



MEMBERSHIP

April 26, 2013

(Translated from the Japanese original)

Company Name: IT Holdings Corporation  
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Stock Code: 3626  
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### **Results of Investigation into Wrongdoing by Former Employee of Subsidiary Company**

As disclosed in “Notice regarding Disclosure by Net One Systems Co., Ltd.” (Japanese only), dated March 8, 2013, TIS Inc., a subsidiary of IT Holdings (hereafter, “ITHD”), initiated an inquiry to ascertain details after it was discovered through an investigation by a special investigating committee (formed February 4, 2013, and chaired by Toru Kuwano, TIS Representative Chairman and President) in consultation with outside lawyers, that a now-terminated employee had been involved in a matter of wrongdoing.

Today, April 26, 2013, the special investigating committee at TIS announced the results of its inquiry, and TIS presented ITHD with the committee’s report “Results of the Investigation into Wrongdoing by a Former Employee of the Company.” Herewith, ITHD offers a summary of this report.

Management at ITHD extends its sincerest apologies to everyone with a vested interest in the Company, especially shareholders, for a situation that has undoubtedly caused considerable inconvenience and concern.

### **Details**

#### **1. Summary of Wrongdoing**

It was learned that an employee of TIS—whose employment has been terminated—conspired with outside associates to swindle money from ordering companies by billing for undelivered services under fictitious subcontracting cost items. It was further understood through an inquiry by the special investigating committee that this scam ran between 2005 and 2012 and that TIS was a party to some but not all transactions where false billing occurred. For each of the transactions to which TIS was a party, the company was apparently billed for undelivered services, with financial damages reaching about ¥115.3 million as of today. Company outside the ITHD Group were swindled out of about ¥789.1 million.

The inquiry by the special investigating committee at TIS confirmed that the involvement of the now-terminated TIS employee in this scam was personal and not something perpetrated by TIS on an organizational level. The inquiry revealed no suspicious activity that would indicate any other wrongdoings similar to the one that was discovered. The now-terminated TIS employee was dismissed by way of disciplinary discharge on March 5, 2013.

## **2. Impact on Past Consolidated Financial Statements and Fiscal 2013 Business Results**

The projects to which TIS was a party took place between 2003 and 2005. These projects did not have much of an impact on the consolidated financial statements of the Company, so past consolidated financial statements will not be retroactively restated. Business results for fiscal 2013 will not be affected.

## **3. Efforts to Prevent Reoccurrence**

TIS duly acknowledges the content of the report by the special investigating committee and has formulated measures to prevent misconduct of this type from happening again, based on confirmed facts and apparent issues with the internal control structure. Going forward, TIS will quickly and consistently implement steps to ensure adherence to corrective measures already in place, build a stronger internal controls structure, terminate cozy ties between business associates, outside sources and suppliers, and improve the internal reporting (whistleblower) system.

## **4. Cut in Executive Compensation**

Management at TIS takes this incident of wrongdoing very seriously, and the director named below will take accountability for the situation by accepting a cut in compensation as follows.

Toru Kuwano, Chairman and President, TIS Inc.

30% reduction in monthly compensation for one month

## **5. Future Direction for the Corporate Group**

The Company also acknowledges the gravity of this incident. To prevent misconduct of this type from happening again within the ITHD Group, the Company will promote efforts to reinforce groupwide internal controls and strive to instill a more thorough appreciation of adherence to the law among all employees under the Group umbrella. In addition, the Company will appropriately reinforce group governance and management practices from a compliance perspective.

END