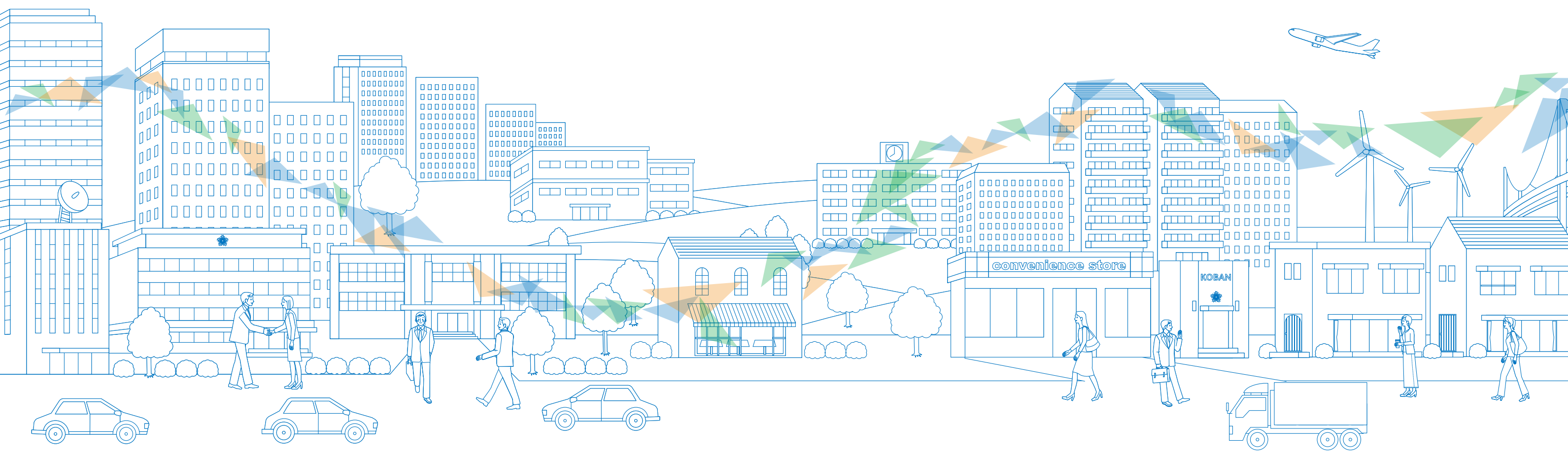
ANNUAL REPORT 2014

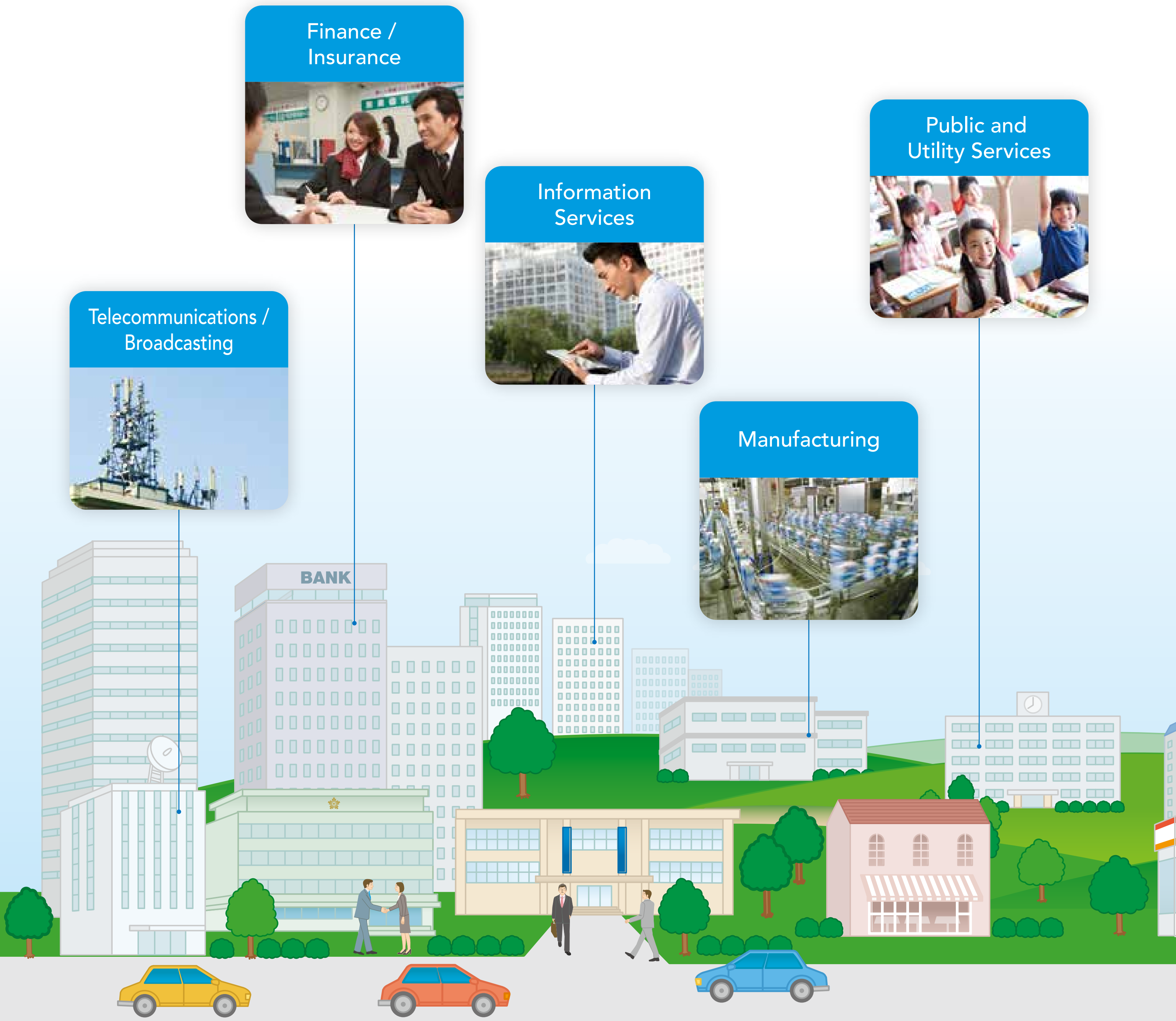
For the year ended March 31, 2014



CTC

Challenging Tomorrow's Changes

The CTC Group Uses IT to Contribute to the Creation of a Sustainable Society



CTC's Corporate Philosophy

Challenging Tomorrow's Changes — Driving Change

Mission / Vision / Value

Rooted in the core principle of "Challenging Tomorrow's Changes," we at CTC constantly work to create a clearly defined mission based on a foundation of rock-solid values in order to fulfill our vision.

Note: For details regarding our philosophy, please visit our website at http://www.ctc-g.co.jp/en/corporate/philosophy.html

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Cautionary Notes Concerning Recorded Monetary Sums

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

Cautionary Notes Concerning Forward-Looking Statements

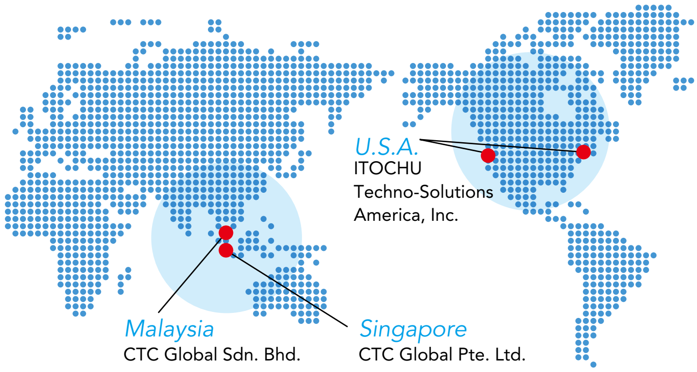
Statements made in this annual report with respect to CTC's plans, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CTC based on management's assumptions and beliefs in light of information currently available to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

Total Solutions Provider

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

Overseas Bases

Strengthening Business Bases in the ASEAN Region

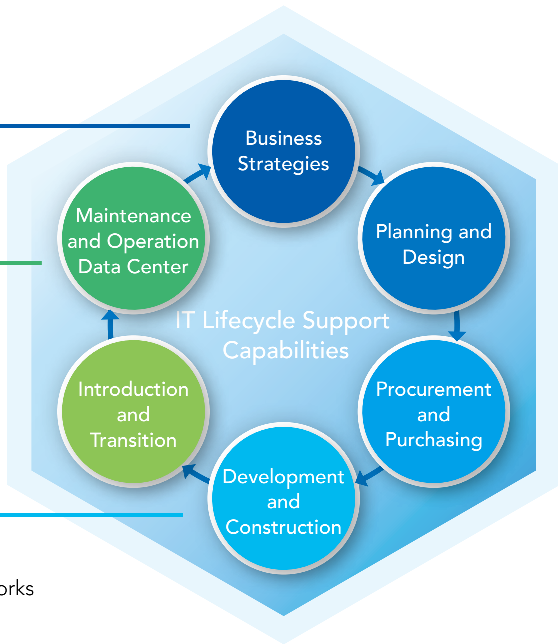


CTC's Business Model

Consultation
- Business consulting
- IT consulting

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

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

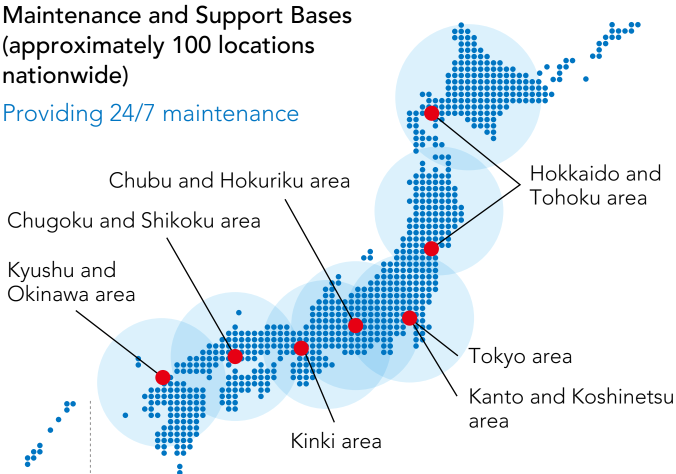


Technical Solutions Center

Osaki Development Center

Maintenance and Support Bases (approximately 100 locations nationwide)

Providing 24/7 maintenance



Data Centers (Five locations/seven wings nationwide)


Yokohama-East Yokohama-West Yokohama-North Kobe
Otemachi Shibuya Mejirozaka

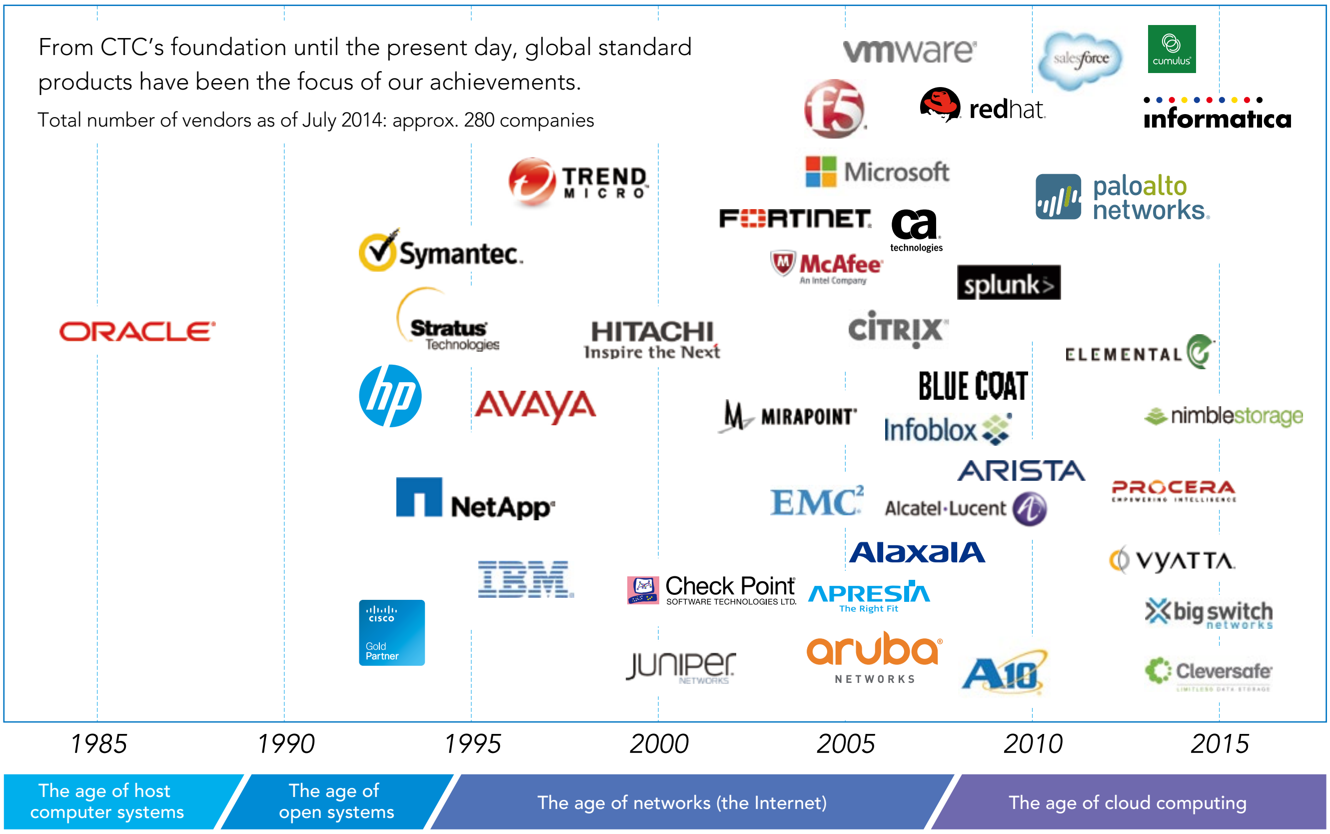
Data Center Total Floor Space (gross area: approx.83,818 m²)

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

Multi-Vendor

CTC's mission is to provide the best solutions to customer IT system needs, regardless how advanced or complex. To this end, since our founding we have anticipated industry trends and created partnerships with leading IT vendors in Japan and overseas with strong technological capabilities to propose ultimate solutions to heretofore unseen complex and difficult challenges. CTC's unique strength is derived from its combination of a wide range of product groups and its technological capabilities that create the best systems for the customer.

Starting Dates of Business with Major Vendors



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Awards from Major Vendors

Cisco Systems	Gold Partner Japan Award • Service Provider Sales Acceleration Award APJC Award • Architecture Excellence Data Center
EMC	EMC Signature Partner Partner Award 2013 • EMC Partner of the Year 2013
HP	Platinum Partner Japan Award 2014 • Blade System Partner of the Year APJ Award • APJ Top Reseller Award • APJ Best Solution Portfolio Award • APJ Regional Growth Award for SW
IBM	IBM Premier Partner 2014 IBM Choice Award • High-Performing New Business Partner

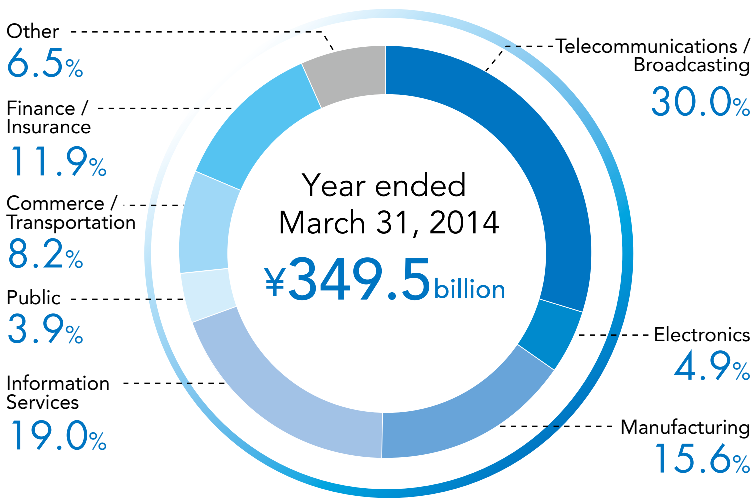
Oracle	Oracle Platinum Partner Oracle Excellence Awards 2014 • Middleware-Japan • Server and Storage-Japan • Specialization-Japan
NetApp	Star Partner NetApp Partner Summit 2014 • Partner of the Year • Support Partner of the Year • Technology Innovation Award
VMware	VMware Solution Provider Premier Partner VMware Japan Partner Award 2013 • Solution Provider of the Year 2014 APJ VMware Partner Network Award • Software Defined Data Center Partner of the Year

As of July 2014

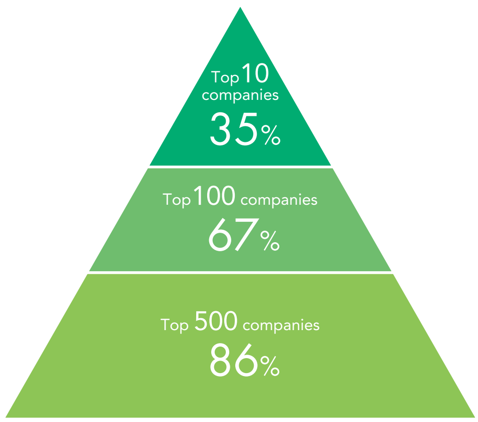
Wide Customer Base

IT technologies are indispensable for modern society. As a total solutions provider, CTC's IT technologies contribute to the resolution of issues faced by corporations. We serve over 7,500 corporate customers in a wide range of business domains, including telecommunications and financial services customers who demand high reliability and stability, manufacturing, distribution and public sector/public utilities customers with large scale systems and construction and energy-related customers who demand advanced scientific computation technologies. Through many years of business with numerous customers, CTC has accumulated industry-specific knowledge and technologies used to provide a higher degree of advanced IT services.

Net Sales by Industry (Year ended March 31, 2014)



Net Sales to Top Customers (Year ended March 31, 2014)



Total number of customers: approx. 7600 companies

Cross-Industry Solutions

- Cloud services (IaaS / PaaS / SaaS)
- Big data / BI
- IT infrastructure (virtualization/integration)
- Security (intrusion countermeasures/ monitoring services)
- Integrated office infrastructure
- Contact center/CRM

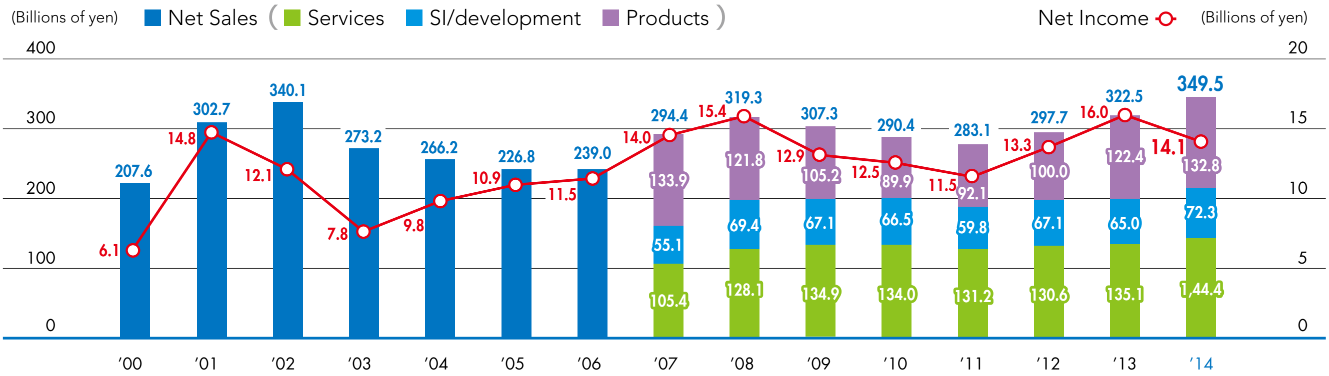
Solutions by Industry

Telecommunications / Broadcasting	• Large-scale networks • Large-scale databases • High-volume transaction support
Finance / Insurance	• Market-oriented systems • Risk management systems • Client channel systems
Commerce / Transportation	• Backbone systems • Data analysis systems • E-commerce
Manufacturing	• Product design / development support • Product management systems
Science	• Construction / energy computational science solutions

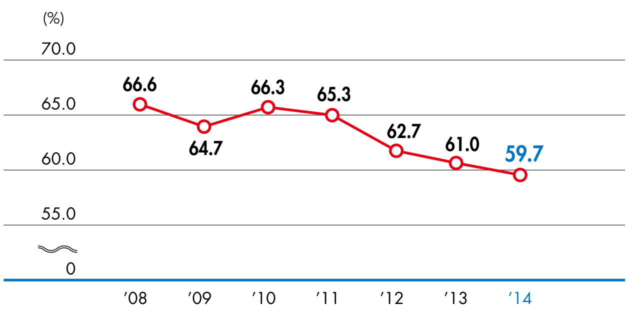
Solid Financial Foundation

As cloud service usage expands and customer needs continue to shift from ownership to service usage, IT companies facilitating these changes must build a solid financial foundation to continue providing high quality and highly reliable services. Since its establishment, CTC has built a healthy and solid financial foundation. A management foundation built in this fashion can withstand even the most discerning customers, and CTC will keep striving to become an IT service company that continues to meet customer IT needs.

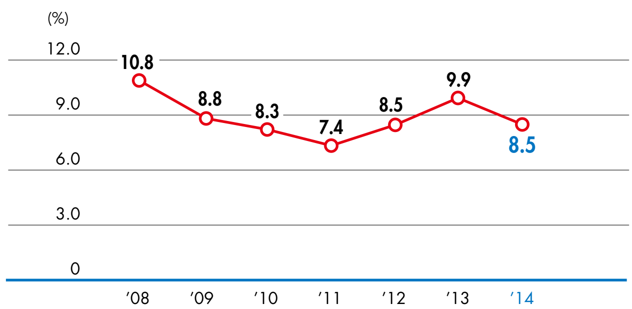
Net Sales and Net Income (Years ended March 31)



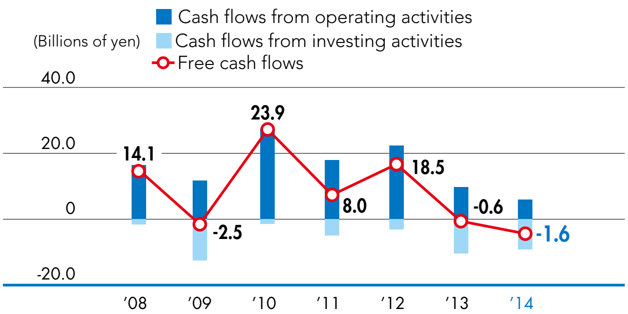
Equity Ratio



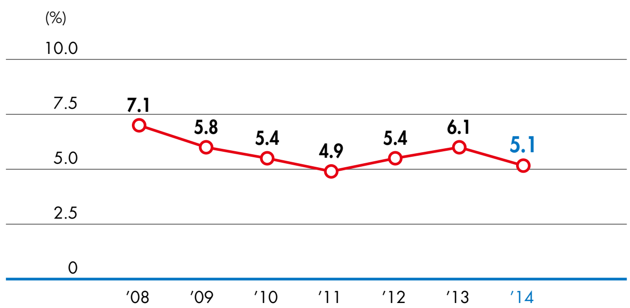
Return on Equity (ROE)



Free Cash Flows



Return on Assets (ROA)

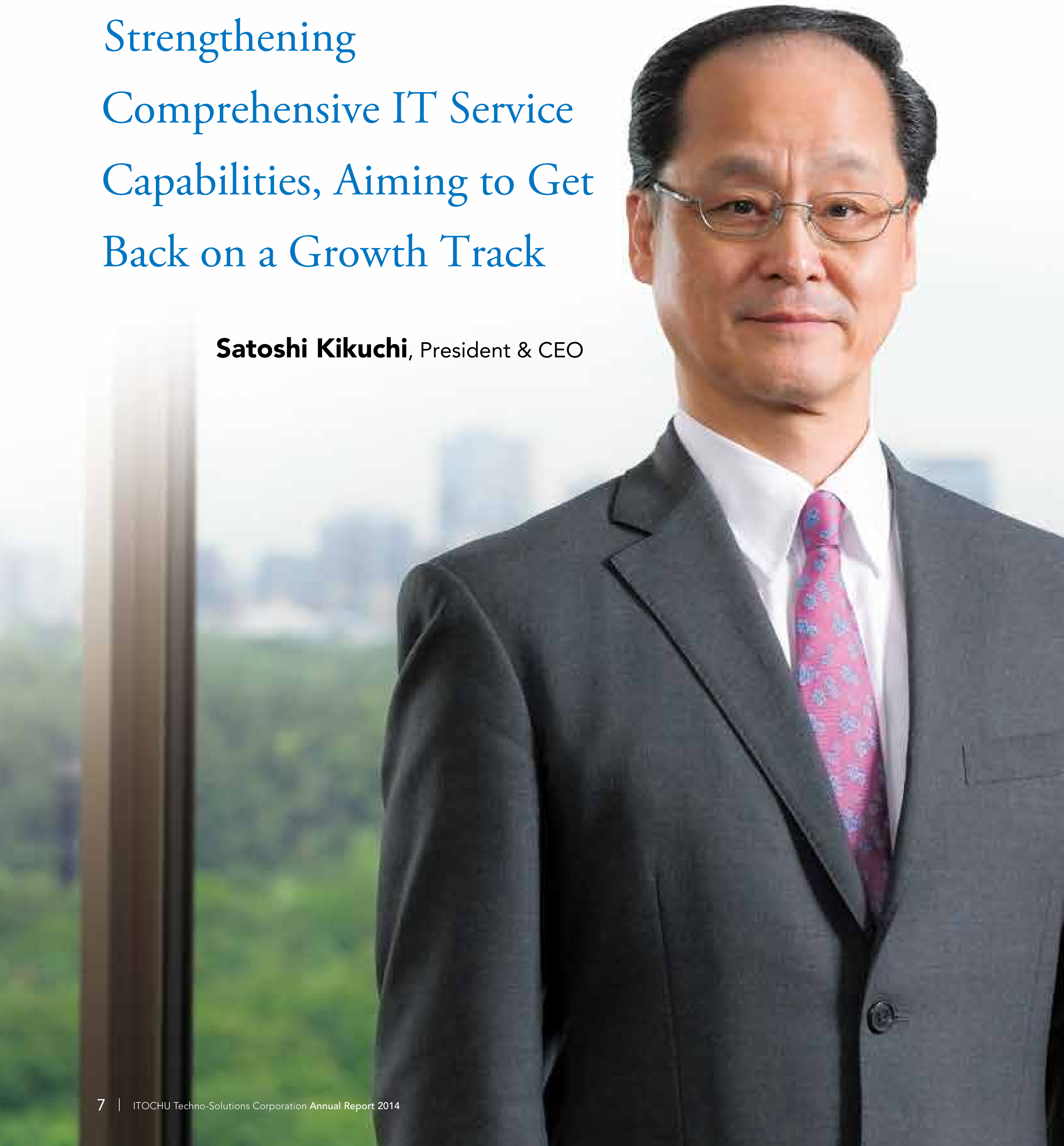


(Years ended March 31)

《 Message from the President 》

Strengthening Comprehensive IT Service Capabilities, Aiming to Get Back on a Growth Track

Satoshi Kikuchi, President & CEO



Q1

How was business performance in fiscal 2013?

Although net sales increased due to the newly consolidated overseas subsidiaries, gross profit margins were lower, resulting in increased revenues and decreased profits.

At the beginning of fiscal 2013, the CTC Group announced a two-year Medium-Term Management Plan. As the first year of this plan, fiscal 2013 was "the year we strengthen our business to raise it to the next higher level and achieve sustainable growth" during which we promoted policies aimed at expanding earnings and achieving medium- to long-term growth. To this end, in April 2013, we established a structure enabling the flexible integration of group personnel, technologies and expertise. We also restructured our organization with the aim of strengthening our customer response capabilities, established the Advanced Technology LAB (laboratories) and carried out initiatives to enhance advanced cloud, mobile, big data and security technologies.

In terms of operating results, strong performance in the Financial, Enterprise and Distribution business segments and the two newly consolidated overseas subsidiaries acquired at the end of the previous fiscal year resulted in net sales of ¥349.5 billion (a year-on-year increase of 8.4%), which exceeded our initial forecasts and set a new CTC record for sales.

However, gross profit margins declined 1.9 percentage points to 23.9%, resulting in operating income of ¥23.5 billion (down 13.6%) and net income of ¥14.1 billion (down 12.0%), all of which were lower compared to the previous fiscal year.

We take these results very seriously, and have analyzed the factors contributing to the decline in profits from a variety of angles. As a result, we identified three factors we believe contributed to the lower profit margins.

The first factor was a decline in business within Telecommunications, our largest and most profitable business segment, due to curtailed investment among some of our customers. Going forward, to reduce our dependence on Telecommunications, we must further develop sales and profits in other business segments.

The second factor was the impact of the exchange rate. Many of the products handled by CTC are imported from the United States and other countries. Since the end of 2012 when the yen began weakening, these product businesses have experienced a large increase in costs. At present, we have completed the implementation of hedging policies aimed at minimizing the risks associated with fluctuating exchange rates.

Finally, the third factor was a ¥600 million increase in unprofitable projects compared to the previous fiscal year, amounting to a total of ¥2.3 billion. We have already begun promoting systematic improvements to address this issue. In fiscal 2014, we will further strengthen these measures with the intention of realizing increased sales and profits.

Q2

Can you please explain priority measures in fiscal 2014?

Aiming to get back on a growth track, we will focus efforts on improving earnings power by strengthening capabilities to offer comprehensive IT service and strengthening defenses.

In fiscal 2014, the second year of our Medium-Term Management Plan, we announced "get back on a growth track" as our basic management policy and will continue to promote Medium-Term Management Plan key measures while aiming for improved profits. Our efforts will focus on two themes: strengthening capabilities to offer comprehensive IT service and strengthening defenses.

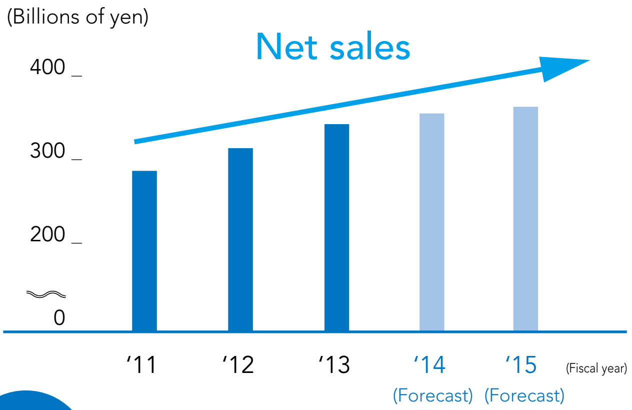
Strengthening comprehensive IT service capabilities involves further enhancement of CTC's strengths, namely, multi-vendor support capabilities not dependent on particular products, comprehensive technological capabilities covering everything from infrastructure to application development, consulting, special science and engineering systems, and global support capabilities enabling the provision of these services overseas. In the IT industry, where technological innovations occur at a rapid pace, we believe we can further cultivate business with key customers accelerating their global expansion through the provision of advanced technological capabilities and a wide range of support capabilities on a global scale.

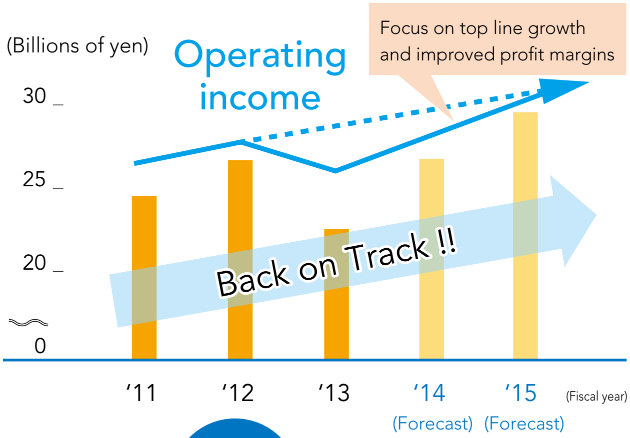
At the same time, in terms of strengthening defenses, to reduce the number of unprofitable projects, we must not only examine closely and narrow down SI/development projects as soon as they emerge, but also thoroughly manage projects already underway using newly developed tools to strengthen cost management through project visualization.

Since I took office, we have promoted business group structural reorganization for the past two years, including the reorganization of the Sales Division in fiscal 2013 and the integration of the Service, Engineering and Maintenance units at the beginning of fiscal 2014, to create a structure enabling the flexible allocation of human resources in response to the particular needs of individual projects. With this structure in place, we expect that, going forward, we will be able to practice development more efficiently. In addition, this year we will also increase investment in human resource cultivation aimed at improving the skills of our engineers. With these thorough and further strengthened policies we will attempt to reduce the number of unprofitable projects and enhance the earning capacity of each project we undertake.

Fiscal 2014 Management Policies and Focus Themes

Management Policies ▶▶ Get Back on a Growth Track





Focus Theme1

Strengthen capabilities to offer comprehensive IT Service

Cultivate business with key customers

Automotive | Transportation | Manufacturing | Public utilities | Finance

Strengthen individual technologies and services that allow us to offer comprehensive services

Established Advanced Technology LAB

Cloud | Mobile | Security | Big data | Application development environment

Focus Theme2

Strengthen Defenses

- Strategic selection of SI projects
- Tighten up project management
- Cost improvements

Q3

What is the status of business development in Asia?

We are strengthening and expanding our business foundation in the growing ASEAN market while making an effort to provide global IT services and the latest solutions.

In the 2014 ASEAN region IT market, economic growth and vigorous demand for infrastructure are expected to drive high year-on-year growth of 8.7%. To strengthen our business foundation in this growing market, the CTC Group acquired CTC Global Sdn. Bhd. (Malaysia) and CTC Global Pte. Ltd. (Singapore) as subsidiaries at the end of March 2013.

In fiscal 2013, in addition to upgrading office environments and building information systems to develop the infrastructure for the Group ASEAN business base, Malaysia, Singapore and Japan worked together to create synergies through employee exchanges, joint empirical experiments and joint proposals targeting Japanese corporations. In terms of performance, both CTC Global companies had an excellent start with net sales that exceeded projections.

From fiscal 2014, we will enhance comprehensive Group capabilities and provide the same high quality IT services as in Japan to expand business targeting existing local customers and Japanese corporations. Furthermore, we will cultivate new business in the ASEAN market through the aggressive introduction of cloud, mobile and other leading-edge solutions while accumulating technologies and expertise in the infrastructure and telecommunications areas, which are the CTC Group's forte.

Going forward, we plan to expand our business foundation beyond Malaysia and Singapore to cover the wider ASEAN region through new M&A and the construction of bases in other major ASEAN countries. To strengthen our ASEAN business foundation, we will not only hire and train local personnel, but also provide employees in Japan with foreign language education, establish an internship system and send employees responsible for the future of CTC to work overseas long-term, among other efforts to cultivate personnel able to flourish in the global marketplace.

Q4

What is the CTC Group's thinking with regard to CSR?

We are contributing to the resolution of societal issues such as environmental energy problems through IT, our core business.

As individual employees and companies are themselves members of society, neither can prosper without observing societal rules, so it is only natural to demand they contribute something to society. Furthermore, the corporation itself is an organization created to realize major business activities on a scale impossible for an individual to achieve, so it goes without saying corporations must make an even bigger contribution to society.

What is the biggest social contribution the CTC Group can make? I think it is contributing to the ongoing development of society through our core business of IT. Not only is IT technology convenient for corporate business and individual lifestyles, it is also indispensable for maintaining infrastructure such as transportation facilities, electricity, gas and water supplies. Therefore, there is no greater contribution the CTC Group can make to society as an IT company than the creation and stable operation of high-quality information infrastructure that supports society and providing useful solutions that resolve various societal issues.

For example, one critical social issue we are currently facing is the environmental energy problem. For international society to achieve sustainable economic development going forward, the promotion of energy conservation in both developed and developing countries, as well as the introduction of renewable energy, are essential. CTC is proactively contributing to the resolution of these issues through the use of green data center construction and operating technologies that control energy consumption and renewable energy generation simulation technologies. As in Japan, energy demands in the ASEAN region have recently increased dramatically. Through the introduction of cloud services and Japanese energy-saving technologies, we believe we can contribute to improved energy usage efficiency.

Of course, realizing social contributions through our core business requires that we further strengthen Group human resources comprising our comprehensive IT service capabilities. To this end, the CTC Group shares technological information and a variety of expertise, and is engaged in enhancing its education and training structure. Furthermore, we are engaged in the creation of a work environment that is comfortable for all employees through the promotion of diversity, the proactive promotion of female employees, recommended morning duties aimed at increasing work efficiency, the realization of work-life balance and the creation of a career step for engineering professionals.

Q5

What is the outlook for fiscal 2014?

We are aiming for increased revenues and profits through the steady execution of key measures to strengthen comprehensive IT service capabilities and strengthen defenses.

In the fiscal 2014 information services market, despite concerns over reduced capital expenditure in the telecommunications sector and intensifying competition in the industry overall, we expect IT investment to expand among financial institutions, manufacturers and the public sector. We are already beginning to receive inquiries regarding overseas projects mainly in Asia.

Given this business environment, CTC will steadily implement priority measures for improving earnings power and getting back on a growth track. What customers expect most from CTC is the early introduction of unique and cutting-edge technological advancements in the IT sector and the technological support capabilities able to provide customers in Japan with optimal customization. Going forward, we will further enhance these strengths.

In fiscal 2014, we expect these initiatives to result in an increase in both sales and profits and are forecasting net sales of ¥365.0 billion, operating income of ¥27.0 billion and net income attributable to owners of the parent company of ¥16.5 billion.

Starting in fiscal 2014, we switched from Japanese accounting standards and now prepare our consolidated financial statements according to International Financial Reporting Standards (IFRS). Accordingly, the above earnings forecast figures are in compliance with IFRS.

Q6

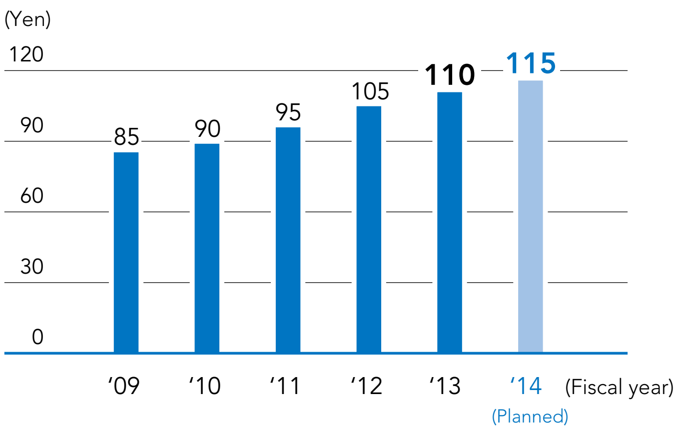
What are the basic policies regarding profit allocation and how much will the dividend be in the current and upcoming fiscal years?

We are focused on a stable shareholder return in accordance with earnings, aiming for a consolidated payout ratio of 40%.

CTC recognizes the return of profits to shareholders as one of the most important issues facing management. We strive to ensure stable dividend payments in accordance with business performance and careful consideration of the balance of internal reserves as our basic policy. At present, we are targeting a consolidated payout ratio around 40%.

In fiscal 2013, in light of financial conditions, we paid a full-year dividend of ¥110 per share (including an interim dividend of ¥55). As a result, the consolidated payout ratio was 46.2%. In fiscal 2014, we plan to pay interim and year-end dividends of ¥57.5 per share each, amounting to a full-year dividend of ¥115.

Cash Dividends Per Share



Q7

Finally, what is your message to shareholders and investors?

Although the IT industry always faces rapid changes, CTC will transform these challenges into business opportunities.

The IT business is one industry where changes are extremely dramatic. It is not uncommon to lose one's competitive edge when innovative technologies and business models emerge to replace technologies and services that had predominated up to that point. At CTC, we proactively respond by developing cutting-edge, optimal technologies and changing our earnings model, transforming the risks associated with change into new opportunities for growth.

I hope for the continued understanding and support of shareholders and investors regarding all CTC business efforts.

《 Special Feature: CTO Interview 》

Further Strengthening Comprehensive IT Service Capabilities

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

CTC's Strength—Capabilities Offering Comprehensive IT Services

At present, corporations are rapidly implementing IT environments integrated with cloud computing. There is an increasing focus on mobile devices and the use of SNS for business purposes. The needs of most customers involve integrating cloud services into existing systems and changing over to cloud-based systems that support SNS and mobile devices.

When conducting these kinds of system environment renovations, we used to first determine the objectives by asking how the new system will be used or how the customer wants to use mobile devices and SNS. We then devised application concepts and selected IT infrastructure with hardware and networks optimized for the proposed applications.

However, in the age of cloud computing, this way of thinking is changing. After deciding on the objectives for IT usage, we first consider the use of cloud services. The reason for this is that there are now a variety of cloud services being offered, and it may be possible that the objectives of a given system can be achieved without the need for proprietary system.

Up to now, the process involved in creating systems required a number of specialists, including application specialists, application architecture specialists and IT infrastructure server, storage and network specialists who visit customers. In the age of the cloud, customers are not satisfied with such time-consuming support.

Customers want to quickly ascertain whether they need to create an on-premise* system or utilize cloud services and what optimization means for them.

Today, there is a demand for companies with full stack IT proposal capabilities. The term "full stack" is used as a simple industry term to describe capabilities offering comprehensive IT services mentioned at the top of this page—in other words, the myriad technologies and knowledge necessary for providing optimal solutions to customer demands.

Customer needs involve the consideration of a variety of possibilities and risks that engineers well-versed in these technologies and knowledge can address, such as how cloud services can be used and what the benefits of creating an on-premise system are.

For example, even when introducing a single application, if the engineer only knows about application technology, they may tell the customer that a system can be operated from both the cloud and by creating an on-premise system, but this is not enough. If the application is to become the backbone of a business, the customer will surely not want the system to be operated from outside their company. And, if there is no need for the system to be scalable, the customer should manage the equipment themselves. At the same time, for systems that are accessed from the outside by an unspecified number of people, the use of cloud services should be proposed to enable support for tens of thousands or hundreds of thousands of users.

This ability to provide flexible proposals demonstrates the value of full stack engineering. Naturally, there are not many companies able to offer this level of service. CTC takes pride in its ability to address customer concerns with its accumulated full stack engineering capabilities.

Note: On-premise refers to information systems created and operated using equipment located on the customer's premises.

The Source of CTC's Strength is a Corporate Culture Focused on Leading Technologies

Not only does CTC employ a large number of engineers with vast knowledge and skills covering a wide range of technological domains, we are also constantly conducting global research into technologies and expertise related to our business, and new products and services. Since our founding, we have cultivated a corporate culture focused on leading technologies that are integrated into customer proposals. CTC's corporate philosophy "Challenging Tomorrow's Changes," is the embodiment of this corporate culture. And, through daily practices that provide customers in Japan with industry-leading global cutting-edge IT technologies, we are aggressively cultivating engineers well-versed in the latest technologies. In other words, we have created a full stack technological and HR infrastructure that flexibly responds to customers' increasing and diversifying system needs through these technology-leading business activities.

Furthermore, Group companies provide valuable specialized services including the operation and management of data centers, system operations and maintenance and helpdesks that enable the entire CTC

COLUMN

The Current Focus on Cloud Technologies

OpenStack—Open Source Software Realizing Next-Generation Cloud Infrastructure

OpenStack, an open source software (OSS)* developed as cloud infrastructure software able to create Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) environments, is currently attracting significant attention.

OpenStack was originally developed by the National Aeronautics and Space Administration (NASA) and major hosting providers in the United States. It was then transferred to the non-profit OpenStack Foundation in September 2012 with the aim of strengthening development governance and intellectual property management. At present, IT vendors including IBM, HP and Cisco participate in this project's planning.

OpenStack is noteworthy for two reasons:

▶ It is OSS

As OpenStack is developed and distributed as OSS, anyone can use it freely at no cost. Also, new functions can be added as necessary.

▶ OpenStack is a method for standardizing cloud infrastructure

With OpenStack, individual specifications related to servers, storage and networks are irrelevant, as this technology enables unified management and operation in accordance with usage methods defined by OpenStack. This enables users to flexibly and simply create an application execution environment corresponding to application conditions.

In 2010, the Japan OpenStack User Group was launched with the aim of incorporating OpenStack and educating people on its use. At present, about 20 organizations comprised of universities and corporations participate in this group, which holds seminars, localizes OpenStack and develops individual hands-on training. CTC has participated since May 2012, making use of technical information exchanges with participating organizations and corporations to develop cloud services.

Publication written by a CTC engineer

Note: Open source software (OSS)
Computer software with its source code (the software's "blueprint") made available for free over the Internet. One of its merits is that anyone can improve and redistribute it.

Group to realize the provision of highly reliable services.

Currently, many IT companies in Japan and overseas are developing cloud businesses, but there are almost no companies able to provide comprehensive cloud services using company resources, including the maintenance of hardware from data centers to servers and storage, the creation of applications and the operation of helpdesks. With a strong interest in cutting-edge technologies, research capabilities and the technologies and systems that support performance, the CTC Group is able to provide optimal services including cloud solutions for each of its customers.

In Addition Learning About a Wide Range of Technologies, Human Resources are Trained to Bring Out the Essence of CTC

At CTC, to further strengthen our technological and HR infrastructure, we are focusing efforts on enhancing engineer training. However, to support customer demands with full stack technologies, we don't think it is necessary that all CTC Group engineers are well-versed in full stack technologies.

For example, even if engineers in the position of communicating with customers while engaged in the overall planning and design of systems do not have this vast array of knowledge, it is still necessary they possess a certain level of knowledge regarding full stack technologies. On the other hand, engineers tasked with implementing systems must acquire a high degree of skill and possess a significant amount of specialized knowledge in the area they are responsible for. For other technological areas outside their domain, it is sufficient if they possess only a certain level of understanding.

Of course, it would be ideal if engineers possessed a wealth of knowledge in a multitude of technological areas, but this is a difficult demand to make of all engineers. What is important is that they have the abilities necessary for their job and position, and are able to effectively acquire a variety of knowledge.

To this end, at present, CTC is engaged in strengthening our engineer education structure, providing training from two angles: horizontally deployed training on a wide range of technologies and in-depth training on specific technological themes. The in-depth training includes classroom learning as well as actual projects involving the introduction of new products and the development of systems, emphasizing the importance of increased opportunities for practical technological acquisition.

The registration-based Advanced Technology LAB (laboratories) established in January 2014 is one location where practical technological training is conducted. The merit of this lab is found in its community of engineers. Technologies presented in training programs are technologies that have already been established. The lab is effective for cultivating cutting-edge technologies and expertise, deepening communication among engineers who are interested in advanced technologies and utilize various networks within and outside the company on a daily basis to exchange information. And, even if engineers do not have the time to attend a training program, as long as they have an interest in cutting-edge technologies, other engineers in the community should assist in facilitating deeper understanding. This community is also quite helpful in terms of the daily execution of work duties. Currently, there are about 1,000 engineers registered with the lab, with plans to expand entry to operating companies in the near future and increase the number of engineers to 5,000 members. Furthermore, in addition to functioning as a place for engineers to exchange information, in the future we plan to develop even more uses for the lab, including the

Realizing Comprehensive IT Service Capabilities Throughout the CTC Group

Services	Business/IT consulting services
	Cloud services
	Helpdesk operation/outsourcing services
Development	Commissioned application development
	Package application provision
IT infrastructure	Middleware
	Infrastructure product provision—creation (servers, storage, networks, etc.)
	Maintenance and monitoring support services
Data centers	Data center facility operation
	Data center facility provision (hosting and housing)

CTC Challenging Tomorrow's Changes

CTC Group Net Sales: ¥349.5 billion

Services account for: ¥144.4 billion (comprising 41%)

SI/development accounts for: ¥72.3 billion (comprising 21%)

Products account for: ¥132.8 billion (comprising 38%)

Note: As of March 31, 2014

CTC Group Employees: 7,960

Sales/consultants: 1,119

System engineers: 5,318

Customer engineers: 564

Note: As of April 1, 2014

Cloud Services Menu

IaaS/PaaS/SaaS

- *TechnoCUVIC*
- *CUVIC on AWS*, etc.

Private Cloud

- *Elastic CUVIC*
- Customer-specified private cloud services, etc.

Specialized Group Companies: Maintenance and Operations Services

First Contact Corporation

- Helpdesks, call centers, business outsourcing

CTC SYSTEM MANAGEMENT CORPORATION

- System management and operation; application operations
- DC operations

CTC TECHNOLOGY CORPORATION

- Remote monitoring; managed services; product maintenance; shipping inspection; kitting, installation

CTC FACILITIES CORPORATION

- Data center facility operations and management

creation of new CTC technology policies and business ideas from management and the solicitation of ideas contributing to the formulation of growth strategies.

Pursuing Group Synergies Globally, Responding to Increasing and Diversifying Customer Needs

Amid active global development by Japanese corporations in Asia and other regions, in recent years, customer demands for IT environments having the same level of quality and functionality as in Japan are on the rise. For example, we are beginning to see demand for a high-level of system usage involving the use of cloud technologies to share system infrastructure environments globally and the automatically optimized distribution of servers and storage and other resources among global sites when the burdens on one system in a particular region increase.

Given these developments, from the end of fiscal 2012, the CTC Group has been making use of newly consolidated subsidiaries in Malaysia and Singapore to develop business and meet customer needs in the ASEAN region, where we want to provide full stack global IT services.

In the ASEAN region, which is experiencing rapid economic growth, we expect to see the full-fledged adoption of cloud services and the acceleration of mobile devices and SNS used for business by corporate users. Therefore, the CTC Group should be able to cultivate new business in the local market through the effective use of technologies and expertise accumulated up to now.

On the other hand, some regions are already ahead of Japan, such as Singapore, where individual digital medical record information is shared by multiple healthcare facilities. In areas such as these, we will pursue synergies between the ASEAN region and Japan by making use of these advances in business both in Japan and overseas.

Of course, the CTC Group is not limiting its scope of business to the ASEAN region. We are strengthening alliances with powerful companies in the United States and Europe that lead the world in IT and discovering venture businesses with a promising future through the aggressive adoption of global cutting-edge technologies, which we optimize and provide to our customers, further passing on our technology-leading culture to the world.

Going forward, the CTC Group will attempt to further strengthen our full stack technological and HR infrastructure from a global perspective, providing value-added IT solutions in response to increasing and diversifying customer needs.

Telecommunications Segment

Business Lines

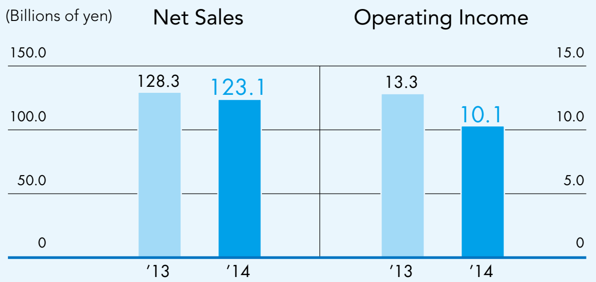
This segment creates highly complex, mission critical systems, including large-scale networks and databases, high-volume transaction support, and load-balanced processing for major telecommunications carriers, broadcasters and cable television (CATV), Internet service providers (ISP), Internet data centers (IDC) and over-the-top (OTT) operators. In recent years, we have focused on traffic processing technologies supporting smartphones. We are also moving forward with our proprietary cloud service (SaaS) and aggressively developing secure email, storage, telematics and other services.

Organizational Units ▸▸ Telecommunication Systems Group

Business Range by Industry ▸▸ Telecommunications/Broadcasting, Information Services

Overview of Business Performance

Net sales decreased due to a decline mainly in network construction projects for mobile carrier compared to the previous fiscal year. Also, operating income decreased due to a decline in the gross profit margin.



Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Initiative Examples

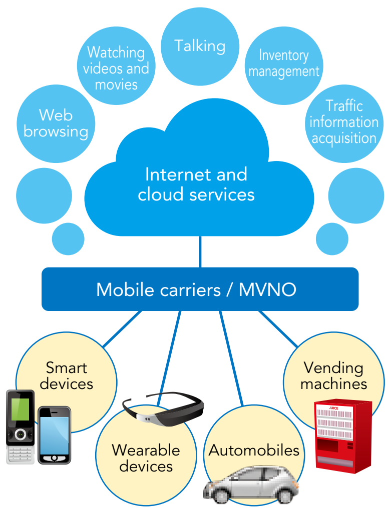
Toward the Full-Fledged Implementation of 4G LTE

In line with the spread of smartphones, tablets and other smart devices, mobile traffic continues its explosive growth. At present, monthly data traffic per person averages about 2 GB, but is expected to increase to nearly 10 GB (a five-fold increase) within the next few years. Usage fees, which up to now have mainly consisted of uniform fixed-rate plans, are also diversifying with a greater variety of rate plan offerings, such as discount plans offered by an MVNO[1], rate plans for shared usage by families and rate plans for users who own multiple devices such as smartphones and tablets.

At the same time, in terms of new elemental technologies supporting mobile networks, LTE-Advanced (a major advancement to the LTE communication standard offering true fourth-generation (4G) communications), VoLTE[2] and IoE[3] are all currently under development.

The Telecommunications segment focuses on the development of cloud technologies and NFV[4] for mobile network solutions such as high capacity data communications and traffic controls, and accounting solutions that conduct complex billing processes and packet analysis.

1. MVNO: Mobile Virtual Network Operator. Operator of a mobile virtual network
2. VoLTE: Voice Over LTE. Voice communications on LTE packet network
3. IoE: Internet of Everything. The connecting of all things to the Internet
4. NFV: Network Functions Virtualization. The virtualization and decentralization of network functions



Financial and Public Segment

Business Lines

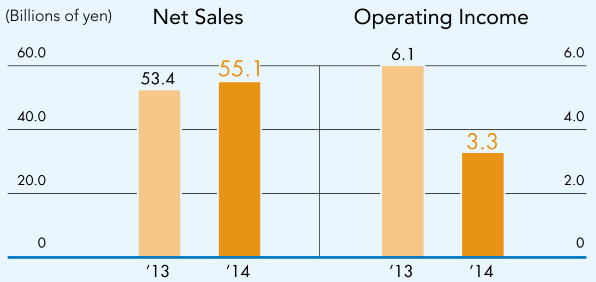
This segment develops business in the financial, public and public utilities sectors. In the financial sector, we are engaged in developing domestic systems for megabanks and supporting global development. We also focus efforts on expanding infrastructure business, including backbone system construction projects and contact center projects for credit companies. We promote large-scale infrastructure construction business in the public sector, including post offices and power companies.

Organizational Units ▶▶ Financial & Public Systems Group

Business Range by Industry ▶▶ Finance/Insurance Public

Overview of Business Performance

Net sales increased due to growth in projects for megabank and credit card companies compared to a the previous fiscal year. However, operating income decreased due to decline in the gross profit margin and higher SG&A expenses.



Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Customer Examples

Nara Institute of Science and Technology

Realizing an Intelligent Campus through Integrated Campus-wide Systems with More Efficient Big Data Processing

In 2013, the Nara Institute of Science and Technology decided to enhance its information infrastructure and computing environment for the efficient processing of big data on campus and introduce a system realizing countermeasures in times of disaster, which was sequentially built and began operation in 2014. CTC was in charge of creating a campus-wide information environment system, a highly integrated information infrastructure network system and a remote base interval data backup system.

To promote educational activities and research in cutting-edge fields at this national university comprised of three graduate schools: Information Science, Biologic al Sciences and Materials Science, the university creates and maintains the necessary information processing environments, which are made available on campus.

These initiatives realized the creation of an intelligent campus, providing fulfilling educational and cutting-edge research environments for researchers, students and staff through a campus-wide information environment system based on a highly integrated information infrastructure network system.

This system is connected to a remote base interval data backup system at the Okinawa Institute of Science and Technology, creating an environment that remains connected to the network environment even when disasters strike.

Enterprise Segment

Business Lines

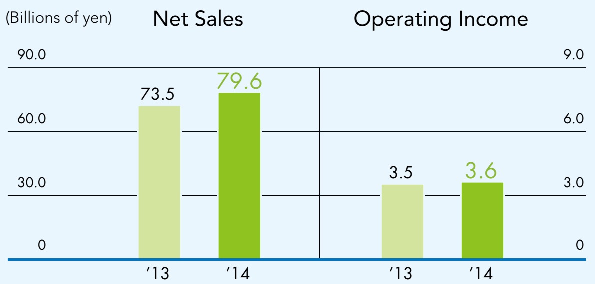
This segment develops business for customers in over 3,000 companies mainly in the manufacturing and service industries. We promote Model Based Development (MBD) in product development and overhaul information systems with the aim of improving operational efficiency for the manufacturing industry. In recent years, customers in this business segment are increasingly making use of cloud services. Not limited to infrastructure construction and systems development, CTC also offers consulting as well as private and public cloud services to provide optimal solutions to customer needs.

Organizational Units ▸▸ Enterprise Systems Group, CTC LIFE SCIENCE CORPORATION, CTCSP CORPORATION

Business Range by Industry ▸▸ Electronics, Manufacturing, Information Services

Overview of Business Performance

Net sales increased due to growth in projects for the manufacturing sector compared to the previous fiscal year. However, operating income remained at the same level due to decline in the gross profit margin.



Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Customer Examples

Daiwa House Industry Co., Ltd.

Significantly Improving Operational Efficiency with the Creation of a Private Cloud Environment

The Oracle Exadata Database Machine was introduced into the private cloud environment operated by D-SMART, the Daiwa House Industry business implementation system.

Daiwa House Industry has been moving forward with the shift of its systems to a cloud environment in order to reduce the operation and management workload and flexibly expand the scale of its systems. This involved a transition to the D-SMART private cloud environment in 2010, which was built and is operated by CTC. D-SMART is used as a business system that includes sales and engineering functions, serving as a portal and providing other functions common to the entire company.

In 2013, increasing system loads reflecting the expanded scope of use and a sharp increase in user numbers resulted in the decision to adopt the Oracle Exadata Database Machine in recognition of its ability to process a large number of transactions at a very high speed as well as its high level of scalability. CTC was in charge of revamping the database system infrastructure. The introduction of Oracle Exadata has resulted in significantly curtailing the time required for the batch processing of monthly calculations, from 90 minutes to six minutes, thus improving Daiwa House Industry's operational efficiency.

Distribution Segment

Business Lines

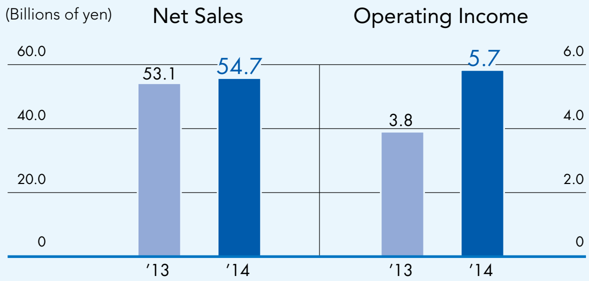
This segment develops distribution businesses for customers in the general trading, convenience store, food wholesale industries. Developing business focused mainly on backbone system for general trading company supporting global activities and store management systems for convenience store and gas station, which today comprise one aspect of critical social infrastructure, we provide a total range of services, including maintenance, operations, cloud services, data center services and outsourcing services. We work with customers to contribute to increased customer value and the resolution of management issues.

Organizational Units ▸▸ Distribution Systems Group
Asahi Business Solutions Corp.

Business Range by Industry ▸▸ Manufacturing
Commerce/Transportation

Overview of Business Performance

Net sales increased due to growth in projects for the distribution industry compared to the previous fiscal year. Operating income increased due to an improvement in the gross profit margin.



Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Initiative Examples

Organizing the Cloud Services Group to Optimize Operations as Part of BPO*, Launching Provision of the *Business Evolution* Series

At present, there is a general trend toward the development and introduction of backbone systems that become the foundation of corporate operations. At the same time, there are various collateral and related operations that exist on the periphery as the core of these backbone systems.
In terms of cloud services that support the efficiency and optimization of these collateral and related operations, CTC has begun the sequential provision of *eAssist*, a service that automates data entry and management operations, *eMining*, a value-added data mining service for customer analysis and data, and *ePromo*, a service enabling the output of various media combined with invoices (billing statements and usage details) and advertising, organized as the *Business Evolution* series.
Going forward, using invoice and character recognition technologies to convert paper, faxes and other analog data to digital formats, we plan to expand these services with the subsequent addition of *eFlow*, a support service that manages data entry and *ePlot*, a sales support service linked to map information and other in-house CRM data as well as the results of *eMining* analysis. Furthermore, we are also focused on developing a Hybrid-BPO service combined with conventional human BPO for *Business Evolution*.
This service group will be introduced at Idemitsu Kosan and other companies, where it will contribute to operational efficiency.

Business Evolution

Note: Business Process Outsourcing. The ongoing contracting of a company's specific operational processes to a third-party service provider.

IT Services Business Segment

Business Lines

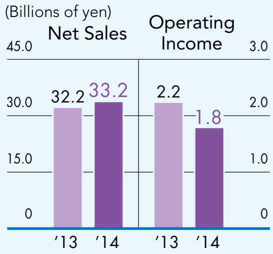
To strengthen CTC's IT service promotion structure, in April 2014 the Cloud Platform Business Group, the Maintenance & Operation Services Business Group and one section of the Cross Function Group were restructured to create the IT Services Business Group. This group aims to expand the solutions business by combining integrated products and maintenance, data center operations and cloud services.

Organizational Units ▸▸

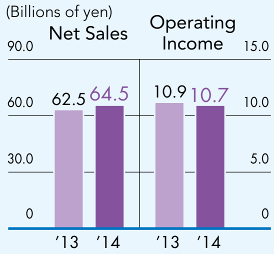
IT Services Business Group / CTC TECHNOLOGY CORPORATION / CTC SYSTEM MANAGEMENT CORPORATION / CTC FACILITIES CORPORATION / First Contact Corporation

Overview of Business Performance

Supports company-wide horizontally deployed service businesses focused on data centers, cloud services, maintenance and operations. Although net sales increased, operating income declined compared to the previous fiscal year.



Formerly: Cloud Platform Business



Formerly: IT System Support & Operation Services

Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Others Segment

Business Lines

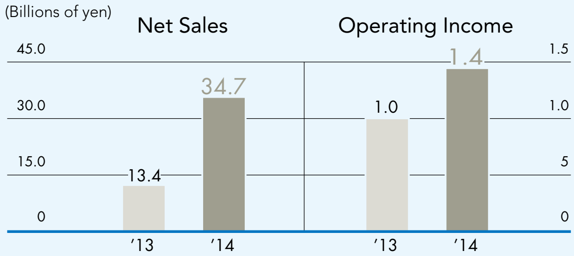
The Others segment includes Science and Engineering Systems and overseas subsidiaries CTC Global Sdn. Bhd., CTC Global Pte. Ltd. and ITOCHU Techno-Solutions America, Inc.

Organizational Units ▸▸

Science & Engineering Systems Division/ CTC Global Sdn. Bhd.
CTC Global Pte. Ltd.
ITOCHU Techno-Solutions America, Inc.

Overview of Business Performance

Contributions from two overseas subsidiaries and other factors resulted in an increase in net sales and operating income compared to the previous fiscal year.



Note: Segment net sales figures combine external sales and internal segment sales (Years ended March 31).

Customer Examples

New Energy and Industrial Technology Development Organization

Participation in the Electrical Power System Output Fluctuation Response Technology Research and Development Business

CTC has decided to participate in the New Energy and Industrial Technology Development Organization (NEDO) electrical power system output fluctuation response technology research and development business. Looking ahead to the year 2030 and the wide scale introduction of renewable energy electric power systems, this business aims to identify and resolve technical issues related to the quality of electric power and operation of these systems. Specifically, this business will develop forecasting and control technologies for the rapid output fluctuations of wind-generated electricity affected by electrical power supply and demand operations. It will incorporate these into the establishment of basic methods for supply and demand operations positioned as a power source able to forecast, control and operate wind-generated electricity with the aim of expanding the interconnectedness of renewable energy systems. CTC has offered support services in the wind power generation business for more than 20 years, including the assessment of business potential and support for improved wind turbine generator operating rates, providing comprehensive services from design to operational support. Making use of technologies and knowledge accumulated up to now, CTC will contribute to the expanded adoption of renewable energy going forward.

Group Companies

As of April 1, 2014

CTC Group Uses Comprehensive Group Capabilities to Provide Total Support for Customers' 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 customers' IT lifecycles.

System Maintenance and Support Business

CTC TECHNOLOGY CORPORATION

Established: April 6, 1990

Provides one-stop support services in accordance with customer IT lifecycles, including system implementation, maintenance, operation, monitoring and training. We support the stable operation of customer systems 24 hours a day, 365 days a year, from nearly 100 maintenance support bases across Japan.

System Operations and Support Business

CTC SYSTEM MANAGEMENT CORPORATION

Established: July 1, 2008

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

Data Center Facility Management Business

CTC FACILITIES CORPORATION

Established: July 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.

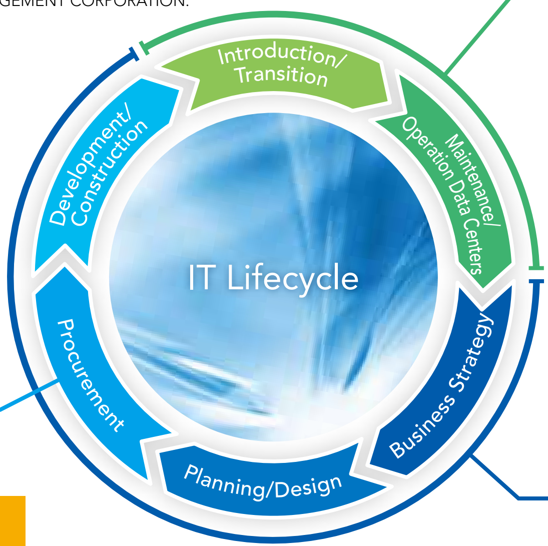
Contact Center and Helpdesk Services Business

First Contact Corporation

Established: April 1, 2000

Provides outsourcing for administrative duties, such as service desks and contact centers performed by corporate information systems divisions and as well as total solutions through the combination of ancillary services, including education and training, manual creation, back office services such as handling paperwork and outbound services for marketing and sales support activities.

Note: On April 1, 2014, the former CTC SYSTEM OPERATIONS Corporation and CTC SYSTEM SERVICE CORPORATION were merged to create the CTC SYSTEM MANAGEMENT CORPORATION.



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 customer needs.

CTCSP CORPORATION

Established: April 1, 1990

Develops business focused on the sales, introduction and construction of network, security and storage-related products and other peripherals.

Developing Business in the ASEAN Region

CTC provides IT services utilizing comprehensive Group capabilities and advanced technological capabilities developed in Japan for customers in the ASEAN region, where the IT market is expected to grow significantly and many Japanese companies mainly in the manufacturing industry are establishing bases.

Malaysia

CTC Global Sdn. Bhd.

Established: 2013

Provides product sales, maintenance and operational support for a wide range of customers in Malaysia, including major financial institutions and manufacturers. In addition to the headquarters, this company comprises 22 sales and support offices that support the stable operation of customer systems 24 hours a day, 365 days a year.

Singapore

CTC Global Pte. Ltd.

Established: 1972

Provides product sales, maintenance and operational support for customers in Singapore, including major financial institutions, manufacturers and governmental agencies.

Developing Businesses Specialized for the Customer

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

CTC LIFE SCIENCE CORPORATION

Established: October 1, 1989

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

Asahi Business Solutions Corp.

Established: January 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.

Note: On April 1, 2014, the company name of the CTC LABORATORY SYSTEMS CORPORATION was changed to CTC LIFE SCIENCE CORPORATION.

CTC's Corporate Social Responsibility

CSR Policy (The Society the CTC Group Aims for and Our Role)

The CTC Group is a group of companies supporting and bringing up information infrastructure systems of society. Up to now, we have been contributing to the establishment and development of the information society by providing customers with our technologies as well as products and services.

From now on, we will thoroughly consider what the information society of the future should be and through communication with our various stakeholders, including our customers, develop information infrastructure systems that better serve society with the intention of creating a society where all people can enjoy the benefits of IT.

Passing on a sustainable society to the next generation through the power of IT is the corporate social responsibility of the CTC Group.

Compliance and Information Security

The CTC Group recognizes compliance as one of the most important management issues, thus we encourage employees to conduct themselves with high ethical standards and a sense of responsibility. Furthermore, we have created a rigorous management system to protect customer information.

Compliance

Positioning compliance as one of our highest priority issues, the CTC Group has a strong awareness of the need to create a management foundation for strict compliance company-wide. From the start, all our employees observe every law and ordinance required for corporate activities, as well as various internal regulations, conducting activities in accordance with social norms and ethics, possessing high moral values and a sense of responsibility. We aim to increase corporate value throughout the entire Group as a company that is consistently fair, highly transparent and healthy to ensure we are trusted and held in high esteem by society.

To realize these objectives, we defined basic items related to compliance activities and established a compliance structure in an attempt to ensure appropriate management and business continuity.

In terms of policies, we formulated a variety of regulations, including a code of conduct. Furthermore, with regard to structures, we appointed a Chief Compliance Officer, established the CSR Committee as an advisory body to the President, appointed compliance managers in each organization (managers of each department) and compliance general managers in business companies to further enhance compliance.

Furthermore, in an effort to reduce and prevent compliance infractions, the CTC Group also introduced a helpline for whistleblowers and attempts to inculcate and entrench compliance company-wide through education and training.

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 customer information, CTC considers all information to be confidential and takes steps to confirm delivery and manage access (storing information in locked cabinets and on disks with restricted access and encryption). 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 customer information a priority and implement additional measures to counter new threats.

Environmental Improvement Activities

Engaged in business activities that reduce environmental burdens, the CTC Group contributes to customer reduction of environmental burdens through the use of IT and promotes environmental improvement activities based on environmental management systems using the PDCA cycle.

Environmental Management System

The CTC Group established an environmental management system based on environmental policies that comply with the CTC's corporate philosophy. Group overall environmental activities are developed under the leadership of the CSR Committee chairman and environmental control manager, along with environmental managers and eco-leaders who promote environmental improvement activities. Also, once each year, internal auditing staff elected from each organization conduct internal audits under the guidance of the internal auditor to confirm the efficacy of promotion activities.

In fiscal 2013, the ISO14001 certification acquired by each office and data center were integrated and expanded to an additional four business offices. As a result, 21 business offices (18 offices and three data centers) in total have been certified.

Regardless of certification acquisition status, the entire CTC Group will promote environmental improvement activities as an important mission we must engage in.

Data Center Energy Conservation Activities

CTC reduced the amount of energy consumed at its data centers by 2.3% compared to the previous fiscal year by upgrading to high-efficiency equipment and efficient operations.

At the North Wing of the Yokohama Computer Center, which began operation in fiscal 2013, we are attempting to conserve energy with the introduction of a photovoltaic power generation system, vegetation on walls and rooftops and outdoor air cooling during winter. We also installed a ceiling-suspended air conditioning system that offers superior cooling capabilities, enabling us to provide efficient and stable cooling. Furthermore, for rack rows with high electrical loads, we use curtains to block waste heat between rack rows that contribute to reducing burdens on the environment.

Ceiling-suspended air conditioning

Photovoltaic power generator

TOPICS

Promoting the Paperless Project with the Aim of Making Internal Operations More Efficient and Reducing Burdens on the Environment

In an attempt to reduce burdens on the environment, CTC has identified two issues with respect to internal operations and is engaged in resolving these issues using our comprehensive IT capabilities.

The first issue is the bloated cost of managing paper documents. CTC enters into approximately 100,000 contracts each year, which generates documents amounting to about five million sheets of paper, with attendant management costs increasing every year. The other issue involves work style restraints. Contract-related operations are only possible in places where there is paper, making it fairly difficult to get work done.

To resolve the second problem, CTC established the Paperless Project (e-Contracts). e-Contracts digitalize the approval workflow, transitioning paper-based contract-related documents used up to now to a cloud environment.

An e-Contract pilot program for regional sales launched in December 2013 resulted in reducing paper used in targeted sales and administration departments to between 1/6 and 1/7 the amount used before the program was launched.

Looking ahead, there are still many issues to tackle, but by further accelerating these initiatives to realize more efficient internal operations, we want to contribute to the reduction of burdens on the environment.

Using tablets to realize the same paperwork processes

CSR Activities

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, human resource cultivation and education, social welfare, regional participation and cultural activities.

Regional Contributions

As part of our social contribution activities, we support the Chiyoda Social Welfare Festival held in Tokyo's Chiyoda Ward, where our headquarters is located, and periodically conduct cleanup activities around CTC office buildings and data centers.

Also, Eco & Hello Campaign* activities launched by the Osaka branch in 2009 have been expanded to our Kasumigaseki, Osaki and Kudan offices. These activities include ongoing donations of wheelchairs to social welfare councils and special nursing care homes for the elderly near these offices. In fiscal 2013, the CTC Group donated a total of six wheelchairs.


Osaka wheelchair recipients

Note: Movement sponsored by beverage retailers involving the collection of aluminum beverage cans consumed inside the company, which are exchanged for wheelchairs once a set amount of cans has been collected.

Recovery Support for Disaster-Stricken Areas

To proactively encourage support for disaster-stricken areas after the Great East Japan Earthquake, in June 2011 the CTC Group introduced the Great East Japan Earthquake Recovery Support Special Leave of Absence System (seven days of paid time off each year) and the Great East Japan Earthquake Volunteer Activities Subsidy System (provides up to ¥35,000). In fiscal 2013, six employees utilized the special leave of absence system and 42 employees utilized the activities subsidy system to participate in a variety of volunteer activities, providing support for the fishing industry in each disaster-stricken area, as well as computer support and educational activities using Lego blocks.

From fiscal 2014, to complete preparations for an environment enabling employees to participate in an even wider range of volunteer activities in disaster-stricken areas, we will change the names of these systems to Disaster Support Volunteer Special Leave of Absence and Disaster Support Volunteer Activities Subsidy in regions where disaster volunteer centers have been established and areas designated as heavy disaster areas, continuing to expand them within the scope applicable.


Educational support volunteers in disaster-stricken areas

Going forward, we will continue to make use of these systems to support disaster-stricken areas.

Support for Next-Generation Education

The CTC Group conducts educational support activities aimed at cultivating the next generation of human resources. CTC sends lecturers to a Chiyoda Ward women's junior college to conduct special lectures and collaborates with public secondary schools on integrated learning and company visits.

In fiscal 2013, we added office tours and programming experiences to the company visit itinerary,

VOICE

A Valuable Educational Opportunity Not Available at School

During our first company visit to CTC, students were presented with issues and worked in teams to conduct research and investigate solutions, the results of which were presented on our second visit.

The students worked to find solutions to the issues presented, and felt just like employees working at the company. They also learned about programming using Lego blocks. Programming is not something we learn as part of school activities, and it was taught in a fun way that made it a valuable educational experience for all students.

Satomi Matsubara
Educator
Chiyoda Ward Kudan Secondary School

providing a unique experience only an IT company can provide. We also presented a static electricity classroom laboratory to younger elementary school students and held computer classes at elementary schools near data centers.


Programming experience

Environmental Preservation Activities

CTC proactively participates in activities linked to regional environmental preservation, including watering the pavement to lower temperatures and the corporate cleanup of garbage on Mt. Fuji sponsored by the MOTTAINAI campaign. We also support environmental preservation overseas, including tree planting efforts in Borneo conducted by the World Wildlife Federation (WWF) of Japan.


MOTTAINAI Mt. Fuji garbage collection

Cooperation with the International Community

The CTC Group also actively engages in the resolution of issues in the international community. We support the activities of NPO Ban Rom Sai Foundation*, which provides assistance to orphans infected with HIV and supports regional communities in Thailand.

In addition, we also provide ongoing support to overseas organizations that aim to resolve social issues, such as the United Nations World Food Programme (WFP), whose mission is to eradicate hunger and poverty; we also support tree planting efforts in Borneo conducted by WWF Japan.

Note: Established in Chiang Mai, Northern Thailand, in December 1999.


Children living at the Ban Rom Sai facility

Support for Cultural Activities

In terms of cultural activities, CTC provides ongoing support for the Spring Festival in Tokyo and the NHK Symphony Orchestra. The Spring Festival in Tokyo is a music event held from mid-March to mid-April in conjunction with various cultural facilities in Ueno celebrating the arrival of spring with a feast of cherry blossoms, enabling large crowds to enjoy performances by professional musicians.


Photograph provided by the Spring Festival in Tokyo Executive Committee (Photo credit: Satoshi Aoyagi)

Various Volunteer and Support Activities

The CTC Group participates in volunteer activities, including charity walks held by the UN WFP association and the Tokyo and Osaka marathons. Charity walks in particular draw a large number of participants each year because employees can enjoy them with family and friends.

Furthermore, at CTC Group offices located in Kasumigaseki, Osaki, Akasaka, Kudan, Kasai, Shin-Kiba and Yokohama, we hold group blood donations in cooperation with the Japanese Red Cross Society and work with the Japan Marrow Donor Program to register bone marrow donors.


Tokyo Marathon 2014 water supply volunteers

Walk the World

Supporting Human Resource Cultivation and Activities

As a leading company responsible for IT industry advancements, the CTC Group makes an effort to create a workplace providing meaningful work for employees able to see a step ahead and take on new challenges.

Realizing a Workplace that Improves Employee Motivation

The IT industry is rapidly changing with the advent of new technologies and services. To improve cutting-edge technologies and continue providing customers with even better services, the CTC Group aims for a workplace where all employees are motivated, take on new challenges and are able to achieve self-realization. We are also engaged in working style innovations to ensure employees are able to live a full and rich life.

Supporting Employee Career Development

The CTC Group creates various learning opportunities such as training enabling employees to acquire knowledge and skills and study groups to share expertise. In February 2014, we established the Advanced Technology LAB to enhance the technical capabilities of our engineers and stay current with cutting-edge technologies. We also support career development in a variety of other ways, including an OJT Trainer Mentoring Program for instructing employees and a self-assessment system enabling employees to declare their desired career tracks.


A study group

Promoting a Work-Life Balance

In December 2013, CTC launched an initiative promoting a morning-focused working style to encourage employees to change their mindset toward working styles. By limiting night time and holiday work outside normal business hours and instead encouraging employees to come into work early the next day when necessary, we are promoting a healthy lifestyle and more productive minds and bodies. This initiative aims to further enhance service quality and customer satisfaction by increasing efficiency and the ability to concentrate on work.

We also support a wide variety of working styles with the establishment of shortened working hours, fixed-term absence and leave systems so that employees raising children or providing nursing care are able to continue working with peace of mind. These measures resulted in the CTC Group acquiring a certification mark (known as Kurumin) based on the Ministry of Health, Labour and Welfare’s Act for Measures to Support the Development of the Next Generation Children as a company proactively engaged in supporting both work and childcare.

Moreover, regarding leaves of absence, we encourage the consecutive use of annual paid holidays and have introduced systems such as volunteer leave, refreshment leave for employees in their 15th and 25th years of employment and the "Good Job & Refresh" Award, which provides funds for a trip using paid holidays for employees who have contributed to the company’s business.

Going forward, CTC will continue to promote various initiatives to realize healthy and well-balanced working styles.

Health Management

CTC conducts comprehensive periodic health checks and follow-up measures, checkups by an industrial physician for employees starting work and health guidance and education using public health and registered nurses.

In terms of mental healthcare, CTC makes an effort to raise awareness of consultation services within and outside the company and enhance line care and self care based on the Ministry of Health, Labour and Welfare’s Guidelines for Maintaining and Improving Workers’ Mental Health (four types of care). The reinstatement support program is a system designed to support a smooth return to work through reinstatement beginning with shortened working hours.

CTC also promotes initiatives linked to the health of individuals and the overall organization, including health enhancement activities involving physical deformation measurements aimed at preventing back pain and stiff shoulders caused by deskwork.


Physical deformation measurements

Employee Awareness Surveys and Events for Exchanging Opinions

CTC conducted an awareness survey targeting all Group employees. The results were shared with all employees and opinions were exchanged (a total of eight times) among participants nominated from each business group regarding issues that emerged from the survey to begin formulating initiatives aimed at making improvements.

Going forward, CTC will continue creating opportunities to listen to the voices of our employees.

The Challenge of Diversity

To achieve further corporate growth, the CTC Group is engaged in the creation of a workplace focused on diversity. We accept differences in nationality, gender, age, values, and lifestyle, supporting each employee in maximizing their abilities.

Making Use of Female Employees

Situations and environments change as a result of a variety of life events. When this happens, CTC provides a multitude of support to ensure employees are able to continue engaging in work that has meaning for them. One example is our establishment of a mentoring program. This program aims to support career development and the improvement of people skills by having senior female employees in management positions and senior employees possessing a wealth of knowledge and work experience provide junior employees with empathetic support. Going forward, we will continue to promote the creation of an environment of mutual support throughout the entire workplace, while at the same time increasing motivation so that female employees will 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 healthy seniors up to 65 years of age who want to work after retirement to be rehired. We also conduct seminars targeting employees aged 55 or older to foster thinking about future life plans.

Employment for the Disabled

CTC's special subsidiary, the HINARI Corporation, established in April 2010 to promote employment of people with disabilities, recently began its fifth year of operations. In addition to providing massage and office cleaning services for CTC Group companies, HINARI develops businesses including agriculture-related contract work in conjunction with a farming family in Hamamatsu, the dismantling of computer equipment and contract work related to recycling. 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 employees cleaning an office

HINARI will continue its efforts to create an environment where a wide range of people with disabilities can maximize their potential.

Global Human Resource Development

To develop human resources able to succeed globally, in addition to improving language abilities, CTC provides education aimed at cultivating an overseas business mentality and enhancing practical communication skills targeting select employees with experience and a proven track record in domestic business. In addition, we offer internships at overseas companies aimed at providing overseas business experience, as well as personnel rotations to overseas business sites. We are also making an effort to hire people from other countries and Japanese who have experience studying abroad.


Global employee group training

VOICE

Aiming to Cultivate Proactive Employees

At CTC Global, our goal is to cultivate employees to be successful by providing opportunities and stretch goals that develop their skills to a higher level. We need to constantly move forward and take the initiative while looking for opportunities to contribute and make a difference in our business. Initiative demonstrates commitment. Good communication and interpersonal skills are important—no one wants to work with someone who comes across as aloof.

Irene Chung,
Human Resource Director
CTC Global Sdn. Bhd.

Dialogue

Toward the Cultivation of Next-Generation Engineers and the Reinvention of Working Styles

The CTC Group aims to cultivate human resources with high market value to strengthen its comprehensive IT service capabilities.
Amid increasing demands for the support of social issues such as work-life balance and diversity, going forward, how should CTC cultivate next-generation engineers well-versed in a wide range of specialized technologies and skills? We invited Kumi Fujisawa, Co-Founder of Think Tank SophiaBank, as an outside expert to discuss this topic with the General Manager of the Human Resources Management and General Affairs Division and three engineers representing CTC.

CTC

Yasuhiko Terada

Executive Officer
General Manager,
Human Resources Management & General Affairs Division

Despite having no experience in the Human Resources Department, senior management tasked him with creating new HR and education systems conveying a sense of actual jobsite conditions. He has served as the General Manager of the Human Resources Management and General Affairs Division since April 2013.

Satoshi Ishikawa

General Manager,
Nuclear & Engineering Department
Principal

Provides consulting and engineering services in the nuclear safety analysis field related to the prevention of disasters, including earthquake-resisant structures and safety evaluations focused on the impact of severe accidents, earthquakes and tsunami. As a leading expert of analytical technologies in the nuclear energy field, he is also actively involved in academic conferences and committees. He is one of only two CTC employees designated as a Principal.

Satoshi Nakai

Assistant to COO,
Telecommunication Systems Group
Senior Executive Engineer

As the person responsible for the creation of infrastructure and the development of service systems for major carriers, he has a proven track record in project management and troubleshooting, particularly with respect to the creation of medium- and large-scale systems. He has served as a Senior Executive Engineer since April 2014.

Manabu Nishizaki

General Manager, Product & Maintenance Support Business Division
Senior Executive Engineer

Well-versed in major core vendor business strategies and IT technology trends, he has a proven track record and a wealth of experience in marketing and technological support, particularly with respect to servers, storage, networks and other IT infrastructure products and technologies. He has served as a Senior Executive Engineer since April 2014.

Outside Expert

Kumi Fujisawa

Co-Founder,
Think Tank SophiaBank
Visiting Professor,
Hosei Business School

With deep insights on economics and management, Ms. Fujisawa has been engaged in fostering social businesses linked to mass and online media. She serves as a committee member of the Information and Communications Council, the Information Technology Strategy Council of Cabinet Office and other councils.

We Need Engineers Who are Both Specialists and Generalists

Terada: For the CTC Group, highly capable engineers can better demonstrate the appeal of our technological capabilities than any advertisement. In April 2014, CTC created Principal and Senior Executive Engineer ranks for senior engineers. These new titles aim for the appropriate treatment of expert-oriented employees and emphasize their high-level of technological skills to customers in an easily understandable way. They also establish a major objective in terms of representing a career plan for younger and mid-career engineers.
Fujisawa: That is why we have one Principal and two Senior Executive Engineers today. Recently in the IT industry, full stack engineers who possess a wide range of technological skills have been attracting attention. What do you think about the issues in terms of human resource cultivation going forward?
Nakai: I think one aspect behind the focus on full stack engineers is a reaction to the fact that the IT engineer's job has become too compartmentalized. My own personal sense is that up until about 1990, it was not unusual for a single engineer to be involved in everything from infrastructure creation to application development. From the year 2000, we saw the rapid compartmentalization and specialization of infrastructure, networks, middleware, applications and other technologies in line with the advent of larger-scale, increasingly complex systems.
Nishizaki: And now, with the advent of new technologies that incorporate multiple areas of expertise, such as cloud computing and virtualization technologies, the qualifications required of engineers are once again beginning to change. Each engineer must have in-depth knowledge of technologies as a specialist, while at the same time working in close cooperation with engineers in a wide range of areas to develop required skills integrating new technologies and services.
Nakai: Because of the compartmentalization of technologies, there are recently many engineers who draw a line indicating the limit of their expertise. Going forward, I think limiting oneself to a certain area of expertise will result in less work. It is important to focus on one's expertise while being in a position to expand one's abilities in related technologies and business areas.
Terada: In the Human Resources Management and General Affairs Division, rather than considering engineers as either specialists or generalists, we require both qualifications: engineers who are specialists and at the same time generalists.
Ishikawa: Even if they are responsible for a limited aspect of a specific technological domain, it is important that engineers perform their duties with an ever-present awareness of how the development of that technology functions and what role it plays in the overall system, as well as what it means for society. To create solutions with new value for society, it is important for engineers to consider the future potential of current technologies. The CTC Group senses the necessity of cultivating engineers with these kinds of ideas and imagination.
Nishizaki: In the final analysis, even with engineers, it ultimately comes down to a question of human capabilities. Whether occupying a technical or a sales position, a solid awareness of the role one's job plays in the bigger picture while engaging in work with generosity toward one's colleagues is indispensable. Regardless of how highly skilled one might be, it means nothing if those skills are not made use of in relationships with project members and customers.

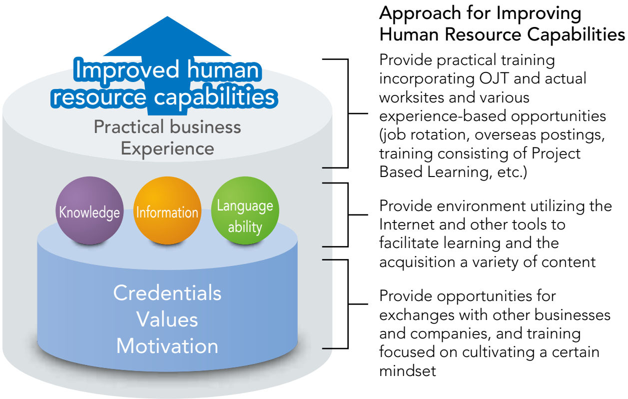
Creating an Environment Facilitating the Growth of Each Engineer

Fujisawa: What kinds of initiatives are promoted to cultivate this type of engineer?
Terada: We are considering an engineer cultivation

measure involving the formation of an engineering capability enhancement committee. Specifically, each year we consult with employees in all departments, conducting discussions concerning career design and skill enhancements that form the basis of annual education planning formulation for individual engineers.
Nakai: For example, in terms of network engineering, this year we established objectives that included the acquisition of new qualifications to further enhance network technologies and expanding areas of expertise through the study of server and data base technologies.
Terada: With the establishment of the Advanced Technology LAB, we provide an environment where we can exchange information including the latest cloud and mobile technologies and engage in hands-on learning. We also conduct practical OJT involving the use of coaching as guidance with respect to identifying issues on the job site as a selected training opportunity, as well as simulated experience education programs involving virtualization proposals for system construction projects in environments that differ from the everyday workplace.
Fujisawa: I get the impression that IT engineers are extremely busy. Is there enough time for them to attend trainings and engage in personal development?

Nishizaki: We perform work related to each individual account and there are situations where we must put customer needs first, so it is not always easy to find the time for these activities. However, if someone feels they are being forced to participate, training and personal development won't be very effective. I think we need to increase motivation and autonomy among all employees in terms of skill development, while at the same time provide organizational support.
Terada: While participation in company training and external seminars is of course important, I think another critical issue is recognizing how much time is spent on daily personal development as part of one's work duties. Going forward, we will talk with supervisors in each division to provide a system ensuring engineers have enough time to develop their skills and establish this as part of our corporate culture.
Ishikawa: Without much leeway in terms of time and mental state, I think it will be difficult for engineers to grow. When someone is overwhelmed by the work in front of them, they won't be in a position to take on new challenges.
Fujisawa: I see. So having this kind of mental leeway facilitates the ideas and imagination demanded of engineers.

Basic Stance on CTC Human Resource Cultivation



Promoting a New Way of Thinking About Working Styles through Morning-Focused Working

Fujisawa: So, you recommend "Morning-Focused Working" within your organization as one of the initiatives that allows some leeway in work.
Terada: As an experiment aimed at promoting a new way of thinking among employees regarding working styles, we have been recommending morning work duties since December 2013. We provide financial incentives for employees who begin work earlier than 9:00 a.m., while at night, we turn off the lights in the office at 8:00 p.m. We also established a system requiring employees working overtime past 8:00 p.m. to submit a written request detailing the work they are performing.
Fujisawa: Working until late at night has become commonplace in the IT industry, so this is an extremely revolutionary experiment, isn't it? What effect have you had so far?
Nakai: As a matter of fact, late night overtime work has decreased dramatically. We conducted a survey on this system among employees and received favorable responses such as "now I can prioritize my duties and work more efficiently" and "I am better able to concentrate and work for shorter lengths of time."
Nishizaki: Also, by confirming the reasons for overtime requests, we are able to understand working conditions in each division better than ever before.
Fujisawa: By distributing the excessive workloads of some employees among other project members, you are also able to offer organizational support.
Terada: Although there actually aren't yet that many

employees working earlier in the mornings, the biggest effect of introducing this system has been that employees are giving more thought to how they use their time at work.
Nakai: Management also has a stronger awareness than ever before of how the employees in their sections are using their time.
Terada: These working style reforms attempt to improve engineer productivity and are linked to more leeway in terms of time and mental state as well as higher quality work and improved customer satisfaction.

Accelerating Diversity as We Approach an Age of Global Competition

Fujisawa: As the problem of low birth rates becomes more serious, promoting the active participation of women is becoming a social issue. What kinds of initiatives does CTC engage in to develop career paths for women and make use of their work capabilities?
Terada: Despite calls for making use of women's abilities, looking at the statistics, the fact is that the number of women managers is on the decline in the IT industry. The CTC Group has also failed to achieve significant results in terms of making use of women up to now. However, there are a few women who have taken multiple maternity and childrearing leaves of absence, yet continue on a managerial track. Although the numbers are low, we want these women to become mentors, advising younger and mid-career employees and representing future career possibilities for other women. All of us in the Human Resources Management and General Affairs Division intend to provide our support through the creation of support systems and an environment that is comfortable for women to work in.
Fujisawa: Amid growing demands for the promotion of diversity and the utilization of women workers, in addition to low birth rates, the fact that, for example, most business workplaces are comprised almost exclusively of Japanese men, not to mention the fact that innovation is difficult to implement, is also problematic. What do you think?

Ishikawa: I also feel the same way. Recently, I traveled to Europe on business. A diverse array of men and women of all nationalities were working at the company I visited. This seemed normal, perhaps because of the geographic connection between European countries and the historical movement of people all over that region.
Terada: At the CTC Group subsidiaries in Singapore and Malaysia, approximately half of all employees are women. The majority of sales managers are also women. Going forward, we will actively promote personnel exchanges within the Group, which is expected to change the organization and corporate culture in Japan.
Ishikawa: That's right. From here on out, gender and nationality are irrelevant; if we don't attract talented people from around the world, we will not succeed amid global competition.

Activities Aimed at Inculcating Proper Engagement with Computers Among Children Responsible for the Next-Generation

Fujisawa: Listening to today's discussion on these various topics, I see that the role of engineers in the IT industry and the qualifications demanded of them are changing dramatically. In terms of children responsible for the next-generation, right now the government is considering a long-term strategy involving the introduction of computer programming in elementary schools.

Nakai: Back in the day, when we first came into contact with computers, you started out by writing a program that made the machine do what you wanted it to. Nowadays, when you buy a PC or a tablet, you can use a variety of apps and services right out of the box.
Ishikawa: At present, for younger people and children, computers are already finished products. For this reason, they interact with them in a passive way, without ever questioning them and accept everything the computer presents them with as the correct information. If they had experience creating and running programs on their own, they would understand firsthand that there is no such thing as a perfect program and computers can also make mistakes. This would lead to them questioning the veracity of a computer's output.
Fujisawa: More than programming skills, learning the basics of interacting with and thinking about information technologies from a young age would lead to improved computer literacy. As a leading company in the IT industry, I hope to see CTC support this kind of education for children.

Chapter 5

Corporate Governance

Basic Stance on Corporate Governance

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

Corporate Governance Structure

CTC's Board of Directors, which consists of 11 members (including two outside directors) makes decisions on important management-related issues and supervises the execution of duties by directors.

Directors participate in decision-making related to the Company's execution of business operations based on their established role on the Board of Directors.

The Board of Corporate Auditors consists of five members (Including three outside auditors). Within the limits of their legal authority, Corporate Auditors cooperate with the Audit Division and Independent Auditor to audit the execution of duties by directors for appropriateness.

CTC has adopted an executive officer system intended to delegate authority and responsibility for businesses in specific fields and encourage quick decision-making. Executive officers are appointed by a resolution of the Board of Directors and perform their duties in accordance with the instructions of the representative director, various laws, the Company's Articles of Incorporation, internal regulations and Board of Directors' resolutions.

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 five 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 institution to the president. 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 payment amounts are calculated according to consolidated net income.

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

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

Internal Control System

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

Regarding compliance, the actions of directors and employees follow CTC's corporate philosophy and the Group Code of Conduct. CTC appointed a chief compliance officer and established the CSR Committee and departments that control matters pertaining to compliance. CTC works to enhance its compliance structure through the formulation of various internal regulations, education and training.

Risk Management

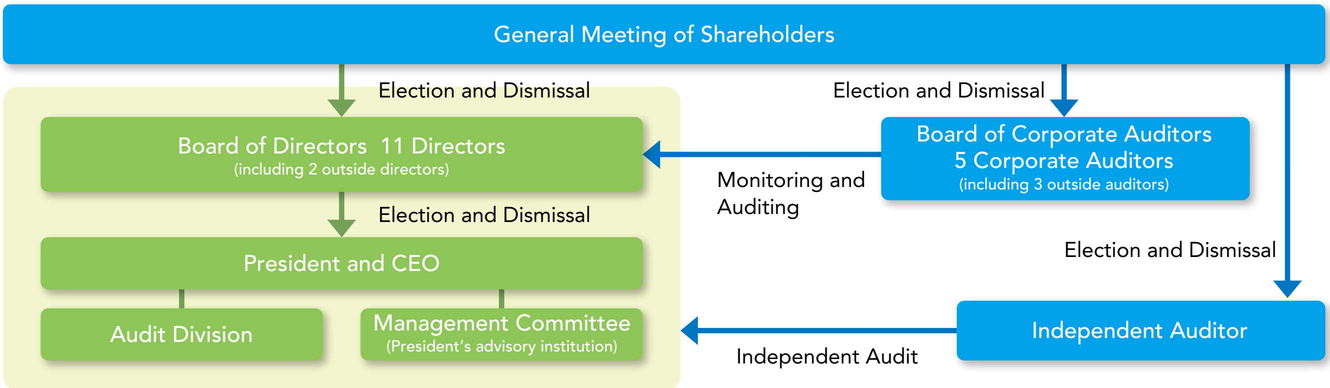
Recognizing the management of risk as management priority issue, CTC establishes various internal committees and supervisory departments, including the CSR Committee and Risk Management Committee, to mitigate a wide range of risks pertaining to CSR and compliance, information security, disasters, foreign 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)	11 directors (2 outside directors)
Director term of office	1 year
Corporate Auditors (outside auditors)	5 auditors (3 outside auditors)
Auditor term of office	4 years
Independent Directors	2 outside directors 1 outside auditor

Corporate Governance Systems



Director Remuneration (March 31, 2014)

Directors: 11 people (excluding outside directors)	Basic remuneration ¥277 million Bonus ¥58 million
Auditors: 2 people (excluding outside auditors)	Basic remuneration: ¥51 million

Number of Meetings Held by Main Bodies

Board of Directors	21 times
Board of Corporate Auditors	18 times
Outside director attendance at Board of Director meetings	97%
Outside auditor attendance at Board of Director meetings	95%
Outside auditor attendance at Board of Corporate Auditor Meetings	98%

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.
	Minoru Nishiyama		Concurrently serves as an executing business at our parent company, ITOCHU Corporation. Appointed in June 2012 for the purposes of conducting audits utilizing insights and experience accumulated over many years in finance and accounting.
	Shintaro Ishimaru		Served as the CIO* and engages in financial operations at our parent company, ITOCHU Corporation. 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.

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

Board of Directors

As of June 18, 2014

Directors and Auditors

Satoshi Kikuchi	President & CEO
Shuji Ikeda	Director & Senior Managing Executive Officer CFO & CCO
Toru Matsushima	Director & Senior Managing Executive Officer CSO
Masaaki Matsuzawa	Director & Managing Executive Officer COO, Telecommunication Systems Group
Shigemitsu Takatori	Director & Managing Executive Officer COO, Enterprise Systems Group
Takahiro Susaki	Director & Managing Executive Officer COO, Financial & Public Systems Group
Katsuyuki Shirota	Director & Managing Executive Officer CIO COO, Cross Function Group
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
Minoru Nishiyama	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, Human Resources Management & General Affairs Division
Yasuhide Masanishi	Executive Officer Assistant to 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
Tomohiko Sumi	Executive Officer General Manager, Distribution Systems Division No.3
Toshiyuki Awai	Executive Officer General Manager, Enterprise Business Division No.1
Takanori Minatohara	Executive Officer General Manager, Telecommunication Systems Division No.1
Akira Tamanoi	Executive Officer General Manager, Western Region Business Division Osaka Branch
Noboru Omoto	Executive Officer General Manager, Distribution Systems Division No.1
Shinichi Nakano	Executive Officer General Manager, Datacenter & Managed Service Business Division
Hirohito Ohashi	Executive Officer General Manager, Telecommunication Systems Division No.2
Yasushi Morimoto	Executive Officer General Manager, IT Services Group Planning Division
Tomohito Arai	Executive Officer General Manager, Corporate Planning Division
Nagaki Fujioka	Executive Officer General Manager, Cloud Service Business Division & IT Services Business Sales & Marketing Division
Seiji Nagamatsu	Executive Officer General Manager, Project Management Division
Hiroshi Torigoe	Executive Officer General Manager, Enterprise Business Division No.3

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

Message From an Outside Director

Utilizing Expertise as a Certified Public Accountant to Contribute to the Health of CTC Management

A year has passed since I joined CTC. In terms of the Group's IT business, I feel proud knowing that CTC offers a wide range of support, from personal services to social infrastructure.

At Board of Director meetings, my opinion as an outside director is sought in more situations than I anticipated, conveying a sense of the Company's strong stance regarding the proactive incorporation of diversity in management. Going forward I will continue to make use of my expertise and experience as a Certified Public Accountant to provide advice that considers the position of regular shareholders.

Makiko Nakamori, Director

Corporate Organization

As of April 1, 2014

Financial Highlights

Billions of yen

	2009	2010	2011	2012	2013	**2014**
For the Years Ended March 31:						
Net sales	¥ 307.3	¥ 290.4	¥ 283.1	¥ 297.7	¥ 322.5	**¥ 349.5**
Gross profit	80.3	76.8	74.9	79.6	83.3	**83.5**
Selling, general and administrative expenses	58.6	55.3	53.6	54.8	56.1	**60.0**
Operating income	21.7	21.6	21.3	24.8	27.2	**23.5**
Income before income taxes and minority interests	21.5	21.2	20.4	24.3	26.8	**23.7**
Net income	12.9	12.5	11.5	13.3	16.0	**14.1**
As of March 31:						
Total assets	227.5	233.2	238.2	252.7	270.0	**282.2**
Total equity	147.8	155.1	155.9	158.8	166.0	**170.9**
Cash Flows:						
Cash flows from operating activities	11.3	25.3	15.0	21.3	9.7	**6.4**
Cash flows from investing activities	(13.8)	(1.4)	(7.0)	(2.8)	(10.3)	**(8.0)**
Cash flows from financing activities	(11.1)	(7.2)	(13.5)	(8.9)	(11.1)	**(9.5)**
Financial Ratios:						
Gross profit margin (%)	26.1%	26.5%	26.5%	26.7%	25.8%	**23.9%**
Operating income margin (%)	7.1	7.4	7.5	8.3	8.4	**6.7**
Equity ratios (%)	64.7	66.3	65.3	62.7	61.0	**59.7**
Return on equity (ROE) (%) *1	8.8	8.3	7.4	8.5	9.9	**8.5**
Return on assets (ROA) (%) *2	5.8	5.4	4.9	5.4	6.1	**5.1**

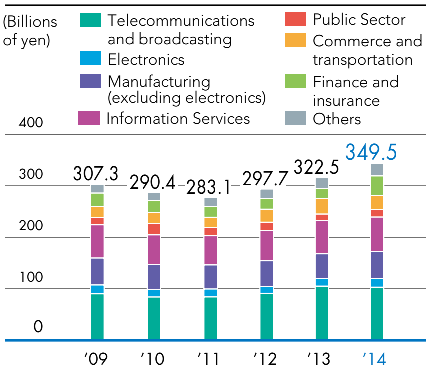
Yen

	2009	2010	2011	2012	2013	**2014**
Per Share Data:						
Basic net income	¥ 199.21	¥ 194.62	¥ 180.47	¥ 217.08	¥ 268.53	**¥ 237.84**
Shareholders' equity	2,299.63	2,415.65	2,492.42	2,604.78	2,766.93	**2,862.48**
Cash dividends applicable to the year	80.00	85.00	90.00	95.00	105.00	**110.00**

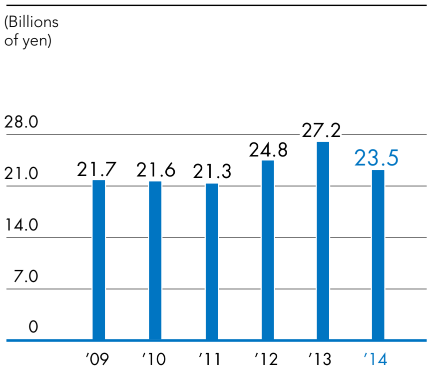
*1 ROE = Net income / Average total shareholders' equity (which is based on total shareholders' equity at the beginning and end of the year)×100

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

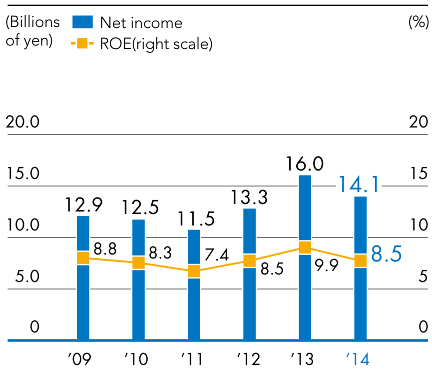
Net Sales



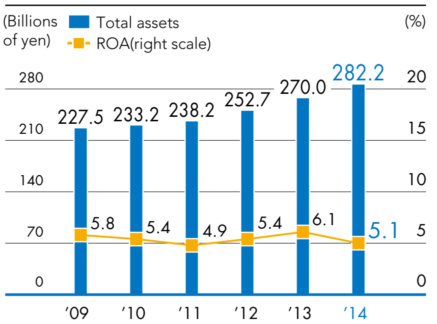
Operating Income



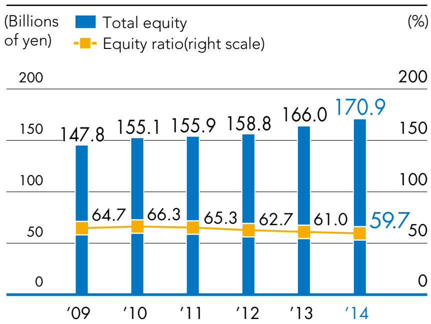
Net Income and Return on Equity (ROE)



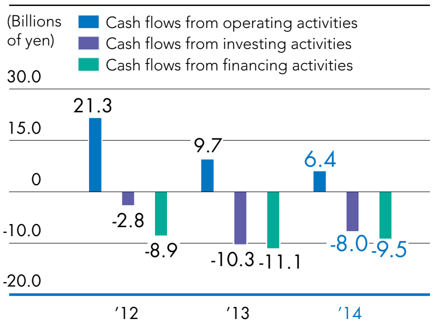
Total Assets and Return on Assets (ROA)



Total Equity and Equity Ratio



Cash Flows



(Years ended March 31)

Non-Financial Highlights

Human Resources-Related Data (Years ended March 31)

Consolidated

Item		Unit	2012	2013	2014
Employees	Men	People	6,101	6,515	**6,571**
	Women	People	1,001	1,144	**1,146**
	Total	People	7,102	7,659	**7,717**

Non-consolidated

Item		Unit	Fiscal 2012	Fiscal 2013	Fiscal 2014
Employees	Men	People	3,320	3,329	**3,339**
	Women	People	572	568	**562**
	Total	People	3,892	3,897	**3,901**
Average years worked		Year	10.8	11.5	**11.8**
Female managers	Number	People	23	19	**23**
	Percentage	%	2.9	2.3	**2.8**
Percentage of disabled employees		%	1.94	1.88	**2.00**
Annual average number of holidays taken		Day	13.2	12.7	**12.3**
Childcare leave system users		People	47	52	**57**
	(Male employees)	People	2	0	**1**
Reduced working hours system users		People	44	45	**60**
Nursing care holiday system users		People	85	100	**100**
Nursing care leave system users		People	1	1	**1**
Number of training participants (employees)		People	84,803	99,103	**116,256**
Average hours of training per person		Hour	Approx. 54	Approx. 56	**Approx. 57**

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

Environmental Data from CTC Group Offices and Data Centers (Years ended March 31)

Item		Unit	2012	2013	2014
Offices	Energy used	Thousands of kWh	18,232	19,839	**19,308**
	(CO_2 conversion)	t	6,516	11,061	**10,135**
Data Centers	Energy used	kL	30,240	29,400	**28,714**
	(CO_2 conversion)	t	45,245	54,070	**59,354**

Notes:
1. Selected range for offices is total for ISO 14001 certified bases each fiscal year. Scope of certification, as of March in fiscal 2014. Offices (Kasumigaseki head office, Osaki, Osaki-Nissei, Kudan, Kudan-Minami, Akasaka, Komazawa, Koraku, Hanzomon, Umeda, Nagoya, Osaka, Honmachi, Fukuoka, Toyota, Kariya, Kasai, Shin-Kiba).
2. Scope of data center certification limited to four locations: Yokohama, Kobe, Otemachi and Mejirozaka (Shibuya, where energy cannot be controlled by the CTC Group, had no targets set and is excluded here).
3. 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).

Management's Discussion and Analysis of Results and Financial Condition

Consolidated Business Performance

Having positioned the fiscal year ended March 31, 2014, as "the year we strengthen our business to raise it to the next higher level and achieve sustainable growth," the CTC Group promoted policies aimed at expanding earnings and achieving medium- to long-term growth.

Specifically, we established a new data center wing at the Yokohama Computer Center in April 2013 and strengthened our ability to provide data center and cloud services. In addition, we expanded the service menus of proprietary cloud service *TechnoCUVIC* as well as *ElasticCUVIC*, which offers integrated systems operation and management services, among other efforts to promote further enhancements to our service business.

In the big data area, which is expected to continue growing, we focused efforts on enhancing our Big Data Processing Lab, a high-speed data processing verification facility, and the provision of solutions for analyzing the operating status of an extensive array of IT equipment and data bases possessed by other companies aimed at stable systems operation. CTC attained Solution Provider status from the Open Compute Project (OCP) launched by Facebook, which designs and distributes standardized hardware for data centers. Already an active member of OCP, CTC is the first OCP Solution Provider in Japan to join this program. In addition, CTC signed a distribution agreement with Cumulus Networks, which utilizes SDN technologies for the unified management of networks using software, as well as cloud-native applications that determine whether to expand or delete IT resources in response to application processes, focused on next-generation product and technology initiatives.

In terms of global development initiatives, at CTC Global Sdn. Bhd. (Malaysia) and CTC Global Pte. Ltd. (Singapore), subsidiaries established in March 2013 with the aim of strengthening ASEAN business development, we changed company names to the CTC brand and upgraded office environments and information systems to develop infrastructure for the Group ASEAN business base. In addition to employee and technology exchanges, Malaysia, Singapore and Japan worked together to create synergies through joint empirical experiments and joint proposals targeting Japanese corporations.

In terms of operating activities, in the Telecommunications business, although mobile carrier network construction and other projects decreased, Financial and Public business development and service projects for megabanks and credit card companies increased. In the Enterprise business, projects mainly in the manufacturing sector involving system upgrades and efficiency increased, as did development projects for convenience stores and food product wholesalers in the Distribution segment. Within the ASEAN region, the product business remained stable, especially in the financial sector.

Regarding human resource cultivation, we established the Advanced Technology LAB with the aim of acquiring and sharing expertise, staying current with cutting-edge technologies and improving the technological capabilities of our engineers. Focusing on future global developments, we also provided language training and short-term overseas study for specially selected employees and sent interns to work at overseas vendors. In addition, we promoted healthy employee lifestyles and more productive minds and bodies through initiatives promoting a morning-focused working style to encourage employees to change their mindset toward working styles in an attempt to increase efficiency and the ability to concentrate on work.

As a result of these activities, consolidated net sales in the fiscal year ended March 31, 2014, grew 8.4% compared to the previous fiscal year to ¥349.5 billion on increases in the development and services businesses and contributions from the subsidiaries acquired in March 2013. In terms of profits, a lower gross profit ratio resulted in operating income declining 13.6% to ¥23.5 billion, and net income contracting 12.0% to ¥14.1 billion.

Performance by business segment is as follows. Please note that starting this fiscal year, reporting segment categorization has changed; analysis and comparisons with previous fiscal years are based on the new categorization method.

(1) Telecommunications

Fewer network construction projects for mobile carriers caused net sales to decline 4.0% to ¥123.1 billion. A lower gross profit ratio resulted in operating income declining 23.9% to ¥10.1 billion.

(2) Financial and Public

Megabank and credit card company projects increased, resulting in net sales growing 3.2% to ¥55.1 billion. However, a lower gross profit ratio and increased general, selling and administrative expenses resulted in operating income decreasing 45.7% to ¥3.3 billion.

(3) Enterprise

Projects for the manufacturing sector increased, resulting in net sales growth of 8.4% to ¥79.6 billion, while operating income increased 3.7% to ¥3.6 billion.

(4) Distribution

Distribution industry projects increased, resulting in net sales advancing 3.0% to ¥54.7 billion. Gross profit ratio improvements caused operating income to jump 50.4% to ¥5.7 billion.

(5) Cloud Platform

In this segment, which supports company-wide cloud-related businesses, including data centers, net sales were up 3.2% to ¥33.2 billion and operating income decreased 17.5% to ¥1.8 billion.

(6) Support and Services

In this segment, which supports company-wide service businesses focused on IT support, net sales increased 3.2% to ¥64.5 billion while operating income decreased 2.1% to ¥10.7 billion.

(7) Others

The acquisition of two overseas subsidiaries resulted in net sales increasing 158.6% to ¥34.7 billion and operating income expanding 38.0% to ¥1.4 billion.

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

Financial Position

As of March 31, 2014, consolidated total assets amounted to ¥282.2 billion, an increase of ¥12.2 billion, or 4.5%, from the end of the previous fiscal year.

Current assets were ¥217.1 billion, up ¥11.2 billion, or 5.4%, year on year. Although cash and cash equivalents decreased ¥11.1 billion, this was due to trade receivable of ¥14.4 billion and prepaid expenses and other current asset of ¥4.5 billion.

Total noncurrent assets—the sum of net property and equipment and total investments and other assets—increased 1.6% or ¥1.0 billion year-on-year to ¥65.1 billion. This was due to a ¥3.4 billion increase in customer related assets.

Total liabilities increased 7.0% or ¥7.3 billion yen to ¥111.3 billion. This was due to a ¥9.0 billion increase in trade payable.

Total equity increased 3.0% or ¥4.9 billion to ¥170.9 billion. This was due to increased retained earnings in line with net income of ¥14.1 billion and increased shareholder's equity of ¥5.0 billion, despite decreases related to cash dividend payments of ¥6.5 billion and the acquisition of treasury stock in the amount of ¥2.5 billion. In addition, the equity ratio declined 1.3 percentage points, from 61.0% to 59.7%.

Cash Flows

Cash and cash equivalents as of March 31, 2014, fell ¥11.0 billion from the previous fiscal year to ¥55.1 billion.

Net cash provided by operating activities totaled ¥6.4 billion. Major components of this inflow were income before income taxes of ¥23.7 billion and a capital increase of ¥8.9 billion from increased trade payables despite capital reductions including higher trade receivables of ¥14.3 billion, inventories of ¥4.0 billion.

Compared to the previous fiscal year, net cash provided by operating activities decreased ¥3.3 billion. This was mainly due to income before income taxes, which decreased ¥3.1 billion and a ¥10.1 billion capital reduction from increased trade receivables, despite an ¥8.9 billion reduction in capital used for increased trade payables.

Net cash used in investing activities amounted to ¥8.0 billion. This was primarily a result of the acquisition of tangible fixed assets amounting to ¥6.5 billion and intangible fixed assets amounting to ¥1.6 billion.

Compared to the previous fiscal year, net cash used in investing activities decreased ¥2.3 billion despite a ¥3.7 billion increase for the acquisition of property and equipment. This was primarily due to an increase of ¥0.5 billion from the sale of investment securities and ¥0.5 billion in deposits other than cash equivalents, as well as a ¥4.3 billion acquisition of newly consolidated subsidiaries.

Net cash used in financing activities amounted to ¥9.5 billion. Although sale and leaseback revenue grew ¥1.6 billion, ¥2.5 billion went to purchasing treasury stock, ¥2.4 billion to financial lease obligation payments and dividend payments were ¥6.5 billion.

Compared to the previous fiscal year, net cash used in financing activities was down ¥1.6 billion as a result of a ¥2.5 billion decrease in treasury stock purchases, despite finance lease obligation repayments increasing ¥0.4 billion and dividend payments rising ¥0.5 billion.

Return to Shareholders

The CTC Group recognizes the return of profits to shareholders as an important management issue. In line with its principle of increasing dividend levels, the Company works to secure stable dividend payments and stresses the return of profits in line with business performance, while carefully considering the balance of internal reserves and the actual amount distributed to shareholders. Moreover, we aim for a consolidated payout ratio around 40%.

The Company pays out interim and year-end dividends every year. Year-end dividends are subject to resolutions made by the General Meeting of Shareholders, while interim dividends are subject to resolutions made by the Board of Directors. As defined in the Articles of Incorporation, interim dividend distribution is conducted in accordance with Article 454-5 of the Companies Act of Japan.

Based on this policy, for the fiscal year under review, the Company provided a year-end dividend of ¥55 per share and a full-year cash dividend of ¥110, of which ¥55 was paid out as an interim dividend. Accordingly, this year's payout ratio was 51.9% and the consolidated payout ratio was 46.2%. To respond to further changes anticipated in the management environment, internal reserves are useful for enhancing our financial structure and future business developments.

Consolidated Balance Sheet

ITOCHU Techno-Solutions Corporation and Subsidiaries
March 31, 2014

ASSETS	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 66,134	¥ 55,084	$ 535,212
Short-term investments (Notes 5 and 16)	807	656	6,374
Receivables:			
Trade (Note 16)	66,844	81,266	789,607
Associated companies (Note 16)	47	40	387
Other (Notes 15 and 16)	14,545	14,413	140,042
Allowance for doubtful receivables	(95)	(9)	(91)
Inventories (Note 7)	25,364	29,466	286,299
Deferred tax assets (Note 13)	8,858	8,284	80,493
Prepaid expenses and other current assets	23,413	27,886	270,943
Total current assets	205,917	217,086	2,109,266
PROPERTY AND EQUIPMENT (Note 8):			
Land	6,230	6,230	60,536
Buildings and structures	30,625	33,404	324,564
Furniture and fixtures	10,048	10,357	100,632
Lease assets	6,920	7,571	73,559
Total	53,823	57,562	559,291
Accumulated depreciation	(19,104)	(21,490)	(208,801)
Net property and equipment	34,719	36,072	350,490
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 16)	4,684	3,495	33,962
Investments in and advances to associated companies	1,316	1,490	14,471
Goodwill (Notes 4 and 8)	4,129	2,945	28,615
Customer-related assets (Notes 4 and 8)		3,349	32,538
Software	4,731	4,508	43,799
Lease assets	2,223	2,007	19,504
Leasehold deposits	6,871	7,004	68,050
Prepaid pension cost (Note 9)	3,188	1,950	18,949
Deferred tax assets (Note 13)	597	425	4,126
Other assets (Note 8)	1,651	1,899	18,454
Total investments and other assets	29,390	29,072	282,468
TOTAL	¥270,026	¥282,230	$2,742,224

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term bank loans (Notes 10 and 16)		¥ 450	$ 4,378
Current portion of long-term lease obligations (Notes 15 and 16)	¥ 4,538	4,901	47,620
Payables:			
Trade (Notes 16 and 19)	26,430	35,464	344,580
Associated companies (Note 16)	54	49	479
Other	13,352	9,219	89,573
Income taxes payable (Note 16)	7,803	6,561	63,745
Accrued expenses	8,429	7,394	71,839
Unearned income	20,269	22,736	220,911
Other current liabilities (Note 11)	5,752	8,568	83,245
Total current liabilities	86,627	95,342	926,370
LONG-TERM LIABILITIES:			
Long-term lease obligations (Notes 15 and 16)	14,011	12,572	122,150
Liability for retirement benefits (Note 9)	576	490	4,763
Deferred tax liabilities (Note 13)	1,070	1,088	10,573
Asset retirement obligations (Note 11)	1,448	1,650	16,028
Other long-term liabilities	314	178	1,733
Total long-term liabilities	17,419	15,978	155,247
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 17 and 18)			
EQUITY (Notes 12 and 22):			
Common stock—authorized, 246,000,000 shares; issued, 62,500,000 shares in 2013 and 60,000,000 shares in 2014	21,764	21,764	211,461
Capital surplus	33,076	33,076	321,376
Retained earnings	118,507	117,409	1,140,773
Treasury stock—at cost, 2,996,613 shares in 2013 and 1,131,626 shares in 2014	(10,371)	(4,224)	(41,039)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	1,610	1,095	10,643
Deferred (loss) gain on derivatives under hedge accounting	(3)	5	45
Foreign currency translation adjustments	59	504	4,900
Defined retirement benefit plans		(1,119)	(10,872)
Total	164,642	168,510	1,637,287
Minority interests	1,338	2,400	23,320
Total equity	165,980	170,910	1,660,607
TOTAL	¥270,026	¥282,230	$2,742,224

Consolidated Statement of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
NET SALES (Note 19)	¥322,475	¥349,454	$3,395,397
COST OF SALES (Notes 9, 15 and 19)	239,190	265,934	2,583,893
Gross profit	83,285	83,520	811,504
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9, 14 and 15)	56,097	60,038	583,350
Operating income	27,188	23,482	228,154
OTHER INCOME (EXPENSES):			
Interest and dividend income	185	166	1,616
Interest expense	(164)	(150)	(1,466)
Equity in (losses) earnings of limited partnership	(30)	89	863
Equity in earnings of associated companies	22	178	1,728
Gain on sales of investment securities—net (Note 6)	56	338	3,287
Loss on write-down of investment securities		(8)	(74)
Other—net (Notes 8 and 17)	(490)	(413)	(4,010)
Other (expenses) income—net	(421)	200	1,944
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	26,767	23,682	230,098
INCOME TAXES (Note 13):			
Current	10,442	8,519	82,773
Deferred	202	849	8,249
Total income taxes	10,644	9,368	91,022
NET INCOME BEFORE MINORITY INTERESTS	16,123	14,314	139,076
MINORITY INTERESTS IN NET INCOME	98	217	2,108
NET INCOME	¥16,025	¥ 14,097	$ 136,968

	Yen		U.S. Dollars
	2013	2014	2014
PER SHARE OF COMMON STOCK (Notes 2.t and 21):			
Basic net income	¥268.53	¥237.84	$2.31
Cash dividends applicable to the year	105.00	110.00	1.07

Diluted net income per share for the years ended March 31, 2013 and 2014, is not disclosed because no potential common shares exist.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 16,123	**¥14,314**	**$139,076**
OTHER COMPREHENSIVE INCOME (Note 20):			
Net unrealized gain (loss) on available-for-sale securities	1,161	**(515)**	**(5,006)**
Deferred gain on derivatives under hedge accounting	28	**7**	**70**
Foreign currency translation adjustments	56	**510**	**4,961**
Defined retirement benefit plans		**796**	**7,738**
Share of other comprehensive income in associates	24	**26**	**249**
Total other comprehensive income	1,269	**824**	**8,012**
COMPREHENSIVE INCOME	**¥17,392**	**¥15,138**	**$147,088**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 17,294	**¥14,831**	**$144,105**
Minority interests	98	**307**	**2,983**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries
Year Ended March 31, 2014

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	60,797	¥ 21,764	¥ 33,076	¥ 108,497	¥ (5,370)	¥ 448	¥ (31)	¥ (20)		¥ 158,364	¥ 459	¥ 158,823
Net income				16,025						16,025		16,025
Appropriations—cash dividends, ¥100.00 per share				(6,015)						(6,015)		(6,015)
Purchase of treasury stock	(1,294)				(5,001)					(5,001)		(5,001)
Net change in the year						1,162	28	79		1,269	879	2,148
BALANCE, MARCH 31, 2013	59,503	21,764	33,076	118,507	(10,371)	1,610	(3)	59		164,642	1,338	165,980
BALANCE, APRIL 1, 2013 (as previously reported)	59,503	21,764	33,076	118,507	(10,371)	1,610	(3)	59		164,642	1,338	165,980
Effect of accounting change									¥ (1,915)	(1,915)		(1,915)
BALANCE, APRIL 1, 2013 (as restated)	59,503	21,764	33,076	118,507	(10,371)	1,610	(3)	59	(1,915)	162,727	1,338	164,065
Net income				**14,097**						**14,097**		**14,097**
Appropriations—cash dividends, ¥110.00 per share				**(6,545)**						**(6,545)**		**(6,545)**
Purchase of treasury stock	**(635)**				**(2,503)**					**(2,503)**		**(2,503)**
Cancellation of 2,500,000 shares of treasury stock				**(8,650)**	**8,650**							
Net change in the year						**(515)**	**8**	**445**	**796**	**734**	**1,062**	**1,796**
BALANCE, MARCH 31, 2014	**58,868**	**¥21,764**	**¥33,076**	**¥117,409**	**¥ (4,224)**	**¥ 1,095**	**¥ 5**	**¥ 504**	**¥ (1,119)**	**¥ 168,510**	**¥ 2,400**	**¥170,910**

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 211,461	$ 321,376	$ 1,151,447	$ (100,765)	$ 15,644	$ (26)	$ 571		$ 1,599,708	$ 13,002	$ 1,612,710
BALANCE, APRIL 1, 2013 (as previously reported)	211,461	321,376	1,151,447	(100,765)	15,644	(26)	571		1,599,708	13,002	1,612,710
Effect of accounting change								$ (18,611)	(18,611)		(18,611)
BALANCE, APRIL 1, 2013 (as restated)	211,461	321,376	1,151,447	(100,765)	15,644	(26)	571	(18,611)	1,581,097	13,002	1,594,099
Net income			**136,968**						**136,968**		**136,968**
Appropriations—cash dividends, $1.07 per share			**(63,596)**						**(63,596)**		**(63,596)**
Purchase of treasury stock				**(24,320)**					**(24,320)**		**(24,320)**
Cancellation of 2,500,000 shares of treasury stock			**(84,046)**	**84,046**							
Net change in the year					**(5,001)**	**71**	**4,329**	**7,739**	**7,138**	**10,318**	**17,456**
BALANCE, MARCH 31, 2014	**$211,461**	**$321,376**	**$1,140,773**	**$ (41,039)**	**$ 10,643**	**$ 45**	**$ 4,900**	**$ (10,872)**	**$1,637,287**	**$ 23,320**	**$1,660,607**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥26,767	¥23,682	$230,098
Adjustments for:			
Income taxes—paid	(10,941)	(9,788)	(95,104)
Depreciation and amortization	6,013	7,091	68,898
Amortization of goodwill		322	3,127
Reversal of allowance for doubtful receivables	(9)	(125)	(1,216)
Provision (reversal) of accrued bonuses to employees	261	(1,073)	(10,423)
Provision (reversal) of accrued bonuses to directors and Audit and Supervisory Board members	46	(63)	(613)
Provision for retirement benefits to employees, less payment	40	85	833
Equity in losses (earnings) of limited partnership	30	(89)	(863)
Gain on sales of investment securities—net	(56)	(338)	(3,287)
Loss on write-down of investment securities		8	74
Equity in earnings of associated companies	(22)	(178)	(1,728)
Changes in assets and liabilities:			
Increase in receivables—trade	(4,140)	(14,274)	(138,691)
Decrease (increase) in inventories	402	(3,998)	(38,844)
Increase in payables—trade	50	8,927	86,735
Other—net	(8,749)	(3,774)	(36,667)
Total adjustments	(17,075)	(17,267)	(167,769)
Net cash provided by operating activities	9,692	6,415	62,329
INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,828)	(6,540)	(63,547)
Purchases of intangible assets	(1,589)	(1,644)	(15,977)
Purchases of investment securities	(171)	(3)	(31)
Acquisitions of newly consolidated subsidiaries, net of cash acquired (Note 24)	(5,371)	(1,045)	(10,151)
Proceeds from sales of property and equipment	7	166	1,615
Proceeds from sales of intangible assets		2	25
Proceeds from sales of investment securities	242	714	6,934
Payments for retirement of property and equipment	(143)	(135)	(1,309)
(Increase) decrease in deposits other than cash equivalents	(311)	154	1,496
Payments for transfer of business	(248)		
Other—net	91	307	2,981
Net cash used in investing activities	(10,321)	(8,024)	(77,964)
FORWARD	¥ (629)	¥ (1,609)	$ (15,635)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
FORWARD	¥ (629)	¥ (1,609)	$ (15,635)
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net		438	4,253
Repayments of finance lease obligations	(1,994)	(2,416)	(23,469)
Proceeds from sale and leaseback	1,968	1,601	15,553
Purchases of treasury stock	(5,003)	(2,505)	(24,342)
Dividends paid	(6,015)	(6,546)	(63,602)
Dividends paid to minority interests in a subsidiary	(71)	(81)	(785)
Net cash used in financing activities	(11,115)	(9,509)	(92,392)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	26	68	664
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,718)	(11,050)	(107,363)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,852	66,134	642,575
CASH AND CASH EQUIVALENTS, END OF YEAR	¥66,134	¥55,084	$535,212

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Techno-Solutions Corporation and Subsidiaries
Year Ended March 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ITOCHU Techno-Solutions Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 13 (13 in 2013) subsidiaries (together, the "Group").

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

Investments in five (five in 2013) associated companies are accounted for by the equity method. Investment in the remaining associated company is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

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

b. Business Combinations—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

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

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

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

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

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

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

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

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

f. Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is from 15 to 50 years for buildings and structures, and from 5 to 15 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

g. Goodwill—Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. The differences between the cost and underlying net equities of investments in subsidiaries and associated companies at acquisition are recorded as goodwill and are amortized by the straight-line method over 10 years. If the amount is not material, it is expensed when incurred.

h. Intangible Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Amortization of software for use is calculated by the straight-line method based on five years of the estimated useful lives while the amortization of software for sales is calculated based on the expected sales quantities (or calculated by the straight-line method based on three years if the calculated amounts are greater than the above method). Customer-related assets are amortized by the straight-line method over 4 to 10 years.

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

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

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date. An actuarial adjustment is charged to income by the straight-line method over the following 10 years (which are within the average remaining years of service of the employees). Unrecognized prior service cost is charged to income by the straight-line method over the 10 years (which are within the average remaining years of service of the employees) (see Notes 2.v and 3).

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

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

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

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

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

All other leases are accounted for as operating leases.

n. Bonuses to Directors and Audit and Supervisory Board Members—Bonuses to directors and Audit and Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

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

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

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

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

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

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

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

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

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

Diluted net income per share is not disclosed in 2013 and 2014 because no potential common shares exist.

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

u. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

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

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company early applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above effective April 1, 2013. However, the amendment of the calculation method for present value of defined benefit obligations and current service cost for (c) above will be adopted from the beginning of the annual period beginning on April 1, 2014. The effect of applying the revised accounting standard for (c) above will be ¥863 million ($8,390 thousand) decrease in retained earnings as of April 1, 2014, and the effect on the consolidated statement of income will be not material.

3. ACCOUNTING CHANGE

Application of the Revised Accounting Standard and Guidance for Retirement Benefits

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) described in Note 2.v effective April 1, 2013. As a result, prepaid pension cost of ¥1,950 million ($18,949 thousand) and liability for retirement benefits of ¥490 million ($4,763 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income as of March 31, 2014, decreased by ¥1,119 million ($10,872 thousand).

4. BUSINESS COMBINATIONS

Year Ended March 31, 2013

a. Overview of the Business Combination

(1) Name of acquired company and its main business

Company name CSC ESI SDN. BHD.
CSC AUTOMATED PTE. LTD.

Main business Selling hardware and software and providing maintenance services to business customers

(2) Purpose of the business combination

One of the growth strategies in the Company's Medium-Term Management Plan is to expand its global operations. Through the investments in CSC ESI SDN. BHD. and CSC AUTOMATED PTE. LTD., which have customer bases in Malaysia and Singapore, respectively, as well as technological capabilities, the Company will establish operating bases in the ASEAN region, where high growth in the IT market is expected. The Company aims to create synergies to expand its consolidated earnings.

(3) Date of completion of business combination

March 14, 2013

(4) Legal form of business combination

Share purchase in exchange for cash payment

(5) Name of the company after business combination

CSC ESI SDN. BHD. (currently, CTC GLOBAL SDN. BHD.)
CSC AUTOMATED PTE. LTD. (currently, CTC GLOBAL PTE. LTD.)

(6) Percentage of voting rights acquired

CSC ESI SDN. BHD. 70.0%
CSC AUTOMATED PTE. LTD. 70.0%

(7) Main reason to determine the acquiring company

Share purchase in exchange for cash payment by the Company

b. Period of Results of the Acquired Company Included in the Consolidated Financial Statements of the Company

No operating results are included in the consolidated financial statements for the year ended March 31, 2013, since the date of the fiscal year end of the acquired company, March 31, 2013, is the deemed acquisition date.

c. Cost of Acquisition and Its Breakdown

CSC ESI SDN. BHD.

	Millions of Yen
Cash payment for acquisition	¥ 3,781
Other cost directly incurred for the acquisition (advisory fees, etc.)	94
Acquisition cost	**¥3,875**

CSC AUTOMATED PTE. LTD.

	Millions of Yen
Cash payment for acquisition	¥ 2,189
Other cost directly incurred for the acquisition (advisory fees, etc.)	52
Acquisition cost	**¥2,241**

In the next consolidated fiscal year, additional payments will be made in accordance with the Acquisition Price Adjustment Covenant. So, acquisition cost will be adjusted as additional payments are deemed to have been paid on the date of acquisition. Therefore, the amount of goodwill and its amortization may also be adjusted accordingly.

d. Amount of Goodwill, Reason for Recording Goodwill, Amortization Method, and Amortization Period

(1) Amount of goodwill

	Millions of Yen
CSC ESI SDN. BHD.	¥2,550
CSC AUTOMATED PTE. LTD.	1,579

(2) Reason for recognizing goodwill

The goodwill arose from the future increase in profitability that is expected as a result of expanding business.

(3) Method and term to amortize goodwill

Straight-line method over 10 years

e. Acquired Assets and Liabilities on the Date of the Business Combination

CSC ESI SDN. BHD.

	Millions of Yen
Current assets	¥ 3,978
Property	118
Total assets	**¥4,096**
Current liabilities	¥ 2,150
Long-term liabilities	54
Total liabilities	**¥2,204**

CSC AUTOMATED PTE. LTD.

	Millions of Yen
Current assets	¥ 1,644
Property	481
Total assets	**¥2,125**
Current liabilities	¥ 1,060
Long-term liabilities	119
Total liabilities	**¥1,179**

f. Allocation of Acquisition Cost
Allocation of acquisition costs has not been completed, as the recognition of assets and liabilities of the acquired company has not been determined.

g. Estimated Impact on Consolidated Financial Results if the Business Combination Had Been Completed at the Beginning of the Fiscal Year
CSC ESI SDN. BHD.

	Millions of Yen
Net sales	¥ 8,352
Net loss	208

CSC AUTOMATED PTE. LTD.

	Millions of Yen
Net sales	¥ 4,817
Net loss	7

These figures include the operating results of CSC ESI SDN. BHD. and CSC AUTOMATED PTE. LTD. from April 1, 2012 to March 31, 2013, such as estimated amortization of goodwill for the relevant period. These figures have not been audited by our independent auditor.

Year Ended March 31, 2014
a. Nature and Amounts of Material Adjustments to the Initial Allocation of Acquisition Cost
For the year ended March 31, 2013, the adjustments in accordance with the Acquisition Price Adjustment Covenant and the allocation of the acquisition costs of CTC GLOBAL SDN. BHD. (previously, CSC ESI SDN. BHD.) and CTC GLOBAL PTE. LTD. (previously, CSC AUTOMATED PTE. LTD.) were not finalized and the business combinations were provisionally accounted for.

For the year ended March 31, 2014, these adjustments have been completed.

The revised amounts of goodwill were as follows:
CTC GLOBAL SDN. BHD. (previously, CSC ESI SDN. BHD.)

Revised Items	Millions of Yen	Thousands of U.S. Dollars
Goodwill (before adjustments)	¥ 2,550	$ 24,780
Acquisition price adjustment	609	5,917
Customer-related assets	(2,340)	(22,736)
Deferred tax liabilities	585	5,684
Minority interests	527	5,116
Total amount revised	(619)	(6,019)
Goodwill (after adjustments)	**¥1,931**	**$18,761**

CTC GLOBAL PTE. LTD. (previously, CSC AUTOMATED PTE. LTD.)

Revised Items	Millions of Yen	Thousands of U.S. Dollars
Goodwill (before adjustments)	¥ 1,579	$ 15,340
Acquisition price adjustment	314	3,045
Customer-related assets	(1,242)	(12,068)
Deferred tax liabilities	211	2,052
Minority interests	309	3,005
Total amount revised	(408)	(3,966)
Goodwill (after adjustments)	**¥1,171**	**$11,374**

b. Amortization Method and Amortization Period

(1) Goodwill

Goodwill is amortized by the straight-line method over 10 years.

(2) Customer-related assets

Customer-related assets are amortized by the straight-line method over 4 to 10 years.

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deposits other than cash equivalents	¥ 807	¥653	$6,349
Time deposits		3	25
Total	¥807	¥656	$6,374

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Noncurrent:			
Marketable equity securities	¥ 3,564	¥2,648	$25,725
Nonmarketable equity securities	383	81	790
Investment in limited partnership	712	741	7,204
Other	25	25	243
Total	¥4,684	¥3,495	$33,962

The carrying amounts and aggregate fair values of investment securities as of March 31, 2013 and 2014, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities and other	¥ 1,161	¥ 2,431	¥ 3	¥ 3,589
March 31, 2014				
Securities classified as available-for-sale equity securities and other	¥1,081	¥1,598	¥6	¥2,673

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities and other	$10,499	$15,527	$58	$25,968

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2014, were ¥242 million and ¥713 million ($6,932 thousand), respectively. Gross realized gains on these sales for the years ended March 31, 2013 and 2014, were ¥56 million and ¥338 million ($3,287 thousand), respectively. There were no gross realized losses on these sales for the years ended March 31, 2013 and 2014.

7. INVENTORIES

Inventories at March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Merchandise	¥ 13,428	¥16,948	$164,676
Work in process	5,348	6,713	65,224
Supplies for maintenance service	6,588	5,805	56,399
Total	¥25,364	¥29,466	$286,299

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2014. As a result, the Group recognized an impairment loss of ¥124 million as other expense for mainly buildings and structures for 2013 (the Group recognized no impairment losses on these assets for 2014). The recoverable amounts of these impaired assets were measured at net selling prices at disposition.

9. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees.

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

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

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥15,955
Fair value of plan assets	(15,553)
Unrecognized actuarial loss	(3,793)
Unrecognized prior service cost	779
Prepaid pension cost	3,188
Net liability	**¥ 576**

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 950
Interest cost	268
Expected return on plan assets	(322)
Recognized actuarial loss	611
Recognized prior service cost	(227)
Contribution to defined benefit and contributory pension fund	852
Other	799
Net periodic benefit costs	**¥2,931**

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	1.2%
Expected rate of return on plan assets	2.5%
Recognition period of actuarial gain/loss	10 years
Amortization period of prior service cost	10 years

Items relating to the overall status of the ITOCHU Union Pension Fund as of March 31, 2012, were as follows:

	Millions of Yen
Plan assets	¥ 65,155
Benefit obligation based on pension plan finance calculation	(77,805)
Balance	**¥(12,650)**

The percentage of total pension plan accounted for by contributions from the Group in the year ended March 31, 2012, was 28.6%. The principal factors relating to the balance were, based on pension plan finance calculation, prior service cost of ¥12,317 million and deficiency carried forward of ¥333 million. Prior service cost is amortized through amortization of principal and interest using the straight-line method over 19 years (at March 31, 2012).

Year Ended March 31, 2014

a. The changes in funded defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 15,504	$ 150,637
Current service cost	1,001	9,730
Interest cost	187	1,820
Actuarial gains	(308)	(2,997)
Benefits paid	(482)	(4,684)
Balance at end of year	**¥15,902**	**$154,506**

b. The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 15,553	$ 151,116
Expected return on plan assets	316	3,069
Actuarial gains	531	5,162
Contributions from the employer	1,934	18,792
Benefits paid	(482)	(4,684)
Balance at end of year	**¥17,852**	**$173,455**

c. The changes in unfunded defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 452	$ 4,387
Retirement benefit expenses	61	593
Benefits paid	(23)	(217)
Balance at end of year	**¥490**	**$4,763**

d. Reconciliation between the liability and the asset recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 15,902	$ 154,506
Plan assets	(17,852)	(173,455)
	(1,950)	(18,949)
Unfunded defined benefit obligation	490	4,763
Net asset arising from defined benefit obligation	**¥(1,460)**	**$ (14,186)**

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 490	$ 4,763
Prepaid pension cost	(1,950)	(18,949)
Net asset arising from defined benefit obligation	**¥(1,460)**	**$ (14,186)**

e. The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,001	$ 9,730
Interest cost	187	1,820
Expected return on plan assets	(316)	(3,069)
Recognized actuarial losses	629	6,109
Amortization of prior service cost	(202)	(1,965)
Others	61	593
Net periodic benefit costs	**¥1,360**	**$13,218**

f. The components of other comprehensive income on defined retirement benefit plans for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service cost	¥ (202)	$ (1,965)
Actuarial gains	1,468	14,268
Total	**¥1,266**	**$12,303**

g. Accumulated other comprehensive income on defined retirement benefit plans of defined benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (576)	$ (5,599)
Unrecognized actuarial losses	2,325	22,587
Total	**¥1,749**	**$16,988**

h. Plan assets as of March 31, 2014
(1) Components of plan assets
Plan assets consisted of the following:

Debt investments	54%
Equity investments	27
Cash and cash equivalents	2
Others	17
Total	**100%**

(2) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

i. Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.2%
Expected rate of return on plan assets	2.0%

j. Contributions to the defined contribution pension plan were ¥829 million ($8,059 thousand) for the year ended March 31, 2014.

k. Contributions to the ITOCHU Union Pension Fund were ¥829 million ($8,064 thousand) for the year ended March 31, 2014.

l. Items relating to the overall status of the ITOCHU Union Pension Fund as of March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Plan assets	¥ 65,835	$ 639,673
Benefit obligation based on pension plan finance calculation	(81,139)	(788,369)
Balance	**¥(15,304)**	**$148,696**

The percentage of total pension plan accounted for by contributions from the Group in the year ended March 31, 2013, was 28.7% (the percentage does not match the actual percentage shouldered by the Group). The principal factors relating to the balance were, based on pension plan finance calculation, prior service cost of ¥11,955 million ($116,156 thousand) and deficiency carried forward of ¥3,349 million ($32,540 thousand). Prior service cost is amortized through amortization of principal and interest using the straight-line method over 18 years (at March 31, 2013).

10. SHORT-TERM BANK LOANS

The annual interest rate applicable to the short-term bank loans was 0.62% at March 31, 2014.

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Balance at beginning of year	¥ 1,303	**¥1,532**	**$14,887**
Additional provisions associated with the acquisition of property and equipment	154	**45**	**440**
Increase by acquisition	32		
Reconciliation associated with passage of time	26	**30**	**291**
Increase by change in estimate	141	**159**	**1,547**
Increase by foreign exchange fluctuation		**2**	**14**
Reduction associated with settlement of asset retirement obligations	(124)	**(118)**	**(1,151)**
Balance at end of year	**¥1,532**	**¥1,650**	**$16,028**

The short-term asset retirement obligation was ¥84 million as of March 31, 2013. This is included in other current liabilities on the consolidated balance sheet. (There was no short-term asset retirement obligation as of March 31, 2014.)

12. EQUITY

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

a. Dividends

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2013 and 2014.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Current:			
Deferred tax assets:			
Loss on write-down of inventories	¥ 4,659	¥3,848	$37,391
Accrued bonuses to employees	2,875	2,311	22,452
Revenue recognition for tax purposes	37	662	6,429
Accrued other expenses	658	593	5,761
Accrued enterprise taxes	616	562	5,462
Other	408	658	6,394
Less valuation allowance	(395)	(347)	(3,370)
Total	¥ 8,858	¥8,287	$80,519
Charges to offset against deferred tax liabilities		(3)	(26)
Net deferred tax assets—current	¥8,858	¥8,284	$80,493
Deferred tax liabilities—consolidation adjustment of allowance for doubtful accounts			$ 1
Deferred gain on derivatives under hedge accounting		¥3	25
Charges to offset against deferred tax assets		(3)	(26)
Net deferred tax liabilities—current			

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Noncurrent:			
Deferred tax assets:			
Asset retirement obligations	¥ 521	¥ 594	$ 5,770
Unrealized gain of tangible assets	379	344	3,339
Depreciation	409	314	3,053
Accrued retirement benefits	207	159	1,548
Loss on write-down of investment securities	215	210	2,042
Equity in losses of limited partnership	64	100	977
Tax loss carryforwards	152	17	165
Other	219	148	1,439
Less valuation allowance	(336)	(174)	(1,703)
Total	1,830	1,712	16,630
Charges to offset against deferred tax liabilities	(1,233)	(1,287)	(12,504)
Net deferred tax assets—noncurrent	¥ 597	¥ 425	$ 4,126
Deferred tax liabilities:			
Prepaid pension cost	¥ 1,160	¥ 683	$ 6,639
Intangible assets recognized in business combinations		744	7,229
Net unrealized gain on available-for-sale securities	825	531	5,160
Property and equipment	233	277	2,692
Other	85	140	1,357
Charges to offset against deferred tax assets	(1,233)	(1,287)	(12,504)
Net deferred tax liabilities—noncurrent	¥1,070	¥1,088	$10,573

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2013 and 2014, were not disclosed because the differences were not more than 5% of the normal effective statutory tax rate.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 36%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥263 million ($2,553 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥263 million ($2,555 thousand).

As of March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥47 million ($458 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
After 2020	¥47	$458
Total	¥47	$458

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥249 million and ¥317 million ($3,077 thousand) for the years ended March 31, 2013 and 2014, respectively.

15. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2013 and 2014, were ¥10,348 million and ¥9,994 million ($97,104 thousand), respectively.

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

	Millions of Yen		Thousands of U.S. Dollars	
	2014		2014	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥ 4,901**	**¥2,781**	**$ 47,620**	**$27,020**
Due after one year	**12,572**	**2,019**	**122,150**	**19,622**
Total	**¥17,473**	**¥4,800**	**$169,770**	**$46,642**

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

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

	Millions of Yen		
	2013		
	Buildings and Structures	Furniture and Fixtures	Total
Acquisition cost	¥1,290	¥ 375	¥1,665
Accumulated depreciation	1,007	271	1,278
Net leased property	**¥ 283**	**¥104**	**¥ 387**

	Millions of Yen		
	2014		
	Buildings and Structures	Furniture and Fixtures	Total
Acquisition cost	**¥1,090**	**¥322**	**¥1,412**
Accumulated depreciation	**946**	**256**	**1,202**
Net leased property	**¥ 144**	**¥ 66**	**¥ 210**

	Thousands of U.S. Dollars		
	2014		
	Buildings and Structures	Furniture and Fixtures	Total
Acquisition cost	$10,594	$3,125	$13,719
Accumulated depreciation	9,196	2,481	11,677
Net leased property	$ 1,398	$ 644	$ 2,042

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥ 199	¥162	$1,571
Due after one year	245	83	809
Total	¥444	¥245	$2,380

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Depreciation expense	¥ 317	¥177	$1,718
Interest expense	26	15	149
Total	¥343	¥192	$1,867
Lease payments	¥371	¥215	$2,087

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

The net investments in lease included in receivables—other as of March 31, 2013 and 2014, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Gross lease receivables	¥ 14,210	¥13,688	$132,999
Unearned interest income	(1,300)	(1,073)	(10,425)
Investments in lease	¥12,910	¥12,615	$122,574

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 3,722	$ 36,164
2016	3,506	34,065
2017	2,635	25,608
2018	1,845	17,927
2019	1,298	12,609
2020 and thereafter	682	6,626
Total	¥13,688	$132,999

Future minimum lease receivables under noncancelable operating leases at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 425	$ 4,127
Due after one year	656	6,372
Total	¥1,081	$10,499

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group Policy for Financial Instruments
Cash surpluses, if any, are invested in low-risk financial assets. The Group primarily uses its own funds for capital expenditures, excluding certain lease contracts and operational funds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 16.b below.

b. Nature and Extent of Risks Arising from Financial Instruments
Receivables such as trade notes, trade accounts, and investments in lease are exposed to customer credit risk. Marketable securities, including certificates of deposit and commercial paper (these are included in cash and cash equivalents on the consolidated balance sheet), are exposed to issuer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

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

Foreign currency forward contracts are used to manage exposure to market risks from changes in foreign currency exchange rates of payables. Please see Note 17 for more detail about derivatives.

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

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

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

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

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

d. Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 17 for details on the fair value for derivatives.

(1) Fair value of financial instruments

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 66,134	¥ 66,134	
Receivables—trade	66,844	66,844	
Investments in lease (included in receivables—other)	12,910	13,061	¥ 151
Investment securities	3,589	3,589	
Other	39	39	
Total	**¥149,516**	**¥149,667**	**¥ 151**
Payables—trade	¥ 26,430	¥ 26,430	
Lease obligations	18,549	18,705	¥ (156)
Income taxes payable	7,803	7,803	
Other	54	54	
Total	**¥ 52,836**	**¥ 52,992**	**¥(156)**
Derivatives—To which hedge accounting is applied	¥ (4)	¥ (4)	
Total	**¥ (4)**	**¥ (4)**	

March 31, 2014	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 55,084	¥ 55,084	
Receivables—trade	81,266	81,266	
Investments in lease (included in receivables—other)	12,615	12,743	¥ 128
Investment securities	2,673	2,673	
Other	25	25	
Total	¥151,663	¥151,791	¥ 128
Payables—trade	¥ 35,464	¥ 35,464	
Short-term bank loans	450	450	
Lease obligations	17,473	17,593	¥(120)
Income taxes payable	6,561	6,561	
Other	30	30	
Total	¥ 59,978	¥ 60,098	¥(120)
Derivatives—To which hedge accounting is not applied	¥ (1)	¥ (1)	
Derivatives—To which hedge accounting is applied	7	7	
Total	¥ 6	¥ 6	

March 31, 2014	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 535,212	$ 535,212	
Receivables—trade	789,607	789,607	
Investments in lease (included in receivables—other)	122,574	123,811	$ 1,237
Investment securities	25,968	25,968	
Other	242	242	
Total	$1,473,603	$1,474,840	$ 1,237
Payables—trade	$ 344,580	$ 344,580	
Short-term bank loans	4,378	4,378	
Lease obligations	169,770	170,932	$(1,162)
Income taxes payable	63,745	63,745	
Other	294	294	
Total	$ 582,767	$ 583,929	$(1,162)
Derivatives—To which hedge accounting is not applied	$ (14)	$ (14)	
Derivatives—To which hedge accounting is applied	70	70	
Total	$ 56	$ 56	

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

Investments in Lease
Investments in lease are measured at fair value using the discounted cash flow of the expected lease receivable. The discounted rate is the interest rate assumed when the lease is contracted.

Investment Securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 6.

Receivables, Payables, Short-Term Bank Loans, and Income Taxes Payable
The carrying values of receivables, payables, short-term bank loans and income taxes payable approximate fair value because of their short maturities.

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

Derivatives
Fair value information for derivatives is included in Note 17.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 383	¥ 81	$ 790
Investment in limited partnership	712	741	7,204
Total	¥1,095	¥822	$7,994

e. Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 55,084			
Receivables—trade	81,266			
Investments in lease (included in receivables—other)	3,288	¥8,660	¥667	
Investment securities—Available-for-sale securities with contractual maturities		25		
Other	25			
Total	¥139,663	¥8,685	¥667	

	Thousands of U.S. Dollars			
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 535,212			
Receivables—trade	789,607			
Investments in lease (included in receivables—other)	31,943	$84,146	$6,485	
Investment securities—Available-for-sale securities with contractual maturities		243		
Other	242			
Total	$1,357,004	$84,389	$6,485	

Please see Note 15 for obligations under finance leases.

17. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—Buying U.S.$	¥21		¥20	¥(1)

March 31, 2014	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—Buying U.S.$	**$208**		**$194**	**$ (14)**

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

There is no applicable information for the year ended March 31, 2013.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2013	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 70		
Selling U.S.$	Receivables (forecasted)	491		
Selling U.K.£	Receivables (forecasted)	3		
Buying U.S.$	Payables	3,508		
Buying €	Payables	22		
Buying U.K.£	Payables	31		
Buying S$	Payables	46		
Buying THB	Payables	7		
Buying U.S.$	Payables (forecasted)	1,114		¥ (3)
Buying €	Payables (forecasted)	2		
Buying U.K.£	Payables (forecasted)	37		(1)
March 31, 2014				
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥ 651**		
Selling U.S.$	Receivables (forecasted)	**17**		
Selling €	Receivables	**3**		
Selling U.K.£	Receivables	**7**		
Selling THB	Receivables	**10**		
Buying U.S.$	Payables	**2,612**		
Buying €	Payables	**14**		
Buying U.K.£	Payables	**38**		
Buying S$	Payables			
Buying THB	Payables			
Buying U.S.$	Payables (forecasted)	**655**		**¥ 7**
Buying U.K.£	Payables (forecasted)	**3**		

March 31, 2014	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$ 6,324		
Selling U.S.$	Receivables (forecasted)	161		$ (1)
Selling €	Receivables	31		
Selling U.K.£	Receivables	72		
Selling THB	Receivables	100		
Buying U.S.$	Payables	25,381		
Buying €	Payables	133		
Buying U.K.£	Payables	368		
Buying S$	Payables	4		
Buying THB	Payables	2		
Buying U.S.$	Payables (forecasted)	6,364		71
Buying U.K.£	Payables (forecasted)	25		

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

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

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

18. CONTINGENT LIABILITIES

As of March 31, 2014, the Group is contingently liable for guarantees of borrowings by the Group's employees amounting to ¥132 million ($1,278 thousand).

19 RELATED-PARTY DISCLOSURES

Transactions of the Company with associated companies for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Sales	¥ 243	¥ 149	$ 1,449
Purchases	367	304	2,950

Transactions of the Company with the parent company, ITOCHU Corporation, for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Purchases	¥ 10,312	¥ 10,654	$ 103,516
Deposit contract	5,000	5,000	48,581

The balances due to the parent company, ITOCHU Corporation, as of March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Payables—trade	¥ 498	¥ 432	$ 4,194

20. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,809	¥ (169)	$ (1,643)
Reclassification adjustments to profit or loss	(11)	(640)	(6,218)
Amount before income tax effect	1,798	(809)	(7,861)
Income tax effect	(637)	294	2,855
Total	¥1,161	¥ (515)	$ (5,006)
Deferred gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (4)	¥ 7	$ 70
Reclassification adjustments to profit or loss	49	4	41
Amount before income tax effect	45	11	111
Income tax effect	¥ (17)	(4)	(41)
Total	¥ 28	¥ 7	$ 70
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 56	¥ 510	$ 4,961
Amount before income tax effect	56	510	4,961
Total	¥ 56	¥ 510	$ 4,961
Defined retirement benefit plans:			
Adjustments arising during the year		¥ 840	$ 8,159
Reclassification adjustments to profit or loss		426	4,144
Amount before income tax effect		1,266	12,303
Income tax effect		(470)	(4,565)
Total		¥ 796	$ 7,738
Share of other comprehensive income in associates—Gains arising during the year	¥ 24	¥ 26	$ 249
Total	¥ 24	¥ 26	$ 249
Total other comprehensive income	¥1,269	¥ 824	$ 8,012

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2014, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 16,025	59,677	¥ 268.53	
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥ 14,097	59,270	¥ 237.84	$ 2.31

Diluted net income per share for the years ended March 31, 2013 and 2014, is not disclosed because no potential common shares exist.

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings as of March 31, 2014, were approved at the Company's shareholders' meeting held on June 18, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥55.00 ($0.53) per share	¥ 3,238	$ 31,459

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥3,273 million ($31,798 thousand, ¥55.00 ($0.53) per share) on December 6, 2013, to shareholders of record as of September 30, 2013, based on a resolution by the Board of Directors.

23. SEGMENT INFORMATION

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

a. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The reportable segments are telecommunications business segment, finance and public business segment, enterprise business segment, distribution business segment, cloud platform business segment, and support and service business segment.

The telecommunications business segment, finance and public business segment, enterprise business segment, and distribution business segment engage in the proposal and sale of system integrations, including consulting services, system design/construction services, system maintenance services, etc.

The cloud platform business segment and the support and service business segment engage in the procurement of business for their services, which include datacenter services and system maintenance services, and work together with the other four reportable segments to make proposals.

Effective for the current fiscal year, business for broadcast fields, ISP and distribution fields which was classified in the enterprise business segment has been reclassified. Business for broadcast fields and ISP has been reclassified into the telecommunications business segment, and business for distribution fields has been reclassified into the distribution business segment. Additionally, business for public interest fields, which was classified in both the enterprise business segment and the telecommunications business segment, has been reclassified into the finance business segment, and the name of the segment has been changed from finance business segment to finance and public business segment.

The segment information for the year ended March 31, 2013, is also disclosed using the new operating segments.

b. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

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

	Millions of Yen										
	2013										
	Reportable Segment										
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥ 127,037	¥ 52,739	¥ 70,895	¥ 52,954	¥ 7,782	¥ 2,226	¥ 313,633	¥ 8,842	¥ 322,475		¥ 322,475
Intersegment sales or transfers	1,236	616	2,565	164	24,416	60,277	89,274	4,569	93,843	¥ (93,843)	
Total	**¥128,273**	**¥53,355**	**¥73,460**	**¥53,118**	**¥32,198**	**¥62,503**	**¥402,907**	**¥13,411**	**¥416,318**	**¥ (93,843)**	**¥322,475**
Segment profit	¥ 13,251	¥ 6,056	¥ 3,498	¥ 3,762	¥ 2,223	¥ 10,879	¥ 39,669	¥ 1,007	¥ 40,676	¥ (13,488)	¥ 27,188
Segment assets	39,300	18,825	23,244	27,917	33,107	26,492	168,885	17,032	185,917	84,109	270,026
Other:											
Depreciation	365	506	631	490	1,815	212	4,019	102	4,121	1,892	6,013
Investments in associated companies accounted for by the equity method				1,074			1,074	141	1,215	101	1,316
Increase in property and equipment and intangible assets	806	207	151	597	6,579	210	8,550	121	8,671	1,360	10,031

	Millions of Yen										
	2014										
	Reportable Segment										
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥121,552	¥54,810	¥78,154	¥54,477	¥ 8,279	¥ 2,195	¥319,467	¥29,987	¥349,454		¥349,454
Intersegment sales or transfers	1,553	256	1,493	247	24,965	62,311	90,825	4,693	95,518	¥(95,518)	
Total	¥123,105	¥55,066	¥79,647	¥54,724	¥33,244	¥64,506	¥410,292	¥34,680	¥444,972	¥(95,518)	¥349,454
Segment profit	¥ 10,082	¥ 3,290	¥ 3,626	¥ 5,658	¥ 1,833	¥10,652	¥ 35,141	¥ 1,390	¥ 36,531	¥(13,049)	¥ 23,482
Segment assets	45,013	23,367	27,513	30,229	34,707	30,679	191,508	22,256	213,764	68,466	282,230
Other:											
Depreciation	308	575	547	736	2,331	227	4,724	895	5,619	1,472	7,091
Amortization of goodwill								322	322		322
Investments in associated companies accounted for by the equity method				1,196			1,196	182	1,378	112	1,490
Increase in property and equipment and intangible assets	349	348	362	242	3,327	222	4,850	764	5,614	1,354	6,968

	Thousands of U.S. Dollars										
	2014										
	Reportable Segment										
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	$1,181,033	$532,547	$759,367	$529,318	$ 80,436	$ 21,330	$3,104,031	$291,366	$3,395,397		$3,395,397
Intersegment sales or transfers	15,091	2,484	14,504	2,398	242,565	605,436	882,478	45,597	928,075	$ (928,075)	
Total	$1,196,124	$535,031	$773,871	$531,716	$323,001	$626,766	$3,986,509	$336,963	$4,323,472	$ (928,075)	$3,395,397
Segment profit	$ 97,959	$ 31,962	$ 35,231	$ 54,980	$ 17,812	$103,501	$ 341,445	$ 13,503	$ 354,948	$ (126,794)	$ 228,154
Segment assets	437,360	227,037	267,322	293,715	337,221	298,089	1,860,744	216,242	2,076,986	665,238	2,742,224
Other:											
Depreciation	2,990	5,583	5,317	7,152	22,651	2,200	45,893	8,700	54,593	14,305	68,898
Amortization of goodwill								3,127	3,127		3,127
Investments in associated companies accounted for by the equity method				11,616			11,616	1,769	13,385	1,086	14,471
Increase in property and equipment and intangible assets	3,387	3,382	3,520	2,350	32,330	2,155	47,124	7,427	54,551	13,157	67,708

Notes: 1. "Other," which is not included in reportable segments, consists of foreign subsidiaries and a science business segment, etc.

2. Reconciliations of segment profit consist primarily of corporate operating expenses (¥(15,021) million for 2013 and ¥(14,375) million ($(139,670) thousand) for 2014) and eliminations (¥1,308 million for 2013 and ¥1,181 million ($11,478 thousand) for 2014).

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

3. Reconciliations of segment assets consist primarily of corporate assets (¥92,597 million for 2013 and ¥78,115 million ($758,984 thousand) for 2014) and eliminations (¥(7,745) million for 2013 and ¥(8,525) million ($(82,835) thousand) for 2014).

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

4. Reconciliations of depreciation consist of depreciation of corporate assets (¥2,043 million for 2013 and ¥1,613 million ($15,676 thousand) for 2014) and eliminations of unrealized profit (¥(151) million for 2013 and ¥(141) million ($(1,371) thousand) for 2014).

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

Reconciliations of increase in property and equipment and intangible assets consist of increase in corporate assets (¥1,531 million for 2013 and ¥1,441 million ($14,002 thousand) for 2014) and eliminations of unrealized profit (¥(171) million for 2013 and ¥(87) million ($(845) thousand) for 2014).

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

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

Related Information

a. Information about Products and Services

	Millions of Yen			
	2013			
	Service	SI/ Development	Products	Total
Sales to external customers	¥135,090	¥64,964	¥122,421	¥322,475

	Millions of Yen			
	2014			
	Service	SI/ Development	Products	Total
Sales to external customers	**¥144,407**	**¥72,288**	**¥132,759**	**¥349,454**

	Thousands of U.S. Dollars			
	2014			
	Service	SI/ Development	Products	Total
Sales to external customers	**$1,403,102**	**$702,367**	**$1,289,928**	**$3,395,397**

b. Information about Geographical Areas

(1) Sales

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

(2) Property and equipment

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

c. Information about Major Customers

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

Information about Impairment Losses of Assets in Reportable Segments

	Millions of Yen								
	2013								
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Other	Elimination/ Corporate	Total
Impairment losses of assets				¥1	¥113	¥2		¥8	¥124

There is no applicable information for the year ended March 31, 2014.

Information about Goodwill in Reportable Segments

	Millions of Yen								
	2013								
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Other	Elimination/ Corporate	Total
Goodwill at March 31, 2013							¥4,129		¥4,129

	Millions of Yen								
	2014								
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Other	Elimination/ Corporate	Total
Amortization of goodwill							**¥ 322**		**¥ 322**
Goodwill at March 31, 2014							**2,945**		**2,945**

	Thousands of U.S. Dollars								
	2014								
	Telecommunications	Finance and Public	Enterprise	Distribution	Cloud Platform	Support and Service	Other	Elimination/ Corporate	Total
Amortization of goodwill							**$ 3,127**		**$ 3,127**
Goodwill at March 31, 2014							**28,615**		**28,615**

Information about Negative Goodwill in Reportable Segments

There is no applicable information.

24. SUPPLEMENTAL CASH FLOW INFORMATION

Year Ended March 31, 2013

Acquisitions of newly consolidated subsidiaries

CSC ESI SDN. BHD. and CSC AUTOMATED PTE. LTD. were acquired. Assets and liabilities of these companies at the date of acquisition, acquisition cost, and payments for purchase of newly subsidiaries were as follows:

CSC ESI SDN. BHD. (currently, CTC GLOBAL SDN. BHD.)

	Millions of Yen
Current assets	¥ 3,978
Property	118
Goodwill	2,550
Current liabilities	(2,150)
Long-term liabilities	(54)
Minority interests	(567)
Acquisition cost	3,875
Payables	(81)
Cash and cash equivalents	(361)
Payments for purchase—net	¥ 3,433

CSC AUTOMATED PTE. LTD. (currently, CTC GLOBAL PTE. LTD.)

	Millions of Yen
Current assets	¥ 1,644
Property	481
Goodwill	1,579
Current liabilities	(1,060)
Long-term liabilities	(119)
Minority interests	(284)
Acquisition cost	2,241
Payables	(41)
Cash and cash equivalents	(262)
Payments for purchase—net	¥ 1,938

Year Ended March 31, 2014

During the year ended March 31, 2014, the Company paid ¥1,045 million ($10,151 thousand), which consists of the unpaid balance of ¥122 million ($1,188 thousand) and additional payments in accordance with the Acquisition Price Adjustment Covenant of ¥923 million ($8,963 thousand) for the acquisition of CTC GLOBAL SDN. BHD. (previously, CSC ESI SDN. BHD.) and CTC GLOBAL PTE. LTD. (previously, CSC AUTOMATED PTE. LTD.) which were newly consolidated in the year ended March 31, 2013.

Independent Auditor's Report

Deloitte Touche Tohmatsu LLC
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Japan

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of ITOCHU Techno-Solutions Corporation and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in 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, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 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 18, 2014

Member of
Deloitte Touche Tohmatsu Limited

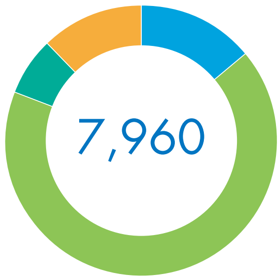
Note

Corporate Data

As of April 1, 2014

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	7,960 (CTC Group total)

Composition of CTC Employees



Consulting, sales: 1,119 (14.1%)

System engineers (SE): 5,318 (66.8%)

Customer engineers (CE): 564 (7.1%)

Other staff: 959 (12.0%)

CTC Group Companies

Consolidated Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥ 450 million	Maintenance and system management services, support services on system and network, system construction services, IT-related training
CTC 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
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, Exportation 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

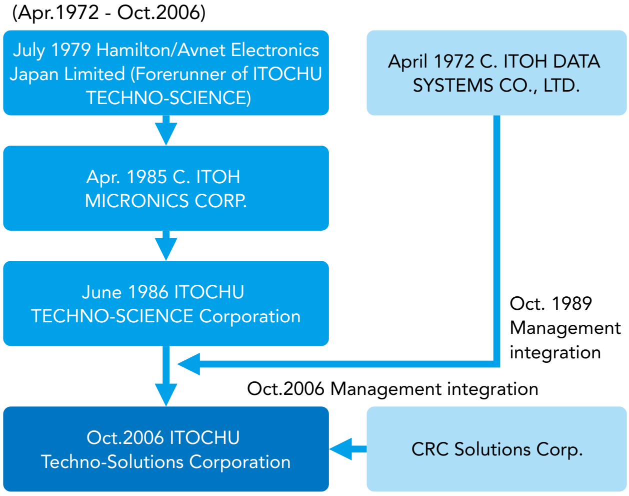
Associated Companies Accounted for by the Equity Method

Company	Paid-in Capital	Main Business Activities
ITOCHU Technology Ventures, Inc.	¥ 100 million	Operation of investment funds of venture companies
IHI Scube Co., Ltd.	¥ 260 million	System development
Netband Consulting Co., Ltd.	THB 55,000,000	Sales network products and solutions

Two other companies (one in Japan, one overseas)

Company History

(Apr.1972 - Oct.2006)



Company History (Oct. 2006 - May 2014)

October	2006	• ITOCHU TECHNO - SCIENCE Corporation and CRC Solutions Corp. merged to form ITOCHU Techno-Solutions Corporation.
January	2007	• Established the Osaki Development Center in Osaki, Shinagawa-ku, Tokyo
July	2008	• Established CTC SYSTEM OPERTIONS Corporation as a consolidated subsidiary
October		• Established the Mejirozaka Data Center in Bunkyo-ku, Tokyo
April	2010	• Established a company for employment promotion of handicapped persons, HINARI Corporation
April	2011	• Changed company names of CRC Systems Corp. and CRC Facilities Corp. to CTC SYSEM SERVICE CORPORATION and CTC FACILITIES CORPORATION, respectively • Established the Singapore Branch
April	2012	• Established ITOCHU Techno-Solutions America, Inc., first subsidiary in North America
March	2013	• CSC ESI Sdn. Bhd. in Malaysia and CSC Automated Pte. Ltd. in Singapore converted to subsidiaries through share acquisitions.
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.
April	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.

Stock Information

As of March 31, 2014

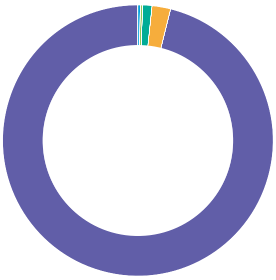
Authorized	246,000,000 shares
Issued	60,000,000 shares
Shareholders	14,538

Major Shareholders

	Number of Shares	(%)
ITOCHU Corporation	33,665,400	56.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,065,400	3.44
Japan Trustee Services Bank, Ltd. (Trust Account)	1,428,200	2.38
CTC Employee Shareholding Association	1,131,568	1.89
EVERGREEN	696,600	1.16
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	686,400	1.14
JP MORGAN CHASE BANK 385174	620,700	1.03
NOMURA BANK (LUXEMBOURG) S.A.	483,000	0.81
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	388,720	0.65

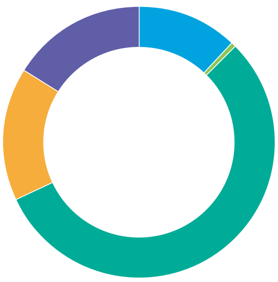
Note: Additionally, the company holds 1,131,626 shares of treasury stock.

Breakdown by Number of Owners



- Financial institutions 0.34%
- Securities companies 0.20%
- Other entities 1.25%
- Foreign entities 2.29%
- Individuals, others 95.92%

Ownership by Percentage Shareholding



- Financial institutions 12.69%
- Securities companies 0.43%
- Other entities 57.79%
- Foreign entities, etc. 16.32%
- Individuals, others 12.77%

Third-Party Opinion

Ms. Kumi Fujisawa

Co-Founder, Think Tank SophiaBank
Visiting Professor, Hosei Business School

First, I would like to highly commend CTC on transitioning to an integrated report this fiscal year, combining financial information with CSR and other non-financial information. At present, IT is social infrastructure and public goods constituting the foundation of all business. CTC's business functions as the driving force for business and social advances, and has significance in its contribution to society. Accordingly, the transition to an integrated report provides shareholders and stakeholders CTC's business in more depth, facilitating more accurate understanding.

In particular, the opening messages from President Kikuchi and Managing Executive Officer Okubo specifically discuss the environment in which CTC operates and the significance of the company's existence. Their words strongly convey a sense of urgency as well as a sense of responsibility for the company's existence.

Furthermore, the initiatives by each business segment are well explained to convey the significance of the company's existence. It creates a deeper understanding of comprehensive IT service capabilities by illustrating IT as more than just infrastructure, IT as a management strategy related to customers and IT for promoting the resolution of social issues.

However, to establish a position for itself as a driving force in these times, CTC must enhance the overall capabilities of its officers and employees, including management strategy formulation capabilities with insight into industries and markets, flexible creative powers and the cutting-edge technologies to realize these goals. This report repeatedly expresses the importance of these efforts, with a large number of pages dedicated to the cultivation of human resources.

In all likelihood, this fiscal year will be the year CTC fulfills that declaration. Next fiscal year, I would like CTC to specifically mention, in this report, its achievements in cultivating the human resources. To contribute to society, CTC must first achieve internal contributions before it can put them in practice externally. I hope CTC will exhibit new movements and innovations within the organization such as internal innovative powers, insights into new areas, the attainment of new technologies, and advanced in-house working styles and then demonstrate its return to a growth track.

Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

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