IT Holdings Corporation

ANNUAL REPORT 2009

Year Ended March 31, 2009

IT Holdings Group

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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.

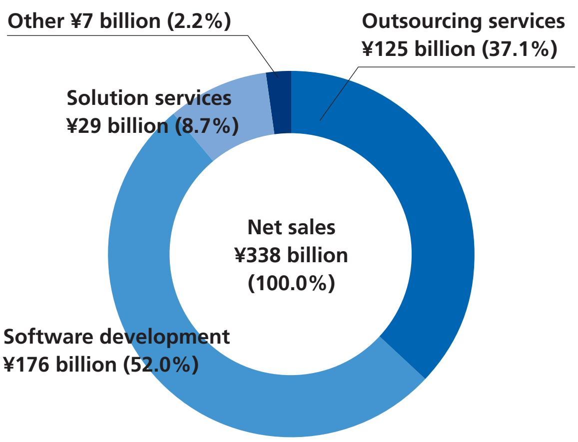
Consolidated Financial Highlights (Year ended March 31, 2009)

IT Holdings Corporation and Consolidated Subsidiaries

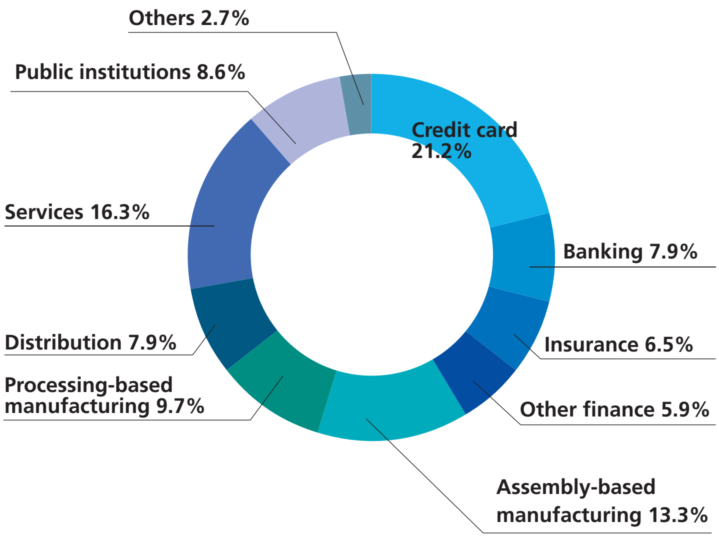
	2009 Millions of yen	2009 Thousands of U.S. dollars
For year ended March 31:		
Net sales	**¥338,302**	$3,443,979
Operating income	**23,787**	242,159
Net income	**9,407**	95,761
At year-end:		
Total assets	**295,327**	3,006,485
Total net assets	**146,216**	1,488,511
Net cash provided by operating activities	**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

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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.

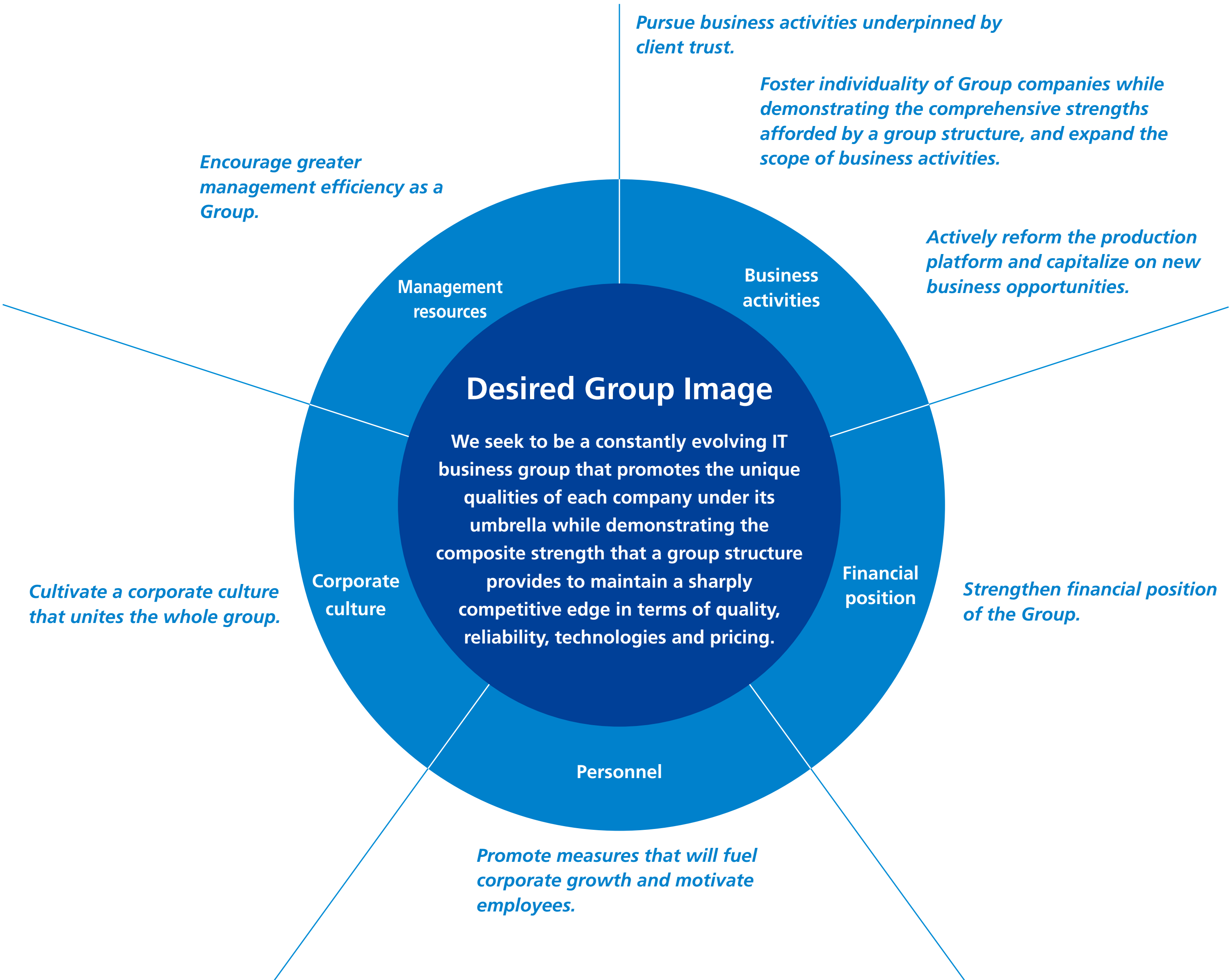
The "IT" in IT Evolution 2011 represents many concepts:

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.

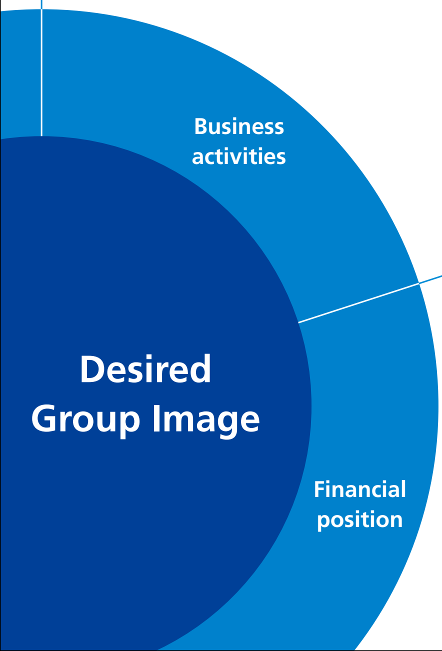
In the outsourcing and network business, we will quickly develop next-generation data center formats, encapsulated by such words as green, global, cloud, virtualized, automated and BCP (business continuity plans). This emphasis will make us the top IT services group in Japan.

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.



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.

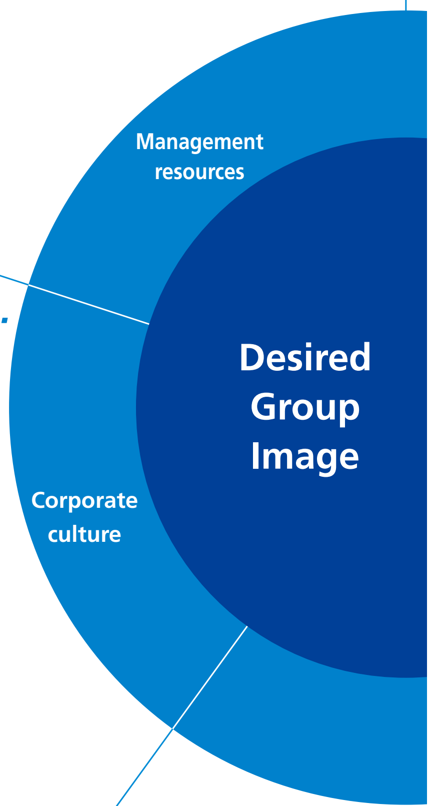
Promote measures that will fuel corporate growth and motivate employees.

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.



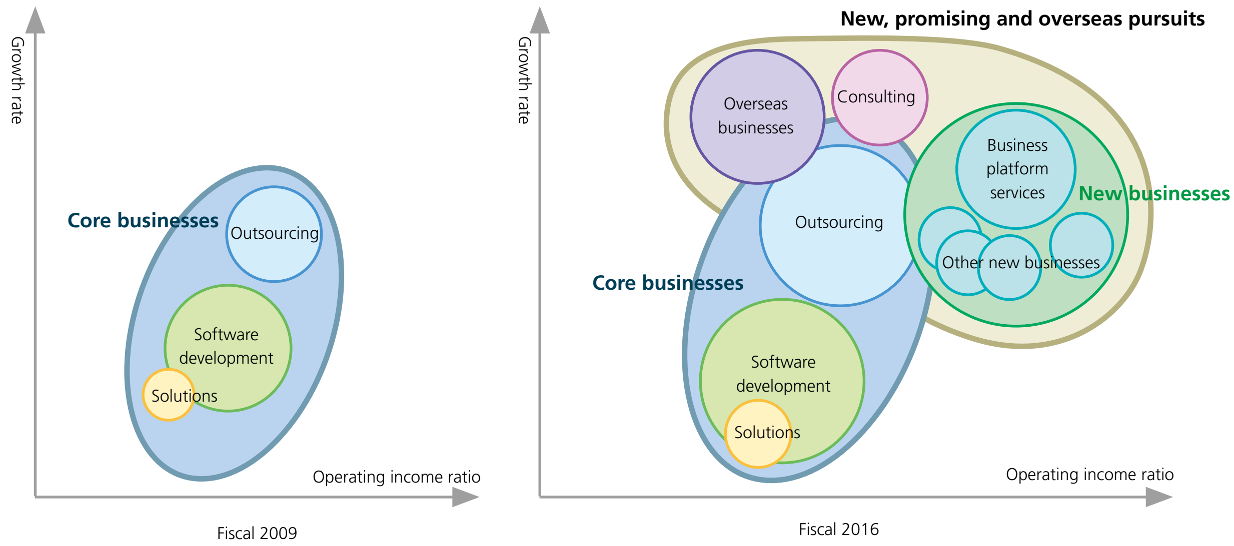
Cultivate a corporate culture that unites the whole group.

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

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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.

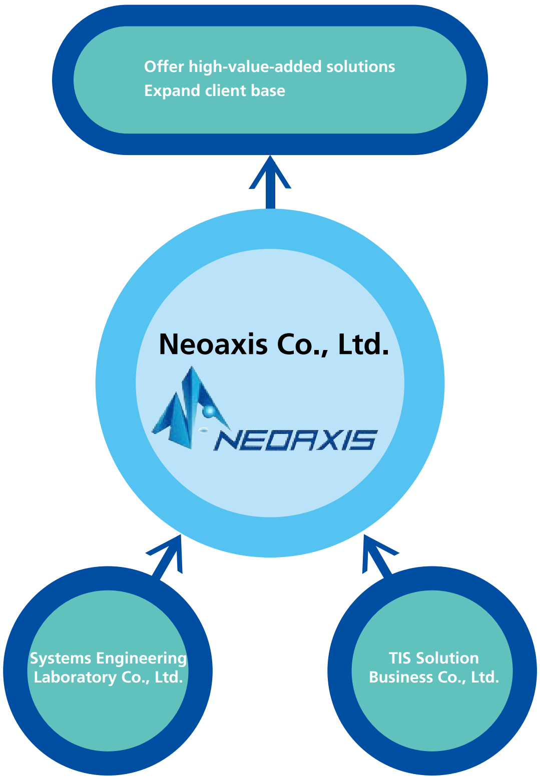
Integrating Subsidiaries to Maximize Group Synergies

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.

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.

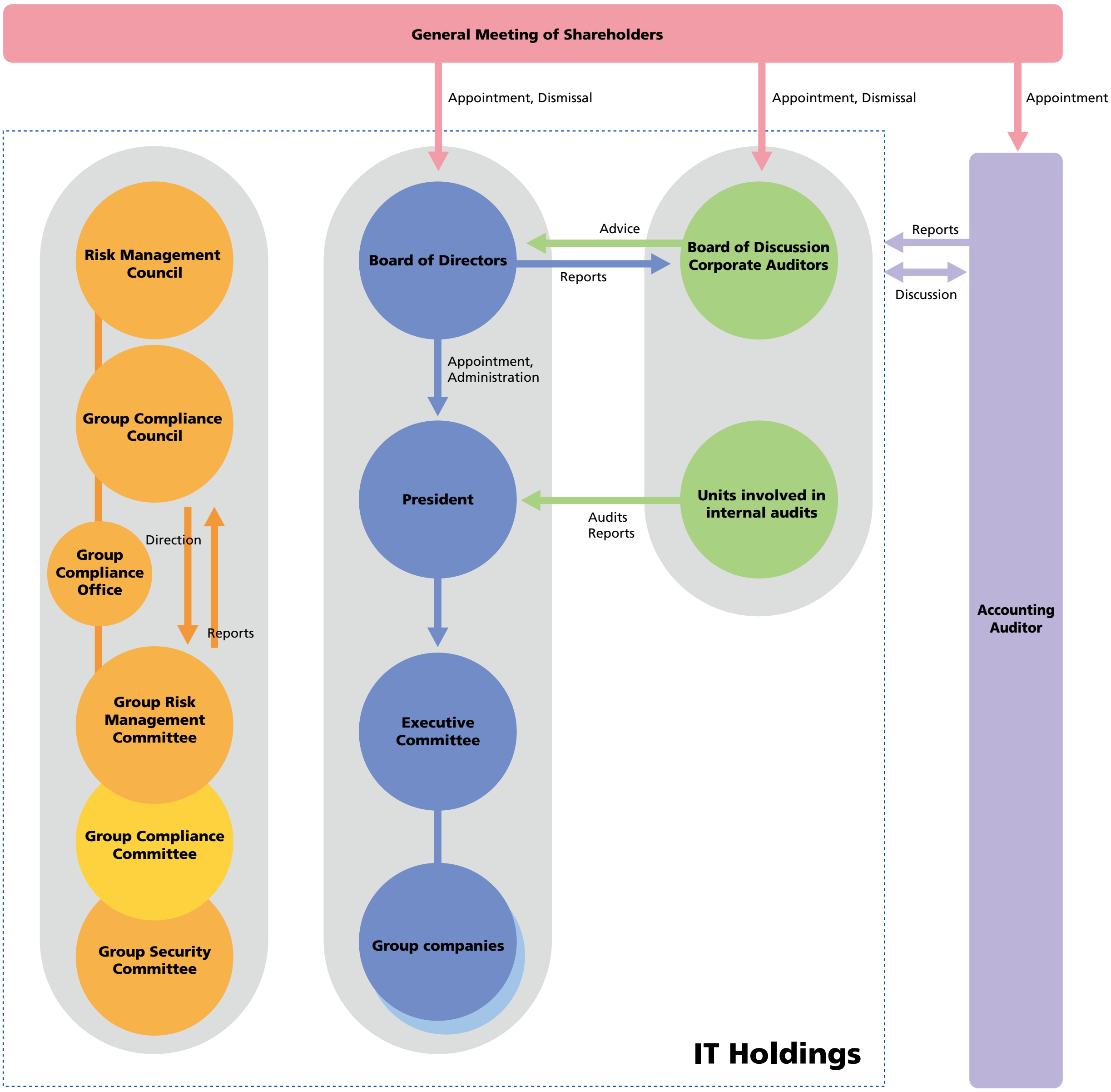
The Group Internal Audit Office, comprising two members, is an internal auditing unit under the Compliance Division. This office exchanges information, as necessary, with units involved in internal audits at Group companies and strives to ensure effective, high-caliber internal audits on a groupwide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



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(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.

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.

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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.

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
	37.2%	30.4%	31.9%	54.4%	57.4%	27.6%	55.8%
Outsourcing and network	125,721	33,966	30,785	24,628	15,352	5,348	5,890
	52.0%	59.1%	59.3%	40.1%	42.5%	41.4%	44.2%
Software development	175,847	66,009	57,288	18,126	11,372	8,021	4,674
	8.7%	10.5%	8.8%	5.5%	0.1%	31.0%	
Solution services	29,409	11,765	8,545	2,486	22	5,993	–
	2.2%						
Other business	7,325	–	–	–	–	–	–
	7.0%	5.4%	6.4%	11.0%	3.9%	8.9%	6.8%
Operating income	23,787	6,001	6,171	4,960	1,041	1,728	715
	7.0%	6.3%	5.8%	11.2%	3.8%	9.0%	6.7%
Recurring profit	23,604	7,010	5,604	5,050	1,023	1,746	706
	2.8%	1.9%	3.2%	6.0%	1.3%	5.0%	5.9%
Net income (loss)	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.

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, 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, 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, 2009 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 ShinNihon LLC

June 22, 2009

IT Holdings Corporation
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Consolidated Balance Sheet
As of March 31, 2009

	March 31,	
	2009	**2009**
	(Millions of yen)	*(Thousands of U.S. dollars) (Note 2)*
Assets		
Current assets:		
Cash and deposits *(Note 22)*	¥ 37,524	$ 382,002
Notes and accounts receivable *(Note 6)*	62,862	639,949
Investments in finance leases *(Note 20)*	7,275	74,056
Marketable securities *(Notes 3 and 22)*	1,502	15,288
Allowance for doubtful accounts	(255)	(2,599)
Inventories	14,613	148,765
Deferred tax assets *(Note 8)*	11,076	112,755
Prepaid expenses and other current assets	6,203	63,151
Allowance for doubtful accounts	(255)	(2,599)
Total current assets	140,800	1,433,367
Property and equipment:		
Buildings and structures *(Note 6)*	53,279	542,390
Machinery and equipment *(Note 6)*	5,799	59,039
Leased assets *(Note 20)*	1,236	12,577
Land *(Notes 5 and 6)*	21,925	223,203
Others	6,810	69,324
Total property and equipment	89,049	906,533
Intangible assets		
Goodwill *(Note 4)*	4,839	49,265
Others	10,162	103,453
Total intangible assets	15,001	152,718
Investments and other assets:		
Investments in securities *(Note 3)*	26,904	273,889
Deferred tax assets *(Note 8)*	6,762	68,839
Others	19,489	198,403
Allowance for doubtful accounts	(2,678)	(27,264)
Total investments and other assets	50,477	513,867
Total assets	¥ 295,327	$ 3,006,485

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars) (Note 2)*
Liabilities and net assets		
Current liabilities:		
Short-term bank loans *(Note 6)*	¥ 7,734	$ 78,735
Current portion of long-term bank loans *(Note 6)*	15,186	154,592
Current portion of bonds *(Note 7)*	5,100	51,919
Notes and accounts payable	18,627	189,622
Income taxes payable	3,391	34,521
Accrued bonuses to employees	9,831	100,079
Other allowances	71	729
Others *(Note 8)*	22,112	225,107
Total current liabilities	82,052	835,304
Non-current liabilities:		
Bonds *(Note 7)*	11,500	117,072
Long-term bank loans *(Note 6)*	41,014	417,528
Lease obligations	2,549	25,952
Deferred tax liabilities *(Note 8)*	682	6,946
Deferred tax liabilities for land revaluation *(Note 5)*	993	10,110
Accrued retirement benefits to employees *(Note 9)*	8,114	82,598
Accrued retirement benefits to directors	249	2,531
Others	1,958	19,933
Total non-current liabilities	67,059	682,670
Total liabilities	149,111	1,517,974
Net assets:		
Shareholders' equity *(Notes 18 and 19)*:		
Common stock, without par value:	10,000	101,802
Additional paid-in capital	86,321	878,766
Retained earnings *(Note 16)*	40,186	409,102
Less treasury stock, at cost	(2,354)	(23,967)
Total shareholders' equity	134,153	1,365,703
Revaluation and translation adjustments:		
Net unrealized losses on available-for-sale securities	(1,118)	(11,383)
Revaluation of land *(Note 5)*	(1,842)	(18,749)
Foreign currency translation adjustments	(139)	(1,416)
Total revaluation and translation adjustments	(3,099)	(31,548)
Subscription rights	8	83
Minority interests	15,154	154,273
Total net assets	146,216	1,488,511
Total liabilities and net assets	¥ 295,327	$3,006,485

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Income

For the year ended March 31, 2009

	Year ended March 31,	
	2009	**2009**
	(Millions of yen)	*(Thousands of U.S. dollars) (Note 2)*
Net sales	¥ 338,302	$ 3,443,979
Cost of sales *(Note 14)*	272,945	2,778,631
Gross profit	65,357	665,348
Selling, general and administrative expenses *(Note 14)*	41,570	423,189
Operating income	23,787	242,159
Other income (expenses):		
Interest and dividends income	608	6,189
Interest expenses	(1,131)	(11,513)
Amortization of negative goodwill	958	9,754
Real estate rental income	297	3,026
Loss on disposal and sales of fixed assets	(855)	(8,704)
Impairment loss	(897)	(9,128)
Valuation loss investments in securities	(2,199)	(22,385)
Others, net	(1,284)	(13,081)
	(4,503)	(45,842)
Income before income taxes and minority interests	19,284	196,317
Income taxes *(Note 8)*:		
Current	4,911	50,000
Deferred	3,380	34,410
	8,291	84,410
Income before minority interests	10,993	111,907
Minority interests in earnings of consolidated subsidiaries	(1,586)	(16,146)
Net income	¥ 9,407	$ 95,761

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Changes in Net Assets

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 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				(20)	(20)							(20)
Sales of treasury stock		(11)		493	482							483
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

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	Shareholders' equity					Revaluation and translation adjustments						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities	Revaluation of land	Foreign currency translation adjustments	Total revaluation and translation adjustments	Subscription rights	Minority interests	Total net assets
	(Thousands of dollars))(Note 1)											
Balance as of March 31, 2008	$101,802	$878,873	$336,782	$(28,782)	$1,288,675	$ 11,714	$(29,753)	$(188)	$(18,227)	$2	$144,202	$1,414,652
Dividends from surplus			(12,418)		(12,418)							(12,418)
Net income			95,761		95,761							95,761
Acquisition of treasury stock				(204)	(204)							(204)
Sales of treasury stock		(107)		5,019	4,912							4,912
Exclusion from equity method application			(20)		(20)							(20)
Reversal of revaluation of land			(11,003)		(11,003)							(11,003)
Items other than changes in shareholders' equity						(23,097)	11,004	(1,228)	(13,321)	81	10,071	(3,169)
Total change for the year	0	(107)	72,320	4,815	77,028	(23,097)	11,004	(1,228)	(13,321)	81	10,071	73,859
Balance as of March 31, 2009	$101,802	$878,766	$409,102	$(23,967)	$1,365,703	$(11,383)	$(18,749)	$(1,416)	$(31,548)	$83	$154,273	$1,488,511

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Cash Flows
For the year ended March 31, 2009

	Year ended March 31,	
	2009	2009
	(Millions of yen)	*Thousands of U.S. dollars) (Note 2)*
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 19,284	$ 196,317
Depreciation	10,996	111,942
Impairment loss	897	9,128
Loss on disposal of fixed assets	433	4,414
Valuation loss on investments in securities	2,229	22,690
Amortization of goodwill	1,149	11,699
Increase in accrued bonuses to employees	2,643	26,902
Increase in allowance for doubtful accounts	449	4,566
Increase in accrued retirement benefits to employees	636	6,477
Interest and dividends income	(608)	(6,189)
Interest expenses	1,131	11,513
Decrease in notes and accounts receivable	2,294	23,356
Decrease in inventories	1,222	12,437
Decrease in notes and accounts payable	(3,070)	(31,254)
Others, net	2,369	24,120
Subtotal	42,054	428,118
Interest and dividends income received	616	6,268
Interest expenses paid	(1,132)	(11,523)
Income taxes paid	(7,227)	(73,567)
Net cash provided by operating activities	34,311	349,296
Cash flows from investing activities:		
Deposit of time deposits	(2,433)	(24,767)
Acquisitions of property and equipment	(9,974)	(101,540)
Acquisition of intangible assets	(3,489)	(35,519)
Acquisitions of investments in securities	(1,193)	(12,152)
Proceeds from sale of investments in securities	1,191	12,127
Payments on newly consolidated subsidiary	(3,147)	(32,037)
Proceeds from newly consolidated subsidiary	458	4,667
Other, net	(1,493)	(15,196)
Net cash used in investing activities	(20,080)	(204,417)

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Consolidated Statement of Cash Flows (continued)

	Year ended March 31, 2009 (Millions of yen)	2009 (Thousands of U.S. dollars) (Note 2)
Cash flows from financing activities:		
Decrease in short-term bank loans, net	¥ (3,990)	$ (40,614)
Proceeds from long-term bank loans	21,788	221,806
Repayments of long-term bank loans	(17,018)	(173,246)
Redemptions of bonds	(7,050)	(71,771)
Acquisitions of treasury stock	(20)	(204)
Sales of treasury stock	483	4,917
Dividends paid	(1,220)	(12,420)
Dividends paid to minority interests	(335)	(3,415)
Other, net	484	4,930
Net cash used in financing activities	(6,878)	(70,017)
Effect of exchange rate changes on cash and cash equivalents	(243)	(2,480)
Net increase in cash and cash equivalents	7,110	72,382
Cash and cash equivalents at beginning of year	27,995	284,991
Cash and cash equivalents at end of year *(Note 22)*	¥ 35,105	$ 357,373

See accompanying notes to the consolidated financial statements.

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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 (together, the "Group") maintain their books of account in conformity with the financial accounting standards of Japan, and 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 Company has 43 subsidiaries (controlled or majority-owned companies) as of March 31, 2009. The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together referred to as the "Group").
The accounts of overseas subsidiaries whose fiscal year-end is December 31 are included in the consolidated financial statements after making appropriate adjustments for any material transactions during the period between January 1 and March 31.

For the purposes of preparing the consolidated financial statements, all intercompany transactions, account balances and unrealized profits among the Group have been eliminated.

All assets and liabilities of consolidated subsidiaries are stated at fair market value as of the date of establishment of control.
Investments in two non-consolidated subsidiaries and six affiliated companies are accounted for using the equity method.

(c) Foreign currency translation

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

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

Assets and liabilities in foreign currencies of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect on the balance sheet date. Resulting translation differences 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, to be cash equivalents on the consolidated statements of cash flows.

(e) Securities

Securities held by the Group are classified as either 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, are 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.

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(f) 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 amounts of inventories stated in the balance sheet were computed by using the method that book values are reduced to reflect declines in profitability.

(g) Property and equipment

Buildings and structures are depreciated using mainly the straight-line method and machinery and equipment are depreciated using mainly the declining-balance method, at rates based on the estimated useful lives of the assets.

(h) 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 divided by total estimated sales quantity over the estimated sales period (three years) or the amount calculated by the straight-line method over the remaining sellable period.

ii) Computer software for internal use
Capitalized costs are amortized using the straight-line method over the estimated useful life of the software, which is in the range of three to five years.

(i) 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.

(j) 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.

(k) Impairment losses of long-lived assets

A decrease in the book value of long-lived assets is presented under other expenses as an impairment loss, in case of decrease in profitability for development, expected decrease in sales volume, or no future plans to use the assets.

Long-lived assets of the Group are categorized by business segment, areas or service descriptions. Real estate for lease and assets for specified projects are grouped separately.

(l) Allowance for doubtful accounts

The allowance for doubtful accounts reflects the best 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.

(m) Accrued bonuses to employees

Accrued bonuses to employees are recognized at the estimated amount to be paid at the end of the fiscal year.

(n) Accrued retirement benefits to employees

Accrued retirement benefits to employees represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Actuarial differences are amortized by the straight-line method over 10 to 18 years within the average remaining service period of the employees from the next year in which they arise. Prior service costs are mainly charged to income when incurred.

(o) Accrued retirement benefits to directors

Certain domestic consolidated subsidiaries set aside a reserve to cover payment of directors' retirement benefits and therefore, record the estimated amount to be paid if all directors had retired at the balance sheet date, based on internal regulations.

(p) Income taxes

Deferred income taxes reflect the tax effect of temporary differences between asset and liability amounts that are recognized for financial purposes and the amounts that are recognized for income tax purposes. 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.

(q) 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.

(r) Hedge accounting

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential to be paid or received under the swap agreements are accrued and included in interest expense or income. In addition, the Group uses exceptional treatments permitted for interest rate swaps.

The Group assesses the effectiveness of interest rate swaps by comparison between total cash flows of debts to be hedged and those of the swaps as hedging instruments, except for the interest rate swaps accounted for by exceptional treatment.

(s) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized on a straight-line basis over an appropriate period, whose length is determined by examining the conditions of each subsidiary (within 20 years), from the next year in which they arise. If the amount is not significant, goodwill or negative goodwill is charged or credited to income when incurred.

(t) Accounting for consumption taxes

Consumption taxes are not included in revenues and expenses.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥98.23 = US$1, the rate of exchange on March 31, 2009, 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 consolidated balance sheet	Fair market value	Difference
			(Millions of yen)	
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)

	Type	Amount on consolidated balance sheet	Fair market value	Difference
			(Thousands of U.S. dollars)	
With fair market value exceeding the amount on consolidated balance sheet	Government bonds	$ 3,055	$ 3,055	$ 0
With fair market value not exceeding the amount on consolidated balance sheet	Government bonds	10,187	10,186	(1)
Total		$13,242	$13,241	$(1)

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

	March 31, 2009		
Description	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
		(Millions of yen)	
Market exceeding cost:			
Shares	¥1,641	¥3,218	¥1,577
Corporate bonds	-	-	-
	1,641	3,218	1,577
Market not exceeding cost:			
Shares	5,748	4,664	(1,084)
Bonds	305	304	(1)
Other	401	306	(95)
	6,454	5,274	(1,180)
Total	¥8,095	¥8,492	¥ 397

	March 31, 2009		
Description	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
		(Thousands of U.S. dollars)	
Market exceeding cost:			
Shares	$16,701	$32,757	$16,056
Corporate bonds	-	-	-
	16,701	32,757	16,056
Market not exceeding cost:			
Shares	58,517	47,486	(11,031)
Bonds	3,103	3,089	(14)
Other	4,088	3,121	(967)
	65,708	53,696	(12,012)
Total	$82,409	$86,453	$ 4,044

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

	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Proceeds from sales of available-for-sale securities	¥2,401	$24,441
Realized gain	8	82
Realized loss	(46)	(465)

(d) Book values of major securities which were not subject to revaluation as of March 31, 2009, were as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Unlisted stocks	¥16,184	$164,758
Corporate bonds	250	2,545
Investment in partnerships	950	9,668
MMF and other	131	1,335
	¥17,515	$178,306

(e) Schedule for redemption of available-for-sale securities with maturity and held-to-maturity debt securities as of March 31, 2009

	Within a year	One to five years	Five to 10 years
		(Millions of yen)	
Government bonds	¥1,301	¥ –	¥ –
Corporate bonds	100	200	250
	¥1,401	¥200	¥ 250

	Within a year	One to five years	Five to 10 years
		(Thousands of U.S. dollars)	
Government bonds	$13,242	$ –	$ –
Corporate bonds	1,018	2,036	2,545
	$14,260	$2,036	$ 2,545

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4. Goodwill and Negative Goodwill

Goodwill in intangible assets indicates net amounts, which offset goodwill and negative goodwill. The gross amounts as of March 31, 2009, were as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Goodwill	¥5,054	$51,447
Negative goodwill	(215)	(2,182)
Net amount	¥4,839	$49,265

5. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Company'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.

The carrying value of the land after revaluation exceeded its fair value by ¥508 million ($5,168 thousand) as of March 31, 2009.

6. Short-term Bank Loans and Long-Term Bank Loans

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Short-term bank loans:		
Short-term bank loans, with an average interest rate of 1.06%	¥ 7,734	$ 78,735
Long-term bank loans:		
Loans principally from banks and other financial institutions, with an average interest rate of 1.53%	¥56,200	$572,120
Less: current portion of long-term debt	(15,186)	(154,592)
	¥41,014	$417,528

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

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2010	¥15,186	$154,592
2011	12,157	123,764
2012	8,851	90,108
2013	10,102	102,841
2014	8,502	86,554

The assets pledged as collateral for short-term bank loans and long-term bank loans, amounting to ¥70 million ($713 thousand) and ¥2,252 million ($22,927 thousand), respectively, as of March 31, 2009, were as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Accounts receivable	¥ 15	$ 153
Buildings and structures	15,920	162,074
Machinery and equipment	47	477
Land	3,339	33,990
	¥19,321	$196,694

7. Bonds

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
0.97% Unsecured bonds, due 2012	¥ 7,500	$ 76,351
1.17% Unsecured bonds, due 2009	1,000	10,180
1.50% Unsecured bonds, due 2010	4,000	40,721
1.26% Unsecured bonds, due 2010	4,000	40,721
0.79% Unsecured bonds, due 2009	100	1,018
	16,600	168,991
Less: current portion of long-term debt	(5,100)	(51,919)
	¥11,500	$117,072

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

Year ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2010	¥5,100	$51,919
2011	4,000	40,721
2012	7,500	76,351
2013	-	-
2014	-	-

8. 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 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	43.0%

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Deferred tax assets:		
Accrued enterprise tax	¥ 373	$ 3,795
Non-deductible portion of allowance for doubtful accounts	706	7,192
Non-deductible portion of accrued bonuses to employees	4,027	40,992
Non-deductible portion of depreciation	545	5,548
Impairment losses	572	5,826
Tax loss carried forward	7,049	71,765
Accrued retirement benefits to employees	3,573	36,380
Write down of investments in shares	1,995	20,307
Write down of inventories	2,934	29,865
Unrealized gains	1,392	14,167
Others, net	2,974	30,275
	26,140	266,112
Less – Valuation allowance	(6,129)	(62,397)
	20,011	203,715
Deferred tax liabilities:		
Gain on contribution of securities to pension fund	306	3,115
Prepaid pension expenses	1,419	14,448
Unrealized gain on available-for-sale securities	1,125	11,457
Others, net	30	305
	2,880	29,325
Net deferred tax assets	¥17,131	$174,390

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets – Deferred tax assets	¥11,076	$112,755
Investments and other assets – Deferred tax assets	6,762	68,839
Current liabilities – Other	(26)	(259)
Non-current liabilities – Deferred tax liabilities	(682)	(6,945)
Net deferred tax assets	¥17,130	$174,390

9. 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.

Enterprise retirement allowance mutual aid scheme, which certain small consolidated subsidiaries have joined, is excluded from the calculation of the projected benefit obligation.

In addition, certain consolidated subsidiaries joined a welfare pension fund plan involving other companies. As it is extremely difficult to make a reasonable estimate of the amount of pension assets in the welfare pension fund attributable to contributions, the welfare pension fund is excluded from the calculation of the projected benefit obligation.

(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, 2009, for the Company's and the subsidiaries' retirement benefit plans:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Projected benefit obligation	¥(35,015)	$(356,459)
Plan assets	18,642	189,783
Unfunded retirement benefits	(16,373)	(166,676)
Unrecognized net actuarial differences	11,987	122,028
Unrecognized net prior service costs	(909)	(9,257)
Net amount	(5,295)	(53,905)
Prepaid pension costs	(2,819)	(28,693)
Accrued retirement benefits to employees	¥ (8,114)	$ (82,598)

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

	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Service costs	¥ 2,094	$ 21,320
Interest costs	765	7,783
Expected investment return	(575)	(5,858)
Recognition of actuarial differences	805	8,193
Recognition of prior service costs	(170)	(1,729)
Contribution to defined contribution pension plan	723	7,365
Contribution to welfare pension fund plan	366	3,728
Contribution to smaller enterprise retirement allowance mutual aid	5	50
Net periodic pension expense	¥ 4,013	$ 40,852

(d) Major assumptions used in calculating retirement benefits

	2009
Discount rates	1.8 % to 2.5%
Rate of expected return on plan assets	2.5% to 3.5 %
Method of attributing the projected benefits to periods of service	Straight-line basis

10. Items related to Unconsolidated Subsidiaries and Affiliates

Amounts related to unconsolidated subsidiaries and affiliates for the year ended March 31, 2009, were as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Investments in securities - stocks	¥1,097	$11,167
Investments in securities - other	178	1,812
Investments	172	1,750

11. Depreciation of Property and Equipment

Accumulated depreciation of property and equipment totaled ¥63,432 million ($645,753 thousand) for the year ended March 31, 2009.

12. Contingent liability for guarantee

The Company guarantees the following borrowing money from other financial institutions than consolidated subsidiaries.

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Imizu Cable Network, Co., Ltd.	¥88	$896
	¥88	$896

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13. Advanced Depreciation

Accumulated advanced depreciation including national subsidy deducted from acquired amount of property and equipment totaled ¥76 million ($773 thousand) of buildings and structures for the year ended March 31, 2009.

14. Selling, General and Administrative Expenses

Main component of sales and selling, general and administrative expenses for the year ended March 31, 2009 was as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Employees' salary	¥13,311	$135,508
Accrual of bonuses to employees	1,114	11,340
Accrual of allowance for doubtful accounts	547	5,568
Retirement benefits to employees	354	3,603
Accrual of retirement benefits to directors	67	682

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥947 million ($9,636 thousand) for the year ended March 31, 2009.

15. Loss on sales of fixed assets

The composition of loss on sales of fixed assets for the year ended March 31, 2009 was as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Buildings and structures	¥ 25	$ 258
Machinery and equipment	31	310
Land	351	3,569
Other	15	153
	¥422	$4,291

16. Loss on disposal of fixed assets

The composition of loss on disposal of fixed assets for the year ended March 31, 2009 was as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Buildings and structures	¥200	$2,034
Machinery and equipment	66	668
Software	49	501
Long-term prepaid expenses	80	816
Other	39	394
	¥434	$4,413

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17. Impairment Loss

Impairment loss of long-lived assets for the year ended March 31, 2009 was as follows:

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 Business property	AJS Head Office (Sumida-ku, Tokyo)	Leased assets	4
Unutilized line	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

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18. Shareholders' Equity

Distributions can be made at any time by resolution of the shareholders or by the Board of Directors when certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(a) Types of Stock and Number of Shares

(Number of shares)

	Number of Shares at March 31, 2008	Increase in Number of Shares during the Fiscal Year	Decrease in Number of Shares during the Fiscal Year	Number of Shares at March 31, 2009
Number of shares issued Common stock	86,372,339	—	—	86,372,339
Total	86,372,339	—	—	86,372,339
Treasury stock Common stock (Note 1, 2)	1,608,662	10,456	282,105	1,337,013
Total	1,608,662	10,456	282,105	1,337,013

Note 1: The increase in number of shares comes from 10,456 shares added through the buyback of shares less than one *tangen* unit.

2. The decrease in number of shares (total 282,105 shares) comes from 280,836 shares dropped through sale of shares held by a consolidated subsidiary, and 1,269 shares dropped through requests to add onto shares less than one *tangen* unit.

Subscription warrants to new shares totaled ¥8 million ($81 thousand) at March 31, 2009.

(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

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.

(2) The effective date for dividends with a record date of March 31, 2009, shall be a date after the close of books for said consolidated period.

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per share	Record Date	Effective Date
General shareholders' meeting at June 25, 2009	Common stock	¥ 2,763 million	Earned surplus	¥ 32	March 31, 2009	June 26, 2009

19. Amounts per Share

Year Ended March 31,	2009	2009
	(Yen)	*(U.S. dollars)*
Net income:		
Basic	¥110.74	$1.13
Diluted	110.72	1.13
Net assets	1,541.17	15.69
Cash dividends applicable to the year	32.00	0.33

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.

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 the interim cash dividends paid.

20. Leases

(a) As Lessee

As described in Note 3(h) 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, 2009

	March 31, 2009			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	(Millions of yen)			
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, 2009			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	(Thousands of U.S. dollars)			
Machinery and vehicles	$ 39,670	$25,496	$ –	$14,174
Equipment	60,118	33,459	362	26,297
Other	18,987	11,413	–	7,574
	$118,775	$70,368	$362	$48,045

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

(iii)

	2009	2009
	(Millions of yen)	(Thousands of U.S. dollars)
Within one year	¥3,960	$40,314
Over one year	5,242	53,362
Total	¥9,202	$93,676
Account balance of impairment loss on leased assets	¥ 29	$ 294

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Lease expense	¥3,815	$38,833
Reversal of impairment loss on lease assets	7	75
Depreciation	3,513	35,765
Interest expenses	251	2,554
Impairment loss	33	337

Depreciation is calculated using the straight-line method, the useful life is equal to the lease term and the residual value is zero.

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Within one year	¥ 83	$ 840
Over one year	89	912
Total	¥172	$1,752

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(b) As Lessor

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S.dollars)*
Lease receivables	¥8,081	$82,266
Estimated residual value		
Interest portion	(806)	(8,210)
Investments in finance leases	¥7,275	$74,056

(ii) Expected collections of lease receivables as of March 31, 2009, are as follows:

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Within one year	¥2,754	$28,032
One to two years	1,999	20,354
Two to three years	1,528	15,553
Three to four years	1,080	10,991
Four to five years	413	4,210
Over five years	163	1,662
Total	¥7,937	$80,802

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Within one year	¥32	$332
Over one year	13	130
Total	¥45	$462

21. Stock Options

Costs related to stock option, which are included in selling, general and administrative expenses, totaled ¥7 million ($71 thousand) for the year ended March 31, 2009.

The following table summarizes activity regarding option that the Company had granted to its directors, officers, and employees as of March 31, 2009.

	2nd	3rd	4th
Title and number of recipients	*The Company:* Directors 2 *Subsidiaries:* Directors 7 Officers 16 Employees 492	*The Company:* Directors 2 *Subsidiaries:* Directors 7 Officers 16 Employees 535	*The Company:* Officer 1 *Subsidiaries:* Directors 2 Officers 3 Employees 67
Number of stock options (common stock)	355,200 shares	351,800 shares	151,680 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

22. Statement of Cash Flows

(a) Cash and cash equivalents

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

	March 31,	
	2009	2009
	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash and deposits	¥37,524	$382,002
Marketable securities	1,502	15,288
Total	39,026	397,290
Time deposits with original maturity over three months	(2,520)	(25,658)
Securities with original maturity over three months	(1,401)	(14,259)
Cash and cash equivalents	¥35,105	$357,373

(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, 2009, were as follows:

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

	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥1,673	$17,021
Fixed assets	3,376	34,372
Goodwill	2,896	29,481
Current liabilities	(4,525)	(46,064)
Fixed liabilities	(214)	(2,178)
Acquisition cost of NEXWAY shares	3,206	32,637
Cash and cash equivalents of NEXWAY	(59)	(600)
Acquisition cost of NEXWAY shares net	¥3,147	$32,037

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

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥1,073	$10,926
Fixed assets	182	1,852
Goodwill	99	1,005
Current liabilities	(521)	(5,302)
Fixed liabilities	(34)	(342)
Minority interests	(305)	(3,111)
Acquired shares before consolidation	(206)	(2,099)
Acquisition cost of CRONOVA shares	289	2,937
Cash and cash equivalents of CRONOVA	(747)	(7,604)
Acquisition cost of CRONOVA shares - net	¥ (458)	$(4,667)

(c) Significant non-cash activities

The Group acquired assets and obligations on finance lease transactions, both amounting to ¥1,528 million ($15,555 thousand) during the year ended March 31, 2009.

23. Segment Information

(a) Industry segment information

The Group responds to customer needs through the supply of a comprehensive range 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.

24. Business Combination

(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 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.

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	TIS	INTEC
	(Millions of yen)		*(Thousands of U.S. dollars)*	
Current assets	¥ 48,337	¥ 2,351	$ 492,079	$ 23,938
Non-current assets	75,768	62,320	771,334	634,424
Total assets	¥124,105	¥64,671	$1,263,413	$658,362
Current liabilities	¥ 27,165	¥ 8,585	$ 276,547	$ 87,395
Non-current liabilities	21,807	10	222,002	106
Total liabilities	¥ 48,972	¥ 8,595	$ 498,549	$ 87,501
Net assets	¥ 75,133	¥56,076	$ 764,865	$570,861

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(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

① Name and business line of acquired entity
Name: Nexway Co., Ltd. (same after combination)
Business: Services to distribute information

② Main reason for business combination
To expand scale and reinforce services in the outsourcing and network segment.

③ Date of combination
July 11, 2008

④ Legal form of combination
Stock acquisition

⑤ Acquired ratio of voting rights
100%

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
Cost of acquisition	¥3,206 million

ll 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

①Amount of goodwill incurred

¥2,896 million

②Cause

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

③Amortization 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

① (Assets)

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

② (Liabilities)

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

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

① 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

② Legal form of combination

Absorption-type split, wherein TIS is the splitting company and IT Holdings is the successor company.

③ 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.

25. Subsequent Event

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, 2009, were approved at a shareholders' meeting held on June 25, 2009.

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥32.00 = $0.33 per share)	¥2,764	$28,134

IT Holdings Group (As of April 1, 2009)

IT Holdings Corporation

Domestic Business

TIS Inc.
Agrex Inc.
INTEC Holdings, Ltd. (Note 1)
INTEC Inc. (Note 1)
Qualica Inc.
AJS Inc.
UFIT Co., Ltd.

IN3 Inc.
INTEC Solution Power Inc.
KOUSHI INTEC Inc.
NEXWAY Co., Ltd.
IT Service Force Inc.
Intec NetCore, Inc.
CST Co., Ltd.
BM Consultants Inc.
aidec Corporation
WITH INTEC Inc.
System Support Co., Ltd.
Bit Cruise, Inc.
IUK Inc.
AJS Software Co., Ltd.
SKY INTEC Inc.
Huma(n) Corporation
Agrex Fine Techno Inc.
Systems Engineering Laboratory Co., Ltd. (Note 3)
Chuo System Corporation
FLEX Inc.
UPSHE Co., Ltd.
es Crew, Inc.
TIS System Service Inc.
FLEX R&D Center (Note 2)
ALMEC Co., Ltd.
Oartech, Inc.
TIS Solution Business Co., Ltd. (Note 3)
Hokkoku INTEC Service Inc.
INTEC IT Capital, Inc.
Keyport Solutions, Inc.
TIS Total Service Co., Ltd.
MITEC Inc.
INTEC Amenity Inc.
Cloud Scope Technologies, Inc.
TIS Leasing Co., Ltd.
Medical Toukei Co., Ltd.
INTEC Systems Institute, Inc.
CRONOVA Co., Ltd.
Registration Network, Ltd.
LANSA Japan Ltd.

Notes: 1. INTEC Holdings, Ltd. was merged with INTEC Inc. on October 1, 2009.
2. FLEX R&D Center was liquidated on August 31, 2009.
3. TIS Solution Business Co., Ltd. and Systems Engineering laboratory Co., Ltd. were integrated as NEOAXIS Co., Ltd. on July 1, 2009.

Overseas Business

INTEC Information Technology (Wuhan) Co., Ltd
Qualica (Shanghai) Inc.
TIS R&D Center, Inc.
TISI (Shanghai) Co., Ltd.
TKSOFT SINGAPORE PTE. Ltd.
TianJin TIS Xiang Tai Information System Service Co., Ltd.

The IT Holdings Group comprises 63 companies, that is IT Holdings Corporation and the subsidiaries and affiliates listed above.

Board of Directors and Auditors (As of June 25, 2009)

Chairman	Tetsuo Nakao
President	Susumu Okamoto
Vice Presidents	Yukio Urata Koju Takizawa
Directors	Hiroaki Fujimiya Katsuki Kanaoka Shingo Oda Jiro Kokuryo
Corporate Auditors	Tamaki Tsuchiya (standing auditor) Tadamasa Hayashi (standing auditor) Jun Ito Shigekazu Takeuchi

Notes: 1. Shingo Oda and Jirou Kokuryou serve as external directors.
2. Tamaki Tsuchiya, Jun Itou and Shigekazu Takeuchi serve as external auditors.

Corporate Data (As of March 31, 2009)

Corporate data	IT Holdings Corporation
Established	April 1, 2008
Toyama Headquarters	5-5 Ushijima-shinmachi, Toyama 930-0856 Japan Tel. +81-76-444-8011 Fax. +81-76-444-8012
Tokyo Headquarters	Hibiya Daibiru, 1-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011 Japan Tel. +81-3-6738-8100 Fax. +81-3-3503-2551
Main business	Management and business execution of group companies which carry on information and communication business
Paid-in capital	¥ 10 billion
Number of shares	
Authorized	280,000,000 shares
Paid-in capital	86,372,339 shares
Number of shareholders	15,298
Stock listing	Tokyo Stock Exchange, First Section (Securities code: 3626)

Major shareholders (As of March 31, 2009)

Name	Shares held (Thousands)	%
Japan Trustee Service Bank, Ltd. (Trust Account)	9,628	11.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,903	9.2
Japan Trustee Service Bank, Ltd. (Trust Account 4G)	4,365	5.1
Nippon Life Insurance Company	2,591	3.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,068	2.4
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	1,598	1.9
Japan Trustee Service Bank, Ltd. (Trust Account 4)	1,521	1.8
Employee's shareholding association of IT Holding Corporation	1,355	1.6
INTEC Holdings Ltd.	1,316	1.5
Obayashi Corporation	1,161	1.3
JCB Co., Ltd.	1,161	1.3

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