

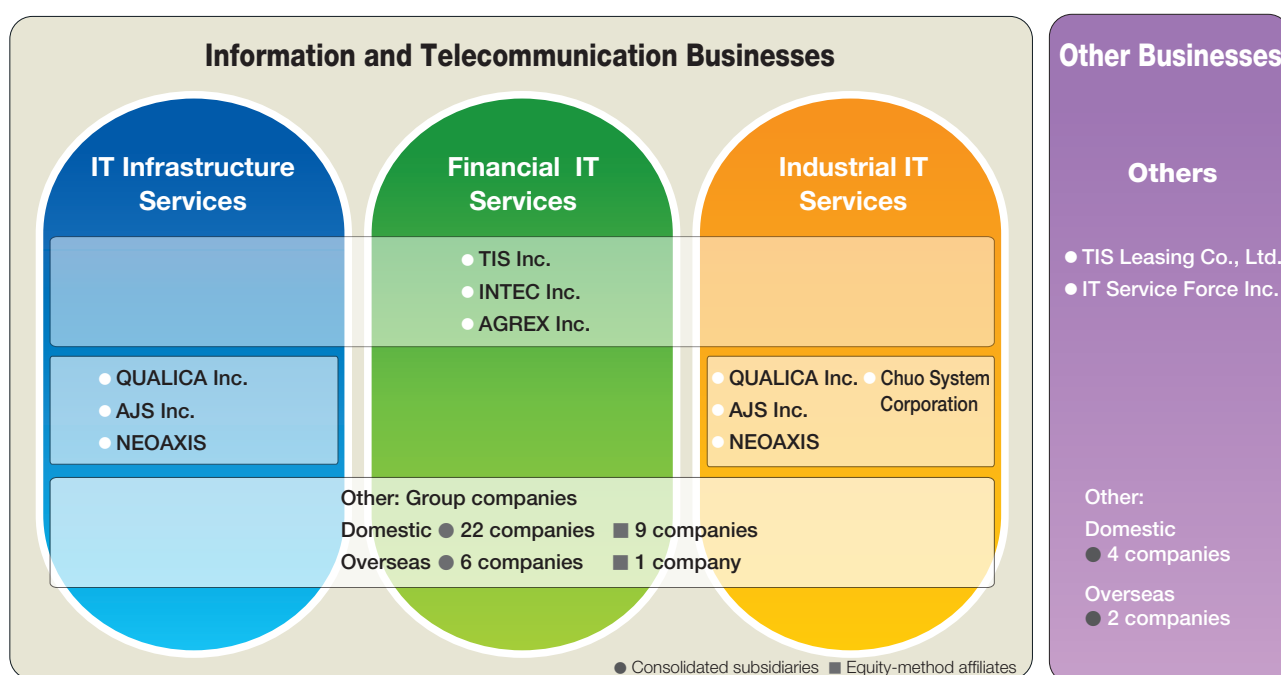
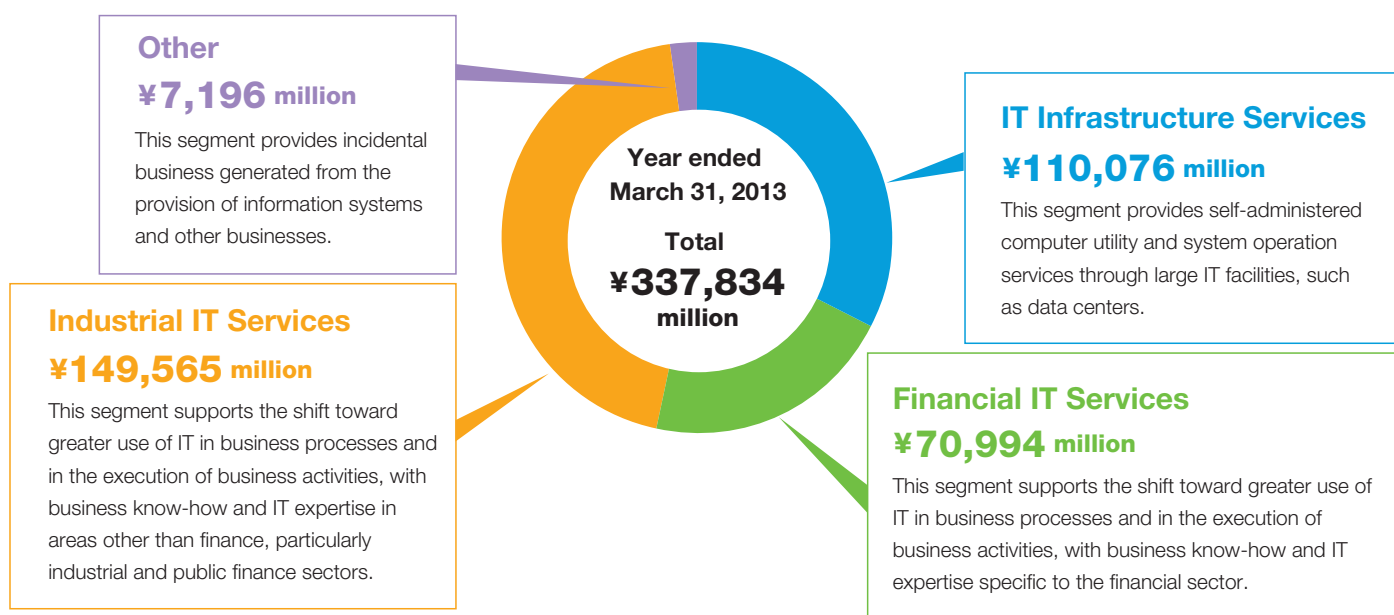
Annual Report 2013

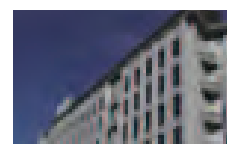
Year Ended March 31, 2013

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.

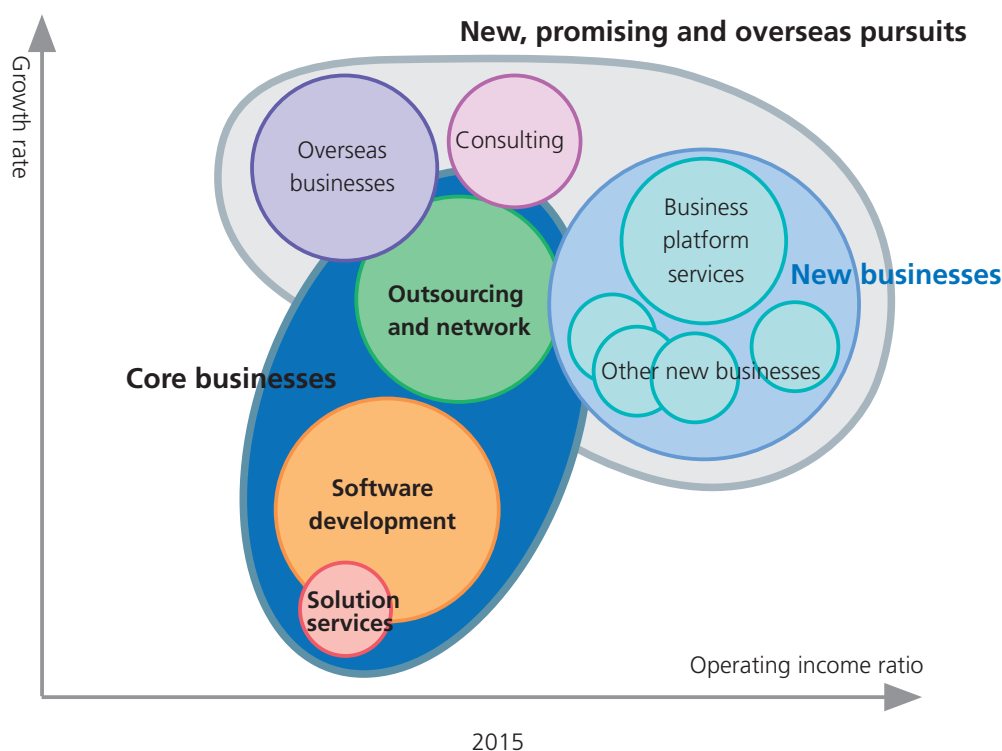
Net Sales by Business Segment (Sales to outside customers, excludes intersegment sales)





Future Targets

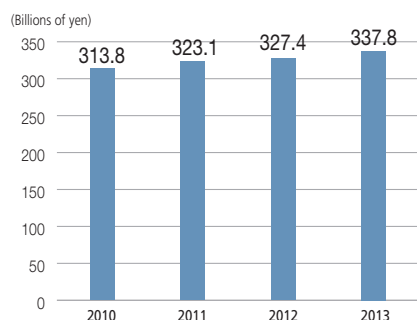
By 2015, the ITHD Group will have built a business portfolio geared for higher growth and higher profit by entrenching core businesses and establishing a presence in new businesses.



3 ▶ Financial Highlights

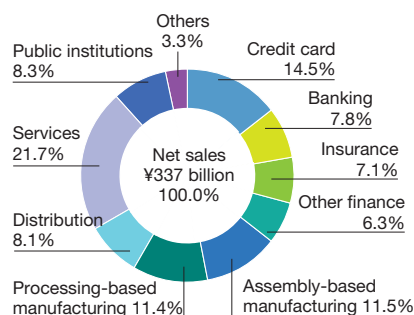
Years Ended March 31/ Consolidated

Net Sales

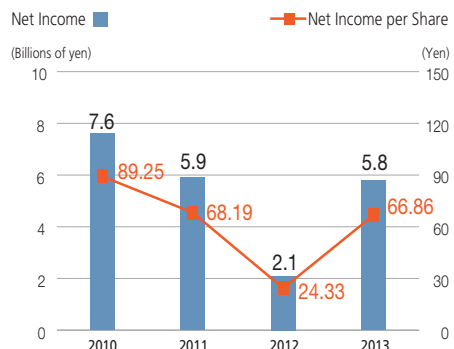


Net Sales by Client Sector

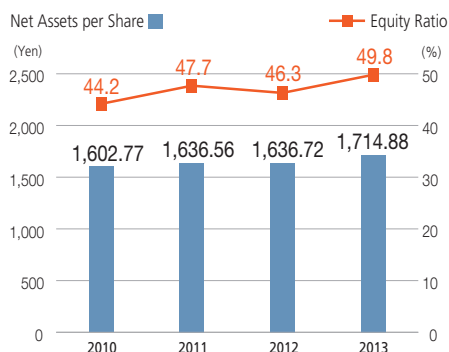
(Year ended March 31, 2013)



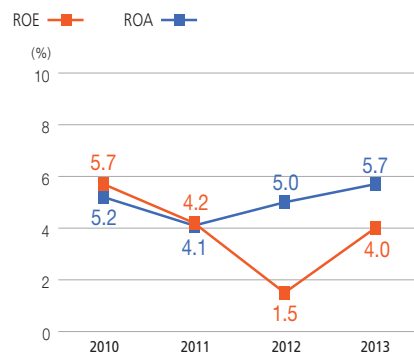
Net Income, Net Income per Share



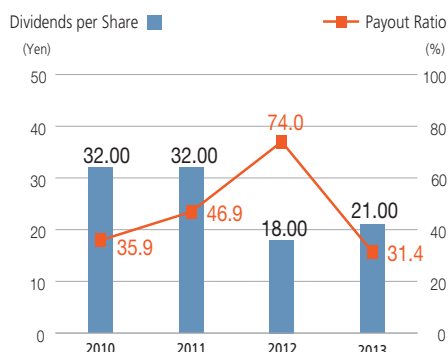
Net Assets per Share, Equity Ratio



ROE, ROA



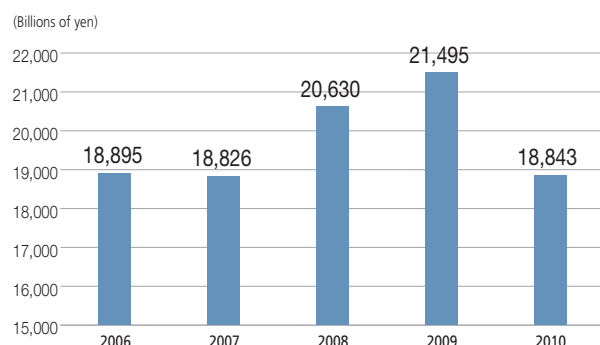
Dividends per Share, Payout Ratio



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.

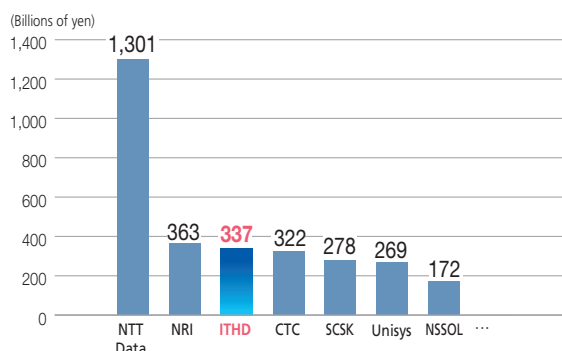
IT Services Industry Net Sales



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”

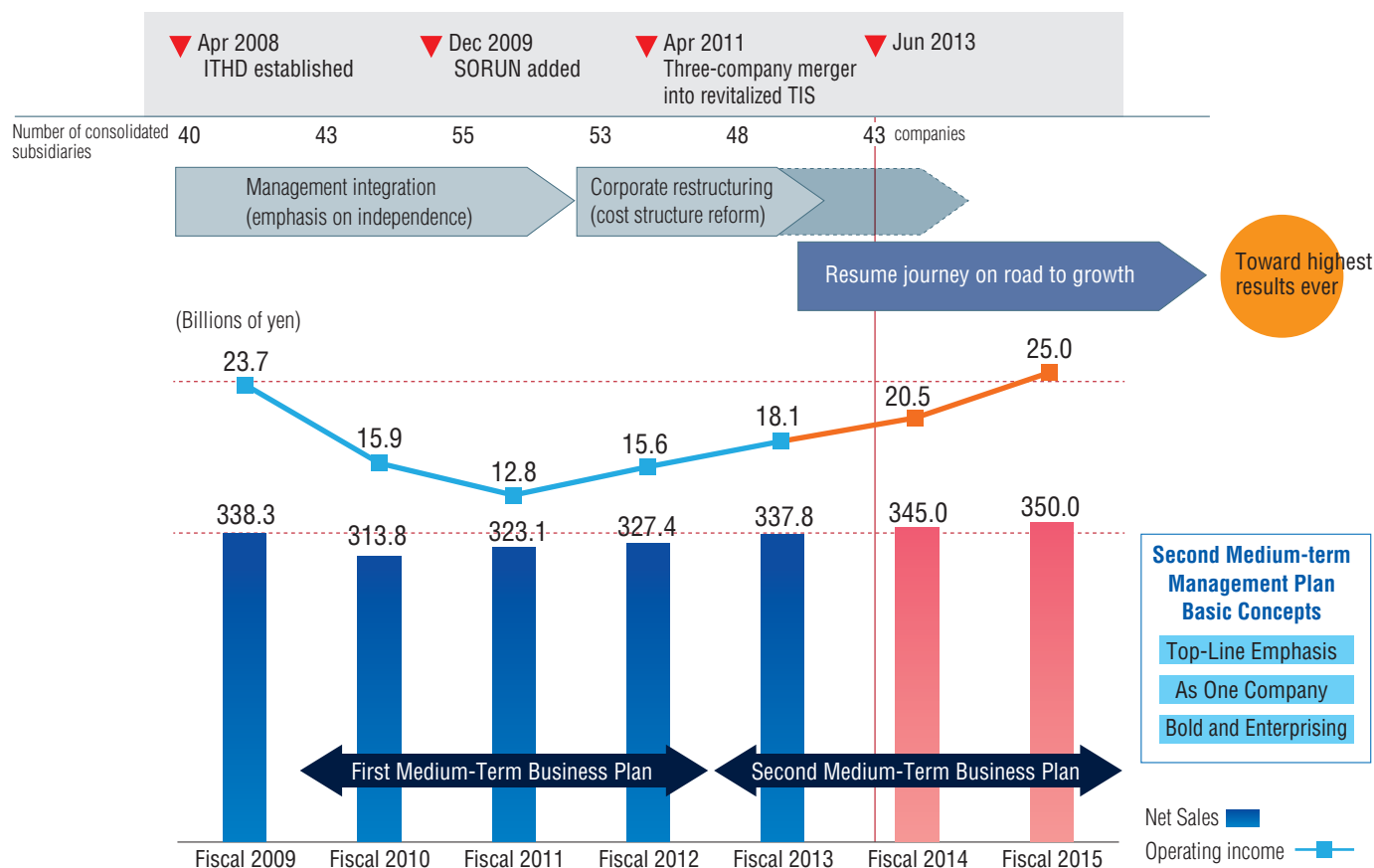
Basic Concepts

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.

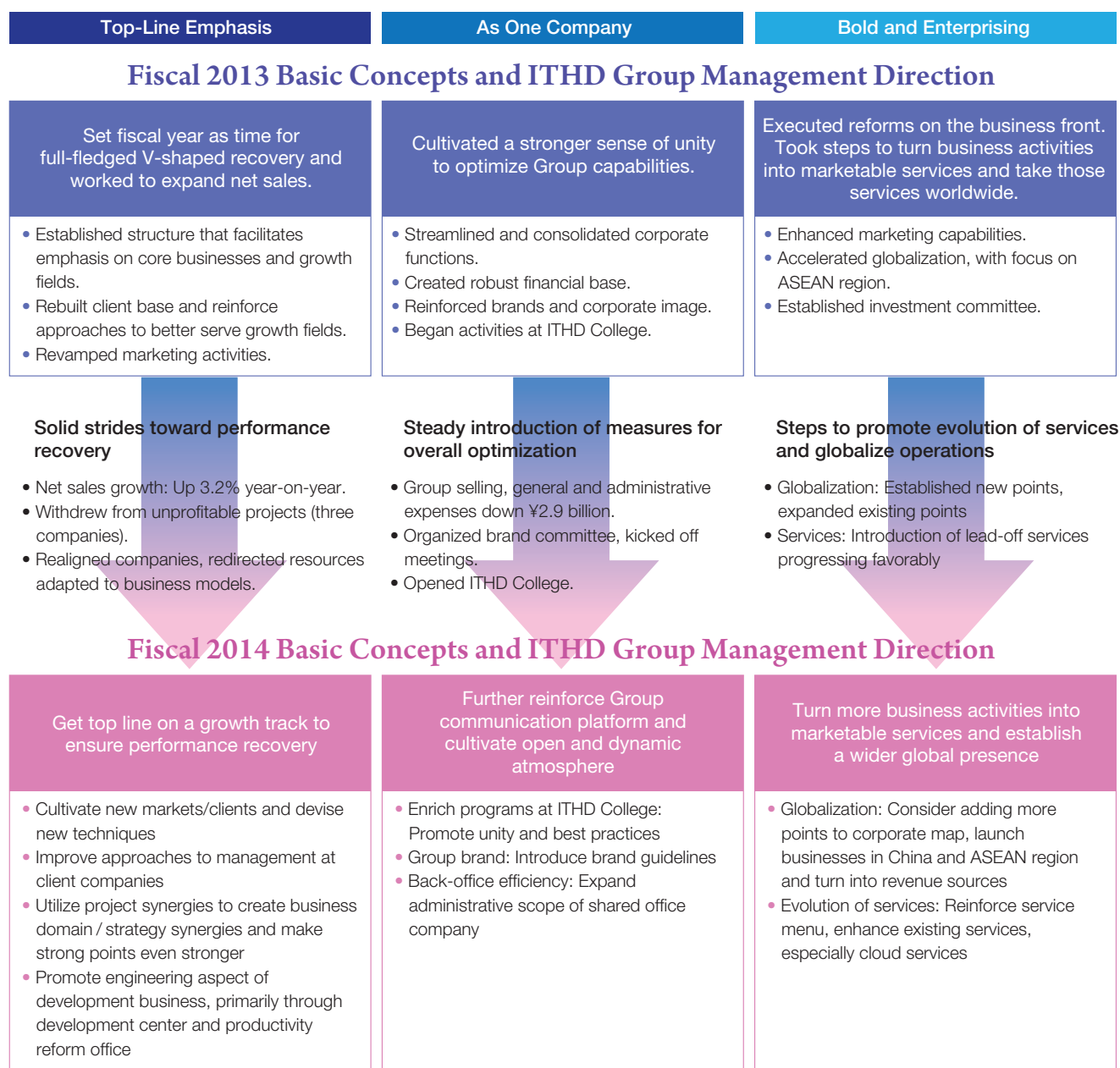
I have two mottos: One is "*Genba hyappen*," which carries the meaning of "Repeated visits to the workplace fosters a deeper understanding of the work undertaken there," and the other is "*Kami wa saibu ni yadoritamau*," which is the equivalent of "God is in the details." The holding company understands 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.

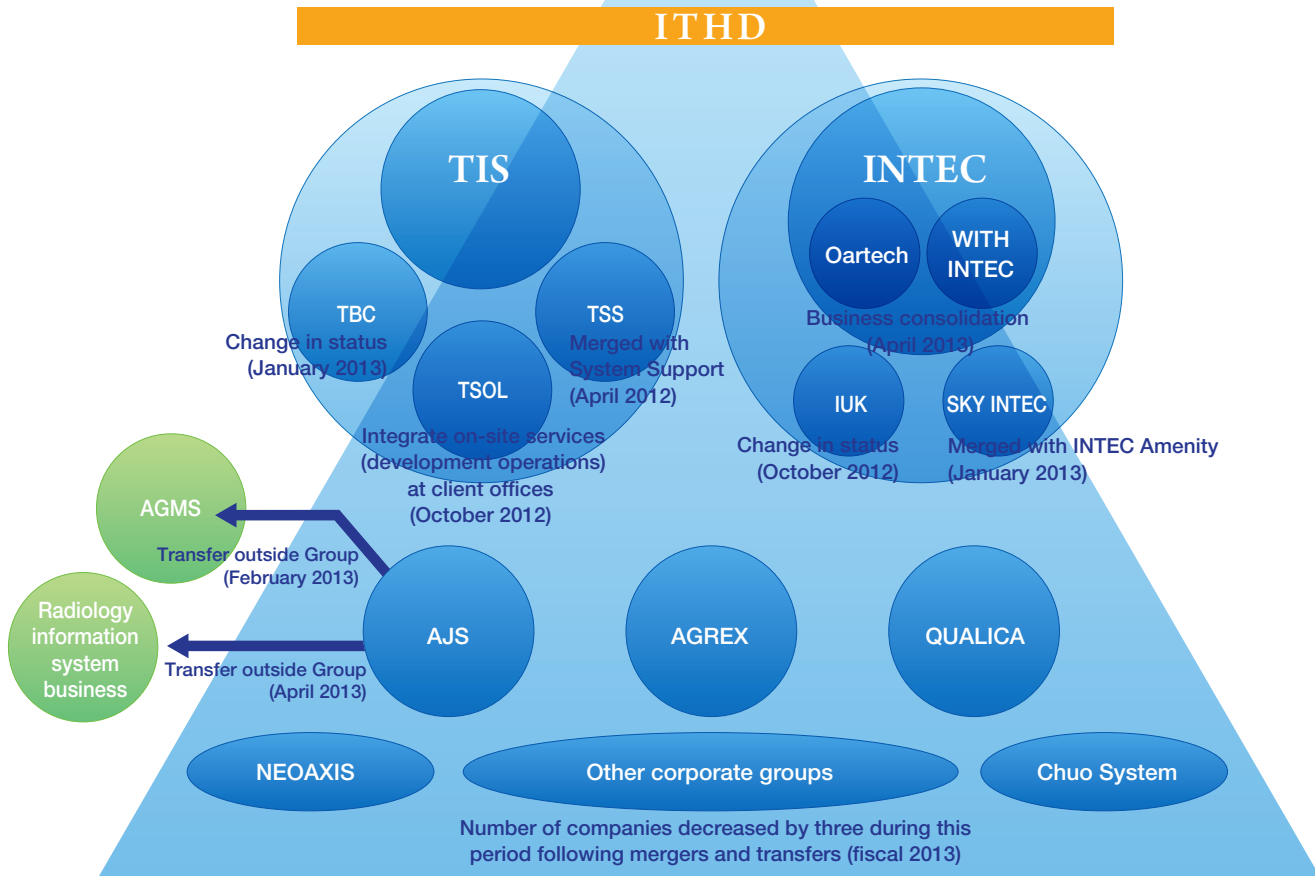
Second Medium-term Management Plan: Basic Concepts and ITHD Group Management Direction



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

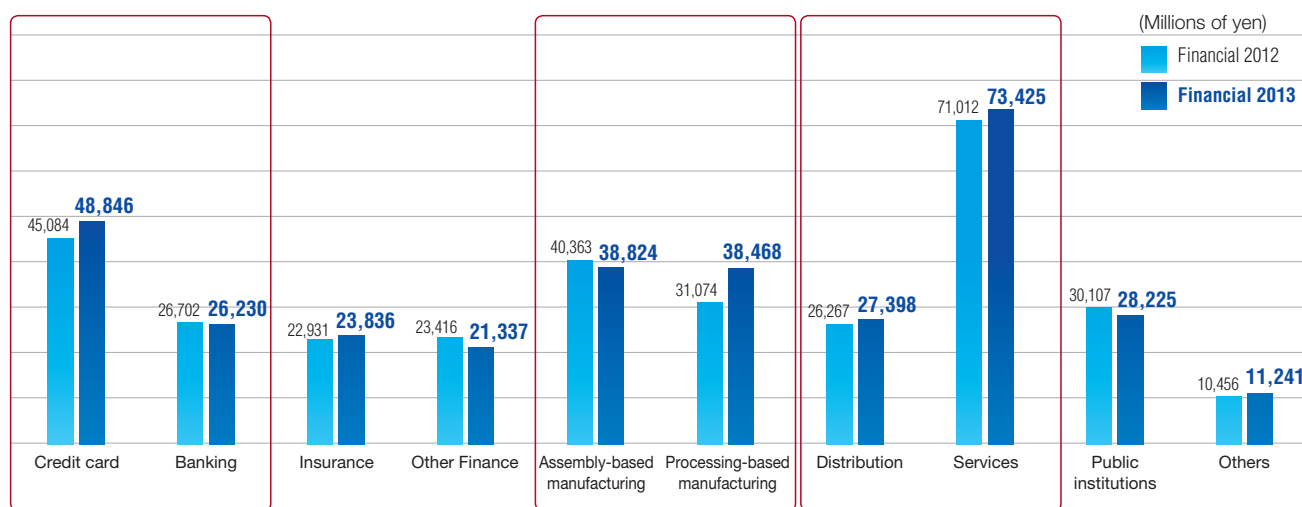
The Group's business strategies are described below.

Business Strategy 1

Strengthen existing businesses and spotlight expertise

ITHD Group Strengths

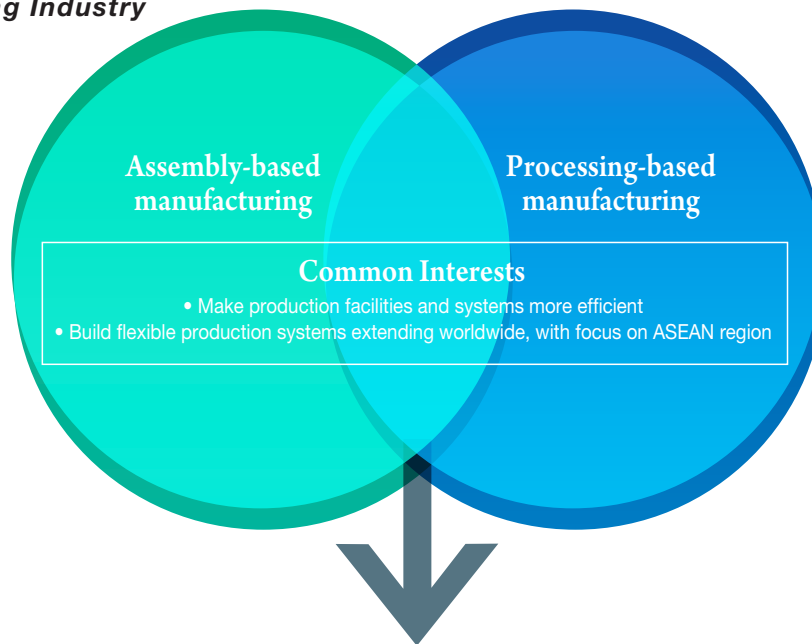
The Group has built a client base comprising customers in a diverse range of business sectors and demonstrates particularly excellent capabilities for customers in the credit card and banking, assembly- and processing-based manufacturing and distribution and services sectors.



	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.

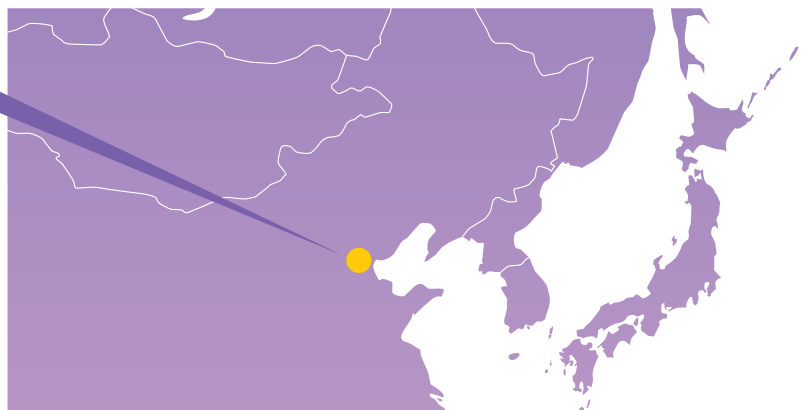
The ITHD Group's Data Center Business Network



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.

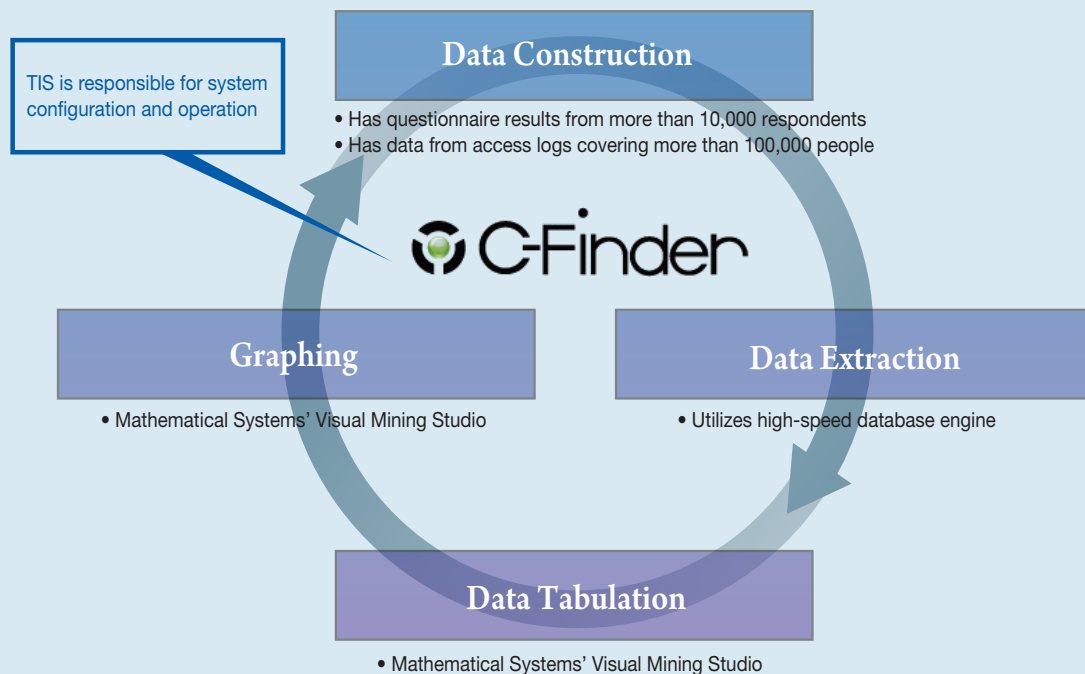
Topic

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.



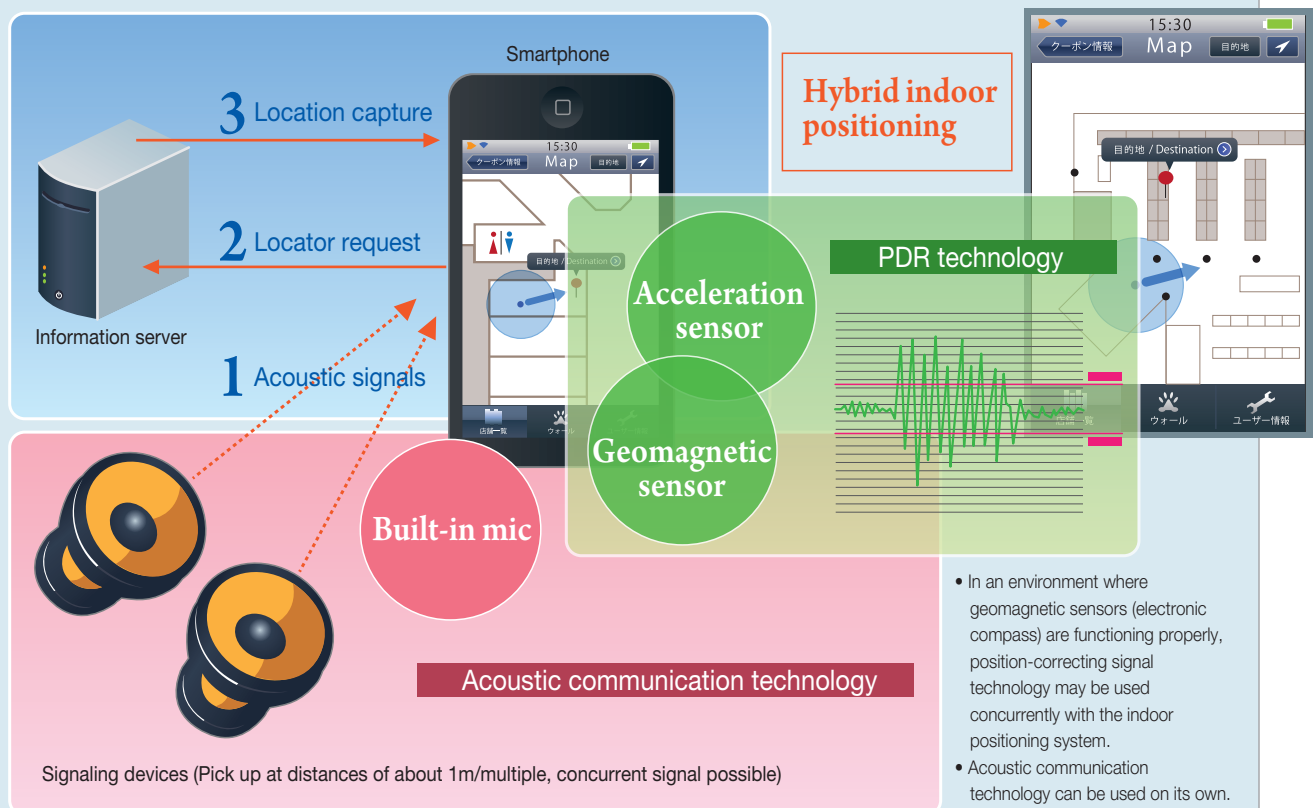
Topic

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.

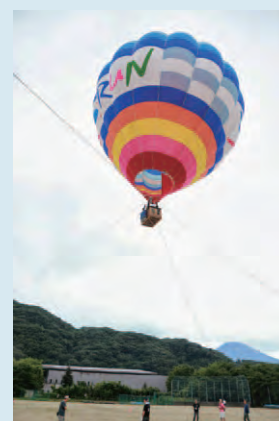
Topic

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.

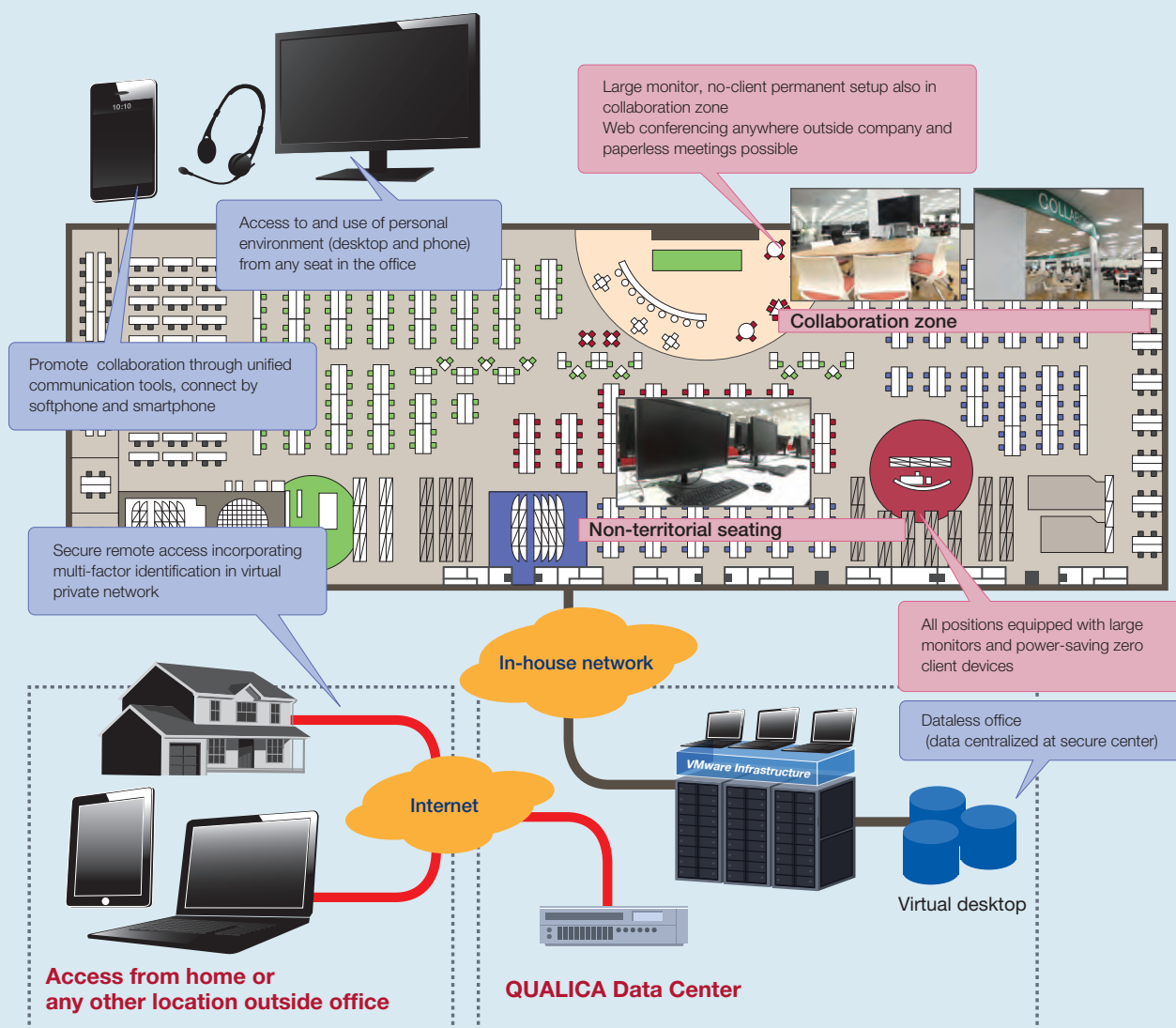
Topic

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.

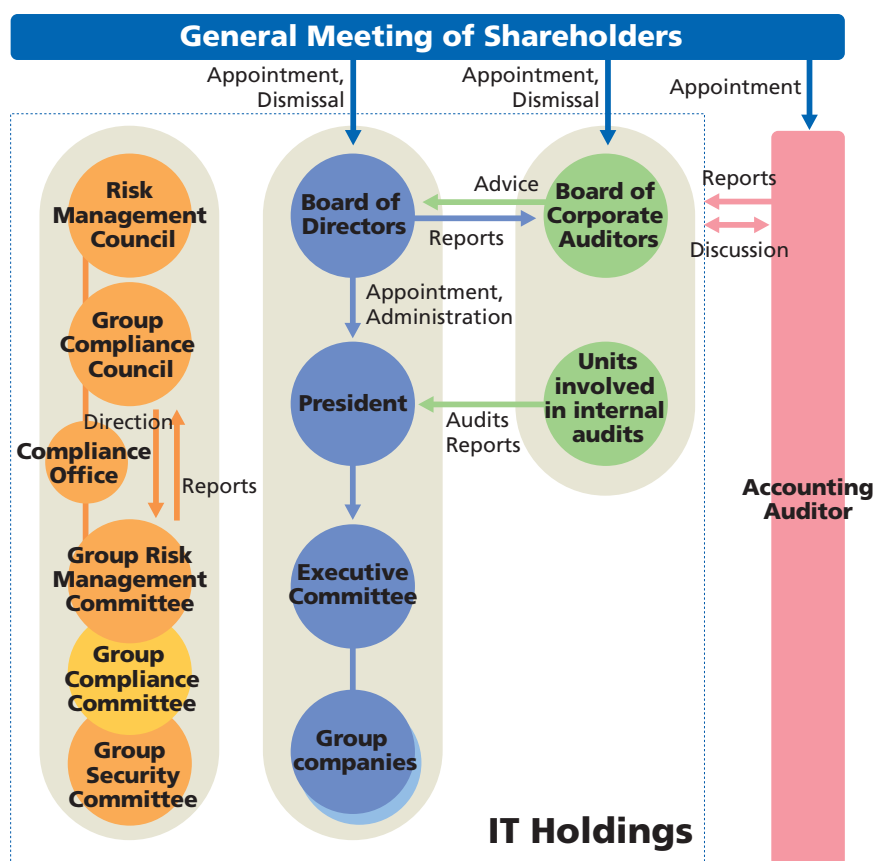


Basic Policy

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.