

Annual Report 2013

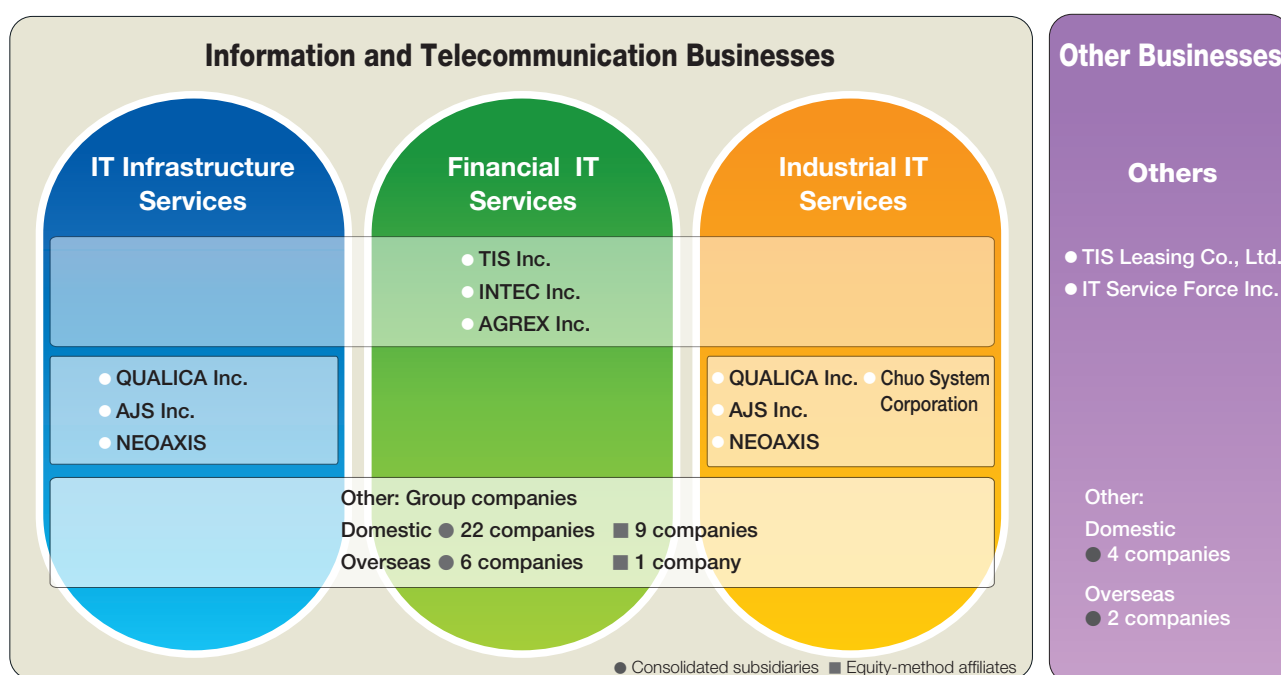
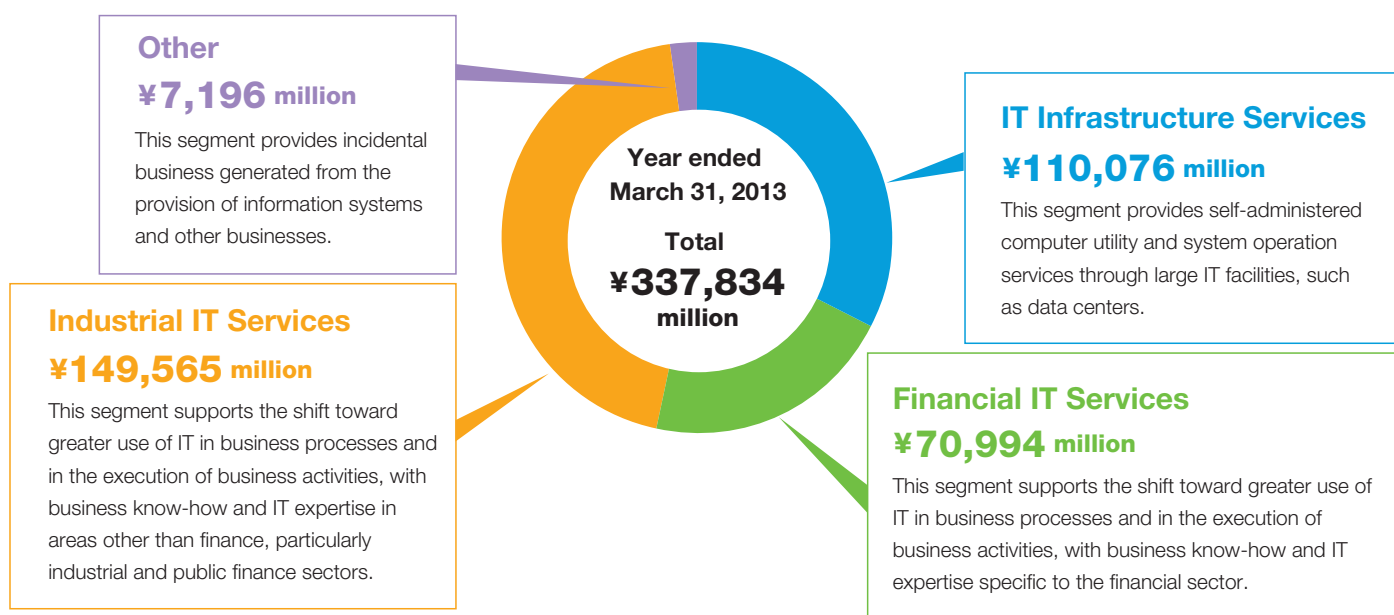
Year Ended March 31, 2013

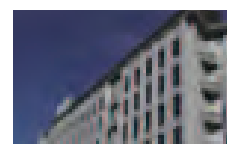


What is the IT Holdings Group?

Formed in April 2008, the IT Holdings (ITHD) Group is made up of the top information technology (IT) companies in Japan. At its core are five principal operating companies, which underpin excellent responses to the needs of clients in a wide range of industry sectors. As of March 31, 2013, the Group comprised 54 companies—43 of which fell under the scope of consolidation and 10 of which are affiliated companies accounted for under the equity method—and net sales reached ¥337 billion.

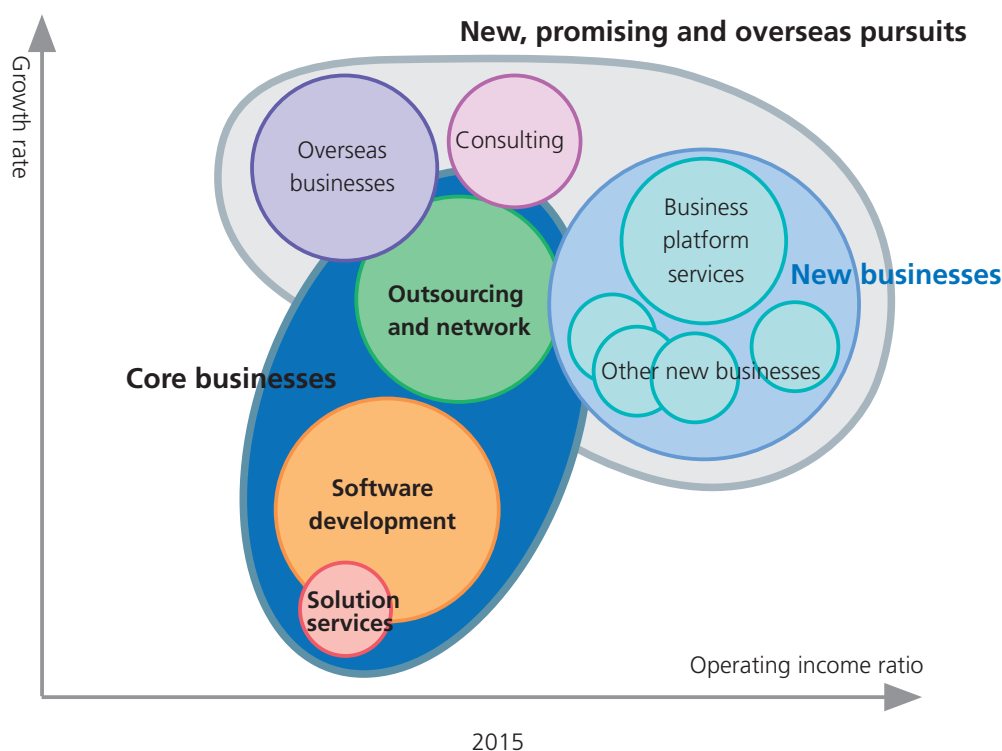
Net Sales by Business Segment (Sales to outside customers, excludes intersegment sales)





Future Targets

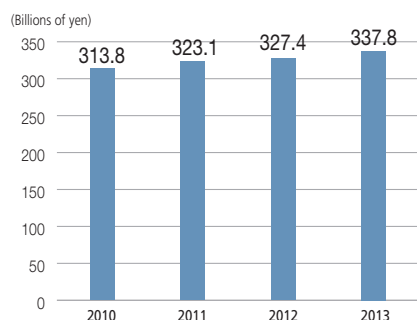
By 2015, the ITHD Group will have built a business portfolio geared for higher growth and higher profit by entrenching core businesses and establishing a presence in new businesses.



3 ▶ Financial Highlights

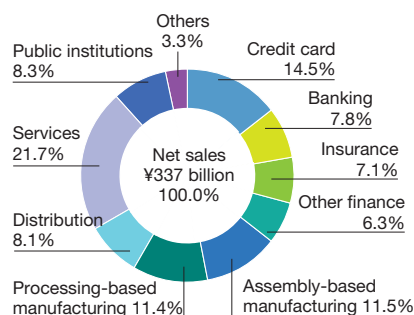
Years Ended March 31/ Consolidated

Net Sales

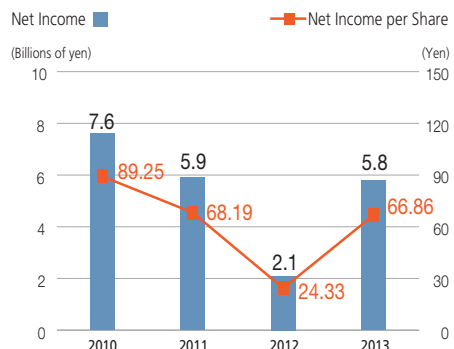


Net Sales by Client Sector

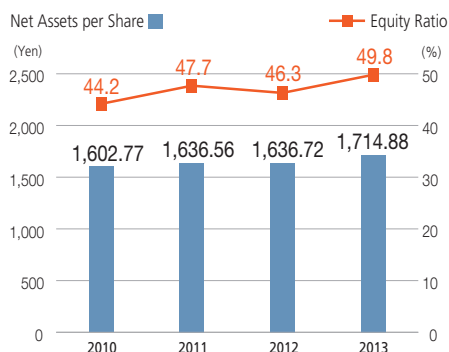
(Year ended March 31, 2013)



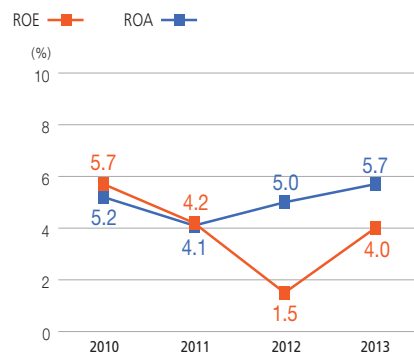
Net Income, Net Income per Share



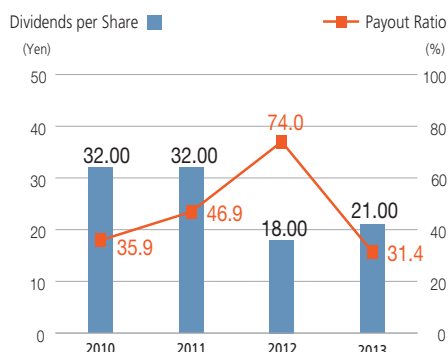
Net Assets per Share, Equity Ratio



ROE, ROA



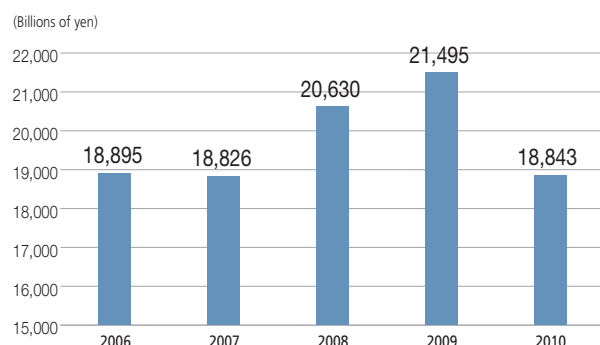
Dividends per Share, Payout Ratio



IT Services Industry Market Scale and Industry Position

ITHD belongs to the IT services industry. The Company is a leading, independent prime contractor, ranked as the industry's No. 2 system integrator on a consolidated sales basis.

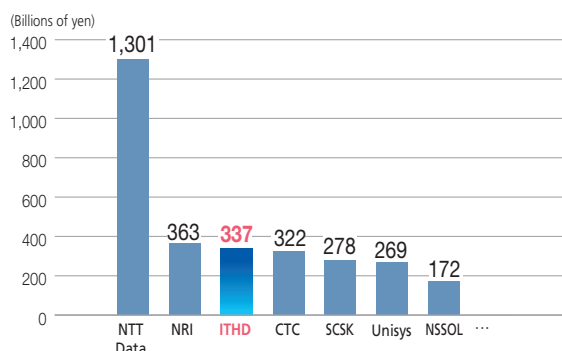
IT Services Industry Net Sales



Note: Japan Information Technology Services Industry Association classifies the software sector, the information processing services sector and the Internet-based service sector as the IT services industry.

Source: Data prepared by the Japan Information Technology Services Industry Association, based on the Ministry of Economy, Trade and Industry's "Survey of Selected Service Industries".

Net Sales of Japan's Leading IT Companies (Year ended March 31, 2013)



Note: The graph data indicates net sales of NTT Data Corporation, Nomura Research Institute, Ltd., ITOCHU Techno-Solutions Corporation, SCSK Corporation, Nihon Unisys, Ltd., NS Solutions Corporation, and ITHD.

Consolidated Financial Summary

IT Holdings Corporation and Its Consolidated Group Companies
For Years Ended March 31

	2010	2011	2012	2013	2013
	Millions of yen			Millions of yen	Millions of U.S. dollars
Net sales	¥313,856	¥323,173	¥327,417	¥337,834	\$3,592
Cost of sales	254,827	261,145	266,159	276,935	2,945
Gross profit	59,029	62,027	61,258	60,899	648
Selling, general and administrative expenses	43,032	49,209	45,636	42,727	454
Operating income	15,996	12,818	15,621	18,171	193
Recurring profit	15,719	12,625	15,393	17,440	185
Net income	7,659	5,985	2,135	5,868	62
Current assets	141,967	128,455	142,442	138,219	1,470
Fixed assets	171,109	172,620	167,560	164,083	1,745
Total assets	313,077	301,076	310,003	302,302	3,214
Current liabilities	86,255	73,090	83,065	91,063	968
Non-current liabilities	71,746	76,875	75,972	53,079	564
Total liabilities	158,001	149,965	159,038	144,143	1,533
Net assets	155,075	151,110	150,965	158,159	1,682
Total liabilities and net assets	313,077	301,076	310,003	302,302	3,214
Total interest-bearing debt	91,646	77,454	96,515	60,550	644
Cash flow from operating activities	31,400	27,236	23,658	21,515	229
Cash flow from investing activities	-25,726	-18,957	-15,158	-14,391	-153
Cash flow from financing activities	6,139	-18,755	-4,230	-19,883	-211
Cash and cash equivalents at the end of the term	46,987	36,492	41,119	28,433	302
Free cash flow	5,674	8,279	8,500	7,124	76
Capital expenditures	15,676	18,325	14,096	12,287	131
Depreciation	11,978	12,308	12,745	12,920	137
Research and development expenses	912	1,062	962	1,002	11
Amortization of goodwill	1,389	1,901	1,882	1,670	18
Goodwill balance at the end of the term	6,863	5,551	3,672	1,914	20
Net income per share—basic (yen)	89.25	68.19	24.33	66.86	0.71
Net income per share—diluted (yen)	—	—	—	66.83	0.71
Dividends per share—diluted (yen)	32.00	32.00	18.00	21.00	0.22
Payout ratio (%)	35.9%	46.9%	74.0%	31.4%	—
Net assets per share (yen)	1,602.77	1,636.56	1,636.72	1,714.88	18.23
Interest-bearing debt ratio	29.3%	25.7%	24.7%	20.0%	—
Equity ratio (%)	44.2%	47.7%	46.3%	49.8%	—
Net income to equity capital ratio (ROE) (%)	5.7%	4.2%	1.5%	4.0%	—
Recurring profit to total assets ratio (ROA) (%)	5.2%	4.1%	5.0%	5.7%	—
Number of employees at the end of the term	20,476	20,831	20,347	19,553	—
Number of new-graduate recruits	974	928	649	356	—
Number of regular recruits	512	370	450	379	—

Notes: 1. The U.S. dollar amounts represent the arithmetical results of translating yen into U.S. dollars at the rate of ¥94.05 to US\$1.
2. Total interest-bearing debt indicates the total sum of borrowed money and corporate bonds.
3. Free cash flows indicate the total sum of cash flows from operating activities and cash flows from investing activities.



At the annual general meeting of shareholders on June 25, 2013, a proposal to promote vice president Norio Maenishi to the position of president was approved, and he assumed his new position at the Board of Directors' meeting that directly followed the annual general meeting. Over the next few pages, Mr. Maenishi details the medium-term business strategies being implemented by the ITHD Group under his watch.

Norio Maenishi
President

From Defense to Offense—Starting Over on Road to Growth

Q1 The medium-term management plan “Brave Steps 2014” has entered its second year. What are the key points of the plan, and what was behind the formation of this plan?

Maenishi: ITHD launched the medium-term management plan “Brave Steps 2014,” which runs for three years, from April 2012 through March 2015. This plan highlights three concepts: “Top-Line Emphasis,” “As One Company” and “Enterprising and Bold.”

The ITHD Group was created through the April 2008 management integration of the old TIS Group and the old INTEC Group. Looking back, the first three years after integration were spent putting into practice a management style emphasizing the independence of each operating company—ITHD had 43 consolidated subsidiaries as of March 31, 2013—and the next two years were spent primarily on measures to reform the cost structure at each operating company.

Drastic restructuring, including the merger of SORUN, UFIT and TIS, the introduction of special career change support programs and the relocation and centralization of nine principal subsidiaries to the current head office building, as of February 2012, have significantly reduced fixed costs.

Now, having made tangible progress on cost structure reform, it is time for the ITHD Group to forge ahead along the road to growth again. Therefore, we have set the three years of the medium-term management plan “Brave Steps 2014” as the time frame for the ITHD Group to secure top-brand status in the industry and reestablish an assertive, forward-looking platform for growth.

“Overall Optimization” and “Creation and Interconnection of Growth Engines”

Q2 What are the underlying themes of Brave Steps 2014?

Maenishi: There are two: overall optimization, and the creation and interconnection of distinctively recognizable strengths—our growth engines—as seen from customer and market perspectives. Our operating companies have each built strengths in specific industries, with solid reputations among clients in the banking and credit card, assembly- and processing-based manufacturing, and distribution and services sectors. However, as I mentioned earlier, the tendency to prioritize operating independence has taken precedence, and each operating company had been left to address the needs of its own clients. However, many of these clients are well-known corporations with a presence in Japan and overseas. If Group companies were to coordinate efforts among themselves, the overall range of services available to prominent clients would expand in scope and in depth.

It takes more than individual strengths to create a strong group. Strong connections, from an overall perspective, are essential. “Brave Steps 2014” calls for each company under the ITHD Group umbrella to reinforce respective strengths and for each employee at each company to discover his or her own role in contributing to corporate growth. The three years of the plan should be a time for Group companies to connect with each other, rather than the holding company making unilateral decisions, a time to facilitate approaches on working together and formulating strategy, that is, formation and positions, that utilize inherent strengths to the best advantage.



Second Medium-term Management Plan (April 2012 - March 2015) Taking on Transformation “Brave Steps 2014”

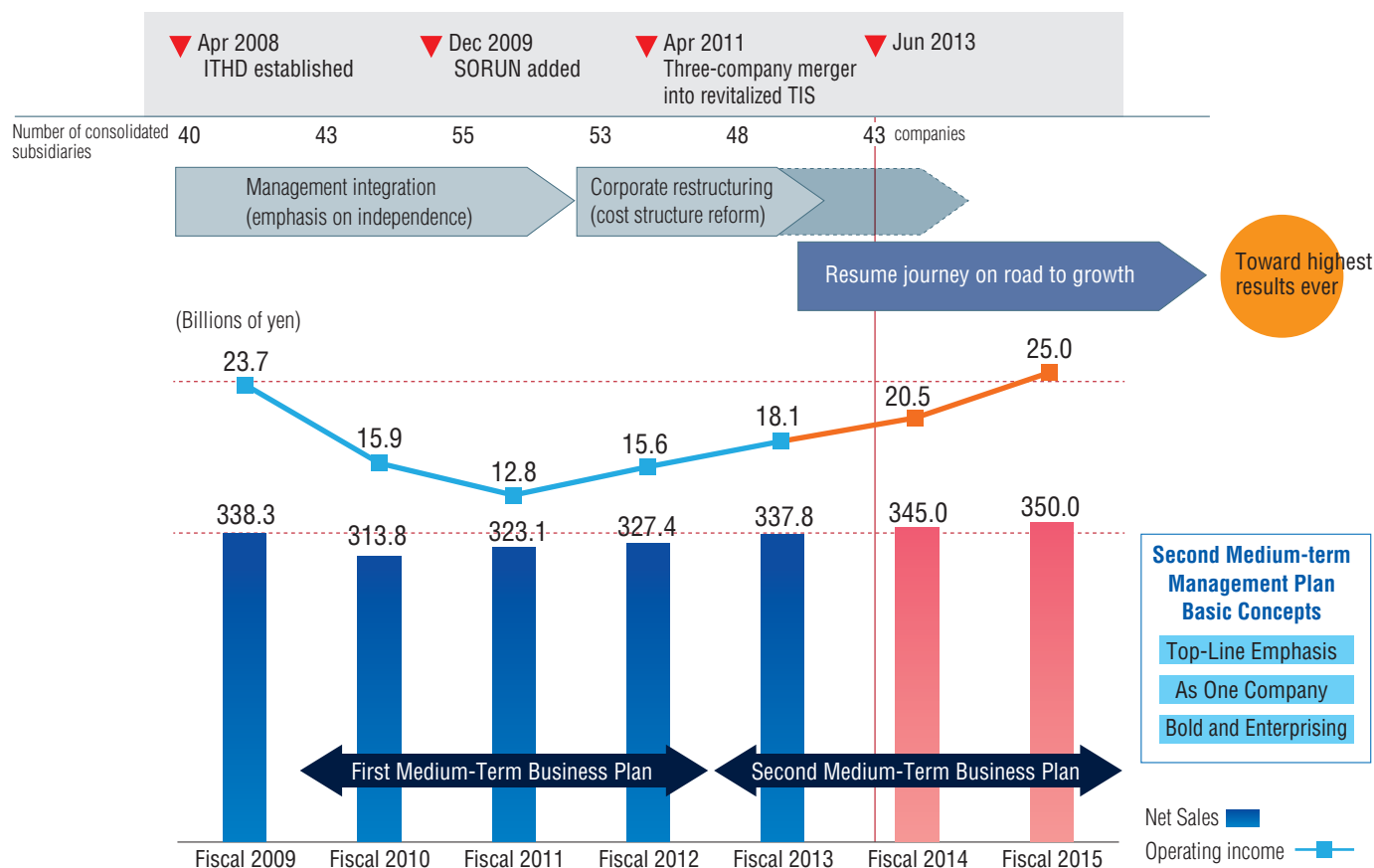
Basic Concepts

Top-Line Emphasis	The IT market has shown signs of shrinking over the past few years. Nonetheless, we have endeavored to expand business with sales in mind. We will prioritize a commitment to growth—that is, achieve higher revenues—by all possible means.
As One Company	To realize a higher level of investment expertise and promote more robust business expansion, we will cultivate a group atmosphere that evokes a sense of unity and build a corporate collective centered on ITHD and acting as one company.
Enterprising and Bold	Dealing with paradigm shifts, such as globalization and the evolution of services, is not possible without an enterprising and bold resolve to take risks. We will prioritize a sense of courage in pursuing business activities.

Major Numerical Targets (to be achieved by March 2015)

Net sales:	¥350 billion	Return on equity:	7.5%
Operating income:	¥25 billion	Credit rating:	Sustain A rating
Operating income to sales:	Above 7%		

ITHD Group Management Transitions and Current Status



Group Communication Is Key to Everything

Q3 What specific measures will be taken to achieve the themes of overall optimization and creation and interconnection of growth engines?

Maenishi: We have prioritized four measures:

- (1) Further reinforce the Group communication platform
- (2) Enhance the top line and promote cooperation across business segments
- (3) Improve back-office efficiency and introduce shared IT systems within the Group, and
- (4) Promote globalization and the evolution of services

1) Further reinforce Group communication platform

Under the new management structure, effective from June 2013, the presidents of principal subsidiaries hold concurrent positions as holding company directors. Top management at these operating companies now guides business forward at each company, not in isolation but with a shared perspective on the overall direction for the Group.

Discussions will become more dynamic, involving directors responsible for planning, business promotion and administrative divisions. For example, when an operating company is to establish a joint venture overseas, expertise in such financial matters as transfer pricing taxation directed outside Japan is needed. Finance and accounting divisions at companies within the Group will share this kind of know-how and thereby ensure that the best practices are applied across the Group.

8 ▶ To Our Stakeholders

At ITHD Group College, which began activities in fiscal 2013, middle management from Group companies who have been tapped as candidates for the next generation of management gathers. The objective is to cultivate a sense of unity and a common spirit while providing a venue for discussing such topics as the future direction of the Group's global pursuits and to test out ideas that could be suggested to upper management.

Management Structure at ITHD (As of June 25, 2013)

Position	Name	Remark
Chairman	Katsuki Kanaoka	
President	Norio Maenishi	
Director (Part-time)	Toru Kuwano	Chairman and President, TIS Inc. (concurrent)
Director (Part-time)	Shigeo Morita	Chairman, INTEC Inc. (concurrent)
Director (Part-time)	Koju Takizawa	President, INTEC Inc. (concurrent)
Director (Part-time)	Kazunori Kawasaki	President, AJS Inc. (concurrent)
Director (Part-time)	Akira Kato	President & CEO, QUALICA Inc. (concurrent)
Director (Outside)	Shingo Oda	
Director (Outside)	Yoshinobu Ishigaki	

Top management at principal Group companies concurrently sit as ITHD directors.

Enhanced Group governance and sense of teamwork among Group companies.

2) Enhance top line and promote cooperation across business segments

The goal to enhance the top line (net sales) is more than just achieving the stated numerical target of ¥350 billion. It also requires promoting cooperation among ITHD subsidiaries to foster a more assertive presence for the Group as a whole going forward.

Group companies have each developed specific strengths, earning top marks from clients. The capabilities have been honed through the provision of platform systems for financial institutions and public corporations, operating systems for companies in the distribution and services sectors, through production control systems for manufacturers, through the operation of 22 data centers in Japan, and through business process outsourcing (BPO) services. But to keep the top line tracking higher, cooperation cannot stop at the project level; it must cross over into business domains, and respective strengths must be reinforced and combined to ensure growth into the future. Cooperative efforts have already begun, exemplified by know-how accumulated in the provision of services to manufacturers being applied to businesses in other industries and BPO being applied to inquiry-response operations evolving from wider use of cloud services.

Today, with IT systems so intricately tied to business operations and performance, companies demand solution planning and proposals tailored to their needs, that is, shaped from a client perspective. We have to accelerate the formation of connections among Group companies to realize these indispensable solutions.

Going forward, we may consider additional steps to reinforce the Group formation, including M&As and subsidiary integration or restructuring, that will further enhance our overall ability to meet market needs from a client perspective.

3) Improve back-office efficiency and introduce shared IT systems within the Group

Overall efficiency within the Group continues to improve through the process of cost structure reform at each operating company. In April 2009, we established IT Service Force Inc. to consolidate the back-office operations of all Group companies. We are working to identify practices best suited to Group operations, even specialized back-office departments such as accounting and personnel where cookie-cutter approaches may be problematic, and will gradually centralize back-office operations at the shared service company while promoting the establishment and introduction of shared IT systems within the Group.

4) Promote globalization and evolution of services

In recent years, the need for data management, particularly for Big Data, has increased among many of our domestic corporate clients. In addition, corporate IT utilization formats have become increasingly diverse, highlighted by the use of efficient platform systems overseas and the reverse application of overseas systems in Japan. Against this backdrop, we are seeing a growing need for cloud data centers and an evolution in services that facilitate the use of general-purpose shared systems.



Group companies have accumulated a wealth of technologies and know-how, exemplified by AToMsQube, a production control system developed by QUALICA, which is attracting the attention of companies entering China and other overseas markets; C-Finder, a Big Data analysis platform developed with participation from TIS that sifts through the access logs of more than 100,000 people; and INTEC's EINS WAVE, Japan's first extended virtual cloud service. These assets support efforts to promote solution-oriented services that encapsulate prevailing trends. Group companies will work together to expand these services to corporate clients at home and abroad.

Toward a New Stage of Growth

Q4 What can you say about ITHD's corporate value and the role that the Company's must fulfill in society?

Maenishi: As I've explained, the three years of "Brave Steps 2014" will see the restructuring of core operating companies and the creation of a dynamic platform that allows us to fully demonstrate the Group's resources in the market. Currently, we have about 20,000 employees, on a consolidated basis. But our strength is not as a single company of 20,000 people but rather a collective of specialist companies staffed by these many people.

All of the buzzwords that characterize IT today—data centers, cloud, BPO, back-office centralization, data management, evolution of services and globalization—represent strengths that we already possess through companies under the ITHD umbrella. The question we have to address now is how to connect these strengths.

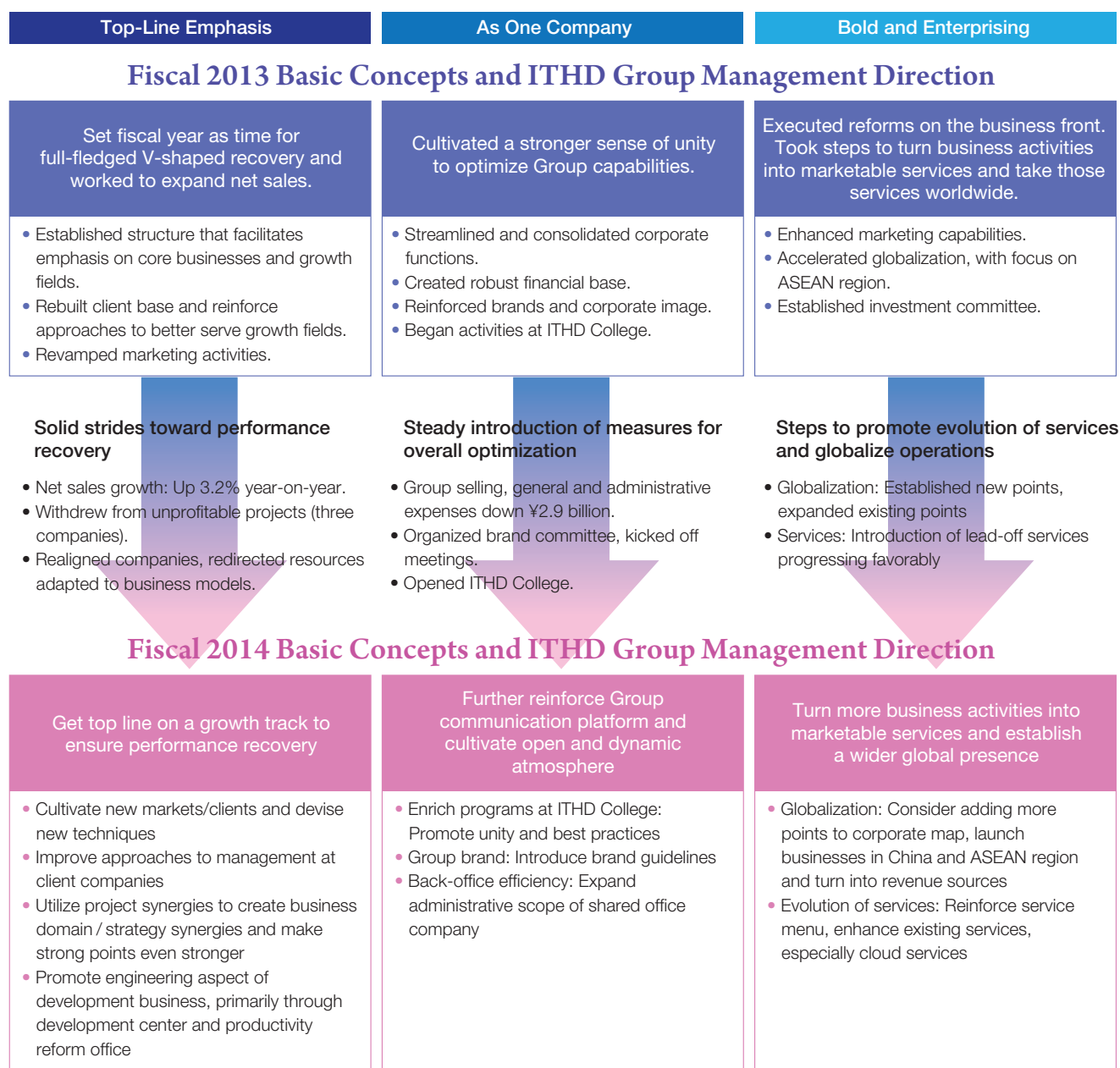
I have two mottos: One is "*Genba hyappen*," which carries the meaning of "Repeated visits to the workplace fosters a deeper understanding of the work undertaken there," and the other is "*Kami wa saibu ni yadoritamau*," which is the equivalent of "God is in the details." The holding company understands the situations at its operating companies and will encourage cooperation, not in an heavy-handed way but with the pride of a leader who brings 20,000 people together as a united team.

The operations of an IT organization such as ourselves, are B2B (business to business) transactions. But individuals must be present to execute the associated services. Around the time I was hired, I had no idea that the Internet would become so ubiquitous, so much a part of the way the world works, lives and plays. IT is a choice of individuals and will remain a tool for making society a better place. To play an integral part in this process, we will strive to contribute to society through our business activities in Japan and abroad, particularly in Asia.

Q5 Is there anything you'd like to say to shareholders?

Maenishi: We are on the edge of an new stage in our corporate development—a second beginning—and under my watch as president, we will endeavor to enhance our capabilities on a groupwide basis and improve corporate value, and thereby elevate our standing in the eyes of all stakeholders. The continued support and encouragement of shareholders and investors will, as always, be integral to our success.

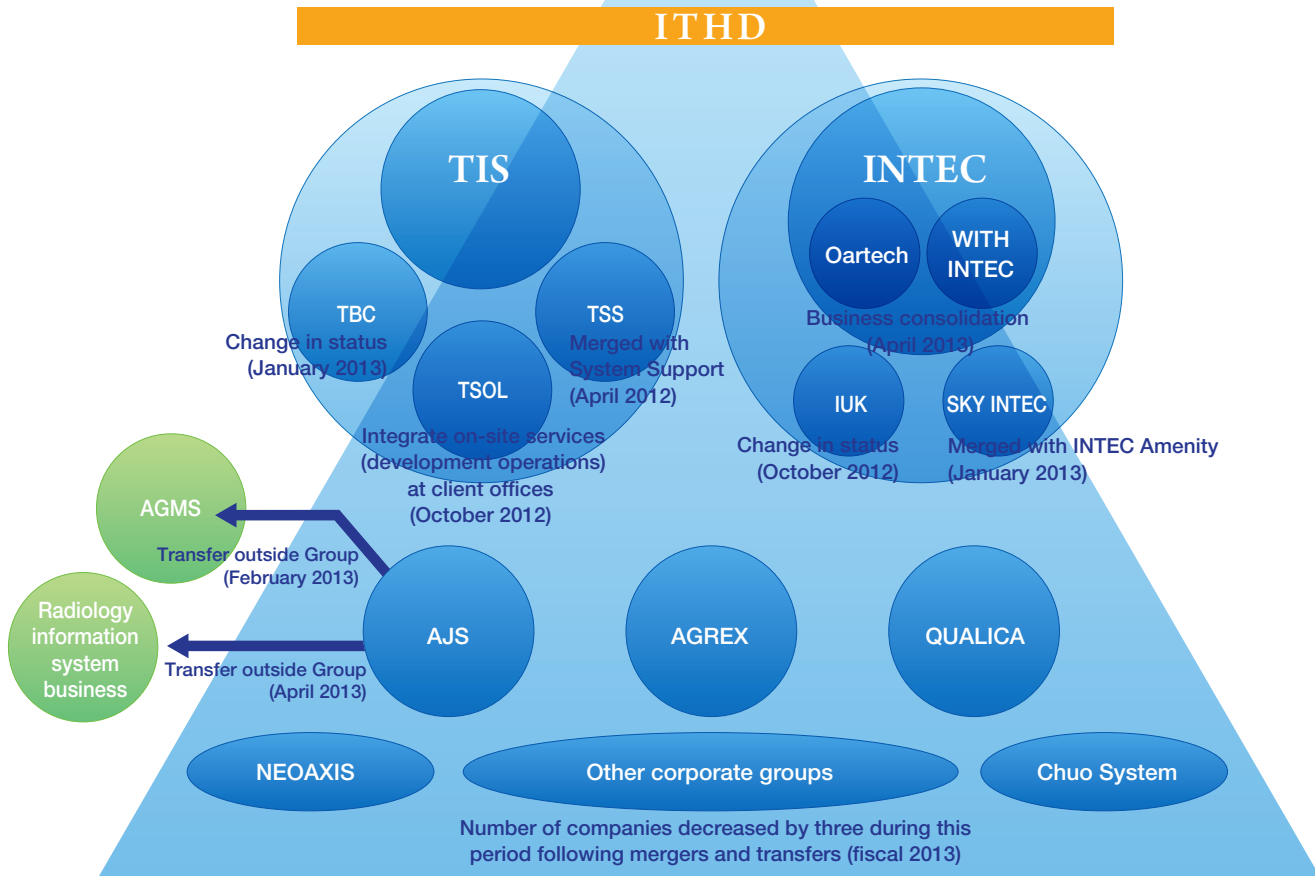
Second Medium-term Management Plan: Basic Concepts and ITHD Group Management Direction



Status of Progress on New Group Formation

Focus attention on core businesses, promote integration by business model

(Consolidated subsidiaries: 55 companies at the end of March 2010 ▶ 43 companies at the end of March 2013 (decrease of 12 companies))



13 ▶ Key Points of Brave Steps 2014

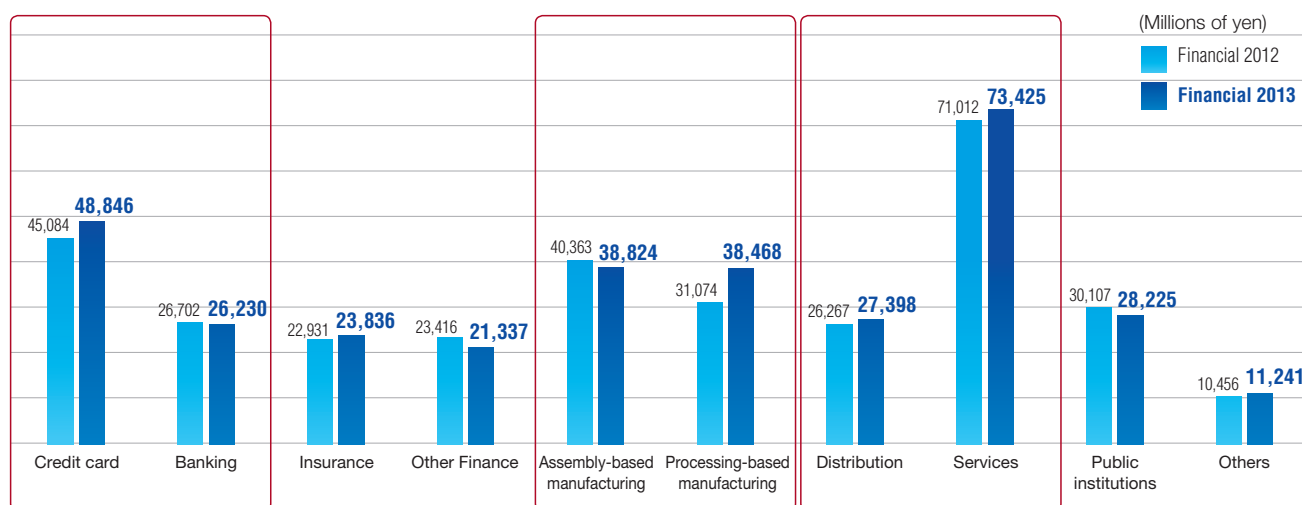
The Group's business strategies are described below.

Business Strategy 1

Strengthen existing businesses and spotlight expertise

ITHD Group Strengths

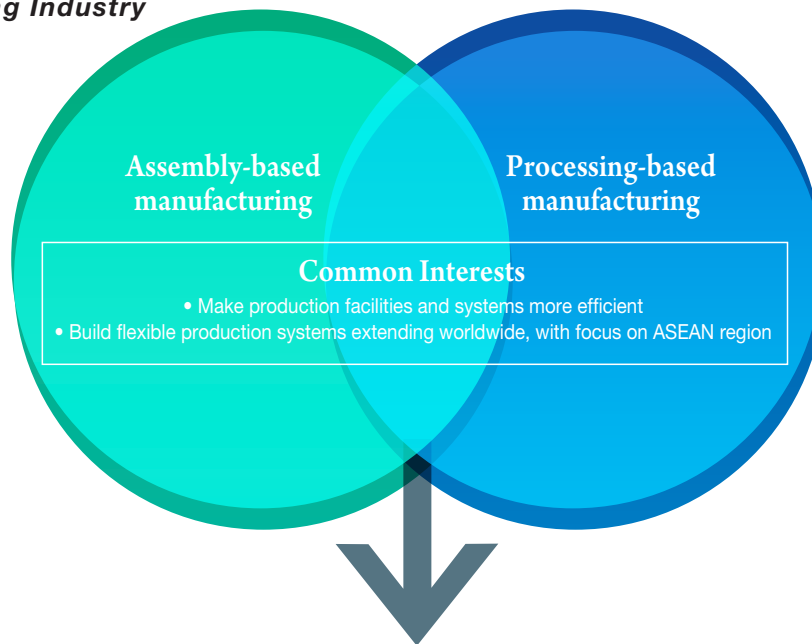
The Group has built a client base comprising customers in a diverse range of business sectors and demonstrates particularly excellent capabilities for customers in the credit card and banking, assembly- and processing-based manufacturing and distribution and services sectors.



	Credit Card, Banking	Manufacturing (Assembly, processing)	Service, Distribution
Fiscal 2013 net sales (Millions of yen)	75,076	77,292	100,823
Key clients	<ul style="list-style-type: none"> • Mainly major credit card companies seeking wide variety of systems • Regional banks (more than 40 clients) 	<ul style="list-style-type: none"> • major construction machinery company • major chemical company 	Trading companies, food-related companies, information-related companies (major providers of SNS and EDI)
Principal service providers	TIS, INTEC	TIS, Qualica, AJS	TIS, INTEC
Business themes	Enhanced settlement business, Big Data, shared infrastructure use	Global development, business development utilizing IT	Big Data, platform services

Business Strategies (Example: Industry Sector)

Manufacturing Industry



Recent Group Developments

1. Creation of platform system for a major processing-based manufacturer.
2. Expanded overseas presence with offices in —
Singapore (Qualica, TIS), Thailand (INTEC) and Vietnam (AGREX)

ITHD Group Priorities Going Forward

1. Create (ongoing) platform system for major processing-based manufacturer.
2. Utilize data centers as global data centers and bases for cloud services.
3. Expand overseas network and make operations more efficient.
 - (1) Considering construction of data (business process outsourcing) center in ASEAN region.
 - (2) Reinforce existing bases through such pursuits as mergers and acquisitions with local businesses in ASEAN region.
 - (3) Utilize management resources more efficiently by consolidating offices in China.

Addressing BPO Demand

Even as Japan's IT market matures, business process outsourcing (BPO) remains an area of tremendous growth potential, as clients increasingly look to outsource back-office operations in an effort to enhance the efficiency of their operations and reduce costs. ITHD Group company AGREX has built an extensive client base and considerable knowledge as an industry leader in this segment. As a key player, the company will strengthen the connection between the BPO business and the system integration (SI) business and further enhance the Group's ability to promote strategic, high-value-added BPO services to an eager market.

* Note: On page 18, we highlight AGREX's establishment of a joint venture to provide BPO services.

Topic

Group Strength—Data Center Business

The ITHD Group has 22 data centers in major cities, including Tokyo, Nagoya, Osaka and Toyama in Japan and in Tianjin, China, for total floor space of about 154,100m². At home, the Group boasts the largest data center network.

Major Features

• High-quality system operation and the latest facilities

The ITHD Group draws on more than 40 years of proven results in operating mission critical systems 24 hours a day, 365 days a year and know-how accumulated in running the country's largest data center network to safeguard clients' vital information assets through strict security measures and state-of-the-art facilities with extremely sophisticated features that prevent service disruption in such events as natural disasters and power outages.

• Business Continuity for Clients through Japan's Largest Data Center Network

Today, system downtime can have an hugely adverse effect on corporate activities. Data centers have therefore attracted attention as a practical component of disaster recovery plans to keep IT systems working seamlessly should that one-in-a-million off-line situation arise. The ITHD Group has data centers in major cities throughout Japan and a facility in China, so operations can be shifted from a primary data center to a remote data center as a backup measure.

For example, INTEC Manyo Square, which opened in July 2010, and Power & IT, which opened in June 2011, are newly built, next-generation data centers located in prefectures where earthquake- and typhoon-related natural disasters occur less frequently than in other areas of Japan. As backup facilities, these data centers can be vital components of a highly reliable disaster recovery structure.

• Highly Reliable Cloud Environment Platform

Our highly reliable, highly accessible data centers can be used as portals to cloud services we provide to clients. In addition, our data centers can also be used as worry-free portals to cloud environments, such as client-only private cloud environments as well as hybrid cloud environments, which combine hybrid and private elements, and IT systems for smart devices.

The Group's data business network is as follows.

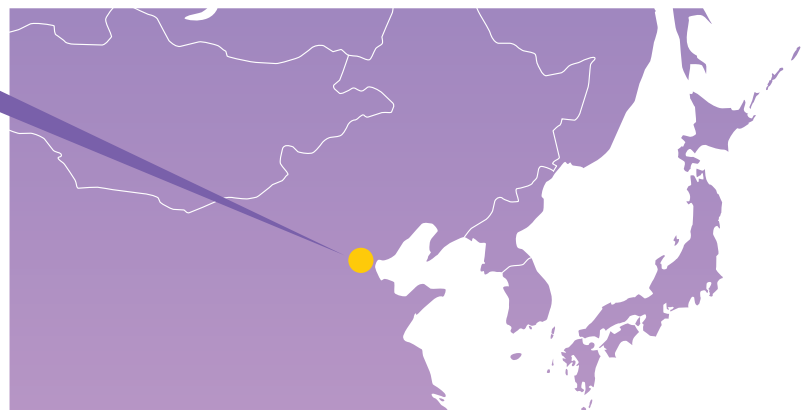
The ITHD Group's Data Center Business Network



Overseas



Tianjin IDC (TIS)
(Tianjin, China)



Business Strategy 2

Market Creation through Differentiated Services

We will lay an optimum corporate platform—using marketing expertise, planning, development and business as the building blocks—and then expand share through the expansion of services pegged to market needs, new services planning and M&A activity. These efforts will turn the services business into a core ITHD business.

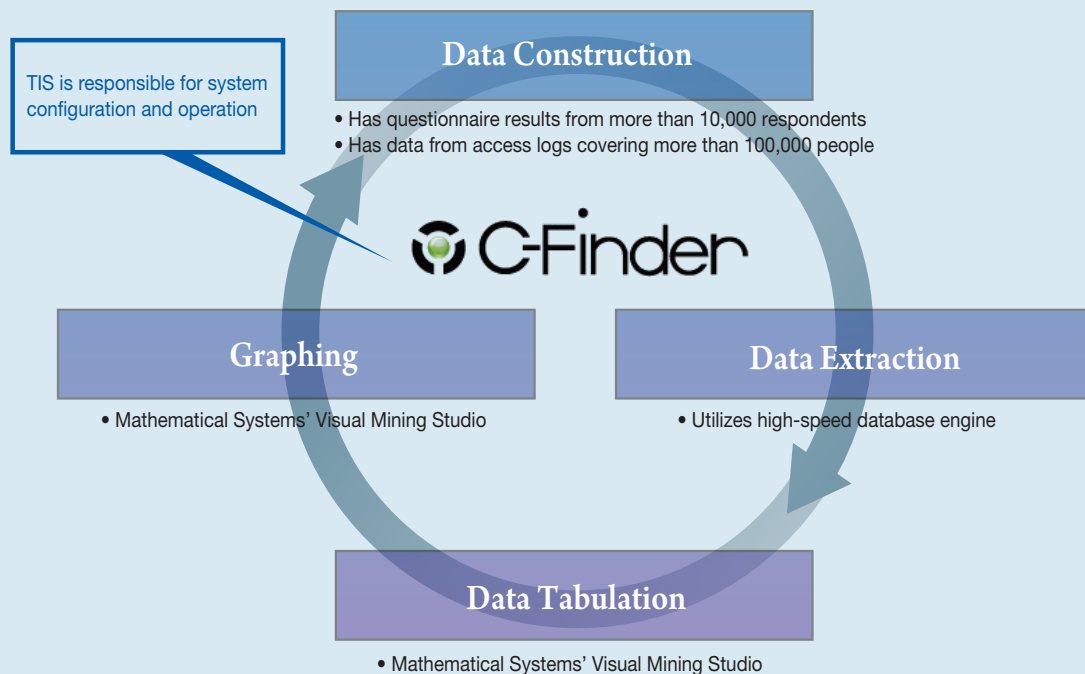
Topic

Joint Development of C-Finder, Big Data Analysis Platform

TIS teamed up with Opt Inc. and Mathematical Systems Inc. on joint development of C-Finder, a Big Data analysis platform that utilizes data from access logs covering more than 100,000 people and questionnaire results from 10,000 respondents to visualize consumer behavior.

In corporate marketing activities, the ability to visualize diversifying consumer behavior is becoming increasingly essential against a backdrop of expanding online content and wider use of social media. C-Finder enables high-level analysis of what visitors to a website do once there, such as the actions they take after perusing the site as well as movement to rival sites. Previously, company-collected data alone was insufficient to perform such insightful analysis. Consequently, the service is a valuable tool to support corporate marketing efforts.

Note: All the data is held by Opt. The data is anonymous and has undergone statistical processing so it is impossible to identify the individuals from whom the information was gathered.



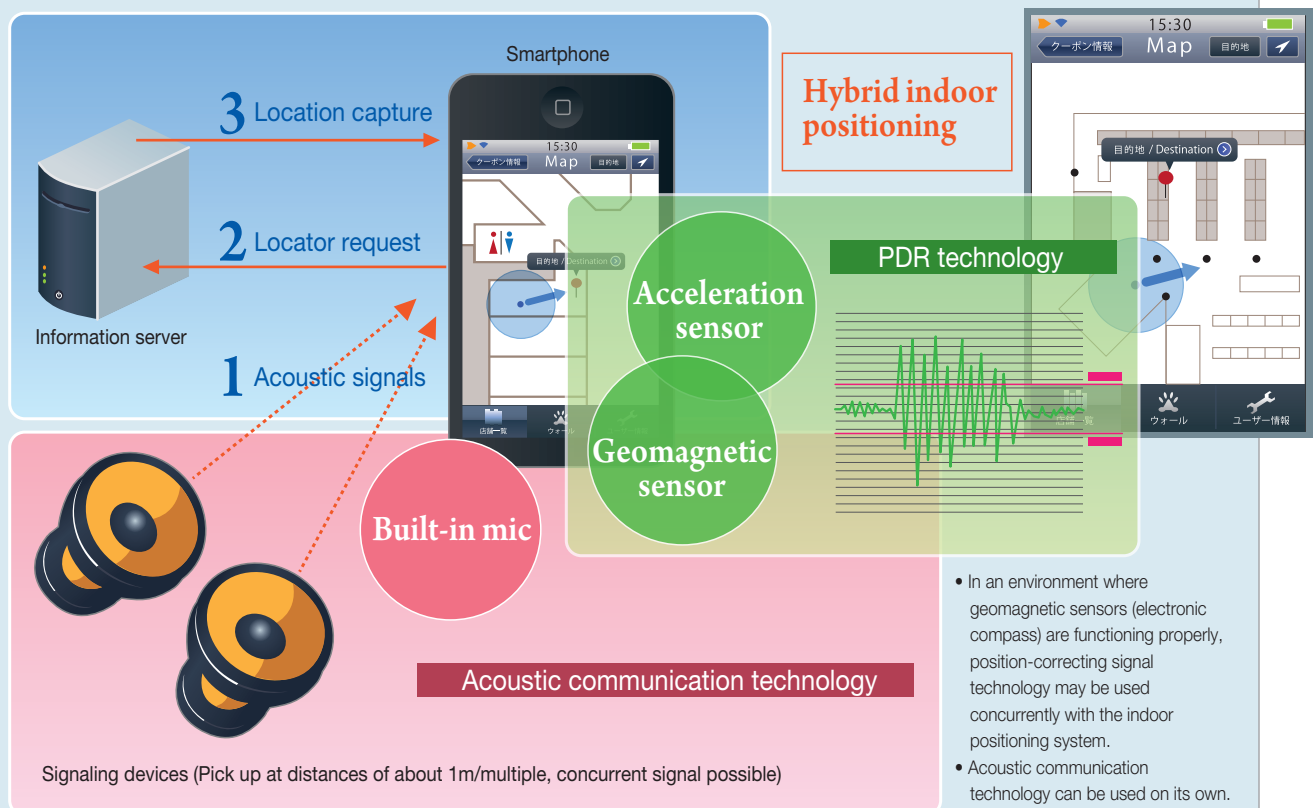
Topic

Development of Indoor Positioning System for Smartphones

INTEC developed an indoor positioning system for smartphones. The system applies a hybrid technique combining distributed position-correcting information and the position-acquiring feature already built into smartphones, including iPhone and Android, to extrapolate with high accuracy current position indoors and in underground spaces where signals from global positioning system satellites do not reach.

The technology's potential will surely grow along with the rapid spread of smartphone use as a means to provide people with information on stores at shopping malls and underground shopping areas as well as guidance at events and cultural facilities.

IP Net work



- In an environment where geomagnetic sensors (electronic compass) are functioning properly, position-correcting signal technology may be used concurrently with the indoor positioning system.
- Acoustic communication technology can be used on its own.
- The positioning system may not work in some places where certain equipment, such as motors, have been installed or where voice frequencies are already in use.

Business Strategy 3

Securing an Independent Position in Overseas Markets

Two major pillars support the Group's global development: local support geared to the needs of existing customers as they establish a wider presence overseas, and cultivation of local markets using know-how accumulated in Japan. In recent years, we have pushed ahead on the creation of a structure spotlighting China as well as the ASEAN region.

China

- Tianjin TIS Hi-Tech Information System Service Co., Ltd., formed a business alliance with ChinaCache International Holdings Ltd., a leading provider of content delivery network (CDN) services in China (March 2012)
- Tianjin TIS Hi-Tech Information System Service began offering “fei xiang yun,” upgraded version of “xiang yun” cloud service with enhanced features (July 2012)

Thailand

- INTEC SYSTEMS BANGKOK CO., LTD. established (February 2012)
- Thai office of Rent Corporation (comprehensive rental business) places order with INTEC SYSTEMS BANGKOK for complete revamp of accounting system (March 2013)

Singapore

- TISI Singapore Pte. Ltd. established (January 2012)
 - QUALICA ASIA PACIFIC PTE. LTD. hired more staff and reinforced local support structure (March 2013)
- Utilized business experience in China to expand presence into Southeast Asia
- (1) Reinforced capacity to support clients in the manufacturing sector, such as Komatsu Ltd., as they pursue business expansion into Southeast Asia.
 - (2) For manufacturing sector: ATOMsQube
 - (3) For distribution sector: TastyQube, SpecialtyQube
- Target: Build scale of net sales to ¥1 billion by 2015.

Vietnam

Basic agreement between AGREX Inc. and member of local FPT Group to establish joint venture for developing global BPO operations (March 2013)

Topic

AGREX Establishes Joint Venture for BPO Business

In March 2013, AGREX concluded a basic agreement with FPT Software Company Limited, a member of the FPT Group—the biggest privately owned IT enterprise in Vietnam—to develop global BPO operations.

FPT Software is active on the world stage as a business specializing in offshore software development and has also secured a position in the BPO market. Going forward, AGREX will strive to meet demand for BPO services from Japanese companies expanding operations overseas by complementing the business expertise it has built in Japan with the extensive personnel network and track record of FPT Software.

Basic Direction on CSR

The management philosophy that permeates the ITHD Group stresses the Group's development into a corporate citizen whose activities, hinging on the provision of various services utilizing IT, match its status as a leading corporate group. This philosophy also underpins the Group's efforts to raise corporate value, supported in this effort by the high regard of all its stakeholders, including clients and shareholders as well as employees and their families. The Group's stance on corporate social responsibility is evident in its commitment to cultivate a vibrant corporate culture that encourages the companies and individuals under the Group umbrella to work toward higher goals and embrace new challenges, to be honest and fair in business pursuits based on respect for the law, of course, as well as high moral standards, and to fulfill social obligations. This is the Group's basic direction on CSR.

Ensure sound, transparent management practices

Acknowledge responsibilities as a leading corporate group in the IT services industry and undertake sound corporate activities with integrity and clarity of purpose. In addition, be sincere and fair in dealings with all stakeholders and proactively disclose pertinent corporate information.

Provide optimum services

Always provide the very best to clients and strive to raise customer satisfaction levels through excellent quality and technology built on the composite strengths of the Group.

Develop talent

Cultivate an environment in which employees always look ahead, striving to achieve higher goals and embracing new challenges. Provide opportunities to grow and realize personal goals, create a safe and productive work environment, and give each person the freedom to reach his or her potential.

Respect the law

Maintain high corporate morals, obey the law and uphold parameters of socially acceptable conduct, and respect the spirit of such standards. Have absolutely nothing to do with antisocial forces.

Maintain fair business practices

Ensure appropriate business transactions, based on fair and open competition.

Protect the environment

Recognize that environmental problems warrant universal attention and promote efforts to save resources and energy in the execution of corporate activities. Also, through IT services, support clients' efforts to enhance operating efficiency and reduce energy consumption, thereby contributing to lower environmental impact.

Contribute to society

Actively participate in community events as a corporate citizen whose social standing matches its leading industry status.

Be a part of the international community

Naturally, obey internationally recognized rules and local laws in the execution of cross-border projects, but also contribute to social and economic development in the countries where the Group maintains a presence by respecting local culture and customs.

Activities of the ITHD Group

The Basic Direction on CSR guides the ITHD Group in all CSR activities, enabling the Group as a whole to meet the expectations of all stakeholders.

For the global environment

We actively integrate responses to environmental concerns in the course of business. At our most recently completed data centers, we have implemented measures to utilize renewable energy and resources, such as solar and geothermal energy, rainwater harvesting for non-drinking applications and outside air for cooling.

With the community

We participate in various volunteer activities, including the Ecocap Movement, which collects and sells plastic bottle caps to recyclers and donates the profits to buy vaccines for the world's children. In addition, we support efforts coordinated through the non-profit organization Good Earth Japan to remove landmines in war-torn regions and helping shattered communities rebuild.

With our shareholders

Coinciding with quarterly disclosure, we hold information meetings for analysts and institutional investors. For individual investors, we issue two business reports a year and regularly post business results and information updates on our website.

With our employees

To provide an environment in which employees can demonstrate their full potential and work in safety and comfort, each Group company reviews vacation and other entitlements and sets up programs to support employees' child-rearing efforts, such as access to daycare centers. Group companies also take steps to obtain "Kurumin" certification from the Ministry of Health, Labour and Welfare, which recognizes companies for enabling employees to balance work and family responsibilities.

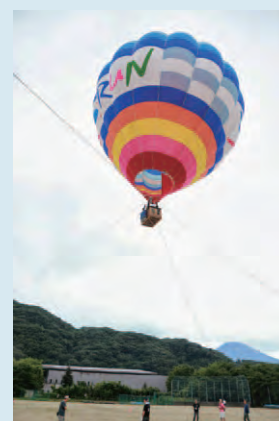
Topic

Smile Kids Camp

TIS organized the annual Smile Kids Camp in July 2013 at Lake Kawaguchi, in Yamanashi Prefecture, at the foot of newly tapped World Heritage site Mount Fuji. This program offers seriously ill and disabled children, along with their families and volunteers, a place where they transcend their differences—sickness and disability—and enjoy the prospect of a happy and healthy tomorrow.

The 2013 event drew together a crowd of 188 people: 27 families—a total of 93 kids and family members—and 95 volunteers (58 of whom were from TIS and other ITHD Group companies). After three days of getting to know each other, there were a lot of sad faces and tears as families and volunteers said goodbye at the closing ceremony. Smile Kids Camp was so much fun that many participants said they would like to come again.

This program offers companies and their employees a valuable opportunity to understand the real significance of CSR and volunteer activities in our world. We will certainly continue this program.



The spirits of Smile Kids Camp participants, even those in wheelchairs, truly soared with a ride in the hot air balloon. Excited voices rang out from high above at the wonderful views that spread out below.

Topic

Participating in Environmentally Friendly “Future City” Projects

Seeing the development of a society with a sustainable economy as a national strategy, Japan is promoting new technology and city-building initiatives that address environmental issues and the growing percentage of elderly in the population. The government selected 11 cities and regions, including the city of Toyama—where INTEC is headquartered—to be the sites of low-carbon cities of the future. In April 2012, the project in Toyama kicked off. INTEC has been involved in the project from the start.

Using this project as a platform, INTEC is also working to turn smart city-related projects into marketable businesses, which could become growth sectors in the future. In January 2013, the company set up the Future City Promotion Dept. as the department responsible for smart city business, and will accelerate efforts going forward.



In cooperation with the University of Toyama, INTEC is engaged in various demonstration tests of information and communication technology, such as augmented reality for light rail transit in the city of Toyama.

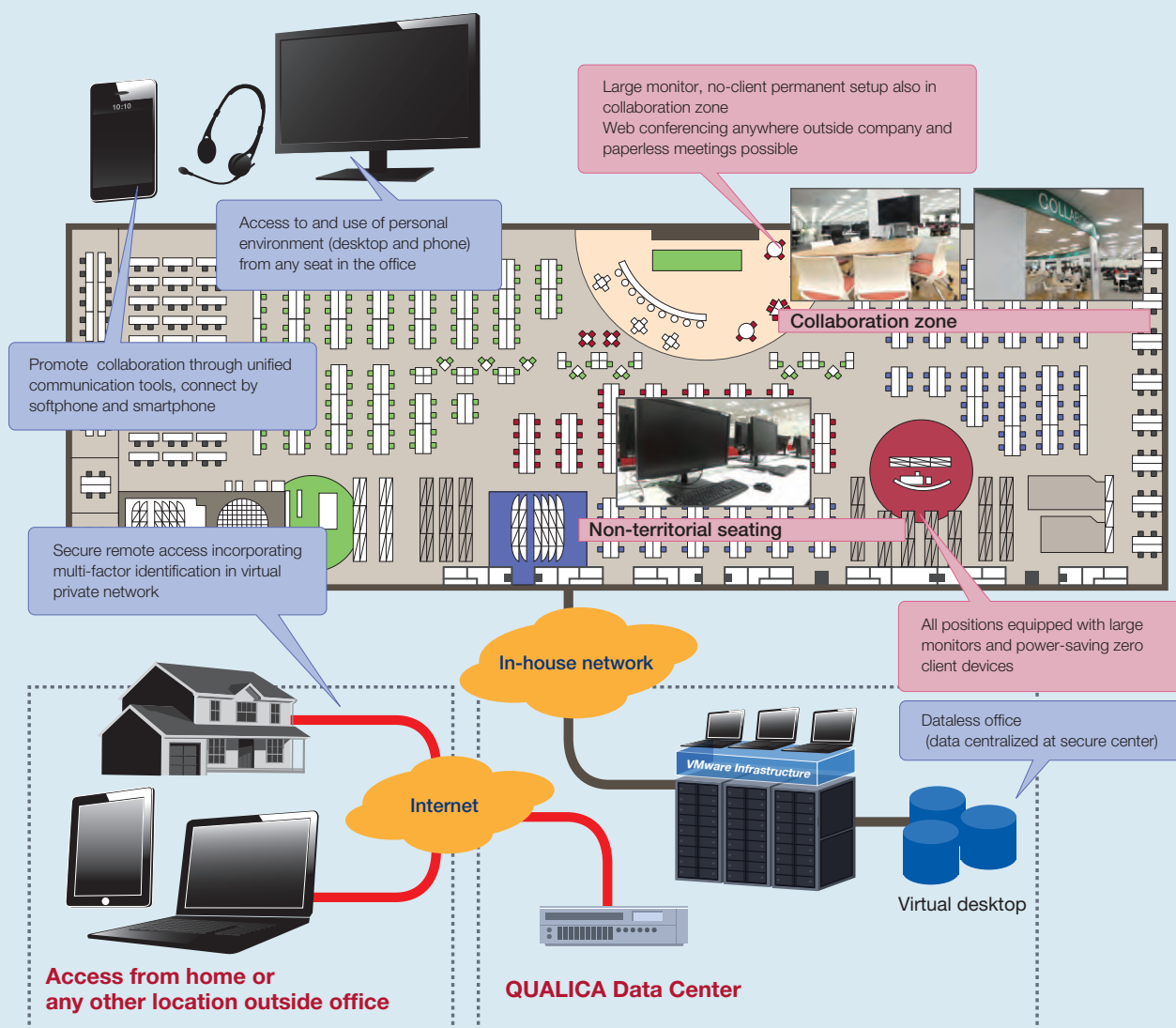
Topic

Thin Office Created from Comfort and Eco-Friendly Perspectives

Taking advantage of the head office relocation in 2012, QUALICA established a next-generation office environment dubbed “Thin Office,” which utilizes the latest in information and communication technologies to make work easier and more comfortable for employees.

Thin Office represents a revolution in work style based on four office design concepts: workplace, collaboration, ubiquitous office and eco-friendly. Building on the experience gained in setting up at the new head office, QUALICA will strive for similar office design innovation at locations throughout Japan and plans extend the scope of Thin Office to representative offices abroad and offshore partners.

- **Workplace:** Improves utility and utilization efficiency in the office, mainly through free address configuration—non-territorial setup where employees are free to move to whichever desk they like—and use of a virtual desktop.
- **Collaboration:** Reduces costs and boosts communication efficiency through unified communication tools, such as business chats and web conferencing.
- **Ubiquitous office:** Strengthens approach to security through introduction of virtual desktop environment and identification solutions, and realizes access to in-house systems anytime and anywhere through BYOD (“bring your own device”).
- **Eco-friendly:** Large monitors and zero clients help lower electricity consumption and promote paperless office.



Topic

Taking Part in Asahi no Mori Forest Conservation Project

AJS supports the Asahi no Mori forest conservation project in the northern part of Miyazaki Prefecture. This project is a joint effort between Asahi Kasei and Miyazaki Prefecture through which man-made forests no longer functioning economically are being replaced with broad-leaf trees native to the area to restore the natural ecosystem and the forest's groundwater recharge function..

Through its role in this project, AJS is actively helping to prevent global warming and preserve the natural environment while supporting the creation of a better environment in Miyazaki Prefecture where the company has an office. In March 2010, the first time that AJS took part, a total of 400 people planted 3,000 seedlings, mainly zelkova, wild cherry and maple, over an area of one hectare. This has become a yearly event for AJS since then, and the plan is to keep planting trees and maintaining the reforested area with completion scheduled for 2020.



Topic

Support for the World's Children

AGREX supports efforts to rebuild communities after landmines are removed in war-torn regions through the non-profit organization Good Earth Japan, which undertakes agricultural training and infrastructure building, primarily in Cambodia. Also, since 2009 the company has been involved in the Ecocap Movement. As of February 28, 2013, about 500,000 caps had been collected, with the profits from the sale of these caps used to buy vaccines for more than 580 children.

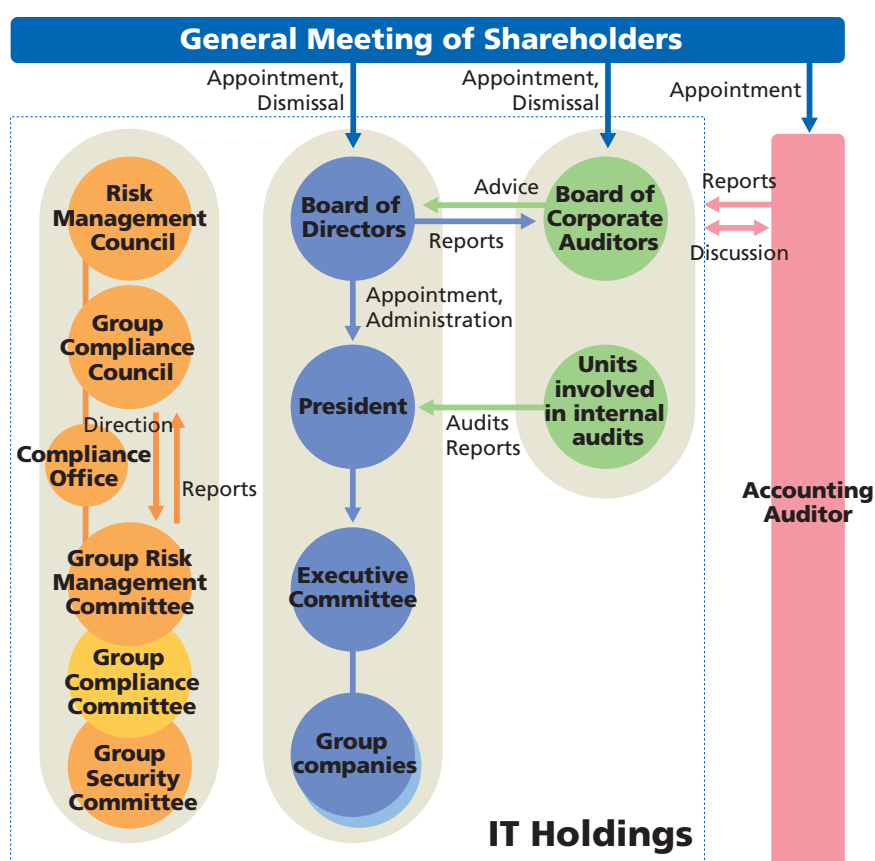


Basic Policy

To maintain the trust of all stakeholders, including clients and shareholders, and to be a corporate citizen meeting the expectations of society, ITHD strives to reinforce corporate governance, not only by raising the transparency and soundness of management practices but also by paying constant attention to actions taken in the pursuit of business to ensure suitable levels of corporate ethics and legal compliance.

For more information go to

<http://www.itholdings.co.jp/e/investors/policy/governance/>



The Group's R&D activities hinge on TIS and INTEC, which undertake leading-edge pursuits in the domains described below. Note that most of the Group's R&D activities are not specific to individual business segments but rather expeditions to discover techniques that can be applied laterally through operations groupwide.

(1) Software Development Technology

Seeking to boost the Group's overall development productivity and enhance quality, TIS and INTEC spearhead a steady and resourceful approach to software development technology by Group companies.

INTEC worked to boost productivity at the test stage, which typically requires a considerable number of man-hours for web application development. The company pushed ahead on R&D for the test automation platform TaaS (Test as a Service) and on a test script generator. These tools were introduced for in-house use in the second half of fiscal 2013.

At TIS, development and validation continued for Xenlon, a Java-based development platform that the company has been working on since fiscal 2011. TIS is promoting Xenlon as a tool for use throughout the Group. Going forward, the company will strive to boost software development productivity by emphasizing automation, particularly Xenlon, as well as code generation, real-time engineering and visualization techniques.

Specifically, TIS has created some add-ons to the Xenlon platform, introducing functions as required, such as a work flow function and a smartphone response for clients. The company also teamed up with Nexaweb Japan KK on an RIA (Rich Internet Application) response, coming up with Xenlon for Nexaweb, which migrates existing business systems built with Visual Basic 6.0—long overdue for an Internet response—into a Java-based RIA system through Nexaweb, a type of RIA platform.

TIS is promoting deployment of ISHIGAKI Template, a software stack of open source software (OSS) programs for which the company independently validated the technologies and addressed any upgrades needed. ISHIGAKI Template comes complete with a user's manual, which reduces the burden associated with pre-validation, implementation and operation of OSS—a drawback caused by the lack of a single source to support application—and facilitates utilization. Moreover, ISHIGAKI Template comes standard with high-availability architecture and cluster formation settings to enable OSS use in mission critical enterprise systems, even disaster recovery structures.

Through Amazon Web Services, TIS also offers a web application development platform service called eXcale for Java. The infrastructure—a Platform as a Service for web developers—supports four programming languages: Ruby, Java, PHP and Node.js. It easily executes automatic scalability and load balancing, matched to application load, and allows deployment through Git, an open-source distributed version-control system designed to handle very large projects that are distributed over multiple repositories, as well as through simple file uploading.

(2) Cloud Technology

Another priority is R&D on platform technologies to support cloud computing.

At INTEC, efforts have been directed toward platforms for multitenancy on servers and databases as solutions for transforming existing web applications into SaaS (Software as a Service). Also, in the area of R&D on security models for cloud environments, the company is working to improve secure online storage and add more features.

At TIS, the emphasis is on various combinations using public clouds such as Amazon Web Services for T.E.O.S, a proprietary cloud platform. For example, the company utilized Amazon Web Services for eXcale, mentioned above, and is preparing to make ISHIGAKI Template available through Amazon Web Services as well. TIS is also working on the development of a mechanism to utilize and monitor cloud-based environments.

These efforts exemplify a commitment to raise reliability and safety so that cloud technologies with the necessary scalability for use when needed are available for mission critical operations.

(3) Mobile Technology

The popularity of smartphones and tablets is accelerating, and INTEC and TIS are actively engaged in R&D one step ahead of demand and in associated validation and testing processes.

INTEC continued its participation in “Value-creating R&D Using Smart ICT for Toyama Light Rail Transit,” its theme under the Strategic Information and Communications R&D Promotion Programme (SCOPE) sponsored by Japan’s Ministry of Internal Affairs and Communications. In cooperation with the University of Toyama, INTEC is working on system improvements and add-on features for 1) posting ads to on-board digital signage displays synched to a train’s position; 2) delivering augmented reality games to passengers; and 3) presenting real-time information on service status of trains.

INTEC made headway on proprietary technology that extrapolates the position of a person inside a building or underground where global positioning system (GPS) signals cannot reach. The company also issued a press release and set up a booth at the 21st Japan Newspaper Production Show (JANPS 2012) at the end of November 2012.

The rapid spread of smartphones and tablets has heightened demand for ways to operate devices that do not require a keyboard or mouse. Noting that the latest devices have GPS capabilities and built-in cameras and mics as standard features, TIS has been looking into the potential of communication using natural user interface, or NUI, a structure for human-computer interaction through such applications as voice input, motion capture, head-mounted displays and speech synthesis.

TIS is applying the techniques acquired through these tests to pursue activities fused with cloud technology. This includes receipt of information using categories and favorite categories according to personal context or recommendations through analysis of behavior history, simple 3D virtual object generation, and application of speech synthesis.

(4) Big Data Processing, Ubiquitous Platform Technology

INTEC and TIS are both actively involved in development of technology related to Big Data, which is making notable headlines in the media, and also in development of technology for ubiquitous platforms, that is, platforms that will take IT deeper into the way the world lives and works.

INTEC is pushing R&D on its own ubiquitous platform using parallel and distributed processing and NoSQL technology. Through joint research with University of Tokyo, the company proposed a framework—serverless programming—that could store and process objects transparently on the cloud with no mind to servers, set up a joint industry-university project—Transparent Cloud-computing Consortium—based on the idea, and embarked on R&D activities. INTEC also participated in several smart city and smart community projects in Toyama, which has been designated an environmentally friendly “future city”.

TIS teamed up with Opt and Mathematical Systems and developed C-Finder, a Big Data analysis platform. The company will promote interest in this platform by placing it on Amazon Web Services.

In the end, consolidated R&D expenses in fiscal 2013 reached ¥1,002 million.

Note: Amounts in U.S. dollars are included solely for the convenience of non-Japanese readers.

A rate of ¥94.05 = US\$1, the approximate rate of exchange prevailing on March 31, 2013, has been used in translation.

As of March 31, 2013, the ITHD Group comprised parent company IT Holdings Corporation (“ITHD” or “the Company”) and 43 consolidated subsidiaries, including principal companies TIS Inc., INTEC Inc., AGREX INC., QUALICA INC. and AJS Inc.

The scope of consolidation was affected by several changes during fiscal 2013. On April 1, 2012, System Support Co., Ltd., merged into TIS System Service Inc. and SORUN ESTATE CORPORATION merged into TIS Total Service Co., Ltd., effectively removing the two absorbed companies from the scope of consolidation. On January 1, 2013, SKY INTEC Inc. merged into INTEC Amenity Inc., and the absorbed company was removed from the scope of consolidation. All shares held in SORUN HOKURIKU CORPORATION were sold in April 2012, leading to the company’s exclusion from the scope of consolidation in fiscal 2013. CAREER SERVICE CORPORATION, a consolidated company as fiscal 2012, was liquidated and removed from the scope of consolidation in fiscal 2013.

Profit and Loss Analysis

Net Sales

Net sales reached ¥337,834 million (\$3,592 million), up 3.2% from a year ago, underpinned by accelerating demand for industrial IT services and gradual recovery in demand for financial IT services.

A breakdown of performance by business segment is presented below.
(Sales by segment include intersegment sales.)

(1) IT Infrastructure Services

Consolidated sales increased 1.2% year-on-year, to ¥112,666 million (\$1,197 million) and operating income declined 11.8%, to ¥7,101 million (\$75 million). While net sales rose steadily as major customers started using the Group’s data centers, operating income declined from the previous fiscal year, owing to the impact of up-front investments made in response to increased demand for data center services as well as a rise in electricity charges.

(2) Financial IT Services

Segment sales rose 2.0% year-on-year, to ¥71,499 million (\$760 million) and operating income jumped 32.8%, to ¥6,021 million (\$64 million). The increases in sales and income were primarily driven by the resumption of IT-related investments by the Group’s key customers in the credit card industry and the success of cost-cutting measures.

(3) Industrial IT Services

Segment sales increased 4.2% year-on-year, to ¥155,689 million (\$1,655 million), while operating income soared 87.8%, to ¥4,992 million (\$53 million). A large-scale system development project for a major manufacturer fueled the sales increase, while income improved by virtue of cost reductions.

(4) Other

Segment sales decreased slightly year-on-year, to ¥16,232 million (\$172 million), and operating income retreated 5.4%, to ¥2,153 million (\$22 million).

Sales and Income by Business Segment		Millions of yen	
	2013	2012	% change
Net sales	¥337,834	¥327,417	+3.2
IT infrastructure services	110,076	109,234	+0.8
Financial IT services	70,994	69,659	+1.9
Industrial IT services	149,565	141,862	+5.4
Other business	7,196	6,661	+8.0
Operating income	18,171	15,621	+16.3%
IT infrastructure services	7,101	8,049	-11.8
Financial IT services	6,021	4,534	+32.8
Industrial IT services	4,992	2,658	+87.8
Other business	2,153	2,277	-5.4
Intersegment elimination/adjustments	-2,097	-1,898	-

Note : Sales by segment in the above chart exclude intersegment sales.

Segment Business Content

IT Infrastructure Services	Provide self-administered computer utility or system operation services through large IT facilities, including data centers.
Financial IT Services	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how specific to the finance industry.
Industrial IT Services	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how in areas other than finance, namely industrial and public sectors.
Other Business	Activities other than those described above.

Costs, Expenses and Earning

Operating income came to ¥18,171 million (\$193 million), up 16.3% year-on-year and surpassing expectations. This improvement is largely due to the higher net sales starting point and enhanced productivity as well as the appearance of tangible results from office relocation and centralization and benefits realized through measures paralleling merger activity among subsidiaries. Recurring profit climbed 13.3%, to ¥17,440 million (\$185 million). Net income skyrocketed 174.9%, to ¥5,868 million (\$62 million), reflecting higher operating income as well as lower extraordinary losses, such as the cost of structural reforms.

		Millions of yen	
	2013	2012	% change
Cost of sales	¥276,935	¥266,159	+4.0%
Cost of sales ratio	82.0%	81.3%	+0.7 points
Gross profit	60,899	61,258	-0.6%
Gross profit margin	18.0%	18.7%	-0.7 points
Selling, general and administrative expenses	42,727	45,636	-6.4%
Ratio of selling, general and administrative expenses to net sales	12.6%	13.9%	+1.3 points
Operating income	18,171	15,621	+16.3%
Operating income ratio	5.4%	4.8%	+0.6 points
Net income	5,868	2,135	+174.9
Return on sales	1.7%	0.7%	+1.0 points

Financial Position

Assets

Total assets stood at ¥302,302 million (\$3,214 million) as of March 31, 2013, down 2.5% from a year earlier. Of this amount, current assets accounted for ¥138,219 million (\$1,469 million), up 3.0% year-on-year, and total fixed assets accounted for ¥164,083 million (\$1,744 million), down 2.1%. Total liabilities dropped 9.4%, to ¥144,143 million (\$1,532 million), and total net assets reached ¥158,159 million (\$1,681 million), up 4.8% from the end of March 2012. Equity capital, calculated by subtracting ¥7,602 million (\$80 million) in minority interest in consolidated subsidiaries and ¥42 million (\$446 thousand) in subscription rights from net assets, rose 4.8%, or ¥150,514 million (\$1,600 million) over the previous fiscal year, and the equity ratio rebounded 3.5 percentage points, to 49.8%.

Millions of yen			
	2013	2012	% change
Total assets	¥302,302	¥310,003	-2.5%
Total liabilities	144,143	159,038	-9.4
Total net assets	158,159	150,965	+4.8
Minority interests	7,602	7,267	+4.6
Stock acquisition rights	42	38	+10.5
Equity capital	150,514	143,658	+4.8
Key ratios:		%	
Equity ratio ¹	49.8%	46.3%	+3.5 points
Return on equity ²	4.0	1.5	+2.5 points

Notes: 1. Equity ratio = (Equity capital / Total assets) × 100

2. Return on equity = Net income / Equity capital [(equity capital at the beginning of the term + equity capital at the end of term) / 2] × 100

Cash Flow Status

Cash and cash equivalents ("cash") totaled ¥28,433 million (\$302 million) as of March 31, 2013, down 30.9% from a year earlier.

Net cash provided by operating activities grew 9.1%, to ¥21,515 million (\$228 million). This change is mainly due to the fact that cash outflow, namely, a ¥4,088 million (\$43 million) increase in notes and accounts receivable and ¥4,180 million (\$44 million) in income tax payments, were more than offset by income before taxes and minority interests of ¥11,185 million (\$118 million) and ¥12,920 million (\$137 million) in depreciation.

Net cash used in investing activities decreased 5.1%, to ¥14,391 million (\$153 million), as cash inflow, mainly ¥2,263 million (\$24 million) in proceeds from lease and guarantee deposits, was overshadowed by cash outflow, particularly ¥7,454 million (\$79 million) in payments for the acquisition of property and equipment), ¥5,600 million (\$59 million) for the acquisition of securities, and ¥4,149 million (\$44 million) for the acquisition of intangible assets.

Net cash used in financing activities more than quadrupled, to ¥19,883 million (\$211 million). This reflects cash outflow, such as ¥24,294 million (¥258 million) for repayment of long-term bank loans and a ¥4,053 million (\$43 million) net decrease in short-term borrowings, which negated cash inflow such as ¥12,500 million (\$132 million) in proceeds from long-term bank loans.

Millions of yen			
	2013	2012	% change
Cash and cash equivalents at end of year	¥28,433	¥41,119	-30.9%
Net cash provided by operating activities	21,515	23,658	+9.1
Net cash used in investing activities	(14,391)	(15,158)	-5.1
Net cash used in financing activities	(19,883)	(4,230)	+370.0

Dividend Policy

ITHD has made the long-term, comprehensive return of profits to shareholders a management priority and seeks to maintain stable dividends—targeting a consolidated payout ratio of 30%—while taking into account performance trends, financial status, and the need to enrich retained earnings to support business growth.

In fiscal 2013, the Company booked consolidated extraordinary losses comprising approximately ¥2,600 million (\$27 million) in expense following changes to the pension program at consolidated subsidiary TIS, Inc., approximately ¥1,500 million (\$15 million) in real estate impairment loss, approximately ¥700 million (\$7 million) in loss on disposal of fixed assets and a total of approximately ¥800 million (\$8 million) spent on structural reform-related activities. The Company also took into account the need to secure sufficient internal reserves to fund continued growth. Management therefore decided on a year-end dividend of ¥14 (\$0.14) per share.

For fiscal 2014, management expects to distribute an annual dividend of ¥25 per share, including an interim dividend of ¥8 per share.

	Yen		
	2013	2012	% change
<i>Per share data:</i>			
Net income per share	¥ 66.86	¥ 24.33	+174.8%
Net assets per share	1,714.88	1,636.72	+4.8%
Dividends per share	21.00	18.00	+16.7%
Payout ratio	31.4%	74.0%	-42.6 points

Business and Other Risks

Risk specific to each business segment may arise. In the software development business, for example, projects could turn unprofitable, while system malfunctions could interrupt services in the outsourcing business. The Company applies various measures to prevent the manifestation of such risks.

In the IT infrastructure business, data centers under the Group umbrella offer outsourcing and cloud computing services at home and abroad—in Tokyo, Osaka, Kanagawa Prefecture, Tochigi Prefecture, Toyama Prefecture and Aichi Prefecture as well as in Tianjin, China, and other locations—24 hours a day every day of the year. A variety of installations, such as a base-isolation structure for enhanced earthquake tolerance, an on-site generator to ensure uninterrupted power supply, and crime-prevention systems to thwart unauthorized access, have been incorporated into the buildings to control foreseeable risk. Nevertheless, if an extraordinarily significant event, such as an extended power failure, a large-scale natural disaster, international conflict or an act of terrorism, or major criminal activity, were to occur and disrupt the smooth execution of data center activities, the Group's business results and financial position could be adversely affected.

All forward-looking statements in this document are based on information available to management as of May 10, 2013.

Consolidated Balance Sheets

IT Holdings Corporation and Its Consolidated Group Companies

As of March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and deposits	¥ 41,365	¥ 28,633
Notes and accounts receivable	64,591	68,249
Lease receivables and lease investment assets	8,942	9,322
Marketable securities	201	5,401
Merchandise and finished goods	2,633	3,035
Work in process	8,278	7,091
Raw materials and supplies	209	200
Deferred tax assets	8,027	8,523
Other current assets	8,305	7,846
Allowance for doubtful accounts	(112)	(85)
Total current assets	142,442	138,219
Fixed assets		
Property and equipment		
Buildings and structures, net	58,635	58,133
Machinery and equipment, net	4,360	4,231
Land	22,266	21,135
Leased assets, net	3,455	3,615
Other property and equipment, net	6,074	6,475
Total property and equipment	94,792	93,592
Intangible assets		
Goodwill	3,471	1,784
Other intangible assets	14,047	13,487
Total intangible assets	17,519	15,272
Investments and other assets		
Investment securities	28,693	32,633
Deferred tax assets	8,597	6,823
Other assets	19,986	17,577
Allowance for doubtful accounts	(2,028)	(1,816)
Total investments and other assets	55,248	55,218
Total fixed assets	167,560	164,083
Total assets	¥310,003	¥302,302

Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan, and have been prepared in accordance with accounting principles generally accepted in Japan.

Consolidated Balance Sheets

IT Holdings Corporation and Its Consolidated Group Companies

As of March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	¥ 17,917	¥ 17,692
Short-term borrowings	23,126	32,881
Corporate bonds (redeemed within one year)	100	—
Income taxes payable	2,341	3,112
Accrued bonuses to directors and employees	11,115	11,074
Other allowances	322	551
Other current liabilities	28,141	25,750
Total current liabilities	83,065	91,063
Non-current liabilities		
Long-term debt	53,288	27,668
Lease obligations	4,723	5,501
Deferred tax liabilities	503	492
Deferred tax liabilities from revaluation of land	869	732
Accrued retirement benefits to employees	12,359	12,762
Accrued retirement benefits to directors	107	108
Other non-current liabilities	4,120	5,813
Total non-current liabilities	75,972	53,079
Total liabilities	159,038	144,143
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,787	86,787
Retained earnings	47,673	51,596
Less treasury stock, at cost	(25)	(27)
Total shareholders' equity	144,436	148,357
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,210	4,271
Revaluation of land	(1,718)	(1,967)
Foreign currency translation adjustments	(270)	(147)
Total accumulated other comprehensive income	(778)	2,157
Stock acquisition rights	38	42
Minority interests	7,267	7,602
Total net assets	150,965	158,159
Total liabilities and net assets	¥310,003	¥302,302

Consolidated Statements of Income

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Net sales	¥327,417	¥337,834
Cost of sales	266,159	276,935
Gross profit	61,258	60,899
Selling, general and administrative expenses	45,636	42,727
Operating income	15,621	18,171
Non-operating income		
Interest income	23	23
Dividend income	619	565
Foreign exchange gains	18	184
Rental income from real estate	266	257
Reversal of allowance for doubtful accounts	270	—
Other	449	427
Total non-operating income	1,646	1,458
Non-operating expenses		
Interest expenses	898	789
Equity in losses of non-consolidated subsidiaries and affiliates	202	105
Provision of allowance for doubtful accounts	—	482
Other	773	813
Total non-operating expenses	1,874	2,189
Recurring profit	15,393	17,440
Extraordinary income		
Gain on sale of fixed assets	62	44
Gain on sale of investment securities	1,142	95
Other	103	36
Total extraordinary income	1,307	175
Extraordinary losses		
Loss on disposal of fixed assets	249	662
Impairment loss	766	1,523
Valuation loss on investment securities	318	71
Merger-related expenses	381	—
Structural reform-related expenses	7,852	843
Loss on partial termination of retirement benefit scheme	—	2,609
Other	1,010	720
Total extraordinary losses	10,579	6,431
Income before income taxes and minority interests	6,121	11,185
Income taxes: current	4,068	5,224
Income taxes: deferred	(170)	(349)
Total income taxes	3,897	4,874
Income before minority interests	2,224	6,310
Minority interests in earnings (losses) of consolidated subsidiaries	89	441
Net income	¥ 2,135	¥ 5,868

Consolidated Statements of Comprehensive Income

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Income before minority interests	¥2,224	¥6,310
Other comprehensive income		
Net unrealized gains on other securities	(514)	3,108
Difference in revaluation of land	123	(248)
Foreign currency translation adjustments	33	169
Share of other comprehensive income of associates accounted for using the equity method	(5)	4
Total other comprehensive income	(363)	3,033
Comprehensive income	1,860	9,343
Components:		
Comprehensive income attributable to owners of the parent	1,772	8,804
Comprehensive income attributable to minority interests	¥ 87	¥ 539

Consolidated Statements of Changes in Net Assets

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	¥ 10,001	¥ 10,001
Balance at end of fiscal year	10,001	10,001
Additional paid-in capital		
Balance at end of previous fiscal year	86,788	86,787
Changes during the fiscal year		
Disposal of treasury stock	(0)	(0)
Total changes during the fiscal year	(0)	(0)
Balance at end of fiscal year	86,787	86,787
Retained earnings		
Balance at end of previous fiscal year	47,298	47,673
Changes during the fiscal year		
Dividends from surplus	(1,755)	(2,194)
Net income	2,135	5,868
Change in scope of equity method	(0)	—
Reduction in revaluation reserve for land	—	248
Decrease from merger of consolidated and non-consolidated subsidiaries	(3)	—
Net changes during the fiscal year	375	3,923
Balance at end of fiscal year	47,673	51,596
Treasury stock		
Balance at end of previous fiscal year	(24)	(25)
Changes during the fiscal year		
Acquisition of treasury stock	(1)	(2)
Disposal of treasury stock	0	0
Net changes during the fiscal year	(1)	(2)
Balance at end of fiscal year	(25)	(27)
Total shareholders' equity		
Balance at end of previous fiscal year	144,062	144,436
Changes during the fiscal year		
Dividends from surplus	(1,755)	(2,194)
Net income	2,135	5,868
Acquisition of treasury stock	(1)	(2)
Disposal of treasury stock	0	0
Change in scope of equity method	(0)	—
Reversal of land revaluation difference	—	248
Decrease from merger of consolidated and non-consolidated subsidiaries	(3)	—
Net changes during the fiscal year	374	3,920
Balance at end of fiscal year	¥144,436	¥148,357

Continued on the next page

Consolidated Statements of Changes in Net Assets

Continued from the previous page

	2012	2013
	Millions of yen	Millions of yen
Accumulated other comprehensive income		
Net unrealized gains on other securities		
Balance at end of previous fiscal year	¥ 1,729	¥ 1,210
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	(519)	3,061
Net changes during the fiscal year	(519)	3,061
Balance at end of fiscal year	1,210	4,271
Revaluation reserve for land		
Balance at end of previous fiscal year	(1,841)	(1,718)
Items other than changes in shareholders' equity, net	123	(248)
Total change during the fiscal year	123	(248)
Balance at end of the fiscal year	(1,718)	(1,967)
Foreign currency translation adjustments		
Balance at end of previous fiscal year	(303)	(270)
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	33	123
Net changes during the fiscal year	33	123
Balance at end of fiscal year	(270)	(147)
Accumulated other comprehensive income		
Balance at end of previous fiscal year	(415)	(778)
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	(362)	2,935
Net changes during the fiscal year	(362)	2,935
Balance at end of fiscal year	(778)	2,157
Stock acquisition rights		
Balance at end of previous fiscal year	29	38
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	9	3
Net changes during the fiscal year	9	3
Balance at end of fiscal year	38	42
Minority interests		
Balance at end of previous fiscal year	7,434	7,267
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	(166)	334
Net changes during the fiscal year	(166)	334
Balance at end of fiscal year	7,267	7,602
Total net assets		
Balance at end of previous fiscal year	151,110	150,965
Changes during the fiscal year		
Dividends from surplus	(1,755)	(2,194)
Net income	2,135	5,868
Acquisition of treasury stock	(1)	(2)
Disposal of treasury stock	0	0
Change in scope of equity method	(0)	—
Reversal of land revaluation difference	—	248
Decrease from merger of consolidated and non-consolidated subsidiaries	(3)	—
Items other than changes in shareholders' equity, net	(519)	3,273
Net changes during the fiscal year	(145)	7,194
Balance at end of fiscal year	¥150,965	¥158,159

Consolidated Statements of Cash Flows

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2012 and 2013

	2012	2013
	Millions of yen	Millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 6,121	¥11,185
Depreciation	12,745	12,920
Impairment loss	766	1,523
Loss on disposal of fixed assets	249	662
Valuation (gain) loss on investment securities	318	71
Amortization of goodwill	1,882	1,670
Increase (decrease) in accrued bonuses to directors and employees	(8)	(11)
Increase (decrease) in allowance for doubtful accounts	(391)	(238)
Increase (decrease) in accrued retirement benefits to employees	547	413
Interest and dividend income	(642)	(589)
Interest expenses	898	789
(Increase) decrease in notes and accounts receivable	(5,235)	(4,088)
(Increase) decrease in inventories	(2,214)	770
Increase (decrease) in notes and accounts payable	2,710	(71)
Structural reform-related expenses	2,388	(401)
Other, net	8,448	1,331
Subtotal	28,585	25,936
Interest and dividend income received	656	578
Interest expenses paid	(897)	(819)
Income taxes paid	(4,685)	(4,180)
Net cash provided by operating activities	23,658	21,515
Cash flows from investing activities		
Purchase of marketable securities	(400)	(5,600)
Acquisitions of property and equipment	(9,519)	(7,454)
Acquisitions of intangible assets	(4,927)	(4,149)
Proceeds from sale and redemption of investment securities	2,314	990
Payment of lease and guarantee deposits	(2,009)	(308)
Collection of lease and guarantee deposits	538	2,263
Other, net	(1,153)	(134)
Net cash used in investing activities	(15,158)	(14,391)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	4,403	(4,053)
Proceeds from long-term debt	16,637	12,500
Repayments of long-term debt	(14,662)	(24,294)
Redemption of bonds	(7,500)	(100)
Dividends paid	(1,755)	(2,194)
Dividends paid to minority shareholders	(155)	(199)
Other, net	(1,197)	(1,540)
Net cash used in financing activities	(4,230)	(19,883)
Effect of exchange rate changes on cash and cash equivalents	31	109
Net increase (decrease) in cash and cash equivalents	4,301	(12,649)
Cash and cash equivalents at beginning of year	36,492	41,119
Increase in cash and cash equivalents resulting from merger	325	—
Decrease in cash and cash equivalents due to corporate division	—	(36)
Cash and cash equivalents at end of year	¥41,119	¥28,433

IT Holdings Group (As of August 1, 2013)

• **Principal Companies**

TIS Inc.
INTEC Inc.
AGREX INC.
QUALICA INC.
AJS Inc.

• **Marketing Solution Services**

NEXWAY Co., Ltd.

• **Solution Services and Sales**

Cloud Scope Technologies, Inc.
IUK Inc.
NEOAXIS Co., Ltd.

• **Financial IT Services**

Keyport Solutions, Inc.
TIS First Manage Inc.

• **System Development, Management and Operations**

AGREX FINE TECHNO INC.
Chuo System Corporation
INTEC Solution Power Inc.
IN-X Co., Ltd.
TIS Solution Link Inc.
TIS System Service Inc.

• **Consulting Services and Research**

TIS Business Consultants Inc.

• **Contract Research Organization (CRO)**

AC MEDICAL INC.
ALMEC Co., Ltd.
Medical Toukei Co., Ltd.
UPSHE Co., Ltd.

• **Regional Companies in Japan**

HOKKOKU INTEC SERVICE Inc.
KOUSHI INTEC Inc.
TIS Hokkaido Inc.
TIS TOUHOKU Inc.
TIS WEST JAPAN Inc.

• **Overseas Businesses**

Beijing TIS Information Technology Co., Ltd.
Digital TIS Co., Ltd.
INTEC Information Technology (Dalian) Co., Ltd.
INTEC Information Technology (Shanghai) Co., Ltd.
INTEC Information Technology (Wuhan) Co., Ltd.
INTEC SYSTEMS BANGKOK CO., LTD.
OARTECH VIETNAM CO., LTD.
QUALICA ASIA PACIFIC PTE. LTD.
QUALICA (SHANGHAI) Inc.
Tianjin TIS Hi-tech Information System Service Co., Ltd.
Tianjin TIS Software Co., Ltd.
TIS R&D Center, Inc.
TISI (Shanghai) Co., Ltd.
TISI (Singapore) Pte. Ltd.

• **Other Specific Businesses**

INTEC IT Capital, Inc.
IT Service Force Inc.
MITEC Inc.
Registration Network, Ltd.
SKY INTEC Inc.
SorunPure Inc.
TIS LEASING Co., Ltd.
TIS Total Service Co., Ltd.

April 2008

IT Holdings is created through the management integration of major domestic information service providers TIS Inc. and INTEC Holdings, Ltd.

2008—2009

The Group is reorganized. Key events include splitting off companies under the old TIS Group umbrella and merging INTEC Holdings into INTEC Inc., and then putting the surviving subsidiaries under the direct control of IT Holdings.

December 2009

SORUN CORPORATION joined the IT Holdings Group.

April 2011

ITHD orchestrated a three-company merger involving TIS, SORUN Corporation and UFIT Co., Ltd., with TIS as the surviving company.



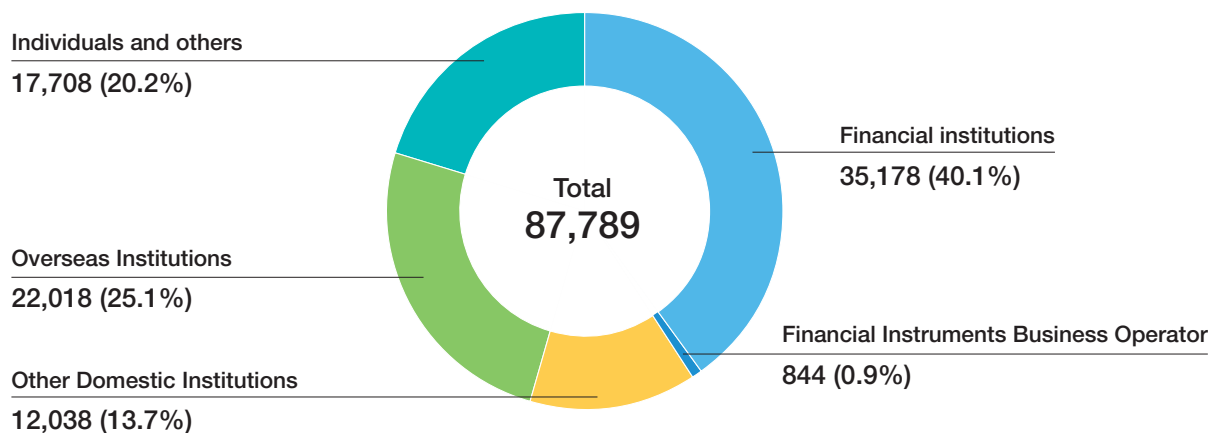
Corporate Data (As of March 31, 2013)

Company name	IT Holdings Corporation
Established	April 1, 2008
Main business	Management and business execution of group companies that carry on information and communication business
Tokyo head office	21F Sumitomo Fudosan Shinjuku Grand Tower, 17-1 Nishi-shinjuku 8-chome, Shinjuku-ku, Tokyo 160-0023 Japan Tel. +81-3-5338-2277 Fax. +81-3-5338-2266
Paid-in capital	¥ 10 billion
Number of shares	
Authorized	280,000,000 shares
Issued	87,789,098 shares
Number of shareholders	15,943
Stock listing	Tokyo Stock Exchange, First Section (Securities code: 3626)

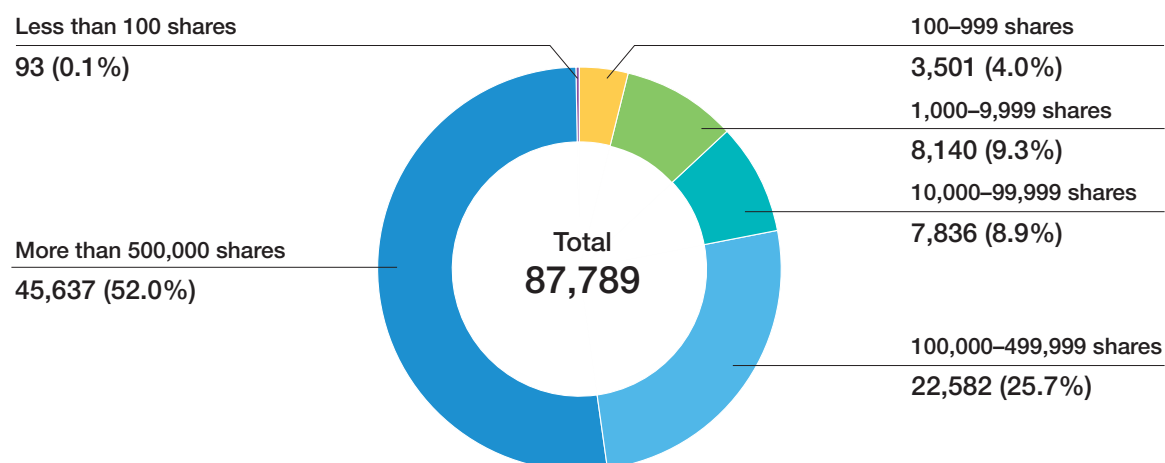
Major Shareholders (As of March 31, 2013)

Name	Number of shares (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Limited (Trust Account)	7,207	8.2
The Master Trust Bank of Japan, Limited (Trust Account)	5,487	6.3
Nippon Life Insurance Company	2,591	3.0
Employees' Shareholding Association of IT Holdings Corporation	2,582	2.9
Japan Trustee Services Bank, Limited (Trust Account 9)	2,378	2.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,654	1.9
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	1,598	1.8
Japan Trustee Service Bank, Ltd. (Trust Account 4)	1,582	1.8
OBAYASHI Corporation	1,161	1.3
JCB Co., Ltd.	1,161	1.3

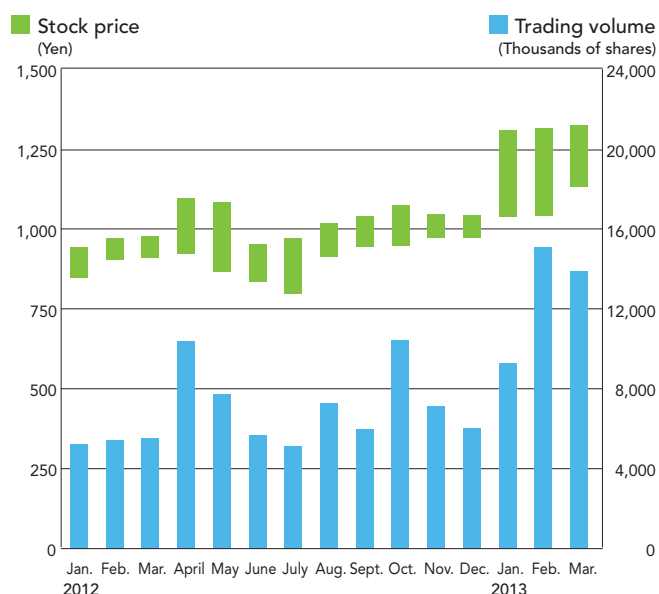
Share Composition by Shareholder (As of March 31, 2013; Thousands of Shares)



Share Composition by Number of Shares Held (As of March 31, 2013; Thousands of Shares)



Stock Price Range



ITHD Group Management Philosophy

The ITHD Group seeks to be a corporate citizen whose activities, namely, the provision of various services utilizing information technology (IT), match its status as a leading corporate group, and will strive to raise corporate value, supported in this effort by the high regard of all its stakeholders, including clients and shareholders as well as employees and their families.

We will cultivate a vibrant corporate culture that encourages companies and individuals under the Group umbrella to work toward higher goals and embrace new challenges, and thereby ensure corporate growth.

We will always provide our very best to clients by combining Group strengths to foster higher quality and greater sophistication in our technological capabilities.

We will uphold high corporate morals and fulfill our social obligations.

For further information contact:

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***Any revisions to information in this annual report
subsequent to publication will be posted at:***

<http://www.itholdings.co.jp/e/>