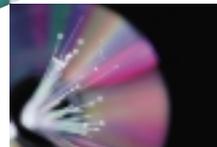


Our plan for becoming  
a leader in information services  
in the next century

CSK CORPORATION Annual Report 2000



The Internet is transforming the foundations of society as well as people's lifestyles. As a pioneer in Japan's information industry, the CSK•SEGA Group is striving to fulfill its mission of contributing to the rapid realization of a networked society that enables people to enjoy more abundant and peaceful lives.



CSK

CSK was founded in 1968 as a software development house. Since that establishment, the world's industrial structures have undergone profound changes. IT, particularly network-related technologies that transcend barriers of time and distance, are now truly transforming lifestyles. Determined to leverage these trends, the CSK-Sega Group has shifted focus of its businesses toward the Internet. CSK seeks to create new value from digital networks and contribute to the creation of a more pleasant and abundant society in the 21st century. We believe that these efforts will, in turn, enhance our overall value for employees and shareholders alike.



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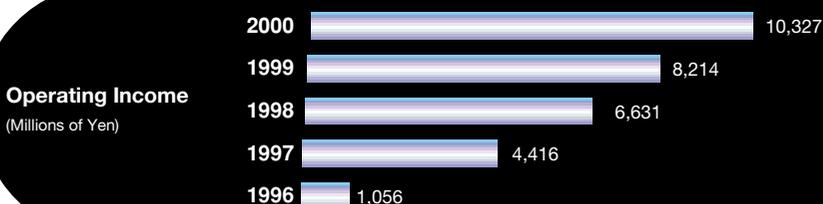
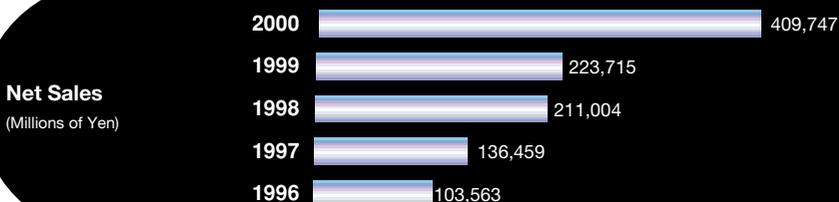
## Consolidated Financial Highlights

CSK CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 1996, 1997, 1998, 1999 and 2000

	Millions of Yen					Thousands of U.S. Dollars (Note 2)
	1996	1997	1998	1999	2000	2000
<b>For the year:</b>						
Net sales .....	¥103,563	¥136,459	¥211,004	¥223,715	<b>¥409,747</b>	<b>\$3,860,075</b>
Gross profit .....	24,919	32,193	37,618	37,015	<b>67,192</b>	<b>632,991</b>
Operating income .....	1,056	4,416	6,631	8,214	<b>10,327</b>	<b>97,287</b>
Income (loss) before income taxes and minority interests .....	(7,079)	(5,532)	(18,834)	(14,891)	<b>8,075</b>	<b>76,072</b>
Net loss .....	(7,811)	(8,898)	(20,284)	(17,386)	<b>(5,517)</b>	<b>(51,974)</b>
<b>At year-end:</b>						
Total assets .....	262,805	282,489	220,261	190,484	<b>383,049</b>	<b>3,608,565</b>
Total shareholders' equity .....	124,945	120,105	98,850	80,457	<b>104,391</b>	<b>983,427</b>
Interest-bearing debt .....	108,972	119,088	67,943	52,873	<b>149,186</b>	<b>1,405,430</b>
<b>Per share (Yen and U.S. dollars) (Notes 1 and 2):</b>						
Net loss .....	¥ (121.81)	¥ (138.75)	¥ (317.54)	¥ (273.37)	<b>¥ (88.10)</b>	<b>\$(0.83)</b>
Cash dividends .....	12.00	12.00	15.00	12.00	<b>12.00</b>	<b>0.11</b>
Total shareholders' equity .....	1,948.23	1,872.75	1,550.02	1,266.79	<b>968.44</b>	<b>9.12</b>

Notes: 1. Per share figures are in exact yen and U.S. dollars.

2. All dollar amounts in this annual report represent U.S. dollars and are translated from Japanese yen amounts, for convenience only, at the rate of ¥106.15=US\$1, the approximate rate of exchange on March 31, 2000. Billion is used in the American sense of one thousand million.



## Messages from the Management



*Isao Okawa*

Isao Okawa  
Honorary Chairman  
and Director

In 1968, I founded a business software company with capital of ¥5 million and 20 employees. In 1982, this company became the first in the Japanese software industry to list its shares.

The CSK•SEGA Group has recorded consistent growth ever since. We now operate a total of 90 companies, both at home and abroad, generating aggregate annual revenue of ¥1 trillion and employing a workforce of more than 30,000 people. Already six Group companies, including SEGA Corporation and Bellsystem24, Inc., have successfully completed IPOs, and we seek to list 15 more companies through 2002.

Contemplating the vast social and commercial changes now under way globally, we envision enormous opportunities. The advent of a networked society, based upon and driven by the Internet, is obviously the most important development.

Under these circumstances, the CSK•SEGA Group has been shifting the focus of its business toward network concepts. As a result, the Group's offerings now satisfy the entire spectrum of BtoB and BtoC. In this sense, the direction of our Group is in sync with worldwide change.

The CSK•SEGA Group is placing greater emphasis on Electronic Services (ES). We are taking on the challenge of developing new businesses by effectively marshaling our resources and by enhancing Group company synergies. In line with this vision, SEGA is of critical importance to the future shape of the Group.

To support our long-range strategic goals, we recently decided how best to rebuild and revitalize SEGA. We halted production of the Dreamcast console to concentrate SEGA's resources on its core business of content production and to bolster profits as soon as possible. In addition, I personally decided to donate approximately ¥85 billion of my own assets to SEGA to further speed and strengthen this reform plan. I have always believed that if one has attained wealth through a business, one must be ready to return it to the business should the need arise.

We have additionally decided to carry out an extensive organizational reform of SEGA. In particular, a thorough review is focusing on manufacturing, sales, and distribution at home and abroad. The company's EC sales operations also will be strengthened.

Although this plan will cause us to incur further losses in the early stages, it is critical if we are to successfully build a profitable company that can sustain solid, healthy growth well into the future. This is the firm commitment of not only myself but of all members of management.

SEGA has launched a new strategy that focuses on the content and amusement businesses. The company has implemented a new structure aimed at consistently generating solid revenues in the content business and at leading the market in the amusement sector. At the same time, we will more aggressively leverage our leadership position in network games and seek to extend our development of other-device architecture to improve revenues.

SEGA brings with it a rich stock of know-how, creativity, and a strong lineup of brands recognized worldwide. The company has amassed invaluable content assets as well as exceptional software development capabilities and enjoys considerable synergies with other CSK•SEGA Group members. We are convinced that, by exploiting these strengths to the fullest extent and by building a new business model for the entertainment industry, SEGA will be revitalized. Moreover, SEGA will also achieve its ultimate vision of becoming the world's greatest content developer. The realization of this vision is the cornerstone of the CSK•SEGA Group's strategy.

CSK CORPORATION will take the lead in this new century by drawing on the strength of our existing know-how, consolidating our Group power, and enhancing synergies. As we fulfill this vision, we look forward to your continued support.



*Yoshiji Fukushima*

Yoshiji Fukushima  
Chairman and  
Representative Director

Today, the Internet can be accessed not just through PCs but also via game consoles, cellular telephones, and other devices. We think that the Internet revolution is entering a new and particularly exciting phase in which vast numbers of users will take increasing advantage of on-line services. Moreover, we are convinced that new network systems currently being developed in Japan will be of vital importance as Internet use surges.

CSK and the CSK•SEGA Group will play a pivotal role in encouraging and aiding this development. We will leverage our technically competitive advantages in mobile data communications, games, and amusement content. We will also develop and deploy the networked systems that

are being developed and implemented by Japanese corporations to carry this surge in Internet usage.

For many years, CSK has integrated its business structure to comprehensively serve all clients' business needs, from building Internet-based information systems to providing integrated communications services. We also have strengthened cooperation with these companies, as well as within our own Group companies, to extend our leadership in a new era of Internet-based growth.

CSK and the CSK•SEGA Group request your continued understanding and support as we tackle the exciting challenges ahead.



*Masahiro Aozono*

Masahiro Aozono  
President and  
Representative Director

Our client companies are quickly placing the Internet at the core of their business operations. This process is essential if they are to create and take advantage of new business opportunities. Since CSK's founding, it has sought to provide the best possible solutions for customers' needs. Toward this end, we are today developing unprecedented Internet-related services under our ES concept.

CSK's ES operations ensure the success of customers' businesses conducted over the Internet. The essential goal of ES operations is to minimize trade costs by understanding each customer's overall business process and objectives. Therefore, minimizing trade cost benefits not only refers to enhancing productivity and reducing administrative expenses—it also means

working to create the best possible business processes for individual customers.

We can do this in a variety of ways. In some cases, we will rely on our own CSK•SEGA Group services or provide marketing support through our call-center businesses. We may also arrange outsourcing services or any of the other vast number of Internet-related or network systems related services we provide. The total value of our ES operations will be determined by how well we can create services that maximize trade value. Our ultimate goal is to be the most valued and indispensable partner for customers in this new Internet age.

We are fully committed to these goals and look forward to regularly reporting on our success as we fulfill these objectives.



## The CSK•SEGA Group in the Broadband Network Age

Maximizing Group Value by Developing ES

The rapid spread of the Internet has brought significant changes worldwide. As these changes continue to accelerate and with the approach of a full-scale digitally networked society, a number of global business and social frameworks are set to undergo significant transformation.

In anticipation, several years ago the CSK•SEGA Group began shifting the focus of its business toward networks and is now aligning its related businesses to support Electronic Services (ES). We have vigorously cultivated our operations in the BtoB and BtoC sectors to respond to customer needs for services and content of greater value.

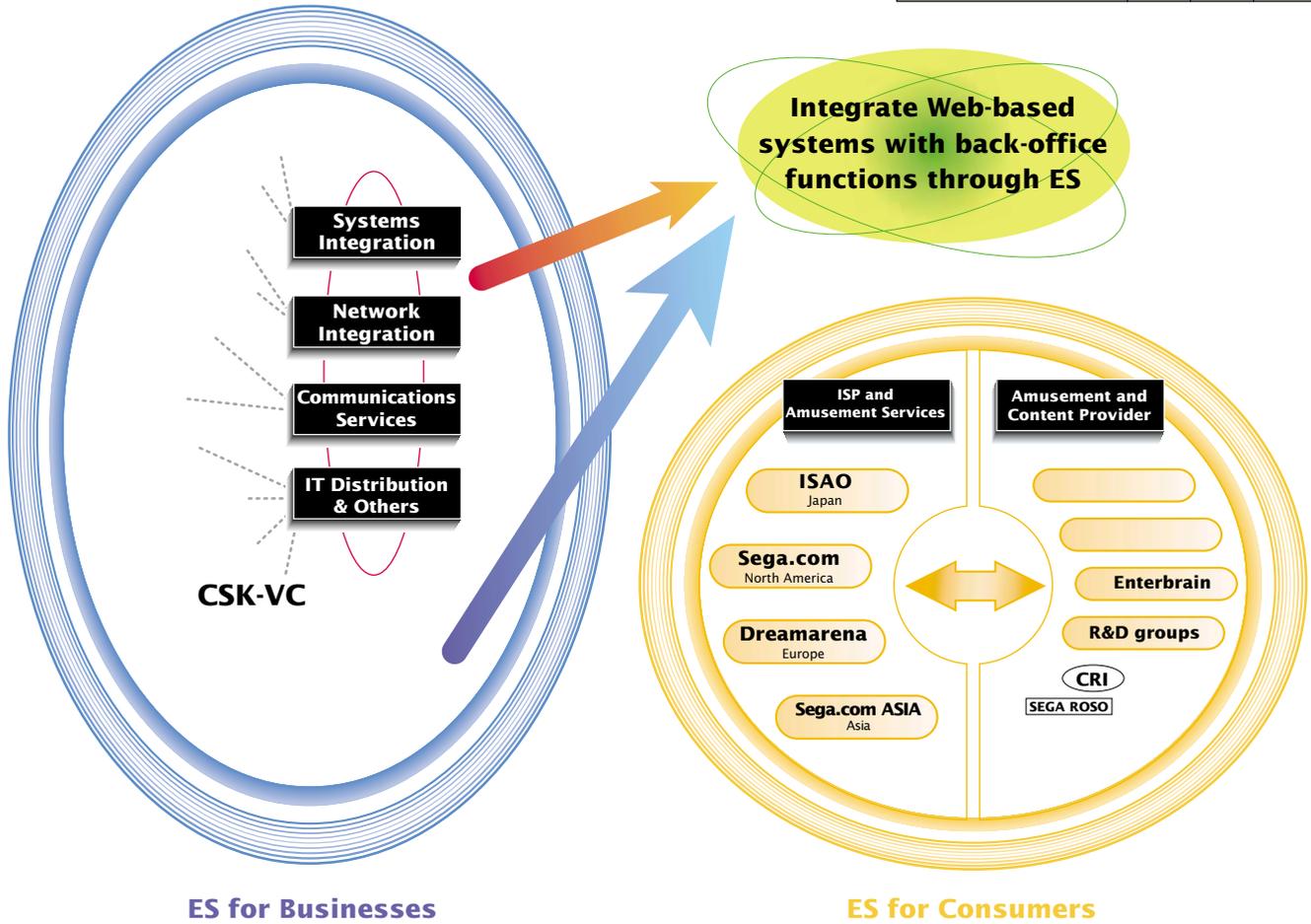
In the BtoB field, CSK and its BtoB-related Group subsidiaries have achieved significant increases in sales and income in parallel with the stepped-up adoption of IT and the Web by corporate Japan. We expect this trend to continue for the foreseeable future.

Although the IT industry is shifting from host computers to client/servers, CSK has long worked closely with its corporate customers to build original core infrastructure systems. Today, as we look to the future needs of our clients, these carefully cultivated relationships serve as invaluable assets for the CSK•SEGA Group. CSK aims to leverage its considerable ties with Japanese corporations to further assist them as they fully embrace emerging Internet-based e-business operations in the 21st century. We call this type of business ES, and by leveraging our Group's inherent synergies we aim to become Japan's leading ES company.

The spread of the Internet and the accompanying emergence of e-businesses are fueling a momentous transformation in corporate information systems. Of note, many of these companies are moving away from proprietary systems toward open-process systems like

For the year ended March 31, 2000 (Unit: ¥ Billion)

	Net Sales	Net Income (Loss)	
			CSK's Share
CSK	101.8	5.9	5.9
Systems Integration	26.6	(0.4)	(0.6)
Network Integration	40.4	1.1	0.7
Communications Services	63.8	4.7	2.1
IT Distribution & Others	153.1	(5.3)	(5.7)
ES for Businesses	385.7	6.0	2.4
ES for Consumers	385.0	(45.7)	(10.6)



ES for Businesses

ES for Consumers

those that are Web-based. Along with the launch of new e-businesses, numerous corporations are expected to significantly reform their operations as they link front-end and back-office functions over the next several years.

Accordingly, we anticipate that not only the construction of Web-based systems but also the introduction of related services like data

centers, network systems, and call/e-contact centers will be needed to meet growing demand.

A full-range of integrated services, including systems deployment, operational assistance, and maintenance will be of particular importance.

CSK is committed to offering a full range of high-quality ES operations, focusing on the following activities.



Support



Network and Internet Services

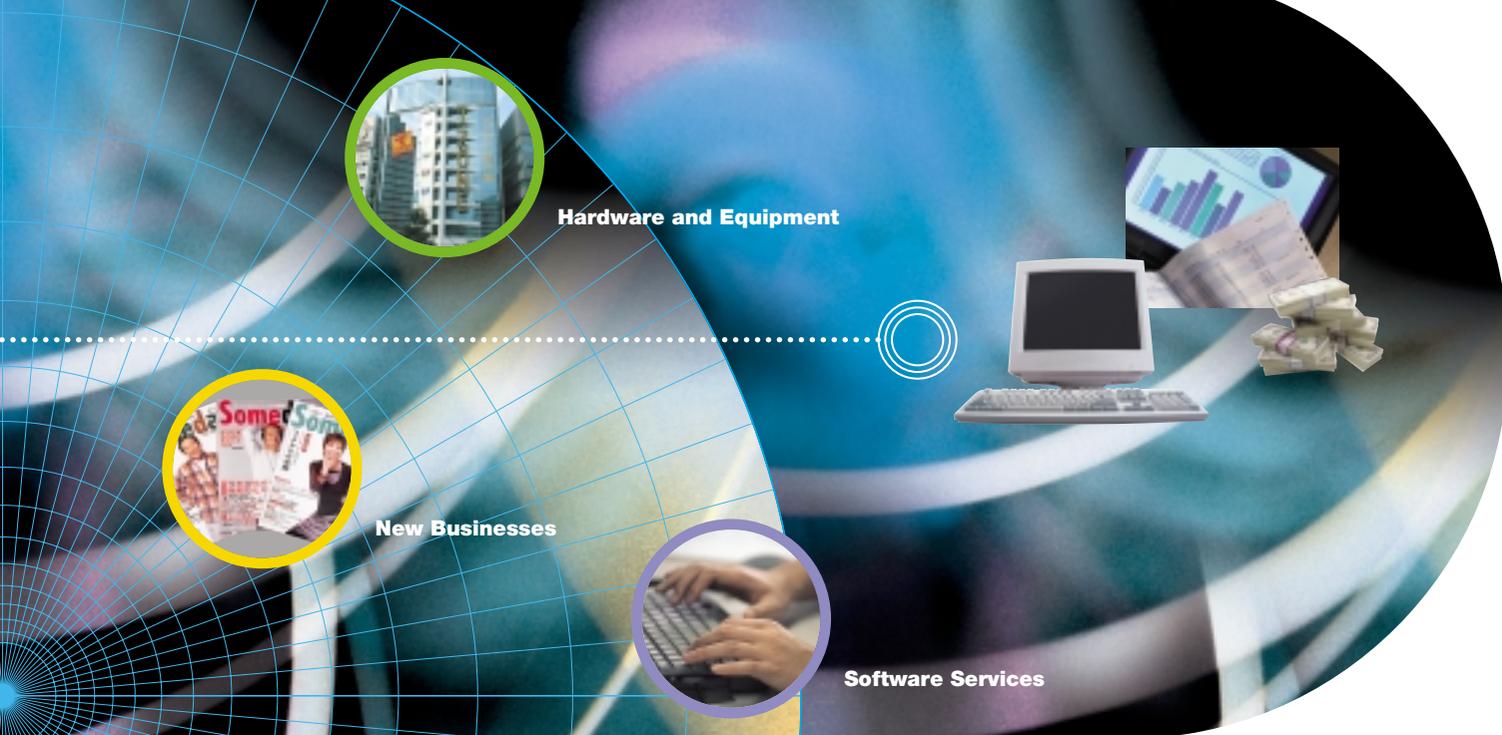
- Building Web-based systems that link legacy systems with e-business solutions, including electronic commerce, procurement, and customer relationship management
- Building and operating network platforms
- Providing highly focused operating services through V-IDC
- Engaging in business services, including the operation of customer call centers
- Providing business outsourcing services

We believe that these services will be of considerable value to our customers' businesses. Additionally, as a provider of comprehensive ES in the age of broadband, the CSK•SEGA Group will provide integrated services aimed at growing together with its customers and thereby maximizing the overall value of the Group.

The CSK•SEGA Group includes many companies involved in BtoB e-business fields. These include CSK, Japan Future Information

Technology & Systems Co., Ltd., and JIEC Co., Ltd., which are involved in systems integration for the introduction of Internet-related IT, and subsidiaries that offer communications services, such as Bellsystem24, Inc., and ServiceWare Corporation, which engage in a full range of activities, including call centers, IT-related operational support, and data mining services like e-CRM.

The Group also encompasses network infrastructure integration subsidiaries, such as NextCom K.K. and CSK Network Systems Corporation, that are involved in the data center business as well as in the building and operating of networks. We also have subsidiaries that are expected to grow in line with the development of a networked society, including CSK ELECTRONICS CORPORATION and CSI Co., Ltd., which draw on the overall capabilities of the Group to provide support for the introduction of IT at medium-sized companies,



## Major Subsidiaries and Affiliates

Major consolidated subsidiaries and affiliates as of and for the year ended March 31, 2000 are as follows:

	March 31, 2000	
	Equity ownership*	Capital stock
		Millions of Yen
<b>Domestic subsidiaries:</b>		
ASCII Corporation	51.8%	¥21,669
CSK ELECTRONICS CORPORATION	32.1	10,294
BellSystem24, Inc.	42.9	10,016
CSK Network Systems Corporation	64.7	3,051
ISAO Corporation	50.9	2,775
Super Software Co., Ltd.	80.7	1,955
ServiceWare Corporation	68.1	1,266
NextCom K.K.	49.8	588
Japan Future Information Technology & Systems Co., Ltd.	72.2	450
CSK Venture Capital Co., Ltd.	72.5	400
Japan Card Center Kaisha	83.5	310
JIEC Co., Ltd. (formerly, Japan Information Engineering Co., Ltd.)	81.9	300
CSI Co., Ltd.	65.0	210
Business Extension Corporation	100.0	100
Digital Media Lab Corporation	80.1	100
CSK Field Services Co., Ltd.	100.0	35
<b>Overseas subsidiaries:</b>		
		Thousands
CSK Software, Inc.	100.0	US\$83
CSK North Europe, B.V.	100.0	NLG41
CSK South Europe, B.V.	100.0	NLG41
<b>Domestic affiliates:</b>		
		Millions of Yen
SEGA Corporation (formerly SEGA Enterprises, Ltd.)	17.3	¥64,150
Spike Co., Ltd.	27.5	294

\*Includes direct and indirect ownership

as well as Japan Card Center Kaisha, which is engaged in the prepaid card and electronic settlement-related businesses. To achieve even greater growth and value in the future, ES operations will be integrated into the legacy backbone systems we have built working closely with our customers.

On another front, we will continue to vigorously meet new challenges in the BtoC field, particularly those businesses aimed at households and individuals. The pillar of these operations will be our entertainment business, which centers on SEGA's Dreamcast, and which will also include our network and content businesses, in which we are working to anticipate user needs in the networked age.

From Dreamcast's original launch at the end of 1998 through the close of March 2001, we sold approximately seven million Dreamcast consoles. Nevertheless, the present operating environment surrounding our game business is evolving rapidly as we enter the new century. In this environment, we determined that it would be difficult to generate profits according to our traditional household-use games business model.

Accordingly, SEGA has decided to significantly alter its strategy in this sector by placing greater emphasis on the content and amusement businesses, two of the company's distinct strengths. Through this strategic shift, SEGA seeks to secure strong profits in its content business while taking advantage of its market leadership in the amusement business. Moreover, SEGA seeks to enhance the advantages of its leadership in the network game

business while vigorously focusing on the development of its network architecture for diversified devices.

In the content business, during the next fiscal period SEGA will continue to provide game software for Dreamcast while placing emphasis on developing Dreamcast titles for other software gaming platforms. SEGA is already carrying out these operations in cooperation with domestic and overseas game manufacturers. Besides content for games, SEGA will also offer content for a wide range of other applications, including cellular phones, PDAs, PCs, set-top boxes, and other devices, as it strives to build its content operations into a highly profitable business.

As illustrated in the CSK•SEGA Group graphic on page five, in its BtoC businesses for consumers, the Group is incurring costs from its forward investments as it strives to build for the future. However, for a future networked society where homes will have widespread access to broadband, the BtoC content as a service business will be unified with BtoB businesses within a network environment. We are confident the CSK•SEGA Group is well positioned with its business and entertainment subsidiaries to increase corporate value and ultimately become the leading IT service group in the age of broadband.

## Review of Operations

In fiscal 2000, ended March 31, 2000, the number of consolidated subsidiaries increased through the consolidation of three affiliates formerly accounted for under the equity method—Bellsystem24, Inc., CSK ELECTRONICS CORPORATION, and ASCII Corporation—in accordance with a modification of the method CSK uses for identifying subsidiaries.

During the term under review, the CSK•SEGA Group focused major efforts on enhancing Internet and networking businesses. As a result, net sales increased 83.2% year on year, to ¥409.7 billion, following the consolidation of subsidiaries noted above. Operating income totaled ¥10.3 billion, up 25.7% from the previous fiscal year. Income before income taxes and minority interests amounted to ¥8.1 billion, compared with a loss of ¥14.9 billion in fiscal 1999. Net loss totaled ¥5.5 billion, an improvement from a net loss of ¥17.4 billion in fiscal 1999.



### Computer Services

Beginning in August 1999, the banking industry froze new orders for systems development services, such as those offered by the parent company, because of potential year 2000 (Y2K) problems, resulting in a delay in the booking of new orders. Although orders increased from January 2000, the increase did not lead to higher revenues due to a large backlog of orders. In contrast, computer-room operational management services saw strong demand for outsourcing and recorded an increase in revenues. Educational services related to networks and personal computers also enjoyed revenue growth. Sales by existing consolidated subsidiaries that offer computer-related services increased. In addition, the inclusion of Bellsystem24 and ASCII in the consolidated accounts helped increase consolidated sales in this segment 48.7% year on year, to ¥188.4 billion. Operating income rose 7.4%, to ¥6.1 billion.



### Computer and Other Product Sales

Computer sales rose sharply on the back of higher demand for information equipment after the Y2K issue was effectively resolved and following the introduction of new equipment in line with the start-up of large-scale outsourcing. An expansion in the communication area for cellular telephones boosted orders for construction projects. Also contributing to results was CSK ELECTRONICS' personal-computer retail chain, consisting of 19 outlets nationwide. The results of the newly consolidated CSK ELECTRONICS as well as contributions from subsidiaries included in consolidation before the accounting change thus boosted sales. As a result, segment sales soared 215.1% compared with the previous fiscal year, to ¥141.3 billion, and segment operating income increased 61.3%, to ¥3.3 billion.



### Prepaid Card Sales

Japan Card Center Kaisha, a consolidated subsidiary, promotes operations in the prepaid card sales segment. Business is centered on *QUO Card*, a general prepaid card accepted at about 20,000 stores—including convenience stores, gasoline stations, drugstores, and restaurants—throughout Japan. Segment sales totaled just ¥50.9 billion in fiscal 2000, down 2.4% year on year, as protracted economic weakness caused personal consumption to remain lackluster. Reflecting the amortization of goodwill, the operating loss totaled ¥64 million, compared with an operating loss of ¥193 million in fiscal 1999.



### Publication

ASCII, a newly consolidated subsidiary, is engaged in the publication of books and magazines as well as advertising. During the year under review, the company's IT-related magazine sales as well as advertising revenues increased, while sales of *Mook*, a magazine sold with a CD-ROM, were strong. In addition, sales of weekly entertainment magazines were robust. With the launch of specialty magazines focusing on arcade games, the entertainment magazine publishing business has grown to cover three separate sectors—game consoles, personal computers, and arcade games. In fiscal 2000, segment sales totaled ¥30.8 billion, and segment operating income amounted to ¥139 million.



### Others

In fiscal 2000, CSK Venture Capital Co., Ltd. (CSK VC), a newly consolidated subsidiary, was included in the others segment. This company pinpoints enterprises aiming to make IPOs that harbor hidden potential for explosive growth in information, multimedia, and new business areas both in Japan and overseas. CSK VC provides training and support to such enterprises—making the best possible use of the CSK Group's management resources, technologies, and market successes—in addition to investing in them. In fiscal 2000, sales recorded by this company and businesses in such areas as property leasing totaled ¥1.9 billion, up 50.5% year on year. Segment operating income increased 30.2%, to ¥863 million.

## Consolidated Six-Year Summary

CSK CORPORATION and Consolidated Subsidiaries  
For the years ended March 31, 1995, 1996, 1997, 1998, 1999 and 2000

	Millions of Yen					
	1995	1996	1997	1998	1999	2000
<b>For the year:</b>						
Net sales.....	¥ 85,106	¥103,563	¥136,459	¥211,004	¥223,715	<b>¥409,747</b>
Cost of sales .....	61,410	78,644	104,266	173,386	186,700	<b>342,555</b>
Gross profit .....	23,696	24,919	32,193	37,618	37,015	<b>67,192</b>
Selling, general & administrative expenses....	23,311	23,863	27,777	30,987	28,801	<b>56,865</b>
Operating income.....	385	1,056	4,416	6,631	8,214	<b>10,327</b>
Income (loss) before income taxes and minority interests.....	(7,707)	(7,079)	(5,532)	(18,834)	(14,891)	<b>8,075</b>
Net loss .....	(8,126)	(7,811)	(8,898)	(20,284)	(17,386)	<b>(5,517)</b>
<b>At year-end:</b>						
Total assets .....	200,777	262,805	282,489	220,261	190,484	<b>383,049</b>
Total shareholders' equity .....	134,310	124,945	120,105	98,850	80,457	<b>104,391</b>
Interest-bearing debt.....	44,669	108,972	119,088	67,943	52,873	<b>149,186</b>
Working capital .....	63,221	21,433	21,501	14,524	13,676	<b>22,121</b>
<b>Per share (Yen) (Note):</b>						
Net loss .....	¥ (126.71)	¥ (121.81)	¥ (138.75)	¥ (317.54)	¥ (273.37)	<b>¥ (88.10)</b>
Cash dividends.....	12.00	12.00	12.00	15.00	12.00	<b>12.00</b>
Total shareholders' equity.....	2,094.32	1,948.23	1,872.75	1,550.02	1,266.79	<b>968.44</b>
Total outstanding shares.....	64,133,235	64,133,235	64,133,235	64,133,845	64,133,845	<b>64,700,164</b>

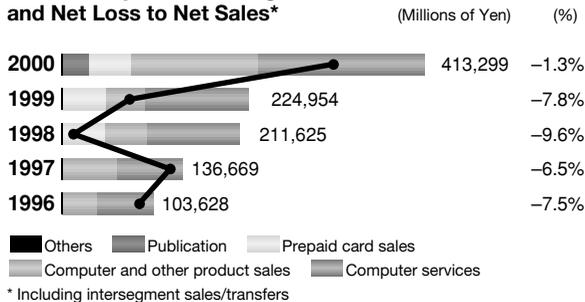
Note: Per share figures are in exact yen.

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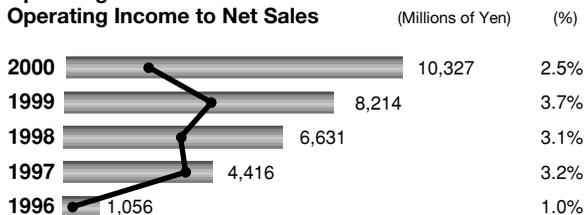
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## Consolidated Financial Review

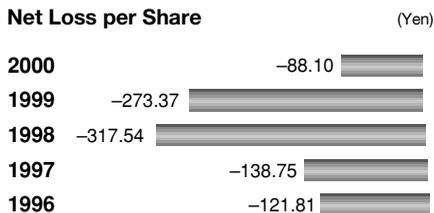
### Net Sales by Business Segment and Net Loss to Net Sales\*



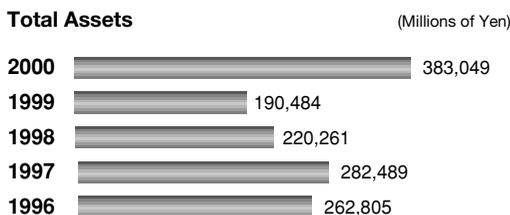
### Operating Income and Operating Income to Net Sales



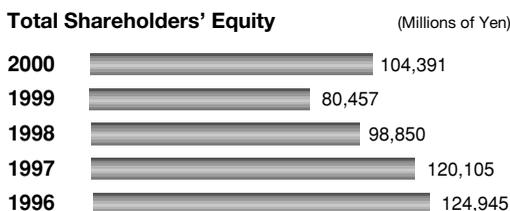
### Net Loss per Share



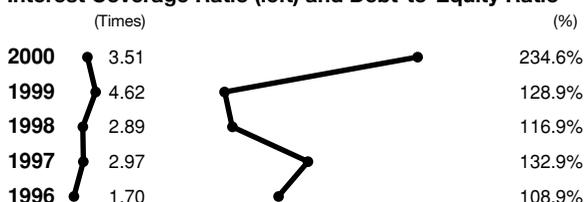
### Total Assets



### Total Shareholders' Equity



### Interest Coverage Ratio (left) and Debt-to-Equity Ratio



## Overview

In fiscal 2000, ended March 31, 2000, as noted earlier, the CSK•SEGA Group placed top priority on expanding Internet and network-related businesses under its electronic services (ES) business concept and promoted Group expansion.

In fiscal 2000, consolidated net sales rose 83.2%, to ¥409.7 billion. This increase was due mainly to an expansion in the scope of consolidation and larger net sales recorded by CSK and existing consolidated subsidiaries. Income before income taxes and minority interests totaled ¥8.1 billion, a sharp improvement from the ¥14.9 billion loss in fiscal 1999. In fiscal 2000, the burden of income taxes was higher because of the effect of deferred taxes in line with the full application of tax-effect accounting. As a result, CSK posted a consolidated net loss of ¥5.5 billion. This loss represented a significant improvement from the ¥17.4 billion net loss recorded in fiscal 1999.

Despite free cash outflow, the Company saw a net increase in cash and cash equivalents at the fiscal year-end of ¥54.6 billion, and cash and cash equivalents, at end, were ¥95.2 billion. The principal factors behind this rise were a capital increase due to the issuance of common stock by the parent company, increases in capital of consolidated subsidiaries, and the expansion of the scope of consolidation.

The parent company declared cash dividends applicable to the period, including interim dividends, of ¥12.00 per share, the same as in fiscal 1999, in line with management's policy of paying stable dividends to shareholders.

During the fiscal year under review, management placed priority on addressing potential year 2000 (Y2K) problems, and Group companies and employees made maximum efforts to achieve Y2K compliance. As a result, the Group did not experience any major mishaps or problems, and the Y2K changeover did not have any effect on revenues or earnings.

## Net Sales

In fiscal 2000, consolidated net sales rose 83.2% year on year, or ¥186.0 billion, to ¥409.7 billion.

By business segment, sales of computer services rose ¥61.7 billion, or 48.7% year on year, to ¥188.4 billion. Two main factors were behind the sales increase. First, Bellsystem24, Inc., and ASCII Corporation were consolidated. Second, companies in the financial industry and other sectors merged or stepped up cooperative relationships, fueling robust demand for computer services that facilitate business systems integration and restructuring. Higher sales of the parent company and existing consolidated subsidiaries also boosted overall sales growth.

Computer and other product sales rose ¥96.5 billion, or 215.1% year on year, to ¥141.3 billion, thanks to major contributions from CSK ELECTRONICS CORPORATION, a newly consolidated subsidiary, and existing consolidated subsidiaries.

In the prepaid card business, despite efforts to boost sales of *QUO Card*, a prepaid card issued by third parties, sales fell 2.4% year on year, or ¥1.3 billion, to ¥50.9 billion.

In the publication segment, sales amounted to ¥30.8 billion, as the magazine and book publishing business of ASCII was included in consolidated accounts.

Sales totaled ¥1.9 billion in the others segment, which includes existing rental businesses and the venture capital business of CSK Venture Capital Co., Ltd., a newly consolidated subsidiary.

### Costs, Expenses, and Earnings

In fiscal 2000, the cost of sales was ¥342.6 billion, up 83.5% year on year, only slightly higher than the net sales increase of 83.2%. Thus, the cost of sales ratio was 83.6%, largely unchanged from the previous term. Gross profit was ¥67.2 billion, and the gross profit margin was 16.4%, down only slightly from fiscal 1999.

Selling, general and administrative expenses increased 97.4%, to ¥56.9 billion, from ¥28.8 billion in the previous term. The ratio of selling, general and administrative expenses to net sales was 13.9%, up one percentage point from 12.9% in fiscal 1999. The margin rose despite concerted efforts to boost efficiency and lower expenses because of rents totaling ¥6.0 billion and a sharp increase of ¥2.5 billion in the amortization of goodwill in connection with the expansion of the scope of consolidation. Operating income by principal segment was as follows: computer services, ¥6.1 billion; computer and other product sales, ¥3.3 billion; and others, ¥0.9 billion.

As a result, operating profit increased 25.7% year on year, to ¥10.3 billion, but the operating profit margin decreased 1.1 percentage points, to 2.5%.

Other income (expenses), net, amounted to expenses of ¥2.3 billion, an improvement of ¥20.9 billion. The improvement stemmed largely from an ¥11.5 billion decrease in equity in net losses of unconsolidated subsidiaries and affiliates—from ¥22.5 billion in fiscal 1999 to ¥10.9 billion in fiscal 2000—due mainly to the fact that certain companies formerly accounted for by the equity method became consolidated subsidiaries. In addition, the conversion of convertible bonds and the increase in capital by SEGA Enterprises, Ltd., ASCII, and ISAO CORPORATION contributed to gains on sales of stock by affiliates totaling ¥9.6 billion.

Given these factors, income before income taxes and minority interests amounted to ¥8.1 billion, a major improvement from a loss before income taxes and minority interests of ¥14.9 billion in fiscal 1999. The Company posted a consolidated net loss of ¥5.5 billion in fiscal 2000 that nevertheless represented an ¥11.9 billion improvement from the previous fiscal year. The loss stemmed largely from deferred income taxes totaling ¥4.8 billion in line with the full application of tax-effect accounting starting in the term under review, which boosted the burden of income taxes to ¥10.8 billion.

For fiscal 2000, net loss per share was ¥88.10, compared with net loss per share of ¥273.37 in fiscal 1999.

### Financial Position

At the fiscal year-end, total assets stood at ¥383.0 billion, up 101.1%, or ¥192.6 billion, from the end of fiscal 1999, largely owing to the expansion of the scope of consolidation. Total current assets rose ¥146.2 billion, to ¥228.6 billion, mainly due to a ¥92.5 billion rise in cash, marketable securities, and other liquid funds and a ¥30.3 billion increase in notes and accounts receivable. A total of ¥5.5 billion was invested in tangible fixed assets, including ¥4.6 billion in information services, along with the expansion in the scope of consolidation. Property, plant and equipment, net of accumulated depreciation, increased ¥11.0 billion, to ¥41.5 billion at the fiscal year-end.

Total liabilities increased 136.1%, or ¥141.1 billion, to stand at ¥244.9 billion at the fiscal year-end. Of this total, short- and long-term interest-bearing debt increased ¥96.3 billion, to ¥149.2 billion. Liabilities related to business operations and other liabilities rose ¥44.8 billion, to ¥95.7 billion, primarily as a result of the expansion in the scope of consolidation.

Total shareholders' equity rose ¥23.9 billion, to stand at ¥104.4 billion at the fiscal year-end, as ¥42.9 billion in proceeds from a new issue of shares of common stock on April 1, 2000, offset growth in the accumulated deficit of ¥20.3 billion from the expansion in consolidated subsidiaries. The shareholders' equity ratio fell 14.9 percentage points, to 27.3%, from 42.2% at the previous fiscal year-end, reflecting an increase in liabilities due to the expansion in the scope of consolidation.

### Cash Flow

At the fiscal year-end, cash and cash equivalents totaled ¥95.2 billion, up ¥54.6 billion from the fiscal 1999 year-end, reflecting the activities outlined below. This level is approximately 2.8 times average monthly net sales of ¥34.1 billion in fiscal 2000, a liquidity level that we deem sufficient for conducting business operations.

In fiscal 2000, net cash provided by operating activities totaled ¥6.0 billion. This consisted mainly of income before income taxes and minority interests of ¥8.1 billion attributable to contributions from the parent company and certain consolidated subsidiaries that recorded strong performances as well as a decline in net cash outflows due to lower inventories and other factors.

Net cash used in investing activities totaled ¥18.4 billion. This total included ¥5.3 billion in capital expenditures for acquiring tangible fixed assets and intangible assets. In addition, the Company recorded a net expenditure of ¥11.2 billion in surplus funds for the purchase of investment securities.

Net cash provided by financing activities totaled ¥67.1 billion. This consisted of ¥14.6 billion in net cash increases from the procurement, repayment, and redemption of short- and long-term interest-bearing debt, ¥42.9 billion in financing from public offerings by the parent company, and ¥8.3 billion in capital increases by consolidated subsidiaries.

## Consolidated Balance Sheets

CSK CORPORATION and Consolidated Subsidiaries  
As of March 31, 1999 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
<b>Current assets:</b>			
Cash (Notes 2 (3) and 3) .....	¥ 29,029	¥ 98,919	\$ 931,884
Marketable securities (Notes 2 (4), 3 and 4) .....	8,428	31,031	292,336
Venture capital investments.....	—	3,194	30,087
Notes and accounts receivable .....	35,107	65,374	615,864
Inventories (Notes 2 (6) and 5) .....	6,162	19,106	179,991
Short-term loans to unconsolidated subsidiaries and affiliates.....	239	391	3,683
Deferred income taxes (Notes 2 (12) and 11) .....	—	2,219	20,899
Other current assets .....	3,977	9,509	89,585
Allowance for doubtful accounts (Note 2 (5)).....	(480)	(1,123)	(10,584)
<b>Total current assets .....</b>	<b>82,462</b>	<b>228,620</b>	<b>2,153,745</b>
<b>Investments:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 6) .....	41,986	28,000	263,780
Investments in securities (Notes 2 (4) and 4) .....	13,159	25,340	238,714
Long-term loans to unconsolidated subsidiaries and affiliates .....	1,401	866	8,162
Allowance for doubtful accounts (Note 2 (5)).....	(419)	(11,720)	(110,417)
<b>Total investments.....</b>	<b>56,127</b>	<b>42,486</b>	<b>400,239</b>
<b>Property, plant and equipment, net of accumulated depreciation (Notes 2 (7) and 7) .....</b>			
<b>Deposits .....</b>	<b>4,719</b>	<b>13,093</b>	<b>123,346</b>
<b>Deferred charges and intangible assets (Note 2 (8)) .....</b>	<b>3,194</b>	<b>22,785</b>	<b>214,651</b>
<b>Deferred income taxes (Notes 2 (12) and 11).....</b>	<b>—</b>	<b>956</b>	<b>9,010</b>
<b>Other assets .....</b>	<b>11,807</b>	<b>32,664</b>	<b>307,710</b>
<b>Foreign currency translation adjustments .....</b>	<b>1,632</b>	<b>909</b>	<b>8,565</b>
<b>Total Assets .....</b>	<b>¥190,484</b>	<b>¥383,049</b>	<b>\$3,608,565</b>

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
<b>Current liabilities:</b>			
Short-term bank loans payable (Note 8).....	¥ 21,625	¥105,081	\$ 989,931
Commercial paper (Note 8).....	3,000	2,000	18,841
Current portion of convertible bonds payable (Note 8) .....	—	11,927	112,360
Notes and accounts payable .....	17,151	39,288	370,116
Unearned revenue (Note 2 (14)) .....	12,306	14,755	139,001
Accrued income taxes .....	1,337	2,449	23,067
Accrued bonuses to employees (Note 2 (9)).....	4,093	5,338	50,290
Deferred income taxes (Notes 2 (12) and 11) .....	—	4,241	39,951
Other current liabilities (Note 2 (13)) .....	9,274	21,420	201,797
<b>Total current liabilities</b> .....	<b>68,786</b>	<b>206,499</b>	<b>1,945,354</b>
<b>Long-term liabilities:</b>			
Convertible bonds payable (Note 8) .....	21,303	10,373	97,720
Long-term bank loans payable (Note 8) .....	6,945	19,805	186,578
Accrued employees' retirement benefits (Note 2 (10)).....	970	1,130	10,643
Other long-term liabilities .....	5,706	7,049	66,407
<b>Total long-term liabilities</b> .....	<b>34,924</b>	<b>38,357</b>	<b>361,348</b>
<b>Minority interests</b> .....	<b>6,317</b>	<b>33,802</b>	<b>318,436</b>
<b>Commitments and contingencies</b> (Notes 2 (15), 9, 13 and 14)			
<b>Shareholders' equity:</b>			
Common stock, par value, ¥50 per share—			
Authorized: 221,500,000 shares at March 31, 1999 and 2000			
Issued: 64,133,845 and 64,700,164 shares at			
March 31, 1999 and 2000, respectively.....	46,117	47,589	448,319
Unissued common shares (Note 17).....	—	42,870	403,862
Additional paid-in capital .....	55,893	57,365	540,411
Accumulated deficit .....	(19,578)	(39,910)	(375,976)
Treasury stock, at cost .....	(1,975)	(3,523)	(33,189)
<b>Total shareholders' equity</b> .....	<b>80,457</b>	<b>104,391</b>	<b>983,427</b>
<b>Total Liabilities and Shareholders' Equity</b> .....	<b>¥190,484</b>	<b>¥383,049</b>	<b>\$3,608,565</b>

## Consolidated Statements of Operations

CSK CORPORATION and Consolidated Subsidiaries

For each of the three years in the period ended March 31, 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	1998	1999	2000	2000
<b>Net sales</b> (Note 2 (14)).....	¥211,004	¥223,715	<b>¥409,747</b>	<b>\$3,860,075</b>
<b>Cost of sales</b> (Note 12).....	173,386	186,700	<b>342,555</b>	<b>3,227,084</b>
Gross profit.....	37,618	37,015	<b>67,192</b>	<b>632,991</b>
<b>Selling, general and administrative expenses</b> (Notes 2 (11) and 12).....	30,987	28,801	<b>56,865</b>	<b>535,704</b>
Operating income.....	6,631	8,214	<b>10,327</b>	<b>97,287</b>
<b>Other income (expenses):</b>				
Interest and dividends received.....	1,861	747	<b>959</b>	<b>9,034</b>
Interest expenses.....	(2,935)	(1,938)	<b>(3,212)</b>	<b>(30,259)</b>
Gain on sales of marketable securities.....	1,322	1,961	<b>3,485</b>	<b>32,831</b>
Gain on sales of investments in securities.....	56	41	<b>4,920</b>	<b>46,350</b>
Loss on write-down of marketable securities.....	(1,187)	(186)	—	—
Loss on liquidation of investments in subsidiaries.....	(354)	—	—	—
Loss on write-down of investments in securities.....	(886)	(177)	<b>(896)</b>	<b>(8,441)</b>
Write-down of inventories.....	(744)	—	<b>(1,562)</b>	<b>(14,715)</b>
Gains on sales of stock by affiliates.....	—	—	<b>9,587</b>	<b>90,325</b>
Equity in net losses of unconsolidated subsidiaries and affiliates (Note 6).....	(20,493)	(22,451)	<b>(10,935)</b>	<b>(103,015)</b>
Cumulative effect of accounting change (Note 2 (14)).....	—	(2,051)	—	—
Others, net.....	(2,105)	949	<b>(4,598)</b>	<b>(43,325)</b>
Income (loss) before income taxes and minority interests.....	(18,834)	(14,891)	<b>8,075</b>	<b>76,072</b>
<b>Income taxes</b> (Notes 2 (12) and 11):				
Current.....	1,273	2,086	<b>5,976</b>	<b>56,298</b>
Deferred.....	—	—	<b>4,811</b>	<b>45,323</b>
	1,273	2,086	<b>10,787</b>	<b>101,621</b>
Loss before minority interests.....	(20,107)	(16,977)	<b>(2,712)</b>	<b>(25,549)</b>
<b>Minority interests in subsidiaries</b> .....	(177)	(409)	<b>(2,805)</b>	<b>(26,425)</b>
<b>Net Loss</b> .....	¥ (20,284)	¥ (17,386)	<b>¥ (5,517)</b>	<b>\$ (51,974)</b>
		Yen		U.S. Dollars (Note 1)
<b>Per share information:</b>				
Basic earnings per share (Note 2 (17)).....	¥(317.54)	¥(273.37)	<b>¥(88.10)</b>	<b>\$ (0.83)</b>
Cash dividends (Note 2 (17)).....	15.00	12.00	<b>12.00</b>	<b>0.11</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of (Accumulated Deficit) Retained Earnings

CSK CORPORATION and Consolidated Subsidiaries

For each of the three years in the period ended March 31, 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	1998	1999	2000	2000
Balance at beginning of year .....	¥17,171	¥ (3,009)	¥(19,578)	\$(184,437)
Net loss .....	(20,284)	(17,386)	(5,517)	(51,974)
Reclassification from legal reserve .....	—	1,006	—	—
Cumulative effect of adoption of the asset and liability method of accounting for income taxes (Note 2 (12)) .....	—	—	7,485	70,513
Increase due to conversion of convertible bonds .....	3	784	—	—
Increase due to adoption of the asset and liability method of accounting for income taxes by an affiliate accounted for under the equity method .....	1,005	—	—	—
(Decrease) increase due to initial consolidation of and initial application of the equity method to subsidiaries (Note 15) .....	5	(5)	(21,468)	(202,240)
Appropriations (Note 2(16)):				
Cash dividends .....	(767)	(954)	(761)	(7,169)
Transfer to legal reserve .....	(81)	—	—	—
Directors and statutory auditors' bonuses .....	(61)	(14)	(71)	(669)
<b>Balance at end of year .....</b>	<b>¥ (3,009)</b>	<b>¥(19,578)</b>	<b>¥(39,910)</b>	<b>\$(375,976)</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Cash Flows

CSK CORPORATION and Consolidated Subsidiaries  
For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests .....	¥ 8,075	\$ 76,072
Adjustments for—		
Depreciation .....	5,306	49,986
Amortization of goodwill .....	3,420	32,219
Interest and dividend income received .....	(1,313)	(12,369)
Interest expenses .....	3,212	30,259
Equity in losses of and dividend income from unconsolidated subsidiaries and affiliates .....	11,407	107,461
Gains on sales of stock by affiliates .....	(9,587)	(90,325)
Gain on sales of marketable securities .....	(3,485)	(32,831)
Gain on sales of investment securities .....	(4,725)	(44,512)
Income from investment partnerships .....	(2,141)	(20,170)
Decrease in inventories .....	3,061	28,837
Increase in venture capital investments .....	(1,180)	(11,116)
Others .....	2,363	22,270
Subtotal .....	14,413	135,781
Interest and dividend income received .....	1,313	12,369
Interest expenses paid .....	(3,338)	(31,446)
Income taxes paid .....	(6,433)	(60,603)
Net cash provided by operating activities .....	5,955	56,101
<b>Cash flows from investing activities:</b>		
Increase in time deposits, net .....	(3,889)	(36,637)
Net proceeds from sales and purchases of marketable securities .....	5,178	48,780
Purchase of property, plant and equipment .....	(4,265)	(40,179)
Proceeds from sales of property, plant and equipment .....	1,398	13,170
Purchase of intangible assets .....	(1,049)	(9,882)
Purchase of investments in securities .....	(25,290)	(238,248)
Proceeds from sales of investments in securities .....	14,131	133,123
Decrease in short-term loans receivable, net .....	489	4,607
Increase in long-term loans receivable .....	(4,159)	(39,180)
Decrease in long-term loans receivable .....	45	424
Others .....	(953)	(8,978)
Net cash used in investing activities .....	(18,364)	(173,000)
<b>Cash flows from financing activities:</b>		
Increase in short-term bank loans payable, net .....	28,418	267,715
Proceeds from long-term debt .....	3,105	29,251
Repayment of long-term debt .....	(16,902)	(159,227)
Issuance of common stock .....	51,149	481,855
Purchase of treasury stock .....	(1,093)	(10,297)
Proceeds from sales of treasury stock .....	3,875	36,505
Cash dividends paid .....	(990)	(9,326)
Others .....	(443)	(4,173)
Net cash provided by financing activities .....	67,119	632,303
Effect of exchange rate changes on cash and cash equivalents .....	(84)	(793)
Net increase in cash and cash equivalents .....	54,626	514,611
Cash and cash equivalents, at beginning .....	27,160	255,864
Cash and cash equivalents of initially consolidated subsidiaries, at beginning (Note 2 (1)) .....	14,110	132,925
Cash and cash equivalents of subsidiaries removed from consolidation, at beginning (Note 2 (1)) .....	(674)	(6,350)
<b>Cash and Cash Equivalents, at End (Notes 2 (3) and 3) .....</b>	<b>¥95,222</b>	<b>\$897,050</b>

The accompanying notes are an integral part of this statement.

# Notes to Consolidated Financial Statements

CSK CORPORATION and Consolidated Subsidiaries

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of CSK CORPORATION (“CSK”) and Consolidated Subsidiaries (collectively, the “Company”) are basically an English version of those which have been prepared in accordance with accounting principles and practices generally accepted in Japan and filed with the Japanese Ministry of Finance as a part of the Annual Security Report (a Japanese equivalent of Form 10-K in the United States). The accounting records of CSK and its domestic consolidated subsidiaries and affiliates accounted for under the equity method are maintained in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards. The accounting records of overseas consolidated subsidiaries and affiliates accounted for under the equity method are maintained in accordance with generally accepted accounting principles prevailing in the respective regions in which they were incorporated. In general, no adjustments to the accounts of overseas consolidated subsidiaries are reflected in the accompanying consolidated financial statements to comply with the Japanese accounting principles and practices followed by CSK and domestic consolidated subsidiaries.

Effective April 1, 1999, the Company adopted a new Japanese accounting rule requiring the presentation of the consolidated statement of cash flows for the fiscal year ended March 31, 2000.

## 2. Summary of significant accounting policies

### (1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of CSK and its subsidiaries under its control. Effective April 1, 1999, the Company modified its approach for the identification of consolidated subsidiaries and affiliates from the percentage-of-ownership approach to the effective control approach in accordance with the “Implementation Guideline on Revised Definition of Subsidiaries and Affiliates for Consolidated Financial Statements” issued by the Business Accounting Deliberation Council in October 30, 1998. Under the percentage-of-ownership approach, the determination as to whether a company would be consolidated or accounted for under the equity method was made solely on the percentage of ownership by CSK. Under the effective control approach, companies controlled by CSK are consolidated regardless of the ownership percentage, and companies influenced by CSK in material degree on their financial, operating or business policies through investment, personnel, financing, technology, trading or other relationships are accounted for as affiliates regardless of the ownership percentage.

The accompanying consolidated financial statements incorporate certain reclassifications of figures from those included in the Annual Security Report in order to present them in a form more familiar to readers outside Japan. In addition, the notes to consolidated financial statements include certain information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are not intended to present the consolidated financial position and the results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The amounts presented in the consolidated financial statements are rounded to the nearest million yen.

The U.S. dollar amounts in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan. The rate of ¥106.15 = US\$1.00, the rate of exchange on March 31, 2000, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

The list of consolidated subsidiaries as of and for the year ended March 31, 2000 is as follows:

#### *Domestic Subsidiaries:*

Business Extension Corporation  
JIEC Co., Ltd. (formerly, Japan Information Engineering Co., Ltd.)  
CSI Co., Ltd.  
Super Software Co., Ltd.  
NextCom K.K.  
ServiceWare Corporation  
Digital Media Lab Corporation  
CSK Network Systems Corporation  
Japan Card Center Kaisha  
Japan Future Information Technology & Systems Co., Ltd.  
CSK Field Services Co., Ltd.  
BellSystem24, Inc.\*  
CSK Venture Capital Co., Ltd.\*  
CVC Business Co., Ltd.\*  
CSK ELECTRONICS CORPORATION\*

J-NODE Co., Ltd.\*  
 ASCII Corporation\*  
 ASCII Laboratories, Inc.\*  
 ASCII NT, INC.\*  
 ASCII EC Co., Ltd.\*  
 Aspect, Inc.\*  
 V.M. Technology Corporation\*  
 ISAO Corporation\*\*

*Overseas Subsidiaries:*

CSK Computer Services (Canada) Ltd.  
 CSK Software (Europe), B.V.  
 CSK Computer Services (Hong Kong) Limited  
 CSK Singapore Pte Ltd.  
 CSK Australia Pty Limited  
 CSK (UK) Limited  
 CSK (Schweiz) AG  
 CSK Spain, S.A.  
 CSK Computer Services Kaisha (Deutschland) GmbH  
 CSK Belgium N.V.  
 CSK France, S.A.  
 CSK Software (Ireland) Limited  
 CSK Software, Inc.  
 CSK Software, N.A., Inc.  
 CSK North Europe, B.V.  
 CSK South Europe, B.V.  
 CSK Portugal Technologias De Informacio, L.D.A.  
 CSK Electronics Hong Kong Ltd.\*  
 CSK Electronics America, Inc.\*  
 T-ZONE Corporate & Research, Inc.\*

\* These companies are consolidated from this year in accordance with the effective control approach. Investments in these companies were accounted for under the equity method in previous years.

\*\* CSK acquired a 70% interest in ISAO Corporation on October 1, 1999, which became a consolidated subsidiary of CSK from this year. Refer to Note 15, Related party transactions (non-consolidated basis).

CSK Research Institute Corp. was sold on September 30, 1999, and is excluded from consolidation from this year. Refer to Note 15, Related party transactions (non-consolidated basis).

CSK accounts for investments in 22 subsidiaries and 17 affiliates under the cost method as their total assets, sales, net income, and retained earnings are immaterial to the consolidated financial statements of the Company.

JIEC Co., Ltd., ISAO Corporation, and all overseas subsidiaries have fiscal year-ends of December 31. Bellsystem 24, Inc., which has a fiscal year-end of May 31, has performed a tentative annual closing and prepared financial statements as of and for the year ended February 29, 2000 for consolidation purposes. All other subsidiaries

have March 31 year-ends. Subsidiaries are consolidated based on their respective fiscal year-ends except for Bellsystem 24, Inc., which is consolidated as of and for the year ended February 29, 2000.

Necessary adjustments have been recorded to the accompanying consolidated financial statements for significant transactions during the period between these subsidiaries' fiscal year-ends and the balance sheet dates.

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

Effective from the year ended March 31, 2000, the assets and liabilities of a newly consolidated subsidiary are marked to fair value at the time CSK is deemed to have gained control. For the year ended March 31, 1999 and prior, the assets and liabilities of newly consolidated subsidiaries were consolidated at book value. This change resulted in an increase in total assets of ¥10,085 million in the year ended March 31, 2000.

The excess of cost over such value of investments in subsidiaries is recognized as goodwill and is amortized over five years. Amortization of goodwill is included in "Selling, general and administrative expenses" in the consolidated statements of operations for the years ended March 31, 1999 and 2000, prior to which it was included in "Other income (expenses)." As a result of this change, operating income for the year ended March 31, 1998, is ¥2,003 million higher than what would have been reported under the current presentation.

**(2) Translation of foreign currency balances and transactions**

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates. Short-term receivables and payables denominated in foreign currencies are translated at the current exchange rates at the balance sheet date.

All the assets and liabilities of foreign subsidiaries and affiliates are translated at current rates at the respective balance sheet dates. All the income and expense accounts are also translated at current rates at the respective balance sheet dates. Adjustments arising from translating financial statements of overseas subsidiaries denominated in foreign currencies into Japanese yen are recorded in the consolidated balance sheets as a component of assets or liabilities.

**(3) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, "Cash and cash equivalents" consist of cash on hand, demand deposits and certain investments with original maturity of three months or less with virtually no risk of loss of value. Presentation of the consolidated statement of cash flows was not required at March 31, 1999 and prior.

**(4) Marketable securities and investments in securities**

“Marketable securities” are stated at the lower of cost or market; cost being determined using the moving-average method. Other securities are stated at cost; cost being determined using the moving-average method.

**(5) 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.

**(6) Inventories**

Items in “Inventories” are principally stated at cost, cost being determined using the specific identification or moving-average methods.

**(7) Property, plant and equipment**

“Property, plant and equipment,” including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs including minor renewals and betterments are charged to income as incurred. For CSK and domestic subsidiaries, depreciation is computed using the declining-balance method at rates based on the estimated useful lives of the assets which are prescribed by the Japanese Income Tax Laws, except for buildings acquired after April 1, 1998 which are depreciated using the straight-line method. For overseas subsidiaries, depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**(8) Deferred charges and intangible assets**

“Deferred charges and intangible assets,” including capitalized software costs and goodwill, are carried at cost less accumulated amortization. Capitalized costs for software for internal use are amortized using the straight-line method over the estimated useful life of the software. Goodwill is amortized using the straight-line method over five years.

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

**(9) Accrued bonuses to employees**

“Accrued bonuses to employees” represent bonuses to employees expected to be paid for their services rendered prior to the balance sheet date.

**(10) Accrued employees’ retirement benefits**

Generally, employees are entitled to lump-sum indemnities upon termination of employment with the Company. The amount paid is calculated based on factors such as length of service, basic rates of pay and conditions under which the terminations occur. “Accrued employees’ retirement benefits” are provided principally at 50% of the amount that would be paid assuming voluntary retirement of all employees at the balance sheet date.

In addition, the Company has a non-contributory pension plan covering employees of CSK and certain consolidated and non-consolidated subsidiaries. Under this plan, an employee becomes eligible for the pension benefit after 10 years of service with the Company. As of March 31, 1999, the most recent valuation date, the plan assets totaled ¥22,558 million. The prior service costs are being amortized over 20 years using the straight-line method.

**(11) Research and development costs**

Research and development costs are charged to income as incurred.

**(12) Income taxes**

Effective April 1, 1999, the Company adopted the asset and liability method for accounting for income taxes. This method recognizes deferred income tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. As of and for the years ended March 31, 1998 and 1999, income taxes are provided based on amounts required by the tax returns for the respective year. This change resulted for the year ended March 31, 2000 in an increase in net loss of ¥4,811 million and in the cumulative effect of ¥7,485 million at April 1, 1999 of an accounting change to be credited directly to accumulated deficit as reflected in the consolidated statements of (accumulated deficit) retained earnings.

**(13) Consumption taxes**

Consumption taxes are imposed at a flat rate of 5% on all domestic consumption of goods and services.

The consumption taxes imposed on the Company’s sales to customers are withheld by the Company at the time of sale and are paid to the national government subsequently. The consumption taxes withheld from sales are not included in “Net sales” but are recorded as a liability and included in “Other current liabilities.”

The consumption taxes imposed on the Company’s purchases of products, merchandise and services from vendors are not included in costs and expenses but are offset against consumption taxes withheld.

#### **(14) Revenue recognition**

##### **a) Computer services:**

The Company provides customers with services relating to programming, software development for EDP systems, computer operations and various data processing. The services are provided either under fixed-amount contracts or hourly-rate contracts. Under the fixed-amount contracts, the Company recognizes revenue when the services are completed and accepted by the customers. Under the hourly-rate contracts, the Company recognizes revenue as it is accrued by multiplying the agreed rates by the number of hours worked. Revenue for data entry services is determined by multiplying the fixed-rate by the volume of processed data.

##### **b) Computer and other product sales:**

Overseas sales are recorded at the time of shipment. Domestic sales of computers and related supplementary equipment are recorded at the time of acceptance by the customers. Domestic retail sales of personal computers, auxiliary parts and other items are recorded at the time of shipment.

##### **c) Publication:**

Sales of books and magazines are recorded when goods are shipped. Advertising revenue is recognized when magazines containing customers' advertisement are shipped. Sales returns and allowances are recorded as a reduction to gross profits.

##### **d) Prepaid card sales:**

The Company recognizes sales of prepaid cards at face amounts when they are issued. Cost of sales is recorded based on the actual usage of the cards. At the end of a year, the Company would record additional cost of sales and unearned revenue for the unused portion of the cards, thereby reversing, in effect, the sales for the unused portion. For the year ended March 31, 1998 and prior, the Company estimated the unused portion at year-end based on a method that did not consider the year in which the cards were sold. Effective April 1, 1998, the Company changed

its method of estimating the unused portion to that which takes into consideration the year in which the cards were sold. Both methods are in accordance with the Japanese Income Tax Laws. This change resulted in a decrease in operating income of ¥482 million and the recognition of ¥2,051 million in the "Cumulative effect of an accounting change" for the year ended March 31, 1999, and losses before income taxes increased by ¥2,533 million in comparison with those based on the former method.

#### **(15) Leases**

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.

#### **(16) Appropriation of (accumulated deficit) retained earnings**

Appropriation of (accumulated deficit) retained earnings reflected in the accompanying consolidated financial statements is recorded after approval by the shareholders as required by the Japanese Commercial Code.

#### **(17) Dividends and Earnings per share**

The amount of dividends distributed is determined based on unrestricted retained earnings on the non-consolidated balance sheet.

"Basic earnings per share" is computed by dividing loss applicable to "Common stock" by the weighted-average number of shares of common stock outstanding during each year. "Diluted earnings per share" reflects the potential dilution that could occur if dilutive securities and other contracts to issue common shares were exercised or converted into common shares. "Diluted earnings per share" for each of the three years in the period ended March 31, 2000 are not presented as the Company reported a net loss in these years.

### 3. Consolidated statement of cash flows

“Cash” at March 31, 2000 on the consolidated balance sheets and “Cash and cash equivalents” at March 31, 2000 on the consolidated statement of cash flows are reconciled as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash.....	¥98,919	\$931,884
Marketable securities.....	31,031	292,336
Less: Time deposits with original maturities of more than three months or those submitted as collateral for loans.....	(9,065)	(85,402)
Less: Cash in escrow accounts.....	(511)	(4,822)
Less: Equity securities and other marketable securities with original maturities of more than three months.....	(25,152)	(236,946)
Cash and cash equivalents.....	¥95,222	\$897,050

Significant non-cash transactions of the Company in the year ended March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Non-cash financing activities:		
Increase in “Common stock” from conversion of convertible bonds payable.....	¥1,473	\$13,874
Increase in “Additional paid-in capital” from conversion of convertible bonds payable.....	1,471	13,859
	¥2,944	\$27,733

### 4. Marketable securities and investments in securities

Carrying amounts and fair values of “Marketable securities” and “Investments in securities,” of which the market values are readily determinable as of March 31, 2000, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Carrying amount	Fair market value	Unrealized gain (loss)	Carrying amount	Fair market value	Unrealized gain (loss)
Short-term portfolio:						
Equity securities.....	¥ 8,066	¥27,568	¥19,502	\$ 75,986	\$259,707	\$183,721
Debt securities.....	1,666	1,866	200	15,693	17,583	1,890
Others.....	7,318	6,921	(397)	68,938	65,197	(3,741)
Subtotal.....	17,050	36,355	19,305	160,617	342,487	181,870
Long-term portfolio:						
Equity securities.....	26,282	56,700	30,418	247,596	534,147	286,551
Debt securities.....	2,958	3,099	141	27,863	29,196	1,333
Others.....	100	117	17	942	1,102	160
Subtotal.....	29,340	59,916	30,576	276,401	564,445	288,044
Total.....	¥46,390	¥96,271	¥49,881	\$437,018	\$906,932	\$469,914

Fair market values for securities are the closing prices of respective markets for publicly traded securities and mutual funds. Equity securities that are not publicly traded, unlisted foreign debt securities, commercial paper, money management funds, discounted

bank debentures, coupon bank debentures and investment trusts with closed terms are excluded from this disclosure.

Fair value disclosure for “Marketable securities” and “Investments in securities” was not required at March 31, 1999 and prior.

## 5. Inventories

At March 31, 1999 and 2000, the Company's inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Goods for resale .....	¥2,860	¥11,329	\$106,728
Raw materials .....	0	456	4,296
Systems in development .....	3,107	7,184	67,680
Supplies .....	195	137	1,287
	¥6,162	¥19,106	\$179,991

## 6. Investments in unconsolidated subsidiaries and affiliates

At March 31, 1999 and 2000, investments in subsidiaries and affiliates under the equity method were as follows:

	1999		2000	
	Equity* ownership (%)	Capital stock (Millions of Yen)	Equity* ownership (%)	Capital stock (Millions of Yen)
Domestic Affiliates:				
CSK Venture Capital Co., Ltd. ....	50.0%	¥ 400	—%	¥ —
CSK ELECTRONICS CORPORATION .....	42.1	10,294	—	—
Bellsystem 24, Inc. ....	39.8	10,015	—	—
Sega Logistics Services, Ltd. ....	25.0	200	25.0	200
ASCII Corporation.....	24.9	13,079	—	—
Telecomet International Inc. ....	20.0	1,440	20.0	1,440
SEGA Enterprises, Ltd. ....	19.7	42,109	17.3	64,150
Spike Co., Ltd. ....	23.3	294	27.5	294
I4 Corporation.....	—	—	49.2	1,224
		(U.S. Dollars)		(U.S. Dollars)
Overseas Affiliates:				
SegaSoft Networks, Inc. ....	50.0**	\$800	50.0**	\$800

\* Includes direct and indirect ownership.

\*\* SegaSoft Networks, Inc. has a shareholders' deficit of ¥10,654 million. Investment in SegaSoft Networks, Inc. has been reduced to zero.

Investments in other subsidiaries and affiliates are immaterial to the consolidated financial statements of the Company and are therefore accounted for under the cost method.

## 7. Property, plant and equipment

"Property, plant and equipment" as of March 31, 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Buildings and structures .....	¥23,090	¥30,042	\$283,015
Others .....	10,603	19,255	181,395
	33,693	49,297	464,410
Less: Accumulated depreciation .....	(18,243)	(25,377)	(239,066)
	15,450	23,920	225,344
Land .....	13,985	17,578	165,593
Construction in progress .....	1,108	38	362
	¥30,543	¥41,536	\$391,299

## 8. Short-term and long-term debt

### (1) Short-term bank loans payable and commercial paper

The weighted-average interest rate for "Short-term bank loans payable" was 1.7% as of March 31, 2000. The weighted-average

interest rates for "Commercial paper" were 0.7% and 0.4% as of March 31, 1999 and 2000, respectively.

### (2) Long-term bank loans payable

The weighted-average interest rate for "Long-term bank loans payable" was 2.2% as of March 31, 2000. The repayment schedule for "Long-term bank loans payable" for the next five years is as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001 .....	¥ 3,747	\$ 35,305
2002 .....	5,023	47,325
2003 .....	2,404	22,648
2004 .....	11,161	105,150
2005 .....	352	3,316

### (3) Convertible bonds payable

"Convertible bonds payable" as of March 31, 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Unsecured 1.8% convertible bonds due March 20, 2002, convertible currently at ¥4,769.30 for one common share, redeemable before due date .....	¥ 7,607	¥ 6,073	\$ 57,211
Unsecured 3.9% convertible bonds due March 20, 2001, convertible currently at ¥5,525 for one common share, redeemable before due date .....	13,696	11,927	112,360
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	1,500	14,131
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	700	6,595
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	700	6,595
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	400	3,768
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	400	3,768
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	300	2,826
Unsecured 1.5% convertible bonds due September 30, 2003, convertible currently at ¥1,235.40 for one common share, redeemable before due date .....	—	300	2,826
	21,303	22,300	210,080
Less: Current portion .....	—	(11,927)	(112,360)
	¥21,303	¥10,373	\$ 97,720

## 9. Assets pledged as collateral

At March 31, 2000, "Accounts payable," "Short-term bank loans payable" and "Long-term bank loans payable" totaling ¥196 million, ¥25,574 million and ¥11,637 million, respectively, of the Company

as well as contingent liabilities relating to "Convertible bonds payable" amounting to ¥4,300 million are collateralized by the following assets.

	Millions of Yen	Thousands of U.S. Dollars
Cash.....	¥ 4,525	\$ 42,628
Notes and accounts receivable .....	8,942	84,236
Marketable securities.....	40	378
Inventories.....	2,092	19,710
Buildings and structures .....	2,672	25,172
Land .....	4,064	38,287
Investments in securities .....	949	8,942
Other assets.....	3,016	28,405
Assets of CSK Electronics America, Inc. (non-consolidated basis).....	205	1,931
	¥26,505	\$249,689

In addition, the following assets, which were eliminated in consolidation, have been pledged as collateral:

	Millions of Yen	Thousands of U.S. Dollars
Investments in common stock of consolidated subsidiaries.....	¥ 217	\$ 2,049
Accounts receivable of ASCII Corporation payable by its subsidiaries.....	3,447	32,476

Article 13-1 of the Law Concerning Prepaid Card Operations requires that 50% of unused amounts in prepaid cards be collateralized by the issuers. As of March 31, 2000, the Company has

pledged as collateral "Investments in securities" amounting to ¥7,446 million for this purpose.

## 10. Fair values of off-balance sheet financial instruments

The Company has entered into forward exchange contracts and interest rate swaps to manage market risks relating to fluctuations in the interest and foreign exchange rates. The Company does not hold or issue financial instruments for trading purposes. The estimated unrealized gains and losses from these contracts at March 31, 2000 are summarized in the following tables. Market

values of forward rate contracts are based on the closing prices of the Tokyo International Financial Futures Exchange. Market values of option and swap contracts are based on values presented by financial institutions and securities brokers.

(On-balance forward rate contracts are excluded from these tables.)

### (1) Currency related transaction

	Millions of Yen			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
Futures:				
Bought (US\$).....	¥2,963	¥ —	¥2,961	¥ (2)
Options:				
Sold (US\$) Put.....	704	105		
(Option premiums) .....			12	12
Bought (US\$) Call.....	704	105		
(Option premiums) .....			(35)	(35)
Currency swaps:				
US\$ .....	2,138	2,138	(20)	(20)

	Thousands of U.S. Dollars			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
<b>Futures:</b>				
Bought (US\$) .....	\$27,911	\$ —	\$27,895	\$ (16)
<b>Options:</b>				
Sold (US\$) Put .....	6,628	984		
(Option premiums) .....			117	117
Bought (US\$) Call .....	6,628	984		
(Option premiums) .....			(334)	(334)
<b>Currency swaps:</b>				
US\$ .....	20,143	20,143	(184)	(184)

## (2) Interest rate related transaction

	Millions of Yen			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
<b>Swaps:</b>				
Rec: Fix				
Pay: Flt .....	¥10,550	¥7,250	¥(183)	¥(183)
<b>Caps:</b>				
Bought .....	3,500	3,500		
(Premiums) .....	(58)	(30)	3	(55)

	Thousands of U.S. Dollars			
	Contract value		Market value	Unrealized gain (loss)
	Over 1 year			
<b>Swaps:</b>				
Rec: Fix				
Pay: Flt .....	\$99,388	\$68,300	\$(1,727)	\$(1,727)
<b>Caps:</b>				
Bought .....	32,972	32,972		
(Premiums) .....	(547)	(285)	30	(517)

## 11. Income taxes

The Company is subject to a number of different income taxes. The applicable statutory tax rate in Japan for the year ended March 31, 2000 was approximately 41.8%.

A reconciliation of the difference between the effective income tax rate and statutory income tax rate for the year ended March 31, 2000 is as follows:

	%
Statutory income tax rate .....	41.8%
Increase (decrease) in tax rate:	
Non-deductible expenses for tax purposes .....	3.5
Base portion of the inhabitant tax .....	1.9
Equity in net losses of unconsolidated subsidiaries and affiliates .....	54.3
Amortization of goodwill .....	17.6
Gains on sales of stock by affiliates .....	(47.3)
Increase in valuation allowance for deferred income tax assets .....	46.1
Others .....	15.7
Effective income tax rate .....	133.6%

The significant components of deferred income tax assets and liabilities at March 31, 2000 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred income tax assets:		
Tax losses carried forward.....	¥29,623	\$279,069
Provision for allowance for doubtful accounts .....	3,218	30,318
Loss on write-down of marketable securities .....	1,379	12,987
Accrued bonuses to employees .....	710	6,692
Unrealized gain .....	323	3,040
Accrued employee benefits .....	283	2,667
Accrued enterprise tax.....	192	1,814
Loss on write-down of fixed assets .....	165	1,550
Depreciation expense .....	137	1,288
Others .....	2,106	19,844
Gross deferred income tax assets .....	38,136	359,269
Less: Valuation allowance.....	34,961	329,360
Total deferred income tax assets.....	3,175	29,909
Deferred income tax liabilities:		
Deference of fair value valuation for consolidated subsidiaries .....	4,241	39,951
Gross deferred income tax liabilities.....	4,241	39,951
Net deferred income tax liabilities.....	¥ 1,066	\$ 10,042

## 12. Research and development costs

Research and development costs included in "Cost of sales" and "Selling, general and administrative expenses" for the years ended

March 31, 1998, 1999 and 2000 totaled ¥1,205 million, ¥707 million and ¥1,828 million, respectively.

## 13. Leases

The Company leases certain furniture and office equipment under non-cancelable operating and finance leases. Items leased under

finance leases do not involve the transferring of ownership and therefore are accounted for in a manner similar to operating leases.

The following is a summary of future minimum payments under operating leases and finance leases without transfer of ownership as of March 31, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Operating leases:		
Due within one year .....	¥ 60	\$ 564
Thereafter.....	81	766
	¥141	\$1,330
Finance leases:		
Due within one year .....	¥2,322	\$21,873
Thereafter.....	3,078	28,997
	¥5,400	\$50,870

The lease payments above do not include future interest expenses.

Lease expenses on finance lease contracts without ownership transfer for the years ended March 31, 1999 and 2000 were ¥1,491 million and ¥2,833 million, respectively.

Pro forma data as of March 31, 1999 and 2000 as to acquisition cost, accumulated depreciation, net book value, depreciation expense and interest expense of the assets leased under finance leases without transfer of ownership are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Pro forma acquisition cost .....	¥5,557	<b>¥11,725</b>	<b>\$110,458</b>
Pro forma accumulated depreciation .....	(2,999)	<b>(6,597)</b>	<b>(62,151)</b>
Pro forma net book value .....	¥2,558	<b>¥ 5,128</b>	<b>\$ 48,307</b>
Pro forma depreciation expense .....	¥1,312	<b>¥ 2,460</b>	<b>\$ 23,179</b>
Pro forma interest expense .....	¥ 181	<b>¥ 290</b>	<b>\$ 2,728</b>

Depreciation is based on the straight-line method over the lease term of leased assets with no residual value.

The Company also leases certain computer equipment to customers in conjunction with system consulting and development activities. These leases also do not involve the transferring of ownership and therefore are accounted for in a manner similar to operating leases.

reported in the consolidated statements of operations for the years ended March 31, 1998 and 1999 as CSK ELECTRONICS CORPORATION, the consolidated subsidiary that reported lease income, was accounted for then as an investment accounted for under the equity method.

Lease income on finance lease contracts for the year ended March 31, 2000 was ¥169 million. No significant lease income was

The following is a summary of future minimum payments receivable under finance leases as of March 31, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year .....	¥144	\$1,357
Thereafter .....	225	2,119
	<b>¥369</b>	<b>\$3,476</b>

The lease payments receivable above do not include future interest income.

The pro forma data as to acquisition cost, accumulated depreciation, net book value, and interest expense of the leased assets as of March 31, 2000 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Pro forma acquisition cost .....	¥773	\$7,281
Pro forma accumulated depreciation .....	(434)	(4,090)
Pro forma net book value .....	¥339	\$3,191
Pro forma interest expense .....	¥ 29	\$ 271

Depreciation is based on the straight-line method over the lease term of leased assets with no residual value.

#### 14. Commitments and contingencies

The Company is contingently liable as of March 31, 2000 as a guarantor of indebtedness of affiliates and others as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans payable of CSK Research Institute Corp. ....	¥42	\$397
Loans payable of MICROTECH INTERNATIONAL, INC. ....	37	349
Finance lease obligations of MICROTECH INTERNATIONAL, INC. ....	43	406

## 15. Related party transactions (non-consolidated basis)

The Company had the following significant transactions with its related parties for the year ended March 31, 2000:

(1) On September 30, 1999, CSK sold its 100% interest in CSK Research Institute Corp. to Isao Okawa, the honorary chairman of CSK, for ¥778 million. The sales price was based on an appraisal performed by a third party.

(2) On October 1, 1999, CSK acquired 70% interest in ISAO Corporation from the immediate family members of Isao Okawa for ¥5,362 million. The purchase price was based on an appraisal performed by a third party.

## 16. Segment information

The Company operates principally in five segments: computer services, computer and other product sales, prepaid card sales, publication, and others.

Segment	Major products and services
Computer services:	Software development, systems integration, facilities management and other related services
Computer and other product sales:	Computer and other product sales and information technology related engineering
Prepaid card sales:	Issuance and settlement of prepaid cards, development and sales of card systems
Publication:	Publication of books and magazines
Others:	Investment in venture companies, rental of "intelligent" buildings, rental of computers and related products

The segment information of the Company for each of the three years in the period ended March 31, 2000 classified by segment is presented below:

	Millions of Yen						
	For the year ended March 31, 1998						
	Computer services	Computer and other product sales	Prepaid card sales	Others	Total	Elimination and corporate	Consolidated total
Sales:							
Sales to outside customers.....	¥110,823	¥48,453	¥50,680	¥1,048	¥211,004	¥ —	¥211,004
Intersegment sales/transfers.....	230	320	4	67	621	(621)	—
Total sales .....	111,053	48,773	50,684	1,115	211,625	(621)	211,004
Operating costs and expenses .....	105,702	48,188	50,373	731	204,994	(621)	204,373
Operating income.....	¥ 5,351	¥ 585	¥ 311	¥ 384	¥ 6,631	¥ —	¥ 6,631
Assets.....	¥ 68,363	¥22,414	¥13,903	¥3,649	¥108,329	¥111,932	¥220,261
Depreciation .....	¥ 1,583	¥ 535	¥ 18	¥ 249	¥ 2,385	¥ —	¥ 2,385
Capital expenditure .....	¥ 1,201	¥ 3,613	¥ 4	¥ 476	¥ 5,294	¥ —	¥ 5,294

	Millions of Yen							Consolidated total
	For the year ended March 31, 1999							
	Computer services	Computer and other product sales	Prepaid card sales	Others	Total	Elimination and corporate		
Sales:								
Sales to outside customers .....	¥126,645	¥44,152	¥52,120	¥ 798	¥223,715	¥ —	¥223,715	
Intersegment sales/transfers .....	85	696	5	453	1,239	(1,239)	—	
Total sales .....	126,730	44,848	52,125	1,251	224,954	(1,239)	223,715	
Operating costs and expenses .....	121,043	42,813	52,318	588	216,762	(1,261)	215,501	
Operating income (loss) .....	¥ 5,687	¥ 2,035	¥ (193)	¥ 663	¥ 8,192	¥ 22	¥ 8,214	
Assets .....	¥ 62,748	¥21,292	¥16,619	¥3,630	¥104,289	¥86,195	¥190,484	
Depreciation .....	¥ 2,551	¥ 313	¥ 34	¥ 164	¥ 3,062	¥ 13	¥ 3,075	
Capital expenditure .....	¥ 2,094	¥ 381	¥ 126	¥ 42	¥ 2,643	¥ —	¥ 2,643	

	Millions of Yen							Consolidated total
	For the year ended March 31, 2000							
	Computer services	Computer and other product sales	Prepaid card sales	Publication	Others	Total	Elimination and corporate	
Sales:								
Sales to outside customers .....	¥187,213	¥139,687	¥50,839	¥30,627	¥ 1,381	¥409,747	¥ —	¥409,747
Intersegment sales/transfers .....	1,228	1,630	23	169	502	3,552	(3,552)	—
Total sales .....	188,441	141,317	50,862	30,796	1,883	413,299	(3,552)	409,747
Operating costs and expenses .....	182,335	138,034	50,926	30,657	1,020	402,972	(3,552)	399,420
Operating income (loss) .....	¥ 6,106	¥ 3,283	¥ (64)	¥ 139	¥ 863	¥ 10,327	¥ —	¥ 10,327
Assets .....	¥156,563	¥ 58,459	¥21,339	¥16,800	¥11,897	¥265,058	¥117,990	¥383,049
Depreciation .....	¥ 4,266	¥ 624	¥ 60	¥ 261	¥ 48	¥ 5,259	¥ 46	¥ 5,306
Capital expenditure .....	¥ 4,562	¥ 747	¥ 34	¥ 103	¥ 21	¥ 5,468	¥ 4	¥ 5,472

	Thousands of U.S. Dollars							Consolidated total
	For the year ended March 31, 2000							
	Computer services	Computer and other product sales	Prepaid card sales	Publication	Others	Total	Elimination and corporate	
Sales:								
Sales to outside customers ....	\$1,763,667	\$1,315,936	\$478,936	\$288,523	\$ 13,013	\$3,860,075	\$ —	\$3,860,075
Intersegment sales/transfers ....	11,568	15,356	217	1,590	4,730	33,461	(33,461)	—
Total sales .....	1,775,235	1,331,292	479,153	290,113	17,743	3,893,536	(33,461)	3,860,075
Operating costs and expenses...	1,717,708	1,300,364	479,761	288,807	9,609	3,796,249	(33,461)	3,762,788
Operating income (loss).....	\$ 57,527	\$ 30,928	\$ (608)	\$ 1,306	\$ 8,134	\$ 97,287	\$ —	\$ 97,287
Assets .....	\$1,474,923	\$ 550,719	\$201,031	\$158,271	\$112,078	\$2,497,022	\$1,111,542	\$3,608,565
Depreciation .....	\$ 40,189	\$ 5,882	\$ 564	\$ 2,457	\$ 459	\$ 49,551	\$ 437	\$ 49,986
Capital expenditure .....	\$ 42,974	\$ 7,041	\$ 324	\$ 974	\$ 201	\$ 51,514	\$ 44	\$ 51,558

- (1) During the year ended March 31, 2000, ASCII Corporation became a consolidated subsidiary in conjunction with the Company's modification of its method for identifying subsidiaries. (See Note 2 (1).) As a result, the "Publication" segment was newly established in the segment information shown here with effect from the year ended March 31, 2000.
- (2) The assets of ¥112,011 million, ¥86,214 million and ¥118,003 million at March 31, 1998, 1999 and 2000, respectively, included in the "Elimination and corporate" column mainly consists of the Company's working funds (cash and marketable securities), long-term investment funds (investments in securities) and other assets which belong to the administrative departments.
- (3) Unallocated operating costs and expenses under the "Elimination and corporate" column for the years ended March 31, 1998, 1999 and 2000 were ¥0 million, ¥13 million and ¥46 million, respectively. These costs were incurred as depreciation expense relating to administrative departments.
- (4) "Depreciation" and "Capital expenditure" include long-term prepayments, deferred charges and their amortization.
- (5) Due to the change in accounting method for the prepaid card operations, operating income decreased by ¥482 million for "Prepaid card sales" for the year ended March 31, 1999 (See Note 2 (14)).
- (6) The presentation of amortization of goodwill was changed during the year ended March 31, 1999. Due to this change, operating income for the "Computer services," "Computer and other product sales" and "Prepaid card sales" segments for the year ended

March 31, 1999, are ¥50 million, ¥422 million and ¥399 million, respectively, lower than what would have been reported under the former classification. Likewise, operating income for the "Computer services," "Computer and other product sales," "Prepaid card sales" and "Publication" segments for the year ended March 31, 2000 are ¥1,956 million, ¥419 million, ¥400 million and ¥558 million, respectively, lower than what would have been reported under the former classification (See Note 1).

- (7) The Company adopted the assets and liability method for accounting for income taxes effective April 1, 1999. Due to this change, total assets in the "Computer services," "Computer and other product sales," "Prepaid card sales" and "Others" segments increased by ¥529 million, ¥143 million, ¥26 million, and ¥2,170 million, respectively (See Note 2 (12)).
- (8) The net assets of subsidiaries are marked to fair value at the time the Company is deemed to have gained control starting from the year ended March 31, 2000. Due to this change, the assets increased by ¥10,085 million in the "Computer services" segment as of March 31, 2000 (See Note 1).

Segment information for geographic locations is omitted for each of the three years in the period ended March 31, 2000 since total assets and sales for the "Japan" segment exceeded 90% of total assets and sales in each of such years. Information regarding overseas sales is omitted for each of the three years in the period ended March 31, 2000 since total overseas sales were less than 10% of consolidated total sales in each of such years.

## 17. Subsequent events

### **(1) Issuance of additional shares of CSK common stock**

On April 1, 2000, in accordance with the resolutions of the board of directors dated February 28, 2000 and March 14, 2000, CSK issued an additional 10 million shares of its common stock for ¥42,870 million, ¥21,440 million of which was recorded in "Common stock" and the remainder in "Additional paid-in capital." The Company received total proceeds of ¥42,870 million on March 31, 2000 and recorded the amount in "Unissued common shares" included in shareholders' equity. After the issuance of the additional shares of common stock, total common shares issued and outstanding became 74,700 thousand shares.

### **(2) Acquisition of additional shares of SEGA Enterprises, Ltd.**

On April 3, 2000, in accordance with the resolution of the board of directors dated February 28, 2000, CSK acquired 18 million shares of SEGA Enterprises, Ltd. common stock for ¥50,688 million. Following the acquisition, the Company's holdings of SEGA Enterprises, Ltd. increased from 21,148 thousand shares (17.3%) to 39,148 thousand shares (24.7%).

## Report of Independent Certified Public Accountants

The Board of Directors  
CSK CORPORATION

We have audited the accompanying consolidated balance sheets of CSK CORPORATION and Consolidated Subsidiaries as of March 31, 1999 and 2000; the related consolidated statements of operations and (accumulated deficit) retained earnings for each of the three years in the period ended March 31, 2000; and the related consolidated statement of cash flows for the year ended March 31, 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of CSK CORPORATION and Consolidated Subsidiaries at March 31, 1999 and 2000; the consolidated results of their operations for each of the three years in the period ended March 31, 2000; and the consolidated result of their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As discussed in Note 2, effective April 1, 1998, Japan Card Center Kaisha, a consolidated subsidiary, changed its method of determining the unused amounts of prepaid cards to that which enables it to better estimate costs related to prepaid cards. Both the old and new methods employed by the Company are in accordance with the Japanese Tax law. This change resulted in a decrease in operating income of ¥482 million and recognition of ¥2,051 million in the cumulative effect of an accounting change for the year ended March 31, 1999, and losses before income taxes increased by ¥2,533 million in comparison with those based on the former method.

As discussed in Note 2, effective April 1, 1999, CSK CORPORATION and Consolidated Subsidiaries adopted new Japanese accounting standards for preparation of consolidated financial statements and income taxes.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

*Chuo Aoyama Audit Corporation*

Tokyo, Japan  
June 29, 2000

## Non-Consolidated Balance Sheets

CSK CORPORATION  
As of March 31, 1999 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
<b>Current assets:</b>			
Cash and cash equivalents:			
Cash.....	¥ 15,910	¥ 59,137	\$ 557,113
Marketable securities.....	4,371	6,319	59,526
	20,281	65,456	616,639
Notes and accounts receivable:			
Outside customers.....	16,749	19,386	182,631
Subsidiaries and affiliates.....	1,904	4,544	42,811
Allowance for doubtful accounts.....	(97)	(135)	(1,280)
	18,556	23,795	224,162
Short-term loans:			
Subsidiaries and affiliates.....	6,003	5,965	56,196
Others.....	37	26	247
	6,040	5,991	56,443
Inventories.....	220	320	3,014
Systems in progress.....	2,190	2,147	20,228
Deferred income taxes (Note 4).....	—	1,246	11,739
Other current assets.....	1,984	1,647	15,514
<b>Total current assets.....</b>	<b>49,271</b>	<b>100,602</b>	<b>947,739</b>
<b>Investments:</b>			
Investments in subsidiaries and affiliates.....	88,994	118,563	1,116,940
Investments in securities.....	6,576	6,366	59,969
Long-term loans to subsidiaries and affiliates.....	6,429	9,560	90,063
Other investments.....	7,949	9,061	85,358
Allowance for doubtful accounts.....	(74)	(73)	(690)
<b>Total investments.....</b>	<b>109,874</b>	<b>143,477</b>	<b>1,351,640</b>
<b>Property and equipment, net of accumulated depreciation (Note 3).....</b>	<b>23,107</b>	<b>22,194</b>	<b>209,085</b>
<b>Fixed leasehold deposits.....</b>	<b>3,396</b>	<b>3,348</b>	<b>31,544</b>
<b>Deferred income taxes (Note 4).....</b>	<b>—</b>	<b>468</b>	<b>4,406</b>
<b>Treasury stock.....</b>	<b>1,975</b>	<b>89</b>	<b>841</b>
<b>Other assets.....</b>	<b>1,669</b>	<b>2,325</b>	<b>21,899</b>
<b>Total Assets.....</b>	<b>¥189,292</b>	<b>¥272,503</b>	<b>\$2,567,154</b>

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
<b>Current liabilities:</b>			
Short-term bank loans and commercial paper .....	¥ 16,000	¥ 42,500	\$ 400,377
Current portion of long-term debt .....	464	12,391	116,731
Accounts payable:			
Outside suppliers .....	6,206	8,775	82,662
Subsidiaries and affiliates .....	1,843	3,377	31,818
Others .....	437	401	3,775
Total accounts payable.....	8,486	12,553	118,255
Advances received.....	932	814	7,665
Accrued income taxes .....	24	31	294
Consumption taxes payable .....	457	483	4,548
Accrued bonuses to employees .....	3,240	3,360	31,653
Accrued expenses .....	2,891	2,481	23,378
Other current liabilities .....	353	241	2,272
Total current liabilities .....	32,847	74,854	705,173
<b>Long-term debts .....</b>	23,505	8,171	76,976
<b>Accrued employees' retirement benefits .....</b>	640	565	5,323
<b>Guarantee deposits received .....</b>	644	538	5,069
Total liabilities .....	57,636	84,128	792,541
<b>Commitments and contingencies (Note 5)</b>			
<b>Shareholders' equity:</b>			
Common stock, par value, ¥50 per share—			
Authorized: 221,500,000 shares at March 31, 1999 and 2000			
Issued: 64,133,845 and 64,700,164 shares at			
March 31, 1999 and 2000, respectively.....	46,117	47,589	448,319
Unissued common shares .....	—	42,870	403,862
Additional paid-in capital .....	55,893	57,365	540,411
Legal reserve.....	1,102	1,183	11,145
Voluntary reserve .....	23,531	27,231	256,533
Retained earnings.....	5,013	12,137	114,343
Total shareholders' equity .....	131,656	188,375	1,774,613
<b>Total Liabilities and Shareholders' Equity .....</b>	¥189,292	¥272,503	\$2,567,154

## Non-Consolidated Statements of Operations

CSK CORPORATION

For each of the three years in the period ended March 31, 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	1998	1999	2000	2000
<b>Operating revenues:</b>				
Computer services.....	¥ 76,742	¥ 76,895	¥ 73,668	\$693,996
Computer and other product sales.....	26,663	21,927	27,086	255,167
Rental.....	1,125	1,244	1,086	10,235
	104,530	100,066	101,840	959,398
<b>Operating costs and expenses:</b>				
Computer services.....	57,343	58,172	56,770	534,810
Computer and other product sales.....	23,763	19,496	24,562	231,396
Rental.....	671	579	335	3,157
Selling, general and administrative expenses.....	14,536	14,275	13,333	125,604
	96,313	92,522	95,000	894,967
Operating income .....	8,217	7,544	6,840	64,431
<b>Other income (expenses):</b>				
Interest and dividends received.....	2,614	1,689	1,394	13,133
Interest expenses.....	(1,971)	(1,567)	(896)	(8,445)
Stock issuance expenses .....	—	—	(352)	(3,313)
Gain on sales of marketable securities .....	1,322	1,961	2,825	26,614
Income from investment partnerships .....	1,291	1,500	2,627	24,756
Loss on write-down of marketable securities.....	(1,187)	(187)	—	—
Loss on write-down of investments in subsidiaries.....	—	(5,690)	(950)	(8,954)
Loss on write-down of investments in securities.....	(295)	(72)	(120)	(1,130)
Loss on liquidation of investments in subsidiaries .....	(23,543)	—	(254)	(2,389)
Foreign exchange (loss) gain .....	(52)	212	(1,126)	(10,609)
Others, net .....	(722)	(760)	52	488
	(22,543)	(2,914)	3,200	30,151
Income (loss) before income taxes .....	(14,326)	4,630	10,040	94,582
<b>Income taxes (Note 4):</b>				
Current .....	294	31	34	321
Deferred .....	—	—	4,126	38,867
<b>Net Income (Loss).....</b>	<b>¥ (14,620)</b>	<b>¥ 4,599</b>	<b>¥ 5,880</b>	<b>\$ 55,394</b>
<b>Per share information:</b>				
Basic earnings per share .....	¥(227.96)	¥71.70	¥91.42	\$0.86
Cash dividends .....	15.00	12.00	12.00	0.11

The accompanying notes are an integral part of these statements.

## Non-Consolidated Statements of Shareholders' Equity

CSK CORPORATION

For each of the three years in the period ended March 31, 2000

	Millions of Yen						
	Number of shares of common stock (Thousands)	Common stock	Unissued common shares	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
<b>Balance as of March 31, 1997</b> .....	64,133	¥46,116	¥ —	¥55,892	¥ 925	¥37,531	¥ 2,971
Net loss for the year ended March 31, 1998 .....	—	—	—	—	—	—	(14,620)
Cash dividends .....	—	—	—	—	—	—	(766)
Directors' and statutory auditors' bonuses .....	—	—	—	—	—	—	(40)
Transfer to legal reserve .....	—	—	—	—	81	—	(81)
Transfer to voluntary reserve .....	—	—	—	—	—	1,800	(1,800)
Conversion of convertible bonds payable .....	1	1	—	1	—	—	—
<b>Balance as of March 31, 1998</b> .....	64,134	46,117	—	55,893	1,006	39,331	(14,336)
Net income for the year ended March 31, 1999 ....	—	—	—	—	—	—	4,599
Cash dividends .....	—	—	—	—	—	—	(954)
Transfer to legal reserve .....	—	—	—	—	96	—	(96)
Transfer to voluntary reserve .....	—	—	—	—	—	(15,800)	15,800
<b>Balance as of March 31, 1999</b> .....	64,134	46,117	—	55,893	1,102	23,531	5,013
Net income for the year ended March 31, 2000 ....	—	—	—	—	—	—	<b>5,880</b>
Cash dividends .....	—	—	—	—	—	—	<b>(761)</b>
Directors' and statutory auditors' bonuses .....	—	—	—	—	—	—	<b>(53)</b>
Transfer to legal reserve .....	—	—	—	—	<b>81</b>	—	<b>(81)</b>
Transfer to voluntary reserve .....	—	—	—	—	—	<b>3,700</b>	<b>(3,700)</b>
Conversion of convertible bonds payable .....	<b>566</b>	<b>1,472</b>	—	<b>1,472</b>	—	—	—
Receipts of funds for issuance of additional shares of common stock .....	—	—	<b>42,870</b>	—	—	—	—
Cumulative effect of the adoption of the asset and liability method of accounting for income taxes....	—	—	—	—	—	—	<b>5,839</b>
<b>Balance as of March 31, 2000</b> .....	<b>64,700</b>	<b>¥47,589</b>	<b>¥42,870</b>	<b>¥57,365</b>	<b>¥1,183</b>	<b>¥27,231</b>	<b>¥12,137</b>

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)						
	Common stock	Unissued common shares	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	
<b>Balance as of March 31, 1999</b> .....	\$431,003	\$ —	\$526,038	\$10,381	\$221,677	\$ 47,225	
Net income for the year ended March 31, 2000 .....	—	—	—	—	—	<b>55,394</b>	
Cash dividends .....	—	—	—	—	—	<b>(7,169)</b>	
Directors' and statutory auditors' bonuses .....	—	—	—	—	—	<b>(499)</b>	
Transfer to legal reserve .....	—	—	—	<b>764</b>	—	<b>(764)</b>	
Transfer to voluntary reserve .....	—	—	—	—	<b>34,856</b>	<b>(34,856)</b>	
Conversion of convertible bonds payable .....	<b>17,316</b>	—	<b>14,373</b>	—	—	—	
Receipts of funds for issuance of additional shares of common stock .....	—	<b>403,862</b>	—	—	—	—	
Cumulative effect of the adoption of the asset and liability method of accounting for income taxes.....	—	—	—	—	—	<b>55,012</b>	
<b>Balance as of March 31, 2000</b> .....	<b>\$448,319</b>	<b>\$403,862</b>	<b>\$540,411</b>	<b>\$11,145</b>	<b>\$256,533</b>	<b>\$114,343</b>	

The accompanying notes are an integral part of these statements.

# Notes to Non-Consolidated Financial Statements

CSK CORPORATION

## 1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements of CSK CORPORATION ("CSK") are basically an English version of those which have been prepared in accordance with accounting principles and practices generally accepted in Japan and filed with the Japanese Ministry of Finance as a part of the Annual Security Report (a Japanese equivalent of Form 10-K in the United States). The accounting records of CSK are maintained in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

The accompanying non-consolidated financial statements incorporate certain reclassifications of figures from those included in the Annual Security Report in order to present them in a form more familiar to the readers outside Japan. In addition, the notes to non-consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information.

The accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The amounts presented in the non-consolidated financial statements are rounded to the nearest million yen.

The U.S. dollar amounts in the accompanying non-consolidated financial statements are included solely for the convenience of readers outside Japan. The rate of ¥106.15 = US\$1.00, the rate of exchange on March 31, 2000, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

## 2. Summary of significant accounting policies

Refer to the Notes to Consolidated Financial Statements.

## 3. Property and equipment

"Property and equipment" as of March 31, 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Buildings .....	¥18,496	<b>¥18,577</b>	<b>\$175,008</b>
Computer and other equipment.....	3,986	<b>3,653</b>	<b>34,417</b>
	22,482	<b>22,230</b>	<b>209,425</b>
Less: Accumulated depreciation .....	(12,363)	<b>(12,999)</b>	<b>(122,463)</b>
	10,119	<b>9,231</b>	<b>86,962</b>
Land .....	11,880	<b>12,963</b>	<b>122,123</b>
Construction in progress .....	1,108	—	—
	¥23,107	<b>¥22,194</b>	<b>\$209,085</b>

#### 4. Income taxes

Effective April 1, 1999, CSK adopted the asset and liability method for accounting for income taxes. This method recognizes deferred income tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. As of and for the years ended March 31, 1999 and 1998, income taxes are provided based on amounts required by the tax returns for the respective year. This change resulted for the year ended March 31, 2000 in a decrease in net income of

¥4,125 million and in the cumulative effect of ¥5,839 million at April 1, 1999 of an accounting change to be added directly to retained earnings as reflected in the non-consolidated statements of shareholders' equity.

The Company is subject to a number of different income taxes. The applicable statutory tax rate in Japan for the year ended March 31, 2000 was approximately 41.8%. There was no significant difference between the effective income tax rate and the statutory income tax rate for the year ended March 31, 2000.

The significant components of deferred income tax assets and liabilities at March 31, 2000 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred income tax assets:		
Tax losses carried forward.....	¥ 665	\$ 6,265
Accrued bonuses to employees .....	510	4,805
Accrued employee benefits .....	203	1,911
Loss on write-down of marketable securities .....	165	1,550
Others .....	171	1,614
Total deferred income tax assets.....	¥1,714	\$16,145

#### 5. Commitments and contingencies

CSK was contingently liable for guarantees of obligation of others as of March 31, 2000 as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans borrowed by CSK Research Institute Corp.....	¥ 42	\$ 397
Loans borrowed by CSK Software, Inc. ....	2,282	21,500
Payment obligations of Japan Card Center Kaisha in connection with prepaid card business.....	2,309	21,753
	¥4,633	\$43,650

#### 6. Subsequent events

Refer to the Notes to Consolidated Financial Statements.

## Report of Independent Certified Public Accountants

The Board of Directors  
CSK CORPORATION

We have audited the accompanying non-consolidated balance sheets of CSK CORPORATION as of March 31, 1999 and 2000; and the related non-consolidated statements of operations and shareholders' equity for each of the three years in the period ended March 31, 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of CSK CORPORATION at March 31, 1999 and 2000, and the non-consolidated results of its operations for each of the three years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As discussed in Note 4, effective April 1, 1999, CSK CORPORATION adopted new Japanese accounting standards for income taxes.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying non-consolidated financial statements.

*Chuo-Aoyama Audit Corporation*

Tokyo, Japan  
June 29, 2000

## Directory

### CSK CORPORATION

#### Head Office

Shinjuku Sumitomo Bldg.,  
2-6-1, Nishi-Shinjuku,  
Shinjuku-ku,  
Tokyo 163-0227, Japan  
Tel: 81-3-3344-1811

#### Executive Office

31st Floor, ARK Mori Bldg.,  
1-12-32, Akasaka, Minato-ku,  
Tokyo 107-6031, Japan  
Tel: 81-3-3505-5500

#### Waseda Office

Nishi-Waseda Bldg.,  
1-21-1, Nishi-Waseda,  
Shinjuku-ku,  
Tokyo 169-8620, Japan  
Tel: 81-3-5286-7100

#### Ikebukuro Office

CSK Computer Bldg.,  
3-22-17, Higashi-Ikebukuro,  
Toshima-ku,  
Tokyo 170-0013, Japan  
Tel: 81-3-5956-9350

#### Western Division

10th Floor,  
Dowa-Kasai Phoenix Tower Bldg.,  
4-15-10, Nishi-Tenma, Kita-ku,  
Osaka 503-0047, Japan  
Tel: 81-6-6363-6200

#### Umeda Office

19th Floor,  
Osaka Ekimae No. 3 Bldg.,  
1-1-3-1900, Umeda, Kita-ku,  
Osaka 530-0001, Japan  
Tel: 81-6-6345-5081

#### Chubu Branch Office

2-9, Chikaramachi, Higashi-ku,  
Nagoya 461-0018, Japan  
Tel: 81-52-954-8481

#### Seibu Branch Office

5th Floor, Recruit Tenjin Bldg.,  
1-1-3, Maizuru, Chuo-ku,  
Fukuoka 810-0073, Japan  
Tel: 81-92-724-3311

#### CSK Computer and Information Education Center

2-5-1, Suwa, Tama-shi,  
Tokyo 206-0024, Japan  
Tel: 81-423-72-7111

#### Regional Offices

Hiroshima, Hitachi

### CSK•SEGA GROUP

#### ASCII Corporation

4-33-10, Yoyogi, Shibuya-ku,  
Tokyo 151-8024, Japan  
Tel: 81-3-5351-8111

#### Bellsystem24, Inc.

7th Floor, Tokyu Bldg.,  
East No. 3 Hall,  
2-16-8, Minami-Ikebukuro,  
Toshima-ku,  
Tokyo 171-0022, Japan  
Tel: 81-3-3590-0024

#### Business Extension Corporation

7th Floor, Sunny Bldg.,  
7-11-1, Nishi-Shinjuku,  
Shinjuku-ku,  
Tokyo 160-0023, Japan  
Tel: 81-3-5337-1470

#### CSI Co., Ltd.

5-4-22, Chuo, Nakano-ku,  
Tokyo 164-0011, Japan  
Tel: 81-3-5340-4020

#### CSK ELECTRONICS CORPORATION

2-18-10, Soto-Kanda,  
Chiyoda-ku,  
Tokyo 101-8991, Japan  
Tel: 81-3-3257-2630

**CSK Network Systems Corporation**

16th Floor, Shinjuku Sumitomo Bldg.,  
2-6-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo 163-0216, Japan  
Tel: 81-3-5321-3200

**CSK Venture Capital Co., Ltd.**

7th Floor, Kenchiku Kaikan Bldg.,  
5-26-20, Shiba, Minato-ku,  
Tokyo 108-0014, Japan  
Tel: 81-3-3457-5588

**Digital Media Lab Corporation**

7th Floor, Kenchiku Kaikan Bldg.,  
5-26-20, Shiba, Minato-ku,  
Tokyo 108-0014, Japan  
Tel: 81-3-3457-0681

**ISAO Corporation**

32nd Floor, ARK Mori Bldg.,  
1-12-32, Akasaka, Minato-ku,  
Tokyo 107-6032, Japan  
Tel: 81-3-3505-8375

**Japan Card Center Kaisha**

2nd Floor, Nishi-Waseda Bldg.,  
1-21-1, Nishi-Waseda,  
Shinjuku-ku,  
Tokyo 169-8603, Japan  
Tel: 81-3-5286-7170

**JIEC Co., Ltd.**

Nishi-Shinjuku Mitsui Bldg.,  
2-6-1, Nishi-Shinjuku,  
Shinjuku-ku,  
Tokyo 160-0023, Japan  
Tel: 81-3-5326-3331

**NextCom K.K.**

8th Floor, Meikei Bldg.,  
1-5-21, Otsuka, Bunkyo-ku,  
Tokyo 112-0012, Japan  
Tel: 81-3-5977-0801

**Japan Future Information  
Technology & Systems Co., Ltd.**

ARCAEAST,  
3-2-1, Kinshi, Sumida-ku,  
Tokyo 130-6591, Japan  
Tel: 81-3-3623-8300

**CSK Field Services Co., Ltd.**

4th Floor, Ogaku Bldg.,  
2-19, Kanda-Sakuma-cho,  
Chiyoda-ku,  
Tokyo 101-0025, Japan  
Tel: 81-3-3865-2503

**ServiceWare Corporation**

17th Floor, Shinjuku Sumitomo Bldg.,  
2-6-1, Nishi-Shinjuku,  
Shinjuku-ku,  
Tokyo 163-0217, Japan  
Tel: 81-3-3342-6200

**SEGA Corporation**

1-2-12, Haneda, Ohta-ku,  
Tokyo 144-8531, Japan  
Tel: 81-3-5736-7111

**Super Software Co., Ltd.**

5-4-22, Chuo, Nakano-ku,  
Tokyo 164-0011, Japan  
Tel: 81-3-3229-5600

**Tokyo Green Systems  
Corporation**

2-5-1, Suwa, Tama-shi,  
Tokyo 206-0024, Japan  
Tel: 81-423-72-7007

**CSK FRANCHISES**

Regional Group companies  
established under the CSK  
franchise system:

**CSK Chiba System Corp.****CSK Fukuoka System Corp.****CSK Hokkaido System Corp.****CSK Kobe System Corp.****CSK Kansai System Corp.****CSK Tohoku System Corp.**

CSK'S OVERSEAS SUBSIDIARIES  
AND AFFILIATES

**ASIA**

**CSK Singapore Pte. Ltd.**

8 Robinson Road,  
#13-00 Cosco Bldg.,  
Singapore 048544  
Tel: 65-536-5525

**CSK Systems (Shanghai) Co., Ltd.**

13F East Ocean Center,  
No. 618 Yanan Dong Road,  
Shanghai, PRC  
Tel: 86-21-5385-4383

**NORTH AMERICA**

**CSK Software, N.A., Inc.**

40 Broad Street, 4th Floor,  
New York, NY 10004, U.S.A.  
Tel: 1-212-504-0200

**EUROPE**

**CSK Computer Services Kaisha  
(Deutschland) GmbH**

Opernplatz 2, 5th Floor,  
60313 Frankfurt/Main, Germany  
Tel: 49-69-50-952-0

**CSK Spain, S.A.**

C/Sor Angela de la Cruz,  
6-7a Plana Izquierda,  
28020 Madrid, Spain  
Tel: 34-91-555-2162

**CSK (Schweiz) A.G.**

Industriestrasse 50a,  
8304 Wallisellen, Switzerland  
Tel: 41-1-877-8311

**CSK (UK) Limited**

63 Queen Victoria Street,  
London EC4N 4UD, U.K.  
Tel: 44-207-815-5200

(As of October 1, 2000)

## Investor Information

### Listings

CSK's common stock has been listed on the First Section of the Tokyo Stock Exchange since March 1, 1985, and on the first sections of the Osaka Securities Exchange and the Nagoya Stock Exchange since June 1991.

### Registration on the NASDAQ System

Since August 29, 1983, CSK's American Depositary Receipts (ADRs) have been traded in the United States on the NASDAQ system. (Stock symbol: CSKKY, CUSIP No. 126375302)

Depository for ADRs:  
The Bank of New York  
101 Barclay Street,  
New York, NY 10286, U.S.A.  
Tel: 1-212-815-2218  
U.S. toll free: 1-888-269-2377

### Dividends

Cash dividends for fiscal 2000 were declared at ¥12.00 (US\$0.110) per share. This comprises an interim dividend of ¥6.00 (US\$0.055) payable to shareholders of record as of September 30, 1999, and a year-end dividend of ¥6.00 (US\$0.055) payable to shareholders of record as of March 31, 2000.

### Transfer Agent and Registrar

The Sumitomo Trust & Banking Co., Ltd.  
Head Office:  
4-5-33, Kitahama, Chuo-ku, Osaka 540-8639, Japan

Tokyo Stock Transfer Agency Department:  
1-4-4, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

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

Stockholder Registration Contact Number:  
81-423-51-2211

Information on the Purchase by the Company  
of Shares Representing Less Than One Unit  
(100 Shares\*) Contact Number:  
81-423-51-2222

Additional Information Contact Number:  
81-423-51-2211

\* Prior to January 30, 1992: 1,000 shares

## Board of Directors



**Isao Okawa**  
*Honorary Chairman  
and Director*



**Yoshiji Fukushima**  
*Chairman and  
Representative Director*



**Masahiro Aozono**  
*President and  
Representative Director*



**Teiichi Aruga**  
*Executive Vice President  
and Representative  
Director*



**Takashi Miyano**  
*Executive Vice President*



**Makoto Sakagawa**  
*Executive Vice President*



**Yoshito Fukuyama**  
*Senior Managing Director*



**Hiromichi Tabata**  
*Managing Director*



**Shozo Hirose**  
*Managing Director*



**Keiji Azuma**  
*Managing Director*



**Masatoshi Toriihara**  
*Managing Director*

**Honorary Chairman  
and Director**  
Isao Okawa

**Chairman and  
Representative Director**  
Yoshiji Fukushima

**President and  
Representative Director**  
Masahiro Aozono

**Executive Vice President  
and Representative  
Director**  
Teiichi Aruga

**Executive Vice Presidents**  
Takashi Miyano  
Makoto Sakagawa

**Senior Managing Director**  
Yoshito Fukuyama

**Managing Directors**  
Hiromichi Tabata  
Shozo Hirose  
Keiji Azuma  
Masatoshi Toriihara

**Directors**  
Kazuhiko Nishioka  
Gensei Endo  
Kiyotaka Asai  
Masanori Furunuma  
Tetsuo Takakura  
Yoshihiko Baba  
Senshi Ogawa  
Yoshinobu Hayashi  
Masahiko Suzuki  
Hiroshi Tsujikawa  
Norikazu Suzuki  
Hidekazu Yukawa  
Yujiro Sato  
Yukio Sonoyama

**Standing Auditor**  
Yoshiyasu Genma

**Auditors**  
Toshio Nakajima  
Yoshiyuki Minegishi  
Hidetoshi Masunaga

(As of December 31, 2000)

# CSK CORPORATION

Shinjuku Sumitomo Bldg.,  
2-6-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo 163-0227, Japan  
URL: <http://www.csk.co.jp>