, 2007

IV. Notes to per share information

Net assets per share	¥1,712.27
Net income per share	¥80.91

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 10, 2007

The Board of Directors
Sumisho Computer Systems Corporation

KPMG AZSA & Co.

Kunihito Miura (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroaki Sugiura (Seal)
Designated and Engagement Partner
Certified Public Accountant

Shouichi Yamamoto (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Sumisho Computer Systems Corporation as of March 31, 2007 and for the year from April 1, 2006 to March 31, 2007 in accordance with Article 444 (4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respect, the financial position and the results of operations of Sumisho Computer Systems Corporation and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Corporate Data

(As of March 31, 2007)

Date Established	October 25, 1969
Headquarters	Harumi Island Triton Square Office Tower Z ,1-8-12, Harumi, Chuo-ku, Tokyo 104-6241, Japan
Number of Employees	2,999

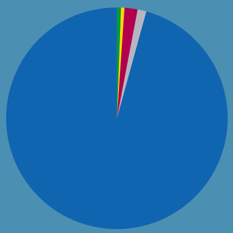
Investor Information

(As of March 31, 2007)

Number of Shares	Authorized:	200,000,000
	Issued and Outstanding	54,291,447
Common Stock (Yen)		21,152,847,708
Number of Shareholders		9,070
Stock Listing	Tokyo Stock Exchange (First Section)	
Transfer Agent of Common Stock	The Sumitomo Trust Banking Co., Ltd.	
Independent Certified Public Accountants	KPMG AZSA & Co.	

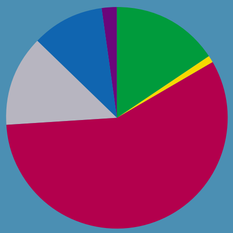
Distribution of Shareholders

Shareholder composition



Japanese Financial Institutions	53	(0.58%)
Japanese Securities Companies	46	(0.51%)
Other Japanese Corporations	172	(1.90%)
Foreign Institutions, etc.	117	(1.29%)
Japanese Individuals and Others	8,681	(95.71%)
Treasury Stock	1	(0.01%)
Total	9,070	

Distribution of shares



Japanese Financial Institutions	8,459,144	(15.59%)
Japanese Securities Companies	549,273	(1.01%)
Other Japanese Corporations	31,161,661	(57.39%)
Foreign Institutions, etc.	7,192,558	(13.25%)
Japanese Individuals and Others	5,730,300	(10.55%)
Treasury Stock	1,198,511	(2.21%)
Total	54,291,447	

	Shareholder name	Number of shares held (stocks)	Holdings ratio (%)
Major Shareholders	Sumitomo Corporation	30,254,359	55.73
	The Master Trust Bank of Japan, Ltd. (trust account)	2,810,500	5.18
	Japan Trustee Services Bank, Ltd. (trust account)	2,262,100	4.17
	Treasury Stock	1,198,511	2.21
	HSBC Bank plc Clients UK Tax Treaty	903,900	1.66
	Morgan Stanley & Co. International Limited	786,140	1.45
	Shareholding Commission of Employees in Sumisho Computer Systems	699,274	1.29
	Northern Trust Company AVFC (sub-account British client)	463,700	0.85
	NikkoCiti Trust and Banking Corporation (mutual fund account)	410,800	0.76
	Picted & Cie (Banques Priveés, Switzerland)	388,000	0.71

Sumisho Computer Systems Corporation

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