



**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011**  
(April 1, 2010 through June 30, 2010)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

August 12, 2010

Company name: IT Holdings Corporation  
 Stock exchange listings: The First Section of the Tokyo Stock Exchange  
 Stock code: 3626  
 URL: <http://www.itholdings.co.jp/e/>  
 Representative: Susumu Okamoto, President  
 Contact: Norio Maenishi, Executive Vice President  
 Phone: +81 3-6738-7557

Scheduled dates  
 Submission of quarterly report: August 13, 2010  
 Commencement of dividend payments: -

Supplementary materials to the quarterly results: Not available  
 Quarterly results presentation: Not conducted

Figures in millions of yen are rounded down to the nearest million

**1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2011**  
(April 1, 2010 – June 30, 2010)

(1) Consolidated Financial Results Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Quarter, FY2011	69,007	4.8	(2,142)	-	(1,848)	-	(2,817)	-
First Quarter, FY2010	65,855	(1.6)	851	-	981	-	1,101	-

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Quarter, FY2011	(32.10)	-
First Quarter, FY2010	12.94	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-First Quarter, FY2011	298,615	149,318	45.1	1,535.02
End-FY2010	313,077	155,075	44.2	1,602.77

For reference:

Shareholders' equity: End-first quarter, FY2011: 134,737 million yen    End-FY2010: 138,401 million yen.

**2. Cash Dividends for Shareholders of Common Stock**

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
FY2010	yen	yen	yen	yen	yen
FY2011	-	12.00	-	20.00	32.00
FY2011 (forecast)	-	12.00	-	20.00	32.00

Note: Revision of dividend forecast during the first quarter of the fiscal year ending March 31, 2011: No

### 3. Forecast of Consolidated Results for FY2011 (April 1, 2010 – March 31, 2011)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
First half of FY 2011 (six months ending Sep. 30, 2010)	165,000	12.3	4,800	(17.3)	4,800	(17.1)	800	(75.1)	9.11
Full FY2011 (year ending Mar. 31, 2011)	346,000	10.2	16,500	3.2	16,000	1.8	5,500	(28.2)	62.66

Note: Revision of consolidated results forecast during the first quarter of the fiscal year ending March 31, 2011: No

### 4. Other

For details, see “2. Other information” on page 3 in the accompanying material.

(1) Material reclassifications of subsidiaries during the period: No

\*This refers to additions and removals of materials subsidiaries to and from the scope of consolidated results during the period.

(2) Application of simplified accounting and/or accounting procedures: Yes

\*This refers to the application of simplified accounting methods and accounting procedures specific to the preparation of quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures, presentation methods, etc.

1) Changes associated with changes to accounting standards: Yes

2) Changes other than the above: No

\*This refers to changes in accounting principles, procedures, and presentation methods used in the preparation of the quarterly consolidated financial statements

(4) Common stock issued

1) Issued shares as of period-end (including treasury stock):

End-first quarter, FY2011 (June 30, 2010): 87,789,098 shares

End-FY2010 (March 31, 2010): 86,373,919 shares

2) Treasury stock as of period-end:

End-first quarter, FY2011 (June 30, 2010): 13,728 shares

End-FY2010 (March 31, 2010): 22,813 shares

3) Average number of shares (during the respective three-month period):

First quarter, FY2011 (ended June 30, 2010): 87,765,572 shares

First quarter, FY2010 (ended June 30, 2009): 85,076,683 shares

#### \*Quarterly review status

A quarterly review of the quarterly financial statements had been completed by the date of this report’s publication.

#### Caution on Forward-Looking Statements and Other Important Matters

This report contains forward-looking statements that reflect IT Holdings Corporation (ITHD)’s plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause ITHD’s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

Refer to “(2) Consolidated Earnings Outlook” in the “1. Consolidated Performance” section beginning on page 2 in the accompanying materials.

## **Accompanying Material – Contents**

1. Consolidated Performance	2
(1) Consolidated Operating Results	2
(2) Consolidated Earnings Forecast	2
2. Other Information	3
(1) Overview of Material Reclassifications of Subsidiaries during the Period	3
(2) Overview of Simplified Accounting and/or Specific Accounting Procedures	3
(3) Overview of Changes in Accounting Principles, Procedures, and Presentation Methods	3
3. Consolidated Financial Statements	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income	6
(3) Notes on the Going-concern Assumption	7
(4) Note on Significant Changes in the Amount of Shareholders' Equity	7

## **1. Consolidated Performance**

### **(1) Consolidated Operating Results**

In the first quarter of fiscal 2011 (year ending March 31, 2011), the Japanese economy saw a pickup in exports and production that inspired confidence in economic recovery. In the IT services industry, some customers began to show signs of positive change in their propensity for IT investment, as evidenced by a planned year-on-year increase in software investment in the current fiscal year per the Bank of Japan's *Short-term Economic Survey of Enterprises in Japan* (the *Tankan* survey). Nonetheless, the IT services industry's operating environment remains adverse as companies continue to clamp down on investment in new system installations and seek reductions in system maintenance and operating costs.

In the fiscal first quarter, the IT Holdings Group's consolidated net sales grew 4.8% year on year to ¥69,007 million by virtue of SORUN CORPORATION's inclusion as a consolidated subsidiary effective December 2009. Despite such top-line growth, the Group incurred a quarterly consolidated operating loss of ¥2,142 million, consolidated recurring loss of ¥1,848 million, and consolidated net loss of ¥2,817 million versus year-earlier quarterly consolidated operating, recurring, and net profits of ¥851 million, ¥981 million, and ¥1,101 million, respectively. Factors that detracted from the Group's profitability included customers' continued cutbacks in IT investment dating back to the previous fiscal year and the Group's ongoing initiatives to adapt its business model to the prevailing adverse operating environment. Another contributing factor was that the Group booked a one-time charge of ¥2,199 million related to asset retirement obligations.

Fiscal first-quarter consolidated net sales by segment were as follows.

#### 1) Outsourcing and networking segment

Consolidated net sales grew 0.8% year on year to ¥31,127 million as newly consolidated subsidiary SORUN CORPORATION 's contribution offset lower sales elsewhere.

#### 2) Software development segment

Consolidated net sales grew 13.3% year on year to ¥31,060 million by virtue of incremental sales contributed by newly consolidated subsidiary SORUN CORPORATION.

#### 3) Solution services segment

Consolidated net sales fell 16.9% year on year to ¥4,818 million, largely as a result of continued retrenchment in hardware demand among customers.

#### 4) Other businesses segment

Consolidated net sales increased 13.7% year on year to ¥2,001 million.

### **(2) Consolidated Earnings Forecast**

In light of the uncertain economic outlook, the Group anticipates that IT investment will take a while longer to recover in earnest across all industries. The Group accordingly expects to continue to face an adverse operating environment in fiscal 2011.

Against such a backdrop, the Group aims to achieve its initial fiscal 2011 operating performance targets by continuing to reform its cost structure and focusing on unflinchingly meeting IT investment demand by tapping into group synergies through such means as joint order booking activities by Group companies working in cooperation with each other. The Group refrains from revising its existing consolidated earnings forecast announced on May 11, 2010.

## 2. Other Information

### (1) Overview of Material Reclassifications of Subsidiaries during the Period

Not applicable

### (2) Overview of Simplified Accounting and/or Specific Accounting Procedures

#### 1) Simplified accounting

##### *Bad debt estimation method for general claims*

Certain consolidated subsidiaries estimated the value of uncollectible general claims based on the credit loss rate as of the end of the previous fiscal year, unless the credit loss rate as of the end of the first quarter under review was deemed to have changed substantially relative to the rate calculated at the end of the previous fiscal year.

##### *Inventory valuation method*

Certain consolidated subsidiaries write-down the book value of inventory to estimated net realizable value only when utility has clearly diminished.

##### *Calculation method for income taxes and deferred-tax assets and liabilities*

Certain consolidated subsidiaries calculate income tax payments with a method that limits deductible and taxable items and tax-credit items to those that are material. To assess deferred assets' collectability, certain consolidated subsidiaries used the tax planning and earnings forecasts used at the end of the previous fiscal year, as no substantial changes in the operating environment and status of temporary differences were deemed to have taken place since beginning of the fiscal year.

#### 2) Accounting procedures specific to preparation of quarterly consolidated financial statements

Not applicable

### (3) Overview of Changes in Accounting Principles, Procedures, and Presentation Methods, etc.

#### 1) Changes related to accounting standards

##### *Adoption of the Accounting Standard for Asset Retirement Obligations*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted *the Accounting Standard for Asset Retirement Obligations* (Statement No. 18, March 31, 2008) and its associated *Guidance on Accounting Standard for Asset Retirement Obligations* (Guidance No. 21, March 31, 2008).

Due to the standard and guidance's adoption, operating loss and recurring loss each increased by 57 million yen, loss before income taxes increased by 2,257 million yen, and asset retirement obligations changed by 2,554 million yen.

##### *Adoption of the Accounting Standard for Business Combinations*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, December 26, 2008), the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22, December 26, 2008), the *Amendments to Accounting Standard for Research and Development Costs* (ASBJ Statement No. 23, December 26, 2008), the *Revised Accounting Standard for Business Divestitures* (ASBJ Statement No. 7, December 26, 2008), the *Revised Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, December 26, 2008), and the *Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, December 26, 2008).

#### 2) Changes related to presentation methods

Due to the adoption of the *Cabinet Office Ordinance on Partial Revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements and Other Items* (Cabinet Office Ordinance No. 5, March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No.22, December 26, 2008), the Company used the account title "Loss before minority interests" for the first quarter of the fiscal year ending March 31, 2011.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Items	As of Jun. 30, 2010	As of Mar. 31, 2010
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	49,356	47,192
Notes and accounts receivable	38,550	62,619
Lease receivables and lease investment assets	7,491	7,590
Marketable securities	221	321
Merchandise and finished goods	2,424	1,914
Work in process	12,016	7,121
Raw materials and supplies	230	227
Deferred tax assets	10,010	8,527
Other current assets	8,911	6,649
Allowance for doubtful accounts	(167)	(197)
Total current assets	129,045	141,967
Fixed assets		
Property and equipment		
Buildings and structures, net	53,741	52,331
Machinery and equipment, net	4,565	4,851
Land	22,564	22,630
Leased assets, net	2,422	2,476
Construction in progress	3,044	4,106
Other property and equipment, net	5,458	5,602
Total property and equipment	91,795	91,999
Intangible assets		
Goodwill	6,738	6,741
Other intangible assets	12,488	12,388
Total intangible assets	19,226	19,130
Investments and other assets		
Investment securities	32,810	34,593
Deferred tax assets	8,236	6,994
Other assets	20,254	21,171
Allowance for doubtful accounts	(2,754)	(2,779)
Total investments and other assets	58,547	59,980
Total fixed assets	169,569	171,109
Total assets	298,615	313,077

Items	As of Jun. 30, 2010	As of Mar. 31, 2010
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	10,211	14,953
Short-term borrowings	27,613	34,895
Corporate bonds (redeemed within one year)	-	4,000
Income taxes payable	1,173	2,114
Accrued bonuses to directors and employees	5,204	10,820
Other allowances	325	374
Other current liabilities	26,879	19,097
Total current liabilities	71,409	86,255
Non-current liabilities		
Corporate bonds	7,600	7,600
Long-term debt	48,781	45,151
Lease obligations	3,784	3,914
Accrued retirement benefits to employees	10,900	10,672
Accrued retirement benefits to directors	443	470
Deferred tax liabilities	653	694
Deferred tax liabilities from revaluation of land	993	993
Other non-current liabilities	4,732	2,250
Total non-current liabilities	77,888	71,746
Total liabilities	149,297	158,001
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,788	85,207
Retained earnings	39,549	44,088
Less treasury stock, at cost	(23)	(57)
Total shareholders' equity	136,315	139,239
Valuation and translation adjustments		
Net unrealized gains on other securities	429	1,182
Revaluation of land	(1,841)	(1,841)
Foreign currency translation adjustments	(165)	(178)
Total valuation and translation adjustments	(1,577)	(837)
Stock acquisition rights	18	18
Minority interests	14,561	16,654
Total net assets	149,318	155,075
Total liabilities and net assets	298,615	313,077

**(2) Consolidated Statements of Income**

Items	First Quarter FY2010	First Quarter FY2011
	millions of yen	millions of yen
Net sales	65,855	69,007
Cost of sales	54,526	58,868
Gross profit	11,329	10,138
Selling, general and administrative expenses	10,478	12,281
Operating income (loss)	851	(2,142)
Non-operating income		
Interest income	19	9
Dividends income	367	435
Amortization of negative goodwill	22	21
Other	133	227
Total non-operating income	543	694
Non-operating expenses		
Interest expenses	262	268
Equity in losses of non-consolidated subsidiaries and affiliates	57	69
Other	92	62
Total non-operating expenses	412	400
Recurring profit (loss)	981	(1,848)
Extraordinary income		
Gain on sale of investment securities	20	119
Reversal of allowance for doubtful accounts	48	43
Other	0	13
Total extraordinary income	69	176
Extraordinary loss		
Loss on disposal of fixed assets	29	-
Valuation loss on investment securities	12	-
Effect of adoption of new accounting standards for asset retirement obligations	-	2,199
Other	6	288
Total extraordinary loss	48	2,487
Income (loss) before income taxes	1,002	(4,159)
Income taxes: current	260	1,083
Income taxes: deferred	(422)	(2,091)
Total income taxes	(161)	(1,008)
Loss before minority interests	-	(3,151)
Minority interests (loss) in earnings of consolidated subsidiaries	62	(334)
Net income (loss)	1,101	(2,817)

**(3) Notes on the Going-concern Assumption**

Not applicable

**(4) Note on Significant Changes in the Amount of Shareholders' Equity**

Not applicable

**For Reference:**

Supplementary Information for the First Quarter of the Fiscal Year Ending March 31, 2011

## Consolidated Results and Forecasts

**1. Net Sales by Business Segment**

(millions of yen)

	FY2011			
	First Quarter (A)	First Half	Full Year (B)	Progress ratio (A/B)
Net sales	69,007	165,000	346,000	19.9%
Outsourcing and network	31,127 45.1%	64,500 39.1%	131,000 37.9%	23.8%
Software development	31,060 45.0%	84,500 51.2%	179,500 51.8%	17.3%
Solution services	4,818 7.0%	13,000 7.9%	29,000 8.4%	16.6%
Other business	2,001 2.9%	3,000 1.8%	6,500 1.9%	30.8%
		(Forecast)	(Forecast)	

(millions of yen)

	FY2010			
	First Quarter (A)	First Half	Full Year (B)	Progress ratio (A/B)
Net sales	65,855	146,954	313,856	21.0%
Outsourcing and network	30,870 46.9%	61,623 41.9%	126,164 40.2%	24.5%
Software development	27,425 41.6%	70,308 47.9%	155,976 49.7%	17.6%
Solution services	5,798 8.8%	11,798 8.0%	25,021 8.0%	23.2%
Other business	1,760 2.7%	3,224 2.2%	6,693 2.1%	26.3%

\* SORUN CORPORATION's effect on consolidated results (SORUN became a consolidated subsidiary in December 2009).

Net sales for the first quarter of FY2011: 9,194 million yen (breakdown: Outsourcing and Network segment, 2,207 million yen; Software Development segment, 6,373 million yen; Solution Services segment, 531 million yen; Other Business segment, 82 million yen).

Net sales for the first half of FY2011(forecast): 21,730 million yen (breakdown: Outsourcing and Network segment, 4,690 million yen; Software Development segment, 15,600 million yen; Solution Services segment, 1,190 million yen; Other Business segment, 250 million yen).

Full-year net sales for FY2011(forecast): 46,900 million yen (breakdown: Outsourcing and Network segment, 10,690 million yen; Software Development segment, 32,860 million yen; Solution Services segment, 2,830 million yen; in the Other Business segment, 520 million yen).

Net sales for the fourth quarter of FY2010: 14,034 million yen (breakdown: Outsourcing and Network segment, 3,093 million yen; Software Development segment, 9,941 million yen; Solution Services segment, 917 million yen; Other Business segment, 81 million yen).

\*Earnings forecasts and other forward-looking statements in this document are based on information available to the Company at the time of preparation and certain assumptions that it believes to be reasonable. Actual results may differ materially from those expressed or implied by forward-looking statements due to various factors.

**2. Orders for Software Development**

(millions of yen)

	FY2011
	First Quarter
Orders received during the period	38,519
Order backlog at period-end	57,028

(millions of yen)

	FY2010		
	First Quarter	First Half	Full Year
Orders received during the period	38,125	69,808	146,621
Order backlog at period-end	63,508	52,308	49,569

\*Orders for outsourcing and network services are not stated in this report because such services are conducted on an ongoing basis.

\* SORUN CORPORATION's effect on consolidated results (SORUN became a consolidated subsidiary in December 2009).

First quarter, FY2011: 9,547 million yen in orders received, 7,012 million yen order backlog at quarter-end.

Fourth quarter, FY2010: 7,665 million yen in orders received, 3,839 million yen order backlog at quarter-end.