

# **Financial results for the first half of fiscal year ending March 31, 2010**

**November 12, 2009**

**CSK HOLDINGS CORPORATION**

- **Consolidated financial results for 1H of FY2010**
  - **IT services business**
  - **Prepaid Card Business, Securities Business, Other business**
  
- **Consolidated financial results forecasts for FY2010**

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# Summary



( millions of yen )

	'08/4-9	'09/4-9	Variance	
Revenue	102,869	84,603	△ 18,266	△ 17.8%
Gross profit	18,629	26,983	8,353	44.8%
Gross profit margin	18.1%	31.9%	13.8%	-
SG&A	34,298	27,460	△ 6,837	△ 19.9%
Operating loss	△ 15,668	△ 477	15,191	△ 97.0%
Operating loss margin	△ 15.2%	△ 0.6%	-	-
Ordinary loss	△ 14,621	△ 751	13,870	-
Net loss	△ 15,517	△ 58,617	△ 43,099	-

(yen)

	'08/4-9	'09/4-9	Variance
EPS	△ 210.30	△ 730.37	△ 520.07
BPS	2,095.58	130.58	△ 1,965.00

**IT Services Business:** Revenue fell, reflecting large-scale projects in the year-ago period, including the hardware sale and a large IT projects caused by bank mergers, and the curbing of spending IT.

Technology services: Both revenue and operating income declined, attributable to a decrease in systems integration for manufacturers and a fall in reaction to large-scale projects in the year-ago period.

Business services: Operating income declined, especially in technical support and product verification services.

**The Company took steps to reduce costs and reform its cost structure to bolster its competitiveness.**  
(SG&A + internally accrued cost: YoY  $\Delta$  ¥7.34 billion )

**Securities Business:** We returned profitability, reflecting the improvement in the cost structure and an upturn in the stock market.

The Nikkei Stock Average rose with expectations of a domestic economic recovery in the background. Commissions received and trading-related revenue increased as a result. (YoY +21.1%)

Operating income moved back into the black, as the effect of improvements in the cost structure made in the previous fiscal year became apparent. ( SG&A :YoY  $\Delta$ ¥3.21 billion)

**Other Businesses :** We completed our withdrawal from the real estate securitization business.

(Financial Services Business) We continued our efforts to liquidate, downscale and withdraw from other financial services business.

※ Oct. 2009: Sold commodity investment advisory services business. (Plaza Capital Management Co., Ltd.)

**A Fresh Start as the New CSK Group**

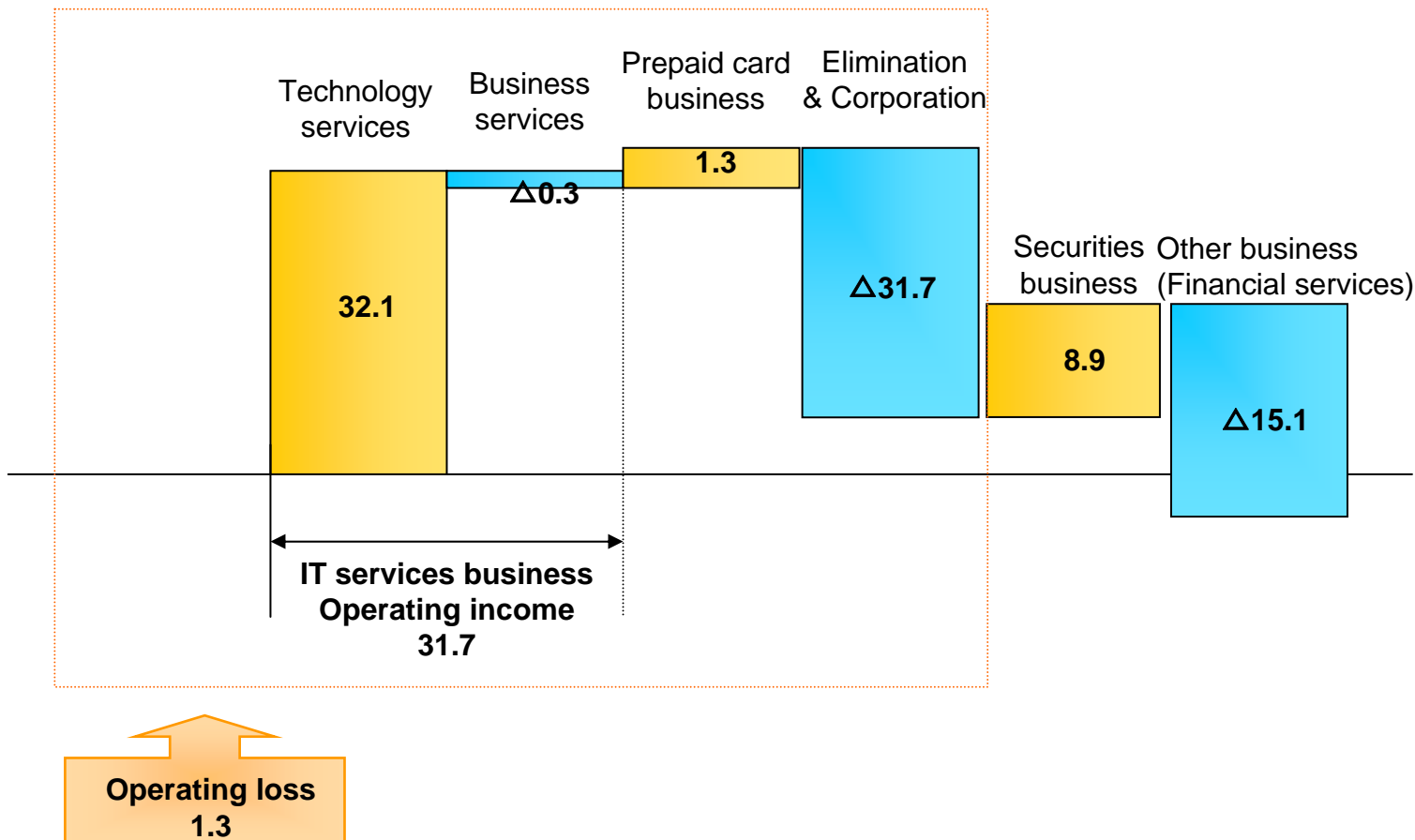
We completed to eliminate risks in real estate securitization business, and a capital increase that offsets funding risk and the risk of damaging equity capital.

Forward revitalizing the CSK Group, we will make maximum use of our years of technological expertise, our customer base, and our personnel to hammer out new growth strategies.

We aim to bolster our growth potential and profitability as a corporate information services Group.

# Operating income/loss by segment ( '09/4-9 )

( 100millions of yen )



# SGA and non-operating income/expenses

( 100millions of yen )

SG&A	'08/4-9	'09/4-9	Variance	Comment
Payroll cost	160.2	133.9	△ 26.2	
Subcontract cost	33.9	26.7	△ 7.1	
Depreciation and amortization	20.3	16.3	△ 4.0	
Rent	28.6	31.6	2.9	
Other, net	99.8	65.9	△ 33.9	
Selling, general and administrative expenses	342.9	274.6	△ 68.3	

Non-operating income	'08/4-9	'09/4-9	Variance	Comment
Interest income	0.6	0.2	△ 0.4	
Dividend income	2.8	1.6	△ 1.1	
Hoard profit of prepaid card	4.6	5.1	0.5	
Other, net	7.3	5.4	△ 1.9	
Non-operating income	15.5	12.5	△ 3.0	

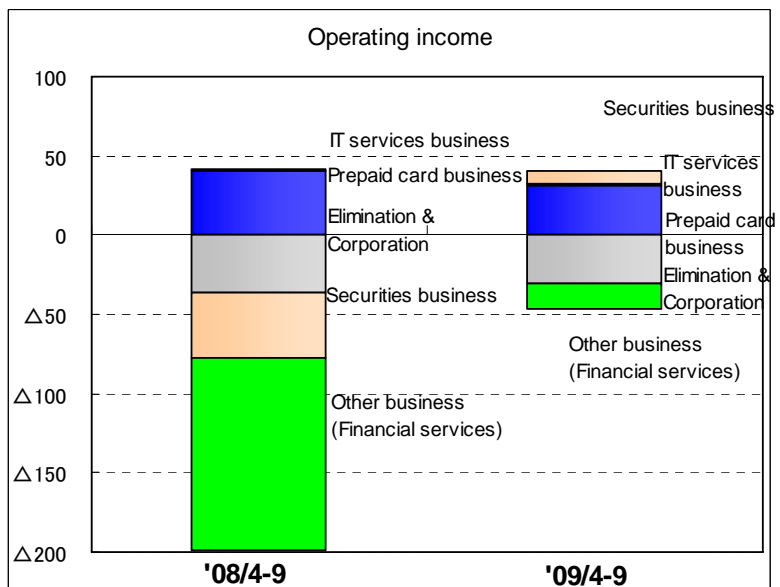
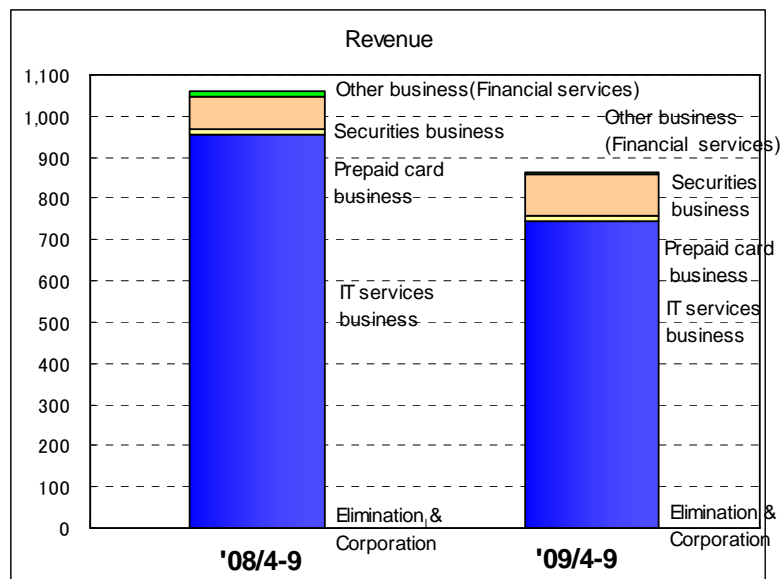
Non-operating expenses	'08/4-9	'09/4-9	Variance	Comment
Interest expense	0.0	0.1	0.0	
Provision for accrued employees' retirement benefits	1.3	1.3	-	
Stock issuance cost	-	4.6	4.6	
Commission fee	-	5.9	5.9	
Other, net	3.7	3.1	△ 0.5	
Non-operating expenses	5.1	15.2	10.1	
Non-operating income and expenses Net	10.4	△ 2.7	△ 13.2	

# Extraordinary gains & losses

( 100millions of yen )

Extraordinary gains	2008/4-9	2009/4-9	Variance	Comment
Gain on sales of investments securities	-	4.6	4.6	
Gain from transfer of business	4.9	-	△4.9	
Gain from reversal of financial instruments trading liabilities	7.1	1.8	△5.2	
Other, net	2.7	5.7	2.9	
Extraordinary gains	14.9	12.2	△2.6	
Extraordinary losses	2008/4-9	2009/4-9	Variance	Comment
Loss on impairment of fixed assets	19.2	-	△19.2	
Loss on business restructuring	13.3	-	△13.3	
Loss on withdrawal from real estate securitization business	-	559.4	559.4	
Other, net	11.8	28.5	16.7	
Extraordinary losses	44.4	587.9	543.5	
Extraordinary gains and losses Net	△29.4	△575.7	△546.2	

# Operating result by segments



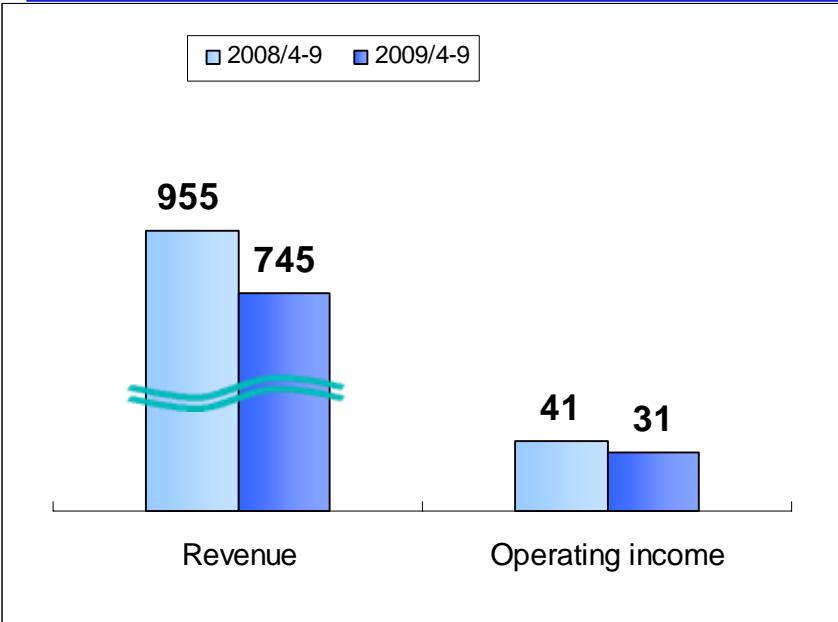
( 100millions of yen )

	'08/4-9	'09/4-9	Variance	
<b>IT services business</b>				
Revenue	955	745	Δ 209	Δ 22.0%
Operating income	41	31	Δ 9	Δ 23.4%
<b>Prepaid card business</b>				
Revenue	13	14	-	4.5%
Operating income	1	1	-	6.8%
<b>Securities business</b>				
Revenue	81	98	17	21.1%
Operating income	Δ 42	8	51	-
<b>Other business (Financial services)<sup>※1</sup></b>				
Revenue	12	6	Δ 5	Δ 45.4%
Operating income	Δ 121	Δ 15	105	-
<b>Elimination &amp; Corporation</b>				
Revenue	Δ 34	Δ 19	15	-
Operating income	Δ 36	Δ 31	4	-
<b>Total</b>				
Revenue	1,028	846	Δ 182	Δ 17.8%
Operating income	Δ 156	Δ 4	151	-

※1 The CSK Group has substantially withdrawn from real estate securitization business and changed Financial services segment to Other business segment for the six months ended Sept. 30, 2009.



# IT services business (1)



## IT Services Business

Revenue : YoY  $\Delta$  22.0%, Operating income : YoY  $\Delta$  23.4%

The number of system development projects for manufacturers fell, centering on those for electronics, precision machinery and transportation equipment manufacturers.

Revenue declined, reflecting smaller revenues for business services such as contact center and product verification services, and large projects in the first half of the previous year, including hardware sales for credit finance and large IT projects caused by bank mergers.

Operating income fell with reduced IT spending by customers, among other factors, offsetting reductions in expenses, including personnel and non-personnel costs.

(SG&A + internally accrued cost:  $\Delta$  ¥7.34 billion )

( 100millions of yen )

		'08/4-9	'09/4-9	Variance	
CSK-SYS Grp	Revenue	591	472	$\Delta$ 119	$\Delta$ 20.1%
	Operating income	42	39	$\Delta$ 2	$\Delta$ 6.7%
JIEC	Revenue	71	50	$\Delta$ 21	$\Delta$ 29.6%
	Operating income	7	0	$\Delta$ 7	$\Delta$ 98.8%
VERISERVE	Revenue	39	24	$\Delta$ 15	$\Delta$ 38.5%
	Operating income	2	$\Delta$ 0	$\Delta$ 3	-
csk-sw、other (SWC、CCO-Grp、 CSK-MK)total <sup>※1</sup>	Revenue	137	113	$\Delta$ 24	$\Delta$ 17.6%
	Operating income	$\Delta$ 0	$\Delta$ 3	$\Delta$ 3	-
CSK-SS	Revenue	54	51	$\Delta$ 3	$\Delta$ 6.3%
	Operating income	$\Delta$ 0	2	2	-
Others, Elimination <sup>※2</sup>	Revenue	60	33	$\Delta$ 26	$\Delta$ 44.4%
	Operating income	$\Delta$ 9	$\Delta$ 5	3	-
IT services business	Revenue	955	745	$\Delta$ 209	$\Delta$ 22.0%
	Operating income	41	31	$\Delta$ 9	$\Delta$ 23.4%

Operating income margin | 4.3% | 4.3% |  $\Delta$  0.1%

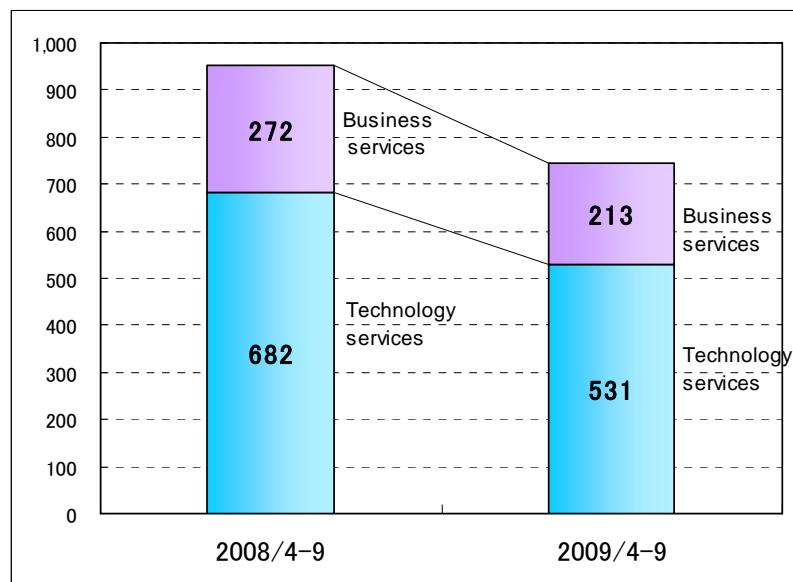
※1 Total figures due to the group reorganization

※2 Total of earnings at other companies and consolidated eliminations

# IT services business (2)

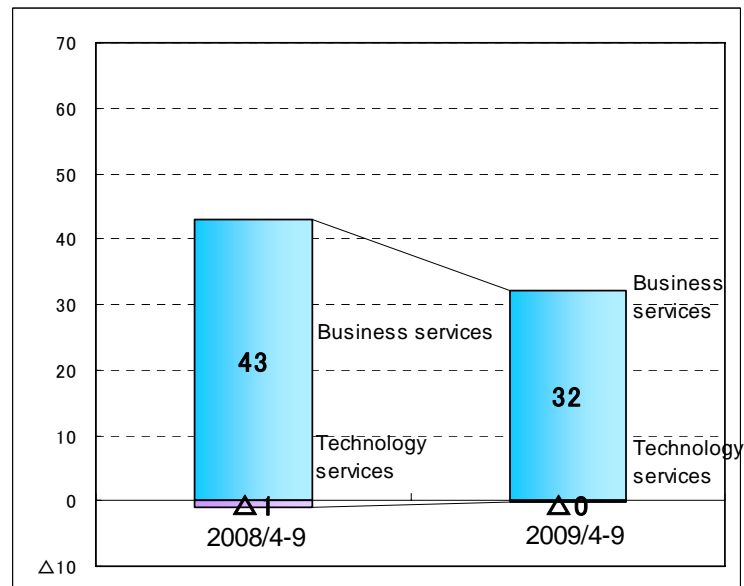
## IT services business : Revenue

(100millions of yen)



## IT services business : Operating income

(100millions of yen)



### ○ Technology services

Revenue : YoY $\Delta$  22.1%, Operating income : YoY $\Delta$ 26.0%

**Revenue:** Revenue declined, reflecting a fall in system development for manufacturers, and a reaction to large-scale projects, including the hardware sale of and a large IT project caused by bank mergers, in the year-ago period. We expect results for the Technology services to recover gradually toward the end of 2009 half, based on responses to system reforms for regulatory revisions and industry realignment in the financial industry.

#### Operating income:

Operating income declined, as manufacturers and other customers reduced spending on IT, offsetting efforts to cut costs, reduce subcontracting.

### ○ Business services

Revenue : YoY $\Delta$  21.7%, Operating loss : ¥30 million

**Revenue:** Revenue for the fulfillment services related increased. However, revenue declined in technical support and product verification services in particular, reflecting cost cutting and the reduction of product development investments due to worsening market conditions.

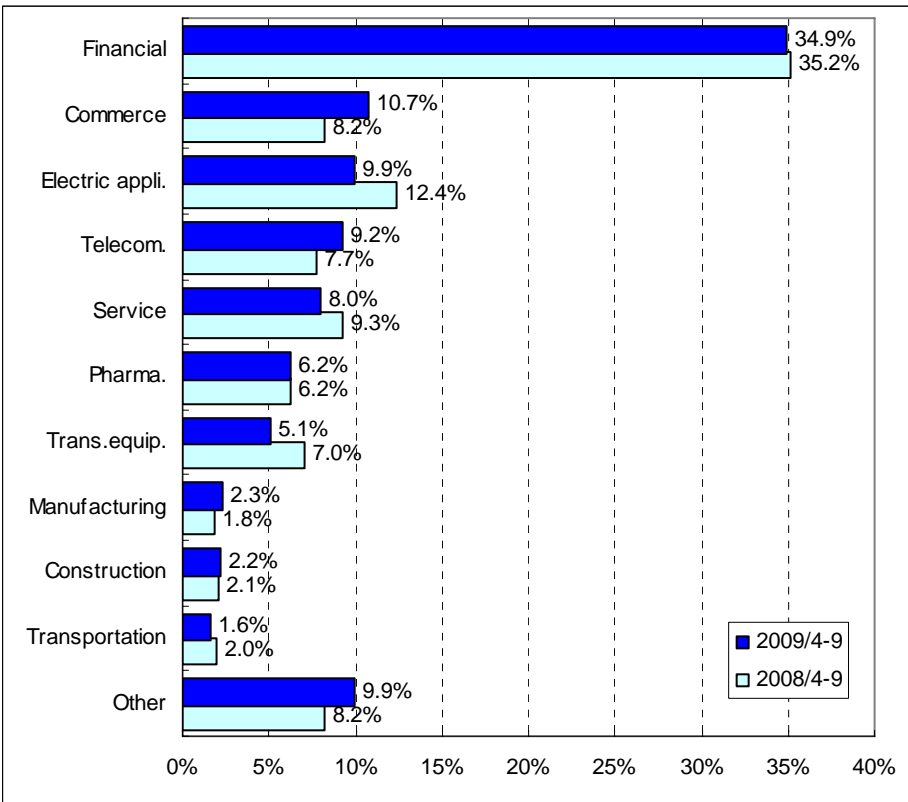
#### Operating income:

Although the business was affected by falls in support spending by software and hardware vendors in association with their worsening business performance, the Company cut costs and improved efficiency. As a result, operating income increased only slightly.

# IT services business (3)

## Sales distribution by industry

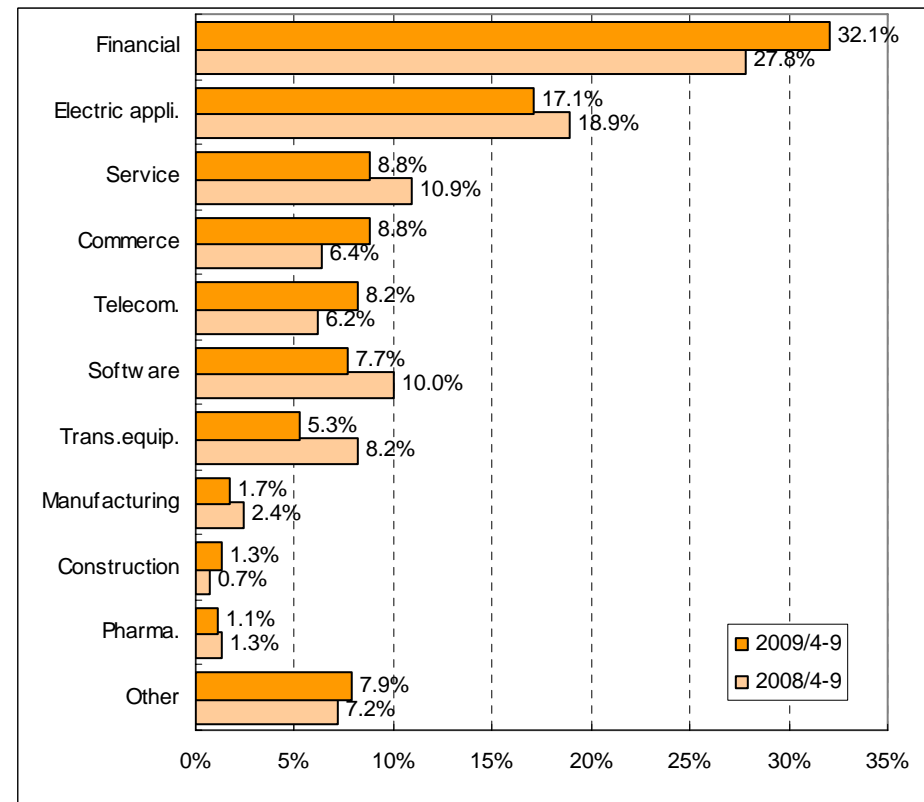
### <Technology services>



### <Technology services>

Systems integration and management, IT outsourcing and other technology-related services

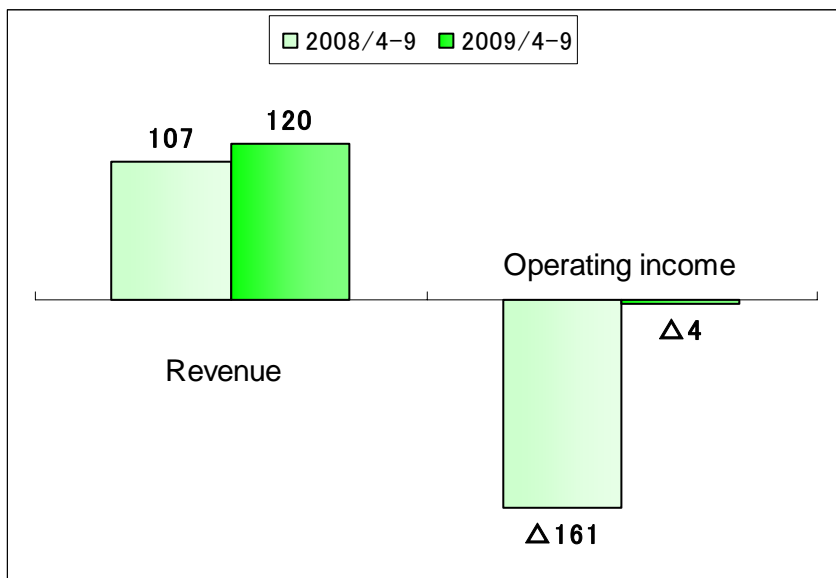
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Contact center business including customer and technical support, and back-office and other BPO services

# Prepaid Card Business, Securities Business, Other business



( 100millions of yen )

		'08/4-9	'09/4-9	Variance	
Prepaid card business	Revenue	13	14	0	4.5%
	Operating income	1	1	0	6.8%
Securities business	Revenue	81	98	17	21.1%
	Operating income	△42	8	51	-
Other business (Financial services) <sup>※1</sup>	Revenue	12	6	△5	△45.4%
	Operating income	△121	△15	105	-
合計	Revenue	107	120	12	11.2%
	Operating income	△161	△4	157	-

※1 The CSK Group has substantially withdrawn from real estate securitization business and changed Financial services segment to Other business segment for the six months ended Sept. 30, 2009.

## -Prepaid Card Business: Revenue : YoY+4.5%, Operating income : YoY+6.8%

Revenue increased, thanks to sales of equipment, although the quantity of cards issued over the counter or as gifts fell slightly year on year.  
Hoard profit of prepaid cards was posted under non-operating income.  
(Hoard profit of prepaid card : ¥0.51 billion )

## - Securities Business: Revenue : YoY+21.1%, Operating income : ¥0.89billion.

Revenue rose, attributable to increases in commissions received, including brokerage commissions, and stock and bond trading profits made on rises in the Nikkei Stock Average against a backdrop of an expected recovery in the domestic economy.  
Operating income moved back into the black, as the effect of improvements in the cost structure made in the previous fiscal year became apparent.  
( SG&A: △¥3.21 billion)

## - Other business (Financial services business)

Revenue :YoY△45.4% Operating loss : △¥1.51 billion.

We posted an operating loss of ¥1.51 billion, reflecting a loss on valuation of securities and other factors.  
We posted a business withdrawal loss of ¥55.9 billion under extraordinary losses, the result of our withdrawal from the real estate securitization business.

# Cash flows



( 100millions of yen )

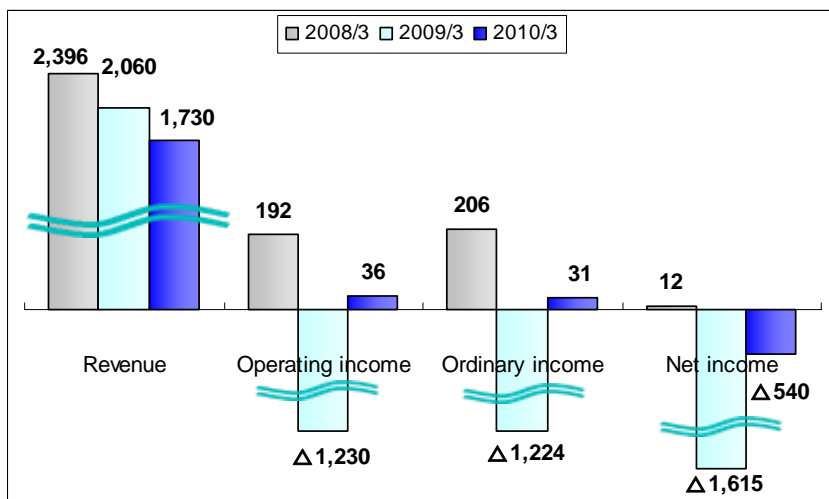
	'08/4-9	'09/4-9	Variance	Comment
Operating cash flows	<b>△ 252</b>	<b>△ 20</b>	<b>231</b>	
Investing cash flows	<b>△ 55</b>	<b>11</b>	<b>66</b>	
Financial cash flows	<b>178</b>	<b>48</b>	<b>△ 130</b>	
Total cash flows ※	<b>△ 129</b>	<b>37</b>	<b>166</b>	
Cash & cash equivalents, at end	<b>462</b>	<b>375</b>	<b>△ 86</b>	

※ : Including effect of exchange rate change.

# Forecast for FY2010



( 100millions of yen )



	2008/3	2009/3	2010/3 Forecast	Variance	
Revenue	2,396	2,060	1,730	Δ330	Δ16.1%
Operating income	192	Δ1,230	36	1,266	-
Operating income margin	8.0%	-	2.1%	-	-
Ordinary income	206	Δ1,224	31	1,255	-
Net income	12	Δ1,615	Δ540	1,075	-

( yen )

	2008/3	2009/3	2010/3 Forecast	Variance
EPS	17.34	Δ2,097.39	Δ730.37	1,367.02

## Consolidated results forecast

Reluctance to make IT investments is likely to continue to affect projects for manufacturers, centering on electronics, precision machinery and transportation equipment manufacturers.

Competition to win orders is expected to remain tough, as in the first half under review. We think that revenue will fall below our previous forecast. (Revenue: Revision of previous forecast Δ22.0 billion)

We expect operating income to surpass our initial forecast, given further cost reduction made as we rebuild our business and the withdrawal from the real estate securitization business

(Operating income: Revision of previous forecast +2.0billion)