SCSK

ANNUAL REPORT 2012

Taking our world one step ahead
with the power of IT

Taking one step forward

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Extensive customer base and rich service lineup

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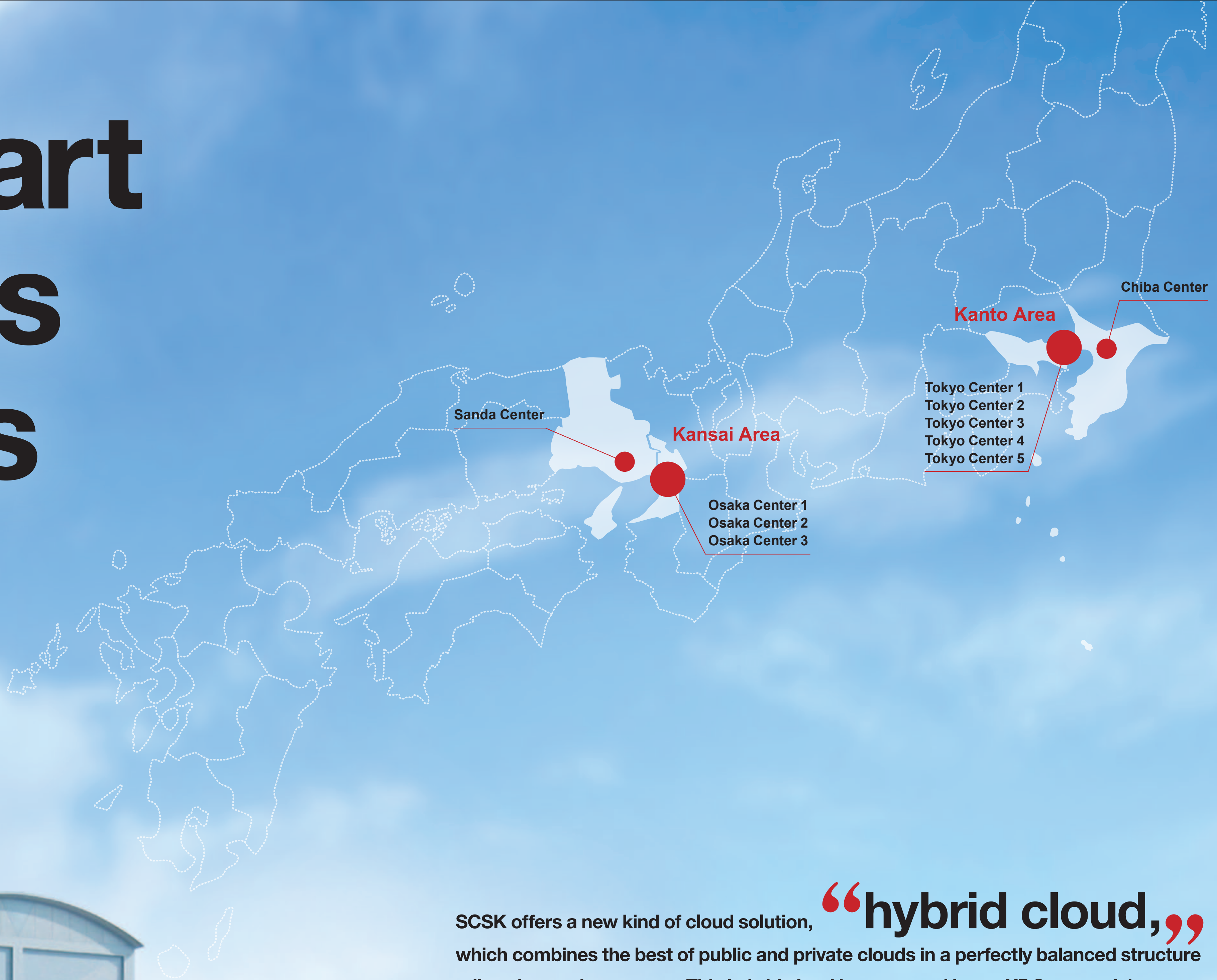
In October 2011, Sumisho Computer Systems Corporation (SCS) and CSK Corporation (CSK) successfully completed a merger. The invigorated company, renamed SCSK Corporation, boasts a client base of “8,000 companies” and provides a full service lineup encompassing system development—a business that both SCS and CSK pursued—as well as all other IT services, from IT infrastructure design/development and management to business process outsourcing (BPO) and IT hardware and software sales.

State-of-the-art cloud services with top-class security



SCSK offers a new kind of cloud solution, **"hybrid cloud,"** which combines the best of public and private clouds in a perfectly balanced structure tailored to each customer. This hybrid cloud is supported by netXDC—one of the industry's largest data center networks, covering a total area of 60,000 square meters. The 10-site netXDC domestic data center network is geographically balanced, with locations in the Kanto and Kansai regions, centering on Tokyo and Osaka, respectively, and not only features dependable facilities and advanced security controls but also realizes integrated system operation services.*

*In March 2012, the netXDC Sanda Center received confirmation of information security compliance from Japan Quality Assurance Organization (JQA). This confirmation, which complements ISO/IEC 27001 for information security management systems and ISO/IEC 20000 for IT service management services already obtained, is validation based on various security standards, and with these assessments the center becomes the first facility in Japan—as of April 2012—to satisfy the criteria applied by JQA to verify compliance with information security standards. This achievement attests to Sanda Center's reputation for information systems security at the highest level in Japan.

Expanding global services

We have established a global network linking five geographical hubs:

“Japan, United States, Europe, China and ASEAN.”

We have a deep reservoir of know-how and insight, gained over many years in delivering IT services to global enterprises, and we utilize these intangible assets to provide a foundation on which our customers can set up their global IT strategies wherever in the world. Going forward, we will emphasize Asia in developing a higher global profile and strategically reinforce hiring and training of talent to work on the global stage.

Message from the Chairman & CEO

We seek to be a comprehensive IT service provider helping to "create our future of dreams"

SCSK Corporation was born through the merger of Sumisho Computer Systems Corporation and CSK Corporation in October 2011. In today's turbulent times, where daily life and business environments can change in a flash, our goal is to be actively involved in creating the ideal future that our customers—and by extension, Japan as a whole—dream of through new technologies and a shift in thinking. Toward this end, we made "create our future of dreams" the corporate philosophy of the newly integrated company.

Guided by this corporate philosophy, we will strive to contribute to the creation of business value for our customers and pursue sustainable future growth globally with our customers.

I ask for the continued support of all stakeholders as we stride confidently forward to new successes as SCSK.

Chairman & CEO

Nobuhide Nakaido

Interview with the Chairman & CEO

With the October 2011 merger, the newly formed SCSK embarked on a management plan highlighting three basic strategies: Actively promote cross-selling, strengthen the cloud business, and expand global business. By steadily implementing these basic strategies and enhancing productivity, the Company should achieve net sales of ¥300 billion, operating income in the range of ¥25 billion to ¥30 billion, an operating income ratio of between 8%–10%, and return-on-equity (ROE) above 10% by fiscal 2014, ending March 31, 2015.

In the following interview, SCSK Chairman and CEO Nobuhide Nakaido touches on a wide range of topics, starting with the background to and the objectives that prompted the merger of SCS and CSK, as well as the three basic strategies, a progress update, the Company's position on shareholder returns and the profile that the Company seeks to achieve in the years ahead.

Numerical Targets for Fiscal 2014

Net sales	¥300 billion
Operating income	¥25 billion to ¥30 billion
Operating income ratio	8% to 10%
ROE	Above 10%

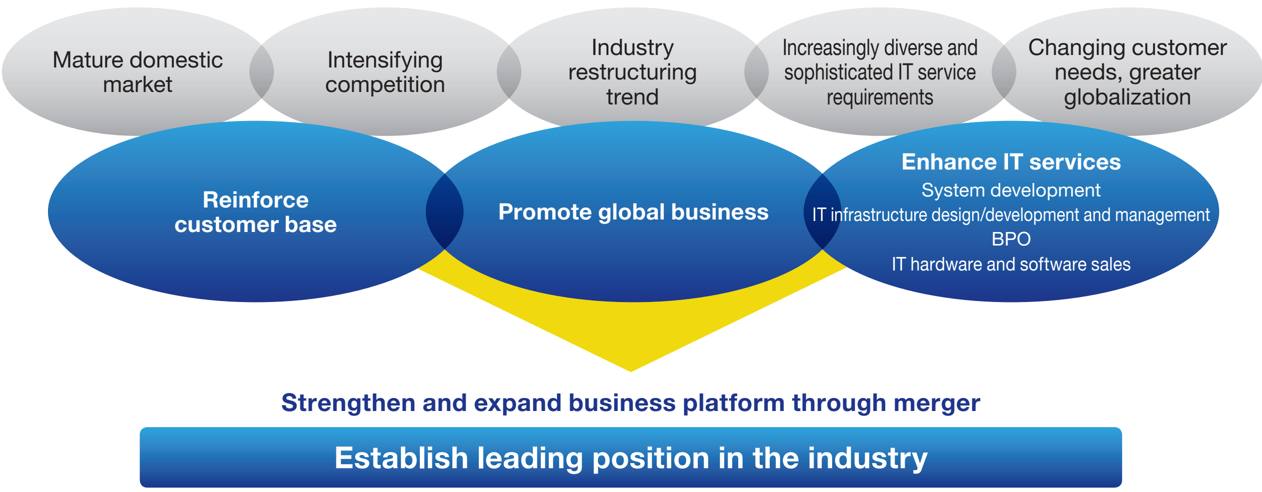
Q1 Please describe the background to and objectives of the merger.

A SCSK will attain a leading position in the industry as a global IT service company with a full service lineup that draws on the strengths of SCS and CSK.

The domestic IT market is coming of age and amid increasingly more intense competition, realignment within the industry will be a reality-driven trend. Meanwhile, IT services are becoming even more diverse and sophisticated, and the market seeks providers who can respond with the flexibility to satisfy business needs, which are evolving at a dizzying pace. Given such challenging conditions, it was decided that merging SCS, which had marked steady growth by capitalizing on its position as a member of the Sumitomo Corporation Group and global support structure accorded through this connection, with CSK, which had built a commendable position as an independent information service provider through solid planning skills, initiative and assertiveness, was a golden opportunity that presented unparalleled potential for tremendous growth into the future.

Through the merger of SCS and CSK, client companies gain access to a fuller service lineup, ranging from system development and IT infrastructure design/development and management through to BPO and IT hardware and software sales. Furthermore, even though SCS and CSK did have overlap in their core client sectors, such as distribution, manufacturing and finance, the respective customer bases are quite complementary and show little actual customer duplication. Consequently, the customer base made available to SCSK is dramatically larger than that of either SCS or CSK, delivering a major expansion in potential customers for core IT services. Going forward, SCSK will strive to contribute to the creation of business value for client companies while securing a leading position in the IT services industry.

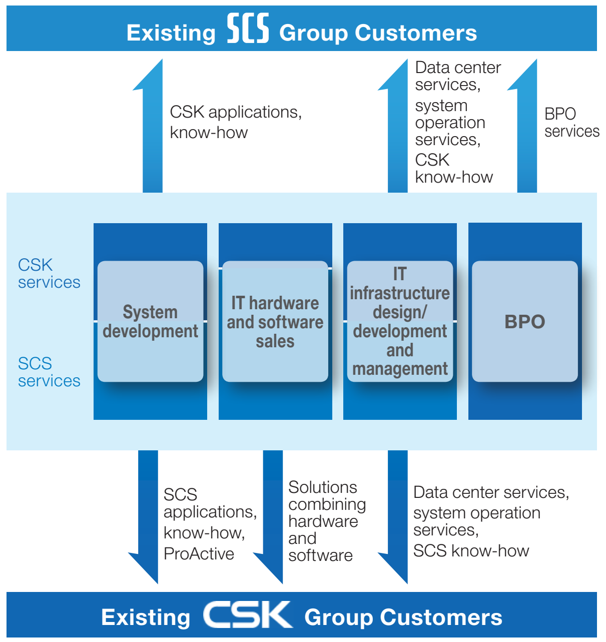
Current Industry Conditions and SCSK's Direction



Q2 What is your specific strategy for promoting cross-selling, and what progress has been made so far?

A We will draw on respective strengths to provide services matched to the dramatic increase in customer base realized through the merger.

Although SCS and CSK focused on the same sectors—target industries—for system integration, only about 20% of the integrated customer base was duplicated through the merger. In addition, even where duplicated, the services that each company provided to client companies were different. Therefore, the merger gave SCS a dramatically larger customer base. System development was a core business at both SCS and CSK. SCS also handled original enterprise resource planning (ERP) products and services, including proprietary ProActive, and IT hardware and software sales, while CSK pursued IT management and BPO. The merger enriched the service lineup and SCS and CSK acquired the opportunity to promote respective forte services to the existing customers of the other company. Efforts to capitalize on cross-selling opportunities will certainly lead to a steady increase in profits for SCSK.



Duplicated customers of only about 20%, dramatic expansion in customer base

SCS customers **20%** CSK customers

Higher share of target sectors, especially distribution, manufacturing and finance

Net Sales (Billions of yen)

Sector	SCS	SCSK	CSK
Distribution	31.3	44.9	13.6
Manufacturing	36.4	78.8	42.4
Finance	16.3	53.9	37.6
Telecommunications and logistics	17.2	31.8	14.6

* Figures are actual amounts for fiscal 2011, ended March 2012
(For reference, figures include CSK's first-half data prior to the merger)

A We have derived significant results through concerted approaches implemented in the six months since the merger.

Cross-selling activities began in earnest at the same time that the merger took place. During the six months from that October day to the end of fiscal 2011, in March 2012, SCSK put together and presented possible projects worth about ¥12.0 billion and went on to secure orders—confirmed and provisional—worth about ¥5.0 billion. As in other pursuits, proposals also draw on the complementary aspects of SCS and CSK, not only for system development but for a wide range of activities, from the sale of merchandise to system maintenance and operation as well.

Employees are extremely keen on cross-selling, and going forward I expect SCSK to amass considerable results from these activities. However, it is essential to understand, I believe, that for this strategy there is no time to waste. The vice presidents of SCS and CSK were appointed as cross-selling leaders who will rally the SCSK troops and lead the cross-selling charge.

Q3 What is your specific strategy for strengthening the cloud business, and what progress has been made so far?

A We will respond quickly to the paradigm shift in IT services due to the cloud.

I don't see the cloud generating a new market per se, but it has definitely precipitated a paradigm shift in the industry, as companies without their own systems increasingly look to IT service providers for system-related services.

Against this backdrop, our strategy for strengthening the cloud business highlights efforts to meet rising demand for data center services as well as a steady shift away from the traditional emphasis on system design/development outsourcing in favor of usage-style services for the cloud era in which we bundle applications combining services know-how, solution assets such as ERP, and BPO services.

We will accurately address evolving client company needs, from ownership of IT systems to use of IT services, and strive to expand our cloud business.

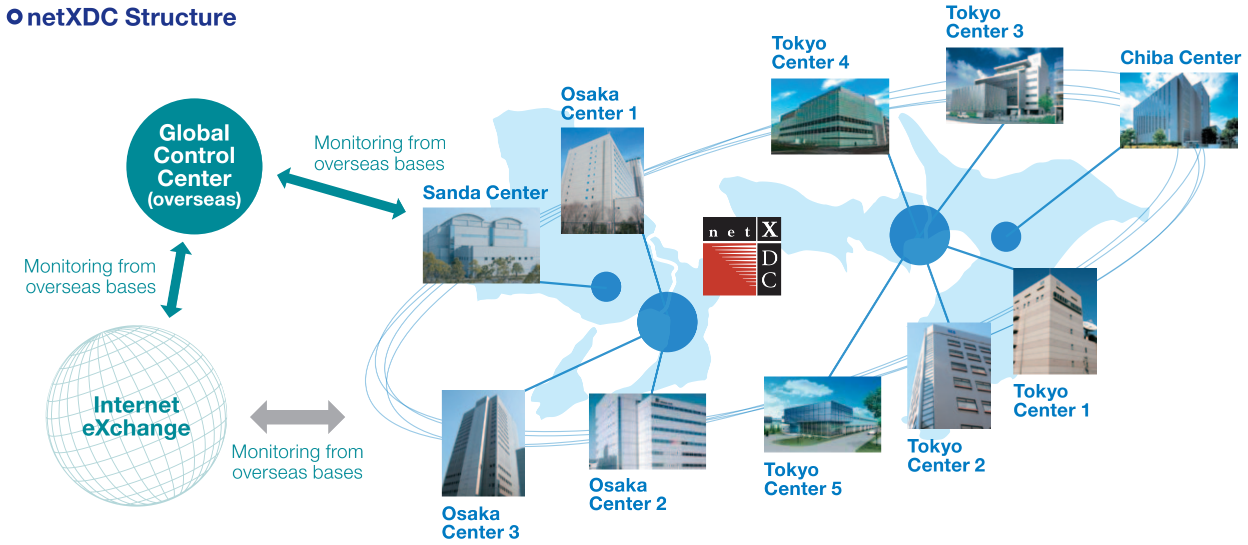
A We are emphasizing expansion of data centers, which underpin the cloud business.

SCSK has one of the industry's largest data center networks, covering a total area of 60,000 square meters. The 10-site domestic network is geographically well-balanced, with locations in the Kanto and Kansai regions, respectively.

Interest in cloud services and data centers is rising, buoyed by the need for business continuity plans (BCP) and disaster recovery measures. In this demand environment, interest in large-scale data centers in the Kansai region remains particularly high, and SCSK has responded by opening a new data center in Osaka and enhancing facilities at the Sanda Center.

Domestic data centers are networked and operations are integrated, which has allowed us to start freely allocating available space to address customer requests regardless of location. As a result, we can provide robust, flexible IT system platforms fine-tuned to BCP and disaster recovery demand.

netXDC Structure



Q4 What is your specific strategy for expanding global business, and what progress has been made so far?

A We will offer comprehensive services to support Japanese companies in their efforts to expand activities abroad, and we will reinforce our approach for the greater Japanese market.

The basic strategy of SCSK for global business hinges on sweeping, Japanese-style quality support extended as a reliable domestic partner to domestic customers seeking to expand their operations abroad.

Many Japanese companies are in the midst of energetic efforts to expand their business activities abroad, and in the process are looking to optimize their IT systems for global operations and ensure that the quality of services overseas is on a par with domestic quality criteria. IT demand paralleling the overseas movement of these customers—that is, all demand for IT services from Japanese companies pursuing a wider presence overseas while still centering corporate activity in Japan—is referred to as the "greater Japanese market." Going forward, we aim to increase our profit opportunities by providing this greater Japanese market with services of the same standard of quality found in Japan.

To build a structure that can suitably support the global expansion of our customer companies, we will improve our approaches to hiring and training personnel who have the skills needed to work on the global stage, enhance the functions of overseas subsidiaries and offices, and establish a solid support structure. As part of these efforts, in December 2011, we assigned a general manager to China to monitor business in Asia, particularly China, as it has become a focal point in our global expansion strategy. The general manager in China is responsible for framing and reinforcing an Asia/China-specific business promotion structure from a corporate perspective, taking into consideration such steps as the integration of local offices. In addition, we set up the Global Business Promotion Division to promote and coordinate corporate global business development.

Global Offices

The interview so far has focused on the background to and objectives of the recent merger and the three basic strategies of the management plan. The rest of the interview addresses fiscal 2012 key initiatives—enhanced profitability, higher operating efficiency, and a push to improve the skills of human resources—which are tied to the three basic strategies. Questions also address efforts to firm up the financial base, the dividend policy and the future of SCSK.

Basic Strategies (Medium-term Management Plan)

- Promote cross-selling
- Strengthen cloud business
- Expand global business

Fiscal 2012 Key Initiatives

Enhanced profitability	Higher operating efficiency	Enhance the capabilities of human resources

Q5 Enhanced profitability is one of the key initiatives this fiscal year. What measures are in place to achieve this goal?

A We abolished the internal company structure and realigned operations to achieve maximum business expansion.

For six months after the merger, we operated under an internal company structure built on three business segments—the SCS Company, the CSK Company and the Development Company. But to achieve enhanced profitability, which is the underlying priority of our basic strategies, we executed a structural reorganization on April 1, 2012, through which the SCS and CSK internal companies were eliminated in favor of seven business segments—a group of three industry-specific segments and a group of four function-specific segments.

The industry-specific group comprises the Industrial Systems Business, which emphasizes system development for members of the manufacturing and distribution industries; the Financial Systems Business, which focuses on system development for members of the finance industry, especially banks, insurers and securities companies; and the Global Systems Business, which targets Japanese companies that are expanding operations overseas. The function-specific group comprises four business segments which reflect the realignment of business activities according to the services and solutions we provide, that is, ERP, BPO, data centers and IT hardware and software sales.

We will improve profitability by integrating a vertical structure, which deals with customers by industry, and a horizontal structure, which handles solutions and functions.

Before Reorganization

SCS Company
- Distribution and Manufacturing System Solutions
- Financial System and ERP Solutions
- Global Solutions
- IT Platform Solutions

CSK Company
- System Development
- IT Management
- BPO

Development Company
- Development

After Reorganization

Industry-specific Group

Industrial Systems Business	System development for industries, ProActive
Financial Systems Business	System development for financial institutions
Global Systems Business	IT services for Sumitomo Group and Japanese companies expanding overseas

Function-specific Group

Business Solutions and Cross-Functional Business	ERP-related system development, Curl
Business Services	BPO
IT Management	Data centers, infrastructure support, cloud-related IT services
IT Platform Solutions	IT hardware and software sales

A We will strengthen our relationships with customers and vendors, thereby setting the stage for wider business activities.

We will work with IT vendors, who join us in providing services matched to client companies—that is, the strategies of our customers—and strengthen our ties to customers and vendors; and, by deepening our win-win relationships, we will reinforce the strategies we call vendor plans and account plans, which are aimed at extending the scope of our business pursuits.

In the current fiscal year, we will carefully select principal customers and vendor partners and share information and strategies with them, and we will build stronger relationships by offering IT services that accurately address customer needs.

Q6 Higher operating efficiency is another of the key initiatives this fiscal year. What measures are in place to achieve this goal?

A We will achieve higher productivity in our outsourced operations while we promote the unification of our development standards to limit the occurrence of unprofitable projects.

We are working to boost productivity and profitability as well as the quality of our core business—system development—and as part of this effort we aim to improve productivity in our outsourced operations including our near-shore and offshore development operations. We made progress in this regard in fiscal 2011 and intend to accelerate these efforts in fiscal 2012 to establish a system for outsourced operations that hinges on 30 particularly essential partners and 100 principal partners out of a partner pool that currently exceeds 1,000 companies. This will boost productivity in our outsourced operations and also ensure that outsourcing expenses stay at an optimum level.

In addition, we will promote the unification of our development standards, and raise productivity while we review the project management structure on a companywide basis to reduce the number of unprofitable projects. Through better quality control, we will take project management to a higher level.

Q7 Efforts to enhance the capabilities of human resources are also a key initiative this fiscal year. What measures are in place to achieve this goal?

A We are directing concerted effort toward cultivating the skills of our human resources, and we will introduce an expert evaluation system to promote certification at the technical level.

Going forward, human resource development is a top priority, absolutely essential to prosperous business. For this reason, in fiscal 2012 we aim to reinforce the talents of our human resources with a spotlight on training to acquire the abilities needed to work on the global stage as well as training to gain cloud expertise. Human resources with these skills will fortify corporate efforts to reach the targets of our medium-term growth strategies.

To develop human resources to work on the global stage naturally requires a commitment to augment language programs, especially for English and Chinese, and in fiscal 2012 we will also promote immersion opportunities, where employees can go abroad for training at overseas offices, short-term study trips to English-speaking countries and practical training in India. In fact, the plan for fiscal 2012 is to double the number of participants, to 100, from 50 in fiscal 2011.

To develop cloud-savvy professionals, we will position the Tama Center Office as a cloud technology training center, link the operations of our 10 domestic data centers, and increase opportunities for system engineers to become proficient with network technologies. These steps are just the beginning of a concerted approach to encourage mastery of the various technical aspects needed to support the cloud business, and we will strive to add 1,000 cloud experts each year to build a pool of 3,000 cloud-savvy professionals in three years' time.

Also in fiscal 2012, we plan to introduce the SCSK Expert Evaluation System, under which outside experts offer an evaluation of in-house capabilities, and establish a process for certifying the technical level of all engineers. By delineating in-house engineers' respective fields of expertise and their level of technical excellence in those specific areas on a companywide basis, we will be better able to take our technical advantage to new heights and draft and implement approaches to boost development productivity.

Q8 What is management's position regarding a more solid financing base and shareholder returns?

A We will strive to raise profitability and capital efficiency even higher and take interest-bearing debt still lower.

We seek further improvement in profitability and capital efficiency. Having set the operating income ratio and ROE as key performance indicators, we are working toward an operating income ratio of between 8% and 10% and ROE above 10% by March 31, 2015. In addition, we aim to reinforce our financial position, which will be exemplified by a net interest-bearing debt of zero within two years or so.

A Our policy is to provide stable dividends to shareholders, while we aim for additional shareholder returns that reflect performance growth on a consolidated basis.

Our dividend policy is to provide stable dividends after giving due consideration to such factors as financial position, the trend in earnings, the dividend payout ratio and internal reserves for future business investment, while we aim for additional shareholder returns matched to performance growth on a consolidated basis. As initially planned, interim and year-end dividends for fiscal 2011 were each ¥16 per share, for an annual payout of ¥32 per share. The dividend forecast for fiscal 2012 is based on the prospect of growth in earnings, and management anticipates interim and year-end dividends to be paid at ¥18 per share for an annual payout of ¥36 per share.

Q9 How do you see SCSK in the future?

A Guided by our corporate philosophy "create our future of dreams," we aspire to become a truly first-class company with a leading position in the IT services industry.

The social significance of the IT services industry is recognized today in a way it has never been before. At one time, the industry did not adequately fulfill the role to support corporate management strategies, which was where IT was essentially needed. But amid rapid progress in technological innovation and the globalization and diversification of corporate activities, IT upgrades as well as utilization are becoming top management priorities to many executives.

The invigorated SCSK has embraced the management philosophy "create our future of dreams" as an enduring pursuit unchanged for eons to come. This philosophy is anchored in the trust we have earned from our customers and embodies the determination of each and every employee under the SCSK umbrella to work with customers to generate new value and strive together to create an ideal future. Everyone has their own definition of "ideal future," but even if the shape of that ideal future varies, I believe most people identify with the idea of pursuing a dream and that an ideal future is a shareable, universal concept. Seeking to realize an ideal future for each and every employee and for customers, and by extension for Japan as a whole, SCSK will contribute to the creation of business value for customers through new technologies and a shift in thinking and work alongside customers to sustain future growth globally.

There are as many as 4,000 dedicated IT service providers—big and small—in Japan right now. In this operating environment, our ultimate goal is to establish a leading position in the IT services industry as a global IT services company. We will achieve this goal by demonstrating to the fullest degree our strengths and distinctive capabilities and implementing the basic strategies outlined above.

SCSK will strive to build itself into a strong organization with a major presence in the market and solidify its status as a leading company in terms of corporate size and scale of earnings. In addition, we will aspire to be a truly first-class company, giving employees a sense of fulfillment and rewarding on-the-job challenges, worthy of corporate pride, and well-regarded by society, as well.

Segment Overview

To provide customers with optimal services and reinforce our earnings strength, the SCSK Group launched a new organizational structure from April 2012, with seven business groups organized by industry and function.

The following is an overview of our eight business segments, consisting of the seven business groups and the prepaid card business.

Industrial organization

Industrial Systems Business

Net sales:
approximately ¥62 billion

Business overview

This business group manages manufacturing, communication, distribution, media, and service industries, all based on advanced SI capabilities and business know-how. We offer various solutions that are best suited for our customers' business, such as SCM, CRM, EDI, BI, enterprise system, information systems and EC websites. In addition, our self-developed ERP package "ProActive" is incorporated with the business system for accounting, management of sales and purchasing, inventory control, asset management, and personnel and salary control. This package is highly recognized as an ERP by a proven track record, including the introduction of a system with little customization based on the ample pre-set functions, and the introduction of group integrated systems to speed up consolidated management control.

Industrial organization

Financial Systems Business

Net sales:
approximately ¥48 billion

Main group company:
JIEC Co.,Ltd.

Business overview

This business group supplies system services for banks, securities, insurance, credit cards, leasing or other types of financial businesses, utilizing our experience and technological capabilities that have been gained from doing business with the financial industry over many years.

SCSK sets out to maximize our customers' benefit in IT investment, through a wide variety of our solutions in settlement, market/international affairs, securitization and IT security. We provide these functions to all types of financial institutions, through initial IT service consultation, proposals progressing to reliable project management and ongoing continuous operation.

Industrial organization

Global Systems Business

Net sales:
approximately ¥12 billion

Business overview

This business group offers IT services including local site support for customers who operate their business globally, such as in the manufacturing or distribution industry. This is another area where we have acquired expertise and experience over many years in providing IT support to companies who are expanding their global businesses. A typical example is the Sumitomo Corporation that is well known and respected throughout the world.

SCSK assists our customers' global development through our in-depth network linking all five major regions, including Japan, U.S.A., Europe, China and ASEAN regions.

Note: Segment sales denote fiscal 2011 net sales, reclassified to conform to the new organizational structure introduced in April 2012.
The amounts stated are for reference only and include the first-half results from the former CSK.

Functional organization

Business Solutions and Cross-Functional Business

Net sales:
approximately ¥14 billion

Business overview

This business group offers ERP solutions principally from "SAP ERP" by SAP, "Oracle EBS" by Oracle or peripheral solutions like CRM, IT governance or BI.

In addition, mainly developing and providing an operational environment in the web programming language "Curl" for business use, this business group develops comprehensive solutions to achieve a rich client environment.

Functional organization

Business Services

Net sales:
approximately ¥31 billion

Main group company:
VeriServe Corporation, CSK ServiceWare Corporation

Business overview

This business group provides all business support such as technical support, customer support, help desk services, telephone sales or data input, based on our long experience and expertise in the BPO business field. A fulfillment service is also available to comprehensively provide software verification services from the stance of third parties, based on many years' achievement and systematized verification theory, including EC site establishment, introduction support for e-commerce, back office operations and logistics.

Functional organization

IT Management

Net sales:
approximately ¥39 billion

Business overview

This business group operates solution-oriented data centers, the netX data center (netXDC), at 10 sites within Japan, which are equipped with robust facilities and advanced security controls. This group provides outsourcing services through our data centers to address our customers' business tasks, such as operational cost reduction, infrastructure integration and optimization, governance intensification or project continuity.

This business group also offers the infrastructure for various IT management services like cloud computing (private, public and hybrid), management services on websites or SE support services 24 hours a day, 365 days a year.

Functional organization

IT Platform Solutions

Net sales:
approximately ¥59 billion

Business overview

This business group provides a wide range of products and advanced types of engineering services, such as to all server storage products, all switching and routing of hardware and software in the network through high performance computing (HPC), VoIP products, IP telephony systems, plus all devices for communication, CATV, security, data exchange tools and operation management tools.

In addition, we offer sales and maintenance support for CG, CAD products, all simulation or analysis products and IT support services.

Prepaid Card Business

Net sales:
approximately ¥3.5 billion

Business overview

The prepaid card business consists of the issuing and settlement operations for the QUO prepaid card handled by consolidated subsidiary QUO CARD Co., Ltd. The QUO card can be used at roughly 46,000 locations around Japan, including convenience stores, family restaurants, gas stations, drugstores, and bookshops, for convenient payment wherever you are.

CSR Activities

As a good corporate citizen and part of the wider community, SCSK has always worked to contribute to the realization of a sustainable and affluent society through our corporate social responsibility activities, and through our business activities we provide solutions to new issues facing society in drastically changing times.

Environmental Activities

SCSK participates in the Sumitomo Corporation Group's multiple-site system and has acquired the environmental management system standard ISO 14001 certification, as part of recognizing global environmental issues and reducing the environmental impact of our business activities. We are engaged in environmental protection activities to preserve our office environment, expand our environment-oriented business, strictly comply with environmental laws and regulations, and elevate awareness of environmental protection.

Green IT

At SCSK's netXDC Chiba Center, we have made steady efforts from an early stage to reduce energy consumption and CO_2 emissions in response to society's increasing demand for environmental protection measures. In fiscal 2007, we set a PUE[1] (an efficiency index for data center power consumption) target of 1.5 or less, and during fiscal 2011 we operated with the average PUE of 1.54.[2]

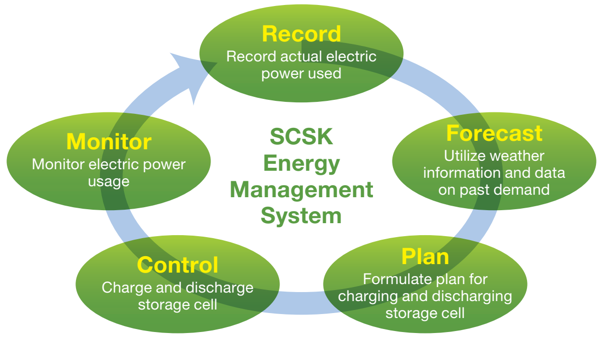
[1]PUE (power usage effectiveness) = Entire facility's energy consumption / IT device energy consumption
[2]We operate significantly below the PUE of 1.8 that is considered energy efficient.

Energy Management System

SCSK plans to offer an energy management service suitable for the age of Smart grids*, integrating the electric power monitoring and control technologies and product installation technologies we have developed over nearly 30 years, with cloud-based data centers and operational outsourcing services.

*Smart grid: A next-generation electric power grid that is able to autonomously adjust power supply and demand using telecommunications technology, to reduce energy consumption and use energy efficiently.

Note: Energy Management System is jointly researched and developed with Social System Design Co., Ltd. (President, Hideaki Miyata, Professor Emeritus, The University of Tokyo)



CAMP

CAMP WEB http://www.camp-k.com/english/camp/

CAMP (Children's Art Museum & Park) is a new style of learning that contributes to society through workshops that foster "the ability to create together" in children. Since its launch in 2001, CAMP has developed and held various types of workshops to bring out creativity and the ability to communicate in children, and has expanded its activities across Japan. SCSK views respect for humanity and the nurturing of human resources as an important responsibility of a corporate citizen, and our CAMP activities are a way in which we proactively fulfill this responsibility by teaching children who will become leaders in the future.

Employees participate in CAMP activities as volunteer staff, giving the volunteers themselves an opportunity to grow by interacting with local communities through the children.

CAMP Children's Art Museum & Park

Social Contribution Activities through Earth One

Earth One, a club for employees who engage in voluntary social contribution activities, carries out a range of activities including donation and volunteer work. SCSK has established a system for supporting these activities which includes time off to participate in volunteer activities and matching gifts*.

*Matching gifts: A system under which contributions made by Earth One to outside organizations are matched by donations of the same amount by the Company.

The "First Yell Run in Toyosu — Charity Run with SON Director Yuko Arimori" was held in November 2011 in conjunction with the Special Olympics Nippon Foundation.

©Special Olympics Nippon

Great East Japan Earthquake —Activities to Support Reconstruction

SCSK views the recovery and reconstruction from the disaster as a nation-wide issue that transcends corporate and organizational barriers, and is engaged in a variety of activities in accordance with the relief needs in the affected areas.

- Emergency Recovery Support (donations, etc.)
- Basic Recovery Support (support for daily activities, assistance for business continuity, etc.)
- Future support for local communities, communication and children
- Verification of disaster recovery/reconstruction progress, activities to remember the lessons learned and further logistical support
- Support to reestablish management and operations of local companies

Support for Persons with Disabilities

Tokyo Green Systems was established in 1992 as a third-sector enterprise through a joint capital investment by the Tokyo Metropolitan Government, Tama City and SCSK. 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 SCSK, Tokyo Green Systems also promotes employment of persons with disabilities at Group companies.

Okawa Foundation for Information and Telecommunications

The Okawa Foundation for Information and Telecommunications was established in 1986 as a public interest incorporated foundation. 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 by giving awards to people who have contributed to this field. From its establishment through to 2011, the Okawa Foundation has given 1,294 awards in support of research both in and outside of Japan, including the Okawa Prize and Okawa Publications Prize.

United Nations Global Compact

SCSK has participated in the UN Global Compact since 2007. The UN Global Compact supports and implements ten principles related to human rights, labor, the environment, and anti-corruption.

UN Global Compact

The UN Global Compact involves voluntary participation in a global effort to act as a good citizen and achieve sustainable growth by fulfilling corporate responsibility and by exercising creative leadership.

THE GLOBAL COMPACT WE SUPPORT

Core Subjects of ISO 26000 and SCSK's CSR Activities

SCSK is engaged in the following activities with regard to core subjects designated by ISO 26000, the international standard for social responsibility:

ISO 26000 Core Subject	SCSK's Main Activities
Organizational governance	Corporate governance
	Internal controls
	Risk management
	Disclosure to stakeholders
Human rights	Support of UN Global Compact
	Respect for human rights and prohibition of discrimination
Labor practices	Human resource development
	Promotion of diversity
	Work-life balance
	Promotion of workers' health and safety
	Support for persons with disabilities
Environment	Promotion of environmental management
	ISO 14001 certification
	Promotion of environmental targets and indexes
	Expansion of environmental business
	Reduction of data centers' environmental footprint

ISO 26000 Core Subject	SCSK's Main Activities
Fair operating practices	Compliance
	Strengthening of fair trading practices
	Strengthening of information security
Consumer issues	Management and improvement of product and service quality
	Improvement of usability and user experience (UX) of systems and services
	Improvements to raise customer satisfaction
	Strict management of personal information
Community involvement and development	Promotion of social contribution activities
	Development of next-generation human resources
	Cooperation with local communities and international society
	Global environmental protection

ISO 26000

ISO 26000 was developed by ISO, the world's largest international standardization organization, to achieve sustainable development through a consensus process among diverse stakeholders, and consists of comprehensive guidelines related to social responsibility for all types of organizations.

Japanese National Committee for ISO Working Group on Social Responsibility: http://iso26000.jsa.or.jp/contents/

Corporate Governance

Basic Policy on Corporate Governance

The SCSK Group's basic policy on corporate governance is to raise management efficiency and maintain healthy operations from the perspective of shareholders and other stakeholders, and to maintain management transparency in the process, bearing in mind our corporate social responsibility (CSR) as a company. We will position CSR as one of our most important management issues, and aim to build and implement an optimal management structure for the Company.

Internal Control System

The Board of Directors has formulated a Basic Policy on Internal Controls, and by continuously reviewing this policy, SCSK is building a robust internal control system that meets needs as they arise.

Directors and Board of Directors

The Company's directors serve one-year terms, in order to clarify their management responsibilities in each business year. We have also implemented a system in which full-time directors serve concurrently as executive officers, to maintain and facilitate swift management decision making based on actual business circumstances and effective oversight of operational execution.

The Board of Directors has 17 members, including three outside directors. In principle, the Board of Directors meets monthly, to decide important management issues and supervise operational execution.

To maintain and enhance the supervisory function of the Board of Directors, SCSK continues to appoint outside directors who have no conflicts of interest with general shareholders.

Management Committee

A Management Committee, made up of directors, executive officers, and corporate auditors, has been established as an advisory body to the president with regard to important management matters.

Corporate Auditors and Board of Auditors

SCSK's Board of Auditors has five members, including four outside corporate auditors, who receive reports, deliberate, and make decisions regarding important audit-related matters.

Corporate auditors attend meetings of the Board of Directors, the Management Committee, and other important meetings, request business reports from directors and executive officers, receive reports from the Internal Auditing Department, and review documents related to important decisions, in line with the audit policy set by the Board of Auditors. Corporate auditors also visit subsidiaries, affiliates, and other important business locations to inspect the status of operations and assets.

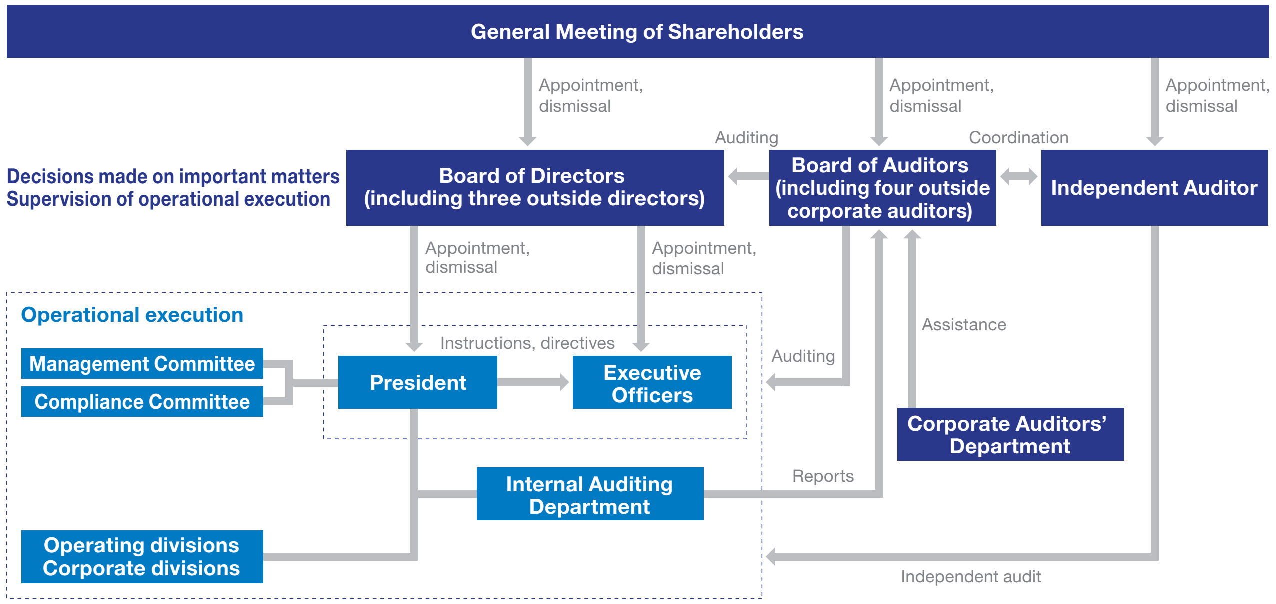
Corporate auditors meet regularly with the independent auditor to exchange information and understand the independent auditors' audit activities. The corporate auditors also attend audit evaluation meetings held by the independent auditor, conduct on-site inspections of inventory assets, and work to enhance the efficiency and quality of their activities.

A Corporate Auditors' Department has also been established as an organization independent of the Board of Directors, to assist corporate auditors in their operations and ensure that the activities of the corporate auditors are not hindered and that the function of the corporate auditors is fully utilized.

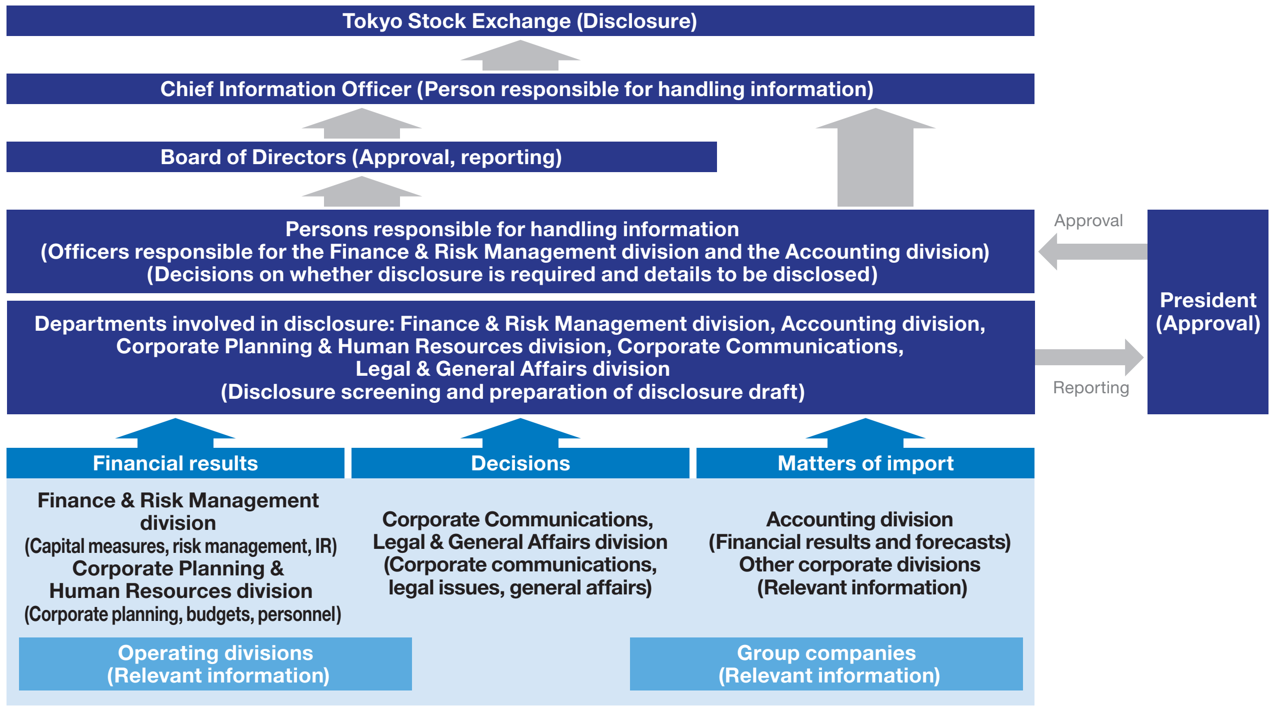
Policy for Providing Information to Shareholders

Recognizing that maintaining management transparency is an important element of corporate governance, SCSK provides important corporate information to shareholders, employees, and other stakeholders in a timely, appropriate manner.

Corporate Governance Structure



System for Timely Disclosure



Board of Directors, Corporate Auditors (As of June 27, 2012)

President *1 Nobuhide Nakaido

Director Takeshi Nakanishi	Director Akira Tsuyuguchi	Director Hiroaki Kamata	Director Shigeo Kurimoto
Director Masahiko Suzuki	Director *1 Hisakazu Suzuki	Director Masanori Furunuma	Director *1 Tatsuyasu Kumazaki
Director Tooru Tanihara	Director Satoshi Toriyama	Director Takahiro Ichino	Director Tetsuya Fukunaga
Director Hiroyuki Yamazaki			
Outside Director (part-time) Tatsujiro Naito	Outside Director (part-time) Naoaki Mashimo	Outside Director (part-time) Iwao Fuchigami	

Corporate Auditor *2 Osamu Kojima	Outside Corporate Auditor *2 Tomoharu Asaka	Outside Corporate Auditor *2 Akihiko Harima
Outside Corporate Auditor (part-time) Toshifumi Shibuya	Outside Corporate Auditor (part-time) Shigeki Yasunami	

*1 Representative director
*2 Legally designated standing corporate auditor

Compliance Activities

SCSK views compliance as "observing laws and regulations, and acting with a strong sense of ethics within the norms of society." Based on our Corporate Philosophy and Code of Conduct, the guiding principle for the actions of our directors and employees is for conduct that is sincere and appropriate, as members of society and of the Company. Each individual director and employee is responsible for his/her own actions based on the concept of compliance, and strives to produce results that fulfill the social responsibility of the entire company as an organization.

Based on the above, SCSK has formulated Compliance Guidelines and prepared an SCSK Compliance Manual, and is engaged in a variety of compliance activities to create a compliance structure, provide training and promote awareness, coordinated through a Compliance Committee, and establish a system for internal reporting.

Compliance Structure

SCSK has established a Compliance Committee as a structure for the proper implementation of compliance. The Compliance Committee determines and revises companywide compliance policies, maintains and manages the compliance structure, promotes compliance, coordinates with related departments, confirms status of compliance with policies, shares information and provides advice to prevent the reoccurrence of compliance issues, and works to prevent the reoccurrence of matters identified through the Internal Reporting System.

Internal Reporting System

An Internal Reporting System has been established to make it possible for directors and employees to contact the Compliance Committee directly in cases where they sense a compliance-related problem but find it difficult to make the report through their organizational reporting line.

This system maintains the privacy of the person making the report and the confidentiality of the matters reported, and ensures that there will be no repercussions for the person making the report. When the information received requires action, appropriate action is taken and then the results of that action are provided as feedback to the person who had made the report.

Compliance Training and Promotion of Awareness

Compliance seminars are held for directors and employees as necessary. The SCSK Compliance Manual has also been prepared to ensure ongoing awareness and to facilitate compliance, and is posted on the Company's intranet so that it can be read by all directors and employees at any time.

Financial Section

Contents

Financial Highlights

SCSK Corporation: Financial Indicators

(Millions of yen)

Income Statements	2008/3	2009/3	2010/3	2011/3	2012/3 (Note 1)
Net sales	137,199	134,264	127,317	132,840	**200,327**
Software development	48,526	49,182	43,377	45,964	**73,772**
Information processing	36,011	35,702	36,084	37,286	**70,253**
Packaged software/Hardware sales	52,663	49,379	47,857	49,589	**54,580**
Prepaid card business/Others	—	—	—	—	**1,723**
Gross profit	31,593	32,155	29,176	29,048	**46,370**
SG&A expenses	21,284	23,127	22,752	21,972	**33,490**
Operating income	10,310	9,028	6,424	7,076	**12,880**
Net income	5,415	3,962	3,242	3,803	**25,669**

(Millions of yen)

Cash Flows	2008/3	2009/3	2010/3	2011/3	2012/3 (Note 1)
Cash flows from operating activities	12,410	7,667	6,688	7,080	**22,249**
Cash flows from investing activities	(3,032)	(9,348)	(6,786)	(4,815)	**(8,112)**
Free cash flows (Note 2)	9,378	(1,681)	(98)	2,266	**14,137**
Cash flows from financing activities	(5,229)	(4,348)	(3,005)	(2,426)	**(7,966)**
Cash and cash equivalents at end of period	35,592	29,267	26,203	25,892	**63,662**

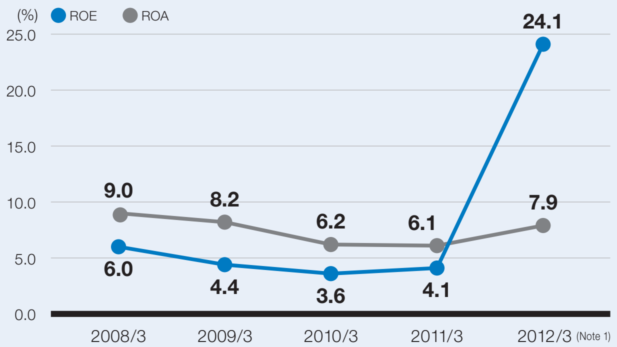
(Millions of yen)

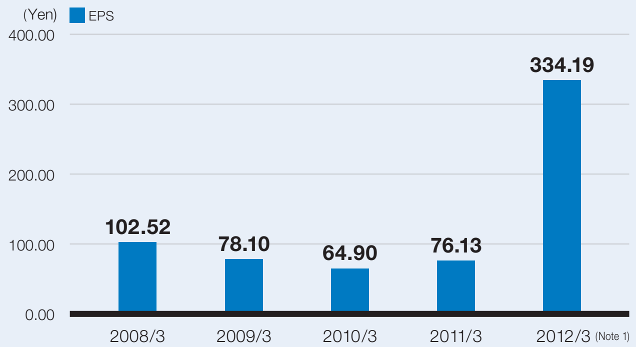
Financial Postion	2008/3	2009/3	2010/3	2011/3	2012/3 (Note 1)
Total assets	117,099	114,211	117,545	121,285	**300,929**
Net assets	90,323	89,946	92,683	94,569	**124,420**
Interest-bearing debt	1,257	870	2,230	2,361	**59,478**

(Yen)

Per Share Data	2008/3	2009/3	2010/3	2011/3	2012/3 (Note 1)
BPS	1,747.05	1,794.31	1,847.95	1,884.78	**860.37**
EPS	102.52	78.10	64.90	76.13	**334.19**

Major Indicators	2008/3	2009/3	2010/3	2011/3	2012/3 (Note 1)
ROE	6.0%	4.4%	3.6%	4.1%	**24.1%**
ROA	9.0%	8.2%	6.2%	6.1%	**7.9%**
Equity ratio	76.6%	78.5%	78.5%	77.6%	**39.6%**
Debt/Equity ratio (times)	0.01	0.01	0.02	0.03	**0.50**
Number of employees	3,212	3,415	3,480	3,517	**11,995**





Notes: 1 Figures of CSK before the merger date (October 1, 2011) are not included.
2 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

Management's Discussion and Analysis

I. Overview of Results

1. Economic and Industry Trends

In the period under review, the Japanese economy as a whole did not manage to overcome deflation, despite undergoing a process of moderate recovery from the downturn in economic activity due to the Great East Japan Earthquake. Domestic demand recovered and consumer spending trended firmly, against the backdrop of reconstruction demand and other factors. However, manufacturing and exports were broadly flat, due to the appreciation of the yen and slowdown in overseas economies triggered by the European financial crisis, and as a result the economy as a whole slowed during the period.

Against this domestic economic backdrop, the operating environment in the IT services industry was characterized by concerns about a deterioration in business results due to the appreciation of the yen and other factors, with overall IT investment not reaching the stage of demonstrating a full-scale recovery. Nevertheless, amid the reconstruction after the Great East Japan Earthquake, some companies are now actively investing in equipment as they seek to restore and enhance production activities, and needs are also emerging, mainly at manufacturers, for IT systems for enhancing global business capabilities. Furthermore, interest is increasing in cloud-related services and the use of data centers, from the perspective of business continuity planning and disaster recovery planning. Against the background of these corporate trends, IT investment at SCSK's client companies trended favorably, particularly in the second half of the fiscal year.

In these circumstances, the Company was relaunched through a merger with CSK CORPORATION (CSK) on October 1, 2011, and began operating under the trade name SCSK Corporation (SCSK).

2. Consolidated Results

■ Net sales

Consolidated net sales for the fiscal year ended March 31, 2012 rose 50.8%, to ¥200,327 million, compared with the previous fiscal year, reflecting the expansion of businesses from the merger and solid results with manufacturing and banking industry customers.

■ Operating income

In addition to the expansion of businesses from the merger, an improvement in the gross profit margin led to a 59.6% increase in gross profit, to ¥46,370 million, while selling, general and administrative expenses grew 52.4% year-on-year, to ¥33,490 million. As a result, operating income rose 82.0% year-on-year, to ¥12,880 million.

■ Non-operating income (expenses)

Although a ¥3,592 million gain was recorded from investments in partnership, the Company also recorded ¥5,464 million of losses on plan assets, ¥4,241 million in personnel expenses arising from changes in the HR policy, and a ¥2,171 million impairment loss on employees' dormitories scheduled for sale and others.

■ Income before income taxes and minority interests

Income before income taxes and minority interests declined 45.9% year-on-year, to ¥3,762 million.

■ Income taxes

In addition to corporate income tax, inhabitants' taxes, and enterprise taxes (income taxes—current), the Company recorded income tax adjustments related to losses carried forward for tax purposes (income taxes—deferred) carried over from the merger, and as a result, total income taxes for the fiscal year ended March 31, 2012 were minus ¥21,887 million (a tax refund).

■ Minority interests in gain (loss)

The Company recorded ¥20 million of minority interests in losses.

■ Net income

Net income rose 574.9% year-on-year, to ¥25,669 million. Net income per share rose ¥258.06, to ¥334.19 from ¥76.13 in the previous fiscal year.

Management's Discussion and Analysis

II. Overview of Results by Reportable Segment

The Systems Development, IT Management, BPO, and Prepaid Card Business segments were newly added with the merger with CSK on October 1, 2011, and given the absence of the prior year's results, year-on-year comparisons are not made. Figures shown for sales are sales to third parties in each reportable segment.

	Previous Fiscal Year (April 1, 2010 – March 31, 2011)		Fiscal Year Under Review (April 1, 2011 – March 31, 2012)		Change from Previous Fiscal Year	
	Amount (million yen)	Percent of Total (%)	Amount (million yen)	Percent of Total (%)	Amount (million yen)	(%)
Distribution & Manufacturing System Solution	35,729	26.9	36,212	18.1	483	1.4
Financial System & ERP Solution	22,243	16.7	19,124	9.5	(3,119)	(14.0)
Global Solution	17,756	13.4	15,462	7.7	(2,294)	(12.9)
IT Platform Solution	49,183	37.0	49,537	24.7	354	0. 7
Systems Development	—	—	37,976	19.0	37,976	—
IT Management	—	—	16,803	8.4	16,803	—
BPO	—	—	15,610	7.8	15,610	—
Prepaid Card Business	—	—	1,723	0.9	1,723	—
Others	7,929	6.0	7,880	3.9	(49)	(0.6)
Total	132,840	100.0	200,327	100.0	67,487	50.8

Distribution & Manufacturing System Solution

Net sales increased 1.4% compared to the previous fiscal year, to ¥36,212 million, reflecting an increase in sales to manufacturing and distribution industry customers, despite a decline in sales to telecommunications and transportation industry customers. Segment profits decreased 1.2% year on year, to ¥1,970 million.

Financial System & ERP Solution

In Financial System Solutions, sales to banking and securities industry customers increased and in ERP Solutions, sales to manufacturing industry and other customers increased, but despite that, overall net sales in this segment decreased 14.0%, to ¥19,124 million, reflecting an absence in the fiscal year under review of the large projects implemented in the previous fiscal year for telecommunications and lease industry customers in Financial System Solutions and for service industry customers in ERP Solutions. Segment profits increased 49.8%, to ¥321 million, due to improved profitability of projects.

Global Solution

Net sales decreased 12.9%, to ¥15,462 million, reflecting a decrease in sales to distribution industry customers, despite an increase in sales to manufacturing industry and other customers. Segment profits increased 2.2%, to ¥2,040 million, which was attributable to improvements in profitability with cost-cutting.

IT Platform Solution

Net sales increased 0.7%, to ¥49,537 million on an increase in sales to manufacturing and financial industry and other customers, despite a decline in sales to distribution and telecommunication industry customers and others. Segment profits increased 10.4%, to ¥3,616 million, reflecting improved profitability of projects.

Systems Development

In the fiscal second half after the merger, net sales were ¥37,976 million, on steady sales to life and non-life insurance, manufacturing and telecommunications industry customers and others. Segment profits for the same period were ¥3,065 million.

IT Management

In the fiscal second half after the merger, net sales were ¥16,803 million, as a result of a focus on expanding data center and cloud-related business. Segment profits for the same period were ¥1,777 million, reflecting efforts to improve profitability.

BPO

In the fiscal second half after the merger, net sales were ¥15,610 million, as a result of favorable sales of verification services and e-commerce fulfillment services. The result was also partly attributable to a decline in sales to financial industry customers. Segment profits for the same period were ¥123 million.

Prepaid Card Business

In the fiscal second half after the merger, net sales were ¥1,723 million, on steady sales of card systems. Segment profits for the same period were ¥411 million.

Others

Net sales decreased 0.6% compared to the previous fiscal year to ¥7,880 million. Segment profits increased 99.1%, to ¥461 million.

III. Net Sales by Segment

Net sales for the fiscal year under review classified by Software Development, Information Processing, Packaged Software/Hardware, and Prepaid Card Business were as follows. Figures for the fiscal year under review in these classifications include fiscal second half figures for CSK following the merger, but previous-year figures for comparison purposes do not include CSK figures.

	Previous Fiscal Year (April 1, 2010 – March 31, 2011)		Fiscal Year Under Review (April 1, 2011 – March 31, 2012)		Change from Previous Fiscal Year	
	Amount (million yen)	Percent of Total (%)	Amount (million yen)	Percent of Total (%)	Amount (million yen)	(%)
Software Development	45,964	34.6	73,772	36.8	27,808	60.5
Information Processing	37,286	28.1	70,253	35.1	32,967	88.4
Packaged Software/Hardware	49,589	37.3	54,580	27.2	4,991	10.1
Prepaid Card Business	—	—	1,723	0.9	1,723	—
Total	132,840	100.0	200,327	100.0	67,487	50.8

For each of the sales classifications of Software Development, Information Processing and Packaged Software/Hardware, net sales increased due to the increased business scale following the merger with CSK as well as steady performance in business with manufacturing industry customers. Software Development sales increased 60.5% compared to the previous fiscal year, to ¥73,771 million. Information Processing sales rose 88.4%, to ¥70,252 million. Packaged Software/Hardware increased 10.1%, to ¥54,579 million. The Prepaid Card Business is the prepaid card business of the former CSK. Its sales in the fiscal year under review were ¥1,723 million.

Management's Discussion and Analysis

IV. Financial Position

■ Total assets

Total assets as of March 31, 2012, were ¥300,929 million, for a ¥179,644 million increase from the end of the previous fiscal year.

Current assets increased ¥122,090 million, to ¥187,213 million, and property and equipment grew ¥20,829 million, to ¥53,709 million. Investments and other assets increased ¥36,725 million, to ¥60,007 million. These increases were primarily the result of the merger with CSK.

■ Liabilities

Liabilities as of March 31, 2012, totaled ¥176,509 million, for a ¥149,793 million increase from the end of the previous fiscal year.

Current liabilities increased ¥99,113 million, to ¥122,548 million. The primary component of this increase was ¥59,221 million of deposits received of prepaid cards, recorded as a result of the merger with CSK.

Long-term liabilities grew ¥50,680 million, to ¥53,961 million, mainly from increases of ¥35,000 million in bonds with subscription rights to shares and ¥9,860 million in long-term debts, resulting from the merger with CSK.

■ Net assets

Net assets as of March 31, 2012, totaled ¥124,420 million, for a ¥29,851 million increase from the end of the previous fiscal year. This increase was primarily the result of the merger with CSK.

The equity ratio as of March 31, 2012, was 39.6%, and net assets per share declined ¥1,024.41 from the end of the previous fiscal year, to ¥860.37.

V. Cash Flows

Cash and cash equivalents as of March 31, 2012, increased ¥37,770 million compared to March 31, 2011, to ¥63,662 million.

Cash flows from operating activities

Net cash provided by operating activities was ¥22,249 million.

The main cash inflow factors were income before income taxes and minority interests of ¥3,762 million, depreciation and amortization expenses of ¥5,036 million, and an increase due to a decrease in inventories. The main cash outflow factors were an increase in notes and accounts receivable of ¥5,075 million and payment of income taxes of ¥4,673 million.

Cash flows from investing activities

Net cash used in investing activities was ¥8,112 million.

The main cash inflow factor was proceeds from withdrawal of investments in partnership of ¥7,834 million. The main cash outflow factors were purchases of property and equipment of ¥2,911 million, purchases of intangible assets of ¥2,507 million, and purchases of investment securities of ¥14,218 million.

Cash flows from financing activities

Net cash used in financing activities was ¥7,966 million.

The main cash outflow factors were repayments of long-term debts of ¥5,031 million as well as cash dividends paid for the fiscal year ended March 31, 2011 (dividend per share of ¥16) of ¥803 million and the interim dividend for the fiscal year ended March 31, 2012 (dividend per share of ¥16) of ¥804 million.

Business Risks

Business Risks

The following risks could potentially have a significant impact on SCSK Group's business (operating results and/or financial position). Matters in this section regarding future developments are based on the Company's judgment as of June 27, 2012.

1 Risks Related to the Business Environment

The information services industry in which SCSK Group operates experiences intense competition—among specialist IT service companies, from IT hardware vendors attempting to enter the IT services sector, and from overseas companies. Given this situation, changes in the business environment can lead to major, rapid changes in customers' IT investment needs, and these changes, as well as continued price competition within the industry, significantly beyond the level being seen at this time, could have a major impact on the Group's results.

In addition, the Group provides a range of IT services to customer companies in a variety of industries and with various business formats, and the timing and scope of customers' IT investment is both directly and indirectly affected by the economic environment and factors like interest rate movements. Furthermore, the Prepaid Card Business faces the possibility of competition arising from other payment methods, and this could also have an impact on the Group's results.

2 Risks Related to Systems Development

The SCSK Group undertakes information systems development for customer companies, but as systems development becomes increasingly complex with shorter delivery schedules, there is the possibility that costs will increase if quality cannot be maintained as planned, or development cannot be completed within the scheduled timeframe, and this could have an impact on the Group's results. In addition, the Group uses many subcontractors, including offshore development companies, to maintain production capacity, increase cost efficiency, and utilize technological capabilities and expertise, but there is the possibility that productivity and quality cannot be maintained as expected.

We therefore strive to reduce risk through systematic efforts to ensure that unforeseen malfunctions do not arise in the overall systems delivered, through checks at the negotiation and estimate stages and management of the project's progress by specialist divisions, quality checks, general inspections of subcontractors, and thorough progress and quality management for system development operations.

3 Risks Related to Addressing Technological Innovation

The information services industry in which the SCSK Group operates experiences extremely fast-paced technological innovation, which creates the possibility that the Group's technologies, technical abilities, and expertise will become outdated. In addition, rapid changes in industry standards for the software and hardware used to construct the systems and provide the services for customers, which are the source of the Group's earnings, could lead to a loss of technical or price advantages for those systems and services. As a result, if the Group is unable to predict or recognize trends in technological changes within the industry, or is able to predict but not able to respond appropriately to those changes, then these could have an impact on the Group's results.

To appropriately respond to technological innovation in a timely manner, the Group promotes the enhancement of employees' capabilities, and the systematic identification and acquisition of new technologies. In addition, the Group disperses the technical capabilities and product procurement capacity used to build systems and provide services, and at the same time promotes business operations that are not overly reliant on any particular technology, expertise, or product.

4 Risks Related to Information Security

From systems development through to the operational stage, the SCSK Group handles various types of confidential information, including personal information held by customer companies and technical information

Business Risks

related to customer companies' systems. In the event this confidential information were to be leaked or altered because of a computer virus, unauthorized access, human error, damage to the customer's system, or for any other reason, the customer could seek compensatory damages and the Group could suffer a loss of confidence, and this could have an impact on the Group's results.

Therefore, in addition to maintaining thorough compliance and strengthening physical security measures, we implement programs to strengthen information security through education and training, including at subcontractors that handle confidential information. We also work to insure that subcontractors maintain the same levels of information security and information management as those of SCSK through on-site reviews at subcontractors when necessary.

5 Risks Related to Investments

The SCSK Group provides credit including equity investment and loans to operating companies and venture capital companies for the purpose of strengthening our solutions, maintaining production capacity, acquiring and enhancing technical capabilities in cutting-edge areas, and maintaining the ability to procure the latest hardware and software, and purchases prototype products from these companies. Investments are also made for packaged software development and service development in priority business areas and new business areas.

A risk management structure has been established to give thorough consideration, when making investments, to the business receiving the investment, the business plan, and the risk versus return of the investment, and to confirm and monitor the progress under the plan after the investment is made.

Nevertheless, the failure to receive returns as initially anticipated, or to incur losses, as a result of deterioration in earnings or shortfalls from business plans at businesses receiving investments could have an impact on the Group's results.

6 Risks Related to Litigation

The SCSK Group sells and delivers software and hardware products developed and manufactured outside the Group to a large number of customer companies, and there is the possibility of litigation arising as a result of infringement of intellectual property rights in connection with these business activities. The details and outcomes of any such litigation could have an impact on the Group's results.

7 Risks Related to Fluctuations in Defined Benefit Pension Fund Assets and Assumptions in Pension Benefit Accounting

The plan assets in the Group's corporate pension fund increase and decrease as a result of investment performance. In addition, assumptions which are one of the components used in pension benefit accounting to calculate retirement benefit obligations, fluctuate as a result of factors including the aging and retirement of employees, and new employees enrolling, in the pension program.

Plan assets and assumptions are therefore subject to fluctuation from factors that cannot necessarily be controlled by SCSK management's efforts alone, and this could have an impact on the Group's results and financial position.

8 Risks Related to the Possibility of Recovery of Deferred Tax Assets

The Group recognizes deferred tax assets that it expects to recover from taxable income arising from business transactions. However, a shortfall from the planned operating results could call into question the assets' recoverability and necessitate reversals of deferred tax assets, which could have an impact on the Group's results and financial position

9 Risks Related to Impairment on Fixed Assets

As of March 31, 2012, the SCSK Group owned land and structures with a book value of ¥45,367 million, which are used for offices (including leased offices), data centers, dormitories, and employee housing. Data centers and leased offices are classified with their respective business segments, and other assets are classified as corporate assets, and movements in land prices or the SCSK Group's earnings could have an impact on the Group's results. Impairment losses were recognized in the fiscal year ended March 31, 2012, on employees' dormitories scheduled for sale and on assets used in businesses on which a decision has been made to withdraw.

Based on determining the possibility of recovery on an individual segment basis as of March 31, 2012, there was no property and equipment on which additional impairment losses were recognized in the fiscal year ended March 31, 2012.

10 Risks Related to Product Procurement

The SCSK Group procures a wide range of specially selected hardware and software products in Japan and overseas, and supplies these products to customers. In addition to utilizing overseas offices and networks to identify and procure products and keep pace with technological trends overseas, we pursue joint business strategies with vendors in Japan and overseas to keep abreast of developments and enable stable product procurement. Nevertheless, sudden, unexpected changes in vendors' business strategies could result in changes in product specifications or the termination of supplies, and this could have an impact on the Group's results.

11 Risks Related to Non-Recovery of Claims

The SCSK Group sells products, undertakes systems development, and provides services to a large number of customer companies. The payment for many of these transactions takes place after the product or service is delivered. Deterioration in the customer company's financial position could lead to a delay in the recovery of SCSK's claims, or make recovery difficult, and this could have an impact on the Group's results.

Therefore, the Group manages credit, confirms the status of customer companies' credit and sets appropriate credit limits independently of the operating division, and also regularly monitors the status of unpaid claims and recovery. Appropriate accounting measures, including the recording of allowances for doubtful accounts, are taken as necessary.

12 Risks Related to Large-Scale Natural Disasters

Many of the SCSK Group's offices and assets, including the head office, are concentrated in the Tokyo metropolitan area. The occurrence of major damage from a large-scale natural disaster, like an earthquake occurring directly beneath Tokyo or in the Tonankai region as have been forecast for the near future, could have an impact on the Group's business activities and results.

At the same time, a prolonged indirect effect from the Great East Japan Earthquake, including the problem of radiation from the nuclear power plant accident and restrictions on electricity use, could have an impact on the Group's business activities and results.

13 Risks Related to Retention and Development of Human Resources

The SCSK Group's business activities rely heavily on human resources, and we strive to hire, retain, and develop quality human resources in all of our business areas.

In the event this retention and development of human resources were to fail to proceed as planned, there could be an impact on the Group's results.

Consolidated Balance Sheets

SCSK Corporation and Consolidated Subsidiaries
March 31, 2012 and 2011

ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 2) 2012
Current assets:			
Cash and time deposits (Notes 3, 11 and 23)	¥ 28,159	¥ 6,003	$ 342,608
Notes and accounts receivable - trade (Notes 3 and 6)	55,943	29,811	680,652
Short-term investment securities (Notes 3, 5 and 23)	1,600	10,211	19,467
Operational investment securities (Notes 3, 5 and 11)	35,788	–	435,426
Inventories (Note 7)	3,576	3,025	43,511
Deferred tax assets (Note 14)	6,319	1,699	76,878
Short-term loans receivable (Note 3)	17,276	1	210,195
Deposits paid (Notes 3 and 23)	36,802	9,689	447,773
Others	12,569	4,687	152,927
Allowance for doubtful accounts	(10,819)	(3)	(131,633)
Total current assets	187,213	65,123	2,277,804
Property and equipment (Notes 8, 9, 18, 19 and 24)	53,709	32,880	653,469
Investments and other assets:			
Investment securities (Notes 3 and 5)	11,535	7,862	140,341
Investment in unconsolidated subsidiaries and affiliates (Notes 3 and 5)	4,409	3,512	53,649
Deferred tax assets (Note 14)	25,769	50	313,524
Intangible fixed assets (Notes 18, 19 and 24)	7,684	6,287	93,486
Others (Note 3)	10,950	5,710	133,242
Allowance for doubtful accounts	(340)	(138)	(4,138)
Total investments and other assets	60,007	23,282	730,104
Total assets	¥300,929	¥121,285	$3,661,377

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets (Continued)

SCSK Corporation and Consolidated Subsidiaries
March 31, 2012 and 2011

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 2) 2012
Current liabilities:			
Notes and accounts payable-trade (Notes 3, 4 and 6)	¥ 16,271	¥ 10,163	$ 197,967
Current portion of long-term debts (Notes 3 and 10)	11,707	851	142,435
Provision for bonuses	5,754	1,829	70,006
Provision for directors' bonuses	67	45	810
Provision for losses on construction contracts	261	29	3,177
Deposits received of prepaid cards (Note 3)	59,221	–	720,534
Income taxes payable (Note 14)	579	1,860	7,055
Others (Note 11)	28,688	8,658	349,050
Total current liabilities	122,548	23,435	1,491,034
Long-term liabilities:			
Long-term debts (Notes 3 and 10)	47,771	1,510	581,225
Deferred tax liabilities (Note 14)	–	256	–
Provision for retirement benefits (Note 12)	4,191	106	50,987
Provision for directors' retirement benefits	53	28	650
Asset retirement obligations (Note 13)	1,342	887	16,324
Others	604	494	7,352
Total long-term liabilities	53,961	3,281	656,538
Contingent liabilities (Note 26)			
NET ASSETS (Note 15):			
Shareholders' equity:			
Capital stock (Note 15)	21,153	21,153	257,365
Capital surplus	33,152	31,300	403,362
Retained earnings	73,554	50,373	894,929
Treasury stock, at cost: 4,322,267 shares in 2012 and 4,332,589 shares in 2011 (Note 15)	(8,690)	(8,717)	(105,741)
Total shareholders' equity	119,169	94,109	1,449,915
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	787	862	9,576
Deferred gains or losses on hedges	(27)	(81)	(330)
Foreign currency translation adjustments	(739)	(728)	(8,990)
Total accumulated other comprehensive income	21	53	256
Subscription rights to shares (Notes 15 and 27)	190	197	2,317
Minority interests	5,040	210	61,317
Total net assets	124,420	94,569	1,513,805
Total liabilities and net assets	¥300,929	¥121,285	$3,661,377

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net sales	**¥200,327**	¥132,840	**$2,437,363**
Cost of sales (Note 16)	**153,957**	103,792	**1,873,182**
Gross profit	**46,370**	29,048	**564,181**
Selling, general and administrative expenses (Notes 17 and 27)	**33,490**	21,972	**407,475**
Operating income	**12,880**	7,076	**156,706**
Non-operating income (expenses):			
Interest and dividends income	**242**	191	**2,946**
Equity in earnings of affiliates	**233**	163	**2,831**
Gains (losses) on investments in partnership	**3,592**	(98)	**43,708**
Hoard profit of prepaid card	**591**	–	**7,187**
Interest expenses	**(195)**	(25)	**(2,373)**
Losses on valuation of investment securities (Note 5)	**(171)**	–	**(2,081)**
Settlement package	**(260)**	(20)	**(3,164)**
Losses on retirement of noncurrent assets (Note 18)	**(556)**	(111)	**(6,767)**
Non-recurring depreciation on software	**(345)**	(28)	**(4,194)**
Impairment losses (Note 19)	**(2,171)**	–	**(26,413)**
Merger expenses	**(208)**	–	**(2,528)**
Losses on plan assets (Note 12)	**(5,464)**	–	**(66,482)**
Personnel expenses arising from changes in human resource policy (Note 20)	**(4,241)**	–	**(51,596)**
Others, net (Note 27)	**(165)**	(193)	**(2,008)**
Total	**(9,118)**	(121)	**(110,934)**
Income before income taxes and minority interests	**3,762**	6,955	**45,772**
Income taxes (Note 14):			
Current	**898**	2,829	**10,916**
Deferred	**(22,785)**	334	**(277,223)**
Total	**(21,887)**	3,163	**(266,307)**
Income before minority interests	**25,649**	3,792	**312,079**
Minority interests	**(20)**	(11)	**(240)**
Net income	**¥ 25,669**	¥ 3,803	**$ 312,319**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Earnings per share of common stock (Note 21):			
Basic	**¥334.19**	¥76.13	**$4.07**
Diluted	**321.64**	75.98	**3.91**
Cash dividends per share applicable to the year	**32.00**	32.00	**0.39**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Income before minority interests	**¥25,649**	¥3,792	**$312,079**
Other comprehensive income (Note 22):			
Valuation differences on available-for-sale securities	**(92)**	(118)	**(1,115)**
Deferred gains or losses on hedges	**55**	(79)	**664**
Foreign currency translation adjustments	**(9)**	(160)	**(105)**
Share of other comprehensive income of affiliates accounted for by the equity method	**18**	(2)	**216**
Total other comprehensive income	**(28)**	(359)	**(340)**
Comprehensive income	**¥25,621**	¥3,433	**$311,739**
Comprehensive income attributable to:			
Owners of the parent	**¥25,641**	¥3,444	**$311,987**
Minority interests	**(20)**	(11)	**(248)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2010	¥21,153	¥31,300	¥48,176	¥(8,727)	¥ 91,902	¥979	¥(2)	¥(565)	¥412	¥148	¥222	¥ 92,684
Purchases of treasury stock	–	–	–	(2)	(2)	–	–	–	–	–	–	(2)
Disposals of treasury stock	–	(0)	(0)	12	12	–	–	–	–	–	–	12
Net income	–	–	3,803	–	3,803	–	–	–	–	–	–	3,803
Cash dividends paid (Note 15)	–	–	(1,606)	–	(1,606)	–	–	–	–	–	–	(1,606)
Net other changes of items during the period	–	–	–	–	–	(117)	(79)	(163)	(359)	49	(12)	(322)
Balance at March 31, 2011	21,153	31,300	50,373	(8,717)	94,109	862	(81)	(728)	53	197	210	94,569
Balance at April 1, 2011	21,153	31,300	50,373	(8,717)	94,109	862	(81)	(728)	53	197	210	94,569
Purchases of treasury stock	–	–	–	(8)	(8)	–	–	–	–	–	–	(8)
Disposals of treasury stock	–	(6)	–	34	28	–	–	–	–	–	–	28
Net income	–	–	25,669	–	25,669	–	–	–	–	–	–	25,669
Cash dividends paid (Note 15)	–	–	(1,607)	–	(1,607)	–	–	–	–	–	–	(1,607)
Increase (decrease) by merger	–	1,858	(844)	–	1,014	(2)	–	(2)	(4)	–	4,787	5,797
Decrease resulting from changes of scope of consolidation	–	–	(28)	–	(28)	–	–	–	–	–	–	(28)
Increase (decrease) resulting from changes of scope of equity method	–	–	(9)	1	(8)	–	–	–	–	–	–	(8)
Net other changes of items during the period	–	–	–	–	–	(73)	54	(9)	(28)	(7)	43	8
Balance at March 31, 2012	¥21,153	¥33,152	¥73,554	¥(8,690)	¥119,169	¥787	¥(27)	¥(739)	¥ 21	¥190	¥5,040	¥124,420

	Thousands of U.S. dollars (Note 2)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation differences on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2011	$257,365	$380,823	$612,889	$(106,065)	$1,145,012	$10,492	$(993)	$(8,855)	$644	$2,400	$2,552	$1,150,608
Purchases of treasury stock	–	–	–	(93)	(93)	–	–	–	–	–	–	(93)
Disposals of treasury stock	–	(67)	–	410	343	–	–	–	–	–	–	343
Net income	–	–	312,319	–	312,319	–	–	–	–	–	–	312,319
Cash dividends paid (Note 15)	–	–	(19,547)	–	(19,547)	–	–	–	–	–	–	(19,547)
Increase (decrease) by merger	–	22,606	(10,273)	–	12,333	(26)	–	(30)	(56)	–	58,251	70,528
Decrease resulting from changes of scope of consolidation	–	–	(338)	–	(338)	–	–	–	–	–	–	(338)
Increase (decrease) resulting from changes of scope of equity method	–	–	(121)	7	(114)	–	–	–	–	–	–	(114)
Net other changes of items during the period	–	–	–	–	–	(890)	663	(105)	(332)	(83)	514	99
Balance at March 31, 2012	$257,365	$403,362	$894,929	$ (105,741)	$1,449,915	$ 9,576	$(330)	$(8,990)	$256	$2,317	$61,317	$1,513,805

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

SCSK Corporation and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 3,762**	¥ 6,955	**$ 45,772**
Adjustments for:			
Depreciation and amortization	**5,036**	3,430	**61,270**
Impairment losses	**2,171**	–	**26,413**
Decrease (increase) in provision for retirement benefits	**3,974**	(8)	**48,349**
Decrease in prepaid pension costs	**661**	297	**8,042**
Losses on retirement of noncurrent assets	**556**	111	**6,767**
Non-recurring depreciation on software	**345**	28	**4,194**
(Gains) Losses on investments in partnership	**(3,592)**	98	**(43,708)**
Changes in assets and liabilities:			
Decrease in operational investment securities	**4,101**	–	**49,899**
Increase in notes and accounts receivable - trade	**(5,075)**	(4,349)	**(61,749)**
Decrease in inventories	**2,587**	1,717	**31,477**
Increase (decrease) in notes and accounts payable - trade	**1,371**	(877)	**16,676**
Increase in deposits received of prepaid cards	**2,345**	–	**28,531**
Others, net	**8,527**	1,241	**103,768**
Sub-total	**26,769**	8,643	**325,701**
Interest and dividends income received	**340**	309	**4,138**
Interest expenses paid	**(187)**	(26)	**(2,275)**
Income taxes paid	**(4,673)**	(1,846)	**(56,861)**
Net cash provided by operating activities	**22,249**	7,080	**270,703**
Cash flows from investing activities:			
Purchases of property and equipment	**(2,911)**	(3,676)	**(35,418)**
Proceeds from sales of property and equipment	**1,993**	3	**24,258**
Purchases of intangible assets	**(2,507)**	(1,729)	**(30,507)**
Purchases of investment securities	**(14,218)**	(1,507)	**(172,991)**
Purchases of short-term investment securities	**(2,099)**	–	**(25,542)**
Proceeds from sales and redemption short-term investment securities	**1,605**	–	**19,528**
Proceeds from sales and redemption of investment securities	**2,028**	2,035	**24,677**
Proceeds from withdrawal of investments in partnership	**7,834**	10	**95,322**
Others, net (Note 23)	**163**	49	**1,970**
Net cash used in investing activities	**(8,112)**	(4,815)	**(98,703)**
Cash flows from financing activities:			
Repayments of long-term debts	**(5,031)**	–	**(61,218)**
Repayments of lease obligations	**(1,285)**	(817)	**(15,643)**
Cash dividends paid	**(1,607)**	(1,606)	**(19,547)**
Others, net	**(43)**	(3)	**(510)**
Net cash used in financing activities	**(7,966)**	(2,426)	**(96,918)**
Effect of exchange rate changes on cash and cash equivalents	**(41)**	(150)	**(498)**
Net increase (decrease) in cash and cash equivalents	**6,130**	(311)	**74,584**
Cash and cash equivalents at beginning of period	**25,892**	26,203	**315,028**
Increase in cash and cash equivalents resulting from merger	**31,649**	–	**385,066**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(9)**	–	**(111)**
Cash and cash equivalents at end of period (Note 23)	**¥63,662**	¥25,892	**$774,567**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

(1) Basis of presentation

SCSK Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

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

(2) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No.18) and effective April 1, 2010, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method" (PITF No. 24). In accordance with these PITFs, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over periods between 5 and 10 years for fiscal years 2012 and 2011. Any immaterial amounts are fully recognized as expenses as incurred.

At March 31, 2012, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 26 and 6 (9 and 5 in 2011), respectively and increases in number were primarily the result of the merger with CSK CORPORATION. Certain subsidiaries were excluded from the scope of consolidation and equity method. The aggregate amount of total assets, net sales, net income and retained earnings of these excluded subsidiaries would not have had a material effect on the consolidated financial statements if they had been included in the consolidation or if the equity method had been applied for these investments. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost. Where there has been a permanent decline in the value of such investments, these investments have been written down.

Subsidiary SUMISHO COMPUTER SYSTEMS (EUROPE) LTD., Sumisho Computer Systems (Shanghai) Limited, Sumisho Computer Systems (Dalian) Co., Ltd., Sumisho Computer Systems (Asia Pacific) Pte. Ltd., Veriserve Shanghai Corporation and other 2 partnerships are consolidated using their financial statements at their respective fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in

Notes to Consolidated Financial Statements

consolidation. All material unrealized profits included in assets resulting from intercompany transactions are eliminated.

(3) Foreign currency translation

(a) Translation of accounts

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the translation are recognized in the consolidated statements of income as incurred.

(b) Financial statements denominated in foreign currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Statements of income of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

(4) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with insignificant risk of changes in value, maturities not exceeding three months at the time of purchase and Money Management Funds are considered to be cash and cash equivalents.

(5) Operational investment securities

Marketable securities held for gaining financial revenue for operational purposes are classified as operational investment securities. Financial revenue such as interest derived from the operational investment securities is included in net sales of the consolidated statements of income.

(6) Investment securities

The Company and its consolidated subsidiaries (collectively, the "Group") examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereinafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliates, or (d) all other securities that are not classified in any of the above categories (hereinafter, "available-for-sale securities"). The Group did not hold any security defined as (a) above at March 31, 2012 and 2011.

Held-to-maturity debt securities are stated at amortized cost computed based on the straight-line method. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for by the equity method are stated at the moving-average cost. Available-for-sale securities with fair value are stated at fair value at the balance sheet date. Valuation differences on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method. Available-for-sale securities without fair value are stated at the moving-average cost. Investments in partnership considered as securities in accordance with the Financial Instruments and Exchange Law of Japan are stated at amounts of net shares based on their available financial statements at reporting dates designated by partnership agreements.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or available-for-sale securities declines significantly, such securities are restated at fair value and the difference between fair value and the carrying amount is recognized as "Losses on valuation of investment securities" in the consolidated statements of income in the period of the decline. For equity securities without fair value, if the net asset value of the investee declines significantly, such securities are adjusted to net asset value with the corresponding losses recognized in the consolidated statements of income in the period of decline. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the following fiscal year.

(7) Inventories

Merchandise and finished goods are principally stated at the specific identification method (write-down amount of carrying value as a result of declines in profitability) and work in process are stated at the specific identification method (write-down amount of carrying value as a result of declines in profitability).

(8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. The allowance for doubtful accounts consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historic percentage of collection losses.

(9) Property and equipment (excluding leased assets)

Depreciation of property and equipment is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Group. Significant renewals and additions are capitalized at cost. Maintenance and repairs are recognized as expense as incurred.

(10) Leases

Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance lease. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

Leased assets of finance leases except for those which transfer ownership of the leased assets to the lessee are depreciated on the straight-line method over the lease periods with no residual value.

(11) Intangible assets (excluding leased assets)

Capitalized costs of software for internal use are amortized using the straight-line method over the estimated useful life of the software (within 5 years). Capitalized costs of software developed for external sale are amortized as the higher of (a) the amount based on projected sales amounts, or (b) the amount equally allocated for the remaining period (within 3 years).

(12) Provision for bonuses

Provision for bonuses is provided based on the estimated amounts payable at the balance sheet date.

(13) Provision for directors' bonuses

Provision for directors' bonuses is provided based on the estimated amounts payable at the balance sheet date.

(14) Provision for losses on construction contracts

Provision for losses on construction contracts is provided for estimated future losses related to the construction contracts.

(15) Provision for retirement benefits

Provision for retirement benefits is provided at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Prior service cost is amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period of mainly 2 to 12 years and certain consolidated subsidiaries fully recognize it as expenses as incurred. Actual differences are amortized by the straight-line method over a defined period not exceeding the average estimated remaining service period, which is mainly 5 to 13 years, beginning from the following fiscal year.

The unrecognized transitional obligation taken over from CSK CORPORATION is amortized over 15 years.

(16) Provision for directors' retirement benefits

The Company and certain consolidated subsidiaries record provision for directors' retirement benefits based on an estimated amount payable to directors and corporate auditors upon retirement. An estimate is only based on the period prior to the date of abolishment of the directors' retirement benefit plan, which was approved at the shareholder's meeting in previous years.

Notes to Consolidated Financial Statements

(17) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for tax losses carried forward and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Revenue recognition

(a) Revenue from construction contracts

The percentage of completion method is applied to contracts for which substantial progress toward certain results is reasonably dependable the end of the fiscal year under review. The estimation for the degree of completion of contract at the fiscal year end is determined by the percentage of the cost incurred to the estimated total costs. The completed contract method is applied to other contracts.

(b) Prepaid card sales

Upon issuance of prepaid cards, the face value are recognized as "Deposits received of prepaid cards" with subsequent deductions from as the cards are used. The Group estimates any remaining value of the prepaid cards that are considered unlikely to be used, based on the requirement under the Corporation Tax Law, which takes into account the year of issuance for the basis of estimation. Any amounts that are determined to be unlikely used are recognized as "Hoard profit of prepaid card" in Non-operating income with subsequent deductions from "Deposits received of prepaid cards".

(19) Consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

(20) Derivative and hedge accounting

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to operations, except for those meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as a component of net assets. Appropriation treatment is applied for receivables and payables denominated in foreign currencies hedged by forward foreign exchange contracts. Appropriation treatment is that receivables and payables denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for specific hedge accounting. Derivative transactions are implemented based on actual demands and not for trading or speculative purposes. Hedge effectiveness is not assessed at the balance sheet date since forward foreign exchange contracts with the same amounts and maturities denominated in the same foreign currencies, based on risk management policies, are appropriated when the forward foreign exchange contracts are entered into, and therefore, their following correlation in exchange fluctuations is fully confirmed.

All derivative transactions are carried with domestic financial institutions that have high credit ratings and credit risk arising from contractual default by counterparties is assumed to be low.

(21) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares issuing for the period. Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of the outstanding subscription rights to shares with an applicable adjustment.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(22) New accounting standards

Effective from the accounting changes made at and after the beginning of the fiscal year ended March 31, 2012 and corrections of prior period errors, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

2. U.S. dollar amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥82.19=U.S.$1, the rate of exchange prevailing at March 31, 2012. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

3. Financial instruments

1. Matters related to financial instruments

(1) Policy for financial instruments

For the management of surplus funds, the Group's policy is to invest in deposits at banks and operational investment securities. As for fund raising, the Group mainly raises funds through bank loans and funds on hand. Also, the Group does not use derivative instruments for speculative or trading purposes and only uses forward foreign exchange contracts to mitigate the risk of currency rate fluctuations for debts and credits denominated in foreign currencies.

(2) Types of financial instruments, related risks and risk management for financial instruments

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk.

In accordance with the internal policy of the Group for managing credit risk arising from receivables, the Group monitors credit worthiness of their main customers on a periodical basis and monitors due dates and outstanding balances by individual customers.

A subsidiary which operates Prepaid Card Business holds the debt securities as operational investment securities.

The Group holds investment securities which mainly consist of stocks issued by companies with which the Group has business relationships. These securities are exposed to market risk.

The Group periodically reviews market prices of these securities in order to mitigate market risk.

Short-term loans receivable mainly consists of non-recourse loan, and it is exposed to volatility risk of cash flows arising from non-exempt property since fulfillment of obligation is guaranteed by such cash flows (incomes or disposal considerations) as repayment. However, volatilities of cash flows are periodically analyzed and managed, and allowances for doubtful accounts in consideration of estimated disposal amounts of non-exempt property are recognized to reduce the risk.

Substantially all trade payables, such as trade notes and accounts payables, have payment due dates within one year and are exposed to liquidity risk.

Some trade payables denominated in foreign currency arising from import transactions are exposed to foreign currency exchange risk. The Group enters into forward exchange contracts with financial institutions that have high credit ratings in order to reduce credit risk.

Current portion of long-term loans payable and long-term loans payable mainly consist of the syndicated loans provided by 4 main banks. This syndicated loans due in March 2014 with variable interest rates is exposed to liquidity risk as well as the risk of interest fluctuations.

Notes to Consolidated Financial Statements

Deposits received of prepaid cards are relating to Prepaid Card Business which the subsidiary operates are no-interest bearing financial obligations. Although deposits received of prepaid cards are not exposed to risk of interest rate fluctuations are exposed to liquidity risk.

Bonds with subscription rights to shares due in September 2013, which the Company issued and used mainly for capital expenditure, are exposed to liquidity risk.

Trade payables, loans payables, deposits received of prepaid cards and bonds with subscription rights to shares are exposed to liquidity risk, which is the risk of failing to settle as scheduled. The Company comprehensively manages the Group's cash flow by using the cash management systems. In addition, the Company receives the monthly cash flow report from each Group company and maintains the Group-wide cash management.

Regarding derivative transactions, forward exchange contracts were entered into for the purpose of hedging foreign currency exchange risk deriving from trade payables denominated in foreign currencies.

2. Fair values of financial instruments

Carrying value of financial instruments on the consolidated balance sheets at March 31, 2012 and 2011 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	March 31, 2012					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars (Note 2)		
Assets:						
(1) Cash and time deposits	¥28,159	¥28,159	¥ –	$342,608	$342,608	$ –
(2) Notes and accounts receivable-trade	55,943	55,943	–	680,652	680,652	–
(3) Short-term Investment securities						
Held-to-maturity debt securities	1,500	1,500	0	18,247	18,247	0
Available-for-sale securities	100	100	–	1,219	1,219	–
(4) Operational investment securities						
Available-for-sale securities	35,788	35,788	–	435,426	435,426	–
(5) Short-term loans receivable	17,276			210,195		
Allowance for doubtful accounts	(10,704)			(130,231)		
	6,572	6,572	–	79,964	79,964	–
(6) Deposits paid	36,802	36,802	–	447,773	447,773	–
(7) Investment securities						
Available-for-sale securities	7,176	7,176	–	87,304	87,304	–
Equity securities issued by affiliates	3,181	2,707	(475)	38,707	32,930	(5,777)
(8) Lease and guarantee deposits	¥ 6,581	¥ 6,307	¥(273)	$80,069	$76,747	$(3,322)
Liabilities:						
(1) Notes and accounts payable-trade	¥16,271	¥16,271	¥ –	$197,967	$197,967	$ –
(2) Current portion of long-term debts	10,000	9,967	33	121,669	121,272	397
(3) Deposits received of prepaid cards	59,221	59,221	–	720,534	720,534	–
(4) Bonds with subscription rights to shares	35,000	34,650	350	425,843	421,584	4,259
(5) Long-term loans payable	¥ 9,860	¥ 9,747	¥ 113	$119,966	$118,596	$ 1,370
Derivative transactions	¥ –	¥ –	¥ –	$ –	$ –	$ –

	March 31, 2011		
	Carrying value	Fair value	Difference
	Millions of yen		
Assets:			
(1) Cash and time deposits	¥ 6,003	¥ 6,003	¥ –
(2) Notes and accounts receivable-trade	29,811	29,811	–
(3) Short-term Investment securities			
Available-for-sale securities	10,211	10,211	–
(6) Deposits paid	9,689	9,689	–
(7) Investment securities			
Available-for-sale securities	766	766	–
Equity securities issued by affiliates	3,071	2,595	(476)
(8) Lease and guarantee deposits	¥ 2,958	¥ 2,847	¥(111)
Liabilities:			
(1) Notes and accounts payable-trade	¥10,163	¥10,163	¥ –
Derivative transactions	¥ –	¥ –	¥ –

Note: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

<Assets>

(1) Cash and time deposits, (2) Notes and accounts receivable-trade, (5) Short-term loans receivable and (6) Deposits paid
Since these items are settled in a short period of time, their carrying value approximates fair value. The amount of allowance for doubtful accounts was subtracted from the amount of Short-term loans receivable.

(3) Short-term Investment securities, (4) Operational investment securities and (7) Investment securities
The fair value of these securities is based on either quoted market prices or prices provided by the correspondent financial institutions.

(8) Lease and guarantee deposits
The fair value of lease and guarantee deposits with maturities exceeding one year is based on the present value discounted by reasonable rates.

<Liabilities>

(1) Notes and accounts payable-trade
Since these items are settled in a short period of time, their carrying value approximates fair value.

(2) Current portion of long-term debts and (5) Long-term debts
The fair value of these items is based on the present value of the total of principal and interest discounted by interest rate to be applied if similar new loans are entered into.

(3) Deposits received of prepaid cards
Deposits received of prepaid cards are obligations to pay usage amounts reported in notifications and its fair value is based on its carrying value since they are settled in a short period of time.

(4) Bonds with subscription rights to shares
The fair value of bonds with subscription rights to shares is based on quoted market prices.

Notes to Consolidated Financial Statements

3. Financial instruments for which it is extremely difficult to determine the fair value

	March 31,		March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Unlisted equity securities	**¥4,298**	¥2,077	**$52,293**
Unlisted debt securities	**29**	–	**356**
Investments in partnership	**1,260**	5,460	**15,330**
Total	**¥5,587**	¥7,537	**$67,979**

Due to no quoted market price was available and it was extremely burden to estimate future cash flows, the carrying value of the above available-for-sale was not included in 2. (7) Investment securities.

4. Redemption schedule for monetary receivables and marketable securities with maturities at March 31, 2012 is as follows:

	March 31, 2012							
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
	Millions of yen				Thousands of U.S. dollars (Note 2)			
Cash and time deposits	**¥ 28,159**	**¥ –**	**¥ –**	**¥–**	**$ 342,608**	**$ –**	**$ –**	**$–**
Notes and accounts receivable-trade	**55,943**	**–**	**–**	**–**	**680,652**	**–**	**–**	**–**
Short-term loans receivable	**17,276**	**–**	**–**	**–**	**210,195**	**–**	**–**	**–**
Deposits paid	**36,802**	**–**	**–**	**–**	**447,773**	**–**	**–**	**–**
Short-term investment securities, operational investment securities and investment securities:								
Held-to-maturity debt securities:								
Government/municipal bonds	**1,500**	**–**	**–**	**–**	**18,250**	**–**	**–**	**–**
Available-for-sale securities with maturities:								
Government/municipal bonds	**9,460**	**8,180**	**16,693**	**–**	**115,105**	**99,533**	**203,110**	**–**
Corporate bonds	**87**	**100**	**–**	**–**	**1,061**	**1,217**	**–**	**–**
Total	**¥149,227**	**¥8,280**	**¥16,693**	**¥–**	**$1,815,644**	**$100,750**	**$203,110**	**$–**

Note: Available-for-sale securities of ¥5,142 million ($62,573 thousand) with their scheduled amounts being subject to change due to fluctuation of their fair value were not included in available-for-sale securities with maturities in the above table.

4. Derivative transactions

The notional amount and the estimated fair value of the derivative instruments outstanding at March 31, 2012 and 2011 were summarized as follows:

		March 31, 2012					
		Notional amount	Portion due after one year included in notional amount	Fair value	Notional amount	Portion due after one year included in notional amount	Fair value
Type of transaction	Hedge item	Millions of yen			Thousands of U.S. dollars (Note 2)		
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts	Forecast transactions in foreign currency						
Buy							
USD							
EUR		**¥ 813**	**¥246**	**¥(43)**	**$ 9,888**	**$2,992**	**$(532)**
Derivative transactions for which appropriation treatment has been applied							
Forward foreign exchange contracts	Accounts payable-trade						
Buy							
USD							
EUR							
GBP		**426**	**–**	***2**	**5,191**	**–**	***2**
Total		**¥1,239**	**¥246**	**¥(43)**	**$15,079**	**$2,992**	**$(532)**

		March 31, 2011		
		Notional amount	Portion due after one year included in notional amount	Fair value
Type of transaction	Hedge item	Millions of yen		
Derivative transactions for which deferral hedge accounting has been applied				
Forward foreign exchange contracts	Forecast transactions in foreign currency			
Buy				
USD				
EUR				
GBP		¥1,668	¥1,440	¥(140)
Derivative transactions for which appropriation treatment has been applied				
Forward foreign exchange contracts	Accounts payable-trade			
Buy				
USD				
EUR				
GBP		497	6	*2
Total		¥2,165	¥1,446	¥(140)

Note: 1. Fair value was based on the prices obtained from financial institutions.
*2. Forward foreign exchange contracts for which appropriation treatment had been applied were accounted for together with account payable designated as a hedge item, therefore, their fair values were included in the fair value of the hedged account payable.

Notes to Consolidated Financial Statements

5. Information on investment securities

The following tables summarize acquisition cost, carrying value and fair value of securities with fair value.

1. Held-to-maturity debt securities with fair value

	March 31, 2012					
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	Millions of yen			Thousands of U.S. dollars (Note 2)		
1. Securities with fair value exceeding book value						
Governmental/municipal bonds	**¥1,500**	**¥1,500**	**¥0**	**$18,247**	**$18,247**	**$0**
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**
Sub-total	**1,500**	**1,500**	**0**	**18,247**	**18,247**	**0**
2. Securities with fair value not exceeding book value						
Governmental/municipal bonds	**–**	**–**	**–**	**–**	**–**	**–**
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**
Sub-total	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥1,500**	**¥1,500**	**¥0**	**$18,247**	**$18,247**	**$0**

2. Available-for-sale securities with fair value

	March 31, 2012					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
	Millions of yen			Thousands of U.S. dollars (Note 2)		
1. Securities with fair value exceeding acquisition cost						
Equity securities	**¥ 1,309**	**¥ 771**	**¥ 538**	**$ 15,931**	**$ 9,385**	**$ 6,546**
Debt securities:						
Governmental/municipal bonds	**29,784**	**29,037**	**747**	**362,384**	**353,288**	**9,096**
Corporate bonds	**103**	**100**	**3**	**1,259**	**1,217**	**42**
Others	**5,045**	**5,002**	**43**	**61,373**	**60,858**	**515**
Sub-total	**36,241**	**34,910**	**1,331**	**440,947**	**424,748**	**16,199**
2. Securities with fair value not exceeding acquisition cost						
Equity securities	**533**	**637**	**(104)**	**6,480**	**7,746**	**(1,266)**
Debt securities:						
Governmental/municipal bonds	**6,003**	**6,003**	**(0)**	**73,042**	**73,043**	**(1)**
Corporate bonds	**87**	**87**	**–**	**1,061**	**1,061**	**–**
Others	**199**	**202**	**(3)**	**2,419**	**2,454**	**(35)**
Sub-total	**6,822**	**6,929**	**(107)**	**83,002**	**84,304**	**(1,302)**
Total	**¥43,063**	**¥41,839**	**¥1,224**	**$523,949**	**$509,052**	**$14,897**

	March 31, 2011		
	Carrying value	Acquisition cost	Difference
	Millions of yen		
1. Securities with fair value exceeding acquisition cost			
Equity securities	¥246	¥182	¥ 64
Debt securities:			
Governmental/municipal bonds	–	–	–
Corporate bonds	5	4	1
Others	–	–	–
Sub-total	251	186	65
2. Securities with fair value not exceeding acquisition cost			
Equity securities	520	651	(131)
Debt securities:			
Governmental/municipal bonds	–	–	–
Corporate bonds	–	–	–
Others	–	–	–
Sub-total	520	651	(131)
Total	¥771	¥837	¥ (66)

3. Sales of available-for-sale securities

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Sales proceeds:			
Equity securities	**¥ 127**	¥2,035	**$ 1,549**
Debt securities	**13,674**	–	**166,376**
Others	**17**	–	**204**
Aggregate gains:			
Equity securities	**¥ 15**	¥ 508	**$ 182**
Debt securities	**252**	–	**3,066**
Others	**0**	–	**2**
Aggregate losses:			
Equity securities	**¥ 8**	¥ 189	**$ 98**
Debt securities	**15**	–	**185**
Others	**–**	–	**–**

Note: The amounts shown in the above table do not include available-for-sale securities whose fair values are extremely difficult to determine and no quoted market prices are available.

Notes to Consolidated Financial Statements

4. Reclassification of holding purpose of investment securities

For the year ended March 31, 2012, national bonds that were held as held-to-maturity debt securities of ¥26,362 million ($320,754 thousand) were classified to available-for-sale securities since fund management policies had been changed. As a result, the amount of operational investment securities increased by ¥746 million ($9,079 thousand) and the amount of valuation differences on available-for-sale securities increased by ¥480 million ($5,843 thousand) as a result of this reclassification.

5. Losses on valuation of available-for-sale securities with fair value

"Losses on valuation of investment securities" includes available-for-sale securities with fair value of ¥43 million ($535 thousand).

6. Notes receivable and notes payable maturing at fiscal year end

Notes receivable and notes payable are settled on the date of clearance. As March 31, 2012 was a bank holiday, notes receivable and notes payable maturing on that date could not be settled and were included in the ending balance of "Notes and accounts receivable – trade" account and "Notes and accounts payable – trade" account as follows:

	Year ended March 31,	
	2012	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable	¥136	$1,652
Notes payable	¥144	$1,752

7. Inventories

Inventories at March 31, 2012 and 2011 were as follows:

	March 31,		March 31,
	2012	2011	2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Merchandise and finished goods	¥2,923	¥2,871	$35,570
Work in process	619	136	7,531
Raw materials and supplies	34	18	410
Total	¥3,576	¥3,025	$43,511

8. Property and equipment

Acquisition cost, Accumulated depreciation and Carrying value of property and equipment were as follows:

	March 31,		March 31,
	2012	2011	2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Acquisition cost:			
Buildings and structures	¥48,207	¥24,694	$ 586,531
Tools, furniture and fixtures	16,451	6,779	200,158
Land	19,614	14,668	238,643
Lease assets	4,059	1,110	49,380
Construction in progress	1,042	113	12,674
Others	8	–	102
Total	89,381	47,364	1,087,488
Accumulated depreciation	(35,672)	(14,484)	(434,019)
Carrying value	¥53,709	¥32,880	$ 653,469

9. Investment and rental properties

A part of the office buildings including land in Tokyo and other areas in Japan are leased. The net of leasing income and related expenses of these transactions were ¥206 million ($2,508 thousand) and ¥47 million for the years ended March 31, 2012 and 2011, respectively. The income was included in "Net sales" and the expense was mainly included in "Cost of sales."

The carrying value in the consolidated balance sheets and corresponding fair value of those properties were as follows:

	March 31,		March 31,
	2012	2011	2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Consolidated balance sheet amount:			
Balance at beginning of period	¥7,215	¥ –	$ 87,789
Net changes during period	1,128	7,215	13,721
Balance at end of period	8,343	7,215	101,510
Fair Value at year end	¥7,101	¥6,296	$ 86,403

Note: 1. The amount recorded in the consolidated balance sheets was the acquisition cost reduced by the accumulated depreciation.
2. The net change during the year ended March 31, 2011 above was mainly attributable to changing in the purpose of use from the Company's own use to rental offices. The net change during the year ended March 31, 2012 above was mainly due to merger of CSK CORPORATION.
3. Fair value was based on real estate appraisal reports submitted by external real estate appraisers. Some of the figures were adjusted based on appraisal values and indices in case where no substantial changes had been occurred in indices that were considered to be accurate reflections of appraisal value and market price since the most recent appraisal.

Notes to Consolidated Financial Statements

10. Long-term debts

Current portion of long-term debts at March 31, 2012 and 2011 consisted of the following:

	March 31, 2012	March 31, 2011	March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Loans principally from banks, maturing from to with average annual interest rates of 0.83%	**¥10,000**	¥ –	**$121,669**
Finance lease obligations – current (at an average interest rate of 3.43% in 2012 and 3.50% in 2011)	**1,707**	851	**20,766**
Total	**¥11,707**	¥851	**$142,435**

Long-term debts at March 31, 2012 and 2011 consisted of the following:

	March 31, 2012	March 31, 2011	March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Loans principally from banks, maturing from to with average annual interest rates of 0.83%	**¥ 19,860**	¥ –	**$ 241,635**
0.25% Bonds with subscription rights to shares, due in 2013 (exercise period: from December 1, 2011 to September 27, 2013)	**35,000**	–	**425,843**
Finance lease obligations – non-current (at an average interest rate of 3.39% in 2012 and 3.40% in 2011, maturing between 2013 to 2018)	**4,618**	2,361	**56,182**
Less current portion	**(11,707)**	(851)	**(142,435)**
Total long-term debts	**¥ 47,771**	¥1,510	**$ 581,225**

Note: 1. Exercise conditions of bonds with subscription rights to shares are as follows:

Type of shares for subscription rights	Common stock
Issuing price of subscription rights to shares	No consideration
Issuing price of shares	¥11,737 ($142.80)
Total amount of issuing price	¥35,000 million ($425,843 thousand)
Total amount of shares issued due to exercise of subscription rights to shares	–
Grant ratio of subscription rights to shares	100%

2. When the holders of the bonds with subscription rights to shares exercise their rights, it shall be deemed that claim of payment of the full amount to be paid in exercising subscription rights to shares, instead of redemption of the total amount of the bonds, has been made.

The aggregate annual maturities of long-term debts, bonds with subscription rights to shares and finance lease obligation at March 31, 2012 were as follows:

	March 31, 2012	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Year ending March 31,		
2013	**¥11,707**	**$142,435**
2014	**46,164**	**561,672**
2015	**902**	**10,976**
2016 and thereafter	**705**	**8,577**
Total	**¥59,478**	**$723,660**

11. Pledged assets

The following assets were pledged as collateral for other current liabilities of ¥1,305 million ($15,888 thousand) at March 31, 2012.

	March 31, 2012	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash and time deposits	**¥1,400**	**$17,034**

Operational investment securities of ¥35,422 million ($430,983 thousand) were lodged as security deposits pursuant to "the Act on Settlement" at March 31, 2012.

12. Employees' pension and retirement benefits

The Company and its certain consolidated domestic subsidiaries have defined benefit plans and defined contribution plans. The Company has joined a multi-employer defined plan in addition to defined benefit plans and defined contribution plans. Due to the merger with CSK CORPORATION on October 1, 2011, the Company took over the defined benefit plans and the defined contribution plans of CSK CORPORATION and its consolidated subsidiaries.

Notes to Consolidated Financial Statements

The following table set forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2012 and 2011 for the Company's and the certain consolidated domestic subsidiaries' defined benefit plans:

	March 31, 2012	March 31, 2011	March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Retirement benefit obligation	**¥(43,114)**	¥(13,605)	**$(524,562)**
Plan assets at fair value	**36,198**	12,009	**440,426**
Unfunded retirement benefit obligation	**(6,916)**	(1,596)	**(84,136)**
Unrecognized net retirement benefit obligation at transition	**783**	–	**9,518**
Unrecognized actuarial loss	**2,539**	1,156	**30,891**
Unrecognized prior service cost	**587**	786	**7,144**
Net retirement benefit obligation	**(3,007)**	346	**(36,583)**
Prepaid pension cost	**1,184**	452	**14,404**
Provision for retirement benefits	**¥ (4,191)**	¥ (106)	**$(50,987)**

A part of consolidated domestic subsidiaries calculated retirement benefit obligations using a simplified method.

The components of employees' pension and retirement benefit expenses for the years ended March 31, 2012 and 2011 were outlined as follows:

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Service cost *1	**¥1,732**	¥ 910	**$ 21,077**
Interest cost	**582**	251	**7,085**
Expected return on plan assets	**(632)**	(226)	**(7,687)**
Amortization of prior service cost	**236**	350	**2,872**
Amortization of actuarial loss	**624**	213	**7,589**
Amortization of net retirement benefit obligation at transition *2	**131**	–	**1,585**
Retirement benefit expenses	**2,673**	1,498	**32,521**
Others *3	**6,801**	1,013	**82,752**
Total	**¥9,474**	¥2,511	**$115,273**

*1 Employees' pension and retirement benefit expenses for certain consolidated domestic subsidiaries adopting the simplified method were included in service cost.
*2 Due to the merger with CSK CORPORATION, transitional obligations related to its and its consolidated subsidiaries' pension plans were taken over.
*3 Items included in others were as follows:

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Contributions paid to defined contribution plans	**¥ 607**	¥281	**$ 7,383**
Retirement expenses	**42**	56	**519**
Contributions paid to multi-employer defined pension plan	**688**	676	**8,368**
Losses on plan assets	**¥5,464**	¥ –	**$66,482**

Note: A discretionary investment contract with AIJ Investment Advisors CO., LTD. (AIJ) was entered into and AIJ had managed a portion of its pension funds. For the year ended March 31, 2012, most of the investments in AIJ were assessed to be lost and "Losses on plan assets" were included in non-operating expenses.

The assumptions used in accounting for the above plans were as follows:

	Year ended March 31, 2012	Year ended March 31, 2011
Periodic allocation principle for projected benefit obligation	**Straight line basis**	Straight line basis
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0% or 3.0%**	2.0%
Amortization of net retirement benefit obligation at transition	**15 years**	–
Amortization of unrecognized prior service cost	**1–12 years**	5 years
Amortization of unrecognized actuarial differences	**5–13 years**	5 years

Funded status of the multi-employer defined pension plan at March 31, 2011 and 2010 (available information at March 31, 2012 and 2011), to which contributions were recorded as employees' pension and retirement benefit expenses, was as follows:

	March 31, 2011	March 31, 2010	March 31, 2011
	Millions of yen		Thousands of U.S. dollars (Note 2)
Fair value of plan assets	**¥21,131**	¥18,342	**$257,105**
Pension benefits obligation recorded by pension fund	**(25,165)**	(22,654)	**(306,192)**
Difference	**¥ (4,034)**	¥(4,312)	**$ (49,087)**

	Year ended March 31, 2011	Year ended March 31, 2010
The Group's contribution percentage for the multi-employer pension plan	**19.5%**	19.6%

Note: 1. Differences resulted from surplus recorded by the pension fund of ¥11 million ($145 thousand) and ¥674 million in 2011 and 2010, respectively, and prior service cost of ¥4,046 million ($49,232 thousand) and ¥4,987 million in 2011 and 2010, respectively.
2. Prior service cost was amortized over remaining period (3 years) on straight-line basis. Special contributions to the pension fund were charged to expenses for the year ended March 31, 2012 and 2011 in the amounts of ¥275 million ($3,347 thousand) and ¥270 million, respectively.
3. The Group's contribution percentage for the multi-employer defined pension plan should not be construed as the Group's actual obligation percentage.

13. Asset retirement obligations

1. Overview of asset retirement obligations

A rational estimation was made the restoration obligations with respect to the restore head office and other offices to its original condition in association with real estate contracts of office buildings was recorded as asset retirement obligations.

2. Calculation method for the asset retirement obligations

Expected period of use is estimated as mainly 15 years from the acquisition of property and equipment and the amounts of asset retirement obligations are calculated with a discount rate of 0.485% to 1.744%.

In addition, the change in accounting estimate of the expected restoration expenses at a point of restoration of property and equipment was made. As a result of the change in accounting estimate, the asset retirement obligations for the year ended March 31, 2012 was increased by ¥3 million ($34 thousand), while the asset retirement obligations for the year ended March 31, 2011 was decreased by ¥64 million.

Notes to Consolidated Financial Statements

3. Changes in asset retirement obligations for the year ended March 31, 2012 and 2011

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Balance at beginning of period	**¥ 887**	¥ 459	**$10,795**
Liabilities incurred due to the acquisition of property and equipment	**24**	770	**288**
Liabilities increased due to merger	**423**	–	**5,135**
Accretion expense	**16**	10	**213**
Liabilities settled	**(11)**	(288)	**(141)**
Change in the estimation amounts	**3**	(64)	**34**
Balance at end of period	**¥1,342**	¥ 887	**$16,324**

14. Income taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 40.7% for the years ended March 31, 2012 and 2011. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the statutory tax rate for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31, 2012	Year ended March 31, 2011
Statutory tax rate	**40.7%**	40.7%
Effect of:		
Expenses not deductible for income tax purposes	**4.5**	1.6
Revenues excluded from income tax such as dividends received	**(1.9)**	(0.5)
Dividends received from foreign subsidiaries eliminated in consolidation	**2.1**	0.7
Amortization of goodwill	**0.7**	0.4
Equity in earnings of affiliates	**(2.5)**	(1.0)
Base portion of inhabitants' taxes	**3.3**	0.4
Provision for directors' bonuses	**1.0**	0.3
Change in valuation allowance	**(713.3)**	3.8
Effect of enacted changes in tax laws and rates on Japanese tax	**86.4**	-
Others	**(2.8)**	(0.9)
Effective tax rate	**(581.8)%**	45.5%

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Deferred tax assets:			
Tax losses carried forward	**¥80,064**	¥ 250	**$ 974,134**
Provision for bonuses	**2,528**	1,110	**30,759**
Provision for retirement benefits	**1,498**	42	**18,229**
Allowance for doubtful accounts	**3,909**	24	**47,563**
Depreciation	**1,184**	299	**14,404**
Impairment losses	**2,762**	18	**33,608**
Hoard profit of prepaid card	**2,782**	–	**33,848**
Others	**2,494**	1,034	**30,335**
Total gross deferred tax assets	**97,221**	2,777	**1,182,880**
Valuation allowance	**(63,830)**	(496)	**(776,611)**
Total deferred tax assets	**33,391**	2,281	**406,269**
Deferred tax liabilities:			
Prepaid pension costs	**(422)**	(183)	**(5,134)**
Valuation differences on available-for-sale securities	**(410)**	(572)	**(4,994)**
Asset retirement obligations	**(327)**	–	**(3,981)**
Others	**(144)**	(33)	**(1,758)**
Total deferred tax liabilities	**(1,303)**	(788)	**(15,867)**
Net deferred tax assets	**¥32,088**	¥1,493	**$(390,402)**

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structure" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company and domestic subsidiaries will change the statutory tax rate to calculate deferred tax assets and liabilities from 40.7% to 38.0% for temporary differences and tax losses carried forward which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company will change the statutory tax rate to calculate deferred tax assets and liabilities from 40.7% to 35.6% for temporary differences and tax losses carried forward which are expected to reverse from the fiscal years beginning on or after April 1, 2015.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥3,194 million ($38,863 thousand), and income taxes - deferred, valuation differences on available-for-sale securities increase by ¥3,251 million ($39,557 thousand), ¥58 million ($709 thousand), respectively and deferred gains or losses on hedges decreased by ¥1 million ($14 thousand).

(Additional information)

The Company will file a tax return under the consolidated corporate-tax system from the fiscal year ending March 31, 2013, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Notes to Consolidated Financial Statements

Accordingly the Company and its wholly owned domestic subsidiaries account for under “Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)” (PITF No.5, March 18, 2011) and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (PITF No.7, June 30, 2010)

15. Net assets

Under the Japanese Corporation Law (hereinafter the “Law”) and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Capital stock consists of common stock and preferred stock. Common stock and preferred stock at March 31, 2012 and 2011 were as follows:

	Number of shares			
	2012		2011	
	Authorized	**Issued**	Authorized	Issued
Common stock	**200,000,000**	**107,986,403**	200,000,000	54,291,447
Class A Preferred stock	**15,000**	**15,000**	–	–
Class B Preferred stock	**15,000**	**15,000**	–	–
Total	**200,030,000**	**108,016,403**	200,000,000	54,291,447

1. Overview of the preferred stock

15,000 shares in Class A preferred stock and Class B preferred stock were respectively the result of the merger on October 1, 2011 of Sumisho Computer Systems Corporation, the surviving company, and CSK CORPORATION, the dissolving company.

All of the preferred stock is cumulative and nonparticipating for dividend payments, and shareholders of the preferred stock (hereinafter the “Holders”) are not entitled to vote at a general meeting of shareholders.

In the event that the Company pays dividends, the Company shall pay to the Holders, in preference to the holders of its common stock, cash dividends in the amounts as described below. If preferred interim dividends stipulated in the Articles of Incorporation of the Company were paid during the relevant fiscal year, the amount of such preferred interim dividends shall be subtracted from such amount of annual preferred dividends. The amount of an annual cumulative dividend of Class A preferred stock is calculated by multiplying amount to be paid in for the preferred stock (¥1 million) by an annual rate of preferred dividends. The “annual rate of preferred dividends” is Japanese Yen TIBOR+1.0% at April 1 of the fiscal year when the record date of Class A preferred dividends or preferred interim dividends belongs. Class B preferred stock is calculated by multiplying amount to be paid in for the preferred stock (¥1 million) by an annual rate of preferred dividends. The “annual rate of preferred dividends” is Japanese Yen TIBOR+1.2% at April 1 of the fiscal year when the record date of Class B preferred dividends or preferred interim dividends belongs. The Holders are not entitled to any further dividends in excess of the amounts as described respectively above.

In the event of the Company’s voluntary or involuntary liquidation, the Holders will be entitled, equally in rank as among themselves and in preference over shares of its common stock, to receive out of the Company’s residual assets upon liquidation a distribution of ¥1,000,000 per share and, if any, accrued cumulative preferred dividends. The Holders are not entitled to any further dividends or other participation or distribution of the Company’s residual assets upon the Company’s liquidation.

The Holders may, subject to the requirements provided in the Law, require the Company to purchase any shares of the Class A preferred stock then outstanding at any time on and after March 1, 2016 and the Class B preferred stock then outstanding at any time on and after March 1, 2018 at a price of ¥1,000,000 per share in addition to, if any, accrued cumulative preferred dividends and certain amounts of dividends belonging to the fiscal year when the Holders require the Company to purchase them.

The Company may, subject to the requirements provided in the Law, purchase any shares of the preferred stock then outstanding at any time and cancel such preferred stock out of distributable amounts of the Company. The Company may also, subject to the requirements provided in the Law, redeem all or some of preferred out of distributable amounts of the Company at any time on and after April 1, 2012 at a price of ¥1,000,000 per share in addition to, if any, accrued cumulative preferred dividends and certain amounts of dividends belonging to the fiscal year when the Holders require the Company to purchase them.

The Holders may, subject to the requirements provided in the Law, require the Company to issue its common stock in exchange of their preferred stock during the period from March 1, 2017 to September 30, 2027 for the Class A preferred stock and the period from March 1, 2019 to September 30, 2029 for the Class B preferred stock, respectively. The number of common stock in exchange of the preferred stock shall be the number obtained by dividing total amounts of paid of the preferred stock by the conversion price set forth in the Articles of Incorporation. The conversion price of the preferred stock will be modified due to declining of a share price of the Company.

The Company may, subject to the requirements provided in the Law, exchange the preferred stock for its common stock on a certain date determined in the Board of Directors’ meeting on and after October 1, 2017 for the Class A preferred stock, and on and after October 1, 2029 for the Class B preferred stock. The number of common stock in exchange of the preferred stock shall be calculated in a certain formula set forth in the Articles of Incorporation.

2. Acquisition and cancellation of preferred stock

Please refer to Note 30 “Subsequent events,” of the notes to consolidated financial statements.

Notes to Consolidated Financial Statements

3. Supplementary information for the consolidated statements of changes in net assets

Year ended March 31, 2012

1) Type and number of issued shares and treasury stock

	Type of issued shares			Type of treasury stock
	Common stock	Class A preferred stock	Class B preferred stock	Common stock
Number of shares at April 1, 2011	54,291,447	–	–	4,332,589
Increase during the period ended March 31, 2012	53,694,956	15,000	15,000	6,245
Decrease during the period ended March 31, 2012	–	–	–	16,567
Number of shares at March 31, 2012	107,986,403	15,000	15,000	4,322,267

Note: 1. Increase in the numbers of issued shares and treasury stock were due to the following reasons:
- New issuance of common stock due to merger: 53,694,956 shares
- New issuance of Class A preferred stock due to merger: 15,000 shares
- New issuance of Class B preferred stock due to merger: 15,000 shares
- Purchases of less-than-one-unit treasury stock: 6,245 shares

2. Decrease in the number of treasury stock was due to the following reasons:
- Disposals of less-than-one-unit shares: 3,138 shares
- Exercise of subscription rights to shares: 12,300 shares
- Decrease due to exclusion of affiliated companies accounted for by the equity method: 1,129 shares

2) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2012	¥190 million ($2,317 thousand)

3) Matters related to dividend

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on May 19, 2011 were as follows:

a. Total amount of dividend	¥803 million ($9,773 thousand)
b. Dividend per share	¥16.00
c. Record date	March 31, 2011
d. Effective date	June 10, 2011

Approvals by the Board of Directors' meeting on October 31, 2011 were as follows:

a. Total amount of dividend	¥804 million ($9,774 thousand)
b. Dividend per share	¥16.00
c. Record date	September 30, 2011
d. Effective date	December 1, 2011

(2) Dividends whose record date is attributable to the accounting period ended March 31, 2012 but to be effective after the accounting period

The Company received the approval at the Board of Directors' meeting on May 10, 2012 as follows:

Dividend on common stock

a. Total amount of dividend	¥1,662 million ($20,227 thousand)
b. Dividend per share	¥16.00
c. Record date	March 31, 2012
d. Effective date	June 6, 2012

Year ended March 31, 2011

1) Type and number of issued shares and treasury stock

	Type of issued shares	Type of treasury stock
	Common stock	Common stock
Number of shares at April 1, 2010	54,291,447	4,336,711
Increase during the period ended March 31, 2011	–	2,006
Decrease during the period ended March 31, 2011	–	6,128
Number of shares at March 31, 2011	54,291,447	4,332,589

Note: 1. Increase in the numbers of treasury stock was due to the following reasons:
- Purchases of less-than-one-unit shares: 2,006 shares

2. Decrease in the number of treasury stock was due to the following reasons:
- Disposals of less-than-one-unit shares: 28 shares
- Exercise of subscription rights to shares: 6,100 shares

2) Subscription rights to shares

Description of subscription rights to shares	Subscription rights as stock options
Type of shares for subscription rights	Common stock
Amount outstanding at March 31, 2011	¥197 million

3) Matters related to dividend

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on May 13, 2010 were as follows:

a. Total amount of dividend	¥803 million
b. Dividend per share	¥16.00
c. Record date	March 31, 2010
d. Effective date	June 11, 2010

Approvals by the Board of Directors' meeting on October 28, 2010 were as follows:

a. Total amount of dividend	¥803 million
b. Dividend per share	¥16.00
c. Record date	September 30, 2010
d. Effective date	December 1, 2010

Notes to Consolidated Financial Statements

(2) Dividends whose record date is attributable to the accounting period ended March 31, 2011 but to be effective after the accounting period

The Company received the approval at the Board of Directors' meeting on May 19, 2011 as follows:

Dividend on common stock

a. Total amount of dividend	¥803 million
b. Dividend per share	¥16.00
c. Record date	March 31, 2011
d. Effective date	June 10, 2011

16. Cost of sales

Amounts of Provision for losses on construction contracts included in "Cost of sales" were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Provision for losses on construction contracts	**¥186**	¥29	**$2,265**

17. Selling, general and administrative expenses

Major elements of "Selling, general and administrative expenses" for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Salaries and bonuses	**¥13,977**	¥ 9,685	**$170,054**
Employees' pension and retirement benefit expenses	**1,458**	1,093	**17,740**
Welfare expenses	**2,915**	1,885	**35,471**
Rent	**2,504**	1,269	**30,464**
Depreciation	**1,105**	889	**13,446**
Business consignment expenses	**1,555**	1,341	**18,922**
Taxes and dues	**1,219**	624	**14,828**
Provision for bonuses	**1,595**	744	**19,414**
Provision for directors' bonuses	**51**	45	**626**
Others	**7,111**	4,397	**86,510**
Total	**¥33,490**	¥21,972	**$407,475**

Research and development expenses for the improvement of existing products or the development of new products, including basic research and fundamental development costs, were recognized in the consolidated statements of income in the year when incurred. The total amount of research and development expenses, included in "Selling, general and administrative expenses," was ¥417 million ($5,080 thousand) and ¥432 million for the years ended March 31, 2012 and 2011, respectively.

18. Losses on retirement of noncurrent assets

Losses on retirement of noncurrent assets for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Buildings and structures	**¥ 46**	¥ 29	**$ 560**
Tools, furniture and fixtures	**68**	61	**823**
Lease assets	**1**	–	**14**
Software	**441**	21	**5,361**
Telephone rights	**0**	0	**6**
Others	**0**	–	**3**
Total	**¥556**	¥111	**$6,767**

19. Impairment losses

Year ended March 31, 2012

Property and equipment are classified into groups based on the respective type of business, which are the units for making investment decisions.

Use	Location	Type of assets
Assets for employees' dormitories	Nagareyama-shi, Chiba etc.	Buildings and structures, Tools, furniture and fixtures, Land
Assets used for business	Edogawa-ku, Tokyo	Tools, furniture and fixtures, Intangible fixed assets

Since assets for employees' dormitories that were classified as corporate assets became held-for-sale assets, their carrying amounts were devalued to recoverable amounts and the differences of ¥1,700 million ($20,684 thousand) were charged to the consolidated statements of income as impairment losses. Due to decision of withdrawal of a business, the carrying amounts of assets for the business were devalued to recoverable amounts and the differences of ¥471 million ($5,729 thousand) were recorded in the consolidated statements of income.

As a result, impairment losses were recognized for such devaluation of ¥2,171 million ($26,413 thousand) recorded in non-operating expenses, comprising ¥410 million ($4,987 thousand) for buildings and structures, ¥41 million ($495 thousand) for tools, furniture and fixtures, ¥1,287 million ($15,662 thousand) for land, and ¥433 million ($5,269 thousand) for intangible fixed assets.

Recoverable amounts of assets above were estimated based on net selling prices which were evaluated based on their contract prices and others.

Year ended March 31, 2011

There were no impairment losses.

Notes to Consolidated Financial Statements

20. Personnel expenses arising from changes in human resource policy

Personnel expenses arising from changes in human resource policy were ¥4,241 million ($51,596 thousand) at the Company for the year ended March 31, 2012, which mainly consist of transitional lump-sum payments for employees due to adoption of new human resource policy following the merger.

21. Amounts per share

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Yen		U.S. dollars (Note 2)
Net income:			
Basic	**¥334.19**	¥76.13	**$4.07**
Diluted	**321.64**	75.98	**3.91**
Cash dividends applicable to the year	**¥ 32.00**	¥32.00	**$0.39**

	March 31, 2012	March 31, 2011	March 31, 2012
	Yen		U.S. dollars (Note 2)
Net assets	**¥860.37**	¥1,884.78	**$10.47**

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and subscription rights to shares.

Net assets per share were computed based on the net assets excluding share subscription rights and minority interests and the number of common stock outstanding at the year end.

Cash dividends per share represented the cash dividends proposed by the Board of Directors as applicable to the respective years together with any interim cash dividends paid.

The bases for calculation were as follows:

1. Basic and diluted net income per share

	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Net income per share:			
Net income	**¥25,669**	¥3,803	**$312,319**
Amount not attributable to common shareholders	**–**	–	**–**
Net income related to common stock	**¥25,669**	¥3,803	**$312,319**
Diluted net income per share:			
Net income adjustment	**¥ 28**	¥ –	**$ 341**
(of which, interest expenses after deducting tax)	**(28)**	(–)	**(341)**

	Year ended March 31, 2012	Year ended March 31, 2011
	Thousands of shares	
Weighted average number of shares for basic net income	**76,810**	49,958
Increase in shares of common stock:		
Exercise of warrant	**2,982**	–
Exercise of subscription rights to shares	**104**	96
Number of shares for dilutive net income	**79,896**	50,054

The following securities were excluded from the computation of diluted net income per share because they did not have dilutive effects:

Year ended March 31, 2012
The Company:
1st subscription rights to shares (the number of subscription rights to shares: 28,500 units)
3rd subscription rights to shares (the number of subscription rights to shares: 34,500 units)
5th subscription rights to shares (the number of subscription rights to shares: 53,500 units)
7th subscription rights to shares (the number of subscription rights to shares: 50,000 units)

ARGO GRAPHICS Inc. (An affiliate accounted for by the equity method):
6th subscription rights to shares (the number of subscription rights to shares: 421,500 units)
7th subscription rights to shares (the number of subscription rights to shares: 460,100 units)

Year ended March 31, 2011
The Company:
1st subscription rights to shares (the number of subscription rights to shares: 33,000 units)
3rd subscription rights to shares (the number of subscription rights to shares: 50,500 units)
5th subscription rights to shares (the number of subscription rights to shares: 53,500 units)
7th subscription rights to shares (the number of subscription rights to shares: 50,000 units)

ARGO GRAPHICS Inc. (An affiliate accounted for by the equity method):
6th subscription rights to shares (the number of subscription rights to shares: 436,400 units)
7th subscription rights to shares (the number of subscription rights to shares: 477,200 units)

Entire net income for the years ended March 31, 2012 and 2011was attributed to common shareholders.

2. Net assets per share

	March 31, 2012	March 31, 2011
	Thousands of shares	
The number of shares of common stock used for the calculation of net assets per share	**103,664**	49,959

	March 31, 2012	March 31, 2011	March 31, 2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Total net assets	**¥124,420**	¥94,569	**$1,513,805**
Amounts deducted from total net assets:			
Subscription rights to shares	**190**	197	**2,317**
Minority interests	**5,040**	210	**61,317**
Preferred stock	**30,000**	–	**365,008**
Net assets attributable to shares of common stock	**¥ 89,190**	¥94,162	**$1,085,163**

Notes to Consolidated Financial Statements

22. Consolidated statements of comprehensive income

The following table presented components of recycled amounts and deferred tax of other comprehensive income for the year ended March 31, 2012:

	Year ended March 31,	
	2012	2012
	Millions of yen	Thousands of U.S. dollars (Note 2)
Other comprehensive income:		
Valuation differences on available-for-sale securities:		
Gains arising during the year	¥ 3,637	$ 44,253
Reclassification adjustments for gains (losses) included in income statements	(3,906)	(47,522)
Before-tax amounts	(269)	(3,269)
Tax (expenses) benefits	177	2,154
Sub-total, net of tax	¥ (92)	$ (1,115)
Deferred gains or losses on hedges:		
Losses arising during the year	¥ (51)	$ (632)
Reclassification adjustments for gains (losses) included in income statements	151	1,837
Before-tax amounts	100	1,205
Tax (expenses) benefits	(45)	(541)
Sub-total, net of tax	¥ 55	$ 664
Foreign currency translation adjustments:		
Losses arising during the year	¥ (37)	$ (446)
Reclassification adjustments for gains (losses) included in income statements	28	341
Before-tax amounts	(9)	(105)
Tax (expenses) benefits	–	–
Sub-total, net of tax	¥ (9)	$ (105)
Share of other comprehensive income of affiliates accounted for by the equity method:		
Gains arising during the year	¥18	$ 216
Reclassification adjustments for gains (losses) included in income statements	–	–
Sub-total, net of tax	¥18	$ 216
Total other comprehensive income	¥ (28)	$ (340)

23. Cash flow information

1. Reconciliation of cash and cash equivalents

Reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows was as follows:

	March 31,		March 31,
	2012	2011	2012
	Millions of yen		Thousands of U.S. dollars (Note 2)
Cash and time deposits	¥28,159	¥ 6,003	$342,608
Short-term investment securities	1,600	10,200	19,467
Deposits paid	36,802	9,689	447,773
Time deposits with original maturities of more than three months or those submitted as collateral for loans payable	(1,400)	–	(17,034)
Equity securities and other marketable securities with original maturities of more than three months	(1,499)	–	(18,247)
Cash and cash equivalents	¥63,662	¥25,892	$774,567

2. Assets and liabilities of newly acquired business

The summary of assets acquired and liabilities assumed as a result of acquisition of the Zimbra business for the year ended March 31, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Current assets	¥ 527	$ 6,420
Non-current assets	1	11
Goodwill	29	349
Current liabilities	(526)	(6,402)
Others	1	12
Amount of business transferred	32	390
Cash and cash equivalents included in transferred assets	(201)	(2,446)
Proceeds from business transferred	¥(169)	$(2,056)

Amounts of Proceeds from business transferred included in “Others, net” in Cash flows from investing activities.

Notes to Consolidated Financial Statements

3. Non-cash investing and financing activities

(1) Assets and liabilities of CSK CORPORATION and its consolidated subsidiaries taken over due to the merger

The summary of assets acquired and liabilities assumed through the merger with CSK CORPORATION and its consolidated subsidiaries was as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Current assets	**¥ 75,418**	**$ 917,606**
Non-current assets	**80,940**	**984,785**
Total assets	**¥156,358**	**$1,902,391**
Current liabilities	**¥88,227**	**$1,073,451**
Non-current liabilities	**51,953**	**632,105**
Total liabilities	**¥140,180**	**$1,705,556**

(2) Capital lease obligations incurred

Capital lease obligations incurred for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Capital lease obligations incurred	**¥1,586**	¥972	**$19,301**

24. Lease transaction

(a) Lessee – Finance leases

Leased assets consist mainly of facilities in head offices and datacenters as property and equipment and software as intangible fixed assets.

Finance leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates are on or before March 31, 2008, are accounted for in the same manner as operating leases. The details at March 31, 2012 and 2011 were disclosed as follows:

1. Acquisition cost equivalents, accumulated depreciation equivalents and net carrying value equivalents of leased assets

	March 31,		March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Tools, furniture and fixtures:			
Acquisition cost equivalents	**¥855**	¥1,164	**$10,399**
Accumulated depreciation equivalents	**729**	946	**8,872**
Net carrying value equivalents	**126**	218	**1,527**
Intangible fixed assets:			
Acquisition cost equivalents	**4**	–	**57**
Accumulated depreciation equivalents	**4**	–	**50**
Net carrying value equivalents	**0**	–	**7**
Total:			
Acquisition cost equivalents	**859**	1,164	**10,457**
Accumulated depreciation equivalents	**733**	946	**8,923**
Net carrying value equivalents	**¥126**	¥ 218	**$ 1,534**

2. Lease commitments

	March 31,		March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Due within one year	**¥118**	¥183	**$1,433**
Due over one year	**19**	48	**234**
Total	**¥137**	¥231	**$1,667**

3. Lease expenses, depreciation equivalents and interest expense equivalents

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Lease expenses	**¥299**	¥415	**$3,639**
Depreciation equivalents	**282**	385	**3,437**
Interest expense equivalents	**¥ 7**	¥ 16	**$ 94**

4. Calculation method of depreciation equivalents

Depreciation equivalents are calculated using the straight-line method over the lease terms without residual value.

5. Calculation method of interest expense equivalents

Difference between total lease expenses and acquisition cost equivalents of the leased assets comprise interest expense equivalents. Interest expense equivalents are allocated using the interest method over the lease terms.

Notes to Consolidated Financial Statements

(b) Lessee – Operating lease

Lease commitments under non-cancelable operating leases were as follows:

	March 31, 2012 (Millions of yen)	March 31, 2011 (Millions of yen)	March 31, 2012 (Thousands of U.S. dollars (Note 2))
As a lessee:			
Due within one year	**¥ 4,144**	¥ 2,440	**$ 50,424**
Due over one year	**21,272**	19,589	**258,808**
Total	**¥25,416**	¥22,029	**$309,232**

25. Related party transactions

1. Transactions with related parties

Related party transactions during the years ended March 31, 2012 and 2011 were as follows:

(1) Transactions between the Company and related parties

(A) Sumitomo Corporation

	March 31, 2012	March 31, 2011
Attribute	**Parent company**	Parent company
Name of the company	**Sumitomo Corporation**	Sumitomo Corporation
Location	**Chuo-ku, Tokyo**	Chuo-ku, Tokyo
Common stock amount (Millions of yen)	**¥219,279 ($2,667,951 thousand)**	¥219,279
Type of business	**Trading company**	Trading company
Percentage of voting shares in the Company (%)	**Direct 51.5%**	Direct 60.4%
Relationship of related party	**Sales of data processing service and software development service**	Sales of data processing service and software development service
Transactions amounts: (Millions of yen)		
Sales	**¥14,110**	¥14,319
	($171,679 thousand)	
Balance at year end: (Millions of yen)		
Accounts Receivable-trade	**¥3,033 ($36,899 thousand)**	¥2,472

Note: 1. In the amounts above, consumption taxes were included in the outstanding balances at the closing date, but not in transactions amounts.
2. The terms and conditions applicable to the above transactions were determined on arm's length basis and with reference to normal market prices.

(B) Subsidiary of Sumitomo Corporation

	March 31, 2012	March 31, 2011
Attribute	**Company which has an identical parent company**	Company which has an identical parent company
Name of the company	**Sumitomo Shoji Financial Management Co., Ltd.**	Sumitomo Shoji Financial Management Co., Ltd.
Location	**Chuo-Ku, Tokyo**	Chuo-Ku, Tokyo
Common stock amount (Millions of yen)	**¥100 ($1,217 thousand)**	¥100
Type of business	**Financing**	Financing
Percentage of voting shares in the Company (%)	**N/A**	N/A
Relationship of related party	**Deposit of funds**	Deposit of funds
Transactions amounts: (Millions of yen)		
Depositing of funds	**¥217,300 ($2,643,874 thousand)**	¥203,650
Interest income	**¥123 ($1,493 thousand)**	¥121
Balance at year end: (Millions of yen)		
Deposits paid	**¥36,000 ($438,009 thousand)**	¥8,950
Accrued income	**¥8 ($92 thousand)**	¥2

	March 31, 2012	March 31, 2011
Attribute	**Company which has an identical parent company**	–
Name of the company	**CSK CORPORATION**	–
Location	**Minato-Ku, Tokyo**	–
Common stock amount (Millions of yen)	**¥99,459 ($1,210,113 thousand)**	–
Type of business	**BPO, IT management, system integrations, prepaid cards and others**	–
Percentage of voting shares in the Company (%)	**N/A**	–
Relationship of related party	**Merger**	–
Transactions amounts: (Millions of yen)		
Transferred assets	**¥112,865 ($1,373,216 thousand)**	–
Transferred liabilities	**¥102,487 ($1,246,950 thousand)**	–

Note: 1. In the amounts above, consumption taxes were included in the outstanding balances at the closing date, but not in transactions amounts.
2. The terms and conditions applicable to the above transactions were determined on arm's length basis and with reference to normal market prices.
3. The detail explanation relating to the merger of CSK CORPORATION was described in Note 29 "Business combination", of the notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(2) Transactions between the consolidated subsidiaries of the Company and related parties

Subsidiary of Sumitomo Corporation

	March 31, 2012	March 31, 2011
Attribute	**Company which has an identical parent company**	Company which has an identical parent company
Name of the company	**Sumitomo Shoji Financial Management Co., Ltd.**	Sumitomo Shoji Financial Management Co., Ltd.
Location	**Chuo-Ku, Tokyo**	Chuo-Ku, Tokyo
Common stock amount (Millions of yen)	**¥100 ($1,217 thousand)**	¥100
Type of business	**Financing**	Financing
Percentage of voting shares in the Company (%)	**N/A**	N/A
Relationship of related party	**Deposit of funds**	Deposit of funds
Transactions amounts: (Millions of yen)		
Depositing of funds	**¥471 ($5,731 thousand)**	¥565
Interest income	**¥2 ($23 thousand)**	¥2
Balance at year end: (Millions of yen)		
Deposits paid	**¥437 ($5,317 thousand)**	¥429
Accrued income	**¥0 ($2 thousand)**	¥0

2. Notes concerning the parent company or important affiliates

(1) Parent company information

Sumitomo Corporation (Listed on Tokyo, Osaka, Nagoya and Fukuoka Stock Exchange)

(2) Summary financial information of important affiliates

Not applicable

26. Contingent liabilities

There were no material contingent liabilities at 31 March, 2012 and 2011.

27. Stock options

Year ended March 31, 2012

1. Amount of income and expenses related to the stock option plans for the year ended March 31, 2012 and the account recorded

Selling, general and administrative expenses: ¥22 million ($276 thousand)

Gain on reversal of subscription right to shares: ¥7 million ($93 thousand)

2. Stock options outstanding at March 31, 2012 were as follows:

Stock option	Grantees' Position	Number of Option Granted	Date of Grant	Exercise Price
2007 Stock Option	10 directors 14 executive officers	Common stock 28,500 shares	July 27, 2007	¥2,461 ($29.94)
2007 Stock Option	10 directors 14 executive officers	Common stock 8,600 shares	July 27, 2007	¥1 ($0.01)
2008 Stock Option	9 directors 13 executive officers	Common stock 34,500 shares	July 29, 2008	¥1,964 ($23.90)
2008 Stock Option	9 directors 12 executive officers	Common stock 14,400 shares	July 29, 2008	¥1 ($0.01)
2009 Stock Option	9 directors 17 executive officers	Common stock 53,500 shares	July 30, 2009	¥1,564 ($19.03)
2009 Stock Option	9 directors 16 executive officers	Common stock 27,800 shares	July 30, 2009	¥1 ($0.01)
2010 Stock Option	9 directors 14 executive officers	Common stock 50,000 shares	July 30, 2010	¥1,376 ($16.74)
2010 Stock Option	9 directors 14 executive officers	Common stock 45,400 shares	July 30, 2010	¥1 ($0.01)

Stock option	Vesting condition	Applicable period of service	Exercisable period
2007 Stock Option	*1	July 27, 2007 – June 30, 2009	July 1, 2009 – June 30, 2012
2007 Stock Option	*2	No provisions	July 28, 2007 – July 26, 2027
2008 Stock Option	*3	July 29, 2008 – June 30, 2010	July 1, 2010 – June 30, 2013
2008 Stock Option	*4	No provisions	July 30, 2008 – July 28, 2028
2009 Stock Option	*5	July 30, 2009 – June 30, 2011	July 1, 2011 – June 30, 2014
2009 Stock Option	*6	No provisions	July 31, 2009 – July 29, 2029
2010 Stock Option	*7	July 30, 2010 – June 30, 2012	July 1, 2012 – June 30, 2015
2010 Stock Option	*8	No provisions	July 31, 2010 – July 29, 2030

Note: Number of subscription rights to shares was expressed in number of shares to be issued upon exercise.

*1 Those who hold share subscription rights (hereinafter the "Holders") need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the fiscal year ended March 31, 2007.

*2 The Holders can exercise the rights for only 2 years from the day following the date when they lose positions of directors or executive officers of the Company (hereinafter the "initial day of exercise period"). Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2025, they shall only be able to exercise the rights on and after August 1, 2025. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the fiscal year ended March 31, 2007.

*3 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the fiscal year ended March 31, 2008.

Notes to Consolidated Financial Statements

*4 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2026, they shall only be able to exercise the rights on and after August 1, 2026. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the fiscal year ended March 31, 2008.

*5 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the fiscal year ended March 31, 2009.

*6 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2027, they shall only be able to exercise the rights on and after August 1, 2027. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the fiscal year ended March 31, 2009.

*7 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Holders retire as directors, corporate auditors or executive officers of the Company or its subsidiaries and affiliates at the expiration of their terms, or where Board of Directors of the Company recognizes that there is a justifiable reason. In this case, the Holders shall only be able to exercise the rights for 1 year from one day later than either the day of occurring such causes or July 1, 2012. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the fiscal year ended March 31, 2010.

*8 The Holders can exercise the rights for only 10 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2028, they shall only be able to exercise the rights on and after August 1, 2028. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the fiscal year ended March 31, 2010.

Number and movement of stock options

The following tables were based on the stock options which existed at March 31, 2012. Number of stock options was expressed in number of shares to be issued upon exercise.

	2007 Stock Option	2007 Stock Option	2008 Stock Option	2008 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested:				
Outstanding at April 1, 2011	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at March 31, 2012	–	–	–	–
Vested:				
Outstanding at April 1, 2011	33,000	12,200	50,500	19,800
Vested	–	–	–	–
Exercised	–	3,600	–	5,400
Forfeited	4,500	–	16,000	–
Outstanding at March 31, 2012	28,500	8,600	34,500	14,400

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested:				
Outstanding at April 1, 2011	53,500	–	50,000	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	53,500	–	–	–
Outstanding at March 31, 2012	–	–	50,000	–
Vested:				
Outstanding at April 1, 2011	–	31,100	–	45,400
Vested	53,500	–	–	–
Exercised	–	3,300	–	–
Forfeited	–	–	–	–
Outstanding at March 31, 2012	53,500	27,800	–	45,400

3. Price information of stock options at March 31, 2012

	2007 Stock Option	2007 Stock Option	2008 Stock Option	2008 Stock Option
Exercise price (yen)	¥2,461	¥ 1	¥1,964	¥ 1
Average market price of the stock at the time of exercise (yen)	–	1,250	–	1,254
Fair valuation price (date of grant) (yen)	¥ 373	¥2,156	¥ 374	¥1,774

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (yen)	¥1,564	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise (yen)	–	1,212	–	–
Fair valuation price (date of grant) (yen)	¥ 380	¥1,363	¥ 284	¥1,149

	2007 Stock Option	2007 Stock Option	2008 Stock Option	2008 Stock Option
Exercise price (U.S. dollar)	$30	$0.01	$24	$0.01
Average market price of the stock at the time of exercise (U.S. dollar)	–	15	–	15
Fair valuation price (date of grant) (U.S. dollar)	$ 5	$ 26	$ 5	$ 22

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (U.S. dollar)	$19	$0.01	$17	$0.01
Average market price of the stock at the time of exercise (U.S. dollar)	–	15	–	–
Fair valuation price (date of grant) (U.S. dollar)	$ 5	$ 17	$ 3	$ 14

4. Method of estimating exercised stock options

The Company estimates the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.

For the year ended March 31, 2011

1. Amount of income and expenses related to the stock option plans for the year ended March 31, 2011 and the account recorded

Selling, general and administrative expenses: ¥67 million

Gain on reversal of subscription rights to shares: ¥5 million

Notes to Consolidated Financial Statements

2. Stock options outstanding at March 31, 2011 were as follows:

Stock option	Grantees' Position	Number of Option Granted	Date of Grant	Exercise Price
2007 Stock Option	10 directors 14 executive officers	Common stock 33,000 shares	July 27, 2007	¥2,461
2007 Stock Option	10 directors 14 executive officers	Common stock 12,200 shares	July 27, 2007	¥1
2008 Stock Option	9 directors 13 executive officers	Common stock 50,500 shares	July 29, 2008	¥1,964
2008 Stock Option	9 directors 12 executive officers	Common stock 19,800 shares	July 29, 2008	¥1
2009 Stock Option	9 directors 17 executive officers	Common stock 53,500 shares	July 30, 2009	¥1,564
2009 Stock Option	9 directors 16 executive officers	Common stock 31,100 shares	July 30, 2009	¥1
2010 Stock Option	9 directors 14 executive officers	Common stock 50,000 shares	July 30, 2010	¥1,376
2010 Stock Option	9 directors 14 executive officers	Common stock 45,400 shares	July 30, 2010	¥1

Stock option	Vesting condition	Applicable period of service	Exercisable period
2007 Stock Option	*1	July 27, 2007 – June 30, 2009	July 1, 2009 – June 30, 2012
2007 Stock Option	*2	No provisions	July 28, 2007 – July 26, 2027
2008 Stock Option	*3	July 29, 2008 – June 30, 2010	July 1, 2010 – June 30, 2013
2008 Stock Option	*4	No provisions	July 30, 2008 – July 28, 2028
2009 Stock Option	*5	July 30, 2009 – June 30, 2011	July 1, 2011 – June 30, 2014
2009 Stock Option	*6	No provisions	July 31, 2009 – July 29, 2029
2010 Stock Option	*7	July 30, 2010 – June 30, 2012	July 1, 2012 – June 30, 2015
2010 Stock Option	*8	No provisions	July 31, 2010 – July 29, 2030

Note: Number of subscription rights to shares was expressed in number of shares to be issued upon exercise.

*1 Those who hold share subscription rights (hereinafter the "Holders") need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the fiscal year ended March 31, 2007.

*2 The Holders can exercise the rights for only 2 years from the day following the date when they lose positions of directors or executive officers of the Company (hereinafter the "initial day of exercise period"). Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2025, they shall only be able to exercise the rights on and after August 1, 2025. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 27, 2007 for the fiscal year ended March 31, 2007.

*3 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the fiscal year ended March 31, 2008.

*4 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2026, they shall only be able to exercise the rights on and after August 1, 2026. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 26, 2008 for the fiscal year ended March 31, 2008.

*5 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where Board of Directors of the Company recognizes that there is a justifiable reason. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the fiscal year ended March 31, 2009.

*6 The Holders can exercise the rights for only 2 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2027, they shall only be able to exercise the rights on and after August 1, 2027. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2009 for the fiscal year ended March 31, 2009.

*7 The Holders need to be in the position of a director, a corporate auditor or an executive officer of the Company or its subsidiaries and affiliates at the time of exercise of the rights. This shall not apply where the Holders retire as directors, corporate auditors or executive officers of the Company or its subsidiaries and affiliates at the expiration of their terms, or where Board of Directors of the Company recognizes that there is a justifiable reason. In this case, the Holders shall only be able to exercise the rights for 1 year from one day later than either the day of occurring such causes or July 1, 2012. Succession of stock option shall not be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the fiscal year ended March 31, 2010.

*8 The Holders can exercise the rights for only 10 years from the initial day of exercise period. Notwithstanding the foregoing, if the Holders will not reach the initial day of exercise period until July 31, 2028, they shall only be able to exercise the rights on and after August 1, 2028. In the case where the Holders die, succession of their share subscription rights by heirs shall be permitted. Other terms and conditions shall be stipulated in the Agreement on Stock Option based on a resolution of Board of Directors and general meeting of shareholders held on June 25, 2010 for the fiscal year ended March 31, 2010.

Number and movement of stock options

The following tables were based on the stock options which existed at March 31, 2011. Number of stock options was expressed in number of shares to be issued upon exercise.

	2007 Stock Option	2007 Stock Option	2008 Stock Option	2008 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested:				
Outstanding at April 1, 2010	–	–	50,500	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	50,500	–
Outstanding at March 31, 2011	–	–	–	–
Vested:				
Outstanding at April 1, 2010	49,000	15,200	–	22,900
Vested	–	–	50,500	–
Exercised	–	3,000	–	3,100
Forfeited	16,000	–	–	–
Outstanding at March 31, 2011	33,000	12,200	50,500	19,800

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
	Number of shares	Number of shares	Number of shares	Number of shares
Non-vested:				
Outstanding at April 1, 2010	53,500	–	–	–
Granted	–	–	50,000	45,400
Forfeited	–	–	–	–
Vested	–	–	–	45,400
Outstanding at March 31, 2011	53,500	–	50,000	–
Vested:				
Outstanding at April 1, 2010	–	31,100	–	–
Vested	–	–	–	45,400
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding at March 31, 2011	–	31,100	–	45,400

Notes to Consolidated Financial Statements

3. Price information of stock options at March 31, 2012

	2007 Stock Option	2007 Stock Option	2008 Stock Option	2008 Stock Option
Exercise price (yen)	¥2,461	¥ 1	¥1,964	¥ 1
Average market price of the stock at the time of exercise (yen)	–	1,370	–	1,236
Fair valuation price (date of grant) (yen)	¥ 373	¥2,156	¥ 374	¥1,774

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (yen)	¥1,564	¥ 1	¥1,376	¥ 1
Average market price of the stock at the time of exercise (yen)	–	–	–	–
Fair valuation price (date of grant) (yen)	¥ 380	¥1,363	¥ 284	¥1,149

4. Method of estimating the fair value of stock options

(1) 2010 Stock Option

The fair value of the 2010 Stock Option was estimated using the Black-Scholes model. The following assumptions were used to determine the fair value.

Share price variability*1	37.5%
Projected remaining period*2	3.42 years
Projected dividend*3	¥32 per share
Risk-free interest rate*4	0.20%

Note:
*1. Calculated based on share price results (from February 2007 to July 2010)
*2. The projected remaining period was estimated on the assumption that the exercise of stock options was carried out in the middle of the stock option right exercise period.
*3. The actual dividend for the year ended March 31, 2010
*4. The rate of return on government bonds over the projected remaining period

(2) 2010 Stock Option

The fair value of the 2010 Stock Option was estimated using the Binomial model. The following assumptions were used to determine the fair value.

Share price variability*1	35.3%
Period to the maturity*2	16.0 years
Projected dividend*3	¥32 per share
Risk-free interest rate*4	1.67%

Note:
*1. Calculated based on share price results (from August 2005 to July 2010)
*2. Period to the maturity included the exercisable period of 10 years from the day following the date when the Holders lose their positions in addition to the average projected period until resignations (6 years).
*3. The projected dividend for the year ended March 31, 2010
*4. The rate of return on government bonds over the period to maturity

5. Method of estimating exercised stock options

The Company estimates the number of exercised stock options based on the actual number of forfeitures because it is difficult to estimate the number of stock options which will be forfeited in the future.

28. Segment information

1. Summary of reportable segments

Reportable segments are designated according to the business divisions as organizational units. The Board of Directors and the President determine on the allocation of business resources, evaluate business performance, and conduct other such managerial duties in reference to these organizational units, with such managerial decision-making directly reflected in the pursuit of business activities within those business divisions.

Business groups are arranged by IT service business area in consideration of client characteristics. Each business division plans and pursues its activities under a companywide business strategy as it relates to its own service area. Traditionally, these divisions have been placed under four reportable segments, such as Distribution & Manufacturing System Solution, Financial System & ERP (Enterprise Resource Planning) Solution, Global Solution, and IT Platform Solution.

Reflecting the merger with CSK CORPORATION on October 1, 2011 in the fiscal year, four more reportable segments, such as Systems Development, IT Management, BPO (Business Process Outsourcing), and Prepaid Card Business were added.

All divisions not included in one of the above reportable segments are classified as others.

The main products and services of each segment are as outlined below.

(1) Distribution & Manufacturing System Solution: This segment, which corresponds to the Distribution & Manufacturing System Solution Business Group, provides IT services to accommodate industry-specific system needs for, primarily, distributors and manufacturers.

(2) Financial System & ERP Solution: This segment, which corresponds to the Financial System & ERP Solution Business Group, accommodates IT service needs specific to the financial industry and, with regards to general enterprise clients, provides ERP packaged software, including the Company's proprietary "ProActive" ERP system.

(3) Global Solution: This segment, which corresponds to the Global Solution Business Group, provides IT services to globally active clients, including Sumitomo Corporation group companies, through the use of an overseas network linking the five geographic segments of Japan, the Americas, Europe, China, and ASEAN countries.

(4) IT Platform Solution: This segment, which corresponds to the IT Platform Solution Business Group, provides a broad range of services related to IT infrastructure development and operation, ranging from the design/development of IT infrastructure for client's business systems to maintenance and system operation using datacenters.

(5) Systems Development: This segment provides consulting, solution, and systems integration services.

(6) IT Management: This segment provides data center, systems operation, systems operation consulting, IT infrastructure development, infrastructure management, and network operation monitoring services.

(7) BPO: This segment provides services relating to contact centers, BPO, verification, e-commerce fulfillment, etc.

(8) Prepaid Card Business: This segment provides services relating to the issuance and settlement of prepaid cards, in addition to developing and marketing card systems.

The other segment contains, among other businesses that provide IT services to general enterprise clients through regional offices within Japan. This category corresponds to business being pursued by each domestic branch.

Notes to Consolidated Financial Statements

2. Calculation of sales, profits or losses, assets and other item amounts by reportable segment

The accounting method for the business segments that are reported is generally the same as described in Note 1 “Summary of significant accounting policies,” of the notes to consolidated financial statements.

The segment income figures stated in the reportable segment are based on operating income. The inter-segment sales or the inter-segment figures are based on actual market prices.

3. Sales, profits or losses, assets and other items for each reportable segments

Segment Data for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31, 2012					
	Reportable Segment					
	Distribution & Manufacturing System Solution	Financial System & ERP Solution	Global Solution	IT Platform Solution	Systems Development	IT Management
	Millions of yen					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**¥36,212**	**¥19,124**	**¥15,462**	**¥49,537**	**¥37,976**	**¥16,803**
Inter-segment sales and transfers	**1,445**	**302**	**242**	**4,638**	**1,373**	**1,334**
Total	**37,657**	**19,426**	**15,704**	**54,175**	**39,349**	**18,137**
Segment profits or losses	**1,970**	**321**	**2,040**	**3,616**	**3,065**	**1,777**
Segment assets	**21,302**	**6,168**	**5,549**	**32,684**	**22,378**	**19,098**
Other items						
Depreciation and amortization	**786**	**1,023**	**140**	**971**	**412**	**788**
Investments in equity-method affiliate	**3,324**	**–**	**–**	**88**	**–**	**–**
Net increase in tangible /intangible fixed assets	**¥ 767**	**¥ 574**	**¥ 117**	**¥ 2,133**	**¥ 136**	**¥ 2,418**

	Year ended March 31, 2012					
	Reportable Segment					
	BPO	Prepaid Card Business	Others	Total	Adjustments	Amount recorded in the consolidated financial statements
	Millions of yen					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**¥15,610**	**¥1,723**	**¥7,880**	**¥200,327**	**¥ –**	**¥200,327**
Inter-segment sales and transfers	**548**	**97**	**13**	**9,992**	**(9,992)**	**–**
Total	**16,158**	**1,820**	**7,893**	**210,319**	**(9,992)**	**200,327**
Segment profits or losses	**123**	**411**	**461**	**13,784**	**(904)**	**12,880**
Segment assets	**11,677**	**52,791**	**8,975**	**180,622**	**120,307**	**300,929**
Other items						
Depreciation and amortization	**191**	**33**	**175**	**4,519**	**861**	**5,380**
Investments in equity-method affiliate	**6**	**–**	**298**	**3,716**	**–**	**3,716**
Net increase in tangible /intangible fixed assets	**¥ 110**	**¥ 61**	**¥ –**	**¥ 6,316**	**¥ 1,618**	**¥ 7,934**

	Year ended March 31, 2012					
	Reportable Segment					
	Distribution & Manufacturing System Solution	Financial System & ERP Solution	Global Solution	IT Platform Solution	Systems Development	IT Management
	Thousands of U.S. dollars (Note 2)					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**$440,592**	**$232,689**	**$188,121**	**$602,713**	**$462,053**	**$204,445**
Inter-segment sales and transfers	**17,582**	**3,670**	**2,943**	**56,425**	**16,713**	**16,241**
Total	**458,174**	**236,359**	**191,064**	**659,138**	**478,766**	**220,686**
Segment profits or losses	**23,974**	**3,910**	**24,825**	**43,991**	**37,290**	**21,615**
Segment assets	**259,180**	**75,050**	**67,511**	**397,660**	**272,277**	**232,363**
Other items						
Depreciation and amortization	**9,563**	**12,444**	**1,699**	**11,817**	**5,016**	**9,582**
Investments in equity-method affiliates	**40,443**	**–**	**–**	**1,067**	**–**	**–**
Net increase in tangible /intangible fixed assets	**$9,337**	**$6,981**	**$1,420**	**$25,955**	**$1,649**	**$29,417**

	Year ended March 31, 2012					
	Reportable Segment					
	BPO	Prepaid Card Business	Others	Total	Adjustments	Amount recorded in the consolidated financial statements
	Thousands of U.S. dollars (Note 2)					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**$189,923**	**$ 20,959**	**$ 95,868**	**$2,437,363**	**$ –**	**$2,437,363**
Inter-segment sales and transfers	**6,674**	**1,174**	**153**	**121,575**	**(121,575)**	**–**
Total	**196,597**	**22,133**	**96,021**	**2,558,938**	**(121,575)**	**2,437,363**
Segment profits or losses	**1,493**	**5,002**	**5,610**	**167,710**	**(11,004)**	**156,706**
Segment assets	**142,070**	**642,302**	**109,196**	**2,197,609**	**1,463,768**	**3,661,377**
Other items						
Depreciation and amortization	**2,328**	**401**	**2,130**	**54,980**	**10,484**	**65,464**
Investments in equity-method affiliate	**78**	**–**	**3,624**	**45,212**	**–**	**45,212**
Net increase in tangible /intangible fixed assets	**$ 1,335**	**$ 745**	**$ –**	**$ 76,839**	**$ 19,697**	**$ 96,536**

Note: 1. Adjustments were as follows:
(1) The adjustment of ¥ (904) million ($ (11,004) thousand) to segment profits or losses represented general corporate expenses that were not allocated to a reportable segment.
(2) The adjustment of ¥120,307 million ($1,463,768 thousand) to segment assets represented corporate assets that were not allocated to a reportable segment.
(3) The adjustment of ¥861 million ($10,484 thousand) to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.
(4) The adjustment of ¥1,618 million ($19,697 thousand) to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company’s headquarters building.
2. Segment profits or losses were reconciled to operating income in the consolidated statements of income.

Notes to Consolidated Financial Statements

Year ended March 31, 2011

	Reportable Segment							
	Distribution & Manufacturing System Solution	Financial System & ERP Solution	Global Solution	IT Platform Solution	Others	Total	Adjustments	Amount recorded in the consolidated financial statements
	Millions of yen							
Sales, profits or losses and assets by reportable segments								
Net sales:								
Sales to third parties	¥35,729	¥22,243	¥17,756	¥49,183	¥7,929	¥132,840	¥ –	¥132,840
Inter-segment sales and transfers	340	288	156	3,808	15	4,607	(4,607)	–
Total	36,069	22,531	17,912	52,991	7,944	137,447	(4,607)	132,840
Segment profits or losses	1,994	214	1,996	3,276	232	7,712	(636)	7,076
Segment assets	19,788	6,946	5,141	30,646	10,070	72,591	48,694	121,285
Other items								
Depreciation and amortization	715	597	140	852	45	2,349	1,444	3,793
Investments in equity-method affiliates	3,297	154	–	61	–	3,512	–	3,512
Net increase in tangible /intangible fixed assets	¥ 657	¥ 563	¥ 355	¥ 1,097	¥ 92	¥ 2,764	¥ 4,532	¥ 7,296

Note: 1. Adjustments were as follows:
(1) The adjustment of ¥ (636) million to segment profits or losses represented general corporate expenses that were not allocated to a reportable segment.
(2) The adjustment of ¥48,693 million to segment assets represented corporate assets that were not allocated to a reportable segment.
(3) The adjustment of ¥1,444 million to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.
(4) The adjustment of ¥4,532 million to net increase in tangible/intangible fixed assets represented investments in corporate assets, including the Company's headquarters building.
2. Segment profits or losses have been reconciled to operating income in the consolidated statements of income.

4. Related Information

(1) Information about products and service

Sales data by products and service for the years ended March 31, 2012 and 2011 was not presented as similar information was disclosed in the above segment information.

(2) Information about geographic area

(a) Net sales

Sales data by geographic area for the years ended March 31, 2012 and 2011 was not presented as the sales of Japan represented more than 90% of total sales.

(b) Property and equipment

Property and equipment data by geographic area at March 31, 2012 and 2011 was not presented as property and equipment located in Japan represented more than 90% of total property and equipment.

(3) Information about major customers

Information about major customers for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Sales to Sumitomo Corporation	**¥14,112**	¥14,479	**$171,700**

Note: Amounts of sales for customers that belonged to the same group as that of Sumitomo Corporation were not included in sales above.

5. Information regarding impairment losses of fixed assets by reportable segment

Information regarding impairment losses of fixed assets by reportable segment for the years ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Distribution & Manufacturing System Solution	**¥ 471**	¥–	**$ 5,729**
Financial System & ERP Solution	**–**	–	**–**
Global Solution	**–**	–	**–**
IT Platform Solution	**–**	–	**–**
Systems Development	**–**	–	**–**
IT Management	**–**	–	**–**
BPO	**–**	–	**–**
Prepaid Card Business	**–**	–	**–**
Others	**–**	–	**–**
Corporate assets and Eliminations	**1,700**	–	**20,684**
Total	**¥2,171**	¥–	**$26,413**

Notes to Consolidated Financial Statements

6. Information regarding amortization of goodwill and remaining balance of goodwill by reportable segment

Information regarding amortization of goodwill and remaining balance of goodwill by reportable segment for the year ended March 31, 2012 and 2011 were as follows:

	Year ended March 31,		Year ended March 31,
	2012	2011	**2012**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Amortization:			
Distribution & Manufacturing System Solution	**¥ 39**	¥ 39	**$ 472**
Financial System & ERP Solution	**23**	23	**277**
Global Solution	**3**	3	**36**
IT Platform Solution	**8**	2	**103**
Systems Development	**–**	–	**–**
IT Management	**–**	–	**–**
BPO	**–**	–	**–**
Prepaid Card Business	**–**	–	**–**
Others	**17**	26	**205**
Corporate assets and Eliminations	**–**	-	**–**
Total	**¥ 90**	¥93	**$1,093**
Remaining balance:			
Distribution & Manufacturing System Solution	**¥213**	¥252	**$2,595**
Financial System & ERP Solution	**30**	53	**370**
Global Solution	**4**	7	**43**
IT Platform Solution	**28**	7	**337**
Systems Development	**–**	–	**–**
IT Management	**–**	–	**–**
BPO	**103**	–	**1,258**
Prepaid Card Business	**–**	–	**–**
Others	**76**	93	**924**
Corporate assets and Eliminations	**–**	–	**–**
Total	**¥454**	¥412	**$5,527**

29. Business combination

The Company was formed as a result of the merger on October 1, 2011 of Sumisho Computer Systems Corporation, the surviving company, and CSK CORPORATION, the dissolving company. Overview of the merger is as follows:

1. Names of combined parties and description of the business

Surviving company:

Company name	Sumisho Computer Systems Corporation
Description of the business	Providing IT system implementation and operation, and distributing packaged software and hardware

Dissolving company:

Company name	CSK CORPORATION
Description of the business	BPO (Business Process Outsourcing), IT management, System integration, Prepaid cards and others

2. Date of the business combination

October 1, 2011

3. Legal form of the business combination

The merger was an absorption-type merger with Sumisho Computer Systems Corporation as a surviving company, and CSK CORPORATION went into liquidation on October 1, 2011.

4. Name of company following the business combination

SCSK Corporation

5. Overview of the transactions including purpose

Sumisho Computer Systems Corporation and CSK CORPORATION are able to provide all services including system integration, IT infrastructure implementation, IT management, BPO and distribution of IT hardware and software by the merger of both companies' services. Combination of experiences of Sumisho Computer Systems Corporation, that has been supporting worldwide IT systems and network of its clients including Sumitomo Corporation, and customer base of CSK CORPORATION, that has been cultivated as independently big corporation in IT service industry, makes the Company being fully armed global IT service company and the Company is aiming for a leading company developing tomorrow of the industry. This is why the Company determined to merge together.

In the process of the merger, Sumisho Computer Systems Corporation allotted its common stock, 0.24 shares for 1 share of CSK CORPORATION's shareholders on October 1, 2011 and there was no change in amount of capital stock in shareholders' equity of the Company.

Notes to Consolidated Financial Statements

6. Overview of accounting procedures implemented

This merger has been accounted for as a business combination under common control according to the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008)
Period for operating results of the dissolving company included in the consolidated statements of income for the fiscal year ended March 31, 2012 was from October 1, 2011 to March 31, 2012 and summary of assets and liabilities taken over were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Total assets	**¥112,865**	**$1,373,216**
Total liabilities	**¥102,487**	**$1,246,950**

30. Subsequent events

1. Acquisition and cancellation of preferred stock and transferring of a portion of additional paid-in capital

The Company resolved, at the meeting of the Board of Directors held on May 1, 2012, to acquire and cancel the class A and B preferred stocks that the Company succeeded to following the October 1, 2011 merger with CSK CORPORATION, in accordance with provisions of call by cash and acquired them on May 31, 2012. In addition, the Company resolved, at general meeting of shareholders held on June 27, 2012, to transfer ¥30,000 million ($365,008 thousand) of additional paid-in capital to other capital surplus due to maintain dividend resource and flexibility of capital policy and cancelled them.

2. Significant amounts of loans payable

A new loans agreement was entered into as follows:

(1) Name of lender
Sumitomo Mitsui Trust Bank, Limited
(2) Contract date
May 25, 2012
(3) Borrowing date
May 29, 2012
(4) Borrowing amount
¥20,000 million ($243,339 thousand)
(5) Terms of repayment
Installment repayment (¥10,000 million ($121,669 thousand) due in May 29, 2015 and 2017, respectively)
(6) Pledge assets
Not applicable
(7) Use of funded
To acquire preferred stocks (Class A and B)

3. Issuance of bonds

The unsecured straight bonds denominated in yen were issued as follows:

(1) Total amount of bonds to be issued
¥10,000 million ($121,669 thousand)
(2) Issue price
¥100 ($1.22) per issuance for the stated value of ¥100 ($1.22)
(3) Interest rate
0.502% per annum
(4) Date of issuance
May 29, 2012
(5) Date of maturity
May 29, 2017
(6) Use of funded
To acquire preferred stocks (Class A and B)

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of SCSK Corporation:

We have audited the accompanying consolidated financial statements of SCSK Corporation (the"Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 30 to the consolidated financial statements, the Company described following subsequent events.

1. The Company resolved to acquire and cancel the preferred stocks at the Board of Directors' meeting held on May 1, 2012 and acquired the preferred stocks on May 31, 2012, and in order to cancel them, the Company resolved, at the shareholders' meeting held on June 27, 2012, to transfer additional paid-in capital to other capital surplus and then canceled them accordingly.
2. The Company borrowed significant amounts of new loans on May 29, 2012.
3. The Company issued straight bonds on May 29, 2012.

Convenience Translation

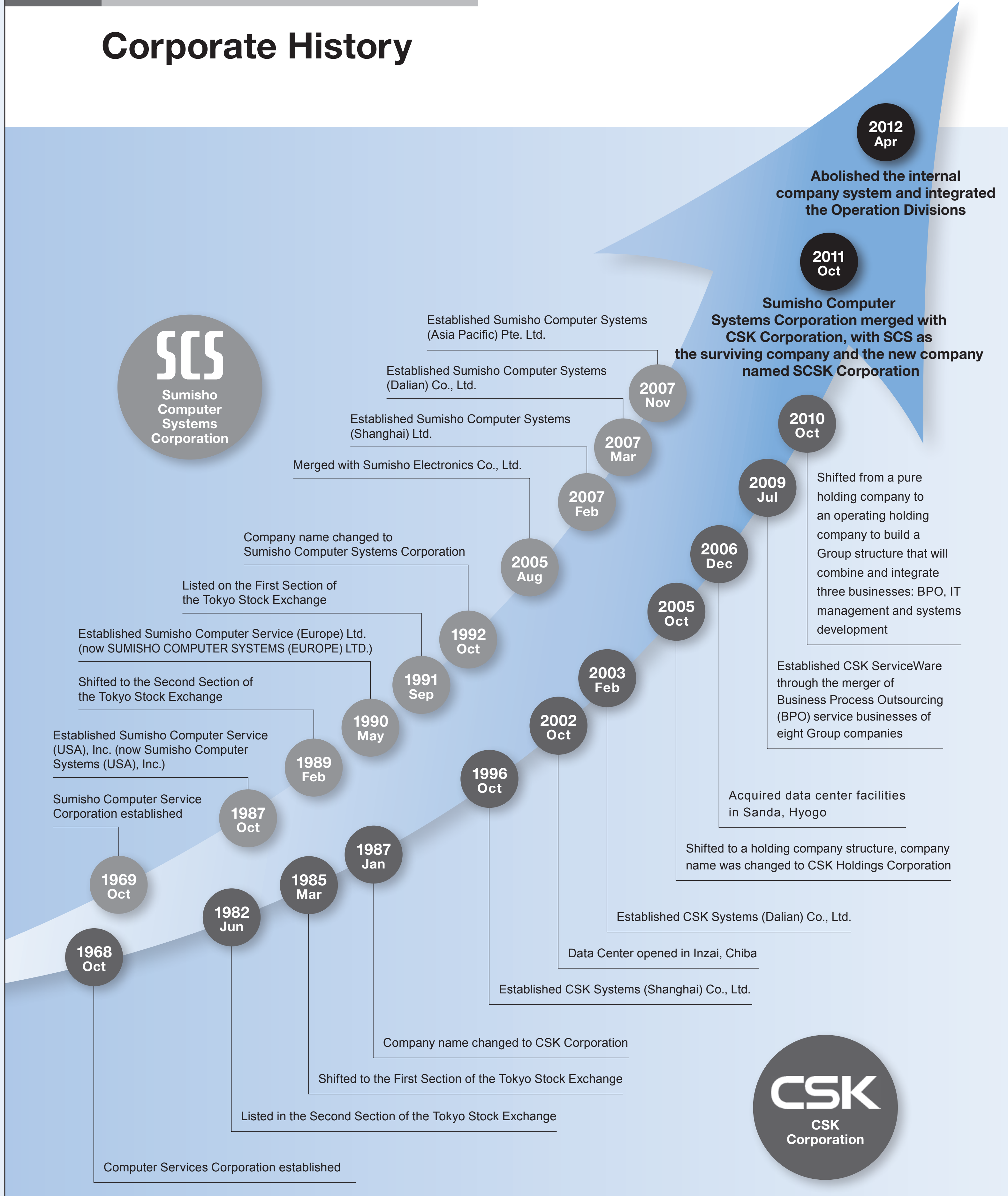
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 26, 2012
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate History



Corporate Data

Corporate Data (As of March 31, 2012)

- **Established** October 25, 1969
- **Capital** 21,152 million yen
- **Total number of employees** 7,674 (Consolidated: 11,995)
- **Head office** Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan TEL: +81-3-5166-2500

Investor Information (As of March 31, 2012)

Stock/Shareholder information

Class of stock	Number of shares authorized	Number of shares issued	Number of shareholders
common stock	200,000,000	107,986,403	52,441

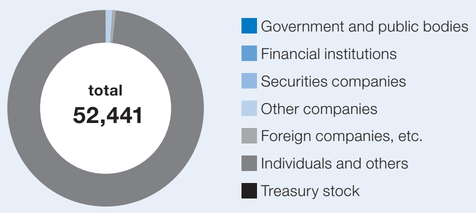
Note: The number of Class A and Class B preferred shares issued as of March 31, 2012, was 15,000 Class A preferred shares and 15,000 Class B preferred shares, but based on the terms for the acquisition of these shares, the Company acquired all preferred shares from the financial institutions holding those shares on May 31, 2012. The Company intends to propose to the Ordinary General Meeting of Shareholders scheduled for June 27, 2012, that the capital reserve (additional paid-in capital) be reduced by ¥30,000 million, and that this amount be transferred to other capital surplus, for the purpose of maintaining resources for the payment of dividends and to ensure operational flexibility in the Company's capital policy. Upon this reduction in the capital reserve and transfer to other capital surplus, the Company intends to retire the entire amount of preferred shares as of June 27, 2012, as per the Companies Act.

- **Stock listing** First Section of the Tokyo Stock Exchange
- **Stock code** 9719
- **Stock trading unit** 100
- **Shareholder registrar** The Sumitomo Trust and Banking Co., Ltd.
- **Independent certified public accountants** KPMG AZSA LLC

Note: The Sumitomo Trust and Banking Co., Ltd., merged with The Chuo Mitsui Trust and Banking Company, Limited, and Chuo Mitsui Asset Trust and Banking Company, Limited, effective April 1, 2012, and changed its trade name to Sumitomo Mitsui Trust Bank, Limited.

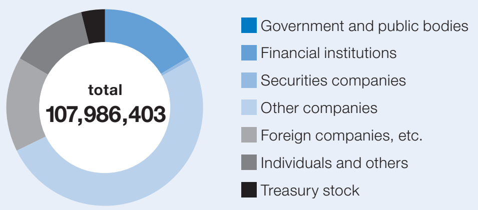
Distribution of shareholders (Common stock)

Shareholder composition



Type of investor	Number of investors	Composition
Government and public bodies	1	0.00%
Financial institutions	47	0.08%
Securities companies	53	0.10%
Other companies	570	1.09%
Foreign companies, etc.	232	0.44%
Individuals and others	51,537	98.29%
Treasury stock	1	0.00%
Total	52,441	100.00%

Distribution of shares



Type of investor	Number of stocks	Composition
Government and public bodies	48	0.00%
Financial institutions	17,800,822	16.48%
Securities companies	684,222	0.63%
Other companies	54,742,543	50.70%
Foreign companies, etc.	16,949,236	15.70%
Individuals and others	13,729,056	12.71%
Treasury stock	4,080,476	3.78%
Total	107,986,403	100.00%

Major shareholders

	Name of shareholder	Number of shares held	Shareholding ratio	Voting ratio
1	Sumitomo Corporation	52,697,159	48.80%	51.52%
2	Japan Trustee Services Bank, Ltd. (Trust account)	4,009,800	3.71%	3.92%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	3,061,600	2.84%	2.99%
4	Shareholding Commission of Employees in SCSK Group	2,528,550	2.34%	2.47%
5	Japan Trustee Services Bank, Ltd. (Trust account 9)	1,703,800	1.58%	1.67%
6	Trust and Custody Services Bank, Ltd. (Annuity trust account)	1,533,400	1.42%	1.50%
7	The Sumitomo Trust and Banking Co., Ltd.	1,501,300	1.39%	1.47%
8	HAYAT	1,110,900	1.03%	1.09%
9	ARGO GRAPHICS Inc.	1,015,500	0.94%	0.99%
10	BNYML－NON TREATY ACCOUNT	969,000	0.90%	0.95%

Notes: 1. The Company owns 4,080,476 shares of treasury stock, but is excluded from the major shareholders listed above.
2. The Sumitomo Trust and Banking Co., Ltd., merged with The Chuo Mitsui Trust and Banking Company, Limited, and Chuo Mitsui Asset Trust and Banking Company, Limited, effective April 1, 2012, and changed its trade name to Sumitomo Mitsui Trust Bank, Limited.

SCSK Corporation