CTC

Challenging Tomorrow's Changes

Annual Report 2013

For the year ended March 31, 2013

Profile

The CTC Group Uses Information Technology to Support Social Infrastructure

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.

Annual Report
2013
Year ended March 31, 2013

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CTC Group Strengths

Total Solutions Provider

Offering total solutions as a prime contractor

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Multi-Vendor

Delivering optimal solutions to meet customer needs

Page 4

Wide Customer Base

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

Page 5

Solid Management Foundation

Creating financial foundations to support service businesses

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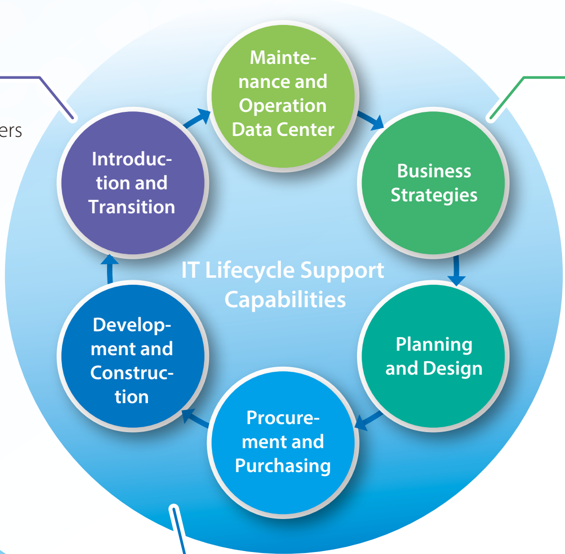
Total Solutions Provider

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

CTC's Business Model

Outsourcing

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



Consultation

- Business consulting
- IT consulting

System Integration

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

Data Centers

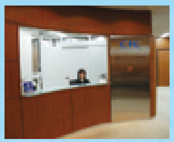
Five locations / seven wings nationwide


Yokohama-East


Yokohama-West


Yokohama-North


Kobe


Otemachi


Shibuya

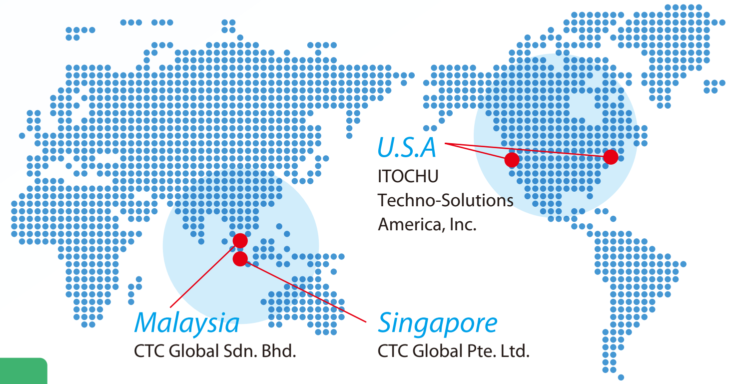

Mejirozaka

Technical Solutions Center

Osaki Development Center

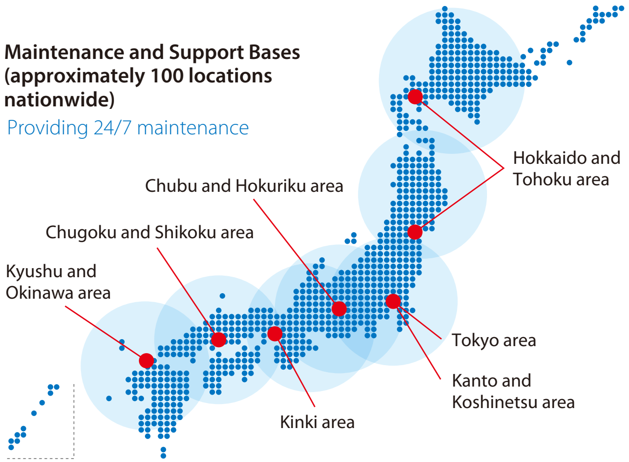
Overseas Bases

Strengthening Business Bases in the ASEAN Region



Maintenance and Support Bases (approximately 100 locations nationwide)

Providing 24/7 maintenance



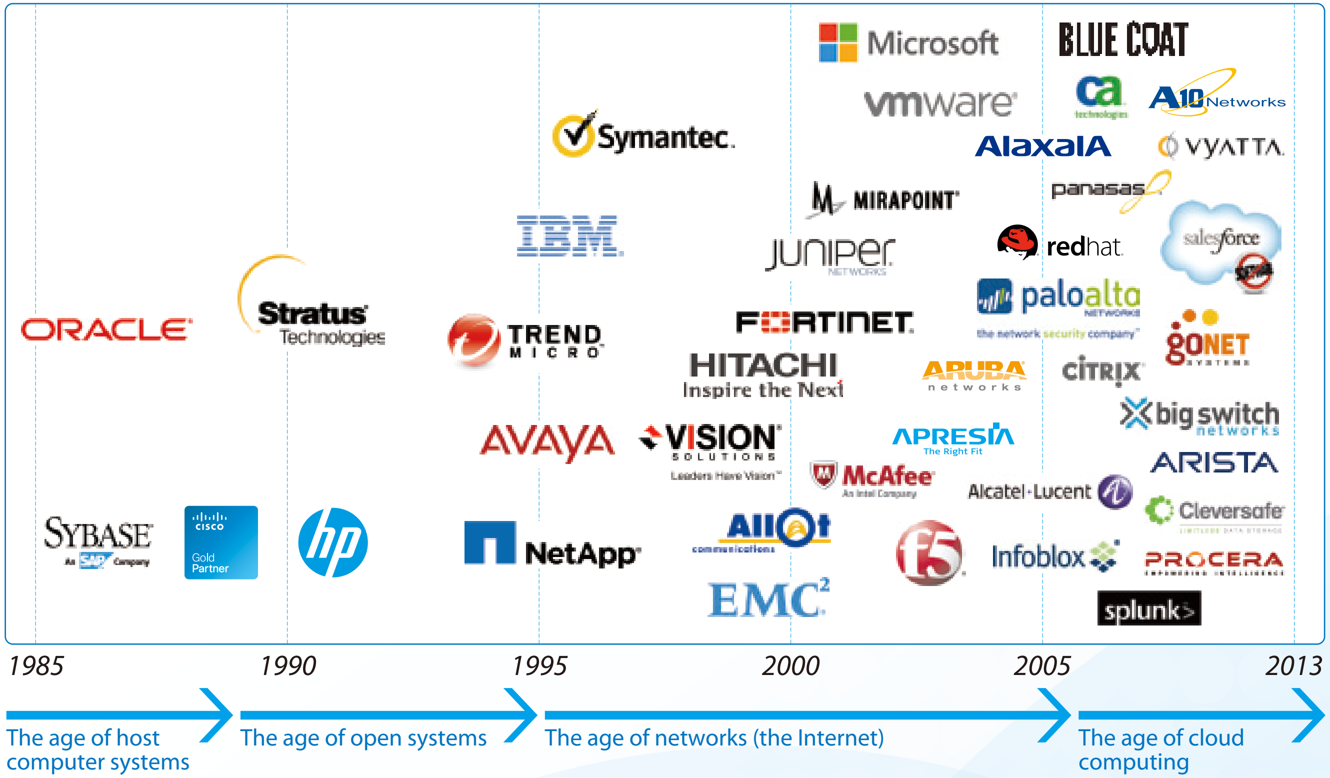
Data Center Total Floor Space

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

Multi-Vendor

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

History of CTC's Vendor Alliances



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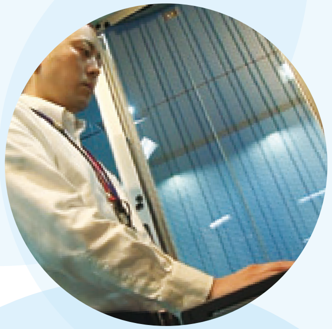
Major Vendor Partnerships

Cisco Systems	Gold Partner Japan Award • Service Provider Sales Acceleration Award APJC Award • Architecture Excellence Data Center
EMC	EMC Velocity Signature Partner Partner Award 2012 • EMC Velocity Partner of the Year 2012
Hewlett-Packard	Premier Business Partner Japan Awards • Blade System Partner of the Year • Advance Technology Award APJ Awards • APJ Top Reseller Award • APJ Best Solution Portfolio Award • APJ Regional Growth Award
IBM	IBM Systems Integrator Partner IBM Excellent Partner Award Japan • Software Competitive Attack Award
NetApp	Star Partner NetApp Japan Partner Awards 2013 • Technology Innovation Award • Support Partner of the Year
Oracle	Oracle Platinum Partner Oracle Excellence Award Specialized Partner of the Year • Server & Storage —— Japan • Security & Data Integration —— Japan • Exadata —— Japan • Specialization —— Japan
VMware	VMware Solution Provider Premier Partner Japan Awards • Cloud Business Leadership Award • Cloud Management and Security APJ Award • Management Competency Partner of the Year

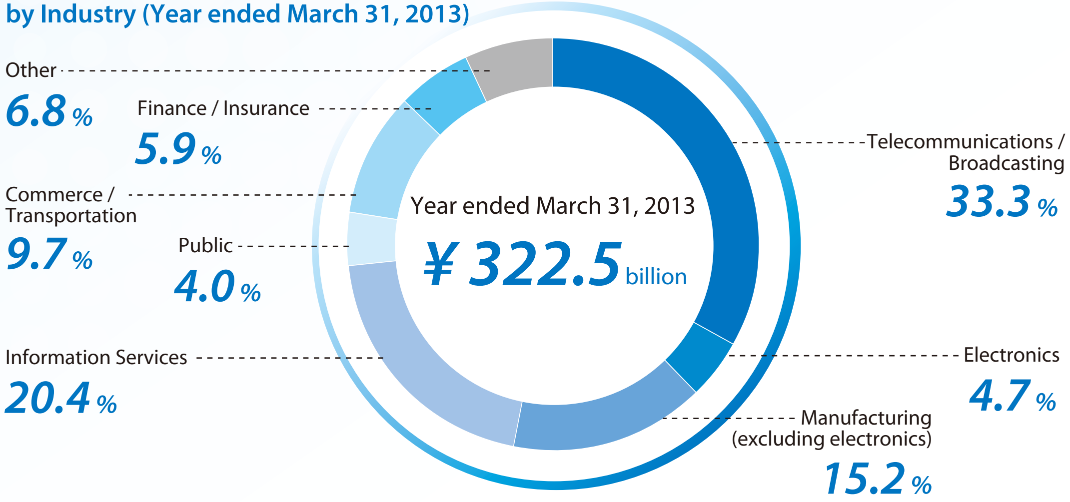
As of July 2013

Wide Customer Base

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



Net Sales by Industry (Year ended March 31, 2013)



Cross-Industry Solutions

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

Solutions by Industry

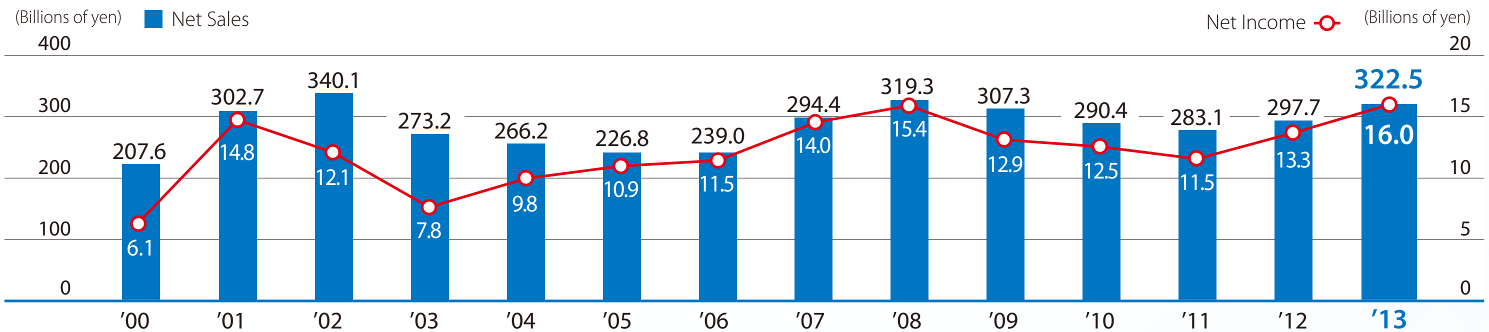
Telecommunications / Broadcasting	● Large-scale network ● Large-scale database ● High-volume transaction support
Finance / Insurance	● Market-oriented systems ● Risk management systems ● Client channel systems
Distribution / Services	● Backbone systems ● Data analysis systems ● E-commerce
Manufacturing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

Solid Management Foundation

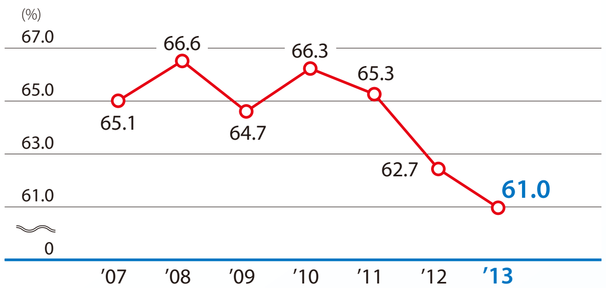
Amid the expanding use of cloud computing, customer IT demands are shifting from ownership to usage. Customers looking to utilize IT are focusing on influential IT companies with solid management that provide ongoing services, as well as service content and quality. Since its founding, CTC has made efforts to create a robust management foundation. To this end, over the past several years, we strengthened services, our stock business, through initiatives to realize a stable management 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 customers' IT needs.

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

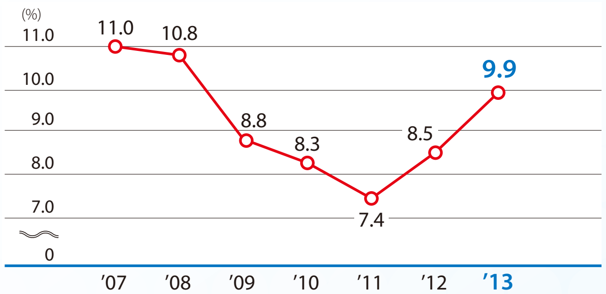
Net Sales and Net Income (Years ended March 31)



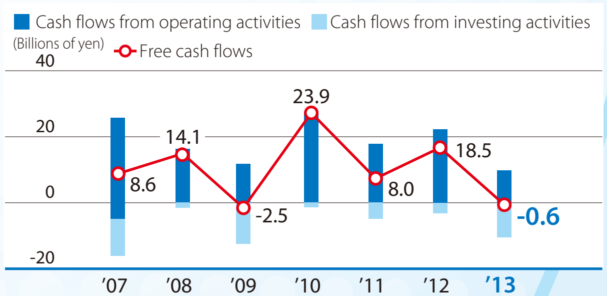
Equity Ratio



Return on Equity (ROE)



Free Cash Flows



* Declined in fiscal 2013 as a result of negative cash flow from operations (increased accounts receivable and prepaid expenses) and expenses related to the acquisition of two overseas subsidiaries.

Message from the President

Driving Evolution in the IT Industry for Continued Growth

Satoshi Kikuchi, President & CEO

Q1 It has been more than a year since you were appointed. How has your experience been thus far?

A1 It has been a very fulfilling and informative year.

Experiencing cutting-edge technology trends and gaining a wealth of new technological knowledge has been very exciting. My experiences this year have taught me how quickly technology advances. Technologies arising from new concepts become the center of attention as leading the technologies of the day in a matter of months. The speed at which new technologies arise far surpassed what I imagined.

Also, in terms of CTC's new business development, I feel I was able to make good use of my trading company experience and network. This includes taking the lead on global projects and adding new companies in Malaysia and Singapore to the CTC Group in March 2013. I think my experience on a number of acquisition projects contributed to our ability to reach an agreement after just three months of negotiations despite the many other corporations that sought to acquire these two companies. I highly anticipate these two companies will play an important role in the realization of future global developments.

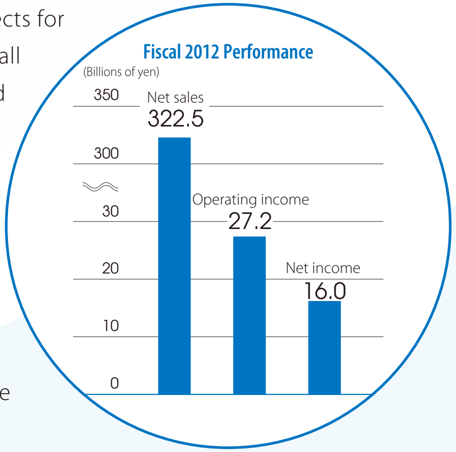
Q2 How was business performance in fiscal 2012?

A2 Net sales grew significantly and all profit line items increased.

Fiscal 2012 was the final year of a three-year Medium-Term Management Plan formulated in fiscal 2010. We focused initiatives on strengthening the infrastructure platform and cloud computing businesses in particular to achieve targeted net sales of ¥330 billion and operating income of ¥27 billion.

As a result, sales increased significantly compared to the previous fiscal year, driven mainly by network equipment enhancement projects associated with higher mobile communications speeds of mobile carriers and the spread of smart devices, ongoing management system construction projects and infrastructure construction projects for the public utilities sector, with an increase in all profit line items. Furthermore, orders received (¥372.1 billion), order backlog (¥186.2 billion), gross profit (¥83.3 billion) and net income (¥16 billion) were the highest in CTC history.

Also, although we just missed the net sales target set forth in the Medium-Term Management Plan formulated in fiscal 2010, we were able to achieve the operating income target of ¥27 billion.



Q3 Can you tell us about the new Medium-Term Management Plan?

A3 We aim to set new records in sales and all profit categories and lead the evolution of the IT industry.

To continue growing in the future, we formulated a two-year management plan that starts in fiscal 2013. We aim to gain a foothold in the realization of our corporate image and Lead the Evolution of the IT Industry and set new records in sales and all profit line items.

To achieve these objectives, three basic management policies were created. The first is to Reinforce Our Core Strengths and Build a Solid Position in Emerging Markets. This means enhancing infrastructure construction capabilities attained in the telecommunications and enterprise sectors, which are CTC's strengths, then using these capabilities to advance into new growth areas in the public and public utilities domains. The second objective is to Source State-of-the-Art Technologies and Develop In-House Technologies for the Asian Market. We will make an effort to aggressively cultivate cutting-edge technologies to further strengthen our technological capabilities. We will use these technological capabilities for the full-scale development of business in the Asia market. The third objective is to Aggressively Transform Earnings Model and Reinforce Our Business Infrastructure. This includes proactively responding to the expansion of cloud and other service businesses, as well as the necessary training for human resources and promoting the transformation of company support systems.

To move forward with these plans, efforts will be focused on strengthening technological competencies, overall capabilities and global development.

In terms of technological competencies, we will further enhance our multi-vendor support capabilities, infrastructure construction and new technology development capabilities, taking our strengths overwhelmingly to the next level. With regard to overall capabilities, we implemented audacious reorganization initiatives in April this fiscal year enabling the flexible integration of in-house resources, technologies and expertise where necessary. Making use of CTC's overall capabilities in this way, we are able to establish second and third pillars following the telecommunications business. We are aggressively engaged in global development with the next M&A in sight, aiming for an overseas subsidiary ratio comprising 10% of net sales in fiscal 2015. Having taken the first major step by entering the Asia market, we will establish an operating base in the ASEAN region.

Note: Please see page 13 for details on the new Medium-Term Management Plan.

Q4 Will you maintain your posture of early engagement in cutting-edge technologies?

A4 We will continue to aggressively engage in cutting-edge technologies as a true multi-vendor, developing CTC's strengths globally.

As a multi-vendor, CTC always has its eyes on the rest of the world. We find industry-leading, next-generation cutting-edge technologies and products, assemble them according to what customers really need, and use them to provide optimal solutions. Among these, large-scale infrastructure platform construction technologies obtained in the telecommunications area are one of CTC's biggest strengths.

In this way, engagement in cutting-edge technologies and products has come to support CTC growth. Accordingly, we will make an effort to enhance this strength and provide solutions that meet the expectations of our customers.

The relationships and proven business track records created between CTC and vendor partners around the world are distinguished in the industry. We will maintain our wide focus, from major corporations to start-up ventures, accurately ascertaining advances in technology to provide customers with optimal solutions that make use of our merits as a multi-vendor. In terms of new technologies that will shape the coming age, we are focusing on software-defined infrastructure (SDI), big data, network and security. We are also engaged in the development of efficient design and construction techniques, from IT infrastructure to application systems for complicated systems.

Note: Please see page 15 for more about technologies CTC focuses on.

Q5 What kind of human resource development are you engaged in?

A5 We are attempting to improve various systems focused on developing human resource excellence to drive future growth.

We are aware that the development of human resources is the most important aspect of continued growth in the future.

To this end, we are making an effort to enhance our proprietary training program enabling engineers to learn about new technologies such as cloud computing and big data, as well as improve their project management and other skills. We also created a new career advancement system for engineers. This system heightens the professional knowledge of engineers with CTC's leading technologies, which are linked to career advancement. We have created an environment where technology-oriented people can make the most of their skills.

To develop globally competitive human resources, we are pursuing short-term overseas education and internship programs for selected employees at overseas sites and vendor locations. Going forward, we also plan on proactively dispatching employees to overseas Group companies.

CTC has established various systems to respect the diversity of our employees. We have created an environment where employees can work efficiently at each life stage, and we select staff to become future role models in an effort to proactively spread and promote the use of these systems.

Q6 What is the outlook for fiscal 2013?

A6 We will aggressively develop measures based on medium-term management objectives and aim for a further increase in sales and profits.

Based on the basic principles of the medium-term management plan, fiscal 2013 is "the year to move up to the next level and strengthen our foundation to realize sustainable growth." We will invest in measures to expand earnings and achieve medium- to long-term growth.

Specifically, we will move the infrastructure business forward in the telecommunications area and develop strengths attained in public and public utilities sectors and other infrastructure business growth areas. We aim to expand earnings by accurately ascertaining demand in the financial, manufacturing and service sectors, and make use of our newly constructed data center to expand the cloud business. With regards to the growth of overseas subsidiaries, we will attempt to develop business from existing customer bases as well as local telecommunications companies and Japanese companies in an effort to increase sales. Furthermore, we will attempt to enhance earnings power by strengthening project management and service business cost-competitiveness.

In terms of medium- to long-term growth initiatives, we are cultivating businesses related to new technologies such as big data and SDI, while concentrating on moving forward with global expansion focused on the ASEAN region.

The fiscal 2013 management plan forecasts an increase in sales and profits, with consolidated net sales of ¥345 billion, operating income of ¥28 billion and net income of ¥16.5 billion.

Q7 What are your thoughts on shareholder return?

A7 We increased our full-year cash dividend to ¥105 per share.

CTC recognizes the return of profits to shareholders as one of the most important issues facing management. We strive to ensure stable dividend payments, emphasizing the return of profits in line with business performance and careful consideration of the balance of internal reserves as a fundamental policy for the improvement of the dividend levels.

In accordance with this basic policy and with due consideration for our financial condition, we increased the dividend to ¥105 in fiscal 2012. As a result, the fiscal 2012 consolidated payout ratio was 39.1%. Looking ahead, we plan on pursuing a consolidated payout ratio of around 40%. In fiscal 2013, we plan to pay interim and year-end dividends of ¥55 per share each for a full-year dividend of ¥110.

Q8 Finally, what is your message to shareholders and investors?

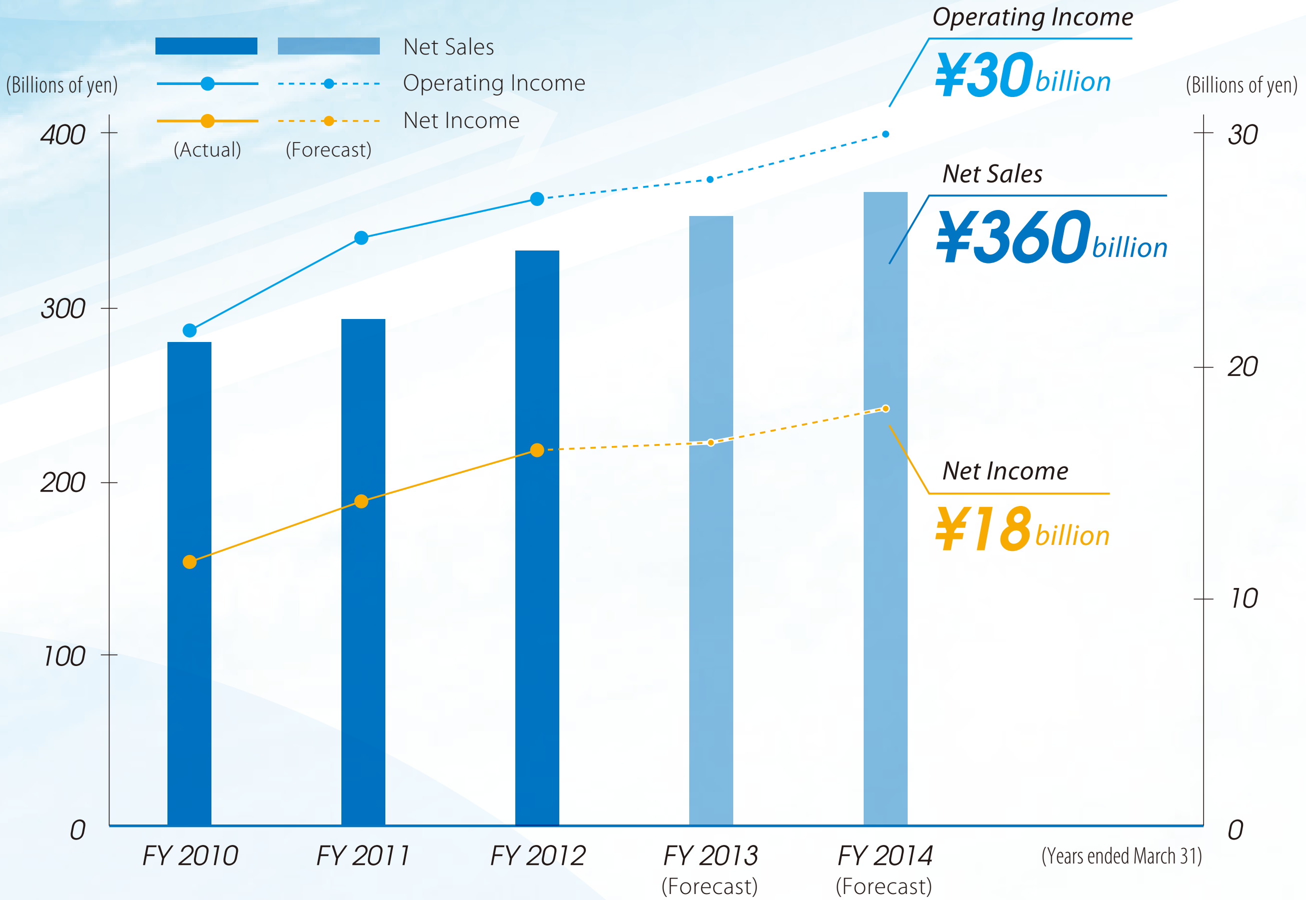
A8 We will establish an unchallenged position in Japan and Asia while taking on corporate growth and IT industry advancements.

In the past year, I came to realize that the information services industry is one of the important industries supporting growth in Japan. CTC, and the merits of its multi-vendor support, have continued to grow, support development and meet customer expectations with all-encompassing total capabilities, from surveys and analysis to consulting, architecture, storage and operation.

From now, CTC will build on these strengths, developing powerful businesses to maintain growth and establish an unchallenged position in Japan, overseas and Asia in particular. As a leading company supporting IT industry advances, we want to contribute to heightening the position of industry in Japan.

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

Driving Evolution in the IT Industry for Continued Growth



CTC formulated a new medium-term management plan for the two-year period from April 2013 to March 2015.

This plan aims to set new record highs in net sales and all profit line items in the fiscal year ending March 31, 2015, through ongoing stable and sustainable growth in the rapidly changing IT industry. To achieve this goal, a basic management policy was established consisting of the following three points:

1. Leverage and reinforce our core strengths to build a solid position in emerging markets.
2. Source state-of-the-art technologies and develop in-house technologies for the Asian market.
3. Aggressively transform our earnings model and reinforce our business infrastructure.

In April 2013, we restructured the organization of our business groups, integrating Group resources, technologies and expertise to make use of CTC's total capabilities and achieve our medium-term management goals.

With these three management policies and a new organizational structure, CTC will continue to grow and evolve in our aim to become a leading presence in the Japanese and Asian IT industries.

Basic Management Policy

01 Reinforce Our Strengths and Entering Growth Areas

Reinforce Our Core Strengths

Reinforce the telecom sector

- Resolutely maintain existing network business, acquire markets for the coming LTE- Advanced era
- Strengthen business with ISPs and broadcasters
- Accelerate service business through collaborative business with telecoms/ISPs

Cultivate business with existing distribution sector customers

- Create synergies by fusing the strengths of our distribution business and EP business

Build a Solid Position in Emerging Markets

Expand business in the public and public utility sectors by utilizing our infrastructure construction capabilities

- Increase efforts in the public, power, and rail sectors
- Improve capability for large projects by flexibly shifting human resources

Increase profitability by focusing company-wide comprehensive capabilities

- Gain and cultivate customers through collaborative business between business groups

02 Source State-of-the-Art Technologies and Develop In-House Technologies for the Asian Market

Source State-of-the-Art Technologies

Discover state-of-the-art technologies and strengthen construction capabilities incorporating state-of-the-art technologies

- Strengthen technology research, product discovery, and construction capabilities to support smooth construction and operations for IT resources that are becoming diversified
- Expand and develop the development methodology and framework for cloud computing
- Strengthen strategic partnerships with leading vendors

Develop In-House Technologies for the Asian Market

Make a full-scale push into Asian markets by utilizing company-wide comprehensive capabilities

- Deploy our core strength in the infrastructure and telecom sector businesses in Asia
- Expand business with Japanese companies in the ASEAN region.
- Strengthen the management of overseas subsidiaries

Strengthen business bases in ASEAN

- Carry out additional business development and M&A examinations focused on ASEAN

03 Aggressively Transform Our Earnings Model and Reinforce Our Business Infrastructure

Aggressively Transform Earnings Model

Increase earnings in service business

- Expand operations and cloud services utilizing the new wing of the Yokohama data center
- Work on state-of-the-art technologies aimed at strengthening data center service competitiveness
- Pursue competitiveness by revising cost structure

Reinforce Our Business Infrastructure

Develop human resources

- Further develop engineers' competencies
- Develop global business competencies
- Continue to promote diversity initiatives

Ensure thorough project and quality control

- Strengthen risk assessments to reduce unprofitable projects
- Strengthen quality control by developing a project control system

Organizational Restructuring of Business Groups Aiming for the Flexible Integration of Resources, Technologies and Expertise

Before restructuring

Telecommunications	Telecoms	Broadcasting	ISP	Public Sector/Public Utilities Sector			
Financial	Financial						
Enterprise	Manufacturing	Service	Media	Local	Public Sector/Public Utilities Sector	Distribution	ISP
Distribution	Distribution						

After restructuring

Executive Office in Charge	Telecommunications	Telecoms	Broadcasting	ISP		Further strengthen telecommunications sector
	Financial and Public	Financial	Public Sector/Public Utilities Sector			Integrate public sector/public utilities business, strengthen support for major infrastructure projects
Executive Office in Charge	Enterprise	Manufacturing	Service	Media	Local	
	Distribution	Distribution				Consolidate our distribution market-related business into our distribution business, strengthen our customer cultivation approach

Providing Optimal Systems for the Cloud Computing Era

As technologies advance and methods of usage diversify, the demands on IT systems are changing significantly. The CTC medium-term management plan is focused on four technical themes aimed at the continued provision of optimal solutions for customer systems as a total solutions provider possessing cutting-edge IT technology and high-level development capabilities.

Focus 1

Software Defined Infrastructure (SDI)

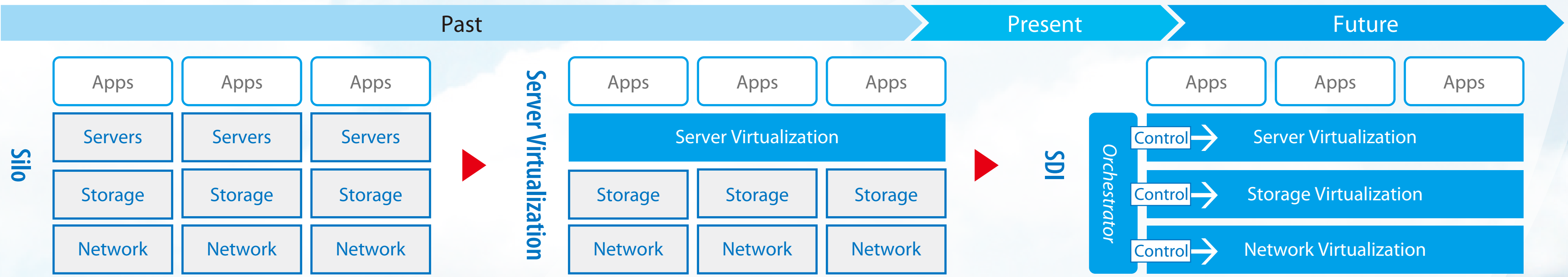
Strengthening the Competitiveness of SDI to Enable the Unified Management of Servers, Storage, Network and Other IT Infrastructure

In recent years, amid the spread of smart devices and the expanded use of SNS, as well as the penetration of new technologies such as big data, there are demands for flexibility in IT systems enabling modifications in response to the intended usage and data volume of IT infrastructure such as servers, storage and network.

Virtualization technology that began with servers has now spread to the storage and network domains. In accordance with technological progress, although it has become easier to realize the demands of customers who want to change IT infrastructure flexibly, in terms of systems, there are concerns about design complexity and cumbersome operations.

The SDI CTC focuses on is a technological concept using software called *Orchestrator* to enable the unified management and control of all IT infrastructures. Unifying control with software enables changes to system architecture in response to demands from applications running on the SDI, as well as automated infrastructure operation.

CTC will strengthen the competitiveness of our infrastructure business to provide customers with optimal total solutions through the development of cutting-edge technologies, products and new services based on the SDI concept.



Merits: Solid, not easily influenced by other systems
Issues: Changing system architecture requires considerable amount of time

Merits: Enables effective use of server resources; server can be created and changed easily
Issues: No flexibility in creating or changing storage and networks; requires a lot of time

Merits: Makes possible effective use of overall infrastructure; facilitates flexible and fast response to changes in system architecture, enabling flexible responses to user requirements and demands from applications

Focus2

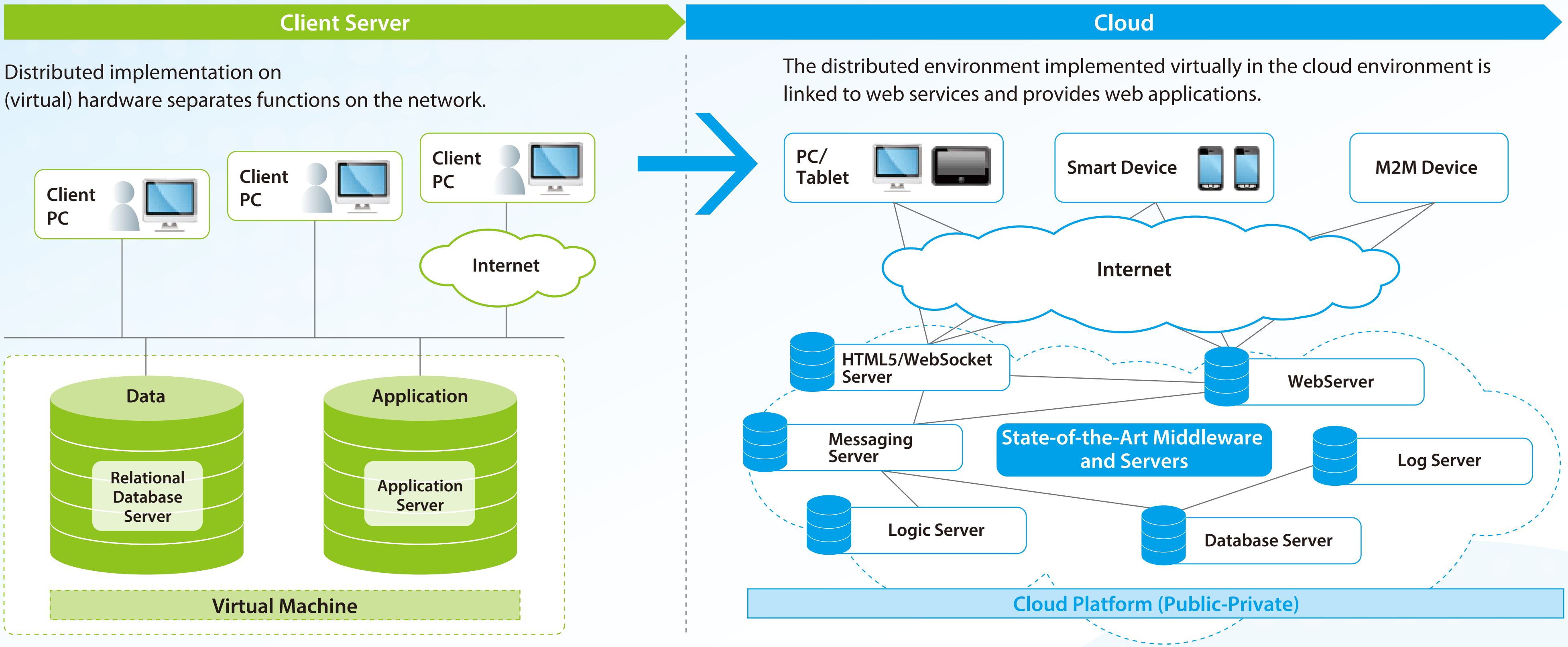
Cloud Application Frameworks

Upgrading and Expanding Application Frameworks Suitable for the Cloud Computing Era to Further Enhance Competitiveness

Up to now, application systems were designed to operate on a built-in infrastructure system created with a specialized computer. However, advancements in virtualization technologies resulted in elements and functions of infrastructure system architecture being dispersed across multiple servers. Furthermore, services are provided in many forms. Servers, storage and other hardware are not only maintained in-house, many companies also make use of data centers and cloud computing services.

In this way, depending on requirements and purposes, among various alternatives, there are demands for application systems developed to enable linkage and compatibility with any environment. In addition, a variety of cutting-edge middleware optimized in response to system function requirements is emerging as data management and application runtime environment middleware. A wide range of uses, from terminals connected to application systems and PC's, which had been key up to now, smart devices, sensors and other M2M devices must also be assumed.

In light of these changes, upgrading and expanding application frameworks suitable for the cloud computing era will enable the development of high-quality and efficient systems with high needs in a short period of time. Customer satisfaction can be increased and competitiveness enhanced through the creation of a development environment able to respond to various demands.



Leveraging CTC Group Capabilities to Engage in Full-Scale Global Expansion

Global expansion is a critical component of the CTC Group growth strategy, which aims to go beyond business in Japan and secure profits in overseas markets to maintain future corporate growth. Specifically, we aim to establish business bases and expand earnings in the ASEAN region, which holds the promise of robust IT market growth and is attracting many Japanese companies, mainly in the manufacturing industry. The first step toward this goal was taken in July 2012, when we invested in Thai IT firm Netband Consulting Co., Ltd. via a 45% share acquisition. Formerly organized under parent company and major IT service provider Computer Sciences Corporation in the United States, CSC ESI Sdn. Bhd. (currently CTC Global Sdn. Bhd.) in Malaysia and CSC Automated Pte. Ltd. (currently CTC Global Pte. Ltd.) in Singapore, were made wholly owned subsidiaries in March 2013.

Going forward, we will deploy advanced technological capabilities and IT service quality developed in Japan at our companies in Malaysia, Singapore and Thailand, expanding business focused on local companies and Japanese multinationals operating in the region.

To achieve our overseas net sales target (10% of fiscal 2015 total net sales), we will accelerate global expansion and realize sustainable growth.

Thailand *Netband Consulting Co., Ltd.*

Company Overview
Equity method associate (CTC investment: 45%)
Established: 1996 Employees: 50 Capital: THB 55 million

Positioned as a mid-sized system integrator in Thailand, Netband Consulting Co., Ltd. became an associated company in 2012 through CTC equity participation. Engaged in product sales and network solutions business development, the company possesses a wide customer base including major manufacturers, financial institutions, hospitals and telecom carriers.

Singapore *CTC Global Pte. Ltd.*

Company Overview
Wholly owned subsidiary
Established: 1972 Employees: 80 Capital: S$2 million

For over 40 years, CTC Global Pte. Ltd. has engaged in the product sales, maintenance and operations businesses in Singapore, with an excellent customer base consisting of major financial institutions, manufacturers and government agencies. Its sales volume ranks among Singapore's top 20 highest ranked system integrators. Converted to an operating company through share acquisition in March 2013.

CTC
Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

United States *ITOCHU Techno-Solutions America, Inc.*

Company Overview | Wholly owned subsidiary
Established: 1990 Employees: 20 Capital: $3.8million

ITOCHU Techno-Solutions America, Inc. became a wholly owned subsidiary in 2012 via share acquisition. With its head office located on the west coast of the United States in Santa Clara, California, this company is engaged in advanced technologies, IT market research and new product development. It also has a New York base, which develops systems and provides maintenance and operations services mainly to Japanese financial institutions.

Malaysia *CTC Global Sdn. Bhd.*

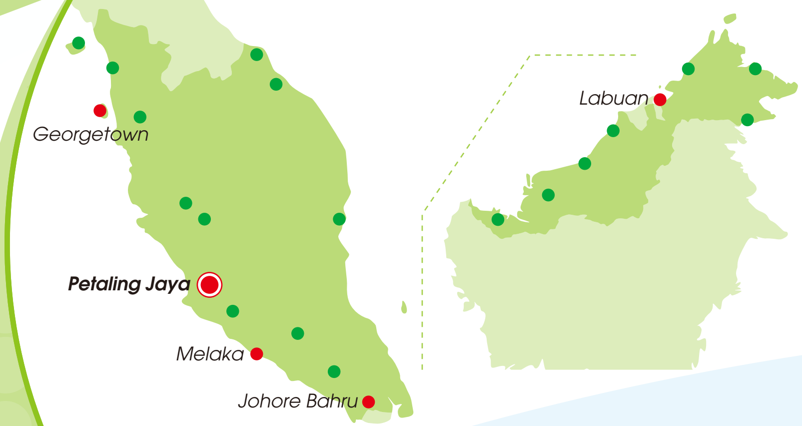
Company Overview | Wholly owned subsidiary
Established: 2013 Employees: 450 Capital: RM 62 million

After being spun off from CSC Malaysia in 2013, CTC Global Sdn. Bhd. became a Group company via share acquisition by CTC. With a head office and 22 business bases in Malaysia, the company engages in product sales, maintenance and operations businesses. With a wide customer base that includes local major financial institutions and manufacturers, the company is positioned as a top-tier system integrator in Malaysia.

Business Bases

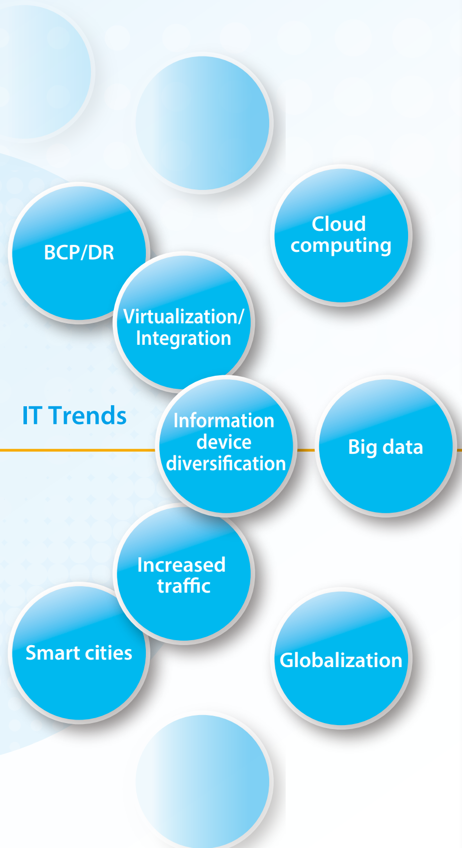
Providing support 24 hours a day, 365 days a year

Head Office · Sales Support Bases · Support Bases



Major Initiatives in Fiscal 2012

Expanding the Cloud Business and Enhancing Our Structure for Medium- to Long-Term Growth



Cloud Business Expansion[1]

April 2012

Integrated Marketing and Contact Center Functions to Realize Efficient Support Services

OBIC BUSINESS CONSULTANTS CO., LTD.

May 2012

Provided File-Sharing Cloud Service *SmartBiz+* to *CamiApp*

KOKUYO S&T Co., Ltd.

June 2012

Provided File-Sharing Cloud Service *SmartBiz+* as a Support Tool for Salespeople

Asahi Breweries, Ltd.

June 2012

Received Order for Next Version of Backbone Integrated Storage System

DENSO CORPORATION

2012 — 4 — 5 — 6 — 7 — 8

Overseas Network Enhancements and Business Expansion

July 2012

Equity Participant in Thai IT Firm Netband Consulting Co., Ltd.

CTC invested in mid-sized Thai IT firm Netband Consulting, Co., Ltd. to strengthen business in the ASEAN region. With strengths including the sales of advanced overseas products and construction of IT system, Netband has a solid track record serving major Thai companies. Going forward, we will transfer CTC's infrastructure technologies to promote the collaborative provision of services aimed at Thai growth areas and Japanese companies.

March 2013

IT Companies in Singapore and Malaysia Become Subsidiaries

CSC ESI Sdn. Bhd. in Malaysia and CSC Automated Pte. Ltd. in Singapore were acquired as subsidiaries from U.S. parent company Computer Sciences. In May, they were renamed CTC Global. CTC will attempt to create a solid business foundation in the growing ASEAN market and expand earnings through acquisition of this new business base and synergy by investing in the established customer bases of both companies.

July 2012

Built Shared Virtualization Infrastructure Completed First Step Toward Transition to Staging Environment

The Bank of Yokohama, Ltd.

August 2012

Offering Cloud Backup Service for the Uniform Management of Remote Backup and Data at 24 Bases across Japan

Nittetsu Mining Co., Ltd.

August 2012

Joint Development of Waste Material Integrated Management Using Cloud Services To Save Labor in the Disposal of Disaster Waste Materials

OKUMURA CORPORATION

October 2012

Built Shared Virtualization IT Infrastructure for Information Systems, Eliminating 90% of Existing Servers

THE KAGOSHIMA BANK, LTD.

December 2012

Created Virtual Desktop Environment Aimed at Innovating How People Work

Development Bank of Japan Inc.

February 2013

Created Virtual Environment for *So-Net* Shared IT Platform

So-net Corporation

9 10 11 12 2013 1 2 3 4

March 2013

Took Over Credit Card Company Backbone System Solutions from The Japan Research Institute

Taking over credit card company backbone system solutions from The Japan Research Institute, Limited, CTC began operating this system introduced at several companies as of in March 1 2013. Going forward, we will combine this system with our in-house technologies to promote the provision of total solutions for credit card companies in Japan and the ASEAN region in an attempt to expand credit card-related businesses.

April 2013

Introduced Mobile Virtual Network Operators (MVNO[2]) for Corporations, Began Provision of Mobile Data Communications Services

We began provision of *CTC Business Mobile* mobile data communications services for corporations to realize low-cost, safe and stable high-speed mobile communications. Can be used in conjunction with private cloud services and provides a safe connection environment even when outside the company.

April 2013

Strengthened IT Outsourcing Business, and Including Cloud Services with the Construction of a North Wing at the Yokohama Computer Center

The Yokohama Computer Center's North Wing is a four-story, one-sub-basement structure with 9,300 m^2 of floor space. This seismically isolated structure can withstand earthquakes with an intensity of seven on the Japanese seismic scale. The high level of security and stable system operations protect customer IT infrastructure and support business development.

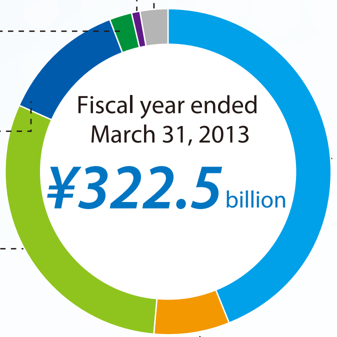
1. Dates indicate month and year press release was issued.
2. Mobile Virtual Network Operator. Businesses without their own wireless base stations or mobile communications networks that provide services borrowed from other businesses.

Business Portfolio (As of March 31, 2013)

CTC's business development structure consists of six segments supporting a wide range of customers. Business is developed by industry in four segments, while service businesses for customers and these four segments are developed in two segments.

Net Sales Comparison by Segment

Note: Compares external sales in each segment.



Net Sales and Operating Income by Segment (Billions of yen)

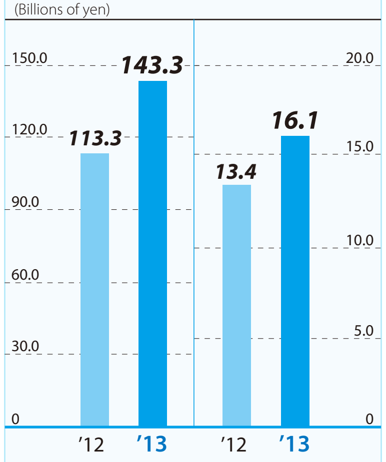
Segment	Net Sales	Operating Income
Telecommunications	143.3	16.1
Financial	23.8	2.4
Enterprise	99.3	5.0
Distribution	39.9	3.1
Cloud Platform	28.4	1.7
Support & Service	64.7	11.4
Others	13.4	1.0
Segment total	412.8	40.7
Adjusted amount	(90.3)	(13.5)
Total	322.5	27.2

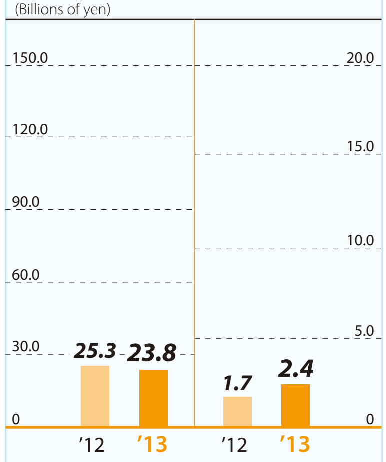
Note: Segment net sales figures combine external sales and inter-segment sales.
Note: Adjusted amount includes inter-segment transactions and company-wide expenses independent of reporting segments.

Telecommunications

Financial

Net Sales and Operating Income by Segment (Years ended March 31)





Note: Segment net sales figures combine external sales and inter-segment sales.

Overview of Business Performance

Telecommunications: Net sales and operating income grew significantly compared to the previous fiscal year on an increased number of network equipment enhancement projects for mobile carriers and infrastructure construction projects for postal service companies.

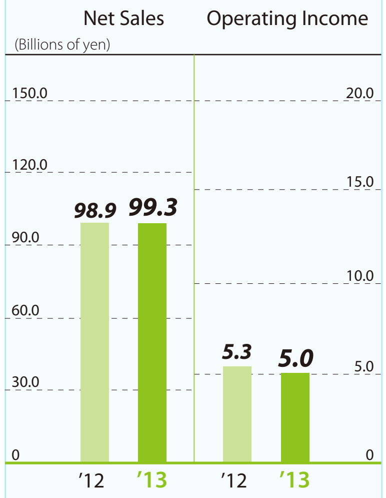
Financial: Although net sales declined year on year due to fewer common IT infrastructure construction projects for credit card companies, an improved gross profit ratio and other factors resulted in increased operating income.

Business Range by Industry

Telecommunications:
- Telecommunications/Broadcasting
- Information services
- Public

Financial:
- Finance/Insurance

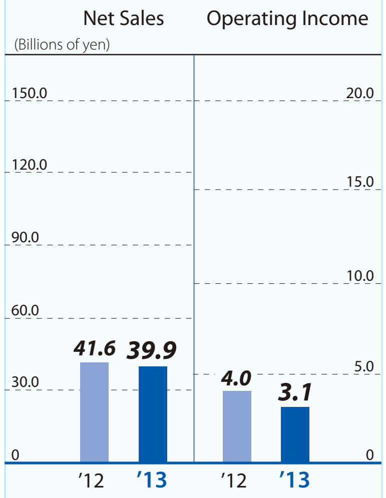
Enterprise



Net sales were nearly the same as the previous fiscal year, but higher selling, general and administrative expenses caused operating income to decline slightly compared to the previous year.

- Electronics
- Manufacturing
- Information Services
- Public
- Commerce/Transportation

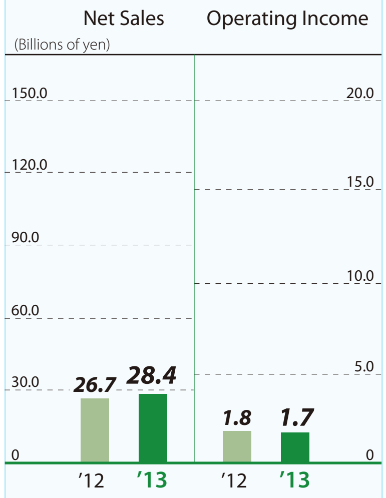
Distribution



Net sales declined on fewer projects for trading companies. Operating income decreased on a lower gross profit ratio and increased selling, general and administrative expenses.

- Manufacturing
- Commerce/Transportation

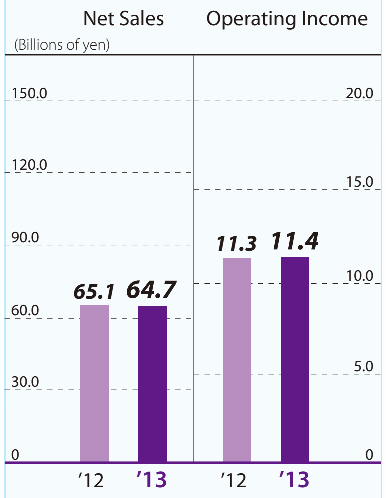
Cloud Platform



In this segment, which supports company-wide horizontally deployed cloud-related businesses, including data centers, although net sales increased compared to the previous fiscal year, operating income was nearly the same.

- Telecommunications/Broadcasting
- Electronics
- Manufacturing
- Information Services
- Public
- Commerce/Transportation
- Finance/Insurance

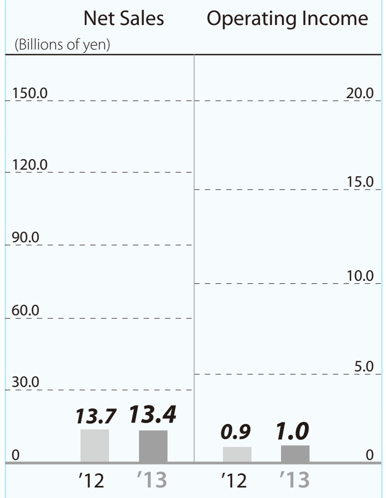
Support & Service



In this segment, which supports company-wide horizontally deployed service businesses focused on IT support, net sales and operating income were nearly the same as in the previous fiscal year.

- Telecommunications/Broadcasting
- Electronics
- Manufacturing
- Information Services
- Public
- Commerce/Transportation
- Finance/Insurance

Others



The Others business segment consists of business segments not included in reporting, such as Science and Engineering Systems and subsidiaries including CTCSP Corporation. Net sales declined and operating income increased compared to the previous fiscal year.

- Manufacturing
- Public
- Information Services

Segment Overview (As of April 1, 2013)

Telecommunications

● Organizational Units

Telecommunicaion Systems Group

● Overview

The Telecommunications segment develops highly complex, mission-critical systems, including large-scale networks and databases, high-volume transaction systems and load-balanced processing for major telecommunications carriers, Internet service providers (ISP) and the broadcasting industry. Also, we are aggressively promoting service businesses, such as email ASP, telematics services and mobile device management and other services.

Financial and Public

● Organizational Units

Financial & Public Systems Group

● Overview

Integrated with the former Financial business to promote public and public utilities business to create the Financial and Public segment in April 2013. In addition to traditional business involving megabanks, credit card and securities companies and the insurance industry, this segment makes use of large-scale infrastructure construction capabilities developed in the telecommunications sector to expand business in the public and public utilities sector and expand the infrastructure business domain in the financial sector.

Enterprise

● Organizational Units

Enterprise Systems Group,
CTC LABORATORY SYSTEMS CORPORATION

● Overview

The Enterprise segment comprises the Enterprise Systems Group and Group subsidiary CTC LABORATORY SYSTEMS CORPORATION. To resolve problems involving customer IT systems mainly in the manufacturing and service industries, we provide high-value-added specialized and sophisticated services, from business strategy proposals and consulting, to infrastructure construction, system development and operation and maintenance services.

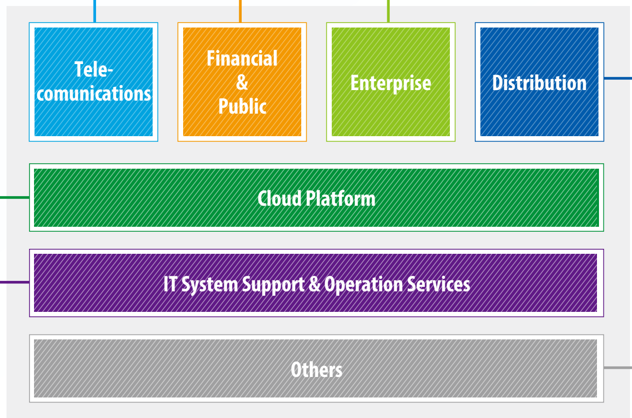
Cloud Platform

● Organizational Units

Cloud Platform Business Group,
CTC SYSTEM SERVICE CORPORATION, CTC SYSTEM OPERATIONS Corporation,
CTC FACILITIES CORPORATION,
First Contact Corporation

● Overview

The Cloud Platform segment, in conjunction with four Group companies, provides cloud service infrastructure, system operations and help desks among other operation services from five data centers across Japan (including a new wing at the Yokohama Computer Center, completed in April 2013). In recent years, this segment has aggressively promoted the sales of cloud services among the CTC Group, focusing efforts on the development and sales of *TechnoCUVIC/ElasticCUVIC*.



Distribution

● Organizational Units

Distribution Systems Group,
Asahi Business Solutions Corp.

● Overview

The Distribution segment consists of the Distribution Systems Group and the Asahi Business Solutions Corp., providing total solutions from backbone systems development to maintenance and operations, mainly for customers in general trading, convenience stores, food product companies and the retail industry. Formed in April 2013 to promote business in the distribution industry, we will attempt to build this business through the creation of synergy between archictecture capabilities accumulated in the Enterprise Systems Group and development capabilities amassed in the Distribution Systems Group.

IT System Support & Operation Services

● Organizational Units

IT System Support & Operation Services Group, CTC TECHNOLOGY CORPORATION

● Overview

The IT System Support & Operation Services segment provides various IT services 24 hours a day, 365 days a year from service centers in approximately 100 locations nationwide through the collaboration of each business group, CTC Group companies and the CTC TECHNOLOGY CORPORATION. Services include products maintenance, operation services, monitoring services, information security services and technical support services. The primary role of the IT System Support & Operation Services segment is to provide customers with safety, stability and peace of mind through advanced services.

Others (Science and Engineering Systems, etc.)

● Organizational Units

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

● Overview

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

Domestic Group Companies
The CTC Group Makes a Concerted Effort to Provide Total Support for Customers' IT Lifecycles

As of April 1, 2013.

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 the customers' IT lifecycles.

CTC TECHNOLOGY CORPORATION

Established: April 6, 1990
Employees: 1,650

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.

CTC SYSTEM SERVICE CORPORATION

Established: October 3, 1984
Employees: 1,285

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

CTC SYSTEM OPERATIONS Corporation

Established: July 1, 2008
Employees: 553

Provides new onsite operations services, such as IT infrastructure monitoring, troubleshooting and suggestions for improvement in accordance with customer needs. And covers a wide domain of services including remote operations, operations design and system architecture support.

CTC FACILITIES CORPORATION

Established: July 7, 2000
Employees: 365

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.

First Contact Corporation

Established: April 1, 2000
Employees: 162

Provides outsourcing for administrative duties, such as service desks and contact centers performed by corporate information systems divisions and contributes to improved corporate information literacy through the education and training of information systems personnel and the creation of manuals.

Business Strategy → Planning/Design → Procurement/Purchase → Development/Construction → Introduction/Transition → Maintenance/Operation Data Centers

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 Employees: 159

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

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 LABORATORY SYSTEMS CORPORATION

Established: October 1, 1989 Employees: 197

Provides solutions in support of a wide range of areas, from the R&D phase to manufacturing and quality assurance, mainly for customers in the pharmaceutical, chemical, food product and other life science areas.

Asahi Business Solutions Corp.

Established: January 5, 1989 Employees: 176

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.

Corporate Governance

Basic Stance on Corporate Governance

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

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

Corporate Governance System and Structure

The Board of Directors, which consists of 12 members, including two outside directors, convened meetings on a total of 19 occasions during the previous fiscal year. The Board of Directors makes decisions on important management-related issues and supervises the execution of duties by directors in accordance with various laws, the Company's Articles of Incorporation, General Meeting of Shareholders' resolutions, Board of Directors' regulations, CTC's corporate philosophy and the Group Code of Conduct. Directors participate in decision-making related to the Company's execution of business operations based on their established role on the Board of Directors.

The Board of Corporate Auditors is composed of five members, three of whom are appointed from outside the Group. In the previous fiscal year, the Board of Corporate Auditors met on 19 occasions. Within the limits of their legal authority, Corporate Auditors cooperate with the Audit Division and Independent Auditor to audit the execution of duties by directors for appropriateness.

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

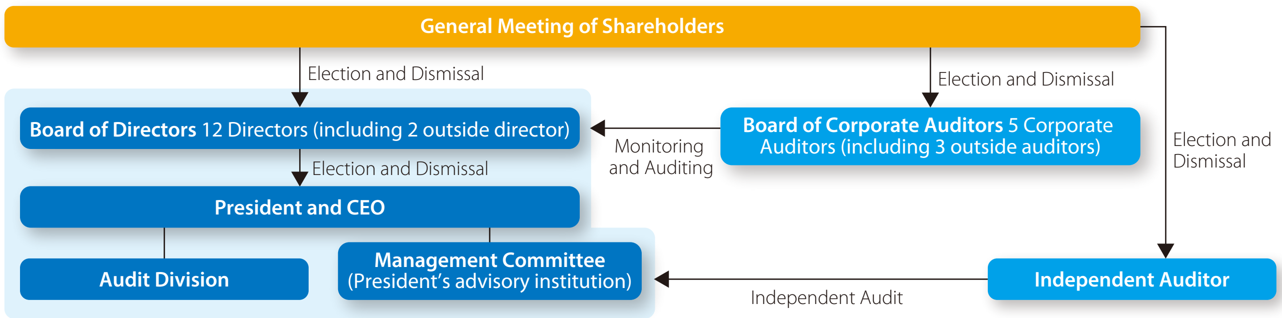
Internal Control System Maintenance

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

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

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

Corporate Governance Systems (As of June 20, 2013)



Corporate Social Responsibility (CSR)

CSR Policy

The Society That the CTC Group Aims for and Our Role

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

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

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

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

Stakeholder Relations

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

Information Security Policies

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

1. Encrypted hard drives on all take-home laptops
2. URL filtering to regulate access
3. Secure mobile connections enable mobile phones, smartphones and tablet devices to access internal systems.

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

Business Continuity Management (BCM) Initiatives

At present, CTC has measures in place in the event of earthquakes, new strains of influenza and major system failures.

CTC formulates various business continuity plans (BCP), focusing on organization-wide countermeasures for new strains of influenza and earthquake disaster countermeasures for its three services (maintenance, operation and data center) and head office functions.

CTC will promote ongoing reviews and enhancements of operation and maintenance systems to confirm and improve the efficacy and viability of each countermeasure to handle various potential risks and changes that may occur in the future.

Environmental Management System

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

Under the supervision of the CSR committee chairman, environmental improvement activities are developed for the entire Group mainly by environmental control managers as well as environmental managers (section heads) in each business group and Group company and 406 eco-leaders and assistant leaders. CTC has acquired ISO 14001 12 years in a row. As of June 2013, 15 main offices across Japan and two data centers have obtained certification. We plan to further expand certification in the future.

Approach to Local Communities

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

Again in fiscal 2012, we undertook Great East Japan Earthquake disaster-relief measures in the form of encouragement for employees volunteering in disaster-stricken areas (by granting special leaves of absence and paying for some activity expenses). Examples of CTC's CSR activities include conducting MOTTAINAI Mt. Fuji beautification activities; supporting NPOs such as the Family House, which provides accommodations for seriously ill children and their families; and lending assistance to the Guide Dog & Service Dogs Association of Japan, which nurtures these care-providing animals. We will continue to participate in these important activities thanks to the enthusiasm and dedication of all employees.

2012 MOTTAINAI Mt. Fuji beautification activities

Charity walk event held in Yokohama

Six-Year Consolidated Financial Summary

ITOCHU Techno-Solutions Corporation and Subsidiaries

(Billions of yen)

	2008	2009	2010	2011	2012	2013
For the Years Ended March 31:						
Net sales	¥ 319.3	¥ 307.3	¥ 290.4	¥ 283.1	¥ 297.7	**¥ 322.5**
Gross profit	80.4	80.3	76.8	74.9	79.6	**83.3**
Selling, general and administrative expenses	55.4	58.6	55.3	53.6	54.8	**56.1**
Operating income	25.0	21.7	21.6	21.3	24.8	**27.2**
Income before income taxes and minority interests	25.3	21.5	21.2	20.4	24.3	**26.8**
Net income	15.4	12.9	12.5	11.5	13.3	**16.0**
As of March 31:						
Total assets	218.1	227.5	233.2	238.2	252.7	**270.0**
Total equity	145.7	147.8	155.1	155.9	158.8	**166.0**
Cash Flows:						
Cash flows from operating activities	10.5	11.3	25.3	15.0	21.3	**9.7**
Cash flows from investing activities	3.6	(13.8)	(1.4)	(7.0)	(2.8)	**(10.3)**
Cash flows from financing activities	(10.1)	(11.1)	(7.2)	(13.5)	(8.9)	**(11.1)**
Financial Ratios:						
Gross profit margin (%)	25.2%	26.1%	26.5%	26.5%	26.7%	**25.8%**
Operating income margin (%)	7.8	7.1	7.4	7.5	8.3	**8.4**
Equity ratios (%)	66.6	64.7	66.3	65.3	62.7	**61.0**
Return on equity (ROE) (%) *1	10.8	8.8	8.3	7.4	8.5	**9.9**
Return on assets (ROA) (%) *2	7.1	5.8	5.4	4.9	5.4	**6.1**

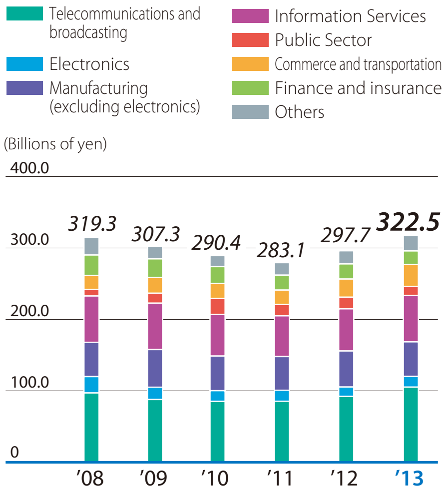
(Yen)

	2008	2009	2010	2011	2012	2013
Per Share Data:						
Basic net income	¥ 232.70	¥ 199.21	¥ 194.62	¥ 180.47	¥ 217.08	**¥ 268.53**
Shareholders' equity	2,207.44	2,299.63	2,415.65	2,492.42	2,604.78	**2,766.93**
Cash dividends applicable to the year	80.00	80.00	85.00	90.00	95.00	**105.00**

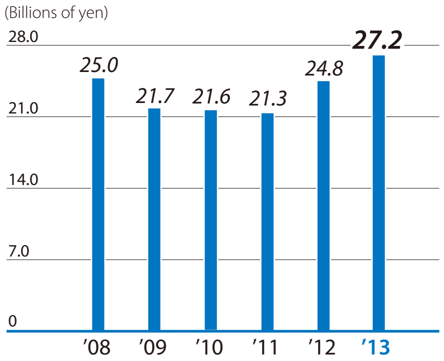
*1 ROE = Net income / Average total shareholders' equity (which is based on total shareholders' equity at the beginning and end of the year)×100

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

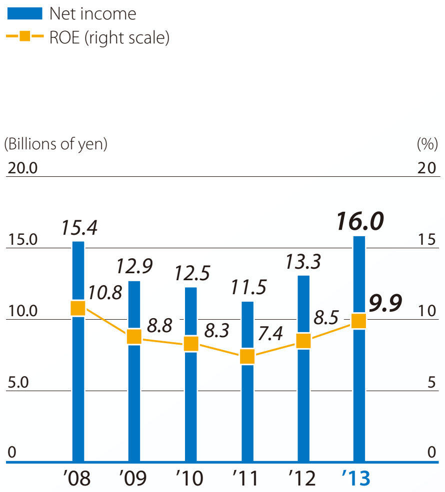
Net Sales



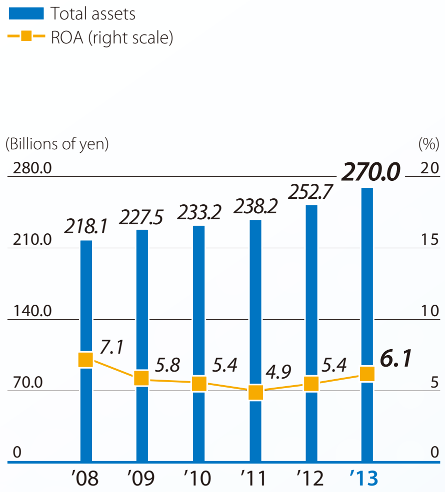
Operating Income



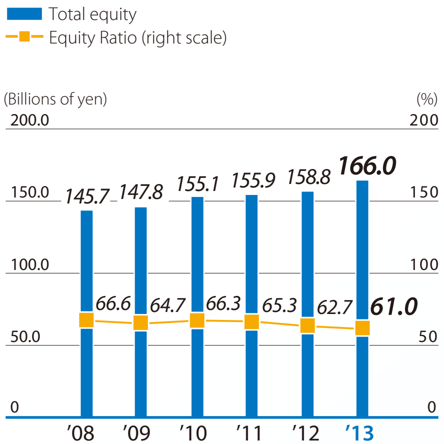
Net Income and Return on Equity (ROE)



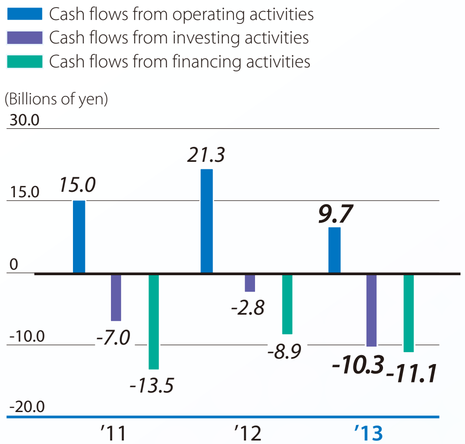
Total Assets and Return on Assets (ROA)



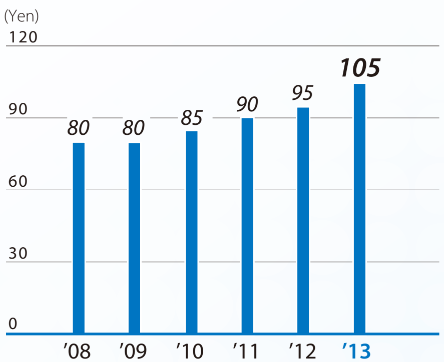
Total Equity and Equity Ratio



Cash Flows



Cash Dividends per Share



(Years ended March 31)

Management's Discussion and Analysis of Results and Financial Condition

Consolidated Business Performance

In fiscal 2012, the year ended March 31, 2013, core measures included strengthening the cloud and infrastructure businesses to expand earnings, and strategic investment aimed at realizing medium- to long-term growth. Specifically, we promoted the creation of a common infrastructure utilizing server and storage virtualization technologies in transportation, financial, manufacturing and a wide variety of other industries. In the cloud services sector, we began sales of *Cloudage ElasticCUVIC*, which provides a combination of IT infrastructure environment services and system operations and management services. CTC also participated in a joint venture with Thai IT firm Netband Consulting, Co., Ltd. to strengthen business development in southeast Asia where future growth is forecast. CTC made aggressive anticipatory investments, including the purchase and subsidiary acquisition of CSC ESI Sdn. Bhd. (Malaysia) and CSC Automated Pte. Ltd. (Singapore), which had previously been under parent company Computer Sciences Corporation, a U.S. IT services provider.

In terms of operating activities, in the telecommunications sector, we promoted connection management system construction projects, network equipment enhancement projects associated with increasingly faster mobile communications and the spread of smart devices. In the financial sector, we focused on market and information system construction projects for banks. Efforts were concentrated on infrastructure construction projects for postal service companies in the commerce and transport sector, and in the public sector, we promoted contact center construction projects and network construction projects for government ministries. In the manufacturing sector, we targeted disaster recovery environment construction projects for electronics manufacturers and storage integration projects for automobile manufacturers.

With regard to human resource cultivation, we promoted in-house training programs to create human resources knowledgeable about cloud computing, big data and other technology areas and project management. We also selected employees for short-term study abroad and internships with overseas vendors and conducted language training focused on future global developments.

As a result of these activities, consolidated net sales in the fiscal year ended March 31, 2013, grew 8.3% compared to the previous fiscal year to ¥322.5 billion on increases in the products and services businesses, despite a slight decline in the development business. In terms of profits, although the gross profit ratio declined and personnel costs increased, operating income increased 9.6% to ¥27.2 billion. This increase resulted in higher gross profits, causing net income to jump 20.2% year on year to ¥16 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
Net sales rose 26.4% to ¥143.3 billion and operating income increased 20.2% to ¥16.1 billion on growth in equipment enhancement projects for mobile carriers and infrastructure construction projects for postal service companies.

(2) Financial
Although net sales declined 6.0% to ¥23.8 billion on fewer credit card company projects, an improved gross profit ratio and other factors resulted in operating income soaring 40.8% to ¥2.4 billion.

(3) Enterprise
Net sales were nearly the same as the previous fiscal year, rising 0.5% to ¥99.3 billion, but higher selling, general and administrative expenses caused operating income to dip 5.7% to ¥5 billion.

(4) Distribution
Net sales declined 4.1% to ¥39.9 billion on fewer projects for trading companies. Operating income dropped 23.1% to ¥3.1 billion on a lower gross profit ratio and increased selling, general and administrative expenses.

(5) Cloud Platform
In this segment, which supports company-wide horizontally deployed cloud-related businesses, including data centers, net sales were up 6.2% to ¥28.4 billion and operating income decreased 5.2% to ¥1.7 billion.

(6) IT Support Services
In this segment, which supports company-wide horizontally deployed service businesses focused on IT support, net sales down 0.6% to ¥64.7 billion and operating income increased 0.2% to ¥11.4 billion.

(7) Others
Nets sales decreased 2.2% to ¥13.4 billion, while operating income grew 9.1% to ¥1 billion.

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

Financial Position

As of March 31, 2013, consolidated total assets amounted to ¥270.0 billion, an increase of ¥17.3 billion, or 6.9%, from the end of the previous fiscal year.

Total current assets were ¥205.9 billion, a rise of ¥5.8 billion, or 2.9%, year on year. This was due to an increase in prepaid and other current assets expenses of ¥7.6 billion and an increase in trade receivable of ¥6.7 billion.

Total noncurrent assets—the sum of net property and equipment and total investments and other assets—amounted to ¥64.1 billion, up ¥11.6 billion, or 22.0%. This was mainly due to higher property and equipment of ¥5.9 billion, and increased goodwill of ¥4.1 billion.

Total liabilities stand at ¥104.0 billion, up ¥10.2 billion or 10.8% compared to the previous fiscal year. This was mainly due to higher unearned income of ¥2.8 billion and other payable of ¥4.4 billion.

Total equity amounted to ¥166.0 billion, expanding ¥7.2 billion, or 4.5%, year on year. This was mainly due to an increase of ¥10.0 billion in retained earnings that reflected net income of ¥16.0 billion. This result occurred despite decreases related to cash dividend payments of ¥6.0 billion and the acquisition of treasury stock in the amount of ¥5.0 billion. In addition, the equity ratio declined 1.7 percentage points, from 62.7% to 61.0%.

Cash Flows

Cash and cash equivalents as of March 31, 2013, fell ¥11.7 billion from the previous fiscal year to ¥66.1 billion.

Net cash provided by operating activities totaled ¥9.7 billion. Major components of this inflow were income before income taxes of ¥26.8 billion, depreciation and amortization of ¥6.0 billion, higher trade receivables of ¥4.1 billion and corporate tax payments of ¥10.9 billion.

Compared to the previous fiscal year, net cash provided by operating activities decreased ¥11.6 billion. This was mainly due to trade receivables, which grew ¥4.5 billion and corporate tax payments, which rose ¥1.3 billion.

Net cash used in investing activities amounted to ¥10.3 billion. This was primarily due to a ¥5.4 billion acquisition of equity in affiliated companies associated with changes in scope of consolidation, a ¥2.8 billion acquisition of property and equipment and a ¥1.6 billion acquisition of intangible fixed assets.

Compared to the previous fiscal year, net cash used in investing activities increased ¥7.5 billion, primarily the result of a ¥5.0 billion expansion to acquire equity in affiliated companies associated with changes in scope of consolidation and income from deposits decreased ¥1.1 billion.

Net cash used in financing activities amounted to ¥11.1 billion. Although sale and leaseback revenue grew ¥2.0 billion, dividend payments were ¥6.0 billion, ¥5.0 billion went to purchasing treasure stock and ¥2.0 billion to long-term lease obligation payments.

Compared to the previous fiscal year, net cash used in financing activities was up ¥2.2 billion despite long-term lease obligation repayments decreasing ¥1.4 billion, sale and leaseback revenue declining ¥3.1 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.

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, with the support of the shareholders, the Company raised the year-end dividend payment ¥5 to ¥55 per share, and increased the full-year cash dividend ¥10 to ¥105, of which ¥50 was paid out as an interim dividend. As a result, this year's payout ratio was 43.9% and the consolidated payout ratio was 39.1%.

To respond to further changes anticipated in the management environment, internal reserves are useful for enhancing our financial structure and future business developments.

Going forward, we will aim for a consolidated payout ratio around 40%.

Consolidated Balance Sheet

ITOCHU Techno-Solutions Corporation and Subsidiaries March 31, 2013

ASSETS	Millions of Yen 2012	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 77,852	¥ 66,134	$ 703,626
Short-term investments (Note 5)	498	807	8,586
Receivables:			
Trade (Note 15)	60,174	66,844	711,178
Associated companies	38	47	499
Other (Notes 14 and 15)	13,570	14,545	154,750
Allowance for doubtful receivables	(7)	(95)	(1,008)
Inventories (Note 7)	23,676	25,364	269,862
Deferred tax assets (Note 12)	8,500	8,858	94,243
Prepaid expenses and other current assets	15,848	23,413	249,105
Total current assets	200,149	205,917	2,190,841
PROPERTY AND EQUIPMENT (Note 8):			
Land	6,230	6,230	66,287
Buildings and structures	26,007	30,625	325,830
Furniture and fixtures	7,836	10,048	106,907
Lease assets	5,441	6,920	73,620
Total	45,514	53,823	572,644
Accumulated depreciation	(16,689)	(19,104)	(203,253)
Net property and equipment	28,825	34,719	369,391
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 15)	3,183	4,684	49,831
Investments in and advances to associated companies	1,152	1,316	13,999
Goodwill (Note 4)		4,129	43,932
Software	5,074	4,731	50,334
Lease assets	2,536	2,223	23,650
Leasehold deposits	6,984	6,871	73,107
Prepaid pension cost (Note 9)	2,637	3,188	33,915
Deferred tax assets (Note 12)	927	597	6,357
Other assets (Note 8)	1,235	1,651	17,564
Total investments and other assets	23,728	29,390	312,689
Total	¥252,702	¥270,026	$2,872,921

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Current portion of long-term lease obligations (Notes 14 and 15)	¥ 3,765	**¥ 4,538**	**$ 48,279**
Payables:			
Trade (Notes 15 and 18)	24,099	**26,430**	**281,198**
Associated companies	78	**54**	**577**
Other	8,977	**13,352**	**142,060**
Income taxes payable (Note 15)	8,275	**7,803**	**83,021**
Accrued expenses	8,003	**8,429**	**89,675**
Unearned income	17,519	**20,269**	**215,656**
Other current liabilities (Notes 10 and 12)	7,201	**5,752**	**61,198**
Total current liabilities	77,917	**86,627**	**921,664**
LONG-TERM LIABILITIES:			
Long-term lease obligations (Notes 14 and 15)	13,561	**14,011**	**149,066**
Liability for retirement benefits (Note 9)	535	**576**	**6,121**
Deferred tax liabilities (Note 12)	136	**1,070**	**11,384**
Asset retirement obligations (Note 10)	1,240	**1,448**	**15,407**
Other long-term liabilities	490	**314**	**3,345**
Total long-term liabilities	15,962	**17,419**	**185,323**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 17)			
EQUITY (Notes 11 and 21):			
Common stock—authorized, 246,000,000 shares; issued, 62,500,000 shares in 2012 and 2013	21,764	**21,764**	**231,552**
Capital surplus	33,076	**33,076**	**351,910**
Retained earnings	108,497	**118,507**	**1,260,846**
Treasury stock—at cost, 1,702,628 shares in 2012 and 2,996,613 shares in 2013	(5,370)	**(10,371)**	**(110,339)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	448	**1,610**	**17,130**
Deferred loss on derivatives under hedge accounting	(31)	**(3)**	**(28)**
Foreign currency translation adjustments	(20)	**59**	**626**
Total	158,364	**164,642**	**1,751,697**
Minority interests	459	**1,338**	**14,237**
Total equity	158,823	**165,980**	**1,765,934**
Total	**¥252,702**	**¥270,026**	**$2,872,921**

See notes to consolidated financial statements.

Consolidated Statement of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
NET SALES (Notes 14 and 18)	¥297,749	¥322,475	$3,430,950
COST OF SALES (Notes 9, 13, 14 and 18)	218,133	239,190	2,544,844
Gross profit	79,616	83,285	886,106
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9, 13 and 14)	54,818	56,097	596,844
Operating income	24,798	27,188	289,262
OTHER INCOME (EXPENSES):			
Interest and dividend income	167	185	1,968
Interest expense	(202)	(164)	(1,745)
Equity in losses of limited partnership	(77)	(30)	(322)
Equity in earnings of associated companies	137	22	231
Gain on sales of investment securities—net (Note 6)	148	56	599
Loss on write-down of investment securities	(19)		
Other—net (Note 8)	(616)	(490)	(5,209)
Other expenses—net	(462)	(421)	(4,478)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	24,336	26,767	284,784
INCOME TAXES (Note 12):			
Current	10,652	10,442	111,098
Deferred	267	202	2,141
Total income taxes	10,919	10,644	113,239
NET INCOME BEFORE MINORITY INTERESTS	13,417	16,123	171,545
MINORITY INTERESTS IN NET INCOME	89	98	1,046
NET INCOME	¥ 13,328	¥ 16,025	$ 170,499

	Yen		U.S. Dollars
	2012	2013	2013
PER SHARE OF COMMON STOCK (Notes 2.t and 20):			
Basic net income	¥217.08	¥268.53	$2.86
Cash dividends applicable to the year	95.00	105.00	1.12

Diluted net income per share for the years ended March 31, 2012 and 2013, 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, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 13,417	**¥16,123**	**$171,545**
OTHER COMPREHENSIVE INCOME (Note 19):			
Net unrealized gain on available-for-sale securities	143	**1,161**	**12,352**
Deferred (loss) gain on derivatives under hedge accounting	(26)	**28**	**296**
Foreign currency translation adjustments	43	**56**	**590**
Share of other comprehensive income in associates	(2)	**24**	**258**
Total other comprehensive income	158	**1,269**	**13,496**
COMPREHENSIVE INCOME	**¥13,575**	**¥17,392**	**$185,041**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 13,486	**¥17,294**	**$183,995**
Minority interests	89	**98**	**1,046**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries   Year Ended March 31, 2013

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

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$231,552	$351,910	$1,154,344	$ (57,137)	$ 4,773	$ (324)	$ (217)	$ 1,684,901	$ 4,889	$ 1,689,790
Net income			**170,499**					**170,499**		**170,499**
Appropriations—cash dividends, $1.06 per share			**(63,997)**					**(63,997)**		**(63,997)**
Purchase of treasury stock				**(53,203)**				**(53,203)**		**(53,203)**
Sale of treasury stock				**1**				**1**		**1**
Net change in the year					**12,357**	**296**	**843**	**13,496**	**9,348**	**22,844**
BALANCE, MARCH 31, 2013	**$ 231,552**	**$ 351,910**	**$1,260,846**	**$ (110,339)**	**$17,130**	**$ (28)**	**$ (626)**	**$ 1,751,697**	**$ 14,237**	**$ 1,765,934**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥24,336	¥26,767	$284,784
Adjustments for:			
Income taxes—paid	(9,604)	(10,941)	(116,410)
Depreciation and amortization	7,597	6,013	63,977
Provision (reversal) of allowance for doubtful receivables	4	(9)	(93)
Provision of accrued bonuses to employees	1,730	261	2,781
Provision of accrued bonuses to directors and Audit and Supervisory Board members	36	46	487
Provision for retirement benefits to employees, less payment	94	40	427
Equity in losses of limited partnership	77	30	322
Gain on sales of investment securities—net	(148)	(56)	(599)
Loss on write-down of investment securities	19		
Equity in earnings of associated companies	(137)	(22)	(231)
Changes in assets and liabilities:			
Decrease (increase) in receivables—trade	125	(4,140)	(44,045)
(Increase) decrease in inventories	(1,632)	402	4,279
(Decrease) increase in payables—trade	(84)	50	530
Other—net	(1,160)	(8,749)	(93,098)
Total adjustments	(3,083)	(17,075)	(181,673)
Net cash provided by operating activities	21,253	9,692	103,111
INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,120)	(2,828)	(30,088)
Purchases of intangible assets	(1,583)	(1,589)	(16,911)
Purchases of investment securities	(2)	(171)	(1,817)
Acquisitions of newly consolidated subsidiaries, net of cash acquired (Note 23)	(325)	(5,371)	(57,149)
Proceeds from sales of property and equipment	187	7	72
Proceeds from sales of investment securities	245	242	2,573
Decrease (increase) in deposits other than cash equivalents	752	(311)	(3,305)
Payments for transfer of business		(248)	(2,639)
Other—net	60	(52)	(550)
Net cash used in investing activities	(2,786)	(10,321)	(109,814)
FORWARD	¥18,467	¥ (629)	$ (6,703)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
FORWARD	¥18,467	¥ (629)	$ (6,703)
FINANCING ACTIVITIES:			
Repayments of finance lease obligations	(3,344)	(1,994)	(21,208)
Proceeds from sale and leaseback	5,053	1,968	20,937
Purchases of treasury stock	(5,003)	(5,003)	(53,232)
Dividends paid	(5,543)	(6,015)	(63,996)
Dividends paid to minority interests in a subsidiary	(77)	(71)	(759)
Other—net			2
Net cash used in financing activities	(8,914)	(11,115)	(118,256)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(38)	26	280
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,515	(11,718)	(124,679)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	68,337	77,852	828,305
CASH AND CASH EQUIVALENTS, END OF YEAR	¥77,852	¥66,134	$703,626

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in 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 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥93.99 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 13 (11 in 2012) 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 (four in 2012) 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 (IPR&D) 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 over 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 the estimated beneficial period not exceeding 20 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 over five years of the estimated useful lives while the amortization of software for sales is calculated based on the expected sales quantities (or calculated by the straight-line method over three years if the calculated amounts are greater than the above method).

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 "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).

k. Asset Retirement Obligations—In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an 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 note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases 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 tax laws 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 2012 and 2013 because no potential common shares exist.

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

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

(a) Treatment in the balance sheet

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

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

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

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

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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 expects to apply the revised accounting standard for (a) and (b) above from the beginning of the annual period beginning on 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 Company is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. ACCOUNTING CHANGE

(a) Changes in the Method of Translating Revenue and Expense Accounts of Foreign Subsidiaries and Associated Companies

Previously, revenue and expense accounts of foreign subsidiaries and associated companies were translated into Japanese yen at the current exchange rate as of the balance sheet date of such foreign subsidiaries and associated companies. Effective for the current fiscal year, such accounts are translated at the average exchange rate for the period. The Group changed its method of translation to more accurately present the performances of foreign subsidiaries and associated companies in the consolidated financial statements by reflecting the effects of fluctuations of exchange rates more appropriately.

This accounting policy change was applied retrospectively.

The effect of this accounting policy change for 2012 was not material.

(b) Changes in the Method of Depreciation for Property and Equipment

Previously, depreciation of property and equipment other than those used in the datacenter business was computed by the declining-balance method. Effective for the current fiscal year, the Group has changed the depreciation method of such property and equipment to the straight-line method. As the service providing business (e.g., cloud business) has recently grown, the importance of property and equipment other than those used in the datacenter business (mainly assets for cloud business) is increasing accordingly. Considering the usage of the property and equipment for this business, the Group has changed the depreciation method as discussed above.

This change resulted in an increase in both operating income and income before income taxes and minority interests by ¥550 million ($5,856 thousand).

4. BUSINESS COMBINATIONS

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 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	Thousands of U.S. Dollars
Cash payment for acquisition	¥ 3,781	$ 40,223
Other cost directly incurred for the acquisition (advisory fees, etc.)	94	1,005
Acquisition cost	**¥ 3,875**	**$ 41,228**

CSC AUTOMATED PTE. LTD.

	Millions of Yen	Thousands of U.S. Dollars
Cash payment for acquisition	¥ 2,189	$ 23,287
Other cost directly incurred for the acquisition (advisory fees, etc.)	52	561
Acquisition cost	**¥ 2,241**	**$ 23,848**

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	Thousands of U.S. Dollars
CSC ESI SDN. BHD.	¥ 2,550	$ 27,134
CSC AUTOMATED PTE. LTD.	1,579	16,798

(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	Thousands of U.S. Dollars
Current assets	¥ 3,978	$ 42,319
Property	118	1,259
Total assets	**¥ 4,096**	**$ 43,578**
Current liabilities	¥ 2,150	$ 22,870
Long-term liabilities	54	575
Total liabilities	**¥ 2,204**	**$ 23,445**

CSC AUTOMATED PTE. LTD

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,644	$ 17,496
Property	481	5,114
Total assets	**¥ 2,125**	**$ 22,610**
Current liabilities	¥ 1,060	$ 11,273
Long-term liabilities	119	1,266
Total liabilities	**¥ 1,179**	**$ 12,539**

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	Thousands of U.S. Dollars
Net sales	¥ 8,352	$ 88,857
Net loss	208	2,216

CSC AUTOMATED PTE. LTD.

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥ 4,817	$ 51,251
Net loss	7	69

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.

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2012 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deposits other than cash equivalents	¥ 498	¥ 807	$ 8,586
Total	¥498	¥ 807	$ 8,586

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Noncurrent:			
Marketable equity securities	¥ 1,671	**¥3,564**	**$37,913**
Nonmarketable equity securities	690	**383**	**4,079**
Investment in limited partnership	797	**712**	**7,573**
Other	25	**25**	**266**
Total	**¥3,183**	**¥4,684**	**$49,831**

The carrying amounts and aggregate fair values of investment securities as of March 31, 2012 and 2013, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2012				
Securities classified as available-for-sale equity securities and other	¥ 1,030	¥ 700	¥ 34	¥ 1,696
March 31, 2013				
Securities classified as available-for-sale equity securities and other	**¥1,161**	**¥2,431**	**¥ 3**	**¥3,589**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as available-for-sale equity securities and other	**$12,351**	**$25,864**	**$36**	**$38,179**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2013, were ¥229 million and ¥242 million ($2,572 thousand), respectively. Gross realized gains on these sales for the years ended March 31, 2012 and 2013, were ¥163 million and ¥56 million ($599 thousand), respectively. Gross realized losses on these sales for the year ended March 31, 2012, was ¥15 million. (There were no gross realized losses on these sales for the year ended March 31, 2013.)

7. INVENTORIES

Inventories at March 31, 2012 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Merchandise	¥ 11,709	**¥13,428**	**$142,865**
Work in process	5,225	**5,348**	**56,898**
Supplies for maintenance service	6,742	**6,588**	**70,099**
Total	**¥23,676**	**¥25,364**	**$269,862**

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2013. As a result, the Group recognized an impairment loss of ¥122 million and ¥124 million ($1,322 thousand) as other expense for mainly buildings and structures for 2012 and 2013, respectively. 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 "ITOCHU Union Pension Fund," which is a contributory defined benefit pension fund, and also have a cash balance type of contributory defined benefit plan and defined contribution pension plans. In addition, certain subsidiaries also have unfunded retirement benefit plans. Employees who retire upon reaching the mandatory age of retirement or by death are entitled to larger benefits.

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

The liability for employees' retirement benefits at March 31, 2012 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Projected benefit obligation	¥13,807	¥15,955	$169,753
Fair value of plan assets	(12,954)	(15,553)	(165,473)
Unrecognized actuarial loss	(3,961)	(3,793)	(40,357)
Unrecognized prior service cost	1,006	779	8,283
Prepaid pension cost	2,637	3,188	33,915
Net liability	¥ 535	¥ 576	$ 6,121

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Service cost	¥ 811	¥ 950	$10,109
Interest cost	247	268	2,856
Expected return on plan assets	(289)	(322)	(3,430)
Recognized actuarial loss	652	611	6,497
Recognized prior service cost	(227)	(227)	(2,419)
Contribution to defined benefit, contributory pension fund	1,339	852	9,065
Other	776	799	8,503
Net periodic benefit costs	¥3,309	¥2,931	$31,181

Assumptions used for actuarial computation for the years ended March 31, 2012 and 2013, were set forth as follows:

	2012	2013
Discount rate	2.0%	1.2%
Expected rate of return on plan assets	2.5%	2.5%
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Balance at beginning of year	¥ 1,311	**¥1,303**	**$13,858**
Additional provisions associated with the acquisition of property and equipment	125	**154**	**1,641**
Increase by acquisition		**32**	**341**
Reconciliation associated with passage of time	25	**26**	**275**
Increase by change in estimate		**141**	**1,506**
Reduction associated with settlement of asset retirement obligations	(158)	**(124)**	**(1,320)**
Balance at end of year	**¥1,303**	**¥1,532**	**$16,301**

The short-term asset retirement obligations as of March 31, 2012 and 2013, were ¥63 million and ¥84 million ($894 thousand), respectively. These are included in other current liabilities on the consolidated balance sheet.

11. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having 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-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by 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.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% for the year ended March 31, 2012, and 38% for the year ended March 31, 2013.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Current:			
Deferred tax assets:			
Loss on write-down of inventories	¥ 4,315	¥4,659	$ 49,568
Accrued bonuses to employees	2,774	2,875	30,590
Accrued other expenses	561	658	7,003
Accrued enterprise taxes	621	616	6,547
Other	631	445	4,737
Less valuation allowance	(402)	(395)	(4,201)
Total	8,500	8,858	94,244
Charges to offset against deferred tax liabilities			(1)
Net deferred tax assets—current	¥8,500	¥8,858	$ 94,243
Deferred tax liabilities—consolidation adjustment of allowance for doubtful accounts			$ 2
Charges to offset against deferred tax assets			(1)
Net deferred tax liabilities—current			$ 1
Noncurrent:			
Deferred tax assets:			
Asset retirement obligations	¥ 446	¥ 521	$ 5,546
Depreciation	652	409	4,350
Unrealized gain of tangible assets	387	379	4,033
Loss on write-down of investment securities	331	215	2,283
Accrued retirement benefits	193	207	2,204
Tax loss carryforwards	64	152	1,621
Equity in losses of limited partnership	84	64	683
Other	220	219	2,333
Less valuation allowance	(259)	(336)	(3,579)
Total	2,118	1,830	19,474
Charges to offset against deferred tax liabilities	(1,191)	(1,233)	(13,117)
Net deferred tax assets—noncurrent	¥ 927	¥ 597	$ 6,357
Deferred tax liabilities:			
Prepaid pension cost	¥ 964	¥1,160	$ 12,345
Net unrealized gain on available-for-sale securities	188	825	8,776
Property and equipment	175	233	2,482
Other		85	898
Charges to offset against deferred tax assets	(1,191)	(1,233)	(13,117)
Net deferred tax liabilities—noncurrent	¥ 136	¥1,070	$ 11,384

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2013, was not disclosed because the differences were not more than 5% of the normal effective statutory tax rate. The corresponding figures for 2012 were as follows:

	2012
Normal effective statutory tax rate	41.0%
Effect of tax rate changes	3.6
Expenses not deductible for income tax purposes	1.1
Decrease in valuation allowance	(0.4)
Other—net	(0.4)
Actual effective tax rate	**44.9%**

As of March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥401 million ($4,266 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 2019	¥401	$4,266
Total	**¥401**	**$4,266**

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥445 million and ¥249 million ($2,645 thousand) for the years ended March 31, 2012 and 2013, respectively.

14. 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, 2012 and 2013, were ¥11,113 million and ¥10,348 million ($110,099 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	
	2013		**2013**	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥ 4,538**	**¥2,887**	**$ 48,279**	**$30,720**
Due after one year	**14,011**	**3,856**	**149,066**	**41,024**
Total	**¥18,549**	**¥6,743**	**$197,345**	**$71,744**

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

	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**

	Thousands of U.S. Dollars		
	2013		
	Buildings and Structures	Furniture and Fixtures	Total
Acquisition cost	**$13,725**	**$3,994**	**$17,719**
Accumulated depreciation	**10,715**	**2,887**	**13,602**
Net leased property	**$ 3,010**	**$1,107**	**$ 4,117**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Due within one year	¥ 347	**¥199**	**$ 2,122**
Due after one year	445	**245**	**2,606**
Total	**¥792**	**¥444**	**$ 4,728**

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Depreciation expense	¥ 767	**¥317**	**$ 3,373**
Interest expense	47	**26**	**277**
Total	**¥814**	**¥343**	**$ 3,650**
Lease payments	¥ 856	**¥371**	**$ 3,946**

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, 2012 and 2013, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Gross lease receivables	¥ 13,115	¥14,210	$151,184
Unearned interest income	1,294	1,300	13,831
Investments in lease	¥11,821	¥12,910	$137,353

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
2014	¥ 3,320	$ 35,324
2015	3,160	33,616
2016	3,010	32,028
2017	2,170	23,090
2018	1,427	15,181
2019 and thereafter	1,123	11,945
Total	¥14,210	$151,184

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

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Due within one year	¥ 425	$ 4,519
Due after one year	1,080	11,496
Total	¥1,505	$16,015

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

Foreign currency forward contracts are used to manage exposure to market risks from changes in foreign currency exchange rates of payables. Please see Note 16 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department, and by a credit control department 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 corporate treasury department, have been approved at the management committee meeting held on a semiannual basis. The transaction data has been reported to the management committee meeting held on a quarterly basis.

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, another rational valuation technique is used instead. Also, please see Note 16 for details on the fair value for derivatives.

(a) Fair value of financial instruments

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

March 31, 2013	Millions of Yen 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	
Others	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	
Others	54	54	
Total	¥ 52,836	¥ 52,992	¥(156)
Derivatives—To which hedge accounting is applied	¥ (4)	¥ (4)	
Total	¥ (4)	¥ (4)	

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 703,626	$ 703,626	
Receivables—trade	711,178	711,178	
Investments in lease (included in receivables—other)	137,353	138,954	$ 1,601
Investment securities	38,179	38,179	
Others	414	414	
Total	$1,590,750	$1,592,351	$ 1,601
Payables—trade	$ 281,198	$ 281,198	
Lease obligations	197,345	199,001	$(1,656)
Income taxes payable	83,021	83,021	
Others	577	577	
Total	$ 562,141	$ 563,797	$(1,656)
Derivatives—To which hedge accounting is applied	$ (45)	$ (45)	
Total	$ (45)	$ (45)	

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

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

Derivatives
Fair value information for derivatives is included in Note 16.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥1,841	¥1,699	$18,077
Investment in limited partnership	797	712	7,573
Total	¥2,638	¥2,411	$25,650

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

	Millions of Yen			
March 31, 2013	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	¥ 66,134			
Receivables—trade	66,844			
Investments in lease (included in receivables—other)	2,849	¥8,963	¥1,098	
Investment securities—Available-for-sale securities with contractual maturities		25		
Others	39			
Total	¥135,866	¥8,988	¥1,098	

	Thousands of U.S. Dollars			
March 31, 2013	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	$ 703,626			
Receivables—trade	711,178			
Investments in lease (included in receivables—other)	30,310	$95,363	$11,680	
Investment securities—Available-for-sale securities with contractual maturities		266		
Others	414			
Total	$1,445,528	$95,629	$11,680	

Please see Note 14 for obligations under finance leases.

16. 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 Applied

		Millions of Yen		
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥3,064		
Selling U.K.£	Receivables	1		
Selling U.S.$	Receivables (forecasted)	1,564		¥(35)
Selling U.K.£	Receivables (forecasted)	32		(1)
Buying U.S.$	Payables	3,937		
Buying €	Payables	23		
Buying U.K.£	Payables	31		
Buying THB	Payables	4		
Buying U.S.$	Payables (forecasted)	2,695		(13)
March 31, 2013				
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, 2013	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	$ 740		
Selling U.S.$	Receivables (forecasted)	5,226		$ (2)
Selling U.K.£	Receivables (forecasted)	32		(6)
Buying U.S.$	Payables	37,327		
Buying €	Payables	231		
Buying U.K.£	Payables	329		
Buying S$	Payables	492		
Buying THB	Payables	70		
Buying U.S.$	Payables (forecasted)	11,853		(28)
Buying €	Payables (forecasted)	19		
Buying U.K.£	Payables (forecasted)	397		(9)

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.

17. CONTINGENT LIABILITIES

As of March 31, 2013, the Group is contingently liable for guarantees of borrowings by the Group's employees amounting to ¥158 million ($1,677 thousand).

18. RELATED PARTY DISCLOSURES

Transactions of the Company with associated companies for the years ended March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Sales	¥475	¥243	$2,585
Purchases	460	367	3,902

Transactions of the Company with the parent company, ITOCHU Corporation, for the years ended March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Purchases	¥24,341	¥10,312	$109,718
Deposit contract		5,000	53,197

The balances due to the parent company, ITOCHU Corporation, as of March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Payables—trade	¥2,696	**¥498**	**$5,303**

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2012 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 180	**¥ 1,809**	**$ 19,246**
Reclassification adjustments to profit or loss	3	**(11)**	**(120)**
Amount before income tax effect	183	**1,798**	**19,126**
Income tax effect	(40)	**(637)**	**(6,774)**
Total	**¥ 143**	**¥ 1,161**	**$ 12,352**
Deferred (loss) gain on derivatives under hedge accounting:			
Losses arising during the year	¥ (49)	**¥ (4)**	**$ (45)**
Reclassification adjustments to profit or loss	8	**49**	**523**
Amount before income tax effect	(41)	**45**	**478**
Income tax effect	15	**(17)**	**(182)**
Total	**¥ (26)**	**¥ 28**	**$ 296**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (6)	**¥ 56**	**$ 590**
Reclassification adjustments to profit or loss	79		
Amount before income tax effect	73	**56**	**590**
Income tax effect	(30)		
Total	**¥ 43**	**¥ 56**	**$ 590**
Share of other comprehensive income in associates:			
(Losses) gains arising during the year	¥ (1)	**¥ 24**	**$ 258**
Reclassification adjustments to profit or loss	(1)		
Total	¥ (2)	**¥ 24**	**$ 258**
Total other comprehensive income	**¥ 158**	**¥ 1,269**	**$ 13,496**

20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2013, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥13,328	61,395	¥217.08	
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥16,025	59,677	¥268.53	$2.86

Diluted net income per share for the years ended March 31, 2012 and 2013, is not disclosed because no potential common shares exist.

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings as of March 31, 2013, were approved at the Company's shareholders' meeting held on June 20, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥55.00 ($0.59) per share	¥3,273	$34,820

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥2,975 million ($31,654 thousand, ¥50.00 ($0.53) per share) on December 7, 2012, to shareholders of record as of September 30, 2012, based on a resolution by the Board of Directors.

22. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

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

Effective April 1, 2013, the Group changed its operating segments from solution business segment and service business segment to telecommunications business segment, finance business segment, enterprise business segment, distribution business segment, cloud platform business segment, and support and service business segment.

The telecommunications business segment, finance 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.

The segment information for the year ended March 31, 2012, is also disclosed using the new operating segments.

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

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

(3) Changes in the Method of Depreciation for Property and Equipment

Previously, depreciation of property and equipment other than those used in the datacenter business was computed by the declining-balance method. Effective for the current fiscal year, the Group has changed the depreciation method of such property and equipment to the straight-line method. The effects of this accounting policy change for 2013 were as follows:

	Millions of Yen										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Effect of accounting change (increase segment profit)	**¥80**	**¥1**	**¥10**	**¥35**	**¥9**	**¥83**	**¥218**	**¥12**	**¥230**	**¥320**	**¥550**

	Thousands of U.S. Dollars										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Effect of accounting change (increase segment profit)	**$848**	**$6**	**$106**	**$373**	**$98**	**$883**	**$2,314**	**$132**	**$2,446**	**$3,410**	**$5,856**

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

	Millions of Yen										
	2012										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Sales:											
Sales to external customers	¥ 112,880	¥ 25,182	¥ 98,184	¥ 41,405	¥ 6,898	¥ 3,035	¥ 287,584	¥ 10,165	¥ 297,749		¥ 297,749
Intersegment sales or transfers	445	131	681	205	19,823	62,068	83,353	3,550	86,903	¥ (86,903)	
Total	**¥113,325**	**¥ 25,313**	**¥98,865**	**¥41,610**	**¥ 26,721**	**¥ 65,103**	**¥370,937**	**¥13,715**	**¥384,652**	**¥ (86,903)**	**¥297,749**
Segment profit	¥ 13,407	¥ 1,680	¥ 5,321	¥ 3,979	¥ 1,827	¥ 11,345	¥ 37,559	¥ 923	¥ 38,482	¥ (13,684)	¥ 24,798
Segment assets	36,723	5,190	34,541	24,506	26,649	21,088	148,697	6,225	154,922	97,780	252,702
Other:											
Depreciation	2,023	11	903	499	1,641	272	5,349	77	5,426	2,171	7,597
Investments in associated companies							998		998	97	1,095
accounted for by the equity method				998							
Increase in property and equipment											
and intangible assets	598	70	854	923	2,104	190	4,739	144	4,883	1,378	6,261

	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
	Millions of Yen										
	2013										
	Reportable Segment										
Sales:											
Sales to external customers	¥142,273	¥ 23,685	¥98,086	¥39,581	¥ 7,031	¥ 2,977	¥313,633	¥ 8,842	¥322,475		¥322,475
Intersegment sales or transfers	986	116	1,229	306	21,352	61,733	85,722	4,569	90,291	¥ (90,291)	
Total	¥143,259	¥ 23,801	¥99,315	¥39,887	¥ 28,383	¥ 64,710	¥399,355	¥13,411	¥412,766	¥ (90,291)	¥322,475
Segment profit	¥ 16,120	¥ 2,366	¥ 5,019	¥ 3,062	¥ 1,733	¥ 11,369	¥ 39,669	¥ 1,007	¥ 40,676	¥ (13,488)	¥ 27,188
Segment assets	45,437	6,517	32,465	24,918	32,063	27,051	168,451	17,032	185,483	84,543	270,026
Other:											
Depreciation	424	26	1,057	485	1,814	213	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	943	23	198	597	6,577	212	8,550	121	8,671	1,360	10,031

	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
	Thousands of U.S. Dollars										
	2013										
	Reportable Segment										
Sales:											
Sales to external customers	$1,513,701	$251,996	$1,043,581	$421,124	$ 74,808	$ 31,670	$3,336,880	$ 94,070	$3,430,950		$3,430,950
Intersegment sales or transfers	10,488	1,236	13,073	3,250	227,177	656,805	912,029	48,615	960,644	$ (960,644)	
Total	$1,524,189	$253,232	$1,056,654	$424,374	$301,985	$688,475	$4,248,909	$142,685	$4,391,594	$ (960,644)	$3,430,950
Segment profit	$ 171,504	$ 25,176	$ 53,394	$ 32,577	$ 18,435	$120,961	$ 422,047	$ 10,714	$ 432,761	$ (143,499)	$ 289,262
Segment assets	483,424	69,339	345,411	265,111	341,131	287,802	1,792,218	181,210	1,973,428	899,493	2,872,921
Other:											
Depreciation	4,511	279	11,250	5,159	19,302	2,265	42,766	1,086	43,852	20,125	63,977
Investments in associated companies accounted for by the equity method				11,426			11,426	1,497	12,923	1,076	13,999
Increase in property and equipment and intangible assets	10,032	249	2,107	6,348	69,972	2,255	90,963	1,285	92,248	14,476	106,724

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

2. Reconciliations of segment profit consist primarily of corporate operating expenses (¥(15,404) million for 2012 and ¥(15,021) million ($(159,818) thousand) for 2013) and eliminations (¥1,466 million for 2012 and ¥1,308 million ($13,920 thousand) for 2013).

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 (¥107,410 million for 2012 and ¥92,194 million ($980,892 thousand) for 2013) and eliminations (¥(6,852) million for 2012 and ¥(7,259) million ($(77,235) thousand) for 2013).

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 (¥2,343 million for 2012 and ¥2,043 million ($21,742 thousand) for 2013) and eliminations of unrealized profit (¥(172) million for 2012 and ¥(152) million ($(1,616) thousand) for 2013).

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 (¥1,640 million for 2012 and ¥1,531 million ($16,292 thousand) for 2013) and eliminations of unrealized profit (¥(262) million for 2012 and ¥(171) million ($(1,816) thousand) for 2013).

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

(1) Information about Products and Services

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

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

	Thousands of U.S. Dollars			
	2013			
	Service	SI/Development	Products	Total
Sales to external customers	**$1,437,284**	**$691,181**	**$1,302,485**	**$3,430,950**

(2) Information about Geographical Areas

(a) Sales

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

(b) Property and equipment

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

(3) Information about Major Customers

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

Information about Impairment Losses of Assets in Reportable Segments

	Millions of Yen										
	2012										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets	¥10					¥1	¥11		¥11	¥111	¥122

	Millions of Yen										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets				**¥1**	**¥113**	**¥2**	**¥116**		**¥116**	**¥8**	**¥124**

	Thousands of U.S. Dollars										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets				**$1**	**$1,207**	**$25**	**$1,233**		**$1,233**	**$89**	**$1,322**

Information about Goodwill in Reportable Segments

	Millions of Yen										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Goodwill at March 31, 2013								**¥4,129**	**¥4,129**		**¥4,129**

	Thousands of U.S. Dollars										
	2013										
	Reportable Segment										
	Telecommunications	Finance	Enterprise	Distribution	Cloud Platform	Support and Service	Total	Other	Total	Reconciliations	Consolidated
Goodwill at March 31, 2013								**$43,932**	**$43,932**		**$43,932**

There is no applicable information for the year ended March 31, 2012.

Information about Negative Goodwill in Reportable Segments

There is no applicable information.

23. SUPPLEMENTAL CASH FLOW INFORMATION

For the 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	Thousands of U.S. Dollars
Current assets	¥ 3,978	$ 42,319
Property	118	1,259
Goodwill	2,550	27,134
Current liabilities	(2,150)	(22,870)
Long-term liabilities	(54)	(575)
Minority interests	(567)	(6,039)
Acquisition cost	3,875	41,228
Payables	(81)	(867)
Cash and cash equivalents	(361)	(3,836)
Payments for purchase—net	¥ 3,433	$ 36,525

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

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,644	$ 17,496
Property	481	5,114
Goodwill	1,579	16,798
Current liabilities	(1,060)	(11,273)
Long-term liabilities	(119)	(1,266)
Minority interests	(284)	(3,021)
Acquisition cost	2,241	23,848
Payables	(41)	(435)
Cash and cash equivalents	(262)	(2,789)
Payments for purchase—net	¥ 1,938	$ 20,624

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

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, 2013, 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, 2013, 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 20, 2013

Member of
Deloitte Touche Tohmatsu Limited

Note

Board of Directors

As of June 20, 2013

Directors and Auditors

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

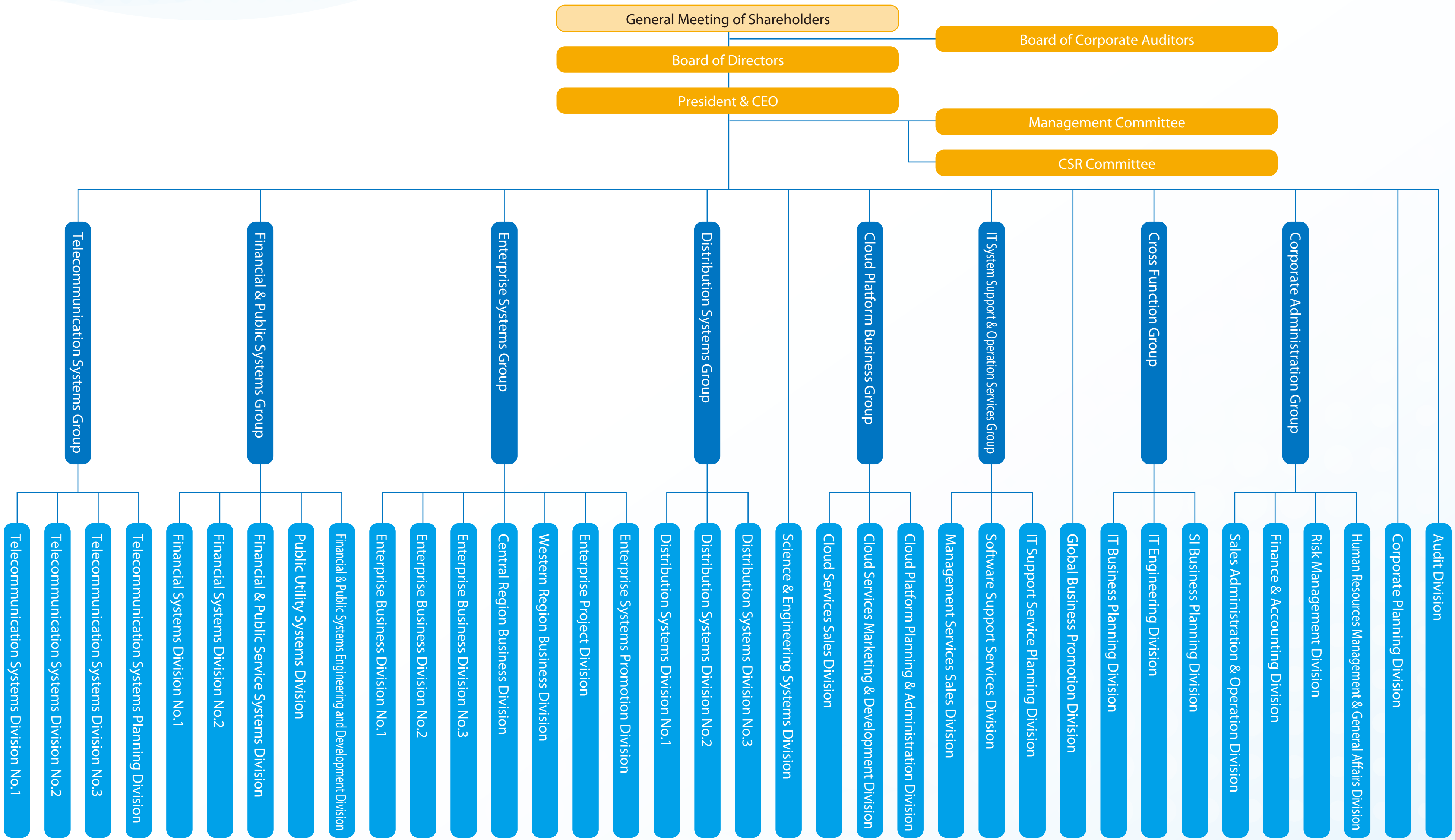
*1 Senior Managing Executive Officer
*2 Managing Executive Officer

Executive Officers

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

Corporate Organization

As of April 1, 2013



Corporate Data

Company Name ITOCHU Techno-Solutions Corporation (CTC)

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

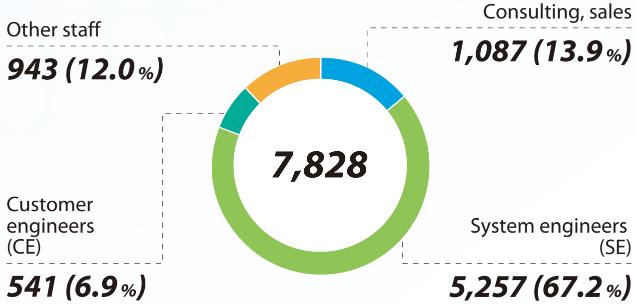
Established April 1, 1972

Paid-in Capital ¥21,763 million

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

Employees 7,828 (CTC Group total, as of April 1, 2013)

Composition of CTC Employees



CTC Group Companies

Consolidated Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥450 million	Maintenance and system management services, support services on system and network, system construction services, IT-related training
CTC LABORATORY SYSTEMS CORPORATION	¥300 million	Hardware for the pharmaceutical, chemical, and food product industries, software sales and support, agency for fee-based services
CTC SYSTEMS SERVICE CORPORATION	¥200 million	Telecommunications and broadcasting operation services, software development services, solution services, centering on system operations management services
CTCSP CORPORATION	¥200 million	Sales of network and security-related equipment, storage devices and packaged software, and provision of related services
CTC FACILITIES CORPORATION	¥100 million	Building facility operations management activities for computer centers (Yokohama, Kobe, Otemachi, Shibuya, Mejirozaka)
CTC SYSTEM OPERATIONS Corporation	¥100 million	System operation services
CTC BUSINESS SERVICE CORPORATION	¥100 million	Various business functions (human resources, administration) entrusted by CTC Group companies, as well as planning, producing and maintaining web content, and planning and producing advertising materials
First Contact Corporation	¥50 million	Contact center operations, helpdesk services, IT training, planning and implementation of IT training
Asahi Business Solutions Corp.	¥110 million	Overall system development, maintenance, operation and IT consulting
ITOCHU 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
CSC ESI Sdn. Bhd.*1	RM62,118,000	Reselling hardware and software products and providing maintenance service
CSC Automated Pte. Ltd.*2	S$2,000,000	Reselling hardware and software products and providing maintenance service

One other company (one in Japan)

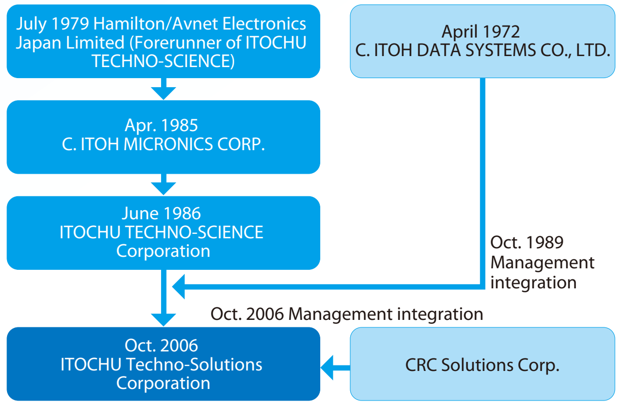
*1 Changed business name to CTC Global Sdn.Bhd. on May 8, 2013. *2 Changed business name to CTC Global Pte. Ltd. on May 10, 2013.

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.	THB55,000,000	Sales network products and solutions

Two other companies (one in Japan, one overseas)

Company History (Apr. 1972 - Oct. 2006)



Company History (Oct. 2006 - May 2013)

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

Stock Information

As of March 31, 2013

Common Stock

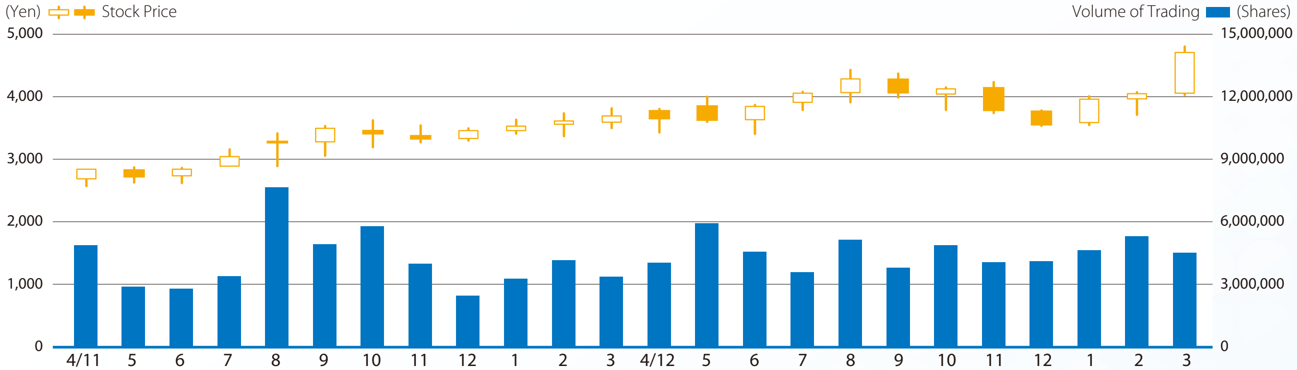
Authorized	246,000,000 shares
Issued	62,500,000 shares
Shareholders	15,866

Major Shareholders

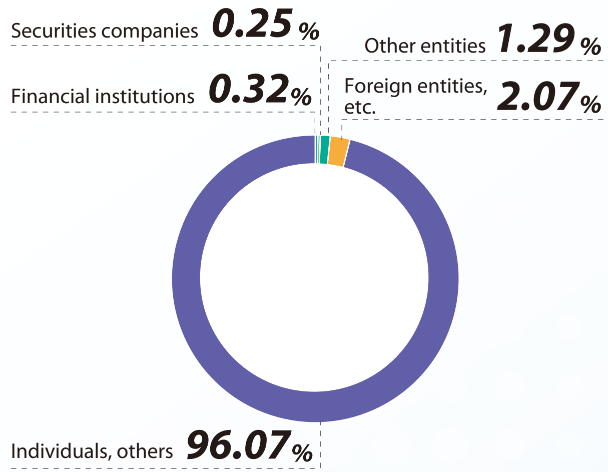
	Number of Shares	(%)
ITOCHU Corporation	33,665,400	53.86
Japan Trustee Services Bank, Ltd. (Trust Account)	2,382,200	3.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,276,200	2.04
CTC Employee Shareholding Association	1,114,168	1.78
Japan Trustee Services Bank, Ltd. (Trust Account 9)	837,900	1.34
JP MORGAN CHASE BANK 385174	795,700	1.27
NOMURA ASSET MANAGEMENT U.K. LIMITED SUB A/C EVERGREEN NOMINEES LTD	426,000	0.68
MELLON BANK, N.A. TREATY CLIENT OMNIBUS	424,134	0.68
Trust & Custody Services Bank, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	420,546	0.67
SIX SIS LTD.	350,753	0.56

Note: Additionally, the company holds 2,996,613 shares of treasury stock.

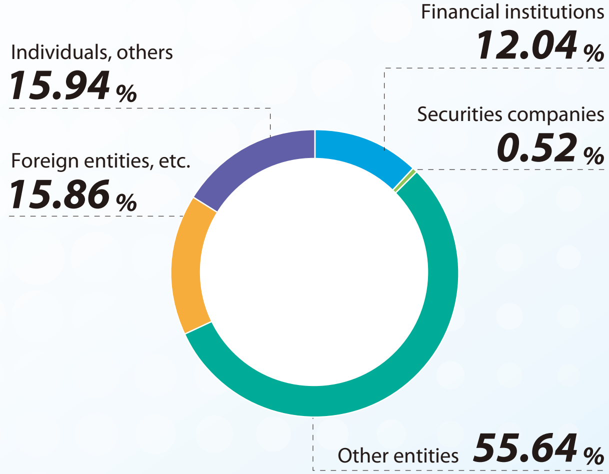
Stock Prices / Trading Volume Trends



Breakdown by Percentage of Owners



Ownership by Percentage Shareholding



Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

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