



## Consolidated Financial Results for the Fiscal Year ended March 31, 2015

(April 1, 2014 through March 31, 2015)

(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.

May 8, 2015

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, Executive Officer, Deputy Division Manager, Administration Division  
 Phone: +81 3-5338-2272

### Scheduled dates

Annual general shareholders' meeting: June 24, 2015

Filing of statutory financial report: June 25, 2015

Commencement of dividend payments: June 25, 2015

Supplementary materials to the full-year results: Available  
 Full-year 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 Fiscal Year ended March 31, 2015 (FY2015) (April 1, 2014 – March 31, 2015)

#### (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	%
FY2015	361,025	4.1	21,121	8.3	21,251	12.0	10,275	29.8
FY2014	346,647	2.6	19,510	7.4	18,971	8.8	7,913	34.9

Note: Comprehensive income: FY2015: 33,173 million yen (213.3%); FY2014: 10,586 million yen (13.3%)

	Net income per share – basic	Net income per share – diluted	Return on shareholders' equity	Ratio of recurring profit to total assets	Ratio of operating income to net sales
FY2015	117.40 yen	- yen	6.0 %	6.4 %	5.9 %
FY2014	90.16	90.12	5.2	6.2	5.6

For reference:

Equity in earnings (losses) of affiliated companies: FY2015: (205) million yen; FY2014: (470) million yen

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
End-FY2015	345,851 millions of yen	188,789 millions of yen	53.3 %	2,108.19 yen
End-FY2014	313,610	164,502	49.9	1,782.23

For reference: Total equity: End of FY2015: 184,400 million yen End of FY2014: 156,452 million yen

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

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
FY2015	22,938 millions of yen	(17,744) millions of yen	(19,067) millions of yen	29,485 millions of yen
FY2014	25,770	(5,334)	(5,872)	43,142

## 2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2014	-	8.00	-	17.00	25.00	2,194	27.7	1.4
FY2015	-	10.00	-	20.00	30.00	2,624	25.6	1.5
FY2016 (forecast)	-	11.00	-	22.00	33.00		22.6	

Note: From FY2016 (forecast), the Company changes its dividend policy from "a payout ratio of around 30% on a consolidated basis" to "a total return ratio ((dividend payout + total share repurchase) / net income) of around 35% on a consolidated basis."

## 3. Forecast of Consolidated Results for FY2016 (April 1, 2015 – March 31, 2016)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net Income attributable to Owners of the Parent Company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
First half of FY2016 (six months ending Sep. 30, 2015)	175,000	1.2	8,500	10.8	8,500	6.5	4,600	18.3	52.59
Full FY2016 (year ending Mar. 31, 2016)	370,000	2.5	23,500	11.3	23,000	8.2	12,800	24.6	146.34

### ※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) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accordance with amendments to accounting standards, etc.: Yes
  - 2) Changes other than noted in 1) above: Yes
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (3) Common stock issued
  - 1) Issued shares as of period-end (including treasury stock):
 

End-FY2015 (March 31, 2015):	87,789,098 shares
End-FY2014 (March 31, 2014):	87,789,098 shares
  - 2) Treasury stock as of period-end:
 

End-FY2015 (March 31, 2015):	320,444 shares
End-FY2014 (March 31, 2014):	4,337 shares
  - 3) Average number of shares (during the fiscal year):
 

FY2015 (ended March 31, 2015):	87,522,469 shares
FY2014 (ended March 31, 2014):	87,774,621 shares

### \*Audit Status

These materials are not subject to the audit procedure requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, an audit of the 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 "(1) Analysis of Consolidated Operating Results" on page 2 in the Accompanying Materials.

## Accompanying Materials – Contents

1. Results of Operations	2
(1) Analysis of Consolidated Operating Results	2
(2) Analysis of Financial Condition	4
(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2015 and Fiscal 2016	5
(4) Business and Other Risks	5
2. Status of the Group	7
3. Management Policy	8
(1) Basic Management Policy	8
(2) Key Business Indicators	8
(3) Medium- to Long-term Management Strategies	8
(4) Issues Requiring a Response	9
(5) Other Important Management Matters	9
4. Basic Policy on Selecting Accounting Standards	9
5. Consolidated Financial Statements	10
(1) Consolidated Balance Sheets	10
(2) Consolidated Statements of Income and Comprehensive Income	12
Consolidated Statements of Income	12
Consolidated Statements of Comprehensive Income	13
(3) Consolidated Statements of Changes in Net Assets	14
(4) Consolidated Statements of Cash Flows	16
(5) Notes on the Going-concern Assumption	17

# 1. Results of Operations

## (1) Analysis of Consolidated Operating Results

### Results for fiscal 2015 (ended March 31, 2015)

In fiscal 2015 ended March 31, 2015, despite sluggish growth stemming from a reactionary decline in demand following a spending surge prior to the consumption tax hike, concerns over economic trends overseas, and other factors, the Japanese economy on the whole continued its steady recovery owing mainly to improved corporate earnings.

In the IT services industry, to which the IT Holdings Group belongs, the business environment in Japan remained strong. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan, announced quarterly during the period, indicated that corporate software investment plans continued to improve.

Under these circumstances, in the final year of its second medium-term management plan (from fiscal 2013 through fiscal 2015), the Group promoted various initiatives under its Group management strategy.

Consolidated net sales for the Group in the fiscal year increased 4.1% versus the previous fiscal year to ¥361,025 million. Operating income rose 8.3% to ¥21,121 million from a year earlier, recurring profit increased 12.0% to ¥21,251 million, and net income rose 29.8% to ¥10,275 million.

Consolidated net sales grew year on year as the Group accurately grasped the IT investment needs of its customers. Profits also increased, as the increase in sales and the control of unprofitable projects absorbed expenses for strengthening the structure to acquire and execute multiple large-scale development projects.

Segment results for the fiscal year are as follows. The sales figures for each segment include inter-segment sales.

#### 1) IT Infrastructure Services

Consolidated sales rose 2.5% year on year to ¥118,200 million and operating income declined 6.2% to ¥7,179 million. While net sales increased on the back of strong growth in the data center business, operating income declined due to the reduction in the scale of some highly profitable projects with existing clients.

#### 2) Financial IT Services

Consolidated sales in the fiscal year increased 5.8% year on year to ¥79,543 million, while operating income declined 13.1% to ¥5,549 million. Sales grew as major customer credit card companies expanded their IT-related investments and the Group promoted new solutions to the noncash settlement industry. Operating income decreased due to expenses for structural reinforcement aimed at acquiring and executing large-scale development projects and higher upfront expenses for providing new solutions.

#### 3) Industrial IT Services

Consolidated sales increased 5.1% year on year to ¥166,357 million, and operating income increased 50.4% to ¥7,049 million. The sales increase reflected strong demand, led by manufacturing, service and retail industries. Operating income rebounded strongly, as the increase in sales and efforts to control unprofitable projects absorbed higher expenses for consultative activities for large-scale and other development projects.

#### 4) Other

Consolidated sales declined 11.1% year on year to ¥14,667 million, and operating income rose 0.3% to ¥2,159 million. This was mainly due to the impact of the sale of lease assets of TIS Leasing Co., Ltd. and withdrawal from the leasing business as of the end of the previous fiscal year as part of efforts to promote the development of a structure that would allow the Group to focus on the core businesses and growth fields.

With the aim of becoming an IT business that implements reforms as a single unit, the Group implemented its second medium-term management plan featuring the basic concepts of "Top-Line Emphasis," acting "as One Company" and being "Enterprising and Bold". In the fiscal year under review, which is the final year of the plan, the Group set forth the following management strategy for fiscal 2015 in consideration of the achievements through fiscal 2014 and the implementation status of various measures, and promoted various initiatives.

Second medium-term management plan basic concepts	Group management strategy for fiscal 2015
Top-line Emphasis	Put emphasis on the amount of profit and profit ratio and maintain a Group top-line that ensures them.
as One Company	Focus on operating the Group with a sense of unity based on strengthening of its communication base.
Enterprising and Bold	Bolster the Group's efforts to expand the services-oriented business and promote globalization.

IT Holdings Group's key moves in fiscal 2015 were as follows:

#### 1. "Top-Line Emphasis"

The Group focused its sales activities on accurately grasping the IT needs of its customers. TIS, Inc., for example, acquired and began implementing large-scale system upgrade projects for public agencies, credit card and credit sales companies. In February 2015, TIS also launched the EneLink energy industry solution to meet expected investment demand from new companies entering the energy field in conjunction with electric power system reforms.

The customer onsite service business was gradually consolidated into TIS Solution Link Inc. as part of measures to transplant and consolidate business domains to pursue growth through business collaboration between Group companies. At the same time, the Group transferred the embedded-type business of TIS First Manage Inc. (absorbed by merger into TIS Solution Link) to Qualica Inc. to strengthen the Group's capability to respond to customer requests.

Moreover, in response to the growing demand for data centers in the Kansai region, TIS agreed with Nomura Research Institute, Ltd. to cooperate on the joint operation of a new data center. The two companies signed a basic agreement in April 2014 and are making preparations to open the data center in the summer of 2016.

#### 2. "as One Company"

All Group companies started using a common logo in June 2014 to develop a sense of togetherness and strengthen the brand, with the aim of operating the Group with a sense of unity. Furthermore, following a similar initiative in the Tokyo area, the Group decided to consolidate its offices in the Osaka district in summer of 2015 in order to ensure smooth communication and promote cooperation.

Additionally, IT Holdings made consolidated subsidiary AGREX Inc. a wholly owned subsidiary in March 2015 in order to raise corporate value by strengthening competitiveness through reorganization of Group functions and enhancing consolidated management efficiency through the Group's total optimization. AGREX is now positioned as the core entity of the Group's BPO business, strengthening collaboration through such measures as the centralization of the BPO business currently scattered throughout the Group.

#### 3. "Enterprising and Bold"

In its efforts towards globalization, the Group promoted business expansion targeting Japanese as well as local companies in the respective countries based on alliance strategies. As part of these efforts, TIS agreed on a capital and business alliance in April 2014 with MFEC Public Co., Ltd., a publicly traded IT company in Thailand and a leading player in IT solution for the enterprise. In June 2014, TIS made I AM Consulting Co., Ltd., a SAP total solution provider in Thailand, a consolidated subsidiary.

As part of the shift to services-oriented business, INTEC Inc. began providing municipal cloud services shared by cities, towns and villages of Toyama Prefecture. INTEC has been providing municipal cloud services such as an electronic bidding systems and tax document search systems. The new cloud service utilizes CIVION-7th, a general administrative information system, to provide a backbone system central to the local governments' operations and services. This is the first shared use of a backbone system to be implemented in Toyama Prefecture.

At the same time, Qualica Inc., with the aim of expanding its core aftermarket business, took over a part of Komatsu Ltd.'s CSS-Net business in April 2014. The move enables Qualica to combine CSS-Net's document computerization and Web broadcasting system with its own CareQube, a remote monitoring and preventive maintenance system. It will use the acquisition to raise customer satisfaction.

The applications of CareQube continue to expand. In the growing Internet of Things (IoT) field, a CareQube-based system to monitor elderly residents through water meter data has been jointly developed with an NPO. As another leading-edge application, the Group has created an academic-industry alliance with The University of Tokyo to develop a system for the logging industry to collect data on log and lumber attributes.

The Group will continue to consider and implement various measures from the perspective of overall Group optimization in order to further raise corporate value.

## Outlook for fiscal 2016

Customers' IT investment needs are expected to continue expanding amid the economic recovery trend in Japan. As a result, the business environment is expected to remain positive.

Amid this environment, the Group has initiated its third medium-term management plan (from fiscal 2016 through fiscal 2018) and is promoting a Group management strategy in accordance with the basic concepts of "Profit Emphasis," "IT Brain," and "Portfolio Management." On the basis of these policies, the Group is promoting various initiatives to raise its corporate value.

Third medium-term management plan basic concepts	Group management strategy for fiscal 2016
Profit Emphasis	(1) Emphasize ROE as the key performance indicator (KPI) and aim to raise corporate value (2) Improve business profitability through higher productivity (3) Manage with an emphasis on return on investment
IT Brain (expansion of value-added business)	(1) Sharpen unique strengths and growth engines (2) Promote planned business initiatives (value-added business) (3) Promote industry platform business (market development business)
Portfolio Management	(1) Achieve business portfolio management (2) Implement "corporate governance reforms" as a Group (3) Integrate and consolidate common Group functions

The consolidated earnings forecast for the year ending March 31, 2016 are as follows.

Net sales	¥370,000 million	(+2.5% year on year)
Operating income	¥23,500 million	(+11.3% year on year)
Recurring profit	¥23,000 million	(+8.2% year on year)
Net income	¥12,800 million	(+24.6% year on year)

The Group expects both sales and profits to increase year on year. The Group plans to expand business by accurately grasping the IT investment needs of customers, while raising profitability by improving productivity, preventing unprofitable projects, and promoting other measures.

Note: The above performance forecast reflects IT Holdings Corporation's plans and expectations based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. They 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.

## (2) Analysis of Financial Condition

### 1) Assets, liabilities, and net assets

Consolidated assets totaled ¥345,851 million at the end of the fiscal year (March 31, 2015), of which, current assets accounted for ¥140,450 million and fixed assets accounted for ¥205,401 million. Liabilities totaled ¥157,062 million. Net assets totaled ¥188,789 million, of which minority interests accounted for ¥4,388 million.

### 2) Cash flow

Cash and cash equivalents ("cash") totaled ¥29,485 million as of March 31, 2015, down ¥13,656 million versus the end of the previous fiscal year (March 31, 2014). Contributions to cash flow were as follows.

#### (Cash flow from operating activities)

Operating activities generated net cash of ¥22,938 million. This mainly reflects income before income taxes of ¥18,184 million and the positive cash flow effect of ¥12,809 million in depreciation. These were partly offset by a ¥10,229 million increase in notes and accounts receivable and ¥6,067 million in income tax payments.

#### (Cash flow from investing activities)

Investing activities used net cash of ¥17,744 million, as an inflow of ¥2,423 million in proceeds from sale and redemption of investment securities was offset by outflows of ¥7,482 million in payments for the acquisition of property and equipment, ¥5,150 million for the acquisition of investment securities and ¥5,400 million for the acquisition of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥19,067 million. Cash inflows of ¥7,300 million in proceeds from long-term debt were outweighed by outflows of ¥13,949 million for repayment of long-term debt, ¥7,031 million for purchase of shares of subsidiaries not resulting in change in scope of consolidation, and ¥2,367 million for dividends paid.

For reference: Cash flow indicators

	Fiscal 2014	Fiscal 2015
Equity ratio (%)	49.9	53.3
Equity ratio based on market capitalization (%)	47.4	55.7
Ratio of interest-bearing debt to cash flow (years)	2.3	2.3
Interest-coverage ratio (times)	41.1	43.0

Equity ratio: Total equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest paid

Notes:

1. All indicators were calculated using consolidated financial statement data.
2. Market capitalization is based on the number of shares issued and outstanding (excluding treasury stock).
3. Cash flow from operating activities is used as the cash flow variable.
4. "Interest-bearing debt" is all debt on the consolidated balance sheet on which interest is payable.

### **(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2015 and Fiscal 2016**

Taking into account the need to secure sufficient internal reserves to fund continued growth, the Company plans to pay a year-end dividend of ¥20 per share for fiscal 2015.

Regarding the basic policy on profit distribution, the Company has striven to maintain a stable dividend using the dividend payout ratio of around 30% as a benchmark. From fiscal 2016, however, the Company will strive to provide even higher shareholder returns by raising its total return ratio benchmark, including dividends and share buybacks, to around 35%. On the basis of this guideline, for fiscal 2016, the Company plans to pay an annual dividend of ¥33 per share including, an interim dividend of ¥11 per share, and conduct share buybacks.

### **(4) Business and Other Risks**

The following are the risks with the potential to have a significant impact on the business (business results and financial condition) of the IT Holdings Group. All forward-looking statements in this document are based on information available to the company as of May 8, 2015.

#### 1) Price competition, intensified competition

Competition among businesses is intense in the information services industry. In addition to competition from new entrants from other industries, clients are restraining their IT investments. As a result, price competition may intensify. The Group is offering higher added-value information services and taking other measures to differentiate itself from competitors, while raising productivity. If price competition intensifies more than expected, however, it may impact the Group's business results.

#### 2) Legal systems, compliance

The Group conducts its various business activities in compliance with laws and regulations in and outside Japan. In conducting these activities, the Group has established a compliance structure on the basis of the IT Holdings Group's Basic Direction on CSR and thoroughly complies with all laws. If the Group were to contravene the law, or a new law or regulation were introduced, it may impact the Group's business results.

#### 3) Overseas business

As part of its growth strategy, the Group is pursuing growth in overseas markets, with a focus on ASEAN. The overseas business may be impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, business practices, and labor-related issues. If one of these risks were to manifest, it may impact the Group's business results.

#### 4) System development

The Group performs development and outsourced development of various client company information systems. In recent years, projects have become larger and development schedules have shortened. If planned quality levels cannot be met or the projects are not completed within the development schedule, larger-than-expected costs may be incurred. Furthermore, in developing systems, parts of projects are typically outsourced to many different companies in order to ensure production capacity, raise productivity,

utilize technical capabilities and for other reasons. There is the possibility, however, that productivity and quality fail to meet expectations. In this event, the Group's business results may be impacted.

#### 5) System operation

The Group uses large-scale IT facilities such as data centers to provide outsourcing 24 hours a day, 365 days a year, cloud services, and other services. The Group expends a large amount of capital to operate these businesses, from initial capital investments to ongoing capital investments to ensure stable facility maintenance and operation. If the operational status of these facilities declines significantly due to a decline in demand, it may negatively impact the Group's business results. Furthermore, in the system operation business, if losses were to result from problems or failures to client systems, the Group's business results may be impacted as a result of a decline in the Group's social trust and brand, claims for damages, or other reasons.

#### 6) Information security

From system development to operation, the Group is in a position to learn of various types of confidential information in the conduct of its business, including personal information held by clients and clients' technological system information. Although the Group strives to manage information appropriately based on the IT Holdings Group Information Security Policy, in the event that confidential information were leaked or manipulated due to a computer virus, unauthorized access, or other reason, the Group's business results may be impacted by claims for damages from client companies or the loss of trust.

#### 7) Human resources

The Group's business relies heavily on human resources and is greatly affected by its ability to secure and develop superior human resources who can offer specialized, high added value to clients. The Group's business results may be impacted in the event the Group cannot secure and develop superior human resources according to its plans.

#### 8) Technological innovation

In the information services industry, companies must rapidly respond to progress in information technologies and the accompanying changes in market needs. The Group continually conducts research into information technologies and production as well as development technologies, and is strengthening its ability to conduct this research. The Group's business results may be impacted, however, in the event the Group is unable to appropriately respond to rapid progress in innovation over a broad realm of technologies.

#### 9) Intellectual property

To execute its business, the Group applies for and acquires patents for necessary technologies and business models as well as registers various trademarks in and outside Japan. The Group continually takes precautions to ensure that it does not infringe the intellectual property rights of third parties during the execution of its business activities. The Group may, however, be subject to claims for damages in the event that it infringes the intellectual property rights of another company. In any circumstance in which the Group infringes the rights of a third party, the Group's business and business results may be impacted considerably.

#### 10) Natural disasters and accidents

The Group uses data centers and other large-scale IT facilities to perform its outsourcing business and provide cloud services. The data centers use various kinds of equipment to deal with disasters and accidents. Despite these measures, a longer-than-expected power blackout, large-scale natural disaster, international conflict, act of terrorism or major crime, or other such events that impede the smooth operation of the data centers may affect the Group's business results.

#### 11) Owned securities

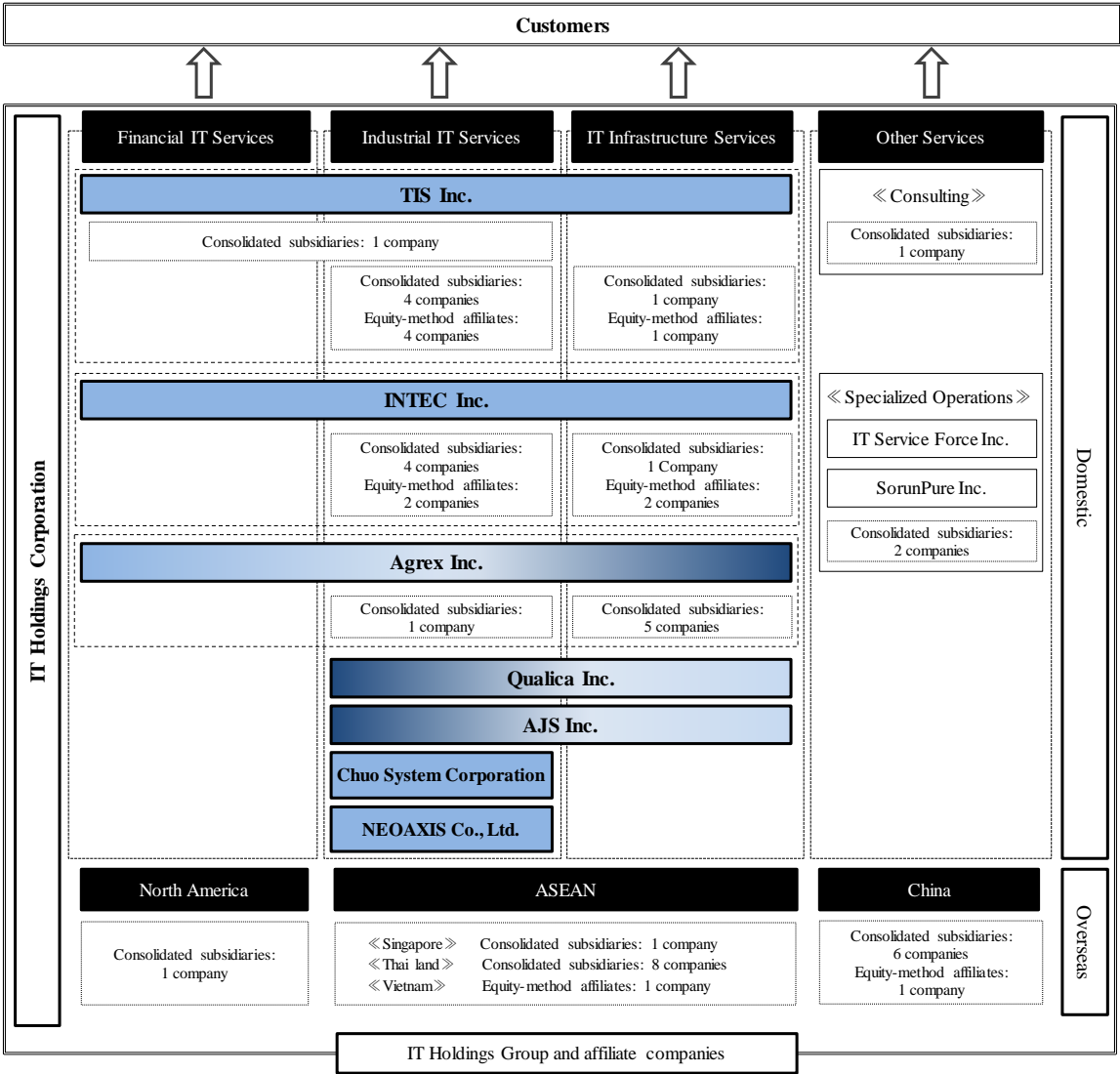
The Group owns shares as a way to strengthen relations with business partners or bonds as part of its fund operations. The Group adequately confirms the reliability of these securities by determining the issuers' financial condition, business results, credit rating and using other indicators. In the event of significant fluctuations in stock markets, however, the Group's financial condition and business results may be impacted from the recognition of losses.



**2. Status of the Group**

The Group consists primarily of IT Holdings Corporation (the parent company), 45 consolidated subsidiaries, and 11 affiliated companies accounted for under the equity method. The Group’s core activities comprise the provision of outsourcing and cloud services, software development, and solution services, and the group also engages in businesses connected with these core activities such as consulting services. The Group also provides other services, such as real estate rental and management services.

As a pure holding company, IT Holdings handles business administration issues for the Group and supports Group companies in executing their respective business activities, which center on information and communication services. The Group’s structure and business flow are shown below.



### **3. Management Policy**

#### **(1) Basic Management Policy**

IT Holdings has established, and discloses, the following management philosophy, which is the corporate cornerstone of the IT Holdings Group.

(Management Philosophy)

The IT Holdings Group seeks to be a corporate citizen, whose activities, namely, the provision of various services maximizing the power of information technology, match its status as a leading corporate group, and as a group, we will raise corporate value, supported in this effort by the high regard of all stakeholders, not only shareholders but also clients as well as employees and their families.

We will cultivate a vibrant corporate culture that encourages companies and individuals under the Group umbrella to work together, embracing new challenges and striving to reach higher goals, and thereby ensure continued growth as a corporate entity.

We will always provide our clients with the very best products and services, through excellent quality and technology built on the composite strengths of the Group.

We will uphold high corporate morals and fulfill our social obligations.

#### **(2) Key Business Indicators**

Amid dramatic business environment changes, such as the trend toward more complex and larger-scale systems, the rise of service-oriented approaches, ongoing globalization, and rapidly advancing technology innovation, the IT Holdings Group, a leading IT services group, endeavors to play an integral role in creating a prosperous future for society.

The Group has established profit-oriented management (strengthening of earnings power) as part of its targeted management image. ROE and other specific targets have been introduced to raise corporate value.

#### **(3) Medium- to Long-term Management Strategies**

Management has defined the corporate image—the vision—that the Group should strive to achieve.

Everyone under the Group umbrella shares this vision. It guides each person in the execution of daily activities, which in turn, underpins attainment of the ideals to which the Group aspires and further enhances corporate value.

(Group Vision)

1. Play an integral role in realizing the comfortable lifestyles of tomorrow through IT

As the leading IT services group, we will design the template and develop the businesses that support several facets of tomorrow's society—where IT is the driving force of brisk activity in all industries as well as the creation of pleasant living environments where people feel safe and secure.

2. Act with initiative and a sense of enterprising spirit

We will be a group with a corporate culture that makes work enjoyable for employees. This atmosphere will encourage people to quickly pinpoint currents of change rippling across various realms, including society and technology, and resourcefully tackle emerging issues from a fresh perspective.

3. Secure the highest level of technological expertise

We will be a group that is constantly evolving, with an emphasis on new-technology R&D, production techniques and quality control, to achieve the highest level of quality and sharpen cost competitiveness.

4. Contribute to societal and industry advances

As part of the IT services industry, we will be a group that plays a pioneering role in the overall development of our industry, and as a member of society, we will be a group that faithfully carries out our social responsibility and contributes to the communities in which we share a presence. This two-fold commitment will earn us a solid reputation from all directions.

#### **(4) Issues Requiring a Response**

Over the three fiscal years ended March 31, 2015, the IT Holdings Group implemented its second medium-term management plan featuring the basic concepts of “Top-Line Emphasis,” acting “as One Company” and being “Enterprising and Bold,” with the aim of developing a sense of unity and cohesiveness. As a result of the “Top-Line Emphasis” initiatives, net sales exceeded the targets. In terms of profit, however, the targets for reducing unprofitable projects and raising productivity were not achieved, and issues still remain.

In recent years, the external environment surrounding the IT market has been changing dramatically as a result of new trends in the competitive environment and the emergence of cloud services and other innovations. Under the second medium-term management plan, the Group achieved a certain amount of success through the reorganization of its businesses, strengthened collaboration between businesses, consolidation of corporate functions, and unification of the Group brand. In order to achieve medium- to

long-term growth, however, the Group must build a management structure capable of utilizing the various management resources more efficiently and further raising the competitiveness of the Group's entire business.

Starting April 1, 2015, the Group has launched a new three-year management plan with the slogan, "Beyond Borders 2017." The main ideas behind the plan are to extend beyond the borders of the company and organizations through collaboration and co-creation, to shift from existing business models to value-added business models, to expand from domestic business to global business, and to have employees go beyond their own personal borders. The Group is taking various measures to achieve the new plan.

#### Basic Concepts of Third Medium-term Management Plan

(1) Profit-emphasis management (strengthen earnings power)

Place a greater management emphasis on profit.

1) Manage with an emphasis on net income

2) Raise corporate value by introducing ROE and other management indices

(2) Create added value as an "IT Brain" (shift to value-added business)

Offer added value to raise the earnings power of clients.

1) In addition to solving tasks in accordance with client requirements, expand added value creation business and market development business

2) Promote industry platform business and global business

(3) Promote portfolio management

Leverage the unique strengths of each individual business to serve as growth engines, and promote working together for collaboration as well as working together for co-creation.

1) Develop and execute business portfolio strategies

2) Strengthen and rebuild the business foundation by pursuing overall Group optimization

#### **(5) Other Important Management Matters**

None

#### **4. Basic Policy on Selecting Accounting Standards**

The IT Holdings Group is conducting an analysis to determine the differences between International Financial Reporting Standards (IFRS) and Japanese standards, as well as the impact of adopting IFRS. At the current time, the adoption of IFRS has yet to be decided.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

	As of Mar. 31, 2014	As of Mar. 31, 2015
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	43,248	29,211
Notes and accounts receivable	68,301	78,874
Lease receivables and lease investment assets	6,654	6,711
Marketable securities	226	661
Merchandise and finished goods	3,207	4,552
Work in process	6,757	5,546
Raw materials and supplies	229	243
Deferred tax assets	6,603	6,007
Other current assets	8,450	8,784
Allowance for doubtful accounts	(159)	(143)
Total current assets	143,519	140,450
Fixed assets		
Property and equipment		
Buildings and structures, net	56,565	53,670
Machinery and equipment, net	4,428	4,853
Land	20,726	24,342
Leased assets, net	4,738	3,995
Other property and equipment, net	5,153	4,552
Total property and equipment	91,612	91,413
Intangible assets		
Goodwill	771	1,197
Other intangible assets	14,802	15,555
Total intangible assets	15,573	16,752
Investments and other assets		
Investment securities	38,787	71,256
Net defined benefit asset	4,103	7,028
Deferred tax assets	6,881	5,199
Other assets	13,362	14,034
Allowance for doubtful accounts	(229)	(283)
Total investments and other assets	62,905	97,235
Total fixed assets	170,091	205,401
Total assets	313,610	345,851

	As of Mar. 31, 2014	As of Mar. 31, 2015
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	18,828	21,681
Short-term borrowings	14,299	12,521
Income taxes payable	3,495	3,140
Accrued bonuses to directors and employees	10,932	11,331
Other allowances	1,007	1,318
Other current liabilities	24,226	27,673
Total current liabilities	72,790	77,666
Non-current liabilities		
Long-term debt	44,570	39,593
Lease obligations	6,160	5,497
Deferred tax liabilities	470	10,720
Deferred tax liabilities from revaluation of land	732	663
Accrued retirement benefits to directors	88	90
Net defined benefit liability	18,688	16,874
Other non-current liabilities	5,606	5,955
Total non-current liabilities	76,316	79,395
Total liabilities	149,107	157,062
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,786	83,601
Retained earnings	57,579	67,019
Less treasury stock, at cost	(6)	(514)
Total shareholders' equity	154,360	160,107
Accumulated other comprehensive income		
Net unrealized gains on other securities	5,975	26,191
Revaluation reserve for land	(1,967)	(1,898)
Foreign currency translation adjustments	48	396
Remeasurements of defined benefit plans	(1,964)	(397)
Total accumulated other comprehensive income	2,092	24,292
Stock acquisition rights	45	-
Minority interests	8,004	4,388
Total net assets	164,502	188,789
Total liabilities and net assets	313,610	345,851

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

	FY2014	FY2015
	millions of yen	millions of yen
Net sales	346,647	361,025
Cost of sales	283,881	294,927
Gross profit	62,766	66,097
Selling, general and administrative expenses	43,255	44,976
Operating income	19,510	21,121
Non-operating income		
Interest income	38	74
Dividend income	644	744
Foreign exchange gains	88	206
Rental income from real estate	259	265
Other	626	472
Total non-operating income	1,656	1,762
Non-operating expense		
Interest expenses	598	519
Equity in losses of affiliated companies	470	205
Rent expenses on real estates	211	238
Financing expenses	350	-
Other	564	668
Total non-operating expenses	2,195	1,632
Recurring profit	18,971	21,251
Extraordinary income		
Gain on sale of investment securities	817	377
Gain on termination of retirement benefit plan	-	59
Gain on reversal of stock acquisition rights	-	58
Other	45	3
Total extraordinary income	862	500
Extraordinary loss		
Loss on disposal of fixed assets	269	354
Impairment loss	1,073	1,566
Loss on business liquidation	463	67
Special severance pay	608	44
Loss on partial termination of retirement benefit scheme	148	-
Other	834	1,533
Total extraordinary loss	3,398	3,567
Income before income taxes and minority interests	16,435	18,184
Income taxes: current	5,459	5,417
Income taxes: deferred	2,353	1,865
Total income taxes	7,813	7,282
Income before minority interests	8,622	10,901
Minority interests in earnings (losses) of consolidated subsidiaries	708	626
Net income	7,913	10,275

**Consolidated Statements of Comprehensive Income**

	FY2014	FY2015
	millions of yen	millions of yen
Income before minority interests	8,622	10,901
Other comprehensive income		
Net unrealized gains on other securities	1,689	20,239
Revaluation reserve for land	-	68
Foreign currency translation adjustments	249	379
Remeasurements of defined benefit plans	-	1,569
Share of other comprehensive income of equity-method affiliates	24	14
Total other comprehensive income	1,963	22,271
Comprehensive income	10,586	33,173
(Composition)		
Comprehensive income attributable to owners of the parent	9,813	32,474
Comprehensive income attributable to minority interests	773	698

**(3) Consolidated Statements of Changes in Net Assets**  
FY2014 (April 1, 2013 through March 31, 2014)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	86,787	51,596	(27)	148,357
Cumulative effects of changes in accounting policies					-
Restated balance	10,001	86,787	51,596	(27)	148,357
Changes during the fiscal year					
Dividends from surplus			(1,930)		(1,930)
Net income			7,913		7,913
Acquisition of treasury stock				(8)	(8)
Disposal of treasury stock		(1)		29	27
Purchase of shares of consolidated subsidiaries					-
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(1)	5,982	21	6,002
Balance at end of fiscal year	10,001	86,786	57,579	(6)	154,360

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen			
Balance at beginning of fiscal year	4,271	(1,967)	(147)	—	2,157	42	7,602	158,159
Cumulative effects of changes in accounting policies								-
Restated balance	4,271	(1,967)	(147)	—	2,157	42	7,602	158,159
Changes during the fiscal year								
Dividends from surplus								(1,930)
Net income								7,913
Acquisition of treasury stock								(8)
Disposal of treasury stock								27
Purchase of shares of consolidated subsidiaries								-
Items other than changes in shareholders' equity, net	1,703	-	196	(1,964)	(64)	3	402	341
Net changes during the fiscal year	1,703	-	196	(1,964)	(64)	3	402	6,343
Balance at end of fiscal year	5,975	(1,967)	48	(1,964)	2,092	45	8,004	164,502



FY2015 (April 1, 2014 through March 31, 2015)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	86,786	57,579	(6)	154,360
Cumulative effects of changes in accounting policies			1,532		1,532
Restated balance	10,001	86,786	59,111	(6)	155,892
Changes during the fiscal year					
Dividends from surplus			(2,367)		(2,367)
Net income			10,275		10,275
Acquisition of treasury stock				(508)	(508)
Disposal of treasury stock					-
Purchase of shares of consolidated subsidiaries		(3,184)			(3,184)
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(3,184)	7,908	(508)	4,215
Balance at end of fiscal year	10,001	83,601	67,019	(514)	160,107

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen			
Balance at beginning of fiscal year	5,975	(1,967)	48	(1,964)	2,092	45	8,004	164,502
Cumulative effects of changes in accounting policies								1,532
Restated balance	5,975	(1,967)	48	(1,964)	2,092	45	8,004	166,035
Changes during the fiscal year								
Dividends from surplus								(2,367)
Net income								10,275
Acquisition of treasury stock								(508)
Disposal of treasury stock								-
Purchase of shares of consolidated subsidiaries								(3,184)
Items other than changes in shareholders' equity, net	20,216	68	347	1,566	22,199	(45)	(3,615)	18,538
Net changes during the fiscal year	20,216	68	347	1,566	22,199	(45)	(3,615)	22,753
Balance at end of fiscal year	26,191	(1,898)	396	(397)	24,292	-	4,388	188,789

**(4) Consolidated Statements of Cash Flows**

Items	FY2014	FY2015
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	16,435	18,184
Depreciation	12,454	12,809
Impairment loss	1,073	1,566
Loss on disposal of fixed assets	269	354
Amortization of goodwill	1,095	863
Increase (decrease) in accrued bonuses to directors and employees	(151)	388
Increase(decrease) in allowance for doubtful accounts	(1,513)	38
Increase (decrease) in accrued retirement benefits to employees	(12,762)	-
Increase (decrease) in net defined benefit liability	13,958	(389)
Interest and dividend income	(682)	(819)
Interest expenses	598	519
(Increase) decrease in notes and accounts receivable	(1,597)	(10,229)
(Increase) decrease in inventories	142	(148)
Increase (decrease) in notes and accounts payable	1,138	2,516
Other, net	843	3,051
Subtotal	31,304	28,707
Interest and dividend income received	695	831
Interest expenses paid	(626)	(533)
Income taxes paid	(5,602)	(6,067)
Net cash provided by (used in) operating activities	25,770	22,938
Cash flows from investing activities		
Purchase of marketable securities	(22,499)	(3,400)
Proceeds from sale and redemption of investment securities	27,699	3,425
Acquisitions of property and equipment	(6,220)	(7,482)
Acquisitions of intangible assets	(5,409)	(5,400)
Acquisitions of investment securities	(8,388)	(5,150)
Proceeds from sale and redemption of investment securities	4,709	2,423
Payment of lease and guarantee deposits	(397)	(967)
Collection of lease and guarantee deposits	758	537
Proceeds from transfer of business	4,920	259
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(926)
Other, net	(505)	(1,062)
Net cash provided by (used in) investing activities	(5,334)	(17,744)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(223)	(412)
Proceeds from long-term debt	30,850	7,300
Repayments of long-term debt	(32,664)	(13,949)
Dividends paid	(1,930)	(2,367)
Dividends paid to minority shareholders	(323)	(351)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(7,031)
Other, net	(1,579)	(2,255)
Net cash provided by (used in) financing activities	(5,872)	(19,067)
Effect of exchange rate changes on cash and cash equivalents	140	217
Net increase (decrease) in cash and cash equivalents	14,703	(13,656)
Cash and cash equivalents at beginning of year	28,433	43,142
Increase in cash and cash equivalents resulting from merger	4	-
Cash and cash equivalents at end of year	43,142	29,485

**(5) Notes on the Going-concern Assumption**  
**Not applicable**