



# CSK HOLDINGS CORPORATION

*Annual Report 2006*



# PROFILE

CSK Holdings Corporation is the holding company of CSK Group, which conducts IT services business and financial services related business. CSK Group was founded in 1968, and since then has focused on working closely with customers to provide detailed, high quality services. CSK Group includes a range of highly specialized companies that offer a broad lineup of services including IT services such as systems integration and management, BPO (Business Process Outsourcing) services that support our customers businesses, and financial services including investment and asset management.

CSK Group is currently in transition, with the aim of using its core IT strengths to become a service provider. By effectively bringing together the extensive experience and knowledge that Group companies have gained over many years, CSK Group aims to provide services to support the sound and continuous development of companies, industries and society itself—contributing to society and growing alongside it as a respected corporate group.

## **Mission Statement**

Provision of service is our ultimate corporate mission.

## **Management Philosophy**

- To be sensitive to changes and respond flexibly to them
- To fulfill our social mission
- To connect our corporate objectives with those of individual employees

## **Service Ethos**

- To provide customers with technologies that will always satisfy them
- To offer advanced and specialized technologies
- To work accurately, speedily and efficiently
- To always keep customers' benefits in mind and provide them with appropriate advice



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### **Disclaimer**

Annual Report 2006 is intended to provide information about the business performance and strategy of CSK Group. It is not intended and should not be construed as an inducement to purchase or sell stock in CSK HOLDINGS CORPORATION (CSK HD) or CSK Group companies. Statements in this report that are not historical fact are forward-looking statements, based on the current beliefs, estimates and expectations of management. As these beliefs, estimates and expectations are subject to a number of risks, uncertainties, and assumptions, actual results may be materially different. CSK HD undertakes no obligation to update any forward-looking statements, and shall in no event be liable for any damages arising out of the use or interpretation of this material. Please refrain from copying or disseminating this material without the prior consent of CSK HD.

## Financial Highlights

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries

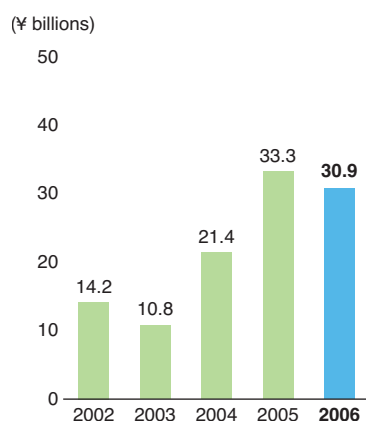
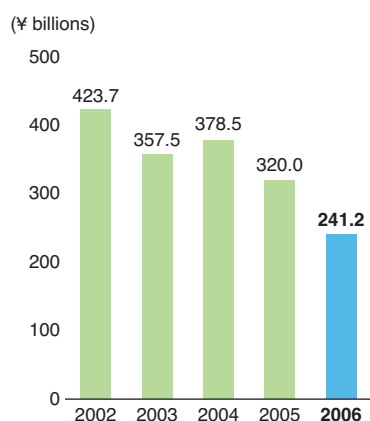
For the years ended March 31st, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006

	1997	1998	1999	2000
<b>For the year:</b>				
Sales and operating revenue	¥ 136,459	¥ 211,004	¥ 235,715	¥ 409,747
Operating income	4,416	6,631	8,214	10,327
Income (loss) before income taxes and minority interests	(5,532)	(18,834)	(14,891)	8,075
Net income (loss)	(8,898)	(20,284)	(17,386)	(5,517)
<b>At year-end:</b>				
Total assets	282,489	220,261	190,484	383,049
Total shareholders equity	120,105	98,850	80,457	104,391
Interest-bearing debt	119,088	67,943	52,873	149,186
Working capital	21,501	14,524	13,676	22,121
<b>Per share (Notes 1 and 2):</b>				
Net income (loss)	¥ (138.75)	¥ (317.54)	¥ (273.37)	¥ (88.10)
Diluted earnings	—	—	—	—
Cash dividends	12.00	15.00	12.00	12.00
Total shareholders' equity	1,872.75	1,550.02	1,266.79	968.44
<b>Total outstanding shares</b>	<b>64,133,235</b>	<b>64,133,845</b>	<b>64,133,845</b>	<b>64,700,164</b>

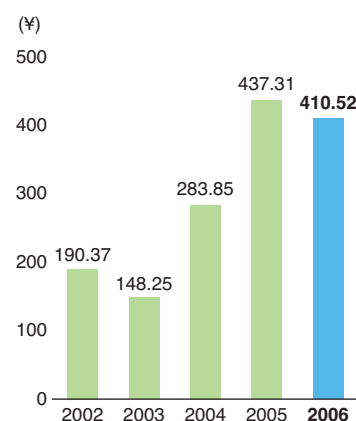
Notes: 1. Per share amounts are in exact yen.

2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117.47=US\$1.00

### ■ Sales and operating revenue ■ Net income

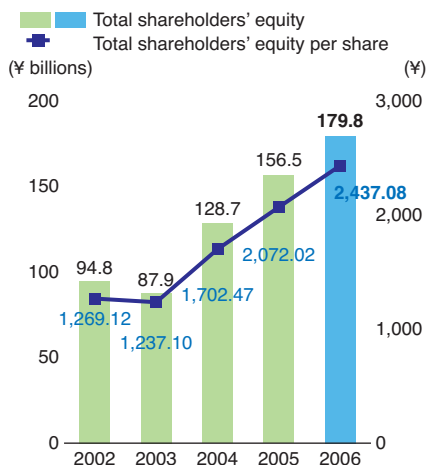


### ■ Net income per share



millions of yen						thousands of U.S. dollars (Note 2)
2001	2002	2003	2004	2005	2006	2006
¥ 418,601	¥ 423,704	¥ 357,505	¥ 378,473	¥ 319,994	¥ 241,155	\$ 2,052,904
9,314	15,394	22,093	28,290	24,046	25,138	213,993
(16,775)	(80)	1,170	38,723	64,200	52,786	449,356
(21,354)	14,220	10,782	21,424	33,343	30,875	262,832
382,523	338,978	345,167	375,991	455,637	543,134	4,623,600
85,099	94,799	87,872	128,686	156,485	179,824	1,530,811
151,799	107,386	112,394	103,349	137,047	159,424	1,357,148
(38,921)	10,888	(7,280)	87,933	134,688	172,802	1,471,033
Yen						U.S. dollars
¥ (287.04)	¥ 190.37	¥ 148.25	¥ 283.85	¥ 437.31	¥ 410.52	\$ 3.49
—	—	144.03	273.91	412.04	387.98	3.30
12.00	12.00	12.00	15.00	17.00	40.00	0.34
1,139.26	1,269.12	1,237.10	1,702.47	2,072.02	2,437.08	20.75
74,700,164	74,700,164	74,703,064	76,538,663	76,733,284	77,791,992	—

## ■ Total shareholders' equity Total shareholders' equity per share



FY2003: Divested ASCII CORPORATION and CSK ELECTRONICS CORPORATION  
 FY2005: Divested Bellsystem24 Inc. and acquired Cosmo Securities Co., Ltd.  
 FY2006: Divested NextCom K.K.

Message from the CEO





## To Our Shareholders

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CSK Group has been operating since computers first began taking their place in society, and by providing information services to a wide range of customers we have steadily grown our business. Times are now changing, however, with IT becoming part of social infrastructure, technology becoming more commoditized, and other factors coming into play that mean the systems engineering-centered approach to IT service is no longer sufficient to meet customers' needs. Customers are increasingly seeking the service itself, rather than focusing on the underlying technology.

In the midst of this major change in our operating environment, we are seeking new growth for CSK Group by moving beyond our previous business framework as an IT services provider. Our aim is to develop services founded on new values, transforming CSK so that we can use our core IT strengths to become a service provider. This change is driven by our recognition that high growth can no longer be expected if we continue to provide conventional services, and our awareness that the time has come for us to evolve—and enter a new phase—based on global needs.

Our shift to a holding company structure on October 1, 2005 has created a clear organizational framework that facilitates cooperation among Group companies, with clearly defined roles for each Group company aligned in parallel under the overseeing entity CSK HOLDINGS CORPORATION. Having entered this new stage of development, we have positioned three areas—finance, communication, and healthcare—as strategic business domains, and are actively allocating resources to these sectors.

We will do our utmost to meet the expectations of our shareholders, by creating a solid foundation for further business development as a service provider. We look forward to your ongoing interest and support.

福山義人

Yoshito Fukuyama  
President and Chief Executive Officer  
August 2006

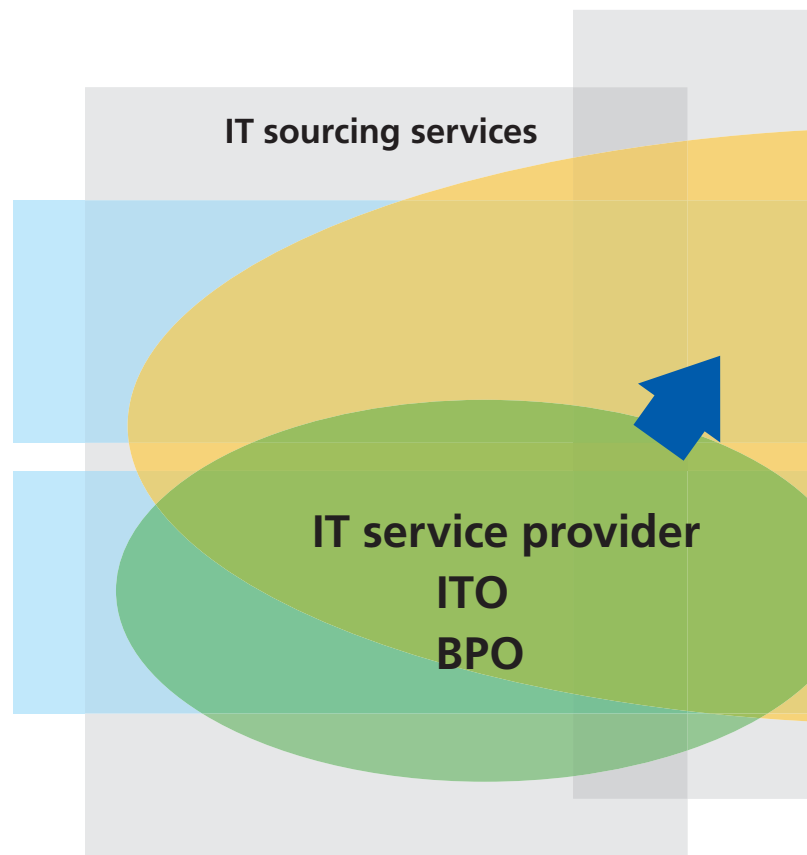
# Future Strategic Direction

## Using our IT strengths to become a service provider

IT has now spread to every corner of society through communications networks, and has become an indispensable part of the infrastructure supporting our daily lives and economic activities. This change is having a major impact on how we do business and the nature of our organizations, and companies are starting to seriously consider how best to prosper in this new environment.

Meanwhile, the IT industry is entering a new phase. Due to the spread of IT infrastructure and the commoditization of IT, companies' needs are expanding from conventional IT itself to include services leveraged by IT that help improve their business effectiveness, and demand is growing for services that take the client into greater account.

By combining the expertise it has accumulated through provision of IT services to many clients with the expertise in business that will become the entry point to new business fields, CSK Group aims to create new services to support the development of society and industry, and become a service provider using its IT strengths that contributes to individual companies and society as a whole.



### IT service provider

To improve the business efficiency of individual client companies, we provide IT services such as consulting, integration and management, verification, and other assistance for companies' information systems.

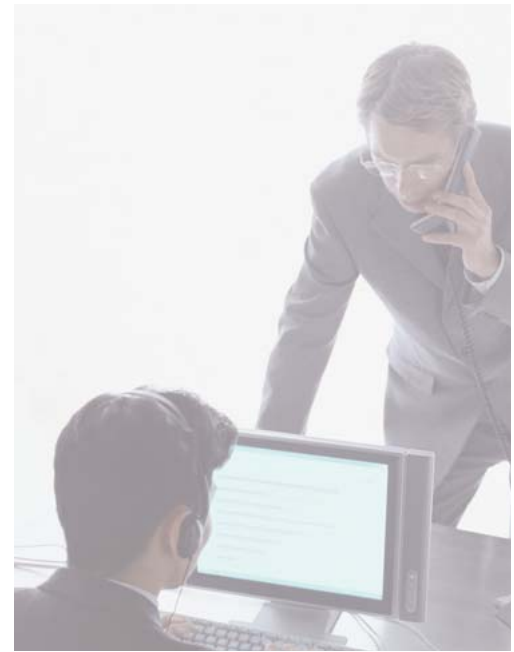
We also support companies' business transformation by provision of business operation services such as communication support services using contact centers, data management services for data entry, analysis, and so forth.



### Using IT strengths to become a service provider

We aim to create new services that will support the development of industry and society as a whole by bringing our accumulated IT service expertise together with the operational expertise of businesses which could work as catalysts.

We have positioned finance, communication and healthcare as our strategic business fields and will actively allocate business resources to these areas.



### New sourcing services

## Use existing IT expertise to operate as a service provider

Services for newly emerging social infrastructure

ITO and BPO services for individual corporations

### Business catalysts

Businesses that become the entry point to new business fields

- Market access through existing businesses
- Acquisition of expertise

### Business catalysts

Businesses that become the entry point to new business fields

These are businesses that provide products and services in specific industry sectors. They have highly specialized business knowledge, and can provide even more efficient services by leveraging IT.

## Using Our IT Strengths to Become a Service Provider

### What were the key elements of CSK Group's results in the fiscal year ended March 2006?

In the year under review—the fiscal year to March 2006—sales and operating revenue decreased 24.6% year on year to ¥241,154 million. The decrease was caused by a number of factors: in the previous fiscal year, two companies, Bellsystem24 Inc. and NextCom K.K. were removed from consolidation; the accounting standard was changed for QUO CARD Co., Ltd., which conducts our prepaid card business; and we reviewed our approach in the hardware sales business.

Operating income increased 4.5% to ¥25,137 million, while ordinary income decreased 2.3% to ¥26,981 million. Net income decreased 7.4% to ¥30,874 million. For operating income, the contribution from the financial services business, which has been performing strongly, offset the factors reducing operating income, including our upfront investment of ¥5,400 million in the IT services business, the removal of the two companies from consolidation and the change in accounting policies at our prepaid card business. Despite the large gain on the sale of investments in securities and strong gross profits in the investment business in the previous fiscal year, we managed to maintain ordinary income and net income at levels close to those of the previous fiscal year in the year under review, thanks to solid performance in the financial services and securities businesses.





## **What motivated your shift to a holding company structure and desire to become a true service provider?**

For many years, CSK Group has considered its core businesses to be systems integration and management services, as an IT service provider. We believe that demand for these businesses will continue to increase in the future—albeit slowly. Due to the commoditization of IT and intense price competition, we can no longer expect the kind of high growth and profits we experienced in the past. These businesses, we feel, are entering the mature stage. Ten years from now, if we continue with the same business model of providing conventional IT services, it will surely be difficult to expect high growth. From that perspective—and while our existing businesses are still performing strongly—we have decided to make an early move from our conventional business model of providing systems integration and management services to one of provision of new services revolving around the use of IT. Through our holding company structure, we aim to become a service provider using our IT strengths, and we intend to transform our business structure to achieve that goal.

One point I wish to strongly emphasize is this: the service provider business domain is a reframing from a wider perspective of the conventional IT services business domain, taking into consideration CSK Group's strengths and business resources in combination with client needs. In other words, it is a business domain in which we can easily use our accumulated experience and expertise, and one which enables CSK Group to secure a competitive advantage. "Aligning CSK's strengths with our clients' needs, and using them more proactively." We believe this forward-looking attitude in itself will create a new growth axis that uses our IT strengths, expands the CSK Group business domain, and leads us on the path to sustainable growth.

## **What exactly do you mean by "a service provider using IT strengths"?**

Until now, being an "IT service provider" mainly meant providing a series of services, such as consulting, integration and management, and verification for IT systems, in order to improve the business efficiency of individual companies. Even if it partly included operation of contact centers and support, for the most part it signified developing systems for clients, delivering them, and that was it. The service never went beyond delivery.

Being a service provider using IT strengths, on the other hand, means enabling the use by clients over a long period of a variety of functions that support their actual frontline business, based on IT. To succeed in doing so, the key is to know the industry to which the client belongs, their business and the products they sell, and their target customers and market, and to increase this knowledge until it can genuinely be called advanced business expertise. Combining this business expertise with IT, we will lead in the creation of solutions to the issues and needs that clients or industries have, by creating new services to provide to them.

## **What is your specific roadmap for business model transformation?**

We position the period from the year under review to the fiscal year ending March 2007 as a period of focused investment, targeting the creation of new services in the IT service field in three focus areas—finance, communications, and healthcare. The market scale of these areas is considerable, and they are domains in which there is extremely high potential for CSK Group to use its IT strengths. They are domains that we can expect to see networking and expanding. We see the two-year period ending March 2009 as the period to accelerate the promotion of the service provider business, commercialize our strategic investments, and advance the develop-



ment of our Group management foundation—including our Group information infrastructure and Group HR systems. In the period from the fiscal year ending March 2010 onwards, we aim to make a quantum leap forward in the service provider business and, while aiming for further development, also achieve sustainable growth in our existing businesses. Through this, we aim to be a Group that contributes to society and grows with it.

**What kind of progress is being made in implementation of the roadmap? Could you include in your answer some sense of how things have gone after the shift to a holding company structure?**

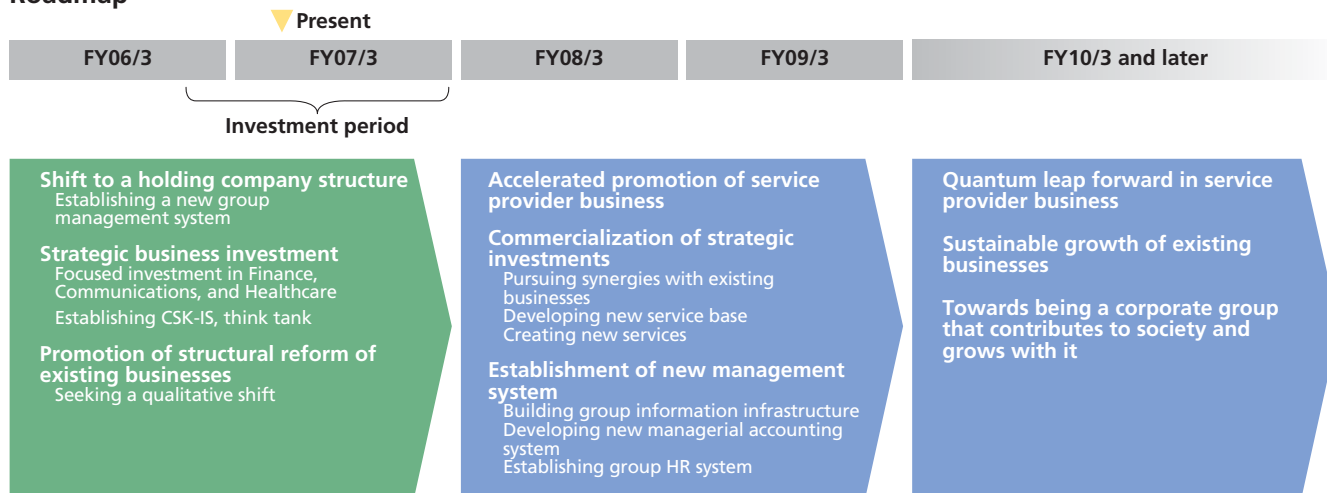
Our new management structure positions all of our businesses in parallel relationships under the holding company. For our business activities, such as making a proposal to a client, for instance, this structure facilitates timely cooperation among each business possessing necessary capabilities for the task at hand. In other words, our own network has become more smoothly integrated. The shift to a holding company structure is also gradually yielding concrete results from the perspective of efficiently reallocating capital and human resources within the Group, as moving our staff around the Group has certainly become easier than before.

For strategic investment, we have announced a plan to invest ¥130 billion, comprising ¥50 billion each for finance and communications, and ¥30 billion for healthcare. Specific investment projects have already been decided for approximately ¥90 billion of that total.

We have also begun our initiatives for achieving our strategies for each Group company. CSK Systems Corporation is carrying out major structural reform, aiming to develop the mechanisms to enable it to provide services with high added value components from the perspective of resolving the business problems of our clients even more effectively than before. We are doing this by steadily focusing our business expertise in areas such as specialized systems for the communications, life and general insurance, digital consumer electronics and securities industries.

Of our three strategic investment fields, our highest priority is comprehensive securities services, which we are steadily developing in the finance category.

**Roadmap**





### **What is the current business environment surrounding “comprehensive securities services”?**

In the finance and securities fields, various types of system deregulation and reform will be implemented from 2006 onward. The enforcement of the Financial Instruments and Exchange Law and the Corporate Law, the introduction of the paperless shares system, and other developments are expected to bring about changes including increased dealings in securities at bank counters, reduced barriers to entering the financial services business and the participation of a broad range of new players, and the mobilization of an estimated ¥30 trillion in individually held shares. In addition to such financial system reforms, it is forecast that the retirement of the postwar baby boom generation will lead to a situation in which individual financial assets will seek a variety of investment vehicles—not only deposits—causing a major movement in funds. Golden opportunities are emerging for financial institutions to attract large numbers of individual customers.

Take regional banks, for instance. If they limit their involvement in sale of investment trusts or dealing in individually held shares of their own important individual customers to introduction of the customers to major securities companies or provision of agency business, they risk losing their important individual customer assets to the major securities companies. To avoid such an outcome, regional banks, credit unions and others have been forming partnerships with regional securities companies or establishing new securities companies themselves.

Detecting and developing these major business chances is the role of our comprehensive securities services. For instance, due to the introduction of the paperless shares system scheduled for 2009, it will become necessary to administer individually held shares in electronic data format. Consequently, regional financial institutions will need to possess in advance of that time the necessary online capabilities for their newly established or partner securities companies. Our comprehensive securities service can provide a broad spectrum of securities businesses for our clients from consulting to call center support for new entry to the securities field, responding to the new laws and systems, and so forth.

Our actual services are being led by CSK Securities Service CO., Ltd., which we established in April 2005. We believe these services, which provide full support for securities business processes, will come to serve as a model example of our new business, leading the CSK Group on our path to becoming a service provider using our IT strengths—and we are firmly determined to do our utmost to ensure their success.

### Comprehensive Securities Service

CSK Securities Service CO., Ltd. (CSK-SS)

CSK-SS provides critical securities systems and financial information, creating not only securities business agency services but also original services required by financial institutions, securities companies and ordinary investors, as a securities service provider offering a broad spectrum of services forming the infrastructure of the securities business.

The direct customers of CSK-SS include online brokers, medium-sized retail securities brokers, regional financial institutions such as regional banks, second-tier regional banks and credit unions, and companies aiming to enter the securities business. On the surface, the business of CSK-SS appears to fall into the B to B category, but in fact we consider it to be B to B to C. By preparing mechanisms to deliver timely services to individual investors, such as securities business ASP, we raise not only the corporate value of our direct clients, securities companies and financial institutions, but also provide user-friendly

services for market participants. CSK-SS is contributing to the development of Japan's capital markets by taking into account the position of individual investors—the true bearers of risk.

CSK Group is also developing its securities business expertise at its established securities company, Cosmo Securities Co., Ltd., creating a track record in building online securities systems at CSK Systems, and providing contact center services for the financial industry at CSK Marketing Corporation. Through these businesses and others, CSK Group has been perfecting its securities business expertise. Our comprehensive securities services were born in the context of steady achievement of results in the provision of state-of-the-art systems to leading online securities brokers.

Supported by the range of expertise possessed by the various companies of the CSK Group, the lineup provided by CSK-SS is further strengthening our capabilities.

### Comprehensive securities service lineup

■ **Securities business strategy consulting**

Providing IT support for clients, and consulting services for clients seeking to enter the securities field, taking into account new laws and systems.

■ **New securities systems**

Advanced versions of systems being used for ASP services, strong in terms of stability and TCO. Leveraging the securities systems expertise CSK Group has accumulated to develop advanced, user-friendly systems. Also, responding to legal and system changes such as the investment trust transfer system and the introduction of paperless shares.

■ **Financial information ASP**

Providing real-time stock prices and other financial market information on networks. By providing this service in combination with securities business ASP, we can greatly increase the convenience of our services for our clients.

■ **Contact centers**

Providing of outbound and inbound services led by certified securities broker representatives.

■ **Securities business ASP**

Offering applications covering all areas of the securities business in ASP format. The applications serve as cutting-edge infrastructure, and also have the capacity to be flexibly adapted to changing industry needs.

■ **Securities business BPO**

Securities business agency and management services covering all areas from opening of accounts to settlement. Achieving cost reduction and labor saving through the utilization of online securities schemes and IT. Enabling further contribution to improving the business efficiency of clients by harnessing synergies with securities business ASP.

■ **Compliance planning support**

Providing ex-ante and ex-post facto planning for a variety of compliance risks that can arise in the course of doing business. Allows clients to engage in securities business preparation confident that compliance issues have been addressed.

■ **Proprietary Trading Systems (PTS)**

Service planned to be provided in the future. Systems for nighttime, and after-market trading.



**CSK Systems**

Development and management of new securities systems

**CSK Marketing**

Provision of contact center business operations for the financial industry

**Cosmo Securities**

Provision of securities business expertise



## What are the important requirements for leading these kinds of new businesses to success?

Having experts with specialist knowledge, and becoming deeply involved in our clients' business.

CSK Securities Services has many excellent employees who have previously worked in major securities companies—employees who know what kinds of services need to be delivered to the individual investors who are our clients' clients. This clearly differentiates us from other companies and serves as a major advantage for CSK Group.

In the healthcare field, meanwhile, after we complete the information systems we are currently developing for medical institutions, we aim to develop our business on an even greater scale. We are currently considering hiring people from the medical profession to help us achieve this goal. In the future, we have set our sights on providing services that include everything up to hospital management reform, so having experts on our team is vital from the perspective of developing expertise. This is crucial no matter what the industry is, so it is an area to which we are giving a lot of thought as we move forward.

## CSK Institute for Sustainability, Ltd. (CSK-IS) was established during the year under review. What kind of role will it play?

CSK-IS will engage in a series of activities connected to the direction CSK Group aspires to take. CSK Group aims to become a service provider. This means contributing broadly to society by providing services not only to individual companies, but also to industries and society as a whole. One of the methods of contributing to society is being realized as CSK-IS. The name of the institute contains the word 'sustainability', and our concept for establishing CSK-IS was to seek to answer the question of what is required in the age of sustainability, make our R&D results available to society, and create new services based on new values. CSK-IS aims to be an independent, self-contained think tank in the aspect of income, too, and sets its sights on its R&D results being used in the businesses pursued by CSK Group.

## FOCUS

### Creating Services for the Age of Sustainability

#### CSK Institute for Sustainability (CSK-IS)

CSK-IS is a think tank that is seeking to answer the following question: What is required in the age of sustainability? We are entering an age when a fundamental rethinking of the desirable activities of individuals and companies and a fundamental rebuilding of our social systems and lifestyle infrastructure are becoming necessary to achieve a sustainable society. CSK-IS will conduct R&D for achieving sustainability in a broad range of areas, extending beyond IT and our conventional business fields

to include politics, economics and culture, and then make its results available, benefiting society by commercializing them.

CSK-IS is building a network of collaborating universities in Japan and overseas and is pursuing R&D activities with a particular focus on Asia. The areas of its activities include everything from software engineering, medicine and brain science to literature, culture and arts and crafts—areas such as calligraphy,

gardening and the game Go. With leading experts in each field participating as council members, the think tank conducts a diverse range of different types of complex R&D from a variety of angles.

● **Collaborating academic institutions**  
Japan: Waseda University, Keio University  
China: Beijing University, Fudan University  
Korea: Korea University, Seoul University  
United States: Massachusetts Institute of Technology

#### A gateway to the future

## What kind of CSR activities does the CSK Group engage in?

One of CSK Group's management philosophies is to conduct business that fulfills a social mission. CSK Group places great importance on its relationships with all of its stakeholders, and aims to fulfill its responsibilities to society by conducting sound business activities.

The service provider we are aiming to become will fulfill its social responsibility by creating and continuing to provide services that support the healthy and sustainable growth of companies, industries and society as a whole, and we will be a Group that contributes to society as a whole. We believe that the very essence of our business should be CSR.

Meanwhile, on the issue of corporate governance, we have separated our supervision and auditing and business execution functions by shifting to a holding company structure, and have achieved a high level of transparency in our Group business.

Our social contribution activities include the management of "CAMP" (Children's Art Museum & Park), which seeks to develop the thinking power of children, the future leaders of our society—and of Tokyo Green Systems Corporation, a model company employing disabled persons. These activities are broadly based on the philosophies of respecting humanity and developing people's skills.

## Finally, do you have a message for your shareholders and investors?

CSK Group wants to continue to be a company that is constantly in the growth stage. To do this, we must always challenge ourselves in new fields and make the necessary investment, without becoming tied to conventional frameworks. Based on that philosophy, we are actively investing in strategic business fields, and are currently at the stage of forging a solid footing on our way to becoming service provider using our IT strengths.

Our policy is to actively provide returns to our shareholders. In the period under review, our annual dividend per share increased 2.4-fold over the previous fiscal year to ¥40. This is decided based on our new dividend policy and our dividend on equity (DOE) ratio, and if stable income growth continues in the future, we expect that our dividends will increase further.



# FOCUS

## Corporate Governance

CSK Group, which has already been actively working to strengthen its corporate governance, is now aiming to develop an even stronger corporate governance system. To achieve this goal, we are pursuing sound corporate management through building a system that contains effective and sufficient built-in check functions by establishing corporate management in which the roles of supervision and auditing are properly separated from business execution.

### ● Holding company structure

We aim to achieve highly transparent Group management by separating our supervision and auditing functions and our business execution functions. At the same time we are endeavoring to speed up our decision-making on matters related to business strategy and further strengthen our supervision and auditing functions and our execution functions.

### ● Group management system

- Under our advance reporting system, each Group company must refer to CSK Holdings regarding important management decisions that will have an impact on the Group as a whole.
- Regularly-scheduled meetings for the representatives of each Group company are held to increase communication and strengthen business linkage between CSK Holdings and Group companies, and also between Group companies themselves.

### ● Internal controls system

We are working to develop our overall Group structure by positioning our internal controls system as our overall Group integration infrastructure, establishing organizations specifically for promoting the development of the overall Group's internal controls system, and taking other measures.

### ● Board of Directors

- To facilitate effective implementation of management supervision, CSK Holdings has separated the position of representative director and CEO from the position of chairman of the board of directors.
- The board includes a number of external directors, to strengthen management oversight and enable the presentation of objective viewpoints during the decision-making process.

### ● Board of Auditors

- Three of the four members of this board are external auditors, appointed to enhance management transparency and auditing and monitoring of management activities.
- Auditing activities and functions throughout the Group are supported and strengthened through regular Group auditors' meetings.

## Social Contribution and Environment Activities

### ● CAMP

CAMP (Children's Art Museum & Park) is a social contribution initiative of CSK Group for nurturing children's ability to shape the future, which operates through a new style of learning using workshops, based on the principle that children will be the leaders in the creation of the IT society. CAMP offers a wide range of workshops for bringing out children's creativity and ability to express themselves, such as the Crickets Workshop for making moving toys using a small computer, which was developed jointly with the MIT Media Laboratory.

Since April 2001, CAMP has developed and run about 30 types of original workshops, and has been actively promoting workshop-style education throughout Japan.

### ● Okawa Foundation for Information and Telecommunications

Established in 1986, the Okawa Foundation for Information and Telecommunications is a public interest corporation managed by the Ministry of Internal Affairs and Communications. Its objectives are to support new research in IT, administer awards, conduct surveys and analysis, gather information, and so forth. With research support and awards covering not only Japan but also overseas, the Okawa Foundation engages in public-interest activities for developing and advancing the information and telecommunications fields.

### ● Tokyo Green Systems/CSK Green Services

Tokyo Green Systems Corporation, a "third sector" enterprise established in 1992 as a joint capital investment between the Tokyo Metropolitan Government, Tama City and CSK (presently CSK Holdings), is a model company for disabled person employment. Through this business, we promote normalization (the concept of a society in which all people, regardless of whether they are disabled or not, live together and help one another), by upholding the principles of participation, independence and coexistence.

## CSR Activities

### Compliance

We are seeking to ensure that all CSK Group elected officers and employees respect the law and conduct business with high ethical standards and a strong sense of responsibility. We have established Compliance Committees at each Group company, as part of our drive to develop an organizational structure for promoting compliance in each Group company. At the same time, we have established the "Charter of Conduct for CSK Group Companies" and the "CSK Group Information Security Policy", and are actively providing Groupwide compliance training and development activities.

Furthermore, in order to ensure early detection and resolution of noncompliance, we have further increased our promotion of compliance management by establishing internal and external help desks for reporting of noncompliance and other matters.

### ● Organizational structure

- Establishment of Compliance Committees at CSK Holdings and each Group company
- Appointment of Chief Compliance Officer and establishment of Compliance Division and Compliance Promotion Division at each Group company

### ● Compliance regulations

- "Charter of Conduct for CSK Group Companies"/"Code of Conduct for Directors and Employees of CSK Group Companies"
- "CSK Group Information Security Policy"/"CSK Group Information Security Standards"
- CSK Group Regulations for Prevention of Insider Trading
- Compliance regulations, etc.

### ● Group helpline system

- Establishment of internal help desk
- Establishment of external help desk operated by a legal adviser

### ● Compliance training and development

- Implementation of regularly-scheduled Groupwide compliance training
- Appointment of Compliance Promotion Officers in each Group company for promotion of compliance training and development

CSK Green Services Corporation, which engages in flower and plant cultivation, sale and rental, is working—alongside Tokyo Green Systems—to increase employment opportunities for disabled persons, and is aiming to expand its Green Business.

### ● The CSK Asian Team Go Championship

Founded in 2002, the CSK Asian Team Go Championship is an event where top professionals from Japan, China, South Korea and Chinese Taipei compete as teams in the game of Go. Capable of developing creativity in people that knows no bounds, Go is a game that we believe will have even greater value in our advanced information society, and our aim is to contribute to developing the culture of Go through this international championship.

### ● The Tama Project

The Tama Project is the planned development of a facility in Tama-shi, Tokyo for the purpose of expanding CSK Group's R&D and social contribution activities. The facility will be used as a base for CSK-IS activities, a venue for Group employee training, and a production base for the Green Business of Tokyo Green Systems and CSK Green Services.

### ● Consideration for the environment

CSK Group continually seeks to reduce environmental impact through its business operations. Our specific initiatives include:

- Initiatives for the prevention of global warming
- Promotion of paperless systems through computerization
- Promotion of resource saving by reduction of fuel consumption and improvement of business efficiency through the use of networks
- Thorough promotion of energy conservation and garbage separation in offices
- Contributing to reducing the environmental impact of clients' business operations through the provision of CSK Group services



# CSK Group at a Glance

## Sales and Operating Income by Segment

(¥ billions)

		FY2004	FY2005	FY2006
IT Services Business	Sales	245.5	233.9	225.2
	Operating income	11.6	11.0	7.5
Financial Services Related Business	Sales	11.8	34.5	44.7
	Operating income	5.8	8.5	16.6

※In order to provide a like-for-like comparison with the year ended March 2006, results for previous years have been adjusted to exclude two companies removed from the scope of consolidation during the year ended March 2005, and have also been adjusted to reflect the new accounting policy for the prepaid card business that was adopted for the year ended March 2006.

※Each segment is shown on a simple combined total basis.  
(No allowance is made for inter-company transactions)

## IT Services Business

IT services business includes BPO (Business Process Outsourcing), comprising call center services such as technical support and other back office services, and ITO (IT Outsourcing), comprising IT services such as systems integration, systems management and IT outsourcing.

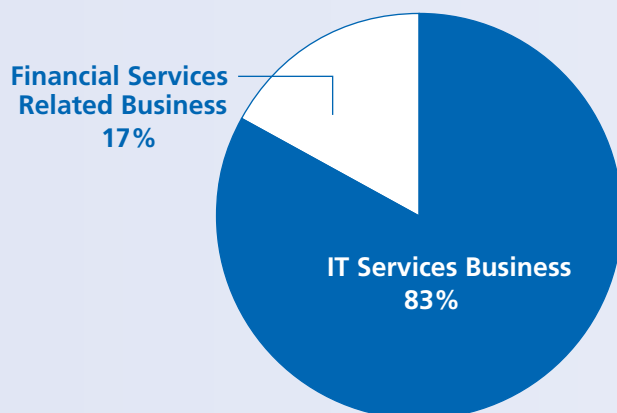


## Financial Services Related Business

Financial services related business includes financial services such as investment and asset management, securities business, and prepaid card business.



## Sales by Segment FY2006



## ■CSK Group Companies

CSK SYSTEMS CORPORATION

JIEC Co., Ltd.

CSK Network Systems Corporation

CSI SOLUTIONS Corporation

ISAO CORPORATION

CSK SYSTEM MANAGEMENT CORPORATION

FUKUOKA CSK CORPORATION

SUPER SOFTWARE COMPANY LTD.

CSK WinTechnology Corporation

HOKKAIDO CSK CORPORATION

CSK SYSTEMS (SHANGHAI) CO., LTD.

ServiceWare Corporation

ServiceWare Kyushu Corporation

CSK Communications Corporation

Fukui CSK Corporation

SHIMANE CSK Corporation

IWATE CSK CORPORATION

OITA CSK CORPORATION

VeriServe Corporation

CSK Securities Service CO., Ltd.

CSK FIELDSERVICES CO., LTD.

BUSINESS EXTENSION CORPORATION

CSK BUSINESS SERVICE CORPORATION

CSK Marketing Corporation

CSK SYSTEMS (DALIAN) CO., LTD.

## ■Sales/Operating income



## ■CSK Group Companies

CSK FINANCE CO., LTD.

CSK VENTURE CAPITAL CO., LTD.

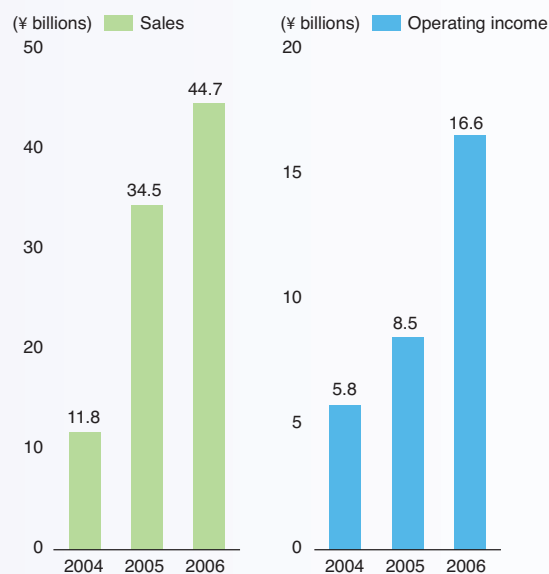
Plaza Asset Management Co., Ltd.

CSK PRINCIPALS CO., LTD.

Cosmo Securities Co., Ltd.

QUO CARD Co., Ltd.

## ■Sales/Operating income



## IT Services Business

### Providing comprehensive business services to meet the demands of a changing environment

#### ■ Becoming a service provider

Since the emergence of the first mainframe host computer, businesses have used the characteristics of each new generation of computers to improve the efficiency of their routine internal business processes. With the dawning of the Internet era, however, networks have spread from businesses into the home, and IT has started to become part of society's infrastructure. This change has naturally had an impact on the nature and use of corporate information systems, with corporations now investing in IT as a core strategic element of how they do their actual business, rather than as a mere tool to increase back office efficiency.

In the midst of this change, CSK Group is providing distinctive IT services, making use of core IT skills and business process know-how, accumulated over many years, in project management, technical engineering, and internal processes and user interfaces on behalf of clients. The industrial and operational knowledge we have gained from working in such close collaboration with customers has become a unique competitive resource for CSK Group, allowing us to design optimal processes to increase productivity across the entire scope of our clients' businesses, and enabling our clients to outsource a series of business processes to CSK Group as a single, comprehensive provider. CSK Group's business in information services has been based on ITO (systems integration, management and maintenance) and BPO (analysis and improvement of customers' businesses and operational services), primarily for individual companies. Our aim now is to incorporate these activities into a broader role as a service provider that can drive efficiencies and support sustainable growth across entire industries and society itself.

#### ■ Outline of results for year ended March 2006

Business performance trended favorably in the year under review, supported by securities industry demand for system enhancement and reconstruction in response to a sudden increase in Internet trading volumes, mergers in the banking industry, and increased activity by credit card and consumer finance companies.

In the telecommunications sector, investment activity increased in response to industrywide issues such as number portability, along with new service system project opportunities arising from individual companies' service enhancement programs. In addition, there was continued growth in embedded software projects for the automobile industry and for so-called smart appliances.

In BPO services, earnings grew on the back of stronger ASP revenues from customers in the securities industry, supported by the pickup in the stock market. We intend to grow this business further by strengthening our combined systems integration and BPO service capabilities, building on our existing customer base to develop new business opportunities. Sales and operating revenues in information services decreased 16.1% year on year to ¥198.11 billion, due to the impact of exclusion from the scope of consolidation of



Bellsystem24 and Nextcom and a decline in IT equipment sales. Operating income decreased 31.6% to ¥9.67 billion, reflecting upfront investments of ¥5.4 billion to build and expand our business base. Excluding this upfront investment, however, operating income actually grew 17.1% for the year. We are continuing to invest in areas that can help create a strong earnings foundation, and are shifting to a differentiated business model that removes us from the purely price competitive segment of the market.

### ■ Initiatives in the financial sector

On October 1, 2005, JFITS (Japan Future Information Technology & Systems Co., Ltd.) was absorbed by CSK Systems. This change enables CSK Systems to provide an efficient, fast-moving one-stop-shop service provision in the securities and financial field, covering everything from large-scale systems development through to systems management, while also creating a structure that gives us broad options to respond to changes in the operating environment as they occur.

We also began development of a new securities system, through a project that brings together our key technical and human resources relating to securities and financial systems. Completion of this system will represent a concrete example of using our IT strengths to become a service provider, with CSK Securities Service providing ASP services to the securities industry along with BPO service.

#### IT Services Business

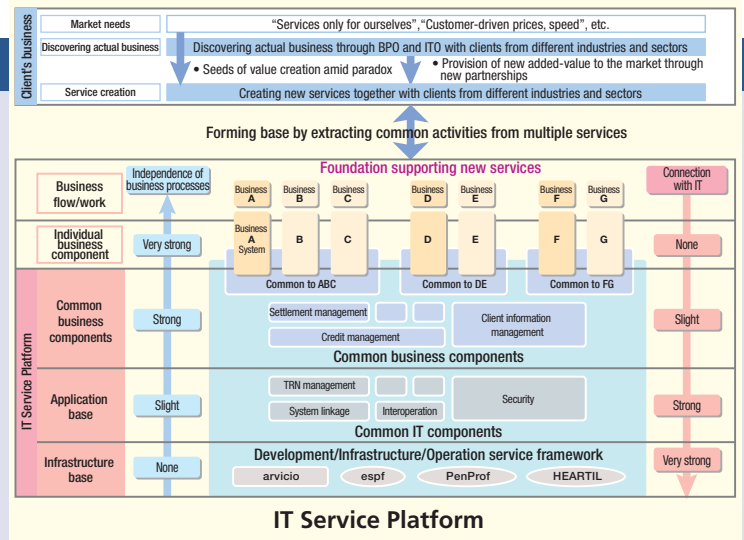
- IT consulting
- Systems integration
- Systems management and verification
- Various ASP services
- Computer hardware sales and maintenance
- Communication support services
- Sales support services
- Data management services
- Process services (comprehensive BPO services for operational processes)



# CSK SYSTEMS CORPORATION

CSK Systems is one of the largest independent system integration companies in Japan's IT industry. CSK Systems is characterized by its ability to offer a full line-up of BPO and other services in addition to IT services. This includes consulting, systems integration, systems management, and end-to-end analysis, evaluation and operation of back office business processes.

CSK Systems is actively pursuing policies in line with CSK Group's shift toward using IT strengths to become a service provider. The company's organizational structure has been comprehensively reformed, including replacing the large business unit system with a specialized business domain system in which business activities are grouped according to the industries they serve and the operations they perform. This approach facilitates the accumulation of institutional knowledge and experience, enabling the delivery of high added-value, customer-focused services. Moreover, by strengthening collaboration between individual Group companies, CSK Systems aims to create new services that can contribute to the development of the industries in which its customers operate.



At present, CSK Systems is working to enhance its service quality by developing a comprehensive IT service platform comprising multiple components. Using this platform, the company will be able to ensure the stable provision of high-quality services while also achieving prompt, more successful launches of new services created in collaboration with clients.

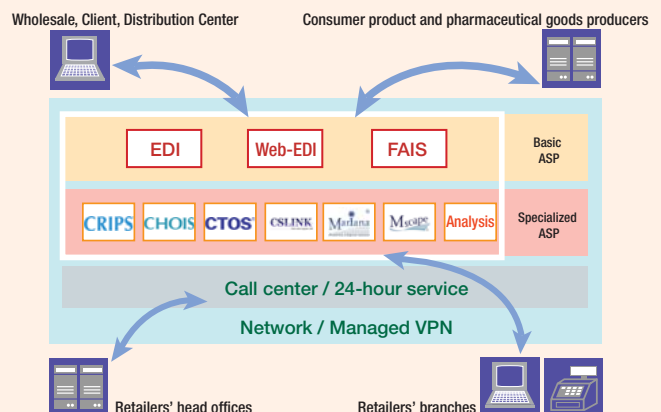
# CSK Network Systems Corporation

CSK Network Systems provides IT and network services to the distribution industry. It is now essential for pharmacies, drug stores, supermarkets and other such businesses in the distribution industry to operate superior business models, with differentiated and rapidly applicable information systems. In trying to achieve this, business managers are facing critical issues in terms of ballooning system requirements and higher management and administration costs, while at the same time needing sophisticated and specialist skills and experience to respond swiftly and flexibly to the rapidly changing business environment. CSK Network Systems provides ASP services to the distribution industry that allow customers to separate out and reduce the burden of handling these issues.

Services currently provided by CSK Network Systems include: retail information systems (CRIPS); total marketing programs (CS Mission); merchandising support services for retail chains and their suppliers (CSLINK); and online information systems for pharmacies (CHOIS).

CSK Network Systems provides ASP services to the distribution industry with systems planning based on their medium-term management strategies, facilitating stable systems management over the longer term. The company places the utmost priority on creating high added-value, ensuring strong levels of trust, and respecting customers' intentions, with the aim of providing flexible, high-quality network services.

## ASP Services for the Distribution Industry



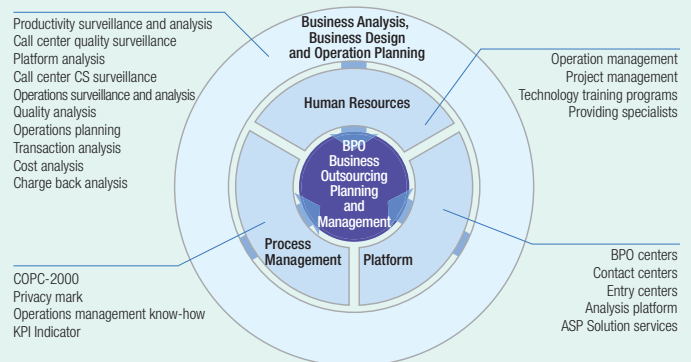
## ServiceWare Corporation

ServiceWare is CSK Group's core BPO company, providing solutions based on our BPO methodology called process service. This is a close, on-site management methodology unique to ServiceWare that has been developed over many years of contact center, data entry and back office operations. More specifically, it consists of careful analysis and "visualization"—through diagrams and data—of clients' processes, and implementation of optimal processes and engagement in continuous improvement through the use of proprietary project management methods, transaction analysis, key performance indicators, and other techniques. These process services have been adopted by a broad spectrum of companies, spanning areas such as mail order, financial institution customer services, sales support, and internal help desks. Through these services, ServiceWare has built a proven track record of providing successful BPO solutions for its customers.

With companies striving to improve their business efficiency in recent years, the scope of business areas where they make use of BPO is broadening from non-core operations to also include core ones, and this trend is

likely to accelerate further. Customers' needs are also changing, expanding from a cost and quality focus to include provision of solutions that create added value. To respond to these needs, ServiceWare is moving forward with the preparation of new marketing-related services that provide comprehensive solutions—handling every aspect of a promotional campaign, for instance, from market research planning through to implementation and follow up.

### Optimization Through the Integration of Our Various Services



## CSK Communications Corporation

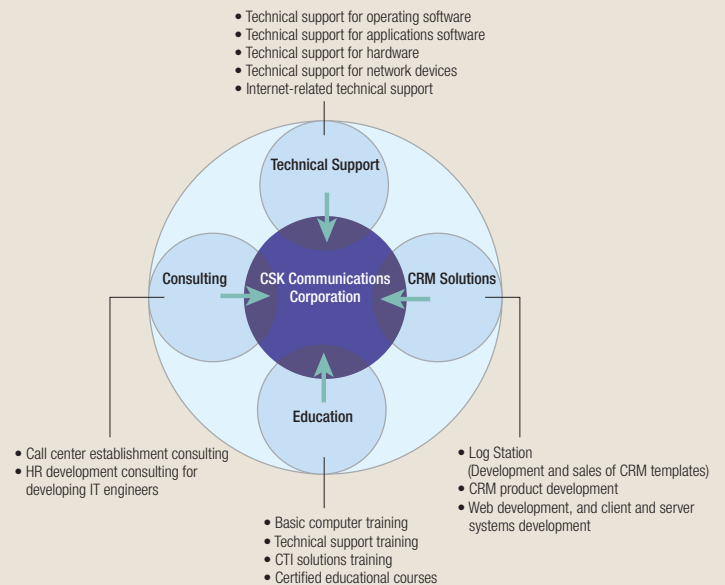
Communications between companies and consumers have transformed rapidly with the evolution of IT, while methods of provision of goods and services have undergone considerable change.

CSK Communications provides high-quality services in four core areas: (1) technical support for IT related products and services; (2) consulting services for establishment and operation of contact centers; (3) education services for developing leaders of the IT industry; (4) systems integration services for customer relationship management (CRM) solutions. Of these, CSK Communications' services using contact centers fulfill functions not only as problem resolution-style centers meeting a variety of needs relating to technical support services for customers and internal help desk services, but also as feedback-style centers that use Voice of Customer Analysis to make proposals for how companies can improve. CSK Communications intends to continue to provide such unique services.

In addition, by having contact centers in regional bases in Okinawa, along with Fukui, Shimane, Iwate and Oita, CSK Communications is providing services that use the distinct features of each region. At the same time, this disperses risks associated with natural disasters and other threats

toward business continuity—a key element that contributes to the high level of trust placed in CSK Communications by its clients.

### Pursuing Business Primarily in Contact Center Related Services



# Financial Services Related Business

## Contributing to stable revenues while pursuing new business opportunities

### ■ Creating a multiplier effect across the entire CSK Group

CSK Group's financial services related business operates in three main areas: financial services such as investment and asset management; securities business; and prepaid cards. The operating environment for financial services is changing rapidly, driven by deregulation and systemic reform, with the result that business opportunities are emerging of a type that did not previously exist. Our intent in this business area is to develop new business models and at the same time create synergies with our BPO and ITO businesses, thereby contributing to CSK Group's aim of using our core IT strengths to become a service provider. Moreover, by diversifying the Group's earning structure, this core business area contributes to stable earnings by making CSK Group's performance more resistant to fluctuations in the business environment.

### ■ Outline of results for year ended March 2006

Performance in financial services business continued to benefit from favorable returns from investment and asset management projects, with substantial increases in revenues and earnings. Sales and operating revenue increased 41.8% year on year to ¥15.19 billion, and operating income increased 51.6% to ¥10.69 billion.

In the securities business, sales and operating revenue increased 28.6% year on year to ¥26.65 billion, and operating income increased 148.9% to ¥5.71 billion. These results were supported by higher commission fees and other financial revenues and a positive impact from proposal-based sales activities taken from a longer-term perspective, supported by a lift in the stock market indices and stronger trading volumes.

In the prepaid card business, the accounting method was changed in the year under review to increase the clarity of sales activity reporting by recording sales primarily in terms of the amount of fees earned. Because of this change, reported sales and operating revenue for the year decreased to ¥2.84 billion, and an operating loss of ¥0.21 billion was recorded.

#### Financial services business

Business activities in this area include venture capital investment and asset liquidation initiatives, and principal investment aimed at supporting business revitalization or raising enterprise value, in IT, biotechnology and other target areas. Through cooperation with individual companies across the Group we are able to identify new business opportunities and create Group synergies.

#### Securities business

Our securities services are provided by Cosmo Securities. CSK Group is developing a new service model as a comprehensive securities services provider by combining the securities-related knowledge and experience of Cosmo Securities with the considerable resources of the Group. Key amongst these resources—and the primary driver of this service development—is CSK Securities Service, which has extensive experience in ASP service, serving systems for leading Internet-based securities companies.

#### Prepaid card business

This business issues and manages the QUO Card pre-paid card that can be used at approximately 35,100 convenience stores, family restaurants, gas stations and other locations throughout Japan. QUO Card is popular for gift giving, sales promotions and many other applications by companies and individuals across the nation.





## Cosmo Securities Co., Ltd.

Cosmo Securities is a securities company offering comprehensive services in the securities industry. As part of CSK Group, Cosmo Securities can leverage the Group's advanced IT expertise in financial businesses and others, enhancing its competitive position by making use of the Group's sophisticated systems capabilities to improve customer service, develop new financial products, strengthen risk management and compliance systems, and pursue other such advances.

In the retail division, Cosmo Securities offers personalized asset allocation and management advisory services, designed to meet the lifestyle needs of individual customers through a balanced, long-term approach. The company offers a range of convenient transaction chan-

nels, including *Nettore*, a fixed-fee internet trading system, and *Kabutsu Dial*, which enables share transactions to be arranged via phone or fax. In the wholesale division, one strategic focus is on structuring distinctive IPO offerings in order to provide customers with attractive investment vehicles.

By drawing on the capabilities of each division to create a complete value chain, Cosmo Securities is endeavoring to provide customers with services that encompass all their needs, while maximizing corporate value. In support of this, the company is actively securing and developing the skills of talented personnel, creating a corporate culture in which employees can develop ideas and make best use of their talents.

## CSK FINANCE CO., LTD.

CSK Finance is CSK Group's core financial company, primarily providing real estate and securities-related financial services. CSK Finance's main business is in the steadily expanding area of real estate asset liquidation. This expansion is being driven by a number of factors, including the need for companies to shrink their balance sheets and the impact of impairment accounting. At the same time, a wider range of real estate asset securitization products—typified by J-REITs—are becoming available, and there is strong investment demand from domestic and overseas investors looking for exposure to property in Japan. Real estate securitization and other financial methods are also becoming more sophisticated, as seen in the emergence of products based on securitizing property-based trust income.

CSK Finance's basic approach is to find and acquire undervalued opportunities in the real estate market, primarily targeting office buildings and commercial facilities. Based on the specific characteristics of each acquisition, plans are developed to boost the revenue potential and value of each property, with the aim of maximizing investment return. The company also forms tie-ups with appropriate asset management, property management and other such partners, ensuring a high level of service while keeping the operations of CSK Finance itself slim and efficient.

CSK Finance's investment policy is to seek steady returns while minimizing investment risk, which is achieved by prioritizing liquidity and maintaining a portfolio with an optimal balance of project sizes, property types, geographical spread, investment periods and other such elements.

## Directors, Auditors, and Executive Officers

### Directors

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Chairman of Board of Directors  
**Masahiro Aozono**



President and CEO  
**Yoshito Fukuyama**<sup>\*1</sup>



Director  
**Teiichi Aruga**<sup>\*1</sup>



Director and CFO  
**Takahiro Suzuki** <sup>\*1</sup>



Director  
**Makoto Sakagawa**



Director  
**Keiji Azuma**



Director  
**Tomoharu Inoue**



Director  
**Takayasu Okushima**<sup>\*2</sup>



Director  
**Erik Brynjolfsson**<sup>\*2</sup>

\*1: Representative Director

\*2: Outside Director

\*3: Outside Auditor

### Auditors

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Statutory Auditors **Hiromichi Tabata**  
**Masayuki Ishihara**<sup>\*3</sup>

Auditors **Yoshiyuki Minegishi**<sup>\*3</sup>  
**Hidetoshi Masunaga**<sup>\*3</sup>

### Executive Officers

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Executive Officers **Taku Tamura**  
**Tatsuyasu Kumazaki**  
**Yoshiyuki Shinbori**  
**Keiichi Machida**  
**Tatsuya Kato**

As of August 1, 2006

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# CONSOLIDATED FINANCIAL REVIEW

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries

## 1. Overview of Operating Environment

During the period under review, the Japanese economy saw a steady recovery trend, supported by improved profitability at domestic and exporting companies, higher capital expenditure, and a recovery in personal consumption and employment. Business sentiment appears firm. The equity markets also performed favorably in this economic environment, and the market capitalization of the Tokyo Stock Exchange at the end of the fiscal year under review had increased by 49% compared to the previous fiscal year.

However, there are still some reasons for concern, including US economic developments, the surge in crude oil and raw materials prices, and the price slump in digital consumer electronics and electronic components and suitable responses must be found to mitigate the impact of these factors, and to move to a stable and firm economic system.

In order to cope with the increased reliance on IT seen in recent years, the information service industry is now in an environment where it is forced to reinvent itself. While IT has become an indispensable requisite in various industries, the processing capabilities of information systems and security issues have reached the stage where they impact the economy as a whole, and given the high levels of reliance on IT, it is particularly important to strengthen stable operations and security. Also with respect to demand for software, in addition to price competition with our domestic competitors, we are witnessing an intensification in the trend to shifting offshore, increased sophistication and complexity of systems, the downsizing of the scope of investment projects, and the shortening of delivery lead time, while the generational change in IT technologists, and the maturing of the industry as a whole are being viewed as significant.

Japan has witnessed a series of corporate scandals following those seen in the previous year, including account rigging and material misstatements, and while there has been a decline in the creditability of the market economy, the regulatory authorities and stock exchanges have standardized disclosure, established internal control systems and come up with measures to strengthen accounting inspections, and a series of relevant laws and ordinances have been officially announced. More companies are actively returning profits to shareholders in line with robust corporate performance.

In order to develop and grow to become a service provider that supports the sustainable growth of society in this business environment, we have been implementing measures relating to three management policies during the present consolidated business year.

- (1) Shifting to a holding company structure
- (2) Transforming ourselves into a service provider
- (3) Operating an effective shareholder returns policy and ensuring management transparency

### (1) Shifting to a holding company structure

#### I. Start of a new group management system

CSK Group shifted to a holding company structure from 1<sup>st</sup> October, 2005 and full-scale operation of our new group management system has begun. In line with the shift to this new structure, we implemented a redeployment of directors and executive officers of group companies, and in line with our aim to provide high value-added services, we worked towards achieving highly transparent group management, and put into place an operating system at each company.

#### II. Strategic investment aimed at differentiation

- In line with the spread of IT, we anticipate that the core infrastructure of society will shift from a facilities and equipment orientation in terms of “roads, power supply, water supply and communications equipment” to a network, communications functions, and settlement data based “finance” “communications” and “healthcare” orientation in terms of software or services, and we have made active commercialization investments in these new areas.
- In order to shift from being an IT service provider to being a comprehensive service provider, in addition to investments in people and intangible assets, we have also increased investment in the construction of business models, and service development, switching our investment stance in line with the transformation of our business model.

#### III. Measures for achieving sustainability

We have promoted not only improved shareholder value but also contributions to the sustainable development of the company and society, and as a company group looking to grow with society, we have started to implement the following specific measures:



- We have established the CSK Institute for Sustainability, Ltd. ("CSK-IS") as a think tank for conducting broad-ranging R&D activities in politics, economics, and culture, including examining what individuals and corporations need to do to achieve the development of a sustainable society and the social infrastructure.
- We have embarked on the construction of a new base for research and development, education and training and social contributions in the Tama area of Tokyo. We also plan to proactively use these facilities as a base for CSK-IS R&D activities, as education and training facilities for CSK Group staff, as a means of promoting employment for the disabled and as a base for Green Business.

#### **IV. Securitization of CSK Aoyama Building and disposal, relocation and integration of bases**

From the standpoint of securing finances for flexible business investment and optimizing our real estate holdings, CSK HOLDINGS CORPORATION ("the Company") securitized and sold the CSK Aoyama Building. In a parallel development, we have also completed the necessary procedures to dispose of, relocate and integrate our other operation bases, and believe we have succeeded in strengthening the financial position of the overall group and enhanced our finances.

#### **V. Other measures**

Following a share sale implemented in July 2005 by the Company's equity-method affiliate NextCom K.K. ("Nextcom") in the interim period under review the Company sold its shares in Nextcom. Because this sale took place in the second quarter of the year, equity earnings from Nextcom for the first half of the year have been recorded under Non-operating income as Equity in net gains of affiliates. From 1<sup>st</sup> October, 2005, Nextcom is no longer included in the scope of our equity-method affiliates.

### **(2) Transforming ourselves into a service provider**

#### **I. Service for the securities and finance sector**

- In order to promote more efficient activities in the securities and finance sector, we reached the conclusion that closer fusion was necessary between our consolidated subsidiaries Japan Future Information Technology & Systems Co., Ltd. and CSK SYSTEMS CORPORATION, and merged the two companies on 1<sup>st</sup> October, 2005. As a result of this merger, we are in a position to provide comprehensive services from large lot system development and system development to system management in a more efficient and rapid fashion, and it has become possible to construct a system capable of responding to changes in the environment, utilizing various options.
- CSK Group maintains many engineers with expertise in securities and financial systems, has a proven track record in development, and also maintains a consolidated subsidiary that actually engages in the securities business. In order to maximize group management resources, in September 2004 we launched a project to establish a new securities system, implementing fully fledged research and development activities from the first half of the year. Through second half development activities, we were in a position to complete the framework of a service model for securities, and we believe this will contribute to Group performance going forward as a leading example of a service provider.
- In a new development in our prepaid card business, we have successfully achieved the expansion of the scope in which cards are used by introducing prepaid card systems to major book selling chain stores and joint ventures with credit card companies, while also improving user convenience.

#### **II. Service for the communications sector**

The Company has been engaged in constructing and strengthening its BPO\* business model as a core business area, and while planning increased differentiation and strengthening competitiveness during the period under review by maintaining and improving service at our existing call centers, we have also been able to accumulate know how in non face-to-face sales via responses to enquiries in mail order sales and direct mail sales, order acceptances, and sales promotion activities. We have also focused on the establishment of BPO models in securities and finance. Going forward, we aim to shift to a marketing linked BPO model while firming up our profit base in services centered on operational management processes.

\* BPO (Business Process Outsourcing) = consigning operations to an outside company for efficiency

### III. Service for the healthcare sector

The healthcare sector maintains its high importance as part of the social infrastructure, and since it is an area where the shift to IT is taking off, the CSK Group is involved in venture investment and development here. Positioning it as a priority area, we have also implemented full-scale research and development activities related to medical information systems in the period under review.

### IV. Service for the Windows business

- In order to respond to increased demand for "system development and configuration based on Microsoft technology" in the enterprise markets, the Company consolidated subsidiary CSK WinTechnology Corporation (formerly ANT,Inc.) and Microsoft Corporation have announced their intention to strengthen their cooperative relationship in a broad range of areas.
- CSK Group positions CSK WinTechnology Corporation as the Group company specializing in Microsoft technology, and aims to expand operations by concentrating Group resources and improving technological standards.

## (3) Operating a new shareholder returns policy and ensuring management transparency

### I. New shareholder returns policy

The Group, taking into account the planned shift to a new management structure from 1<sup>st</sup> October, 2005 along with current thinking on the social economy, in April 2005 announced a revised policy on returns to shareholders.

The Company has decided to adopt a consolidated financial position-linked shareholder returns policy based on Dividends On Equity (DOE\*), in overall consideration of: consolidated performance which reflects the results of group business activities; business investment requirements, relating to sources of future growth; interest-bearing debt, which is one measure of financial soundness; and trends in social economics. Moreover, the Company intends to carry out share repurchases from the perspectives of increasing shareholder value by using treasury shares as part of flexible capital policies, and raising shareholders' equity per share by materially reducing the number of shares outstanding.

Based on this new policy, as a result of taking into consideration performance trends in the period beyond the present fiscal year, it was decided at the meeting of the Board of Directors held on 8<sup>th</sup> March, 2006 that the annual dividend per share for the fiscal year ended 31<sup>st</sup> March, 2006 should increase 2.4-fold compared to the previous year to 40 yen. The dividend is subject to the approval of the ordinary General Meeting of Shareholders, but if approved without revision, it will be the third consecutive increase, from the fiscal year ended March 2004 to the year ended March 2006.

Trends in annual dividend per share	
Fiscal year ended March 2006	¥40
Fiscal year ended March 2005	¥17
Fiscal year ended March 2004	¥15
Fiscal year ended March 2003	¥12

The Company held 4,143 thousands of shares of treasury stock as of 31<sup>st</sup> March, 2006. The purpose of acquiring and holding this stock is to enable a flexible capital policy using treasury stock and raising corporate value through investment. We also believe we can indirectly contribute to increased shareholder value by reducing the amount of outstanding stock.

$$*DOE = \text{Total amount of dividend paid} / [\text{average of shareholders' equity at start and end of fiscal year}] \times 100$$

### II. Ensuring management transparency

We believe that with the shift to a new management system on 1<sup>st</sup> October, 2005 we have established a structure at the corporate level that enables group management to be highly transparent and easily understandable to our customers, shareholders and other stakeholders.

There are also demands that the credibility of the securities markets, and the maintenance of systems be improved for timely disclosure, and given that numerous related laws and ordinances have been enforced, in order to maintain and construct the internal control systems required in the new Corporate Law and Financial Instruments and Exchange Law (at present the Securities and Exchange Law) going forward, we will work to develop group-wide systems including the establishment of a specialist organization.

## 2. Analysis of Statements of Income

### Sales and operating revenue and operating income

Sales and operating revenue decreased ¥78.84 billion (24.6%) to ¥241.15 billion. Operating income increased ¥1.09 billion (4.5%) to ¥25.14 billion.

Sales and operating revenue decreased by ¥78.84 billion due to factors such the impact of the exclusion of Nextcom and BELLSYSTEM24,INC (“Bellsystem24”) from the scope of consolidation, a change in the accounting method for prepaid card sales in the period under review and a decline in IT equipment sales accompanying strategic shifts in clients’ operations and associated changes in their approach to existing businesses.

Operating income improved compared to the previous fiscal year despite a decrease of ¥4.03 billion as a result of the exclusion of 2 companies, the scope of consolidation and the change in the accounting method for prepaid card sales, and ¥5.40 billion in strategic investment expenses. The improvement was largely attributable to steady revenue growth from existing computer services as well as strong performance in the financial services and securities businesses.

### Net income

Net income decreased ¥2.47 billion (7.4%) to ¥30.87 billion.

Net income decreased ¥2.47 billion largely due to the impact of the absence of gain on sale of investments in securities in addition to the factors influencing the stages up to Operating income.

## 3. Segment Information

### Computer services (BPO and ITO\*)

Sales and operating revenue of ¥198.12 billion was achieved, a decrease of ¥38.06 billion (16.1%) compared to the previous fiscal year. Operating income reached ¥9.68 billion, a decrease of ¥4.47 billion (31.6%) compared to the previous fiscal year.

There was positive demand for systems integration from clients in the financial, distribution and travel sectors as well as from the computer software and hardware fields, contact centers in the communications and ASP\* services for the securities industry.

However, Sales and operating revenues decreased by ¥16.1% due to the impact of exclusion from the scope of consolidation of Bellsystem24 and Nextcom (there was a decrease of Sales and operating revenues of approximately ¥32.35 billion) and a decline in IT equipment sales accompanying strategic shifts in clients’ operations and associated changes in their approach to existing businesses in the second half of last year (¥12.26 billion).

Operating income decreased by ¥31.6% due to the impact of the exclusion from the scope of consolidation of Bellsystem24 and Nextcom (there was a decrease in Operating income of approximately ¥3.21 billion) as well as upfront investments in the contact center related business (¥1.37 billion) and the new securities systems and healthcare sector (¥4.02 billion), intended to build and expand our business base.

However, if we excluded these upfront strategic investment costs, Operating income would have increased over the previous year and the information service business would have recorded substantive growth.

\* ITO (IT Outsourcing) = Outsourcing of development / maintenance / system use of an application collectively

\*ASP = Application Service Provider. Provides IT systems and services on a pay-as-you-go basis or points to such services

### Financial services

Sales and operating revenue of ¥15.20 billion was achieved, an increase of ¥4.48 billion (41.8%) compared to the previous fiscal year. Operating income of ¥10.70 billion was achieved, an increase of ¥3.64 billion (51.6%) compared to the previous fiscal year.

Performance in the financial services sector benefited from further favorable returns from investments in the previous fiscal year, with substantial growth in revenues and income.

### **Securities services**

Sales and operating revenue of ¥26.65 billion was achieved, an increase of ¥5.92 billion (28.6%) compared to the previous fiscal year. Operating income of ¥5.72 billion, an increase of ¥3.42 billion (148.9%) compared to the previous fiscal year.

Sales and operating revenue in this segment is recorded for the results of consolidated subsidiary Cosmo Securities Co., Ltd., which became a consolidated subsidiary during the previous fiscal year.

Revenue and income both increased, supported by a lift in the share market indices and trading volumes, higher trading profit and the positive impact of proposal-based sales activities taken from a medium-longer-term perspective.

### **Prepaid card sales**

Sales and operating revenue of ¥2.84 billion was achieved, a decrease of ¥50.12 billion (94.6%) compared to the previous fiscal year. Operating loss was ¥0.21 billion, a decrease of ¥0.91 billion (130.1%) compared to the previous fiscal year.

Revenues and income for this segment declined due to a change in accounting method from the beginning of this fiscal year. This change was made with the aim of increasing the clarity of the reporting of sales activities, against a background of changes in the earnings structure resulting from changes in the types of cards issued, and stabilization of settlement fee earnings. Key elements of the change include the fact that whereas previously the issue value of cards was recorded under sales and operating revenue in order to reflected the scale of the business operation, income recorded will mainly reflected fee earnings. In addition, Hoard profit of prepaid card, which was previously recognized as being deducted from operating costs of sales is now being recorded as Non-operating income.

Note: The above segment based sales and operating revenue also include inter-segment Sales and operating revenue. It should be noted that business segment categories have been revised from this fiscal year, details of which can be found in Note 30.

## **4. Financial Position**

### **Assets**

Assets increased ¥87.50 billion (19.2%) to ¥543.13 billion. Current assets increased ¥99.09 billion. Although progress was made in reducing sales receivables, factors increasing current assets included liquidity required in the securities business and an increase in managed assets in Investments related to financial services. Fixed assets decreased ¥11.59 billion. Factors that decreased fixed assets included the sale of the CSK Aoyama Building and a reduction in deferred tax assets. Factors that increased fixed assets included an increase in investment securities relating to stable management of surplus capital. The net impact of these factors was to increase total assets by ¥87.50 billion compared to one year earlier.

### **Liabilities**

Liabilities increased ¥61.95 billion (22.3%) to ¥339.70 billion. Total liabilities increased ¥61.95 billion due to an increase in liabilities in the securities business in line with its strong performance, an increase in Accrued income taxes on increased profit, as well as other factors.

### **Shareholders' equity**

Shareholders' equity increased ¥23.34 billion (14.9%) to ¥179.82 billion. Factors that decreased Shareholders' equity included acquisition of treasury stock as part of a program of returns to shareholders and strategic investment served, while factors that Common stock and Capital surplus included increased Retained earnings and exercise of stock options in line with net income for the year, and increased Unrealized gains on securities.

### **Shareholders' equity ratio**

Shareholders' equity ratio decreased from 34.3% to 33.1%. Although shareholders' equity including Net income increased, the shareholders' equity ratio decreased by 1.2 percent due to an increase in total assets.



## 5. Cash Flows

### Cash flows from operating activities

Cash flows from operating activities decreased ¥25.74 billion to minus ¥25.05 billion. Securities business assets increased in line with the strong equities markets and the expansion in new investment in the financial services business. As a result, cash flows from operating activities were minus ¥25.05 billion, ¥25.74 billion lower than in the previous year.

### Cash flows from investing activities

Cash flows from investing activities decreased ¥8.33 billion to ¥28.99 billion. Cash flows from investment were ¥28.99 billion, primarily due to increased receipts on the disposal of fixed assets and intangible assets in line with the sale of the CSK Aoyama Building from the standpoint of optimizing our real estate holdings. This was a decrease of ¥8.33 billion compared to the previous year, primarily reflecting the absence of a gain on the sale of shares in Bellsystem24 that was recorded in the previous year.

### Cash flows from financing activities

Cash flows from financing activities increased ¥20.36 billion to minus ¥6.62 billion. Cash flows from financing activities were minus ¥6.62 billion, primarily due to the acquisition of treasury stock and the payment of dividends, despite receipts from the procurement of funds through long-term loans payable and payments made in line with the exercise of stock options. This was an increase of ¥20.36 billion compared to the previous year, as debt repayments were not at the high level recorded in the previous year.

### Cash and cash equivalents

Cash and cash equivalents decreased ¥2.61 billion to ¥74.75 billion. As a result of the factors listed above, cash and cash equivalents as of 31<sup>st</sup> March, 2006 amounted to ¥74.75 billion, a decrease of ¥2.61 billion compared to 31<sup>st</sup> March, 2005.

# Consolidated Balance Sheets

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
As of 31<sup>st</sup> March, 2004, 2005 and 2006

ASSETS	millions of yen			thousands of U.S. dollars(Note 1)
	2004	2005	2006	2006
<b>Current assets:</b>				
Cash (Notes 2(3), 3 and 10)	¥ 68,050	¥ 77,510	¥ 77,444	\$ 659,270
Notes and accounts receivable (Note 2(21))	72,602	38,910	36,080	307,141
Marketable securities (Notes 2(4), 3, 4 and 10)	12,696	5,966	3,911	33,292
Venture capital investments (Notes 2(5), 2(27) and 6)	10,760	16,224	3,176	27,038
Inventories (Notes 2(8) and 5)	11,040	6,345	8,112	69,054
Deferred income taxes (Notes 2(18) and 16)	8,587	7,068	7,346	62,537
Investments related to financial services (Notes 2(5) and 6)	21,567	42,505	94,124	801,256
Cash segregated as deposits related to securities business	-	42,464	57,696	491,155
Trading assets related to securities business (Note 10)	-	11,661	10,863	92,476
Receivables related to margin transactions	-	72,535	112,121	954,465
Other current assets (Notes 2(21) and 2(27))	12,220	19,968	29,454	250,739
Allowance for doubtful accounts (Note 2(7))	(165)	(81)	(162)	(1,381)
Total current assets	217,357	341,075	440,165	3,747,042
<b>Property and equipment, net of accumulated depreciation</b> (Notes 2(9), 8 and 10)	39,426	35,221	26,986	229,730
<b>Deferred charges and intangible assets</b> (Note 2(10))	18,801	16,886	4,434	37,748
<b>Investments and other assets:</b>				
Investments in unconsolidated subsidiaries and affiliates (Note 7)	5,277	5,461	1,081	9,199
Investments in securities (Notes 2(4), 2(27), 4 and 10)	37,038	30,038	57,599	490,332
Prepaid pension costs (Notes 2(14) and 12)	5,478	4,523	3,269	27,831
Deferred income taxes (Notes 2(18) and 16)	31,771	10,165	970	8,256
Other assets (Note 2(27))	22,467	14,784	10,751	91,517
Allowance for doubtful accounts (Note 2(7))	(1,624)	(2,516)	(2,121)	(18,055)
	100,407	62,455	71,549	609,080
Total assets	¥ 375,991	¥ 455,637	¥ 543,134	\$ 4,623,600

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	millions of yen			thousands of U.S. dollars(Note 1)
	2004	2005	2006	2006
<b>Current liabilities:</b>				
Accounts payable (Notes 2(21) and 10)	¥ 39,638	¥ 18,039	¥ 14,016	\$ 119,315
Short-term bank loans payable (Notes 9 and 10)	22,639	16,022	23,854	203,061
Current portion of corporate bonds payable (Note 9)	4,010	3,200	-	-
Accrued income taxes	6,759	2,775	10,869	92,522
Unearned revenue (Notes 2(21) and 10)	30,058	33,814	-	-
Deposits received on prepaid cards (Notes 2(21) and 10)	-	-	38,977	331,806
Accrued bonuses to employees (Note 2(11))	5,525	5,971	6,289	53,536
Allowance for anticipated losses on contracts (Note 2(12))	-	1,215	3,174	27,019
Allowance for relocation loss (Note 2(13))	1,019	235	-	-
Trading liabilities related to securities business	-	4,890	4,756	40,491
Payables related to margin transactions (Notes 9 and 10)	-	60,072	77,342	658,396
Deposits received and guarantee deposits received from customers related to securities business	-	45,345	65,984	561,711
Other current liabilities (Notes 2(12) , 2(19) , 2(21) and 10)	19,776	14,809	22,102	188,152
<b>Total current liabilities</b>	<b>129,424</b>	<b>206,387</b>	<b>267,363</b>	<b>2,276,009</b>
<b>Long-term liabilities:</b>				
Corporate bonds payable (Notes 9 and 10)	43,200	40,000	40,000	340,512
Convertible bonds payable (Note 9)	23,000	23,000	23,000	195,795
Long-term bank loans payable (Note 9)	10,500	4,500	5,000	42,564
Accrued employees' retirement benefits (Notes 2(14) and 12)	2,597	1,129	787	6,702
Accrued directors' retirement benefits	499	256	240	2,039
Other long-term liabilities	3,454	1,826	2,235	19,028
<b>Total long-term liabilities</b>	<b>83,250</b>	<b>70,711</b>	<b>71,262</b>	<b>606,640</b>
<b>Statutory reserve</b>				
Reserve for securities trading liabilities (Note 2(15))	-	657	1,079	9,183
Reserve for financial futures trading liabilities (Note 2(16))	-	-	0	3
<b>Total statutory reserve</b>	<b>-</b>	<b>657</b>	<b>1,079</b>	<b>9,186</b>
<b>Minority interests</b>	<b>34,631</b>	<b>21,397</b>	<b>23,606</b>	<b>200,954</b>
<b>Commitments and contingencies</b> (Notes 2(22), 10, 15, 26, 27, 31 and 32)				
<b>Shareholders' equity</b> (Note 13):				
Common stock-				
Authorized: 298,000,000 shares				
Issued: 76,538,663 shares in 2004				
76,733,284 shares in 2005				
77,791,992 shares in 2006	69,139	69,490	71,524	608,867
Capital surplus	34,968	34,115	36,138	307,633
Retained earnings (Accumulated deficit)	18,973	51,262	80,719	687,150
Unrealized gains on securities (Notes 2(4) ,2(5) and 4)	8,592	7,296	11,069	94,232
Foreign currency translation adjustments (Note 2(2))	(219)	(63)	-	-
Treasury stock, at cost (Note 14)	(2,767)	(5,615)	(19,626)	(167,071)
<b>Total shareholders' equity</b>	<b>128,686</b>	<b>156,485</b>	<b>179,824</b>	<b>1,530,811</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 375,991</b>	<b>¥ 455,637</b>	<b>¥ 543,134</b>	<b>\$ 4,623,600</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Income

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
For each of the three years in the period ended 31<sup>st</sup> March, 2006

	millions of yen			thousands of U.S. dollars(Note 1)
	2004	2005	2006	2006
<b>Sales and operating revenue</b> (Note 2(21))	¥ 378,473	¥ 319,994	¥ 241,155	\$ 2,052,904
<b>Costs and expenses:</b>				
Operating costs (Notes 2(17), 2(21)) and 17)	307,256	241,024	156,582	1,332,950
Selling, general and administrative expenses (Notes 2(17) and 17)	42,927	54,924	59,435	505,961
Operating income (Note 2(21))	28,290	24,046	25,138	213,993
<b>Other income (expenses):</b>				
Interest and dividends income	679	613	332	2,827
Interest expenses	(756)	(411)	(174)	(1,484)
Gain on sales of investments in securities (Note 18)	18,877	60,369	21,457	182,665
Loss on write-down of investments in securities	(269)	(2,641)	(295)	(2,514)
Dilution gain (loss) (Notes 2(1) and 19)	281	(680)	4	31
Equity in net gains of unconsolidated subsidiaries and affiliates (Note 7)	1,164	369	198	1,688
Income from investments in partnerships	1,158	1,406	154	1,312
Hoard profit of prepaid card (Note 2(21))	-	-	909	7,741
Subsidy income	260	403	462	3,937
Provision for accrued employees' retirement benefits	(403)	(261)	(261)	(2,219)
Transfer of agents' commission	(209)	(179)	(187)	(1,592)
Loss on cancellation of leases	-	(408)	(3)	(28)
Insurance loss	(118)	(82)	(98)	(835)
Transfer of one's domicile's adjustment costs	-	-	(106)	(899)
Gain on sales of fixed assets	4	17	15,898	135,336
Loss on disposal of fixed assets	(732)	(859)	(1,153)	(9,816)
Loss on write-down of fixed assets (Note 20)	-	(3,589)	-	-
Loss on impairment of fixed assets (Notes 2(26) and 21)	-	-	(3,380)	(28,773)
Loss on relocation of datacenter (Note 22)	-	-	(1,568)	(13,351)
Loss on cancellation of system development (Note 23)	-	-	(2,945)	(25,071)
Amortization of goodwill (Note 24)	-	(11,686)	-	-
Provision for reserve for securities trading liabilities (Note 2(15))	-	(330)	(421)	(3,585)
Provision for reserve for financial futures trading liabilities (Note 2(16))	-	-	(0)	(3)
Loss on cancellation of service (Note 25)	-	-	(1,240)	(10,554)
Others, net (Note 2(14))	(9,503)	(1,897)	65	550
	10,433	40,154	27,648	235,363
Income before income taxes and minority interests (Note 2(21))	38,723	64,200	52,786	449,356
<b>Income taxes</b> (Notes 2(18) and 16):				
Current	9,985	5,417	12,557	106,900
Deferred	3,649	23,042	6,476	55,127
	13,634	28,459	19,033	162,027
Income before minority interests	25,089	35,741	33,753	287,329
<b>Minority interests in subsidiaries</b>	(3,665)	(2,398)	(2,878)	(24,497)
Net income	¥ 21,424	¥ 33,343	¥ 30,875	\$ 262,832
<i>The accompanying notes are an integral part of these statements.</i>				
<b>Per share information:</b>				
Basic earnings per share (Notes 2(24) and 29)	¥ 283.85	¥ 437.31	¥ 410.52	\$ 3.49
Diluted earnings per share (Notes 2(24) and 29)	¥ 273.91	¥ 412.04	¥ 387.98	\$ 3.30
Cash dividends (Note 2(24))	¥ 15.00	¥ 17.00	¥ 40.00	\$ 0.34
<i>The accompanying notes are an integral part of these statements.</i>				



# Consolidated Statements of Shareholders' Equity

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
For each of the three years in the period ended 31<sup>st</sup> March, 2006

	millions of yen							
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Adjustment on revaluation of land	Unrealized gains(losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance as of 31 <sup>st</sup> March, 2003	¥ 69,034	¥ 77,402	¥ (44,286)	¥ (1,582)	¥ (312)	¥ (2,521)	¥ (9,863)	¥ 87,872
Issuance of common stock for share exchange		4,491						4,491
Exercise of stock options	105	105						210
Cash dividends		(852)	(453)					(1,305)
Loss on disposition of treasury stock		(1,089)						(1,089)
Transfers to retained earnings from capital surplus		(44,900)	44,900					-
Net income			21,424					21,424
Decrease due to changes in subsidiaries and affiliates		(189)	(2,579)					(2,768)
Adjustment on revaluation of land (Note 2(25))				1,582				1,582
Foreign currency translation adjustments (Note 2(2))						2,302		2,302
Unrealized gains on securities (Notes 2(4), 2(5) and 4)					8,904			8,904
Directors' and corporate auditors' bonuses			(33)					(33)
Purchase of treasury stock, net							7,096	7,096
Balance as of 31 <sup>st</sup> March, 2004	69,139	34,968	18,973	-	8,592	(219)	(2,767)	128,686
Exercise of stock options	351	351						702
Loss on disposition of treasury stock		(1,204)						(1,204)
Net income			33,343					33,343
Decrease due to changes in subsidiaries and affiliates			(88)					(88)
Foreign currency translation adjustments (Note 2(2))						156		156
Unrealized losses on securities (Notes 2(4), 2(5) and 4)					(1,296)			(1,296)
Cash dividends			(680)					(680)
Directors' and corporate auditors' bonuses			(286)					(286)
Purchase of treasury stock, net							(2,848)	(2,848)
Balance as of 31 <sup>st</sup> March, 2005	¥ 69,490	¥ 34,115	¥ 51,262	¥ -	¥ 7,296	¥ (63)	¥ (5,615)	¥ 156,485

The accompanying notes are an integral part of these statements.

	millions of yen							
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Adjustment on revaluation of land	Unrealized gains(losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance as of 31 <sup>st</sup> March, 2005	¥ 69,490	¥ 34,115	¥ 51,262	¥ -	¥ 7,296	¥ (63)	¥ (5,615)	¥ 156,485
Exercise of stock options	2,034	2,034						4,068
Loss on disposition of treasury stock		(11)						(11)
Net income			30,875					30,875
Increase due to exclusion in consolidation of subsidiaries			61					61
Foreign currency translation adjustments (Note 2(2))						63		63
Unrealized gains on securities (Notes 2(4), 2(5) and 4)					3,773			3,773
Cash dividends			(1,282)					(1,282)
Directors' and corporate auditors' bonuses			(197)					(197)
Purchase of treasury stock, net							(14,011)	(14,011)
<b>Balance as of 31<sup>st</sup> March, 2006</b>	<b>¥ 71,524</b>	<b>¥ 36,138</b>	<b>¥ 80,719</b>	<b>¥ -</b>	<b>¥ 11,069</b>	<b>¥ -</b>	<b>¥ (19,626)</b>	<b>¥ 179,824</b>

	thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Adjustment on revaluation of land	Unrealized gains(losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance as of 31 <sup>st</sup> March, 2005	\$ 591,556	\$ 290,414	\$ 436,384	\$ -	\$ 62,112	\$ (534)	\$ (47,805)	\$ 1,332,127
Exercise of stock options	17,311	17,310						34,621
Loss on disposition of treasury stock		(91)						(91)
Net income			262,832					262,832
Increase due to exclusion in consolidation of subsidiaries			521					521
Foreign currency translation adjustments (Note 2(2))						534		534
Unrealized gains on securities (Notes 2(4), 2(5) and 4)					32,120			32,120
Cash dividends			(10,916)					(10,916)
Directors' and corporate auditors' bonuses			(1,671)					(1,671)
Purchase of treasury stock, net							(119,266)	(119,266)
<b>Balance as of 31<sup>st</sup> March, 2006</b>	<b>\$ 608,867</b>	<b>\$ 307,633</b>	<b>\$ 687,150</b>	<b>\$ -</b>	<b>\$ 94,232</b>	<b>\$ -</b>	<b>\$ (167,071)</b>	<b>\$ 1,530,811</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
For each of the three years in the period ended 31<sup>st</sup> March, 2006

	millions of yen			thousands of U.S. dollars(Note 1)
	2004	2005	2006	2006
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests	¥ 38,723	¥ 64,200	¥ 52,786	\$ 449,356
Adjustments for -				
Depreciation	6,300	6,235	5,871	49,976
Loss on impairment of fixed assets	-	-	3,380	28,773
Amortization of goodwill	823	12,246	374	3,180
Increase (Decrease) in allowances and decrease (increase) in prepaid pension costs	(9,371)	1,421	2,191	18,653
Interest and dividend income	(679)	(2,145)	(2,460)	(20,940)
Interest expenses	756	979	863	7,351
Equity in net losses (gains) of unconsolidated subsidiaries and affiliates	(1,164)	(369)	(198)	(1,688)
Loss on disposal of fixed assets and gain (loss) on sales of fixed assets	728	949	(13,668)	(116,350)
Loss on write-down of fixed assets	-	3,589	-	-
Loss (Gain) on sales of investments in securities	(18,853)	(59,286)	(21,442)	(182,533)
Loss on write-down of investments in securities	269	2,641	295	2,514
Decrease (Increase) in accounts receivable	(6,690)	19,602	(211)	(1,798)
Decrease (Increase) in inventories	(1,443)	138	(1,766)	(15,036)
Decrease (Increase) in venture capital investments	(643)	(1,609)	(83)	(705)
Decrease (Increase) in investments related to financial services (Note 3(3))	(18,927)	(14,818)	(38,700)	(329,447)
Decrease (Increase) in fixed leasehold deposits	1,255	(332)	3,580	30,475
Increase (Decrease) in accounts payable	8,340	(17,724)	(41)	(352)
Decrease (Increase) in cash segregated as deposits related to securities business	-	(4,503)	(15,232)	(129,671)
Decrease (Increase) in receivables related to margin transactions	-	(18,451)	(39,586)	(336,987)
Increase (Decrease) in payables related to margin transactions	-	14,568	17,270	147,017
Increase (Decrease) in deposits received and guarantee deposits received from customers related to securities business	-	4,740	25,269	215,108
Others	2,608	(1,546)	(446)	(3,788)
Subtotal	2,032	10,525	(21,954)	(186,892)
Interest and dividends income received	694	2,143	2,352	20,021
Interest expenses paid	(1,039)	(1,038)	(929)	(7,905)
Income taxes paid	(6,054)	(10,944)	(4,522)	(38,493)
Net cash provided by (used in) operating activities	(4,367)	686	(25,053)	(213,269)

The accompanying notes are an integral part of these statements.

	millions of yen			thousands of U.S. dollars(Note 1)
	2004	2005	2006	2006
<b>Cash flows from investing activities:</b>				
Increase (Decrease) in time deposits, net	(245)	127	(1,725)	(14,685)
Net proceeds from sales and purchases of marketable securities	4,325	7,068	5,373	45,740
Purchase of property and equipment	(9,547)	(5,142)	(5,994)	(51,030)
Proceeds from sales of property and equipment	2,980	647	22,443	191,049
Purchase of intangible assets	(2,056)	(2,680)	(1,664)	(14,168)
Proceeds from sales of intangible assets	3	4	10,070	85,725
Purchase of investments in securities	(14,325)	(10,515)	(27,078)	(230,506)
Proceeds from sales of investments in securities	52,198	29,740	28,199	240,056
Expenditure for acquisition of subsidiaries' stocks	-	(17,623)	-	-
Proceeds from sales of subsidiaries' stocks	-	34,799	-	-
Others (Note 3(3))	7,417	888	(637)	(5,424)
Net cash provided by investing activities	<u>40,750</u>	<u>37,313</u>	<u>28,987</u>	<u>246,757</u>
<b>Cash flows from financing activities:</b>				
Increase (Decrease) in short-term bank loans, net	(44,811)	(11,794)	9,333	79,450
Proceeds from long-term debt	44,126	-	5,000	42,564
Repayment of long-term debt	(8,340)	(6,227)	(6,000)	(51,077)
Redemption of corporate bonds	(800)	(4,010)	(3,200)	(27,241)
Issuance of common stock to minority shareholders	628	1,520	33	282
Issuance of common stock	209	703	4,067	34,621
Purchase of treasury stock (Note 3(2))	(604)	(6,209)	(14,080)	(119,862)
Cash dividends paid	(1,990)	(758)	(1,957)	(16,661)
Others	45	(209)	183	1,564
Net cash used in financing activities	<u>(11,537)</u>	<u>(26,984)</u>	<u>(6,621)</u>	<u>(56,360)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>(25)</u>	<u>29</u>	<u>243</u>
Net increase (decrease) in cash and cash equivalents	24,848	10,990	(2,658)	(22,629)
Cash and cash equivalents, at beginning	45,624	71,015	77,357	658,528
Cash and cash equivalents of initially consolidated subsidiaries, at beginning (Note 2(1))	-	429	96	818
Cash and cash equivalents of subsidiaries removed from consolidation, at beginning (Note 2(1))	-	(265)	-	-
Decrease in cash and cash equivalents of subsidiaries removed from consolidation (Note 2(1))	-	(5,053)	(48)	(409)
Cash and cash equivalents of initially consolidated subsidiaries, at end (Note 2(1))	356	-	-	-
Increase in cash and cash equivalents by merger, at end (Note 2(1))	187	241	-	-
Cash and cash equivalents, at end (Notes 2(3) and 3(1))	<u>¥ 71,015</u>	<u>¥ 77,357</u>	<u>¥ 74,747</u>	<u>\$ 636,308</u>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of CSK HOLDINGS CORPORATION ("the Company") and Consolidated Subsidiaries (collectively, "the Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. The accounting records of overseas consolidated subsidiaries are maintained in accordance with generally accepted accounting principles prevailing in the respective regions in which they were incorporated. In general, no adjustments on the accounts of overseas consolidated subsidiaries are reflected in the accompanying consolidated financial statements to comply with the Japanese accounting principles followed by the Company and domestic consolidated subsidiaries.

The accompanying consolidated financial statements incorporate certain reclassifications of figures from those included in the Annual Security Report in order to present in a form more familiar to readers outside Japan. In addition, the notes to consolidated financial statements include certain information which is not required under generally accepted accounting principles in Japan but is presented herein as additional information.

The amounts presented in the consolidated financial statements are rounded to the nearest million yen.

The U.S. dollar amounts in the accompanying consolidated financial statements are included solely for convenience of readers outside Japan. The rate of ¥117.47 = US\$1.00, the rate of exchange on 31<sup>st</sup> March, 2006, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

Certain amounts in the accompanying consolidated financial statements from prior years have been reclassified to conform to the current year presentation.

## 2. Summary of significant accounting policies

### (1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and the subsidiaries under its control.

Under the current effective control approach, companies controlled by the Company are consolidated regardless of the ownership percentage, and companies influenced by the Company to a material degree in their financial, operating, or business policies through investment, personnel, financing, technology, trading or any other relationship are accounted for as affiliates regardless of the ownership percentage.



The list of consolidated subsidiaries as of and for the year ended 31<sup>st</sup> March, 2006 is as follows:

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Name of subsidiary

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**Domestic Subsidiaries:**

CSK SYSTEMS CORPORATION

(On 1<sup>st</sup> October, 2005, CSK SYSTEMS PREPARATORY CORPORATION changed its corporate name to CSK SYSTEMS CORPORATION.)

JIEC Co., Ltd.

CSK Network Systems Corporation

CSI SOLUTIONS Corporation

ISAO CORPORATION

CSK SYSTEM MANAGEMENT CORPORATION

SUPER SOFTWARE COMPANY LTD.

ANT, Inc.

(On 1<sup>st</sup> April, 2006, ANT, Inc. changed its corporate name to CSK WinTechnology Corporation.)

FUKUOKA CSK CORPORATION

HOKKAIDO CSK CORPORATION

ServiceWare Corporation

ServiceWare Kyushu Corporation

CSK Communications Corporation

Fukui CSK Corporation

SHIMANE CSK CORPORATION

IWATE CSK CORPORATION

OITA CSK CORPORATION

VeriServe Corporation

CSK Securities Service CO., Ltd.

CSK FIELD SERVICES CO., LTD.

BUSINESS EXTENSION CORPORATION

BBEC CORPORATION

CSK BUSINESS SERVICE CORPORATION

CSK Marketing Corporation

CSK Marketing HR Corporation

CSK FINANCE CO., LTD.

CVC Business Co., Ltd.

SEIKOU CORPORATION

CSK VENTURE CAPITAL CO., LTD.

Plaza Asset Management Co., Ltd.

CSK PRINCIPALS CO., LTD.

Light Works Corporation

CSK Institute for Sustainability, Ltd.

Cosmo Securities Co., Ltd.

Tsuyama Securities Co., Ltd.

Cosmo Enterprise Co., Ltd.

QUO CARD Co., Ltd.

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CSK BUSINESS SERVICE CORPORATION and CSK SYSTEM MANAGEMENT CORPORATION were established in fiscal year 2004 and therefore were newly consolidated from fiscal year 2004. One to One Direct Co, Inc., SPORTS DATA Corporation, Otenki.com, Inc., Fukui CSK Corporation, SHIMANE CSK CORPORATION, IWATE CSK CORPORATION and HOKKAIDO CSK CORPORATION were newly consolidated at the end of fiscal year 2004 due to having come to have materiality. Tradeone Systems Co., Ltd. had become a consolidated subsidiary due to acquisition of the additional stock of the company by Japan Future Information Technology & Systems Co., Ltd., a subsidiary of the company, in fiscal year 2004. Therefore, it was newly consolidated at the end of fiscal year 2004 and operating results are reflected in the consolidated financial statements by the equity method.

On 1<sup>st</sup> May, 2003, CSK VENTURE CAPITAL CO., LTD. changed its corporate name to CSK FINANCE CO., LTD., and simultaneously divested a part of its business and established CSK VENTURE CAPITAL CO., LTD., which was consolidated from fiscal year 2004. On 5<sup>th</sup> January, 2004, CSK Kosan Corporation merged with CSK FINANCE CO., LTD. and changed its corporate name to CSK FINANCE CO., LTD. Also on 1<sup>st</sup> February, 2004, CSK Communications Corporation merged with OKINAWA CSK CORPORATION.

On 1<sup>st</sup> April, 2004, CSK Network Systems Corporation divided part of business and established CSK Network Systems Corporation newly, and then merged the remaining business with the Company.

Cosmo Securities Co., Ltd. and its subsidiaries, Tsuyama Securities Co., Ltd. and Cosmo Enterprise Co., Ltd., were newly consolidated from this fiscal year, due to acquisition of stock in April 2004.

Financial System Service Provider Co., Ltd. had become a consolidated subsidiary due to acquisition of the additional stock of the company in this fiscal year. And it also merged with Tradeone Systems Co., Ltd. which was a consolidated subsidiary, in February 2005, and changed its corporate name to Financial System Service CO., Ltd. (presently CSK Securities Service CO., Ltd.)

Although Bellsystem24 its subsidiaries, One to One Direct Co, Inc., SPORTS DATA Corporation and Otenki.com, Inc., were consolidated subsidiaries for the first quarter of fiscal year 2005, they were excluded from consolidation after the sale of shares in August 2004.

Although Nextcom was consolidated by the previous interim period, it shifted to application of the equity method, due to the decrease in the share by the merge and the share issuance in December 2004.

SEIKOU CORPORATION and Plaza Asset Management Co., Ltd. were newly consolidated in fiscal year 2005 due to having come to have materiality.

CSK Marketing Corporation and OITA CSK CORPORATION were established in fiscal year 2005 and therefore were newly consolidated from fiscal year 2005.

Livecom Corporation was excluded from consolidation at the beginning of fiscal year 2005, due to the completion of liquidation.

CSK Software AG was excluded from consolidation at the beginning of fiscal year 2005, due to the sale of ownership.

CSK PRINCIPALS CO., LTD. was newly consolidated in this fiscal year due to having come to have materiality.

CSK SYSTEMS CORPORATION, CSK Marketing HR Corporation, CSK Institute for Sustainability, Ltd. and other 1 company were established in this fiscal year and therefore were newly consolidated from this fiscal year.

On 1<sup>st</sup> October, 2005, CSK SYSTEMS CORPORATION became successor to the business of CSK CORPORATION (On 1<sup>st</sup> October, 2005, CSK CORPORATION changed its corporate name to CSK HOLDINGS CORPORATION.) though a corporate division and it changed its corporate name from CSK SYSTEMS PREPARATORY CORPORATION. Moreover, it merged with Japan Future Information Technology & Systems Co., Ltd. on the same day.

Kibo Group, Inc. was excluded from consolidation this fiscal year, due to being in the process of liquidation.

The Company accounts for investments in non-consolidated subsidiaries and affiliates using the cost method as its total assets, sales, net income, and retained earnings were immaterial to the consolidated financial statements of the Group.

All subsidiaries have year-end of 31<sup>st</sup> March.

All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation.

On occasion, a consolidated subsidiary or an affiliate accounted for under the equity method may issue its common shares to third parties either in a public offering or upon conversion of convertible bonds, or may acquire its treasury stock. Such transactions result in reduction of the Group's ownership position of the subsidiary or the affiliate. With respect to such transactions, the resulting gains and losses arising from the change in ownership ratio are recognized as "Dilution gain (loss)" for the year when the change in ownership ratio transaction occurs.

The assets and liabilities of a newly consolidated subsidiary are marked to fair value at the time the Company is deemed to have gained control. Material excess of cost over such value of investments in subsidiaries is recognized as goodwill and is amortized over 5 years. Immaterial excess is fully charged to income as amortization of goodwill for the year such transactions occurs. Amortization of goodwill is included in "Selling, general, and administrative expenses" in the consolidated statements of income. A one time depreciation charge for consolidation adjustments for Cosmo Securities Co., Ltd. is included in other expenses due to difficulty in logically forecasting the period over which the effect related to the consolidated adjustment account would emerge, as the securities business is heavily impacted by the external influence of the equity and security markets in this fiscal year.

## **(2) Translation of foreign currency balances and transactions**

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates. Receivables and payables denominated in foreign currencies are translated at the current exchange rates at balance sheet dates.

All the assets and liabilities of foreign subsidiaries are translated at current rates at the respective balance sheet dates. All the income and expense accounts are also translated at current rates at the respective balance sheet dates.

Adjustments arising from translating financial statements of overseas subsidiaries denominated in foreign currencies into Japanese yen, are recorded as a component of shareholders' equity and minority interests in the consolidated balance sheets.

### **(3) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, "Cash and cash equivalents" consists of cash on hands, demand deposits, and certain investments with original maturity of three months or less with virtually no risk of loss of values.

### **(4) Marketable securities and Investments in securities**

Trading securities, which are held for the purpose of earning capital gains in the near future, are reported at fair value, and the related unrealized gains and losses are included in earnings. Although the Group had no trading securities as of 31<sup>st</sup> March, 2004, the Group has trading securities as of 31<sup>st</sup> March, 2005 and 2006 through the newly consolidated Cosmo securities Co., Ltd. Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost. Securities other than trading securities and held-to-maturity securities are classified as available-for-sale securities. Available-for-sale securities (including Investment related to financial services and Venture capital Investments) that are publicly traded are reported at fair market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Available-for-sale securities that are not publicly traded are stated at cost; cost being determined, mainly using the moving-average method.

### **(5) Accounting for the financial services business**

#### **a. Investments related to financial services**

##### **Investments in anonymous associations**

With regard to transactions resulting from investment in anonymous associations, allocations received from these anonymous associations are recorded under sales.

##### **Shares**

With regard to transactions in shares, any profit or loss from the sale of shares is recorded under sales or cost of sales respectively.

##### **Investment in partnerships or similar**

With regard to transactions resulting from investment in partnerships or similar, any profit or loss from such partnerships is recorded at a net amount as sales or cost of sales respectively on an equity basis, based on the most recent appraisal of financial assets and the profit and loss of the partnerships. In the event that a partnership holds other investment securities and appraisal differences are recorded in its financial statements, the appraisal difference is recorded on an equity basis under "Unrealized gains on securities"—other available-for-sale securities.

#### **b. Venture capital investments**

With regard to investment partnerships in which our group is an executive member, the assets, liabilities, income and expenses of these partnerships are recorded on an equity basis, based on the most recent appraisal of the assets and profit and loss of the partnership.

### **(6) Derivatives and hedging activities**

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, foreign currency options, foreign currency swaps, foreign currency securities, foreign currency time deposits, interest rate swaps and interest rate caps are utilized by the Group to reduce foreign exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are included in earnings. For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions. With regard to the accounting method for hedge transactions, deferred hedge accounting is adopted.

### **(7) Allowance for doubtful accounts**

"Allowance for doubtful accounts" is maintained for the amounts deemed uncollectible based on solvency analyses and for estimated delinquency based on collection rates projected from historical credit loss experiences, and for the amounts to cover specific accounts that are estimated to be

uncollectible.

#### **(8) Inventories**

Items in "Inventories" are principally stated at cost, with cost determined using the specific identification or moving-average method.

#### **(9) Property and equipment**

"Property and equipment", including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs including minor renewals and betterments are charged to income as incurred. For the Company and subsidiaries, depreciation is computed using the declining-balance method at rates based on the estimated useful lives of the assets which are prescribed by Japanese Income Tax Law, except for buildings acquired after 1<sup>st</sup> April, 1998 which are depreciated using the straight-line method.

#### **(10) Deferred charges and intangible assets**

"Deferred charges and intangible assets" includes term land leasehold, capitalized software costs and goodwill. Term land leasehold, capitalized software costs and goodwill are carried at cost less accumulated amortization. Term land leasehold is amortized using the straight-line method based on the contract period. Capitalized costs for software for internal use are amortized using the straight-line method over the estimated useful life of the software. Goodwill is amortized using the straight-line method over 5 years essentially. Costs associated with issuance of common shares and corporate bonds are expensed as incurred.

#### **(11) Accrued bonuses to employees**

"Accrued bonuses to employees" represents bonuses to employees expected to be paid for their service rendered prior to the balance sheet date.

#### **(12) Allowance for anticipated losses on contracts**

"Allowance for anticipated losses on contracts" represents anticipated entire losses to be incurred related to software development and facilities management when the contract revenue and cost indicate a loss.

Because the monetary significance of potential losses arising from those contracts related to software development and facilities management is increasing, from (and including) the fiscal year ended 31<sup>st</sup> March, 2005 a reserve for loss on software development, etc. has been recorded, based on estimated losses.

This estimated loss, which amounted to ¥529 million in the fiscal year ended 31<sup>st</sup> March, 2004, was previously recorded as "Accrued expenses" (which has been included in "Other current liabilities" under "Current liabilities" in the Consolidated Balance Sheet ), etc.

#### **(13) Allowance for relocation loss**

"Allowance for relocation loss" is calculated based on the estimated losses on the disposal of fixed assets, recovery expenses and other relocation losses.

#### **(14) Accrued employees' retirement benefits**

Accrued employees' retirement benefits are calculated based on the estimated retirement obligations less estimated plan assets at the balance sheets date.

At some of its consolidated subsidiaries, when "Plan assets" exceed the amount of "Projected benefit obligations" minus both "Unrecognized net translation" and "Unrecognized actuarial net loss", the excess amount is accounted for as "Prepaid pension costs", and included in "Investments and other assets".

The net transition amount at the adoption of the new accounting standard for the retirement benefits is amortized mainly over 15 years using the straight-line method.

Unrecognized actuarial net loss will be amortized using the straight-line method over the average remaining service period and amortization is started from the next fiscal year after the fiscal year in which it occurred.

Unrecognized prior service cost is amortized using the straight-line method over the average remaining service period and amortization begins starting from the fiscal year after the fiscal year when it occurs.

On 1<sup>st</sup> April, 2004, the Company and some of its consolidated subsidiaries shifted a portion of their existing defined benefits pension plan to a defined contribution pension plan in line with the implementation of the defined contribution pension law, applying "Accounting procedures related to shifts between retirement benefits plan" (Financial Accounting Standards Implementation Guidance No. 1).

As the revision date of the relevant rules and regulations fell within fiscal year 2004, the Company and some of its consolidated subsidiaries accounted for other expenses of ¥4,270 million following the partial cessation of the employee retirement benefits plan.

**(15) Reserve for securities trading liabilities**

The reserve has been recorded for liabilities arising from incidents pertaining to securities trading, as provided for under Securities Exchange Law No. 51 and Ordinance No. 35 of the Cabinet Office Ordinance Concerning Securities Companies.

**(16) Reserve for financial futures trading liabilities**

The reserve has been recorded for liabilities arising from incidents pertaining to financial futures trading, as provided for under Financial Futures Trading Law No. 81.

**(17) Research and development costs**

Research and development costs are charged to income as incurred.

**(18) Income taxes**

The Group adopted the asset and liability method for accounting for income taxes. This method recognizes deferred income tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to be reversed.

**(19) Consumption taxes**

Consumption taxes are imposed at a flat rate of 5% on all domestic consumption of goods and services.

The consumption taxes imposed on the Group's sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. The consumption taxes withheld from sales are not included in "Sales and operating revenue" but are recorded as a liability and included in "Other current liabilities".

The consumption taxes imposed on the Group's purchases of products, merchandise and services from vendors are not included in costs and expenses but are offset against consumption taxes withheld.

**(20) Consolidated tax system**

A consolidated tax system has been adopted since fiscal year 2004.

**(21) Revenue recognition for primary transactions**

a. Computer services

The Group provides customers with services relating to programming, software development for EDP systems, computer operations and various data processing functions. These services are provided either under fixed-amount contracts or hourly-rate contracts. Under the fixed-amount contracts, the Group recognizes revenue when the services are completed and accepted by the customers. Under the hourly-rate contracts, the Group recognizes revenue as it is accrued by multiplying the agreed rates by the number of hours worked. Revenue for data entry services is determined by multiplying the fixed-rate by the volume of processed data.

With respect to computer and other product sales, overseas sales are recorded at the time of shipment. Domestic sales of computers and related supplementary equipment are recorded at the time of acceptance by the customers. Domestic retail sales of personal computers, auxiliary parts and other items are recorded at the time of shipment.

b. Prepaid card sales

Effective for the year ended 31<sup>st</sup> March, 2006, the Company's subsidiary changed the accounting policy for prepaid card sales as follows.

The face value of cards when issued is recorded as "Deposits received on prepaid cards", with subsequent deductions from that amount as cards are used.

Any remaining card value, based on the actual usage of the cards, that is considered unlikely to be used is recorded as "Hoard profit of prepaid card" under "Other income (expenses)" with subsequent deductions from "Deposits received on prepaid cards" in conforming with Japanese Tax Law requiring that the year in which cards were sold be taken into consideration.



(Change in accounting standard)

Previously, the accounting treatment for third-party type cards was for the face value of cards to be recorded as sales on the date of issue; when cards were used the value used was recorded as a cost of sale, and at the same time the remaining value of the card was added to cost of sales as an additional 'estimated cost of sales' figure. From the fiscal year beginning 1<sup>st</sup> April, 2005, however, the treatment method has changed so that the face value of cards when issued is recorded as "Deposits received on prepaid cards", with subsequent deductions from that amount as cards are used.

Also under the new accounting policy, any remaining card value that is considered unlikely to be used will be recorded as other income, rather than being deducted from cost of sales. Any amounts that can be used in excess of the face value of the card will be handled as an expense at the time of card issuance, instead of the previous method of expensing these amounts at the time of use.

These changes arise from the fact that in recent years, sales activities have resulted in an increase in advertising revenues, etc. (in excess of the face value of cards) in accordance with an increase in the issue of the cards as gifts. The prepaid card business has also established a sound earnings base through this factor and stabilization of settlement fee earnings associated with an increase in the number of participating stores and improvements to contracts with participating stores. The Company therefore decided to adopt an accounting treatment that enables a better understanding of the sales situation. Under this new accounting policy, the impact on results for the fiscal year ended 31<sup>st</sup> March, 2006 was to reduce "Sales and operating revenue" by ¥58,425 million and "Operating costs" by ¥57,866 million, to reduce "Operating income" by ¥925 million, and to reduce "Income before income taxes and minority interests" by ¥110 million.

Accompanying these changes, items on the balance sheet have changed in the following manner:

The face value of cards issued will change from "Accounts receivable" to "Other current assets" (¥2,892 million as of 31<sup>st</sup> March, 2006). The unused value of cards that is expected to be used will change from "Unearned revenue" to "Deposits received on prepaid cards" (¥38,977 million as of 31<sup>st</sup> March, 2006).

Liabilities arising from the card value used will change from "Accounts payable" to "Other current liabilities" (¥4,648 million as of 31<sup>st</sup> March, 2006).

The influence on the segment information is described in "Segment Information" in Note 30.

## **(22) Leases**

Finance leases, other than those which involve the transferring of ownership of the leased assets to the lessee, are accounted for in a manner similar to operating leases.

## **(23) Appropriation of (accumulated deficit) retained earnings**

Appropriation of (accumulated deficit) retained earnings reflected in the accompanying consolidated financial statements is recorded after approval by the shareholders as required by the Japanese Commercial Code.

## **(24) Dividends and earnings per share**

The amount of dividends distributed is determined based on unrestricted retained earnings on non-consolidated balance sheets.

"Basic earnings per share" is computed by dividing income applicable to "Common stock" by the weighted-average number of shares of common stock outstanding during each year. "Diluted earnings per share" reflects the potential dilution that could occur if dilutive securities and other contracts to issue common shares were exercised or converted into common shares.

For details of the effect of this change, refer to Note 29.

## **(25) Adjustment on revaluation of land**

The adjustment on revaluation of land recorded as a component of shareholders' equity in the consolidated balance sheets concerns SEGA CORPORATION. However there was no outstanding amount at the end of fiscal year 2004, because SEGA CORPORATION was excluded from application of the equity method.

In accordance with the Land Revaluation Law, land used for business operations was revalued. In accordance with Article 119 of 1998 Cabinet Order Article 2-3 and 2-5 of the Enforcement Ordinance relating to the Land Revaluation Law, the revaluation was performed by calculating the value along with reasonable adjustments and this was done by estate surveyors.

The adoption of the Land Revaluation Law was optional, not mandatory. The Company, its subsidiaries and the other affiliates do not adopt this law.

## (26) Accounting standard for impairment of fixed assets

Effective 1<sup>st</sup> April, 2005, the Company and its consolidated subsidiaries adopted a new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on 9<sup>th</sup> August, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on 31<sup>st</sup> October, 2003).

This change is due to the application of these accounting standards at this fiscal year.

As the result of adopting the standards initially for the fiscal year ended 31<sup>st</sup> March, 2006, "Income before income taxes and minority interests" for the period has decreased by ¥3,380 million due to the loss on impairment of fixed assets.

The total impairment loss was directly deducted from applicable assets based on revised regulations for consolidated financial statements.

The influence on the segment information is described in "Segment Information" in Note 30.

## (27) Investments in partnerships

Due to the enforcement of the "Law Partially Amending the Securities Exchange Law (Law.No.97, 9<sup>th</sup> June, 2004)" on 1<sup>st</sup> December, 2004, "Investments in partnerships", which was included in "Other current assets" under "Current assets" in fiscal year 2004 is included in "Venture capital investments" under "Current assets" in fiscal year 2005 and "Investments in partnerships", which was included in "Other assets" under "Investments and other assets" in fiscal year 2004 is included in "Investments in securities" under "Investments and other assets" in fiscal year 2005. As a result of this change, in fiscal year 2005, "Venture capital investments" under "Current assets" increased ¥7,849 million and "Other current assets" under "Current assets" decreased by the same amount, "Investments in securities" under "Investments and other assets" increased ¥2,159 million and "Others assets" under "Investments and other assets" decreased by the same amount.

## 3. Consolidated statements of cash flows

### (1) Reconciliation of "Cash" to "Cash and cash equivalents"

"Cash" as of 31<sup>st</sup> March, 2004, 2005 and 2006 on the consolidated balance sheets and "Cash and cash equivalents" at 31<sup>st</sup> March, 2004, 2005 and 2006 on the consolidated statements of cash flows are reconciled as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Cash	¥ 68,050	¥ 77,510	¥ 77,444	\$ 659,270
Marketable securities	12,696	5,966	3,911	33,292
Less: Time deposits with original maturities of more than three months or those submitted as collateral for loans	(502)	(733)	(2,889)	(24,595)
Less: Equity securities and other marketable securities with original maturities of more than three months	(9,229)	(5,386)	(3,719)	(31,659)
Cash and cash equivalents	¥ 71,015	¥ 77,357	¥ 74,747	\$ 636,308

(2) Expenditure for acquisition of treasury stock by consolidated subsidiaries is included in "purchase of treasury stock".

### (3) Decrease (Increase) in investments related to financial services

"Others" in "Cash flows from investing activities" has been included in "Decrease (Increase) in investments related to financial services" in "Cash flows from operating activities" in fiscal year 2004, because the financial services business has expanded.

Distribution from "Others" in the previous fiscal year is included in "Others" in fiscal year 2004.

**(4) Outline of the representative consolidated subsidiaries' assets and liabilities due to the acquisition of shares in fiscal year, 2005  
(consolidated basis)**

Cosmo Securities Co., Ltd. as of 31<sup>st</sup> March, 2004

	millions of yen
Current assets	¥ 122,438
Other assets	8,645
Total assets	¥ 131,083
Current liabilities	¥ 97,328
Long-term liabilities	341
Statutory reserve	327
Total liabilities	¥ 97,996

**(5) Outline of the representative removed subsidiaries' assets and liabilities due to sales of shares in fiscal year, 2005 (consolidated basis)**

Bellsystem24 as of 31<sup>st</sup> May, 2004

	millions of yen
Current assets	¥ 35,862
Other assets	18,159
Total assets	¥ 54,021
Current liabilities	¥ 9,233
Long-term liabilities	1,623
Total liabilities	¥ 10,856

#### 4. Marketable securities and Investments in securities

"Marketable securities" and "Investments in securities", of which the aggregate costs, unrealized gains and losses and fair market values pertaining to held-to-maturity securities and available-for-sale securities as of 31<sup>st</sup> March, 2004 were as follows:

	millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities	¥ 4,302	¥ 5,829	¥ 491	¥ 9,640
Debt securities	6,988	445	197	7,236
Others*	2,713	6,494	150	9,057
	¥ 14,003	¥ 12,768	¥ 838	¥ 25,933
Held- to- maturity-				
Debt securities	¥ 18,053	¥ 51	¥ 35	¥ 18,069

\* Investment in partnerships managed by CSK VENTURE CAPITAL CO., LTD., which is included in "Venture capital investments" on the consolidated balance sheets, is included in "Others".

At 31<sup>st</sup> March, 2004, debt securities classified as available-for-sale securities and held-to-maturity securities mainly consist of Japanese government and municipal bonds and corporate debt securities.

In addition, unrealized gains on investment in partnerships of ¥2,104 million, net of tax effect, is included in "Unrealized gains(losses) on securities" on the consolidated balance sheets and is excluded from the schedule above.

Proceeds from sales of available-for-sale securities were ¥9,952 million for the year ended 31<sup>st</sup> March, 2004. On those sales, gross realized gains computed on the average cost basis were ¥6,664 million and gross realized losses were ¥24 million.

Major components of debt and equity securities whose fair market values are not readily determinable as of 31<sup>st</sup> March, 2004 were as follows:

	millions of yen
Available-for-sale securities:	
Money management fund	¥ 3,468
Unlisted stock	10,150
Unlisted bonds	628
Commercial paper	1,497
Beneficial interest in trust	400
Investment in partnerships	299
Investments in unconsolidated subsidiaries and affiliates	3,802

The redemption schedule of debt and equity securities as of 31<sup>st</sup> March, 2004 were as follows:

	millions of yen
	Available-for-sale and Held-to-maturity
Due within 1 year	¥ 8,828
Due after 1 year through 5 years	17,693
Due after 5 years through 10 years	1,935
Due after 10 years	341
	¥ 28,797

"Marketable securities" and "Investments in securities", of which the aggregate costs, unrealized gains and losses and fair market values pertaining to held-to-maturity securities and available-for-sale securities as of 31<sup>st</sup> March, 2005 were as follows:

Trading securities (trading securities with market values)

	millions of yen		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	¥ 693	¥ 30	¥ 7
Bonds	10,922	4,800	59
	¥ 11,615	¥ 4,830	¥ 66

Except for trading securities

	millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale:				
Equity securities*	¥ 6,409	¥ 8,470	¥ 242	¥ 14,637
Debt securities	99	-	14	85
Others**	7,542	4,738	99	12,181
	¥ 14,050	¥ 13,208	¥ 355	¥ 26,903
Held-to-maturity:				
Debt securities	¥ 19,857	¥ 66	¥ 14	¥ 19,909

\* Investments related to financial services of ¥6,120 million managed by CSK FINANCE CO., LTD., which are included in "Available-for-sale securities" on the consolidated balance sheet, are included in "Equity securities".

\*\* Investment in partnerships managed by CSK VENTURE CAPITAL CO., LTD., which is included in "Venture capital investments" on the consolidated balance sheets, is included in "Others".

At 31<sup>st</sup> March, 2005, debt securities classified as available-for-sale securities and held-to-maturity securities mainly consist of Japanese government and municipal bonds and corporate debt securities.

Proceeds from sales of available-for-sale securities were ¥40,780 million for the year ended 31<sup>st</sup> March, 2005. On those sales, gross realized gains computed on the average cost basis were ¥23,254 million and gross realized losses were ¥394 million.

Major components of debt and equity securities whose fair market values are not readily determinable as of 31<sup>st</sup> March, 2005 were as follows:

	millions of yen
Available-for-sale securities:	
Money management fund	¥ 580
Unlisted stock	6,977
Unlisted bonds	233
Investment in partnerships	3,797
Investments in unconsolidated subsidiaries and affiliates	5,461

The redemption schedule of debt and equity securities as of 31<sup>st</sup> March, 2005 were as follows:

	millions of yen
	Available-for-sale and Held-to-maturity
Due within 1 year	¥ 5,385
Due after 1 year through 5 years	14,556
Due after 5 years through 10 years	2,541
Due after 10 years	-
	¥ 22,482

"Marketable securities" and "Investments in securities", of which the aggregate costs, unrealized gains and losses and fair market values pertaining to held-to-maturity securities and available-for-sale securities as of 31<sup>st</sup> March, 2006 were as follows:

Trading securities (trading securities with market values)

	millions of yen		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	¥ 1,418	¥ 50	¥ 39
Bonds	9,350	4,670	(41)
	¥ 10,768	¥ 4,720	¥ (2)

	thousands of U.S. dollars (Note 1)		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	\$ 12,069	\$ 426	\$ 331
Bonds	79,597	39,755	(349)
	\$ 91,666	\$ 40,181	\$ (18)

Except for trading securities

	millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities	¥ 23,485	¥ 11,524	¥ 145	¥ 34,864
Debt securities	109	-	6	103
Others*	22,692	8,533	209	31,016
	¥ 46,286	¥ 20,057	¥ 360	¥ 65,983
Held- to- maturity-				
Debt securities	¥ 20,539	¥ 2	¥ 234	¥ 20,307

	thousands of U.S. dollars (Note 1)			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities	\$ 199,922	\$ 98,104	\$ 1,231	\$ 296,795
Debt securities	925	-	51	874
Others*	193,179	72,641	1,787	264,033
	\$ 394,026	\$ 170,745	\$ 3,069	\$ 561,702
Held- to- maturity-				
Debt securities	\$ 174,846	\$ 15	\$ 1,990	\$ 172,871

\*Investment fund and Investment in partnerships are included in "Others".



Major components of debt and equity securities whose fair market values are not readily determinable as of 31<sup>st</sup> March, 2006 were as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
Available-for-sale securities:		
Money management fund	¥ 192	\$ 1,633
Unlisted stock	10,094	85,926
Unlisted bonds	181	1,542
Investment in partnerships	1,933	16,453
Investments in unconsolidated subsidiaries and affiliates	1,081	9,199

The redemption schedule of debt and equity securities as of 31<sup>st</sup> March, 2006 were as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
	Available-for-sale and Held-to-maturity	Available-for-sale and Held-to-maturity
Due within 1 year	¥ 3,729	\$ 31,743
Due after 1 year through 5 years	16,955	144,332
Due after 5 years through 10 years	17,110	145,655
Due after 10 years	-	-
	¥ 37,794	\$ 321,730

## 5. Inventories

At 31<sup>st</sup> March, 2004, 2005 and 2006, the Group's inventories consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Goods for resale	¥ 5,377	¥ 819	¥ 1,079	\$ 9,187
Systems in progress	5,486	5,418	6,971	59,342
Others	177	108	62	525
	¥ 11,040	¥ 6,345	¥ 8,112	\$ 69,054

## 6. Investments related to financial services

The classification of "Investments related to financial services" was changed from "Investments and other assets" at the end of fiscal year 2003 to "Current assets" at the beginning of fiscal year 2004, because the financial services business had expanded.

"Investments related to financial services" is mainly investments in anonymous associations, ¥18,592 million in fiscal year 2004.

"Investments related to financial services" mainly consists of investments in anonymous associations, ¥32,781 million and shares, ¥6,120 million in fiscal year 2005.

"Investments related to financial services" mainly consists of investments in anonymous associations, ¥57,079 million and shares, ¥23,636 million in this fiscal year.

"Venture capital investments" at the beginning of this fiscal year, ¥12,898 million, was changed to "Investments related to financial services" with adjustment in the business purpose of consolidated subsidiaries in this fiscal year.

## 7. Investments in unconsolidated subsidiaries and affiliates

At 31<sup>st</sup> March, 2004, 2005 and 2006, investments in unconsolidated subsidiaries and affiliates under the equity method are as follows:

	2004		2005		2006	
	Equity* Ownership	Capital Stock	Equity* Ownership	Capital Stock	Equity* Ownership	Capital Stock
	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)
Domestic Affiliates:						
Financial System Service Provider Co., Ltd.**	38.8	¥ 800	-	¥ -	-	¥ -
Nextcom***	-	-	29.8	3,801	-	-

\* Includes direct and indirect ownership.

\*\* The equity method was newly applied to Financial System Service Provider Co., Ltd. as of 1<sup>st</sup> April, 2003 due to the increase in materiality, it had become a consolidated subsidiary due to the acquisition of additional stock of the company in fiscal year 2005. It also merged with Tradeone Systems Co., Ltd. which was a consolidated subsidiary in February 2005, and changed its corporate name to Financial System Service CO., Ltd.(presently CSK Securities Service CO., Ltd.)

\*\*\* Nextcom shifted to application of the equity method, due to the decrease in the number of share as a result of the merger and the share issuance in December 2004. It was excluded from application of the equity method due to the sale of ownership at the end of the current interim period.

Investments in other unconsolidated subsidiaries and affiliates are immaterial to the consolidated financial statements of the Group and are therefore accounted for using the cost method.

## 8. Property and equipment

"Property and equipment" as of 31<sup>st</sup> March, 2004, 2005 and 2006 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Buildings and structures*	¥ 36,040	¥ 35,051	¥ 22,851	\$ 194,521
Others*	17,388	14,118	13,080	111,351
	53,428	49,169	35,931	305,872
Less: Accumulated depreciation	(27,623)	(25,291)	(20,852)	(177,504)
	25,805	23,878	15,079	128,368
Land*	13,493	11,306	11,684	99,465
Construction in progress	128	37	223	1,897
	¥ 39,426	¥ 35,221	¥ 26,986	\$ 229,730

\*The accumulated total of loss on impairment of fixed assets is deducted directly from the balance of each fixed asset.

## 9. Short-term and long-term debts

### (1) Short-term bank loans payable and Commercial paper

The weighted-average interest rates for "Short-term bank loans payable" were 1.4%, 1.2% and 0.2% as of 31<sup>st</sup> March, 2004, 2005 and 2006, respectively.

The normal business custom in Japan is for short-term bank loans payable to be rolled over each year.

### (2) Long-term bank loans payable

The weighted-average interest rates for the "Long-term bank loans payable" were 1.4%, 1.4% and 1.3% as of 31<sup>st</sup> March, 2004, 2005 and 2006, respectively. ¥4,500 million is shown in "Short-term bank loans payable" in the consolidated balance sheets. The repayment schedule of "Long-term bank loans payable" for the next five years is as follows:

Years ending 31 <sup>st</sup> March	millions of yen	thousands of U.S. dollars (Note 1)
2007	¥ 4,500	\$ 38,308
2008	-	-
2009	5,000	42,564
2010	-	-
2011	-	-

### (3) Payable to securities finance companies

"Payable to securities finance companies" included in "Payables related to margin transactions" is as follows.:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Payable to securities finance companies	¥ -	¥ 50,325	¥ 67,571	\$ 458,199

### (4) Bonds, Convertible bonds payable and Bonds with detachable warrants

"Bonds", "Convertible bonds payable" and "Bonds with detachable warrants" as of 31<sup>st</sup> March, 2004, 2005 and 2006 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Unsecured 6 months Yen TIBOR plus 1.8% bonds due 30 <sup>th</sup> April, 2004 with detachable warrants, holding expiration from 17 <sup>th</sup> April, 2000 to 29 <sup>th</sup> April, 2004	¥ 10	¥ -	¥ -	\$ -
Unsecured 0.9% bonds due 30 <sup>th</sup> June, 2004	4,000	-	-	-
Unsecured 1.1% bonds due 30 <sup>th</sup> September, 2005	1,700	1,700	-	-
Unsecured 0.9% bonds due 28 <sup>th</sup> December, 2007	9,000	9,000	9,000	76,615
Unsecured 1.1% bonds due 28 <sup>th</sup> December, 2007	6,000	6,000	6,000	51,077
Unsecured 0.5% bonds due 28 <sup>th</sup> December, 2007	5,000	5,000	5,000	42,564
Unsecured 1.2% bonds due 9 <sup>th</sup> July, 2010	8,000	8,000	8,000	68,102
Unsecured 0.4% bonds due 9 <sup>th</sup> July, 2010	6,000	6,000	6,000	51,077
Unsecured 1.1% bonds due 30 <sup>th</sup> July, 2010	6,000	6,000	6,000	51,077
Unsecured zero-coupon bonds due 2 <sup>nd</sup> September, 2011 with detachable warrants, holding expiration from 2 <sup>nd</sup> October, 2003 to 19 <sup>th</sup> August, 2011 *	23,000	23,000	23,000	195,795
Unsecured 0.9% bonds due 3 <sup>rd</sup> October, 2005	1,500	1,500	-	-
	¥ 70,210	¥ 66,200	¥ 63,000	\$ 536,307

\* The number of shares of common stock related to detachable warrants is 3,813,692 shares as of 31<sup>st</sup> March, 2006. The exercise price of warrants is ¥6,030.9.

## 10. Assets pledged as collateral

### (1) 31<sup>st</sup> March, 2004

"Accounts payable" of ¥1,719 million, "Short-term bank loans payable" of ¥7,380 million and "Corporate bonds payable" of ¥10 million are collateralized by the following assets.

	millions of yen
Cash	¥ 482
Investments in securities	2,214
	¥ 2,696

In addition, "Investments in securities" and "Investments in unconsolidated subsidiaries and affiliates" totaling ¥8,084 million and ¥863 million respectively of CSK FINANCE Co., Ltd., which are eliminated in consolidation, have been pledged as collateral.

Article 13-1 of the Law concerning Prepaid Card Operations requires that about 50% of unused amounts in prepaid cards be collateralized by the issuers. As of 31<sup>st</sup> March, 2004, the Group has pledged as collateral "Marketable securities" of ¥3,452 million and "Investments in securities" of ¥12,693 million for this purpose. In addition, based on Article 25 of Building Lots and Buildings Transaction Business Law, the Group also has pledged as collateral "Investments in securities" of ¥10 million to secure dealings.

### (2) 31<sup>st</sup> March, 2005

(a) "Accounts payable" of ¥1,728 million, "Short-term bank loans payable" of ¥2,382 million and "Payables related to margin transactions" of ¥50,325 million are collateralized by the following assets.

	millions of yen
Trading assets related to the securities business	¥ 1,991
Investments in securities	1,537
	¥ 3,528

In addition, stocks of ¥4,366 million held for customers for margin transactions in relation to sales of securities were pledged as collateral at the fiscal year ended 31<sup>st</sup> March, 2005.

(b) Article 13-1 of the Law concerning Prepaid Card Operations requires that about 50% of unused amounts on prepaid cards be put in escrow by the issuers. As of 31<sup>st</sup> March, 2005, the Group has put "Marketable securities" of ¥3,476 million and "Investments in securities" of ¥14,472 million in escrow for this purpose. In addition, based on Article 25 of Building Lots and Buildings Transaction Business Law, the Group also has put "Marketable securities" of ¥10 million in escrow to secure dealings.

(c) Trading assets related to the securities business were pledged for ¥529 million as substitution for transactional future deposits. Margin transactions in relation to sales of securities were pledged for ¥1,393 million as substitution for transactional future deposits and for ¥24 million as substitution for transactional when-issued deposits, in the fiscal year ended 31<sup>st</sup> March, 2005.

(d) In connection with the securities business, marketable securities submitted or received on 31<sup>st</sup> March, 2005 were as follows:

Marketable securities (those included in (a) are excluded) submitted to third parties for margin transactions (at fair value)

	millions of yen
Securities loaned on margin transactions	¥ 10,307
Securities pledged for loans payable for margin transactions	50,163
Substitute securities for guarantee deposits paid	424
Others	18,366

Marketable securities received from third parties for margin transactions (at fair value)

	millions of yen
Securities pledged for loans receivable for margin transactions	¥ 66,952
Securities borrowed on margin transactions	3,280
Securities borrowed by promissory note	6,526
Substitute securities for guarantee deposits received on futures	79,844
Others	1,759

### (3) At 31<sup>st</sup> March, 2006

(a) "Short-term bank loans payable" of ¥2,214 million (\$18,844 thousand), "Payables related to margin transactions" of ¥67,571 million (\$575,216 thousand) and "Other current liabilities" of ¥1,904 million (\$16,211 thousand) are collateralized by the following assets.

	millions of yen	thousands of U.S. dollars (Note 1)
Cash	¥ 1,800	\$ 15,323
Trading assets related to the securities business	583	4,966
Investments in securities	1,942	16,535
	¥ 4,325	\$ 36,824

In addition, stocks of ¥15,620 million (\$132,970 thousand) held for customers for margin transactions in relation to sales of securities were pledged as collateral at the fiscal year ended 31<sup>st</sup> March, 2006.

(b) Article 13-1 of the Law concerning Prepaid Card Operations requires that about 50% of unused amounts on prepaid cards be put in escrow by the issuers. As of 31<sup>st</sup> March, 2006, the Group has put "Marketable securities" of ¥3,616 million (\$30,784 thousand) and "Investments in securities" of ¥16,904 million (\$143,903 thousand) in escrow for this purpose. In addition, based on Article 25 of Building Lots and Building Transactions Business Law, the Group also has put "Marketable securities" of ¥19 million (\$159 thousand) in escrow to secure dealings.

(c) Margin transactions in relation to sales of securities were pledged for ¥3,267 million (\$27,808 thousand) as substitution for transactional future deposits and for ¥7 million (\$60 thousand) as substitution for transactional when-issued deposits, in the fiscal year ended 31<sup>st</sup> March, 2006.

(d) In connection with the securities business, marketable securities submitted or received on 31<sup>st</sup> March, 2006 were as follows:

Marketable securities (those included in (a) are excluded) submitted to third parties for margin transactions (at fair value)

	millions of yen	thousands of U.S. dollars (Note 1)
Securities loaned on margin transactions	¥ 10,390	\$ 88,447
Securities pledged for loans payable for margin transactions	69,791	594,116
Substitute securities for guarantee deposits paid	2,173	18,496
Others	24,769	210,850

Marketable securities received from third parties for margin transactions (at fair value)

	millions of yen	thousands of U.S. dollars (Note 1)
Securities pledged for loans receivable for margin transactions	¥ 107,331	\$ 913,690
Securities borrowed on margin transactions	2,795	23,794
Securities borrowed by promissory note	6,933	59,020
Substitute securities for guarantee deposits received on futures	122,782	1,045,221
Others	2,808	23,907

## 11. Fair values of off-balance sheet financial instruments

The Group enters into currency related transactions and interest rate related transactions to manage market risks relating to fluctuations in interest and foreign exchange rates. The Group does not hold or issue financial instruments for trading purposes. The estimated unrealized gains and losses on these contracts at 31<sup>st</sup> March, 2004, 2005 and 2006 are summarized in the following tables. The market values of option and swap contracts are based on values presented by financial institutions and securities brokers.

Derivative transactions to which hedge accounting has been applied are excluded from the schedule below.

### (1) Trading securities (Trading securities with market values)

Outline of trading activities

The company mainly operates derivative transactions as a means of providing products and transactions to customers to meet their various needs. In addition, the Company operates arbitrage transactions and hedge transaction of trading securities and so on. The Company's lines of trading business are mainly classified as follows.

a. Dealing in spot transactions of trading securities such as shares and bonds

b. Financial derivatives traded on exchanges such as stock index futures and options, bonds futures and options

c. Financial derivatives traded over the counter such as bonds with options

Risk arising from trading activities

The main risks relating to trading activities that may have a material impact on the consolidated subsidiaries' financial conditions are market risk and credit risk. Market risk arises from fluctuations in market price of securities, interest rates and foreign exchange rates. Credit risk arises when counterparties fail to fulfill their obligations.

The Company recognizes that risk management of trading positions arising from these activities is becoming increasingly significant.

	millions of yen			
	2005			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	¥ 3,259	¥ 2	¥ -	¥ -
Forward exchange contracts	222	1	676	7
Futures/forward contacts	4,137	43	5,662	54

	millions of yen			
	2006			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	¥ -	¥ -	¥ -	¥ -
Forward exchange contracts	130	4	200	2
Futures/forward contacts	8,110	91	4,015	34

	thousands of U.S. dollars (Note 1)			
	2006			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	\$ -	\$ -	\$ -	\$ -
Forward exchange contracts	1,104	31	1,706	18
Futures/forward contacts	69,038	779	34,179	293

(2) Except for trading securities

I. Currency related transaction

	millions of yen			
	2004			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Options:				
Sold (US\$) Put	¥ 1,079	¥ 840	¥ (72)	¥ (72)



	millions of yen			
	2005			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts	¥ 1,233	¥ 2	¥ 606	¥ 1

	millions of yen			
	2006			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts	¥ 549	¥ 1	¥ 1,005	¥ 1

	Thousands of U.S. dollars (Note 1)			
	2006			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts	\$ 4,676	\$ 8	\$ 8,552	\$ 11

## II. Interest rate related transaction

	millions of yen			
	2004			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Swaps:				
Floating rate receipt				
Fixed rate payment	¥ 2,000	¥ 2,000	¥ (38)	¥ (38)

	millions of yen			
	2005			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Swaps:				
Floating rate receipt				
Fixed rate payment	¥ -	¥ -	¥ -	¥ -

	millions of yen			
	2006			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Swaps:				
Floating rate receipt				
Fixed rate payment	¥ -	¥ -	¥ -	¥ -

	thousands of U.S. dollars (Note 1)			
	2006			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Swaps:				
Floating rate receipt				
Fixed rate payment	\$ -	\$ -	\$ -	\$ -

## 12. Retirement benefits

The Company and its consolidated subsidiaries have corporate pension funds, tax-qualified pension plans and lump-sum retirement payment plans as defined benefits plans.

On 1<sup>st</sup> March, 2003, the Company and some of its consolidated subsidiaries obtained approval for exemption from the payment of future benefit obligations in respect of the substitutional portion of the employee pension programs of employees' pension fund from the Minister of Health, Labor and Welfare.

The Company and some of its consolidated subsidiaries shifted a portion of the existing defined benefits pension plan to a defined contribution pension plan on 1<sup>st</sup> April, 2004 in line with the implementation of the defined contribution pension law. On the same date, they received permission from the Minister of Health, Labour and Welfare to return the substitute portion of the employee retirement benefits fund, and they shifted from the employees' pension fund to the corporate pension fund (CSK Corporate Pension Funds) on 1<sup>st</sup> April, 2004.

"Accrued employees' retirement benefits" as of 31<sup>st</sup> March, 2003, 2004 and 2005 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
a. Projected benefit obligations	¥ 26,562	¥ 25,323	¥ 26,022	\$ 221,519
b. Plan assets	(22,783)	(21,269)	(28,573)	(243,236)
c. Unfunded retirement benefit obligations (a + b)	3,779	4,054	(2,551)	(21,717)
d. Unrecognized net transition amount	(2,867)	(2,581)	(2,323)	(19,773)
e. Unrecognized actuarial net loss	(4,918)	(3,296)	3,565	30,348
f. Unrecognized prior service cost	1,125	(1,571)	(1,173)	(9,987)
g. Net amount recognized on the consolidated balance sheet (c + d + e + f)	(2,881)	(3,394)	(2,482)	(21,129)
h. Prepaid pension cost	(5,478)	(4,523)	(3,269)	(27,831)
i. Accrued employees' retirement benefits (g – h)	¥ 2,597	¥ 1,129	¥ 787	\$ 6,702

Certain consolidated subsidiaries adopt the simplified method for computing retirement benefit obligations.

The components of pension and severance costs for the year ended 31<sup>st</sup> March, 2004, 2005 and 2006 were as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Service cost	¥ 2,748	¥ 1,698	¥ 1,515	\$ 12,896
Interest cost	877	582	593	5,046
Expected return on plan assets	(148)	(199)	(234)	(1,992)
Amortization of net transition amount	471	261	258	2,197
Recognized actuarial loss	1,323	501	441	3,758
Amortization of prior service cost	(106)	392	393	3,343
Pension and severance costs	5,165	3,235	2,966	25,248
Loss accompanying the revision of defined contribution plan (Note 2(14))	4,270	(56)	-	-
Others	-	151	613	5,234
Total	¥ 9,435	¥ 3,330	¥ 3,579	\$ 30,482

Pension and severance costs for consolidated subsidiaries using the simplified method are included in service cost.

Pension and severance costs for seconded employees borne by non-consolidated subsidiaries are excluded from this disclosure.

The breakdown of "Others" is as follows.

	2004	2005	2006	2006
Amount of expense of defined contribution pension plan	¥ -	¥ 318	¥ 253	\$ 2,154
Agency return profit etc. of employees' pension fund	-	(405)	-	-
Retirement allowance etc.	-	238	360	3,065

Assumptions used in accounting for retirement benefit obligations for the year ended 31<sup>st</sup> March, 2004, 2005 and 2006 were as follows:

	2004	2005	2006
Discount rate	2.0 - 3.0%	2.0 - 3.0%	2.0 - 2.5%
Expected rate of return on plan assets	1.0%	1.0%	1.0%
Period of amortization of net transition amount	1 - 15 years	1 - 15 years	1 - 15 years
Period of allocation of the actuarial net loss	1 - 12 years	1 - 12 years	1 - 12 years
Period of amortization of prior service cost	1 - 12 years	1 - 12 years	1 - 12 years

### 13. Shareholders' equity

"Capital surplus" has been comprised of additional paid-in capital and other capital surplus. Additional paid-in capital, recorded pursuant to the Japanese Commercial Code, primarily consists of proceeds on the issuance of shares of common stock of the Group that were not recorded as "Common stock" (Under the Japanese Commercial Code, the Group is allowed to account for an amount not exceeding one-half of the issue price of new shares as additional paid-in capital). Additional paid-in capital may be transferred to other capital surplus to the extent that the sum of additional paid-in capital and the earned reserve (collectively, "legal reserves") does not fall below 25% of stated capital.

The Japanese Commercial Code also requires all companies to appropriate an amount equivalent to at least 10% of the appropriation of retained earnings paid in cash as an earned reserve until the legal reserves equals 25% of stated capital. The earned reserve may be transferred to unappropriated retained earnings to the extent that the legal reserves do not fall below 25% of stated capital. Capital surplus may be transferred to retained earnings when retained earnings record deficits.

Legal reserves may be transferred to stated capital following suitable director actions or offset against a deficit following suitable shareholder actions.

Other capital surplus includes losses on the disposal of treasury stock.

Year-end cash dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are paid. Interim cash dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Japanese Commercial Code. Such dividends are payable to shareholders of record at the end of the fiscal year or the six month period of the year. In the fiscal year ended 31<sup>st</sup> March, 2004, the full year's dividends per share were paid to increase by ¥3, to ¥15, comprising a final dividends per share of ¥9 and an interim dividends per share of ¥6. In the fiscal year ended 31<sup>st</sup> March, 2005, no interim dividends were paid, but the full year's dividends per share were paid to increase by ¥2, to ¥17. In the fiscal year ended 31<sup>st</sup> March, 2006, no interim dividends were paid, but full year's dividends per share is planned to increase by ¥23, to ¥40.

Cash dividends are recorded in the consolidated statements of shareholders' equity when paid.

### 14. Treasury stock

The number of treasury stock is 1,010,545 shares of the Company's common stock at 31<sup>st</sup> March, 2004, which is held by the Group.

The number of treasury stock is 1,306,007 shares of the Company's common stock at 31<sup>st</sup> March, 2005, which is held by the Group.

The number of treasury stock is 4,143,833 shares of the Company's common stock at 31<sup>st</sup> March, 2006, which is held by the Company.

## 15. Stock-based compensation plans

The Company had introduced stock-based compensation plans as an incentive for directors and selected employees. All of the plans were approved at the annual general meeting of shareholders for each fiscal year. The balance of each plans and outlines are summarized below. In common with all plans, the conditions are subject to adjustment when there are stock splits, share consolidations, additional shares issued at a price less than the market price per share, amalgamations, or corporate splits.

(1) Approved on 29<sup>th</sup> June, 2000

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors and employees	83,300	¥ 3,522	From 25 <sup>th</sup> July, 2001 to 24 <sup>th</sup> July, 2006

(2) Approved on 28<sup>th</sup> June, 2001

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors and employees	327,300	¥ 3,639	From 24 <sup>th</sup> July, 2002 to 23 <sup>rd</sup> July, 2007

(3) Approved on 27<sup>th</sup> June, 2002

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors, directors of subsidiaries and employees	433,400	¥ 4,290	From 1 <sup>st</sup> July, 2003 to 30 <sup>th</sup> June, 2006

(4) Approved on 26<sup>th</sup> June, 2003

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors, executive officers, employees, directors of subsidiaries, executive officers of subsidiaries and employees of subsidiaries	639,200	¥ 3,770	From 1 <sup>st</sup> July, 2004 to 29 <sup>th</sup> June, 2007

(5) Approved on 26<sup>th</sup> June, 2003

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Employees	6,600	¥ 4,110	From 1 <sup>st</sup> July, 2004 to 29 <sup>th</sup> June, 2007

(6) Approved on 25<sup>th</sup> June, 2004

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors, executive officers, employees, directors of subsidiaries, executive officers of subsidiaries and employees of subsidiaries	1,001,700	¥ 4,820	From 1 <sup>st</sup> July, 2005 to 30 <sup>th</sup> June, 2008

(7) Approved on 28<sup>th</sup> June, 2005

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors, executive officers, employees, directors of subsidiaries, executive officers of subsidiaries and employees of subsidiaries	1,123,000	¥ 4,990	From 1 <sup>st</sup> July, 2006 to 30 <sup>th</sup> June, 2009

(8) Succession of contractual obligation from CSK Network Systems Corporation because of the share exchange

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors of the subsidiary and employees of the subsidiary	26,623	¥ 3,270	From 1 <sup>st</sup> August, 2003 to 31 <sup>st</sup> July, 2006

(9) Succession of contractual obligation from CSK Network Systems Corporation because of the share exchange

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors of the subsidiary and employees of the subsidiary	1,817	¥ 3,270	From 1 <sup>st</sup> August, 2003 to 31 <sup>st</sup> July, 2006

(10) Succession of contractual obligation from ServiceWare Corporation because of the share exchange

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors of the subsidiary and employees of the subsidiary	44,640	¥ 5,302	From 1 <sup>st</sup> July, 2003 to 30 <sup>th</sup> June, 2006

(11) Succession of contractual obligation from ServiceWare Corporation because of the share exchange

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors of the subsidiary and employees of the subsidiary	7,192	¥ 1,804	From 1 <sup>st</sup> July, 2003 to 30 <sup>th</sup> June, 2006

(12) Succession of contractual obligation from Japan Future Information Technology & Systems Co., Ltd. because of the share exchange

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors of the subsidiary, employees of the subsidiary and advisor of the subsidiary	27,216	¥ 4,898	From 1 <sup>st</sup> August, 2004 to 31 <sup>st</sup> July, 2007

\* The number of shares of common stock is the outstanding balance as of 31<sup>st</sup> March, 2006.

## 16. Income taxes

The Group is subject to number of different income taxes. The applicable statutory tax rates in Japan for the year ended 31<sup>st</sup> March, 2004 was approximately 42.1%. For the year ended 31<sup>st</sup> March, 2005 and 2006 were approximately 40.7%, respectively.

A reconciliation of the difference between the effective income tax rate and statutory income tax rate for the year ended 31<sup>st</sup> March, 2004, 2005 and 2006 is as follows:

	2004	2005	2006
Statutory income tax rate	42.1 %	40.7 %	<b>40.7 %</b>
Increase (decrease) in tax rate:			
Non-deductible expenses for tax purposes	0.6	0.5	<b>0.7</b>
Base portion of inhabitants tax	0.4	0.4	<b>0.6</b>
Equity in net losses (incomes) of unconsolidated subsidiaries and affiliates	(1.3)	(0.2)	<b>(0.2)</b>
Amortization of goodwill	0.9	7.8	<b>0.3</b>
Increase and decrease in valuation allowance for deferred income tax assets	(8.6)	(6.1)	<b>(8.7)</b>
Gain on sales of investments in securities	2.4	2.6	<b>2.7</b>
Others	(1.3)	(1.4)	<b>0.0</b>
Effective income tax rate	<u>35.2 %</u>	<u>44.3 %</u>	<u><b>36.1 %</b></u>

The significant components of deferred income tax assets and liabilities at 31<sup>st</sup> March, 2004, 2005 and 2006 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
<b>Deferred income tax assets:</b>				
Tax losses carried-forward *	¥ 43,087	¥ 28,316	¥ 13,106	\$ 111,569
Provision for allowance for doubtful accounts	803	927	959	8,165
Loss on write-down of marketable securities	5,083	4,248	705	5,997
Accrued bonuses to employees	2,347	2,477	2,540	21,621
Unrealized intercompany profits	5,429	382	390	3,319
Accrued enterprise tax	700	391	1,355	11,536
Depreciation expense	373	311	375	3,191
Allowance for anticipated losses on contracts	-	495	1,291	10,994
Loss on impairment of fixed assets	-	-	1,387	11,808
Hoard profit of prepaid card	1,183	1,858	2,572	21,896
Investment return from anonymous association	-	-	1,099	9,352
Others	4,679	4,726	6,476	55,131
Gross deferred income tax assets	63,684	44,131	32,255	274,579
Less: Valuation allowance	14,486	20,066	14,971	127,440
Total deferred income tax assets	49,198	24,065	17,284	147,139
<b>Deferred income tax liabilities:</b>				
Unrealized gains on securities	6,799	6,007	8,758	74,554
Prepaid pension costs	2,271	1,869	1,332	11,340
Others	3	8	391	3,331
Gross deferred income tax liabilities	9,073	7,884	10,481	89,225
Net deferred income tax assets (liabilities)	¥ 40,125	¥ 16,181	¥ 6,803	\$ 57,914

\*Deferred income tax assets relating to operating losses are recorded as required by Japanese accounting standard.

The benefit of "Tax losses Carried-forward" are estimated and recorded as assets, with deduction of a valuation allowance if it is expected that some portion or all of the deferred income tax assets will not be realized.

## 17. Research and development costs

Research and development costs included in "Cost of sales" and "Selling, general and administrative expenses" for the years ended 31<sup>st</sup> March, 2004, 2005 and 2006 totaled ¥267 million, ¥218 million and ¥3,722 million, respectively.

## 18. Gain on sales of investments in securities

For the year ended 31<sup>st</sup> March, 2004, "Gain on sales of investments in securities" was mainly due to the sale of shares in SEGA CORPORATION.

For the year ended 31<sup>st</sup> March, 2005, "Gain on sales of investments in securities" was mainly due to the sale of shares in Bellsystem24 and VodafoneK.K.

For the year ended 31<sup>st</sup> March, 2006, "Gain on sales of investments in securities" is mainly due to the sale of shares in Nextcom.

And Sales profit of investments related to financial services(securities) of 11,827 million, this fiscal year includes movable exchange profit of ¥5,454 million for policy investment objectives.

## 19. Dilution gain

For the year ended 31<sup>st</sup> March, 2004, issuance of common shares to minority shareholders by VeriServe Corporation mainly resulted in "Dilution gain".

For the year ended 31<sup>st</sup> March, 2005, issuance of common shares to minority shareholders by NextCom K.K. mainly resulted in "Dilution loss".

## 20. Loss on write-down of fixed assets

For the year ended 31<sup>st</sup> March, 2005, "Loss on write-down of fixed assets" is the evaluated loss of the fixed assets to be sold at fair value.

## 21. Loss on impairments of fixed assets

A breakdown of impairment losses in special losses is as follows:

(a) The company declares the following impairment losses:

Location	Use	Classification
CSK Information Education Center (Tama city, Tokyo)	Administrative facilities Educational facilities	Land and buildings
Shinjuku Center (Shinjuku-ku, Tokyo) Osaka Umeda Center (Kita-ku, Osaka)	Call center	Buildings and annexed facilities Equipment and fixtures Software

(b) Asset grouping method.

Idle assets and assets scheduled for sale are on an individual case unit, and business assets are handled as a managerial accounting classification.

(c) Background to recognition as impairment losses and calculation methods.

As book value was far less than the price after the deduction of fees relating to the sale from the scheduled sales price mainly in the case of assets scheduled for sale, and where considerations of recoverable future cash flow were included in non profitable businesses in cases of business assets, book values reduced to recoverable values were recognized as impairment losses.

The said reductions reported as impairment losses amounted to ¥3,380 million (\$28,773 thousand).

The breakdown was as follows:

Buildings and structures: ¥1,198 million (\$10,200 thousand)

Land: ¥642 million (\$5,467 thousand)

Others(mainly software): ¥1,540 million (\$13,106 thousand)

## 22. Loss on relocation of datacenter

"Loss on relocation of datacenter" is the relocation cost of the datacenter from Ikebukuro to Chiba in this fiscal year.

## 23. Loss on cancellation of system development

"Loss on cancellation of system development" is the cost of canceled contract due to difference of opinion with customers in entrusted development in this fiscal year.

## 24. Amortization of goodwill

"Amortization of goodwill" is a one-time depreciation on consolidated adjustments relating to Cosmo Securities Co., Ltd. For details of the reason of a one-time depreciation, refer to Note 2(1).

## 25. Loss on cancellation of service

"Loss on cancellation of service" is a cancellation cost relating to the dividend automatic receipt service due to critical issues before it commences in this fiscal year.

## 26. Leases

The Group leases certain furniture and office equipment under non-cancelable operating and finance leases. Finance leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally



accepted in Japan.

The summary of future minimum payments under operating leases and finance leases without transfer of ownership as of 31<sup>st</sup> March, 2004, 2005 and 2006 is as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Operating leases:				
Due within one year	¥ 53	¥ 44	¥ 227	\$ 1,934
Thereafter	6	12	428	3,642
	¥ 59	¥ 56	¥ 655	\$ 5,576
Finance leases:				
Due within one year	¥ 1,489	¥ 1,954	¥ 2,314	\$ 19,702
Thereafter	2,698	3,815	3,590	30,561
	¥ 4,187	¥ 5,769	¥ 5,904	\$ 50,263

Impairment of lease assets was ¥35 million.

Lease expenses on finance lease contracts without ownership transfer for the years ended 31<sup>st</sup> March, 2004, 2005 and 2006 were ¥1,903 million, ¥2,342 million and ¥2,419 million, respectively.

Pro forma data as of 31<sup>st</sup> March, 2004, 2005 and 2006 as to acquisition cost, accumulated depreciation, impairment loss, net book value, depreciation expense and interest expense of the assets leased under finance leases without transfer of ownership are summarized as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Pro forma acquisition cost	¥ 6,983	¥ 9,926	¥ 9,870	\$ 84,024
Pro forma accumulated depreciation	(2,967)	(4,327)	(4,140)	(35,244)
Pro forma accumulated impairment loss	-	-	(35)	(301)
Pro forma net book value	¥ 4,016	¥ 5,599	¥ 5,695	\$ 48,479
Pro forma depreciation expense	¥ 1,698	¥ 2,106	¥ 2,162	\$ 18,406
Pro forma interest expense	¥ 246	¥ 242	¥ 307	\$ 2,617
Loss on impairment of fixed assets	¥ -	¥ -	¥ 35	\$ 301

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

The Group also leases certain computer equipment to customers in conjunction with system consulting and development activities. These leases also do not involve the transfer of ownership and therefore are accounted for by a method similar to operating leases.

## 27. Loan commitment agreements

### (1) Lender

The Group adopts the CSK Group Cash Management System (CMS) to ensure agile and efficient cash arrangements for group companies.

The Company concluded master agreements for CMS that have set out the availability granted among 21 group companies (all consolidated subsidiaries) in the fiscal year 2004 and 2005.

The Company concluded master agreements for CMS that have set out the availability granted among 29 group companies in the fiscal year 2006.

The remaining portion of credit line which has not been utilized to the group companies under these agreements as of 31<sup>st</sup> March, 2004, 2005 and 2006 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Total availability granted by CMS	¥ -	¥ -	¥ 40	\$ 341
Used portion of credit line	-	-	-	-
Remaining portion of credit line	¥ -	¥ -	¥ 40	\$ 341

In addition, total availability granted by CMS is not necessarily utilized, because the intended use of the funds is limited in the master agreements of CMS.

**(2) Borrower**

The Company has concluded loan commitment agreements with three banks to provide circulating funds efficiently.

The remaining portion of credit line which has not been utilized by the Company under these agreements as of 31<sup>st</sup> March, 2004, 2005 and 2006 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Total availability granted	¥ 20,000	¥ -	¥ -	\$ -
Used portion of credit line	-	-	-	-
Remaining portion of credit line	¥ 20,000	¥ -	¥ -	\$ -

## 28. Related party transactions (non-consolidated basis)

The Group had no significant transactions with its related parties for the year ended 31<sup>st</sup> March, 2004, 2005 and 2006.

## 29. Information about earnings per share

	yen			U.S.dollars (Note 1)
	2004	2005	2006	2006
Shareholders' equity per share	¥ 1,702.47	¥ 2,072.02	¥ 2,437.08	\$ 20.75
Basic earnings per share*	¥ 283.85	¥ 437.31	¥ 410.52	\$ 3.49
Diluted earnings per share*	¥ 273.91	¥ 412.04	¥ 387.98	\$ 3.30

\* The basic facts underlying the calculation of "Basic earnings per share" and "Diluted earnings per share" are as follows:

	millions of yen			thousands of U.S.dollars (Note 1)
	2004	2005	2006	2006
Net income per share				
Net income	¥ 21,424	¥ 33,343	¥ 30,875	\$ 262,832
Amount not attributable to common shareholders	¥ 102	¥ 198	¥ 338	\$ 2,877
(Of which, amount paid out as bonuses to directors pursuant to Statement of appropriation of Net income)	¥ 102	¥ 198	¥ 338	\$ 2,877
Net income related to common stock	¥ 21,323	¥ 33,145	¥ 30,537	\$ 259,955
Average number of shares outstanding during term (thousands of shares)	75,119	75,793	74,386	74,386
Diluted earnings per share**				
Net income adjustment (Of which, effect from dilution of affiliated company stock)	¥ 128	¥ 161	¥ 40	\$ 340
Increase in common stock (thousands of shares)	2,257	4,258	4,217	4,217

\*\* Outline of stock not included in diluted earnings per share due to lack of diluted effect as at 31<sup>st</sup> March, 2004:

Company name	Diluted earnings per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Notes 15(2) and 15(3))	13,792***
	Bonds with detachable warrants (Note 15(10))	728*****
JIEC Co., Ltd.	Bonds with detachable warrants	1,141
Japan Future Information Technology & Systems Co., Ltd.	Bonds with detachable warrants	1,496
Bellsystem24	Bonds with detachable warrants	29,357****
Nextcom	Bonds with detachable warrants	2,510

\*\* Outline of stock not included in diluted earnings per share due to lack of diluted effect as at 31<sup>st</sup> March, 2005:

Company name	Diluted earnings per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15(6))	10,167***
	Bonds with detachable warrants (Note 15(10))	728*****
	Bonds with detachable warrants (Note 15(12))	975*****
Nextcom	Bonds with detachable warrants	659
VeriServe Corporation	Bonds with detachable warrants	281
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642

\*\* Outline of stock not included in diluted earnings per share due to lack of diluted effect as at 31<sup>st</sup> March, 2006:

Company name	Diluted earnings per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15(6))	10,017***
	Bonds with detachable warrants (Note 15(7))	11,230***
	Bonds with detachable warrants (Note 15(10))	720****
	Bonds with detachable warrants (Note 15(12))	486*****
VeriServe Corporation	Bonds with detachable warrants	561
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642

\*\*\* 100 of share

\*\*\*\* 10 of share

\*\*\*\*\* 62 of share

\*\*\*\*\* 56 of share

### 30. Segment information

The Group operates principally in four segments: computer services, financial services, securities services, and prepaid card sales.

Segment	Major products and services
Computer services	Software development, systems integration, facilities management, business process outsourcing and other related services Computer and other product sales, engineering of intelligent buildings, intelligent buildings lease
Financial services	Investment in venture companies, investment in anonymous associations, real estate, equity securities and others and management of investment trust
Securities services	Securities business and other related services
Prepaid card sales	Issuance and settlement of prepaid cards, development and sales of card systems

The segment information of the Group for each of the three years in the period ended 31<sup>st</sup> March, 2006 classified by segment is presented below:

	millions of yen						
	For the year ended 31 <sup>st</sup> March, 2004						
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Sales and Operating revenue:							
Outside customers	¥ 317,818	¥ 9,185	¥ -	¥ 51,470	¥ 378,473	¥ -	¥ 378,473
Inter-segment sales/transfers	336	12	-	18	366	(366)	-
Total	318,154	9,197	-	51,488	378,839	(366)	378,473
Costs and expenses	296,301	3,531	-	50,574	350,406	(223)	350,183
Operating income	¥ 21,853	¥ 5,666	¥ -	¥ 914	¥ 28,433	¥ (143)	¥ 28,290
Assets	¥ 212,656	¥ 52,036	¥ -	¥ 23,194	¥ 287,886	¥ 88,105	¥ 375,991
Depreciation	¥ 6,169	¥ 26	¥ -	¥ 97	¥ 6,292	¥ 8	¥ 6,300
Capital expenditure	¥ 11,383	¥ 166	¥ -	¥ 43	¥ 11,592	¥ -	¥ 11,592

millions of yen							
For the year ended 31 <sup>st</sup> March, 2005							
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Sales and Operating revenue:							
Outside customers	¥ 235,607	¥ 10,721	¥ 20,728	¥ 52,938	¥ 319,994	¥ -	¥ 319,994
Inter-segment sales/transfers	572	-	2	34	608	(608)	-
Total	236,179	10,721	20,730	52,972	320,602	(608)	319,994
Costs and expenses	222,034	3,669	18,433	52,270	296,406	(458)	295,948
Operating income	¥ 14,145	¥ 7,052	¥ 2,297	¥ 702	¥ 24,196	¥ (150)	¥ 24,046
Assets	¥ 117,398	¥ 70,710	¥ 157,985	¥ 26,567	¥ 372,660	¥ 82,977	¥ 455,637
Depreciation	¥ 5,470	¥ 74	¥ 571	¥ 114	¥ 6,229	¥ 5	¥ 6,234
Capital expenditure	¥ 5,939	¥ 41	¥ 995	¥ 531	¥ 7,506	¥ -	¥ 7,506

millions of yen							
For the year ended 31 <sup>st</sup> March, 2006							
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Sales and Operating revenue:							
Outside customers	¥ 197,468	¥ 14,208	¥ 26,636	¥ 2,843	¥ 241,155	¥ -	¥ 241,155
Inter-segment sales/transfers	648	990	14	5	1,657	(1,657)	-
Total	198,116	15,198	26,650	2,848	242,812	(1,657)	241,155
Costs and expenses	188,439	4,503	20,933	3,059	216,934	(917)	216,017
Operating income (loss)	¥ 9,677	¥ 10,695	¥ 5,717	¥ (211)	¥ 25,878	¥ (740)	¥ 25,138
Assets	¥ 88,974	¥ 114,020	¥ 218,011	¥ 29,646	¥ 450,651	¥ 92,483	¥ 543,134
Depreciation	¥ 4,457	¥ 40	¥ 674	¥ 182	¥ 5,353	¥ 518	¥ 5,871
Loss on impairment of fixed assets	¥ 2,327	¥ -	¥ 84	¥ 23	¥ 2,434	¥ 946	¥ 3,380
Capital expenditure	¥ 3,099	¥ 79	¥ 848	¥ 123	¥ 4,149	¥ 3,804	¥ 7,953

thousands of U.S. dollars (Note 1)							
For the year ended 31 <sup>st</sup> March, 2006							
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Sales and Operating revenue:							
Outside customers	\$ 1,681,003	\$ 120,948	\$ 226,749	\$ 24,204	\$ 2,052,904	\$ -	\$ 2,052,904
Inter-segment sales/transfers	5,513	8,431	123	44	14,111	(14,111)	-
Total	1,686,516	129,379	226,872	24,248	2,067,015	(14,111)	2,052,904
Costs and expenses	1,604,136	38,334	178,206	26,045	1,846,721	(7,810)	1,838,911
Operating income (loss)	\$ 82,380	\$ 91,045	\$ 48,666	\$ (1,797)	\$ 220,294	\$ (6,301)	\$ 213,993
Assets	\$ 757,421	\$ 970,630	\$ 1,855,891	\$ 252,369	\$ 3,836,311	\$ 787,289	\$ 4,623,600
Depreciation	\$ 37,944	\$ 340	\$ 5,738	\$ 1,548	\$ 45,570	\$ 4,406	\$ 49,976
Loss on impairment of fixed assets	\$ 19,813	\$ -	\$ 711	\$ 194	\$ 20,718	\$ 8,055	\$ 28,773
Capital expenditure	\$ 26,383	\$ 674	\$ 7,220	\$ 1,046	\$ 35,323	\$ 32,383	\$ 67,706

- (1) The assets of ¥88,105 million and ¥82,977 million at 31<sup>st</sup> March, 2004 and 2005, respectively included in the "Elimination and corporate" column mainly consist of the Company's working funds (cash and marketable securities), long-term investment funds (investment in securities) and other assets which belong to the administrative departments. The assets of ¥92,483 million at 31<sup>st</sup> March, 2006, included in the "Elimination and corporate" column mainly consist of the Company's working funds (cash and marketable securities), long-term investment funds (investment in securities) and other assets.
- (2) Unallocated costs and expenses in the "Elimination and corporate" column for the years ended 31<sup>st</sup> March, 2004 and 2005 were ¥143 million and ¥150 million, respectively. These costs were incurred as expenses relating to administrative departments. Unallocated costs and expenses in the "Elimination and corporate" column for the year ended 31<sup>st</sup> March, 2006 were ¥3,503 million. Those costs represented expenses of ¥69 million relating to administrative departments prior to the separation of 1<sup>st</sup> October, 2005, and costs of ¥3,434 million generated by the Company following the separation.
- (3) "Depreciation" and "Capital expenditure" include long-term prepayments, deferred charges and their amortization.
- (4) For the year ended 31<sup>st</sup> March, 2005, decrease of "Assets" in "Computer services" segment was mainly due to exclusion of Bellsystem24 and Nextcom from consolidation.

(Change in accounting policies)

Effective 1<sup>st</sup> April, 2005, the accounting policy of the prepaid card sales segment changed. As a result, "Sales and operating revenue" of the prepaid card sales segment decreased by ¥58,425 million compared with the results that would have been achieved under the former method, "Costs and expenses" decreased by ¥57,500 million, and "Operating income" decreased by ¥925 million (See Note 2(21) b).

Segment information for geographic locations is omitted for each of the three years in the period ended 31<sup>st</sup> March, 2006 since total assets and sales for "Japan" segment exceeded 90 percent of total assets and sales in each of such years. Information regarding overseas sales were omitted for each of the three years in the period ended 31<sup>st</sup> March, 2006 since total overseas sales was less than 10 percent of consolidated total sales in each of such years.

## 31. Subsequent events

### Stock-based compensation plans

The new stock-based compensation plan was approved at the annual general meeting of shareholders held on 28<sup>th</sup> June, 2005. The outline of the plan is as follows:

Persons qualified	Number of shares of common stock *	Exercise price	Exercise period
Directors, executive officers, employees, directors of subsidiaries, executive officers of subsidiaries and employees of subsidiaries	Maximum 1,150,000	All options are exercisable at the market price of the grant date.	From 1 <sup>st</sup> July, 2006 to 30 <sup>th</sup> June, 2009

\*In common with the above plans, the exercise price is subject to adjustment when there are stock splits, share consolidations, additional shares issued at a price less than the market price per share, amalgamations, or corporate splits.

## 32. Additional information

### Tax adjustment

On 1<sup>st</sup> August, 2005, the Tokyo Regional Taxation Bureau notified CSK HOLDINGS CORPORATION ("the Company") and its consolidated subsidiary CSK FINANCE CO., LTD of a corporate tax adjustment relating to the appraisal value of subsidiary companies involved in the Group reorganization for the fiscal year ended 31<sup>st</sup> March, 2004.

The Company and its consolidated subsidiary do not accept the basis for this adjustment, and on 9<sup>th</sup> August, 2005 lodged an objection with the Tokyo Regional Taxation Bureau. At this stage the Company are not in receipt of any reply from the Tokyo Regional Taxation Bureau to our written statement of opposition.

If all the elements of the tax adjustment notification were reflected in the consolidated financial results for the fiscal year ended 31<sup>st</sup> March, 2006, the impact would be to reverse the Company's deferred tax assets by approximately ¥2.1 billion, and require tax payment by the consolidated subsidiary of approximately ¥4.0 billion. The consolidated subsidiary paid approximately ¥4.0 billion of its corporate tax liabilities at the fiscal year, and this amount has been included in the "Others" of "Current assets" on the consolidated balance sheets.

**Report of Independent Auditors**

To the Board of Directors of CSK HOLDINGS CORPORATION

We have audited the accompanying consolidated balance sheets of CSK HOLDINGS CORPORATION and its subsidiaries as of 31<sup>st</sup> March, 2004, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CSK HOLDINGS CORPORATION and its subsidiaries as of 31<sup>st</sup> March, 2004, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(21)b, effective for the year ended 31<sup>st</sup> March, 2006, CSK HOLDINGS CORPORATION's subsidiary changed the accounting policy for prepaid card sales.

As described in Note 2(26), effective for the year ended 31<sup>st</sup> March, 2006, CSK HOLDINGS CORPORATION and its subsidiaries adopted new accounting standard for impairment of fixed assets and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets.

As described in Note 32, a corporate tax adjustment was described as contingency.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.



28<sup>th</sup> June, 2006





## CSK HOLDINGS CORPORATION

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## CSK Group Companies

### CSK SYSTEMS CORPORATION

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
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### JIEC Co., Ltd.

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### CSK Network Systems Corporation

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### CSI SOLUTIONS Corporation

Sumitomo Fudosan Shinjuku Oak Tower,  
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### ISAO CORPORATION

SOWA Gotanda Bldg. 3F,  
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Tokyo 141-0022, Japan  
TEL: +81-3-5449-8450  
<http://www.isao.co.jp/>  
<http://www.isao.net/>

### CSK SYSTEM MANAGEMENT CORPORATION

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6-8-1, Nishi-Shinjuku, Shinjuku-ku,  
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### FUKUOKA CSK CORPORATION

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Fukuoka 810-0001, Japan  
TEL: +81-92-724-3311  
<http://www.fukuoka-csk.co.jp/>

### SUPER SOFTWARE COMPANY LTD.

Nishi Shinjuku Mitsui Bldg. 18F,  
6-24-1, Nishi Shinjuku, Shinjuku-ku,  
Tokyo 160-0023, Japan  
TEL: +81-3-5322-8411  
<http://www.supersoft.co.jp/>

### CSK WinTechnology Corporation

Nishi Shinjuku Mitsui Bldg. 20F,  
6-24-1, Nishi Shinjuku, Shinjuku-ku,  
Tokyo 160-0023, Japan  
TEL: +81-3-3343-2500  
<http://www.cskwin.com/>

### HOKKAIDO CSK CORPORATION

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Sapporo 060-0001, Japan  
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## CSK SYSTEMS (SHANGHAI) CO., LTD.

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Guang Dong Road, Shanghai, China  
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<http://www.cskchina.com/>

### ServiceWare Corporation

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
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TEL: +81-3-6438-4860  
<http://www.serviseware.co.jp/>

### ServiceWare Kyushu Corporation

1010, Kawara, Kawara-cho, Tagawa-gun,  
Fukuoka 822-1406, Japan  
TEL: +81-947-32-9200  
<http://www.serviseware-kyushu.co.jp/>

### CSK Communications Corporation

1-3-4, Tsubogawa, Naha-shi,  
Okinawa 900-0025, Japan  
TEL: +81-98-840-4000  
<http://www.cco.co.jp/>

### Fukui CSK Corporation

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### SHIMANE CSK Corporation

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### IWATE CSK CORPORATION

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### OITA CSK CORPORATION

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### VeriServe Corporation

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TEL: +81-3-5909-5700  
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### CSK Securities Service Co., Ltd.

Nihombashi Honcho Tokyu Bldg.,  
2-4-1, Nihombashi Honcho, Chuo-ku,  
Tokyo 103-0023, Japan  
TEL: +81-3-3244-6610  
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### CSK FIELD SERVICES CO., LTD.

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### BUSINESS EXTENSION CORPORATION

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## CSK BUSINESS SERVICE CORPORATION

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### CSK Marketing Corporation

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### CSK SYSTEMS (DALIAN) CO., LTD.

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### CSK FINANCE CO., LTD.

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### CSK VENTURE CAPITAL CO., LTD.

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### Plaza Asset Management Co., Ltd.

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### CSK PRINCIPALS CO., LTD.

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### Cosmo Securities Co., Ltd.

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### QUO CARD Co., Ltd.

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### Tokyo Green Systems Corporation

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<http://www.tgs.co.jp/>

### CSK Green Service Corporation

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TEL: +81-3-6438-4121  
<http://www.csk-green.co.jp/>

### CSK Institute for Sustainability, Ltd.

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**Company Name** CSK HOLDINGS CORPORATION  
**Established** October 7, 1968  
**Stock Listing** First Section of Tokyo Stock Exchange (Listed on March 1, 1985)

**Total Number of Employees** 9,878 (Consolidated)  
**URL** <http://www.csk.com/>

**Transfer Agent and Registrar** The Sumitomo Trust & Banking Co., Ltd.  
Head Office: 4-5-33, Kitahama, Chuo-ku, Osaka 540-8639, Japan  
Tokyo Stock Transfer Agency Department: 1-4-4, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan  
Mailing Address: 1-10, Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan  
<http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

## Website Information

[http://www.csk.com/ir\\_e/](http://www.csk.com/ir_e/)

We maintain a comprehensive website to provide shareholders and investors with up-to-date, detailed IR information. Material available at this site includes the following:

### •CEO Message

Greetings from President and Chief Executive Officer, Yoshito Fukuyama

### •Strategy

CSK Group's business strategies and initiatives

### •IR NEWS

- Press Releases: Recent and archived IR information
- Event: Materials and presentations from recent IR events
- Calendar: A full calendar of IR activities scheduled for the year
- Group News: CSK Group IR information and links to websites of individual Group companies

### •Financials

Key financial data, including financial results, annual reports and other publicly announced materials

### •Shareholders Information

Stock Information, distribution of stocks, distribution of stockholders, dividends policy

### •Stock Performance

Market information provided by MarketViewer®  
(MarketViewer® is a financial distribution service provided by Group subsidiary CSK Securities Service CO., Ltd.)

### •IR Library

Centralized location to select and download data and IR materials





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