



October 5, 2010

(Translated from the Japanese original)

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### **Memorandum of Understanding on Merger of Consolidated Subsidiaries TIS, SORUN and UFIT**

At its meeting on October 5, 2010, the Board of Directors at IT Holdings (hereafter, “the Company”) approved the course of realignment in Group formation which will merge three companies—TIS, Inc. (hereafter, “TIS”), SORUN CORPORATION (hereafter, “SORUN”) and UFIT Co., Ltd. (hereafter, “UFIT”)— and concluded a memorandum of understanding for merger. Details are provided below.

Please note that board of directors’ meetings were also held today by the aforementioned subsidiaries and memorandums of understanding were concluded at the respective meetings, based on the Company’s decision. Also note that the executive teams at the four companies involved are all of the same opinion regarding the merger.

### **Details**

#### **1. Purpose of Merger**

Cloud computing has become a buzzword for the information services industry, which has seen the system investment interests of clients shift away from maintenance and improvement of information systems in favor of effective use and operation of information and communication systems utilizing outsourcing and XaaS. Given this trend, providers of information services must respond quickly to client needs, particularly with investment in infrastructure facilities and development of platform technology.

The industry also faces a difficult operating environment, characterized by uncertainty over the direction of business conditions, reduced demand due to streamlined IT investment budgets, and pressure to lower prices that goes hand in hand with competition from overseas rivals.

Since its establishment as a holding company, the Company has maintained a policy of respect for the independence of its operating companies. But with qualitative changes in the operating environment and the accelerating pace of these changes, management decided take a different approach. This change can be viewed as the second step in establishing a structure for managing subsidiaries under the holding company umbrella.

From early on, management felt that fiscal stability required expansion of corporate scale, as a wider operating footprint would facilitate complementary pursuits and dispersion of risk in business activities in the short term and that this would contribute significantly to enhanced business capabilities and higher corporate value in the medium term. This view has gained even greater significance in today's uncertain business climate.

The same assumption applies to the Company's subsidiaries, especially TIS, SORUN and UFIT. Based on the cultural affinity—in a corporate sense—that blossomed during joint efforts on Japan's largest credit card system development project, management believes the three companies will be able to enjoy the merits of increased size accorded through merger because it will promote effective use of common technologies and know-how.

This was the impetus for today's memorandum of understanding, which will see the three subsidiaries merge on April 1, 2011.

The philosophy behind the merger is to put clients first and to operate as a cohesive unit. Guided by this philosophy, management at the new company will not favor individuals associated with one of the companies that merged over individuals from the other two companies. Rather, management will strive to build and operate a corporate structure and personnel system that emphasize the idea of having the right people in the right jobs.

On the business front, plans are for shared access to the client bases of all three subsidiaries, cost reform through a reduction in duplicated costs, and forward-looking investment in China's IT sector, which is seen as a growth market.

## **2. Outline of Subsidiary Merger**

### **(1) Schedule**

October 5, 2010	Resolutions by the board of directors at each company and conclusion of memorandums of understanding on the merger
April 1, 2011 (planned)	Date of merger (effective date)

The schedule of meetings, such as the meeting of each subsidiary's board of directors to approve the merger and the extraordinary shareholders' meeting for each subsidiary to obtain support for the merger, has not yet been set. As soon as the dates are confirmed, the schedule will be released.

### **(2) Method and other aspects of the merger**

The method and other aspects of the merger will be discussed and determined by the Merger Committee. As soon as the issues have been worked out, an announcement will be made.

**3. The New Company**

Details about the new company will be determined through discussion by the Merger Committee. As soon as the issues have been worked out, an announcement will be made.

**4. Fiscal 2011 Forecast**

This merger will involve consolidated subsidiaries of the Company, and the impact on consolidated fiscal results will therefore be minimal.

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