

May 9, 2005

## Consolidated Earnings Report for the Year Ended March 31, 2005

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  
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 Meeting of the Board of Directors for Approval of Results: May 9, 2005  
 Parent company: Olympus Corporation (Code: 7733)  
 Parent company voting right ratio: 67.60%

U.S. GAAPS Applied: No

1. Consolidated Results for the year ended March 31, 2005 (April 1, 2004 – March 31, 2005) -- Unaudited

(1) Consolidated Operating Results

	(Millions of yen)		
	Revenues	Operating income	Net income
Year ended March 31, 2005	349,699 (-15.1)%	7,158 (-9.9)%	602 (-5.2)%
Year ended March 31, 2004	411,988 (24.3)%	7,944 (125.5)%	635 ( - )%

	(Yen)	
	Net income per share	Net income per share (diluted)
Year ended March 31, 2005	1,151.74	956.28
Year ended March 31, 2004	1,264.53	1,049.94

Notes:

1. Equity in losses of affiliates:
 

Year ended March 31, 2005	¥ 4,275 million
Year ended March 31, 2004	¥ 864 million
2. Average number of shares outstanding during the period (consolidated):
 

Year ended March 31, 2005	490,240 shares
Year ended March 31, 2004	490,240 shares
3. Changes in accounting policies: No
4. 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
March 31, 2005	170,012	25,869	15.2 %	52,692.32 (Yen)
March 31, 2004	155,459	28,154	18.1	57,419.68

Note:

Number of shares issued and outstanding as of (consolidated):  
 March 31, 2005: 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
March 31, 2005	(738)	3,410	(6,441)	24,158
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: 45

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

Affiliates accounted for by the equity method: 12

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

Consolidated subsidiaries:

Increase: 18

Decrease: 6

Equity-method affiliates:

Increase: 1

Decrease: 9

2. Forecast for Fiscal 2006 (April 1, 2005 – March 31, 2006)

(Millions of yen)

	Revenues	Net income
Six-month period ending September 30, 2005	206,000	500
Year ending March 31, 2006	425,000	5,000

Reference: Projected net income per share for the year: ¥10,199.08

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 11 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, 46 subsidiaries and 12 affiliates of which 12 are accounted for 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  
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]

<b>ITX Corporation</b>
<b><u>Life Sciences</u></b> DIGITAL ARX CORPORATION GeneFrontier Corporation TmediX Coporation KS OLYMPUS CO., LTD AVS CO.,LTD And 2 affiliated companies
<b><u>Networking &amp; Technologies</u></b> ITX E-Globaledge Corporation Soliste Corporation TechMatrix Corporation AltaSens, Inc. And 14 other subsidiaries and 6 affiliated companies
<b><u>Mobile Communications</u></b> IT Telecom, Inc. Quattro Media Corporation And 1 other subsidiary and 2 affiliated companies
<b><u>Business Innovations</u></b> Atlux Corporation IPX Corporation Nippon Outsourcing Corporation And 13 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.
5. Soliste Corporation and TechMatrix Corporation are listed on the JASDAQ Securities Exchange.

## 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 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 interim, to suspend payment of the year-end dividends. Going forward, ITX will continue working toward its goal of realizing a rapid recovery in retained earnings through stronger operating performances.

### 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. Medium- and Long-term Strategy

In May 2004, ITX announced its Corporate Strategic Plan (medium-term management plan).

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

The year under review was the first year of the Corporate Strategic Plan (medium-term management plan), which covers the period ending March 31, 2007. Based on this plan, ITX actively invested in new businesses, realigned its business portfolio and fostered existing businesses. Specific steps included the following:

- ① In Life Sciences, ITX acquired Olympus AVS Co., Ltd. (now AVS Co., Ltd.) and KS Olympus Co., Ltd. The medical device sales operations of ITX Corporation were transferred to AVS.
- ② In Networking & Technologies, TechMatrix, an ITX subsidiary providing cutting-edge software, hardware and solutions in the IT field and other services, listed on the JASDAQ market.
- ③ In Mobile Communications, ITX integrated related businesses not involved in mobile phone sales, culminating in the start of operations at a new company, Quattro Media Corporation, on October 1, 2004.
- ④ In Business Innovations, ITX acquired OLYMPUS SOGO SERVICE Co., Ltd. and merged it with two personnel service subsidiaries. The resulting company, Nippon Outsourcing Corporation, began operations on November 1, 2004.

## 5. Management Issues

### (1) Strengthening business incubation and enhancing the efficiency of Group management

The central thrust of the Corporate Strategic Plan is to reinforce consolidated business operations (revenues generated by equipment sales and services). ITX is already focusing on improving the profitability of core Group companies in consolidated business operations and fostering other Group companies at the start-up, early- and mid-growth stages. These companies will either be key drivers of consolidated earnings or have the potential to create specialized new markets that bring about a transformation in society, and then continue to lead the development of these markets. By increasing the enterprise value of all these companies, ITX is aiming to boost the value of the entire Group.

In addition to channeling resources into fields that offer potential for further growth, ITX will also continue to aggressively push forward the realignment of Group companies as it seeks to realize efficient Group management and generate maximum synergies among companies in each of the four business segments.

### (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

Recruiting talented managers and fostering people with the skills to create and incubate new businesses, is the key to ensuring success in business incubation projects.

In order to secure talented personnel, ITX is promoting personnel exchanges with Olympus Corporation, recruiting new employees, encouraging inter-company assignments within the Group, and taking a range of other steps. As part of this approach, ITX aims to use friendly competition among its employees to help them increase their skills together. Furthermore, ITX has completely abolished seniority-based promotions and salary increases in its personnel evaluation and remuneration system. Remuneration is now based on each individual's level of business incubation skills and their ability to translate those skills into results. With this system, ITX is working to cultivate personnel with even stronger specialist skill sets and to attract talented people from outside the Group.

## 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 when 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 certificated public accountants that conducted financial statements audits are Koji Kakinuma and Naoshi Yamaguchi of KPMG AZSA & Co. The number of assistants who worked in the financial statement audit for current fiscal year were 19 certified public accountants and 23 others.
- ⑥ 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.

**(4) Director and Auditor Remuneration**

① Director and auditor remuneration

Remuneration paid to internal directors: ¥ 71 million

Remuneration paid to outside directors: ¥ 1 million

Remuneration paid to full-time auditors: ¥ 12 million

Remuneration paid to outside auditors: ¥ 1 million

Total: ¥86 million

② Fees to independent auditors

Fees for services pursuant to article 2-1 of the Certified Public Accountant Law of Japan: ¥74 million

Fees for other services: ¥7 million

Total: ¥81 million

**7. Details of Parent Company**

**(1) Parent company name and data**

Company name	Relationship to ITX	Parent company voting right ratio (%)*	Parent company stock listing
Olympus Corporation	Parent company	67.60 (5.81)	First Section, Tokyo Stock Exchange First Section, Osaka Securities Exchange

\*The figure in parenthesis represents the parent company's indirect voting right ratio

**(2) ITX's position in the Olympus Group and its relationship with the parent company and its subsidiaries**

ITX has been positioned together with Olympus Imaging Corp. and Olympus Medical Systems Corp. as engines for new business creation in all the Olympus Group's business fields. Currently, one Olympus director and one other Olympus employee sit on the ITX board as outside directors, while many other Olympus employees have been seconded to or hold concurrent positions at ITX. However, it is important that ITX maintains its autonomy and continues its unique business approach in order to fulfill its role as an engine for new business creation. Consequently, ITX's independence as a publicly listed company has been secured. ITX became an Olympus subsidiary following the purchase of additional shares in ITX by Olympus in September 2004. Subsequently, ITX acquired Olympus AVS Co., Ltd. (now AVS Co., Ltd.), KS Olympus Co., Ltd. and OLYMPUS SOGO SERVICE Co., Ltd. from Olympus during the year under review. ITX is now merging these companies with other subsidiaries to generate synergies and boost management efficiency with the aim of increasing enterprise value.

Going forward, ITX plans to more aggressively create and develop new businesses by organically combining its strengths with those of Olympus. Olympus has cutting-edge technological expertise, global marketing capabilities and brand recognition, and ITX boasts strengths in creating and developing new businesses and specialist knowledge in the networking and life sciences fields. ITX and Olympus have already worked together to develop new and unique service businesses in next-generation semiconductors and the healthcare industry. Looking ahead, both companies are determined to develop and grow new solutions businesses in fields such as medical information systems, regenerative medicine and digital cameras, as well as businesses in fields that are new to Olympus such as ubiquitous networking and environment-related businesses. ITX will also pursue the possibility of dynamic joint ventures and other projects with Olympus and other strategic partners.

## Results of Operations and Financial Review

### 1. Results

#### Overview

During the year ended March 31, 2005, although there were signs of a pause in Japan's economic recovery after the summer due to factors such as slackening exports caused by a slowdown in the U.S., the economy remained on a moderate recovery track overall. This was supported by stronger corporate earnings as the benefits of past restructuring efforts emerged, and more robust domestic stock markets on the back of an increase in new listings and higher prices for public offerings and share sales. In the IT industry, the ITX Group's main area of operations, demands from customers for greater cost effectiveness and further cost savings are rising. However, there are signs of recovery in IT spending by companies that had delayed investments.

#### Results

Against this backdrop, ITX Group has actively undertaken investment and business incubation activities. In particular, in Life Sciences, the Group acquired Olympus AVS Co., Ltd. (now AVS Co., Ltd.), a retailer of endoscope peripherals, veterinary endoscopes and other products, and KS Olympus Co., Ltd, a retailer of optical medical equipment and devices such as endoscopes and microscopes. In Mobile Communications, the Group combined its mobile service-related businesses, excluding mobile phone retailing operations, into a newly established company, Quattro Media Corporation. In Business Innovations the Group acquired OLYMPUS SOGO SERVICE Co., Ltd., which had been providing outsourcing services to the Olympus Group. This company was then integrated with two other ITX subsidiaries involved in human resources-related services to create a new company, Nippon Outsourcing Corporation. Through these acquisitions and moves to integrate and realign its business portfolio, ITX is aiming to boost the value of the Group as a whole by generating greater synergies and increasing management efficiency. In parallel with these steps, ITX is actively channeling and shifting management resources to targeted business areas, notably through the sale of shares in NISSHO ELECTRONICS CORPORATION in the Networking & Technologies business segment. Moreover, the Group is striving to strengthen its medical business by teaming up with Olympus, its strategic partner and parent company, to both restructure business operations and establish Tmedix Corporation. This company is developing and offering medical institutions support services for the introduction of endoscopes. These support services include consulting services and value per procedure (VPP) programs designed to optimize the processes, environment and costs related to medical practice. Finally, in a notable achievement for the Group's business incubation activities, subsidiary TechMatrix, a provider of state-of-the-art IT-related software, hardware and solutions, listed on the JASDAQ market during the year under review.

Despite steady growth in non-consolidated revenues from equipment sales and services at ITX Corporation, consolidated revenues for the year were down 15.1% to ¥349,699 million. This was attributable to the exclusion of NISSHO ELECTRONICS from the scope of consolidation and other factors. The main contributors to revenues were ITX Corporation, with ¥105,931 million; major consolidated subsidiaries IT Telecom Inc., ¥177,904 million (consolidated revenues); KS Olympus, ¥16,098 million, and ITX E-Globaledge Corporation, ¥12,233 million (consolidated revenues).

Revenues by business segment were as follows (figures in parentheses indicate share of consolidated revenues): ¥24,888 million (7.1%) in Life Sciences; ¥133,681 million (38.2%) in Networking & Technologies; ¥178,786 million (51.1%) in Mobile Communications; and ¥12,344 million (3.6%) in Business Innovations.

Consolidated gross profit decreased 29.7% year on year, to ¥39,160 million, as a result of lower sales of mobile phones in equipment sales and services, and the exclusion of NISSHO ELECTRONICS from the scope of consolidation. Selling, general and administrative (SG&A) expenses improved ¥15,736 million year on year to ¥32,002 million. This figure mainly comprised personnel expenses of ¥12,455 million and non-personnel expenses of ¥19,547 million (including ¥2,137 million for amortization of goodwill on consolidation). Operating income decreased 9.9%, or ¥786 million, to ¥7,158 million.

After accounting for other income and other expenses, income before income taxes decreased ¥3,181 million to ¥2,220 million. Net income decreased ¥33 million to ¥602 million.

**Operating Results by Business Segment**

The ITX Group comprises 59 companies as of March 31, 2005: ITX Corporation, 46 subsidiaries and 12 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 sales of equipment and provision of services) on a consolidated basis for the year ended March 31, 2005.

Segment	Apr. 1, 2003- Mar. 31, 2004	Apr. 1, 2004- Mar. 31, 2005
(Millions of yen)		
<b>Life Sciences</b>		
Revenues	1,141	24,888
Sales of investment securities for business incubation	-	932
Equipment sales and services	1,141	23,956
Gross Profit	289	4,280
Sales of investment securities for business incubation	(186)	794
Equipment sales and services	475	3,486
Selling, general and administrative expenses	948	3,665
Operating income	(659)	615
Sales of investment securities for business incubation	(411)	587
Equipment sales and services	(248)	28
<b>Networking &amp; Technologies</b>		
Revenues	195,193	133,681
Sales of investment securities for business incubation	13,333	12,364
Equipment sales and services	181,860	121,317
Gross Profit	29,893	13,736
Sales of investment securities for business incubation	8,629	7,505
Equipment sales and services	21,264	6,231
Selling, general and administrative expenses	22,678	6,681
Operating income	7,215	7,055
Sales of investment securities for business incubation	7,998	6,949
Equipment sales and services	(783)	106
<b>Mobile Communications</b>		
Revenues	209,632	178,786
Sales of investment securities for business incubation	1,083	-
Equipment sales and services	208,549	178,786
Gross Profit	24,076	18,630
Sales of investment securities for business incubation	857	(5)
Equipment sales and services	23,219	18,635
Selling, general and administrative expenses	21,176	18,235
Operating income	2,900	395
Sales of investment securities for business incubation	801	(29)
Equipment sales and services	2,099	424
<b>Business Innovations</b>		
Revenues	6,623	12,344
Sales of investment securities for business incubation	301	780
Equipment sales and services	6,322	11,564
Gross Profit	1,505	2,514
Sales of investment securities for business incubation	142	300
Equipment sales and services	1,363	2,214
Selling, general and administrative expenses	1,878	2,200
Operating income	(373)	314
Sales of investment securities for business incubation	19	163
Equipment sales and services	(392)	151

Segment	Apr. 1, 2003- Mar. 31, 2004	Apr. 1, 2004- Mar. 31, 2005
<b>Elimination and Corporate</b>		
Revenues	(601)	-
Sales of investment securities for business incubation	-	-
Equipment sales and services	(601)	-
Gross Profit	(80)	-
Sales of investment securities for business incubation	-	-
Equipment sales and services	(80)	-
Selling, general and administrative expenses	1,059	1,221
Operating income	(1,139)	(1,221)
Sales of investment securities for business incubation	(569)	(610)
Equipment sales and services	(570)	(611)
<b>Consolidated</b>		
Revenues	411,988	349,699
Sales of investment securities for business incubation	14,717	14,076
Equipment sales and services	397,271	335,623
Gross Profit	55,683	39,160
Sales of investment securities for business incubation	9,442	8,594
Equipment sales and services	46,241	30,566
Selling, general and administrative expenses	47,739	32,002
Operating income	7,944	7,158
Sales of investment securities for business incubation	7,838	7,060
Equipment sales and services	106	98

Notes:

- (1) 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.
- (2) Due to a change in the fiscal year-end at IT Telecom, Inc., from December 31 to March 31, 15 months of results for this company, from January 1, 2003, to March 31, 2004, have been included in Mobile Communications.

**[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 results for the mobile communications segment include the operating results of IT Telecom for the period April 2004 to March 2005, while fiscal 2004 results for the segment included the operating results of IT Telecom for the period January 2003 to March 2004. Fiscal 2004 results for the mobile communications segment are shown in the table below if the accounting period from the period April 2003 to March 2004 is used.

Mobile Communications	Fiscal 2004
Revenues	166,061
Gross Profit	19,123
Operating income	1,681

### **Forecasts for Fiscal 2006 (ending March 31, 2006)**

For the next fiscal year, ITX is forecasting net income of ¥5.0 billion on consolidated net revenues of ¥425.0 billion. These forecasts, which represent increases of approximately ¥3.8 billion, ¥4.4 billion and ¥75.3 billion, respectively, are based on the following main factors:

- Growth at major subsidiaries: KS Olympus and other companies in Life Sciences; IT Telecom, Inc. and other companies in Mobile Communications; ITX E-Globaledge Corporation and other companies in Networking & Technologies.
- Capital gains from the sale of investment securities for business incubation by ITX Corporation and subsidiary ITX International Equity Corporation.

## **2. Financial Position**

### **(1) Financial position and cash flows**

#### ① Changes in total assets, liabilities and shareholders' equity

As of March 31, 2005, total assets stood at ¥170,012 million, an increase of ¥14,553 million compared to prior year. This increase primarily reflected the consolidation of KS Olympus, Cable Networks Akita Co., Ltd., Kita Cable Network, Inc. and other companies.

At the fiscal year-end, interest-bearing debt totaled ¥84,624 million, a decline of ¥1,074 million compared to end of prior year. This was mainly attributable to an increase of approximately ¥6,700 million due to the consolidation of subsidiaries, outweighed by a drop of around ¥7,400 million at ITX Corporation.

Shareholders' equity totaled ¥25,869 million, decrease ¥2,285 million compared to the end of prior year. As a result, the shareholders' equity ratio declined from 18.1% to 15.2%.

#### ② Cash flows

Cash and cash equivalents at the end of the year stood at ¥24,158 million, ¥2,599 million less than the ¥26,757 million at the end of the previous year.

#### (Cash flows from operating activities)

Net cash used in operating activities is ¥738 million. This was primarily attributable to cash generated by the sales of investment securities for business incubation (partial sale of shares in U's Communications Corp. and others) and equipment sales and services at IT Telecom and other companies, outweighed by cash used for the acquisition of investment securities for business incubation, payment of income taxes and other factors.

#### (Cash flows from investing activities)

Net cash provided by investing is ¥3,410 million. This was chiefly due to cash used for the acquisition of investment securities (Usen Corporation and others), outweighed by proceeds from the sale of shares in NISSHO ELECTRONICS CORPORATION and other factors.

#### (Cash flows from financing activities)

Net cash used in financing activities is ¥6,441 million. This mainly reflected proceeds from new long-term debt, outweighed by factors such as repayments on maturity of short-term borrowings and long-term debt.

### **(2) Forecasts for Fiscal 2006 (ending March 31, 2006)**

#### (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 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.

## 2. Business Risk

The following is a list of major business risk factors which ITX views as associated with its operations. In addition, ITX also actively discloses other information which may not necessarily be business risks, but may impact one's investment decisions. 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 the Company's investment and incubation activities which are 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 investees' operations on ITX's financial results on a consolidated basis.  
The financial results of an investee may have an impact on ITX's financial results on a consolidated basis, leading to a significant fluctuation in its operating results
5. Capital gains from investments  
The Company may not be able to sell its investments at an expected share price or at a favorable time. This will prevent the Company from securing capital gains as initially projected.
6. Listed investee share price  
The stock price fluctuations in investees after going public or in ITX's investments in publicly traded securities may impact ITX's financial position and its consolidated financial results.
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 in target business fields

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 introduction of competitive 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 new services scheduled for future launch may not proceed as scheduled
6. Collection of Receivable  
The inability to collect receivables 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
  - The procurement of additional funds may lead to a deterioration in the Company's debt equity ratio
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

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. Conversion of convertible bonds with stock acquisition rights

The conversion into shares of ¥10 billion in convertible bonds with stock acquisition rights may result in the dilution of ITX stock

2. Information security

ITX and its subsidiaries have put in place information security measures in line with the ITX Group Basic Information Security Policy. However, the loss of public trust in the Company in the event of the leak of personal information for some reason could have an impact on the operating results of ITX

**ITX Corporation**  
**Consolidated Balance Sheets**  
As of March 31, 2005 and 2004

Assets	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Current assets:</b>			
Cash and cash equivalents	¥ 24,158	¥ 26,757	\$ 225,776
Trade notes and accounts receivable	49,958	30,808	466,897
Allowance for doubtful accounts	(146)	(302)	(1,364)
	49,812	30,506	465,533
Marketable securities	1,200	-	11,215
Inventories	13,793	10,353	128,907
Deferred tax assets	215	60	2,009
Other current assets	10,117	4,977	94,551
Total current assets	99,295	72,653	927,991
<b>Non-current assets:</b>			
Property and equipment			
Land	1,208	315	11,290
Building and structure	8,624	2,445	80,598
Machinery and transportation equipment	1,210	205	11,308
Furniture and fixtures	2,720	2,088	25,421
Accumulated depreciation	(5,835)	(2,332)	(54,533)
	7,927	2,721	74,084
<b>Investment and other assets:</b>			
Investment securities	7,975	15,486	74,533
Investment securities for business incubation	11,676	22,524	109,121
Long-term loan receivable	254	516	2,374
Deferred tax assets - non-current	214	-	2,000
Goodwill	33,751	34,244	315,430
Intangible assets	2,940	681	27,477
Other non-current assets	5,980	6,634	55,888
	62,790	80,085	586,823
Total non-current assets	70,717	82,806	660,907
Total assets	¥ 170,012	¥ 155,459	\$ 1,588,898

*The accompanying notes to Consolidated Financial Statements are an integral part of these statements.*

<b>Liabilities and shareholders' equity</b>	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Current liabilities:</b>			
Trade notes and accounts payable	¥ 41,008	¥ 25,157	\$ 383,253
Short-term borrowings	15,299	31,372	142,981
Current portion of long-term debt	12,979	11,144	121,299
Accrued income taxes	559	1,077	5,224
Other current liabilities	11,073	11,518	103,486
Total current liabilities	<u>80,918</u>	<u>80,268</u>	<u>756,243</u>
<b>Non-current liabilities:</b>			
Long-term debt	56,346	43,184	526,598
Deferred tax liabilities - non-current	395	50	3,692
Retirement allowance:			
Employees	1,413	1,034	13,206
Directors and corporate auditors	158	62	1,477
Allowance for losses on guarantees of liabilities	225	-	2,103
Other non-current liabilities	223	162	2,084
Total non-current liabilities	<u>58,760</u>	<u>44,492</u>	<u>549,160</u>
<b>Minority interest</b>	<b>4,465</b>	<b>2,545</b>	<b>41,729</b>
<b>Shareholders' equity:</b>			
Common stock	20,456	20,456	191,178
Additional paid-in capital	27,968	27,968	261,383
Accumulated losses	(22,715)	(24,533)	(212,290)
Revaluation reserve for land	(135)	(144)	(1,262)
Net unrealized holding gain on available-for-sale securities	1,040	5,062	9,720
Foreign currency translation adjustments	(745)	(655)	(6,963)
Total shareholders' equity	<u>25,869</u>	<u>28,154</u>	<u>241,766</u>
Total liabilities and shareholders' equity	<u>¥ 170,012</u>	<u>¥ 155,459</u>	<u>\$ 1,588,898</u>

*The accompanying notes to Consolidated Financial Statements are an integral part of these statements.*

**ITX Corporation**  
**Consolidated Statements of Income**  
For the year ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Revenues:</b>			
Equipment sales and services	¥ 335,623	¥ 397,271	\$ 3,136,664
Sales of investment securities for business incubation	14,076	14,717	131,551
	<u>349,699</u>	<u>411,988</u>	<u>3,268,215</u>
<b>Costs of revenues:</b>			
Equipment sales and services	305,057	351,031	2,851,000
Sales of investment securities for business incubation	5,482	5,274	51,234
	<u>310,539</u>	<u>356,305</u>	<u>2,902,234</u>
<b>Gross profit</b>	<b>39,160</b>	<b>55,683</b>	<b>365,981</b>
<b>Selling, general and administrative expenses</b>	<b>32,002</b>	<b>47,739</b>	<b>299,084</b>
<b>Operating income</b>	<b>7,158</b>	<b>7,944</b>	<b>66,897</b>
<b>Other income (expenses):</b>			
Interest and dividend income	186	158	1,738
Interest expense	(1,451)	(1,581)	(13,561)
Amortization of start-up costs	-	(607)	-
Foreign exchange gain (loss), net	(23)	181	(215)
Impairment loss on investment securities	(70)	(575)	(654)
Gain on sales of investment securities, net	265	3,606	2,477
Gain (loss) on sales of investment securities in subsidiaries and affiliates	1,601	(537)	14,963
Impairment loss on goodwill	-	(362)	-
Equity in losses of unconsolidated subsidiaries and affiliates	(4,275)	(864)	(39,953)
Gain (loss) on swap transaction	(1,001)	688	(9,355)
Provision of allowance for doubtful accounts	511	(2,676)	4,776
Gain on deemed sales due to changes in equity	284	498	2,654
Provision of allowance for losses on guarantees of liabilities	(225)	-	(2,103)
Other, net	(740)	(472)	(6,916)
<b>Income before income taxes</b>	<b>2,220</b>	<b>5,401</b>	<b>20,748</b>
<b>Income taxes:</b>			
Current	1,429	3,052	13,355
Deferred	50	8,169	467
	<u>1,479</u>	<u>11,221</u>	<u>13,822</u>
<b>Minority interest</b>	<b>(139)</b>	<b>6,455</b>	<b>(1,300)</b>
<b>Net income</b>	<b>¥ 602</b>	<b>¥ 635</b>	<b>\$ 5,626</b>

*The accompanying notes to Consolidated Financial Statements are an integral part of these statements.*

**ITX Corporation**  
**Consolidated Statements of Shareholders' Equity**  
For the year ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Common stock:</b>			
Beginning balance	¥ 20,456	¥ 20,456	\$ 191,178
Issuance of common stock	-	-	-
Ending balance	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>\$ 191,178</u>
<b>Additional paid-in capital:</b>			
Beginning balance	¥ 27,968	¥ 27,968	\$ 261,383
Issuance of common stock	-	-	-
Ending balance	<u>¥ 27,968</u>	<u>¥ 27,968</u>	<u>\$ 261,383</u>
<b>Accumulated losses:</b>			
Beginning balance	¥ (24,533)	¥ (24,305)	\$ (229,280)
Net income	602	635	5,626
Bonuses paid to directors and corporate auditors	(6)	(34)	(56)
Effect of change in scope of consolidation	1,222	(829)	11,420
Ending balance	<u>¥ (22,715)</u>	<u>¥ (24,533)</u>	<u>\$ (212,290)</u>
<b>Revaluation reserve for land:</b>			
Beginning balance	¥ (144)	¥ (113)	\$ (1,346)
Increase (decrease)	9	(31)	84
Ending balance	<u>¥ (135)</u>	<u>¥ (144)</u>	<u>\$ (1,262)</u>
<b>Net unrealized holding gain (loss) on available-for-sale securities:</b>			
Beginning balance	¥ 5,062	¥ (115)	\$ 47,309
Increase (decrease)	(4,022)	5,177	(37,589)
Ending balance	<u>¥ 1,040</u>	<u>¥ 5,062</u>	<u>\$ 9,720</u>
<b>Foreign currency translation adjustment:</b>			
Beginning balance	¥ (655)	¥ (107)	\$ (6,122)
Adjustments from translation of foreign currency financial statements	(90)	(548)	(841)
Ending balance	<u>¥ (745)</u>	<u>¥ (655)</u>	<u>\$ (6,963)</u>

*The accompanying notes to Consolidated Financial Statements are an integral part of these statements.*

**ITX Corporation**  
**Consolidated Statements of Cash Flows**  
For the year ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 2,220	¥ 5,401	\$ 20,748
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation	1,621	2,991	15,150
Amortization of goodwill	2,183	2,203	20,402
Increase (decrease) in allowance for doubtful accounts	(505)	2,470	(4,720)
Increase (decrease) in retirement allowance:			
Employees	133	467	1,243
Directors and corporate auditors	10	(37)	93
Interest and dividend income	(186)	(158)	(1,738)
Interest expense	1,451	1,581	13,561
Equity in losses of unconsolidated subsidiaries and affiliates	4,275	864	39,953
Amortization of start-up cost	-	607	-
Gain on sales of investment securities	(270)	(3,606)	(2,523)
Gain on deemed sales due to changes in equity	(284)	(498)	(2,654)
Loss on sales of investment securities	5	-	47
Impairment loss on investment securities	70	575	654
Impairment loss on goodwill	-	362	-
Gain on sales of investment securities in subsidiaries and affiliates	(1,602)	-	(14,972)
Increase in investment securities for business incubation	(1,355)	(8,999)	(12,664)
Decrease (increase) in trade receivables	(6,266)	3,602	(58,561)
Decrease (increase) in inventories	(3,052)	2,548	(28,523)
Increase (decrease) in trade payables	7,240	(299)	67,664
Decrease (increase) in other assets	311	(3,812)	2,907
Increase (decrease) in other liabilities	(1,742)	(2,526)	(16,280)
Payment of directors' and corporate auditors' bonuses	(8)	(35)	(75)
Other, net	(1,596)	1,437	(14,918)
Sub-total	<u>2,653</u>	<u>5,138</u>	<u>24,794</u>
Receipt of interest and dividends	154	218	1,439
Payment of interest	(1,348)	(1,569)	(12,598)
Refund of income taxes	307	2,200	2,869
Payment of income taxes	<u>(2,504)</u>	<u>(2,907)</u>	<u>(23,401)</u>
Net cash provided(used) by operating activities	<u>(738)</u>	<u>3,080</u>	<u>(6,897)</u>
<b>Cash flows from investment activities:</b>			
Acquisition of marketable securities	(1,200)	-	(11,215)
Repayment of marketable securities	-	320	-
Acquisition of property and equipment	(1,017)	(1,895)	(9,505)
Proceeds from sales of tangible fixed assets	10	44	93
Acquisition of intangible fixed assets	(1,081)	(1,342)	(10,103)
Proceeds from sales of intangible assets	-	1	-
Acquisition of investment securities	(4,014)	(736)	(37,514)
Proceeds from sales of investment securities	533	5,769	4,981
Proceeds from sales of investment securities in subsidiaries and affiliates	13,034	-	121,813
Net decrease from acquisition of investments in subsidiaries related to change in scope of consolidation	(1,270)	-	(11,869)
Net decrease due to sales of investments in subsidiaries related to change in scope of consolidation	(131)	(13,074)	(1,224)
Acquisition of investments in subsidiaries	(49)	-	(458)
Loans made	(123)	(850)	(1,150)
Collection of loans	280	820	2,618
Acquisition of other investments	(1,662)	(397)	(15,533)
Proceeds from sales of other investments	100	253	935
Net cash provided(used) in investment activities	<u>3,410</u>	<u>(11,087)</u>	<u>31,869</u>

(to be continued)

(Continued)	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(19,517)	(7,998)	(182,402)
Proceeds from long-term debt	23,781	13,855	222,252
Repayment of long-term debt	(11,994)	(9,147)	(112,093)
Proceeds from issuance of convertible bonds	300	-	2,804
Proceeds from issuance of common stock to minority shareholders	989	1,327	9,243
Dividends paid to minority shareholders	-	(246)	-
Net cash used by financing activities	<u>(6,441)</u>	<u>(2,209)</u>	<u>(60,196)</u>
Effect of exchange rate change on cash and cash equivalents	103	(398)	962
Net decrease in cash and cash equivalents	<u>(3,666)</u>	<u>(10,614)</u>	<u>(34,262)</u>
Cash and cash equivalents at beginning of year	26,757	37,716	250,065
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	1,067	76	9,973
Decrease in cash and cash equivalents due to decrease in consolidated subsidiaries	-	(421)	-
Cash and cash equivalents at end of year	<u>¥ 24,158</u>	<u>¥ 26,757</u>	<u>225,776</u>

*The accompanying notes to Consolidated Financial Statements are an integral part of these statements.*

**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 March 31, 2005, which was ¥107 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 45 (33 in 2004) significant subsidiaries ("the Companies"), over which the Company has power to control though 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 (12 in 2005 and 20 in 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.

### 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 year-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".

## Allowance for losses on guarantees of liabilities

Allowance for losses on guarantees of liabilities is stated in amounts considered to be appropriate based on an evaluation of the financial position of guarantees.

## 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. Effective April 1, 2004, income taxes are calculated based on the system of consolidated tax returns.

## 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.

## 2. CHANGE IN PRESENTATION

(Consolidated Balance Sheets)

Effective from the fiscal year ended March 31, 2005, the Company has changed the presentation of investments in limited liability investment partnerships and similar partnerships from “investments” to “investment securities.” This change follows promulgation of the Law to Partially Amend the Securities and Exchange Law (Law No. 97) on June 9, 2004 and its application from December 1, 2004, as well as amendments on February 15, 2005 to the Practical Guidelines Concerning Accounting for Financial Instruments (The Japanese Institute of Certified Public Accountants, Accounting Committee Report No. 14).

As of March 31, 2005, such investments included in “Investment securities” were ¥1,560 million, while in the prior year, these investments included in “Other non-current assets” under investments and other assets were ¥1,223 million.

(Consolidated Statements of Cash Flows)

Effective from the fiscal year ended March 31, 2005, the Company has changed the presentation of the acquisition of investments in limited liability investment partnerships and similar partnerships from “acquisition of other investments” to “acquisition of investment securities,” and proceeds from these investments from “proceeds from sale of other investments” to “proceeds from sales of investment securities.” This change follows promulgation of the Law to Partially Amend the Securities and Exchange Law (Law No. 97) on June 9, 2004 and its application from December 1, 2004, as well as amendments on February 15, 2005 to the Practical Guidelines Concerning Accounting for Financial Instruments (The Japanese Institute of Certified Public Accountants, Accounting Committee Report No. 14).

In the year ended March 31, 2005, the acquisition of such investments included in “Acquisition of investment securities” used cash of ¥414 million, while proceeds from these investments included in “Proceeds from sales of investment securities” were ¥77 million.

## 3. SECURITIES

The following tables summarize acquisition cost and book values of securities with available fair values as of March 31, 2005 and 2004:

Type	Millions of yen						
	2005			2004			Difference
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	
Current:							
Debt securities	¥ 1,200	¥ 1,200	¥ -	¥ -	¥ -	¥ -	¥ -
Non-current:							
Equity securities	¥ 5,011	¥ 6,081	¥ 1,070	¥ 852	¥ 5,980	¥ 5,128	¥ 5,128
Debt securities	10	10	0	-	-	-	-
Others	129	112	(17)	222	215	(7)	(7)
	5,150	6,203	1,053	1,074	6,195	5,121	5,121
Total	¥ 6,350	¥ 7,403	¥ 1,053	¥ 1,074	¥ 6,195	¥ 5,121	¥ 5,121

Type	Thousands of U.S. dollars		
	2005		
	Acquisition cost	Book value	Difference
Current:			
Debt securities	\$ 11,215	\$ 11,215	\$ -
Non-current:			
Equity securities	\$ 46,831	\$ 56,835	\$ 10,004
Debt securities	93	93	0
Others	1,206	1,051	(155)
	48,130	57,979	9,849
Total	\$ 59,345	\$ 69,194	\$ 9,849

The proceeds and gross realized gains (losses) on the sales of available-for-sale securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Proceeds	¥ 6,538	¥ 13,723
Gross realized gains	5,432	4,922	50,766
Gross realized losses	13	22	121

The following tables summarize book values of securities with no available fair value as of March 31, 2005 and 2004:

Available-for-sale securities	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
	2005	2004	2005
Non-current:			
Non-listed equity securities	¥ 7,887	¥ 3,211	\$ 73,710
Investments in limited liability investment partnerships and similar partnerships	1,560	-	14,579
Non-listed other securities	194	67	1,813
Total	¥ 9,641	¥ 3,278	\$ 90,102

The following tables summarize book value of investment in affiliates as of March 31, 2005 and 2004:

Investment in affiliates	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
	2005	2004	2005
Investment securities	¥ 87	¥ 13,495	\$ 813
Investment securities for business incubation	3,719	15,042	34,757
Total	¥ 3,806	¥ 28,537	\$ 35,570

#### 4. DERIVATIVES

The following tables summarize market value information of derivative transactions for which hedge accounting has not been applied as of March 31, 2005 and 2004.

March 31, 2005	Millions of yen			
	Contracted amount	Over one year	Market value	Recognized losses
Stock-price swap contract	¥ 6,490	¥ 3,805	¥ (3,124)	¥ (3,124)

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

March 31, 2005	Thousands of U.S. dollars			
	Contracted amount	Over one year	Market value	Recognized losses
Stock-price swap contract	\$ 60,655	\$ 35,557	\$ (29,196)	\$ (29,196)

#### 5. SEGMENT INFORMATION

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

(1) Life Sciences

Medical Businesses: Sale of advanced medical devices that incorporate U.S. and European technologies, low/non-invasive medical devices designed to reduce the burden on patients and other products, and provision of bioinformatics solutions 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

(2) Networking & Technologies

Network Solutions: Provision of system integration services, sales of network infrastructure systems, and provision of security solutions  
 Broadband Services: Development of broadband businesses that utilize fiber-optic networks, operation of interactive services and other businesses  
 Internet Services: Provision of a range of Internet services such as EC account settlement and CRM  
 Next-generation Semiconductors and Electronic Devices: Design, development and sales of next-generation imaging devices, and sales of semiconductor-related equipment and electronic devices

(3) Mobile Communications

Mobile Terminals, Solutions & Content: Distribution of mobile terminals, and provision of mobile solutions and mobile content services

(4) Business Innovations

CVC (Corporate Venture Capital): Investment in business ventures  
 Human Capital Management: Provision of human resource services (new graduate recruiting, dispatch of new graduates as temporary staff, etc.) and personnel-related outsourcing services  
 Intellectual Property: Operation of businesses offering patent analysis and patent and technology licensing services  
 Business Restructuring: Investment and financial support for business regeneration

The business segment information of the Companies for the year ended March 31, 2005 is as follows:

**Business Segments**

Year ended March 31, 2005	Millions of yen					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	¥ 24,888	¥133,681	¥178,786	¥12,344	¥ -	¥349,699
Intersegment sales	-	-	-	-	-	-
Total	24,888	133,681	178,786	12,344	-	349,699
Operating expenses	24,273	126,626	178,391	12,030	1,221	342,541
Operating income	¥ 615	¥ 7,055	¥ 395	¥ 314	¥(1,221)	¥ 7,158

Year ended March 31, 2005	Thousands of U.S. dollars					Consolidated
	LS	NW & T	MC	BI	Elimination and Corporate	
Net sales						
Sales to third parties	\$ 232,598	\$1,249,355	\$1,670,897	\$115,365	\$ -	\$3,268,215
Intersegment sales	-	-	-	-	-	-
Total	232,598	1,858,981	1,670,897	115,365	-	3,268,215
Operating expenses	226,850	1,183,421	1,667,206	112,430	11,411	3,201,318
Operating income	\$ 5,748	\$ 65,934	\$ 3,691	\$ 2,935	\$(11,411)	\$ 66,897

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**

Year ended March 31, 2005	Millions of yen					
	North America	Europe	Asia	Central and South America	Others	Total
I. Overseas sales	¥33,676	¥32,605	¥13,303	¥24,668	¥1,044	¥105,296
II. Consolidated sales	-	-	-	-	-	¥349,699
% of overseas sales	9.6%	9.3%	3.8%	7.1%	0.3%	30.1%

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%	

Year ended March 31, 2005	Thousands of U.S. dollars					
	North America	Europe	Asia	Central and South America	Others	Total
I. Overseas sales	\$314,732	\$304,718	\$124,321	\$230,544	\$9,758	\$984,073
II. Consolidated sales	-	-	-	-	-	\$3,268,215
% of overseas sales	9.6%	9.3%	3.8%	7.1%	0.3%	30.1%

## 6. SUBSEQUENT EVENTS

At a meeting of the Board of Directors on May 9, 2005, ITX resolved to propose a resolution at the Ordinary Annual General Meeting of Shareholders scheduled for June 23, 2005 requesting approval to issue stock options via stock acquisition rights, in accordance with Articles 280-20, -21 of the Commercial Code of Japan.

(1) Persons eligible for subscription rights

Directors, corporate officers and other key employees of ITX Corporation, directors of ITX subsidiaries or affiliates and other individuals approved as eligible by the Board of Directors.

(2) Class and number of shares to be issued for the purpose of stock acquisition rights

Up to 6,000 shares of common stock

(3) Aggregate number of stock acquisition rights to be issued

Up to 6,000

(4) Issue price of stock acquisition rights

No charge

(5) Payment due upon exercise of stock acquisition rights

The price to be paid per share shall be calculated by multiplying by 1.05 the average daily closing price of ITX's common stock ordinarily traded on the Osaka Securities Exchange (OSE), Nippon New Market (Hercules) during the month prior to the issue date (excluding days where no trading took place) of the stock acquisition rights (fractions of less than one yen shall be rounded up). Provided, however, that in the event that this value is lower than the closing price of ITX's common stock on the day prior to the issue date of the stock acquisition rights (if no trading took place, the nearest prior trading day shall be used), the closing price shall be used.

(6) Exercise period for stock acquisition rights

June 24, 2007~ June 23, 2010

## Non-Consolidated Earnings Report for the Year Ended March 31, 2005

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: May 9, 2005  
 Parent company: Olympus Corporation (Code: 7733)  
 Parent company voting right ratio: 67.60%  
 Trading Unit System: No

### 1. Non-Consolidated Results for the year ended March 31, 2005(April 1, 2004– March 31, 2005) -- Unaudited

#### (1) Non-Consolidated Operating Results

(Millions of yen)

	Revenues		Operating income		Net income	
Year ended March 31, 2005	105,931	(26.2)%	1,959	(-66.9)%	7,846	(20.9)%
Year ended March 31, 2004	83,969	(30.4)%	5,923	(-33.0)%	6,491	( - )%

(Yen)

	Net income per share
Year ended March 31, 2005	16,004.05
Year ended March 31, 2004	13,240.98

Notes:

- Average number of shares outstanding during the period:  
 Year ended March 31, 2005 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) Dividend Payments

(Yen)

	Interim dividend per share	Annual dividend per share
Year ended March 31, 2005	-	-
Year ended March 31, 2004	-	-

#### (3) Non-Consolidated Financial Position

(Millions of yen)

	Total assets	Shareholders' Equity	Shareholders' equity ratio	BPS
March 31, 2005	105,041	32,944	31.4%	67,200.97
March 31, 2004	113,368	29,949	26.4%	61,092.11

Notes:

Number of shares issued and outstanding as of:  
 March 31, 2005: 490,240 March 31, 2004: 490,240

### 2. Forecast for Fiscal 2006 (April 1, 2005 – March 31, 2006)

(Millions of yen)

	Revenues	Net income
Six-month period ending September 30, 2005	50,000	800
Year ending March 31, 2006	98,000	3,300

Reference: Projected net income per share for the year: ¥6,731.39

#### 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 11 of this earnings report for an explanation of the assumptions and factors upon which the forecasts are based.

**ITX Corporation**  
**Non-Consolidated Balance Sheets**  
As of March 31, 2005 and 2004

<b>Assets</b>	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Current assets:</b>			
Cash and cash equivalents	¥ 4,420	¥ 15,782	\$ 41,308
Trade notes and accounts receivable	5,389	4,319	50,364
Allowance for doubtful accounts	(1)	(171)	(9)
	5,388	4,148	50,355
Inventories	-	1	-
Other current assets	13,782	2,360	128,805
Total current assets	23,590	22,291	220,468
<b>Non-current assets:</b>			
Property and equipment			
Building and structure	119	118	1,112
Furniture and fixtures	72	78	673
Accumulated depreciation	(81)	(81)	(757)
	110	115	1,028
<b>Investment and other assets:</b>			
Investment securities	6,059	1,145	56,626
Investment securities for business incubation	5,722	6,590	53,477
Investment securities – in affiliates	58,021	62,780	542,252
Investment securities for business incubation – in affiliates	9,918	18,131	92,692
Long-term loan receivable	22	143	206
Software	238	376	2,224
Other non-current assets	1,361	1,797	12,719
	81,341	90,962	760,196
Total non-current assets	81,451	91,077	761,224
Total assets	¥ 105,041	¥ 113,368	\$ 981,692

*The accompanying notes to Non-Consolidated Financial Statements are an integral part of these statements.*

<b>Liabilities and shareholders' equity</b>	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Current liabilities:</b>			
Accounts payable	¥ 5,176	¥ 4,094	\$ 48,374
Short-term borrowings	4,460	21,000	41,682
Current portion of long-term debt	10,627	10,153	99,318
Accrued income taxes	49	4	458
Deposits	27	3,070	252
Other current liabilities	3,695	5,825	34,533
Total current liabilities	<u>24,034</u>	<u>44,146</u>	<u>224,617</u>
<b>Non-current liabilities:</b>			
Long-term debt	47,600	38,947	444,860
Deferred tax liabilities – non-current	-	63	-
Retirement allowance:			
Employees	218	248	2,037
Directors and corporate auditors	20	15	187
Allowance for losses on guarantees of liabilities	225	-	2,103
Total non-current liabilities	<u>48,063</u>	<u>39,273</u>	<u>449,187</u>
<b>Shareholders' equity :</b>			
Common stock	20,456	20,456	191,178
Additional paid-in capital	27,977	27,977	261,467
Accumulated losses	(15,580)	(23,426)	(145,607)
Net unrealized holding gain on available-for-sale securities	91	4,942	850
Total shareholders' equity	<u>32,944</u>	<u>29,949</u>	<u>307,888</u>
Total liabilities and shareholders' equity	<u>¥ 105,041</u>	<u>¥ 113,368</u>	<u>\$ 981,692</u>

*The accompanying notes to Non-Consolidated Financial Statements are an integral part of these statements.*

**ITX Corporation**  
**Non-Consolidated Statements of Income**

For the year ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Revenues:</b>			
Equipment sales and services	¥ 92,787	¥ 70,495	\$ 867,168
Sales of investment securities for business incubation	13,144	13,474	122,841
	<u>105,931</u>	<u>83,969</u>	<u>990,009</u>
<b>Costs of revenues:</b>			
Equipment sales and services	91,763	69,360	857,598
Sales of investment securities for business incubation	9,140	5,478	85,421
	<u>100,903</u>	<u>74,838</u>	<u>943,019</u>
<b>Gross profit</b>	<b>5,028</b>	<b>9,131</b>	<b>46,990</b>
<b>Selling, general and administrative expenses</b>	<b>3,069</b>	<b>3,208</b>	<b>28,682</b>
<b>Operating income</b>	<b>1,959</b>	<b>5,923</b>	<b>18,308</b>
<b>Other income(expenses)</b>			
Interest and dividend income	1,591	797	14,869
Interest expense	(1,223)	(1,253)	(11,430)
Gain on sales of investment securities, net	(7)	3,129	(65)
Gain on sales of investment securities in affiliates	6,010	393	56,168
Impairment loss on investment securities	-	(50)	-
Impairment loss on investment securities in affiliates	-	(500)	-
Gain (loss) on swap transaction	(1,001)	688	(9,355)
Provision of allowance for doubtful accounts	404	(2,600)	3,776
Provision of allowance for losses on guarantees of liabilities	(225)	-	(2,103)
Other, net	(34)	(47)	(319)
Income before income taxes	<u>7,474</u>	<u>6,480</u>	<u>69,849</u>
<b>Income taxes:</b>			
Current	(372)	(11)	(3,477)
Deferred	-	-	-
	<u>(372)</u>	<u>(11)</u>	<u>(3,477)</u>
<b>Net income</b>	<b>¥ 7,846</b>	<b>¥ 6,491</b>	<b>\$ 73,326</b>

*The accompanying notes to Non-Consolidated Financial Statements are an integral part of these statements.*

**ITX Corporation**  
**Non-Consolidated Statements of Shareholders' Equity**  
For the year ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Common stock:</b>			
Beginning balance	¥ 20,456	¥ 20,456	\$ 191,178
Issuance of common stock	-	-	-
Ending balance	<u>¥ 20,456</u>	<u>¥ 20,456</u>	<u>\$ 191,178</u>
<b>Additional paid-in capital:</b>			
Beginning balance	¥ 27,977	¥ 27,977	\$ 261,467
Issuance of common stock	-	-	-
Ending balance	<u>¥ 27,977</u>	<u>¥ 27,977</u>	<u>\$ 261,467</u>
<b>Accumulated loss:</b>			
Beginning balance	¥ (23,426)	¥ (29,917)	\$ (218,933)
Net income	7,846	6,491	73,326
Ending balance	<u>¥ (15,580)</u>	<u>¥ (23,426)</u>	<u>\$ (145,607)</u>
<b>Net unrealized holding gain on available-for-sale securities:</b>			
Beginning balance	¥ 4,942	¥ 366	\$ 46,187
Increase (decrease)	(4,851)	4,576	(45,337)
Ending balance	<u>¥ 91</u>	<u>¥ 4,942</u>	<u>\$ 850</u>

*The accompanying notes to Non-Consolidated Financial Statements are an integral part of these statements.*

**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 March 31, 2005, which was ¥107 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 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.

## **Allowance for losses on guarantees of liabilities**

Allowance for losses on guarantees of liabilities is stated in amounts considered to be appropriate based on an evaluation of the financial position of guarantees.

## **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. Effective April 1, 2004, income taxes are calculated based on the system of consolidated tax returns.

## **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. These contracts are 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.

## 2. CHANGE IN PRESENTATION

(Balance Sheets)

Effective from the fiscal year ended March 31, 2005, the Company has changed the presentation of investments in limited liability investment partnerships and similar partnerships from “investments” to “investment securities.” This change follows promulgation of the Law to Partially Amend the Securities and Exchange Law (Law No. 97) on June 9, 2004 and its application from December 1, 2004, as well as amendments on February 15, 2005 to the Practical Guidelines Concerning Accounting for Financial Instruments (The Japanese Institute of Certified Public Accountants, Accounting Committee Report No. 14).

As of March 31, 2005, such investments included in “Investment securities” were ¥1,580 million, while in the previous year, these investments included in “Other non-current assets” were ¥785 million.

## 3. SECURITIES

The following tables summarize of market values of investment in subsidiaries and affiliates as of March 31, 2005 and 2004:

<b>March 31,2005</b>		Millions of yen		
Description	Book value	Market value	Difference	
Investment in subsidiaries	¥ 3,570	¥ 9,082	¥ 5,512	

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	

<b>March 31,2005</b>		Thousands of U.S. dollars		
Description	Book value	Market value	Difference	
Investment in subsidiaries	\$ 33,364	\$ 84,879	\$ 51,515	

## 4. SUBSEQUENT EVENTS

At a meeting of the Board of Directors on May 9, 2005, ITX resolved to propose a resolution at the Ordinary Annual General Meeting of Shareholders scheduled for June 23, 2005 requesting approval to issue stock options via stock acquisition rights, in accordance with Articles 280-20, -21 of the Commercial Code of Japan.

### (1)Persons eligible for subscription rights

Directors, corporate officers and other key employees of ITX Corporation, directors of ITX subsidiaries or affiliates and other individuals approved as eligible by the Board of Directors.

### (2) Class and number of shares to be issued for the purpose of stock acquisition rights

Up to 6,000 shares of common stock

### (3) Aggregate number of stock acquisition rights to be issued

Up to 6,000

### (4) Issue price of stock acquisition rights

No charge

### (5)Payment due upon exercise of stock acquisition rights

The price to be paid per share shall be calculated by multiplying by 1.05 the average daily closing price of ITX's common stock ordinarily traded on the Osaka Securities Exchange (OSE), Nippon New Market (Hercules) during the month prior to the issue date (excluding days where no trading took place) of the stock acquisition rights (fractions of less than one yen shall be rounded up). Provided, however, that in the event that this value is lower than the closing price of ITX's common stock on the day prior to the issue date of the stock acquisition rights (if no trading took place, the nearest prior trading day shall be used), the closing price shall be used.

### (6)Exercise period for stock acquisition rights

June 24, 2007~ June 23, 2010