IT Holdings Corporation

ANNUAL REPORT 2009

Year Ended March 31, 2009

CONTENTS

IT Holdings Group

Great Leap Forward

IT Holdings Corporation was established on April 1, 2008, as a joint holding company by TIS Inc. and INTEC Holdings, Ltd., through management integration. Shared access to the management resources and technological expertise of the two corporate groups now under the holding company umbrella will underpin higher corporate value for both groups, promote synergies built on reciprocal strengths, and enhance the accuracy of responses to the increasingly complex, high-level information technology (IT) requirements of clients.

Through the development of the IT services industry, we will contribute to a better information society.

IT Holdings

IT Holdings Corporation

TIS Inc.

INTEC Holdings, Ltd.

TIS × INTEC

Cautionary note regarding forward-looking statements

Performance estimates and other forward-looking statements in these materials are based on information available to management and certain reasonable assumptions at the time of publication. Various factors may cause actual figures to differ considerably from estimates.

IT Holdings Group
Management Philosophy

The IT Holdings Group seeks to be a corporate citizen whose activities, which hinge on the provision of various services utilizing IT, match its status as a leading corporate group. Moreover, the Group will strive to raise corporate value, supported in this effort by the high regard of all its stakeholders, including clients and shareholders as well as employees and their families.

We will cultivate a vibrant corporate culture that encourages companies and individuals under the Group umbrella to work toward higher goals and embrace new challenges, and thereby ensure corporate growth.

We will always provide the very best to clients, through excellent quality and technology built on the composite strengths of the Group.

We will uphold high corporate morals and fulfill our social obligations.

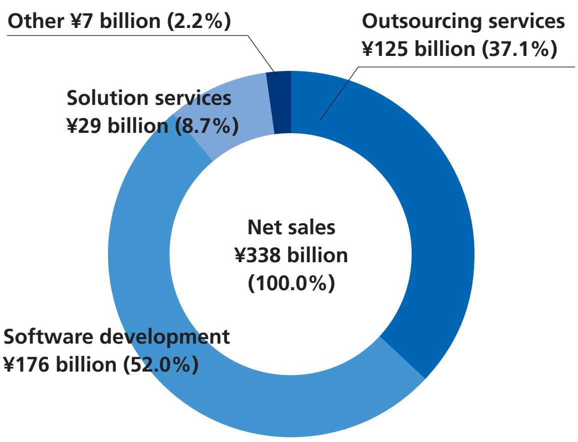
Consolidated Financial Highlights (Year ended March 31, 2009)

IT Holdings Corporation and Consolidated Subsidiaries

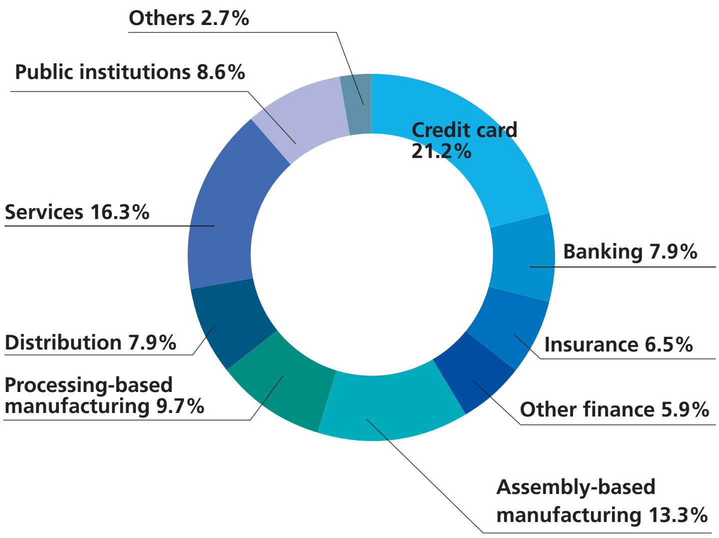
	2009 Millions of yen	2009 Thousands of U.S. dollars
For year ended March 31:		
Net sales	**¥338,302**	$3,443,979
Operating income	**23,787**	242,159
Net income	**9,407**	95,761
At year-end:		
Total assets	**295,327**	3,006,485
Total net assets	**146,216**	1,488,511
Net cash provided by operating activities	**34,311**	349,296
Cash and cash equivalents at end of year	**35,105**	357,373
Per share of common stock (¥):		
Net income, basic	**¥110.74**	$1.13
Net income, diluted	**110.72**	1.13
Net assets	**1,541.17**	15.69
Cash dividends	**32.00**	0.33
Key ratios (%):		
Return on equity	**7.4%**	
Equity ratio	**44.4%**	

Notes: 1. U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥98.23 = US$1, the approximate rate prevailing on March 31, 2009.
2. Return on equity = [Net income/Equity] x 100
3. Equity ratio= [Equity/Total assets] x 100
4. Equity = Net assets – [Subscription rights + Minority interests] = ¥131,054 million for the year ended March 31, 2009.

Net Sales by Business Segment (Year ended March 31, 2009)



Net Sales by Client Sector (Year ended March 31, 2009)



On behalf of senior management and employees throughout the IT Holdings Group, we would like to take this opportunity to extend our sincere appreciation to you, our stakeholders, for your invaluable support.

The Group has closed its books on business activities for fiscal 2009, the year ended March 31, 2009, and it is time to tell you the results.

Seeking further progress on the IT frontier, we embarked on IT Evolution 2011, our first medium-term management plan.

The economic climate remained challenging in fiscal 2009, as the repercussions of a deepening financial crisis spread rapidly around the world. This was the backdrop for the first year of business at IT Holdings following management integration on April 1, 2008. As a group, our goal was to accurately pinpoint client needs and provide total system integration services, from outsourcing and system operation from our data centers to IT system planning and configuration. These efforts earned us high marks for reliability.

In April 2009, we embarked on our first medium-term management plan—IT Evolution 2011—designed to secure a position at the forefront of the IT services industry and, as the title implies, promote improvement in the technologies we utilize and the services we offer. The process will be guided by a management direction that highlights seven goals under five priority topics—business activities, management resources, financial position, personnel and corporate culture. The associated goals are described on pages 6–10.

Steadily, we will achieve these goals and our business activities will expand. The process will be underpinned by a all-for-one, one-for-all attitude that unites everyone under the Group umbrella in spirit and actions.

We ask shareholders and investors to support us on this journey. Your encouragement of our efforts will be instrumental to our success.

June 2009

Tetsuo Nakao
Chairman

Susumu Okamoto
President

IT Evolution 2011

In April 2009, the IT Holdings Group embarked on IT Evolution 2011, its first medium-term management plan. This three-year plan will guide the Group to a solid position at the forefront of the IT services industry.

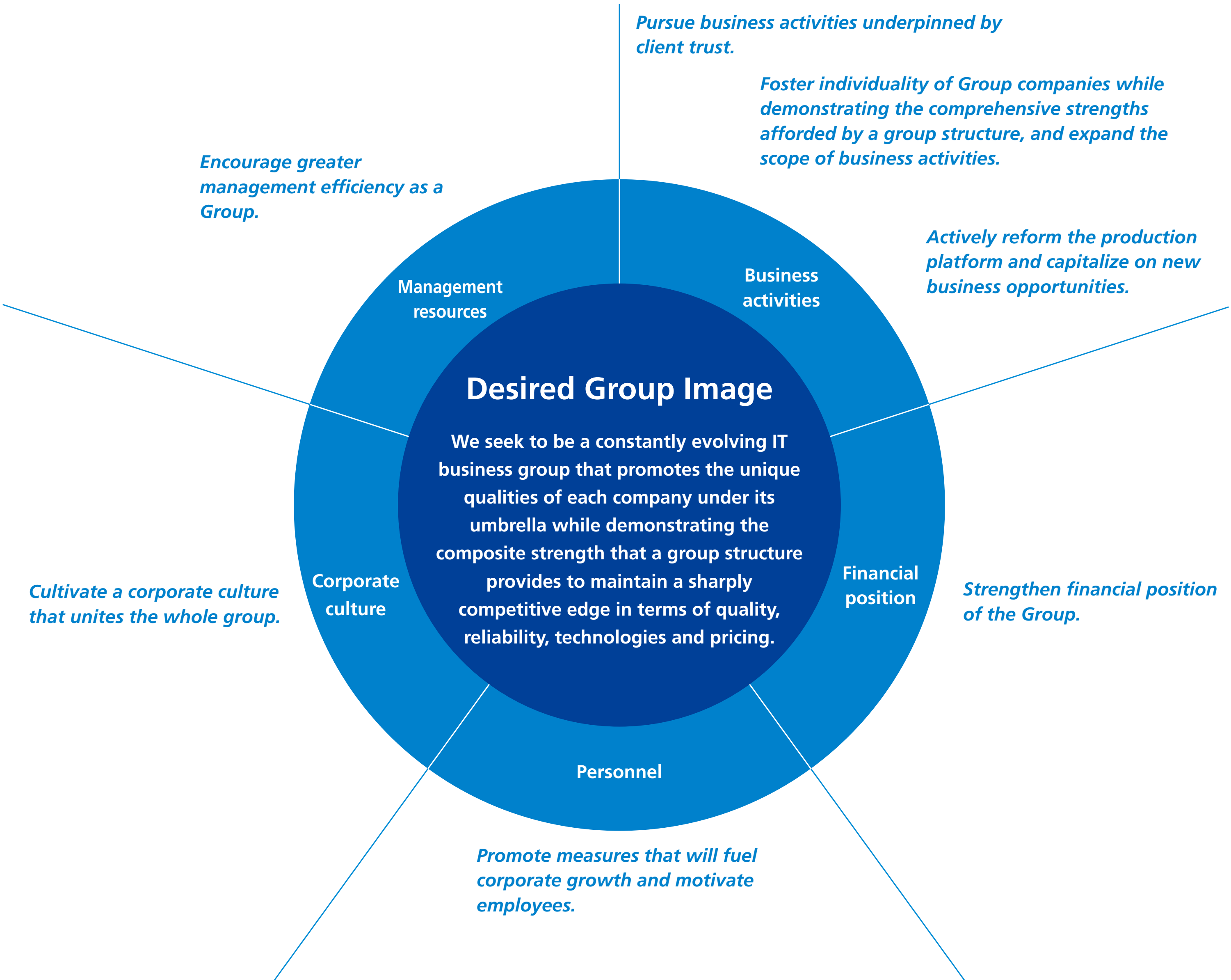
The "IT" in IT Evolution 2011 represents many concepts:

Innovative Technology	Promoting original techniques.
Increasing Trust	Deepening bonds of trust with clients.
IT Holdings Group	Developing the unique capabilities of companies under the Group umbrella while demonstrating the composite strength of a group structure.

IT Evolution 2011 describes the corporate image that will define the Group by March 2012, lays out a management direction charting across seven goals in five priority topics, and sets the tone for a united effort among all Group companies to develop business activities in line with stated objectives.

Performance Targets by March 31, 2012

Net Sales	**¥400** billion
Operating Income	**¥35** billion



Pursue business activities underpinned by client trust.

We seek to be a value-creating partner, contributing directly to the business success of each client company. We will accomplish this by participating closely in the design of management and operating strategies and by supporting the implementation of associated measures, as they relate to IT. Moreover, we will strive to maintain the relationship of trust that we have built over the typically long duration of a project, so that clients readily look to IT Holdings and the Group not only for system development but for all their IT needs, including system operation and maintenance as well as wider system planning.

Foster individuality of Group companies while demonstrating the comprehensive strengths afforded by a group structure, and expand the scope of business activities.

We will thoroughly enhance Group capabilities to secure top-of-the-industry status in our fields of expertise.

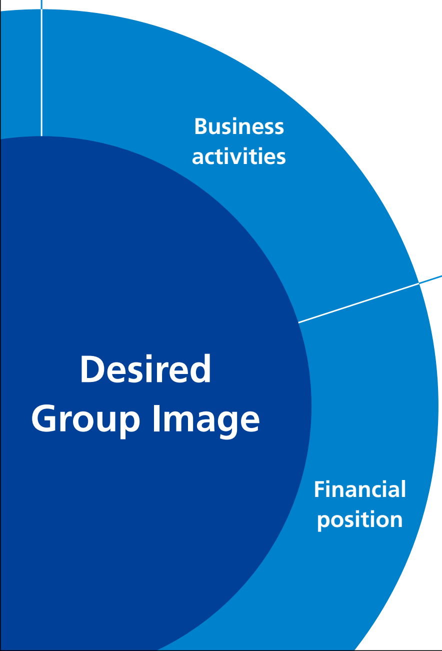
In the outsourcing and network business, we will quickly develop next-generation data center formats, encapsulated by such words as green, global, cloud, virtualized, automated and BCP (business continuity plans). This emphasis will make us the top IT services group in Japan.

Meanwhile, in the software development business, we will sharpen our competitive edge in industries and service segments where we have accumulated particular expertise.

Actively reform the production platform and capitalize on new business opportunities.

We will share production and outsourcing platforms and standardize the development methodologies applied within the Group. We will continue to embrace innovation, incorporating into our operations new technologies, especially those that automate, virtualize, and reduce consumption of electricity. We will also form solid alliances with prominent system development providers regardless of location, be it at home or abroad, to ensure continuous progress on development projects and cut costs from a global perspective.

On the research and development front, activities will be linked to business pursuits, transforming new techniques into promising businesses and carving out new markets.



7 First Medium-term Management Plan (April 1, 2009 - March 31, 2012)

Strengthen financial position of the Group.

Strategic investment in facilities, particularly data centers, as well as R&D is integral to the success of IT Evolution 2011. Merger and acquisition (M&A) opportunities are also important, and we will prudently consider candidates and select those that will best augment existing Group capabilities.

To ensure a stable source of funds for the necessary investments, we will establish financial indicators that each member of the Group must work toward. This will strengthen the overall financial position of the Group and facilitate business growth.

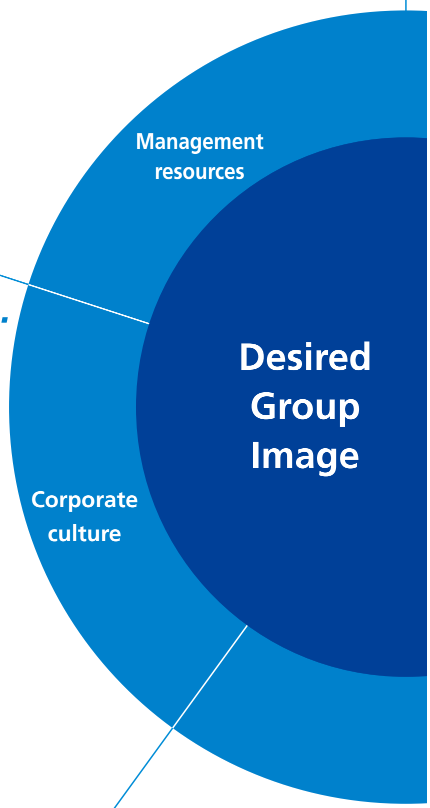
Promote measures that will fuel corporate growth and motivate employees.

We will make personnel structures consistent within the Group, while developing skills and motivating employees to work toward higher goals.

Our personnel strategy encompasses six points: 1) enhance the personnel structure; 2) define the image of a talented employee and what is required to realize this status; 3) cultivate a competent workforce; 4) recruit skilled individuals and assign them to positions that make the most of their abilities; 5) enable employees to maintain a good work–life balance; and 6) reinforce awareness of compliance and corporate social responsibility.

Encourage greater management efficiency as a Group.

We will optimize administrative processes throughout the Group and promote centralized purchasing, shared services for back-office operations, effective use of Group assets through shared use, and standardized information systems. These measures will lead to lower indirect operating costs on a groupwide basis.



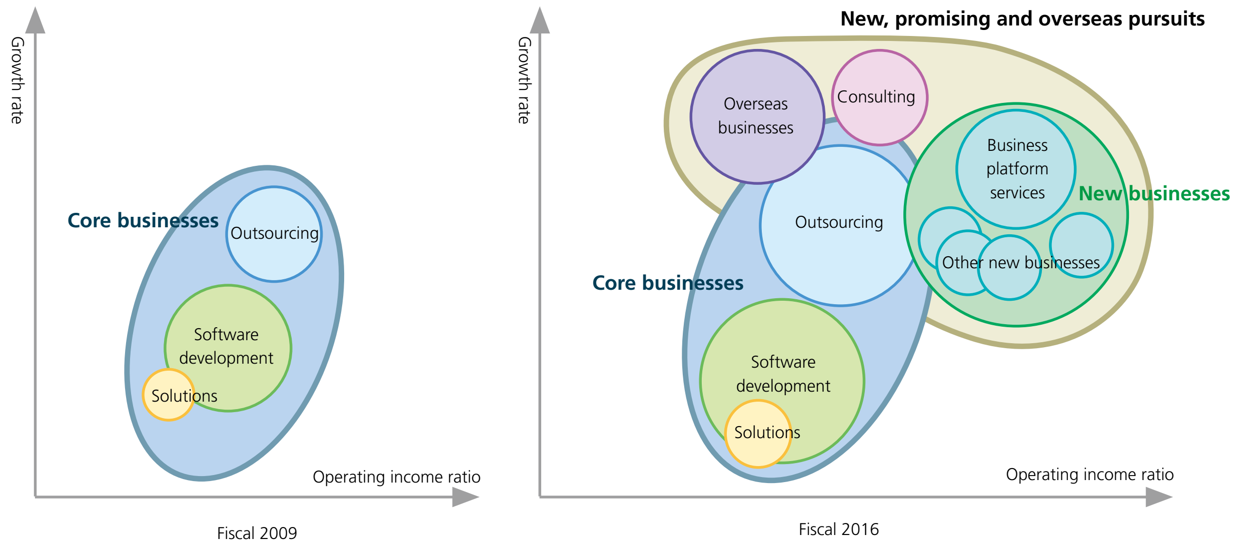
Cultivate a corporate culture that unites the whole group.

In our business pursuits, we will always consider the client's perspective and strive to be a corporation in which all the companies under the Group umbrella work together to meet clients' requirements and solve IT-related matters of concern to them.

Each Group company is characterized by its own corporate culture, based on respective business traditions and corporate history. We will preserve these qualities, while cultivating a Group-defined corporate culture that encourages every employee and every company within the Group to work together in providing the very best to all clients.

The Drivers of IT Evolution 2011 Business Expansion

Business Portfolio Targets



Entrenching Core Business and Creating New Services

- Quantitatively expand outsourcing, software development and solution services and boost profitability.
- Anticipate market changes and respond with improved service content and a higher value-added quality.
- Develop business activities globally, paralleling the movement of clients, and pursue business opportunities in overseas markets.
- Pursue new businesses, with a focus on business platform services.
- Offer an extensive range of consulting services, including advice to assist clients achieve business reforms utilizing IT.
- Create new services that utilize IT to support positive social change, and turn these services into operating pillars.

Outsourcing Services — High-Tech Responses to Social Demands

Next-Generation Data Centers

Data centers, particularly those that support disaster recovery and global outsourcing, will be attracting greater corporate attention. Environmental considerations, such as heat generation and rising electricity consumption at facilities, will also be of growing concern to companies as the integration density of servers increases.

The IT Holdings Group is developing sophisticated next-generation data centers that will ameliorate such concerns. At these facilities, we will apply environmentally conscious green IT initiatives and introduce leading-edge technologies to automate and standardize operations.

By March 2012, when IT Evolution 2011 draws to a close, floor space at our next-generation data centers, including the Gotenyama gDC (green Data Center), will have increased by more than 20,000 m^2, to 126,000m^2. Gotenyama gDC alone will give IT Holdings the distinction of having the largest data center in Japan. We will utilize this data center as a hub from which to expand our business activities.

Expanding IT Platform Services

To address IT platform issues, we will apply various solutions, including virtualization technology, server integration and thin clients. We will help clients control information system costs with one-stop access to reliable, high-availability IT platforms as well as services covering everything from platform configuration to operation.


Concept drawing of Gotenyama gDC

Software Development Services — Shared Know-How and Offshore Capabilities

The IT Holdings Group boasts the largest software development capacity of any IT services group in Japan. We will draw on this strength, sharing accumulated know-how and development benchmarks within the Group, standardizing this information, and extending our offshore capabilities to improve software development quality and productivity.

We aim to establish proprietary solutions, particularly F3 ("F-Cube"), an information solution for financial institutions, CreditCube, a next-generation system for credit card companies, and Yuito and Sokuto, identity management products, as de facto industry standards. We will also promote Group products to a wider corporate audience to raise our profile and foster corporate growth.

Overseas Business — Responding to Globalization of Clients

Alliances with international companies engaged in IT outsourcing enables the IT Holdings Group to address the IT service needs of Japanese companies developing a presence abroad.

Also, in association with the newly constructed Tianjin Data Center and local companies under the Group umbrella, we will expand data center and IT system configuration services to support the business pursuits of companies in China, both Chinese-owned operations and those established through Japanese, European and U.S. investment.

New Businesses — Addressing Social Change from a Medium- to Long-term Perspective

We will apply internal and external resources, including groupwide client bases and alliances, to the development of new services that will support positive social change through IT over the medium to long term.

Business platform services

The business platform services under consideration should be comprehensive, from network-facilitated system resources, such as hardware, storage and operating systems, to shared functions, such as administrative applications and recognition/security capabilities. Through these services, clients can use, at a reasonable cost, whatever functions they require for their respective information systems.

We expect these functions to integrate seamlessly into an existing information system.

Consulting business

The companies under the Group umbrella have consultants who provide guidance on system planning, systemization requirements and other IT topics that might arise during the planning of an information system or the introduction of packaged software.

Information systems are indispensable to any corporate operating strategy. Therefore, under IT Evolution 2011, we will emphasize training for employees and expand the scope of available consulting services to underscore our position as a strategic partner—a value-creating partner—that helps clients achieve their business goals.

Joint product development with alliance partners

Medium- to long-term strategic alliances with prominent companies will grant us access to the expertise for which our respective partners are known. Jointly, we will combine our partners' know-how with our own industry- and service-specific competence and extensive background in system development and operations to plan and develop products that we can promote under the IT Holdings brand.

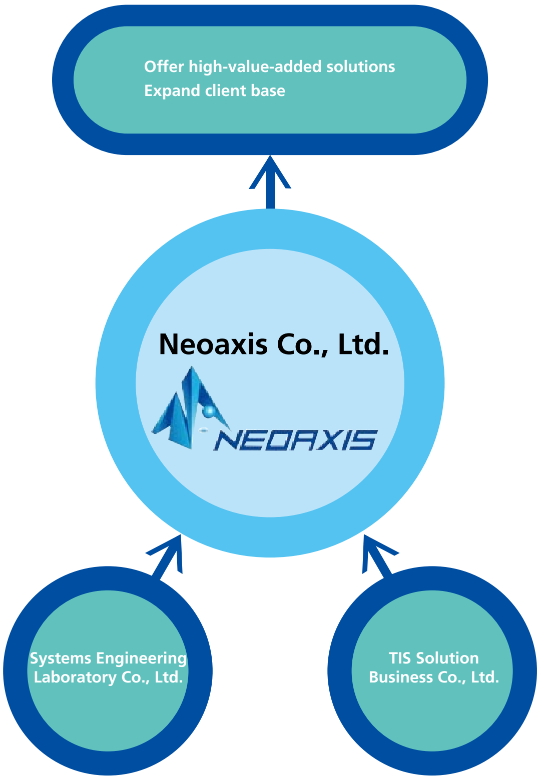
Integrating Subsidiaries to Maximize Group Synergies

Debut of Neoaxis

In accordance with the Group's medium- to long-term strategies, IT Holdings integrated two subsidiaries, Systems Engineering Laboratory Co., Ltd. (SEL), and TIS Solution Business Co., Ltd (TSB), on July 1, 2009, to form Neoaxis Co., Ltd.

The forte fields of both companies are very similar. SEL concentrated on sales and system development activities, with a focus on LANSA, a packaged software for IBM Japan's iSeries business server for midsized growth companies. Meanwhile, business activities at TSB hinged on access to groupware, particularly Lotus Notes/Domino, as well as software development and sales of system products. Management integration will maximize respective strengths and raise the high-value-added quality of solutions from Neoaxis.

Neoaxis will also demonstrate synergy derived through complementary client groups. SEL addressed the needs of growth companies and TSB catered to major corporations, and together, they bring to Neoaxis an expanded client base with no duplication.



Company Profile

Name:	Neoaxis Co., Ltd.
Head office:	17-12, Kiba 2-chome, Koto-ku, Tokyo
Representatives:	Masayuki Takahashi, President Kazunori Kawasaki, Vice President
Date of establishment:	July 1, 2009
Paid-in capital:	¥616.8 million
Shareholder:	IT Holdings (100%)
Number of employees:	Approximately 270 (at time of management integration)
Business content:	Computer software development, sales and maintenance Sale of computers and peripheral equipment

Promoting Shared Back-Office Operations

Established IT Service Force

A priority for IT Holdings in its first year of business was to promote shared back-office operations. This effort culminated in the establishment of IT Service Force Inc. (ITSF), on April 1, 2009.

ITSF will be the driving force of enhanced efficiency in common back-office operations throughout the Group, and will contribute to lower costs and higher service quality. The move to shared services for various administrative tasks should lead to a ¥1 billion decrease in groupwide costs.

Company Profile

Name:	IT Service Force Inc.
Head office:	11-38, Toyo 4-chome, Koto-ku, Tokyo
Representative:	Kiyoshi Nakagawa, President
Date of establishment:	April 1, 2009
Paid-in capital:	¥8 million
Shareholder:	IT Holdings (100%)
Number of employees:	85* (at time of establishment) *includes temporary staff
Business content:	Entrusted with administrative tasks related to general affairs, labor services, accounting and procurement/ purchasing

To Achieve Further Business Expansion

Acquired Shares in Nexway

INTEC Inc., a Group company, acquired all shares in Nexway Co., Ltd., effective July 11, 2008.

Nexway started out in July 1988 as the fax broadcasting service division of Recruit Co., Ltd. In October 2004, the division was split off into an incorporated company and has grown through the development of such services as simultaneous fax distribution.

Through the equity connection, INTEC and Nexway can integrate their technological and operational capabilities to further the provision of high-quality, highly reliable fax-related services. Together, they can also target a wider client base for business platform services, which distribute not only facsimiles but also documents and other information.

Company Profile

Name:	Nexway Co., Ltd.
Head office:	13-1, Katsudoki 1-chome, Chuo-ku, Tokyo
Representative:	Jun Fukami, President
Date of establishment:	October 1, 2004
Paid-in capital:	¥300 million
Shareholder:	INTEC Inc. (100%)
Number of employees:	96 (as of April 1, 2009)
Business content:	Services to distribute information

TIS, INTEC, Intec Systems Institute and Intec NetCore form the core of the Group's leading-edge R&D pursuits in the domains described below. In some domains, where members of the TIS Group and the INTEC Group are working together, the benefits of management integration are already evident.

(1) Software development technology

Production technology R&D is approached from two angles: high quality and high productivity. The results are indispensable components of a corporate structure resilient to business downturns. Therefore, production technology is an R&D theme that the entire Group actively addresses.

In fiscal 2009, INTEC, Intec Systems Institute and TIS were jointly involved in the design and configuration of a virtual project room—a type of Platform as a Service, or PaaS—for software developers.

On its own, INTEC reviewed modeling techniques for service-oriented architecture, or SOA, ran verification tests on Business Process Execution Language—more commonly, BPEL—engines for workflow processing, considered possible improvements to enhance global software development practices, and investigated trends in agile software development techniques.

Meanwhile, TIS tackled the creation of better development methodologies for upstream processes, such as requirement definitions and process modeling, and better performance prediction and verification environments, implemented operations frameworks, and developed and further augmented static testing tools. In addition, the company launched full-scale in-house configuration management support and maintained conditions conducive to reduced project load and higher quality of delivered product.

(2) Service platform technology

Platform technology R&D enables the Group to anticipate the market changes that accompany technological innovation and underpins the development of new products and new services.

Recent activities in this area have emphasized R&D on real-time, high-quality distribution systems compatible with networks, especially next-generation networks, as well as verification tests on platforms to support the anticipated programming creation needs of cable television providers.

Of note, Intec Systems Institute and Intec NetCore teamed up with NTT Corporation to write two solutions that address problems in the basic specifications of IPv6 (Internet Protocol version six). The Internet Engineering Task Force officially issued a request for comments on the proposed requirements for address-selection mechanisms in July 2008.

In addition to the development of demo solutions for data centers using the IPv6 platform, engineers involved in platform technology R&D have delved into local WiMAX (worldwide interoperability for microwave access) technology, which offers the portability of Wi-Fi (wireless fidelity) but with broader coverage, to support the WiMAX project set up jointly by INTEC and the Keio Research Institute at the Shonan-Fujisawa Campus of Keio University. They also studied various WiMAX techniques and considered related business models.

(3) Next-generation IT constituent technology (industry-specific emphasis)

In the area of next-generation IT constituent technology, engineers take an industry-specific approach, narrowing their research focus to technology specifically of use to client sectors and pursuing related R&D.

A recent success was the creation of an SOA-based reference model that enables business platforms connecting the manufacturing, wholesaling and retailing operations of multiple companies to be provided as a Software as a Service, or SaaS, solution. This model was applied to the development and evaluation of a prototype featuring open-source products, including an enterprise service bus, BPEL engine and portal server.

Efforts were also directed toward pinpointing trends among members of the distribution sector regarding their use of supply chain management.

The Group operates an netizen site—an e-learning environment for ordinary citizens to promote lifelong study—and is pursuing other activities, including a joint effort with the University of Toyama to explore overseas examples of e-portfolios—web-based information management systems utilizing electronic media and services to build a collection of learning materials and completed work—and design a trial system for use in Japan. WHO is also involved in the local information platform verification project promoted by the Ministry of Internal Affairs and Communications.

Another area of interest is the emergence of new health care service segments. To reinforce the Group's ability to meet evolving demand associated with these new segments, assigned personnel carefully track the national policy on online access to medical information, the status of verification tests on an application platform for health information, and health care guidelines.

(4) Next-generation IT constituent technology (advanced constituent technology)

Engineers also conduct R&D on next-generation IT constituent technology at the industry's leading edge.

Intec Systems Institute pursued the development of a website security information analysis function with blog analysis technology for LogRevi, an INTEC product, as well as a system to link posted information. The company also marketed the telepathology system it developed in fiscal 2008 for remote diagnosis as well as a newly developed prototype for an automated asbestos measurement system.

Meanwhile, Intec NetCore turned several years of R&D into a multiprotocol label switching network management system and has already delivered the system to three major communication carriers in Japan. In July 2008, the company created a business entity to market the system and plans to promote the system overseas. In addition, with the pool of unallocated IPv4 addresses drying up and the issue finally prompting real action, Intec NetCore will bolster its consulting and transfer support businesses to help clients in their transition from IPv4 to IPv6 technology.

Multihoming is a technique essential to the realization of highly reliable communication networks, whereby several IP addresses are used to connect a host to the Internet. This imparts resilience against malfunction of links, hardware and protocols within the system. Intec NetCore developed a measurement technique that pinpoints the quality of each Internet connection in the IP network and began analyzing and storing Internet measurement quality data from Japan and overseas. The company is now working to commercialize services featuring multihoming and connectivity quality measurement techniques and fine-tuning methods to optimize network resources.

TIS verified deployment of jBPM—a platform for executable process languages, from business process management (BPM) over workflow to service orchestration—as a process-oriented development technique. The company also verified a virtualization technique using open-source software to achieve stable operation at high load.

(5) Bioinformatics-related systems

Intec Systems Institute redrafted its bio-business vision to further clarify its direction and objectives in the area of bioinformatics technology. In the new vision, the ultimate goal is to be a bio/health industry innovator, going beyond simple IT-based business support for biotechnology and health and medical services sectors to play a pivotal role in transforming the industry itself.

Toward this goal, the IT Holdings Group, as a whole, is emphasizing system R&D that maximizes years of experience developing medical information systems and utilizes in-house knowledge of bioinformatics technology to meet evolving demand for new health and medical services. This trend has emerged not only because of the heavier cost burden that the nation now bears but also because people, in general, are increasingly keen to do whatever they can to maintain and promote good health and prevent lifestyle-induced diseases, typified by metabolic syndrome.

In research with non-Group partners, the results of a collaborative effort between Intec Web and Genome Informatics Corporation and Japan's Institute of Physical and Chemical Research, known as RIKEN, on a bioinformation analyzer, analysis method and analysis program were patented. The challenge was to determine the genetic switch responsible for life phenomena, and the structural principle that controls the circadian clock in mammals was successfully identified. The next challenge will be to create a technique that cracks the biomechanisms of diseases and drug side effects at the genetic level for application in innovative drug development.

Intec Web and Genome Informatics is also participating in the Functional RNA Project—a five-year, strategic R&D effort launched by the Ministry of Economy, Trade and Industry in 2005—as a member of the Japan Biological Informatics Consortium. The company is responsible for bioinformatic R&D aimed at finding and analyzing functional RNA. A highlight of the results achieved to date is the expanded scope of a patent for a microRNA analyzer, analysis method and analysis program overseas. The company will now focus on research to get practical results out of the technique, such as discovering new biomarkers.

(6) Other R&D pursuits

Intec Systems Institute applied for four new patents in fiscal 2009. For R&D in progress, the company provides updates through scientific papers, outside lectures and articles in the INTEC Technical Journal.

The company also takes an active position in cultivating the skills of tomorrow's software and system engineers. Efforts include support for training programs, such as the one at the University of Toyama that emphasizes practical concepts in product development, and special lectures at Toyama Prefectural University.

In the Internet realm, industry experts reckon the pool of unallocated IPv4 addresses in Japan will dry up sometime between 2010 and 2011. Intec NetCore has assumed a leadership role, substantiated by a seat on the board of Task Force on IPv4 Address Exhaustion, Japan, to ensure the industry responds seamlessly to IPv6 transition issues and to encourage a wider embrace of IPv6.

TIS is tackling the challenge of raising the skill set of IT architects. The company tested out a new process in fiscal 2009.

Total R&D expenses in fiscal 2009 reached ¥946 million.

Profile
Consolidated Financial Highlights
To Our Stakeholders
First Medium-term Management Plan
Business Strategy
Research and Development
Corporate Governance
Business Risks
Business Report (Consolidated) for Fiscal 2009
Financial Section
IT Holdings Group Corporate Data

I. Basic Policy

To maintain the trust of all stakeholders, including clients and shareholders, and to be a corporate citizen that meets the expectations of society, the Company will strive to reinforce corporate governance, not only by raising the transparency and soundness of management practices but also by paying constant attention to the actions taken in the pursuit of business. These efforts will ensure suitable levels of corporate ethics and legal compliance.

1. Organizational Structure and Status of Internal Control System

(1) Basic Outline of Corporate Bodies

The Company's Board of Directors shall comprise no more than 15 members, as set forth in the Articles of Incorporation. The Board meets monthly, but will also convene whenever necessary to discuss and finalize decisions regarding important business activities and legal matters pertaining to the execution of operations.

A groupwide executive officer system and an executive committee support and expedite decision-making efforts relating to the execution of duties by representative directors.

(2) Cooperation between Corporate Auditors and the Accounting Firm, Group Compliance Office and Other Units Involved in Internal Audits

The Company maintains a corporate auditor system. The Board of Corporate Auditors comprises four auditors, three of whom are outside auditors. Corporate auditors attend Board of Directors' meetings, examine important documents, perform audits of subsidiaries and, when necessary, seek the opinion of others, including the Company's accounting firm, the Group Compliance Office and other units involved in internal audits. They also keep close watch over the execution of duties by directors regarding business and operating activities.

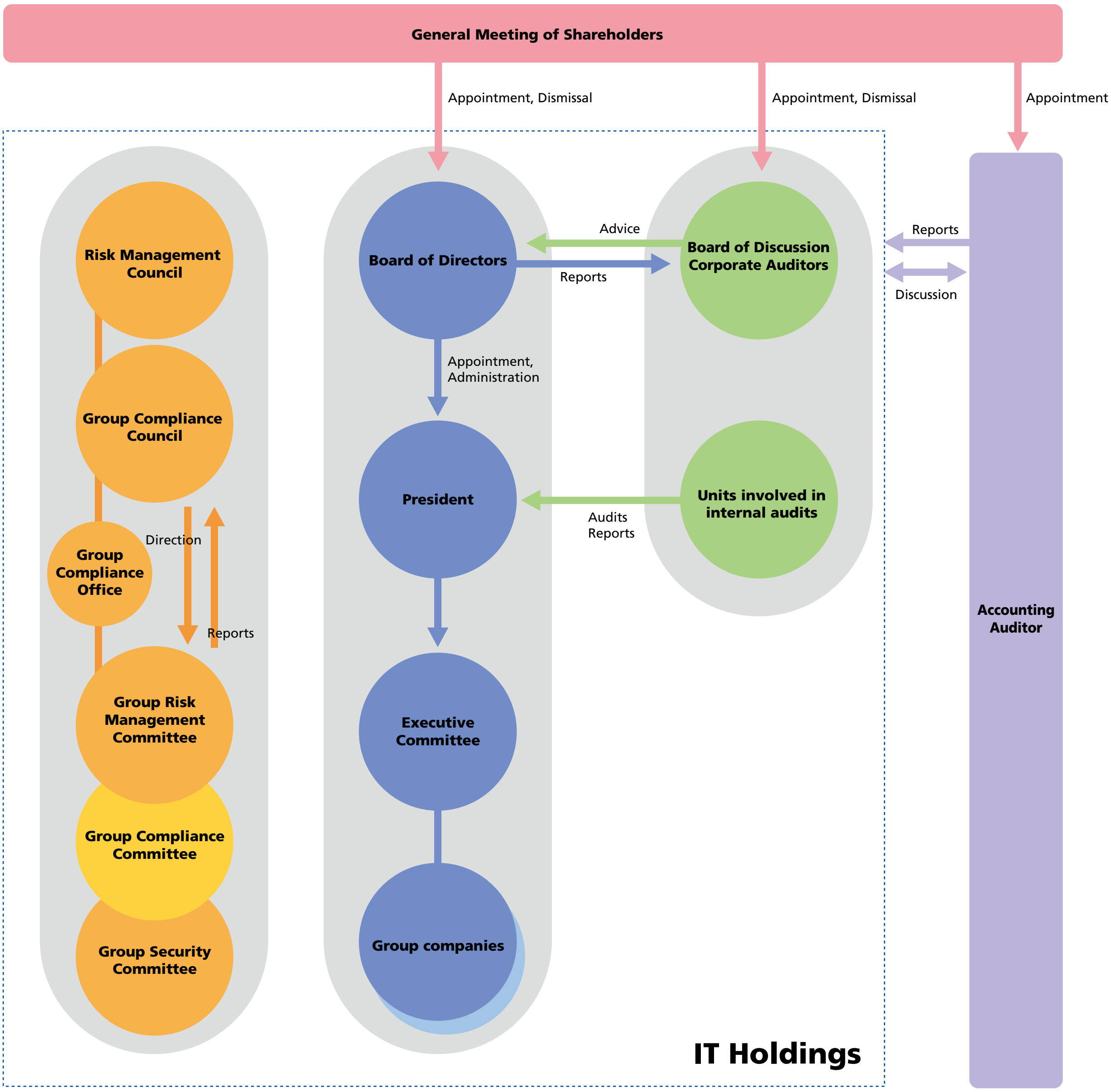
The Group Internal Audit Office, comprising two members, is an internal auditing unit under the Compliance Division. This office exchanges information, as necessary, with units involved in internal audits at Group companies and strives to ensure effective, high-caliber internal audits on a groupwide basis.

(3) Status of Internal Audits and Auditors' Audits

To reinforce the stewardship function of the Board of Directors, two of the eight directors have come from outside the Company. The responsibilities of individual directors are clearly defined and the term of office is limited to one year to create a flexible structure primed for responses geared to changes in the operating environment.

The Executive Committee meets as situations require to monitor progress of the business and affairs of the Group. This committee also discusses important issues related to the execution of operations, shares information and generally underpins enhanced governance of the Group.

Compliance Regulations have been prepared to ensure a standard level of compliance throughout the Group. Internal audits are conducted on all activities, including compliance efforts, and compliance workshops are held to raise awareness of pertinent issues.



(4) Accounting Audits

The Company has engaged Ernst & Young ShinNihon LLC as independent auditor responsible for accounting audits.

The certified public accountants who conduct audits of the Company's books are as follows.

Certified public accountant	Osamu Oyama (one year of auditing IT Holdings)
Certified public accountant	Yoshiyuki Matsumoto (one year of auditing IT Holdings)
Certified public accountant	Masato Saito (one year of auditing IT Holdings)
Number of assistants involved in accounting operations	Certified public accountants 5 Other assistants 11

(5) Approval Criteria for Election of Directors

In its Articles of Incorporation, the Company sets forth a clause stating that the appointment of a candidate to the Board of Directors must be approved by a majority vote of shareholders in attendance whose combined shareholdings represent more than one-third of total voting rights held by shareholders with the ability to exercise such rights. The Articles of Incorporation include a clause preventing cumulative voting in obtaining approval of appointment for director candidates.

(6) Approval Criteria for Special Resolutions at the General Meeting of Shareholders

Special resolutions described under Article 309, Paragraph 2 of the Company Law that are put before the general meeting of shareholders must, in accordance with a clause provided by the Company in its Articles of Incorporation, be passed with a number of votes corresponding to more than two-thirds of voting rights held by shareholders in attendance whose combined shareholdings represent no less than one-third of total voting rights held by shareholders with the power to exercise such rights. Management believes that this reduced quorum for special resolutions facilitates the execution of the general meeting of shareholders.

(7) General Meeting of Shareholders' Agenda Items that Can Be Resolved by the Board of Directors

(i) Seeking to achieve a flexible capital policy geared to the operating environment, the Company provides in its Articles of Incorporation a clause allowing the Board of Directors to approve the purchase of treasury stock from the market, in accordance with Article 165, Paragraph 2 of the Company Law.

(ii) The Company's Articles of Incorporation include a clause that grants the Board of Directors the authority to approve the distribution of retained earnings to registered shareholders as of September 30 each year, as described in Article 454, Paragraph 5 of the Company Law, to promote the flexible return of profits to shareholders.

(8) Limited Liability Agreements with Outside Directors and Outside Corporate Auditors

In accordance with Article 427, Paragraph 1 of the Company Law, the Company enters into agreements with its outside directors and outside corporate auditors that limit their liability for compensation under Article 423, Paragraph 1 of the Company Law. The amount of liability pursuant to such agreements shall be limited to the minimum stated in Article 425, Paragraph 1 of the Company Law.

(9) Relationship with Outside Directors and Outside Corporate Auditors

The Company has two outside directors and three outside corporate auditors, none of whom maintains any business relationships with the Company.

2. Compliance and Risk Management

The Company created a corporate social responsibility code of conduct, and the president continually reinforces the spirit of this code to executives to ensure that the corporate activities overseen by executives are undertaken in compliance with the law and underpinned by respect for social principles. To reinforce compliance and risk management practices, the Company has established the following structures.

(1) Group Compliance Department and Group Compliance Committee

The Company established the Group Compliance Department to maintain a companywide compliance structure and actively strives to pinpoint problem areas. These efforts are supported by the Group Compliance Committee, chaired by the president, where important issues related to compliance are discussed. The results of such discussions are presented to the Board of Directors in a report format.

(2) Status of Risk Management System

In the execution of its business activities, the Company is always aware of the various risks that accompany such activities. The risks of greatest weight for the Company, as an organization that handles information, are natural disasters, such as earthquakes, which could damage data centers, and information leaks, particularly unauthorized disclosure of personal information.

Risk management is practiced at all Group companies, and the Risk Management Committee plays a key role in overseeing risk management activities throughout the Group. In addition, the Company is ready to act quickly with various response teams, if a vulnerability is discovered. This is part of an internal structure to minimize the impact of a risk situation on operations by ensuring sufficient communication within the Group.

The Company created the Group Compliance Committee as a component of its risk management strategy to reinforce compliance practices and thereby enhance risk management.

These groupwide structures will be reviewed as necessary to keep responses current to the changing risks that mirror the evolution of the Group's business activities and market conditions.

(3) Executive Compensation

Total annual compensation for directors:
¥202 million, including ¥12 million for outside directors.

Total annual compensation for corporate auditors:
¥51 million, including ¥30 million for outside corporate auditors

Notes:
1. The employee salary portion of employees concurrently holding positions as directors is not included in the total of directors' salaries.
2. Total compensation paid to directors and corporate auditors in the fiscal year under review—the year ended March 31, 2009—was within ¥25 million per month for directors and within ¥7 million for corporate auditors, in accordance with Article 3 of supplementary provisions in the Company's Articles of Incorporation.
3. As of March 31, 2009, the Company had eight directors, two of whom were outside directors, and four corporate auditors, three of whom were outside corporate auditors. The number of directors differs from that presented above, because two directors did not receive compensation.
4. The Company has not introduced a retirement benefits system nor does it pay out bonuses.

(4) Fixed Number of Directors

As set forth in the Company's Articles of Incorporation, the number of directors of the Company shall be 15 or less.

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IT Holdings Group Corporate Data

II. Auditors' Compensation

1. Compensation to Certified Public Accountants

(Millions of yen)

	Year ended March 31, 2008		Year ended March 31, 2009	
	Compensation for audit certification	Compensation other than for audit certification	Compensation for audit certification	Compensation other than for audit certification
The filing company	¥ —	¥ —	¥ 35	¥ 14
Consolidated subsidiaries	—	—	223	88
Total	—	—	258	103

2. Other Major Compensation

None.

3. Non-Auditing Services Provided by the Accounting Audit Company to the Company

The Company pays the accounting audit company to provide the following services, in addition to the services covered in Article 2, Paragraph 1 of the Certified Public Accountants Law.

To verify the implementation and utilization status of the internal control system, based on Auditing Standards Committee Report No. 18 issued by the Japanese Institute of Certified Public Accountants.

4. Policy regarding Compensation for Audits

The Company has not established a policy regarding compensation for audits executed by certified public accountants. The Company maintains an appropriate amount in line with the audit plan formed by certified public accountants and determines compensation for audits with the approval of the Board of Corporate Directors.

IT Holdings Group

Basic Direction on CSR

The management philosophy that permeates the IT Holdings Group stresses the Group's development into a corporate citizen whose activities, hinging on the provision of various services utilizing IT, match its status as a leading corporate group. This philosophy also underpins the Group's efforts to raise corporate value, supported in this effort by the high regard of all its stakeholders, including clients and shareholders as well as employees and their families.

The Group's stand on corporate social responsibility is evident in its commitment to cultivate a vibrant corporate culture that encourages the companies and individuals under the Group umbrella to work toward higher goals and embrace new challenges, to be honest and fair in business pursuits based on respect of the law, of course, as well as high moral standards, and to fulfill social obligations.

This is the Group's basic direction on CSR.

Ensure sound, transparent management practices	Acknowledge responsibilities as a leading corporate group in the IT services industry and undertake sound corporate activities with integrity and clarity of purpose. In addition, be sincere and fair in dealings with all stakeholders.
Provide optimum services	Always provide the very best to clients and strive to raise customer satisfaction levels through excellent quality and technology built on the composite strengths of the Group.
Develop talent	Cultivate an environment in which employees always look ahead, striving to achieve higher goals and embracing new challenges. Provide opportunities to grow and realize personal goals, create a safe and productive work environment, and give everyone the freedom to reach their potential.
Respect the law	Maintain high corporate morals, obey the law and uphold parameters of socially acceptable conduct. Have absolutely nothing to do with antisocial forces.
Maintain fair business practices	Ensure an appropriate perspective on business transactions, based on fair and open competition.
Protect the environment	Recognize that environmental problems warrant universal attention and promote efforts to save resources and energy in the execution of corporate activities. Also, through IT services, support clients' efforts to enhance operating efficiency and reduce energy consumption, thereby contributing to lower environmental impact.
Contribute to society	Actively participate in community events as a corporate citizen whose social standing matches its leading industry status.
Be a part of the international community	Naturally, obey internationally recognized rules and local laws in the execution of cross-border projects, but also contribute to social and economic development in the countries where the Group maintains a presence by recognizing local culture and customs.

Business Risks

As the Group pursues the strategies outlined in the medium-term management plan, risks specific to each business segment may arise. In software development, for example, projects could turn unprofitable, while in 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 effect 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 26, 2009.

(1) Large-scale natural disasters

Outsourcing services continue around the clock every day of the year at data centers in metropolitan Tokyo and Osaka as well as locations in Tochigi Prefecture, Toyama Prefecture and Aichi Prefecture. 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, 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) Pandemics

People—that is, employees—form the cornerstone of the services provided by the Group. The business activities of the Group could be significantly disrupted if a pandemic, such as H1N1—the new influenza strain that appeared in spring 2009—were to strike in areas where the Group or its alliance partners operate, preventing employees from working and partner companies from maintaining production schedules.

Management will carefully track the actions of the Japanese government and the World Health Organization in the event of a pandemic, and will draft measures, such as enhanced hygiene standards at all business locations, including data centers, and self-imposed restrictions on the transfer of business to infected regions, geared to the spread and severity of the sickness.

Summary

During the period under review, the domestic economy entered a steep recession, as repercussions from the deepening financial crisis—triggered by the U.S. subprime mortgage problem in the summer of 2007—caused economic conditions to deteriorate rapidly on a global scale and prompted dramatic swings in stock prices and exchange rates. These factors, in turn, led to significant declines in corporate earnings in Japan and exacerbated an already worrisome unemployment situation. How the situation will play out is still an open question, since prevailing circumstances remain too uncertain to permit even a best-guess scenario.

The IT services industry also encountered challenges, characterized by an obvious trend toward reduced investment by companies hurt by shrinking profits and the economic downturn. In its December 2008 tankan (Short-term Economic Survey of Enterprises in Japan), the Bank of Japan predicted a year-on-year decline in software investment for the fiscal year ending March 31, 2009. The March 2009 tankan revealed an even bleaker situation.

Against this backdrop, the IT Holdings Group performed well overall, buoyed by subsidiaries that were favorably rewarded for being able to accurately identify the IT investment needs of major clients. Of note, TIS Inc. completed the system development phase of large-scale projects that had stretched over several fiscal years and welcomed successful system startups beginning in November 2008.

All told, on a consolidated basis, net sales reached ¥338,302 million, operating income came to ¥23,787 million, and recurring profit settled at ¥23,604 million. Net income was held to ¥9,407 million, owing to the booking of ¥2,199 million in valuation loss investments in securities.

A breakdown of performance according to business segment is provided below.

Outsourcing and Network

The outsourcing and network segment utilizes data centers to provide outsourcing and various services inherent in system operation and network configuration. In fiscal 2009, outsourcing and network services generated consolidated net sales of ¥125,721 million, supported by favorable sales to major clients and the inclusion of results by Nexway, which became a subsidiary in July 2008.

Software Development

The software development segment offers comprehensive system integration services, from the planning of information systems through configuration. In fiscal 2009, software development services delivered consolidated net sales of ¥175,847 million, largely due to the booking of sales on large-scale projects as well as new projects.

Solution Services

The solution services segment focuses on the sale of software and hardware. In fiscal 2009, solution services faced an uphill battle for sales, reflecting a lull in replacement demand among high-volume clients as well as retreating interest in hardware due to deteriorating economic conditions. Consolidated net sales amounted to ¥29,409 million.

Other Business

The other business segment covers leasing operations and ancillary services associated with the provision of information systems.

Fiscal 2009 Performance Summary: Breakdown of Net Sales by Principal Group Companies

(Millions of yen)

Fiscal 2009 actual	IT Holdings Consolidated	Principal Group Companies					
		TIS Nonconsolidated	INTEC	UFIT Consolidated	Agrex Consolidated	Qualica	AJS
Net sales	338,302	111,741	96,618	45,240	26,748	19,363	10,565
Outsourcing and network	37.2%	30.4%	31.9%	54.4%	57.4%	27.6%	55.8%
	125,721	33,966	30,785	24,628	15,352	5,348	5,890
Software development	52.0%	59.1%	59.3%	40.1%	42.5%	41.4%	44.2%
	175,847	66,009	57,288	18,126	11,372	8,021	4,674
Solution services	8.7%	10.5%	8.8%	5.5%	0.1%	31.0%	
	29,409	11,765	8,545	2,486	22	5,993	–
Other business	2.2%						
	7,325	–	–	–	–	–	–
Operating income	7.0%	5.4%	6.4%	11.0%	3.9%	8.9%	6.8%
	23,787	6,001	6,171	4,960	1,041	1,728	715
Recurring profit	7.0%	6.3%	5.8%	11.2%	3.8%	9.0%	6.7%
	23,604	7,010	5,604	5,050	1,023	1,746	706
Net income (loss)	2.8%	1.9%	3.2%	6.0%	1.3%	5.0%	5.9%
	9,407	2,174	3,134	2,720	344	971	619

IT Holdings was established on April 1, 2008, as a joint holding company by TIS and INTEC Holdings through management integration. Fiscal 2009, the Company's first business year, was designated as a time to lay a solid foundation for growth, and management diligently addressed several priorities, including drafting the Group's first medium-term management plan, which outlines measures to spur growth over the medium and long term. Concerted efforts were also directed toward deriving synergies among Group companies, promoting shared back-office operations, and redefining the Group structure.

A system for enhancing communication among Group companies went smoothly into place and is already showing positive results, namely, joint projects, realized through more opportunities to discuss business prospects that benefit from the participation of more than one Group company.

Dividends

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 2009, no interim dividend was paid, because the books for the Company's first fiscal year had not been closed. However, management intends to pay a year-end dividend of ¥32 per share, comprising a regular dividend of ¥27, as planned, and a ¥5 bonus to commemorate the management integration that created IT Holdings.

For fiscal 2010, management is prepared to pay an annual dividend of ¥32 per share, as the ¥5 bonus in the fiscal 2009 dividend becomes part of the regular dividend. The interim dividend is set for ¥12 per share.