



**COMSYS.HD**

## **Annual Report 2009**

Fiscal Year Ended March 31, 2009

# Profile

**COMSYS Holdings Corporation was established as the holding company of the COMSYS Group on September 29, 2003 through share transfers from three companies—Nippon COMSYS Corporation, SANWA ELEC Co., Ltd. (currently SANWA COMSYS Engineering Corporation) and TOSYS Corporation. As of March 31, 2009, the COMSYS Group was made up of these 3 companies and 44 other subsidiaries, as well as 9 affiliates. The COMSYS Group's main businesses are electrical and telecommunications infrastructure construction services, which mainly involve the construction of telecommunications infrastructure and electrical facilities, and other businesses, such as the information processing-related business.**

## **The COMSYS Group's Management Vision**

**The COMSYS Group's management vision is to achieve the following three objectives:**

- 1. Make COMSYS the top one-stop solutions brand**
- 2. Earn recognition as the "company of first choice" by all stakeholders**
- 3. Deliver sustained sales and earnings growth as a group**

### **Cautionary Statement with Respect to Forward-Looking Statements**

Statements made in this annual report with respect to COMSYS Holdings' plans and benefits as well as other statements that are not historical facts are forward-looking statements, which involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in COMSYS Holdings' markets, exchange rates, and COMSYS Holdings' ability to continue to win customers' acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions and rapid developments in technology.

# Contents

<b>Our Group Formation</b>	<b>2</b>
<b>Consolidated Financial Highlights</b>	<b>4</b>
<b>Operating Companies</b>	<b>8</b>
<b>Aiming for Growth</b>	<b>10</b>
<b>Letter to Our Shareholders</b>	<b>12</b>
<b>Business at a Glance</b>	<b>18</b>
<b>Review of Operations</b>	<b>20</b>
NTT Information Telecommunication Engineering Business	<b>20</b>
Electrical Communications Engineering Business	<b>24</b>
IT Solutions Business	<b>28</b>
Social System-Related Business and Other	<b>32</b>
<b>Corporate Governance</b>	<b>36</b>
<b>Directors and Officers</b>	<b>50</b>
<b>Financial Section</b>	<b>51</b>
<b>COMSYS Holdings Information</b>	<b>95</b>
<b>Investor Information</b>	<b>97</b>
<b>Index</b>	<b>98</b>

## Our Group Formation

**The COMSYS Group's (COMSYS Holdings and subsidiaries and affiliates) main businesses comprise electrical and telecommunications infrastructure construction services centered on telecommunications infrastructure and**



### **SANWA COMSYS Engineering Corporation**

**Address:**

12-3, Kouenji-Minami 2-chome, Suginami-ku,  
Tokyo 166-0003, Japan

**Establishment:** September 1947



### **Nippon COMSYS Corporation**

**Address:**

23-14, Takanawa 3-chome, Minato-ku,  
Tokyo 108-0074, Japan

**Establishment:** December 1951



### **TOSYS Corporation**

**Address:**

1108-5, Higashiyama Aza, Watauchi, Wakaho,  
Nagano, Nagano 381-0193, Japan

**Establishment:** January 1960

**electrical facilities, and other businesses, including the information processing related business. As of March 2009, the Group was comprised of 32 consolidated subsidiaries.**

As of March 31, 2009

**Number of Employees:**

Consolidated 1,578  
Non-consolidated 842

**URL:**

<http://www.sancom-eng.co.jp/>

**Number of****Consolidated Subsidiaries:**

5 companies

**Consolidated Subsidiaries:**

SANWA Denshi Inc.  
SEC Hi Tec Co., Ltd.  
SUNCOM Technology Corporation  
Road-Techno Co., Ltd.  
Sannect Co., Ltd.

**Number of Employees:**

Consolidated 5,329  
Non-consolidated 3,359

**URL:**

<http://www.comsys.co.jp/>

**Number of****Consolidated Subsidiaries:**

16 companies

**Consolidated Subsidiaries:**

Tokyo Tsuken Co., Ltd.	Tokushima Tsushinkensetsu Co., Ltd.
Nitto Tsuken Co., Ltd.	Tsushin Densetsu Co., Ltd.
COMSYS Engineering Co., Ltd	Nihonkai Tsushinkensetsu Co., Ltd.
COMSYS ADVANCE Corporation	COMSYS Techno Co., Ltd.
COMSYS WING Corporation	COMSYS Net Corporation
COMSYS E TIQ Co., Ltd.	COMSYS Tohoku Techno Co., Ltd.
COMSYS Kansai Engineering Co., Ltd.	COMSYS Tsusan Co., Ltd.
COMSYS Kyushu Engineering Co., Ltd.	Taiei Seisakusho Co., Ltd.

**Number of Employees:**

Consolidated 1,138  
Non-consolidated 776

**URL:**

<http://www.tosys.co.jp/>

**Number of****Consolidated Subsidiaries:**

7 companies

**Consolidated Subsidiaries:**

TOSYS Nagano Co., Ltd.  
Alstar Co., Ltd.  
TOSYS Niigata Co., Ltd.  
TOSYS Actis Co., Ltd.  
Tulip Keibi Co., Ltd.  
Tulip Life Co., Ltd.  
Yoshimoto Kensetsu Co., Ltd.

Notes: 1. On April 1, 2009, COMSYS Holdings Corporation converted COMSYS JOHO SYSTEM Corporation, which was newly established through a spin-off from Nippon COMSYS Corporation on the same day, into a wholly owned subsidiary.

2. On April 1, 2009, COMSYS Techno Co., Ltd., previously a consolidated subsidiary of Nippon COMSYS Corporation, was converted into a wholly owned subsidiary of COMSYS JOHO SYSTEM Corporation.

## Consolidated Financial Highlights

	2005
<b>For the Year:</b>	
New orders received during the year	¥287,376
NTT Information Telecommunication Engineering Business	167,551
Electrical Communications Engineering Business	68,162
IT Solutions Business	28,039
Social System-Related Business and Other	23,624
Net sales	293,681
NTT Information Telecommunication Engineering Business	166,680
Electrical Communications Engineering Business	73,497
IT Solutions Business	27,617
Social System-Related Business and Other	25,887
Operating income	15,062
Net income	8,349
Cash flows from operating activities	14,735
Cash flows from investing activities	(4,831)
Cash flows from financing activities	(7,426)
 <b>At Year-end:</b>	
Total assets	¥208,681
Cash and cash equivalents	35,287
Total shareholders' equity	128,063
Interest-bearing debt	4,692
Common Stock Issued	145,977
 <b>Per Share of Common Stock:</b>	
Net income	
—Basic	¥ 58.42
—Diluted	—
Cash dividends	15.00
Shareholders' equity	906.92
Number of employees	6,746

Notes: 1. For convenience only, the accompanying Japanese yen figures for 2009 have been translated into U.S. dollars at the rate of ¥98.23 to  
2. Consolidated results for fiscal 2005 include 15 months of operating results at a consolidated subsidiary of Nippon COMSYS due to a

## Consolidated Financial Highlights

Millions of Yen				Thousands of U.S. Dollars (Note 1)	
2006	2007	2008	2009	2009	
¥310,005	¥ 334,172	¥ 331,920	¥ 320,462	\$3,262,364	
187,977	203,131	188,901	177,021	1,802,107	
70,282	75,260	85,288	80,195	816,400	
33,019	37,220	38,656	43,525	443,093	
18,727	18,561	19,075	19,721	200,764	
307,485	336,519	327,527	321,186	3,269,734	
184,118	200,693	182,534	179,768	1,830,072	
72,169	77,820	81,766	77,425	788,201	
30,702	37,855	41,377	42,522	432,882	
20,496	20,151	21,850	21,471	218,579	
16,319	19,214	16,299	15,611	158,923	
10,031	12,382	11,641	10,063	102,443	
9,128	18,576	1,034	19,640	199,939	
(5,139)	(5,525)	(11,118)	(6,502)	(66,192)	
(3,631)	(6,610)	(8,315)	(7,732)	(78,713)	
¥220,786	¥ 229,953	¥ 224,122	¥ 220,651	\$2,246,269	
35,814	42,458	24,294	29,877	304,154	
137,161	145,786	149,152	150,829	1,535,467	
3,608	451	71	164	1,670	
145,977	145,977	145,977	145,977		
Yen				U.S. Dollars (Note 1)	
¥ 69.65	¥ 87.39	¥ 83.87	¥ 75.60	\$ 0.77	
69.62	87.37	83.87	75.60	0.77	
15.00	17.00	17.00	20.00	0.20	
964.70	1,033.87	1,091.83	1,151.81	11.73	
7,081	7,574	8,173	8,203		

US\$1, the rate prevailing on 31st March, 2009.  
change in the fiscal year-end (from 31st December to 31st March).

## Consolidated Financial Highlights

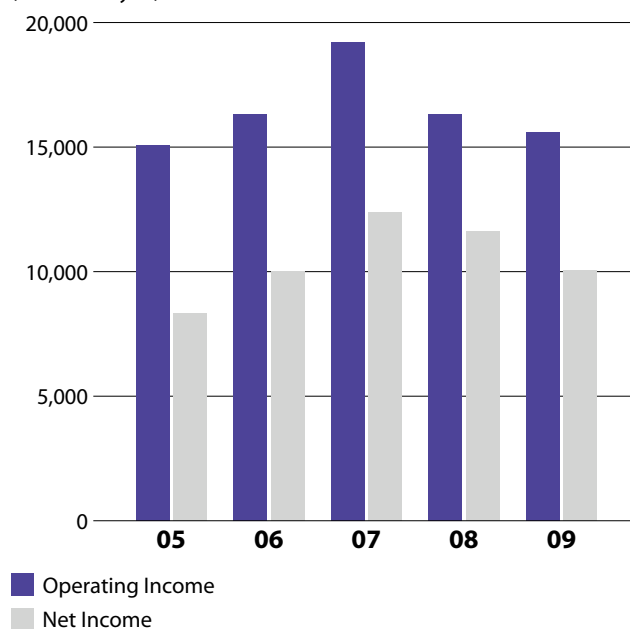
## New Orders Received/Net Sales

(Millions of yen)



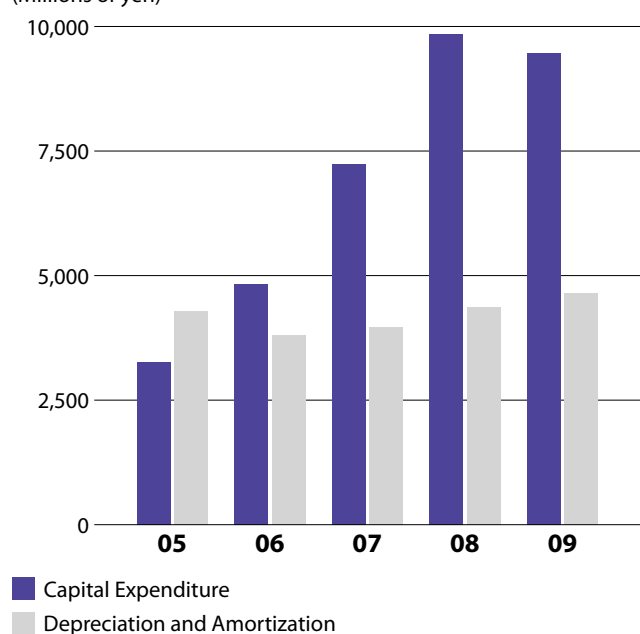
## Operating Income/Net Income

(Millions of yen)



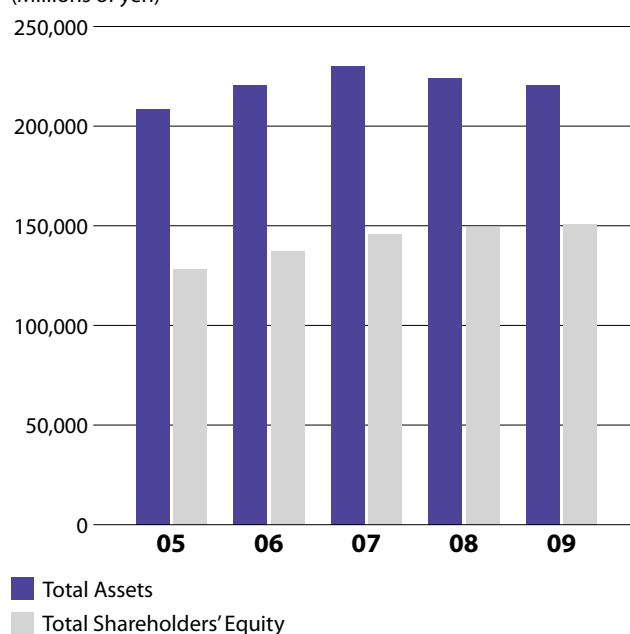
## Capital Expenditure/Depreciation and Amortization

(Millions of yen)

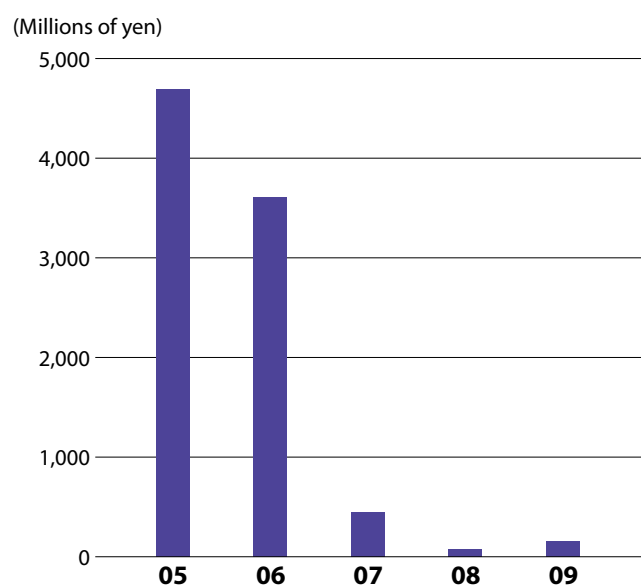


## Total Assets/Total Shareholders' Equity

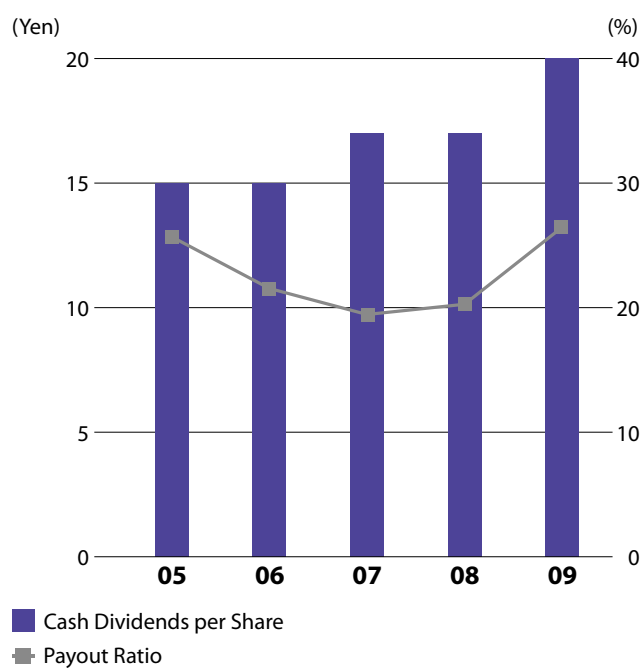
(Millions of yen)



## Interest-bearing Debt



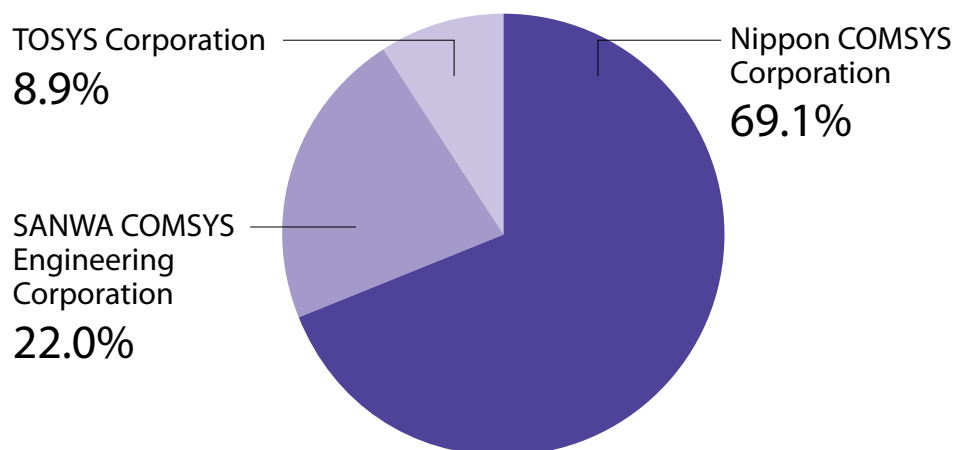
## Cash Dividends per Share/ Payout Ratio



## Operating Companies

### Composition of Sales (Year Ended 31st March, 2009)

(%)



### Nippon COMSYS Corporation

	Millions of yen				
	2005/3	2006/3	2007/3	2008/3	2009/3
New orders received during the year	226,225	238,046	252,147	242,139	230,561
Net sales	227,548	236,177	257,269	236,743	234,300
Operating income	13,535	14,423	15,575	12,222	12,010
Recurring profit	15,631	16,694	17,462	14,120	13,603
Net income	9,299	9,053	9,684	8,881	8,013
Total assets	184,145	194,934	205,712	203,418	204,923
Shareholders' equity	124,240	131,520	138,916	144,921	148,398

## SANWA COMSYS Engineering Corporation

	Millions of yen				
	2005/3	2006/3	2007/3	2008/3	2009/3
New orders received during the year	—	56,638	65,653	73,991	78,473
Net sales	44,220	57,029	63,703	73,517	74,783
Operating income	497	1,317	2,750	3,666	3,762
Recurring profit	423	1,331	2,764	3,678	3,769
Net income (loss)	(2,583)	598	1,801	2,493	2,242
Total assets	24,441	31,634	27,745	34,869	34,751
Shareholders' equity	5,196	5,612	7,112	9,341	11,325

## TOSYS Corporation

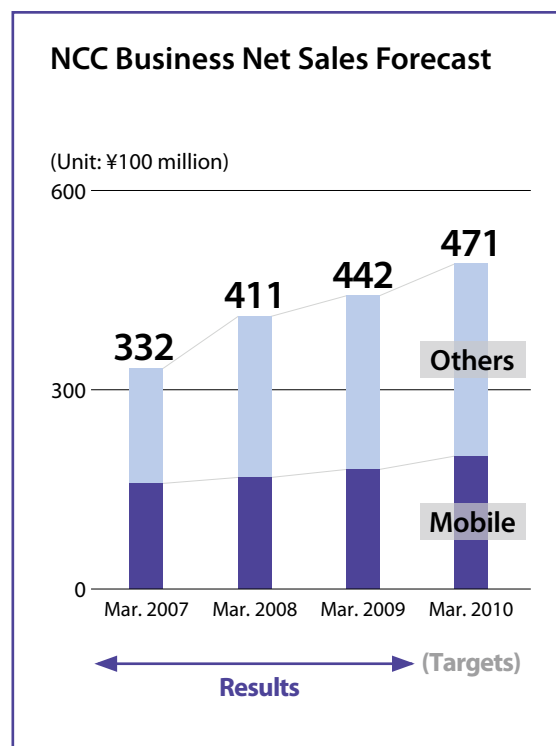
	Millions of yen				
	2005/3	2006/3	2007/3	2008/3	2009/3
New orders received during the year	28,373	29,128	30,655	31,624	29,539
Net sales	27,874	28,347	29,531	32,885	30,148
Operating income	970	554	885	439	494
Recurring profit	1,085	635	958	482	537
Net income	517	226	415	194	200
Total assets	16,772	15,483	17,718	17,116	15,872
Shareholders' equity	7,769	7,904	8,221	8,255	8,341

## Aiming for Growth

### Expanding the NCC (New Common Carrier) Business

We aim to expand market share by steadily building up a track record with the KDDI Group as a primary partner, targeting net sales of ¥47.1 billion in the fiscal year ending March 31, 2010.

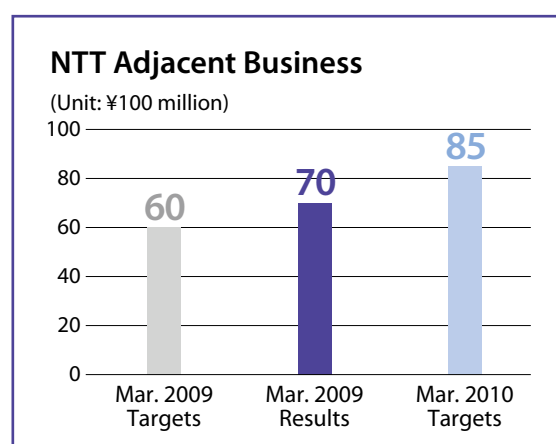
This will be accomplished by actively driving expansion in certain wireless device projects that we gained permission to join in the previous fiscal year, as well as by developing the digital terrestrial broadcasting migration business on a full scale.



### Expanding Carrier-Related Adjacent Businesses

#### NTT Adjacent Business

This business seeks to boost net sales to ¥8.5 billion in the fiscal year ending March 31, 2010 by growing the Home Network (HNW) business, agency sales business, maintenance services and engineering services.



#### DOCOMO Adjacent Business

This business aims to increase net sales to ¥7.0 billion in the fiscal year ending March 31, 2010 by expanding field research

operations and the IP business, as well as repair and maintenance services and infrastructure-related adjacent businesses.

## NCC Adjacent Business

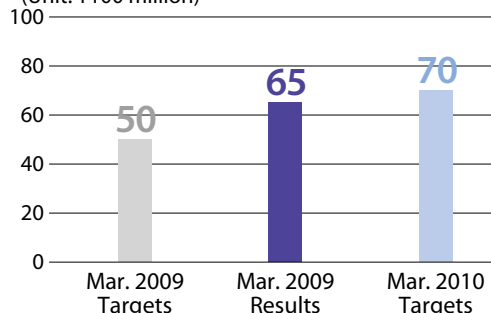
This business aims to lift net sales to ¥2.7 billion in the fiscal year ending March 31, 2010 by developing management and operation systems, offering maintenance services, expanding operations in new fields and winning new customers.

## Expanding the IT Business

Over the next three years through the fiscal year ending March 31, 2012, we aim to double sales from the IT Business by expanding the mobile services business in the telecommunications field as well as the financial information systems business. Business know-how will be combined with technologies where we are particularly strong, such as intra-mart technology, platform infrastructure technology and business intelligence technology to generate synergies leading to increased net sales.

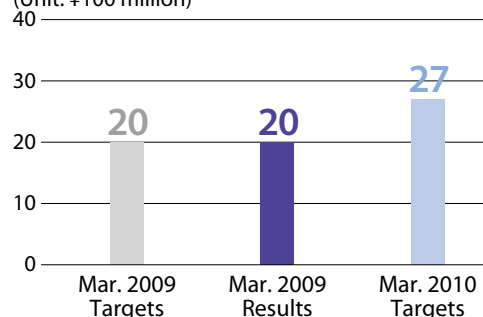
## DOCOMO Adjacent Business

(Unit: ¥100 million)

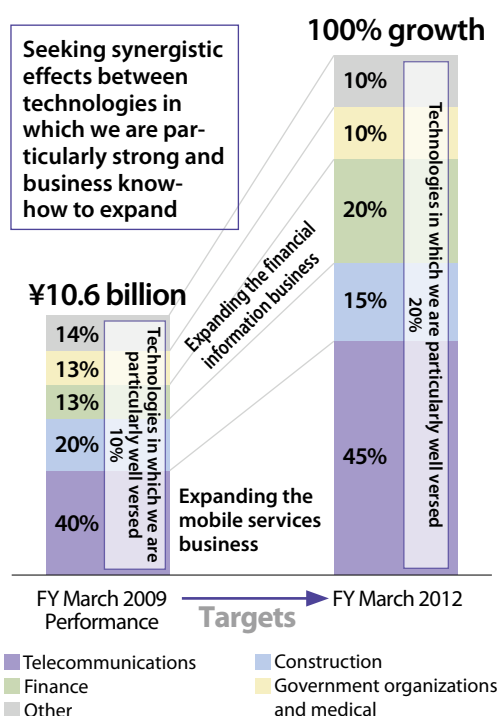


### NCC Adjacent Business

(Unit: ¥100 million)



## Net Sales by Segment



## Letter to Our Shareholders



**Hajime Takashima**

President and Representative Director

### Strategic Upfront Investments Made in a Highly Competitive Environment

In fiscal 2009, the year ended March 31, 2009, the COMSYS Group faced seismic shifts in its business environment. In particular, the intensifying global financial crisis has had a major impact on the current status of the economy.

Japan's information and communications market saw rapid advancement in broadband and ubiquitous infrastructure. For example, in the fixed-line communications field, the total number of subscriptions for broadband services surpassed 30 million. In the mobile communications field, infrastructure development aimed at the introduction of next-generation

high-speed wireless communications such as WiMAX proceeded apace, along with increased packet communication speeds and expanded service areas. On the other hand, service and price competition among communications carriers has intensified, resulting in even stronger cost-cutting pressure on the telecommunications infrastructure construction industry, including the COMSYS Group.

In this challenging business environment, the COMSYS Group worked hard in fiscal 2009 to drive through business reforms focused on three themes—prioritize businesses, expand operations, and boost productivity—with the goal of realizing the COMSYS Group’s management vision. However, the COMSYS Group’s performance was by no means immune to the worsening status of the economy, and we recorded lower net sales and earnings compared with the previous fiscal year.

### **Making Investment Benefits Visible in a Deteriorating Business Environment**

The year-on-year drop in earnings for fiscal 2009 reflects, in addition to the aforementioned reason,

upfront strategic investments that were made to enhance profitability. In fiscal 2010, the business environment faced by the COMSYS Group is expected to become increasingly challenging, particularly as corporate IT investment weakens further.

The COMSYS Group has continuously implemented business reforms based on programs such as COMSYS-style *kaizen* (improvement) and the Innovation 2010 drive, to shape our company to succeed in a highly competitive environment. In addition, we have now developed Group Innovation 2010, a new program based on 11 measures. These include driving growth in net sales and earnings, enhancing operational efficiency, facilitating personnel transfers and introducing flexible personnel systems. With this framework, we expect to generate even more synergies throughout the COMSYS Group.

In the difficult business environment that lies ahead, our growth scenario is to advance to a stage where the benefits of past investments start to materialize and the level of earnings gradually improves, so that the entire COMSYS Group can reap a “year of harvest.”

In April 2009, the information systems business of Nippon COMSYS Corporation was spun off into a newly established wholly owned subsidiary of the Company called COMSYS JOHO SYSTEM Corporation. With this move, we will integrate and unify information systems businesses throughout the group to drive further expansion and advancement in the information systems business for the COMSYS Group as a whole.

### **Meeting Shareholder Expectations By Actively Returning Earnings**

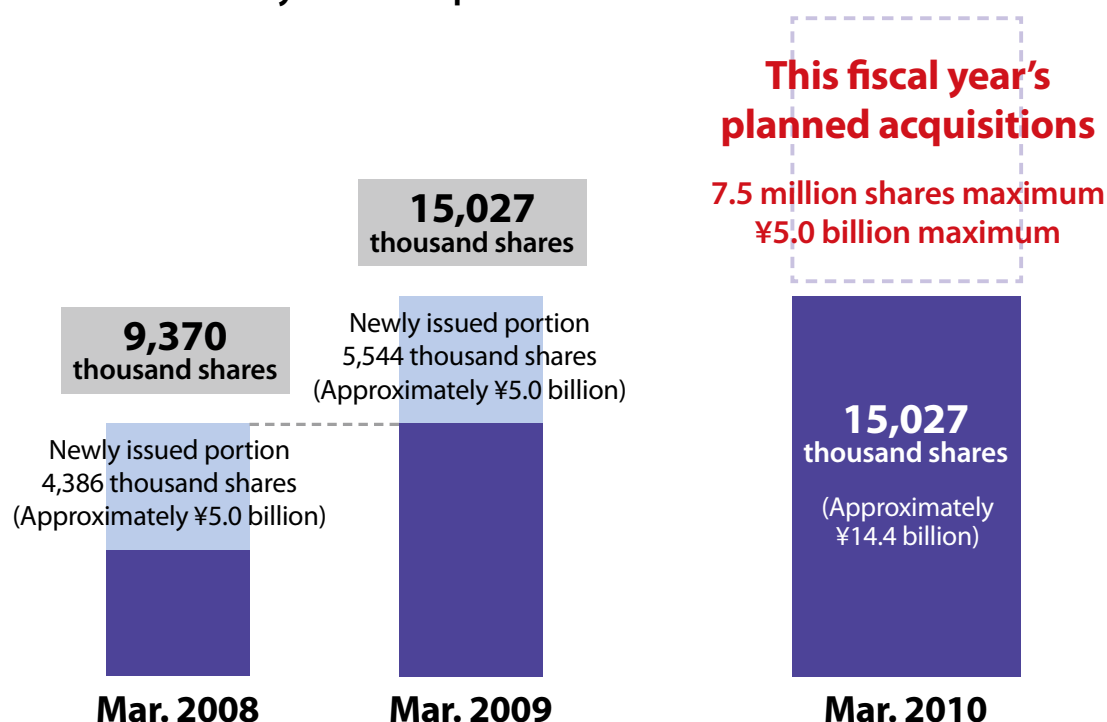
COMSYS Holdings views returning earnings to shareholders as an important management priority. Our basic policy is to pay steady and continuous



dividends linked to performance. Based on this policy, in fiscal 2009 we paid an interim dividend of ¥10 per share, including a commemorative dividend of ¥3 per share to mark our fifth founding anniversary in September 2008 and express our appreciation for the support of our shareholders. Together with a year-end dividend of ¥10 per share, we paid a total annual dividend of ¥20 per share. For fiscal 2010, we plan to pay a total annual dividend of ¥20 per share, the same level as fiscal 2009, as our performance is expected to remain largely on a par with the fiscal year under review.

We are also actively buying back our own shares. During fiscal 2009, we bought back roughly 5,544 thousand shares worth ¥4,999 million. In fiscal 2010, we plan to additionally buy back up to ¥5.0 billion of our own shares to step up the return of earnings to shareholders and to enable flexible financial policies in response to changes in the business environment.

## Status of Treasury Stock Acquisition



Going forward, the COMSYS Group is determined to drive further growth by steadily advancing business reforms and quality enhancements no matter how challenging the operating environment. We invite you to expect the very best from the COMSYS Group in the years to come.

September 2009

**Hajime Takashima**

President and Representative Director

## Business at a Glance

### Main Business

#### NTT Information Telecommunication Engineering Business

This segment is mainly engaged in the construction of telecommunications infrastructure for the NTT Group, including the laying and installation of telephone lines, installation of exchange equipment, and construction of wireless base stations. The segment is the COMSYS Group's core business, and accounts for the largest share of Group-wide sales.

#### Electrical Communications Engineering Business




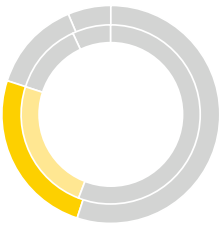







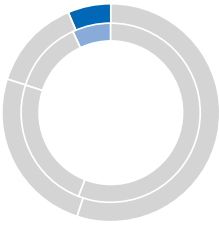



This segment constructs telecommunications and related facilities for communication carriers other than the NTT Group. It also provides a wide range of services for general customers, including the design and construction of electrical facilities for offices and other commercial buildings, public facilities, plants, condominiums and residential houses.

#### IT Solutions Business

This segment combines extensive expertise with cutting-edge network technologies to provide a comprehensive solutions service, ranging from developing optimal systems integration services plans optimized for customers' businesses to providing maintenance services.

#### Social System-Related Business and Other

This segment is engaged in the construction of buildings and public facilities, civil engineering works, and security systems, as well as the construction of environmental systems such as wind power and co-generation systems. It is also closely involved in expressway operations and supporting air traffic control systems.

New Orders Received / Net Sales (Years Ended 31st March, 2009)	Respective Areas of Business Operations of Group Companies			Business Domains					
	Nippon COMSYS Group	SANCOM Group	TOSYS Group						
 <p>(Millions of yen)</p> <table><tr><td>New orders received</td><td>55.2%</td><td>177,021</td></tr><tr><td>Net sales</td><td>56.0%</td><td>179,768</td></tr></table>	New orders received	55.2%	177,021	Net sales	56.0%	179,768			 <ul style="list-style-type: none"><li>• Cable works</li><li>• Communication related civil engineering works</li><li>• Switching works</li><li>• Transmission wireless works</li><li>• Mobile communications works</li></ul>
New orders received	55.2%	177,021							
Net sales	56.0%	179,768							
 <p>(Millions of yen)</p> <table><tr><td>New orders received</td><td>25.0%</td><td>80,195</td></tr><tr><td>Net sales</td><td>24.1%</td><td>77,425</td></tr></table>	New orders received	25.0%	80,195	Net sales	24.1%	77,425			 <ul style="list-style-type: none"><li>• Telecommunications facilities for NCC</li><li>• Mobile communications constructions for NCC</li><li>• General electrical facilities works</li><li>• Construction of multi-use underground cable conduit facilities (C-C-BOX)</li></ul>
New orders received	25.0%	80,195							
Net sales	24.1%	77,425							
 <p>(Millions of yen)</p> <table><tr><td>New orders received</td><td>13.6%</td><td>43,525</td></tr><tr><td>Net sales</td><td>13.2%</td><td>42,522</td></tr></table>	New orders received	13.6%	43,525	Net sales	13.2%	42,522			 <ul style="list-style-type: none"><li>• Network integration-related solutions</li><li>• System integration-related solutions</li><li>• Development and commissioning of all types of software</li><li>• Maintenance and operation</li></ul>
New orders received	13.6%	43,525							
Net sales	13.2%	42,522							
 <p>(Millions of yen)</p> <table><tr><td>New orders received</td><td>6.2%</td><td>19,721</td></tr><tr><td>Net sales</td><td>6.7%</td><td>21,471</td></tr></table>	New orders received	6.2%	19,721	Net sales	6.7%	21,471			 <ul style="list-style-type: none"><li>• General civil engineering works</li><li>• Building construction and ancillary facilities works</li><li>• Environmental solutions</li></ul>
New orders received	6.2%	19,721							
Net sales	6.7%	21,471							

## Review of Operations

# NTT Information Telecommunication Engineering Business

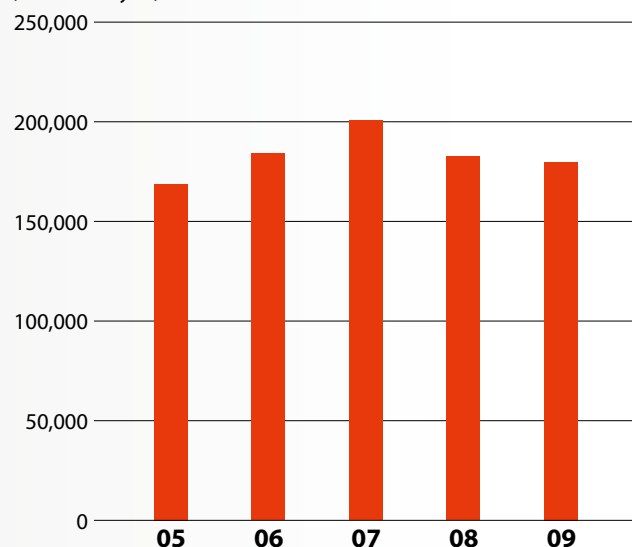
***Working to strengthen competitiveness  
and expand business domains  
in a challenging business climate***



Mobile communications system tower

### Net Sales

(Millions of yen)





Installation of micro antenna

## Market Conditions

In the fixed-line communications market, the total number of subscriptions for broadband services surpassed 30 million, driven in part by the commercial launch of services over the next generation network (NGN) promoted by NTT Corporation. Expansion in the NGN-related market is widely anticipated given the introduction of a wide range of new services harnessing NGN. In the mobile communications market, infrastructure development aimed at the introduction of next-generation high-speed wireless communications such as WiMAX is proceeding apace, along with faster packet communication speeds and expansion in service areas.

On the other hand, service and price competition among communications carriers is intensifying, resulting in even stronger cost-cutting pressure on the telecommunications infrastructure construction industry, including the COMSYS Group.

### **Fiscal 2009 Business Initiatives and Outlook**

In fiscal 2009, the NTT DOCOMO business performed steadily as 800MHz overlay construction projects and other construction services surpassed expectations. However, in the business with NTT, FTTH construction projects decreased because infrastructure is now sufficient. Consequently, new orders received in this segment declined 6.3% year on year to ¥177,021 million, and segment net sales decreased 1.5% to ¥179,768 million.

In fiscal 2010, as NTT reduces its investment in access networks, the segment will work to enhance



Installation of fiber optic cable

productivity through far-reaching business reforms, while actively seeking to win new orders in adjacent businesses, such as the in-house wiring, maintenance, testing and verification businesses. Efforts will be actively focused on adjacent businesses related to Home Networks in fiscal 2010. Furthermore, based on expectations of NGN-related market expansion, the segment aims to broaden the business scope to include the system vendor domain by making the most of its trained personnel.

In the NTT DOCOMO business, in anticipation of a challenging business environment for making investment decisions, the segment will work to shift to a competitive business structure and expand market share, chiefly by building a total support/consultation scheme to facilitate the award of base station construction contracts, including pre-negotiation with landlords, and strengthening capabilities as a prime contractor. The segment will also expand its business domains by strengthening proposal-based marketing and actively pursuing IP business initiatives.

# Electrical Communications Engineering Business

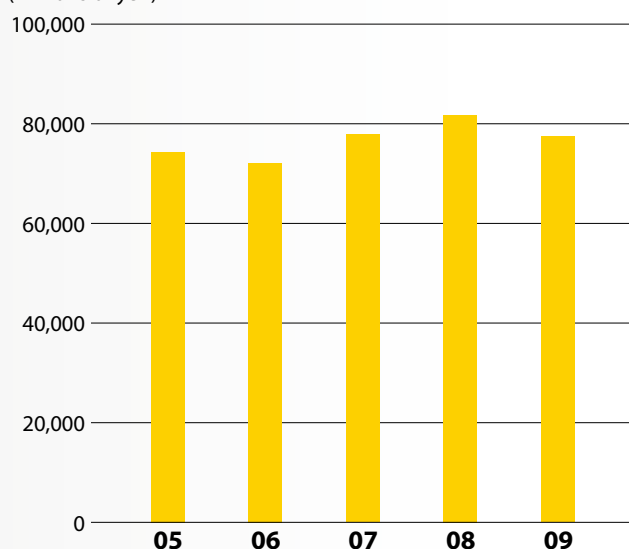
***Expanding the NCC business  
by increasing market share and growing  
adjacent businesses***



Electrical communications engineering services  
for an airport passenger terminal

## Net Sales

(Millions of yen)





Construction of an information management system for disaster readiness inside a tunnel

## Market Conditions

In this market, an increase in capital investments had been observed among telecommunications carriers, driven by such factors as the construction of WiMAX networks on a nationwide scale. There is, however, a tough business outlook for capital investments in both base station construction and access networks, as the investment cycle comes to an end. Meanwhile, new demand is expanding from cable TV stations for facilities addressing the ongoing migration from analog to digital terrestrial TV broadcasting in Japan.

## Fiscal 2009 Business Initiatives and Outlook

Under these market conditions, the COMSYS Group actively addressed capital investment by telecommunications carriers, and growing demand for nationwide WiMAX construction projects. However, due to a drop in orders following capital investment cutbacks by other corporate customers as well as government organizations, new orders



Installation of mobile phone base station antennas

received in this segment fell 6.0% year on year to ¥80,195 million while segment net sales fell 5.3% to ¥77,425 million.

In fiscal 2010, in the NCC business, with telecommunications carriers drawing up tight capital investment plans, the segment will work hard to expand adjacent businesses and to expand market share by strengthening sales capabilities. Specifically, the segment will develop management and operation systems, particularly for provisioning facility design, operation and management systems for telecommunications carriers; win orders for maintenance work for fixed-line communication equipment, base station and other facilities; engage in wireless device projects; cultivate business in new fields such as FTTH in-house terminal setup services; and win new customers by capturing the first contracts from cable TV operators not previously penetrated and by proposing and winning orders related to the migration to digital terrestrial TV broadcasting and to the regional WiMAX business.

# IT Solutions Business

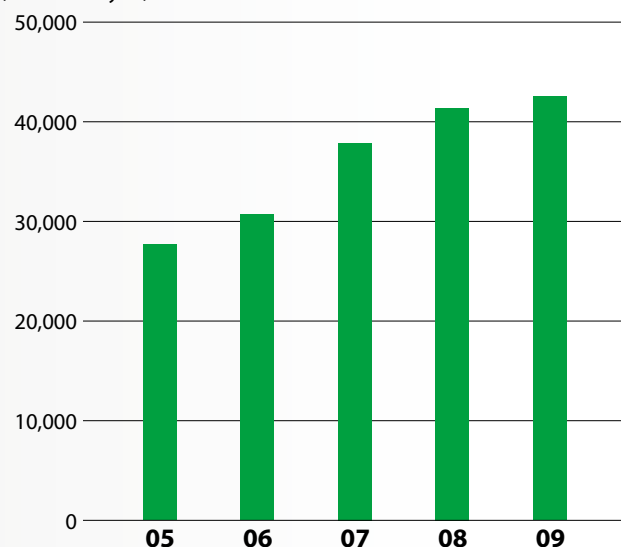
***Addressing demand for systems integration that leads to cost reductions for corporate customers***



The comsip Collaboration Platform (a voice communications system using IP network infrastructure) was delivered to the Tsukuba Circuit race track.

## Net Sales

(Millions of yen)





IT Business Division of Nippon COMSYS Corporation

## Market Conditions

Looking at market conditions faced by the IT Solutions Business, although business with telecommunications carriers performed steadily, private-sector business experienced difficult conditions, including flagging IT investment by corporate customers in response to the worsening economic environment. Despite these market conditions, there is ever-growing demand for comprehensive services that fuse software and telecommunications technologies. These services include network solutions involving IP telephony, video monitoring, and security, as well as system solutions such as the development of sales support systems driven by wireless technologies.

## Fiscal 2009 Business Initiatives and Outlook

Faced with an increasingly challenging operating environment, the segment worked to strengthen its presence in the server market mainly by constructing SaaS platform servers as well as by bolstering the LAN/WAN network construction and operation business. As a result, the segment posted a strong overall performance. New orders received in this segment rose 12.6% year on year to ¥43,525 million, while net sales increased 2.8% to ¥42,522 million.



Systems integration conference

In fiscal 2010, capital investment by corporate customers is expected to remain weak in response to challenging economic conditions. Nevertheless, even in this environment, the segment believes that business opportunities will emerge from system development projects that lead to cost reductions, such as systems integration. Therefore the segment will expand business by actively allocating resources to design and integration in the areas of server integration and virtualization, as well as LAN/WAN network construction. Specifically, through stronger partnerships with key system vendors in this field, the segment will expand its business domains from business centered on access networks, where the COMSYS Group has traditionally excelled, to high-margin systems integration related businesses.



New product release presentation

## Social System-Related Business and Other

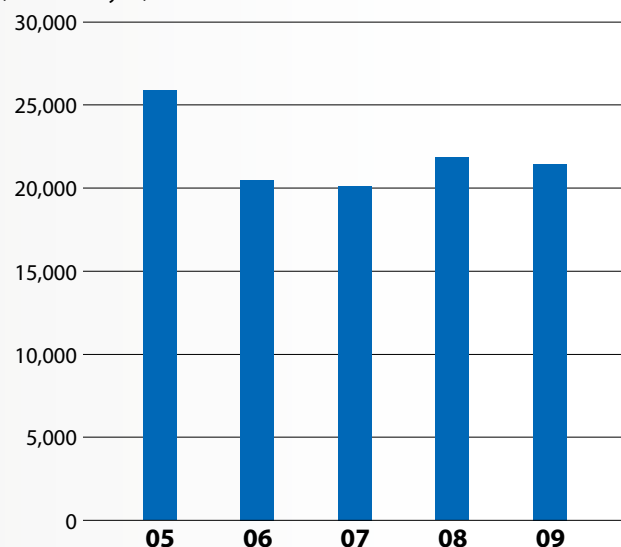
***Prioritizing businesses in fields that have a competitive edge while implementing measures to improve profitability***



Construction of wind power generation system

### Net Sales

(Millions of yen)





Seismic retrofitting of bridge

## Market Conditions

The Social System-Related Business and Other segment is engaged in the construction of buildings and public facilities, civil engineering works, and security systems, as well as the construction of environmental systems such as wind power and co-generation systems. It is also closely involved in expressway operations and supporting air traffic control systems. In private-sector demand businesses, demand has fallen sharply due to the recent economic recession. However, in the public sector business, projects were brought forward in response to government economic stimulus policies. And recently, businesses focused on ecology and addressing environmental issues have also been expanding.

## Fiscal 2009 Business Initiatives and Outlook

In fiscal 2009, amid contraction in private-sector businesses, there was accelerated demand in the public-sector business from projects brought forward. As a result, new orders received in this segment increased 3.4% year on year to ¥19,721 million, while net sales declined 1.7% to ¥21,471 million. The segment worked to enhance profitability, such as by transferring approximately 160 personnel at Nippon COMSYS from this segment to telecommunications-related segments, such as mobile communications.

In fiscal 2010, the segment will enhance profitability by downsizing the condominium construction business, while rigorously enforcing the selective acceptance of orders aimed at increasing non-residential communications-related construction projects, as well as through planned transfers of approximately 20 personnel.

The segment will actively enter the field of ecology and the environment, focusing on areas such as solar power/LEDs as well as construction work for better residential and work environments, such as asbestos removal and thermal barrier coatings. The segment will also implement regional revitalization and enhancement measures, including the migration to digital terrestrial broadcasting and installation of FTTH infrastructure in various regions of Japan. The urban environmental improvement business, including removal of electrical poles in urban areas, and constructing water drainage systems, is another area the segment will actively enter.



Construction of new electrical equipment for public schools in connection with the promotion of earthquake proofing of public facilities

## Corporate Governance

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### Basic Corporate Governance Philosophy

One element of the COMSYS Group's vision is to earn recognition as the "company of first choice" by all stakeholders, and to creatively and dramatically enhance its corporate value in the process. To this end, the Group is taking steps to improve its management structure and internal control systems, while working hard to conduct IR activities for shareholders and other investors. In this manner, the COMSYS Group recognizes that one of its top management priorities is to enhance corporate governance.

### Organizational Structure

COMSYS Holdings Corporation ("the Company") has adopted the corporate auditor system, which by Japanese law stipulates an organizational structure consisting of a general shareholders' meeting, Board of Directors, Board of Corporate Auditors and other organizations.

The Board of Directors has decided to structure the Board around directors well versed in the Company's operations with the aim of enhancing management efficiency. Meanwhile, the Company

has reinforced auditing functions by appointing outside corporate auditors who now have stronger legal authority to audit company activities, in order to ensure sound management.

The nine-member Board of Directors is the highest decision-making body with respect to management strategy. Based on internal rules governing the Board of Directors, the Board meets regularly and as necessary to discuss matters stipulated by laws and regulations and to decide on important management issues.

Every quarter, the directors responsible for each business segment report to the Board of Directors on progress with business execution based on policies determined by the Board. Five corporate auditors, including outside corporate auditors, attend meetings of the Board of Directors and express their views on issues related to business execution, and monitor the directors' performance of their duties.

The Senior Management Committee is made up of directors and the standing auditor. In principle, this committee meets twice a month to examine and discuss issues related to key decisions, in an effort to improve the efficiency of business execution. The

heads of each operating department attend meetings of the Senior Management Committee as observers, to ensure that they fully understand the basis for all management decisions.

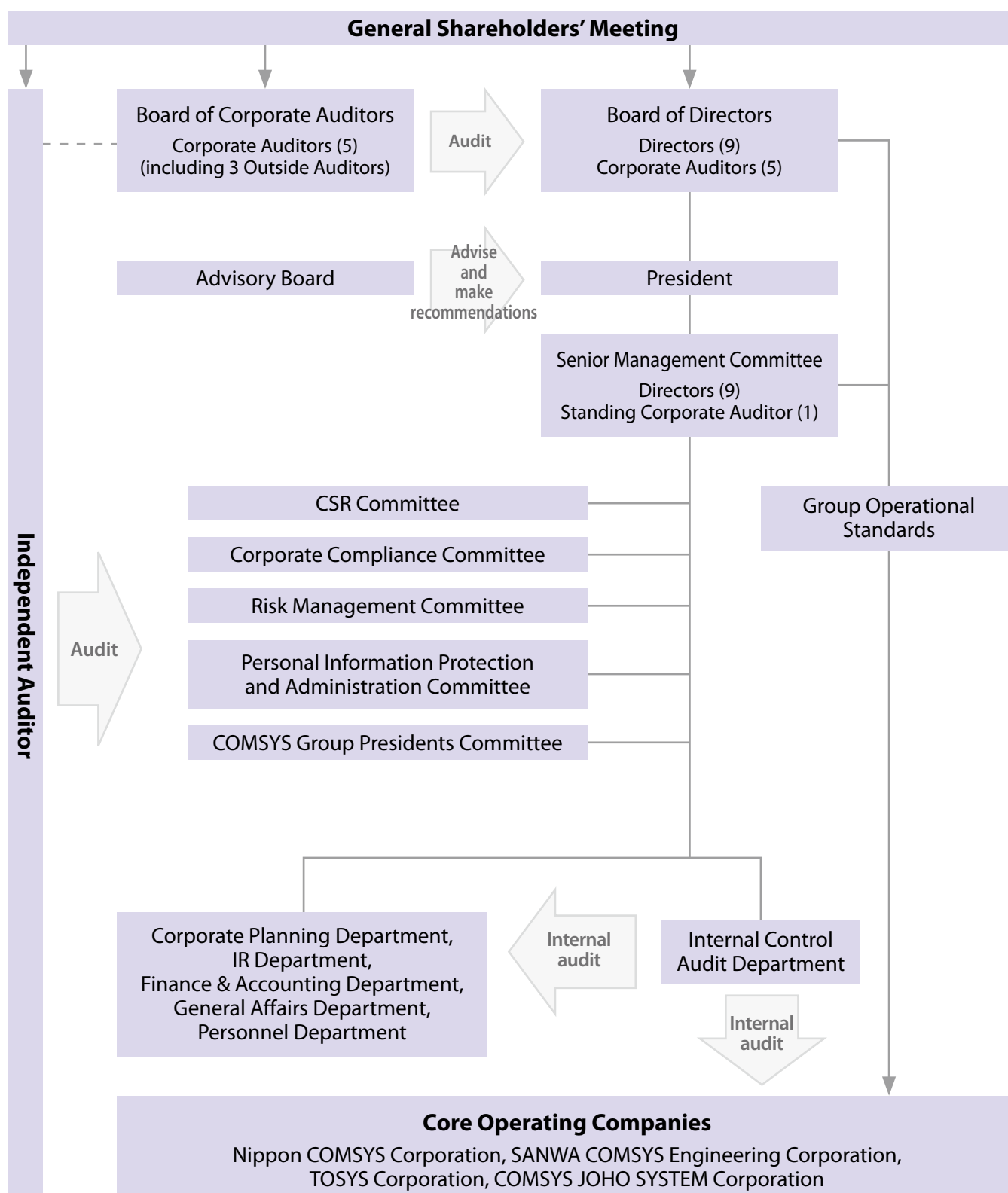
In each business segment, an Operating Committee under the supervision of the responsible director holds regular meetings to conduct efficient operational management.

The term of office for directors is set at one year in order to clarify directors' management responsibility every fiscal year, and to flexibly structure an optimal management team in step with changes in the business environment.

In addition, the Advisory Board is made up of experts from outside the company and is an advisory body to the President. This board's advice and recommendations on corporate governance and other issues are reflected in business operations.

## Corporate Governance Structure (As of June 26, 2009)

Overview of COMSYS Group Operational Structure and Operational Supervision and Internal Control Structure



### **Status of an Internal Control System**

Based on the Companies Act of Japan, the Company has formulated and implements a “Basic Policy on Establishing an Internal Control System” that has been approved by resolution of the Board of Directors. In regard to internal control over financial reporting based on the Financial Instruments and Exchange Law of Japan, the Company has reinforced measures to eliminate deficiencies by making improvements in the organizational structure and coverage of these internal controls, through the establishment of an Internal Control Office within the Internal Control Audit Department.

### **Establishing a Compliance Structure**

Based on its internal Compliance Program the Company has set forth Compliance Action Guidelines and has established the Compliance Committee within the above framework. This Committee, which is chaired by the president, is made up of representatives from the Company and each of the core operating subsidiaries, as well as outside corporate auditors. The Committee oversees compliance throughout the COMSYS Group, and strives to increase the COMSYS Group's awareness of compliance and establish an effective compliance structure through various discussions.

All COMSYS Group companies have set up similar compliance committees of their own. These committees work to establish an effective compliance structure by implementing educational and training programs, as part of efforts to deepen employee understanding of the corporate philosophy and operating principles of each respective COMSYS Group company.

### **Establishing a Risk Management Structure**

In its efforts to maintain and enhance corporate value amid a rapidly changing business environment, the COMSYS Group is aware that it faces a variety of business risks which must be managed appropriately. Therefore, the Group has established a Risk Management Committee, chaired by the vice president and made up of directors from the Company and each of the core operating subsidiaries.

In August 2006, the Basic Policy on Risk Management was formulated and similar risk management committees were established at each group company, among other measures. In this manner, efforts are being made to properly address the business risks faced by each Group company, and to minimize the materialization of each risk.

The Company has formulated Risk Management Guidelines and Crisis Management Guidelines and will strive to maintain stable operations and ensure steady growth at the Company and the COMSYS Group by practicing effective risk management.

For example, the COMSYS Group manages operational risk by ensuring that Group companies work to acquire and maintain certifications for management systems tailored to their operations, such as ISO 9001, ISO 14001, COHSMS (Construction Occupational Health and Safety Management Systems), ISMS (Information Security Management Systems) and Privacy Mark certifications.

### **CSR Activities**

The Company and the COMSYS Group have established the CSR Committee to coordinate CSR activities Group-wide with the aim of ensuring that the Group actively fulfills its economic and social responsibilities, including social contribution activities, as a good corporate citizen.

The CSR Committee is engaged in CSR activities addressing various themes, such as compliance, corporate governance, risk management, information disclosure and protection, security countermeasures, social contributions and environmental issues.

### **Establishing an Information Management Structure**

Important documents related to business activities and the performance of directors' duties, including minutes of the Board of Directors and Senior Management Committee meetings and other reports, are stored and managed appropriately based on the Group's internal document management rules.

Furthermore, in order to improve the efficiency of operations and business execution, after ensuring an adequate level of information security, the Company is working to deploy various information systems to put in place a framework for sharing the latest management information.

### **Establishing a Group Management Structure**

Important management decisions within the COMSYS Group are reported to and discussed by the Senior Management Committee and the Board of Directors in line with the Group Operation Standards, which clarify decision making and reporting rules for the COMSYS Group. In this manner, the group management and monitoring framework is centered on the Company.

In order to ensure that all COMSYS Group operations are carried out appropriately, the directors of each core operating subsidiary also participate as members in the various Group committees, including the Company's newly established CSR Committee, the Corporate Compliance Committee and the Risk Management Committee. In this way, the COMSYS Group ensures that all policies and decisions discussed by these groups are reported to and thoroughly understood by each Group company.

In addition, the Group has formed the COMSYS Group Presidents Committee, which is made up of the presidents of COMSYS Group companies. This committee meets regularly and works to ensure that management policies and activities are clearly understood by all members.

### **Internal Auditing and Corporate Auditors**

The Company's internal auditing organization consists of an Internal Audit Office with a staff of ten employees within the Internal Control Audit Department.

This Office formulates internal auditing policies based on top management requirements, and implements internal audits of the Company and all group companies. These activities are intended to ensure that each business risk faced by the Group is minimized, while maximizing the quality of business operations.

The Board of Corporate Auditors has five members, three of whom are outside corporate auditors. No employees are specifically assigned to assist the corporate auditors with their activities. If such assistance is required, there is a structure in place for addressing personnel issues such as determining appointees, and ensuring independence from directors. In addition, based on the rules governing the Board of Corporate Auditors, directors and employees are required to report on major business activities or issues that could affect the COMSYS Group's operations or performance to the corporate auditors.

The Board of Corporate Auditors may request further information on the above mentioned reporting at any time as necessary, as well as other required disclosure.

The corporate auditors regularly attend both regular and extraordinary meetings of the Board of Directors as well as meetings of the Senior Management Committee, the CSR Committee, the Corporate Compliance Committee and other important internal committee meetings or discussions. This structure has been established to allow the corporate auditors to verify the status of business execution on a regular basis and to express their views on these matters.

The corporate auditors also hold regular meetings with the president to directly express their views on issues related to business execution and other topics.

The corporate auditors of COMSYS Holdings also convene regular meetings with their counterparts at core COMSYS Group companies, and maintain close ties with them mainly by exchanging views, in order to improve the effectiveness of audits. Furthermore, the corporate auditors maintain close ties with the

Internal Audit Office and with the Group's independent auditor. This structure allows the corporate auditors to regularly check to see whether business operations are executed appropriately and efficiently, in accordance with audit plans formulated by the Board of Corporate Auditors.

### **Strengthening Disclosure and Accountability**

The Company provides timely and appropriate disclosure of crucial management information in order to promote understanding among shareholders, investors and all other stakeholders and obtain a fair evaluation of its activities.

The Company discloses information on new orders received on a monthly basis, as well as financial results on a quarterly basis. In conjunction with interim and full-year earnings announcements, the Company holds business presentations to clearly explain both its performance and outlook. Individual and small group meetings with investors and securities analysts are also held in both Japan and overseas countries.

The Company also seeks to enhance its investor relations (IR) website by posting presentation materials, news releases and other information on this website in a timely and straightforward manner.

### **Personal Information Protection**

Recognizing that properly protecting and managing personal and other information is crucial to gaining the trust of customers and society as a whole, the Personal Information Protection and Administration Committee has been established to oversee activities throughout the COMSYS Group. Concurrently, the Personal Information Protection Policy and other guidelines have been drafted and adopted to ensure that information security management is fully implemented at all Group companies.

At the same time, every COMSYS Group company works hard to protect personal information by establishing similar committees and measures of the COMSYS Group, as well as operating management systems of ISMS and the Privacy Mark to acquire and maintain these certifications.

## Directors and Officers As of June 26, 2009



### **Hajime Takashima**

*Representative Director and President  
(President and Representative Director of  
Nippon COMSYS Corporation)*

### **Yoji Oku**

*Director*

### **Tatsufumi Nakajima**

*Director*

### **Hidetoshi Miura**

*Director  
(President and Representative Director of  
TOSYS Corporation)*

### **Mitsuhiro Watanabe**

*Director*

### **Kunio Ushioda**

*Director  
(President and Representative Director of  
COMSYS JOHO SYSTEM Corporation)*

### **Corporate Auditors**

*Standing Auditor*

### **Akinori Ishigaki**

*Auditor*

### **Takemi Ikari**

### **Kunihiko Gotoh\***

### **Takeshi Gotoh\***

### **Masahiko Miyashita\***

### **Yoshihiro Mimata**

*Director*

### **Hirofumi Yamasaki**

*Director*

### **Akio Ogawa**

*Director*

\*Outside auditors

## FINANCIAL SECTION

### CONTENTS

Financial Summary	52
Management Discussion and Analysis	54
Consolidated Balance Sheets	74
Consolidated Statements of Income	76
Consolidated Statements of Changes in Net Assets	77
Consolidated Statements of Cash Flows	79
Notes to the Consolidated Financial Statements	81
Report of Independent Certified Public Accountants	94

# Financial Summary

COMSYS Holdings Corporation and Consolidated Subsidiaries  
Years ended 31st March, 2005, 2006, 2007, 2008 and 2009

	2005
<b>Results of Operations:</b>	
New orders received during the year	¥287,376
Net sales	293,681
Operating income	15,062
Income before income taxes and other adjustments to net income	14,170
Net income	8,349
Capital expenditure	3,260
Research and development expenditure	326
<b>Financial Position:</b>	
Total assets	¥208,681
Property and equipment	46,963
Long-term debt	2,768
Shareholders' equity	128,063
Interest-bearing debt	4,692
Modified working capital	65,609
<b>Per Share of Common Stock (in yen and U.S. dollars):</b>	
Net income	¥ 58.42
Cash dividends	15.00
Total shareholders' equity	906.92
<b>Financial Ratios:</b>	
Operating income to net sales (%)	5.1
Net income to net sales (%)	2.8
R&D expenses to net sales (%)	0.1
SG&A expenses to net sales (%)	7.1
Equity ratio (%)	61.4
Return on equity (%)	6.7
Return on total assets (%)	4.0
Interest coverage (times)	91.00
Debt/equity ratio (%)	0.04
<b>Other Statistics:</b>	
Number of employees at fiscal year-end (persons)	6,746
Common stock issued (thousand shares)	145,977
<b>Common stock price range (2004 is for the six-month period ended 31st March, 2004, 2005 is for the year ended 31st March, 2005 in yen):</b>	
High	1,010
Low	683

Note: For convenience only, the accompanying Japanese yen figures for 2009 have been translated into U.S. dollars at the rate of ¥98.23 to US\$1,

Millions of Yen				Thousands of U.S. Dollars (Note 1)
2006	2007	2008	2009	2009
¥310,005	¥ 334,172	¥ 331,920	¥ 320,462	\$3,262,364
307,485	336,519	327,527	321,186	3,269,734
16,319	19,214	16,299	15,611	158,923
16,423	19,468	18,428	16,359	166,538
10,031	12,382	11,641	10,063	102,443
4,823	7,240	9,850	9,467	96,376
242	190	190	67	682
¥220,786	¥ 229,953	¥ 224,122	¥ 220,651	\$2,246,269
47,417	47,627	50,894	50,009	509,101
314	72	10	106	1,079
137,161	145,786	149,152	150,829	1,545,098
3,608	451	71	164	1,670
67,995	67,818	65,149	66,033	672,228
¥ 69.65	¥ 87.39	¥ 83.87	¥ 75.60	\$ 0.77
15.00	17.00	17.00	20.00	0.20
964.70	1,033.87	1,091.83	1,151.81	11.73
5.3	5.7	5.0	4.9	
3.3	3.7	3.6	3.1	
0.08	0.06	0.06	0.02	
6.7	6.6	6.7	6.8	
62.1	63.4	66.6	68.4	
7.6	8.8	7.9	6.7	
4.7	5.5	5.1	4.5	
175.59	373.72	1,510.00	2,900.36	
0.03	0.00	0.00	0.00	
7,081	7,574	8,173	8,203	
145,977	145,977	145,977	145,977	
1,796	1,768	1,506	1,047	
857	1,052	766	521	

the rate prevailing on March 31, 2009.

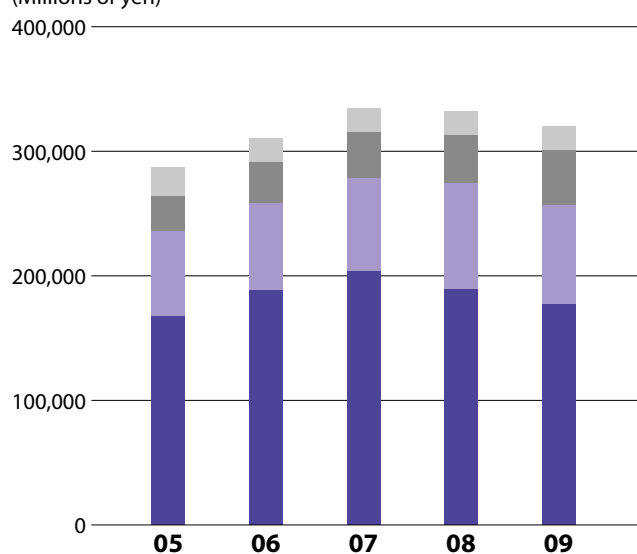
## Management Discussion and Analysis

### Profile of COMSYS Group

COMSYS Holdings Corporation (the Company) was established in September 2003 as the holding company for the COMSYS Group. The COMSYS Group is made up of the Company, 3 core operating companies (Nippon COMSYS Corporation, SANWA COMSYS Engineering Corporation and TOSYS Corporation), 44 other subsidiaries, as well as 9 affiliates. The Group's main businesses are electrical and telecommunications infrastructure construction services, which

### New Orders Received by Operating Segment

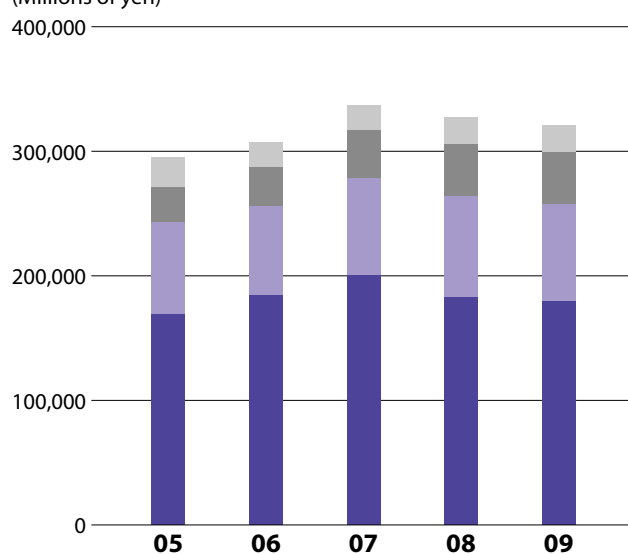
(Millions of yen)



■ NTT Information Telecommunication Engineering Business  
 ■ Electrical Communications Engineering Business  
 ■ IT Solutions Business  
 ■ Social System-Related Business and Other

### Net Sales by Operating Segment

(Millions of yen)



■ NTT Information Telecommunication Engineering Business  
 ■ Electrical Communications Engineering Business  
 ■ IT Solutions Business  
 ■ Social System-Related Business and Other

mainly involve the construction of telecommunications infrastructure facilities, and other businesses, such as the information processing related business.

The consolidated financial statements of COMSYS Holdings for fiscal 2009, the year ended March 31, 2009, include the accounts of 32 consolidated subsidiaries. COMSYS Holdings did not account for any affiliates using the equity method in fiscal 2009.

### Overview

In fiscal 2009, the Japanese economy faced challenging conditions such as cutbacks in capital investment and a worsening employment situation. In the first half, consumer spending weakened mainly due to soaring crude oil and raw material prices, while in the second half corporate earnings declined sharply on account of falls in share prices, the yen's appreciation and other factors as the global financial crisis intensified.

The COMSYS Group's main businesses lie in Japan's information and communications sector. In the fixed-line communications field, the total number of subscriptions for broadband services, including FTTH (Fiber To The Home), DSL and cable TV, surpassed 30

million in step with the rapid advancement in broadband and ubiquitous infrastructure. However, the growth rate in the number of FTTH subscriber lines, which had surpassed 14 million lines as of March 31, 2009, has started to slow down. Nonetheless, commercial services for the next generation network (NGN), which have been promoted by NTT Corporation, were launched in March 2008. Expansion in the NGN-related market is widely anticipated as new services combining communications and broadcasting are offered by leveraging the features of this secure, reliable and quality-assured network. In the mobile communications field, progress with the diversification and the development of new services such as the enhancement of music, video and other content distribution services, which require wider service areas and faster packet transmission speeds, as well as with the introduction of next-generation high-speed wireless communications such as WiMAX, resulted in intensified service and price competition among communications carriers, leading to even stronger cost-cutting pressure on the telecommunications infrastructure construction industry.

In response, the COMSYS Group worked hard to drive through business reforms focused on three themes—prioritize businesses, expand operations, and boost productivity—with reforms centered on the three core operating companies. The overriding goal is to realize the COMSYS Group’s management vision and meet the expectations of all stakeholders. Specifically, the Company flexibly and effectively reallocated business resources through such means as transferring personnel among the core operating companies according to changes in their business volume. Efforts were also focused on expanding adjacent businesses, such as the in-house wiring, maintenance, testing and verification services in addition to traditional communications infrastructure construction services, as well as the upper layer solution business. As for structural reforms to raise Group-wide synergies, the Company introduced the “Group Innovation 2010” concept, while standardizing workflow, enhancing productivity and taking other steps linked to ongoing COMSYS-style *kaizen* (improvement) initiatives. In October 2008, the new Comstar intra-Group system was introduced to promote the

systemization of know-how, skills and initiatives from actual business sites and their expansion throughout the Group. Through this process, the goal is to carry out far-reaching business process reforms and build a sustainable earnings structure.

### **New Orders Received**

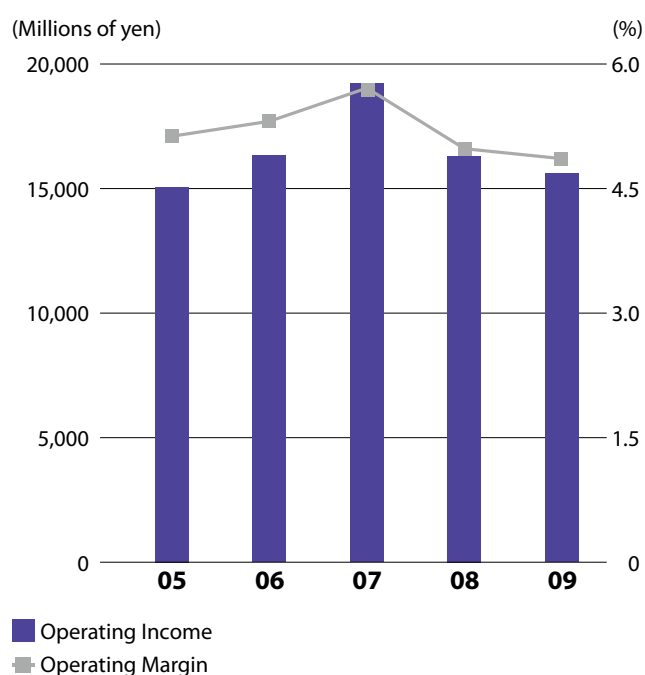
New orders received decreased 3.5% year on year to ¥320,462 million, as steady orders in the IT Solutions Business were offset by a decline in orders chiefly for FTTH construction services in the NTT Information Telecommunication Engineering Business.

### **Results of Operations**

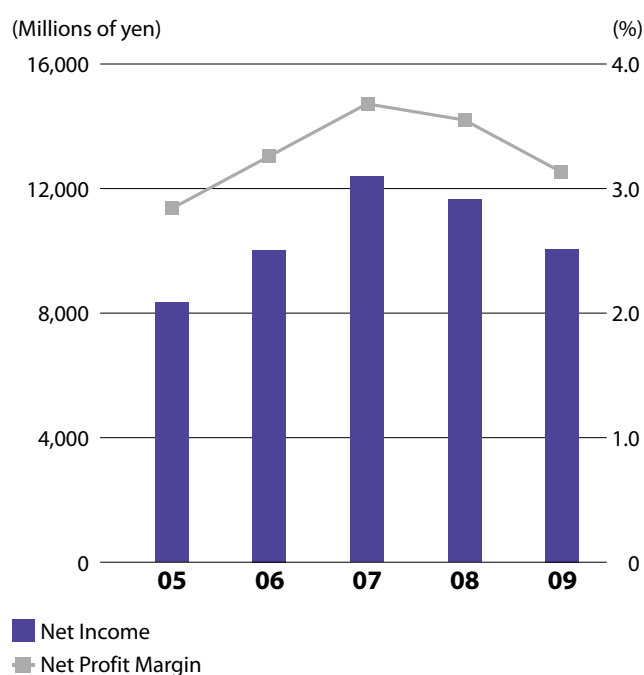
Net sales were ¥321,186 million, down 1.9% from the previous fiscal year due to a decline mainly in FTTH construction services, despite steady sales from construction services related to NTT DOCOMO and New Common Carriers (NCCs). The NTT Group-related business accounted for 55.2% of net sales. Cost of sales fell 1.9% year on year to ¥283,724 million, with the cost of sales ratio remaining mostly the same as the previous year at 88.3%. Selling, general and

administrative (SG&A) expenses declined 0.9% year on year to ¥21,851 million, with the ratio of SG&A expenses to net sales held to an increase of 0.1 of a percentage point to 6.8%. Despite higher strategic expenses incurred chiefly due to the development of new intra-Group information systems, the decrease in SG&A expenses was attributable to cuts in operating expenses through various business measures and reductions in personnel costs as a result of personnel transfers from sales divisions to engineering divisions. Operating income was ¥15,611 million, a decrease of

### Operating Income and Operating Margin



### Net Income and Net Profit Margin



4.2% year on year. The ratio of operating income to net sales was 4.9%, down 0.1 of a percentage point year on year. Net income decreased 13.6% year on year to ¥10,063 million, mainly due to the recording of impairment losses on investment securities. The ratio of net income to net sales fell 0.5 of a percentage point to 3.1%.

### **New Orders Received and Results of Operations for the Three Core Operating Companies**

#### **Nippon COMSYS Group**

During the fiscal year under review, the Nippon COMSYS Group gave first priority to the safety and quality of the operations as before, and implemented various business actions based on the “Innovation 2010” concept and COMSYS-style *kaizen* (improvement) to reform its business structure in response to lower capital investment by the NTT Group. Specific measures included strengthening prime contractor project management, consolidating and optimizing the locations of construction bases, expanding business domains, and standardizing workflow. At the

same time, the Group strove to boost productivity and competitiveness by introducing the Comstar system to promote greater systemization.

In this context, new orders received dropped 4.8% to ¥230,561 million due to a decline mainly in FTTH construction services in the NTT Information Telecommunication Engineering Business, despite steady orders for NI-related solutions in the IT Solutions Business. Net sales decreased 1.0% year on year to ¥234,300 million as a result of a decline in sales mainly from FTTH construction services, despite an increase in 800MHz overlay construction projects related to NTT DOCOMO. In terms of earnings, the Nippon COMSYS Group reduced construction costs and operating expenses through integration of purchasing and outsourcing operations, but incurred higher strategic expenses chiefly due to the development of intra-Group information systems. Consequently, operating income declined 1.7% year on year to ¥12,010 million. Net income fell 9.8% to ¥8,013 million due to the recording of extraordinary losses such as impairment losses on investment securities.

## **SANCOM Group**

The SANWA COMSYS Engineering (SANCOM) Group worked to expand orders in the NCC business in the Electrical Communications Engineering Business, the manufacturer and vendor-related business, and the telecommunications and electrical construction business (public-sector/private demand). Efforts were also focused on expanding orders in the ICT facility business, where future market growth is expected. Based on the slogan of “Building Trust,” the SANCOM Group extended various measures across the group with the aim of becoming an even more trustworthy company for its customers. This involved pulling the entire group together to prioritize safety and enhance quality. This group also strove to drive business expansion and enhance productivity (via cost reductions) by implementing the “Group Innovation 2010” concept, utilizing the Comstar system, and promoting SANCOM-style *kaizen* (improvement) activities.

In the year under review, new orders received rose 6.1% year on year to ¥78,473 million, mainly due to increased capital investment and construction of WiMAX on a nationwide scale by the KDDI Group.

Another contributing factor was efforts to minimize the impact of the drop in orders resulting from cut-backs in capital investment by other private-sector companies and the public sector. Net sales increased 1.7% year on year to ¥74,783 million due to similar reasons as for new orders received. In terms of earnings, operating income rose 2.6% year on year to ¥3,762 million. This mainly reflected higher net sales centered on the Electrical Communications Engineering Business; efforts to eliminate unprofitable projects through careful selection and acceptance of orders, thorough monitoring of earnings on a monthly basis and measures to cut operating expenses. However, net income declined 10.1% year on year to ¥2,242 million, partly due to the impact of tax-effect accounting in the previous fiscal year.

### **TOSYS Group**

The TOSYS Group embraced the slogan of “Creating workplaces with an open culture” for fiscal 2009, and implemented company-wide measures to share information and step up the control of revenues and expenses. These measures included introducing a

business department system with a flat organizational structure; bolstering risk management by strengthening compliance and security, and introducing an internal control system; and fully implementing business process reforms and enhancements to raise operating efficiency. Meanwhile, in the NTT Information and Telecommunication Engineering Business, the group established a system for conducting all operations—from design activities to engineering management and project completion—basically on an internal basis. The goals are to enhance engineering skills, and engineering and cost management capabilities, as well as to ensure the fulfillment of the group's responsibilities as a prime contractor, based on the principle of emphasizing actual business

### Performance of the Three Core Operating Companies

(Millions of yen)

	Nippon COMSYS Group		SANCOM Group		TOSYS Group	
	2009/2008		2009/2008		2009/2008	
New Orders Received	230,561	−4.8	78,473	6.1	29,539	−6.6
Net Sales	234,300	−1.0	74,783	1.7	30,148	−8.3
Operating Income	12,010	−1.7	3,762	2.6	494	12.6
Net Income	8,013	−9.8	2,242	−10.1	200	2.9

operations. Other business domains of the TOSYS Group took a range of initiatives, including prioritizing and selecting businesses to improve its profitability outside the NTT Information and Telecommunication Engineering Business.

In the fiscal year under review, new orders received decreased 6.6% year on year to ¥29,539 million and net sales fell 8.3% year on year to ¥30,148 million, in line with relatively weak demand for FTTH construction, despite steady growth in construction services related to NTT DOCOMO and NCCs. On the other hand, operating income rose 12.6% year on year to ¥494 million and net income increased 2.9% to ¥200 million because of various reform measures to address the previous year's management issues such as reducing operating expenses incurred outside of construction service areas for FTTH construction as well as in outsourcing and materials costs, and because of fewer unprofitable construction projects as the group prioritized and selected businesses in other business domains.

## Financial Position

### Assets

Total assets as of March 31, 2009 were ¥220,651 million, ¥3,471 million less than a year earlier. Current assets were ¥145,417 million, down ¥1,887 million from a year earlier, due to a decrease of ¥9,323 million in notes and accounts receivable—trade and accumulated cost of construction in progress, despite an increase in cash and cash equivalents of ¥5,583 million. Total fixed assets declined ¥1,584 million from a year earlier to ¥75,234 million. This was mainly due to a decrease of ¥1,797 million in investment securities.

### Liabilities

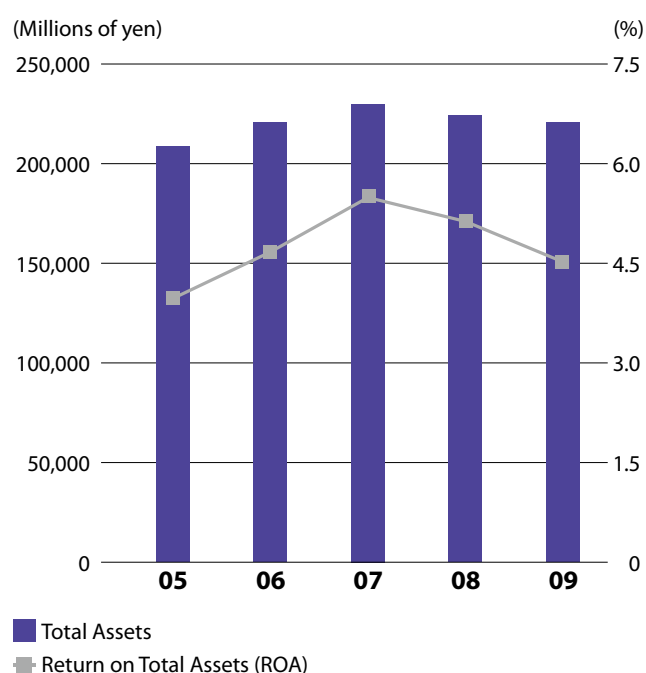
Total liabilities as of March 31, 2009 were ¥68,876 million, down ¥4,828 million from a year earlier. Current liabilities fell ¥3,318 million from a year ago to ¥61,423 million, mainly due to a decrease of ¥5,729 million in accounts payable—trade and advances received on construction in progress. Long-term liabilities, at ¥7,453 million, were ¥1,510 million lower than a year ago, mainly due to a decrease in negative goodwill of ¥949 million.

## Shareholders' Equity

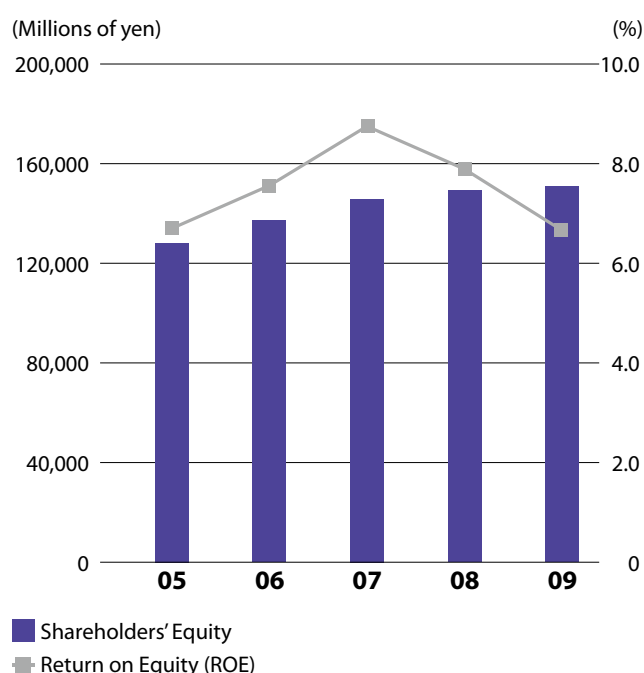
Total net assets, including minority interests, were ¥151,775 million, ¥1,357 million higher than at the previous fiscal year-end. This mainly reflected an increase in retained earnings of ¥7,315 million primarily due to net income of ¥10,063 million, despite an increase of ¥5,146 million in treasury stock.

The equity ratio improved from 66.6% at the previous fiscal year-end to 68.4%. Return on equity (ROE) fell 1.2 percentage points to 6.7% from a year earlier,

**Total Assets and Return on Total Assets (ROA)**



**Shareholders' Equity and Return on Equity (ROE)**



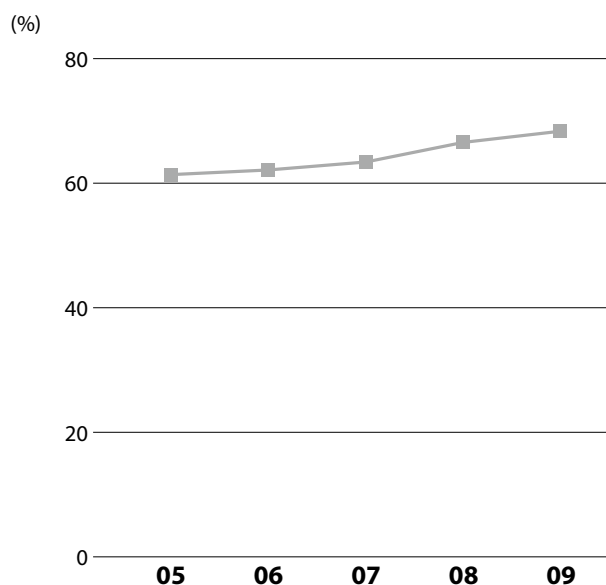
while return on assets (ROA) was 4.5%, down 0.6 of a percentage point from a year ago.

## Capital Resources and Liquidity

### Liquidity

The Group has introduced a Cash Management System (CMS) in order to reduce interest-bearing debt and reinforce fund management on a consolidated basis. In addition, COMSYS Holdings has established a committed credit facility of ¥6,000 million so that it can procure funds in times of emergency.

### Equity Ratio



## Cash Flows

Cash and cash equivalents as of March 31, 2009 were ¥29,877 million, an increase of ¥5,583 million, or 23.0%, from a year earlier. A breakdown of cash flows for fiscal 2009 and reasons for changes are provided as follows.

### Cash Flows From Operating Activities

Net cash provided by operating activities was ¥19,640 million, 1,800.1% more than in the previous year. Cash was mainly provided by income before income taxes and other adjustments to net income of ¥16,359 million and an increase in receivables—trade of ¥10,767 million. On the other hand, cash was mainly reduced by an increase in payables—trade of ¥6,267 million.

### Cash Flows From Investing Activities

Net cash used in investing activities was ¥6,502 million, 41.5% less than in the previous fiscal year, due mainly to acquisitions of property and equipment of ¥3,454 million and acquisitions of other assets of ¥3,461 million.

## Cash Flows From Financing Activities

Net cash used in financing activities was ¥7,732 million, 7.0% less than in the previous fiscal year. This mainly reflected payments of ¥5,200 million for treasury stock and ¥2,711 million in cash dividends paid.

## Business Risks

The COMSYS Group believes the following risks could affect the Group's performance and financial position, and have a material impact on the decision-making of investors. Forward-looking statements in the following section were determined by the COMSYS Group as of March 31, 2009.

### (1) Risk from Dependency on a Specific Customer

Since the NTT Group is the primary customer for the COMSYS Group's mainstay electrical and telecommunications infrastructure construction services, accounting for more than 50% of business, changes in the size and nature of capital expenditures at the NTT Group could have an impact on the COMSYS Group's business performance.

## **(2) Risk to Safety and Quality**

With the goal of eradicating accidents involving both personnel and facilities based on the motto of “Prioritizing Safety in Everything,” the COMSYS Group is working to manage safety and quality in construction by implementing employee training and other measures within the Group and among partner companies. Nevertheless, an accident that results in the loss of trust among business customers, a loss of potential orders due to a temporary suspension of operations and the assumption of responsibility for defective construction and buildings could have an impact on the COMSYS Group’s business performance.

Furthermore, the COMSYS Group does its utmost to ensure group-wide information security management with respect to information, including personal information, entrusted from customers by leveraging the Information Security Management System (ISMS) and Privacy Mark certifications obtained at its core operating companies. Nevertheless, a leak of information by outsourcing partners or other companies processing or storing the Group’s information, or due to a crime involving unauthorized

access from outside, could result in the loss of trust among business partners or the assumption of liability for damages due to accusations of mismanagement. This in turn could have an impact on the COMSYS Group's business performance.

### **(3) Risk from Changes in Seasonal Business Patterns**

In the COMSYS Group's mainstay business of electrical and telecommunications infrastructure construction services, because the recording of net sales and orders tends to be concentrated in the fourth quarter, at the end of the fiscal year, the Group's business performance could differ significantly between the first and the second halves of the fiscal year.

### **(4) Risk Involved in Holding Assets**

Since the COMSYS Group holds real estate, investment securities and pension assets as needed in the course of business, a change in the market value of these assets could have an impact on the Group's business performance.

## **(5) Credit Risk of Business Customers**

The COMSYS Group conducts strict credit management with regard to its business customers in real time using outside research agencies and other entities. At the same time, the Group has put in place a reliable structure for minimizing the materialization of credit risk by having the Legal Department screen contracts, for example. Nevertheless, deterioration in the credit standing of customers could result in the inability to recover construction costs in the case of an individual customer or cause construction delays in the case of a sub-contractor. This in turn could have an impact on the Group's business performance.

## Consolidated Balance Sheets

COMSYS Holdings Corporation and Consolidated Subsidiaries  
31st March, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2008	2009	2009
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 24,294	¥29,877	\$304,154
Short-term investments (Note 3)	2,977	2,837	28,881
Notes and accounts receivable—trade	93,561	84,238	857,559
Accumulated cost of construction in progress	20,903	21,573	219,617
Deferred income taxes (Note 6)	3,186	3,412	34,735
Other current assets	2,773	3,640	37,056
Less: Allowance for doubtful receivables	(390)	(160)	(1,629)
Total current assets	147,304	145,417	1,480,373
<b>Property and Equipment:</b>			
Land (Note 4)	26,892	27,091	275,792
Buildings and structures (Note 4)	32,440	32,449	330,337
Machinery and equipment	21,361	19,391	197,404
Lease assets	—	19	193
Construction in progress	27	344	3,502
Less: Accumulated depreciation	(29,826)	(29,285)	(298,127)
Total property and equipment	50,894	50,009	509,101
<b>Investments and Other Assets:</b>			
Investment securities:			
Unconsolidated subsidiaries and affiliates	841	669	6,810
Other (Note 3)	7,120	5,495	55,940
Long-term loans receivable	2,858	2,745	27,945
Prepaid pension cost (Note 5)	4,404	4,217	42,930
Deferred income taxes (Note 6)	2,655	2,548	25,939
Other assets	11,228	11,927	121,419
Less: Allowance for doubtful receivables	(3,182)	(2,376)	(24,188)
Total investments and other assets	25,924	25,225	256,795
	¥224,122	¥220,651	\$2,246,269

See Notes to the Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Current Liabilities:</b>			
Short-term borrowing and current portion of long-term debt (Note 4)	¥ 61	¥ 70	\$ 713
Accounts payable—trade	52,093	46,364	471,994
Advances received on construction in progress	3,489	3,611	36,761
Income taxes payable	2,514	4,146	42,207
Other current liabilities	6,584	7,232	73,623
Total current liabilities	64,741	61,423	625,298
<b>Long-term Liabilities:</b>			
Long-term debt (Note 4)	10	116	1,181
Accrued severance indemnities (Note 5)	3,955	3,520	35,834
Deferred income taxes (Note 6)	1,260	997	10,150
Deferred tax liabilities for unrealized gains on land revaluation (Note 9)	2,366	2,366	24,086
Negative goodwill	949	—	—
Other long-term liabilities	423	454	4,622
Total long-term liabilities	8,963	7,453	75,873
<b>Net Assets (Note 8):</b>			
Common stock, par value ¥51 per share:			
Authorized 580,000 thousand shares			
Issued 145,978 thousand shares	10,000	10,000	101,802
Additional paid-in capital	56,980	57,015	580,424
Retained earnings	99,783	107,098	1,090,278
Unrealized loss on land revaluation (Note 9)	(7,897)	(7,897)	(80,394)
Unrealized gain (loss) on securities	(330)	(857)	(8,724)
Treasury stock, at cost	(9,384)	(14,530)	(147,919)
Total shareholders' equity	149,152	150,829	1,535,467
Subscription rights to shares	—	70	713
Minority interests	1,266	876	8,918
Total net assets	150,418	151,775	1,545,098
	¥224,122	¥220,651	\$2,246,269

## Consolidated Statements of Income

COMSYS Holdings Corporation and Consolidated Subsidiaries  
Years ended 31st March, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Net Sales</b>	¥327,527	¥321,186	\$3,269,734
<b>Cost of Sales</b>	289,176	283,724	2,888,364
Gross profits	38,351	37,462	381,370
<b>Selling, General and Administrative Expenses</b>	22,052	21,851	222,447
Operating income	16,299	15,611	158,923
<b>Other Income (Expenses):</b>			
Interest and dividend income	311	310	3,156
Interest expenses	(11)	(5)	(51)
Other, net (Note 10)	1,829	443	4,510
	2,129	748	7,615
Income before income taxes and other adjustments to net income	18,428	16,359	166,538
<b>Income Taxes (Note 6):</b>			
Current	5,988	6,355	64,695
Deferred	708	(35)	(356)
	6,696	6,320	64,339
<b>Minority Interests</b>	91	(24)	(244)
<b>Net Income</b>	¥ 11,641	¥ 10,063	102,443

	Yen		U.S. Dollars (Note 1)
<b>Amounts per Share:</b>			
Net income			
—Basic	¥ 83.87	¥ 75.60	\$ 0.77
—Diluted	83.87	75.60	0.77
Cash dividends	17.00	20.00	0.20

See Notes to the Consolidated Financial Statements.

# Consolidated Statements of Changes in Net Assets

COMSYS Holdings Corporation and Consolidated Subsidiaries  
Years ended 31st March, 2008 and 2009

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Loss on Land Revaluation	Unrealized Gain on Securities
Balance, April 1, 2007	141,011	¥10,000	¥56,974	¥ 90,550	¥(7,897)	¥ 520
Net income				11,641		
Cash dividends paid:						
Final for prior year, ¥10.00 per share				(1,409)		
Interim for current year, ¥7.00 per share				(968)		
Changes of scope of consolidation	(13)			(31)		
Repurchase of treasury stock	(4,433)					
Sales of treasury stock	42		6			
Net change in the year						(850)
Balance, April 1, 2008	136,607	¥10,000	¥56,980	¥ 99,783	¥(7,897)	¥(330)
Net income				10,063		
Cash dividends paid:						
Final for prior year, ¥10.00 per share				(1,312)		
Interim for current year, ¥7.00 per share				(1,385)		
Changes of scope of consolidation	(10)			(51)		
Repurchase of treasury stock	(5,790)					
Sales of treasury stock	143		35			
Net change in the year						(527)
Balance, April 1, 2009	130,950	¥10,000	¥57,015	¥107,098	¥(7,897)	¥(857)

	Millions of Yen				
	Treasury Stock, at cost	Total Shareholders' Equity	Subscription rights to shares	Minority Interests	Total Net Assets
Balance, April 1, 2007	¥ (4,361)	¥145,786		¥1,219	¥147,005
Net income		11,641			11,641
Cash dividends paid:					
Final for prior year, ¥10.00 per share		(1,409)			(1,409)
Interim for current year, ¥7.00 per share		(968)			(968)
Changes of scope of consolidation	(16)	(47)			(47)
Repurchase of treasury stock	(5,056)	(5,056)			(5,056)
Sales of treasury stock	49	55			55
Net change in the year		(849)		47	(803)
Balance, April 1, 2008	¥ (9,384)	¥149,152	¥ –	¥1,266	¥150,418
Net income		10,063			10,063
Cash dividends paid:					
Final for prior year, ¥10.00 per share		(1,312)			(1,312)
Interim for current year, ¥7.00 per share		(1,385)			(1,385)
Changes of scope of consolidation	(17)	(68)			(68)
Repurchase of treasury stock	(5,201)	(5,201)			(5,201)
Sales of treasury stock	72	107			107
Net change in the year		(527)	¥70	(390)	(847)
Balance, April 1, 2009	¥(14,530)	¥150,829	¥70	¥ 876	¥151,775

## Consolidated Statements of Changes in Net Assets

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Loss on Land Revaluation	Unrealized Gain on Securities
Balance, April 1, 2008	\$101,802	\$580,068	\$1,015,810	\$(80,394)	\$(3,359)
Net income			102,443		
Cash dividends paid:					
Final for prior year, ¥10.00 per share			(13,356)		
Interim for current year, ¥7.00 per share			(14,100)		
Changes of scope of consolidation			(519)		
Repurchase of treasury stock					
Sales of treasury stock		356			
Net change in the year					(5,365)
Balance, April 1, 2009	\$101,802	\$580,424	\$1,090,278	\$(80,394)	\$(8,724)

	Thousands of U.S. Dollars (Note 1)				
	Treasury Stock, at cost	Total Shareholders' Equity	Subscription rights to shares	Minority Interests	Total Net Assets
Balance, April 1, 2008	\$ (95,531)	\$1,518,395		\$12,888	\$1,531,283
Net income		102,443			102,443
Cash dividends paid:					
Final for prior year, ¥10.00 per share		(13,356)			(13,356)
Interim for current year, ¥7.00 per share		(14,100)			(14,100)
Changes of scope of consolidation	(173)	(692)			(692)
Repurchase of treasury stock	(52,947)	(52,947)			(52,947)
Sales of treasury stock	733	1,089			1,089
Net change in the year		(5,365)	713	(3,970)	(8,622)
Balance, April 1, 2009	\$(147,919)	\$1,535,467	\$713	\$ 8,918	\$1,545,098

See Notes to the Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

COMSYS Holdings Corporation and Consolidated Subsidiaries  
Years ended 31st March, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and other adjustments to net income	¥18,428	¥16,359	\$166,538
Depreciation and amortization	4,373	4,654	47,379
Gain on sales of fixed assets	(449)	—	—
Write-down of investments in securities and other assets	197	749	7,625
Increase in allowance for doubtful receivables	(120)	(1,038)	(10,567)
Decrease in accrued severance indemnities	(495)	(413)	(4,204)
Interest and dividends received	(311)	(310)	(3,156)
Interest expenses	11	5	51
Increase in receivables—trade	(9,559)	10,767	109,610
Decrease in inventories	2,632	(504)	(5,131)
Increase in payables—trade	(3,278)	(6,267)	(63,799)
Decrease in other assets	523	351	3,572
Decrease in other liabilities	(579)	358	3,645
Amortization of consolidation adjustments	(1,529)	(1,070)	(10,893)
Other, net	45	300	3,054
	9,889	23,941	243,724
Cash and cash equivalents received on interest and dividends income	311	310	3,156
Cash and cash equivalents paid for interest expenses	(11)	(5)	(51)
Cash and cash equivalents paid for income taxes	(9,155)	(4,606)	(46,890)
Net cash provided by operating activities	1,034	19,640	199,939

(Continued)

## Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Cash Flows from Investing Activities:</b>			
Decrease in short-term investments, net	¥ 20	¥ 150	\$ 1,527
Decrease in investment securities, net	(2,580)	(179)	(1,822)
Acquisitions of property and equipment	(6,874)	(3,454)	(35,162)
Acquisitions of other assets	(2,883)	(3,461)	(35,235)
Proceeds from sale of property	676	129	1,313
Increase in long-term loans	(611)	(1,321)	(13,448)
Collection of long-term loans	677	1,247	12,695
Other	457	387	3,940
Net cash used in investing activities	(11,118)	(6,502)	(66,192)
<b>Cash Flows from Financing Activities:</b>			
Decrease in short-term borrowings, net	(586)	82	835
Proceeds from long-term loans payable	–	80	815
Repayment of long-term debt	(317)	(60)	(611)
Proceeds from long-term debt	(20)	(20)	(204)
Acquisitions of treasury stock	(5,057)	(5,200)	(52,937)
Proceeds from sale of treasury stock	55	107	1,089
Cash dividends paid	(2,390)	(2,711)	(27,598)
Other	–	(10)	(102)
Net cash used in financing activities	(8,315)	(7,732)	(78,713)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(18,399)</b>	<b>5,406</b>	<b>55,034</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>42,458</b>	<b>24,294</b>	<b>247,318</b>
<b>Increase Due to Business Combination</b>	<b>235</b>	<b>177</b>	<b>1,802</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥24,294</b>	<b>¥29,877</b>	<b>\$304,154</b>

See Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

COMSYS Holdings Corporation and Consolidated Subsidiaries

## 1. Basis of Presenting Consolidated Financial Statements

COMSYS Holdings Corporation (the “Company”) and its subsidiaries (together, the “Companies”) maintain their accounting records and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan (the “GAAP of Japan”), which differ in certain respects as to application and disclosure requirements from International Accounting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Securities and Exchange Laws of Japan. Certain reclassifications of account balances have been made so as to present the consolidated financial statements in a form that is more familiar to readers

outside Japan. Also, certain prior year accounts have been reclassified to conform to the 2009 presentation, without any impacts on results of operations or retained earnings reported previously.

The accounts and records of the Companies are maintained in Japanese yen. The accompanying consolidated financial statements have been presented in Japanese yen and have also been presented in U.S. dollars by translating all Japanese yen amounts using the rate of ¥98.23 to US\$1. The presentation of such dollar amounts is solely for the convenience of the reader and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at that or at any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 32 subsidiaries (see “Corporate Directory” at the last page of this annual report) over which the Company exerts substantial control either through majority ownership of voting shares and/or by other means. For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been eliminated.

The accounts of other subsidiaries and affiliates were not consolidated, since their aggregate sales, total assets, net income and retained earnings have little affect upon the total consolidated results of operations and assets. Also, investments

in unconsolidated subsidiaries and affiliates are carried at cost due to their immateriality.

All of the subsidiaries were consolidated on the basis of fiscal periods ending 31st March.

Goodwill, including negative goodwill, is amortized by the straight-line method over reasonable economical life up to 20 years; while goodwill without materiality is amortized at the incurrence.

### (b) Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare the accompanying financial statements in conformity with the GAAP of Japan. Actual results could differ from these estimates.

**(c) Point of sales—construction contracts**

Construction contracts of the Companies are accounted for by the completed-contract method. The accumulated cost of uncompleted construction is shown as “Accumulated cost of construction in progress” and the related billings (advances received) on uncompleted construction contracts are shown as “Advances received on construction in progress” in the accompanying balance sheets.

**(d) Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, those are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

**(e) Short-term investments and investment securities**

The GAAP of Japan requires the classification of short-term investments and investment securities (except for “unconsolidated subsidiaries and affiliates”) of the Companies into three categories as follows:

- i) Debt securities that are expected to be held-to-maturity: carried at accumulated cost using straight-line method.
- ii) Other securities whose fair values are readily determinable: carried at fair value with unrealized gains or losses included in Stockholders’ Equity as “Unrealized gain (loss) on securities,” net of applicable income taxes.
- iii) Other securities whose fair values are not readily determinable: carried at cost using moving-average method.

With respect to investments in unconsolidated subsidiaries and affiliates, the Companies are

carrying their amounts at cost, determined by the moving average cost.

**(f) Accumulated cost of construction in progress**

In connection with (c) above, “Accumulated cost of construction in progress” is stated at cost based on an individual project basis.

**(g) Property and equipment**

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method; while the straight-line method is applied to building acquired after 1st April, 1998, both using estimated useful lives of assets principally as follows:

Buildings and structures    2 to 50 years

**(h) Intangible assets and deferred charges**

Intangible assets including software are carried at cost and amortized by the straight-line method over the estimated useful lives of assets. The useful life of software utilized in the Companies is estimated to be 5 years. Research and development costs are charged to income as incurred.

**(i) Leases**

As a lessee, under the GAAP of Japan effective from the fiscal year beginning from and on 1st April, 2008, the financial leases that do not transfer ownership of the property to lessee are accounted for as transactions of acquisition of assets; while such financial leases commenced before and on 31st March, 2008 are allowed to be accounted for as transactions of rent, but certain “as if capitalized” information in the notes to the financial statements are required.

**(j) Impairment of long-lived assets**

The Companies' long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or assets in a group might not be recoverable. An impairment loss should be recognized if the carrying amount of those assets exceeds the sum of the expected undiscounted future cash flows arising from the continual use and subsequent disposition of those assets. The impairment loss should be measured by difference between the carrying amount and their recoverable amount, which is higher of the expected discounted future cash flows arising from the continual use and subsequent disposition of those assets or the net selling price at disposition.

**(k) Income taxes**

Deferred tax assets and liabilities arising from temporary differences between financial and tax reporting are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. In the preparation of the consolidated financial statements, deferred tax assets and liabilities also arose from

the elimination of unrealized profits among the Companies and the adjustment of the allowance for doubtful receivables caused by the offsetting of inter-company receivables and payables.

**(l) Appropriations of retained earnings**

Appropriations of retained earnings of the Company at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval (See Note 12).

**(m) Net income and cash dividends per share**

The computations of basic net income per share are based on the weighted average number of shares outstanding during each year. The GAAP of Japan requires deductions of the amounts with which stockholders of common stock are not vested (e.g. bonus paid to directors and corporate auditors) from net income when computing net income per share.

Cash dividends per share are based on the cash dividends applicable to the respective years, including dividends to be paid after the end of the year.

### 3. Short-term Investments and Investment Securities—other

Information that is required to be disclosed in the Notes to the consolidated financial statements by the regulations and rules on disclosures under the Securities and Exchange Laws of Japan,

as amended to conform to certain reclassifications of account balances made to present the consolidated financial statements, consists of the following:

(a) Other securities whose fair value was readily determinable as at 31st March, 2008 and 2009, were as follows:

Classification	Millions of yen			
	31st March, 2008			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stocks	¥ 4,399	¥ 472	¥ 764	¥ 4,107
Bonds and debentures	565	3	102	466
Others	1,051	11	90	972
Total	¥ 6,015	¥ 486	¥ 956	¥ 5,545

Classification	Millions of yen			
	31st March, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stocks	¥ 4,480	¥ 389	¥ 1,252	¥ 3,617
Bonds and debentures	569	1	93	477
Others	860	0	161	699
Total	¥ 5,909	¥ 390	¥ 1,506	¥ 4,793

Classification	Thousands of U.S. dollars			
	31st March, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stocks	\$45,607	\$ 3,960	\$ 12,745	\$36,822
Bonds and debentures	5,793	10	947	4,856
Others	8,755	0	1,639	7,116
Total	\$60,155	\$ 3,970	\$ 15,331	\$48,794

(b) Proceeds from sales of other securities and realized gains/losses on such sales, cost of the sales being determined by moving average method, for the year ended 31st March, 2008 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	For the year ended 31st March		For the year ended 31st March
	2008	2009	2009
Proceeds from sales	¥ 119	¥ 111	\$ 1,130
Realized gains	64	77	784
Realized losses	–	0	0

(c) Other securities whose fair value was not readily determinable as at 31st March, 2008 and 2009 mainly consisted of unlisted stocks amounted to ¥1,641 million and ¥651 million (US\$6,627 thousand), respectively.

(d) Debt securities that are expected to be held-to-maturity and other securities with maturity dates as at 31st March, 2009 consisted of the following:

	Millions of yen			
	Due: Within 1 yr.	Within 5 yr.	Within 10 yr.	After 10 yr.
<b>31st March, 2009</b>				
Bonds and debentures	¥ 5	¥ 165	¥ –	¥ 400
Others	–	–	2	–
Total	¥ 5	¥ 165	¥ 2	¥ 400

	Thousands of U.S. dollars			
	Due: Within 1 yr.	Within 5 yr.	Within 10 yr.	After 10 yr.
<b>31st March, 2009</b>				
Bonds and debentures	\$ 51	\$ 1,680	\$ –	\$ 4,072
Others	–	–	20	–
Total	\$ 51	\$ 1,680	\$ 20	\$ 4,072

For the years ended 31st March, 2008 and 2009, the Companies made write-down of investment securities, whose fair value was readily determinable, amounting to ¥140 million and ¥617 million (\$6,281 thousand), respectively, following an accounting policy of the Companies which requires a write-down of investment securities whose fair value at the fiscal year's end declined to an amount not more than 50% of the book value.

#### 4. Long-term Debt

Long-term debt as at 31st March, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Loans from banks	¥ 71	¥ 157	\$ 1,598
Capital lease obligations	–	22	224
	71	179	1,822
Less: Current portion	61	63	641
	¥ 10	¥ 116	\$ 1,181

At 31st March, 2009, a consolidated subsidiary's long-term bank loans amounting to ¥46 million (US\$468 thousand) were secured. A summary of assets pledged as collateral consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures, net of accumulated depreciation	¥ 200	\$ 2,036
Land	375	3,818
	¥ 575	\$ 5,854

Aggregate amounts of annual maturities of long-term debt as at 31st March, 2009 consisted of the following:

Fiscal year ending 31st March	Millions of yen	Thousands of U.S. dollars
2010	¥ 63	\$ 641
2011	36	367
2012	28	285
2013	17	173
2014	12	122
2015 and later	23	234
	¥ 179	\$ 1,822

"Short-term borrowing and current portion of long-term debt" in the consolidated balance sheet as at 31st March, 2009 include the short-term

borrowing of one of the Companies from its director, bearing no interest thereon, amounted to ¥7 million (US\$71 thousand).

## 5. Accrued Severance Indemnities

Employees of the Companies are usually entitled to lump-sum severance indemnities determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs. With respect to directors and corporate auditors of the Companies, lump-sum severance indemnities are calculated using a similar formula and are normally paid subject to the approval at the shareholders' meeting of each of the Companies.

COMSYS has a contributory and funded defined benefit pension plan, which is pursuant to the Welfare Pension Insurance Law of Japan. As qualified and allowed under the GAAP of Japan, the

plan assets include an employee retirement benefit trust to which COMSYS, SANCOM and TOSYS contributed certain marketable equity securities.

Other consolidated subsidiaries provide for severance indemnities based on the liability if all eligible employees were to voluntarily terminate employment on the balance sheet date. In addition, certain subsidiaries have funds for tax qualified defined benefit pension plans and a few subsidiaries have non-contributory and funded defined benefit pension plans.

"Accrued severance indemnities" recognized in the accompanying balance sheet as at 31st March, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligation	¥ (42,699)	¥ (41,411)	\$ (421,572)
Fair value of plan assets	40,801	32,993	335,875
Unfunded benefit obligation	(1,898)	(8,418)	(85,697)
Unrecognized actuarial difference	6,870	13,389	136,303
Unrecognized prior service cost	(3,829)	(3,603)	(36,679)
Net amount recognized	1,143	1,368	13,927
Prepaid pension cost	4,404	4,217	42,930
Accrued severance indemnities	¥ (3,261)	¥ (2,849)	\$ (29,003)

“Accrued severance indemnities” in the consolidated balance sheet as at 31st March, 2008 and 2009 include the provision for accrued severance indemnities for directors and corporate auditors of the Companies amounted to ¥694 million and ¥672 million (US\$6,841 thousand), respectively.

Net pension cost of the plans included in the consolidated statements of income for the years ended 31st March, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service cost	¥ 2,605	¥ 2,597	\$ 26,438
Interest cost	992	961	9,783
Expected return of plan assets	(1,336)	(1,267)	(12,898)
Amortization of unrecognized actuarial difference	392	804	8,185
Amortization of unrecognized prior service costs (negative)	(332)	(327)	(3,329)
Other	135	178	1,812
Net pension cost	¥ 2,456	¥ 2,946	\$ 29,991

Unrecognized prior service costs are amortized and charged to income using a straight-line method over the average remaining years of service of employees at the incurrence. Unrecognized actuarial differences are amortized and charged to income using a straight-line method from the succeeding year of the incurrence over the average remaining years of service of employees at the incurrence.

Significant assumptions used to calculate the above-mentioned amount for the year ended 31st March, 2009 were as follows:

- Allocation method of benefit obligation  
Straight-line method
- Discount rate  
2.5% (mainly)
- Expected rate of return on plan assets  
3.8% (mainly)
- Unrecognized prior service cost is amortized over mainly 15 years.
- Unrecognized actuarial difference is amortized over mainly 15 years from the succeeding fiscal year of the incurrence.

## 6. Income Taxes

The Companies are subject to corporate (national), inhabitant and enterprise (local) taxes based upon taxable income, which resulted in statutory tax rates of approximately 40%, in aggregate, both for the year ended 31st March, 2008 and 2009. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings differs from the statutory tax rate primarily due to such items as permanently non-deductible expenses and timing differences in recognizing certain income and expense items for financial and tax reporting purposes.

The difference between the statutory tax rate and effective tax rate reflected in the consolidated statements of income for the year ended 31st March, 2009, primarily consisted of the following:

Statutory tax rate of the Company	40.0%
Effects of;	
Expenses permanently not deductible for income tax purpose	1.8
Amortization of negative goodwill	(2.6)
Valuation allowance	0.7
Other, net	(1.3)
Effective tax rate	38.6%

Deferred tax assets and liabilities of the Companies, except for that relating to land revaluation of COMSYS mentioned in Note 9, as of 31st March, 2008 and 2009, primarily consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Accrued expenses and enterprise taxes	¥ 2,954	¥ 3,241	\$ 32,994
Accrued severance indemnities	2,296	962	9,793
Allowance for doubtful receivables	1,092	836	8,511
Revaluation of land owned by consolidated subsidiaries	850	848	8,633
Write-down of investment securities	1,254	1,104	11,239
Others	1,252	1,584	16,125
	9,698	8,575	87,295
Less: Valuation allowance	(1,739)	(1,906)	(19,403)
	7,959	6,669	67,892
Deferred tax liabilities:			
Deferred gain on exchange of lands	(360)	(400)	(4,072)
Revaluation of land owned by consolidated subsidiaries	(1,546)	(1,228)	(12,501)
Others	(158)	(81)	(825)
	(2,064)	(1,709)	(17,398)
Net deferred tax assets	¥ 5,895	¥ 4,960	\$ 50,494

## 7. Leases

### (As a Lessee)

As mentioned in the Note 1(i) above, the financial leases commenced before and on 31st March, 2008 are accounted for as transactions of rent. Pro forma amounts of the acquisition costs (including the interest portion thereon), accumulated depreciation (depreciation expenses of the leased

property were computed by the straight-line method over the respective lease terms) and net book value of leased property as of 31st March, 2008 and 2009, which would have been reflected in the consolidated balance sheets if capitalized, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Acquisition costs	¥ 2,271	¥ 2,234	\$ 22,743
Accumulated depreciation	797	1,160	11,809
Net book value	¥ 1,474	¥ 1,074	\$ 10,934

Lease payments relating to financial leases accounted for as transactions of rent amounted to ¥318 million and ¥392 million (US\$3,991 thousand) for the years ended 31st March, 2008 and 2009, respectively.

Obligation (including the interest portion thereon) under financial leases at 31st March, 2009, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Due within one year	¥ 336	\$ 3,421
Due after one year	738	7,513
Total	¥ 1,074	\$ 10,934

### (As a Lessor)

One of the Companies has sales type leases as its business.

The amount, relating to the sales type leases, included in "Other current assets" of the accompanying balance sheet as at 31st March, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Lease payments receivable	¥ 937	\$ 9,539
Unguaranteed residual value	20	204
Unearned interest income	(107)	(1,090)
	¥ 850	\$ 8,653

Aggregate amounts of lease payments receivable as at 31st March, 2009 consisted of the following:

Fiscal year ending 31st March	Millions of yen	Thousands of U.S. dollars
2010	¥ 283	\$ 2,881
2011	243	2,474
2012	209	2,128
2013	159	1,619
2014	40	407
2015 and later	3	30
	¥ 937	\$ 9,539

## 8. Shareholders' Equity

Under the Corporation Act of Japan, the additional paid-in capital (capital reserves) may be, by resolution of shareholders' meeting, transferred to stated capital by or used to reduce a deficit, but they are not available for dividend payment. On condition that the aggregate amount of additional paid-in capital (capital reserves) remains equal to or exceeds 25 per cent of the amount of stated

capital, it is available for distributions by the resolution of the shareholders' meeting within a certain limit. The amount of the additional paid-in capital (capital reserves) of the Company included in "Additional paid-in capital" and "Retained earnings" of the accompanying balance sheets as at 31st March, 2009, was ¥58,816 million (US\$598,758 thousand).

## 9. Revaluation of Land for Business

At 31st March, 2002, land owned by the COMSYS was revalued under the Land Revaluation Law and related regulations. Net unrealized gains and losses resulting from the revaluation were debited directly to shareholders' equity as a negative revaluation surplus after adding the related deferred tax liabilities as mentioned below. The negative revaluation surplus will be credited as a gain or loss when a part of the land is sold.

The fair value for the revalued land mentioned above as of 31st March, 2008 and 2009 has been increased by ¥3,712 million and ¥5,599 million (US\$56,999 thousand), respectively, in the aggregate from the book value, which has not been restated, as allowed by the GAAP of Japan.

Deferred tax assets and liabilities relating to revaluation of land of the Company as of 31st March, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Deferred tax assets:		
Relating to unrealized losses	¥ 4,578	\$ 46,605
Less: Valuation allowance	(4,578)	(46,605)
	—	—
Deferred tax liabilities:		
Relating to unrealized gains	2,366	24,086
Net: Deferred tax liabilities	¥ 2,366	\$ 24,086

## 10. Other Income and Expenses

“Other, net” in “Other Income (Expenses)” for the year ended 31st March, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Amortization of consolidation adjustments/ negative goodwill	¥ 1,529	¥ 1,070	\$ 10,893
Gain on sales of fixed assets	449	43	438
Special payments on employees' retirement benefits	(276)	(123)	(1,252)
Gain on payback of insurance payments	275	120	1,221
Write-down on investments in securities and other assets	(199)	(761)	(7,747)
Loss on impairment of fixed assets	(91)	(8)	(82)
Gain on sales of investment securities	64	77	784
Loss on disposals of fixed assets	(49)	(151)	(1,537)
Allowance for doubtful receivables	(8)	(67)	(682)
Other	135	243	2,474
	¥ 1,829	¥ 443	\$ 4,510

## 11. Stock-based Compensation Plans

The stock option plans as of 31st March, 2009 is as follows:

	Outstanding share subscription rights	
	No. 1	No. 2
Date of grant	7th October, 2005	29th August, 2008
Number of shares granted	Common stock 924,000 shares	Common stock 993,000 shares
Category and number of grantees:		
Directors of the Company	10	8
Directors of the Companies and affiliates	60	121
Senior officers of the Companies	29	40
Employees of the Companies and affiliates	679	470
Target service period:		
From and on	7th October, 2005	29th August, 2008
Until and on	30th June, 2007	29th August, 2010
Exercisable period:		
From and on	1st July, 2007	30th August, 2010
Until and on	30th June, 2011	29th August, 2014
Outstanding balance at 31st March, 2009:		
Exercisable	900,000 shares	—
Not exercisable	—	990,000 shares
Exercise price	¥1,304	¥974
Fair value of the stock option at date of the grant	—	¥227 (Note 2)
Conditions for determination of the rights	Note 1	Note 1

Notes: 1. Among exercisable period, the guarantee must be a director of the Company, the Companies or affiliates, or a senior officer of the Companies, or an employee of the Companies or affiliates, except in the event of leaving post or resigning with fair reasons.

2. The fair value is estimated using Black-Scholes model with the assumptions of the followings;

- Volatility of stock price—35.6%, calculated on the observed share price for the four-year period (beginning 29th August, 2004 and ending 29th August, 2008).
- Estimated residual period—4 years, exercise date is assumed at the mildest date of the exercisable period due to the difficulties involved in making a rational estimate arising from the absence of sufficient data.
- Estimated dividend—¥17 per share, based on the results for the fiscal year ended 31st March, 2008.
- Risk-free interest rate—0.91%, observed interest yield of Japanese Governmental Bonds corresponding to the estimated residual period.

Allocated cost for the stock option plan for the year ended 31st March, 2009, amounted to ¥69 million (US\$702 thousand), was included in “Selling, General and Administrative Expenses” of the accompanying statements of income.

## 12. Subsequent Event

(a) On 13th May, 2009, the Board of Directors approved the acquisition of treasury stock from the capital stock market during the period starting from 14th May, 2009 and ending on 31st December, 2009, of up to 7,500 thousand shares and ¥5,000 million (\$50,901 thousand) in aggregate,

in order to improve shareholders’ interest and enable the flexible establishment of an appropriate capital strategy.

(b) On 26th June, 2009, the shareholders of the Company approved the following appropriations of retained earnings:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,311	\$ 13,346

## Report of Independent Certified Public Accountants

*O-Yu Kyodo Office*

CERTIFIED PUBLIC ACCOUNTANTS

公認会計士桜友共同事務所

To the Board of Directors,  
COMSYS Holdings Corporation

We have audited the accompanying consolidated balance sheets of COMSYS Holdings Corporation (the "Company") and its consolidated subsidiaries as of 31st March, 2008 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the two year ended 31st March, 2009, expressed in Japanese yen. Preparing these consolidated financial statements is the responsibility of the Company's management. Our responsibility is limited to express an independent opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits include examining evidence supporting the amounts and disclosures of the financial statements on a test basis, and also include assessing the accounting policies adopted and significant estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of COMSYS Holdings Corporation and its consolidated subsidiaries as of 31st March, 2008 and 2009, and the consolidated results of their operations and cash flows for each of the two year ended 31st March, 2009, in conformity with accounting principles and practices generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The U.S. dollar amounts, presented solely for the convenience of the readers, have been translated on the basis as described in Note 1 to the consolidated financial statements.

斉藤 孝

Takashi Saitou

鈴木 智喜

Tomoyoshi Suzuki

大河原 恵史

Satoshi Okawara

O-Yu Kyodo Jimusho, Certified Public Accountants of Japan

Tokyo, Japan  
26th June, 2009

# COMSYS Holdings Information

## Corporate Data As of 31st March, 2009

**Name:**

COMSYS Holdings Corporation

**Head Office:**

17-1, Higashigotanda 2-chome, Shinagawa-ku,  
Tokyo 141-8647, Japan

**URL:**

<http://www.comsys-hd.co.jp/>

**Date of Establishment:**

29th September, 2003

**Paid in Capital:**

¥10 billion

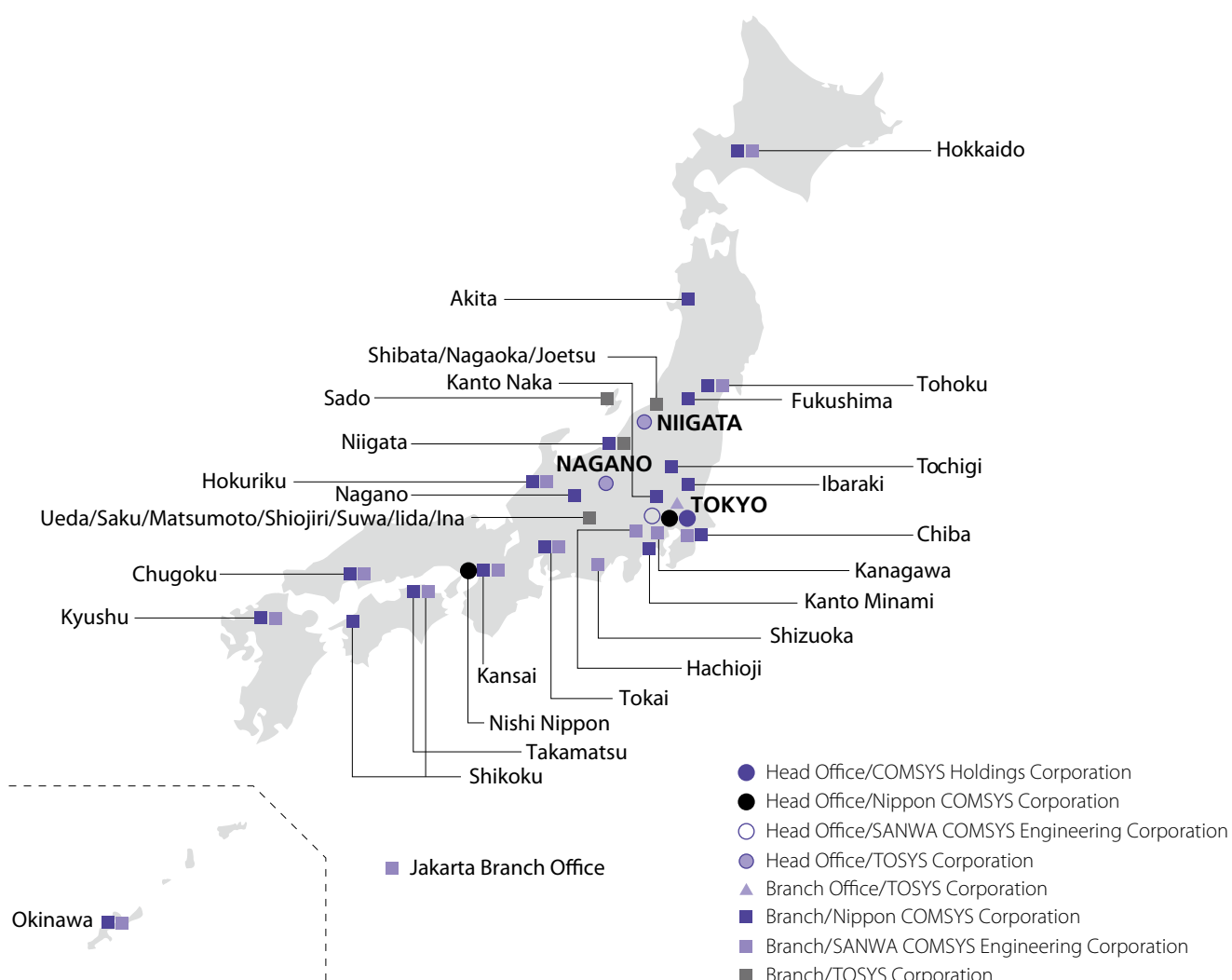
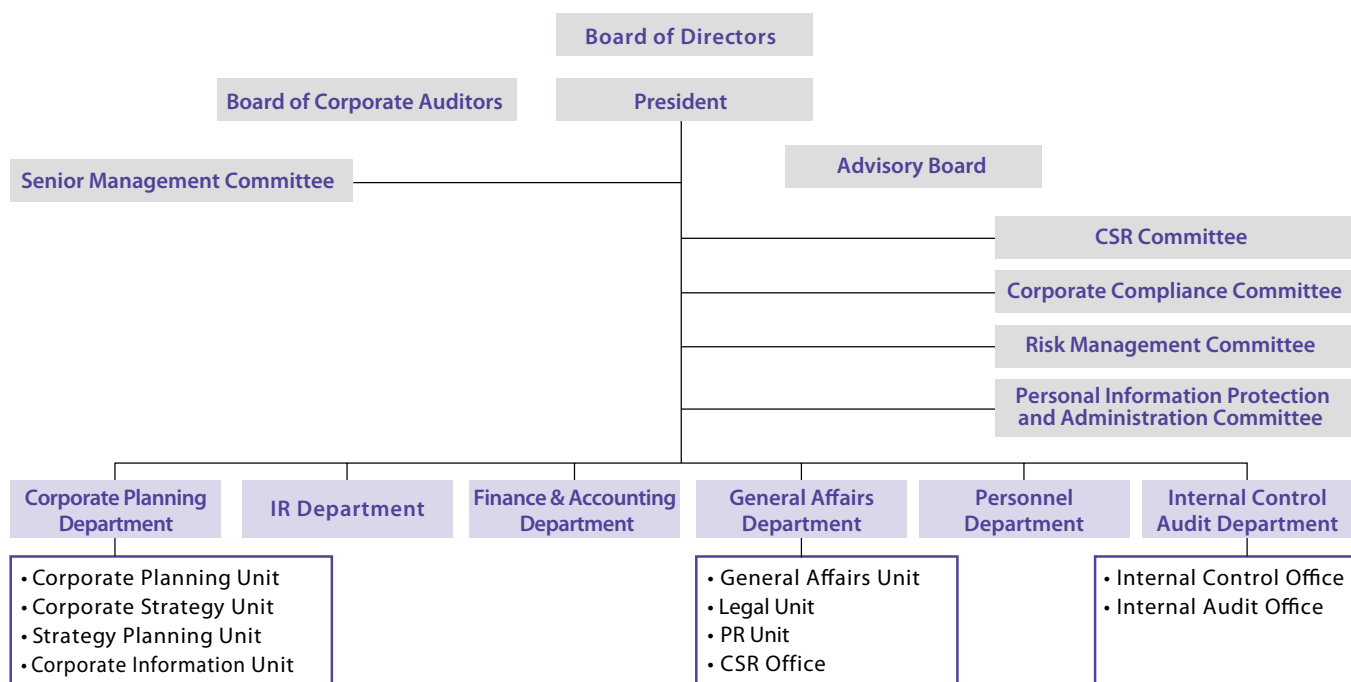
**Number of Employees:**

8,203 (Consolidated)

## Corporate History

<b>April 2009</b>	The information systems business related to software development outsourcing was spun off from Nippon COMSYS Corporation to form COMSYS JOHO SYSTEM Corporation.
<b>April 2007</b>	COMSYS Holdings Corporation converted COMSYS Shared Services Corporation, previously a consolidated subsidiary of Nippon COMSYS Corporation, into a wholly owned consolidated subsidiary in order to clarify its role as a common provider of business process outsourcing services for the COMSYS Group.
<b>October 2005</b>	COMSYS Holdings Corporation converted Kokusai Densetsu Co., Ltd. (now COMSYS WING Corporation) into a wholly owned subsidiary through a stock exchange, and made Kokusai Densetsu a wholly owned subsidiary of Nippon COMSYS Corporation on the same day.
<b>April 2005</b>	SANWA ELEC Co., Ltd. was renamed SANWA COMSYS Engineering Corporation.
<b>January 2005</b>	The NTT Information Telecommunication Engineering Business of SANWA ELEC Co., Ltd. was centralized at Nippon COMSYS Corporation.
<b>September 2004</b>	COMSYS Holdings Corporation subscribed to a third-party allotment of shares by SANWA ELEC Co., Ltd.
<b>September 2003</b>	COMSYS Holdings Corporation listed its shares on the first sections of the Tokyo Stock Exchange and Osaka Securities Exchange.
<b>September 2003</b>	Nippon COMSYS Corporation delisted its shares in line with the establishment of the holding company.
<b>March 2002</b>	Nippon COMSYS Corporation was selected as one of the 225 components of the Nikkei Stock Average.
<b>December 2001</b>	Nippon COMSYS Corporation celebrated its 50th founding anniversary.
<b>July 1990</b>	The Company was renamed Nippon COMSYS Corporation.

## ORGANIZATION CHART As of 26th June, 2009



# Investor Information

As of 31st March, 2009

## Fiscal Year-End:

31st March, 2009

## Annual Shareholders' Meeting:

26th June, 2009

## Common Stock:

Authorized: 580,000,000 shares

Issued: 145,977,886 shares

## Number of Shareholders:

7,942

## Date of Listing:

September 2003

## Stock Exchange Listings:

First Section of Tokyo Stock Exchange  
and Osaka Securities Exchange  
(Securities code: 1721)

## Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation  
Securities Department  
4-5, Marunouchi 1-chome  
Chiyoda-ku, Tokyo 100-8212

## Auditor:

Certified Public Accountants of Japan  
O-Yu Kyodo Office

## For further information and additional copies of this Annual Report, please contact

IR Department

Tel: +81-3-3448-7000 (direct)

Fax: +81-3-3448-7001

E-Mail: chd-ir@comsys-hd.co.jp

## Major Shareholders:

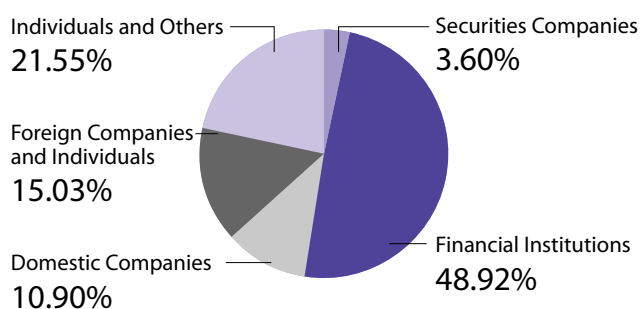
As of 31st March, 2009

Shareholders	Shares Held (Thousands)	Percentage of Total (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	18,068	12.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,962	8.87
Japan Trustee Services Bank, Ltd. (Mitsui Asset Trust and Banking Company Retrusted Portion, Fujikura Ltd. Employee Pension Trust)	6,834	4.68
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,937	4.06
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. (Re-Trust Account), Sumitomo Electric Industries, Ltd. (Employee Pension Trust Account))	5,166	3.53
The Furukawa Electric Co., Ltd.	5,166	3.53
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	3,254	2.22
JPMorgan Securities Japan Co., Ltd.	2,985	2.04
Nippon Life Insurance Company	2,683	1.83
FUJITSU LIMITED	2,413	1.65

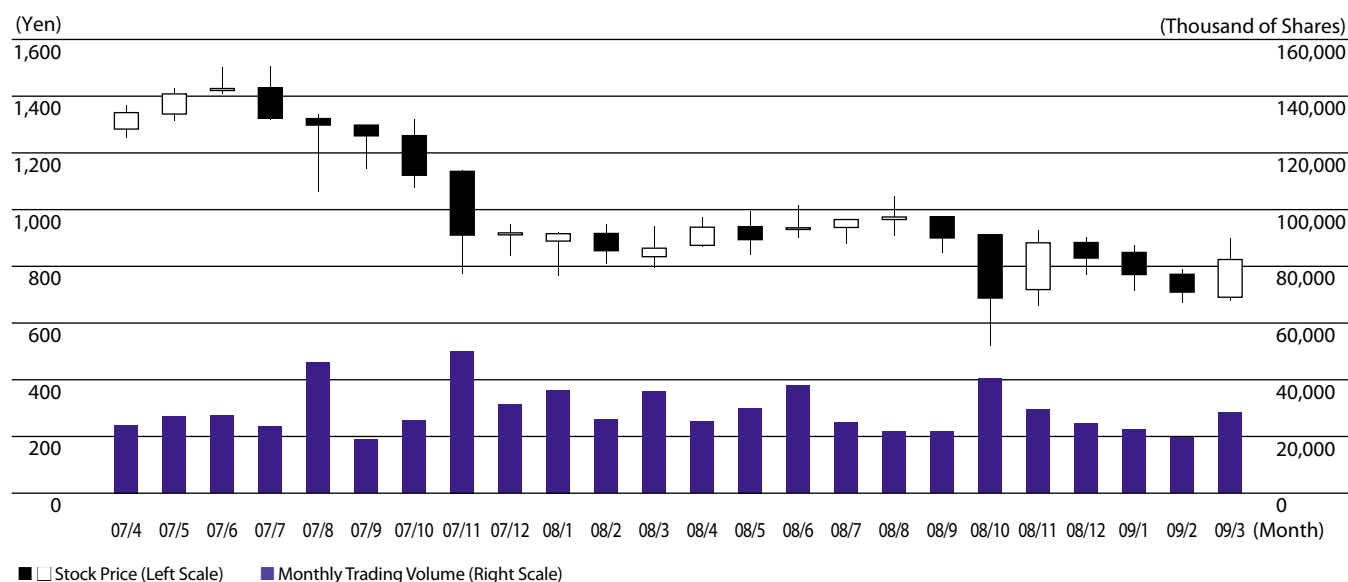
The Company held 14,924,467 shares of treasury stock (representing a shareholding of 10.22%) as of 31st March, 2009. This shareholding has been excluded from the list of major shareholders.

## Composition of Shareholders:

As of 31st March, 2009



## Stock Price Range



# Index

## Broadband

Letter to Our Shareholders .....	12
Review of Operations .....	21
Management Discussion and Analysis .....	55, 56

## Cable TV

Review of Operations .....	25, 27
Management Discussion and Analysis .....	55

## Cash flows

Consolidated Financial Highlights .....	4
Management Discussion and Analysis .....	69, 70
Consolidated Statements of Cash Flows .....	79, 80
Notes to the Consolidated Financial Statements .....	83
Report of Independent Certified Public Accountants .....	94

## COMSYS JOHO SYSTEM Corporation

Our Group Formation .....	3
Letter to Our Shareholders .....	15
Corporate Governance .....	39
Directors and Officers .....	50
COMSYS Holdings Information .....	95

## CSR

Corporate Governance .....	39, 43, 45, 47
COMSYS Holdings Information .....	96

## Digital terrestrial TV broadcasting

Review of Operations .....	25, 27
----------------------------	--------

## Electrical Communications Engineering Business

Consolidated Financial Highlights .....	4
Business at a Glance .....	18
Review of Operations .....	24
Management Discussion and Analysis .....	54, 62, 63

## FTTH (Fiber To The Home)

Review of Operations .....	22, 27, 35
Management Discussion and Analysis .....	55, 56, 58, 61, 65

## Internal Control System

Corporate Governance .....	36, 40
Management Discussion and Analysis .....	64

## IT Solutions Business

Consolidated Financial Highlights .....	4
Business at a Glance .....	18
Review of Operations .....	28, 29
Management Discussion and Analysis .....	54, 58, 61

## Market Conditions

Review of Operations .....	21, 25, 26, 29, 33
----------------------------	--------------------

## **Nippon COMSYS Corporation**

Our Group Formation .....	<b>2, 3</b>
Operating Companies .....	<b>8</b>
Letter to Our Shareholders .....	<b>15</b>
Corporate Governance .....	<b>39</b>
Directors and Officers .....	<b>50</b>
Management Discussion and Analysis .....	<b>54</b>
COMSYS Holdings Information .....	<b>95, 96</b>

## **NTT Information Telecommunication Engineering Business**

Consolidated Financial Highlights .....	<b>4</b>
Business at a Glance .....	<b>18</b>
Review of Operations.....	<b>20</b>
Management Discussion and Analysis .....	<b>54, 58, 61</b>
COMSYS Holdings Information .....	<b>95</b>

## **Risk**

Corporate Governance ....	<b>39, 42, 43, 45, 46</b>
Management Discussion and Analysis .....	<b>64, 70, 71, 72, 73</b>
Notes to the Consolidated Financial Statements .....	<b>82, 93, 96</b>

## **SANWA COMSYS Engineering Corporation**

Our Group Formation .....	<b>2</b>
Operating Companies .....	<b>8, 9</b>
Corporate Governance .....	<b>39</b>
Management Discussion and Analysis .....	<b>54</b>
COMSYS Holdings Information .....	<b>95, 96</b>

## **Social System-Related Business and Other**

Consolidated Financial Highlights .....	<b>4</b>
Business at a Glance .....	<b>18</b>
Review of Operations .....	<b>32, 33</b>
Management Discussion and Analysis .....	<b>54</b>

## **the NCC (New Common Carrier) Business**

Aiming for Growth .....	<b>10</b>
Business at a Glance .....	<b>19</b>
Review of Operations .....	<b>24, 27</b>
Management Discussion and Analysis .....	<b>58, 62, 65</b>

## **the next generation network (NGN)**

Review of Operations .....	<b>21, 23</b>
Management Discussion and Analysis .....	<b>56</b>

## **TOSYS Corporation**

Our Group Formation .....	<b>2</b>
Operating Companies .....	<b>8, 9</b>
Corporate Governance .....	<b>39</b>
Directors and Officers .....	<b>50</b>
Management Discussion and Analysis .....	<b>54</b>
COMSYS Holdings Information .....	<b>96</b>

## **WiMAX**

Letter to Our Shareholders .....	<b>13</b>
Review of Operations .....	<b>21, 25, 26, 27</b>
Management Discussion and Analysis .....	<b>56, 62</b>



## **COMSYS Holdings Corporation**

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