



CSK HOLDINGS CORPORATION

ANNUAL REPORT 2007

Entering the Second Stage  
of Business Transformation

## 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 technology services such as systems integration and management, business services such as BPO (Business Process Outsourcing) 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 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.

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### Disclaimer

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# Financial Highlights

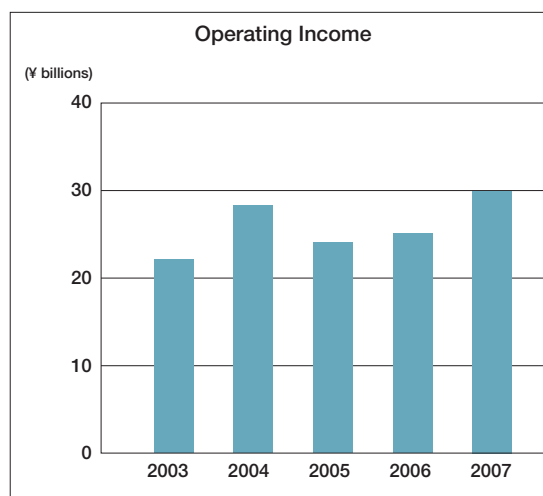
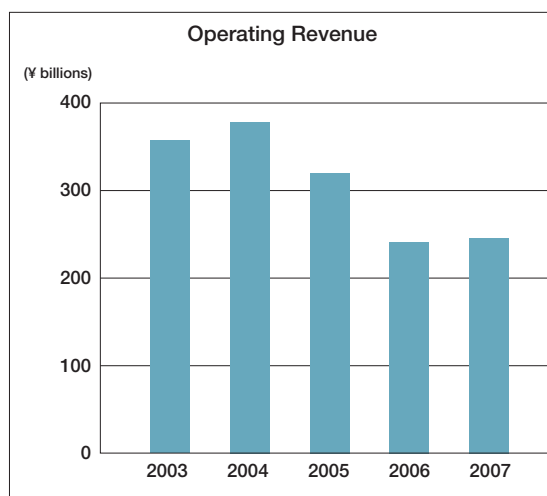
CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
For the years ended March 31st, 2003, 2004, 2005, 2006 and 2007

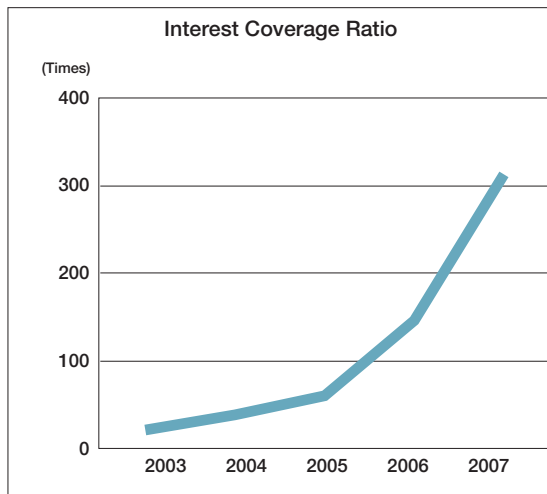
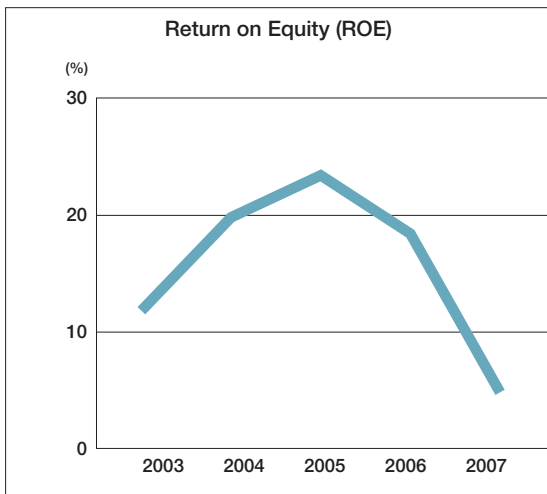
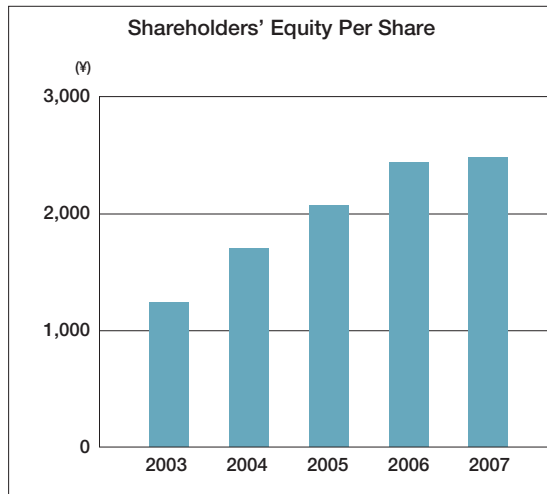
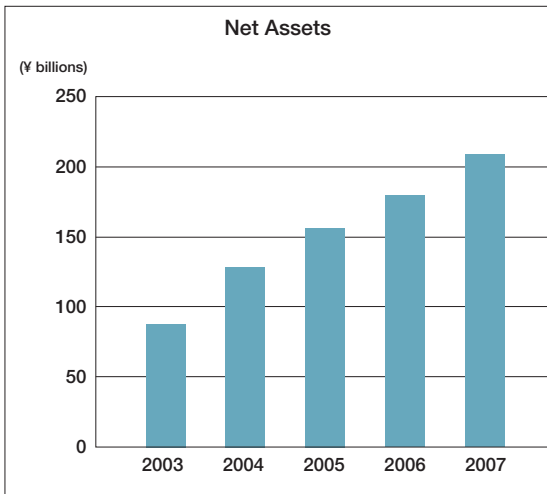
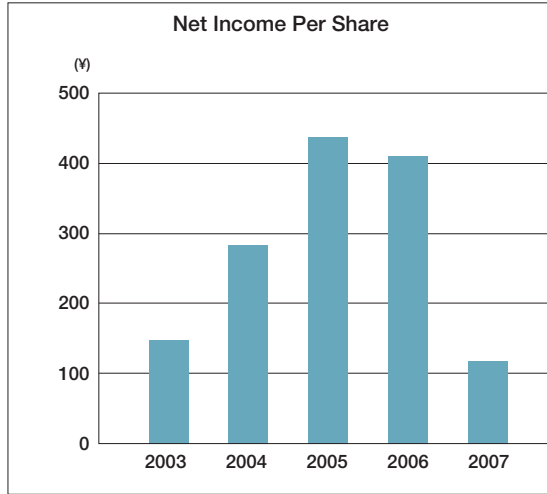
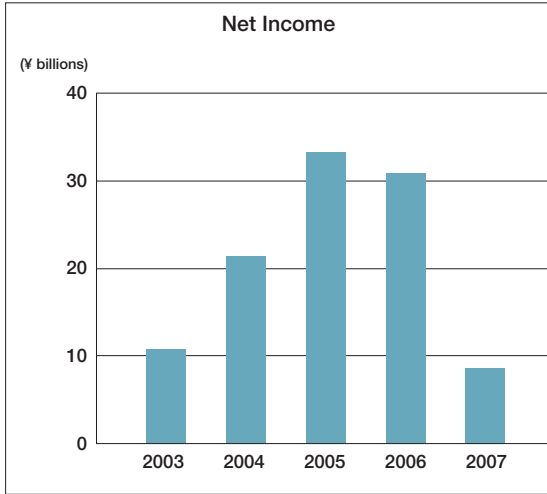
	millions of yen					thousands of U.S. dollars (Note 3)	
	2003	2004	2005	2006	2007	2007	
<b>For the year:</b>							
Operating revenue .....	¥357,505	¥378,473	¥319,994	¥241,155	<b>¥245,982</b>	<b>\$2,083,708</b>	
Operating income .....	22,093	28,290	24,046	25,138	<b>29,905</b>	<b>253,323</b>	
Income before income taxes and minority interests .....	1,170	38,723	64,200	52,786	<b>30,713</b>	<b>260,168</b>	
Net income .....	10,782	21,424	33,343	30,875	<b>8,679</b>	<b>73,522</b>	
<b>At year-end:</b>							
Total assets .....	345,167	375,991	455,637	543,134	<b>577,295</b>	<b>4,890,256</b>	
Net assets (Note 1) .....	87,872	128,686	156,485	179,824	<b>208,775</b>	<b>1,768,534</b>	
Interest-bearing debt .....	112,394	103,349	137,047	159,424	<b>192,665</b>	<b>1,632,064</b>	
Working capital .....	(7,280)	87,933	134,688	172,802	<b>181,958</b>	<b>1,541,369</b>	
	yen					U.S. dollars (Note 3)	
<b>Per share (Note 2):</b>							
Net income .....	¥ 148.25	¥ 283.85	¥ 437.31	¥ 410.52	<b>¥ 117.35</b>	<b>\$ 0.99</b>	
Diluted earnings .....	144.03	273.91	412.04	387.98	<b>105.60</b>	<b>0.89</b>	
Cash dividends .....	12.00	15.00	17.00	40.00	<b>40.00</b>	<b>0.34</b>	
Shareholders' equity .....	1,237.10	1,702.47	2,072.02	2,437.08	<b>2,479.33</b>	<b>21.00</b>	
<b>Total outstanding shares</b> .....	<b>74,703,064</b>	<b>76,538,663</b>	<b>76,733,284</b>	<b>77,791,992</b>	<b>78,437,124</b>	<b>—</b>	

Notes: 1. In calculation of net assets, we have been applying the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" since the fiscal year to March 2007.

2. Per share amounts are in exact yen.

3. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.05=US\$1.00.





\*Not including credit transaction liabilities in the securities business.



## Message from the CEO



## To Our Shareholders

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CSK Group is now in its second year since shifting to a holding company structure. The Group is currently moving from the stage of defining its future business strategy and developing new management frameworks, and entering a new period of all-out focus on increasing the speed of business transformation.

Our customers' IT service needs have been undergoing a sea change of late. In the past they mainly needed support for IT itself, whereas now they require a much broader range of assistance, including in areas closer to business management. They are seeking ways to combine IT and business processes, overhaul their existing business processes, and establish innovative business models that give them a clear competitive advantage. The conventional IT services industry is maturing, and the days of sustained high growth are gone. Anticipating the industry's new realities, CSK Group is transforming its business structure to become a service provider group using IT strengths—aiming to create new services that add value for our customers and society.

On July 1, 2007, CSK Group carried out a comprehensive Group reorganization. The reorganization will enable Group companies to focus more on core competencies, and speed up and optimize decision-making processes. As a result we will see smoother cooperation between Group companies—cooperation that plays to each Group company's strengths—enabling the Group as a whole to cater more flexibly to customers' needs. We will continue to actively allocate resources to our strategic business domains—finance, communications and healthcare—and establish new business models to serve as springboards for our quantum leap to becoming a service provider.

CSK Group intends to pursue sustainable overall Group growth by maintaining its focus on providing services based on accurate understanding of customer needs. Through highly transparent Group management, we aim to increase corporate value and live up to the expectations of our shareholders by contributing to the development of industry and society as a whole.

We look forward to your ongoing interest and support.

福山義人

Yoshito Fukuyama  
President and Chief Executive Officer  
August 2007

## The Second Stage of Business Transformation to Becoming a Service Provider

Having put in place strong foundations under a holding company structure, we are now starting to see results from our efforts to develop business *using our IT strengths to become a service provider.*

Highlights of an interview with President and CEO Yoshito Fukuyama are presented herein.





**For some time now you have referred to the maturation of the IT services industry. Given this situation, what approach does CSK Group need to take?**

I have indeed been noting the maturing trend in the IT services industry for several years, and I think there is now fairly wide acceptance of this view throughout the industry. The background to this trend is the commoditization of IT services and the way in which IT has become part of the social infrastructure. Because IT has become such an integral part of society and business, corporate investment in IT is no longer a “special” investment; it is now treated in much the same way as other investment, with the same need for a clear investment benefit. The previous service model of providing IT itself is still destined to involve price competition, and a decline in profitability is unavoidable.

Currently, many IT services companies are operating on a model of providing customized services for individual users, but we are now starting to see the diffusion of a business model in which a standardized system is provided to multiple users through a network. An example of this is SaaS<sup>1</sup>. My feeling is

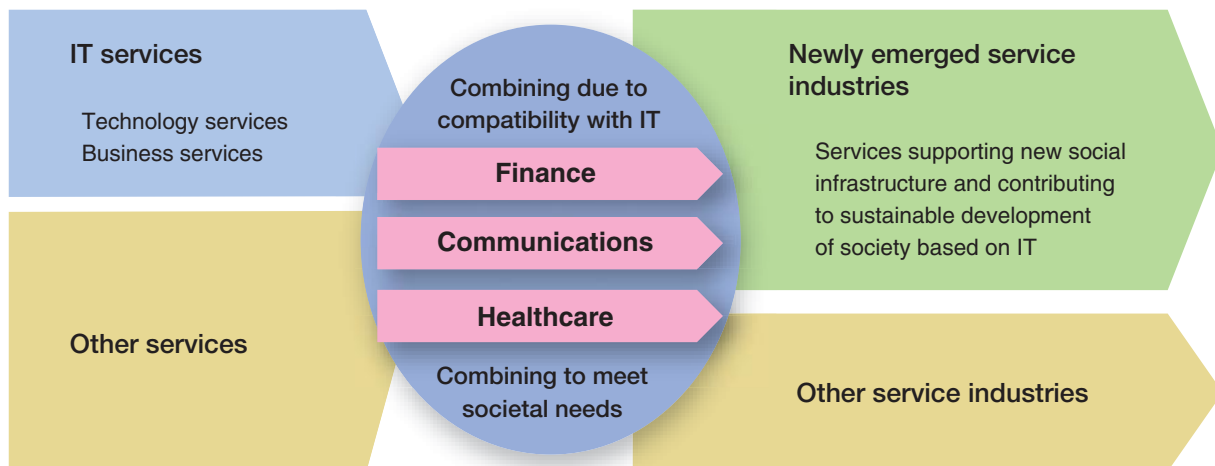
that trying to achieve sustainable business expansion under the traditional business model is now impossible. So within CSK Group, we need to take the SaaS business model and service delivery approach.

My thinking is to integrate the IT services industry with services in completely different areas, thereby bringing about a transformation into a new service industry. The commoditization of IT, and its incorporation into social infrastructure, is stimulating the development of BPO services and other peripheral operations, and at the same time contributing to the development of more stable and convenient services in other sectors due to the active adoption of IT. This means that two industries, in turning toward the integration of their operations in this way, can give birth to new service businesses. Our aim with CSK Group is to become a leading company in this new service industry, using our IT strengths to become a service provider.

We have identified three domains—finance, communications, and healthcare—as strategic priorities for developing our operations through this kind of service integration, and we are concentrating CSK Group investment in those areas.

<sup>1</sup>: Software as a Service: A service structure in which software applications are shared through a network.

**CSK Group’s Future Vision of IT Services Industry**



## CEO Interview

The Second Stage of Business Transformation to Becoming a Service Provider

### CSK Group has entered the second stage of its business transformation. What is the aim of this reorganization?

The first stage in CSK Group's business transformation was shifting to a holding company system, pursuing a new business model as a service provider and enhancing the group management structure. Although we are beginning the second stage from this year, our medium-term strategic policy is unchanged. Our objectives under this plan are to:

1. Accelerate our development as a service provider business
2. Further strengthen our technology services domain
3. Develop financial services related business into a stable profit base and enforce a thorough risk management system

Under the second stage of our transformation, we have begun reorganizing group companies in order to create an environment that facilitates the creation and fostering of new businesses and enables us to provide service provider businesses. We are working to bring together related functions and optimize scale, and establishing a system through which we can respond flexibly to customer needs. We are also enhancing our group information infrastructure and promoting Group-wide sharing of administrative functions in order to strengthen our management infrastructure.

One of our actions has been to reorganize three companies—CSK SYSTEMS CORPORATION, CSK Network Systems Corporation, and CSK FIELDSERVICES CO., LTD.—into four companies, as of July 1, 2007. In pursuing business as a service provider, data center functions are the vitally important piece of infrastructure. Because of this, the most significant

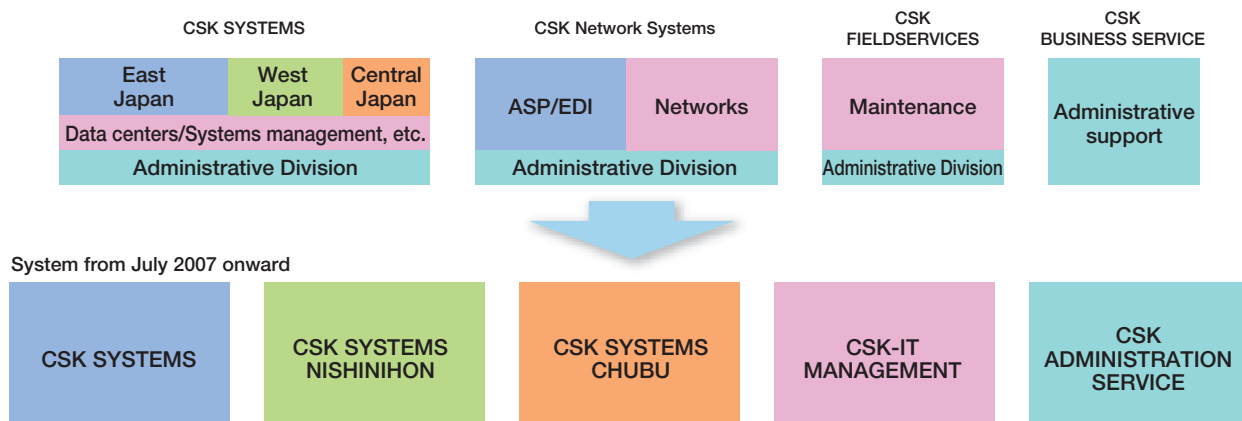
aspect of our business reorganization is the integration of our data center, systems management and maintenance functions into a single entity, the newly established CSK-IT MANAGEMENT CORPORATION. This company now encompasses CSK Group's service infrastructure functions, through the combination of ServiceWare Corporation, CSK Communications Corporation (CCO), and CSK Marketing Corporation.

CSK SYSTEMS, which is the core company for the promotion and reform of CSK Group IT services business, has been divided into two additional regional companies, CSK SYSTEMS NISHINIHON CORPORATION and CSK SYSTEMS CHUBU CORPORATION, with the objective of enabling more dynamic management through a structure that is closely aligned regionally. Further, the staff divisions of CSK SYSTEMS, CSK Network Systems and CSK FIELDSERVICES are being concentrated in CSK BUSINESS SERVICE CORPORATION, which is then being reorganized as CSK ADMINISTRATION SERVICE CORPORATION to include head office staff functions and operate as an efficient, effective, specialist entity.

### What do you see as the advantages and challenges presented by this reorganization?

By clarifying the role of each company by function and business theme, it becomes easier to leverage the characteristics of each, while through close cooperation between the companies we can respond to the market more flexibly as a group. However, we certainly don't consider our reorganization to have ended with this. On the contrary, we fully expect to continue in this regard. These companies are currently starting to develop functional service provider businesses, and it is reasonable to expect that it will make sense to separate some of these

### Group Reorganization



businesses in the future. Another scenario we can envisage would be for external companies to become part of CSK Group.

For us to make a success of this kind of major transformation, the attitude and awareness of everyone in our organization becomes more important than ever. Rather than viewing the market or our company only in terms of the job in front of us, we each have to take a much more visionary, “big picture” approach.

We have judged that our customers’ needs are changing, and have set about reorganizing CSK Group to create a structure that can meet these needs. We have to be constantly aware that within the scope of our individual work responsibilities we must also act flexibly in line with these changes. I firmly believe that inculcating this reform of awareness among employees is an important task for the management team.

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### **What results have begun to emerge from your transition to a service provider?**

First I will talk about what we are doing as a service provider in the financial sector.

As the major trend in finance is the shift from savings to investment, regional banks are moving to set up securities subsidiaries. Anticipating these needs, in January 2007 we established CSK-RB SECURITIES CORPORATION, a company offering comprehensive securities services. CSK Securities Service CO., Ltd. already offers securities systems to online brokers and smaller securities houses, and is developing business in areas including securities operations BPO, sales and education support, contact center services and financial data ASP business. Our intention is to match our comprehensive securities services to a variety of customer needs, offering CSK-RB SECURITIES as a service gateway to regional financial institutions. Our competitive edge is being able to comprehensively provide consulting, systems, and operations BPO. We have already commenced securities-related consulting with a number of banks, and feel we are receiving a positive response to our services.

Another example of service provider business is the joint e-commerce service platform CSK PRESCENDO CORPORATION, that we have started with Xavel, Inc. owner of the largest mobile commerce site in Japan. Through this new company we offer system services including e-business system consulting, and fulfillment services that deputize for all necessary functions related to online shopping services. As the e-commerce market continues its major expansion, only a small number of companies are in a position to be able to fuse higher dimension IT systems and back office operations, and offer them in a comprehensive package. This really puts these companies in the spotlight. We will offer the track record and expertise of CSK PRESCENDO to companies



looking to succeed in e-commerce.

(For further information concerning CSK Group's service provider business, please see pages 14 and 15.)

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### **The key to your pursuit of business transformation is personnel. What is your thinking in this area?**

In order for CSK Group to realize this transformation it is undertaking in a smooth manner and continue to grow, it is vital that we allocate the right personnel to run each business, in the right manner and at the right time. In order to do so, CSK Group positions the application and cultivation of personnel as a top priority issue, and is considering overall Group-focused personnel development programs.

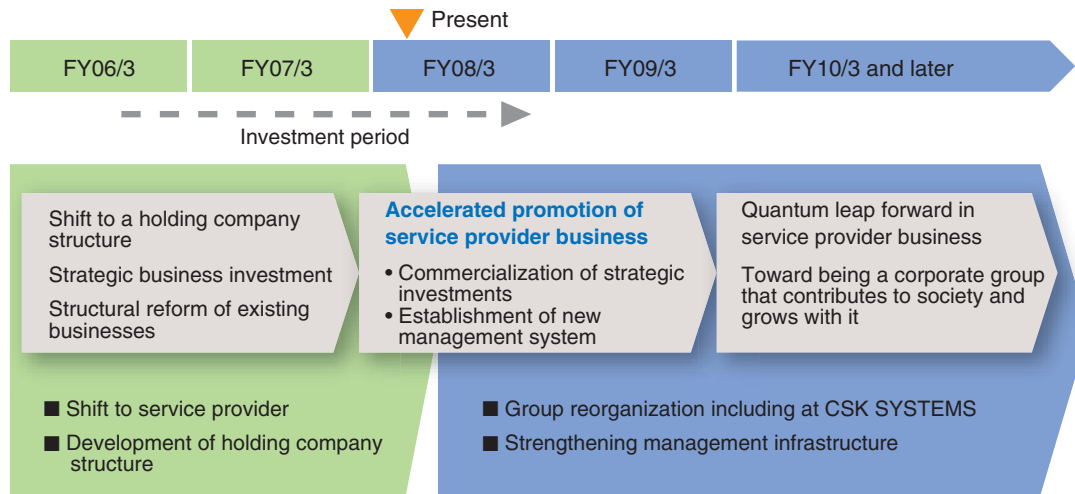
To develop system engineers, for example, who are the mainstay of the technological capabilities that form the foundation of the IT services business, we have put in place a systematic technological education program through which we can quietly but consistently develop talent. To develop the managerial layer responsible for our worksite operations, we are currently clarifying the various skills areas required at each business area, and will create a systematic education system as a management program.

To develop managers of our 30-plus CSK Group companies, meanwhile, we aim to appoint promising young staff with the potential to lead subsidiaries or smaller group companies, and will take initiatives to develop these individuals through exposure to a variety of experiences.

## CEO Interview

The Second Stage of Business Transformation to  
Becoming a Service Provider

### Roadmap and Medium-term Strategic Plan



#### What are you doing in terms of achieving sustainable growth for CSK Group?

IT is an important part of the infrastructure of society and of companies, and is indispensable if we are to realize the sustainable development of society. We believe it is important to build trust-based relationships with our stakeholders, including customers, shareholders, business partners, employees and regional communities in which we operate, and contribute to society through highly transparent management.

In 2006 we established CSK Institute for Sustainability, Ltd. (CSK-IS) to conduct research into the fundamental question: "What is required in the age of sustainability?" We aim to link this research theme with Group business, and connect it to our social contributions, by actively making proposals to society. Furthermore, we completed construction of the CSK Tama Center in Tama City, Tokyo, in May 2007. This facility will serve as a production base for the green business of Tokyo Green Systems Corporation and CSK Green Service Corporation, companies established with the objective of employing persons with disabilities. We believe that by expanding the business of these two companies, we will be able to provide more working opportunities for persons with disabilities.

#### Can you comment on your business results for the year to March 2007 and the outlook for the year to March 2008?

Sales for the year to March 2007 increased 2.0% year on year to ¥245.98 billion. This was mainly due to sound performance in business services of our IT services business, along with the expansion of financial services business and prepaid card business.

Operating income increased 19.0% to ¥29.90 billion. In addition to the aforementioned factors, this result was influenced by improved profitability in the IT services business, and lower R&D costs. Similarly, ordinary income increased 14.2% to ¥30.81 billion. Both operating income and ordinary income were the highest on record.

Net income for the year under review was ¥8.67 billion, a 71.9% decrease compared to the previous period. There were two major reasons. First, the outcome this year reflects the absence of an extraordinary gain recorded in the previous year from the sale of investment securities. Second, we also recorded an extra ¥6.21 billion in corporate taxes for the previous period due to a receiving a tax correction notice from the tax authorities ordering us to pay additional tax. We accounted for this ruling conservatively, based on the financial audits published in March 2007. There is no change in our plan to seek that this order be revoked.



For the year ending March 31, 2008, we expect continued strong demand for IT investment, mainly from the financial industry, with strong performance anticipated in both technology services such as systems integration and business services including BPO. As a result we are forecasting a 5.7% increase in sales.

At the operating income and ordinary income levels, costs will be incurred relating to the start up of new companies in business services, and forward-looking costs will emerge in relation to data centers designed to support business expansion. However, because improved profitability in technology services will make a major contribution to performance, we expect the overall IT services business to experience a significant rise in earnings. We also expect our financial services business, securities business and prepaid card business to continue to make stable contributions to profits. Based on these factors, operating income and ordinary income are each expected to rise by 10.4%, reaching record highs.

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### **And finally, what message do you have for shareholders and investors?**

I believe that as a listed company, the most important aspect of returns to shareholders is producing profits on a definite basis each year, and achieving sustainable growth. By increasing profits, it becomes possible to undertake activities

designed to produce new investment opportunities and contribute to the development of society, which as a result serve to raise corporate value.

It is now 39 years since Isao Okawa, our founder, established Computer Services Corporation. At present, with the Internet having spread to the extent that it is a familiar fixture in most people's lives, customer needs are no longer purely for IT technological capabilities. The challenge now is finding how IT can be integrated into business operations in order to reform current business processes or develop new business models. IT is now firmly within the realm of management responsibility. The current IT services industry is maturing, and there is little hope for the future if we stay with the same kind of business activities we have pursued so far. That is why we are transforming the entire CSK Group business model, and aiming to become a partner contributing to the maximization of value of our customers.

As a company aiming to generate consistent growth, we need to continue to respond flexibly to the changing needs of the market and our customers. I sincerely ask for the continued support of our shareholders and investors as we make every effort to do so.



# The Service Provider Business

CSK Group has entered the second stage of business transformation toward becoming a service provider using IT strengths. We explain the new business models we are aiming to pursue and the system for providing customers with the best possible services as a service provider group. We also introduce service provider business initiatives currently taking shape.

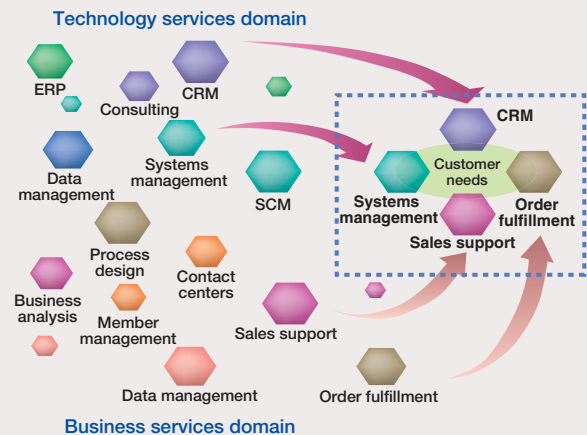
## Steps for Becoming a Service Provider

In the IT services business, we are providing a truly diverse range of services, including systems integration and systems management, analysis and design of various kinds of business processes, and BPO services using contact centers. CSK Group positions each of these services as functional components for creating services as a service provider.

### STEP 1 Integration of Services Based on Customer Needs

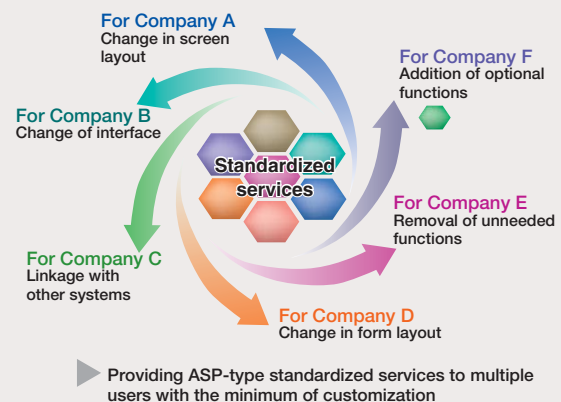
Customers' interests are shifting from IT itself to securing competitive advantage by establishing differentiated business models combining IT and business processes. By accurately understanding these changing needs and comprehensively providing the services our customers need, we aim to maximize our business opportunities and support the sustainable growth of our customers.

For instance, to meet one customer's needs we have integrated CRM, systems management, sales support and order fulfillment services to create a combined new service. Such combined services will be the starting point for becoming a service provider. When we are able to provide such combined services to multiple companies in the same industry—or similar combined services to different industries—we will be making progress toward standardized services.



### STEP 2 Creation of a New Service Platform

Once a service is standardized to the extent that it can be provided to multiple customers, we will have created one service provider business model for given industries or business processes. By doing so, and through each Group company starting to combine their businesses to provide the functions supporting the new services, Group synergies in the true sense will be created, and we will be able to recreate CSK as a service provider group.





CSK Group's business transformation is enabled by the distinctive strengths and unique capabilities it has acquired over the years. These include its established, solid and trusting customer base, the expertise Group companies possess in a wide range of fields, capability and experience in applying IT expertise in various business processes, and the capacity to develop services from our industry-leading contact center business.

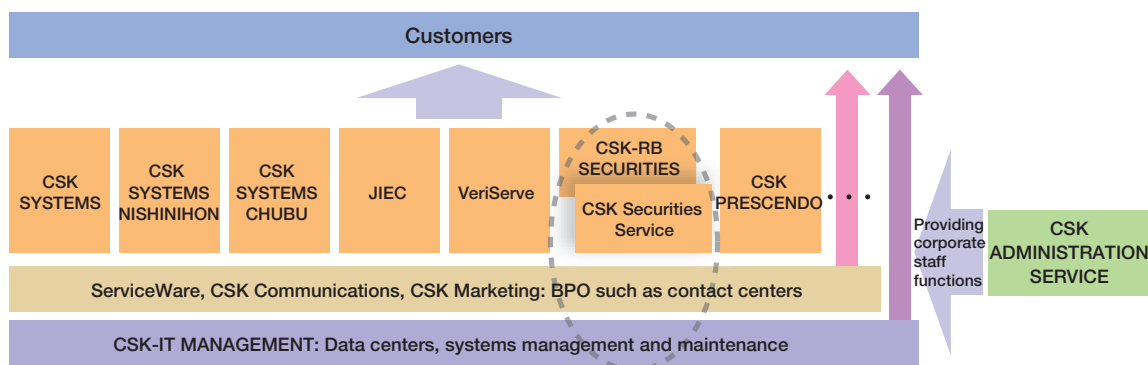
The Group also has the financial strength enabling upfront investment. The service provider business model requires the funds for initial investment enabling the establishment of services including systems at the outset. Since investment financing is paid back over a number of years while providing continuous services to multiple customers, successfully operating this business requires a sizable amount of funds. Our strength is that we have enough financial strength to make investments, and this is what differentiates us conclusively from the majority of other IT service providers. We are aiming to shift from flow-type business, where our involvement stops at delivery of the systems to customers, to stock-type business, where we continuously provide standardized services to individual customers and receive recurring service fees.

## Developing a System for Providing Service Provider Business

CSK Group needs to combine extremely high-level business expertise with IT service expertise in order to achieve its target of becoming a service provider using IT strengths. It has therefore become crucial that Group companies make their strong areas even stronger, while at the same time closely cooperating with one another. Our recent Group reorganization including at CSK SYSTEMS aims to centralize related existing Group capabilities and optimize scale, and develop a Group system that leads to greater expertise and more efficient management due to faster and more appropriate decision-making.

Specifically, Group companies that are reorganized together according to given capabilities or themes will take the lead in providing services, and companies with business operation capabilities or contact center capabilities, as well as companies with data center, systems management and maintenance capabilities, will support them by functioning as service infrastructure. Successfully creating this kind of service provision system will enable us to respond flexibly to changing markets and customer needs.

### Creating a System for Providing Service Provider Business





# 1

## Developing Service Provider Business

### • CSK Securities Service CO., Ltd. and CSK-RB SECURITIES CORPORATION

#### Supporting Regional Financial Institutions' Securities Business

CSK Group positions the finance sphere as one of its strategic business domains and a focus area for resource allocation. As part of this strategy, we started CSK Securities Service in April 2005 to provide full support for securities business processes. Then, in January 2007, we established CSK-RB SECURITIES, which is tasked with working with CSK Securities Service to provide comprehensive securities services, and helping regional financial institutions to grow their securities business.

Today's financial industry is characterized by a steadily greater willingness among individuals to tolerate risk when it comes to managing their assets. This is being driven by further advances in the shift from savings to investment advocated in the Program for Further Financial Reform, increasing numbers of individual investors and rapid rises in the net asset balances of investment trusts. Moreover, in anticipation of the shift to a paperless shares system scheduled to take place from January 2009, we are already seeing a fierce scramble to stake out a share of the new market being created by the need to register individually held shares. Regional financial institutions such as regional banks are now hurriedly pressing forward with full-scale initiatives for providing comprehensive securities services with securities business as the central offering.

In the past, CSK Group mainly provided financial institutions with technology services. Now, however, we are aiming to develop more stable and mutually beneficial collaborative alliances, by being fully involved in the securities business—a critically important business for financial institutions.

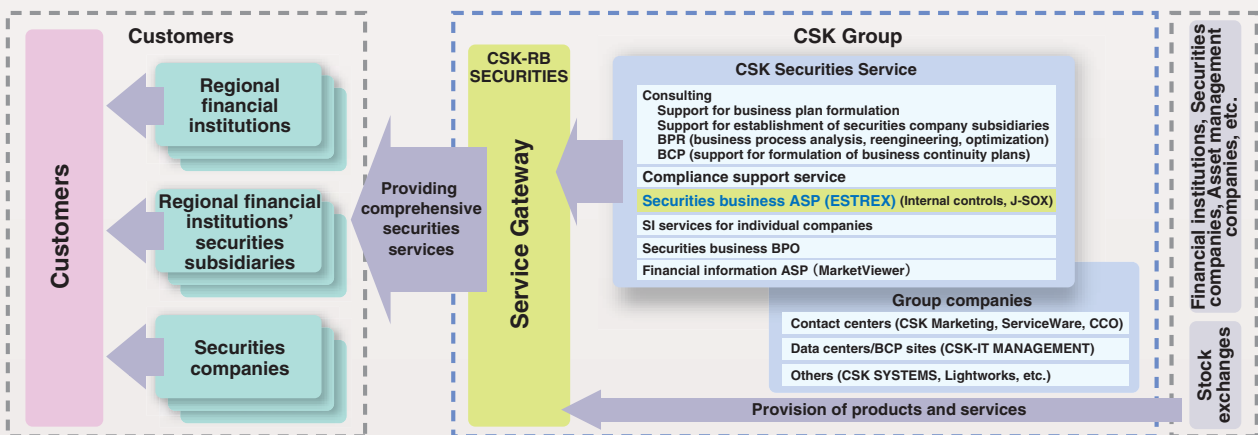
#### A Gateway for Securities Business

In this context, CSK-RB SECURITIES will function as a service gateway for regional financial institutions, offering comprehensive securities services. CSK-RB SECURITIES will bring together and provide the full range of CSK Group's current securities services, including support for the establishment of securities subsidiaries by regional financial institutions, product planning and supply, marketing and training support, securities systems, securities business BPO, and financial information ASP. CSK-RB SECURITIES has already received numerous inquiries about its services and negotiations are underway with several potential customers.

The new securities system, ESTREX, currently being developed by CSK Securities Service, is a state-of-the-art system designed for use not only by regional banks but also by online brokers and small and medium-sized securities companies. The back office systems for the new system have already been completed, and development of the front office systems is progressing smoothly.

CSK Securities Service and CSK-RB SECURITIES will join forces to create new markets in the financial industry by meeting customers' new needs.

#### Comprehensive Securities Services at CSK Securities Service and CSK-RB SECURITIES



## Developing Service Provider Business

# 2

### • CSK PRESCENDO CORPORATION

#### Providing Fulfillment Services in the Direct Sales Field

A new development in the service provider business is the establishment of CSK PRESCENDO to provide comprehensive e-commerce related services. CSK PRESCENDO is a joint venture between CSK HOLDINGS and Xavel, Inc. that provides e-commerce sales planning and branding using the Internet and the media.

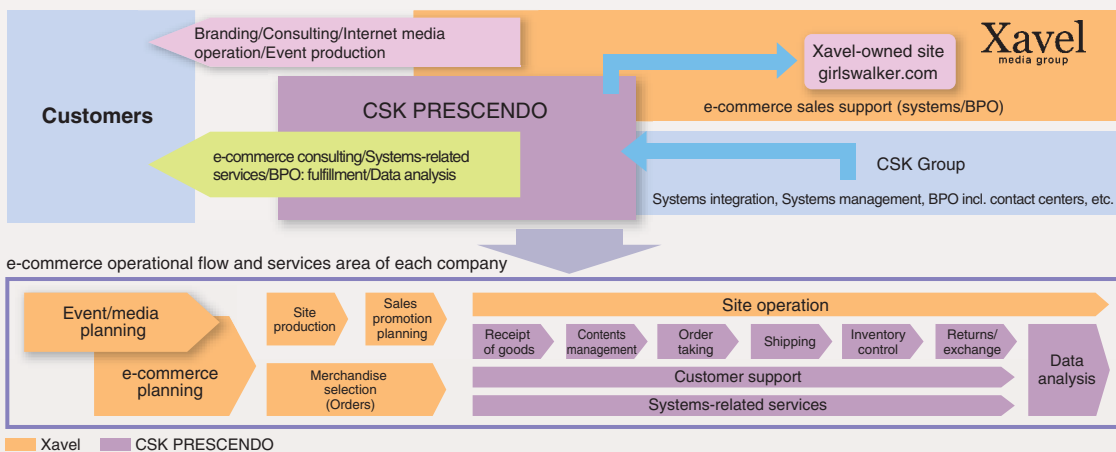
CSK Group will consolidate in the new entity all the expertise it has acquired through past involvement with Xavel and in e-commerce in general. Xavel group, meanwhile, will outsource to CSK PRESCENDO fulfillment operations encompassing back office processes ranging from processing of product orders to delivery. We aim to develop a win-win alliance, by combining CSK Group's knowledge infrastructure in systems integration, systems management, and BPO services, and Xavel's strengths in media operation and planning capabilities for segmentation, targeting and positioning (STP) strategy.

#### Pioneering New e-Commerce Markets

CSK PRESCENDO is involved in two main business types. The first is systems-related services, which include consulting for e-commerce systems and systems ASP services. The second is fulfillment services, which encompass receipt of goods, contents management, order taking, shipping, distribution, customer support and data analysis. We aim to raise convenience and support the growth of new entrants and existing players in the e-commerce field, through stable provision not only of systems but also of all other back-yard operations.

The defining characteristic of these fulfillment services is that they include data analysis. The results of data analysis are compared with hypothetical data to provide feedback for planning. By repeatedly conducting the analysis cycle for various types of data, CSK PRESCENDO itself will be able to accumulate expertise. In the future, CSK PRESCENDO aspires to be involved in a broader spectrum of business processes using data analysis, including planning areas such as marketing and promotional plans.

#### Fulfillment Services in the Direct Sales Field



#### Xavel, Inc.

Xavel operates *girlswalker.com*, a mobile portal site with around seven million female subscribers to its mobile email magazine—the largest number of subscribers to such a site in Japan. Xavel leverages its media mix strategy combining mobile, personal computer and actual event components to serve as a leader in the fashion and beauty spheres in Japan.

## IT Services Business

**78%**  
IT Services Business

Sales by Segment  
(FY2007)

**22%**  
Financial Services  
Related Business

## Financial Services Related Business



## Business Lineup

- **Technology services**

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

- **Business services**

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

## CSK Group Companies

CSK SYSTEMS CORPORATION

FUKUOKA CSK CORPORATION

CSK Securities Service CO., Ltd.

OITA CSK CORPORATION

CSK SYSTEMS NISHINIHON CORPORATION

HOKKAIDO CSK CORPORATION

CSK-RB SECURITIES CORPORATION

CSK Marketing Corporation

CSK SYSTEMS CHUBU CORPORATION

CSK SYSTEMS (SHANGHAI) CO., LTD.

VeriServe Corporation

ISAO CORPORATION

JIEC Co., Ltd.

CSK-IT MANAGEMENT CORPORATION

CSK Communications Corporation

BUSINESS EXTENSION CORPORATION

CSI SOLUTIONS Corporation

CSK SYSTEM MANAGEMENT CORPORATION

Fukui CSK Corporation

CSK PRESCENDO CORPORATION

CSK WinTechnology Corporation

ServiceWare Corporation

SHIMANE CSK CORPORATION

CSK SYSTEMS (DALIAN) CO., LTD.

SUPER SOFTWARE COMPANY LTD.

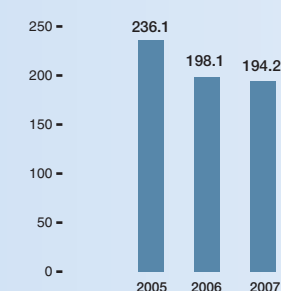
ServiceWare Kyushu Corporation

IWATE CSK CORPORATION

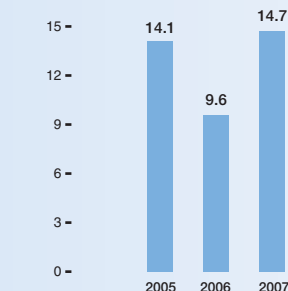
CSK ADMINISTRATION SERVICE CORPORATION

## Sales/Operating Income

Sales (¥ billions)



Operating Income (¥ billions)



## Business Lineup

- **Financial services business**

- **Securities business**

- **Prepaid card business**

## CSK Group Companies

Cosmo Securities Co., Ltd.

CSK FINANCE CO., LTD.

QUO CARD Co., Ltd.

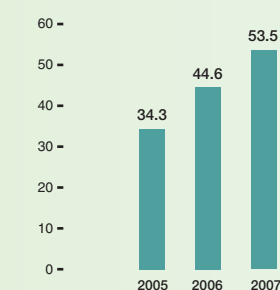
CSK VENTURE CAPITAL CO., LTD.

CSK PRINCIPALS CO., LTD.

Plaza Asset Management Co., Ltd.

## Sales/Operating Income

Sales (¥ billions)



Operating Income (¥ billions)



\*Figures for year ended March 2005 have been adjusted to the same standard used for the year to March 2006 and onward, following a change of accounting policy in the prepaid card business from the year ended March 2006.

# IT Services Business



## Becoming a Service Provider Supporting the Sustainable Development of Industry and Society

CSK Group's IT services business consists of technology services and business services. Technology services mainly encompass services closely related to IT such as IT consulting, systems integration and systems management that we have been providing for a long time. Business services comprise BPO services using contact centers, such as sales support and technical support, ASP services for drugstores, comprehensive securities services for the securities business, and new services that we aim to pursue more actively in the future.

As networks become more widespread, IT has spread from businesses into the home, and has become widely used in automobiles and information devices including mobile phones, to the extent that it is now part of the world's infrastructure. Corporations' needs have also shifted as a result. They no longer require IT capabilities per se and instead are seeking ways to combine IT and business processes or operations to achieve major increases in productivity compared to their existing business processes. Moreover, the extent of their needs is broadening to include areas more closely linked to management strategy, such as ways to establish innovative business models that differentiate them from and give them an advantage over their competitors.

Customers are expressing extremely strong needs for combining IT and business processes to raise productivity and stimulate innovation such as the creation of new business models, but the vendors who can help them meet these needs are limited. This is because such vendors need a deep knowledge of their customers' business processes, and this can only be acquired by providing such business processes.

CSK Group has for many years been building its project management expertise and technological capabilities, while also accumulating knowledge of its customers' industries and businesses through providing them with back office support services. We aim to create new services that go beyond the boundaries of conventional IT services, by combining our strong expertise in the technology service and business service fields to meet customer needs.

By taking full advantage of its business expertise, CSK Group is determined to become a service provider, supporting the sustainable development of its customers, industry and society.

### Technology Services

- Consulting
- Systems integration
- Solution services
  - ERP • SCM • CRM
- Operating consulting
- Systems management services
- Data center services
- IT infrastructure development
- Infrastructure management
- Network monitoring

### Business Services

- Business process analysis/design
  - Business process optimization
- Back office BPO
- Data analysis/management
- Contact centers
  - Communications services
  - Sales support services
  - Help desk services
- BPO services by industry
  - Services for securities business
  - Services for EC business
  - Services for drugstores

## Acquisition of New Data Center

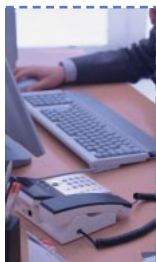
As part of its drive to strengthen its IT services business, CSK Group has purchased a new data center in Hyogo Prefecture in west Japan.

The new data center will be used as service infrastructure to support the various services CSK Group provides, and will provide customers with high-quality, highly reliable systems management services.

Additionally, in May 2002 CSK Group established the e-Services Data Center in Chiba Prefecture in east Japan. Having data centers in west and east Japan in our portfolio gives us a strong geographical balance. We intend to develop these centers into next generation data centers by applying advanced technologies to ensure seamless collaboration, and utilize them as sophisticated IT service infrastructure.



## Outline of Results for Year Ended March 2007



In the year ended March 2007, we saw strong performance in technology services in systems integration for the finance, insurance, transportation and travel industries. In business services, ASP services for the securities industry, contact center-related BPO for the manufacturing industry, e-commerce and the service industry, and verification services for the mobile phone and digital appliance fields all recorded good results. However, revenue from equipment sales was lower, due to a decline in replacement demand and other factors, and this caused sales to decrease by 1.9% year on year to ¥194.28 billion.

Operating income increased 52.7% to ¥14.77 billion, driven by improved productivity resulting from strategic sales initiatives, new securities systems we are developing reaching the commercialization stage, and a decrease in R&D expenses.

## Outlook for Year to March 2008

In the year to March 2008, we expect sales to increase in both technology services and business services. In technology services this will be driven by continued strong IT investment demand, primarily in the financial industry, while in business services it will result from continued increases in customer needs. We expect profitability improvements in technology services to absorb costs for the establishment of new companies in business services and costs for upfront investment aimed at expanding our business in the future, and to generate major increases in income.

Meanwhile, the development of our new securities system, ESTREX, a key project in the finance domain, is proceeding roughly on schedule. We are now at the development and testing stage. ESTREX will be a strong driver in developing full-support services for securities company business processes, and will further accelerate our initiatives in the finance domain.

## CSK SYSTEMS CORPORATION

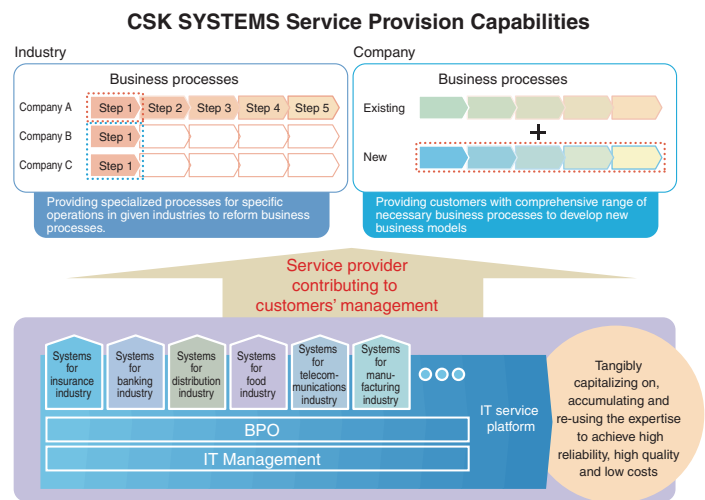
Customers' IT service needs have been changing dramatically in recent years. In the past they mainly focused on support for IT itself, but now the scope has been expanding to include domains more closely linked to management, such as how to combine IT and business processes, whether they can change their existing business processes, and whether there are ways to establish innovative business models.

Anticipating such changes, CSK SYSTEMS aims to steadfastly take on the management issues facing its customers, and put together services—harnessing the expertise of CSK Group companies—that transcend conventional frameworks, such as business processing outsourcing (BPO) and IT outsourcing (ITO). CSK SYSTEMS' mission is to lead the Group on the road to becoming a service provider that contributes to the management of its customers' business.

The IT market is evolving rapidly, as evidenced by the development of next-generation networks as well as other cutting-edge technologies. CSK SYSTEMS intends to accurately understand these changes, and actively incorporate them as competitive solutions in the systems it provides for its customers. CSK SYSTEMS aims to support its customers as they change their business processes. As such CSK SYS-

TEMS will always put itself in its customers' shoes to propose the best models employing IT for management of its customers' business, such as ASP, BPO and ITO.

As the core company of CSK Group's IT services business, CSK SYSTEMS will play an important role in the Group's business transformation to a service provider using IT strengths.



## CSK-IT MANAGEMENT CORPORATION

CSK-IT MANAGEMENT has been established by bringing together the IT management-related operations interspersed throughout CSK Group, to deliver an even higher level of sophisticated IT management services. These serve as a critical foundation for CSK Group becoming a service provider.

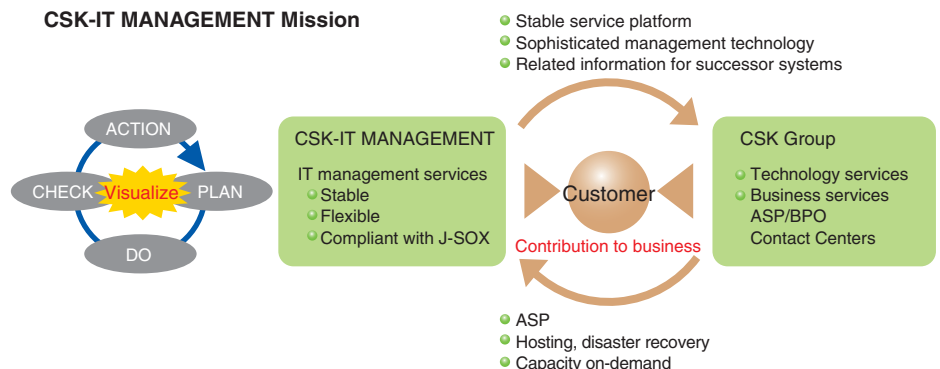
Under this reorganization, we are now able to offer a one-stop shop catering for all our customers' IT management services, including on-site systems management and IT outsourcing via data centers.

One of our strengths is our ability to respond to a wide range of customer needs. This ability is based on the extensive systems management experience we have accumulated since being founded, in addition to expertise in system infrastructure acquired through providing IT outsourcing services and multi-vendor maintenance services.

Many business operations these days depend on IT systems, to the point where the systems themselves impact business revenues, trust in the

company and sustainability. It has also become necessary to meet new management demands in relation to matters such as stronger IT governance and internal controls. We intend to provide customers with the timely IT services and service infrastructure they need to meet these new management demands.

Our mission is to contribute to our customers' businesses through providing stable and high-quality IT service infrastructure to support emerging service provider businesses.



## ServiceWare Corporation

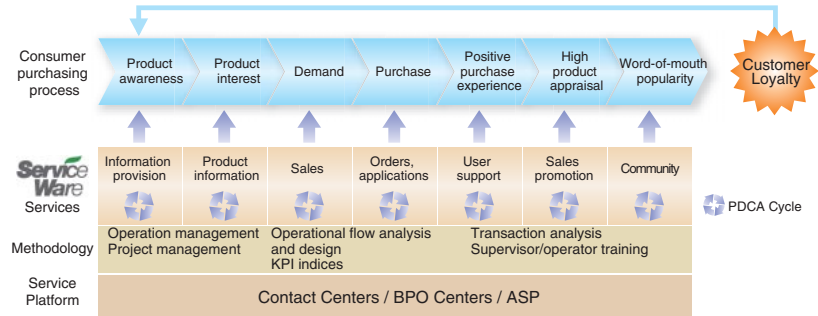
ServiceWare's business has developed through the provision of BPO services ranging from partial optimization, where particular aspects of clients' operational processes are supported, to full optimization, where multiple operational processes are managed on an integrated basis. ServiceWare has worked with clients in a wide range of industries, spanning areas such as mail order (e-commerce), financial institution customer center operations, product help desks, and sales support. Clients have been driven by the need to increase service quality and boost operational efficiency, and ServiceWare has served as a valued source of support.

The scope of BPO services has broadened in recent years, as clients look for partners that can develop and provide new, added-value solutions. Contact centers, for example, are now being positioned within companies not as cost centers but as profit centers that can influence company performance, and are playing a critical role in determining customer trends, defining sales strategies, and other aspects of marketing.

ServiceWare offers a platform that can provide clients with comprehensive support for their business processes, and based on extensive

experience in operations and close on-site support, ServiceWare provides services that closely match clients' needs. Last year CSK Group developed a new business model for the e-commerce sector, with the launch of CSK PRESCENDO. We aim to provide a new added-value service that supports clients in carrying out their business strategies, by combining CSK Group's IT strengths and the rich expertise ServiceWare has acquired through long years of business. At the same time, we intend to help our clients develop their brands, by offering excellent-quality BPO services.

### Comprehensive Support throughout the Consumer Purchasing Process



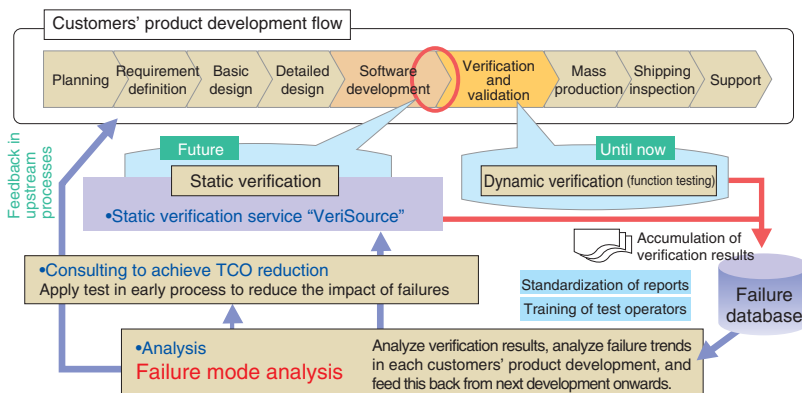
## VeriServe Corporation

VeriServe provides systems verification services that test and evaluate software from an independent position. Demand for verification services is surging as embedded software in products becomes more prevalent by the day. VeriServe offers systems verification services not only for computers and their peripherals but also for flat-panel TVs and other electrical appliances, mobile phones, car navigation systems and others. VeriServe also provides security verification services for verifying the load tolerance and vulnerability of websites or other systems.

VeriServe believes in the need to take a systematic, theory-based approach to verification and not just rely on the personal experience and skill of individual engineers. As a result the company has established "System Test Category", a systematic approach for system testing, co-developed in 1994 by VeriServe and academic researchers, and the "VS Method", a set of specific procedures for testing and evaluation. VeriServe's position as a leading company in the verification field is a direct consequence of being the only company providing verification services using theoretical methods.

As the product rollout cycle shortens for our manufacturer customers, reducing the cost of development of new products is becoming a critical task. In addition to offering dynamic verification services (function testing), VeriServe also provides VeriSource services—static verification services that test software with software. Verification results, failure trends and other data are analyzed and feedback is reflected in the development process. Through this mechanism VeriServe provides full-line verification services to assist customers in ensuring efficient and high-quality manufacturing.

### Full-line Verification Services





## Financial Services Related Business



### Aiming to Contribute to Stable Revenues

CSK Group's financial services related business operates in three main areas: financial services business such as investment and asset management, securities business, and pre-paid card business.

The operating environment for financial services related business is changing rapidly, driven by deregulation and systemic reform, and new business opportunities are emerging. Our intent in this business area is to seize these opportunities and quickly develop new business models, and at the same time create synergies with our technology services and business services, aiming thereby to create hitherto unavailable new services and business models.

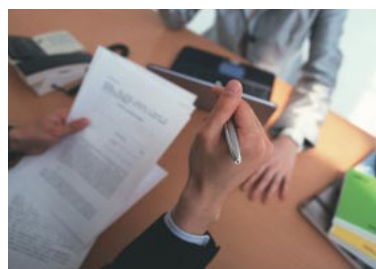
Moreover, by diversifying the Group's earning structure, this core business aims to make CSK Group's performance more resistant to fluctuations in the business environment, and by ensuring thorough risk management, it aims to contribute to developing a stable earnings base.

### Outline of Results for Year Ended March 2007

Performance in financial services business continued to benefit from favorable returns from real estate securitization business through anonymous associations, as well as from other investment initiatives. Sales increased 65.1% year on year to ¥25.08 billion, and operating income increased 48.1% to ¥15.84 billion.

In the securities business, sales decreased 7.3% year on year to ¥24.70 billion. The decrease was due to reduced equity brokerage commissions and trading gains, despite strong commission fees from share offering and sales activities, resulting from the impact of fluctuations in the Japanese market. Operating income declined 69.3% to ¥1.75 billion, due to higher advertising costs, system related expenses and other sales, general and administrative expenses, as well as the impact of the decrease in revenue.

In the prepaid card business, sales increased 32.3% year on year to ¥3.76 billion. The number of cards sold increased due to the pioneering of a new sales channel through collaboration with a credit card company and the introduction of a prepaid card system at a major bookstore chain. Sales of prepaid card terminal-related devices also increased. The increase in sales is attributable to pronounced sales promotion initiatives in pursuit of medium to long-term growth. An operating loss of ¥0.25 billion was recorded, compared with a loss of ¥0.21 billion in the previous fiscal year.



### Financial services business

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

### Securities business

Our securities business are mainly provided by Cosmo Securities. CSK Group is developing a groundbreaking new service model by combining the securities related knowledge and expertise of Cosmo Securities with the considerable resources of the Group.

### Prepaid card business

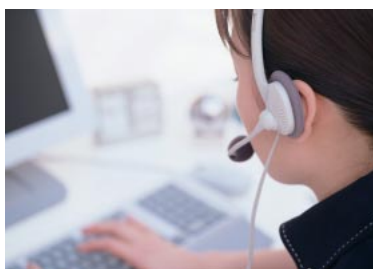
This business issues and manages the QUO Card, prepaid card that can be used at approximately 36,000 stores and commercial premises throughout Japan. QUO Card is popular for gift giving, sales promotions and many other applications by companies and individuals across the nation.

## CSK FINANCE CO., LTD.

CSK FINANCE is CSK Group's core company in financial services related business, primarily providing real estate and securities-related financial services. CSK FINANCE's main business is in the area of real estate asset liquidation, which is steadily expanding due to 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 diverse undervalued opportunities in the real estate market, primarily targeting office buildings, hotels, shopping complexes and apartment buildings. We aim to maximize investment return based on the specific characteristics of each acquisition. 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.



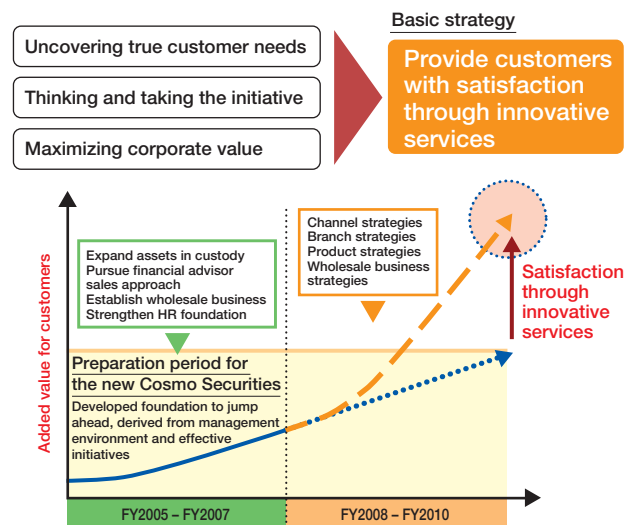
## Cosmo Securities Co., Ltd.

Cosmo Securities operates as a comprehensive securities service provider in CSK Group. At the same time, Cosmo Securities collaborates in a broad range of related endeavors that dynamically link the Group's infrastructure and extensive experience in IT services and sophisticated systems for the financial services industry. With a vision of "Walking with customers to create a new Cosmo Securities", Cosmo Securities is pursuing a basic policy of building strong customer focus into all its activities. Its medium-term business plan includes measures to enhance compliance, risk management and other systems that form the basis of a sound, customer-focused business, while also developing new products and services that meet the needs of its diverse clientele.

The company's medium-term business plan has four primary aims. The first is to increase customer convenience by providing new channels such as enhanced contact center services and Internet transactions, while carefully analyzing customer information to create new, customer-focused services. The second aim, under a "dominance strategy" to expand the company's branch network particularly in the Kansai region, is to increase the number of branches near residential areas. The third aim is to construct, in stages, an organizational structure to facilitate the development of new products and services, such as discretionary investment wrap services, structured bonds and other in-house products, and private placement investment funds investing in hedge funds. The fourth aim is to boost the

wholesale division through such measures as enhancing IPO support services for growth industries, while also expanding post-listing finance operations and asset administration services for business owners. By achieving the goals of its medium-term management plan, Cosmo Securities aims to take customer satisfaction to the next level—and in doing so put a smile on customers' faces.

### A Three-year Period to Jump Ahead, Providing Customers with Innovation and Satisfaction



## QUO CARD Co., Ltd.

QUO Card is a prepaid card that can be used safely by anyone, anytime, anywhere at any of 36,000 participating stores throughout Japan.

The QUO in QUO Card derives from Latin, with a meaning of "thereto" or "therefore". We use it in QUO Card to signify connection between stores and consumers. QUO Card can be given as a present or used oneself, and is a useful communication source connecting people to other people and companies to other companies. It is the kind of present people love to receive, and as such, can be used by companies as a potent marketing tool, or for any of various

kinds of commemorative events. Opportunities are particularly rising recently for companies to use QUO Card as an IR tool for shareholders or as a PR tool. It can also be given as a great gift for individuals in a variety of contexts ranging from weddings and childbirth to a hole-in-one on the golf course and retirement.

From this year QUO CARD has launched its own independent social contribution initiative. Aiming to be a company that coexists with society through giving, based on the concept of kindness for others and consideration about their future, QUO CARD has started

to issue the Omoiyari (consideration) Card, for which part of the issuance amount will be donated to environmental conservation causes.

As part of our drive to become a truly familiar name among customers, we intend to increase the number of participating stores and add value to QUO Card by creating new products and services.



Note: QUO Card cannot be used at certain stores.

## Main Group Companies

Group companies	Business outline
CSK SYSTEMS CORPORATION	Consulting, systems integration, systems management, ASP (application service provider), and BPO (business process outsourcing)
CSK SYSTEMS NISHINIHON CORPORATION	Consulting, systems integration, systems maintenance and management, and BPO
CSK SYSTEMS CHUBU CORPORATION	Consulting, systems integration, systems development, and BPO
JIEC Co., Ltd.	Design and development of IT systems with strength in IT infrastructure technology as core competency
CSI SOLUTIONS Corporation	Sales of IBM products, IT infrastructure development such as server security, ERP/CRM related application development, and systems management
CSK WinTechnology Corporation	Windows platform related services such as consulting, application development, infrastructure design and development, and product development and sales
SUPER SOFTWARE COMPANY LTD.	Packaged software business, solutions business, and maintenance business for the housing industry
FUKUOKA CSK CORPORATION	Product embedded system design and development, business system design, development, management and maintenance, network design, and hardware sales
HOKKAIDO CSK CORPORATION	ERP, accounting, HR related package solutions, business solutions, and system infrastructure solutions
CSK SYSTEMS (SHANGHAI) CO., LTD.	Computer system related consulting, system design and development, and maintenance
CSK-IT MANAGEMENT CORPORATION	Consulting, systems integration, systems management, hardware maintenance, and BPO and ITO (IT Outsourcing)
CSK SYSTEM MANAGEMENT CORPORATION	Systems operations management
ServiceWare Corporation	Process services, communication support, sales support, and data management
CSK Securities Service CO., Ltd.	Securities systems ASP, financial market information distribution, and securities business BPO
CSK-RB SECURITIES CORPORATION	Securities business (provision of services to regional financial institutions that conduct securities business, including securities systems, securities business BPO, investment information, and personnel training support)
VeriServe Corporation	Product verification services and security verification services
CSK Communications Corporation	Technical support, CRM solutions services (systems development), personnel training services, and consulting
CSK Marketing Corporation	Contact center services and relationship marketing services
ISAO CORPORATION	Network solutions, application services, planning and operation of mobile services, network game operation, and ISP services
BUSINESS EXTENSION CORPORATION	e-Contents service business, sales agency business for various services and database marketing business
CSK PRESCENDO CORPORATION	e-Commerce systems and fulfillment services
CSK SYSTEMS (DALIAN) CO., LTD.	Data entry and contact center services
Cosmo Securities Co., Ltd.	Securities business
CSK FINANCE CO., LTD.	Financial services business (investment businesses involving investment business associations, anonymous associations, and real estate)
QUO CARD Co., Ltd.	Prepaid card business (prepaid card issuance, settlement business, and development and sale of card systems)
CSK VENTURE CAPITAL CO., LTD.	Financial services business (investment, development and IPO support for venture businesses in Japan and overseas, and establishment and management of investment business associations)
CSK PRINCIPALS CO., LTD.	Financial services business (investment business and business revitalization fund related business)
Plaza Asset Management Co., Ltd.	Financial services business (investment trust management business, investment advisory business and business relating to discretionary asset management agreements)
CSK ADMINISTRATION SERVICE CORPORATION	Administrative services for CSK Group, various business agency services, and management services
Tokyo Green Systems Corporation	Operation of stores and cafes, business card creation, flower arrangement sales, sale and rental of ornamental plants, and Internet website creation and maintenance services. (Established in conjunction with Tama City, Tokyo as a third-sector corporation for promoting employment of persons with severe disabilities)
CSK Green Service Corporation	Green business, including the cultivation and sale of potted plants, cut flowers, sale of preserved flowers, flower gifts, and production and rental of ornamental plants
CSK Institute for Sustainability, Ltd.	Comprehensive research and survey activities related to politics, economics and culture, and financial services business

# CSK Group and Sustainability

CSK Group believes that companies should create and provide infrastructure, systems, products and services meeting the needs of society. A company is a member of society, but it is worthless unless it can coexist in harmony with society and make a contribution towards greater social development. From that perspective, we attach great importance to the belief that companies ought to exist symbiotically with society. It is CSK Group's corporate social responsibility to put this belief into practice through its business enterprises, which is linked to the sustainable development of society.

Company management is not simply about the pursuit of efficiency. It should also encompass the development of employees as people and raising their social consciousness. Employees will cultivate a sense of trust in their company through enjoying and taking pride in their duties, and at the same time achieve a sense of personal growth by engaging in their work. Through the growth of its employees, the company will in turn be able to offer innovative services to its customers, to the growth and benefit of all parties—employees, the company and society.

As a member of society, CSK Group wishes to take a responsible role in its direct relationships with all its stakeholders including customers, shareholders, business partners, employees and regional communities, and contribute to the sustainable development of society through sound and highly transparent corporate management. This attitude will lead to gaining social trust and having a valuable role to play in society, and will ultimately have a bearing on the sustainable growth of CSK Group. By pursuing those roles and responsibilities that a corporation by its very nature should undertake, CSK Group is aiming for both a sustainable society and a sustainable CSK Group.

## The Global Compact

CSK Group believes in helping to create a sustainable society by providing services society needs, and supports the Global Compact advocated by the United Nations.

### The Ten Principles

#### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

#### Labour Standards

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

#### Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



# Corporate Governance

## Basic Approach to Corporate Governance

CSK Group's fundamental management policies are: maximizing corporate value through unified Group management, and achieving highly transparent Group management. Successfully implementing these policies depends on building good relationships between the Group and all its stakeholders, including customers and shareholders, business partners, employees and regional communities, and achieving stable, long-term growth. It is important to become a company that is trusted by society, by observing the letter and spirit of the law, conducting sound and efficient business practices and contributing to society.

Building a system of corporate governance is an important management issue that we have placed at the base of these management policies. We are devising plans and measures to assure that corporate governance is properly conducted.

### Holding company structure

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

### Group management system

- All important Group company business decisions likely to affect the Group as a whole must be reported in advance to CSK HOLDINGS.
- Regularly scheduled meetings for the representatives of each Group company are held increase communication and strengthen business linkage between CSK HOLDINGS and Group companies, and also between Group companies themselves.

## Internal control systems

Three internal control systems are run in parallel in the operation of the Group: firstly, there is the internal control system required by the Company Law; secondly, an internal control system for financial reporting, based on the Financial Instruments and Exchange Law; and thirdly, an internal control system for timely disclosure, based on the regulations of the Tokyo Stock Exchange.

We aim to achieve a higher degree of transparency in Group operations through the proper maintenance and operation of these three internal control systems.

### Board of Directors

- To ensure effective management and supervisory functions, 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 diverse and objective viewpoints during the decision-making process.

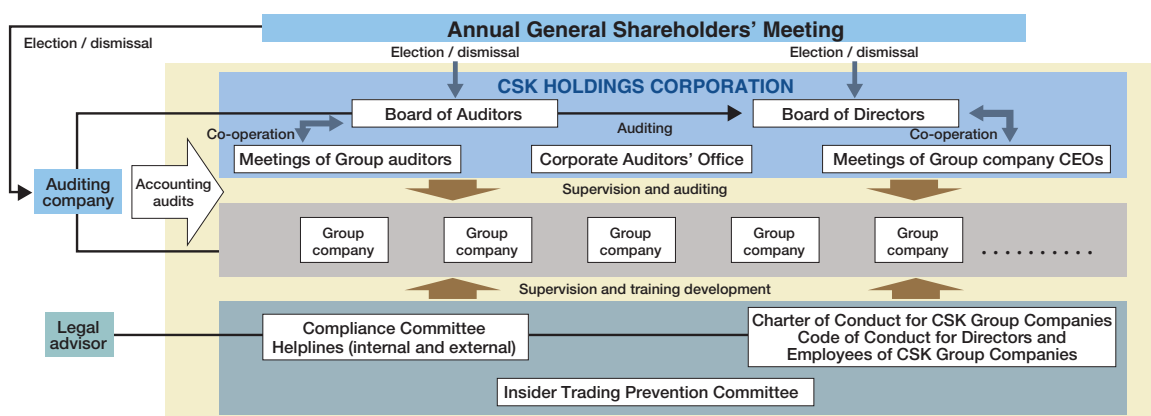
### Board of Corporate Auditors

- Three of the four members of this board are external auditors, appointed to enhance management transparency and auditing and monitoring of management activities.
- Regular Group auditors' meetings are held to enhance Group auditing functions.

### Disclosure policies

- We are striving to achieve highly transparent Group management. We have formulated disclosure policies so that shareholders and investors, including other stakeholders, can receive important information in a fair, timely and appropriate manner.

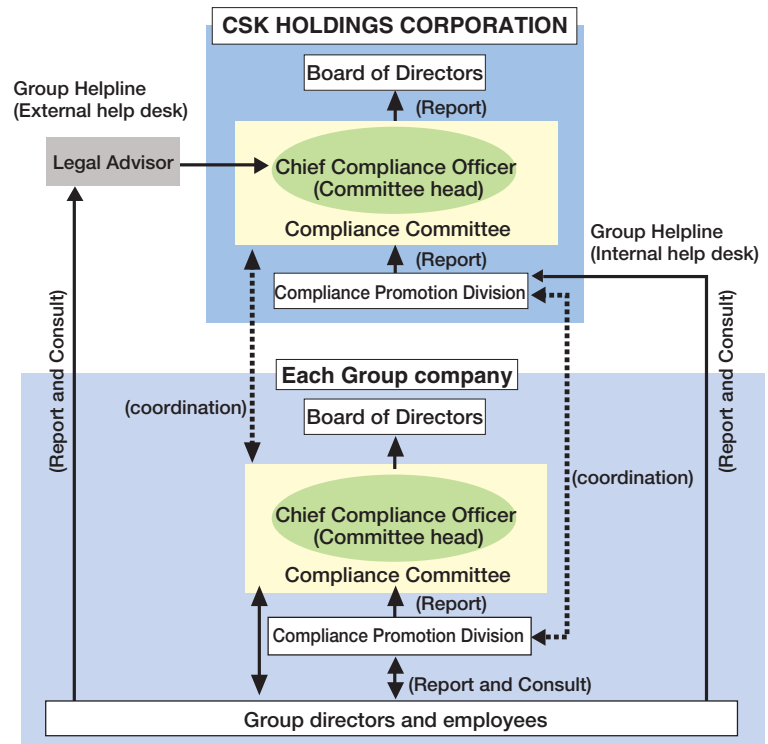
## Corporate Governance Structure



# 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, and have put in place systems for promoting compliance within each company. We have also formulated the Charter of Conduct for CSK Group Companies and the CSK Group Information Security Policy for the Group as a whole. To promote understanding of compliance issues throughout the Group, each business year we formulate a common Group policy for dealing with compliance issues, and hold Group-wide training courses.

Every year we conduct a compliance awareness survey among all Group employees, and are working on improvements to achieve an even higher level of compliance.



- **Charter of Conduct for CSK Group Companies/Code of Conduct for Directors and Employees of CSK Group Companies**
- **Organizational structure**
  - Establishment of Compliance Committees
  - Appointment of Compliance Officers and establishment of Compliance Promotion Departments
- **Compliance regulations**
  - CSK Group Information Security Policy, CSK Group Information Security Standards
  - CSK Group Regulations for Prevention of Insider Trading
  - Compliance regulations, etc.
- **Helpline system (internal reporting system)**
  - Establishment of internal help desk within CSK HOLDINGS
  - Establishment of external help desk operated by a legal adviser
- **Initiatives to achieve higher levels of compliance**
  - Establishment of Group compliance policies
  - Holding of regular Group-wide compliance training courses for all Group companies
  - Group-wide compliance awareness surveys

# Personnel Management

## CSK Group's Approach to Personnel Management

CSK Group has continued to focus on addressing the important management theme of personnel training and development. We believe that the desire of each and every employee to develop their own talents and reach their full potential supports the continuous growth of the company, and that employee self-realization is linked to employees being able to demonstrate their skills through their work.

Based on these beliefs, we are encouraging a corporate culture that promotes personal development, and are working to create an organization in which people help others to grow. We are endeavoring to match the right person with the right job, so that employees can enjoy their work and demonstrate their full potential. We are introducing fair and objective performance review systems that will take into account the contributions that employees have made and how they have grown in their roles. We are promoting staff training programs to help in skill acquisition and development.

## Putting the Right Person in the Right Job

To successfully make the transformation to service provider and continue to raise corporate value, it is essential that we place our employees in the jobs to which they are best suited. This has an important bearing on employee job satisfaction and motivation. We believe that it is necessary to systematically manage human resources to ensure optimal utilization of personnel, and we are striving to make our human resource situation more "visible" to management by reviewing our personnel database and other initiatives. The personnel database will be much more than just a simple database containing employees' qualifications and work records; we will build a unified personnel database that will include employees' actual work experience and achievements, their individual strengths and weaknesses, and their career goals. By making it possible for management to "visualize" an employee's performance and skills through this database, we are seeking to make the

best use of our personnel resources—overcoming the barriers between individual companies within CSK Group.

## Employee Review System

The CSK Group employee review system is built around assessment of employee capabilities and the extent to which employees have fulfilled them. Firstly, the review system rates the knowledge, technical skills and specializations that an employee has, and assesses the degree to which the employee has improved these. Next, the system assesses how much useful value the employee has created for their company with these abilities.

To help the employee feel more satisfied with the review process and to link the review with further employee achievement and development, it is important to have face-to-face communication between superiors and their subordinates.

CSK Group is currently transforming its business model to that of a service provider, and expects diversification in the ways in which employees value their jobs. We will ensure that no matter what the circumstances, the review system will be fair and even-handed, and that our employees will feel satisfied with the way in which they are reviewed.

## Employee Education and Training

CSK Group holds education and training programs to help each staff member grow and achieve his or her full potential. First and foremost, our programs emphasize the development of self-reliance. Next, we encourage staff to develop their humanity. Within each field, we hold training courses to assist in professional development in highly specialized areas. By offering these consistent and continuous training programs, the companies of CSK Group are responding to our employees' desire for growth.

We are taking the research results of our Group think-tank, CSK-IS, and incorporating them in our training programs.

## Key Future Initiatives

- **Designing a Group-wide personnel training process and building a system to support it**
  - We will establish a long-term personnel development program, starting with new hires and initial training, and carry out continuous employee training
- **Fostering the next generation of management**
  - We will conduct training for future management that will heighten business design skills and leadership, and will actively foster future managers through the promotion and appointment of our younger staff
- **Group-wide training programs**
  - We will hold Group-wide training programs and discussions that will transcend the boundaries of individual companies. Through this kind of communication beyond occupational categories, we will revitalize our systems and stimulate creativity.

# CSR Initiatives

## Research and Practice

### Research and Applied Programs at the CSK Tama Center

In May 2007, CSK Group completed the CSK Tama Center in Tama City, Tokyo. The main elements of this new facility are: the research laboratory of our think-tank CSK-IS; the offices and greenhouses of Tokyo Green Systems and CSK Green Service which pursue environmentally friendly "green business." The new facility will have a broad spectrum of uses, including Group business activities, social contribution initiatives, employment of persons with disabilities and staff training.



### Promoting Interest in the Game of Go

We believe that the limitless creativity invoked in the Japanese board game Go can help enrich peoples' lives, and for this reason are working to spread awareness and interest in Go among school children in Japan. CSK Group is promoting the introduction of Go lessons in elementary school curricula throughout Japan. We are also collaborating with Professor Ryuta Kawashima of Tohoku University in his studies into Go and brain activity, to further research the influence Go can have in the growth and development of young minds.

### 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 (recognized by the Japanese government as an approved specific public benefit corporation). Its objectives are to support new research in the telecommunications field, 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.



## Social Contributions

### Working with Persons with Disabilities

Tokyo Green Systems (tgs) was established in 1992 as a third-sector enterprise following a joint capital investment by the Tokyo Metropolitan Government, Tama City and CSK HOLDINGS. Tokyo Green Systems is a model company for the employment of persons with severe disabilities, and upholds the principles of participation, independence and co-existence to promote the concept of normalization, whereby persons with disabilities can live within and interact with society. CSK Green Service (cgs) grows, sells and rents flowering plants, together with Tokyo Green Systems, and is working to increase work opportunities for persons with disabilities by expanding the scale of its green businesses. Through the efforts of both companies to develop their business, the ideas expressed in the slogan "Working alongside persons with disabilities, the region and nature" can be put into practice.



Products provided by cgs and tgs carry the "heartful mark", indicating the companies' promotion of employment of persons with disabilities.

### 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. CAMP collaborates with research institutions, businesses and children's museums in several countries to offer a variety of workshops that cultivate children's creativity and their ability to express themselves. This project, which began in April 2001, has been praised as new way for corporations to contribute to society. CAMP was awarded a Good Design Award in 2006 by the Japan Industrial Design Promotion Organization—Japan's only general design assessment and commendation system.



## Consideration for the Environment

**CSK Group continuously 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
- CSK Group services helping our customers lower their environmental impacts





# Toward Our Dreams for Sustainability

## CSK Institute for Sustainability, Ltd. (CSK-IS)

Modern human society currently faces a number of threats to its sustainability. These extend beyond environmental problems such as global warming to include political, economic, technological and cultural issues, some on a global scale and others specific to areas such as Japan and East Asia. CSK-IS was established in January 2006 to carry out multifaceted, multidimensional research and make recommendations on these various social problems, based on the theme of “What is required in the age of sustainability?”

Companies are meant to coexist with society. With this in mind, CSK-IS aims to collaborate with leading research experts in Japan and top-class universities in China, Korea, the United States and other countries to carry out research related to sustainability that will enable the provision of services to accommodate society’s needs.

CSK-IS is aiming to commercialize its research results, based on the belief that identifying and providing services to meet the needs of society is a company’s *raison d’être* and a form of social contribution. In that sense, CSK-IS also serves as a symbol of CSK Group’s determination to advance together with society. Furthermore, we believe that creating business that society needs through research will help ensure the sustainable growth of CSK Group.

On June 14, 2007, CSK-IS held an international symposium on the theme of “Toward Our Dreams for Sustainability.” Attended by approximately 200 people, the symposium consisted of presentations and discussions

relating to the pursuit of sustainability in a broad range of fields including life sciences, finance, the environment, biotechnology and Japanese culture. We aim to continue to disseminate CSK-IS research results—on areas such as essential requirements for ensuring the sustainable development of the planet and humankind—throughout society by conducting symposiums and other initiatives.

Environmental destruction and global warming are also problems that were originally caused by human behavior. We believe that human behavior originates in people’s thoughts, and therefore we are conducting research into the workings of the brain, which controls this thinking. We also believe that personalized medical care attuned to individuals’ needs at the genetic level is extremely important for sustainable development in the sense of achieving people-friendly medical care. The CSK Tama Center, which was completed in May 2007, has started research into horticultural therapy for persons with physical or mental disabilities and those suffering from stress-related mental disorders. CSK-IS will continue to ask what is necessary for the sustainable development of humanity and what companies should do to make this possible.

CSK-IS website (Japanese):  
<http://www.csk.com/csk-is/>



## 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  
**Shozo Hirose**



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

**Keiji Azuma**  
**Masayuki Ishihara**<sup>\*3</sup>

Auditors

**Yoshiyuki Minegishi**<sup>\*3</sup>  
**Katsuro Tanaka**<sup>\*3</sup>

### Executive Officers

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Executive Officers

**Taku Tamura**  
**Tatsuyasu Kumazaki**  
**Yoshiyuki Shinbori**  
**Tatsuya Kato**  
**Hiroshi Karakasa**  
**Yasuhiro Sato**

As of June 27, 2007

## **Financial Section**

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# Consolidated Financial Review

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries

## 1. Analysis of Operating Results

### (1) Overview of operations

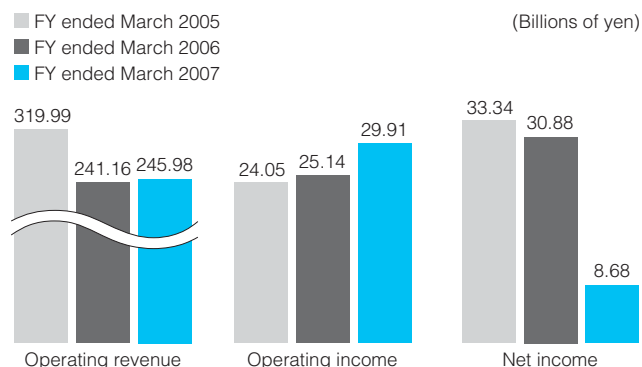
During the year under review, the Japanese economy continued on a moderate recovery pathway. Underpinned by higher corporate profits, a firming trend in capital expenditure, and improved profitability in the export sector due to the weakening yen, the business environment and outlook for many industries brightened considerably. At the same time, consumer spending showed some signs of weakness, and with concerns about a slowdown in the U.S. economy the current recovery is not viewed as reflecting broad economic strength.

In computer services, IT-related capital spending increased steadily as corporate earnings grew, although clients are making stronger demands with regard to delivery, quality and price, in pursuit of the highest possible productivity. Meanwhile, the maturation of the industry itself and the shift to a new generation of IT engineers are being acknowledged as important management issues.

In financial services, the investment environment has been favorable, due to the improved economic environment and higher corporate profits. In the securities business related field, the equity markets were at low levels from the end of May through to the end of August. Average share prices trended upwards from October, but after the end of February eased back in the approach to end of the financial year. In prepaid cards, demand grew from corporations making increased use of prepaid cards as sales promotion tools, hospitality programs for stockholders and so forth as the membership network expanded, and there was also growth in the use of such cards as gifts.

In the context of this business environment, we have been implementing measures relating to two management policies: "I Transforming into being a service provider group" and "II Ensuring management transparency and shareholder returns" during the present consolidated business year.

Operating revenue for the year ended 31st March, 2007 increased 2.0% to ¥245.98 billion. Operating income increased 19.0% to ¥29.91 billion, and net income decreased 71.9% to ¥8.68 billion. These results represent record levels of operating income.



Operating revenue increased 2.0% to ¥245.98 billion due to sound performance in ASP\* services, contact center-related BPO\* services, systems testing and other verification services, and systems integration and other services for the finance, insurance, distribution equipment, machinery, distribution and travel industries in computer services, along with expansion of the financial services business, and growth in the prepaid card business.

Operating income increased 19.0% to ¥29.91 billion, supported by the factors noted above, along with greatly improved profitability in the computer services business arising from focusing on securing higher margin orders in systems integrations, along with higher efficiency and lower R&D costs as products reached commercialization. The financial services business also performed well.

\*ASP (Application Service Provider) = Company or service that provides IT system services on a pay-as-you-go basis  
 \*BPO (Business Process Outsourcing) = Consigning operations to an outside company for efficiency

### Results by segment

An outline of services provided by each business segment is shown below, followed by results for each segment in CSK Group ("the Group").

Business segment	Services provided
Computer services	Technology services → IT services of systems integration and management, etc.
	Business services → IT operation services of ASP, BPO, verification, etc.
Financial services	Investments in real estate and equities via anonymous associations, venture capital, etc.
Securities services	Comprehensive securities services
Prepaid card sales	QUO Card issuance and settlement services

### [Computer services]

There was positive demand for ASP services for the securities industry, and for contact center-related BPO services to the manufacturing, mail order and services industries. Demand was also positive for verification services to the mobile phone, communications and digital appliance industries and systems integration for the finance, insurance, distribution equipment, machinery, distribution and travel industries. However, demand for replacement equipment declined, and overall Operating revenue of ¥194.28 billion was recorded, a decrease of 1.9% compared to the previous year.

Operating income of ¥14.78 billion was recorded, an increased 52.7% compared to the previous year. In addition to strong performance in all areas other than equipment sales, other factors included higher profitability in systems

integration services, higher productivity in systems development, a reduction in R&D costs as new products for the securities industry reached commercialization (outlined in a later section of this report), and the absence of holding company expenses that impacted the previous year.

**[Financial services]**

Performance in the financial services sector benefited from further favorable returns from the previous fiscal year from investments in real estate and equities via anonymous associations. Along with computer services, this segment is making a stable contribution as a stable and efficient source of the Group revenues. Operating revenue of ¥25.09 billion was recorded, an increased 65.1% compared to the previous year, and Operating income of ¥15.84 billion was recorded, an increased 48.1% compared to the previous year.

**[Securities services]**

Operating revenue of ¥24.71 billion in this segment was recorded, a decreased 7.3% compared to the previous year, due to lower fees received for securities intermediary services during the period along with lower trading revenues, despite a favorable trend in handling fees for share offerings and sales.

Operating income of ¥1.76 billion was recorded, a decreased 69.3% compared to the previous year, due to the decline in operating income along with higher selling, general and administrative expenses for items such as advertising and systems integration.

**[Prepaid card sales]**

Operating revenue in this segment was recorded ¥3.77 billion, an increased 32.3% compared to the previous year, due to an increase in sales of terminals for prepaid cards in addition to new sales channels and an increase in the number of customers. Supporting this revenue growth were active measures to develop sales and pursue long-term growth. An operating loss of ¥0.25 billion was recorded for the year, compared to an operating loss of ¥0.21 billion in the previous year.

The afore-mentioned segment based sales also include inter-segment sales.

**(2) Management initiatives implemented during this fiscal year**

**I Transforming into being a service provider group**

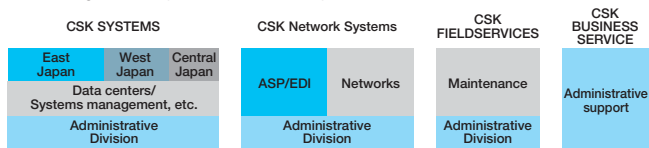
**1) Computer services business**

- i) The “New Securities Systems Project” that the Group is currently undertaking entered the fully-fledged development stage in the second half of the previous fiscal year. In the current year, we completed back office systems, front office systems, the infrastructure and management base largely in line

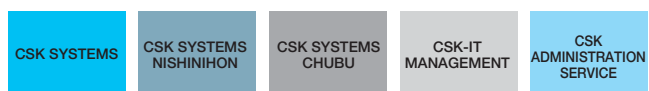
with plans, and development and testing is now taking place in working toward the planned system activation in the fourth quarter of the year ending March 2008.

- ii) In computer services we are carrying out the following joint initiatives/new service development projects.
  - As part of measures to strengthen computer services operations, CSK HOLDINGS CORPORATION (“the Company”) is realizing a sophisticated IT services foundation by installing new facilities in a data center in Sanda City, Hyogo Prefecture, linked with our e-service data center currently operating in Chiba Prefecture, to provide next-generation data center services.
  - In order to unify systems and services in e-commerce, the Company formed an alliance with Xavel, Inc., which manages some of Japan’s largest mobile commerce sites and fashion commerce sites, and from April 2007 began operations through a joint venture company, CSK PRESCENDO CORPORATION.
  - At each group company we have introduced an integrated main operating package to meet the needs of sophisticated customers. This efficiently introduced package covers internal controls and the development of security-compatible services that can be used jointly with other companies.
- iii) From July 2007 we are reorganizing our computer service group companies in order to promote more timely and accurate decision-making, pursue specialization, and promote better collaboration throughout the Group.

Current organization (until 30th June, 2007)



System from July 2007 onward



**2) Financial services, securities and prepaid card business**

- i) In financial services, we made active investment based on appropriate management and monitoring systems, aiming to make a stable contribution to profits.
- ii) In securities, we established CSK-RB SECURITIES CORPORATION with the objective of contributing to

the expansion of regional banks securities business. The new company will provide support for regional banks in the establishment of subsidiaries, product planning, product provision, sales and training support, along with operational support and investment information in a unified and comprehensive manner.

- iii) In the securities business operations of our consolidated subsidiary Cosmo Securities Co., Ltd., we launched a new investment trust mainly targeting investment in Chinese small and medium-sized equities, aiming to establish an earnings base and differentiate ourselves from other companies, and have been pursuing measures such as establishing compound investment options for existing core investment trusts, while also ensuring that information is provided to customers more proactively than before.
- iv) In the prepaid card business we have introduced prepaid card systems in partnership with credit card companies and for a major bookstore chain, new developments aimed at making use of cards more widespread and improving users convenience.

### 3) CSK HOLDINGS

- i) As part of the Group's contribution to sustainability (the continuous development of society) we have developed the CSK Tama Center, a new facility in Tama City, Tokyo, as a base for research and social contribution activities. This center will serve as an information source and a place to develop new corporate culture and values, and is scheduled to commence operations in June 2007.
- ii) We have concluded a partnership agreement with Osaka University, with the objective of "leveraging IT in the education provided at the university, improving education results, effectively utilizing education assets, and for the Group, pursuing commercialization of services for leveraging IT in education" and so forth.
- iii) With the objective of carrying out appropriate fund procurement and securing a stable financial base, in July 2006 we issued the 7th unsecured convertible bond issue with attached warrants, with a total issuance amount of ¥35.0 billion.

## II Ensuring management transparency and shareholder returns

### 1) Ensuring management transparency

The Group aims to provide services to support the sound and continuous development of companies, industries and society itself, and by continuing to provide such services as contribute to society. Achieving this requires a business model based on even higher standards of ethics, and as part of current measures to shift to becoming a service provider the Group will

endeavor to secure, maintain and improve standards of management transparency.

Specific measures undertaken include the shift to a holding company structure in October 2005, as a result of which the Group's overall framework has been finalized. Nevertheless, with the objective of further improving management transparency, we are working to develop the systems of the Group as a whole, by putting in place expert organizations and other measures, aiming to build or develop the internal controls systems required by the Corporate Law and the Financial Instruments and Exchange Law (currently the Securities Exchange Law).

Furthermore, we are responding to the urgently implemented accounting standards such as those relating to the application of control criteria and influence criteria to investment associations, and giving due consideration to transparency in accounting practices.

### 2) Shareholder returns policy

The Company has aimed to reward the understanding and support of shareholders by paying a stable, continuous dividend. Taking into account the shift to a holding company structure in October 2005 and recent trends in social economics, however, the Company has adopted a consolidated financial position-linked shareholder returns policy based on Dividends On Equity (DOE\*), and has been allocating dividends based on this policy.

	Trends in annual dividend per share
Fiscal year ended March 2007	¥40
Fiscal year ended March 2006	¥40
Fiscal year ended March 2005	¥17
Fiscal year ended March 2004	¥15
Fiscal year ended March 2003	¥12

\*DOE = Total amount of dividend paid / [average of shareholders equity at start and end of fiscal year] X 100



## 2. Analysis of Financial Position and Cash Flows

### (1) Assets, liabilities and net assets

**Assets increased ¥34.16 billion (6.3%) to ¥577.29 billion**

Current assets increased ¥21.86 billion. Although cash increased from progress made in reducing sales receivables, the July 2006 issue of the 7th unsecured convertible bond issue with attached warrants and higher assets under management in the financial services business, current assets in the securities business decreased ¥27.50 billion. Fixed assets increased ¥12.30 billion. Although buildings and structures and land decreased as a result of the sale of a facility in Nagayama, Tokyo as part of measures to optimize asset utilization, intangible fixed assets increased due to progress made in developing software for the “New Securities Systems Project”.

**Liabilities increased ¥28.82 billion (8.5%) to ¥368.52 billion**

In current liabilities, liabilities decreased ¥27.06 billion in the securities business, and increased by ¥20.00 billion as a result of the transfer from fixed liabilities of the current portion of corporate bonds payable. In addition, the announcement and adoption in September 2006 of PITF No. 20, Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations, resulted in the inclusion in the consolidated results of part of an investment made in a company in the financial services business. Accompanying this, liabilities related to financial services increased ¥15.14 billion. Long-term liabilities decreased ¥20.00 billion as a result of the transfer of bonds to current liabilities, but increased ¥15.84 billion because of the July 2006 issue of the 7th unsecured convertible bond issue with attached warrants.

**Net assets increased ¥5.35 billion (2.6%) to ¥208.78 billion (compared to the total of minority interests and total assets at the end of the previous year)**

Factors that increased net assets included net income recorded for the period, along with an increase in capital and capital reserves arising from the exercise of stock options. Factors that decreased this figure included the payment of year-end and interim dividends, and a reduction in investments in securities arising from the winding-up of an investment association that had been recorded on an equity basis. As a result, Net assets as of 31st March, 2007 were ¥208.78 billion.

### (2) Cash Flows

**Cash flows from operating activities ¥7.07 billion (increase of ¥32.12 billion)**

Although income tax payments were made, investment returns on investments in the financial services business reduced the increase in Investments related to financial services, part of an investment in a company was included

in consolidation with financial services liabilities increasing accordingly, and operating income increased. As a result, cash flows from operating activities increased ¥32.12 billion.

**Cash flow from investing activities minus ¥16.55 billion (decrease of ¥45.53 billion)**

Although cash was generated from the sale of a facility at Nagayama, Tokyo as part of measures to optimize asset utilization and investments in securities decreased, progress in the development of software for the “New Securities Systems “ resulted in the recording of intangible fixed assets, and there was a decline in the figure for cash generated from the sale of investment securities that had contributed to results in the previous year. Accordingly, cash flow from investing activities was ¥45.53 billion lower than in the previous year.

**Cash flow from financing activities ¥39.53 billion (increase of ¥46.15 billion)**

In addition to procuring funds of ¥35.0 billion from the July 2006 issue of the 7th unsecured convertible bond issue with attached warrants, the figure for the period under review reflects the absence of treasury share acquisitions that impacted the previous year. As a result, cash flow from financing activities increased ¥46.15 billion.

**Cash and cash equivalents ¥105.45 billion (increase of ¥30.70 billion or 41.1%)**

As a result of the effect of the exchange rate changes listed above, cash and cash equivalents as of 31st March, 2007 amounted to ¥105.45 billion, an increase of ¥30.70 billion compared to 31st March, 2006.

# Consolidated Balance Sheets

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
As of 31st March, 2005, 2006 and 2007

ASSETS	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
<b>Current assets:</b>				
Cash (Notes 2 (3), 3 and 10) .....	¥ 77,510	¥ 77,444	¥108,405	\$ 918,298
Notes and accounts receivable (Note 2 (24)) .....	38,910	36,080	33,689	285,378
Marketable securities (Notes 2 (4), 3, 4 and 10) .....	5,966	3,911	7,207	61,052
Venture capital investments (Notes 2(5) and 6) .....	16,224	3,176	2,138	18,107
Inventories (Notes 2 (9) and 5) .....	6,345	8,112	4,820	40,829
Deferred income taxes (Notes 2 (21) and 16) .....	7,068	7,346	12,318	104,342
Investments related to financial services (Notes 2 (5), 6 and 10) .....	42,505	94,124	110,842	938,944
Cash segregated as deposits related to securities business .....	42,464	57,696	46,395	393,008
Trading assets related to securities business (Note 10) .....	11,661	10,863	15,679	132,818
Receivables related to margin transactions .....	72,535	112,121	91,105	771,750
Other current assets (Note 2 (24)) .....	19,968	29,454	33,566	284,338
Allowance for losses on investment securities (Note 2 (8)) .....	—	—	(3,869)	(32,772)
Allowance for doubtful accounts (Note 2 (7)) .....	(81)	(162)	(266)	(2,250)
Total current assets .....	<u>341,075</u>	<u>440,165</u>	<u>462,029</u>	<u>3,913,842</u>
<b>Property and equipment, net of accumulated depreciation</b> (Notes 2 (10) and 8) .....	35,221	26,986	26,967	228,437
<b>Deferred charges and intangible assets</b> (Notes 2 (11) and 23) .....	16,886	4,434	14,040	118,931
<b>Investments and other assets:</b>				
Investments in unconsolidated subsidiaries and affiliates (Note 7) .....	5,461	1,081	918	7,773
Investments in securities (Notes 2 (4), 4 and 10) .....	30,038	57,599	59,123	500,833
Prepaid pension costs (Notes 2 (16) and 12) .....	4,523	3,269	3,325	28,166
Deferred income taxes (Notes 2 (21) and 16) .....	10,165	970	1,968	16,666
Other assets .....	14,784	10,751	10,778	91,302
Allowance for doubtful accounts (Note 2 (7)) .....	(2,516)	(2,121)	(1,853)	(15,694)
	<u>62,455</u>	<u>71,549</u>	<u>74,259</u>	<u>629,046</u>
<b>Total assets</b> (Note 30) .....	<u>¥455,637</u>	<u>¥543,134</u>	<u>¥577,295</u>	<u>\$4,890,256</u>

The accompanying notes are an integral part of these statements.

thousands of U.S.  
dollars (Note 1)

LIABILITIES AND NET ASSETS (Shareholders' equity)	millions of yen			2007
	2005	2006	2007	
<b>Current liabilities:</b>				
Accounts payable (Notes 2 (24) and 10) .....	¥ 18,039	¥ 14,016	¥ 11,293	\$ 95,658
Short-term bank loans payable (Notes 9 and 10) .....	16,022	23,854	28,052	237,630
Current portion of corporate bonds payable (Note 9) .....	3,200	—	20,000	169,420
Accrued income taxes .....	2,775	10,869	8,624	73,054
Unearned revenue (Notes 2 (24) and 10) .....	33,814	—	—	—
Deposits received on prepaid cards (Notes 2 (24) and 10) .....	—	38,977	42,860	363,062
Accrued bonuses to employees (Note 2 (12)) .....	5,971	6,289	6,420	54,383
Accrued bonuses to directors and statutory auditors (Note 2 (13)) .....	—	—	62	526
Allowance for anticipated losses on contracts (Note 2 (14)) .....	1,215	3,174	898	7,611
Allowance for relocation loss (Note 2 (15)) .....	235	—	—	—
Liabilities related to financial services (Notes 6, 9 and 10) .....	—	—	15,137	128,226
Trading liabilities related to securities business .....	4,890	4,756	9,180	77,765
Payables related to margin transactions (Notes 9 and 10) .....	60,072	77,342	55,842	473,033
Deposits received and guarantee deposits received from customers related to securities business .....	45,345	65,984	56,002	474,394
Other current liabilities (Notes 2 (14), 2 (22), 2 (24), 9 and 10) .....	14,809	22,102	25,701	217,711
Total current liabilities .....	206,387	267,363	280,071	2,372,473
<b>Long-term liabilities:</b>				
Corporate bonds payable (Notes 9 and 10) .....	40,000	40,000	20,000	169,420
Convertible bonds payable (Note 9) .....	23,000	23,000	58,000	491,317
Long-term bank loans payable (Note 9) .....	4,500	5,000	5,000	42,355
Accrued employees' retirement benefits (Notes 2 (16) and 12) .....	1,129	787	587	4,972
Accrued directors' retirement benefits (Note 2 (17)) .....	256	240	206	1,740
Other long-term liabilities .....	1,826	2,235	3,307	28,016
Total long-term liabilities .....	70,711	71,262	87,100	737,820
<b>Statutory reserve:</b>				
Reserve for securities trading liabilities (Note 2 (18)) .....	657	1,079	1,347	11,411
Reserve for financial futures trading liabilities (Note 2 (19)) .....	—	0	2	18
Total statutory reserve .....	657	1,079	1,349	11,429
<b>Minority interests</b> (Note 2 (28)) .....	21,397	23,606	—	—
<b>Commitments and contingencies</b> (Notes 2 (25), 10, 15, 25, 26, 27, and 31)				
<b>Shareholders' equity</b> (Note 13):				
Common stock-				
Authorized: 298,000,000 shares				
Issued: 76,733,284 shares in 2005				
77,791,992 shares in 2006				
78,437,124 shares in 2007 .....	69,490	71,524	—	—
Capital surplus .....	34,115	36,138	—	—
Retained earnings .....	51,262	80,719	—	—
Net unrealized gains on securities (Notes 2 (4), 2 (5) and 4) .....	7,296	11,069	—	—
Foreign currency translation adjustments (Note 2 (2)) .....	(63)	—	—	—
Treasury stock, at cost (Note 14) .....	(5,615)	(19,626)	—	—
<b>Total shareholders' equity</b> .....	156,485	179,824	—	—
<b>Total liabilities and shareholders' equity</b> .....	¥455,637	¥543,134	¥ —	\$ —
<b>Net assets</b> (Note 2 (28))				
<b>Shareholders' equity</b> (Note 13):				
Common stock-				
Authorized: 298,000,000 shares				
Issued: 76,733,284 shares in 2005				
77,791,992 shares in 2006				
78,437,124 shares in 2007 .....	—	—	72,790	616,606
Capital surplus .....	—	—	37,404	316,850
Retained earnings .....	—	—	84,692	717,421
Treasury stock, at cost (Note 14) .....	—	—	(19,649)	(166,448)
Total shareholders' equity .....	—	—	175,237	1,484,429
Net unrealized gains on securities (Notes 2 (4), 2 (5) and 4) .....	—	—	8,949	75,810
Net unrealized gains on hedging derivatives (Note 2 (6)) .....	—	—	0	2
Total .....	—	—	184,186	1,560,241
<b>Minority interests</b> .....	—	—	24,589	208,293
<b>Total net assets</b> .....	—	—	208,775	1,768,534
<b>Total liabilities and net assets</b> .....	¥ —	¥ —	¥577,295	\$4,890,256

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 31st March, 2007

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
<b>Operating revenue</b> (Notes 2 (24) and 30) .....	¥319,994	¥241,155	<b>¥245,982</b>	<b>\$2,083,708</b>
<b>Costs and expenses:</b>				
Operating costs (Notes 2 (20), 2 (24), and 17) .....	241,024	156,582	<b>157,621</b>	<b>1,335,201</b>
Selling, general and administrative expenses (Notes 2 (20) and 17) .....	54,924	59,435	<b>58,456</b>	<b>495,184</b>
Operating income (Notes 2 (24) and 30) .....	24,046	25,138	<b>29,905</b>	<b>253,323</b>
<b>Other income (expenses):</b>				
Interest and dividends income .....	613	332	<b>643</b>	<b>5,451</b>
Interest expenses .....	(411)	(174)	<b>(98)</b>	<b>(826)</b>
Gain on sales of investments in securities (Note 18) .....	60,369	21,457	<b>89</b>	<b>754</b>
Loss on write-down of investments in securities .....	(2,641)	(295)	<b>(556)</b>	<b>(4,713)</b>
Dilution gain (loss) (Notes 2 (1) and 19) .....	(680)	4	<b>(30)</b>	<b>(253)</b>
Equity in net gains of unconsolidated subsidiaries and affiliates (Note 7) .....	369	198	—	—
Hoard profit of prepaid card (Note 2 (24)) .....	—	909	<b>965</b>	<b>8,173</b>
Subsidy income .....	403	462	<b>145</b>	<b>1,225</b>
Provision for accrued employees' retirement benefits (Note 2 (16)) .....	(261)	(261)	<b>(261)</b>	<b>(2,208)</b>
Transfer of agents' commission .....	(179)	(187)	<b>(153)</b>	<b>(1,295)</b>
Loss on cancellation of leases .....	(408)	(3)	<b>(266)</b>	<b>(2,252)</b>
Insurance loss .....	(82)	(98)	—	—
Transfer of one's domicile's adjustment costs .....	—	(106)	<b>(195)</b>	<b>(1,656)</b>
Gain on sales of fixed assets .....	17	15,898	<b>208</b>	<b>1,763</b>
Gain from transfer of business .....	—	—	<b>277</b>	<b>2,347</b>
Gain from reversal of allowance for anticipated losses on contracts (Note 2 (14)) .....	—	—	<b>484</b>	<b>4,101</b>
Loss on disposal of fixed assets .....	(859)	(1,153)	<b>(161)</b>	<b>(1,364)</b>
Loss on impairment of fixed assets (Notes 2 (27) and 20) .....	—	(3,380)	<b>(0)</b>	<b>(2)</b>
Loss on relocation of datacenter (Note 21) .....	—	(1,568)	—	—
Loss on cancellation of system development (Note 22) .....	—	(2,945)	—	—
Provision for reserve for securities trading liabilities (Note 2 (18)) .....	(330)	(421)	<b>(268)</b>	<b>(2,273)</b>
Provision for reserve for financial futures trading liabilities (Note 2 (19)) .....	—	(0)	<b>(2)</b>	<b>(15)</b>
Loss on cancellation of service (Note 24) .....	—	(1,240)	—	—
Other, net .....	(15,766)	219	<b>(13)</b>	<b>(112)</b>
	40,154	27,648	<b>808</b>	<b>6,845</b>
Income before income taxes and minority interests (Note 2 (24)) .....	64,200	52,786	<b>30,713</b>	<b>260,168</b>
<b>Income taxes</b> (Notes 2 (21) and 16):				
Current .....	5,417	12,557	<b>18,986</b>	<b>160,828</b>
Deferred .....	23,042	6,476	<b>(4,533)</b>	<b>(38,398)</b>
Reversal of the prior year's income taxes and prior year's income taxes-deferred (Note 25) .....	—	—	<b>6,210</b>	<b>52,607</b>
	28,459	19,033	<b>20,663</b>	<b>175,037</b>
Income before minority interests .....	35,741	33,753	<b>10,050</b>	<b>85,131</b>
<b>Minority interests in subsidiaries</b>	(2,398)	(2,878)	<b>(1,371)</b>	<b>(11,609)</b>
<b>Net income</b> .....	¥ 33,343	¥ 30,875	<b>¥ 8,679</b>	<b>\$ 73,522</b>
		yen		U.S. dollar (Note 1)
<b>Per share information:</b>				
Net income per share (Notes 2 (26) and 29) .....	¥437.31	¥410.52	<b>¥117.35</b>	<b>\$0.99</b>
Diluted net income per share (Notes 2 (26) and 29) .....	412.04	387.98	<b>105.60</b>	<b>0.89</b>
Cash dividends (Note 2 (26)) .....	17.00	40.00	<b>40.00</b>	<b>0.34</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries  
For each of the three years in the period ended 31st March, 2007

millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total
<b>Balance as of 31st March, 2004</b> .....	¥69,139	¥34,968	¥18,973	¥ (2,767)	¥ 8,592	¥ —	¥(219)	¥ —	¥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)
<b>Balance as of 31st March, 2005</b> .....	<u>¥69,490</u>	<u>¥34,115</u>	<u>¥51,262</u>	<u>¥ (5,615)</u>	<u>¥ 7,296</u>	<u>¥ —</u>	<u>¥ (63)</u>	<u>¥ —</u>	<u>¥156,485</u>
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 31st March, 2006</b> .....	<u>¥71,524</u>	<u>¥36,138</u>	<u>¥80,719</u>	<u>¥(19,626)</u>	<u>¥11,069</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥179,824</u>
Reclassified Balance as of 31st March, 2006 (Note 2 (28)) .....								23,606	23,606
Exercise of stock options .....	1,266	1,266							2,532
Cash dividends* .....			(2,945)						(2,945)
Cash dividends .....			(1,480)						(1,480)
Directors' and statutory auditors' bonuses* ...			(281)						(281)
Net income .....			8,679						8,679
Repurchase of treasury stock .....				(24)					(24)
Disposal of treasury stock .....				1					1
Net change in the items other than shareholders' equity the fiscal year .....					(2,120)	0		983	(1,137)
<b>Balance as of 31st March, 2007</b> .....	<u>¥72,790</u>	<u>¥37,404</u>	<u>¥84,692</u>	<u>¥(19,649)</u>	<u>¥ 8,949</u>	<u>¥ 0</u>	<u>¥ —</u>	<u>¥24,589</u>	<u>¥208,775</u>

\* It is a profit disposal item decided in the shareholders' meeting on June 2006.

thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains on securities	Net unrealized gains on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total
<b>Balance as of 31st March, 2006</b> .....	\$605,876	\$306,121	\$683,774	\$(166,251)	\$ 93,769	\$ —	\$ —	\$ —	\$1,523,289
Reclassified Balance as of 31st March, 2006 (Note 2 (28)) .....								199,967	199,967
Exercise of stock options .....	10,730	10,729							21,459
Cash dividends* .....			(24,955)						(24,955)
Cash dividends .....			(12,534)						(12,534)
Directors' and statutory auditors' bonuses* ...			(2,386)						(2,386)
Net income .....			73,522						73,522
Repurchase of treasury stock .....				(205)					(205)
Disposal of treasury stock .....				8					8
Net change in the items other than shareholders' equity the fiscal year .....					(17,959)	2		8,326	(9,631)
<b>Balance as of 31st March, 2007</b> .....	<u>\$616,606</u>	<u>\$316,850</u>	<u>\$717,421</u>	<u>\$(166,448)</u>	<u>\$ 75,810</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$208,293</u>	<u>\$1,768,534</u>

\* It is a profit disposal item decided in the shareholders' meeting on June 2006.

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 31st March, 2007

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests .....	¥64,200	¥52,786	¥ 30,713	\$260,168
Adjustments for -				
Depreciation .....	6,235	5,871	4,109	34,807
Loss on impairment of fixed assets .....	—	3,380	0	2
Amortization of goodwill .....	12,246	374	417	3,535
Increase (decrease) in allowances and decrease (increase) in prepaid pension costs .....	1,421	2,191	1,608	13,622
Interest and dividend income .....	(2,145)	(2,460)	(2,940)	(24,910)
Interest expenses .....	979	863	1,296	10,975
Equity in net losses (gains) of unconsolidated subsidiaries and affiliates .....	(369)	(198)	—	—
Loss on disposal of fixed assets and gain (loss) on sales of fixed assets .....	949	(13,668)	12	106
Loss (gain) on sales of investments in securities .....	(59,286)	(21,442)	(60)	(513)
Decrease (increase) in accounts receivable .....	19,602	(211)	2,459	20,833
Decrease (increase) in inventories .....	138	(1,766)	1,030	8,726
Increase (decrease) in accounts payable .....	(17,724)	(41)	(2,724)	(23,073)
Decrease (increase) in investments related to financial services .....	(14,818)	(38,700)	(16,960)	(143,666)
Increase (decrease) in liabilities related to financial services .....	—	—	12,057	102,136
Decrease (increase) in cash segregated as deposits related to securities business .....	(4,503)	(15,232)	11,301	95,734
Decrease (increase) in trading assets related to securities business .....	(2,903)	798	(4,816)	(40,796)
Decrease (increase) in receivables related to margin transactions .....	(18,451)	(39,586)	21,016	178,025
Increase (decrease) in trading liabilities related to securities business .....	1,311	(134)	4,424	37,473
Increase (decrease) in payables related to margin transactions .....	14,568	17,270	(21,500)	(182,129)
Increase (decrease) in deposits received and guarantee deposits received from customers related to securities business .....	4,740	25,269	(9,982)	(84,557)
Other .....	4,335	2,682	(5,120)	(43,373)
Subtotal .....	10,525	(21,954)	26,340	223,125
Interest and dividends income received .....	2,143	2,352	3,047	25,809
Interest expenses paid .....	(1,038)	(929)	(1,153)	(9,763)
Income taxes paid .....	(10,944)	(4,522)	(21,165)	(179,287)
<b>Net cash provided by (used in) operating activities .....</b>	<b>686</b>	<b>(25,053)</b>	<b>7,069</b>	<b>59,884</b>
<b>Cash flows from investing activities:</b>				
Increase (decrease) in time deposits, net .....	127	(1,725)	(465)	(3,943)
Net proceeds from sales and purchases of marketable securities .....	7,068	5,373	3,717	31,489
Purchase of property and equipment .....	(5,142)	(5,994)	(7,195)	(60,950)
Proceeds from sales of property and equipment .....	647	22,443	4,957	41,990
Purchase of intangible assets .....	(2,680)	(1,664)	(8,396)	(71,123)
Proceeds from sales of intangible assets .....	4	10,070	76	645
Purchase of investments in securities .....	(10,515)	(27,078)	(9,747)	(82,564)
Proceeds from sales of investments in securities .....	29,740	28,199	1,864	15,787
Expenditure for acquisition of subsidiaries' stocks .....	(17,623)	—	(997)	(8,446)
Proceeds from sales of subsidiaries' stocks .....	34,799	—	—	—
Other .....	888	(637)	(360)	(3,047)
<b>Net cash provided by (used in) investing activities .....</b>	<b>37,313</b>	<b>28,987</b>	<b>(16,546)</b>	<b>(140,162)</b>

The accompanying notes are an integral part of these statements.

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term bank loans, net .....	(11,794)	9,333	<b>11,699</b>	<b>99,099</b>
Proceeds from long-term debt .....	—	5,000	—	—
Repayment of long-term debt .....	(6,227)	(6,000)	<b>(4,500)</b>	<b>(38,120)</b>
Proceeds from issuance of corporate bonds .....	—	—	<b>35,000</b>	<b>296,484</b>
Redemption of corporate bonds .....	(4,010)	(3,200)	—	—
Issuance of common stock .....	703	4,067	<b>2,533</b>	<b>21,459</b>
Purchase of treasury stock (Note 3 (2)) .....	(6,209)	(14,080)	<b>(37)</b>	<b>(315)</b>
Cash dividends paid .....	(758)	(1,957)	<b>(5,106)</b>	<b>(43,251)</b>
Other .....	1,311	216	<b>(56)</b>	<b>(475)</b>
<b>Net cash provided by (used in) financing activities .....</b>	<b>(26,984)</b>	<b>(6,621)</b>	<b>39,533</b>	<b>334,881</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(25)</b>	<b>29</b>	<b>51</b>	<b>431</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>10,990</b>	<b>(2,658)</b>	<b>30,107</b>	<b>255,034</b>
<b>Cash and cash equivalents, at beginning .....</b>	<b>71,015</b>	<b>77,357</b>	<b>74,747</b>	<b>633,182</b>
<b>Cash and cash equivalents of initially consolidated subsidiaries, at beginning (Note 2 (1)) .....</b>	<b>429</b>	<b>96</b>	<b>593</b>	<b>5,028</b>
<b>Cash and cash equivalents of subsidiaries removed from consolidation, at beginning (Note 2 (1)) .....</b>	<b>(265)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Decrease in cash and cash equivalents of subsidiaries removed from consolidation (Note 2 (1)) .....</b>	<b>(5,053)</b>	<b>(48)</b>	<b>—</b>	<b>—</b>
<b>Increase in cash and cash equivalents by merger, at end (Note 2 (1)) .....</b>	<b>241</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents, at end (Notes 2 (3) and 3 (1)) .....</b>	<b>¥77,357</b>	<b>¥74,747</b>	<b>¥105,447</b>	<b>\$893,244</b>

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 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 ¥118.05 = US\$1.00, the rate of exchange on 31st March, 2007, 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 31st March, 2007 is as follows:

Name of subsidiary
Domestic Subsidiaries:
CSK SYSTEMS CORPORATION
JIEC Co., Ltd.
CSK Network Systems Corporation
CSI SOLUTIONS Corporation
ISAO CORPORATION
CSK SYSTEM MANAGEMENT CORPORATION
SUPER SOFTWARE COMPANY LTD.
CSK WinTechnology Corporation.
(On 1st 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 PRESCENDO CORPORATION  
Light Works 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.  
CSK Institute for Sustainability, Ltd.  
Cosmo Securities Co., Ltd.  
Tsuyama Securities Co., Ltd.  
Cosmo Enterprise Co., Ltd.  
Japan Cosmo Securities (Hong Kong) Limited  
CSK-RB SECURITIES CORPORATION  
QUO CARD Co., Ltd.  
19 anonymous associations

On 1st 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 fiscal year 2005, 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 fiscal year 2005. 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 fiscal

year 2006 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 fiscal year 2006 and therefore were newly consolidated from this fiscal year.

On 1st October, 2005, CSK SYSTEMS CORPORATION became successor to the business of CSK CORPORATION (On 1st 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 fiscal year 2006, due to being in the process of liquidation.

CSK-RB SECURITIES CORPORATION and other 1 company were established in this fiscal year and therefore were newly consolidated from this fiscal year.

CSK PRESCENDO CORPORATION was newly consolidated from this fiscal year, due to the acquisition of stock in March 2007.

(Change in accounting policy)

From the fiscal year under review, the "PITF No.20 Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" has been applied

This made the 23 consolidated subsidiaries above into subsidiary companies from this fiscal year under review.

4 consolidated subsidiaries were excluded from subsidiary companies because their anonymous association contract had finished.

As a result, total net assets increased ¥15,289 million. This change had a little impact on net income.

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.

Of the consolidated subsidiaries of the Group, 1 anonymous association has fiscal year-end of 28th February, 2 anonymous associations have fiscal year-end of 31st January, 15 anonymous associations have fiscal year-end of 31st December. Furthermore, 1 anonymous association has fiscal year-end of 30th November. Consequently, these subsidiaries use a trial settlement date of 28th February, for the purpose of preparing the consolidated interim financial statements. The remaining consolidated subsidiaries have fiscal year-end of 28th February, the consolidated fiscal year-end. The required adjustment for consolidated accounting purposes is carried out for important transactions that occur in the period between the consolidated fiscal year-end and the fiscal year-end of a subsidiary.

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 amor-

tized 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. 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 and real estate

With regard to transactions in shares and real estate, any profit or loss from the sale of shares is recorded under sales or cost of sales respectively. And shares are included in securities with market values.

#### 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 final accounts 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 final accounts of the partnership. Venture capital investments are recorded as securities on an equity basis.

**(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) Allowance for losses on investment securities**

“Allowance for losses on investment securities” reflects the Group’s share of losses of the investee about the investments included in “Investments related to financial services”

**(9) Inventories**

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

**(10) 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 1st April, 1998 which are depreciated using the straight-line method.

**(11) 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.

**(12) 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.

**(13) Accrued bonuses to directors and statutory auditors**

In order to provide for payments of bonuses to directors and statutory auditors, a forecast payment amount is recorded in consolidated results for the end of the year under review in respect of certain consolidated subsidiaries.

(Changes in accounting policy)

From the fiscal year under review, “Accounting Standard for Directors’ Bonus” (Accounting Standards Board of Japan (ASBJ) Statement No. 4 of 29th November, 2005) has been applied.

As a result, operating income and net income before tax have each decreased by ¥62 million.

**(14) 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 31st March, 2005 a reserve for loss on software development, etc. has been recorded, based on estimated losses.

**(15) 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.

**(16) 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 the Company and 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 will be started from the next fiscal year.

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

**(17) Accrued directors’ retirement benefits**

In order to provide for payments of retirement benefits to directors of the Company and some subsidiaries, a forecast payment amount is recorded in internal regulations. The Company revised



the internal regulations and decided to not increase payment amounts after annual meeting of shareholders on 26th June, 2003.

**(18) 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.

**(19) 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.

**(20) Research and development costs**

Research and development costs are charged to income as incurred.

**(21) 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.

**(22) 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 "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.

**(23) Consolidated tax system**

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

**(24) 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 31st 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 1st 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 31st 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 31st 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 31st March, 2006).

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

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

**(25) 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.

#### (26) Dividends and net income per share

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

“Net income 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 net income 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.

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

Effective 1st 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 9th 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 31st 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 31st 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.

#### (28) Accounting Standards for Presentation of Net Assets in the Balance Sheet, etc. and Partial revision of Accounting Standards for Treasury Stock and Appropriation of Legal Reserve, etc.

From the period under review, “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan (ASBJ) Statement No.5 of 9th December, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No.8 of 9th December, 2005), as well as the revised “Accounting Standards for Treasury Stock and Appropriation of Legal Reserve” (ASBJ Statement No.1; final revision on 11th August, 2006) and “Guidance on Accounting Standards for Treasury Stock and Appropriation of Legal Reserve” (ASBJ Guidance No.2; final revision on 11th August, 2006) have been applied.

The adoption of the new accounting standards had no impact on net income.

Shareholders’ equity under the previous presentation method amounted to ¥184,186 million.

The financial statements for the period under review have been prepared in accordance with the revised “Regulation for Interim Consolidated Financial Statements”.

### 3. Consolidated statements of cash flows

#### (1) Reconciliation of “Cash” to “Cash and cash equivalents”

“Cash” as of 31st March, 2005, 2006 and 2007 on the consolidated balance sheets and “Cash and cash equivalents” at 31st March,

2005, 2006 and 2007 on the consolidated statements of cash flows are reconciled as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Cash .....	¥77,510	¥77,444	¥108,405	\$918,298
Marketable securities .....	5,966	3,911	7,207	61,052
Less: Time deposits with original maturities of more than three months or those submitted as collateral for loans .....	(733)	(2,889)	(3,355)	(28,417)
Less: Equity securities and other marketable securities with original maturities of more than three months .....	(5,386)	(3,719)	(6,810)	(57,689)
Cash and cash equivalents .....	¥77,357	¥74,747	¥105,447	\$893,244

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

#### (3) 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 31st 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

#### (4) Outline of the representative removed subsidiaries’ assets and liabilities due to sales of shares in fiscal year, 2005 (consolidated basis)

Bellsystem24 as of 31st 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 31st March, 2005 were as follows:

Trading securities (trading securities with market values)

	millions of yen		Unrealized gains (losses)
	Assets	Liabilities	
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
Other**	7,542	4,738	99	12,181
	<u>¥14,050</u>	<u>¥13,208</u>	<u>¥355</u>	<u>¥26,903</u>
Held-to-maturity-				
Debt securities	<u>¥19,857</u>	<u>¥ 66</u>	<u>¥ 14</u>	<u>¥19,909</u>

\* 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 "Other".

At 31st 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 31st 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 31st 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
Investment in anonymous associations	32,781
Investments in unconsolidated subsidiaries and affiliates	5,461

The redemption schedule of debt and equity securities as of 31st 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	—
	<u>¥22,482</u>

"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 31st 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)
	<u>¥10,768</u>	<u>¥4,720</u>	<u>¥ (2)</u>

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
Other*	22,692	8,533	209	31,016
	<u>¥46,286</u>	<u>¥20,057</u>	<u>¥360</u>	<u>¥65,983</u>
Held-to-maturity-				
Debt securities	<u>¥20,539</u>	<u>¥ 2</u>	<u>¥234</u>	<u>¥20,307</u>

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

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

	millions of yen
Available-for-sale securities:	
Money management fund	¥ 192
Unlisted stock	10,094
Unlisted bonds	181
Investment in partnerships	1,933
Investment in anonymous associations	57,079
Investments in unconsolidated subsidiaries and affiliates	1,081

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

	millions of yen
Available-for-sale and Held-to-maturity	
Due within 1 year	¥ 3,729
Due after 1 year through 5 years	16,955
Due after 5 years through 10 years	17,110
Due after 10 years	—
	<u>¥37,794</u>

"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 31st March, 2007 were as follows:

Trading securities (trading securities with market values)

	millions of yen		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	¥ 5,562	¥2,645	¥(24)
Bonds	9,953	6,484	33
Beneficiary securities	121	—	6
	<u>¥15,636</u>	<u>¥9,129</u>	<u>¥ 15</u>

thousands of U.S. dollars (Note 1)

	thousands of U.S. dollars (Note 1)		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	\$ 47,114	\$22,408	\$(202)
Bonds	84,314	54,921	277
Beneficiary securities	1,025	—	51
	<u>\$132,453</u>	<u>\$77,329</u>	<u>\$ 126</u>

Except for trading securities

	millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities .....	¥17,911	¥14,977	¥(479)	¥32,409
Debt securities .....	115	—	(0)	115
Other* .....	21,934	2,047	(341)	23,640
	<u>¥39,960</u>	<u>¥17,024</u>	<u>¥(820)</u>	<u>¥56,164</u>
Held-to-maturity-				
Debt securities .....	<u>¥23,160</u>	<u>¥ 48</u>	<u>¥(113)</u>	<u>¥23,095</u>

	thousands of U.S. dollars (Note 1)			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities .....	\$151,724	\$126,869	\$(4,054)	\$274,539
Debt securities .....	974	—	(4)	970
Other* .....	185,799	17,343	(2,885)	200,257
	<u>\$338,497</u>	<u>\$144,212</u>	<u>\$(6,943)</u>	<u>\$475,766</u>
Held-to-maturity-				
Debt securities .....	<u>\$196,188</u>	<u>\$ 405</u>	<u>\$ (952)</u>	<u>\$195,641</u>

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

Major components of debt and equity securities whose fair market values are not readily determinable as of 31st March, 2007 were as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
Available-for-sale securities:		
Money management fund .....	¥ 397	\$ 3,363
Unlisted stock .....	18,419	156,026
Unlisted bonds .....	180	1,525
Investment in partnerships .....	2,154	18,251
Investment in anonymous associations .....	30,164	255,515
Investments in unconsolidated subsidiaries and affiliates .....	918	7,773

The redemption schedule of debt and equity securities as of 31st March, 2007 were as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
Available-for-sale and Held-to-maturity		
Due within 1 year .....	¥ 6,810	\$ 57,688
Due after 1 year through 5 years ...	15,436	130,760
Due after 5 years through 10 years	18,300	155,015
Due after 10 years .....	—	—
	<u>40,546</u>	<u>\$343,463</u>

## 5. Inventories

At 31st March, 2005, 2006 and 2007, the Group's inventories consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2005	2007
Goods for resale .....	¥ 819	¥1,079	¥1,013	\$ 8,581	
Systems in progress .....	5,418	6,971	3,750	31,767	
Other .....	108	62	57	481	
	<u>¥6,345</u>	<u>¥8,112</u>	<u>¥4,820</u>	<u>\$40,829</u>	

## 6. Investments related to financial services and Liabilities related to financial services

"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 fiscal year 2006.

"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 fiscal year 2006.

"Investments related to financial services" mainly consists of investments in anonymous associations, ¥30,164 million, shares, ¥26,980 million and real estate, ¥30,726 million in this fiscal year.

In shares, shares with the current price, ¥11,986 million, are included in this fiscal year.

"Liabilities related to financial services" is mainly Nonrecourse Loans ¥11,132 million in this fiscal year.

Estates of "Investments related to financial services" and Nonrecourse Loan of "Liabilities related to financial services" are all assets and liabilities of anonymous associations that are subsidiary companies.

## 7. Investments in unconsolidated subsidiaries and affiliates

At 31st March, 2005, 2006 and 2007, investments in unconsolidated subsidiaries and affiliates under the equity method are as follows:

	2005		2006		2007	
	Equity* Ownership (%)	Capital Stock (millions of yen)	Equity* Ownership (%)	Capital Stock (millions of yen)	Equity* Ownership (%)	Capital Stock (millions of yen)
Domestic Affiliates:						
Nextcom K.K.** ....	29.8	¥3,801	—	—	—	¥—

\* Includes direct and indirect ownership.

\*\* Nextcom K.K. 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 previous 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 31st March, 2005, 2006 and 2007 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2005	2007
Buildings and structures* .....	¥35,051	¥22,851	¥14,454	\$122,443	
Other* .....	14,118	13,080	13,361	113,181	
	49,169	35,931	27,815	235,624	
Less:					
Accumulated depreciation ....	(25,291)	(20,852)	(14,476)	(122,626)	
	23,878	15,079	13,339	112,998	
Land* .....	11,306	11,684	10,831	91,751	
Construction in progress .....	37	223	2,797	23,688	
	<u>¥35,221</u>	<u>¥26,986</u>	<u>¥26,967</u>	<u>\$228,437</u>	

\* 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 1.2%, 0.2% and 1.1% as of 31st March, 2005, 2006 and 2007, 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%, 1.3% and 1.9% as of 31st March, 2005, 2006 and 2007, respectively.

The repayment schedule of "Long-term bank loans payable" for the next five years is as follows:

Years ending 31st March	millions of yen	thousands of U.S. dollars (Note 1)
2008 .....	¥ —	\$ —
2009 .....	5,000	42,355
2010 .....	—	—
2011 .....	—	—
2012 .....	—	—

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

"Bonds", "Convertible bonds payable" and "Bonds with detachable warrants" as of 31st March, 2005, 2006 and 2007 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2007	2007
Unsecured 1.1% bonds due 30th September, 2005 .....	¥1,700	¥ —	¥ —	\$ —	—
Unsecured 0.9% bonds due 28th December, 2007 .....	9,000	9,000	9,000	76,239	
Unsecured 1.1% bonds due 28th December, 2007 .....	6,000	6,000	6,000	50,826	
Unsecured 0.5% bonds due 28th December, 2007 .....	5,000	5,000	5,000	42,355	
Unsecured 1.2% bonds due 9th July, 2010 .....	8,000	8,000	8,000	67,768	
Unsecured 0.4% bonds due 9th July, 2010 .....	6,000	6,000	6,000	50,826	
Unsecured 1.1% bonds due 30th July, 2010 .....	6,000	6,000	6,000	50,826	
Unsecured zero-coupon bonds due 2nd September, 2011 with detachable warrants, holding expiration from 2nd October, 2003 to 19th August, 2011* .....	23,000	23,000	23,000	194,833	
Unsecured 0.9% bonds due 3rd October, 2005 .....	1,500	—	—	—	
Unsecured 0.3% bonds due 30th September, 2013 with detachable warrants, holding expiration from 1st September, 2006 to 27th September, 2013** .....	—	—	35,000	296,484	
	<u>¥66,200</u>	<u>¥63,000</u>	<u>¥98,000</u>	<u>\$830,157</u>	

\* The number of shares of common stock related to detachable warrants is 3,813,692 shares as of 31st March, 2007. The exercise price of warrants is ¥6,030.9.

\*\* The number of shares of common stock related to detachable warrants is 5,940,257 shares as of 31st March, 2007. The exercise price of warrants is ¥5,892.

### (4) Other interest-bearing debts

Other interest-bearing debts are as follows.:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Payable to securities				
finance companies .....	¥50,325	¥67,571	¥45,847	\$388,370
Recourse loans .....	—	—	1,633	13,841
Nonrecourse loans .....	—	—	11,132	94,299
Commercial paper .....	—	—	3,000	25,413
	<u>¥50,325</u>	<u>¥67,571</u>	<u>¥61,613</u>	<u>\$521,923</u>

## 10. Assets pledged as collateral

### (1) 31st 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
	<u>¥3,528</u>

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 31st 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 31st 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 31st March, 2005.

(d) In connection with the securities business, marketable securities submitted or received on 31st 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
Other .....	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
Other .....	1,759

(2) At 31st March, 2006

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

	millions of yen
Cash .....	¥1,800
Trading assets related to the securities business .....	583
Investments in securities .....	1,942
	<u>¥4,325</u>

In addition, stocks of ¥15,620 million held for customers for margin transactions in relation to sales of securities were pledged as collateral at the fiscal year ended 31st 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 31st March, 2006, the Group has put "Marketable securities" of ¥3,616 million and "Investments in securities" of ¥16,904 million 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 in escrow to secure dealings.

(c) Margin transactions in relation to sales of securities were pledged for ¥3,267 million as substitution for transactional future deposits and for ¥7 million as substitution for transactional when-issued deposits, in the fiscal year ended 31st March, 2006.

(d) In connection with the securities business, marketable securities submitted or received on 31st 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
Securities loaned on margin transactions .....	¥10,390
Securities pledged for loans payable for margin transactions .....	69,791
Substitute securities for guarantee deposits paid .....	2,173
Other .....	¥24,769

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

	millions of yen
Securities pledged for loans receivable for margin transactions...	¥107,331
Securities borrowed on margin transactions .....	2,795
Securities borrowed by promissory note .....	6,933
Substitute securities for guarantee deposits received on futures .....	122,782
Other .....	2,808

(3) At 31st March, 2007

(a) "Short-term bank loans payable" of ¥1,752 million (\$14,843 thousand), "Payables related to margin transactions" of ¥45,847 million (\$388,370 thousand), "Liabilities related to financial services" of ¥12,732 million (\$107,853 thousand) and "Other current liabilities" of ¥1,836 million (\$15,552 thousand) are collateralized by the following assets.

	millions of yen	thousands of U.S. dollars (Note 1)
Cash .....	¥ 2,000	\$ 16,942
Trading assets related to the securities business .....	399	3,379
Investments related to financial services .....	19,913	168,685
Investments in securities .....	2,422	20,514
	<u>24,734</u>	<u>\$209,520</u>

In addition, stocks of ¥7,315 million (\$61,966 thousand) held for customers for margin transactions in relation to sales of securities were pledged as collateral at the fiscal year ended 31st March, 2007.

(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 31st March, 2007, the Group has put "Marketable securities" of ¥6,810 million (\$57,688 thousand) and "Investments in securities" of ¥16,341 million (\$138,426 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 ¥9 million (\$75 thousand) in escrow to secure dealings.

(c) Margin transactions in relation to sales of securities were pledged for ¥3,229 million (\$27,349 thousand) as substitution for transactional future deposits and for ¥4 million (\$34 thousand) as substitution for transactional when-issued deposits, in the fiscal year ended 31st March, 2007.

(d) In connection with the securities business, marketable securities submitted or received on 31st March, 2007 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 .....	¥14,236	\$120,590
Securities pledged for loans payable for margin transactions .....	45,464	385,129
Substitute securities for guarantee deposits paid .....	1,762	14,926
Other .....	23,890	202,370

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 .....	¥ 81,306	\$688,739
Securities borrowed on margin transactions .....	5,754	48,743
Securities borrowed by promissory note .....	10,074	85,341
Substitute securities for guarantee deposits received on futures .....	101,839	862,678
Other .....	1,456	12,332

## 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 31st March, 2005, 2006 and 2007 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.

- Dealing in spot transactions of trading securities such as shares and bonds
- Financial derivatives traded on exchanges such as stock index futures and options, bonds futures and options
- 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

	millions of yen			
	2007			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts .....	¥4,616	¥10	¥5,801	¥30
Forward exchange contracts ..	168	1	512	12
Futures/ forward contacts .....	8,523	32	2,881	9

	thousands of U.S. dollars (Note 1)			
	2007			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts .....	\$39,103	\$ 88	\$49,142	\$258
Forward exchange contracts ..	1,425	8	4,337	101
Futures/ forward contacts .....	72,196	269	24,406	78

### (2) Except for trading securities

#### I. Currency related transaction

	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

	millions of yen			
	2007			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts ..	¥ 65	¥1	¥ 80	¥0

	thousands of U.S. dollars (Note 1)			
	2007			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts ..	\$552	\$8	\$680	\$1

### 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 1st 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 1st 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 1st April, 2004.

"Accrued employees' retirement benefits" as of 31st March, 2005, 2006 and 2007 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
a. Projected benefit obligations ..	¥25,323	¥26,022	¥27,523	\$233,148
b. Plan assets .....	(21,269)	(28,573)	(30,044)	(254,502)
c. Unfunded retirement benefit obligations (a + b) .....	4,054	(2,551)	(2,521)	(21,354)
d. Unrecognized net transition amount .....	(2,581)	(2,323)	(2,079)	(17,613)
e. Unrecognized actuarial net loss .....	(3,296)	3,565	2,674	22,654
f. Unrecognized prior service cost .....	(1,571)	(1,173)	(812)	(6,881)
g. Net amount recognized on the consolidated balance sheet (c + d + e + f) .....	(3,394)	(2,482)	(2,738)	(23,194)
h. Prepaid pension cost .....	(4,523)	(3,269)	(3,325)	(28,166)
i. Accrued employees' retirement benefits (g - h) .....	¥ 1,129	¥ 787	587	\$ 4,972

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

The components of pension and severance costs for the year ended 31st March, 2005, 2006 and 2007 were as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Service cost .....	¥1,698	¥1,515	¥1,518	\$12,864
Interest cost .....	582	593	594	5,029
Expected return on plan assets ..	(199)	(234)	(754)	(6,388)
Amortization of net transition amount .....	261	258	261	2,208
Recognized actuarial loss .....	501	441	(148)	(1,255)
Amortization of prior service cost .....	392	393	396	3,358
Pension and severance costs .....	3,235	2,966	1,867	15,816
Loss accompanying the revision of defined contribution plan (Note 2 (14)) .....	(56)	—	—	—
Other .....	151	613	546	4,624
Total .....	¥3,330	¥3,579	¥2,413	\$20,440

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.

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Amount of expense of defined contribution pension plan .....	¥318	¥253	¥402	\$3,408
Agency return profit etc. of employees' pension fund .....	(405)	—	—	—
Gain on revision of retirement benefits plan .....	—	—	(60)	(512)
Retirement allowance etc. ....	238	360	204	1,728

Assumptions used in accounting for retirement benefit obligations for the year ended 31st March, 2005, 2006 and 2007 were as follows:

	2005	2006	2007
Discount rate .....	2.0 - 3.0%	2.0 - 2.5%	2.5%
Expected rate of return on plan assets .....	1.0%	1.0%	3.0%
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 Companies Act, primarily consists of proceeds on the issuance of shares of common stock of the Group that were not recorded as "Common stock" (Under the Companies Act, 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 Companies Act 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 Corporate Law. 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 31st 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 31st March, 2006, no interim dividends were paid, but the full year's dividends per share were paid to increase by ¥23, to ¥40. In the fiscal year ended 31st March, 2007, the full year's dividends per share is planned to ¥40, comprising final dividends per share of ¥20 and interim dividends per share of ¥20.

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

### 14. Treasury stock

The number of treasury stock is 1,306,007 shares of the Company's common stock at 31st 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 31st March, 2006, which is held by the Company.

Increase of 4,730 common stocks of treasury stock was due to purchase of stocks less than a trading unit.

Decrease of 207 common stocks of treasury stock was due to disposal of stocks less than a trading unit.

As a result, the number of treasury stock is 4,148,356 shares of the Company's common stock at 31st March, 2007, 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 28th June, 2001

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Directors and employees	197,100	¥3,639	From 24th July, 2002 to 23rd July, 2007

### (2) Approved on 26th 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	402,100	¥3,770	From 1st July, 2004 to 29th June, 2007

### (3) Approved on 26th June, 2003

Persons qualified	Number of shares of common stock*	Exercise price	Exercise period
Employees	5,900	¥4,110	From 1st July, 2004 to 29th June, 2007

### (4) Approved on 25th 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	970,000	¥4,820	From 1st July, 2005 to 30th June, 2008

### (5) Approved on 28th 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	1,122,400	¥4,990	From 1st July, 2006 to 30th June, 2009

### (6) 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	26,936	¥4,898	From 1st August, 2004 to 31st July, 2007

\* The number of shares of common stock is the outstanding balance as of 31st March, 2007.

## 16. Income taxes

The Group is subject to number of different income taxes. For the year ended 31st March, 2005, 2006 and 2007 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 31st March, 2005, 2006 and 2007 is as follows:

	2005	2006	2007
Statutory income tax rate .....	40.7%	40.7%	<b>40.7%</b>
Increase (decrease) in tax rate:			
Non-deductible expenses for tax purposes ....	0.5	0.7	<b>1.1</b>
Base portion of inhabitants tax .....	0.4	0.6	<b>0.8</b>
Amortization of goodwill .....	7.8	0.3	<b>0.5</b>
Increase and decrease in valuation allowance for deferred income tax assets .....	(6.1)	(8.7)	<b>2.2</b>
Loss on write-down of investments in securities .....	—	—	<b>(0.2)</b>
Reversal of the prior year's income taxes and prior year's income taxes-deferred .....	—	—	<b>20.2</b>
Other .....	1.0	2.5	<b>2.0</b>
Effective income tax rate .....	<u>44.3%</u>	<u>36.1%</u>	<u><b>67.3%</b></u>

The significant components of deferred income tax assets and liabilities at 31st March, 2005, 2006 and 2007 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
Deferred income tax assets:				
Tax losses carried-forward* ...	¥28,316	¥13,106	<b>¥6,113</b>	<b>\$51,786</b>
Provision for allowance for doubtful accounts .....	927	959	<b>866</b>	<b>7,335</b>
Accrued bonuses to employees .....	2,477	2,540	<b>2,643</b>	<b>22,385</b>
Unrealized intercompany profits .....	382	390	—	—
Accrued employees' retirement benefits .....	675	889	<b>772</b>	<b>6,537</b>
Accrued enterprise tax .....	391	1,355	<b>1,353</b>	<b>11,464</b>
Depreciation expense .....	311	375	<b>448</b>	<b>3,797</b>
Allowance for anticipated losses on contracts .....	495	1,291	<b>1,181</b>	<b>10,000</b>
Loss on impairment of fixed assets .....	—	1,387	—	—
Hoard profit of prepaid card ..	1,858	2,572	<b>3,286</b>	<b>27,832</b>
Investment return from anonymous association ...	—	1,099	<b>3,490</b>	<b>29,563</b>
Inventories .....	20	—	<b>1,449</b>	<b>12,278</b>
Allowance for losses on investment securities .....	—	—	<b>1,658</b>	<b>14,046</b>
Current value assessment of consolidated tax system ..	102	1,655	<b>802</b>	<b>6,795</b>
Software development .....	—	146	<b>1,442</b>	<b>12,212</b>
Reserve for securities trading liabilities .....	—	438	<b>545</b>	<b>4,619</b>
Loss on write-down of investments in securities .....	4,248	704	<b>777</b>	<b>6,582</b>
Other .....	3,929	3,349	<b>2,359</b>	<b>19,983</b>
Gross deferred income tax assets .....	44,131	32,255	<b>29,184</b>	<b>247,214</b>
Less: Valuation allowance .....	20,066	14,971	<b>9,669</b>	<b>81,903</b>
Total deferred income tax assets .....	<u>24,065</u>	<u>17,284</u>	<u><b>19,515</b></u>	<u><b>165,311</b></u>
Deferred income tax liabilities:				
Unrealized gains on securities .....	6,007	8,758	<b>7,564</b>	<b>64,075</b>
Prepaid pension costs .....	1,869	1,332	<b>1,332</b>	<b>11,280</b>
Other .....	8	391	<b>58</b>	<b>495</b>
Gross deferred income tax liabilities .....	7,884	10,481	<b>8,954</b>	<b>75,850</b>
Net deferred income tax assets (liabilities) .....	<u>¥16,181</u>	<u>¥ 6,803</u>	<u><b>¥10,561</b></u>	<u><b>\$89,461</b></u>

\* 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 31st March, 2005, 2006 and 2007 totaled ¥218 million, ¥3,722 million and ¥237 million, respectively.

### 18. Gain on sales of investments in securities

For the year ended 31st 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 31st 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, fiscal year 2006 includes movable exchange profit of ¥5,454 million for policy investment objectives.

### 19. Dilution gain

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

### 20. Loss on impairments of fixed assets

For the year ended 31st March, 2006, 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.

The breakdown was as follows:

Buildings and structures: ¥1,198 million  
Land: ¥642 million  
Others(mainly software): ¥1,540 million

### 21. Loss on relocation of datacenter

"Loss on relocation of datacenter" is the relocation cost of the datacenter from Ikebukuro to Chiba in fiscal year 2006.

### 22. 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 fiscal year 2006.

### 23. Amortization of goodwill

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. Excess of cost over such value of investments in subsidiaries is recognized as goodwill and is amortized over 5 years.

Amortization of goodwill is included in "Selling, general and administrative expenses" in the consolidated statements of income.

### 24. 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 fiscal year 2006.

### 25. Reversal of the prior year's income taxes and prior year's income taxes-deferred

For the year ended 31st March, 2007

Reversal of the prior year's income taxes and prior year's income taxes-deferred has been recorded for the following reasons.

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

The Company and its consolidated subsidiary do not accept the basis for this adjustment, and on 9th August, 2005 lodged an objection with the Tokyo Regional Taxation Bureau.

However, a considerable period of time has passed since the filing of this application, and in light of the amendment to "Accounting Practices, Disclosure and Audit Treatment for Various Taxes" published by the Japanese Institute of Certified Public Accountants (JICPA) in March 2007, we concluded that a more conservative accounting treatment was advisable with respect to this matter, and decided to incorporate it in our consolidated statements of income at the end of this financial year, from the perspective of further improving the soundness of our financial position and ensuring management transparency.

(Subsequent events)

On 6th June, 2007, the Tokyo Regional Taxation Bureau admitted a part of the objection of the Company and the consolidated subsidiary. And at the Board on 12th June, 2007, we have decided to provide the application for review for tax appeals court for the objection that wasn't admitted main part of the corporate tax adjustment relating to the appraisal value of subsidiary companies.

The impact of the application for review is corresponding to approximately income tax ¥1 billion for the Company, and approximately income tax ¥1 billion for the consolidated subsidiary.



## 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 31st March, 2005, 2006 and 2007 is as follows:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2007	2007
Operating leases:					
Due within one year .....	¥ 44	¥ 227	¥ 1,997	\$ 16,919	
Thereafter .....	12	428	13,721	116,231	
	¥ 56	¥ 655	¥15,718	\$133,150	
Finance leases:					
Due within one year .....	¥1,954	¥2,314	¥ 1,653	\$ 14,000	
Thereafter .....	3,815	3,590	2,877	24,375	
	¥5,769	¥5,904	¥ 4,530	\$ 38,375	

Lease expenses on finance lease contracts without ownership transfer for the years ended 31st March, 2005, 2006 and 2007 were ¥2,342 million, ¥2,419 million and ¥2,884 million, respectively.

Pro forma data as of 31st March, 2005, 2006 and 2007 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)	
	2005	2006	2007	2007	2007
Pro forma acquisition cost .....	¥9,926	¥9,870	¥8,944	\$75,768	
Pro forma accumulated depreciation .....	(4,327)	(4,140)	(4,450)	(37,697)	
Pro forma accumulated impairment loss .....	—	(35)	(35)	(300)	
Pro forma net book value .....	¥5,599	¥5,695	¥4,459	\$37,771	
Pro forma depreciation expense ..	¥2,106	¥2,162	¥2,591	\$21,946	
Pro forma interest expense .....	¥ 242	¥ 307	¥ 337	\$ 2,855	
Loss on impairment of fixed assets .....	¥ —	¥ 35	¥ 20	\$ 167	
Reversal of loss on impairment of fixed assets .....	¥ —	¥ —	¥ 16	\$ 133	

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 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 Company concluded master agreements for CMS that have set out the availability granted among 30 group companies in the fiscal year 2007.

The remaining portion of credit line which has not been utilized to the group companies under these agreements as of 31st March, 2005, 2006 and 2007 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2007	2007
Total availability granted					
by CMS .....	¥ —	¥40	¥240	\$2,033	
Used portion of credit line .....	—	—	90	762	
Remaining portion of credit line ..	¥ —	¥40	¥150	\$1,271	

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 31st March, 2005, 2006 and 2007 are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)	
	2005	2006	2007	2007	2007
Total availability granted .....	¥ —	¥ —	¥ —	\$ —	
Used portion of credit line .....	—	—	—	—	
Remaining portion of credit line ..	¥ —	¥ —	¥ —	\$ —	

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

The Group had no significant transactions with its related parties for the year ended 31st March, 2005, 2006 and 2007.

## 29. Information about per share

	yen			U.S. dollars (Note 1)	
	2005	2006	2007	2007	2007
Shareholders' equity per share* .....	¥2,072.02	¥2,437.08	¥2,479.33	\$21.00	
Net income per share* .....	¥ 437.31	¥ 410.52	¥ 117.35	\$ 0.99	
Diluted net income per share* .....	¥ 412.04	¥ 387.98	¥ 105.60	\$ 0.89	

\* The basic facts underlying the calculation of "Shareholders' equity per share", "Net income per share" and "Diluted net income per share" are as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2005	2006	2007	2007
<b>Shareholders' equity per share</b>				
Net assets .....	¥ —	¥ —	¥208,775	\$1,768,534
Net assets related to common stock .....	¥ —	¥ —	¥184,186	\$1,560,241
<b>Principal factors underlying difference</b>				
Minority interests .....	¥ —	¥ —	¥ 24,589	\$ 208,293
Number of shares outstanding at the end of fiscal year (thousands of shares) .....	—	—	78,437	78,437
Number of treasury stock at the end of fiscal year (thousands of shares) .....	—	—	4,148	4,148
Common stock figure used for calculating net assets per share (thousands of shares) .....	—	—	74,289	74,289
<b>Net income per share</b>				
Net income .....	¥33,343	¥30,875	¥ 8,679	\$ 73,522
Net income related to common stock .....	¥33,145	¥30,537	¥ 8,679	\$ 73,522
Amount not attributable to common shareholders .....	¥ 198	¥ 338	¥ —	\$ —
(Of which, amount paid out as bonuses to directors pursuant to Statement of appropriation of Net income) .....	¥ 198	¥ 338	¥ —	\$ —
Average number of shares outstanding during term (thousands of shares) .....	75,793	74,386	73,958	73,958
<b>Diluted net income per share**</b>				
Net income adjustment .....	¥ (161)	¥ (40)	¥ (4)	\$ (32)
(Of which, effect from dilution of affiliated company stock) ...	¥ (161)	¥ (40)	¥ (42)	\$ (356)
(Of which, Interest expenses (after deducting tax)) .....	¥ —	¥ —	¥ 38	\$ 324
Increase in common stock (thousands of shares) .....	4,258	4,217	8,198	8,198
(Of which, warrant rights) .....	204	163	87	87
(Of which, share warrants) .....	241	240	261	261
(Of which, convertible bonds payable) .....	3,813	3,814	7,850	7,850

\*\* Outline of stock not included in diluted net income per share due to lack of diluted effect as at 31st March, 2005:

Company name	Diluted net income per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15 (4))	10,167***
	Bonds with detachable warrants*****	728*****
	Bonds with detachable warrants*****	489*****
	Bonds with detachable warrants (Note 15 (6))	486*****
Nextcom K.K.	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 net income per share due to lack of diluted effect as at 31st March, 2006:

Company name	Diluted net income per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15 (4))	10,017***
	Bonds with detachable warrants (Note 15 (5))	11,230***
	Bonds with detachable warrants*****	720****
	Bonds with detachable warrants (Note 15 (6))	486*****
VeriServe Corporation	Bonds with detachable warrants	561
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642

\*\* Outline of stock not included in diluted net income per share due to lack of diluted effect as at 31st March, 2007:

Company name	Diluted net income per share	Number of shares
CSK HOLDINGS CORPORATION	Bonds with detachable warrants*****	—
VeriServe Corporation	Bonds with detachable warrants	561
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642

\*\*\* 100 of share

\*\*\*\* 62 of share

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

\*\*\*\*\* The share right exercise period is ended in this fiscal year

### 30. Segment information

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

Company name	Diluted net income per share
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, 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 31st March, 2007 classified by segment is presented below:

	millions of yen						
	For the year ended 31st March, 2005						
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and consolidated total	Consolidated total
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 expense .....	222,034	3,669	18,433	52,270	296,406	(458)	295,948
Operating income (loss) ..	¥ 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 31st March, 2006						
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and consolidated total	Consolidated total
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

millions of yen							
For the year ended 31st March, 2007							
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers .....	¥192,561	¥ 24,954	¥ 24,703	¥ 3,764	¥245,982	¥ —	¥245,982
Inter-segment sales/transfers .....	1,720	135	3	4	1,862	(1,862)	—
Total .....	194,281	25,089	24,706	3,768	247,844	(1,862)	245,982
Costs and expense .....	179,504	9,248	22,948	4,020	215,720	357	216,077
Operating income (loss)...	¥ 14,777	¥ 15,841	¥ 1,758	¥ (252)	¥ 32,124	¥ (2,219)	29,905
Assets .....	¥ 88,920	¥129,335	¥204,554	¥34,105	¥456,914	¥120,381	¥577,295
Depreciation .....	¥ 2,668	¥ 32	¥ 683	¥ 157	¥ 3,540	¥ 569	¥ 4,109
Capital expenditure .....	¥ 9,488	¥ 13	¥ 1,563	¥ 52	¥ 11,116	¥ 4,823	¥ 15,939

thousands of U.S. dollars (Note 1)							
For the year ended 31st March, 2007							
	Computer services	Financial services	Securities services	Prepaid card sales	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers .....	\$1,631,186	\$ 211,383	\$ 209,255	\$ 31,884	\$2,083,708	\$ —	\$2,083,708
Inter-segment sales/transfers .....	14,568	1,146	24	37	15,775	(15,775)	—
Total .....	1,645,754	212,529	209,279	31,921	2,099,483	(15,775)	2,083,708
Costs and expense .....	1,520,574	78,337	194,393	34,059	1,827,363	3,022	1,830,385
Operating income (loss)...	\$ 125,180	\$ 134,192	\$ 14,886	\$ (2,138)	\$ 272,120	\$ (18,797)	\$253,323
Assets .....	\$ 753,237	\$1,095,595	\$1,732,772	\$288,903	\$3,870,507	\$1,019,749	\$4,890,256
Depreciation .....	\$ 22,598	\$ 270	\$ 5,785	\$ 1,331	\$ 29,984	\$ 4,823	\$ 34,807
Capital expenditure .....	\$ 80,371	\$ 109	\$ 13,244	\$ 443	\$ 94,167	\$ 40,853	\$ 135,020

- (1) The assets of ¥82,977 million at 31st March, 2005, 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 and ¥120,381 million at 31st March, 2006 and 2007, 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.
- (2) Among costs and expenses, unallocated operating expenses in "Elimination and corporate" column for the year ended 31st March, 2006 were ¥3,503 million. Those costs represented expenses of ¥69 million were incurred pertaining to the Company's administration departments and others before corporate separation on 1st October, 2005, and management expenses for group companies of ¥3,434 million were incurred by the Company after corporate separation. Among costs and expenses, unallocated operating expenses in "Elimination and corporate" column for the year ended 31st March, 2007 were management expenses for group companies of ¥7,003 million incurred at the Company. In the previous fiscal year, the main expenses corresponding to the first half of this fiscal year were included in the Computer Services.
- (3) "Depreciation" and "Capital expenditure" include long-term prepayments, deferred charges and their amortization.

(Change in accounting policies)

Effective 1st 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 (24) b).

Segment information for geographic locations is omitted for the year ended 31st March, 2005, 2006 and 2007 since total sales for "Japan" segment exceeded 90% of total sales in each of such period. Information regarding overseas sales were omitted for the year ended 31st March, 2005, 2006 and 2007 since total overseas sales were less than 10% of consolidated total sales in each of such period.

### 31. Subsequent events

#### Treasury share repurchase

At the Board of Directors of the Company on 16th May, 2007, we resolved to repurchase treasury shares, pursuant to Article 156 of the Companies Act, as revised and applied from Articles of 165, Clause 3 of the Companies Act.

#### 1. Outline of transaction

Class of shares to be repurchased	The Company ordinary shares
Number of shares to be repurchased	1,000,000 shares (maximum)
Total share repurchase amount	¥5,000 million (maximum)
Transaction method	Market purchase through the Tokyo Stock Exchange
Planned date of repurchase	From 17th May, 2007 to 29th June, 2007

#### 2. Date of repurchase

From 17th May, 2007 to 29th May, 2007

#### 3. Other

Total number of treasury shares repurchased since the adoption of the above resolution is as follows

Total number of shares repurchased	1,000,000 shares
Total share repurchase amount	¥4,401 million

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**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 March 31<sup>st</sup>, 2005, 2006 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2005, 2006 and 2007, 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(24)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(27), 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 2(1), effective for the year ended 31<sup>st</sup> March, 2007, the "PITF No.20 Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" has been applied.

As described in Note 2(28), effective for the year ended 31<sup>st</sup> March, 2007, CSK HOLDINGS CORPORATION and its subsidiaries adopted new accounting standard for presentation of net assets in the balance sheet and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet .

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.

*Misuzu Audit Corporation*

27<sup>th</sup> June, 2007

## 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. Materials available at this site include 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
- Events: 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)

### IR Library

Centralized location for selecting and downloading data and IR materials





## CSK Group Information (As of July 1, 2007)

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### CSK Group Companies

#### ■ CSK SYSTEMS CORPORATION

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-3000  
<http://www.csk.com/systems/>

#### ■ CSK SYSTEMS NISHINIHON CORPORATION

Osaka Securities Exchange Bldg.,  
1-8-16 Kita-Hama Chuo-ku, Osaka-shi,  
Osaka 541-0041, Japan  
TEL: +81-6-6223-8800  
<http://www.csk.com/sys-nishi/>

#### ■ CSK SYSTEMS CHUBU CORPORATION

Nissei Murase Bldg.,  
3-25-11, Nishiki, Naka-ku, Nagoya-shi,  
Aichi 460-0003, Japan  
TEL: +81-52-954-8481  
<http://www.csk.com/sys-chubu/>

#### ■ JIEC Co., Ltd.

Nishi Shinjuku Mitsui Bldg. 20F  
6-24-1, Nishi Shinjuku, Shinjuku-ku,  
Tokyo 160-0023, Japan  
TEL: +81-3-5326-3331  
<http://www.jiec.co.jp/>

#### ■ CSI SOLUTIONS Corporation

Sumitomo Fudosan Shinjuku Oak Tower. 19F,  
6-8-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo 163-6019, Japan  
TEL: +81-3-5326-3640  
<http://www.csi.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/>

#### ■ 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/>

#### ■ FUKUOKA CSK CORPORATION

Hinode Fukuoka Bldg. 10F,  
1-12-1, Tenjin, Chuo-ku, Fukuoka-shi,  
Fukuoka 810-0001, Japan  
TEL: +81-92-724-3311  
<http://www.fukuoka-csk.co.jp/>

#### ■ HOKKAIDO CSK CORPORATION

Urbannet Sapporo Bldg. 4F,  
1-2, North 1, West 6, Chuo-ku, Sapporo-shi,  
Hokkaido 060-0001, Japan  
TEL: +81-11-206-3700  
<http://www.hokkaidocsk.co.jp/>

#### ■ CSK SYSTEMS (SHANGHAI) CO., LTD.

18F, East Tower.HI-TECH KING WORLD,  
No.668, East Beijing Road, Shanghai, China  
TEL: +86-21-6103-2518  
<http://www.cskchina.com/>

#### ■ CSK-IT MANAGEMENT CORPORATION

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-3701  
<http://www.csk.com/itm/>

### ■ CSK SYSTEM MANAGEMENT CORPORATION

Sumitomo Fudosan Shinjuku Oak Tower,  
6-8-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo 163-6020, Japan  
TEL: +81-3-6901-5200  
<http://www.csk.com/csm/>

#### ■ ServiceWare Corporation

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
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 Securities Service CO., Ltd.

Nihombashi Honcho Tokyu Bldg.,  
2-4-1, Nihombashi Honcho, Chuo-ku,  
Tokyo 103-0023, Japan  
TEL: +81-3-3244-6610  
<http://www.csk-ss.co.jp/>

#### ■ CSK-RB SECURITIES CORPORATION

Nihombashi Honcho Tokyu Bldg.,  
2-4-1, Nihombashi Honcho, Chuo-ku,  
Tokyo 103-0023, Japan  
TEL: +81-3-6225-3350  
<http://www.csk-rb.co.jp/>

#### ■ VeriServe Corporation

Nishi-Shinjuku Mitsui Bldg. 14F,  
6-24-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo 106-0023, Japan  
TEL: +81-3-5909-5700  
<http://www.veriserve.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

Fukui Shinbun Sakura dori Bldg. 5F,  
1-1-14, Haruyama, Fukui-shi,  
Fukui 910-0019, Japan  
TEL: +81-776-22-1236  
<http://www.fukuicsk.co.jp/>

#### ■ SHIMANE CSK CORPORATION

Matsue Ekimae Esto Bldg. 7F,  
553-6, Otesenba-cho, Matsue-shi,  
Shimane 690-0007, Japan  
TEL: +81-852-60-6930  
<http://www.shimane-csk.co.jp/>

#### ■ IWATE CSK CORPORATION

Asahi Seimei Morioka Chuo-dori Bldg. 8F,  
1-7-25, Chuo-dori, Morioka-shi,  
Iwate 020-0021, Japan  
TEL: +81-19-604-9670  
<http://www.iwate-csk.co.jp/>

#### ■ OITA CSK CORPORATION

OASIS HIROBA21, 2-50, Takasagomachi, Oita-shi,  
Oita 870-0029, Japan  
TEL: +81-97-548-6000  
<http://www.oita-csk.co.jp/>

#### ■ CSK Marketing Corporation

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-4060  
<http://www.csk-mk.co.jp/>

#### ■ ISAO CORPORATION

SOWA Gotanda Bldg. 3F,  
2-7-18, Higashi-Gotanda, Shinagawa-ku,  
Tokyo 141-0022, Japan  
TEL: +81-3-5449-8450  
<http://www.isao.co.jp/>  
<http://www.isao.net/>

### ■ BUSINESS EXTENSION CORPORATION

Nihombashi Honcho Tokyu Bldg.,  
2-4-1, Nihombashi Honcho, Chuo-ku,  
Tokyo 103-0023, Japan  
TEL: +81-3-3242-6800  
<http://www.bec-csk.co.jp/>

#### ■ CSK PRESCENDO CORPORATION

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-3471  
<http://www.presc.co.jp/>

#### ■ CSK SYSTEMS (DALIAN) CO., LTD.

No. 35 Software Park Road,  
Dalian, China  
TEL: +86-411-8476-8801  
<http://www.csk-dalian.com/>

#### ■ Cosmo Securities Co., Ltd.

1-6-10, Kitahama, Chuo-ku, Osaka-shi  
Osaka 541-8521, Japan  
TEL: +81-6-6203-3331  
<http://www.cosmo-sec.co.jp/>

#### ■ CSK FINANCE CO., LTD.

Riviera Minami-Aoyama Bldg. 5F,  
3-3-3, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-5771-6414  
<http://www.csk.com/finance/>

#### ■ QUO CARD Co., Ltd.

Nihombashi Honcho Tokyu Bldg.,  
2-4-1, Nihombashi Honcho, Chuo-ku,  
Tokyo 103-0023, Japan  
TEL: +81-3-3243-2211  
<http://www.quocard.com/>

#### ■ CSK VENTURE CAPITAL CO., LTD.

Riviera Minami Aoyama Bldg. 5F,  
3-3-3, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-5771-6411  
<http://www.cskvc.co.jp/>

#### ■ CSK PRINCIPALS CO., LTD.

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-4080  
<http://www.csk.com/principals/>

#### ■ Plaza Asset Management Co., Ltd.

Riviera Minami Aoyama Bldg. A-4F,  
3-3-3, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-5770-2300  
<http://www.plaza-am.co.jp/>

#### ■ CSK ADMINISTRATION SERVICE CORPORATION

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-3001  
<http://www.csk.com/admi/>

#### ■ Tokyo Green Systems Corporation

EAST CSK Tama Center.,  
2-3, Sannoushita, Tama-shi,  
Tokyo 206-0042, Japan  
TEL: +81-42-310-1261  
<http://www.tgs.co.jp/>

#### ■ CSK Green Service Corporation

BC Aoyama Bldg. 9F,  
2-26-32, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-4121  
<http://www.csk-green.co.jp/>

#### ■ CSK Institute for Sustainability, Ltd.

CSK Aoyama Bldg.,  
2-26-1, Minami-Aoyama, Minato-ku,  
Tokyo 107-0062, Japan  
TEL: +81-3-6438-4110  
<http://www.csk.com/csk-is/>

## Corporate Information (As of March 31, 2007)

**Company name** CSK HOLDINGS CORPORATION  
**Established** October 7, 1968  
**Total number of employees** 10,267 (Consolidated)  
**URL** <http://www.csk.com/>



## Investor Information (As of March 31, 2007)

### ■ Stock and Number of Shareholders

**Common stock:** Authorized—298,000,000 shares  
 Issued—78,437,124 shares

**Number of shareholders:** 33,673

**Stock listing:** First Section of Tokyo Stock Exchange

**Trading unit:** 100 shares

**Ticker symbol number:** 9737

### ■ 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

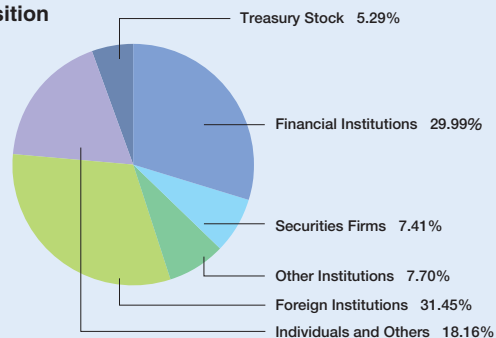
#### URL

<http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

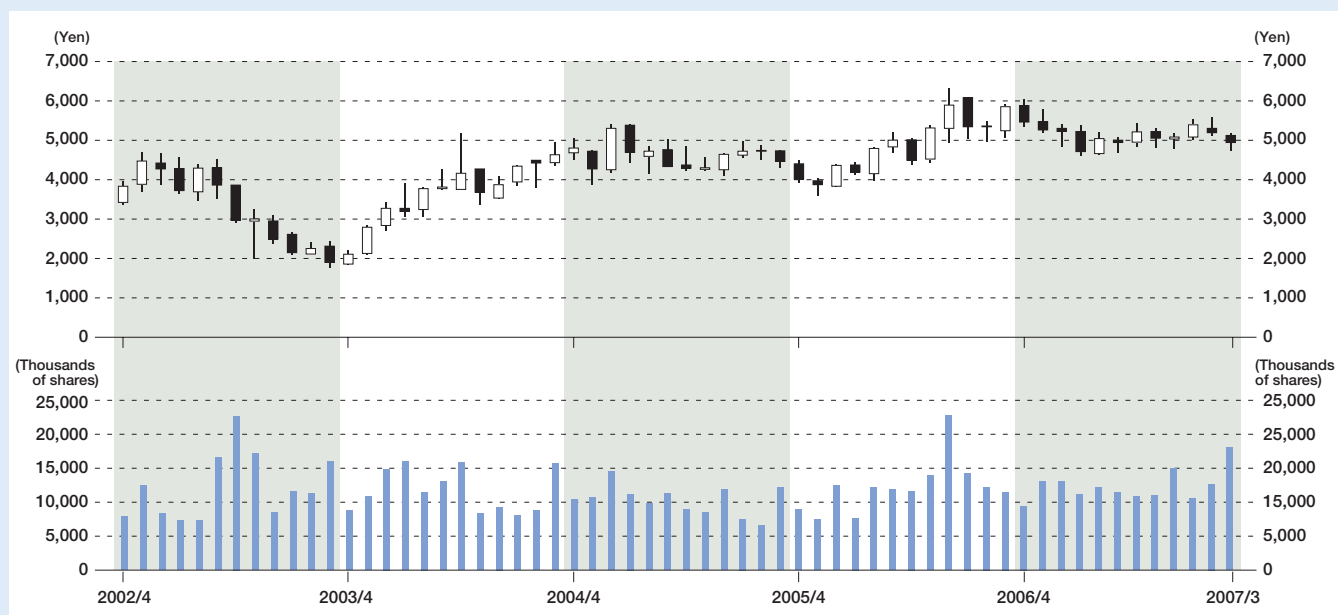
### ■ Major Shareholders

	Number of shares (Thousands)	Voting rights (%)
1 The Master Trust Bank of Japan, Ltd.	5,693	7.26%
2 Japan Trustee Services Bank, Ltd.	5,252	6.70%
3 CSK HOLDINGS CORPORATION	4,148	5.29%
4 O.E. Corporation	3,553	4.53%
5 BNP Paribas Securities (Japan), Ltd.	2,923	3.73%
6 CALYON DMA OTC	2,304	2.94%
7 Nippon Life Insurance Company	2,122	2.71%
8 Deutsche Securities (Japan), Ltd.	1,761	2.25%
9 The Preparatory Committee for The OKAWA Science and Technology Foundation	1,710	2.18%
10 CSK Group Employee Share-holding Association	1,545	1.97%

### ■ Shareholder Composition



### ■ Stock Price Range and Trading Volume





<http://www.csk.com/>

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This annual report was printed in Japan with soy-oil-based ink and employing waterless printing.