

Note: Amounts in U.S. dollars are included solely for the convenience of non-Japanese readers. A rate of ¥82.19 = US\$1, the approximate rate of exchange prevailing on March 31, 2012, has been used in translation.

As of March 31, 2012, the ITHD Group comprised parent company IT Holdings Corporation (“ITHD” or “the Company”) and 48 consolidated subsidiaries, including principal companies TIS Inc., INTEC Inc., AGREX INC., QUALICA INC. and AJS Inc.

Several changes took place within the Group. On April 1, 2011, SORUN Corporation and UFIT Co., Ltd., merged with TIS, INTEC Systems Institute, Inc., merged with INTEC, and IT Service Force Co., Ltd. merged with Web Office Co., Ltd. Then, on October 1, 2011, AJS Inc. merged with AJS Software Co., Ltd. Consequently, the non-surviving companies were removed from the scope of consolidation.

Profit and Loss Analysis

Net Sales

Consolidated net sales edged up 1.3%, to ¥327,417 million (\$ 3,983 million), as favorable order activity from clients in the industrial IT services segment offset such challenges as reduced demand from clients in the financial IT services segment where the tendency to curb IT investment continued. A breakdown of performance by business segment is presented below.

Note: Seeking to promote a horizontal management structure within the Group, ITHD shifted away from management methods that hinged on its subsidiary groups in favor of management methods fined-tuned to service categories and clients/markets. Sales by segment include intersegment sales, and numerical data from the previous fiscal year has been restated under the new breakdown for comparison purposes.

IT Infrastructure Services

This segment provides self-administered computer utility and system operation services through large IT facilities, such as data centers. In fiscal 2012, net sales were on a par with the previous fiscal year, settling at ¥111,358 million (\$138 million), up 0.4% year-on-year. Over the last few years, the next-generation data center business has really picked up, compensating somewhat for sluggish results from existing businesses. Operating income slipped 1.0%, to ¥8,049 million (\$97 million), but the decrease could have been larger, due to the application of funds to front-load investment into next-generation data centers, had it not been for successful efforts to trim costs.

Financial IT Services

This segment supports the shift toward greater use of IT in business processes and in the execution of business activities, with business know-how and IT expertise specific to the financial sector. In fiscal 2012, net sales dipped 3.5%, to ¥70,099 million (\$852 million), owing to a persistent trend among credit card companies—a key demand group with a significantly high contribution to consolidated sales—to curb IT investment and also owing to the fact that large insurers and megabanks have already brought their IT investment plans to a close. Operating income, however, jumped 15.6%, to ¥4,534 million (\$55 million), thanks to successful efforts to reduce costs.

Industrial IT Services

This segment supports the shift toward greater use of IT in business processes and in the execution of business activities, with business know-how and IT expertise in areas other than finance, particularly industrial and public finance sectors.

Against a backdrop of gradual recovery in IT investment led by companies in the distribution and processing-based manufacturing industries, net sales grew 5.8%, to ¥149,466 million (\$1,818 million). Operating income skyrocketed 63.6%, to ¥2,658 million (\$32 million).

	Millions of yen		
	2012	2011	% change
Net sales	¥327,417	¥323,173	+1.3
IT infrastructure services	111,358	110,916	+0.4
Financial IT services	70,099	72,665	-3.5
Industrial IT services	149,466	141,294	+5.8
Other business	16,234	16,595	-2.2
Intersegment elimination/adjustments	-19,740	-18,298	-
Operating income	15,621	12,818	+21.9%
IT infrastructure services	8,049	8,131	-1.0
Financial IT services	4,534	3,922	+15.6
Industrial IT services	2,658	1,625	+63.6
Other business	2,277	1,313	+73.3
Intersegment elimination/adjustments	-1,898	-2,174	-

Other Business

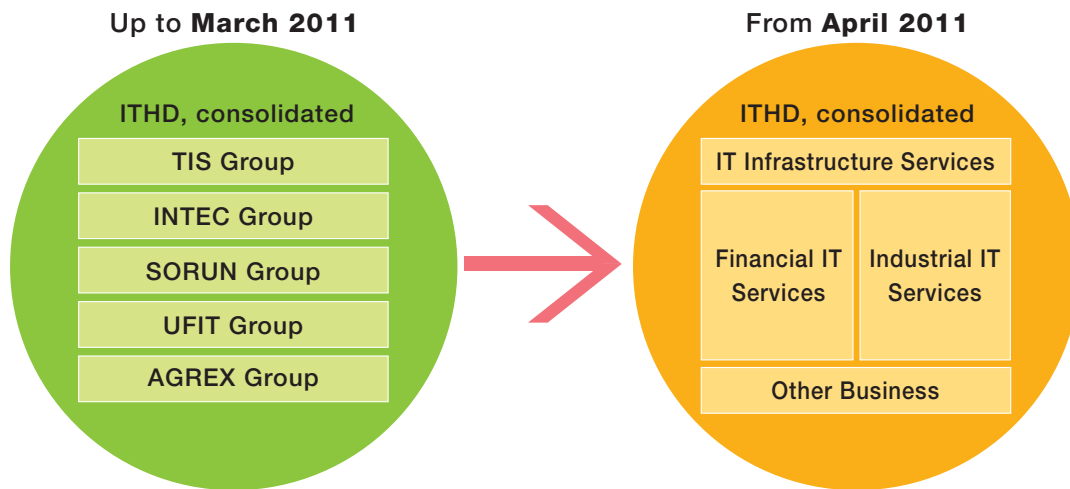
This segment covers activities incidental to the provision of information systems and other businesses. In fiscal 2012, the segment showed a 2.2% year-on-year decrease in net sales, to ¥16,234 million (\$197 million). But operating income soared 73.3%, to ¥2,277 million (\$27 million).

Costs, Expenses and Earnings

Although the Company allocated funds for upfront investment in next-generation data centers, concerted efforts to reduce expenses and capitalize on the crystallizing appearance of positive results from structural reforms implemented in the first half of the fiscal year, led to operating income of ¥15,621 million (\$190 million), up 21.9% year-on-year, and recurring profit of ¥15,393 million (\$187 million), also up 21.9% year-on-year. Net income tumbled 64.3%, to ¥2,135 million (\$25 million), squeezed by the booking of one-time expenses of about ¥7.8 billion related to business restructuring and a reversal of about ¥1.1 billion on deferred tax assets, paralleling tax system revision in December 2011. A breakdown of major expenses related to business restructuring shows that about ¥3.0 billion (\$36 million) was spent on the relocation and centralization of Group offices and about ¥4.4 billion (\$535 billion) was spent on the introduction of a special career change program at subsidiary TIS.

	Millions of yen		
	2012	2011	% change
Cost of sales	¥266,159	¥261,145	+1.9%
Cost of sales ratio	81.3%	80.8%	+0.5 point
Gross profit	61,258	62,027	-1.2%
Gross profit margin	18.7%	19.2%	-0.5 point
Selling, general and administrative expenses	45,636	49,209	-7.3%
Ratio of selling, general and administrative expenses to net sales	13.9%	15.2%	-1.3 points
Operating income	15,621	12,818	+21.9%
Operating income ratio	4.8%	4.0%	+0.8 point
Net income	2,135	5,985	-64.3%
Return on sales	0.7%	1.9%	-1.2 point

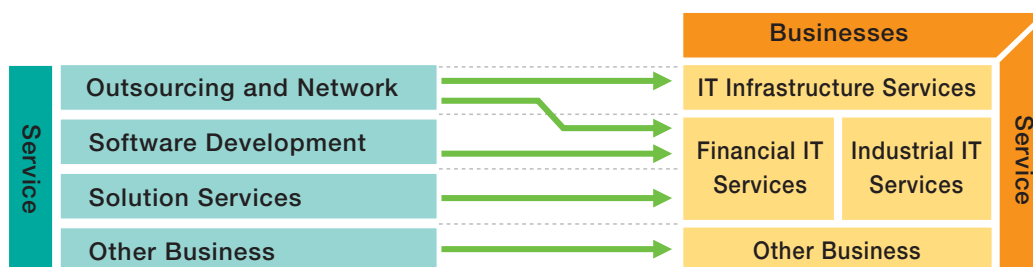
Disclosed Units



New Segment Business Content

IT Infrastructure Services	Provide self-administered computer utility or system operation services through large IT facilities, including data centers.
Financial IT Services	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how specific to the finance industry.
Industrial IT Services	Support clients in their efforts to make greater use of IT in their operations and in the execution of their business activities with IT expertise and business know-how in areas other than finance, namely industrial and public sectors.
Other Business	Activities other than those described above.

Basic Correlation between Old and New Segment Classifications



Financial Position

Assets

Total assets stood at ¥310,003 million (\$3,771 million) as of March 31, 2012, up 3.0% from a year earlier. Of this amount, current assets accounted for ¥142,442 million (\$1,733 million), up 10.9% year-on-year, and total fixed assets accounted for ¥167,560 million (\$2,038 million), down 2.9%. Total liabilities grew 6.0%, to ¥159,038 million (\$1,935 million), and total net assets reached ¥150,965 million (\$1,836 million), dipping 0.1% from the end of March 2011. Equity capital, calculated by subtracting ¥7,267 million (\$88 million) in minority interest in consolidated subsidiaries and ¥38 million (\$469 thousand) in subscription rights from net assets, was on a par with the previous fiscal year, at ¥143,658 million (\$1,747 million), and the equity ratio retreated 1.4 percentage points, to 46.3%.

	Millions of yen		
	2012	2011	% change
Total assets	¥310,003	¥301,076	+3.0%
Total liabilities	159,038	149,965	+6.0
Total net assets	150,965	151,110	-0.1
Minority interests	7,267	7,434	-2.2
Stock acquisition rights	38	29	+31.0
Equity capital	143,658	143,646	+0.0
Key ratios:		%	
Equity ratio ¹	46.3%	47.7%	-1.4 points
Return on equity ²	1.5	4.2	-2.7 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 Status

Cash and cash equivalents ("cash") totaled ¥41,119 million (\$500 million) as of March 31, 2012, up 12.7% from March 31, 2011.

Net cash provided by operating activities fell 13.1%, to ¥23,658 million (\$287 million). This change reflects a ¥5,235 million (\$63 million) increase in notes and accounts receivable and ¥4,685 million (\$57 million) in income taxes paid, which offset income before income taxes of ¥6,121 million (\$74 million) and the positive cash flow effect of ¥12,745 million (\$155 million) in depreciation and a ¥2,710 million (\$32 million) increase in notes and accounts payable.

Net cash used in investing activities decreased 20.0%, to ¥15,158 million (\$184 million), as inflow, mainly ¥2,314 million (\$28 million) in proceeds from the sale of investment securities, was overshadowed by outflow, mainly ¥9,519 million (\$115 million) used for the acquisition of property and equipment and ¥4,927 million (\$59 million) for the acquisition of intangible assets.

Net cash used in financing activities retreated 77.4%, to ¥4,230 million (\$51 million). Primary components of cash inflows, namely, ¥16,637 million (\$202 million) in proceeds from long-term bank loans and a ¥4,403 million (\$53 million) net increase in short-term borrowings, were outweighed by outflows of ¥14,662 million (\$178 million) for repayment of long-term bank loans and ¥7,500 million (\$91 million) for redemption of corporate bonds.

	Millions of yen		
	2012	2011	% change
Cash and cash equivalents at end of year	¥41,119	¥36,492	+12.7%
Net cash provided by operating activities	23,658	27,236	-13.1
Net cash used in investing activities	(15,158)	(18,957)	-20.0
Net cash used in financing activities	(4,230)	(18,755)	-77.4

Dividend Policy

ITHD has made the long-term, comprehensive return of profits to shareholders a management priority and seeks to maintain stable dividends—targeting a consolidated payout ratio of 30%—while taking into account performance trends, financial status, and the need to enrich retained earnings to support business growth.

In fiscal 2012, the Company booked a consolidated extraordinary loss of about ¥7,800 million, mainly from one-time expenses of ¥3,000 million to relocate and centralize Group offices—a move designed to elicit greater synergy throughout the Group by reinforcing cooperation between Group companies, strengthening Group governance and cutting costs—and about ¥4,400 million for a special career change program at subsidiary TIS paralleling companywide structural reforms. The Company also had to deal with the impact of December 2011 tax system reforms, which caused a ¥1,100 million reversal in deferred tax assets. Taking these developments into account, as well as the need to build sufficient internal reserves to fund continued growth, management decided on an annual dividend of ¥18 (\$0.21) per share.

For fiscal 2013, management anticipates an annual dividend of ¥21 per share, including an interim dividend of ¥7 per share.

	Yen		
	2012	2011	% change
<i>Per share data:</i>			
Net income per share	¥ 24.33	¥ 68.19	-64.3%
Net assets per share	1,636.72	1,636.56	+0.0%
Dividends per share	18.00	32.00	-43.8%

Business and Other Risks

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

In the IT infrastructure business, data centers under the Group umbrella offer outsourcing and cloud computing services at home and abroad—in Tokyo, Osaka, Kanagawa Prefecture, Tochigi Prefecture, Toyama Prefecture and Aichi Prefecture as well as in Tianjin, China, and other locations—24 hours a day every day of the year. A variety of installations, such as a base-isolation structure for enhanced earthquake tolerance, an on-site generator to ensure uninterrupted power supply, and crime-prevention systems to thwart unauthorized access, have been incorporated into the buildings to control foreseeable risk. Nevertheless, if an extraordinarily significant event, such as an extended power failure, a large-scale natural disaster, international conflict or an act of terrorism, or major criminal activity, were to occur and disrupt the smooth execution of data center activities, the Group's business results and financial position could be adversely affected.

All forward-looking statements in this document are based on information available to management as of May 10, 2012.

Consolidated Balance Sheets

IT Holdings Corporation and Its Consolidated Group Companies

As of March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and deposits	¥ 36,729	¥ 41,365
Notes and accounts receivable	59,040	64,591
Lease receivables and lease investment assets	8,710	8,942
Marketable securities	301	201
Merchandise and finished goods	2,295	2,633
Work in process	6,554	8,278
Raw materials and supplies	197	209
Deferred tax assets	7,741	8,027
Other current assets	7,085	8,305
Allowance for doubtful accounts	(199)	(112)
Total current assets	128,455	142,442
Fixed assets		
Property and equipment		
Buildings and structures, net	60,230	58,635
Machinery and equipment, net	5,009	4,360
Land	22,468	22,266
Leased assets, net	2,539	3,455
Other property and equipment, net	5,209	6,074
Total property and equipment	95,457	94,792
Intangible assets		
Goodwill	5,516	3,471
Other intangible assets	13,073	14,047
Total intangible assets	18,589	17,519
Investments and other assets		
Investment securities	31,794	28,693
Deferred tax assets	8,115	8,597
Other assets	20,995	19,986
Allowance for doubtful accounts	(2,331)	(2,028)
Total investments and other assets	58,573	55,248
Total fixed assets	172,620	167,560
Total assets	¥301,076	¥310,003

Basis of Presenting the Consolidated Financial Statements

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.

Consolidated Balance Sheets

IT Holdings Corporation and Its Consolidated Group Companies

As of March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	¥ 14,944	¥ 17,917
Short-term borrowings	14,800	23,126
Corporate bonds (redeemed within one year)	7,500	100
Income taxes payable	3,401	2,341
Accrued bonuses to directors and employees	11,041	11,115
Other allowances	464	322
Other current liabilities	20,938	28,141
Total current liabilities	73,090	83,065
Non-current liabilities		
Corporate bonds	100	—
Long-term debt	55,054	53,288
Lease obligations	3,981	4,723
Deferred tax liabilities	674	503
Deferred tax liabilities from revaluation of land	993	869
Accrued retirement benefits to employees	11,509	12,359
Accrued retirement benefits to directors	244	107
Other non-current liabilities	4,317	4,120
Total non-current liabilities	76,875	75,972
Total liabilities	149,965	159,038
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,788	86,787
Retained earnings	47,298	47,673
Less treasury stock, at cost	(24)	(25)
Total shareholders' equity	144,062	144,436
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,729	1,210
Revaluation of land	(1,841)	(1,718)
Foreign currency translation adjustments	(303)	(270)
Total accumulated other comprehensive income	(415)	(778)
Stock acquisition rights	29	38
Minority interests	7,434	7,267
Total net assets	151,110	150,965
Total liabilities and net assets	¥301,076	¥310,003

Consolidated Statements of Income and Comprehensive Income

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Net sales	¥323,173	¥327,417
Cost of sales	261,145	266,159
Gross profit	62,027	61,258
Selling, general and administrative expenses	49,209	45,636
Operating income	12,818	15,621
Non-operating income		
Dividend income	554	619
Rental income from real estate	273	266
Reversal of allowance for doubtful accounts	—	270
Subsidy income	192	150
Other	520	339
Total non-operating income	1,541	1,646
Non-operating expenses		
Interest expenses	1,023	898
Equity in losses of non-consolidated subsidiaries and affiliates	46	202
Other	663	773
Total non-operating expenses	1,733	1,874
Recurring profit	12,625	15,393
Extraordinary profit		
Gain on sale of investment securities	1,782	1,142
Reversal of allowance for doubtful accounts	119	—
Negative goodwill gains	3,004	5
Other	153	160
Total extraordinary income	5,060	1,307
Extraordinary losses		
Impairment loss	1,074	766
Merger-related expenses	2,324	381
Structural reform-related expenses	—	7,852
Effect of adoption of new accounting standards for asset retirement obligations	2,199	—
Other	1,943	1,578
Total extraordinary losses	7,541	10,579
Income before income taxes and minority interests	10,145	6,121
Income taxes: current	4,382	4,068
Income taxes: deferred	(308)	(170)
Total income taxes	4,073	3,897
Income before minority interests	6,071	2,224
Minority interests in earnings (losses) of consolidated subsidiaries	86	89
Net income	¥ 5,985	¥ 2,135

Consolidated Statements of Comprehensive Income

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Income before minority interests	¥6,071	¥2,224
Other comprehensive income		
Net unrealized gains on other securities	328	(514)
Revaluation reserve for land	—	123
Foreign currency translation adjustments	(170)	33
Share of other comprehensive income of associates accounted for using the equity method	(8)	(5)
Total other comprehensive income	149	(363)
Comprehensive income	6,221	1,860
Components:		
Comprehensive income attributable to owners of the parent	6,407	1,772
Comprehensive income attributable to minority interests	¥ (185)	¥ 87

Consolidated Statements of Changes in Net Assets

IT Holdings Corporation and Its Consolidated Group Companies

For Years Ended March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	¥ 10,001	¥ 10,001
Balance at end of fiscal year	10,001	10,001
Additional paid-in capital		
Balance at end of previous fiscal year	85,207	86,788
Changes during the fiscal year		
Disposal of treasury stock	(30)	(0)
Increase from share exchange	1,610	—
Total changes during the fiscal year	1,580	(0)
Balance at end of fiscal year	86,788	86,787
Retained earnings		
Balance at end of previous fiscal year	44,088	47,298
Changes during the fiscal year		
Dividends from surplus	(2,780)	(1,755)
Net income	5,985	2,135
Change in scope of equity method	—	(0)
Increase from merger of consolidated and non-consolidated subsidiaries	4	—
Decrease from merger of consolidated and non-consolidated subsidiaries	—	(3)
Net changes during the fiscal year	3,209	375
Balance at end of fiscal year	47,298	47,673
Treasury stock		
Balance at end of previous fiscal year	(57)	(24)
Changes during the fiscal year		
Acquisition of treasury stock	(4)	(1)
Disposal of treasury stock	37	0
Net changes during the fiscal year	33	(1)
Balance at end of fiscal year	(24)	(25)
Total shareholders' equity		
Balance at end of previous fiscal year	139,239	144,062
Changes during the fiscal year		
Dividends from surplus	(2,780)	(1,755)
Net income	5,985	2,135
Acquisition of treasury stock	(4)	(1)
Disposal of treasury stock	7	0
Change in scope of equity method	—	(0)
Increase from share exchange	1,610	—
Increase from merger of consolidated and non-consolidated subsidiaries	4	—
Decrease from merger of consolidated and non-consolidated subsidiaries	—	(3)
Net changes during the fiscal year	4,823	374
Balance at end of fiscal year	¥144,062	¥144,436

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Consolidated Statements of Changes in Net Assets

Continued from the previous page

	2011	2012
	Millions of yen	Millions of yen
Accumulated other comprehensive income		
Net unrealized gains on other securities		
Balance at end of previous fiscal year	¥ 1,182	¥ 1,729
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	547	(519)
Net changes during the fiscal year	547	(519)
Balance at end of fiscal year	1,729	1,210
Revaluation reserve for land		
Balance at end of previous fiscal year	(1,841)	(1,841)
Items other than changes in shareholders' equity, net	—	123
Total change during the fiscal year	—	123
Balance at end of the fiscal year	(1,841)	(1,718)
Foreign currency translation adjustments		
Balance at end of previous fiscal year	(178)	(303)
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	(125)	33
Net changes during the fiscal year	(125)	33
Balance at end of fiscal year	(303)	(270)
Accumulated other comprehensive income		
Balance at end of previous fiscal year	(837)	(415)
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	422	(362)
Net changes during the fiscal year	422	(362)
Balance at end of fiscal year	(415)	(778)
Stock acquisition rights		
Balance at end of previous fiscal year	18	29
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	10	9
Net changes during the fiscal year	10	9
Balance at end of fiscal year	29	38
Minority interests		
Balance at end of previous fiscal year	16,654	7,434
Changes during the fiscal year		
Items other than changes in shareholders' equity, net	(9,220)	(166)
Net changes during the fiscal year	(9,220)	(166)
Balance at end of fiscal year	7,434	7,267
Total net assets		
Balance at end of previous fiscal year	155,075	151,110
Changes during the fiscal year		
Dividends from surplus	(2,780)	(1,755)
Net income	5,985	2,135
Acquisition of treasury stock	(4)	(1)
Disposal of treasury stock	7	0
Change in scope of equity method	—	(0)
Increase from share exchange	1,610	—
Increase from merger of consolidated and non-consolidated subsidiaries	4	—
Decrease from merger of consolidated and non-consolidated subsidiaries	—	(3)
Items other than changes in shareholders' equity, net	(8,788)	(519)
Net changes during the fiscal year	(3,964)	(145)
Balance at end of fiscal year	¥151,110	¥150,965

Consolidated Statements of Cash Flows

IT Holdings Corporation and Its Consolidated Group Companies
For Years Ended March 31, 2011 and 2012

	2011	2012
	Millions of yen	Millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	¥10,145	¥ 6,121
Depreciation	12,308	12,745
Impairment loss	1,074	766
Loss on disposal of fixed assets	558	249
Valuation (gain) loss on investment securities	681	318
Amortization of goodwill	1,901	1,882
Increase (decrease) in accrued bonuses to directors and employees	210	(8)
Increase (decrease) in allowance for doubtful accounts	(446)	(391)
Increase (decrease) in accrued retirement benefits to employees	836	547
Interest and dividend income	(615)	(642)
Interest expenses	1,023	898
(Increase) decrease in notes and accounts receivable	3,173	(5,235)
(Increase) decrease in inventories	225	(2,214)
Increase (decrease) in notes and accounts payable	1,046	2,710
Negative goodwill gains	(3,004)	(5)
Structural reform-related expenses	—	2,388
Effect of adoption of new accounting standards for asset retirement obligations	2,199	—
Other, net	(651)	8,453
Subtotal	30,665	28,585
Interest and dividend income received	627	656
Interest expenses paid	(1,058)	(897)
Income taxes paid	(2,998)	(4,685)
Net cash provided by operating activities	27,236	23,658
Cash flows from investing activities		
Acquisitions of property and equipment	(10,509)	(9,519)
Acquisitions of intangible assets	(6,311)	(4,927)
Proceeds from sale and redemption of investment securities	4,197	2,314
Payment of lease and guarantee deposits	(2,068)	(2,009)
Acquisition of subsidiaries' shares	(4,313)	(147)
Other, net	49	(868)
Net cash used in investing activities	(18,957)	(15,158)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(21,266)	4,403
Proceeds from long-term debt	25,495	16,637
Repayments of long-term debt	(14,680)	(14,662)
Redemption of bonds	(4,000)	(7,500)
Dividends paid	(2,780)	(1,755)
Dividends paid to minority shareholders	(459)	(155)
Other, net	(1,059)	(1,197)
Net cash used in financing activities	(18,755)	(4,230)
Effect of exchange rate changes on cash and cash equivalents	(45)	31
Net increase (decrease) in cash and cash equivalents	(10,520)	4,301
Cash and cash equivalents at beginning of year	46,987	36,492
Increase in cash and cash equivalents resulting from merger	25	325
Cash and cash equivalents at end of year	¥36,492	¥41,119