Annual Report 2015

For the year ended March 31, 2015

ITOCHU Techno-Solutions Corporation

CTC Challenging Tomorrow's Changes

Chapter 1:

CTC's Sustainable Growth Story

In this section, we look at CTC's current position, its value creation processes and the steps the Group is taking to deliver sustainable growth.

Chapter 2:

CTC's Growth Strategy

The President and the CFO explain in detail CTC's new Medium-Term Management Plan, group philosophy and capital policy. Business group leaders also describe the growth strategies for each business and highlight examples of how CTC is creating value for clients.

Chapter 3:

Systems that Support Value Creation

In this section, we show how we are reinforcing our management base to support value creation and implementing CSR initiatives to cultivate a distinct CTC culture. We also describe the Group's management framework.

Chapter 4:

Data Section

Editing Policy

CTC's Annual Report 2015 highlights the most important information from the CTC Group's business activities, business results, CSR activities and management framework, with a particular focus on management strategy, and presents it to readers in a concise and integrated manner. CTC has designed the Annual Report 2015 to be used in conjunction with the CTC website as part of efforts to promote effective communication with shareholders, investors and all other stakeholders.

Website Information

For more information about the CTC Group, please use the following links:

- **IR Information**
  http://www.ctc-g.co.jp/en/ir/
  IR documents such as financial results and securities filings, as well as IR news
- **CSR Information**
  http://www.ctc-g.co.jp/en/corporate/csr/index.html
  Detailed information about the CTC Group's social and environmental activities
- **Corporate Governance**
  http://www.ctc-g.co.jp/about/csr/governance/corporategovernance.html
  Information about CTC's corporate governance
- **Corporate Governance Report**
  http://www.ctc-g.co.jp/about/corporate/pdf/cor_gov.pdf

Scope of Report

The report covers ITOCHU Techno-Solutions Corporation (CTC) and its Japan and overseas consolidated subsidiaries. It also contains some information about non-consolidated subsidiaries and affiliates.

Period of Report

April 2014 – March 2015; the report also contains some information from outside this period.

Accounting Standards

CTC adopted International Financial Reporting Standards (IFRS) from fiscal 2014. Financial amounts have been rounded down to the nearest unit.

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.

Story Part 1: CTC Group Philosophy and Vision

Working to Change Future for the Global Good

CTC, our corporate brand, is derived from the phrase “Challenging Tomorrow’s Changes”. This slogan embodies our corporate mission of “leveraging IT’s potential to change future for the Global Good”.

Our clients are facing various challenges in their businesses amid changes in the operating environment. Our goal is to provide consulting services that give them optimal solutions to overcome those challenges, systems integration that puts the solutions into practice, and support services once our systems have been delivered. By providing this integrated package of services, we aim to enhance corporate value for clients and help change future for the Global Good.

CTC Group Philosophy

Slogan

Challenging Tomorrow's Changes

Mission

Leveraging IT’s potential to change future for the Global Good.

Values	Action Guidelines
Challenge the Change	Are you determined? Are you constantly trying new things without ever giving up?
Challenge the Value	Are you creative? Do you create value that exceeds customers’ expectations?
Challenge the Future	Are you free thinking? Do you strive to map out a brighter future?

Our Vision for CTC

Take responsibility for the evolution of the IT industry, as the industry’s leading company

Harnessing CTC's Unique Strengths to Provide

CTC's Strengths

CTC's Business Resources

Multi-Vendor
Capable of rapidly building partnerships with leading IT companies in Japan and overseas across technologies and products

Partnerships with leading IT companies in Japan and overseas

Vendor partners

Around 250 companies

See page 26 for more details

Verification facilities in Japan

Servers

Roughly 500

Networks

Roughly 600

Significant equipment assets

See page 29 for more details

×

Technological Capabilities
Construction of optimal systems by combining the best options available

People that can deliver change

In-house engineers

Roughly 6,000

See pages 27-28 for more details

External engineers

Development partners

Around 900 companies

Roughly 7,000 engineers

See page 26 for more details

×

Support Framework
Ensuring client systems remain secure

Extensive facilities

Data centers

5 locations

83,818㎡

See page 29 for more details

24/7 support all year round

Maintenance and support bases

Around 100 sites nationwide

See page 30 for more details

Support for client sites overseas

Sites in the ASEAN region

See page 23 for more details

As a total solutions provider, CTC provides optimal solutions for all phases of the IT lifecycle. This is underpinned by three strengths: our role as a multi-vendor allows us to source the latest technologies and products from leading IT companies in Japan and overseas; technological capabilities that enable us to develop systems tailored to client needs by combining the best technologies and products; and a comprehensive support framework that ensures client systems remain secure.

This unique combination of strengths is CTC's greatest asset, allowing us to make meaningful contributions to client corporate value.

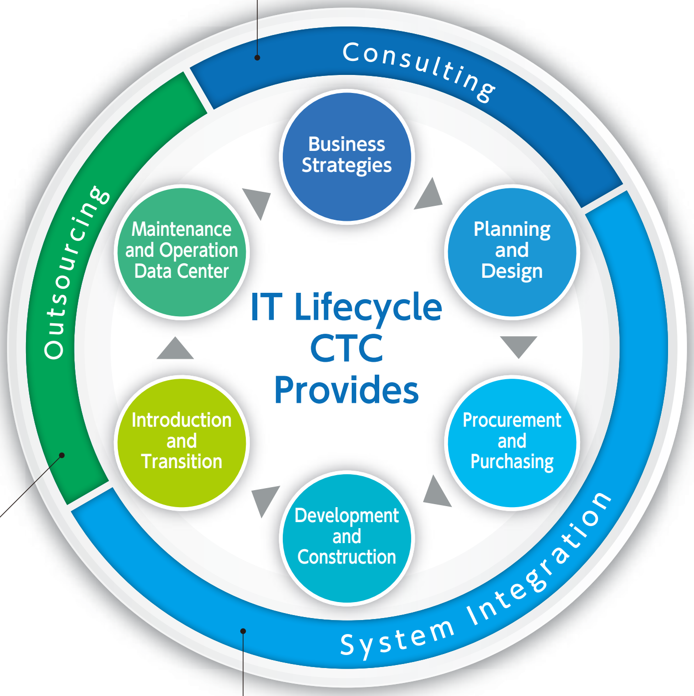
That feeds into a positive cycle of growth in our client base and a stronger financial position, giving us the management foundation to further reinforce our business.

Clients with Optimal Solutions

CTC's Businesses

As a total solutions provider, CTC provides optimal solutions for all phases of the IT lifecycle.

- Business consulting
- IT consulting



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

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

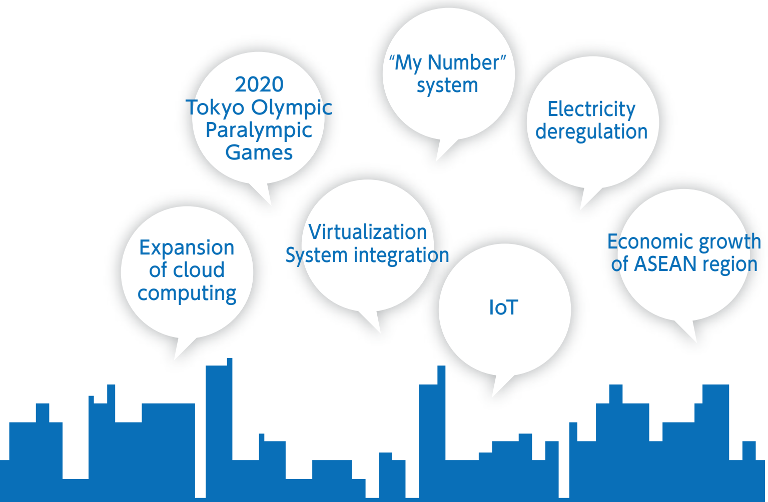
Enhance corporate value for clients

Story Part 3: The Business Environment and CTC

Relentless Change in the IT Sector Operating Environment

According to market analysis by IT specialist research firm IDC Japan, spending in Japan's IT market is projected to rise at a compound annual growth rate (CAGR) of 1.1% in 2014-19. IDC Japan also forecasts the IT market will be worth ¥15,535.5 billion by 2019. Demand for IT services and software is expected to expand, with many industries, particularly the bank, manufacturing and utilities sectors, projected to see growth. Also, worldwide, IT investment is set to accelerate in the ASEAN region on the back of economic development.

CTC aims to constantly stay ahead of developments in the sector, rather than merely identifying and responding to changes in the operating environment when they arise.

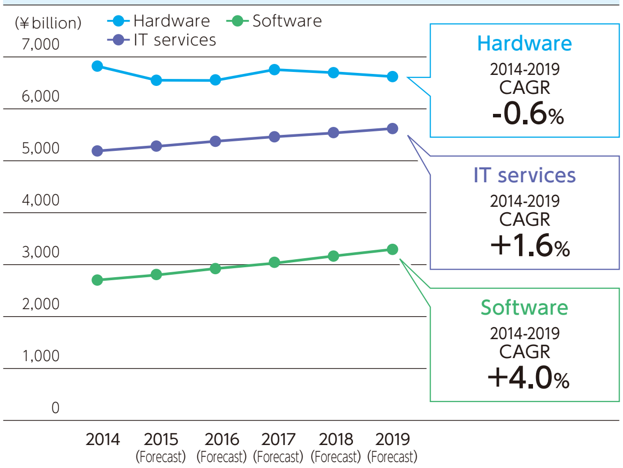


*CAGR: Compound Annual Growth Rate

Source: IDC Japan, May 2015 "Japan IT Services for 3rd Platform 2015-2019 Forecast and 2014 Review"(J15320103)
IDC Japan, May 2015 "Japan Vertical Market: IT Spending 2015-2019 Forecast and Second-Half 2014 Analysis"(J15130302)

Trends in Japan's IT Sector ①

Spending forecasts by product type



Markets for IT services and software are projected to expand

The market for hardware is shrinking due to infrastructure virtualization, integration and growing use of cloud-based resources. Smartphones have been a key driver in the hardware market in recent years, but with demand for smartphones also now slowing, the hardware market is projected to enter a period of negative growth.

The IT services market is likely to be supported by investment in the so-called third platform, made up of cloud services, mobility, social technologies and big data. Growing use of the cloud for backbone system operation should also contribute to firm demand for IT services.

The software market is also projected to expand strongly, supported by a shift to cloud services for internal company tools and by rising demand for business application development.

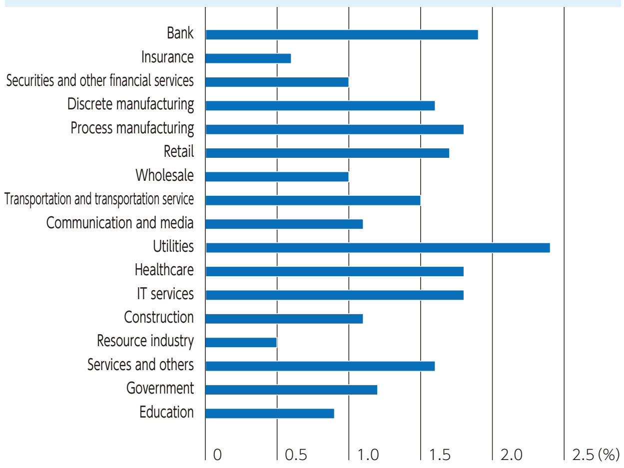
CTC's Strategy

To address changes in Japan's IT market structure, CTC needs to complement its existing strength in products by expanding its services and software businesses. We plan to use the expected growth in Japan's IT services and software markets as an opportunity to rapidly transform our business model.

Source: IDC Japan, May 2015 "Japan Vertical Market: IT Spending 2015-2019 Forecast and Second-Half 2014 Analysis" (J15130302)

Trends in Japan's IT Sector ②

IT spending growth forecasts by sector (CAGR, 2014-2019)



Bank, manufacturing and utilities sectors to drive growth

Demand for IT is projected to expand in many sectors in Japan. Growth is likely to be particularly strong in the public utilities sector in the lead up to deregulation, scheduled for 2016, with demand from existing companies and new market entrants expected to support growth of more than 2.0%. In the banking sector, companies are likely to continue investing in IT system integration and upgrade projects. Capital investment is forecast to expand in the manufacturing sector, primarily driven by exporters, which are posting strong earnings on the back of the weak yen.

Government sector is also expected to invest in IT to address the full-scale roll out of the "My Number" national identification number system and as part of infrastructure upgrades ahead of the 2020 Tokyo Olympic and Paralympic Games.

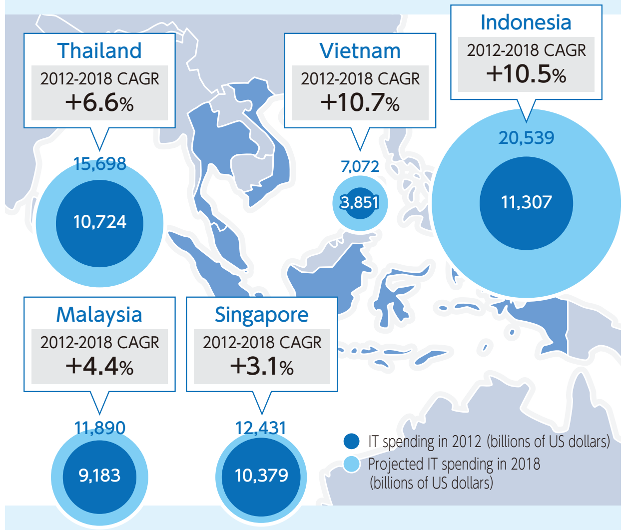
CTC's Strategy

This projected growth in IT investment in many sectors is a business opportunity for CTC. We aim to generate growth by establishing new earnings streams in sectors with promising growth prospects, such as the financial and public utilities sectors, while also further leveraging our existing strengths in the communications and media sector.

Source: IDC, March 2015 "Q4 2014 IT Spending by Vertical Market Segment and Company Size"

IT Industry Trends in the ASEAN Region

IT market forecasts for five ASEAN countries



ASEAN set for rapid growth driven by Indonesia and Vietnam

IT spending in five ASEAN countries is projected to continue rising strongly, particularly in Indonesia and Vietnam. Between 2012 and 2018, IT markets in the five countries are forecast to grow at an average annual rate of 6.9%. This growth is likely to be driven by rising demand for IT infrastructure construction on the back of expansion in ASEAN economies and by an increase in IT spending by companies from Japan and other countries that are moving into the region.

CTC's Strategy

This projected growth in the IT markets of five ASEAN countries presents a major opportunity for CTC, which is aiming to expand its global business. We aim to generate further growth by adding more sites in the region to provide support to local clients and by offering the kind of high-value-added services we provide in Japan.

Story

Part 4: Our Vision for CTC: Medium-Term Management Plan (Fiscal 2015–2017)

Our Vision for CTC

Take responsibility for the evolution of the IT industry as the industry's leading company

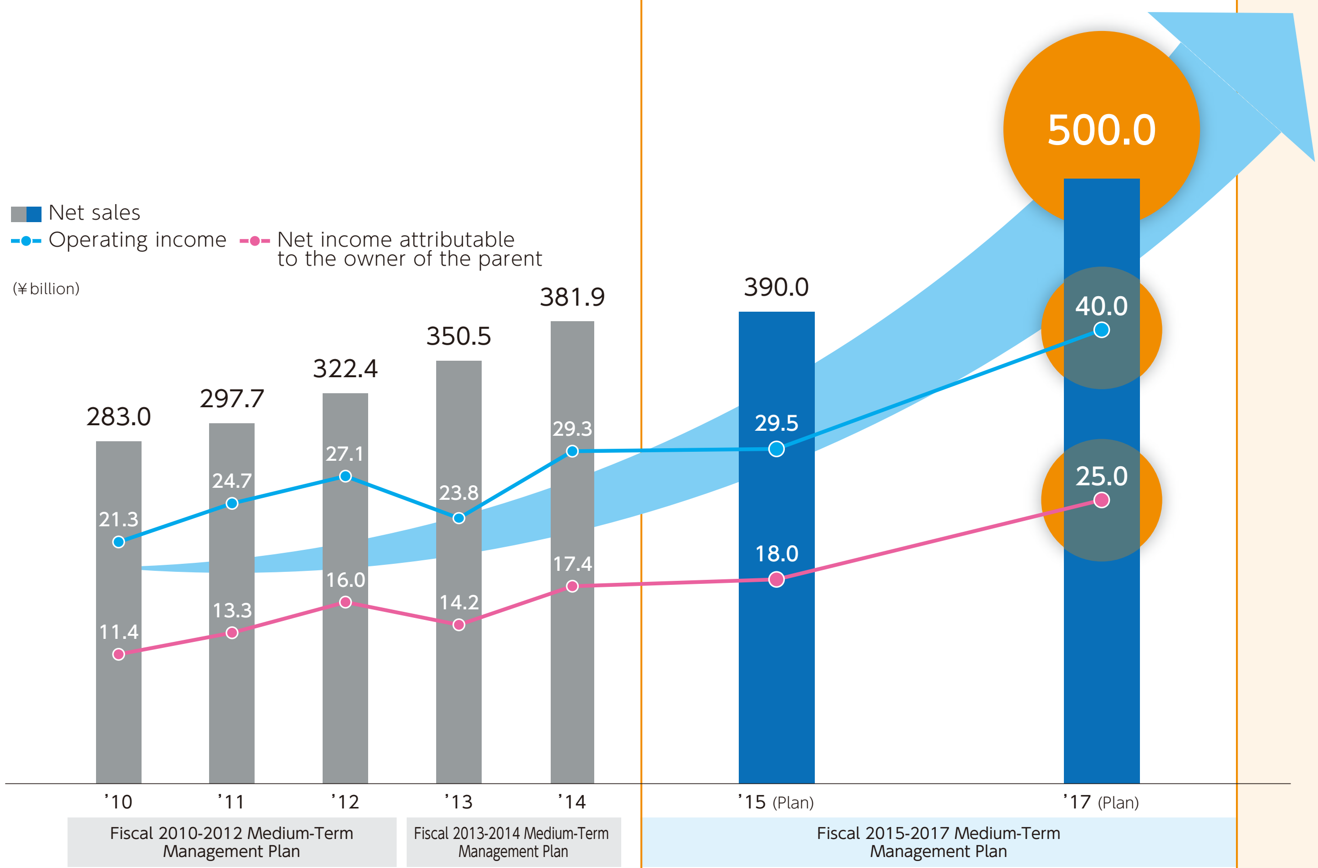
We have formulated a new three-year Medium-Term Management Plan based on our corporate mission of "leveraging IT's potential to change future for the Global Good". Under the plan, we aim to drive the evolution of the IT industry as the leading company.

The plan includes a commitment to deliver "two 500 billions": net sales of ¥500 billion and market capitalization of ¥500 billion. To achieve those targets, we will implement three shifts in our business approach – the plan's key themes. Specifically, we will shift to a service-type business, management that generates internal synergies and growth investments to lift growth across the whole CTC Group in the period through to fiscal 2017.

Fiscal 2017 Targets

"Two 500 billions"

Growth	Net sales of ¥500 billion
Corporate Value	Market capitalization exceeding ¥500 billion (achieve as soon as possible)
Profitability	Operating income of ¥40 billion (operating margin 8%)
Capital efficiency	ROE exceeding 10%



(Japan GAAP for fiscal 2010-2012 and IFRS for fiscal 2013 and after)

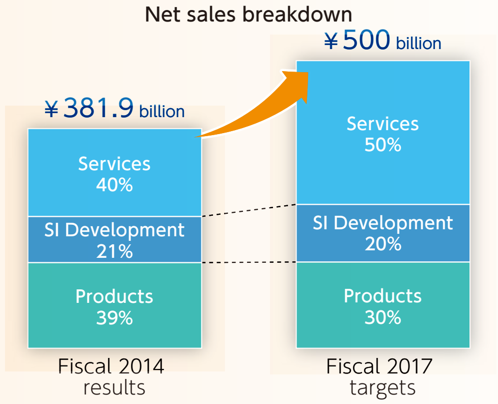
Basic Management Theme

"Three shifts"

1 Shift to "a service-type business".

Bring the share of the service-type business to more than 50%.

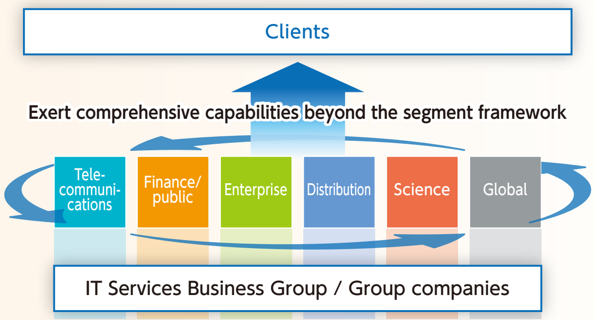
- **CTC Cloud 2.0:**
  - ·Roll out cloud services compatible with mission-critical systems, including backbone systems
  - ·Strengthen cooperation with application vendors to create a more distinct offering in cloud services
- **New developments in operation and maintenance:**
  - ·Expand the BPO business using cloud technology
  - ·Roll out integrated system operation and maintenance services
- **New service business:**
  - ·Draw on our accumulated expertise to launch new services in a range of fields



2 Shift to management that generates "internal synergies".

Exert comprehensive capabilities beyond the segment framework.

- **Measures to address large projects and key clients:**
  - ·Optimize human resources across organizations to help actively target large projects
  - ·Continue to cultivate business with key clients
- **Area expansion (Global 2.0 + local creation)**
  - ·Expand globally, focusing on the ASEAN region, and grow regional business

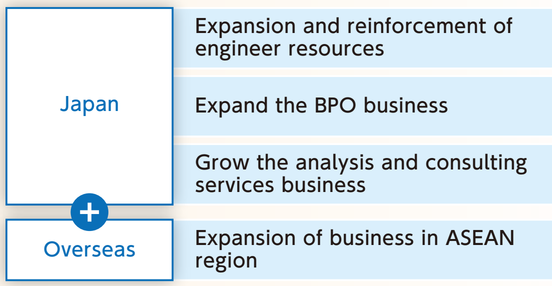


3 Shift to growth "investments".

Vigorously promote investments in human resources, technologies and businesses.

- **Investment in people and technology:**
  - ·Strengthen training of global human resources and cloud engineers
  - ·Utilize the Cloud Innovation Center for research and development
  - ·Invest in future technologies and services such as artificial intelligence
- **M&A in Japan and overseas:**
  - ·Strengthen cooperation with development partners to expand and improve human resources
  - ·Use capital tie-ups to speed up the development of new service businesses
  - ·Expand the business base overseas

Use M&A in Japan and overseas to grow the business



Further strengthening management base to support three shifts

Reduction of unprofitable development

·Tighten up and strengthen project management on an ongoing basis

Creation of appealing company

·Implement personnel system reforms to improve job satisfaction
·Construct a new core system to improve management efficiency

Flexible capital policy

·Employ a flexible capital policy linked to ROE and total shareholder returns

Message from the President

Satoshi Kikuchi

President & CEO

During the three years of our new Medium-Term Management Plan, we will transform CTC by shifting to a service-type business, management that generates internal synergy and growth investments.

Fiscal 2014 Review

Record orders received, net sales and all profit items

We positioned fiscal 2014 as a year to put the CTC Group back on a growth track. We worked to enhance our existing strengths in comprehensive IT service provision and implemented a range of measures to improve profitability. One of our biggest challenges was to improve profitability. We achieved some success in this area by reviewing project management to curb unprofitable projects and by using hedging strategies to mitigate foreign exchange risk.

Supported by firm demand from the telecommunications, finance, public utilities and retail sectors, we reported record orders received, net sales, and all profit items in fiscal 2014, achieving our goal at the start of the fiscal year to return the CTC Group back to growth.

Medium-Term Management Plan completed Genuine progress and a clearer strategic direction

Fiscal 2014 was the second and final year of our two-year Medium-Term Management Plan, which was formulated in fiscal 2013.

Under the plan, we were aiming for net sales of ¥360 billion and operating income of ¥30 billion. We fell slightly short of our operating income target but comfortably exceeded our goal for net sales, with the Group achieving genuine progress in the two years of the plan.

We also gained a much clearer picture of the Group's strategic direction. Of the plan's six basic management policies, we still need to work on two areas: create a more profitable earnings model and develop in-house technologies for the Asian market.

Put simply, we need to transform our earnings model in order to boost profitability. Our current model is based on services, SI/development, and products. Margins are highest in the services business, followed by SI/development, and products. Consequently, the best way to improve the CTC Group's profitability is to increase the share of our business generated by services. Over the last two years we have been working towards that goal, but we have not achieved the transformation in our earnings model that we wanted, partly because sales of products have grown faster than our pivot to services.

Also, over the last two years, we have harnessed our technologies and expertise in Japan to develop in-house technologies for the Asian market. Specifically, through our Group company in Malaysia, CTC Global Sdn. Bhd., we have worked to strengthen our business base in Asia by launching new services, such as 24-hour monitoring services to prevent system failures, and services to automate and improve the efficiency of systems operation. However, we are still only halfway down the road to achieving our sales targets in overseas markets. Economic growth rates are extremely high in the ASEAN region, opening the way for significant business opportunities in the region's IT sector. It is vital that we tap into those opportunities.

We will continue to push forward with these initiatives to transform our earnings model and develop in-house technologies for Asia under our new Medium-Term Management Plan.

New Medium-Term Management Plan

Aiming to drive the evolution of the IT industry as the leading company

Under our new Medium-Term Management Plan, announced in May 2015, we are aiming to play a key role in driving forward the evolution of the IT sector as the leading company. Only leaders in the industry can effect far-reaching change. We will also continue to focus on our corporate mission of "leveraging IT's potential to change future for the Global Good".

Under this vision, we have made a commitment to deliver "two 500 billions". The first "500 billion" is our goal of generating ¥500 billion in net sales by fiscal 2017. That is a challenging target given the Group's current level of sales, but we believe it is important to aim high in order to spur new ideas. By refusing to be satisfied with the status quo and by taking on new business opportunities and technologies, we aim to deliver a major step-change

Message from the President

in growth as we head towards fiscal 2017.

The other "500 billion" is our goal of achieving a market capitalization of ¥500 billion or higher as soon as possible.

At the moment, a large share of the CTC Group's business is focused on the telecommunications sector and products. These are two of the Group's strengths, but the equity market also views over-dependence on certain sectors and markets as business risks. During the three years of our new Medium-Term Management Plan, we intend to establish new earnings streams outside the telecommunications sector and expand service operations, showing investors that we can deliver an increase in corporate value.

Key Points of the New Medium-Term Management Plan

Implementing three shifts in our business approach to achieve the "two 500 billions"

In order to achieve our "two 500 billions" target, we plan to shift towards service-type business, management that generates internal synergies and growth investments.

First, we aim to increase the ratio of sales generated by our services business to over 50% by fiscal 2017. As mentioned above, our services business model has higher margins than our other two business models, so increasing the share of sales from services is vital in order to lift Groupwide profitability.

In our operating environment, the focus in the IT market is shifting from ownership to service provision, and clients now have a wider range of options that allow them to configure services in line with their needs. The objective of IT investment is also moving away from efficiency improvements and cost reduction to enhancing competitiveness. Against this backdrop, CTC will have to understand the unique business characteristics of each client in order to provide them with optimal IT services for their needs. We plan to research, develop and deploy competitive next-generation cloud services that address these needs, as well as harness the strengths of the CTC Group to further enhance our system maintenance and operation services.

Second, we plan to shift towards management that generates internal synergies in order to create new earnings streams in addition to the telecommunications sector.

In recent years, IT projects have been getting larger, business with key clients has been expanding and we have also moved into regional domestic markets. To create new earnings streams, we therefore need to harness all

Previous Medium-Term Management Plan (Fiscal 2013–2014)

Quantitative Targets

(¥billion)	Target	Result
Net sales	360.0	381.9
Operating income	30.0	29.3
Net income attributable to owners of the parent company	18.0	17.4

Basic Management Policies

Policy	Evaluation
Reinforce our strengths	○
Enter growth areas	○
Develop state-of-the-art and optimal technologies	○
Aggressively address earnings model transformation	△
Roll out our in-house technologies in Asia	△
Reinforce our business infrastructure	○

Outcomes Net sales significantly exceeded our target due to expansion in growth areas. However, we still need to do more to improve profitability.

the capabilities of the Group by utilizing our strengths and synergies across organizations and segments.

The third shift we have to achieve in order to reach our sales target of ¥500 billion is a shift in investment into areas that will support growth. Investment in people will be focused on strengthening the training of global human resources who can deliver results in ASEAN markets and on cultivating cloud service engineers. Investment in technology will be channeled into next-generation cloud technology research and development and innovative business fields.

Also, we will build closer links with development partners to reinforce our engineer resources, form capital alliances to accelerate our move into new service businesses, and forge tie-ups with leading local IT companies to expand our business base in the ASEAN region. We believe that channeling investment into these areas will support the CTC Group's growth. We will work to achieve the targets in our new Medium-Term Management Plan by implementing the above strategies.

In fiscal 2015, the plan's first year, we will build a foothold to achieve our final-year goals by targeting higher sales and profits year on year. We forecast net sales of ¥390 billion, operating income of ¥29.5 billion and net income attributable to owners of the parent company of ¥18 billion.

Human Resources Development

We need people who can respond to the fast pace of technological innovation and can thrive in a wide range of business fields to support the CTC Group's growth

CTC is involved in a wide range of businesses, from infrastructure construction and application development to consulting and scientific analysis and simulation systems. Our engineers therefore have to be highly skilled and capable. Also, as the pace of change in our operating environment and technological innovation accelerates, it is increasingly difficult to secure engineers with the advanced skills that we need. That's why human resources development is extremely important for the CTC Group, which will entail continuous and far-sighted investment in our people.

As part of these efforts, we have established an Advanced Technology LAB (laboratories), where we help our personnel constantly keep abreast of the latest developments in technology and practices in our sector. We have also set up a Cloud Innovation Center to conduct research and development related to next-generation cloud technology. These are just some of the steps we are

New Medium-Term Management Plan (Fiscal 2015–2017)

Fiscal 2017 Targets

"Two 500 billions"

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Corporate Value	Market capitalization exceeding ¥500 billion (achieve as soon as possible)
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Capital efficiency	ROE exceeding 10%

Basic Management Theme

"Three shifts"

1. **Shift to "a service-type business".** Bring the share of the service-type business to more than 50%.
2. **Shift to management that generates "internal synergies".** Exert comprehensive capabilities beyond the segment framework.
3. **Shift to growth "investments".** Vigorously promote investments in human resources, technologies and businesses.

Further strengthen management base to support three shifts

- Reduction of unprofitable development
- Creation of appealing company
- Flexible capital policy

Message from the President

taking to cultivate a workforce of highly skilled people.

We are also actively reforming our personnel management system to boost employee motivation and create a more appealing place to work.

Our Corporate Social Responsibility

Helping to create a sustainable society through our business activities

We reviewed our corporate philosophy in April 2015. The review resulted in a newly defined corporate mission: "leveraging IT's potential to change future for the Global Good". CTC's corporate social responsibility is about making this mission a reality.

Through our business activities, we aim to fulfill our corporate social responsibility by helping to reduce society's environmental impact, create a safe and secure society, and make life more convenient and comfortable.

One example of how we are working to reduce society's environmental impact is our involvement in a project led by the state-run New Energy and Industrial Technology Development Organization (NEDO) that is researching and developing electrical power system output fluctuation response technology. Looking ahead to the year 2030 and the wide scale introduction of renewable energy electric power systems, this project aims to identify and resolve technical issues related to the quality of electric power and operation of these systems. Drawing on our technologies and expertise from over 20 years of wind power development, we aim to contribute to further growth in renewable energy by providing integrated services covering system design to operation support.

Also, in November 2014, we established an Innovation and R&D Division to drive innovation at CTC. This division aims to use IT to improve society by addressing projected changes in lifestyles and workstyles from around 2020 due to wider use of IT and trends in Japan's population. The Innovation and R&D Division plans to develop medium- and long-term technology strategies and reinforce new business planning, aiming to push forward the creation of new business models through innovation in seven key areas, including nursing care and welfare, smart agriculture, tourism and artificial intelligence.

Meeting Global Standards for Corporate Social Responsibility

As we develop our business overseas, we need to think about fulfilling our corporate social responsibility from a global perspective. As part of our approach, we signed up to the United Nations Global Compact in June 2015. The UN Global Compact is a voluntary set of principles for organizations worldwide that want to contribute to sustainable growth. We have committed to the principles of the compact to increase trust in CTC as a global company while also building stronger links with all our stakeholders. We also want to promote greater awareness of corporate social responsibility among our workforce.

A Message to all Our Stakeholders

Committed to driving change in the CTC Group and the IT sector as a whole

The IT sector never stops evolving, with new innovative technologies emerging on an almost daily basis. That offers great opportunities for CTC to realize its corporate philosophy of using IT to change everyday life and society for the better. To achieve that goal, we will continue to offer the best IT solutions to help our clients enhance their own corporate value.

Fiscal 2015, the first year of our new Medium-Term Management Plan, is a crucial year for the CTC Group. In order to deliver a major step-change in growth through to fiscal 2017 and drive the evolution of the IT industry as the leading company, we will continue to push ahead with change and steadily implement the strategies in our Medium-Term Management Plan.

I hope we can count on your continued understanding and support in the year ahead.

We will actively invest and employ a flexible capital policy to achieve the targets in our new Medium-Term Management Plan

Director & Executive Vice President
CAO, CFO & CCO
COO, Global Business Development

Toru Matsushima

A new Medium-Term Management Plan based on growth investments

One of the targets in our new three-year Medium-Term Management Plan, launched in fiscal 2015, is net sales of ¥500 billion in fiscal 2017. To achieve this goal, we are focusing on three basic management themes: expand the services business, harness the capabilities of the whole CTC Group to strengthen our client base, and actively invest in growth.

To expand the services business, we will need to make certain upfront investments, such as capital investment for data centers and other facilities and investment to develop new cloud services, create advanced technologies and train engineers.

We also plan to move into new business fields and actively use M&A deals in Japan and overseas to expand our business in the ASEAN region.

Identifying suitable M&A targets is one of the key roles of the CFO. Our final decision will be based on internal investment criteria and a wide range of other considerations, such as the target company's compatibility with the CTC Group and its profitability and growth potential.

As a company that provides IT services, CTC must have a robust financial base to ensure we can continue providing high-quality, highly reliable services to our clients. Consequently, although we may need to use interest-bearing debt to fund our plans for upfront investment and M&A, in principle, investment spending will not exceed free cash flow in the three years of the Medium-Term Management Plan, starting April 2015.

Shareholder returns

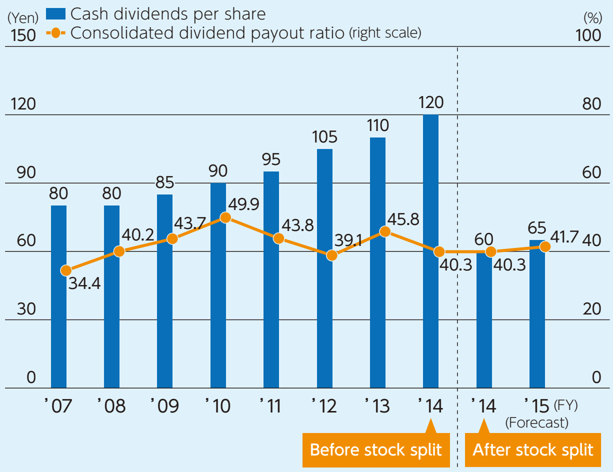
Returning profits to shareholders is one of management's main considerations at CTC. Our basic policy is to pay stable dividends in line with earnings performance. We are currently targeting a consolidated dividend payout ratio of around 40%.

Taking into account the Group's financial position and earnings performance, we paid a full-year dividend of ¥120 per share for fiscal 2014. This resulted in a consolidated dividend payout ratio of 40.3%. Also, effective April 1, 2015, we conducted a 2-for-1 split of common shares to make it easier to invest in CTC and increase stock liquidity.

For fiscal 2015, we plan to pay a full-year dividend of ¥65 per share (¥130 per share based on the number of shares outstanding before the stock split), equating to a consolidated dividend payout ratio of 41.7%.

Going forward, we will continue to employ a flexible capital policy focused on capital efficiency, while also taking into account funds needed to invest in growth and the levels of internal reserves.

Cash dividends per share and consolidated dividend payout ratio



CTC leverages the strengths of the whole Group to offer unique high-value-added solutions

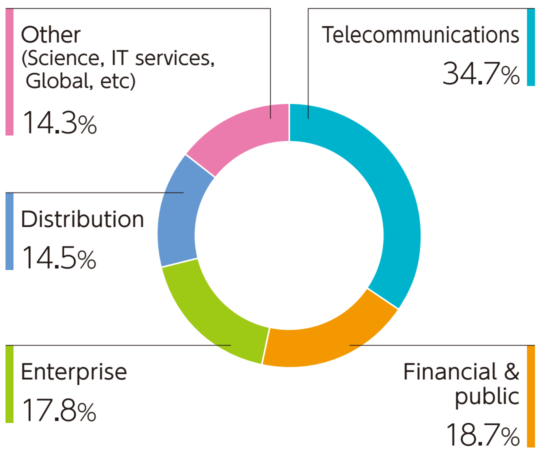
The CTC Group has divided its operations into five business groups and one business division in order to address a wide range of client needs. These organizational units are tasked with conducting business operations in specific sectors and are backed up by Groupwide support in areas such as technology and services.

CTC has built up expertise in each sector over many years. Combining this expertise with the latest technologies and services, all the Group's business units work closely together to develop optimal solutions for clients.

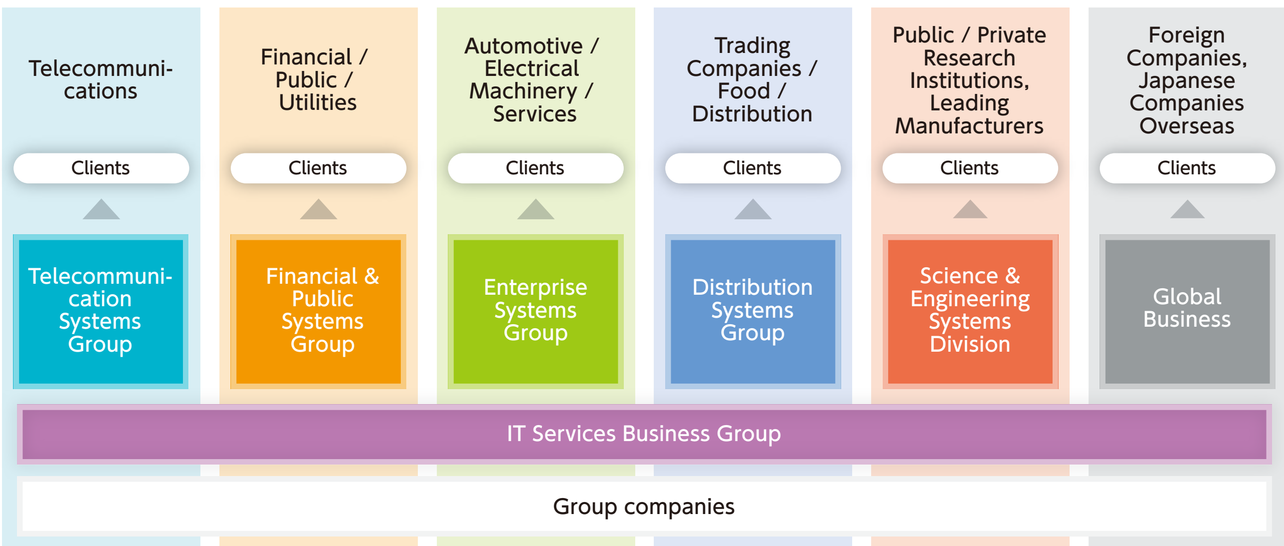
In 2014, we restructured the Group's organizational framework to enhance our ability to provide comprehensive IT services from the standpoint of clients. This restructuring led to the creation of the IT Services Business Group, which brings together business resources such as products and maintenance, operations, data centers, cloud services and security. The business group is responsible for planning, developing and promoting comprehensive services that utilize new IT. It also provides support to sales teams and engineers in other business groups.

In overseas markets, we are pushing ahead with new business development by drawing on our domestic experience and expertise in constructing large IT systems and delivering various cloud services centered on data centers. This new organizational framework will help us create more advanced, innovative solutions that are uniquely CTC.

Net sales by business group (FY2014)



CTC Group Structure

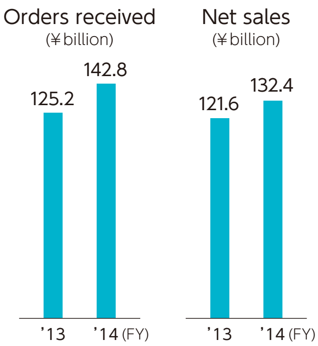


Business	Activities
Telecommunication Systems Group	This business group creates highly complex, mission-critical systems, including large-scale networks and databases, high-volume transaction support systems, and load-balanced processing systems for major telecommunications carriers, broadcasters, cable television (CATV) operators, internet service providers (ISP), internet data centers (IDC), content and application developers, and online companies. In recent years, the group has been focusing on traffic processing technologies compatible with smartphones. The Telecommunication Systems Group is also pushing ahead with proprietary cloud services (SaaS) and aggressively developing secure email, storage, telematics and other services.
Financial & Public Systems Group	This business group supports clients in the financial, public and public utilities sectors. In the financial sector, the group develops domestic systems for megabanks and supports the global deployment of those systems. The group is also involved in backbone system and contact center projects for credit card companies. In the public sector, including national government agencies and local governments, and the public utilities sector, which covers post offices and power companies, the main focus is on large-scale infrastructure construction projects.
Enterprise Systems Group	This group supports clients in the manufacturing and service sectors. In the manufacturing sector, the group is promoting IaaS and PaaS cloud integration to support the construction of global IT infrastructure platforms. In recent years, clients served by this business group have been shifting to cloud services. CTC is also moving beyond its conventional domain of infrastructure construction and IT system development to offer optimal solutions tailored to client needs by providing consulting, hybrid cloud and other services.
Distribution Systems Group	This business group supports clients in the trading company, convenience store, oil trading, beverage and food wholesale sectors. The group provides a comprehensive range of services, including maintenance, operation, cloud, data center and outsourcing services. It focuses on business development in areas such as backbone systems for general trading companies to support their global operations, and store management systems for convenience store and gas stations, which now play a key role in modern society. The Distribution Systems Group works closely with clients to help them increase value and resolve business issues.
Science & Engineering Systems Division	This division mainly provides scientific and engineering analytical consulting services, system development and sales and maintenance support. The division is developing renewable energy-related services and working to extend the useful life of public infrastructure. It also provides advanced technology in a range of fields, from manufacturing engineering solutions to nuclear power. The Science & Engineering Systems Division is using those advanced technologies in a number of large-scale demonstration projects.
IT Services Business Group	This business group continually conducts research to stay abreast of the latest IT market needs, technologies and processes, harnessing that knowledge to supply useful services that enhance and combine the key elements of IT – products and maintenance, operation, data centers, cloud services and security. The group also helps to strengthen CTC's advanced technologies by supporting human resources training and technology development. Specifically, amid the recent focus on cloud native applications, the group's Cloud Innovation Center is developing and testing technology to support the deployment of native applications. Working closely with other business groups and group companies, the IT Services Business Group strives to address client needs across the entire IT lifecycle.
Global Business	Overseas, the CTC Group is targeting opportunities from projected strong growth in IT markets and providing support to Japanese manufacturers and other companies moving into the ASEAN region. CTC draws on its advanced technologies developed in Japan and the combined strengths of the Group to supply IT services.

Telecommunication Systems Group

Masaaki Matsuzawa

Director & Senior Managing Executive Officer
COO, Telecommunication Systems Group



Responding to the rising speed of networks and advanced technologies and working to secure new clients

Fiscal 2014 Results

Orders received and net sales both increased year on year, supported by strong demand for network upgrade work from a mobile carrier to address rising uptake and use of smartphones and smart devices. Over many years, this business group has led the way in introducing the latest technologies and products from IT suppliers in Japan and overseas, helping to build network systems for Japan's leading telecommunications carriers. We leveraged these strengths to full effect in fiscal 2014.

Medium-term Initiatives

The internet of things (IoT) is the latest business theme to emerge in the IT sector after cloud services and big data. IoT moves beyond existing connected devices such as PCs and smart devices to encompass physical objects such as cars and other modes of transportation, consumer electronics, and medical equipment. Embedded connectivity via the internet allows these objects to automatically send and receive various types of data. Network infrastructure capable of handling vast volumes of data traffic will play a crucial role in the IoT era. Major carriers have already started work on creating these next-generation networks, while the Telecommunication Systems Group is developing advanced technologies and training engineers to make the systems a reality. Key technologies include SDN*1, and network virtualization technologies such as NFV*2. Also, leveraging our technological capabilities and communications expertise built up over many years, we are working to secure new clients such as MVNOs*3, broadcasters and ISPs and focusing on developing cloud services.

*1 Software-defined network: software to manage networks in an integrated manner
*2 Network functions virtualization: virtualized and dispersed network functions
*3 Mobile virtual network operators: mobile carriers that do not own network infrastructure

Telecommunication Systems Group: Case Study

SoftBank Corp.

Supplying Procera's PacketLogic solutions for SoftBank's LTE services

SoftBank

CTC has supplied Procera's PacketLogic solutions to SoftBank for its long-term evolution (LTE) services.

Data traffic continues to grow at a rapid rate on SoftBank's networks as more people buy smartphones and tablet devices. Amid rising demand, mobile service providers need to ensure users always have access to an optimized and reliable communications network.

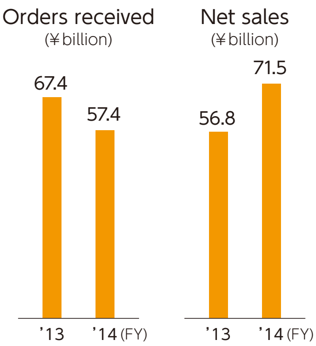
Our PacketLogic solutions are based on the PacketLogic software series developed by US company Procera Networks Inc. The PacketLogic series monitors traffic to websites, SNS sites, video streaming portals and other sites in real time, helping network operators to visualize subscriber traffic. The software also allows operators to set policies based on applications, connections, time and other parameters, enabling the automatic redirection of network resources in line with user needs.

CTC has extensive experience in rapidly introducing the latest domestic and global technologies and products, using them to develop large-scale systems and build infrastructure for Japan's leading telecommunications carriers. This track record helped us secure the contract to design, build, maintain and operate SoftBank's LTE traffic system.

Going forward, we will continue to play a key role in creating reliable, high-quality telecommunications networks by supplying the latest technologies.

Financial & Public Systems Group

Takahiro Susaki
Director & Managing Executive Officer
COO, Financial & Public Systems Group &
Regional Business Development



Converting opportunities from projected growth in IT investment into results

Fiscal 2014 Results

Orders received declined compared with the previous fiscal year, when the group secured a major order from a postal company, but net sales rose sharply, driven mainly by projects for a postal company and megabanks. The group made good progress with the implementation of major existing projects, stepped up efforts to support key clients and worked harder to secure new clients.

Medium-term Initiatives

IT investment is projected to rise in the financial, public and public utilities sectors. Financial companies are adopting international standards, while investment is also set to be driven by Japan's new "My Number" system and deregulation in the electricity retail market.

In the financial sector, we intend to target demand for market and international IT systems and contact center projects as major banks adopt international financial reporting standards and develop overseas operations. We also plan to expand our business in cashless payments, primarily through a business we acquired in 2013 that develops backbone systems for credit card companies.

In the public sector, we will work with other CTC business groups to adapt our local government "My Number" management system for clients in the private sector. In the public utilities sector, where the electricity market is moving towards deregulation, we will focus on providing infrastructure platforms and analytics solutions to power companies to help them gather and analyze data from smart meters.

Also, with communication tools becoming more diverse, we will work on developing artificial intelligence CRM* businesses for all our target sectors using artificial intelligence technologies.

*Customer relationship management: an approach to maintaining and reinforcing positive relationships between companies and their clients using software to manage interaction processes

Financial & Public Systems Group: Initiatives

Helping to implement Japan's national "My Number" system

In January 2016, Japan will roll out the "My Number" national identification number system for social welfare and tax records. Under the new system, personal information held by national and local governments related to social welfare, tax and natural disaster planning will be integrated under a single identification number. This is intended to increase the efficiency of information management and speed up information sharing between different organizations.

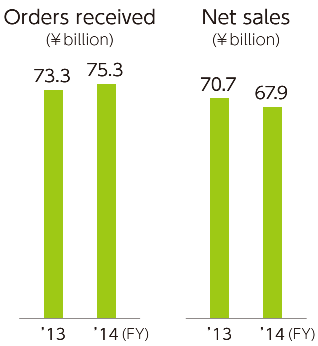
To ensure the system works smoothly, local governments need to build infrastructure that allows them to register and manage national ID numbers and share that information with other local government bodies using intermediate servers.

CTC has started offering dedicated operation packages for "My Number" systems to local prefectural and municipal governments. These packages allow users to register and manage national ID numbers efficiently and smoothly.

Over time, the "My Number" system is expected to become widely used in other areas, such as integration with savings accounts and the management of health checkup data. We intend to offer systems that realize secure and efficient operations in these fields as well.

Enterprise Systems Group

Shigemitsu Takatori
Director & Managing Executive Officer
COO, Enterprise Systems Group &
Innovation and R&D



Harnessing the strengths of the CTC Group to expand the development business and the service business

Fiscal 2014 Results

Despite a negative impact from the hike to consumption tax, Japan's economy recovered at a moderate pace in fiscal 2014, supported by the Bank of Japan's monetary policies and the government's economic stimulus measures. The Enterprise Systems Group reported higher orders received year on year, reflecting growth in projects for the transportation and services sectors. However, net sales declined compared with the previous fiscal year, mainly reflecting lower sales from projects secured in prior fiscal years for the manufacturing and internet services sectors.

Medium-term Initiatives

Against the backdrop of a moderate recovery in the domestic economy, Japanese manufacturers planning to step up overseas expansion are aggressively investing in IT to counter increasingly severe competition in the global market.

The Enterprise Systems Group will harness the strengths of the whole CTC Group to help clients increase corporate value as their IT partner. Our goal is to expand the group's business to become one of CTC's key sources of earnings. Specifically, based on our track record in infrastructure SI, we will reinforce the development business, develop the service business by drawing on the Group's strengths in private cloud services and operations services, and expand our global business through close cooperation with business sites in Malaysia, Singapore and other markets.

Enterprise Systems Group: Case Study

All Nippon Airways Co., Ltd.

Introducing cloud-based services for online booking site ANA Sky Web to improve the customer experience

Every day around 600,000 people access ANA Sky Web, the online booking site of All Nippon Airways Co., Ltd. (ANA). The site also brings in annual sales of roughly ¥450 billion, making it one of the largest single company e-commerce portals in Japan. However, site traffic spikes to more than ten times normal levels in peak periods, such as the year-end holiday season or when ANA releases blocks of discounted air tickets. This level of traffic exceeded the legacy site's capacity, which prompted ANA to look for ways of improving performance. ANA also needed to optimize its cost structure to counter growing global competition in the airline sector due to the emergence of budget carriers and other factors.

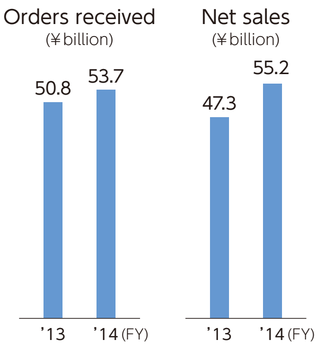
ANA selected CTC's private cloud services to address both these issues. Bringing together the latest technologies and products, we built a new ANA Sky Web that resolves the traffic and cost issues, but also delivers improvements in other areas, such as faster processing of seat availability information and easier web content updating.

In 2014, we integrated the site with ANA's email services, enabling the airline to rapidly send information about canceled or delayed flights to customers so they can take action immediately.

ANA Sky Web is playing an increasingly important role in ANA's commitment to improving customer experience. We aim to help ANA increase its corporate value by continuing to provide advanced technologies and services.

Distribution Systems Group

Eiji Haraguchi
Managing Executive Officer
COO, Distribution Systems Group



Drawing on our accumulated expertise, we are developing services that improve business efficiency for our clients

Fiscal 2014 Results

Orders received and net sales both rose sharply year on year, reflecting major projects for key clients.

Drawing on our operational knowledge and expertise accumulated over many years of developing backbone and business systems, we also started offering a new menu of cloud services called Business Evolution.

Medium-term Initiatives

The Distribution Systems Group develops backbone and business systems and provides system operation services for specific clients, mainly in the trading company, retail, crude oil trading and beverage sectors. Over the medium-term, we will focus on expanding the development business by highlighting our ability to maximize value for clients. Some key CTC clients are planning major IT system upgrades. As the primary vendor, we will combine the latest technologies with our technological capabilities and accumulated expertise to provide systems that increase corporate value for those clients.

Another medium-term initiative is to expand our service business. In backbone system peripheral areas, many people at client businesses are engaged in work such as master data adjustment, part number registration and invoice preparation. We plan to develop cloud services and combine them with BPO to help clients automate and save labor in those areas.

We also plan to offer asset services using a monthly fee-based model. The assets will be IT systems that clients need for their operations, which will be combined with value-added services such as business applications, maintenance, operation and security support, and data centers.

Distribution Systems Group: Case Study

CO-OP NET BUSINESS ASSOCIATION

Providing cloud-based apps that help members keep track of groceries and manage household budgets

co-op コープネット コープネット事業連合
食卓を笑顔に、地域を豊かに。

CTC has started offering cloud-based services to CO-OP NET BUSINESS ASSOCIATION (CO-OP NET) – a cooperative food distributer – that allow its members to keep track of chilled food and other groceries and manage household budgets.

We provide two smartphone apps, one that helps members check what groceries they have at home when they are out, and another that automatically updates the household budget after food is purchased. Data input is automated and the apps can be linked to in-store point-of-sale terminals.

The ability to check what food is in the fridge or on the shelves at home using the app is expected to reduce over-buying, helping to cut the ratio of food wasted by households. Japanese households currently throw away 3.7% of all purchased food. The app also helps users remember what food they need to buy. On the seller side, CO-OP NET gains access to the buying habits and trends of app users. This information can be analyzed and used to offer products and discount coupons tailored to shopping preferences, leading to increased sales opportunities to existing members and helping the company develop personalized marketing to attract new members.

We plan to enhance the service's data analysis capabilities and improve automated data input to help CO-OP NET secure more delivery customers and boost convenience for members.

Science & Engineering Systems Division

Hiroshi Iimuro
Managing Executive Officer
General Manager, Science & Engineering Systems Division

Providing IT, science and engineering solutions to resolve issues in the energy and environmental fields

Medium-term Initiatives

Japan has a low level of energy self-sufficiency compared with other countries, with only 6% of its energy needs met by local sources. Japan is highly dependent on oil, liquefied natural gas (LNG) and other fossil fuels, which raises various issues such as energy security and rising emissions of greenhouse gases. Japan also faces the growing problem of aging public infrastructure such as roads and bridges. The Science & Engineering Systems Division aims to resolve these types of issues by providing IT, science and engineering solutions that help create a more secure and safer society with less impact on the environment. The division focuses on three main fields:

1. Energy
   Expanding forecasting technology-based services for power companies to support the stable use of renewable energy
2. Manufacturing
   Developing proprietary applications that calculate the strength and elasticity of hybrid materials, which are attracting growing interest for their ability to reduce weight and improve fuel efficiency
3. Public infrastructure
   Increasing our CIM* services to help extend the useful life of public infrastructure such as bridges and tunnels

*Construction Information Management / Modeling: these services reduce the cost and improve the efficiency of construction projects over timeframes of several decades.

Science & Engineering Systems Division: Case Study

New CIM business launched in the construction sector in fiscal 2014

In fiscal 2012, the Ministry of Land, Infrastructure, Transport and Tourism began promoting the concept of construction information management / modeling (CIM) in the construction sector. CIM uses IT to manage construction-production processes and is already being trialed at many building sites ahead of the planned implementation of CIM guidelines in fiscal 2016.

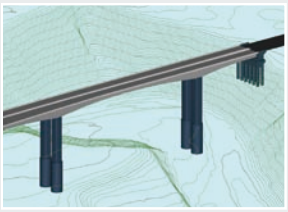
CIM is being promoted to improve construction project implementation by enabling contractors to visualize three areas – construction configuration, prediction and communication. CTC has developed tools to support those visualization processes.

One of these tools, which visualizes prediction, is already being used in many real-world design and construction situations. Our solution for prediction enables users to create a complete record of the building's structure based on its materials, characteristics and construction timeframe – something that was not possible before – rather than the original data points and configuration. CTC was also one of the first in the industry to offer communication visualization tools. Our cloud-based information sharing service enhances communication between users and is already being used by many customers working on earthquake rebuilding projects.

Drawing on its strengths in scientific computing, the Science & Engineering Systems Division aims to combine 3D model data and streamline design processes to realize highly accurate construction technologies.

CTC will also bring together various construction data to create a spatial model database that supports design, engineering and maintenance, and provide this as a cloud-based service that helps enhance the safety and quality of social infrastructure.

Expressway model example



Bridge model example

*Both of the above 3D models have been used at Obayashi Corporation construction sites

IT Services Business Group

Tadataka Okubo

Director & Managing Executive Officer
CTO
COO, IT Services Business Group

Aiming to develop and promote maintenance and operation businesses and new cloud services that draw on the strengths of the whole CTC Group

Medium-term Initiatives

With networks becoming faster and IT becoming more advanced, our clients have access to a growing number of options to realize their IT objectives. However, on the downside, IT systems are increasingly complex. Security is also a key consideration for clients.

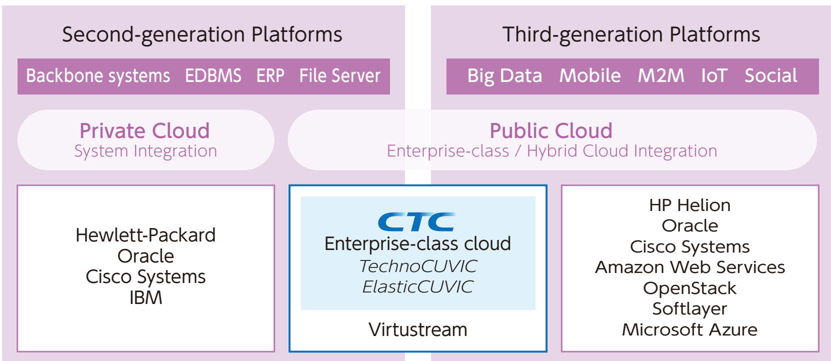
Against this backdrop, the IT Services Business Group will use its position as a Groupwide organization to work closely with other business groups and Group companies that provide IT services. Drawing on their combined strengths, we aim to expand our business by offering cloud services, security services and infrastructure services that combine products, monitoring and maintenance, as well as system and business process operation services.

1. Initiatives in cloud services
   We will continue to offer existing cloud services, which offer flexibility and expandability, and also new highly reliable services for backbone systems, an area where cloud services have not taken off due to concerns about reliability and security.
2. Total IT management for clients and system operation services
   We plan to reinforce and expand CTC's existing strengths in multi-vendor services to provide multi-platform services, including cloud services, and BPO services.
3. Research into the latest IT technologies and processes
   The Cloud Innovation Center will research, test and establish technologies capable of accurately responding to new needs, such as IoT and development processes for cloud native applications.

1 Initiatives in cloud services

CTC Cloud 2.0

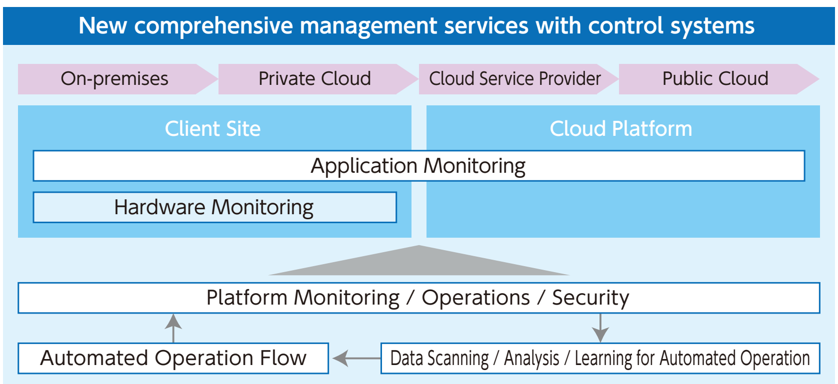
We will roll out cloud services for second-generation platforms that support backbone systems and other areas where cloud services have not taken root, and cloud services for flexible and expandable third-generation platforms that support client marketing and line of business (LoB).



2 Total IT management for clients and system operation services

New developments in operation and maintenance

We have traditionally focused on providing maintenance services for products sold by CTC. Going forward, we plan to expand our business reach into operation and maintenance services for entire IT systems, including cloud services, BPO, operations and applications. Our goal is to offer truly multi-vendor, multi-platform management services.



Main Business Review

Global Business

Toru Matsushima
Director & Executive Vice President
CAO, CFO & CCO
COO, Global Business Development

Actively stepping up overseas expansion with a focus on the ASEAN region

Medium-term Initiatives

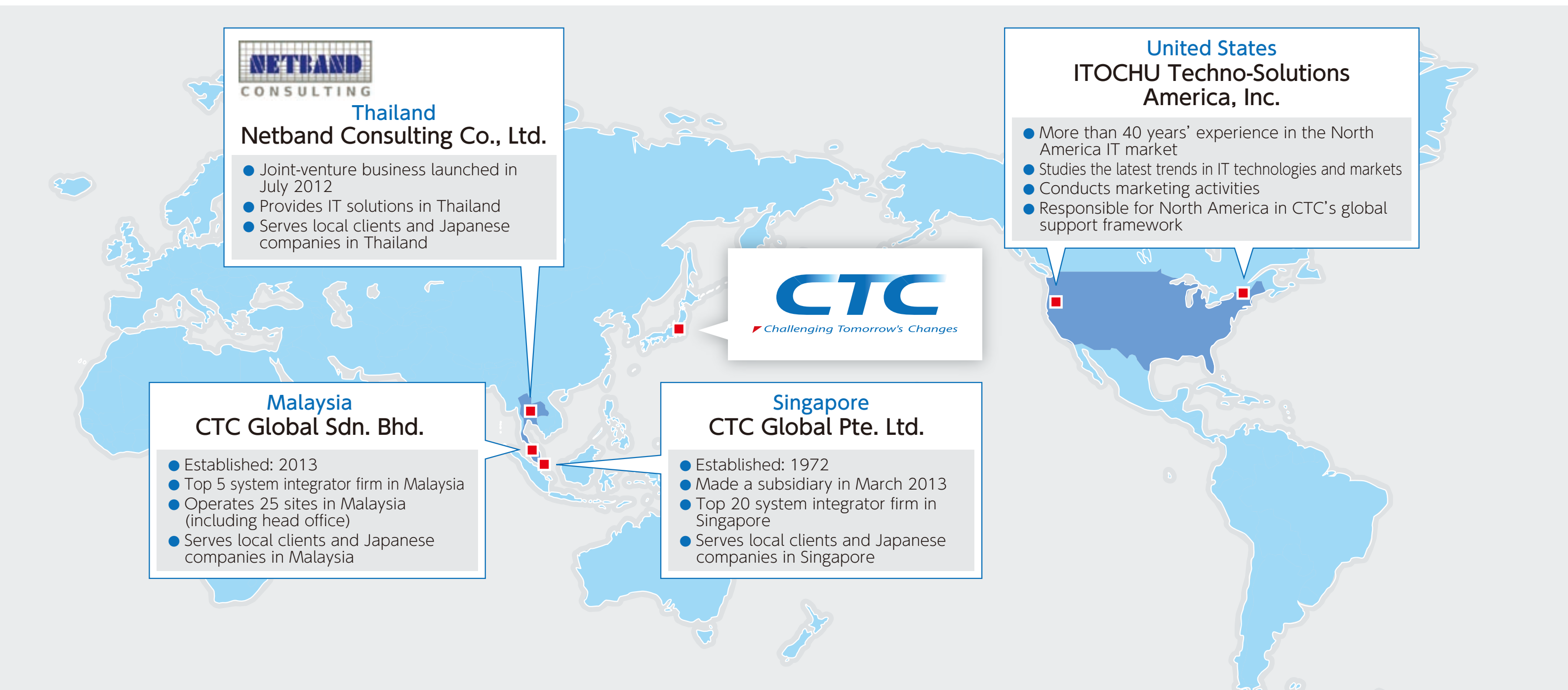
In fiscal 2013, the CTC Group launched a full-scale effort to expand into overseas markets, focusing on Malaysia, Singapore, Thailand and other countries in the ASEAN region. Targeting the ASEAN region, where the IT market is projected to continue growing strongly, the CTC Group will leverage its domestic technological capabilities and expertise to provide high-value-added services to local clients and Japanese companies based in the region. Specifically, we will focus on expanding our network of business sites and offering more services.

We plan to open new sites in addition to our existing presence in Malaysia, Singapore and Thailand. We will also actively search for M&A targets and forge partnerships with local companies to build an extensive support framework in the ASEAN region.

Moves to expand our service business are already under way. Our first step was the launch of CUVICEye in Malaysia in fiscal 2014. CUVICEye is an operation and monitoring service designed to improve the efficiency of client system operations through the automation of system operation and 24/7 monitoring to prevent system failures. Going forward, we plan to offer a wider choice of security, cloud and other services as part of efforts to build a powerful global support framework.

We will also enhance cooperation between sites in Japan, Malaysia, Singapore and other countries and focus on training global human resources in order to accelerate the expansion of our global operations.

CTC's overseas network (as of May 2015)



As of May 2015

CTC Group Uses Comprehensive Group Capabilities to Provide Total Support for Clients' IT Lifecycles

Maintenance & Operations Services

Maintenance & Operations Services provide a variety of necessary technological capabilities, from product maintenance to the management of infrastructure and operation of backbone system application and the ongoing management of data centers. Each operational specialization of CTC Group companies supports clients' IT lifecycles.

System Maintenance and Support Business

CTC TECHNOLOGY CORPORATION

Established: Apr 6, 1990

Provides one-stop support services in accordance with clients' IT lifecycles, including system implementation, maintenance, operation, monitoring and training. We support the stable operation of client systems 24 hours a day, 365 days a year, from maintenance support bases across Japan.

System Operations and Support Business

CTC SYSTEM MANAGEMENT CORPORATION

Established: Jul 1, 2008

Provides specialized operations services, such as satellite communications controls and the operation management of IT infrastructure, backbone systems and data centers for clients in the financial, distribution, telecommunications and manufacturing industries. Also carries out IT infrastructure construction, develops ERP-related software and provides maintenance services.

Data Center Facility Management Business

CTC FACILITIES CORPORATION

Established: Jul 7, 2000

Provides a wide variety of data center-related services, from data center facility operations management and construction consulting to IT service operations, with five CTC Group data center locations across Japan.

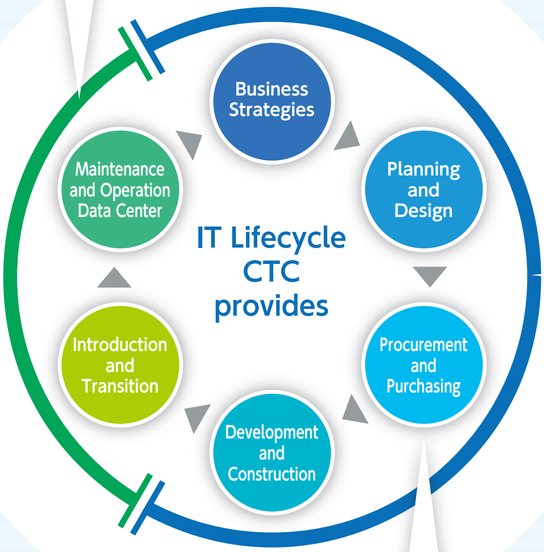
Contact Center and Helpdesk Services Business

CTC First Contact Corporation*

Established: Apr 1, 2000

Provides outsourcing services for helpdesk and contact center operations, education and training, manual development, and back-office services such as contracted business administration work, as well as total solutions combining these and other related services. The company is also aiming to expand its business further by working with CTC Group sales teams and enhancing service quality by securing support center international certification from the Helpdesk Institute.

*In May 2015, the company name of the First Contact Corporation was changed to CTC First Contact Corporation.



Developing Businesses Specialized for the Client Companies and Industries

Develops business specialized for client companies and industries, providing systems developed for clients' unique operating processes and industry-specific solutions.

CTC LIFE SCIENCE CORPORATION

Established: Oct 1, 1989

Provides global standard solutions for clients in the life sciences sector in a wide range of domains, from drug discovery research to development, manufacturing, sales and marketing from the client's perspective in terms of both IT and operations.

Asahi Business Solutions Corp.

Established: Jan 5, 1989

Since established as an information systems subsidiary for Asahi Breweries, provides total solutions to the Asahi Group, from IT solutions planning, proposal and development, to maintenance and operations.

Product Sales Business

Laying out the framework to offer a variety of IT-related products and top global vendors to provide the best solutions to client needs.

CTCSP CORPORATION

Established: Apr 1, 1990

Provides network, security and storage-related equipment and solutions. The company is also a one-stop service provider of those products and related equipment, from purchasing and installation through to system construction and maintenance.

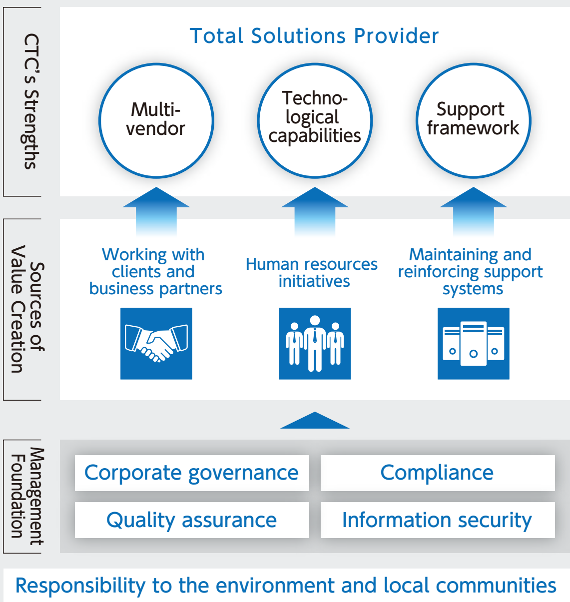
CTC's Sources of Value Creation

CTC draws on three strengths – its multi-vendor role, technological capabilities and support framework – to consistently provide optimal solutions tailored to client needs by selecting the best available options.

These strengths are supported by strong links with business partners in Japan and overseas, an extensive support network of data centers, maintenance bases and other sites, expertise accumulated over many years of working with clients, and personnel who can devise optimal solutions using the latest technologies. These are the sources of the CTC Group's value creation.

Other factors play a key role in helping us enhance corporate value for clients: a corporate governance structure that increases management transparency and fairness, initiatives in areas such as information security and compliance that strengthen our business base, and measures to ensure CTC fulfills its corporate social responsibility to all stakeholders.

In Chapter 3, we look in more detail at these areas that support the CTC Group's value creation.



Working with Clients and Business Partners

Providing optimal solutions for clients while enhancing cooperation with business partners

CTC sources a broad range of products from leading IT vendors in Japan and overseas. Working closely with development partners, we bring those products together to create optimal solutions for a wide variety of different client needs.

Initiatives for Clients

Providing high-quality services

At CTC, we aim to provide high-quality services in order to increase client satisfaction. Based on this policy, we constantly strive to offer high-quality products and services that are reliable, secure and easy to use. This is an integral part of our business activities.

To ensure we continue providing these high-quality services, we have established a Groupwide quality management system based on ISO 9001 certification. By promoting quality management from the perspective of clients, we aim to lift quality levels and increase client satisfaction.

Increasing client satisfaction

CTC puts great emphasis on listening to clients and using their feedback to improve services. As part of this approach, we continually gather feedback from clients about project implementation.

In fiscal 2014, clients gave us high marks for sticking to delivery timetables and for communication, but they were less satisfied with our proposal capabilities.

We plan to use this positive and negative feedback effectively to improve project implementation and business management. We also carry out follow-up checks on each project to monitor whether client feedback is leading to improvements in project implementation.

Going forward, we intend to employ a plan-do-check-act (PDCA) approach to further enhance client satisfaction.

Working with Leading IT Vendors in Japan and Overseas

Combining vendor expertise with our system construction capabilities through close communication

One of CTC's strengths – our role as a multi-vendor – is supported by partnerships with leading IT vendors in Japan and overseas. Since the first days of CTC, we have aimed to source global standard products as soon as they become available, helping us to deliver optimal solutions to many clients over the years. Based on that sales track record, CTC has secured top-level partner certification from many IT vendors and won numerous awards. We also have more vendor-certified engineers than many other IT companies in Japan.

CTC holds regular meetings with leading IT vendors in Japan and overseas. These meetings give us the opportunity to pass on the opinions of our in-house engineers and discuss client requests, helping vendors to develop higher quality products by responding to feedback from users. We also share information with vendors in areas such as new products, new projects and maintenance services. This process allows us to provide optimal solutions to clients by combining the expertise of vendors with our system construction capabilities.

*Oracle and Java are trademarks of Oracle Corporation, its subsidiaries and affiliates in the US and other countries.
*IBM and the IBM logo are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide.

Awards from Major Vendors

EMC	Platinum Partner ●Business Partner Awards 2014 ·EMC Partner of the Year 2014
Cisco Systems	Gold Partner ●Japan Awards ·Japan Partner of the Year 2014 ·Data Center Acceleration Award ·Cloud IaaS Partner of the Year ●APJ Awards ·Partner of the Year
IBM	Premier Partner ●2014 IBM Choice Awards ·High-Performing New Business Partner
Oracle	Platinum Partner ●Oracle Excellence Awards 2015 ·Technology Leader
Hewlett-Packard Company*	Platinum Partner ●Japan Awards 2014 ·Blade System Partner of the Year
NetApp	Star Partner ●NetApp Partner Summit 2015 ·Support Partner of the Year ·Special Award
VMware	Solution Provider Premium Partner ●VMware Japan Partner Awards 2013 ·Solution Provider of the Year

As of August 2015

*Company name to be changed to Hewlett-Packard Enterprise as part of a corporate spin-off planned for November 2015

Working with Development Partners

Rigorous information security, technology transfers to certified partners and support for personnel training

CTC has built a network of roughly 900 development partners in Japan and overseas to help us address the diverse needs of our clients. These companies support and strengthen the CTC Group's system development and construction capabilities.

In system development and construction, high levels of quality and productivity are obviously crucial. But protecting the information assets of our clients is one of our most important considerations. When selecting development partners, we look at various aspects of supplier businesses, such as their management base, technological capability and business track record, as well as their information security management framework. Before starting work on joint projects, development partners are required to sign a memorandum on information security. We also provide them with an Information Security Bible, which summarizes the CTC Group's information security policy. We verify information security management on an ongoing basis with regular check sheets and visits to partner sites.

Of our roughly 900 development partners, the best companies are awarded certified partner status, which gives them access to the latest technologies and initiatives to enhance quality. Certified partners also receive access to various development environments and our internal quality standards. In addition, we provide certified partners with training programs to help them improve the skills of their workforce.

Human Resources Initiatives

Cultivating personnel who can help us harness the possibilities of IT

In the fast-moving IT industry, where new technologies and services are emerging all the time, we need to supply the latest technologies and continue providing high-quality services to clients. To support that goal, we are striving to create fulfilling workplaces where all CTC employees are highly motivated and keen to take on new challenges.

Creating a working environment where every employee can develop and improve their skills

Our policy is to encourage every employee to take personal control of their career development. CTC's role is to give them the environment and tools to reach their potential. We provide a range of education and training opportunities for all our staff, from newly hired employees through to early and mid-career personnel and managers. This includes training courses tailored to each employee grade and job type to help our staff acquire more knowledge and skills, as well as seminars to share expertise.

We also updated our multiple-track personnel promotion system in April 2015. From fiscal 2013, engineers were divided into two paths in a high-grade stream, one for specialist engineers and the other for managers, creating a multiple track approach aimed at enhancing the technical skills of our personnel. The latest changes are designed for a wide range of career paths for all our employees. Specifically, sales personnel have been divided into two high-grade streams comprising sales and management staff, creating a systemized grade-based personnel system tailored to job roles, including engineers.

Changing working styles at CTC

We started rolling out a new morning-focused working system from July 2014 as part of innovations to change working styles at CTC. This system is designed to limit irregular working hours at night or on days off. Where necessary, employees are encouraged to stop working and come into the office early the next day. Our aim is to promote healthier lifestyles and help our employees be stronger physically and mentally. Another objective is to enhance employee concentration and efficiency, which is likely to translate into further improvements in service quality and client satisfaction.

Helping employees acquire the cutting-edge skills as part of our shift to a service-type business

■ Advanced Technology LAB (laboratories)

We established the Advanced Technology LAB in January 2014 to enhance the skills of our engineers, provide training on the latest technologies and share expertise. The Advanced Technology LAB, a shared resource for the whole Group, has a hands-on environment where engineers can interact directly with new technologies and products, as well as a virtual communication environment that allows engineers to pass on their knowledge and test results to other employees and share and accumulate expertise through discussions on a range of topics.

Employees who are registered to use the facility disperse their knowledge to the rest of the Group, share information and conduct discussions. This community of engineers uses the hands-on testing environment with advanced technologies to rapidly get up to speed on the latest developments in IT.

■ Cloud Innovation Center

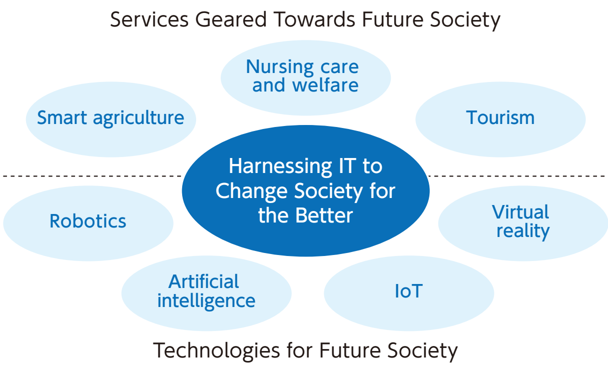
This facility was established in April 2015 to conduct research and development into next-generation cloud technology. In cloud technology, which will play a key role in areas such as the internet of things (IoT), mobile devices, big data, social technologies and security, we plan to train up engineers across the Group, reinforce our technological capabilities and expand our presence in the IT market. We will also conduct research into future IT systems and look at ways of making them commercially viable. Moreover, we plan to contribute to the open source software (OSS)* community in areas such as OpenStack software and platform as a service (PaaS) system, as well as play a key role in promoting the development of the cloud services market, aiming to provide IT environments that support client businesses.

*Open source software: Computer software with its source code (the software's "blueprint") made available for free over the Internet. This open source approach allows anyone to improve and redistribute the software.

Promoting Farsighted Research Activities

Innovation and R&D Division

We established an Innovation and R&D Division in November 2014 with the aim of harnessing the possibilities of IT to change society for the better. Specifically, the division plans to address projected shifts in lifestyles and working styles from around 2020 due to wider use of IT and changes in Japan's population. The division will lead efforts to create partnerships inside and outside the CTC Group, aiming to push forward research that generates innovation in seven key areas, such as smart agriculture, tourism, artificial intelligence and nursing care and welfare.



Global Human Resource Development

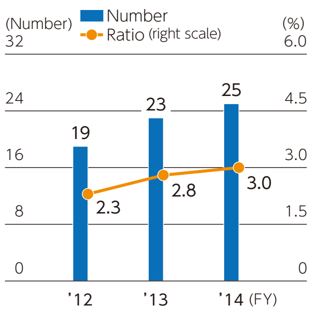
We are cultivating human resources who can flourish in the global marketplace, as part of efforts to reinforce our business base in the ASEAN region. In addition to improving language abilities, CTC provides training to nurture overseas business management capabilities and enhance practical communication skills targeting select employees with experience and a proven track record in the domestic business. We are also working to hire more international staff and Japanese who have studied abroad.

Promoting Diversity

In order to drive further growth, the CTC Group is striving to create a workplace that emphasizes diversity. We recognize differences in gender, age, nationality, values and lifestyles, and provide support to each employee to help them achieve their full potential.

Supporting women in the workplace

Number of female managers



Personal situations and environments can change due to a variety of life events. When this happens, CTC offers a range of support to ensure employees remain motivated to continue work. One example is our mentoring program, which is designed to support career development and improvements in people skills. Under the program, senior female employees in management positions and senior employees with a wealth of knowledge and work experience provide junior employees with close support. Also, through networking events with companies in other industries, we give our employees the opportunity to meet many role career models, helping them to recognize their own potential and create support networks that stimulate and enlighten.

Going forward, we will continue to create supportive workplaces and help to boost motivation so that female employees set their sights on becoming future leaders.

Employment for the elderly

In accordance with April 2013 revisions to the Act on Stabilization of Employment of Elderly Persons, the CTC Group fosters an environment enabling all willing and healthy seniors to be rehired after statutory retirement.

We also hold seminars for employees aged 55 or older to help them think about future life plans.

Employment for the disabled

CTC's special subsidiary, HINARI Corporation, established in April 2010 to promote employment of people with disabilities, recently began its sixth year of operations. In addition to providing massage and office cleaning services for CTC Group companies, HINARI runs businesses such as agriculture-related contract work in conjunction with a farming family in Hamamatsu and the contracted dismantling of computer equipment. The cleaning services involve cleaning around desks, copy machines and meeting rooms. HINARI employees also collect aluminum cans from inside the company that are exchanged for wheelchairs and are involved in donation activities benefitting welfare facilities. HINARI will continue its efforts to create an environment where a wide range of people with disabilities can maximize their potential.

Maintaining and Reinforcing Support Systems

Extensive facility assets supporting development, verification, operation and maintenance – now and in the future

CTC has a range of different facilities that help us address client needs – from backbone system development and infrastructure construction to comprehensive system verification services that increase reliability and security, client system operation and monitoring, and the provision of consistent maintenance services nationwide.

Technical Solution Center (TSC)

TSC is one of only a handful of comprehensive validation centers in Japan with extensive open source resources. In addition to verifying standalone products, TSC works with vendor partners to conduct verification processes in a multi-vendor environment. TSC works to improve the reliability and security of systems provided by CTC and also plays a key role in ensuring the rapid delivery of optimal systems tailored to client needs.

- TSC is equipped with extensive resources such as servers, storage systems, network equipment and other hardware, various types of middleware, application software, load testing equipment and measuring devices.
- Using products that clients are planning to install, TSC runs systems close to client specifications so that clients can confirm operational status and performance themselves.

Big Data Processing Lab (BPL)

CTC has established BPL as part of TSC to verify systems used for analyzing large volumes of data. Drawing on its wealth of experience, proven track record and technological capabilities as a multi-vendor, CTC is a powerful partner for clients in big data projects.

Oracle Authorized Solution Center (OASC)

In 2014, Oracle selected TSC as the first OASC in Japan and the Asia Pacific region, recognizing its suitability as a demonstration and verification facility for Oracle products.

OASC is a global network of Oracle Solution Centers and partner-driven solution centers like CTC's TSC. Oracle grants authorization to facilities after assessing engineers, equipment, track record and other factors.

Authorization allows Oracle engineers and experts to connect to OASC-certified facilities to offer solution proposals and verification services that are better suited to client needs.

Data Centers

The CTC Group has seven data centers at five locations nationwide. Certified to ISMS and FISC standards, the facilities are highly secure and reliable and are connected to high-quality networks. Highly skilled engineers with extensive experience in data center operations are onsite 24/7 all year round, working to ensure client systems are secure and running reliably.

Data Center Floor Area (total area: approx. 83,818m²)

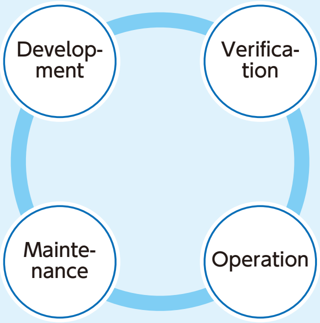
Yokohama:	East 22,132m², West 22,075mm², North 9,300m²
Kobe:	18,898m²
Otemachi:	3,514m²
Shibuya:	1,745m²
Mejirozaka:	6,154m²

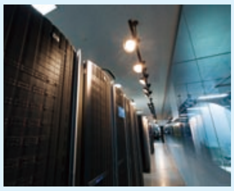
CTC Security Operations Center (CTC-SOC)

To provide comprehensive support to client security management operations, CTC has established a remote monitoring facility called the CTC Security Operations Center (CTC-SOC) in a CTC data center, which is fully equipped with disaster prevention and security measures.

CTC-SOC enables real-time monitoring 24/7 all year round. Data gathered by the facilities are used in the CTC Managed Security Service (CTC-MSS), which provides threat analysis.

Osaki Development Center





Technical Solution Center (TSC)

Maintenance bases

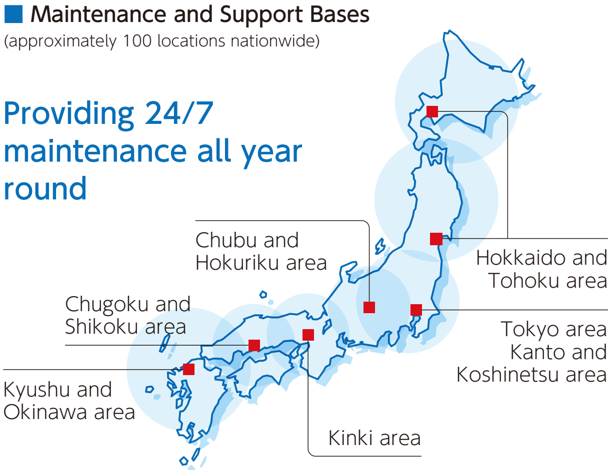
Data centers

Maintenance Support Centers

CTC has around 100 maintenance support centers nationwide, providing rapid and consistent maintenance support to every corner of Japan, 24/7 all year round. A call management system that links sites nationwide in real time allows support staff to share information smoothly. CTC's maintenance support centers provide a broad range of systems support, covering mission-critical systems, multi-vendor environments and nationwide analysis systems.

■ Maintenance and Support Bases
(approximately 100 locations nationwide)

Providing 24/7 maintenance all year round



Remote Operation Center (ROC)

Group company CTC Technology Corporation established ROC to provide 24/7 system operation and monitoring services to clients all year round.

In November 2014, CTC and CTC Global Sdn. Bhd. (Malaysia), a Group company responsible for IT system development and maintenance, started offering a new service called CUVICEye* using system operation capabilities in Malaysia built to similar specifications as ROC in Japan. The service draws on the know-how we have accumulated in Japan from the provision of maintenance support and ROC-derived services.

*CUVICEye: An operation and monitoring service designed to improve the efficiency of client system operations through automated system operation and 24/7 monitoring to prevent system failures. With help-desk support provided in English, Malay and Chinese, the service is mainly aimed at Japanese companies in the ASEAN region who demand the same level of IT governance as in Japan.

Osaki Development Center

The Osaki Development Center is located at the Osaki office, which is home to roughly 30% of CTC's workforce. Many engineers responsible for CTC's development work are based at the center, giving them quick access to sales staff at the same location. This enables us to develop a highly client-focused business.

Our Responsibility to the Environment and Local Communities

Our Responsibility to the Environment and Local Communities

For more details, please visit the CSR section of the CTC website

http://www.ctc-g.co.jp/about/csr/index.html

The objective of the CTC Group's CSR activities is to realize the CTC Group Philosophy, which sets out our mission of leveraging IT's potential to change future for the Global Good.

Our aim is to realize an affluent and sustainable society by resolving societal issues through our business activities and by proactively engaging with local communities.

CSR Promotion Structure

CTC has established a CSR Committee as an advisory body to the Management Committee. The CSR Committee meets each quarter to formulate CSR action plans, review the progress of existing activities and discuss future initiatives.

Environmental Initiatives

Environmental Management System

The CTC Group has established an environmental management system based on environmental policies that conform with the CTC Group Philosophy. Environmental managers and eco-leaders in each organization promote environmental improvement activities under the leadership of the CSR Committee chairman and environmental control manager.

Also, once each year, internal auditing staff selected from each organization conduct internal audits under the guidance of the chief environmental internal auditor to confirm the effectiveness of environmental improvement activities.

Currently, 21 business sites (18 offices and 3 data centers) have ISO 14001 certification, and the CTC Group is working to expand this certification to more of its sites.

Regardless of certification acquisition status, the CTC Group promotes environmental improvement activities across all its operations.

Environmental Education

The CTC Group conducts environmental education for its workforce each year using an e-learning system. Eco-leaders and assistant eco-leaders are required to take part in an enhanced e-learning program and group training designed to improve their capacity to promote environmental activities throughout the year. In addition, internal auditing staff selected from each organization participate in basic e-learning courses and annual training programs run by external instructors to improve their skills.

Environmental Improvement Activities

Based on Groupwide environmental targets, each organization works to reduce environmental impact by using virtualization and cloud technologies to improve the efficiency and cut the energy consumption of client IT systems. The Group also strives to reduce its own energy usage by installing highly efficient equipment at proprietary datacenters and by encouraging staff to start work earlier in order to cut electricity consumption at offices at night time. The CTC Group achieved all its environmental targets for fiscal 2014.

Fiscal 2014 Environmental Targets and Progress

Activity	Outcome	Progress versus target*
Use virtualization, open compute project (OCP) and other technologies to reduce environmental impact	Achieved	111%
Promote cloud-based services	Achieved	111%
Maintain quality standards	Achieved	107%
Reduce the CTC Group's unit energy consumption	Achieved	32,611kL (YoY reduction of 11%)
Ensure zero infringements of major environmental regulations (Waste Management and Public Cleansing Act, Energy Saving Act, Act for Promotion of Use of Recycled Resources)	Achieved	Zero infringements

*Progress versus target = Total achievement points / number of internal organizations subject to targets
Achievement points: Each organization evaluated using the following scale: ◎ (1.2 points), ○ (1 point), △ (0.5 points), × (0 points)

Local Community and Society Initiatives

As a member of the regional communities where we do business, the CTC Group aims to realize an affluent and comfortable society by proactively engaging in a wide range of activities that contribute to society, including environmental protection, nurturing the next generation, social welfare, regional participation and cultural activities.

Offices

Volunteer activities at offices: wheelchair training sessions

Environmental protection

Participation in Umi-no-Mori tree planting activities

Nurturing the next generation

IT career special classes for students at Ofunato Higashi High School, Iwate Prefecture

Local community participation

Volunteer support for the Tokyo Marathon 2015

Social welfare

Volunteer baseball coaching classes for children with disabilities

Social welfare

Support for guide dog training

Signatory to the UN Global Compact

Network Japan
WE SUPPORT

On July 20, 2015, the CTC Group joined the United Nations Global Compact, which aims to work with partners worldwide to create a sustainable society. Signatories commit to advancing societal goals in accordance with 10 principles in four key areas: human rights, labour, the environment and anti-corruption.

The Ten Principles of the UN Global Compact

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Corporate Governance

Basic Stance on Corporate Governance

Guided by the slogan "Challenging Tomorrow's Changes" and the CTC Group Philosophy, which sets out our mission of leveraging IT's potential to change future for the Global Good, we are working to reinforce corporate governance in order to enhance management transparency and fairness as part of our efforts to maximize the Group's corporate value.

Corporate Governance Structure

CTC's Board of Directors, which consists of nine members (including two outside directors), makes decisions on important management issues and supervises the execution of duties by directors in accordance with legal requirements, the Articles of Incorporation, resolutions passed by the General Meeting of Shareholders, regulations of the Board of Directors, the CTC Group Philosophy and the CTC Group Code of Conduct.

Based on roles determined by the Board of Directors, directors perform their duties in accordance with legal requirements, the Articles of Incorporation, resolutions of the Board of Directors, regulations governing the scope of their authority and other internal Company regulations.

CTC has also adopted an executive officer system in order to strengthen the decision-making and oversight functions of the Board of Directors and improve the efficiency of business execution. Executive officers are appointed by a resolution of the Board of Directors and are authorized to perform duties within a certain area by the Board of Directors and the representative director.

The Board of Corporate Auditors consists of four members (including two outside auditors). The corporate auditors perform their duties within the limits of their legal authority, and in accordance with the regulations and audit standards of the Board of Corporate Auditors, cooperate with the Audit Division and Independent Auditor to ensure the directors execute their duties in an appropriate manner.

CTC has also established a Management Committee as an advisory body to the president to support appropriate and dynamic decision-making related to business execution. The committee discusses Groupwide management policy and plans, as well as other important matters related to business execution.

Outside Director and Auditor Nominations

Outside directors are nominated for their objectivity and specialized perspective on corporate management in an attempt to create a Board of Directors with the appropriate decision-making and management supervisory functions from a variety of perspectives. Outside auditors are nominated based on their wealth of knowledge and experience in their area of specialization and ability to conduct audits with an objective perspective to ensure management health and transparency.

Of the four outside directors and auditors, three are independent and not affiliated with CTC, our parent company or any of our major suppliers, and have no inherent conflicts of interest with regular shareholders.

Director Remuneration and Calculation Method

Director remuneration is determined according to the Director Remuneration System, which was established in consideration of the opinions of the Remuneration Advisory Committee, an advisory body to the president mainly comprising outside auditors and directors. Directors receive fixed payments in the form of a monthly salary. They also receive a performance-based bonus. Monthly salaries are determined for each director based on consideration of full and part-time work, responsibilities and individual evaluations. Bonus amounts for each director are calculated based on net income attributable to owners of the parent company and are determined using individual evaluations and other benchmarks.

The amount of auditor remuneration is determined for each auditor based on a discussion among auditors.

Auditors and part-time directors, including outside directors, receive only fixed payments and are not paid performance-based bonuses.

Internal Control System

CTC has established an internal control system, comprising systems to ensure directors perform their duties in accordance with legal requirements and the Articles of Incorporation and systems to ensure business activities are conducted in an appropriate manner across the Group. The internal control system is continually improved through an ongoing review process designed to create a more adequate and efficient system. Our main initiatives in this area are described below.

■ Systems to Ensure Appropriate Financial Reporting

CTC is stepping up efforts to ensure appropriate financial reporting in accordance with the Group's accounting regulations, sales administration regulations, procurement administration regulations and other internal company rules. CTC also has a chief financial officer who is tasked with ensuring financial reporting complies with accounting standards and other relevant laws and regulations. In addition, the Internal Control Committee is responsible for establishing, regularly evaluating and improving internal systems to ensure appropriate financial reporting.

■ Risk Management

Recognizing the management of risk as a management priority issue, CTC establishes various internal committees and supervisory departments, including the Risk Management Committee, to mitigate a wide range of risks pertaining to CSR and compliance, information security, disasters, foreign currency and other markets, credit, investments and technologies. The CTC Group also manages risks through the establishment of the necessary risk management systems and methods, including various management regulations, business continuity planning, investment criteria, the establishment of credit limits and reporting and monitoring systems.

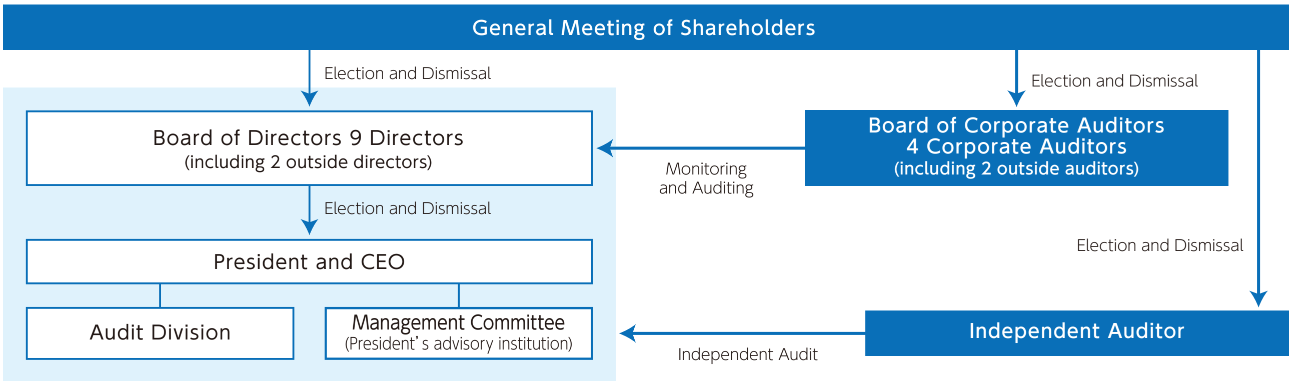
Corporate Governance Structure Overview

As of June 18, 2014

Organizational configuration	Company with auditors
Chairman of the Board of Directors	President
Board of Directors (outside directors)	9 directors (2 outside directors)
Director term of office	1 year

Corporate Auditors (outside auditors)	4 auditors (2 outside auditors)
Auditor term of office	4 years
Independent Directors	2 outside directors 1 outside auditor

Corporate Governance Systems



Director Remuneration (March 31, 2015)

Directors: 9 people (excluding outside directors)	Basic remuneration ¥244 million Bonus ¥98 million
Auditors: 2 people (excluding outside auditors)	Basic remuneration: ¥51 million

Number of Meetings Held by Main Bodies

Board of Directors	17 times
Board of Corporate Auditors	13 times
Outside director attendance at Board of Director meetings	100%
Outside auditor attendance at Board of Director meetings	94%
Outside auditor attendance at Board of Corporate Auditor meetings	92%

Reasons for Appointment of Outside Directors and Auditors

Category	Name	Independent Director	Reason for Selection
Director	Makiko Nakamori	○	A certified public accountant with no particular vested interests in CTC. Appointed in June 2013 for the purposes of providing advice and direction based on her specialized knowledge of finance and accounting as well as her vast business experience.
	Toshio Obi	○	A researcher contributing to the promotion and spread of e-Government in Japan and the development of the IT industry in Asia. Appointed in June 2014 for the purposes of providing advice and direction making use of his vast business experience and deep insight as an information systems-related researcher.
Corporate Auditor	Toshiaki Tada	○	An attorney with no particular vested interests in CTC. Appointed in June 2012 for the purposes of monitoring utilizing insights and experience accumulated over many years in the legal community.
	Shintaro Ishimaru		Appointed in June 2013 for the purposes of conducting audits utilizing his experience and insights related to information system operations from the user's perspective, drawing on his long track record in financial operations and role as CIO*.

*Chief Information Officer. Person responsible for formulating and executing information-related strategies in line with management philosophy.

Corporate Governance

Messages from Outside Directors

Makiko Nakamori
Outside Director

I have worked in senior management roles at a number of companies during my career, including foreign firms. Based on that experience, I feel business management at CTC is very balanced. In order to maximize corporate value, CTC takes into account the views of clients, employees, business partners and other stakeholders, not just shareholders, to generate growth over the long term. This stance also has a positive impact on corporate governance.

Board of Director meetings are conducted in an open manner, with discussions featuring forthright questions and opinions. When the board needs to discuss complex topics, the outside directors are given additional information beforehand to give them a better grasp of the details. That is just part of the careful process CTC uses to address each management issue. CTC has already adopted International Financial Reporting Standards (IFRS) and is now poised to accelerate investment in growth, including mergers and acquisitions. In that context, areas such as the disclosure of financial information and risk management are set to take on added importance. I intend to fulfill my responsibility as an outside director by drawing on my accounting expertise to provide advice on these topics.

Toshio Obi
Outside Director

A year has passed since my appointment as outside director. In the fiscal year under review, I attended almost every meeting of the Board of Directors, giving me an insight into CTC's business cycle. I specialize in business management, CIO governance and competitive analysis in the IT sector. My role at CTC gives me a valuable opportunity to use my knowledge in these areas from both a theoretical and real-world perspective. The past year has also brought home to me the vital role that outside directors play in corporate governance from the perspective of oversight and supervision.

"Good teamwork" is the phrase I would choose to describe CTC's Board of Directors. The board works on democratic principles, with the outside directors given plenty of opportunities to put forward their opinions. I am also impressed with the speed at which decisions are implemented.

The operating environment in the IT sector in Japan and overseas is changing at a dizzying pace. That means companies in the sector need to rapidly tackle and solve a wide range of issues, such as how to respond to globalization, develop technologies, innovate, and nurture a team of highly professional engineers. That also requires a dynamic management team. The speed at each level of management at CTC gives me confidence the Group will thrive going forward. I hope I can also do my part to support the sustained growth of the CTC Group.

Compliance and Information Security

Compliance

Positioning compliance as one of the most important management issues, the CTC Group requires all its employees to observe all applicable laws, regulations and internal rules related to its corporate activities and to conduct themselves with high ethical standards and a sense of responsibility. In this way, we aim to increase corporate value throughout the entire Group as a sound company to ensure we are trusted and held in high esteem by society.

To realize these objectives, we have formulated a code of conduct and various regulations that stipulate items related to compliance such as the Group's compliance structure. The regulations require the appointment of a Chief Compliance Officer, the establishment of a CSR Committee, and the appointment of compliance general managers for each business group and business company, and compliance managers for each department and team. We also conduct compliance training and provide an internal helpline for whistleblowers. In addition, we improve awareness about compliance among our employees by providing a booklet containing legal guidelines and examples of appropriate behavior.

Third-party experts from outside the CTC Group regularly review these activities, helping us to make improvements. We also conduct Compliance Awareness Surveys of all our employees to identify and resolve any issues.

CTC Group Code of Conduct

We at CTC will endeavor to fulfill our corporate social responsibility in accordance with the CTC Group Philosophy, and always conduct ourselves with a strong sense of ethics and responsibility based on an understanding of the code set forth below:

1	Full Commitment to Compliance
2	Offering Services and Products Useful to the World
3	Fair Trade and Prevention of Corruption
4	Strict Management of Information
5	Creation of a Work Environment with Respect for Human Rights
6	Consideration for a Sustainable Environment
7	Contribution to Society
8	Standing Against Antisocial Forces and Organizations
9	Reporting and Preventing the Recurrence of Violations
10	Taking the Initiative and Setting Good Examples

Information Security

The CTC Group developed an information security management system integrating information security management and personal information protection systems in compliance with ISO27001 (JIS Q 27001) and PrivacyMark (JIS Q 15001), which is responsible for:

- Creating various regulations, standards and procedures
- Conducting education and awareness activities related to information security and personal information protection
- Acquiring a written oath from all directors and employees each year
- Conducting internal audits
- Conducting annual surveys of outsourcing contractors

Furthermore, in terms of the handling of client information, CTC considers all information to be confidential and takes steps to confirm delivery and manage access (storing information in locked cabinets servers with restricted access, encrypting PCs). Personal information acquired at seminars and other events is centrally managed using a specialized system based on standards for the protection of personal information with the prior consent of the individual. Furthermore, as a measure for preventing information leaks, we implement various technical management measures in an attempt to strengthen security.

Going forward, we will make the safe handling of client information a priority and implement additional measures to counter new threats.

Basic Policy on Information Security (Summary)

The CTC Group has formulated a Basic Policy on Information Security. All employees and executives endeavor to handle, manage, protect and maintain information in accordance with this policy.

1	Manage and protect information assets
2	Implement and improve information security and personal information protection
3	Conduct information security training
4	Prevent and respond to incidents impacting information security
5	Comply with laws and regulations

Management Team As of June 23, 2015

Directors and Auditors

Satoshi Kikuchi	President & CEO
Toru Matsushima	Director & Executive Vice President CAO, CFO & CCO COO, Global Business Development
Masaaki Matsuzawa	Director & Senior Managing Executive Officer COO, Telecommunication Systems Group
Shigemitsu Takatori	Director & Managing Executive Officer COO, Enterprise Systems Group & Innovation and R&D
Takahiro Susaki	Director & Managing Executive Officer COO, Financial & Public Systems Group & Regional Business Development
Tadataka Okubo	Director & Managing Executive Officer CTO COO, IT Services Business Group
Makiko Nakamori	Director *1
Toshio Obi	Director *1
Shunsuke Noda	Director
Takahiro Tani	Corporate Auditor
Toru Shobuda	Corporate Auditor
Shintaro Ishimaru	Corporate Auditor *2
Toshiaki Tada	Corporate Auditor *2

1. Outside director as defined in Article 2, Item 15 of the Companies Act
2. Outside auditor as defined in Article 2, Item 16 of the Companies Act

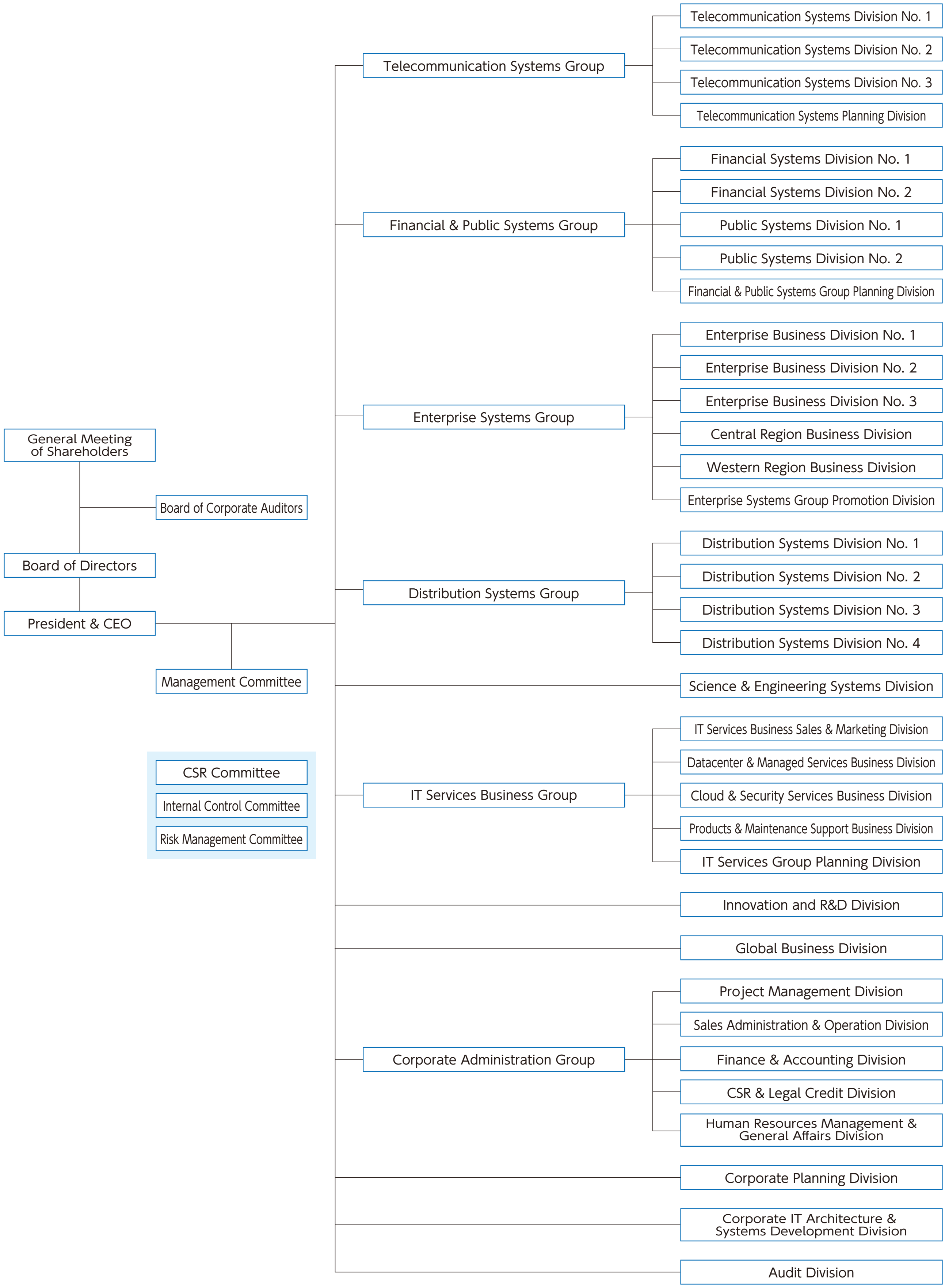
Outside directors Makiko Nakamori and Toshio Obi, and outside auditor Toshiaki Tada are independent from CTC, our parent company and major suppliers. As independent officers, they have no inherent conflicts of interest with regular shareholders.

Executive Officers

Hiroshi Iimuro	Managing Executive Officer General Manager, Science & Engineering Systems Division
Eiji Haraguchi	Managing Executive Officer COO, Distribution Systems Group
Yasuhiko Terada	Executive Officer General Manager, Telecommunication Systems Division No. 1
Yasuhide Masanishi	Executive Officer CIO General Manager, Corporate IT Architecture & Systems Development Division
Hisashi Eda	Executive Officer Deputy COO, Financial & Public Systems Group General Manager, Financial & Public Systems Group Planning Division
Toshiyuki Awai	Executive Officer General Manager, Enterprise Business Division No. 1
Takanori Minatohara	Executive Officer General Manager, Enterprise Business Division No. 3
Akira Tamanoi	Executive Officer General Manager, Distribution Systems Division No. 3
Noboru Omoto	Executive Officer General Manager, Distribution Systems Division No. 1
Shinichi Nakano	Executive Officer General Manager, Datacenter & Managed Services Business Division
Hirohito Ohashi	Executive Officer General Manager, Telecommunication Systems Division No. 2
Yasushi Morimoto	Executive Officer General Manager, Audit Division
Tomohito Arai	Executive Officer General Manager, Corporate Planning Division
Nagaki Fujioka	Executive Officer General Manager, Cloud & Security Services Business Division
Seiji Nagamatsu	Executive Officer General Manager, Project Management Division
Hiroshi Torigoe	Executive Officer General Manager, Western Region Business Division Osaka Branch
Hiroshi Takada	Executive Officer General Manager, Human Resources Management & General Affairs Division
Tatsuya Matsumaru	Executive Officer General Manager, Public Systems Division No. 1
Minoru Nishiyama	Executive Officer Assistant to CFO General Manager, Finance & Accounting Division

CFO (Chief Financial Officer)
CCO (Chief Compliance Officer)
CTO (Chief Information Officer)
CIO (Chief Technology Officer)

Organization Chart
As of April 1, 2015



Financial Highlights

*CTC adopted international financial reporting standards (IFRS) from the first quarter of fiscal 2014. Figures for fiscal 2013 have been reclassified to reflect the new standards.

(¥billion)

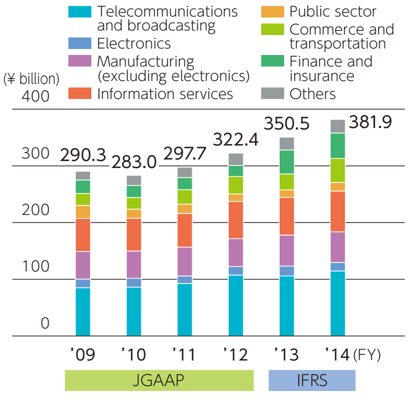
	'09 JGAAP	'10 JGAAP	'11 JGAAP	'12 JGAAP	'13 IFRS	'14 IFRS
For the Years Ended March 31:						
Net sales	¥ 290.3	¥ 283.0	¥ 297.7	¥ 322.4	¥ 350.5	¥ 381.9
Gross profit	76.8	74.8	79.6	83.2	83.7	91.2
Selling, general and administrative expenses	55.2	53.5	54.8	56.0	59.3	62.5
Operating income	21.5	21.3	24.7	27.1	23.8	29.3
Profit before income taxes	21.1	20.4	24.3	26.7	24.0	29.4
Net income attributable to owners of the parent company	12.4	11.4	13.3	16.0	14.2	17.4
As of March 31:						
Total assets	233.2	238.1	252.7	270.0	282.6	302.7
Total equity	155.1	155.8	158.8	165.9	166.7	172.9
Cash Flows:						
Cash flows from operating activities	25.2	14.9	21.2	9.6	6.4	25.8
Cash flows from investing activities	(1.3)	(6.9)	(2.7)	(10.3)	(8.0)	(17.3)
Cash flows from financing activities	(7.2)	(13.4)	(8.9)	(11.1)	(9.5)	(13.5)
Financial Ratios:						
Gross profit margin (%)	26.5	26.5	26.7	25.8	23.9	23.9
Operating income margin (%)	7.4	7.5	8.3	8.4	6.8	7.7
Ratio of equity attributable to owners of the parent (%)	66.3	65.3	62.7	61.0	57.7	55.8
Return on equity (ROE) (%)*1	8.3	7.4	8.5	9.9	8.9	10.5
Return on assets (ROA) (%)*2	5.4	4.9	5.4	6.1	5.1	5.9

(¥)

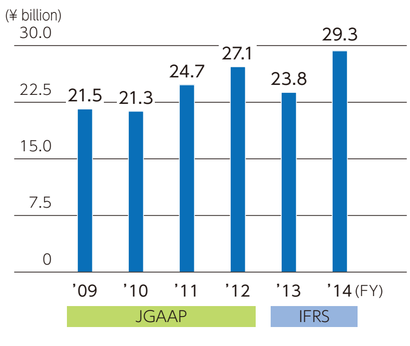
	'09 JGAAP	'10 JGAAP	'11 JGAAP	'12 JGAAP	'13 IFRS	'14 IFRS
Per Share Data:						
Earnings per share	¥ 194.62	¥ 180.47	¥ 217.08	¥ 268.53	¥ 240.10	¥ 297.57
Book-value per share	2,415.65	2,492.42	2,604.78	2,766.93	2,768.34	2,921.33
Dividend per share	85.00	90.00	95.00	105.00	110.00	120.00

*1 ROE = Net income attributable to owners of the parent company / Average total shareholders' equity (which is based on total shareholders' equity at the beginning and end of the year)×100
*2 ROA = Net income attributable to owners of the parent company/ Average total assets (which is based on total assets at the beginning and end of the year)×100

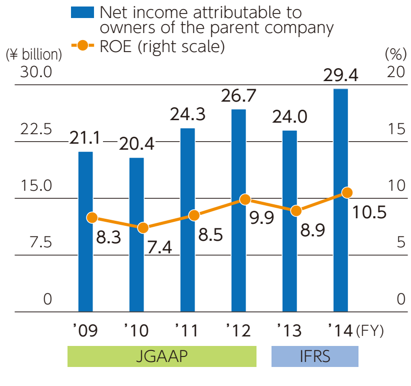
Net Sales



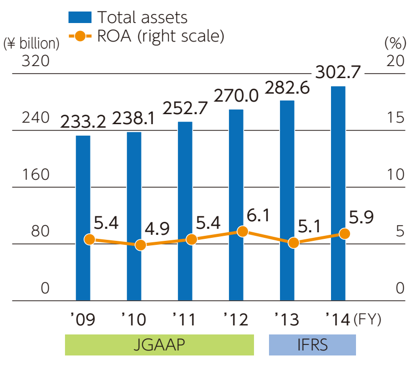
Operating Income



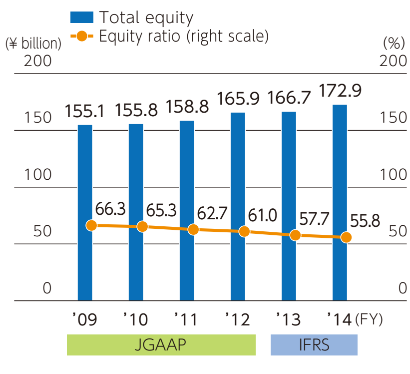
Net Income Attributable to Owners of the Parent Company and Return on Equity (ROE)



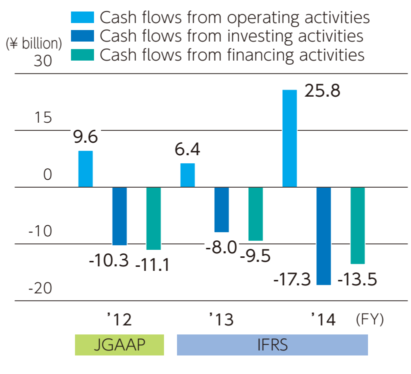
Total Assets and Return on Assets (ROA)



Total Equity and Equity Ratio



Cash Flows



Non-Financial Highlights

Human Resources-Related Data

*Data calculation reference dates: Disabled employee figures calculated on June 1st of each fiscal year.

Consolidated

Item		Unit	'12	'13	'14
Employees	Men	People	6,515	6,571	6,687
	Women	People	1,144	1,146	1,170
	Total	People	7,659	7,717	7,857

Non-consolidated

Item		Unit	'12	'13	'14
Employees	Men	People	3,329	3,339	3,307
	Women	People	568	562	588
	Total	People	3,897	3,901	3,895
Average years worked		Year	11.5	11.8	12.2
Female managers	Number	People	19	23	25
	Percentage	%	2.3	2.8	3.0
Percentage of disabled employees		%	1.88	2.00	2.20
Annual average number of holidays taken		Day	12.7	12.3	12.3
Childcare leave system users		People	52	57	64
	(Male employees)	People	0	1	4
Reduced working hours system users		People	45	60	73
Nursing care holiday system users		People	100	100	109
Nursing care leave system users		People	1	1	2
Number of training participants (employees)		People	99,103	116,256	149,612
Average hours of training per person		Hour	approx. 56	approx. 57	approx. 60

Environmental Data from CTC Group Offices and Data Centers

Item		Unit	'12	'13	'14
Offices	Energy used	kL	6,603	5,212	3,567
	Greenhouse gas	t-CO_2	12,382	10,624	7,138
Data Centers	Energy used	kL	32,007	31,136	29,362
	Greenhouse gas	t-CO_2	58,781	64,315	61,530

*CO_2 increased compared to amount of energy reductions (kL) because the power company's CO_2 conversion factor increased.
Fiscal 2012: 0.464/0.450 (Tokyo Electric Power Company/Kansai Electric Power Company, unit: t-CO_2/thousands of kilowatt hours)
Fiscal 2013: 0.525/0.514 (Tokyo Electric Power Company/Kansai Electric Power Company, unit: t-CO_2/thousands of kilowatt hours).

Consolidated Statement of Financial Position

ITOCHU Techno-Solutions Corporation and Subsidiaries
As of April 1, 2013, and March 31, 2014 and 2015

		(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Notes	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Assets					
Current assets					
Cash and cash equivalents	6	66,133	55,083	50,146	416,951
Trade and other receivables	7, 26	87,447	101,530	109,568	911,022
Inventories	8	20,038	23,573	20,973	174,386
Current tax assets		-	12	27	232
Other current financial assets	12, 26	842	689	15,200	126,386
Other current assets		22,360	26,249	31,327	260,480
Total current assets		196,822	207,139	227,245	1,889,459
Non-current assets					
Property, plant and equipment	9, 16	34,707	35,596	34,780	289,185
Goodwill	10	4,236	4,467	4,660	38,751
Intangible assets	10, 16	10,727	10,046	10,534	87,588
Investments accounted for using the equity method	5, 11	1,315	1,489	621	5,164
Other non-current financial assets	12, 26	12,225	11,054	10,749	89,379
Deferred tax assets	13	12,681	11,609	12,298	102,258
Other non-current assets		1,074	1,246	1,844	15,340
Total non-current assets		76,968	75,511	75,489	627,666
Total assets	5	273,791	282,650	302,734	2,517,126

	Notes	(Millions of Yen) April 1, 2013	(Millions of Yen) March 31, 2014	(Millions of Yen) March 31, 2015	(Thousands of U.S. Dollars) March 31, 2015
Liabilities and equity					
Current liabilities					
Trade and other payables	14, 26	40,207	44,491	49,691	413,170
Other current financial liabilities	15, 26	5,648	6,064	6,869	57,116
Income taxes payable		7,803	6,560	8,604	71,543
Liabilities for employee benefits		13,391	11,892	14,786	122,945
Provisions	18	761	1,225	1,100	9,152
Other current liabilities		21,736	25,811	29,896	248,575
Total current liabilities		89,548	96,045	110,949	922,504
Non-current liabilities					
Non-current financial liabilities	15, 26	14,428	12,748	12,236	101,739
Liabilities for employee benefits	17	6,590	4,576	4,259	35,417
Provisions	18	1,448	1,649	1,646	13,687
Deferred tax liabilities	13	870	887	724	6,021
Other non-current liabilities		75	42	11	98
Total non-current liabilities		23,413	19,904	18,878	156,964
Total liabilities		112,961	115,949	129,827	1,079,468
Equity					
Common stock	19	21,763	21,763	21,763	180,955
Capital surplus	19	33,076	33,076	33,076	275,014
Treasury stock	19	(10,370)	(4,223)	(9,225)	(76,708)
Retained earnings	19	111,525	111,132	121,530	1,010,477
Other components of equity		1,398	1,219	1,732	14,408
Total equity attributable to owners of the Company		157,392	162,967	168,876	1,404,146
Non-controlling interests		3,436	3,732	4,030	33,510
Total equity		160,829	166,700	172,907	1,437,657
Total liabilities and equity		273,791	282,650	302,734	2,517,126

Consolidated Statement of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2014 and 2015

	Notes	(Millions of Yen) Year ended March 31, 2014	(Millions of Yen) Year ended March 31, 2015	(Thousands of U.S. Dollars) Year ended March 31, 2015
Revenue	5	350,567	381,939	3,175,685
Cost of sales		(266,857)	(290,660)	(2,416,729)
Gross profit		83,710	91,279	758,956
Other income and expenses				
Selling, general and administrative expenses	22	(59,387)	(62,500)	(519,665)
Other income	22	331	1,225	10,192
Other expenses	22	(840)	(666)	(5,540)
Total other income and expenses		(59,896)	(61,940)	(515,013)
Operating income		23,814	29,339	243,943
Financial income	5, 23	237	221	1,841
Financial costs	5, 23	(203)	(157)	(1,305)
Share of profit of associates accounted for using the equity method	5, 11	177	66	554
Gain on sales of shares of subsidiaries and associates		-	23	198
Profit before tax	5	24,025	29,494	245,232
Income tax expense	13	(9,584)	(11,844)	(98,478)
Profit for the year		14,440	17,650	146,753
Profit for the year attributable to:				
Owners of the Company		14,225	17,406	144,726
Non-controlling interests		215	243	2,026

Earnings per share for the year (Attributable to owners of the Company)		(Yen)	(Yen)	(U.S. Dollars)
Basic earnings per share for the year	24	120.00	148.79	1.23
Diluted earnings per share for the year	24	-	-	-

Consolidated Statement of Comprehensive Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2014 and 2015

		(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Notes	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Profit for the year		14,440	17,650	146,753
Other comprehensive income, net of tax effect				
Items that will not be reclassified to profit or loss:				
Changes in net fair value of financial assets measured through other comprehensive income	25	(422)	17	146
Remeasurement of defined benefit plans	25	369	(363)	(3,019)
Share of other comprehensive income of associates accounted for using the equity method	11, 25	0	0	1
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	25	532	568	4,728
Cash flow hedges	25	7	8	74
Share of other comprehensive income of associates accounted for using the equity method	11, 25	25	34	289
Total other comprehensive income for the year, net of tax effect		512	266	2,219
Total comprehensive income for the year		14,952	17,917	148,973
Total comprehensive income for the year attributable to:				
Owners of the Company		14,622	17,533	145,788
Non-controlling interests		329	383	3,185

Consolidated Statement of Changes In Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2014 and 2015

(Millions of Yen)

	Notes	Attributable to owners of the Company					
						Other components of equity	
		Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2013		21,763	33,076	(10,370)	111,525	-	1,401
Profit for the year		-	-	-	14,225	-	-
Other comprehensive income for the year, net of tax effect		-	-	-	-	442	(421)
Total comprehensive income for the year		-	-	-	14,225	442	(421)
Payment of dividends	20	-	-	-	(6,545)	-	-
Purchase of treasury stock		-	-	(2,502)	-	-	-
Cancellation of treasury stock		-	(0)	8,650	(8,649)	-	-
Other movement in non-controlling interests		-	-	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	577	-	(207)
Total transactions with owners		-	(0)	6,147	(14,618)	-	(207)
March 31, 2014		21,763	33,076	(4,223)	111,132	442	771

(Millions of Yen)

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the Company		
	Cash flow hedges	Remeasurement of defined benefit plans			
April 1, 2013	(2)	-	157,392	3,436	160,829
Profit for the year	-	-	14,225	215	14,440
Other comprehensive income for the year, net of tax effect	7	369	397	114	512
Total comprehensive income for the year	7	369	14,622	329	14,952
Payment of dividends	-	-	(6,545)	(80)	(6,626)
Purchase of treasury stock	-	-	(2,502)	-	(2,502)
Cancellation of treasury stock	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	46	46
Transfer to retained earnings from other components of equity	-	(369)	-	-	-
Total transactions with owners	-	(369)	(9,048)	(34)	(9,082)
March 31, 2014	4	-	162,967	3,732	166,700

(Millions of Yen)

	Notes	Attributable to owners of the Company					
						Other components of equity	
		Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2014		21,763	33,076	(4,223)	111,132	442	771
Profit for the year		-	-	-	17,406	-	-
Other comprehensive income for the year, net of tax effect		-	-	-	-	464	17
Total comprehensive income for the year		-	-	-	17,406	464	17
Payment of dividends	20	-	-	-	(6,622)	-	-
Purchase of treasury stock		-	-	(5,002)	-	-	-
Cancellation of treasury stock		-	-	-	-	-	-
Other movement in non-controlling interests		-	-	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	(386)	-	22
Total transactions with owners		-	-	(5,002)	(7,008)	-	22
March 31, 2015		21,763	33,076	(9,225)	121,530	907	812

(Millions of Yen)

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the Company		
	Cash flow hedges	Remeasurement of defined benefit plans			
April 1, 2014	4	-	162,967	3,732	166,700
Profit for the year	-	-	17,406	243	17,650
Other comprehensive income for the year, net of tax effect	8	(363)	127	139	266
Total comprehensive income for the year	8	(363)	17,533	383	17,917
Payment of dividends	-	-	(6,622)	(85)	(6,708)
Purchase of treasury stock	-	-	(5,002)	-	(5,002)
Cancellation of treasury stock	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-
Transfer to retained earnings from other components of equity	-	363	-	-	-
Total transactions with owners	-	363	(11,624)	(85)	(11,710)
March 31, 2015	13	-	168,876	4,030	172,907

(Thousands of U.S. Dollars)

	Notes	Attributable to owners of the Company					
						Other components of equity	
		Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2014		180,955	275,014	(35,118)	924,025	3,682	6,415
Profit for the year		-	-	-	144,726	-	-
Other comprehensive income for the year, net of tax effect		-	-	-	-	3,859	147
Total comprehensive income for the year		-	-	-	144,726	3,859	147
Payment of dividends	20	-	-	-	(55,065)	-	-
Purchase of treasury stock		-	-	(41,590)	-	-	-
Cancellation of treasury stock		-	-	-	-	-	-
Other movement in non-controlling interests		-	-	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	(3,209)	-	190
Total transactions with owners		-	-	(41,590)	(58,274)	-	190
March 31, 2015		180,955	275,014	(76,708)	1,010,477	7,541	6,753

(Thousands of U.S. Dollars)

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the Company		
	Cash flow hedges	Remeasurement of defined benefit plans			
April 1, 2014	38	-	1,355,014	31,035	1,386,049
Profit for the year	-	-	144,726	2,026	146,753
Other comprehensive income for the year, net of tax effect	73	(3,019)	1,061	1,158	2,219
Total comprehensive income for the year	73	(3,019)	145,788	3,185	148,973
Payment of dividends	-	-	(55,065)	(710)	(55,775)
Purchase of treasury stock	-	-	(41,590)	-	(41,590)
Cancellation of treasury stock	-	-	-	-	-
Other movement in non-controlling interests	-	-	-	-	-
Transfer to retained earnings from other components of equity	-	3,019	-	-	-
Total transactions with owners	-	3,019	(96,655)	(710)	(97,366)
March 31, 2015	112	-	1,404,146	33,510	1,437,657

Consolidated Statement of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2014 and 2015

	Notes	(Millions of Yen) Year ended March 31, 2014	(Millions of Yen) Year ended March 31, 2015	(Thousands of U.S. Dollars) Year ended March 31, 2015
Cash flows from operating activities				
Profit before tax		24,025	29,494	245,232
Adjustments for:				
Depreciation and amortization expense		7,558	8,202	68,203
Impairment losses		-	298	2,485
Interest and dividend income		(111)	(149)	(1,238)
Interest expenses		203	157	1,305
Share of profit of associates accounted for using the equity method		(177)	(66)	(554)
Gain on sales of shares of subsidiaries and associates		-	(23)	(198)
Increase in trade and other receivables		(15,546)	(9,466)	(78,712)
(Increase) decrease in inventories		(3,430)	2,685	22,325
Increase in trade and other payables		6,257	4,596	38,218
Other - net		(2,571)	(238)	(1,982)
Subtotal		16,207	35,489	295,083
Interest and dividends received		141	195	1,621
Interest paid		(145)	(131)	(1,096)
Income taxes paid		(9,788)	(9,722)	(80,836)
Net cash provided by operating activities		6,414	25,830	214,771
Cash flows from investing activities				
Purchases of property, plant and equipment		(6,540)	(2,650)	(22,035)
Payments for retirement of property, plant and equipment		(134)	-	-
Proceeds from sales of property, plant and equipment		166	36	301
Purchases of intangible assets		(1,644)	(1,458)	(12,128)
Proceeds from sales of intangible assets		2	-	-
Purchases of investment securities		(3)	(1)	(14)
Proceeds from sale of investment securities		713	28	233
Proceeds from dividend of investment partnership		312	190	1,582
Proceeds from sales of shares of subsidiaries and associates		-	925	7,695
Decrease (increase) in deposits other than cash equivalents		153	(14,415)	(119,857)
Acquisitions of newly consolidated subsidiaries, net of cash acquired		(1,044)	-	-
Other - net		(5)	3	26
Net cash used in investing activities		(8,024)	(17,342)	(144,197)
Cash flows from financing activities				
Repayments of short-term borrowings		-	(870)	(7,240)
Proceeds from short-term borrowings		437	402	3,347
Purchases of treasury stock		(2,505)	(5,004)	(41,610)
Proceeds from sale and leaseback		1,600	1,569	13,052
Repayments of finance lease obligations		(2,415)	(2,982)	(24,795)
Dividends paid to owners of the Company	20	(6,545)	(6,623)	(55,073)
Dividends paid to non-controlling interests		(80)	(85)	(710)
Net cash used in financing activities		(9,509)	(13,594)	(113,030)
Effects of exchange rate changes on cash and cash equivalents		68	168	1,404
Net decrease in cash and cash equivalents		(11,049)	(4,937)	(41,051)
Cash and cash equivalents at the beginning of the year		66,133	55,083	458,002
Cash and cash equivalents at the end of the year	6	55,083	50,146	416,951

Notes to Consolidated Financial Statements

1. Reporting entity

ITOCHU Techno-Solutions Corporation (the “Company”) is a company incorporated and located in Japan. The addresses of its registered office and principal place of business are disclosed on the Company’s website (http://www.ctc-g.co.jp/). The consolidated reporting period of the Company and its subsidiaries (the “Group”) is the year ended March 31, 2015. The Company’s parent company is ITOCHU Corporation (the “Parent company”).
The principal activities of the Group are sales, maintenance of computers and network systems, commissioned software development, data center services and support.

2. Basis of presentation of consolidated financial statements

(1) Statement of compliance to IFRSs

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”).
To conform to IFRSs, the accompanying consolidated financial statements have been prepared by making certain adjustments to the financial statements of the Company, subsidiaries and associates, which have been prepared in accordance with the accounting principles generally accepted in their countries of incorporation.
Further, the Company has adopted IFRS 1 “First-time Adoption of International Financial Reporting Standards”. These are the first consolidated financial statements that the Company has prepared in accordance with IFRSs, and April 1, 2013, was the date of transition. The effects of the transition to IFRSs on the consolidated financial position, financial performance and cash flows are disclosed in “Note 32. Explanation of transition to IFRSs”.
The consolidated financial statements were approved at the board of directors’ meeting held on June 17, 2015.

(2) Basis of measurement

The Company prepares its consolidated financial statements based on historical cost, except for the cases stated separately in “Note 3. Significant accounting policies”.

(3) Presentation currency

The Company presents its consolidated financial statements in Japanese yen, which is the functional currency of the Company.
Further, in its consolidated financial statements, amounts of less than one million yen have been rounded down to the nearest million yen.
The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2015, is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120.27=US$1 (the official rate at March 31, 2015, announced by Mizuho Bank, Ltd.).

(4) Early adoption of new or amended IFRSs or Interpretations

For the preparation of the consolidated financial statements, the Company has early adopted IFRS 9 “Financial Instruments” (published in November 2009, amended October 2010 and December 2011).

(5) New or amended IFRSs or Interpretations not yet adopted

Of the new or amended IFRSs or Interpretations published by the date of approval of the consolidated financial statements, the Company has not adopted the following IFRSs as of March 31, 2015 because adoption is not mandatory.
The Company is currently evaluating the potential impacts that these applications will have on the consolidated financial statements, which cannot be estimated at this time.

Standard	Title	Mandatory adoption (from the year beginning)	To be adopted by the Group (from the year ending)	Summary of new or amended standard
IFRS 8	Operating Segments	July 1, 2014	March 31, 2016	Expansion and improvement of disclosure when operating segments are integrated Clarification of requirement for disclosure of reconciliation tables showing reclassification from a reporting segment's total assets to a company's total assets
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	Limited changes to classification and measurement of financial instruments New requirements for impairment losses of financial assets Amendment to hedge accounting for general hedge
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 31, 2018	Establishment of standard for "Revenue from Contracts with Customers" (Replacement of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31)
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Clarification of disclosure requirement regarding materiality considerations
IAS 16 IAS 38	Property, Plant and Equipment Intangible Assets	January 1, 2016	March 31, 2017	Clarification that a revenue-based method is not considered to be an acceptable method of depreciation and amortization in principal

3. Significant accounting policies

Unless otherwise stated, accounting policies described below have been applied to the consolidated financial statements consistently throughout all the periods, including the consolidated statement of financial position as of the transition date.

(1) Basis of consolidation

1) Business combinations

The Group elected to apply the exemption for business combinations in IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), so that business combinations that occurred prior to the date of transition to IFRSs of the Parent company (April 1, 2012) are accounted for in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are the previous generally accepted accounting principles ("GAAP"), without retrospective application of IFRS 3 "Business Combinations" ("IFRS 3").

Business combinations that occur after the date of transition to IFRSs of the Parent company are accounted for using the acquisition method in accordance with IFRS 3.

That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired, liabilities assumed from the acquiree and any non-controlling interest in the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3 are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest or non-controlling interest is remeasured at acquisition-date fair value. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured in accordance with IFRS 3, exceeds the aggregate of the consideration transferred, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, and the fair value of any non-controlling interest in the acquiree, the excess amount is recognized in profit at the acquisition date.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments.

In the event that the initial accounting treatment for a business combination is not completed by the end of the fiscal year in which the business combination occurs, the items for which the accounting treatment is incomplete are measured at provisional amounts based on best estimates. The period during which these provisional amounts can be revised is the one-year period from the date of acquisition (“the measurement period”). If new information is obtained during the measurement period and that information would have had an effect on the measurement of amounts recognized as of the date of acquisition, then the provisional amounts recognized as of the date of acquisition are revised retrospectively.

2) Subsidiaries

Subsidiaries are entities that are controlled by the Company. Decisions as to whether or not the Company and its subsidiaries have control over an entity are based on comprehensive consideration of various elements that indicate the possibility of control, including not only the holding of voting rights, but also the existence of potential voting rights that are actually exercisable and whether employees dispatched from the Company or its subsidiaries account for a majority of the directors.

The financial statements of subsidiaries are consolidated into the consolidated financial statements of the Company from the date of acquisition of control to the date of loss of control.

Changes in the ownership interest in a subsidiary, such as through an increase in or disposal of an interest, are accounted for as equity transactions if control over the subsidiary is maintained.

3) Loss of control

If control over a subsidiary is lost, the Company derecognizes the subsidiary’s assets and liabilities and the non-controlling interests related to the subsidiary. Interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss related to the loss of control is recognized in profit or loss.

4) Business combination under common control

For business combinations in which all of the parties to the business combination are under the control of the Group, both prior to the combination and after the combination, the carrying amount of the acquiree’s assets and liabilities is transferred to the acquirer.

5) Associates

Associates are companies over which the Group exercises influence, on such matters as management strategies and financial policies, that is significant but does not reach the level of control. Decisions as to whether or not the Group has significant influence over an entity are based on a comprehensive consideration of various elements. These elements include the holding of voting rights (if 20% to 50% of the voting rights of the investee company are held directly or indirectly, then there is a presumption of significant influence over the investee company), as well as the existence of potential voting rights that are actually exercisable and the percentage of directors who have been dispatched from the Group.

The equity method is applied to investments in associates. Subsequent to acquisition, the Group recognizes in profit or loss and other comprehensive income, their share of the investee’s profit or loss and other comprehensive income, and the carrying amount of the investment is increased or decreased accordingly. The balance of goodwill recognized on acquisition is included in the carrying amount of the investment. Also, dividends received from associates reduce the carrying amount of the related investments. If the accounting policies of such investee differ from the Group, adjustments are made as necessary to bring them in conformity with the accounting policies of the Group.

The consolidated financial statements include an investment in an associate with a reporting period end that differs from that of the Company because it is impracticable to unify the reporting period end. The reasons why it is impracticable include the existence of relationships with another shareholder. The reporting period for the associate subject to the equity method is December 31. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period end.

If significant influence over an associate is lost and the application of the equity method is discontinued, then the remaining interest is remeasured at fair value, and any gain or loss related to the discontinuance of use of equity method is recognized in profit or loss.

6) Transactions eliminated on consolidation

Receivable and payable balances and transactions between the entities of the Group and unrealized gains and losses resulting from transactions between the entities of the Group, are eliminated in preparing the consolidated financial statements.

Unrealized gains and losses arising from transactions between the Group and associates are eliminated to the extent of the interest in the investee held by the Group.

(2) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into functional currencies using the spot foreign exchange rate at the date of the transaction.

At the end of the reporting period, foreign currency monetary assets and liabilities are translated into functional currencies using the spot foreign exchange rate at the end of the reporting period. Foreign currency non-monetary items measured at fair value are translated into functional currencies using the spot foreign exchange rate at the date on which the fair value was determined.

Exchange differences resulting from translation are recognized in profit or loss. However, exchange differences resulting from translation of FVTOCI financial assets (refer to "(3) Financial instruments") and cash flow hedges are recognized in other comprehensive income.

2) Translation of foreign currency denominated financial statements of foreign subsidiaries and foreign associates

In translating the foreign currency denominated financial statements of foreign subsidiaries and foreign associates ("foreign operations") into the reporting currency, the spot foreign exchange rate at the end of the reporting period is used to translate assets and liabilities and the periodic average foreign exchange rate for the accounting period is used to translate revenues and expenses.

Differences resulting from the translation of the foreign currency denominated financial statements of foreign operations into the reporting currency are recognized in other comprehensive income ("exchange differences on translating foreign operations").

The Group elected to apply the exemption in IFRS 1, and at the date of transition, reclassified to retained earnings all cumulative translation adjustments that had been recognized under the previous GAAP.

On the disposal of a foreign operation, the cumulative amount of the exchange differences related to the foreign operation is reclassified to profit or loss when the gain or loss on disposal is recognized. However, the portion of the cumulative amount of the exchange differences attributed to non-controlling interest reduces non-controlling interests.

(3) Financial instruments

1) Financial assets other than derivatives

In accordance with IFRS 9 "Financial Instruments" ("IFRS 9"), financial assets other than derivatives are classified in the following manner at the point of initial recognition. Those assets are classified as financial assets measured at amortized cost if both of the following conditions are met, and others are classified as financial assets measured at fair value. In addition, financial assets measured at fair value are further classified into those for which changes in fair value after acquisition are recorded in profit or loss ("FVTPL financial assets"), and those for which changes in fair value after acquisition are recorded in other comprehensive income ("FVTOCI financial assets").

- The policy regarding the holding of these assets is that they are held with the objective of collecting contractual cash flows; and
- The contractual cash flows associated with these financial assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

At the point of recognition, financial assets measured at amortized cost are measured at fair value plus costs directly related to the acquisition. At the end of each reporting period, they are measured at amortized cost using the effective interest method and changes in amortized cost are recognized in profit or loss.

Financial assets measured at fair value are further classified into two categories. Those assets that are investments in equity instruments, such as investments in the common stock of other companies, but which are not held with the objective of obtaining gains on short-term sales, are in principle classified as FVTOCI financial assets. Other financial assets are classified as FVTPL financial assets.

Financial assets measured at fair value are measured at fair value at the point of initial recognition. Costs directly related to the acquisition are included in the initial recognition amount for FVTOCI financial assets, but for FVTPL financial assets, these costs are recognized in profit or loss when they occur and are not included in the initial recognition amount.

Financial assets measured at fair value are remeasured at fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss for FVTPL financial assets and in other comprehensive income for FVTOCI financial assets ("Changes in net fair value of financial assets measured through other comprehensive income"). For both FVTPL financial assets and FVTOCI financial assets, dividends received are recognized in profit or loss.

When an FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized as other comprehensive income ("Changes in net fair value of financial assets measured through other comprehensive income"), and the balance of accumulated other comprehensive income on the FVTOCI financial asset recognized through the point of the sale is reclassified to retained earnings.

A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or when the contractual rights to receive cash flows from a financial asset are transferred in such a manner that all of the risks and economic value are effectively transferred.

2) Cash equivalents

Cash equivalents include short-term investments (original maturities of three months or less) that are highly liquid, readily convertible, and have only an insignificant risk of change in value, as well as short-term time deposits (original maturities of three months or less).

3) Financial liabilities other than derivatives

Financial liabilities other than derivatives are measured at fair value less costs directly related to the issuance of the liability, at the point when the contractual liability arises. Those financial liabilities are measured at amortized cost based on the effective interest method. Financial liabilities are derecognized when the obligor pays the obligee and the obligation is discharged or when the contractual obligation is canceled or expired.

4) Derivative instruments and hedging activities

The Group uses forward foreign exchange contracts to hedge exchange rate risk. Derivatives are recognized at fair value as either assets or liabilities, regardless of the purpose or intent for holding them. The accounting treatment for changes in fair value is as follows.

A hedge of the variability of the fair value of a recognized asset or liability that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss.

A hedge of the variability of future cash flows arising in relation to a recognized asset or liability, an unrecognized firm commitment, or forecasted transactions, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. With cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income (“cash flow hedges”). This treatment is continued until earnings are affected by the variability in cash flows to be received or paid in relation to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is recognized in profit or loss.

Changes in the fair value of derivatives other than those above are recognized in profit or loss. The Group, in applying the rules above for fair value hedges and cash flow hedges, evaluates at the inception of the hedge whether or not the hedge will be highly effective. In addition, the Group subsequently continues to evaluate whether or not the derivative will be highly effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in the fair value of the derivative instruments related to discontinued hedges are recognized in profit or loss in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

5) Presentation of financial assets and liabilities

When both of the following conditions are met, financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position.

- The Company has an unconditional, legally enforceable right to offset the recognized amounts; and
- The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

(4) Inventories

The costs of inventories include purchasing costs, processing costs, and all other costs incurred in the process of bringing such inventories to the present location and condition.

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined by the moving-average method for merchandise, specific identification method for work in progress, and straight-line method over a useful life of five years for supplies for maintenance service.

Net realizable value represents the estimated selling price for inventories, less all estimated cost of completion and costs necessary to make the sale.

(5) Property, plant and equipment

1) Recognition and measurement

The cost model is applied and property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Applying the exception under IFRS 1, some items are measured at the fair value of certain property, plant and equipment at the date of transition to IFRSs of the Parent company as deemed cost.

The cost of property, plant and equipment includes estimates of installation cost and cost directly attributable to bringing property, plant and equipment to working condition and cost of dismantling or removing property, plant and equipment and restoring sites on which they are located.

If multiple differing and significant components of property and equipment can be identified, for each of the components, a residual value, useful life, and depreciation method are determined, and it is accounted for as a separate item of property, plant and equipment.

The difference between the net proceeds from the disposal of an item of property, plant and equipment and the carrying amount of the item is recognized in profit or loss.

2) Depreciation

Except for items that are not subject to depreciation, such as land, property, plant and equipment are mainly depreciated using the straight-line method over their estimated useful lives (buildings and structures: 15–50 years, and tools, furniture, and fixtures: 5–15 years) from the time when they become available for use.

Leased assets are depreciated over their estimated useful lives if there is a provision for ownership transfer or a bargain purchase option, and in other cases leased assets are depreciated over the shorter of the lease period or the estimated useful life.

At the end of each period, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and the impact is adjusted prospectively.

(6) Goodwill and Intangible Assets

1) Goodwill

Goodwill is not amortized. Impairment tests of goodwill are conducted based on cash-generating units at least once a year, or whenever there are events that indicate the possibility of impairment.

2) Intangible assets

A cost model is applied and intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Further, development expenditures are recognized as intangible assets if development costs can be measured reliably; future economic benefits are probable, and the Group intends and has sufficient resources to complete development and use or sell the result of the development.

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly amortized using the straight-line method over their estimated useful lives (software: 3–5 years and other intangible assets: 4–10 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or whenever there are events that indicate the possibility of impairment.

At the end of each fiscal year, the residual value, useful lives, and amortization methods of intangible assets are reviewed and the impact is adjusted prospectively.

(7) Leases

1) Leases as lessee

The Group leases property, plant and equipment and intangible assets as lessees.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement’s legal form is that of a lease agreement.

Among the lease transactions, those that substantially transfer all the risks and rewards of ownership to the Group are classified as finance lease agreements, and leases other than finance leases are classified as operating leases.

For finance leases, leased assets (presented in respective accounts of “Property, plant and equipment” or “Intangible assets”) and lease obligations (presented in “Other current financial liabilities” and “Other non-current financial liabilities”) are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Further, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment.

For operating leases, leased properties are not recognized as assets, and lease payments are recognized in profit or loss when they are incurred.

2) Leases as lessor

The Group operates businesses that lease property, plant and equipment and intangible assets as lessors.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

For finance leases, net investments in finance leases are recognized as lease receivables (presented in "Trade and other receivables"). Lease payments receivable are categorized into amounts equivalent to the principal and interest of lease receivables, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment receivable. Further, if the main purpose of a finance lease is the sale of goods and the finance leases have been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as revenue, and the purchase price of the assets subject to leases is recognized in cost of sales.

For operating leases, lease income is recognized over the lease term.

(8) Impairment

1) Financial assets measured at amortized cost

At the end of each fiscal year, based on individual assets or assets grouped according to credit risk, financial assets measured at amortized cost are assessed to determine whether there are any indications of impairment. Indications of impairment of financial assets measured at amortized cost include default on or reschedule of payment of principal or interest, reduction of or exemption from repayments or postponement of repayment schedules, marked deterioration of the debtor's financial position, and bankruptcy of the debtor.

If there are indications of impairment of financial assets measured at amortized cost, the difference between the carrying amount of the assets and the recoverable amount, which is the present value of estimated future cash flows discounted at the assets' initial effective rate of interest, is recognized as impairment loss, which is recognized in profit or loss.

Further, if, in periods after the recognition of impairment of financial assets measured at amortized cost, impairment losses decrease, and the decrease can be objectively attributed to events that occurred after recognition of impairment, the impairment losses are reversed based on the amortized cost method and to the extent of the carrying amount.

2) Property, plant and equipment, goodwill, intangible assets, and investment in associates

At the end of each fiscal year, property, plant and equipment, goodwill, intangible assets and investment in associates are assessed to determine whether there are any indications of impairment. If it is determined that there are indications of impairment, the impairment tests stated below are conducted. In addition, regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets, for which the useful life cannot be determined, are conducted periodically at least once a year.

Impairment tests for each cash-generating unit are conducted. Regarding the identification of cash-generating units, if an individual asset's cash flows independent from those of other assets can be identified, the individual asset is classified as a cash-generating unit. If an individual asset's cash flows independent from those of other assets cannot be identified, assets are grouped together into the smallest group of assets that can be identified as generating independent cash flows and designated as a cash-generating unit. For goodwill, using units equal to operating segments or smaller units, cash-generating units are determined based on the lowest level at which internal management of goodwill is conducted.

When conducting impairment tests of cash-generating units that include goodwill, impairment tests of assets other than goodwill are first conducted. After any required impairment of the assets other than goodwill has been recognized, impairment tests of goodwill are conducted.

Conducting impairment tests entails estimating the recoverable amount of the cash-generating units. The recoverable amount is the higher of fair value less costs to sell or value in use. Furthermore, value in use is the total present value of future cash flows expected from the continued use and disposal after use of the cash-generating units.

If the recoverable amount of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to cash-generating units. Impairment losses are then allocated to reduce the carrying amount of each asset, excluding goodwill, in cash-generating units on a prorate basis.

Because corporate assets do not generate independent cash flows, when conducting impairment tests of corporate assets, a reasonable method is used to allocate the carrying amount of corporate assets to each cash-generating unit. Then, the carrying amount of cash-generating units is compared, including the carrying amount of the portion of corporate assets allocated to them, with their recoverable amounts.

If there are indications that the impairment losses recognized in past fiscal years have clearly decreased or may not exist, when the estimated recoverable amount of the assets surpasses the carrying amount, impairment losses are reversed. An upper limit for reversals of impairment losses is set as the carrying amount less amortization or depreciation if impairment losses had not been recognized. However, impairment losses on goodwill are not reversed.
Goodwill relating to the acquisition of associates is not classified separately, but included as part of the carrying amount of the investments. Investments in associates are recognized as undistinguishable assets that are subject to impairment.

(9) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associates. After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with IFRS 9 unless the retained interest continues to be an associate in which case the Group uses the equity method.
Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

(10) Employee benefits

1) Post-employment defined benefit plans
Post-employment defined benefit plans are benefit plans other than the post-employment defined contribution plans stated in the paragraphs below.
For post-employment defined benefit plans, the present value of defined benefit plan obligations net of the fair value of plan assets are recognized as either liabilities or assets. To calculate the present value of defined benefit plan obligations and related service cost, in principle, the projected unit credit method is used. The discount rate used to calculate the present value of defined benefit plan obligations, in principle, is determined by referring to market yields on highly rated corporate bonds at the end of the period consistent with the expected life of the defined benefit plan obligations.
Changes in the present value of defined benefit plan obligations related to the service of employees in past periods due to amendment of defined benefit plans are recognized in the period of the amendment in profit or loss.
Further, the Group recognizes all actuarial gains or losses arising from post-employment defined benefit plans in other comprehensive income (“Remeasurement of defined benefit plans”) and immediately reclassifies them into retained earnings.

2) Post-employment defined contribution plans
Post-employment defined contribution plans are benefit plans in which fixed contributions are paid to an independent entity and do not assume legal or constructive obligations for payments that exceed these contributions.
Post-employment defined contribution plans are accounted for, on an accrual basis, and contributions corresponding to the period employees rendered related services are recognized in profit or loss.

3) Multi-employer plans
The Company and certain subsidiaries participate in multi-employer plans. In accordance with the regulations of the plans, multi-employer plans are classified as post-employment defined benefit plans or post-employment defined contribution plans, and accounting treatment appropriate for each type of post-employment defined benefit plan is undertaken. However, if sufficient information about multi-employer plans classified as post-employment defined benefit plans cannot be obtained to undertake an accounting treatment appropriate for post-employment defined benefit plans, the accounting treatment appropriate for post-employment defined contribution plans is applied.

4) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and recognized in profit or loss as benefits expected to be paid as compensation for service that employees render during the accounting period.

Estimated bonus payments are recognized in liabilities, if the Group has legal or constructive obligations for which they should make payments, and if the obligations can be estimated reliably.

(11) Provisions

Provisions are recognized if the Group has present obligations (legal or constructive obligations) as a result of past events, if it is probable that settling the obligations will require outflows of resources embodying economic benefits, and if the obligations can be estimated reliably.

If the effect of the time value of money is significant, provisions are measured as the present value of payments expected to be required to settle the obligations. To calculate the present value, a pre-tax risk-free discount rate corresponding to the period in which future cash flows will arise is used. In estimates of future cash flows, the uncertainty of the occurrence of events subject to provisions is reflected.

1) Provisions for asset retirement obligations

The estimated cost of dismantling or removing property, plant and equipment and restoring sites on which they are located is recognized as provisions for asset retirement obligations, if there are legal or contractual obligations to dismantle or remove property, plant and equipment and restore sites on which they are located, or if it has been stated that in accordance with industry practices, published policies, or written statements that obligations to dismantle or remove property and equipment and restore sites on which they are located will be fulfilled, or if it is presumed that outside third parties expect the obligations to be fulfilled.

2) Provisions for loss on orders received

To prepare for losses on orders received, the Group records the estimate amount of losses on orders received at the end of the fiscal year as provisions for loss on orders received.

3) Provisions for after-sales costs

To prepare for payment of future after-sales costs related to system development projects, the Group records the estimate amount of costs as provisions for after-sales costs based on the historical rate and the amount required for individual projects.

(12) Equity

Common stock is classified as equity. Incidental expenses related to the issuance of common stock (net after tax) are deducted from equity.

Treasury stock is recognized as a deduction from equity. If treasury stock is acquired, the consideration paid and incidental expenses (net after tax) are deducted from equity. If treasury stock is sold, the consideration received is recognized as an addition to equity.

(13) Revenues

1) Sales of products

Sales of products are recognized when all of the following conditions are satisfied.

- The significant risks and rewards of ownership of the goods are transferred to the customer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of the consideration received, after deducting sales taxes that the Group has a direct obligation to collect and pay to such third parties as tax authorities.

Revenue from product sales is recognized at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by the customer or the acceptance from the customer is received.

2) Rendering of services

The revenue from rendering of services is recognized in accordance with the progress of transactions at the end of the period when the following conditions are satisfied.

- The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The progress of the transaction at the end of the reporting period can be measured reliably; and
- The costs arising from the transaction and costs required to complete the transaction can be measured reliably.

Revenue from rendering of services includes system development and infrastructure construction in undertaken contracts, SE services, maintenance and other transactions.

Revenue from system development and infrastructure construction in undertaken contracts is recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total cost, if the order amount or the total costs required until completion can be estimated reliably (percentage of completion method). If the order amount or the total costs required until completion cannot be estimated reliably, revenue equivalent to the portion of costs incurred that are judged to be recoverable is recognized (the cost recovery method). Further, revenues from SE services, maintenance and other transactions are recognized over the period that services are rendered.

3) Multiple components transactions

Revenue related to multiple components transactions such as sale of goods and rendering maintenance is separately recognized if both of the following conditions are satisfied.

- The component has stand-alone value to the customer; and
- The fair value of the component can be measured reliably.

When it is necessary to allocate the agreed consideration to the individual components for multiple components transactions, it is allocated based on the fair value of the components.

4) Presentation of revenue (gross basis versus net basis)

For transactions in which the Group has capabilities to heighten the added value of the actual goods or services provided and act as principal and for which they assume significant risk related to the transactions, the gross transaction volume of the sales contracts with customers is presented as revenue in the consolidated statement of income.

Meanwhile, for the following transactions, the gross transaction volume of the sales contracts less cost (i.e. net amount) is presented as revenue in the consolidated statement of income.

- Transactions in which the Group acts as an agent to enable a third party to sell goods or render services.
- Transactions in which, although the Group is involved as principal in legal form, the Group does not have capabilities to heighten the added value of the actual goods or services provided and does not assume significant risk related to the transactions.

(14) Finance income and costs

Finance income comprises interest income, dividend income, gain on changes of fair value of FVTPL financial assets, gain on disposal of FVTPL financial assets, and gain on changes of fair value of derivatives. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Group to receive payment is established.

Finance costs comprise interest expense, loss on changes of fair value of FVTPL financial assets, loss on disposal of FVTPL financial assets, impairment losses on financial assets measured at amortized cost, excluding trade receivables, and loss on changes in the fair value of derivatives. Interest expense is recognized when it is incurred according to the effective interest method.

(15) Income taxes

Income taxes comprise current taxes and deferred taxes, which reflect changes in deferred tax assets and liabilities. Income taxes are recognized in profit or loss, except in the following cases.

- Income taxes relate to items that are recognized in other comprehensive income or directly in equity.
- Deferred taxes arising from the recognition of identifiable assets and liabilities in business combinations are recognized and included in the amount of goodwill arising from the business combinations.

Tax expenses for the period are measured based on taxes payable on the period's taxable profit. These tax amounts are calculated based on tax rates established, or substantially established, at the end of the period.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases. Deferred tax assets for items that will mitigate the tax burden of future tax returns, such as deductible temporary differences, unused tax losses and unused tax credits, are recognized to the extent that it is probable that future taxable profit will be available against which they can be used.

Meanwhile, deferred tax liabilities for taxable temporary differences are recognized. However, deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences.

- Deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill in a business combination.

- No deferred tax assets or deferred tax liabilities are recognized for differences that arise from the initial recognition of assets or liabilities in transactions other than business combinations where such temporary differences at the time of the transaction affect neither accounting profit nor taxable profit.

Taxable temporary differences arising from investments in subsidiaries and associates are not recognized if the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the taxable temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries and associates if the deductible temporary differences will reverse in the foreseeable future and only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are calculated pursuant to statutory laws and regulations for income taxes in force, or substantially in force, at the end of the period and based on the tax rates that are expected to apply in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset and recognized in the Consolidated statement of financial position, if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and if the same taxation authority levies income taxes either on the same taxable entity, or to realize the current tax assets and current tax liabilities simultaneously.

(16) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to owners of the Company by the weighted-average number of common stock (excluding treasury stock) outstanding during the reporting period. Diluted earnings per share are calculated by adjusting for the effects of dilutive potential common stock.

4. Significant accounting estimates and judgments

To prepare the consolidated financial statements, the management of the Company makes a variety of estimates, judgments, and set of assumptions that affect adoption of accounting policies and disclosures of amounts recognized for assets, liabilities, income, and expenses. Further, actual results may differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimates that have a risk of resulting in material adjustments for the year ended March 31, 2016, are mainly as follows.

- Recoverable amount of financial assets that is measured at amortized cost and has indications of impairment (Note 12. Other financial assets)

The recoverable amounts of financial assets that are measured at amortized cost and have indications of impairment are recognized as the related estimated future cash flows of the financial assets discounted at the initial effective interest rate to the present value. Changes in uncertain future economic conditions may affect the future cash flows related to the financial assets. Accordingly, there are risks that such changes could result in material adjustments to impairment losses related to financial assets measured at amortized cost in the future accounting periods.

- Recoverable amounts of property, plant and equipment, goodwill, intangible assets and investments in associates measured through impairment tests (Note 9. Property, plant and equipment, Note 10. Goodwill and intangible assets, and Note 11. Investments accounted for using the equity method)

In impairment tests of property, plant and equipment, goodwill, intangible assets, and investments in associates, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or assumptions of expected future cash flows that will result from the period of use and subsequent disposal of cash-generating units and discount rates, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, goodwill, intangible assets, and investments in associates in the future accounting periods.

- Measurement of provisions (Note 18. Provisions)

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods.

- Measurement of fair value of defined benefit plan obligations and plan assets in post-employment defined benefit plans (Note 17. Employee benefits)

For post-employment defined benefit plans, the fair value of defined benefit plan obligations net of plan assets is recognized as liabilities or assets. Defined benefit plan obligations are determined by the actuarial calculation based on the same assumptions such as estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan obligations and assets in the future accounting periods.

- Recoverability of deferred tax assets (Note 13. Deferred taxes and income taxes)

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be used. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Group. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods.

Judgments in applying accounting policies significantly affect the recognized amounts of assets, liabilities, income, and expenses are mainly as follows.

- Evaluation of whether there are indications of impairment or whether there are indications of reversals of impairment of financial assets measured at amortized cost (Note 12. Other financial assets)
- Evaluation of whether there are indications of impairment of property, plant and equipment, goodwill, intangible assets, and investments in associates (Note 9. Property, plant and equipment, Note 10. Goodwill and intangible assets, and Note 11. Investments accounted for using the equity method)
- Recognition of provisions (Note 18. Provisions)

5. Segment information

(1) Description of reportable segments

The Group consists of five reportable business segments based on organization structure: “Telecommunications business”, “Finance and Public business”, “Enterprise business”, “Distribution business” and “IT Services business”.

“Telecommunications business”, “Finance and Public business”, “Enterprise business”, and “Distribution business” engage in the proposal and sale of system integrations, including consulting services, system design or construction services, system maintenance services and others.

“IT Services business” engages in the procurement of business for their service, which includes data center services and system maintenance services, and work together with the other four reportable segments to make proposals.

“Cloud Platform business” and “Support and Service business” have been combined into “IT Services business” since the year ended March 31, 2015.

The segments, which are reported below, are components of the Group, for which separate financial information is available, and the results are regularly reviewed by the board of directors in order to make decisions about resources to be allocated to the segment and assess their performance.

For the year ended March 31, 2014, the segment information is prepared based on the new categorization of the reportable segments.

(2) Revenue, profit, assets and other information about each reportable segment

The accounting policies of the reportable segments are consistent with the description in “Note 3. Significant accounting policies”. Sales or transfers between reportable segments are based on market prices.

The information about reportable segment of the Group is as follows.

Year ended March 31, 2014

(Millions of Yen)

	Reportable segment			
	Telecommunications business	Finance and Public business	Enterprise business	Distribution business
Revenue				
Revenue from external customers	122,209	57,256	79,297	54,201
Inter-segment revenue or transfers	1,537	324	4,265	246
Total	123,746	57,580	83,562	54,448
Profit before tax (Segment profit)	6,122	1,170	854	3,056
Segment assets	44,412	23,631	30,030	30,308
Other items				
Financial income	5	-	1	52
Financial costs	(10)	(30)	(46)	(20)
Share of profit of associates accounted for using the equity method	-	-	-	138
Depreciation and amortization expense (Note 3)	(394)	(575)	(594)	(743)
Impairment losses	-	-	-	-
Investments accounted for using the equity method	-	-	-	1,195
Capital expenditures (Note 3)	348	348	376	241

(Millions of Yen)

	Reportable segment		Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	IT Services business	Subtotal				
Revenue						
Revenue from external customers	10,490	323,455	27,112	350,567	-	350,567
Inter-segment revenue or transfers	84,852	91,226	654	91,880	(91,880)	-
Total	95,343	414,681	27,766	442,448	(91,880)	350,567
Profit before tax (Segment profit)	11,358	22,562	1,603	24,166	(140)	24,025
Segment assets	64,177	192,560	20,916	213,476	69,173	282,650
Other items						
Financial income	16	76	10	86	150	237
Financial costs	(62)	(170)	(3)	(173)	(30)	(203)
Share of profit of associates accounted for using the equity method	-	138	21	160	17	177
Depreciation and amortization expense (Note 3)	(2,760)	(5,069)	(873)	(5,943)	(1,615)	(7,558)
Impairment losses	-	-	-	-	-	-
Investments accounted for using the equity method	-	1,195	182	1,377	111	1,489
Capital expenditures (Note 3)	3,549	4,864	750	5,614	1,354	6,968

Notes:

1. “Other”, which is not included in the reportable segments, consists of foreign subsidiaries and a science business segment, etc.

2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of ¥140 million include primarily administrative expenses and investments that are not allocated to business segments of ¥259 million.
   (2) Reconciliations of segment assets of ¥69,173 million include corporate assets of ¥77,591 million and intersegmental elimination of receivables and payables of ¥(8,248) million. Corporate assets consist of primarily cash and cash equivalents which are not allocated to business segments and assets related to the administrative department.
   (3) Reconciliations of financial income of ¥150 million include ¥187 million of gains related to the administrative department that are not allocated to business segments.

   Reconciliations of financial costs of ¥30 million include ¥45 million of losses related to the administrative department which are not allocated to business segments.

   Reconciliations of share of profit of associates accounted for using the equity method of ¥17 million are profit or loss related to associates accounted for using the equity method managed by the administrative department of the Company.

   Reconciliations of depreciation and amortization expense of ¥1,615 million include depreciation and amortization on corporate assets of ¥1,768 million and elimination of unrealized gains of ¥153 million.

   Reconciliations of investments in associates accounted for using the equity method of ¥111 million are investments to associates accounted for using the equity method managed by the administrative department of the Company.

   Reconciliations of capital expenditures of ¥1,354 million include an increase in corporate assets of ¥1,441 million and elimination of unrealized gains of ¥(86) million.
3. Depreciation and amortization expense and capital expenditures in other items include the amounts related to long-term prepaid expenses.

Year ended March 31, 2015

(Millions of Yen)

	Reportable segment			
	Telecommunications business	Finance and Public business	Enterprise business	Distribution business
Revenue				
Revenue from external customers	132,089	71,975	74,750	62,351
Inter-segment revenue or transfers	1,212	279	4,425	348
Total	133,301	72,254	79,175	62,700
Profit before tax (Segment profit)	9,744	6,001	409	4,342
Segment assets	51,759	21,606	30,442	31,402
Other items				
Financial income	15	0	3	91
Financial costs	(6)	(23)	(30)	(13)
Share of profit of associates accounted for using the equity method	-	-	-	40
Depreciation and amortization expense (Note 3)	(423)	(564)	(729)	(670)
Impairment losses	-	-	-	-
Investments accounted for using the equity method	-	-	-	284
Capital expenditures (Note 3)	275	268	1,234	1,287

(Millions of Yen)

	Reportable segment		Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	IT Services business	Subtotal				
Revenue						
Revenue from external customers	10,809	351,976	29,963	381,939	-	381,939
Inter-segment revenue or transfers	91,216	97,482	678	98,161	(98,161)	-
Total	102,025	449,458	30,642	480,100	(98,161)	381,939
Profit before tax (Segment profit)	8,565	29,063	1,743	30,807	(1,313)	29,494
Segment assets	72,206	207,417	23,433	230,850	71,883	302,734
Other items						
Financial income	18	129	22	152	68	221
Financial costs	(55)	(128)	(4)	(133)	(23)	(157)
Share of profit of associates accounted for using the equity method	-	40	6	47	19	66
Depreciation and amortization expense (Note 3)	(3,026)	(5,414)	(1,022)	(6,437)	(1,764)	(8,202)
Impairment losses	(293)	(293)	(1)	(295)	(3)	(298)
Investments accounted for using the equity method	-	284	214	498	122	621
Capital expenditures (Note 3)	2,661	5,728	539	6,268	1,707	7,975

Notes:

1. “Other”, which is not included in the reportable segments, consists of foreign subsidiaries and a science business segment, etc.
2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of ¥1,313 million include primarily administrative expenses and investments that

are not allocated to business segments of ¥1,722 million.

(2) Reconciliations of segment assets of ¥71,883 million include corporate assets of ¥83,413 million and intersegmental elimination of receivables and payables of ¥(11,928) million. Corporate assets consist of primarily cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.

(3) Reconciliations of financial income in other items of ¥68 million include ¥144 million of gains related to the administrative department that are not allocated to business segments.

Reconciliations of financial costs of ¥23 million include ¥44 million of losses related to the administrative department that are not allocated to business segments.

Reconciliations of share of profit of associates accounted for using the equity method of ¥19 million are profit or loss related to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of depreciation and amortization expense of ¥1,764 million include depreciation and amortization on impairment losses of ¥1,924 million and elimination of unrealized gains of ¥159 million.

Reconciliations of impairment losses of ¥3 million are impairment losses related to corporate assets.

Reconciliations of investments in associates accounted for using the equity method of ¥122 million are investments to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of capital expenditures of ¥1,707 million include an increase in corporate assets of ¥1,904 million and elimination of unrealized gains of ¥(197) million.

3. Depreciation and amortization expense and capital expenditures in other items include the amounts related to long-term prepaid expenses.

Year ended March 31, 2015

(Thousands of U.S. Dollars)

	Reportable segment			
	Telecommunications business	Finance and Public business	Enterprise business	Distribution business
Revenue				
Revenue from external customers	1,098,271	598,447	621,525	518,432
Inter-segment revenue or transfers	10,082	2,325	36,793	2,895
Total	1,108,354	600,772	658,318	521,328
Profit before tax (Segment profit)	81,020	49,902	3,408	36,104
Segment assets	430,361	179,652	253,118	261,098
Other items				
Financial income	128	6	27	760
Financial costs	(51)	(198)	(249)	(110)
Share of profit of associates accounted for using the equity method	-	-	-	340
Depreciation and amortization expense (Note 3)	(3,523)	(4,694)	(6,063)	(5,578)
Impairment losses	-	-	-	-
Investments accounted for using the equity method	-	-	-	2,365
Capital expenditures (Note 3)	2,294	2,233	10,267	10,706

(Thousands of U.S. Dollars)

	Reportable segment		Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	IT Services business	Subtotal				
Revenue						
Revenue from external customers	89,876	2,926,553	249,131	3,175,685	-	3,175,685
Inter-segment revenue or transfers	758,431	810,528	5,645	816,173	(816,173)	-
Total	848,307	3,737,081	254,777	3,991,859	(816,173)	3,175,685
Profit before tax (Segment profit)	71,219	241,656	14,493	256,149	(10,917)	245,232
Segment assets	600,366	1,724,596	194,842	1,919,439	597,686	2,517,126
Other items						
Financial income	156	1,079	189	1,269	572	1,841
Financial costs	(458)	(1,067)	(40)	(1,108)	(197)	(1,305)
Share of profit of associates accounted for using the equity method	-	340	53	393	160	554
Depreciation and amortization expense (Note 3)	(25,163)	(45,023)	(8,505)	(53,528)	(14,674)	(68,203)
Impairment losses	(2,443)	(2,443)	(13)	(2,457)	(28)	(2,485)
Investments accounted for using the equity method	-	2,365	1,780	4,146	1,017	5,164
Capital expenditures (Note 3)	22,130	47,632	4,487	52,119	14,194	66,313

Notes:
1. “Other”, which is not included in the reportable segments, consists of foreign subsidiaries and a science business segment, etc.
2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of US$10,917 thousand include primarily administrative expenses and

investments that are not allocated to business segments of US$14,318 thousand.

(2) Reconciliations of segment assets of US$597,686 thousand include corporate assets of US$693,552 thousand and intersegmental elimination of receivables and payables of US$(99,183) thousand. Corporate assets consist of primarily cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.

(3) Reconciliations of financial income in other items of US$572 thousand include US$1,204 thousand of gains related to the administrative department that are not allocated to business segments.

Reconciliations of financial costs of US$197 thousand include US$371 thousand of losses related to the administrative department which are not allocated to business segments.

Reconciliations of share of profit of associates accounted for using the equity method of US$160 thousand are profit or loss related to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of depreciation and amortization expense of US$14,674 thousand include depreciation and amortization on impairment losses of US$16,001 thousand and elimination of unrealized gains of US$1,326 thousand.

Reconciliations of impairment losses of US$28 thousand are impairment losses related to corporate assets.

Reconciliations of investments in associates accounted for using the equity method of US$1,017 thousand are investments to associates accounted for using the equity method managed by the administrative department of the Company.

Reconciliations of capital expenditures of US$14,194 thousand include an increase in corporate assets of US$15,835 thousand and elimination of unrealized gains of US$(1,641) thousand.

3. Depreciation and amortization expense and capital expenditures in other items include the amounts related to long-term prepaid expenses.

(3) Information about products and services

Year ended March 31, 2014

(Millions of Yen)

	Service	Development/SI	Products	Total
Revenue from external customers	145,280	71,944	133,342	350,567

Year ended March 31, 2015

(Millions of Yen)

	Service	Development/SI	Products	Total
Revenue from external customers	155,062	79,001	147,875	381,939

Year ended March 31, 2015

(Thousands of U.S. Dollars)

	Service	Development/SI	Products	Total
Revenue from external customers	1,289,286	656,870	1,229,528	3,175,685

(4) Information about geographical areas

1) Revenue from foreign customers

Information about revenue from foreign customers is not disclosed because revenue from domestic external customers comprises the majority of the Group's revenue.

2) Non-current assets

The breakdown of the carrying amount of non-current assets (excluding financial instruments, deferred tax assets and post-employment benefit assets) by geographical area is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Japan	42,582	42,441	352,887
Asia	8,751	8,651	71,932
Others	22	19	161
Total	51,357	51,112	424,981

(5) Information about major customers

Information about revenue from the Group's major external customers that contributed 10% or more to the Group's revenue is as follows:

	Reportable segment	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Nippon Telegraph and Telephone Corporation and the Group	Telecommunications business	51,784	46,346	385,353
KDDI Corporation and the Group	Telecommunications business	24,973	43,167	358,918

6. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Cash and bank balances	31,914	38,766	30,674	255,050
Securities within three months	33,997	15,998	2,999	24,942
Deposits within three months	221	318	16,472	136,958
Total	66,133	55,083	50,146	416,951

The balance of cash and cash equivalents agrees with both the consolidated statement of financial position and the consolidated statement of cash flows as of the date of transition, March 31, 2014 and 2015.

7. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Notes and accounts receivable-trade	72,930	87,083	92,860	772,103
Lease receivables	12,909	12,615	15,376	127,847
Others	1,702	1,840	1,340	11,148
Allowance for doubtful accounts	(94)	(9)	(9)	(77)
Total	87,447	101,530	109,568	911,022

8. Inventories

The breakdown of inventories is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Merchandise	13,427	16,948	15,639	130,038
Work in progress	22	820	227	1,893
Supplies for maintenance service	6,588	5,804	5,106	42,454
Total	20,038	23,573	20,973	174,386
Inventories to be sold more than one year after	185	492	13	109

The cost of inventories recognized as “Cost of sales” for the years ended March 31, 2014 and 2015, is ¥176,694 million and ¥191,483 million (US$1,592,113 thousand), respectively. The write-downs of inventories to net realizable value as of March 31, 2014 and 2015, are ¥58 million and ¥0 million (US$6 thousand), respectively. The write-down amount of inventories is included in “Cost of sales” in the consolidated statement of income.

9. Property, plant and equipment

(1) Movements in property, plant and equipment

The movements in property, plant and equipment at cost, accumulated depreciation and accumulated impairment losses are as follows:

(Cost)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
April 1, 2013	33,059	16,210	4,839	54,109
Purchase	3,079	2,094	-	5,173
Disposals	(394)	(1,588)	-	(1,983)
Exchange differences on translating foreign operations	3	98	-	102
Others	(108)	321	-	212
March 31, 2014	35,639	17,135	4,839	57,614
Purchase	1,661	1,839	-	3,500
Disposals	(110)	(1,128)	-	(1,239)
Exchange differences on translating foreign operations	1	113	-	114
Others	(399)	636	-	237
March 31, 2015	36,791	18,596	4,839	60,226

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2014	296,328	142,478	40,235	479,043
Purchase	13,811	15,292	-	29,104
Disposals	(922)	(9,384)	-	(10,307)
Exchange differences on translating foreign operations	9	940	-	950
Others	(3,321)	5,293	-	1,971
March 31, 2015	305,906	154,620	40,235	500,763

(Accumulated depreciation and accumulated impairment losses)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
April 1, 2013	(10,727)	(8,673)	-	(19,401)
Depreciation expense	(1,966)	(2,350)	-	(4,317)
Impairment losses	-	-	-	-
Disposals	102	1,213	-	1,316
Exchange differences on translating foreign operations	(2)	(49)	-	(52)
Others	133	303	-	436
March 31, 2014	(12,460)	(9,557)	-	(22,017)
Depreciation expense	(2,304)	(2,621)	-	(4,926)
Impairment losses	(287)	(7)	-	(295)
Disposals	69	1,098	-	1,168
Exchange differences on translating foreign operations	(0)	(59)	-	(60)
Others	412	272	-	685
March 31, 2015	(14,571)	(10,874)	-	(25,446)

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2014	(103,607)	(79,463)	-	(183,070)
Depreciation expense	(19,163)	(21,800)	-	(40,963)
Impairment losses	(2,394)	(59)	-	(2,453)
Disposals	580	9,132	-	9,712
Exchange differences on translating foreign operations	(3)	(495)	-	(499)
Others	3,430	2,267	-	5,697
March 31, 2015	(121,158)	(90,419)	-	(211,577)

(Carrying amount)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
April 1, 2013	22,331	7,536	4,839	34,707
March 31, 2014	23,178	7,578	4,839	35,596
March 31, 2015	22,219	7,721	4,839	34,780

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2015	184,747	64,201	40,235	289,185

There are no property, plant and equipment pledged as collateral at the date of transition, March 31, 2014 and 2015.

The carrying amount of finance lease assets included in property, plant and equipment, less accumulated depreciation and accumulated impairment losses, is as follows:

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Total
April 1, 2013	1,044	3,694	4,739
March 31, 2014	792	3,318	4,111
March 31, 2015	587	2,963	3,551

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Total
March 31, 2015	4,883	24,643	29,526

Depreciation expense of property, plant and equipment is recorded as “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(2) Impairment losses

Property, plant and equipment are grouped by an asset’s cash-generating unit that is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses of ¥295 million (US$2,453 thousand) are recognized as “Other expenses” in the consolidated statement of income for the year ended March 31, 2015.

Impairment losses recognized for the year ended March 31, 2015, are the losses related to “Buildings and structures” and “Tools, furniture and fixtures” belonging to the “IT Services business” reportable segment and are mainly due to the decline of profitability of data center facilities.

The recoverable amount of the asset group is measured at the value in use, which is calculated by discounting the estimated future cash flows using a rate of 6.0%.

10. Goodwill and intangible assets

(1) Movements in goodwill and intangible assets

The movements in goodwill and intangible assets at cost, accumulated amortization and impairment losses are as follows:

(Cost)

(Millions of Yen)

	Goodwill	Software	Others	Total
April 1, 2013	4,236	17,672	3,871	25,781
Separate acquisitions	-	1,702	3	1,706
Disposals	-	(284)	(0)	(285)
Exchange differences on translating foreign operations	230	4	187	422
Others	-	434	0	435
March 31, 2014	4,467	19,529	4,063	28,060
Separate acquisitions	-	2,378	5	2,383
Disposals	-	(1,100)	-	(1,100)
Exchange differences on translating foreign operations	193	5	155	354
Others	-	1,017	(2)	1,015
March 31, 2015	4,660	21,830	4,222	30,713

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2014	37,145	162,381	33,787	233,314
Separate acquisitions	-	19,774	43	19,818
Disposals	-	(9,149)	-	(9,149)
Exchange differences on translating foreign operations	1,605	45	1,296	2,947
Others	-	8,457	(16)	8,441
March 31, 2015	38,751	181,510	35,111	255,372

(Accumulated amortization and impairment losses)

(Millions of Yen)

	Goodwill	Software	Others	Total
April 1, 2013	-	(10,625)	(191)	(10,817)
Amortization expense	-	(2,484)	(417)	(2,901)
Impairment losses	-	(5)	(2)	(8)
Disposals	-	274	0	274
Exchange differences on translating foreign operations	-	(3)	(6)	(9)
Others	-	(84)	-	(84)
March 31, 2014	-	(12,929)	(617)	(13,546)
Amortization expense	-	(2,629)	(439)	(3,069)
Impairment losses	-	-	(3)	(3)
Disposals	-	1,086	-	1,086
Exchange differences on translating foreign operations	-	(2)	(18)	(21)
Others	-	35	-	35
March 31, 2015	-	(14,438)	(1,080)	(15,518)

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2014	-	(107,501)	(5,135)	(112,636)
Amortization expense	-	(21,862)	(3,657)	(25,520)
Impairment losses	-	-	(31)	(31)
Disposals	-	9,037	-	9,037
Exchange differences on translating foreign operations	-	(20)	(155)	(176)
Others	-	293	-	293
March 31, 2015	-	(120,053)	(8,980)	(129,033)

(Carrying amount)

(Millions of Yen)

	Goodwill	Software	Others	Total
April 1, 2013	4,236	7,047	3,680	14,964
March 31, 2014	4,467	6,600	3,446	14,513
March 31, 2015	4,660	7,391	3,142	15,194

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2015	38,751	61,457	26,130	126,339

Carrying amount of finance lease assets included in intangible assets, less accumulated amortization and accumulated impairment losses, is as follows:

(Millions of Yen)

	Software
April 1, 2013	2,222
March 31, 2014	2,007
March 31, 2015	1,293

(Thousands of U.S. Dollars)

	Software
March 31, 2015	10,753

Amortization expense of intangible assets is recognized as “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses are recognized as “Other expenses” in the consolidated statement of income.

(2) Impairment tests for goodwill

Goodwill acquired in a business combination is allocated to each of the acquirer’s cash-generating units that is expected to benefit from the combination at the date of acquisition. The Group’s significant goodwill is related to CTC GLOBAL Sdn. Bhd. and CTC GLOBAL Pte. Ltd., and belongs to the “Other” reportable segment. The carrying amount is ¥4,660 million (US$38,751 thousand, April 1, 2013: ¥4,236 million, March 31, 2014: ¥4,467 million). The recoverable amount of the cash-generating unit, to which goodwill has been allocated, is determined based on a value in use. The value in use is based on past experience and financial budgets in the next five years approved by the management. The cash flows beyond the five years have been extrapolated using a steady 0% per annum growth rate.

In addition, the pre-tax discount rate which is used in calculating the value in use is from 9.1% to 11.1% (as of March 31, 2014: from 9.0% to 10.9%).

The aggregate recoverable amount of goodwill sufficiently exceeds its carrying amount. Therefore, it is unlikely that the aggregate recoverable amount of the cash-generating unit is lower than the aggregate carrying amount even if the key assumptions change reasonably.

11. Investments accounted for using the equity method

Carrying amount of investments in associates, not individually significant, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Carrying amount of investments accounted for using the equity method	1,315	1,489	621	5,164

Financial information of associates that are not individually significant, for the years ended March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014	March 31, 2015	March 31, 2015
Share of profit for the year	177	66	554
Share of other comprehensive income for the year	25	34	290
Share of total comprehensive income for the year	203	101	845

12. Other financial assets

The breakdown of other financial assets is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Financial assets measured at amortized cost	8,194	8,191	22,692	188,680
FVTOCI financial assets	3,697	2,338	2,294	19,074
FVTPL financial assets	1,174	1,213	963	8,011
Total	13,067	11,743	25,950	215,766

Current assets	842	689	15,200	126,386
Non-current assets	12,225	11,054	10,749	89,379
Total	13,067	11,743	25,950	215,766

Dividends from FVTOCI financial assets recognized in “Other financial assets” as of March 31, 2014 and 2015, are as follows:

(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
43	46	388

The Group classifies equity securities, which are held with the intention of strengthening business relationships on the condition of long-term ownership, as FVTOCI financial assets. Of the above FVTOCI financial assets, the major equity securities, and their fair value, the Group owns as of the date of transition, March 31, 2014 and 2015, are as follows:

April 1, 2013

Stock	(Millions of Yen)
Internet Initiative Japan Inc.	1,677
Japan Third Party Co., Ltd.	956
AEON Financial Service Co., Ltd.	359
Asahi Group Holdings, Ltd.	224
FamilyMart Co., Ltd.	166

March 31, 2014

Stock	(Millions of Yen)
Internet Initiative Japan Inc.	1,285
AEON Financial Service Co., Ltd.	312
Asahi Group Holdings, Ltd.	288
FamilyMart Co., Ltd.	173
NTT DATA INTRAMART CORPORATION	75

March 31, 2015

Stock	(Millions of Yen)	(Thousands of U.S. Dollars)
Internet Initiative Japan Inc.	1,027	8,542
AEON Financial Service Co., Ltd.	407	3,388
Asahi Group Holdings, Ltd.	381	3,170
FamilyMart Co., Ltd.	193	1,606
NTT DATA INTRAMART CORPORATION	62	521

Derecognized FVTOCI financial assets for the years ended March 31, 2014 and 2015, are as follows:

(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars)		
Year ended March 31, 2014			Year ended March 31, 2015			Year ended March 31, 2015		
Fair value at date of sale	Cumulative gains (losses)	Dividends received	Fair value at date of sale	Cumulative gains (losses)	Dividends received	Fair value at date of sale	Cumulative gains (losses)	Dividends received
713	334	14	3	(35)	0	25	(297)	0

These FVTOCI financial assets are mainly sold because of changes in business relationships. Cumulative gains (losses) (net of tax) reclassified from other components of equity to retained earnings for the years ended March 31, 2014 and 2015, are ¥207 million (gains) and ¥22 million (US$190 thousand) (losses), respectively.

13. Deferred taxes and income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown and movements of deferred tax assets and liabilities by major cause are as follows:

(Millions of Yen)

	April 1, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2014
Deferred tax assets					
Inventories	3,614	4	-	-	3,618
Property, plant and equipment and intangible assets	944	(59)	-	-	885
Other payables	1,128	(102)	-	-	1,025
Employee benefits	6,651	(1,123)	(209)	-	5,319
Provisions	1,706	(620)	-	-	1,085
Others	100	652	(1)	1	752
Total deferred tax assets	14,146	(1,249)	(211)	1	12,687
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(882)	36	-	(37)	(883)
Securities and other investments	(587)	16	354	-	(216)
Others	(864)	2	(2)	-	(864)
Total deferred tax liabilities	(2,335)	56	351	(37)	(1,964)

Note: "Others" includes exchange differences on translating foreign operations.

(Millions of Yen)

	March 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2015
Deferred tax assets					
Inventories	3,618	(320)	-	-	3,297
Property, plant and equipment and intangible assets	885	104	-	-	990
Other payables	1,025	302	-	-	1,328
Employee benefits	5,319	40	71	-	5,430
Provisions	1,085	477	-	-	1,563
Others	752	58	-	(7)	804
Total deferred tax assets	12,687	664	71	(7)	13,415
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(883)	109	-	(28)	(802)
Securities and other investments	(216)	(112)	47	-	(281)
Others	(864)	111	(4)	-	(757)
Total deferred tax liabilities	(1,964)	108	43	(28)	(1,841)

(Thousands of U.S. Dollars)

	March 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2015
Deferred tax assets					
Inventories	30,083	(2,662)	-	-	27,421
Property, plant and equipment and intangible assets	7,364	870	-	-	8,235
Other payables	8,528	2,514	-	-	11,043
Employee benefits	44,226	338	590	-	45,155
Provisions	9,029	3,969	-	-	12,998
Others	6,258	490	-	(60)	6,688
Total deferred tax assets	105,491	5,521	590	(60)	111,543
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(7,347)	911	-	(235)	(6,671)
Securities and other investments	(1,802)	(934)	396	-	(2,341)
Others	(7,185)	925	(34)	-	(6,294)
Total deferred tax liabilities	(16,335)	901	362	(235)	(15,307)

Note: “Others” includes exchange differences on translating foreign operations.

Deferred tax assets and deferred tax liabilities recognized in the consolidated statement of financial position are as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Deferred tax assets	12,681	11,609	12,298	102,258
Deferred tax liabilities	870	887	724	6,021
Net	11,811	10,722	11,574	96,236

Deductible temporary differences and tax losses carryforwards for which deferred tax assets have not been recognized are as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Deductible temporary differences	243	439	214	1,781
Tax losses carry forward	400	47	281	2,338
Total	644	486	495	4,119

The amounts of tax losses carryforwards for which deferred tax assets have not been recognized by expiry date are as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Year 1	-	-	-	-
Year 2	-	-	-	-
Year 3	-	-	-	-
Year 4	-	-	-	-
Year 5 or later	400	47	281	2,338
Total	400	47	281	2,338

(2) Income tax expense

The breakdown of income tax expense is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Current tax expense	8,391	12,616	104,902
Deferred tax expense	1,192	(772)	(6,423)
Total	9,584	11,844	98,478

"Current tax expense" includes the amount of tax benefits from tax losses carryforwards, tax credits, and deductible temporary differences, for which deferred tax assets were not recognized in previous fiscal years. The amount of deduction of tax expense resulting from these tax benefits for the years ended March 31, 2014 and 2015, is ¥223 million and ¥155 million (US$1,289 thousand), respectively.

Reconciliations between the effective statutory tax rate and the average effective tax rate are as follows:

	Year ended March 31, 2014	Year ended March 31, 2015
Effective statutory tax rate	38.0%	36.0%
(Reconciliation)		
Effect on the amount of not deductible for tax purposes	1.4%	2.4%
Reduction of deferred tax assets due to the change in the tax rate	1.2%	3.8%
Others	(0.8%)	(2.0%)
Average effective tax rate	39.9%	40.2%

The Company is mainly subject to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for the years ended March 31, 2014 and 2015, is 38.0% and 36.0%, respectively, based on these taxes. Foreign subsidiaries are subject to income taxes of the countries where they operate.

In Japan, the income tax rate has been changed since the fiscal year beginning on or after April 1, 2015 in accordance with the "Act on Partial Revision for the Income Tax Act, etc." (Act No. 9 of 2015) and "Act on Partial Revision for the Local Tax Act, etc." (Act No. 2 of 2015) that were promulgated on March 31, 2015. Consequently, the effective statutory tax rates used in calculating deferred tax assets and liabilities for the year ended March 31, 2015 were changed from 36.0% for the year ended March 31, 2014 to 33.1% for the temporary differences expected to be settled from April 1, 2015 to March 31, 2016, and to 32.3% for the temporary differences expected to be settled from April 1, 2016.

As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥1,183 million (US$9,841 thousand), income tax expense increased by ¥1,133 million (US$9,421 thousand), net changes in fair value of financial assets measured through other comprehensive income increased by ¥44 million (US$370 thousand), cash flow hedge increased by ¥0 million (US$0 thousand) and remeasurement of defined benefit plans decreased by ¥95 million (US$795 thousand).

14. Trade and other payables

The breakdown of trade and other payables is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Account payables-trade	27,654	36,426	36,766	305,702
Other payables	10,385	6,265	7,424	61,728
Accrued consumption taxes	2,167	1,798	5,501	45,739
Total	40,207	44,491	49,691	413,170

15. Other financial liabilities (included in non-current financial liabilities)

The breakdown of other financial liabilities and non-current financial liabilities is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Financial liabilities measured at amortized cost	20,077	18,806	19,019	158,142
FVTPL financial liabilities	-	6	85	714
Total	20,077	18,813	19,105	158,856

Current liabilities	5,648	6,064	6,869	57,116
Non-current liabilities	14,428	12,748	12,236	101,739
Total	20,077	18,813	19,105	158,856

Short-term bank loans of ¥450 million are included in "Financial liabilities measured at amortized cost" as of March 31, 2014. The average interest rate is 0.62%.

16. Leases

(1) Lessor

1) Operating leases

The Group leases IT-related equipment and servers under operating leases. The schedule of future minimum lease payments receivable under non-cancelable operating leases as of the date of transition, March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	424	424	367	3,057
Over 1 year – within 5 years	1,080	655	288	2,394
Over 5 years	-	-	-	-
Total	1,505	1,080	655	5,452

2) Finance leases

The Group leases IT-related equipment and servers under finance leases. The schedule of total future minimum lease payments receivable, present value of future minimum lease payments receivable, and the amount of unearned finance income as of the date of transition, March 31, 2014 and 2015, is as follows:

	Total future minimum lease payments receivable				Present value of future minimum lease payments receivable			
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	3,320	3,722	4,713	39,190	2,848	3,288	4,271	35,514
Over 1 year – within 5 years	9,767	9,284	10,288	85,543	8,963	8,659	9,663	80,351
Over 5 years	1,122	681	1,467	12,200	1,097	667	1,441	11,981
Total lease payments receivable	14,209	13,688	16,469	136,934	12,909	12,615	15,376	127,847
Less: Unearned finance income	(1,300)	(1,072)	(1,092)	(9,086)				
Present value of minimum lease payments receivable	12,909	12,615	15,376	127,847				

(2) Lessee

1) Operating leases

The Group leases real estate such as office buildings, and office equipment under operating leases. The schedule of future minimum lease payments under non-cancelable operating leases as of the date of transition, March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	2,887	2,780	2,025	16,838
Over 1 year – within 5 years	3,855	2,019	1,276	10,616
Over 5 years	-	-	-	-
Total	6,743	4,800	3,301	27,454

Lease payments recognized as expense under operating leases for the years ended March 31, 2014 and 2015, are ¥9,744 million and ¥10,316 million (US$85,781 thousand), respectively.

2) Finance leases

The Group leases office equipment for customer service and data center facilities under finance leases. The schedule of future minimum lease payments, present value of future minimum lease payments, and the amount of future finance charges as of the date of transition, March 31, 2014 and 2015, is as follows:

	Future minimum lease payments				Present value of future minimum lease payments			
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Within 1 year	5,217	5,504	5,892	48,994	4,739	5,066	5,517	45,872
Over 1 year – within 5 years	13,484	12,277	11,301	93,968	12,682	11,664	10,762	89,489
Over 5 years	1,538	966	1,179	9,808	1,513	952	1,158	9,632
Total lease payments	20,240	18,748	18,373	152,771	18,935	17,682	17,438	144,994
Less: Future finance charges	(1,305)	(1,065)	(935)	(7,777)				
Present value of minimum lease payments	18,935	17,682	17,438	144,994				

Future minimum sublease payments under non-cancelable operating leases as of the date of transition, March 31, 2014 and 2015, are ¥2,841 million, ¥2,510 million and ¥2,494 million (US$20,740 thousand), respectively.

Lease contracts do not include contingent rent, renewal options or purchase options, escalation payments and specific limitations (such as dividends, additional borrowing and additional lease contract).

17. Employee benefits

(1) Post-employment benefit

1) General outline of retirement benefit plans

In order to provide employee retirement benefits, the Company and certain subsidiaries have defined benefit pension plans, lump-sum payment benefits and defined contribution plans covering substantially all of their employees, in addition to the ITOCHU United Pension Fund. Benefits under the defined benefit plans are based on the points that employee earned each year of service, or years of service and certain other factors.

In regard to the defined contribution plans, the obligations of the Company and certain subsidiaries are limited to the contribution amounts that are stipulated in the retirement benefit rules, which are determined on a company-by-company basis.

Plan assets primarily comprise marketable equity securities, bonds and other interest-bearing securities, and are exposed to stock price and interest rate risks.

2) Defined benefit plans

Movements in present value of the defined benefit plan obligations are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Balance at the beginning of the year	17,748	17,741	147,511
Current service cost	859	845	7,029
Interest cost	229	240	1,998
Remeasurement			
Changes in demographic assumptions	-	(47)	(396)
Changes in financial assumptions	(594)	353	2,935
Experience adjustments	2	(73)	(607)
Benefits paid	(504)	(414)	(3,444)
Balance at the end of the year	17,741	18,645	155,026

Note: Current service cost is recognized as profit or loss (cost of sales or selling, general and administrative expenses). Interest related to the net amount of the present value of defined benefit plan obligations and the fair value of plan assets is recognized in profit or loss (financial income or financial costs).

Movements in the present fair value of plan assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Balance at the beginning of the year	15,552	17,851	148,432
Interest income	205	248	2,064
Remeasurement			
Return on plan assets	641	1,138	9,462
Employer contributions	1,934	1,947	16,194
Benefits paid	(482)	(371)	(3,091)
Balance at the end of the year	17,851	20,814	173,062

Note: In accordance with the retirement benefit regulations, the Company and certain subsidiaries conduct financial verification regularly and recalculate the contribution of benefits in future periods in order to provide employee retirement benefits that are expected to arise in the future or to improve financial position of pension fund in the case of a deficit in its financial position.

The expected contribution to the plan is ¥727 million (US$6,047 thousand) for the year ending March 31, 2016.

The movements in the effect of the asset ceiling are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Balance at the beginning of the year	-	654	5,442
Movements in the effect of the asset ceiling	654	1,339	11,141
Balance at the end of the year	654	1,994	16,583

Note: In the case that defined benefit plans are surplus, defined benefit assets (other non-current assets), recorded in the consolidated statement of financial position, are limited to present value of any economic benefits available in reductions in future contribution to the defined benefit plans.

The amounts of defined benefit plans recognized in the consolidated statement of financial position are as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Present value of the defined benefit plan obligations	17,748	17,741	18,645	155,026
Fair value of plan assets	(15,552)	(17,851)	(20,814)	(173,062)
Funded status	2,195	(110)	(2,169)	(18,035)
Effect of the asset ceiling	-	654	1,994	16,583
Net liabilities (assets)	2,195	543	(174)	(1,451)
Amount in the consolidated statement of financial position				
Other non-current assets	(62)	-	(707)	(5,882)
Liabilities for employee benefits (non-current liabilities)	2,258	543	532	4,430

Plan assets by category as of the date of transition, March 31, 2014 and 2015, are as follows. Refer to “Note 26. Financial instruments and disclosure” for input information used in measuring fair value.

April 1, 2013

(Millions of Yen)

	Level 1	Level 2	Total
Equity instruments			
Domestic	2,125	-	2,125
Overseas	1,939	-	1,939
Debt instruments			
Domestic	6,627	-	6,627
Overseas	1,630	-	1,630
Other assets			
Cash and cash equivalents	487	-	487
Life insurance company general accounts	-	2,683	2,683
Others	-	57	57
Total	12,811	2,741	15,552

March 31, 2014

(Millions of Yen)

	Level 1	Level 2	Total
Equity instruments			
Domestic	2,473	-	2,473
Overseas	2,331	-	2,331
Debt instruments			
Domestic	7,718	-	7,718
Overseas	1,918	-	1,918
Other assets			
Cash and cash equivalents	358	-	358
Life insurance company general accounts	-	2,996	2,996
Others	-	55	55
Total	14,799	3,052	17,851

March 31, 2015

(Millions of Yen)

	Level 1	Level 2	Total
Equity instruments			
Domestic	3,161	-	3,161
Overseas	2,675	-	2,675
Debt instruments			
Domestic	8,737	-	8,737
Overseas	2,442	-	2,442
Other assets			
Cash and cash equivalents	419	-	419
Life insurance company general accounts	-	3,326	3,326
Others	-	51	51
Total	17,436	3,377	20,814

March 31, 2015

(Thousands of U.S. Dollars)

	Level 1	Level 2	Total
Equity instruments			
Domestic	26,287	-	26,287
Overseas	22,246	-	22,246
Debt instruments			
Domestic	72,647	-	72,647
Overseas	20,307	-	20,307
Other assets			
Cash and cash equivalents	3,486	-	3,486
Life insurance company general accounts	-	27,662	27,662
Others	-	424	424
Total	144,976	28,086	173,062

In setting its portfolio investment policy for plan assets, the Company and certain subsidiaries, on a long-term basis, focus on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company and certain subsidiaries establish the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets, and manage the portfolio.

The Company and certain subsidiaries' basic policy is to emphasize asset liquidity and a thorough diversification of its investments. The Company and certain subsidiaries' holdings of equity instruments consist primarily of shares in listed companies. Debt instruments principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in corporate pension plans (general account) be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

Information about the maturity profile of retirement benefits is as follows.

The projected benefit obligation is calculated based on the estimated amount of future benefits that have been incurred as of the present point in time. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payment influences the amounts of the projected benefit obligation and service costs, and consequently, the disclosure of information regarding benefits in the period in which they are earned is required under IAS 19 "Employee Benefits". The Company believes that it meets this requirement in an effective manner through the disclosure of the weighted-average duration of the projected benefit obligation, which takes into account the amount, timing, and discount rate. The weighted-average duration of the Company's projected benefit obligation for the years ended March 31, 2014 and 2015 are 14 years and 13 years, respectively.

Significant actuarial assumptions used in calculating the present value of the defined benefit plan are as follows:

	March 31, 2014	March 31, 2015
Discount rate	1.3%	1.0%
Rate of compensation increase	4.7%	4.3%

Among the above actuarial assumptions, the calculations related to the defined benefit plan are sensitive to the influence of the discount rate assumption.

At the end of the reporting period, the impact on the present value of the defined benefit plan obligations when the discount rate moves 0.5% is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014	March 31, 2015	March 31, 2015
0.5% Increase	(1,077)	(1,119)	(9,309)
0.5% Decrease	1,151	1,162	9,667

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates.

This method of analysis is based on certain assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

3) Defined contribution plans

The recognized expenses with respect to the defined contribution plans for the years ended March 31, 2014 and 2015, are ¥829 million and ¥859 million (US$7,145 thousand), respectively.

4) Multi-employer plans

The Company and certain subsidiaries participate in the ITOCHU United Pension Fund, which is a multi-employer plan classified as a defined benefit plan.

The ITOCHU United Pension Fund differs from a single employer plan with respect to the following points:

(i) Assets that an employer contributes to the multi-employer plan could be used for the benefits of employees of other participating employers.

(ii) If one participating employer stops premium contributions, other participating employers could be required to absorb unfunded obligations additionally.

(iii) If a participating employer withdraws from the multi-employer plan, the employer could be required to contribute the amount of the unfunded obligation as a special withdrawal premium.

The ITOCHU United Pension Fund is a defined benefit multi-employer plan that is operated in accordance with the rules above. Events occurring at participating companies influence the allocation of plan assets and expenses to other participating companies, and consequently, there is no consistent basis for that allocation. Accordingly, because it is not possible to obtain sufficient information to account for this plan as a defined benefit plan, it is accounted for as defined contribution plan. In regard to the special premium for this plan, at the time when the periodical revaluation is conducted, the difference from the previous revaluation is added and the amount is recognized as a liability, and subsequently, that liability is reversed when the special premium is paid. The amounts of that liability in the consolidated statement of financial position at the date of transition, March 31, 2014 and 2015, are ¥4,323 million, ¥4,025 million and ¥3,726 million (US$30,986 thousand), respectively.

The financial position of the ITOCHU United Pension Fund based on the recent information available is as follows. The Fund obtained approval from the Minister of Health, Labour and Welfare on April 1, 2013, for exemption from the obligation to pay benefits for past employee services related to the substitutional portion, which resulted in the transfer of pension obligations and related assets to the government on March 25, 2015.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2013	March 31, 2014	March 31, 2014
Plan assets	65,835	16,132	134,139
Benefits obligation based on pension plan finance calculation	81,138	30,177	250,913
Net	(15,303)	(14,044)	(116,774)

	March 31, 2013	March 31, 2014
Ratio of the Company and certain subsidiaries contribution to overall plan	28.7%	30.0%

The principal factors of “Net” in the above table, based on pension plan finance calculation, are past service cost obligations and determined deficits. Past service cost obligations are recognized as a liability. Determined deficits are accounted for by increasing rate of special premium or others based on financial recalculation of pension plan finance calculation.

The ratio of the Company and certain subsidiaries contribution to overall plan above is calculated by dividing total contribution paid to the pension fund from the Company and certain subsidiaries by the total contribution to the overall pension fund. The ratio of the Company’s and certain subsidiaries’ contribution to the overall plan above does not match the Group’s actual proportional contribution.

The expected contribution to the plans for the year ending March 31, 2016, is ¥894 million (US$7,441 thousand).

(2) Employee benefit expenses

Total employee benefit expenses, included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of income for the years ended March 31, 2014 and 2015, are ¥54,525 million and ¥57,776 million (US$480,391 thousand), respectively.

18. Provisions

The breakdown and movements in provisions are as follows:

Year ended March 31, 2014

(Millions of Yen)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2013	1,532	308	368	2,209
Increase for the year	204	809	122	1,135
Interest expenses for discounting	29	-	-	29
Decrease for the year (utilization)	(115)	(342)	(22)	(480)
Decrease for the year (unused)	(3)	(8)	(8)	(20)
Others	1	-	-	1
March 31, 2014	1,649	765	459	2,874

Current liabilities	-	765	459	1,225
Non-current liabilities	1,649	-	-	1,649
Total	1,649	765	459	2,874

Year ended March 31, 2015

(Millions of Yen)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2014	1,649	765	459	2,874
Increase for the year	50	1,086	276	1,413
Interest expenses for discounting	41	-	-	41
Decrease for the year (utilization)	-	(1,351)	(99)	(1,451)
Decrease for the year (unused)	-	(42)	(90)	(132)
Others	1	-	-	1
March 31, 2015	1,742	458	546	2,746

Current liabilities	95	458	546	1,100
Non-current liabilities	1,646	-	-	1,646
Total	1,742	458	546	2,746

Year ended March 31, 2015

(Thousands of U.S. Dollars)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2014	13,715	6,368	3,819	23,903
Increase for the year	416	9,037	2,301	11,755
Interest expenses for discounting	341	-	-	341
Decrease for the year (utilization)	-	(11,240)	(825)	(12,066)
Decrease for the year (unused)	-	(355)	(750)	(1,105)
Others	11	-	-	11
March 31, 2015	14,485	3,809	4,544	22,839

Current liabilities	798	3,809	4,544	9,152
Non-current liabilities	13,687	-	-	13,687
Total	14,485	3,809	4,544	22,839

The provisions are as follows:

Provisions for asset retirement obligations

Provisions for asset retirement obligations, to prepare for obligations to remove improvements from buildings related to offices and data centers under real estate lease contracts, are the estimate amount of payments in the future based on the historical experience. The timing of the outflow of economic benefits in the future is expected to be one year after from the end of each fiscal year, but it could be affected by future business plans.

Provisions for loss on orders received

Provisions for loss on orders received, to prepare for losses on orders received, are the estimated amount of losses on orders received related to order contracts at the end of the each fiscal year. The timing of the outflow of economic benefits in the future is expected to be within one year from the end of each fiscal year.

Provisions for after-sales costs

Provisions for after-sales costs, to prepare for payment of future after-sales costs related to system development projects, are the estimated amount of costs based on the historical rate, or the amount required for individual projects. The timing of the outflow of economic benefits in the future is expected to be within one year from the end of each fiscal year.

19. Equity and other equity items

(1) Common stock

The number of shares authorized and issued is as follows:

(Shares in thousands)

	Year ended March 31, 2014	Year ended March 31, 2015
The number of authorized shares		
Ordinary shares with non-par-value	246,000	246,000
The number of issued shares		
Balance at the beginning of the year	62,500	60,000
Decrease	(2,500)	-
Balance at the end of the year	60,000	60,000

The number of treasury stock included in issued shares above as of March 31, 2014 and 2015, is 1,131 thousand shares and 2,191 thousand shares, respectively. Also, the issued shares above are fully paid and all the shares issued by the Company are non-par-value ordinary shares.
The Companies Act of Japan (the “Companies Act”) states that upon issuance of new shares, at least 50% of the amount raised will be credited to common stock, unless otherwise specified in the Companies Act.
The Company has implemented a stock split of the Company’s common stock at a ratio of 2-for-1, the effective date of which is April 1, 2015. Due to the stock split, the number of issued shares has increased by 60,000 thousand shares to 120,000 thousand shares, and the number of treasury stock has increased by 2,191 thousand shares to 4,383 thousand shares.

(2) Capital surplus and retained earnings

The Companies Act provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as legal reserve (a component of retained earnings) if the payment of such dividends is charged to retained earnings, until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.
Under the Companies Act, in addition to year-end dividends, dividends of surplus can be made at any time during the fiscal year by resolution of the general meeting of shareholders. This Act provides that companies may determine dividends (excluding dividends in kind) by resolution of the board of directors if the articles of incorporation so stipulate, when certain requirements (having a board of corporate auditors and a board of directors, appointing independent auditors, and the terms of service of the directors is prescribed as one year) are satisfied. The Act also provides that companies with board of directors may pay dividends (only cash dividends) by the resolution of the board of directors only once during a business year, if the articles of incorporation so stipulate.

20. Dividends

The Company pays year-end dividends and the interim dividends. The year-end dividends are approved by the general meeting of shareholders and the interim dividends are determined by the board of directors.
Dividends paid for the years ended March 31, 2014 and 2015 are as follows:

Year ended March 31, 2014

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2013 Ordinary general meeting of shareholders	Ordinary shares	3,272	55.00	March 31, 2013	June 21, 2013
October 31, 2013 Board of directors	Ordinary shares	3,272	55.00	September 30, 2013	December 6, 2013

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
June 18, 2014 Ordinary general meeting of shareholders	Ordinary shares	3,237	55.00	March 31, 2014	June 19, 2014

Year ended March 31, 2015

(1) Dividends paid

Resolution	Class of shares	(Millions of Yen)	(Thousands of U.S. Dollars)	(Yen)	(U.S. Dollars)	Record date	Effective date
		Total dividends		Dividends per share			
June 18, 2014 Ordinary general meeting of shareholders	Ordinary shares	3,237	26,920	55.00	0.45	March 31, 2014	June 19, 2014
November 6, 2014 Board of directors	Ordinary shares	3,384	28,144	57.50	0.47	September 30, 2014	December 5, 2014

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	(Millions of Yen)	(Thousands of U.S. Dollars)	(Yen)	(U.S. Dollars)	Record date	Effective date
		Total dividends		Dividends per share			
June 23, 2015 Ordinary general meeting of shareholders	Ordinary shares	3,613	30,040	62.50	0.51	March 31, 2015	June 24, 2015

21. Construction contracts

Revenue from contracts of made-to-order software is recognized in accordance with IAS 11 “Construction Contracts”. The amount due from (to) customers under construction contracts as of the date of transition, March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2015
Amount due from customers for contract work	7,430	11,381	9,968	82,885
Amount due to customers for contract work	(3,204)	(4,343)	(3,638)	(30,250)
Construction costs incurred and profit recognized less losses recognized to date	9,919	14,131	13,766	114,466
Progress billings	(5,694)	(7,093)	(7,436)	(61,831)
Amount due from (to) customers	4,225	7,037	6,330	52,635

Advances received from customers for contract work amounted to ¥1,453 million, ¥3,219 million and ¥2,939 million (US$24,443 thousand) as of the date of transition, March 31, 2014 and 2015, respectively. There are no retentions held by customers for contract work. Revenue from made-to-order software for the years ended March 31, 2014 and 2015, is ¥72,565 million and ¥77,907 million (US$647,770 thousand), respectively.

22. Other income and expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Employee benefit expenses	34,699	36,998	307,624
Outsource staff expenses	5,970	5,890	48,975
Depreciation and amortization expense	3,071	2,993	24,886
Research and development expenses	316	561	4,668
Others	15,329	16,057	133,509
Total	59,387	62,500	519,665

The breakdown of other income is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Net foreign exchange gains	-	842	7,001
Dividends income of insurance	55	79	663
Others	275	303	2,526
Total	331	1,225	10,192

The breakdown of other expenses is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Net foreign exchange losses	162	-	-
Impairment losses	-	298	2,485
Losses on non-cancelable lease	-	272	2,261
Losses on litigation	646	-	-
Others	30	95	792
Total	840	666	5,540

23. Financial income and costs

The breakdown of financial income is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Interest income			
Financial assets measured at amortized cost	40	82	684
Others	0	7	65
Subtotal	41	90	750
Dividends received			
FVTOCI financial assets	57	46	389
FVTPL financial assets	12	12	99
Subtotal	69	58	488
Other financial income			
FVTPL financial assets	125	72	602
Subtotal	125	72	602
Total	237	221	1,841

The breakdown of financial costs is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Interest expenses			
Financial liabilities measured at amortized cost	179	157	1,305
Others	24	-	-
Total	203	157	1,305

24. Earnings per share

The calculation of basic earnings per share for the years ended March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Profit for the year attributable to owners of the Company	14,225	17,406	144,726

(Shares in thousands)

	Year ended March 31, 2014	Year ended March 31, 2015
Weighted-average number of ordinary shares	118,539	116,989

	(Yen)	(Yen)	(U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Basic earnings per share	120.00	148.79	1.23

Notes:
1. Diluted earnings per share are not presented due to the absence of dilutive potential shares.
2. The Company has implemented a stock split of the Company's common stock at a ratio of 2-for-1, of which the effective date is April 1, 2015. Basic earnings per share are calculated assuming that the stock split is undertaken at the beginning of the year ended March 31, 2014.

25. Other comprehensive income

The breakdown of items in other comprehensive income (loss) and their respective associated tax effects (including non-controlling interests) are as follows:

	(Millions of Yen)		
	Year ended March 31, 2014		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	(776)	354	(422)
Adjustment for the year	(776)	354	(422)
Remeasurement of defined benefit plans			
Amount arising during the year	578	(209)	369
Adjustment for the year	578	(209)	369
Exchange differences on translating foreign operations			
Amount arising during the year	532	-	532
Adjustment for the year	532	-	532
Cash flow hedges			
Amount arising during the year	61	(23)	38
Reclassification to profit or loss for the year	(50)	19	(31)
Adjustment for the year	11	(4)	7
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	25	-	25
Adjustment for the year	25	-	25
Total other comprehensive income for the year	371	140	512

	(Millions of Yen)		
	Year ended March 31, 2015		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	(30)	47	17
Adjustment for the year	(30)	47	17
Remeasurement of defined benefit plans			
Amount arising during the year	(434)	71	(363)
Adjustment for the year	(434)	71	(363)
Exchange differences on translating foreign operations			
Amount arising during the year	568	-	568
Adjustment for the year	568	-	568
Cash flow hedges			
Amount arising during the year	453	(162)	290
Reclassification to profit or loss for the year	(440)	158	(281)
Adjustment for the year	13	(4)	8
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	34	-	34
Adjustment for the year	34	-	34
Total other comprehensive income for the year	152	114	266

	(Thousands of U.S. Dollars)		
	Year ended March 31, 2015		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	(249)	396	146
Adjustment for the year	(249)	396	146
Remeasurement of defined benefit plans			
Amount arising during the year	(3,610)	590	(3,019)
Adjustment for the year	(3,610)	590	(3,019)
Exchange differences on translating foreign operations			
Amount arising during the year	4,728	-	4,728
Adjustment for the year	4,728	-	4,728
Cash flow hedges			
Amount arising during the year	3,770	(1,352)	2,418
Reclassification to profit or loss for the year	(3,662)	1,318	(2,343)
Adjustment for the year	108	(34)	74
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	290	-	290
Adjustment for the year	290	-	290
Total other comprehensive income for the year	1,267	952	2,219

26. Financial instruments and disclosure

(1) Capital management

The Group’s capital management policy is to establish and maintain a stable financial foundation in order to ensure management health and efficiency and to realize sustainable growth. In accordance with the capital management policy, the Group conducts investments in business such as acquiring external resources and dividends to shareholders by using cash from operating activities generated by providing innovative and competitive products, and IT services.
There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

(2) Financial risk management policy

The Group, in its operations, is exposed to credit risk, market risk in foreign currency exchange rate and interest rate, liquidity risk and others. The Group undertakes risk management for each risk.
In addition, the Group utilizes derivatives, which are only forward foreign exchange contracts, for the purpose of hedging foreign currency rate risks related to receivables/payables and forecasted transactions denominated in foreign currencies, but does not enter into such transactions for speculative purposes.

1) Credit risk management

Notes, receivables-trade, accounts receivables-trade and lease receivables that are receivables arising from operating activities are exposed to customer credit risk. Certificates of deposit and commercial paper held for investments of surplus funds are also exposed to issuer credit risk. Deposits are mainly payments to the Parent company and are exposed to the parent company’s credit risk.
The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of due dates and balances of major customers by each business administration department, and by a credit control department that is independent from the business department, to identify the default risk of customers at an early stage.
The internal guidelines for certificates of deposit and commercial paper, which prescribe the authority and the limit for each transaction by the general accounting and finance control department, have been approved at the management committee meeting. The transaction data is reported quarterly to the management.
The maximum exposure for the Group’s credit risk is the carrying amount after deduction of impairment loss presented in the consolidated financial statements.

Financial assets past due

An aging analysis of financial assets that are past due but not impaired as of March 31, 2014 and 2015, is as follows. At this point, the Group has determined that it is not necessary to recognize impairment.

March 31, 2014

(Millions of Yen)

	Overdue amounts					
	Within 30 days	Over 30 days-within 60 days	Over 60 days-within 90 days	Over 90 days-within 120 days	Over 120 days	Total
Trade and other receivables	1,485	719	46	309	187	2,748

March 31, 2015

(Millions of Yen)

	Overdue amounts					
	Within 30 days	Over 30 days-within 60 days	Over 60 days-within 90 days	Over 90 days-within 120 days	Over 120 days	Total
Trade and other receivables	1,524	864	161	377	230	3,157

March 31, 2015

(Thousands of U.S. Dollars)

	Overdue amounts					
	Within 30 days	Over 30 days- within 60 days	Over 60 days- within 90 days	Over 90 days- within 120 days	Over 120 days	Total
Trade and other receivables	12,672	7,187	1,339	3,140	1,912	26,252

Movement in allowance for doubtful accounts

In the case of impairment of financial assets, the Group does not directly write off such assets, instead, it records an allowance for doubtful accounts. Movement in allowance for doubtful accounts is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Balance at the beginning of the year	158	35	298
Increase for the year	1	24	202
Decrease for the year (utilization)	(32)	(1)	(8)
Decrease for the year (unused)	(91)	(0)	(6)
Balance at the end of the year	35	58	485

The balances of financial assets individually determined to be impaired by reviewing customers' financial conditions, the status of delay payment and others as of March 31, 2014 and 2015, are ¥43 million and ¥63 million (US$529 thousand), respectively. For the financial assets, the Group recorded an allowance for doubtful accounts as of March 31, 2014 and 2015 of ¥27 million and ¥49 million (US$408 thousand), respectively.

2) Market risk management

a) Interest rate risk

The Group covers its demand for funds principally by cash on hand. Therefore, the balance of interest-bearing debt is small, and the impact of changes in interest rate on the Group's profit/loss is immaterial.

b) Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to its involvement in import/export trading. Therefore, the Group strives to minimize foreign exchange rate risk through hedge transactions that utilize such derivatives as forward foreign exchange contracts. Also, the Group utilizes foreign currency bank deposits that are held within the limits of actual demand for the purpose of hedging foreign currency exchange rate risk on certain forecasted transactions denominated in foreign currencies.

Exposure to foreign currency exchange rate risk (net amount) at the end of the years ended March 31, 2014 and 2015, is as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014		March 31, 2015	
Balance of foreign exchange (short-term)	(683)	(6,643)	(328)	(2,735)
Balance of foreign exchange (long-term)	-		-	-

Notes:

1. Balance of foreign exchange is the amount in foreign currencies for which the foreign currency exchange rate risk is not hedged with derivatives such as forward exchange contracts, in terms of receivables/payables and firm commitment denominated in foreign currencies in import/export transactions. The balance of foreign exchange that is expected to be settled within 1 year is classified as short-term, while the balance of foreign exchange that is expected to be settled after 1 year or later is classified as long-term.
2. Positive balance represents receivables and in negative balance represents payables.

Foreign currency sensitivity analysis

Foreign currency sensitivity analysis for the balance of foreign exchange (short and long-term) is as follows. The analysis discloses the effects on profit before tax if the value of the Japanese yen increased by 1% and all other variables remained constant.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014	March 31, 2015	March 31, 2015
Profit before tax (U.S. dollars)	6	3	27

c) Stock price fluctuation risk

The Group holds equity instruments such as marketable securities to strengthen relationships with customers, and these investments are exposed to stock price fluctuation risk. The Group regularly assesses current market prices and financial conditions of issuers and continuously reviews its holdings.

Stock price fluctuation risk sensitivity analysis

Stock price fluctuation risk sensitivity analysis for listed securities held by the Group is as follows. The analysis discloses effects on other comprehensive income (before tax effect) if stock price of listed securities had been 10% lower and all other variables remained constant.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014	March 31, 2015	March 31, 2015
Other comprehensive income	(221)	(217)	(1,804)

3) Liquidity risk management

The Group manages its liquidity risk based on an analysis of cash flows 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.

a) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by maturity is as follows:

March 31, 2014

(Millions of Yen)

	Carrying amount	Contractual cash flow	Within 1 year	Over 1 year – within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	44,491	44,491	44,491	-	-
Other financial liabilities	6,057	6,499	6,499	-	-
Non-current financial liabilities	12,748	13,372	-	12,359	1,012

March 31, 2015

(Millions of Yen)

	Carrying amount	Contractual cash flow	Within 1 year	Over 1 year – within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	49,691	49,691	49,691	-	-
Other financial liabilities	6,783	7,159	7,159	-	-
Non-current financial liabilities	12,236	12,796	-	11,571	1,224

March 31, 2015

(Thousands of U.S. Dollars)

	Carrying amount	Contractual cash flow	Within 1 year	Over 1 year – within 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	413,170	413,170	413,170	-	-
Other financial liabilities	56,402	59,525	59,525	-	-
Non-current financial liabilities	101,739	106,394	-	96,213	10,181

b) Derivatives

The breakdown of derivative financial liabilities by maturity is as follows:

March 31, 2014

(Millions of Yen)

		Within 1 year	Over 1 year – within 5 years	Over 5 years	Total
Currency derivatives	Income	32	-	-	32
	Expenditures	(6)	-	-	(6)

March 31, 2015

(Millions of Yen)

		Within 1 year	Over 1 year – within 5 years	Over 5 years	Total
Currency derivatives	Income	131	-	-	131
	Expenditures	(85)	-	-	(85)

March 31, 2015

(Thousands of U.S. Dollars)

		Within 1 year	Over 1 year – within 5 years	Over 5 years	Total
Currency derivatives	Income	1,096	-	-	1,096
	Expenditures	(714)	-	-	(714)

(3) Fair value of financial instruments

1) Fair value measurements

Trade and other receivables

Fair value of lease receivables is measured at the present value of total expected lease receivables, discounted by the rate of interest to be used when the lessor newly contracts a similar lease transaction and is classified as Level 2. The fair values of trade and other receivables other than lease receivables approximate their carrying amount because of the short maturities of these receivables and are classified as Level 2 under fair value measurement and disclosure.

Other financial assets, other financial liabilities and non-current financial liabilities

Fair value of marketable securities, among other financial assets measured at fair value, is measured at quoted price in active markets and classified as Level 1. When there is no quoted price in active markets, these financial assets are measured by valuation techniques based on discounted cash flows, revenues, benefits, and equity, and are classified as Level 2 or Level 3 corresponding to the input used.

Fair value of derivatives is measured at prices obtained from financial institutions and is classified as Level 2.

Fair value of other financial assets measured at amortized cost approximates their carrying amount and is classified as Level 2 under fair value measurement and disclosure because the fair value is calculated using observable market data.

Fair value of lease obligations, among other financial liabilities and non-current financial liabilities measured at amortized cost, is measured at the present value of total expected lease payments, discounted by the rate of interest supposed to be used when the lessee newly contracts a similar lease transaction and is classified as Level 2. The fair value of other financial liabilities and non-current financial liabilities other than lease obligations approximates their carrying amount and is classified as Level 2 under fair value measurement and disclosure because the fair value is calculated using observable market data.

2) Fair value of financial instruments by category

Carrying amount and fair value of major financial instruments by category are as follows:

	(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars)	
	April 1, 2013		March 31, 2014		March 31, 2015		March 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost								
Trade and other receivables	87,447	87,597	101,530	101,657	109,568	109,688	911,022	912,017
Other financial assets	8,194	8,194	8,191	8,191	22,692	22,692	188,680	188,680
Financial assets measured at fair value								
Other financial assets								
FVTOCI financial assets	3,697	3,697	2,338	2,338	2,294	2,294	19,074	19,074
FVTPL financial assets	1,174	1,174	1,213	1,213	963	963	8,011	8,011
Financial liabilities measured at amortized cost								
Other financial liabilities	5,648	5,659	6,057	6,069	6,783	6,796	56,402	56,507
Non-current financial liabilities	14,428	14,573	12,748	12,856	12,236	12,329	101,739	102,515
Financial liabilities measured at fair value								
Other financial liabilities								
FVTPL financial liabilities	-	-	6	6	85	85	714	714

3) Fair value measurements recognized in the consolidated financial statements

The following table provides an analysis of the fair value hierarchy reflecting the significance of inputs used when measuring fair value of financial instruments that have been measured at fair value on a recurring basis.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

Transfers between levels of fair value hierarchy are recognized as the date of the event or change in circumstances that caused the transfer.

(Millions of Yen)

	April 1, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	3,563	48	85	3,697
FVTPL financial assets	-	456	717	1,174
Total assets	3,563	505	803	4,872
Liabilities:				
FVTPL financial liabilities	-	-	-	-
Total liabilities	-	-	-	-

(Millions of Yen)

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	2,214	48	74	2,338
FVTPL financial assets	-	465	748	1,213
Total assets	2,214	514	822	3,551
Liabilities:				
FVTPL financial liabilities	-	6	-	6
Total liabilities	-	6	-	6

No significant transfers occurred between Level 1 and Level 2 for the year ended March 31, 2014.

(Millions of Yen)

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	2,170	48	74	2,294
FVTPL financial assets	-	579	383	963
Total assets	2,170	628	458	3,257
Liabilities:				
FVTPL financial liabilities	-	85	-	85
Total liabilities	-	85	-	85

(Thousands of U.S. Dollars)

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	18,048	404	620	19,074
FVTPL financial assets	-	4,819	3,192	8,011
Total assets	18,048	5,224	3,813	27,086
Liabilities:				
FVTPL financial liabilities	-	714	-	714
Total liabilities	-	714	-	714

No significant transfers occurred between Level 1 and Level 2 for the year ended March 31, 2015.

4) Financial instruments classified as Level 3

For financial instruments classified as Level 3, an appropriate assessor performs an evaluation and analyzes the result of the evaluation based on the valuation method and procedures established by the Company.

A reconciliation of financial instruments classified as Level 3 is as follows:

(Millions of Yen)

	Year ended March 31, 2014	
	FVTOCI financial assets	FVTPL financial assets
Balance as of April 1, 2013	85	717
Total gains or losses		
Profit or loss	-	115
Other comprehensive income	(7)	-
Disposals	(3)	-
Distribution	-	(83)
Others	-	(1)
Balance as of March 31, 2014	74	748
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2014 - net	-	115

(Millions of Yen)

	Year ended March 31, 2015	
	FVTOCI financial assets	FVTPL financial assets
Balance as of April 1, 2014	74	748
Total gains or losses		
Profit or loss	-	57
Other comprehensive income	-	-
Disposals	(0)	-
Distribution	-	(419)
Others	-	(2)
Balance as of March 31, 2015	74	383
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2015 - net	-	57

(Thousands of U.S. Dollars)

	Year ended March 31, 2015	
	FVTOCI financial assets	FVTPL financial assets
Balance as of April 1, 2014	620	6,220
Total gains or losses		
Profit or loss	-	477
Other comprehensive income	-	-
Disposals	(0)	-
Distribution	-	(3,486)
Others	-	(19)
Balance as of March 31, 2015	620	3,192
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2015 - net	-	477

Gains or losses recognized in profit or loss are included in “Financial income” or “Financial costs” in the consolidated statement of income. Gains or losses (net of tax effect) recognized as other comprehensive income are included in “Changes in net fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.
For financial assets classified as Level 3, significant changes in fair value are not expected if the unobservable inputs would be changed to reasonably possible alternative assumptions.

(4) Derivative instruments and hedging activities

The Group uses forward foreign exchange contracts to hedge the risk of variability in the future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The changes in fair value of derivative instruments that are designated as cash flow hedges are recognized in other comprehensive income (“cash flow hedges”) if the hedges are considered highly effective. This treatment continues until the variability in future cash flows of unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items is recognized. The ineffective portion of the hedge is also recognized in profit or loss.
Accumulated amounts of other comprehensive income that are expected to be reclassified to profit or loss within one year due to cash flow hedges (net tax effect) as of the date of transition, March 31, 2014 and 2015 are loss of ¥2 million, profit of ¥4 million, and profit of ¥13 million (US$112 thousand), respectively.

Fair values of derivatives as of the date of transition, March 31, 2014 and 2015, are as follows:

(Millions of Yen)

	April 1, 2013			
	Cash flow hedges		Derivatives not designated as hedges	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Currency derivatives	34	-	-	-

(Millions of Yen)

	March 31, 2014			
	Cash flow hedges		Derivatives not designated as hedges	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Currency derivatives	32	5	-	1

(Millions of Yen)

	March 31, 2015			
	Cash flow hedges		Derivatives not designated as hedges	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Currency derivatives	113	85	18	-

(Thousands of U.S. Dollars)

	March 31, 2015			
	Cash flow hedges		Derivatives not designated as hedges	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Currency derivatives	946	714	150	-

27. Related party transactions

(1) Transactions with related parties

The Group had transactions with related parties as follows:

Year ended March 31, 2014

(Millions of Yen)

<table>
<tr><th>Category</th><th>Name</th><th>Nature of related party transactions</th><th>Transaction amount</th><th>Outstanding balance</th></tr>
<tr><td rowspan="2">Parent company</td><td rowspan="2">ITOCHU Corporation</td><td rowspan="2">Deposit contract
(Fixed term)</td><td>(Funds deposited)
5,000</td><td rowspan="2">-</td></tr>
<tr><td>(Repayment of deposit)
5,000</td></tr>
</table>

Year ended March 31, 2015

(Millions of Yen)

<table>
<tr><th>Category</th><th>Name</th><th>Nature of related party transactions</th><th>Transaction amount</th><th>Outstanding balance</th></tr>
<tr><td rowspan="3">Parent company</td><td rowspan="3">ITOCHU Corporation</td><td rowspan="2">Deposit contract
(Fixed term)</td><td>(Funds deposited)
14,000</td><td rowspan="2">14,000</td></tr>
<tr><td>(Repayment of deposit)
-</td></tr>
<tr><td>Deposit contract
(Withdrawable anytime)</td><td>-</td><td>16,030</td></tr>
</table>

Year ended March 31, 2015

(Thousands of U.S. Dollars)

<table>
<tr><th>Category</th><th>Name</th><th>Nature of related party transactions</th><th>Transaction amount</th><th>Outstanding balance</th></tr>
<tr><td rowspan="3">Parent company</td><td rowspan="3">ITOCHU Corporation</td><td rowspan="2">Deposit contract
(Fixed term)</td><td>(Funds deposited)
116,404</td><td rowspan="2">116,404</td></tr>
<tr><td>(Repayment of deposit)
-</td></tr>
<tr><td>Deposit contract
(Withdrawable anytime)</td><td>-</td><td>133,289</td></tr>
</table>

Notes:

1. The rate of deposit contract is individually determined, considering market rate of interest, through negotiations between companies.
2. Transaction amounts of deposit contracts (withdrawable anytime) are not disclosed above because changes in balances of deposits and withdrawals frequently occur while using cash management services of ITOCHU Corporation.

(2) Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Benefits and bonus	353	363	3,021
Retirement benefits	10	-	-
Total	364	363	3,021

28. Ownership interest in subsidiaries

Major subsidiaries are as follows:

Name	Reportable segment	Location	Shares (%) March 31, 2015
CTC TECHNOLOGY CORPORATION	IT Services business	Chiyoda-ku, Tokyo	100.0
CTC SYSTEM MANAGEMENT CORPORATION	IT Services business	Chiyoda-ku, Tokyo	100.0
CTC LIFE SCIENCE CORPORATION	Enterprise business	Shinagawa-ku, Tokyo	100.0
CTCSP CORPORATION	Enterprise business	Setagaya-ku, Tokyo	100.0
CTC FACILITIES CORPORATION	IT Services business	Tsuzuki-ku, Yokohama	100.0
CTC BUSINESS SERVICE CORPORATION	Corporation	Chiyoda-ku, Tokyo	100.0
First Contact Corporation (Note)	IT Services business	Shibuya-ku, Tokyo	100.0
Asahi Business Solutions Corp.	Distribution business	Sumida-ku, Tokyo	51.0
ITOCHU Techno-Solutions America, Inc.	Other	Santa Clara, California, U.S.A.	100.0
CTC Global Sdn. Bhd.	Other	Kuala Lumpur, Malaysia	70.0
CTC Global Pte. Ltd.	Other	Singapore	70.0

Note: On May 25, 2015, the name of First Contact Corporation was changed to CTC First Contact Corporation and the head office was transferred to Setagaya-ku, Tokyo.

29. Commitments

Contractual commitments for purchase of property, plant and equipment are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2014	March 31, 2015	March 31, 2015
Purchase of property, plant and equipment	-	1,902	15,816

30. Contingent liabilities

The Group provides guarantees on the following loans from financial institutions to the Group's employees:

	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2015
Guarantees for employees	157 (46 people)	131 (41 people)	109 (37 people)	909 (37 people)

The guarantees will expire through February 27, 2024. The Group would be required to assume payment obligations under the contracts if the Group's employees are unable to repay the housing loans. The Group's obligations under guarantees are secured by the employee's houses.

31. Subsequent event

Stock split

At the board of directors meeting held on February 26, 2015, the board of directors resolved to implement a stock split, of which the effective date was April 1, 2015.

(1) Purpose of the stock split

The purpose of the stock split is to create an environment in which it is easier for investors to invest, expand the Company's investor base and enhance the liquidity of its stock by reducing the price per unit of shares.

(2) Outline of the stock split

(a) Method of the stock split

The record date of the stock split is Tuesday, March 31, 2015, and the stock split involved splitting the common stock owned by shareholders entered or recorded in the last register of shareholders as of the record date at a ratio of 2-for-1.

(b) Increase in the number of shares by the stock split

The number of issued shares before stock split:	60,000,000 shares
Increase in the number of shares by stock split:	60,000,000 shares
The number of issued shares after stock split:	120,000,000 shares
The number of authorized shares after stock split:	246,000,000 shares

(c) Schedule of the stock split

Announcement of the record date:	Friday, March 13, 2015
Record date:	Tuesday, March 31, 2015
Effective date:	Wednesday, April 1, 2015

The impact of the stock split on earnings per share is noted in "Note 24. Earnings per share".

32. Explanation of transition to IFRSs

The consolidated financial statements have been prepared in accordance with IFRSs since the fiscal year beginning April 1, 2014, although the consolidated financial statements had been prepared in accordance with Japanese GAAP for the fiscal year ended March 31, 2014.

In principle, IFRS 1 “First-time adoption of International Financial Reporting Standards”, requires retrospective application of IFRSs for first-time adopters. However, IFRS 1 provides certain voluntary exemptions and mandatory exceptions from full retrospective application of IFRSs. Exemptions and mandatory exceptions applied by the Group are as follows.

The Company applied IFRS 1 “Paragraph D16 (a)”, in accordance with which assets and liabilities are measured at the carrying amount that are included in the Parent company’s consolidated financial statements.

(1) Exemptions and mandatory exceptions under IFRS 1

1) Exemptions under IFRS 1

- Business combinations

Electing to apply the exemptions under IFRS 1, the Group elected not to apply IFRS 3 “Business combinations” retrospectively to past business combinations that occurred before the date of transition to IFRSs of the Parent company, and accounts in accordance with previous GAAP (Japanese GAAP).

- Deemed cost

Electing to apply the exemptions under IFRS 1, the Group has measured the fair value of certain property, plant and equipment at the date of transition to IFRSs of the Parent company and recognized the fair value as deemed cost.

- Exchange differences on translating foreign operations

Electing to apply the exemptions under IFRS 1, the Group has transferred all exchange differences on translating foreign operations at the date of transition to IFRSs to retained earnings.

2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits certain aspects of retrospective application. Subject to the prohibition are “estimates”, “derecognition of financial assets and financial liabilities”, “hedge accounting”, “non-controlling interests” and “classification and measurement of financial assets”. The Group has applied the requirements of IFRS 1 in relation to these items prospectively from the date of transition to IFRSs of the Parent company.

The Company adjusted the consolidated financial statements prepared in accordance with Japanese GAAP for preparing the consolidated statement of financial position as of the date of transition. The effect of the transition from Japanese GAAP to IFRSs on the consolidated financial position, financial performance and cash flows of the Company is as follows.

“Reclassifications of presentation” in “(2) Reconciliations” below are changes in presentation of the consolidated statement of financial position, the consolidated statements of income and the consolidated comprehensive income, and do not affect the retained earnings and comprehensive income. “Differences in recognition and measurement” present amounts of effect subject to transition to IFRSs.

(2) Reconciliations

1) Reconciliation of equity

April 1, 2013

(Millions of Yen)

Assets	Japanese GAAP	Reclassifications of presentation	Differences in recognition and measurement	IFRSs	Notes	Assets
Current assets						Current assets
Cash and cash equivalents	31,914	34,219	-	66,133		Cash and cash equivalents
Notes and accounts receivable-trade	66,882	14,517	6,047	87,447	(a)	Trade and other receivables
Investments in lease	12,909	(12,909)				
Short-term investments	33,997	(33,997)				
Merchandise	13,427	11,936	(5,325)	20,038	(a)	Inventories
Work in progress	5,347	(5,347)				
Supplies for maintenance service	6,588	(6,588)				
Prepaid expenses	22,317	(22,317)				
Deferred tax assets	8,857	(8,857)				
Others	3,766	(3,766)				
		808	34	842		Other current financial assets
		23,353	(993)	22,360	(a)	Other current assets
Allowance for doubtful accounts	(94)	94				
Total current assets	205,917	(8,857)	(236)	196,822		Total current assets
Non-current assets						Non-current assets
Property and equipment	34,719	-	(11)	34,707	(b)	Property, plant and equipment
Goodwill	3,101	-	1,135	4,236	(c)	Goodwill
Software	4,731	5,903	93	10,727		Intangible assets
Lease assets (intangible assets)	2,222	(2,222)				
Others (intangible assets)	3,680	(3,680)				
		1,315	-	1,315		Investments accounted for using the equity method
Investment securities	5,999	6,095	130	12,225	(d)	Other non-current financial assets
Net defined benefit asset	173	(173)				
Deferred tax assets	597	8,857	3,226	12,681	(e)	Deferred tax assets
Others (investments and other assets)	8,486	(7,301)	(110)	1,074	(h)	Other non-current assets
Allowance for doubtful accounts	(63)	63				
Total non-current assets	63,647	8,857	4,463	76,968		Total non-current assets
Total assets	269,564	-	4,227	273,791		Total assets

(Millions of Yen)

Liabilities and equity	Japanese GAAP	Reclassifica-tions of presentation	Differences in recognition and measurement	IFRSs	Notes	Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	26,484	12,303	1,420	40,207	(a)	Trade and other payables
Lease obligations	4,537	(4,537)				
		5,453	194	5,648		Other current financial liabilities
Income taxes payable	7,803	-	-	7,803		Income taxes payable
Unearned income	20,269	(20,269)				
Provisions for bonuses	7,566	(7,566)				
Provisions for directors' bonuses	190	(190)				
		9,737	3,654	13,391	(f)	Liabilities for employee benefits
Provisions for loss on order received	308	(308)				
Provisions for after-sales costs	368	(368)				
		761	-	761		Provisions
Others	20,019	4,985	(3,268)	21,736	(a) (g)	Other current liabilities
Total current liabilities	87,547	(0)	2,001	89,548		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	14,010	(14,010)				
		14,241	187	14,428		Non-current financial liabilities
Liability for retirement benefits	575	8	6,006	6,590	(h)	Liabilities for employee benefits
Provisions for asset retirement obligations	1,448	-	-	1,448		Provisions
Deferred tax liabilities	769	0	101	870		Deferred tax liabilities
Others	314	(238)	-	75		Other non-current liabilities
Total non-current liabilities	17,117	0	6,295	23,413		Total non-current liabilities
Total liabilities	104,664	-	8,296	112,961		Total liabilities
Equity						Equity
Common stock	21,763	-	-	21,763		Common stock
Capital surplus	33,076	-	-	33,076		Capital surplus
Treasury stock	(10,370)	-	-	(10,370)		Treasury stock
Retained earnings	118,506	-	(6,981)	111,525		Retained earnings
Accumulated other comprehensive income	(249)	-	1,647	1,398	(d) (h)	Other components of equity
				157,392		Total equity attributable to owners of the Company
Minority interests	2,172	-	1,263	3,436	(c)	Non-controlling interests
Total equity	164,899	-	(4,069)	160,829		Total equity
Total liabilities and equity	269,564	-	4,227	273,791		Total liabilities and equity

March 31, 2014

(Millions of Yen)

Assets	Japanese GAAP	Reclassifica-tions of presentation	Differences in recognition and measurement	IFRSs	Notes	Assets
Current assets						Current assets
Cash and cash equivalents	38,769	16,314	-	55,083		Cash and cash equivalents
Trade and account receivables	81,288	14,445	5,796	101,530	(a)	Trade and other receivables
Investment in lease	12,615	(12,615)				
Short-term investments	15,998	(15,998)				
Merchandise	16,948	12,517	(5,892)	23,573	(a)	Inventories
Work in progress	6,712	(6,712)				
Supplies for maintenance service	5,804	(5,804)				
		12	-	12		Current tax assets
Prepaid expenses	27,758	(27,758)				
Deferred tax assets	8,284	(8,284)				
Others	2,914	(2,914)				
		663	25	689		Other current financial assets
		27,840	(1,591)	26,249	(a)	Other current assets
Allowance for doubtful accounts	(9)	9				
Total current assets	217,085	(8,284)	(1,662)	207,139		Total current assets
Non-current assets						Non-current assets
Property and equipment	36,072	-	(475)	35,596	(b)	Property, plant and equipment
Goodwill	2,945	-	1,522	4,467	(c)	Goodwill
Software	4,507	5,453	85	10,046		Intangible assets
Lease assets (intangible assets)	2,007	(2,007)				
Others (intangible assets)	3,446	(3,446)				
		1,489	-	1,489		Investments accounted for using the equity method
Investment securities	4,984	6,069	-	11,054		Other non-current financial assets
Net defined benefit asset	1,950	(1,950)				
Deferred tax assets	424	8,284	2,900	11,609	(e)	Deferred tax assets
Others (investments and other assets)	8,832	(5,635)	(1,950)	1,246	(h)	Other non-current assets
Allowance for doubtful accounts	(26)	26				
Total non-current assets	65,144	8,284	2,082	75,511		Total non-current assets
Total assets	282,229	-	420	282,650		Total assets

(Millions of Yen)

Liabilities and equity	Japanese GAAP	Reclassifica-tions of presentation	Differences in recognition and measurement	IFRSs	Notes	Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	35,494	7,784	1,212	44,491	(a)	Trade and other payables
Short-term bank loans	450	(450)				
Lease obligations	4,901	(4,901)				
		5,897	167	6,064		Other current financial liabilities
Income taxes payables	6,560	-	-	6,560		Income taxes payable
Unearned income	22,736	(22,736)				
Provisions for bonuses	6,497	(6,497)				
Provisions for directors' bonuses	127	(127)				
		8,094	3,798	11,892	(f)	Liabilities for employee benefits
Provisions for loss on order received	765	(765)				
Provisions for after-sales costs	459	(459)				
		1,225	-	1,225		Provisions
Others	17,349	12,935	(4,474)	25,811	(a) (g)	Other current liabilities
Total current liabilities	95,342	(0)	703	96,045		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	12,571	(12,571)				
		12,700	48	12,748		Non-current financial liabilities
Liability for retirement benefits	490	7	4,078	4,576	(h)	Liabilities for employee benefits
Provisions for asset retirement obligations	1,649	-	-	1,649		Provisions
Deferred tax liabilities	1,088	0	(200)	887		Deferred tax liabilities
Others	178	(135)	-	42		Other non-current liabilities
Total non-current liabilities	15,978	0	3,926	19,904		Total non-current liabilities
Total liabilities	111,320	-	4,629	115,949		Total liabilities
Equity						Equity
Common stock	21,763	-	-	21,763		Common stock
Capital surplus	33,076	-	-	33,076		Capital surplus
Treasury stock	(4,223)	-	-	(4,223)		Treasury stock
Retained earnings	117,408	-	(6,275)	111,132		Retained earnings
Accumulated other comprehensive income	485	-	733	1,219	(c) (d)(h)	Other components of equity
				162,967		Total equity attributable to owners of the Company
Minority interests	2,400	-	1,332	3,732	(c)	Non-controlling interests
Total equity	170,909	-	(4,209)	166,700		Total equity
Total liabilities and equity	282,229	-	420	282,650		Total liabilities and equity

2) Reconciliation of income and comprehensive income

Year ended March 31, 2014

Consolidated statement of income

(Millions of Yen)

	Japanese GAAP	Reclassifications of presentation	Differences in recognition and measurement	IFRSs	Notes	
Net sales	349,454	-	1,113	350,567	(a) (g)	Revenue
Cost of sales	(265,934)	-	(923)	(266,857)	(a) (b) (f) (h)	Cost of sales
Gross profit	83,519	-	190	83,710		Gross profit
						Other income and expenses
Selling, general and administrative expenses	(60,038)	-	650	(59,387)	(b) (c) (f) (h)	Selling, general and administrative expenses
		331	0	331		Other income
		(687)	(152)	(840)	(b)	Other expenses
				(59,896)		Total other income and expenses
Operating income	23,481	(356)	689	23,814		Operating income
Non-operating income	708	(708)				
Non-operating expenses	(192)	192				
Extraordinary income	338	(338)				
Extraordinary losses	(654)	654				
		537	(300)	237	(d) (h)	Financial income
		(158)	(45)	(203)	(d) (h)	Financial costs
		177	-	177		Share of profit of associates accounted for using the equity method
Income before income taxes and minority interests	23,681	-	343	24,025		Profit before tax
Income taxes - current	(8,519)	(848)	(216)	(9,584)		Income tax expense
Income taxes - deferred	(848)	848				
Net income before minority interests	14,313	-	126	14,440		Profit for the year

Consolidated statement of comprehensive income

(Millions of Yen)

	Japanese GAAP	Reclassifica-tions of presentation	Differences in recognition and measurement	IFRSs	Notes	
Net income before minority interests	14,313	-	126	14,440		Profit for the year
Other comprehensive income						Other comprehensive income, net of tax effect
						Items that will not be reclassified to profit or loss:
Net unrealized loss on available-for- sale securities	(515)	-	92	(422)	(d)	Changes in net fair value of financial assets measured through other comprehensive income
Defined retirement benefit plans	796	-	(427)	369	(h)	Remeasurement of defined benefit plans
		0	-	0		Share of other comprehensive income of associates accounted for using the equity method
						Items that may be reclassified to profit or loss:
Foreign currency translation adjustments	510	-	21	532		Exchange differences on translating foreign operations
Deferred gain on derivatives under hedge accounting	7	-	-	7		Cash flow hedges
		25	-	25		Share of other comprehensive income of associates accounted for using the equity method
Share of other comprehensive income in associates	25	(25)				
Total other comprehensive income	824	-	(312)	512		Total other comprehensive income for the year, net of tax effect
Comprehensive income	15,138	-	(185)	14,952		Total comprehensive income for the year

(3) Notes to adjustments

1) Reclassifications of presentation

Reclassifications of presentation are mainly as follows.

- All deferred tax assets and liabilities that were classified as current assets or liabilities have been reclassified as non-current assets and liabilities.
- Other reclassifications have been made by aggregating or separating presentation under Japanese GAAP to be consistent with the presentation under IFRSs.

2) Effect of transition to IFRSs

(a) Recognition of revenue and construction contracts

For certain services, revenue was recognized over the contract periods under Japanese GAAP, but the revenue is recognized when the services are in the condition to be available for the customers under IFRSs.

For a transaction involving system development and infrastructure construction, under Japanese GAAP, the percentage of completion method was applied when the outcome of a construction contract is deemed to be estimated reliably, otherwise the completed-contract method is applied. On the other hand, under IFRSs, when the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the end of the reporting period, and when the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent of the costs recognized that are recoverable. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Increase in trade and other receivables	6,038	5,793
Decrease in inventories	(5,317)	(5,847)
Decrease in other current assets	(1,319)	(1,945)
Increase in trade and other payables	(819)	(607)
Decrease in other current liabilities	1,902	3,083
Related to tax effect	(188)	(175)
Increase in retained earnings	297	300

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Increase in revenue	935
Increase in cost of sales	(944)
Decrease in profit before tax	(9)

(b) Property, plant and equipment

Under IFRSs, electing to apply the exemption, the Company has used its fair value at the date of transition to IFRSs of the Parent company as deemed cost for certain property, plant and equipment. At the date of transition to IFRSs of the Parent company, the carrying amount and fair values of property, plant and equipment subject to the provision are ¥4,999 million and ¥3,608 million, respectively.

To apply IFRSs, the residual value and the estimates related to the depreciation method for property, plant and equipment were reviewed, and adjustments were made to retained earnings. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Decrease in property, plant and equipment	(304)	(604)
Related to tax effect	109	217
Decrease in retained earnings	(194)	(386)

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Increase in cost of sales	(49)
Increase in selling, general and administrative expenses	(250)
Increase in other expenses	(0)
Decrease in profit before tax	(299)

(c) Business combinations

The Group has applied IFRSs retrospectively to all of the business combinations that occurred after the date of transition to IFRSs of the Parent company (April 1, 2012). Therefore, goodwill is recognized including that related to acquisition-related costs as expenses and the non-controlling interests.

Business combinations, for which determination of provisional accounting treatment of the allocation of acquisition cost is complete in the fiscal year that includes the date of transition, are accounted for as if the determination were complete by the end of reporting period in which the business combination occurs under IFRSs. On the other hand, under Japanese GAAP, the adjustments, arising from the provisional accounting treatment, were made in the fiscal year that includes the date of transition, which is the year following the reporting period in which the business combination occurs.

Under Japanese GAAP, goodwill was amortized regularly over the period, but goodwill is not amortized under IFRSs. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Increase in goodwill	1,135	1,522
Decrease in other components of equity	-	2
Increase in non-controlling interests	(1,282)	(1,352)
Increase (decrease) in retained earnings	(147)	172

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Decrease in selling, general and administrative expenses	319
Increase in profit before tax	319

(d) Financial instruments

Under Japanese GAAP, marketable securities are measured at fair value and non-marketable securities are measured at the acquisition cost. Gain or loss on sale of securities is recognized in profit or loss regardless of whether an active market exists. On the other hand, under IFRSs, any equity instruments are measured at fair value.

Further, under IFRSs, changes in fair value of equity instruments are allowed to be included in other comprehensive income, and net gains or losses on sale and remeasurements shall not be reclassified to profit or loss. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Increase in other financial assets (non-current assets)	130	-
Decrease in other components of equity	208	323
Related to tax effect	(97)	(52)
Increase in retained earnings	242	270

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Decrease in financial income	(301)
Decrease in financial costs	11
Decrease in profit before tax	(290)

(Millions of Yen)

Consolidated statement of comprehensive income	Year ended March 31, 2014
Increase in changes in net fair value of financial assets measured through other comprehensive income	92
Increase in other comprehensive income	92

(e) Deferred tax assets

For assessment of the recoverability of deferred tax assets, deferred tax assets are recognized based on each category of entities outlined in Japanese Institute of Certified Public Accountants Audit Committee Report No. 66, "Audit Guidance on Assessment of the recoverability of deferred tax assets". Under IFRSs, among unused tax losses and deductible temporary differences, deferred tax assets are recognized to the extent that it is possible that taxable profit will be available against which the tax benefit can be utilized. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Increase in deferred tax assets	509	352
Increase in retained earnings	509	352

(f) Unused paid vacation

Unused paid vacation is recorded as a liability under IFRSs, which was not required under Japanese GAAP, and adjustment is made to retained earnings. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Increase in liabilities for employee benefits (Current liabilities)	(3,654)	(3,798)
Related to tax effect	1,352	1,338
Decrease in retained earnings	(2,301)	(2,460)

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Increase in cost of sales	(96)
Increase in selling, general and administrative expenses	(47)
Decrease in profit before tax	(144)

(g) Leases

For lease to lessors, under Japanese GAAP, revenue and cost of sales are recorded at the inception of the lease transaction and the differences between revenue and cost of sales are classified as gross profit and financial income (interest income). These differences are deferred over the lease term. Under IFRSs, gross profit is recorded based on the accounting treatment related to a normal sales transaction, and only finance income is deferred over the lease term. Therefore, the adjustment is made to retained earnings. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Decrease in other current liabilities	1,365	1,391
Related to tax effect	(519)	(500)
Increase in retained earnings	846	890

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Increase in revenue	25
Increase in profit before tax	25

(h) Employee benefits

Under Japanese GAAP, actuarial gain or losses and past service cost are recognized as accumulated other comprehensive income, and accounted for as expenses over certain future periods.

Since the date of transition, the Group has adopted the method under which the amount of retirement benefit obligation, less the amount of plan assets is recorded as liability for retirement benefit, and unrecognized actuarial gain or losses and unrecognized past service cost are recorded as liability for retirement benefits.

On the other hand, under IFRSs, actuarial gain or losses are recognized as other comprehensive income ("Remeasurement of defined benefit plans") when incurred, and reclassified to retained earnings immediately. In addition, past service cost is recognized as profit or loss when incurred.

In addition, there is a contractual agreement among the participants in the multi-employer plan that determines how the surplus or the deficit funded in the plan will be distributed to the participants. Therefore, the Group recognizes the liability arising from the contractual agreement and the resulting expenses are recorded in profit or loss. The major effect arising from these changes is as follows:

(Millions of Yen)

Consolidated statement of financial position	April 1, 2013	March 31, 2014
Decrease in other non-current liabilities	(110)	(1,950)
Increase in liabilities for employee benefits (Non-current liabilities)	(6,006)	(4,078)
Increase in other components of equity	(1,915)	(1,118)
Related to tax effect	2,149	2,132
Decrease in retained earnings	(5,882)	(5,015)

(Millions of Yen)

Consolidated statement of income	Year ended March 31, 2014
Decrease in cost of sales	84
Decrease in selling, general and administrative expenses	714
Increase in financial income	0
Increase in financial costs	(24)
Increase in profit before tax	775

(Millions of Yen)

Consolidated statement of comprehensive income	Year ended March 31, 2014
Decrease in remeasurement of defined benefit plans	(427)
Decrease in other comprehensive income	(427)

(i) Retained earnings

The effect of adjustments described above on retained earnings is as follows:

(Millions of Yen)

Adjustments	April 1, 2013	March 31, 2014
Recognition of revenue and construction contracts (refer to Note (a))	297	300
Property, plant and equipment (refer to Note (b))	(194)	(386)
Business combinations (refer to Note (c))	(147)	172
Financial instruments (refer to Note (d))	242	270
Deferred tax assets (refer to Note (e))	509	352
Unused paid vacation (refer to Note (f))	(2,301)	(2,460)
Lease (refer to Note (g))	846	890
Employee benefits (refer to Note (h))	(5,882)	(5,015)
Others	(350)	(400)
Decrease in retained earnings	(6,981)	(6,275)

(4) Note to reconciliation of cash flow for the year ended March 31, 2014

There are no significant differences between the consolidated statement of cash flows under Japanese GAAP and IFRSs.

Independent Auditor's Report

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 statement of financial position of ITOCHU Techno-Solutions Corporation (the "Company") and its subsidiaries as of March 31, 2015, and the related consolidated statements of income and 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 accordance with International Financial Reporting Standards, 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 accordance 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 its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2015

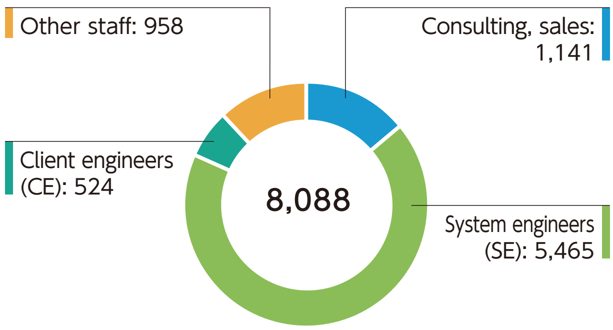
Member of
Deloitte Touche Tohmatsu Limited

Memo

Corporate Data
As of April 1, 2015

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.
Employees	8,088 (CTC Group total)

Composition of CTC Employees



CTC Group Companies

■ Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥450 million	Maintenance and system management services, support services for systems and networks, system construction services, IT-related training
CTC SYSTEM MANAGEMENT CORPORATION	¥300 million	System operations and support
CTCSP CORPORATION	¥200 million	Sales of network and security-related equipment, storage devices and packaged software, and provision of related services
CTC LIFE SCIENCE CORPORATION	¥300 million	System development and sales for the pharmaceutical and chemical industries
CTC FACILITIES CORPORATION	¥100 million	Building facility operations management activities for computer centers (Yokohama, Kobe, Otemachi, Shibuya, Mejirozaka)
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
CTC 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
HINARI Corporation	¥30 million	Massage and cleaning services for Group companies, light agricultural work and contracting
ITOCHU Techno-Solutions America, Inc.	$3,750,000	Maintenance and support of computers and network systems, exporting of IT products, research into state-of-the-art technology and market trends
CTC Global Sdn. Bhd.	RM62,118,000	Reselling hardware and software products and providing maintenance service
CTC Global Pte. Ltd.	S$2,000,000	Reselling hardware and software products and providing maintenance service

*In May 2015, the company name of the First Contact Corporation was changed to CTC First Contact Corporation.

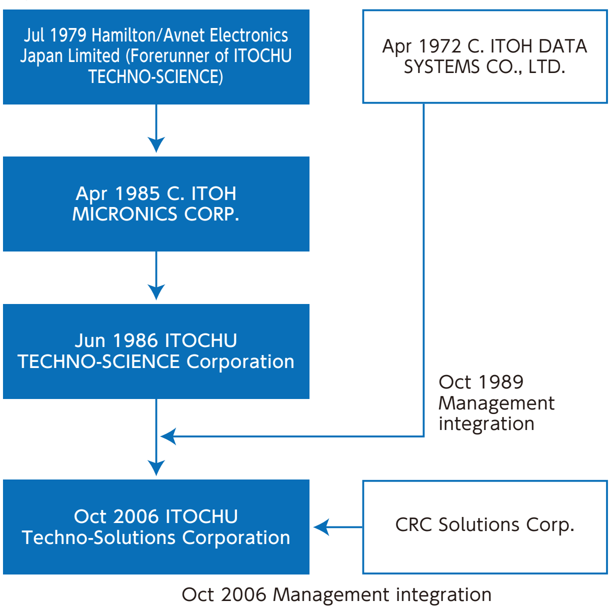
■ Associated Companies

Company	Paid-in Capital	Main Business Activities
ITOCHU Technology Ventures, Inc.	¥100 million	Operation of investment funds of venture companies
Netband Consulting Co., Ltd.	THB 55,000,000	Sales network products and solutions

Three other companies (one in Japan, two overseas)

Company History

(Apr 1972 - Oct 2006)



Company History (Oct 2006 - May 2015)

Oct 2006	● ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp. merged to form ITOCHU Techno-Solutions Corporation.
Jan 2007	● Established the Osaki Development Center in Osaki, Shinagawa-ku, Tokyo
Jul 2008	● Established CTC SYSTEM OPERATIONS Corporation as a consolidated subsidiary
Oct	● Established the Mejirozaka Data Center in Bunkyo-ku, Tokyo
Apr 2010	● Established a company for employment promotion of handicapped persons, HINARI Corporation
Apr 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
Apr 2012	● Established ITOCHU Techno-Solutions America, Inc., first subsidiary in North America
Mar 2013	● Changed company names of CSC ESI Sdn. Bhd. and CSC Automated Pte. Ltd. to CTC Global Sdn. Bhd. and CTC Global Pte. Ltd., respectively.
May 2013	● Changed company names of CSC ESI Sdn. Bhd. and CSC Automated Pte. Ltd. to CTC Global Sdn. Bhd. and CTC Global Pte. Ltd., respectively.
Apr 2014	● The former CTC System Operations Corporation and CTC System Service Corporation were merged and the company name was changed to the CTC System Management Corporation. ● The company name of the CTC Laboratory Systems Corporation was changed to CTC Life Science Corporation.
May 2015	● The company name of the First Contact Corporation was changed to CTC First Contact Corporation.

Stock Information As of March 31, 2015

Authorized ………………………… 246,000,000 shares
Issued ……………………………………… 60,000,000 shares
Shareholders ………………………………………………… 14,203

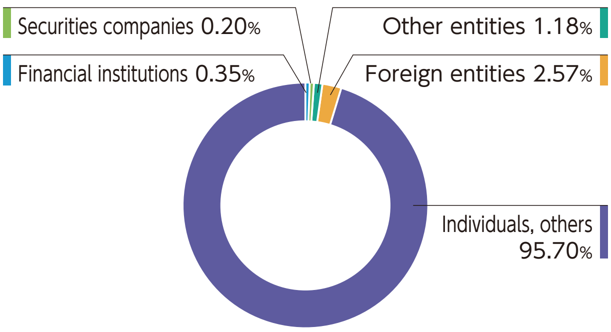
*Effective April 1, 2015, CTC conducted a 2-for-1 split of its common shares.

Major Shareholders

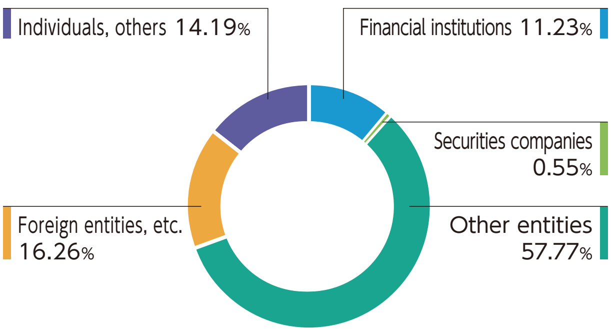
	Number of Shares	(%)
ITOCHU Corporation	33,665,400	56.11
Japan Trustee Services Bank, Ltd. (Trust Account)	1,421,600	2.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,314,600	2.19
CTC Employee Shareholding Association	1,152,868	1.92
EVERGREEN	693,300	1.16
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	522,100	0.87
Japan Trustee Services Bank, Ltd. (Trust Account 9)	518,500	0.86
Trust & Custody Services Bank, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	442,680	0.74
STATE STREET BANK WEST CLIENT-TREATY	428,520	0.71
Japan Trustee Services Bank, Ltd. (Trust Account 4)	359,600	0.60

*Additionally, the company holds 2,191,773 shares of treasury stock.

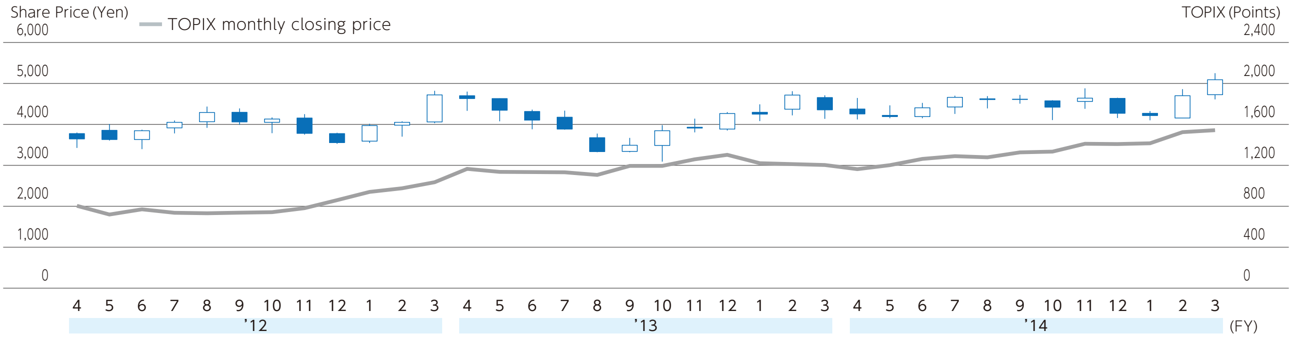
Breakdown by Number of Owners



Ownership by Percentage Shareholding

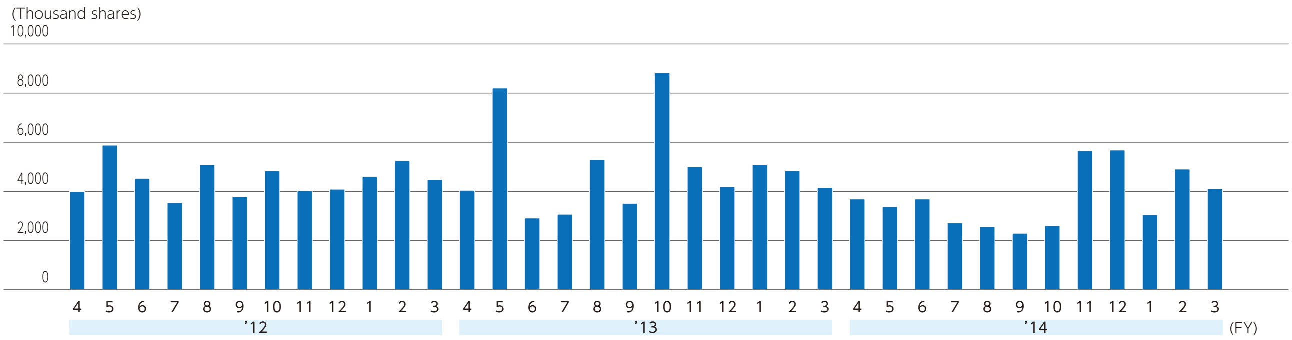


Stock Price Trend



*The Tokyo Stock Price Index (TOPIX) is a stock market index tracking all domestic stocks on the First Section of the Tokyo Stock Exchange.

Trading Volume Trend



Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

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COMMUNICATION ON PROGRESS

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