SCSK

ANNUAL REPORT 2013

SCSK Corporation Annual Report 2013

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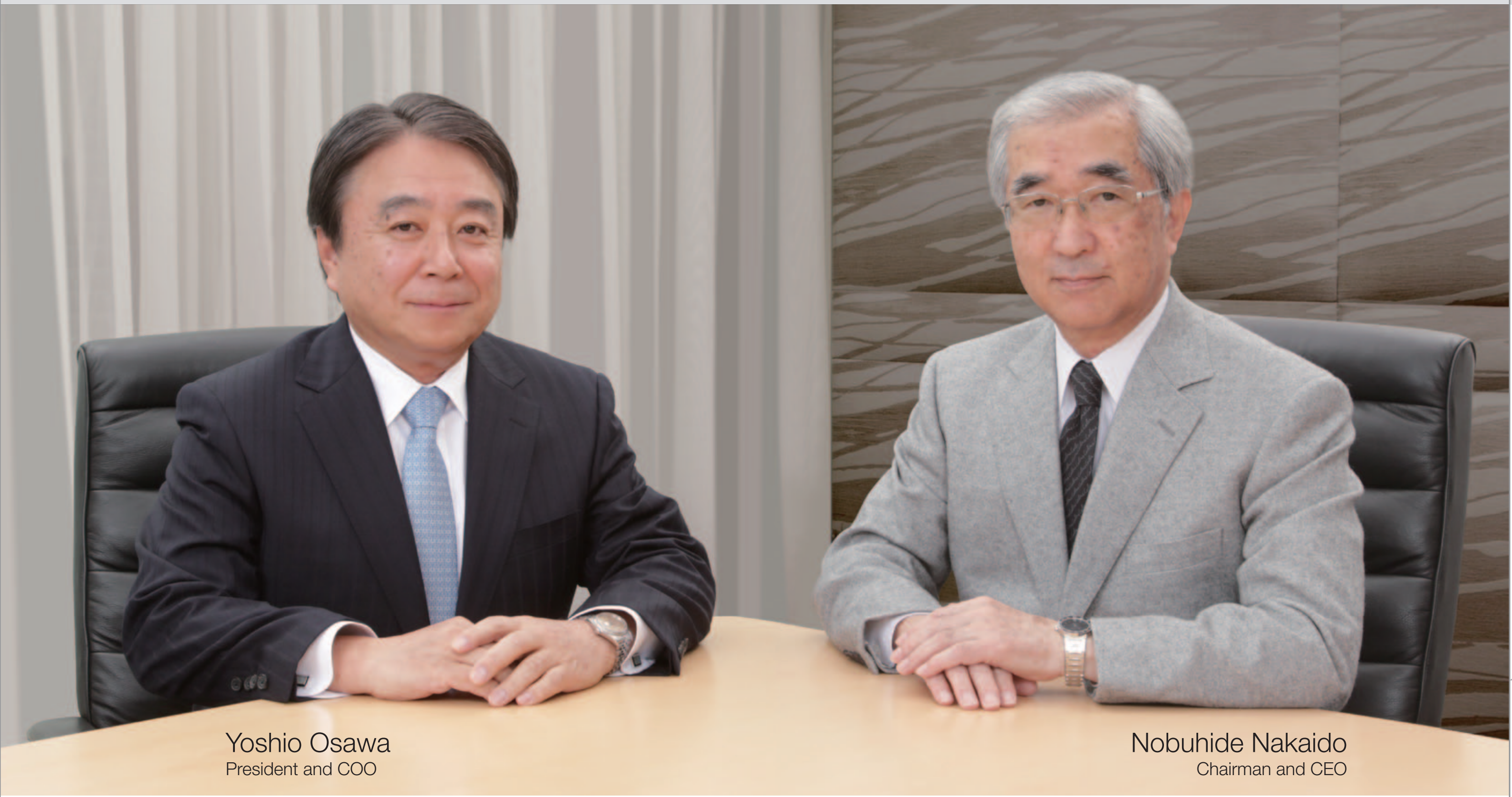
To Our Stakeholders



Yoshio Osawa
President and COO

Nobuhide Nakaido
Chairman and CEO

SCSK Corporation is a global IT services company that was created through the merger of Sumisho Computer Systems Corporation and CSK Corporation. Since the merger in October 2011, we have been pursuing three key strategies that form the core of our Medium-Term Management Plan: Actively "pursuing cross-selling," "expanding global solutions business," and "strengthening cloud solutions business." Moreover, by effectively fusing the two organizations' structures and functions in addition to integrating their personnel management systems, we have laid the groundwork for great leaps forward.

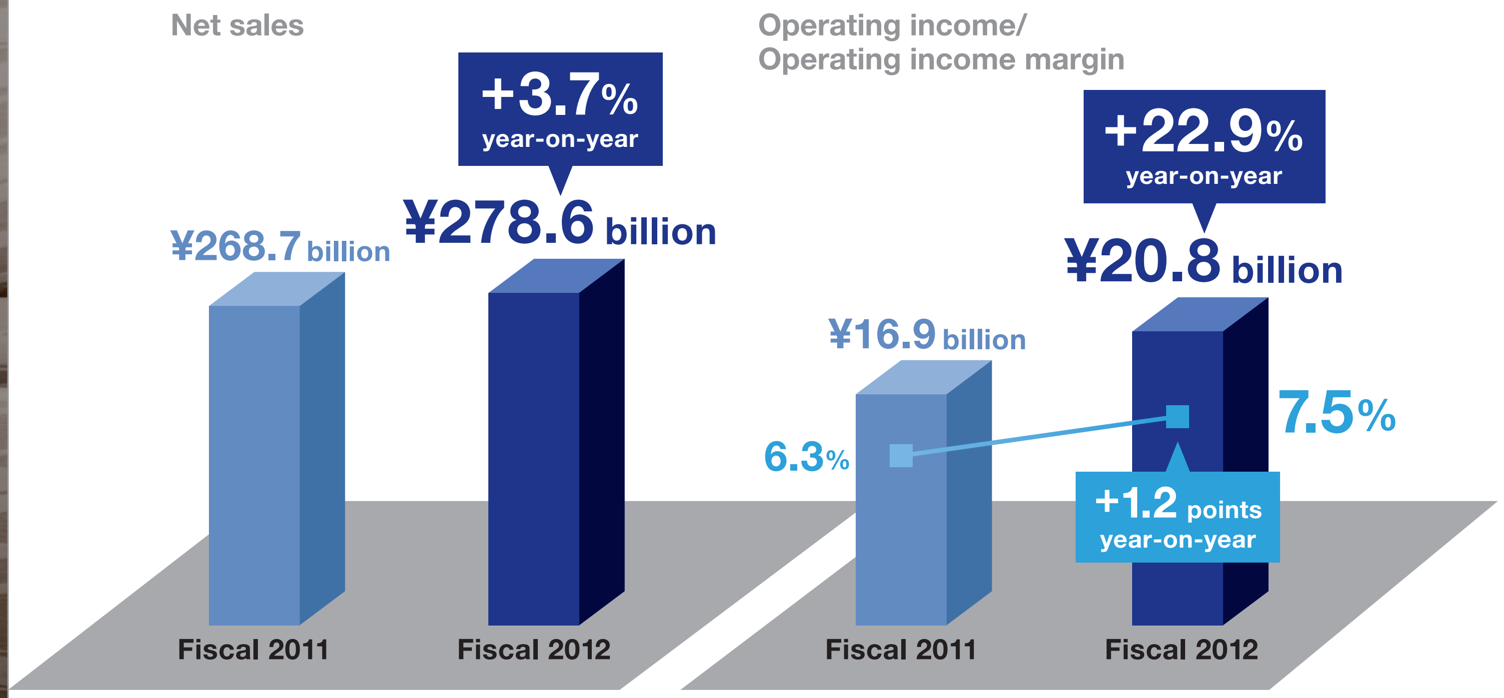
To further strengthen our management structure for the achievement of the Medium-Term Management Plan, the Board of Directors, at its meeting held following the Ordinary General Meeting of Shareholders held in June 2013, resolved to appoint Nobuhide Nakaido Chairman and CEO, and Yoshio Osawa President and COO. Going forward, we will work under this management structure to make steady progress toward the achievement of the Medium-Term Management Plan.

Looking ahead, we intend to further accelerate our progress under these three strategies, by proactively sharing information, and effectively utilizing resources to dynamically develop our business with wider market definition. At the same time, we will carefully examine the fields in which we can utilize our strengths, and concentrate management resources in priority businesses, to quickly create and develop unique services.

We aim to be a company that continues to grow in the future, using the latest IT services and innovative ideas to resolve the varied business issues faced by customers, while also generating new value through IT as we strive together to create the future sought by our customers.

We ask for your continued support as we move forward together.

Operating Results for the Fiscal Year Ended March 31, 2013



*SCSK was formed through a merger with CSK Corporation on October 1, 2011. For purposes of comparison with fiscal 2012, the figures shown for fiscal 2011, are pro forma figures with the first half (April–September) results of CSK Corporation simply added, and therefore different from the figures reported in the Company's official financial statements.

The Japanese economy was sluggish during fiscal 2012, ended March 31, 2013, against a backdrop of cautious capital investment, strained relations with China, and an economic crisis in Europe. From December 2012, however, Japan's freshly elected government implemented a new fiscal policy with monetary measures that included a large-scale supplementary budget and the introduction of an inflation target, and as a result, the foreign exchange market saw a correction of the strong yen and stock prices rose, leading to heightened expectations of an economic upturn.

Along with these economic developments, there was a recovery in customers' IT investments, which in recent years had been restrained or postponed, resulting in a more solid operating environment for the SCSK Group.

Reflecting the improved operating environment, and as a result of the steady implementation of three key strategies of the Medium-Term Management Plan, net sales rose 3.7% from the previous fiscal year, to ¥278.6 billion, on a solid pace of orders from the distribution, telecommunications, and financial industries, mainly for systems development.

In addition, companywide measures to improve operational efficiency succeeded in reducing expenses, including selling, general and administrative expenses, and as a result, operating income rose 22.9%, to ¥20.8 billion.

The operating income to net sales ratio also improved, rising 1.2 percentage points, to 7.5%, reflecting adjustments to outsourcing and personnel expenses as a companywide effort to improve operational efficiency, enhanced efficiency of purchasing functions, and other cost reductions.

Net income declined 40.1%, to ¥16.7 billion, from ¥27.9 billion in the previous fiscal year, mainly due to deferred tax assets recorded as a lump sum in the previous fiscal year in connection with the merger.

Fiscal 2012 was effectively the first year of the Medium-Term Management Plan formulated in October 2011, and thanks to the support of our stakeholders we are making steady progress under the Plan. Building on this solid start, we will pursue dynamic business development going forward, to fulfill the Medium-Term Management Plan and achieve growth even beyond that.

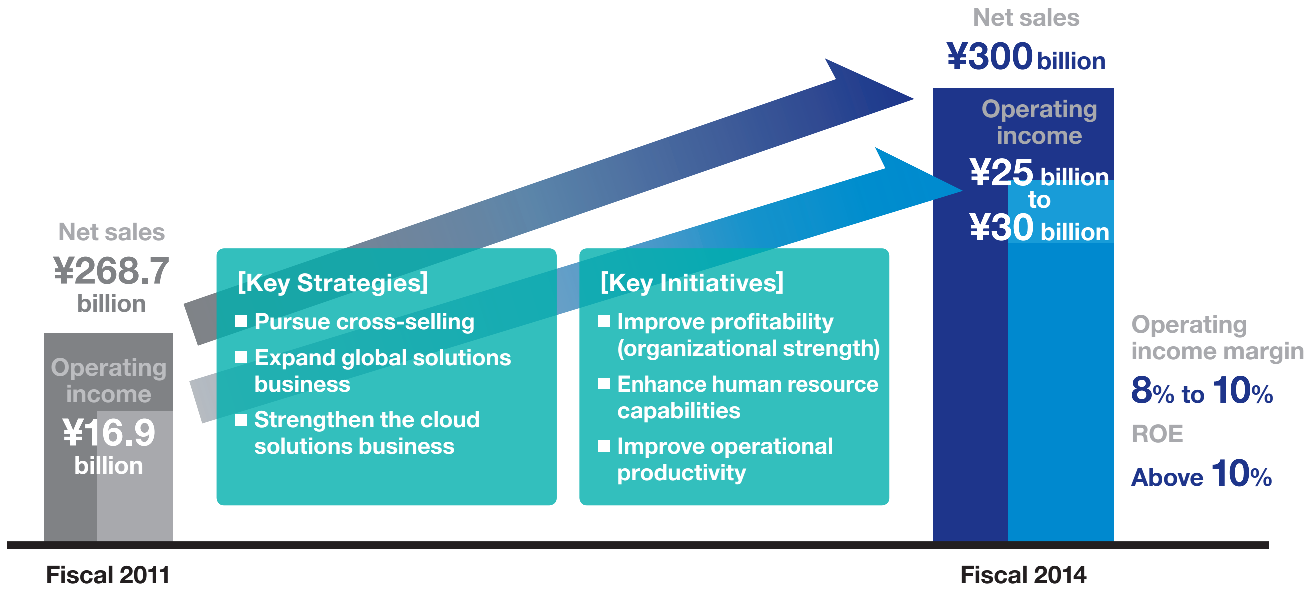
Nobuhide Nakaido
Chairman and CEO

Yoshio Osawa
President and COO

Medium-Term Management Plan

Japan's IT market is nearing maturity, meaning that competition will intensify, but also that IT services will become more diverse and sophisticated, and companies are striving to build businesses that can flexibly respond to these rapid changes.

Against this backdrop, SCSK was born on October 1, 2011, through the merger of Sumisho Computer Systems Corporation (SCS) and CSK Corporation (CSK). At the time of the merger, the Company announced a Medium-Term Management Plan covering the period through fiscal 2014.



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After the merger of October 2011, fiscal 2012 was effectively the first year under the Medium-Term Management Plan. Proactive and systematic efforts companywide and within related business groups yielded progress in our key strategies and initiatives during fiscal 2012.

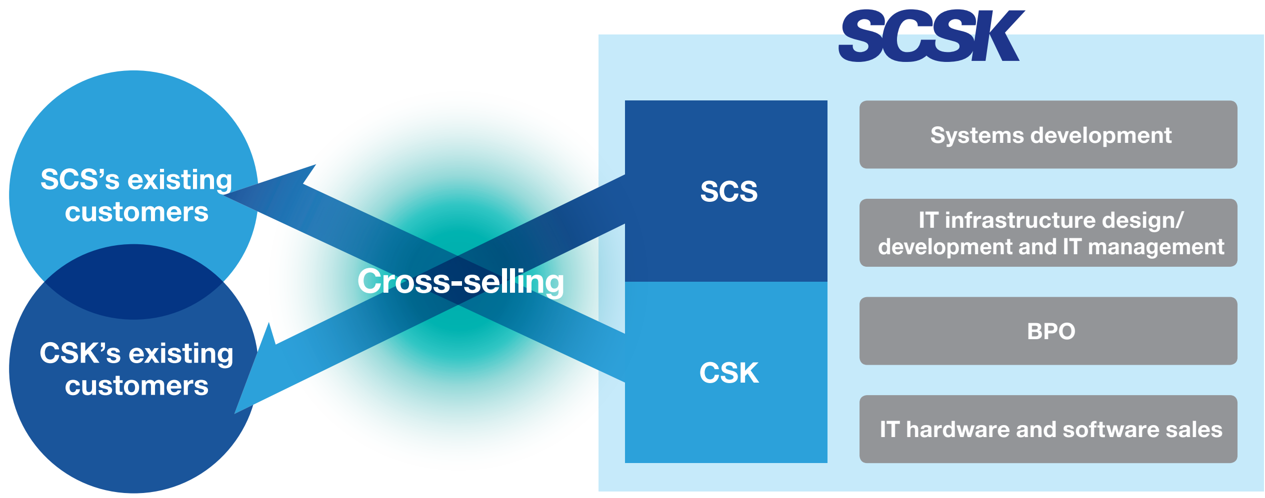
Fiscal 2013 is midway through the Medium-Term Management Plan, with targets for fiscal 2014, and a very important year given the possible directions new management could take after fiscal 2014. During fiscal 2013, we will continue to apply the original three key strategies and initiatives, while we also work to create new, unique services to drive future growth.

With the goal of solidifying a leading position within the IT industry as a truly first-class company, in fiscal 2013 SCSK will continue to strive to fulfill the Medium-Term Management Plan and create growth even beyond fiscal 2014.

Pursuing Cross-Selling

Our customer base has expanded significantly since the merger; we now do business with approximately 8,000 companies. By pursuing cross-selling on a companywide basis, we are providing this broader customer base with a range of specialized services and products, to swiftly realize synergies from the merger.

Distribution, manufacturing, finance, and telecommunications and transportation were key customer industries for both SCS and CSK, but there was little overlap between almost 80% of the top customers of each company, which has made it possible to cross-sell and provide services based in each company's strengths. In addition to strengthening the business base, cross-selling activities have also helped promote a true fusion of two companies with different histories and corporate cultures.



The entire Company has proactively promoted cross-selling by building a structure with a specialist organization and responsible senior managers. Cross-selling has made a large contribution toward expanding the earnings base, generating approximately ¥5 billion in orders in the half year following the October 2011 merger, and roughly ¥13 billion in fiscal 2012.

Our goal for fiscal 2013 is to further expand the earnings base by reinforcing the platform for sharing information across business groups, and providing customers with integrated solutions that span business segments.

[Examples of Cross-Selling]

- **Enterprise system solutions to a major audio-visual equipment manufacturer**
  We received an order from a major audio-visual equipment component manufacturer, whom CSK had previously provided with domestic enterprise systems. The order was not only for global enterprise systems development, a specialty of SCS, but also for USiZE, our featured cloud service.
- **Enterprise systems maintenance and operation for a major precision electronics component manufacturer**
  A major precision electronics component manufacturer that was an existing customer of SCS greatly valued both SCS's abundant experience in ERP development and CSK's data center business, and thus placed an order with the merged Company for the maintenance and operation of its enterprise systems.

Expanding Global Solutions Business

Today many Japanese companies are aggressively expanding their businesses overseas, and seek optimal global IT systems and IT services with Japanese quality. The demand for IT services among Japanese companies pursuing a wider presence overseas, while still centering corporate activities in Japan, is referred to as the "greater Japanese market."

To date, we have provided IT support for the global expansion of Sumitomo Corporation and many other customer companies. Our global strategy is to provide full support to this "greater Japanese market," using the expertise and experience we have cultivated over the years to provide services with the high standard of Japanese quality, as a reliable Japanese partner.

To appropriately support our customers' global expansion, the Company is hiring and training global human resources and setting up specialized divisions as part of a support structure to enhance the functions of companies' local offices and locally incorporated entities. Going forward, we will take aggressive steps to increase our global-related transactions, and have set a medium-term target for global-related sales at approximately 10% of total sales.

There are elements of uncertainty in some overseas markets, thus global expansion going forward does require caution. Nevertheless, we expect the overall trend of globalization at customer companies to continue. Accordingly, we will further expand our business and reinforce our organizational structure by making maximum use of our expertise related to overseas systems.

[Examples of Global Solutions Business]

Systems construction for overseas offices of major automaker

Recognizing our track record in the development of overseas ERP systems, a major automaker placed an order for the construction of an accounting and purchasing system for their factories in Central and South America. This project has expanded to cover the automaker's other overseas centers.

Systems construction for locally incorporated overseas entities of major bank

In light of our experience developing foreign exchange and other systems overseas, we received an order for the development of a cash management system and account management systems for the bank's locally incorporated overseas entities.

Global Network

Strengthening Cloud Solutions Business

With the rapid growth of the market for cloud services, companies are increasingly using outside services rather than owning systems themselves, leading to a paradigm shift from "IT system ownership" to "IT service usage." SCSK is responding to growing demand for cloud services by strengthening and expanding our data centers, and at the same time proactively developing new businesses that provide services combining SCSK's systems development and BPO-related operational expertise in a format appropriate for the cloud age.

SCSK has a wide network of data centers (netXDC) in both urban and suburban areas in the Kanto and Kansai regions, and these centers serve as the platform for our cloud services. Our data center is in the top tier of the industry in terms of floor space, with roughly 60,000 square meters. To meet increasing demand for disaster recovery and business continuity planning (BCP) going forward, we have decided to build a new data center (tentatively named the Chiba Center 2), and work is progressing toward a target completion date in fiscal 2014. In addition to providing safe, environment-friendly and sophisticated services, this large suburban center will have sufficient capacity to expand further as its operations grow.

In addition to public clouds and private clouds, we offer hybrid cloud services that combine the two formats. Our service lineup focuses on the metered IT infrastructure service and serves "USiZE," a diverse range of needs. Over the medium term, we are aiming for data center and other cloud service-related sales of ¥50 billion, and we are moving forward with sophisticated and highly specialized services that only SCSK can provide.

[Examples of Cloud Solutions Business]

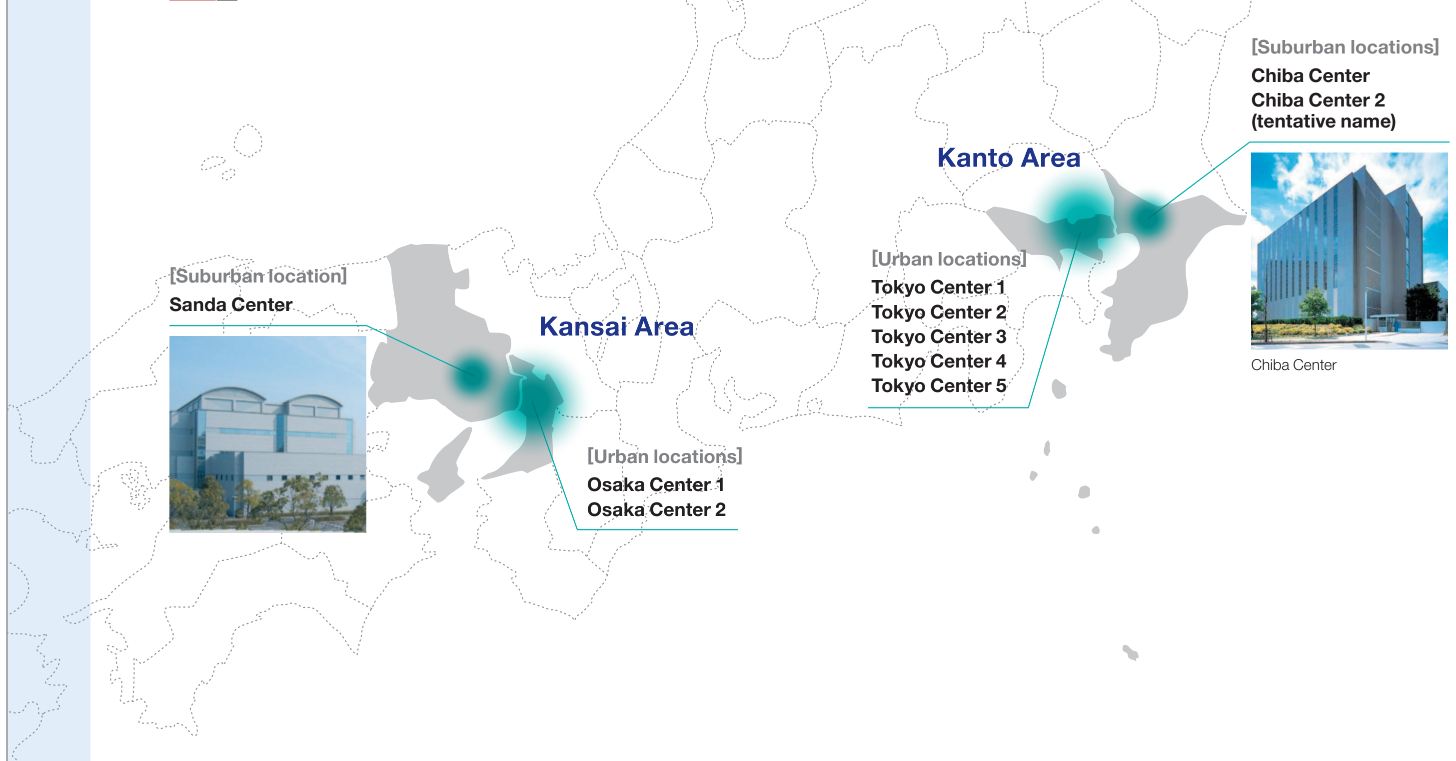
Outsourcing service for major measuring device manufacturer

In addition to using our USiZE metered cloud service, we received a multiyear outsourcing contract for the operation and maintenance of the customer's entire enterprise systems.

Solutions for major non-life insurance group

As part of systems integration for the customer's groupwide reorganization, we provided "PrimeCloud for Developers," a cloud-based software development environment service. We contributed to the smooth operation of the project with our flexible software development environment utilizing our hybrid cloud service and centralized project management environment.

Regional Development of netXDC
(netX data centers)

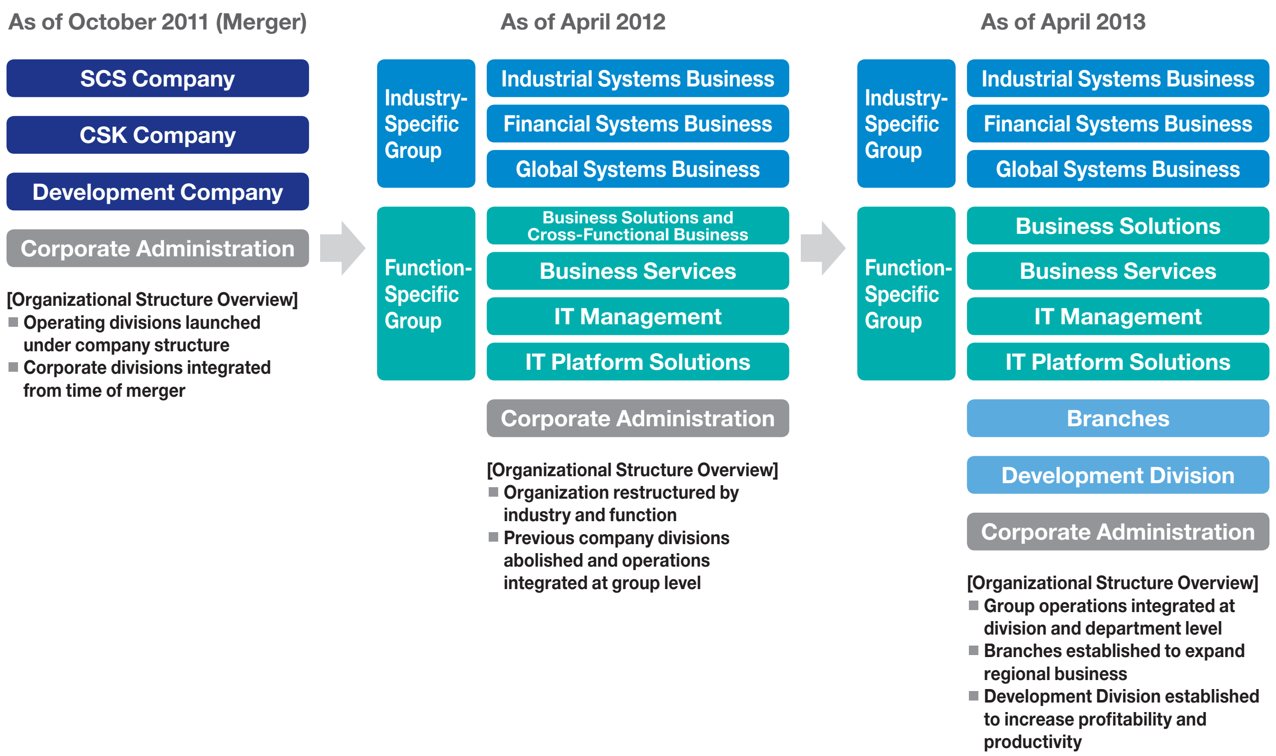


Improving Profitability (Organizational Strength)

Since the October 2011 merger, we have attempted to quickly integrate the two organizations for true fusion to take place. Our first step was to integrate the corporate divisions responsible for head-office functions, which began at the time of the merger.

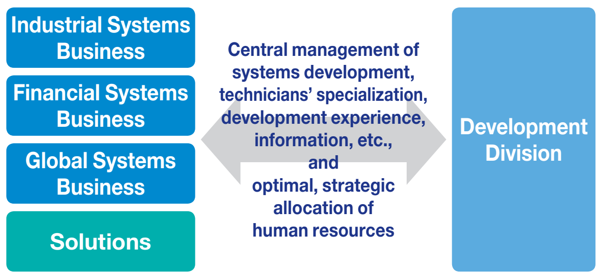
Initially, we had a Company structure that left the two companies' organizations intact, but after six months, effective April 1, 2012, we abolished the existing Company system and shifted to an organizational structure of business groups aligned with industries and functions. Following this, effective April 1, 2013, we implemented the industry- and function-based organizational structure at lower organizational levels, effectively achieving complete fusion in terms of organization.

At the same time, with the aim of increasing the profitability and productivity of the systems development business, we realigned the organization effective April 1, 2013, with the establishment of a cross-organization Development Division for the strategic placement of technicians and branch offices to expand regional businesses.



One of the key features of the April 2013 reorganization was the establishment of a Development Division to centrally manage the specialization, work experience, and accreditation of the technicians carrying out SCSK's systems development, as well as the training and optimal assignment of all systems development technicians. Senior management intends to be directly involved in the Division's management.

Function of Development Division

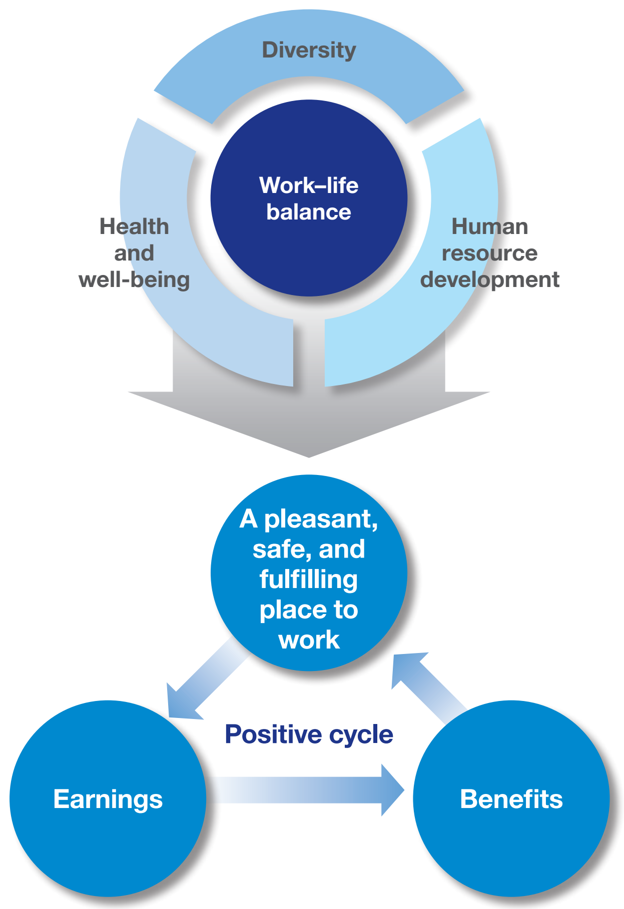


Enhancing Human Resource Capabilities

Since the merger, we have been steadily implementing measures to fully integrate human resources and personnel systems. In April 2012 we integrated the human resource systems related to compensation and personnel evaluation, to establish a system that operates fairly for all employees. In July 2012 we implemented an evaluation and certification system for each specialization. Then in April 2013 we began operating under a new retirement benefit and pension plan, completing a system that integrates all human resource-related functions.

In the meantime, we are also introducing measures to help create "a pleasant, safe, and fulfilling place to work." This is because each individual employee is the source of added value and thus growth of the IT services industry, and having "a pleasant, safe, and fulfilling place to work" contributes to employees' work satisfaction, which in turn will lead to stronger earnings, thereby creating a positive cycle by which all stakeholders including employees benefit. With this in mind, our personnel systems and programs focus on four areas: work–life balance, diversity, health and well-being, and human resource development, and going forward we will strive to lead the industry in this area.

Concept of a "a pleasant, safe, and fulfilling place to work"



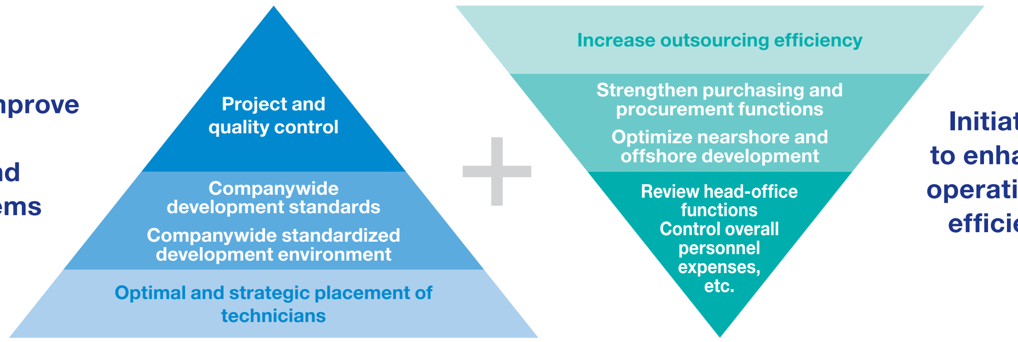
Theme	Details
Work–life balance	System for full employment up to age 65 (career plan for mature employees), Smart Work Challenge 20 program (full use of paid vacations, reduction of overtime), expansion of working from home
Diversity	Proactive promotion of women to managerial positions, expansion of support programs for child care and nursing care
Health and well-being	Anti-smoking measures (strengthening restrictions on smoking during work hours, closing of smoking areas, anti-smoking campaigns)
Human resource development	Training in regular and specialized tasks, global human resource training programs (short-term overseas assignments, language training), increased training for new hires

Improving Productivity and Work Efficiency

To improve the productivity, profitability, and quality of the systems development operations that are SCSK's main business, in addition to the previously mentioned optimal and strategic placement of technicians, we are working to enhance development standards and create a standardized development environment, and further improve project management structures and quality control.

At the same time, we are pursuing several measures to improve operational efficiency and strengthen our management base, by making outsourcing more efficient, strengthening purchasing and procurement functions, optimizing nearshore and offshore development operations, reviewing head-office functions, and introducing new personnel systems to control total personnel expenses.

Initiatives to improve productivity, profitability, and quality in systems development



Initiatives to enhance operational efficiency

Financial Strategy and Returns to Shareholders

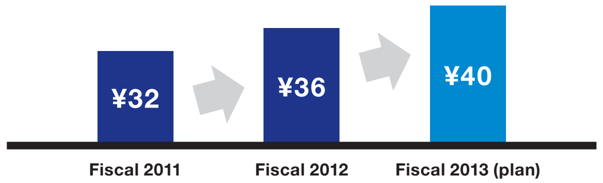
SCSK views the operating income ratio and ROE as important indexes for further strengthening Company management, and we have set medium-term targets at 8%–10% for the operating income ratio and at least 10% for ROE for fiscal 2014.

At the time of the merger in October 2011, we expected to reduce net interest-bearing debt (loans, corporate bonds, and other interest-bearing liabilities minus cash, deposits, and deposits paid) to zero by the end of fiscal 2013, but we achieved this one year early, at the end of fiscal 2012. Going forward, we will maintain this sound financial position and work to make it even stronger.

We aim to pay a stable dividend and increase returns to shareholders in response to stronger consolidated results, after giving due consideration to the Company's financial position, earnings trends, dividend payout ratio, as well as the reserves for future business investment.

For fiscal 2011, the year of the merger, we paid a full-year dividend of ¥32 per share (consisting of an interim dividend and year-end dividend of ¥16 each), and for fiscal 2012, based on the aforementioned policy, we increased the full-year dividend by ¥4, to ¥36 per share (an interim dividend and year-end dividend of ¥18 each). For fiscal 2013, in light of our outlook for future earnings growth, we intend to again increase the full-year dividend by ¥4, to ¥40 per share (an interim dividend and year-end dividend of ¥20 each).

Annual dividend per share



SCSK: Looking to the Future

Corporate Philosophy

Create Our Future of Dreams

We create our future of dreams by establishing value based on our customers' trust.

Code of Conduct

Challenge	Commitment	Communication
Aim higher with future creating passion	Act with integrity and responsibility for our customers and society	Facilitate teamwork with respect and understanding

Pursuing Growth and Expansion

IT services are an essential social infrastructure, and as shown by cloud services and big data, they are an important source of growth and business innovation for our customer companies. On the other hand, over the past few years, the Japanese market for IT services has matured, and the number of IT businesses, both large and small, is said to have grown to more than several thousand, raising concerns over excessive competition and the future of the industry.

With this in mind, during fiscal 2013 we will continue to apply our three key strategies: "Pursue cross-selling," "Expand global solutions business," and "Strengthen the cloud solution business." In particular, we will emphasize dynamic business development, strategic resource allocation, and the creation of services unique to SCSK.

With systems development experience and a customer base covering many industries and spanning 45 years, the SCSK Group possesses a broad range of operational expertise and unique proprietary technologies. We will use these to grow into a business of such size that we can generate a reasonable level of earnings by promoting companywide communication to strengthen cooperation among business groups in the pursuit of increasingly dynamic business development. In addition, we will strategically re-allocate management resources by reviewing our business portfolio and centralizing the management of technicians engaged in systems development. Through these activities, we aim to quickly create new services that embody the SCSK Group's strengths and unique capabilities developed over many years.

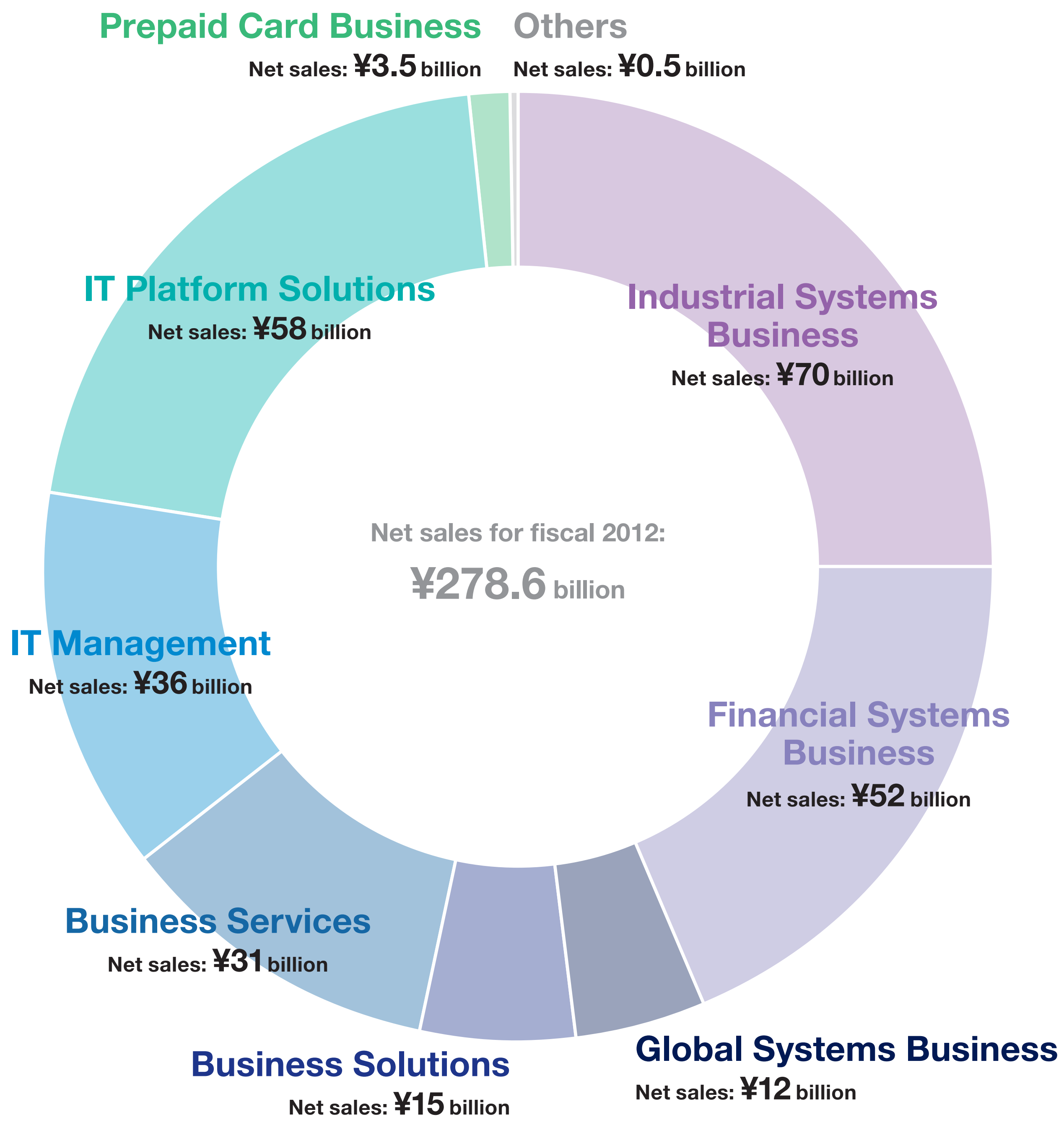
Pursuing a Future of Dreams

At SCSK, we aim to expand our operations and increase earnings going forward, to become a leading company in the IT services industry. We gain a sense of satisfaction and take pride in the work we do, and aim to be a "truly first-class company" that is well-regarded by customers, shareholders, all other stakeholders, and society.

At the time of the October 2011 merger, SCSK formulated a corporate philosophy: "Create Our Future of Dreams," as our everlasting mission. This means that all executives and employees will foster relationships of trust with customers to generate new value in our aim to create a future of dreams together. The definition of a "future of dreams" will differ from individual to individual. However, even if a "future of dreams" takes different forms, everyone will have a shared sense of its pursuit, and we therefore see the "future of dreams" as a universal aspiration shared by all.

We will use new technologies and ideas to contribute to the creation of value in our customers' businesses, as we strive to realize a "future of dreams" for individuals at SCSK, for customers, and for Japan.

The SCSK Group comprises seven business groups, organized by business and function to provide customers with optimal services and reinforce our earnings strength. In addition to these seven business groups, the prepaid card business constitutes an eighth business segment. Business strategies are proposed and implemented, earnings are managed, and management resources are allocated in relation to all eight segments. Businesses not included in these segments are managed as "others." The chart below shows the breakdown of sales by business segment, and more detailed information regarding seven of the business groups is given in the following pages.



Notes: 1. Segment sales shown above are for fiscal 2012, approximated to reflect the organizational changes carried out in fiscal 2013.
2. The prepaid card segment comprises the issuing and settlement operations for prepaid cards, and the development and sales of card systems.

Industrial Systems Business

Hiroaki Kamata
Director,
Senior Managing Executive Officer
General Manager,
Industrial Systems Business Group

Creating new value as an IT value coordinator

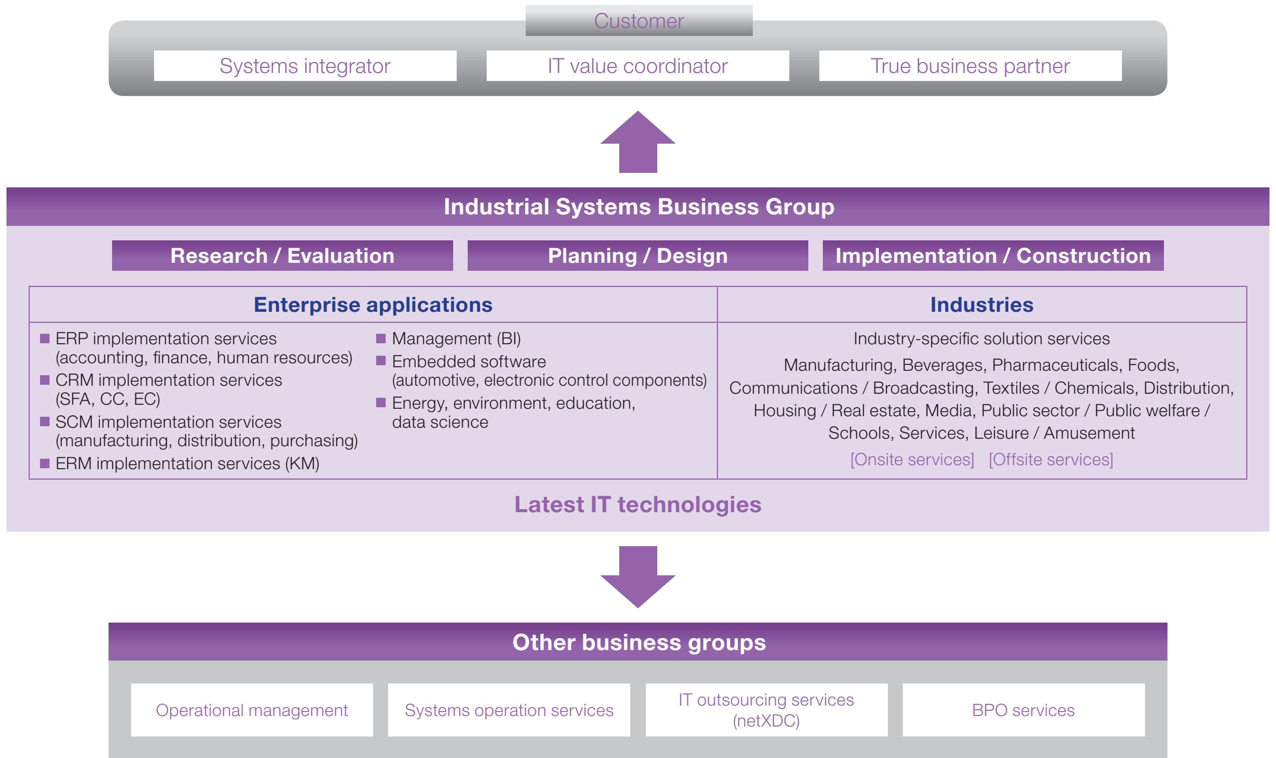
Providing optimal solutions to create new value for customers' businesses

The Industrial Systems Business acts as an "IT value coordinator" to provide customers in the manufacturing, communication, distribution, media, and service industries with a variety of IT solutions based on SCSK's accumulated SI technologies and operational expertise, including enterprise systems, information systems, SCM, CRM, EDI, BI, and EC websites, with the aim of creating new value as our customers' true business partner.

We also meet the needs of customers looking to expand internationally with optimal IT solutions to support their overseas business development.

In addition, as a trading company-affiliated SIer, one of SCSK's greatest sources of business value is our proprietary ERP package "ProActive," which comprises a range of operational systems including sales, purchasing and inventory management, asset management, payroll, and human resource management. With a variety of options for the utilization of its many functions, including standard implementation using pre-set functions, or integrated group system implementation to achieve timely consolidated management, ProActive is popular with customers and one of the best-selling ERP packages.

Total IT service partner offering consulting, development, systems operation, and business operations



Financial Systems Business

Masanori Furunuma
Director,
Senior Managing Executive Officer
General Manager,
Financial Systems Business Group

Reliable IT services supporting strategic IT investment

Backed by reliability in our ability to build sophisticated IT systems for financial institutions, SCSK can be relied on to provide comprehensive support for the realization of business strategies and stable and efficient management of financial institutions.

Financial businesses seek to be able to constantly respond to changes in the market environment and address diversification, sophistication, and globalization. IT is at the core of financial institutions' strategies for timely management.

SCSK works with customers to develop, maintain, and operate systems for financial institutions engaged in banking and trust banking, life and non-life insurance, securities, leasing, and credit. We have gained the confidence of customers over many years, as a professional organization that is highly familiar with financial operations and that possesses sophisticated financial systems development capabilities.

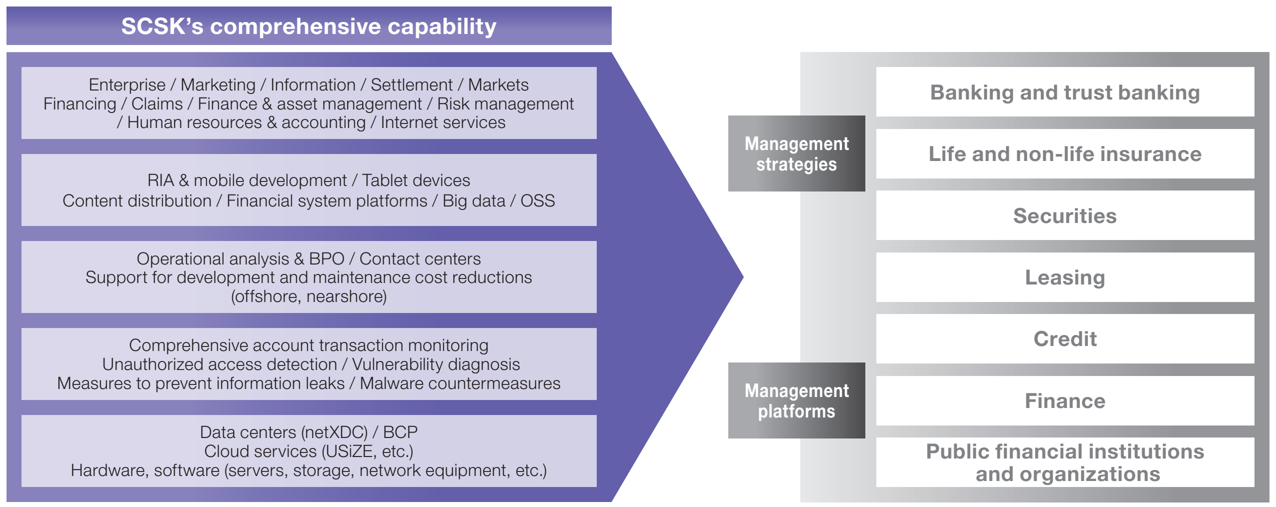
Along with supporting critical systems including online trading, SWIFT, and other financial settlement systems, we provide multichannel systems using smartphones and tablet devices on the front line of financial product sales, to support financial businesses as they evolve along with the transformation to an online society.

We also work with customers to implement BPO services for higher operational efficiency and lower IT costs, and to reduce systems maintenance and operation costs.

In addition, we provide solutions utilizing SCSK data centers and systems to detect unauthorized access, for disaster recovery, BCP, and security measures to help financial institutions to achieve the required safety and security.

As a "best partner" with the ability to propose and implement optional solutions, SCSK helps financial institutions to execute their strategies through IT investment, based on our overall capabilities, by providing IT services and packaged software and hardware that address the latest IT themes and technologies, such as system development, maintenance and operations, packaged software for financial operations, cloud services, IT infrastructure technologies for financial systems, data centers, contact centers, and big data.

Reliable IT services supporting strategic IT investment



Global Systems Business

Satoshi Toriyama
Director,
Managing Executive Officer
General Manager,
Global Systems Business Group

IT services supporting global development

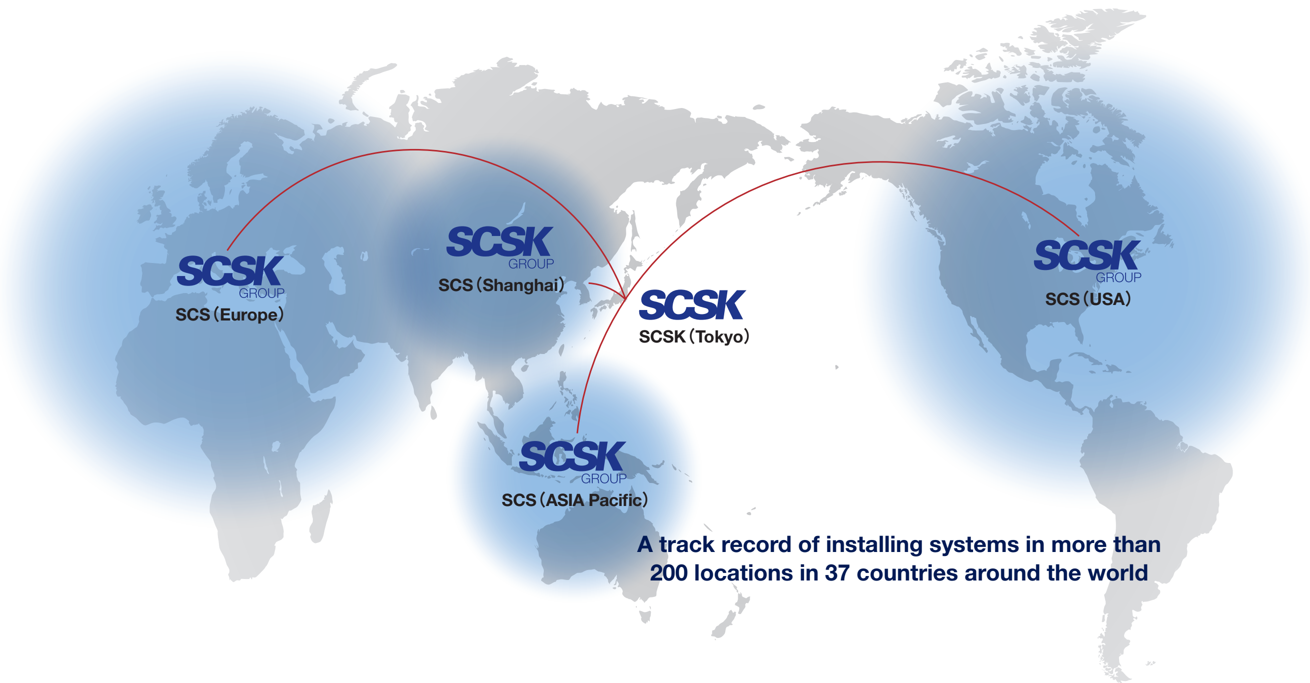
Providing one-stop IT services for rapid global development

With the acceleration of globalization, information technology has become an important platform that supports companies' global consolidated management. In particular, companies operating around the world need to be able to track the status of overseas businesses in real time and instantly create new strategies if they are to succeed in the face of global competition. However, since local entities overseas have different IT systems, depending on their market entry, operational processes differ by local entity in many cases.

The most effective way for a global company to reduce its IT operations burden and total cost of ownership (TCO) is to create and roll out a common template across countries. SCSK offers globally compatible enterprise resource planning solutions (ERP—comprehensive backbone operations systems) to companies including Sumitomo Corporation, and to date we have installed and developed IT systems in more than 200 locations in 37 countries. In addition to IT systems, we support Japanese companies' overseas development by providing all of their required IT services as a single package, encompassing on a globally standardized basis the construction of IT platforms in the areas of networks and infrastructure.

SCSK boasts a global network, with major bases in the United States (New York), Europe (London), Asia (Singapore), and China (Shanghai), as well as Japan. With a global support structure organized around these five bases, we provide swift, accurately tailored services.

SCSK's a global network offers complete worldwide coverage



Business Solutions

Masahiko Suzuki
Director,
Senior Managing Executive Officer
General Manager,
Business Solutions Group

Delivering IT services in an optimal configuration

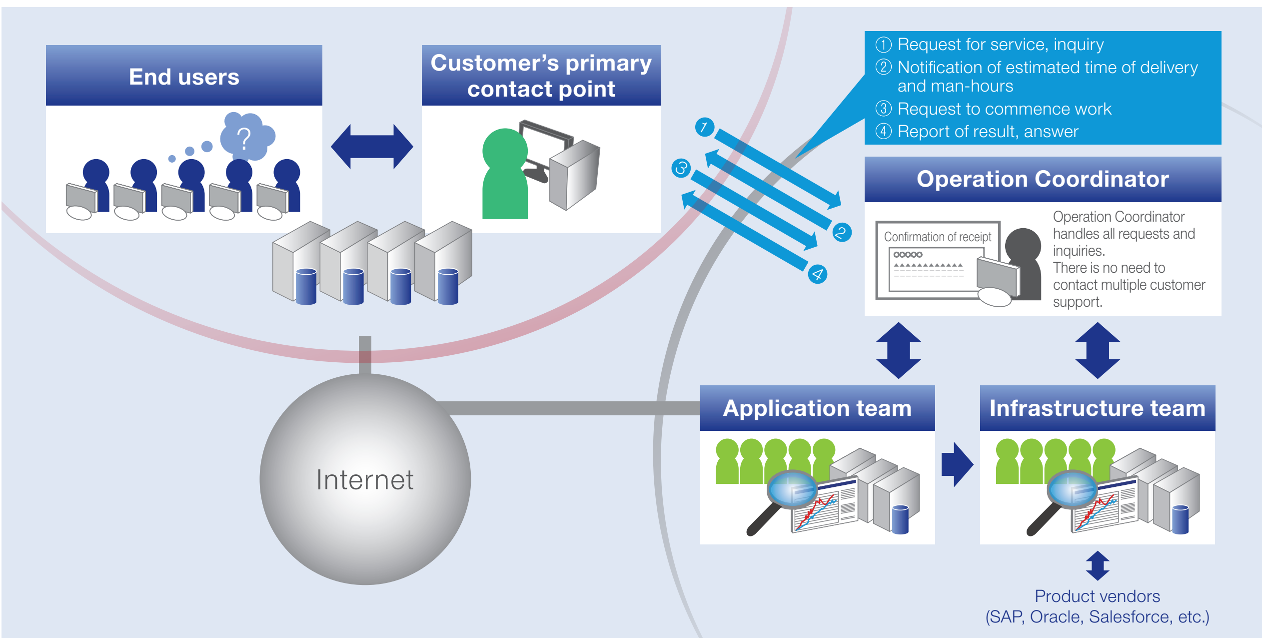
Providing a full lineup of IT services to meet customers' business objectives

Business Solutions offers a variety of products and services including ERP solutions such as SAP and Oracle, the Salesforce CRM system, and maintenance and operation outsourcing services. In particular, by working with other business groups that focus on specific industries, we are able to provide customers with an even wider range of services. For example, although other companies offer ERP and CRM solutions, SCSK provides global one-stop services from development to operation, putting importance on ease of use, that other companies cannot match. One of these areas is our SAP business. Customers who purchased SAP license certain amount can use the infrastructure and basic operation service for three years with no additional costs.

We have also developed a new Application Management Outsourcing (AMO) service that enables customers to reduce the amount of costs and time spent on application management and operation. With this service, we provide the maintenance operations normally performed by the customer, via a network and only for the amount of time required, thereby significantly reducing expenses for maintenance and operation that account for as much as 70%-80% of the total IT budget. In addition to a wide-ranging menu that provides secure system operation including the maintenance service for the systems that are built by other companies, we provide solutions tailored to the customer's business by working with other business groups and IT vendors.

AMO service overview

Providing one-stop service covering comprehensive processes for problem resolution, as a general contact point for customers



Business Services

Takahiro Ichino
Director,
Managing Executive Officer
General Manager,
Business Services Group

BPO services as an IT company

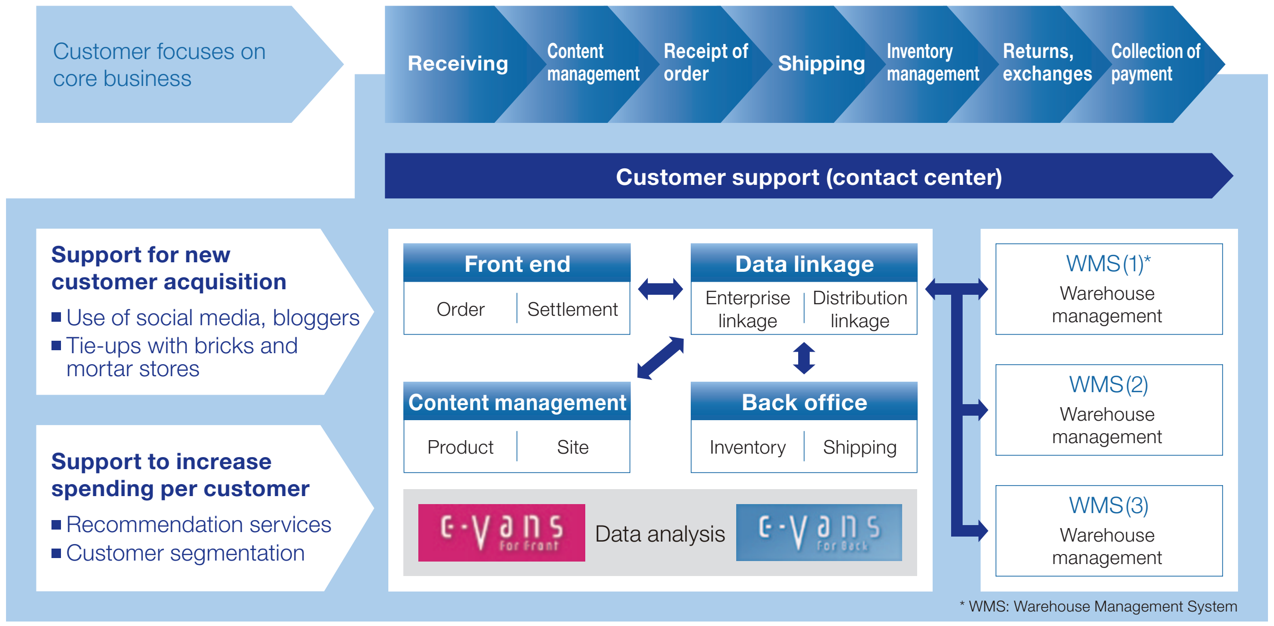
Using solutions that combine human operations and IT to achieve service quality and efficiency that exceed customers' expectations

Utilizing our abundant operational expertise in BPO, we provide various operations including technical support, help desk services, telemarketing, and data input via our 14 call centers and contact centers in Japan and overseas. In addition, based on our long track record and systematized verification theory, we provide third-party system verification services for IT-related products (hardware and software), security verification for network systems, and enterprise application verification. With the recent rapid growth of e-commerce, we also provide support for EC system construction and implementation, and fulfillment service—a total outsourcing service for e-commerce that includes back office operations and logistics via our customer service and logistics centers in Tokyo and Yokohama.

Business Services provides solutions that combine human operations and IT, as BPO services that only an IT company can deliver. In particular, as corporate needs for the outsourcing of operational processing for core businesses has grown in recent years, we go beyond simple operations and data input to providing services for operational process rebuilding and business process re-engineering (BPR), with an eye toward system renewal, through making optimal use of IT. By effectively utilizing the systems and implementing new systems with the human operated services, we are able to achieve service quality and efficiency that exceeds customers' expectations.

BPO must be created together with customers based on their operations. We review operations together with the customer in the pursuit of higher quality and more efficient services.

Example of BPO service in e-commerce: Total EC outsourcing service



IT Management

Tooru Tanihara
Director,
Senior Managing Executive Officer
General Manager,
IT Management Group

Creating value for customers through IT management

Providing IT management services that resolve customers' issues regarding management risks and optimize IT investment

Corporate management is constantly seeking business growth, continuity, and soundness. SCSK's IT management services aim to resolve issues and create value for customers through the utilization of IT. To achieve this, the IT Management operates based on two service concepts.

The first concept is "proof" of stable IT services. Utilizing our expertise and experience developed over more than 40 years, combined with ongoing improvements, we offer proof by continuously providing stable operation services.

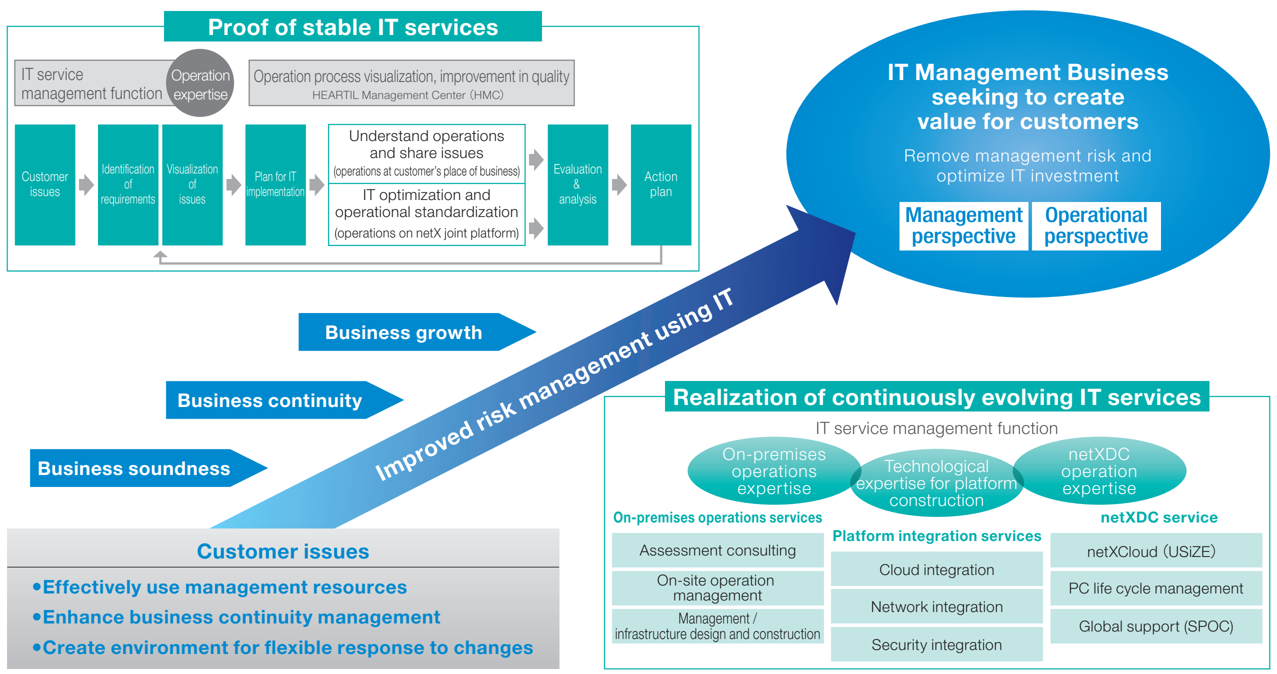
The second is "realization" of continuously evolving IT services. SCSK provides IT management services in three main areas:

1. Platform integration services, focusing on IT infrastructure construction
2. On-premises operation services, provided on an ongoing basis at the customer's place of business
3. netXDC service, primarily through our data centers

With a full service menu of abundant solutions and expertise, and highly experienced human resources in each of these areas, we are able to meet the needs of customers with our wide-ranging, sophisticated services. In addition, through combinations and the effective utilization of these services, our business is continuously evolving by creating novel and unique services.

IT Management pursues these service concepts through cooperation with customers to create value by removing management risk and optimizing IT investment.

IT management service concept



IT Platform Solutions

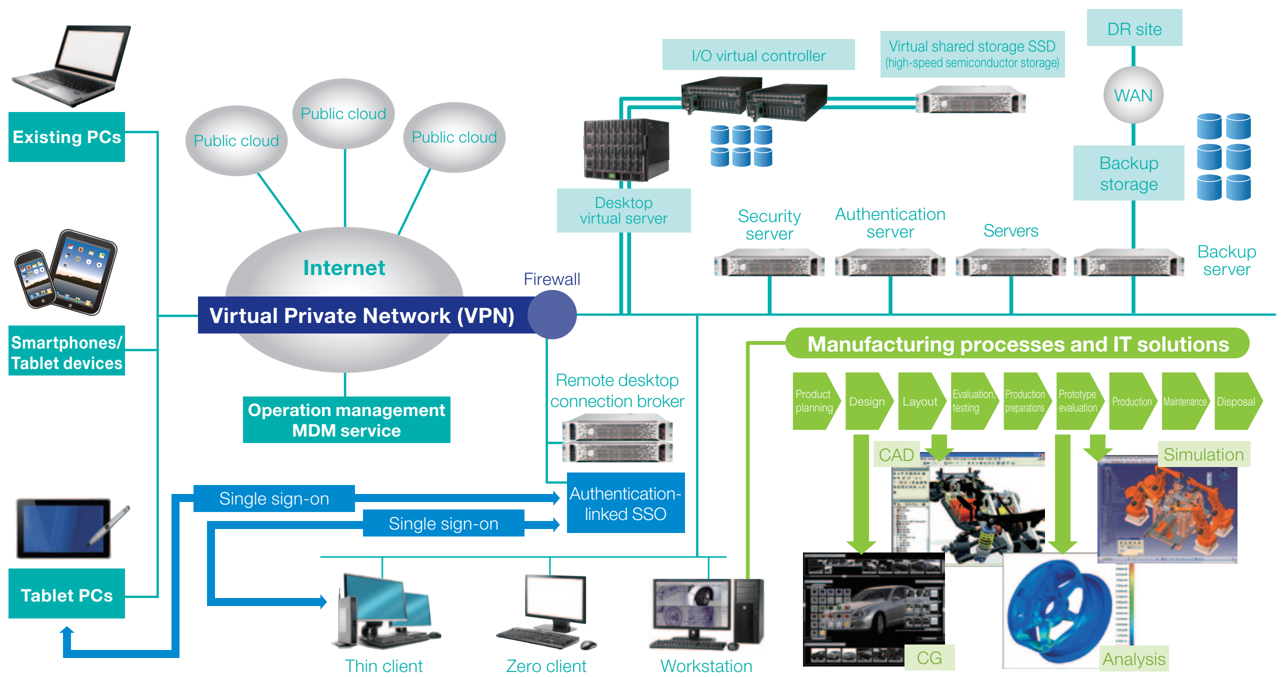
Shigeo Kurimoto
Director,
Senior Managing Executive Officer
General Manager,
IT Platform Solutions Group

Opening the door to new businesses with IT infrastructure

Supporting the creation of new businesses with value-added IT infrastructure services

As we are seeing with tablet devices, the range of businesses being supported by IT is expanding due to the commoditization of IT products. New businesses, created based on IT, enhance companies' competitiveness. At the same time, new issues are arising. For example, the concept of Bring Your Own Device (BYOD) introduces convenience, but also raises concerns of information leaks and virus infections. IT Platform Solutions has been providing products and services for IT infrastructure for many years. In particular, SCSK has accumulated the expertise to bring out the desired functionality through optimal combinations of products, including new and commoditized ones, in every circumstance. One example of this is our fine-tuning expertise to achieve optimal functionality through combinations of products. In the fields of fluid analysis and structural analysis, for example, High-Performance Computing (HPC), combining multiple servers to achieve the equivalent functionality of a supercomputer, is receiving attention. In the area of storages, we provide products and services that surpass the functionality of a single product by a combination of products. Hybrid storage, which combines conventional storage with the flash memory used in mobile phones, is one such example. Going forward, we will create an environment in which customers can use IT infrastructure with an even greater sense of safety, including by enhancing security service levels, with the idea of opening our own security watching center.

Overview of a system that can be built with IT products and professional services



CSR Activities

Resolving issues facing society to **"Create Our Future of Dreams"**

SCSK engages in IT services that support people in working together with a broad range of stakeholders to resolve the various issues facing our society. We also promote CSR activities under ISO26000, an international standard for social responsibility.

CSR is part of our business —using IT to resolve society's issues

PrimeEco® Energy Management System

We have developed the PrimeEco energy management system to make efficient use of natural energy. Prime Eco uses information technology for integrated management of natural energy and storage batteries to (1) conserve electricity (use energy more efficiently), (2) build stand-alone electric power structures for emergencies, and (3) reduce CO_2 emissions.

This is one of the ways in which SCSK contributes to the resolution of issues facing different communities through our main business of information technology.

An employee-friendly company

The individual characteristics and values of employees are what constitute the strength of an organization, and SCSK proactively promotes diversity at work through support for women's participation and employment for persons with disabilities* to create a workplace that makes maximum use of each employee's skills. In addition, all employees participate in the Committee for Creating an Employee-Friendly Workplace to promote active communication among employees and enrich public welfare.

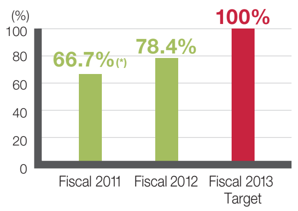
We also put emphasis on a healthy work–life balance by encouraging employees to fully use their paid vacations and by reducing overtime.

*Employment for persons with disabilities occurs via SCSK's special subsidiary Tokyo Green Systems Corporation.

Tokyo Green Systems store at SCSK Tama Center

Go Home Early as Part of Family Day (office visit)

Percentage of Paid Vacation Days Taken



*Adjusted for differences between number of paid vacation days at the two companies prior to the merger.

Support for reconstruction after the Great East Japan Earthquake

We consider the recovery and reconstruction following the earthquake and tsunami to be an issue for Japanese society that transcends corporate and organizational entities. Under the motto "Starting with Tohoku, we will create a future of dreams together," we are working on front-line activities that make regular use of our core businesses and SCSK's resources.

Environmental activities

To accurately address global environmental issues and reduce the environmental impact of our business activities, SCSK participates in the Sumitomo Corporation Group's multiple-site system certified under the ISO14001 certification for environmental management systems. We are engaged in environmental protection activities to preserve our office environment, expand our environmental businesses, strictly comply with environmental laws and regulations, and elevate awareness of environmental protection.

Social contribution activities

CAMP (Children's Art Museum & Park)

CAMP workshops foster creativity in interactive settings, through imaginative activities, group work, and project presentations. Since its launch in 2001, CAMP has developed and held a variety of workshops to develop children's creativity and communications skills, and expanded the program nationwide. We view respect for humanity and the nurturing of human resources as an important responsibility of a corporate citizen, and CAMP activities proactively fulfill that responsibility by teaching the young, who are our future leaders.

Earth One

Earth One is a voluntary club for employees interested in social contribution activities. It carries out a range of employee-initiated activities including events, volunteering, and the collection of donations. SCSK supports these activities through a system of matching gifts* and paid holidays for those attending volunteering activities.

* Matching gifts are a system whereby donations made by Earth One to external organizations are matched by donations of the same amount by SCSK.

©Special Olympics Nippon

Supporting United Nations Global Compact

SCSK participates in the UN Global Compact. We support and implement the Compact's Ten Principles concerning human rights, labor, the environment, and Anti-Corruption, to provide the services required for the achievement of a sustainable society.

United Nations Global Compact

The UN Global Compact involves voluntary participation in a global framework that supports an organization to act as a good citizen and achieve sustainable growth by fulfilling corporate responsibility through creative leadership.

WE SUPPORT

ISO26000 core subjects and SCSK's CSR activities

SCSK is engaged in the following activities with regard to the Core Subjects designated by ISO26000, an international standard for social responsibility.

ISO26000 Core Subject	SCSK's Main Activities
Organizational governance	▪Strengthening corporate governance ▪Establishing a system of internal controls ▪Strengthening risk management ▪Disclosing information to stakeholders
Human rights	▪Supporting the UN Global Compact ▪Respecting human rights and prohibiting discrimination
Labor practices	▪Promoting human resource development ▪Promoting diversity ▪Supporting persons with disabilities ▪Addressing work–life balance ▪Promoting worker health and safety
The environment	▪Promoting environmental management ▪Obtaining ISO14001 certification ▪Promoting environmental targets and indexes ▪Expanding environmental businesses ▪Reducing data centers' environmental footprint
Fair operating practices	▪Promoting compliance ▪Thoroughly implementing fair trading practices ▪Strengthening information security
Consumer issues	▪Promoting product and service quality management ▪Working to raise customer satisfaction ▪Thoroughly protecting personal information
Community involvement and development	▪Promoting social contribution activities ▪Developing next-generation human resources ▪Cooperating with local communities and globally ▪Protecting the global environment

ISO26000

ISO26000 was developed by the International Organization for Standardization (ISO) through consensus among diverse stakeholders, as a set of comprehensive guidelines related to social responsibility for sustainable development. The standard designates seven Core Subjects as themes that apply to all types of organizations.

More information regarding SCSK's CSR activities is available on our corporate website.

http://www.scsk.jp/corp_en/csr/index.html

Corporate Governance

Basic Policy

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

Structure and Main Committees

SCSK's corporate governance structure is organized around the General Meetings of Shareholders as the ultimate decision-making body, and a Board of Directors, a Board of Auditors, and an Independent Auditor.

The Board of Directors has 16 members, three of whom are outside directors. In principle, the Board of Directors meets monthly to decide on important management issues and supervise operational execution. To maintain and enhance the supervisory function of the Board of Directors, the Company continuously appoints outside directors who have no conflicts of interest with general shareholders.

To clarify their management responsibilities in each business year, directors serve a term of one year. In addition, 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 Auditors has five members, four of whom are outside corporate auditors, who receive reports, deliberate on and make decisions regarding important audit-related matters. In accordance with the audit policy set by the Board of Auditors, corporate auditors attend meetings of the Board of Directors, the Management Committee, and other important meetings, and request business reports from directors and executive officers.

A Management Committee, comprising directors, executive officers, and corporate auditors, has been set up to facilitate operational execution by advising the Chairman & CEO and President & COO with regard to important management matters.

Audit and Oversight Structure

SCSK employs a corporate auditor structure for audits and oversight, primarily through oversight of the Board of Directors' operational execution and audits carried out by the Board of Auditors.

Corporate auditors receive reports from the Internal Auditing Department and review documents related to important decisions, as well as 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 understand the independent auditor's activities and to exchange information. 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 the corporate auditors' activities.

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

Internal Controls

A Basic Policy on Internal Controls has been formulated to ensure that directors' operational execution and other operations are carried out in conformity with relevant laws and regulations. This Policy is constantly reviewed to confirm the effective functioning of internal control systems and address changes in the operating environment, in order to maintain a structure that meets the needs of the times.

Risk Management

SCSK has drawn up a Risk Management Policy to manage the risks inherent in our business activities. We continue to be engaged in risk management, to maintain and enhance our credibility as a corporation and to minimize losses and maintain stable business results when risk events do occur.

The Policy classifies risk into four categories: (1) strategic risk, including market, business opportunity, and investment risk; (2) operational risk, including litigation, environmental, and labor affairs risk; (3) financial risk, including inventory and foreign exchange risk; and (4) hazard risk, including natural disaster, information system, and accident/malfunction risk. Each type of risk is considered in terms of its potential impact on business activities, and the appropriate department is assigned to manage the risk. Guidelines have also been set down with respect to acceptable levels for each type of risk, as well as measures to avoid, mitigate, and contain risks. These guidelines are reviewed by the Board of Directors as necessary, to address changes in the operating environment.

Timely Disclosure of Corporate Information Structure for Timely Disclosure

SCSK recognizes that a high level of management transparency is an important component of corporate governance, and we have therefore established the following structure for the disclosure of corporate information. Through this system we ensure that information is disclosed in a timely, appropriate, and impartial manner.

1. Legal, General Affairs, Corporate Communications & IR Group, Finance & Risk Management Group, Accounting Group, Corporate Planning Group, and Human Resources Group carry out the appropriate collection of information that is subject to disclosure, screen items, and prepare drafts for disclosure.
2. Upon receiving authorization of the Chairman & CEO and President & COO, the persons responsible for handling information, i.e., for supervising the management and disclosure of information, confirm the content and determine whether disclosure is required.
3. The approval of the Board of Directors is obtained as needed, and the persons responsible for handling information disclose the corporate information.

Board of Directors, Corporate Auditors

(As of June 26, 2013)

Directors and Corporate Auditors

Chairman & CEO* Nobuhide Nakaido

President & COO* Yoshio Osawa

Director	Hiroaki Kamata	Director	Shigeo Kurimoto	Director	Masahiko Suzuki	Director*	Hisakazu Suzuki
Director	Masanori Furunuma	Director*	Tatsuyasu Kumazaki	Director	Tooru Tanihara	Director	Satoshi Toriyama
Director	Takahiro Ichino	Director	Tetsuya Fukunaga	Director	Hiroyuki Yamazaki		
Outside Director	Tatsujiro Naito	Outside Director	Naoaki Mashimo	Outside Director	Iwao Fuchigami		

*Representative Director

Outside Standing Auditor	Yoshiharu Takano	Outside Corporate Auditor	Akihiko Harima	Corporate Auditor	Yasuaki Matsuda
Outside Corporate Auditor	Hideo Ogawa	Outside Corporate Auditor	Shigeki Yasunami		

Compliance

Basic Policy

At SCSK, compliance means having a strong sense of ethics, in terms of both legal and regulatory compliance and adherence to social norms. The most important principle for employees to apply is honesty and proper conduct, as a member of the Company and of society, based on the Company's Corporate Philosophy and Code of Conduct. Our aim is for each employee to be responsible for his or her own actions, and to fulfill our social responsibility as an organization.

Structure/System

Building on our Basic Compliance Policy, we have drawn up the Code of Compliance and the SCSK Compliance Manual, as guidelines on a range of issues including the organizational structure for compliance activities, education and awareness programs, a Compliance Committee, and a system for internal reporting.

We have set up a Compliance Committee as a structure for implementing compliance. The Committee's responsibilities include determining and revising Companywide compliance policies, supporting and managing the compliance structure, coordinating with related departments, confirming implementation, and sharing information.

Internal Reporting System

SCSK has created an internal reporting system for the prevention and early resolution of compliance infractions. This system provides an alternative when it is difficult for an employee to report a compliance-related problem through their organizational reporting line—for example, when a superior is involved in a compliance infraction—by allowing employees who sense a problem to report the issue directly to the Compliance Committee, a designated attorney, and/or a corporate auditor.

This system is strictly confidential and maintains the privacy of the person making the report and other parties involved, as well as the confidentiality of the matter reported, while also ensuring there will be no repercussions for the person making the report. Appropriate action is taken when the information received requires a response, and the results of that action is communicated as feedback to the person who made the original report.

Promoting Education and Awareness

Based on the belief that compliance is each employee's responsibility, regular compliance training programs are held for employees. In addition, the SCSK Compliance Manual contains detailed information explaining particularly important laws and regulations, and is available on our Company intranet so that employees can refer to it at any time, so as to always carry out their duties in compliance with the Company's Corporate Philosophy and Code of Conduct.

Financial Section

CONTENTS

Financial Highlights

SCSK Corporation: Financial Indicators

(millions of yen)

■ Income Statements	2009/3	2010/3	2011/3	2012/3 (Note 1)	2013/3
Net sales	134,264	127,317	132,840	200,327	278,634
System Development	49,182	43,377	45,964	73,812	112,316
System maintenance and operation/ Services	35,702	36,084	37,286	68,296	104,284
Packaged Software/ Hardware Sales	49,379	47,857	49,589	56,496	58,731
Prepaid Card business	—	—	—	1,723	3,302
Gross profit	32,155	29,176	29,048	46,370	64,467
Gross profit margin (%)	23.9	22.9	21.9	23.1	23.1
SG&A expenses	23,127	22,752	21,972	33,490	43,663
Operating income	9,028	6,424	7,076	12,880	20,804
Operating income margin (%)	6.7	5.0	5.3	6.4	7.5
Net income	3,962	3,242	3,803	25,669	16,730

■ Cash Flows

(millions of yen)

Cash flows from operating activities	7,667	6,688	7,080	22,249	25,156
Cash flows from investing activities	(9,348)	(6,786)	(4,815)	(8,112)	(249)
Free cash flows (Note 2)	(1,681)	(98)	2,266	14,137	24,907
Cash flows from financing activities	(4,348)	(3,005)	(2,426)	(7,966)	(5,512)
Cash and cash equivalents at end of period	29,267	26,203	25,892	63,662	83,248

■ Financial Postion

(millions of yen)

Total assets	114,211	117,545	121,285	300,929	322,829
Net assets	89,946	92,683	94,569	124,420	108,209
Equity capital (Note 3)	89,634	92,314	94,161	119,190	102,800
Interest-bearing debt + Preferred shares (Note 4)	422	0	0	84,860	84,860

■ Per Share Data

(yen)

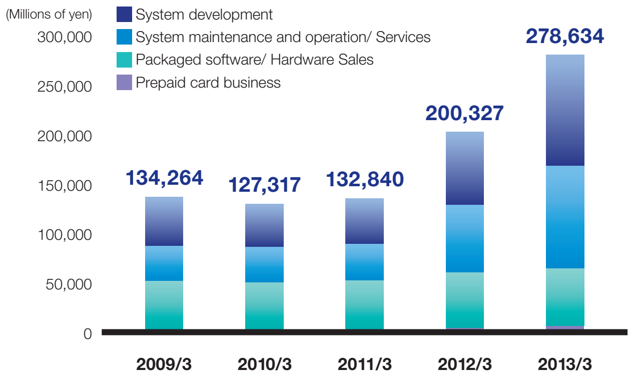
BPS	1,794.31	1,847.95	1,884.78	860.37	991.48
EPS	78.10	64.90	76.13	334.19	161.39

Financial Highlights

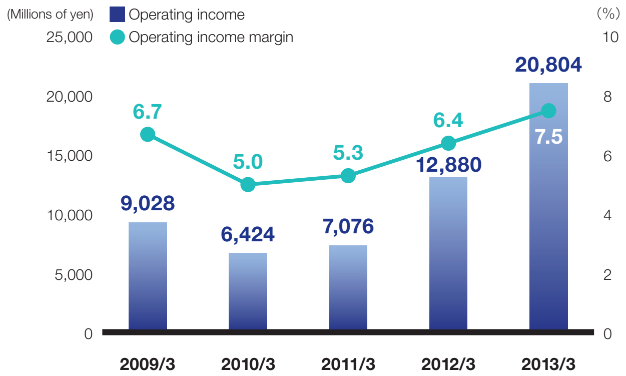
■ Major Indicators	2009/3	2010/3	2011/3	2012/3 (Note 1)	2013/3
ROE (%)	4.4	3.6	4.1	24.1	15.1
ROA (%)	8.2	6.2	6.1	7.9	7.1
Equity ratio (%)	78.5	78.5	77.6	39.6	31.8
Debt /Equity ratio (times)	0.00	0.00	0.00	0.46	0.83
Number of employees	3,415	3,480	3,517	11,995	11,797
Capital expenditures (millions of yen)	3,737	4,627	7,121	7,955	10,219
Depreciation (millions of yen)	2,832	3,571	3,811	5,380	6,690
R&D (millions of yen)	1,231	976	432	417	566
Stock prices (yen)	1,134	1,356	1,161	1,312	1,835

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
3 Equity capital = Shareholders' equity + total accumulated other comprehensive income
4 The figure as of March 31, 2012 includes ¥30.0 billion of preferred stocks assumed by the Company in fiscal 2011 as a result of the merger with CSK CORPORATION. All of these preferred stocks were acquired from the financial institutions holding the shares on May 31, 2012, and based on a resolution passed at the Ordinary General Meeting of Shareholders held on June 27, 2012, all of these preferred stocks were cancelled the same day, June 27, 2012.

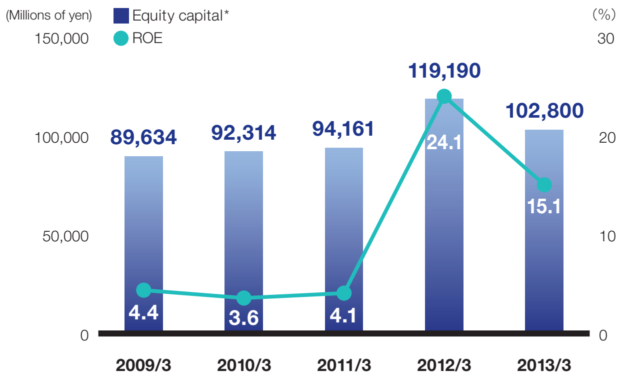
■ Net sales



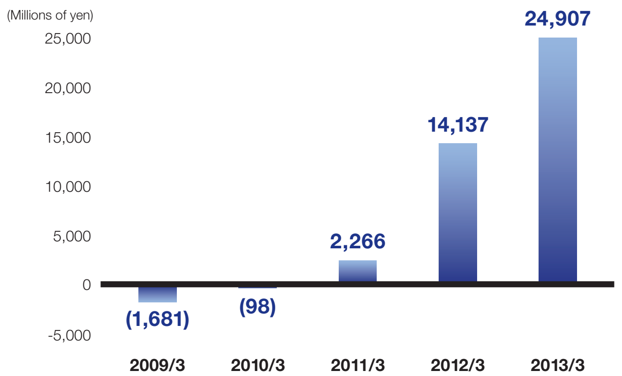
■ Operating income / Operating income margin



■ Equity capital* / ROE



■ Free cash flows



* Equity capital = Shareholders' equity + total accumulated other comprehensive income

Management's Discussion and Analysis

I. Overview of Results

1. Economic and Industry Trends

In the period under review, the Japanese economy was somewhat weak against a background of restrained corporate investment, affected by uncertainty in Sino-Japanese relations and the European economy. However, since the end of the 2012 calendar year the new government has begun implementing various economic and financial policies and introduced a large supplementary budget and inflation targets. This has led to improved economic sentiment, with a correction of the yen's appreciation in foreign exchange markets and a sharp rise in the stock market. At present, as public investment is being supported by various economic policies, and as the corporate outlook and individual consumer perceptions are being improved, it appears that individual consumption and housing investment are recovering, with the Japanese economy bottoming out and transitioning to a mild growth.

The business environment surrounding our Group has improved accordingly, supported by stronger IT investment by corporate customers who had restrained or postponed spending in recent years.

Notable demand for strategic IT investment is being seen in a number of areas, with the manufacturing and distribution sectors taking measures to strengthen production and sales and globalize activities, the telecommunications industry enhancing systems for smartphone-related business, and strong demand in the financial industry for IT investment relating to business mergers and integration, particularly from banking and insurance industry customers.

Additionally, demand has grown for cloud-type IT services to further increase work efficiency and production, while data centers' needs for business continuity planning and disaster recovery, spurred by the Great East Japan Earthquake of two years ago, are continuing to increase.

2. Consolidated Results

■ Net sales

Net sales increased 39.1% from the previous fiscal year, to ¥278,634 million, reflecting solid demand, mainly for systems development, from distribution, telecommunications, and financial industry customers, as well as expansion of the business from the merger on October 1, 2011.

■ Operating income

In addition to the increase in net sales, successful Companywide efforts to improve operational efficiency and reduce SG&A expenses and other costs resulted in a 61.5% increase in operating income, to ¥20,804 million.

■ Non-operating income (expenses)

Gains on investments in partnership declined by ¥3,226 million. In addition, ¥2,723 million in losses on valuation of investment securities was recorded, as well as ¥2,363 million for loss on integration to retirement pension plans and ¥847 million for personnel expenses arising from changes in human resource policy.

■ Income before income taxes and minority interests

Income before income taxes and minority interests increased 333.7% from the previous fiscal year, to ¥16,317 million.

■ Income taxes

With the additional recording of deferred tax assets from the amount of losses carried forward at CSK Corporation, income taxes were negative in the amount of ¥693 million. As a result, the ratio of income taxes to net income before income taxes (the tax rate) was -4.2%.

■ Minority interests

Minority interests totaled ¥280 million.

■ Net income

In the absence of the previous fiscal year's deferred tax assets recorded in connection with the merger, net income declined 34.8% from the previous fiscal year, to ¥16,730 million. Net income per share was ¥161.39, marking a ¥172.80 decrease from the previous fiscal year's ¥334.19.

Management's Discussion and Analysis

II. Overview of Results by Reportable Segment

Business results by reportable segment were as follows. In accordance with changes in the method of segmentation implemented from the fiscal year under review, results for the previous fiscal year have been restated to enable comparison.

	Previous Fiscal Year (April 1, 2011 – March 31, 2012)		Fiscal Year Under Review (April 1, 2012 – March 31, 2013)		Change from Previous Fiscal Year	
	Amount (millions of yen)	Percent of Total (%)	Amount (millions of yen)	Percent of Total (%)	Amount (millions of yen)	(%)
Industrial Systems business	47,726	23.8	65,834	23.6	18,107	37.9
Financial Systems business	31,516	15.7	51,855	18.6	20,339	64.5
Global Systems business	12,142	6.1	12,809	4.6	667	5.5
Business Solutions and Cross-Functional business	10,026	5.0	16,468	5.9	6,441	64.2
Business Services	15,592	7.8	31,208	11.2	15,616	100.2
IT Management	25,120	12.5	38,391	13.8	13,270	52.8
IT Platform Solutions	55,759	27.8	58,028	20.8	2,269	4.1
Prepaid Card business	1,723	0.9	3,302	1.2	1,579	91.7
Others	722	0.4	739	0.3	15	2.2
Total	200,327	100.0	278,634	100.0	78,307	39.1

(Notes) 1 Net sales by segment is based on sales to external customers.
2 As the Company underwent a merger on October 1, 2011, the results for the previous fiscal year do not include the first half results of CSK CORPORATION ("CSK"), one of the merging entities, before the day of the merger. Therefore, comparison of results for segments for the fiscal year under review with the previous fiscal year include the effects of the business expansion from the merger, except for Global Systems business which was unaffected by the merger.

Industrial Systems business

System development orders for customers in the distribution, telecommunications and service sectors were firm with a number of large orders. Net sales were ¥65,834 million and segment income was ¥5,073 million.

Financial Systems business

System development orders in the banking sector were firm with net sales of ¥51,855 million and segment income of ¥4,731 million.

Global Systems business

Global System related sales were firm with net sales of ¥12,809 million and segment income of ¥2,040 million.

Business Solutions and Cross-Functional business

ERP related system development aimed at the manufacturing, telecommunications and service industries trended favorably, with net sales of ¥16,468 million and segment income of ¥1,322 million.

Business Services

BPO business was firm, with manufacturing business related contact center sales and EC fulfillment sales leading to net sales of ¥31,208 million and segment income of ¥996 million.

IT Management

Business was firm on cloud data center business for the manufacturing and distribution industries, with net sales of ¥38,391 million and segment income of ¥3,144 million.

IT Platform Solutions

usiness was firm on sales of network, CAD and security products, with net sales of ¥58,028 million and segment income of ¥3,617 million.

Prepaid Card business

Business related to the issuing and settlement of prepaid cards was firm, with net sales of ¥3,302 million and segment income of ¥572 million.

Others

Net sales were mainly ¥739 million on facility maintenance and lease income. Segment income was ¥245 million.

III. Net Sales by Segment

Net sales in the service-type classifications of System Development, System maintenance and operation/Services, Packaged Software/Hardware Sales and Prepaid Card Business were as follows.

In accordance with changes in classification and method of segmentation in figures for the fiscal year under review, figures for the previous fiscal year have been restated to enable comparison.

	Previous Fiscal Year (April 1, 2011 – March 31, 2012)		Fiscal Year Under Review (April 1, 2012 – March 31, 2013)		Change from Previous Fiscal Year	
	Amount (millions of yen)	Percent of Total (%)	Amount (millions of yen)	Percent of Total (%)	Amount (millions of yen)	(%)
System Development	73,812	36.8	112,316	40.3	38,504	52.2
System maintenance and operation/Services	68,296	34.1	104,284	37.4	35,988	52.7
Packaged Software/Hardware Sales	56,496	28.2	58,731	21.1	2,235	4.0
Prepaid Card	1,723	0.9	3,302	1.2	1,579	91.7
Total	200,327	100.0	278,634	100.0	78,307	39.1

In System Development, due to the strategic development of various types of application software to support customers' initiatives to strengthen their business, along with a favorable change in development work in the production management, Sales management, CRM and Global systems, net sales reached ¥112,316 million.

In System maintenance and operation/Services, by reflecting needs for various cloud data center service in addition to various outsourcing service, net sales reached ¥104,284 million.

In Packaged Software/Hardware Sales, as large-scale orders from educational and research facilities declined compared to the previous fiscal year, sales did not increase as much as in other sales segments and net sales were ¥58,731 million.

In the Prepaid Card, business related to the issuance and settlement of prepaid cards was firm, with net sales of ¥3,302 million.

Management's Discussion and Analysis

IV. Financial Position

■ Total assets

Total assets as of March 31, 2013 were ¥322,829 million, for a ¥21,900 million increase from March 31, 2012.

Current assets increased ¥21,408 million, to ¥208,621 million, mainly from the increases in cash and time deposits and deposits paid as a result of the collection of trade receivables and the issuance of corporate bonds. Noncurrent assets increased ¥493 million, to ¥114,208 million, which included an increase from the acquisition of land for data centers and a decrease due to the recording of losses on valuation of investment securities.

■ Liabilities

Liabilities as of March 31, 2013, totaled ¥214,620 million, for a ¥38,111 million increase from March 31, 2012. Current liabilities increased ¥37,329 million from the previous fiscal year-end, to ¥159,877 million. This was mainly because of a ¥30,000 million increase from corporate bonds issued and loans payable. Long-term liabilities increased ¥782 million from the previous fiscal year-end, to ¥54,743 million.

■ Net assets

Net assets as of March 31, 2013, totaled ¥108,209 million, for a ¥16,211 million decrease from March 31, 2012. The main reason for this was a ¥30,077 million decrease in capital surplus for the acquisition and cancellation of Class A and Class B preferred stocks. The equity ratio (shareholders' equity as a percentage of total assets) was 31.8%, and net assets per share increased ¥131.11 from the previous fiscal year-end, to ¥991.48.

V. Cash Flows

Cash and cash equivalents ("cash") as of March 31, 2013 was ¥83,248 million, an increase of ¥19,586 million compared to March 31, 2012. The increase or decrease in each cash flow type and the main factors for such changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥25,156 million.

The main cash inflow factors were income before income taxes and minority interests of ¥16,317 million, depreciation and amortization expenses of ¥6,690 million, and an increase in notes and accounts payable-trade of ¥1,292 million. The main cash outflow factor was an increase in notes and accounts receivable - trade of ¥5,646 million.

Cash flows from investing activities

Net cash used in investing activities was ¥249 million.

The main cash inflow factor was income from the collection of short-term loans receivable of ¥6,933 million. The main cash outflow factors were purchases of property and equipment of ¥8,263 million and purchases of intangible assets including software of ¥2,483 million.

Cash flows from financing activities

Net cash used in financing activities was ¥5,512 million.

The main cash outflow factors, despite the impact of acquisitioning and cancelling preferred stocks, were year-end dividend payments of ¥1,662 million (¥16 per share) for the fiscal year ended March 31, 2012 and interim dividend payments of ¥1,871 million (¥18 per share) for the fiscal year ended March 31, 2013.

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 and 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 and currency 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 of 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, 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 related to customer companies' systems. In the event this confidential information were to be leaked or altered

Business Risks

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.

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

Nevertheless, 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 on the investment, and to confirm and monitor the progress under the plan after the investment is made.

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 change due to factors that are beyond the control of SCSK's management, and this could have an impact on the Group's results.

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.

9 Risks Related to Impairment on Fixed Assets

As of March 31, 2013, the SCSK Group owned land and structures with a book value of ¥48,802 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 performances could have an impact on the Group's results.

During the fiscal year ended March 31, 2013, impairment losses were recorded on training facilities that were scheduled for sale. However as of March 31, 2013, it was determined that the respective business segments would be able to recover those amounts, and as a result, there was no property and equipment on which impairment losses were recognized in the fiscal year ended March 31, 2013.

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 head office, are concentrated in large metropolitan areas. The occurrence of a major natural disaster like an earthquake occurring directly beneath Tokyo or in the Tonankai area, or the outbreak of a new type of influenza or other infectious disease with the potential to spread globally, could have an impact on the Group's 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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and time deposits (Notes 3, 11 and 23)	**¥ 19,669**	¥ 28,159	**$ 209,135**
Notes and accounts receivable - trade (Notes 3 and 6)	**61,661**	55,943	**655,622**
Short-term investment securities (Notes 3, 5 and 23)	**1,299**	1,600	**13,810**
Operational investment securities (Notes 3, 5 and 11)	**37,327**	35,788	**396,885**
Inventories (Note 7)	**3,462**	3,576	**36,807**
Deferred tax assets (Note 14)	**8,548**	6,319	**90,883**
Short-term loans receivable (Note 3)	**107**	17,276	**1,137**
Deposits paid (Notes 3 and 23)	**64,478**	36,802	**685,576**
Others	**12,171**	12,569	**129,407**
Allowance for doubtful accounts	**(101)**	(10,819)	**(1,077)**
Total current assets	**208,621**	187,213	**2,218,185**
Property and equipment (Notes 8, 9, 18, 19 and 24)	**56,223**	53,709	**597,807**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**7,076**	11,535	**75,240**
Investment in unconsolidated subsidiaries and affiliates (Notes 3 and 5)	**4,353**	4,409	**46,280**
Deferred tax assets (Note 14)	**25,138**	25,769	**267,285**
Intangible assets (Notes 18, 19 and 24)	**7,690**	7,684	**81,765**
Others (Note 3)	**14,026**	10,950	**149,129**
Allowance for doubtful accounts	**(298)**	(340)	**(3,169)**
Total investments and other assets	**57,985**	60,007	**616,530**
Total assets	**¥322,829**	¥300,929	**$3,432,522**

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

Consolidated Balance Sheets (Continued)

SCSK Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
LIABILITIES AND NET ASSETS	**2013**	2012	**2013**
Current liabilities:			
Notes and accounts payable-trade (Notes 3, 4 and 6)	**¥ 17,569**	¥ 16,271	**$ 186,804**
Current portion of long-term debts (Notes 3 and 10)	**46,378**	11,707	**493,116**
Provision for bonuses	**7,547**	5,754	**80,240**
Provision for directors' bonuses	**111**	67	**1,176**
Provision for losses on construction contracts	**13**	261	**137**
Deposits received of prepaid cards (Note 3)	**64,414**	59,221	**684,895**
Income taxes payable (Note 14)	**777**	579	**8,266**
Others (Notes 11 and 13)	**23,068**	28,688	**245,274**
Total current liabilities	**159,877**	122,548	**1,699,908**
Long-term liabilities:			
Long-term debts (Notes 3 and 10)	**42,243**	47,771	**449,152**
Provision for retirement benefits (Note 12)	**7,697**	4,191	**81,841**
Provision for directors' retirement benefits	**30**	53	**316**
Asset retirement obligations (Note 13)	**1,391**	1,342	**14,795**
Others	**3,382**	604	**35,964**
Total long-term liabilities	**54,743**	53,961	**582,068**
Contingent liabilities (Note 26)			
NET ASSETS (Note 15):			
Shareholders' equity:			
Capital stock (Note 15)	**21,153**	21,153	**224,910**
Capital surplus	**3,066**	33,152	**32,604**
Retained earnings	**86,736**	73,554	**922,229**
Treasury stock, at cost: 4,303,745 shares in 2013 and 4,322,267 shares in 2012 (Note 15)	**(8,654)**	(8,690)	**(92,018)**
Total shareholders' equity	**102,301**	119,169	**1,087,725**
Accumulated other comprehensive income:			
Valuation differences on available-for-sale securities	**958**	787	**10,186**
Deferred gains or losses on hedges	**9**	(27)	**95**
Foreign currency translation adjustments	**(468)**	(739)	**(4,977)**
Total accumulated other comprehensive income	**499**	21	**5,304**
Subscription rights to shares (Notes 15 and 27)	**168**	190	**1,788**
Minority interests	**5,241**	5,040	**55,729**
Total net assets	**108,209**	124,420	**1,150,546**
Total liabilities and net assets	**¥322,829**	¥300,929	**$3,432,522**

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Net sales	**¥278,634**	¥200,327	**$2,962,618**
Cost of sales (Note 16)	**214,167**	153,957	**2,277,166**
Gross profit	**64,467**	46,370	**685,452**
Selling, general and administrative expenses (Notes 17 and 27)	**43,663**	33,490	**464,255**
Operating income	**20,804**	12,880	**221,197**
Non-operating income (expenses):			
Interest and dividends income	**510**	242	**5,426**
Equity in earnings of affiliates	**263**	233	**2,800**
Gains on investments in partnership	**367**	3,592	**3,898**
Hoard profit of prepaid cards	**1,193**	591	**12,689**
Reversal of allowance for doubtful accounts	**422**	–	**4,485**
Interest expenses	**(415)**	(195)	**(4,414)**
Losses on valuation of investment securities (Note 5)	**(2,723)**	(171)	**(28,951)**
Settlement package	**–**	(260)	**–**
Loss on valuation of stocks of subsidiaries and affiliates	**(177)**	–	**(1,878)**
Losses on retirement of noncurrent assets (Note 18)	**(104)**	(556)	**(1,105)**
Non-recurring depreciation on software	**–**	(345)	**–**
Impairment losses (Note 19)	**(125)**	(2,171)	**(1,330)**
Merger expenses	**–**	(208)	**–**
Financing expenses	**(266)**	–	**(2,833)**
Losses on plan assets (Note 12)	**–**	(5,464)	**–**
Personnel expenses arising from changes in human resource policy (Note 20)	**(847)**	(4,241)	**(9,009)**
Loss on integration to retirement pension plans (Note 12)	**(2,363)**	–	**(25,120)**
Others, net (Note 27)	**(222)**	(165)	**(2,357)**
Total	**(4,487)**	(9,118)	**(47,699)**
Income before income taxes and minority interests	**16,317**	3,762	**173,498**
Income taxes (Note 14):			
Current	**1,044**	898	**11,106**
Deferred	**(1,737)**	(22,785)	**(18,474)**
Total	**(693)**	(21,887)	**(7,368)**
Income before minority interests	**17,010**	25,649	**180,866**
Minority interests	**280**	(20)	**2,981**
Net income	**¥ 16,730**	¥ 25,669	**$ 177,885**

	yen		U.S. dollars (Note 2)
	2013	2012	**2013**
Earnings per share of common stock (Note 21):			
Basic	**¥161.39**	¥334.19	**$1.72**
Diluted	**157.17**	321.64	**1.67**
Cash dividends per share applicable to the year	**36.00**	32.00	**0.38**

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Income before minority interests	**¥17,010**	¥25,649	**$180,866**
Other comprehensive income (Note 22):			
Valuation differences on available-for-sale securities	**150**	(92)	**1,598**
Deferred gains or losses on hedges	**36**	55	**384**
Foreign currency translation adjustments	**266**	(9)	**2,827**
Gain or loss on change in equity	**8**	–	**83**
Share of other comprehensive income of affiliates accounted for by the equity method	**27**	18	**283**
Total other comprehensive income	**487**	(28)	**5,175**
Comprehensive income	**¥17,497**	¥25,621	**$186,041**
Comprehensive income attributable to:			
Owners of the parent	**¥17,212**	¥25,641	**$183,010**
Minority interests	**285**	(20)	**3,031**

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, 2013 and 2012

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2011	¥21,153	¥31,300	¥50,373	¥ (8,717)	¥ 94,109
Purchases of treasury stock	–	–	–	(8)	(8)
Disposals of treasury stock	–	(6)	–	34	28
Net income	–	–	25,669	–	25,669
Cash dividends paid (Note 15)	–	–	(1,607)	–	(1,607)
Increase (decrease) by merger	–	1,858	(844)	–	1,014
Decrease resulting from changes of scope of consolidation	–	–	(28)	–	(28)
Increase (decrease) resulting from changes of scope of equity method	–	–	(9)	1	(8)
Net other changes of items during the period	–	–	–	–	–
Balance at March 31, 2012	21,153	33,152	73,554	(8,690)	119,169
Balance at April 1, 2012	21,153	33,152	73,554	(8,690)	119,169
Purchases of treasury stock	–	–	–	(30,085)	(30,085)
Disposals of treasury stock	–	(9)	–	44	35
Retirement of treasury stock	–	(30,077)	–	30,077	–
Net income	–	–	16,730	–	16,730
Cash dividends paid (Note 15)	–	–	(3,532)	–	(3,532)
Decrease resulting from changes of scope of consolidation	–	–	(20)	–	(20)
Gain or loss on change in equity	–	–	4	–	4
Net other changes of items during the period	–	–	–	–	–
Balance at March 31, 2013	¥21,153	¥ 3,066	¥86,736	¥(8,654)	¥102,301

Millions of yen

	Accumulated other comprehensive income						
	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	¥862	¥ (81)	¥ (728)	¥ 53	¥197	¥ 210	¥ 94,569
Purchases of treasury stock	–	–	–	–	–	–	(8)
Disposals of treasury stock	–	–	–	–	–	–	28
Net income	–	–	–	–	–	–	25,669
Cash dividends paid (Note 15)	–	–	–	–	–	–	(1,607)
Increase (decrease) by merger	(2)	–	(2)	(4)	–	4,787	5,797
Decrease resulting from changes of scope of consolidation	–	–	–	–	–	–	(28)
Increase (decrease) resulting from changes of scope of equity method	–	–	–	–	–	–	(8)
Net other changes of items during the period	(73)	54	(9)	(28)	(7)	43	8
Balance at March 31, 2012	787	(27)	(739)	21	190	5,040	124,420
Balance at April 1, 2012	787	(27)	(739)	21	190	5,040	124,420
Purchases of treasury stock	–	–	–	–	–	–	(30,085)
Disposals of treasury stock	–	–	–	–	–	–	35
Retirement of treasury stock	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	16,730
Cash dividends paid (Note 15)	–	–	–	–	–	–	(3,532)
Decrease resulting from changes of scope of consolidation	–	–	–	–	–	–	(20)
Gain or loss on change in equity	–	–	–	–	–	–	4
Net other changes of items during the period	171	36	271	478	(22)	201	657
Balance at March 31, 2013	¥958	¥ 9	¥ (468)	¥499	¥168	¥5,241	¥108,209

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	$224,911	$352,497	$782,075	$ (92,406)	$1,267,076
Purchases of treasury stock	–	–	–	(319,887)	(319,887)
Disposals of treasury stock	–	(92)	–	474	382
Retirement of treasury stock	–	(319,801)	–	319,801	–
Net income	–	–	177,885	–	177,885
Cash dividends paid (Note 15)	–	–	(37,563)	–	(37,563)
Decrease resulting from changes of scope of consolidation	–	–	(214)	–	(214)
Gain or loss on change in equity	–	–	46	–	46
Net other changes of items during the period	–	–	–	–	–
Balance at March 31, 2013	$224,911	$ 32,604	$922,229	$ (92,018)	$1,087,725

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income						
	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, 2012	$ 8,369	$(288)	$(7,857)	$ 224	$2,025	$53,584	$1,322,909
Purchases of treasury stock	–	–	–	–	–	–	(319,887)
Disposals of treasury stock	–	–	–	–	–	–	382
Retirement of treasury stock	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	177,885
Cash dividends paid (Note 15)	–	–	–	–	–	–	(37,563)
Decrease resulting from changes of scope of consolidation	–	–	–	–	–	–	(214)
Gain or loss on change in equity	–	–	–	–	–	–	46
Net other changes of items during the period	1,817	383	2,880	5,080	(237)	2,145	6,988
Balance at March 31, 2013	$10,186	$ 95	$(4,977)	$5,304	$1,788	$55,729	$1,150,546

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥16,317**	¥ 3,762	**$173,498**
Adjustments for:			
Depreciation and amortization	**6,690**	5,036	**71,135**
Impairment losses	**125**	2,171	**1,330**
Increase in provision for retirement benefits	**3,508**	3,974	**37,299**
Decrease (increase) in prepaid pension costs	**(4,154)**	661	**(44,173)**
Losses on retirement of noncurrent assets	**104**	556	**1,105**
Non-recurring depreciation on software	**–**	345	**–**
Gains on investments in partnership	**(367)**	(3,592)	**(3,898)**
Losses on valuation of investment securities	**2,723**	171	**28,951**
Changes in assets and liabilities:			
Decrease (increase) in operational investment securities	**(1,879)**	4,101	**(19,975)**
Increase in notes and accounts receivable - trade	**(5,646)**	(5,075)	**(60,033)**
Decrease in inventories	**122**	2,587	**1,302**
Increase in notes and accounts payable - trade	**1,292**	1,371	**13,739**
Increase in deposits received of prepaid cards	**5,194**	2,345	**55,223**
Others, net	**703**	8,357	**7,478**
Sub-total	**24,733**	26,769	**262,980**
Interest and dividends income received	**617**	340	**6,558**
Interest expenses paid	**(390)**	(187)	**(4,147)**
Income taxes received (paid)	**196**	(4,673)	**2,087**
Net cash provided by operating activities	**25,156**	22,249	**267,478**
Cash flows from investing activities:			
Purchases of property and equipment	**(8,263)**	(2,911)	**(87,862)**
Proceeds from sales of property and equipment	**2**	1,993	**22**
Purchases of intangible assets	**(2,483)**	(2,507)	**(26,405)**
Purchases of investment securities	**(199)**	(14,218)	**(2,113)**
Purchases of short-term investment securities	**(4,499)**	(2,099)	**(47,836)**
Proceeds from sales and redemption of short-term investment securities	**5,200**	1,605	**55,290**
Proceeds from sales and redemption of investment securities	**2,321**	2,028	**24,678**
Collection of short-term loans receivable	**6,933**	81	**73,718**
Proceeds from withdrawal of investments in partnership	**724**	7,834	**7,702**
Others, net (Note 23)	**15**	82	**154**
Net cash used in investing activities	**(249)**	(8,112)	**(2,652)**
Cash flows from financing activities:			
Proceeds from long-term loans payable	**20,000**	–	**212,653**
Repayments of long-term debts	**(10,000)**	(5,031)	**(106,326)**
Proceeds from issuance of bonds	**20,000**	–	**212,653**
Repayments of lease obligations	**(1,814)**	(1,285)	**(19,282)**
Purchases of treasury stock	**(30,085)**	(8)	**(319,887)**
Cash dividends paid	**(3,533)**	(1,607)	**(37,563)**
Others, net (Note 23)	**(80)**	(35)	**(855)**
Net cash used in financing activities	**(5,512)**	(7,966)	**(58,607)**
Effect of exchange rate changes on cash and cash equivalents	**206**	(41)	**2,196**
Net increase in cash and cash equivalents	**19,601**	6,130	**208,415**
Cash and cash equivalents at beginning of period	**63,662**	25,892	**676,891**
Increase in cash and cash equivalents resulting from merger	**–**	31,649	**–**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(15)**	(9)	**(162)**
Cash and cash equivalents at end of period (Note 23)	**¥83,248**	¥63,662	**$885,144**

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 2013 and 2012. Any immaterial amounts are fully recognized as expenses as incurred.

At March 31, 2013, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 23 and 4 (26 and 6 as March 31, 2012). 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 consolidation. All material unrealized profits included

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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 such as Money Management Funds, maturities not exceeding three months at the time of purchase 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, 2013 and 2012.

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" or "Losses on valuation of stocks of subsidiaries and affiliates" 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) Method for amortization for deferred assets

Bond issuance costs are fully expensed as incurred.

(13) Provision for bonuses

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

(14) Provision for directors' bonuses

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

(15) Provision for losses on construction contracts

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

(16) 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 1 to 12 years. Actuarial 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.

(17) 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

Notes to Consolidated Financial Statements

the shareholders' meeting in previous years.

(18) 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.

(19) 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 at 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 cards" in Non-operating income with subsequent deductions from "Deposits received of prepaid cards".

(20) Consumption taxes

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

(21) 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.

(22) 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 issued 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.

(23) Application of consolidated taxation system

Effective from the fiscal year, ended March 31, 2013 the Company and certain domestic consolidated subsidiaries applied a consolidated taxation system.

(24) Accounting standards issued but not yet adopted

On May 17, 2012, the ASBJ issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits" which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.
These accounting standards are revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how actuarial gains and losses and prior service costs should be accounted for, (b) how retirement benefit obligations and current service costs should be determined and (c) enhancement of disclosures.
The Company expects to apply the revised accounting standard from the end of the fiscal year ending March 31, 2014. However, the amendment of the calculation method for present value of retirement benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.
The effect of adoption of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

2. U.S. dollar amounts

The accompanying consolidated financial statements are expressed in japanese yen, and solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥94.05=U.S.$1, the rate of exchange prevailing at March 31, 2013. 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 mainly operational investment securities. As for fund raising, the Group mainly raises funds through bank loans, corporate bonds 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

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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 to reduce foreign currency exchange risk with financial institutions that have high credit ratings in order to reduce credit risk.

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

Current portion of long-term loans payable mainly consists of the syndicated loans provided by 4 main banks. These syndicated loans due in March 2014 with variable interest rates are exposed to liquidity risk as well as interest rate risk.

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

Bonds payable are issued and used mainly for capital expenditures. These bonds with the final due in March 2018 are exposed to liquidity risk.

Long-term loans payable mainly consist of the syndicated loans provided by 22 banks. These syndicated loans due in May 2017 with variable interest rates are exposed to liquidity risk as well as interest rate risk.

Trade payables, loans payables, deposits received of prepaid cards, bonds with subscription rights to shares and bonds payable are exposed to liquidity risk, which is the risk of failure to settle as scheduled. The Company comprehensively manages the Group's cash flows 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 and trade receivables denominated in foreign currencies.

2. Fair values of financial instruments

Carrying value of financial instruments on the consolidated balance sheets at March 31, 2013 and 2012 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, 2013					
	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	¥19,669	¥19,669	¥ –	$209,135	$209,135	$ –
(2) Notes and accounts receivable-trade	61,661	61,661	–	655,622	655,622	–
(3) Short-term investment securities:						
Held-to-maturity debt securities	1,100	1,100	–	11,695	11,695	–
Available-for-sale securities	199	199	–	2,115	2,115	–
(4) Operational investment securities:						
Available-for-sale securities	37,327	37,327	–	396,885	396,885	–
(5) Short-term loans receivable	107	107		1,137	1,137	
(6) Deposits paid	64,478	64,478	–	685,576	685,576	–
(7) Investment securities:						
Available-for-sale securities	4,879	4,879	–	51,877	51,877	–
Equity securities issued by affiliates	3,356	3,299	(57)	35,681	35,078	(603)
(8) Lease and guarantee deposits	¥ 6,604	¥ 6,492	¥(112)	$ 70,217	$ 69,027	$(1,190)
Liabilities:						
(1) Notes and accounts payable-trade	¥17,569	¥17,569	¥ –	$186,804	$186,804	$ –
(2) Current portion of bonds with subscription rights to shares	35,000	34,965	35	372,142	371,770	372
(3) Current portion of long-term loans payable	9,860	9,890	(30)	104,838	105,155	(317)
(4) Deposits received of prepaid cards	64,414	64,414	–	684,895	684,895	–
(5) Bonds payable	20,000	20,065	(65)	212,653	213,342	(689)
(6) Long-term loans payable	¥20,000	¥20,004	¥ (4)	$212,653	$212,692	$ (39)
Derivative transactions	¥ –	¥ –	¥ –	$ –	$ –	$ –

Notes to Consolidated Financial Statements

	March 31, 2012		
	Carrying value	Fair value	Difference
	Millions of yen		
Assets:			
(1) Cash and time deposits	¥28,159	¥28,159	¥ –
(2) Notes and accounts receivable-trade	55,943	55,943	–
(3) Short-term investment securities:			
Held-to-maturity debt securities	1,500	1,500	–
Available-for-sale securities	100	100	–
(4) Operational investment securities:			
Available-for-sale securities	35,788	35,788	–
(5) Short-term loans receivable:	17,276		
Allowance for doubtful accounts	(10,704)		
	6,572	6,572	–
(6) Deposits paid	36,802	36,802	–
(7) Investment securities:			
Available-for-sale securities	7,176	7,176	–
Equity securities issued by affiliates	3,181	2,707	(475)
(8) Lease and guarantee deposits	¥ 6,581	¥ 6,307	¥(273)
Liabilities:			
(1) Notes and accounts payable-trade	¥16,271	¥16,271	¥ –
(3) Current portion of long-term loans payable	10,000	9,967	33
(4) Deposits received of prepaid cards	59,221	59,221	–
(6) Long-term loans payable	9,860	9,747	113
(7) Bonds with subscription rights to shares	¥35,000	¥34,650	¥ 350
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.

(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. The carrying value is used as the fair value for certain debt securities with short-term maturities because the fair value is nearly equal to the carrying value. The fair value of certain investment security is estimated based on the present value of the future cash flows using the discount rate considering certain risk premium.

(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 this item is settled in a short period of time, its carrying value approximates fair value.

(2) Current portion of bonds with subscription rights to shares

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

(3) Current portion of long-term loans payable and (6) Long-term loans payable

The fair value of these items is based on the present value of the total of principal and interests discounted by interest rates to be applied if similar new loans are entered into.

(4) Deposits received of prepaid cards

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

(5) Bonds payable

The fair value of bonds payable is based on the present value of total principal and interests discounted by interest rates to be applied if similar new bonds are issued.

(7) Bonds with subscription rights to shares

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

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

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Unlisted equity securities	**¥2,075**	¥4,298	**$22,059**
Unlisted debt securities	**29**	29	**313**
Investments in partnership	**1,090**	1,260	**11,590**
Total	**¥3,194**	¥5,587	**$33,962**

As quoted market price was not available and it was extremely burden to estimate future cash flows, the carrying value of the above financial instruments was not included in 2. (7) Investment securities.

4. Redemption schedule for monetary receivables and marketable securities with maturities at March 31, 2013 is as follows:

	March 31, 2013							
	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	**¥ 19,669**	**¥ –**	**¥ –**	**¥–**	**$ 209,135**	**$ –**	**$ –**	**$–**
Notes and accounts receivable-trade	**61,661**	**–**	**–**	**–**	**655,622**	**–**	**–**	**–**
Short-term loans receivable	**107**	**–**	**–**	**–**	**1,137**	**–**	**–**	**–**
Deposits paid	**64,478**	**–**	**–**	**–**	**685,576**	**–**	**–**	**–**
Short-term investment securities, operational investment securities and investment securities:								
Held-to-maturity debt securities:								
Government/municipal bonds	**500**	**–**	**–**	**–**	**5,316**	**–**	**–**	**–**
Others	**600**	**–**	**–**	**–**	**6,380**	**–**	**–**	**–**
Available-for-sale securities with maturities:								
Government/municipal bonds	**23,167**	**11,291**	**2,039**	**–**	**246,322**	**120,049**	**21,683**	**–**
Corporate bonds	**0**	**128**	**2**	**–**	**0**	**1,361**	**15**	**–**
Total	**¥170,182**	**¥11,419**	**¥2,041**	**¥–**	**$1,809,488**	**$121,410**	**$21,698**	**$–**

Note: Available-for-sale securities of ¥2,705 million ($28,771 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.

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4. Derivative transactions

The notional amount and the estimated fair value of the derivative instruments outstanding at March 31, 2013 and 2012 were summarized as follows:

Type of transaction	Hedge item	March 31, 2013 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
		Millions of yen			Thousands of U.S. dollars (Note 2)		
Derivative transactions for which deferral hedge accounting has been applied							
Forward foreign exchange contracts							
Sell	Forecast transactions in foreign currency						
USD		¥117	¥ –	¥(9)	$1,242	$ –	$(95)
Buy							
USD, EUR, GBP, SGD		1,489	77	23	15,835	816	249
Derivative transactions for which appropriation treatment has been applied							
Forward foreign exchange contracts	Accounts payable-trade						
Buy							
USD, EUR, GBP, SGD		193	–	*2	2,054	–	*2
Total		¥1,799	¥77	¥14	$19,131	$816	$154

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

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.

5. Information on investment securities

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

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

	March 31, 2013 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 carrying value:						
Governmental/municipal bonds	¥ 200	¥ 200	¥ –	$ 2,126	$ 2,126	$ –
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Sub-total	200	200	–	2,126	2,126	–
2. Securities with fair value not exceeding carrying value:						
Governmental/municipal bonds	300	300	–	3,189	3,189	–
Corporate bonds	–	–	–	–	–	–
Others	600	600	–	6,379	6,379	–
Sub-total	900	900	–	9,568	9,568	–
Total	¥1,100	¥1,100	¥ –	$11,694	$11,694	$ –

	March 31, 2012 Carrying value	Fair value	Difference
	Millions of yen		
1. Securities with fair value exceeding carrying value:			
Governmental/municipal bonds	¥1,500	¥1,500	¥–
Corporate bonds	–	–	–
Others	–	–	–
Sub-total	1,500	1,500	–
2. Securities with fair value not exceeding carrying value:			
Governmental/municipal bonds	–	–	–
Corporate bonds	–	–	–
Others	–	–	–
Sub-total	–	–	–
Total	¥1,500	¥1,500	¥–

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2. Available-for-sale securities with fair value

	March 31, 2013					
	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	**¥ 1,938**	**¥ 1,103**	**¥ 835**	**$ 20,608**	**$ 11,733**	**$ 8,875**
Debt securities:						
Governmental/municipal bonds	**34,222**	**33,814**	**408**	**363,871**	**359,531**	**4,340**
Corporate bonds	**103**	**100**	**3**	**1,092**	**1,063**	**29**
Others	**–**	**–**	**–**	**–**	**–**	**–**
Sub-total	**36,263**	**35,017**	**1,246**	**385,571**	**372,327**	**13,244**
2. Securities with fair value not exceeding acquisition cost:						
Equity securities	**231**	**265**	**(34)**	**2,454**	**2,813**	**(359)**
Debt securities:						
Governmental/municipal bonds	**3,105**	**3,105**	**–**	**33,014**	**33,014**	**–**
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Others	**2,806**	**2,809**	**(3)**	**29,837**	**29,867**	**(30)**
Sub-total	**6,142**	**6,179**	**(37)**	**65,305**	**65,694**	**(389)**
Total	**¥42,405**	**¥41,196**	**¥1,209**	**$450,876**	**$438,021**	**$12,855**

	March 31, 2012		
	Carrying value	Acquisition cost	Difference
	Millions of yen		
1. Securities with fair value exceeding acquisition cost:			
Equity securities	¥ 1,309	¥ 771	¥ 538
Debt securities:			
Governmental/municipal bonds	29,784	29,037	747
Corporate bonds	103	100	3
Others	5,045	5,002	43
Sub-total	36,241	34,910	1,331
2. Securities with fair value not exceeding acquisition cost:			
Equity securities	533	637	(104)
Debt securities:			
Governmental/municipal bonds	6,003	6,003	–
Corporate bonds	87	87	–
Others	199	202	(3)
Sub-total	6,822	6,929	(107)
Total	¥43,063	¥41,839	¥1,224

3. Sales of available-for-sale securities

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Sales proceeds:			
Equity securities	**¥ 51**	¥ 127	**$ 540**
Debt securities	**11,425**	13,674	**121,475**
Others	**–**	17	**–**
Aggregate gains:			
Equity securities	**¥ –**	¥ 15	**$ –**
Debt securities	**432**	252	**4,591**
Others	**–**	–	**–**
Aggregate losses:			
Equity securities	**¥ 9**	¥ 8	**$ 91**
Debt securities	**–**	15	**–**
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.

4. 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 ¥2,410 million ($25,625 thousand) and ¥43 million for the year ended March 31, 2013 and 2012, respectively.

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

Notes receivable and notes payable are settled on the date of clearance. As March 31, 2013 and 2012 were non-business days, notes receivable and notes payable maturing on those days 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:

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Notes receivable–trade	**¥66**	¥136	**$702**
Notes payable–trade	**¥ –**	¥144	**$ –**

Notes to Consolidated Financial Statements

7. Inventories

Inventories at March 31, 2013 and 2012 were as follows:

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Merchandise and finished goods	**¥2,794**	¥2,923	**$29,702**
Work in process	**647**	619	**6,879**
Raw materials and supplies	**21**	34	**226**
Total	**¥3,462**	¥3,576	**$36,807**

8. Property and equipment

Acquisition cost, accumulated depreciation and carrying value of property and equipment were as follows:

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Acquisition cost:			
Buildings and structures	**¥51,182**	¥48,207	**$ 544,200**
Tools, furniture and fixtures	**16,105**	16,451	**171,238**
Land	**22,118**	19,614	**235,178**
Lease assets	**4,582**	4,059	**48,719**
Construction in progress	**627**	1,042	**6,667**
Others	**9**	8	**102**
Total	**94,623**	89,381	**1,006,104**
Accumulated depreciation	**(38,400)**	(35,672)	**(408,297)**
Carrying value	**¥56,223**	¥53,709	**$ 597,807**

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 ¥202 million ($2,147 thousand) and ¥206 million for the years ended March 31, 2013 and 2012, respectively. The income was included in "Net sales" and the expenses 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:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Consolidated balance sheet amount:			
Balance at beginning of period	**¥8,343**	¥7,215	**$88,710**
Net changes during period*2	**(979)**	1,128	**(10,407)**
Balance at end of period	**7,364**	8,343	**78,303**
Fair value at year end*3	**¥6,084**	¥7,101	**$64,691**

Note: 1 The amount recorded in the consolidated balance sheets was the acquisition cost deducted by the accumulated depreciation and the accumulated impairment losses.
*2 Net change for the year ended March 31, 2012 resulted from merger with CSK CORPORATION.
*3 Fair value was mainly 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.

10. Long-term debts

Current portion of long-term debts at March 31, 2013 and 2012 consisted of the following:

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Loans principally from banks, maturing from to with average annual interest rates of 0.75% in 2013 and 0.83% in 2012	**¥ 9,860**	¥10,000	**$104,838**
0.25% unsecured bonds with subscription rights to shares (due from October 1, 2011 to September 27, 2013)	**35,000**	–	**372,142**
Finance lease obligations – current (at an average interest rate of 3.47% in 2013 and 3.43% in 2012)	**1,518**	1,707	**16,136**
Total	**¥46,378**	¥11,707	**$493,116**

Notes to Consolidated Financial Statements

Long-term debts at March 31, 2013 and 2012 consisted of the following:

	March 31, 2013	March 31, 2012	March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Loans principally from banks, maturing from to with average annual interest rates of 0.32% in 2013 and 0.83% in 2012	**¥29,860**	¥19,860	**$317,491**
0.25% unsecured bonds with subscription rights to shares (due from October 1, 2011 to September 27, 2013)	**35,000**	35,000	**372,142**
0.502% unsecured bonds (due from May 29, 2012 to May 29, 2017)	**10,000**	–	**106,327**
0.261% unsecured bonds (due from March 14, 2013 to March 14, 2016)	**5,000**	–	**53,163**
0.342% unsecured bonds (due from March 14, 2013 to March 14, 2018)	**5,000**	–	**53,163**
Finance lease obligations (at an average interest rate of 3.53% in 2013 and 3.40% in 2012, maturing from 2013 to 2019)	**3,761**	4,618	**39,982**
Less: current portion	**(46,378)**	(11,707)	**(493,116)**
Total long-term debts	**¥42,243**	¥47,771	**$449,152**

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 ($124.80)
Total amount of issuing price	¥35,000 million ($372,142 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 loans payable, bonds with subscription rights to shares and finance lease obligation at March 31, 2013 were as follows:

	March 31, 2013	March 31, 2013
	Millions of yen	Thousands of U.S. dollars (Note 2)
Year ending March 31,		
2014	**¥46,378**	**$493,116**
2015	**1,120**	**11,912**
2016	**15,644**	**166,336**
2017 and thereafter	**25,479**	**270,904**
Total	**¥88,621**	**$942,268**

11. Pledged assets

The following assets were pledged as collateral for other current liabilities of ¥1,406 million ($14,944 thousand) and ¥1,305 million at March 31, 2013 and 2012, respectively.

	March 31, 2013	March 31, 2012	March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Cash and time deposits	**¥1,300**	¥1,400	**$13,822**

Operational investment securities of ¥34,091 million ($362,472 thousand) and ¥35,422 million were lodged as security deposits pursuant to "the Act on Settlement" at March 31, 2013 and 2012, respectively.

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 pension plan in addition to defined benefit plans and defined contribution plans.

The Company re-examined and integrated the retirement benefit plan, including the multi-employer defined pension plan for Sumisho Computer Systems Corporation, the surviving company of the merger transaction, for the fiscal year ended March 31, 2013. The loss on integration to retirement pension plans of ¥2,363 million ($25,120 thousand) including amortization of prior service cost was recorded in non-operating expenses as incurred.

The following table set forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2013 and 2012 for the Company's and the certain consolidated domestic subsidiaries' defined benefit plans:

	March 31, 2013	March 31, 2012	March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Retirement benefit obligation*[1]	**¥(54,118)**	¥(43,114)	**$(575,413)**
Plan assets at fair value*[1]	**50,952**	36,198	**541,755**
Unfunded retirement benefit obligation	**(3,166)**	(6,916)	**(33,658)**
Unrecognized net retirement benefit obligation at transition	**522**	783	**5,544**
Unrecognized actuarial loss	**(76)**	2,539	**(803)**
Unrecognized prior service cost	**361**	587	**3,837**
Net retirement benefit obligation	**(2,359)**	(3,007)	**(25,080)**
Prepaid pension cost	**5,338**	1,184	**56,761**
Provision for retirement benefits	**¥ (7,697)**	¥ (4,191)	**$ (81,841)**

Note: 1 This includes retirement benefit obligation and plan assets for the amount of ¥4,056 million ($43,128 thousand) and ¥8,693 million ($92,426 thousand), respectively, as of March 31, 2013 for Sumisho Computer Systems Corporation whose required contributions under the multi-employer defined pension plan had been recognized as pension expenses until March 31, 2013.

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

Notes to Consolidated Financial Statements

The components of employees' pension and retirement benefit expenses for the years ended March 31, 2013 and 2012 were outlined as follows:

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Service cost *1	**¥2,504**	¥1,732	**$26,626**
Interest cost	**851**	582	**9,053**
Expected return on plan assets	**(941)**	(632)	**(10,008)**
Amortization of prior service cost	**226**	236	**2,406**
Amortization of actuarial loss	**981**	624	**10,427**
Amortization of net retirement benefit obligation at transition	**261**	131	**2,773**
Retirement benefit expenses	**3,882**	2,673	**41,277**
Others *2	**4,177**	6,801	**44,408**
Total	**¥8,059**	¥9,474	**$85,685**

Note: *1 Employees' pension and retirement benefit expenses for certain consolidated domestic subsidiaries adopting the simplified method were included in service cost.
*2 Items included in others were as follows:

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Contributions paid to defined contribution plans	**¥ 968**	¥ 607	**$10,298**
Retirement expenses	**155**	42	**1,647**
Contributions paid to multi-employer defined pension plan	**691**	688	**7,343**
Losses on plan assets*1	**–**	5,464	**–**
Loss on integration to retirement pension plans*2	**2,363**	–	**25,120**
Total	**¥4,177**	¥6,801	**$44,408**

Note: *1 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.
*2 The loss on integration to retirement pension plans, including amortization of prior service cost of ¥3,288 million ($34,956 thousand) (losses) which were recognized as the expenses as incurred, resulted from the Company's re-examination and integration of the retirement benefit plan.

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

	Year ended March 31, 2013	Year ended March 31, 2012
Periodic allocation principle for projected benefit obligation	**Straight-line basis**	Straight-line basis
Discount rate	**1.5%**	2.0%
Expected rate of return on plan assets	**2.0% or 3.0%**	2.0% or 3.0%
Amortization of net retirement benefit obligation at transition	**15 years**	15 years
Amortization of unrecognized prior service cost	**1-12 years**	1-12 years
Amortization of unrecognized actuarial differences	**5-13 years**	5-13 years

13. Asset retirement obligations

1. Overview of asset retirement obligations

Rational estimations made on the obligations of restoring head office and other offices to original condition as stated in rental contracts were recorded as asset retirement obligations.

2. Calculation method of the asset retirement obligations

Expected period of use is mainly estimated as 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%.

3. Changes in asset retirement obligations for the year ended March 31, 2013 and 2012

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Balance at beginning of period	**¥1,342**	¥ 887	**$14,265**
Liabilities incurred due to the acquisition of property and equipment	**–**	24	**–**
Liabilities increased due to merger	**–**	423	**–**
Accretion expense	**20**	16	**212**
Liabilities settled	**(6)**	(11)	**(63)**
Change in the estimation amounts	**–**	3	**–**
Others	**50**	–	**540**
Balance at end of period	**¥1,406**	¥1,342	**$14,954**

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 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively. Income taxes of the foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

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), the corporate tax rate was changed for fiscal years beginning on or after April 1, 2012, and the Special Reconstruction Corporation Tax was imposed for fiscal years beginning in the period from April 1, 2012 to March 31, 2015.

Notes to Consolidated Financial Statements

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, 2013 and 2012 were as follows:

	Year ended March 31,	
	2013	2012
Statutory tax rate	**38.0%**	40.7%
Effect of:		
Expenses not deductible for income tax purposes	**1.2**	4.5
Revenues excluded from income tax such as dividends received	**(1.0)**	(1.9)
Dividends received from foreign subsidiaries eliminated in consolidation	**0.6**	2.1
Amortization of goodwill	**0.1**	0.7
Equity in earnings of affiliates	**(0.6)**	(2.5)
Base portion of inhabitants' taxes	**1.1**	3.3
Change in valuation allowance	**(45.6)**	(713.3)
Effect of enacted changes in tax laws and rates on Japanese tax	**–**	86.4
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**1.4**	–
Others	**0.6**	(1.7)
Effective tax rate	**(4.2)%**	(581.8)%

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Deferred tax assets:			
Tax losses carried forward	**¥78,398**	¥80,064	**$833,578**
Provision for bonuses	**2,893**	2,528	**30,765**
Provision for retirement benefits	**1,817**	1,498	**19,318**
Allowance for doubtful accounts	**60**	3,909	**641**
Depreciation	**646**	1,184	**6,868**
Impairment losses	**1,328**	2,762	**14,117**
Hoard profit of prepaid cards	**2,676**	2,782	**28,456**
Payable for integration to retirement pension plans	**1,367**	–	**14,532**
Losses on valuation of investment securities	**1,398**	580	**14,865**
Others	**1,714**	1,914	**18,219**
Total gross deferred tax assets	**92,297**	97,221	**981,360**
Valuation allowance	**(56,556)**	(63,830)	**(601,342)**
Total deferred tax assets	**35,741**	33,391	**380,018**
Deferred tax liabilities:			
Prepaid pension costs	**(966)**	(422)	**(10,272)**
Valuation differences on available-for-sale securities	**(507)**	(410)	**(5,387)**
Asset retirement obligations	**(305)**	(327)	**(3,241)**
Others	**(277)**	(144)	**(2,950)**
Total deferred tax liabilities	**(2,055)**	(1,303)	**(21,850)**
Net deferred tax assets	**¥33,686**	¥32,088	**$(358,168)**

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 dividend distribution. 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, 2013 and 2012 were as follows:

1. Overview of the preferred stock

	Number of shares			
	2013		2012	
	Authorized	**Issued**	Authorized	Issued
Common stock	**200,000,000**	**107,986,403**	200,000,000	107,986,403
Class A preferred stock	**–**	**–**	15,000	15,000
Class B preferred stock	**–**	**–**	15,000	15,000
Total	**200,000,000**	**107,986,403**	200,030,000	108,016,403

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

The Company acquired and canceled the Class A and B preferred stocks that the Company succeeded to following the October 1, 2011 merger with CSK CORPORATION on October 1, 2011, in accordance with provisions of call by cash and acquired them on May 31, 2012. In addition, the Company transferred ¥30,000 million ($318,979 thousand) of additional paid-in capital to other capital surplus to maintain dividend resource and flexibility of capital policy and cancelled the preferred stocks.

Notes to Consolidated Financial Statements

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

Year ended March 31, 2013

1) Type and number of issued shares

	Type of issued shares		
	Common stock	Class A preferred stock	Class B preferred stock
Number of shares at April 1, 2012	107,986,403	15,000	15,000
Increase during the period ended March 31, 2013	–	–	–
Decrease during the period ended March 31, 2013	–	15,000	15,000
Number of shares at March 31, 2013	107,986,403	–	–

Note: Decrease in the number of issued shares was due to the following reasons:
- Cancellation of Class A preferred stock: 15,000 shares
- Cancellation of Class B preferred stock: 15,000 shares

2) Type and number of treasury stock

	Type of treasury stock		
	Common stock	Class A preferred stock	Class B preferred stock
Number of shares at April 1, 2012	4,322,267	–	–
Increase during the period ended March 31, 2013	5,533	15,000	15,000
Decrease during the period ended March 31, 2013	24,055	15,000	15,000
Number of shares at March 31, 2013	4,303,745	–	–

Note: 1. Increase in the numbers of treasury stock was due to the following reasons:
- Purchases of preferred stock: 30,000 shares
- Purchases of less-than-one-unit treasury stock: 5,533 shares

2. Decrease in the number of treasury stock was due to the following reasons:
- Cancellation of preferred stock: 30,000 shares
- Disposals of less-than-one-unit shares: 2,125 shares
- Exercise of subscription rights to shares: 20,000 shares
- Decrease due to change in equity in an affiliated company accounted for by the equity method: 1,930 shares

3) 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, 2013	¥168 million ($1,788 thousand)

4) Matters related to dividends

(1) Dividend payments on common stock

Approvals by the Board of Directors' meeting on May 10, 2012 were as follows:

a. Total amount of dividend	¥1,662 million ($17,677 thousand)
b. Dividend per share	¥16.00
c. Record date	March 31, 2012
d. Effective date	June 6, 2012

Approvals by the Board of Directors'meeting on October 31, 2012 were as follows:

a. Total amount of dividend	¥1,871 million ($19,889 thousand)
b. Dividend per share	¥18.00
c. Record date	September 30, 2012
d. Effective date	December 3, 2012

(2) Dividends on common stock whose record date is attributable to the accounting period ended March 31, 2013 but to be effective after the accounting period

The Company obtained the approval at the Board of Directors' meeting on April 26, 2013 as follows:

a. Total amount of dividend	¥1,871 million ($19,889 thousand)
b. Dividend per share	¥18.00
c. Record date	March 31, 2013
d. Effective date	June 5, 2013

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	4,332,267

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

Notes to Consolidated Financial Statements

3) Matters related to dividends

(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
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
b. Dividend per share	¥16.00
c. Record date	September 30, 2011
d. Effective date	December 1, 2011

(2) Dividends on common stock 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:

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

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,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Provision for losses on construction contracts	**¥6**	¥186	**$63**

17. Selling, general and administrative expenses

Major elements of "Selling, general and administrative expenses" for the years ended March 31, 2013 and 2012 were as follows:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Salaries and bonuses	**¥18,367**	¥13,977	**$195,295**
Employees' pension and retirement benefit expenses	**1,714**	1,458	**18,226**
Welfare expenses	**3,940**	2,915	**41,893**
Rent	**3,002**	2,504	**31,919**
Depreciation	**1,667**	1,105	**17,724**
Business consignment expenses	**1,957**	1,555	**20,810**
Taxes and dues	**1,611**	1,219	**17,128**
Provision for bonuses	**2,125**	1,595	**22,591**
Provision for directors' bonuses	**111**	51	**1,176**
Others	**9,169**	7,111	**97,493**
Total	**¥43,663**	¥33,490	**$464,255**

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 ¥566 million ($6,021 thousand) and ¥417 million for the years ended March 31, 2013 and 2012, respectively.

18. Losses on retirement of non-current assets

Losses on retirement of noncurrent assets for the years ended March 31, 2013 and 2012 were as follows:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Buildings and structures	**¥ 22**	¥ 46	**$ 234**
Tools, furniture and fixtures	**75**	68	**800**
Lease assets	**4**	1	**41**
Software	**2**	441	**21**
Others	**1**	0	**9**
Total	**¥104**	¥556	**$1,105**

Notes to Consolidated Financial Statements

19. Impairment losses

Year ended March 31, 2013

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 used for training	Suttu-gun, Hokkaido	Buildings and structures, Tools, furniture and fixtures

Since assets used for training that were classified as corporate assets became held-for-sale assets, their carrying amounts were reduced to recoverable amounts and the differences of ¥125 million ($1,330 thousand) were charged to the consolidated statements of income as impairment losses.

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

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 assets

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

As a result, impairment losses were recognized for such reduced of ¥2,171 million recorded in non-operating expenses, comprising ¥410 million for buildings and structures, ¥41 million for tools, furniture and fixtures, ¥1,287 million for land, and ¥ 433 million for intangible assets.

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

20. Personnel expenses arising from changes in human resource policy

For the year ended March 31, 2013

Personnel expenses arising from changes in human resource policy were ¥847 million ($9,009 thousand) at the Company for the year ended March 31, 2013.

For the year ended March 31, 2012

Personnel expenses arising from changes in human resource policy were ¥4,241 million at the Company for the year ended March 31, 2012, which mainly consisted 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,		Year ended March 31,
	2013	2012	**2013**
	Yen		U.S. dollars (Note 2)
Net income:			
Basic	**¥161.39**	¥334.19	**$1.72**
Diluted	**157.17**	321.64	**1.67**
Cash dividends applicable to the year	**¥ 36.00**	¥ 32.00	**$0.38**

	March 31,		March 31,
	2013	2012	**2013**
	Yen		U.S. dollars (Note 2)
Net assets	**¥991.48**	¥860.37	**$10.54**

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 was 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.

Notes to Consolidated Financial Statements

The bases for calculation were as follows:

1. Basic and diluted net income per share

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Net income per share:			
Net income	**¥16,730**	¥25,669	**$177,885**
Amount not attributable to common shareholders	**–**	–	**–**
Net income related to common stock	**¥16,730**	¥25,669	**$177,885**
Diluted net income per share:			
Net income adjustment	**¥ 46**	¥ 28	**$ 494**
(of which, interest expenses after deducting tax)	**58**	28	**(624)**
(of which, change in equity method affiliates due to their issuance of subscription rights)	**(12)**	–	**130**

	Year ended March 31, 2013	Year ended March 31, 2012
	Thousands of shares	
Weighted average number of shares for basic net income	**103,665**	76,810
Increase in shares of common stock:		
Exercise of warrant	**2,982**	2,982
Exercise of subscription rights to shares	**96**	104
Number of shares for dilutive net income	**106,743**	79,896

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, 2013

The Company:

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: 49,800 units)

7th subscription rights to shares (the number of subscription rights to shares: 40,000 units)

ARGO GRAPHICS Inc. (An affiliate accounted for by the equity method):

6th subscription rights to shares (the number of subscription rights to shares: 411,500 units)

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)

Entire net income for the years ended March 31, 2013 and 2012 was attributed to common shareholders.

2. Net assets per share

	March 31, 2013	March 31, 2012
	Thousands of shares	
The number of shares of common stock used for the calculation of net assets per share	**103,683**	103,664

	March 31, 2013	March 31, 2012	March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Total net assets	**¥108,209**	¥124,420	**$1,150,546**
Amounts deducted from total net assets:			
Subscription rights to shares	**168**	190	**1,788**
Minority interests	**5,241**	5,040	**55,729**
Preferred stock	**–**	30,000	**–**
Net assets attributable to shares of common stock	**¥102,800**	¥ 89,190	**$1,093,029**

Notes to Consolidated Financial Statements

22. Consolidated statements of comprehensive income

The following table presented components of reclassification adjustments and income tax of other comprehensive income for the year ended March 31, 2013 and 2012:

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	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	**¥671**	¥3,637	**$7,137**
Reclassification adjustments for losses included in statements of income	**(425)**	(3,906)	**(4,516)**
Before-tax amounts	**246**	(269)	**2,621**
Tax (expenses) benefits	**(96)**	177	**(1,023)**
Sub-total, net of tax	**¥150**	¥ (92)	**$1,598**
Deferred gains or losses on hedges:			
Gains arising during the year	**¥ 58**	¥ 100	**$ 619**
Reclassification adjustments for gains (losses) included in statements of income	**–**	–	**–**
Before-tax amounts	**58**	100	**619**
Tax expenses	**(22)**	(45)	**(235)**
Sub-total, net of tax	**¥ 36**	¥ 55	**$ 384**
Foreign currency translation adjustments:			
Gains (losses) arising during the year	**¥266**	¥ (37)	**$2,827**
Reclassification adjustments for gains included in statements of income	**–**	28	**–**
Before-tax amounts	**266**	(9)	**2,827**
Tax (expenses) benefits	**–**	–	**–**
Sub-total, net of tax	**¥266**	¥ (9)	**$2,827**
Share of other comprehensive income of associates accounted for using equity method:			
Gains arising during the year	**¥ 8**	–	**$ 83**
Sub-total, net of tax	**¥ 8**	–	**$ 83**
Share of other comprehensive income of associates accounted for using equity method:			
Gains arising during the year	**¥ 27**	¥ 18	**$ 283**
Sub-total, net of tax	**¥ 27**	¥ 18	**$ 283**
Total other comprehensive income	**¥487**	¥ (28)	**$5,175**

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, 2013	March 31, 2012	March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Cash and time deposits	**¥19,669**	¥28,159	**$209,135**
Short-term investment securities	**1,299**	1,600	**13,810**
Deposits paid	**64,478**	36,802	**685,576**
Time deposits with original maturities of more than three months or those submitted as collateral for other current liabilities	**(1,300)**	(1,400)	**(13,822)**
Debt securities and other marketable securities with original maturities of more than three months	**(898)**	(1,499)	**(9,555)**
Cash and cash equivalents	**¥83,248**	¥63,662	**$885,144**

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
Current assets	**¥ 527**
Non-current assets	**1**
Goodwill	**29**
Current liabilities	**(526)**
Others	**1**
Amount of business transferred	**32**
Cash and cash equivalents included in transferred assets	**(201)**
Proceeds from business transferred	**¥ (169)**

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

3. Non-cash investing and financing activities

(1) Capital lease obligations incurred

Capital lease obligations incurred for the years ended March 31, 2013 and 2012 were as follows:

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013
	Millions of yen		Thousands of U.S. dollars (Note 2)
Capital lease obligations incurred	**¥ 869**	¥ 1,586	**$ 10,569**

Notes to Consolidated Financial Statements

(2) 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 for the year ended March 31, 2012 was as follows:

	Millions of yen
Current assets	**¥ 75,418**
Non-current assets	**80,940**
Total assets	**¥156,358**
Current liabilities	**¥ 88,227**
Non-current liabilities	**51,953**
Total liabilities	**¥140,180**

24. Lease transaction

(a) Lessee – Finance leases

Leased assets mainly consist of facilities in head offices and data centers as property and equipment.

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, 2013 and 2012 were disclosed as follows:

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

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Tools, furniture and fixtures:			
Acquisition cost equivalents	**¥127**	¥855	**$1,355**
Accumulated depreciation equivalents	**111**	729	**1,180**
Net carrying value equivalents	**16**	126	**175**
Intangible assets:			
Acquisition cost equivalents	**–**	4	**–**
Accumulated depreciation equivalents	**–**	4	**–**
Net carrying value equivalents	**–**	–	**–**
Total:			
Acquisition cost equivalents	**127**	859	**1,355**
Accumulated depreciation equivalents	**111**	733	**1,180**
Net carrying value equivalents	**¥ 16**	¥126	**$ 175**

2. Lease commitments

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Due within one year	**¥19**	¥118	**$204**
Due over one year	**–**	19	**–**
Total	**¥19**	¥137	**$204**

3. Lease expenses, depreciation equivalents and interest expense equivalents

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Lease expenses	**¥120**	¥299	**$1,276**
Depreciation equivalents	**111**	282	**1,178**
Interest expense equivalents	**¥ 3**	¥ 7	**$ 35**

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.

(b) Lessee – Operating lease

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

	March 31,		March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
As a lessee:			
Due within one year	**¥ 4,060**	¥ 4,144	**$ 43,165**
Due over one year	**17,544**	21,272	**186,541**
Total	**¥21,604**	¥25,416	**$229,706**

Notes to Consolidated Financial Statements

25. Related party transactions

1. Transactions with related parties

Related party transactions during the years ended March 31, 2013 and 2012 were as follows:

(1) Transactions between the Company and related parties

(A) Sumitomo Corporation

	March 31, 2013	March 31, 2012
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 ($2,331,514 thousand)**	¥219,279
Type of business	**Trading company**	Trading company
Percentage of voting shares in the Company (%)	**Direct 51.4%**	Direct 51.5%
Relationship of related party	**Sales of data processing service and software development service**	Sales of data processing service and software development service
Transaction amounts: (Millions of yen)		
Sales of data processing service and software development service*2	**¥13,905 ($147,842 thousand)**	¥14,110
Sale of investment securites*3	**¥1,700 ($18,075 thousand)**	–
Gain on sale of investment securites*3	**¥97 ($1,027 thousand)**	–
Balance at year end: (Millions of yen)		
Accounts receivable-trade	**¥2,583 ($27,468 thousand)**	¥3,033

Note: 1. In the amounts above, consumption taxes were included in the outstanding balances at year end, but not in transaction 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. Sale of investment securities depends on selling price determined in a reasonable way.

(B) Subsidiary of Sumitomo Corporation

	March 31, 2013	March 31, 2012
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 ($1,063 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
Transaction amounts: (Millions of yen)		
Depositing of funds*2	**¥149,300 ($1,587,453 thousand)**	¥217,300
Interest income*2	**¥172 ($1,831 thousand)**	¥123
Balances at year end: (Millions of yen)		
Deposits paid	**¥64,000 ($680,489 thousand)**	¥36,000
Accrued income	**¥20 ($215 thousand)**	¥8

	March 31, 2013	March 31, 2012
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
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
Transaction amounts: (Millions of yen)		
Transferred assets*3	**–**	¥112,865
Transferred liabilities*3	**–**	¥102,487

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 Company took over carrying value of assets and liabilities immediately prior to merger.

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

Not applicable

Notes to Consolidated Financial Statements

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) Information of affiliates

Not applicable

26. Contingent liabilities

There were no material contingent liabilities at March 31, 2013 and 2012.

27. Stock options

Year ended March 31, 2013

1. Amount of income and expenses related to the stock option plans for the year ended March 31, 2013 and the account recorded

Selling, general and administrative expenses: ¥2 million ($19 thousand)

Gain on reversal of subscription right to shares: ¥11 million ($113 thousand)

2. Stock options outstanding for the year ended March 31, 2013 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 49,000 shares	July 27, 2007	¥2,461($26.17)
2007 Stock Option	10 directors 14 executive officers	Common stock 16,400 shares	July 27, 2007	¥1($0.01)
2008 Stock Option	9 directors 13 executive officers	Common stock 50,500 shares	July 29, 2008	¥1,964($20.88)
2008 Stock Option	9 directors 12 executive officers	Common stock 22,900 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($16.63)
2009 Stock Option	9 directors 16 executive officers	Common stock 31,100 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($14.63)
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.

*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.

Notes to Consolidated Financial Statements

Number and movement of stock options

The following tables were based on the stock options which existed for the year ended March 31, 2013. 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, 2012	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding at March 31, 2013	–	–	–	–
Vested:				
Outstanding at April 1, 2012	28,500	8,600	34,500	14,400
Vested	–	–	–	–
Exercised	–	1,200	–	800
Forfeited	28,500	–	16,000	–
Outstanding at March 31, 2013	–	7,400	34,500	13,600

	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, 2012	–	–	50,000	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	50,000	–
Outstanding at March 31, 2013	–	–	–	–
Vested:				
Outstanding at April 1, 2012	53,500	27,800	–	45,400
Vested	–	–	50,000	–
Exercised	3,700	1,100	10,000	3,200
Forfeited	–	–	–	–
Outstanding at March 31, 2013	49,800	26,700	40,000	42,200

3. Price information of stock options for the year ended March 31, 2013

	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)	–	1,603	–	1,557
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)	1,766	1,557	1,768	1,603
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)	$26	$0.01	$21	$0.01
Average market price of the stock at the time of exercise (U.S. dollar)	–	17	–	17
Fair valuation price (date of grant) (U.S. dollar)	$ 4	$ 23	$ 4	$ 19

	2009 Stock Option	2009 Stock Option	2010 Stock Option	2010 Stock Option
Exercise price (U.S. dollar)	$17	$0.01	$15	$0.01
Average market price of the stock at the time of exercise (U.S. dollar)	19	17	19	17
Fair valuation price (date of grant) (U.S. dollar)	$ 4	$ 14	$ 3	$ 12

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.

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

Gain on reversal of subscription right to shares: ¥7 million

2. Stock options outstanding for the year ended 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 49,000 shares	July 27, 2007	¥2,461
2007 Stock Option	10 directors 14 executive officers	Common stock 16,400 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 22,900 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

Notes to Consolidated Financial Statements

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 for the year ended 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 for the year ended 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

Notes to Consolidated Financial Statements

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.

28. Segment information

1. Summary of reportable segments

The Company designates its reportable segments according to the business divisions as organizational units. The Board of Directors and the Chairman & COO decide 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.

The Company's business groups are arranged by IT service business area in consideration of client characteristics. Each business division plans and pursues its activities under a company-wide business strategy as it relates to its own service area. Based on this arrangement, eight reportable segments have been designated: Industrial Systems business, Financial Systems business, Global Systems business, Business Solutions and Cross-Functional business, Business Services, IT Management, IT Platform Solutions, and Prepaid Card business.

Businesses not included within the above are presented in the aggregate as "Others."

Below is an overview of the business activities of each of the reportable segments.

(1) Industrial Systems business: This business group manages manufacturing, communication, distribution, media, and service industries, all of which based on advanced SI capabilities and business know-how. It offers the Company's self-developed ERP package, "ProActive," and a variety of other solutions pertaining to SCM, CRM, EDI, BI, enterprise systems, information systems and EC websites.

(2) Financial Systems business: This business group supplies system services for banks, brokerages, insurance companies, and a variety of other financial business extending to credit card issuers and sales finance companies, utilizing experience and technological capabilities built up over years of experience with financial industry clientele.

(3) Global Systems business: This business group offers IT services, including local site support, for companies which operate their business around the world. It draws on expertise and experience accumulated over years in providing support to such globally active clients as Sumitomo Corporation.

(4) Business Solutions and Cross-Functional business: This business group offers ERP solutions centered on "SAP ERP" from SAP and "Oracle EBS" from Oracle, along with such peripheral solutions relating to CRM, IT governance and BI.

(5) Business Services: This business group offers a full range of business services, including technical support, customer support, help desk operation, telephone sales support and data entry, software verification/testing services, and a full range of fulfillment services, from EC site configuration and installation to back office operations and logistics.

(6) IT Management: This business group operates ten domestic netXDC solution-oriented data centers, known for the robustness of their facilities and the sophistication of their security controls. From these data centers it provides solutions-driven outsourcing services to meet a full range of client needs, including operational cost reduction, infrastructure integration and optimization, governance intensification and project continuity, infrastructural support for a variety of cloud computing options (private, public and hybrid), and a variety of other IT services, including website management and 24/7/365 SE support.

(7) IT Platform Solutions: This business group provides a wide range of products and advanced engineering services, including server storage devices, high performance computing (HPC) hardware and software, network switches and routers, VoIP products, IP telephony systems, communications/CATV devices, security-related products and data conversion tools.

(8) Prepaid Card business: This business group provides issuing and settlement services for prepaid cards, develops and markets card systems, etc.

In conjunction with the partial change in segment classification beginning with the fiscal year under review, segment sales, profits or losses, assets and other items have been restated within the Company's consolidated financial statements for the previous fiscal year.

2. Calculation of sales, profits or losses, assets and other items 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 segment

Segment data for the years ended March 31, 2013 and 2012 were as follows:

	Year ended March 31, 2013					
	Reportable Segment					
	Industrial Systems business	Financial Systems business	Global Systems business	Business Solutions and Cross-Functional business	Business Services	IT Management
	Millions of yen					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**¥65,834**	**¥51,855**	**¥12,809**	**¥16,468**	**¥31,208**	**¥38,391**
Inter-segment sales and transfers	**2,650**	**269**	**1,260**	**4,039**	**1,372**	**8,405**
Total	**68,484**	**52,124**	**14,069**	**20,507**	**32,580**	**46,796**
Segment profits or losses	**5,073**	**4,731**	**2,040**	**1,322**	**996**	**3,144**
Segment assets	**25,932**	**18,276**	**5,084**	**6,030**	**12,540**	**40,209**
Other items						
Depreciation and amortization	**769**	**211**	**126**	**418**	**330**	**2,625**
Investments in equity-method affiliates	**162**	**–**	**–**	**–**	**78**	**117**
Net increase in tangible / intangible assets	**¥ 1,099**	**¥ 173**	**¥ 34**	**¥ 195**	**¥ 261**	**¥ 6,864**

Notes to Consolidated Financial Statements

	Year ended March 31, 2013					
	Reportable Segment					Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card business	Others	Total	Adjustments	
	Millions of yen					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**¥58,028**	**¥3,302**	**¥ 739**	**¥278,634**	**¥ –**	**¥278,634**
Inter-segment sales and transfers	**5,426**	**137**	**18**	**23,576**	**(23,576)**	**–**
Total	**63,454**	**3,439**	**757**	**302,210**	**(23,576)**	**278,634**
Segment profits or losses	**3,617**	**572**	**245**	**21,740**	**(936)**	**20,804**
Segment assets	**22,171**	**48,231**	**6,142**	**184,615**	**138,214**	**322,829**
Other items						
Depreciation and amortization	**482**	**79**	**178**	**5,218**	**1,472**	**6,690**
Investments in equity-method affiliates	**3,356**	**–**	**–**	**3,713**	**–**	**3,713**
Net increase in tangible / intangible assets	**¥ 415**	**¥ 37**	**¥ –**	**¥ 9,078**	**¥ 754**	**¥ 9,832**

	Year ended March 31, 2013					
	Reportable Segment					
	Industrial Systems business	Financial Systems business	Global Systems business	Business Solutions and Cross-Functional business	Business Services	IT Management
	Thousands of U.S. dollars (Note 2)					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**$699,991**	**$551,356**	**$136,197**	**$175,098**	**$331,828**	**$408,196**
Inter-segment sales and transfers	**28,178**	**2,864**	**13,399**	**42,948**	**14,592**	**89,364**
Total	**728,169**	**554,220**	**149,596**	**218,046**	**346,420**	**497,560**
Segment profits or losses	**53,939**	**50,306**	**21,686**	**14,058**	**10,592**	**33,432**
Segment assets	**275,725**	**194,324**	**54,062**	**64,113**	**133,333**	**427,532**
Other items						
Depreciation and amortization	**8,172**	**2,239**	**1,345**	**4,442**	**3,511**	**27,911**
Investments in equity-method affiliates	**1,723**	**–**	**–**	**–**	**830**	**1,248**
Net increase in tangible / intangible assets	**$ 11,686**	**$ 1,838**	**$ 360**	**$ 2,077**	**$ 2,772**	**$ 72,980**

	Year ended March 31, 2013					
	Reportable Segment					Amount recorded in the consolidated financial statements
	IT Platform Solutions	Prepaid Card business	Others	Total	Adjustments	
	Thousands of U.S. dollars (Note 2)					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	**$616,996**	**$ 35,112**	**$ 7,844**	**$2,962,618**	**$ –**	**$2,962,618**
Inter-segment sales and transfers	**57,696**	**1,453**	**181**	**250,675**	**(250,675)**	**–**
Total	**674,692**	**36,565**	**8,025**	**3,213,293**	**(250,675)**	**2,962,618**
Segment profits or losses	**38,460**	**6,083**	**2,598**	**231,154**	**(9,957)**	**221,197**
Segment assets	**235,734**	**512,821**	**65,304**	**1,962,947**	**1,469,575**	**3,432,522**
Other items						
Depreciation and amortization	**5,124**	**839**	**1,893**	**55,477**	**15,658**	**71,135**
Investments in equity-method affiliates	**35,681**	**–**	**–**	**39,482**	**–**	**39,482**
Net increase in tangible / intangible assets	**$ 4,413**	**$ 399**	**$ –**	**$ 96,524**	**$ 8,015**	**$ 104,539**

Note: 1. Adjustments were as follows:
(1) The adjustment of ¥ (936) million ($ (9,957) thousand) to segment profits or losses represented general corporate expenses that were not allocated to a reportable segment.
(2) The adjustment of ¥138,214 million ($1,469,575 thousand) to segment assets represented corporate assets that were not allocated to a reportable segment.
(3) The adjustment of ¥1,472 million ($15,658 thousand) to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.
(4) The adjustment of ¥754 million ($8,015 thousand) to net increase in tangible/intangible 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.

	Year ended March 31, 2012					
	Reportable Segment					
	Industrial Systems business	Financial Systems business	Global Systems business	Business Solutions and Cross-Functional business	Business Services	IT Management
	Millions of yen					
Sales, profits or losses and assets by reportable segments						
Net sales:						
Sales to third parties	¥47,726	¥31,516	¥12,142	¥10,026	¥15,592	¥25,120
Inter-segment sales and transfers	2,804	113	380	1,955	548	4,823
Total	50,531	31,629	12,522	11,982	16,140	29,943
Segment profits or losses	2,967	2,742	1,741	273	208	2,359
Segment assets	24,631	16,028	4,583	4,806	11,673	36,841
Other items						
Depreciation and amortization	1,304	196	117	309	191	1,499
Investments in equity-method affiliates	143	–	–	–	6	88
Net increase in tangible / intangible assets	¥ 1,139	¥ 146	¥ 106	¥ 33	¥ 110	¥ 4,193

Notes to Consolidated Financial Statements

	Year ended March 31, 2012					
	Reportable Segment					
	IT Platform solutions	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	¥55,759	¥ 1,723	¥ 722	¥200,327	¥ –	¥200,327
Inter-segment sales and transfers	3,187	96	13	13,919	(13,919)	–
Total	58,946	1,819	735	214,246	(13,919)	200,327
Segment profits or losses	2,802	431	261	13,784	(904)	12,880
Segment assets	22,455	52,791	6,813	180,621	120,307	300,929
Other items						
Depreciation and amortization	697	33	173	4,519	862	5,380
Investments in equity-method affiliates	3,181	–	298	3,716	–	3,716
Net increase in tangible / intangible assets	¥ 527	¥ 61	¥ –	¥ 6,315	¥ 1,619	¥ 7,934

Note: 1. Adjustments were as follows:
(1) The adjustment of ¥ (904) million to segment profits or losses represented general corporate expenses that were not allocated to a reportable segment.
(2) The adjustment of ¥120,307 million to segment assets represented corporate assets that were not allocated to a reportable segment.
(3) The adjustment of ¥862 million to depreciation and amortization represented charges to corporate assets that were not allocated to a reportable segment.
(4) The adjustment of ¥1,619 million to net increase in tangible/intangible 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.

4. Related Information

(1) Information about products and services

Sales data by products and services for the years ended March 31, 2013 and 2012 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, 2013 and 2012 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, 2013 and 2012 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, 2013 and 2012 were as follows:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Sales to Sumitomo Corporation	**¥13,905**	¥14,112	**$147,842**

Note: Amounts of sales to customers that belonged to the same group as that of Sumitomo Corporation were not included in the 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, 2013 and 2012 were as follows:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Industrial Systems business	**¥ –**	¥ –	**$ –**
Financial Systems business	**–**	–	**–**
Global Systems business	**–**	–	**–**
Business Solutions and Cross-Functional business	**–**	–	**–**
Business Services	**–**	–	**–**
IT Management	**–**	–	**–**
IT Platform Solutions	**–**	471	**–**
Prepaid Card business	**–**	–	**–**
Others	**–**	–	**–**
Corporate assets and Eliminations	**125**	1,700	**1,330**
Total	**¥125**	¥2,171	**$1,330**

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, 2013 and 2012 were as follows:

	Year ended March 31,		Year ended March 31,
	2013	2012	**2013**
	Millions of yen		Thousands of U.S. dollars (Note 2)
Amortization:			
Industrial Systems business	**¥ –**	¥ –	**$ –**
Financial Systems business	**23**	23	**242**
Global Systems business	**3**	3	**31**
Business Solutions and Cross-Functional business	**–**	–	**–**
Business Services	**21**	–	**220**
IT Management	**3**	3	**29**
IT Platform Solutions	**45**	45	**473**
Prepaid Card business	**–**	–	**–**
Others	**16**	16	**180**
Corporate assets and Eliminations	**–**	–	**–**
Total	**¥111**	¥90	**$1,175**
Remaining balance:			
Industrial Systems business	**¥ –**	¥ –	**$ –**
Financial Systems business	**8**	30	**81**
Global Systems business	**1**	4	**9**
Business Solutions and Cross-Functional business	**–**	–	**–**
Business Services	**83**	103	**879**
IT Management	**2**	5	**22**
IT Platform Solutions	**192**	236	**2,038**
Prepaid Card business	**–**	–	**–**
Others	**58**	76	**628**
Corporate assets and Eliminations	**–**	–	**–**
Total	**¥344**	¥454	**$3,657**

29. Business combination

For the year ended March 31, 2012

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 large corporation in IT service industry, makes the Company being fully armed global IT service company and the Company is aiming for being a leading company of developing tomorrow in the industry. This is the purpose that the companies determined to merge.

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
Total assets	¥112,865
Total liabilities	¥102,487

30. Subsequent events

There are no significant subsequent events.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of SCSK Corporation:

We have audited the accompanying consolidated financial statements of SCSK Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, 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 SCSK Corporation and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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 31, 2013
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

Apr 2012
Abolished the internal company system and integrated the Operation Divisions

Oct 2011
Sumisho Computer Systems Corporation merged with CSK Corporation, with SCS as the surviving company and the new company named SCSK Corporation

SCSK Corporation

Oct 2010
Shifted from a pure holding company to an operating holding company
Several Group companies merged with CSK Holdings Corporation, the surviving company name was changed to CSK Corporation

Jul 2009
Established CSK ServiceWare through the merger of Business Process Outsourcing (BPO) service businesses of eight Group companies

Dec 2006
Acquired data center facilities in Sanda, Hyogo

Oct 2005
Shifted to a holding company structure, company name was changed to CSK Holdings Corporation

Feb 2003
Established CSK Systems (Dalian) Co., Ltd.

Oct 2002
Data Center opened in Inzai, Chiba

Oct 1996
Established CSK Systems (Shanghai) Co., Ltd.

Jan 1987
Company name changed to CSK Corporation

Mar 1985
Shifted to the First Section of the Tokyo Stock Exchange

Jun 1982
Listed in the Second Section of the Tokyo Stock Exchange

Oct 1968
Computer Services Corporation established

CSK Corporation

Mar 2007
Established Sumisho Computer Systems (Dalian) Co., Ltd.

Feb 2007
Established Sumisho Computer Systems (Shanghai) Ltd.

Aug 2005
Merged with Sumisho Electronics Co., Ltd.

Oct 1992
Company name changed to Sumisho Computer Systems Corporation

Sep 1991
Listed on the First Section of the Tokyo Stock Exchange

May 1990
Established Sumisho Computer Service (Europe) Ltd. (now SUMISHO COMPUTER SYSTEMS (EUROPE) LTD.)

Feb 1989
Shifted to the Second Section of the Tokyo Stock Exchange

Oct 1987
Established Sumisho Computer Service (USA), Inc. (now Sumisho Computer Systems (USA), Inc.)

Oct 1969
Sumisho Computer Service Corporation established

Sumisho Computer Systems Corporation

Corporate Data

Corporate Data (As of March 31, 2013)

- **Established** October 25, 1969
- **Capital** 21,152 million yen
- **Total number of employees** Consolidated: 11,797
- **Head office** Toyosu Front, 3-2-20, Toyosu, Koto-ku, Tokyo 135-8110, Japan
  TEL : +81-3-5166-2500
  URL: http://www.scsk.jp/index_en.html

Investor Information (As of March 31, 2013)

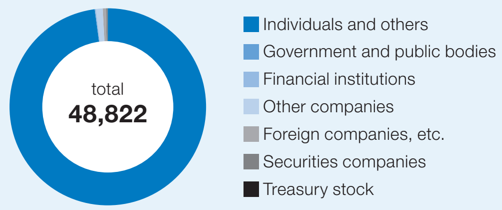
Stock/Shareholder information

Class of stock	Number of shares authorized	Number of shares issued	Number of shareholders
common stock	200,000,000	107,986,403 (including treasury stock of 4,063,884 shares)	48,822

- **Stock listing** First Section of the Tokyo Stock Exchange
- **Stock code** 9719
- **Stock trading unit** 100
- **Shareholder registrar** Sumitomo Mitsui Trust Bank, Limited
- **Independent certified public accountants** KPMG AZSA LLC

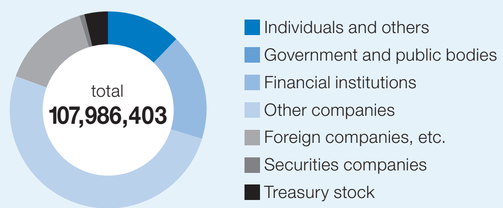
Distribution of shareholders (Common stock)

Shareholder composition



Type of investor	Number of investors	Composition
Individuals and others	47,914	98.16%
Government and public bodies	1	0.00%
Financial institutions	46	0.09%
Other companies	518	1.06%
Foreign companies, etc.	287	0.58%
Securities companies	55	0.11%
Treasury stock	1	0.00%
Total	48,822	100.00%

Distribution of shares



Type of investor	Number of stocks	Composition
Individuals and others	13,223,768	12.24%
Government and public bodies	48	0.00%
Financial institutions	19,078,054	17.66%
Other companies	54,931,459	50.89%
Foreign companies, etc.	15,791,408	14.62%
Securities companies	897,782	0.83%
Treasury stock	4,063,884	3.76%
Total	107,986,403	100.00%

Major shareholders

	Name of shareholder	Number of shares held	Shareholding ratio
1	Sumitomo Corporation	52,697,159	50.71%
2	Japan Trustee Services Bank, Ltd. (Trust account)	6,000,100	5.77%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	4,452,500	4.28%
4	Shareholding Commission of Employees in SCSK Group	2,794,985	2.69%
5	Sumitomo Mitsui Trust Bank, Limited	1,501,300	1.44%
6	Japan Trustee Services Bank, Ltd. (Trust account 9)	1,129,500	1.09%
7	ARGO GRAPHICS Inc.	1,015,500	0.98%
8	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	915,812	0.88%
9	The Nomura Trust and Banking Co., Ltd. (Investment trust account)	778,300	0.75%
10	BNYML-NON TREATY ACCOUNT	747,400	0.72%

Note: The Company owns 4,063,884 shares of treasury stock, but is excluded from the major shareholders listed above.

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