

November 8, 2004

Consolidated Earnings Report for the Six-Month Period Ended September 30, 2004

Company Name: ITX Corporation
 Market: Nippon New Market (Hercules)
 Code: 2725 Head Office: Tokyo
 (URL <http://www.itx-corp.co.jp/>)
 Representative: Akinobu Yokoo, President
 Inquiries: Seiji Shioya TEL (03) 4288-7000
 Meeting of the Board of Directors for Approval of Results: November 8, 2004
 Parent company: Olympus Corporation (Code: 7733)
 Parent company equity holding in ITX: 59.1%
 U.S. GAAPS Applied: No

1. Consolidated Results for the six-month period ended September 30, 2004 (April 1, 2004 – September 30, 2004) -- Unaudited
 (1) Consolidated Operating Results

	Revenues		Operating income (loss)		Net income(loss)	
Apr. 1 - Sept. 30, 2004	158,564	(-8.1)%	2,649	(-) %	(2,458)	(-) %
Apr. 1 - Sept. 30, 2003	172,623	(5.8)	(213)	(-)	(2,552)	(-)
(Ref) Year ended March 31, 2004	411,988	(24.3)	7,944	(125.5)	635	(-)

	(Yen)	
	Net income (loss) per share	Net income per share (diluted)
Apr. 1 - Sept. 30, 2004	(5,014.61)	-
Apr. 1 - Sept. 30, 2003	(5,204.85)	-
(Ref) Year ended March 31, 2004	1,264.53	1,049.94

Notes:

- Equity in losses of affiliates:

Apr. 1 - Sept. 30, 2004	¥ (4,196) million
Apr. 1 - Sept. 30, 2003	¥ (101) million
Year ended March 31, 2004	¥ (864) million
- Average number of shares outstanding during the period (consolidated):

Apr. 1 - Sept. 30, 2004	490,240 shares
Apr. 1 - Sept. 30, 2003	490,240 shares
Year ended March 31, 2004	490,240 shares
- Changes in accounting policies: No
- Percentage figures for revenues, operating income and net income represent year-on-year changes.

(2) Consolidated Financial Position

	(Millions of yen)			
	Total assets	Shareholders' equity	Shareholders' equity ratio	BPS
September 30, 2004	144,381	24,966	17.3 %	50,925.49 (Yen)
September 30, 2003	194,102	22,819	11.8	46,545.76
March 31, 2004	155,459	28,154	18.1	57,419.68

Note:

Number of shares issued and outstanding as of (consolidated):

September 30, 2004: 490,240 September 30, 2003: 490,240 March 31, 2004: 490,240

(3) Consolidated Cash Flows

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, at end of period/year
September 30, 2004	8,263	6,054	(10,549)	30,694
September 30, 2003	(1,333)	(974)	(6,737)	28,800
March 31, 2004	3,080	(11,087)	(2,209)	26,757

Note: figures in brackets indicate minus amounts

(4) Consolidated Subsidiaries and Application of Equity Method

Consolidated subsidiaries: 35

Non-consolidated subsidiaries accounted for by the equity method: None

Affiliates accounted for by the equity method: 17

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries:

New: 5

Excluded: 3

Equity-method affiliates:

New: 1

Excluded: 4

2. Forecast for Fiscal 2005 (April 1, 2004 – March 31, 2005)

(Millions of yen)

	Revenues	Net income
Year ending March 31, 2005	325,000	1,000

Reference: Projected net income per share for the year: ¥2,039.82

Forward-Looking Statements

The above forecasts are based on management's assumptions and beliefs in light of the information currently available, as of the date of this announcement, and involve risks and uncertainties. We caution investors that a number of factors could cause actual results to differ materially from forecasts. Please refer to Page 10 of this earnings report for an explanation of the assumptions and factors upon which the forecasts are based.

The ITX Group

The ITX Group comprises the parent company, 35 consolidated subsidiaries and 21 affiliates, of which 17 are affiliated by the equity method.

Utilizing the unlimited possibilities of information technology (IT), the ITX Group is striving to drive innovation in all areas of society through business incubation, equipment sales and service provision, focused on four key areas: Life Sciences; Networking & Technologies; Mobile Communications; and Business Innovations. The main business areas of the ITX Group and the position of each subsidiary and affiliate in the ITX structure are as follows:

Life Sciences

- **Medical**
Development and sale of advanced medical devices that incorporate U.S. and European technologies, which are mainly low/non-invasive medical devices designed to reduce the burden on patients and other products, as well as the provision of medical informatics solution services
- **Biotechnology**
Provision of support for genome-based drug development and operation of regenerative medicine business
- **Consumer Lifestyle Products**
Operation of health-related business based on the premise of offering consumers healthy food that they can trust

Networking & Technologies

- **Network Solutions**
Provision of system integration services, sales of network infrastructure systems, provision of security solutions and other services
- **Broadband**
Development of broadband businesses that utilizes fiber-optic networks, interactive services businesses and other operations
- **Internet Services**
Provision of EC account settlement, CRM and other Internet services
- **Next-Generation Semiconductors and Electronic Devices**
Development and sale of dynamic reconfigurable ICs, design, development and sale of next-generation imaging sensors, sales of semiconductor-related equipment and electronic devices, and other operations

Mobile Communications

- **Mobile Terminals, Solutions and Contents**
Distribution of mobile phone devices, provision of mobile solutions and mobile contents, and other operations

Business Innovations

- **CVC**
Corporate venture capital investments
- **Human Capital Management**
Provision of human resource services for new graduate recruiting support and deployment of new graduates as temporary staff, and provision of personnel-related outsourcing services
- **Intellectual Property**
Development of business offering patent analysis and patent and technology licensing services
- **Business Restructuring**
Investment and financing support for business regeneration

[ITX Group Summary]

ITX Corporation
<u>Life Sciences</u> DIGITAL ARX CORPORATION GeneFrontier Corporation AVS CO., LTD. TmediX Corporation And 2 other subsidiaries and 2 affiliated companies
<u>Networking & Technologies</u> ITX E-Globaledge Corporation TOKYO DEN-ON CO., LTD. TechMatrix Corporation AltaSens, Inc. And 13 other subsidiaries and 13 affiliated companies
<u>Mobile Communications</u> IT Telecom, Inc. And 1 other subsidiaries and 2 affiliated companies
<u>Business Innovations</u> Atlux Corporation IPX Corporation Nippon Outsourcing Corporation And 6 other subsidiaries and 2 affiliated companies

Notes:

1. Business lines correspond to segment information
2. Four subsidiaries, such as U.S.-based ITX International Holdings, Inc., ITX International Equity Corporation, EP Operations Co., Ltd., and one other company were not included in the diagram above.
3. Effective October 1, 2004, TOKYO DEN-ON CO., LTD. changed its name to Soliste Corporation.
4. Effective September 14, 2004, Olympus Corporation became ITX's parent company following the acquisition of additional ITX shares through a tender offer. Furthermore, following Sojitz Corporation's sale of its remaining ITX shares, ITX no longer has any relationship with this company or its affiliates.

Management Policies

1. Fundamental Management Policy

By pursuing the unlimited opportunities offered by IT, the ITX Group is striving to drive innovation in all areas of society through investment, business incubation, equipment sales and service provision, focused on four key areas-Life Sciences; Networking & Technologies; Mobile Communications; and Business Innovations. The majority of ITX Group revenues and profits are derived from equipment sales and the provision of related services, as well as capital gains from the sales of investment securities. The above key business strategies interact to produce synergies for the ITX Group-investment in and incubation of enterprises help increase ITX Group revenues from equipment sales and services. Such increase in equipment sales and services, in turn, enhance the value of investees. This forms the ITX fundamental management policy for growth.

2. Fundamental Policy on Profit Sharing

ITX sees the return of profits to shareholders as the most important issue over the long-term facing the management. While placing priority on dividend payments, ITX has worked to satisfy the expectations of shareholders by striving to maximize shareholder value through steps to create a robust financial foundation and incubation of new businesses.

However, based on the belief that ITX must ensure a rapid recovery in its financial position, the Company has made the tough decision, as it did in the previous fiscal year, to suspend payment of the interim dividend. ITX remains committed to increasing shareholder value to meet the expectations of its shareholders and asks for their understanding in this endeavor.

ITX is working to achieve a rapid improvement in performance in order to bring about a recovery in retained earnings.

3. Performance Benchmarks and Objectives

ITX seeks to curb increases in the value of total assets to within a predetermined range, while enhancing profitability. Consequently, management has adopted the ROA benchmark and has established an ROA target of greater than 5%.

4. Med- and Long-term Strategy

In May 2004, ITX announced its Corporate Strategic Plan (medium-term management plan). Under this plan, ITX will actively invest in new businesses and restructure and revitalize existing businesses more aggressively.

ITX currently has two primary sources of revenues: First one is from consolidated subsidiary operations, primarily equipment sales and services revenues. Second is capital gains from the sale of business incubation securities. ITX's Corporate Strategic Plan focuses on the first revenue source, and plan to strengthen the Group-wide earnings base. The plan incorporates the following management objectives:

1. Generate net income of ¥10.0 billion in fiscal 2007, ending March 31, 2007
2. Lead more successful business development cases for the portfolio companies, particularly for those companies that became a part of ITX after ITX was established.
3. Create specific markets that ITX can play a leadership role in it.
4. Develop a team of pioneering professionals

5. Management Issues

(1) Deepening strategic ties with Olympus Co., Ltd.

Olympus became ITX's parent company in September 2004, as a result of an increase in ownership in ITX by Olympus..

Going forward, ITX plans to jointly develop and cultivate new businesses with Olympus. This will be achieved by combining the Olympus' strengths in advanced technological capabilities, global marketing capabilities and brand recognition, and ITX's strengths in creating and developing new businesses and its expertise in fields such as networking & technologies and life sciences. In addition to their existing alliance in the next-generation semiconductor business, both companies will work together to develop and grow businesses in areas that are new to Olympus, such as an innovative new service business in the healthcare industry, solutions businesses in the medical informatics, regenerative medicine and digital camera fields, ubiquitous networking and environment-related businesses. ITX will also pursue dynamic collaborative projects that involve other strategic partners.

(2) Improving the financial position

Going forward, ITX will continue to take steps to increase equity, while improving the debt-equity ratio, current asset ratio and other benchmarks in order to improve the Group's financial position.

(3) Recruiting and fostering talented people

We believe that securing talented management personnel and fostering those who are capable of creating and expanding new businesses, are the keys to succeed in business development activities.

In order to secure talented personnel, ITX is promoting personnel exchange with Olympus, recruiting skilled individuals, encouraging inter-company assignments within the Group, and taking a range of other steps. This is designed to enhance the skills of ITX employees by giving individuals from differing corporate cultures an opportunity to interact. Furthermore, ITX's personnel evaluation and remuneration system has eliminated promotion based on seniority and created a remuneration system linked to performance. The system rewards people with the necessary skills for business development activities and for using them. By ensuring this system to be the standard within the company, ITX will be able to foster personnel with more special skill sets and attract talented people from outside the Group.

(4) Reinforcing and enhancing the efficiency of Group management

Going forward, ITX will aggressively restructuring Group companies by shifting management resources to business fields that offer greater prospects for growth, and thus realizing efficient Group management and maximizing synergies between Group companies in ITX's four core business fields.

6. Corporate Governance Policy and Initiatives

(1) Fundamental policy on corporate governance

ITX's fundamental policy and objective regarding corporate governance is to maximize the corporate value of the ITX Group by enhancing the efficiency and transparency of management.

In order to implement such policy and objectives, ITX will strive to create a more horizontal organization structure that allows faster decision-making and reinforcement of efficient management .

(2) Progress on implementing corporate governance measures

ITX employs a Board of Statutory Auditors System in stead of a Company with Committees System.

- ① ITX actively seeks to appoint outside directors to ensure transparent management and introduce a broader range of opinions into the decision-making process. As a result of one outside director resigning on September 22, 2004, the Board of Directors now has five members, two from outside the company.
- ② Acting as the Company's decision-making body for management policy and strategy, the Board of Directors meets once a month, and on the need arises, to ensure accurate and rapid decision-making on all relevant matters. ITX has also introduced the Executive Officer System to speed up the decision-making process and reinforce oversight of executive actions. The term of office for both directors and executive officers is one year.
- ③ ITX employs the Board of Statutory Auditors System. The Company's Board of Auditors comprises three members, two of them are external appointments.
- ④ Statutory auditors audit the executive actions of directors. At the same time, statutory auditors work with the Internal Auditing Office, and the independent auditors, thereby enhancing the functions of the Board of Auditors.
- ⑤ The Internal Auditing Office was set up to carry out internal audits at ITX and its Group companies. Based on audit plans, the head of the office audits the operations of each ITX division and Group company.

(3) Personal, capital and business relationships between ITX and its outside directors and auditors

ITX's two outside directors are also employees and directors of Olympus. One of ITX's two outside auditors holds the concurrent position of full-time auditor at Funai Electric Co., Ltd., while the other outside auditor is a full-time auditor at ITX consolidated subsidiary TechMatrix Corporation. Olympus, Funai and TechMatrix all have a pre-existing business with ITX.

7. Policy on Relationships With Partner Companies

ITX and Olympus will reinforce their strategic partnership by sharing their resources and benefiting from each other's strengths to expedite new business creation and developments, and thus increasing corporate value. In addition, ITX's fundamental policy is to pursue opportunities to promote dynamic alliances with other strategic partners.

Results of Operations and Financial Review

1. Results

Operating Environment

During the first six months of fiscal 2005, ended September 30, 2004, there were some signs of uncertainty associated with surging oil prices and other factors from the second quarter of the year. However, overall, the Japanese economy remained on a recovery footing as improvements in corporate earnings led to higher levels of private-sector capital investment; exports and manufacturing output increased; and the employment market and personal consumption showed moderate improvements. Continuing on from fiscal 2004, there was a clear increase in demand in some markets, namely the broadband communications, computer equipment and digital consumer electronics markets, which are relevant to ITX Group's four business fields.

Operating Performance

Against such circumstances, ITX remained actively involved in investment and business incubation activities in the first half of fiscal 2005. Significant developments in the period included the acquisition of AVS Co., Ltd. (formerly OLYMPUS AVS Co., Ltd.), a company involved in the sale of endoscopes, specialist veterinary endoscopes and other products in the medical field and the acquisition of OLYMPUS SOGO SERVICE CO., LTD., a provider of outsourcing services to the Olympus Group in the business innovations field. ITX then made the decision to merge this company with two existing personnel businesses in the ITX Group to create a total outsourcing services provider called Nippon Outsourcing Corporation, on November 1, 2004. There was another achievement ITX made in the mobile communications field. ITX established a new company called Quattro Media Corporation on October 1, 2004 which integrated all the ITX Group's mobile phone-related businesses, excluding those involved in mobile phone retailing. Besides these acquisitions and efforts to drive forward business restructuring and realignment—aimed at boosting corporate value by generating synergies and enhancing management efficiency—ITX actively disposed of shares in NISSHO ELECTRONICS CORPORATION and other companies, for the purpose of shifting management resources to targeted business fields.

During the interim period, ended September 30, 2004, ITX reported consolidated revenues of ¥158,564 million, a decline of 8.1% compared to a year earlier. This decline was chiefly attributable to the exclusion of NISSHO ELECTRONICS from the scope of consolidation, which outweighed higher revenues at ITX Corporation generated by sales of investment securities for business incubation and equipment sales and services. The main contributors to revenues were ITX Corporation, providing ¥54,441 million; and major consolidated subsidiaries IT Telecom Inc., ¥80,243 million, ITX E-Globaledge Corporation, ¥6,255 million, and TOKYO DEN-ON CO., LTD. (Soliste Corporation from October 1, 2004), ¥3,744 million. (All subsidiary sales are consolidated figures.)

Revenues by business segment were as follows (figures in parentheses indicate share of consolidated revenues): ¥4,853 million (3.1%) in Life Sciences; ¥68,100 million (42.9%) in Networking & Technologies; ¥80,320 million (50.7%) in Mobile Communications; and ¥5,291 million (3.3%) in Business Innovations.

Consolidated gross profit declined 21.8%, or ¥4,693 million, to ¥16,811 million compared to the previous interim period. This was due to a drop in mobile phone sales in equipment sales and services and the deconsolidation of NISSHO ELECTRONICS, despite a rise in gains from sales of investment securities for business incubation. Operating income grew ¥2,861 million year on year, to ¥2,649 million. After accounting for other income and other expense, ITX posted a loss before income taxes of ¥1,765 million, ¥205 million less than a year ago. The interim net loss was ¥2,458 million, ¥93 million less than the previous year.

Segment Information

The ITX Group comprised 57 companies as of September 30, 2004: ITX Corporation, 35 subsidiaries and 21 affiliates. The following table lists operating results by segment and by source of revenue (gains from sales of investment securities for business incubation and revenues from equipment sales and services) on a consolidated basis for the interim period ended September 30, 2004.

Segment	Apr. 1, 2003- Sep. 30, 2003	Apr. 1, 2004- Sep. 30, 2004	Apr. 1, 2003- Mar. 31, 2004
(Millions of yen)			
Life Sciences			
Revenues	796	4,853	1,141
Sales of investment securities for business incubation	-	953	-
Equipment sales and services	796	3,900	1,141
Gross Profit	319	1,328	289
Sales of investment securities for business incubation	-	755	(186)
Equipment sales and services	319	573	475
Selling, general and administrative expenses	436	1,101	948
Operating income	(117)	227	(659)
Sales of investment securities for business incubation	(115)	638	(411)
Equipment sales and services	(2)	(411)	(248)
Networking & Technologies			
Revenues	88,225	68,100	195,193
Sales of investment securities for business incubation	935	7,367	13,333
Equipment sales and services	87,291	60,733	181,860
Gross Profit	11,025	5,798	29,893
Sales of investment securities for business incubation	527	3,239	8,629
Equipment sales and services	10,498	2,558	21,264
Selling, general and administrative expenses	11,310	2,979	22,678
Operating income	(285)	2,819	7,215
Sales of investment securities for business incubation	199	2,972	7,998
Equipment sales and services	(484)	(153)	(783)
Mobile Communications			
Revenues	81,597	80,320	209,632
Sales of investment securities for business incubation	-	-	1,083
Equipment sales and services	81,597	80,320	208,549
Gross Profit	9,430	8,810	24,076
Sales of investment securities for business incubation	-	-	857
Equipment sales and services	9,430	8,810	23,219
Selling, general and administrative expenses	8,535	8,492	21,176
Operating income	894	318	2,900
Sales of investment securities for business incubation	(26)	(4)	801
Equipment sales and services	920	322	2,099

(Millions of yen)

Segment	Apr. 1, 2003- Sep. 30, 2003	Apr. 1, 2004- Sep. 30, 2004	Apr. 1, 2003- Mar. 31, 2004
Business Innovations			
Revenues	2,326	5,291	6,623
Sales of investment securities for business incubation	300	40	301
Equipment sales and services	2,026	5,251	6,322
Gross Profit	772	876	1,505
Sales of investment securities for business incubation	262	(28)	142
Equipment sales and services	511	904	1,363
Selling, general and administrative expenses	889	968	1,878
Operating income	(117)	(92)	(373)
Sales of investment securities for business incubation	210	(92)	19
Equipment sales and services	(326)	0	(392)
Elimination and Corporate			
Revenues	(321)	-	(601)
Sales of investment securities for business incubation	-	-	-
Equipment sales and services	(321)	-	(601)
Gross Profit	(42)	-	(80)
Sales of investment securities for business incubation	-	-	-
Equipment sales and services	(42)	-	(80)
Selling, general and administrative expenses	546	623	1,059
Operating income	(588)	(623)	(1,139)
Sales of investment securities for business incubation	(294)	(312)	(569)
Equipment sales and services	(294)	(312)	(570)
Consolidated			
Revenues	172,623	158,564	411,988
Sales of investment securities for business incubation	1,235	8,360	14,717
Equipment sales and services	171,388	150,204	397,271
Gross Profit	21,504	16,811	55,683
Sales of investment securities for business incubation	789	3,966	9,442
Equipment sales and services	20,716	12,845	46,241
Selling, general and administrative expenses	21,717	14,162	47,739
Operating income	(213)	2,649	7,944
Sales of investment securities for business incubation	(26)	3,202	7,838
Equipment sales and services	(187)	(553)	106

Note:

Operating income from sales of investment securities for business incubation and from equipment sales and services has been shown for reference purposes from the period under review.

[Reference]

IT Telecom, Inc., a consolidated subsidiary, changed its fiscal year-end from December 31 to March 31 in the previous fiscal year. As a consequence, fiscal 2005 first-quarter results for the mobile communications segment include the operating results of IT Telecom for the period April to June 2004, while fiscal 2004 first-quarter results for the segment included the operating results of IT Telecom for the period January to March 2003. Fiscal 2004 first-quarter results for the mobile communications segment would have been as shown in the table below if figures from the period April to September 2003 are used.

Mobile Communications	Interim Fiscal 2004
Revenues	84,349
Gross Profit	9,390
Operating income	527

Forecasts for Fiscal 2005 (ending March 31, 2005)

ITX is now forecasting consolidated revenues ¥17.0 billion higher than initial forecasts, due to gains from sales of investment securities for business incubation and increased sales of PC peripheral devices to the U.S.

Although ITX expects to post higher gains from sales of investment securities for business incubation in the second half of the year, lower-than-expected ordinary income in the first six months of fiscal 2005 is projected to impact on full-year figures, with ordinary income resulting in ¥1.8 billion short against the initial forecast. ITX expects to achieve its initial forecast for net income due to the booking of extraordinary gains and other factors.

ITX's full-year consolidated forecasts for fiscal 2005 are as follows (non-consolidated figures are in parentheses). Revenues: ¥325.0 billion (¥94.6 billion); Ordinary income: ¥0.7 billion (¥0.8 billion); Net income: ¥1.0 billion (¥7.5 billion).

2. Business Risk

Below are listed what the Company considers to be the key areas of business risk associated with its operations. ITX also actively discloses information related to its investment decisions not necessarily seen as falling into the business risk category. Readers and potential investors are cautioned, however, that the list below does not purport to be a comprehensive analysis of business risk factors impinging on the operations of ITX.

(1) General risks associated with investment and incubation activities

The following risks may impact on the Company's investment and incubation activities, the main source of earnings for the ITX Group.

1. Discovery of promising investment and business creation opportunities
The inability to identify promising business investment opportunities (new business creation, investment or acquisition targets)
2. Business incubation period following initial investment
The business incubation period of investees may exceed that of initial estimates
3. Business value of investees
The business value of an investee may not increase in line with initial estimates
4. Impact of operations of investee on the consolidated performance of ITX
The financial results of an investee may impact on the consolidated performance of ITX, leading to significant fluctuations in the operating results of the Company
5. Capital gains from shares in an investee
The selling price of shares in an investee or the possibility that those shares may not be disposed of at a favorable time, may prevent the Company from securing the capital gains it had initially projected
6. Listed investee share price
Fluctuations in the market price of an investee after listing, or in a listed company that ITX invests in, may impact on the financial position or the consolidated performance of the Company
7. Business restructuring
Restructuring involving the disposal, merger, or liquidation of existing businesses, or the creation, investment in or acquisition of new businesses may not be implemented as scheduled

(2) Risk factors related to business fields in which ITX is active

1. Market size and growth predictions
Markets in which ITX businesses operate may contract, or fail to expand in line with initial growth predictions
2. Competing products, technologies and services
The appearance of competing products, technologies and services in the market may have an impact on the operations of ITX
3. Problems related to products, systems and services offered by ITX
Problems or deficiencies related to products, systems, services, technological support or aftercare services provided by ITX may have an impact on operations
4. Declines in incentives and commissions

Incentives and commissions offered to ITX for the sales or provision of third-party products, systems and services may fall short of realistic or projected levels

5. New product development/new service provision
The development of new products or of new services scheduled for future launch may not proceed as scheduled
6. Recovery of debt
The inability to recover debts from business partners facing financial difficulty, bankruptcy or other problems, may have an impact on the operations or financial results of ITX

(3) Management risk

1. Financial position
Failure to secure a planned level of net income may affect the Company's ability to rapidly reduce the accumulated deficit
2. Procurement of funds
 - The Company may not be able to acquire funds as planned
 - The cost of procuring funds may rise to such a level that it impacts on the Company's financial results
 - The procurement of additional funds may lead to a deterioration in the Company's debt equity ratio
3. Securing personnel
Failure to secure personnel with appropriate management, investment, business incubation or business operation skills may have an impact on the operational capabilities of the Company

(4) Other

1. The Tokyo District Court officially declared COLIN Corporation's bankruptcy on September 1, 2004. Subsequent bankruptcy proceedings will follow and the remainder of the company's assets will be distributed to the creditors accordingly. ITX believes there is a possibility that it will not be able to recover receivables owed by COLIN Corporation to the company, which total approximately ¥700 million after deducting an allowance for doubtful accounts.
2. Conversion of convertible bonds with stock acquisition rights
The conversion into shares of ¥10 billion convertible bonds with stock acquisition rights may result in the dilution of ITX stock

3. Financial Position

(1) Financial position and cash flows

(i) Assets, Liabilities and Shareholders' Equity

As of September 30, 2004, total assets stood at ¥144,381 million, ¥11,077 million less than March 31, 2004. This was primarily due to the partial sale of shares in NISSHO ELECTRONICS, which resulted in the deconsolidation of this company.

Interest-bearing debt was ¥74,500 million, a decline of ¥11,199 million compared with the previous fiscal year-end. This decrease was mainly attributable to the repayment of debt by ITX Corporation. Shareholders' equity was ¥24,966 million, a decrease of ¥3,188 million, which was a result of a drop in net unrealized holding gain on available-for-sale securities. As a result, the shareholders' equity ratio declined from 18.1% at the end of fiscal 2004, to 17.3% at September 30, 2004.

(ii) Cash Flows

Cash and cash equivalents increased ¥3,937 million from ¥26,757 million at the end of March 2004, to ¥30,694 million as of September 30, 2004.

Cash flows from operating activities

Net cash provided by operating activities was ¥8,263 million. Cash was mainly generated by sales of investment securities for business incubation (partial sale of shares in U's Communications Corp. and others) and equipment sales and services by IT Telecom and other subsidiaries.

Cash flows from investing activities

Net cash provided by investing activities was ¥6,054 million. Cash outflows for the acquisition of investment securities for business incubation (usen Corp. and others) were outweighed by proceeds from sales of shares in affiliates such as NISSHO ELECTRONICS and other factors.

Cash flows from financing activities

Net cash used in financing activities was ¥10,549 million. This was mainly attributable to the repayment of short-term and long-term debt on maturity and other factors, which outweighed proceeds from the procurement of new long-term debt.

(2) Forecasts for Fiscal 2005 (ending March 31, 2005)

(i) Important factors affecting cash flows

The company's ability to generate gains from sales of investment securities for business incubation is highly dependent on the ability to sell these securities (realize the value of a business) through an initial public offering, merger, acquisition or other means. This may have a material impact on ITX's cash flows.

(ii) Important factor affecting cash flows

In the second half of fiscal 2005, additional funds will be needed for new investments in business incubation projects and to provide additional funding to existing businesses. To provide the funds to meet these obligations, ITX plans to recover some investments through sales of business incubation securities and procure funds through loans and other means.

ITX Corporation Consolidated Balance Sheets

Assets	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	September 30, 2004	March 31, 2004	September 30, 2004
Current assets:				
Cash and cash equivalents	¥ 28,800	¥ 30,694	¥ 26,757	\$ 276,523
Trade notes and accounts receivable	47,166	31,441	30,808	283,252
Allowance for doubtful accounts	(194)	(240)	(302)	(2,162)
	<u>46,972</u>	<u>31,201</u>	<u>30,506</u>	<u>281,090</u>
Inventories	13,875	10,606	10,353	95,550
Deferred tax assets	1,714	57	60	514
Other current assets	7,369	7,338	4,977	66,107
Total current assets	<u>98,730</u>	<u>79,896</u>	<u>72,653</u>	<u>719,784</u>
Non-current assets:				
Property and equipment	9,642	2,703	2,721	24,351
Investment and other assets:				
Investment securities	11,513	5,331	15,486	48,027
Investment securities for business incubation	16,300	15,165	22,524	136,622
Deferred tax assets - non-current	8,561	19	-	171
Goodwill	36,455	33,359	34,244	300,532
Intangible assets	612	650	2,340	5,856
Deferred start-up costs	1,535	-	-	-
Other non-current assets	10,754	7,258	5,491	65,387
	<u>85,730</u>	<u>61,782</u>	<u>80,085</u>	<u>556,595</u>
Total non-current assets	<u>95,372</u>	<u>64,485</u>	<u>82,806</u>	<u>580,946</u>
Total assets	<u>¥ 194,102</u>	<u>¥ 144,381</u>	<u>¥ 155,459</u>	<u>\$ 1,300,730</u>

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

Liabilities and shareholders' equity	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	September 30, 2004	March 31, 2004	September 30, 2004
Current liabilities:				
Trade notes and accounts payable	¥ 33,636	¥ 29,451	¥ 25,157	\$ 265,324
Short-term borrowings	43,829	11,637	31,372	104,838
Current portion of long-term debt	9,030	13,709	11,144	123,505
Accrued income taxes	1,173	438	1,077	3,946
Other current liabilities	13,210	11,217	11,518	101,054
Total current liabilities	100,878	66,452	80,268	598,667
Non-current liabilities:				
Long-term debt	37,463	49,154	43,184	442,829
Deferred tax liabilities - non-current	612	-	50	-
Retirement allowance:				
Employees	3,710	1,106	1,034	9,964
Directors and corporate auditors	172	58	62	523
Other non-current liabilities	1,968	158	162	1,423
Total non-current liabilities	43,925	50,476	44,492	454,739
Minority interest	26,480	2,487	2,545	22,405
Shareholders' equity:				
Common stock	20,456	20,456	20,456	184,288
Additional paid-in capital	27,968	27,968	27,968	251,964
Accumulated losses	(26,881)	(25,765)	(24,533)	(232,117)
Revaluation reserve for land	(114)	(144)	(144)	(1,297)
Net unrealized holding gain on available-for-sale securities	1,475	3,006	5,062	27,081
Foreign currency translation adjustments	(85)	(555)	(655)	(5,000)
Total shareholders' equity	22,819	24,966	28,154	224,919
Total liabilities and shareholders' equity	¥ 194,102	¥ 144,381	¥ 155,459	\$ 1,300,730

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Consolidated Statements of Operations

	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sep. 30, 2003	Apr. 1, 2004 - Sep. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sep. 30, 2004
Revenues	¥ 172,623	¥ 158,564	¥ 411,988	\$ 1,428,504
Costs of revenues	151,119	141,753	356,305	1,277,054
Gross profit	21,504	16,811	55,683	151,450
Selling, general and administrative expenses	21,717	14,162	47,739	127,586
Operating income (loss)	(213)	2,649	7,944	23,864
Other income (expenses):				
Interest and dividend income	88	145	158	1,306
Interest expense	(744)	(734)	(1,581)	(6,613)
Impairment loss on investment securities	(300)	(57)	(575)	(514)
Gain on sales of investment securities, net	594	22	3,606	201
Impairment loss on goodwill	(362)	-	(362)	-
Gain (loss) on sales of investment securities in subsidiaries and affiliates	-	1,602	(537)	14,430
Equity in losses of unconsolidated subsidiaries and affiliates	(101)	(4,197)	(864)	(37,811)
Gain (loss) on swap transaction	1,911	(1,016)	688	(9,153)
Provision of allowance for doubtful accounts	(2,630)	(33)	(2,676)	(297)
Gain on deemed sales due to changes in equity	12	2	498	18
Other, net	(225)	(148)	(898)	(1,333)
Income (loss) before income taxes	(1,970)	(1,765)	5,401	(15,902)
Income taxes:				
Current	1,120	615	3,052	5,541
Deferred	41	133	8,169	1,198
	1,161	748	11,221	6,739
Minority interest	579	55	6,455	495
Net income (loss)	¥ (2,552)	¥ (2,458)	¥ 635	\$ (22,146)

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Consolidated Statements of Shareholders' Equity

	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sep. 30, 2003	Apr. 1, 2004 - Sep. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sep. 30, 2004
Common stock:				
Beginning balance	¥ 20,456	¥ 20,456	¥ 20,456	\$ 184,288
Issuance of common stock	-	-	-	-
Ending balance	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>\$ 184,288</u>
Additional paid-in capital:				
Beginning balance	¥ 27,968	¥ 27,968	¥ 27,968	\$ 251,964
Issuance of common stock	-	-	-	-
Ending balance	<u>¥ 27,968</u>	<u>¥ 27,968</u>	<u>¥ 27,968</u>	<u>\$ 251,964</u>
Accumulated losses:				
Beginning balance	¥ (24,305)	¥ (24,533)	¥ (24,305)	\$ (221,016)
Net income (loss)	(2,552)	(2,458)	635	(22,146)
Bonuses paid to directors and corporate auditors	(24)	(7)	(34)	(63)
Effect of change in scope of consolidation	-	1,233	(829)	11,108
Ending balance	<u>¥ (26,881)</u>	<u>¥ (25,765)</u>	<u>¥ (24,533)</u>	<u>\$ (232,117)</u>
Revaluation reserve for land:				
Beginning balance	¥ (113)	¥ (144)	¥ (113)	\$ (1,297)
Decrease	(1)	-	(31)	-
Ending balance	<u>¥ (114)</u>	<u>¥ (144)</u>	<u>¥ (144)</u>	<u>\$ (1,297)</u>
Net unrealized holding gain (loss) on available-for-sale securities:				
Beginning balance	¥ (115)	¥ 5,062	¥ (115)	\$ 45,604
Increase (decrease)	1,590	(2,056)	5,177	(18,523)
Ending balance	<u>¥ 1,475</u>	<u>¥ 3,006</u>	<u>¥ 5,062</u>	<u>\$ 27,081</u>
Foreign currency translation adjustments:				
Beginning balance	¥ (107)	¥ (655)	¥ (107)	\$ (5,900)
Adjustments from translation of Foreign currency financial statements	22	100	(548)	900
Ending balance	<u>¥ (85)</u>	<u>¥ (555)</u>	<u>¥ (655)</u>	<u>\$ (5,000)</u>

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Consolidated Statements of Cash Flows

	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sept. 30, 2003	Apr. 1, 2004 - Sept. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sept. 30, 2004
Cash flows from operating activities:				
Income (loss) before income taxes	¥ (1,970)	¥ (1,765)	¥ 5,401	\$ (15,902)
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation	1,373	604	2,991	5,441
Amortization of goodwill	1,113	1,092	2,203	9,838
Increase (decrease) in allowance for doubtful accounts	2,438	(186)	2,470	(1,676)
Increase (decrease) in retirement allowance:				
Employees	234	59	467	532
Directors and corporate auditors	(72)	(5)	(37)	(45)
Interest and dividend income	(88)	(145)	(158)	(1,306)
Interest expense	744	734	1,581	6,613
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	101	4,197	864	37,811
Amortization of start-up cost	304	-	607	-
Gain on sales of investment securities	(594)	(22)	(3,606)	(198)
Loss (gain) on deemed sales due to changes in equity	(12)	(2)	(498)	(18)
Impairment loss on investment securities	300	57	575	514
Loss (gain) on sales of investment securities in subsidiaries and affiliates	-	(1,602)	537	(14,432)
Impairment loss on goodwill	362	-	362	-
Decrease (increase) in investment securities for business incubation	(5,665)	3,705	(8,999)	33,378
Decrease in trade receivables	8,407	1,377	3,602	12,405
Decrease (increase) in inventories	1,419	(264)	2,548	(2,378)
Increase (decrease) in trade payables	(2,992)	1,862	(299)	16,775
Decrease (increase) in other assets	(3,321)	983	(3,812)	8,856
Decrease in other liabilities	(3,788)	(1,182)	(2,526)	(10,649)
Payment of directors' and corporate auditors' Bonuses	(26)	(8)	(35)	(72)
Other, net	332	285	900	2,569
Sub-total	(1,401)	9,774	5,138	88,056
Receipt of interest and dividends	122	134	218	1,207
Payment of interest	(682)	(283)	(1,569)	(2,550)
Refund of income taxes	2,087	172	2,200	1,550
Payment of income taxes	(1,459)	(1,534)	(2,907)	(13,820)
Net cash provided by (used in) operating activities	(1,333)	8,263	3,080	74,443
Cash flows from investment activities:				
Acquisition of marketable securities	-	(1,200)	-	(10,811)
Acquisition of property and equipment	(795)	(300)	(1,895)	(2,703)
Proceeds from sales of tangible fixed assets	24	2	44	18
Acquisition of intangible fixed assets	(738)	(430)	(1,342)	(3,874)
Proceeds from sales of intangible assets	1	-	1	-
Acquisition of investment securities	(487)	(3,429)	(736)	(30,892)
Proceeds from sales of investment securities	841	140	5,769	1,261
Proceeds from sales of investments in affiliates	-	13,035	-	117,432
Net increase from acquisition of investments in subsidiaries related to change in scope of consolidation	-	190	-	1,712
Net decrease due to sales of investments in subsidiaries related to change in scope of consolidation	-	(131)	(13,074)	(1,180)
Acquisition of investments in subsidiaries	-	(49)	-	(441)
Loans made	(194)	(7)	(850)	(63)
Collection of loans	195	215	820	1,937
Acquisition of other investments	(275)	(1,982)	(397)	(17,856)
Proceeds from sales of other investments	134	-	253	-
Other, net	320	-	320	-
Net cash used in investment activities	(974)	6,054	(11,087)	54,540

(to be continued)

(continued)	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sept. 30, 2003	Apr. 1, 2004 - Sept. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sept. 30, 2004
Cash flows from financing activities:				
Decrease in short-term borrowings	(3,481)	(19,084)	(7,998)	(171,928)
Proceeds from long-term debt	1,200	14,184	13,855	127,784
Repayment of long-term debt	(4,333)	(5,649)	(9,147)	(50,892)
Proceeds from issuance of common stock to minority shareholders	-	-	1,327	-
Dividends paid to minority shareholders	(123)	-	(246)	-
Net cash provided by (used in) financing activities	(6,737)	(10,549)	(2,209)	(95,036)
Effect of exchange rate change on cash and cash equivalents				
	63	25	(398)	224
Net increase (decrease) in cash and cash equivalents	(8,981)	3,793	(10,614)	34,171
Cash and cash equivalents at beginning of year	37,716	26,757	37,716	241,054
Increase in cash and cash equivalents due to Increase in consolidated subsidiaries	65	144	76	1,298
Decrease in cash and cash equivalents due to decrease in consolidated subsidiaries	-	-	(421)	-
Cash and cash equivalents at end of year	<u>¥ 28,800</u>	<u>¥ 30,694</u>	<u>¥ 26,757</u>	<u>\$ 276,523</u>

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Notes to Consolidated Financial Statements
ITX Corporation and consolidated subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presenting consolidated financial statements

ITX Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records 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 and practices generally accepted in Japan, which are different in certain aspects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at September 30, 2004, which was ¥111 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 35 (33 as of March 31, 2004) significant subsidiaries ("the Companies"), over which the Company has power to control through majority voting rights or existence of certain other conditions evidencing control by the Company. Material inter-company balances, transactions and profits have been eliminated in consolidation. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in affiliates (17 as of September 30, 2004 and 20 as of March 31, 2004) are accounted for by the equity method and are included in investment securities and investment securities for business incubation in the accompanying consolidated balance sheets.

IT Telecom, Inc., a wholly-owned consolidated subsidiary, changed its fiscal year-end from December 31 to March 31. Accordingly, the Company's consolidated statements of operations for the year ended March 31, 2004 included the financial results of IT Telecom, Inc., for fifteen-month period

ended March 31, 2004.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid securities, with original maturities of three months or less.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

Securities

Equity issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at cost based on the moving-average method. Securities with no available fair market value are stated at moving-average cost.

Available-for-sale securities with available fair market values stated at fair market value as of balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. If the fair value of these securities has declined significantly, such securities are written down to fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as an impairment loss unless the fair value is deemed to be recoverable. The Company has established a policy for the recognition of an impairment loss if the total declines more than 50 % unless the fair value is deemed to be recoverable. The cost of securities sold is determined by the moving average method.

Inventories

Inventories, consisting mainly of commodities and materials held for resale, are stated at cost, principally on the first-in, first-out basis, except for items that are written down because net realizable values are substantially less than their original cost.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the declining-balance method for assets held by the Company and its domestic subsidiaries over estimated useful lives, except for buildings and structures acquired after March 31, 1998, which are depreciated by the straight-line method. Assets held by foreign subsidiaries are depreciated in accordance with local accounting standards, principally by the straight-line method over estimated useful lives.

The estimated useful lives for significant assets are as follows:

Buildings and structures:	3-50 years
Equipment:	2-20 years

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When depreciable property is retired or otherwise disposed of, the amount of such property is deducted from the respective property and accumulated depreciation accounts. Any undepreciated balances are charged to income immediately.

Leases

Non-cancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance lease.

Goodwill

Goodwill is being amortized on a straight-line method over 20 years, unless its fair value declines significantly.

Software costs

The Companies depreciate software using the straight-line method over the estimated useful lives (five years).

Costs of software under development are also included in software.

Impairment of long-lived assets

In August 2002, the Business Accounting Council issued "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets." The opinion set forth basic ideas about (a) assets subject to impairment consideration, (b) recognition and measurement of impairment loss, (c) accounting after recognition of impairment loss and (d) treatment of finance lease transactions. In October 2003, the Accounting Standards Board of Japan issued practical guidelines on the new accounting standard. The new accounting standard and practical guidelines will become effective for fiscal years beginning after March 31, 2005, while early adoption is permitted from the fiscal year ended March 31, 2004. The Company decided not to adopt the new accounting standard and guidelines for the year ended March 31, 2005.

Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current rate at period-end, and the translation gains and losses are charged to income.

Assets, liabilities, revenues, and expenses of the foreign subsidiaries are translated into yen at the current rate at period-end and the resulting differences are included in the minority interest and the foreign currency translation adjustments under shareholders' equity.

Severance and retirement benefits

The Company and its domestic subsidiaries provide two types

of post-employment benefit plan, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefit payments based on the level of wages and salaries at the time of retirement or termination, length of service, and certain other factors.

The Company and its domestic subsidiaries provided allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the year-ends.

Allowance for retirement and severance benefits for employees and payable for past service liabilities of the employees pension plans are included in the liability for "Retirement allowance--Employees".

Unrecognized actuarial difference is being amortized over a period, primarily of 5 years, within the average remaining service period of active employees expected to receive benefits under the plan.

Directors and corporate auditors of the Company are entitled to lump sum payments at the time of severance or retirement, subject to the approval of the shareholders. The liabilities for such benefits are determined based on the Company's internal rules and included in the liability for "Retirement allowance--Directors and corporate auditors".

Income taxes

The provision for income taxes is computed based on the pretax income included in the accompanying consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Revenue and expenses

Proceeds from sales of securities for business incubation are charged to income as "Revenues --sales of investment securities for business incubation". Impairment loss and carrying value of those securities are charged to income as "Costs of revenues -- sales of investment securities for business incubation".

Derivative instruments

The Companies use certain derivative instruments including currency forward contracts, interest rate swap contracts, and stock-price swap contracts.

The Companies enter into currency forward contracts and interest rate swap contracts to reduce their exposures to losses resulting from adverse fluctuations in foreign currency exchange rates on transactions denominated in foreign currencies or interest rate debts.

Further, the Companies enter into stock-price swap contracts for speculation purposes. This contract is not qualified for hedge accounting.

Derivative financial instruments are stated at fair value, and the gains and losses are charged to income unless derivative financial instruments are qualified for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the recognition of gains or losses resulting from changes in fair values are deferred until the gains or losses on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from interest on the underlying assets or liabilities for which

the swap contract was executed.

The Companies are exposed to credit risk in the event of default by counterparties to the forward exchange agreements and the interest rate swap agreements, however, the Companies do not anticipate such risk because the counterparties are major international financial institutions which have high credit ratings.

SECURITIES

The following tables summarize acquisition cost and book values of securities with available fair values as of September 30, 2003 and 2004 and as of March 31, 2004:

Type	Millions of yen					
	September 30, 2003			September 30, 2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Current:						
Debt securities	¥ -	¥ -	¥ -	¥ 1,200	¥ 1,200	¥ -
Non-current:						
Equity securities	¥ 6,246	¥ 8,250	¥ 2,004	¥ 4,946	¥ 7,696	¥ 2,750
Other	1,270	1,302	32	148	137	(11)
Total	¥ 7,516	¥ 9,552	¥ 2,036	¥ 6,294	¥ 9,033	¥ 2,739

Type	Millions of yen			Thousands of U.S. dollars		
	March 31, 2004			September 30, 2004		
	Acquisition cost	Book value	Difference	Acquisition Cost	Book value	Difference
Current:						
Debt securities	¥ -	¥ -	¥ -	\$ 10,810	\$ 10,810	\$ -
Non-current:						
Equity securities	¥ 852	¥ 5,980	¥ 5,128	\$ 44,555	\$ 69,333	\$ 24,778
Other	222	215	(7)	1,332	1,234	(98)
Total	¥ 1,074	¥ 6,195	¥ 5,121	\$ 56,697	\$ 81,377	\$ 24,680

The following tables summarize book values of securities with no available fair value as of September 30, 2003 and 2004 and as of March 31, 2004:

Available-for-sale securities	Millions of yen		March 31, 2004	Thousands of U.S. dollars
	Book value			Book value
	September 30, 2003	September 30, 2004		September 30, 2004
Non-current:				
Non-listed equity securities	¥ 10,382	¥ 7,677	¥ 3,266	\$ 69,162
Non-listed other securities	67	44	67	396
Total	¥ 10,449	¥ 7,721	¥ 3,333	\$ 69,558

The following tables summarize book value of investment in affiliates as of September 30, 2003 and 2004 and as of March 31, 2004:

Investment in affiliates	Millions of yen		March 31, 2004	Thousands of U.S. dollars
	Book value			Book value
	September 30, 2003	September 30, 2004		September 30, 2004
Investment securities	¥ 133	¥ 117	¥ 13,495	\$ 1,056
Investment securities for business incubation	7,649	4,825	14,987	43,468
Total	¥ 7,812	¥ 4,942	¥ 28,482	\$ 44,524

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

DERIVATIVES

The following tables summarize market value information of derivative transactions for which hedge accounting has not been applied as of September 30, 2003 and 2004 and as of March 31, 2004:

September 30, 2003	Millions of yen			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Stock-price swap contract	¥ 14,456	¥ 11,244	¥ (4,784)	¥ (4,784)

September 30, 2004	Millions of yen			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Stock-price swap contract	¥ 10,715	¥ 7,041	¥ (5,327)	¥ (5,327)

March 31, 2004	Millions of yen			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Stock-price swap contract	¥ 12,639	¥ 8,939	¥ (5,260)	¥ (5,260)

September 30, 2004	Thousands of U.S. dollars			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Stock-price swap contract	\$ 96,527	\$ 63,433	\$ (47,994)	\$ (47,994)

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

SEGMENT INFORMATION

The Companies are engaged in four different segments of business as follows:

Life Sciences (LS)	
Medical Treatment Devices	: Development and sales of advance treatment devices, low/non-invasive diagnostic and treatment devices.
Biotechnology	: Business development in technological support services for genomic drug R&D, promotion of product development, manufacturing and sales in the field of regenerative medicine.
Medical Networks	: Presentation of medical information solutions, and business development in home care and preventive diagnostic services.
Consumer Lifestyle Products	: Application of biotechnology to other health care and life science industries.
Networking & Technologies (NW & T)	
Innovative Technologies	: Digital Imaging, Home networking
Internet Services	: Net businesses, e-Commerce
Broadband Services	: FTTH & FTTO, Cable TV
Mobile Communications (MC)	
Mobile Terminals	: Sales and consulting in mobile terminals such as portable phones and telecommunication lines.
Mobile Solutions	: Development and sales of next-generation browsers compatible with multiple devices.
Mobile Contents	: Distribution services for various contents.
Business Innovations (BI)	
Business Restructuring Services	: Development of regeneration business in restructure of small to mid-size companies.
Intellectual Property Services	: Presentation of comprehensive patent- and technology-related solutions.
Human Capital Management	: Development of new graduate recruiting support, aptitude assessment and development of new graduates as temporary staff.
CVC	: Development of corporate venture capital investments.

The business segment information of the Companies for the six-month period ended September 30, 2003 is as follows:

Business Segments

Six-month period ended September 30, 2003	Millions of yen					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	¥ 796	¥88,205	¥81,555	¥2,067	¥ -	¥172,623
Intersegment sales	-	20	42	259	(321)	-
Total	796	88,225	81,597	2,326	(321)	172,623
Operating expenses	913	88,510	80,703	2,443	267	172,836
Operating income	¥ (117)	¥ (285)	¥ 894	¥ (117)	¥(588)	¥ (213)

The business segment information of the Companies for the six-month period ended September 30, 2004 is as follows:

Business Segments

Six-month period ended September 30, 2004	Millions of yen					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	¥4,853	¥ 68,100	¥80,320	¥5,291	¥ -	¥158,564
Intersegment sales	-	-	-	-	-	-
Total	4,853	68,100	80,320	5,291	-	158,564
Operating expenses	4,626	65,281	80,002	5,383	623	155,915
Operating income	¥ 227	¥ 2,819	¥ 318	¥ (92)	¥ (623)	¥ 2,649

Six-month period ended September 30, 2004	Thousands of U.S. dollars					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	\$43,721	\$613,514	\$723,604	\$47,665	\$ -	\$1,428,504
Intersegment sales	-	-	-	-	-	-
Total	43,721	613,514	723,604	47,665	-	1,428,504
Operating expenses	41,676	588,117	720,739	48,496	5,612	1,404,640
Operating income	\$ 2,045	\$ 25,397	\$ 2,865	\$ (831)	\$(5,612)	\$ 23,864

The business segment information of the Companies for the year ended March 31, 2004 is as follows:

Business Segments

Year ended March 31, 2004	Millions of yen					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	¥ 1,141	¥195,129	¥209,551	¥6,167	¥ -	¥411,988
Intersegment sales	-	64	81	456	(601)	-
Total	1,141	195,193	209,632	6,623	(601)	411,988
Operating expenses	1,800	187,978	206,732	6,996	538	404,044
Operating income	¥ (659)	¥ 7,215	¥ 2,900	¥ (373)	¥(1,139)	¥ 7,944

Overseas Sales by region

Six-month period ended September 30 2003	Millions of yen				
	North America	Europe	Asia	Others	Total
I. Overseas sales	¥19,642	¥11,630	¥5,689	¥2,517	¥39,478
II. Consolidated sales	-	-	-	-	¥172,623
% of overseas sales	11.4%	6.7%	3.3%	1.5%	22.9%

Six-month period ended September 30 2004	Millions of yen				
	North America	Europe	Asia	Others	Total
I. Overseas sales	¥12,386	¥16,855	¥7,191	¥16,781	¥53,213
II. Consolidated sales	-	-	-	-	¥158,564
% of overseas sales	7.8%	10.6%	4.5%	10.7%	33.6%

Year ended March 31, 2004	Millions of yen				
	North America	Europe	Asia	Others	Total
I. Overseas sales	¥27,968	¥28,143	¥11,548	¥14,848	¥82,507
II. Consolidated sales	-	-	-	-	¥411,988
% of overseas sales	6.8%	6.8%	2.8%	3.6%	20.0%

Six-month period ended September 30 2004	Thousands of U.S. dollars				
	North America	Europe	Asia	Others	Total
I. Overseas sales	\$111,586	\$151,847	\$67,784	\$151,180	\$479,397
II. Consolidated sales	-	-	-	-	\$1,428,504
% of overseas sales	7.8%	10.6%	4.5%	10.7%	33.6%

Non-Consolidated Earnings Report for the Six-Month Period Ended September 30, 2004

Company Name: ITX Corporation
 Market: Nippon New Market (Hercules)
 Code: 2725 Head Office: Tokyo
 (URL <http://www.itx-corp.co.jp/>)
 Representative: Akinobu Yokoo, President
 Inquiries: Seiji Shioya TEL (03) 4288-7000
 Interim Dividend System: Yes
 Meeting of the Board of Directors for Approval of Results: November 8, 2004
 Trading Unit System: No

1. Non-Consolidated Results for the six-month period ended September 30, 2004 (April 1, 2004 – September 30, 2004) -- Unaudited

(1) Non-Consolidated Operating Results

(Millions of yen)

	Revenues	Operating income (loss)	Net income(loss)
Apr. 1 - Sept. 30, 2004	54,441 (55.8)%	(1,215) (-)%	3,705 (-)%
Apr. 1 - Sept. 30, 2003	34,934 (-11.9)	(355) (-)	(1,586) (-)
(Ref) Year ended March 31, 2004	83,969 (30.4)	5,923 (-33.0)	6,491 (-)

(Yen)

	Net income (loss) per share
Apr. 1 - Sept. 30, 2004	7,558.88
Apr. 1 - Sept. 30, 2003	(3,235.07)
(Ref) Year ended March 31, 2004	13,240.98

Notes:

- Average number of shares outstanding during the period:
 Apr. 1 - Sept. 30, 2004 490,240 shares
 Apr. 1 - Sept. 30, 2003 490,240 shares
 Year ended March 31, 2004 490,240 shares
- Changes in accounting policies: None
- Percentage figures for revenues, operating income and net income represent year-on-year changes.

(2) Dividend Payments

(Yen)

	Interim Dividend Per Share	Annual Dividend Per Share
Apr. 1 - Sept. 30, 2004	-	-
Apr. 1 - Sept. 30, 2003	-	-
(Ref) Year ended March 31, 2004	-	-

(3) Non-Consolidated Financial Position

(Millions of yen)

	Total assets	Shareholders' Equity	Shareholders' equity ratio	BPS
			%	(Yen)
September 30, 2004	107,505	31,545	29.3	64,346.55
September 30, 2003	100,191	18,562	18.5	37,862.70
March 31, 2004	113,368	29,949	26.4	61,092.11

Notes:

- Number of shares issued and outstanding as of:
 September 30, 2004:490,240 September 30, 2003:490,240 March 31, 2004: 490,240
- Number of shares of treasury stock as of:
 September 30, 2004: - September 30, 2003: - March 31, 2004: -

2. Forecast for Fiscal 2005 (April 1, 2004 – March 31, 2005)

(Millions of yen)

	Revenues	Net income
Year ending March 31, 2005	94,600	7,500

Reference: Projected net income per share for the year: ¥15,298.63

Forward-Looking Statements

The above forecasts are based on management's assumptions and beliefs in light of the information currently available, as of the date of this announcement, and involve risks and uncertainties. We caution investors that a number of factors could cause actual results to differ materially from forecasts. Please refer to Page 10 of this earnings report for an explanation of the assumptions and factors upon which the forecasts are based.

ITX Corporation
Non-Consolidated Balance Sheets

Assets	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	September 30, 2004	March 31, 2004	September 30, 2004
Current assets:				
Cash and cash equivalents	¥ 4,828	¥ 15,447	¥ 15,782	\$ 139,162
Trade notes and accounts receivable	5,813	7,545	4,319	67,973
Allowance for doubtful accounts	(14)	(158)	(171)	(1,423)
	5,799	7,387	4,148	66,550
Other current assets	1,631	5,814	2,361	52,378
Total current assets	12,258	28,648	22,291	258,090
Non-current assets:				
Property and equipment	122	119	115	1,072
Investment and other assets:				
Investment securities	3,991	3,534	1,145	31,838
Investment securities for business incubation	7,479	9,014	6,590	81,207
Investment securities – in affiliates	63,350	56,618	62,780	510,072
Investment securities for business incubation– in affiliates	10,382	7,255	18,131	65,360
Other non-current assets	2,609	2,317	2,316	20,874
	87,811	78,738	90,962	709,351
Total non-current assets	87,933	78,857	91,077	710,423
Total assets	¥ 100,191	¥ 107,505	¥ 113,368	\$ 968,513

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

Liabilities and shareholders' equity	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	September 30, 2004	March 31, 2004	September 30, 2004
Current liabilities:				
Accounts payable	¥ 5,463	¥ 7,321	¥ 4,094	\$ 65,955
Short-term borrowings	21,200	2,000	21,000	18,018
Current portion of long-term debt	7,663	11,593	10,153	104,441
Deposits	7,256	2,332	3,070	21,009
Other current liabilities	5,216	6,012	5,829	54,162
Total current liabilities	46,798	29,258	44,146	263,585
Non-current liabilities:				
Long-term debt	34,053	46,430	38,947	418,288
Deferred tax liabilities – non-current	546	-	63	-
Retirement allowance:				
Employees	220	255	248	2,297
Directors and corporate auditors	12	17	15	153
Total non-current liabilities	34,831	46,702	39,273	420,738
Shareholders' equity:				
Common stock	20,456	20,456	20,456	184,288
Additional paid-in capital	27,977	27,977	27,977	252,045
Accumulated losses	(31,503)	(19,721)	(23,426)	(177,667)
Net unrealized holding gain on available-for-sale securities	1,632	2,833	4,942	25,523
	18,562	31,545	29,949	284,189
Total liabilities and shareholders' equity	¥ 100,191	¥ 107,505	¥ 113,368	\$ 968,512

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Non-Consolidated Statements of Operations

	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sept. 30, 2003	Apr. 1, 2004 - Sept. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sept. 30, 2004
Revenues	¥ 34,934	¥ 54,441	¥ 83,969	\$ 490,460
Costs of revenues	33,659	54,127	74,838	487,630
Gross profit	1,275	314	9,131	2,830
Selling, general and administrative expenses	1,630	1,529	3,208	13,775
Operating income (loss)	(355)	(1,215)	5,923	(10,945)
Other income (expenses)	(1,245)	4,476	557	40,325
Income(loss) before income taxes	(1,600)	3,261	6,480	29,380
Income taxes:				
Current	(14)	(444)	(11)	(4,000)
Deferred	-	-	-	-
	(14)	(444)	(11)	(4,000)
Net income(loss)	¥ (1,586)	¥ 3,705	¥ 6,491	\$ 33,380

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Non-Consolidated Statements of Shareholders' Equity

	Millions of yen			Thousands of U.S. dollars
	Apr. 1, 2003 - Sept. 30, 2003	Apr. 1, 2004 - Sept. 30, 2004	Apr. 1, 2003 - Mar. 31, 2004	Apr. 1, 2004 - Sept. 30, 2004
Common stock:				
Beginning balance	¥ 20,456	¥ 20,456	¥ 20,456	\$ 184,288
Issuance of common stock	-	-	-	-
Ending balance	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>\$ 184,288</u>
Additional paid-in capital:				
Beginning balance	¥ 27,977	¥ 27,977	¥ 27,977	\$ 252,045
Issuance of treasury stock	-	-	-	-
Ending balance	<u>¥ 27,977</u>	<u>¥ 27,977</u>	<u>¥ 27,977</u>	<u>\$ 252,045</u>
Accumulated losses:				
Beginning balance	¥ (29,917)	¥ (23,426)	¥ (29,917)	\$ (211,045)
Net income(loss)	(1,586)	3,705	6,491	33,378
Ending balance	<u>¥ (31,503)</u>	<u>¥ (19,721)</u>	<u>¥ (23,426)</u>	<u>\$ (177,667)</u>
Net unrealized holding gain on available-for-sale securities:				
Beginning balance	¥ 366	¥ 4,942	¥ 366	\$ 44,523
Increase (decrease)	1,266	(2,109)	4,576	(19,000)
Ending balance	<u>¥ 1,632</u>	<u>¥ 2,833</u>	<u>¥ 4,942</u>	<u>\$ 25,523</u>

The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.

ITX Corporation
Notes to Non-Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTING
NON-CONSOLIDATED FINANCIAL
STATEMENTS**

ITX Corporation (the "Company") maintains its official accounting records 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 and practices generally accepted in Japan, which are different in certain aspects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

In preparing the accompanying financial statements, certain reclassifications have been made in the financial statements issued domestically.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at September 30, 2004, which was ¥111 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Securities

Available-for-sale securities with available fair market values stated at fair market value as of balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. If the fair value of these securities has declined significantly, such securities are written down to fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as an impairment loss unless the fair value is deemed to be recoverable. The company has established a policy for the recognition of an impairment loss if the total declines more than 50 % unless the fair value is deemed to be recoverable. The cost of securities sold is determined by the moving average method.

Securities with no available fair market value are stated at moving-average cost.

Trading securities, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets "Other current assets" and other securities are included in investments and other assets as "Investment securities". Investment securities for business incubation are recorded as "Investment securities for business incubation".

Inventories

Inventories, consisting mainly of commodities and materials held for resale, are stated at cost, principally on the first-in, first-out basis, except for items that are written down because net realizable values are substantially less than their original cost.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method for assets held by the Company, except buildings and structures acquired after March 31, 1998, which are depreciated by the straight-line method. The estimated useful lives for significant assets are as follows:

Buildings and structures:	8-50 years
Equipment:	3-20 years

Leases

Non-cancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance lease.

Software costs

The Company depreciated software using the straight-line method over the estimated useful lives (five years).

Stock issuance expenses

Stock issuance expenses are charged to income as incurred.

Impairment of long-lived assets

In August 2002, the Business Accounting Council issued "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets." The opinion set forth basic ideas about (a) assets subject to impairment consideration, (b) recognition and measurement of impairment loss, (c) accounting after recognition of impairment loss and (d) treatment of finance lease transactions. In October 2003, the Accounting Standards Board of Japan issued practical guidelines on the new accounting standard. The new accounting standard and practical guidelines will become effective for fiscal years beginning after March 31, 2005, while early adoption is permitted from the fiscal year ended March 31, 2004. The Company decided not to adopt the

new accounting standard and guidelines for the year ended March 31, 2005.

Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the current rate at period-end.

Severance and retirement benefits

The Company provided allowance for employees' severance and retirement benefits at the balance sheet date based on the estimated amounts of projected benefit obligation at that date. The company provided allowance for directors' and corporate auditors' severance and retirement benefits based on the Company's internal rules.

Income taxes

The provision for income taxes is computed based on the pretax income included in the statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Revenue and expenses

Proceeds from sales of securities for business incubation are charged to income as "Revenues --sales of investment securities for business incubation". Impairment loss and carrying value of those securities are charged to income as "Costs of revenues -- sales of investment securities for business incubation".

Derivative instruments

The Company uses certain derivative instruments including currency forward contracts, interest rate swap contracts, and stock-price swap contracts.

The Company enters into currency forward contracts and interest rate swap contracts to reduce their exposures to losses resulting from adverse fluctuations in foreign currency exchange rates on transactions denominated in foreign currencies or interest rate debts.

Further, the Company enters into stock-price swap contracts for speculation purposes. This contract is not qualified for hedge accounting.

Derivative financial instruments are stated at fair value, and the gains and losses are charged to income unless derivative financial instruments are qualified for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the recognition of gains or losses resulting from changes in fair values are deferred until the gains or losses on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted

from interest on the underlying assets or liabilities for which the swap contract was executed.

The Company is exposed to credit risk in the event of default by counterparties to the forward exchange agreements and the interest rate swap agreements, however, the Company does not anticipate such risk because the counterparties are major international financial institutions which have high credit ratings.

SECURITIES

The following tables summarize market values of investment in subsidiaries and affiliates as of September 30, 2003 and 2004 and as of March 31, 2004:

September 30, 2003		Millions of yen		
Description	Book value	Market value	Difference	
Investment in subsidiaries	¥ 9,628	¥ 14,855	¥ 5,227	
Investment in affiliates	354	6,901	6,547	
Total	¥ 9,982	¥ 21,756	¥ 11,774	

September 30, 2004		Millions of yen		
Description	Book value	Market value	Difference	
Investment in subsidiaries	¥ 870	¥ 991	¥ 121	
Investment in affiliates	-	-	-	
Total	¥ 870	¥ 991	¥ 121	

March 31, 2004		Millions of yen		
Description	Book value	Market value	Difference	
Investment in subsidiaries	¥ 870	¥ 1,145	¥ 275	
Investment in affiliates	7,275	9,488	2,213	
Total	¥ 8,145	¥ 10,633	¥ 2,488	

September 30, 2004		Thousands of U.S. dollars		
Description	Book value	Market value	Difference	
Investment in subsidiaries	\$ 7,838	\$ 8,928	\$ 1,090	
Investment in affiliates	-	-	-	
Total	\$ 7,838	\$ 8,928	\$ 1,090	

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=US\$1.