As of March 31, 2011, the ITHD Group comprised parent company IT Holdings Corporation ("ITHD" or "the Company") and 53 consolidated subsidiaries, including principal companies TIS Inc., INTEC Inc., SORUN CORPORATION, UFIT Co., Ltd., AGREX INC., QUALICA INC. and AJS Inc.

New to the ITHD Group in fiscal 2011, ended March 31, 2010, were AC MEDICAL INC., through establishment, and ASAHI KASEI AGMS CORPORATION, through equity acquisition.

Several mergers took place during fiscal 2011, with the non-surviving companies removed from the scope of consolidation. On October 1, 2010, Cronova Co., Ltd., was absorbed by AC Medical and es Crew, Inc., was absorbed by Keyport Solutions, Inc. On January 1, 2011, Huma(n) Corporation was absorbed by KOUSHI INTEC Inc.

In December 2010, all shares in EX Inc., were sold and the company was removed from the scope of consolidation.

Profit and Loss Analysis

Net Sales

Consolidated net sales grew 3.0%, to ¥323,173 million ($3,886 million), buoyed by a full-year contribution from SORUN, which joined the ITHD Group in December 2009. A breakdown of performance by business segment is presented below.

Outsourcing and Network

Segment sales for fiscal 2011 slipped 1.3% year-on-year, to ¥124,496 million ($1,497 million), as the completion of large contracts and continued customer requests for price reductions eroded the positive impact gained from SORUN's contribution.

Software Development

SORUN's solid results offset declines elsewhere in the software development business, underpinning a 5.1% year-on-year increase in segment sales, to ¥163,889 million ($1,971 million).

Solution Services

SORUN's inclusion under the umbrella of consolidation secured an 8.6% year-on-year improvement in segment sales, to ¥27,183 million ($327 million).

Other Business

Sales totaled ¥7,604 million ($91 million), an increase of 13.6% year-on-year.

	Millions of yen		
	2011	2010	% change
Net sales	**¥323,173**	¥313,856	+3.0
Outsourcing and network	**124,496**	126,164	-1.3
Software development	**163,889**	155,976	+5.1
Solution services	**27,183**	25,021	+8.6
Other business	**7,604**	6,693	+13.6

Costs, Expenses and Earnings

Cost of sales grew 2.5% from fiscal 2010, to ¥261,146 million ($3,140 million), but the cost of sales ratio dipped 0.4 percentage point, to ¥80.8%. Consequently, gross profit rose 5.1%, to ¥62,027 million ($745 million), and the gross profit ratio edged up 0.4 percentage point, to 19.2%.

Selling, general and administrative (SGA) expenses jumped 14.4%, to ¥49,209 million ($591 million). As a percentage of net sales, SGA expenses expanded 1.5 percentage points, to 15.2%.

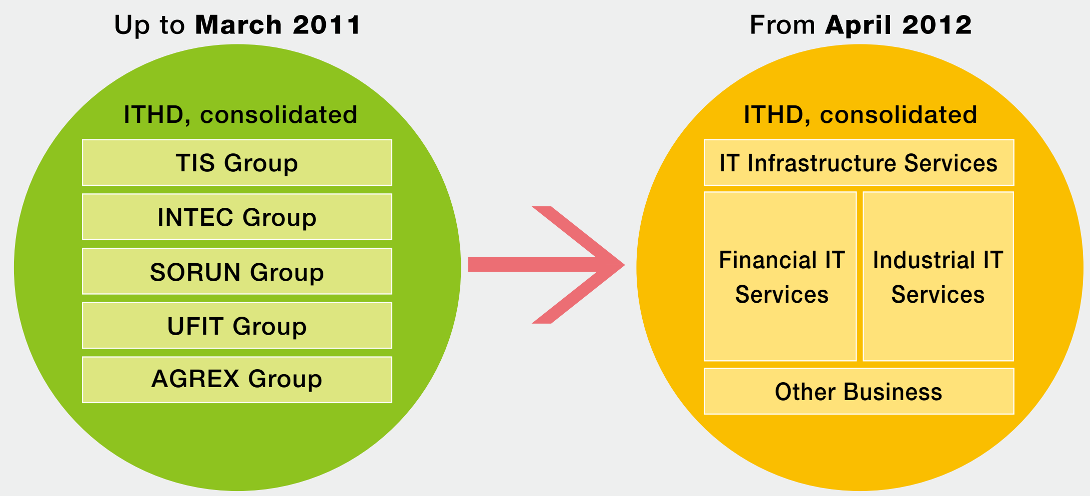
As a result, operating income fell 19.9%, to ¥12,818 million ($154 million), and net income retreated 21.9%, to ¥5,985 million ($71 million).

	Millions of yen		
	2011	2010	% change
Cost of sales	**¥261,146**	¥254,827	+2.5%
Cost of sales ratio	**80.8%**	81.2%	-0.4 points
Gross profit	**62,027**	59,029	+5.1%
Gross profit margin	**19.2%**	18.8%	+0.4 points
Selling, general and administrative expenses	**49,209**	43,033	+14.4%
Ratio of selling, general and administrative expenses to net sales	**15.2%**	13.7%	+1.5 points
Operating income	**12,818**	15,996	-19.9%
Operating income ratio	**4.0%**	5.1%	-1.1 points
Net income	**5,985**	7,660	-21.9%
Return on sales	**1.9%**	2.4%	-0.5 points

Changes in Segment Information Disclosure

ITHD has been promoting lateral implementation of administrative practices throughout the Group by standardizing management and accounting systems at principal companies under the Group umbrella and by visualizing performance and status at each company. Consequently, the Company will disclose information according to business segment, as presented below, instead of by principal Group company, effective from the fiscal 2012 reporting period.

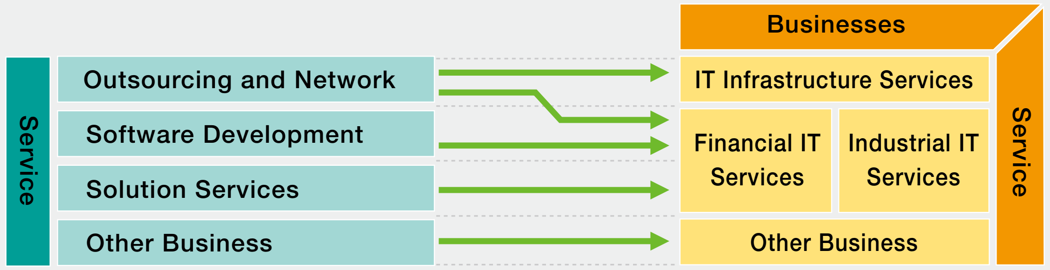
Disclosed Units



New Segment Business Content

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

Basic Correlation between Old and New Segment Classifications



Key Changes

- The execution of business activities that hinge not on company-owned facilities but on human resources—that is, primarily the assignment of essential system operation personnel to the large IT facilities of other companies—will be shifted out of the Outsourcing and Network segment.
- The Software Development and Solutions segments are closely connected and will be merged, with inherent expertise allocated separately to address financial and non-financial system integration requests.

Comparison of Fiscal 2011 Net Sales and Order Status under Old and New Segment Classifications (Millions of yen)

ITHD (Consolidated)	Fiscal 2011	
Net Sales		323,173
Outsourcing and Network	38.5%	124,495
Software Development	50.7%	163,889
Solution Services	8.4%	27,183
Other Business	2.4%	7,604

ITHD (Consolidated)	Fiscal 2011
Order Volume	162,287
Order Balance*	47,967

*Software Development portion only

ITHD (Consolidated)	Fiscal 2011	
Net Sales		323,173
IT Infrastructure Services	33.8%	109,099
Financial IT Services	22.5%	72,700
Industrial IT Services	41.5%	134,171
Other Business	2.2%	7,203

ITHD (Consolidated)	Fiscal 2011
Order Volume	162,287
Financial IT Services	65,053
Industrial IT Services	97,234
Order Balance*	47,967
Financial IT Services	21,075
Industrial IT Services	26,892

*Software Development portion only

Financial Position

Assets

As of March 31, 2011, total assets were ¥301,076 million ($3,620 million), down 3.8% from a year earlier. Of this amount, total property and equipment accounted for ¥95,458 million ($1,148 million), up 3.8%, and current assets represented ¥128,455 million ($1,544 million), down 9.5%. Total liabilities came to ¥149,966 million ($1,803 million), down 5.1%, and total net assets were ¥151,110 million ($1,817 million), down 2.6%. Equity capital, calculated by subtracting ¥7,434 million ($89 million) in minority interest in consolidated subsidiaries and ¥29 million ($351 thousand) in subscription rights from net assets, increased 3.8%, to ¥143,646 million, and the equity ratio rebounded 3.5 percentage points, to 47.7%.

	Millions of yen		
	2011	2010	% change
Total assets	**¥301,076**	¥313,077	-3.8%
Total liabilities	**149,966**	158,002	-5.1
Total net assets	**151,110**	155,075	-2.6
Minority interests	**7,434**	16,655	-55.4
Subscription rights	**29**	19	+52.6
Equity capital	**143,646**	138,401	+3.8
Key ratios:	%		
Equity ratio[1]	**47.7%**	44.2%	+3.5 points
Return on assets			
Return on equity[2]	**4.2**	5.7	-1.5 points

Notes: 1. Equity ratio = (Equity capital / Total assets) x 100
2. Return on equity = Net income /Equity capital [(equity capital at the beginning of the term + equity capital at the end of term)/2] x 100

Cash Flow Status

Cash and cash equivalents at the end of fiscal 2011 amounted to ¥36,493 million ($438 million), down 22.3% from the end of fiscal 2010.

Net cash provided by operating activities slipped 13.3%, to ¥27,237 million ($327 million). Major components contributing to cash flow, aside from income before income taxes and minority interests, at ¥10,145 million ($122 million), were the positive effect of depreciation, at ¥12,308 million ($148 million), a ¥3,173 million ($38 million) decrease in notes and accounts receivable, and ¥2,199 million ($26 million) associated with the implementation of an accounting standard for asset retirement obligations. Major cash-limiting components were a ¥3,005 million ($36 million) decrease in gain on negative goodwill and ¥2,998 million ($36 million) in income tax payments.

Net cash used in investing activities dropped 26.3%, to ¥18,957 million ($227 million). This reflects the inflow of ¥4,197 million ($50 million) in proceeds from the sale of investments in securities and the outflow of ¥10,510 million ($126 million) to purchase property and equipment, ¥6,312 million ($75 million) to acquire intangible assets, and ¥4,313 million ($51 million) to buy shares in companies that became newly consolidated subsidiaries.

Cash flows from financing activities shifted from a net cash provided by position, at ¥6,139 million in fiscal 2010 to a net cash used position in fiscal 2011, at ¥18,756 million ($225 million). The reversal in position is largely because the inflow of ¥25,495 million ($306 million) in proceeds from long-term bank loans was overshadowed by a net decrease of ¥21,266 ($255 million) in short-term bank loans, ¥14,681 million ($176 million) applied to repayment of long-term bank loans and ¥4,000 million ($48 million) for redemption of bonds.

	Millions of yen		
	2011	2010	% change
Cash and cash equivalents at end of year	**¥36,493**	¥46,988	-22.3%
Net cash provided by operating activities	**27,237**	31,401	-13.3
Net cash used in investing activities	**(18,957)**	(25,727)	-26.3
Net cash provided by (used in) financing activities	**(18,756)**	6,139	—

Dividend Policy

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

In fiscal 2011, the interim dividend was set at ¥12 per share and the year-end dividend was ¥20 per share.

For fiscal 2012, management does not plan to distribute an interim dividend and will probably reduce the annual dividend to ¥18 per share.

	Yen		
	2011	2010	% change
Per share data:			
Net income per share	**¥68.19**	¥89.25	-23.6%
Net assets per share	**1,636.56**	1,602.77	+2.1%
Dividend per share	**32.00**	32.00	-

Business and Other Risks

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

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

All forward-looking statements in this document are based on information available to management as of June 27, 2011.

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, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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.

Supplemental Information

1 As described in Note 1 to the consolidated financial statements, effective April 1, 2010, IT Holdings Corporation and consolidated subsidiaries have been applying the "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations".

2 As described in Note 28 to the consolidated financial statements, TIS Inc., SORUN CORPORATION and UFIT Co., Ltd, all consolidated subsidiaries of the Company, were merged into TIS Inc. on April 1, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 2.

Ernst & Young ShinNihon LLC

June 21, 2011

IT Holdings Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets

	March 31,		
	2011	**2010**	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 2)*
Assets			
Current assets:			
Cash and deposits *(Notes 4 and 24)*	¥ 36,729	¥ 47,193	$ 441,724
Notes and accounts receivable *(Note 4)*	59,040	62,620	710,046
Lease receivables and investments in finance leases *(Notes 4 and 22)*	8,711	7,591	104,757
Marketable securities *(Notes 3, 4 and 24)*	301	322	3,624
Inventories *(Note 15)*	9,047	9,263	108,802
Deferred tax assets *(Note 9)*	7,742	8,528	93,101
Prepaid expenses and other current assets	7,085	6,649	85,210
Allowance for doubtful accounts	(200)	(198)	(2,403)
Total current assets	128,455	141,968	1,544,861
Property and equipment:			
Buildings and structures *(Note 7)*	60,230	52,332	724,354
Machinery and vehicles *(Note 7)*	5,010	4,851	60,250
Leased assets *(Note 22)*	2,540	2,476	30,524
Land *(Notes 6 and 7)*	22,469	22,631	270,219
Construction in progress	72	4,106	873
Others	5,137	5,603	61,779
Total property and equipment *(Note 12)*	95,458	91,999	1,148,017
Intangible assets:			
Goodwill *(Note 5)*	5,516	6,741	66,341
Others	13,073	12,389	157,222
Total intangible assets	18,589	19,130	223,563
Investments and other assets:			
Investments in securities *(Notes 3 and 4)*	31,795	34,594	382,381
Deferred tax assets *(Note 9)*	8,115	6,995	97,599
Others	20,996	21,171	252,502
Allowance for doubtful accounts	(2,332)	(2,780)	(28,045)
Total investments and other assets	58,574	59,980	704,437
Total assets	¥301,076	¥313,077	$3,620,878

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Notes 4 and 7)*	¥ 479	¥ 21,589	$ 5,757
Current portion of long-term bank loans *(Notes 4 and 7)*	14,321	13,306	172,239
Current portion of bonds *(Notes 4 and 8)*	7,500	4,000	90,198
Notes and accounts payable *(Note 4)*	14,944	14,954	179,725
Income taxes payable	3,402	2,115	40,907
Accrued bonuses to employees	11,041	10,820	132,784
Other allowances	465	374	5,589
Others *(Note 9)*	20,939	19,098	251,820
Total current liabilities	73,091	86,256	879,019
Non-current liabilities:			
Bonds *(Notes 4 and 8)*	100	7,600	1,203
Long-term bank loans *(Notes 4 and 7)*	55,054	45,151	662,110
Lease obligations	3,982	3,915	47,886
Deferred tax liabilities *(Note 9)*	675	694	8,117
Deferred tax liabilities for land revaluation *(Note 6)*	993	993	11,944
Accrued retirement benefits to employees *(Note 10)*	11,509	10,673	138,413
Accrued retirement benefits to directors	244	470	2,940
Others	4,318	2,250	51,925
Total non-current liabilities	76,875	71,746	924,538
Total liabilities	149,966	158,002	1,803,557
Net assets:			
Shareholders' equity *(Notes 20, 21 and 23)*:			
Common stock, without par value:	10,001	10,001	120,279
Additional paid-in capital	86,788	85,208	1,043,753
Retained earnings	47,298	44,088	568,830
Less treasury stock, at cost	(24)	(58)	(295)
Total shareholders' equity	144,063	139,239	1,732,567
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	1,730	1,183	20,802
Revaluation of land *(Note 6)*	(1,842)	(1,842)	(22,150)
Foreign currency translation adjustments	(304)	(179)	(3,655)
Total accumulated other comprehensive income	(416)	(838)	(5,003)
Subscription rights	29	19	351
Minority interests	7,434	16,655	89,406
Total net assets	151,110	155,075	1,817,321
Total liabilities and net assets	¥301,076	¥313,077	$3,620,878

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries
Consolidated Statements of Income

	Year ended March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Net sales	¥323,173	¥313,856	$3,886,632
Cost of sales *(Note 16)*	261,146	254,827	3,140,661
Gross profit	62,027	59,029	745,971
Selling, general and administrative expenses *(Note 16)*	49,209	43,033	591,811
Operating income	12,818	15,996	154,160
Other income (expenses):			
Interest and dividend income	615	609	7,402
Interest expenses	(1,023)	(1,057)	(12,306)
Amortization of negative goodwill	86	88	1,041
Real estate rental income	274	302	3,293
Gain on sales of investments in securities	1,783	1,116	21,440
Loss on disposal and sale of fixed assets *(Notes 17 and 18)*	(610)	(634)	(7,339)
Impairment loss *(Note 19)*	(1,074)	(2,083)	(12,920)
Valuation loss on investments in securities	(681)	(175)	(8,193)
Gain on negative goodwill	3,005	-	36,139
Loss on adjustment for change in accounting for asset retirement obligations	(2,199)	(-)	26,449
Merger cost	(2,325)	(-)	27,955
Others, net	(524)	(170)	(6,301)
	(2,673)	(2,004)	(32,148)
Income before income taxes and minority interests	10,145	13,992	122,012
Income taxes *(Note 9)*:			
Current	4,383	2,774	52,706
Deferred	(309)	2,977	(3,714)
	4,074	5,751	48,992
Income before minority interests	6,071	8,241	73,020
Minority interests in earnings of consolidated subsidiaries	(86)	(581)	(1,039)
Net income	¥ 5,985	¥ 7,660	$ 71,981

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income

	Year ended March 31, 2011 (Millions of yen)	Year ended March 31, 2011 (Thousands of U.S. dollars) (Note 2)
Income before minority interests	¥6,071	$73,020
Other comprehensive income:		
Net unrealized gains on available-for-sale securities	329	3,954
Foreign currency translation adjustments	(171)	(2,056)
Share of other comprehensive income accounted for by the equity method	(8)	(97)
Total other comprehensive income	150	1,801
Comprehensive income	¥6,221	$74,821
Total comprehensive income attributable to:		
Shareholders of IT Holdings Corporation	¥6,407	$77,056
Minority interests	(186)	(2,235)

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2011

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation of land	Foreign currency translation adjustments	Total accumulated comprehensive income	Subscription rights	Minority interests	Total net assets
						(Millions of yen)						
Balance as of March 31, 2010	¥10,001	¥85,208	¥44,088	¥ (58)	¥139,239	¥ 1,183	¥(1,842)	¥(179)	¥ (838)	¥19	¥16,655	¥155,075
Changes during the year												
New stock issue		1,610			1,610							1,610
Dividends from surplus			(2,780)		(2,780)							(2,780)
Net income			5,985		5,985							5,985
Acquisition of treasury stock				(4)	(4)							(4)
Sales of treasury stock		(30)		38	8							8
Increase due to merger			5		5							5
Items other than changes in shareholders' equity						547		(125)	422	10	(9,221)	(8,789)
Total change for the year	-	1,580	3,210	34	4,824	547	-	(125)	422	10	(9,221)	(3,965)
Balance as of March 31, 2011	¥10,001	¥86,788	¥47,298	¥ (24)	¥144,063	¥1,730	¥(1,842)	¥(304)	¥ (416)	¥29	¥ 7,434	¥151,110

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation of land	Foreign currency translation adjustments	Total accumulated comprehensive income	Subscription rights	Minority interests	Total net assets
						(Thousands of U.S. dollars) (Note 2)						
Balance as of March 31, 2010	$120,279	$1,024,746	$530,227	$(694)	$1,674,558	$14,222	$(22,150)	$(2,150)	$(10,078)	$ 225	$200,300	$1,865,005
Changes during the year												
New stock issue		19,368			19,368							19,368
Dividends from surplus			(33,438)		(33,438)							(33,438)
Net income			71,981		71,981							71,981
Acquisition of treasury stock				(51)	(51)							(51)
Sales of treasury stock		(361)		450	89							89
Increase due to merger			60		60							60
Items other than changes in shareholders' equity						6,580		(1,505)	5,075	126	(110,894)	(105,693)
Total change for the year	-	19,007	38,603	399	58,009	6,580	-	(1,505)	5,075	126	(110,894)	(47,684)
Balance as of March 31, 2011	$120,279	$1,043,753	$568,830	$(295)	$1,732,567	$ 20,802	$(22,150)	$(3,655)	$ (5,003)	$ 351	$ 89,406	$1,817,321

For the year ended March 31, 2010

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

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries
Consolidated Statements of Cash Flows

	Year ended March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 10,145	¥ 13,992	$ 122,012
Depreciation	12,308	11,978	148,023
Impairment loss	1,074	2,083	12,920
Loss on disposal of fixed assets	558	622	6,712
Valuation loss on investments in securities	681	175	8,193
Amortization of goodwill	1,902	1,390	22,872
Increase in accrued bonuses to employees	211	535	2,531
Decrease in allowance for doubtful accounts	(446)	(74)	(5,369)
Increase in accrued retirement benefits to employees	836	852	10,056
Interest and dividend income	(615)	(609)	(7,402)
Interest expenses	1,023	1,058	12,307
Decrease in notes and accounts receivable	3,173	5,908	38,161
Decrease in inventories	226	8,174	2,714
Increase (decrease) in notes and accounts payable	1,047	(5,949)	12,590
Gain on negative goodwill	(3,005)	–	(36,139)
Loss on adjustment for change in accounting for asset retirement obligations	2,199	–	26,449
Others, net	(651)	(4,138)	(7,832)
Subtotal	30,666	35,997	368,798
Interest and dividend income received	627	606	7,549
Interest expenses paid	(1,058)	(1,075)	(12,726)
Income taxes paid	(2,998)	(4,127)	(36,057)
Net cash provided by operating activities	27,237	31,401	327,564
Cash flows from investing activities:			
Deposit of time deposits	–	(1,553)	–
Repayment of time deposits	–	4,374	–
Acquisition of property and equipment	(10,510)	(9,843)	(126,395)
Acquisition of intangible assets	(6,312)	(5,003)	(75,910)
Acquisition of investments in securities	–	(4,225)	–
Proceeds from sale of investments in securities	4,197	1,333	50,476
Payment of guarantee deposits	(2,068)	–	(24,872)
Acquisition of investments in subsidiaries	(4,313)	–	(51,877)
Payments on newly consolidated subsidiary *(Note 24)*	–	(10,917)	–
Other, net	49	107	592
Net cash used in investing activities	(18,957)	(25,727)	(227,986)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans, net	(21,266)	15,505	(255,758)
Proceeds from long-term bank loans	25,495	15,800	306,615
Repayment of long-term bank loans	(14,681)	(15,942)	(176,557)
Redemption of bonds	(4,000)	(5,100)	(48,106)
Acquisition of treasury stock	(4)	(4)	(51)
Sale of treasury stock	–	1,186	–
Dividends paid	(2,781)	(3,757)	(33,438)
Dividends paid to minority interests	(459)	(970)	(5,521)
Other, net	(1,060)	(579)	(12,747)
Net cash (used in) provided by financing activities	(18,756)	6,139	(225,563)
Effect of exchange rate changes on cash and cash equivalents	(45)	11	(542)
Net (decrease) increase in cash and cash equivalents	(10,521)	11,824	(126,527)
Cash and cash equivalents at beginning of year	46,988	35,105	565,097
Increase due to merger	26	59	310
Cash and cash equivalents at end of year *(Note 24)*	¥ 36,493	¥ 46,988	$ 438,880

See accompanying notes to the consolidated financial statements.

IT Holdings Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting the Consolidated Financial Statements

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

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

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly or majority-owned subsidiaries (together, the "Group"). The number of consolidated subsidiaries as of March 31, 2011 and 2010, was 53 and 55, respectively.

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

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

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

Investments in one nonconsolidated subsidiary (two in 2010) and nine affiliated companies (eleven in 2010) are accounted for by the equity method.

(c) Foreign currency translation

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

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

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

(c) Foreign currency translation (continued)

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

(d) Cash equivalents

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

(e) Securities

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

(f) Derivatives

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

(g) Inventories

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

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

(h) Property and equipment

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

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

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

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

i) Computer software for sale

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

ii) Computer software for internal use

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

(J) Leased assets (as lessee)

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

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

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

(l) Impairment losses of long-lived assets

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

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

(m) Allowance for doubtful accounts

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

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

1. Summary of Significant Accounting Policies (continued)

(n) Accrued bonuses to employees

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

(o) Accrued retirement benefits to employees

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

Actuarial gain or loss is amortized from the year following recognition by the straight-line method within the average remaining service period (mainly five to 15 years) of employees. Prior service costs are mainly charged to income when incurred.

(p) Accrued retirement benefits to directors

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

(q) Income taxes

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

(r) Distribution of retained earnings

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

(s) Hedge accounting

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

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

1. Summary of Significant Accounting Policies (continued)

(t) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill were amortized by the straight-line method over periods not exceeding 20 years. As for business combinations completed on and after April 1, 2010, goodwill is amortized by the straight-line method over a period not exceeding 20 years and negative goodwill is changed to income when incurred.

(u) Revenues and costs recognition of producing ordered software

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

(v) Adoption of accounting standard for asset retirement obligations

Effective April 1, 2010, the Group adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The effect of this change was to decrease operating income and income before income taxes and minority interests for the year ended March 31, 2011 by ¥277 million ($3,336 thousand) and ¥2,477 million ($29,785 thousand), respectively. Adoption of the accounting standard caused an increase in asset retirement obligations during the year of ¥2,554 million ($30,721 thousand).

(w) Adoption of accounting standard for business combinations and other accounting standards

Effective April 1, 2010, the Group adopted the following accounting standards and guidance issued on December 26, 2008: "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22) "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10)

(x) Presentation of comprehensive income

Effective April 1 , 2010, the Group adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010). The corresponding figures for the year ended March 31, 2010, were as follows:

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

Total comprehensive income attributable to:	
Shareholders of IT Holdings Corporation	¥ 9,921
Minority interests	741
Total comprehensive income	¥10,662

Other comprehensive income:	
Net unrealized gains on available-for-sale securities	¥ 2,397
Foreign currency translation adjustments	17
Share of other comprehensive income accounted for by the equity method	8
Total other comprehensive income	¥ 2,422

2. **U.S. Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of non-Japanese readers. A rate of ¥83.15 = US$1, the approximate rate of exchange prevailing on March 31, 2011, 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 Group held no held-to maturity debt securities as of March 31, 2011 and 2010.

(b) Acquisition cost, book value and unrealized gains or losses of available-for-sale securities with fair value as of March 31, 2011 and 2010, were as follows:

	March 31, 2011			March 31, 2010		
Description	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
	(Millions of yen)					
Market exceeding cost:						
Shares	¥ 8,513	¥3,019	¥5,495	¥10,127	¥4,830	¥5,297
Corporate bonds	255	250	5	457	450	7
Other	60	59	1	–	–	–
	8,828	3,328	5,500	10,584	5,280	5,304
Market not exceeding cost:						
Shares	3,068	3,485	(417)	2,443	3,117	(674)
Bonds	126	132	(6)	210	228	(18)
Other	302	381	(79)	321	391	(70)
	3,496	3,997	(502)	2,974	3,736	(762)
Total	¥12,324	¥7,325	¥4,999	¥13,558	¥9,016	¥4,542

3. Marketable Securities and Investments in Securities (continued)

	March 31, 2011		
Description	Acquisition cost	Book value (Fair market value)	Unrealized gains (losses)
	(Thousands of U.S. dollars)		
Market exceeding cost:			
Shares	$102,385	$36,302	$66,083
Corporate bonds	3,066	3,007	59
Other	720	713	7
	106,171	40,022	66,149
Market not exceeding cost:			
Shares	36,895	41,913	(5,018)
Bonds	1,515	1,589	(74)
Other	3,636	4,575	(939)
	42,046	48,077	(6,031)
Total	$148,217	$88,099	$60,118

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

Year Ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales of available-for-sale securities	¥6,777	¥2,377	$81,503
Realized gain	1,783	1,108	21,440
Realized loss	(26)	(4)	(316)

(d) Impairment loss on available-for-sale securities amounted to ¥663 million ($7,975 thousand) and ¥134 million for the years ended March 31, 2011 and 2010, respectively.

4. **Financial Instruments**

(a) Overview of utilization of financial instruments

(i) Management policies

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

4. Financial Instruments (continued)

(ii) Contents of financial instruments and related risks

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

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

(iii) Risk management for financial instruments

1. Credit risk (customer default risk) control

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

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

2. Market risk (interest fluctuation risk) control

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

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

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

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

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

4. Financial Instruments (continued)

(iv) Explanation of market fair values

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

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

(b) Fair market value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet, fair market values, and differences as of March 31, 2011 and 2010, are shown below. Securities for which it is extremely difficult to determine the fair value are excluded from the table.

As of March 31, 2011	Balance sheet	Fair market values	Difference	Balance sheet	Fair market values	Difference
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥ 36,729	¥ 36,729	¥ –	$ 441,724	$ 441,724	$ –
Notes and accounts receivable	59,040			710,046		
Allowance for doubtful accounts	(13)			(159)		
Net amount*	59,027	59,021	(6)	709,887	709,808	(79)
Lease receivables and investments in finance leases	8,711			104,758		
Lease receivables and allowance for doubtful accounts	(23)			(275)		
Net amount*	8,688	8,756	68	104,483	105,307	824
Marketable securities and investments in securities	12,985	12,767	(218)	156,162	153,545	(2,617)
Total assets	¥117,429	¥117,273	¥(156)	$1,412,256	$1,410,384	$(1,872)
Notes and accounts payable	¥ 14,944	¥ 14,944	¥ –	$ 179,725	$ 179,725	$ –
Short-term bank loans	479	479	–	5,757	5,757	–
Bonds **	7,600	7,598	(2)	91,401	91,383	(18)
Long-term bank loans **	69,376	69,523	147	834,349	836,114	1,765
Total liabilities	¥ 92,399	¥ 92,544	¥ 145	$1,111,232	$1,112,979	$ 1,747
Derivative transactions	¥ –	¥ –	¥ –	$ –	$ –	$ –

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

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

4. Financial Instruments (continued)

As of March 31, 2010	Balance sheet	Fair market values	Difference
	(Millions of yen)		
Cash and deposits	¥ 47,193	¥ 47,193	¥ –
Notes and accounts receivable	62,620		
Allowance for doubtful accounts	(25)		
Net amount*	62,595	62,592	(3)
Lease receivables and investments in finance leases	7,591		
Allowance for doubtful accounts	(17)		
Net amount*	7,574	7,548	(26)
Marketable securities and investments in securities	14,273	14,304	31
Total assets	¥131,635	¥131,637	¥ 2
Notes and accounts payable	¥ 14,954	¥ 14,954	¥ –
Short-term bank loans	21,589	21,589	–
Bonds **	11,600	11,601	1
Long-term bank loans **	58,457	58,577	120
Total liabilities	¥106,600	¥106,721	¥121
Derivative transactions	¥ –	¥ –	¥ –

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

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

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

Assets:

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

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

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

4. Financial Instruments (continued)

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

Liabilities:

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

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

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

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

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

Derivative transactions:

Fair market values of derivatives accounted for by interest swap exceptional treatments are included in fair market values of long-term bank loans, as those are accounted for inclusively in long-term bank loans. Interest-related derivative transactions accounted for by hedge accounting as of March 31, 2011 and 2010 were as follows:

Hedge accounting	Interest swap exceptional treatments
Transaction type	Interest rate swaps: variable receipt/fixed payment
Hedged item	Long-term bank loans

Year ended March 31,	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Total contract amount	¥ 2,566	¥ 6,690	$ 30,863
Contract amount over one year	1,300	3,306	15,634

4. Financial Instruments (continued)

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

(ii) Financial instruments without fair market values

The table below does not include financial instruments for which it is extremely difficult to determine the fair value. Their book values as of March 31, 2011 and 2010, are as follows:

Year ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Description			
Unlisted shares	¥ 17,966	¥ 19,603	$ 216,072
Equity in investment partnership	814	893	9,787
Money market funds and other	331	147	3,984

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

As of March 31, 2011	Within one year	2 to 5 years	6 to 10 years **	Within one year	2 to 5 years	6 to 10 years **
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Cash and deposits	¥36,716	¥ –	¥ –	$ 441,566	$ –	$ –
Notes and accounts receivable	58,985	56	–	709,374	671	–
Lease receivables and investments in finance leases	2,834	5,747	129	34,082	69,120	1,556
Marketable securities and investments in securities*:						
Corporate bonds	–	25	250	–	301	3,007
Other	–	–	–	–	–	–
Total	¥98,535	¥5,828	¥379	$1,185,022	$70,092	$4,563

* These securities are available-for-sale securities with maturity dates.
** There were no amounts to mature after 10 years.

As of March 31, 2010	Within one year	2 to 5 years	6 to 10 years **
	(Millions of yen)		
Cash and deposits	¥ 47,177	¥ –	¥ –
Notes and accounts receivable	62,526	93	–
Lease receivables and investments in finance leases	2,312	5,207	72
Marketable securities and investments in securities *:			
Corporate bonds	215	25	250
Other	5	83	–
Total	¥112,235	¥5,408	¥322

* These securities are available-for-sale securities with maturity dates.
** There were no amounts to mature after 10 years.

5. Goodwill and Negative Goodwill

The amount of goodwill in intangible assets is indicated after offsetting goodwill and negative goodwill. The gross amounts as of March 31, 2011 and 2010, were as follows:

	March 31, 2011	March 31, 2010	March 31, 2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Goodwill	¥5,552	¥6,863	$66,766
Negative goodwill	(36)	(122)	(425)
Net amount	¥5,516	¥6,741	$66,341

6. Revaluation of Land

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

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

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

Short-term bank loans and long-term banks loans as of March 31, 2011 and 2010, consisted of the following:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term bank loans:			
Short-term bank loans, with an average interest rate of 0.59% for 2011	¥ 479	¥ 21,589	$ 5,757
Long-term bank loans:			
Loans principally from banks and other financial institutions, with an average interest rate of 1.11% for 2011	¥ 69,376	¥ 58,457	$ 834,348
Less current portion of long-term debt	(14,322)	(13,306)	(172,239)
	¥ 55,054	¥ 45,151	$ 662,110

The aggregate annual maturities of long-term bank loans due within five years subsequent to March 31, 2011 and 2010, were as follows:

	March 31,		
	2011	2010	2011
Year ending March 31,	(Millions of yen)		(Thousands of U.S. dollars)
2011	¥ –	¥ 13,306	$ –
2012	14,322	16,035	172,239
2013	14,781	15,161	177,761
2014	28,461	10,841	342,284
2015	9,068	3,114	109,052
2016	2,745	–	33,013

The assets pledged as collateral for short-term bank loans and long-term bank loans, amounting to ¥10 million ($120 thousand) and ¥1,271 million ($15,280 thousand), respectively, as of March 31, 2011, and ¥45 million and ¥1,738 million, respectively, as of March 31, 2010 were as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥13,594	¥14,234	$163,486
Machinery and equipment	–	39	–
Land	3,331	3,331	40,061
Other	1	–	12
	¥16,926	¥17,604	$203,559

8. Bonds

Bonds as of March 31, 2011 and 2010, consisted of the following:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
0.78% Unsecured bonds, due 2012	¥ 7,500	¥ 7,500	$ 90,198
1.26% Unsecured bonds, due 2010	–	4,000	–
0.84% Unsecured bonds, due 2012	100	100	1,203
	7,600	11,600	91,401
Less current portion of long-term debt	(7,500)	(4,000)	(90,198)
	¥ 100	¥ 7,600	$ 1,203

The aggregate future maturities of bonds for the next five years subsequent to March 31, 2011 and 2010, were as follows:

	March 31,		
	2011	2010	2011
Year ending March 31,	(Millions of yen)		(Thousands of U.S. dollars)
2011	¥ –	¥4,000	$ –
2012	7,500	7,500	90,198
2013	100	100	1,203

9. Income Taxes

Income taxes applicable to the Group comprised corporation tax, inhabitants' taxes, and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.7% for 2011 and 2010. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries.

(a) The reconciliations for the years ended March 31, 2011 and 2010, are not presented herein because the difference between the statutory tax rate and effective tax rate was less than 5%.

(b) The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010, were as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued enterprise tax	¥ 372	¥ 271	$ 4,480
Non-deductible portion of allowance for doubtful accounts	812	662	9,769
Non-deductible portion of accrued bonuses to employees	4,465	4,361	53,698
Non-deductible portion of depreciation	886	1,241	10,657
Impairment losses	665	460	7,995
Tax loss carried forward	5,538	6,476	66,601
Accrued retirement benefits to employees	5,547	5,082	66,706
Write down of investments in shares	1,421	1,630	17,092
Write down of inventories	805	550	9,678
Asset retirement obligations	1,184	–	14,239
Unrealized gains	1,490	1,305	17,915
Others, net	3,001	2,219	36,091
	26,186	24,257	314,921
Less – Valuation allowance	(6,452)	(5,255)	(77,595)
Total deferred tax assets	¥ 19,734	¥ 19,002	$237,326
Deferred tax liabilities:			
Gain on contribution of securities to pension fund	¥ 767	¥ 1,072	$ 9,229
Prepaid pension expenses	740	514	8,903
Unrealized gain on available-for-sale securities	2,673	2,482	32,144
Asset retirement obligations	296	–	3,554
Others, net	111	130	1,329
Total deferred tax liabilities	4,587	4,198	55,159
Net deferred tax assets	¥15,147	¥14,804	$182,167

9. Income Taxes (continued)

Deferred income taxes as of March 31, 2011 and 2010, are reflected in the consolidated balance sheet under the following line items:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Current assets—Deferred tax assets	¥ 7,741	¥ 8,528	$ 93,101
Investments and other assets—Deferred tax assets	8,115	6,995	97,599
Current liabilities—Other	(34)	(25)	(416)
Non-current liabilities—Deferred tax liabilities	(675)	(694)	(8,117)
Net deferred tax assets	¥15,147	¥14,804	$182,167

10. Retirement Benefits

(a) Outline of retirement benefit plans

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

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

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

(b) The following tables set forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2011 and 2010, for the Group's retirement benefit plans:

	March 31		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥(45,481)	¥(43,513)	$(546,977)
Plan assets	27,105	26,144	325,977
Unfunded retirement benefits	(18,376)	(17,369)	(221,000)
Unrecognized net actuarial differences	10,194	10,917	122,596
Unrecognized net prior service costs	(1,689)	(2,177)	(20,306)
Net amount	(9,871)	(8,629)	(118,710)
Prepaid pension costs	(1,638)	(2,044)	(19,703)
Accrued retirement benefits to employees	¥(11,509)	¥(10,673)	$(138,413)

10. Retirement Benefits (continued)

(c) The components of retirement benefit expenses for the year ended March 31, 2011 and 2010, were as follows:

Year ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service costs	¥2,726	¥2,261	$32,780
Interest costs	990	846	11,908
Expected investment return	(584)	(385)	(7,025)
Recognition of actuarial differences	1,563	1,450	18,795
Recognition of prior service costs	(447)	(190)	(5,373)
Contribution to defined contribution pension plan	963	998	11,577
Contribution to welfare pension fund plan	455	443	5,472
Contribution to smaller enterprise retirement allowance mutual aid	4	4	52
Net periodic pension expense	¥5,670	¥5,427	$68,186

(d) Major assumptions used in calculating retirement benefits

Year ended March 31,	2011	2010
Discount rates	1.8 % to 2.5%	1.8 % to 2.5%
Rate of expected return on plan assets	1.5% to 3.5%	0.0% to 3.5%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis

11. Items Related to Unconsolidated Subsidiaries and Affiliates

Amounts related to unconsolidated subsidiaries and affiliates as of March 31, 2011 and 2010, were as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Investments in securities—stocks	¥2,238	¥2,887	$26,920
Investments in securities—other	332	246	3,997
Investments	242	169	2,905

12. Depreciation of Property and Equipment

Accumulated depreciation of property and equipment totaled ¥71,812 million ($863,647 thousand) and ¥68,858 million as of March 31, 2011 and 2010, respectively.

13. Contingent Liability for Guarantee

The Group was committed to provide guarantees for bank loans to a nonconsolidated subsidiary as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Imizu Cable Network, Co., Ltd.	¥72	¥80	$866
	¥72	¥80	$866

14. Advanced Depreciation

Accumulated advanced depreciation including national subsidy deducted from acquired buildings and structures totaled ¥77 million ($926 thousand) and ¥78 million as of March 31, 2011 and 2010, respectively.

15. Provision for Losses on Contracts

A provision for expected operating losses on contract orders amounting to ¥1,045 million ($12,565 thousand) and ¥1,011 million was set off from work in process inventories as of March 31, 2011 and 2010, respectively.

16. Selling, General and Administrative Expenses

The main components of sales and selling, general and administrative expenses for the years ended March 31, 2011 and 2010, respectively, were as follows:

Year ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Employees' salaries	¥17,601	¥15,089	$211,684
Accrual of bonuses to employees	1,160	1,166	13,948
Accrual of allowance for doubtful accounts	59	156	709
Retirement benefits to employees	1,155	936	13,895
Accrual of retirement benefits to directors	44	35	534

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥1,602 million ($19,268 thousand) and ¥913 million for the years ended March 31, 2011 and 2010, respectively.

17. Loss on Sales of Property and Equipment

The composition of loss on sales of property and equipment for the years ended March 31, 2011 and 2010, respectively, was as follows:

Year ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥34	¥12	$405
Machinery and equipment	11	–	133
Land	2	–	21
Other	5	0	68
	¥52	¥12	$627

18. Loss on Disposal of Property and Equipment

The composition of loss on disposal of property and equipment for the years ended March 31, 2011 and 2010, respectively, was as follows:

Year ended March 31,	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥280	¥440	$3,370
Machinery and equipment	137	67	1,654
Software	54	31	644
Other	87	84	1,044
	¥558	¥622	$6,712

19. Impairment Losses

Impairment losses of long-lived assets for the years ended March 31, 2011 and 2010, respectively, were as follows:

For the year ended 2011

Purpose	Location	Category	Amounts *(Millions of yen)*	Amounts *(Thousands of U.S. dollars)*
Business property	Oartech Inc. (Chuo-ku, Tokyo)	Software, buildings and equipment	¥ 388	$ 4,669
Business property	TIS Inc. (Minato-ku, Tokyo)	Software	293	3,519
Business property	UFIT Co., Ltd. (Nishi-ku, Nagoya)	Software and telephone rights	76	919
Business property	SORUN CORPORATION (Minato-ku, Tokyo)	Software	11	133
Business property	NEXWAY Co., Ltd. (Minato-ku, Tokyo)	Software	124	1,491
Business property	TISI (Shanghai) Co., Ltd. (China)	Machinery and vehicles	40	477
Other	IT Holdings Corporation	Goodwill	13	157
Other		Land, buildings, telephone rights and other	129	1,555
Total			¥1,074	$12,920

For the year ended 2010

Purpose	Location	Category	Amounts *(Millions of yen)*
Business property	Keyport Solutions, Inc. (Chiyoda-ku, Tokyo)	Development facilities, including software and goodwill	¥ 364
Property for sale	NEOAXIS Co., Ltd. (Koto-ku, Tokyo)	Software	55
Company condominium	Chiba	Buildings and land	199
Dormitory	Chiba	Buildings and land	176
Recreation facilities	Shizuoka	Buildings and land	11
Business property	NEXWAY Co., Ltd. (Chiyoda-ku, Tokyo)	Machinery, equipment and software	99
Other	IT Holdings Corporation	Goodwill	1,139
Other		Land, buildings, telephone rights and other	40
Total			¥2,083

20. Shareholders' Equity

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

The Company's basic policy is to distribute dividends twice a year, maintaining a consolidated payout ratio of around 30%. Resolutions are made at the General Shareholders' Meeting for the annual dividend, and the Board of Directors' meeting for the interim dividend.

(a) Types of Stock and Number of Shares

The Company issues only common stocks. Number of issued shares and treasury stock were changed during the two years ended March 31, 2011 and 2010 were as follows:

(Number of shares)

	Shares at March 31, 2009	Increase in the Year	Decrease in during the Year	Shares at March 31, 2010	Increase during the Year	Decrease during the Year	Shares at March 31, 2011
Issued shares *(Notes 1 and 2)*	86,372,339	1,580	–	86,373,919	1,415,179	–	87, 789, 098
Treasury stock *(Notes 3 to 5)*	1,337,013	3,097	1,317,297	22,813	3,778	11,206	15,385

Notes

1. Increase in issued stock of 1,580 was due to exercise of stock option.
2. Increase in issued stock of 1,415,179 was due to share exchanges, effective April 1, 2010, by which the Company issued 0.74 shares of common stock of the Company for every one share of SORUN CORPORATION's stock.
3. Increase in treasury stock by 3,097 and 3,778 shares due to purchase of shares of less than one standard unit.
4. Decrease of 1,317,297 in treasury stock for the year ended March 31, 2010, was due to the sale of 1,316,941 shares held by a consolidated subsidiary, and 356 shares through the sale of shares of less than one standard unit.
5. Decrease of 11,206 in treasury stock for the year ended March 31, 2011, was due to the sale of 10,885 shares held by a consolidated subsidiary, and 321 shares through the sale of shares of less than one standard unit.

20. Shareholders' Equity (continued)

(b) Dividends

(i) Dividends paid

Resolution	Type of Stock	Total Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 25, 2009	Common stock	¥2,763 million	¥32	March 31, 2009	June 26, 2009
Directors' meeting on November 10, 2009	Common stock	¥1,036 million	¥12	September 30, 2009	December 10, 2009
General shareholders' meeting on June 24, 2010	Common stock	¥1,727 million	¥20	March 31, 2010	June 25, 2010
Directors' meeting on November 2, 2010	Common stock	¥1,053 million	¥12	September 30, 2010	December 10, 2010

(ii) The effective date for dividends with a record date of March 31, 2011, shall be a date after the close of books for the said consolidated period.

Resolution	Type of Stock	Total Dividends	Source of Dividends	Dividend per Share	Record Date	Effective Date
General shareholders' meeting on June 24, 2011	Common stock	¥1,755 million	Retained earnings	¥20	March 31, 2011	June 27, 2011

21. Amounts per Share

Year ended March 31,	2011	2010	2011
	(Yen)		*(U.S. dollars)*
Net income:			
Basic	¥ 68.19	¥ 89.25	$ 0.82
Diluted	–	–	–
Net assets	1,636.56	1,602.77	19.68
Cash dividends applicable to the year	32.00	32.00	0.38

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

Diluted net income per share is computed based on the net income available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock options. Since no dilutive potential of shares existed, the figures for the years ended March 31, 2011 and 2010, are not represented.

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

Cash dividends per share represent the cash dividends resolved by the General Shareholders' Meeting as applicable to that year, together with any interim cash dividends paid.

22. Leases

(a) As Lessee

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

(i) Equivalents of acquisition cost, accumulated depreciation and net balance as of March 31, 2011 and 2010

	March 31, 2011			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	(Millions of yen)			
Machinery and vehicles	¥1,456	¥1,235	¥ –	¥221
Equipment	2,022	1,558	32	432
Other	739	428	–	311
	¥4,217	¥3,221	¥32	¥964

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

	March 31, 2011			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance
	(Thousands of U.S. dollars)			
Machinery and vehicles	$17,515	$14,863	$ –	$ 2,652
Equipment	24,314	18,733	389	5,192
Other	8,892	5,147	–	3,745
	$50,721	$38,743	$389	$11,589

(ii) Amount of future lease payments outstanding as of March 31, 2011 and 2010, including the interest portion, categorized by contractual maturity

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥1,397	¥2,878	$16,799
Over one year	774	2,351	9,306
Total	¥2,171	¥5,229	$26,105
Account balance of impairment loss on leased assets	¥ 2	¥ 15	$ 25

22. Leases (continued)

(a) As Lessee (continued)

(iii) Lease expenses, reversal of impairment loss on lease assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2011 and 2010

Year ended March 31,	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Lease expenses	¥1,932	¥2,986	$23,234
Reversal of impairment loss on lease assets	13	14	159
Depreciation	1,734	2,772	20,853
Interest expenses	74	154	889

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

(iv) The amounts of future lease payments outstanding on noncancelable operating leases as of March 31, 2011 and 2010, are summarized as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Within one year	¥ 854	¥1,219	$10,274
Over one year	345	1,379	4,149
Total	¥ 1,199	¥2,598	$14,423

(b) As Lessor

(i) Investments in finance leases as of March 31, 2011 and 2010 consisted of the following:

	March 31,		
	2011	2010	2011
	(Millions of yen)		(Thousands of U.S. dollars)
Lease receivables	¥8,881	¥7,766	$106,803
Estimated residual value	–	2	–
Interest portion	(522)	(597)	(6,278)
Investments in finance leases	¥8,359	¥7,171	$100,525

22. Leases (continued)

(b) As Lessor (continued)

(ii) Lease receivables and expected collections of investments in finance leases as of March 31, 2011 and 2010, are as follows:

Lease receivables:

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within one year	¥106	¥124	$1,268
One to two years	96	110	1,157
Two to three years	91	96	1,090
Three to four years	53	61	636
Four to five years	10	23	124
Over five years	0	24	5
Total	¥356	¥428	$4,280

Investments in finance leases:

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within one year	¥2,908	¥2,601	$ 34,974
One to two years	2,358	2,053	28,360
Two to three years	1,650	1,609	19,840
Three to four years	1,036	930	12,455
Four to five years	434	329	5,221
Over five years	495	244	5,953
Total	¥8,881	¥7,766	$106,803

(iii) The amount of future lease payments receivable on operating leases outstanding as of March 31, 2011 and 2010, are categorized by contractual maturity.

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within one year	¥ 44	¥24	$ 525
Over one year	100	62	1,202
Total	¥144	¥86	$1,727

23. Stock Options

Costs related to stock options that are included in selling, general and administrative expenses totaled ¥10 million ($126 thousand) and ¥11 million for the years ended March 31, 2011 and 2010, respectively.

The following table summarizes activities regarding stock option plans that the Company has granted to its directors, officers and employees as of March 31, 2011.

	3rd	4th
Title and number of recipients	*The Company:* Directors 2 *Subsidiaries:* Directors 7 Officers 16 Employees 535	*The Company:* Officer 1 *Subsidiaries:* Directors 2 Officers 3 Employees 67
Remaining number of stock options (common stock)	– shares	2,370 shares
Stock issue price	¥4,014	¥1,489
Date of receipt	April 1, 2008	April 1, 2008
Requisite service period	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, 2010	April 1, 2008 through March 31, 2011

24. Statement of Cash Flows

(a) Cash and cash equivalents

The components of cash and cash equivalents at March 31, 2011 and 2010, were as follows:

	March 31,		
	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥36,730	¥47,193	$441,724
Marketable securities	301	321	3,624
Total	37,031	47,514	445,348
Time deposits with original maturity over three months	(338)	(306)	(4,063)
Securities with original maturity over three months	(200)	(220)	(2,405)
Cash and cash equivalents	¥36,493	¥46,988	$438,880

24. Statement of Cash Flows (continued)

(b) Assets and liabilities of newly 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, 2011 and 2010, were as follows:

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

	(Millions of yen)
Current assets	¥19,058
Fixed assets	7,764
Goodwill	4,408
Current liabilities	(6,450)
Noncurrent liabilities	(3,886)
Minority interests	(1,713)
Acquisition cost of SORUN CORPORATION shares	19,181
Cash and cash equivalents of SORUN CORPORATION and its 14 subsidiaries	(8,264)
Net payment for acquisition	¥10,917

(c) Significant noncash activities

(i)The Group acquired assets and obligations on finance lease transactions amounting to ¥1,374 million ($16,529 thousand) and ¥1,380 million during the years ended March 31, 2011 and 2010, respectively.

(ii) On April 1, 2010, the Company made SORUN CORPORATION ("SORUN") into a wholly-owned subsidiary through share exchange. Due to the transaction additional paid-in capital increased by ¥1,610 million ($19,368 thousand) and goodwill was incurred to the amount of ￥458 million ($5,509 thousand).

(iii) Asset retirement obligations amounting to ¥2,563 million ($30,822 thousand) were newly recorded during the year ended March 31, 2011.

25. Segment Information

(a) Outline of reportable segment

Effective April 1,2010, the Group adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Guidance No. 20 issued on March 21, 2008).

Segment Information for the year ended March 31, 2010, has been restated in accordance with such accounting standards for comparative purpose.

25. Segment Information (continued)

(a) Outline of reportable segment (continued)

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance

The Company, which operates purely as a holding company, manages the Group by strategies planned for each subsidiary group. Each subsidiary group provides information services including outsourcing network, software development and solutions. Therefore, reportable segments are composed of subsidiary groups such as "TIS Group," "INTEC Group," "SORUN Group," UFIT Group," and "AGREX Group."

TIS Group
Six companies, headed by TIS Inc. provide mainly software development in various areas including finance, production and services, and also provide outsourcing network and solutions.

INTEC Group
Eleven companies, headed by INTEC Inc., provide mainly software development in various areas including finance, production, merchandising, medicine and public services, and also provide outsourcing network, solutions, and renting and managing real estate.

SORUN Group
Fourteen companies, headed by SORUN CORPORATION, provide mainly software development in areas including finance, production, communication and public services, and also provide solutions.

UFIT Group
Three companies, headed by UFIT Co., Ltd., provide mainly outsourcing network in areas including credit card and banking, and also provide software development and solutions.

AGREX Group
Seven companies, headed by AGREX INC., provide mainly outsourcing network as a leading company in BPO (business process outsourcing) business, and also provide software development and solutions.

(b) Calculation of net sales, income (or loss), assets, liabilities and other items by reportable segment

The accounting policies of the segment are substanitially the same as those described in the significant accounting policies in Note 1.

Segment performance is evaluated based on operating income or loss.
Intersegment sales are recorded at the same price used in transactions with third parties.

25. Segment Information (continued)

(c) Net sales, income (or loss), assets, liabilities and other items by reportable segment for the years ended March 31, 2011 and 2010 were as follows.

For the year ended 2011

	Reporting segment						Other*	Total
	TIS	INTEC	SORUN	UFIT	AGREX	Total		
	(Millions of yen)							
Net sales								
Sales to third parties	¥79,447	¥102,198	¥45,117	¥37,622	¥26,322	¥290,706	¥32,467	¥323,173
Intersegment sales and transfers	2,484	979	671	751	906	5,791	7,552	13,343
Total sales	81,931	103,177	45,788	38,373	27,228	296,497	40,019	336,516
Segment income	4,526	4,423	121	1,420	637	11,127	1,387	12,514
Segment assets	99,647	115,690	29,007	26,511	12,435	283,290	30,402	313,692
Segment liabilities	25,500	35,801	954	—	—	62,255	2,660	64,915
Other items:								
Depreciation	3,370	5,029	630	1,795	527	11,351	941	12,292
Amortization of goodwill	8	780	977	—	223	1,988	0	1,988
Investment in companies to which the equity method is applied	68	389	658	—	—	1,115	—	1,115
Increase in property & equipment and intangibles assets	10,293	4,345	747	1,075	855	17,315	1,169	18,484

* "Other" means business segment not included in reporting segments and includes QUALICA Group.

For the year ended 2011

	Reportable segment						Other*	Total
	TIS	INTEC	SORUN	UFIT	AGREX	Total		
	(Thousands of U.S.dollars)							
Net sales								
Sales to third parties	$ 955,459	$1,229,086	$542,597	$452,462	$316,560	$3,496,164	$390,468	$3,886,632
Intersegment sales and transfers	29,878	11,775	8,068	9,030	10,897	69,648	90,823	160,471
Total sales	985,337	1,240,861	550,665	461,492	327,457	3,565,812	481,291	4,047,103
Segment income	54,425	53,196	1,460	17,074	7,658	133,813	16,681	150,494
Segment assets	1,198,397	1,391,344	348,846	318,839	149,546	3,406,971	365,635	3,772,606
Segment liabilities	306,675	430,559	11,471	—	—	748,705	31,990	780,695
Other items:								
Depreciation	40,533	60,482	7,574	21,587	6,339	136,515	11,312	147,827
Amortization of goodwill	95	9,374	11,751	—	2,690	23,910	2	23,961
Investment in companies to which the equity method is applied	821	4,675	7,915	—	—	13,411	—	13,411
Increase in property and equipment, and intangible assets	123,784	52,254	8,980	12,927	10,285	208,230	14,062	222,292

* "Other" means business segment not included in reporting segments and includes QUALICA Group.

For the year ended 2010

	Reportable segment						Other*	Total
	TIS	INTEC	SORUN	UFIT	AGREX	Total		
	(Millions of yen)							
Net sales								
Sales to third parties	¥89,315	¥114,576	¥13,601	¥41,822	¥25,711	¥285,025	¥28,832	¥313,857
Intersegment sales and transfers	1,532	558	205	884	880	4,059	2,674	6,733
Total sales	90,847	115,134	13,806	42,706	26,591	289,084	31,506	320,590
Segment income	5,028	6,666	1,244	1,729	650	15,317	789	16,106
Segment assets	97,071	123,169	32,167	30,176	12,962	295,545	23,764	319,309
Segment liabilities	27,500	41,913	1,989	—	230	71,632	2,214	73,846
Other items:								
Depreciation	3,299	4,943	145	2,097	547	11,031	936	11,967
Amortization of goodwill	—	953	221	—	239	1,413	65	1,478
Investment in companies to which the equity method is applied	53	959	712	—	3	1,727	—	1,727
Increase in property and equipment, and intangible assets	5,107	6,647	165	1,814	680	14,413	1,206	15,619

* "Other" means business segment not included in reporting segments and includes QUALICA Group.

25. Segment Information (continued)

(d) Reconciliation between total amounts of reportable segments and amounts on the consolidated financial statements for the years ended March 31, 2011 and 2010 were as follows.

Net sales

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥ 296,497	¥ 289,084	$3,565,812
Sales included in other	40,019	31,506	481,291
Elimination of intersegment transactions	(13,343)	(6,734)	(160,471)
Net sales on consolidated financial statements	¥ 323,173	¥313,856	$3,886,632

Operating income

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥11,127	¥15,317	$133,813
Sales included in other	1,387	788	16,681
Elimination of intersegment income	(98)	93	(1,174)
Other	402	(202)	4,840
Operating income on consolidated financial statements	¥12,818	¥15,996	$154,160

Total assets

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥283,290	¥295,545	$3,406,971
Sales included in other	30,402	23,764	365,635
Elimination of intersegment income	(11,004)	(3,398)	(132,341)
Other	(1,612)	(2,834)	(19,387)
Total assets on consolidated financial statements	¥301,076	¥313,077	$3,620,878

Total liabilities

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥ 62,255	¥ 71,632	$ 748,705
Sales included in other	2,660	2,214	31,990
Other	85,051	84,156	1,022,862
Total liabilities on consolidated financial statements	¥149,966	¥158,002	$1,803,557

25. Segment Information (continued)

Depreciation

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥ 11,351	¥11,032	$136,515
Other	941	936	11,312
Adjustment	16	11	196
Total depreciation on consolidated financial statements	¥12,308	¥11,979	$148,023

Increase in property and equipment, and intangible assets

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total on reportable segments	¥17,315	¥14,413	$208,230
Other	1,169	1,206	14,062
Adjustment	(28)	(22)	(330)
Total increase in property and equipment, and intangible assets on consolidated financial statements	¥18,456	¥15,597	$221,962

(e) Net sales to external customers by goods or services for the year ended march 31, 2011 was as follows.

	2011	2011
	(Millions of yen)	*(Thousands of U.S. dollars)*
Outsourcing network	¥124,496	$1,497,249
Software development	163,890	1,971,011
Solutions	27,183	326,918
Other	7,604	91,454
Total net sales	¥323,173	$3,886,632

(f) Other income (or loss), goodwill and negative goodwill by reportable segment for the year ended March 31, 2011 was as follows.

	Reportable segment						Corporate/ elimination	Total
	TIS	INTEC	SORUN	UFIT	AGREX	Other＊		
	(Millions of yen)							
Impairment loss	¥452	¥ 512	¥ 11	¥76	¥ 12	¥11	¥ –	¥1,074
Goodwill:								
Amortization	8	779	977	–	224	0	–	1,988
Year-end balance	71	1,502	3,682	–	297	0	–	5,552

25. Segment Information (continued)

	Reportable segment						Corporate/ elimination	Total
	TIS	INTEC	SORUN	UFIT	AGREX	Other＊		
	(Thousands of U.S. dollars)							
Impairment loss	$5,433	$ 6,161	$ 133	$919	$ 148	$126	$ –	$12,920
Goodwill:								
Amortization	95	9,374	11,751	–	2,691	2	–	23,913
Year-end balance	852	18,058	44,283	–	3,573	0	–	66,766

* "Other" includes QUALICA Group.

Incurred by business combinations of subsidiaries before April 1, 2010.

	Reportable segment						**Corporate/ elimination**	**Total**
	TIS	**INTEC**	**SORUN**	**UFIT**	**AGREX**	**Other＊**		
	(Millions of yen)							
Negative goodwill:								
Amortization	¥ –	¥ 4	¥ –	¥ 71	¥ –	¥ 12	¥ –	¥ 87
Year-end balance	–	–	–	–	–	35	–	35

(g) For the year ended March 31, 2011, UFIT Group recognized negative goodwill, amounting to ￥2,999 million ($36,069 thousand). This was incurred by making UFIT Co., Ltd. into a wholly-owned subsidiary in advance of the merger of TIS Inc., SORUN CORPORATION and UFIT Co., Ltd.

Profile
Financial Highlights
To Our Stakeholders
Key Strategies
Topics
R & D
Corporate Governance
Financial Review
Financial Section
Corporate Data

26. Business Combination

The Group carried out the following business combinations during the years ended March 31, 2011 and 2010.

For the year ended March 31, 2010:

Application of Purchase Method

(a) Acquisition of stock in SORUN CORPORATION

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

i) Name and business line of acquired entity

Name: SORUN CORPORATION (both before and after combination)

Business: Systems consulting, engineering services, outsourcing services, e-business support, information security services and package sales

ii) Main reason for business combination

To expand scale and reinforce services, to develop overseas and innovative operations and to enhance efficiency of operations

iii) Date of combination: December 22, 2009

iv) Legal form of combination: Stock acquisition by tender offer

v) Acquired ratio of voting rights: 91.55%

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

January 1, 2010, to March 31, 2010

(iii) Cost of acquisition and components thereof

Common stock acquisition expense: ¥18,852 million

Expenses, including advisory services, directly related to stock acquisition: ¥329 million

Total cost of acquisition: ¥19,181 million

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

i) Amount of goodwill incurred: ¥4,408 million

ii) Cause

Principally, expected excess profitability generated by business development of SORUN CORPORATION.

iii) Amortization method and period of amortization

Average amortization over five years.

26. Business Combination (continued)

Application of Purchase Method (continued)

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

(Assets)

Current assets	¥19,058 million
Fixed assets	7,765 million
Total	¥26,823 million

(Liabilities)

Current liabilities	¥ 6,450 million
Noncurrent liabilities	3,886 million
Total	¥10,336 million

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

Net sales	¥32,951 million
Operating loss	¥ 574 million
Recurring loss	¥ 727 million
Net loss	¥ 891 million

(Calculation method for estimates)

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

This note is unaudited.

For the year ended March 31, 2011:

Effective Aplil 1, 2010, the Group adopted “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

Transactions under common control

(a) SORUN CORPORATION

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

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

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

26. Business Combination (continued)

(ii) Cost of acquisition and components thereof

	Description	Millions of yen	Thousands of U.S. dollars
Stock acquisition expense	Common stock of the Company	¥1,610	$19,369
Direct cost	Advisory fee & other	55	660
Total cost of acquisition		¥1,665	$20,029

(iii) Transfer ratio for stock with voting rights and ratio determination

i) Transfer ratio for stock with voting rights:

0.74 share of common stock in the Company : 1 share of common stock in SORUN

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. The Company named Nomura Securities Co., Ltd., as its financial advisor, and SORUN named IBS Securities Co., Ltd., as its financial advisor. The two companies deliberated the respective third-party opinions and agreed that the ratio was appropriate.

(iv) Number of shares distributed

1,415,179 shares of common stock of the Company

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

i) Amount of goodwill incurred: ¥458 million ($5,509 thousand)

ii) Cause: acquisition for the prospective increase in profitability of the company

iii) Amortization method and period of amortization:

average amortization over five years.

(b) UFIT Co., Ltd.

Effective on April 1, 2010, the Company made UFIT Co., Ltd. ("UFIT") a wholly-owned subsidiary through purchase of treasury stock.

(i) Manner and detail of the share exchange

Effective on February 3, 2011, UFIT acquired all of its treasury stock (excluding shares owned by the Company) to become a wholly-owned subsidiary of the Company, in advance of the merger of TIS Inc., SORUN CORPORATION and UFIT Co., Ltd. on that day.

(ii) Cost of acquisition

	Description	Millions of yen	Thousands of U.S. dollars
Consideration of acquisition	Cash	¥3,792	$45,604
Direct cost	Advisory fee and other	53	632
Total cost of acquisition		¥3,845	$46,236

26. Business Combination (continued)

(iii) Amount of negative goodwill incurred, cause, amortization method and period of amortization

i) Amount of negative goodwill incurred: ¥2,999 million ($36,069 thousand)

ii) Cause: net assets at market price attributable to minority interests on the deemed acquisition date exceeded its acquisition cost

iii) Amortization method and period of amortization:

average amortization over five years.

27. Asset Retirement Obligations

(a) Detail of asset retirement obligations

Asset retirement obligations of the Company are composed of clean-up site obligations of lease agreements of the office buildings and clean-up obligations of halogen gas which is filled in fire extinction facilities at the data center of the Group.

(b) Computation of asset retirement obligations

Useful lives of the assets are estimated between 58 years and five years. Retirement obligations are computed by using discount rate of 0.8% to 2.4%.

(c) Increase and decrease of asset retirement obligations

	Millions of yen	Thousands of U.S. dollars
As of April 1, 2010	¥2,555	$30,721
Increase in liabilities due to acquisition	8	101
Accretion expense	64	766
Liabilities settled	(22)	(265)
As of March 31, 2011	¥2,605	$31,323

28. Subsequent Events

(a) Transactions under common control

TIS Inc., SORUN CORPORATION and UFIT Co., Ltd, all consolidated subsidiaries of the Company, were merged into TIS Inc. on April 1, 2011.

(i) Name and business line of acquired entity

Surviving company

Name: TIS Inc.(same of after combination)

Business: Services to distribute information

Liquidation company

Name: SORUN CORPORATION

Business: Services to distribute information

Name: UFIT Co., Ltd,

Business: Services to distribute information

(ii) Date of combination

April 1, 2011

(iii) Legal form of combination

Stock acquisition

(iv) During the course of the merger no new stock was issued because it was a merger among the wholly-owned subsidiaries of the Company.

(v) Main reason for business combination

The object of the merger was to expand the area of operation of engineers, to utilize efficiently the resources of the data center and to strengthen financial structures with an emphasis on building operating systems for financial business including credit card, banking, securities and insurance.

(b) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2011, were approved at a shareholders' meeting held on June 24, 2011.

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥20.00 = $0.24 per share)	¥1,755	$21,112

Profile
Financial Highlights
To Our Stakeholders
Key Strategies
Topics
R & D
Corporate Governance
Financial Review
Financial Section
Corporate Data