FORCE OF GROWTH

Annual Report 2010

CSK CORPORATION

FORCE OF GROWTH

In September of 2009, CSK Group implemented a capital increase and a withdrawal from the real estate securitization business and, under new management, took its first steps toward revitalization.

As part of these efforts, we have pushed ahead urgently with sometimes painful measures, including sweeping cost structure reforms. Fortunately, we believe that with the understanding and cooperation of many of our stakeholders, we have arrived at a new departure point for future growth.

We are determined to maintain our memories of this experience, as we focus all of our strengths on revitalizing the CSK Group, and work to achieve sustainable growth and development.

▶ **CSK Group's Vision**

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

Overhaul of the Group's Management Structure and Business Promotion Structure

On October 1, 2010, the CSK Group overhauled its management structure and business promotion structure.

Through these measures, we will shift to a structure that better integrates the Group's three core businesses (BPO, IT Management and Systems Development). Achieving greater cooperation among these businesses is a key step to improving the Group's competitiveness.

Our over-riding goal is to continue providing customers with services that best meet their needs, while realizing sustained growth and business development.

We will work to further enhance the characteristics and strengths of each company and business, and provide unique CSK Group services that combine our three core businesses to make a real contribution to transforming the businesses of our customers.

▶ IT Service Business—Business Promotion Structure Changes

Before
(As of April 1, 2009)

CSK HOLDINGS

Business services

CSK ServiceWare
VeriServe
CSK PRESCENDO
CSK SYSTEMS (DALIAN)
CSK Securities Service
CSK Communications
CSK Marketing
BUSINESS EXTENSION
ISAO (Business transfer in April 2010)

Technology services

CSK SYSTEMS
CSK SYSTEMS NISHINIHON
CSK SYSTEMS CHUBU
JIEC
CSK WinTechnology
FUKUOKA CSK
HOKKAIDO CSK
CSK SYSTEMS (SHANGHAI)
SUPER SOFTWARE

CSK-IT MANAGEMENT
CSI SOLUTIONS
CSK SYSTEM MANAGEMENT

After
(From October 1, 2010)

BPO

New CSK Business Service Company
CSK ServiceWare
VeriServe
CSK PRESCENDO
CSK SYSTEMS (DALIAN)

IT Management

New CSK IT Management Company
CSI SOLUTIONS
CSK SYSTEM MANAGEMENT

Systems Development

New CSK IT Solution Company
JIEC
CSK WinTechnology
SUPER SOFTWARE
HOKKAIDO CSK
FUKUOKA CSK
CSK Nearshore Systems
CSK SYSTEMS (SHANGHAI)

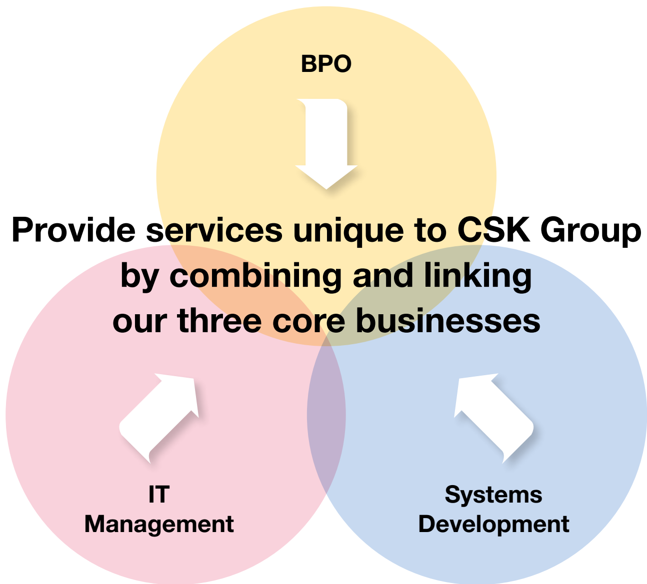
CSK Group Strengths and Direction of Business Improvement

▶ CSK Group strengths

Three core businesses have scale and competitive edge

▶ Direction of business improvement

Help customers transform their businesses by providing services unique to CSK that combines our three core businesses



▶ Overview of Three Core Business Segments

Segment	Main Business	Characteristics/Strengths
BPO (Business Process Outsourcing)	**• Consulting • Business process analysis/ design • Contact center services • BPO services by industry • Back office BPO • Product and security verification services • Fulfillment service**	· High-quality services, broad operational expertise, and a diverse customer base in technical support, customer support, help desk, and other services for contact centers and back office operations. · A structure for delivering low-cost services through effective utilization of broad nationwide network of BPO centers. · Third-party software verification services based on years of actual results and a systemized verification theory. · Fulfillment services offering comprehensive coverage of operations required for e-commerce, from the front and back office to logistics.
IT Management	**• On-site management • Data center services • Network management • PC lifecycle management • Facility management • Maintenance support services • Assessment consulting • IT infrastructure design and construction services**	· Technology to provide accumulated IT management best practices to suit customer's environments in any industry, integrating two types of operational expertise: covering inherent on-site operations and standardized off-site data center operations. Able to offer an efficient, secure, and stable operational structure. · Large-scale data centers in eastern and western Japan feature robust facilities and advanced security. · Better understanding of customers' needs through our experience operating very closely to customers (by providing services closely tied to our customers through on-site operations*1), and ability to provide service solutions utilizing cutting-edge technology. · Services that contribute to overcoming a variety of management issues, including cost reduction, infrastructure integration and optimization as seen in terms of overall management balance, strengthened governance, and elimination of risk through BCP and internal controls. · Hybrid Cloud*2 services which incorporate the benefits of both private and public computing.
Systems Development	**• Consulting • Systems integration • Solution services (ERP/SCM/CRM)*3 • ASP, SaaS, PaaS*4**	· A solid, diverse customer base spanning a broad range of industries, including banking, securities, insurance, credit and finance, manufacturing, telecommunications, logistics, and services. · Advanced technical and project management capabilities in systems design, accumulated over 40 years of providing service. Also characterized by providing services closely tied to our customers through on-site operations, a vast number of customer contacts based on long-term relationships, and a strong relationship of trust with customers. · Able to provide specific solutions based on actual results by developing products and services utilizing accumulated assets—our operational expertise. · Achieve improvements in quality and productivity by using development frameworks which employ the latest technology.

*1 Services provided on-site at the customer's location.
*2 Services combining on-site services and remote services utilizing data centers.
*3 ERP: Enterprise Resource Planning / SCM: Supply Chain Management / CRM: Customer Relationship Management
*4 ASP: Application Service Provider / SaaS: Software as a Service / PaaS: Platform as a Service
* In addition to the above, business segments include the prepaid card business and other segments.

Toward a Stronger CSK Brand

▶ Three areas of focus

Restore trust
Restore the trust of shareholders, customers, trading partners and employees.

Restore profitability
Transform to a structure that enables generation of stable earnings through cost structure reform.

Restore growth potential
Strengthen existing businesses and use them as starting points for opening new growth fields.

▶ CSK Group initiatives

Improve financial position
- Carry out measures to increase capital
- Planned reduction of interest-bearing debt

Withdrawal and concentration of businesses: Clarify business content
- Concentrate on IT services business
- Withdraw from unprofitable businesses
- Withdrawal from real estate securitization business and other financial services businesses

Carry out cost structure reform
- Scale back fixed costs, including personnel expenses
- Integrate and pare back offices and bases
- Review development of internal IT system

Strengthen and create new growth in three core businesses
- BPO, IT Management, Systems Development

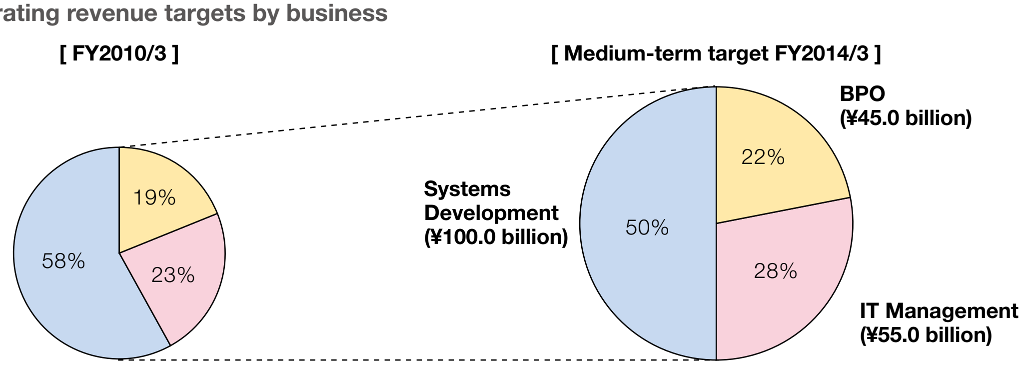
Promote collaboration with partners in the same and different industries, take steps in overseas markets, and develop human resources

Medium-term Quantitative Targets

▶ Medium-term quantitative targets

	FY2010/3	FY2011/3 (forecast)	**Medium-term target FY2014/3**
Operating Revenue	¥169.5 billion	¥160.0 billion	**¥200.0 billion**
Operating Income	¥4.1 billion	¥10.0 billion	**¥15.5 billion**
Operating Margin	2.5%	6.3%	**7.8%**

▶ Medium-term operating revenue targets by business



* Including ¥20.0 billion from Innovation business

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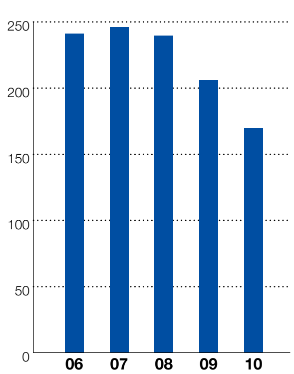
FINANCIAL HIGHLIGHTS

	FY2006/3	FY2007/3	FY2008/3	FY2009/3	Millions of yen FY2010/3	Thousands of U.S. dollars (Note 1) FY2010/3
For the year:						
Operating revenue	¥241,154	¥245,981	¥239,695	¥ 206,099	**¥169,518**	**$1,821,993**
Operating income (loss)	25,137	29,904	19,256	(123,066)	**4,176**	**44,889**
Income (loss) before income taxes and minority interests	52,785	30,712	4,682	(144,345)	**(59,515)**	**(639,676)**
Net income (loss)	30,874	8,679	1,272	(161,529)	**(59,180)**	**(636,076)**
At year-end:						
Total assets	543,134	577,294	550,054	363,931	**267,749**	**2,877,794**
Net assets/ Shareholders' equity (Notes 2 and 3)	179,824	208,775	185,495	25,247	**15,807**	**169,903**
Interest-bearing debt (Note 4)	159,424	192,665	212,069	199,801	**121,639**	**1,307,386**
Working capital (Note 5)	172,802	181,958	152,350	12,024	**42,351**	**455,201**

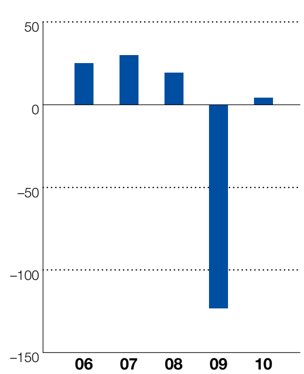
	FY2006/3	FY2007/3	FY2008/3	FY2009/3	Yen FY2010/3	U.S. dollars (Note 1) FY2010/3
Per share (Note 6)**:**						
Net income (loss)	¥ 410.52	¥ 117.35	¥ 17.34	¥(2,097.39)	**¥(720.62)**	**$(7.75)**
Diluted net income	387.98	105.60	15.46	—	**—**	**—**
Cash dividends	40.00	40.00	40.00	—	**—**	**—**
Shareholders' equity	2,437.08	2,479.33	2,317.18	251.40	**(241.34)**	**(2.59)**
Total outstanding shares	77,791,992	78,437,124	78,670,524	80,290,414	**125,747,714**	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93.04 = U.S.$1.00 the rate of exchange prevailing on March 31, 2010.
2. 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.
3. 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.
4. Interest-bearing debt includes lease obligations.
5. Working capital is calculated as current assets less current liabilities.
6. Per share amounts are in yen and dollars, rounded to two decimal places.

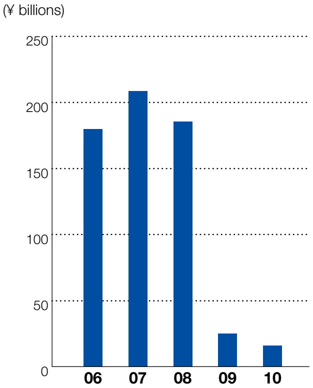
OPERATING REVENUE
(¥ billions)



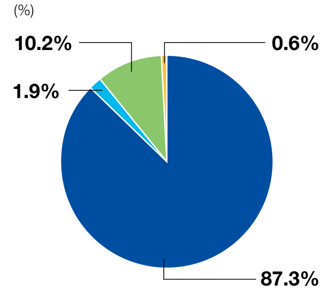
OPERATING INCOME (LOSS)
(¥ billions)



NET ASSETS/ SHAREHOLDERS' EQUITY
(¥ billions)



OPERATING REVENUE BY BUSINESS SEGMENT
(%)



- IT Services Business
- Prepaid Card Business
- Securities Business*
- Other Business (Financial Services Business)

* In April 2010 we transferred the shares of Cosmo Securities and withdrew from the securities business.

“We will contribute to customers’ business innovation through the provision of the CSK Group’s distinctive services by linking and fusing BPO, IT Management and Systems Development.”

Akihiro Azuma
Representative Director
Chairman
Chief Executive Officer

Takeshi Nakanishi
Representative Director
President
Chief Operating Officer

The fiscal year ended March 2010 marked a major turning point for the CSK Group. Since the beginning of the 2000s, we had been working to develop the financial services business, focusing principally on the real estate securitization business, as part of our strategy to diversify our earnings streams. However, due to the impact of the global financial and real estate crises in the fiscal years ended March 2008 and 2009, we booked large losses in our real estate securitization business. Under the circumstances, in order to strengthen our financial base, and to eliminate risk connected with the real estate securitization business and avoid associated capital risk and risk of damage to shareholders' equity, at an extraordinary meeting of shareholders held on September 29, 2009 we gained approval for proposals to issue preferred shares and stock acquisition rights, and form a new senior management framework.

Since these resolutions were passed, we have worked to restore trust, our earnings power and our growth potential to rebuild the CSK brand. This has involved focusing on the IT services business, rigorously reforming our cost structure, strengthening our three core business fields and developing new ones. With the support and understanding of many stakeholders, all Group companies have worked in unison with a sense of urgency and speed towards the revitalization of the CSK Group. Fortunately, we have achieved a certain measure of success, underlined by a return to profitability at the operating income level in the fiscal year ended March 2010. We realize, however, that the real work to revitalize the CSK Group starts from here.

The fiscal year ending March 2011 will thus be a period for engineering a transformation to a structure that enables us to generate stable earnings. We are fully aware that there are still a large number of issues and challenges, such as a harsh economic environment, that we must surmount if we are to achieve the medium- to long-term targets we have set as part of our revitalization plans. Nonetheless, we are convinced that we can revitalize the CSK Group if we can help our customers improve their corporate value. There is much untapped potential in our human resources, technologies and knowledge base and we plan to harness these resources to contribute to customers' businesses.

It is incumbent upon companies in an economic society to meet the expectations of society and stakeholders to be worthy of existence. We are determined to prove our worth by delivering distinctive services and thereby contribute profoundly and as best we can to helping our customers innovate their businesses.

October 2010

東明浩

CSK Corporation
Akihiro Azuma
Representative Director
Chairman
Chief Executive Officer

中西毅

Takeshi Nakanishi
Representative Director
President
Chief Operating Officer

INTERVIEW WITH THE PRESIDENT

President Nakanishi gives an evaluation of the various management measures implemented following the launch of a new management team in September 2009 aimed at revitalizing the CSK Group, and talks about the background and objectives behind the decision to shift from a pure holding company to an operating company structure.

▶ Looking Back on the Fiscal Year Ended March 2010

Q1. What have been your impressions since becoming president in September 2009?

A1. At the extraordinary meeting of shareholders in September 2009, we received approval for an increase in capital and a new management team. Subsequently, we positioned the fiscal year ended March 2010 as a springboard for new growth. The past fiscal year was thus a turbulent year in which we worked to revitalize the CSK Group. Specifically, we worked on rebuilding our business base, enhancing our financial base, and revamping our cost structure. Our overriding goal was to set the Group on a steady growth trajectory for the medium and long terms.

Succeeding with these sweeping changes required us to make fundamental changes to our way of thinking and working. I decided that I needed to lead by example and began by looking at myself. I realized that my duty as president was to initiate a rapid transformation with a sense of haste and urgency. Based on this realization, I have been working with all my power on initiatives to revitalize the Company.

For the entire CSK Group to work together in unison, all employees needed to have a shared understanding of the intention behind our revitalization policies and measures. We therefore made use of regular meetings with managers, business plan announcement meetings at each group company, and the company intranet to repeat our management message.

As a result of these efforts, our operating income for the fiscal year ended March 2010 was ¥4.1 billion, higher than our publicly announced full-year forecast of ¥3.6 billion.

I believe that the steps we have taken over this past year have set us on the road to recovery. Now I want to focus on making strong forward progress.

Q2. In rebuilding the CSK brand, you have directed your efforts towards restoring trust, profitability and growth potential. How well do you feel you have achieved these goals?

A2. < Restore trust >

To restore the trust of our many stakeholders, including customers, shareholders and trading partners, we concentrated on our IT services businesses and took steps to improve our financial position.

Specifically, we withdrew from the real estate securitization and securities businesses (Cosmo Securities), and from non-performing businesses.

Another essential step in restoring trust was to bolster our financial base and make it sound. So, in September 2009, we increased our capital with the support of our main banks*1 and Godo Kaisha ACA Investments*1 to establish a solid capital base.

We are also reducing our interest-bearing debt as planned, with the sale of assets and shares of Cosmo Securities. We plan to continue steadily repaying our interest-bearing debt using operating income and further asset sales.

*1 Please see the Message from the CFO on page 16 for further details about support from our main banks and the capital increase.

<Restore profitability>

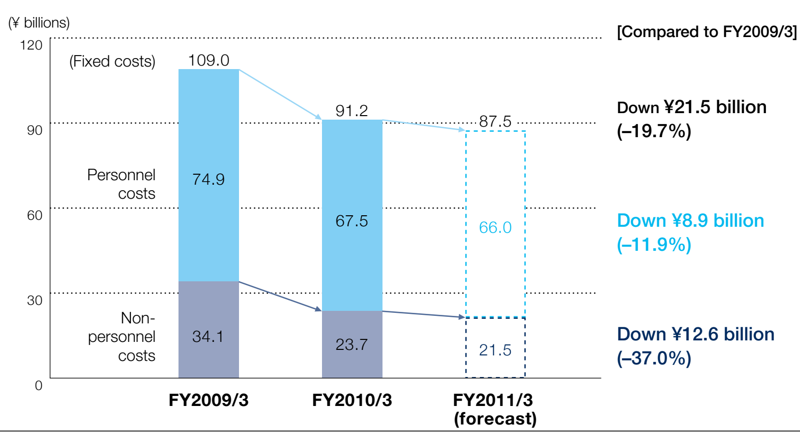
To restore profitability, we withdrew from non-performing and non-core businesses, and implemented far-reaching cost structure reforms. Specific actions we took included streamlining indirect head office functions for the entire group, eliminating redundancy and rationalizing business processes. These efforts led to significant cost reductions.

We also moved to integrate and pare back offices and operating bases, froze development work on our new internal IT system, and reviewed our operating costs. Additionally, we made the difficult decision to implement an early retirement program to raise organizational efficiency and right-size staff numbers.

The result of these measures was a reduction in fixed costs from ¥109.0 billion in the year ended March 31, 2009 to ¥91.2 billion in the year ended March 31, 2010. Moreover, in the year ending March 31, 2011 we expect to reduce fixed costs to ¥87.5 billion, down ¥21.5 billion from the year ended March 31, 2009. As the benefits of our business and cost structure reforms begin to emerge, I feel that we are making progress in our transformation into a lean business structure capable of producing stable earnings.

RESULTS OF COST STRUCTURE REFORM

FY2011/3 fixed costs projected to be down ¥21.5 billion from FY2009/3
* IT services business and Prepaid card business and CSK



<Restore growth potential>

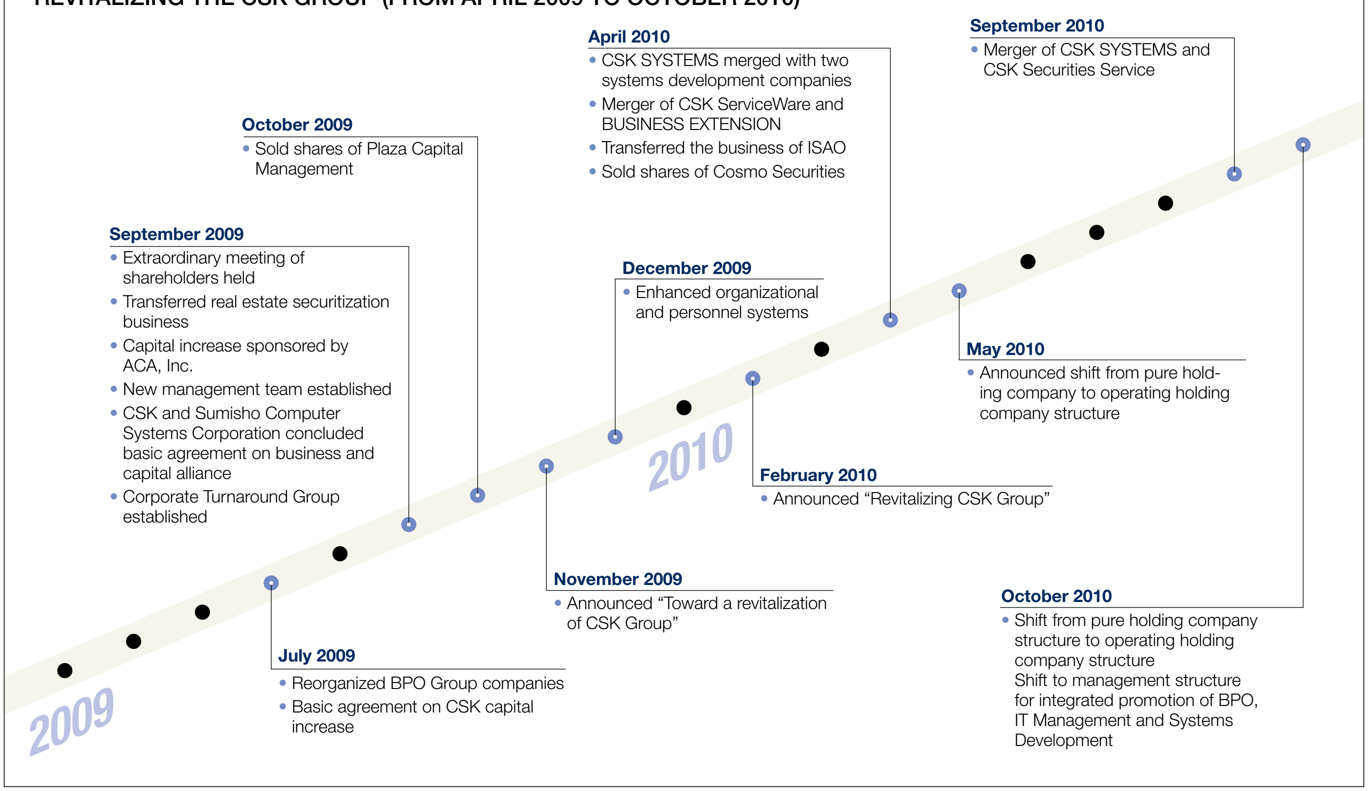
To restore CSK's growth potential, we are strengthening the three pillars of the Group's business—BPO, IT Management and Systems Development—and developing new growth fields. Specifically, we reorganized the BPO business on April 1, 2010, and merged CSK SYSTEMS NISHINIHON and CSK SYSTEMS CHUBU into CSK SYSTEMS to create a platform for promoting our Systems Development business.

Other initiatives for innovating business at the Group level have included the establishment of cross-organizational task forces to examine the four focus areas of sales and marketing, on-site offices, services, and technology. We also established “service innovation” promotion groups to help set up new businesses in our drive to create new services, and took proactive steps to encourage collaboration within and between industries.

As we made progress with these measures, we realized that to strengthen the Group’s competitive edge we needed to achieve a higher level of collaboration among our three core businesses. We therefore decided to shift to new management and business promotion structures on September 1 and October 1, 2010*2. We will work to further enhance the characteristics and strengths of each business, and by providing unique CSK Group services that combine these three businesses we will make a real contribution to transforming our customers’ businesses.

*2 On September 1, 2010 we merged CSK SYSTEMS and CSK Securities Service.
On October 1, 2010 we merged CSK HOLDINGS, CSK-IT MANAGEMENT and CSK SYSTEMS.

REVITALIZING THE CSK GROUP (FROM APRIL 2009 TO OCTOBER 2010)



▶ Outlook for the Fiscal Year Ending March 2011

Q3. What is your outlook for the IT service industry for the fiscal year ending March 2011?

A3. Because of concerns over the outlook for the global economy, customers are likely to continue cutting costs, further delaying a recovery in IT investment. Moreover, demand continues to mount for lower-priced services and shorter lead-times.

On the other hand, as competition intensifies, we are seeing greater demand for BPO services, systems management outsourcing and other services as corporations concentrate on their core businesses and aim to lower costs and make their business processes more efficient.

Moreover, corporate restructuring and legislative amendments in the financial services industry are expected to usher in a recovery in demand for systems, and we expect to see demand growth in each of our three core businesses: BPO, IT Management and Systems Development.

Another trend is that even more customers are deciding not to own IT assets. As the shift from ownership to usage of IT accelerates, demand for cloud computing and other new services continues to grow.

Customers' IT needs are becoming more sophisticated and complex than ever before, and at the same time, customers are looking for a better return on their IT investments. To meet this demand, the CSK Group must work to further differentiate its offerings and become even more price competitive.

Q4. Please talk about CSK's business plan for the fiscal year ending March 2011. Also, please explain what measures you will take to achieve the business plan's goals.

A4. <Business Plan for Fiscal Year Ending March 2011>

For the fiscal year ending March 2011, our business plan targets operating revenue of ¥160 billion, operating income of ¥10 billion, ordinary income of ¥9.3 billion and net income of ¥0.5 billion. Operating revenue for the fiscal year ended March 2010 was ¥169.5 billion, and excluding the effects of the April 2010 sale of Cosmo Securities shares and withdrawal from or sales of other businesses, operating revenue came to ¥149.4 billion. Effectively, this represents an increase of ¥10.6 billion year on year.

FY2011 OPERATING REVENUE FORECASTS BY BUSINESS

(¥ billions)

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

* Operating revenue by business field are reported on a non-consolidated basis.

Operating income for the fiscal year ending March 2011 is expected to improve significantly with the effects of cost structure reforms and withdrawal from and sale of unprofitable businesses in the previous fiscal year adding to growth in revenues from the IT services business and prepaid card business. Planned net income reflects a projected extraordinary loss of about ¥8.8 billion arising from the transfer of shares in Cosmo Securities.

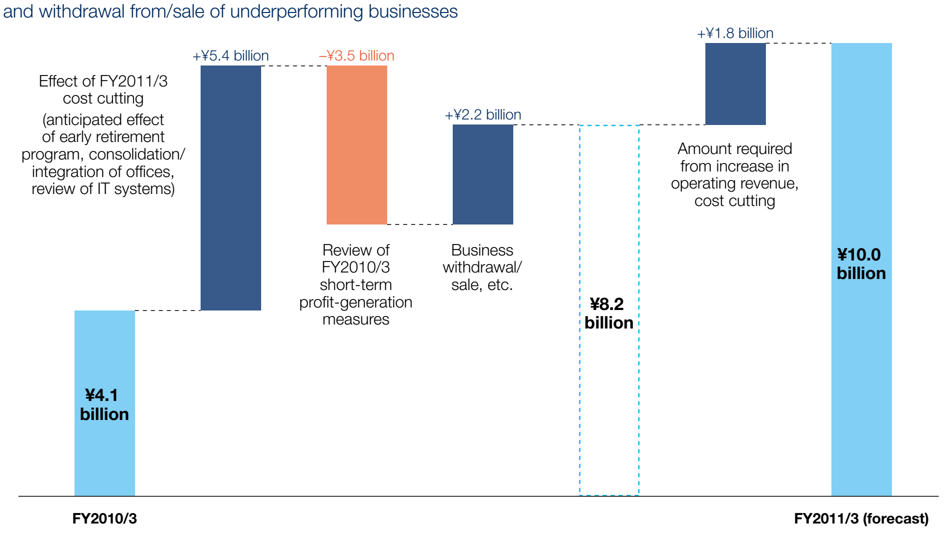
<Measures for Achieving the Business Plan>

In "service integration," we seek to strengthen our respective BPO, IT Management and Systems Development businesses, and cooperation among them. Since BPO is seen as a growth field, we will concentrate human and financial resources in this business. In IT Management, we will work steadily to achieve a stable flow of earnings from outsourcing projects, while in the Systems Development business we will develop SaaS*3 for specific industries and business processes, and respond to systematic changes and reorganization expected in the financial services industry. In "service innovation," we will continue to strive to create new businesses. We will also focus our efforts on collaboration and alliances with companies in the same and different industry sectors, seeking business in overseas markets, and development of human resources.

*3 SaaS (Software as a Service) is a mode for distributing software as a network service, in which users pay for the use of only the software they require rather than purchase the software.

OPERATING INCOME FORECAST

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



Q5. Please tell us about the service innovation that CSK will be promoting. What is the basic idea behind this?

A5. Service innovation refers to the creation of new services that leverage the accumulated knowledge and resources of the whole Group to meet market needs that cut across industries and business types. In other words, service innovation is the result of adding new value based on service integration, where we combine Group services to provide bespoke services that cater to individual customer needs.

Realizing service innovation requires us to embrace a new concept—that of getting an accurate grasp of customers' essential needs and then developing new individualized services for each customer that cut across industries and business types. The buds of new businesses do not spring from completely different areas far removed from our existing businesses; rather they spring from the front lines of those businesses—from where our customers are. It is there that we uncover our customers' real problems and needs. We will use such discoveries to create new businesses and services; and then, crucially, repeat the cycle again and again in an ongoing building process.

I believe that it is also an important task of management to create a corporate culture where every employee actively contributes to the pool of ideas for creating new businesses.

Q6. What progress has been made in strengthening collaboration and alliances with companies in the same and different industry sectors?

A6. We are currently involved in a business alliance with Sumisho Computer Systems Corporation and are looking into collaboration in 11 fields, including the data center business, BPO business, global business and mutual procurement of products. We aim to draw on each other's strengths to set our companies on a growth trajectory.

In addition, I would also like to promote various collaborations and alliances in the same and different industry sectors, and to realize new business opportunities for the Company that arise through such relationships.

Q7. Please talk about your basic policy for seeking business in overseas markets, and specific steps you are taking.

A7. The 21st century is being called the century of Asia and the emergence of China has been particularly noteworthy. In this situation, we see our response to Asian markets, and China especially, as a key theme for the Group's growth over the medium and long terms.

Along with this, we need to deal with the fact that many of our customers are shifting their production bases off-shore. This has made business development in Asia an absolute imperative for us.

The Group has had off-shore production sites in Shanghai and Dalian for some time now. Beyond enlarging these production and development sites, we also need to build an operation structure based around future development of our business in Asian markets.

For this reason, we established the Global Business Promotion Office in March 2010. This office works as a powerful promoter of Group responses to globalization. It investigates and grasps market trends and business opportunities in East Asia, studies options for overseas business development, and uncovers unique technologies, services and materials in Asia. It also accumulates and shares knowledge and expertise required for expanding the Group's businesses around the world.

FY2011/3 BUSINESS POLICY—STEADY IMPLEMENTATION

Service integration Strengthen individual businesses and Group collaboration

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

IT Management: Steadily pursue outsourcing projects

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

Service innovation Continue to strive to create new "business"
⇨ Transition from environment/framework development to materialization

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

Seek business in overseas markets

Human resource development

Q8. The Group is preparing to overhaul its management and business frameworks and shift from a pure holding company structure to an operating holding company structure on October 1, 2010. Please explain the background and objectives behind this move.

A8. The Group shifted to a pure holding company structure in October 2005, and this has brought a measure of success to our pursuit of highly transparent group management, promotion of specialization and creativity of Group companies, and initiatives to create new services that give play to the total capabilities of the Group. However, in view of the rapidly changing environment surrounding the Group, we judged that to achieve sustained growth and ongoing development going forward, we need to further link and fuse our three core businesses in the BPO, IT Management and Systems Development fields to foster a sense of unity. For this reason, we have changed tack, and decided to overhaul our management and business frameworks.

Specifically, on October 1, 2010 CSK HOLDINGS, CSK-IT MANAGEMENT and CSK SYSTEMS were integrated to form CSK CORPORATION. We plan to operate CSK ServiceWare effectively as one with the new company.

I must stress that this change of management framework is not a return to our old framework of five years ago, but an important step in restoring the growth potential of our Group quickly, and making strong headway. One effect of the change, for example, will be to stimulate even greater employee interaction within the Group, making it easier to gather ideas. We believe this will lead to the creation of new services that are unfettered by conventional frameworks.

Q9. Please tell us about the medium-term plan.

A9. The medium-term plan targets operating revenue of ¥200 billion and operating income of ¥15.5 billion for the fiscal year ending March 2014.

The Group's strength lies in three businesses—BPO, IT Management and Systems Development—having a certain scale and competitive edge. Our goal is for each of the three businesses to create services that will propel them to the top of the market. We also aim to achieve our medium-term goals by creating and developing unique Group services through further linking and fusing of the three businesses. I would also like to see the BPO and IT Management businesses make an even larger contribution in terms of our overall revenue composition.

We will concentrate our management resources in high growth areas to establish a unique and independent presence.

I believe that we succeeded in the fiscal year ended March 2010 in boldly transforming our cost structure to create a leaner business structure. But cost management is not a one-step measure. Rather it is something that we will continue as appropriate and needed to maintain and ensure our competitive edge in the medium and long term.

Q10. Finally, what is your message to CSK's shareholders and other investors?

A10. It is very regrettable that we suspended dividends for the fiscal years ended March 2010 and ending March 2011. For the fiscal year ended March 2010, this was due to a significant consolidated loss on recording of expenses relating to our withdrawal from the real estate securitization business. In the fiscal year ending March 2011, we have suspended dividends as we seek to focus on business reorganization and on significantly improving our financial condition.

I sincerely apologize to all our shareholders and other investors for causing so much concern. Looking ahead, the new management team has declared its mission to restore the Company's trust, earnings power and growth potential. I am strongly aware of this commitment and have made a fresh resolution to carry this mission out. I will work to revitalize the CSK Group quickly and surely in order to achieve our targets for the fiscal year ending March 2011, and under our medium-term plan.

I ask you for your continued understanding and support.

MESSAGE FROM THE CFO

Tatsuyasu Kumazaki
Director
Managing Executive Officer

Operating Results for the Fiscal Year Ended March 2010

During the fiscal year under review, the Japanese economy saw some signs of recovery, partly due to government economic stimulus measures. However, with continued curbs on capital investment and the progression of deflation, corporate earnings failed to move out of this difficult phase, a trend toward restrained corporate IT investment remained, and the CSK Group continued to face a severe operating environment.

CSK Group consolidated operating revenue for the year ended March 31, 2010 decreased 17.7% year on year, to ¥169.5 billion. In the IT services business, revenue fell 20.8% from the previous year. In the previous year, consolidation among banks and trust companies brought system restructuring projects, along with large deals for equipment sales targeting the credit and finance sectors, while in the fiscal year under review we saw a drop in orders centered on the manufacturing industry, primarily in electrical, precision, and transportation-related equipment. Although the prepaid card and securities businesses remained strong, delivering increased revenue, revenue was down overall on a consolidated basis.

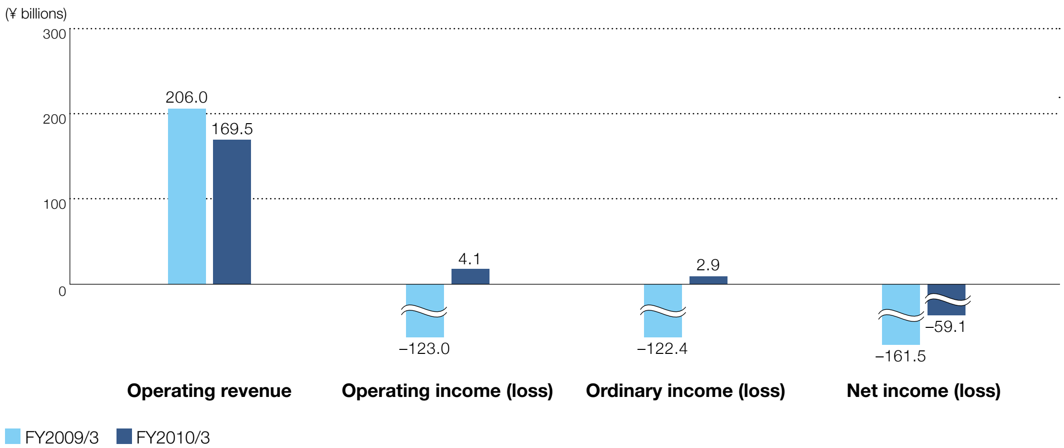
We recorded ¥4.1 billion in operating income, which was a significant improvement over the previous period's loss of ¥123.0 billion. The effects of the drop in revenue in the IT services business were offset by cost reduction efforts, resulting in income of ¥11.3 billion (up 28.9% year on year). In the securities business, cost restructuring implemented in the previous period resulted in operating income of ¥0.1 billion (versus an operating loss of ¥7.8 billion in the previous year), and after absorbing Group-wide costs and losses across other businesses, the Group recorded consolidated operating income of ¥4.1 billion.

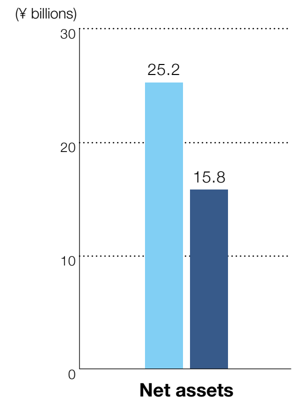
Ordinary income was ¥2.9 billion, compared to an ordinary loss of ¥122.4 billion in the previous period. While hoard profits on prepaid cards increased, income was affected by non-operating expenses such as interest paid and other expenses related to the delivery of shares for the Group's capital increase, and other fees.

A net loss of ¥59.1 billion was recorded for the period, compared to a net loss of ¥161.5 billion in the previous period. This was due to an extraordinary loss of ¥64.0 billion recorded for losses arising from the Group's withdrawal from the real estate securitization business, special early retirement benefits, and other items.

Efforts to Improve the Group's Financial Position

To improve our financial position, we implemented a withdrawal from the real estate securitization business, and an increase in capital. Specifically, by transferring all of the shares in CSK FINANCE (currently Gen Capital Co., Ltd.), which ran the real estate securitization business, and our loans receivable, to ACA Properties Investment Limited Partnership, owned and operated by ACA, Inc., we cut ourselves off from any financial risk associated with the real estate securitization business. While this resulted in a loss from the transfer of ¥55.9 billion, by simultaneously implementing a capital increase of ¥46.0 billion, we were able to establish a healthy financial base. Moreover, the Group will continue to hold on to deals with the potential for a short-term sale, as well as loans related to assets for which the potential risk of additional valuation losses emerging is low.





In September 2009, we implemented a capital increase totaling approximately ¥16.0 billion through an issuance of preferred shares underwritten by Godo Kaisha ACA Investments, formed by ACA, Inc. We also issued stock acquisition rights worth ¥6.0 billion to ACA Investments.

At the same time, we implemented a debt-equity swap with four of CSK Group's main banks, whereby the banks exchanged loans held against CSK for preferred shares we issued, effectively injecting capital of ¥30.0 billion. In addition, ¥50.0 billion in short-term loans from the banks have been refinanced as long-term loans, further helping to stabilize our cash position.

This capital increase completed through issuance of preferred shares and stock acquisition rights has resulted in a significant dilution of our shares, a serious inconvenience to our existing shareholders. At the same time, however, we arrived at this decision only after reviewing all available options, and determining that this move was critical in the revitalization of the CSK Group. Having established a healthy financial position, we can now push ahead with our strategy of steadily expanding income and cash flow from our IT services business, and enhancing the corporate value for the CSK Group as a whole.

Repayment of Interest-bearing Debt

In February 2010, we repaid ¥5.0 billion, leaving a balance of ¥101.8 billion in interest-bearing debt for the fiscal year ended March 2010. Our repayment plan for the fiscal year ending March 2011 calls for repayment of ¥15.0 billion, but with ¥10.0 billion already paid off in April 2010, only ¥5.0 billion remains for the current fiscal year.

We expect to repay our remaining interest-bearing debt on schedule, through an increase in operating income and the sale of assets.

BALANCE OF INTEREST-BEARING DEBT AT THE END OF THE PERIOD AND PLAN FOR REPAYMENT

(¥ billions)

	FY ended March 2010	Repayment plan (repayment amount)			
		FY2011/3	FY2012/3	FY2013/3	FY2014/3
Debts payable	45.0	15.0	10.0	10.0	10.0
Euro CB*1	21.8	–	21.8	–	–
Domestic CB*1	35.0	–	–	–	35.0
Repayment plan	**–**	**15.0**	**31.8**	**10.0**	**45.0**
Interest-bearing debt*2	101.8	86.8	55.0	45.0	–

*1 CB: Convertible Bond
*2 Interest-bearing debt of CSK (non-consolidated), excluding lease obligations

ISSUE 01 ▸

Three Segments Link to Deliver Mail-Order Operations Support Services

In responding to demand for more advanced IT services, the CSK Group works to not only enhance convenience, but to help its clients increase revenue and capture profit. To do this, we aim to deliver services which actually improve our clients' operations.

In this feature, as a service case study, we introduce mail-order operations support services provided by an alliance between our three core business segments, BPO, IT Management, and Systems Development.

left: CSK-IT MANAGEMENT **Daisuke Matsumura**
center: CSK ServiceWare **Mariko Hirokawa**
right: CSK SYSTEMS **Atsunori Tone**

Issues Facing the Mail-Order Business

Today, many companies are developing Internet-based mail-order businesses, seeing them as one of the most efficient ways of reaching the consumer directly. But entry into the mail-order business, and achieving success there, requires companies to first resolve a number of issues.

These include questions of how to provide a variety of payment options and detailed logistical services, as well as how to minimize operational costs involved in responding to order changes and product exchanges without lowering customer satisfaction.

Companies must also respond to time and seasonally-driven changes in order levels and fluctuations in business scale, as well as to the increased diversity in e-commerce*1 as seen, for example, in the growth of mobile-based mail-order businesses.

*1 e-commerce = the electronic commerce business: Internet-based mail-order business

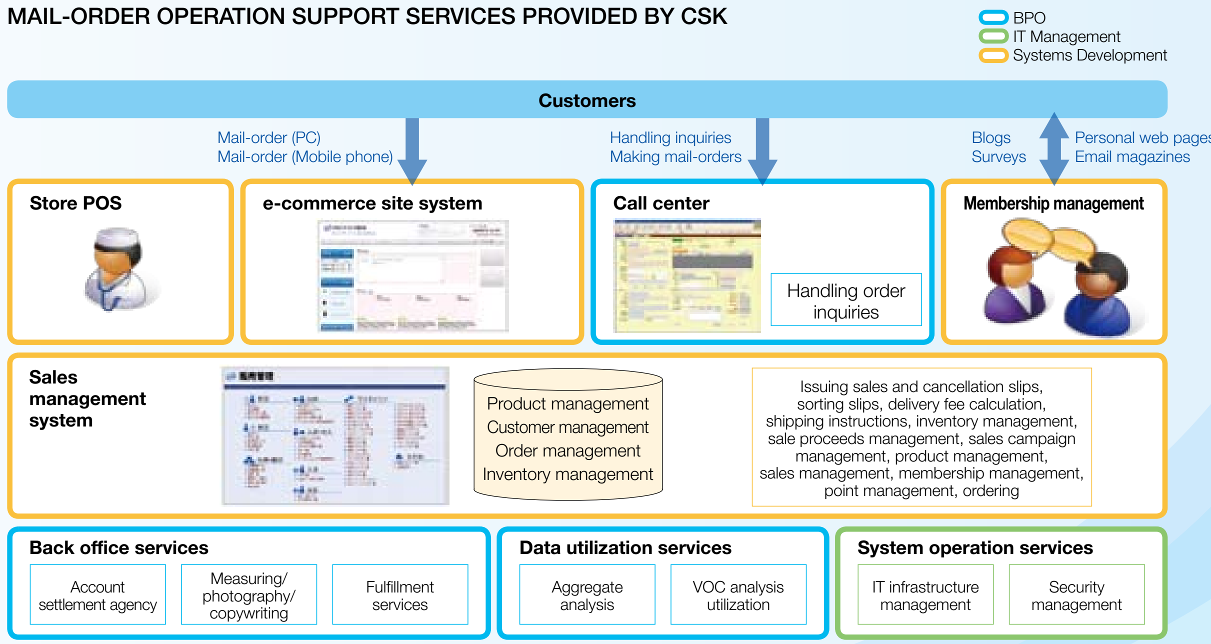
CSK Group's Mail-Order Operations Support Service

In order to respond to these issues, CSK Group provides a mail-order operations support service through cooperation between its three core BPO, IT Management, and Systems Development businesses. By linking these three businesses, CSK Group is able to provide a one-stop solution encompassing all business processes involving the mail-order business, including peripheral operations, offering support at each stage of the business, from initial start up through ongoing growth.

Each of these three businesses has a deep knowledge of and operational expertise in the mail-order business. In Systems Development for mail-order operations support, for example, we work as part of an operational design to deliver overall optimization, focusing not only on simply using systems to improve order-taking efficiency, but also taking into consideration how the system is positioned as part of the overall mail-order workflow, how it can absorb operational errors, and other factors. CSK Group develops a set of operational standards which incorporate operational rules and workflows covering the entire mail-order process, from initial order through final payment. Making the complex relationships between multiple operations and requirements more visible in this way enables us to implement a more solid, consistent operational design.

Additionally, by providing a wide range of other services, including mail-order services linked to specific events or television shows, recommendation services*2, and voice-of-customer (VOC) services, we support companies in their efforts to increase revenue diversification through

MAIL-ORDER OPERATION SUPPORT SERVICES PROVIDED BY CSK



mail-order businesses, and enhance customer (consumer) satisfaction.

*2 Recommendation service = A function enabling automatic Web page display of recommended content and products based on a visitor's interests. CSK Group provides an SaaS-based recommendation service called Baynote.

*3 USiZE: A made-to-order outsourcing service which uses IT resources (servers, storage, networks, and system operations) set up in CSK-IT MANAGEMENT data centers to provide clients with optimized solutions based on their individual requirements. Using a private cloud environment set up with IT resources dedicated to each client, CSK can provide services at pay-as-you-go rates that respond to growth or shrinkage in a client's business scale, changes in workload, and volume of server and storage resources actually used.

Specific Role of Each Business

The specific role of each of the three businesses in providing these services is as follows. BPO provides fulfillment services utilizing our contact centers for order-taking operations, covering product reception, content production and management, shipping, inventory control, and returns and exchanges. They also provide marketing reports based on consumer feedback (VOC) to our ordering and customer contact centers, which are useful in developing product planning strategies.

IT Management handles operation of IT infrastructure and manages security, providing support for safe, secure system operations. Also, by utilizing CSK Group's cloud computing environment, known as USiZE*3, they are able to provide flexible services that can adapt to changes in workload and business scale for companies developing their mail-order businesses.

Finally, Systems Development provides templates for the sales management, e-commerce site, and customer management systems required in any mail-order business, delivering systems optimized for each client's unique operation. CSK Group's strength lies in our ability to take all of these services and, through the business process, provide them as a multi-functional whole.

Improving Satisfaction Among Customers (Consumers)

We are already providing support for mail-order operations to clients in the broadcast, apparel, and cosmetics industries, and clients have been pleased to report improvements not only in operational efficiency, but in customer satisfaction as well. Going forward, we will build on these results as we work to roll out these services to even more industries.

CSK Group hopes to strengthen the alliance between BPO, IT Management and Systems Development even further and, by providing greater value-added services, continue to grow with our clients as a trusted partner.

SERVICES PROVIDED IN THE MAIL-ORDER SHOPPING BUSINESS FROM THE THREE CORE BUSINESS FIELDS

Segment	Service content
BPO	Receiving and placing orders, account settlement agency, VOC analysis, Internet content production and maintenance, measuring/photography/copywriting, fulfillment services, etc.
IT Management	Private cloud environment construction service (USiZE), data centers, systems management, etc.
Systems Development	Sales management systems, e-commerce site membership management systems, mail-order response systems, contact center systems, etc.

ISSUE 02 ▸

Linking and Fusing the Three Core Business Segments' Initiatives in Hybrid Cloud Computing

Amid dramatic shifts in current economic conditions, companies need to respond quickly to changes in their business environment. Businesses are increasingly turning to IT to provide the means for achieving these rapid responses.

In particular, cloud computing has received a great deal of attention. CSK Group is working to deliver Hybrid Cloud Computing, which has the potential to become the optimal IT system solution for responding to changes in our clients' business environments. In this feature, we hear from personnel in charge of CSK's Hybrid Cloud Computing.

CSK SYSTEMS
CSK Fellow
Toshiaki Kurokawa

CSK SYSTEMS
Yoichi Takizawa

Changing Times Require Cloud Computing

The term "cloud computing" has spread rapidly in recent years. Behind its rise are three major changes in the economic environment.

The first of these changes is in the market environment in which companies do business. This environment is changing at an unprecedented pace following the slow-down of the global economy. Two years have already passed since the so-called once-in-a-lifetime recession hit, and as uncertainty about the future of the economy continues, many companies are working to maintain a leaner structure through ongoing cost reductions and operational reforms.

The second change is a shift away from the traditional economy based on generating value from asset ownership, to one that focuses on utilizing assets while reducing the burden of ownership. At the consumer level, this can be seen in the growth of car sharing services, which originally arose out of environmental concerns, and at the corporate level, as well, there is an accelerating shift from ownership to usage, in which companies are increasingly deciding not to own IT assets.

The third change is that globalization has reached a new level. Emerging Asian nations are enjoying rapid growth through the utilization of technology developed in Europe, the United States, and Japan, and their markets are also expanding rapidly.

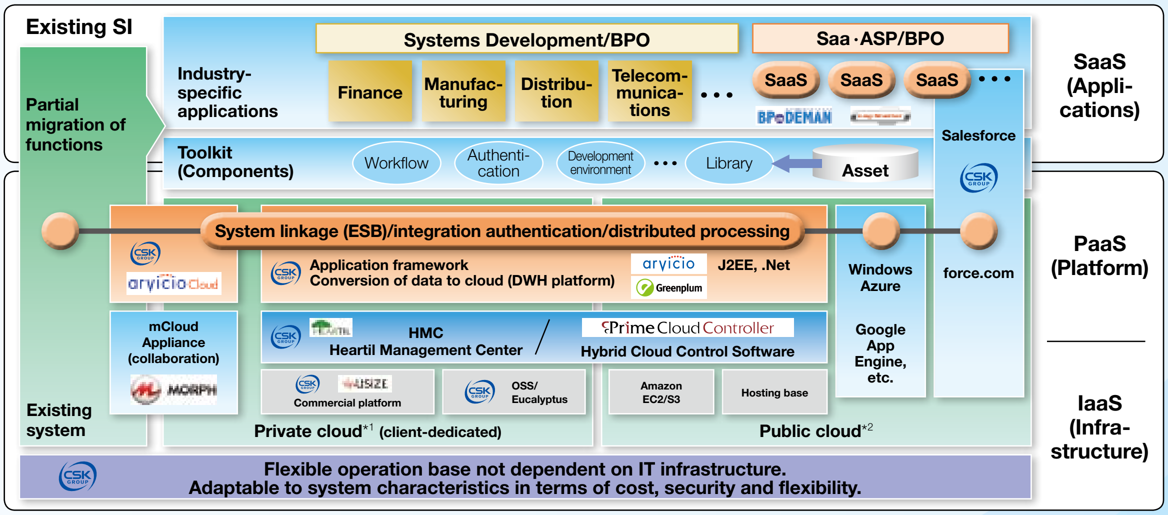
By its very nature, cloud computing is able to respond quickly to such changes. In new businesses and markets, cloud computing, which makes use of pooled IT resources, enables rapid support for information platforms. It also supports the shift from an ownership to a usage-based economy, making it simple to share information, knowledge, and even manage the global allocation of human resources. In addition, by making use of a wide range of IT resources over the Internet and via dedicated networks, companies are able to respond rapidly to the sudden growth in Asian markets.

Interest and Issues in Cloud Computing

Corporate interest in cloud computing has grown rapidly, and among CSK Group's own customers we are seeing a clear shift in needs from ownership to usage. This change is not restricted to the use of specific resources or functionality, but is beginning to extend to reforms in information platforms themselves, and use of cloud computing across entire IT systems. And, as key concerns about cloud computing, including security and a resistance to

CSK GROUP HYBRID CLOUD

Creating a new service that fuses, BPO, IT Management, and Systems Development to provide a new, usage-based, stock-type business model.



*1: Private cloud: System design and operation in which various technologies are applied to information systems under a company's own control, enabling the company to maintain governance through operational policies and service level guarantees, while gaining the benefits of cloud computing. Also refers to systems designed and operated under such an approach.

*2: Public cloud: Companies use the systems they need over the Internet, utilizing shared IT platform services provided by a service provider. Because client companies do not need to build their own system infrastructure, initial costs are low, and services can be used immediately. At the same time, however, because data and systems are externally located, and facilities are shared with other users, some users have concerns about system security and availability.

outsourcing, begin to recede, we are seeing a wider acceptance of the idea that this new technology provides a more efficient way of responding to changes in the business environment.

At the same time, attempting to migrate an entire IT system to the cloud does raise a variety of concerns. Significant uncertainties remain regarding a jump into cloud computing, including leases remaining on existing IT resources, still-active support contracts, migration costs, changes in system management operations, and the presence of a company's proprietary systems.

CSK Group's Hybrid Cloud

In response to these issues, CSK Group is working to utilize the advantages of both the client's existing systems and the public cloud, while also using our own proprietary private cloud, in an offering we call 'Hybrid Cloud.'

Hybrid Cloud gives clients the ability to flexibly select an IT platform according to their system's characteristics. After reviewing the residual value of their system resources, and the cost of migrating, clients can migrate to the cloud in phases, within the scope of what is possible depending on when existing resources will expire or new functions are to be added, thus maximizing the efficiency of their investments. In addition, by storing confidential data and personal information on existing systems or in the private cloud, while placing processing-related systems in the public cloud, clients are ensured of a securely structured system. The public cloud will be used only to the extent required by system loads, on a pay-as-you-go structure. What makes this flexible selection of IT platforms possible is CSK Systems' proprietary Hybrid Cloud Control Software, 'PrimeCloud Controller,' which makes simple system operation possible by automating complex setup and control tasks.

The key advantage of Hybrid Cloud is that it reduces the overall burden and total cost of system operations by enabling companies to closely examine which parts of their existing systems they will continue to use, while combining them with the strengths of both private and public cloud computing platforms.

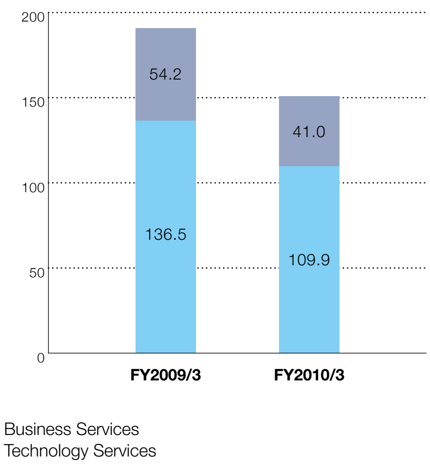
The Hybrid Cloud environment targeted by CSK Group does more than simply deliver a cloud computing environment, or the technology to achieve it, but actually promotes a real transformation of the customer's business itself. Our cloud services are unique in providing a total solution that includes BPO. Our BPO, IT Management, and Systems Development businesses have each accumulated their own advanced industry and operation-specific knowledge over many years of providing service to a wide range of customers. By utilizing that knowledge along with sophisticated IT systems, CSK Group hopes to exploit its cross-organizational strengths to support customers' IT strategies, and contribute to their businesses.

* Company names used in this feature are current as of the time of writing.

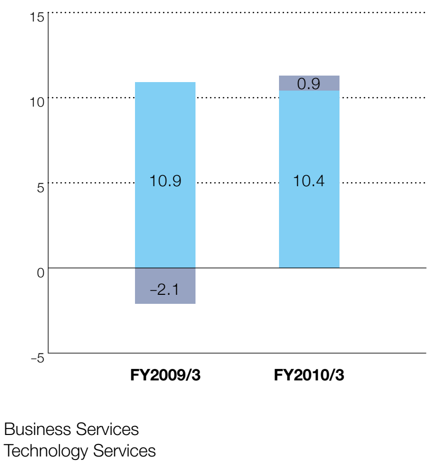
BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

IT Services Business (Technology Services and Business Services)

OPERATING REVENUE
(¥ billions)



OPERATING INCOME (LOSS)
(¥ billions)



Technology Services

Consulting / Systems integration / Solution services (ERP/SCM/CRM) / ASP / SaaS / PaaS / On-site management / Data center services / Network management / PC lifecycle management / Facility management / Maintenance support services / Assessment consulting / IT infrastructure design and construction services

In the fiscal year ended March 2010, technology services recorded operating revenue of ¥109.9 billion, down 19.5% year on year, and operating income of 10.4 billion, down 4.4%. Operating revenue declined due to fewer systems development sales to clients in the electrical, precision equipment and logistics equipment related areas of the manufacturing industry. The result also reflected an additional downward influence from the absence of large system integration projects, bank and trust bank mergers and large-scale equipment sales to credit finance clients that boosted operating revenue in the fiscal year ended March 2009. Operating income was negatively affected by the decline in operating revenue, but the operating income margin improved from 8.0% to 9.5% due to reductions in operating costs and selling, general and administrative expenses.

Business Services

Consulting / Business process analysis and design / Contact center services / BPO services by industry / Back office BPO / Product and security verification services / Fulfillment service

In the year ended March 2010, business services posted operating revenue of ¥41.0 billion, a decline of 24.2% from the previous year, and operating income of ¥0.9 billion, compared with an operating loss of ¥2.1 billion in the previous year. Fulfillment service related sales increased, but sales of contact center and product verification services declined due to corporate cost cutting and reviews of project plans among clients following deteriorating business conditions. Nevertheless, operating income moved back into the black this year, as we optimized resources by integrating centers to reorganize the BPO, cut costs by improving process efficiency and withdrew from unprofitable transactions.

* In April 2010 we transferred the entire business of ISAO.

Prepaid Card Business

The prepaid card business segment issues and processes settlements for the QUO Card, which can be used at approximately 43,000 stores and businesses throughout Japan (as of July 2010), as well as the sale and maintenance of cards and related equipment.

In the fiscal year ended March 2010, operating revenue rose 16.4% year on year to ¥3.1 billion. Card issuances from in-store sales and for gifts declined slightly, but were offset by a contribution from sales of card related equipment. Operating income was ¥0.2 billion, up 26.0%, boosted by an increase in the gross margin for equipment sales. After recording gains on unused cards as non-operating income, ordinary income totaled ¥1.3 billion, up 10.6.% from a year earlier.

Securities Business

The securities business segment consists of Cosmo Securities, a brokerage with a solid customer base in the Kansai region.

In the fiscal year ended March 2010, the securities business recorded operating revenue of ¥17.6 billion, up 12.9% year on year. Income from trading in stocks and bonds increased due in part to a gradual upward trend in the Nikkei index amid expectations of a recovery in Japan's domestic economy. Operating income was ¥0.1 billion, up from an operating loss of ¥7.8 billion in the previous year. Operating income benefitted from the rise in operating revenue, as well as a ¥5.7 billion year-on-year decline in trading and administrative costs among selling, general and administrative expenses.

* As part of our ongoing effort to concentrate the business resources of the CSK Group in the IT services business, we transferred all shares of Cosmo Securities to Iwai Securities Co., Ltd., (currently Iwai Cosmo Holdings, Inc.) in April 2010 and withdrew from the securities business.

Other Business (Financial Services Business)

Following the completion of withdrawal from the real estate securitization business, financial services have been recorded under other business from the fiscal year ended March 2010. Other business includes venture capital business and investment trust entrustment business.

In the fiscal year ended March 2010, operating revenue in the other business declined 69.1% year on year to ¥1.0 billion. The segment recorded an operating loss of ¥1.8 billion, partly due to an appraisal loss on securities. In the fiscal year ended March 2009, the segment recorded an operating loss of ¥115.6 billion after booking substantial appraisal losses on securities and real estate investments.

* We recorded ¥55.9 billion in expenses relating to the withdrawal from the real estate securitization business as extraordinary losses. Moreover, in September 2010, our venture capital business, CSK VENTURE CAPITAL changed from a consolidated subsidiary to an equity method affiliate by carrying out a capital increase by allocation of new shares to a third-party.

Corporate Governance

Basic Approach to Corporate Governance

The CSK Group considers it necessary to fulfill its tangible and intangible social responsibilities and obligations to all stakeholders. In order to accomplish this, we have created the corporate governance and management structures described below.

Shareholders' Rights and Fairness

- The existence of shareholders is fundamental to a capital based economy, and to the formation of capital markets. CSK has an important responsibility as a corporation to provide an environment in which shareholders can exercise their rights appropriately. We aim to fully respect our shareholders' rights by providing and disclosing management information on which shareholders base their voting decisions, and also by giving them an appropriate return on their investments. Finally, we remain constantly aware of the need for fairness to shareholders, avoiding biased treatment of particular shareholders, or unfair issues of shares disallowed by law.

Relationship with Stakeholders

- The CSK Group owes its existence in this economic society to the trust placed in it by all kinds of stakeholders. While we are involved with stakeholders in various ways, our relationships with non-shareholders in particular should be based on cooperation for mutual growth and development, and on mutual respect. At the same time, we are careful to ensure that trading relationships do not become unfair or exclusive.

Internal Control Systems

- Three internal control systems are run in parallel in the operation of the Group. The first is the internal control system required by the Company Act; the second, an internal control system for financial reporting based on the Financial Instruments and Exchange Law; and the third is 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.

Group Management System

- At regular meetings held with the directors (excluding outside directors) and executive officers of CSK, participants deliberate on Group management policies and business strategies.
- Regularly scheduled meetings for the presidents of each Group company are held to increase communication and strengthen business linkage between CSK and the Group companies, and also among Group companies themselves.
- The CSK Group has established a flexible and dynamic management structure that strives to promote permeation of management policies and collection and sharing of information. This is achieved through sessions at which the representatives 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.

Board of Directors

- Of the eight directors, four 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 Statutory Auditors

- Two 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

- CSK is 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.

Directors, Statutory Auditors and Executive Officers (As of October 1, 2010)

Directors

Akihiro Azuma
Representative Director
Chairman
Chief Executive Officer

Takeshi Nakanishi
Representative Director
President
Chief Operating Officer

Tatsuyasu Kumazaki
Director
Managing Executive Officer
Chief Financial Officer

Toshiyasu Horie
Director

Hiroyuki Yamazaki
Outside Director
Manager with Executive Officer status of the Corporate Planning, General Affairs and Human Resources Group, and Manager of President's Office of Sumisho Computer Systems Corporation

Katsushige Kondou
Outside Director
Executive Director,
Japan Association for CFOs

Iwao Fuchigami
Outside Director

Norio Usui
Outside Director
CEO, Unique Bridge Partners Inc.

Corporate Auditors

Standing Statutory Auditors
Akihiko Harima
Tadashi Kaizen

Outside Statutory Auditors
Iwao Ishikawa
Masanobu Shitanii

Executive Officers

Representative Director
President
Chief Operating Officer
Takeshi Nakanishi

Senior Managing Executive Officers
Masahiko Suzuki
(President of IT Solution Company)

Shunichi Ishimura
(President of Business Service Company)

Tooru Tanihara
(President of IT MANAGEMENT Company)

Director
Managing Executive Officer
Chief Financial Officer
Tatsuyasu Kumazaki

Executive Officers
Hideki Tazai
Yasushi Shimizu
Atsushi Watanabe
Masatoshi Endou

Business Service Company
Executive Officers
Yasuhiko Tanaka
Nozomi Yamamoto
Hideya Nakashima
Tetsushi Kondo

IT Management Company
Executive Officers
Tadashi Miyagawa
Kouichi Naitou

IT Solution Company
Managing Executive Officer
Toshiaki Kudou

Executive Officers
Taku Tamura
Makoto Nakamura
Shigehiro Seki
Takaya Yamamoto
Shiyouichi Kondou
Yoshinori Kawashima
Kan Takahashi

Compliance

CSK seeks to ensure that all elected officers and employees in the Group not only respect the law, but also conduct business in line with high ethical standards and a strong sense of responsibility. We have established risk and compliance committees as a framework for promoting risk management at each Group company. We have also formulated a Charter of Conduct for CSK Group Companies and a Code of Conduct for Directors and Employees of CSK Group Companies. Each business year we assess risk at each Group company, enacting measures to address any risks identified, as well as holding 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

The Charter of Conduct for CSK Group Companies contains the following sections. It is distributed to all Group directors and employees on a card that they can carry with them. This ensures that everyone has good knowledge of the Charter.

1. Legal Compliance
2. Sound Business Activities
3. Contribution to Society and Environmental Conservation
4. Basic Rules for Dealing with Clients
5. Information Disclosure
6. Strict Control Over Confidential Information / Protection of Personal Information
7. Intellectual Property Management
8. Working Environment and Safety
9. Exchange of Gifts and Entertainment
10. Disavowal of Anti-Social Elements

Organizational Structure

- Establishment of Risk and Compliance Committees
- Appointment of Risk and Compliance Officers and establishment of Compliance Promotion Departments

Establishment of Standard Group Regulations

- Risk and Compliance Regulations
- Basic Regulations on Information Security, Regulations on the Administration of Confidential Information
- Regulations on Handling of Intellectual Property
- CSK Group Regulations for Prevention of Insider Trading
- Internal Audit Regulations

Group Helpline System (Internal Reporting System)

- Establishment of an internal Group help desk within CSK
- Establishment of an external Group help desk operated by a legal advisor
- In addition to the above, establishment and operation of a help desk for sexual or power harassment issues (external counselor)

Ensuring Control and Protection of Confidential and Personal Information

- Management of backbone systems and important data at our data centers, which boast the highest level of facilities in Japan
- Obtained and maintained the Privacy Mark for the entire Group
- Operation of the CSK Group Emergency Contact Center (24 hours a day, 365 days a year) for receiving incident reports

Activities to Improve Compliance

- Regular Group-wide compliance training for employees
- Compliance awareness survey of all Group employees, and reflection of results in policies
- Regular internal audits and improvements implemented at all Group companies

Charter of Conduct for CSK Group Companies/Code of Conduct for Directors and Employees of CSK Group Companies card that employees can carry with them

Human Resources Management

CSK Group's Approach to Human Resources Management

The basis approach to management within the CSK Group can be summed up by the idea that "people are everything." Accordingly, we have actively promoted education and development of human resources.

We promote an organization that can accurately grasp changes in the environment, create new value and transform itself from within. At the same time, we believe that enabling individual employees to grow through their work and supporting their self-fulfillment will lead to the CSK Group's sustained growth.

Based on these beliefs, we work actively toward three specific goals: putting the right person in the right job so that employees will feel motivated in their work and be able to perform to their maximum ability; creating a fair and objective human resources system that responds to employees' contributions and growth; and providing employee education and training that supports individual growth.

Putting the Right Person in the Right Job

To successfully continue to raise corporate value, it is essential to place employees in the jobs to which they are best suited. This also leads to enhanced employee job 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 across the Group through such initiatives as a review of personnel databases. We are creating a database that contains more than just an employee's qualifications and work records, but also includes actual work experience and achievements, and records their personal strengths, 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 the CSK Group and make the best use of our personnel resources.

Personnel Evaluation System

The CSK Group personnel evaluation system emphasizes current value (the degree to which employees fulfill their capabilities). First, the evaluation system rates an employee's knowledge, technical skills, and specializations, assessing the degree to which the employee 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.

The CSK Group is currently working to create new services, and as such expects to see diversification in employees' job-related values. We will ensure that the review system will be convincing and even-handed, and that our employees feel well satisfied with the way in which they are reviewed.

Employee Education and Training

In Group-wide training and education, the CSK Group strives to realize an organization that can accurately grasp changes in the environment, create new value and transform itself from within. To this end, the Group is working toward strengthening management capabilities so that managers can bring out the full potential of their staff and maximize organizational capabilities. The Group also works to cultivate "independent human resources" who will engage proactively in both their work and in self-development.

Through these initiatives, the Group aims to transform its business and organization, and foster a corporate culture in which employees can grow.

Key Future Initiatives

■ Utilizing Group-wide personnel databases to put the right person in the right job

Through integrated management of personnel databases, the CSK Group is striving to cross intra-Group boundaries and make optimal use of human resources.

■ Deploying a Group-wide employee review system emphasizing current value

By introducing a new employee review system that emphasizes current value (each employee's role and the degree to which they fulfill their capabilities), CSK operates an insightful evaluation system. This system was created as a framework for the entire Group, and is being deployed at each Group company.

■ Enhancement of Group-wide training programs

Through joint training and discussions transcending Group company boundaries that promote communication between those who perform different professional roles, we work to vitalize the organization and cultivate the power to transform from within.

[Basic Policy for Personnel System]

We will create an organizational culture and mindset capable of sustained growth, in which individuals adopt a forward thinking approach to the rapidly changing socio-economic climate and acceleration of business strategies.

- A grading system based on current value, that is, actual ability (each employee's role and the degree to which they fulfill their capabilities)
- Compensation levels strongly influenced by actual ability
- Reviews that use a scale based on actual ability
- Career framework based on the IT Skills Standards (IT skills system formulated by the Japanese Ministry of Economy, Trade and Industry) and able to respond to business strategies and diversity of organization and employees
- Application of a basic policy as a common Group framework
- Overall system checks and objective third party input
- Thorough inspection and feedback on review and education systems

CSR Initiatives

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. Tokyo Green Systems is a model company for the employment of persons with severe disabilities, and aims to help employees achieve independence and make a contribution by upholding the principles of participation, independence and co-existence. As a special subsidiary of CSK, Tokyo Green Systems also promotes employment of persons with disabilities at Group companies.

Tokyo Green Systems has its Head Office at the CSK Tama Center, and is involved in cleaning of buildings, grounds maintenance, agricultural and restaurant service operations. At CSK offices within the Tokyo region, Tokyo Green Systems' operations are mainly focused within the Group and involve kiosk operations, mail duties, and services relating to back office operations.

Nurturing the Power of Cooperative Creation in Children

CAMP (Children's Art Museum & Park) is the CSK Group's corporate social contribution initiative aimed at nurturing future generations by developing childrens' ability to create together through a new style of workshop-based learning. The initiative started in 2001 based on a proposal from CSK's founder, the late Isao Okawa and has been operating in the Okawa Center located at Kansai Science City. The initiative has expanded to help children throughout Japan cultivate their creativity and ability to express themselves by developing and implementing a wide variety of workshops.

The CSK Group views respect for humanity and nurturing of human resources in society as an important responsibility as a corporate citizen. The entire Group is actively involved in CAMP activities to fulfill this responsibility for the children of the 21st century.

Promoting Development and International Exchange in Information and Telecommunications

The Okawa Foundation for Information and Telecommunications was established in 1986 by the founder of the CSK Group, the late Isao Okawa, as part of the Group's contribution to society. The Foundation promotes international activities that benefit the public, mainly by providing support for advanced, original research in the field of information and telecommunications, and giving awards to people who have contributed to this field.

Since its establishment the Okawa Foundation has made 1,219 awards in support of research both in and outside of Japan, including the Okawa Prize and Okawa Publications Prize.

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.

MIT OKAWA CENTER for Future Children

The U.S. Massachusetts Institute of Technology (MIT) established the MIT OKAWA CENTER for Future Children with a private donation made by the founder of the CSK Group, the late Isao Okawa, with the goal of expanding and developing the research of the MIT Media Lab. A new building opened in March 2010 as a base for these research activities. It will see researchers and children from around the world advancing research into new studying and learning styles, and forms of expression for the children of the future, driven by the latest digital technology. The MIT Media Lab is CAMP's biggest collaborator, and together they run a range of workshops fusing art and technology, such as the Cricket Workshop.

1. ANALYSIS OF OPERATING RESULTS

(1) Overview of operations

During the fiscal year under review, the domestic economy began to show some recovery trend, influenced in part by the effect of the Japanese government's economic stimulus measures, but corporate earnings generally remained weak in a severe environment characterized by tight controls on capital expenditure and evidence of deflation. Consumer sentiment remained low amid widespread uncertainty over employment and income, and the outlook remained unclear.

In the IT services business, poor corporate earnings meant that investment in IT remained under tight control, and the business environment was tough.

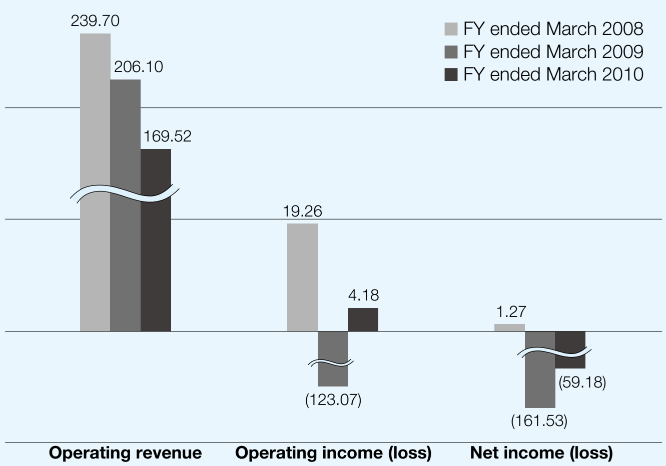
In the prepaid card business, the rapid worsening of the economic environment led to a decline in the corporate gift market, but business in other areas of the market developed steadily on the back of rapid growth in the use of non-contact IC Card type electronic money, such as in shared IC Cards for transportation systems. Higher numbers of member outlets, expansion of the gift card market, and Eco-Points exchanges all contributed to an increase in new demand.

In the securities business, the Nikkei stock index recovered to the ¥11,000 level by the end of fiscal year 2010, supported by an easing of credit worries, the effects of the government's economic stimulus measures, and a rising U.S. stock market. However, share prices tracked mainly sideways, with trends in the global economic outlook remaining closely watched, and although sentiment began to turn toward a recovery in performance, a rapid recovery remained unlikely. Note: As of April 2010, CSK Group has withdrawn from the securities business with the transfer of all shares in the relevant consolidated subsidiary.

In the context of this business environment, the Company during the fiscal year under review primarily focused on three management policies: "restoring trust," "restoring profitability," and "restoring growth." The details can be found in *Rebuilding the CSK brand*, in the following section at Management initiatives implemented during the fiscal year.

Consolidated operating revenue for the fiscal year ended March 31, 2010 decreased 17.7% to ¥169.52 billion. Operating income was ¥4.18 billion, compared to an operating loss of ¥123.07 billion in fiscal year 2009. Net loss was ¥59.18 billion, compared to a net loss of ¥161.53 billion in fiscal year 2009.

(Billions of yen)



In the IT services business, sales decreased 20.8% year on year, influenced by a decrease in sales to clients in the electrical, precision equipment and logistics equipment-related areas of the manufacturing industry, and also by the absence of large bank merger projects and equipment sales to credit finance clients that contributed to sales in fiscal year 2009. The prepaid card business and securities business produced sound results. In consequence, Operating revenue decreased 17.7% to ¥169.52 billion.

Operating income of ¥4.18 billion was recorded, reflecting a significant improvement on the operating loss of ¥123.07 billion recorded in fiscal year 2009. In the IT services business, a decline in operating revenue was recovered by progress made in cost-reduction measures, and operating income increased 28.9% to ¥11.32 billion. In the securities business, cost-reduction initiatives implemented in fiscal year 2009 contributed to operating income of ¥0.15 billion, compared to an operating loss in fiscal year 2009 of ¥7.87 billion, which absorbed all-company expenses and operating losses in Other business.

A net loss of ¥59.18 billion was recorded, compared to the net loss of ¥161.53 billion recorded in fiscal year 2009. This reflected “Loss on withdrawal from real estate securitization business,” “Special retirement expenses” and other expenses.

<Results by segment>

An outline of 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 centers, BPO*, verification, etc.
Prepaid card business	QUO Card issuance and settlement services
Securities business	Comprehensive securities services
Other business	Investment in securities, venture capital business, etc.

* BPO (Business Process Outsourcing) = Consigning operations to an outside company to improve efficiency and quality and promote differentiation

[IT services business]

In technology services, systems integration sales to clients in the electrical, precision equipment and logistics equipment-related areas of the manufacturing industry declined, with an additional downward influence from the absence of large bank and trust bank merger projects and large-scale equipment sales to credit finance clients that boosted sales in fiscal year 2009.

Business services saw increases in Fulfillment service* sales, but sales of contact center services and product verification services lagged. As a result, Operating revenue decreased 20.8% to ¥151.05 billion.

The increase in operating income reflected the result of active measures undertaken to reduce “Selling, general and administrative expenses,” despite the reduction in gross profit arising from lower sales in severe business environment where clients of both technology services and business services restricted their IT expenditure. In consequence, operating income increased 28.9% to ¥11.32 billion.

* Fulfillment service = Back-office business from order to delivery of merchandise.

[Prepaid card business]

Although POS and gift-based card issuance decreased slightly year on year, revenue increased on the back of contributions from equipment sales, which resulted in an increase of Operating revenue of 16.4% to ¥3.19 billion.

Higher gross profit from equipment sales contributed to operating income increasing 26.0% to ¥0.23 billion.

[Securities business]

The increase in operating revenue in this segment reflected gradual rise in the Nikkei stock index as the economy began to improve, with higher net trading income from securities and bonds trading. Operating revenue increased 12.9% to ¥17.63 billion.

The improvement in operating income reflected higher operating revenue, along with a reduction of approximately ¥5.73 billion in Trading related expenses and Office costs in “Selling, general and administrative expenses.” Operating income of ¥0.15 billion was recorded compared with an operating loss of ¥7.87 billion in fiscal year 2009.

[Other business]

Concomitant with the withdrawal from real estate securitization business, financial services have been recorded under Other business from the fiscal year 2010. Accordingly, results for fiscal year 2009 have been restated to conform with the current year’s presentation.

Operating revenue decreased 69.1% to ¥1.07 billion, mainly due to a reduction in profit on sales of securities.

Operating loss of ¥1.85 billion was recorded, reflecting factors such as an appraisal loss on securities. In fiscal year 2009, an operating loss of ¥115.61 billion was recorded, due to substantial appraisal losses recorded on securities and real estate investment.

The aforementioned segment-based sales also include inter-segment sales. For details, please see Segment information.

(2) Management initiatives implemented during the fiscal year

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

Rebuilding the CSK brand

CSK HOLDINGS CORPORATION (“the Company”) has been striving to reflect the trust and expectations of the Group’s stakeholders, aiming to achieve a rapid recovery in CSK’s business performance and financial condition. As part of this, since the fourth quarter of fiscal year 2009, the Company has been reducing financial risk (including reducing the scope of the financial service business, and selling assets and operations), increasing capital, stabilizing funding and finances, working to refinance debt on longer terms, restructuring business operations (including strengthening the revenue base by withdrawing from certain operations in the IT services business and rigorously reducing costs), and rebuilding the corporate governance system (including revising the management structure).

All of the initiatives mentioned above are critical to the revival and future growth of CSK Group, and underlying them are three structural management risks: “Real estate securitization business-related risk,” “Funding risk,” and “Risk to shareholders’ equity.”

At an extraordinary meeting of shareholders held on September 29, 2009, approval was granted for a number of measures aimed at addressing these risks, namely: eliminating real estate risk; strengthening capital through a capital increase from ACA, Inc.; receiving financial support from four main banks; and changing the management structure. Accordingly, on September 30, 2009, CSK effectively eliminated risk from real estate securitization business, and also completed a capital increase that effectively addressed funding risk and the risk of damage to shareholders’ equity. Currently, under a new management team, CSK Group is working to make best use of the Group’s long-established technical, customer base and human resources to increase CSK’s enterprise value.

Management has identified the following issues as key items to be addressed in the revival of the Group.

1) *Restoring trust*

In order to restore the trust in CSK that was lost through the management crisis arising from losses in the real estate securitization business, business activity is being concentrated in the IT services area, while building the revenue base, and reducing credit risk through prudent operational management.

2) *Restoring profitability*

i) Reforming cost structure

Principal cost reform measures include reviewing indirect head office functions, integrating and reducing office and operational locations, adopting an early retirement program, freezing internal office IT systems development and reviewing management costs.

ii) Selecting and focusing business domains

The following unprofitable operations, and operations in securities and financial services, have or are being withdrawn from or sold:

- Complete withdrawal from investment business at CSK Institute for Sustainability, Ltd. and CSK PRINCIPALS CO., LTD.
- Sale of all shares in Plaza Capital Management Co., Ltd. in October 2009
- Sale of all existing operations at ISAO CORPORATION in April 2010
- Sale of all shares in Cosmo Securities Co., Ltd. in April 2010

3) Restoring growth

i) Strengthening three core areas

The business organization is being reorganized to strengthen the Group's competitive position in three core business domains: BPO services, IT management and Systems integration.

- Reorganization of CSK SYSTEMS

  In April 2010, the three companies CSK SYSTEMS CORPORATION, CSK SYSTEMS NISHINIHON CORPORATION and CSK SYSTEMS CHUBU CORPORATION were combined.

  a. The merger is aimed at increasing efficiency in operation and reforming the cost structure

  b. The new company pursues systems integration-focused IT management business, and collaborates in BPO services marketing

- Reorganization of BPO services business

  In April 2010, CSK ServiceWare Corporation merged with BUSINESS EXTENSION CORPORATION.

  a. The resulting entity works to expand its business base by providing comprehensive services, bringing the BPO service offerings of CSK ServiceWare Corporation to the customers of BUSINESS EXTENSION CORPORATION, which has a customer base primarily in the management and corporate planning departments of corporations.

- Business reform program

  a. Based on the four themes of "marketing," "services," "project offices" and "technology," the CEOs of each Group company are engaged in a project to reform overall Group business

  b. Strengthening intra-Group collaboration

     Strengthening Group strategic marketing (via a marketing structure that addresses customers on a Group-wide basis)

     Expanding sales by cross-selling Group strengths in services and products

ii) Creating new growth areas

- Establishing new organization

  a. Strengthening overseas strategy through the establishment of a "Global Business Office" within the Company

  b. Establishing a "Service Innovation Office" within CSK ServiceWare Corporation, CSK-IT MANAGEMENT CORPORATION and CSK SYSTEMS CORPORATION to pursue the creation of new services through Group collaboration

iii) Developing new business through activities between similar operations in different industries

- Business alliance with Sumisho Computer Systems Corporation

2. ANALYSIS OF FINANCIAL POSITION AND CASH FLOWS

(1) Assets, liabilities and net assets

Assets decreased ¥96.18 billion (26.4%) to ¥267.75 billion

Current assets decreased ¥75.61 billion, influenced by a decline of ¥101.94 billion in "Investments related to financial services" in Other business despite of increase of ¥21.61 billion in "Short-term loans receivable" to former consolidated subsidiary CSK FINANCE CO., LTD. (currently Gen Capital Co., Ltd.) associated with the withdrawal of real estate securitization business.

Fixed assets decreased ¥20.56 billion, influenced by factors such as ¥13.53 billion decrease in tangible fixed assets arising from the sale of land and the removal of subsidiaries from the scope of consolidation, along with a ¥3.86 billion reduction primarily from the sale of "Investments in securities."

Liabilities decreased ¥86.74 billion (25.6%) to ¥251.94 billion

Current liabilities decreased ¥86.74 billion, reflecting capitalization of ¥30.0 billion in a debt-equity swap, and reduction in debt in "Liabilities related to financial services" in Other services business of ¥41.02 billion concomitant with a withdrawal from real estate securitization business.

Net assets decreased ¥9.44 billion (37.4%) to ¥15.81 billion

Net assets decreased by ¥9.44 billion. Factors that increased Net assets included the debt-equity swap of ¥30.0 billion and capital increase of ¥16.0 billion via allocation of new shares to a third party underwritten by ACA Investments that increased "Common stock" and "Capital surplus" by ¥23.0 billion, respectively. Factors that decreased Net assets included a decrease in "Retained earnings" arising from the net loss recorded for fiscal year 2010.

(2) Cash flows

Cash flows from operating activities ¥5.50 billion (increase of ¥11.22 billion)

Although net loss before income taxes and minority interests was recorded, factors such as "Loss on withdrawal from real estate securitization business," "Depreciation," and changes in accounts receivable contributed to operating activity cash flow of ¥5.50 billion, ¥11.22 billion more than in fiscal year 2009.

Cash flows from investing activities ¥6.53 billion (increase of ¥18.93 billion)

Although cash was outlaid for "Purchase of investments in securities," inflows from the sale of land and the sale of investments in securities contributed to an overall increase in cash flow provided by investing activities of ¥18.93 billion, to ¥6.53 billion.

Cash flows from financing activities Minus ¥1.97 billion (increase of ¥4.71 billion)

Although inflows were recorded from the issuance of common stock, payment on the refinancing of short-term bank loans to long-term bank loans along with the repayment of long-term bank loans resulted in net cash used in financing activities of ¥1.97 billion.

Cash and cash equivalents ¥43.39 billion (increase of ¥9.51 billion)

Reflecting the cash flows described above with effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents as of March 31, 2010 amounted to ¥43.39 billion, an increase of ¥9.51 billion compared to March 31, 2009.

CONSOLIDATED BALANCE SHEETS

ASSETS	Millions of yen 2008	2009	2010	Thousands of U.S. dollars (Note 1) 2010
Current assets:				
Cash and deposits (Notes 2 (3), 3, 4 and 11)	¥ 64,013	¥ 36,309	**¥ 45,250**	**$ 486,354**
Notes and accounts receivable (Notes 2 (25) and 4)	31,026	27,680	**23,301**	**250,436**
Short-term loans receivable (Note 4)	—	520	**22,261**	**239,264**
Marketable securities (Notes 2 (4), 3, 4, 5 and 11)	11,702	11,159	**8,485**	**91,202**
Venture capital investments (Notes 2 (4), 2 (5), 4 and 5)	4,166	2,145	**3,970**	**42,675**
Inventories (Notes 2 (9), 6 and 7)	4,888	4,146	**2,180**	**23,433**
Income taxes refundable	5,000	2,906	**3,262**	**35,058**
Deferred income taxes (Notes 2 (22) and 19)	6,508	1,385	**2,873**	**30,881**
Investments related to financial services (Notes 2 (4), 2 (5), 2 (9), 5, 8 and 11)	198,428	101,941	**—**	**—**
Cash segregated as deposits related to securities business (Note 4)	32,892	26,810	**26,593**	**285,824**
Trading assets related to securities business (Notes 4, 5 and 11)	6,825	6,860	**10,232**	**109,979**
Receivables related to margin transactions (Notes 4 and 11)	46,105	20,504	**24,551**	**263,880**
Other current assets (Note 11)	25,158	26,701	**28,759**	**309,091**
Allowance for losses on investment securities (Note 2 (8))	(235)	(47)	**—**	**—**
Allowance for doubtful accounts (Note 2 (7))	(92)	(419)	**(8,724)**	**(93,773)**
Total current assets	436,384	268,600	**192,993**	**2,074,304**
Property and equipment, net of accumulated depreciation (Notes 2 (10), 2 (12) and 9)	34,346	40,009	**26,482**	**284,631**
Deferred charges and intangible assets (Notes 2 (11))	8,877	6,627	**5,428**	**58,334**
Investments and other assets:				
Investments in securities (Notes 2 (4), 4, 5 and 11)	49,327	34,926	**31,066**	**333,895**
Prepaid pension costs (Notes 2 (16) and 14)	3,219	2,984	**2,379**	**25,565**
Deferred income taxes (Notes 2 (22) and 19)	8,415	1,478	**1,574**	**16,919**
Other assets (Note 11)	10,557	9,892	**8,143**	**87,534**
Allowance for doubtful accounts (Note 2 (7))	(1,071)	(584)	**(315)**	**(3,388)**
Total investments and other assets	70,447	48,696	**42,847**	**460,525**
Total assets (Notes 2 (1) and 37)	¥550,054	¥363,932	**¥267,750**	**$2,877,794**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS (Shareholders' equity)	2008	2009	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:				
Accounts payable (Notes 2 (25) and 4)	¥ 11,585	¥ 8,679	**¥ 6,602**	**$ 70,960**
Short-term bank loans payable (Notes 4, 10 and 11)	69,511	78,423	**10,933**	**117,509**
Accrued income taxes	3,113	1,348	**1,157**	**12,433**
Deposits received on prepaid cards (Notes 2 (25), 4 and 11)	46,564	50,762	**53,184**	**571,622**
Accrued bonuses to employees (Note 2 (13))	7,026	5,763	**3,784**	**40,669**
Allowance for anticipated losses on contracts (Notes 2 (14) and 7)	369	1,837	**57**	**613**
Accrued for loss on cancellation penalty (Note 2 (15))	—	1,812	**—**	**—**
Liabilities related to financial services (Notes 8, 10 and 11)	44,371	41,017	**—**	**—**
Trading liabilities related to securities business (Note 4)	2,602	543	**1,008**	**10,839**
Payables related to margin transactions (Notes 4 and 11)	19,324	13,865	**19,122**	**205,521**
Deposits received and guarantee deposits received from customers related to securities business (Note 4)	44,128	33,121	**35,994**	**386,869**
Other current liabilities (Notes 2 (23), 2 (25), 10 and 11)	35,440	19,407	**18,800**	**202,068**
Total current liabilities	284,032	256,577	**150,641**	**1,619,103**
Long-term liabilities:				
Corporate bonds payable (Notes 4 and 10)	20,000	20,000	**—**	**—**
Convertible bonds payable (Notes 4 and 10)	56,792	56,792	**56,792**	**610,404**
Long-term bank loans payable (Notes 4, 10 and 11)	84	—	**40,063**	**430,600**
Accrued employees' retirement benefits (Notes 2 (16) and 14)	341	275	**198**	**2,125**
Accrued directors' retirement benefits (Note 2 (17))	159	115	**23**	**244**
Other long-term liabilities	1,565	4,056	**3,543**	**38,086**
Total long-term liabilities	78,941	81,238	**100,619**	**1,081,459**
Statutory reserve:				
Reserve for financial products transaction liabilities (Note 2 (20))	—	870	**682**	**7,329**
Reserve for securities trading liabilities (Note 2 (18))	1,580	—	**—**	**—**
Reserve for financial futures trading liabilities (Note 2 (19))	4	—	**—**	**—**
Total statutory reserve	1,584	870	**682**	**7,329**
Commitments and contingencies (Notes 2 (12), 11, 12, 32 and 33)				
Net assets				
Shareholders' equity (Note 15)				
Preferred stock—(Note 17)				
Authorized: 269,546 shares				
Issued: 40,000 shares in 2010	—	—	**20,500**	**220,336**
Common stock—(Notes 15, 16 and 17)				
Authorized: 298,000,000 shares				
Issued: 78,670,524 shares in 2008 80,290,414 shares in 2009 125,747,714 shares in 2010	73,225	73,225	**75,726**	**813,903**
Capital surplus	37,792	30,764	**53,764**	**577,856**
Retained earnings	83,007	(80,313)	**(139,495)**	**(1,499,294)**
Treasury stock, at cost (Note 16)	(31,614)	(68)	**(69)**	**(740)**
Total shareholders' equity	162,410	23,608	**10,426**	**112,061**
Valuation, translation adjustments and other				
Net unrealized gains (losses) on securities (Notes 2 (4), 2 (5) and 5)	1,697	(990)	**235**	**2,517**
Net unrealized gains (losses) on hedging derivatives (Note 2 (6))	(7)	—	**—**	**—**
Foreign currency translation adjustments (Note 2 (2))	(626)	(2,441)	**—**	**—**
Total valuation, translation adjustments and other	1,064	(3,431)	**235**	**2,517**
Subscription rights to shares (Note 18)	—	—	**467**	**5,022**
Minority interests	22,022	5,070	**4,680**	**50,303**
Total net assets	185,496	25,247	**15,808**	**169,903**
Total liabilities and net assets	¥550,054	¥363,932	**¥ 267,750**	**$ 2,877,794**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Operating revenue (Notes 2 (23), 2 (25) and 37)	¥239,695	¥ 206,100	**¥169,518**	**$1,821,993**
Costs and expenses:				
Operating costs (Notes 2 (21), 2 (25), 5, 20 and 21)	153,713	263,769	**116,601**	**1,253,239**
Selling, general and administrative expenses (Notes 2 (21) and 20)	66,726	65,398	**48,740**	**523,865**
Operating income (loss) (Notes 2 (9), 2 (10), 2 (25) and 37)	19,256	(123,067)	**4,177**	**44,889**
Other income (expenses):				
Interest and dividends income	918	523	**269**	**2,893**
Interest expenses	(66)	(20)	**(697)**	**(7,488)**
Gain on sales of investments in securities (Note 23)	279	426	**903**	**9,711**
Loss on sales of investments in securities	(292)	(666)	**(1,437)**	**(15,450)**
Foreign exchange loss	(717)	(143)	**(100)**	**(1,071)**
Loss on write-downs of investments in securities (Note 5)	(1,659)	(2,033)	**(1,006)**	**(10,808)**
Gain on change in interest in consolidated subsidiary (Note 24)	367	(6)	**(19)**	**(203)**
Loss on investment in partnerships	(44)	(375)	**(193)**	**(2,076)**
Hoard profit of prepaid card (Note 2 (25))	1,032	990	**1,085**	**11,658**
Provision for accrued employees' retirement benefits (Note 2 (16))	(261)	(261)	**(261)**	**(2,804)**
Stock issuance cost	—	(0)	**(481)**	**(5,169)**
Commission fee	—	(48)	**(609)**	**(6,542)**
Loss on investments in silent partnership	—	—	**(524)**	**(5,632)**
Gain on transfer of business (Note 22)	11	989	**180**	**1,935**
Loss on disposal of fixed assets	(740)	(520)	**(229)**	**(2,466)**
Loss on impairment of fixed assets (Note 26)	(13,345)	(14,722)	**(1,214)**	**(13,046)**
Loss on business restructuring (Note 27)	—	(1,218)	**—**	**—**
Loss on discontinuing construction of head office (Note 28)	—	(2,543)	**—**	**—**
Loss on withdrawal from real estate securitization business (Note 29)	—	—	**(55,940)**	**(601,248)**
Special retirement expenses (Note 30)	—	—	**(2,803)**	**(30,124)**
Compensation received for relocation (Note 25)	950	—	**—**	**—**
Provision for reserve for securities trading liabilities (Note 2 (18))	(233)	—	**—**	**—**
Provision for reserve for financial futures trading liabilities (Note 2 (19))	(2)	—	**—**	**—**
Reversal of reserve for financial products transaction liabilities (Note 2 (20))	—	714	**183**	**1,967**
Other, net	(772)	(2,366)	**(799)**	**(8,602)**
	(14,574)	(21,279)	**(63,692)**	**(684,565)**
Income (loss) before income taxes and minority interests (Notes 2 (9), 2 (10), 2 (20) and 2 (25))	4,682	(144,346)	**(59,515)**	**(639,676)**
Income taxes (Notes 2 (22) and 19)**:**				
Current	5,864	2,900	**1,908**	**20,512**
Deferred	2,276	14,882	**(2,415)**	**(25,961)**
Refund (Note 31)	(2,763)	(702)	**—**	**—**
	5,377	17,080	**(507)**	**(5,449)**
Income (loss) before minority interests	(695)	(161,426)	**(59,008)**	**(634,227)**
Minority interests in subsidiaries	(1,967)	103	**172**	**1,849**
Net income (loss)	¥ 1,272	¥(161,529)	**¥ (59,180)**	**$ (636,076)**

	Yen			U.S. dollars (Note 1)
Per share information:				
Net income (loss) per share (Notes 2 (26) and 36)	¥17.34	¥(2,097.39)	**¥(720.62)**	**$(7.75)**
Diluted net income per share (Notes 2 (26) and 36)	15.46	—	**—**	**—**
Cash dividends (Note 2 (26))	40.00	—	**—**	**—**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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	Stock subscription rights	Minority interests	Total
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]	—	—	(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
Issuance of new stock*[2]	—	4,025	—	—	—	—	—	—	—	4,025
Cash dividends*[1]	—	—	(1,411)		—	—	—	—	—	(1,411)
Net loss	—	—	(161,529)	—	—	—	—	—	—	(161,529)
Repurchases of treasury stock	—	—	—	(77)	—	—	—	—	—	(77)
Disposal of treasury stock	—	(2)	—	7	—	—	—	—	—	5
Disposal of treasury stock by share exchange*[2]	—	(11,051)	(380)	31,616	—	—	—	—	—	20,185
Net changes in items other than shareholders' equity	—	—	—	—	(2,687)	7	(1,815)	—	(16,952)	(21,447)
Balance as of March 31, 2009	¥73,225	¥ 30,764	¥ (80,313)	¥ (68)	¥ (990)	¥—	¥(2,441)	¥ —	¥ 5,070	¥ 25,247
Issuance of new stock*[3]	23,000	23,000	—	—	—	—	—	—	—	46,000
Net loss	—	—	(59,180)	—	—	—	—	—	—	(59,180)
Repurchases of treasury stock	—	—	—	(2)	—	—	—	—	—	(2)
Disposal of treasury stock	—	—	(1)	1	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	1,225	—	2,441	467	(390)	3,743
Balance as of March 31, 2010	**¥96,226**	**¥ 53,764**	**¥(139,495)**	**¥ (69)**	**¥ 235**	**¥—**	**¥ —**	**¥467**	**¥ 4,680**	**¥ 15,808**

*[1] Relates to a distribution of cash dividends approved in a shareholders' meeting in June 2007 and 2008.
*[2] Relates to a share exchange for the making Cosmo Securities Co., Ltd. the Company's wholly-owned subsidiary on August 1, 2008.
*[3] Relates to a taking up of a third-party allotment of a debt-equity swap for preferred shares by four of CSK's banks and a third-party allotment for preferred shares by ACA INVESTMENT PTE. LTD,.

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	Stock subscription rights	Minority interests	Total
Balance as of March 31, 2009	$ 787,032	$330,649	$ (863,210)	$(735)	$(10,641)	$—	$(26,231)	$ —	$54,497	$ 271,361
Issuance of new stock*[1]	247,207	247,207	—	—	—	—	—	—	—	494,414
Net loss	—	—	(636,076)	—	—	—	—	—	—	(636,076)
Repurchases of treasury stock	—	—	—	(19)	—	—	—	—	—	(19)
Disposal of treasury stock	—	—	(8)	14	—	—	—	—	—	6
Net changes in items other than shareholders' equity	—	—	—	—	13,158	—	26,231	5,022	(4,194)	40,217
Balance as of March 31, 2010	**$1,034,239**	**$577,856**	**$(1,499,294)**	**$(740)**	**$ 2,517**	**$—**	**$ —**	**$5,022**	**$50,303**	**$ 169,903**

*[1] Relates to a taking up of a third-party allotment of a debt-equity swap for preferred shares by four of CSK's banks and a third-party allotment for preferred shares by ACA INVESTMENT PTE. LTD,.

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 4,682	¥(144,346)	**¥(59,515)**	**$(639,676)**
Adjustments for—				
Depreciation	5,904	7,054	**5,639**	**60,612**
Loss on impairment of fixed assets	13,345	14,890	**1,214**	**13,046**
Amortization of goodwill	315	1,437	**154**	**1,655**
Increase (decrease) in allowances and decrease (increase) in prepaid pension costs	(4,430)	2,296	**(2,120)**	**(22,788)**
Increase (decrease) in reserve for financial products transaction liabilities	—	(714)	**(183)**	**(1,967)**
Interest and dividends income	(3,245)	(1,936)	**(1,273)**	**(13,678)**
Interest expenses	1,589	2,154	**2,995**	**32,191**
Loss on write-downs of investments in securities	1,659	2,033	**1,006**	**10,808**
Loss on withdrawal from real estate securitization business	—	—	**46,733**	**502,293**
Decrease (increase) in accounts receivable	2,663	3,345	**4,309**	**46,313**
Decrease (increase) in inventories	(69)	743	**1,960**	**21,063**
Increase (decrease) in accounts payable	292	(2,906)	**(2,056)**	**(22,096)**
Increase (decrease) in deposits received on prepaid cards	3,705	4,197	**2,422**	**26,030**
Decrease (increase) in venture capital investments	(2,476)	1,826	**324**	**3,488**
Decrease (increase) in investments related to financial services	(95,688)	89,524	**1,085**	**11,665**
Increase (decrease) in liabilities related to financial services	29,234	1,177	**—**	**—**
Decrease (increase) in cash segregated as deposits related to securities business	13,503	6,082	**(583)**	**(6,266)**
Decrease (increase) in trading assets related to securities business	8,854	(35)	**(3,372)**	**(36,248)**
Decrease (increase) in trade date accrual related to securities business	—	(2,778)	**3,001**	**32,259**
Decrease (increase) in receivables related to margin transactions	45,000	25,602	**(4,048)**	**(43,505)**
Decrease (increase) in loans secured by securities	6,914	2,737	**(600)**	**(6,450)**
Increase (decrease) in trading liabilities related to securities business	(6,578)	(2,060)	**466**	**5,007**
Increase (decrease) in trade date accrual (liability) related to securities business	—	—	**680**	**7,305**
Increase (decrease) in payables related to margin transactions	(36,518)	(5,458)	**5,256**	**56,494**
Increase (decrease) in deposits received and guarantee deposits received from customers related to securities business	(11,874)	(11,007)	**2,873**	**30,880**
Other, net	4,923	2,090	**1,633**	**17,554**
Subtotal	(18,296)	(4,053)	**8,000**	**85,989**
Interest and dividends income received	3,252	2,086	**1,346**	**14,466**
Interest expenses paid	(1,579)	(2,094)	**(3,065)**	**(32,942)**
Income taxes paid	(16,504)	(1,655)	**(781)**	**(8,397)**
Proceeds from refund of income taxes	2,763	—	**—**	**—**
Net cash provided by (used in) operating activities	(30,364)	(5,716)	**5,500**	**59,116**
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	(2,967)	3,043	**(205)**	**(2,206)**
Net proceeds from sales and purchases of marketable securities	1,094	4,478	**3,182**	**34,198**
Purchases of property and equipment	(11,916)	(13,792)	**(1,948)**	**(20,938)**
Proceeds from sales of property and equipment	—	117	**7,350**	**79,005**
Purchases of intangible assets	(10,647)	(5,944)	**(1,646)**	**(17,695)**
Purchases of investments in securities	(7,245)	(9,245)	**(8,976)**	**(96,478)**
Proceeds from sales of investments in securities	3,616	8,972	**8,898**	**95,644**
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	—	**(692)**	**(7,436)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	—	**367**	**3,941**
Other, net	111	(28)	**201**	**2,165**
Net cash provided by (used in) investing activities	¥(27,954)	¥ (12,399)	**¥ 6,531**	**$ 70,200**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans, net	¥ 47,438	¥ (67)	**¥(42,353)**	**$(455,213)**
Proceeds from long-term loans payable	—	53	**50,000**	**537,403**
Repayment of long-term debt	—	(5,158)	**(5,000)**	**(53,740)**
Redemption of corporate bonds	(21,208)	—	**(20,000)**	**(214,961)**
Issuance of common stock	870	2	**16,000**	**171,972**
Purchases of treasury stock (Note 3 (2))	(12,239)	—	**—**	**—**
Cash dividends paid	(2,949)	(1,414)	**—**	**—**
Proceeds from issuance of subscription rights to shares	—	—	**467**	**5,023**
Other, net	289	(97)	**(1,083)**	**(11,650)**
Net cash provided by (used in) financing activities	12,201	(6,681)	**(1,969)**	**(21,166)**
Effect of exchange rate changes on cash and cash equivalents	(130)	(240)	**(551)**	**(5,923)**
Net increase (decrease) in cash and cash equivalents	(46,247)	(25,036)	**9,511**	**102,227**
Cash and cash equivalents, at beginning of the year	105,447	59,200	**33,883**	**364,176**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation (Note 2 (1))	—	(281)	**—**	**—**
Cash and cash equivalents, at end of the year (Notes 2 (3) and 3 (1))	¥ 59,200	¥ 33,883	**¥ 43,394**	**$ 466,403**

The accompanying notes are an integral part of these statements.

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 ¥93.04 = U.S. $1.00, the rate of exchange prevailing on March 31, 2010, 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, 2010 is as follows:

Name of subsidiary
Subsidiaries:
CSK SYSTEMS CORPORATION
CSK-IT MANAGEMENT CORPORATION
CSK SYSTEMS NISHINIHON CORPORATION (On Apr. 1, 2010, CSK SYSTEMS merged with CSK SYSTEMS NISHINIHON CORPORATION)
CSK SYSTEMS CHUBU CORPORATION (On Apr. 1, 2010, CSK SYSTEMS merged with 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
CSK ServiceWare Corporation
CSK Nearshore Systems Corporation
CSK Securities Service Co., Ltd.
VeriServe Corporation
CSK PRESCENDO CORPORATION
ISAO CORPORATION (On Apr. 1, 2010, ISAO CORPORATION changed its corporate name to YOTSUYA BUSINESS CORPORATION)
BUSINESS EXTENSION CORPORATION (On Apr. 1, 2010, BUSINESS EXTENSION CORPORATION merged with CSK ServiceWare Corporation)
CSK ADMINISTRATION SERVICE CORPORATION
CSK VENTURE CAPITAL CO., LTD.
Plaza Asset Management Co., Ltd.
CSK PRINCIPALS CO., LTD.
Cosmo Securities Co., Ltd. (On Apr. 16, 2010, the company sold all shares of Cosmo Securities Co., Ltd. to Iwai Securities Co., Ltd.)
Cosmo Enterprise Co., Ltd.
QUO CARD Co., Ltd.
CSK Institute for Sustainability, Ltd.
Other 2 investment partnerships

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.

Cosmo Securities Co., Ltd. (the surviving company) and CSK-RB SECURITIES CORPORATION (the expired company) merged in December 2008.

Japan Cosmo Securities (Hong Kong) Limited was excluded from consolidation due to liquidation.

Tsuyama Securities Co., Ltd. was excluded from consolidation because the company sold all stocks on June 2009. CSK Marketing Corporation, CSK Communications Corporation, SHIMANE CSK Corporation, Kitakyushu CSK Corporation, IWATE CSK CORPORATION, and OITA CSK CORPORATION disappeared in July 2009 due to takeover by CSK ServiceWare Corporation as the surviving company. CSK FINANCE CO., LTD. (The existing company name as GEN CAPITAL CO., LTD.) was excluded from consolidation along with CVC Business Co., Ltd., GENASSET CO., LTD., 43 anonymous association, and other 4 companies because the Company sold all the stocks of CSK FINANCE CO., LTD. in Sept. 2009. Light works Corporation was exclude from consolidation owing to the Company's selling of a part of stocks and the reduction in proportionate ownership share and became affiliate using cost method.

The Company accounts for investments in non-consolidated subsidiaries and affiliates as the cost method because 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, 2 investment partnerships have fiscal year ends of December 31.

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 operations.

(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 hand, 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 as sales.

Shares and real estate

With regard to transactions in shares and real estate, any profit or loss from the sale of shares and real estate is recorded as 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 "Net unrealized gains (losses) 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."

Effective fiscal year 2010, financial service business has been displayed as Other business.

(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.

(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."

Effective fiscal year 2010, financial service business has been displayed as Other business.

(9) Inventories

"Inventories" are stated at cost, based on the specific identification method or moving-average method (write-down amount of book value as a result of declines in profitability).

(Change in accounting policy)
Inventories held for sales in the ordinary course of business were previously stated mainly at cost, based on the specific identification method, or moving-average method. The “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006) has been adopted effective the year ended March 31, 2009.

As a result, operating loss, and loss before income taxes and minority interests increased by ¥81,059 million from the corresponding amounts which would have been recorded under the previous method used prior to fiscal year 2009.

(10) Property and equipment (except for Lease assets)
Property and equipment are carried at cost less accumulated depreciation. Maintenance and repairs 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.

Depreciation of Tangible fixed assets acquired before March 31, 2007 and depreciated to their respective allowable limits has been calculated by a method that depreciates residual value equally for five years. Main useful lives are 2–50 years for Buildings and structures.

(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.

(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) Intangible assets and Deferred charges (except for Lease assets)
Capitalized costs of software for internal use are amortized using the straight-line method over the estimated useful life of the software. Capitalized costs of software developed for external sale are amortized as the higher of (a) the amount based on projected sales profits, or (b) the amount computed on a straight-line over an estimated sales period. Costs associated with stock issuance cost are expensed as incurred.

(12) Lease assets
Regarding leased assets related to finance lease transactions other than those involving transfer of ownership to the lessee, the straight line method with the lease period calculated as the service life and a residual value of zero has been adopted.

Lease transactions commencing prior to March 31, 2008, are accounted for as operating lease transactions.

(Change in accounting policy)
Leased assets related to finance lease transactions other than those involving transfer of ownership to the lessee, were accounted for as operating lease transactions, but the “Accounting Standard Related to Lease Transactions,” (Corporate Accounting Standards Article 13, June 17, 1993) (Business Accounting Council First Sub-committee, March 30, 2007) and “Application Guidelines for Accounting Standard Related to Lease Transactions” (Corporate Accounting Standard Application Guidelines Article 16, January 18, 1994 and the Japanese Institute of Certified Public Accountants Accounting System Committee, amended March 30, 2007) have been applied effective the year ended March 31, 2009, and are now accounted for as standard sales transactions.

There has been no material impact on profit and loss for the year ended March,31 2009.

(13) 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.

(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 for loss on cancellation penalty
“Accrued for loss on cancellation penalty” is calculated as deemed necessary as of the end of the fiscal year, against sales contract penalties which may arise in the future with respect to discontinuing construction of the head office building.

(16) Accrued employees’ retirement benefits
“Accrued employees’ retirement benefits” are calculated based on the estimated retirement obligations less estimated plan assets at the balance sheet date.

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

The net transition amount at the adoption of the new accounting standard for retirement benefits is being amortized mainly over a period of 15 years using the straight-line method. Effective fiscal year 2010, the net transition amount at the adoption of the new accounting standard for retirement benefits is being amortized 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 when it arises.

(Change in accounting policy)
Effective fiscal year 2010, “Partial Amendments to Accounting Standard for Retirement Benefits” (Part 3) (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008) have been applied.

The change has not resulted in any material impact on loss before income taxes and minority interests.

(17) Accrued directors' retirement benefits

In order to provide for payments of retirement benefits to directors of the Company and some subsidiaries, a forecast payment amount is recorded in accordance with internal regulations. Effective fiscal year 2010, in order to provide for payments of retirement benefits to directors of 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.

(18) Reserve for securities trading liabilities

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

(19) 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.

(20) Reserve for financial products transaction liabilities

A reserve has been recorded for liabilities arising from incidents pertaining to financial products transactions, as required under the Financial Instruments and Exchange Act No. 46 Section 5.

(Change in accounting policy)

In line with the enforcement of "the Financial Instruments and Exchange Act No. 46," financial instrument transactions underwriting reserves based on Article 46 Section 5 of that law, shall be reported as stipulated in Article 175 of the "Cabinet Order Relating to Financial Instrument Transactions etc," from the fiscal year 2009.

As a result, loss before income taxes and minority interests decreased by ¥320 million in fiscal year 2009 when compared to the previous methods used in fiscal year 2008.

(21) Research and development costs

Research and development costs are charged to income as incurred.

(22) 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 statements 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.

(23) 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.

(24) Consolidated tax return system

A consolidated tax return system has been applied since fiscal year 2004.

(25) 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.

The percentage-of-completion method has been applied to the portion of construction performed through March 31, 2010, in those cases where the outcome of performance activity is deemed certain for construction contracts that commenced on or after April 1, 2009. When the outcome of performance activity is not deemed to be certain, the completed-contract method is applied. The estimation for the degree of completion of construction as of the fiscal year end is determined by the percentage of the costs incurred to the estimated cost.

(Change in accounting policy)

The completed-contract method has been applied as the reporting revenue for service contracted agreements. Effective fiscal year 2010, Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15; December 27, 2007), and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007) have been applied.

As a result, in fiscal year 2010, operating revenue increased by ¥1,168 million ($12,549 thousand), operating income increased by ¥340 million ($3,656 thousand), and loss before income taxes and minority interests decreased ¥340 million ($3,656 thousand).

The effect on segment information is described in "Segment Information" in Note 37.

b. Prepaid card sales

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 Corporation Tax Law which requires that the year in which the cards were sold be taken into consideration.

(Change in accounting policy)
Prior to April 1, 2008, income generated by funds received against card obligations was originally reported as non-operating profit, but this has been changed and the income is reported as sales and operating profit from the fiscal year beginning on April 1, 2008. This change has been made in order to reflect the relationships between income and costs in the financial statements and to display operating realities more clearly, after having reviewed the accounting procedures related to the increased income from the increased issuance of gift cards. The income in question corresponds to card user benefits, and furthermore, the transaction fees in line with card usage and income generated by funds received against card obligations function in a mutually complementary manner, and these integrate to maintain operating activities.

In line with this change, operating revenue increased ¥383 million while operating loss decreased by the same figure compared to prior methods, but there was no material impact on loss before income taxes and minority interests for the fiscal year ended March 31, 2009.

(26) Dividends and net income (loss) per share
The amount of dividends distributed is determined based on unrestricted retained earnings on non-consolidated balance sheets.

"Net income (loss) 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.

"Diluted net income per share" of common stock is not disclosed if a net loss per share of common stock for the fiscal year is reported.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

"Cash and deposits" as of March 31, 2008, 2009 and 2010 on the accompanying consolidated balance sheets and "Cash and cash equivalents" at March 31, 2008, 2009 and 2010 on the accompanying consolidated statements of cash flows are reconciled as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Cash and deposits	¥ 64,013	¥ 36,309	**¥45,250**	**$486,354**
Marketable securities	11,702	11,159	**8,485**	**91,202**
Less: Time deposits with original maturities of more than three months or those submitted as collateral for loans payable	(5,897)	(2,805)	**(2,284)**	**(24,553)**
Less: Equity securities and other marketable securities with original maturities of more than three months	(10,618)	(10,780)	**(8,057)**	**(86,600)**
Cash and cash equivalents	¥ 59,200	¥ 33,883	**¥43,394**	**$466,403**

(2) Purchases of treasury stock

Expenditure for acquisition of treasury stock by consolidated subsidiaries is included in "Purchases of treasury stock" at March 31, 2008.

(3) Breakdown of assets and liabilities from a company which have ceased to be consolidated subsidiaries as a result of sale

CSK FINANCE CO., LTD. (As of September 30, 2009)

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	**¥ 78,226**	**$ 840,779**
Fixed assets	**2,981**	**32,034**
Total assets	**81,207**	**872,813**
Current liabilities	**174,733**	**1,878,043**
Long-term liabilities	**80**	**862**
Total liabilities	**174,813**	**1,878,905**
Sale value of CSK FINANCE CO., LTD. shares	**0**	**0**
Cash and cash equivalents from CSK FINANCE CO., LTD	**544**	**5,847**
Balance: Expenditures from sale of CSK FINANCE CO., LTD	**¥ (544)**	**$ (5,847)**

(4) Contents of material non-cash transactions

Increases (decreases) as a result of debt-equity swaps

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2010	**2010**
Capital increase	**¥15,000**	**$161,221**
Capital reserve increase	**15,000**	**161,221**
Decrease in short-term borrowings	**¥30,000**	**$322,442**

4. FINANCIAL INSTRUMENTS

1. Disclosure on Financial Instruments

(1) Policy on Financial Instruments
It is the policy of the Group to limit the investment of temporary surplus funds to deposits, etc., and rely on bank lending for fund procurement. The Group also provides funds, depending on funding conditions for Group companies based on the Group Cash Management System (CMS).

(2) Contents and Risk of Financial Products
"Notes and accounts receivable," which are operating receivables, are exposed to client credit risk. "Short-term loans receivable" are mainly receivables from non-exempt property, namely, receivables limited to the scope of assets forming repayment resources. As cash flow generated by the non-exempt property, and not the credit standing of the debtor, guarantees the fulfillment of the debt as the repayment resource, these receivables are exposed to cash flow volatility risks generated by the non-exempt property.

"Investment securities" are mainly equities and bonds, equities being in companies with which the Company maintains operational relationships while the bonds are Japanese government bonds intended to be held to maturity, and are bond issues based on Article 13-1 of the Law concerning Prepaid Card Operations, which are exposed to market price volatility risks. "Accounts payable," which is operational liabilities, are exposed to liquidity risks, and have payment dates within a year.

"Short-term bank loans payable," (including "Current portion of long-term bank loans payable") and "Long-term bank loans payable" are based on syndicated loans from four major banks, which have refinanced short-term bank loans payable held by the Company as Long-term bank loans payable. With scheduled repayment following the settlement date, final repayment is four years in the future, and is exposed to liquidity risk. As this is a floating interest rate, it is also exposed to interest volatility risk.

"Deposits received on prepaid cards" are related to prepaid card business at a number of our subsidiaries, and while there is no interest volatility risk based on the fact that they are non-interest bearing financial liabilities, they are exposed to liquidity risk.

"Convertible bonds payable" have mainly been issued by the Company with the object of raising funds for capital expenditure etc. These redemption dates are September 2011 and September 2013, and are exposed to liquidity risk.

(3) Risk Management for Financial Products

Operational receivables are exposed to client credit risk, but the Group implements monitoring of credit conditions on a client basis via credit systems, due date controls, and balance controls, and strives to reduce risk. Those receivables from non-exempt property included in "Short-term loans receivable" are exposed to cash flow volatility risk generated by the non-exempt property, but in addition to regularly analyzing and controlling the cash flow volatility in question, the Group maintains to reduce risk, such as reporting the estimated disposal amount of the non-exempt property as Allowance for doubtful accounts.

Equities and bonds which are investment securities are exposed to market price volatility risks, but the Group regularly attempts to ascertain fair market value and strives to reduce risk.

Operating liabilities, bank loans payable, "Deposits received on prepaid cards" and "Convertible bonds" are exposed to liquidity risks, but in addition to the total control of funds at the Group companies via the CSM, funding reports are received from the Group companies on a monthly basis, providing for a system designed to ascertain and control funding developments throughout the overall Group.

The following refers to the securities business conducted by a number of our subsidiaries.

(1) Policy on Financial Instruments

A number of our subsidiaries is engaged in financial product transaction businesses and relevant auxiliary businesses, etc. In order to pursue such operations, the Company holds financial assets and liabilities with market risk and credit risk, and the funds are procured via funds on hand and mainly Short-term bank loans payable.

(2) Contents and Risk of Financial Products

Product portfolios can be broadly divided into three types: 1. Spot transactions from product portfolios as represented by equities and bonds; 2. Stock exchange derivative transactions, such as stock index futures transactions and options transactions, government bonds future transactions and futures options transactions; 3. Non-exchange based derivative transactions, such as bond transactions with options, etc., which are mainly exposed to market price volatility risk. In particular, in recent years, there has been an increased diversification and complexity in risks on derivative transactions.

(3) Risk Management for Financial Products

(a) Credit risk management

Responses are made in relation to credit screening, credit limit management and problematic loans in line with Company regulations and rules regarding credit risks related to individual transaction counterparties with clients, etc.

(b) Market risk management

The Company has developed corporate rules related to market risk management, and created a market risk framework based on calculated equivalent risk in line with the provisions of the Cabinet Office Ordinance Regarding the Financial Instruments and Exchange Law, and created a market risk management system, including loss-cut rules, etc. The Management Department, independent of product and front divisions, ascertains outstanding positions, risk volume, and P&L conditions, and reports those results to the relevant executive officer, etc.

2. Disclosure on the Fair Value of Financial Instruments

Values recorded in the consolidated balance sheet at the end of the fiscal year 2010, estimated fair value and the difference between them are as follows. The following table does not include non-listed equity securities and certain other securities for which the estimated fair value (Refer to (Note 2) Financial products for which is extremely difficult to determine fair market value.) is difficult to determine.

As of March 31, 2010

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and deposits	¥ 45,250	¥ 45,250	—
(2) Notes and accounts receivable	23,301		
Allowance for doubtful accounts*1	(105)		
	23,196	23,196	—
(3) Short term loans receivable	22,261		
Allowance for doubtful accounts*2	(8,619)		
	13,642	13,642	—
(4) Marketable securities	8,485	8,524	39
(5) Venture capital investments	53	53	—
(6) Cash segregated as deposits related to securities business	26,593	26,593	—
(7) Trading assets related to securities business*3	10,232	10,232	—
(8) Receivables related to margin transactions	24,551	24,551	—
(9) Investments in securities	22,135	22,281	146
Total assets	¥174,137	¥174,322	¥ 185
Liabilities			
(10) Accounts payable	6,602	6,602	—
(11) Short-term bank loans payable	5,870	5,870	—
(12) Short-term bank loans payable (Current portion of long-term bank loans payable)	5,063	5,063	—
(13) Deposits received on prepaid cards	53,184	53,184	—
(14) Trading liabilities related to securities business*3	1,008	1,008	—
(15) Payables related to margin transactions	19,122	19,122	—
(16) Deposits received and guarantee deposits received from customers related to securities business	35,994	35,994	—
(17) Convertible bonds payable	56,792	48,317	(8,475)
(18) Long-term bank loans payable	40,063	40,063	—
Total liabilities	¥223,698	¥215,223	¥(8,475)
Derivative transactions*4			
①Activities not qualifying for hedge	¥ 33	¥ 33	—
②Activities qualifying for hedge	—	—	—
	¥ 33	¥ 33	—

	Thousands of U.S. dollars (Note 1)		
	Carrying value	Estimated fair value	Difference
Assets			
(1) Cash and deposits	$ 486,354	$ 486,354	—
(2) Notes and accounts receivable	250,436		
Allowance for doubtful accounts*1	(1,135)		
	249,301	249,301	—
(3) Short term loans receivable	239,264		
Allowance for doubtful accounts*2	(92,638)		
	146,626	146,626	—
(4) Marketable securities	91,202	91,621	419
(5) Venture capital investments	556	556	—
(6) Cash segregated as deposits related to securities business	285,824	285,824	—
(7) Trading assets related to securities business*3	109,979	109,979	—
(8) Receivables related to margin transactions	263,880	263,880	—
(9) Investments in securities	237,909	239,484	1,575
Total assets	$1,871,631	$1,873,625	$ 1,994
Liabilities			
(10) Accounts payable	70,960	70,960	—
(11) Short-term bank loans payable	63,090	63,090	—
(12) Short-term bank loans payable (Current portion of long-term bank loans payable)	54,417	54,417	—
(13) Deposits received on prepaid cards	571,622	571,622	—
(14) Trading liabilities related to securities business*3	10,839	10,839	—
(15) Payables related to margin transactions	205,521	205,521	—
(16) Deposits received and guarantee deposits received from customers related to securities business	386,869	386,869	—
(17) Convertible bonds payable	610,404	519,313	(91,091)
(18) Long-term bank loans payable	430,600	430,600	—
Total liabilities	$2,404,322	$2,313,231	$(91,091)
Derivative transactions*4			
①Activities not qualifying for hedge	355	355	—
②Activities qualifying for hedge	—	—	—
	$ 355	$ 355	—

*1 Deductions have been made for general allowance for doubtful accounts and individual allowance for doubtful accounts corresponding to Notes and accounts receivable.
*2 Deductions have been made for individual allowance for doubtful accounts corresponding to Short-term bank loans payable
*3 Trading assets related to securities business and Trading liabilities related to securities business include derivative-related loans and debt.
*4 Assets and liabilities generated by derivatives are presented at net value.

(Note 1) Calculation method for fair value of financial instruments, and matters relating to investment securities and derivative transactions.

Assets
(1) Cash and deposits
Based on the short-term settlement, and as fair value is broadly the same as book value, estimated fair value has been based on said book value.
(2) Notes and accounts receivable, (3) Short term loans receivable
Based on the short-term settlement, and as fair value is broadly the same as book value, estimated fair value has been based on said book value.
(4) Marketable securities, (5) Venture capital investments, (9) Investments in securities
Fair value is based on exchange-based prices.
(6) Cash segregated as deposits related to securities business, (8) Receivables related to margin transactions
Based on the short-term settlement, and as the fair value is broadly the same as book value, estimated fair value has been based on said book value.
(7) Trading assets related to securities business
Fair value is based on exchange-based prices or published reference prices.

Liabilities
(10) Accounts payable, (11) Short-term bank loans payable
Based on the short-term settlement, and as fair value is broadly the same as book value, estimated fair value has been based on said book value.
(12) Short-term bank loans payable (Current portion of long-term bank loans payable), (18) Long-term bank loans payable
Long-term bank loans payable are based on floating interest rates, and reflect short-term market interest rates, also, as credit conditions at the Company have seen no major change following the execution of those borrowings, and as fair value approximates book value, estimated fair value has been based on said book value.
(13) Deposits received on prepaid cards
Based on the short-term settlement, and as fair value is broadly the same as book value, estimated fair value has been based on said book value.
(14) Trading liabilities related to securities business
Fair value is based on exchange-based prices or published reference prices.
(15) Payables related to margin transactions
Based on the short-term settlement, and as fair value is broadly the same as book value, estimated fair value has been based on said book value.
(17) Convertible bonds payable
Fair value is based on exchange-based prices.

Derivatives transactions
Refer to note 13. Derivative transactions.

(Note 2) Financial products for which is extremely difficult to determine estimated fair value.

As of March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Consolidated balance sheet amount	Consolidated balance sheet amount
Other securities		
Unlisted shares	¥6,752	$72,566
Unlisted bonds	87	937
Equity investments in investment partnerships	3,000	32,241
Investments in anonymous associations	2,084	22,398
Shares in subsidiaries and affiliated companies	927	9,963

Regarding the above, no market value exists, and as it is recognized that it is extremely difficult to determine estimated fair value, these shall not be subject of estimated fair value disclosure.

(Note 3) The redemption schedule of financial assets and other equity securities.

As of March 31, 2010

	Millions of yen			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	**¥ 45,250**	**—**	**—**	**—**
Notes and accounts receivable	**23,301**	**—**	**—**	**—**
Short term loans receivable	**22,261**	**—**	**—**	**—**
Cash segregated as deposits related to securities business	**26,593**	**—**	**—**	**—**
Marketable securities and investments in securities				
Held-to-maturity—debt securities				
Government bonds / Municipal bonds	**8,052**	**¥5,113**	**¥9,273**	**—**
Other securities with maturities				
Government bonds / Municipal bonds	**10**	**—**	**—**	**—**
Corporate bonds	**—**	**187**	**—**	**—**
Total	**¥125,467**	**¥5,300**	**¥9,273**	**—**

As of March 31, 2010

	Thousands of U.S.dollars (Note 1)			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposit	**$ 486,354**	**—**	**—**	**—**
Notes and accounts receivable	**250,436**	**—**	**—**	**—**
Short term loans receivable	**239,264**	**—**	**—**	**—**
Cash segregated as deposits related to securities business	**285,824**	**—**	**—**	**—**
Marketable securities and investments in securities				
Held-to-maturity—debt securities				
Government bonds / Municipal bonds	**86,538**	**$54,952**	**$99,666**	**—**
Other securities with maturities				
Government bonds / Municipal bonds	**107**	**—**	**—**	**—**
Corporate bonds	**—**	**2,012**	**—**	**—**
Total	**$1,348,523**	**$56,964**	**$99,666**	**—**

Other securities do not include securities in the amount of ¥5,958 million ($64,036 thousand), whose fair value could not be determined.

(Note 4) The redemption schedule of Convertible bonds payable and Long-term bank loans payable

Refer to Note 10. Short-term and long-term debts.

(Additional Information)

Effective fiscal year 2010, "Accounting Standard for Disclosure about Financial Instruments" (Accounting Standards Board of Japan Statement No. 10) (March 10, 2008) and Guidance on "Accounting Standard for Disclosure about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19) (March 10, 2008) have been applied.

5. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

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

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

* 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
Available-for-sale securities:	
Negotiable deposits	¥ 800
Money management funds	285
Unlisted stock	16,714
Unlisted bonds	85
Investments in partnerships	2,464
Investments in anonymous associations	34,863
Investments in unconsolidated subsidiaries and affiliates	1,354

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

	Millions of yen
	Available-for-sale and Held-to-maturity
Due within 1 year	¥10,617
Due after 1 year through 5 years	13,706
Due after 5 years through 10 years	14,367
Due after 10 years	—
	¥38,690

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, 2009 were as follows:

Trading securities (trading securities with market value)

	Millions of yen		
	Assets	Liabilities	Unrealized gains (losses)
Equity securities	¥ 35	¥ 24	¥ (4)
Bonds	6,761	506	87
	¥6,796	¥530	¥83

Except for trading securities

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair market value
Securities classified as:				
Available-for-sale				
Equity securities	¥ 7,644	¥1,783	¥ (989)	¥ 8,438
Debt securities	110	0	(8)	102
Other*	9,500	51	(1,067)	8,484
	¥17,254	¥1,834	¥(2,064)	¥17,024
Held-to-maturity				
Debt securities	¥23,969	¥ 197	¥ 0	¥24,166

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

Proceeds from sales of available-for-sale securities were ¥19,986 million for the year ended March 31, 2009. On those sales, gross realized gains computed on the average cost basis were ¥2,187 million and gross realized gains were ¥4,210 million.

Major components of debt and equity securities whose fair market value was not readily determinable as of March 31, 2009 were as follows:

	Millions of yen
Available-for-sale securities:	
Money management funds	¥ 378
Unlisted stock	7,573
Unlisted bonds	95
Investments in partnerships	4,059
Investments in anonymous associations	19,494
Investments in unconsolidated subsidiaries and affiliates	1,101

The redemption schedule of debt and equity securities as of March 31, 2009 was as follows:

	Millions of yen
	Available-for-sale and Held-to-maturity*
Due within 1 year	¥10,785
Due after 1 year through 5 years	12,066
Due after 5 years through 10 years	9,254
Due after 10 years	—
	¥32,105

* Valuation (Impairment) losses recognized for the fiscal year ended March 31, 2009 were ¥11,881 million in "Operating costs," and ¥2,033 million in "Loss on write-downs of investments in securities."

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, 2010 were as follows:

Trading securities (trading securities with market value)

	Millions of yen	Thousands of U.S. dollars (Note 1)
Unrealized gains	**¥71**	**$761**

Except for trading securities

	Millions of yen			
	Fair market value	Unrealized gains	Unrealized losses	Cost
Securities classified as:				
Available-for-sale				
Equity securities	¥ 1,192	¥224	¥ (75)	¥ 1,043
Debt securities	110	0	(0)	110
Other*	7,280	171	(107)	7,216
	¥ 8,582	¥395	¥(182)	¥ 8,369
Held-to-maturity				
Debt securities	¥22,275	¥195	¥ (10)	¥22,090

	Thousands of U.S. dollars (Note 1)			
	Fair market value	Unrealized gains	Unrealized losses	Cost
Securities classified as:				
Available-for-sale				
Equity securities	$ 12,816	$2,408	$ (807)	$ 11,215
Debt securities	1,185	2	(0)	1,183
Other*	78,248	1,839	(1,153)	77,562
	$ 92,249	$4,249	$(1,960)	$ 89,960
Held-to-maturity				
Debt securities	$239,413	$2,101	$ (107)	$237,419

* Investment funds are included in "Other."

	Millions of yen		
	proceeds of available-for-sale securities	gross realized gains	gross realized losses
Securities classified as:			
Available-for-sale			
Equity securities	¥7,531	¥1,121	¥ (780)
Debt securities	—	—	—
Other*	1,970	2	(528)
	¥9,501	¥1,123	¥(1,308)

	Thousands of U.S. dollars (Note 1)		
	proceeds of available-for-sale securities	gross realized gains	gross realized losses
Securities classified as:			
Available-for-sale			
Equity securities	$ 80,938	$12,045	$ (8,383)
Debt securities	—	—	—
Other*	21,175	20	(5,674)
	$102,113	$12,065	$(14,057)

* Valuation (Impairment) losses recognized for the fiscal year ended March 31, 2010 were ¥783 million ($8,421 thousand) in Marketable securities.

6. INVENTORIES

At March 31, 2008, 2009 and 2010, the Group's inventories consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Goods for resale	¥1,047	¥1,096	**¥ 790**	**$ 8,490**
Systems in progress	3,803	3,015	**1,357**	**14,584**
Other	38	35	**33**	**359**
	¥4,888	¥4,146	**¥2,180**	**$23,433**

7. EFFECT OF THE APPLICATION OF PERCENTAGE-OF-COMPLETION METHOD

"Inventories" related to construction contracts where losses are expected and "Allowance for anticipated losses on contracts" have not been offset and netted but presented separately.

Of those "Inventories" related to construction contracts where losses are expected, ¥10 million ($108 thousand) of "Inventories" corresponds to "Allowance for anticipated losses on contracts" in fiscal year 2010.

8. INVESTMENTS RELATED TO FINANCIAL SERVICES AND LIABILITIES RELATED TO FINANCIAL SERVICES

"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 market prices of ¥9,171 million were included in fiscal year 2008.

Liabilities related to financial services consist mainly of "Short-term bank loans payable" (including non-recourse loans) of ¥38,684 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.

"Investments related to financial services" mainly consisted of investments in anonymous associations of ¥19,494 million, shares of ¥3,457 million and real estate of ¥62,612 million in fiscal year 2009.

In shares, shares at current value of ¥579 million were included in fiscal year 2009.

Liabilities related to financial services consist mainly of "Short-term bank loans payable" (including non-recourse loans) of ¥38,002 million in fiscal year 2009.

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

In line with the Company withdrawal from the financial services business, ¥5,008 million ($53,826 thousand) in financial service investment assets under current assets outstanding as of the end of the second quarter of the fiscal year 2010 under review have been transferred to "Investment in securities" under Investments and other assets.

9. PROPERTY AND EQUIPMENT

"Property and equipment" as of March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Buildings and structures*	¥ 23,665	¥ 23,747	**¥ 23,855**	**$ 256,403**
Other*	13,715	13,681	**13,563**	**145,773**
	37,380	37,428	**37,418**	**402,176**
Less: Accumulated depreciation	(15,721)	(18,252)	**(19,778)**	**(212,577)**
	21,659	19,176	**17,640**	**189,599**
Land*	12,445	20,414	**8,809**	**94,682**
Construction in progress	242	419	**33**	**350**
	¥ 34,346	¥ 40,009	**¥ 26,482**	**$ 284,631**

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

10. SHORT-TERM AND LONG-TERM DEBTS

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

The weighted-average interest rates for "Short-term bank loans payable" were 1.1%, 3.3% and 1.5% as of March 31, 2008, 2009 and 2010, 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 1.9%, 2.7% as of March 31, 2008, 2010 respectively.

None for the fiscal year ended March 31, 2009.

The repayment schedule of "Long-term bank loans payable" for the five years subsequent to March 31, 2010 is as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥ —	$ —
2012	10,063	108,158
2013	10,000	107,481
2014	20,000	214,961
2015	—	—

(3) Corporate bonds payable, convertible bonds payable and bonds with detachable warrants

"Corporate bonds payable," "Convertible bonds payable" and "Bonds with detachable warrants" as of March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Unsecured 1.2% bonds due July 9, 2010*	¥ 8,000	¥ 8,000	**¥ —**	**$ —**
Unsecured 0.4% bonds due July 9, 2010*	6,000	6,000	**—**	**—**
Unsecured 1.1% bonds due July 30, 2010*	6,000	6,000	**—**	**—**
Unsecured zero-coupon bonds due September 2, 2011 with detachable warrants (exercise period: from October 2, 2003 to August 19, 2011)	21,792	21,792	**21,792**	**234,222**
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	**35,000**	**376,182**
	¥76,792	¥76,792	**¥56,792**	**$610,404**

* These bonds were redeemed before maturity in fiscal year 2010.

(4) Other interest-bearing debts

Other interest-bearing debts are as follows.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Payables to securities finance companies	¥12,997	¥ 6,006	**¥12,440**	**$133,704**
Liabilities related to financial services (short-term bank loans payable (including non-recourse loans))	38,685	38,001	**—**	**—**
Commercial paper	14,000	—	**—**	**—**
	¥65,682	¥44,007	**¥12,440**	**$133,704**

(5) Lease obligations

The weighted-average interest rates for lease obligations was 2.9% as of March 31, 2009.

The repayment schedule of lease obligations—non-current for the five years subsequent to March 31, 2009 is as follows:

Years ended March 31	Millions of yen
2010	¥ —
2011	143
2012	123
2013	100
2014	64

The weighted-average interest rate for lease obligations was 3.6% as of March 31, 2010.

The repayment schedule of lease obligations—non-current for the five years subsequent to March 31, 2010 is as follows:

Years ended March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥ —	$ —
2012	335	3,597
2013	313	3,366
2014	277	2,977
2015	135	1,446

11. ASSETS PLEDGED AS COLLATERAL

(1) At March 31, 2008

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

	Millions of yen
Cash and deposits	¥ 1,800
Trading assets related to securities business	401
Investments related to financial services	40,621
Investments in securities	1,131
	¥43,953

In addition, stocks of ¥2,914 million 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 and "Investments in securities" of ¥14,625 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 and "Other assets" of ¥10 million 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 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
Securities loaned on margin transactions	¥ 6,410
Securities pledged for loans payable for margin transactions	12,776
Substitute securities for guarantee deposits paid	3,994
Other	6,994

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

	Millions of yen
Securities pledged for loans receivable for margin transactions	¥34,976
Securities borrowed on margin transactions	2,814
Securities borrowed by promissory notes	710
Substitute securities for guarantee deposits received on futures	64,557
Other	913

(2) At March 31, 2009

(a) "Short-term bank loans payable" of ¥3,570 million, "Payables related to margin transactions" of ¥6,006 million, "Liabilities related to financial services" of ¥37,374 million and "Other current liabilities" of ¥1,308 million were collateralized by the following assets.

	Millions of yen
Cash and deposits	¥ 1,200
Trading assets related to securities business	352
Investments related to financial services	36,109
Investments in securities	5,962
	¥43,623

In addition, stocks of ¥229 million held for customers for margin transactions in relation to sales of securities were pledged as collateral as of March 31, 2009.

(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, 2009, the Group put "Marketable securities" of ¥10,781 million and "Investments in securities" of ¥13,183 million and "Other current assets" of ¥3,978 million in Current assets in escrow for this purpose. In addition, based on Article 25 of Building Lots and Building Transactions Business Law, the Group also put "Other assets" of ¥10 million in Investments and other assets in escrow to secure dealings.

(c) Trading assets related to the securities business were pledged for ¥300 million as substitution for transactional future deposits and margin transactions in relation to sales of securities were pledged for ¥626 million as substitution for transactional future deposits, in the fiscal year ended March 31, 2009.

(d) In connection with the securities business, marketable securities submitted or received on March 31, 2009 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	¥8,235
Securities pledged for loans payable for margin transactions	5,711
Securities loaned by promissory notes	2,634
Substitute securities for guarantee deposits paid	449
Other	4,846

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

	Millions of yen
Securities pledged for loans receivable for margin transactions	¥13,936
Securities borrowed on margin transactions	4,151
Substitute securities for guarantee deposits received on futures	38,515
Other	546

(3) At March 31, 2010

(a) "Short-term bank loans payable" of ¥6,370 million ($68,465 thousand), "Payables related to margin transactions" of ¥12,440 million ($133,704 thousand), "Other current liabilities" of ¥1,310 million ($14,084 thousand) and "Long-term bank loans payable" of ¥40,000 million ($429,923 thousand) were collateralized by the following assets.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash and deposits	**¥ 1,775**	**$ 19,081**
Trading assets related to the securities business	**351**	**3,772**
Buildings and structures	**8,448**	**90,795**
Land	**6,716**	**72,187**
Investments in securities	**482**	**5,181**
	¥17,772	**$191,016**

In addition, stocks of ¥444 million ($4,771 thousand) held for customers for margin transactions in relation to sales of securities were pledged as collateral as of March 31, 2010.

Some ¥74,035 million ($795,729 thousand) of shares held in subsidiaries by the Company has been pledged as collateral. Of this, ¥73,840 ($793,635 thousand) has been eliminated on consolidation.

The Company entered into a Syndicated Loan Agreement with four banks as part of its efforts to increase capital, and ¥5,000 million ($53,740 thousand) of the ¥45,000 million ($483,663 thousand) balance as of the end of fiscal year 2010 under review is included in the aforementioned "Short-term bank loans payable" against secured debt as "Long-term bank loans payable" scheduled to be repaid within a year, while the remaining ¥40,000 million ($429,923 thousand) is included as "Long-term bank loans payable" in the aforementioned secured debt.

The secured assets pledged as refinancing debt in the said syndicated loan agreement, are shares in subsidiaries, Land, Buildings and structures and Other.

(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, 2010, the Group put "Marketable securities" of ¥7,550 million ($81,153 thousand), "Other current assets" of ¥7,662 million ($82,352 thousand) in Current assets and "Investments in securities" of ¥14,527 million ($156,137 thousand) in escrow for this purpose.

(c) Trading assets related to the securities business were pledged for ¥902 million ($9,690 thousand) as substitution for transactional future deposits in the fiscal year ended March 31, 2010.

(d) In connection with the securities business, marketable securities submitted or received on March 31, 2010 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	**¥ 7,373**	**$ 79,242**
Securities pledged for loans payable for margin transactions	**12,712**	**136,634**
Substitute securities for guarantee deposits paid	**1,001**	**10,760**
Other	**10,943**	**117,617**

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	**¥21,396**	**$229,964**
Securities borrowed on margin transactions	**3,199**	**34,383**
Substitute securities for guarantee deposits received on futures	**47,088**	**506,109**
Other	**527**	**5,667**

12. 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 in.

Daikoku Distribution Center SPC: ¥5,000 million*1

*1 By contract, the inside burden ratio between the subsidiary and the other cosponsors is 50% (¥2,500 million).

For the year ended March 31, 2009, 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 in.

Daikoku Distribution Center SPC: ¥5,000 million*2
Port Town SPC: ¥3,803 million
Else SPC: ¥2,700 million

*2 By contract, the inside burden ratio between the subsidiary and the other cosponsors is 50% (¥2,500 million).

For the year ended March 31, 2010, the Group guaranteed debts of a special purpose company (SPC) related to borrowings from a financial institution in which borrower invested in.

Port Town SPC: ¥3,310 million
($35,576 thousand)

13. DERIVATIVES TRANSACTIONS

The Company enters into currency related transactions and interest rate related transactions to manage market risks relating to fluctuations in interest and foreign exchange rates. The Company does not hold or issue financial instruments for trading purposes. The estimated unrealized gains and losses on these contracts at March 31, 2008, 2009 and 2010 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

Risk arising from trading activities

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

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

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

	Millions of yen			
	2009			
	Assets		Liabilities	
	Notional amounts	Fair value	Notional amounts	Fair value
Options contracts	¥ —	¥—	¥ —	¥—
Forward exchange contracts	453	7	413	4
Futures/forward contacts	5,444	56	¥4,983	9

(2) Except for trading securities

Currency-related transactions

	Millions of yen			
	2008			
	Assets		Liabilities	
	Notional amounts	Fair value	Notional amounts	Fair value
Forward exchange contracts	¥—	¥—	¥53	¥1

	Millions of yen			
	2009			
	Assets		Liabilities	
	Notional amounts	Fair value	Notional amounts	Fair value
Forward exchange contracts	¥34	¥(0)	¥147	¥0

For the year ended March 31, 2010

Regarding derivative transactions to which hedge accounting has not been applied, notional amounts on the consolidated settlement date for each derivative transaction stipulated in the contract, fair value, and unrealized gains (losses) are as follows:

(1) Currency-related transactions

		Millions of yen			
		Notional amounts			
Division	Type of derivative transaction	total	due after 1 year	Fair value	Unrealized gains (losses)
Non exchange-based transaction	Exchange contract				
	Short position				
	TRY	¥ 178	—	¥ (4)	¥ (4)
	US$	69	—	(1)	(1)
	ZAR	747	—	(11)	(11)
	AUS$	82	—	(2)	(2)
	NZ$	164	—	(3)	(3)
	Long position				
	ZAR	11	—	0	0
	AUS$	313	—	5	5
	Total	¥1,564	—	¥(16)	¥(16)

		Thousands of U.S. dollars (Note 1)			
		Notional amounts			
Division	Type of derivative transaction	total	due after 1 year	Fair value	Unrealized gains (losses)
Non exchange-based transaction	Exchange contract				
	Short position				
	TRY	$ 1,912	—	$ (49)	$ (49)
	US$	737	—	(13)	(13)
	ZAR	8,025	—	(122)	(122)
	AUS$	888	—	(19)	(19)
	NZ$	1,761	—	(28)	(28)
	Long position				
	ZAR	116	—	2	2
	AUS$	3,367	—	58	58
	Total	$16,806	—	$(171)	$(171)

(2) Interest-related transactions

		Millions of yen			
		Notional amounts			
Division	Type of derivative transaction	total	due after 1 year	Fair value	Unrealized gains (losses)
Market transaction	Bond futures				
	Short position	¥ 8,637	—	¥ 67	¥ 67
	Long position	5,547	—	(18)	(18)
	Total	¥14,184	—	¥ 49	¥ 49

		Thousands of U.S. dollars (Note 1)			
		Notional amounts			
Division	Type of derivative transaction	total	due after 1 year	Fair value	Unrealized gains (losses)
Market transaction	Bond futures				
	Short position	$ 92,831	—	$ 724	$ 724
	Long position	59,622	—	(198)	(198)
	Total	$152,453	—	$ 526	$ 526

14. 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. On the same date, they received permission from the Minister of Health, Labor 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, 2008, 2009 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
a. Projected benefit obligations	¥ 28,757	¥ 28,624	**¥ 27,207**	**$ 292,423**
b. Plan assets	(28,688)	(25,622)	**(25,645)**	**(275,635)**
c. Unfunded retirement benefit obligations (a + b)	69	3,002	**1,562**	**16,788**
d. Unrecognized net transition amount	(1,819)	(1,559)	**(1,299)**	**(13,966)**
e. Unrecognized actuarial net loss	(720)	(4,124)	**(2,418)**	**(25,987)**
f. Unrecognized prior service cost	(408)	(28)	**(26)**	**(275)**
g. Net amount recognized on the consolidated balance sheet (c + d + e + f)	(2,878)	(2,709)	**(2,181)**	**(23,440)**
h. Prepaid pension cost	(3,219)	(2,984)	**(2,379)**	**(25,565)**
i. Accrued employees' retirement benefits (g – h)	¥ 341	¥ 275	**¥ 198**	**$ 2,125**

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, 2008, 2009 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Service cost	¥1,630	¥1,659	**¥1,489**	**$16,000**
Interest cost	548	691	**700**	**7,529**
Expected return on plan assets	(672)	(813)	**(717)**	**(7,711)**
Amortization of net transition amount	260	260	**260**	**2,795**
Recognized actuarial loss	(125)	109	**474**	**5,095**
Amortization of prior service cost	395	395	**0**	**5**
Pension and severance costs	2,036	2,301	**2,206**	**23,713**
Other	621	1,084	**3,285**	**35,302**
Total	¥2,657	¥3,385	**¥5,491**	**$59,015**

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)
	2008	2009	**2010**	**2010**
Expense of defined contribution pension plan	¥390	¥413	**¥ 492**	**$ 5,287**
Special retirement expenses	—	—	**2,437**	**26,189**
Retirement allowance, etc.	231	657	**349**	**3,753**
Prior retirement benefits cost	—	14	**7**	**73**

Assumptions used in accounting for retirement benefit obligations for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**
Discount rates	2.5%	2.5%	**2.5%**
Expected rates of return on plan assets	3.0%	3.0%	**3.0%**
Period of amortization of net transition amount	1 – 15 years	1 – 15 years	**15 years**
Period of allocation of the actuarial net loss	5 – 12 years	5 – 12 years	**5 – 12 years**
Period of amortization of prior service cost	1 – 12 years	1 – 12 years	**10 – 12 years**

15. 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 inappropriate 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, 2008, 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, 2009, full year's dividends were not paid. In the fiscal year ended March 31, 2010, no interim dividends were paid, and full-year's dividends per share are not planned.

Cash dividends are recorded in the consolidated statements of changes in net assets when paid.

16. TREASURY STOCK

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

Increase of 13,924 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 23,692 shares of common stock held in the Company's treasury was due to the fact that in line with making Cosmo Securities Co., Ltd., the Company's wholly-owned subsidiary those treasury shares held by the aforementioned company became common stock for treasury at the Company.

Decrease of 8,122,541 shares of common stock held in the Company's treasury was due to a share-for-share exchange to make Cosmo Securities Co., Ltd., the Company's wholly-owned subsidiary.

Decrease of 4,473 shares of common stock held in the Company's treasury was due to the disposal of shares of common stock held in treasury.

The number of shares of common stock held in the Company's treasury was 32,494 at March 31, 2009.

Increase of 4,310 common stock was due to purchase of stocks less than a trading unit.

Decrease of 1,305 common stock was due to disposal of common stock held in the treasury.

Increase of 227,273 in Type C preferred shares and increase of 2,273 in Type D preferred shares are due to acquisition of own shares as a results of ACA INVESTMENTS PTE. LTD. regarding the exercise of rights to convert its holding of Type C and D Preferred Shares to common Stock of the Company.

Decrease of 227,273 in Type C preferred shares and decrease of 2,273 in Type D preferred shares are due to retirement of all of Type C and D Preferred Shares under the Companies Law on the day ACA INVESTMENTS PTE. LTD. exercised the rights to convert its holding of Type C and D preferred shares to common stock of the Company.

As a result, the number shares of common stock held in the Company's treasury was 35,499 at March 31, 2010.

17. PREFERRED STOCK

The Company issued preferred stocks (Class A to F) and allocated them to four main banks and ACA INVESTMENTS PTE. LTD. for a capital increase on September 30, 2009. The issuance of preferred stocks was based on the approval of the extraordinary meeting of stockholders held on September 29, 2009. All shares of Class C preferred stock and Class D preferred stock were converted into shares of Common stock on March 17, 2010 as a result of the exercise of conversion rights into Common stock by ACA INVESTMENTS PTE. LTD. regarding Class C preferred stock and Class D preferred stock.

The number of shares outstanding and the balance sheet amounts for the fiscal year ended March 31, 2010 are as follows.

For the fiscal year ended March 31, 2010

	Number of shares				Millions of yen	Thousands of U.S. dollars (Note1)
Type of shares	2009	Increase	Decrease	2010	**2010**	**2010**
Common stock*[3]	80,290,414	45,457,300	—	125,747,714	**¥75,726**	**$ 813,903**
Class A preferred stock*[1]	—	15,000	—	15,000	**¥ 7,500**	**$ 80,611**
Class B preferred stock*[1]	—	15,000	—	15,000	**¥ 7,500**	**$ 80,611**
Class C preferred stock*[2,*3]	—	227,273	227,273	—	**—**	**—**
Class D preferred stock*[2,*3]	—	2,273	2,273	—	**—**	**—**
Class E preferred stock*[2]	—	5,000	—	5,000	**¥ 2,750**	**$ 29,557**
Class F preferred stock*[2]	—	5,000	—	5,000	**¥ 2,750**	**$ 29,557**
Total	80,290,414	45,726,846	229,546	125,787,714	**¥96,226**	**$1,034,239**

*[1] Respective increases of 15,000 shares in Class A preferred stock and Class B preferred stock are the result of the third party allocation of preferred stocks to four main banks for a capital increase through a debt-equity-swap.

*[2] Increases of 227,273 shares in Class C preferred stock, increases of 2,273 shares in Class D preferred stock and respective increases of 5,000 shares in Class E preferred stock and Class F preferred stock are the result of the third party allocation of preferred stocks to ACA INVESTMENTS PTE. LTD. for a capital increase.

*[3] Increases of 45,457,300 shares in Common stock, decreases of 227,273 shares in Class C preferred stock and decreases of 2,273 shares in Class D preferred stock are the result of the exercise of conversion rights into Common stock by ACA INVESTMENTS PTE. LTD. regarding Class C preferred stock and Class D preferred stock.

18. SUBSCRIPTION RIGHTS TO SHARES

The Company issued subscription rights to shares (6th series and 7th series) and allocated them to ACA INVESTMENTS PTE. LTD. for capital increase on September 30, 2009. The issuance of the subscription rights was based on the approval of the extraordinary meeting of stockholders held on September 29, 2009.

The number of shares outstanding and the balance sheet amounts for the fiscal year ended March 31, 2010 are as follows.

For the fiscal year ended March 31, 2010

			Number of shares				Millions of yen	Thousands of U.S. dollars (Note1)
	Description	Type of shares	2009	Increase	Decrease	2010	**2010**	**2010**
The Company	6th series subscription rights to shares*[1]	Common stock	—	24,000,000	—	24,000,000	**¥171**	**$1,844**
	7th series subscription rights to shares*[1,*2]	Common stock	—	24,000,000	—	24,000,000	**¥296**	**$3,178**
	Total		—	48,000,000	—	48,000,000	**¥467**	**$5,022**

*[1] Increases of 6th series subscription rights to shares and 7th series subscription rights to shares are the result of the third party allocation of subscription rights to ACA INVESTMENTS PTE. LTD. for a capital increase.

*[2] The first day on which the 7th series subscription rights to shares may be exercised has yet to arrive.

19. INCOME TAXES

The Group is subject to a number of different income taxes. For the years ended March 31, 2008, 2009 and 2010 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, 2008, 2009 and 2010 is as follows:

	2008	2009	**2010**
Statutory tax rate	40.7%	40.7%	**40.7%**
Increase (decrease) in tax rate:			
Non-deductible expenses for tax purposes	7.6	(0.2)	**(0.3)**
Base portion of inhabitants' taxes	5.6	(0.2)	**(0.5)**
Amortization of goodwill	2.9	(0.4)	**(0.1)**
Gain on change in interest in consolidated subsidiary	(3.2)	—	**—**
Increase and decrease in valuation allowance for deferred tax assets	124.6	(49.1)	**(26.6)**
Refund	(59.0)	—	**—**
Gains from extinguishment of debt	—	—	**(11.4)**
Other	(4.4)	(2.6)	**(0.9)**
Effective tax rates	114.8%	(11.8)%	**0.9%**

The significant components of deferred income tax assets and liabilities at March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Deferred income tax assets:				
Tax losses carried forward	¥ 9,033	¥23,748	**¥67,872**	**$729,490**
Provision for allowance for doubtful accounts	473	341	**3,672**	**39,464**
Accrued bonuses to employees	2,859	2,344	**1,541**	**16,565**
Accrued employees' retirement benefits	932	857	**834**	**8,968**
Accrued enterprise tax	617	102	**238**	**2,558**
Depreciation expense	298	370	**170**	**1,827**
Allowance for anticipated losses on contracts	146	747	**—**	**—**
Loss on impairment of fixed assets	6,160	7,792	**6,757**	**72,623**
Hoard profit of prepaid card	4,073	3,763	**3,476**	**37,355**
Investment returns from anonymous associations	610	—	**689**	**7,411**
Software development	2,369	3,487	**2,086**	**22,422**
Reserve for financial products transaction liabilities	641	353	**277**	**2,975**
Loss on write-downs of investments in securities	1,416	2,055	**1,929**	**20,732**
Allowance for loss on cancellation penalty	—	737	**—**	**—**
Loss on investments related to financial services	—	37,083	**—**	**—**
Other	3,130	1,866	**1,210**	**13,010**
Gross deferred income tax assets	32,757	85,645	**90,751**	**975,400**
Less: Valuation allowance	14,839	82,520	**86,347**	**928,069**
Total deferred income tax assets	17,918	3,125	**4,404**	**47,331**
Deferred tax liabilities:				
Unrealized gains on securities	2,259	684	**394**	**4,229**
Prepaid pension costs	1,426	1,215	**970**	**10,421**
Other	505	1,343	**600**	**6,454**
Gross deferred income tax liabilities	4,190	3,242	**1,964**	**21,104**
Net deferred income tax assets	¥13,728	¥ (117)	**¥ 2,440**	**$ 26,227**

20. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in "Operating costs" and "Selling, general and administrative expenses" for the years ended March 31, 2008, 2009 and 2010 totaled ¥765 million, ¥1,769 million and ¥499 million ($5,361 thousand) respectively.

21. WRITE-DOWNS OF BOOK VALUE FOR INVENTORIES

The write-downs of book values for inventories held for sales in the ordinary course of business due to decreased profitability for the year ended March 31, 2009 are as follows:

	Millions of yen
Operating costs	**¥81,059**
Extraordinary loss	**1**
Total	**¥81,060**

There are no material write-downs of book values for inventories to be reported for the fiscal year 2010.

22. GAIN ON TRANSFER OF BUSINESS

"Gain on transfer of business" was recorded as profit due to the transfer of ISP business of ISAO CORPORATION for the years ended March 31, 2009 and 2010.

23. GAIN ON SALES OF INVESTMENTS IN SECURITIES

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.

24. 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.

25. 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.

26. LOSS ON IMPAIRMENT OF FIXED ASSETS

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 (Company)	Use	Classification
Chuo-ku, Tokyo (CSK Securities Service Co., Ltd.)	Business property	Software Software in progress Leased assets 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 assets: ¥387 million

For the year ended March 31, 2009, a breakdown of impairment losses is presented as follows:

(a) The Company declared the following impairment losses:

Location (Company)	Use	Classification
Chuo-ku, Osaka etc. (Cosmo Securities Co., Ltd.)	Business property	Software Buildings and annexed facilities Equipment and fixtures Buildings Structures
Nagoya-city, Aichi (CSK HOLDINGS CORPORATION)	Business property	Buildings Buildings and annexed facilities Land
Chuo-ku, Tokyo (CSK Securities Service CO., Ltd.)	Business property	Software Software in progress Lease asset Equipment and fixtures Buildings and annexed facilities
— (Cosmo Securities Co., Ltd.)	Others	Goodwill

(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 as impairment losses and calculation methods

In cases mainly where the potential for an operating asset to produce revenue has dropped markedly, the impairment loss is recorded as the difference between its book value and its recoverable value, taking into account potential future cash flow from the non-performing asset.

For the year ended March 31, 2009, an impairment loss of ¥14,722 million was recorded, mainly comprising losses of ¥6,701 million on goodwill, ¥2,472 million on software in progress, ¥1,925 million on software and ¥1,089 million on land.

Of the assets presented in the breakdown above, the impairment loss for goodwill is mainly related to investments in our subsidiary Cosmo Securities Co., Ltd.

As income anticipated at the time of the stock exchange for Cosmo Securities Co., Ltd. can no longer be expected, the total ¥6,585 million amount of goodwill has been written off as an impairment loss.

Furthermore, the recoverable amount has been measured based on value in use, and calculated by discounting cash flows at an interest rate at 2.2%.

For the year ended March 31, 2010, there is no material loss on impairment of fixed assets to be reported.

27. LOSS ON BUSINESS RESTRUCTURING

Losses as a result of business reorganization are due to the reorganization of our securities business, and their breakdown is as follows for the year ended March 31, 2009:

	Millions of yen
Loss on disposal of fixed assets	**¥ 689**
Others	**529**
Total	**¥1,218**

28. LOSS ON DISCONTINUING CONSTRUCTION OF HEAD OFFICE

A breakdown of losses related to the discontinuing construction of the head office is as follows for the year ended March 31, 2009.

	Millions of yen
Provision of allowance for loss on cancellation penalty	**¥1,812**
Loss on impairment of assets	**144**
Others	**587**
Total	**¥2,543**

29. LOSS ON WITHDRAWAL FROM REAL ESTATE SECURITIZATION BUSINESS

Loss on withdrawal from real estate securitization business mainly represents in shares in the former consolidated subsidiary CSK FINANCE CO. LTD. (current name: Gen Capital Co., Ltd.) and losses of ¥41,837 million ($449,671 thousand) in line with the transfer of loans to ACA Properties Investment Limited Partnership and ¥8,205 million ($88,191 thousand) reported as allowances for doubtful accounts against ongoing holdings of part of those loans for the fiscal year 2010.

30. SPECIAL RETIREMENT EXPENSES

Special retirement expenses are special additional retirement expenses in line with the implementation of voluntary early retirement programs and re-employment support costs for the fiscal year 2010.

31. TAX REFUND

For the year ended March 31, 2008
A refund of taxation (corporate tax of ¥2,129 million 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.

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

On June 6, 2007, the Tokyo Regional Taxation Bureau announced its determination on the objection the Company and its consolidated subsidiary had lodged, and upheld part of the 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 the 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, the Company submitted a complaint on December 14, 2007 requesting a cancellation of the original disposition from the Tokyo District Court.

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

32. LEASES

As Lessee

The Group leases fixed tangible assets (mainly Data-center buildings) and intangible fixed assets (mainly software) as finance leases without transfer of ownership of the assets. Finance leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as finance leases, otherwise finance leases without transfer of ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

The details on depreciation methods for Leased assets are presented in Note 2 (12). Finance leases without transfer of ownership of the assets, which commenced on or before March 31, 2008, are accounted for as operating leases.

A summary of future minimum payments under operating leases and finance leases without transfer of ownership as of March 31, 2008, 2009 and 2010 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Operating leases:				
Due within one year	¥ 2,756	¥ 2,799	**¥ 2,783**	**$ 29,910**
Thereafter	18,438	16,172	**13,385**	**143,861**
	¥21,194	¥18,971	**¥16,168**	**$173,771**
Finance leases:				
Due within one year	¥ 1,746	¥ 1,305	**¥ 646**	**$ 6,944**
Thereafter	2,888	1,508	**719**	**7,730**
	¥ 4,634	¥ 2,813	**¥ 1,365**	**$ 14,674**

Lease expenses for finance lease contracts without transfer of ownership for the years ended March 31, 2008, 2009 and 2010 were ¥2,212 million, ¥1,847 million and ¥1,190 million ($12,787 thousand), respectively.

A breakdown of impairment losses for the years ended March 31, 2008, 2009 and 2010 were ¥387 million, ¥434 million and ¥0 million ($2 thousand), respectively.

Pro forma data as of March 31, 2008, 2009 and 2010 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)
	2008	2009	**2010**	**2010**
Pro forma acquisition cost	¥ 8,640	¥ 6,862	**¥ 3,898**	**$ 41,893**
Pro forma accumulated depreciation	(4,206)	(4,211)	**(2,385)**	**(25,631)**
Pro forma accumulated impairment loss	(398)	(826)	**(821)**	**(8,826)**
Pro forma net book value	¥ 4,036	¥ 1,825	**¥ 692**	**$ 7,436**
Pro forma depreciation expense	¥ 1,936	¥ 1,613	**¥ 1,064**	**$ 11,437**
Pro forma interest expense	¥ 283	¥ 226	**¥ 68**	**$ 728**
Accumulated impairment loss on lease assets	¥ 391	¥ 727	**¥ 505**	**$ 5,424**
Reversal of accumulated impairment loss on lease assets	¥ 15	¥ 98	**¥ 221**	**$ 2,375**

Depreciation is calculated by the straight-line method over the respective lease terms of the leased assets assuming a nil residual value.

33. 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 32 group companies in fiscal year 2008.

The Company concluded master agreements for CMS that have set out the availability granted among 35 group companies in fiscal year 2009.

The remaining portion of the credit line which was not utilized by the group companies under these agreements as of March 31, 2008 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Total availability granted by CMS	¥280	¥80	**¥—**	**$—**
Used portion of credit line	230	—	**—**	**—**
Remaining portion of credit line	¥ 50	¥80	**¥—**	**$—**

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 and consolidated subsidiaries have concluded loan commitment agreements with four 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, 2008 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Total availability granted	¥30,000	¥40,000	**¥—**	**$—**
Used portion of credit line	21,000	35,929	**—**	**—**
Remaining portion of credit line	¥ 9,000	¥ 4,071	**¥—**	**$—**

The loan commitment agreements with four banks were dissolved during fiscal year 2010.

34. INVESTMENT AND RENTAL PROPERTY

There are no material investment and rental property to be reported for the fiscal year 2010.

(Additional Information)
Effective fiscal year 2010, "Accounting Standard for Disclosure about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Statement No. 20)(November 28, 2008) and "Guidance on Accounting Standard for Disclosure about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan Guidance No. 23) (November 28, 2008) have been applied.

35. RELATED PARTY TRANSACTIONS (NON-CONSOLIDATED BASIS)

The Group had no significant transactions with its related parties for the years ended March 31, 2008 and 2009.

For the year ended March 31, 2010
Transactions between the Company and main stockholder.

Attribute	Name	Domicile	Capitalization (millions of yen)	Nature of operation	Equity ownership by the Company (%)	Relation ship	Nature of transaction	Trading amount (millions of yen)	Account	Balance at year end (millions of yen)
Main stockholder	ACA INVESTMENTS PTE. LTD.	Chiyoda-ward, Tokyo	3	Holding and disposal of the Company's stock and subscription rights to shares/ Investment business	36.5	Contribution to the Company's capital	Allocation of new shares to a third party		—	—
							Preferred stock	1,600		
							Subscription rights to shares	467		
Companies in which a majority of the voting rights are owned by main stockholder	ACA Properties Investment Limited Partnership	Chiyoda-ward, Tokyo	10	Management and holding of stock and loans receivables of GEN CAPITAL CO., LTD.	—	Transfer of loans receivables	Transfer of loans receivables to subsidiaries and affiliates		—	—
							Transfer amount	482		
							Loss on transfer of loans receivables to subsidiaries and affiliates	50,589		
Companies in which a majority of the voting rights are owned by main stockholder	GEN CAPITAL CO., LTD.	Minato-ward, Tokyo	100	Investment in real estate	—	Finance of business funds	Finance of funds			
							Decrease in fiscal year 2010	120	Short-term loans receivable	21,610
							Interest receivable	32	Accrued revenue	0

Transactions between the Company and main stockholder.

Attribute	Name	Domicile	Capitalization (thousands of U.S. dollars)	Nature of operation	Equity ownership by the Company (%)	Relation ship	Nature of transaction	Trading amount (thousands of U.S. dollars)	Account	Balance at year end (thousands of U.S. dollars)
Main stockholder	ACA INVESTMENTS PTE. LTD.	Chiyoda-ward, Tokyo	32	Holding and disposal of the Company's stock and subscription rights to shares/ Investment business	36.5	Contribution to the Company's capital	Allocation of new shares to a third party		—	—
							Preferred stock	171,972		
							Subscription rights to shares	5,022		
Companies in which a majority of the voting rights are owned by main stockholder	ACA Properties Investment Limited Partnership	Chiyoda-ward, Tokyo	107	Management and holding of stock and loans receivables of GEN CAPITAL CO., LTD.	—	Transfer of loans receivables	Transfer of loans receivables to subsidiaries and affiliates		—	—
							Transfer amount	5,175		
							Loss on transfer of loans receivables to subsidiaries and affiliates	543,732		
Companies in which a majority of the voting rights are owned by main stockholder	GEN CAPITAL CO., LTD.	Minato-ward, Tokyo	1,075	Investment in real estate	—	Finance of business funds	Finance of funds			
							Decrease in fiscal year 2010	1,292	Short-term loans receivable	232,270
							Interest receivable	339	Accrued revenue	5

(Additional Information)
Effective fiscal year 2009, Accounting Standard Board of Japan Statement No. 11 "Accounting Standard for Related Party Disclosures" and its implementation guidance, Accounting Standard Board of Japan Statement guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures" have been applied.

36. PER SHARE INFORMATION

	Yen 2008	Yen 2009	Yen 2010	U.S. dollars (Note 1) 2010
Net assets per share*[1]	¥2,317.18	¥ 251.40	**¥(241.34)**	**$(2.59)**
Net income (loss) per share*[1]	¥ 17.34	¥(2,097.39)	**¥(720.62)**	**$(7.75)**
Diluted net income per share*[1]	¥ 15.46	—*[2]	**—*[2]**	**—*[2]**

*[1] The basic facts underlying the calculation of "Shareholders' equity per share," "Net income (loss) per share" and "Diluted net income per share" are as follows:

*[2] "Diluted net income per share" of common stock is not disclosed due to net loss per share of common stock for the fiscal years 2009 and 2010.

	Millions of yen 2008	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2010
Net assets per share				
Net assets	¥185,496	¥ 25,247	**¥ 15,808**	**$ 169,903**
Net assets related to common stock	¥163,474	¥ 20,177	**¥(30,340)**	**$(326,094)**
Principal factors underlying the difference				
Type A preferred stock	—	—	**¥ 15,000**	**$ 161,221**
Type B preferred stock	—	—	**¥ 15,000**	**$ 161,221**
Type E Preferred stock	—	—	**¥ 5,500**	**$ 59,144**
Type F Preferred stock	—	—	**¥ 5,500**	**$ 59,144**
6th series subscription right to share	—	—	**¥ 172**	**$ 1,844**
7th series subscription right to share	—	—	**¥ 296**	**$ 3,178**
Minority interests	¥ 22,022	¥ 5,070	**¥ 4,680**	**$ 50,303**
Number of shares outstanding at the end of the fiscal year (thousands of shares)	78,671	80,290	**125,748**	**125,748**
Number of shares of common stock held in treasury at the end of the fiscal year (thousands of shares)	8,122	32	**35**	**35**
Common stock figure used for calculating net assets per share (thousands of shares)	70,549	80,258	**125,712**	**125,712**
Net income (loss) per share				
Net income (loss)	¥ 1,272	¥(161,529)	**¥(59,180)**	**$(636,076)**
Net income (loss) related to common stock	¥ 1,272	¥(161,529)	**¥(59,180)**	**$(636,076)**
Amount not attributable to common shareholders	¥ —	¥ —	**¥ —**	**$ —**
Average number of shares outstanding during the fiscal year (thousands of shares)	73,368	77,015	**82,125**	**82,125**

		Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	**2010**	**2010**
Diluted net income per share				
Net income adjustment	¥ 12	¥ —	**¥ —**	**$ —**
(Of which, effect of dilution of affiliated companies stock)	¥ (45)	¥ —	**¥ —**	**$ —**
(Of which, interest expenses (after deducting tax))	¥ 57	¥ —	**¥ —**	**$ —**
Increase in common stock (thousands of shares)	9,668	—	**—**	**—**
(Of which, warrant rights)	11	—	**—**	**—**
(Of which, subscription rights to shares)	17	—	**—**	**—**
(Of which, convertible bonds with Subscription rights to shares)	9,640	—	**—**	**—**

Outline of stock not included in diluted net income per share due to lack of dilutive effect of at March 31, 2008 was as follows.

Company name	Diluted net income per share	Number of subscription rights to shares
CSK HOLDINGS CORPORATION	Subscription rights to shares approved on June 25, 2004.	9,695
	Subscription rights to shares approved on June 28, 2005.	11,224
VeriServe Corporation	Subscription rights to shares approved on Aug. 22, 2003.	653
	Subscription rights to shares approved on June 17, 2004.	281
	Subscription rights to shares approved on June 24, 2005.	278
Cosmo Securities Co., Ltd.	Subscription rights to shares approved on June 29, 2004.	1,642

Company name	Diluted net income per share	Amount of total face value of convertible bonds payable (Millions of yen)
CSK HOLDINGS CORPORATION	Euro-yen denominated convertible bonds with subscription rights to shares.	¥21,792
	No.7 unsecured convertible bonds with subscription rights to shares.	¥35,000

Outline of stock not included in diluted net income per share due to lack of dilutive effect as of March 31, 2009 was as follows.

Company name	Diluted net income per share	Number of subscription rights to shares
CSK HOLDINGS CORPORATION	Subscription rights to shares approved on June 28, 2005.	11,224
VeriServe Corporation	Subscription rights to shares approved on Aug. 22, 2003.	573
	Subscription rights to shares approved on June 17, 2004.	281
	Subscription rights to shares approved on June 24, 2005.	278

Company name	Diluted net income per share	Amount of total face value of convertible bonds payable (Millions of yen)
CSK HOLDINGS CORPORATION	Euro-yen denominated convertible bonds with subscription rights to shares.	¥21,792
	No.7 unsecured convertible bonds with subscription rights to shares.	¥35,000

Outline of stock not included in diluted net income per share due to lack of dilutive effect as of March 31, 2010 is as follows.

Company name	Diluted net income per share	Number of subscription rights to shares
CSK HOLDINGS CORPORATION	6th Subscription rights to shares approved on Sept. 29, 2009.	240,000
	7th Subscription rights to shares approved on Sept. 29, 2009.	240,000
VeriServe Corporation	Subscription rights to shares approved on Aug. 22, 2003.	319
	Subscription rights to shares approved on June 24, 2005	278

Company name	Diluted net income per share	Amount of total face value of convertible bonds payable (Millions of yen/ thousands of U.S. dollars)
CSK HOLDINGS CORPORATION	Euro-yen denominated convertible bonds with subscription rights to shares.	¥21,792 (USD 234,222)
	No.7 unsecured convertible bonds with subscription rights to shares.	¥35,000 (USD 376,182)

Company name	Diluted net income per share	Number of shares of preferred stock
CSK HOLDINGS CORPORATION	Class A preferred stock	15,000
	Class B preferred stock	15,000
	Class C preferred stock	227,273
	Class D preferred stock	2,273
	Class E preferred stock	5,000
	Class F preferred stock	5,000

37. SEGMENT INFORMATION

The Group operates principally in business segments: IT services business, Prepaid card business, Securities business, and Other 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
Prepaid card business	Issuance and settlement of prepaid cards, development and sales of card systems
Securities business	Securities business and other related services
Other business	Investments in venture companies, investments in equity securities and others, management of investment trusts

The segment information of the Group for each of the three years in the period ended March 31, 2010 classified by business segment is presented below:

	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

	Millions of yen						
	For the year ended March 31, 2009						
	IT services business	Financial services business	Securities business	Prepaid card business	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers	¥184,441	¥ 3,471	¥15,600	¥ 2,588	¥ 206,100	¥ —	¥ 206,100
Inter-segment sales/transfers	6,352	3	22	155	6,532	(6,532)	—
Total	190,793	3,474	15,622	2,743	212,632	(6,532)	206,100
Costs and expenses	182,008	119,085	23,491	2,559	327,143	2,024	329,167
Operating income (loss)	¥ 8,785	¥(115,611)	¥ (7,869)	¥ 184	¥(114,511)	¥ (8,556)	¥(123,067)
Assets	¥ 67,834	¥ 116,907	¥89,604	¥51,450	¥ 325,795	¥38,137	¥ 363,932
Depreciation	¥ 4,165	¥ 39	¥ 1,126	¥ 127	¥ 5,457	¥ 1,597	¥ 7,054
Loss on impairment of fixed assets	¥ 3,243	¥ 312	¥10,177	¥ 13	¥ 13,745	¥ 1,145	¥ 14,890
Capital expenditure	¥ 7,167	¥ 6	¥ 1,231	¥ 52	¥ 8,456	¥11,974	¥ 20,430

	Millions of yen						
	For the year ended March 31, 2010						
	IT services business	Prepaid card business	Securities business	Other business	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers	**¥147,805**	**¥ 3,023**	**¥17,619**	**¥ 1,071**	**¥169,518**	**¥ —**	**¥169,518**
Inter-segment sales/transfers	**3,249**	**169**	**12**	**1**	**3,431**	**(3,431)**	**—**
Total	**151,054**	**3,192**	**17,631**	**1,072**	**172,949**	**(3,431)**	**169,518**
Costs and expenses	**139,733**	**2,960**	**17,486**	**2,921**	**163,100**	**2,241**	**165,341**
Operating income (loss)	**¥ 11,321**	**¥ 232**	**¥ 145**	**¥ (1,849)**	**¥ 9,849**	**¥ (5,672)**	**¥ 4,177**
Assets	**¥ 64,304**	**¥58,315**	**¥94,058**	**¥10,464**	**¥227,141**	**¥40,609**	**¥267,750**
Depreciation	**¥ 3,706**	**¥ 107**	**¥ 440**	**¥ 13**	**¥ 4,266**	**¥ 1,373**	**¥ 5,639**
Loss on impairment of fixed assets	**¥ 7**	**¥ —**	**¥ 53**	**¥ 11**	**¥ 71**	**¥ 1,143**	**¥ 1,214**
Capital expenditure	**¥ 3,050**	**¥ 28**	**¥ 682**	**¥ 13**	**¥ 3,773**	**¥ 910**	**¥ 4,683**

	Thousands of U.S. dollars (Note 1)						
	For the year ended March 31, 2010						
	IT services business	Prepaid card business	Securities business	Other business	Total	Elimination and corporate	Consolidated total
Operating revenue:							
Outside customers	**$1,588,613**	**$ 32,496**	**$ 189,376**	**$ 11,508**	**$1,821,993**	**$ —**	**$1,821,993**
Inter-segment sales/transfers	**34,920**	**1,816**	**126**	**9**	**36,871**	**(36,871)**	**—**
Total	**1,623,533**	**34,312**	**189,502**	**11,517**	**1,858,864**	**(36,871)**	**1,821,993**
Costs and expenses	**1,501,854**	**31,822**	**187,939**	**31,390**	**1,753,005**	**24,099**	**1,777,104**
Operating income (loss)	**$ 121,679**	**$ 2,490**	**$ 1,563**	**$ (19,873)**	**$ 105,859**	**$ (60,970)**	**$ 44,889**
Assets	**$ 691,143**	**$626,777**	**$1,010,943**	**$112,466**	**$2,441,329**	**$436,465**	**$2,877,794**
Depreciation	**$ 39,837**	**$ 1,153**	**$ 4,725**	**$ 142**	**$ 45,857**	**$ 14,755**	**$ 60,612**
Loss on impairment of fixed assets	**$ 72**	**$ —**	**$ 582**	**$ 113**	**$ 767**	**$ 12,279**	**$ 13,046**
Capital expenditure	**$ 32,778**	**$ 306**	**$ 7,330**	**$ 138**	**$ 40,552**	**$ 9,784**	**$ 50,336**

(1) Assets of ¥68,068 million, ¥38,137 million and ¥40,609 million ($436,465 thousand) at March 31, 2008, 2009 and 2010, 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 years ended March 31, 2008, 2009 and 2010 consisted of management expenses for group companies of ¥10,223 million, ¥14,911 million and ¥8,281 million ($89,000 thousand) respectively incurred at the Company.
(3) "Depreciation" and "Capital expenditure" include long-term prepayments, deferred charges and their amortization.
(4) The Group has substantially withdrawn from real estate securitization business and changed "Financial services business" segment to "Other business" segment for the year ended Mar. 31, 2010. As a result, the Company has changed the segment range as follows: "IT services business," "Prepaid card business," "Securities business," "Other business" in order.

(Change in accounting policy)
Application of accounting standards for completed contract revenue and costs
As outlined in Note 2 (25), with regard to contracted works for construction contracts commencing in the fiscal year 2010, those works for which the outcome by the end of the fiscal year 2010 is deemed certain are subject to the percentage-of-completion method (with the percentage of completion estimated on a cost-to-cost basis), and other works are subject to the completed-contract method. As a result, operating revenue increased by ¥1,168 million ($12,549 thousand), and operating income increased by ¥340 million ($3,656 thousand).

38. BUSINESS COMBINATION

Material transactions for business combinations for the fiscal year ended March 31, 2009 are as follows:

Procedures and relationship under common control

1. Companies subject to business combination, legal form of business combination

(1) Companies subject to business combination
Names: CSK Holdings Corporation ("the Company")
Cosmo Securities Co., Ltd. ("Cosmo Securities")
Content of business:
The Company: Management of the Group and subsidiaries and related businesses
Cosmo Securities Co., Ltd.: Type I financial instruments business, Type II financial Instruments business, Investment advisory business, Investment business, Agency business

(2) Legal form of business combination
Business combination by share exchange

(3) Name following business combination
There was no change in the name of the enterprise after the business combination.

(4) Overview of transaction, including objective of transaction
The Group has been steadily developing its resources for pursuing 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. The Group as a whole will work together to pursue the securities-related business.
To advance this reorganization smoothly, the Company made Cosmo Securities a wholly owned subsidiary through a share exchange transaction.

2. Overview of accounting procedures implemented

In accordance with the "Accounting Standard for Business Combinations" in Japan (Business Accounting Council, October 31, 2003) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, November 15, 2007), the accounting treatment for common control transactions has been applied.

3. Items related to the additional acquisition of subsidiary's shares

	Millions of yen
Acquisition cost and details	
Consideration	
CSK Holdings shares	**¥24,210**
Direct payments required for acquisition	
Share exchange ratio calculation cost	**27**
Acquisition cost	**¥24,237**

4. Exchange ratio by class of shares, number of shares delivered and method of calculating exchange ratio

(1) Class of shares, exchange ratio
Shares were exchanged at the ratio of one share of common stock in Cosmo Securities per 0.046 share of common stock in the Company.

(2) Method of calculating exchange ratio
The Company and Cosmo Securities requested a 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.

(3) Number shares and the appraised value
Number shares 9,742,431 shares
Appraised value ¥24,209 million

5. Amount of generated goodwill or negative goodwill, reason generated, and method of amortization and amortization period.

(1) Amount of goodwill
¥7,742 million

(2) Reason generated
A difference between the above-stated acquisition cost and the decrease in minority interest in earnings resulting from the additional acquisition

(3) Method of amortization and amortization period
Amortized over 5 years using the straight-line method

* All the amount of goodwill (¥6,585 million) at the end of fiscal year 2009 has been written off as an impairment loss. Details are presented in Note 26.

(4) The content of conditional acquisition consideration that is stipulated in business combination contract and the accounting policies applied from the fiscal year 2009.
Not applicable

(5) The amount of acquisition cost that are allocated for research and development and expensed, and the account name
Not applicable

39. SUBSEQUENT EVENT

(Transfer of shares of Group subsidiary)
At a meeting of its Board of Directors held April 15, 2010, the Company resolved to sell all of its shares in Cosmo Securities Co., Ltd., a wholly owned subsidiary to Iwai Securities Co., Ltd. The share transfer was completed on April 16, 2010.

1. Reason for Sale

The Company is currently in the process of reorganizing its business and cost structures with the aim of restructuring operations to achieve a revitalization of the Group. Initiatives taken for this purpose include making a complete withdrawal from the real estate securitization business in fiscal year 2010, improving its financial position through capital increase, overhauling its management system, and focusing business resources on the IT services business.

In focusing its business resources on the IT services business, and as a result of considering the business direction in which the Group is aiming to pursue going forward, it was determined that Cosmo Securities Co., Ltd., which is engaged in the securities business, cannot be expected to demonstrate significant synergies from a business perspective, and that an alliance between Cosmo Securities Co., Ltd. and Iwai Securities Co., Ltd, which has solid operating foundation in the Kansai region, would be of benefit to Cosmo Securities Co., Ltd for expanding its business.

2. Overview of Iwai Securities Co., Ltd.

1. Name: Iwai Securities Co., Ltd.
2. Address: 1-8-16 Kitahama, Chuo-ku, Osaka
3. Representative: Yoshiaki Okitsu, President and Representative Director
4. Paid-in capital: ¥10 billion ($108 million)
5. Main business: Financial instruments trading
6. Relationship between the Company and Iwai Securities Co., Ltd.: None applicable

3. Transfer date

April 16, 2010

4. Overview of Cosmo Securities Co., Ltd.

1. Name: Cosmo Securities Co., Ltd.
2. Address: 1-8-12 Imabashi, Chuo-ku, Osaka City
3. Representative: Takumi Kanamori, President and Representative Director
4. Paid-in capital: ¥14 billion ($145 million)
5. Main business: Financial instruments trading
6. Consolidated financial results and financial position for most recent period

	Fiscal year ended March, 31 2010	
	Billions of yen	Millions of U.S. dollars (Note 1)
Assets	**¥94**	**$1,009**
Liabilities	**69**	**746**
Net assets	**25**	**263**
Operating revenue	**18**	**190**
Operating income	**0**	**2**
Ordinary income	**0**	**0**
Net income	**0**	**3**

5. Details of share transfer

1. Number of shares being transferred: 40,000,000 shares (Ownership interest 100%)
2. Transfer price: ¥17 billion ($183 million)
3. Loss in line with transfer: ¥9 billion ($95 million)
4. Equity ratio following transfer: 0%

6. Other material contracts

None applicable

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Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
CSK HOLDINGS CORPORATION

We have audited the accompanying consolidated balance sheets of CSK HOLDINGS CORPORATION and its consolidated subsidiaries as of March 31, 2010, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years 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 audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CSK HOLDINGS CORPORATION and consolidated subsidiaries at March 31, 2010, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(9), effective the year ended March 31, 2009, CSK HOLDINGS CORPORATION and its subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006).

As described in Note 39, CSK HOLDINGS CORPORATION sold all of its shares in Cosmo Securities Co., Ltd., a wholly owned consolidated subsidiary.

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 LLC

June 25, 2010

A member firm of Ernst & Young Global Limited

CORPORATE INFORMATION

(As of October 1, 2010)

Company name: CSK CORPORATION

Established: October 7, 1968

Head Office: CSK Aoyama Bldg., 2-26-1, Minami-Aoyama, Minato-ku, Tokyo 107-0062, Japan

URL: http://www.csk.com/index_en.html

GROUP COMPANIES

(As of October 1, 2010)

CSK CORPORATION
CSK ServiceWare Corporation
VeriServe Corporation
CSK PRESCENDO CORPORATION
CSK SYSTEMS (DALIAN) Co., LTD.
CSI SOLUTIONS Corporation
CSK SYSTEM MANAGEMENT CORPORATION
JIEC Co., Ltd.
CSK WinTechnology Corporation
SUPER SOFTWARE COMPANY LTD.
HOKKAIDO CSK CORPORATION
FUKUOKA CSK CORPORATION
CSK Nearshore Systems Corporation
CSK SYSTEMS (SHANGHAI) CO., LTD.
QUO CARD Co., Ltd.
CSK ADMINISTRATION SERVICE CORPORATION
Tokyo Green Systems Corporation

INVESTOR INFORMATION

(As of March 31, 2010)

Stock and Number of Shareholders

Type	Authorized	Issued	Number of shareholders
Common Stock	298,000,000 shares	125,747,714 shares	58,397
Class A Preferred Stock	15,000 shares	15,000 shares	4
Class B Preferred Stock	15,000 shares	15,000 shares	4
Class E Preferred Stock	5,000 shares	5,000 shares	1
Class F Preferred Stock	5,000 shares	5,000 shares	1

Stock listing: First Section of Tokyo Stock Exchange

Trading unit: 100 shares

Ticker symbol number: 9737

Transfer Agent and Registrar

The Sumitomo Trust & Banking Co., Ltd.

Head office: 4-5-33, Kitahama, Chuo-ku, Osaka 540-8639, Japan

Tokyo stock transfer agency department: 2-3-1, Yaesu, Chuo-ku, Tokyo 104-8476, Japan

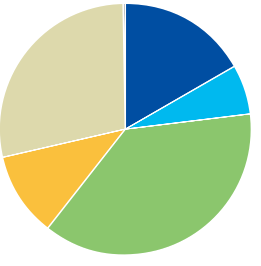
Mailing address: 1-10, Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan

URL: http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html (Japanese only)

Top Stockholders' List (Common Stock)

	Name of Stockholders	Number of shares (thousands)	Ratio (%)
1	Godo Kaisha ACA Investments	45,457	36.15%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,443	4.33%
3	CSK Group Employee Share-holding Association	4,302	3.42%
4	Japan Trustee Services Bank, Ltd. (Trust Account)	3,991	3.17%
5	JP Morgan Securities Japan Co., Ltd.	3,242	2.58%
6	Nippon Life Insurance Company	2,335	1.86%
7	Trust & Custody Services Bank, Ltd. (Securities investment Trust Account)	2,142	1.70%
8	Mitsubishi UFJ Securities Co., Ltd.	1,709	1.36%
9	SOCIETE GENERALE, PARIS	1,535	1.22%
10	MORGAN WHITEFRIARS EQUITY DERIVATIVES	1,308	1.04%

Distribution of Stockholders



http://www.csk.com/

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VEGETABLE OIL INK

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