



IT Holdings

# **Information Meeting Materials for the First Quarter of the Fiscal Year Ending March 31, 2014**

**July 30, 2013**

IT Holdings Corporation

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IT Holdings Group

## **Fiscal 2014 First Quarter Financial Highlights**

**Fiscal 2014 Full-Year Performance Forecasts**

**Reference Materials**

# Fiscal 2014 First Quarter Financial Highlights

(Millions of yen)

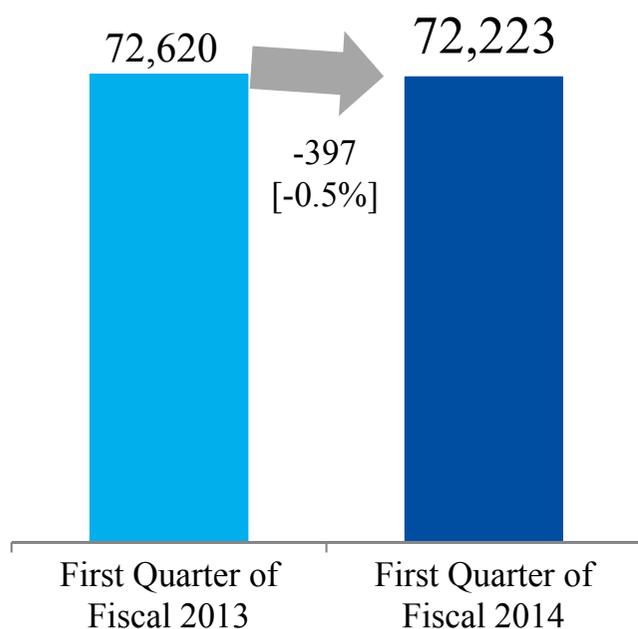


- Trends indicating progress toward economic recovery emerged, including rallying consumer spending, exports and production fueled by the government's aggressive fiscal and monetary policies, but there was little change in clients' cautionary stance toward IT investment.
- Net sales were on a par with the level posted in the first quarter of fiscal 2013, but income was squeezed, mainly because of unprofitable projects.

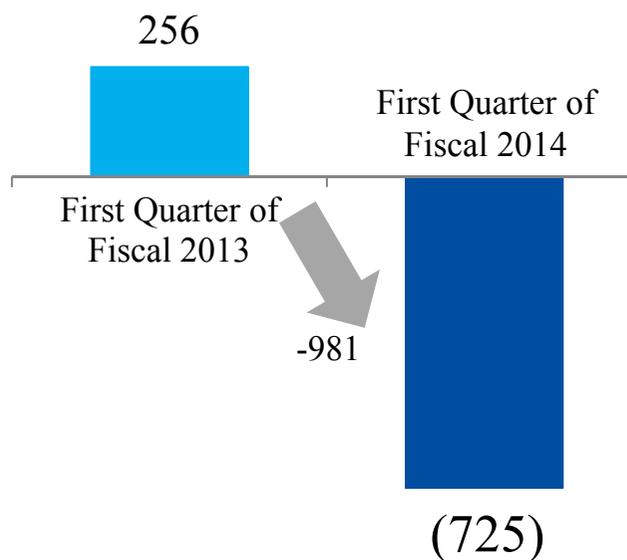
**Net Sales** ¥72,223 million  
YOY change: -¥397 million [-0.5%]

**Operating Income** ¥(725) million  
YOY change: -¥981 million

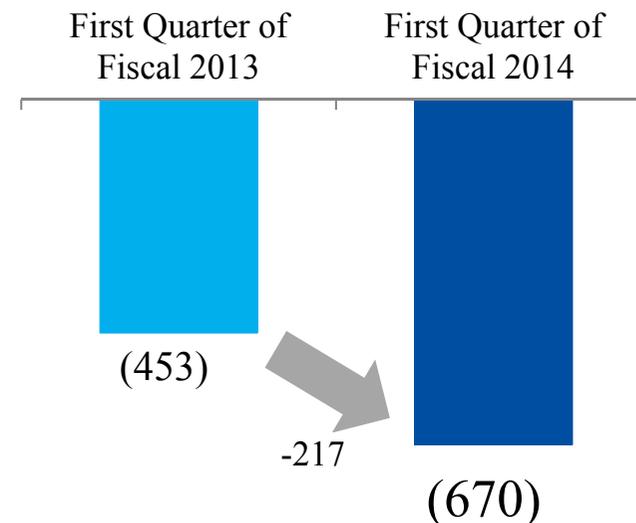
**Net Income** ¥(670) million  
YOY change: -¥217 million



A recovery in the financial IT services segment more or less offset a downturn in the industrial IT services segment, which reflected a reactionary decline in large development projects for clients in the manufacturing industry in the previous fiscal year.



Unprofitable projects in the industrial IT services segment had a huge impact on operating income, culminating in a year-on-year drop.



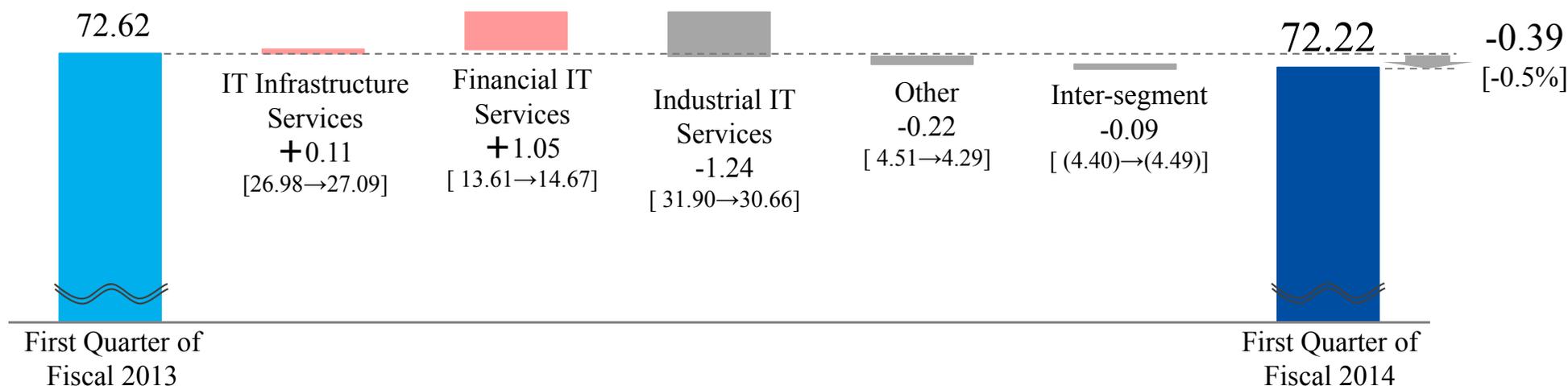
The net loss fell further into the red from a year ago, paralleling the decrease in operating income. However, extraordinary loss was dramatically lower than in the first quarter of fiscal 2013.

# Fiscal 2014 First Quarter: Net Sales and Operating Income Analysis

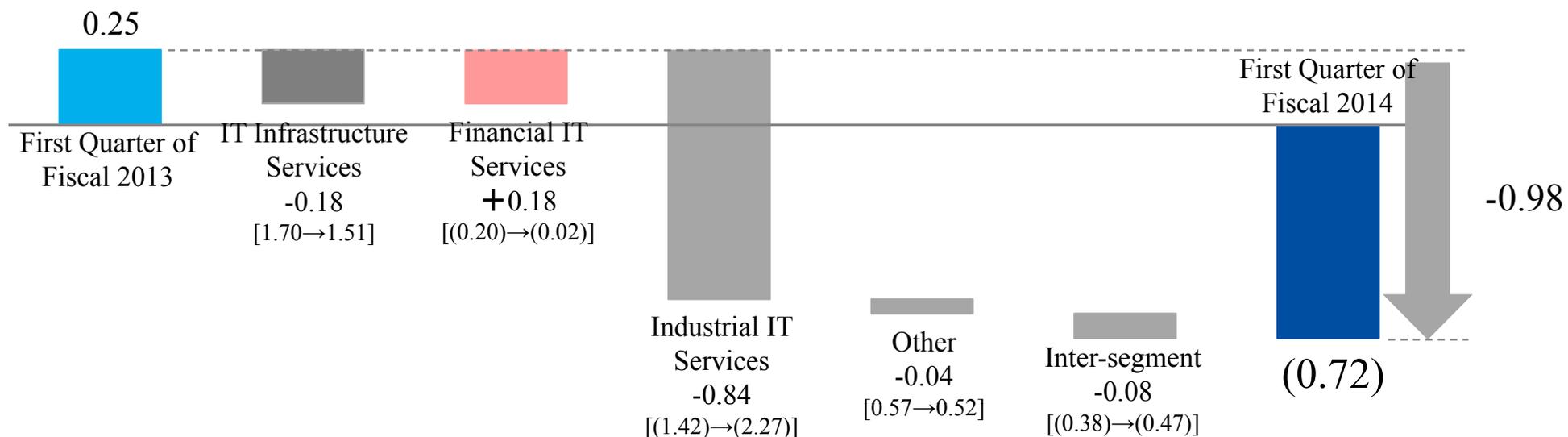
(Billions of yen)



## <Net Sales>



## <Operating Income>



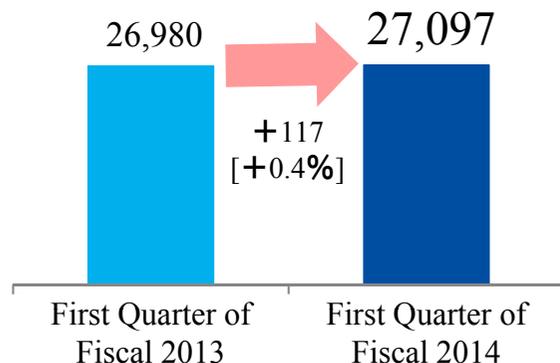
# Fiscal 2014 First Quarter: Sales and Income for Key Segments

(Millions of yen)

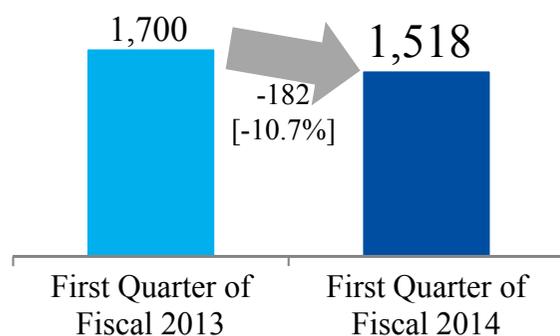


## <IT Infrastructure Services>

**Net Sales** ¥27,097 million  
YOY change: +¥117 million [+0.4%]



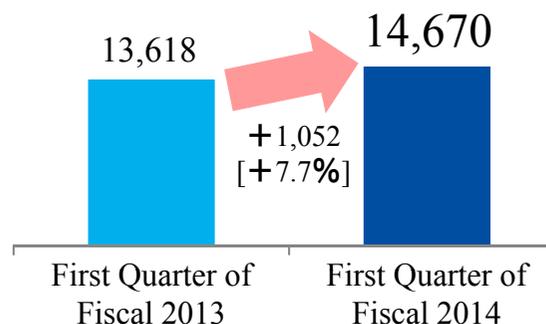
**Operating Income** ¥1,518 million  
YOY change: -¥182 million [-10.7%]



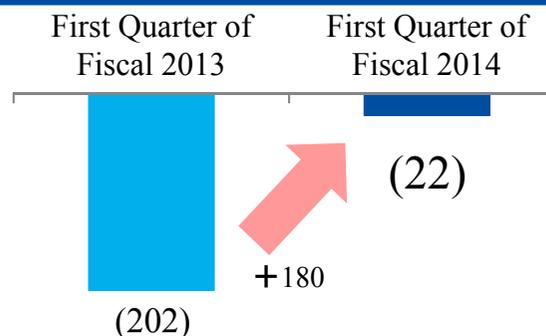
Greater use of data centers by large clients led to a gradual increase in revenues, but operating income decreased, mainly due to higher costs associated with data center operation.

## <Financial IT Services>

**Net Sales** ¥14,670 million  
YOY change: +¥1,052 million [+7.7%]



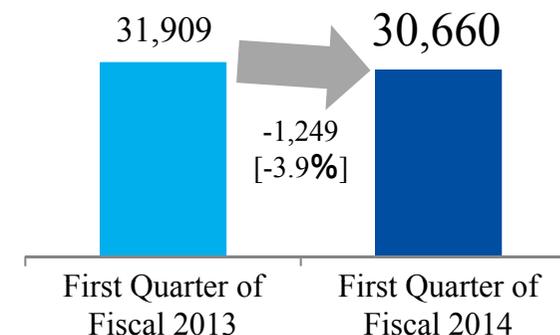
**Operating Income** ¥(22) million  
YOY change: +¥180 million



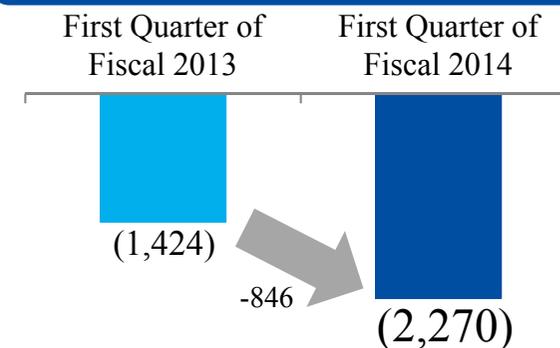
Slow by steady expansion of IT investment by key clients in the credit card and insurance sectors buoyed revenue and precipitated an improvement in profitability.

## <Industrial IT Services>

**Net Sales** ¥30,660 million  
YOY change: -¥1,249 million [-3.9%]



**Operating Income** ¥(2,270) million  
YOY change: -¥846 million



A reactionary decrease on large development projects for clients in the manufacturing sector was the main cause of lower revenue. Additional expenses were booked following postponement of completion times on some development projects, leading to a large drop in income.

Segment sales include intersegment sales.

# Fiscal 2014 First Quarter: Order Status

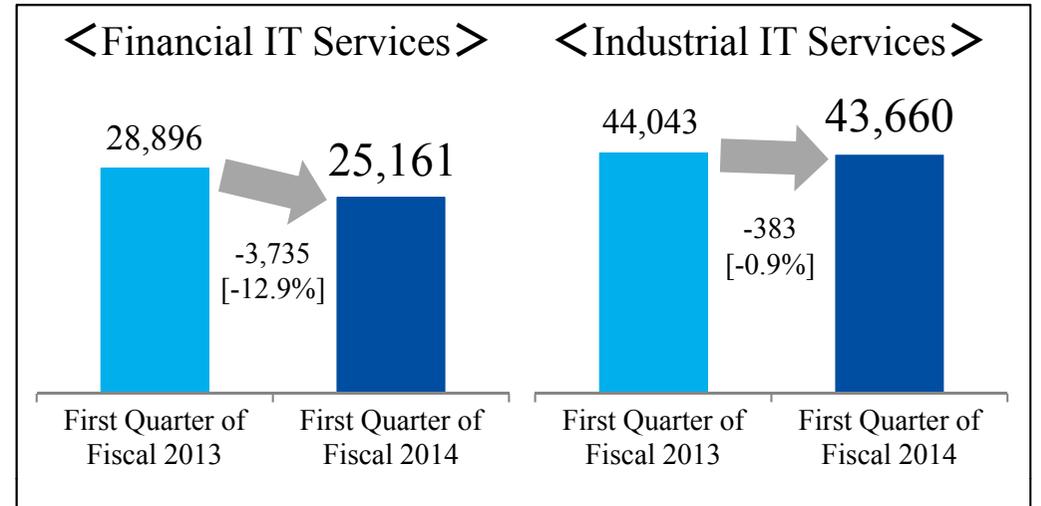
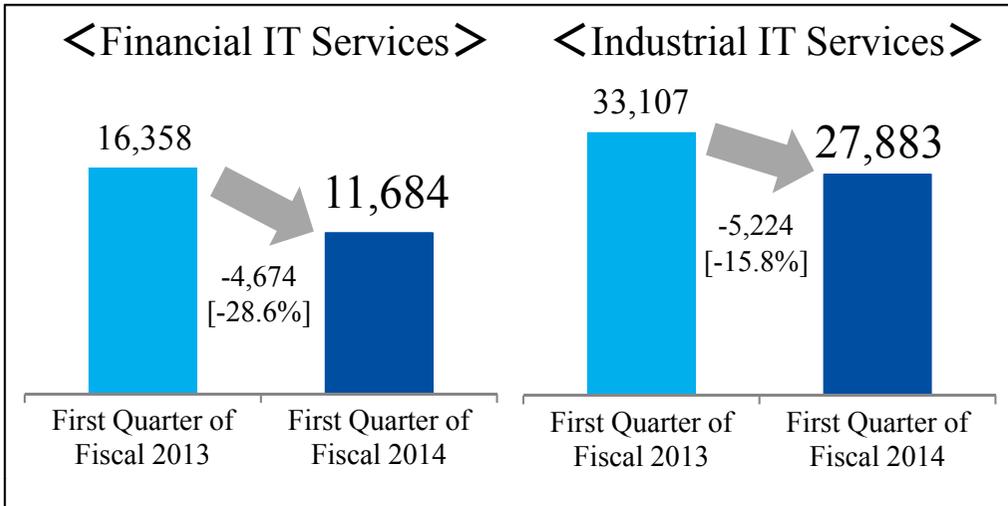
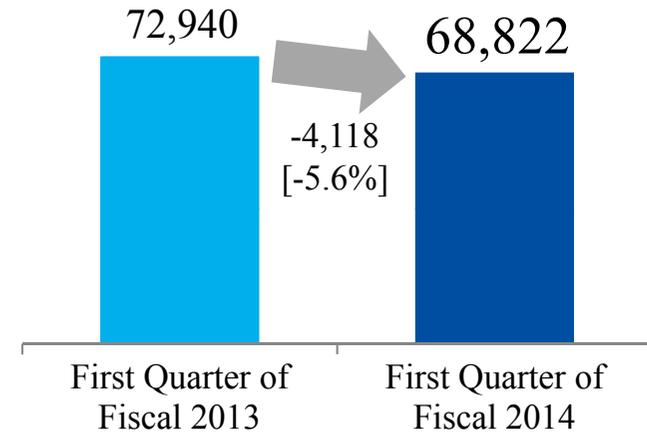
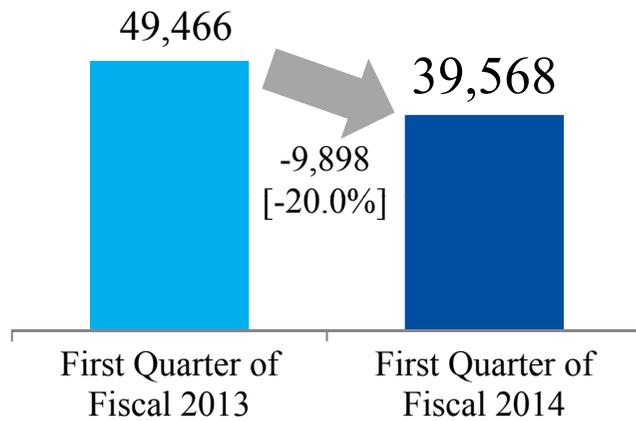
(Millions of yen)



Inquiries were brisk, but order volume decreased due to one-time factors, such as the wait from order to booking and the impact of project changeover periods.

**Orders received during the term**  
**¥39,568 million**  
 YOY change: -¥9,898 million [-20.0%]

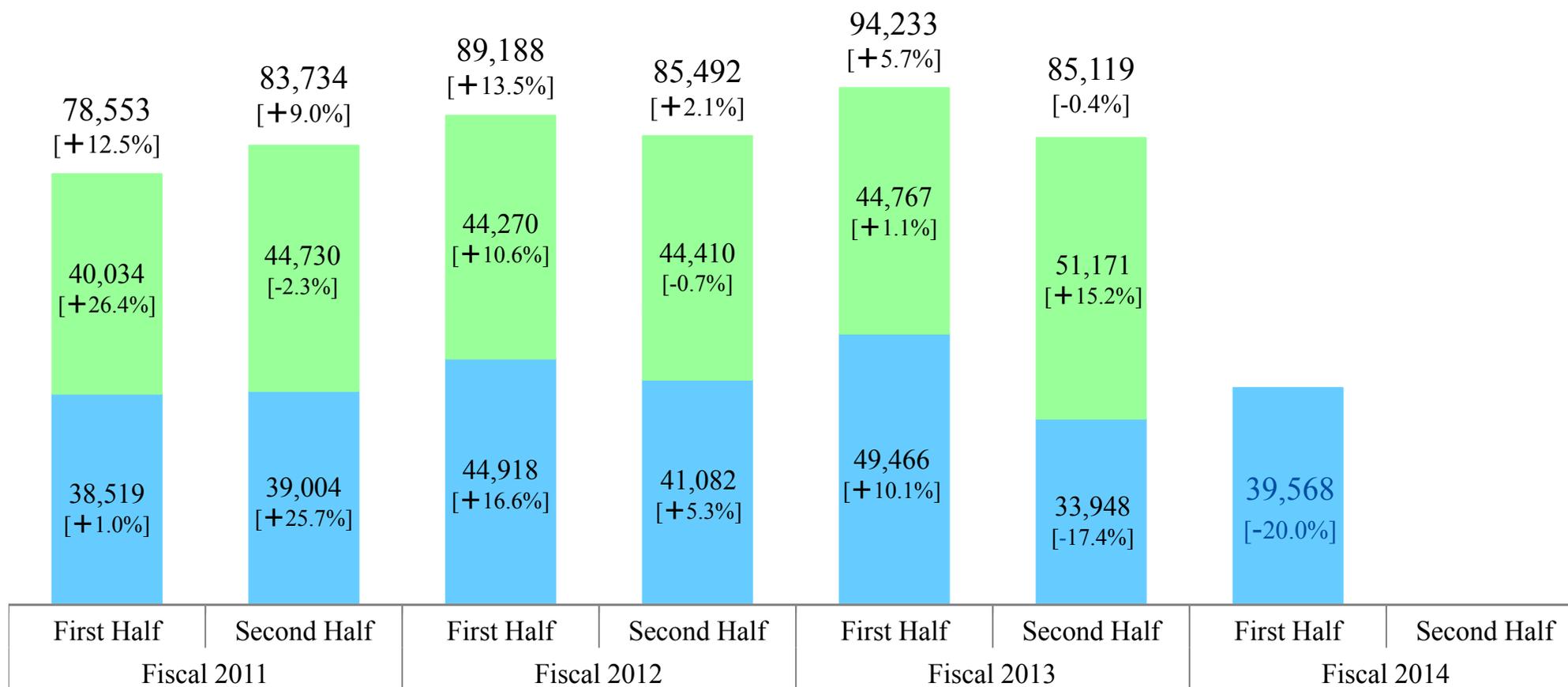
**Order backlog at term-end**  
**¥68,822 million**  
 YOY change: -¥4,118 million [-5.6%]



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

# Orders Received During The Term

(Millions of yen)



■ First Half: Second Quarter    Second Half: Fourth Quarter  
■ First Half: First Quarter    Second Half: Third Quarter

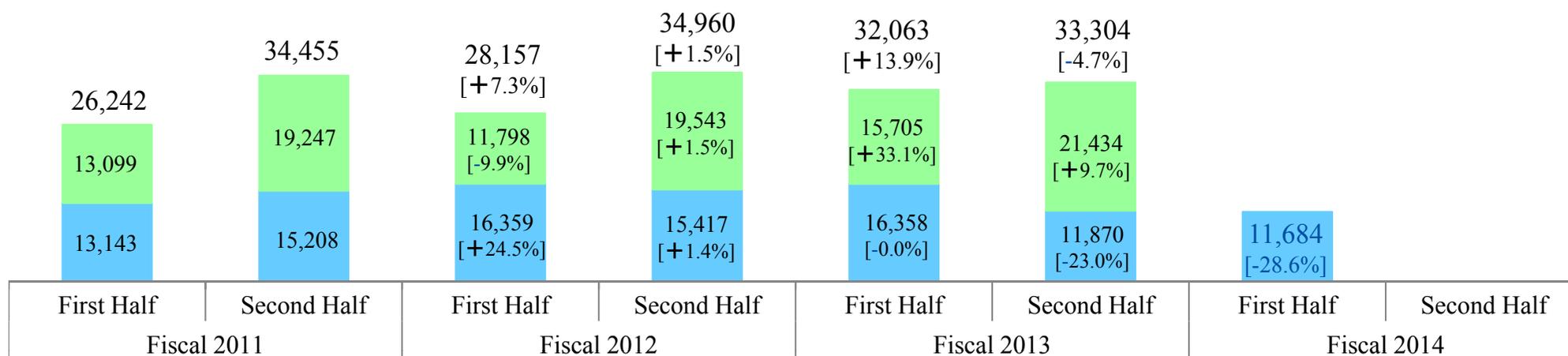
Orders received during the term applies to Software Development only.

# Orders Received During The Term

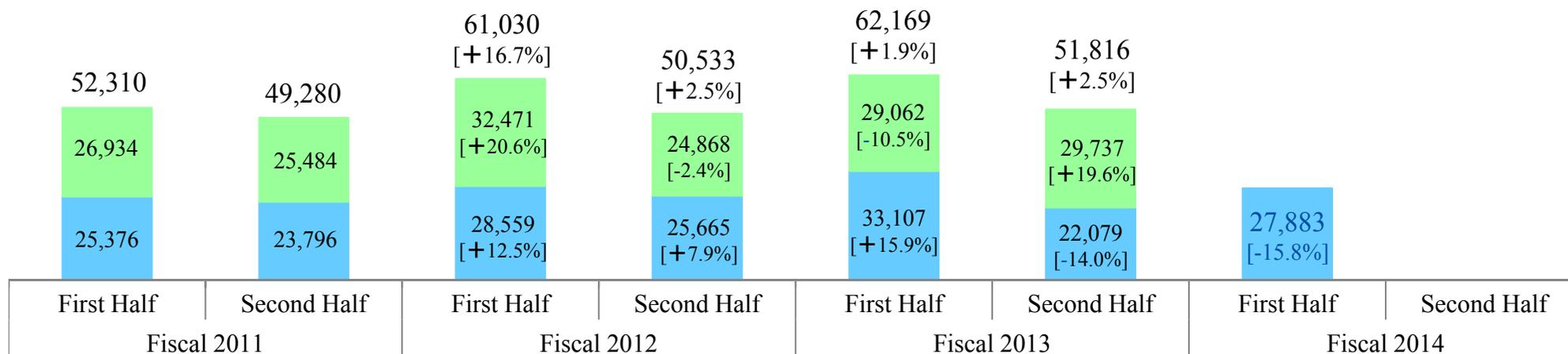
(Millions of yen)



## <Financial IT Services>



## <Industrial IT Services>



■ First Half: Second Quarter    Second Half: Fourth Quarter  
■ First Half: First Quarter        Second Half: Third Quarter

Orders received during the term, term-end backlog and net sales apply to Software Development only. Percentage figures in columns indicate increase or decrease from the previous term. However, order volume by segment is disclosed from fiscal 2011, so no percentage change is available for fiscal 2011.

**Fiscal 2014 First Quarter Financial Highlights**

**Fiscal 2014 Full-Year Performance Forecasts**

**Reference Materials**

# Fiscal 2014: Performance Forecasts

(Millions of yen)

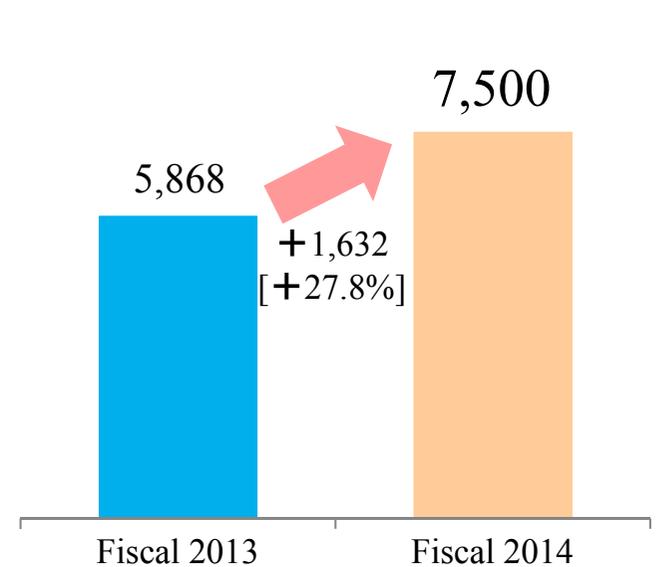
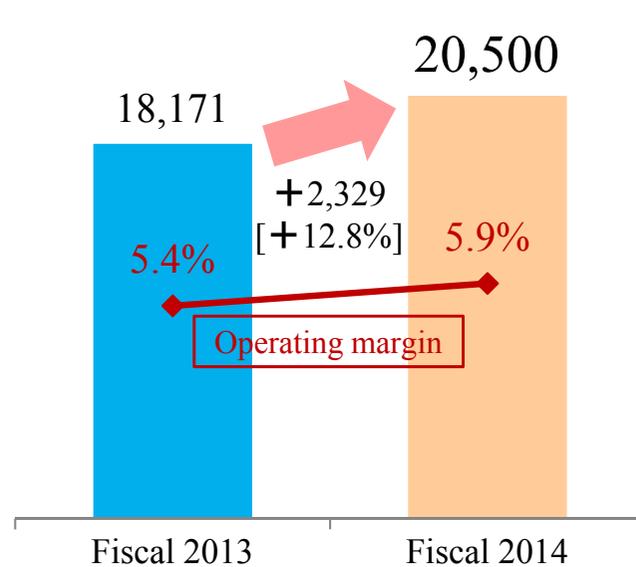
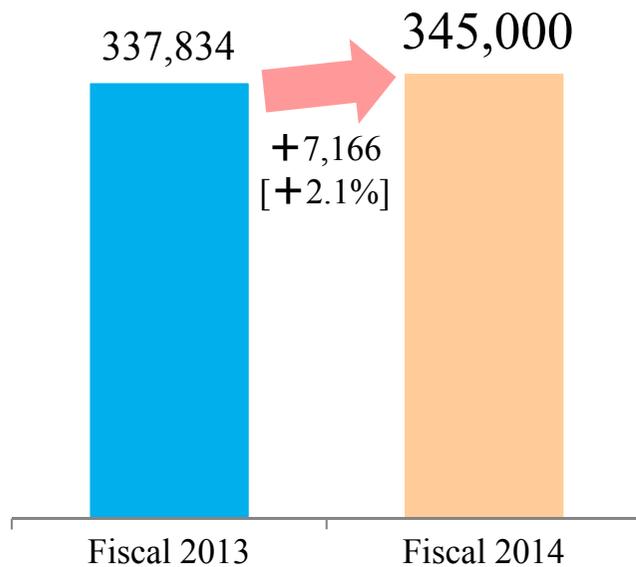


- We anticipate a better business environment, pegged to the recovery tone of the economic outlook, which will support higher sales and higher income.
- We aim to achieve the targets set out in the Second Medium-term Management Plan and are moving steadily toward this destination as a group.

**Net Sales** ¥345,000 million  
 YOY change: +¥7,166 million [+2.1%]

**Operating Income** ¥20,500 million  
 YOY change: +¥2,329 million [+12.8%]

**Net Income** ¥7,500 million  
 YOY change: +¥1,632 million [+27.8%]



We will cover the decrease caused by the peaking of large development projects for big-name clients in the manufacturing sector, and achieve year-on-year growth in net sales. Industrial IT services will be a driver of growth.

Operating income should improve, buoyed by the higher net sales starting point as well as higher productivity and efforts to prevent projects from turning unprofitable.

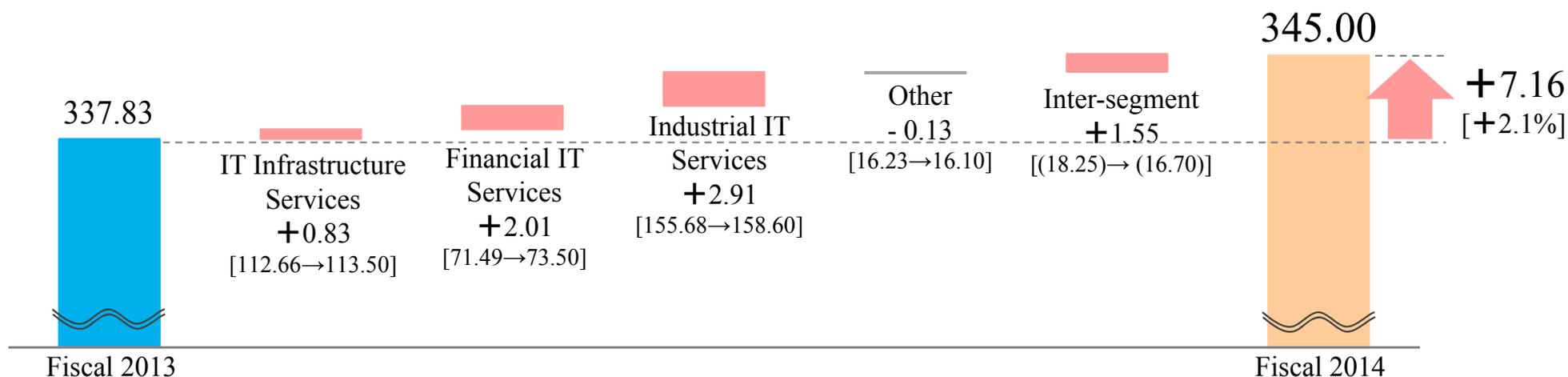
Net income should rise, supported not only by higher operating income but also by a reduction in extraordinary loss.

# Fiscal 2014: Net Sales and Operating Income Analysis (Plan)

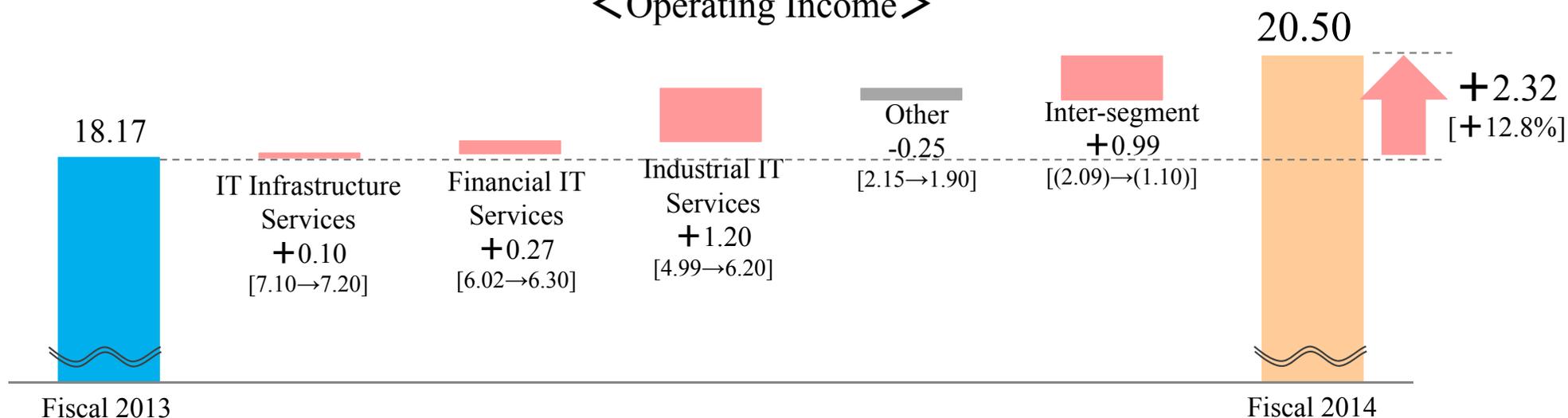
(Billions of yen)



## <Net Sales>



## <Operating Income>



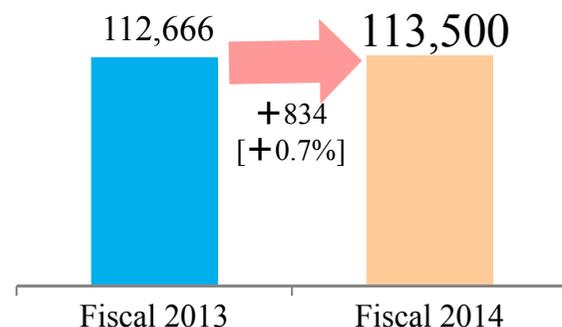
# Fiscal 2014: Key Segment Performances (Plan)

(Millions of yen)

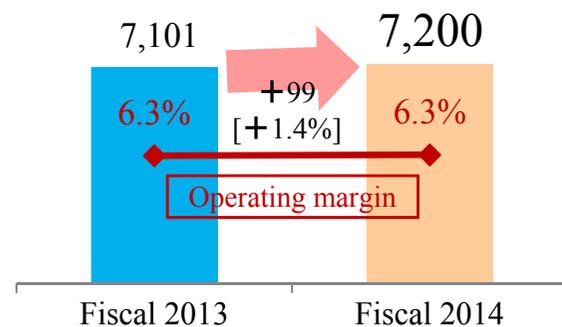


## <IT Infrastructure Services>

**Net Sales** ¥113,500 million  
YOY change: +¥834 million [+0.7%]



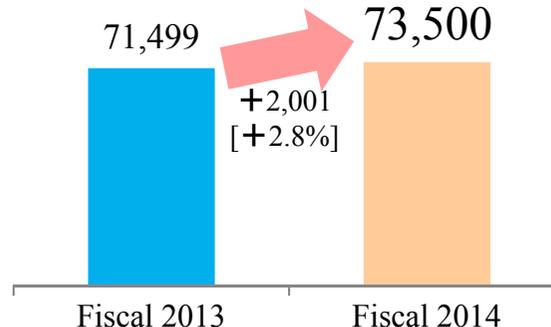
**Operating Income** ¥ 7,200 million  
YOY change: +¥99 million [+1.4%]



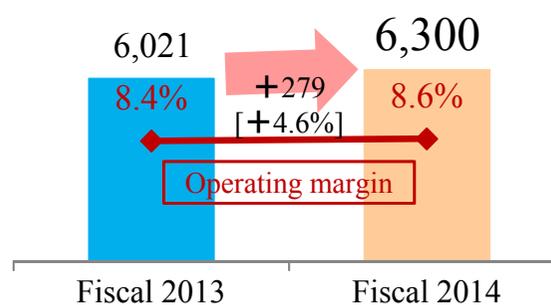
Revenue and income should increase, paralleling enhanced profitability at GDC Gotenyama.

## <Financial IT Services>

**Net Sales** ¥73,500 million  
YOY change: +¥2,001 million [+2.8%]



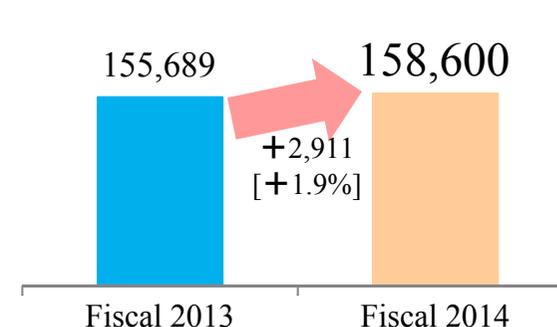
**Operating Income** ¥ 6,300 million  
YOY change: +¥279 million [+4.6%]



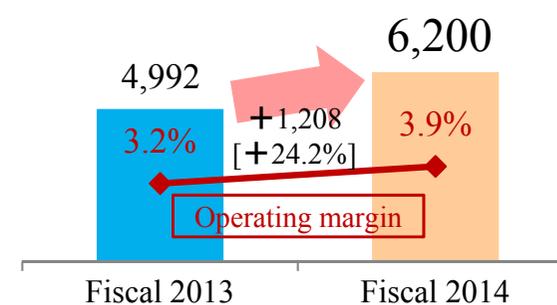
Revenue and income should grow, attendant with wider demand for services from banks and credit card companies.

## <Industrial IT Services>

**Net Sales** ¥158,600 million  
YOY change: +¥2,911 million [+1.9%]



**Operating Income** ¥ 6,200 million  
YOY change: +¥1,208 million [+24.2%]



Revenue and income are expected to improve, with the decrease caused by the peaking of large development projects for clients in the manufacturing sector covered by a build-up of other projects and efforts to prevent projects from turning unprofitable.

Segment net sales include intersegment sales.

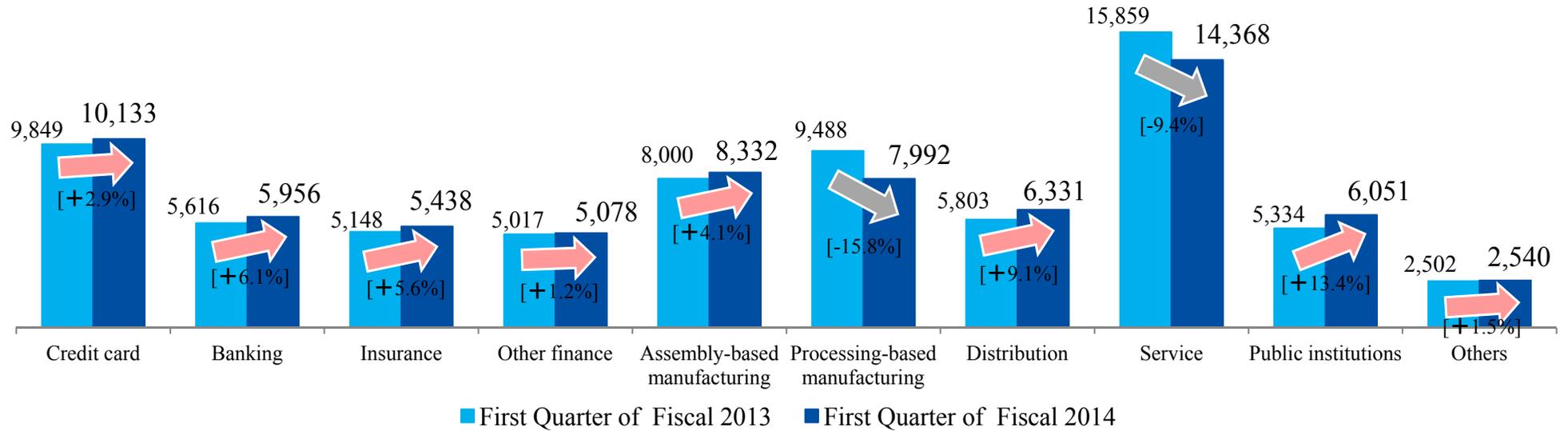
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**Fiscal 2014 Full-Year Performance Forecasts**

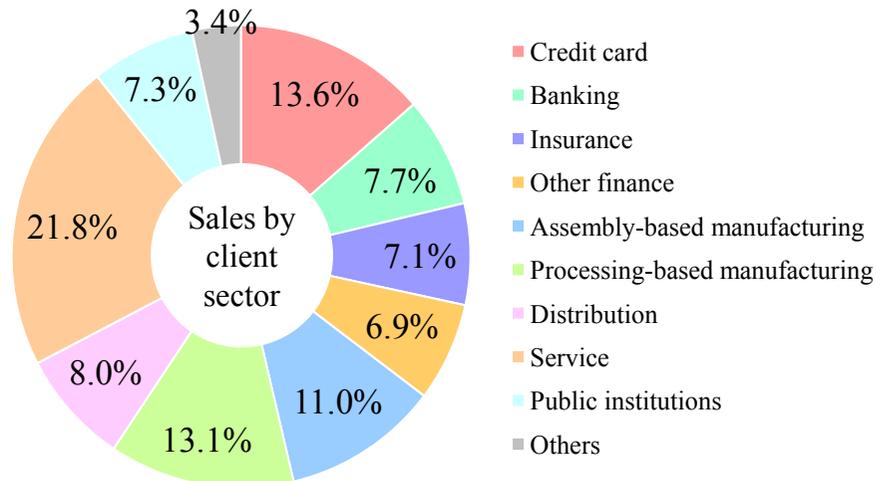
**Reference Materials**

# Fiscal 2014 First Quarter: Sales by Client Sector

(Millions of yen)

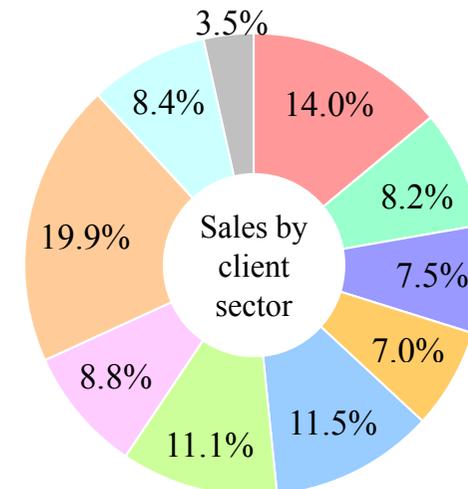


<First Quarter of Fiscal 2013>



Finance sector: 35.4% Industrial sector: 53.9%  
Public sector: 7.3% Other sectors: 3.4%

<First Quarter of Fiscal 2014>



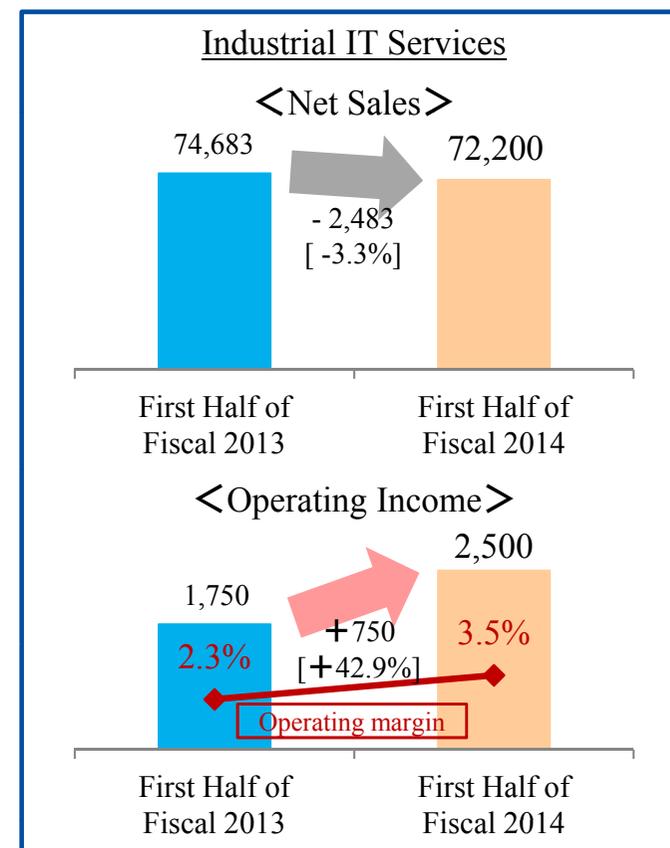
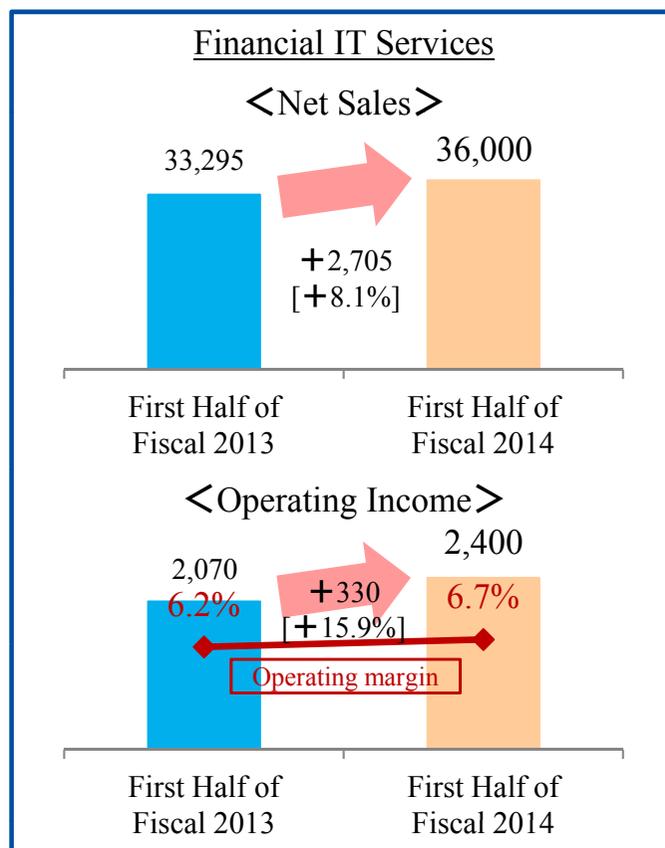
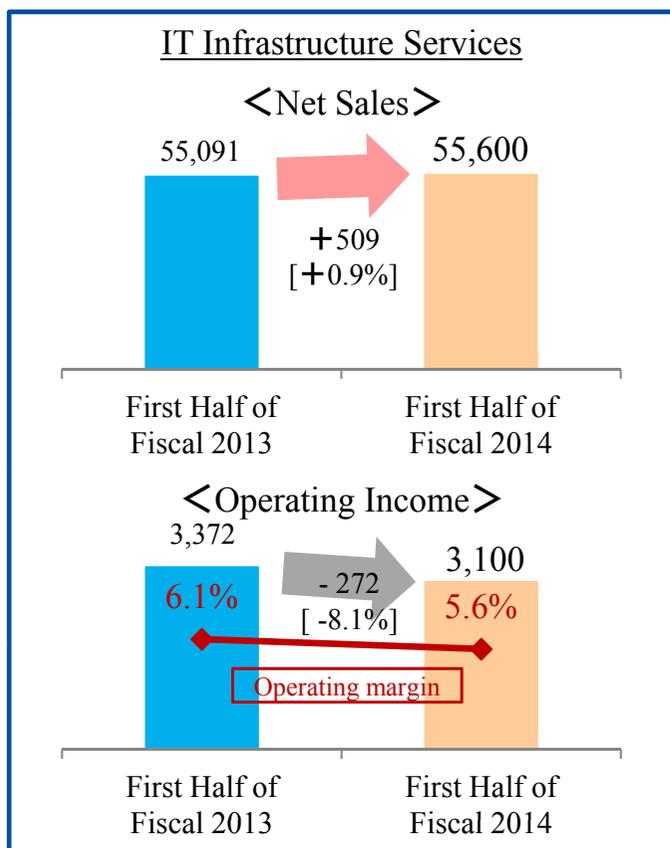
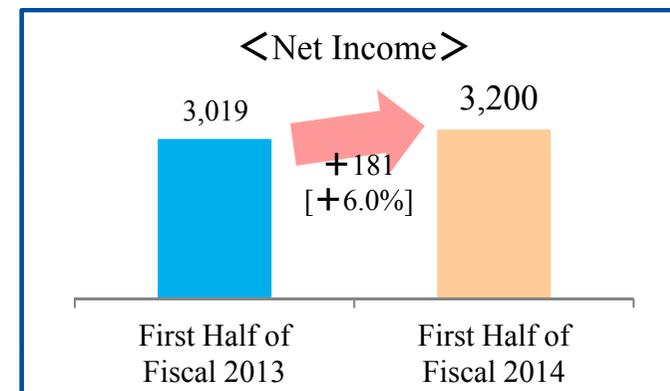
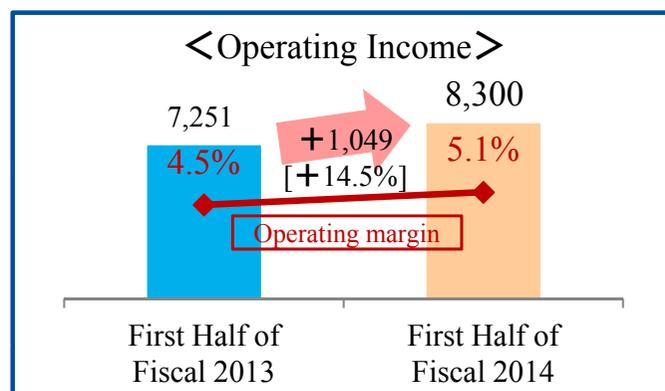
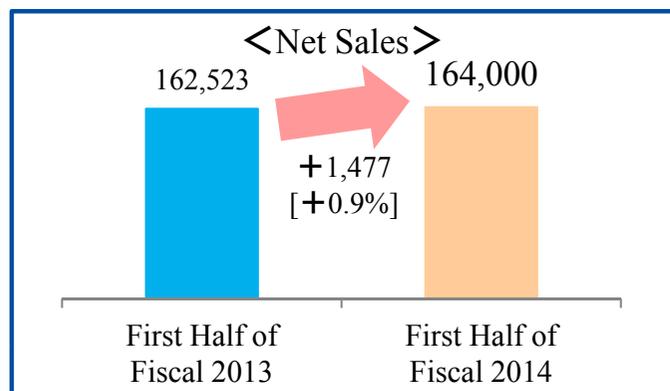
Finance sector: 36.8% Industrial sector: 51.4%  
Public sector: 8.3% Other sectors: 3.5%

# Fiscal 2014 First Half: Sales and Income for Key Segments (Plan)

(Millions of yen)



IT Holdings



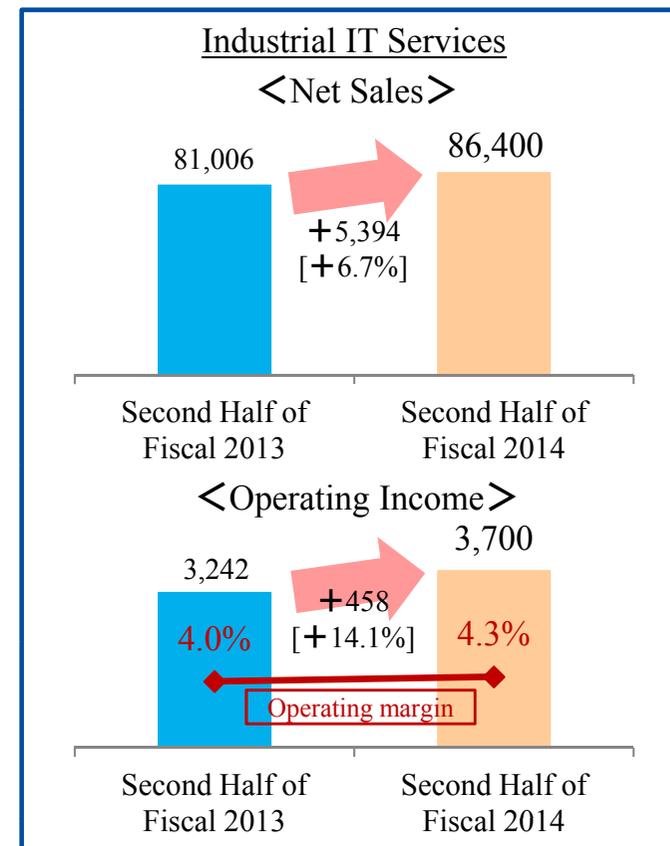
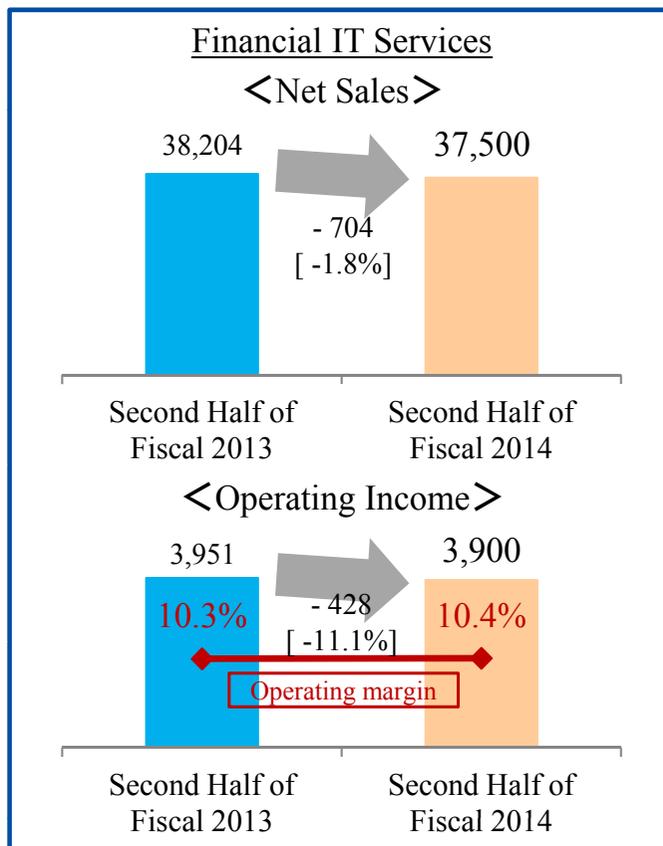
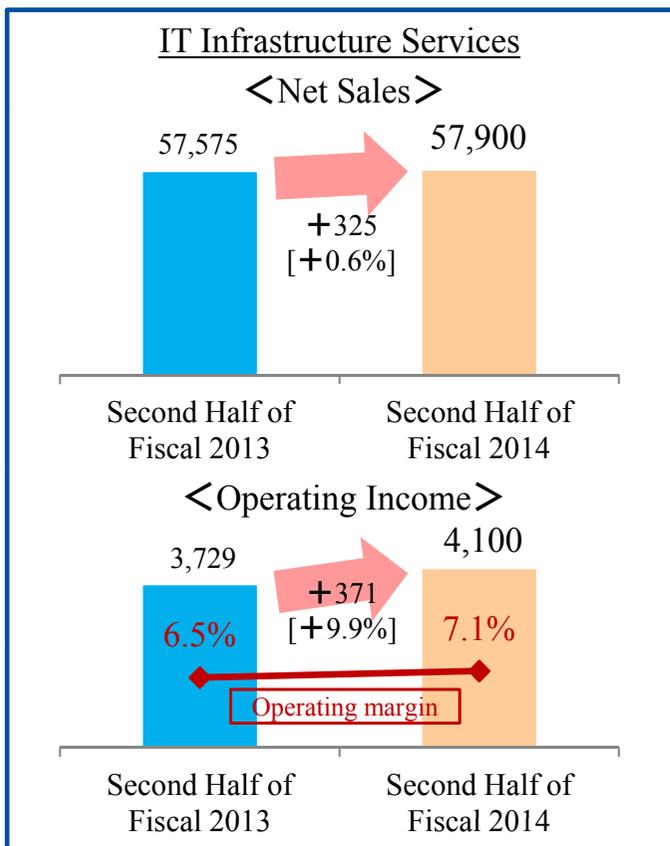
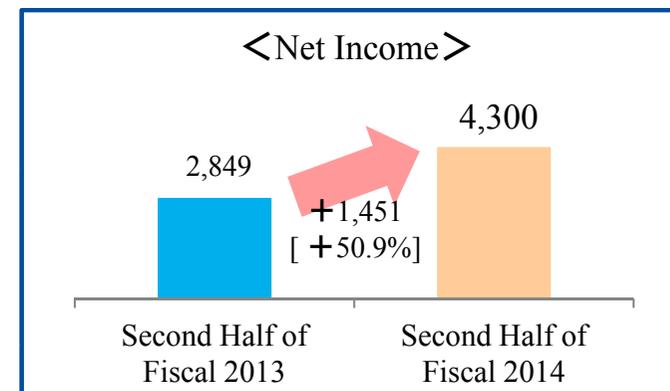
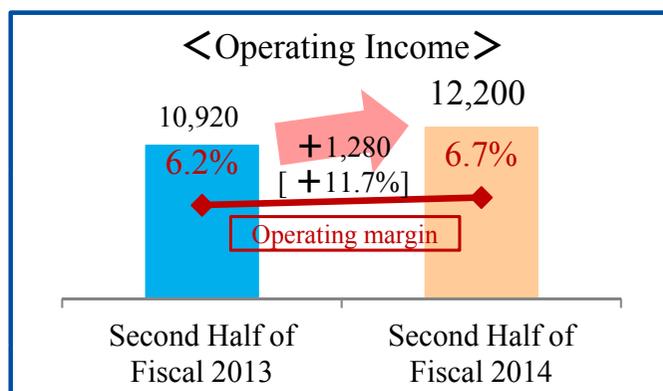
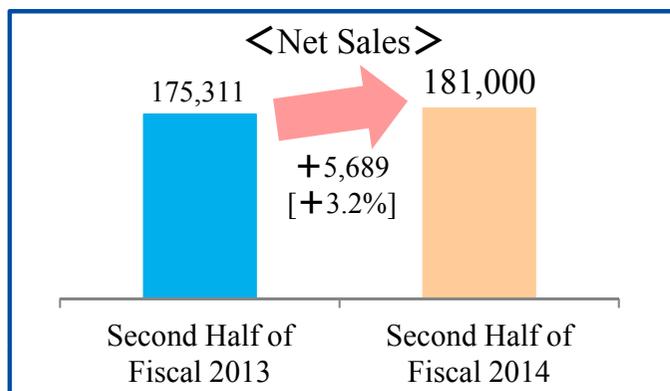
Segment net sales include intersegment sales.

# Fiscal 2014 Second Half: Sales and Income for Key Segments (Plan)

(Millions of yen)



IT Holdings



Segment net sales include intersegment sales.



## IT Holdings

### **Cautionary Statements**

- In these materials, ITHD is abbreviated ITHD.
- All statements 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.
- Amounts for each three-month quarter are calculated by subtracting data for the respective period from the cumulative total.