SCS Sumisho Computer Systems Corporation

SCS—Leading the IT Evolution

Annual Report
2008
Year ended March 31, 2008

Contents

Unique Business Development

IT Service Industry

Quality IT Services

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.

Solid Customer Base

Strengthen Customer Base

- Sumitomo Corporation Group
- Distributors
- Manufacturers
- Financial Institutions
- Telecommunications Industry
- Media Industry

→ To Expand Customer Base

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

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 year 2007, ended March 31, 2008, was the year to ensure the medium-term growth of Sumisho Computer Systems Corporation (SCS). Our success in this endeavor is highlighted by the record profit achieved this fiscal year. These favorable results were fueled by the diligent efforts of employees to draw on corporate strengths to overcome obstacles and steadily reinforce the earnings base.

Summary of Fiscal Year 2007

In fiscal year 2007, SCS focused on five measures designed to get the Company back on track to medium-term growth:

1. Expand target businesses and maximize synergies between target businesses;
2. Promote strategies to raise the global profile of the Company and set it apart from the competition;
3. Strengthen new-business and new-product development capabilities;
4. Reinforce the technology base and software development expertise; and
5. NEnhance human capital.

We achieved reasonable success in expanding target businesses, promoting global strategies and enhancing product development capabilities.

We saw brisk demand for IT system integration, especially from companies in manufacturing and financial industries. However, net sales decreased by 0.1% compared to the previous fiscal year to ¥137,199 million, largely due to a decrease in sales of networking hardware, and a business transfer executed in the course of business portfolio streamlining.

In the software development business, profitability improved due largely to the decreased number of unprofitable projects due mainly to enhanced project management, higher utilization rates, as well as reduced costs paid to outside contractors. The product distribution business also achieved higher profitability, primarily by allocating business resources to target businesses where the priorities are strategic and growth-oriented.

Consequently, operating income increased by 18.6% year-on-year, to ¥10,548 million, and net income increased by 23.7%, to ¥5,415 million.

Consolidated Financial Highlights

Sumisho Computer Systems Corporation and its Subsidiaries

	Millions of yen			U.S. dollars*
For the years ended March 31	2008	2007	2006	2008
Net sales	¥137,199	¥137,345	¥120,290	$1,369,392
Net income	5,415	4,378	2,722	54,052
Total net assets**	90,323	91,254	94,763	901,517
Total assets	117,099	116,218	125,064	1,168,774
Equity ratio (%)	76.6%	78.2%	75.8%	
Return on equity (%)	6.0%	4.7%	3.3%	
	Yen			U.S. dollars
Per share data (yen):				
Net income per share	¥102.52	¥80.91	¥53.29	$1.02

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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 years ended March 31, 2007 and 2008.

Extending the Platform for Growth—to Go above and beyond

Atsushi Nishijo
Chairman of the Board

Yasuyuki Abe
President & CEO

Three years have passed since the merger with Sumisho Electronics Co., Ltd. (SSE), and we have made smooth and steady progress. This is a reflection of commitment of employees, who are united in addressing all the challenges to ensure a solid development after the merger.

Fiscal year 2008 will mark another critical stage in the post-merger history of the Company. It has been designated as a critical year in which we will demonstrate the unique advantages of SCS.

The challenge is to implement a major leap forward in our business pursuits to extend our platform for higher profits and business development. Three measures will propel us toward our goal:

1. Pursue growth strategies for each target business;
2. Promote businesses with global coverage; and
3. Develop software vendor businesses.

We will also maintain our focus on two management priorities from fiscal year 2007—enhancing human capital and motivating employees by creating comfortable working environments.

Additionally, in fiscal year 2007 we explained a strategy hinging on the pursuit of unique businesses, what we call "SCS-style" business, that would set us apart from our competition. We will strive to identify more "SCS-style" businesses with potential to be future driving force of the Corporation.

Equipped with these strategic tools, SCS will consistently pursue new initiatives in its 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 support and encouragement as the Company and the Group it leads work toward greater successes.

August 2008

Toward the Creation of Real Business Value

SCS has posted higher earnings for two straight years, with earnings reaching a new high in fiscal year 2007. In fiscal year 2008, the Company will direct concerted efforts toward strengthening the earnings base even further and extending the platform for enhanced corporate growth.

In this interview, Yasuyuki Abe, President and CEO, describes the business strategies planned for fiscal year 2008 given the fiscal year 2007 performance.

Q How did the Company perform in fiscal year 2007, and what measures supported these results?

A In fiscal year 2007, we achieved ordinary income of ¥10.5 billion and net income of ¥5.4 billion, on a consolidated basis. Both are new records that I attribute to dedicated efforts of our employees to draw on inherent capabilities and reverse the downward trend that characterized financial performance up until fiscal year 2005, ended March 31, 2006.

Looking at profitability, the ratio of ordinary income to net sales rose to 7.7% for fiscal year 2007, which I believe reflects a stronger earnings base. At the time of the merger, we set a goal to achieve a ratio of 8% or higher, and given prevailing business conditions and the timeline we have envisioned, I think we are making good speed toward this numerical target.

But, I would say, it has only begun. We have just started to travel the road to success, and we are now encountering significant challenges. We need to set out a winning strategy and respond to clients' needs with higher value-added services.

In order to keep achieving record-breaking results this fiscal year on, we face the task of blazing new trails through uncharted territory. In fiscal year 2008, managements and employees will strive to rise to the task under the slogan "Above and Beyond / Challenge to Move Ahead."

In fiscal year 2007, SCS laid out five objectives that would get the Company back on track to medium-term growth.

1. Expand target businesses and maximize synergies between target businesses.
2. Promote strategies to raise the global profile of the Company and set it apart from the competition.
3. Strengthen new-business and new-product development capabilities.
4. Reinforce the technology base and software development expertise.
5. Enhance human capital.

We achieved reasonable success in expanding target businesses, promoting global strategies and enhancing product development capabilities. We will now work on laying the cornerstones of a solid foundation for 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.

Q What does the business environment hold in store? What business strategies will SCS implement? And what will SCS achieve?

A Growing uncertainty characterized business sentiment in the second half of fiscal year 2007, reflecting such developments as a decelerating U.S. economy which had been hit by the turbulence of financial markets saddled with subprime mortgage crisis, as well as fluctuating exchange rates and soaring prices of crude oil and other raw materials. Despite these issues, Japan's economy continued to expand, albeit at a more gradual pace, primarily because of favorable corporate performances and higher capital spending.

The IT services industry welcomed brisk investment by corporate clients, particularly demand from manufacturers seeking to secure competitive excellence through IT applications and persistently strong demand from financial institutions for upgraded platform systems.

But the future direction of business conditions remains unclear, and it is expected that corporate IT investment will start to show signs of a slowdown. Given this possible scenario, in fiscal year 2008, we will strive to sustain our reputation for excellence, supported by a strong earnings base, and further extend our platform for growth.

With that goal in mind, we have identified seven initiatives:

1. Expand target businesses.
2. Promote businesses with global coverage.
3. Develop the software vendor business.
4. Form a closer relationships with key clients.
5. Reinforce the technology base, augment software development expertise, and raise quality control measures.
6. Strengthen human resource management, marketing and technological capabilities.
7. Enhance management infrastructure.

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.

In order to expand target businesses, we identified an agenda for each business segment: In the Industrial Solutions segment, our focus will be deriving synergies among major businesses and key clients to realize growth strategies. In the ERP Solutions segment, we will create supplemental modules for ProActive, our proprietary ERP package, and aggressively promote marketing strategies with the support of sales partners. We will also boost the added-value quality of other ERP solutions including SAP and Oracle through global services and wider application of ERP-related solutions. In the Platform Solutions segment, we will emphasize comprehensive know-how and system integration capabilities, with which we raise the profile of solutions related to IT platform architecture, featuring expertise in network, security and high-performance computing. We are also keen to commence activities using a strategy that seeks to add value through combined platform technologies.

In promoting strategies to raise our global profile, we added a fifth point to our overseas map by opening an office in Singapore that provides IT services for Japanese companies in the ASEAN region. This reinforced our global business, with an initial focus on SAP solution business. Next, we will seek other businesses including industry solutions for manufacturers, financial institutions, and platform solution businesses.

To develop our global network infrastructure business we will maximize our relationship with Sumisho Joho Datacraft Corporation, a joint venture created through a business alliance with Datacraft Asia Ltd. Through this venture we realize a unified network infrastructure management on a global scale for Japanese companies with an overseas presence, or who are in the process of establishing a foothold abroad. This relationship will also fortify our value-added strategy to provide clients with the information on cutting-edge technologies from a worldwide perspective.

To develop the software vendor business, we have gathered all of our software vendor solutions into one group, thereby reinforcing earnings by sharing management and business know-how of software vendors businesses, including ProActive. At the same time, we plan to form business alliances that involve marketing processes and seek technical tie-ups that underpin software development.

Specifically, we will strive to connect business activities for ProActive with the customer relationship management (CRM) solution of eMplex, Co., ltd., which was turned into a subsidiary in March 2008, and the ERP-related solutions including workflow software of Atled Co., Ltd., a company accounted for by the equity method. Integrated solutions will make us distinct from our competition. Also, sharing the task of marketing to certain clients, particularly small and mid-sized companies, will enable us to attract more users in a shorter period while enhancing profitability.

In terms of Curl business, we will continue to strengthen marketing activities in North America. In Japan, we will launch full-scale operations to make Curl the leading business-critical Rich Internet Application platform. Efforts will include the establishment of the Curl Developer Center, which should attract new fans to the platform.

To form closer relationships with key clients, we will extend accumulated know-how to a wider range of corporate clients. This will support higher profits and nourish growth prospects.

Regarding the last three goals—to reinforce the technology base, augment software development expertise and raise quality control measures, as well as to strengthen human resource management, marketing and technological capabilities, and enhance management infrastructure—all-out efforts in fiscal year 2007 were rewarded with higher profits that culminated in record-breaking results. We will continue to work toward a more solid management structure with expanded overall technological capabilities.

Q Please elaborate on “SCS-style” businesses.

A “SCS-style” businesses possess a value-added quality that only the Company can present. They foster greater client satisfaction and contribute to society. You could say the quest for potential “SCS-style” businesses is an essential condition for sustaining the level of excellence that separates us from our competition and encourages clients to make us their provider of choice to work with them as they grow their own businesses.

Every person in every section of the Company is constantly on the watch for possible “SCS-style” businesses. The sense that we are all value creators buoys motivation, and I fervently believe that this creates an atmosphere highly conducive to corporate growth.

We will continue to support promising “SCS-style” businesses from a companywide perspective and advance an “SCS-style” business strategy designed to generate No. 1 services and products in each business segment. The more diversified the prospect, the sharper our competitive edge will be in the industry and the wider our field of endeavor will reach.

Q Do you have a message for your stakeholders?

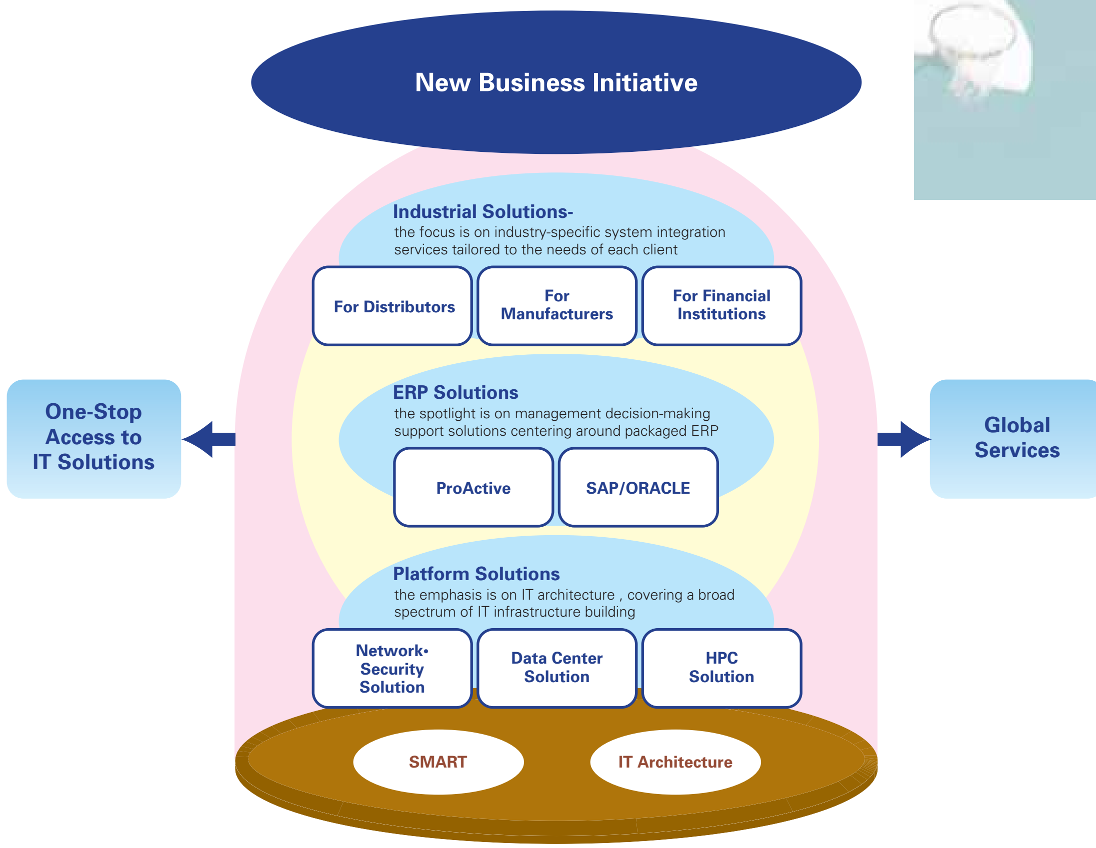
A We will address new challenges and implement the appropriate preparations—the necessary business foundation and entrepreneurial motivation—to achieve short-term gains as well as progress over the medium and long term.

To earn the trust of all our stakeholders, from shareholders to business partners and employees, and further to the communities in which we maintain a presence, we must persistently seek to develop our businesses, regardless of economic uncertainty and strive to ensure stable improvement in corporate value.

Toward this end, we will make the most of what we have—leading-edge technologies, abundant business experience and extensive software and hardware procurement capabilities—and provide the very best in global IT services. In doing so, we will enhance the business value of each client company while maximizing corporate value for ourselves.

The support of shareholders is indispensable to our future. I ask for your continued encouragement of our efforts.

Solution System



Industrial Solutions

In the industrial solutions business, SCS provides high-quality services spotlighting three areas: 1) business application development services utilizing business know-how and experience in a wide range of industries, including distribution and service industries; 2) solutions for manufacturing sector that underpins what is called “digital engineering”, including associated tools such as CAD (computer-aided-design) systems with related IT support services; and 3) solutions aimed at financial industry.

We draw on considerable stores of industry know-how and many years of proven results for clients in all industries to extend professional solutions tailored to the business pursuits of each client. In addition, we tightly connect industrial solutions to ERP solutions and platform solutions to create total solutions flexibly matched to user requirements.

We utilize know-how and experience accumulated through the development of total IT solutions that have been implemented on a global scale for the Sumitomo Corporation, its subsidiaries and associated companies as well as that group's service locations all over the world to respond to clients' needs with one-stop availability.

We have the capabilities to be counted on as an IT partner to Japanese companies pursuing business abroad.

ERP Solutions

In the ERP solution business, SCS focuses on ProActive, the Company's proprietary ERP package, as well as leading overseas ERP solutions, from such providers as SAP AG and Oracle Corporation.

ProActive is an integrated ERP package with modules for business processes critical to an enterprise's operations. The package has won top marks from many clients for its flexibility, which allows each client to choose whether to install all the modules at once or phase them in by selecting modules specific to certain operations, such as accounting and payroll.

Our customer-oriented approach begins with IT consulting, which is designed and proposed from the client's perspective, and the client can choose the installation method best suited to their environment.

In addition to ERP solutions designed for clients of all sizes, from small and medium-sized companies to large corporations, we provide comprehensive IT services by incorporating other related solutions such as CRM, SFA and IT governance, which serve as an efficient management tool.

Internal controls and J-SOX—Japan's version of the Sarbanes-Oxley Act—are high-profile terms in today's business circles. We have established a structure that facilitates quick responses to clients who are increasingly seeking to reinforce internal controls and satisfy J-SOX criteria.

Platform Solutions

In the platform solutions business, SCS realizes superior applications and high-quality services through unrivaled platform design enabling us to cater to client needs.

We provide a wide range of offerings such as servers and storage, hardware and software for HPC requirements, networking devices including switches and routers, cable TV products and communication equipment for cable TV operators, and VoIP related products. In addition, in the field of security, we provide and array of services including analysis, diagnoses of network, and measures against security-related issues.

In the area of open source software, we offer distinctive services utilizing our expertise of MySQL- and Linux in collaboration with VA Linux Systems Japan K.K., a member of the SCS Group.

Drawing from these wide-ranging products and services, we can offer one-stop access to comprehensive system integration services, from IT infrastructure design to configuration, operation and maintenance.

netXDC is our own high-value added data center, which provides services vital to enterprise in our information-driven societies. This facility is staffed by specialists in data center operation and system operation who undertake on-demand execution of high-quality, ITIL-based operations and SE support services around the clock, throughout the year. These efforts have earned netXDC top marks from clients.

Business Topics

ProActive Business—Accelerating Sales Promotion for the Pursuit of Growth Opportunities

Agenda for the ProActive business is to reinforce marketing and sales strategies, thereby expand the business further.

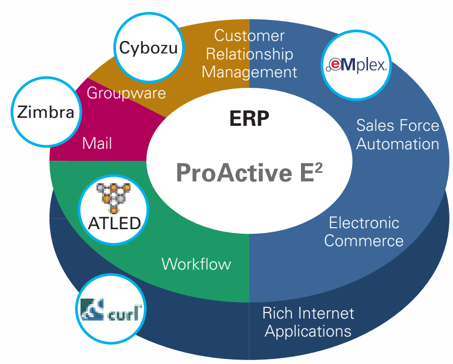
In the ProActive business, which is one of our target businesses, we overhauled the package architecture in October 2007 and subsequently released a new version of ProActive E^2 with enhanced qualities. We feel it has become a well designed package with improved productivity for customization process as well as features matched to client needs. We are confident it will garner solid market support.

We started fiscal year 2007 as the start of concerted efforts dedicated to ProActive business, as we positioned it as a primary source of corporate growth in our next leap forward. This emphasis reflects a trend among small and mid-sized companies that aggressively pursue IT investment programs.

Following the release of new version of ProActive E^2, we resumed advertising activities for the first time in about a year and a half, and mounted a promotional campaign in line with the prevailing marketing strategy. Further, we will strive to reinforce our marketing strategy together with partner companies through provision of training session or promotional tools to encourage wider support from the partner companies joining us in expanding this business.

In fiscal 2007, we consolidated other ERP-related solutions, including CRM SFA from eMplex, e-mail groupware systems from Cybozu Zimbra, and workflow systems from Atled, into a single, extensive, integrated structure. We will expand ERP-related solutions and enhance total added value by linking such solutions to ERP package software, especially ProActive.

We identified ProActive as a business which represents a critically important strategy for overall corporate growth, and we will strive to make this business a success.



Five Concepts of ProActive E^2

ProActive E^2 applies five concepts—real-time management, visualization of management, strict compliance practices, enhanced security measures and adaptability to changes—to underpin real management improvement at client companies.

Real-Time Management

ProActive E^2 underpins real-time management by sharing information through integrated systems offering functions that permit management of multiple virtual structures.

Visualization of Management

ProActive E^2 allows allocation of up to 29 management index including clients and projects, to enable multiperspective data analysis and immediate identification of KPI.

Strict Compliance Practices

ProActive E^2 supports the creation of compliance structures by installing standardized electronic internal settlement systems thereby accelerating decision-making processes.

Enhanced Security Measures

ProActive E^2 reinforces security measures through such features as access restriction and tracking history archiving to prevent information leaks.

Adaptability to the Changes

ProActive E^2 responds flexibly to changes in the business environment with speedy system upgrades, being dynamically adaptable to such changes as organizational reforms at the same time.

We have also prepared ProShop, a group of software products, oriented toward ProActive E^2, whereby products are designed specifically to support data analysis, business intelligence, consolidated accounting and production control. The installation of these products enables a variety of optimal systems, centered on ProActive E^2, to be established in a shorter time frame and at a lower cost.

High-Value-Added Data Center (netXDC) with Sophisticated Security Provides Solid Foundation, Supporting Clients' IT Strategies and Solving Management Challenges of Clients

Since its inception in 2001, netXDC—or network eXchange attached Data Center—has evolved into a foundation which supports businesses expanding their operation abroad.

netXDC responds to client needs by providing a comprehensive network environment that goes beyond facilities and networks to the sharing of system lifecycles with clients. Also, it provides one-stop access to integrated services, from system planning and designing to system integration, maintenance and operations and further to proposals for system improvement.

We have equipped netXDC with the latest features and draw on years of proven results and experience to ensure reliable execution and monitoring of operations, which lays a solid foundation for the business success of our clients. To provide solutions that address IT related concerns of clients, we strive to reinforce the facility and improve the quality of the system-monitoring services offered with a highly expandable and reliable structure.

In April 2008, to better meet continually rising demand for network environments, the Tokyo Center was renovated and transformed into a state-of-the-art, urban data center to meet the needs of all users.

netXDC Features

Integrated Operation of Multiple Data Centers Connected by a Wide-Area Network

netXDC links multiple centers over a wide-area network, thereby consolidating operations at a single location. This environment realizes greater flexibility in network expandability, unified operation and monitoring functions, and balanced service levels. It also averts the risks that clients would face if they established and maintained similar environments on their own.

Facility and Various Features Supporting Systems and Uninterrupted Services

Having accumulated many years of experience supporting corporate systems, SCS knows what services clients need and prioritizes these services. The concept for netXDC was thus created by reviewing all the features from scratch, not only the facility itself, but also the networks, data storage methods, system monitoring, and operation processes used at the facility.

Consolidated Management of Contact and Control Centers

Using netXCC2, a fusion of control center—monitoring and operating systems—and contact center, functioning as a window to the customers, netXDC acquires an integrated capacity that promotes fast and accurate responses and underpins enhanced convenience for clients.

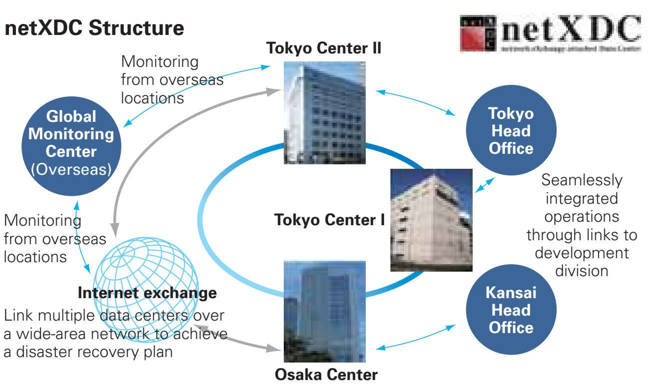
net XLAB—Advance Testing of Leading-Edge Technologies

We have netXLAB available to clients as a preliminary environment used when introducing client systems into netXDC. It features the latest system environments, and it supports system identification through a team specializing in leading-edge technologies as well as system development through tests.

Verification Programs

netXDC seeks to acquire different verification programs and strives to forge alliances with a variety of partners to improve services.

netXDC Structure



Capital and Business Alliances or Strengthening the Group

Established Sumisho Computer Systems (Shanghai) Limited. Provides IT services to Japanese clients in China.	Equity holding: 100% Established in February 2007. Operations began in April 2007.
Established Sumisho Computer Systems (Dalian) Co., Ltd. Outsourcing services for software development assignment in Japan.	Equity holding: 100% Established in March 2007. Operations began in April 2007.
Established joint venture Atled Co., Ltd., with Softcreate Co., Ltd. Strengthens packaged software (Workflow) business.	Equity holding: 20% Established in May 2007.
Formed a capital and business alliance with eMplex, co., ltd. Reinforces CRM / SFA solutions business.	Equity holding: 57.6% Capital and business alliance formed in June 2007. An additional equity stake was acquired in March 2008.
Established joint venture Sumisho Joho Datacraft Corporation with Datacraft Asia Ltd. Provides high-value-added network management and outsourcing services.	Equity holding: 50% Established in August 2008.
Formed capital and business alliance with Allied Engineering Corporation. Strengthens and further expands for manufacturing indrsty solutions business.	Equity holding: 90% Capital and business alliance formed in August 2007.
Established Sumisho Computer Systems (Asia Pacific) Pte. Ltd. Provides IT services to Japanese corporations, primarily in India, Australia, and the ASEAN region.	Equity holding: 100% Established in November 2007. Operations began in January 2008.
Formed capital and business alliance with ND Software Co., Ltd. Set up new software development base in the Tohoku region as a hub for domestic software development in Japan.	Equity holding: 4.9% Capital and business alliance formed in December 2007.

As of April 25, 2008.

Corporate Governance

With corporate social responsibility (CSR) in mind, the SCS Group adheres to a management perspective that emphasizes the interests of stakeholders, including but not limited to shareholders. From this perspective, the Group's approach to corporate governance highlights three goals: to improve management efficiency, to sustain management soundness and to ensure a level of management transparency that underpins sound and transparent management processes. Corporate governance is one of the most vital important management priorities at SCS and thus throughout the Group, and efforts are directed toward building and maintaining the most appropriate management structure for this purpose.

Corporate Governance Structure

Board of Directors

Directors of the Company are appointed for a term of one year by shareholders at the annual general meeting of shareholders, in accordance with a clause in the Company's Articles of Incorporation stating that approval of a candidate for the Board of Directors requires a majority vote by shareholders in attendance and whose combined shareholdings represent more than one-third of total voting rights held by shareholders with the ability to exercise such rights. In fiscal 2007, the Board of Directors comprised 12 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 full-time directors, excluding the Chairman of the Board, 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 executing and overseeing day-to-day operations.

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

To facilitate the swift implementation of a timely management policy that reflects changes in the economic environment, the Company provides in its Articles of Incorporation a clause allowing the Board of Directors to approve the purchase of treasury stock from the market, in accordance with Article 165, Paragraph 2 of the Corporation Law.

To ensure a flexible dividend policy, the Company provides in its Articles of Incorporation a clause regarding dividends from surplus, as set forth in Article 459, Paragraph 1 of the Corporation Law, that enables the Board of Directors to approve such allocation of funds without resolution of the matter at the general meeting of shareholders.

Executive Officers

On January 1, 2005, the Company adopted an executive officer system, under which the Company's executive officers assume responsibility for the execution of operations based on instructions and directives issued by the president, 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 as a unifying body for making decisions on vital management issues and having the power to supervise 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.

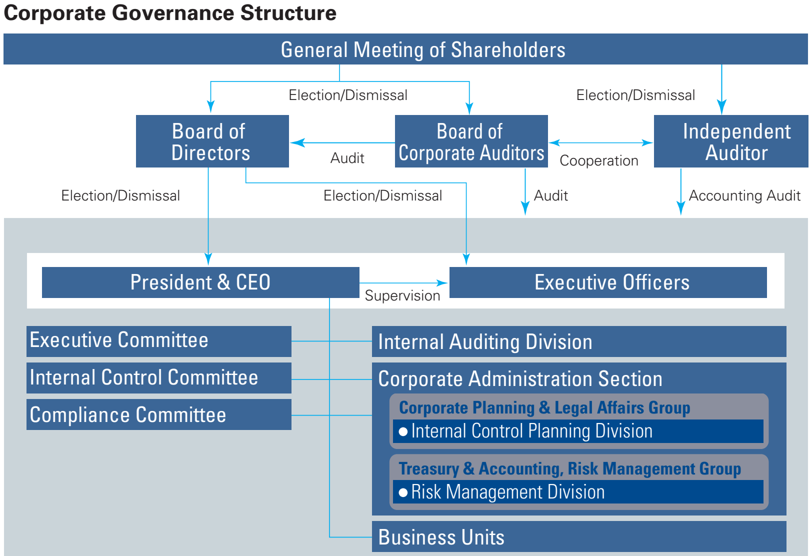
Board of Corporate Auditors

The Company subscribes to a corporate auditor system and maintains a structure to monitor the execution of business activities by the Board of Directors and audits by the Board of Corporate Auditors.

The Board of Corporate Auditors, which comprises four members, including three outside auditors, obtains reports on important business matters relating to audits, discusses the content of these reports, and makes resolutions to deal with issues requiring responses. 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 business reports from directors 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 and affiliates of the Company.

In addition, corporate auditors meet regularly with representatives of the Company's independent auditing firm to ascertain the content of the firm's auditing activities and to exchange information. Corporate auditors also attend comment sessions and inventory audits conducted by independent auditors, and thereby strive to enhance the efficiency and quality of corporate auditing activities

Corporate Governance Structure



Status of the Internal Control System

Status of the Internal Control System

The basic policy and structure of the system (hereafter, "the Internal Control System"), needed to ensure that operations at SCS are conducted appropriately, are resolved by the Board of Directors.

The Internal Control System demands complete compliance by directors of the Company to laws and regulations as well as to the Company's Articles of Incorporation in the execution of respective duties. The status of the Internal Control System maintained by the Company is described below.

The Internal Control System

The Board of Directors sets the guidelines for maintaining the Company's Internal Control System, and the Internal Control Committee and the Internal Control Planning Division support application and reinforcement of the Internal Control System in line with these guidelines. The Internal Auditing Division, under the direct control of the president, confirms that the Internal Control System is being used as intended and functioning effectively.

Compliance System

In addition to determining internal rules for legal compliance and clarifying the Company's code of conduct to executives, the Board of Directors was responsible for the establishment of the Compliance Committee and distributed copies of the SCS Compliance Manual to executives. The current task is to ensure widespread awareness of compliance among all levels of the Company.

As part of efforts to reinforce legal compliance, the Company maintains the "speak-up system," an internal reporting system that guarantees total protection for whistleblowers. With the system, the Company provides secured channels that enable all employees to report compliance-related information directly and discretely to the Compliance Committee, corporate auditors and legal counsel.

Risk Management System

The Board of Directors defined and formed a framework to recognize and evaluate plausible risks in the Company's business pursuits, and the Company currently applies a structure that addresses individual risks by formulating, controlling and administering rules and guidelines to prevent risks in divisions where such risks could arise. In addition, the Company maintains a system to monitor the degree to which executives adhere to risk-related rules and guidelines.

The Company formulated crisis management rules and erected a framework to facilitate accurate and expeditious responses in the event of an emergency to prepare for unexpected developments that could have a significantly adverse impact on the Company.

Internal Control System for the Group

Close lines of communication between the parent company, Sumitomo Corporation, and members of the Group have enabled the Board of Directors to set down a code of conduct and a corporate philosophy, to share business principles with all companies within the Group, and to reinforce efforts to underpin legal compliance and risk management.

Basic management policy and administrative guidelines for subsidiaries were established, from a perspective that respects the independence of these companies while seeking to augment legal compliance and risk management.

Internal rules stipulate reporting protocols for handling important issues relating to the business activities of Group companies. Directors and auditors are appointed to monitor internal control measures at subsidiaries.

The Company also recommends Group companies undertake their own measures to enhance compliance, including the establishment of compliance committees and speak-up systems, to achieve a compliance-strengthening structure similar to that implemented by the Company.

Management

As of June 26, 2008

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

● Board of Directors

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

● Auditors

Corporate Auditors	Hisao Sasayama**
	Motoki Kondo
	Hiroshi Funazaki**
	Makoto Nakamura**

* *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
Senior Executive Vice President	Nobuhiko Ishizaka
	Izumi Yutani
Executive Vice President	Hiroaki Kamata
	Kazuhiro Ogawa
	Shigeo Kurimoto
	Tetsuya Fukunaga
	Osamu Kojima
Senior Vice President	Kyoji Inomata
	Keigo Nakamura
	Shoichi Takayama
	Takeshi Sugihashi
	Koichiro Nakaya
	Yoshiaki Ikeda
	Yutaka Hagio
	Tetsuo Ohyoshi
	Atsushi Innami
	Tatsuaki Shinkai
	Haruo Doi
	Hirofumi Maeda
	Satoru Toriyama

SCS and Group Companies

As of August 1, 2008

Subsidiaries

Sumisho Computer Systems (USA), Inc.

600 Third Avenue, 25th Floor, New York 10016, U.S.A.
Tel: +1-212-687-9053 / Fax: +1-212-983-9276

SUMISHO COMPUTER SYSTEMS (EUROPE) LTD.

Vintner's Place, 68 Upper Thames Street, London EC4V3BJ, U.K.
Tel: +44-(0)20-7246-3660 / Fax: +44-(0)20-7246-3670

Curl, Incorporated

1 Cambridge Center, 10th Floor, Cambridge, Massachusetts 02142-1612, U.S.A.
Tel: +1-617-761-1200 / Fax: +1-617-761-1201

Curl International Corporation

Harumi Island Triton Square Office Tower Z, 1-8-12, Harumi, Chuo-ku, Tokyo 104-6210, Japan
Tel: +81-3-5547-3866 / Fax: +81-3-5547-3867

SCS Solutions Inc.

CN-2 Bldg., 2-8-3 Kiba, Koto-ku, Tokyo 135-0042, Japan
Tel: +81-3-5646-0210 / Fax: +81-3-5646-0211

VA Linux Systems Japan K.K.

Harumi Island Triton Square Office Tower W, 1-8-8, Harumi, Chuo-ku, Tokyo 104-0053, Japan
Tel: +81-3-6204-4071 / Fax: +81-3-6204-4072

SCS Business Support Inc.

1-2-39, Ariake, Koto-ku, Tokyo 135-0063, Japan
Tel: +81-3527-6810 / Fax: +81-3-3527-6811

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
Tel: +86-21-6146-1898

Sumisho Computer Systems (Dalian) Co., Ltd.

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

Allied Engineering Corporation

Shibamasuda Bldg., 1-14-4 Shiba, Minato-ku, Tokyo 150-0014, Japan
Tel: +81-3-3769-5111 / Fax: +81-3-3769-5277

Sumisho Computer Systems (Asia Pacific) Pte. Ltd.

20 Cecil Street #25-08 Equity Plaza, Singapore
Tel: +65-6530-0000 / Fax: +65-6534-3136

eMplex, co., ltd.

Da Vinci Ginza, 6-2-1, Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel: +81-3-5568-7331 / Fax: +81-3-5568-7332

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

eBANK Systems Corporation

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Tel: +81-3-5568-7331 / Fax: +81-3-5568-7332

ATLED Co., Ltd.

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

Sumisho Joho Datacraft Corporation

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Tel: +81-3-5859-4900 / Fax: +81-3-5859-4901

ARGO GRAPHICS Inc.

5-14, Hakozaki-cho, Nihon-bashi, Chuo-ku, Tokyo 103-0015, Japan
Tel: +81-3-5641-2020 / Fax: +81-3-5641-2010

Financial Section

Consolidated Five-Year Summary

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

	Millions of yen				
	2008	2007	2006	2005	2004
Net sales	¥ 137,199	¥137,345	¥120,290	¥70,586	¥76,676
Software development	48,526	47,913	46,266	43,866	48,152
Information processing	36,011	34,485	29,944	15,986	14,690
Software package & hardware sales	52,663	54,947	44,081	10,734	13,834
Cost of sales	105,606	106,648	99,057	59,283	63,675
Operating income	10,309	8,560	6,532	4,978	7,010
Net income	5,415	4,378	2,722	3,101	3,978
At Year-End					
Total assets	¥ 117,099	¥116,218	¥125,064	¥80,497	80,477
Total net assets*	90,323	91,254	94,763	68,966	67,053
Per Share (Yen)					
Net income per share	¥ 102.52	¥ 80.91	¥ 53.29	¥ 70.93	¥ 90.01
Net assets per share	1,747.05	1,712.27	1,746.78	1,582.54	1,537.49
Cash dividends declared for the year	31.00	28.00	26.00	26.00	26.00
Other Information					
Return on equity (%)	6.0%	4.7%	3.3%	4.6%	6.1%
Equity ratio (%)	76.6%	78.2%	75.8%	85.7%	83.3%

* By adoption of a new accounting standard for the presentation of net assets in the balance sheet, minority interests and net unrealized gains (losses) on hedging derivatives are included in total net assets for the years ended March 31, 2008 and 2007.

Basic Policy

Sumisho Computer Systems Corporation (the Company) and its group companies (together with the Company, the Group) are guided in its 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 in Japan 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 their 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 operations of the Group.

Medium-term Strategies

The Group's corporate vision is to be a global IT company utilizing the talents of people and the advantages of state-of-the-art technologies to promote business value. To achieve this vision, we understand that the Group must endeavor, as a cohesive unit, to provide high-quality services which contribute to progress in the business operations of client companies and thereby generate business value on both sides.

The Group has been responsible for the development, integration, maintenance and operation of overseas systems used by Japanese 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 was identified as the third geographical pillar of the Group's overseas network to complement operational bases in the United States and in Europe, and offices have been opened in China and in Singapore. The Group will 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 integration and platform technologies related to outsourcing, as well as marketing expertise, 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 proprietary package software; and Platform Solutions, which emphasizes architecture of IT infrastructure—and selectively allocates management resources to these operations from the perspective of promoting global IT services.

Summary of Fiscal 2007 Performance

Growing uncertainty characterized business sentiment in the second half of fiscal 2007, the consolidated fiscal year ended March 31, 2008, reflecting such developments as a slowing U.S. economy, which had been hit by the turbulence of financial markets saddled with subprime mortgage crisis, as well as fluctuating exchange rates and soaring prices of crude oil and other raw materials. Despite these circumstances, Japan's economy continued to expand, albeit at a more gradual pace, primarily because of favorable corporate performances and higher capital spending.

In the IT services industry, providers welcomed brisk IT investment by corporate clients, particularly demand for capital spending from manufacturers seeking to secure competitive excellence and persistently strong demand from financial institutions for investment in upgraded platform systems.

Against this backdrop, the Group enjoyed favorable demand for IT system integration, especially from companies in the manufacturing and financial industries.

In the software development business, the number of unprofitable projects decreased, thanks to improved accuracy in project management, and higher profitability achieved by improved utilization rate and lower cost for outside contractors.

The product distribution business also delivered higher profitability, primarily by allocating management resources into target businesses where the priorities are strategic and growth-oriented.

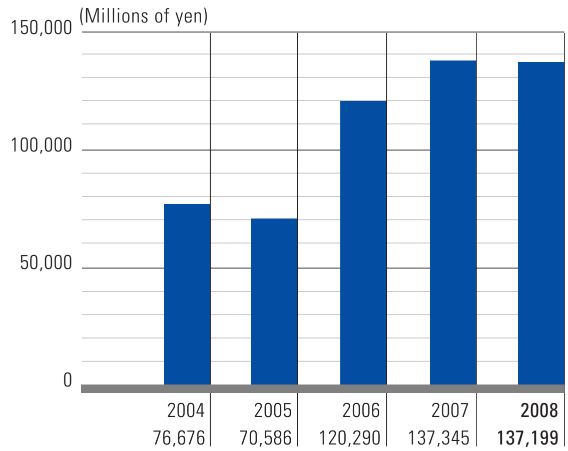
Net Sales

Despite favorable demand for IT system integration, underpinned by increasing business volumes/orders from manufacturers and financial institutions, a drop in sales of information and communications hardware and other factors caused net sales to decrease 0.1% from the previous consolidated fiscal year, to ¥137,199 million in fiscal 2007 on a consolidated basis.

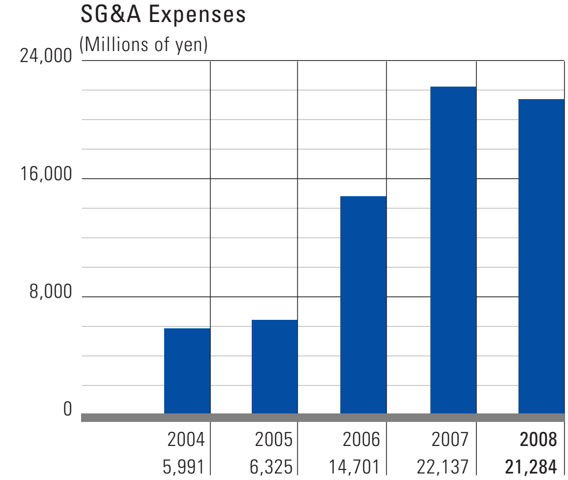
Operating Income

Gross profit on sales in the current consolidated fiscal year increased by 2.9% from the previous consolidated fiscal year, to

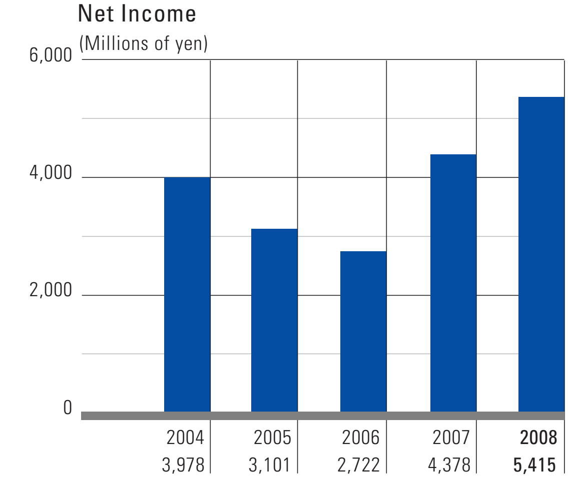
Net Sales



SG&A Expenses



Net Income



¥31,593 million. The main factors behind this increase were fewer unprofitable projects, owing to enhanced project management, as well as an improved utilization rate and lower cost paid to outside contractors.

Selling, general and administrative expenses in the current consolidated fiscal year decreased 3.9% from the previous consolidated fiscal year, to ¥21,284 million, due mainly to cost reduction associated with business transfer as well as improved cost management on administrative and general expenses, which offset cost increase stemming from efforts to broaden the earnings base through global business strategies, attract a larger workforce and reinforce management structures, such as the internal control structure.

Consequently, operating income in the current consolidated fiscal year climbed 20.4% from the previous consolidated fiscal year, to ¥10,309 million.

Net Income

Net income in the current fiscal year jumped 23.7% from the previous consolidated fiscal year, to ¥5,415 million. Net income per share moved from ¥80.91 for the previous fiscal year to ¥102.52 for the current fiscal year, for a ¥21.61 gain.

Matters To Be Dealt With

The operating environment that the Group is likely to face in the future will be characterized by uncertainty about business trends impacted by a slowdown in the U.S. economy, fluctuating exchange rates and soaring prices of raw materials, including crude oil, and this uncertainty is expected to grow. On the bright side, the Group can expect to see more strategic IT investment, especially among manufacturers seeking a sharper competitive edge. On the down side, corporations will become increasingly selective in their IT pursuits as they allocate more funds toward activities that enhance enterprise value and boost investment returns.

Given these conditions, a management priority within the Company at this time is to cement a position as a key business partner to Japan's industries by providing IT services that corporate clients really need. Toward this end, the Group will pursue various measures designed to realize growth in the medium term.

Specifically, the Group will execute various operating measures to solve respective issues, based on previously stated management priorities to strengthen the operating foundation and secure profit-building capabilities.

Based on the understanding that a stronger operating foundation needs a more resilient Group management infrastructure, the Company will highlight enhanced internal controls, compliance practices and security management. A stronger operating foundation also requires the Company, as the core provider of IT solutions to the group companies of Sumitomo Corporation, to reinforce ties with Sumitomo Corporation, its subsidiaries and associated companies. The Group, too, must form deeper relationships with client companies but also seek to raise satisfaction levels through provision of one-stop access to a multitude of IT services. In addition, the Group must promote greater technical sophistication and standardization, including the levels achieved by business partners, and ensure more meticulous execution of project management. Progress on these fronts will underpin a stronger operating foundation.

To secure profit-building capabilities, the Company will strategically allocate management resources to target businesses and strive to expand these businesses. In addition, the Company will seek to generate mutually beneficial operating synergies in each business, raise the value-added qualities of the IT services offered to its clients, devise new IT services, and expand customer base. The Company will also bolster its global IT service expertise, using its own global IT service structure, spotlight proprietary packaged software development, promote techniques that differentiate the Group from the competition, particularly in the solution business, where proprietary packaged software is a key component, and aggressively expand business opportunities.

To accelerate the delivery of these strategies, the Company will draw on the overall potential of the Group to successfully execute operations. The Company will also pursue strategic business alliances and emphasize investment in these tie-ups. Deeper connections to the companies with which the Company has formed business and capital alliances as well as with investment targets will put the Company firmly on track for medium-term growth.

Liquidity and Financial Position

Cash Flow Status

Cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥35,592 million on a consolidated basis, up ¥4,180 million from the end of the previous fiscal year. The increase or decrease of each cash flow and reason thereof are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥12,410 million. Positive impacts were comprised mainly of ¥10,053 million in income before income taxes and minority interests and ¥2,416 million in depreciation and amortization costs, as well as ¥5,300 million decrease in notes and accounts receivable. Negative impacts were comprised mainly of ¥1,178 million decrease in accounts payable and ¥3,409 million in income tax payments.

Cash Flows from Investment Activities

Net cash used in investing activities amounted to ¥3,032 million. Major outflows of cash were ¥1,050 million to payments for purchases of property and equipment, ¥1,443 million to payments for purchases of intangibles, including software, ¥1,588 million to payments for purchases of investment securities, and ¥605 million to payments for purchases of securities of subsidiaries, resulting in a change in the scope of consolidation. Major inflows of cash were ¥498 million of proceeds from business transfer and proceeds from sales or redemption of short-term investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5,229 million, primarily reflecting the application of ¥3,392 million to payments for acquisition of treasury stock, ¥796 million to pay fiscal 2006 year-end dividends—at ¥15 per share—and another ¥796 million to pay fiscal 2007 interim dividends—also at ¥15 per share.

Assets, Liabilities and Net Assets

Assets

Total assets stood at ¥117,099 million at the end of the current consolidated fiscal year, up ¥881 million from the previous consolidated fiscal year.

Current Assets

Total current assets settled at ¥70,614 million at the end of the current consolidated fiscal year, down ¥829 million from the previous consolidated fiscal year, mainly because of a decrease in notes and accounts receivable due to business transfer.

Fixed Assets

Net fixed assets reached ¥46,485 million at the end of the current consolidated fiscal year, up ¥1,710 million from the previous consolidated fiscal year. The change is largely the results of increases of buildings and structures following data center expansion, and increase of goodwill caused by turning eMplex co., ltd. and Allied Engineering Corporation into subsidiaries, which generally offset a combined decrease in investment securities due to declining market values.

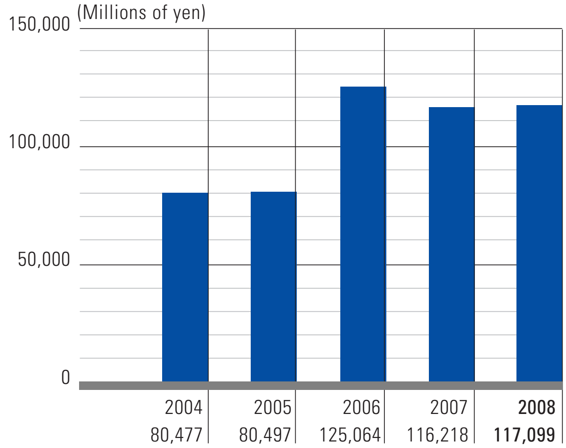
Liabilities

Total liabilities stood at ¥26,776 million at the end of the current consolidated fiscal year, up ¥1,812 million from the previous consolidated fiscal year.

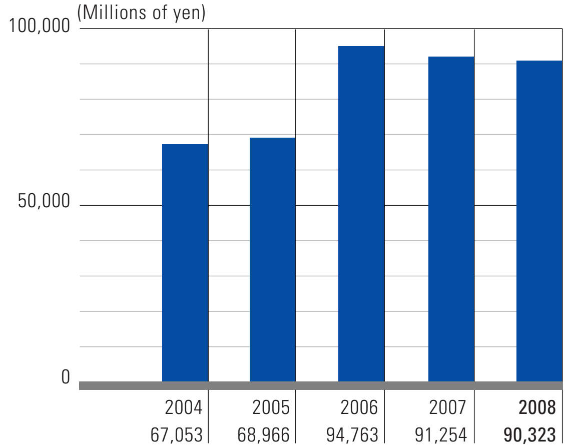
Current Liabilities

Total current liabilities grew to ¥25,417 million at the end of the current consolidated fiscal year, up ¥1,118 million from the

Total Assets
(Millions of yen)



Total Net Assets
(Millions of yen)



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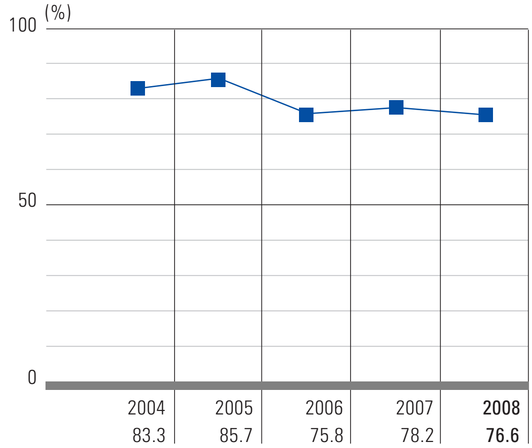
Equity Ratio
(%)



previous consolidated fiscal year, mainly because increases in accrued income taxes and short-term loans payable of newly consolidated subsidiaries offset a reduction in notes and accounts payable caused by business transfer.

Long-Term Liabilities

Long-term liabilities amounted to ¥1,359 million at the end of the current consolidated fiscal year, up ¥694 million from the previous consolidated fiscal year, primarily owing to increases of long-term loans payable and bonds payable of newly consolidated subsidiaries.

Net Assets

Total net assets declined to ¥90,323 million at the end of the current consolidated fiscal year, down ¥931 million from the previous consolidated fiscal year. The major components of the change were repurchase of treasury stock, at cost and a decrease in net unrealized holding gains on securities, net of tax effect.

The equity ratio to total assets was 76.6%, down from 78.2% recorded at the end of the previous consolidated fiscal year, and net assets per share settled at ¥1,747.05, up ¥34.78 from the end of the previous consolidated fiscal year.

Fiscal 2008 Outlook

Growing uncertainty is expected to impact business trends in Japan and the economy in general due to such factors as a slowing U.S. economy which has been hit by the turmoil in the financial market caused by the subprime problems—as well as fluctuating exchange rates and trends of prices for raw materials, including crude oil.

Although management expects the manufacturing industry in particular to maintain IT-oriented capital spending to ensure a sharper competitive edge, the feeling of uncertainty that hangs over corporate activity will have a significant effect on capital investment plans. In addition, lingering worldwide repercussions from the U.S. subprime mortgage crisis may sideline demand for system upgrades at domestic financial institutions, promoting a general slowdown in corporate demand for IT systems.

In this environment, the Group will endeavor to enhance its operating foundation and profitability status and thereby pave the path toward growth in the medium to long-term; and, seeking to be not only a top-class IT service provider but also a truly valuable business partner to client companies, the Group will execute the following measures as well.

(1) Expanding target businesses
The Company seeks to distinguish itself as a distinctive IT service provider that leads in certain businesses, designated as priority fields, and is among the upper echelon of the IT service

industry overall. To realize this objective, the Company will prudently allocate management resources to three target businesses—the strategically important segments of Industrial Solutions, ERP Solutions and Platform Solutions—and strive to expand these target businesses.

(2) Promoting global strategies

Essential to the aim of distinguishing its global IT service capabilities from the competition, the Company will position the Group as an IT partner to increasingly globalized Japanese clients companies. That is, the Company will strengthen IT support structures overseas, not only in the United States and Europe but also in the Asia-Pacific region, through qualitative and quantitative expansion of an IT services menu available in each geographical area, and will aggressively promote IT service support overseas to client companies, including group companies of Sumitomo Corporation.

The Group will actively pursue the use of resources at companies abroad, and has partnered with offshore software developers in China.

To identify leading-edge IT businesses and technologies, the Company will maximize the global infrastructure of its own Group and utilize its connection to group companies of Sumitomo Corporation to maintain a vigilant watch for advanced techniques in use overseas. Discoveries with business potential will then be vigorously incorporated into existing target businesses and applied to the development of new businesses.

(3) Developing the software vendor business

The Company will actively promote software vendor solutions achieved through originality of the Group.

In the field of ERP packaged software, the Company will enthusiastically present ProActive, a proprietary software developed by the Company, to the market and will direct concerted effort toward executing marketing strategies that will make this software the No. 1 ERP software especially for medium-sized companies.

Curl is 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, which won Best RIA Platform in the 2008 InfoWorld Technology of the Year Awards presented by InfoWorld, a U.S.-based publisher. The Company will continue to reinforce marketing of Curl within Japan and in the United States to make it the leading rich Internet application platform.

In addition, the Company plans to promote in-house development of packaged software, utilizing unique industry expertise amassed by the Group in such areas as CRM solutions, solutions for manufacturing industry and solutions for financial industry, and then further cultivate its various solution businesses, which hinge on such package software.

(4) Relationship with the group companies of Sumitomo Corporation

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

The Company also seeks to provide high-value-added global IT services to other clients by utilizing the know-how and experience accumulated through global IT system configuration and system services for the group companies of Sumitomo Corporation to address the needs of other client companies.

(5) Tighter quality control and meticulous project management systems

In the current consolidated fiscal year, the Company successfully limited the appearance of unprofitable projects and enhanced profitability by stressing project management, including wider application of a proposal screening system and a project check system, which tracks the profitability of each project.

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

(6) Enhanced human capital

The Company will significantly expand employee training programs throughout the Group to upgrade organizational management capabilities, technological capabilities and marketing skills, and will also actively manage the personnel system newly introduced in fiscal 2006 to encourage employees of the Company to take a greater interest in creating business opportunities. In addition, the Company will broaden the technological capabilities of the entire Group, including those with outside contractors.

(7) Promote BPR and reinforce internal controls

Aiming to boost operating efficiency and foster a comfortable working environment for employees, the Company will strive to reformulate business operations. In addition, while promoting BPR, the Company will meticulously review operations from the perspective of stronger internal controls and raise the level of such measures on a groupwide basis. The Company seeks to have a systemized approach for BPR in place by fiscal 2009, and will configure a new ERP system for this purpose.

Risks with the potential to significantly impact 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 appropriate by the Company as of March 31, 2008.

Business Environment Risk

In recent years, the information services industry—the 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 decline in the price of hardware. If, in this business environment, such developments as a change in economic conditions were to prompt sudden and sizable adjustments in the IT investment plans of client companies, or price competition in the industry were to continue at a drastically intensified level over current level, the operating results and financial standing of the Group could be adversely affected.

Risks Inherent in Information System Development

The Group undertakes the development and customization of various information systems of client companies. If the desired level of quality cannot be achieved because the lead time is too short for the complexity of the system to be developed, or if costs increase because a project cannot be completed within the promised time frame, such circumstances could exert a negative effect on operating results.

The Group utilizes the products and services of many outside contractors, including software development companies based outside of Japan, to boost production capacity, improve cost efficiency and access technological strengths and expertise complementary to its own. However, a variety of outsourcing-related issues could prevent the Group from sustaining expected levels of productivity and quality.

To minimize the risks inherent in information system integration, dedicated teams check each project at the estimate stage, monitor progress in the development process, and verify outside contractors for the quality of service delivered. In addition, they methodically work to prevent unforeseen malfunctions in any aspect of a system to be delivered, and toward this end investigate outside contractors thoroughly, carefully track the progress of outsourced operations, and ensure adherence to meticulously high quality-control standards.

Risks Inherent in Technological Innovation

Technological innovation unfolds at a fast pace in the information services industry, the business domain of the Group. Consequently, new breakthroughs could obsolete the technologies, competence, expertise and other intangible resources that the Group currently possesses. In addition, rapidly changing industry standards for technologies applied to software, hardware and other components used in the Group's profit center—system integration for client companies—could erode the Group's technological superiority or price advantage.

To respond in a timely and accurate manner to technological innovation, the Group seeks to nurture the development of skills among employees and emphasizes careful investigation and acquisition of the latest in breakthrough developments. In addition, rather than relying on a single technology, skill set or product that generates unduly high profit, the Group seeks to expand its business reach by diversifying system integration-related technologies and product procurement capabilities.

Nevertheless, the Group may not always be able to accurately anticipate 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.

Information Security Risk

In the course of businesses of the Group, from system development through to the operation of a system, members of the Group may gain access to various types of confidential information, such as system technology data belonging to client companies or personal information stored by client companies. If such confidential information were to leak out or be tampered with—in either case due to a computer virus, illegal access, human error, malfunction of a client's system or any other reason—, the event could invite claims for damages from client companies or other parties and tarnish the Group's credibility.

Therefore, members of the Group adhere to strict rules of compliance, reinforce the physical security measures, and take information security measures such as education and training programs for employees and outside contractors.

The Group demands that outside contractors comply with the same standards for information security and meticulous information management to which the Group itself adheres. The Group uses several approaches, including educational seminars and on-site reviews, when necessary, to emphasize certain issues of particular importance.

Risks Inherent in Investment Activities

To reinforce its ability to provide solutions in target business areas, maintain production capabilities, secure technological expertise in leading-edge fields, and ensure access to products, such as the latest software and hardware, the Group pursues the following two types of investment.

1) Strategic investment, including equity participation in, and provision of loans and other credit to, domestic and foreign corporations and ventures, and the purchase of prototype products.

2) Investment geared to the development of package software and new services in target business areas.

When considering an investment, the Group looks carefully into the business plans of the target company and the project in which the Group invests, as well as the risk–return factor and other matters that underpin sound investments. A risk management system is in place to track plan status and monitor progress on the project once an investment position has been taken.

Nevertheless, such investments may not yield the anticipated returns—or worse, incur a loss—especially if the company in which the Group has invested turns in a poor fiscal performance or fails to achieve its stated goals. This 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 results of such lawsuits could hurt the Group's operating results.

Risk of Fixed Asset Impairment

As of the end of the current consolidated fiscal year, the Group owned land and buildings, used for offices, data centers and company housing, including dormitories, with a total book value of ¥27,428 million. Owing to the application of impairment accounting, effective from the fiscal year ended March 31, 2006, the operating results of the Group could be affected depending on trends in the market value of land and profits of the Group.

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

There were no fixed assets subject to recognition of impairment losses in the current consolidated fiscal year.

Product Procurement Risk

The Group offers its client companies a wide assortment of the very best software and hardware from domestic and foreign vendors.

Members of the Group to locate and purchase products in overseas markets and to pinpoint technology trends through representatives in the United States, as well as the extensive network built by the Company's parent, Sumitomo Corporation, and its subsidiaries and associated companies. Business strategies common to both the Group and its business partners at home and abroad help to identify trends and stabilize procurement.

However, a sudden shift in the business strategies of vendors could alter product specifications and bring supply to a halt, and rapidly evolving technological innovation could prompt a decrease in product prices. The impact of such changes could adversely affect the Group's operating results.

Consolidated Balance Sheets

As of March 31, 2008 and 2007

ASSETS

	Millions of yen		Thousands of U.S. dollars*
	2008	2007	2008
Current assets:			
Cash and time deposits	¥ 4,742	¥ 3,542	$ 47,334
Notes and accounts receivable	24,215	29,196	241,693
Short-term investment securities	1,011	701	10,094
Inventories	4,283	4,701	42,752
Deferred income taxes	1,897	1,946	18,935
Deposits paid	30,850	27,870	307,915
Other current assets	3,655	3,499	36,474
Allowance for doubtful accounts	(39)	(12)	(389)
Total current assets	70,614	71,443	704,808
Property and equipment:			
Buildings and structures	22,079	20,522	220,373
Furniture and fixtures	6,354	6,175	63,419
Land	14,783	14,668	147,549
Less: accumulated depreciation	(13,242)	(12,545)	(132,174)
Net property and equipment	29,974	28,820	299,167
Investments and other assets:			
Investments in affiliated companies	776	649	7,741
Investment securities	5,382	9,487	53,714
Long-term prepaid expenses	2,169	924	21,651
Lease deposits paid	1,819	1,739	18,151
Intangibles, net	3,650	2,935	36,429
Goodwill	1,660	—	16,568
Deferred income taxes	847	47	8,455
Other assets	375	267	3,755
Allowance for doubtful accounts	(167)	(93)	(1,665)
Total investments and other assets	16,511	15,955	164,799
Total assets	¥117,099	¥116,218	$1,168,774

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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 2008	Millions of yen 2007	Thousands of U.S. dollars* 2008
Current liabilities:			
Notes and accounts payable	¥ 11,542	¥ 12,644	$ 115,196
Short-term loans payable	415	—	4,144
Accrued income taxes	3,198	2,410	31,919
Allowance for bonuses to employees	1,765	1,602	17,621
Allowance for bonuses to directors	87	95	866
Other current liabilities	8,410	7,548	83,941
Total current liabilities	25,417	24,299	253,687
Long-term liabilities:			
Bonds payable	750	—	7,486
Long-term loans payable	92	—	918
Deferred income taxes	9	136	94
Liability for severance and retirement benefits	223	216	2,230
Retirement benefits for directors and corporate auditors	128	174	1,277
Lease deposits received	99	99	992
Other long-term liabilities	58	40	573
Total long-term liabilities	1,359	665	13,570
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized—200,000,000 shares			
Issued—54,291,447 shares in 2008 and 2007, respectively	21,153	21,153	211,127
Capital surplus	31,300	31,300	312,405
Retained earnings	44,219	40,396	441,348
Treasury stock, at cost	(6,575)	(3,183)	(65,627)
Valuation and translation adjustments:			
Net unrealized holding gains (losses) on securities, net of tax effect	(405)	1,284	(4,036)
Net unrealized gains (losses) on hedging derivatives, net of tax effect	(9)	2	(88)
Foreign currency translation adjustments	(42)	(42)	(424)
Subscription rights to shares	33	—	333
Minority interests	649	345	6,479
Total net assets	90,323	91,254	901,517
Total liabilities and net assets	¥117,099	¥116,218	$1,168,774

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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.

Sumisho Computer Systems Corporation and Subsidiaries

Consolidated Statements of Income

For the years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars*
	2008	2007	2006	2008
Net sales	¥137,199	¥137,345	¥120,290	$1,369,392
Cost and expenses:				
Cost of sales	105,606	106,648	99,057	1,054,060
Selling, general and administrative expenses	21,284	22,137	14,701	212,432
	126,890	128,785	113,758	1,266,492
Operating income	10,309	8,560	6,532	102,900
Other income (expenses):				
Interest and dividend income	340	184	96	3,395
Interest expense	(7)	(2)	(2)	(65)
Equity in earnings (losses) of affiliates	(147)	32	49	(1,468)
Gains on sales of investment securities, net	76	32	1,261	758
Write-down of investment securities	(598)	(101)	(61)	(5,967)
Losses on sales/disposal of property and equipment	(195)	(753)	(908)	(1,945)
Office relocation expenses	—	—	(141)	—
One-time amortization of software	(215)	—	(1,272)	(2,142)
Additional payment for early retirement benefits	—	—	(640)	—
Proceeds from (payment for) settlement of legal proceedings	—	30	(75)	—
Loss on settlement of a maintenance contract	—	(122)	—	—
Compensation for damage	(89)	—	—	(891)
Gain on transfer of business	430	—	—	4,296
Other, net	149	87	26	1,471
	(256)	(613)	(1,667)	(2,558)
Income before income taxes and minority interests	10,053	7,948	4,865	100,342
Income taxes:				
Current	4,205	3,118	2,313	41,972
Deferred	342	360	(330)	3,412
	4,547	3,478	1,983	45,384
Minority interests	91	92	160	906
Net income	¥ 5,415	¥ 4,378	¥ 2,722	$54,052

	Millions of yen			U.S. dollars
	2008	2007	2006	2008
Per share information:				
Basic net income per share	¥ 102.52	¥ 80.91	¥ 53.29	$1.02
Cash dividends declared for the year	31.00	28.00	26.00	0.31

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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, 2008, 2007 and 2006

		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 (losses) on securities, net of tax effect	Net unrealized gains (losses) on hedging derivatives, net of tax effect	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance as of 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
Acquisition of treasury stock	—	—	—	—	(9)	—	—	—	—	—	(9)
Other, net	—	—	—	—	—	—	—	—	—	(139)	(139)
Balance as of 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)
Acquisition of treasury stock	—	—	—	—	(2,988)	—	—	—	—	—	(2,988)
Other, net	—	—	—	—	—	—	2	—	—	(170)	(168)
Balance as of March 31, 2007	54,291	21,153	31,300	40,396	(3,183)	1,284	2	(42)	—	345	91,254
Net income	—	—	—	5,415	—	—	—	—	—	—	5,415
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(0)	—	—	(0)
Net unrealized holding gains on securities	—	—	—	—	—	(1,688)	—	—	—	—	(1,688)
Cash dividends	—	—	—	(1,593)	—	—	—	—	—	—	(1,593)
Bonuses to directors	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(0)	0	—	—	—	—	—	0
Acquisition of treasury stock	—	—	—	—	(3,392)	—	—	—	—	—	(3,392)
Other, net	—	—	—	—	—	—	(11)	—	33	304	326
Balance as of March 31, 2008	**54,291**	**¥21,153**	**¥31,300**	**¥44,219**	**¥(6,575)**	**¥(405)**	**¥(9)**	**¥(42)**	**¥33**	**¥649**	**¥90,323**

		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 (losses) on securities, net of tax effect	Net unrealized gains (losses) on hedging derivatives, net of tax effect	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2007	54,291	$211,127	$312,405	$403,194	$(31,772)	$12,818	$17	$(420)	$—	$3,443	$910,812
Net income	—	—	—	54,052	—	—	—	—	—	—	54,052
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(4)	—	—	(4)
Net unrealized holding gains on securities	—	—	—	—	—	(16,854)	—	—	—	—	(16,854)
Cash dividends	—	—	—	(15,897)	—	—	—	—	—	—	(15,897)
Bonus to directors	—	—	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	(1)	3	—	—	—	—	—	2
Acquisition of treasury stock	—	—	—	—	(33,857)	—	—	—	—	—	(33,857)
Other, net	—	—	—	—	—	—	(105)	—	333	3,036	3,264
Balance as of March 31, 2008	**54,291**	**$211,127**	**$312,405**	**$441,348**	**$(65,627)**	**$(4,036)**	**$(88)**	**$(424)**	**$333**	**$6,479**	**$901,517**

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars*
	2008	2007	2006	2008
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 10,053	¥ 7,948	¥ 4,865	$ 100,342
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	2,416	2,307	2,569	24,110
Amortization of goodwill	157	116	101	1,568
Increase (decrease) in allowance for doubtful accounts	(0)	(139)	(8)	(3)
Losses on disposal of property and equipment	195	750	585	1,943
Losses on sales of property and equipment	0	3	324	2
Gains on sales of investment securities, net	(76)	(32)	(1,261)	(758)
One-time amortization of software	215	—	1,272	2,142
Write-down of investment securities	598	101	61	5,967
Gain on transfer of business	(430)	—	—	(4,296)
Equity in losses of affiliates	147	—	—	1,468
Share-based compensation expenses	33	—	—	333
Interest and dividend income	(340)	(184)	(96)	(3,395)
Compensation for damage	89	—	—	891
(Increase) decrease in notes and accounts receivable	5,300	702	(6,890)	52,899
(Increase) decrease in inventories	441	1,060	1,416	4,403
Increase (decrease) in accounts payable	(1,178)	(2,188)	6,137	(11,756)
Net change in liability for severance and retirement benefits	(7)	(244)	(239)	(74)
(Increase) decrease in prepaid pension costs	(406)	(531)	—	(4,055)
Payments for bonuses to directors	(93)	(22)	(10)	(929)
Other, net	(1,580)	(1,069)	(139)	(15,757)
Subtotal	15,534	8,578	8,687	155,045
Interest and dividend received	350	191	96	3,491
Interest paid	(7)	(1)	(2)	(65)
Compensation for damage paid	(58)	—	—	(581)
Income taxes paid	(3,409)	(2,778)	(1,262)	(34,028)
Net cash provided by operating activities	12,410	5,990	7,519	123,862
Cash flows from investing activities:				
Proceeds from sales and redemption of short-term investment securities	700	1,900	2,303	6,987
Payments for purchases of investment securities including affiliate companies	(1,588)	(698)	(3,531)	(15,847)
Proceeds from sales and redemption of investment securities including affiliate companies	197	78	1,414	1,968
Payments for purchases of property and equipment	(1,050)	(1,139)	(1,221)	(10,482)
Proceeds from sales of property and equipment	19	7	246	186
Payments for purchases of intangibles	(1,443)	(1,262)	(1,759)	(14,401)
Payments for purchases of investments in subsidiaries resulting in change in scope of consolidation	(605)	(156)	—	(6,041)
Proceeds from purchases of investments in subsidiaries resulting in change in scope of consolidation	197	—	—	1,970
Proceeds from transfer of business	498	—	—	4,975
Other, net	43	(363)	(232)	426
Net cash used in investing activities	(3,032)	(1,633)	(2,780)	(30,259)
Cash flows from financing activities:				
Proceeds from sales of treasury stock	0	0	3	2
Payments for acquisition of treasury stock	(3,392)	(2,988)	(9)	(33,860)
Dividends paid	(1,593)	(1,410)	(1,272)	(15,897)
Distributions to minority interests	(4)	(101)	(121)	(40)
Net increase (decrease) in short-term loans payable	(195)	—	—	(1,946)
Repayment of long-term loans payable	—	(39)	—	—
Redemption of bonds	(45)	—	—	(449)
Net cash used in financing activities	(5,229)	(4,538)	(1,399)	(52,190)
Effect of exchange rate changes on cash and cash equivalents	31	35	35	310
Net increase (decrease) in cash and cash equivalents	4,180	(146)	3,375	41,723
Cash and cash equivalents at beginning of year	31,412	31,558	19,263	313,526
Increase by merger	—	—	8,674	—
Increase due to newly consolidated subsidiaries through merger	—	—	246	—
Cash and cash equivalents at end of year	¥35,592	¥31,412	¥31,558	$ 355,249

* The dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 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.

The following consolidated financial statements are translations 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, 2008

Account	Millions of yen Amount
ASSETS	
Current assets	¥ 70,614
Cash and time deposits	4,742
Notes and accounts receivable	24,215
Short-term investment securities	1,011
Inventories	4,283
Deferred income taxes	1,897
Deposits paid	30,850
Other current assets	3,654
Allowance for doubtful accounts	(38)
Fixed assets	46,484
Property and equipment	29,973
Buildings and structures	12,645
Furniture and fixtures	2,545
Land	14,782
Intangible fixed assets	5,309
Software	3,582
Goodwill	1,659
Other intangible fixed assets	67
Investments and other assets	11,201
Investment securities	6,157
Long-term prepaid expenses	2,169
Lease deposits paid	1,818
Deferred income taxes	847
Other assets	376
Allowance for doubtful accounts	(166)
Total assets	¥117,099

Account	Millions of yen Amount
LIABILITIES	
Current liabilities	¥ 25,416
Notes and accounts payable	11,541
Short-term loans payable	415
Accrued income taxes	3,197
Allowance for bonuses to employees	1,765
Allowance for bonuses to directors	86
Other current liabilities	8,409
Long-term liabilities	1,359
Bonds payable	750
Long-term loans payable	92
Deferred income taxes	9
Liability for severance and retirement benefits	223
Retirement benefits for directors and corporate auditors	127
Lease deposits received	99
Other long-term liabilities	57
Total liabilities	26,776
NET ASSETS	51490,096
Shareholders' equity	90,096
Common stock	21,152
Capital surplus	31,299
Retained earnings	44,218
Treasury stock, at cost	(6,575)
Valuation and translation adjustments	(455)
Net unrealized holding losses on securities, net of tax effect	(404)
Net unrealized losses on hedging derivatives, net of tax effect	(8)
Foreign currency translation adjustments	(42)
Subscription rights to shares	33
Minority interests	649
Total net assets	90,323
Total liabilities and net assets	¥117,099

Sumisho Computer Systems Corporation and Subsidiaries

Consolidated Statement of Income (Audited)

For the year ended March 31, 2008

	Millions of yen	
Account	Amount	Amount
Net sales		¥137,199
Cost of sales		105,606
Gross profit		31,593
Selling, general and administrative expenses		21,283
Operating income		10,309
Other income		
Interest income	306	
Dividends income	33	
Other	175	515
Other expenses		
Interest expense	6	
Loss on investment in fund	11	
Equity in losses of affiliates	147	
Compensation for damage	89	
Other	21	276
Ordinary income		10,548
Extraordinary income		
Gains on sales of fixed assets	17	
Gains on sales of investment securities	80	
Gain on transfer of business	430	528
Extraordinary loss		
Loss on disposal of fixed assets	194	
Loss on sales of fixed assets	0	
One-time amortization of software	214	
Write-down of investment securities	597	
Loss on sales of investment securities	5	
Loss on valuation of membership	12	1,024
Income before income taxes and minority interests		10,053
Income taxes—current	4,205	
Income taxes—deferred	341	4,547
Minority interests		90
Net income		¥ 5,415

Consolidated Statement of Changes in Net Assets (Audited)

For the year ended March 31, 2008

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2007	¥21,152	¥31,299	¥40,395	¥(3,183)	¥89,665
Changes during the consolidated fiscal year:					
Dividends from retained earnings			(1,592)		(1,592)
Net income			5,415		5,415
Acquisition of treasury stock				(3,392)	(3,392)
Disposal of treasury stock			(0)	0	0
Changes in items other than shareholders' equity during the year, net					
Total changes during the consolidated fiscal year	—	—	3,822	(3,391)	430
Balance as of March 31, 2008	¥21,152	¥31,299	¥44,218	¥(6,575)	¥90,096

	Millions of yen						
	Valuation and translation adjustments						
	Net unrealized holding gains (losses) on securities, net of tax effect	Net unrealized gains (losses) on hedging derivatives, net of tax effect	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2007	¥ 1,284	¥ 1	¥ (42)	¥ 1,243	¥—	¥ 344	¥ 91,254
Changes during the consolidated fiscal year:							
Dividends from retained earnings							(1,592)
Net income							5,415
Acquisition of treasury stock							(3,392)
Disposal of treasury stock							0
Changes in items other than shareholders' equity during the year, net	(1,688)	(10)	(0)	(1,699)	33	304	(1,361)
Total changes during the consolidated fiscal year	(1,688)	(10)	(0)	(1,699)	33	304	(931)
Balance as of March 31, 2008	¥ (404)	¥ (8)	¥ (42)	¥ (455)	¥33	¥ 649	¥ 90,323

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 of the following sixteen (16) subsidiaries (including one subsidiary owned indirectly) are consolidated:

Sumisho Computer Systems (USA), Inc.	SUMISHO COMPUTER SYSTEMS (EUROPE) LTD.
e-Commerce Technology Corp.	Billing Soft 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.
Allied Engineering Corporation*	Sumisho Computer Systems (Asia Pacific) Pte. Ltd.**
eMplex, co., ltd.***	

* Allied Engineering Corporation became a consolidated subsidiary due to the acquisition of the additional shares as of August 30, 2007 and was included in the scope of consolidation of the Company for the year ended March 31, 2008.

** Sumisho Computer Systems (Asia Pacific) Pte. Ltd. was established as a wholly-owned subsidiary by the Company as of December 17, 2007 and was included in the scope of consolidation of the Company for the year ended March 31, 2008.

*** eMplex, co., ltd. became a consolidated subsidiary due to the acquisition of the additional shares as of March 7, 2008 and was included in the scope of consolidation of the Company for the year ended March 31, 2008.

2. Application of the Equity Method

Number of equity method affiliates and the names of principal affiliates.

All of the following six (6) affiliates are accounted for by the equity method:

Pioneer Soft Co., Ltd.	Component Square, Inc.
HULINKS Inc.	eBANK Systems Corporation
ATLED Co., Ltd.*	Sumisho Joho Datacraft Corporation**

* The Company subscribed for the shares of ATLED Co., Ltd. as of May 25, 2007, which made the company an affiliate accounted for by the equity method.

** Sumisho Joho Datacraft Corporation was established as a joint venture company between the Company and Datacraft Asia Ltd. as of August 13, 2007, and the equity method was therefore applied to the accounting of 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, Sumisho Computer Systems (Dalian) Co., Ltd., Sumisho Computer Systems (Asia Pacific) Pte. Ltd. and eMplex, co., ltd. is December 31, preparation of the consolidated financial statements for the year ended March 31, 2008 is based on the financial statements for the period from January 1, 2007 through December 31, 2007 provided that necessary adjustments are made for consolidation purposes with regard to material transactions that took place in the period between the above period end and the fiscal year end of the Company.

Allied Engineering Corporation changed its balance sheet date to March 31 with effect from the current consolidated fiscal year.

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 net assets. 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.

(Change in significant accounting policy)

Effective from the year ended March 31, 2008, in accordance with the revision of the Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007, and Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007), the Company and its domestic consolidated subsidiaries changed their depreciation method to that based on the revised law for some fixed assets acquired on and after April 1, 2007.

The effect of this change on the Company's consolidated statement of income was immaterial.

(Additional information)

Effective from the year ended March 31, 2008, in accordance with the revision of the Corporate Tax Law, the Company and its domestic consolidated subsidiaries depreciated by the straight-line method, and recorded as depreciation expense, the difference between the original residual value of 5% of acquisition cost of some fixed assets acquired on or before March 31, 2007, and the new residual value of 1 yen (memorandum value) over five years starting from the consolidated fiscal year that follows the consolidated fiscal year in which the depreciated value of such assets fell to 5% of its acquisition cost by the depreciation method applicable under the pre-revision Corporate Tax Law.

As a result, operating income, ordinary income and income before income taxes and minority interests were reduced by ¥31 million, respectively, compared with the amounts should the conventional accounting policy have been applied.

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 software's remaining estimated economic life (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.

3) Allowance for bonuses to directors

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

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 a certain number of years (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.

Unrecognized employees' prior service cost is amortized on the straight-line method over a certain number of years (five years) that do not exceed the average remaining service period at the time of occurrence.

5) Retirement benefits for directors and corporate auditors

To provide for payment of a retirement benefits for directors and corporate auditors, the Company recorded the estimated future amount to be paid within the amount which was resolved at the regular shareholders' meeting held on June 27, 2007, as the cost for abolishment of the retirement benefits for directors and corporate auditors.

Some of the Company's domestic consolidated subsidiaries have 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 contacts 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, etc.

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 and not for the trading purposes.

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, 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 derivatives transactions are conducted with Japanese financial institutions with high credit rating, the Company believes that credit risk due to the default of such business partner is low.

(6) Accounting for consumption taxes

Transactions subject to consumption tax and local consumption tax 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 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.

II. Note to consolidated balance sheet

1. Accumulated depreciation of property and equipment

¥13,242 million

III. Notes to consolidated statement of changes in net assets

1. Type and the total number of issued shares as of the current consolidated 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	May 16, 2007 at the BoD meeting	October 25, 2007 at the BoD meeting
Type of shares	Common shares	Common shares
Total amount of dividends	¥796 million	¥796 million
Dividends per share	¥15.00	¥15.00
Date of record	March 31, 2007	September 30, 2007
Effective date	June 13, 2007	December 10, 2007

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

Resolved on	May 16, 2008 at the BoD meeting
Type of shares	Common shares
Source of dividends	Retained earnings
Total amount of dividends	¥820 million
Dividends per share	¥16.00
Date of record	March 31, 2008
Effective date	June 12, 2008

3. Matters concerning subscription rights to shares

Date of issue	July 27, 2007
Type of shares	Common shares
Number of shares subject to the subscription rights to shares	16,400 shares

Note: This number does not include subscription rights to shares whose exercise period has not commenced yet.

IV. Notes to per-share information

Net assets per share:	¥1,747.05
Net income per share:	¥102.52

V. Note to significant subsequent events

The merger between the Company (Sumisho Computer Systems Corporation) and Billingsoft Japan Co., Ltd.:

For further competitiveness and more efficient business operations of the Group, on April 24, 2008, the Company entered into a merger agreement with Billingsoft Japan Co., Ltd., a wholly-owned subsidiary of the Company. The agreement was approved by the Board of Directors on the same day.

Outlined below is the merger agreement.

(1) Method of merger

Sumisho Computer Systems Corporation shall be the surviving company and Billingsoft Japan Co., Ltd., shall be dissolved.

(2) Allocation of new shares by merger

Because Billingsoft Japan Co., Ltd. is the Company's wholly-owned subsidiary, no new shares shall be issued upon the merger.

(3) Date of merger

July 1, 2008

(4) Taking over of assets

On the date of the merger, Sumisho Computer Systems Corporation shall take over any and all assets and liabilities as well as other rights and obligations that are recorded on Billingsoft Japan Co., Ltd.'s balance sheet as of December 31, 2007 and other statements as of such date, plus all additions or reductions that shall be made thereto or therefrom to the date of the merger.

(5) Status of assets and liabilities of Billingsoft Japan Co., Ltd. as of December 31, 2007

Assets

	Amount (millions of yen)	
Current assets		1,040
Fixed assets		105
Property and equipment	68	
Intangible fixed assets	6	
Investments and other assets	31	
Total assets		1,146

Liabilities

	Amount (millions of yen)
Current liabilities	341
Long-term liabilities	7
Total liabilities	349

(6) Common stock and content of business of the surviving company (after the merger)

Common stock: ¥21,152 million (common stock will not increase upon the merger)

Content of business: Configuration of information systems, provision of operational services, and sales of package software and hardware.

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

Independent Auditors' Report

May 12, 2008

The Board of Directors
Sumisho Computer Systems Corporation

KPMG AZSA & Co.

Hiroshi Murao (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, 2008 and for the year from April 1, 2007 to March 31, 2008 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 respects, 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, 2008)

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	3,212

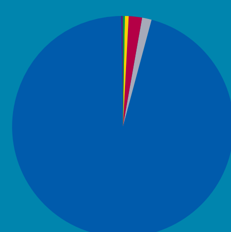
Investor Information

(As of March 31, 2008)

Number of Shares	Authorized:	200,000,000
	Issued and Outstanding	54,291,447
Common Stock (Yen)		21,152,847,708
Number of Shareholders		9,432
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.	

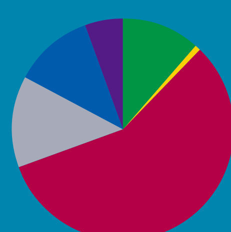
Distribution of Shareholders

Shareholder composition



Japanese Financial Institutions	50	(0.52%)
Japanese Securities Companies	49	(0.52%)
Other Japanese Corporations	165	(1.75%)
Foreign Institutions, etc.	139	(1.47%)
Japanese Individuals and Others	9,028	(95.73%)
Treasury Stock	1	(0.01%)
Total	9,432	

Distribution of shares



Japanese Financial Institutions	6,321,544	(11.65%)
Japanese Securities Companies	348,694	(0.64%)
Other Japanese Corporations	31,102,977	(57.28%)
Foreign Institutions, etc.	7,300,089	(13.45%)
Japanese Individuals and Others	6,236,417	(11.49%)
Treasury Stock	2,981,726	(5.49%)
Total	54,291,447	

Major Shareholders

Shareholder name	Number of shares held (stocks)	Holdings ratio (%)
Sumitomo Corporation	30,254,359	55.73
Treasury Stock	2,981,726	5.49
Japan Trustee Services Bank, Ltd. (trust account)	2,146,000	3.95
The Master Trust Bank of Japan, Ltd. (trust account)	1,092,500	2.01
HSBC Bank plc Clients UK Tax Treaty	910,000	1.68
Shareholding Commission of Employees in Sumisho Computer Systems	738,674	1.36
Morgan Stanley & Co. International Limited	548,800	1.01
NikkoCiti Trust and Banking Corporation (mutual fund account)	458,900	0.85
State Street Bank and Trust Company	440,200	0.81
Northern Trust Company AVFC (sub-account British client)	420,700	0.77

Sumisho Computer Systems Corporation

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Printed in Japan