IT Holdings

Information Meeting Materials
for the First Three Quarters of the Fiscal Year ending March 31, 2013

February 4, 2013

IT Holdings Corporation

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Highlights for the First Three Quarters of Fiscal 2013

Fiscal 2013 Full-Year Performance Forecast

Topics / References

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Fiscal 2013 First Three Quarters: Performance Highlights

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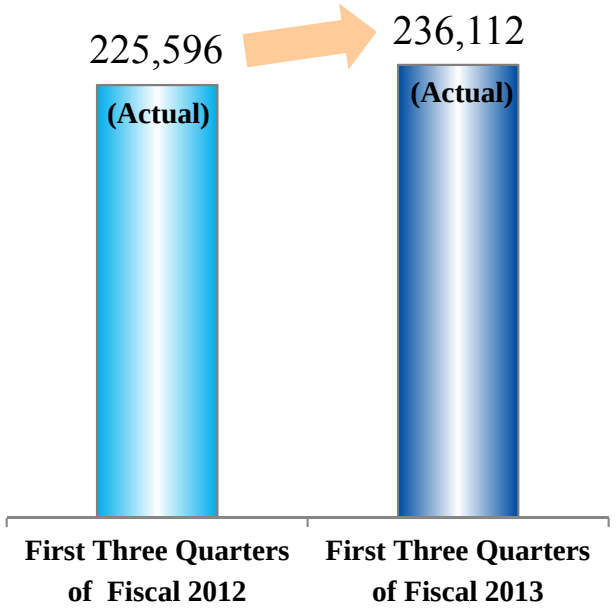
- Despite the negative impact caused by economic slowdowns overseas, the domestic economy continued to show signs of gradual recovery, buoyed by reconstruction demand in the areas hit by the March 2011 earthquake and tsunami. Moreover, since November 2012, expectations of an improvement in business conditions have been running high, as the yen dropped and stock prices rose in anticipation of new economic policies that would parallel a change in the ruling administration.
- The business environment for the ITHD Group was favorable overall, thanks to a trend toward renewed IT investment by clients, even though some clients, particularly those in the manufacturing sector, were affected by sluggish economic conditions abroad and held back on IT investments amid uncertainty over the direction that business would take.
- ITHD posted higher sales and income, on a consolidated basis, compared with the corresponding period a year ago.
  Net sales: Up 4.7% year-on-year, boosted by demand for industrial IT services as well as gradual improvement in demand for financial IT services.
  Operating income: Huge year-on-year increase (+61.1%), primarily reflecting the higher net sales starting point and enhanced productivity as well as the appearance of tangible results from the office relocation and centralization undertaken in fiscal 2012 and benefits realized through measures paralleling merger activity among subsidiaries.

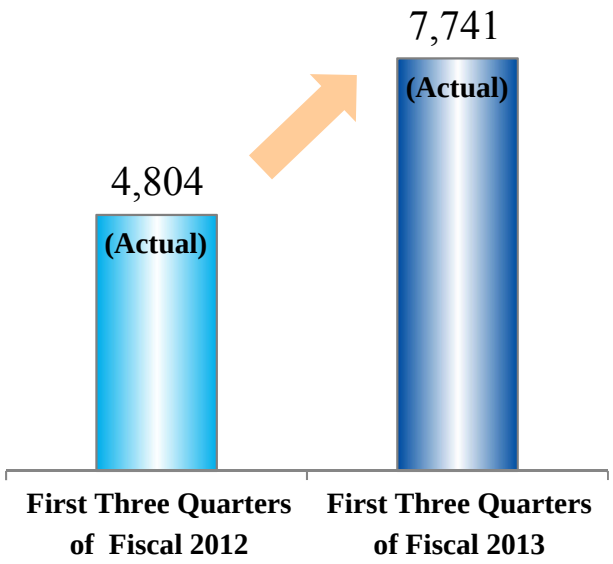
< Net sales >

YOY change : + ¥ 10,516 million (+ 4.7%)



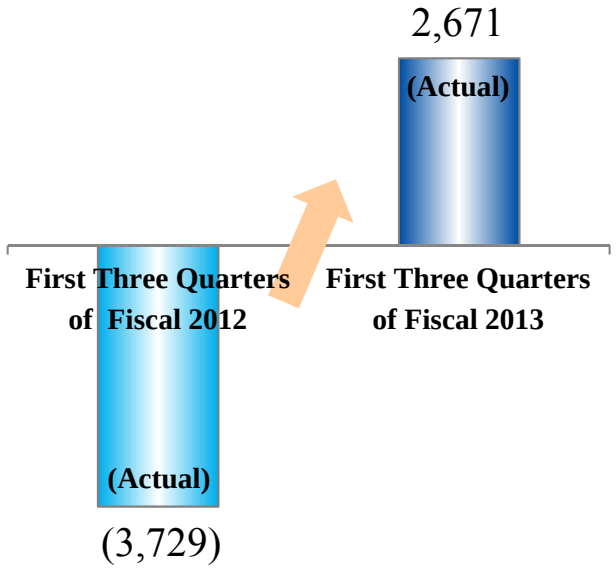
< Operating income >

YOY change : + ¥ 2,937 million (+ 61.1%)



< Net income >

YOY change : + ¥ 6,400 million



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Fiscal 2013 First Three Quarters: Net Sales and Operating Income Analysis

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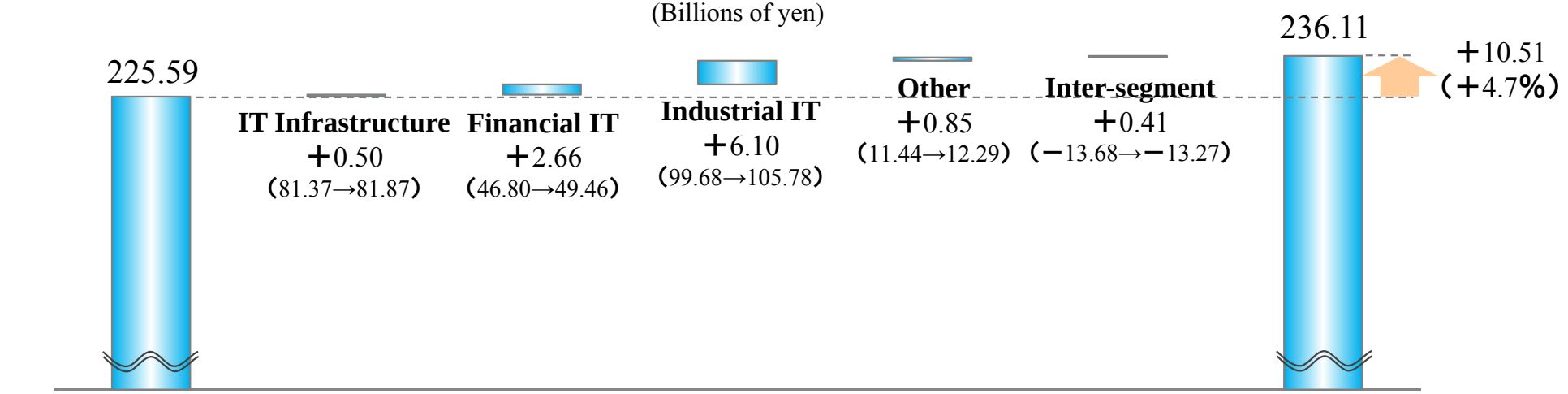
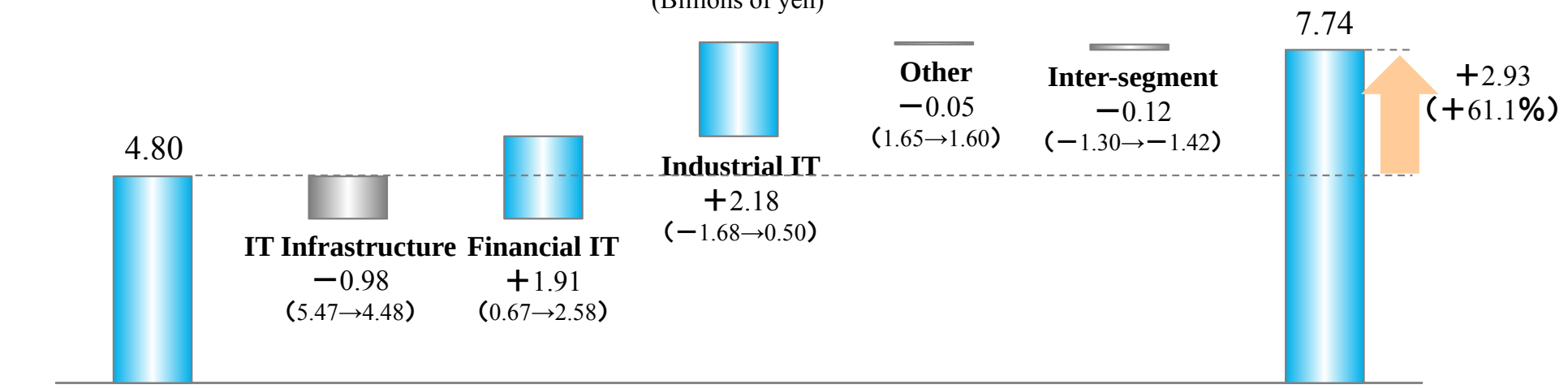
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



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Fiscal 2013 First Three Quarters: Sales and Income for Key Segments

(Millions of yen)

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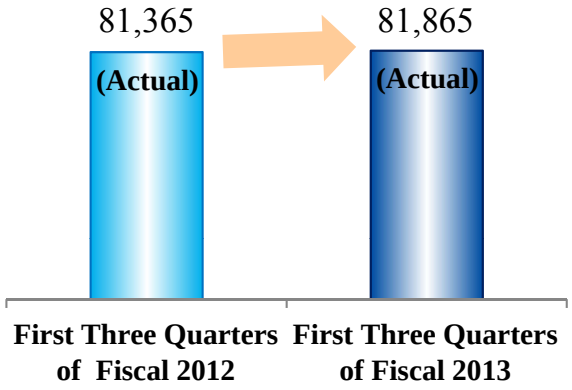
IT Infrastructure Services

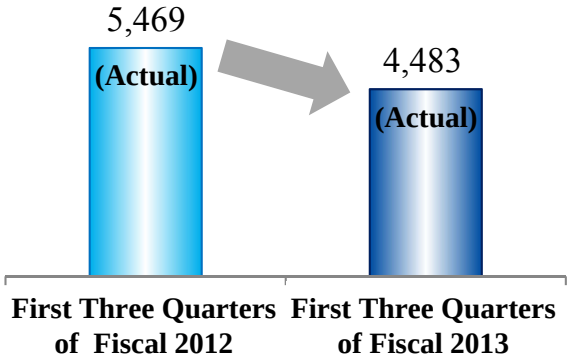
Net Sales

Up ¥500 million, or 0.6%, year-on-year.
Steady improvement, mainly due to higher demand for services from next-generation data centers, including GDC Gotenyama.



Operating Income

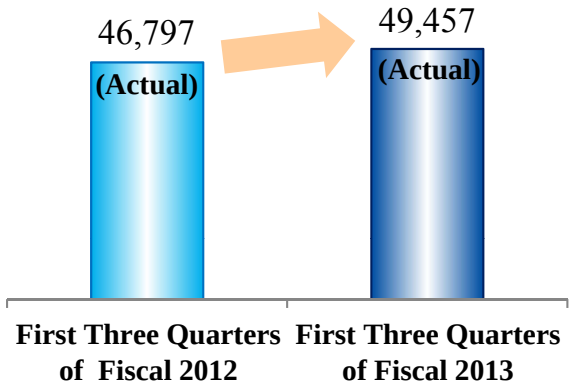
Down ¥986 million, or 18.0%, year-on-year.
The year-on-year decrease reflects increased electricity rates and upfront investment costs to deal with wider demand.



Financial IT Services

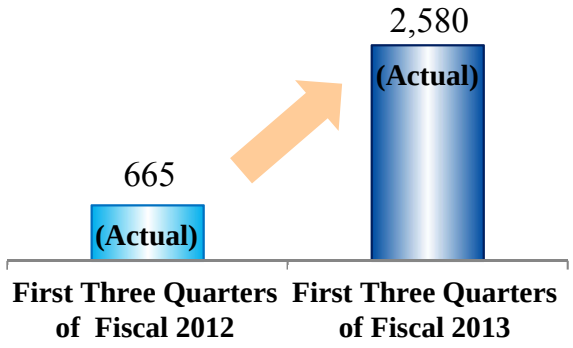
Net Sales

Up ¥2,660 million, or 5.7%, year-on-year.
Sales buoyed by resumption of IT investment by some credit card companies.



Operating Income

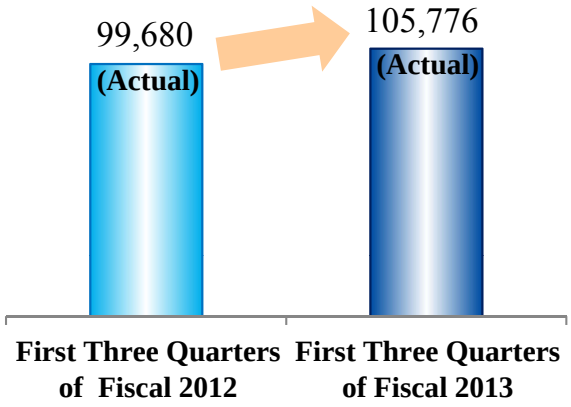
Surged ¥1,915 million, or 288.0%, year-on-year.
Signficant increase is largely due to the higher net sales starting point and the effect of cost reductions.



Industrial IT Services

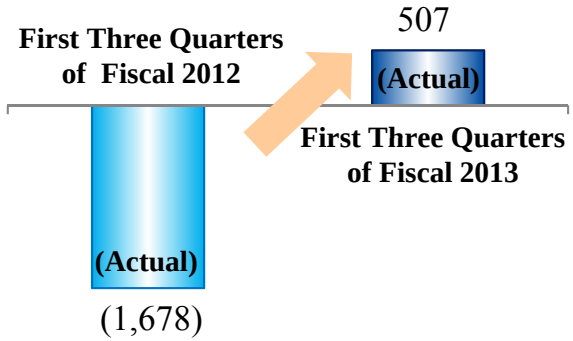
Net Sales

Up ¥6,096 million, or 6.1%, year-on-year.
Sales increase supported by large development projects for major clients in manufacturing industry.



Operating Income

Up ¥2,185 million, year-on-year.
Profitability improved, mainly because of increased sales and successful efforts to prevent projects from turning unprofitable, and put this segment back into the black.



Segment net sales include intersegment sales.

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Fiscal 2013 First Three Quarters: Order Status

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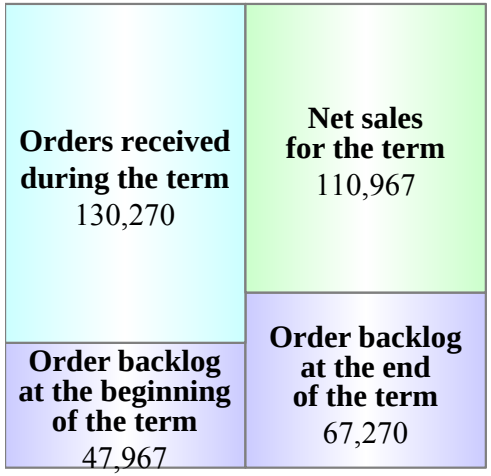
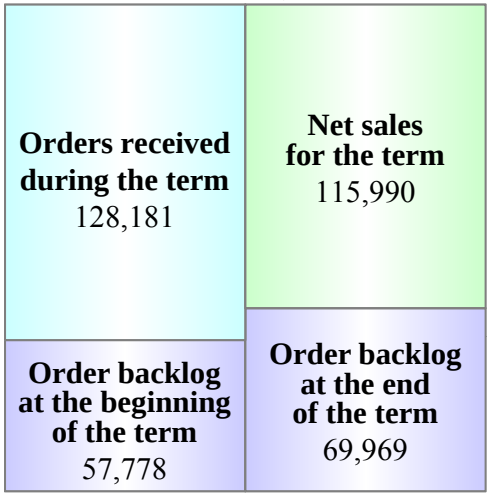
Order volume was slightly below the level posted at the end of the third quarter of fiscal 2012, owing to sluggish demand from industrial-sector clients.
The order backlog at the end of the third quarter was higher year-on year, just like it was in the corresponding period a year ago.

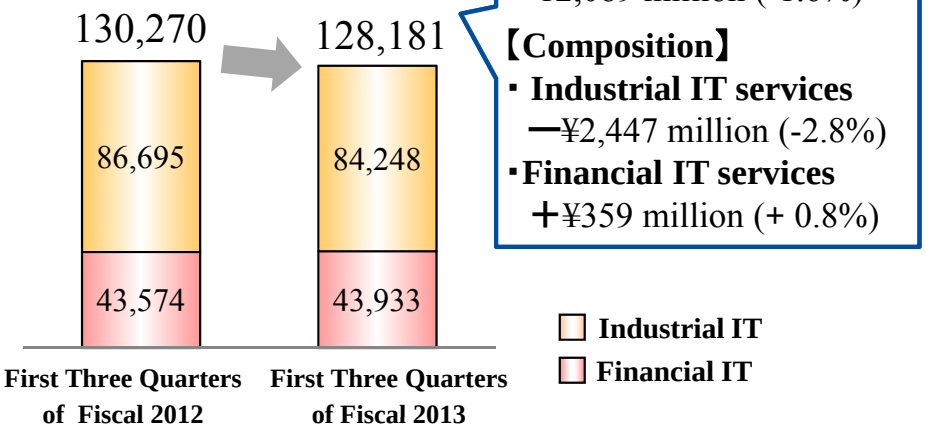
First Three Quarters of Fiscal 2012
(Millions of yen)



First Three Quarters of Fiscal 2013
(Millions of yen)



Orders received during the term
(Millions of yen)

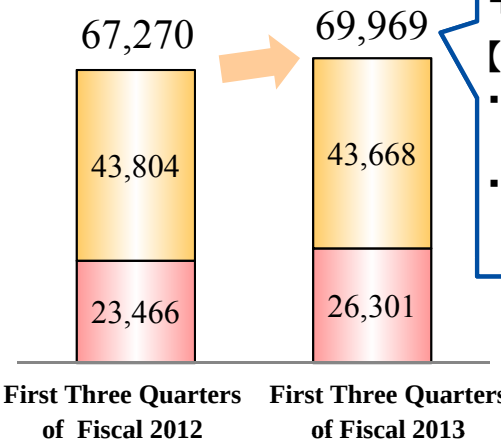


—¥2,089 million (-1.6%)

【Composition】

- **Industrial IT services**
  —¥2,447 million (-2.8%)
- **Financial IT services**
  +¥359 million (+ 0.8%)

Order backlog at the end of the term
(Millions of yen)



+¥2,699 million (+ 4.0%)

【Composition】

- **Industrial IT services**
  —¥136 million (-0.3%)
- **Financial IT services**
  +¥2,835 million (+ 12.1%)

* Order volume and backlog at the end of the term and net sales apply to Software Development only.

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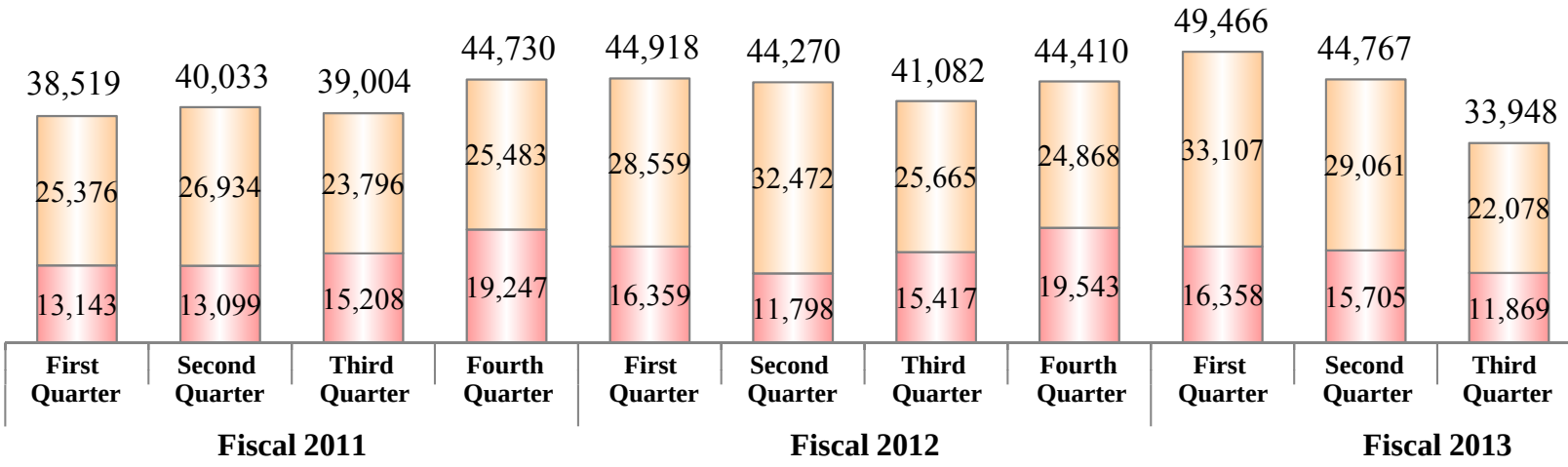
Quarterly Order Status

Orders received during the term

(Millions of yen)



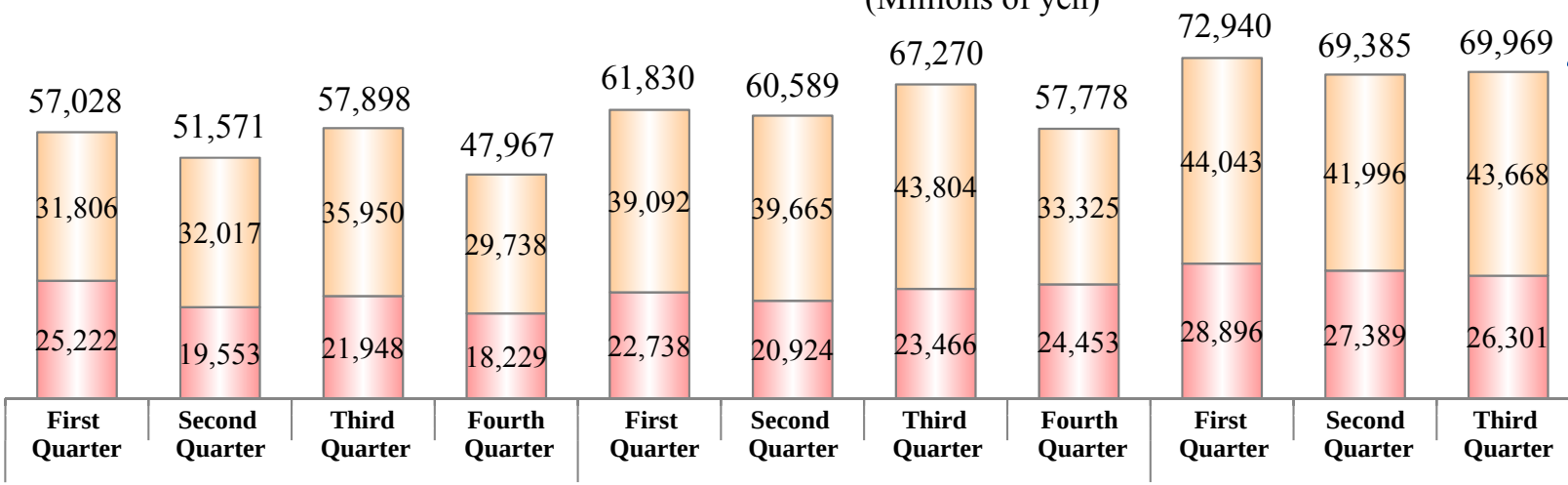
YOY change :
−¥7,134 million (-17.4%)

【Composition】
- **Industrial IT services**
  −¥3,587 million (-14.0%)
- **Financial IT services**
  −¥3,548 million (- 23.0%)

□ Industrial IT
□ Financial IT

Order backlog at the end of the term

(Millions of yen)



YOY change :
+¥2,699 million (+4.0%)

【Composition】
- **Industrial IT services**
  −¥136 million (- 0.3%)
- **Financial IT services**
  +¥2,835 million (+12.1%)

□ Industrial IT
□ Financial IT

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

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Highlights for the First Three Quarters of Fiscal 2013

Fiscal 2013 Full-Year Performance Forecast

Topics / References

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Fiscal 2013: Performance Forecasts

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- Consolidated business results for the first three quarters of fiscal 2013 were generally in line with targets, so no changes to earlier forecasts are necessary 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 rallying 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.

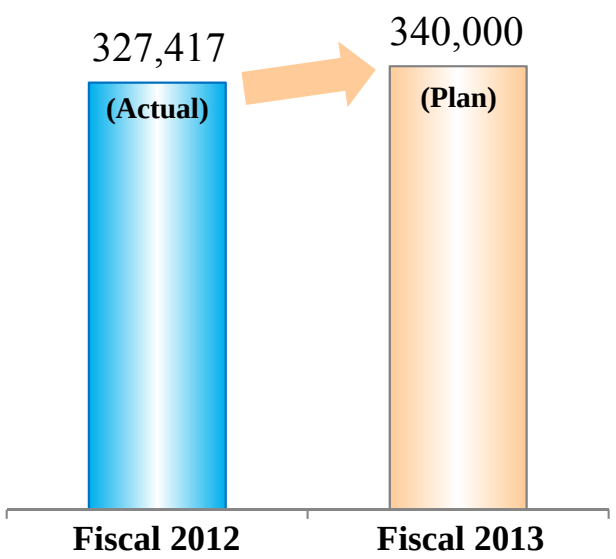
  Operating income: The higher net sales starting point, along with the positive effects gained through the office relocation and centralization implemented in fiscal 2012 and successful strategies paralleling subsidiary mergers, will boost operating income, but the improvement will be tempered by upfront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

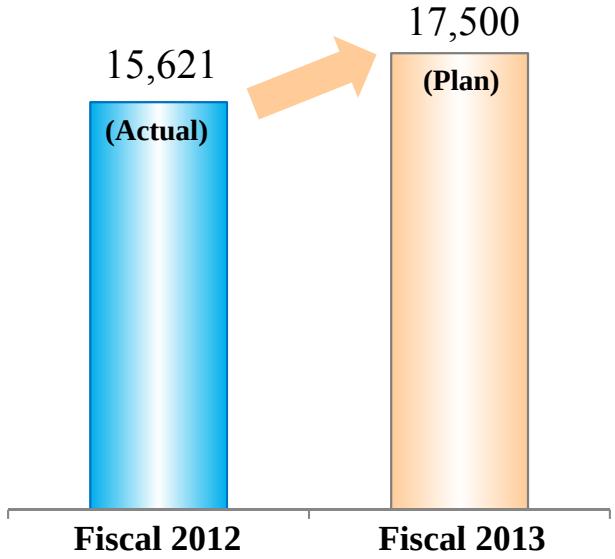
<Net sales>

YOY change : + ¥ 12,583 million(+3.8%)



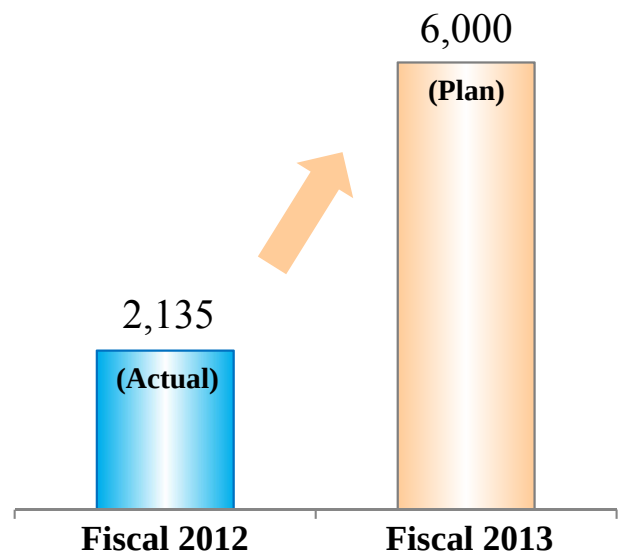
<Operating income>

YOY change : + ¥ 1,879 million(+12.0%)



<Net income>

YOY change : + ¥ 3,865 million(+181.0%)



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No changes to fiscal 2013 consolidated performance forecasts.

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

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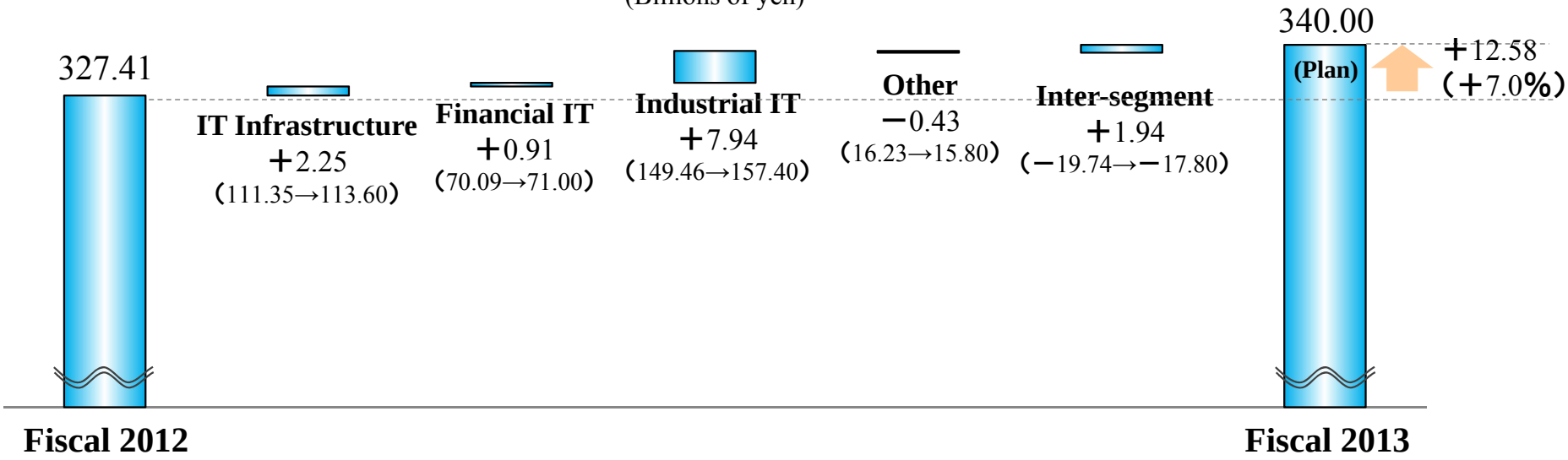
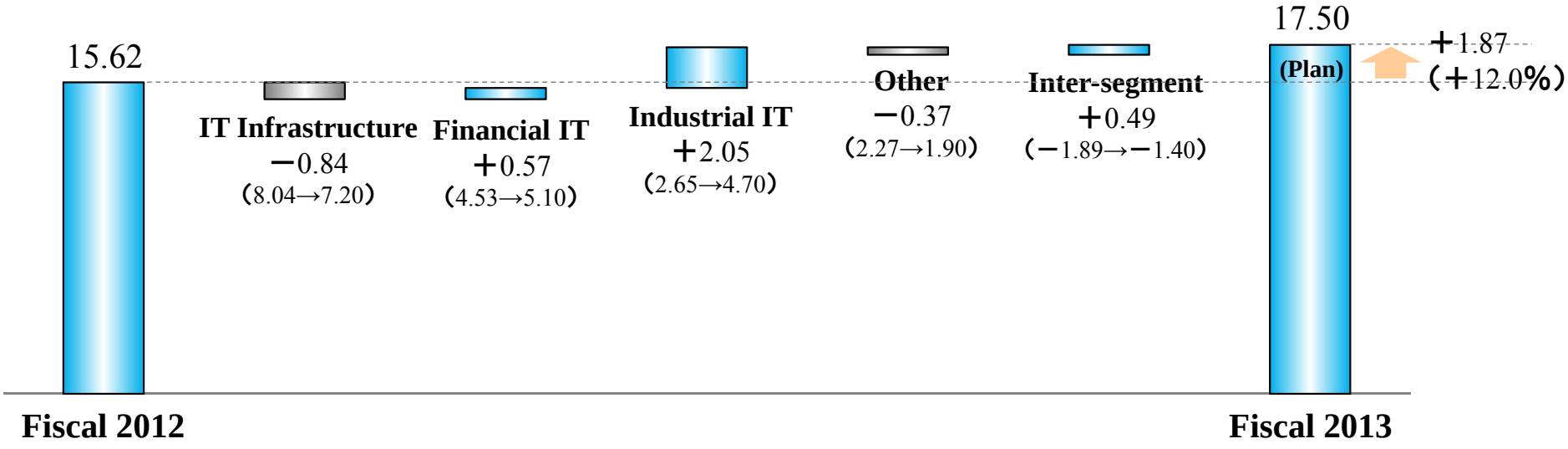
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



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No changes to fiscal 2013 consolidated performance forecasts.

Fiscal 2013: Anticipated Key Segment Performances

(Millions of yen)

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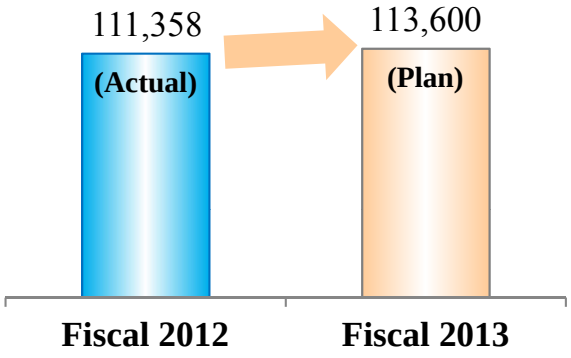
IT Infrastructure Services

Net Sales

Up ¥2,242 million, or 2.0%, year-on-year

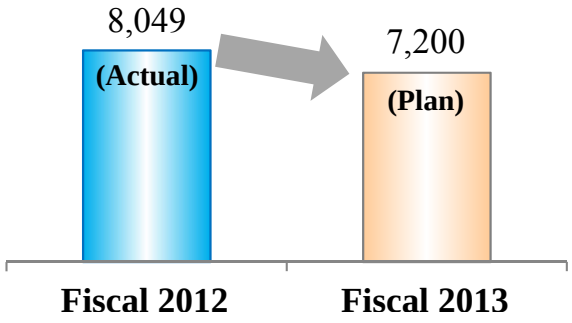
Demand for services to support business continuity plans and disaster recovery responses, in particular, should boost service-utilization rate at gDC Gotenyama, which will buoy revenues.



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.

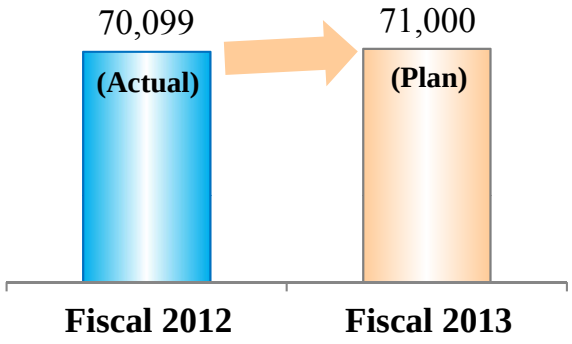


Financial IT Services

Net Sales

Up ¥901 million, or 1.3%, year-on-year

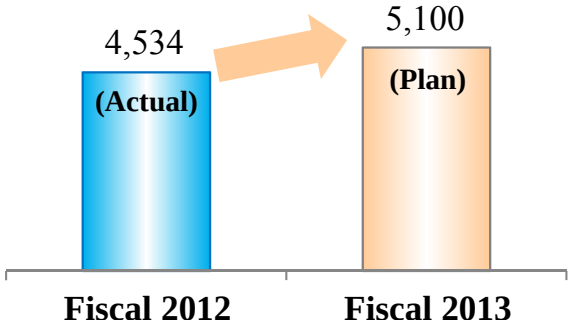
Revenues should grow, thanks to rallying demand from credit card companies.



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.

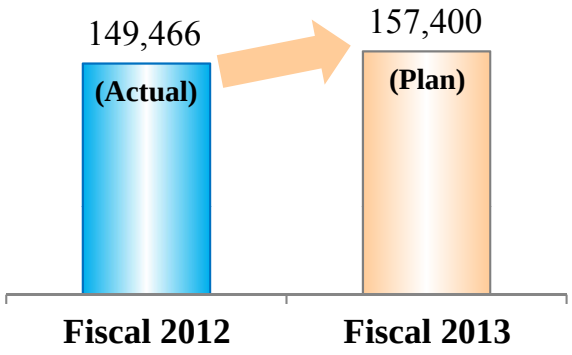


Industrial IT Services

Net Sales

Up ¥ 7,934 million, or 5.3%, year-on-year

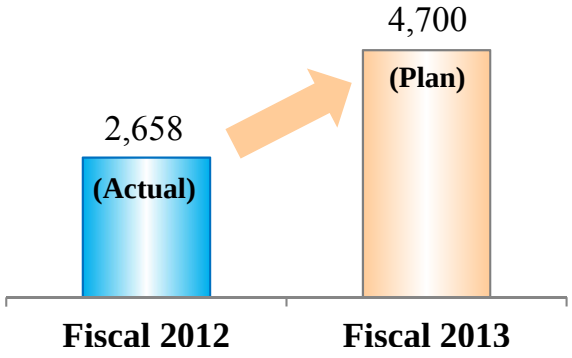
Revenues should increase, reflecting an increase in large projects for principal clients as well as further expansion in demand from industrial sectors.



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.

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Highlights for the First Three Quarters of Fiscal 2013

Fiscal 2013 Full-Year Performance Forecast

Topics / References

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Fiscal 2013: ITHD Group Management Direction

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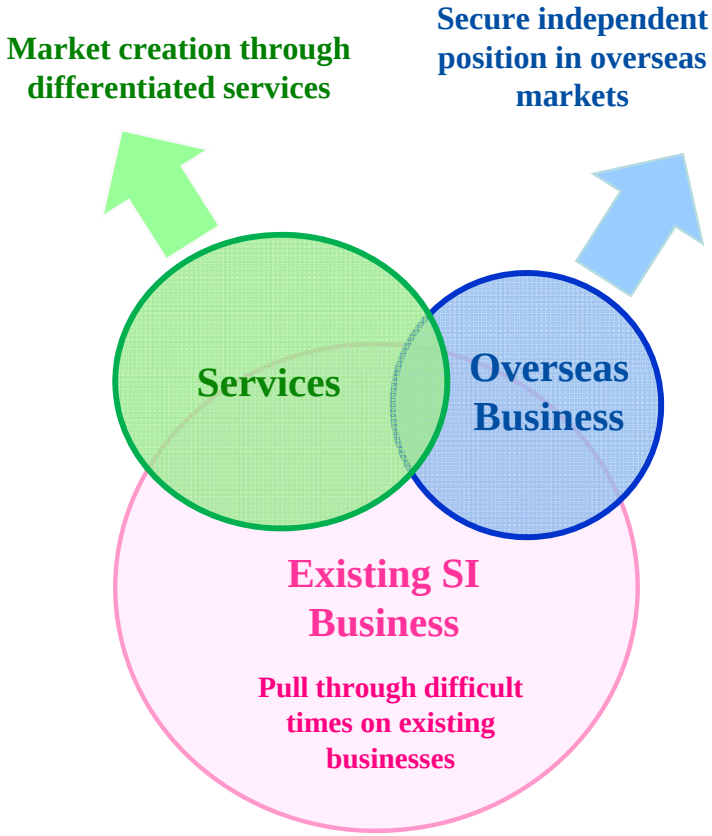
➢ Basic Concepts in Second Medium-term Management Plan, ITHD Group Management Direction for Fiscal 2013, Business Domains in the Spotlight

Basic Concepts in Second Medium-term Management Plan	ITHD Group Management Direction for Fiscal 2013
Top-Line Emphasis	**Make this fiscal year the time for a full-fledged V-shaped recovery and strive to expand net sales.** • Took Group formation to a new stage with implementation of structure that facilitates emphasis on core businesses and growth fields. • Rebuilt the client base and reinforced approaches to better serve growth companies and growth fields. • Revamped marketing activities.
as One Company	**Cultivate a stronger sense of unity to optimize Group capabilities.** • Streamlined and consolidated corporate functions. • Created robust financial base to facilitate upfront investment. • Reinforced product brands and corporate image. • Established next-stage Group business management systems • Opened ITHD Group College.
Enterprising and Bold	**Execute reforms on the business front.** **Take steps to turn business activities into marketable services and take those services worldwide.** • Enhanced marketing capabilities to expand reach of available services. • Accelerated globalization, with focus on ASEAN region. • Established investment committee.

Business Domains in the Spotlight



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Fiscal 2013 First Three Quarters: Status of Progress on New Group Formation

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Basic Concepts in Second Medium-term Management Plan

Top-Line Emphasis

as One Company

Enterprising and Bold

➢ **TIS: Promoting growth strategy through group realignment and brand consolidation**

Reinforced structure by expanding business portfolio and centralizing functions to facilitate wider response to all IT lifecycle needs of clients, and also strengthened sense of unity with regard to Group brands.

➢ **AJS : Decision made to transfer radiology information system business outside group**

Focus on core businesses and promote integration into each business model

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

Structure for promoting TIS Group growth strategy

Cover all domains from super-upstream

Business consulting	TIS Business Consultants
IT consulting and system integration	TIS
On-site client services	TIS Solution Link
System operation	TIS System Service

Brand consolidation

SORUN Hokkaido Inc.	TIS Hokkaido Inc.
SORUN-Touhoku Inc.	TIS-Touhoku Inc.
SORUN West Japan Corp.	TIS West Japan Corp.
First Manage Inc	TIS First Manage Inc.
Tianjin SORUN Digital Software Corp.	Tianjin TIS Digital Software Corp.
Beijing SORUN Computer Co., Ltd.	Beijing TIS Computer Corp.

Corporate renaming to take place in March and April 2013

ITHD

TIS
SORUN and UFIT merged into TIS in April 2011

INTEC
Two subsidiaries merged into INTEC in April 2011

Transfer/integrate on-site services
• Development-related services (October 2012)
• Operation-related services (October 2011)

Became TIS subsidiary (January 2013)

Became INTEC subsidiary (October 2012)

TIS Business Consultants

IUK

TIS Solution Link

TIS System Service

Merged with System Support (April 2012)

Sky INTEC

INTEC Amenity

Merged (January 2013)

Will transfer radiology information system business outside Group (Planned for April 2013)

AGREX

Other corporate groups

Number of companies decreased by three during this period following mergers and transfers

QUALICA

AJS

Subsidiaries merged into AJS (October 2011)

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Fiscal 2013 First Three Quarters:
Update on Group Management Basic Strategies and Business Themes

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Basic Concepts in Second Medium-term Management Plan

- Top-Line Emphasis
- **as One Company**
- Enterprising and Bold

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

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
→ Brand Committee is currently considering service names, based on the results of interviews with experts from with the Group and from outside.

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Fiscal 2013 First Three Quarters: ITHD Group Topics

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Basic Concepts in Second Medium-term Management Plan

Top-Line Emphasis

as One Company

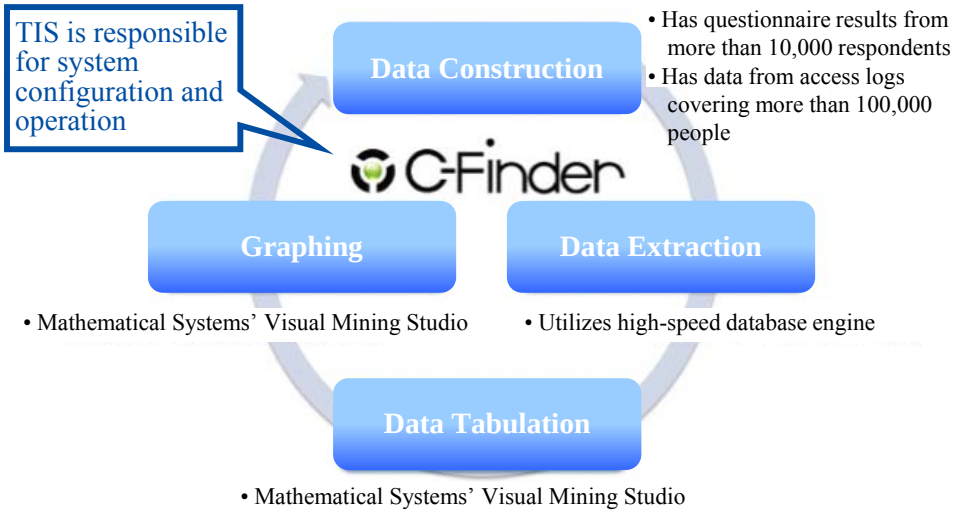
Enterprising and Bold

➢ TIS: Joint development of C-Finder, Big Data analysis platform

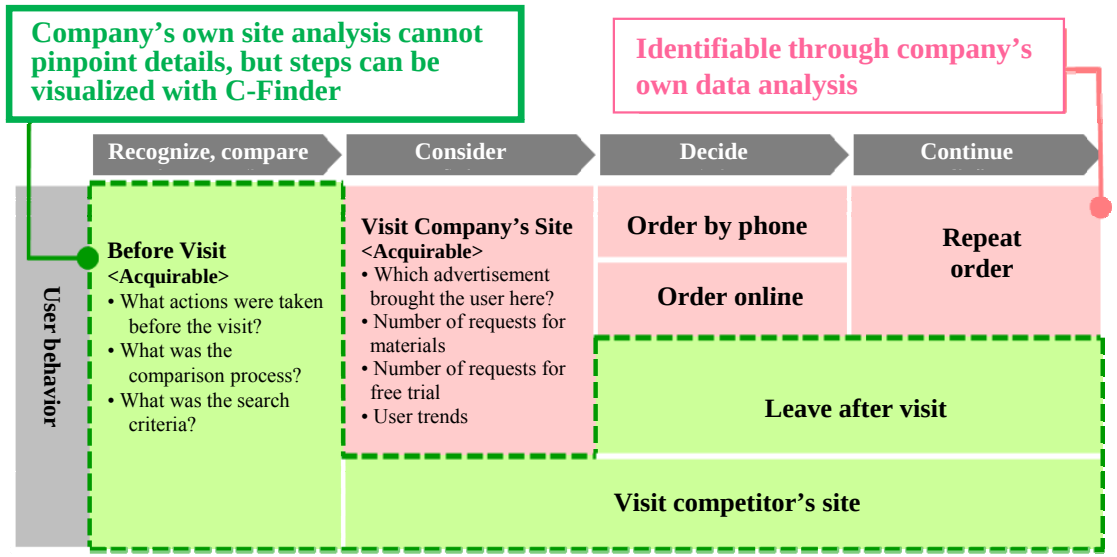
Pursued approaches in businesses with a connection to Big Data, which is becoming more important in corporate marketing activities. Applied data from access logs covering more than 100,000 people and questionnaire results from more than 10,000 respondents (held by Opt Inc.) to visualize diversifying consumer behavior.

Formed agreement with Opt and Mathematical Systems Inc. to jointly undertake development, marketing and implementation support for a Big Data analysis platform that fully integrates all aspects, from database management through high-speed data extraction, analysis and tabulation output.

C-Finder Image
Consolidation of processes involved in data analysis



C-Finder Image
Possible visualizable consumer behavior



Won 2012 Second-Half AWS Partner Award in Big Data Division

TIS effectively applied Amazon Web Services (AWS) to C-Finder and constructed a low-cost, large-scale data analysis platform in a short period of time. This progressive solution, provided as a Big Data analysis platform with characteristic cloud agility, was very well received and earned an AWS Partner Award in the Big Data Division given by Amazon Data Services Japan Co., Ltd., to AWS partners in the second half of 2012.

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Basic Concepts in Second Medium-term Management Plan

Top-Line Emphasis

as One Company

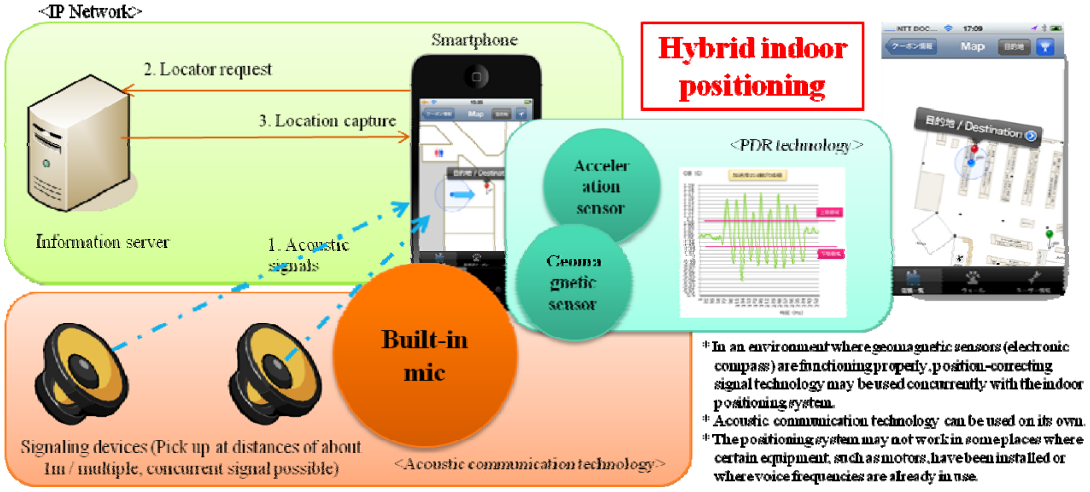
Enterprising and Bold

➢ INTEC: In-house development of hybrid indoor positioning system for smartphones

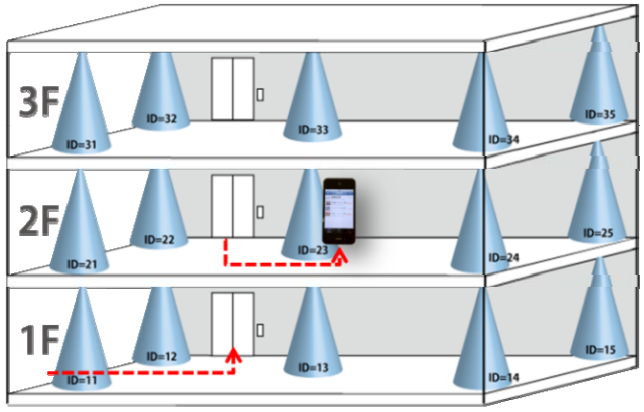
INTEC has been directing efforts into businesses related to O2O (online to offline) services, which is seen as a growth area. The company realized a highly accurate positioning system for use indoors and in underground spaces where signals from global positioning system satellites do not reach.

With the world's first hybrid format, using the smartphone's built-in sensor and mic, INTEC developed an indoor positioning system (patent pending) accurate to within a few meters. This format also distinguishes between floors. Seeking to utilize this system as a new advertising media platform linked to indoor locator data, INTEC is working on verification tests and event participation.

Structure of hybrid indoor positioning system



Structure of indoor floor recognition



Captures position-correcting signal when person passes near the doors on each floor and determines floor information from this ID.
Example: ID = 23
• Number of floors: 2
• X coordinate: 5
• Y coordinate: 6

*Acoustic devices are placed on the ceiling, and position-correcting signals are directed downward to the floor.

Technology positioning and application examples

Uses of this technology

• **Introduce events and sales campaigns**
(Information provided to people who don't see flyers)
• **Push-style coupon distribution**
(Purchase push to customers as they shop)
• **Product search**
(Enhances sales floor guidance, makes it easier for customers to find products on their own)

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Fiscal 2013 First Three Quarters: ITHD Group Topics

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Basic Concepts in Second Medium-term Management Plan

Top-Line Emphasis

as One Company

Enterprising and Bold

➢ Qualica: AToMsQube, cloud-oriented production control system, recognized at JISA Awards 2013

AToMsQube won award from Japan Information Technology Services Industry Association (JISA) for high originality and applicability worldwide.

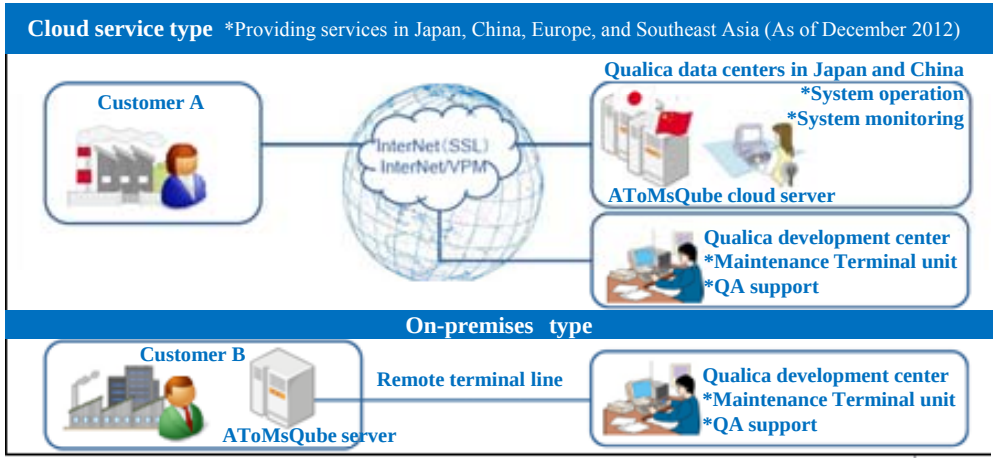
➢ Qualica: Thin Office, the next-generation in office structures, captured Information Technology Award (Frontier Award) for 2013

Japan Institute of Information Technology gave its Information Technology Award (Frontier Award) to Thin Office for enabling creation of IT environments for enhanced productivity

AToMsQube Cloud-oriented production control system

Anticipating demand for production control systems to grow, paralleling increased manufacturing, especially in China, and upgrades to existing systems, Qualica developed AToMsQube from a global perspective under a mult-language, cloud-oriented design concept. The company applied technologies and know-how accumulated through the devleopment of systems for its major clients.

⇒ AToMsQube is used by 56 companies, mainly Japanese manufacturers, in 60 locations at home and abroad.



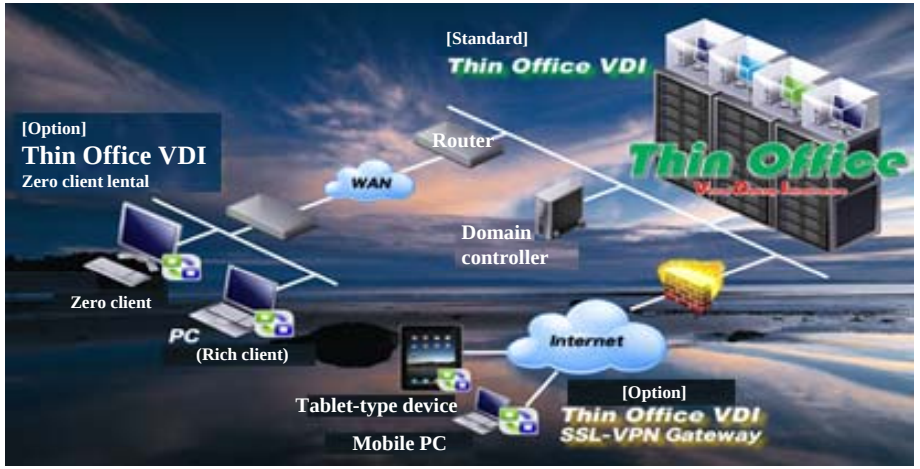
JISA AWARDS WINNER 2013

Awards ceremony

Thin Office Virtual Desktop Infrastructure Cloud-style desktop service

Creates next-generation office environment with the latest in ICT technology —virtual desktop technology unified communication zero client — for a revolution in workstyle that sharpens competitiveness. Enhances collaborative efforts and security and reinforced business continuity plans.

⇒Offering Thin Office VDI, a cloud-style desktop service based on Thin Office know-own, for outside clients.



IT賞 Information Technology Award

Qualica won a special IT award for in-office use of Thin Office.

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【Reference】
Fiscal 2013 First Three Quarters: Sales by Client Sector

(Millions of yen)

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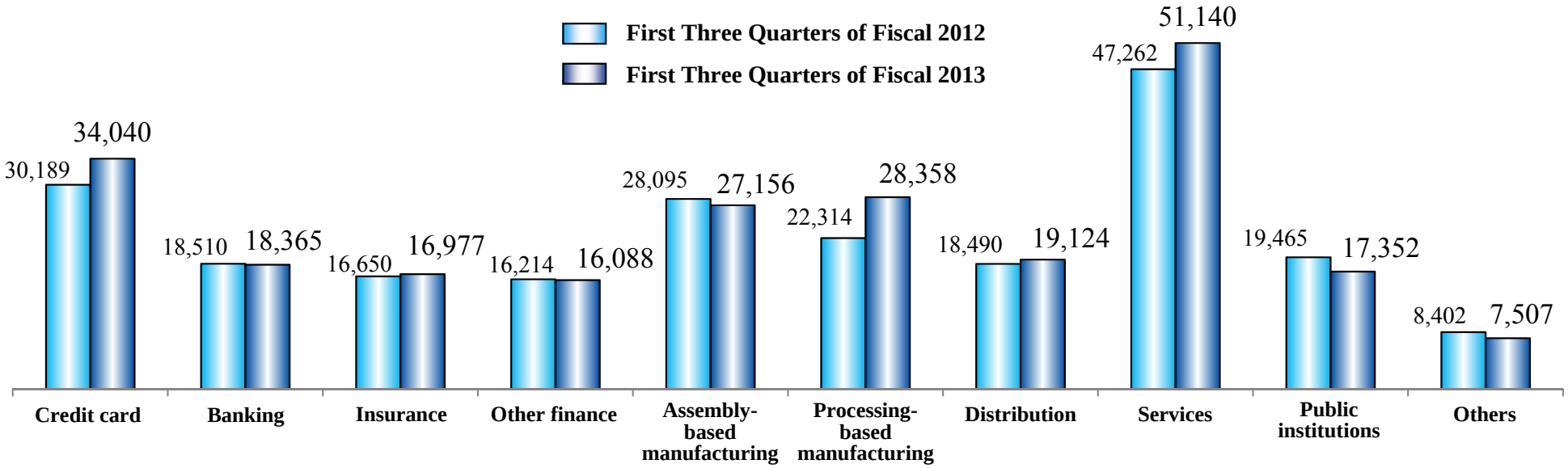
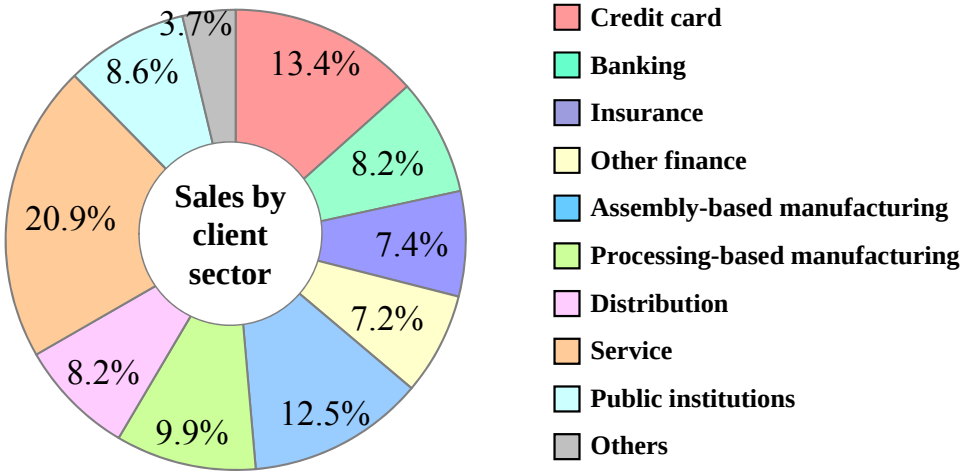


＜First Three Quarters of Fiscal 2012＞

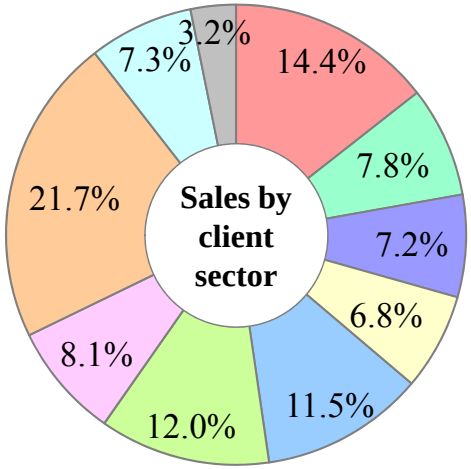
(Millions of yen)



Finance sector: 36.2%　　Industrial sector: 51.5%
Public sector: 8.6%　　Other sector: 3.7%

＜First Three Quarters of Fiscal 2013＞

(Millions of yen)



Finance sector: 36.2%　　Industrial sector: 53.3%
Public sector: 7.3%　　Other sector: 3.2%

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【Reference】
Fiscal 2013 Third Quarter: Sales and Income for Key Segments

(Millions of yen)

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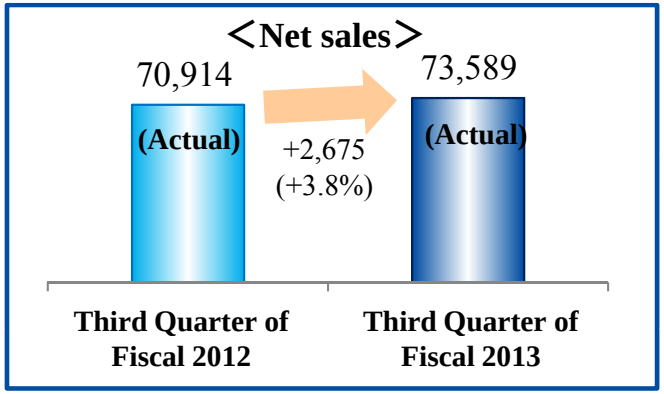

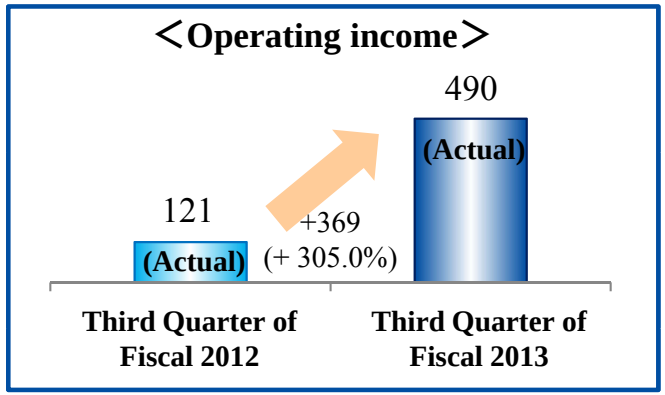

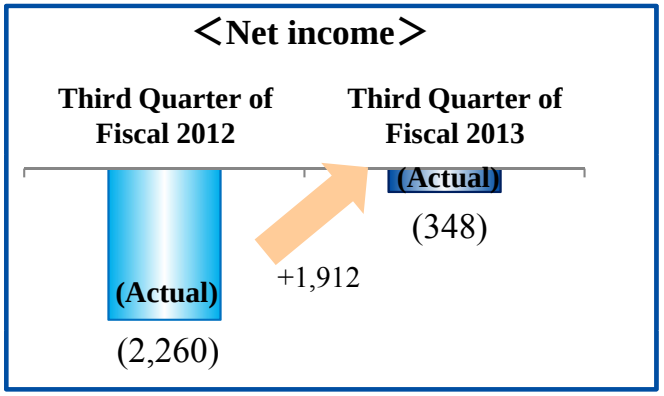

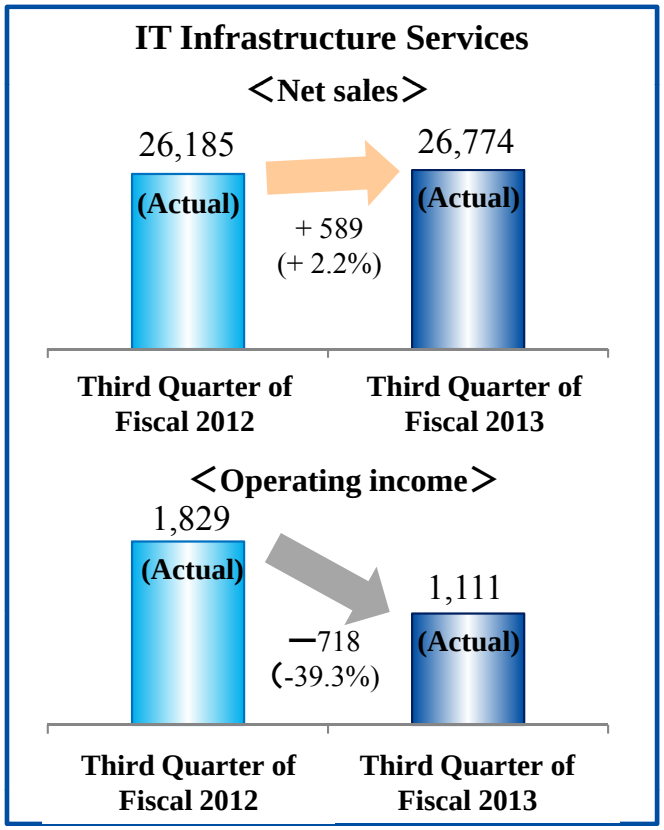

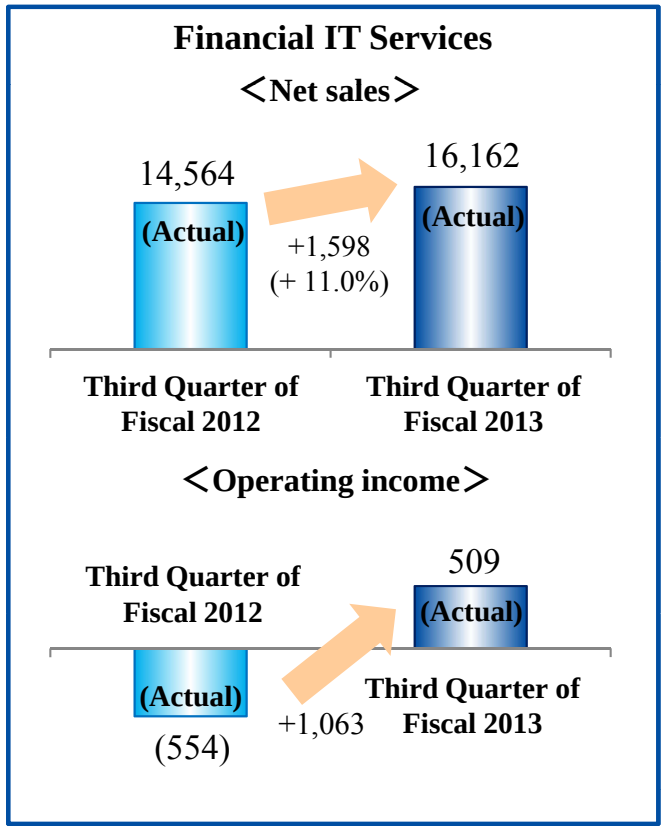

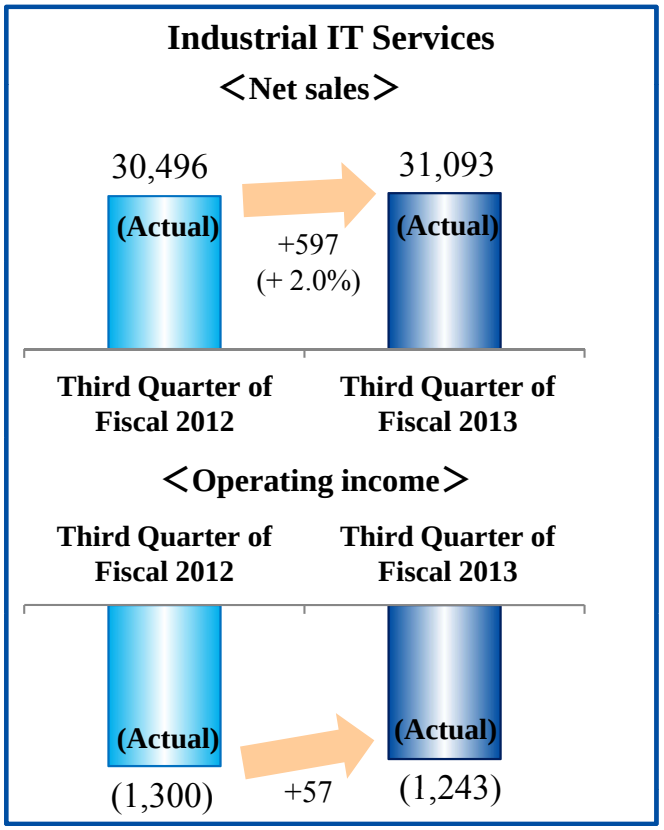

Segment net sales include intersegment sales.

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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 of 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.
- Figures for each quarter (three months) are determined from the difference between aggregate results for previous quarters.