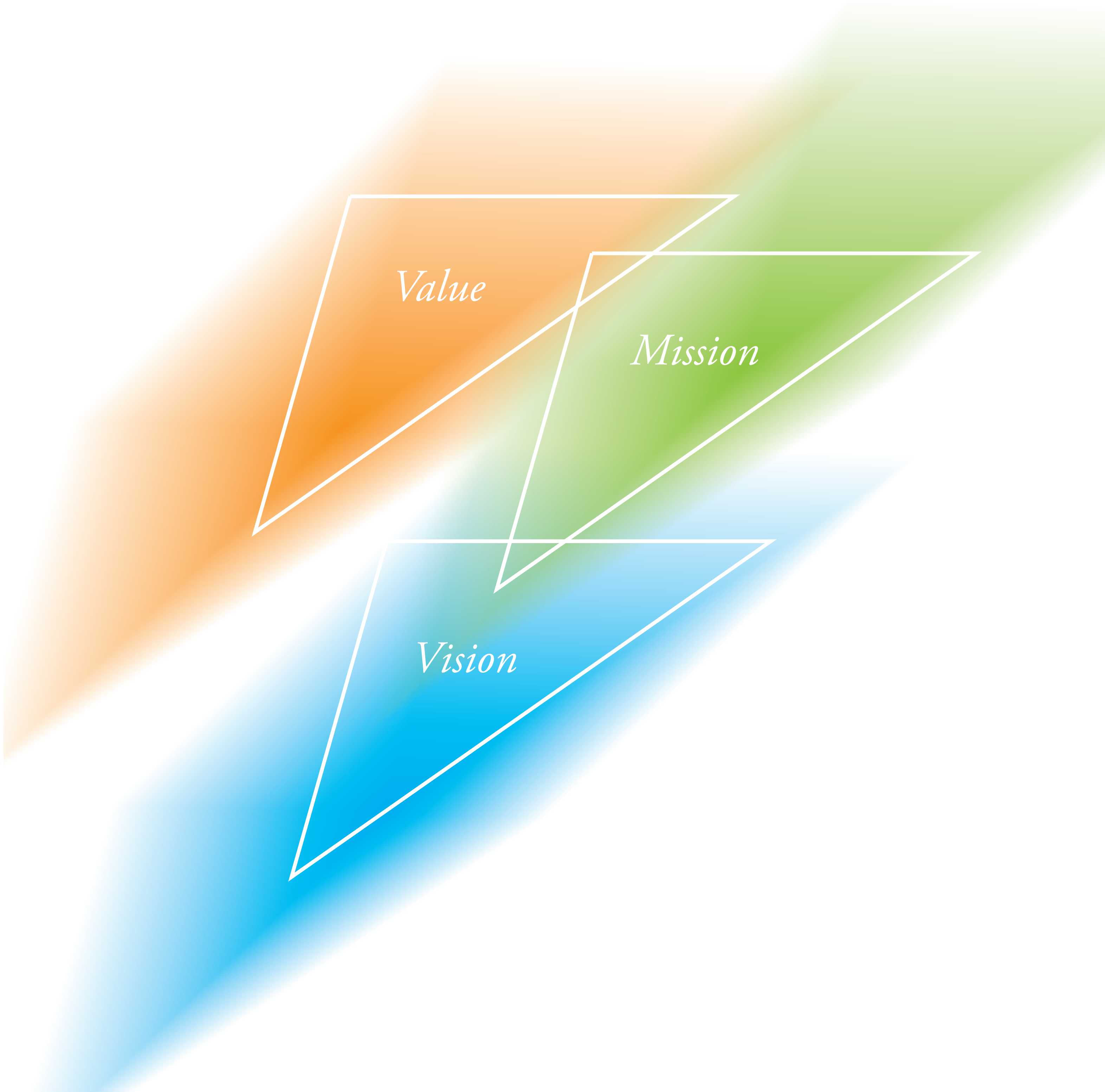
Challenging Tomorrow's Changes



ITOCHU Techno-Solutions Corporation

Annual Report 2007

For the year ended March 31, 2007

ITOCHU Techno–Solutions Corporation commenced operations in October 2006, created by the merger of ITOCHU TECHNO–SCIENCE Corporation and CRC Solutions Corp. (CRC).

ITOCHU TECHNO-SCIENCE Corporation

CRC Solutions Corp.

ITOCHU Techno-Solutions Corporation

With net sales of approximately ¥300 billion, operating income of ¥25 billion and a workforce of about 6,000, the new Company forms the industry's leading corporate group in Japan.

The merger fuses each partner's characteristics in preparation for a new leap forward. The merger combines the former ITOCHU TECHNO–SCIENCE Group's excellent infrastructure configuration and technology cultivation expertise, plus its strengths in the telecommunication and financial sectors, with the former CRC Group's proven service operating one of Japan's top data centers, as well as strength in application development and the distribution sector.

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CTC

Challenging Tomorrow's Changes

CTC targets more than swift perception of global changes and proper response to market shifts. The Company aspires to be a part of inducing those transitions. By raising the synergy of this merger, we aim to make a rapid transition to provide customers a broader one-stop service portfolio, while assuring our own dynamic growth.

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

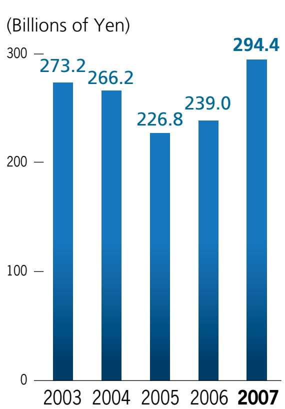
ITOCHU Techno-Solutions Corporation and Subsidiaries

	2005	2006	Billions of Yen 2007	Millions of U.S. Dollars 2007
For the Years Ended March 31:				
Net sales	¥226.8	¥239.0	**¥294.4**	**$2,492.8**
Operating income	17.1	19.5	**25.5**	**215.6**
Net income	10.9	11.5	**14.0**	**118.9**
As of March 31:				
Total assets	160.8	178.1	**214.9**	**1,819.8**
Total equity	105.3	115.7	**140.5**	**1,189.7**
Financial Ratios (%)**:**				
Return on equity (ROE)	10.4	10.4	**11.0**	**—**
Return on assets (ROA)	6.6	6.8	**7.1**	**—**
Per Share Data (Yen/U.S. Dollars)**:**				
Basic net income	182.88	197.87	**225.90**	**1.91**
Cash dividends	30.00	60.00	**70.00**	**0.59**

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥118.09=US$1, the approximate rate of exchange as of March 31, 2007.

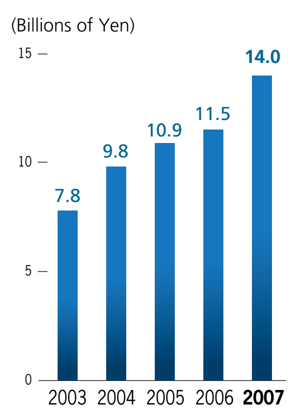
2. Owing to the October 1, 2006, merger with the former CRC Solutions Corp., figures for the fiscal year ended March 31, 2007, include those of the entire group following the merger.

Net Sales

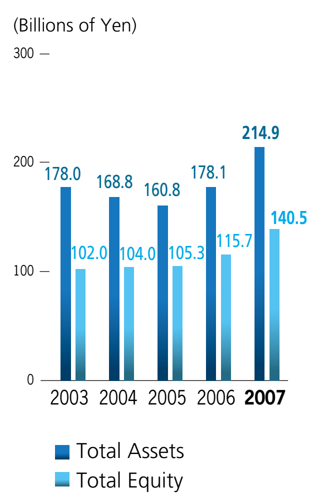


(Years ended March 31)

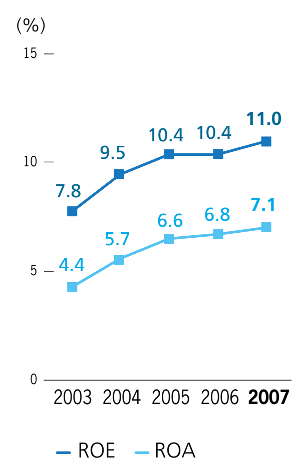
Net Income



Total Assets and Total Equity



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



From taking on challenges to making the next leap forward

We have propelled CTC into a new growth stage.

The birth of ITOCHU Techno–Solutions

"Challenge" is the key word to express the stance of the CTC Group during the fiscal year ended March 31, 2007, as a time of laying stepping-stones for the realization of long-term growth strategies. We have implemented measures to strengthen our business foundations and bolster profitability. The most important single strategic step forward during the year was the merger of ITOCHU TECHNO–SCIENCE Corporation and CRC Solutions Corp. to form ITOCHU Techno–Solutions Corporation in October 2006. Through this move, we have significantly expanded the scale of our business, combined the management resources of the two companies and achieved a system that provides various IT services—from system consultation through design, development, operation, maintenance/support and outsourcing of data center services—to a broad customer base.

In the wake of the merger, we have promoted consolidated awareness through a newly formulated Management Philosophy, various training programs and education programs. Based on these initiatives, we have established the Osaki Office; integrated information systems and other infrastructure; and advanced toward the consolidation and standardization of corporate rules and regulations, personnel systems and accounting policies. The integration project has progressed well, and we are now prepared for further growth and a new leap forward.

Fiscal 2007 in review

In fiscal 2007, ended March 31, 2007, the Group's consolidated net sales climbed 23.2%, to ¥294.4 billion; operating income jumped 30.6%, to ¥25.5 billion; and net income increased 21.9%, to ¥14.0 billion.

Sales advanced steadily across all our business sectors: telecommunications, finance, enterprise, maintenance and operations and other businesses. Moreover, the contribution of the merger from the second half resulted in major profit growth. Other factors contributing to these favorable results, in addition to simple quantitative business expansion, span such qualitative advances as steady progress with large-scale projects in the telecommunications and distribution sectors, a reduced number of unprofitable projects through reinforced project management and improved cost-competitiveness.

We recognize returning profits to shareholders as a key management objective, and since the previous fiscal year have expressed this awareness by reflecting our business performance through dividends. We increased dividends per share for the year to ¥70, compared with ¥60 in the previous term. Our consolidated payout ratio rose to 31.0% accordingly.

Mission Vision

Challenging Tomorrow's Changes

Value

Rooted in the core principle of "Challenging Tomorrow's Changes," we at CTC constantly work to create a clearly defined **mission** based on a foundation of rock-solid **values** in order to fulfill our **vision**.

Value

We at CTC generate a unique creativity, and we do this through energetic actions that are underpinned both by our sense of moral value and our ethics.

Mission

Our aim is to make society a better place, ensuring quality of life for everyone, and creating value for our customers and other stakeholders.

Vision

We will continue to grow as an appealing company grounded in high-quality technological power, changing our own business models thanks to an accurate grasp of the ever-evolving management environment.

Leaping forward—our theme for the fiscal 2008

The fiscal year ending March 31, 2008, will move CTC to a new stage of business. It is the start of new growth to raise the Company's worth in the eyes of shareholders and other investors, customers, employees and all other stakeholders. The keyword for this year is "Leap" to express the dynamic growth we aim to attain based on the success of the "Challenge" theme of fiscal 2007.

We are broadly grouping our measures to realize this goal around three themes. First, we will pursue measures for growth. Second, we will implement various measures to realize the 4:3:5 revenue model—our target ratio of revenues from maintenance and operations, system integration and products. Third, we will strengthen our management infrastructure to become a more attractive company. Through these measures, we aim for swift fruition for the synergistic results of integration, meeting the expectations of stakeholders and facilitating optimal fulfillment of employees' potential in a company underpinned by job satisfaction.

Challenging tomorrow's changes

The Group established a new management philosophy in April 2007. This philosophy expresses our aim of making society a better place as we fulfill our corporate vision.

As always, we thank our shareholders and investors for their support and encouragement in pursuit of these goals.

Yoichi Okuda
President & CEO

Adopting “Challenge” as our keyword in fiscal 2007 laid the foundations for realizing our long-term growth strategies

May 2006

Announcement of Merger

We announced the merger between the former ITOCHU TECHNO–SCIENCE Corporation and the former CRC Solutions Corp., simultaneously establishing the Integration Preparation Office.

October 2006

Execution of Merger

We carried out the merger with the aim of becoming a leading technology company with a unique integration of merits in strong, specific business sectors. Furthermore, through the solid efforts of the Post Merger Integration Office and the Consolidated Awareness Taskforce, we commenced concrete activities to optimize these synergies.

January 2007

Establishment of the Human Diversity Program

Aiming to be an attractive company underpinned by job satisfaction, the CTC Group is bolstering measures to realize a comfortable working environment with an organizational climate that facilitates the development of diversified human resources. A step toward achieving this objective was the establishment of the Diversity Promotion Section on January 1, 2007, first focusing on such issues for female employees as career advancement and support for dual professional and family commitments. In April 2007, based on Article 13 of the Law for Measures to Support the Development of the Next Generation, we were accredited with the Next-Generation Certification Mark by the Tokyo Labor Bureau as an enterprise positively employing measures to support women’s dual roles of working and raising children.

The time to take on further growth is… *now!*

January 2007

Opening of the New Osaki Office as a Seat for CTC's Activities

We opened the Osaki Office in Tokyo, which will house 2,300 employees from six separate offices and serve as the hub of the newly established CTC's activities. This office integration step will boost in-house and intra-Group communications, improve operational efficiency and promote customer-based business.

April 2007

Start-Up of Super-Engineer Certification

To ensure provision of superior systems to customers, we provide Super Engineer certification for engineers with advanced knowledge and extensive experience. To gain this qualification, engineers must be experts in computational finance and scientific fields, in addition to proving their core technological knowledge spanning servers, storage, networks, security and contact center technologies.

Advertisement introducing a "Super Engineer" (*Nikkei Joho Strategy*, May 2007 edition)

April 2007

Introduction of Engineer Skills Certification System

Aiming to bolster technological prowess company-wide as a leading technology company, we introduced an Engineer Skills Certification System that accredits in-house engineers based on original assessment standards. Through this system, we evaluate engineers on their professional expertise and create a channel for career advancement, thus stimulating motivation and furthering our aim to raise technological prowess throughout the Company. The assessment standards are applied in three areas: IT skills, competency and practical performance.

Taking the first steps toward realizing a clearly defined future vision

CTC is making a great leap forward through broader-ranging solutions and providing more precise services over the entire IT life cycle.

The CTC of the future

The IT/information service industry

1 Employ a unique business model that plays to our collective strengths as a company

Innovative business model
- Pursue a balanced 4:3:5 revenue model
- Strengthen our ability to handle and pursue large projects
- In the medium term, expand SI development to more than ¥100 billion
- Further strengthen and expand sales of infrastructure products
- Cultivate new service model and solutions

2 A top group in the industry in terms of scale

Through sustained growth, become a true member of the top group

3 A leading technology company

A company rated highly for its technology and quality

Step 1 Pursue measures for growth

■Measures to expand the top line

We have established an Integration Promotion Committee for early realization of the integration synergies and results requisite for top-line growth. We have evaluated the technologies, expertise and human resources of pre-merger CTC and CRC, and commenced specific investigations into measures to realize their optimal synergistic combination. Furthermore, we are promoting our "Super Account" strategy and positively cultivating and expanding businesses with major clients that ensure profitability and customers targeted for strategic approach.

■Measures to expand business domains

We are aggressively expanding our data center operations, as this differentiates us from other market participants and is the key to expanding the range of our operations. Moreover, along with maintenance and operations expansion, we are promoting the creation of business models and strategic tie-ups.

■Measures to raise profitability

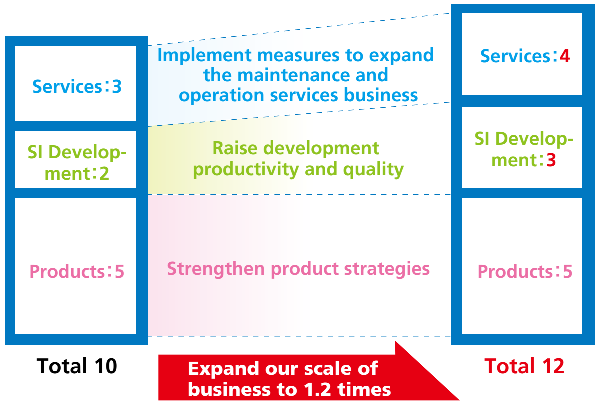
We are stepping up profit levels by increasing development efficiency and thorough project management to reduce the number of unprofitable projects.

Step 2 Implement various measures to realize the 4:3:5 revenue model, revenues from operations and maintenance, development and products

■Expand the maintenance and operation services business

We are using our data center to expand the maintenance and operations business. Furthermore, we are generating high-value-added service models by fusing the latest IT technologies, data center technologies and maintenance and operations technologies to boost efficiency and service quality and competitiveness.

4:3:5 Revenue Composition Chart



■Establish standard development methods and common development platforms to raise development productivity and quality

To reinforce our total support capacity throughout the IT lifecycle, we are enhancing manpower and bolstering development productivity and efficiency by utilizing standard development methods and common development platforms. We have established a Software Engineering Office specifically to investigate and promote this approach.

■Strengthen product strategies

We are boosting our solutions lineup and instigating measures to develop customer-based solutions. In addition, we have formulated vendor products and solutions sales strategy.
To strengthen our product strategy, we are focusing on five key areas: internal control, eWork, contact center CRM, integrated IT base and storage.

4:3:5 is CTC's ideal business model as a full-line player to achieve medium- to long-term growth. We believe that the achievement of this target will arm CTC with a unique business model that facilitates continuous growth.

In the future, we aim to expand from the previous 3:2:5 ratio to our ideal balance of 4:3:5, without reducing any of the individual elements.

Step 3 Build management infrastructure to become a more attractive company

■Strengthen personnel strategy

CTC believes that human resources are its greatest asset, and accordingly strives to reinforce human resource development through overseas training programs and specialist systems. We are also aggressively promoting recruitment and utilization of female staff and employment of non-Japanese personnel as steps toward diversity and stimulation of human resources. To fortify our corporate brand, we are raising our profile through such approaches as intensified media exposure and taking steps to ensure competitiveness in the human resources market.

■Enhance group management foundations

By promoting six specific agendas—strengthening business management capabilities, completion and promotion of Next MI, continued internal control fortification, upgrading our CSR and compliance position, consolidating our Group information infrastructure and security countermeasures, and improving our subsidiary and associated companies management system—we are rapidly establishing a solid management base for the new CTC.

■Establish a new CTC corporate culture

In April 2007, CTC formulated a new Management Philosophy, embracing a simplified and more accessible expression of the value, mission and vision that the Company is pursuing.

Through the steady, secure operation of entrusted systems, we support the core that underlies our customers' business development.

The CTC Data Center is a safe and reliable ISMS-certified[1] facility, compliant with FISC[2] standards. Constructed from a high-quality network based on reliable systems, the center allows the Company's expert, highly experienced engineers to provide high level of services based on advanced technology in a multivendor environment. In addition to ensuring safe and secure system operation, the center delivers new value to customers' businesses.

Notes: 1. Information Security Management System
2. The Center for Financial Industry Information Systems

Features

- One of Japan's largest data centers with prime site location
- Leading domestic safety and reliability performance
- Total outsourcing solutions
- High-quality services based on leading-edge technology

The Society That the CTC Group Aims for and Our Roles

The CTC Group is a group of companies
supporting and bringing up information infrastructure systems of society.
Up to now, we have been contributing to
the establishment and development of the information society by
providing customers with our technology as well as products and services.

From now on, we will thoroughly consider what the information society of the future
should be and through communication with our various stakeholders including our customers,
develop information infrastructure systems to better contribute to society 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.

Measures to Cultivate Relations with Stakeholders

Shareholders and investors

To ensure balanced management of the CTC Group, it is extremely important that people from a wide range of fields in society invest in us. We continue our efforts to disclose information in a timely and adequate manner to keep our management highly transparent.

Customers

The customers of the CTC Group include both our direct customers and the end users of our products and services. Through close communication with our customers, we will contribute to the creation of a sustainable society by providing high-quality products and services that adequately respond to the demands of society.

Suppliers

All suppliers are important business partners for us. To create innovative services and solutions, the cooperation with suppliers is indispensable. We make efforts to build balanced and healthy relationships that allow mutual growth and are not just about lead times, prices and quality.

Employees

Our employees are the treasures of the CTC Group. We work to provide an environment that allows each individual employee to achieve self-realization. We will further promote enhancements and improvements of the labor environment to help our employees live a fulfilled and healthy life.

Local community

As a member of the local community, the CTC Group utilizes its human resources, knowledge/information technology and other resources to proactively pursue social contribution activities, striving to realize an affluent and comfortable society.

CTC Group CSR Report 2007

Please refer to the CTC Group CSR Report 2007 for full details of our activities.
http://www.ctc-g.co.jp/whatsctc/

Six-Year Consolidated Financial Summary

ITOCHU Techno-Solutions Corporation and Subsidiaries

Billions of Yen

Years ended March 31	2002	2003	2004	2005	2006	**2007**
For the Years Ended March 31:						
Net sales	¥ 340.1	¥ 273.2	¥ 266.2	¥ 226.8	¥ 239.0	**¥ 294.4**
Gross profit	66.1	57.0	57.0	53.7	58.5	**71.4**
Selling, general and administrative expenses	44.5	40.4	39.6	36.6	39.0	**45.9**
Operating income	21.6	16.6	17.3	17.1	19.5	**25.5**
Income before income taxes and minority interests	22.2	15.4	17.5	19.2	20.0	**24.0**
Net income	12.1	7.8	9.8	10.9	11.5	**14.0**
As of March 31:						
Total assets	175.0	178.0	168.8	160.8	178.1	**214.9**
Total equity	98.4	102.0	104.0	105.3	115.7	**140.5**
Cash Flows:						
Cash flows from operating activities	15.9	16.4	21.6	14.2	7.9	**24.3**
Cash flows from investing activities	(1.5)	(0.5)	0.2	(4.9)	(1.8)	**(15.7)**
Cash flows from financing activities	(1.5)	(1.5)	(6.5)	(10.2)	(3.3)	**(3.9)**
Financial Ratios:						
Gross profit margin (%)	19.4%	20.8%	21.4%	23.7%	24.5%	**24.2%**
Operating income margin (%)	6.4	6.1	6.5	7.5	8.2	**8.7**
Equity ratio (%)	56.2	57.3	61.6	65.5	64.9	**65.1**
Return on equity (ROE) (%)*1	13.2	7.8	9.5	10.4	10.4	**11.0**
Return on assets (ROA) (%)*2	7.3	4.4	5.7	6.6	6.8	**7.1**

Yen

Per Share Data:						
Basic net income*3	¥ 196.58	¥ 124.95	¥ 160.26	¥ 182.88	¥ 197.87	**¥ 225.90**
Shareholders' equity*3	1,600.25	1,658.37	1,733.47	1,819.34	2,007.88	**2,093.52**
Cash dividends applicable to the year	20.00	20.00	26.00	30.00	60.00	**70.00**

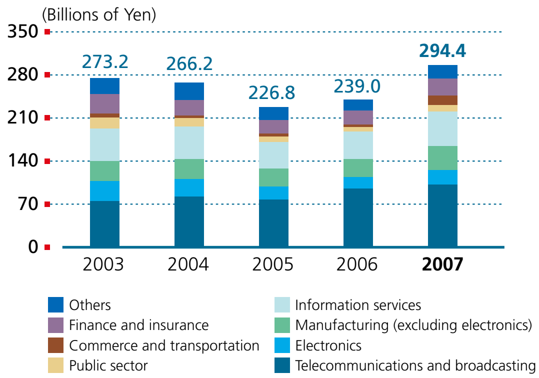
Note: Owing to the October 1, 2006, merger with the former CRC Solutions Corp., figures for the fiscal year ended March 31, 2007, include those of the entire group following the merger.

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

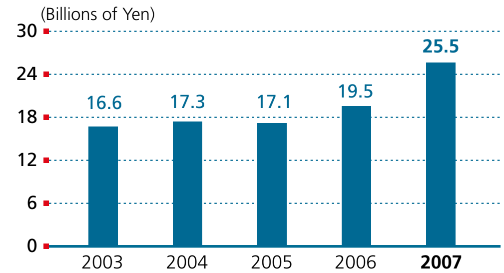
*2 ROA = Net income / Average total assets (which is based on total assets at the beginning and end of the year) x100.

*3 Basic net income and shareholders' equity are computed based on the Accounting Standard for Net Income per Share and Implementation Guidance on Accounting Standard for Net Income per Share from fiscal 2003.

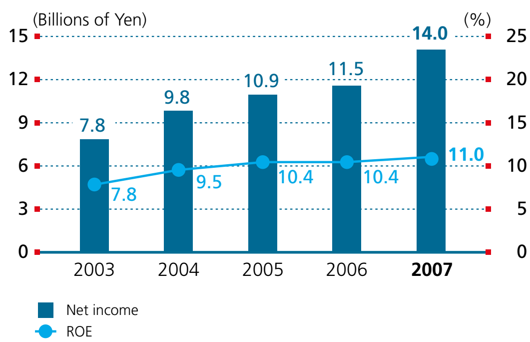
Net Sales by Industry



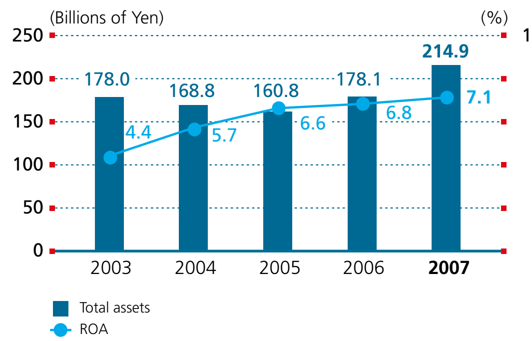
Operating Income



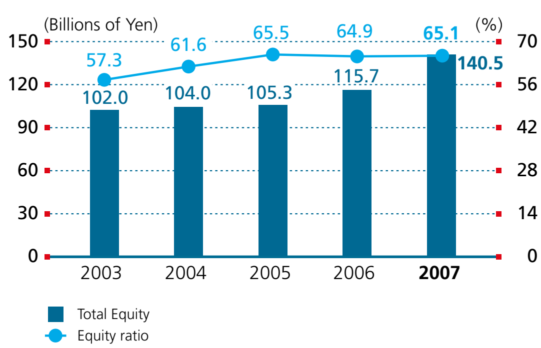
Net Income and Return on Equity (ROE)



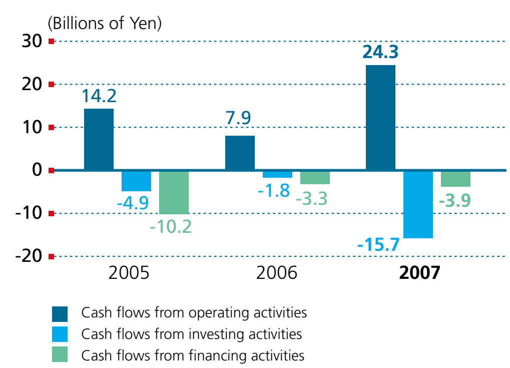
Total Assets and Return on Assets (ROA)



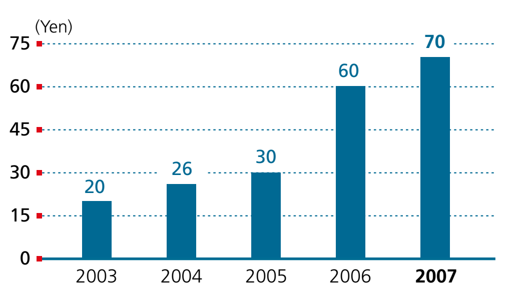
Total Equity and Equity Ratio



Cash Flows



Cash Dividends per Share



(Years ended March 31)

Management's Discussion and Analysis of Results and Financial Condition

Consolidated Business Performance

In fiscal 2007, ended March 31, 2007, the CTC Group posted steady sales gains across its telecommunications, finance, enterprise, maintenance and operation businesses. Including the effects of the merger from the second half, consolidated net sales climbed 23.2% from fiscal 2006, to ¥294.4 billion.

By business segment, including the effects of the merger, sales in the System segment grew 20.0%, to ¥237.2 billion, owing to increased sales of server, storage and other products arising from demand led by security reinforcement and systems integration. Steady demand for maintenance services following delivery of hardware and other systems led to a jump of 38.3% in sales by the Support segment, to ¥57.2 billion.

Gross profit on sales rose 22.0%, to ¥71.4 billion, with growth in cost of sales arising from the merger more than offset by reduced numbers of unprofitable projects as a result of fortified project management and an increased contribution to profits from operating and support businesses. Nevertheless, the gross profit margin declined 0.3 percentage point, to 24.2%.

Selling, general and administrative expenses increased ¥6.9 billion, or 17.7%, to ¥45.9 billion, owing to aggressive hiring and human resource cost rises accompanying the merger, changes to business name and expansion of office space, and security reinforcement and other merger-related and forward strategic spending.

By absorbing the rise in SG&A through higher revenues, operating income jumped ¥6.0 billion, or 30.6%, to ¥25.5 billion. The operating income ratio consequently rose 0.5 percentage point, from 8.2% to 8.7%.

In other income (expenses), the Company posted other expenses—net of ¥1.5 billion in fiscal 2007, compared with other income—net of ¥0.5 billion in fiscal 2006. Despite the contribution of a ¥0.4 billion gain on sales of investment securities—net, this figure declined due to such factors as a ¥0.9 billion loss on write down of investment securities, office relocation expenses of ¥0.6 billion, operation system renewal expenses of ¥0.4 billion and merger-related expenses of ¥0.3 billion.

As a result of these factors, income before income taxes and minority interests advanced ¥4.0 billion, or 19.8%, to ¥24.0 billion.

Total income taxes (corporate tax, resident's tax and adjustment for corporate and other taxes) rose ¥1.3 billion, to ¥9.8 billion, and minority interests in net income of ¥0.1 billion, compared with loss of ¥17 million during the previous year.

As a result of the above, net income swelled ¥2.5 billion, or 21.9%, to ¥14.0 billion.

Financial Position

As of March 31, 2007, consolidated total assets were ¥214.9 billion, up ¥36.8 billion, or 20.7%, from the preceding year. As a result of our merger with CRC Solutions Corp., effective as of October 1, 2006, we took over all of this company's assets, liabilities and rights and obligations.

Total current assets amounted to ¥176.3 billion, up ¥25.4 billion, or 16.8%. Primary factors included a ¥11.6 billion rise in cash and cash equivalents from expansion of operating activities and other factors and a ¥10.2 billion increase in short term investments—time deposits and deposits. Total non-current assets—the sum of net property and equipment and total investments and other assets—were ¥38.6 billion as of March 31, 2007, leaping ¥11.4 billion, or 42.1%, from the end of the previous term. Primary factors included succession of assets from the merger, in addition to a ¥8.5 billion increase in buildings and structures (facilities attached to buildings) associated with moving offices and refurbishment and augmentation of existing facilities at our data center and improvements to the system development environment.

Total liabilities at the end of the term were ¥74.4 billion, up ¥12.1 billion, or 19.5%, from one year earlier. This rise was primarily attributable to an increase of ¥4.0 billion in unearned income from expansion of support.

Total equity was ¥140.5 billion, compared with ¥115.7 billion for the previous year. This was mainly caused by a ¥14.8 billion increase in retained earnings spurred by extension of business coverage and reduction of ¥10.4 billion in treasury stock because of partial appropriation of treasury stock owned as a result of the merger. Furthermore, from the current year we have applied the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board Statement No. 5)" and "Implemented Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet (Financial Accounting Standards Implementation Guidance No. 8)." Accordingly, total equity included ¥0.6 billion of minority interests, and total equity less this amount was ¥139.9 billion. Consequently, the equity ratio increased 0.2 percentage point, from 64.9% at the end of fiscal 2006 to 65.1% at the end of fiscal 2007.

Cash Flows

During fiscal 2007, cash and cash equivalents increased ¥11.6 billion from the previous year to ¥67.1 billion. This change arose from ¥6.9 billion from the merger with CRC Solutions Corp. and a ¥24.3 billion increase in cash from operating activities, despite purchases of property and equipment of ¥5.2 billion, purchases of long term deposits of ¥10.3 billion and dividends paid of ¥3.9 billion.

Net cash provided by operating activities amounted to ¥24.3 billion. Contributing were ¥24.0 billion in income before income taxes and minority interests and a ¥1.9 billion of decrease in receivables—trade and ¥7.5 billion of decrease in inventories, offsetting income taxes paid of ¥9.4 billion. Compared with the previous year, with ¥4.0 billion in income before income taxes and minority interests, ¥4.9 billion net of receivables and payables and of ¥10.7 billion for decrease of inventories, net cash provided by operating activities soared ¥16.4 billion, or 206.6%.

Net cash used in investing activities was ¥15.7 billion. Purchases of property and equipment used totaled ¥5.2 billion, and purchases of intangible fixed assets required ¥1.8 billion. Also contributing was an adjustment of ¥10.0 billion included in net cash used in investing activities for deposits with a term exceeding three months that had been included in cash and cash equivalents. Compared with the previous year, with purchases of property and equipment of ¥4.4 billion and cash used for purchases of long term deposits of ¥10.3 billion, net cash used in investing activities was up ¥13.9 billion, or 788.3%.

Net cash used in financing activities was ¥3.9 billion. The primary cause was dividends paid of ¥3.9 billion. Although repurchases of treasury stock decreased ¥1.3 billion in comparison with the previous year, dividends paid rose ¥1.6 billion, so net cash used in financing activities grew ¥0.5 billion, or 15.8%.

Financial Statements and Notes

Consolidated Balance Sheets

ITOCHU Techno-Solutions Corporation (Formerly ITOCHU TECHNO-SCIENCE Corporation) and Subsidiaries
March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	**2007**	**2007**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 55,490	**¥ 67,083**	**$ 568,071**
Short term investments—time deposits and deposits (Note 14)		**10,175**	**86,165**
Receivables:			
Trade	57,171	**59,094**	**500,416**
Associated companies	631	**96**	**810**
Other	2,081	**2,282**	**19,323**
Allowance for doubtful receivables	(195)	**(221)**	**(1,873)**
Inventories (Note 5)	23,682	**20,135**	**170,502**
Deferred tax assets (Note 9)	5,780	**7,079**	**59,944**
Prepaid expenses and other current assets	6,259	**10,548**	**89,326**
Total current assets	150,899	**176,271**	**1,492,684**
PROPERTY AND EQUIPMENT:			
Land		**1,697**	**14,373**
Buildings and structures	3,220	**11,746**	**99,469**
Furniture and fixtures	4,222	**6,399**	**54,185**
Total	7,442	**19,842**	**168,027**
Accumulated depreciation	(3,521)	**(6,292)**	**(53,283)**
Net property and equipment	3,921	**13,550**	**114,744**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	12,672	**6,245**	**52,886**
Investments in and advances to associated companies	1,522	**1,674**	**14,178**
Software	2,076	**3,212**	**27,203**
Leasehold deposits	3,704	**7,334**	**62,102**
Long term prepaid pension expenses (Note 6)	410	**2,774**	**23,488**
Deferred tax assets (Note 9)	119	**436**	**3,692**
Other assets	2,757	**3,401**	**28,793**
Total investments and other assets	23,260	**25,076**	**212,342**
TOTAL	¥178,080	**¥214,897**	**$1,819,770**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	**2007**	**2007**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Payables:			
Trade (Note 14)	¥ 31,312	**¥ 31,622**	**$ 267,776**
Associated companies	193	**117**	**987**
Other	5,133	**8,756**	**74,148**
Income taxes payable	4,908	**6,431**	**54,462**
Accrued expenses	4,889	**8,177**	**69,245**
Unearned income	9,582	**13,581**	**115,003**
Other current liabilities	4,407	**4,239**	**35,898**
Total current liabilities	60,424	**72,923**	**617,519**
LONG TERM LIABILITIES:			
Long term accounts payable		**611**	**5,174**
Liability for retirement benefits (Note 6)	219	**420**	**3,556**
Deferred tax liabilities (Note 9)	1,645	**452**	**3,824**
Total long term liabilities	1,864	**1,483**	**12,554**
MINORITY INTERESTS	140		
COMMITMENTS AND CONTINGENT LIABILITIES			
(Notes 11, 12 and 13)			
EQUITY (Notes 7 and 16):			
Common stock—authorized, 246,000,000 shares; issued, 61,500,000 shares in 2006 and 68,300,000 shares in 2007	21,764	**21,764**	**184,296**
Capital surplus	33,127	**34,258**	**290,101**
Retained earnings	72,459	**87,217**	**738,563**
Net unrealized gain on available for sale securities	2,850	**781**	**6,618**
Deferred gain on derivatives under hedge accounting		**6**	**51**
Foreign currency translation adjustments	23	**30**	**256**
Treasury stock—at cost, 3,965,916 shares in 2006 and 1,461,662 shares in 2007	(14,571)	**(4,129)**	**(34,966)**
Total	115,652	**139,927**	**1,184,919**
Minority interests		**564**	**4,778**
Total equity	115,652	**140,491**	**1,189,697**
TOTAL	¥178,080	**¥214,897**	**$1,819,770**

Consolidated Statements of Income

ITOCHU Techno-Solutions Corporation (Formerly ITOCHU TECHNO-SCIENCE Corporation) and Subsidiaries
Years Ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
NET SALES (Note 14)	¥239,022	¥294,374	$2,492,798
COST OF SALES (Notes 6, 11 and 14)	180,520	222,991	1,888,322
Gross profit	58,502	71,383	604,476
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 6, 10 and 11)	39,000	45,917	388,829
Operating income	19,502	25,466	215,647
OTHER INCOME (EXPENSES):			
Interest and dividend—net	178	281	2,382
Equity in earnings of limited partnership	715	672	5,692
Equity in losses of associated companies	(23)	(538)	(4,557)
Gain on sales of investment securities—net	68	412	3,496
(Loss) gain on sales of investment securities of associated companies	(78)	514	4,350
Loss on write down of investment securities	(325)	(909)	(7,699)
Office relocation expenses		(624)	(5,286)
Operation system renewal expenses		(383)	(3,242)
Merger related expenses		(339)	(2,868)
Other—net	(33)	(581)	(4,923)
Other income (expenses)—net	502	(1,495)	(12,655)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	20,004	23,971	202,992
INCOME TAXES (Note 9):			
Current	7,748	9,767	82,711
Deferred	756	56	470
Total income taxes	8,504	9,823	83,181
MINORITY INTERESTS IN NET INCOME (LOSS)	(17)	103	875
NET INCOME	¥ 11,517	¥ 14,045	$ 118,936

	Yen		U.S. Dollars
	2006	2007	2007
PER SHARE OF COMMON STOCK (Notes 2.s and 15):			
Basic net income	¥197.87	¥225.90	$1.91
Diluted net income	197.76	225.70	1.91
Cash dividends applicable to the year	60.00	70.00	0.59

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ITOCHU Techno-Solutions Corporation (Formerly ITOCHU TECHNO-SCIENCE Corporation) and Subsidiaries

Years Ended March 31, 2006 and 2007

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available for sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	57,850	¥21,764	¥33,137	¥63,332	¥ 641		¥(24)	¥(13,515)	¥105,335		¥105,335
Net income				11,517					11,517		11,517
Appropriations:											
Cash dividends, ¥60.00 per share				(2,305)					(2,305)		(2,305)
Bonuses to directors and corporate auditors				(85)					(85)		(85)
Repurchase of treasury stock	(380)							(1,289)	(1,289)		(1,289)
Sale of treasury stock	64		(10)					233	223		223
Net increase in unrealized gain on available for sale securities					2,209				2,209		2,209
Net increase in foreign currency translation adjustments							47		47		47
BALANCE, MARCH 31, 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 Solution Corp.	9,232		1,113		(2,135)			10,222	9,200		9,200
Takeover 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

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available for sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$184,296	$280,520	$613,587	$ 24,141		$192	$(123,387)	$ 979,349		$ 979,349
Reclassified balance as of March 31, 2006 (Note 2.j)									$1,185	1,185
Net income			118,936					118,936		118,936
Appropriations:										
Cash dividends, $0.59 per share			(31,584)					(31,584)		(31,584)
Bonuses to directors and corporate auditors			(1,101)					(1,101)		(1,101)
Repurchase of treasury stock							(243)	(243)		(243)
Sale of treasury stock		154					2,109	2,263		2,263
Increase due to merger of CRC Solutions Corp.		9,427		(18,079)			86,555	77,903		77,903
Takeover of retained earnings for the merger of CRC Solutions Corp.			38,725					38,725		38,725
Net change in the year				556	$51	64		671	3,593	4,264
BALANCE, MARCH 31, 2007	$184,296	$290,101	$738,563	$ 6,618	$51	$256	$ (34,966)	$1,184,919	$4,778	$1,189,697

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Techno-Solutions Corporation (Formerly ITOCHU TECHNO-SCIENCE Corporation) and Subsidiaries
Years Ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	**2007**	**2007**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥20,004	**¥23,971**	**$202,992**
Adjustments for:			
Income taxes—paid	(8,524)	**(9,356)**	**(79,227)**
Depreciation and amortization	1,838	**2,384**	**20,186**
Reversal of allowance for doubtful receivables	(276)	**(8)**	**(69)**
Provision for accrued bonuses to employees	1,457	**729**	**6,174**
Provision for accrued bonuses to directors and corporate auditors		**190**	**1,610**
(Reversal of) provision for accrued retirement benefits	(393)	**95**	**803**
Provision for (reversal of) accrued retirement benefits to directors	99	**(147)**	**(1,242)**
Equity in earnings of limited partnership	(715)	**(672)**	**(5,692)**
Gain on sales of investment securities—net	(68)	**(412)**	**(3,496)**
Loss (gain) on sales of investment securities of the associated company	78	**(514)**	**(4,350)**
Loss on write down of investment securities	325	**909**	**7,699**
Office relocation expenses		**624**	**5,286**
Operation system renewal expenses		**383**	**3,242**
Bonuses to directors and corporate auditors	(86)	**(133)**	**(1,123)**
Equity in losses of associated companies	23	**538**	**4,557**
Changes in assets and liabilities:			
(Increase) decrease in receivables—trade	(4,638)	**1,924**	**16,289**
(Increase) decrease in inventories	(3,202)	**7,502**	**63,528**
Increase in other current assets	(3,185)	**(2,933)**	**(24,836)**
Increase in payables—trade	2,020	**310**	**2,625**
Increase (decrease) in other current liabilities	2,965	**(1,412)**	**(11,955)**
Other—net	197	**309**	**2,615**
Total adjustments	(12,085)	**310**	**2,624**
Net cash provided by operating activities	¥7,919	**¥24,281**	**$205,616**
INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	1,409	**1,635**	**13,849**
Purchases of investment securities	(2,143)	**(706)**	**(5,976)**
Proceeds from sales of investment securities of the associated company	225	**300**	**2,540**
Purchases of intangible fixed assets	(550)	**(1,800)**	**(15,246)**
Purchases of property and equipment	(825)	**(5,182)**	**(43,880)**
Purchases of long term deposits (short term investment)		**(10,290)**	**(87,137)**
Proceeds from long term deposits (short term investment)		**351**	**2,975**
Other—net	115	**(19)**	**(164)**
Net cash used in investing activities	(1,769)	**(15,711)**	**(133,039)**
FINANCING ACTIVITIES:			
Repayment of long term bank loans		**(200)**	**(1,694)**
Sales of treasury stock	222	**267**	**2,263**
Repurchases of treasury stock	(1,289)	**(28)**	**(241)**
Dividends paid	(2,306)	**(3,882)**	**(32,871)**
Dividends paid to minority shareholders by consolidated subsidiary company	(11)	**(4)**	**(34)**
Other—net	40	**(27)**	**(226)**
Net cash used in financing activities	(3,344)	**(3,874)**	**(32,803)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	47	**8**	**67**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER		**6,889**	**58,334**
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,853	**11,593**	**98,175**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,637	**55,490**	**469,896**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥55,490	**¥67,083**	**$568,071**
NON CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired and liabilities assumed in merger (Note 3):			
Assets:			
Current assets		**¥21,991**	**$186,225**
Non current assets		**11,315**	**95,816**
Total		**¥33,306**	**$282,041**
Liabilities:			
Current liabilities		**¥11,891**	**$100,692**
Non current liabilities		**1,265**	**10,711**
Total		**¥13,156**	**$111,403**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Techno-Solutions Corporation (Formerly ITOCHU TECHNO-SCIENCE Corporation) and Subsidiaries
Years Ended March 31, 2006 and 2007

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 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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which was effective for fiscal years ended on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118.09 to $1, the rate of exchange as of March 31, 2007. 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, 2007 include the accounts of the Company and its 16 (6 in 2006) 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 six (four in 2006) 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 (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." 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 method of accounting for companies 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 and bond funds, 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.

Due to the merger with CRC, effective from April 1, 2006, the Company and certain subsidiaries adopted the accounting change.

Valuation of cost of non marketable securities

The Company and certain subsidiaries changed the valuation of the cost of non marketable securities from average method to moving average method.

There was no effect of this change to the consolidated financial statements of this year.

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—In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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—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.

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 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

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 realized, to ten year amortization commencing in the year following the year as realized 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 incurred, to ten year amortization commensing in the year as incurred by straight line method.

There was no effect of these changes to the consolidated financial statements of this year.

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 retirements, and this amount is included in long term accounts payable in 2007.

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 consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

l. Leases—All leases are accounted for as operating 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.

m. Bonuses to Directors and Corporate Auditors—Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ended on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Group adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥190 million ($1,610 thousand).

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. Appropriations of Retained Earnings*—**Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

***p. 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.

***q. 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.

***r. 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.

***s. 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.

t. 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.

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 should be capitalized. 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.

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 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 statement is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

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 share 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 new 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 method of accounting 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 ($18,908 thousand) (at cost ¥82 million ($692 thousand)). Since these shares were treasury stock after the merger, this amount and deferred tax liabilities of ¥882 million ($7,469 thousand) 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 ($9,427thousand) and treasury stock decreased by ¥10,222 million ($86,555thousand) in equity of the Company.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Non current:			
Marketable equity securities	¥ 7,874	**¥2,647**	**$22,413**
Non marketable equity securities	1,788	**1,639**	**13,884**
Investment in limited partnership	3,010	**1,959**	**16,589**
Total	¥12,672	**¥6,245**	**$52,886**

The carrying amounts and aggregate fair values of investment securities as of March 31, 2006 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006				
Securities classified as available for sale equity securities	¥4,325	¥3,549		¥7,874
March 31, 2007				
Securities classified as available for sale equity securities	**1,486**	**1,162**	**¥1**	**2,647**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as available for sale equity securities	**$12,583**	**$9,837**	**$7**	**$22,413**

Available for sale securities whose fair value is not readily determinable as of March 31, 2006 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Available for sale:			
Equity securities	¥1,788	**¥1,639**	**$13,884**
Investment in limited partnership	3,010	**1,959**	**16,589**
Total	¥4,798	**¥3,598**	**$30,473**

Proceeds from sales of available for sale securities for the years ended March 31, 2006 and 2007 were ¥149 million and ¥558 million ($4,726 thousand), respectively. Gross realized gains on these sales for the years ended March 31, 2006 and 2007, were ¥78 million and ¥435 million ($3,686 thousand), respectively. Gross realized losses on these sales for the years ended March 31, 2006 and 2007, were ¥10 million and ¥22 million ($190 thousand), respectively.

5. INVENTORIES

Inventories as of March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Merchandise	¥16,858	**¥10,127**	**$ 85,756**
Work in process	2,064	**5,156**	**43,663**
Supplies	4,760	**4,852**	**41,083**
Total	¥23,682	**¥20,135**	**$170,502**

6. 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 two defined benefit plans; the Group contributory pension plan and a cash balance type of defined benefit non contributory pension plan. 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. After the merger with CRC, on October 1, 2006, the Company assumed its retirement and pension plans. CRC and certain consolidated subsidiaries had the cash balance type of defined benefit non contributory pension fund and the defined contribution pension plan.

The liability for retirement benefits for directors and corporate auditors of the Group for the years ended March 31, 2006 and 2007 was ¥207 million and ¥124 million ($1,053 thousand), respectively. Pursuant to the approval at the annual general meeting of the Company's shareholders held on June 22, 2006, the Company terminated the retirement benefits plan for directors and corporate auditors and the accrued retirement benefits for directors and corporate auditors will be paid subject to the approval of the Board of Directors and corporate auditors, respectively. The accrued amount of ¥137 million ($1,157 thousand) is included in long term accounts payable in 2007.

The liability for employees' retirement benefits as of March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Projected benefit obligation	¥ 6,123	**¥ 11,171**	**$ 94,599**
Fair value of plan assets	(7,883)	**(12,773)**	**(108,165)**
Unrecognized actuarial gain (loss)	1,362	**(1,202)**	**(10,183)**
Unrecognized prior service cost		**326**	**2,764**
Long term prepaid pension expenses	410	**2,774**	**23,488**
Net liability	¥ 12	**¥ 296**	**$ 2,503**

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Service cost	¥ 609	**¥ 703**	**$ 5,952**
Interest cost	120	**163**	**1,385**
Expected return on plan assets	(148)	**(236)**	**(2,001)**
Recognized actuarial loss (gain)	616	**(1,244)**	**(10,536)**
Recognized prior service cost	(1,193)	**(25)**	**(212)**
Premium of defined benefit contributory pension fund	870	**852**	**7,215**
Other		**91**	**770**
Net periodic benefit costs	¥ 874	**¥ 304**	**$ 2,573**

Assumptions used for actuarial computation for the years ended March 31, 2006 and 2007 were set forth as follows:

	2006	2007
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	2.5%	**2.0–2.5%**
Recognition period of actuarial gain/loss	1 year	**10 years**
Amortization period of prior service cost	1 year	**10 years**

7. EQUITY

On and after 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 "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ended on or after May 1, 2006. 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.

8. 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 Granted Options	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	2 directors 1 officer 178 employees	80,500 shares	2001.8.01	¥12,520 ($106)	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 ($30)	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 ($19)	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 ($23)	From October 1, 2006 to July 31, 2008

Stock Option	Persons Granted	Number of Granted Options	Date of Grant	Exercise Price	Exercise Period
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 ($27)	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, 2006					
Non vested:					
March 31, 2005—outstanding					
Granted					
Canceled					
Vested					
March 31, 2006—outstanding					
Vested:					
March 31, 2005—outstanding	73,300	235,500			
Vested					
Exercised		63,400			
Canceled	1,500	10,000			
March 31, 2006—outstanding	71,800	162,100			
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
Exercise price	¥12,520 ($106)	¥3,504 ($30)	¥2,300 ($19)	¥2,700 ($23)	¥3,220 ($27)
Average stock price at exercise		¥5,755 ($49)	¥6,660 ($56)	¥6,173 ($52)	
Fair value price at grant date					

9. 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, 2006 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Current:			
Deferred tax assets:			
Loss on write down of inventories	¥2,920	¥2,665	$22,571
Accrued bonuses to employees	1,827	2,916	24,694
Accrued enterprise taxes	437	560	4,739
Accrued other expenses	308	471	3,984
Other	516	713	6,037
Less valuation allowance	(225)	(235)	(1,990)
Total	5,783	7,090	60,035
Charges to offset against deferred tax liabilities	(3)	(11)	(91)
Net deferred tax assets—current	¥5,780	¥7,079	$59,944
Deferred tax liabilities:			
Consolidation adjustment of allowance for doubtful accounts	¥3	¥ 8	$ 71
Deferred gain on derivatives under hedge accounting		3	20
Charges to offset against deferred tax assets	(3)	(11)	(91)
Net deferred tax liabilities—current			
Non current:			
Deferred tax assets:			
Loss on write down of investment securities	¥ 727	¥ 978	$ 8,280
Tax loss carryforwards	159	205	1,735
Depreciation	264	1,017	8,616
Accrued retirement benefits	90	201	1,705
Unrealized gain of tangible assets	81	311	2,633
Other	171	255	2,159
Less valuation allowance	(901)	(1,233)	(10,445)
Total	591	1,734	14,683
Charges to offset against deferred tax liabilities	(472)	(1,298)	(10,991)
Net deferred tax assets—non current	¥119	¥ 436	$ 3,692
Deferred tax liabilities:			
Net unrealized gain on available for sale securities	¥1,949	¥ 537	$ 4,543
Long term prepaid pension expenses	168	1,137	9,630
Other		76	642
Charges to offset against deferred tax assets	(472)	(1,298)	(10,991)
Net deferred tax liabilities—non current	¥1,645	¥ 452	$ 3,824

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2006 and 2007 were excluded, since the difference was not more than five one hundredth of the normal effective statutory tax rate.

As of March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥500 million ($4,232 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
2010	¥149	$1,262
2012	140	1,184
2013	57	483
2014	154	1,303
Total	¥500	$4,232

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥265 million and ¥747 million ($6,325 thousand) for the years ended March 31, 2006 and 2007, respectively.

11. LEASES

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

Total rental expenses for the years ended March 31, 2006 and 2007 were ¥5,525 million and ¥9,622 million ($81,476 thousand), respectively, including ¥747 million and ¥2,167 million ($18,351 thousand) of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense 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, 2006 and 2007 was as follows:

	Millions of Yen								
	2006				**2007**				
	Buildings and Structures	Furniture and Fixtures	Software	Total	Buildings and Structures	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥52	¥2,363	¥323	¥2,738	**¥4,525**	**¥26**	**¥10,315**	**¥1,657**	**¥16,523**
Accumulated depreciation	38	1,416	168	1,622	**1,925**	**5**	**5,340**	**887**	**8,157**
Net leased property	¥14	¥947	¥155	¥1,116	**¥2,600**	**¥21**	**¥4,975**	**¥ 770**	**¥ 8,366**

	Thousands of U.S. Dollars				
	2007				
	Buildings and Structures	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$38,321**	**$221**	**$87,346**	**$14,029**	**$139,917**
Accumulated depreciation	**16,296**	**45**	**45,217**	**7,513**	**69,071**
Net leased property	**$22,025**	**$176**	**$42,129**	**$6,516**	**$70,846**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Due within one year	¥ 545	**¥3,005**	**$25,443**
Due after one year	597	**5,550**	**47,002**
Total	¥1,142	**¥8,555**	**$72,445**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Depreciation expense	¥711	**¥2,042**	**$17,291**
Interest expense	32	**159**	**1,351**
Total	¥743	**¥2,201**	**$18,642**

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, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Due within one year	¥1,931	**¥2,546**	**$21,561**
Due after one year	4,200	**3,831**	**32,438**
Total	¥6,131	**¥6,377**	**$53,999**

12. 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.

13. CONTINGENT LIABILITIES

As of March 31, 2007, the Group is contingently liable for guarantees of borrowings for the Group's employees amounting to ¥390 million ($3,302 thousand).

14. RELATED PARTY TRANSACTIONS

Transactions of the Company with associated companies for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Sales	¥2,819	**¥1,630**	**$13,802**
Purchases	372	**432**	**3,659**

Transactions of the Company with the parent company, ITOCHU Corporation, for the years ended March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Purchases	¥59,672	**¥57,613**	**$487,877**

The balances due to or from the parent company, ITOCHU Corporation, as of March 31, 2006 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	**2007**	**2007**
Deposits (included in cash and cash equivalents in 2006 and in short term investments in 2007)	¥10,000	**¥10,000**	**$84,681**
Payables—trade	9,203	**6,110**	**51,740**

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2007 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted average Shares	EPS	
Year Ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥11,387	57,548	¥197.87	
Effect of dilutive securities—Warrants		33		
Diluted EPS—Net income for computation	¥11,387	57,581	¥197.76	
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	**¥14,045**	**62,174**	**¥225.90**	**$1.91**
Effect of dilutive securities—Warrants		**56**		
Diluted EPS—Net income for computation	**¥14,045**	**62,230**	**¥225.70**	**$1.91**

16. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings as of March 31, 2007 were approved at the Company's shareholders meeting held on June 22, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year end cash dividends, ¥40.00 ($0.34) per share	¥2,674	$22,640

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥1,716 million ($14,531 thousand, ¥30.00 ($0.25) per share) on November 30, 2006 to shareholders of record as of September 30, 2006, 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 May 25, 2007 pursuant to Article 156 of the Corporate Law, and purchased treasury stocks from May 28, 2007 to June 12, 2007. 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: 450,000 shares
(4) Total purchase cost: ¥2,273 million
(5) Period: From May 28, 2007 to June 12, 2007

c. Cancellation of Treasury Stock

The Board of Directors approved the cancellation of the Company's treasury stock on May 25, 2007 pursuant to Article 178 of the Corporate Law, and canceled treasury stocks on June 29, 2007. 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: 1,300,000 shares
(4) Scheduled date: June 29, 2007
(5) Number of issued shares outstanding after this cancellation: 67,000,000 shares

17. 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, 2006 and 2007 was as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen			
	2006			
	System	Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥197,669	¥41,353		¥239,022
Intersegment sales	649	15,734	¥(16,383)	
Total sales	198,318	57,087	(16,383)	239,022
Operating expenses	190,228	37,254	(7,962)	219,520
Operating income	¥ 8,090	¥19,833	¥ (8,421)	¥ 19,502

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

	Millions of Yen			
	2006			
	System	Support	Eliminations/ Corporate	Consolidated
Total assets	¥81,010	¥28,787	¥68,283	¥178,080
Depreciation	353	356	1,129	1,838
Impairment loss		13	40	53
Capital expenditures	414	292	617	1,323

a. Sales and Operating Income

	Millions of Yen				Thousands of U.S. Dollars			
	2007				2007			
	System	Support	Eliminations/ Corporate	Consolidated	System	Support	Eliminations/ Corporate	Consolidated
Sales to customers	¥237,178	¥57,196		¥294,374	$2,008,452	$484,346		$2,492,798
Intersegment sales	508	22,052	¥(22,560)		4,298	186,735	$(191,033)	
Total sales	237,686	79,248	(22,560)	294,374	2,012,750	671,081	(191,033)	2,492,798
Operating expenses	226,045	54,964	(12,101)	268,908	1,914,178	465,441	(102,468)	2,277,151
Operating income	¥ 11,641	¥24,284	¥(10,459)	¥ 25,466	$ 98,572	$205,640	$ (88,565)	$ 215,647

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

	Millions of Yen				Thousands of U.S. Dollars			
	2007				2007			
	System	Support	Eliminations/ Corporate	Consolidated	System	Support	Eliminations/ Corporate	Consolidated
Total assets	¥81,662	¥37,590	¥95,645	¥214,897	$691,521	$318,316	$809,933	$1,819,770
Depreciation	579	379	1,426	2,384	4,906	3,207	12,073	20,186
Impairment loss		6	16	22		52	136	188
Capital expenditures	706	2,373	4,642	7,721	5,977	20,095	39,307	65,379

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, 2006 and 2007 were ¥9,496 million and ¥12,672 million ($107,309 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, 2006 and 2007 were ¥75,868 million and ¥105,492 million ($893,316 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, 2006 and 2007.

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, 2006 and 2007.

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 (formerly ITOCHU TECHNO-SCIENCE Corporation) and subsidiaries as of March 31, 2006 and 2007, 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, 2006 and 2007, 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.

As discussed in Notes 2.e and 2.i to the consolidated financial statements, the Company and certain subsidiaries changed methods of accounting for the cost of non-marketable securities and the recognition of actuarial gain or loss and amortization of prior service cost related to employees' retirement benefits.

As discussed in Notes 16.b and 16.c to the consolidated financial statements, the Company decided to purchase and cancel treasury stock, at the Board of Directors meeting held on May 25, 2007.

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 22, 2007

Member of
Deloitte Touche Tohmatsu

Board of Directors

As of June 22, 2007

Directors and Auditors

Chairman	**Hiromi Sugiyama**
President & CEO	**Yoichi Okuda** (*1)
Director	**Kazuo Kosuga** (*2)
Director	**Tohru Nakano** (*2)
Director	**Kyoji Ohnishi** (*2)
Director	**Ken Gotoh** (*3)
Director	**Yoshinori Warashina** (*3)
Director	**Yasuo Kanematsu** (*3)
Director	**Shinichiro Sakuraba** (*3)
Director	**Minoru kamada** (*3)
Director	**Takatoshi Matsumoto**
Director	**Shigemitsu Takatori**
Director	**Hidenori Hasebe**
Corporate Auditor	**Kozo Ohta**
Corporate Auditor	**Masao Kasama**
Corporate Auditor	**Kosuke Hayashi**
Corporate Auditor	**Shuji Ikeda**

*1 Representative Director
*2 Executive Vice President
*3 Senior Vice President

Vice Presidents

Senior Vice President	**Kenji Ishii**
Senior Vice President	**Hiroshi Tomita**
Senior Vice President	**Masaaki Matsuzawa**
Senior Vice President	**Toshikazu Asahina**
Vice President	**Akio Oohara**
Vice President	**Akira Saitoh**
Vice President	**Tadataka Okubo**
Vice President	**Ryuji Nishimura**
Vice President	**Toru Shobuda**
Vice President	**Yoshimichi Miura**
Vice President	**Katsuyuki Shirota**
Vice President	**Hiroshi Shibata**
Vice President	**Ryouji Yokoyama**
Vice President	**Yasuhiko Terada**
Vice President	**Yasuhide Masanishi**
Vice President	**Hiroaki Okamatsu**
Vice President	**Takahiro Susaki**
Vice President	**Seiji Suzuki**
Vice President	**Hisashi Eda**
Vice President	**Takahiro Tani**
Vice President	**Yoichi Okugi**
Vice President	**Nobuyuki Nambu**
Vice President	**Eiji Haraguchi**
Vice President	**Kazunobu Moriyama**

Corporate Organization

As of April 1, 2007

- General Meeting of Shareholders
  - Board of Corporate Auditors
  - Board of Directors
    - President & CEO
      - Telecom Systems Group
        - Telecom Systems Division No. 1
        - Telecom Systems Division No. 2
        - Telecom Systems Division No. 3
        - Telecom Systems Planning Division
      - Financial Systems Group
        - Financial Systems Division No. 1
        - Financial Systems Division No. 2
        - Financial Systems Engineering & Development Division
      - Enterprise Systems Group
        - Media Service Business Division
        - Enterprise Business Division No. 1
        - Enterprise Business Division No. 2
        - Enterprise Business Division No. 3
        - Central and Western Region Business Division
        - BPR & SI Business Division
        - Enterprise Business Promotion Division
      - Data Center Group
        - Data Center Division No. 1
        - Data Center Division No. 2
        - Data Center Planning & Administration Division
        - Data Center Advanced Technology & Service Division
        - Data Center Business Strategy Division
      - Distribution Systems Group
        - Distribution Systems Division No. 1
        - Distribution Systems Division No. 2
        - Distribution Systems Division No. 3
        - Distribution Services Division
        - Energy Distribution Division
      - Science & Engineering Systems Division
      - IT Support Services Business Group
        - Management Service Sales Division
        - Software Support Services Division
        - IT Support Service Business Planning Division
      - Cross Function Group
        - Product Marketing Division
        - IT Engineering Division
        - Software Engineering Office
        - Project Management Office
        - Partner Distribution Center
      - Administration Group
        - Sales Administration & Operation Division
        - Finance & Accounting Division
        - Affiliate Administrarion & Risk Management Division
        - Human Resource Management and General Affairs Division
      - Corporate Planning Group
        - Corporate Planning Division
      - Audit Division
      - Next. MI Promotion Division

Corporate History

ITOCHU TECHNO-SCIENCE Corporation

1972 April	• C. ITOH DATA SYSTEMS CO., LTD., is established in Chuo-ku, Tokyo, as a wholly owned subsidiary of ITOCHU Corporation.
1979 July	• Hamilton/Avnet Electronics Japan Limited is established in Chuo-ku, Tokyo, as a wholly owned subsidiary of Avnet, Inc.
1984 April	• C. ITOH DATA SYSTEMS CO., LTD., begins sales of Sun Microsystems, Inc., Unix workstations.
1984 October	• Hamilton/Avnet Electronics Japan Limited becomes 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 is renamed C. ITOH MICRONICS CORP. Head office moves to Chiyoda-ku, Tokyo.
1986 June	• C. ITOH MICRONICS CORP. is renamed ITOCHU TECHNO-SCIENCE Corporation. Head office moves to Minato-ku, Tokyo.
1986 July	• ITOCHU TECHNO–SCIENCE Corporation takes over factory automation division and semiconductor division of C. ITOH DATA SYSTEMS, and sets up two branch offices: one in Higashi-ku, Osaka, and the other in Naka-ku, Nagoya.
1988 June	• Relocates head office to Setagaya-ku, Tokyo.
1989 October	• Absorbs C. ITOH DATA SYSTEMS CO., LTD., and sets up a subsidiary, CTC Laboratory Systems Corporation (currently a consolidated subsidiary).
1990 April	• Sets up two subsidiaries: CTC Technology Corporation (currently a consolidated subsidiary) and CTC SP Corporation (currently a consolidated subsidiary).
1992 April	• Begins sales of Cisco Systems, Inc., network equipment products.
1992 October	• Begins sales of Oracle Corporation database software products.
1995 March	• Takes over Compaq product sales and marketing license from ITOCHU Corporation.
1996 November	• Head office moves to Fujimi, Chiyoda-ku, Tokyo.
1998 February	• Increases capital to ¥1,576 million through third-party allocation of new shares.
1999 April	• CTC acquires all the shares of Four System Corporation and makes it a subsidiary. The name of the business is also changed to CTC Business Service Corporation (currently a consolidated subsidiary).
1999 December	• Lists shares on the First Section of the Tokyo Stock Exchange.
1999 December	• A public stock offering increases the Company's capitalization to ¥21,763 million.
2000 June	• Obtains ISO14001 certification.
2004 November	• Head office moves to Kasumigaseki in Chiyoda-ku, Tokyo.
2005 March	• Opens the Technical Solution Center (TSC) in the Kudan Office as a technical verification.
2005 April	• Establishes MAXIS Consulting Corporation.
2005 August	• Receives Privacy Mark certification from Japan Information Processing Development Corporation.

CRC Solutions Corp.

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

2006 October	**• ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp. merge to form ITOCHU Techno-Solutions Corporation.**
2007 January	**Establishes the Osaki Development Center in Osaki, Shinagawa-ku, Tokyo.**

Corporate Data

As of March 31, 2007

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

¥21,764 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

6,080 (CTC Group Total)

Main Suppliers & Sales Performance

Sun Microsystems	System Provider (No. 1 vendor in Japan)
Cisco Systems	Cisco Systems Gold Partner (No. 2 vendor in Japan)
Oracle	Oracle Award 2007
	Excellent Partner
	Advanced Certified Support Partner
EMC	VELOCITY SIGNATURE PARTNER (No. 1 Sales at CLARiX in japan)
Avaya	Platinum Partner (No. 1 vendor in Japan)
Hewlett-Packard	Premier Enterprise Business Partner (No. 1 vendor in Japan)
Network Appliance	PLATINUM ELITE Authorized Reseller (No. 1 vendor in Japan)
Symantec	Symantec Major Reseller (Availability No. 1 vendor in Japan)
HITACHI	Business Partner (No. 1 vendor in Japan on SANRISE)
BEA Systems	• No. 1 AquaLogic Integrator Sales of the year
	• No. 1 AquaLogic User Interaction Sales of the year

CTC Group Companies

As of March 31, 2007

Consolidated Subsidiaries

Company	Paid-in Capital	Main Business Activities
CTC TECHNOLOGY CORPORATION	¥450 million	Maintenance services, various network system support and construction services, computer-related training
CRC Systems Corp.	¥200 million	Network services, telecommunications and broadcasting business, software development, field service provision, centering on system operations management
CTCSP CORPORATION	¥100 million	Sales of network-related equipment and provision of related services, sales of computer peripheral equipment and supplies
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 entrusted by CTC Group companies (administration, human relations, activities related to information systems)
First Contact Corporation	¥50 million	Contact center operations, helpdesk services, IT training, planning and implementation of IT training
CTC LABORATORY SYSTEMS CORPORATION	¥300 million	Hardware for the pharmaceutical, chemical and food product industries, software sales and support
Maxis Consulting Corporation	¥100 million	Strategic planning, business support consulting, process innovation consulting
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
Info Avenue Corporation	¥490 million	Operations and IT consulting related to procurement and purchasing innovation and distribution supply chain management
CRC Techno-Partners Corp.	¥100 million	Sales of IT-related products (hardware and software)

Four other companies (two in Japan, two overseas)

Associated Companies Accounted for by the Equity Method

Company	Paid-in Capital	Main Business Activities
ACRONET Corp.	¥100 million	Clinical development monitoring, data management & biostatistical analysis, clinical IT systems
Itochu Technology Ventures, Inc.	¥100 million	Operation of investment funds for venture companies
IHI Scube Co., Ltd.	¥260 million	System development
EC-One, Inc.	¥1,641 million	System development
Itochu Electronics Corporation	¥150 million	Provision of total e-business services

One other overseas company

Stock Information

As of March 31, 2007

Common Stock

Authorized	246,000,000 shares
Issued (As of June 29, 2007)	67,000,000 shares

(On June 29, 2007, Common stock issued and outstanding decreased 1,300,000 shares, compared with March 31, 2007, owing to the extinguishment of treasury stock)

Number of Shareholders	20,900

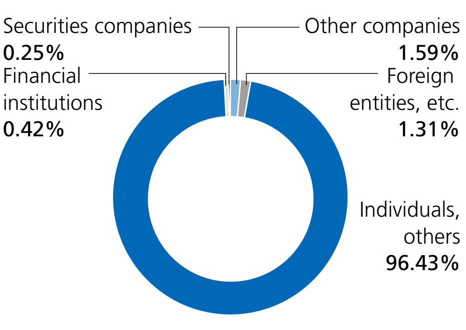
Major Shareholders

	Number of Shares	(%)
1. ITOCHU Corporation	33,665,400	49.29
2. Japan Trustee Services Bank, Ltd. (Trust Account)	3,848,300	5.63
3. The Master Trust Bank of Japan, Ltd. (Trust Account)	2,245,400	3.29
4. Japan Trustee Services Bank, Ltd. (ITOCHU Corp., Retirement Benefit Trust Account Re-entrusted by The Sumitomo Trust & Banking Co., Ltd.)	2,072,000	3.03
5. Japan Trustee Services Bank, Ltd. (Trust Account 4)	1,277,700	1.87
6. Designated separately managed account, trustee: Mitsui Asset Trust and Banking Company, Ltd. (Trust Account 1)	1,256,100	1.84
7. Trust & Custody Services Bank, Ltd. (Trust Account B)	780,200	1.14
8. Bank of New York GCM Client Accounts EISG	682,021	1.00
9. Nomura Securities Co., Ltd.	665,233	0.97
10. CTC Employee Shareholding Association	593,468	0.87

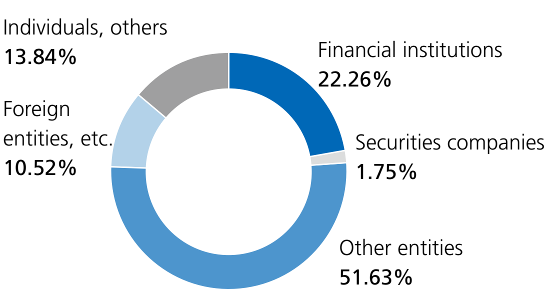
Notes: 1. The owner designated "Japan Trustee Services Bank, Ltd. (ITOCHU Corp., Retirement Benefit Trust Account Re-entrusted by The Sumitomo Trust & Banking Co., Ltd.)" refers to shares owned by ITOCHU Corporation that have been entrusted as a retirement benefit trust.

2. Share ownership figures exclude holdings of treasury stock.

Breakdown by Number of Owners



Ownership by Percentage Shareholding



Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

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

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