Challenging Tomorrow's Changes

ANNUAL REPORT 2008

ITOCHU Techno-Solutions Corporation

Annual Report 2008

For the year ended March 31, 2008

Contents

Cautionary Note Concerning Forward-Looking Statements

Statements made in this annual report with respect to CTC's plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of CTC based on management's assumptions and beliefs in light of information currently available to it, and involve certain risks and uncertainties.

Financial Highlights

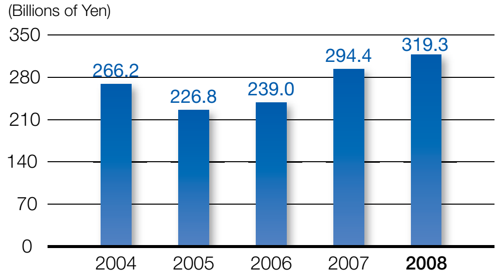
ITOCHU Techno-Solutions Corporation and Subsidiaries

	2006	2007	2008 (Billions of Yen)	2008 (Millions of U.S. Dollars)
For the Years Ended March 31:				
Net sales	¥ 239.0	¥ 294.4	**¥ 319.3**	**$ 3,186.5**
Operating income	19.5	25.5	**25.0**	**249.6**
Net income	11.5	14.0	**15.4**	**153.9**
As of March 31:				
Total assets	178.1	214.9	**218.1**	**2,176.6**
Total equity	115.7	140.5	**145.7**	**1,454.2**
Financial Ratios (%):				
Return on equity (ROE)	10.4	11.0	**10.8**	—
Return on assets (ROA)	6.8	7.1	**7.1**	—
Per Share Data (Yen/U.S. Dollars):				
Basic net income	197.87	225.90	**232.70**	**2.32**
Cash dividends	60.00	70.00	**80.00**	**0.80**

Note: 1. U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥100.2=US$1, the approximate rate of exchange as of March 31, 2008.
2. Owing to the October 1, 2006, merger with the former CRC Solutions Corp., figures for the fiscal year ended March 31, 2007 and 2008, include those of the entire group following the merger.

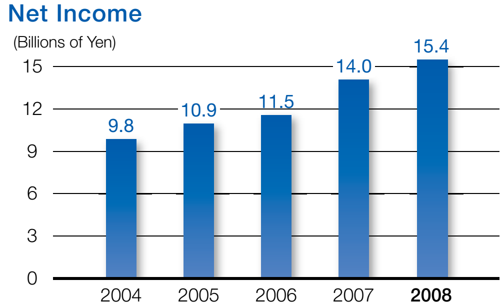
Net Sales

(Billions of Yen)



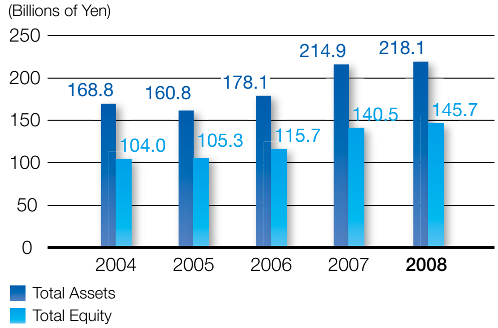
Net Income

(Billions of Yen)



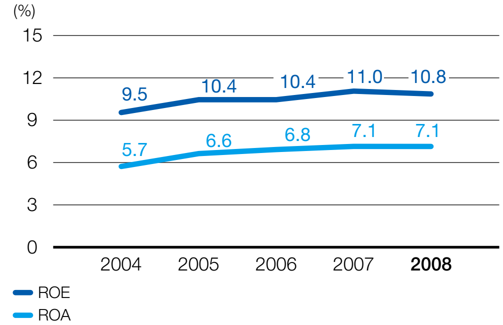
Total Assets and Total Equity

(Billions of Yen)



Return on Equity (ROE) and Return on Assets (ROA)

(%)



Driving Our Evolution to Become an Industry Leader

Yoichi Okuda, President & CEO

A Year of Growing Confidence Following Business Integration

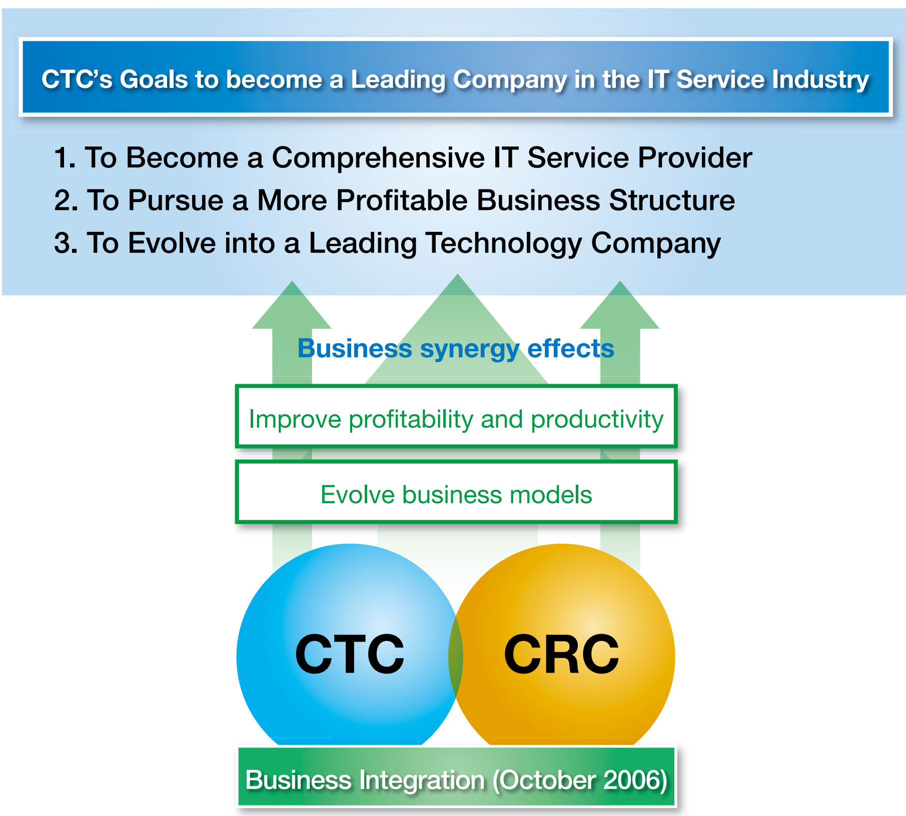
Eighteen months have passed since CTC and CRC merged, and I feel ever more confident that this business integration was a positive step. Not only because both revenues and profits have continued to grow, but also because we are seeing the emergence of the kind of business environment that we had anticipated—one that enables us to make the most of the strengths that the merger generated.

Our customers are facing a climate of drastic change as they strive to address spiraling resource costs, J-SOX compliance, increasingly rigorous security demands, environmental issues and globalization. It is a climate full of potential pitfalls in which just one false step could put a company's future at risk. IT services are indispensable to our customers, as they strive to keep abreast of constant changes. Amid these changes, new lease accounting regulations entail a growing shift from possession to the leased-use of IT assets, accelerated by the expansion of software as a service (SaaS). In addition, the switch to eco-friendly equipment and system operations and innovation through worldwide interoperability for microwave access (WiMAX) and Next-Generation Network (NGN) are under way. Faced with a multitude of issues and choices, enterprises need to select the best possible solutions available in a timely and appropriate manner. Therefore, they need a partner who will create solutions that will enhance their competitiveness and corporate value.

Such a partner provides the people and technological capabilities that cover the whole range of client IT lifecycle needs, from upstream processes to operation and maintenance services, while always being on top of emerging technologies and trends. That partner also possesses sufficient assets to provide leadership in what is an increasingly equipment-driven industry. In a nutshell, we've entered an age in which our strength as a "Total IT Solution Provider" is the key to winning competitive advantage.

Our business integration triggered a wave of IT services industry realignment that I interpret as a sign that the same perception is spreading throughout the industry. We are committed to living up to our company slogan—CTC: Challenging Tomorrow's Changes—and we see the current era as presenting a golden opportunity for us to continue our evolution and drive the further evolution of the IT services industry as a whole.

CTC's Goals



Evolving Business Models—A Further Step toward Sustainable Growth

What kind of a business model will best suit our sustained growth? We settled on a 4:3:5 business model, comprising service businesses (4), SI development businesses (3) and product sales (5). The shift from a 3:2:5 model to a 4:3:5 model means sustaining our inherent strengths, while reconstructing a long-term, stable earnings base.

Our key strength lies in product sales, but such sales tend to be easily dictated by the economic climate. Meanwhile, support capabilities are very effective in winning customer trust, but pursuing growth in this area alone is difficult amid the equipment-driven industry, unless one has a sufficient capital base. We intend to maintain the same level of product sales despite continuingly fierce price competition, while expanding our SI development businesses and service businesses. The merger vastly boosted our strength as a "Total IT Solution Provider" and our growth strategy aims to leverage those strengths to change our business model through the effective reallocation of our management assets to growth areas.

Specifically, in SI development businesses, we aim to generate revenues of ¥100 billion over the short term by further enhancing our consulting capabilities, refining our enterprise resource planning (ERP) system, boosting our development productivity and further strengthening CTC as a prime contractor.

In service businesses, demand for disaster recovery (DR) and business continuity planning (BCP) is rising in the rapidly expanding field of outsourcing. We aim to establish a solid customer base by combining such services as SaaS and ASP with data center services, as well as cultivating demand for green IT.

In product sales, we will focus on pursuing sales of solution packages for specific domains, cutting across a broad spectrum of fields. In an effort to further expand the scope of our sales activities, we will also collaborate with other domestic and overseas vendors.

Toward Further Evolution

While implementing this 4:3:5 business model, we also aim to expand globally in the future. There is strong demand for IT system optimization on a global scale among manufacturers and financial service providers. To provide services to such Japanese enterprises, we added strategic initiatives of collaboration with the major Indian system integration company, Wipro Technologies. Another vital aspect for driving our medium-term growth is the sustained development of our workforce. Our corporate culture has long been one that encourages self-motivated improvement of skills and knowledge by providing an attractive working environment and comprehensive training programs. In a survey on the Best Companies to Work for 2006, published in Nikkei WOMAN's magazine, we ranked sixth for per-capita education and training outlays. To better address globalization, we are currently seeking to enhance our employees' English-language capabilities through language training and assignment of employees to overseas vendors.

We aim to continue posting increases in both revenue and income in fiscal 2008 and achieve a higher level of growth than the market as a whole. We shall also strive to reward our shareholders with steady dividends linked to performance, combined with flexible stock buy-back operations.

We are committed to meeting the expectations of our shareholders and investors by continuing to evolve steadily into the leading position in the industry.

Yoichi Okuda
President & CEO

Special Feature

Accelerating Business Synergies by Evolving Our Business Model

We aim to drive our 4:3:5 business model—comprising service businesses (4), SI development businesses (3) and product sales (5) by adopting the following three strategies:

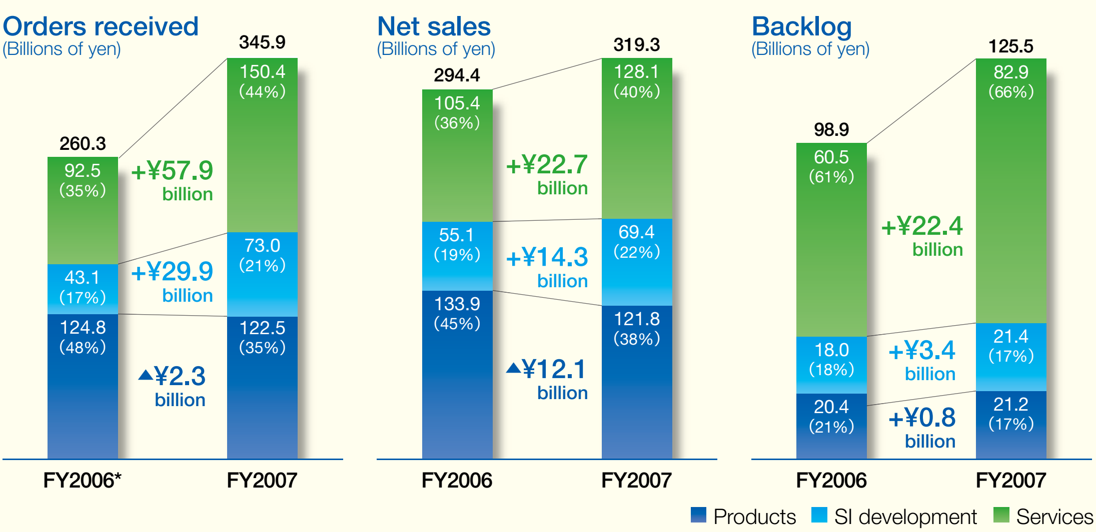
1. Expanding service businesses
2. Enhancing SI development businesses
3. Boosting sales of key solutions and products

Our Business Model

4:3:5

Decrease product dependency and **expand** service businesses and SI development businesses

Move toward a business model targeted to a 4:3:5 revenue ratio



* Orders received for FY2006 are pre-merger CTC figures, as a different method of accounting was used.




1. Expanding Service Businesses

CTC's Third Urban Data Center under Construction

Operation to Commence in **Autumn 2008**

One of the Largest Data Center Facilities in Central Tokyo

Power Consumption 30% Reduction

Demand for our data center services continues to grow against a backdrop of ballooning amounts of corporate data and rising corporate needs for stable and effective system operation. While competition in this field is heating up as a result of an increasing number of new players attracted by the growing demand, corporate interest in business continuity planning (BCP), disaster recovery (DR) and other areas is also rising. We anticipate continued high growth in our data center and other outsourcing businesses. Our outsourcing business serves as a means not only of building long-term relationships with customers, but also of expanding opportunities for product sales and the provision of new solutions linked to SI development businesses.

We plan to open our third urban data center in central Tokyo in the autumn of 2008 to boost our competitiveness in this field and cultivate demand for green IT and virtualization technologies. The new Mejirozaka Data Center will house approximately 1,000 rack scales on seven floors. By implementing green IT through the use of energy-efficient servers and other equipment, we aim to reduce power consumption by up to approximately 30% compared with current operations of a similar scale.

As a new data center-based business initiative, we have launched our "IT Integrated Backbone Service" as a high-value-added IT infrastructure provision operation combining data center and virtualization technology. This shared hosting service provides customers with robust and inexpensive system infrastructure by using the latest virtualization technology to enable the flexible allocation of system resources in accordance with customer needs. We plan to vigorously expand sales of the "IT Integrated Backbone Service" as a common system integration infrastructure for our outsourcing businesses.

We will also strengthen our service businesses by further expanding the capabilities of our group companies and boosting cooperation. We plan to expand the system operation consulting businesses at CRC Systems Corp. based on its rich experience in data center operations. In July 2008, we further expanded the scope of our services with the establishment of CTC SYSTEM OPERATIONS Corporation as a new company providing permanent on-premises system operation services for customers with multi-vendor environments.

2. Enhancing SI Development Businesses

Bolster Consulting
Set up an organization that specializes in the expansion of SI development businesses

Step up ERP* Business Activities
Develop ERP engineers and utilize business partners effectively

Promote Development Standardization
Introduce and disseminate CTC's proprietary "SINAVI" development standards

Short- and Mid-term Quantitative Targets

SI development sales of
¥100 billion

Fiscal 2007 earnings: ¥69.4 billion

* ERP: Enterprise Resource Planning, a method of integrating the management of core operations to put a company's business resources to effective use.

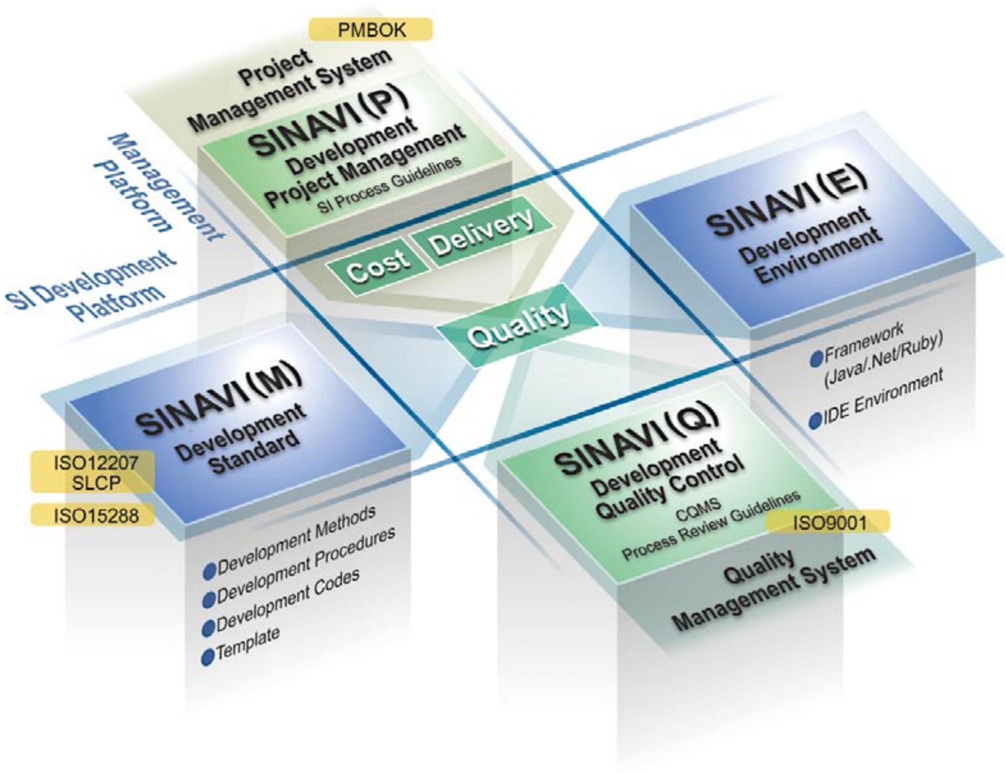
To become really profitable, SI businesses need to possess technological capabilities that set them apart from the competition. Needless to say, building stable, long-term business relationships requires development capabilities sufficient for customers to feel confident about entrusting us with their core systems. Our short- and medium-term target is to boost our sales of SI development businesses to over ¥100 billion.

Utilizing the original strengths in platform and infrastructure SI, CTC has a long track record of development based on the deployment of outstanding foreign-packaged software. The former CRC had a wealth of experience in host-type development for the distribution industry and boasted mathematical and financial engineering strengths. Application maintenance and operation is another specialty of ours, and so we have the key advantage of being able to offer services that cover the entire IT life cycle.

We are aggressively enhancing our strength as a "Total IT Solution Provider" especially SI development capabilities, by expanding our consulting services, cultivating ERP system businesses and driving the utilization of our "SINAVI" development standards.

Promote Development Standardization

Introduce **"SINAVI"** and Improve **Business Quality** and **Efficiency** for SI Development Projects



Where consulting is concerned, we have boosted our SI development sales talents by absorbing Maxis Consulting Corporation, formerly a subsidiary, to create a dedicated team. We have also increased the number of our ERP engineers and are building on our track record in ERP systems. We are seeking to enhance our SI development capabilities and offer higher value services through broader consulting and ERP skills.

In concert with the enhancement of our development capabilities, we are working to boost development efficiency and productivity by applying our "SINAVI" operation standardization framework to development procedures, project management, quality control and all other development processes both within the CTC Group and among partner companies. We are at the same time exploring the potential for moving development businesses offshore to China and collaborating with major Indian systems integrator, Wipro Technologies.

Fiscal 2008 saw an increase in the loss provision for SI projects. We will consequently strive to reduce the number of such projects by means of SINAVI-driven quality improvements and by strengthening our project manager and project leader resources.

3. Boosting Sales of Key Solutions and Products

Reinforce Infrastructure Business Utilizing Virtualization and Other Advanced Technologies

Five key solutions for FY 2008

- Common IT infrastructure
- Office information infrastructure
- Contact centers
- Next-generation client systems
- Green IT

Solutions in specific domains

1) Telecoms: Next-generation network systems and standards (NGN*1, WiMAX*2), fusion of communications and broadcasting
2) Finance: Solutions utilizing advanced IT technologies such as grid and virtualization technologies (Contact centers, market and risk management systems, information systems)
3) Manufacturing/distribution: DWH*3, BI*4, CRM*5
4) Public and utilities sector: Common integrated infrastructure, security system solutions (thin client), etc.

*1. NGN: Next Generation Network is a high-quality, highly secure network that merges the Internet and telephone networks using IP technology.

*2. WiMAX: A medium-range wireless technology with a maximum transmission range of about 50km and a maximum transmission speed of 70Mbps

*3. DWH: A repository for electronically storing massive amounts of a company's data, which can then be automatically retrieved and analyzed for relevancy.

*4. BI: Automated systems are used to analyze massive amounts of data accumulated by a company and then graphically depict the results of the analysis with the goal of using the intelligence thus produced in business decision-making.

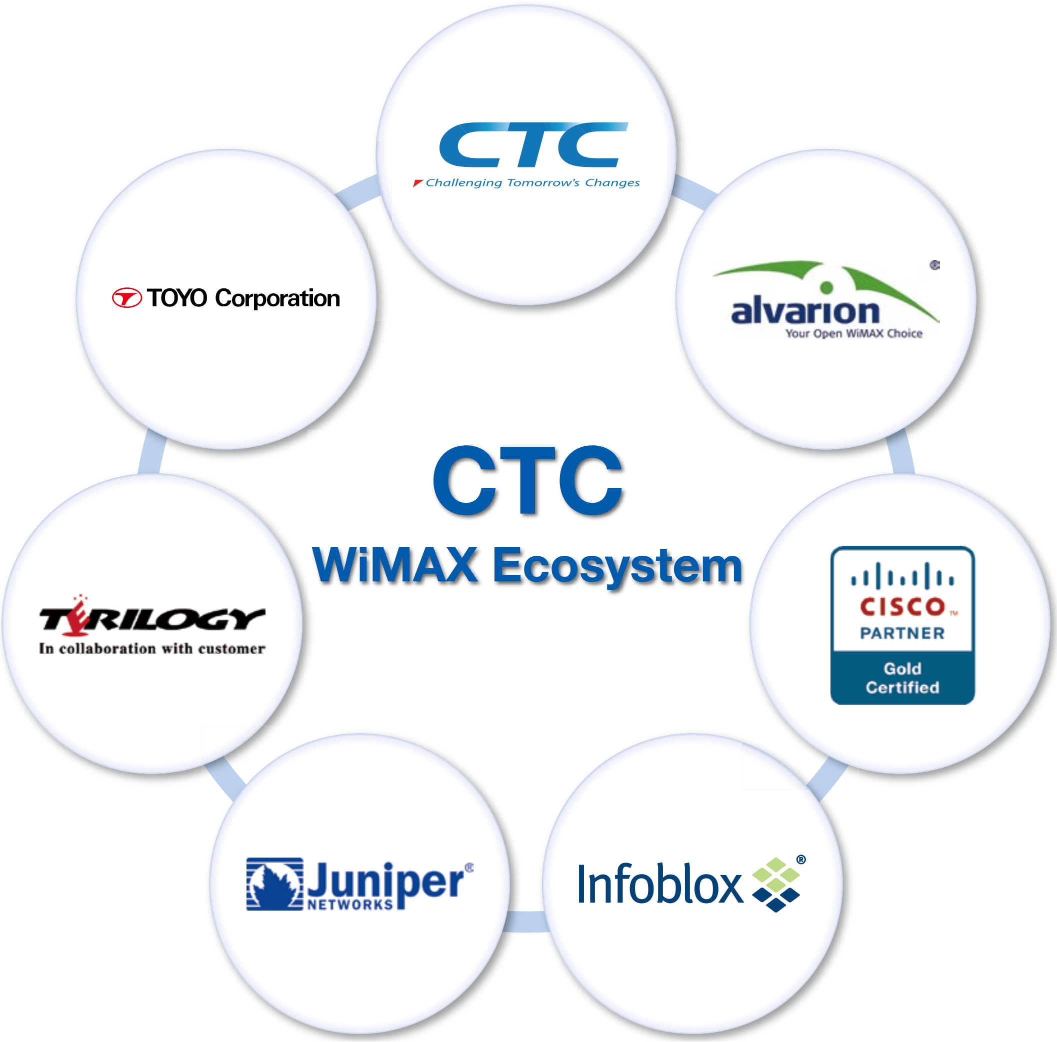
*5. CRM: A process for coherently managing individual customer contacts using an information system and building long-term relationships with customers.

Ultimately, our products are the crux of our strength. We have continually been introducing advanced products from overseas vendors such as Sun Microsystems, Oracle, and Cisco Systems—often before such products are well known in the Japanese market. Our focus has been on marketing optimal systems for the Japanese market, and to this end, our efforts entail exhaustive testing and inspection of both individual products and various combinations of products based on the latest offerings from various overseas vendors.

We have earned a trusted reputation from overseas vendors for our proven track record in pinpointing and bringing together the precise technologies needed by clients working on the front lines of the industry. The careful cultivation and nurturing of a broad range of relationships with overseas vendors underscores our goal of a "technology leading company." Key areas for fiscal 2008, where we aim to particularly illustrate our outstanding strengths, include common IT infrastructure, office information infrastructure, contact centers, next-generation clients, and green IT.

Our strong infrastructure development businesses includes worldwide interoperability for microwave access (WiMAX), a next-generation telecommunications standard for wireless data



technology. In WiMAX-related operations, we have built up a significant head start over our rivals in mobile WiMAX service infrastructure development, and we are also aggressively developing regional WiMAX services. Via wireless technology, we can provide high-speed Internet connection services to sparsely populated or mountainous regions that otherwise are extremely difficult to reach with typical fiber optics broadband service. Local municipal governments and CATV service providers have shown strong interest in this regional WiMAX service as the "Killer Solution" to tackling the digital divide.

In May 2008, CTC was one of the founding members of CTC WiMAX Ecosystem, a seven-company consortium involving Alvarion, Ltd., Infoblox Inc., Cisco Systems G.K., Juniper Networks, Inc., Terilogy Co., Ltd., and Toyo Corporation. CTC WiMAX Ecosystem will provide regional WiMAX operators with "one-stop shopping" convenience, providing speedy development of high-quality WiMAX systems and a broad range of maintenance and systems management services.

Looking ahead, the CTC Group will continually strive to further enhance its product power by strengthening its system development/servicing capabilities and deepening its relationship with its domestic and overseas vendor partners.

Corporate Governance

Basic Stance on Corporate Governance

The CTC Group's basic stance on corporate governance is grounded in the overarching philosophy of "Challenging Tomorrow's Changes." Based on this corporate philosophy and our dedication to compliance and integrity, we are strengthening corporate governance throughout the Group by further enhancing management transparency and fairness. In this manner, we are endeavoring to fulfill our responsibilities to shareholders and society as a whole.

Corporate Governance System and Structure

The Board of Directors consists of 13 members including three outside directors, and they met on 16 occasions during the previous fiscal year. The Board makes decisions on important management-related issues and supervises the execution of duties by directors in accordance with various laws, the Company's Articles of Incorporation, General Meeting of Shareholders' resolutions, Board of Directors' regulations, CTC's corporate philosophy and Group Code of Conduct.

The Board of Corporate Auditors is composed of four members, three of whom are appointed from outside the Group. In the previous fiscal year, the Board of Corporate Auditors met on 15 occasions. Within the limits of their legal authority, Corporate Auditors cooperate with the Audit Division and Independent Auditor and audit the execution of duties by directors for appropriateness.

Furthermore, CTC adopted an executive officer system. This system is intended to delegate authority and responsibility for businesses in specific fields and encourage quick decision making. Executive officers execute their duties within a defined scope of authority and in accordance with the instructions of the representative director. Directors responsible for the execution of specific duties hold the concurrent position of executive officer.

Internal Control and Risk Management Systems

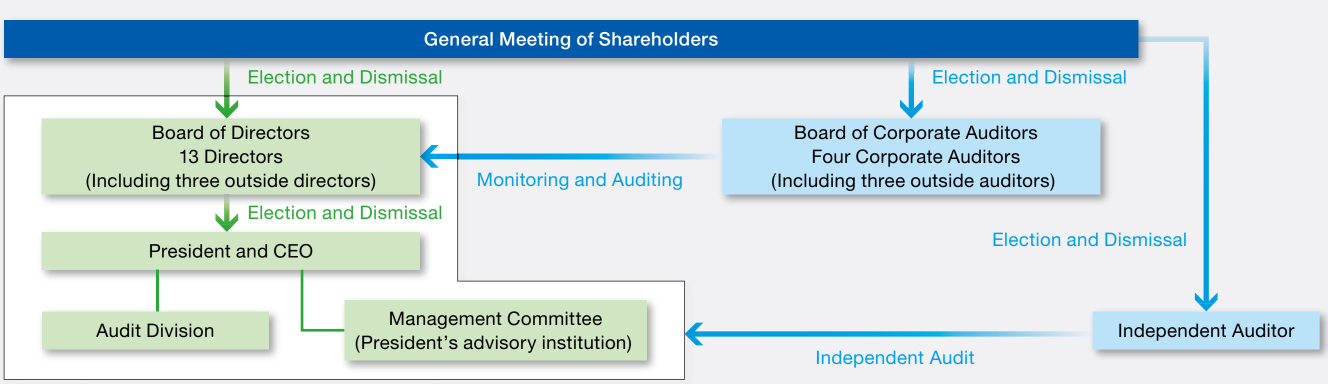
In an effort to enhance the efficacy of its corporate governance systems, CTC places considerable emphasis on developing a robust structure that encompasses compliance, risk management and internal control.

Internal control is indispensable for the survival and continuous development of a company, and we believe that it should be integrated into our daily work. On this basis, CTC established the "Basic Policy on the Internal Control System" in 2006 and will seek to build an even more adequate and efficient system through constant reviews and continuous improvement.

The CTC Group's compliance system includes the "CSR and Compliance Committee," an advisory institution to the President (Management Committee) that plans, implements and makes judgments on compliance, and the CSR and Compliance Team as a unit for supervision. A committee meeting is held four times a year, and non-scheduled meetings are also held as necessary. In addition, for each business group, administration unit and group company we assigned an "Ethics and Compliance leader" who communicates, implements and educates on compliance-related matters and also monitors the compliance status at his or her unit or company. Furthermore, we conduct compliance education as part of our employee training for disseminationy and enlightenment regarding compliance and also refer to it in our personnel evaluation. On the basis of this education, we require each employee of the CTC Group, including temporary employees and contracted employees, to submit a statement concerning the observance of ethics, compliance and information security once a year. By doing so, we help prevent the occurrence of accidents and, in case an accident dose occur, we appropriately respond to such cases and take countermeasures against them.

The Company has established various internal committees and a control division in addition to the Risk Control Committee to respond to diverse risks. In addition, we have created various management regulations, investment standards, credit limits and a reporting and supervisory structure, and established necessary risk management systems and management methods to control risks throughout the Group.

Corporate Governance System



Corporate Social Responsibility (CSR)

CSR policy

The society that the CTC Group aims for and our roles

The CTC Group is a group of companies supporting and improving the information infrastructure systems that serve society.

Up to this point, we have been contributing to the establishment and development of an information society by providing customers with technology products and services.

From now on, we will assiduously strive to understand how the information society of the future will be formed and, through communication with various stakeholders, including customers, we will work to develop information infrastructure systems to better contribute to this future with the intention of creating a society where all people can enjoy the benefits of IT.

Passing on a sustainable society to the next generation through the power of IT in this way is the CSR of the CTC Group.

Stakeholder Relations

In the course of pursuing their business activities, companies establish and maintain relationships with various stakeholders. As part of its efforts to contribute to the creation of a sustainable society, the CTC Group works to maintain and develop good relationships with its stakeholders. The environment can be considered an important stakeholder as well. We are proactively working to “do what we can” to address such global issues as global warming, the depletion of resources and the destruction of eco-systems.

Efforts for the Reliable Promotion of CSR

To ensure the promotion of CSR in the CTC Group, we launched a CSR Project Team. The team then decided on a policy for CSR and established the CSR Action Plan to be practiced by all CTC Group employees. Every employee completely understands the action plan for his or her unit, digests it in his or her own way and puts it into practice through his or her daily work.

Moreover, CSR promotion members are appointed to each business group to supervise the execution of the action plan and regularly report the progress status to the CSR and Compliance Committee, which manages the overall progress.

Our Stance and Issues Related to the Environment

The use of information technology reduces the unproductive movement of people and things by increasing efficiency, thus enabling the reduction of environment burden in society as a whole. Through the improvement of customers’ work efficiency, provision of proposals on power-saving equipment and other approaches, we intend to contribute to a better global environment through our daily business activities.

On the other hand, even in the information service industry, which is said to cause little environmental burden compared with manufacturing, we cannot avoid affecting the environment if we maintain and continue our business. In the CTC Group, data centers in particular consume large quantities of electric power.

The CTC Group will continue to develop an environmental management system in an effort to reduce its environmental burden. In the future, we will expand environmental management to the entire Group.

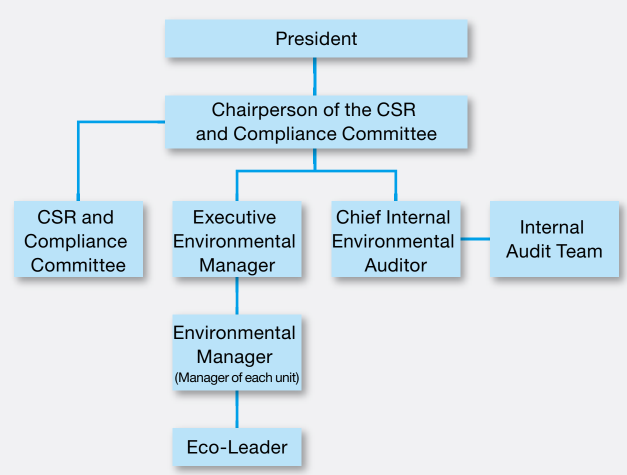
Environmental Management System

We established the CSR and Compliance Committee, which is an advisory institution to the President as well as the environmental management system by selecting environmental managers and eco-leaders from each unit.

The CSR and Compliance Committee holds a meeting once every quarter to report on environmental activities and deliberate important issues. The members of the committee include one member (department manager or higher) from each business group; advisors to directors; Administration and Personnel department managers from the functional organizations; CIO and corporate planning, corporate communications, legal and business development department managers; one member (department manager or above) from each Group company; and several members from other sections as necessary.

Internal audits are conducted by auditors who have completed a training course for internal environmental auditors conducted by an external institution.

Environmental Management System



Six-Year Consolidated Financial Summary

ITOCHU Techno-Solutions Corporation and Subsidiaries

Billions of Yen

	2003	2004	2005	2006	2007	**2008**
For the Years Ended March 31:						
Net sales	¥ 273.2	¥ 266.2	¥ 226.8	¥ 239.0	¥ 294.4	**¥ 319.3**
Gross profit	57.0	57.0	53.7	58.5	71.4	**80.4**
Selling, general and administrative expenses	40.4	39.6	36.6	39.0	45.9	**55.4**
Operating income	16.6	17.3	17.1	19.5	25.5	**25.0**
Income before income taxes and minority interests	15.4	17.5	19.2	20.0	24.0	**25.3**
Net income	7.8	9.8	10.9	11.5	14.0	**15.4**
As of March 31:						
Total assets	178.0	168.8	160.8	178.1	214.9	**218.1**
Total equity	102.0	104.0	105.3	115.7	140.5	**145.7**
Cash Flows:						
Cash flows from operating activities	16.4	21.6	14.2	7.9	24.3	**10.5**
Cash flows from investing activities	(0.5)	0.2	(4.9)	(1.8)	(15.7)	**3.6**
Cash flows from financing activities	(1.5)	(6.5)	(10.2)	(3.3)	(3.9)	**(10.1)**
Financial Ratios:						
Gross profit margin (%)	20.8%	21.4%	23.7%	24.5%	24.2%	**25.2%**
Operating income margin (%)	6.1	6.5	7.5	8.2	8.7	**7.8**
Equity ratio (%)	57.3	61.6	65.5	64.9	65.1	**66.6**
Return on equity (ROE) (%)*1	7.8	9.5	10.4	10.4	11.0	**10.8**
Return on assets (ROA) (%)*2	4.4	5.7	6.6	6.8	7.1	**7.1**

Yen

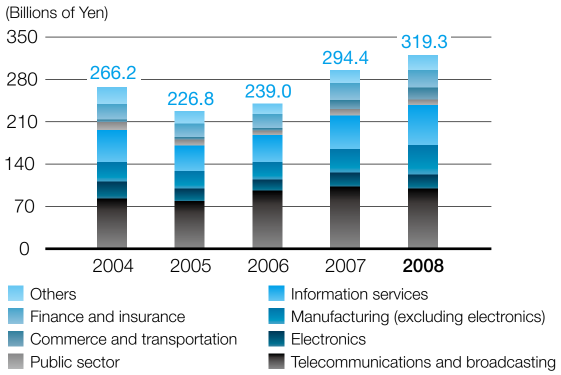
	2003	2004	2005	2006	2007	**2008**
Per Share Data:						
Basic net income	¥ 124.95	¥ 160.26	¥ 182.88	¥ 197.87	¥ 225.90	**¥ 232.70**
Shareholders' equity	1,658.37	1,733.47	1,819.34	2,007.88	2,093.52	**2,207.44**
Cash dividends applicable to the year	20.00	26.00	30.00	60.00	70.00	**80.00**

Note: Owing to the October 1, 2006, merger with the former CRC Solutions Corp., figures for the fiscal years ended March 31, 2007 and 2008, include those of the entire group following the merger.

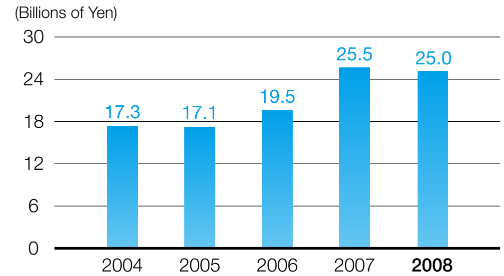
*1 ROE = Net income / Average total shareholders' equity (which is based on total shareholders' equity at the beginning and end of the year) x100.

*2 ROA = Net income / Average total assets (which is based on total assets at the beginning and end of the year) x100.

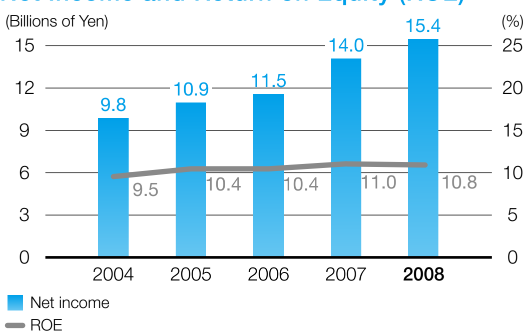
Net Sales



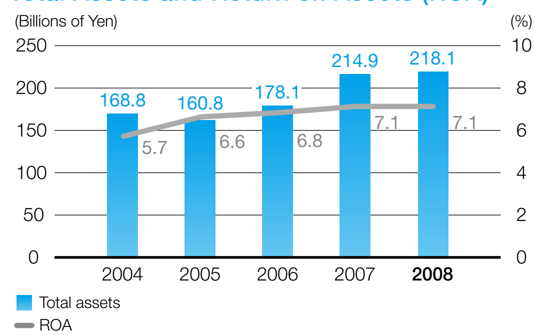
Operating Income



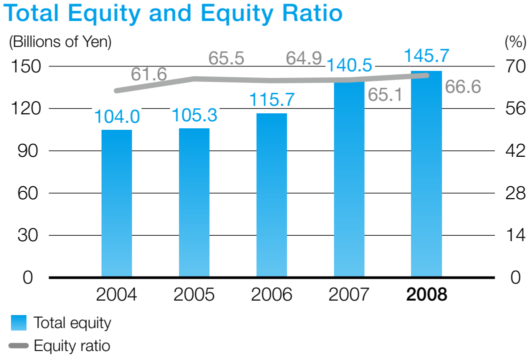
Net Income and Return on Equity (ROE)



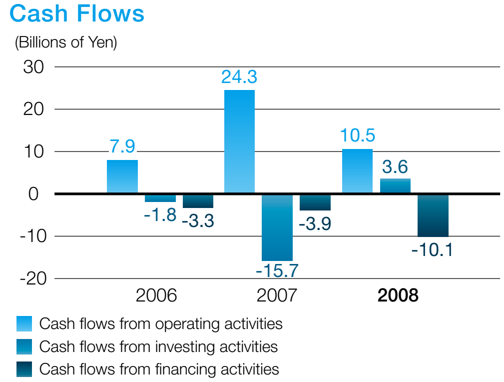
Total Assets and Return on Aseets (ROA)



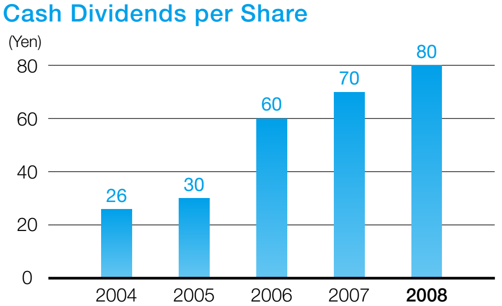
Total Equity and Equity Ratio



Cash Flows



Cash Dividends per Share



Management's Discussion and Analysis of Results and Financial Condition

Consolidated Business Performance

In fiscal 2008, ended March 31, 2008, the Japanese economy continued on a mild growth path during the first half, buoyed by increased private-sector capital investment attributable to improved corporate earnings. During the second half, however, the economic outlook in Japan grew cloudy, primarily due to stock market stagnation triggered by the U.S. subprime loan crisis and the appreciation of the yen as well as the surging prices of natural resources and raw materials. Amid such conditions, the information services industry continued to expand. IT system investment was increased, mainly undertaken by financial institutions, and robust demand for IT-related services from both the private and public sectors, which was attributable to strong needs in these sectors for legal compliance and security enhancement, system optimization and outsourcing.

In such an environment, the CTC Group has identified "Leap" as its keyword for the fiscal year under review and has worked to bolster its business foundation and improve profitability. Our focus was placed on the three themes of "pursuing measures for growth," "implementing various measures to realize the 4:3:5 revenue model"—the CTC Group's target ratio of revenues from maintenance and operations, system integration and products—and "strengthening our management infrastructure to become a more attractive company."

As a result, consolidated net sales improved 8.5% compared with the previous fiscal year to ¥319.3 billion. Slow performance during the first half, due primarily to sluggish demand for hardware, was more than offset by steady growth in orders received and net sales in the SI development and service businesses.

By business segment, sales in the System segment rose 4.0% to ¥246.7 billion, due in particular to the expanded business scale of SI development businesses. Sales in the Support segment rose 27.0% to ¥72.6 billion, with steady growth in hardware and software maintenance services adding to a solid performance full-year in data center and other IT services.

Gross profit on sales jumped ¥9.0 billion, or 12.7%, to ¥80.4 billion. The increase in consolidated net sales, coupled with the positive effects of improved revenue composition achieved through business model changes, more than compensated for the increases in operation costs and depreciation and amortization attributable to the expanded maintenance and operation service businesses and the addition of loss provision for SI development projects. Nevertheless, the gross profit margin improved 1.0 percentage point from 24.2% to 25.2%.

Selling, general and administrative expenses increased ¥9.5 billion, or 20.7%, to ¥55.4 billion, primarily owing to cost rises resulting from expanded human resources and office space.

Operating income dipped ¥4.0 billion, or 1.8%, to ¥25.0 billion, with revenues and the gross profit margin, both of which improved year on year, failing to absorb expenses associated with preemptive investments undertaken during the fiscal year under review. The operating income ratio declined 0.9 percentage point from 8.7% to 7.8%.

The CTC Group posted other income totaling ¥3.0 billion, compared with other expenses, net, totaling ¥1.5 billion in the previous fiscal year. Significant decreases in the equity of earnings of limited partnerships and the gain on sales of investment securities, net, were more than offset by improvements in interest and dividends. This was due to: 1)expanded short-term investments; 2) increased equity in earnings of associated companies; and 3) the absence of office relocation, internal system renewal, and merger-related expenses that the Company posted in the previous fiscal year.

As a result of these factors, income before income taxes rose ¥1.3 billion, or 5.5%, to ¥25.3 billion.

Total income taxes (corporate tax, resident's tax and adjustment for corporate and other taxes) increased ¥2 million from the previous fiscal year, to ¥9.8 billion. Minority interests in net income totaled ¥36 million, compared with ¥103 million in the previous fiscal year.

As a result of the aforementioned, net income grew ¥1.4 billion, or 9.8%, to ¥15.4 billion.

Financial Position

As of March 31, 2008, consolidated total assets amounted to ¥218.1 billion, an increase of ¥3.2 billion, or 1.5%, from the end of the previous fiscal year.

Total current assets were ¥178.0 billion, an increase of ¥1.8 billion, or 1.0%, year on year. Primary factors included a ¥17.0 billion increase in short-term investments—time deposits and deposits attributable to additional commercial paper purchased as part of the Company's short-term investment strategy and a ¥5.0 billion increase in trade receivables that resulted from expanded operating activities.

Total non-current assets—the sum of net property and equipment and total investments and other assets—amounted to ¥40.0 billion, an increase of ¥1.4 billion, or 3.7%. Primary factors included a ¥2.8 billion increase in software for investments in backbone systems.

Total liabilities were ¥72.4 billion, a decline of ¥2.0 billion, or 2.7%, year on year, mainly due to a ¥2.8 billion decrease in trade payables and payables to associated companies caused by reduced merchandise procurement in line with decreased product sales.

Total equity was ¥145.7 billion, an increase of ¥5.2 billion, or 3.7%, year on year, mainly due to a ¥6.9 billion increase in retained earnings spurred by expanded operations, which more than offset a ¥1.2 billion decrease in capital surplus caused by the cancellation of treasury stock. As a result, the equity ratio improved 1.5 percentage points, from 65.1% at the end of the previous fiscal year to 66.6%.

Cash Flows

During fiscal 2008, cash and cash equivalents increased ¥3.9 billion from the previous fiscal year to ¥71.0 billion.

Net cash provided by operating activities totaled ¥10.5 billion. Major components included an income tax payment of ¥8.8 billion, an increase of ¥5.0 billion in receivables—trade, a decrease of ¥2.8 billion in payables—trade and income before income taxes of ¥25.3 billion. Compared with the previous fiscal year, net cash provided by operating activities declined ¥13.8 billion, or 56.8%. Major factors for this decline included ¥8.9 billion net of receivables and payables and an ¥8.8 billion increase in inventories, which easily offset a ¥1.3 billion increase in income before income taxes.

Net cash provided by investing activities amounted to ¥3.6 billion. Major components included purchases of property and equipment totaling ¥2.6 billion, purchases of intangible fixed assets totaling ¥3.9 billion and proceeds from deposits other than cash equivalents (short term investment) totaling ¥10.0 billion. For comparison purposes, ¥15.7 billion used in investing activities in the previous fiscal year showed a turnaround to ¥3.6 billion provided by investing activities in the fiscal year under review. Behind this turnaround was ¥19.1 billion collectively provided by a decrease in payment into deposits other than cash equivalents deposits (short term investment) and an increase in proceeds from deposits other than cash equivalents (short-term investments).

Net cash used in financing activities amounted to ¥10.1 billion. Major components included repurchases of treasury stock totaling ¥5.0 billion and a dividend payments totaling ¥5.3 billion. Compared with the previous fiscal year, net cash used in financing activities surged ¥6.3 billion, or 161.7%. Behind this surge were a ¥5.0 billion increase in repurchases of treasury stock and a ¥1.4 billion increase in dividend payment.

Return to Shareholders

The CTC Group recognizes returns to shareholders as one of the most important management issues. Based on this principle, the Company works to secure stable dividend payments and keep improving dividend levels while optimizing the balance between its business performance, internal reserves and actual amount distributed to shareholders. The Company shall, in principle, pay out interim and year-end dividends every year. Year-end dividends are subject to resolutions made by the General Meeting of Shareholders, while interim dividends are subject to resolutions made by the Board of Directors.

For the fiscal year under review, the Company resolved to pay out a full-year cash dividend of ¥80 per share of common stock, of which ¥40 was paid out as an interim dividend, with due consideration given to its financial position and business performance. As a result, the consolidated payout ratio improved from 31.0% in the previous fiscal year to 34.4%.

Consolidated Balance Sheets

ITOCHU Techno-Solutions Corporation and Subsidiaries
March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2007	**2008**	**2008**
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 67,083	**¥ 70,977**	**$ 708,356**
Short-term investments—time deposits and deposits (Notes 4 and 16)	10,701	**1,529**	**15,259**
Receivables:			
Trade	59,094	**63,918**	**637,907**
Associated companies	96	**224**	**2,233**
Other	2,282	**1,574**	**15,705**
Allowance for doubtful receivables	(221)	**(124)**	**(1,238)**
Inventories (Note 6)	20,135	**21,434**	**213,913**
Deferred tax assets (Note 11)	7,079	**6,979**	**69,651**
Prepaid expenses and other current assets	10,022	**11,538**	**115,147**
Total current assets	176,271	**178,049**	**1,776,933**
PROPERTY AND EQUIPMENT:			
Land	1,697	**1,698**	**16,943**
Buildings and structures	11,746	**13,033**	**130,071**
Furniture and fixtures	6,399	**7,297**	**72,826**
Total	19,842	**22,028**	**219,840**
Accumulated depreciation	(6,292)	**(7,697)**	**(76,814)**
Net property and equipment	13,550	**14,331**	**143,026**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	6,245	**5,346**	**53,359**
Investments in and advances to associated companies	1,674	**986**	**9,839**
Software	3,212	**5,999**	**59,870**
Leasehold deposits	7,334	**6,984**	**69,707**
Long-term prepaid pension expenses (Note 8)	2,774	**2,653**	**26,478**
Deferred tax assets (Note 11)	436	**520**	**5,186**
Other assets (Note 7)	3,401	**3,224**	**32,172**
Total investments and other assets	25,076	**25,712**	**256,611**
TOTAL	¥214,897	**¥218,092**	**$2,176,570**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Payables:			
Trade (Note 16)	¥ 31,622	**¥ 28,728**	**$ 286,706**
Associated companies	117	**189**	**1,888**
Other	8,756	**8,072**	**80,559**
Income taxes payable	6,431	**7,649**	**76,339**
Accrued expenses	8,177	**7,494**	**74,793**
Unearned income	13,581	**15,673**	**156,418**
Other current liabilities	4,239	**3,476**	**34,690**
Total current liabilities	72,923	**71,281**	**711,393**
LONG-TERM LIABILITIES:			
Long-term accounts payable	611	**369**	**3,681**
Long-term unearned income	—	**283**	**2,830**
Liability for retirement benefits (Note 8)	420	**266**	**2,651**
Deferred tax liabilities (Note 11)	452	**149**	**1,489**
Other long-term liabilities	—	**32**	**314**
Total long-term liabilities	1,483	**1,099**	**10,965**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 14 and 15)			
EQUITY (Notes 9 and 18)**:**			
Common stock—authorized, 246,000,000 shares; issued, 68,300,000 shares in 2007 and 67,000,000 shares in 2008	21,764	**21,764**	**217,201**
Capital surplus	34,258	**33,076**	**330,100**
Retained earnings	87,217	**94,100**	**939,120**
Net unrealized gain on available-for-sale securities	781	**768**	**7,666**
Deferred gain (loss) on derivatives under hedge accounting	6	**(7)**	**(73)**
Foreign currency translation adjustments	30	**(1)**	**(8)**
Treasury stock—at cost, 1,461,662 shares in 2007 and 1,234,897 shares in 2008	(4,129)	**(4,527)**	**(45,176)**
Total	139,927	**145,173**	**1,448,830**
Minority interests	564	**539**	**5,382**
Total equity	140,491	**145,712**	**1,454,212**
TOTAL	¥214,897	**¥218,092**	**$2,176,570**

Consolidated Statements of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
NET SALES (Note 16)	¥294,374	**¥319,290**	**$3,186,526**
COST OF SALES (Notes 8, 13 and 16)	222,991	**238,870**	**2,383,929**
Gross profit	71,383	**80,420**	**802,597**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 8, 12 and 13)	45,917	**55,406**	**552,958**
Operating income	25,466	**25,014**	**249,639**
OTHER INCOME (EXPENSES):			
Interest and dividend—net	281	**467**	**4,662**
Equity in earnings of limited partnership	672	**95**	**952**
Equity in earnings (losses) of associated companies	(538)	**239**	**2,387**
Gain on sales of investment securities—net	412	**124**	**1,241**
Gain on sales of investment securities of associated companies	514	**107**	**1,062**
Loss on write-down of investment securities	(909)	**(840)**	**(8,382)**
Office relocation expenses	(624)	**(17)**	**(170)**
Operation system renewal expenses	(383)	**—**	**—**
Merger related expenses	(339)	**—**	**—**
Other—net (Note 7)	(581)	**92**	**916**
Other income (expenses)—net	(1,495)	**267**	**2,668**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	23,971	**25,281**	**252,307**
INCOME TAXES (Note 11)**:**			
Current	9,767	**10,010**	**99,903**
Deferred	56	**(185)**	**(1,847)**
Total income taxes	9,823	**9,825**	**98,056**
MINORITY INTERESTS IN NET INCOME	103	**36**	**362**
NET INCOME	¥ 14,045	**¥ 15,420**	**$ 153,889**

	Yen		U.S. Dollars
	2007	2008	2008
PER SHARE OF COMMON STOCK (Notes 2.r and 17)**:**			
Basic net income	¥225.90	**¥232.70**	**$2.32**
Diluted net income	225.70	**232.67**	**2.32**
Cash dividends applicable to the year	70.00	**80.00**	**0.80**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years Ended March 31, 2007 and 2008

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	57,534	¥21,764	¥33,127	¥72,459	¥ 2,850		¥ 23	¥(14,571)	¥115,652		¥115,652
Reclassified balance as of March 31, 2006 (Note 2.j)										¥140	140
Net income				14,045					14,045		14,045
Appropriations:											
Cash dividends, ¥65.00 per share				(3,730)					(3,730)		(3,730)
Bonuses to directors and corporate auditors				(130)					(130)		(130)
Repurchase of treasury stock	(4)							(29)	(29)		(29)
Sale of treasury stock	76		18					249	267		267
Increase due to the merger of CRC Solutions Corp.	9,232		1,113		(2,135)			10,222	9,200		9,200
Take over of retained earnings for the merger of CRC Solutions Corp.				4,573					4,573		4,573
Net change in the year					66	¥ 6	7		79	424	503
BALANCE, MARCH 31, 2007	66,838	¥21,764	¥34,258	¥87,217	¥ 781	¥ 6	¥ 30	¥ (4,129)	¥139,927	¥564	¥140,491
Net income				**15,420**					**15,420**		**15,420**
Appropriations—Cash dividends, ¥80.00 per share				**(5,332)**					**(5,332)**		**(5,332)**
Repurchase of treasury stock	**(1,141)**							**(4,977)**	**(4,977)**		**(4,977)**
Sale of treasury stock	**68**		**17**	**(2)**				**220**	**235**		**235**
Cancellation of 1,300,000 shares of treasury stock			**(1,199)**	**(3,160)**				**4,359**			
Decrease of retained earnings due to the exclusion of associated company				**(51)**					**(51)**		**(51)**
Other				**8**					**8**		**8**
Net change in the year					**(13)**	**(13)**	**(31)**		**(57)**	**(25)**	**(82)**
BALANCE, MARCH 31, 2008	**65,765**	**¥21,764**	**¥33,076**	**¥94,100**	**¥ 768**	**¥ (7)**	**¥ (1)**	**¥ (4,527)**	**¥145,173**	**¥539**	**¥145,712**

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	$217,201	$341,896	$870,429	$7,800	$ 60	$ 301	$(41,209)	$1,396,478	$5,631	$1,402,109
Net income			**153,889**					**153,889**		**153,889**
Appropriations—Cash dividends, $0.80 per share			**(53,211)**					**(53,211)**		**(53,211)**
Repurchase of treasury stock							**(49,670)**	**(49,670)**		**(49,670)**
Sale of treasury stock		**171**	**(18)**				**2,201**	**2,354**		**2,354**
Cancellation of 1,300,000 shares of treasury stock		**(11,967)**	**(31,535)**				**43,502**			
Decrease of retained earnings due to the exclusion of associated company			**(508)**					**(508)**		**(508)**
Other			**74**					**74**		**74**
Net change in the year				**(134)**	**(133)**	**(309)**		**(576)**	**(249)**	**(825)**
BALANCE, MARCH 31, 2008	**$217,201**	**$330,100**	**$939,120**	**$7,666**	**$ (73)**	**$ (8)**	**$(45,176)**	**$1,448,830**	**$5,382**	**$1,454,212**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 23,971	**¥ 25,281**	**$ 252,307**
Adjustments for:			
Income taxes—paid	(9,356)	**(8,813)**	**(87,955)**
Depreciation and amortization	2,384	**3,160**	**31,534**
Reversal of allowance for doubtful receivables	(8)	**(94)**	**(938)**
Provision for (reversal of) accrued bonuses to employees	729	**(549)**	**(5,481)**
Provision for (reversal of) accrued bonuses to directors and corporate auditors	190	**(84)**	**(835)**
Provision for accrued retirement benefits to employees	95	**9**	**87**
Reversal of accrued retirement benefits to directors	(147)	**(119)**	**(1,192)**
Equity in earnings of limited partnership	(672)	**(95)**	**(952)**
Gain on sales of investment securities—net	(412)	**(124)**	**(1,241)**
Gain on sales of investment securities of the associated company	(514)	**(107)**	**(1,062)**
Loss on write-down of investment securities	909	**840**	**8,382**
Office relocation expenses	624	**17**	**170**
Operation system renewal expenses	383	**—**	**—**
Bonuses to directors and corporate auditors	(133)	**—**	**—**
Equity in losses (gains) of associated companies	538	**(239)**	**(2,387)**
Changes in assets and liabilities:			
Decrease (increase) in receivables—trade	1,924	**(4,824)**	**(48,145)**
Decrease (increase) in inventories	7,502	**(1,321)**	**(13,179)**
Increase in other current assets	(2,933)	**(692)**	**(6,905)**
Increase (decrease) in payables—trade	310	**(2,894)**	**(28,879)**
(Decrease) increase in other current liabilities	(1,412)	**834**	**8,322**
Other—net	309	**301**	**3,008**
Total adjustments	310	**(14,794)**	**(147,648)**
Net cash provided by operating activities	¥ 24,281	**¥ 10,487**	**$ 104,659**
INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	1,635	**990**	**9,882**
Purchases of investment securities	(706)	**(321)**	**(3,200)**
Proceeds from sales of investment securities of the associated company	300	**238**	**2,371**
Purchases of intangible fixed assets	(1,800)	**(3,880)**	**(38,722)**
Purchases of property and equipment	(5,182)	**(2,604)**	**(25,986)**
Payment into deposits other than cash equivalents (short-term investment)	(10,290)	**(803)**	**(8,017)**
Proceeds from deposits other than cash equivalents (short-term investment)	351	**10,000**	**99,800**
Other—net	(19)	**(42)**	**(421)**
Net cash (used in) provided by investing activities	(15,711)	**3,578**	**35,707**
FINANCING ACTIVITIES:			
Repayment of long-term bank loans	(200)	**—**	**—**
Sales of treasury stock	267	**236**	**2,356**
Repurchases of treasury stock	(28)	**(4,984)**	**(49,739)**
Dividends paid	(3,882)	**(5,328)**	**(53,174)**
Dividends paid to minority shareholders by consolidated subsidiary company	(4)	**(7)**	**(74)**
Other—net	(27)	**(55)**	**(546)**
Net cash used in financing activities	(3,874)	**(10,138)**	**(101,177)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8	**(33)**	**(331)**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER	6,889	**—**	**—**
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,593	**3,894**	**38,858**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,490	**67,083**	**669,498**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 67,083	**¥ 70,977**	**$ 708,356**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired and liabilities assumed in merger (Note 3):			
Assets:			
Current assets	¥ 21,991		
Non-current assets	11,315		
Total	¥ 33,306		
Liabilities:			
Current liabilities	¥ 11,891		
Non-current liabilities	1,265		
Total	¥ 13,156		

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years Ended March 31, 2007 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ITOCHU Techno-Solutions Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.20 to $1, the rate of exchange as of March 31, 2008. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 13 (16 in 2007) subsidiaries (together, the "Group").

Those companies over which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in 4 (6 in 2007) associated companies are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combination—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

On October 1, 2006, the Company merged with CRC Solutions Corp. ("CRC"), based on the approval of both the annual general meeting of the Company's shareholders held on June 22, 2006 and that of CRC's shareholders held on June 20, 2006. The Company accounted for this business combination by the accounting method for entities under common control (see Note 3).

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper, bond funds and money deposited to Cash Management System operated by ITOCHU Corporation, all of which mature or become due within three months of the date of acquisition.

d. Inventories—Inventories are primarily stated at cost on the specific identification basis. Supplies are carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 years of the estimated useful lives. Certain merchandise inventories are stated at cost determined by the moving-average cost basis.

e. Investment Securities—Investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average cost method.

Non-marketable securities are stated at cost determined by the moving-average cost method.

Investments in limited partnership are accounted for by the equity method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to property and equipment of the datacenter business and buildings acquired after April 1, 1998 (excluding facilities incidental to buildings). The range of useful lives is from 15 to 41 years for buildings and structures, and from 5 to 15 years for furniture and fixtures.

g. Intangible Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Amortization of software is calculated by the straight-line method over 5 years of the estimated useful lives while the amortization of software for sales is calculated based on the expected sales quantities (or amortized over 3 years if the calculated amounts is greater than above method).

h. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans—For employee retirement and pension plan, the Company and certain consolidated subsidiaries participate in the "ITOCHU Group Kosei-Nenkin Kikin," which is a defined benefit contributory pension fund, and also have a cash-balance type of defined benefit non-contributory pension fund or unfunded benefit plans. After the merger with CRC, on October 1, 2006, the Company assumed its retirement and pension plans. CRC and certain consolidated subsidiaries had a cash-balance type of defined benefit non-contributory pension fund and the defined contribution pension plan. On October 1, 2007, the Company merged both of the respective retirement and pension plans and revised their retirement benefit rules. Consequently, prior service cost (decrease of liability) of ¥1,767 million ($17,641 thousand) arose, and operating income and income before income taxes and minority interests increased by ¥132 million ($1,323 thousand) in the consolidated financial statements of the fiscal year ended March 31, 2008.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date. An actuarial adjustment is charged to income by the straight-line method over the following 10 years (that are within the average remaining years of service of the employees). And unrecognized prior service cost is charged to income by the straight-line method over the 10 years (that are within the average remaining years of service of the employees).

Due to the merger with CRC, effective from April 1, 2006, the Company and certain subsidiaries adopted certain accounting changes in the fiscal year ended March 31, 2007.

• *Recognition of actuarial gain or loss*

The Company and certain subsidiaries changed the method of recognizing actuarial gain or loss from full recognition in the year following the year as they arose, to ten year amortization commencing in the year following the year as they arose by straight-line method.

• *Amortization of prior service cost*

The Company and certain subsidiaries also changed the method of amortization of prior service cost from full amortization in the year as it arose, to ten year amortization commencing in the year as it arose by straight-line method.

There was no effect of these changes to the consolidated financial statements for the fiscal year ended March 31, 2007. However, operating income and income before income taxes and minority interests decreased by ¥120 million ($1,204 thousand) in the consolidated financial statements for the fiscal year ended March 31, 2008 for the change of recognition of actuarial gain or loss.

Retirement benefits to directors and corporate auditors of the Company were provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date. Pursuant to the approval at the annual general meeting of the Company's shareholders held on June 22, 2006, the Company decided to terminate the retirement benefits plan to directors and corporate auditors. The accrued retirement benefits to directors and corporate auditors will be paid at their retirement, and this amount is included in long-term accounts payable in 2007 and 2008.

Retirement benefits to directors and corporate auditors of certain subsidiaries are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

j. Presentation of Equity—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ended on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statements of changes in equity.

k. Research and Development Costs—Research and development costs are charged to income as incurred.

l. Leases—Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

m. Bonuses to Directors and Corporate Auditors—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

n. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

q. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers.

Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

r. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under the current Japanese GAAP, a company can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process; however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising during development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. BUSINESS COMBINATION

On October 1, 2006, the Company merged with CRC, based on the approval of both the annual general meeting of the shareholders held on June 22, 2006 and that of CRC's shareholders held on June 20, 2006.

Details of the merger were as follows:

(1) New Company Name

ITOCHU Techno-Solutions Corporation

(2) Method of Merger

The Company is the surviving entity, and CRC was dissolved.

(3) Business Description of Each Company

The Company: Sales and maintenance of computer network system, software development, system support, etc.

CRC: Information processing service, software development, sales of computer system, information service relating to science and engineering, etc.

(4) Share Allotment

The Company issued 0.31 shares in exchange for each share of CRC to its shareholders registered and recorded in the list of shareholders as of the day before the effective date of the merger. As a result, the Company issued 6,800,000 shares and reissued 2,804,300 shares of treasury stock.

The above ratio was decided, based on the evaluation of the third-party and negotiation of both companies.

(5) Purpose of the Merger

This merger was made to advance the strategy of providing a broad range of information technology services such as system operations, system development, sales of product.

(6) Description of Accounting Method

The Company accounted for this business combination by the accounting method for companies under common control.

The Company acquired all the assets and rights and assumed all the liabilities of CRC, and the book values of those at the acquisition date were as follows:

	Millions of Yen
Current assets	¥15,997
Non-current assets	11,404
Total assets acquired	¥27,401

	Millions of Yen
Current liabilities	¥11,892
Long-term liabilities	526
Total liabilities assumed	¥12,418

On September 30, 2006, CRC had shares of the Company of ¥2,233 million (at cost ¥82 million). Since these shares were treasury stock after the merger, this amount and deferred tax liabilities of ¥882 million related to unrealized gain on these shares were not included in above assets and liabilities.

Through the merger, capital surplus increased by ¥1,113 million and treasury stock decreased by ¥10,222 million in equity of the Company.

4. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Time deposits	¥ 175	**¥ 200**	**$ 1,997**
Deposits other than cash equivalents	10,526	**1,329**	**13,262**
Total	¥10,701	**¥1,529**	**$15,259**

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Non-current:			
Marketable equity securities	¥2,647	**¥2,572**	**$25,673**
Non-marketable equity securities	1,639	**1,609**	**16,058**
Investment in limited partnership	1,959	**1,165**	**11,628**
Total	¥6,245	**¥5,346**	**$53,359**

The carrying amounts and aggregate fair values of investment securities as of March 31, 2007 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as available-for-sale equity securities	¥1,486	¥1,162	¥ 1	¥2,647
March 31, 2008				
Securities classified as available-for-sale equity securities	**1,408**	**1,183**	**19**	**2,572**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as available-for-sale equity securities	**$14,055**	**$11,810**	**$192**	**$25,673**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Available-for-sale:			
Equity securities	¥1,639	**¥1,609**	**$16,058**
Investment in limited partnership	1,959	**1,165**	**11,628**
Total	¥3,598	**¥2,774**	**$27,686**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2008 were ¥558 million and ¥180 million ($1,795 thousand), respectively. Gross realized gains on these sales for the years ended March 31, 2007 and 2008, were ¥435 million and ¥138 million ($1,374 thousand), respectively. Gross realized losses on these sales for the years ended March 31, 2007 and 2008, were ¥22 million and ¥13 million ($132 thousand), respectively.

6. INVENTORIES

Inventories as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Merchandise	¥10,127	**¥10,594**	**$105,723**
Work in process	5,156	**5,470**	**54,593**
Supplies for maintenance service	4,852	**5,370**	**53,597**
Total	¥20,135	**¥21,434**	**$213,913**

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of both March 31, 2007 and March 31, 2008 and, as a result, recognized an impairment loss of ¥22 million and ¥20 million ($204 thousand), respectively as other expense for idle telephone rights. The carrying amounts of the relevant rights were written down to the recoverable amount for the years ended March 31, 2007 and 2008. The recoverable amount of them was measured at net selling prices at disposition. And the Group also recognized an impairment loss of ¥32 million ($314 thousand) as other expense for idle leased property in 2008. The amount of it was remaining lease payments as of March 31, 2008.

8. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees, directors and corporate auditors.

As noted in the significant accounting policy, the Company and certain consolidated subsidiaries have defined benefit plans; the Group contributory pension plan, a cash-balance type of defined benefit non-contributory pension plan and unfunded benefit plans. In addition, the Company and certain subsidiaries also have defined contribution pension plans. Employees who retire upon reaching the mandatory age of retirement or by death are entitled to larger benefits. Benefits determined by the retirement rule are paid primarily from the Group pension fund and the rest is then paid by the cash-balance pension plan, the Company or certain consolidated subsidiaries.

The liability for retirement benefits for directors and corporate auditors of the Group for the years ended March 31, 2007 and 2008 was ¥124 million and ¥5 million ($49 thousand), respectively.

The liability for employees' retirement benefits as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Projected benefit obligation	¥ 11,171	**¥ 10,622**	**$ 106,010**
Fair value of plan assets	(12,773)	**(11,719)**	**(116,953)**
Unrecognized actuarial loss	(1,202)	**(3,190)**	**(31,842)**
Unrecognized prior service cost	326	**1,895**	**18,908**
Long-term prepaid pension expenses	2,774	**2,653**	**26,478**
Net liability	¥ 296	**¥ 261**	**$ 2,601**

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Service cost	¥ 703	**¥ 933**	**$ 9,308**
Interest cost	163	**212**	**2,114**
Expected return on plan assets	(236)	**(363)**	**(3,622)**
Recognized actuarial (gain) loss	(1,244)	**224**	**2,234**
Recognized prior service cost	(25)	**(183)**	**(1,826)**
Premium of defined benefit contributory pension fund	852	**1,169**	**11,672**
Other	91	**439**	**4,384**
Net periodic benefit costs	¥ 304	**¥2,431**	**$24,264**

Assumptions used for actuarial computation for the years ended March 31, 2007 and 2008 were set forth as follows:

	2007	**2008**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	2.0%–2.5%	**2.5%–3.0%**
Recognition period of actuarial gain/loss	10 years	**10 years**
Amortization period of prior service cost	10 years	**10 years**

9. EQUITY

Since May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTIONS

Stock options have been approved at the shareholders meetings as an additional benefit for certain directors or officers and key employees. The outstanding stock options granted were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	2 directors 1 officer 178 employees	80,500 shares	2001.8.01	¥12,520 ($125)	From July 1, 2003 to June 30, 2006
2002 Stock Option	1 director 5 directors of subsidiaries 153 employees of the Company and subsidiaries	299,000 shares	2002.9.02	¥3,504 ($35)	From July 1, 2004 to June 30, 2007
2003 Stock Option	1 director 2 officers 13 employees 1 director of subsidiary 1 employee of subsidiary	2,294 shares	2003.8.01	¥2,300 ($23)	From October 1, 2006 to July 31, 2007
2004 Stock Option	7 directors 2 corporate auditors 9 officers 44 employees 10 directors of subsidiaries 1 corporate auditor of subsidiary 4 employees of subsidiaries	11,842 shares	2004.8.02	¥2,700 ($27)	From October 1, 2006 to July 31, 2008
2005 Stock Option	7 directors 1 corporate auditor 7 officers 45 employees 8 directors of subsidiaries 1 corporate auditor of subsidiary 4 officers of subsidiaries 3 employees of subsidiaries	19,282 shares	2005.8.01	¥3,220 ($32)	From October 1, 2006 to July 31, 2009

The stock option activity was as follows:

	2001 Stock Option	2002 Stock Option	2003 Stock Option	2004 Stock Option	2005 Stock Option
			(Shares)		
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding					
Granted					
Canceled					
Vested					
March 31, 2007—outstanding					
Vested:					
March 31, 2006—outstanding	71,800	162,100			
Vested			2,294	11,842	19,282
Exercised		75,100	186	1,178	
Canceled	71,800				186
March 31, 2007—outstanding		87,000	2,108	10,664	19,096
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding					
Granted					
Canceled					
Vested					
March 31, 2008—outstanding					
Vested:					
March 31, 2007—outstanding		**87,000**	**2,108**	**10,664**	**19,096**
Vested					
Exercised		**64,100**	**2,108**		
Canceled		**22,900**			**1,860**
March 31, 2008—outstanding				**10,664**	**17,236**
Exercise price		**¥3,504**	**¥2,300**	**¥2,700**	**¥3,220**
		($35)	**($23)**	**($27)**	**($32)**
Average stock price at exercise		**¥4,969**	**¥4,684**		**¥4,890**
		($50)	**($47)**		**($49)**
Fair value price at grant date					

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2007 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Current:			
Deferred tax assets:			
Loss on write-down of inventories	¥ 2,665	**¥ 2,995**	**$ 29,885**
Accrued bonuses to employees	2,916	**2,691**	**26,859**
Accrued enterprise taxes	560	**637**	**6,359**
Accrued other expenses	471	**518**	**5,174**
Other	713	**595**	**5,935**
Less valuation allowance	(235)	**(452)**	**(4,514)**
Total	7,090	**6,984**	**69,698**
Charges to offset against deferred tax liabilities	(11)	**(5)**	**(47)**
Net deferred tax assets—current	¥ 7,079	**¥ 6,979**	**$ 69,651**
Deferred tax liabilities:			
Consolidation adjustment of allowance for doubtful accounts	¥ 8	**¥ 5**	**$ 47**
Deferred gain on derivatives under hedge accounting	3	**—**	**—**
Charges to offset against deferred tax assets	(11)	**(5)**	**(47)**
Net deferred tax liabilities—current			
Non-current:			
Deferred tax assets:			
Loss on write-down of investment securities	¥ 978	**¥ 555**	**$ 5,541**
Tax loss carryforwards	205	**81**	**812**
Depreciation	1,017	**1,086**	**10,836**
Accrued retirement benefits	201	**193**	**1,925**
Unrealized gain of tangible assets	311	**367**	**3,662**
Other	255	**329**	**3,280**
Less valuation allowance	(1,233)	**(705)**	**(7,039)**
Total	1,734	**1,906**	**19,017**
Charges to offset against deferred tax liabilities	(1,298)	**(1,386)**	**(13,831)**
Net deferred tax assets—non-current	¥ 436	**¥ 520**	**$ 5,186**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ 537	**¥ 428**	**$ 4,268**
Long-term prepaid pension expenses	1,137	**1,088**	**10,858**
Other	76	**19**	**194**
Charges to offset against deferred tax assets	(1,298)	**(1,386)**	**(13,831)**
Net deferred tax liabilities—non-current	¥ 452	**¥ 149**	**$ 1,489**

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2007 and 2008 were excluded, since the difference was not more than five one-hundredth of the normal effective statutory tax rate.

As of March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥199 million ($1,981 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
After 2015	¥199	$1,981
Total	¥199	$1,981

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥747 million and ¥695 million ($6,940 thousand) for the years ended March 31, 2007 and 2008, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments for the years ended March 31, 2007 and 2008 were ¥9,622 million and ¥14,287 million ($142,581 thousand), respectively.

For the year ended March 31, 2008, the Company recorded an impairment loss of ¥32 million ($314 thousand) on certain leased property held under finance leases that do not transfer ownership and allowance for impairment loss on leased property, which is included in long-term liabilities—other.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2008 was as follows:

	Millions of Yen								
	2007					2008			
	Buildings and Structures	Equipment	Furniture and Fixtures	Software	Total	Buildings and Structures	Furniture and Fixtures	Software	Total
Acquisition cost	¥4,525	¥26	¥10,315	¥1,657	¥16,523	**¥4,778**	**¥8,829**	**¥1,949**	**¥15,556**
Accumulated depreciation	1,925	5	5,340	887	8,157	**2,411**	**4,052**	**935**	**7,398**
Accumulated impairment loss							**32**		**32**
Net leased property	¥2,600	¥21	¥ 4,975	¥ 770	¥ 8,366	**¥2,367**	**¥4,745**	**¥1,014**	**¥ 8,126**

	Thousands of U.S. Dollars			
	2008			
	Buildings and Structures	Furniture and Fixtures	Software	Total
Acquisition cost	**$47,688**	**$88,119**	**$19,448**	**$155,255**
Accumulated depreciation	**24,065**	**40,450**	**9,327**	**73,842**
Accumulated impairment loss		**314**		**314**
Net leased property	**$23,623**	**$47,355**	**$10,121**	**$ 81,099**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Due within one year	¥3,005	**¥2,907**	**$29,017**
Due after one year	5,550	**5,586**	**55,752**
Total	¥8,555	**¥8,493**	**$84,769**

Allowance for impairment loss on leased property of ¥32 million ($314 thousand) as of March 31, 2008 was not included in obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Depreciation expense	¥2,042	**¥3,386**	**$33,796**
Interest expense	159	**299**	**2,984**
Total	¥2,201	**¥3,685**	**$36,780**
Lease payments	¥2,167	**¥3,644**	**$36,371**
Impairment loss	—	**32**	**314**

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Due within one year	¥2,546	**¥2,969**	**$29,634**
Due after one year	3,831	**3,625**	**36,175**
Total	¥6,377	**¥6,594**	**$65,809**

14. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets, liabilities and firm commitments of ordinary purchase transactions denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, foreign currency risk in these derivatives is basically offset by opposite movements in the value of hedged assets, liabilities or firm commitments of ordinary purchase transactions.

Because the counterparties to these derivatives are limited to major international financial institutions and a general trading company, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Forward exchange contracted amounts which are assigned to associated assets or liabilities are reflected on the balance sheet at year end.

15. CONTINGENT LIABILITIES

As of March 31, 2008, the Group is contingently liable for guarantees of borrowings for the Group's employees amounting to ¥346 million ($3,455 thousand).

16. RELATED PARTY TRANSACTIONS

Transactions of the Company with associated companies for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Sales	¥1,630	**¥626**	**$6,245**
Purchases	432	**785**	**7,835**

Transactions of the Company with the parent company, ITOCHU Corporation, for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Purchases	¥57,613	**¥59,776**	**$596,570**

The balances due to or from the parent company, ITOCHU Corporation, as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2008**	**2008**
Deposits (included in short-term investments in 2007 and in cash and cash equivalents in 2008)	¥10,000	**¥5,000**	**$49,900**
Payables—trade	6,110	**5,504**	**54,928**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2008 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥14,045	62,174	¥225.90	
Effect of dilutive securities—Warrants		56		
Diluted EPS—Net income for computation	¥14,045	62,230	¥225.70	
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	**¥15,420**	**66,265**	**¥232.70**	**$2.32**
Effect of dilutive securities—Warrants		**8**		
Diluted EPS—Net income for computation	**¥15,420**	**66,273**	**¥232.67**	**$2.32**

18. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings as of March 31, 2008 were approved at the Company's shareholders meeting held on June 19, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40.00 ($0.40) per share	¥2,631	$26,254

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥2,658 million ($265,293 thousand, ¥40.00 ($0.40) per share) on December 7, 2007 to shareholders of record as of September 30, 2007, based on a resolution of the Board of Directors.

b. Purchase of Treasury Stock

The Board of Directors approved the purchase of the Company's treasury stock on June 13, 2008 pursuant to Article 156 of the Corporate Law, and purchased treasury stock from July 1, 2008 to September 22, 2008. Details were as follows:

(1) Reason for purchase of treasury stock:	To perform capital policy flexibly for responding to changing business environment, and improve capital efficiency and shareholders value.
(2) Method of purchase:	Market buying at Tokyo Stock Exchange
(3) Number of shares:	800,000 shares (maximum amount)
(4) Total purchase cost:	¥2,500 million (maximum amount)
(5) Period:	From July 1, 2008 to September 22, 2008

c. Cancellation of Treasury Stock

The Board of Directors approved the cancellation of the Company's treasury stock on June 13, 2008 pursuant to Article 178 of the Corporate Law and canceled treasury stock on June 30, 2008. Details were as follows:

(1) Method of cancellation:	Reduction of retained earnings
(2) Class of shares to be canceled:	Common stock
(3) Number of shares:	1,000,000 shares
(4) Scheduled date:	June 30, 2008
(5) Number of issued shares outstanding after this cancellation:	66,000,000 shares

19. SEGMENT INFORMATION

The Group operates in the following business segments:

"System" consists of IT consulting service, infrastructure construction service, computer-network system sales, software development, maintenance service of software, etc.

"Support" consists of maintenance service of computer-network system, service of datacenter, etc.

Information about business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2007 and 2008 was as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen							
	2007				**2008**			
	System	Support	Eliminations/ Corporate	Consolidated	System	Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥237,178	¥57,196		¥294,374	**¥246,676**	**¥72,614**		**¥319,290**
Intersegment sales	508	22,052	¥(22,560)		**536**	**19,316**	**¥(19,852)**	
Total sales	237,686	79,248	(22,560)	294,374	**247,212**	**91,930**	**(19,852)**	**319,290**
Operating expenses	226,045	54,964	(12,101)	268,908	**233,825**	**67,335**	**(6,884)**	**294,276**
Operating income	¥ 11,641	¥24,284	¥(10,459)	¥ 25,466	**¥ 13,387**	**¥24,595**	**¥(12,968)**	**¥ 25,014**

	Thousands of U.S. Dollars			
	2008			
	System	Support	Eliminations/ Corporate	Consolidated
Sales to customers	**$2,461,837**	**$724,689**		**$3,186,526**
Intersegment sales	**5,355**	**192,772**	**$(198,127)**	
Total sales	**2,467,192**	**917,461**	**(198,127)**	**3,186,526**
Operating expenses	**2,333,589**	**672,001**	**(68,703)**	**2,936,887**
Operating income	**$ 133,603**	**$245,460**	**$(129,424)**	**$ 249,639**

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen							
	2007				**2008**			
	System	Support	Eliminations/ Corporate	Consolidated	System	Support	Eliminations/ Corporate	Consolidated
Total assets	¥81,662	¥37,590	¥95,645	¥214,897	**¥86,515**	**¥35,371**	**¥96,206**	**¥218,092**
Depreciation	579	379	1,426	2,384	**646**	**662**	**1,852**	**3,160**
Impairment loss		6	16	22	**5**	**2**	**45**	**52**
Capital expenditures	706	2,373	4,642	7,721	**371**	**1,734**	**4,253**	**6,358**

	Thousands of U.S. Dollars			
	2008			
	System	Support	Eliminations/ Corporate	Consolidated
Total assets	**$863,424**	**$353,006**	**$960,140**	**$2,176,570**
Depreciation	**6,450**	**6,608**	**18,476**	**31,534**
Impairment loss	**53**	**14**	**451**	**518**
Capital expenditures	**3,700**	**17,309**	**42,445**	**63,454**

Notes: 1. Corporate operating expenses consisted primarily of the administration expenses of the Company, which were not allocated to business segments. Corporate operating expenses for the years ended March 31, 2007 and 2008 were ¥12,672 million and ¥14,358 million ($143,289 thousand), respectively.

2. Corporate assets consisted primarily of cash and cash equivalents, investment securities and administrative assets of the Company. Corporate assets as of March 31, 2007 and 2008 were ¥105,492 million and ¥101,804 million ($1,016,006 thousand), respectively.

(2) Geographical Segments and Sales to Foreign Customers

Geographical segment information was not presented since aggregate sales and assets of the Company and its domestic subsidiaries were more than 90% of the consolidated net sales and assets for the years ended March 31, 2007 and 2008.

Sales to foreign customers were not presented since sales to foreign customers were less than 10% of the consolidated sales for the years ended March 31, 2007 and 2008.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ITOCHU Techno-Solutions Corporation:

We have audited the accompanying consolidated balance sheets of ITOCHU Techno-Solutions Corporation and subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU Techno-Solutions Corporation and subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 19, 2008

Member of
Deloitte Touche Tohmatsu

Board of Directors

As of June 19, 2008

Directors and Auditors

President & CEO	Yoichi Okuda	*1
Director	Kazuo Kosuga	*2
Director	Tohru Nakano	*2
Director	Shigeki Nishiyama	*2
Director	Kyoji Ohnishi	*3
Director	Ken Gotoh	*4
Director	Yoshinori Warashina	*4
Director	Yasuo Kanematsu	*4
Director	Shinichiro Sakuraba	*4
Director	Minoru Kamada	*4
Director	Takatoshi Matsumoto	
Director	Shigemitsu Takatori	
Director	Hiroshi Suguta	
Corporate Auditor	Masao Kasama	
Corporate Auditor	Hiroshi Shibata	
Corporate Auditor	Kosuke Hayashi	
Corporate Auditor	Shuji Ikeda	

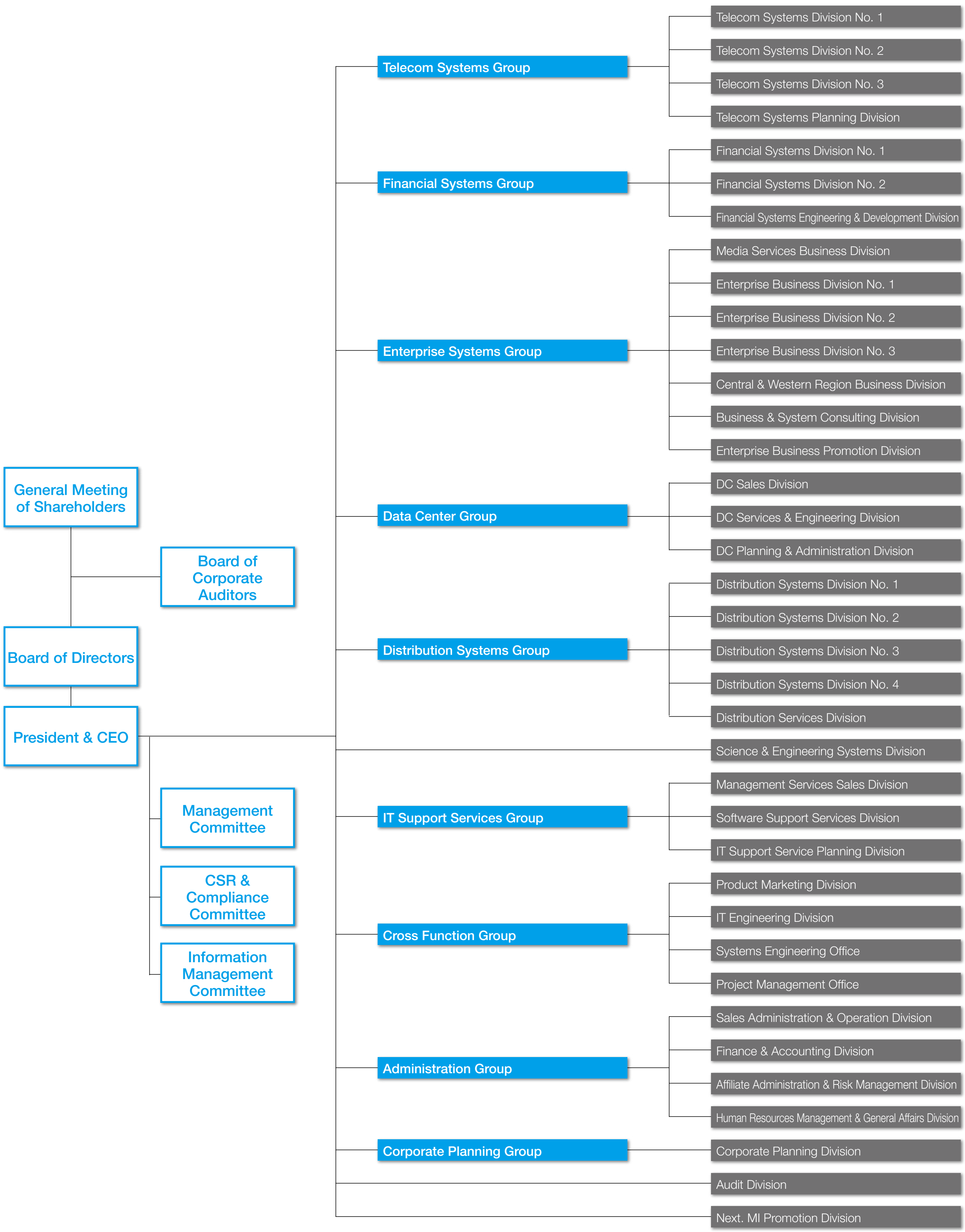
*1 Representative Director
*2 Executive Vice President
*3 Senior Managing Director
*4 Managing Executive Officer

Executive Officers

Managing Executive Officer	Kenji Ishii
Managing Executive Officer	Masaaki Matsuzawa
Executive Officer	Akio Oohara
Executive Officer	Akira Saitoh
Executive Officer	Tadataka Okubo
Executive Officer	Ryuji Nishimura
Executive Officer	Toru Shobuda
Executive Officer	Yoshimichi Miura
Executive Officer	Katsuyuki Shirota
Executive Officer	Ryouji Yokoyama
Executive Officer	Yasuhiko Terada
Executive Officer	Yasuhide Masanishi
Executive Officer	Hiroaki Okamatsu
Executive Officer	Takahiro Susaki
Executive Officer	Seiji Suzuki
Executive Officer	Hisashi Eda
Executive Officer	Takahiro Tani
Executive Officer	Yoichi Okugi
Executive Officer	Nobuyuki Nambu
Executive Officer	Eiji Haraguchi
Executive Officer	Kazunobu Moriyama
Executive Officer	Mitsuaki Kato
Executive Officer	Hiroyuki Tamura

Corporate Organization

As of April 1, 2008



Corporate History

ITOCHU TECHNO-SCIENCE Corporation

1972 April	• C. ITOH DATA SYSTEMS CO., LTD. was established in Chuo-ku, Tokyo, as a wholly owned subsidiary of ITOCHU Corporation.
1979 July	• Hamilton/Avnet Electronics Japan Limited was established in Chuo-ku, Tokyo, as a wholly owned subsidiary of Avnet, Inc.
1984 April	• C. ITOH DATA SYSTEMS CO., LTD. began sales of Sun Microsystems, Inc., Unix workstations.
October	• Hamilton/Avnet Electronics Japan Limited became ITOCHU Corporation's subsidiary following participation in its equity ownership by ITOCHU Corporation and C. ITOH DATA SYSTEMS.
1985 April	• Hamilton/Avnet Electronics Japan Limited was renamed C. ITOH MICRONICS CORP. Head office moved to Chiyoda-ku, Tokyo.
1986 June	• C. ITOH MICRONICS CORP. was renamed ITOCHU TECHNO-SCIENCE Corporation. Head office moved to Minato-ku, Tokyo.
July	• ITOCHU TECHNO–SCIENCE Corporation took over factory automation division and semiconductor division of C. ITOH DATA SYSTEMS, and set up two branch offices: one in Higashi-ku, Osaka, and the other in Naka-ku, Nagoya.
1988 June	• Relocated head office to Setagaya-ku, Tokyo.
1989 October	• Absorbed C. ITOH DATA SYSTEMS CO., LTD. and set up a subsidiary, CTC Laboratory Systems Corporation (now a consolidated subsidiary).
1990 April	• Set up two subsidiaries: CTC Technology Corporation (now a consolidated subsidiary) and CTC SP Corporation (now a consolidated subsidiary).
1992 April	• Began sales of Cisco Systems, Inc. network equipment products.
October	• Began sales of Oracle Corporation database software products.
1995 March	• Took over Compaq product sales and marketing license from ITOCHU Corporation.
1996 November	• Head office moved to Fujimi, Chiyoda-ku, Tokyo.
1998 February	• Increased capital to ¥1,576 million through third-party allocation of new shares.
1999 April	• CTC acquired all the shares of Four System Corporation and made it a subsidiary. The name of the business was also changed to CTC Business Service Corporation (now a consolidated subsidiary).
December	• Listed shares on the First Section of the Tokyo Stock Exchange. • A public stock offering increased the Company's capitaliza-tion to ¥21,763 million.
2000 June	• Obtained ISO14001 certification.
2004 November	• Head office moved to Kasumigaseki in Chiyoda-ku, Tokyo.
2005 March	• Opened the Technical Solution Center (TSC) in the Kudan Office as a technical verification center.
April	• Established MAXIS Consulting Corporation.
August	• Received Privacy Mark certification from Japan Information Processing Development Corporation.

CRC Solutions Corp.

1958 November	• Tokyo Electronic Computing Service Co., Ltd. was established in Chuo-ku, Tokyo, owned 75% by ITOCHU Corporation and 25% by Kokusai Kogyo Co., Ltd.
1961 April	• Changed company name to C. Itoh Electronic Computing Service Co., Ltd.
1971 October	• Changed company name to Century Research Center Corporation.
1980 January	• Acquired CRAY-1 supercomputer.
1984 April	• Established ITOCHU System Development in Minato-ku, Tokyo as a wholly owned subsidiary of ITOCHU Corporation.
October	• Established CRC System (now CRC Systems Corp.).
1986 May	• Established CRC Technical as a subsidiary.
1987 November	• With ITOCHU Corporation, established Century Computer Center in Tsuzuki-ku, Yokohama.
1988 January	• Established Yokohama Computer Center in Tsuzuki-ku, Yokohama.
1991 July	• Changed company name to CRC Research Institute, Inc.
October	• Registered shares over the counter with the Japan Securities Dealers Association.
1993 July	• ITOCHU System Development and Century Computer Center merged to form ITOCHU Systems & Technologies Corporation.
1995 January	• Established Kobe Computer Center.
May	• Head office moved to Minamisuna in Koto-ku, Tokyo.
October	• Merged with ITOCHU Systems & Technologies Corporation.
1996 March	• Established Accudata Research Institute Inc. in Taipei, Taiwan.
2000 April	• Established First Contact Corporation.
July	• Established IT Facility Management (now CRC Facilities Corp.).
October	• Established Otemachi Internet Data Center in Chiyoda-ku, Tokyo.
December	• Shares were listed on the Second Section of the Tokyo Stock Exchange.
2001 August	• Changed company name to CRC Solutions Corp. • Acquired shares in Asahi Business Solutions, LTD., an Asahi Breweries, Ltd. subsidiary; formed strategic alliance.
2002 September	• Shares designated on the First Section of the Tokyo Stock Exchange.
2004 January	• Converted Asahi Business Solutions, LTD. to a consoli-dated subsidiary.
2005 March	• Info Avenue Corporation was converted to a consolidated subsidiary, expanding the Group's consulting service capabilities.
April	• Established Shibuya Data Center in Shibuya-ku, Tokyo.

ITOCHU Techno-Solutions Corporation

2006 October	• **ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp. merged to form ITOCHU Techno-Solutions Corporation.**
2007 January	• **Established the Osaki Development Center in Osaki, Shinagawa-ku, Tokyo.**
2008 July	• **Established CTC SYSTEM OPERATIONS Corporation as a consolidated subsidary**

Corporate Data

Company Name

ITOCHU Techno-Solutions Corporation (CTC*)
*CTC= Challenging Tomorrow's Changes (Core principle)

Head Office

The Kasumigaseki Building, 2-5, Kasumigaseki 3-chome,
Chiyoda-ku, Tokyo 100-6080, Japan
Phone: +81-3-6203-5000
URL: http://www.ctc-g.co.jp/

Established

April 1, 1972

Paid-in Capital

¥21,763 million

Business Lines

Sales, maintenance and support of computers and network systems; commissioned software development; information processing services; information services related to science and engineering; support; other.

Number of Employees

6,692 (CTC Group Total, as of April 1, 2008)

Main Suppliers & Sales Performance

Sun Microsystems	Executive Partner (No. 1 partner in Japan)
Cisco Systems	Cisco Systems Gold Partner (No. 2 vendor in Japan)
Oracle	Certified Engineer Award 2008
	Communications Sector/Technology Award 2008
	BEA WebLogic SIP Server Sales Award 2008
	Advanced Certified Support Partner
EMC	EMC Velocity^2 Signature Partner (No. 1 Unit Sales at CLARiX in Japan)
Avaya	Platinum Partner (No. 1 vendor in Japan)
Hewlett-Packard	Hewlett-Packard Premier Enterprise Business Partner (No.1 vendor in Japan)
NetApp	Star Partner (No. 1 vendor in Japan)
Symantec	Symantec Major Reseller (Availability No. 1 vendor in Japan)
HITACHI	HITACHI Business Partner (No. 1 vendor in Japan of Hitachi Storage Solutions)

CTC Group Companies

Consolidated Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥ 450 million	Maintenance and System management services, Support services on system and network, System construction services, Computer-related training
CRC Systems Corp.	¥ 200 million	Network services, telecommunications and broadcasting business, software development, solution services, centering on system operations management
CTCSP CORPORATION	¥ 200 million	Sales of network and security-related equipment, storage devices and packaged software, and provision of related services
CTC LABORATORY SYSTEMS CORPORATION	¥ 300 million	Hardware for the pharmaceutical, chemical and food product industries, software sales and support, agency for fee-based services
CTC SYSTEM OPERATIONS Corporation	¥ 100 million	System operation services
CRC Facilities Corp.	¥ 100 million	Building facility operations management activities for computer centers (Yokohama, Kobe, Otemachi, Shibuya)
CTC BUSINESS SERVICE CORPORATION	¥ 100 million	Various business functions (human resources, administration) entrusted by CTC Group companies, as well as planning, producing and maintaining web content, and planning and producing advertising materials
First Contact Corporation	¥ 50 million	Contact center operations, helpdesk services, IT training, planning and implementation of IT training
Asahi Business Solutions Corp.	¥ 110 million	Overall system development, maintenance, operation and IT consulting
Accudata Research Institute Inc.	NT$ 78.81 million	Overall system development

Three other companies (two in Japan, one overseas)

Associated Companies Accounted for by the Equity Method

Company	Paid-in Capital	Main Business Activities
Itochu Technology Ventures, Inc.	¥ 100 million	Operation of investment funds for venture companies
IHI Scube Co., Ltd.	¥ 260 million	System development
Itochu Electronics Corporation	¥ 150 million	Provision of total e-business services

One other overseas company

Stock Information

As of March 31, 2008

Common Stock

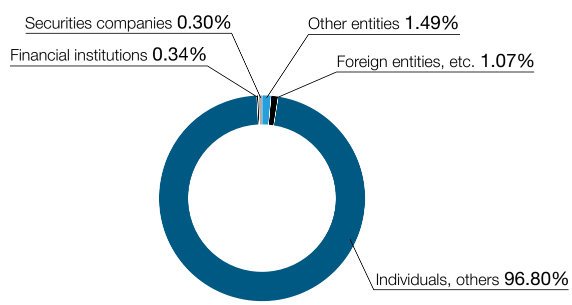
Authorized	246,000,000 shares
Issued (As of June 30, 2008) (On June 30, 2008, Common stock issued and outstanding decreased 1,000,000 shares, compared with March 31, 2008, owing to the extinguishment of treasury stock)	66,000,000 shares
Number of Shareholders	21,726

Major Shareholders

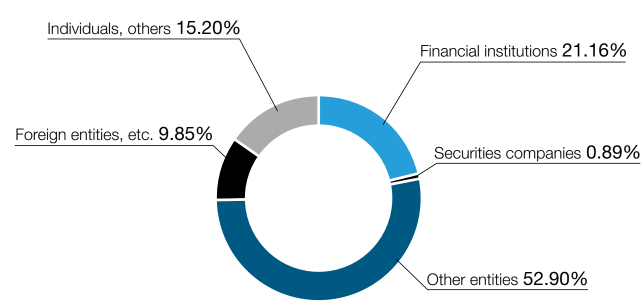
		Number of Shares	(%)
1.	ITOCHU Corporation	33,665,400	50.25
2.	The Master Trust Bank of Japan, Ltd. (Trust Account)	2,885,400	4.31
3.	Japan Trustee Services Bank, Ltd. (Trust Account)	2,718,400	4.06
4.	Japan Trustee Services Bank, Ltd. (ITOCHU Corp., Retirement Benefit Trust Account Re-entrusted by The Sumitomo Trust & Banking Co., Ltd.)	2,072,000	3.09
5.	Japan Trustee Services Bank, Ltd. (Trust Account 4)	1,492,700	2.23
6.	Designated separately managed account, trustee: Mitsui Asset Trust and Banking Company, Ltd. (Trust Account 1)	1,090,500	1.63
7.	CTC Employee Shareholding Association	667,368	1.00
8.	Trust & Custody Services Bank, Ltd. (Pension specified money trust account)	614,900	0.92
9.	Goldman Sachs International	526,785	0.79
10.	Morgan Stanley and Company International PLC	511,590	0.76

Notes: 1. The owner designated "Japan Trustee Services Bank, Ltd. (ITOCHU Corp., Retirement Benefit Trust Account Re-entrusted by The Sumitomo Trust & Banking Co., Ltd.)" refers to shares owned by ITOCHU Corporation that have been entrusted as a retirement benefit trust.
2. Additionally, as of March 31, 2008 the Company holds 1,234,897 shares of treasury stock.

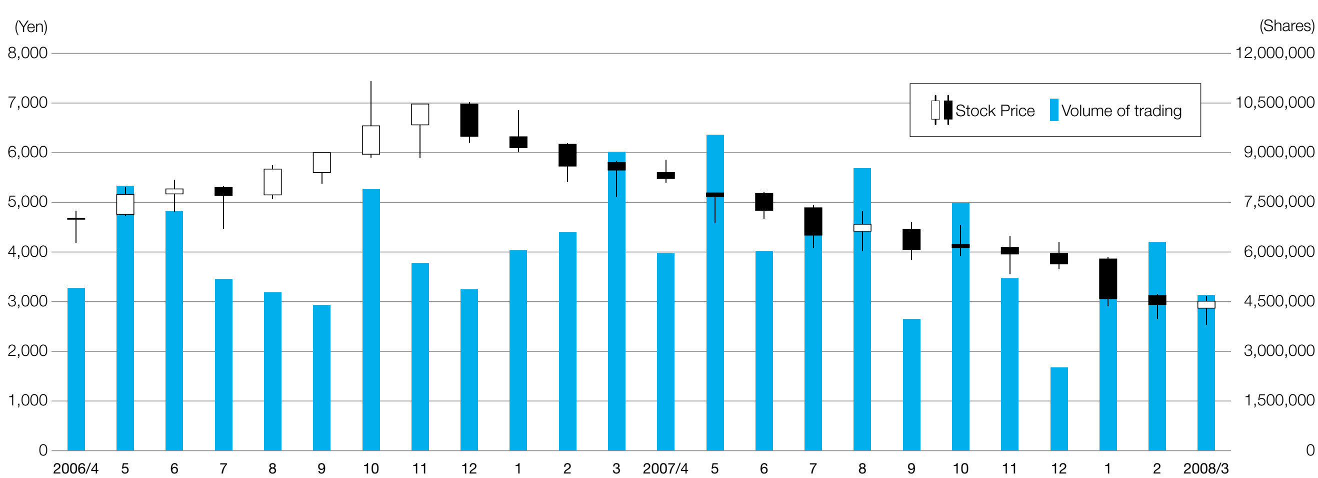
Breakdown by Number of Owners



Ownership by Percentage Shareholding



Stock Prices / Trading Volume Trends



Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

http://www.ctc-g.co.jp/

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