

## Financial Report for the Fiscal Year 2006, Ended 31<sup>st</sup> March, 2006 (Non-Consolidated)

### CSK HOLDINGS CORPORATION <http://www.csk.com/>

Listings: The First Section of the Tokyo Stock Exchange, Code 9737  
 Head Office: CSK Aoyama Bldg., 2-26-1, Minami-Aoyama, Minato-ku, Tokyo 107-0062  
 Date of the Meeting of the Board of Directors to Settle Accounts: 9<sup>th</sup> May, 2006  
 Date of the Dividends Payment Beginning Expected: 29<sup>th</sup> June, 2006  
 Date of the Ordinary General Meeting of Shareholders: 28<sup>th</sup> June, 2006  
 The company has a policy of paying interim dividends.

#### 1. Business Results for the Fiscal Year 2006 (From 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006)

##### (1) Results of operations (Figures are rounded down to the nearest million yen)

	Sales and operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year 2006	59,807	(56.8)	2,529	(65.8)	6,206	(46.2)	22,563	(32.6)
Fiscal year 2005	138,365	(5.5)	7,400	(6.2)	11,532	14.6	33,469	80.7

  

	Net income per share	Diluted net income per share	Ratio of net income / Shareholders' equity	Ratio of ordinary income / Total assets	Ratio of ordinary income / Sales and operating revenue
	yen	yen	%	%	%
Fiscal year 2006	302.75	286.51	14.4	2.2	10.4
Fiscal year 2005	440.33	416.94	24.5	4.3	8.3

Notes: 1. Average number of shares outstanding in fiscal year

Fiscal year 2006: 74,386,543 shares    Fiscal year 2005: 75,913,245 shares

2. Change in accounting policies: None

3. Percentages for Sales and operating revenue, Operating income, Ordinary income and Net income indicate changes from the previous term

##### (2) Dividends

	Annual dividends per share			Total dividends paid	Dividends payout ratio	Ratio of dividends / Shareholders' equity
	Interim	End of the period				
	yen	yen	yen	million yen	%	%
Fiscal year 2006	40.00	-	40.00	2,945	13.2	1.8
Fiscal year 2005	17.00	-	17.00	1,282	3.9	0.9

Note: Annual dividends per share at the end of fiscal year

Common dividends 40.00 yen

##### (3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
Fiscal year 2006	288,996	163,862	56.7	2,224.36
Fiscal year 2005	269,780	149,455	55.4	1,980.89

Notes: 1. Number of shares outstanding at the end of fiscal year

Fiscal year 2006: 73,648,159 shares    Fiscal year 2005: 75,427,445 shares

2. Number of shares of treasury stock at the end of the period

Fiscal year 2006: 4,143,833 shares    Fiscal year 2005: 1,305,839 shares

#### 2. Earnings Forecast for the Fiscal Year 2007 (From 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007)

	Operating revenue	Ordinary income	Net income	Annual dividends per share		
				Interim	End of the period	
	million yen	million yen	million yen	yen	yen	yen
Interim	11,500	8,500	8,300	20.00	-	-
Full-year	15,500	10,200	10,000	-	20.00	40.00

Reference) Expected Net income per share (full-year basis): 135.78 yen

\* On 1<sup>st</sup> October, 2005, CSK CORPORATION shifted to a holding company structure. Accordingly, operating result and financial position of this fiscal year differ from the previous year. Since descriptions about future events, for instance, earnings forecast for March, 2007 are estimation, results may differ from this estimation due to changes of several economic conditions.

\* This financial report has been translated from the Japanese "Kessan Tanshin (including attachments)", which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purposes only.

## Non-Consolidated Balance Sheets

(millions of yen)

Account	Fiscal year 2005 (As of 31 <sup>st</sup> Mar, 2005)		Fiscal year 2006 (As of 31 <sup>st</sup> Mar, 2006)		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	Change
Assets		%		%		%
I Current assets						
1 Cash and time deposits	52,165		54,280		2,114	
2 Notes receivable	20		-		(20)	
3 Accounts receivable	24,518		66		(24,452)	
4 Operating account receivable	-		756		756	
5 Inventories	283		-		(283)	
6 Systems in progress	4,526		-		(4,526)	
7 Prepaid expenses	603		334		(269)	
8 Deferred income taxes	6,942		2,457		(4,484)	
9 Short-term loans receivable	55		-		(55)	
10 Short-term loans to subsidiaries and affiliates	30,872		40,382		9,510	
11 Other accounts receivable	2,992		9,596		6,603	
12 Other current assets	4,262		1,119		(3,143)	
Allowance for doubtful accounts	(39)		(35)		3	
Total current assets	127,205	47.2	108,958	37.7	(18,246)	(14.3)
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings	15,774		7,450		(8,324)	
(2) Structures	177		120		(57)	
(3) Vehicle	0		0		(0)	
(4) Computer and other equipment	1,973		853		(1,119)	
(5) Land	8,382		8,788		406	
(6) Construction in progress	2		2		0	
Total tangible fixed assets	26,311	9.7	17,216	6.0	(9,094)	(34.6)
2 Intangible fixed assets						
(1) Land leasehold	10,261		-		(10,261)	
(2) Trademark rights	-		5		5	
(3) Software	415		79		(336)	
(4) Telephone subscription rights	89		-		(89)	
(5) Other intangible fixed assets	82		0		(82)	
Total intangible fixed assets	10,848	4.0	85	0.0	(10,763)	(99.2)
3 Investments and other assets						
(1) Investments in securities	7,534		31,742		24,208	
(2) Investments in subsidiaries and affiliates	74,460		106,033		31,572	
(3) Long-term loans receivable	14		14		(0)	
(4) Long-term loans to employees	473		-		(473)	
(5) Long-term loans to subsidiaries and affiliates	4,111		25,005		20,894	
(6) Prepaid pension costs	4,214		-		(4,214)	
(7) Deferred income taxes	9,292		-		(9,292)	
(8) Fixed leasehold deposits	7,328		3,000		(4,327)	
(9) Others	1,500		1,179		(321)	
Allowance for investment loss	(2,740)		-		2,740	
Allowance for doubtful accounts	(774)		(4,240)		(3,465)	
Total investments and other assets	105,415	39.1	162,735	56.3	57,319	54.4
Total fixed assets	142,575	52.8	180,037	62.3	37,462	26.3
Total assets	269,780	100.0	288,996	100.0	19,215	7.1

(millions of yen)

Account	Fiscal year 2005 (As of 31 <sup>st</sup> Mar, 2005)		Fiscal year 2006 (As of 31 <sup>st</sup> Mar, 2006)		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	Change
Liabilities		%		%		%
I Current liabilities						
1 Accounts payable	11,624		16		(11,608)	
2 Short-term bank loans payable	1,000		1,000		-	
3 Current portion of long-term bank loans payable	6,000		4,500		(1,500)	
4 Accounts payable-other	2,042		1,654		(387)	
5 Accrued expenses	2,957		1,383		(1,574)	
6 Accrued income taxes	670		6,474		5,804	
7 Consumption taxes payable	402		-		(402)	
8 Customer advances	1,405		440		(964)	
9 Deposits received	21,202		41,715		20,512	
10 Deferred revenue	14		-		(14)	
11 Accrued bonuses to employees	3,352		98		(3,254)	
12 Allowance for anticipated losses on contracts	1,215		-		(1,215)	
13 Allowance for relocation loss	95		-		(95)	
Total current liabilities	51,984	19.3	57,283	19.8	5,299	10.2
II Long-term liabilities						
1 Corporate bonds payable	40,000		40,000		-	
2 Convertible bonds payable	23,000		23,000		-	
3 Long-term bank loans payable	4,500		-		(4,500)	
4 Deferred tax liabilities	-		1,947		1,947	
5 Accrued employees' retirement benefits	-		0		0	
6 Accrued directors' retirement benefits	113		113		-	
7 Guarantee deposits received	727		2,788		2,060	
Total long-term liabilities	68,340	25.3	67,850	23.5	(490)	(0.7)
Total liabilities	120,325	44.6	125,133	43.3	4,808	4.0
Shareholders' equity						
I Common stock	69,490	25.8	71,523	24.7	2,033	2.9
II Capital surplus						
1 Additional paid-in capital	25,136		27,169		2,033	
2 Other capital retained earnings	7,086		7,075		(11)	
Total capital surplus	32,223	11.9	34,245	11.9	2,022	6.3
III Retained earnings						
1 Legal reserve	62		62		-	
2 Voluntary reserve	17,321		48,821		31,500	
3 Unappropriated retained earnings	34,766		24,505		(10,261)	
Total retained earnings	52,150	19.3	73,389	25.4	21,238	40.7
IV Unrealized gains on securities	1,207	0.5	4,330	1.5	3,122	258.7
V Treasury stock, at cost	(5,615)	(2.1)	(19,625)	(6.8)	(14,010)	-
Total shareholders' equity	149,455	55.4	163,862	56.7	14,406	9.6
Total liabilities and shareholders' equity	269,780	100.0	288,996	100.0	19,215	7.1

## Non-Consolidated Statements of Income

(millions of yen)

Account	Period	Fiscal year 2005 From 1 <sup>st</sup> Apr, 2004 To 31 <sup>st</sup> Mar, 2005		Fiscal year 2006 From 1 <sup>st</sup> Apr, 2005 To 31 <sup>st</sup> Mar, 2006		Increase (Decrease)	
		Amount	Ratio to Sales and operating revenue	Amount	Ratio to Sales and operating revenue	Amount	Change
I Sales and operating revenue		138,365	100.0	55,847	93.4	(82,518)	(59.6)
II Operating costs		115,384	83.4	44,923	75.1	(70,460)	(61.1)
Gross profit		22,981	16.6	10,923	18.3	(12,057)	(52.5)
III Selling, general and administrative expenses		15,580	11.3	8,761	14.7	(6,819)	(43.8)
IV Operating revenue		-	-	3,959	6.6	3,959	-
V Operating expenses		-	-	3,592	6.0	3,592	-
Operating income		7,400	5.3	2,529	4.2	(4,871)	(65.8)
VI Non-operating income		5,825	4.2	4,681	7.8	(1,143)	(19.6)
1 Interest income		1,291		1,467		176	
2 Dividend income		2,028		2,369		340	
3 Gain on sales of investments in securities		1,713		-		(1,713)	
4 Income from investments in partnerships		472		-		(472)	
5 Others, net		318		844		525	
VII Non-operating expenses		1,692	1.2	1,004	1.7	(688)	(40.7)
1 Interest expenses		266		187		(78)	
2 Interest on corporate bonds		352		352		0	
3 Provision for accrued employees' retirement benefits		253		126		(126)	
4 Transfer agent commission		-		179		179	
5 Loss on cancellation of leases		408		-		(408)	
6 Others, net		411		157		(254)	
Ordinary income		11,532	8.3	6,206	10.3	(5,326)	(46.2)
VIII Extraordinary gains		47,054	34.0	34,958	58.5	(12,095)	(25.7)
1 Gain on sales of fixed assets		15		15,455		15,439	
2 Gain on sales of investments in securities		10,568		-		(10,568)	
3 Gain on sales of investments in subsidiaries and affiliates		36,079		19,288		(16,791)	
4 Others, net		390		215		(175)	
IX Extraordinary losses		9,767	7.0	7,166	12.0	(2,600)	(26.6)
1 Loss on disposal of fixed assets		76		209		133	
2 Loss on write-down of fixed assets		3,589		-		(3,589)	
3 Loss on impairment of fixed assets		-		1,578		1,578	
4 Loss on write-down of investments in securities		2,069		-		(2,069)	
5 Provision for allowance for investment loss		2,740		-		(2,740)	
6 Loss on relocation of datacenter		-		740		740	
7 Loss on cancellation of system development		-		807		807	
8 Provision for allowance for doubtful accounts		14		3,535		3,520	
9 Others, net		1,276		295		(981)	
Income before income taxes		48,819	35.3	33,998	56.8	(14,821)	(30.4)
Income taxes : Current		(1,372)	(1.0)	(410)	(0.7)	962	-
Income taxes : Deferred		16,723	12.1	11,845	19.8	(4,877)	(29.2)
Net income		33,469	24.2	22,563	37.7	(10,905)	(32.6)
Retained earnings at the beginning		1,297		1,942		644	
Unappropriated retained earnings		34,766		24,505		(10,261)	

Note : CSK CORPORATION was separated into two companies, CSK HOLDINGS CORPORATION and CSK SYSTEMS CORPORATION on 1<sup>st</sup> October, 2005. "I Sales and operating revenue", "II Operating costs" and "III Selling, general and administrative expenses" are revenue and expenses of ex-CSK CORPORATION for the six months ended 30<sup>th</sup> September, 2005. "IV Operating revenue" and "V Operating expenses" are revenue and expenses of the CSK HOLDINGS CORPORATION, a holding company, for the six months ended 31<sup>st</sup> March, 2006.

## **Significant Accounting Policies of Non-Consolidated Financial Statements**

### **1. Valuation basis and valuation method for Marketable securities and Investments in securities**

- |  |   |
|--|---|
| (1) Held-to-maturity bonds:                | Amortized cost method   |
| (2) Shares of subsidiaries and affiliates: | Cost method based on the moving average-method  |
| (3) Available-for-sale securities          |   |
| With market value:                         | Market value method<br>(Unrealized gains and losses are reported in the shareholders' equity section of the non-consolidated balance sheets. Sales cost is calculated using the moving-average method.) |
| Without market value:                      | Cost method based on the moving-average method  |

### **2. Valuation basis and valuation method for Inventories and Systems in progress**

- |                          |   |
|--------------------------|---|
| (1) Inventories:         | Cost method based on specific identification method |
| (2) Systems in progress: | Cost method based on specific identification method |

### **3. Depreciation method for Fixed assets**

- |                                       |   |
|---------------------------------------|---|
| (1) Tangible fixed assets:            | Declining balance method<br>Buildings and structures: 2-50 years<br>Computer and other equipment: 2-20 years<br>For the depreciation of buildings (excluding structures), which have been acquired since 1 <sup>st</sup> April 1998, the straight-line method is adopted. |
| (2) Intangible fixed assets           |   |
| Land leasehold (Term land leasehold): | Straight-line method based on contract period   |
| Internal use software:                | Straight-line method based on the period available (within 5 years) in the company  |
| Others:                               | Straight-line method  |

### **4. Deferred assets**

Costs associated with issuance of common shares are expensed as incurred.

### **5. Allowances**

- |   |  |
|---|--|
| (1) Allowance for doubtful accounts:                | Allowance for doubtful accounts is maintained for the amounts deemed uncollectible based on solvency analyses and for estimated delinquency based on collection rates projected from historical credit loss experiences, and for the amounts to cover specific accounts that are estimated to be uncollectible.  |
| (2) Allowance for investment loss:                  | Allowance for investment loss is maintained by considering financial conditions of subsidiaries.   |
| (3) Accrued bonuses to employees:                   | Accrued bonuses to employees represents bonuses to employees expected to be paid for their services rendered prior to the balance sheets date.   |
| (4) Allowance for anticipated losses on contracts : | Allowance for anticipated losses on contracts represents anticipated entire losses to be incurred related to software development and facilities management when the contract revenue and cost indicate a loss.  |
| (5) Allowance for relocation loss:                  | Allowance for relocation loss is calculated based on the estimated losses on the disposal of fixed assets, recovery expenses and other relocation losses.  |
| (6) Accrued employees' retirement benefits:         | Accrued employees' retirement benefits are calculated based on the estimated retirement obligations less estimated plan assets at the balance sheets date.<br>Net transition amount at adoption of new accounting standard for the retirement benefits is amortized over 15 years using the straight-line method.<br>Unrecognized actuarial net loss will be amortized using the straight-line method over the average remaining service period (12 years) and amortization will be started from the next fiscal year of the fiscal year when it occurred. |
| (7) Accrued directors' retirement benefits:         | Accrued directors' retirement benefits in amounts is equivalent to the liability the Company would have been required to pay upon directors' retirement at the balance sheets date in accordance with internal rules.<br>However the Company is not increasing the required amounts after the general meeting of shareholders of 26 <sup>th</sup> June, 2003 holding, due to revise internal rules.  |

## 6. Lease transactions

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

## 7. Other accounting standards

(1) Consumption tax accounting:

Consumption taxes are not included in the amounts in the non-consolidated statements of operations, but recorded in other current liabilities as offset amounts.

(2) Consolidated tax system:

Consolidated tax system is adopted.

## Change in accounting policies

### Accounting standard for impairment of fixed assets

Effective 1<sup>st</sup> April, 2005, the Company adopted a new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on 9<sup>th</sup> August, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on 31<sup>st</sup> October, 2003).

This change is due to the application of these accounting standards at this fiscal year.

As the result of adopting the Standards initially for the fiscal year ended 31<sup>st</sup> March, 2006, "Income before income taxes" for the period has been decreased by ¥1,578 million due to the loss on impairment of fixed assets.

Accumulated total of loss on impairment of fixed assets were deducted directly from the balance of each fixed asset.

## Change in Method of Presentation

### Non-consolidated balance sheets

- 1."Short-term loans receivable", ¥1 million, which has been expressed independently under "Current assets" in previous fiscal year is included in "Others" under "Current assets" because it is immaterial to the non-consolidated balance sheets as a whole.
- 2."Long-term loans to employees", ¥15 million, which has been expressed independently under "Investments and other assets" in previous fiscal year is included in "Others" under "Investments and other assets" because it is immaterial to the non-consolidated balance sheets as a whole.

### Non-consolidated statements of income

- 1."Income from investments in partnerships", ¥157 million, which has been expressed independently under "Non-operating income" in previous fiscal year is included in "Others, net" under "Non-operating income" because it is immaterial to the non-consolidated statements of income as a whole.
- 2."Transfer agent commission", which has been included in "Others, net" under "Non-operating expenses", ¥162 million, in previous fiscal year is expressed independently because it is material to the non-consolidated statements of income as a whole.
- 3."Loss on write-down of investments in securities", ¥5 million, which has been expressed independently under "Extraordinary losses" in previous fiscal year is included in "Others, net" under "Extraordinary losses" because it is immaterial to the non-consolidated statements of income as a whole.

## Additional information

### Subsequent event: Tax adjustment

On 1<sup>st</sup> August, 2005, the Tokyo Regional Taxation Bureau notified the Company of a corporate tax adjustment relating to the appraisal value of subsidiary companies involved in Group reorganization for the fiscal year ended 31<sup>st</sup> March, 2004.

The Company do not accept the basis for this adjustment, and on 9<sup>th</sup> August, 2005 lodged an objection with the Tokyo Regional Taxation Bureau. At this stage the Company are not in receipt of any reply from the Tokyo Regional Taxation Bureau to our written statement of opposition.

If all the elements of the tax adjustment notification were reflected in the consolidated financial results for the fiscal year ended 31<sup>st</sup> March, 2006, the impact would be to reverse the Company's deferred tax assets by approximately ¥2.1 billion.

### Shift of operating result and financial position

On 1<sup>st</sup> October, 2005, CSK CORPORATION shifted to a holding company structure. Accordingly, operating result and financial position of this fiscal year differ from the previous year.

## Notes to Non-Consolidated Financial Statements

### Non-consolidated balance sheets

1. Accumulated depreciation of tangible fixed assets	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
	19,293	11,472
2. Pledged assets	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
Other current assets (Marketable securities)	9	10
Note: Based on Article 25 of Building Lots and Buildings Transaction Business Law, "Investments in securities" and "Other current assets (Marketable securities) " above have been pledged as collateral to secure dealings.		
3. Major assets and liabilities of subsidiaries and affiliates	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
Other accounts receivable	2,712	8,839
Accounts payable	3,126	-
Deposits received	-	41,616
4. Deposits received	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
CSK Group Cash Management System(CMS)	20,902	41,616
5. Loan commitment agreements		
Lender		
The Company concluded master agreements for CMS that have set out the availability granted among companies.		
The remaining portion of credit line which has not been loaned to the Company under these agreements as of 31 <sup>st</sup> March are as follows.		
	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
Total availability granted by CMS	9,215	27,270
Used portion of credit line	-	-
Remaining portion of credit line	9,215	27,270
Number of target corporation	21 companies	29 companies
6. Number of treasury stock	As of 31 <sup>st</sup> March	
	2005	2006
	1,305,839 shares	4,143,833 shares
7. Dividend restriction	(millions of yen)	
	As of 31 <sup>st</sup> March	
	2005	2006
Unrealized gains on securities	1,207	4,330
8. Increase in the number of shares	As of 31 <sup>st</sup> March	
	2005	2006
Stock option	194,621 shares	1,058,708 shares

**Non-consolidated statements of income**

1. "Sales and operating revenue", "Operating costs", "Selling, general and administrative expenses", "Operating revenue", and "Operating expenses"

On 1<sup>st</sup> October, 2005, CSK CORPORATION shifted to a holding company structure.

"I Sales and operating revenue", "II Operating costs", and "III Selling, general and administrative expenses" are revenue and expenses of ex-CSK CORPORATION for the six months ended 30<sup>th</sup> September, 2005. "IV Operating revenue" and "V Operating expenses" are revenue and expenses of the CSK HOLDINGS CORPORATION, a holding company, for the six months ended 31<sup>st</sup> March, 2006.

"IV Operating revenue" for the holding company for the six months ended 31<sup>st</sup> March, 2006 and beyond is based on dividends received from subsidiaries and affiliates and Group operating revenue.

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2. Research and development cost (millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
	133	1,182

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3. Major non-operating income where relate to subsidiaries and affiliates (millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
Interest income	1,280	1,452
Dividend income	1,929	2,207
Others	-	516

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4. Depreciation expenses (millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
Tangible fixed assets	2,221	1,623
Intangible fixed assets	443	292
Total	2,664	1,915

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5. Gain on sales of fixed assets (millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
Buildings, Land leasehold	-	15,342
Others	-	112
Total	-	15,455

Note: Major asset is CSK Aoyama Building.

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6. Gain on sales of investments in subsidiaries and affiliates (millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
BELLSYSTEM 24, INC.	35,481	-
ARGO 21 Corp.	597	-
NextCom K.K.	-	19,288
Total	36,079	19,288

## 7. Loss on write-down of fixed assets

(millions of yen)

	For the year ended 31 <sup>st</sup> March	
	2005	2006
Office (Osaka-Ekimae No.3 Bldg.)	553	-
Office (CSK Computer Bldg.)	2,215	-
Dormitory (Kitamatsudo)	143	-
Dormitory (Saganakadai)	676	-
Total	3,589	-

Note: "Loss on write-down of fixed assets" is the evaluated loss of the fixed assets decided to sale, by market transaction level.

## 8. Loss on impairment of fixed assets

For the year ended 31<sup>st</sup> March, 2006

(1) The company declares the following impairment losses

Location	Use	Classification
CSK Information Education Center (Tama city, Tokyo)	Administrative facilities Educational facilities	Land and buildings

(2) Asset grouping method

As regards the computer services business, the company uses the division as the smallest grouping unit. Also, in the case of assets scheduled for sale, each asset is treated as the smallest grouping unit. As the headquarters does not generate independent cash flow it is treated as a commonly held asset.

(3) Background to recognition as impairment losses and calculation methods

As book value was far less than the price left when fees relating to the sale were deducted from the scheduled sales price in the case of assets scheduled for sale, these were recognized as impairment losses. The said reduction was reported in special losses as impairment losses amounting to ¥1,578 million.

The breakdown was as follows:

Land: ¥613 million

Buildings and structures: ¥924 million

Others: ¥39 million

At the level of the divisions, which form the basic grouping units, there was no indication of impairment.

**Marketable securities and Investments in securities**1. As of 31<sup>st</sup> March, 2005

Investments in subsidiaries and affiliates with market value

(millions of yen)

Item	Carrying amount	Fair market value	Difference
Share of subsidiaries	32,459	65,571	33,112
Share of affiliates	1,484	18,475	16,991

2. As of 31<sup>st</sup> March, 2006

Investments in subsidiaries and affiliates with market value

(millions of yen)

Item	Carrying amount	Fair market value	Difference
Share of subsidiaries	32,459	80,349	47,890
Share of affiliates	-	-	-

## Income Taxes

1. The significant components of deferred income tax assets and liabilities are as follows:

(millions of yen)

	As of 31 <sup>st</sup> March	
	2005	2006
Deferred income tax assets:		
Tax losses carried-forward	16,207	4,155
Accrued bonuses to employees	1,363	39
Provision for allowance for relocation loss	38	-
Loss on write-down of investments in subsidiaries and affiliates	2,074	3,258
Provision for allowance for doubtful accounts	-	1,717
Loss on write-down of fixed assets	1,460	-
Loss on impairment of fixed assets	-	642
Provision for allowance for investment loss	1,115	-
Others	2,555	262
Gross deferred income tax assets	24,816	10,076
Less: Valuation allowance	6,014	6,768
Total deferred income tax assets	18,801	3,307
Deferred income tax liabilities:		
Unrealized gains on securities	828	2,798
Prepaid pension costs	1,739	-
Gross deferred income tax liabilities	2,567	2,798
Net deferred income tax assets (liabilities)	16,234	509

2. A reconciliation of the difference between the effective income tax rate and statutory income tax rate are as follows:

(%)

	As of 31 <sup>st</sup> March	
	2005	2006
Statutory income tax rate	40.7	40.7
Increase (decrease) in tax rate:		
Non-deductible expenses for tax purposes	0.3	0.2
Dividend received deduction	(1.6)	(4.2)
Base portion of inhabitants tax	0.1	0.2
Prepaid pension costs	0.9	-
Increase and decrease in valuation allowance for deferred income tax assets	(8.1)	(2.5)
Others	(0.9)	(0.8)
Effective income tax rate	31.4	33.6

## Proposal for Appropriation of Retained Earnings

(millions of yen)

Account	Fiscal year 2005		Account	Fiscal year 2006	
	Amount			Amount	
Unappropriated retained earnings			Unappropriated retained earnings		
Unappropriated retained earnings at the beginning of the year		34,766	Unappropriated retained earnings at the beginning of the year		24,505
Profit appropriation			Profit appropriation		
1 Cash dividends	1,282		1 Cash dividends	2,945	
2 Directors and standing corporate auditors' bonuses	42		2 Directors and standing corporate auditors' bonuses	42	
( Director )	( 40 )		( Director )	( 40 )	
( Auditor )	( 2 )		( Auditor )	( 2 )	
3 General reserve	31,500	32,824	3 General reserve	18,500	21,488
Retained earnings to be carried forward		1,942	Retained earnings to be carried forward		3,016
Cash dividends		1,282	Cash dividends		2,945
Dividend per share		17 yen	Dividend per share		40 yen
( Common dividends )	( 15 yen )		( Common dividends )	( 40yen )	
( Performance dividends )	( 2 yen )				

Notes: 1.Cash dividends are excluded from the number of shares of treasury stock (4,143,833 shares).

2.Other capital retained earnings of 7,075,601,008 yen is carried forward.