

As of March 31, 2010, the IT Holdings Group comprised parent company IT Holdings Corporation ("IT Holdings" or "the Company") and 55 consolidated subsidiaries, including principal subsidiaries TIS Inc., INTEC Inc., SORUN CORPORATION, UFIT Co., Ltd., Agrex Inc., Qualica Inc. and AJS Inc.

New to the IT Holdings Group in fiscal 2010, ended March 31, 2010, were IT Service Force Inc., through establishment, and SORUN, through equity acquisition.

Several subsidiaries have been excluded from the scope of consolidation, effective from fiscal 2010. On July 1, 2009, TIS Solution Business Co., Ltd., was merged into System Engineering Laboratory Co., Ltd., which then underwent a name change, to NEOAXIS Co., Ltd., and TIS Solution Business was removed from the scope of consolidation. On October 2009, INTEC Holdings, Ltd., was absorbed by INTEC, and on February 2, 2010, Bit Cruise, Inc., was absorbed by es Crew, Inc., with the two non-surviving companies effectively removed from the scope of consolidation. In December 2009, all shares in LANSJA Japan Ltd. were sold, and the company was removed from the scope of consolidation.

## Performance Summary

### Net Sales

Net sales benefited from the inclusion of business results posted by newly consolidated SORUN from the fourth quarter. However, this was not enough to offset the impact of fewer large projects to replace those completed in fiscal 2009 and tighter investment budgets among clients. Consequently, net sales fell 7.2%, to ¥313,856 million (\$3,373 million). A breakdown of performance according to business segment is provided below.

### Outsourcing and Network

Despite sales-limiting factors, particularly requests from major clients to lower prices, contributions from NEXWAY and SORUN nudged outsourcing and network sales to ¥126,164 million (\$1,356 million), up 0.4% from fiscal 2009.

### Software Development

It was a challenge to secure new software development orders, given the trend toward reduced IT investment among clients. This situation was compounded by the absence of new large projects to replace completed projects. Therefore, even with the inclusion of sales by SORUN from the fourth quarter, sales in the software development segment dropped 11.3%, to ¥155,976 million (\$1,676 million).

### Solution Services

Demand for hardware remained sluggish, reflecting poor economic conditions, and sales in the solution services segment decreased 14.9%, to ¥25,021 million (\$268 million)

### Other Business

The other business segment showed an 8.6% decline in sales, to ¥6,693 million (\$71 million).

	Millions of yen		
	2010	2009	% change
<b>Net sales</b>	<b>313,856</b>	338,302	-7.2
Outsourcing and network	<b>126,164</b>	125,721	+0.4
Software development	<b>155,976</b>	175,847	-11.3
Solution services	<b>25,021</b>	29,409	-14.9
Other	<b>6,693</b>	7,325	-8.6

### Costs, Expenses and Earnings

Cost of sales decreased 6.6% from fiscal 2009, to ¥254,827 million (\$2,738 million), but the cost of sales ratio rose, albeit 0.5 percentage point, to 81.2%, because the drop in cost of sales was smaller than the drop in net sales. Gross profit retreated 9.7%, to ¥59,029 million (\$634 million), and the gross profit ratio dipped 0.5 percentage point, to 18.8%.

Selling, general and administrative expenses edged up 3.5% from a year earlier, to ¥43,033 million (\$462 million). As a percentage of net sales, SGA expenses grew 1.4 percentage points, to 13.7%.

At results, operating income was ¥15,996 million (\$171 million), down 32.8% over fiscal 2009, and net income amounted ¥7,660 million (\$82 million), down 18.6% year-on-year.

	Millions of yen		
	2010	2009	% change
Cost of sales	<b>254,827</b>	272,945	-6.6%
Cost of sales ratio	<b>81.2%</b>	80.7%	+0.5 points
Gross profit	<b>59,029</b>	65,357	-9.7%
Gross profit ratio	<b>18.8%</b>	19.3%	-0.5 points
Selling, general and administrative expenses	<b>43,033</b>	41,570	+3.5%
Selling, general and administrative expenses ratio	<b>13.7%</b>	12.3%	+1.4 points
Operating income	<b>15,996</b>	23,787	-32.8%
Operating income ratio	<b>5.1%</b>	7.0%	-1.9 points
Net income	<b>7,660</b>	9,407	-18.6%
Rate of return	<b>2.4%</b>	2.7%	-0.3 points

## Financial Position

### Assets

At March 31, 2010, total assets stood at ¥313,077 million (\$3,364 million), up 6.0% from a year earlier. Of this amount, total property and equipment accounted for ¥91,999 million (\$988 million), up 3.3%, and current assets, ¥141,968 million (\$1,525 million), down 0.8%. Total liabilities reached ¥158,002 million (\$1,698 million), up 6.0%, and net assets settled at ¥155,075 million (\$1,666 million), up 6.1%. Equity capital, calculated by subtracting ¥16,655 million (\$179 million) in minority interest in consolidated subsidiaries and ¥19 million (\$201 thousand) in subscription rights from net assets, increased 5.6%, to ¥138,401 million, and equity ratio slipped 0.2 percentage point, to 44.2%.

	Millions of yen		
	2010	2009	% change
Total assets	<b>313,077</b>	295,327	+6.0%
Total liabilities	<b>158,002</b>	149,111	+6.0
Total net assets	<b>155,075</b>	146,216	+6.1
Minority interests	<b>16,655</b>	15,154	+9.9
Subscription rights	<b>19</b>	8	+137.5
Equity capital	<b>138,401</b>	131,054	+5.6
<b>Key ratios:</b>	<b>%</b>		
Equity ratio (*1)	<b>44.2%</b>	44.4%	-0.2 points
Return on equity (*2)	<b>5.7</b>	7.4	-1.7 points

Notes: 1. Equity ratio = (Equity capital / Total assets) x 100

2. Return on equity = Net income / Equity capital [(equity capital at the beginning of the term + equity capital at the end of term)/2] x 100

### Cash Flow

Cash and cash equivalents at the end of fiscal 2010 amounted to ¥46,988 million (\$505 million), up 33.8% from the end of fiscal 2009.

Net cash provided by operating activities slipped 8.5%, to ¥31,401 million (\$337 million). Major components of this change on the assets side were income before income taxes and minority interests, at ¥13,992 million (\$150 million), as well as depreciation, at ¥11,978 million (\$128 million), impairment loss, at ¥2,083 million (\$22 million), and a ¥5,908

million (\$63 million) decrease in notes and accounts receivable. On the liabilities side, the major components were a ¥5,949 million (\$63 million) decrease in notes and accounts payable and ¥4,127 million (\$44 million) in income tax paid.

Net cash used in investing activities jumped 28.1%, to ¥25,727 million (\$276 million). This change is primarily the result of ¥1,333 million (\$14 million) in proceeds from the sale and redemption of investments in securities on the assets side and ¥9,843 million (\$105 million) in acquisitions of property and equipment, ¥5,003 million (\$53 million) in acquisitions of intangible assets, and ¥10,917 million (\$117 million) in payments on newly consolidated subsidiaries on the liabilities side.

Cash flows from financing activities shifted from a net cash used position in fiscal 2009, at ¥6,878 million, to a net cash provided by position, at ¥6,139 million (\$65 million) in fiscal 2010. The reversal in position is mainly due to ¥15,800 million (\$169 million) in proceeds from long-term bank loans and a ¥15,505 million (\$166 million) increase in short-term bank loans, net, on the assets side. On the liabilities side, the major components of change were ¥15,942 million (\$171 million) in repayment of long-term bank loans and ¥5,100 million (\$54 million) for redemption of bonds.

	Millions of yen		
	2010	2009	% change
Cash and cash equivalents at end of year	<b>46,988</b>	35,105	+33.8%
Net cash provided by operating activities	<b>31,401</b>	34,311	-8.5
Net cash used in investing activities	<b>(25,727)</b>	(20,080)	+28.1
Net cash provided by (used in) financing activities	<b>6,139</b>	(6,878)	—

## Dividend Policy

IT Holdings has made the long-term, comprehensive return of profits to shareholders a management priority and seeks to maintain stable dividends while taking into account performance trends, financial status, and the need to enrich retained earnings to support business growth.

In fiscal 2010, the interim dividend was at ¥12 per share and the year-end dividend was ¥20 per share. Management expects to maintain this dividend schedule in fiscal 2011, with an annual dividend of ¥32 per share, with the interim component at ¥12 per share.

Per share data:	Yen		
	2010	2009	% change
Net income per share	<b>89.25</b>	110.74	-19.4%
Net assets per share	<b>1,602.77</b>	1,541.17	+4.0%
Dividends per share	<b>32.00</b>	32.00	-

## Business Risks

Risks specific to each business segment may arise. In software development, for example, projects could turn unprofitable, while outsourcing, system malfunctions could interrupt services. The Group applies various measures to prevent the manifestation of such risks.

Management recognizes that natural disasters or major changes in the operating environment having a similarly destructive force could also adversely affect the Group and its activities. Measures have been drawn up as a precaution to minimize damage to or loss of business assets in the event a serious situation develops and to ensure that operations will not be critically disrupted.

Two scenarios that could significantly influence the decisions of investors are presented below. Please note that these scenarios are possible—not certain—events that may take place in the future and are based on management's assumptions as of June 25, 2010.

### (1) Large-Scale Natural Disasters

Outsourcing services continue around the clock every day of the year at data centers in Japan, in metropolitan Tokyo and Osaka as well as locations in Kanagawa Prefecture, Tochigi Prefecture, Toyama Prefecture and Aichi Prefecture, as well as overseas, in Tianjin, China. Every conceivable safeguard has been taken to establish a secure environment. The structures were designed to withstand earthquakes and feature on-site generators that kick in to run equipment in the event of a power failure as well as systems that thwart unauthorized entry.

However, if situations, particularly large-scale natural disasters, health crises such as highly virulent strains of influenza, international disputes, terrorism and serious criminal activity, manifest with repercussions more pervasive than expected, the operating efficiency of data centers might deteriorate. The inability to provide uninterrupted services could influence the fiscal performance and financial standing of Group companies involved in outsourcing services and by extension the Company as well.

### (2) Operating Environment

In the IT services industry, competition among providers is fierce, and the potential for intense price wars grows higher with the entry of new players from other industries and the rising profile of foreign companies in Japan. In addition, the possibility exists for discontinuous business models and technologies could be superseded and made obsolete by innovative developments within the industry.

Therefore, IT Holdings considers new business models and pursues various leading-edge information technologies, and formulates a variety of strategies to ensure that the products and services offered by the Group meet evolving market needs. However, if technology progresses more rapidly or in a different direction than anticipated and the Group is unable to respond quickly and precisely to emerging demand, the delay could erode business results and financial standing.

The industry's business model is undergoing a major transformation, fueled by the market's embrace of cloud computing. Anticipating wider demand for services, IT Holdings has emphasized expansion of its network of next-generation data centers as key points in the provision of high-value-added services. This emphasis led to the construction of data centers overseas, in Tianjin, China, and in Japan, in Takaoka, Toyama Prefecture. These facilities, which went into operation in April and July 2010, respectively, will be joined by the opening of data centers in the Gotenyama area of Tokyo and in the city of Toyama, Toyama Prefecture, in fiscal 2012.

In addition, the Company aims to reinforce its cloud service platform by utilizing the specialized capabilities of Group companies and accumulated know-how to expand the service lineup. This will give the Group a sharp competitive edge over its competition.

## Report of Independent Auditors

The Board of Directors  
IT Holdings Corporation.

We have audited the accompanying consolidated balance sheets of IT Holdings Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IT Holdings Corporation and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shin Nihon LLC*

June 21, 2010

## IT Holdings Corporation and Consolidated Subsidiaries

## Consolidated Balance Sheets

As of March 31, 2010 and 2009

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
<b>Assets</b>			
Current assets:			
Cash and deposits (Notes 4 and 24)	¥ 47,193	¥ 37,524	\$ 507,231
Notes and accounts receivable (Notes 4 and 7)	62,620	62,862	673,040
Lease receivable and investments in finance leases (Notes 4 and 22)	7,591	7,275	81,586
Marketable securities (Notes 3, 4 and 24)	322	1,502	3,456
Inventories (Note 15)	9,263	14,613	99,565
Deferred tax assets (Note 9)	8,528	11,076	91,658
Prepaid expenses and other current assets	6,649	6,203	71,464
Allowance for doubtful accounts	(198)	(255)	(2,126)
Total current assets	141,968	140,800	1,525,874
Property and equipment:			
Buildings and structures (Note 7)	52,332	53,279	562,467
Machinery and vehicles (Note 7)	4,851	5,799	52,142
Leased assets (Note 22)	2,476	1,236	26,614
Land (Notes 6 and 7)	22,631	21,925	243,234
Construction in progress	4,106	–	44,135
Others	5,603	6,810	60,221
Total property and equipment (Note 12)	91,999	89,049	988,813
Intangible assets:			
Goodwill (Note 5)	6,741	4,839	72,456
Others	12,389	10,162	133,156
Total intangible assets	19,130	15,001	205,612
Investments and other assets:			
Investments in securities (Notes 3 and 4)	34,594	26,904	371,816
Deferred tax assets (Note 9)	6,995	6,762	75,181
Others	21,171	19,489	227,550
Allowance for doubtful accounts	(2,780)	(2,678)	(29,874)
Total investments and other assets	59,980	50,477	644,673
Total assets	¥313,077	¥295,327	\$3,364,972

## IT Holdings Corporation and Consolidated Subsidiaries

## Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term bank loans (Notes 4 and 7)	¥ 21,589	¥ 7,734	\$ 232,045
Current portion of long-term bank loans(Notes 4 and 7)	13,306	15,186	143,011
Current portion of bonds (Notes 4 and 8)	4,000	5,100	42,992
Notes and accounts payable (Note 4)	14,954	18,627	160,722
Income taxes payable	2,115	3,391	22,732
Accrued bonuses to employees	10,820	9,831	116,297
Other allowances	374	71	4,024
Others (Note 9)	19,098	22,112	205,257
Total current liabilities	86,256	82,052	927,080
Non-current liabilities:			
Bonds (Notes 4 and 8)	7,600	11,500	81,686
Long-term bank loans (Notes 4 and 7)	45,151	41,014	485,287
Lease obligations	3,915	2,549	42,075
Deferred tax liabilities (Note 9)	694	682	7,459
Deferred tax liabilities for land revaluation (Note 6)	993	993	10,674
Accrued retirement benefits to employees (Note 10)	10,673	8,114	114,713
Accrued retirement benefits to directors	470	249	5,053
Others	2,250	1,958	24,187
Total non-current liabilities	71,746	67,059	771,134
Total liabilities	158,002	149,111	1,698,214
Net assets:			
Shareholders' equity (Notes 20, 21 and 23):			
Common stock, without par value:	10,001	10,000	107,493
Additional paid-in capital	85,208	86,321	915,817
Retained earnings	44,088	40,186	473,865
Less treasury stock, at cost	(58)	(2,354)	(620)
Total shareholders' equity	139,239	134,153	1,496,555
Revaluation and translation adjustments:			
Net unrealized gains (losses) on available-for-sale securities	1,183	(1,118)	12,710
Revaluation of land (Note 6)	(1,842)	(1,842)	(19,795)
Foreign currency translation adjustments	(179)	(139)	(1,921)
Total revaluation and translation adjustments	(838)	(3,099)	(9,006)
Subscription rights	19	8	201
Minority interests	16,655	15,154	179,008
Total net assets	155,075	146,216	1,666,758
Total liabilities and net assets	¥313,077	¥295,327	\$3,364,972

See accompanying notes to the consolidated financial statements.

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥313,856	¥338,302	\$3,373,350
Cost of sales (Note 16)	254,827	272,945	2,738,899
Gross profit	59,029	65,357	634,451
Selling, general and administrative expenses (Note 16)	43,033	41,570	462,520
Operating income	15,996	23,787	171,931
Other income (expenses):			
Interest and dividends income	609	608	6,540
Interest expenses	(1,057)	(1,131)	(11,369)
Amortization of negative goodwill	88	958	946
Real estate rental income	302	297	3,248
Gain on sales of investments in securities	1,116	–	11,999
Loss on disposal and sales of fixed assets (Notes 17 and 18)	(634)	(855)	(6,812)
Impairment loss (Note 19)	(2,083)	(897)	(22,388)
Valuation loss on investments in securities	(175)	(2,199)	(1,887)
Others, net	(170)	(1,284)	(1,826)
	(2,004)	(4,503)	(21,549)
Income before income taxes and minority interests	13,992	19,284	150,382
Income taxes (Note 9):			
Current	2,774	4,911	29,820
Deferred	2,977	3,380	31,992
	5,751	8,291	61,812
Income before minority interests	8,241	10,993	88,570
Minority interests in earnings of consolidated subsidiaries	(581)	(1,586)	(6,242)
Net income	¥ 7,660	¥ 9,407	\$ 82,328

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries  
Consolidated Statements of Changes in Net Assets  
For the years ended March 31, 2010 and 2009

	For the year ended March 31, 2010											
	Shareholders' equity					Revaluation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation of land	Foreign currency translation adjustments	Total revaluation and translation adjustments	Subscription rights	Minority interests	Total net assets
	(Millions of yen)											
Balance as of March 31, 2009	¥10,000	¥86,321	¥40,186	¥(2,354)	¥134,153	¥(1,118)	¥(1,842)	¥(139)	¥(3,099)	¥ 8	¥15,154	¥146,216
New stock issue	1	1			2							2
Dividends from surplus			(3,758)		(3,758)							(3,758)
Net income			7,660		7,660							7,660
Acquisition of treasury stock		(1,114)		(4)	(4)							(4)
Sales of treasury stock				2,300	1,186							1,186
Items other than changes in shareholders' equity						2,301		(40)	2,261	11	1,501	3,773
Total change for the year	1	(1,113)	3,902	2,296	5,086	2,301		(40)	2,261	11	1,501	8,859
Balance as of March 31, 2010	¥10,001	¥85,208	¥44,088	¥ (58)	¥139,239	¥ 1,183	¥(1,842)	¥(179)	¥ (838)	¥19	¥16,655	¥155,075

	For the year ended March 31, 2009											
	Shareholders' equity					Revaluation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation of land	Foreign currency translation adjustments	Total revaluation and translation adjustments	Subscription rights	Minority interests	Total net assets
	(Thousands of U.S. dollars) (Note 2)											
Balance as of March 31, 2009	\$107,481	\$927,786	\$431,922	\$ (25,303)	\$1,441,886	\$ (12,018)	\$ (19,795)	\$ (1,495)	\$ (33,308)	\$ 88	\$162,878	\$1,571,544
New stock issue	12	13			25							25
Dividends from surplus			(40,385)		(40,385)							(40,385)
Net income			82,328		82,328							82,328
Acquisition of treasury stock		(11,982)		(44)	(44)							(44)
Sales of treasury stock				24,727	12,745							12,745
Items other than changes in shareholders' equity						24,728		(426)	24,302	113	16,130	40,545
Total change for the year	12	(11,969)	41,943	24,683	54,669	24,728		(426)	24,302	113	16,130	95,214
Balance as of March 31, 2010	\$107,493	\$915,817	\$473,865	\$ (620)	\$1,496,555	\$ 12,710	\$ (19,795)	\$ (1,921)	\$ (9,006)	\$201	\$179,008	\$1,666,758

	For the year ended March 31, 2009											
	Shareholders' equity					Revaluation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation of land	Foreign currency translation adjustments	Total revaluation and translation adjustments	Subscription rights	Minority interests	Total net assets
	(Millions of yen)											
Balance as of March 31, 2008	¥10,000	¥86,332	¥33,082	¥(2,827)	¥126,587	¥ 1,151	¥(2,923)	¥ (19)	¥(1,791)	¥0	¥14,165	¥138,961
Dividends from surplus			(1,220)		(1,220)							(1,220)
Net income			9,407		9,407							9,407
Acquisition of treasury stock		(11)		(20)	(20)							(20)
Sales of treasury stock				493	482							482
Exclusion from equity method application			(2)		(2)							(2)
Reversal of revaluation of land			(1,081)		(1,081)							(1,081)
Items other than changes in shareholders' equity						(2,269)	1,081	(120)	(1,308)	8	989	(311)
Total change for the year	0	(11)	7,104	473	7,566	(2,269)	1,081	(120)	(1,308)	8	989	7,255
Balance as of March 31, 2009	¥10,000	¥86,321	¥40,186	¥(2,354)	¥134,153	¥(1,118)	¥(1,842)	¥(139)	¥(3,099)	¥8	¥15,154	¥146,216

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries  
Consolidated Statements of Cash Flows  
For the years ended March 31, 2010 and 2009

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 13,992	¥ 19,284	\$ 150,382
Depreciation	11,978	10,996	128,747
Impairment loss	2,083	897	22,388
Loss on disposal of fixed assets	622	433	6,682
Valuation loss on investments in securities	175	2,229	1,887
Amortization of goodwill	1,390	1,149	14,937
Increase in accrued bonuses to employees	535	2,643	5,749
Increase (decrease) in allowance for doubtful accounts	(74)	449	(799)
Increase in accrued retirement benefits to employees	852	636	9,156
Interest and dividends income	(609)	(608)	(6,540)
Interest expenses	1,058	1,131	11,369
Decrease in notes and accounts receivable	5,908	2,294	63,503
Decrease in inventories	8,174	1,222	87,854
Decrease in notes and accounts payable	(5,949)	(3,070)	(63,942)
Others, net	(4,138)	2,369	(44,480)
Subtotal	35,997	42,054	386,893
Interest and dividends income received	606	616	6,509
Interest expenses paid	(1,075)	(1,132)	(11,553)
Income taxes paid	(4,127)	(7,227)	(44,354)
Net cash provided by operating activities	31,401	34,311	337,495
<b>Cash flows from investing activities:</b>			
Deposit of time deposits	(1,553)	(2,433)	(16,694)
Repayment of time deposits	4,374	—	47,017
Acquisitions of property and equipment	(9,843)	(9,974)	(105,797)
Acquisition of intangible assets	(5,003)	(3,489)	(53,768)
Acquisitions of investments in securities	(4,225)	(1,193)	(45,416)
Proceeds from sale of investments in securities	1,333	1,191	14,332
Payments on newly consolidated subsidiary (Note 24)	(10,917)	(3,147)	(117,341)
Proceeds from newly consolidated subsidiary (Note 24)	—	458	—
Other, net	107	(1,493)	1,153
Net cash used in investing activities	(25,727)	(20,080)	(276,514)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term bank loans, net	15,505	(3,990)	166,656
Proceeds from long-term bank loans	15,800	21,788	169,820
Repayments of long-term bank loans	(15,942)	(17,018)	(171,342)
Redemptions of bonds	(5,100)	(7,050)	(54,815)
Acquisitions of treasury stock	(4)	(20)	(44)
Sales of treasury stock	1,186	483	12,742
Dividends paid	(3,757)	(1,220)	(40,384)
Dividends paid to minority interests	(970)	(335)	(10,424)
Other, net	(579)	484	(6,222)
Net cash provided by (used in) financing activities	6,139	(6,878)	65,987
Effect of exchange rate changes on cash and cash equivalents	11	(243)	120
Net increase in cash and cash equivalents	11,824	7,110	127,088
Cash and cash equivalents at beginning of year	35,105	27,995	377,308
Increase due to merger	59	—	632
Cash and cash equivalents at end of year (Note 24)	¥ 46,988	¥ 35,105	\$ 505,028

See accompanying notes to the consolidated financial statements.

## IT Holdings Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

**1. Summary of Significant Accounting Policies****(a) Basis of Presenting the Consolidated Financial Statements**

IT Holdings Corporation (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan; its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan, and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

**(b) Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly or majority-owned subsidiaries (together, the “Group”). The number of consolidated subsidiaries as of March 31, 2010 and 2009, is 55 and 43, respectively.

Overseas subsidiaries are consolidated using their financial statements as of December 31, their fiscal year-end, and necessary adjustments have been made for any material transactions during the period from January 1 to March 31.

All significant intercompany balances and transactions among the Group have been eliminated in consolidation.

All assets and liabilities of consolidated subsidiaries are stated at fair market value on the date of acquisition of control.

Investments in two non-consolidated subsidiaries (two in 2009) and eleven affiliated companies (six in 2009) are accounted for by the equity method.

**(c) Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for assets and liabilities hedged by forward foreign exchange contracts.

All revenues and expenses in foreign currencies are translated at the rate of exchange when such transactions were made, and differences arising from the translation are credited or charged to income.

**1. Summary of Significant Accounting Policies (continued)****(c) Foreign currency translation (continued)**

Assets and liabilities of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in foreign currency translation adjustments or in minority interests of net assets.

**(d) Cash equivalents**

The Group considers all highly liquid investments with a maturity of three months or less, when purchased, as cash equivalents on the consolidated statements of cash flows.

**(e) Securities**

Securities held by the Group are classified into two categories: held-to-maturity or available-for-sale securities. Held-to-maturity securities are carried at amortized cost. Available-for-sale securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving-average method.

(Accounting change)

Effective from the year ended March 31, 2010, the Group adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) as well as the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”(ASBJ Guidance No. 19, March 10, 2008).

The effect of these changes was immaterial to the consolidated financial statements for the year ended March 31, 2010.

**(f) Derivatives**

Derivative instruments are stated at market value as assets or liabilities.

**(g) Inventories**

Merchandise and finished goods are stated at cost, determined mainly by the first-in, first-out method. Work in process is stated at cost, determined by the specific-cost method. Raw materials and supplies are stated at cost, mainly determined by last purchase cost method.

However, the Group provides inventory write-downs determined primarily by their future collectability.

**1. Summary of Significant Accounting Policies (continued)****(h) Property and equipment**

Buildings and structures are depreciated principally by the straight-line method; machinery and equipment are depreciated principally by the declining-balance method; and both methods are based on the estimated useful lives of the assets.

**(i) Intangible assets**

Intangible assets are amortized using the straight-line method over their estimated useful lives, except for computer software.

Expenses related to development activities of computer software, which are included in intangible assets, are amortized as follows:

**i) Computer software for sale**

Capitalized costs are amortized at the higher of the amount based on the ratio of the current year sales quantity to the total of estimated sales quantity over the estimated sales period (three years) or the amount calculated by the straight-line method over the remaining economic life.

**ii) Computer software for internal use**

Capitalized costs are amortized by the straight-line method over the estimated useful life of the software, generally two to five years (three to five years in 2009).

**(J) Leased assets (as lessee)**

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, which equals the lease term, by the straight-line method. Finance lease transactions which were contracted before April 1, 2008, are accounted for as operating leases.

**(k) Accounting for leases (as lessee and lessor)**

Finance lease transactions other than those in which ownership is fully transferred to the lessee are accounted for in a similar manner to ordinary sales and purchase transactions.

**(l) Impairment losses of long-lived assets**

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Any decrease in the book value of long-lived assets is recorded under other expenses as an impairment loss.

The Group bases its grouping for assessing impairment losses on long-lived assets on their business segments, area and service descriptions. However, lease properties and assets for specified projects are grouped separately.

**1. Summary of Significant Accounting Policies (continued)****(m) Allowance for doubtful accounts**

An allowance for doubtful accounts reflects the appropriate estimate of probable losses inherent in the accounts receivable balance.

The allowance is determined based on known troubled accounts, historical experience, and other currently available evidence.

**(n) Accrued bonuses to employees**

Accrued bonuses to employees are recognized at the estimated amount to be paid for services rendered prior to the fiscal year-end.

**(o) Accrued retirement benefits to employees**

Accrued retirement benefits for employees are recorded at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

Actuarial gain or loss is amortized from the year following recognition by the straight-line method within the average remaining service period (mainly 5 to 18 years) of employees. Prior service costs are mainly charged to income when incurred.

(Accounting change)

Effective from the year ended March 31, 2010, the Group adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2010.

**(p) Accrued retirement benefits to directors**

Certain domestic consolidated subsidiaries set aside a provision to cover payment of directors' retirement benefits. The estimated amount to be paid is recorded based on internal regulations.

**(q) Income taxes**

Deferred income taxes are recognized for the temporary differences between financial reporting and tax bases of assets and liabilities. These deferred taxes are measured by applying the enacted tax rates and laws, which will be in effect when the differences are expected to reverse.

**(r) Distribution of retained earnings**

Dividends and other distributions of retained earnings are resolved by the General Shareholders' Meeting held subsequent to the end of the fiscal year. Distributions are reflected in the consolidated financial statements for the following fiscal year.

## 1. Summary of Significant Accounting Policies (continued)

### (s) Hedge accounting

The Group utilizes hedge accounting primarily to manage interest rate risk. Generally, under deferral hedging, unrealized gains or losses are deferred as a component of net assets. The Group also utilizes exceptional methods, as permitted when fulfilling certain conditions for interest rate swaps.

A formal assessment is made periodically on an ongoing basis to determine whether the derivative used in hedging activities is effective by comparing cumulative cash flow fluctuations of both the hedge method and target, except for interest rate swaps accounted for by exceptional methods.

### (t) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized by the straight-line method over periods not exceeding 20 years. However, immaterial goodwill or negative goodwill are charged or credited to income when incurred.

### (u) Revenues and costs recognition of producing ordered software

Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Effective April 1, 2009, the Group has applied the new accounting standard and related implementation guidance for construction contracts.

Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2010.

## 2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of the non-Japanese readers. A rate of ¥93.04 = US\$1, the approximate rate of exchange prevailing on March 31, 2010, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that or at any other rate.

## 3. Marketable Securities and Investments in Securities

(a) The amount on the consolidated balance sheet, fair market value and difference for held-to-maturity debt securities with fair value as of March 31, 2009, were as follows:

	Type	Amount on	Fair market	Difference
		consolidated balance sheet	value	
<i>(Millions of yen)</i>				
With fair market value exceeding the amount on consolidated balance sheet	Government bonds	¥ 300	¥ 300	¥ 0
With fair market value not exceeding the amount on consolidated balance sheet	Government bonds	1,001	1,001	(0)
Total		¥1,301	¥1,301	¥(0)

The Group held no held-to maturity debt securities as of March 31, 2010.

(b) Acquisition cost, book value and unrealized gains or losses of available-for-sale securities with fair value as of March 31, 2010 and 2009, were as follows:

Description	March 31, 2010			March 31, 2009		
	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
<i>(Millions of yen)</i>						
Market exceeding cost:						
Shares	¥10,127	¥4,830	¥5,297	¥1,641	¥3,218	¥ 1,577
Corporate bonds	457	450	7	–	–	–
	10,584	5,280	5,304	1,641	3,218	1,577
Market not exceeding cost:						
Shares	2,443	3,117	(674)	5,748	4,664	(1,084)
Bonds	210	228	(18)	305	304	(1)
Other	321	391	(70)	401	306	(95)
	2,974	3,736	(762)	6,454	5,274	(1,180)
Total	¥13,558	¥9,016	¥4,542	¥8,095	¥8,492	¥ 397

Description	March 31, 2010		
	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
<i>(Thousands of U.S. dollars)</i>			
Market exceeding cost:			
Shares	\$108,850	\$51,919	\$56,931
Corporate bonds	4,913	4,836	77
	113,763	56,755	57,008
Market not exceeding cost:			
Shares	26,264	33,506	(7,242)
Bonds	2,256	2,446	(190)
Other	3,449	4,199	(750)
	31,969	40,151	(8,182)
Total	\$145,732	\$96,906	\$48,826



### 3. Marketable Securities and Investments in Securities (continued)

#### (c) Available-for-sale securities sold during this fiscal year

Year Ended March 31,	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales of available-for-sale securities	¥2,377	¥2,401	\$25,557
Realized gain	1,108	8	11,909
Realized loss	(4)	(46)	(44)

Impairment loss on available-for-sale securities amounted to ¥134 million (\$1,442 thousand) for the year ended March 31, 2010.

### 4. Financial Instruments

#### (a) Overview of utilization of financial instruments

##### (i) Management policies

The Group procures necessary funds, principally from banks, under its capital investment plans. The Group invests excess funds mainly in secure financial assets. Further, the Group raises short-term capital through bank borrowings. Derivatives are utilized for hedging interest rate fluctuation risks, not for trading or speculative purposes.

##### (ii) Contents of financial instruments and related risks

Notes and accounts receivable are exposed to credit risks in relation to the Group's customers. Investments in securities are exposed to market risk. Those securities are mainly equity shares issued by companies with which the Group has business relationships.

Notes and accounts payable are mainly due within one year. Short-term bank loans are procured mainly for operations. Long-term bank loans are procured mainly for capital investments and to secure a stable fund position. A portion of long-term bank loans, bearing interest at variable rates, is exposed to interest rate fluctuation risk. However, to reduce such risk, certain subsidiaries utilize interest rate swap transactions as a hedging instrument. Details of interest rate swaps are described in Note 1(r) above.

### 4. Financial Instruments (continued)

#### (a) Overview of utilization of financial instruments (continued)

##### (iii) Risk management for financial instruments

##### 1. Credit risk (customer default risk) control

In accordance with the internal policies of the Group for managing credit risk arising from receivables, the Group monitors the creditworthiness of customers periodically, tracking due dates and outstanding balances in order to recognize and reduce doubtful accounts in a timely manner.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions that have a sound credit profile.

##### 2. Market risk (interest fluctuation risk) control

Certain consolidated subsidiaries utilize interest rate swap transactions to hedge interest fluctuation risks on long-term bank loans.

Market prices of investments in securities and the financial position of issuers are reviewed periodically. In addition, the Group continuously evaluates the adequacy of withholding those securities, considering the relationship with the issuers.

Controls and execution of derivative transactions are carried under the authorization of the boards of directors and in conformity with the internal rules of each company of the Group. The performance of transactions is reported semiannually to the boards of directors.

##### 3. Liquidity risk on fund procurement (nonfulfillment risk on due date)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

##### (iv) Explanation of market fair values

The fair value of financial instruments is based on their quoted market price, if available. If there is no market price, fair value is estimated reasonably.

In addition, the notional amounts of derivatives in the following "fair market values" of derivative transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

#### 4. Financial Instruments (continued)

##### (b) Fair market value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet, fair market values, and differences as of March 31, 2010, are shown below. Securities for which it is extremely difficult to determine the fair value are excluded from the table.

	Balance sheet	Fair market	Difference	Balance sheet	Fair market	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Cash and deposits	¥ 47,193	¥ 47,193	¥ -	\$ 507,231	\$ 507,231	\$ -
Notes and accounts receivable	62,620			673,040		
Allowance for doubtful accounts *	(25)			(267)		
Net amount	62,595	62,592	(3)	672,773	672,743	(30)
Lease receivable and investments in finance leases	7,591			81,586		
Allowance for doubtful accounts *	(17)			(177)		
Net amount	7,574	7,548	(26)	81,409	81,122	(287)
Marketable securities and investments in securities	14,273	14,304	31	153,407	153,746	339
Total assets	¥131,635	¥131,637	¥ 2	\$1,414,820	\$1,414,842	\$ 22
Notes and accounts payable	¥ 14,954	¥ 14,954	¥ -	\$ 160,722	\$ 160,722	\$ -
Short-term bank loans	21,590	21,590	-	232,045	232,045	-
Bonds **	11,600	11,601	1	124,678	124,686	8
Long-term bank loans **	58,457	58,577	120	628,298	629,594	1,296
Total liabilities	¥106,600	¥106,721	¥121	\$1,145,743	\$1,147,047	\$1,304
Derivative transactions	¥ -	¥ -	¥ -	\$ -	\$ -	\$ -

\* The amounts do not include the allowance provided for the individual receivables.

\*\* The amounts include a current portion of bonds or long-term bank loans.

##### (i) Computation of fair market values of financial instruments, securities and derivative transactions

###### Assets:

Book values of cash and deposits approximates fair market values as they are settled in a short period of time.

Fair market values of notes and accounts receivable, investments in finance leases and leased assets are recorded as present values based on the sum of face values that have been categorized according to length of term, discounted by an interest rate determined taking into account the length of maturity and credit risk.

As for marketable securities and investments in securities, fair market values of equity shares are based on quoted market prices. The fair values of debt securities are based on either quoted market prices or prices provided by the financial institutions. The details of securities by holding purpose are described in Note 3 above.

#### 4. Financial Instruments (continued)

##### (b) Fair market value of financial instruments (continued)

###### Liabilities:

Book values of notes and accounts payable and short-term bank loans approximate fair market values as they are settled in a short period of time.

Book values of bonds with variable interest approximate fair market values since the market interest rate is reflected on a timely basis and the credit rating of the Group has not changed significantly since issuing the bonds.

Fair market values of bonds with fixed interest are recorded as present values based on the aggregate of principal and interest discounted by an interest rate determined taking into account the length of maturity of each bond and credit risk.

Book values of long-term bank loans with variable interest rates approximate fair market values since the market interest rate is reflected on a timely basis and the credit rating of the Group has not changed significantly since borrowing the loans.

Fair market values of long-term bank loans with fixed interest rates are based on the present values of the total of principal and interest discounted by an interest rate to be applied if similar new borrowings were to be made. A part of long-term bank loans, bearing interest at variable rates, is accounted for by interest swap exceptional treatment. Its fair market values are based on the aggregate of principal and interest in conjunction with the exceptional treatment as a package, discounted by an interest rate to be applied if similar new borrowings were to be made.

###### Derivative transactions:

Fair market values of derivatives accounted for by interest swap exceptional treatments are included in fair market values of long-term bank loans, as those are accounted for inclusively in long-term bank loans. Interest-related derivative transactions accounted for by hedge accounting as of March 31, 2010 were as follows:

Hedge accounting	Interest swap exceptional treatments
Transaction type	Interest rate swaps: variable receipt/fixed payment
Hedged item	Long-term bank loans
Contract amount *	¥6,690 million (\$71,899 thousand)
Contract over 1 year	¥3,306 million (\$35,537 thousand)

Fair market values of derivatives are included in long-term bank loans as described above.

#### 4. Financial Instruments (continued)

##### (b) Fair market value of financial instruments (continued)

##### (ii) Financial instruments without fair market values

The table below does not include financial instruments for which it is extremely difficult to determine the fair value. Their book values as of March 31, 2010, is as follows:

Description	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares	¥19,603	\$210,695
Equity in investment partnership	893	9,596
Money Market Fund & other	147	1,575

##### (c) Expected maturities of monetary receivables and marketable securities and investments in securities with maturities as of March 31, 2010

Description	within one year	2 to 5 years	6 to 10 years **	in 1 year	2 to 5 years	6 to 10 years **
	(Millions of yen)			(Thousands of U.S. dollars)		
Cash and deposits	¥ 47,177	¥ –	¥ –	\$ 507,056	\$ –	\$ –
Notes & accounts receivable	62,526	93	–	672,038	1,002	–
Investments in finance leases & leased assets	2,312	5,207	72	24,850	55,958	778
Marketable securities and investments in securities *:						
Corporate bonds	215	25	250	2,314	269	2,687
Other	5	83	–	53	893	–
Total	¥112,235	¥5,408	¥322	\$1,206,311	\$58,122	\$3,465

\* These securities are available-for-sale securities with maturity dates.

\*\* There were no amounts to be matured after 10 years.

#### 5. Goodwill and Negative Goodwill

The amount of goodwill in intangible assets is indicated after offsetting goodwill and negative goodwill. The gross amounts as of March 31, 2010 and 2009, were as follows:

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Goodwill	¥6,863	¥5,054	\$73,767
Negative goodwill	(122)	(215)	(1,311)
Net amount	¥6,741	¥4,839	\$72,456

#### 6. Revaluation of Land

Pursuant to the “Law Concerning the Revaluation of Land” (the “Law”), land used for the Group’s business operations was revalued on March 31, 2002. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as “deferred tax liabilities for land revaluation” and the remaining balance presented under net assets as “revaluation of land” in the accompanying consolidated balance sheet.

Revaluation of land was determined based on the official prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the “Enforcement Ordinance Concerning Land Revaluation,” with certain necessary adjustments.

#### 7. Short-Term Bank Loans and Long-Term Bank Loans

Short-term bank loans and long-term banks loans as of March 31, 2010 and 2009 consisted of the following:

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term bank loans:			
Short-term bank loans, with an average interest rate of 0.78% for 2010	¥ 21,589	¥ 7,734	\$ 232,045
Long-term bank loans:			
Loans principally from banks and other financial institutions, with an average interest rate of 1.31% for 2010	¥ 58,457	¥ 56,200	\$ 628,298
Less: current portion of long-term debt	(13,306)	(15,186)	(143,011)
	¥ 45,151	¥ 41,014	\$ 485,287

The aggregate annual maturities of long-term bank loans due within five years subsequent to March 31, 2010 and 2009 were as follows:

Year ending March 31,	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
2010	¥ –	¥15,186	\$ –
2011	13,306	12,157	143,011
2012	16,035	8,851	172,345
2013	15,161	10,102	162,950
2014	10,841	8,502	116,519
2015	3,114	–	33,473

## 7. Short-Term Bank Loans and Long-Term Bank Loans (continued)

The assets pledged as collateral for short-term bank loans and long-term bank loans, amounting to ¥45 million (\$484 thousand) and ¥1,738 million (\$18,675 thousand), respectively, as of March 31, 2010, and ¥70 million and ¥2,252 million, respectively, as of March 31, 2009 were as follows:

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Accounts receivable	¥ –	¥ 15	\$ –
Buildings and structures	14,234	15,920	152,984
Machinery and equipment	39	47	424
Land	3,331	3,339	35,803
	<u>¥17,604</u>	<u>¥19,321</u>	<u>\$189,211</u>

## 8. Bonds

Bonds as of March 31, 2010 and 2009, consisted of the following:

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
0.78% Unsecured bonds, due 2012	¥ 7,500	¥ 7,500	\$ 80,611
1.17% Unsecured bonds, due 2009	–	1,000	–
1.50% Unsecured bonds, due 2010	–	4,000	–
1.26% Unsecured bonds, due 2010	4,000	4,000	42,992
0.79% Unsecured bonds, due 2009	–	100	–
0.84% Unsecured bonds, due 2012	100	–	1,075
	<u>11,600</u>	<u>16,600</u>	<u>124,678</u>
Less: current portion of long-term debt	<u>(4,000)</u>	<u>(5,100)</u>	<u>(42,992)</u>
	<u>¥ 7,600</u>	<u>¥11,500</u>	<u>\$ 81,686</u>

The aggregate future maturities of bonds for the next five years subsequent to March 31, 2010 and 2009 were as follows:

Year ending March 31,	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
2010	¥ –	¥5,100	\$ –
2011	4,000	4,000	42,992
2012	7,500	7,500	80,611
2013	100	–	1,075
2014	–	–	–
2015	–	–	–

## 9. Income Taxes

Income taxes applicable to the Group comprised corporation tax, inhabitants' taxes, and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.7 percent for 2010 and 2009. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries.

- (a) The reconciliation between the statutory tax rate and the Group's effective tax rate as of March 31, 2009, were as follows:

	2009
Statutory tax rate	40.7%
Non-deductible expenses (such as entertainment expenses)	1.3
Non-taxable income (such as dividend income)	(0.6)
Inhabitants' taxes per capita	0.8
Unrealized gains and losses	0.4
Amortization of goodwill (negative goodwill)	0.4
Others, net	(0.0)
Effective tax rates	<u>43.0%</u>

- \* The reconciliation for the year ended March 31, 2010, is not presented herein because the difference between the statutory tax rate and effective tax rate was immaterial.

- (b) The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued enterprise tax	¥ 271	¥ 373	\$ 2,917
Non-deductible portion of allowance for doubtful accounts	662	706	7,114
Non-deductible portion of accrued bonuses to employees	4,361	4,027	46,871
Non-deductible portion of depreciation	1,241	545	13,339
Impairment losses	460	572	4,943
Tax loss carried forward	6,476	7,049	69,607
Accrued retirement benefits to employees	5,082	3,573	54,622
Write down of investments in shares	1,630	1,995	17,516
Write down of inventories	550	2,934	5,906
Unrealized gains	1,305	1,392	14,029
Others, net	2,219	2,974	23,854
	<u>24,257</u>	<u>26,140</u>	<u>260,718</u>
Less – Valuation allowance	<u>(5,255)</u>	<u>(6,130)</u>	<u>(56,482)</u>
Total deferred tax assets	<u>19,002</u>	<u>20,010</u>	<u>204,236</u>
Deferred tax liabilities:			
Gain on contribution of securities to pension fund	1,072	306	11,520
Prepaid pension expenses	514	1,419	5,521
Unrealized gain on available-for-sale securities	2,482	1,125	26,677
Others, net	130	30	1,399
Total deferred tax liabilities	<u>4,198</u>	<u>2,880</u>	<u>45,117</u>
Net deferred tax assets	<u>¥14,804</u>	<u>¥17,130</u>	<u>\$159,119</u>

**9. Income Taxes (continued)**

Deferred income taxes as of March 31, 2010 and 2009 are reflected in the consolidated balance sheet under the following line items:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Current assets – Deferred tax assets	¥ 8,528	¥11,076	\$ 91,658
Investments and other assets –			
Deferred tax assets	6,995	6,762	75,181
Current liabilities – Other	(25)	(26)	(268)
Non-current liabilities – Deferred tax liabilities	(694)	(682)	(7,459)
Net deferred tax assets	<u>¥14,804</u>	<u>¥17,130</u>	<u>\$159,112</u>

**10. Retirement Benefits****(a) Outline of retirement benefit plans**

The Company and certain of its consolidated subsidiaries have pension plans, including a corporation pension plan based on the defined benefit pension law, a defined contribution pension plan, a tax-qualified pension plan, and an unfunded defined benefit plan with lump-sum payment.

Certain consolidated subsidiaries that participate in a mutual aid contract for retirement allowances are excluded from the calculation of the projected benefit obligation.

In addition, certain consolidated subsidiaries that participate in a welfare pension fund plan involving other affiliates are excluded from the calculation of the projected obligation because it is extremely difficult to make a reasonable estimate.

**(b) The following tables set forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2010 and 2009, for the Group's retirement benefit plans:**

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Projected benefit obligation	¥(43,513)	¥(35,015)	\$(467,679)
Plan assets	26,144	18,642	280,994
Unfunded retirement benefits	(17,369)	(16,373)	(186,685)
Unrecognized net actuarial differences	10,917	11,987	117,333
Unrecognized net prior service costs	(2,177)	(909)	(23,397)
Net amount	<u>(8,629)</u>	<u>(5,295)</u>	<u>(92,749)</u>
Prepaid pension costs	(2,044)	(2,819)	(21,964)
Accrued retirement benefits to employees	<u>¥(10,673)</u>	<u>¥ (8,114)</u>	<u>\$(114,713)</u>

**10. Retirement Benefits (continued)**

(c) The components of retirement benefit expenses for the year ended March 31, 2010 and 2009 were as follows:

Year ended March 31,	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service costs	¥2,261	¥2,094	\$24,301
Interest costs	846	765	9,099
Expected investment return	(385)	(575)	(4,138)
Recognition of actuarial differences	1,450	805	15,586
Recognition of prior service costs	(190)	(170)	(2,047)
Contribution to defined contribution pension plan	998	723	10,725
Contribution to welfare pension fund plan	443	366	4,762
Contribution to smaller enterprise retirement allowance mutual aid	4	5	45
Net periodic pension expense	<u>¥5,427</u>	<u>¥4,013</u>	<u>\$58,333</u>

**(d) Major assumptions used in calculating retirement benefits**

Year Ended March 31,	2010	2009
Discount rates	1.8 % to 2.5%	1.8 % to 2.5%
Rate of expected return on plan assets	0.0% to 3.5%	2.5% to 3.5 %
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis

**11. Items Related to Unconsolidated Subsidiaries and Affiliates**

Amounts related to unconsolidated subsidiaries and affiliates as of March 31, 2010 and 2009, were as follows:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Investments in securities – stocks	¥2,887	¥1,097	\$31,030
Investments in securities – other	246	178	2,644
Investments	169	172	1,819

**12. Depreciation of Property and Equipment**

Accumulated depreciation of property and equipment totaled ¥68,858 million (\$740,086 thousand) and ¥63,432 million as of March 31, 2010 and 2009, respectively.

**13. Contingent Liability for Guarantee**

The Company was committed to provide guarantees for bank loans to a non-consolidated subsidiary as follows:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Imizu Cable Network, Co., Ltd.	¥80	¥88	\$860
	¥80	¥88	\$860

**14. Advanced Depreciation**

Accumulated advanced depreciation including national subsidy deducted from acquired amount of buildings and structures totaled ¥78 million (\$840 thousand) and ¥76 million as of March 31, 2010 and 2009, respectively.

**15. Provision for Losses on Contracts**

A provision for expected operating losses on contract orders amounting to ¥1,011 million (\$10,868 thousand) was set off from work in process inventories as of March 31, 2010.

**16. Selling, General and Administrative Expenses**

The main component of sales and selling, general and administrative expenses for the years ended March 31, 2010 and 2009, respectively, were as follows:

Year ended March 31,	2010		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Employees' salary	¥15,089	¥13,311	\$162,173
Accrual of bonuses to employees	1,166	1,114	12,529
Accrual of allowance for doubtful accounts	156	547	1,681
Retirement benefits to employees	936	354	10,062
Accrual of retirement benefits to directors	35	67	374

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥913 million (\$9,811 thousand) and ¥947 million for the years ended March 31, 2010 and 2009, respectively.

**17. Loss on Sales of Property and Equipment**

The composition of loss on sales of property and equipment for the years ended March 31, 2010 and 2009, respectively, was as follows:

Year ended March 31,	2010		2009		2010	
	<i>(Millions of yen)</i>		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Buildings and structures	¥12	¥ 25	¥ 25	¥ 25	\$127	\$127
Machinery and equipment	–	31	31	31	–	–
Land	–	351	351	351	–	–
Other	0	15	15	15	3	3
	¥12	¥422	¥422	¥422	\$130	\$130

**18. Loss on Disposal of Property and Equipment**

The composition of loss on disposal of property and equipment for the years ended March 31, 2010 and 2009, respectively, was as follows:

Year ended March 31,	2010		2009		2010	
	<i>(Millions of yen)</i>		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>	
Buildings and structures	¥440	¥200	¥200	¥200	\$4,728	\$4,728
Machinery and equipment	67	66	66	66	719	719
Software	31	49	49	49	334	334
Long-term prepaid expenses	–	80	80	80	–	–
Other	84	39	39	39	901	901
	¥622	¥434	¥434	¥434	\$6,682	\$6,682

## 19. Impairment Loss

Impairment losses of long-lived assets for the years ended March 31, 2010 and 2009, respectively, were as follows:

### For the year ended 2010

Purpose	Location	Category	Amounts	
			(Millions of yen)	(Thousands of U.S. dollars)
Business property	Keyport Solutions, Inc. (Chiyoda-ku, Tokyo)	Development facilities including software and goodwill	¥ 364	\$ 3,914
Property for sale	NEOAXIS Co., Ltd. (Koto-ku, Tokyo)	Software	55	585
Company condominium	Chiba	Buildings and land	199	2,142
Dormitory	Chiba	Buildings and land	176	1,892
Recreation facilities	Shizuoka	Buildings and land	11	121
Business property	NEXWAY Co., Ltd. (Chiyoda-ku, Tokyo)	Machinery, equipment and software	99	1,065
Other	IT Holdings Corporation	Goodwill	1,139	12,239
Other		Land, buildings and telephone rights and other	40	430
Total			¥2,083	\$22,388

### For the year ended 2009

Purpose	Location	Category	Amounts (Millions of yen)
Company condominium	TIS condominium (Yachiyo-shi, Chiba)	Land, buildings and equipment	¥121
Dormitory	TIS dormitory (Chiba-shi, Chiba)	Land, buildings and equipment	224
Dormitory	TIS dormitory (Yokohama-shi, Kanagawa)	Buildings, and equipment	182
Business property	TIS Tokyo Head Office (Minato-ku, Tokyo)	Machinery, software and equipment	34
Business property	TIS Osaka Head Office (Suita-shi, Osaka)	Buildings and structures, machinery and equipment	239
Business property	Qualica Head Office (Koto-ku, Tokyo)	Leased assets	33
In-house system	TIS Tokyo Head Office (Minato-ku, Tokyo)	Software	43
Medical system	AJS Head Office (Sumida-ku, Tokyo)	Leased assets	4
Business property	TIS Solution Business Head Office (Koto-ku, Tokyo)	Telephone subscription right	2
Unutilized line	AJS Head Office (Sumida-ku, Tokyo)	Telephone subscription right	6
Unutilized line	Ufit Head Office (Naka-ku, Nagoya-shi)	Telephone subscription right	6
Unutilized line	Systems Engineering Laboratory Head Office (Koto-ku, Tokyo)	Telephone subscription right	2
Total			¥896

## 20. Shareholders' Equity

The Company realizes the importance of sustaining a comprehensive and solid distribution of earnings to our shareholders through earnings growth, capital efficiency and financial soundness.

The Company's basic policy is to distribute dividends twice a year. Resolutions are made at the general shareholders' meeting for the annual dividend, and the Board of Directors' meeting for the interim dividend.

### (a) Types of Stock and Number of Shares

The Company issues only common stocks. Number of issued shares and treasury stock were changed during the two years ended March 31, 2010 as follows:

(Number of shares)

	Shares at March 31, 2008	Increase in the Year	Decrease in the Year	Shares at March 31, 2009	Increase in the Year	Decrease in the Year	Shares at March 31, 2010
Issued shares (Note 1)	86,372,339	–	–	86,372,339	1,580	–	86,373,919
Treasury stock (Notes 2 to 4)	1,608,662	10,456	282,105	1,337,013	3,097	1,317,297	22,813

### Notes

- Increase in issued stock due to exercise of stock option.
- Increase in treasury stock by 10,456 and 3,097 shares due to purchase of shares of less than one standard unit.
- Decrease of 282,105 in treasury stock for the year ended March 31, 2009, was due to the sale of 280,836 shares held by a consolidated subsidiary, and 1,269 shares through the sale of shares of less than one standard unit.
- Decrease of 1,317,297 in treasury stock for the year ended March 31, 2010, was due to the sale of 1,316,941 shares held by a consolidated subsidiary, and 356 shares through the sale of shares of less than one standard unit.

### (b) Dividends

#### (1) Dividend paid

Resolution	Type of stock	Total Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 20, 2008	Common stock	¥770 million	¥17	March 31, 2008	June 23, 2008
Director's meeting on June 25, 2008	Common stock	¥449 million	¥ 9	March 31, 2008	June 26, 2008
General shareholders' meeting on June 25, 2009	Common stock	¥2,763 million	¥32	March 31, 2009	June 26, 2009
Director's meeting on November 10, 2009	Common stock	¥1,036 million	¥12	September 30, 2009	December 10, 2009

Note: The Company was established on April 1, 2008, as a joint holding company through transfer of shares. Total dividends indicate figures based on the resolution at the general shareholders meeting of TIS Inc. on June 20, 2008, and at the general shareholders meeting of INTEC Holdings, Ltd. on June 25, 2008.

**20. Shareholders' Equity (continued)**

## (b) Dividends (continued)

- (2) The effective date for dividends with a record date of March 31, 2010, shall be a date after the close of books for the said consolidated period.

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per share	Record Date	Effective Date
General shareholders' meeting on June 24, 2010	Common stock	¥1,727 million	Earned surplus	¥20	March 31, 2010	June 25, 2010

**21. Amounts per Share**

Year ended March 31,	2010	2009	2010
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income:			
Basic	¥ 89.25	¥ 110.74	\$ 0.96
Diluted	–	110.72	–
Net assets	1,602.77	1,541.17	17.23
Cash dividends applicable to the year	32.00	32.00	0.34

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year.

Diluted net income per share is computed based on the net income available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock options. Since no dilutive potential of shares existed, the figure for the year ended March 31, 2010, is not represented.

Amounts per share of net assets are computed based on shareholders' equity and the number of shares of common stock outstanding at the year-end.

Cash dividends per share represent the cash dividends resolved by the general shareholders' meeting as applicable to that year, together with any interim cash dividends paid.

**22. Leases**

## (a) As Lessee

As described in Note 1 (i) finance lease transactions that were contracted before April 1, 2008, were accounted for as operating leases. The following summarizes information concerning such finance leases if capitalized:

- (i) Equivalents of acquisition cost, accumulated depreciation and net balance as of March 31, 2010 and 2009

	March 31, 2010			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	<i>(Millions of yen)</i>			
Machinery and vehicles	¥2,932	¥2,217	¥ –	¥ 715
Equipment	4,553	3,187	36	1,330
Other	1,211	732	–	479
	¥8,696	¥6,136	¥36	¥2,524

	March 31, 2009			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	<i>(Millions of yen)</i>			
Machinery and vehicles	¥ 3,897	¥2,505	¥ –	¥1,392
Equipment	5,905	3,286	36	2,583
Other	1,865	1,121	–	744
	¥11,667	¥6,912	¥36	¥4,719

	March 31, 2010			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	<i>(Thousands of U.S. dollars)</i>			
Machinery and vehicles	\$31,510	\$23,830	\$ –	\$ 7,680
Equipment	48,933	34,257	382	14,294
Other	13,018	7,865	–	5,153
	\$93,461	\$65,952	\$382	\$27,127

- (ii) Amount of future lease payments outstanding as of March 31, 2010 and 2009, including the interest portion, categorized by contractual maturity

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within one year	¥2,878	¥3,960	\$30,929
Over one year	2,351	5,242	25,274
Total	¥5,229	¥9,202	\$56,203
Account balance of impairment loss on leased assets	¥ 15	¥ 29	\$ 164



**22. Leases (continued)**

## (a) As Lessee (continued)

- (iii) Lease expenses, reversal of impairment loss on lease assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2010 and 2009

Year ended March 31,	2010		2009	2010
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Lease expenses	¥2,986	¥3,815		\$32,097
Reversal of impairment loss on lease assets	14	7		146
Depreciation	2,772	3,513		29,796
Interest expenses	154	251		1,651
Impairment loss	–	33		–

Depreciation is calculated by the straight-line method under the condition that the useful life equals the lease term with no residual value.

- (iv) The amounts of future lease payments outstanding on noncancelable operating leases as of March 31, 2010 and 2009, are summarized as follows:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within one year	¥1,219	¥ 83	\$13,105
Over one year	1,379	89	14,816
Total	¥2,598	¥172	\$27,921

## (b) As Lessor

- (i) Investments in finance leases as of March 31, 2010 and 2009 consisted of the following:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Lease receivables	¥7,766	¥8,081	\$83,469
Estimated residual value	2	–	23
Interest portion	(597)	(806)	(6,420)
Investments in finance leases	¥7,171	¥7,275	\$77,072

**22. Leases (continued)**

## (b) As Lessor (continued)

- (ii) Expected collections of investments in finance leases as of March 31, 2010 and 2009, are as follows:

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within one year	¥2,601	¥2,754	\$27,949
One to two years	2,053	1,999	22,069
Two to three years	1,609	1,528	17,294
Three to four years	930	1,080	9,997
Four to five years	329	413	3,536
Over five years	244	163	2,624
Total	¥7,766	¥7,937	\$83,469

- (iii) The amount of future lease payments receivable on operating leases outstanding as of March 31, 2010 and 2009, are categorized by contractual maturity.

	March 31,		
	2010	2009	2010
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within one year	¥24	¥32	\$261
Over one year	62	13	663
Total	¥86	¥45	\$924

### 23. Stock Options

Costs related to stock options that are included in selling, general and administrative expenses totaled ¥11 million (\$115 thousand) and ¥7 million for the years ended March 31, 2010 and 2009, respectively.

The following table summarizes activities regarding stock option plans that the Company has granted to its directors, officers and employees as of March 31, 2010.

	2nd	3rd	4th
Title and number of recipients	<i>The Company:</i> Directors 2 <i>Subsidiaries:</i> Directors 7 Officers 16 Employees 492	<i>The Company:</i> Directors 2 <i>Subsidiaries:</i> Directors 7 Officers 16 Employees 535	<i>The Company:</i> Officer 1 <i>Subsidiaries:</i> Directors 2 Officers 3 Employees 67
Remaining number of stock options (common stock)	– shares	343,400 shares	52,930 shares
Stock issue price	¥4,750	¥4,014	¥1,489
Date of receipt	April 1, 2008	April 1, 2008	April 1, 2008
Requisite service period	In principle, the period beginning April 1, 2008, through December 31, 2009	In principle, the period beginning April 1, 2008, through December 31, 2010	In principle, the period beginning April 1, 2008, through March 31, 2011
Exercise period	April 1, 2008 through December 31, 2009	April 1, 2008 through December 31, 2010	April 1, 2008 through March 31, 2011

### 24. Statement of Cash Flows

#### (a) Cash and cash equivalents

The components of cash and cash equivalents at March 31, 2010 and 2009, were as follows:

	March 31,		
	2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars)
Cash and deposits	¥47,193	¥37,524	\$507,231
Marketable securities	321	1,502	3,456
Total	47,514	39,026	510,687
Time deposits with original maturity over three months	(306)	(2,520)	(3,291)
Securities with original maturity over three months	(220)	(1,401)	(2,368)
Cash and cash equivalents	¥46,988	¥35,105	\$505,028

### 24. Statement of Cash Flows (continued)

#### (b) Assets and liabilities of new consolidated subsidiaries

The composition of assets and liabilities, acquisition cost, and net profits and losses due to the acquisition of newly consolidated companies for the year ended March 31, 2010 and 2009 were as follows:

SORUN CORPORATION and its 14 subsidiaries (As of December 31, 2009)

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 19,058	\$ 204,837
Fixed assets	7,764	83,454
Goodwill	4,408	47,381
Current liabilities	(6,450)	(69,325)
Non-current liabilities	(3,886)	(41,770)
Minority interests	(1,713)	(18,413)
Acquisition cost of SORUN CORPORATION shares	19,181	206,164
Cash and cash equivalents of SORUN CORPORATION and its 14 subsidiaries	(8,264)	(88,823)
Net payment for acquisition	¥10,917	\$117,341

NEXWAY Co., Ltd. (As of June 30, 2008)

	(Millions of yen)
Current assets	¥ 1,673
Fixed assets	3,376
Goodwill	2,896
Current liabilities	(4,525)
Non-current liabilities	(214)
Acquisition cost of NEXWAY shares	3,206
Cash and cash equivalents of NEXWAY	(59)
Net payment for acquisition	¥ 3,147

CRONOVA Co., Ltd. (As of September 30, 2008)

	(Millions of yen)
Current assets	¥1,073
Fixed assets	182
Goodwill	99
Current liabilities	(520)
Non-current liabilities	(34)
Minority interests	(305)
Acquired shares before consolidation	(206)
Acquisition cost of CRONOVA shares	289
Cash and cash equivalents of CRONOVA	(747)
Net receipt from acquisition	¥ (458)

**24. Statement of Cash Flows (continued)**

## (c) Significant noncash activities

The Group acquired assets and obligations on finance lease transactions amounting to ¥1,380 (\$14,829 thousand) and ¥1,528 million during the years ended March 31, 2010 and 2009, respectively.

**25. Segment Information**

## (a) Industry segment information

The Group responds to customer needs through the supply of a comprehensive extent of information services ranging from information system planning through software development, hardware selection, and system operations. As the Group's marketing policies do not separate these operations into industry segment classifications, industry segment information is not disclosed.

## (b) Geographic segment information

Since both the domestic share of net income and total assets for all segments exceed 90%, geographic segment information is not disclosed separately.

## (c) Overseas sales

Since the overseas share of consolidated net sales was less than 10%, overseas sales information is not disclosed separately.

**26. Business Combination**

The Group carried out the following business combinations during the years ended March 31, 2010 and 2009.

For the year ended March 31, 2009:

## (a) Business Combination through Establishment of Joint Holding Company

Seeking to fulfill corporate social responsibility issues and contribute to the realization of a better IT society, while improving group corporate value as leading companies in the information services industry, TIS Inc.(TIS) and INTEC Holdings, Ltd.(INTEC) established the joint holding company, IT Holdings Corporation, on April 1, 2008, through stock transfer. Consequently, TIS Inc. and INTEC Holdings became wholly owned subsidiaries of IT Holdings Corporation.

## (i) Outline of holding company

- |     |                             |  |
|-----|-----------------------------|--|
| i   | Company name:               | IT Holdings Corporation  |
| ii  | Location of Head Office:    | Toyama Prefecture  |
| iii | Representatives of company: | Tetsuo Nakao, Chairman<br>Susumu Okamoto, President  |
| iv  | Capital stock:              | ¥10 billion  |
| v   | Business activities:        | Administrative control over its subsidiaries and the affiliated groups and execution of related business activities. |

## (ii) Transfer ratio for stock with voting rights and ratio determination

## i) Transfer ratio for stock with voting rights

One share of common stock in the holding company was allotted and delivered for each share of common stock in TIS Inc., while 0.79 share of common stock in the holding company was allotted and delivered for each share of common stock in INTEC Holdings, Ltd.

## ii) Ratio determination

In the interest of each company's shareholders, a third-party opinion was requested to ascertain the fairness of the stock transfer ratio. TIS Inc. named Nomura Securities Co., Ltd., as its financial advisor, and INTEC Holdings, Ltd. named Mitsubishi UFJ Securities Co., Ltd., as its financial advisor. The two companies deliberated the respective third-party opinions and agreed that the ratio was appropriate.

## iii) Voting rights after business combination

TIS Inc.	53.8%
INTEC Holdings, Ltd.	46.2%

The ratios represent the equities in IT Holdings Corporation held by shareholders of each company.

**26. Business Combination (continued)**

## (a) Business Combination through Establishment of Joint Holding Company (continued)

## iv) Accounting for business combination

Judging from considerations given to shareholders, voting rights ratio and nonexistence of controlling relationship other than voting rights, the business combination was accounted for as a pooling of interests not as an acquisition, in conformity with Japanese Accounting Standards for Business Combinations.

## v) Assets and liabilities succeeded from both companies

	TIS	INTEC
	<i>(Millions of yen)</i>	
Current assets	¥ 48,337	¥ 2,351
Non-current assets	75,768	62,320
Total assets	¥124,105	¥64,671
Current liabilities	¥ 27,165	¥ 8,585
Non-current liabilities	21,807	10
Total liabilities	¥ 48,972	¥ 8,595
Net assets	¥ 75,133	¥56,076

## (b) Application of Purchase Method

Acquisition of stock in NEXWAY Co., Ltd.

## (i) Name and business line of acquired entity, main reason for business combination, date of combination, legal form of combination, and acquired ratio of voting rights

## i) Name and business line of acquired entity

Name: Nexway Co., Ltd. (same after combination)

Business: Services to distribute information

## ii) Main reason for business combination

To expand scale and reinforce services in the outsourcing and network segment.

## iii) Date of combination

July 11, 2008

## iv) Legal form of combination

Stock acquisition

## v) acquired ratio of voting rights

100%

**26. Business Combination (continued)**

## (b) Application of Purchase Method (continued)

## (ii) Term of business performance, included in consolidated financial statements, for the acquired entity

July 1, 2008 to March 31, 2009

## (iii) Cost of acquisition and components thereof

Stock acquisition expense: ¥3,120 million

Expenses, including advisory services, directly related to stock acquisition: ¥86 million

Total cost of acquisition: ¥3,206 million

All expenses were paid in cash.

## (iv) Conversion rate by type of stock and calculation method used as well as number of allotted shares and assessed value

Not applicable.

## (v) Amount of goodwill incurred, cause, amortization method and period of amortization

## i) Amount of goodwill incurred

¥2,896 million

## ii) Cause

Active return expected, primarily through effective application of funds, as Nexway expands its information distribution services.

## iii) Amortization method and period of amortization

Average amortization over five years.

## (vi) Amount of assets and liabilities assumed on the date of combination and key components thereof

## (Assets)

Current assets	¥1,672 million
Fixed assets	¥3,376 million
Total	¥5,049 million

## (Liabilities)

Current liabilities	¥4,524 million
Fixed liabilities	¥ 214 million
Total	¥4,738 million

**26. Business Combination (continued)**

## (b) Application of Purchase Method (continued)

- (vii) Estimated impact on the consolidated statement of income for the consolidated fiscal year under review if the business combination had been completed at the beginning of the consolidated fiscal year.

Net sales	¥2,304 million
Operating income	¥ 471 million
Recurring profit	¥ 378 million
Net income	¥ 390 million

*(Calculation method for estimates)*

The estimated impact would be the difference between sales and profit information calculated as if the business combination had been completed at the beginning of the consolidated year and sales and profit information recorded on the consolidated statement of income of the acquired entity.

This note is unaudited.

## (c) Transaction under Joint Control

Absorption-type split with TIS

- (i) Name and business line of the spinoff combining entity, legal form of combination, and summary of transaction, including purpose
- Name and business line of the spinoff combining entity  
Name: TIS, a consolidated subsidiary of IT Holdings  
Business that was split from TIS and absorbed by IT Holdings: Subsidiary management operations
  - Legal form of combination  
Absorption-type split, wherein TIS is the splitting company and IT Holdings is the successor company.
  - Summary of transaction, including purpose  
Seeking to make business practices within the IT Holdings Group stronger and more efficient, management redefined the Group structure and decided to shift control of nine subsidiaries in the TIS Group under the direct control of IT Holdings.  
In this transaction, an absorption-type split was agreed upon between TIS and IT Holdings, wherein all shares in the nine subsidiaries held by TIS would be transferred to IT Holdings.
- (ii) Summary of applied accounting treatment
- IT Holdings treated the spinoff event as a transaction under joint control, in accordance with "Accounting Standards for Business Combinations," issued by the Business Accounting Council on October 31, 2003, and ASBJ Guidance No.10 "Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures," issued by the Accounting Standards Board of Japan on November 11, 2007.

**26. Business Combination (continued)**

For the year ended March 31, 2010:

## (a) Application of Purchase Method

Acquisition of stock in SORUN CORPORATION

- (i) Name and business line of acquired entity, main reason for business combination, date of combination, legal form of combination, and acquired ratio of voting rights
- Name and business line of acquired entity  
Name: SORUN CORPORATION (both before and after combination)  
Business: Systems consulting, engineering services, outsourcing services, e-business support, information security services and package sales
  - Main reason for business combination  
To expand scale and reinforce services, to develop overseas and innovative operations and to enhance efficiency of operations
  - Date of combination: December 22, 2009
  - Legal form of combination: Stock acquisition by tender offer
  - Acquired ratio of voting rights: 91.55%
- (ii) Term of business performance, included in consolidated financial statements, for the acquired entity  
January 1, 2010 to March 31, 2010
- (iii) Cost of acquisition and components thereof  
Common stock acquisition expense: ¥18,852 million (\$202,623 thousand)  
Expenses, including advisory services, directly related to stock acquisition: ¥329 million (\$3,541 thousand)  
Total cost of acquisition: ¥19,181 million (\$206,164 thousand)
- (iv) Amount of goodwill incurred, cause, amortization method and period of amortization
- Amount of goodwill incurred: ¥4,408 million (\$47,381 thousand)
  - Cause  
Principally, expected excess profitability generated by business development of SORUN CORPORATION.
  - Amortization method and period of amortization  
Average amortization over five years.

**26. Business Combination (continued)**

## (a) Application of Purchase Method (continued)

- (v) Amount of assets and liabilities assumed on the date of combination and key components thereof

(Assets)	
Current assets	¥19,058 million (\$204,837 thousand)
Fixed assets	¥ 7,765 million (\$ 83,454 thousand)
Total	¥26,823 million (\$288,291 thousand)
(Liabilities)	
Current liabilities	¥ 6,450 million (\$ 69,325 thousand)
Non-current liabilities	¥ 3,886 million (\$ 41,770 thousand)
Total	¥10,336 million (\$111,095 thousand)

- (vi) Estimated impact on the consolidated statement of income for the year ended March 31, 2010, under the assumption that the business combination had been completed at the beginning of the year.

Net sales	¥32,951 million (\$354,158 thousand)
Operating loss	¥ 574 million (\$ 6,173 thousand)
Recurring loss	¥ 727 million (\$ 7,811 thousand)
Net loss	¥ 891 million (\$ 9,579 thousand)

*(Calculation method for estimates)*

The estimated impact is the difference between sales and income summary calculated under the assumption that the business combination had been completed at the beginning of the consolidated year to the sales and income summary of the consolidated statement of income of the acquired entity.

This note is unaudited.

**27. Subsequent Events**

- (a) Effective on April 1, 2010, the Company made SORUN CORPORATION ("SORUN") into a wholly-owned subsidiary through share exchange.

- (i) Purpose of making SORUN into a wholly-owned subsidiary through share exchange

As mentioned in Note 26(a):for the year ended March 31, 2010, the Company conducted the tender offer targeting shares of SORUN (excluding treasury shares owned by SORUN) from November 13, 2009 to December 15, 2009, with an objective to make SORUN into a wholly-owned subsidiary. As a result, the Company acquired 23,863,314 shares of SORUN stocks. However, the Company and SORUN decided to conduct the share exchange for the purpose of completing the process of making SORUN into a wholly-owned subsidiary of ITHD, as had been originally planned.

**27. Subsequent Events (continued)**

- (ii) Manner and detail of the share exchange

As for the Company, the share exchange was conducted according to the simplified share exchange procedure under Article 796 (3) of the Companies Act. As for SORUN, according to the summary share exchange procedure under Article 784 (1) of the Companies Act.

In conformity with the share change contract concluded on January 12, 2010, the Company issued 0.74 shares of common stock of the Company for every one share of SORUN's stock, to shareholders listed on the shareholders' record (except for the Company itself), immediately before acquiring SORUN shares, effective April 1, 2010.

- (b) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2010, were approved at a shareholders' meeting held on June 24, 2010.

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash dividends (¥20.00 = \$0.21 per share)	¥1,727	\$18,564