



IT Holdings

# **Information Meeting Materials for the First Two Quarters of the Fiscal Year Ending March 31, 2013**

**October 31, 2012**

**IT Holdings Corporation**

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**IT Holdings Group**

## **Highlights for the First Two Quarters of Fiscal 2013**

**Fiscal 2013 Full-Year Performance Forecast**

**Progress on Key Strategies for Medium-term Growth**

# Highlights for the First Two Quarters of Fiscal 2013



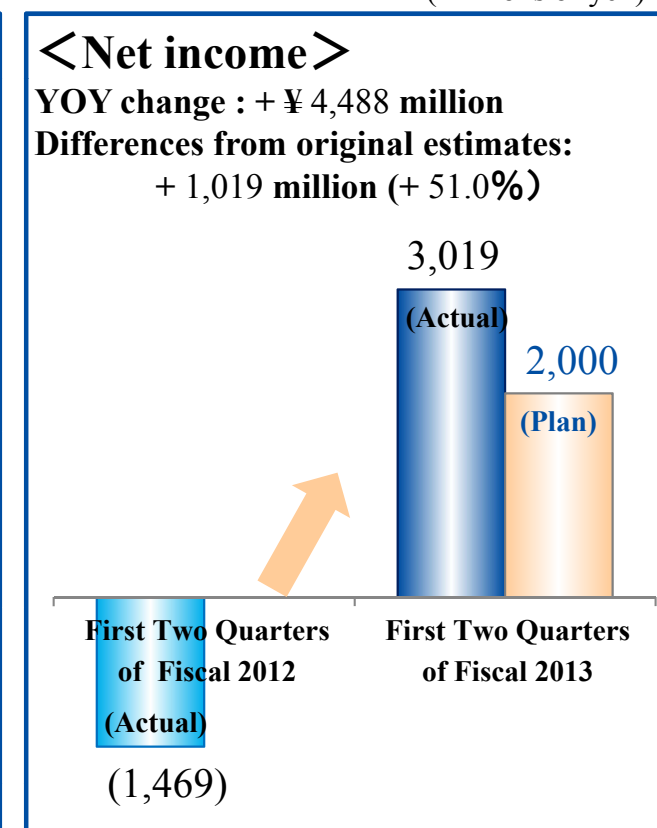
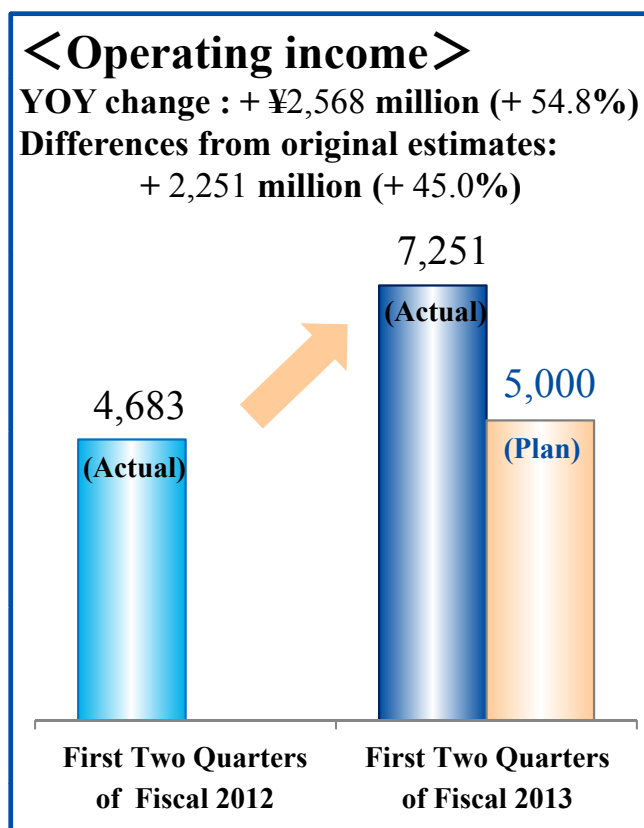
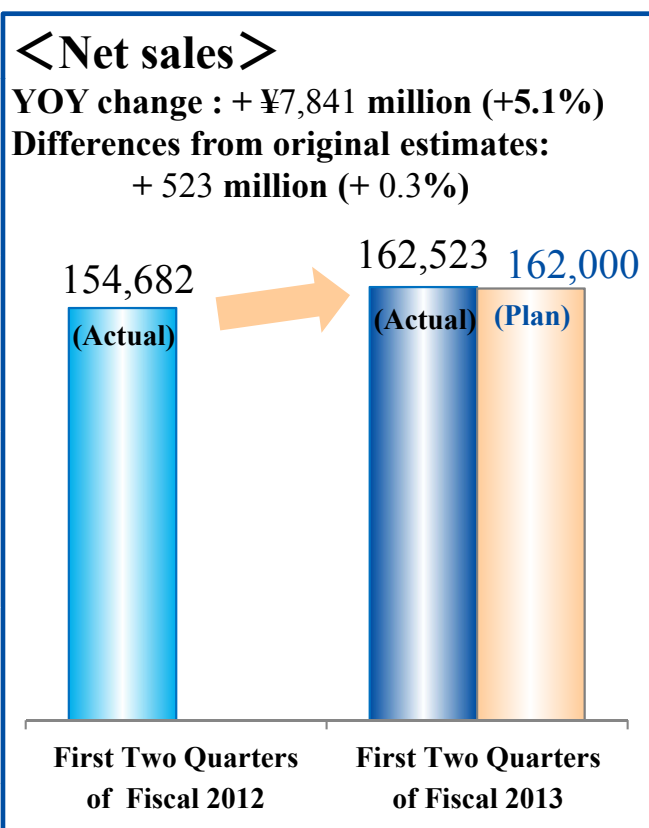
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- The domestic economy showed signs of gradual recovery, buoyed mainly by reconstruction demand in the areas hit by the March 2011 earthquake and tsunami, but the impact of events, particularly economic slowdowns overseas, notably in China and Europe, obscured the path ahead.
- In the IT services industry, demand was patchy but favorable overall despite the potential for worsening business conditions in some industries to erode demand for IT services, thanks to positive developments, such as a growing trend among companies to resume IT investment activity.
- ITHD posted higher sales and higher income, on a consolidated basis, over the corresponding period a year ago, and exceeded performance targets for the first two quarters of fiscal 2013.

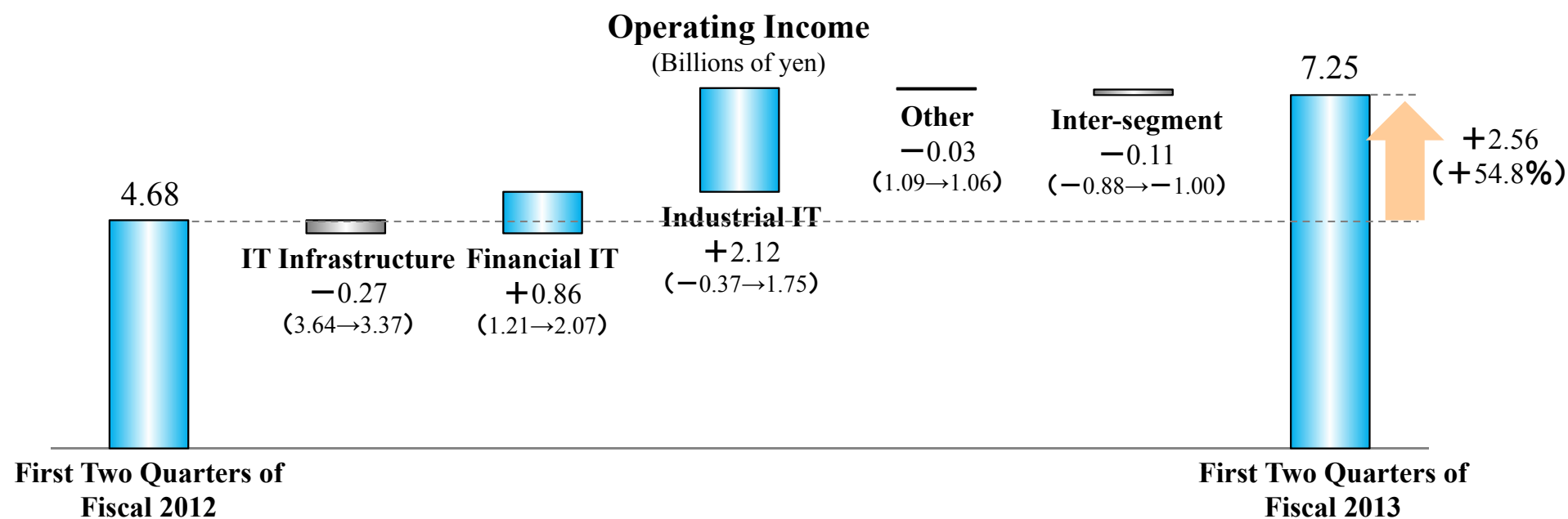
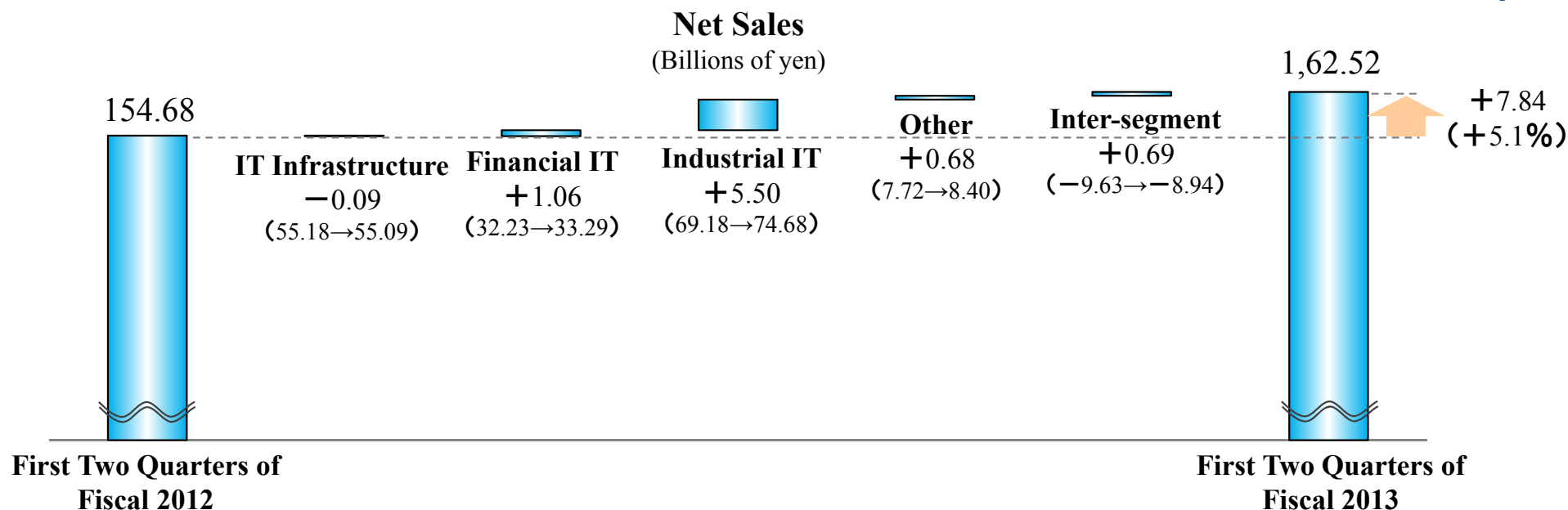
Net sales: Up 5.1% year-on-year, buoyed by demand for industrial IT services as well as a gradual improvement in requests for financial IT services.

Operating income: Huge year-on-year improvement (54.8%), reflecting higher net sales starting point as well as the effects of office relocation and centralization undertaken in fiscal 2012, benefits realized through measures paralleling merger activity among subsidiaries, and successful efforts to improve unprofitable projects.

(Millions of yen)



# Fiscal 2013 First Two Quarters : Net Sales and Operating Income Analysis



# Fiscal 2013 First Two Quarters : Sales and Income for Key Segments

(Millions of yen)

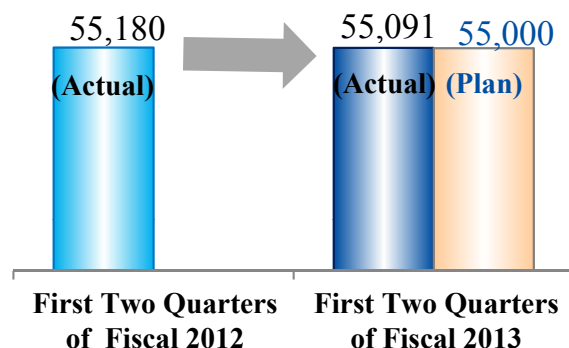


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## IT Infrastructure Services

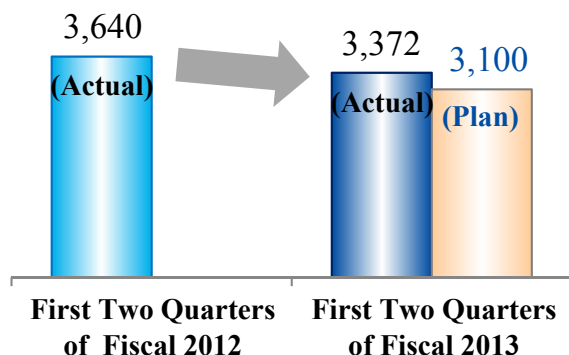
### Net Sales

Down ¥89 million, or 0.2%, year-on-year, but ¥91 million, or 0.2%, better than initially expected. Sales generally stable, thanks to steady demand for services provided by next-generation data centers, such as GDC Gotenyama.



### Operating Income

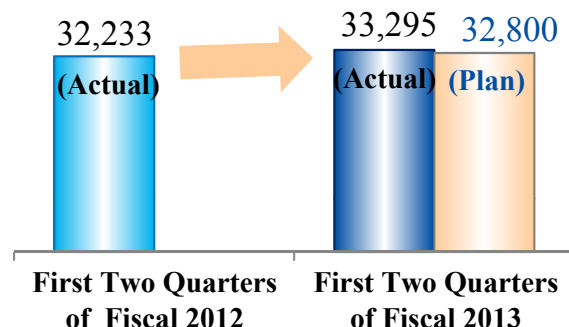
Slipped ¥268 million, or 7.3%, year-on-year, but was ¥272 million, or 8.8%, better than initially expected. Year-on-year decrease largely due to upfront investment activities and higher electricity rates.



## Financial IT Services

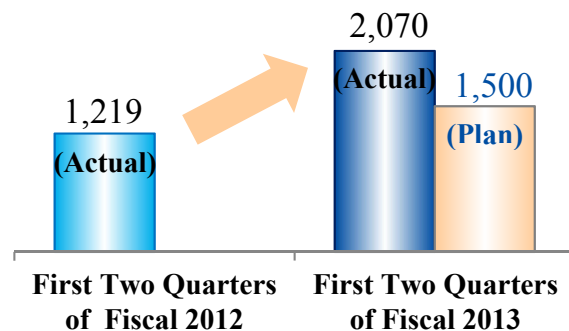
### Net Sales

Up ¥1,062 million, or 3.3%, year-on-year, and ¥495 million, or 1.5%, better than initially expected. Increase fueled by the resumption of IT investment at some credit card companies.



### Operating Income

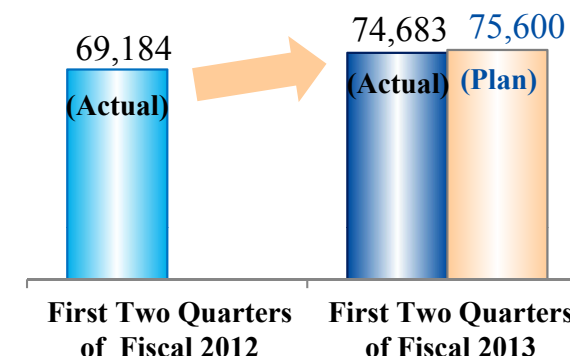
Soared ¥851 million, or 69.8%, year-on-year, and came in ¥570 million, or 38.0%, better than initially expected. Significant increase primarily a reflection of higher net sales starting point.



## Industrial IT Services

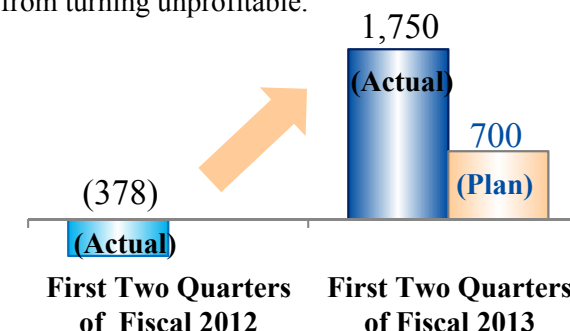
### Net Sales

Up ¥5,499 million, or 7.9%, year-on-year, but came in ¥917 million, or 1.2% below initial target. Significant increase supported by large development projects for major clients in manufacturing industry.



### Operating Income

Rebounced ¥2,128 million into the black from loss position a year ago. Soared ¥1,050 million, or 150.0%, over initial target. Profitability improved, mainly because of higher sales starting point and efforts to prevent projects from turning unprofitable.



Segment net sales include intersegment sales.

# Fiscal 2013 First Two Quarters: Order Status

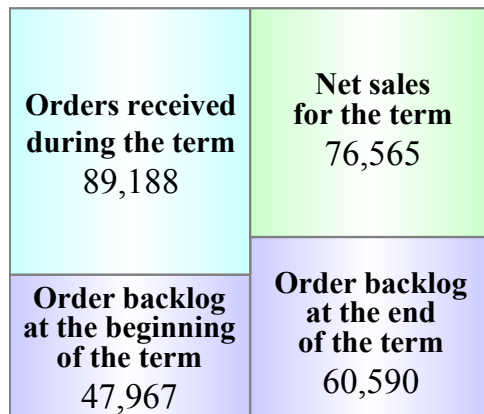


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Built up number of small and mid-sized projects for industrial-sector clients and saw downtrend in the financial sector bottom out, which combined to drive up order volume and backlog over the corresponding period a year ago.

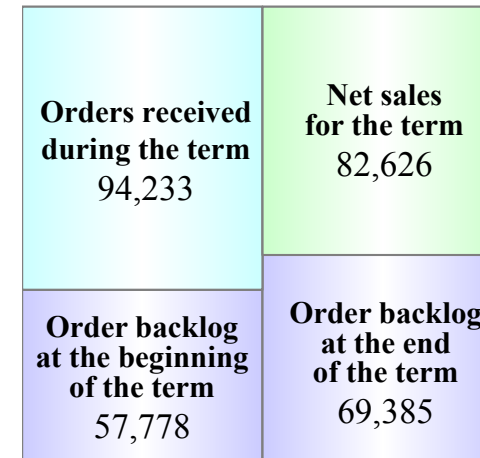
## First Two Quarters of Fiscal 2012

(Millions of yen)



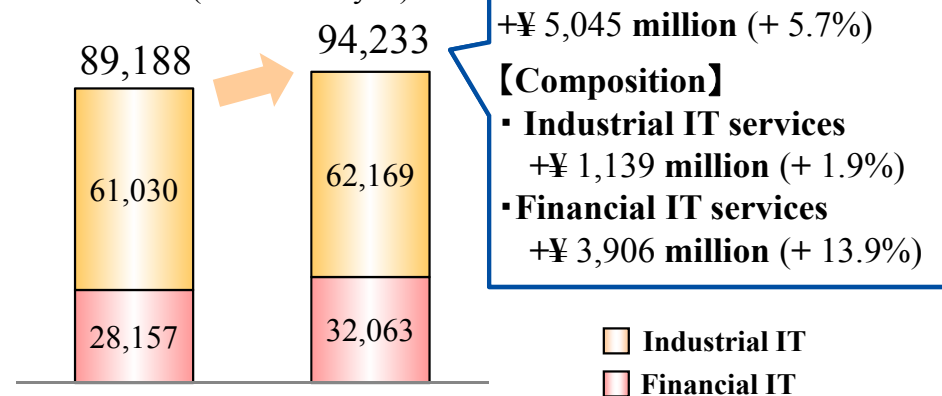
## First Two Quarters of Fiscal 2013

(Millions of yen)



### Orders received during the term

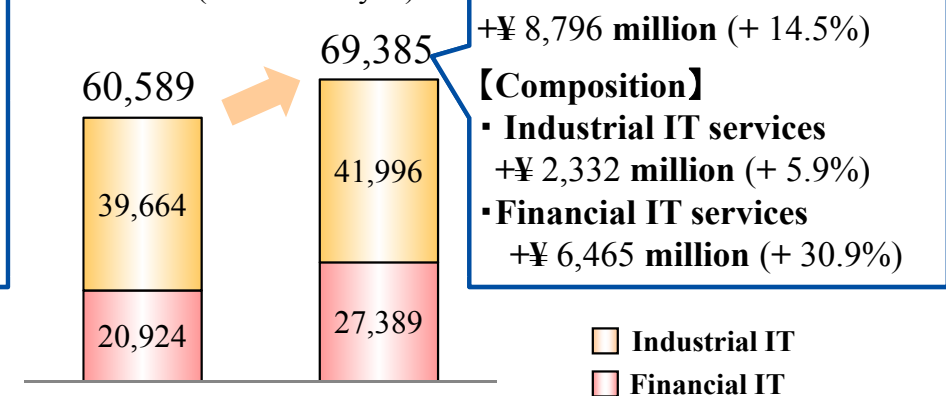
(Millions of yen)



First Two Quarters of Fiscal 2012 → First Two Quarters of Fiscal 2013

### Order backlog at the end of the term

(Millions of yen)



First Two Quarters of Fiscal 2012 → First Two Quarters of Fiscal 2013

Order volume and backlog at end of fiscal year and net sales apply to Software Development only.

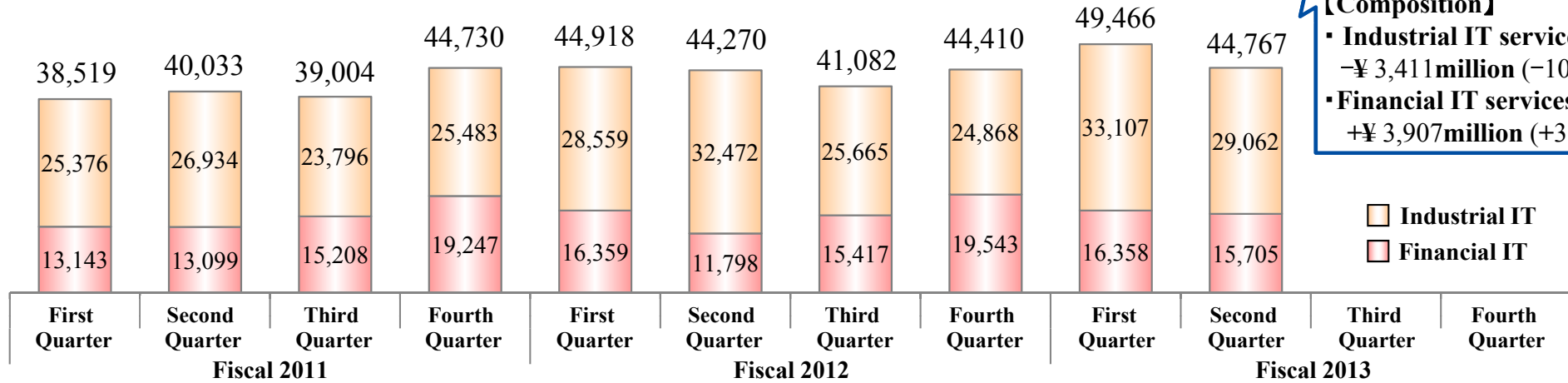
# Quarterly Order Status



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## Orders received during the term

(Millions of yen)



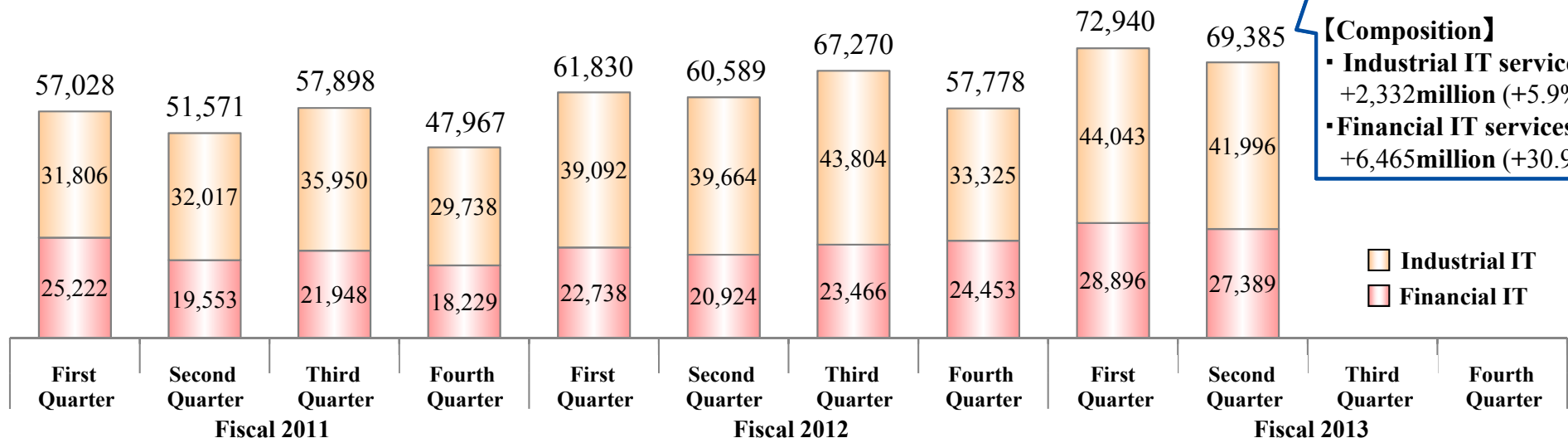
**YOY change :**  
+¥ 497 million (+1.1%)

**【Composition】**  
 ▪ Industrial IT services  
-¥ 3,411 million (-10.5%)  
 ▪ Financial IT services  
+¥ 3,907 million (+33.1%)

Industrial IT  
Financial IT

## Order backlog at the end of the term

(Millions of yen)



**YOY change :**  
+¥ 8,796 million (+14.5%)

**【Composition】**  
 ▪ Industrial IT services  
+2,332 million (+5.9%)  
 ▪ Financial IT services  
+6,465 million (+30.9%)

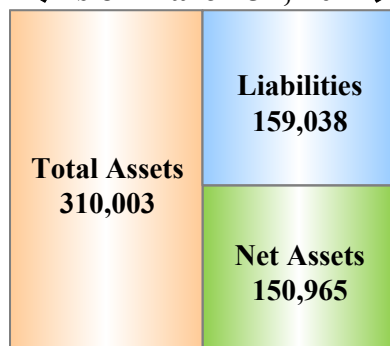
Industrial IT  
Financial IT

Quarterly order volume, end-of-quarter backlog and quarterly net sales apply to Software Development only.

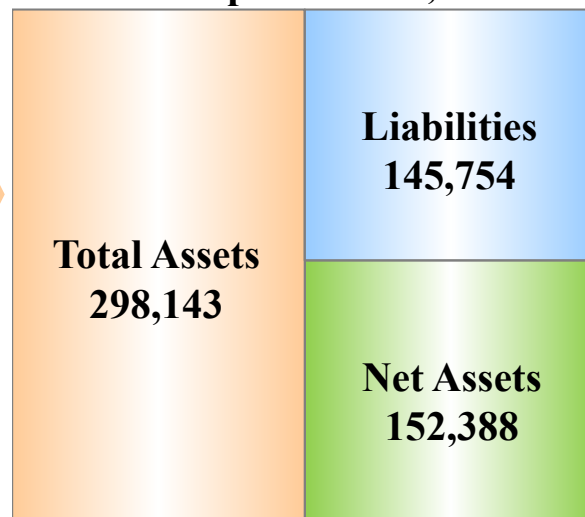
# Fiscal 2013 First Two Quarters: Balance Sheet and Cash Flow Status

## ➤ Balance Sheet (Millions of yen)

<As of March 31, 2012>

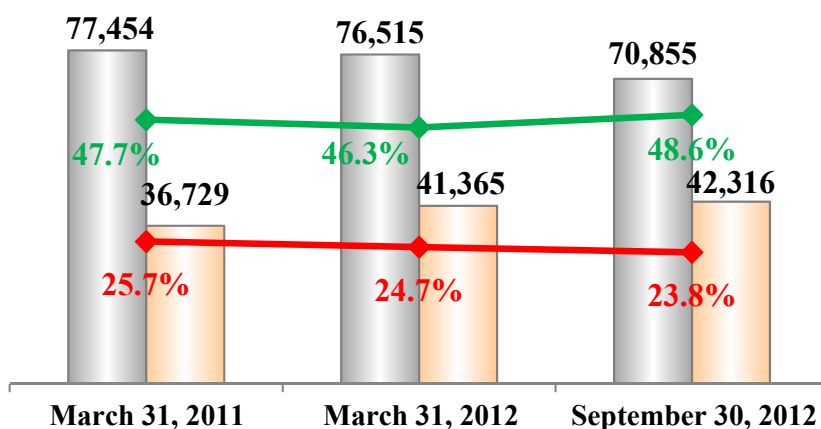


<As of September 30, 2012>



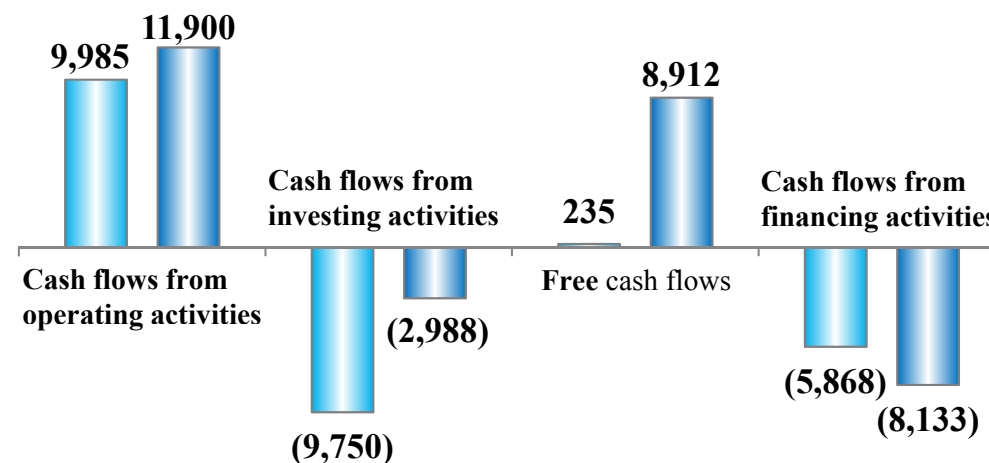
- Total assets: Change\* -11,860 million
    - Current assets: -7,183 million ( accounts receivable, etc.)
    - Fixed assets: -4,676 million ( guarantee deposits, etc. )
  - Liabilities: Change -13,284 million
    - Current liabilities: -10,339 million ( short-term borrowings, accounts payable, etc. )
    - Fixed liabilities: -2,945 million ( long-term debt, etc. )
  - Net assets: Change +1,423 million
  - Equity ratio: 48.6% ( Change +2.3%)
  - Interest-bearing debt: 70,855 million (Change -5,660 million)
- \* Change: change from March 31, 2012

## ➤ Interest-bearing Debt (Millions of yen)



Interest-bearing debt    
  Cash and deposits  
—◆— Equity ratio     —◆— Interest-bearing debt ratio

## ➤ Cash Flows (Millions of yen)



First Two Quarters of Fiscal 2012    
  First Two Quarters of Fiscal 2013



Highlights for the First Two Quarters of Fiscal 2013

**Fiscal 2013 Full-Year Performance Forecast**

Progress of Key Strategies for Medium-term Growth

Corporate IT investment trends indicate sustained positive growth overall but at a gradual pace.

## IT Infrastructure Services

- Brisk inquiry activity for data center access, as corporate management realizes the advantages afforded by the use of such facilities in business continuity plans and disaster recovery responses.
- Sales are increasing with capture of overseas communication-based demand.



## Financial IT Services

- IT investment by credit card companies continues to rise, thanks to a recovery in business results. Forward-looking attitude on IT investment to enhance credit card services, such as settlement solutions. Some companies need to make existing systems more efficient, spurring demand.
- Overall demand is solid, underpinned by full-scale expansion in IT investment activities through integration of systems used by megabanks and insurers.



## Industrial IT Services

- A sense of uncertainty is growing, influenced by slowing economic activity worldwide, particularly in China, with interest in IT investment waning in the manufacturing industry as well as the service and distribution industries.
- Investment in communication networks and systems for smartphones is favorable and benefiting the segment as a whole.
- IT investment by national and local governments could increase with approval of a draft bill on a common number program—the “My Number” program—to simplify social security and tax services.



\* These trends may differ from general industry trends since management’s assumptions also take into consideration the status of IT investment by clients of the ITHD Group.

# Fiscal 2013: Performance Forecasts



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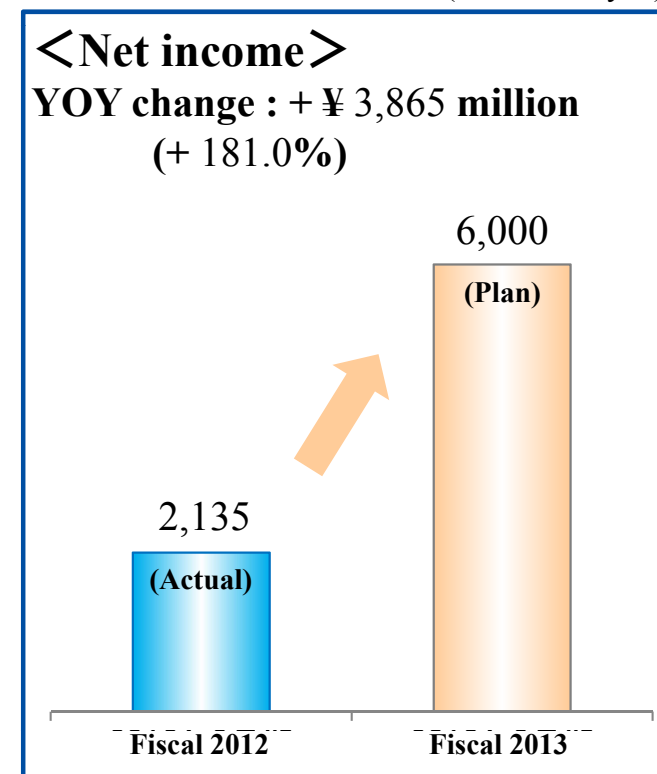
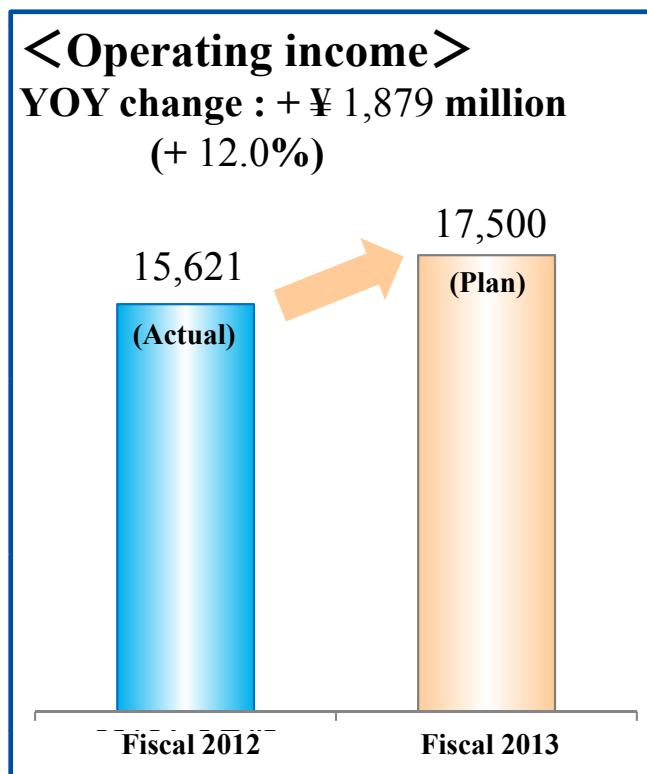
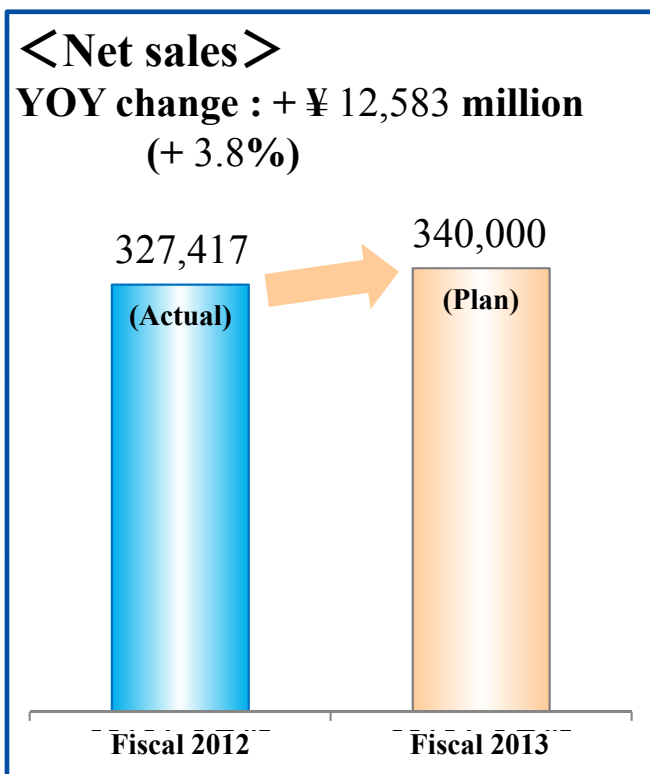
➤ Business results for the first two quarters of fiscal 2013 were favorable, surpassing initial targets. But with business trends on an uncertain path, mainly because of tensions between Japan and China, no changes to full-year forecasts will be made at the present time.

Net Sales: Trends indicate an increase in orders from major clients in the manufacturing industry for large software development services and an uptick in demand from credit card companies for IT-related services. However, uncertain business conditions in the industrial sector, especially the manufacturing industry, could adversely impact demand and thus curb sales growth.

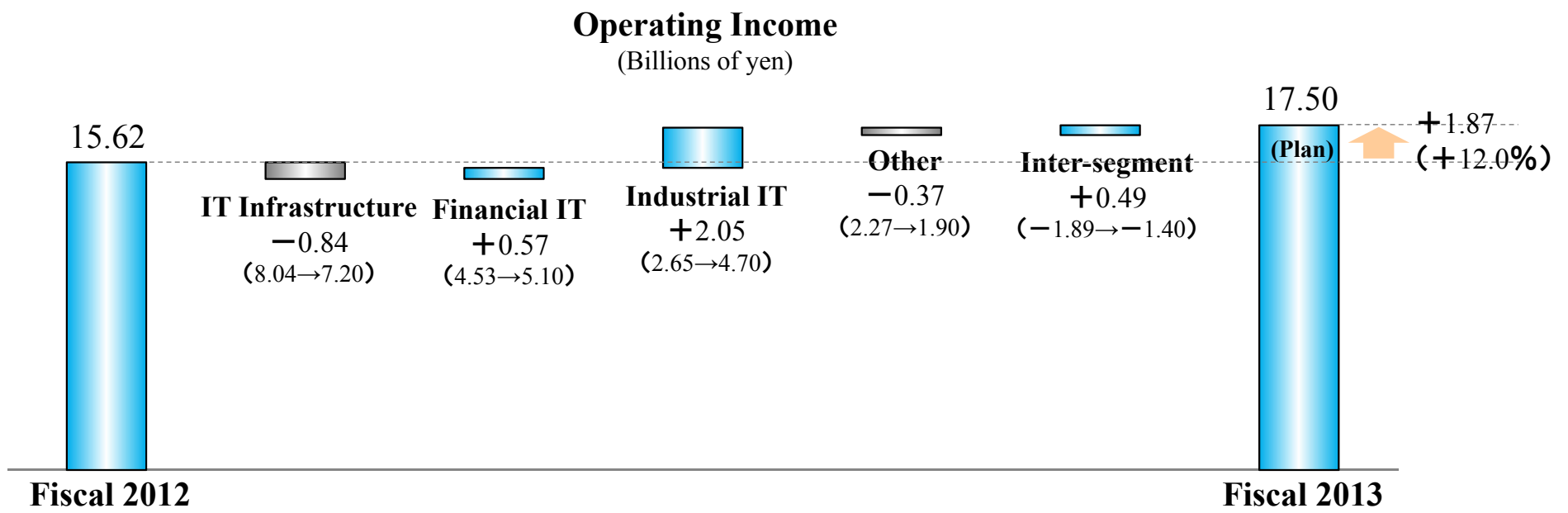
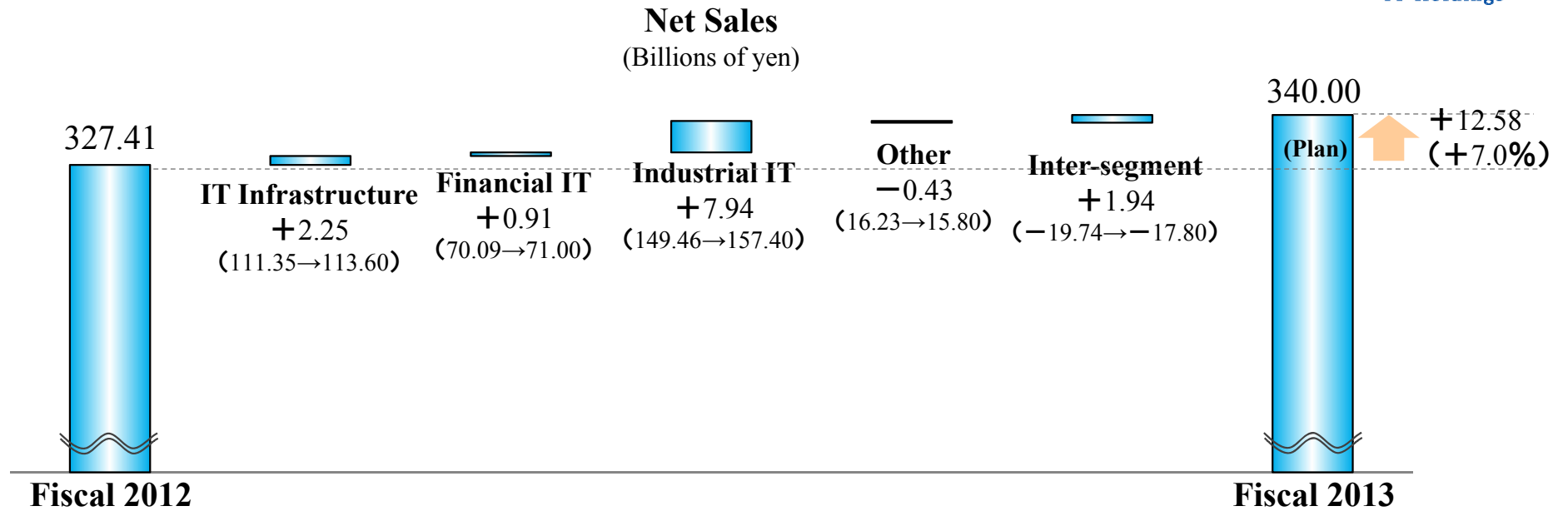
Operating Income: The higher net sales starting point, along with the positive effects gained through the office relocation and centralization implemented in fiscal 2012 and successful strategies paralleling subsidiary mergers, will boost operating income, but the improvement will be tempered by upfront investment and electricity rate increases.

➤ Dividend plans are unchanged. Management intends to raise the dividend ¥3, to ¥21 per share for the year, comprising a ¥7 interim dividend and a ¥14 year-end dividend, for a payout ratio of 30.7%.

(Millions of yen)



# Fiscal 2013: Net Sales and Operating Income Analysis (Forecasts)



# Fiscal 2013: Anticipated Key Segment Performances

(Millions of yen)

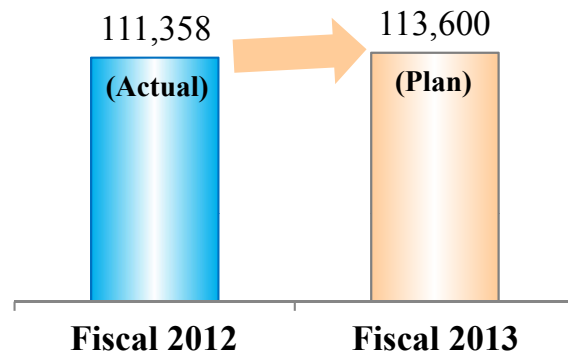


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## IT Infrastructure Services

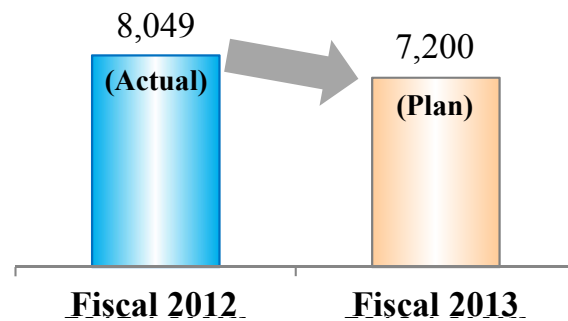
### Net Sales

Up ¥2,242 million, or 2.0%, year-on-year  
Heightened demand for services to support business continuity plans and disaster recovery responses, in particular, should boost service-utilization rate at gDC Gotenyama, which will buoy revenues.



### Operating Income

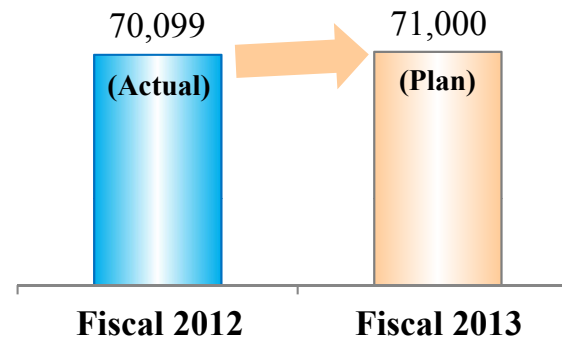
Down ¥849 million, or 10.5%, year-on-year  
Operating income will benefit from improved service-utilization rate at gDC Gotenyama, but impact of higher electricity rates will probably lead to a drop in income for the year.



## Financial IT Services

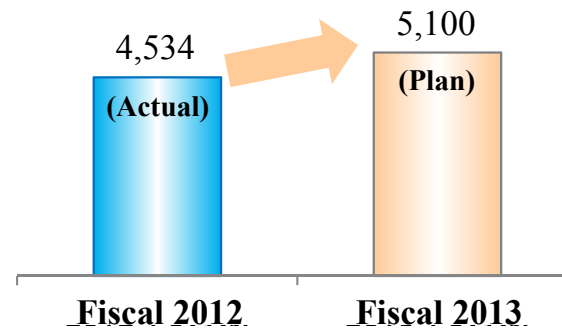
### Net Sales

Up ¥901 million, or 1.3%, year-on-year  
Revenues should grow, thanks to rallying demand from credit card companies.



### Operating Income

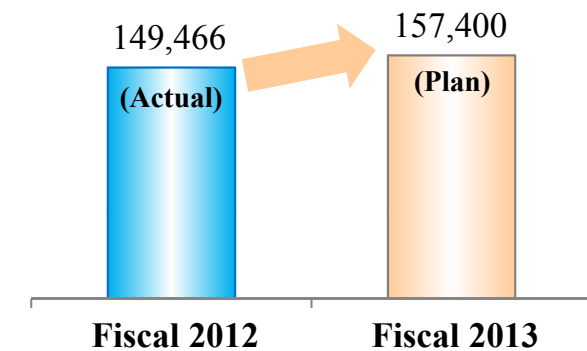
Up ¥566 million, or 12.5%, year-on-year  
Operating income should rise, owing to positive impact of rallying demand from credit card companies on operating rates.



## Industrial IT Services

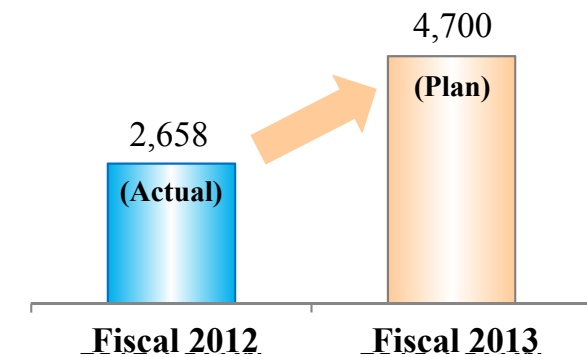
### Net Sales

Up ¥ 7,934 million, or 5.3%, year-on-year  
Revenues should increase, reflecting an increase in large projects for principal clients as well as further expansion in demand from industrial sectors.



### Operating Income

Up ¥2,042 million, 76.8% year-on-year  
Expect operating income to soar, mainly because of higher revenues.



Segment sales include intersegment sales.

**Highlights for the First Two Quarters of Fiscal 2013**

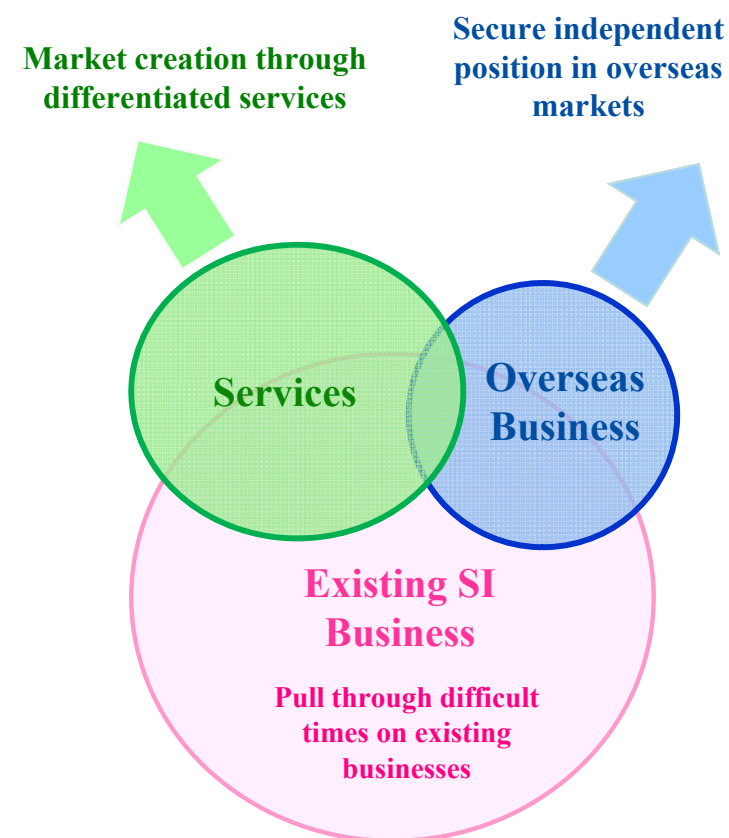
**Fiscal 2013 Full-Year Performance Forecast**

**Progress on Key Strategies for Medium-term Growth**

➤ **Basic Concepts in Second Medium-term Management Plan, ITHD Group Management Direction for Fiscal 2013, Business Domains in the Spotlight**

Basic Concepts in Second Medium-term Management Plan	ITHD Group Management Direction for Fiscal 2013
<p><b>Top-Line Emphasis</b></p>	<p><b>Make this fiscal year the time for a full-fledged V-shaped recovery and strive to expand net sales.</b></p> <ul style="list-style-type: none"> <li>• Took Group formation to a new stage with implementation of structure that facilitates emphasis on core businesses and growth fields.</li> <li>• Rebuilt the client base and reinforced approaches to better serve growth companies and growth fields.</li> <li>• Revamped marketing activities.</li> </ul>
<p><b>as One Company</b></p>	<p><b>Cultivate a stronger sense of unity to optimize Group capabilities.</b></p> <ul style="list-style-type: none"> <li>• Streamlined and consolidated corporate functions.</li> <li>• Created robust financial base to facilitate upfront investment.</li> <li>• Reinforced product brands and corporate image.</li> <li>• Established next-stage Group business management systems</li> <li>• Opened ITHD Group College.</li> </ul>
<p><b>Enterprising and Bold</b></p>	<p><b>Execute reforms on the business front. Take steps to turn business activities into marketable services and take those services worldwide.</b></p> <ul style="list-style-type: none"> <li>• Enhanced marketing capabilities to expand reach of available services.</li> <li>• Accelerated globalization, with focus on ASEAN region.</li> <li>• Established investment committee.</li> </ul>

## Business Domains in the Spotlight



Basic Concepts in Second  
Medium-term Management Plan

Top-Line Emphasis

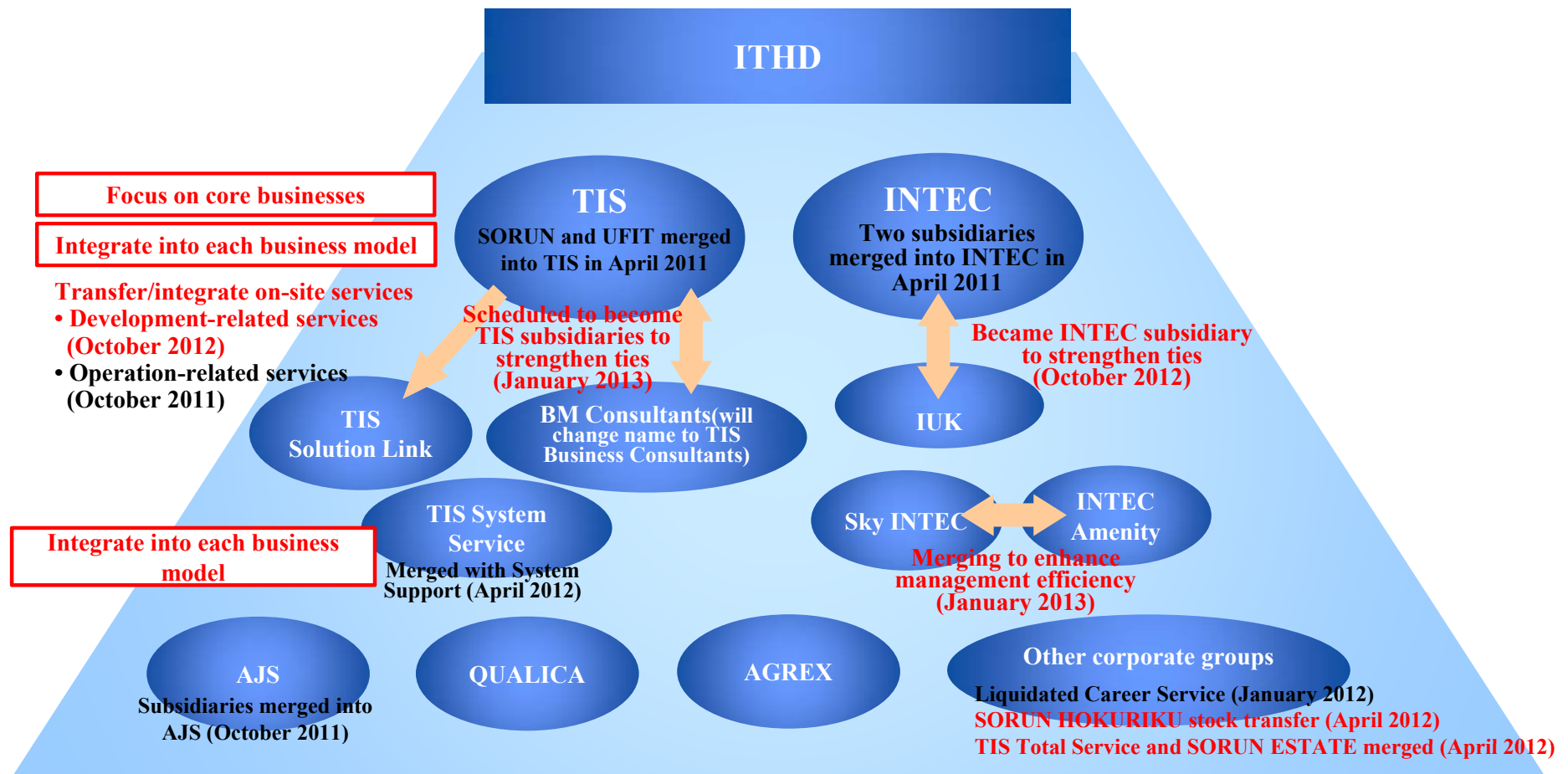
as One Company

Enterprising and Bold

## Promote establishment of growth-oriented structure

( Focus on core businesses and Integrate into each business model )

At the end of March 2010: 55 companies → At the end of September 2012: 44 companies (decrease of 11 companies)



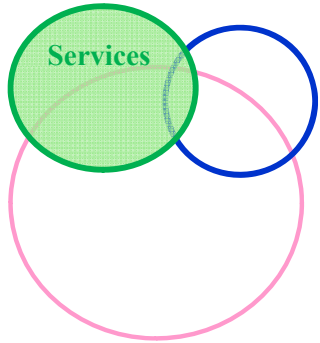


Basic Concepts in Second Medium-term Management Plan

Top-Line Emphasis

as One Company

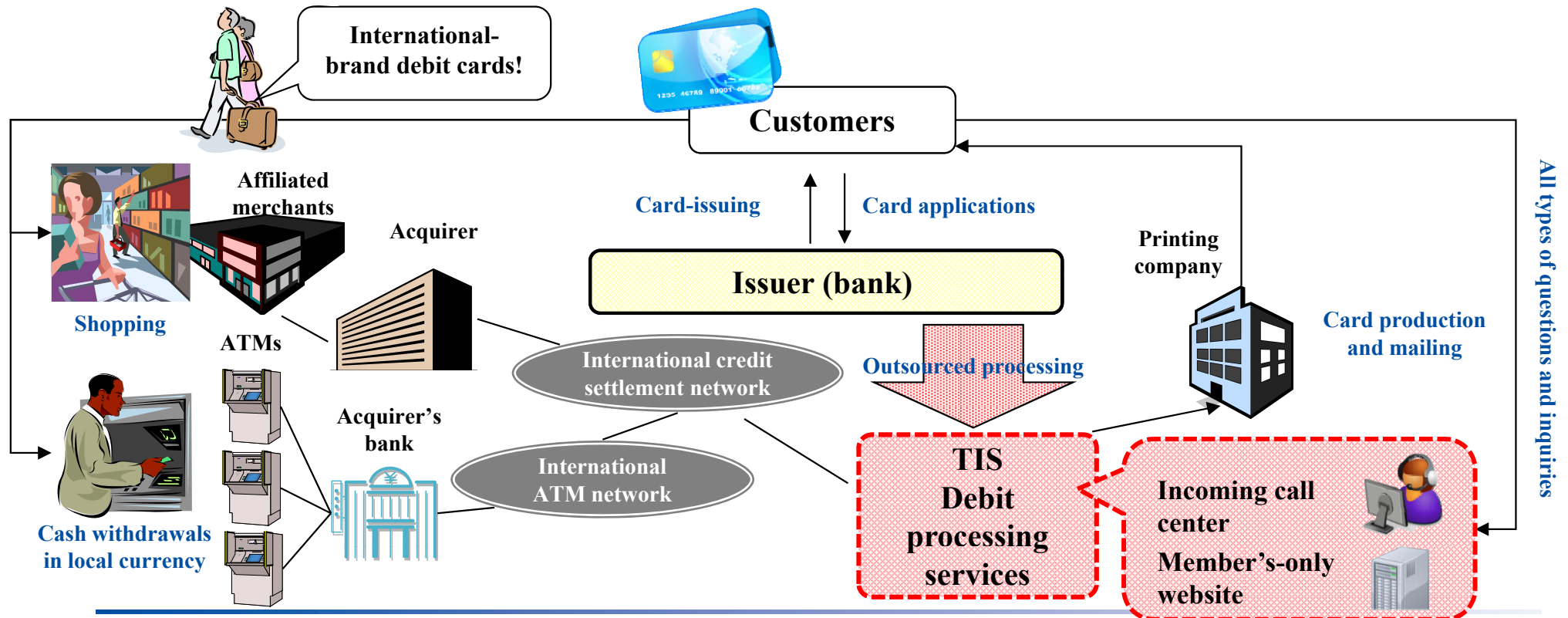
Enterprising and Bold



## International-brand debit card processing service

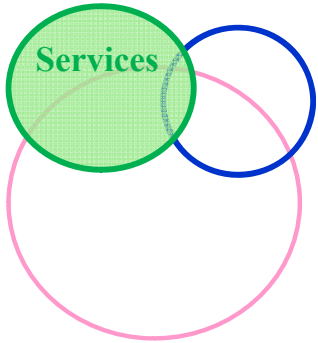
Developed through the application of nearly 40 years of know-how amassed by TIS in settlement system configuration and operation for consumer finance companies and other credit providers. Reinforced shift from credit card systems to a broader interpretation of settlement systems.

- Revolutionary service facilitating one-stop access to the environment needed to issue and administer debit card processing, including back-office operations and application processing critical to card-issuing. Service launched in October 2012. Supports quick and low-cost approach for financial institutions to initiate debit card services using their own brand.





Basic Concepts in Second Medium-term Management Plan    **Top-Line Emphasis**    as One Company    **Enterprising and Bold**



## ➤ Preventative maintenance support system CareQube

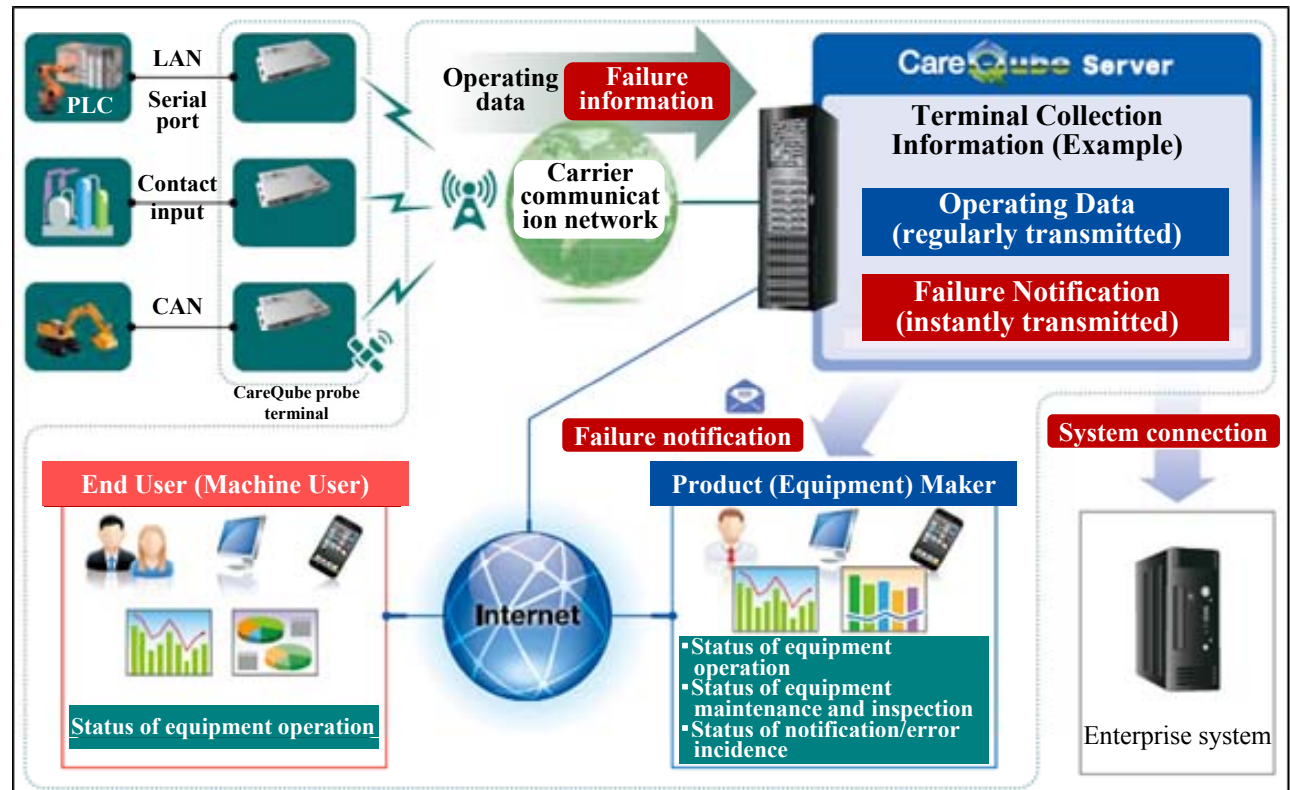
Developed system utilizing know-how and technologies acquired through transactions with principal clients. Marks industry's first cloud response. Demonstrates wider business presence, going beyond manufacturing domain to after-market domain.

- System visualizes operating status of equipment to promote preventative maintenance. Qualica began offering the system in May 2011.

CareQube probe terminal (external image)



### Visualization



Basic Concepts in Second  
Medium-term Management Plan

Top-Line Emphasis

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Overseas  
Business

## ➤ Asia-oriented multiplatform services

**Connecting clients' headquarters in Japan with offices in Asia and meet increasing needs for IT support overseas with one-stop solutions.**

Services provide one-stop infrastructure solutions vital for business development in Asia and minimize the tedious, complicated details of starting up a business. Designed to help companies expedite the business development process in Asia. TIS began services in October 2012, through offices in Japan, China and Singapore.

## ➤ Joint efforts with Softbank Group on data center services

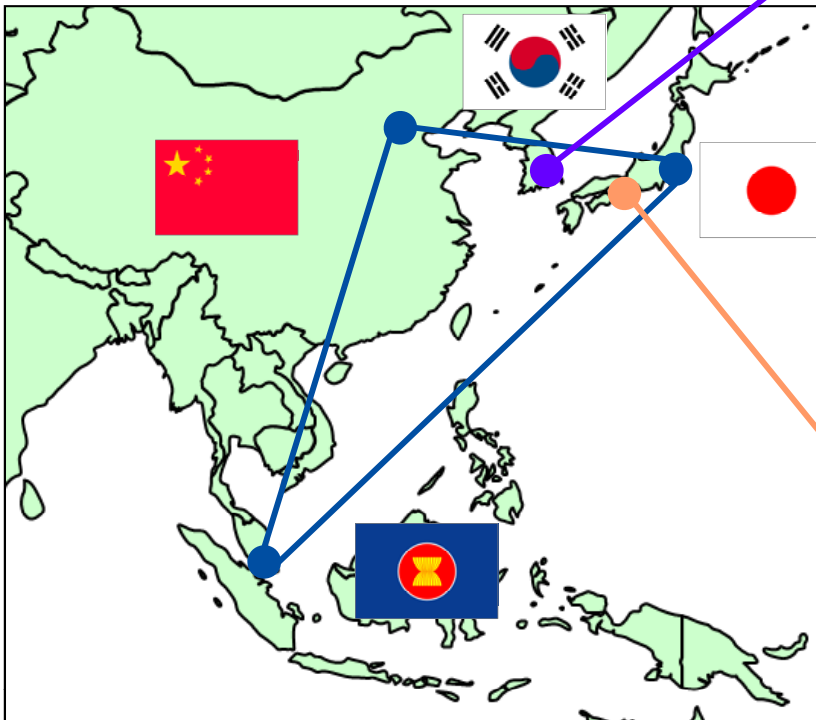
**Response to heightened demand from a client-oriented risk-diversification perspective to establish and operate international disaster recovery/backup recovery systems with data center services at a level of quality comparable to that available in Japan.**

Some of TIS' disaster recovery/backup recovery services were launched in October 2012 through the Pusan Data Center of the Softbank Telecom Group.

## ➤ Enhanced data center operations in Osaka area

**Addressing rising demand and reinforcing service capabilities in the Kansai region**

- In a joint effort with Kanden System Solutions, Co., Inc., INTEC opened Osaka Data Center No.2 in October 2012. Improve wide-area virtual cloud service EINSWAVE.
- TIS plans decided to establish a new data center, Shinsaibashi gDC-EX. Scheduled to open in May 2013.



Basic Concepts in Second  
Medium-term Management Plan

Top-Line Emphasis

as One Company

Enterprising and Bold

## ITHD Group Overseas Network at a Glance (As of September 2012)



### China

**Beijing:** TIS Beijing representative office, Beijing Sorun Computer Co., Ltd.

**Tianjin:** Tianjin TIS Hi-tech Information System Service Co., Ltd., Tianjin Large Information Technology Co. Ltd., Tianjin Sorun Digital Software Corporation

**Dalian:** INTEC Information Technology (Dalian) Co., Ltd.

**Shanghai:** TISI (Shanghai) Co., Ltd., INTEC Information Technology (Shanghai) Co., Ltd., Qualica (Shanghai) Inc

**Xian:** Beijing Sorun Computer Co., Ltd. (Xian Branch)

**Wuhan:** INTEC Information Technology (Wuhan) Co., Ltd.

### Vietnam

Ho Chi Minh representative office, Oartech Vietnam Co., Ltd.

### Thailand

INTEC Systems Bangkok Co., Ltd.

### Singapore

TISI (Singapore) Pte. Ltd.  
TKSOFT Singapore Pte. Ltd.



Basic Concepts in Second  
Medium-term Management Plan

Top-Line Emphasis

**as One Company**

Enterprising and Bold

## Group Management Basic Strategies and Business Themes

### 1. Promote new Group formation

- **Build structure that spotlights core businesses and growth fields.**  
→ Gradual realignment and consideration of possible realignment to redefine the Group

### 2. Cultivate shared groupwide spirit

- **Establish ITHD College**  
→ Opened IT Holdings Group College, a program to foster unity under the concept “as One Company”

### 3. Lay solid financial foundation to facilitate upfront investment activity

- **Consolidated tax structure**  
→ Initiated project to look into adoption of consolidated tax structure; interim report submitted in September 2012
- **Unified cash management system**  
→ Initiated project to look into adoption of unified cash management system; still being considered
- **International tax system**  
→ Promoting active groupwide information sharing efforts aimed at lowering overseas tax risks

### 4. Streamline and centralize corporate functions

- **Expand the range and improve the quality of shared operations**  
→ Promoting service and system centralization to integrate various systems, paralleling Group realignment, along with ordinary transfer of services  
→ Drafted Group business continuity plan; implementing approaches such as joint procurement of reserves for use in times of disaster

### 5. Reinforce product brands and corporate image

- **Make the names of services consistent**  
→ Selected experts from within the Group and from outside; using interviews to determine current status and path for improvement, from October 2012.



# IT Holdings

## **Cautionary Statements**

- In these materials, ITHD is abbreviated ITHD.
- Forward-looking statements, including performance forecasts, described in these materials are based on information available to management regarding the ITHD Group—that is, ITHD and the subsidiaries under its umbrella—as of the presentation date and certain assumptions deemed reasonable at this time. No intent is implied or promise by the Company to achieve such forward-looking statements. Indeed, various factors may cause future results to be substantially different from the assumptions presented in these materials.