



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2014
(April 1, 2013 through June 30, 2013)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

July 30, 2013

Company name: IT Holdings Corporation
 Stock exchange listings: The First Section of the Tokyo Stock Exchange
 Stock code: 3626
 URL: <http://www.itholdings.co.jp/e/>
 Representative: Norio Maenishi, President
 Contact: Akio Kita, Deputy Division Manager, Administration Division
 Phone: +81 3-5338-2272

Scheduled dates
 Submission of quarterly report: August 8, 2013
 Commencement of dividend payments: -
 Supplementary materials to the quarterly results: Available
 Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2014
(April 1, 2013 – June 30, 2013)

(1) Consolidated Financial Results Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Quarter, FY2014	72,223	(0.5)	(725)	—	(450)	—	(670)	—
First Quarter, FY2013	72,620	7.0	256	—	316	—	(453)	—

Note: Comprehensive income: First Quarter FY 2014: (23) million yen (- %), First Quarter FY 2013: (866) million yen (- %)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Quarter, FY2014	(7.64)	—
First Quarter, FY2013	(5.17)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2014	292,209	156,714	51.0
End of FY2013	302,302	158,159	49.8

For reference: Total equity: End of first quarter, FY2014: 149,123 million yen End of FY2013: 150,514 million yen.

*Total equity = Shareholders' equity plus total accumulated other comprehensive income

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2013	-	7.00	-	14.00	21.00
FY2014	-				
FY2014 (forecast)		8.00	-	17.00	25.00

Note: Revisions from the latest release of dividends forecasts: None

3. Forecast of Consolidated Results for FY2014 (April 1, 2013 – March 31, 2014)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
First half of FY 2014 (six months ending Sep. 30, 2013)	164,000	0.9	8,300	14.5	8,200	15.8	3,200	6.0	36.46
Full FY 2014 (year ending Mar. 31, 2014)	345,000	2.1	20,500	12.8	20,000	14.7	7,500	27.8	85.45

Note: Revisions from the latest release of earnings forecasts: None

※ Notes

- (1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None; Exclusions: None
- (2) Accounting methods specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with amendments to accounting standards, etc.: None
 - 2) Changes other than noted in 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Common stock issued
 - 1) Issued shares as of period-end (including treasury stock):
End-First Quarter, FY2014 (June 30, 2013): 87,789,098 shares
End-FY2013 (March 31, 2013): 87,789,098 shares
 - 2) Treasury stock as of period-end:
End-First Quarter, FY2014 (June 30, 2013): 19,965 shares
End-FY2013 (March 31, 2013): 19,046 shares
 - 3) Average number of shares (during the respective three-month period):
First quarter, FY2014 (ended June 30, 2013): 87,769,659 shares
First quarter, FY2013 (ended June 30, 2012): 87,772,147 shares

*Quarterly review status

These materials are not subject to the quarterly review procedure requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, a review of the quarterly consolidated financial statements in accordance with the Act had not been completed.

Caution on Forward-Looking Statements and Other Important Matters

This report contains forward-looking statements that reflect IT Holdings Corporation (ITHD)'s plans and expectations based on information available to ITHD at the time of preparation and on certain other information ITHD believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(2) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" in the "1. Results of Operations" section on page 3 in the Accompanying Materials.

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first quarter of fiscal 2014 (April 1, 2013 – June 30, 2013), the Japanese economy showed signs of reflecting expectations for recovery as consumer spending, exports and production recovered in anticipation of active fiscal and financial measures by the government.

In the IT services industry, to which the IT Holdings Group belongs, despite the Bank of Japan's quarterly Short-term Economic Survey of Principal Enterprises in Japan (issued in June 2013) pointing to expansion of IT investment on the back of economic recovery based on economic indicators such as a 5.7% increase year on year in software investment plan (all manufacturing & financial institutions), no significant changes were visible as far as actual customer sentiment towards IT investment was concerned, which continued to be prudent.

Under these circumstances, the IT Holdings Group's consolidated net sales for the first quarter declined 0.5% versus the same period of the previous fiscal year to ¥72,223 million. The Group posted an operating loss of ¥725 million compared with an operating income of ¥256 million a year earlier. The Group recorded a recurring loss of ¥450 million compared with a profit of ¥316 million for the previous fiscal year, and a net loss of ¥670 million versus a loss of ¥453 million a year earlier.

Consolidated net sales maintained the previous year's level, as the recovery in the Financial IT Services segment offset the decline in the Industrial IT Services segment caused by the impact of the reversion to a large-scale system development project for a major manufacturer in the same period of the previous fiscal year. However, profits were short of the previous year's levels, outweighed by the significant impact of unprofitable projects in the Industrial IT Services segment.

First-quarter results by segment are as follows. The sales figures for each segment include inter-segment sales.

1) IT Infrastructure Services

Consolidated sales rose 0.4% year on year to ¥27,097 million and operating income declined 10.7% to ¥1,518 million. Sales gradually increased compared with a year earlier as more and more major clients started using the Group's data centers, while operating income declined from the same period a year earlier due to the impact of higher data center-related costs.

2) Financial IT Services

Consolidated sales in the first quarter increased 7.7% from the same period a year ago to ¥14,670 million, and the operating loss narrowed to ¥22 million from ¥202 million for the same period of the previous fiscal year. Sales in this segment grew year on year and profit levels improved, as major customer credit card and insurance companies gradually expanded their IT-related investments.

3) Industrial IT Services

Consolidated sales declined 3.9% year on year to ¥30,660 million, and the operating loss expanded to ¥2,270 million from ¥1,424 million for the same period of the previous fiscal year. Sales declined due to the impact of the reversion to a large-scale system development project for a major manufacturer in the previous year. Profit levels declined compared with a year earlier mainly due to the impact of recording additional expenses reflecting the delay in the completion of some development projects.

4) Other

Consolidated sales in this segment declined 4.9% year on year to ¥4,292 million, and operating income declined 8.7% to ¥521 million.

With the aim of becoming an IT business that will implement reforms as a single unit, the IT Holdings Group in the previous fiscal year embarked on implementation of measures under the second medium-term management plan (from fiscal 2013 through fiscal 2015) under the three basic concepts of "Top-Line Emphasis," acting "as One Company" and being "Enterprising and Bold" and has been addressing the management issues.

Based on the business results from the previous fiscal year and implementation status of related measures in the current fiscal year, which is the second year of the second medium-term management plan, the Group has

been driving forward various measures under the group management strategy based on the basic concepts of “put the Group top-line on a ‘growth track’ to ensure ‘earnings recovery,’” “further strengthen the Group’s communication base and develop an open and dynamic corporate culture,” and “expand the services-oriented business and promote globalization.” As part of these efforts, the Company shifted to a new management setup, under which the five representative directors of major group companies simultaneously serve as part-time directors of the Company, to strengthen the structure to achieve Group total optimum.

(2) Consolidated Earnings Forecast and Caution on Forward-Looking Statements

Sales have been proceeding largely in line with the plan. While the progress on the profit side is slightly behind the plan due to the impact of unprofitable projects in the first quarter, the Group aims to strive as one to achieve the targets by bridging the gap through measures including cost reductions.

Based on above, the Group did not make any changes to the consolidated earnings forecast announced on May 10, 2013.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2013	As of June 30, 2013
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	28,633	36,970
Notes and accounts receivable	68,249	42,355
Lease receivables and lease investment assets	9,322	9,126
Marketable securities	5,401	4,425
Merchandise and finished goods	3,035	3,747
Work in process	7,091	12,081
Raw materials and supplies	200	231
Deferred tax assets	8,523	7,597
Other current assets	7,846	9,429
Allowance for doubtful accounts	(85)	(89)
Total current assets	138,219	125,876
Fixed assets		
Property and equipment		
Buildings and structures, net	58,133	58,419
Machinery and equipment, net	4,231	4,186
Land	21,135	21,135
Leased assets, net	3,615	3,574
Other property and equipment, net	6,475	6,659
Total property and equipment	93,592	93,977
Intangible assets		
Goodwill	1,784	1,409
Other intangible assets	13,487	13,500
Total intangible assets	15,272	14,910
Investments and other assets		
Investment securities	32,633	33,021
Deferred tax assets	6,823	8,462
Other assets	17,577	17,799
Allowance for doubtful accounts	(1,816)	(1,838)
Total investments and other assets	55,218	57,445
Total fixed assets	164,083	166,332
Total assets	302,302	292,209

Items	As of March 31, 2013	As of June 30, 2013
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	17,692	15,002
Short-term borrowings	32,881	32,927
Income taxes payable	3,112	997
Accrued bonuses to directors and employees	11,074	5,622
Other allowances	551	483
Other current liabilities	25,750	29,633
Total current liabilities	91,063	84,666
Non-current liabilities		
Long-term debt	27,668	24,992
Lease obligations	5,501	5,437
Accrued retirement benefits to employees	12,762	13,342
Accrued retirement benefits to directors	108	102
Deferred tax liabilities	492	477
Deferred tax liabilities from revaluation of land	732	732
Other non-current liabilities	5,813	5,744
Total non-current liabilities	53,079	50,829
Total liabilities	144,143	135,495
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,787	86,787
Retained earnings	51,596	49,696
Less treasury stock, at cost	(27)	(29)
Total shareholders' equity	148,357	146,456
Accumulated other comprehensive income		
Net unrealized gains on other securities	4,271	4,716
Revaluation of land	(1,967)	(1,967)
Foreign currency translation adjustments	(147)	(82)
Total accumulated other comprehensive income	2,157	2,666
Stock acquisition rights	42	33
Minority interests	7,602	7,557
Total net assets	158,159	156,714
Total liabilities and net assets	302,302	292,209

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Consolidated Statements of Income**

Items	First Quarter FY2013 (Apr. 1 – Jun. 30, 2012)	First Quarter FY2014 (Apr. 1 – Jun. 30, 2013)
	millions of yen	
Net sales	72,620	72,223
Cost of sales	61,464	61,845
Gross profit	11,156	10,378
Selling, general and administrative expenses	10,899	11,103
Operating income (loss)	256	(725)
Non-operating income		
Interest income	6	7
Dividend income	449	507
Other	215	232
Total non-operating income	670	748
Non-operating expense		
Interest expenses	208	158
Equity in losses of non-consolidated subsidiaries and affiliates	96	125
Other	305	188
Total non-operating expenses	610	473
Recurring profit (loss)	316	(450)
Extraordinary income		
Gain on sale of investment securities	69	8
Gain on transfer of business	-	26
Other	1	0
Total extraordinary income	70	34
Extraordinary loss		
Loss on disposal of fixed assets	69	20
Impairment loss	434	-
Other	27	9
Total extraordinary loss	530	30
Loss before income taxes and minority interests	(143)	(445)
Income taxes: current	1,042	983
Income taxes: deferred	(668)	(876)
Total income taxes	373	107
Loss before minority interests	(517)	(552)
Minority interests in earnings (losses) of consolidated subsidiaries	(63)	118
Net loss	(453)	(670)

Consolidated Statements of Comprehensive Income

Items	First Quarter FY2013 (Apr. 1 – Jun. 30, 2012)	First Quarter FY2014 (Apr. 1 – Jun. 30, 2013)
	millions of yen	millions of yen
Loss before minority interests	(517)	(552)
Other comprehensive income		
Net unrealized gains on other securities	(183)	437
Difference in revaluation of land	(248)	—
Foreign currency translation adjustments	79	84
Share of other comprehensive income of associates accounted for using the equity method	3	7
Total other comprehensive income	(349)	528
Comprehensive income	(866)	(23)
(Composition)		
Comprehensive income attributable to owners of the parent	(825)	(161)
Comprehensive income attributable to minority interests	(41)	137

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable