Many Talents

CSK HOLDINGS CORPORATION

Annual Report 2008

Aiming to Be a Service Provider

Three years have passed since CSK Group shifted to a holding company structure. Last year we reorganized Group companies and established a system for the comprehensive provision of specialized services from individual Group companies, laying our foundations as a service provider. We have completed our structural reform, and CSK Group is now ready to enter into a new stage of growth.

At CSK Group, we are filled with the desire to provide services that our customers truly require. This motivation gives rise to collaborations among the many talents in the Group, leading in turn to the creation of new services.

Going forward, CSK Group will operate as a service provider that seeks to create new services that society will come to see as essential. At the same time, we will work together with all our stakeholders, including customers, shareholders, business partners, employees, and regional communities, aiming to be a corporate group that continues to contribute to the sustainable development of society.

Aiming for Remarkable Growth as a Service Pro

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Disclaimer

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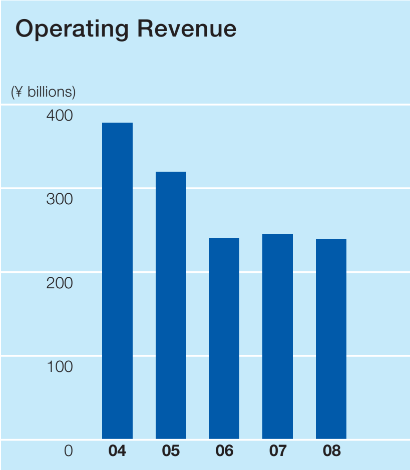
Financial Highlights

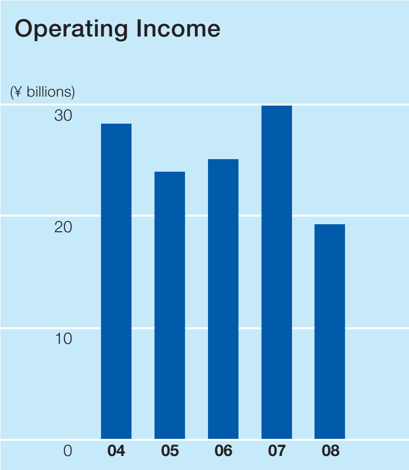
CSK HOLDINGS CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2004, 2005, 2006, 2007 and 2008

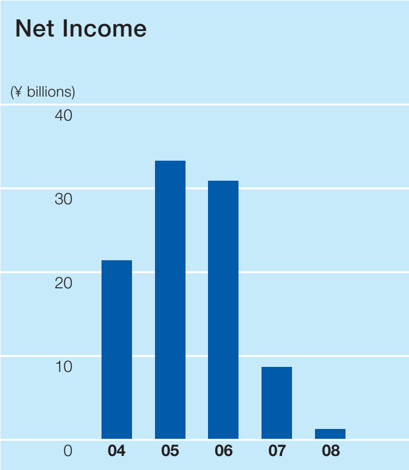
	millions of yen					thousands of U.S. dollars (Note 1)
	2004	2005	2006	2007	**2008**	**2008**
For the year:						
Operating revenue	¥378,473	¥319,994	¥241,155	¥245,982	**¥239,695**	**$2,392,406**
Operating income	28,290	24,046	25,138	29,905	**19,256**	**192,200**
Income before income taxes and minority interests	38,723	64,200	52,786	30,713	**4,682**	**46,736**
Net income	21,424	33,343	30,875	8,679	**1,272**	**12,697**
At year-end:						
Total assets	375,991	455,637	543,134	577,295	**550,054**	**5,490,111**
Net assets/Shareholders' equity (Notes 3 and 4)	128,686	156,485	179,824	208,775	**185,496**	**1,851,438**
Interest-bearing debt	103,349	137,047	159,424	192,665	**212,069**	**2,116,664**
Working capital	87,933	134,688	172,802	181,958	**152,350**	**1,520,610**

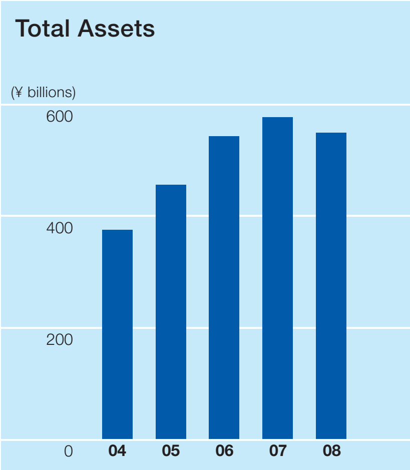
	yen					U.S. dollars (Note 1)
Per share (Note 2)**:**						
Net income	¥ 283.85	¥ 437.31	¥ 410.52	¥ 117.35	**¥ 17.34**	**$ 0.17**
Diluted net income	273.91	412.04	387.98	105.60	**15.46**	**0.15**
Cash dividends	15.00	17.00	40.00	40.00	**40.00**	**0.40**
Shareholders' equity	1,702.47	2,072.02	2,437.08	2,479.33	**2,317.18**	**23.13**
Total outstanding shares	76,538,663	76,733,284	77,791,992	78,437,124	**78,670,524**	

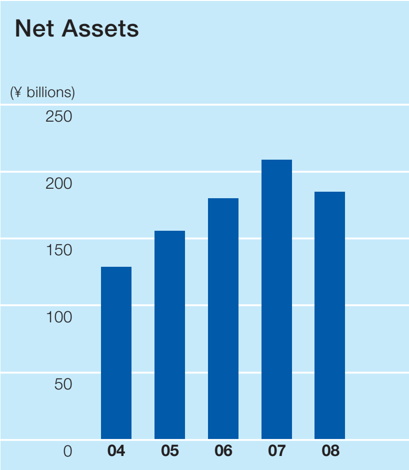
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥100.19 = U.S.$1.00
2. Per share amounts are in yen and dollars, rounded to two decimal places.
3. Starting from the year ended March 31, 2007, "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005) have been applied.
4. Following enactment of the Company Act in 2006, net assets are presented for fiscal years commencing after April 1, 2006.
Net assets comprise the sum of shareholders' equity, as previously presented, along with minority interests and bonds with detachable warrants.

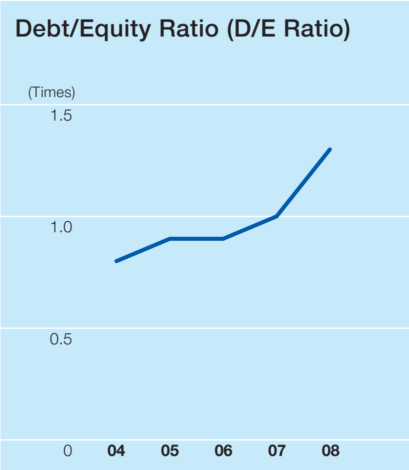

Operating Revenue
(¥ billions)
400
300
200
100
0
04
05
06
07
08

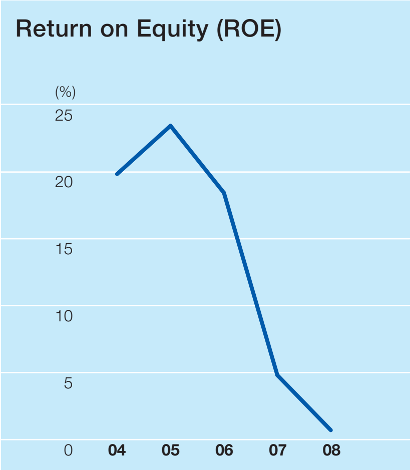

Operating Income
(¥ billions)
30
20
10
0
04
05
06
07
08

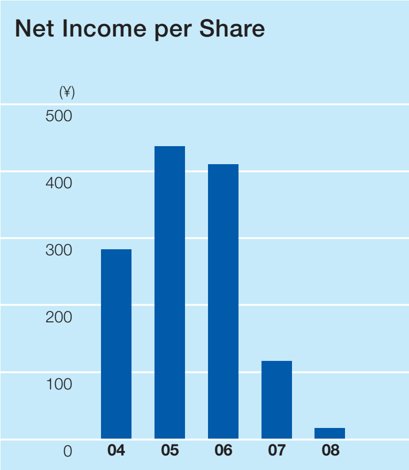

Net Income
(¥ billions)
40
30
20
10
0
04
05
06
07
08

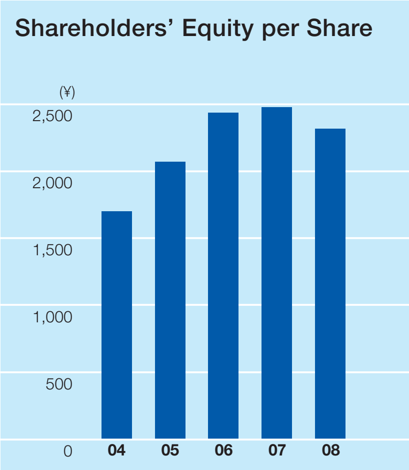

Total Assets
(¥ billions)
600
400
200
0
04
05
06
07
08


Net Assets
(¥ billions)
250
200
150
100
50
0
04
05
06
07
08


Debt/Equity Ratio (D/E Ratio)
(Times)
1.5
1.0
0.5
0
04
05
06
07
08


Return on Equity (ROE)
(%)
25
20
15
10
5
0
04
05
06
07
08


Net Income per Share
(¥)
500
400
300
200
100
0
04
05
06
07
08


Shareholders' Equity per Share
(¥)
2,500
2,000
1,500
1,000
500
0
04
05
06
07
08

Message from the Chairman

Our Social Responsibility: To Create New Services That Society Will Come to See as Essential

This year CSK Group marks the significant milestone of our 40th anniversary. The Group was initially set up as a systems management company in 1968, and in 1982 became the first software company in Japan to be listed on the Tokyo Stock Exchange. Since then, we have ventured into a variety of businesses, expanding to encompass the IT services, securities-related, and financial services businesses that make up Group operations today. Looking back on those years, one could say that the progress we made—responding flexibly to changes in customers' needs and the environment while creating and providing innovative services that society needs—is the history of CSK Group's transformation.

Today, CSK Group's business is not limited to provision of IT capabilities alone. We aim instead to be a service provider, fusing together IT and a range of business services in which we have high expertise. Taking advantage of the vast reserves of personal financial assets in Japan, we have begun to take concrete actions toward developing a new core pillar of our business: the securities-related business, which will contribute to the affluence of our customers and the continuing development of Japan. We are moving ahead on these efforts with our sights set on the next stage of growth.

I believe that there is little value to a company that does not continue to create products and services that can contribute to the development of society.

In 2006, we established the CSK Institute for Sustainability, Ltd. (CSK-IS) as a research and practice center dedicated to uncovering what is needed in the era of sustainability. Our research and practice focuses on social themes of crucial importance to contemporary Japanese society. One project is a new model for agriculture, in which a company contributes to food self-sufficiency by producing enough food to meet its employees' needs: "corporate production and corporate consumption." The second is "personalized medicine," a new methodology that will enable selection of optimal prevention of disease and treatment for individuals based on their genetic information.

In the future, based on our shared view that a company acts together with society, we seek not only to develop as a company, but also to continue contributing to society through the creation of new services that are essential to society.

September 2008

Masahiro Aozono
Chairman of the Board

Message from the CEO

Our New Business Model: To Provide Recurring Services That Fuse IT With Our Broad-Ranging Business Expertise

The operating and management environments facing companies today are changing at a dizzying pace, and gaining in both speed and complexity. Meanwhile, customers' needs for IT services are expanding to domains directly connected to the creation of new business models and other management issues.

In order to respond to these changes, CSK Group pressed forward with a swift transition from a conventional business model to a service provider business model, which brings together highly-specialized business services based on an IT platform. The Group also worked to diversify its sources of revenues and strengthen the revenue base, including by developing the financial services related business into a new core pillar of our business.

When we reorganized the Group last year, we established a system for the comprehensive provision of specialized services from individual Group companies, laying the foundations for advancing the service provider business model. We have completed our structural reform, and CSK Group is now ready to enter into a new stage of growth and rapid advancement.

With regard to our consolidated results for the fiscal year ended March 2008, the IT services business grew steadily on the back of robust IT investments by financial institutions. At the same time, however, we witnessed a decline in the performance of the securities business and the real estate securitization business due to the negative impact of the U.S. subprime loan problem on markets, among other factors. CSK Group is now taking steps to deal with the issues in order to make rapid improvements in revenues and profits.

As part of these measures, in August 2008 we converted Cosmo Securities Co., Ltd. into a wholly owned Group subsidiary. CSK Group engages not just in the securities business, but in a whole range of securities-related businesses. In order to strengthen collaborations within the Group, we have brought these businesses together under the umbrella of "securities-related business." We will advance the development of the securities-related business as the Group's third core pillar, in addition to the IT services business and the financial services business.

Since its founding, CSK Group has responded flexibly to changes in the market and in customers' needs. We not only adapt our existing services to meet the times, but also actively work to create new ones that fill unmet needs. As a service provider seeking to create new services that society will come to see as essential, we aim to continue to live up to the expectations of all our shareholders in the future.

We look forward to your continued interest and support.

September 2008

福山義人

Yoshito Fukuyama
President and Chief Executive Officer

Bringing Together Our Many Talents to Create Truly Innovative Services—in the Field of IT and Beyond

We spoke with President and CEO Yoshito Fukuyama, who has been leading CSK Group's efforts to transform itself into a service provider, about his analysis of CSK HOLDINGS' fiscal 2008 operating results. We also discussed the thinking behind the Group's continuing moves to expand its business portfolio, the current status of the business model transformation, and his future aspirations for CSK Group.

Question 1

Let's start with recent operating results. What were the key factors that caused the drop in both top and bottom line figures in fiscal 2008?

Answer 1

I would like to begin by saying that as the leader of CSK Group I take both the downward revision of operating results and drop in performance very seriously. I am committed to generating a recovery in fiscal 2009 and to regaining the confidence of our shareholders and investors.

Although the IT services business, which accounts for over 80% of Group sales, performed well, the primary reason for the downward revision to operating results was the significant downturn in performance at Cosmo Securities Co., Ltd. The company was impacted by the market turmoil stemming from the subprime mortgage loan issue, and performance suffered as both revenue from stock trade commissions and trading gains declined. Also, efforts during recent years to rapidly expand the scope of business have led to an increase in investment and high cost structure, which resulted in a significant operating loss for the period.

Another reason for the drop in performance was the financial services business. Some of the large sales that we had planned for fiscal 2008 were postponed, thereby impacting performance. These delays were the result of a sudden change in banks' lending stances, which made it difficult for the planned buyers to finance the transactions.

Question 2

What is the situation with ESTREX, the new securities system, which CSK launched just as the market turmoil was impacting the securities industry? There was a write-down in fiscal 2008, but will there be any changes in your strategies?

Answer 2

We are taking a medium-term view on this business, so we are not considering any changes to strategy. We completed ESTREX development on schedule, and we have already commenced services for our first customer.

However, the environment surrounding IT systems for the securities business is changing in line with a number of factors, including the dematerialization of stock certificates and the introduction of a next-generation system at the Tokyo Stock Exchange. With this, customers are taking a cautious stance and have indicated that they want to evaluate conditions carefully before introducing new systems. As such, we revised our plans for recovering our investment in ESTREX, resulting in a write-down.

Going forward, we will respond to all changes in the financial system, add new functions, and integrate ESTREX with MarketViewer, our existing financial information feed service, all with a view to enhance our competitiveness and gradually build up our overall operating performance.

Question 3

For fiscal 2009, CSK HOLDINGS has forecast a 6.4% increase in operating revenue to ¥255.0 billion, and a 19.4% increase in operating income to ¥23.0 billion. Given the wide belief that the market turmoil and tight lending stances by banks will persist for some time, what is your strategy for CSK's securities business and financial services business segments?

Answer 3

In the securities business segment we will overhaul the strategy for Cosmo Securities and at the same time improve coordination within the Group to facilitate new business development. In order to make this happen quickly, we made the decision to make Cosmo Securities a wholly owned subsidiary, effective August 1, 2008.

A number of other initiatives are also underway. In terms of strategy, we have made it clear that we will cease our efforts to enhance and expand the wholesale business, and focus instead on the retail business, an area where we have been strong for some time. In addition to appointing a leader with a wealth of experience in a retail-focused securities firm, we will downsize the underwriting and wholesale divisions. With respect to the organization, while thoroughly trimming the cost structure, we will allocate our people and other management resources in such a way as to enhance our retail sales platform. Lastly, we will position the securities-related business as one of CSK Group's three core businesses, alongside the IT services business and the financial services business, with Cosmo Securities as one of the key companies in this business. In addition to the securities business, the securities-related business will also include the securities systems Application Service Provider (ASP) services, the securities business Business

Process Outsourcing (BPO) services, the investment trust management, the investment advisory services, the venture capital business, and the buyout fund management. All CSK Group companies will proactively work together, both in terms of personnel as well as management resources, to develop the securities-related business.

With respect to the real estate securitization business, difficult market conditions are expected to continue for the foreseeable future as banks continue their tight lending stance. In the fiscal year ending March 2009 we plan to significantly downsize our investment portfolio, with a focus on balance sheet liquidity.

Question 4

The IT services business performed well in fiscal 2008, with operating revenue increasing 2.2% compared to the previous year, and operating income up by 4.3%. What was behind this strong performance?

Answer 4

The primary reason for our strong performance was the solid growth in technology services, which deliver systems integration services and systems management services. In particular, systems integration projects in conjunction with bank mergers and large projects involving life and non-life insurers were big drivers in the business. We are currently working on a number of large projects in the finance industry, so we expect the business to perform well in the upcoming few years. In technology services, operating income ratio rose significantly from 5.9% to 8.8% as a result of strategies aimed at stabilizing earnings. These included improving productivity through strategic efforts to expand the service provider business, as well as exhaustive project management.

Meanwhile, we saw a significant decline in the profitability of business services which offer IT-enabled BPO services. This was due to the upfront investment to launch comprehensive securities services and other new businesses, as well as the fact that intensifying competition has put downward pressure on prices in the area of technical support for hardware vendors and packaged software vendors. In the current fiscal year we are planning to invest to establish a BPO center and bolster sales capability, which may mean that profitability does not improve immediately. However, we expect the business services market to continue to grow, and we will continue to make proactive investment now to ensure future growth.

Question 5

CSK Group has been pointing to the maturation of the IT services industry for some time. It now appears that this view is gaining traction among other industry players. Given this situation, how will CSK Group grow the IT services business?

Answer 5

We are in the process of transforming our business model, as we do not expect to achieve substantial growth by simply continuing with a business-as-usual approach. We are aiming to shift to a service provider business model. This plan has been underway since 2005, and I firmly believed that this strategy was the correct course to pursue. I am even more confident of that now.

Traditional systems development involved a process similar to that of tailor-made clothing. Each system was designed individually to match the client's particular workflow and business practices. Just as tailor-made clothing is expensive, fully custom-developed systems are extremely time-consuming and costly. And naturally, the customer covers the cost of each system provided.

The first step towards creating a service provider business model is to shift from fully custom-developed systems to customizable systems. This involves creating standardized systems, which we refer to as service platforms. We will then make adjustments to the platforms to meet customers' individual needs in terms of functions, layout, interface, and other criteria. From our standpoint, it is more efficient than developing systems from scratch, and we can receive smaller recurring payments from multiple customers. Our customers will also benefit, as costs will be significantly lower than fully custom-developed systems and development time will be shorter. The fact is that there are major benefits for both sides.

Question 6

Other IT service companies are also working to develop these types of platforms. What is different about CSK's service provider business model?

Answer 6

Our services will have a much bigger impact on our customers' strategies than those offered by other companies. Specifically, our service provider business model involves bringing together highly-specialized business services based on an IT platform, and specializing in specific industries and business processes to create standards that can be used in and across industries. What other companies are working on is simply creating an IT system platform that can be shared.

Rather than simply offering IT systems, our aim of fusing IT with our broad-ranging business expertise will enable us to respond flexibly to the management issues of customers who need to develop new businesses, products and business models. It will also lead to the creation of new services for which the need has existed, but there was no solution until now.

In order to do this, we need a good understanding of our customers' industries, businesses, and work processes. We have built a strong customer base and through these relationships and services provided we have cultivated experience and knowledge in each industry and type of business. This is the advantage we have over our competitors. I believe that by offering services that integrate technology services and business services we will be able to achieve further growth in the IT services business.

For example, take CSK PRESCENDO CORPORATION, which you could consider a pilot project for CSK as a service provider. CSK PRESCENDO is a joint venture with Xavel, Inc.* which offers e-commerce fulfillment services through the Internet. Fulfillment refers to the full-range of back-office operations, including product receipt, order-taking, shipping, and distribution. CSK PRESCENDO offers these BPO services in a comprehensive manner in combination with an IT platform featuring IT systems, customer support and data analysis, and so on. Service has started off by targeting the fashion/apparel industry, but marketing activities targeting a variety of other industries are underway.

Within the Group, I speak of us becoming a corporate group that provides truly innovative services that no one else has offered. CSK Group includes a variety of companies, so we should be able to combine the strengths and features of each company to answer our customers' needs and offer entirely new services.

* Operates "girlswalker.com," one of Japan's largest mobile portal sites for female readers, with approximately 7.2 million members. A leader in the area of fashion and beauty, utilizing a cross media technique that combines mobile devices, computers, and actual events. Company name changed from Xavel, Inc. to BRANDING, Inc. as of October 1, 2008.

Question 7

You have positioned the securities-related business as your third core business along with the IT services business and the financial services business. With this change some people are wondering whether CSK Group is an IT services corporate group any more. How do you respond to this?

Answer 7

It is true that we became a large corporate group based on our IT services business. However, I have clearly said that CSK Group's business scope is not confined to the IT services area. When new business opportunities arise, I intend to take swift action in planting the seeds for future growth.

Over the past several years, I have said repeatedly that the IT services industry is maturing. I am very concerned that if we continue with business as usual in a maturing industry we will not be able to achieve significant earnings growth. That is why we are accelerating the shift to the service provider business model, which is very different from our traditional business model, and nurturing the buds that will grow into

tomorrow's big businesses in other areas, even if they do not yield profits immediately. I believe those who share my concern will understand our actions.

If you look at materials manufacturers, you will find some companies that today make very different things from what they made 50 or 100 years ago when they were founded. These companies evolved along with changes in society, market environments, and procurement conditions by repeatedly reforming their businesses and expanding into new business areas. I think that the IT services industry should learn from the examples of such companies. CSK Group has researched and put into practice an agriculture business through CSK-IS, which was founded in 2006, and is partnering with researchers in the field of genetic medicine. Both of these are examples of seeds being planted for the future.

In order to reform the company in this way, the most important thing is for all CSK Group employees to be aware of what is going on. This is especially true when it comes to middle management. If middle managers truly feel that things are going to change, the entire organization will change. I have begun to sense that people in the company are starting to understand this. While it might be small at first, it should really build momentum and speed once it gets rolling.

Question 8

Wouldn't shareholders and investors rather see you post profits quickly than plant seeds that may never develop into strong businesses, or may take a long time to bear fruit?

Answer 8

It is natural for our shareholders and investors to demand strong financial performance, and I have no intention of asking them to take a long-term view and just wait for what may materialize eventually. I believe it is my responsibility as president and CEO to simultaneously pursue short-term results and build the foundations for a strong future. We have to meet our shareholders' performance expectations while also putting CSK Group in a position to succeed over the long-term. This will make us an attractive option for those considering an investment in CSK HOLDINGS.

Our first goal is to achieve year-on-year top and bottom line growth in the fiscal year ending March 2009. At the same time, we will continue our efforts at becoming a service provider in order to boost our growth potential. I hope that our shareholders and investors will continue to have high expectations for CSK Group.

Moving Toward a Stage of New Growth

CSK Group is aiming to become a service provider group that supports the sustainable development of industry and society as a whole and creates new services that society needs.

This feature section lays out CSK Group's efforts as we move toward future growth—an overview and future outlook of the securities-related business, a new core pillar of our business; and concrete steps toward becoming a service provider in the IT services business.

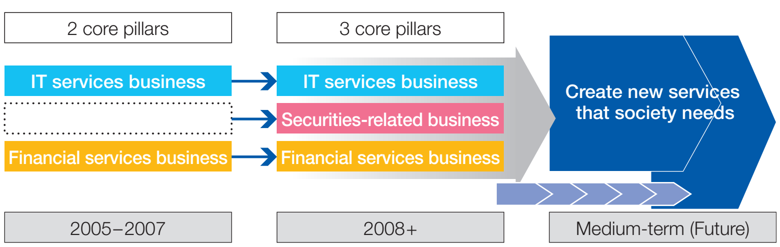
Feature 1: Initiatives in the Securities-Related Business

Making the Securities-Related Business a Full-Fledged Core Pillar of the Business

Since its establishment, CSK Group has made IT services and financial services, centered on the real estate securitization business, the core pillars of its business. With the steady establishment of a system for advancing the securities-related business, the Group is beginning to take steps to make the securities-related business a full-fledged core pillar of its business.

The securities-related business of CSK Group will serve as an addition to the securities business of Cosmo Securities, providing a multitude of services through other Group companies. These services include consultation services on the establishment and operation of securities companies, securities systems development and management services, securities systems ASP services, securities business BPO services, compliance support, telemarketing, financial information feed services, investment trust management, investment advisory services, product planning and development, venture capital business, buyout fund management, and securities intermediation business. While collectively promoting these services, the securities-related business also aims to create new services through the implementation of various measures and policies.

Shift to 3 core businesses



"ESTREX"—A next-generation securities system providing powerful support for the securities-related business

ESTREX, a next-generation system for securities, will be an important engine in driving the provision of comprehensive securities services. The base system of the standard package is complete, and we commenced provision of services to the first clients in May 2008. We are currently undertaking work on modifications in response to changes in the system, and will continue to enhance and expand system functions.

In tandem with the development of ESTREX, we are also making progress on the switch to a new engine for our financial information feed service, MarketViewer. A new front-end system combining two functionalities is scheduled for completion by the end of 2009. This will be a hybrid system incorporating both information-related and order-related functions. As the system is highly flexible, even users of other vendors can easily adopt it. It will therefore be possible to market the system to a wide range of users, providing customers with the opportunity of selecting a system that is user-friendly.

Future Outlook for the Securities-Related Business

Conversion of Cosmo Securities into a wholly owned subsidiary

CSK HOLDINGS made Cosmo Securities a wholly owned subsidiary effective August 1, 2008.

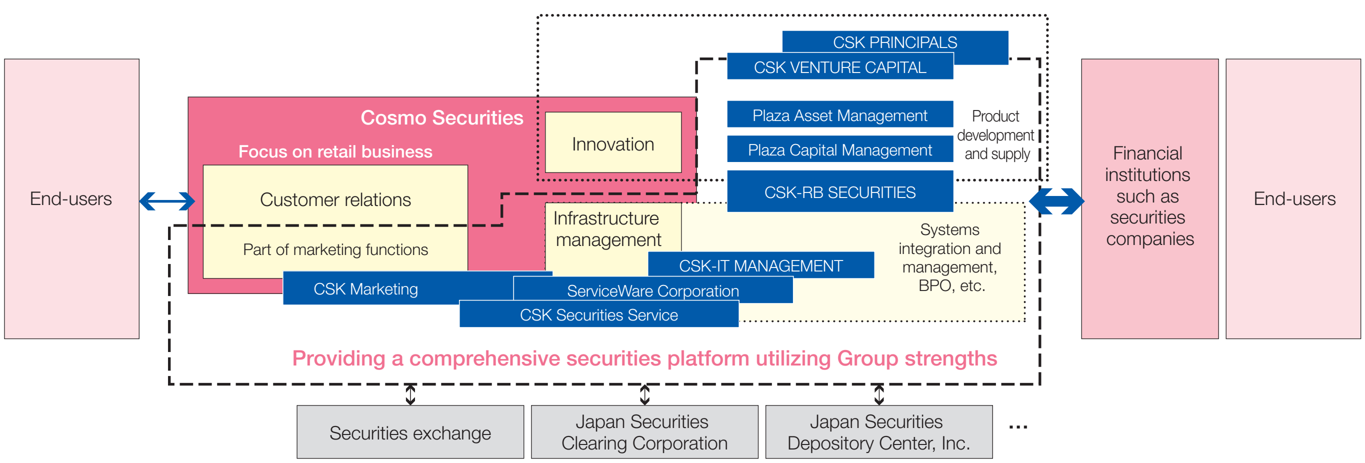
This is a speedy and efficient way of improving its business performance. At the same time, the Group seeks to further strengthen group alliances as it advances toward new developments in the securities-related business.

Cosmo Securities has a strong customer base centered in the Kansai region, Japan, assets under management of about ¥1.6 trillion, and numerous other assets including excellent human resources. However, it has been substantially affected by global financial and credit instabilities triggered by the subprime loan problem, and its cost structure has deteriorated rapidly as a result of active business investments to secure human resources and strengthen wholesale business. As a result, the company's business performance has suffered. Major steps have already been taken for a prompt turnaround of the situation, with a new strategy focusing on the retail business, which is the company's traditional strength. Under the leadership of a new president with a proven track record in the retail business, the company will downsize its underwriting and wholesale departments while enforcing new management policies.

Working as a group to expand the securities-related business

With the increased exchange of human resources and mutual utilization of business resources between Cosmo Securities and other CSK Group companies, the Group will implement business strategies aimed at expanding the securities-related business. By integrating the functions, resources, and operations know-how of Cosmo Securities with CSK Group's expertise and resources in the IT and securities-related businesses, the Group seeks to provide a comprehensive securities platform to securities companies as well as to corporations launching their own securities businesses.

Future outlook for the securities-related business



Main group companies that make up the comprehensive securities platform

Group companies	Main business
Cosmo Securities	Securities business
CSK-RB SECURITIES	Securities business centered on the provision of services to regional financial institutions
CSK Securities Service	Development of securities systems, securities systems ASP, financial information feed service, and securities business BPO
CSK VENTURE CAPITAL	Venture capital business
CSK PRINCIPALS	Buyout fund management
Plaza Asset Management	Investment trust management, investment advisory services
Plaza Capital Management	Commodities investment advisory services
CSK Marketing	Marketing services, etc.
ServiceWare Corporation	Process services (BPO), communication support, data management, etc.
CSK-IT MANAGEMENT	Systems management services, data center services, etc.

Feature 2: Initiatives in the IT Services Business

Measures Toward Becoming a Service Provider

CSK Group twice carried out Group reorganizations in the fiscal year ended March 2008. Through these initiatives, we succeeded in establishing a Group management foundation and a system for flexible provision of comprehensive services, both responding to changing markets and customers' needs.

The next stage will be achieving major expansion of our business domains. In addition to providing technology services and business services together, we aim to expand integrated services—a combination of our established IT platforms and highly-specialized business services—to accelerate the transformation of our business model. At the same time, we will provide services geared toward specific industries and business processes, and create new businesses that will set standards in and across industries.

Concrete steps

CSK Group is undertaking concrete measures toward becoming a service provider. In order to strengthen IT competitiveness and enhance expertise, the Group is making greater efforts to improve productivity and quality in the IT services business, and to boost the level of expertise of each Group company. In addition, it is promoting the "development and reuse of assets (platform)" in order to effectively utilize existing assets and knowledge, as well as the "development of joint business services" through cooperation with non-Group companies.

In response to industry reorganization, many companies spanning a broad range of sectors are currently conducting large-scale systems development projects in order to enhance competitiveness.

Strengthen IT competitiveness

We have entered an era in which IT services will play a vital role in business operation and innovation. CSK Group aims to be a service provider that can contribute to our customers' businesses, and to grow together with our customers as their valuable partner, becoming an indispensable part of their businesses. Accompanying this trend, there is an ongoing shortage of capable system engineers for such development. Under these circumstances, off-shore and near-shore development and maintenance has been attracting much attention as a means of simultaneously securing development resources and reducing development costs. CSK Group has been conducting off-shore development for the past ten years, at bases in Shanghai and Hangzhou, China. We have also built up our near-shore development bases in Okinawa, Fukui, Shimane, Iwate, Oita, Fukuoka, and Hokkaido, Japan.

Furthermore, the utilization of framework factories (software production factories) has been promoted within the Group in response to customers' needs for the prompt and safe introduction of high-quality systems while taking into consideration serviceability.

Strengthening systems development and maintenance capabilities with off-shore and near-shore resources

CSK Group is making efforts to diversify the potential risks in off-shore development through the concurrent use of off-shore and near-shore resources, ensuring resource stability and enhancing quality and productivity by allocating systems development tasks based on the characteristics and strengths of each location.

In May 2008, the Group set up a remote development center that meets the security guidelines set out by the Center for Financial Industry Information Systems (FISC). This center serves as a hub connecting customers, especially in the financial industry, with off-shore and near-shore development bases, contributing to the standardization of systems development processes and the accumulation and ongoing utilization of know-how. This, as a result, enables effective systems development and maintenance.

Based on the premise that utilization of off-shore and near-shore development will become a given in the future, the entire CSK Group will continue to promote the utilization of these bases, and work toward further enhancing both quality and productivity.

Promote use of framework factories

The use of framework factories eliminates the need to build up a system from scratch, thus allowing for the reapplication of accumulated parts and components, and enabling high-quality systems development with short lead time. Furthermore, the standardization of systems development processes is advanced through the application of tools, making possible the development of uniform programs with a high level of serviceability. We believe that this feature is particularly effective in off-shore and near-shore development, where system quality tends to vary according to cultural and regional differences. The CSK Group will therefore continue to introduce the application of framework factories at each of its bases in view of that potential for future expansion.

CSK Group is promoting the application of framework factories among all the Group companies, and is strengthening its factory system to further enhance quality and productivity.

Enhance expertise

In aiming to become a service provider, CSK Group must do pursue more than simply a thorough knowledge of its customers' industries and businesses. The Group also has to demonstrate unparalleled expertise in the services and functions it provides in order to create a truly competitive edge for its customers. Moreover, we have to collaborate closely as an integrated Group and provide our services by bringing together our many functions and talents.

CSK Group reorganized its technology services field and its business services field in fiscal 2008 by theme and function in order to consolidate the resources dispersed throughout the Group. Efforts were made to further enhance expertise by clarifying the roles and the business domains of each Group company. Through establishing a system that integrates the services of various companies to offer a comprehensive range of services to customers, the Group has achieved an even more flexible response to changing markets and customer needs.

Develop and reuse assets (platforms)

In order to provide services that set standards for industries and business processes, the Group must be armed with the most competitive assets (platform) for each particular market. To that end, we have taken inventory of the assets acquired thus far and promoted the sharing of these assets. At the same time, we are continuing to pursue strategic investments with the aim of enhancing existing assets. Furthermore, the Group will aggressively pursue new investments with regard to areas where strong demand is anticipated for the future.

By integrating business services with a high level of expertise with highly competitive IT platforms, the Group will be able to respond flexibly to the management issues of customers who are faced with the need to create new business models. On top of that, it will allow the Group to produce new services for which there is a still unmet need.

Examples of development and reuse of assets (platform)

- **Insurance business services** (Business function-specific assets)
  The Group is developing a service platform to handle applications for financial products and providing business services for insurance companies through our finance business center. These processes are also applicable to industries other than insurance. As such, the Group is promoting the development of these services in other industries.
- **Support services for educational operations** (Industry-specific assets)
  The Group is setting up a system for universities that covers a series of operations, including systems for education services, student services, and tuition waiver. The Group seeks to provide these services through ASP in the future.
- **Next-generation EDI* initiative** (Infrastructure-type assets)
  Next-generation EDI refers to EDI that makes use of Internet technology that is being standardized in various industries, such as the retail industry. While existing EDI services are being upgraded for compliance to next-generation EDI, the Group is also putting efforts into creating new services that are integrated with industry/business function-specific ASP services or business process outsourcing.

* EDI: Electronic Data Interchange—a framework that standardizes the format of information related to commercial transactions and facilitates the exchange of that information among companies via electronic means.

Development of joint business services

—Expansion of business domain through external collaboration

CSK Group is aggressively forging novel markets and creating unprecedented services by actively incorporating new ideas and business know-how from non-Group companies, and fusing these with its existing management resources.

The collaboration between CSK Group and Xavel, Inc.* last year signaled new growth for the service provider business in the e-commerce market. Even as we work steadily to foster these budding opportunities, we will push for greater cooperation with non-Group companies in a bid to expand business further, and continue to generate new services in the market.

* Operates "girlswalker.com," one of Japan's largest mobile portal sites for female readers, with approximately 7.2 million members. A leader in the area of fashion and beauty, utilizing a cross media technique that combines mobile devices, computers, and actual events. Company name changed from Xavel, Inc. to BRANDING, Inc. as of October 1, 2008.

CSK PRESCENDO—The e-commerce service provider

CSK PRESCENDO is a joint venture between CSK HOLDINGS and Xavel, which provides e-commerce sales planning and branding via the Internet and other media. The company provides a series of e-commerce services and supports the growth of both new entrants and existing e-commerce businesses.

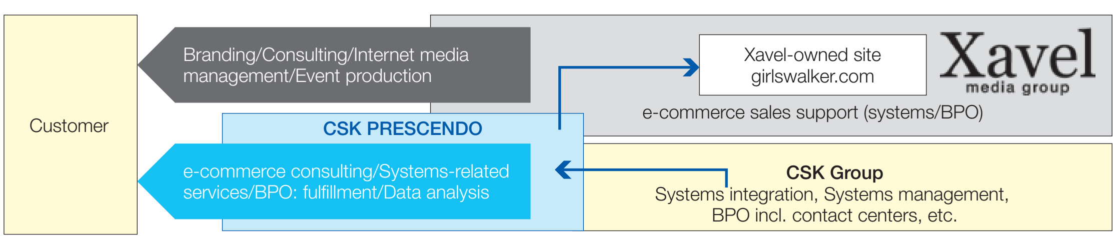
By combining CSK Group's knowledge infrastructure in systems integration, systems management, and BPO services, and Xavel's strengths in media operation and planning capabilities for segmentation, targeting, and positioning (STP) strategies, the two companies aim to develop a win-win alliance through the establishment of CSK PRESCENDO.

CSK PRESCENDO is mainly engaged in two types of business. The first is systems-related services, involving the provision of consulting services 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. CSK PRESCENDO's unique business model supports the comprehensive provision of systems and all back-office operations, and is the first of its kind in Japan.

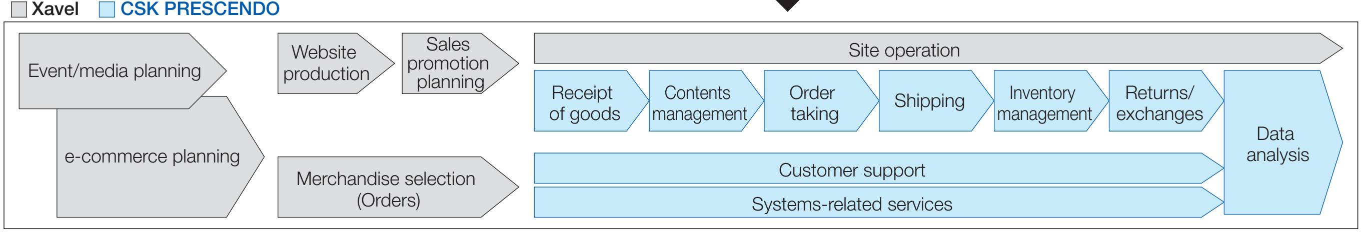
The new system for e-commerce was completed in February 2008. Until now, the market has not seen a system optimized for e-commerce; as a result, companies facing related issues have shown a growing interest in CSK PRESCENDO's services.

Beginning with services targeted at the fashion/apparel industry, CSK PRESCENDO will use its unique business model to its advantage and engage in aggressive marketing activities as it moves toward provision of services to a wide range of industries.

Fulfillment service for e-commerce

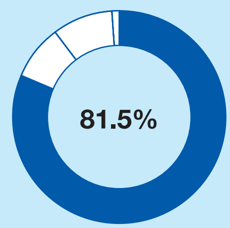
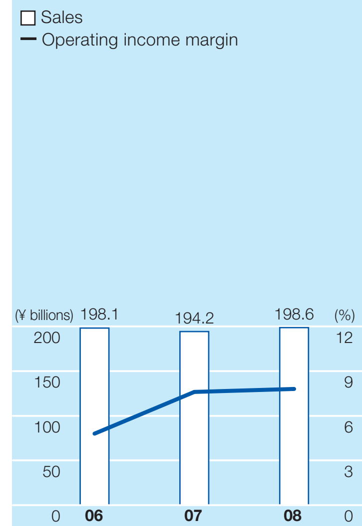
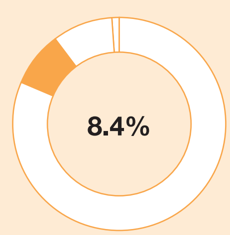
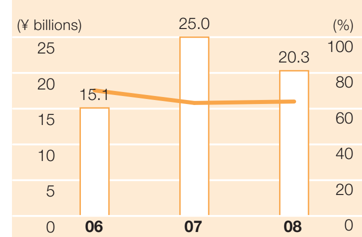
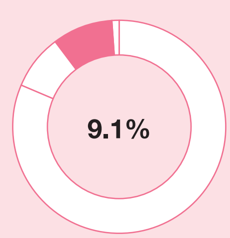
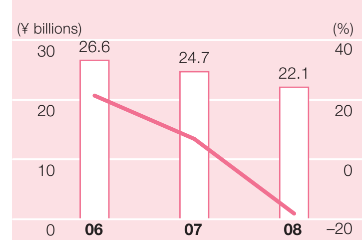
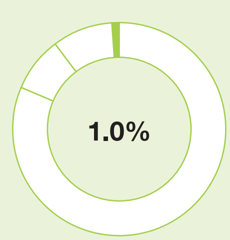
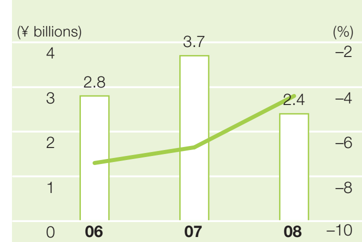


e-commerce operational flow and services area of each company



CSK Group at a Glance

Business segments and business areas (Share of sales)		Business outline
IT Services Business 81.5%	Technology Services	Consulting Systems integration Solution services (ERP/SCM/CRM) IT infrastructure development Infrastructure management Network monitoring Operating consulting Systems management services Data center services
	Business Services	Consulting Business process analysis/design Contact center services BPO services by industry Back office BPO Data analysis/management Product and security verification services Network services Contents services
Financial Services Related Business 18.5%	Financial Services Business	Real estate securitization Venture capital business Buyout fund management Investment trust management and investment advisory services Commodity investment advisory services
	Securities Business	Securities business Securities business for regional financial institutions
	Prepaid Card Business	Prepaid card business

Group companies	Sales by business segment	Sales/Operating income margin
CSK SYSTEMS CORPORATION CSK SYSTEMS NISHINIHON CORPORATION CSK SYSTEMS CHUBU CORPORATION JIEC Co., Ltd. CSI SOLUTIONS Corporation CSK WinTechnology Corporation SUPER SOFTWARE COMPANY LTD. FUKUOKA CSK CORPORATION HOKKAIDO CSK CORPORATION CSK SYSTEMS (SHANGHAI) CO., LTD. CSK-IT MANAGEMENT CORPORATION CSK SYSTEM MANAGEMENT CORPORATION		
ServiceWare Corporation CSK Communications Corporation Fukui CSK Corporation SHIMANE CSK Corporation IWATE CSK CORPORATION OITA CSK CORPORATION Kitakyushu CSK Corporation CSK Marketing Corporation CSK Securities Service CO., Ltd. VeriServe Corporation ISAO CORPORATION BUSINESS EXTENSION CORPORATION CSK PRESCENDO CORPORATION CSK SYSTEMS (DALIAN) Co., LTD. CSK ADMINISTRATION SERVICE CORPORATION		
CSK FINANCE CO., LTD. CSK VENTURE CAPITAL CO., LTD. CSK PRINCIPALS CO., LTD. Plaza Asset Management Co., Ltd. Plaza Capital Management Co., Ltd.		
Cosmo Securities Co., Ltd. CSK-RB SECURITIES CORPORATION		
QUO CARD Co., Ltd.		

IT Services Business

IT today plays an important role in all aspects of our personal lives as well as in social and economic activities, and is expected to perform an ever broader array of new functions going forward. In response to these expectations, CSK Group is working to transform its business model by tapping its advanced technological capabilities and unparalleled knowledge of business operations.

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

As networks become more pervasive, IT has spread from businesses into the home, and is now used in automobiles and information devices such as mobile phones. IT has become part of the world's infrastructure. In line with this change, corporations' IT needs have also shifted away from only requiring actual IT capabilities, instead broadening to include areas more closely linked to business strategy. Businesses are constantly seeking ways to integrate IT and business processes or operations to achieve major increases in productivity compared to existing business processes, or to create innovative business models to differentiate themselves from competitors and establish a definitive advantage.

Customers have an extremely strong need to integrate IT and business processes, not only in order to raise productivity, but also to stimulate innovation in the form of new business models and other areas. And yet the number of vendors who can effectively help them meet these needs is limited. The reason for this is that successful fusion of IT with business processes requires extensive knowledge of the customer's business processes, expertise that can be acquired only by actually engaging in these business processes.

CSK Group possesses a high level of project management know-how and technical capability built up over many years, as well as practical knowledge and understanding of our customers' industries and business processes acquired through provision of back office support services. We aim to create new services that go beyond the boundaries of conventional IT services to meet customer needs by combining our expert skills in the technology and business service fields.

By taking full advantage of our business expertise, CSK Group is determined to transform into a service provider both to individual companies and entire industries, supporting the sustainable development of customers, industry, and society.

CSK Group's Service Provider Business Model

CSK Group takes the view that the IT services industry is in the process of maturing, and that growth potential based on the conventional, systems development-focused business model is peaking. While there is an increase in cyclical IT investment demand, as globalization in the industry accelerates, much of this demand over the medium term will be met by off-shore players entering the market, and in turn consistent downward pressure on prices is expected. Additionally, as companies increasingly shift from "owning" IT systems to "using" them, the CSK Group believes that the business model in which profits are linked to the number of IT engineers will no longer yield growth in profits—such a business model may, in fact, become a business risk.

Amid this environment, CSK Group is working to shift to a service provider business model. The service provider business model involves the integration of highly-specialized business services based on an IT platform. In addition to moving from a flow-type profit model to a stock-type model, through specialization in particular industries and business processes CSK Group aims to create services that will become standards in and across industries.

CSK Group's Strengths Enabling the Transition to the Service Provider Business Model

CSK Group's strengths and unique attributes cultivated over the years will make this transformation of the business model possible. First, the Group has a solid client base accumulated over the years through trust. On top of this, Group companies have expertise in a wide range of fields and the ability and experience needed to apply IT know-how to business operations, as well as the ability to develop services from our industry-leading contact center business. These strengths serve as the driving force behind the business model shift.

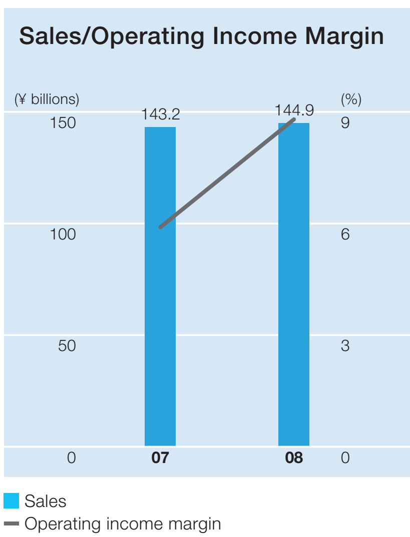
The service provider business model is a stock-type business model. As such, it will become extremely profitable once we have passed the break-even point, but getting to that stage will take several years, and the process will involve a large initial outflow of cash. Also, given the fact that this business model involves economies of scale, it is essential to launch new businesses as soon as possible and quickly expand their scale. CSK Group aims to utilize its financial resources to get a jump on its peers in moving to a service provider business model, thereby establishing a long-term leading position.

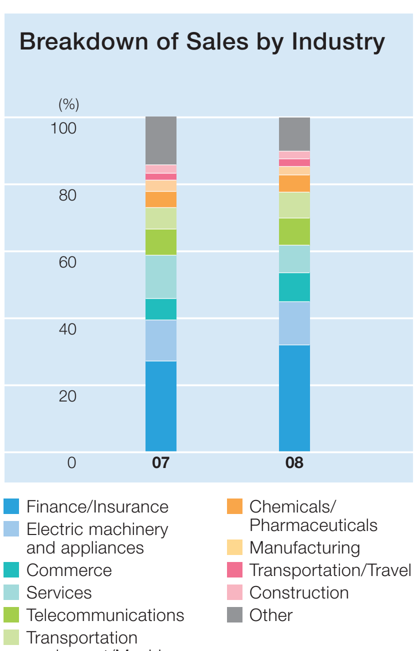
Conventional business model and service provider business model

	Conventional Business Model		Service Provider Business Model
Service domain	Providing IT capabilities themselves	→	Various services utilizing IT
Service type	Custom-made services for each customer	→	Common platform service
Contract type	Transactional contracts (short-term)	→	Annuity contracts (mid- to long-term)
Earnings model	One-off-sale type income model	→	Continuous services (recurring income model)
Up-front investment	Small	→	Large
Success factors	Added value services based on customer intimacy	→	Low-cost services based on economies of scale

Technology Services

IT systems are a means for increasing the efficiency of business operations and reducing costs and they are now an essential management resource for reforming business and achieving business goals. A company's future prospects can depend on the degree to which a company effectively utilizes IT, making the selection of IT partners an increasingly important issue. CSK Group has a rich history of providing IT services to leading companies in many sectors. Tapping into the advanced technological capability and expertise upon which our track record stands, CSK Group provides customers with comprehensive IT services, from consulting to systems integration and management.





Overview of Operating Results for the Year Ended March 2008

In the year ended March 2008, sales for technology services increased 1.2% over the previous year to ¥144.9 billion, while operating income grew by 50.6% to ¥12.8 billion. Although hardware sales declined, systems integration for clients in the finance and insurance sectors expanded significantly, while systems integration for the manufacturing sector was also firm. Specifically, systems integration projects related to bank mergers and systems reconstruction projects for life and non-life insurers contributed greatly to earnings. We are continuing to work on a number of large projects in the finance sector, resulting in a 20% year-on-year increase in the amount of backlog as of the end of the period.

The operating income margin rose significantly during the fiscal year, from 5.9% to 8.8%. This increase was the result of a higher ratio of high value-added services, productivity boosted by strategic efforts to obtain orders in preparation for the expansion of the service provider business, as well as thorough project management and other efforts aimed at making earnings more stable.

Outlook for Year to March 2009

The downturn in the market environment in conjunction with factors such as rising crude oil prices and the appreciation of the yen has started to impact some companies. Still, in addition to making investments to become more competitive as well as reduce costs, financial institutions are expected to continue to invest in response to system changes and in order to enhance security. CSK Group will construct a service delivery platform as a part of the conversion to the service provider business model and continue to make other up-front investments towards expanding new businesses. We will also push through with measures to improve productivity by making use of off-shore and near-shore resources as well as framework factories.

Business Services

CSK Group's business services consist of BPO services, providing sales support and technical support via contact centers, system verification services for digital appliances and other products, and comprehensive securities services for the securities industry, as well as new services that we aim to pursue actively in the future.

All of these services are based on platforms that actively utilize IT, making it possible to undertake complicated business processes in a comprehensive manner while realizing both high quality and productivity. We have a particularly strong reputation in the area of technical support, with major customers repeatedly earning the top ranking in customer satisfaction. Through these efforts, we have established solid trust with prominent hardware and software vendors around the world.

Overview of Operating Results for Year Ended March 2008

In the year ended March 2008, business services recorded sales of ¥53.6 billion, an increase of 5.3% over the previous fiscal year. VeriServe, which provides product verification for the digital appliances and ITS* fields, performed strongly, achieving record sales and profits, propelled by the increasing sophistication and growing scale of embedded software. Sales was also boosted by our newly launched e-commerce fulfillment service for the fashion industry. In December 2007, VeriServe's stock listing was transferred from the Tokyo Stock Exchange Mothers Market to the First Section of the Tokyo Stock Exchange.

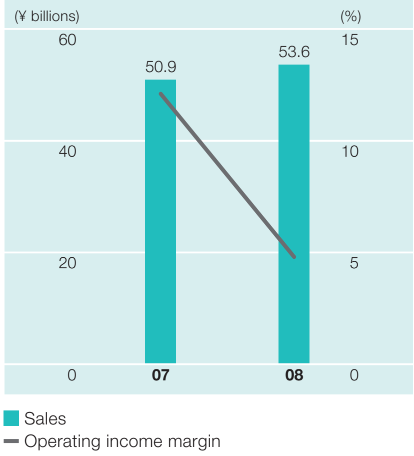
Operating income in business services, however, decreased by 58.1% year on year, to ¥2.6 billion. One contributing factor was competition between vendors in the technical support field, which put pressure on prices, stemming growth as a result. Meanwhile, ASP services for the securities industry were affected by a decrease in stock market transaction volume as conditions deteriorated in the wake of the sub-prime loan problem. Other reasons for the fall in operating income were expenses related to the startup of new businesses and increased investment to boost sales capabilities with a view to expanding the scale of operations.

* Intelligent Transport Systems

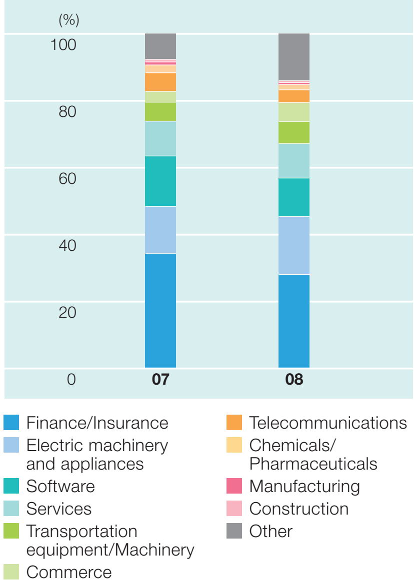
Outlook for Year to March 2009

In the area of e-commerce fulfillment services, we have received many inquires from prospective buyers and anticipate continuing solid performance. For technical support, we aim to acquire new customers by focusing on expansion of support for high-end digital appliances and provision of helpdesk functions staffed by operators with a high level of specialized knowledge. In order to expand our business even further, we will actively enhance our sales capabilities and increase the number of technical personnel while seeking to expand our new ESTREX securities system, which we launched in May 2008.

Sales/Operating Income Margin



Breakdown of Sales by Industry



Financial Services Related Business

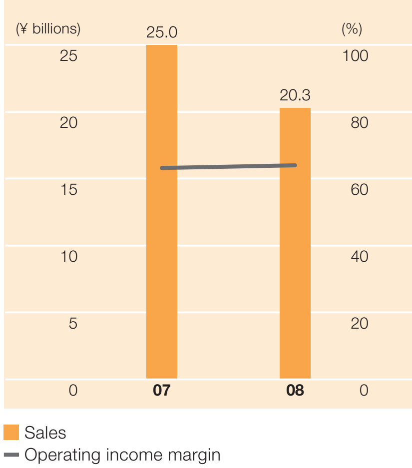
CSK Group's financial services related business operates in three main areas: financial services business, centered on real estate securitization, the securities business, and the prepaid card business.

The operating environment for the financial services related business has felt the effects of worsening market conditions triggered by the U.S. subprime loan problem. Nevertheless, new business opportunities are emerging in the medium-term, driven by deregulation and system reform. We intend to seize these opportunities and quickly develop them into businesses, aiming to create new services and business models.

By diversifying the Group's earning structure and ensuring thorough risk management, we will make our performance more resistant to fluctuations in the business environment and develop a stable earnings base.

Financial Services Business

Sales/Operating Income Margin



CSK Group offers an asset management business for investment trusts and investment business such as venture capital businesses targeting the fields of IT and biotechnology, centered on real estate securitization. In the real estate securitization business, we identify and acquire undervalued projects in diverse real estate markets ranging from office buildings to hotels and commercial facilities, and strive to maximize the return on investment by implementing profit improvement measures that take advantage of the specific characteristics of each project.

The year to March 2008 witnessed a credit crunch triggered by the subprime loan problem. In particular, from mid-February through March financial institutions' lending stance toward real-estate related businesses changed rapidly. As a result, the timing for the sale of certain projects was pushed back to the year ending March 2009, and sales in this segment dropped 18.7% year on year to ¥20.3 million, with operating income down 17.4% to ¥13.0 billion.

For the year to March 2009, we anticipate that an uncertain market environment will persist for the foreseeable future. Therefore, by focusing on operations that improve financial liquidity, we will move ahead with the sale of held properties and reduce our asset balance. Going forward, we intend to maintain the financial services business as a mainstay of profits. As such, we will narrow our investment focus to high-quality, large-scale projects, and implement projects after conducting even more meticulous due diligence.

Securities Business

Sales/Operating Income Margin

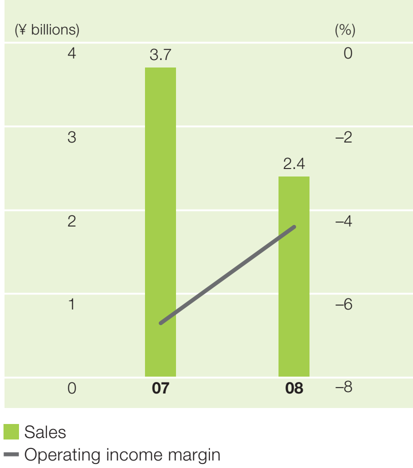
Within CSK Group, the securities business is operated mainly by Cosmo Securities, which has a solid customer base in the Kansai region of western Japan.

In the year to March 2008, operating revenue fell 10.2% year on year to ¥22.1 billion due to the turmoil in the capital markets triggered by the subprime loan problem, which resulted in a reduction in brokerage commissions and underwriting and sales fees. Adding to this, sales, general and administrative expenses rose, resulting in an operating loss of ¥4.0 billion. Expenses have grown significantly in recent years as a result of its rapid expansion of operations, including reinforcement of the wholesale business and increases in personnel, leading to a substantial loss.

Under these conditions, CSK HOLDINGS decided to convert Cosmo Securities into a wholly owned subsidiary effective August 1, 2008. While revising the business strategy to date and paring back the underwriting and wholesale divisions, we will review human resources allocation. We will then re-launch Cosmo Securities as a securities firm focused on the retail business, which has traditionally been an area of strength. We are positioning Cosmo Securities as a key company in CSK Group's full-fledged initiative to establish the securities-related business as the Group's third core business alongside the information services business and the financial services business. Moving forward, we will actively strengthen Cosmo Securities' collaboration with other CSK Group companies and push ahead with this business strategy.

Prepaid Card Business

Sales/Operating Income Margin



CSK's prepaid card business issues and manages the QUO Card prepaid card, accepted at approximately 36,000 stores and businesses throughout Japan. The business also engages in the development and sale of card systems.

In the year to March 2008, we made progress with introducing the cards to new sectors, including book shops and the service industry, and cultivated sales channels. We also increased sales volume for cards used as shareholder benefits and as sales promotion gifts. However, as major convenience store chains issued similar electronic money cards and demand for device replacement slowed, sales fell 35.2% year on year to ¥2.4 billion. Although profits recovered somewhat thanks to steady use of gift cards and cost-cutting efforts, the segment recorded an operating loss of ¥0.1 billion.

History of CSK Group

	Overall	IT Services Business	
		Technology Services	Business Services
1968	Establishment of Computer Services Corporation (now CSK HOLDINGS CORPORATION) in Kitahama, Chuo Ward, Osaka City	Launch of IT services business —Systems development services —Systems operations services —Hardware sales and maintenance	
1977	Relocation of Head Office to Shinjuku Ward, Tokyo		
1980	Registration on the over-the-counter market		
1982	Listed on Second Section of the Tokyo Stock Exchange		Launch of database business —BUSINESS EXTENSION CORPORATION established
1983			Launch of data entry and other BPO service provision —INS Corporation (now ServiceWare Corporation) established as a joint venture with The Sumitomo Trust & Banking Co., Ltd.
1984		Launch of network business —UNITED NET Corp. (VAN) established (later merged with CSK SYSTEMS CORPORATION)	
1985	Listed on First Section of the Tokyo Stock Exchange	Establishment of JIEC Co., Ltd. as a joint venture with IBM Japan, Ltd.	
1986			
1987	Change of Company name to CSK CORPORATION		
1988	Completion of CSK Information Education Center		
1989			Launch of telemarketing business
1991			
1992			
1994			Launch of helpdesk service provision
1995			Launch of technical support service provision
1996		Launch of offshore systems development business —Established CSK SYSTEMS (SHANGHAI) CO., LTD. Launch of network integration business	
1998			Launch of regional contact center business —Established CSK Call Center Okinawa Co., Ltd. (now CSK Communications Corporation)
2001			Expansion of product verification business —Established VeriServe Corporation
2002	Became part of the Nikkei Stock Average 225 (Nikkei 225)	Establishment of CSK e-Service Data Center to expand IT outsourcing business growth (Inzai City, Chiba Prefecture)	
2003	Implementation of management reforms —Reformed Board of Directors and introduced executive officer system Relocation of Head Office to Minato Ward, Tokyo		Launch of offshore BPO business —Established CSK SYSTEMS (DALIAN) Co., LTD.
2004			Launch of contact centers specialized in marketing —Established CSK Marketing Corporation Launch of shared services —Established CSK BUSINESS SERVICE CORPORATION (now CSK ADMINISTRATION SERVICE CORPORATION)
2005	Holding company structure adopted. Change of Company name to CSK HOLDINGS CORPORATION		
2006		Establishment of data center in Sanda City, Hyogo Prefecture, to expand IT outsourcing business growth	
2007		Restructuring of Group in technology services sector —Pursuing specialization and enhancing competitiveness —Promotion of integrated Group management	Launch of e-commerce business service provision —Established CSK PRESCENDO CORPORATION as a joint venture with Xavel, Inc.
2008			Restructuring of Group in business services sector —Pursuing specialization and enhancing competitiveness —Promotion of integrated Group management

Securities Related Business	Financial Services Business and Others	Sustainability
		Establishment of The Okawa Foundation for Information and Telecommunications to promote research in the field of information and telecommunications
	Establishment of Japan Card Center Kaisha (now QUO CARD Co., Ltd.)	
Launch of venture capital business —CSK VENTURE CAPITAL CO., LTD.		
		Establishment of Tokyo Green Systems Corporation as a third-sector corporation for promoting the employment of persons with severe disabilities
Enhanced IT services business for the securities industry —Established Japan Future Information Technology & Systems Co., Ltd. (later merged with CSK SYSTEMS CORPORATION)		
		Establishment of Okawa Center, a research facility for the realization and sustainment of the concept that children will lead the creation of the information society. The center was founded by the late Isao Okawa, founder of CSK, and is located in Kansai Science City. Launch of CAMP activities designed to cultivate the thinking abilities of the children who will create the future
Launch of provision of securities system ASP service and securities BPO Launch of provision of financial information feed service —MarketViewer Service		
	Launch of real estate asset securitization business —CSK FINANCE CO., LTD.	
Launch of securities business —Acquired Cosmo Securities Co., Ltd. Launch of principals business —Established CSK PRINCIPALS CO., LTD.		
Launch of investment trust management business, investment advisory business —Acquired Plaza Asset Management Co., Ltd. Enhanced securities industry BPO services —Launched CSK Securities Service CO., Ltd.		Establishment of CSK Green Service Corporation in collaboration with Tokyo Green Systems Corporation to cultivate, sell and rent flowers.
		Establishment of CSK Institute for Sustainability, Ltd. (CSK-IS) as a think tank to conduct research activities for a sustainable future
Launch of securities business for regional financial institutions —CSK-RB SECURITIES CORPORATION established Launch of commodity trading advisory business —Acquired Koyo Capital Management Co., Ltd. (now Plaza Capital Management Co., Ltd.)		Construction of the CSK Tama Center, established as a facility for research activities and green business production and employee training located in Tama City, Tokyo, completed Establishment of CSK Agricole Corporation, aimed at launching agricultural business initiatives Held an international symposium on the theme “Toward our Dreams for Sustainability”
Launch of new securities system “ESTREX” Conversion of Cosmo Securities Co., Ltd. into a wholly owned subsidiary as part of efforts to make the securities-related business the third core business Establishment of Finance & Economies Research Center in CSK-IS		

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, so it has no meaning unless it is able to 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 with society. It is CSK Group's corporate social responsibility to put this belief into practice through its business enterprises, which are 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 raise their social consciousness. Employees will develop a sense of trust in their company if they enjoy and take pride in their duties, and at the same time achieve a sense of personal growth through engagement in their work. Through the growth of its employees, the company in turn will be able to offer innovative services to its customers, contributing 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, as well as contribute to the sustainable development of society through sound and highly transparent corporate management. This attitude will lead to the Group gaining social trust and having a valuable role to play in society, which will ultimately have a bearing on the sustainable growth of the Group itself. By pursuing the roles and responsibilities that a corporation should by its very nature undertake, CSK Group is aiming for both a sustainable society and a sustainable CSK Group.

Support for the Global Compact

CSK Group aims to help create a sustainable society by providing services society needs. This is why we support the Global Compact advocated by the United Nations.

The Ten Principles of the Global Compact

■ 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.

■ Labor 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 labor;

Principle 5: the effective abolition of child labor; 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.

THE GLOBAL COMPACT
WE SUPPORT

Membership in the Green IT Promotion Council

On February 1, 2008, the Japanese Ministry of Economy, Trade and Industry (METI) announced the Green IT Initiative, which aims to achieve a balance between environmental protection and economic growth. The Green IT Promotion Council was established as an industry-government-academia partnership for promoting concrete action under this initiative.

グリーンIT推進協議会
Green IT Promotion Council

As a part of METI's Green IT Initiative, the Green IT Promotion Council is working to realize energy conservation in the field of IT and to conserve energy through the use of IT.

Corporate Governance

Basic Approach to Corporate Governance

CSK Group has three basic medium- to long-term initiatives: creation of new services that society will come to regard as essential, ensuring transparent management, and contributing to social sustainability. As a precondition for achieving these initiatives, the Group is building a structure for corporate governance that is transparent and highly effective, as described below.

Holding Company Structure

We aim to achieve highly transparent Group management by separating supervisory and auditing functions from 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

- Regularly scheduled meetings for the CEO of each Group company are held to increase communication and strengthen business linkage between CSK HOLDINGS and the Group companies, and also among Group companies themselves.
- CSK Group has established a flexible and dynamic management structure that strives to promote permeation of management policies, collection and sharing of information through sessions at which the directors of Group companies report on results, meetings that bring together executive employees, and liaison meetings with the participation of staff members in charge of practical business.

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 Act; 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

- Of the six directors, two are appointed from outside the Company, with the aim of strengthening management oversight and enabling the presentation of diverse and objective viewpoints during the decision-making process.
- In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as necessary in order to implement flexible management.

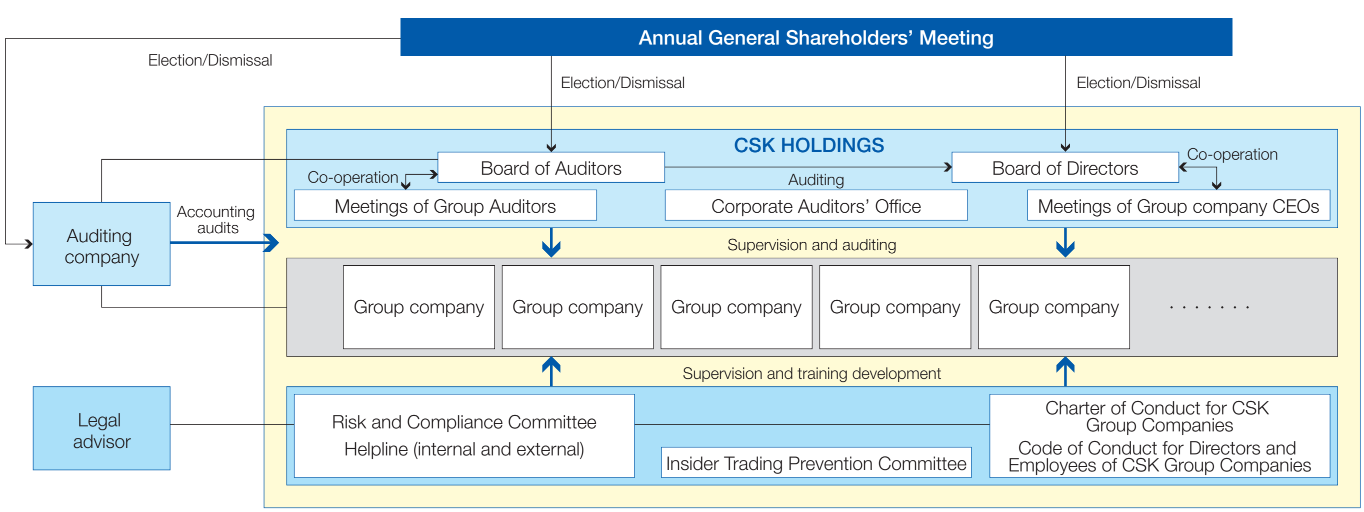
Board of Corporate Auditors

- 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, investors and other stakeholders can receive important information in a fair, timely and appropriate manner.

Corporate governance structure

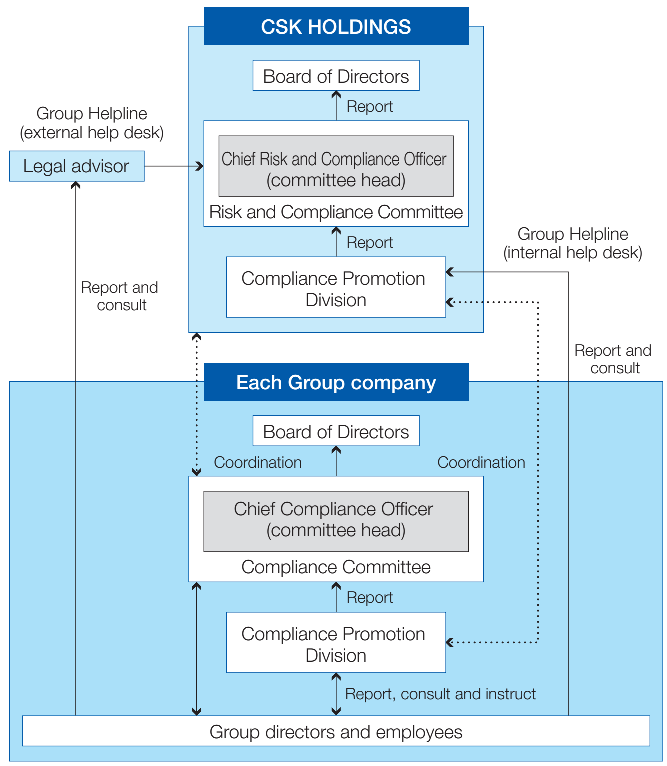


Compliance

We seek to ensure that all CSK Group elected officers and employees not only respect the law, but also conduct business in line 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 a Charter of Conduct for CSK Group Companies and a 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.

In addition, every year we conduct a compliance awareness survey among all Group employees, and continue to work 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.
- **Group helpline system (internal reporting system)**
  - Establishment of an internal Group help desk within CSK HOLDINGS
  - Establishment of an external Group help desk operated by a legal advisor
- **Initiatives to achieve higher levels of compliance**
  - Establishment of Group compliance policies
  - Holding of regular Group-wide compliance training courses
  - Implementation of Group-wide employee compliance awareness surveys



Human Resources Management

CSK Group's Approach to Human Resources Management

CSK Group continues to focus on addressing the important management theme of personnel training and development. We believe that the desire of each 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' opportunities to demonstrate their skills through their work.

Based on these beliefs, we are encouraging a corporate culture that promotes personal development, and working to create an organization in which people help one another to grow. We strive to match the right person to 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 take into account the contributions that employees have made and how they have grown in their roles. We are also promoting staff training programs to help in skill acquisition and development.

Putting the Right Person in the Right Job

To successfully accomplish the transformation into a service provider and continue to raise corporate value, it is essential to place 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 through such initiatives as a review of our personnel databases. We are working to create a database that does more than just contain employee's qualifications and work records, but includes actual work experience and achievements, and records their personal strengths and weaknesses and career goals. By making it possible for management to "visualize" an employee's performance and skills, we seek to overcome the barriers between individual companies within CSK Group and make the best use of our personnel resources.

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 an employee's knowledge, technical skills, and specializations, assessing the degree to which he or she has improved in these areas. Next, the system assesses how much value the employee has created for their company through these abilities.

To increase employee satisfaction with the review process and link the review with further employee achievement and development, it is important to have face-to-face communication between staff members and their supervisors.

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

Employee Education and Training

CSK Group runs education and training programs to help each staff member grow to achieve the full potential of his or her talents. 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 personal growth.

In addition, we are incorporating the research results of our Group think-tank, CSK-IS, into 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 initial training for new hires, 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 younger staff.
- **Group-wide training programs**
  We will hold Group-wide training programs and discussions that transcend the boundaries of individual Group companies. Through this type of communication that goes beyond occupational categories, we will revitalize our systems and stimulate creativity.

Research and Practice

Research and Applied Programs at the CSK Tama Center

The CSK Tama Center was established in order to expand the Company's social contribution activities in concrete ways based on the principle of "Working alongside persons with disabilities, the region, and nature."

The three main elements of this facility are: the offices of Tokyo Green Systems and CSK Green Service, which pursue environmentally friendly "green business"; the greenhouses where they cultivate orchids; and the research laboratory of CSK-IS. The facility has a wide range of roles, including those pertaining to Group business activities, social contribution initiatives, employment of persons with disabilities, and staff training. The facility will help to create a new corporate culture at CSK Group.

Fostering Limitless Creativity Through Popularization of the Game "Go"

In East Asian societies, mastery of the board game "Go," was traditionally regarded as one of the "four accomplishments" required of a person of culture. We believe that the limitless creativity this game engenders can help to enrich people's lives. This is why we are working to spread awareness of and interest in Go among school-aged children in Japan. In cooperation with professional Go player Yukari Umezawa (a Director of CSK-IS), CSK Group is promoting the introduction of Go lessons in elementary school curricula throughout the country. We are also collaborating with Prof. Ryuta Kawashima of Tohoku University (a Director of CSK-IS) in his studies into Go and brain activity to gain scientific evidence of the influence Go can have on the growth and development of young brains.

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 and recognized by the Japanese government as an approved specific public benefit corporation. Among its objectives are supporting new research in the telecommunications field and administering awards. With research support and awards covering not only Japan but also countries overseas (United States, China, and South Korea), the Okawa Foundation engages in public interest activities for the global development and advancement of the information and telecommunications fields.

Social Contributions

Working with Persons with Disabilities

Tokyo Green Systems 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 grows and sells flowering plants, together with Tokyo Green Systems, and is working to increase work opportunities for persons with disabilities by expanding its green businesses, including orchid cultivation.

As CSK Group further expands on these activities, all employees are working to introduce these orchids to a wider audience in order to help these principles spread through society. We plan to donate a portion of the proceeds from orchid sales to various facilities, organizations, and funds for persons with disabilities.

CAMP

CAMP (Children's Art Museum & Park) is a social contribution initiative of CSK Group for nurturing children's ability to grow and develop in harmony with one another through a new style of workshop-based learning. CAMP collaborates with research institutions, businesses and children's museums in Japan and abroad, developing, implementing and popularizing a variety of workshops that cultivate children's creativity and their ability to express themselves. This project has earned high praise, as seen by CAMP's winning of the Judging Committee Chairman's Special Social Contribution Award at the First Kids Design Awards in 2007.

Toward Our Dreams for Sustainability: CSK-IS Initiatives

CSK-IS is a think tank established to explore the question of what is needed in the era of sustainability. In addition to conducting research and making recommendations toward the realization of sustainability, CSK-IS aims to lead to business creation as a new service.

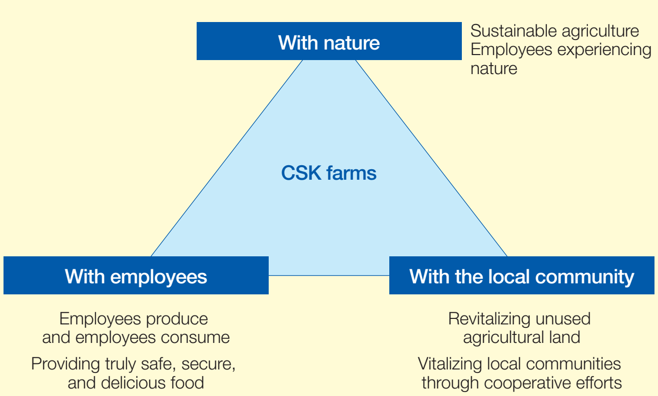
Toward a new agricultural model based on corporate food self-sufficiency: "corporate production and corporate consumption"

Between its dependence on imported foodstuffs and its weakening agricultural base, Japan today faces a critical situation regarding its food supply. At CSK Group, we are researching and practicing methods for our corporate vision for agriculture, based on the concept of "corporate food self-sufficiency"—we believe that if companies produce enough food for their employees, it would have a major impact on food self-sufficiency.

Centered on the research theme of "new corporate-style agriculture," CSK-IS is pursuing research for the realization of a model for corporate food self-sufficiency. This model goes beyond "local production and local consumption" to "corporate production and corporate consumption," in which company employees consume food they produce themselves. CSK Agricole Corporation is an agricultural production corporation. At its bases in Inzai in Chiba Prefecture, Tama in Tokyo, and Kuromatsunai in Hokkaido, the company works to maintain and vitalize the local natural environment while promoting joint endeavors with local communities.

Japan's agricultural issues cannot be resolved by the government alone, nor by individuals. That is why CSK Group intends to put this concept into practice and advocate the new possibilities that it offers to the rest of society.

"Corporate production and corporate consumption"; A new model for agricultural business in which the company aims for food self-sufficiency



Making "personalized medicine" a reality: Joint research with The Institute of Medical Science, The University of Tokyo

CSK-IS is working together with CSK-IS Director Prof. Yusuke Nakamura of the Human Genome Center at The Institute of Medical Science, The University of Tokyo, to build a fundamental database for making so-called "personalized medicine"* a reality, and promoting research for the application of this new methodology in clinical practice.

The research will be transferred to the Advanced Biomedical Science Institute set to be established at the CSK Group Headquarters that is being constructed in the Minato Mirai 21 area of Yokohama City.

Going forward, we will fuse CSK Group's information technology with cutting-edge medicine as we prepare the infrastructure for the realization of "personalized medicine." Based on the results obtained through this research collaboration, CSK-IS plans to develop the database and to provide information that will contribute to improving quality of life for all people.

* Personalized medicine: Medical treatment based on individual genetic information that enables healthcare professionals to predict the effectiveness and risk of adverse reactions of various drugs for individuals.

CSK-IS International Symposium

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

Directors, Auditors and Executive Officers

(As of June 26, 2008)

Directors

Masahiro Aozono*1
Chairman of the Board

Yoshito Fukuyama*1
President and CEO

Takahiro Suzuki*1
Executive Vice President and CFO

Shozo Hirose
Director

Takayasu Okushima*2
Director

Yoko Wake*2
Director

Auditors

Statutory Auditors

Keiji Azuma

Masayuki Ishihara*3

Auditors

Yoshiyuki Minegishi*3

Katsuro Tanaka*3

Executive Officers

Managing Executive Officers

Yoshiyuki Shinbori

Taku Tamura

Executive Officers

Tatsuya Kato

Hiroshi Karakasa

Yasuhiro Sato

Tomoaki Tsutsumi

Yasushi Shimizu

*1 Representative Director
*2 Outside Director
*3 Outside Auditor

1. Analysis of Operating Results

(1) Overview of operations

During the fiscal year under review, the Japanese economy continued its moderate recovery, underpinned by higher corporate profits and a firming trend in capital expenditure. However, in the second half of the fiscal year, the impact of the global credit crunch that began with the sub-prime loan issue in the U.S. resulted in a slowing down of business performance growth and capital expenditure, due to a sudden appreciation of the yen and high raw materials prices.

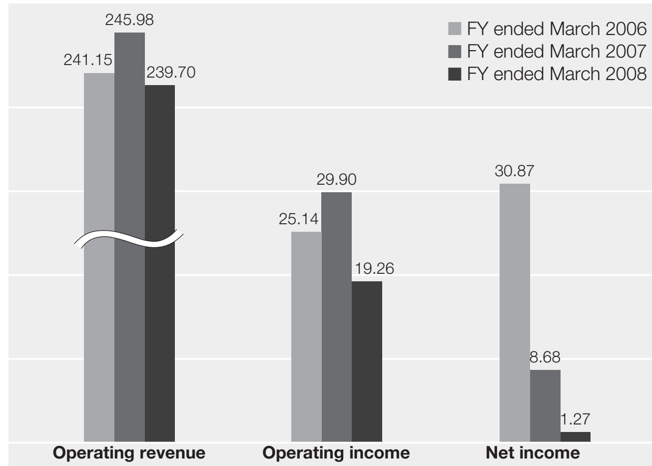
This has in turn led to increasing stagnation in the corporate sector, a key driver of the Japanese economy in recent years. In the U.S., falling house prices, a worsening employment situation and the rising price of crude oil have all affected consumer spending, rapidly diminishing business confidence. In Europe, despite strong exports, problems of financial market volatility, currency appreciation, and price escalation have begun to cause concern. Against a background of such economic trends in the major markets of the U.S., Europe and Japan, the Japanese stock market has declined substantially compared with the previous fiscal year. This has combined with Japan's continuing lack of clear political direction to place the Japanese economy in a harsh environment ranging between standstill and slowdown.

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

In the financial services business, the U.S. sub-prime issue has also caused credit contraction in Japan, with particularly harsh investment conditions emerging toward the end of the fiscal year. The U.S. sub-prime issue also affected the securities business, prompting net selling that has led to a substantial drop in the Japanese stock market compared to the previous fiscal year. In the prepaid card business, despite growth in demand from corporations making increased use of prepaid cards as sales promotion tools and hospitality programs for stockholders as the membership network expanded, a newly competitive environment has emerged, influenced, among other factors, by a rapid spread in the use of shared IC cards in public transport, the uptake of which is set to expand further.

In the context of this business environment, we have been implementing measures relating to three management policies: "I. Transforming into being a comprehensive service provider", "II. Ensuring management transparency and shareholder returns", and "III. Achieving sustainability (the continuous development of society)" during the current business year.

(Unit: billions of yen)



Operating revenue decreased 2.6% to ¥239.70 billion. Operating income decreased 35.6% to ¥19.26 billion; and net income decreased 85.3% to ¥1.27 billion.

Operating revenue decreased 2.6% to ¥239.70 billion, mainly as a result of a carryover into the next year of revenue from the financial services business that had been expected to arise toward the end of the year under review, along with the impact on the securities business of the weak stock market. This was despite the IT services business showing steady expansion in finance and insurance industry systems integration in the technology services domain, and strong performance in product verification services in the business services domain.

Operating income decreased 35.6% to ¥19.26 billion. The IT services business recorded substantial growth in technology services, supported by higher revenue and an emphasis on selecting profitable projects, as well as progress in improving productivity; these combined to offset higher strategic investments geared toward medium- to long-term growth in business services, resulting in a 4.3% increase in the income of this segment. However, a number of factors in other business areas offset this increase. Earnings declined in the financial services business, reflecting the absence of the settlement of a large-scale investment project that boosted performance in the previous year, along with a carryover into the next year of investment returns that had been expected at the end of the year under review. In addition, performance in the securities business declined suddenly, and higher expenses were recorded in association with the Group's information infrastructure, and the outcome was an overall decline in operating income.

Net income decreased 85.3% to ¥1.27 billion, due to the factors affecting ordinary income, as well as Extraordinary losses being recorded of ¥13.34 billion for loss on impairment of fixed assets of a consolidated subsidiary, and certain other factors.

Results by segment

An outline of the services provided by each business segment is shown below, followed by results for each segment.

Business segment	Services provided
IT services business	Technology services → IT services for systems integration and management, etc.
	Business services → IT operation services for contact center, BPO*, verification, etc.
Financial services business	Investment business (anonymous associations, real estate, shares, etc.), venture capital business, etc.
Securities business	Comprehensive securities services
Prepaid card business	QUO card issuance and settlement services

[IT services business]

Operating revenue increased 2.2% to ¥198.64 billion, supported in technology services by steady expansions in systems integration mainly for the finance and insurance industries, and in business services by verification services for the digital appliance and ITS* customers. A contribution was also made by a new business in mail order fulfillment services* for the fashion business.

Operating income increased 4.3% to ¥15.41 billion. Operating revenue increased substantially from technology services and improved production efficiency in systems integration, which offset new business establishment costs and call center-related equipment investment in the business services field.

* BPO (Business Process Outsourcing): Consigning operations to an outside company to improve efficiency and quality and promote differentiation.
* ITS (Intelligent Transport System): A new transport system comprised of an advanced information and telecommunications network for users, roads and vehicles.
* Fulfillment service: Back-office business from order to delivery of merchandise.

[Financial services business]

Operating revenue decreased 18.7% to ¥20.39 billion and operating income decreased 17.4% to ¥13.09 billion. These decreases reflect the absence of returns from investments in real estate and equities via anonymous associations that lifted results in the previous year, along with the carryover into the next year of expected returns on an investment project, due to credit contraction in the Japanese stock market arising from the sub-prime loan problem in the U.S.

[Securities business]

Sales and operating revenue in this segment decreased 10.2% to ¥22.18 billion. Concomitant with global credit contraction stemming from the U.S. sub-prime loan problem, the stock market weakened, and handling fees for share offerings and other fees received decreased, as did income from trading of equities and bonds.

An operating loss of ¥4.06 billion was recorded for the year, a decrease of ¥5.81 billion. In addition to the decrease in revenue, SG&A expenses increased, and costs were incurred for the establishment of CSK-RB SECURITIES CORPORATION, a provider of securities services to regional financial institutions.

[Prepaid card business]

Operating revenue decreased 35.2% to ¥2.44 billion. Progress was made in introducing prepaid cards to new business types such as bookstores and service industries, and customer numbers increased for the use of cards in hospitality programs for stockholders and as promotional gifts. However, this was offset by the impact of major convenience store chains issuing similar prepaid cards, along with the absence of the high levels of equipment replacement sales that temporarily boosted sales in the previous year. Operating loss of ¥0.11 billion was recorded for the year, compared to an operating loss of ¥0.25 billion in the previous year, reflecting favorable sales of gift cards with high profitability, along with lower SG&A expenses.

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

(2) Management initiatives implemented during the fiscal year

Specific initiatives undertaken during the current fiscal year in relation to the three management policies are as follows.

I Transforming into being a comprehensive service provider

1) IT services business

i) In the IT services business segment, we reorganized the following Group companies in the technology services segment, seeking more timely and appropriate decision-making and greater efficiency, and aiming to develop a Group system that facilitates smoother cooperation. The new system started operations in July 2007. Furthermore, we centralized the corporate staff functions of the companies subject to the reorganization at CSK ADMINISTRATION SERVICE CORPORATION, targeting unification and strengthening of internal control systems and greater efficiency in administration.

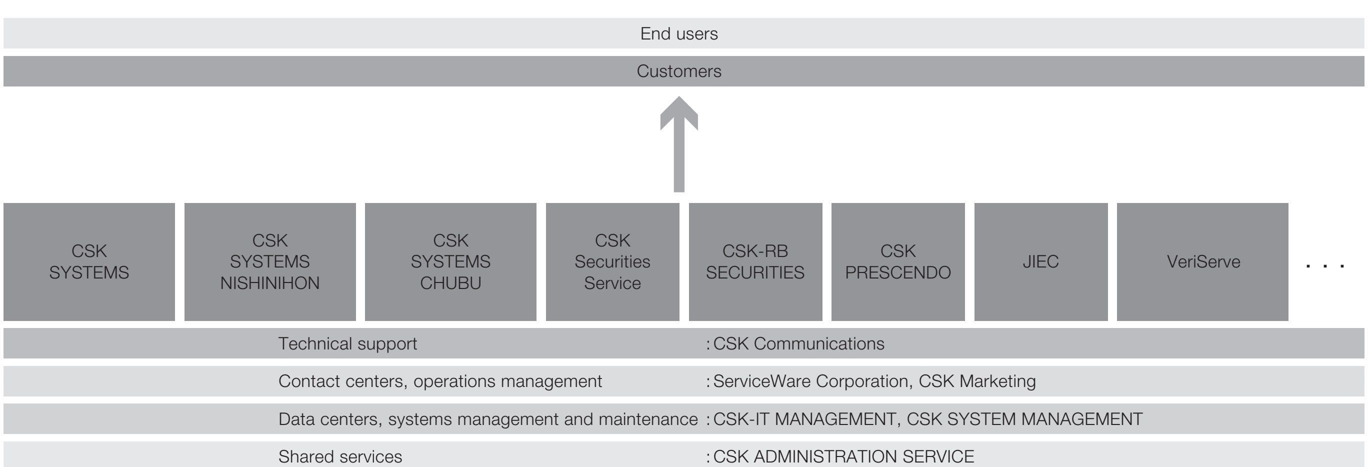
ii) In the IT services segment, we are also centralizing and integrating the technical support business of Group companies in the business services segment, aiming to strengthen productivity and quality competitiveness and achieve further growth and development. The new system started operations in January 2008. Furthermore, the corporate staff functions of the companies subject to the reorganization have been centralized at CSK ADMINISTRATION SERVICE CORPORATION.

iii) The Group has been engaged in an important development project for a new securities system, "ESTREX", that includes the development of front-office systems, infrastructure and management base and subsequent marketing to customers. Although development of this project is proceeding to plan, a number of factors have led us to take a conservative approach to projecting revised revenue returns from sales of "ESTREX", and for the year under review, we have recorded an impairment loss. These factors include a rapid fall in the market share from the second half of the year, an industry tendency towards deferred systems investment due to measures related to the impending dematerialization of share certificates, and the outlook for further significant changes in the securities industry business environment.

iv) In the IT services business, we carried out the following joint initiatives/new service development projects.

- In July 2007, we concluded a business and capital alliance with Bit-isle Inc., which is strong in the Internet data center business for small and medium-sized enterprises, aiming to expand and enhance our customer base in the IT outsourcing services field.
- In order to provide a host of e-commerce systems and services, we 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.
- We ran a booth at FIT2007 (Financial Information Technology 2007), displaying our various services in the financial and securities fields.

Through these business reorganizations in both technology services and business services, in computer services we intend to pursue business using a system classified into the following functions.



2) Financial services, securities and prepaid card business

i) In the financial services business, we made active investments based on appropriate management and monitoring systems, aiming to make a stable contribution to profits. Furthermore, in November 2007, Plaza Capital Management Co., Ltd. started to provide commodity investment advisory services, as part of our drive to expand our operations in the financial services business.

ii) CSK-RB SECURITIES CORPORATION completed its registration as a securities company in June 2007, and started business activities. The company will provide consulting services and support for regional financial institutions regarding the establishment of securities subsidiaries, securities systems and operational support, investment information, and product planning, product provision, sales and training support in a unified and comprehensive manner.

iii) In the securities business operations of our consolidated subsidiary, Cosmo Securities Co., Ltd., we strived to expand our investment trust, foreign exchange margin transactions, and foreign equity products, and actively carried out various sales initiatives such as holding lectures and seminars, in order to meet retail customers' diverse asset management needs, while also ensuring that information is provided to customers more actively than before. As part of measures to strengthen the management of these operations, we have shifted to a new management structure from late June 2008.

iv) In the prepaid card business, we have introduced prepaid card systems for a major bookstore chain and to service industry companies, new developments aimed at making use of cards more widespread and improving customers' convenience.

3) Initiatives under holding company structure

In October 2007, we received approval from Yokohama City to operate business in the Minato Mirai 21 development area, where we plan to establish our new head office building. Through this head office relocation, we aim to achieve more efficient business operations by bringing together the offices of various Group companies that were spread throughout Tokyo, and develop a base for CSR and research and development.

II Ensuring management transparency and shareholder returns

1) Ensuring management transparency

As a result of the shift to a holding company structure in October 2005, the Group's overall framework has been finalized, which will serve as the foundation for ensuring management transparency. 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 control systems required by the Companies Law and the Financial Instruments and Exchange Law.

2) Shareholder returns policy

In April 2005, CSK HOLDINGS CORPORATION ("the Company") formulated and announced 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 dividends per share
Fiscal year ended March 2008	¥40
Fiscal year ended March 2007	¥40
Fiscal year ended March 2006	¥40
Fiscal year ended March 2005	¥17
Fiscal year ended March 2004	¥15

* DOE = Total amount of dividends paid / [average of net assets related to common stock at start and end of fiscal year] X 100

In the fiscal year under review, we repurchased, as outlined below, our own shares as treasury stock, in order to improve capital efficiency and enable a flexible capital policy that can respond to changes in the operating environment.

February 2008	3 million shares	¥7.68 billion
May 2007	1 million shares	¥4.40 billion

III Achieving sustainability (the continuous development of society)

In June 2007, we opened CSK Tama Center, a base for research and CSR activities, in the Tama region of Tokyo. CSK Tama Center will contribute to CSK Group's sustainability initiatives, function as a new base for Group communications, and serve as a space for creating a new corporate culture and values.

Furthermore, CSK Institute for Sustainability, Ltd. (CSK-IS), the Group's think tank for conducting research and development on the theme of sustainability, held the CSK-IS International Symposium to commemorate the completion of the construction of CSK Tama Center. The symposium featured speeches by and panel discussions involving many of the leading Japanese and overseas experts on the necessary conditions for the sustainable development of the planet and the human race, and active debate, consideration and recommendations on the topic of sustainability.

In order to contribute also to sustainability in the international community, CSK Group has also decided to participate in the UN Global Compact*.

* UN Global Compact: 10 principles regarding corporate social responsibility proposed by the United Nations, covering human rights, labour standards, environment and anti-corruption.

2. Analysis of financial position and cash flows

(1) Assets, liabilities and net assets

Assets decreased ¥27.24 billion (4.7%) to ¥550.05 billion

Current assets decreased ¥25.65 billion to ¥436.38 billion. Although "Investments related to financial services" increased, current assets in securities services decreased, and "Cash and time deposits" decreased.

Noncurrent assets decreased ¥1.59 billion to ¥113.67 billion. Principal factors included an increase in buildings and structures and land accompanying the acquisition of the CSK Sanda Center and acquisitions for the CSK Tama Center. At the same time, following a review of revenue projections, a conservative approach has been taken with the software that had been recorded in Other intangible fixed assets under Intangible fixed assets, and an impairment loss was recorded. "Investments in securities" also decreased.

Liabilities decreased ¥3.96 billion (1.1%) to ¥364.56 billion

Current liabilities amounted to ¥284.03 billion, due to factors such as a reduction in liabilities of the securities services business and the maturation of bonds causing a decrease in "Current portion of corporate bonds payable". At the same time, "Short-term bank loans payable" increased, and "Liabilities related to financial services" increased.

Long-term liabilities decreased ¥8.16 billion to ¥78.94 billion, mainly due to a reduction in "Convertible bonds payable" and a transfer from "Long-term bank loans payable" to "Short-term bank loans payable".

Net assets decreased ¥23.28 billion (11.2%) to ¥185.50 billion

Factors that increased Net assets included Net income for the year, along with an increase in "Common stock" and "Capital surplus" arising from the exercise of stock options. Factors that decreased Net assets included the payment of dividends from retained earnings, a reduction in "Net unrealized gains on securities", "Foreign currency translation adjustments", Minority interests and the acquisition of treasury stock.

(2) Cash flows

Cash flows from operating activities minus ¥30.36 billion (decrease of ¥37.43 billion)

Although cash inflows increased as a result of "Proceeds from refund of income taxes" and lower "Income taxes paid" along with decreased "Receivables related to margin transactions", outflows arising from an increase in "Investments related to financial services" resulted in a decrease of ¥37.43 billion in operating cash flows.

Cash flows from investing activities minus ¥27.95 billion (decrease of ¥11.41 billion)

Although cash was received from "Proceeds from sales of investments in securities", outflows arising from the acquisition of the CSK Sanda Center and acquisitions for the CSK Tama Center, an increase in time deposits, along with a reduction in "Purchases of property and equipment", led to a reduction of ¥11.41 billion in cash flows from investing activities.

Cash flows from financing activities ¥12.20 billion (decrease of ¥27.33 billion)

During the fiscal year under review, an inflow of cash was received arising from an increase in Short-term bank loans payable. However, an outlay of ¥21.21 billion was recorded for the "Redemption of corporate bonds". A further factor was the absence of the bond issuance that in the previous year resulted in an inflow of ¥35.00 billion. As a result, cash flows from financing activities decreased by ¥27.33 billion.

Cash and cash equivalents ¥59.20 billion (decrease of ¥46.25 billion or 43.9%)

Reflecting the cash flows described above, cash and cash equivalents as of March 31, 2008 amounted to ¥59.20 billion, a decrease of ¥46.25 billion compared to March 31, 2007.

Consolidated Balance Sheets

CSK HOLDINGS CORPORATION and Consolidated Subsidiaries
As of March 31, 2006, 2007 and 2008

ASSETS	millions of yen 2006	2007	2008	thousands of U.S. dollars (Note 1) 2008
Current assets:				
Cash (Notes 2 (3), 3 and 9)	¥ 77,444	¥108,405	**¥ 64,013**	**$ 638,912**
Notes and accounts receivable (Note 2 (23))	36,080	33,689	**31,026**	**309,666**
Marketable securities (Notes 2 (4), 3, 4 and 9)	3,911	7,207	**11,702**	**116,797**
Venture capital investments (Notes 2 (4), 2 (5) and 6)	3,176	2,138	**4,166**	**41,583**
Inventories (Notes 2 (9) and 5)	8,112	4,820	**4,888**	**48,791**
Income taxes refundable	—	6	**5,000**	**49,904**
Deferred income taxes (Notes 2 (20) and 16)	7,346	12,318	**6,508**	**64,960**
Investments related to financial services (Notes 2 (4), 2 (5), 6 and 9)	94,124	110,842	**198,428**	**1,980,514**
Cash segregated as deposits related to securities business	57,696	46,395	**32,892**	**328,293**
Trading assets related to securities business (Note 9)	10,863	15,679	**6,825**	**68,120**
Receivables related to margin transactions	112,121	91,105	**46,105**	**460,179**
Other current assets (Note 2 (23))	29,454	33,560	**25,158**	**251,105**
Allowance for losses on investment securities (Note 2 (8))	—	(3,869)	**(235)**	**(2,344)**
Allowance for doubtful accounts (Note 2 (7))	(162)	(266)	**(92)**	**(920)**
Total current assets	440,165	462,029	**436,384**	**4,355,560**
Property and equipment, net of accumulated depreciation (Notes 2 (10) and 7)	26,986	26,967	**34,346**	**342,806**
Deferred charges and intangible assets (Notes 2 (11) and 25)	4,434	14,040	**8,877**	**88,605**
Investments and other assets:				
Investments in securities (Notes 2 (4), 4 and 9)	58,680	60,041	**49,327**	**492,343**
Prepaid pension cost (Notes 2 (15) and 12)	3,269	3,325	**3,219**	**32,125**
Deferred income taxes (Notes 2 (20) and 16)	970	1,968	**8,415**	**83,990**
Other assets (Note 9)	10,751	10,778	**10,557**	**105,367**
Allowance for doubtful accounts (Note 2 (7))	(2,121)	(1,853)	**(1,071)**	**(10,685)**
	71,549	74,259	**70,447**	**703,140**
Total assets (Note 32)	¥543,134	¥577,295	**¥550,054**	**$5,490,111**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS (Shareholders' equity)	2006	2007	millions of yen 2008	thousands of U.S. dollars (Note 1) 2008
Current liabilities:				
Accounts payable (Note 2 (23))	¥ 14,016	¥ 11,293	**¥ 11,585**	**$ 115,629**
Short-term bank loans payable (Notes 8 and 9)	23,854	28,052	**69,511**	**693,792**
Current portion of corporate bonds payable (Note 8)	—	20,000	**—**	**—**
Accrued income taxes	10,869	8,624	**3,113**	**31,070**
Deposits received on prepaid cards (Notes 2 (23) and 9)	38,977	42,860	**46,564**	**464,762**
Accrued bonuses to employees (Note 2 (12))	6,289	6,420	**7,026**	**70,130**
Accrued bonuses to directors and statutory auditors (Note 2 (13))	—	62	**5**	**50**
Allowance for anticipated losses on contracts (Note 2 (14))	3,174	898	**369**	**3,687**
Liabilities related to financial services (Notes 6, 8 and 9)	—	15,137	**44,371**	**442,866**
Trading liabilities related to securities business	4,756	9,180	**2,602**	**25,973**
Payables related to margin transactions (Notes 8 and 9)	77,342	55,842	**19,324**	**192,871**
Deposits received and guarantee deposits received from customers related to securities business	65,984	56,002	**44,128**	**440,444**
Other current liabilities (Notes 2 (21), 2 (23), 8 and 9)	22,102	25,701	**35,435**	**353,676**
Total current liabilities	267,363	280,071	**284,033**	**2,834,950**
Long-term liabilities:				
Corporate bonds payable (Note 8)	40,000	20,000	**20,000**	**199,621**
Convertible bonds payable (Note 8)	23,000	58,000	**56,792**	**566,843**
Long-term bank loans payable (Note 8)	5,000	5,000	**84**	**838**
Accrued employees' retirement benefits (Notes 2 (15) and 12)	787	587	**341**	**3,404**
Accrued directors' retirement benefits (Note 2 (16))	240	206	**159**	**1,584**
Other long-term liabilities	2,235	3,307	**1,565**	**15,622**
Total long-term liabilities	71,262	87,100	**78,941**	**787,912**
Statutory reserve:				
Reserve for securities trading liabilities (Note 2 (17))	1,079	1,347	**1,580**	**15,767**
Reserve for financial futures trading liabilities (Note 2 (18))	0	2	**4**	**44**
Total statutory reserve	1,079	1,349	**1,584**	**15,811**
Minority interests (Note 2 (27))	23,606	—	**—**	**—**
Commitments and contingencies (Notes 2 (24), 9, 10, 15, 28, 29, and 33)				
Shareholders' equity (Note 13)**:**				
Common stock— Authorized: 298,000,000 shares Issued: 77,791,992 shares in 2006	71,524	—	**—**	**—**
Capital surplus	36,138	—	**—**	**—**
Retained earnings	80,719	—	**—**	**—**
Net unrealized gains on securities (Notes 2 (4), 2 (5) and 4)	11,069	—	**—**	**—**
Foreign currency translation adjustments (Note 2 (2))	—	—	**—**	**—**
Treasury stock, at cost (Note 14)	(19,626)	—	**—**	**—**
Total shareholders' equity	179,824	—	**—**	**—**
Total liabilities and shareholders' equity	¥543,134	¥ —	**¥ —**	**$ —**
Net assets (Note 2 (27))				
Shareholders' equity (Note 13):				
Common stock— Authorized: 298,000,000 shares Issued: 78,437,124 shares in 2007 78,670,524 shares in 2008	—	72,790	**73,225**	**730,865**
Capital surplus	—	37,404	**37,792**	**377,202**
Retained earnings	—	84,692	**83,007**	**828,499**
Treasury stock, at cost (Note 14)	—	(19,649)	**(31,614)**	**(315,545)**
Total shareholders' equity	—	175,237	**162,410**	**1,621,021**
Valuation, translation adjustments and other				
Net unrealized gains on securities (Notes 2 (4), 2 (5) and 4)	—	8,949	**1,697**	**16,933**
Net unrealized gains (losses) on hedging derivatives (Note 2 (6))	—	0	**(7)**	**(71)**
Foreign currency translation adjustments (Note 2 (2))	—	—	**(626)**	**(6,244)**
Total valuation, translation adjustments and other	—	184,186	**163,474**	**1,631,639**
Minority interests	—	24,589	**22,022**	**219,799**
Total net assets	—	208,775	**185,496**	**1,851,438**
Total liabilities and net assets	¥ —	¥577,295	**¥550,054**	**$5,490,111**

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 March 31, 2008

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Operating revenue (Notes 2 (21), 2 (23) and 32)	¥241,155	¥245,982	**¥239,695**	**$2,392,406**
Costs and expenses:				
Operating costs (Notes 2 (19), 2 (23) and 17)	156,582	157,621	**153,713**	**1,534,211**
Selling, general and administrative expenses (Notes 2 (19), 17 and 25)	59,435	58,456	**66,726**	**665,995**
Operating income (Notes 2 (23) and 32)	25,138	29,905	**19,256**	**192,200**
Other income (expenses):				
Interest and dividends income	332	643	**918**	**9,161**
Interest expenses	(174)	(98)	**(66)**	**(659)**
Gain on sales of investments in securities (Note 18)	21,457	89	**281**	**2,810**
Loss on sales of investments in securities	—	(28)	**(288)**	**(2,875)**
Foreign exchange loss	—	—	**(717)**	**(7,154)**
Loss on write-downs of investments in securities	(295)	(556)	**(1,659)**	**(16,557)**
Gain on change in interest in consolidated subsidiary (Note 19)	4	(30)	**367**	**3,662**
Equity in earning of unconsolidated subsidiaries and affiliates	198	—	**—**	**—**
Hoard profit of prepaid card (Note 2 (23))	909	965	**1,032**	**10,296**
Provision for accrued employees' retirement benefits (Note 2 (15))	(261)	(261)	**(261)**	**(2,602)**
Transfer of agents' commission	(187)	(153)	**(138)**	**(1,375)**
Loss on cancellation of leases	(3)	(266)	**(1)**	**(15)**
Insurance loss	(98)	—	**—**	**—**
Transfer of one's domicile's adjustment costs	(106)	(195)	**(141)**	**(1,403)**
Gain on sales of fixed assets	15,898	208	**1**	**13**
Gain on transfer of business	—	277	**—**	**—**
Gain from reversal of allowance for anticipated losses on contracts (Note 2 (14))	—	484	**—**	**—**
Loss on disposal of fixed assets	(1,153)	(161)	**(740)**	**(7,389)**
Loss on impairment of fixed assets (Notes 2 (26) and 21)	(3,380)	(0)	**(13,345)**	**(133,195)**
Loss on relocation of datacenter (Note 22)	(1,568)	—	**—**	**—**
Loss on cancellation of system development (Note 23)	(2,945)	—	**—**	**—**
Compensation received for relocation (Note 20)	—	—	**950**	**9,482**
Provision for reserve for securities trading liabilities (Note 2 (17))	(421)	(268)	**(232)**	**(2,322)**
Provision for reserve for financial futures trading liabilities (Note 2 (18))	(0)	(2)	**(2)**	**(23)**
Loss on cancellation of service (Note 24)	(1,240)	—	**—**	**—**
Other, net	681	160	**(533)**	**(5,319)**
	27,648	808	**(14,574)**	**(145,464)**
Income before income taxes and minority interests (Notes 2 (23) and 2 (26))	52,786	30,713	**4,682**	**46,736**
Income taxes (Notes 2 (20) and 16)**:**				
Current	12,557	18,986	**5,864**	**58,531**
Deferred	6,476	(4,533)	**2,276**	**22,724**
Refund (Note 27)	—	—	**(2,763)**	**(27,582)**
Reversal of prior-year's income taxes and prior-year's income taxes-deferred (Note 26)	—	6,210	**—**	**—**
	19,033	20,663	**5,377**	**53,673**
Income before minority interests	33,753	10,050	**(695)**	**(6,937)**
Minority interests in subsidiaries	(2,878)	(1,371)	**1,967**	**19,634**
Net income	¥ 30,875	¥ 8,679	**¥ 1,272**	**$ 12,697**

	yen			U.S. dollars (Note1)
Per share information:				
Net income per share (Notes 2 (25) and 31)	¥410.52	¥117.35	**¥17.34**	**$0.17**
Diluted net income per share (Notes 2 (25) and 31)	387.98	105.60	**15.46**	**0.15**
Cash dividends (Note 2 (25))	40.00	40.00	**40.00**	**0.40**

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 March 31, 2008

millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance as of March 31, 2005	¥69,490	¥34,115	¥51,262	¥ (5,615)	¥ 7,296	¥—	¥ (63)	¥ —	¥156,485
Exercise of stock options	2,034	2,034							4,068
Loss on disposition of treasury stock		(11)							(11)
Net income			30,875						30,875
Increase due to exclusion from consolidation of subsidiaries			61						61
Foreign currency translation adjustments (Note 2 (2))							63		63
Unrealized losses 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)
Purchases of treasury stock, net				(14,011)					(14,011)
Balance as of March 31, 2006	¥71,524	¥36,138	¥80,719	¥(19,626)	¥11,069	¥—	¥ —	¥ —	¥179,824
Reclassified Balance as of March 31, 2006 (Note 2 (27))								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
Repurchases of treasury stock				(24)					(24)
Disposal of treasury stock				1					1
Net changes in items other than shareholders' equity					(2,120)	0		983	(1,137)
Balance as of March 31, 2007	¥72,790	¥37,404	¥84,692	¥(19,649)	¥ 8,949	¥ 0	¥ —	¥24,589	¥208,775
Exercise of stock options	435	435							870
Cash dividends*			(1,486)						(1,486)
Cash dividends			(1,471)						(1,471)
Net income			1,272						1,272
Repurchases of treasury stock				(12,100)					(12,100)
Disposal of treasury stock		(47)		135					88
Net changes in items other than shareholders' equity					(7,252)	(7)	(626)	(2,567)	(10,452)
Balance as of March 31, 2008	**¥73,225**	**¥37,792**	**¥83,007**	**¥(31,614)**	**¥ 1,697**	**¥ (7)**	**¥(626)**	**¥22,022**	**¥185,496**

* Relates to a distribution of cash dividends approved in shareholders' meetings in June 2006 and 2007.

thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total
Balance as of March 31, 2007	$726,523	$373,332	$845,310	$(196,119)	$ 89,324	$ 2	$ —	$245,424	$2,083,796
Exercise of stock options	4,342	4,343							8,685
Cash dividends*			(14,830)						(14,830)
Cash dividends			(14,678)						(14,678)
Net income			12,697						12,697
Repurchases of treasury stock				(120,768)					(120,768)
Disposal of treasury stock		(473)		1,342					869
Net changes in items other than shareholders' equity					(72,391)	(73)	(6,244)	(25,625)	(104,333)
Balance as of March 31, 2008	**$730,865**	**$377,202**	**$828,499**	**$(315,545)**	**$ 16,933**	**$(71)**	**$(6,244)**	**$219,799**	**$1,851,438**

* Relates to a distribution of cash dividends approved in a shareholders' meeting in June 2007.

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 March 31, 2008

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 52,786	¥ 30,713	**¥ 4,682**	**$ 46,736**
Adjustments for—				
Depreciation	5,871	4,109	**5,904**	**58,933**
Loss on impairment of fixed assets	3,380	0	**13,345**	**133,195**
Amortization of goodwill	374	417	**315**	**3,144**
Increase (decrease) in allowances and decrease (increase) in prepaid pension costs	2,191	1,608	**(4,430)**	**(44,213)**
Interest and dividends income	(2,460)	(2,940)	**(3,245)**	**(32,388)**
Interest expenses	863	1,296	**1,589**	**15,857**
Equity in earning of unconsolidated subsidiaries and affiliates	(198)	—	**—**	**—**
Loss on disposal of fixed assets and gain (loss) on sales of fixed assets	(13,668)	12	**795**	**7,940**
Loss (gain) on sales of investments in securities	(21,442)	(60)	**13**	**128**
Loss on write-downs of investments in securities	295	556	**1,659**	**16,557**
Decrease (increase) in accounts receivable	(211)	2,459	**2,663**	**26,583**
Decrease (increase) in inventories	(1,766)	1,030	**(69)**	**(684)**
Increase (decrease) in accounts payable	(41)	(2,724)	**292**	**2,918**
Decrease (increase) in venture capital investments	(83)	(114)	**(2,476)**	**(24,714)**
Decrease (increase) in investments related to financial services	(38,700)	(16,960)	**(95,688)**	**(955,070)**
Increase (decrease) in liabilities related to financial services	—	12,057	**29,234**	**291,783**
Decrease (increase) in cash segregated as deposits related to securities business	(15,232)	11,301	**13,503**	**134,774**
Decrease (increase) in trading assets related to securities business	798	(4,816)	**8,854**	**88,374**
Decrease (increase) in receivables related to margin transactions	(39,586)	21,016	**45,000**	**449,144**
Decrease (increase) in loans secured by securities	(430)	(3,174)	**6,914**	**69,005**
Increase (decrease) in trading liabilities related to securities business	(134)	4,424	**(6,578)**	**(65,655)**
Increase (decrease) in payables related to margin transactions	17,270	(21,500)	**(36,518)**	**(364,485)**
Increase (decrease) in deposits received and guarantee deposits received from customers related to securities business	25,269	(9,982)	**(11,874)**	**(118,517)**
Other, net	2,900	(2,388)	**7,820**	**78,038**
Subtotal	(21,954)	26,340	**(18,296)**	**(182,617)**
Interest and dividends income received	2,352	3,047	**3,252**	**32,458**
Interest expenses paid	(929)	(1,153)	**(1,579)**	**(15,758)**
Income taxes paid	(4,522)	(21,165)	**(16,504)**	**(164,724)**
Proceeds from refund of income taxes	—	—	**2,763**	**27,582**
Net cash provided by (used in) operating activities	(25,053)	7,069	**(30,364)**	**(303,059)**
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	(1,725)	(465)	**(2,967)**	**(29,610)**
Net proceeds from sales and purchases of marketable securities	5,373	3,717	**1,094**	**10,923**
Purchases of property and equipment	(5,994)	(7,195)	**(11,916)**	**(118,939)**
Proceeds from sales of property and equipment	22,443	4,957	**192**	**1,917**
Purchases of intangible assets	(1,664)	(8,396)	**(10,647)**	**(106,271)**
Proceeds from sales of intangible assets	10,070	76	**43**	**426**
Purchases of investments in securities	(27,078)	(9,747)	**(7,245)**	**(72,314)**
Proceeds from sales of investments in securities	28,199	1,864	**3,616**	**36,093**
Expenditure for acquisition of subsidiaries' stocks	—	(997)	**(197)**	**(1,970)**
Other, net	(637)	(360)	**73**	**733**
Net cash provided by (used in) investing activities	¥ 28,987	¥ (16,546)	**¥ (27,954)**	**$ (279,012)**

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans, net	¥ 9,333	¥ 11,699	**¥ 47,438**	**$ 473,478**
Proceeds from long-term debt	5,000	—	**—**	**—**
Repayment of long-term debt	(6,000)	(4,500)	**—**	**—**
Proceeds from issuance of corporate bonds	—	35,000	**—**	**—**
Redemption of corporate bonds	(3,200)	—	**(21,208)**	**(211,678)**
Issuance of common stock	4,067	2,533	**870**	**8,685**
Purchases of treasury stock (Note 3 (2))	(14,080)	(37)	**(12,239)**	**(122,157)**
Cash dividends paid	(1,283)	(4,414)	**(2,949)**	**(29,436)**
Other, net	(458)	(748)	**289**	**2,886**
Net cash provided by (used in) financing activities	(6,621)	39,533	**12,201**	**121,778**
Effect of exchange rate changes on cash and cash equivalents	29	51	**(130)**	**(1,302)**
Net increase (decrease) in cash and cash equivalents	(2,658)	30,107	**(46,247)**	**(461,595)**
Cash and cash equivalents, at beginning of the year	77,357	74,747	**105,447**	**1,052,475**
Cash and cash equivalents of initially consolidated subsidiaries, at beginning (Note 2 (1))	96	593	**—**	**—**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation (Note 2 (1))	(48)	—	**—**	**—**
Cash and cash equivalents, at end of the year (Notes 2 (3) and 3 (1))	¥ 74,747	¥105,447	**¥ 59,200**	**$ 590,880**

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 the 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 Financial Instruments and Exchange Law of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications of figures from those included in the Annual Securities Report in order to present them in a form more familiar to readers outside Japan. In addition, the notes to the 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 accompanying 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 ¥100.19 = U.S. $1.00, the rate of exchange prevailing on March 31, 2008, 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 or any other rate.

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

2. Summary of significant accounting policies

(1) Basis of 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 March 31, 2008 is as follows:

Name of subsidiary
Subsidiaries:
CSK SYSTEMS CORPORATION
CSK-IT MANAGEMENT CORPORATION
(On July 1, 2007, CSK Network Systems Corporation changed its corporate name to CSK-IT MANAGEMENT CORPORATION)
CSK SYSTEMS NISHINIHON CORPORATION
(On July 1, 2007, CSK SYSTEMS NISHINIHON PREPARATORY CORPORATION changed its corporate name to CSK SYSTEMS NISHINIHON CORPORATION)
CSK SYSTEMS CHUBU CORPORATION
(On July 1, 2007, CSK SYSTEMS CHUBU PREPARATORY CORPORATION changed its corporate name to CSK SYSTEMS CHUBU CORPORATION)
JIEC Co., Ltd.
CSI SOLUTIONS Corporation
CSK SYSTEM MANAGEMENT CORPORATION
SUPER SOFTWARE COMPANY LTD.
CSK WinTechnology Corporation
FUKUOKA CSK CORPORATION
HOKKAIDO CSK CORPORATION
ServiceWare Corporation
CSK Communications Corporation
Fukui CSK Corporation
SHIMANE CSK CORPORATION
IWATE CSK CORPORATION
OITA CSK CORPORATION
Kitakyushu CSK Corporation
(On January 1, 2008, ServiceWare Kyushu Corporation changed its corporate name to Kitakyushu CSK Corporation)
CSK Marketing Corporation
CSK Securities Service CO., Ltd.
VeriServe Corporation
CSK PRESCENDO CORPORATION
ISAO CORPORATION
BUSINESS EXTENSION CORPORATION
CSK ADMINISTRATION SERVICE CORPORATION
(On July 1, 2007, CSK BUSINESS SERVICE CORPORATION changed its corporate name to CSK ADMINISTRATION SERVICE CORPORATION)
Light Works Corporation
CSK FINANCE CO., LTD.
CVC Business Co., Ltd.
GENASSET CO., LTD.
(On December 21, 2007, SEIKOU CORPORATION changed its corporate name to GENASSET CO., LTD.)
CSK VENTURE CAPITAL CO., LTD.
Plaza Asset Management Co., Ltd.
Plaza Capital Management Co., Ltd.
CSK PRINCIPALS CO., 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.
CSK Institute for Sustainability, Ltd.
Other 53 companies
(Includes 48 anonymous associations and 2 investment partnerships)

CSK PRINCIPALS CO., LTD. was newly consolidated in fiscal year 2006 due to having become material to the consolidated financial statements.

CSK SYSTEMS CORPORATION, CSK Marketing HR Corporation, CSK Institute for Sustainability, Ltd. and 1 other company were established in fiscal year 2006 and therefore were newly consolidated from fiscal year 2006.

On October 1, 2005, CSK SYSTEMS CORPORATION became the succeeding company to the business of CSK CORPORATION (On October 1, 2005, CSK CORPORATION changed its corporate name to CSK HOLDINGS CORPORATION.) through 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 during fiscal year 2006, due to being in the process of liquidation.

CSK-RB SECURITIES CORPORATION and 1 other company were established in fiscal year 2007 and therefore were newly consolidated from fiscal year 2007.

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

In April, 2007, CSK Marketing Corporation merged with CSK Marketing HR Corporation.

CSK SYSTEMS CHUBU CORPORATION was established in fiscal year 2008 and therefore was newly consolidated from such fiscal year.

On July 1, 2007, the Company implemented a company separation. The method to be used is a company separation and absorption, with CSK SYSTEMS CORPORATION as the separating company and CSK SYSTEMS NISHINIHON CORPORATION which changed its corporate name from CSK Systems Nishinihon Preparatory Corporation, CSK SYSTEMS CHUBU CORPORATION which changed its corporate name from CSK Systems Chubu Preparatory Corporation, CSK-IT MANAGEMENT CORPORATION which changed its corporate name from CSK Network Systems Corporation and merged with CSK FIELD SERVICES CO., LTD. on the same day as the succeeding companies.

Plaza Capital Management Co., Ltd. was newly consolidated from fiscal year 2008, due to the acquisition of stock in October 2007.

30 anonymous associations, 2 investment partnerships and 3 other companies were newly consolidated from fiscal year 2008, by having newly invested. 1 consolidated subsidiary was excluded from consolidation because their anonymous association contract had finished.

(Change in accounting policy)
From fiscal year 2007, "PITF No.20 Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (PITF NO.20) has been adopted.

As a result of the adoption, 23 anonymous associations became consolidated subsidiaries from fiscal year 2007.

4 consolidated subsidiaries were excluded from subsidiary companies because their respective anonymous association contracts had expired.

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

The Company accounts for investments in non-consolidated subsidiaries and affiliates using the cost method as their 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 a fiscal year end of February 29, 2 anonymous associations have fiscal year ends of January 31, 33 anonymous associations, 2 investment partnerships and 3 other companies have fiscal year ends of December 31.

Furthermore, 5 anonymous associations have fiscal year ends of November 30. Consequently, these subsidiaries have a trial settlement date of February 29, for the purpose of preparing for the consolidated fiscal year ends. 7 anonymous associations have fiscal year ends of September 30. Consequently, these subsidiaries have a trial settlement date of December 31, for the purpose of preparing for the consolidated fiscal year end. The remaining consolidated subsidiaries have fiscal year ends of March 31, which is the same as the consolidated fiscal year end. The required adjustments for consolidated accounting purposes are carried out for important transactions that occur in the period between the consolidated fiscal year end and the respective fiscal year ends of the subsidiaries.

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

The assets and liabilities of a newly consolidated subsidiary are marked to fair value at the time the Company is deemed to have gained control. Material excess of cost over such value of investments in subsidiaries is recognized as goodwill and is amortized over a period of 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 accompanying consolidated statements of income.

(2) Translation of foreign currency balances and transactions
Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables denominated in foreign currencies are translated at the current exchange rates in effect at balance sheet dates.

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

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

(3) Cash and cash equivalents
For the purpose of consolidated statements of cash flows, cash and cash equivalents consists of cash on hands, demand deposits, and certain investments with an 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 Investments 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 investments 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. In addition, shares are included in securities with market values.
  Investment in partnerships or similar
    With regard to transactions resulting from investments 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 differences are 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 the 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 partnerships. "Venture capital investments" are recorded as securities on an equity basis. Securities which investment partnerships of the consolidated subsidiaries hold are recorded as "Venture capital investments".

(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 etc. 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 maturity of the hedged transactions. With regard to the accounting method for hedge transactions, deferred hedge accounting is applied.

(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 anticipated 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 regarding the investments included in "Investments related to financial services".

(9) Inventories

"Inventories" are stated at cost, based on the specific identification method 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 consolidated subsidiaries, depreciation is computed using the declining-balance method at rates based on the estimated useful lives of the respective assets which are prescribed by the Corporation Tax Law, except for buildings acquired after April 1, 1998 which are depreciated using the straight-line method.

(Change in accounting policy)

From the fiscal year 2008 depreciation of tangible fixed assets acquired since April 1, 2007 has been calculated in accordance with the revised Corporation Tax Law.

The effect of this change was to increase operating expenses by ¥243 million and to decrease Operating income and Income before income taxes and minority interests by the same amounts for the year ended March 31, 2008 as compared with the corresponding amounts which would have been recorded under the previous method.

The effect on the segment information is described in "Segment Information" in Note 32.

(Additional Information)

From the fiscal year 2008 depreciation of tangible fixed assets acquired before March 31, 2007, and depreciated to their respective allowable limits has been calculated by a method which depreciates residual value equally over a period of five years.

The application of the applicable provision of the revised Corporation Tax Law had an insignificant impact on net income for the fiscal year 2008.

(11) Deferred charges and intangible assets

Deferred charges and intangible assets include term land leaseholds, capitalized software costs and goodwill. Term land leaseholds, capitalized software costs and goodwill are carried at cost less accumulated amortization. Term land leaseholds are 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 a period of 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.

(Change in accounting policy)

From the fiscal year ended March 31, 2007, "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan (ASBJ) Statement No. 4 of November 29, 2005) was adopted.

As a result, Operating income and Income before income taxes and minority interests for the year ended March 31, 2007, each decreased by ¥62 million from the corresponding amounts which would have been recorded under the previous method.

(14) Allowance for anticipated losses on contracts

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

(15) 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 cost", and included in Investments and other assets.

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

Unrecognized actuarial net loss is 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 from fiscal year 2008 when it arises.

(16) 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 accordance with internal regulations. However the Company revised its internal regulations and determined not to increase the payment amounts after a shareholders' meeting on June 26, 2003.

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

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

(19) Research and development costs
Research and development costs are charged to income as incurred.

(20) Income taxes
The Group applies 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 the enacted tax rates in effect for the year in which the differences are expected to be reversed.

(21) 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.

(22) Consolidated tax return system
A consolidated tax return system has been applied since fiscal year 2004.

(23) Revenue recognition for primary transactions
a. IT 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 the year ended March 31, 2006, the Company's subsidiary changed its 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 the 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 conformity with the Japanese Tax Law which requires that the year in which the cards were sold be taken into consideration.

(Change in accounting policy)
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 April 1, 2005, however, the accounting treatment changed so that the face value of cards when issued is required to be 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 as was requested under the previous method.

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 issuance of the cards as gifts. The prepaid card business has also established a sound earnings base as a result of this factor and the 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, determined to adopt an accounting treatment that enables a better understanding of the sales situation. Under this accounting policy, the impact on results for the fiscal year ended March 31, 2006 was to reduce 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 from the corresponding amounts which would have been recorded under the previous method.

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

The classification of the face value of cards issued changed from “Accounts receivable” to “Other current assets” (¥2,892 million as of March 31, 2006). The classification of unused value of cards that is expected to be used changed from “Unearned revenue” to “Deposits received on prepaid cards” (¥38,977 million as of March 31, 2006).

Classification of the liabilities arising from the card value used changed from “Accounts payable” to “Other current liabilities” (¥4,648 million as of March 31, 2006).

The effect on segment information is described in “Segment Information” in Note 32.

(24) Leases

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

(25) 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 31.

(26) Accounting standard for impairment of fixed assets

Effective April 1, 2005, the Company and its consolidated subsidiaries adopted an 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 August 9, 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 October 31, 2003).

As a result of the initial adoption of the standards for the fiscal year ended March 31, 2006, Income before income taxes and minority interests decreased by ¥3,380 million.

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

The effect on the segment information is described in “Segment Information” in Note 32.

(27) 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 fiscal year ended March 31, 2007 under review, “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan (ASBJ) Statement No.5 issued on December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No.8 issued on December 9, 2005), as well as the revised “Accounting Standards for Treasury Stock and Appropriation of Legal Reserve” (ASBJ Statement No.1; final revision on August 11, 2006) and “Guidance on Accounting Standards for Treasury Stock and Appropriation of Legal Reserve” (ASBJ Guidance No.2; final revision on August 11, 2006) were adopted.

The adoption of the accounting standards had no impact on net income at March 31, 2007.

Shareholders’ equity under the previous presentation method amounted to ¥184,186 million for the fiscal year ended March 31, 2007.

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

3. Consolidated statements of cash flows

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

“Cash” as of March 31, 2006, 2007 and 2008 on the accompanying consolidated balance sheets and “Cash and cash equivalents” at March 31, 2006, 2007 and 2008 on the accompanying consolidated statements of cash flows are reconciled as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Cash	¥77,444	¥108,405	**¥ 64,013**	**$ 638,912**
Marketable securities	3,911	7,207	**11,702**	**116,797**
Less: Time deposits with original maturities of more than three months or those submitted as collateral for loans	(2,889)	(3,355)	**(5,897)**	**(58,858)**
Less: Equity securities and other marketable securities with original maturities of more than three months	(3,719)	(6,810)	**(10,618)**	**(105,971)**
Cash and cash equivalents	¥74,747	¥105,447	**¥ 59,200**	**$ 590,880**

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

4. Marketable securities and Investments in securities

Details of “Marketable securities” and “Investments in securities”, regarding aggregate cost, unrealized gains and losses and fair market value pertaining to held-to-maturity securities and available-for-sale securities as of March 31, 2006 were as follows:

Trading securities (trading securities with market value)

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

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
	¥46,286	¥20,057	¥360	¥65,983
Held-to-maturity-				
Debt securities	¥20,539	¥ 2	¥234	¥20,307

* Investment funds and investments in partnerships are included in "Other".

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

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

The redemption schedule of debt and equity securities as of March 31, 2006 was 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	—
	¥37,794

Details of "Marketable securities" and "Investments in securities", regarding the aggregate cost, unrealized gains and losses and fair market value pertaining to held-to-maturity securities and available-for-sale securities as of March 31, 2007 were as follows:

Trading securities (trading securities with market value)

	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
	¥15,636	¥9,129	¥ 15

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
	¥39,960	¥17,024	¥(820)	¥56,164
Held-to-maturity-				
Debt securities	¥23,160	¥ 48	¥(113)	¥23,095

* Investment funds and investments in partnerships are included in "Other".

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

	millions of yen
Available-for-sale securities:	
Money management funds	¥ 397
Unlisted stock	18,419
Unlisted bonds	180
Investments in partnerships	2,154
Investments in anonymous associations	30,164
Investments in unconsolidated subsidiaries and affiliates	918

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

	millions of yen
	Available-for-sale and Held-to-maturity
Due within 1 year	¥ 6,810
Due after 1 year through 5 years	15,436
Due after 5 years through 10 years	18,300
Due after 10 years	—
	¥40,546

Details of "Marketable securities" and "Investments in securities", regarding the aggregate cost, unrealized gains and losses and fair market value pertaining to held-to-maturity securities and available-for-sale securities as of March 31, 2008 were as follows:

Trading securities (trading securities with market value)

	millions of yen		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	¥ 123	¥ 61	¥ (1)
Bonds	6,569	2,453	42
Beneficiary securities	13	—	(0)
	¥6,705	¥2,514	¥41

	thousands of U.S. dollars (Note 1)		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	$ 1,224	$ 612	$ (11)
Bonds	65,567	24,480	425
Beneficiary securities	134	—	(2)
	$66,925	$25,092	$412

Except for trading securities

	millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities	¥20,049	¥6,098	¥(2,132)	¥24,015
Debt securities	110	3	—	113
Other*	16,775	890	(518)	17,147
	¥36,934	¥6,991	¥(2,650)	¥41,275
Held-to-maturity-				
Debt securities	¥25,251	¥ 142	¥ (12)	¥25,381

	thousands of U.S. dollars (Note 1)			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale-				
Equity securities	$200,110	$60,866	$(21,278)	$239,698
Debt securities	1,098	29	—	1,127
Other*	167,430	8,888	(5,175)	171,143
	$368,638	$69,783	$(26,453)	$411,968
Held-to-maturity-				
Debt securities	$252,036	$ 1,419	$ (122)	$253,333

* Investment funds and Investments in partnerships are included in "Other".

Major components of debt and equity securities whose fair market value was not readily determinable as of March 31, 2008 were as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
Available-for-sale securities:		
Negotiable deposits	¥ 800	$ 7,985
Money management funds	285	2,841
Unlisted stock	16,714	166,819
Unlisted bonds	85	848
Investments in partnerships	2,464	24,589
Investments in anonymous associations	34,863	347,970
Investments in unconsolidated subsidiaries and affiliates	1,354	13,517

The redemption schedule of debt and equity securities as of March 31, 2008 was as follows:

	millions of yen	thousands of U.S. dollars (Note 1)
	Available-for-sale and Held-to-maturity	Available-for-sale and Held-to-maturity
Due within 1 year	¥10,617	$105,971
Due after 1 year through 5 years	13,706	136,796
Due after 5 years through 10 years	14,367	143,399
Due after 10 years	—	—
	¥38,690	$386,166

5. Inventories

At March 31, 2006, 2007 and 2008, the Group's inventories consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Goods for resale	¥1,079	¥1,013	**¥1,047**	**$10,456**
Systems in progress	6,971	3,750	**3,803**	**37,958**
Other	62	57	**38**	**377**
	¥8,112	¥4,820	**¥4,888**	**$48,791**

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

"Investments related to financial services" mainly consisted of investments in anonymous associations of ¥57,079 million and shares of ¥23,636 million at March 31, 2006.

"Venture capital investments" at the beginning of fiscal year 2006 of ¥12,898 million was changed to "Investments related to financial services" as a result of adjustments to the business purposes of consolidated subsidiaries in fiscal year 2006.

"Investments related to financial services" mainly consisted of investments in anonymous associations of ¥30,164 million, shares of ¥26,980 million and real estate of ¥30,726 million in fiscal year 2007.

In shares, shares with current prices, ¥11,986 million were included in fiscal year 2007.

"Liabilities related to financial services" consisted mainly of nonrecourse loans of ¥11,132 million in fiscal year 2007.

Real estate included in "Investments related to financial services" and nonrecourse loans included in "Liabilities related to financial services" were all assets and liabilities of anonymous associations that were subsidiary companies.

"Investments related to financial services" mainly consisted of investments in anonymous associations of ¥34,863 million, shares of ¥20,190 million and real estate of ¥94,118 million in fiscal year 2008.

In shares, shares with current prices of ¥9,171 million were included in fiscal year 2008.

"Liabilities related to financial services" consisted mainly of nonrecourse loans of ¥13,707 million and "Short-term bank loans payable" of ¥24,978 million in fiscal year 2008.

Real estate included in "Investments related to financial services" and nonrecourse loans and "Short-term bank loans payable" included in "Liabilities related to financial services" are all assets and liabilities of anonymous associations that were subsidiary companies.

7. Property and equipment

"Property and equipment" as of March 31, 2006, 2007 and 2008 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Buildings and structures*	¥ 22,851	¥ 14,454	**¥ 23,665**	**$ 236,200**
Other*	13,080	13,361	**13,715**	**136,895**
	35,931	27,815	**37,380**	**373,095**
Less: Accumulated depreciation	(20,852)	(14,476)	**(15,721)**	**(156,913)**
	15,079	13,339	**21,659**	**216,182**
Land*	11,684	10,831	**12,445**	**124,211**
Construction in progress	223	2,797	**242**	**2,413**
	¥ 26,986	¥ 26,967	**¥ 34,346**	**$ 342,806**

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

8. 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 0.2%, 1.1% and 1.1% as of March 31, 2006, 2007 and 2008, 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 "Long-term bank loans payable" were 1.3%, 1.9% and 1.9% as of March 31, 2006, 2007 and 2008, respectively.

The repayment schedule of "Long-term bank loans payable" for the five years subsequent to March 31, 2008 is as follows:

Years ending March 31	millions of yen	thousands of U.S. dollars (Note 1)
2009	¥—	$ —
2010	84	838
2011	—	—
2012	—	—
2013	—	—

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

"Bonds", "Convertible bonds payable" and "Bonds with detachable warrants" as of March 31, 2006, 2007 and 2008 consisted of the following:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Unsecured 0.9% bonds due December 28, 2007	¥ 9,000	¥ 9,000	**¥ —**	**$ —**
Unsecured 1.1% bonds due December 28, 2007	6,000	6,000	**—**	**—**
Unsecured 0.5% bonds due December 28, 2007	5,000	5,000	**—**	**—**
Unsecured 1.2% bonds due July 9, 2010	8,000	8,000	**8,000**	**79,848**
Unsecured 0.4% bonds due July 9, 2010	6,000	6,000	**6,000**	**59,886**
Unsecured 1.1% bonds due July 30, 2010	6,000	6,000	**6,000**	**59,886**
Unsecured zero-coupon bonds due September 2, 2011 with detachable warrants (exercise period: from October 2, 2003 to August 19, 2011)*	23,000	23,000	**21,792**	**217,507**
Unsecured 0.3% bonds due September 30, 2013 with detachable warrants (exercise period: from September 1, 2006 to September 27, 2013)**	—	35,000	**35,000**	**349,337**
	¥63,000	¥98,000	**¥76,792**	**$766,464**

* The number of shares of common stock related to detachable warrants was 3,613,391 as of March 31, 2008. The exercise price of such warrants was ¥6,030.9 ($60.2).

** The number of shares of common stock related to detachable warrants was 5,940,257 as of March 31, 2008. The exercise price of warrants was ¥5,892 ($58.8).

(4) Other interest-bearing debts

Other interest-bearing debts are as follows.

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Payables to securities finance companies	¥67,571	¥45,847	**¥12,997**	**$129,724**
Recourse loans	—	1,634	**24,978**	**249,306**
Nonrecourse loans	—	11,132	**13,707**	**136,805**
Commercial paper	—	3,000	**14,000**	**139,735**
	¥67,571	¥61,613	**¥65,682**	**$655,570**

9. Assets pledged as collateral

(1) At March 31, 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 were collateralized by the following assets.

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

In addition, stocks of ¥15,620 million held for customers for margin transactions in relation to sales of securities were pledged as collateral as of March 31, 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 March 31, 2006, the Group put "Marketable securities" of ¥3,616 million and "Investments in securities" of ¥16,904 million in escrow for this purpose. In addition as of March 31, 2006, based on Article 25 of Building Lots and Building Transactions Business Law, the Group also 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 March 31, 2006.

(d) In connection with the securities business, marketable securities submitted or received on March 31, 2006 were as follows:
Marketable securities excluding those included in (a) 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 notes	6,933
Substitute securities for guarantee deposits received on futures	122,782
Other	2,808

(2) At March 31, 2007

(a) "Short-term bank loans payable" of ¥1,752 million, "Payables related to margin transactions" of ¥45,847 million, "Liabilities related to financial services" of ¥12,732 million and "Other current liabilities" of ¥1,836 million were collateralized by the following assets.

	millions of yen
Cash	¥ 2,000
Trading assets related to the securities business	399
Investments related to financial services	19,913
Investments in securities	2,422
	¥24,734

In addition, stocks of ¥7,315 million held for customers for margin transactions in relation to sales of securities were pledged as collateral as of March 31, 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 March 31, 2007, the Group put "Marketable securities" of ¥6,810 million and "Investments in securities" of ¥16,341 million in escrow for this purpose. In addition, based on Article 25 of Building Lots and Building Transactions Business Law, the Group also put "Marketable securities" of ¥9 million in escrow to secure dealings.

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

(d) In connection with the securities business, marketable securities submitted or received on March 31, 2007 were as follows: Marketable securities excluding those included in (a) submitted to third parties for margin transactions (at fair value)

	millions of yen
Securities loaned on margin transactions	¥14,236
Securities pledged for loans payable for margin transactions	45,464
Substitute securities for guarantee deposits paid	1,762
Other	23,890

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

	millions of yen
Securities pledged for loans receivable for margin transactions	¥ 81,306
Securities borrowed on margin transactions	5,754
Securities borrowed by promissory notes	10,074
Substitute securities for guarantee deposits received on futures	101,839
Other	1,456

(3) At March 31, 2008

(a) "Short-term bank loans payable" of ¥1,400 million ($13,973 thousand), "Payables related to margin transactions" of ¥12,997 million ($129,724 thousand), "Liabilities related to financial services" of ¥32,684 million ($326,225 thousand) and "Other current liabilities" of ¥1,301 million ($12,987 thousand) were collateralized by the following assets.

	millions of yen	thousands of U.S. dollars (Note 1)
Cash	**¥ 1,800**	**$ 17,966**
Trading assets related to the securities business	**401**	**3,999**
Investments related to financial services	**40,621**	**405,435**
Investments in securities	**1,131**	**11,293**
	¥43,953	**$438,693**

In addition, stocks of ¥2,914 million ($29,081 thousand) held for customers for margin transactions in relation to sales of securities were pledged as collateral as of March 31, 2008.

(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 March 31, 2008, the Group put "Marketable securities" of ¥10,617 million ($105,971 thousand) and "Investments in securities" of ¥14,625 million ($145,975 thousand) in escrow for this purpose. In addition, based on Article 25 of Building Lots and Building Transactions Business Law, the Group also put "Marketable securities" of ¥9 million ($90 thousand) in escrow to secure dealings and "Other assets" of ¥10 million ($100 thousand) in Investments and other assets in escrow to secure dealings.

(c) Margin transactions in relation to sales of securities were pledged for ¥2,663 million ($26,584 thousand) as substitution for transactional future deposits, in the fiscal year ended March 31, 2008.

(d) In connection with the securities business, marketable securities submitted or received on March 31, 2008 were as follows: Marketable securities excluding those included in (a) 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	**¥ 6,410**	**$ 63,981**
Securities pledged for loans payable for margin transactions	**12,776**	**127,519**
Substitute securities for guarantee deposits paid	**3,994**	**39,865**
Other	**6,994**	**69,807**

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	**¥34,976**	**$349,100**
Securities borrowed on margin transactions	**2,814**	**28,083**
Securities borrowed by promissory notes	**710**	**7,088**
Substitute securities for guarantee deposits received on futures	**64,557**	**644,342**
Other	**913**	**9,114**

10. Guarantee for liabilities

For the year ended March 31, 2008, the Group guaranteed debts of a special purpose company (SPC) related to borrowings from a financial institution in which a subsidiary of the Company invested.

Daikoku Distribution Center SPC: ¥2,500 million

11. Fair value 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 March 31, 2006, 2007 and 2008 are summarized in the following tables.

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

a. Dealing in spot transactions of trading securities such as shares and bonds
b. Financial derivatives traded on exchanges such as stock index futures and options, bonds futures and options
c. Financial derivatives traded over the counter such as bonds with options

Risks 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 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

	millions of yen **2008**			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	**¥ —**	**¥ —**	**¥ —**	**¥—**
Forward exchange contracts	**200**	**4**	**254**	**2**
Futures/ forward contacts	**4,808**	**115**	**5,816**	**87**

	thousands of U.S. dollars (Note 1) **2008**			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Options contracts	**$ —**	**$ —**	**$ —**	**$ —**
Forward exchange contracts	**2,000**	**44**	**2,538**	**16**
Futures/ forward contacts	**47,993**	**1,150**	**58,049**	**866**

(2) Except for trading securities

Currency-related transactions

	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

	millions of yen **2008**			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts	**¥—**	**¥—**	**¥53**	**¥1**

	thousands of U.S. dollars (Note 1) **2008**			
	Assets		Liabilities	
	Notional amounts, etc.	Fair value	Notional amounts, etc.	Fair value
Forward exchange contracts	**$—**	**$—**	**$527**	**$12**

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 benefit pension plans.

The Company and some of its consolidated subsidiaries transferred a portion of the existing defined benefit pension plan to a defined contribution pension plan on April 1, 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 substitutional portion of the employee retirement benefits fund, and they converted the employees' pension fund into the corporate pension fund (CSK Corporate Pension Funds) on April 1, 2004.

"Accrued employees' retirement benefits" as of March 31, 2006, 2007 and 2008 consisted of the following:

	millions of yen 2006	2007	**2008**	thousands of U.S. dollars (Note 1) **2008**
a. Projected benefit obligations	¥ 26,022	¥ 27,523	**¥ 28,757**	**$ 287,022**
b. Plan assets	(28,573)	(30,044)	**(28,688)**	**(286,333)**
c. Unfunded retirement benefit obligations (a + b)	(2,551)	(2,521)	**69**	**689**
d. Unrecognized net transition amount	(2,323)	(2,079)	**(1,819)**	**(18,159)**
e. Unrecognized actuarial net loss	3,565	2,674	**(720)**	**(7,183)**
f. Unrecognized prior service cost	(1,173)	(812)	**(408)**	**(4,068)**
g. Net amount recognized on the consolidated balance sheet (c + d + e + f)	(2,482)	(2,738)	**(2,878)**	**(28,721)**
h. Prepaid pension cost	(3,269)	(3,325)	**(3,219)**	**(32,125)**
i. Accrued employees' retirement benefits (g – h)	¥ 787	¥ 587	**¥ 341**	**$ 3,404**

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

The components of pension and severance costs for the years ended March 31, 2006, 2007 and 2008 were as follows:

	millions of yen 2006	2007	**2008**	thousands of U.S. dollars (Note 1) **2008**
Service cost	¥1,515	¥1,518	**¥1,630**	**$16,272**
Interest cost	593	594	**548**	**5,474**
Expected return on plan assets	(234)	(754)	**(672)**	**(6,708)**
Amortization of net transition amount	258	261	**260**	**2,594**
Recognized actuarial loss	441	(148)	**(125)**	**(1,250)**
Amortization of prior service cost	393	396	**395**	**3,938**
Pension and severance costs	2,966	1,867	**2,036**	**20,320**
Other	613	546	**621**	**6,202**
Total	¥3,579	¥2,413	**¥2,657**	**$26,522**

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.

A breakdown of "Other" in the above table is as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Expense of defined contribution pension plan	¥253	¥402	**¥390**	**$3,890**
Gain on revision of retirement benefits plan	—	(60)	**—**	**—**
Retirement allowance, etc.	360	204	**231**	**2,312**

Assumptions used in accounting for retirement benefit obligations for the years ended March 31, 2006, 2007 and 2008 were as follows:

	2006	2007	**2008**
Discount rates	2.0 – 2.5%	2.5%	**2.5%**
Expected rates of return on plan assets	1.0%	3.0%	**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	**5 – 12 years**
Period of amortization of prior service cost	1 – 12 years	1 – 12 years	**1 – 12 years**

13. Shareholders' equity

"Capital surplus" is comprised of additional paid-in capital and other capital surplus. Additional paid-in capital, recorded pursuant to the Companies Law, primarily consists of proceeds from the issuance of shares of common stock of the Group that were not recorded as "Common stock", (Under the Companies Law, 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 Law also requires all companies to appropriate an amount equivalent to at least 10% of the distribution of retained earnings paid in cash as an earned reserve until the legal reserves equal 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 are recorded deficits.

Legal reserves may be transferred to stated capital following suitable actions by directors or offset against a deficit following suitable actions by shareholders.

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 for which the dividends are paid. Interim cash dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Companies Law. Such dividends are payable to shareholders of record at the end of the fiscal year or the six-month period of the fiscal year. In the fiscal year ended March 31, 2006, no interim dividends were paid, but the full year's dividends per share paid increased by ¥23 to ¥40. In the fiscal year ended March 31, 2007, the full year's dividends per share paid amounted to ¥40, comprising year-end dividends per share of ¥20 and interim dividends per share of ¥20. In the fiscal year ended March 31, 2008, the full year's dividends per share planned to be paid amounted 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 changes in net assets when paid.

14. Treasury stock

The number of shares of common stock held in the Company's treasury was 4,143,833 at March 31, 2006.

Increase of 4,730 shares of common stock held in the Company's treasury was due to purchases of fractional shares of common stock of less than one trading unit.

Decrease of 207 shares of common stock held in the Company's treasury was due to the disposal of fractional shares of common stock of less than one trading unit.

The number of shares of common stock held in the Company's treasury was 4,148,356 at March 31, 2007.

Increase of 2,181 shares of common stock held in the Company's treasury was due to purchases of fractional shares of common stock of less than one trading unit.

Increase of 4,000,000 shares of common stock held in the Company's treasury was due to purchases of common stock.

Decrease of 9,378 shares of common stock held in the Company's treasury was due to a share-for-share exchange to make ISAO CORPORATION the Company's wholly-owned subsidiary.

Decrease of 19,204 shares of common stock held in the Company's treasury was due to a share-for-share exchange to make SUPERSOFTWARE COMPANY LTD. the Company's wholly-owned subsidiary.

Decrease of 63 shares of common stock held in the Company's treasury was due to the disposal of shares of common stock held in treasury.

As a result, the number shares of common stock held in the Company's treasury was 8,121,892 at March 31, 2008.

15. Stock-based compensation plans

The Company has introduced stock-based compensation plans as an incentive for directors and selected employees. These plans were approved at the respective shareholders' meetings. The balance and an outline of each plan 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 June 25, 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	969,500	¥4,820	From July 1, 2005 to June 30, 2008

(2) Approved on June 28, 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 July 1, 2006 to June 30, 2009

* The number of shares of common stock relates to the outstanding balance as of March 31, 2008.

16. Income taxes

The Group is subject to a number of different income taxes. For the years ended March 31, 2006, 2007 and 2008 the statutory tax rate was approximately 40.7%.

A reconciliation of the differences between the effective tax rates and the statutory tax rate for the years ended March 31, 2006, 2007 and 2008 is as follows:

	2006	2007	**2008**
Statutory tax rate	40.7%	40.7%	**40.7%**
Increase (decrease) in tax rate:			
Non-deductible expenses for tax purposes	0.7	1.1	**7.6**
Base portion of inhabitants' taxes	0.6	0.8	**5.6**
Amortization of goodwill	0.3	0.5	**2.9**
Gain on change in interest in consolidated subsidiary	—	—	**(3.2)**
Increase and decrease in valuation allowance for deferred tax assets	(8.7)	2.2	**124.6**
Loss on write-downs of investments in securities	—	(0.2)	**—**
Reversal of prior-year's income taxes and prior-year's income taxes-deferred	—	20.2	**—**
Refund	—	—	**(59.0)**
Other	2.5	2.0	**(4.4)**
Effective tax rates	36.1%	67.3%	**114.8%**

The significant components of deferred income tax assets and liabilities at March 31, 2006, 2007 and 2008 were as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Deferred income tax assets:				
Tax losses carried forward*	¥13,106	¥ 6,113	**¥ 9,033**	**$ 90,156**
Provision for allowance for doubtful accounts	959	866	**473**	**4,722**
Accrued bonuses to employees	2,540	2,643	**2,859**	**28,536**
Accrued employees' retirement benefits	889	772	**932**	**9,300**
Accrued enterprise tax	1,355	1,353	**617**	**6,161**
Depreciation expense	375	448	**298**	**2,970**
Allowance for anticipated losses on contracts	1,291	1,181	**146**	**1,460**
Loss on impairment of fixed assets	1,387	—	**6,160**	**61,478**
Hoard profit of prepaid card	2,572	3,286	**4,073**	**40,650**
Investment returns from anonymous associations	1,099	3,490	**610**	**6,092**
Inventories	—	1,449	**—**	**—**
Allowance for losses on investment securities	—	1,658	**96**	**960**
Current value assessment of consolidated tax return system	1,655	802	**—**	**—**
Software development	146	1,442	**2,369**	**23,641**
Reserve for securities trading liabilities	438	545	**641**	**6,401**
Loss on write-downs of investments in securities	704	777	**1,416**	**14,137**
Other	3,739	2,359	**3,034**	**30,286**
Gross deferred income tax assets	32,255	29,184	**32,757**	**326,950**
Less: Valuation allowance	14,971	9,669	**14,839**	**148,103**
Total deferred income tax assets	17,284	19,515	**17,918**	**178,847**
Deferred tax liabilities:				
Unrealized gains on securities	8,758	7,564	**2,259**	**22,547**
Prepaid pension cost	1,332	1,332	**1,426**	**14,237**
Other	391	58	**505**	**5,040**
Gross deferred income tax liabilities	10,481	8,954	**4,190**	**41,824**
Net deferred income tax assets	¥ 6,803	¥10,561	**¥13,728**	**$137,023**

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

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

17. Research and development costs

Research and development costs included in "Operating costs" and "Selling, general and administrative expenses" for the years ended March 31, 2006, 2007 and 2008 totaled ¥3,722 million, ¥237 million and ¥765 million, respectively.

18. Gain on sales of investments in securities

For the year ended March 31, 2006, "Gain on sales of investments in securities" was recorded mainly due to the sale of shares of Nextcom.

In addition, profit on Sales of investments related to financial services (securities) of ¥11,827 million for fiscal year 2006 included movable exchange profit of ¥5,454 million for policy investment objectives.

For the year ended March 31, 2008, "Gain on sales of investments in securities" was recorded mainly due to the sale of shares of VeriServe Corporation.

19. Gain on change in interest in consolidated subsidiary

The Company recorded a gain from the public offering of shares of VeriServe Corporation in fiscal year 2008.

20. Compensation received for relocation

Compensation received for relocation relates to the compensation recorded for the relocation of the main office and branch office of Cosmo Securities Co., Ltd in fiscal year 2008.

21. Loss on impairment of fixed assets

For the year ended March 31, 2006, A breakdown of impairment losses is presented as follows:

(a) The Company declared 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 grouped on an individual asset basis, and business assets are grouped based on the managerial accounting classification.

(c) Background to recognition of impairment losses and calculation method

As the 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 flows were included in non-profitable businesses in the case of business assets, book value reduced to recoverable value was recognized as impairment losses.

The said reductions reported as impairment losses amounted to ¥3,380 million.

A breakdown of such loss is presented as follows:
Buildings and structures: ¥1,198 million
Land: ¥642 million
Others (mainly software): ¥1,540 million

For the year ended March 31, 2008, a breakdown of impairment losses is presented as follows:

(a) The Company declared the following impairment losses:

Location	Use	Classification
Chuo-ku, Tokyo	Business property	Software Software in progress Leased asset Equipment and fixtures Buildings and annex facilities

(b) Asset grouping method.
Idle assets and assets scheduled for sale are grouped on an individual asset basis, and business assets are grouped based on the managerial accounting classification.

(c) Background to recognition of impairment losses and calculation method.
As the book value was far less than the price after the deduction of profit performance mainly in the case of the business property, and where considerations of recoverable future cash flows were included in non-profitable businesses in the case of business assets, book value reduced to recoverable value was recognized as impairment losses.

The said reductions reported as impairment losses amounted to ¥13,345 million.

A breakdown of such loss is presented as follows:
Software and software in progress: ¥12,572 million
Leased asset: ¥387 million

22. Loss on relocation of datacenter

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

23. Loss on cancellation of system development

"Loss on cancellation of system development" relates to the cost of canceled contracts due to a difference of opinion with customers in entrusted development in fiscal year 2006.

24. Loss on cancellation of service

"Loss on cancellation of service" relates to a cancellation cost incurred in connection with the dividend automatic receipt service due to critical issues before its commencement in fiscal year 2006.

25. 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 a period of 5 years.

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

26. Reversal of prior-year's income taxes and prior-year's income taxes-deferred

For the year ended March 31, 2007
Reversal of prior-year's income taxes and prior-year's income taxes-deferred was recorded for the following reasons.

On August 1, 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 the Group's reorganization during the fiscal year ended March 31, 2004.

The Company and its Consolidated Subsidiary do not accept the basis for this adjustment and on August 9, 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, the Company and its consolidated subsidiary concluded that a more conservative accounting treatment was advisable with respect to this matter, and determined to incorporate it in the consolidated statement of income at the end of fiscal year 2007, from the perspective of further improving the soundness of the financial position and ensuring management transparency.

On June 6, 2007, the Tokyo Regional Taxation Bureau accepted a part of the Company's and its consolidated subsidiary's objection. And at the Board of Directors' meeting held on June 12, 2007, a determination was made to submit an application for review to the tax appeals court for the part of the objection that was not accepted regarding the main part of the corporate tax adjustment relating to the appraisal value of subsidiary companies.

The impact of the application for review corresponds to income taxes of approximately of ¥1 billion for the Company, and income taxes of approximately ¥1 billion for the Consolidated Subsidiary.

27. Tax refund

A refund of taxation (corporate tax of ¥2,129 and regional tax of ¥634 million) has been recorded for the following reasons.

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

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

(2) Recording of reversal of prior-year's income taxes and prior-year's income taxes-deferred
As of March 31,2007, a considerable period of time had passed since the filing of the 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, the Company and its consolidated subsidiary concluded that a more conservative accounting treatment was advisable with respect to this matter, and

determined to incorporate it in the consolidated statement of income at the end of that financial year, from the perspective of further improving the soundness of the financial position and ensuring management transparency. A reversal of prior-year's income taxes and corporate income tax amounting to ¥6,210 million was therefore recorded in the consolidated balance sheets as of March 31,2007.

(3) Announcement of determination by taxation authority and recording of tax refund

On June 6, 2007, during the period under review, the Tokyo Regional Taxation Bureau announced its determination on the objection the Company and its consolidated subsidiary had lodged, and upheld part of our objection. A reversal of the corporate tax relating to this part has therefore been recorded.

Following the announcement of the determination by the Tokyo Regional Taxation Bureau, on July 2, 2007 the Company and its consolidated subsidiary lodged an appeal with the National Tax Tribunal regarding the main part of our objection that was not accepted.

(4) Initiation of lawsuit seeking cancellation of original disposition and withdrawal of request for administrative review

As three months passed following the request for administrative review without a determination by the Tokyo Regional Taxation Bureau, we submitted a complaint on December 14, 2007 requesting a cancellation of the original disposition from the Tokyo District Court.

On December 27, 2007, we withdrew our request for administrative review made to the Tokyo Regional Taxation Bureau.

28. 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 that 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.

A summary of future minimum payments under operating leases and finance leases without transfer of ownership as of March 31, 2006, 2007 and 2008 is as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Operating leases:				
Due within one year	¥ 227	¥ 1,997	**¥ 2,756**	**$ 27,508**
Thereafter	428	13,721	**18,438**	**184,028**
	¥ 655	¥15,718	**¥21,194**	**$211,536**
Finance leases:				
Due within one year	¥2,314	¥ 1,653	**¥ 1,746**	**$ 17,425**
Thereafter	3,590	2,877	**2,888**	**28,825**
	¥5,904	¥ 4,530	**¥ 4,634**	**$ 46,250**

Lease expenses for finance lease contracts without transfer of ownership for the years ended March 31, 2006, 2007 and 2008 were ¥2,419 million, ¥2,884 million and ¥2,212 million, respectively.

Pro forma data as of March 31, 2006, 2007 and 2008 as to acquisition cost, accumulated depreciation, accumulated impairment loss, net book value, depreciation expense and interest expense of the assets leased under finance leases without transfer of ownership is summarized as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Pro forma acquisition cost	¥ 9,870	¥ 8,944	**¥ 8,640**	**$ 86,232**
Pro forma accumulated depreciation	(4,140)	(4,450)	**(4,206)**	**(41,981)**
Pro forma accumulated impairment loss	(35)	(35)	**(398)**	**(3,972)**
Pro forma net book value	¥ 5,695	¥ 4,459	**¥ 4,036**	**$ 40,279**
Pro forma depreciation expense	¥ 2,162	¥ 2,591	**¥ 1,936**	**$ 19,326**
Pro forma interest expense	¥ 307	¥ 337	**¥ 283**	**$ 2,820**
Loss on impairment of fixed assets	¥ 35	¥ 20	**¥ 391**	**$ 3,904**
Reversal of loss on impairment of fixed assets	¥ —	¥ 16	**¥ 15**	**$ 154**

Depreciation is calculated by the straight-line method over the respective lease terms of the leased assets assuming a nil 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 that applied to operating leases.

29. 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 29 group companies (all consolidated subsidiaries) in fiscal year 2006.

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

The Company concluded master agreements for CMS that have set out the availability granted among 32 group companies in fiscal year 2008.

The remaining portion of the credit line which was not utilized by the group companies under these agreements as of March 31, 2006, 2007 and 2008 was as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	**2008**	**2008**
Total availability granted by CMS	¥40	¥240	**¥280**	**$2,795**
Used portion of credit line	—	90	**230**	**2,296**
Remaining portion of credit line	¥40	¥150	**¥ 50**	**$ 499**

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 the credit line which was not utilized by the Company under these agreements as of March 31, 2006, 2007 and 2008 was as follows:

	millions of yen			thousands of U.S. dollars (Note 1)
	2006	2007	2008	2008
Total availability granted	¥—	¥30,000	**¥30,000**	**$299,430**
Used portion of credit line	—	—	**21,000**	**209,601**
Remaining portion of credit line	¥—	¥30,000	**¥ 9,000**	**$ 89,829**

30. Related party transactions (non-consolidated basis)

The Group had no significant transactions with its related parties for the years ended March 31, 2006, 2007 and 2008.

31. Information about per share

	yen			U.S. dollars (Note 1)
	2006	2007	2008	2008
Shareholders' equity per share	¥2,437.08	—	**—**	**—**
Net assets per share[1]	—	¥2,479.33	**¥2,317.18**	**$23.13**
Net income per share[1]	¥ 410.52	¥ 117.35	**¥ 17.34**	**$ 0.17**
Diluted net income per share[1]	¥ 387.98	¥ 105.60	**¥ 15.46**	**$ 0.15**

[1] The basic facts underlying the calculations of "Net assets 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)
	2006	2007	2008	2008
Net assets per share				
Net assets	¥ —	¥208,775	**¥185,496**	**$1,851,438**
Net assets related to common stock	¥ —	¥184,186	**¥163,474**	**$1,631,639**
Principal factors underlying the difference				
Minority interests	¥ —	¥ 24,589	**¥ 22,022**	**$ 219,799**
Number of shares outstanding at the end of the fiscal year (thousands of shares)	—	78,437	**78,671**	**78,671**
Number of shares of common stock held in treasury at the end of the fiscal year (thousands of shares)	—	4,148	**8,122**	**8,122**
Common stock figure used for calculating net assets per share (thousands of shares)	—	74,289	**70,549**	**70,549**
Net income per share				
Net income	¥30,875	¥ 8,679	**¥ 1,272**	**$ 12,697**
Net income related to common stock	¥30,537	¥ 8,679	**¥ 1,272**	**$ 12,697**
Amount not attributable to common shareholders	¥ 338	¥ —	**¥ —**	**$ —**
(Of which, amount paid out as bonuses to directors pursuant to Statement of appropriation of Net income)	¥ 338	¥ —	**¥ —**	**$ —**
Average number of shares outstanding during the fiscal year (thousands of shares)	74,386	73,958	**73,368**	**73,368**
Diluted net income per share[2]				
Net income adjustment	¥ (40)	¥ (4)	**¥ 12**	**$ 115**
(Of which, effect of dilution of affiliated companies stock)	¥ (40)	¥ (42)	**¥ (45)**	**$ (453)**
(Of which, Interest expenses (after deducting tax))	¥ —	¥ 38	**¥ 57**	**$ 568**
Increase in common stock (thousands of shares)	4,217	8,198	**9,668**	**9,668**
(Of which, warrant rights)	163	87	**11**	**11**
(Of which, share warrants)	240	261	**17**	**17**
(Of which, convertible bonds payable)	3,814	7,850	**9,640**	**9,640**

[2] Outline of stock not included in diluted net income per share due to lack of dilutive effect as of March 31, 2006:

Company name	Diluted net income per share	Number of shares of common stock
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15 (1))	1,001,700
	Bonds with detachable warrants (Note 15 (2))	1,123,000
	Bonds with detachable warrants[3]	44,640
	Bonds with detachable warrants[3]	27,216
VeriServe Corporation	Bonds with detachable warrants	561
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642,000

[3] Outline of stock not included in diluted net income per share due to lack of dilutive effect as of March 31, 2007:

Company name	Diluted net income per share	Number of shares of common stock
CSK HOLDINGS CORPORATION	Bonds with detachable warrants[4]	—
VeriServe Corporation	Bonds with detachable warrants	561
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642,000

[4] Outline of stock not included in diluted net income per share due to lack of dilutive effect as of March 31, 2008:

Company name	Diluted net income per share	Number of shares of common stock
CSK HOLDINGS CORPORATION	Bonds with detachable warrants (Note 15 (1))	969,500
	Bonds with detachable warrants (Note 15 (2))	1,122,400
	Bonds with detachable warrants[5]	—
VeriServe Corporation	Bonds with detachable warrants	559
Cosmo Securities Co., Ltd.	Bonds with detachable warrants	1,642,000

[5] The share right exercise period is ended in this fiscal year.

32. Segment information

The Group operates principally in four business segments: IT services business, Financial services business, Securities business, and Prepaid card business.

Segment	Major products and services
IT services business	Software development, systems integration, facilities management, business process outsourcing and other related services
	Computer and other product sales, engineering of intelligent buildings, leasing of intelligent buildings
Financial services business	Investments in venture companies, investments in anonymous associations, real estate, equity securities and other, management of investment trusts
Securities business	Securities business and other related services
Prepaid card business	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 March 31, 2008 classified by business segment is presented below:

millions of yen

For the year ended March 31, 2006

	IT services business	Financial services business	Securities business	Prepaid card business	Total	Elimination and corporate	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 March 31, 2007

	IT services business	Financial services business	Securities business	Prepaid card business	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 expenses	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

millions of yen

For the year ended March 31, 2008

	IT services business	Financial services business	Securities business	Prepaid card business	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers	**¥194,693**	**¥ 20,389**	**¥ 22,179**	**¥ 2,434**	**¥239,695**	**¥ —**	**¥239,695**
Inter-segment sales/transfers	**3,943**	**3**	**4**	**7**	**3,957**	**(3,957)**	**—**
Total	**198,636**	**20,392**	**22,183**	**2,441**	**243,652**	**(3,957)**	**239,695**
Costs and expenses	**183,223**	**7,304**	**26,238**	**2,549**	**219,314**	**1,125**	**220,439**
Operating income (loss)	**¥ 15,413**	**¥ 13,088**	**¥ (4,055)**	**¥ (108)**	**¥ 24,338**	**¥ (5,082)**	**¥ 19,256**
Assets	**¥ 82,979**	**¥223,695**	**¥139,032**	**¥36,280**	**¥481,986**	**¥68,068**	**¥550,054**
Depreciation	**¥ 3,624**	**¥ 34**	**¥ 923**	**¥ 139**	**¥ 4,720**	**¥ 1,184**	**¥ 5,904**
Loss on impairment of fixed assets	**¥ 13,340**	**¥ —**	**¥ 5**	**¥ —**	**¥ 13,345**	**¥ —**	**¥ 13,345**
Capital expenditure	**¥ 12,914**	**¥ 153**	**¥ 3,531**	**¥ 36**	**¥ 16,634**	**¥ 5,882**	**¥ 22,516**

thousands of U.S. dollars (Note 1)

For the year ended March 31, 2008

	IT services business	Financial services business	Securities business	Prepaid card business	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers	**$1,943,239**	**$ 203,506**	**$ 221,372**	**$ 24,289**	**$2,392,406**	**$ —**	**$2,392,406**
Inter-segment sales/transfers	**39,356**	**34**	**35**	**73**	**39,498**	**(39,498)**	**—**
Total	**1,982,595**	**203,540**	**221,407**	**24,362**	**2,431,904**	**(39,498)**	**2,392,406**
Costs and expenses	**1,828,762**	**72,902**	**261,881**	**25,439**	**2,188,984**	**11,222**	**2,200,206**
Operating income (loss)	**$ 153,833**	**$ 130,638**	**$ (40,474)**	**$ (1,077)**	**$ 242,920**	**$ (50,720)**	**$ 192,200**
Assets	**$ 828,219**	**$2,232,707**	**$1,387,683**	**$362,109**	**$4,810,718**	**$679,393**	**$5,490,111**
Depreciation	**$ 36,175**	**$ 336**	**$ 9,213**	**$ 1,385**	**$ 47,109**	**$ 11,824**	**$ 58,933**
Loss on impairment of fixed assets	**$ 133,151**	**$ —**	**$ 44**	**$ —**	**$ 133,195**	**$ —**	**$ 133,195**
Capital expenditure	**$ 128,893**	**$ 1,523**	**$ 35,245**	**$ 360**	**$ 166,021**	**$ 58,708**	**$ 224,729**

(1) Assets of ¥92,483 million, ¥120,381 million and ¥68,068 million ($679,393 thousand) at March 31, 2006, 2007 and 2008, respectively, included in the “Elimination and corporate” column mainly consisted of the Company’s working funds (cash and marketable securities), long-term investment funds (investments in securities) and other assets.
(2) Among costs and expenses, unallocated operating expenses in the “Elimination and corporate” column for the year ended March 31, 2006 amounted to ¥3,503 million. Those costs represented expenses of ¥69 million which were incurred pertaining to the Company’s administration departments and other before the corporate separation on October 1, 2005, and management expenses for group companies of ¥3,434 million which were incurred by the Company after the corporate separation. Among costs and expenses, unallocated operating expenses in the “Elimination and corporate” column for the years ended March 31, 2007 and 2008 consisted of management expenses for group companies of ¥7,003 million and ¥10,223 million ($102,033 thousand), respectively, incurred at the Company. In the year ended March 31, 2006, the main expenses corresponding to the first half of the year ended March 31, 2007 were included in the IT services business.
(3) “Depreciation” and “Capital expenditure” include long-term prepayments, deferred charges and their amortization.

(Change in accounting policies)
Effective April 1, 2005, the accounting policy for the prepaid card sales segment changed. As a result, “Operating revenue” of the prepaid card sales segment decreased by ¥58,425 million, “Costs and expenses” decreased by ¥57,500 million, and “Operating income” decreased by ¥925 million from the corresponding amounts which would have been recorded under the previous method (See Note 2 (23) b).

In line with the revision of Japan’s Corporation Tax Law, from the fiscal year under review CSK HOLDINGS CORPORATION has changed its method of depreciation, based on the revised Corporation Tax Law, for tangible fixed assets acquired on or after April 1, 2007. As a result, depreciation expense increased by ¥91 million ($909 thousand) in the IT services business, by ¥1 million ($13 thousand) in the Financial services business, by ¥8 million ($80 thousand) in the Securities business, by ¥1 million ($7 thousand) in the Prepaid card business, and by ¥142 million ($1,417 thousand) in “Elimination and corporate”, and Operating income (loss) for each segment decreased (increased) by the same amount as that of the corresponding decrease in depreciation expense, as compared with the corresponding amounts which would have been recorded under the previous method (See Note 2 (10)).

Segment information for geographic locations has been omitted for the years ended March 31, 2006, 2007 and 2008 since total sales for the “Japan” segment exceeded 90% of total sales for each of such period. Information regarding overseas sales has been omitted for the years ended March 31, 2006, 2007 and 2008 since total overseas sales were less than 10% of consolidated total sales for each of these periods.

33. Subsequent events

The acquisition of all of the noncontrolling interests in a subsidiary
The Company and Cosmo Securities Co., Ltd. (“Cosmo Securities”) announced that at meetings of their respective Boards of Directors on May 23, 2008, it was resolved resolutions for the Company to make Cosmo Securities a wholly-owned subsidiary through an exchange of shares were approved as outlined below, and that the two companies concluded a share exchange agreement on August 1, 2008.

1. Objective
The Group has been steadily developing its resources for pursuing the securities-related business the Group has begun initiatives for establishing its Securities-related Business as a full-fledged core Group business. Consequently, it has determined to make Cosmo Securities, the Group’s core company in the securities-related business, a wholly-owned subsidiary, and that the Group as a whole will work together to pursue the Securities-related Business.

By combining the capabilities, resources and business expertise of Cosmo Securities and the experience and resources in the IT services business and securities business that the Group has gained to date, the Group and Cosmo Securities will work to provide a comprehensive securities platform, as part of delivering new services to meet the emerging needs of society, so that securities companies and other companies entering the securities business can feel confident in mandating the Group to take care of all their related business needs. The Group will also provide services for individual investors.

2. Schedule of share exchange

Shareholders’ record date (Cosmo Securities)	March 31, 2008
Approval of resolution for share exchange at Board of Directors’ meeting (both companies)	May 23, 2008
Conclusion of share exchange agreement (both companies)	May 23, 2008
Approval of share exchange at shareholders’ meeting (Cosmo Securities)	June 25, 2008
Last date of trading on stock exchanges (Cosmo Securities)	July 25, 2008 (planned)
Delisting date (Cosmo Securities: Osaka Securities Exchange)	July 26, 2008 (planned)
Delisting date (Cosmo Securities: Tokyo Stock Exchange and Nagoya Stock Exchange)	July 28, 2008 (planned)
Scheduled date of share exchange (effective date)	August 1, 2008 (planned)
Delivery date of share certificates	Mid-September 2008 (planned)

* The Company plans to carry out the share exchange without seeking approval at a shareholders’ meeting, in line with the provisions of Article 796-3 of the Companies Law (summary share exchange).

3. Details of share allotment ratio, etc.

Company name	CSK Holdings ("the Company") (wholly owning parent company)	Cosmo Securities (wholly-owned subsidiary)
Share allotment ratio	1	0.046
No. of new shares to be delivered through the share exchange	Not determined	

(1) Share allotment ratio
0.046 shares of common stock of the Company will be delivered for each share of common stock of Cosmo Securities.

The Company holds 210,900,000 shares of common stock of Cosmo Securities at present. The Company will not allocate shares through the share exchange with respect to shares of common stock of Cosmo Securities held by the Company on the date of the share exchange. In the period from May 26, 2008 to July 25, 2008, based on compliance with related laws and regulations, the Company plans to acquire a maximum of 4,236,000 shares in Cosmo Securities (approximately 1% of the total outstanding shares of Cosmo Securities). The acquisition by the Company of shares on the open market before the effective date of the share exchange will result in increased liquidity in the market for shares of Cosmo Securities.

(2) Number of shares to be delivered through the share exchange, etc.
In this share exchange, the Company will allocate and deliver shares of common stock of the Company to each shareholder of Cosmo Securities (including beneficial shareholders but excluding the Company; same hereafter). The number of shares delivered will be the total number of shares of common stock held by shareholders of Cosmo Securities, as recorded and registered in the final register of shareholders of Cosmo Securities (including the register of beneficial shareholders) on the day before the effective date of the share exchange (August 1, 2008), multiplied by 0.046.

As of March 31, 2008, the Company held 8,121,892 shares of its own of common stock in treasury. Of the shares of the Company to be delivered in the share exchange, a number of shares, equivalent to the number of shares of common stock held in treasury by the Company on the effective date of the share exchange, will be allocated and delivered from treasury stock of the Company. If the total number of shares to be delivered in the share exchange exceeds the number of shares of common stock held in treasury, the remaining shares to be delivered will be allocated and delivered via the issuance of new shares. The number of new shares to be delivered will be announced when it is determined.

(3) Calculation of Share allotment ratio
The Company and Cosmo Securities requested their respective third party to calculate the Share allotment ratio and the third party calculated such rates by applying the average market price method. As a result of negotiations and consultations between the Company and Cosmo Securities based on the calculation result of the third party, the Share allotment ratio was agreed and determined.

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
CSK HOLDINGS CORPORATION

We have audited the accompanying consolidated balance sheet of CSK HOLDINGS CORPORATION and its consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in 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 audit. The consolidated financial statements of CSK HOLDINGS CORPORATION and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 were audited by other auditors whose report dated June 27, 2007, expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit 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 audit provides 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 consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

Ernst & Young ShinNihon

June 26, 2008

Website Information

We've redesigned our Investor Relations section
http://www.csk.com/ir_e/index.html

CSK HOLDINGS has redesigned the Investor Relations section of its website. In addition to reorganizing the information available in this section, we have updated the design to make it easier than ever to view and use.

Going forward, we will work on Internet-based IR activities in order to provide our shareholders and investors with detailed IR information as quickly as possible, and strive to earn the understanding of ever-greater numbers of investors regarding the CSK Group.

Management Policy
A message from the CEO and information on topics such as corporate strategy and corporate governance.

Financial Highlights
Major financial data and graphs, segment information, and major financial indicators for the most recent five years.

IR Events
Explanatory materials and presentations distributed at investor meetings and other IR-related events.

IR Library
A compilation of IR-related information, including financial results, presentations, and annual reports.

Stock Information
General information, information on distribution of stockholders and top stockholders, General Shareholders' Meetings, dividend information, stockholder services.

IR Calendar
A schedule of IR events and activities throughout the year.

IR Contacts
For inquiries and feedback related to investor relations.

Stock Quote
Information on stock quotes provided through MarketViewer. (MarketViewer is a financial information feed service provided by CSK Securities Service.)

CSK Group Information

(As of November 4, 2008)

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Corporate Information

(As of March 31, 2008)

Company name	CSK HOLDINGS CORPORATION
Established	October 7, 1968
Total number of employees	10,633 (consolidated)
URL	http://www.csk.com/index_e.html

Investor Information

(As of March 31, 2008)

Stock and Number of Shareholders

Common Stock:	Authorized—298,000,000 shares Issued—78,670,524 shares
Number of shareholders:	33,147
Stock listing:	First Section of Tokyo Stock Exchange
Trading unit:	100 shares
Ticker symbol number:	9737

Transfer Agent and Registrar

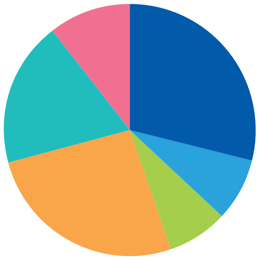
The Sumitomo Trust & Banking Co., Ltd.

Head office	4-5-33, Kitahara, Chuo-ku, Osaka 540-8639, Japan
Tokyo stock transfer agency department	1-4-4, Marunouchi, Chuo-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

Top Stockholders' List

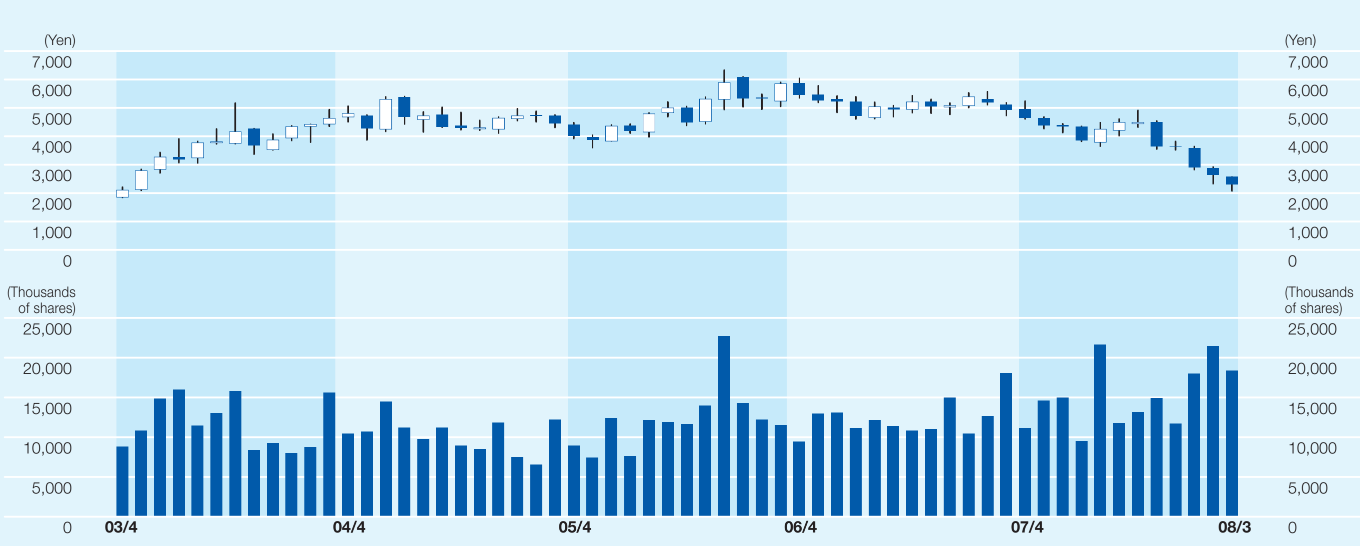
No	Name of Stockholders	Number of shares (thousands)	Ratio (%)
1	CSK HOLDINGS CORPORATION	8,121	10.32
2	The Master Trust Bank of Japan, Ltd.	6,565	8.34
3	Japan Trustee Services Bank, Ltd.	5,036	6.40
4	Deutsche Securities (Japan), Ltd.	3,833	4.87
5	O.E. Corporation	3,553	4.52
6	BNP Paribas Securities (Japan), Ltd.	2,921	3.71
7	Société Générale Securities, Tokyo Branch	2,378	3.02
8	Nippon Life Insurance Company	2,122	2.70
9	The Preparatory Committee for The OKAWA Science and Technology Foundation	1,710	2.17
10	CSK Group Employee Share-holding Association	1,656	2.11

Distribution of Stockholders



Financial Institutions	29.15%
Securities Firms	7.88%
Other Institutions	7.71%
Foreign Institutions and Others	26.27%
Individuals and Others	18.67%
Treasury Stocks	10.32%

Stock Price Range and Trading Volume



http://www.csk.com/

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