

# Group business policy (FY2011/3)

May 13, 2010

CSK HOLDINGS CORPORATION

Takeshi Nakanishi

Representative Director and President

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- 1. FY2010/3 results**
- 2. FY2011/3 forecasts**
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# Basic revitalization policy

## CSK Group's Vision

We intend to become a corporate group that provides customers with critical, highly optimized services that are constantly aligned with their needs, with the aim of achieving sustainable growth and development.

## Target

- FY2010/3: Return to profitability at operating profit level
- FY2011/3: Transform to structure that enables stable profits
- Medium-term: Secure operating profits of ¥10-15 billion

## Toward a stronger CSK brand = 3 areas of focus

- Restore trust: Concentrate on IT services business  
Improve financial position
- Restore profitability: Carry out cost structure reform
- Restore growth potential: Strengthen and create new growth in 3 core businesses  
(BPO, IT management, systems integration)

# FY2010/3 results

**FY2010/3 Operating income ¥4.18 bn – Achieved goal of returning to profitability**

**\*Exceeded forecast of ¥3.6 bn by ¥0.58 bn (+16.1%)**

- Withdrew from underperforming businesses, securities businesses and financial service businesses
  - Plaza Capital Management (sold in October 2009)
  - CSK-IS (complete withdrawal)
  - CSK PRINCIPALS (complete withdrawal)
  - ISAO (sold in April 2010)
  - Cosmo Securities (sold in April 2010)
  
- Improved financial position: Reduced interest-bearing debt as planned
  - Repaid ¥15 bn through sale of shares in Cosmo Securities and other assets (Feb. 2010: ¥5 bn; Apr. 2010: ¥10 bn)

## ■ Carried out cost structure reform

- **Early retirement program: 581 applicants**  
FY2011/3: ¥3.8 bn decrease from FY2010/3
- **Consolidated/integrated offices and operations**  
FY2011/3: ¥0.6 bn decrease from FY2010/3
- **Froze development of new internal IT system and reviewed operating costs**  
FY2011/3: ¥1.0 bn decrease from FY2010/3

**FY2011/3: Transformed to structure that enables stable profits**

# Results of cost structure reform

FY2011/3 fixed costs projected to be down ¥21.5 bn from FY2009/3

※ IT services business and Prepaid card business and CSK HOLDINGS

(¥bn)

(Compared to FY2009/3)

Fixed costs

109.0

91.2

87.5

Down ¥21.5 bn  
(-19.7%)

Personnel costs

74.9

67.5

66.0

Down ¥8.9 bn  
(-11.9%)

Non-personnel costs

34.1

23.7

21.5

Down ¥12.6 bn  
(-37.0%)

FY2009/3

FY2010/3

FY2011/3 (forecast)

# ■ Strengthened 3 core areas and developed new growth areas

## ▪ Improved business system

- Reorganized CSK SYSTEMS (April 2010: Merged CSK SYSTEMS NISHINIHON and CSK SYSTEMS CHUBU into CSK SYSTEMS)
- Reorganized CSK ServiceWare (April 2010: Merged with BUSINESS EXTENSION CORPORATION)

## ▪ Business innovation program

- Cross-organizational Group taskforce activities based on 4 areas of focus—sales and marketing, onsite offices, services, technology \*onsite office = operating base at client's worksite

### - Pursued Group collaborations

- Strategic Group marketing
  - \*Unified Group-wide marketing activities to meet customer needs
- Accreditation for top products and services (14 in total)

\*Unified Group-wide accreditation for products and services handled

## ▪ Established “service innovation” departments at CSK ServiceWare, CSK-IT MANAGEMENT and CSK SYSTEMS



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# FY2011/3 consolidated forecast

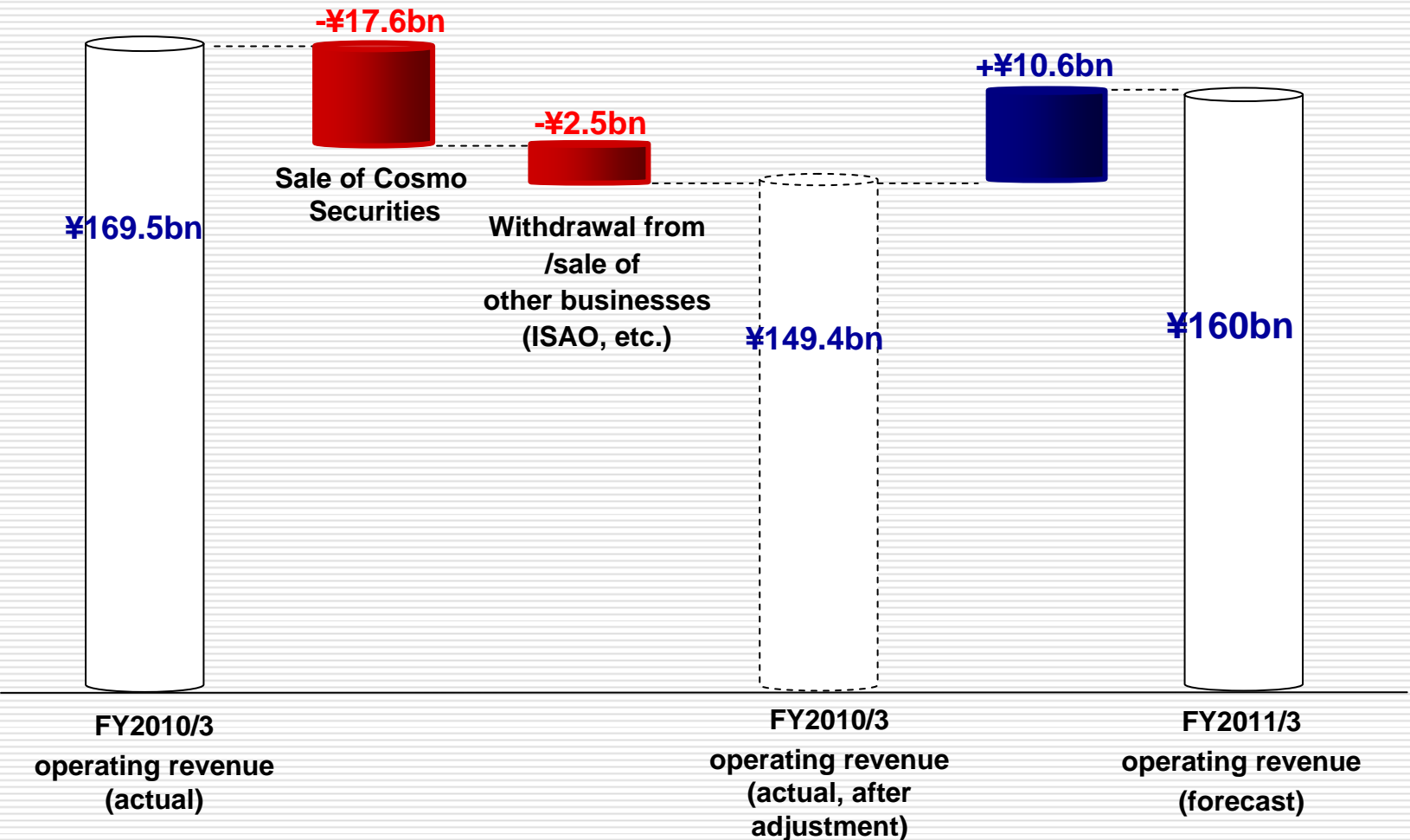
(¥bn)

	FY2010/3	FY2011/3		
	Result	(Forecast)	Variance	
Revenue	169.5	160.0	-9.52	-5.6%
Operating income	4.1	10.0	5.8	139.4%
(Operating margin)	2.5%	6.3%	3.8%	—
Ordinary income	2.9	9.3	6.3	218.5%
Net income	-59.1	0.5	59.6	—

- |                  |   |
|------------------|---|
| Revenue          | <ul style="list-style-type: none"> <li>▪ Forecasting decline in revenue due to the sale of Cosmo Securities, etc.</li> <li>▪ Projecting revenue growth of around 7% in IT services business + prepaid card business</li> </ul>  |
| Operating income | <ul style="list-style-type: none"> <li>▪ Cost structure reform and withdrawal from/sale of underperforming businesses projected to have positive impact</li> <li>▪ Projected revenue growth in IT services business + prepaid card business expected to have positive impact</li> </ul> |

# Operating revenue forecast

- FY2010/3 operating revenue after adjustment for sale of/withdrawal from Cosmo Securities and other businesses was ¥149.4 bn
- Projecting increase of ¥10.6 bn (approx. 7%) in FY2011/3 compared to this figure



# FY2011 revenue forecasts by business

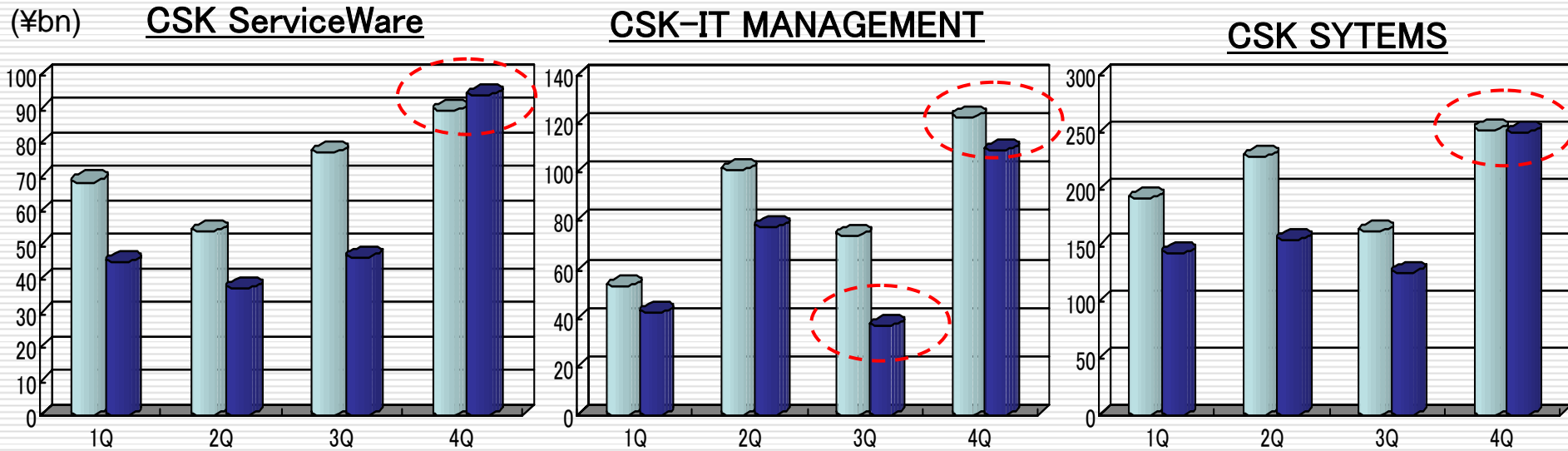
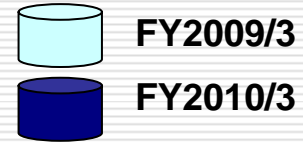
( ¥ bn)

	FY2010/3 (Result)	Percentage	FY2011/3 (Forecast)	Percentage	Variance	
BPO business	31.0	16.6%	33.2	18.4%	2.2	7.2%
IT management business	36.4	19.5%	41.0	22.7%	4.6	12.7%
Systems integration business	92.6	49.7%	99.7	55.2%	7.1	7.7%
Prepaid card business	3.2	1.7%	3.3	1.8%	0.1	4.0%
Other business	23.2	12.5%	3.6	2.0%	-19.7	-84.7%
Elimination and Corporation	-16.9	-	-20.8	-	-	-
Total	169.5	-	160.0	-	-9.5	-5.6%

# FY2011/3 revenue forecast

## ■ Trends in revenue and orders received (YoY comparison)

(CSK ServiceWare , CSK-IT MANAGEMENT、 CSK SYSTEMS)

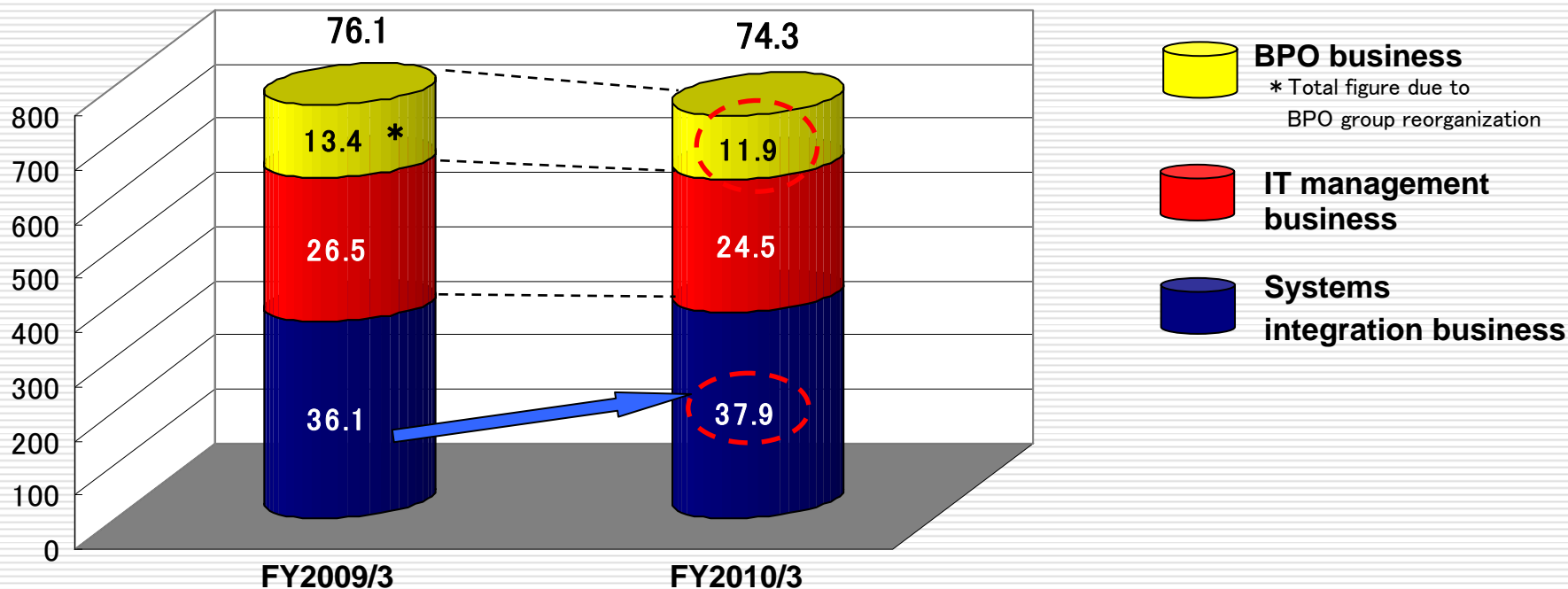


### ▪ Orders receives recovered at each company in Q4

- CSK ServiceWare FY2010/3 Q4 orders higher than those in FY2009/3 Q4
- Disparity between FY2010/3 Q3 and FY2009/3 Q3 orders at CSK-IT MANAGEMENT due to winning large outsourcing orders (multi-year contracts) in FY2009/3 Q3
- CSK SYSTEMS orders recovering, mainly due to orders from existing customers

## ■ Year-end backlog of orders balance

(¥bn)



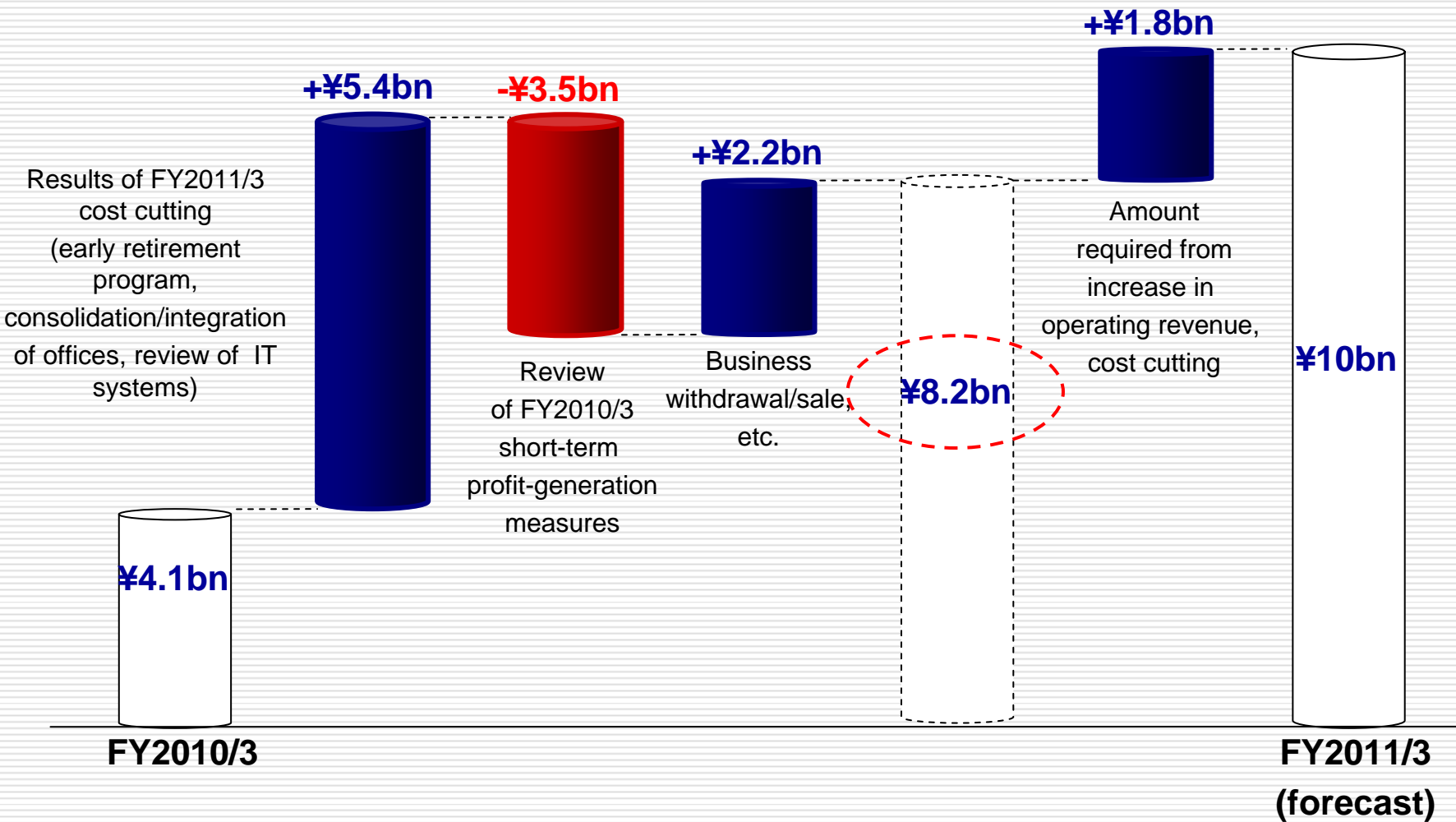
**BPO:** Declined due to withdrawal from underperforming projects (¥1.3bn per year)

**IT management:** Decline in portion of operating revenue recorded with respect to multi-year contracts

**Systems integration:** Year-end order balance increased ¥1.8bn

# Operating income forecast

Projecting operating income of ¥8.2bn on similar operating revenue as FY2010/3, driven by cost structure reform and withdrawal from/sale of underperforming business



# FY2011/3 business policy – Steady implementation

## **Service integration**

Strengthen individual businesses and Group collaboration

BPO: Focused allocation of financial and human resources to BPO as a growth area  
- Win large BPO projects, enhance fulfillment business

IT management: Steadily pursue outsourcing projects  
(contracts held at start of fiscal year up ¥4.5bn YoY)

Systems integration: Develop SaaS for specific industries and businesses, meet needs for large financial industry projects, expand application maintenance model  
⇒ Use offshoring/nearshoring

## **Service innovation**

Continue to strive to create new “business”

⇒ Transition from environment/framework development to materialization

**Cooperation/alliance with companies in same and different business sectors (Sumisho Computer Systems, etc.)**

**Seek business in overseas markets**

**Human resource development**



# Example of services (1)

**USiZE:** An outsourcing service providing private cloud infrastructure, with fees based on usage volume

■ Client	MAEDA CORPRATION
■ Effect of introduction	Information infrastructure-related costs reduced by 20% compared to previous monthly fees

## ○ Outline of USiZE Utility computing service



\*Outline of USiZE

A service that combines data center computer resources, network resources and the management required for each resource, and charges according to the usage volume for each month



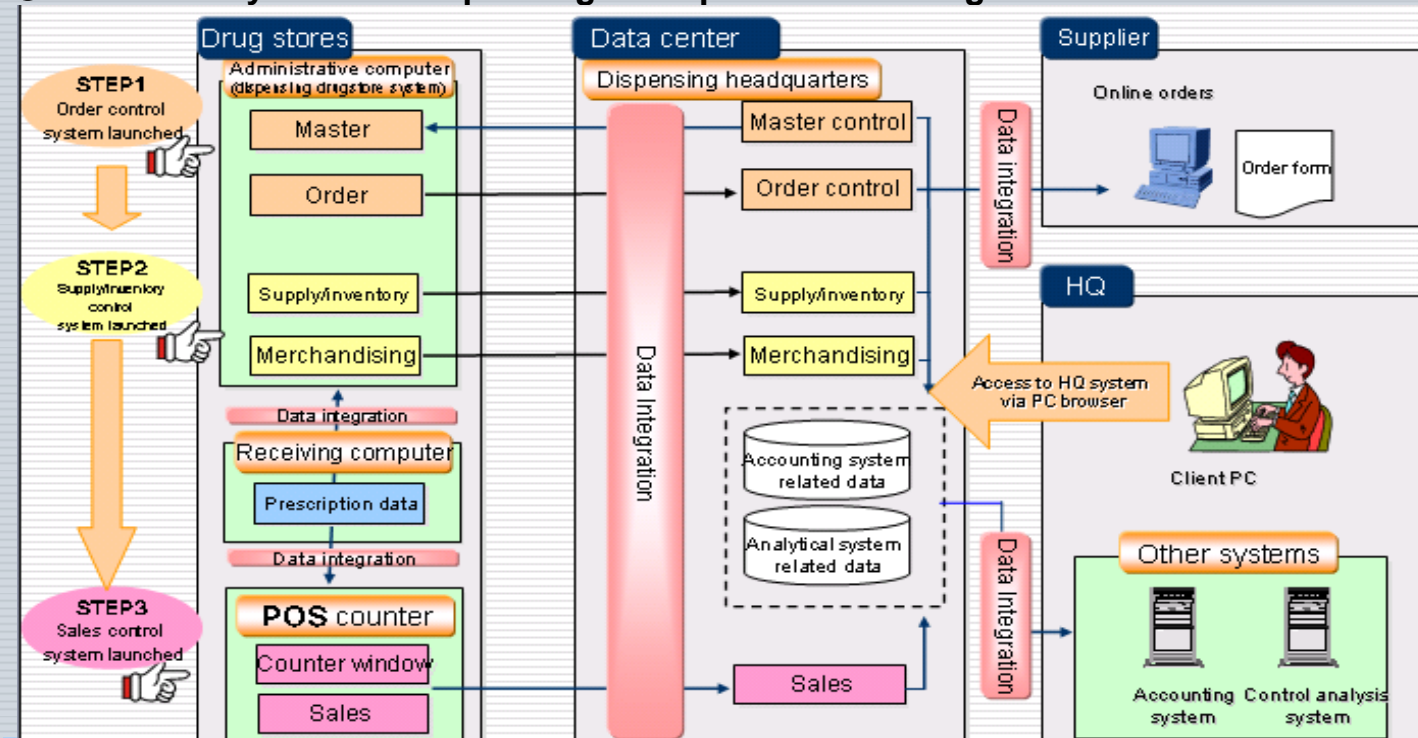
# Example of services (2)

## Introduction of system for dispensing headquarters and drugstores

⇒ improving efficiency of management of multiple drugstores in the dispensing pharmacy industry

■ Client	AIN PHARMACIEZ. INC.
■ Effect of introduction	Average monthly inventory amount reduced by around 20% compared to previous method. Annual amount of inventory disposal reduced by around 25%

### ○ Outline of system for dispensing headquarters and drugstores



Launching the system for the company's dispensing headquarters and drugstores enables one-stop handling of all previously separate systems from the receiving computer (administration system) through to accounting procedures. Store management confusion is avoided by performing operations according to three separate stages (Steps 1-3)

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# Business environment

## IT services market and customer conditions

- Domestic market maturing
  - Services diversifying and becoming more complex
  - Cost reduction the top priority - lower prices, shorter lead times
  - Needs for transition from “ownership” to “use”
  - More results-focused
- ...Make selective investments for enhancing profitability and creating new businesses using IT

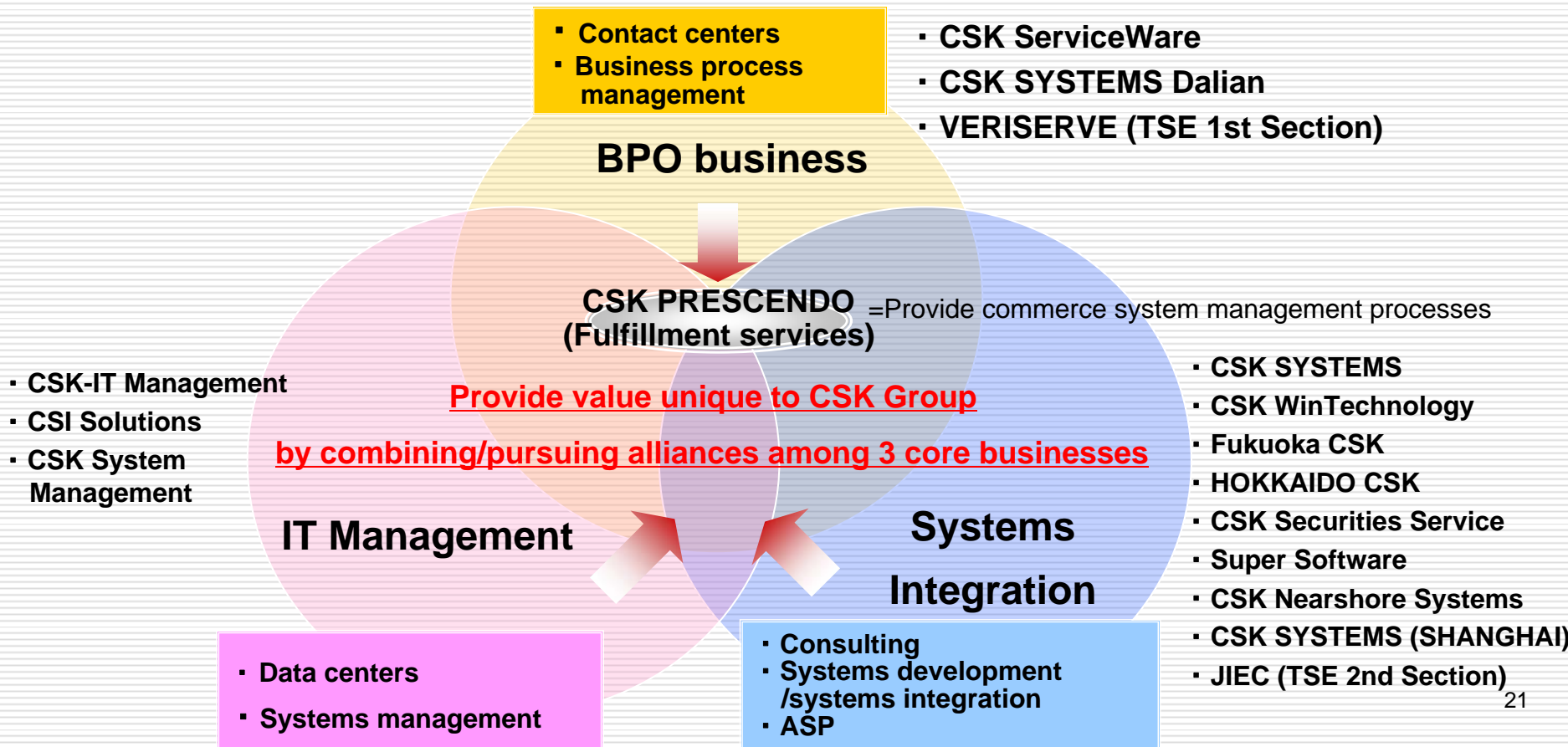


Further enhance originality (differentiation) and price competitiveness

# CSK Group strengths and direction of business improvement

CSK Group strengths	3 core businesses have scale and competitive edge
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Direction of business improvement	Help customers achieve business innovation by providing value unique to CSK that combines our 3 core businesses
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# Example of services integrating our 3 core businesses (1)

## R-Online “The Shop” – Online shopping site utilizing e-commerce support service

<p>■ Client</p>	<p>RENOWN INCORPORATED</p>
<p>■ e-commerce support service</p>	<ul style="list-style-type: none"> <li>・"e-Vans" ASP service for e-commerce sites</li> <li>・e-commerce fulfillment services</li> <li>・"Baynote" web solutions</li> </ul>

### ○ Online shopping site R-Online “The shop”

○ <http://e-shop.renown.com>

○ Brands handled  
 D'URBAN (men's)  
 SIMPLE LIFE (men's and women's  
 ensuite (women's)  
 Arnie Arnold Palmer (women's)  
 Other

○ "e-Vans"  
 ASP service for front and back-end systems  
 e-commerce (sales management)  
 ○ e-commerce fulfillment  
 Back-office services from product order  
 fulfillment to shipping fulfillment  
 ○ "Baynote"  
 A service that analyses web visitor  
 behavior and recommends suitable information

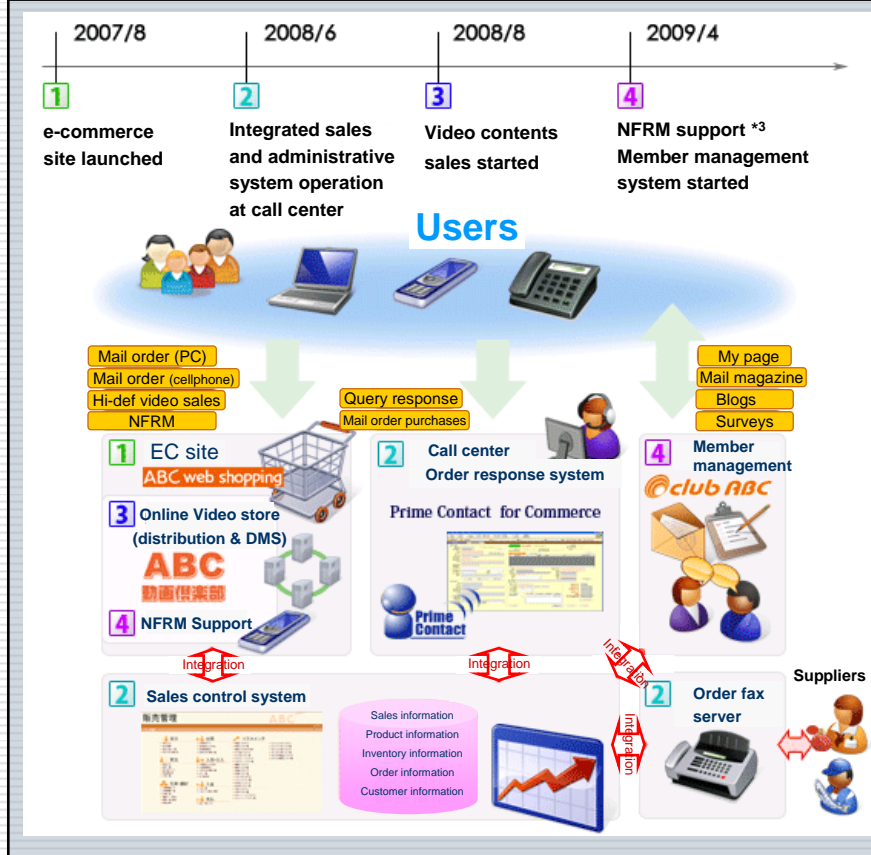
The image displays three screenshots of the R-Online "The Shop" website interface:

- R-Online "The Shop" Top page:** Shows the homepage with a colorful grid, navigation menu, and promotional banners for "New Open!!" and "RECOMMEND ITEMS".
- List of goods:** Displays a grid of clothing items for sale, including jackets and shirts, with a sidebar for categories.
- Details of goods:** Shows a detailed view of a "D'URBAN" jacket, including a large photograph, product description, and color variations.

# Example of services integrating our 3 core businesses (2)

TV shopping and e-commerce sites can combine their sales and administration system data in real time with the “e-commerce business support service”

■ Client	Asahi Broadcasting Corporation
■ Effect of introduction	The company achieved an increase in sales and a reduction in costs due to the introduction of this system. The company is able to respond promptly to consumer inquiries, leading to increased customer satisfaction



○ABC Douga Club (video distribution)  
<http://shop.asahi.co.jp/doga/>  
 ○Club ABC (staff management system)  
<http://club.asahi.co.jp/abcs>



# Future of collaboration in and combination of 3 core businesses

: CSK Group's independent hybrid cloud model

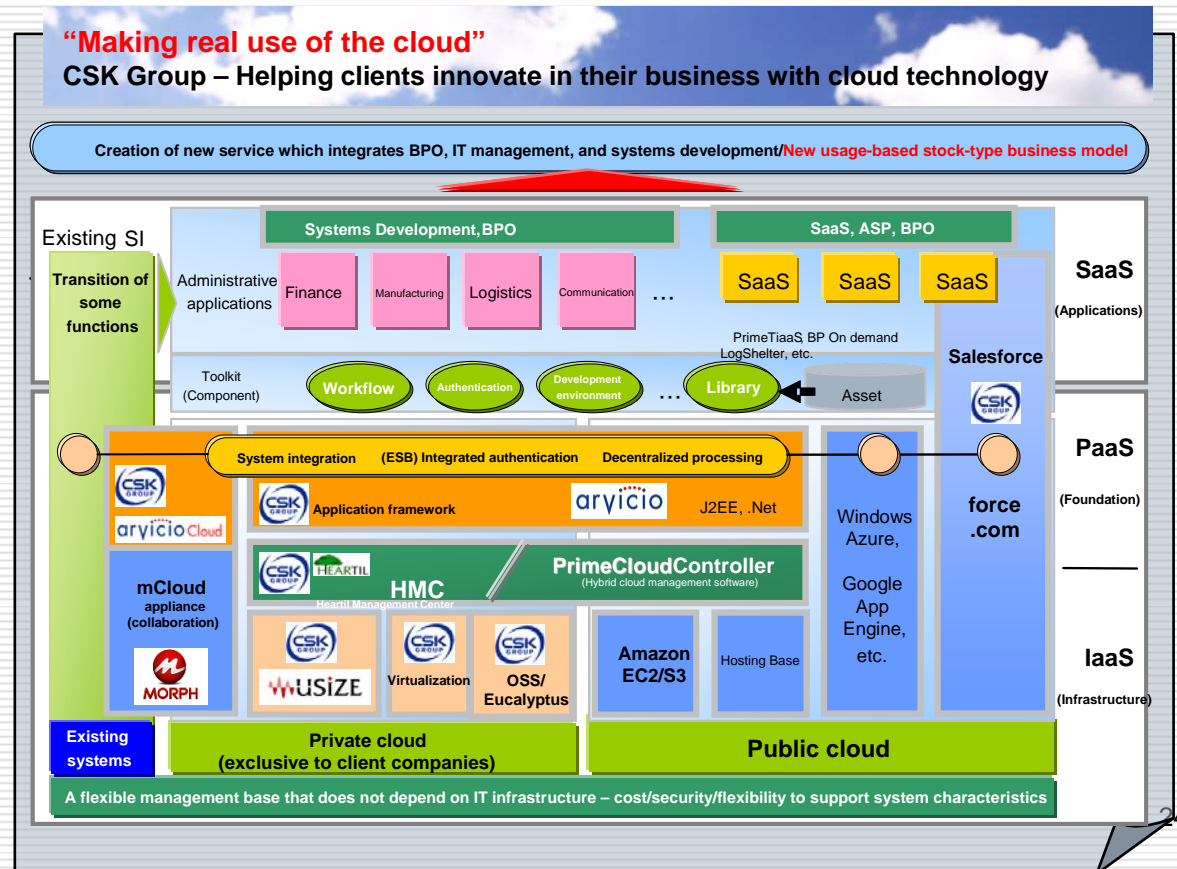
Recommended the effectiveness of utilizing a combination of BPO, IT management, systems development and the public cloud at the 1st Cloud Computing EXPO Japan

The 1st Cloud Computing EXPO Japan Special Lecture (May 14, 2010, 13:30 - 14:30 at Tokyo Big Sight)

“The latest cloud trends, and the new environment being paved by the hybrid cloud”

Toshiaki Kurokawa, CSK Fellow,  
Technology Development  
Division,  
CSK SYSTEMS

After graduating from the University of Tokyo College of Arts and Sciences in 1972, Kurokawa developed his career at Toshiba Research and Development Center, ICOT, and IBM Japan before joining CSK in 1999. Currently he is a CSK Fellow at the Technology Development Division of CSK SYSTEMS. He is a non-regular lecturer at the University of Kyoto and is also a researcher at the Ministry of Education's National Institute of Science and Technology Research Center for Scientific and Technology Trends, specializing in ICT HR development, design thinking and cloud computing. He is a regulation expert for ICT regulation and intellectual property center authentication, and an ICES founding member. He is also involved in the creation of JIS for C#, CLI and ECMAScript, and regulation HR development as the director of the Media Computing Conference





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# Interest-bearing debt: Year-end balance and repayment plan

\*Interest-bearing debt of CSK Holdings (non-consolidated)

- FY2010/3 : Repaid ¥5 bn in Feb. 2010
- FY2011/3 : ¥10 bn of the planned repayment amount of ¥15 bn already repaid in Apr. 2010
- Repaid interest-bearing debt through sale of assets and operating income

(Billion yen)

End. Sep. 2009 balance	End. Mar 2010 balance		Repayment plan (repayment amount)			
			FY2011/3	FY2012/3	FY2013/3	FY2014/3
50.0	45.0	Debts payable	15.0	10.0	10.0	10.0
21.8	21.8	Euro CB	-	21.8	-	-
35.0	35.0	Domestic CB	-	-	-	35.0
		Repayment plan	15.0	31.8	10.0	45.0
106.8	101.8	Interest-bearing debt	86.8	55.0	45.0	-

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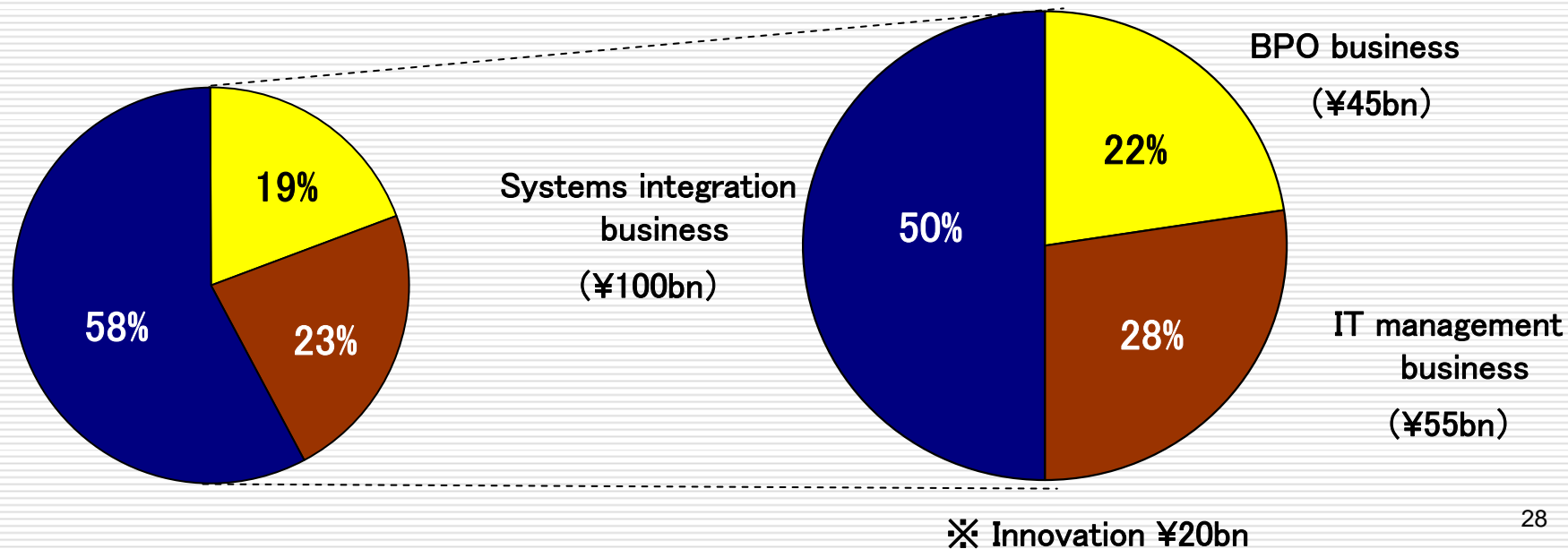
# Medium-term quantitative targets

## ■ Medium-term quantitative targets

	FY2010/3	FY2011/3(forecast)	Medium-term target( FY2014/3
Revenue	¥165.9bn	¥160.0bn	¥200.0bn
Operating income	¥4.1bn	¥10.0bn	¥15.5bn
Operating margin	2.5 %	6.3 %	7.8 %

## ■ Medium-term sales targets by business [ Medium-term target (FY2014/3 )

【 FY2010/3 】



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