CTC

Challenging Tomorrow's Changes

Annual Report 2012

For the year ended March 31, 2012

Profile

The CTC Group Uses Information Technology to Support Social Infrastructure

Annual Report 2012

Year ended March 31, 2012

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Cautionary Notes Concerning Recorded Monetary Sums

Recorded monetary sums are rounded to the nearest whole number in accordance with U.S. standards.

Cautionary Notes Concerning Forward-Looking Statements

Statements made in this annual report with respect to CTC's plans, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CTC based on management's assumptions and beliefs in light of information currently available to it and involve certain risks and uncertainties.

CTC Strengths

Total Solutions Provider
Offering total solutions as a prime contractor

Page 3

Multi-Vendor
Delivering optimal solutions to meet customer needs

Page 4

Wide Customer Base
Providing various solutions, such as backbone systems and information systems to customers in a wide range industries

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Solid Management Foundation
Creating financial foundations to support service businesses

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CTC Strengths

1 Total Solutions Provider | 2 Multi-Vendor | 3 Wide Customer Base | 4 Solid Management Foundation

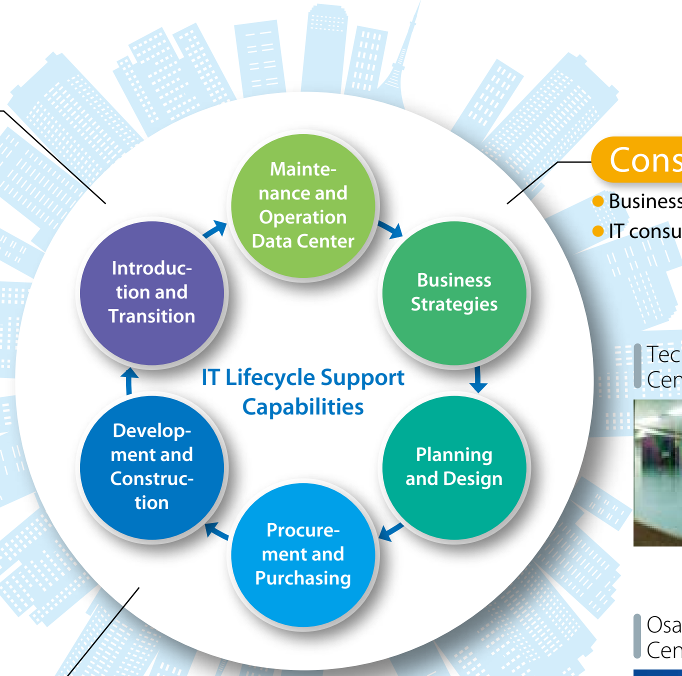
Total Solutions Provider

From consultation to assist with business strategy formulation, planning and design, to system integration to develop backbone systems and infrastructure construction and outsourcing of maintenance service and data center operation, CTC is a total solutions provider possessing the overall strength to support customer needs throughout the IT lifecycle. Going forward, as a prime contractor, we will enhance corporate value by providing optimal one-stop solutions and contributing to corporate growth.

CTC's Business Model

Outsourcing

- Maintenance and support
- Office transfers
- Operation and administration
- Technical training



Consultation

- Business consulting
- IT consulting

System Integration

- Industry solutions
- Business solutions
- IT solutions (including databases, storage, networks and security)

Data Centers (five locations nationwide)


Yokohama-East


Yokohama-West


Kobe


Otemachi

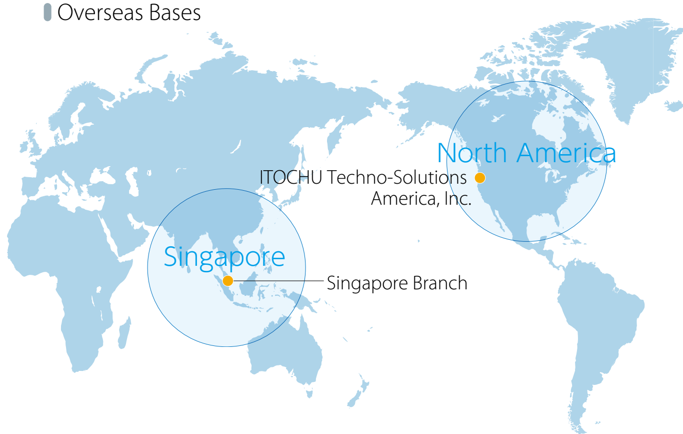

Shibuya


Mejirozaka

Technical Solutions Center

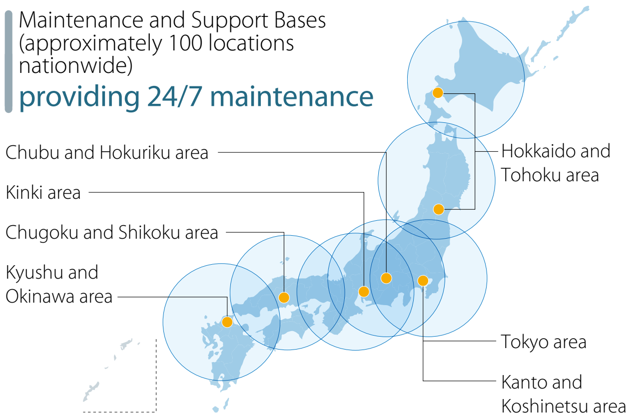
Osaki Development Center

Overseas Bases



Maintenance and Support Bases (approximately 100 locations nationwide)

providing 24/7 maintenance



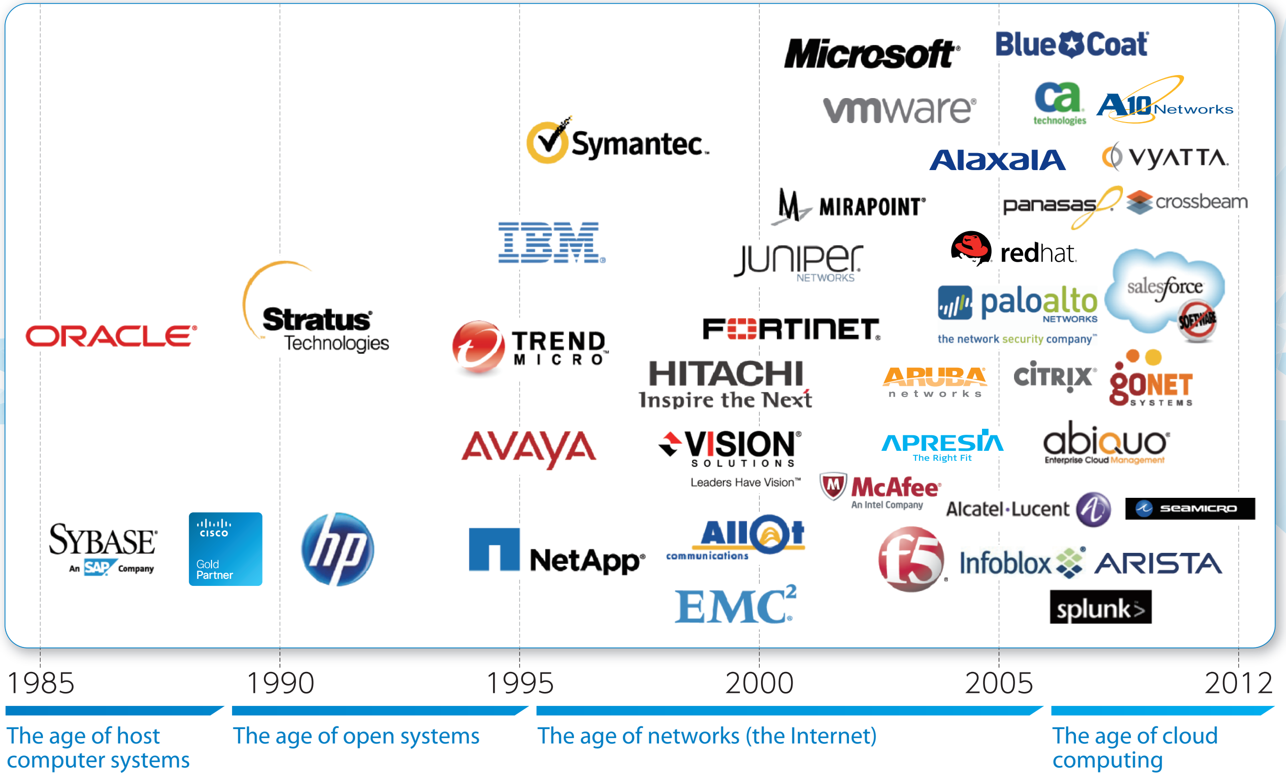
Data Center Total Floor Space

Yokohama	East 21,414 m² West 21,593 m²
Kobe	18,898 m²
Otemachi	4,376 m²
Shibuya	1,693 m²
Mejirozaka	5,846 m²

Multi-Vendor

CTC's mission is to provide the best solutions for customer IT system needs, regardless how advanced or complex. To this end, since our founding we have anticipated industry trends and created partnerships with leading IT vendors in Japan and overseas with strong technological capabilities to propose ultimate solutions to heretofore unseen complex and difficult challenges. Going forward, CTC will integrate its acquired system construction expertise with the strong technological capabilities and broad variety of product lineups from vendors to provide the best solutions to a wide range of customer needs.

History of CTC's Vendor Alliances



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Major Vendor Partnerships

Avaya	Platinum Partner
Cisco Systems	Gold Partner Global Award 2010
EMC	Signature Partner EMC Velocity Signature Partner (No. 1 Vendor in Japan for Unified Storage VNX Series Sales Volume)
Hewlett-Packard	Premier Business Partner HP Blade Systems Partner Award Partner of the Year
HITACHI	Business Partner (No. 1 Vendor in Japan for Hitachi Storage Solutions) JP1 Technical Award
Microsoft	Gold Competency Partner Consulting Partner
NetApp	Star Partner (No. 1 Vendor in Japan) Partner of the Year Award Support Partner of the Year
Oracle	Oracle Platinum Partner Oracle Excellence Award 2012 Oracle Excellence Award Specialized Partner of the Year Security— Japan Server and Storage— Japan
Symantec	Symantec Platinum Partner Data Protection Master Specialization High Availability Master Specialization Storage Management Master Specialization Enterprise Security Specialization Small and Medium Business(SMB) Specialization
VMware	VMware Solution Provider Premier Partner Channel Partner of the Year

As of July 2012

Wide Customer Base

Up to now, CTC has supported the resolution of customer issues with IT technology as a total solutions provider. CTC customers, including telecommunications carriers and financial institutions with systems that must run 24-hours a day, 365 days a year, manufacturing and public sectors, with many large-scale systems, and construction and energy sectors, which demand advanced scientific computation, come from an increasingly wide range of industries. CTC cultivates skill and expertise through the provision of solutions to a wide range of customers. The experience and knowledge gained is giving rise to the provision of even more advanced and innovative IT solutions.

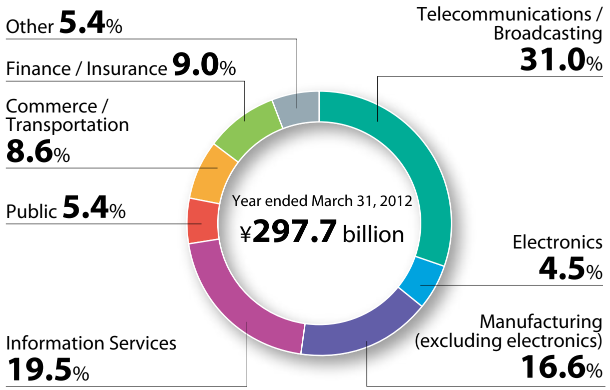
Cross-Industry Solutions

- Virtualization / integration IT infrastructure
- Security (intrusion countermeasures)
- Integrated office infrastructure
- Contact center / CRM
- Internal controls (integration ID / access management)

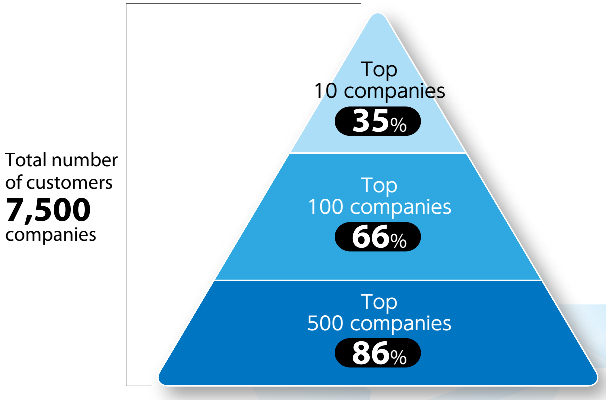
Solutions by Industry

Telecommunications / Broadcasting	● Large-scale network design ● Large-scale database configuration ● High-volume transaction response
Financial / Insurance	● Market-oriented systems ● Risk management systems ● Client channel systems
Distribution / Services	● Backbone systems ● Data analysis systems ● E-commerce
Manufacturing	● Product design / development support ● Product management system
Science	● Construction / energy computational science solution

Net Sales by Industry (Year ended March 31, 2012)



Sales to Top Customers (Year ended March 31, 2012)

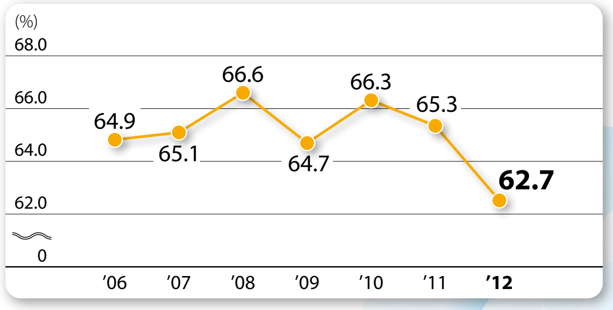


Solid Management Foundation

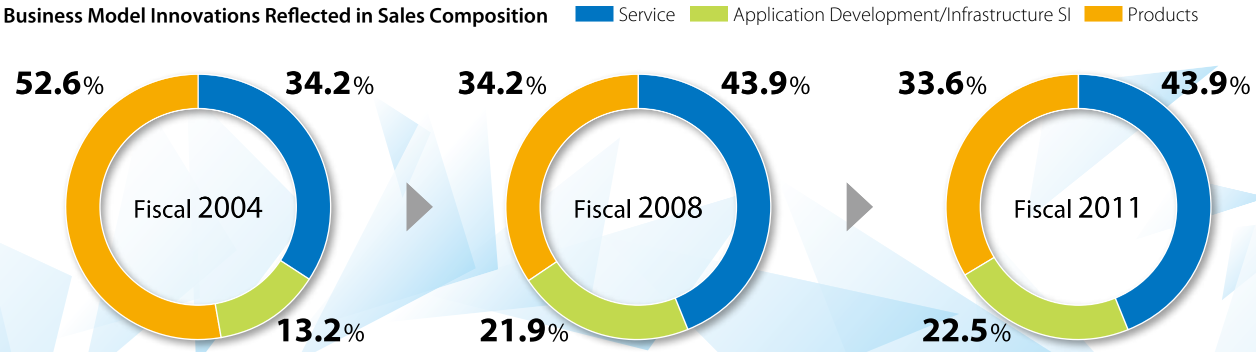
With the focus on cloud computing, customer IT needs are now shifting from ownership to usage. Accordingly, customers engage in rigorous scrutiny of solid management, selecting IT service companies based on their ability to provide ongoing services as well as the content and quality of their services. Since its founding, CTC has made efforts to create a robust management foundation. To this end, over the past several years, we have strengthened the expansion of services, our stock business with initiatives to realize an even more solid and stable management foundation.
A management foundation built in this fashion is appreciated by discerning customers, and we will keep moving toward becoming an IT service company that customers' to meet customers' IT needs.

Note: Stock business refers to businesses that provide stable, continuous profits, as opposed to flow businesses, which earn one-time, non-continuous profits, usually for the provision of a service.

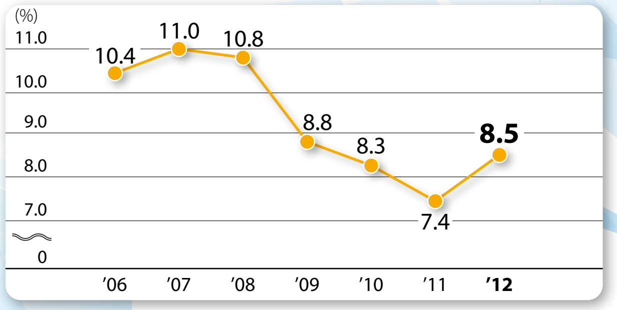
Equity Ratio



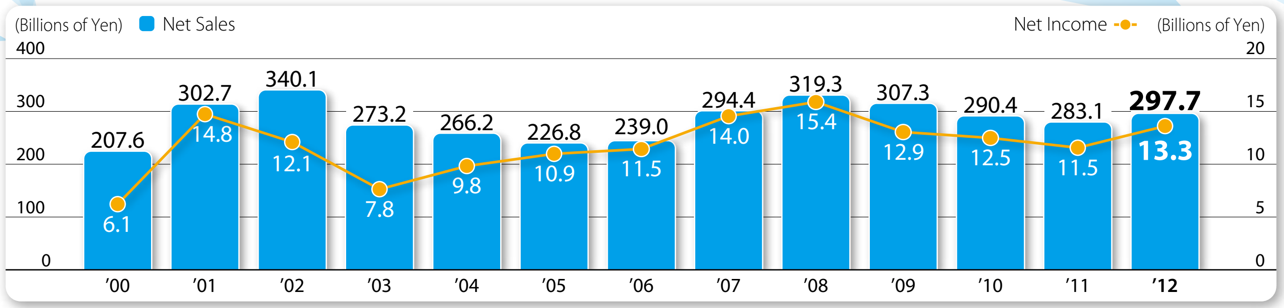
Business Model Innovations Reflected in Sales Composition



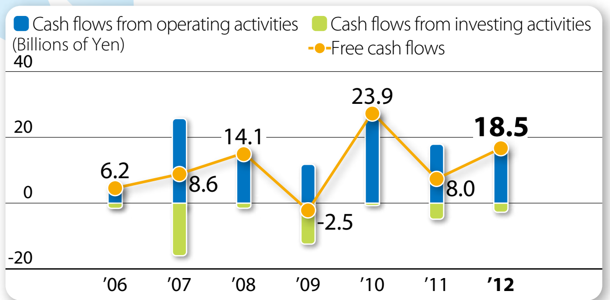
Return on Equity (ROE)



Net Sales and Net Income (Years ended March 31)



Free Cash Flows



Aiming for Further Developments as a Leading Technology Company

Satoshi Kikuchi President & CEO

Profile

Satoshi Kikuchi

Joined ITOCHU Corporation in 1976. Worked for many years in energy sector sales, including 10 years in England and the Middle East. After that, served as Energy, Metals & Minerals Company Planning & Administration Department Manager, General Manager, Corporate Planning & Administration Division, Managing Executive Officer, Chief Corporate Planning Officer and Managing Director. From April 2009, served as Director, Managing Executive Officer of the Chemicals, Forest Products & General Merchandise Company and in April 2010, was appointed Managing Director. From June 2012, President and CEO.

Q1 To begin, please tell us about your background.

A1 After working mainly in the energy sector, I became General Manager of the Planning and Administration Department, then CIO of ITOCHU Corporation.

After joining ITOCHU Corporation in 1976, I worked consistently in sales within the energy sector for 28 years. During that time, I spent six years in England and four years in the Middle East. After that, a transfer to the Energy, Metals & Minerals Company corporate planning. I became chief information officer (CIO) in 2008. In 2011 as director, managing executive officer of the Chemicals, Forest Products & General Merchandise Company, I was involved in ITOCHU Corporation's purchase of a major British tire retailer, Itochu's third largest investment project at that time, as well as the purchase of a Finnish paper and pulp company among many other acquisitions.

As CTC's president and CEO, I will use this experience in an effort to advance the Group.

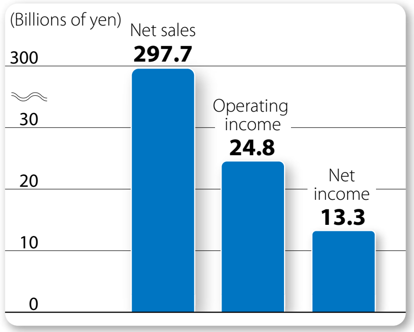
Q2 Please discuss earnings in fiscal 2011.

A2 Healthy telecommunications, manufacturing and public sectors resulted in increased sales and profits.

In fiscal 2011, we were initially concerned that performance would be adversely affected by the impact of the Great East Japan Earthquake, but sales grew favorably on network projects for mobile carriers, storage integration projects for automobiles and the cloud computing business for the public sector, resulting in a strong finish with higher sales and profits than the previous fiscal year. Furthermore, CTC was able to demonstrate its strength in Infrastructure SI with the acquisition of large-scale infrastructure SI projects from customers in the public sector.

Our gross profit margin (26.7%), operating income margin (8.3%) and ordinary income ratio (8.4%) were the highest since the management integration in 2006. These achievements were the result of initiatives to strengthen earnings quality over the past several years.

Fiscal 2011 Performance



Q3 How do you see the environment surrounding the IT market?

A3 IT investment in cloud computing finally gained momentum in fiscal 2011.

I feel IT investment to reduce overall system expenses, such as the effective use of assets through virtualization and integration, has begun in earnest.

Of course, while many large companies still manage IT systems connected to their core businesses in-house, for other systems many companies are considering the use of data centers and outsourcing. Furthermore, in 2011 companies also strengthened business continuity plan (BCP) and disaster recovery (DR) measures after the Great East Japan Earthquake. Accurately anticipating these movements, we are attempting to meet customer needs quickly with private cloud computing, mainly focused on virtualization and integration technologies. To this end, CTC is leading the industry by moving forward with multi-virtual data center empirical experiments using multiple data centers as one data center. In this way, the CTC makes use of its capabilities to proactively promote the development of industry-leading solutions.

Q4 What are CTC's strengths in the cloud computing business?

A4 CTC's strengths in the cloud computing business are a wide customer base, our position as a multi-vendor and total solutions provider and a solid management foundation.

CTC's four strengths* are used in the cloud computing business area.

First, with respect to its wide customer base, CTC does business with approximately 7,500 companies across a wide variety of industries. Cloud computing is getting attention from all kinds of industries, and CTC's wide customer base presents an opportunity from the perspective of business development.

Next, CTC has built powerful partnerships with many major IT vendors overseas and in Japan, gaining infrastructure SI expertise in the process as a multi-vendor. As a result, we are able to meet customer needs by providing best match solutions without being tied to a specific manufacturer.

Our third strength is as a total solutions provider, which enables us to provide one-stop services for each customer's IT lifecycle. Customer needs vary significantly just within cloud computing. While there are customers that want to create a cloud computing environment in-house, other customers do not want to hold any IT assets and, from construction to operations, customers that would rather outsource those operations and pay expenses as a usage fee. As a total solutions provider, CTC is able to offer services to meet individual customer needs.

Our fourth strength is a solid management foundation. As previously mentioned, to flexibly meet customer needs for the outsourcing of IT assets and operations, CTC must maintain IT assets used by customers. The strength of our management foundation enables us to provide this service.

In this way, from the perspective of cloud computing business area differentiation, CTC's strengths are being fully realized. Going forward, we will make maximum use of these strengths by developing unique services that meet customer needs.

Note: For details of CTC's four strengths please see CTC at a Glance p. 3-6.

Q5 You did well the telecommunications area. Do you see this continuing in fiscal 2012?

A5 We expect the network enhancement business to continue transitioning in fiscal 2012 in line with the spread of smart devices.

In fiscal 2011, the explosive spread of smart devices and smartphones in particular caused a surge in the volume of telecommunications data traffic. CTC's mobile carrier business expanded significantly on aggressive capital expenditure.

I expect the spread of smart devices to continue in fiscal 2012. Furthermore, from the perspective of smart devices increasingly being used as sales and operational support tools by all kinds of companies, data traffic using wireless networks should continue to increase. If data traffic continues to increase, CTC's business opportunities will also continue to expand.

In addition, the telecommunications area is one where new technologies are continually emerging, and CTC will continue to be prepared to respond to the latest technology by quickly ascertaining industry movement.

Q6 Besides cloud computing, what other areas are you focused on going forward?

A6 We are also strengthening our support for big data.

2012 is considered to mark the beginning of big data as a full-fledged business, with many companies enhancing their big data initiatives. CTC has been preparing to support big data since fiscal 2011.

From scientific computation simulation and infrastructure SI, to software development and consulting services, CTC has a great deal of organizational technologies and expertise useful for big data. To smoothly fuse these technologies and expertise, we established the companywide cross-organizational Big Data Business Task Force and began training data scientists to be big data specialists. As a result, we are able to provide total solutions in response to customer demands, from the collection and analysis of data for creating the necessary infrastructure, to support for business decision-making. We also established the Big Data Processing Lab as an environment enabling customers to verify the effectiveness of big data.

Cloud computing is a defensive investment, contributing to cost reductions and BCP, while big data is an offensive investment that strengthens a customer's business. CTC will continue to promote win-win relationships with our customers.

Q7 What is your perspective on global expansion?

A7 We are engaged on two fronts: support for Japanese companies as they expand globally and business development for local overseas companies.

Global expansion is one important theme of CTC's medium- to long-term growth strategy. At present, the Japanese population is steadily shrinking; statistical data suggests that by 2050 the population will have shrunk to 100 million people. If that does indeed happen, CTC must create profitable businesses overseas to continue growing. To this end, CTC is engaged in global expansion to support Japanese companies expanding their businesses overseas, as well as the business development of local companies overseas.

With regard to support for the global expansion of Japanese companies, the global advance of Japanese companies is accelerating daily. Many companies approach CTC wanting to create systems overseas that are the same as systems used in Japan. CTC aggressively promotes global development to make use of our strengths overseas and meet customer needs. A first step toward this end was the establishment of our Singapore Branch in fiscal 2011. We also established an overseas subsidiary in the United States in April 2012.

In terms of the business development of local companies overseas, in my personal experience, we absolutely will not succeed without an accurate understanding of the region and how to enter the market. To this end, in June 2012, CTC became an equity participant in Netband Consulting Co., Ltd., which provides IT service support for over 100 major corporations in Thailand. To succeed, it is critical to develop business with powerful local companies, so for the time being, we will engage in partnerships with powerful local companies in Asia, providing them with advanced Japanese technologies and expertise. With my many years of experience with overseas partners and CTC's network, we plan to aggressively develop this business going forward.

At the same time, we will focus our efforts on cultivating our human resources for the promotion of overseas business.

Q8 What is the outlook for fiscal 2012?

A8 We will make further use of CTC's strengths to continue enhancing performance.

We aim to improve profitability and grow sales by deepening our relationships with customers mainly in the telecommunications area, which grew healthily in fiscal 2011. In addition, we will also engage in efforts to develop new customers and strengthen the cloud computing business. We will also proceed with investment focused on medium- to long-term growth to cultivate big data business and promote global expansion.

Our fiscal 2012 management plan forecasts consolidated net sales of ¥315 billion, operating income of ¥27 billion and net income of ¥16 billion. The ¥27 billion in operating income represents an internal growth target, part of our Medium-Term Management Plan announced in fiscal 2010, which I really want to achieve. We are also aiming for 10% growth in orders received to ¥333 billion compared to fiscal 2011.

Q9 Please explain your position on shareholder returns.

A9 In line with favorable earnings in fiscal 2011, we are increasing the full-year cash dividend to ¥95 per share.

The CTC Group recognizes returning profits to shareholders as a preeminent management issue. CTC strives to ensure stable dividend payments, stressing return of profits in line with business performance, while carefully considering the balance of internal reserves as a fundamental policy for the improvement of dividend levels.

Based on these principles and in light of financial and other conditions, the fiscal 2011 full-year cash dividend was increased to ¥95 per share, for a consolidated payout ratio of 43.8%.

As for the fiscal 2012 cash dividend, the interim dividend payment is expected to be ¥50 per share and the full-year cash dividend is expected to be ¥100 per share.

Q10 What is your message to CTC shareholders?

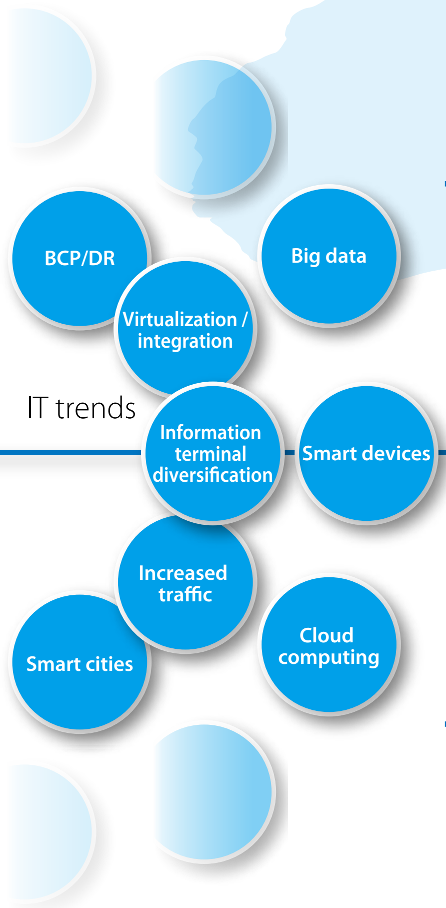
A10 We will make an effort to increase customer confidence while striving to build a new customer base.

With comprehensive strength as a solutions provider, CTC has grown through efforts to meet customer expectations with precise solutions. I am aware that my role is to build on our strengths and further expand our revenue base.

To this end, we will continue to invest aggressively and accept new challenges. Also, CTC is still able to develop business in the energy, chemical and general merchandise areas, where I was engaged for many years. I intend to use my personal network cultivated over many years to create a new customer base.

I hope for the continued understanding and support from shareholders and investors in all CTC business efforts.

Enhancing Cloud Computing Services, Promoting Global Expansion



2011

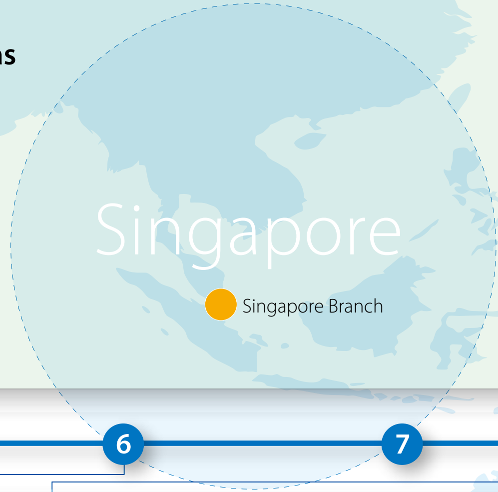
4 5 6 7

Laying the Groundwork for Medium- to Long-Term Growth

April 2011

Established Singapore Branch as First Overseas Base

CTC established its first overseas branch in Singapore, part of a growth strategy promoting global expansion. As the CTC Group's Asia hub, Group capabilities are concentrated on cultivating new areas for further growth while satisfying customer overseas development needs.



Enhancing Cloud Computing Services

June 2011

VMware Service Provider First Certification Acquired in Japan

First in Japan to receive VMware vCloud® Powered service provider certification under the cloud computing partner certification system promoted by VMware (United States). Strengthened CTC's cloud computing business.

August 2011

Launched Telematics Services for Smart Devices

Cloud services manage sales and maintenance staff on business outside the company with smart devices using the Android OS. Analyzing this data, CTC provides guidance on efficient allocation of personnel and business operation optimization.

Winner of the Green Grid Data Center Performance Award 2011

This award is recognition and an assessment of the continuity of improvement activities, as well as the energy efficiency improvement initiatives of organizations and corporations operating data centers in Japan. Last summer, CTC executed peak shift measures using storage batteries and ice thermal storage to effectively enhance energy conservation. The award recognizes the steady efficacy of CTC initiatives involving data centers built several years in the past.

the green grid member

North America

ITOCHU Techno-Solutions America, Inc.

December 2011

Cloud Computing Service Launched in Support of Smart Community Planning and Management

The development of cloud computing service *E-PLSM* was based on a concept advocated by the University of Tokyo professor Hideaki Miyata, utilizing accumulated wind power, solar power generator predictive technology and optimization technology. CTC has begun support for the realization of a Smart Community, the aim of many municipalities and other organizations.

February 2012

Big Data Test Demonstration Lab Established

The Big Data Processing Lab (BPL) was established as a part of CTC's promotion of the big data business. The BPL is equipped with the latest technologies and equipment to conduct various tests in support of customer needs. The results of these tests will be used to propose the most appropriate systems.

➡Note: Please see related information on page 20.

April 2012

Established ITOCHU Techno-Solutions America, Inc., First Subsidiary in North America to Strengthen Global Support Capabilities

Having established the Singapore Branch, the next overseas expansion was ITOCHU Techno-Solutions America, Inc. Focused on the North American region, this branch strengthens investigation and marketing activities related to advanced technologies and market trends while meeting customer overseas development needs.

8 9 10 11 12 2012 1 2 3 4

August 2011

Expanded Consulting Services for Large-Scale Private Clouds

Began provision of *SOIDEAL* for private clouds, a new consulting service for internal services after construction and establishment of management structures as well as the construction of private clouds.

September 2011

SmartBiz+ Launched as Cloud File Sharing Service for Multi-Devices

The *SmartBiz+* service enables file sharing via a terminal containing diverse information. Information can be shared in-house or in the field using smart devices. This meets the needs of companies that want to improve operational efficiency using smart devices.

➡Note: Please see related information on page 16.

December 2011

Launched Private Cloud Architecture and Management Solution *cloudage FaaST*

Began provision of *cloudage FaaST*, a time-saving and low-cost all-in-one solution offering the hardware, virtualization software and management services required for private cloud architecture.

April 2012

Launched Cloud Service to Support DR

Since the Great East Japan Earthquake, DR needs have grown rapidly. Launched *Techno CUVIC DR* cloud service to realize redundant load balancing through linked data centers.

Special Feature 1

"Connect Immediately, Whenever, Wherever" —New Thesis of IT Strategy

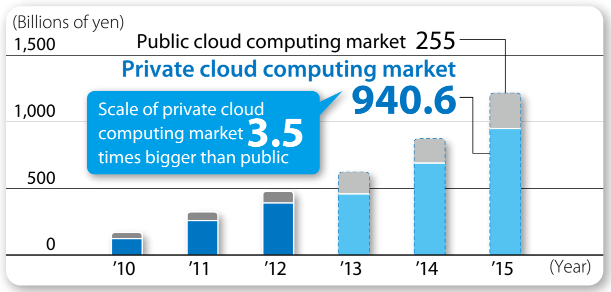
Becoming involved in cloud computing early on and making use of its four strengths: a total solutions provider and multi-vendor with a wide customer base and a solid management foundation, CTC has amassed numerous achievements. With the cloud computing market now in a growth phase, we will grasp new needs accurately and maintain our position in the industry vanguard.

Spread of Smart Devices Advances Use of IT to New Stage

Companies have been promoting efficiency in their IT systems to cut costs amid the global recession that began in 2008. These companies became interested in the rapid advances of virtualization and integration technologies as well as cloud computing services. From as far back as 2007, CTC had already begun involvement in virtualization, providing private cloud package solutions and IT infrastructure public services. Private cloud includes construction of ANA SKY WEB, an Internet reservation site run by All Nippon Airways, and common IT infrastructure virtualization for Yokohama Bank integrating approximately 200 servers. Also, in terms of public clouds, we offer a rich service lineup, including BCP and energy use-related services, to customers. In this way, CTC uses its strengths to provide optimal services meeting customer demands, whether private or public, leading the Japanese domestic cloud computing market.

Trending strongly with an annual average growth rate of 41.5% between 2010 and 2015, the cloud market is expected to expand to ¥1,195.6 billion by 2015. One factor driving this growth is the spread of smart devices such as smartphones and tablet devices. For the past few years, smart device growth has been driven by purchases for personal use by end-users, and in fiscal 2011, smart device shipments outnumbered shipments of notebook PCs. Also, corporate investment in mobile devices is shifting from notebook PCs to

Cloud Computing Market



Sources: Created by CTC using the following two documents • IDC Japan Nov. 2011 Cloud Domestic Service Market, 2011-2015 Forecast Update • IDC Japan press release Sep. 2011 Domestic Private Cloud Market Forecast Announcement. Note: Public cloud computing figures are vendor sales, private cloud computing figures are user expenditures. Public cloud computing figures exclude application development; private cloud computing figures include application development.

smart devices, with 43.3% of companies expanding their budgets for smart devices in fiscal 2012 (Source: IT media/ITR, November 2011).

One reason so many companies are expanding their investment in smart devices is that they want to realize a new work style not limited to the workplace as soon as possible. Smart device usage enables off-site employees to take care of office work and access email and groupware, enhancing work efficiency. Expanding the usage environment enables a new way to conduct marketing and sales and other core functions of corporate activity.

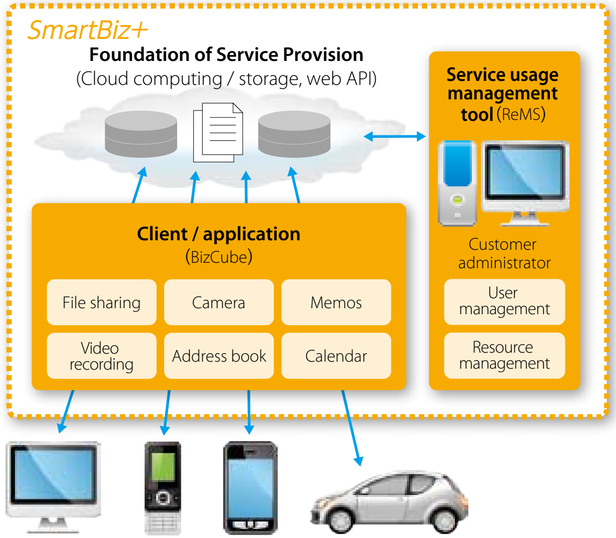
With the ability to connect immediately, whenever, wherever, cloud computing is ideal for this new work style. Companies are now focused on new IT combining smart devices and cloud computing.

Among First to Offer Service Linking Smart Devices and Cloud Computing

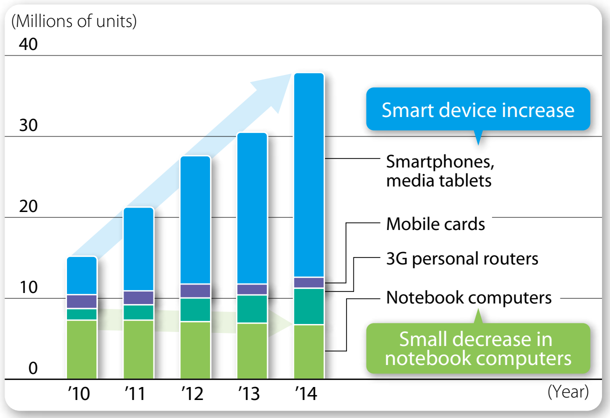
Anticipating the needs of this new age early on, CTC launched *SmartBiz+* in September 2011 as a new way of using IT combining accomplished cloud services and smart devices. *SmartBiz+* is a cloud computing service enabling the simple and safe creation of data and file sharing among smartphones, tablet devices and personal computers. Using dedicated application *BizCube*, various kinds of data, including videos, images, audio, text memos, an address book and a calendar, can be created easily using an intuitive interface. And, as data created is stored in the cloud computing on shared servers, no data is stored on any devices. This enables the prevention of leaked information in the event of loss or theft.

With these special features, work can be conducted safely whether in the office or off-site, enabling greater

***SmartBiz+* Overview**



Domestic Mobile Device Shipments Forecast



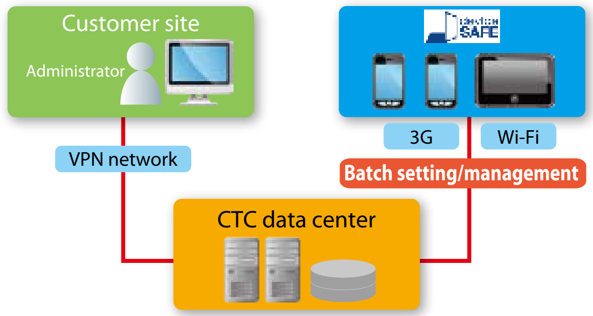
Source: IDC, Dec. 2010

TOPICS 1

Supporting Promotion of Smart Device Usage in Businesses with Corporate Smart Device Management Services

CTC developed cloud computing service *deviceSAFE* for the management of smart devices. We integrate MDM* and virus countermeasure functions so customers can use mobile devices safely amid the growing use of smartphones and tablet devices in business. In March 2012, we began providing these services to FANCL, the first customer for these services, for use with the tablet devices they use in retail stores.

Note: **Mobile Device Management (MDM):** system for managing smartphones and tablet devices. Creates and distributes operations usage policies, monitors status of devices, wipes data in case of loss.



operational efficiency. Also, since salespeople can download and utilize the latest version of required materials from a shared server in the cloud whenever, wherever, there is no longer any need to take heavy catalogs or a heap of materials when meeting with customers. And, since smart devices boot quickly, in the event one has to talk business on the go, they can be turned on swiftly to display necessary information and facilitate a well-timed business discussion.

CTC plans to promote strengthening of the cloud computing business even among industry sectors and industries lagging in IT usage by supporting customer operational efficiency with new services combining the functionality of smart devices and the convenience of cloud computing services.

Seamless Connection of Multiple Industry-Leading Data Centers in Response to BCP/DR Countermeasures

Since the Great East Japan Earthquake, there has been a rising awareness of business continuity plan (BCP) and disaster recovery (DR). This has led to increasing attention on cloud computing as a means of continuing operations during an emergency and minimizing the impact of various disasters on company operations.

To support corporate BCP creation, in April 2012, CTC launched *TechnoCUVIC DR*, public cloud computing services to realize remote site data backup. Providing a wide variety of services in line with customer needs, *TechnoCUVIC DR* provides backup services for data storage and load-balancing and system redundancy between data centers, enabling the continuation of systems and services.

In advance of service provision, to enhance the availability of data centers, we linked the broadband connections between our Kanto and Kansai area data centers to create a more secure large-scale network foundation among data centers.

Leading a Successful Global Business with Speedy IT Integration Using Cloud Computing

In May 2012, CTC began proving tests on Multi-Virtual Data Center services where multiple data centers make virtual use of one data center.

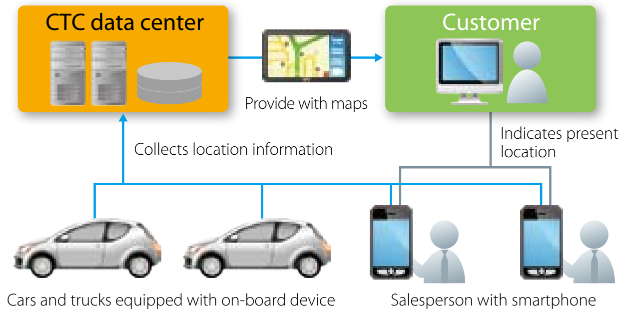
Another factor driving growth in the cloud computing market is the need for IT integration and realization of efficiency, which is increasing in line with the global business advances and M&A activities of many corporations. In anticipation of these needs, CTC is utilizing its strengths as a multi-vendor to realize optimal global cloud environments.

TOPICS 2

Combining Smart Devices and Cloud Computing Information Provision Services to Support Operational Efficiency

CTC launched a cloud-type telematics service for smart devices running Android OS. The acquisition and analysis of location information from in-vehicle devices and smartphones running Android OS provides efficient moving route information. Also, in the event that an emergency response is required, express mode enables indication of the closest employees in order of proximity from the center.

Telematics Service Scheme



Special Feature 2

Using Big Data to Further Strengthen Our Competitive Advantage

Right now, big data is gaining attention in the IT industry.
To lead the industry as the company most highly rated by customers in this area, we are moving quickly with initiatives making use of our strengths as a multi-vendor.

Various Kinds of Enormous Data an Essential Hint to Corporate Management

Digitalization has resulted in the generation of various kinds of digital data throughout the world every day. This data comes from a widening range of domains, from the business information of corporations to POS data, credit transaction histories and data from a variety of traffic and weather sensors. In recent years, amidst the improved convenience of mobile information devices such as the smartphone and expanded use of social networking services (SNS), Internet access is exploding, with data generated in a single day reaching into the petabyte (millions of gigabytes) range.

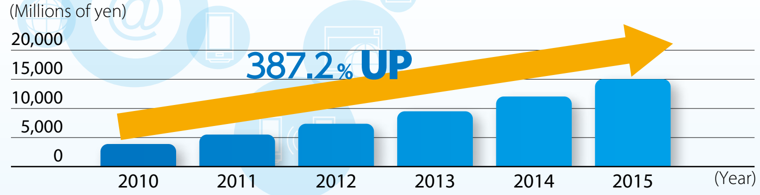
Right now, there is noticeable movement toward making a business out of large amounts of data.

In the past, handling all kinds of massive data was difficult in IT. Low-cost, high-speed and high-capacity storage, improvements in high-speed processing technology and advances in analytical technologies have enabled the high-speed processing and real-time analysis of large amounts of data.

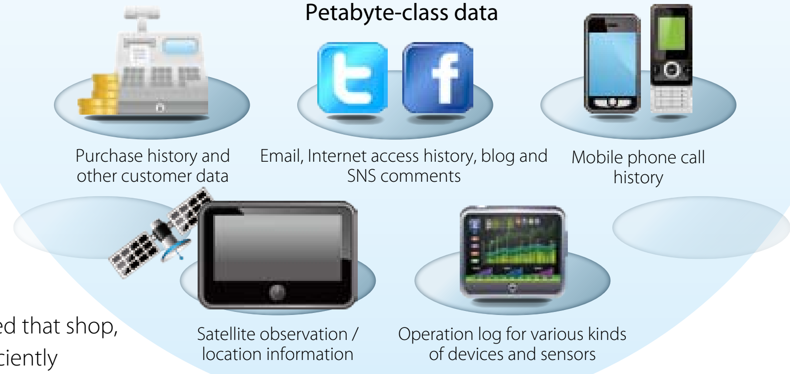
As a result, analyzing the correlation between, for example, SNS content about a customer's impression of a shop and how many times the customer has visited that shop, facilitates SNS promotional planning aimed at efficiently driving traffic to that shop. By analyzing location information from car navigation systems in real-time, routes to avoid traffic congestion can be continuously displayed. Analysis of equipment design and manufacturing data can reveal ways to improve quality, while analysis of overall energy usage in a community can lead to the realization of energy provision optimization.

Predicting human behavior and natural phenomena through the analysis of large amounts of data, the thinking useful for the construction of social infrastructure and corporate management is called big data, which continues to attract attention.

Domestic Cloud Computing Service Market Storage Sales Forecast



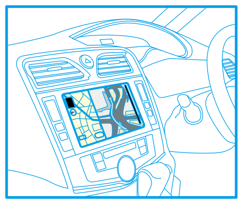
Source: IDC, Nov. 2011



Elemental technology to realize big data

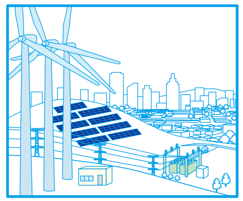
Streaming computing	In-memory technology	No SQL
M2M/sensor network	Data mining	Cloud computing

Regional advertising development optimization



Navigation and signal regulation based on traffic predictions

Contributes to manufacturing efficiency and quality improvement



Realizes smart city demand response

Enables timely, high-precision analysis and prediction by processing massive amounts of data in real-time

Making Use of Knowledge and Technology up to Now to Launch Big Data-Related Services

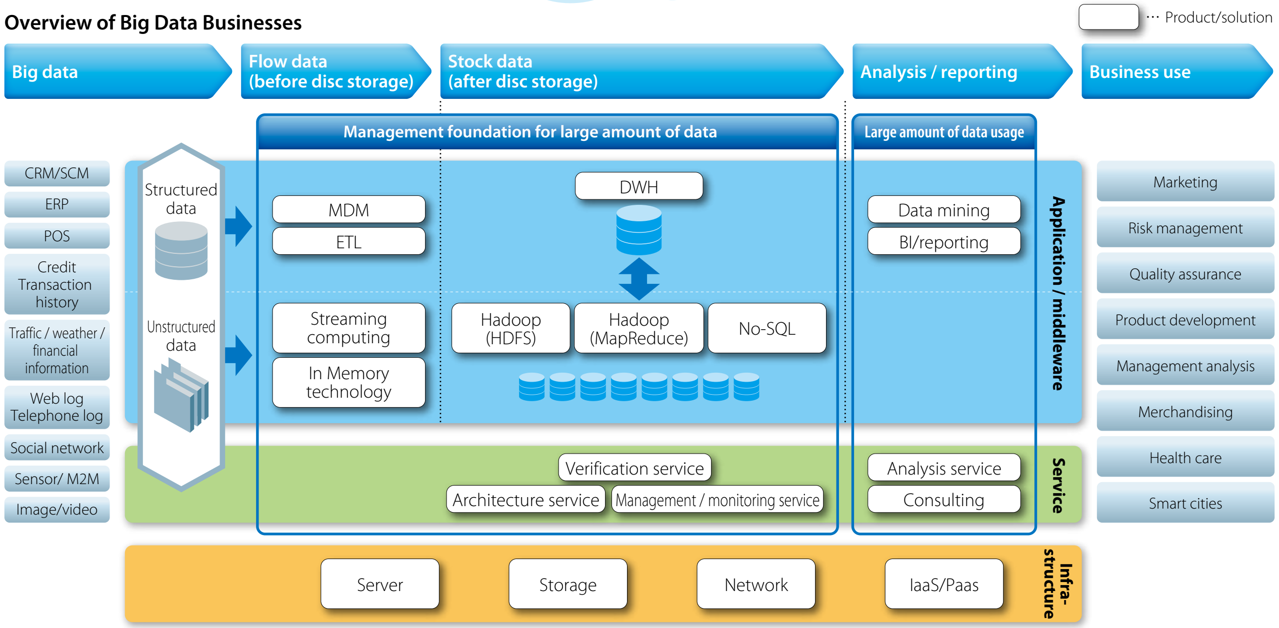
Anticipating this movement, CTC began big data business defined as follows: big data business is to increase the value of our customers' business using our latest information processing technology and highly analytical skill and large amounts of diverse data as materials.

Simply combining high-speed hardware and superior software does not make big data function. This will be the first effective solution to optimize the selection of hardware and software to meet individual needs such as higher-speed data processing and use of customer information to make business activities more efficient.

Making use of CTC's strength as a multi-vendor, we have a varied product lineup for big data developed by domestic and international vendors. CTC promotes various initiatives considered to be big data business, from the provision of infrastructure platforms including storage and server optimized to customer needs, to the construction of systems for the efficient management and analysis of large amounts of data and proposals that make use of these results in business.

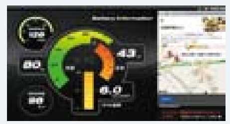
Specifically, we established a cross-functional Big Data Business Task Force in December 2011. We develop marketing activities, hold seminars in collaboration with vendors and develop solutions linked to each organization based on customer behavior and technological information gathered and shared by participating members from each business group. We are also engaged in the training of data scientists equipped with a wide range of knowledge and technology as specialists in big data.

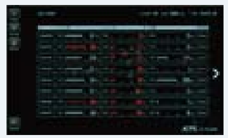
Overview of Big Data Businesses



Column Next-Generation Traffic System Solution

Gathering and Analysis of Massive Operational Data to Examine Plan for Introducing Optimized Electric Buses in Smart Cities





CTC develops operation management systems that monitor in real-time using an on-board device equipped with various kinds of sensors on electric buses that sends massive amounts of data such as rolling stock information pertaining to operating speed and electrical costs, location information and battery information to data centers. Also, by gathering and analyzing traffic congestion data and other related information, we establish electric bus introduction project evaluation simulation technology such as predictions for operation routes with optimized energy efficiency, schedules and battery charge timing. At present, CTC is using this technology to develop next-generation traffic system solutions in Japan and overseas. Participating in verification projects to realize smart cities domestically, we will continue to look for ideal operation projects for electric buses.

Big Data Processing Lab

Established:	February 16, 2012
Location:	Chiyoda-ku, Tokyo (inside Technical Solutions Center)
Specialized engineers:	Approximately 20
Services Provided:	High-speed large-volume assessment service

Establishment of Big Data Processing Lab Enables High-Speed Large Volume Data Processing Verification

In another industry-leading move, CTC established the Big Data Processing Lab (BPL) to verify the efficacy of high-speed large-volume data processing systems proposed by CTC to customers. Having built a system verification environment in the BPL, our specialized engineers use data provided by customers to verify performance, data links, backups and fault tolerance from the perspectives of availability and operational efficiency. CTC provides high-speed large-volume processing assessment services from introduction through post-construction operation based on the verification record derived.

In this way, CTC promotes the introduction of total solutions involving hardware, software and services to meet diverse and high-level needs that are increasing every day, offering the kind of powerful support to customers only a multi-vendor with an abundance of experience, achievements and technical capabilities can provide.

Column Data Mining Solutions

Applying High Level of Specialized Scientific and Engineering Technology to Realize One-Stop Services for Customer Initiatives

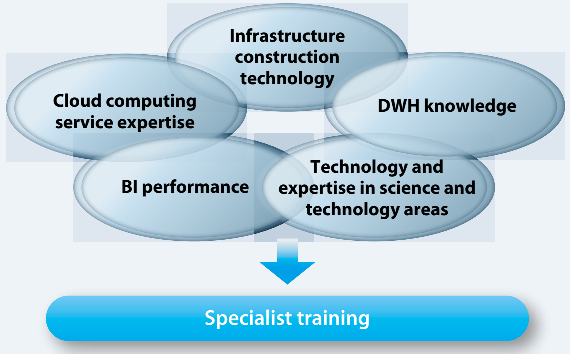
Heightened precision of massive data targets and analysis with advanced data mining methods are necessary for use in marketing and customer analysis of various kinds of data. CTC offers data mining solution services, for customers who want to analyze data simply and safely for use in their businesses. All customers need to provide are the data and data usage objectives. CTC provides one-stop analysis services that meet customer needs with a high level of specialized scientific and engineering technology cultivated over many years, as well as knowledge and technology gleaned from advanced social research. From customer initiatives ranging from customer visualization to marketing analysis, we offer strong support for data mining solutions in distribution, finance and telecommunications.

Column Cultivation of Specialists

Strengthening the Cultivation of Data Specialists to Propose Optimal Usage of Big Data

Specialists with expertise in IT, management and statistics, data scientists derive information profitable for corporate management from big data. As this kind of human resource is lacking in the world, CTC conducts this kind of internal training as one part of strengthening its business. In addition to supporting engineer acquisition of knowledge, we also promote knowledge acquisition by dispatching staff to vendors in Japan and overseas.

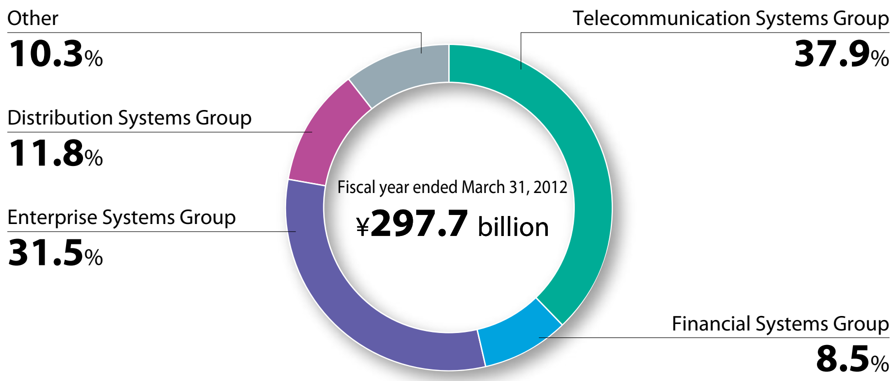
Establishment of Internal Cross-Functional Big Data Business Task Force



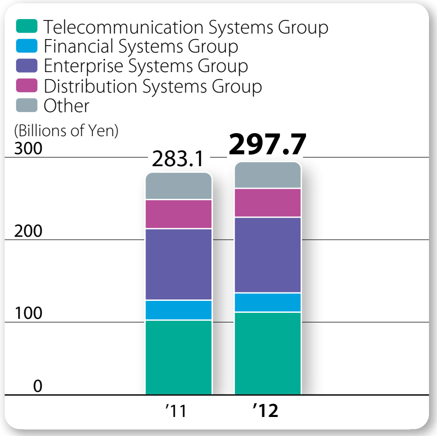
CTC's Business Portfolio

CTC is expanding its business activities based on a framework of six business groups and one division in order to meet the needs of various customers. Accurately determining customer needs, each business group delivers optimal solutions for customers through a wide array of solution line-ups.

Net Sales Comparison by Business Group

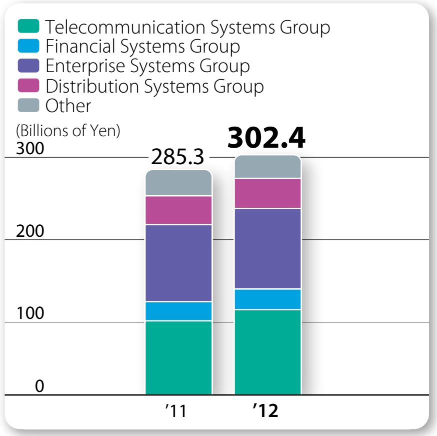


Net Sales by Group



Years ended March 31

Orders Received by Group

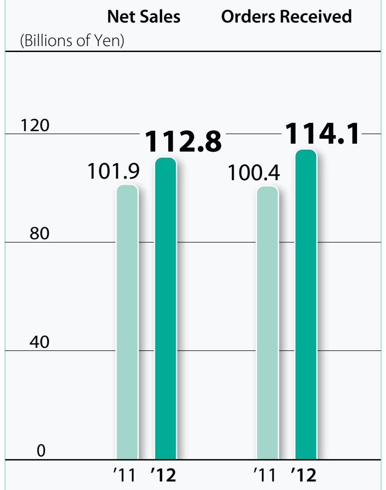


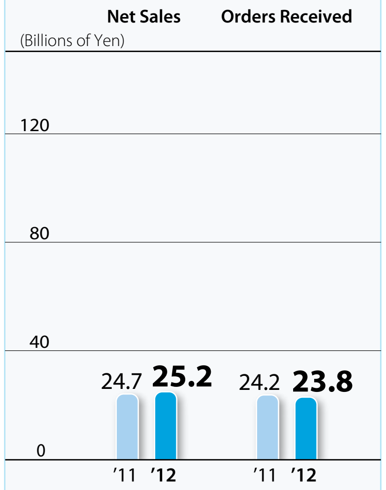
Years ended March 31

Telecommunication Systems Group

Financial Systems Group

Net Sales and Orders Received by Group
(Years ended March 31)





Overview of Business Performance

Telecommunication Systems Group: Amidst increased data traffic from the spread of smartphones, network capital expenditure projects by major mobile phone carrier were favorable. Orders and sales increased significantly compared to the previous fiscal year, including orders for large-scale common IT infrastructure projects.

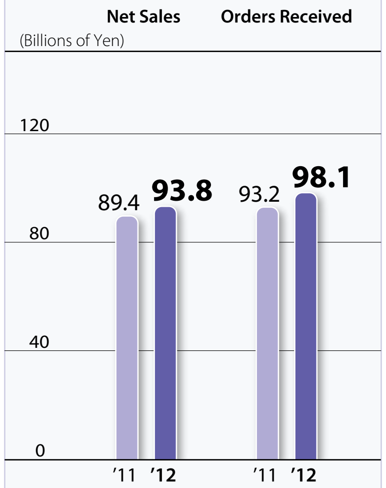
Financial Systems Group: Sales increased compared to previous fiscal year on growth in common IT infrastructure construction projects for credit card companies.

Business Range by Industry

Telecommunication Systems Group:
- Telecommunications / Broadcasting
- Information services
- Public

Financial Systems Group:
- Finance / Insurance

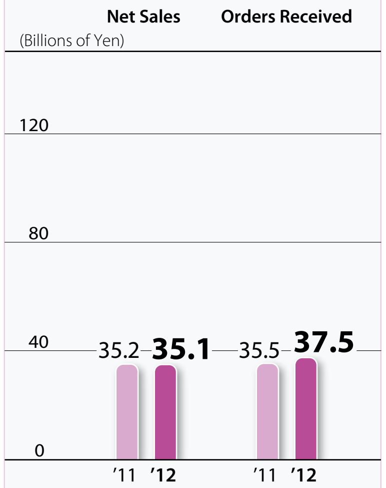
Enterprise Systems Group



Acquisition of new public sector projects from universities and the central government and steady IT investment among some in the manufacturing (automotive) industry drove increases in sales and orders compared to the previous fiscal year.

- Electronics
- Manufacturing (excluding electronics)
- Information services
- Public
- Commerce / Transportation

Distribution Systems Group



Although sales were nearly the same as the previous fiscal year mainly after convenience stores completed their IT investment, orders increased year on year due to steady IT investment by trading companies and energy wholesalers.

- Manufacturing (excluding electronics)
- Commerce / Transportation

Science & Engineering Systems Division

Net sales and orders received for the Science & Engineering Systems Division, the Cloud Platform Group and the IT Support Services Group are displayed under “Other”, as CTC does not disclose these figures individually.

Sales were higher than the previous fiscal year on growth in demand for analysis and simulation services in the energy and social infrastructure sectors.

- Manufacturing (excluding electronics)
- Public

Cloud Platform Group

Conducted anticipatory investment to expand cloud computing business, including the improvement of cloud computing service platforms mainly focused on *TechnoCUVIC* and data center network restructuring advances.

- Telecommunications / Broadcasting
- Electronics
- Manufacturing (excluding electronics)
- Information services
- Public
- Commerce / Transportation
- Finance / Insurance

IT Support Services Group

Although hardware maintenance is on the decline, we launched all-in-one cloud computing solution services that make use of maintenance and operational expertise to focus efforts on developing new added-value operations services.

- Telecommunications / Broadcasting
- Electronics
- Manufacturing (excluding electronics)
- Information services
- Public
- Commerce / Transportation
- Finance / Insurance

Outline of Our Business Group

Telecommunication Systems Group

Business Characteristics and Strengths

The Telecommunication Systems Group develops highly complex, mission-critical systems, including large-scale networks and databases, high-volume transaction systems and load-balanced processing for telecommunications carriers. In recent years, we have focused efforts on large-scale infrastructure construction projects in new business domains using large-scale infrastructure SI capabilities developed in the telecommunications business. Also, we are aggressively promoting cloud service businesses, such as email ASP, telematics services and mobile device management and other services.

TOPICS

- Developed authentication system for KDDI's mobile core network
- Launched cloud-type telematics services for compatible smart devices
- Provided *deviceSAFE* smart device management cloud computing service for tablet devices used by FANCL in domestic retail stores

Financial Systems Group

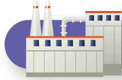
Business Characteristics and Strengths

The Financial Systems Group develops business systems for megabanks, credit card and securities companies, and the insurance industry. The Group proposes and develops systems that integrate its highly specialized expertise with advanced IT technology for financial institutions that demand a high level of reliability and security.

Amid intensifying global competition among financial institutions, each institution strives to maintain management stability and enhance customer services. In response to these management issues, the Financial Systems Group is focused on developing new services based on the concept referred to as *Financial SOIT*, CTC's unique next-generation financial solution.

TOPICS

- Launched *T-ReCS* public cloud computing services for contact centers
- Collaborating with Microsoft Japan on cloud computing solutions



Enterprise Systems Group

Business Characteristics and Strengths

The Enterprise Systems Group develops business for a wide variety of customers in manufacturing, Internet-related businesses, the service industry, governments and universities.

To resolve issues concerning customer IT system, we provide high value-added specialized and sophisticated services, from business strategy proposals and consulting to infrastructure construction, system development and operation and maintenance services. In recent years, large-scale private cloud computing projects involving virtualization and public cloud computing projects have been on the rise. In April 2012, we established the Cloud Business Promotion Division to strengthen management of the cloud computing business.

TOPICS

- Created private cloud computing for the All Nippon Airways Internet reservation website
- Revamped educational information system hybrid clouds for Tokyo University of Agriculture and Technology
- Realized manufacturing efficiency at the Kobe Steel Takasago Works with the introduction of a wireless LAN system

Distribution Systems Group

Business Characteristics and Strengths

The Distribution Systems Group provides total solutions from development, to introduction, support, maintenance and operation of backbone systems, the foundation of management, mainly to customers in general trading, convenience stores, food product companies and wholesalers. In the past few years, as cloud computing services have continued to expand in the distribution industry, the Distribution Systems Group has began offering electronic invoice system *ePromo*, which realizes invoice management cost reductions, and cloud computing service *cloudage Portal*, which shortens time required for construction and reduces total cost of ownership in portal sites freely arranged with abundant features.

TOPICS

- Engaged in building a hybrid cloud computing environment for ITOCHU domestic group companies, to begin operation in summer
- Began providing public cloud computing service *ePromo* to mail order food companies and energy wholesalers
- Contributed to customer's management activity efficiency through provision of *data mining services*, which involve data analysis, a big data business, to a telecommunications provider

Science & Engineering Systems Division

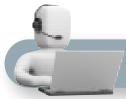
Business Characteristics and Strengths

The Science & Engineering Systems Division provides advanced, specialized, high-value-added services and solutions based on science computational technologies to public- and private-sector research institutions and large manufacturers. To the construction industry, we provide solutions for soil and rock analysis, seismic analysis and bridge structure analysis. To the energy sector, we offer consulting, systems development and operation services, for cooperation and co-management and demand forecasts between existing energy sources, as well as for renewable energy sources such as wind and solar power.

Furthermore, for the past several years, the division has been proactively developing business in the smart community sector, which aims for low-carbon and energy-efficient communities.

TOPICS

- Began offering large-scale construction seismic design simulation software in a cloud computing environment
- Began offering *E-PLSM* cloud computing service in support of smart community planning and management



IT Support Services Group

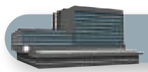
Business Characteristics and Strengths

The IT Support Services Group provides various IT services 24/7 from its service centers in approximately 100 locations nationwide through the collaboration of each business group and the CTC Group companies, CTC Technology Corporation and CTC System Operations Corporation. The group also offers onsite maintenance / operation, remote monitoring and help desk-related services.

In recent years, CTC has been focusing on expanding the function of remote operation centers, which enable the remote operation of IT systems, and IT facility management (ITFM), which combines office layout and design expertise.

TOPICS

- Added disaster and security countermeasures for the overall strengthening of Oracle Exadata building and operations services
- Began provision of all-in-one private cloud computing solution *cloudage FaaST*, which combines product and operations service



Cloud Platform Group

Business Characteristics and Strengths

The Cloud Platform Group, with five data centers across Japan, promotes IT infrastructure outsourcing business using CTC Group comprehensive strengths through the development and provision of *TechnoCUVIC* and other cloud computing service platforms and services.

In fiscal 2011, the network between data centers was restructured in response to increased concerns over BCP/DR fueled by the Great East Japan Earthquake. In April 2012, promotion functions were added to the group to strengthen cloud computing business marketing and planning capabilities and centralize communications to provide one-stop service.

TOPICS

- Provided *TechnoCUVIC* to Akita City's *Smart City Information Integration Platform*
- Began providing DR solutions in cloud computing services
- Won the Green Grid's 2011 Data Center Performance Award for promotion of data center and IT equipment energy efficiency

Notice Regarding Fiscal Reporting Segment Changes

Reporting segment categorization methods will change in the fiscal year ending March 31, 2013. The new segments are as follows.

Segments	Business Groups	Group Companies
Telecommunications	Telecommunication Systems Group	
Financial	Financial Systems Group	
Enterprise	Enterprise Systems Group	• CTC LABORATORY SYSTEMS CORPORATION
Distribution	Distribution Systems Group	• Asahi Business Solutions Corp.
Cloud Platform	Cloud Platform Group	• CTC SYSTEM SERVICE CORPORATION • CTC FACILITIES CORPORATION • First Contact Corporation
IT Support Services	IT Support Services Group	• CTC TECHNOLOGY CORPORATION • CTC SYSTEM OPERATIONS CORPORATION
Others	Science & Engineering Systems Division	• CTCSP CORPORATION

Corporate Governance

Basic Stance on Corporate Governance

The CTC Group's basic stance on corporate governance is grounded in the overarching philosophy of "Challenging Tomorrow's Changes." This expresses the execution of a clear mission and our acceptance of the ongoing challenge of achieving our vision with a strong sense of values. In this way, we at CTC endeavor to implement our philosophy of changing society for the better through business activities. Based on this corporate philosophy, we strive to further enhance management transparency and fairness while reinforcing corporate governance.

To insure this enhancement of corporate governance, CTC retains an independent director and an independent corporate auditor, who have no inherent conflicts of interest with regular shareholders.

Corporate Governance System and Structure

The Board of Directors, which consists of 13 members, including one outside director, convened meetings on a total of 19 occasions during the previous fiscal year. The Board of Directors makes decisions on important management-related issues and supervises the execution of duties by directors in accordance with various laws, the Company's Articles of Incorporation, General Meeting of Shareholders' resolutions, Board of Directors' regulations, CTC's corporate philosophy and the Group Code of Conduct. Directors participate in decision-making related to the Company's execution of business operations based on their established role on the Board of Directors.

The Board of Corporate Auditors is composed of four members, two of whom are appointed from outside the Group. In the previous fiscal year, the Board of Corporate Auditors met on 16 occasions. Within the limits of their legal authority, Corporate Auditors cooperate with the Audit Division and Independent Auditor to audit the execution of duties by directors for appropriateness.

Furthermore, CTC has adopted an executive officer system. This system is intended to delegate authority and responsibility for businesses in specific fields and encourage quick decision-making. Executive officers perform their duties within a defined scope of authority and in accordance with the instructions of the representative director. Directors responsible for the execution of specific duties hold the concurrent position of executive officer.

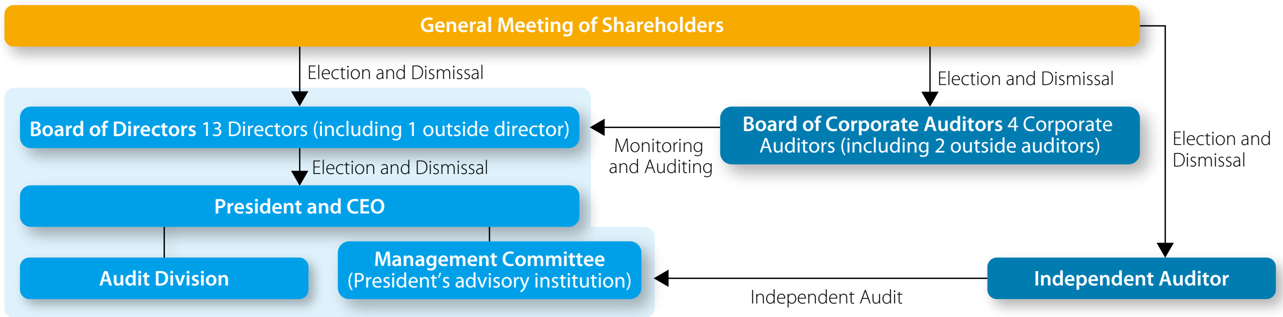
Internal Control System Maintenance

To ensure appropriate financial reporting, CTC maintains accounting, sales/purchasing-management and other internal regulations, clarifies the division and responsibilities of duties and takes steps to enhance internal controls by undertaking control and monitoring functions within its business processes. At the same time, the chief financial officer, Audit Division and Internal Control Committee provide guidance regarding supervision and improvement of internal control operations, enabling the Company to enhance systems that ensure appropriate financial reporting.

Regarding compliance, the actions of directors and employees follow CTC's corporate philosophy and the Group Code of Conduct. In addition, CTC has absolutely no contact with groups or individuals whose actions negatively impact social order, safety and business soundness. CTC appoints a chief compliance officer and has established the CSR Committee and departments that control matters pertaining to compliance. Furthermore, CTC works to enhance its compliance structure through the following measures: establishing compliance regulations and the CTC Group Compliance Program; appointing compliance managers in each department; implementing compliance education and training; drafting guidebooks on the law; maintaining an internal information provision system; and operating a document acquisition system for all directors and employees that comply with the Group Code of Conduct.

Regarding CTC's risk management system, CTC recognizes risk management as an important management issue. In order to respond to various risks in areas that include CSR/compliance, information security, disasters, foreign currency rates and other markets, credit, investment and technology, the CTC Group conducts the following risk management. CTC has established various types of internal committees, including the CSR Committee, and principal control divisions. Additionally, CTC determines various types of management regulations, business continuity plans, investment standards and limits on credit risks while maintaining reporting, monitoring and other necessary risk management systems and management methods.

Corporate Governance Systems (As of June 22, 2012)



Corporate Social Responsibility (CSR)

CSR Policy

The Society That the CTC Group Aims for and Our Role

The CTC Group is a group of companies supporting and improving the information infrastructure systems that serve society.

Up to this point, we have been contributing to the establishment and development of an information society by providing customers with technology products and services.

From now on, we will assiduously strive to understand how the information society of the future will be formed and, through communication with various stakeholders, including customers, we will work to develop information infrastructure systems to better contribute to this future with the intention of creating a society where all people can enjoy the benefits of IT.

In this way, passing on a sustainable society to the next generation through the power of IT is the corporate social responsibility of the CTC Group.

Stakeholder Relations

In the course of pursuing their business activities, companies establish and maintain relationships with various stakeholders. As part of its efforts to contribute to the creation of a sustainable society, the CTC Group works to maintain and develop good relationships with its stakeholders. The environment can be considered an important stakeholder as well. We are proactively working to "do whatever it takes" to address such worldwide issues as global warming, the depletion of resources and the destruction of eco-systems.

Information Security Policies

As part of its information leak countermeasures, the CTC Group practices the following security measures.

1. Encrypted hard drives on all take-home laptops
2. Introduction of thin client systems (devices with no memory storage)
3. URL filtering to regulate access
4. Introduction of mobile connection tool for mobile phones, smartphones and tablet devices

Continuing to place the highest priority on the safe handling of customer information, CTC will develop further measures to combat new threats.

Business Continuity Management (BCM) Initiatives

At present, CTC has measures in place in the event of earthquakes, new strains of influenza and major system failures. CTC formulates business continuity plan (BCP) for its three services (maintenance, operation and data center) and head office function.

Reflecting on experience gained particularly in the Great East Japan Earthquake in 2011, CTC is engaged in the requisite review and improvement of BCP earthquake countermeasures, and will promote ongoing reviews and enhancements to maintenance and management systems to be able to manage various potential risks that may occur in the future.

Environmental Management System

We established the Environmental Management System based on an environmental policy that complies with our corporate philosophy.

Under the supervision of the CSR committee chairman, environmental improvement activities are developed for the entire Group mainly by environmental control managers as well as environmental managers (section heads) in each business group and Group company and 433 eco-leaders and assistant leaders. CTC has acquired ISO 14001 12 years in a row. As of June 2012, 15 main offices across Japan and two data centers have obtained certification. We plan to further expand certification in the future.

Approach to Local Communities

The CTC Group actively promotes activities that contribute to society, based on social contribution policies that conform to CTC's corporate philosophy.

In fiscal 2011, we continued to undertake Great East Japan Earthquake disaster-relief measures in the form of encouragement for employees volunteering in disaster-stricken areas (by granting special leaves of absence and paying for some activity expenses). Examples of CTC's CSR activities include conducting Mt. Fuji beautification activities; supporting NPOs such as the Family House, which provides accommodations for seriously ill children and their families; and lending assistance to the Guide Dog & Service Dogs Association of Japan, which nurtures these care-providing animals. We will continue to participate in these important activities thanks to the enthusiasm and dedication of all employees.

Cleaning up letters

Experiential science experiments designed for local elementary school students

Six-Year Consolidated Financial Summary

ITOCHU Techno-Solutions Corporation and Subsidiaries

(Billions of Yen)

	2007	2008	2009	2010	2011	2012
For the Years Ended March 31:						
Net sales	¥294.4	¥319.3	¥307.3	¥290.4	¥283.1	**¥297.7**
Gross profit	71.4	80.4	80.3	76.8	74.9	**79.6**
Selling, general and administrative expenses	45.9	55.4	58.6	55.3	53.6	**54.8**
Operating income	25.5	25.0	21.7	21.6	21.3	**24.8**
Income before income taxes and minority interests	24.0	25.3	21.5	21.2	20.4	**24.3**
Net income	14.0	15.4	12.9	12.5	11.5	**13.3**
As of March 31:						
Total assets	214.9	218.1	227.5	233.2	238.2	**252.7**
Total equity	140.5	145.7	147.8	155.1	155.9	**158.8**
Cash Flows:						
Cash flows from operating activities	24.3	10.5	11.3	25.3	15.0	**21.3**
Cash flows from investing activities	(15.7)	3.6	(13.8)	(1.4)	(7.0)	**(2.8)**
Cash flows from financing activities	(3.9)	(10.1)	(11.1)	(7.2)	(13.5)	**(8.9)**
Financial Ratios:						
Gross profit margin (%)	24.2%	25.2%	26.1%	26.5%	26.5%	**26.7%**
Operating income margin (%)	8.7	7.8	7.1	7.4	7.5	**8.3**
Equity ratios (%)	65.1	66.6	64.7	66.3	65.3	**62.7**
Return on equity (ROE) (%) *1	11.0	10.8	8.8	8.3	7.4	**8.5**
Return on assets (ROA) (%) *2	7.1	7.1	5.8	5.4	4.9	**5.4**

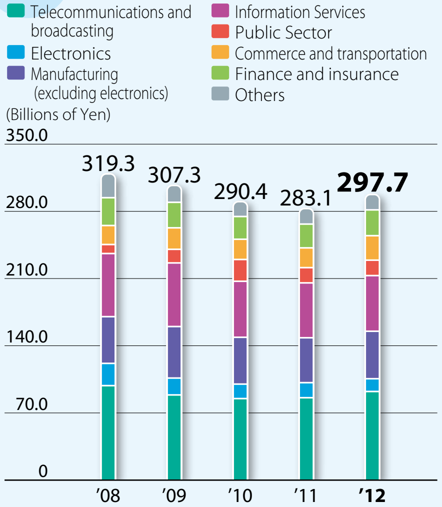
(Yen)

	2007	2008	2009	2010	2011	2012
Per Share Data:						
Basic net income	¥ 225.90	¥ 232.70	¥ 199.21	¥ 194.62	¥ 180.47	**¥ 217.08**
Shareholders' equity	2,093.52	2,207.44	2,299.63	2,415.65	2,492.42	**2,604.78**
Cash dividends applicable to the year	70.00	80.00	80.00	85.00	90.00	**95.00**

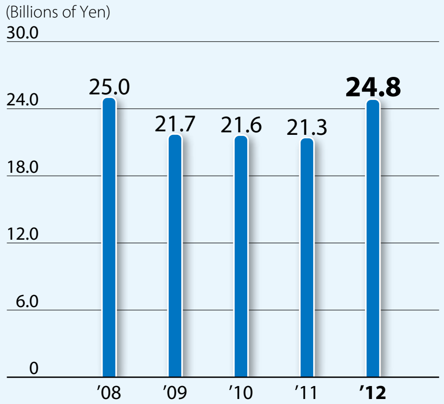
*1 ROE = Net income / Average total shareholders' equity (which is based on total shareholders' equity at the beginning and end of the year) × 100.

*2 ROA = Net income / Average total assets (which is based on total assets at the beginning and end of the year) × 100.

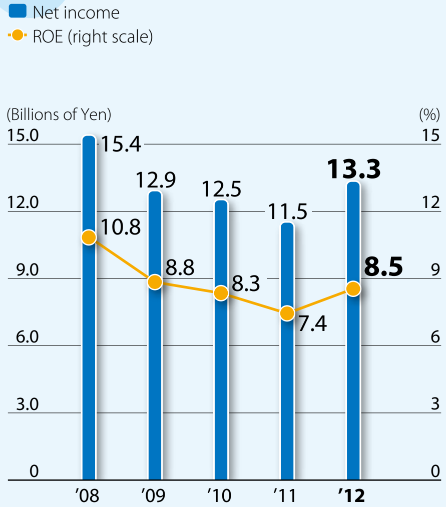
Net Sales



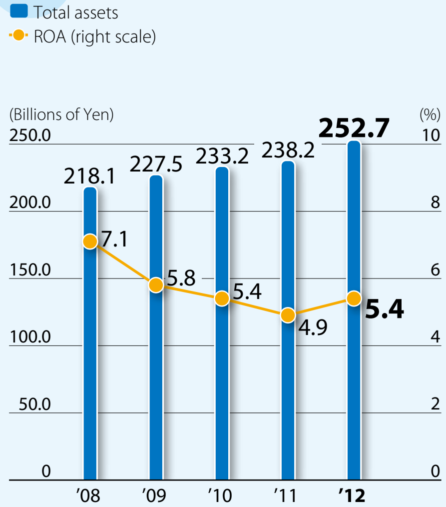
Operating Income



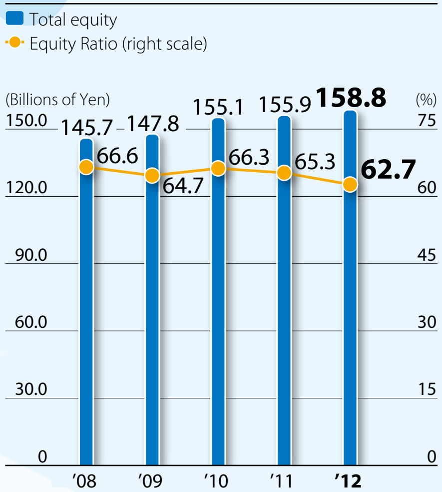
Net Income and Return on Equity (ROE)



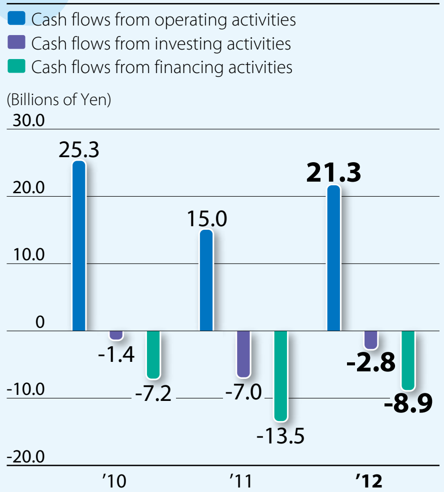
Total Assets and Return on Assets (ROA)



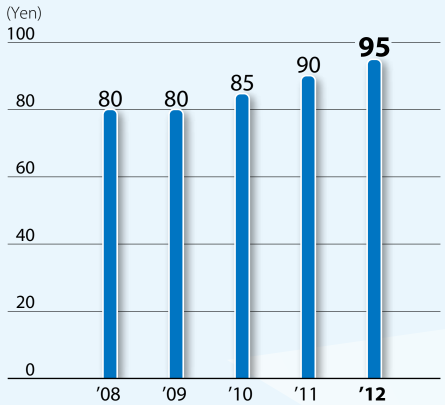
Total Equity and Equity Ratio



Cash Flows



Cash Dividends per Share



(Years ended March 31)

Management's Discussion and Analysis of Results and Financial Condition

Consolidated Business Performance

In fiscal 2011, the year ended March 31, 2012, in the cloud computing area, the infrastructure construction business was driven by the cloud computing business and the expanded use of handheld devices, while focusing efforts on further expanding cloud computing services with the release of all in one solutions enabling the use of short-term, low-cost private clouds, such as cloud-type decentralized storage, data backup and other disaster recovery support services, as well as customer business support solutions using smart devices. Also, as a measure to achieve medium- to long-term growth, CTC established overseas bases in Singapore and the United States and strengthened response capabilities to global expansion of ever accelerating companies. Furthermore, in the big data area forecast for future market expansion, CTC established a Big Data Business Task Force promotion organization across the entire company and opened the Big Data Processing Lab, a verification environment for big data.

In the telecommunications area, amid increased data traffic from the adoption of smartphones, facility augmentation projects and connection management system construction projects increased. CTC focused efforts, in the financial area, on large-scale contact center and common IT infrastructure construction projects, and in the manufacturing area, on automaker storage integration projects and POS systems for energy wholesalers. In the public sector, we proactively promoted the cloud service business for universities and public institutions.

As a result, consolidated net sales in the fiscal year ended 2012 grew 5.2% compared with the previous fiscal year to ¥297.7 billion on the increased products and SI development business. In terms of earnings, the effect of increased revenues and the reining in of unprofitable projects via thorough project management caused operating income to increase 16.3% to ¥24.8 billion and net income to increase 16.4% to ¥13.3 billion.

By business segment, in the Solution Business segment, earnings increased in the Telecommunication Systems and Enterprise Systems group, with net sales increasing 4.9% to ¥288.3 billion and operating income increasing 10.3% to ¥25.3 billion. In the Service Business segment, increased earnings in the IT Support Services Group, CTC Technology Corporation and other consolidated subsidiaries resulted in net sales growth of 4.8% to ¥55.8 billion and a 3.3% rise in operating income to ¥13.6 billion.

Note: Above segment net sales and operating income figures include internal sales between segments.

Financial Position

As of March 31, 2012, consolidated total assets amounted to ¥252.7 billion, an increase of ¥14.5 billion, or 6.1%, from the end of the previous fiscal year.

Total current assets were ¥200.1 billion, an increase of ¥16.5 billion, or 9.0%, year on year. This was primarily attributable to an increase of ¥9.5 billion in cash and cash equivalents.

Total non-current assets—the sum of net property and equipment and total investments and other assets—amounted to ¥52.6 billion, declining ¥2.0 billion, or 3.7%. This was mainly due to a decrease of ¥1.1 billion in property and equipment and ¥0.9 billion in intangible assets.

Total liabilities stood at ¥93.9 billion, a rise of ¥11.6 billion, or 14.1% year on year. This was primarily due to an increase of ¥4.9 billion in long-term lease obligations, ¥2.0 billion in accrued expenses, ¥1.7 billion in unearned income and ¥1.1 billion in income tax payable.

Total equity amounted to ¥158.8 billion, an increase of ¥3.0 billion, or 1.9%, year on year. This was primarily due to an increase of ¥1.8 billion in retained earnings that reflected net income of ¥13.3 billion. This result occurred despite decreases related to cash dividend payments and the acquisition of treasury stock totaling ¥5.5 billion and

¥5.0 billion, respectively. In addition, the equity ratio dipped 2.6 percentage points, from 65.3% to 62.7%.

Cash Flows

Cash and cash equivalents as of March 31, 2012 increased ¥9.5 billion from the previous fiscal year to ¥77.9 billion.

Net cash provided by operating activities totaled ¥21.3 billion. Major components of this inflow were income before income taxes and minority interests of ¥24.3 billion, depreciation and amortization of ¥7.6 billion and a net balance of ¥1.7 billion resulting from accrued bonuses. These inflows offset a ¥9.6 billion income tax payment and a ¥1.6 billion rise in inventories.

Compared with the previous fiscal year, net cash provided by operating activities increased ¥6.3 billion. This change was primarily due to income before income taxes and minority interests of ¥3.9 billion and an increase in trade receivables of ¥2.2 billion.

Net cash used in investing activities amounted to ¥2.8 billion. Despite an ¥0.8 billion decrease in deposits other than cash equivalents, major factors contributing to this outflow were the acquisition of property and equipment and intangible assets amounting to ¥2.1 billion and ¥1.6 billion, respectively.

Compared to the previous fiscal year, net cash used in investing activities decreased ¥4.2 billion on the acquisition of ¥2.3 billion in intangible assets and ¥1.0 billion in property and equipment.

Net cash used in financing activities amounted to ¥8.9 billion. Despite ¥5.1 billion in income from the sale and leaseback of assets, major components included dividend payments, the purchases of treasury stock and the repayment of long-term lease obligations totaling ¥5.5 billion, ¥5.0 billion and ¥3.3 billion, respectively.

Compared with the previous fiscal year, net cash used in financing activities declined ¥4.6 billion, primarily because of the ¥5.1 billion in income from the sale and leaseback of assets.

Return to Shareholders

The CTC Group recognizes returning profits to shareholders as a preeminent management issue. In line with its principle of increasing dividend levels, the Company works to secure stable dividend payments and stresses the return of profits in line with business performance, while carefully considering the balance of internal reserves and the actual amount distributed to shareholders.

The Company pays out interim and year-end dividends every year. Year-end dividends are subject to resolutions made by the General Meeting of Shareholders, while interim dividends are subject to resolutions made by the Board of Directors.

Based on this policy, for the fiscal year under review, with the support of the shareholders, the Company increased the year-end dividend payment ¥5 to ¥50 per share, and a full-year cash dividend of ¥95 per share of common stock, of which ¥45 was paid out as an interim dividend. As a result, this year’s payout ratio was 48.7% and the consolidated payout ratio was 43.8%.

Consolidated Balance Sheet

ITOCHU Techno-Solutions Corporation and Subsidiaries March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2011	2012	2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 68,337	¥ 77,852	$ 947,802
Short-term investments (Note 3)	1,365	498	6,059
Receivables:			
Trade (Note 13)	60,299	60,174	732,574
Associated companies	32	38	461
Other (Notes 12 and 13)	8,861	13,570	165,212
Allowance for doubtful receivables	(7)	(7)	(85)
Inventories (Note 5)	22,044	23,676	288,238
Deferred tax assets (Note 10)	8,349	8,500	103,481
Prepaid expenses and other current assets	14,329	15,848	192,936
Total current assets	183,609	200,149	2,436,678
PROPERTY AND EQUIPMENT (Note 6):			
Land	6,437	6,230	75,850
Buildings and structures	24,713	26,007	316,624
Furniture and fixtures	8,579	7,836	95,394
Lease assets	9,417	5,441	66,238
Total	49,146	45,514	554,106
Accumulated depreciation	(19,256)	(16,689)	(203,183)
Net property and equipment	29,890	28,825	350,923
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	3,272	3,183	38,747
Investments in and advances to associated companies	1,050	1,152	14,020
Software	7,687	5,074	61,767
Lease assets	829	2,536	30,879
Leasehold deposits	7,289	6,984	85,032
Prepaid pension cost (Note 7)	2,065	2,637	32,101
Deferred tax assets (Note 10)	1,353	927	11,291
Other assets (Note 6)	1,124	1,235	15,038
Total investments and other assets	24,669	23,728	288,875
Total	¥238,168	¥252,702	$3,076,476

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2011	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Current portion of long-term lease obligations (Notes 12 and 13)	¥ 4,306	**¥ 3,765**	**$ 45,833**
Payables:			
Trade (Notes 13 and 16)	24,183	**24,099**	**293,386**
Associated companies	101	**78**	**948**
Other	7,236	**8,977**	**109,297**
Income taxes payable (Note 13)	7,214	**8,275**	**100,742**
Accrued expenses	6,051	**8,003**	**97,430**
Unearned income	15,826	**17,519**	**213,279**
Other current liabilities (Note 8)	6,698	**7,201**	**87,675**
Total current liabilities	71,615	**77,917**	**948,590**
LONG-TERM LIABILITIES:			
Long-term lease obligations (Notes 12 and 13)	8,629	**13,561**	**165,098**
Liability for retirement benefits (Note 7)	442	**535**	**6,516**
Deferred tax liabilities (Note 10)	98	**136**	**1,652**
Asset retirement obligations (Note 8)	1,171	**1,240**	**15,096**
Other long-term liabilities	346	**490**	**5,956**
Total long-term liabilities	10,686	**15,962**	**194,318**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 9 and 19):			
Common stock—authorized, 246,000,000 shares; issued, 64,500,000 shares in 2011 and 62,500,000 shares in 2012	21,764	**21,764**	**264,957**
Capital surplus	33,076	**33,076**	**402,679**
Retained earnings	106,729	**108,497**	**1,320,876**
Treasury stock—at cost, 2,142,792 shares in 2011 and 1,702,628 shares in 2012	(6,388)	**(5,370)**	**(65,380)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	306	**448**	**5,461**
Deferred loss on derivatives under hedge accounting	(5)	**(31)**	**(371)**
Foreign currency translation adjustments	(62)	**(20)**	**(248)**
Total	155,420	**158,364**	**1,927,974**
Minority interests	447	**459**	**5,594**
Total equity	155,867	**158,823**	**1,933,568**
Total	**¥238,168**	**¥252,702**	**$3,076,476**

See notes to consolidated financial statements.

Consolidated Statement of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
NET SALES (Notes 12 and 16)	¥283,069	¥297,749	$3,624,892
COST OF SALES (Notes 7, 12 and 16)	208,194	218,133	2,655,622
Gross profit	74,875	79,616	969,270
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 11 and 12)	53,558	54,818	667,370
Operating income	21,317	24,798	301,900
OTHER INCOME (EXPENSES):			
Interest and dividend income	183	167	2,034
Interest expense	(188)	(202)	(2,455)
Equity in losses of limited partnership	(51)	(77)	(934)
Equity in earnings of associated companies	114	137	1,668
Gain on sales of investment securities—net	312	148	1,797
Loss on write-down of investment securities	(423)	(19)	(232)
Loss on adjustment for application of accounting standard for asset retirement obligations	(679)		
Other—net	(180)	(616)	(7,498)
Other expenses—net	(912)	(462)	(5,620)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	20,405	24,336	296,280
INCOME TAXES (Note 10):			
Current	9,041	10,652	129,688
Deferred	(184)	267	3,252
Total income taxes	8,857	10,919	132,940
NET INCOME BEFORE MINORITY INTERESTS	11,548	13,417	163,340
MINORITY INTERESTS IN NET INCOME	96	89	1,087
NET INCOME	¥ 11,452	¥ 13,328	$ 162,253

	Yen		U.S. Dollars
	2011	2012	2012
PER SHARE OF COMMON STOCK (Notes 2.r and 18):			
Basic net income	¥180.47	¥217.08	$2.64
Cash dividends applicable to the year	90.00	95.00	1.16

Diluted net income per share for the years ended March 31, 2011 and 2012 is not disclosed because no potential common shares exist.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
NET INCOME BEFORE MINORITY INTERESTS	¥11,548	¥13,417	$163,340
OTHER COMPREHENSIVE INCOME (Note 17):			
Net unrealized gain on available-for-sale securities	71	143	1,743
Deferred loss on derivatives under hedge accounting	(9)	(26)	(314)
Foreign currency translation adjustments	5	43	519
Share of other comprehensive income in associates	(8)	(2)	(19)
Total other comprehensive income	59	158	1,929
COMPREHENSIVE INCOME	¥11,607	¥13,575	$165,269
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥11,511	¥13,486	$164,182
Minority interests	96	89	1,087

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2012

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	64,030	¥21,764	¥33,076	¥101,040	¥(1,387)	¥ 236	¥ 5	¥(60)	¥154,674	¥445	¥155,119
Net income				11,452					11,452		11,452
Appropriations—cash dividends, ¥90.00 per share				(5,763)					(5,763)		(5,763)
Purchase of treasury stock	(1,673)				(5,001)				(5,001)		(5,001)
Net change in the year						70	(10)	(2)	58	2	60
BALANCE, MARCH 31, 2011	62,357	21,764	33,076	106,729	(6,388)	306	(5)	(62)	155,420	447	155,867
Net income				**13,328**					**13,328**		**13,328**
Appropriations—cash dividends, ¥90.00 per share				**(5,542)**					**(5,542)**		**(5,542)**
Purchase of treasury stock	**(1,560)**				**(5,000)**				**(5,000)**		**(5,000)**
Cancellation of 2,000,000 shares of treasury stock				**(6,018)**	**6,018**						
Net change in the year						**142**	**(26)**	**42**	**158**	**12**	**170**
BALANCE, MARCH 31, 2012	**60,797**	**¥21,764**	**¥33,076**	**¥108,497**	**¥(5,370)**	**¥448**	**¥(31)**	**¥(20)**	**¥158,364**	**¥459**	**¥158,823**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$264,957	$402,679	$1,299,358	$(77,767)	$3,726	$ (57)	$(756)	$1,892,140	$5,442	$1,897,582
Net income			**162,253**					**162,253**		**162,253**
Appropriations—cash dividends, $1.10 per share			**(67,470)**					**(67,470)**		**(67,470)**
Purchase of treasury stock				**(60,878)**				**(60,878)**		**(60,878)**
Cancellation of 2,000,000 shares of treasury stock			**(73,265)**	**73,265**						
Net change in the year					**1,735**	**(314)**	**508**	**1,929**	**152**	**2,081**
BALANCE, MARCH 31, 2012	**$264,957**	**$402,679**	**$1,320,876**	**$(65,380)**	**$5,461**	**$(371)**	**$(248)**	**$1,927,974**	**$5,594**	**$1,933,568**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥20,405	**¥24,336**	**$296,280**
Adjustments for:			
Income taxes—paid	(8,981)	**(9,604)**	**(116,919)**
Depreciation and amortization	6,729	**7,597**	**92,483**
Loss on adjustment for application of accounting standard for asset retirement obligations	679		
(Reversal) provision of allowance for doubtful receivables	(3)	**4**	**50**
(Reversal) provision of accrued bonuses to employees	(478)	**1,730**	**21,067**
(Reversal) provision of accrued bonuses to directors and corporate auditors	(1)	**36**	**436**
Provision for retirement benefits to employees, less payment	144	**94**	**1,139**
Equity in losses of limited partnership	51	**77**	**934**
Gain on sales of investment securities—net	(312)	**(148)**	**(1,797)**
Loss on write-down of investment securities	423	**19**	**232**
Equity in earnings of associated companies	(114)	**(137)**	**(1,668)**
Changes in assets and liabilities:			
(Increase) decrease in receivables—trade	(1,998)	**125**	**1,519**
Increase in inventories	(2,540)	**(1,632)**	**(19,865)**
Decrease in payables—trade	(801)	**(84)**	**(1,028)**
Other—net	1,772	**(1,160)**	**(14,128)**
Total adjustments	(5,430)	**(3,083)**	**(37,545)**
Net cash provided by operating activities	14,975	**21,253**	**258,735**
INVESTING ACTIVITIES:			
Purchases of property and equipment	(3,113)	**(2,120)**	**(25,813)**
Purchases of intangible assets	(3,909)	**(1,583)**	**(19,271)**
Purchases of investment securities	(302)	**(2)**	**(19)**
Acquisition of a newly controlled company, net of cash acquired		**(325)**	**(3,957)**
Proceeds from sales of property and equipment	2	**187**	**2,278**
Proceeds from sales of investment securities	418	**245**	**2,986**
(Increase) decrease in deposits other than cash equivalents	(239)	**752**	**9,154**
Other—net	147	**60**	**727**
Net cash used in investing activities	(6,996)	**(2,786)**	**(33,915)**
FORWARD	¥ 7,979	**¥18,467**	**$224,820**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
FORWARD	¥ 7,979	¥18,467	$224,820
FINANCING ACTIVITIES:			
Repayment of long-term lease obligations	(2,609)	(3,344)	(40,707)
Proceeds from sale and leaseback		5,053	61,520
Purchases of treasury stock	(5,005)	(5,003)	(60,915)
Dividends paid	(5,765)	(5,543)	(67,485)
Dividends paid to minority interests in a subsidiary	(94)	(77)	(935)
Net cash used in financing activities	(13,473)	(8,914)	(108,522)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2)	(38)	(457)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,496)	9,515	115,841
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,833	68,337	831,961
CASH AND CASH EQUIVALENTS, END OF YEAR	¥68,337	¥77,852	$947,802

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ITOCHU Techno-Solutions Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.14 to $1, the rate of exchange as of March 31, 2012. Such translations should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 11 (11 in 2011) subsidiaries (together, the "Group").

Those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. And those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in four (four in 2011) associated companies are accounted for by the equity method. Investments in the remaining associated company are stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits and commercial paper, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Inventories are stated at the lower of cost, determined by the moving-average method for merchandise and by the specific identification method for work in process, or net selling value.

Supplies for maintenance service are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years of the estimated useful lives.

d. Investment Securities—Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving average-method.

Non-marketable securities are stated at cost determined by the moving-average method.

Investments in limited partnership are accounted for by the equity method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to property and equipment of the datacenter business, buildings acquired after April 1, 1998 (excluding facilities incidental to buildings) and lease assets. The range of useful lives is from 15 to 41 years for buildings and structures, and from 5 to 15 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. Intangible Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Amortization of software for use is calculated by the straight-line method over five years of the estimated useful lives while the amortization of software for sales is calculated based on the expected sales quantities (or calculated by the straight-line method over three years if the calculated amounts are greater than the above method).

g. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Retirement and Pension Plans—The Company and certain subsidiaries participate in "ITOCHU Union Pension Fund," which is a contributory defined benefit pension fund, and also have a cash balance type of contributory defined benefit plan and defined contribution pension plans. In addition, certain subsidiaries also have unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date. An actuarial adjustment is charged to income by the straight-line method over the following 10 years (which are within the average remaining years of service of the employees). Unrecognized prior service cost is charged to income by the straight-line method over the 10 years (which are within the average remaining years of service of the employees).

i. Asset Retirement Obligations—In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

j. Research and Development Costs—Research and development costs are charged to income as incurred.

k. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

l. Bonuses to Directors and Corporate Auditors—Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

m. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

n. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements—The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate.

q. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives other than those qualified for hedge accounting are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statement of income. If such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

r. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed in 2011 and 2012 because no potential common shares exist.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include

specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

t. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.
Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company has not determined if it will apply the revised accounting standard from the beginning of the annual period beginning on April 1, 2013. Additionally, the Company is in the process of measuring the effects of applying the revised accounting standard.

3. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Time deposits	¥ 113		
Deposits other than cash equivalents	1,252	¥498	$6,059
Total	¥1,365	¥498	$6,059

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Non-current:			
Marketable equity securities	¥1,489	¥1,671	$20,348
Non-marketable equity securities	791	690	8,393
Investment in limited partnership	967	797	9,702
Other	25	25	304
Total	¥3,272	¥3,183	$38,747

The carrying amounts and aggregate fair values of investment securities as of March 31, 2011 and 2012 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as available-for-sale equity securities and other	¥1,035	¥531	¥52	¥1,514
March 31, 2012				
Securities classified as available-for-sale equity securities and other	¥1,030	¥700	¥34	¥1,696

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as available-for-sale equity securities and other	$12,539	$8,531	$418	$20,652

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2012 were ¥412 million and ¥229 million ($2,784 thousand), respectively. Gross realized gains on these sales for the years ended March 31, 2011 and 2012, were ¥312 million and ¥163 million ($1,979 thousand), respectively. Gross realized losses on these sales for the years ended March 31, 2011 and 2012, were zero and ¥15 million ($183 thousand), respectively.

5. INVENTORIES

Inventories as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Merchandise	¥ 9,448	¥11,709	$142,548
Work in process	5,318	5,225	63,607
Supplies for maintenance service	7,278	6,742	82,083
Total	¥22,044	¥23,676	$288,238

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2012. As a result, the Group recognized an impairment loss of ¥16 million as other expense for idle telephone rights for 2011 and ¥122 million ($1,482 thousand) as other expense for mainly buildings and structures for 2012. The recoverable amounts of these impaired assets were measured at net selling prices at disposition.

7. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

As noted in the significant accounting policy, the Company and certain subsidiaries participate in "ITOCHU Union Pension Fund," which is a contributory defined benefit pension fund, and also have a cash balance type of contributory defined benefit plan and defined contribution pension plans. In addition, certain subsidiaries also have unfunded retirement benefit plans. Employees who retire upon reaching the mandatory age of retirement or by death are entitled to larger benefits.

Contributions to the ITOCHU Union Pension Fund are recognized as net pension cost.

The liability for employees' retirement benefits as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Projected benefit obligation	¥12,724	¥13,807	$168,098
Fair value of plan assets	(11,631)	(12,954)	(157,704)
Unrecognized actuarial loss	(3,950)	(3,961)	(48,225)
Unrecognized prior service cost	1,234	1,006	12,246
Prepaid pension cost	2,065	2,637	32,101
Net liability	¥ 442	¥ 535	$ 6,516

The components of net periodic retirement benefit costs for the years ended March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Service cost	¥ 812	¥ 811	$ 9,873
Interest cost	235	247	3,013
Expected return on plan assets	(261)	(289)	(3,521)
Recognized actuarial loss	646	652	7,932
Recognized prior service cost	(227)	(227)	(2,768)
Contribution to defined benefit, contributory pension fund	1,525	1,339	16,302
Other	749	776	9,453
Net periodic benefit costs	¥3,479	¥3,309	$40,284

Assumptions used for actuarial computation for the years ended March 31, 2011 and 2012 were set forth as follows:

	2011	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

8. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Balance at beginning of year	¥1,258	¥1,311	$15,956
Additional provisions associated with the acquisition of property and equipment	31	125	1,518
Reconciliation associated with passage of time	30	25	309
Reduction associated with settlement of asset retirement obligations	(8)	(158)	(1,926)
Balance at end of year	¥1,311	¥1,303	$15,857

The short-term asset retirement obligations as of March 31, 2011 and 2012 were ¥140 million and ¥63 million ($761 thousand), respectively. These are included in other current liabilities on the consolidated balance sheet.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2011 and 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Current:			
Deferred tax assets:			
Loss on write-down of inventories	¥ 4,934	¥4,315	$ 52,532
Accrued bonuses to employees	2,269	2,774	33,773
Accrued enterprise taxes	620	621	7,560
Accrued other expenses	441	561	6,830
Other	509	631	7,682
Less valuation allowance	(424)	(402)	(4,895)
Total	8,349	8,500	103,482
Charges to offset against deferred tax liabilities			(1)
Net deferred tax assets—current	**¥8,349**	¥8,500	$103,481
Deferred tax liabilities—consolidation adjustment of allowance for doubtful accounts			$ 1
Charges to offset against deferred tax assets			(1)
Net deferred tax liabilities—current			
Non-current:			
Deferred tax assets:			
Depreciation	¥ 992	¥ 652	$ 7,932
Asset retirement obligations	480	446	5,435
Unrealized gain of tangible assets	335	387	4,714
Loss on write-down of investment securities	524	331	4,035
Accrued retirement benefits	181	193	2,346
Equity in losses of limited partnership	88	84	1,023
Tax loss carryforwards	225	64	785
Other	197	220	2,674
Less valuation allowance	(568)	(259)	(3,150)
Total	2,454	2,118	25,794
Charges to offset against deferred tax liabilities	(1,101)	(1,191)	(14,503)
Net deferred tax assets—non-current	**¥1,353**	¥ 927	$ 11,291
Deferred tax liabilities:			
Prepaid pension cost	¥ 847	¥ 964	$ 11,730
Net unrealized gain on available-for-sale securities	146	188	2,290
Property and equipment	187	175	2,135
Other	19		
Charges to offset against deferred tax assets	(1,101)	(1,191)	(14,503)
Net deferred tax liabilities—non-current	**¥ 98**	¥ 136	$ 1,652

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2012 with the corresponding figures for 2011 was as follows:

	2011	2012
Normal effective statutory tax rate	41.0%	**41.0%**
Effect of tax rate changes		**3.6**
Expenses not deductible for income tax purposes	2.0	**1.1**
Increase (decrease) in valuation allowance	1.0	**(0.4)**
Other—net	(0.6)	**(0.4)**
Actual effective tax rate	**43.4%**	**44.9%**

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 36% afterwards. The effect of this change was as follows:

- To decrease deferred tax assets in the consolidated balance sheet as of March 31, 2012 by ¥847 million ($10,316 thousand)
- To increase income taxes—deferred in the consolidated statement of income for the year ended March 31, 2012 by ¥872 million ($10,616 thousand)
- To increase net unrealized gain on available-for-sale securities in the consolidated balance sheet as of March 31, 2012 by ¥26 million ($318 thousand)
- To increase deferred loss on derivatives under hedge accounting in the consolidated balance sheet as of March 31, 2012 by ¥1 million ($18 thousand)

As of March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥170 million ($2,065 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
After 2018	¥170	$2,065
Total	**¥170**	**$2,065**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥477 million and ¥445 million ($5,425 thousand) for the years ended March 31, 2011 and 2012, respectively.

12. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments for the years ended March 31, 2011 and 2012 were ¥11,852 million and ¥11,113 million ($135,290 thousand), respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2012		2012	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥ 3,765**	**¥2,699**	**$ 45,833**	**$32,850**
Due after one year	**13,561**	**2,138**	**165,098**	**26,032**
Total	**¥17,326**	**¥4,837**	**$210,931**	**$58,882**

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen			
	2011			
	Buildings and Structures	Furniture and Fixtures	Software	Total
Acquisition cost	¥2,704	¥2,565	¥552	¥5,821
Accumulated depreciation	1,917	1,976	464	4,357
Net leased property	¥ 787	¥ 589	¥ 88	¥1,464

	Millions of Yen			
	2012			
	Buildings and Structures	Furniture and Fixtures	Software	Total
Acquisition cost	¥2,125	¥1,005	¥135	¥3,265
Accumulated depreciation	1,643	788	128	2,559
Net leased property	¥ 482	¥ 217	¥ 7	¥ 706

	Thousands of U.S. Dollars			
	2012			
	Buildings and Structures	Furniture and Fixtures	Software	Total
Acquisition cost	$25,875	$12,237	$1,643	$39,755
Accumulated depreciation	20,003	9,599	1,556	31,158
Net leased property	$ 5,872	$ 2,638	$ 87	$ 8,597

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Due within one year	¥ 797	¥347	$4,225
Due after one year	800	445	5,413
Total	¥1,597	¥792	$9,638

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Depreciation expense	¥ 1,327	¥767	$ 9,337
Interest expense	91	47	572
Total	¥1,418	¥814	$ 9,909
Lease payments	¥ 1,479	¥856	$10,416

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statement of income, were computed by the straight-line method and the interest method, respectively.

The net investments in lease included in receivables—other as of March 31, 2011 and 2012 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Gross lease receivables	¥9,422	¥13,115	$159,669
Unearned interest income	1,048	1,294	15,750
Investments in lease	¥8,374	¥11,821	$143,919

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 2,745	$ 33,425
2014	2,583	31,443
2015	2,522	30,704
2016	2,373	28,887
2017	1,570	19,116
2018 and thereafter	1,322	16,094
Total	¥13,115	$159,669

Future minimum lease receivables under noncancelable operating leases were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Due within one year	¥ 425	$ 5,171
Due after one year	1,505	18,326
Total	¥1,930	$23,497

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

Cash surpluses, if any, are invested in low risk financial assets. The Group does not rely on financial institutions for capital expenditures, excluding certain lease contracts, and operational funds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes, trade accounts and investments in lease are exposed to customer credit risk. Marketable securities, including certificates of deposit and commercial paper, are exposed to issuer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by foreign currency forward contracts. Lease obligations are related to finance lease transactions for leases or rentals of product to customer.

Foreign currency forward contracts are used to manage exposure to market risks from changes in foreign currency exchange rates of payables. Please see Note 14 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department, and by a credit control department which is independent from the business department, to identify the default risk of customers at an early stage.

The internal guidelines for marketable securities transactions, which prescribe the authority and the limit for each transaction by the corporate treasury department, have been approved at the management committee meeting held on a semiannual basis. The transaction data has been reported to the management committee meeting held on a quarterly basis.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by foreign currency forward contracts. In addition, when foreign currency trade payables are expected to arise from forecasted transactions, foreign currency forward contracts may be used. Foreign currency forward contracts are executed in accordance with the Group's internal guidelines, which define the authority level and amount at which the foreign currency forward contracts can be executed.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk based on an analysis of its cash flow received from each of its departments. The Group has created a cash pool that centralizes the Group's funds to provide efficient and stable management of funds.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 14 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 68,337	¥ 68,337	
Receivables—trade	60,299	60,299	
Investments in lease (included in receivables—other)	8,374	8,441	¥ 67
Investment securities	1,514	1,514	
Others	136	136	
Total	**¥138,660**	**¥138,727**	**¥ 67**
Payables—trade	¥ 24,183	¥ 24,183	
Lease obligations	12,936	13,003	¥ (67)
Income taxes payable	7,214	7,214	
Others	99	99	
Total	**¥ 44,432**	**¥ 44,499**	**¥(67)**
Derivatives—To which hedge accounting is applied	¥ (8)	¥ (8)	
Total	**¥ (8)**	**¥ (8)**	

March 31, 2012	Millions of Yen Carrying Amount	 Fair Value	 Unrealized Gain/Loss
Cash and cash equivalents	¥ 77,852	¥ 77,852	
Receivables—trade	60,174	60,174	
Investments in lease (included in receivables—other)	11,821	11,919	¥ 98
Investment securities	1,696	1,696	
Others	30	30	
Total	¥151,573	¥151,671	¥ 98
Payables—trade	¥ 24,099	¥ 24,099	
Lease obligations	17,326	17,432	¥(106)
Income taxes payable	8,275	8,275	
Others	76	76	
Total	¥ 49,776	¥ 49,882	¥(106)
Derivatives—To which hedge accounting is applied	¥ (49)	¥ (49)	
Total	¥ (49)	¥ (49)	

March 31, 2012	Thousands of U.S. Dollars Carrying Amount	 Fair Value	 Unrealized Gain/Loss
Cash and cash equivalents	$ 947,802	$ 947,802	
Receivables—trade	732,574	732,574	
Investments in lease (included in receivables—other)	143,919	145,108	$ 1,189
Investment securities	20,652	20,652	
Others	362	362	
Total	$1,845,309	$1,846,498	$ 1,189
Payables—trade	$ 293,386	$ 293,386	
Lease obligations	210,931	212,225	$(1,294)
Income taxes payable	100,742	100,742	
Others	925	925	
Total	$ 605,984	$ 607,278	$(1,294)
Derivatives—To which hedge accounting is applied	$ (599)	$ (599)	
Total	$ (599)	$ (599)	

Cash and Cash Equivalents
The carrying values of cash approximate fair value because of their short maturities. The fair values of marketable securities are measured at the quoted price obtained from the financial institution for certain debt instruments.

Investment Securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 4.

Receivables, Payables and Income Taxes Payable
The carrying values of receivables, payables and income taxes payable approximate fair value because of their short maturities.

Lease Obligations
Lease obligations are measured at fair value using the discounted cash flow of the expected lease payments. The discounted rate is the interest rate assumed when the lease is contracted.

Derivatives
Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥1,841	¥1,841	$22,413
Investment in limited partnership	967	797	9,702
Total	¥2,808	¥2,638	$32,115

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 77,852			
Receivables—trade	60,174			
Investments in lease (included in receivables—other)	2,314	¥8,224	¥1,283	
Investment securities—Available-for-sale securities with contractual maturities		25		
Others	30			
Total	¥140,370	¥8,249	¥1,283	

	Thousands of U.S. Dollars			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 947,802			
Receivables—trade	732,574			
Investments in lease (included in receivables—other)	28,177	$100,123	$15,619	
Investment securities—Available-for-sale securities with contractual maturities		305		
Others	362			
Total	$1,708,915	$100,428	$15,619	

Please see Note 12 for obligations under finance leases.

14. DERIVATIVES

The Group enters into derivative transactions, including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets, liabilities and firm commitments of ordinary purchase transactions denominated in foreign currencies.

All derivative transactions are entered into in order to hedge foreign currency exposures incorporated within the Group's business. Accordingly, foreign currency risk in these derivatives is basically offset by opposite movements in the value of hedged assets, liabilities or firm commitments of ordinary purchase transactions.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 806		
Selling U.S.$	Receivables (forecasted)	1,017		¥(23)
Buying U.S.$	Payables	2,639		
Buying €	Payables	26		
Buying U.K.£	Payables	12		
Buying U.S.$	Payables (forecasted)	1,390		15
Buying €	Payables (forecasted)	4		
Buying U.K.£	Payables (forecasted)	7		
March 31, 2012				
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥3,064**		
Selling U.K.£	Receivables	**1**		
Selling U.S.$	Receivables (forecasted)	**1,564**		**¥(35)**
Selling U.K.£	Receivables (forecasted)	**32**		**(1)**
Buying U.S.$	Payables	**3,937**		
Buying €	Payables	**23**		
Buying U.K.£	Payables	**31**		
Buying THB	Payables	**4**		
Buying U.S.$	Payables (forecasted)	**2,695**		**(13)**

March 31, 2012	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$37,301		
Selling U.K.£	Receivables	19		
Selling U.S.$	Receivables (forecasted)	19,038		$(432)
Selling U.K.£	Receivables (forecasted)	394		(10)
Buying U.S.$	Payables	47,927		
Buying €	Payables	283		
Buying U.K.£	Payables	372		
Buying THB	Payables	44		
Buying U.S.$	Payables (forecasted)	32,811		(157)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the consolidated balance sheet at year-end, are not subject to the disclosure of fair value.

15. CONTINGENT LIABILITIES

As of March 31, 2012, the Group is contingently liable for guarantees of borrowings by the Group's employees amounting to ¥192 million ($2,333 thousand).

16. RELATED PARTY DISCLOSURES

Transactions of the Company with associated companies for the years ended March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Sales	¥353	¥475	$5,777
Purchases	409	460	5,600

Transactions of the Company with the parent company, ITOCHU Corporation, for the years ended March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Purchases	¥25,750	¥24,341	$296,331

The balances due to the parent company, ITOCHU Corporation, as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Payables—trade	¥2,793	¥2,696	$32,819

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Net unrealized gain on available-for-sale securities:		
Gains arising during the year	¥180	$2,188
Reclassification adjustments to profit or loss	3	44
Amount before income tax effect	183	2,232
Income tax effect	(40)	(489)
Total	¥143	$1,743
Deferred loss on derivatives under hedge accounting:		
Losses arising during the year	¥ (49)	$ (599)
Reclassification adjustments to profit or loss	8	97
Amount before income tax effect	(41)	(502)
Income tax effect	15	188
Total	¥ (26)	$ (314)
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (6)	$ (74)
Reclassification adjustments to profit or loss	79	954
Amount before income tax effect	73	880
Income tax effect	(30)	(361)
Total	¥ 43	$ 519
Share of other comprehensive income in associates:		
Losses arising during the year	¥ (1)	$ (10)
Reclassification adjustments to profit or loss	(1)	(9)
Total	¥ (2)	$ (19)
Total other comprehensive income	¥158	$1,929

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2012 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2011	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥11,452	63,455	¥180.47	
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥13,328	61,395	¥217.08	$2.64

Diluted net income per share for the years ended March 31, 2011 and 2012 is not disclosed because no potential common shares exist.

19. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings as of March 31, 2012 were approved at the Company's shareholders meeting held on June 22, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥50.00 ($0.61) per share	¥3,040	$37,008

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥2,736 million ($33,308 thousand, ¥45.00 ($0.55) per share) on December 2, 2011 to shareholders of record as of September 30, 2011, based on a resolution by the Board of Directors.

b. Purchase of Treasury Stock

The Board of Directors approved the purchase of the Company's treasury stock on April 27, 2012 pursuant to Article 156 of the Corporate Law, and purchased treasury stock from May 1, 2012 to June 13, 2012. Details were as follows:

(1) Reason for purchase of treasury stock:	To perform capital policy flexibly for responding to changing business environment, and improve capital efficiency and shareholders value
(2) Method of purchase:	Market buying at Tokyo Stock Exchange
(3) Number of shares:	1,500,000 shares (maximum amount)
(4) Total purchase cost:	¥5,000 million (maximum amount)
(5) Period:	From May 1, 2012 to June 13, 2012

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments
The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the solution business segment and service business segment.

The solution business segment engages in the proposal and sale of system integration including consulting service, system design/construction service, system maintenance service, etc.

The service business segment engages in the procurement of service business including data center service and system maintenance service, as well as co-proposals with the solution business segment.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets and Other Items

	Millions of Yen				
	2011				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥273,379	¥ 9,690	¥283,069		¥283,069
Intersegment sales or transfers	1,431	43,552	44,983	¥(44,983)	
Total	**¥274,810**	**¥53,242**	**¥328,052**	**¥(44,983)**	**¥283,069**
Segment profit	¥ 22,941	¥13,168	¥ 36,109	¥(14,792)	¥ 21,317
Segment assets	101,040	45,427	146,467	91,701	238,168
Other:					
Depreciation	2,836	1,752	4,588	2,141	6,729
Investments in associated companies accounted for by the equity method	920		920	74	994
Increase in property and equipment and intangible assets	4,815	2,916	7,731	1,632	9,363

	Millions of Yen				
	2012				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥287,518	¥10,231	¥297,749		¥297,749
Intersegment sales or transfers	785	45,565	46,350	¥(46,350)	
Total	¥288,303	¥55,796	¥344,099	¥(46,350)	¥297,749
Segment profit	¥ 25,310	¥13,601	¥ 38,911	¥(14,113)	¥ 24,798
Segment assets	106,063	47,544	153,607	99,095	252,702
Other:					
Depreciation	3,512	1,914	5,426	2,171	7,597
Investments in associated companies accounted for by the equity method	998		998	97	1,095
Increase in property and equipment and intangible assets	2,589	2,294	4,883	1,378	6,261

	Thousands of U.S. Dollars				
	2012				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	$3,500,336	$124,556	$3,624,892		$3,624,892
Intersegment sales or transfers	9,558	554,724	564,282	$ (564,282)	
Total	$3,509,894	$679,280	$4,189,174	$ (564,282)	$3,624,892
Segment profit	$ 308,130	$165,584	$ 473,714	$ (171,814)	$ 301,900
Segment assets	1,291,248	578,819	1,870,067	1,206,409	3,076,476
Other:					
Depreciation	42,760	23,294	66,054	26,429	92,483
Investments in associated companies accounted for by the equity method	12,149		12,149	1,182	13,331
Increase in property and equipment and intangible assets	31,526	27,923	59,449	16,772	76,221

Notes: 1. Reconciliations of segment profit consist primarily of corporate operating expenses (¥(16,569) million for 2011 and ¥(15,833) million ($(192,754) thousand) for 2012) and eliminations (¥1,504 million for 2011 and ¥1,466 million ($17,849 thousand) for 2012).

Corporate operating expenses consist primarily of administrative expenses of the Company which were not allocated to business segments.

2. Reconciliations of segment assets consist primarily of corporate assets (¥95,369 million for 2011 and ¥104,134 million ($1,267,766 thousand) for 2012) and eliminations of (¥(3,567) million for 2011 and ¥(4,560) million ($(55,519) thousand) for 2012).

Corporate assets consist primarily of cash and cash equivalents, and administrative assets of the Company.

3. Reconciliations of depreciation consist of depreciation of corporate assets (¥2,289 million for 2011 and ¥2,343 million ($28,528 thousand) for 2012) and eliminations of unrealized profit (¥(148) million for 2011 and ¥(172) million ($(2,100) thousand) for 2012).

Reconciliations of investments in associated companies accounted for by the equity method represent investments managed by the administrative department of the Company.

Reconciliations of increase in property and equipment and intangible assets consist of increase in corporate assets (¥1,332 million for 2011 and ¥1,640 million ($19,965 thousand) for 2012), adjustment for application of accounting standard for asset retirement obligations (¥492 million only for 2011), and eliminations of unrealized profit (¥(192) million for 2011 and ¥(262) million ($(3,193) thousand) for 2012).

4. Segment profit is reconciled with operating income of the consolidated statement of income.

5. Amounts related to long-term prepaid expenses is included in depreciation and increase in property and equipment and intangible assets.

Related Information

1. Information about Products and Services

	Millions of Yen			
	2011			
	Service	SI/Development	Products	Total
Sales to external customers	¥131,160	¥59,789	¥92,120	¥283,069

	Millions of Yen			
	2012			
	Service	SI/Development	Products	Total
Sales to external customers	**¥130,619**	**¥67,091**	**¥100,039**	**¥297,749**

	Thousands of U.S. Dollars			
	2012			
	Service	SI/Development	Products	Total
Sales to external customers	**$1,590,203**	**$816,789**	**$1,217,900**	**$3,624,892**

2. Information about Geographical Areas

(a) Sales

Information about sales from foreign customers is not disclosed because the Group's sales from domestic customers total more than 90% of the consolidated sales.

(b) Property and equipment

Information about property and equipment is not disclosed because the Group's property and equipment located domestically total more than 90% of the consolidated property and equipment.

3. Information about Major Customers

Information about sales from major customers is not disclosed because the Group's sales from major customers total less than 10% of the consolidated sales.

Information about Impairment Losses of Assets in Reportable Segments

	Millions of Yen				
	2011				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Impairment losses of assets		¥2	¥2	¥14	¥16

	Millions of Yen				
	2012				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Impairment losses of assets	**¥10**	**¥1**	**¥11**	**¥111**	**¥122**

	Thousands of U.S. Dollars				
	2012				
	Reportable Segment				
	Solution Business	Service Business	Total	Reconciliations	Consolidated
Impairment losses of assets	**$115**	**$15**	**$130**	**$1,352**	**$1,482**

Information about Goodwill in Reportable Segments

There is no applicable information.

Information about Negative Goodwill in Reportable Segments

There is no applicable information.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU Techno-Solutions Corporation:

We have audited the accompanying consolidated balance sheet of ITOCHU Techno-Solutions Corporation and subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU Techno-Solutions Corporation and subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 22, 2012

Member of
Deloitte Touche Tohmatsu Limited

Board of Directors

As of June 22, 2012

Directors and Auditors

Yoichi Okuda	Chairman
Satoshi Kikuchi	President & CEO
Yoshinori Warashina *1	Director
Shuji Ikeda *1	Director
Shinichiro Sakuraba *2	Director
Masaaki Matsuzawa *2	Director
Akira Saitoh *2	Director
Shigemitsu Takatori *2	Director
Mitsuaki Kato *2	Director
Takahiro Susaki *2	Director
Katsuyuki Shirota *2	Director
Takatoshi Matsumoto	Director
Shunsuke Noda	Director
Takahiro Tani	Corporate Auditor
Toru Shobuda	Corporate Auditor
Toshiaki Tada	Corporate Auditor
Minoru Nishiyama	Corporate Auditor

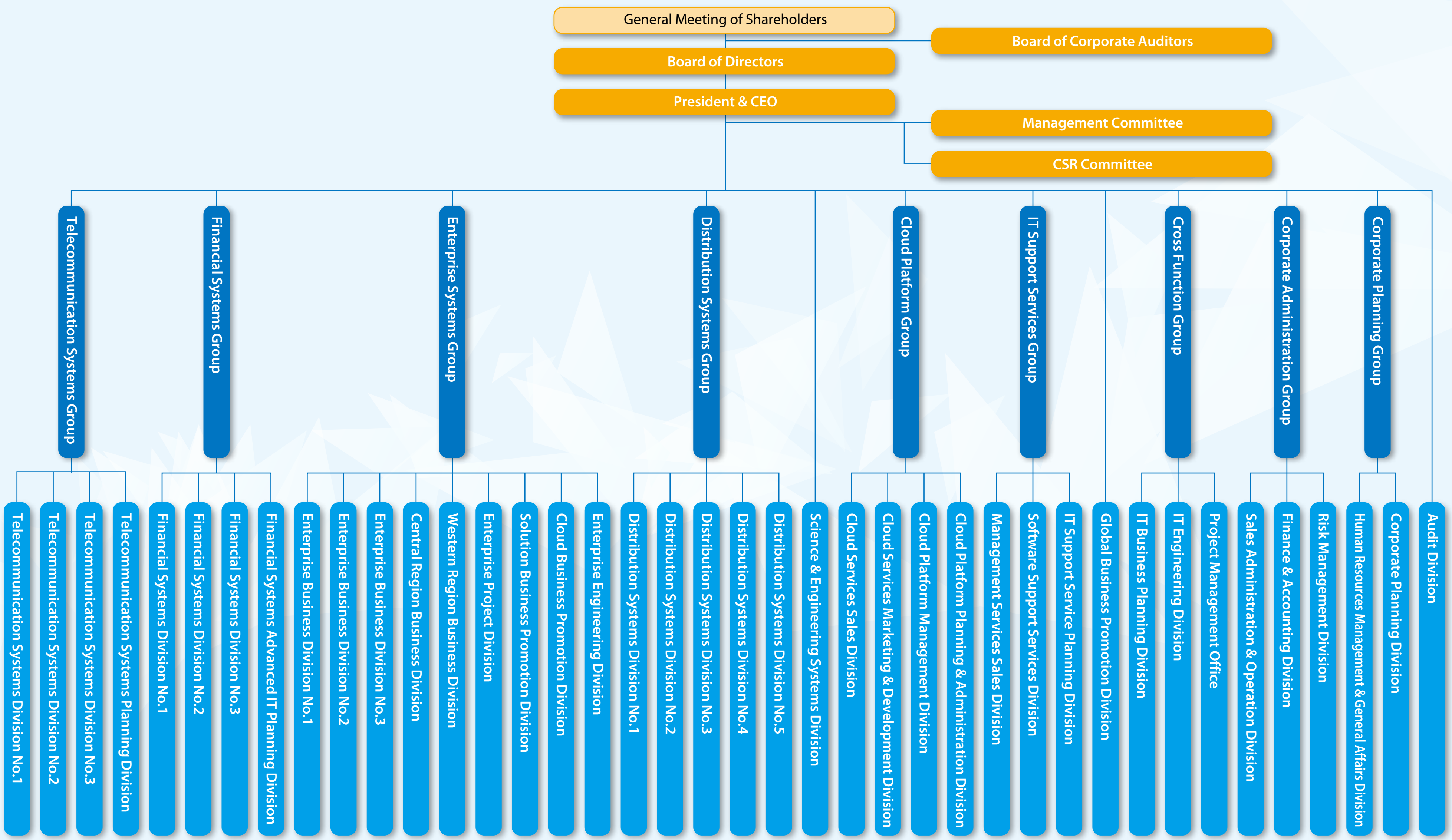
*1 Senior Managing Executive Officer
*2 Managing Executive Officer

Executive Officers

Hiroshi Iimuro	Managing Executive Officer
Yoichi Okugi	Managing Executive Officer
Tadataka Okubo	Managing Executive Officer
Hiroyuki Tamura	Managing Executive Officer
Yoshimichi Miura	Executive Officer
Ryouji Yokoyama	Executive Officer
Yasuhiko Terada	Executive Officer
Yasuhide Masanishi	Executive Officer
Hiroaki Okamatsu	Executive Officer
Hisashi Eda	Executive Officer
Eiji Haraguchi	Executive Officer
Kazunobu Moriyama	Executive Officer
Tomohiko Sumi	Executive Officer
Toshiyuki Awai	Executive Officer
Takanori Minatohara	Executive Officer
Akira Tamanoi	Executive Officer
Noboru Omoto	Executive Officer
Shinichi Nakano	Executive Officer
Hirohito Ohashi	Executive Officer
Yasushi Morimoto	Executive Officer
Tomohito Arai	Executive Officer

Corporate Organization

As of April 1, 2012



Corporate Data

Company Name ITOCHU Techno-Solutions Corporation (CTC)

Head Office Kasumigaseki Bldg., 3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo 100-6080, Japan
Phone: + 81-3-6203-5000
URL: http://www.ctc-g.co.jp/

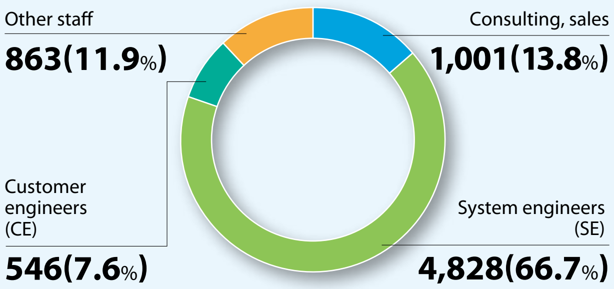
Established April 1, 1972

Paid-in Capital ¥21,763 million

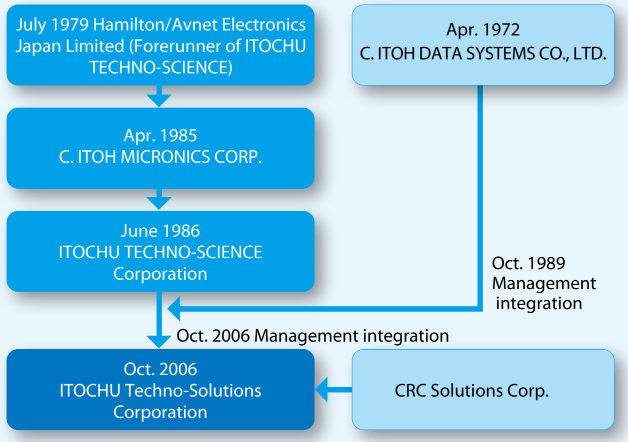
Business Lines Sales, maintenance and support of computers and network systems; commissioned software development; information processing services; information services related to science and engineering; support; other.

Number of Employees 7,238 (CTC Group total, as of April 1, 2012)

Composition of CTC Employees



Company History (Apr. 1972 - Oct. 2006)



CTC Group Companies
Consolidated Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥ 450 million	Maintenance and system management services, support services on system and network, system construction services, IT-related training
CTC LABORATORY SYSTEMS CORPORATION	¥ 300 million	Hardware for the pharmaceutical, chemical and food product industries, software sales and support, agency for fee-based services
CTC SYSTEM SERVICE CORPORATION	¥ 200 million	Telecommunications and broadcasting operation services, software development services, solution services, centering on system operations management services
CTCSP CORPORATION	¥ 200 million	Sales of network and security-related equipment, storage devices and packaged software, and provision of related services
CTC FACILITIES CORPORATION	¥ 100 million	Building facility operations management activities for computer centers (Yokohama, Kobe, Otemachi, Shibuya, Mejirozaka)
CTC SYSTEM OPERATIONS Corporation	¥ 100 million	System operation services
CTC BUSINESS SERVICE CORPORATION	¥ 100 million	Various business functions (human resources, administration) entrusted by CTC Group companies, as well as planning, producing and maintaining web content, and planning and producing advertising materials
First Contact Corporation	¥ 50 million	Contact center operations, helpdesk services, IT training, planning and implementation of IT training
Asahi Business Solutions Corp.	¥ 110 million	Overall system development, maintenance, operation and IT consulting
ITOCHU Technology, Inc.*	$ 3,750,000	Maintenance and support of computers and network systems, Exportation of IT products, Research into state-of-the-art technology and market trends

One other companies (one in Japan)
*Changed business name to ITOCHU Techno-Solutions America, Inc., on April 2, 2012.

Associated Companies Accounted for by the Equity Method

Company	Paid-in Capital	Main Business Activities
ITOCHU Technology Ventures, Inc.	¥ 100 million	Operation of investment funds of venture companies
IHI Scube Co., Ltd.	¥ 260 million	System development

Two other companies (one in Japan, one overseas)

Company History (Oct. 2006 - Apr. 2012)

October 2006	•ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp. merged to form ITOCHU Techno-Solutions Corporation.
January 2007	•Established the Osaki Development Center in Osaki, Shinagawa-ku, Tokyo
July 2008	•Established CTC SYSTEM OPERATIONS Corporation as a consolidated subsidiary
October	•Established the Mejirozaka Data Center in Bunkyo-ku, Tokyo
April 2010	•Established a company for employment promotion of handicapped persons, Hinari Corporation
April 2011	•Changed company names of CRC Systems Corp. and CRC Facilities Corp. to CTC SYSTEM SERVICE CORPORATION and CTC FACILITIES CORPORATION, respectively •Established the Singapore Branch
Apri 2012	•Established ITOCHU Techno-Solutions America, Inc., first subsidiary in North America

Stock Information
As of March 31, 2012

Common Stock

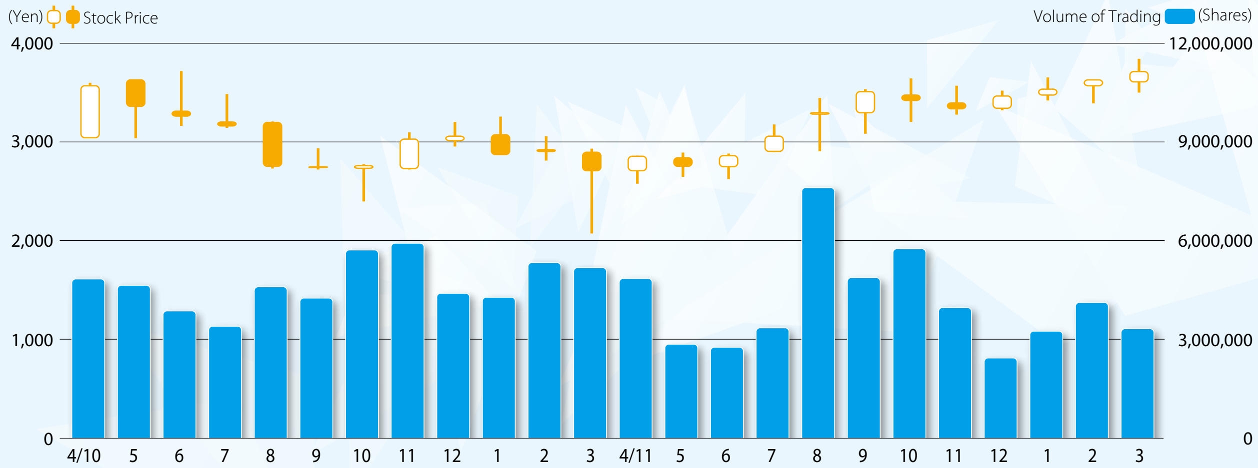
Authorized .... 246,000,000 shares
Issued (As of June 30, 2012) .... 62,500,000 shares
Number of Shareholders 16,917

Major Shareholders

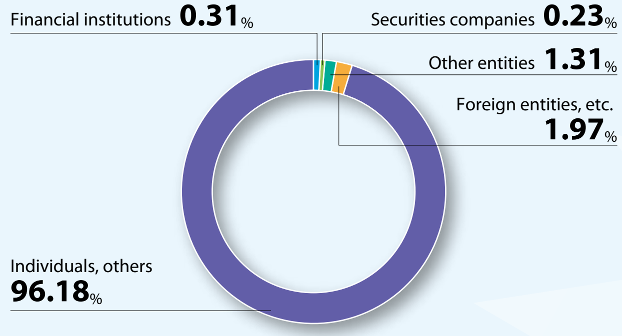
	Number of Shares	(%)
ITOCHU Corporation	33,665,400	53.86
Japan Trustee Services Bank, Ltd. (Trust Account)	2,852,900	4.56
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,135,400	3.42
CTC Employee Shareholding Association	1,102,868	1.76
Japan Trustee Services Bank, Ltd. (Trust Account 9)	730,900	1.17
Trust&Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	420,546	0.67
The Gibraltar Life Insurance Co., Ltd. (General Account)	417,900	0.67
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	373,521	0.60
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	370,700	0.59
STATE STREET BANK AND TRUST COMPANY 505225	352,465	0.56

Note: Additionally, the company holds 1,702,628 shares of treasury stock.

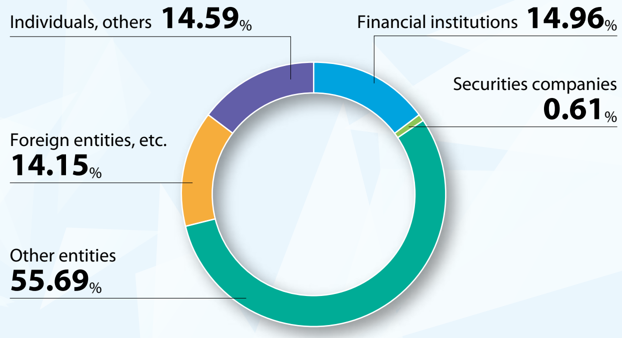
Stock Prices / Trading Volume Trends



Breakdown by Number of Owners



Ownership by Percentage Shareholding



Challenging Tomorrow's Changes

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