The ISFnet Group
CSR Report

January - June 2012

ISFnet is a Tokyo-based integrated IT services company that specializes in IT staff supply and supoort solutions. Founded in 2000 by our CEO Yukiyoshi Watanabe, the company has 18 offices throughout Japan, operations in six other countries across Asia. We have approximately 2,100 hardworking and dedicated staff worldwide.

In 2011, we achieved sales of ¥7.9bn (approx. $100mil) and we are already seeing healthy growth in 2012. ISFnet has ambitious plans for the future. By 2020 we would like to expand our domestic operations to 120 more towns and cities across Japan and extend our international business to a total 34 countries around the world.

We pride ourselves on our customer services and our client base is loyal and constantly expanding. Our customers include: SCSK Ltd. Uniadex, Hitachi Systems, CTC Itochu Techno Solutions and Hewlett Packard.

At ISFnet, corporate social responsibility and contribution are not peripheral to our business they are at the very core what we do. Bringing together elements from both commercial and social enterprise models, we have created a unique hybrid business in which being successful in society and as a company go hand in hand.

We are very proud to present this report which details not only our achievements of the last 6 months but also takes a critical look our activities, highlighting areas that need more focus, laying out our plans and setting targets for the future.
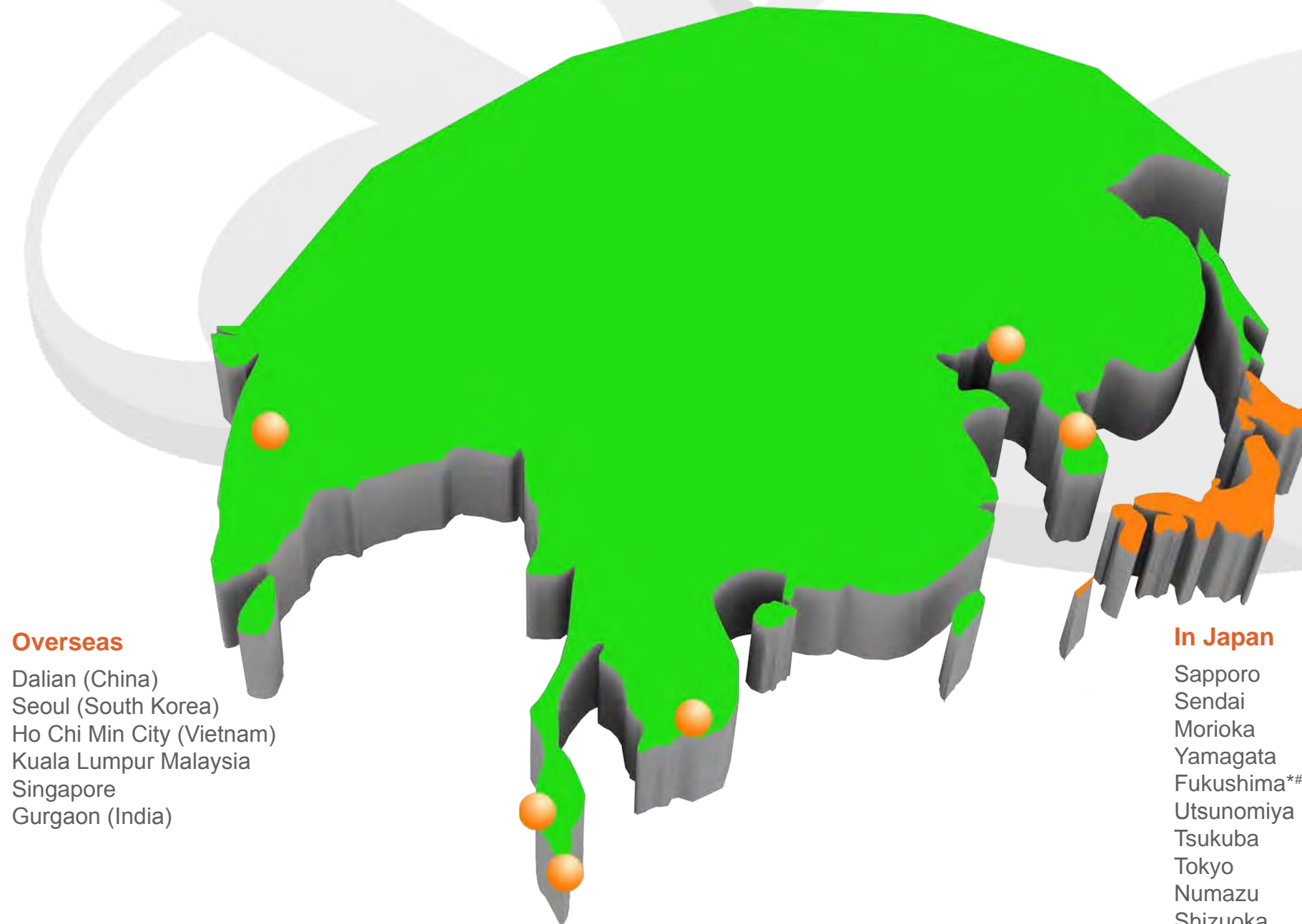
Overseas

Dalian (China)
Seoul (South Korea)
Ho Chi Min City (Vietnam)
Kuala Lumpur Malaysia
Singapore
Gurgaon (India)

In Japan

Sapporo	Hamamatsu
Sendai	Anjo*
Morioka	Toyoda
Yamagata	Nagoya
Fukushima*#	Osaka
Utsunomiya	Hiroshima
Tsukuba	Fukouka
Tokyo	Saga
Numazu	Okinawa
Shizuoka	

*ISFnet Harmony #ISFnet Life

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Message from the CEO

Our Model

At ISFnet, we are marrying commercial and social enterprise models to create a hybrid business that is not only sustainable but also profitable and will improve the lives of the people in the communities around us.

Good CSR does not mean stand-alone projects or activities peripheral to the company's core business. Rather, CSR should be a central component of the business. ISFnet is increasingly integrating the activities of our society-focused subsidiaries into the services that we offer our customers. Offering clients not only the opportunity to improve their IT operations but also helping them expand their own CSR programs.

2011 and 2012

In 2011, we established a new socially-focused subsidiary, ISFnet Life. Life provides business and IT-skills training, vocational rehabilitation and employment for people with disabilities. We also acquired Joy Consulting (to be renamed ISFnet Joy from August 2012), a well-established company that offers career counseling and employment services to disabled people, as well as recruitment and consulting services to companies wishing to diversify their workforce. In 2012, these two organizations, along with ISFnet Harmony, will be collaborating closely with each other to promote even greater employment for disabled people and I am looking forward to seeing the results of their efforts.

ISFnet Harmony also moved forward in 2011 with the establishment of the Takumi Café project in Fukushima City. Takumi gives opportunities for work experience, business skills development and employment to people with learning disabilities. The first café opened in March 2011 and as well as providing great service, coffee and food, Takumi also sells products made by partner social enterprises from across Japan through its website. I am very please to announce that a second café is scheduled to begin business near the Anjo Special Needs Education School in Aichi Prefecture this July.

Looking to the Future

ISFnet is going to work hard to build on the solid foundations that we have laid. Our goal is to expand the social side of our business and establish even greater integration with the business and IT services we offer.

We have ambitious plans to grow our business globally and aim to develop ISFnet's operations across Asia, Europe and the Americas. Wherever we go, we are committed to following the business model established in Japan, maintaining the same high standards, the same service excellence and the same commitment to society, and doing it in a way that is sustainable.

G. Watanabe

Yukiyoshi Watanabe
Founder and CEO of the ISFnet Group

Environment & Employment (E&E)

The ISFnet Group's core mission is to offer employment to the broadest range of people while minimizing the company's environmental impact and protecting the world for future generations.

Environmental Protection

We are continuously developing and refining our environmental activities. We believe it is important that the company, at both an organizational and a staff level, should strive to help protect the environment. Through the combination of company policy and supported volunteer work by our employees, we are reducing our energy consumption, more efficiently using office resources, and recycling and/or reusing everything from plastic bottled through to PCs.

Employment Creation

Since the very early days of ISFnet, we have had an 'open door' recruitment policy, which focused on people's sense humanity and ethics and desire to work over education, experience, personal details and histories. In 2006 we began targeting particular social groups for employment and we have been working hard since then to create the infrastructure and work environments to enable as many people from as broad a range of backgrounds as possible to successfully join our company.

ISFnet's Environmental Policy

The ISFnet is committed to minimizing its impact on the environment in all areas of our business, in every region in which we operate. Our objectives are to:

- Be an environmentally responsible in the communities where we do business.
- Conserve natural resources by reusing and recycling materials, purchasing recycled materials, and using recyclable packaging and other materials where possible.
- Purchase and use products that are safe to use, efficient in their use of energy, protective of the environment, and that can be reused, recycled or disposed of safely.
- Development and use business processes that do not negatively affect the environment, including improving operations and technologies to minimize waste and prevent air, water, and other pollution, minimize health and safety risks for our staff, customers and neighbors, and safely and responsibly dispose of waste.
- Use energy responsibly throughout our business conserving energy and improving energy efficiency.
- Provide a safe and healthful workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.
- Meet all relevant government environmental requirements and voluntary requirements to which we are committed. Establish stringent guidelines of our own to be used in all the areas of the world in which we do business.
- Continuously work to improve ISFnet's Environmental management system and performance, and periodically publish reports to the general public.
- Conduct audits ISFnet's compliance with this policy, measure progress of ISFnet's environmental performance and report periodically to the Board of Directors.

ISFnet's Target 20

In 2006, ISFnet launched the Target 5 Employment Program which promoted recruitment from five social groups that we identified as having barriers to employment. These groups had a very differing needs in terms of support and work environments and we needed to take several approaches hiring and employing them. For people with a disability, we set up a special subsidiary, ISFnet Harmony, to provide training, an opportunity to gain work experience and long-term employment. Building in Harmony's success, we now have 5 subsidiaries which target different groups and provide employment support.

For other groups we relaxed our employment conditions to allow for greater flexibility, we established support and counseling schemes and carefully structured career planning.

Target 5 was expanded to Target 10 in 2009, and then to Target 20 in 2011. Creating the infrastructure to support the employment of these very diverse groups is an ongoing process and at each is at a different level of development.

Our approach is not to pry unnecessarily into our staff's private lives, rather we want people to know that the support that they need to be able to work is there if they want it.

At present, we estimate that between thirty and 40% of our staff come from one of these groups.

Diversity

ISFnet has an open recruitment policy and we welcome people regardless of their gender, sexuality, age, race, disability, social background, religion and nationality. Our corporate philosophy naturally promotes and drives forward diversity in the workplace.

For us, diversity makes good ethical and moral sense. Diversity strengthens our company by enabling us to build firm and long-lasting relationships with the surrounding community, society, and the world. It also increases the flexibility and creativity of our business by broadening the range of perspectives and ideas that we can draw on and use.

The figures below show that while we are making progress, we still have a long way to go in a number of areas. In particular, ISFnet is pushing hard to increase the number of women in management positions, and we are implementing programs, such as childcare support schemes and shortened working hours, so that our staff do not have to make a choice between their jobs and their families.

We would also like to make ISFnet a more international company. As well establishing a recruitment scheme for foreign workers, we also are reaching out to foreign students studying in Japan with Ricky's Club, an organization established to promote better business international management, social enterprise and entrepreneurship.

The Target 20 Groups*

1: People outside of education, employment and training
2: Underemployed people
3: People with a disability (physical, learning, or mental health)
4: Primary caregivers
5: People with acute social withdrawal
6: Mid-to-late career unemployed
7: People with a borderline disability
8: Victims of domestic violence
9: Refugees and people granted asylum
10 Homeless and near-homeless people
11: People with long-term medical problems or a history medical problems
12: People recovering from drug and/or alcohol addictions
13: Gay, lesbian, bisexual and transgender people
14: People from a background in foster care.
15: People with a past criminal record
16: Other groups within society who have employment difficulties or are discriminated against

*The Japanese language version of this list has 20 groups, but in translation it seemed appropriate to join some groups hence the 16 given here.

Employees at ISFnet Japan

Total Employees:
Female Employees: 15%   Male Employees: 85%

Female Executives: 6%   Male Executives: 94%

Female Managers: 9%   Male Managers: 91%

Female Team Leaders: 14%   Male Team Leaders: 86%

Female General Staff: 16%   Male General Staff: 84%

Non-Japanese Staff: 3%   Japanese Staff: 97%

Target 20 Employees: 9%* of the Total Workforce

* This figure represents the employees that have voluntarily registered with the company as belonging to one of the target groups. We estimate that the true number is between 30% and 40%.

TAKUMI cafe 匠

About Takumi

Takumi Café is the place where you can enjoy great coffee, delicious food and, at the same time, make a difference in society. Takumi is a project set up by ISFnet Harmony, a group subsidiary that trains, gives work experience and provides jobs to people with a disability. Harmony's goal is to enable people with a disability to have real social and economic independence and Takumi Café is one of the ways Harmony is achieving this.


Starting Off

The first Takumi Café was opened on March 3rd, 2011 in Fukushima City, just a week before the Great Tohoku Earthquake hit the area. The quake forced us to close the cafe briefly, but as life in the area began to return to normal, we reopened and restarted afresh.

The café in Fukushima is staffed by young people with learning disabilities and support staff. All Takumi's employees are ambitious and anxious to prove themselves in a business environment.

The Future

Despite the café's difficult start, the business has grown and developed. We are currently in the process of establishing several more cafés across Japan, with the Ponte Café Takumi in Anjo, Aiichi Prefecture scheduled to open in July this year. Harmony's long-term goal is to open 100 cafés across Japan by 2020.

* Photo reproduced with the kind permission of Mr. Jong Hwa Lee
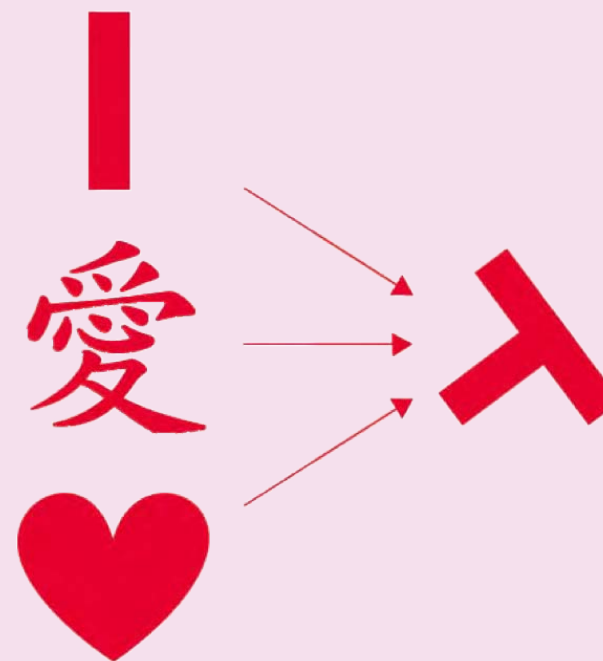
Ai-iri

Ai-iri (Made with Love) is a sister project to Takumi Cafe, and is another avenue through which ISFnet is working to create employment for people with a disability.

All over Japan, there are many Vocational Aid Centers, and non-profit organizations that are staffed by disabled people and produce high-quality products. We have selected the best of these and our goal is to brand and sell these products on a national level, raising awareness of these organizations and employment for people with a disability, and improving their sustainability.

Ai-iri products are interactive, each one coming with a personal message from one of the team who worked to create it. The message gives access to Twitter, Facebook and other social media outlets, so that customers can learn more about the businesses that make Ai-iri products as well as the lives of the people who work there.

愛 = love   入 = to put in (as in 'an ingredient')

ISFnet Life

What is Life?

ISFnet Life helps people with disabilities gain professional skills, obtain valuable work experience and ultimately find a job. We support people with physical, learning and mental-health disabilities.

Life has a two-track system to support the different needs of our members. Members in the first track can be divided into to groups:

Group 1: People who have starter-level business skills and minimal work experience. They are often young and have had difficulties finding and continuing work due to their disabilities.

Group 2: People in the very early stages of work rehabilitation who require extensive training, support and flexible conditions to enable them to work.

The second track is for people who already have work skills and experience and are in the later stages of rehabilitation but still need specialist support. Life currently has around 50 people in track 1 and 35 people in track 2.

The Life Program

Depending on people's skills, experience and personal feelings, an individual joining the Life program may go through 4 stages of training:

Stage 1: Basic Training
- Good work practices
- Business etiquette
- Basic computer skills

Stage 2: Advanced Training
- Microsoft Office
- Basic data processing skills
- Basic IT network skills training

Stage 3: Practical IT Skills
- Hands-on IT and network engineer training
- IT-related qualification training

Stage 4: Transitional Training
- On-the-job business training
- Career counseling and planning

Finding Work

People can remain at Life for up to 2 years, though most are expected to leave much earlier and move into actual employment. We work with our parent company and ISFnet Joy to find employment for people from the program, either within the ISFnet Group or with one of our clients.

ISFnet Group's Social Subsidiaries

ISFnet Harmony

ISFnet Harmony was established as a special subsidiary of ISFnet under the Promotion of Employment for Disabled People Act, in 2006. Harmony was ISFnet's first social subsidiary and the business has taught us a huge amount about the benefits and challenges of providing work for people with a disability. Harmony is now ISFnet's flagship social subsidiary and we hold regular seminars and workshops at or offices for disabled people and their families, and organizations and companies wishing to employ disabled people.
Number of Staff: 35
Core Business: IT maintenance and business process outsourcing solutions.

ISFnet Care

As Japan's population ages, the challenges faced by people with elderly relatives to look after and livelihoods to maintain will increase. Care offers employment to people who have family commitments and/or can not commute to work by providing shortened working hours, home office opportunities and telecommuting work. Care supports several groups in our Target 20 and provides business support services to customers.
Number of Staff: 106
Core Business: IT support services and business process outsourcing

ISFnet Joy

Joy specializes in career and recruitment services for people with a disability and works in partnership with the other subsidiaries in the ISFnet Group. For people with a disability, Joy offers career advice and employment services. For businesses, Joy provides comprehensive workforce diversification solutions, from planning through to implementation.
Number of Staff: 9
Core Business: Career, consulting, recruitment and staffing services

ISFnet Global

ISFnet Global provides sales support for ISFnet and our social subsidiaries, visiting clients and promoting our services. Global's goal is to keep activities sustainable by ensuring the continuous flow of B2B work projects.
Number of Staff: 67
Core Business: Sales for ISFnet Group companies and the promotion of the Group's environmental and employment goals

Community Activities

iVolunteer

We live and do business in the community. The community contributes to our success, therefore it is only natural that we, as a company, should give back and do something positive. iVolunteer is a multi-faceted program that encourages all our staff, in Japan and overseas, to go out and interact with the community as individuals and as part of our organization.

Nippon IT Charity Relay Race

The Nippon IT Charity Relay Race is one of the biggest events on the iVolunteer calender. The event which saw over 400 teams take part last year is organized and staffed almost entirely by ISFnet employees. It was established to raise money for the charity Future Dream Achievement (FDA) which works to create employment opportunities for a wide range of people with employment barriers. FDA's focus is very much aligned with what ISFnet would like to achieve through our Target 20 Employment Program and we frequently work in partnership with the organization to introduce people to our social subsidiaries. Our relationship with FDA has created an extremely socially-valuable model for how businesses and non-profits can work together.

Core iVolunteer Activities

Our iVolunteer community activities include:
- Litter picking in the local areas around our offices
- Participation in the 'Recycled Suits for Youth Project'
- Lights off initiatives to reduce energy use and raise awareness
- Voluntary blood donation
- Drink can and bottle recycling
- Organization of the Nippon IT Charity Relay Race

Supporting Employees and their Families

Our Approach to Employment

We believe that long-term mutual investment between the company and the people working for it needs to be encouraged and promoted because, by investing in people and being fair and open, we can build a company of loyal hardworking staff and create an enterprise that employees, customers, partners and the general public will want to support and invest in, now and in the future.

ISFnet's 5 Big Promises To Staff

The ISFnet Group makes '5 Big Promises' to all our employees when they join the company. These exemplify the long-term vision we take of our staff's employment. They are:
- To strive to the best of abilities to never make staff redundant.
- To guarantee employment to anyone willing and able to work, even beyond normal retirement age.
- To create a diverse work environment which supports the needs of all our employees
- To provide employees with work that is challenging and support staff to develop as their abilities as skilled professional.
- To support our staff and their communities through life's changes and challenges through employment creation, community activities and life support schemes.

Staff Support Schemes

ISFnet's goal is to support our staff as they move through the different stages of their lives and to be there to offer help and assistance as and when they need it. Our core schemes are:

- The Smile Mutual Welfare Program
- Life-stage support counseling
- Career advancement, lifestyle counseling and seminars for female staff
- Support schemes for staff who experience sudden lifestyle changes
- Long-term care support
- Maternity and paternity benefits and parenting support
- Employment support for staff who have sick or disabled family members to care for

Cutting Energy Use

In keeping with our corporate policy of continuous improvement, the ISFnet is committed to responsible energy management and will endeavor to practice energy efficiency in all our company locations. Through the implementation of energy management projects that minimize the economic burden on the organization and by adopting efficient environmental and financial management strategies, we aim to achieve our energy conservation objectives.

ISFnet's Objectives

Our core goals are to:
- Improve energy efficiency continuously by implementing effective energy management programs that support all operations and customer satisfaction while providing a safe and comfortable work environment
- Become one of the most energy-efficient companies in the industry on a kilowatt-hour per employee basis
- Contribute to energy supply adequacy in the countries where we operate by lowering peak demand
- Benchmark energy use of all facilities all facilities, domestic and overseas by January 2013
- Reduce overall peak energy demand
- Educate employees about how to save energy at work and at home
- Reduce expenditure on energy by investing in cost-effective office equipment upgrades
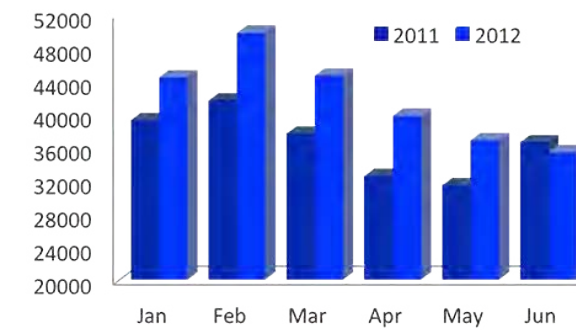
Action Plan

Our action plan consists of:
- Establishing an energy accounting system for the collection, monitoring and reporting of all data on energy consumption, energy costs, and energy savings.
- Establishing an Energy Management Team to identify, manage and drive energy efficiency initiatives.
- Creating an Energy Saving Plan with details of energy management activities to be developed and undertaken by the ISFnet, beginning January 2013.
- Developing and implementing an internal communications strategy to raise staff awareness of energy efficiency.
- Immediately implementing any no cost / low cost energy conservation measures.
- Immediately benchmarking individual buildings and establishing three year annual energy targets.
- Developing an energy efficient purchasing policy for office equipment, office accommodation and for energy sources
- Setting 2 year and 3 year goals for energy use reduction
- Improving energy efficiency continuously by implementing effective energy management programs
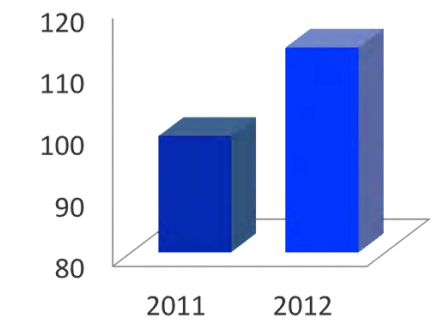- Implementing employee programs to save energy at work and at home

Data Bank

## Energy Use

Power Use in KWhs

These figures show the energy consumption for our Tokyo Facilities. Year-on-year, there has been an rise 14.5% for the first half of 2012. This increase is in part due to the natural expansion of the company and the opening of new training and office facilities to accommodate ISFnet Life. As outlined in our Energy Management Policy opposite, we are strongly committed to reducing our energy use and our goal is to show progress in this direction over the next 12 months.

First half 2011/12 CO_2 Emissions (Metric Tons)
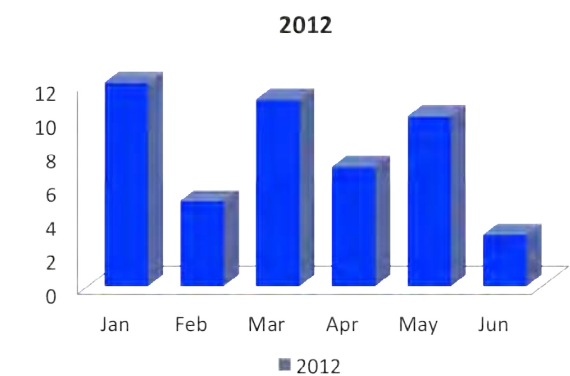
Paper Usage 1H 2011/12

Paper Use (Sheets)
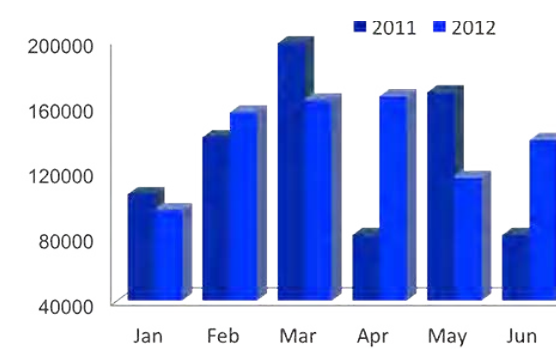
These figures show a 7.8% rise in 2012 so far. We plan to implement measures to turn this around in the second half of the year.

Copy Toner Usage in 1H 2012

Copy Toner Use - Tokyo (Units)

2012

Percentage of Paper Recycled: 0%

Copy Toner Recycling: 100%