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# Information Meeting Materials for the Fiscal Year Ended March 31, 2016

May 10, 2016

IT Holdings Corporation

# Fiscal 2016: Performance Highlights

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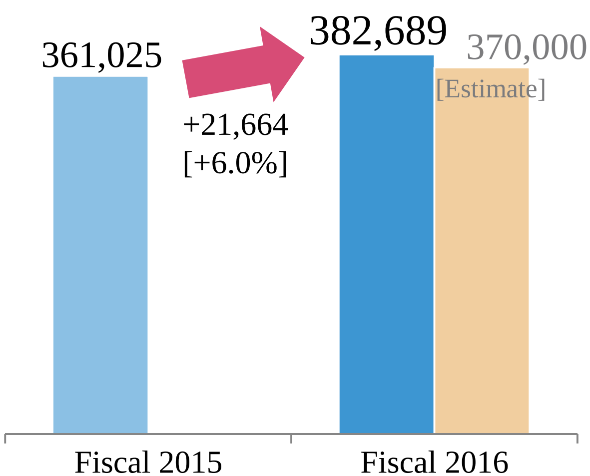
[Millions of yen]

- Higher sales and income year -on-year, thanks to successful efforts to expand business activities and improve profitability against a favorable business backdrop.
- Net sales and operating income exceeded expectations. Net income attributable to owners of the parent copany came in slightly below target, reflecting impact from reversal on deferred tax assets following tax system revision.

**Net Sales ¥ 382,689** million

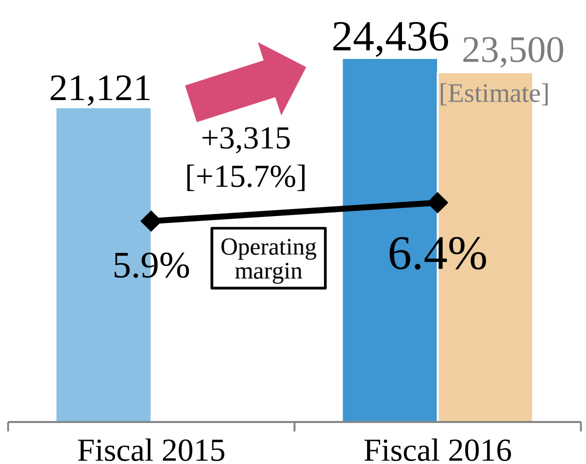
YOY change: + 21,664 million [+ 6.0%]
Compared with estimate: +¥ 12,689 million [+ 3.4%]




In fields where IT investment is showing an uptrend, accurate identification of client needs fueled a year-on-year increase in sales, with results exceeding expectations.

**Operating Income ¥ 24,436** million

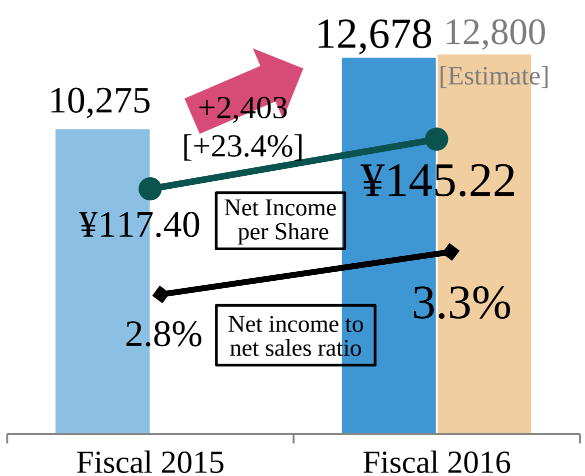
YOY change: + 3,315 million [+ 15.7%]
Compared with estimate: +¥ 936 million [+ 4.0%]




Higher sales and successful efforts to boost profitability neutralized the effects of tighter IT investment budgets and reduced scale of business among some existing clients, absorbing the impact of unprofitable projects and pushing operating income up year-on-year and beyond initial target.

**Net income attributable to owners of the parent company ¥ 12,678** million

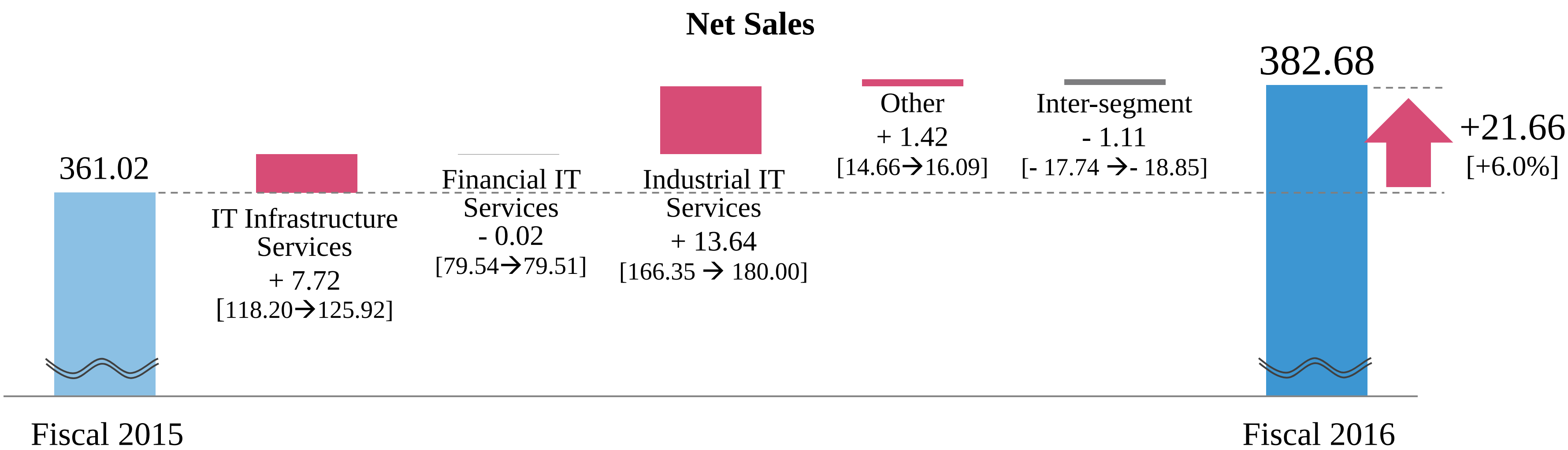
YOY change: + ¥ 2,403 million [+ 23.4%]
Compared with estimate: - ¥ 122 million [- 1.0%]

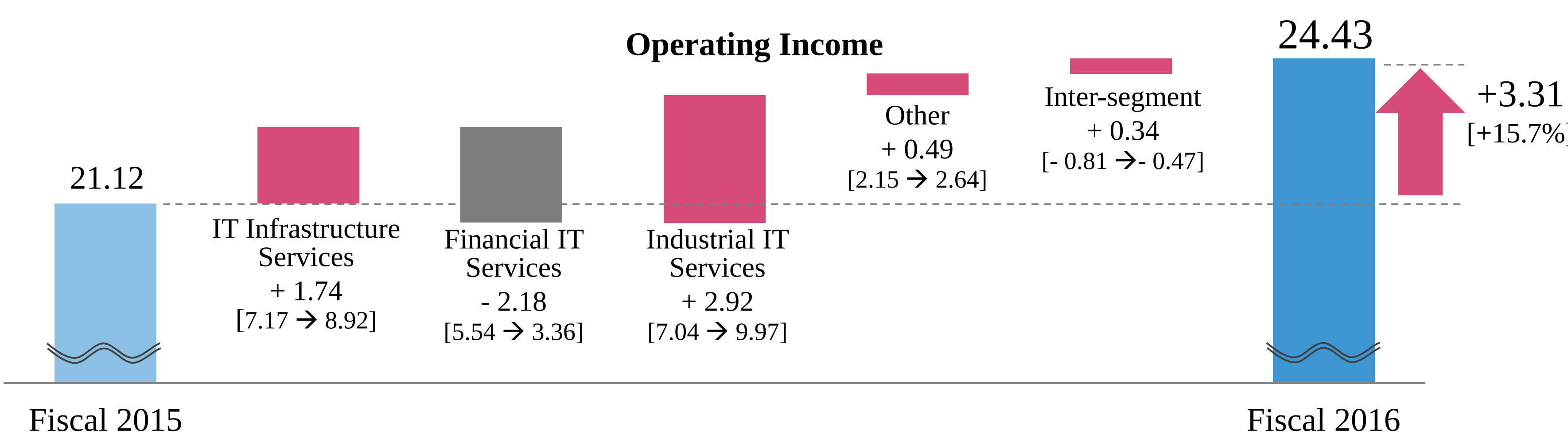



Net income attributable to owners of the parent company up year-on-year, paralleling higher operating income. Fell slightly short of target, owing to impact from reversal of deferred tax assets. Factors influencing income included booking of gain on sale of investment securities and impairment loss accompanying review of strategies for data center operations.

# Fiscal 2016: Net Sales and Operating Income Analysis

**[Billions of yen]**



# Fiscal 2016: Sales and Income for Key Business Segments

[Millions of yen]

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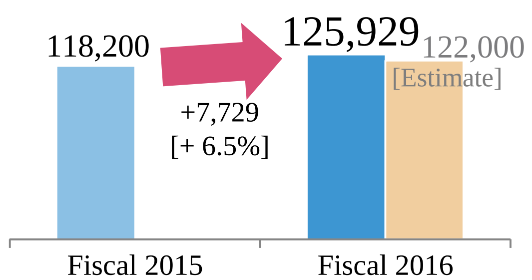
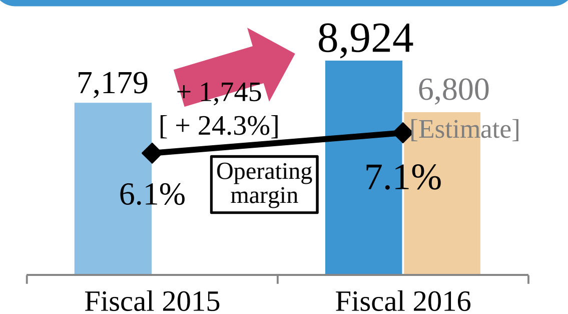
## IT Infrastructure Services

**Net Sales ¥125,929 million**
YOY change: +¥ 7,729 million [+ 6.5%]
Compared with estimate: +¥ 3,929 million[+ 3.2%]



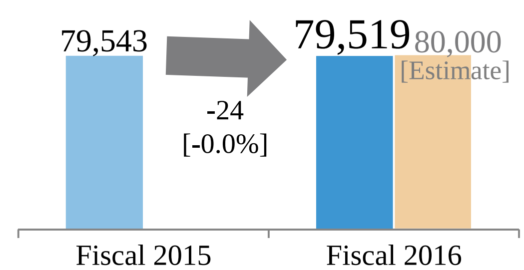

**Operating Income ¥ 8,924 million**
YOY change: + ¥1,745 million [+24.3%]
Compared with estimate: + ¥2,124 million [+31.2%]



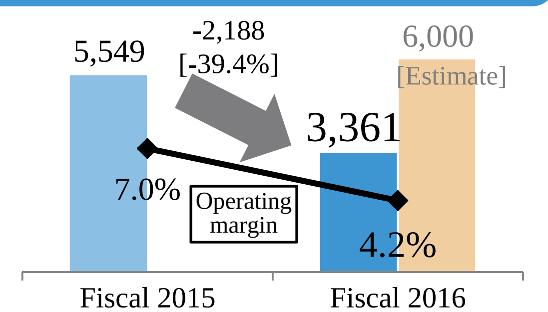

Stable demand for data center and BPO services, complemented by successful M&A activity, pushed segment sales higher year-on-year, and this, along with effective cost-cutting, helped offset the appearance of some low-profit projects and a reduction in the size of orders.

## Financial IT Services

**Net Sales ¥ 79,519 million**
YOY change: - ¥24 million [- 0.0%]
Compared with estimate: - ¥481 million [- 0.6%]



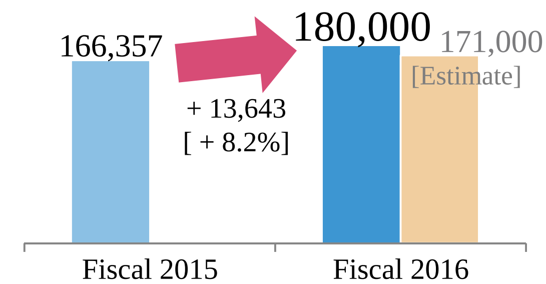

**Operating Income ¥ 3,361 million**
YOY change: - ¥ 2,188 million [- 39.4%]
Compared with estimate: - ¥2,639 million [- 44.0%]



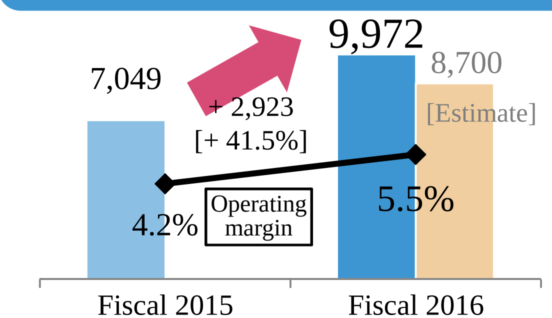

Trend toward greater IT investment was generally favorable across the client base, but effect of tighter IT investment budgets at some existing clients held segment sales to year-on-year par. Unprofitable projects compounded the situation, leading to a steep drop in operating income.

## Industrial IT Services

**Net Sales ¥180,000 million**
YOY change: +¥ 13,643 million [+ 8.2%]
Compared with estimate: +¥9,000 million[+ 5.3%]




**Operating Income ¥ 9,972 million**
YOY change: + ¥ 2,923 million [+ 41.5%]
Compared with estimate: + ¥1,272 million [+14.6%]




Demand was brisk, mainly for energy-related IT services, as electric power system reform spurred IT investment activity. Higher sales starting point, along with successful efforts to boost profitability, fueled growth in sales and income.



*Segment sales include intersegment sales.

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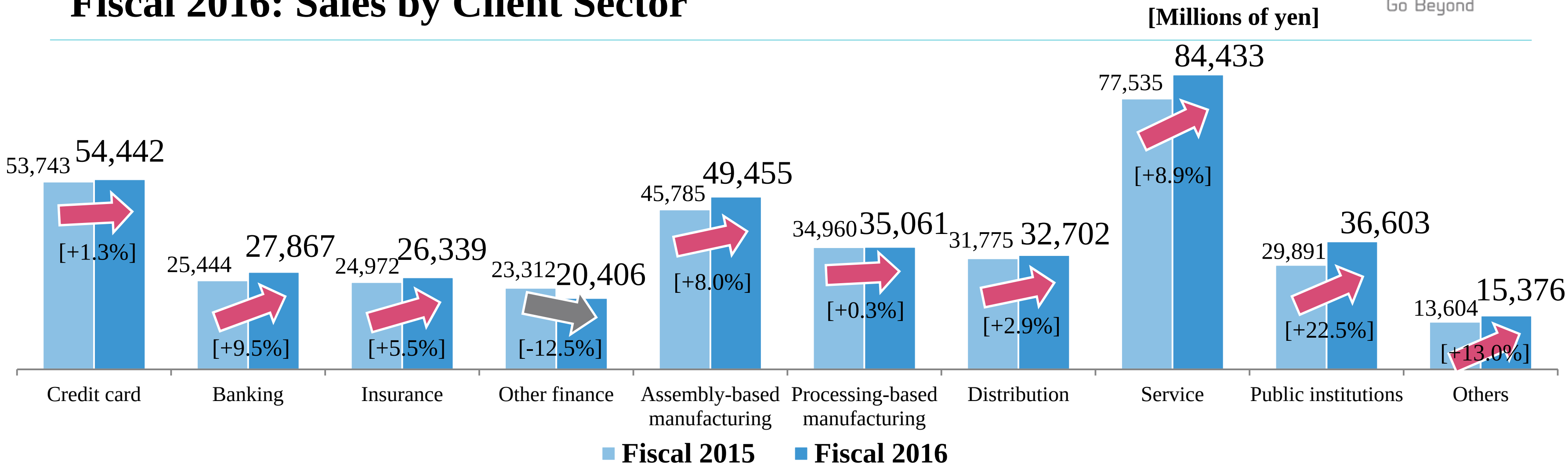
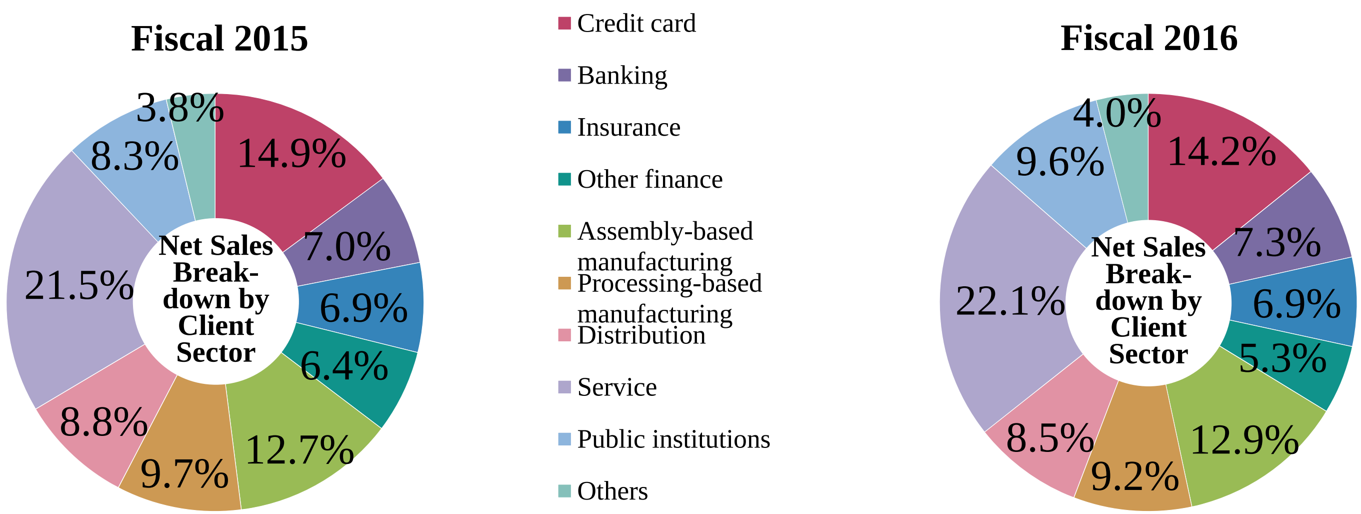
# Fiscal 2016: Sales by Client Sector




| | |
|---|---|
| Financial sector: 35.2 % | Industrial sector: 52.7 % |
| Public sector: 8.3 % | Other sectors: 3.8% |

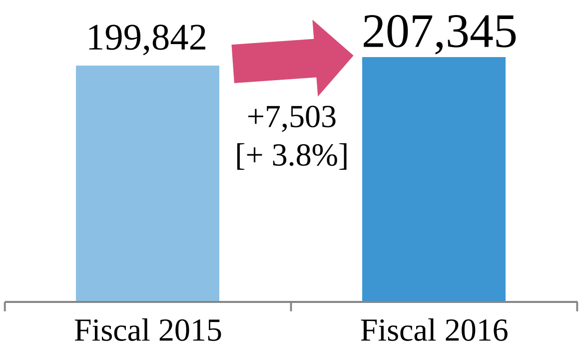
| | |
|---|---|
| Financial sector: 33.7 % | Industrial sector: 52.7 % |
| Public sector: 9.6 % | Other sectors: 4.0 % |

# Fiscal 2016: Order Status

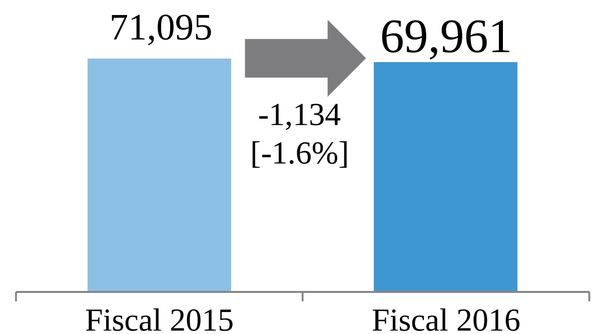
[Millions of yen]

- Order volume moved in a positive direction, spurred by demand for energy-related IT services. Posted year-on-year increase, as contribution from partial booking of large development projects for clients in credit card sector absorbed reactionary drop in large projects for public-sector clients secured in the third quarter of the previous fiscal year.
- Order backlog at year-end was down just a bit year-on-year, despite increase in order volume.

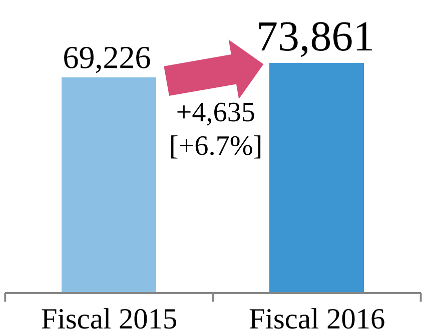
**Orders received during fiscal year**
**¥ 207,345 million**
YOY change: +¥7,503 million [+3.8%]



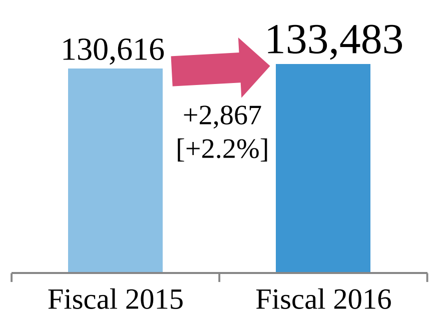

**Order backlog at year-end**
**¥ 69,961 million**
YOY change: - ¥1,134 million [-1.6%]



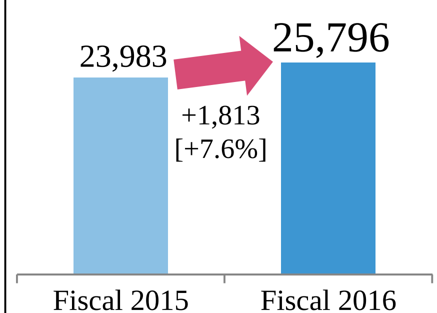

**Financial IT Services**



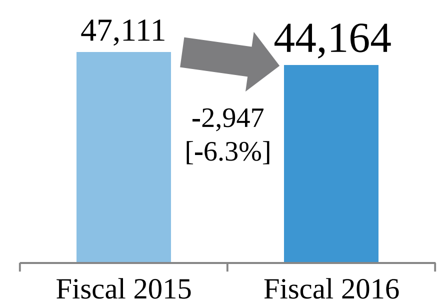

**Industrial IT Services**




**Financial IT Services**



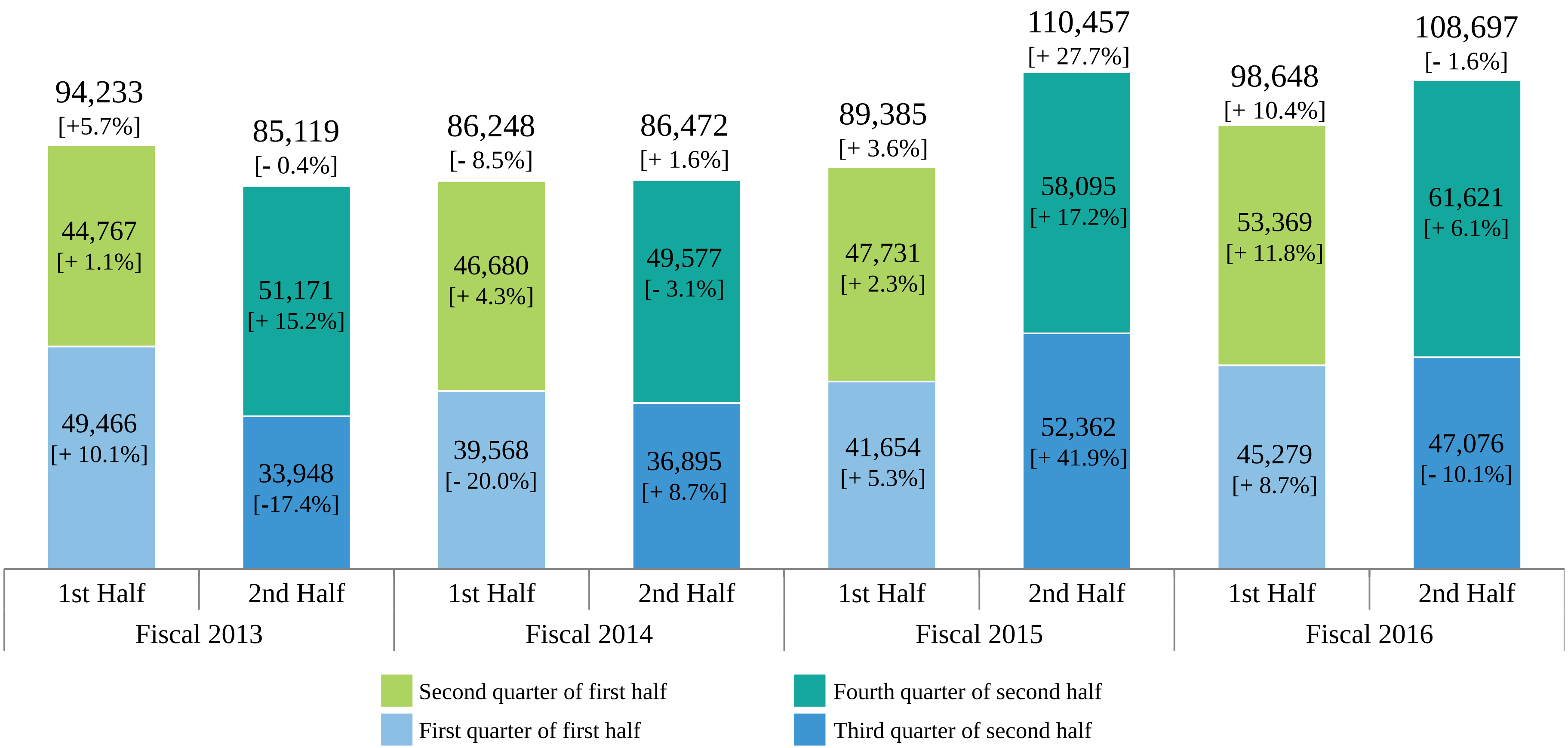

**Industrial IT Services**




*Order volume and backlog at term-end and net sales apply to Software Development only.

# Changes in Orders Received

[Millions of yen]

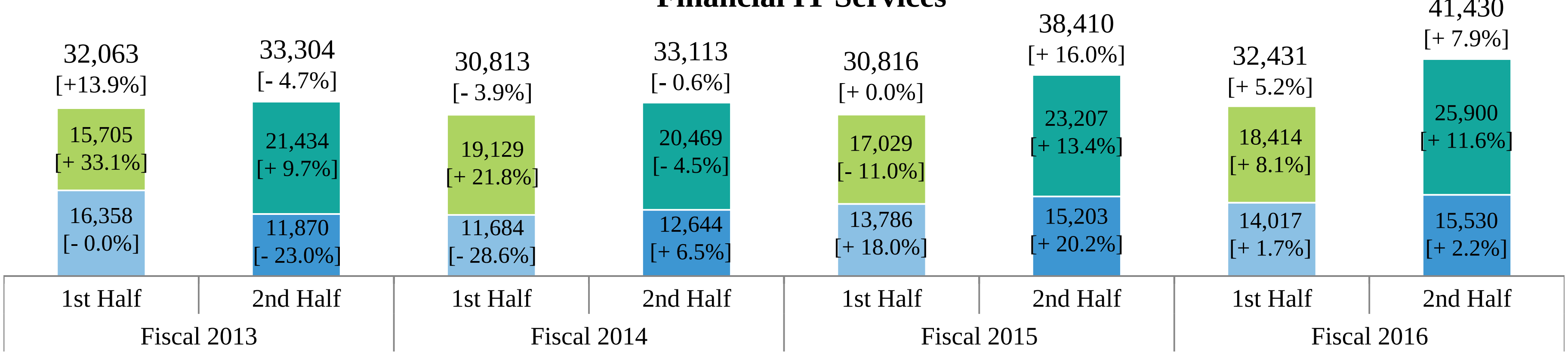



* Orders received during the term apply to Software Development only.
* Percentage figures in columns indicate increase or decrease from the previous term.

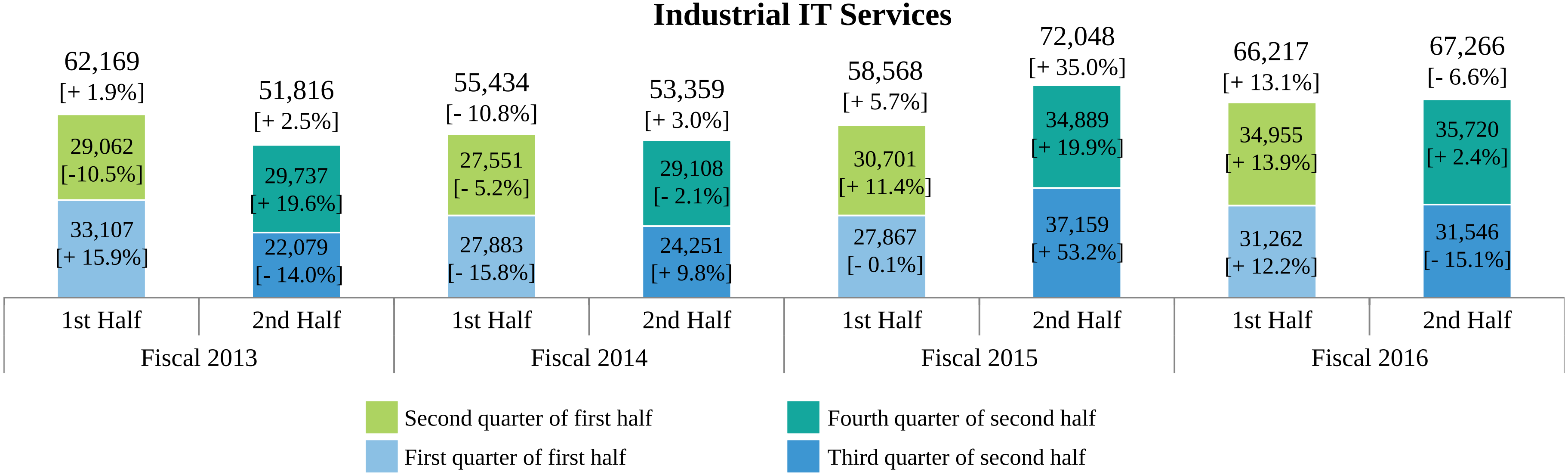
# Changes in Orders Received

[Millions of yen]

## Financial IT Services




## Industrial IT Services




* Orders received during the term apply to Software Development only.

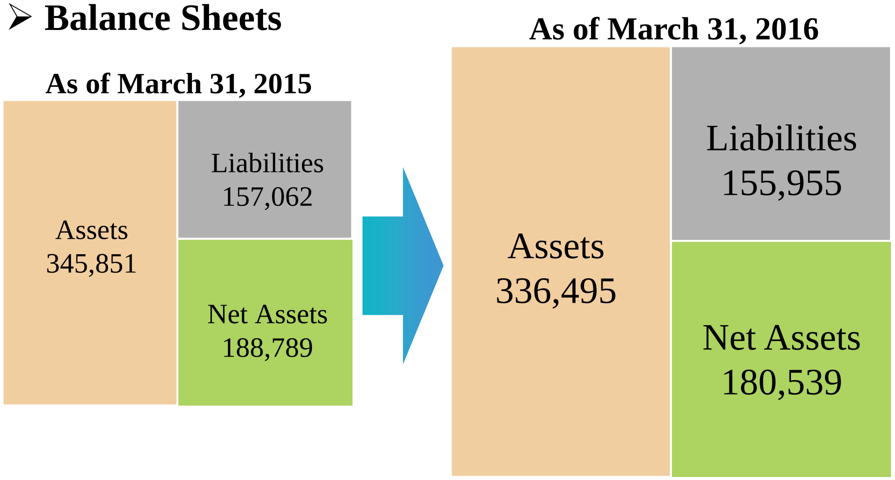
* Percentage figures in columns indicate increase or decrease from the previous term.

# Fiscal 2016: Balance Sheets and Interest-bearing Debt

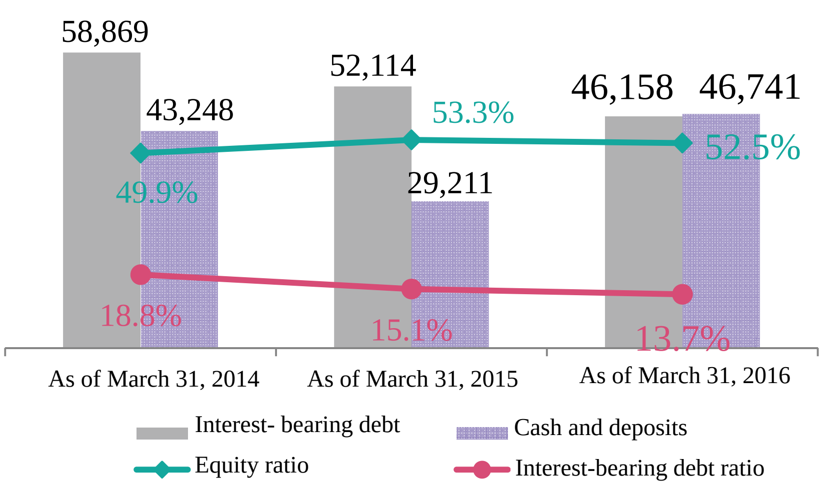
[Millions of yen]

• Made headway on asset reduction, mainly through a review of data center assets and stockholdings based on capital policy.

## ➢ Balance Sheets




## ➢ Interest-bearing Debt




### ➢ Assets: ：- ¥9,356 million

- Current assets ：+¥26,216 million
  [Includes cash and deposits (+¥17,530 million) and notes and accounts receivable (+ ¥ 5,848 million)]
- Fixed assets: - ¥ 35,573 million
  [Includes investments in securities (- ¥ 22,051 million) and tangible fixed assets (- ¥ 16,184 million)]

### ➢ Liabilities ：- ¥1,107 million

- Current liabilities: + ¥ 13,842 million
  [Includes income taxes payable (¥ 8,858 million)]
- Fixed liabilities: - ¥ 14,948 million
  [Includes deferred tax liabilities (- ¥ 10,280 million) and long-term loans (- ¥ 8,133 million)]

### ➢ Net Assets ：- ¥8,250 million

- Shareholders' equity: + ¥ 8,175 million
- Other total comprehensive income - ¥ 16,026 million

### ➢ Equity Ratio ：52.5% [-0.8%]

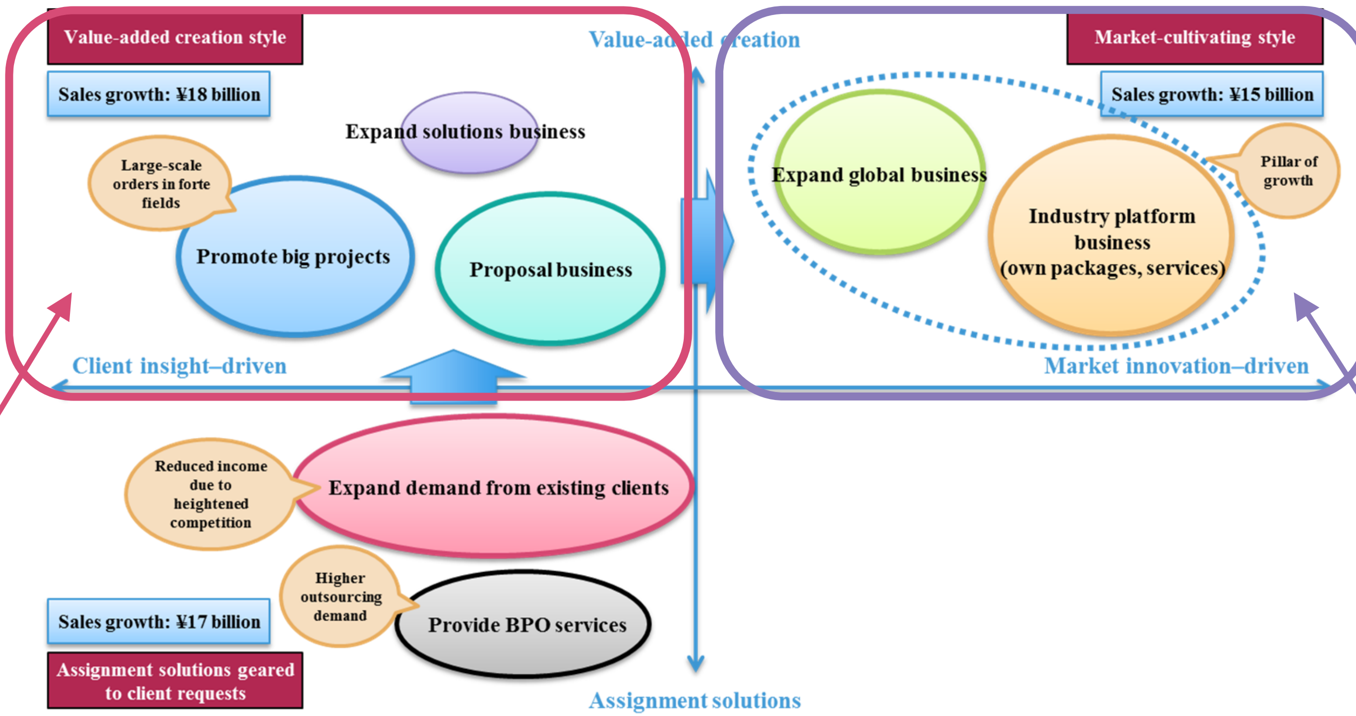
### ➢ Interest-bearing Debt：¥46,158million [-¥5,956million]

# Status of Progress on Third Medium-term Management Plan

| Third Medium-term Management Plan Basic Concepts | Fiscal 2016 Group Management Direction and Results | Going Forward—Key Points |
|---|---|---|
| **Profit Emphasis** | **Management with even greater emphasis on profitability**<br>1. Emphasize ROE as a key performance indicator and strive to boost corporate value<br>⇒Operating income margin hit 6.4%, ROE moved to 7.0%.<br>2. Improve profitability from business activities by raising productivity<br>⇒Regrettably, number of unprofitable projects rose. Situation recognized as major issue of concern within the Group.<br>3. Shift to management emphasizing return on invested capital<br>⇒Promoted review of data center assets and stockholdings based on capital policy | **Ensure total commitment to profitability focus (Work toward ROE of 8%)** |
| **IT Brain (Expand value-added business)** | **Broaden value-added services that contribute to clients' business expansion**<br>1. Sharpen forte strengths and prime the growth engine<br>⇒Concentrating BPO business at home and abroad under AGREX (in progress)<br>2. Promote proposal-type business (value-added business)<br>⇒Greatly expanded energy-related IT services<br>3. Promote industry platform business (market-cultivating business)<br>⇒Extended scope of applications for remote surveillance/preventative maintenance system CareQube<br>(See page 13 for example of application to IoT/forestry IT) | **Optimize overall Group capabilities, utilizing operating holding company structure**<br>**Expand value-added business** |
| **Portfolio Management** | **Seek overall optimization within the Group and highlight business portfolio management**<br>1. Take first step toward business portfolio management<br>⇒Laid out integration and restructuring plan to create business portfolio<br>2. Promote reforms in corporate governance<br>⇒Drafted and instituted basic policy on corporate governance<br>3. Promote integration and consolidate shared Group functions<br>⇒Office consolidation: Nagoya is next (summer 2016), following success in Tokyo and Osaka | **Sort out business portfolio**<br>**Develop and attract human resources suited to business model** |

# Status of Progress on Third Medium-term Management Plan –Redefining Business Structure

## Business Direction for Third Medium-term Management Plan




**Examples of activities in value-added creation style approach**

- Large orders captured, and still being captured, from credit card companies and public sector clients
- Scale of activities expanded in energy business, particularly EneLink, and digital integration business
- Lines of cooperation strengthened among Group companies to meet needs of specific clients
- Seed money invested in AI business start-up

**Examples of activities in market cultivating style approach**

- Expanded scale of business in the payment settlement market with PAYCIERGE brand
- Invested in new company in cloud-type system services business for clients in construction industry
- TastyQube introduced into operations at more than 10,000 stores in total
- TIS signed capital and business alliance agreement with PT Anabatic Technologies Tbk, an IT company listed in Indonesia

# Reference: Wider scope of applications for CareQube, remote surveillance/preventative maintenance system utilizing IoT

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## Actual application of CareQube expanding

- Production equipment makers: Beverage filling machines, paper-making equipment, metal-working equipment, industrial-use kitchen equipment, industrial waste-processing systems, automated warehouses
- Movable machinery makers: Forestry equipment, work vehicles used at height, agricultural machinery, construction machinery, road construction vehicles, special-purpose vehicles
- In-house facilities: Automotive components production facilities, casting machines, industrial waste-processing systems

## Application to Light Visualization Network by Light, a Forestry Equipment Handler

— Contributing to visualization in forestry operations —

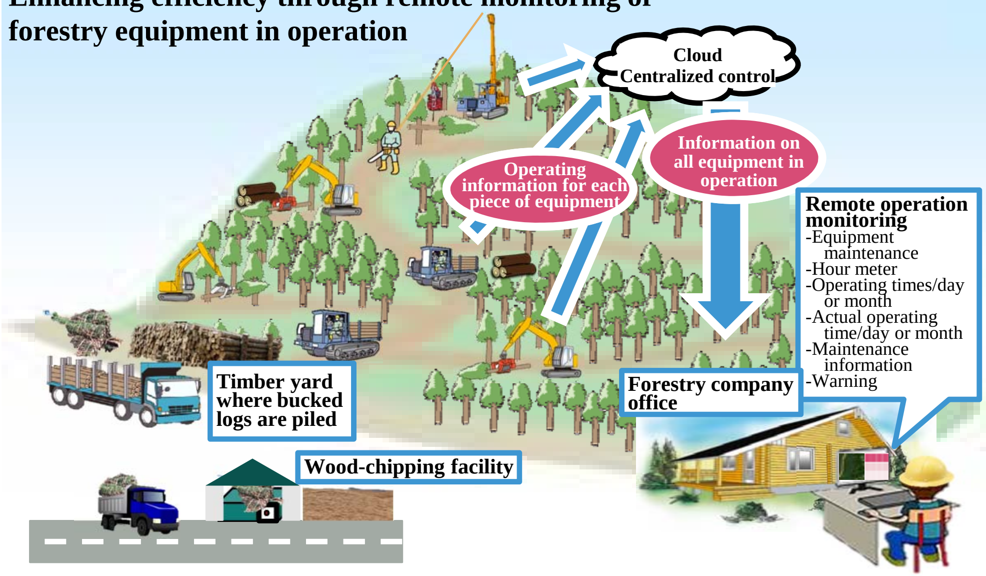
**Concerns that forestry workers have about machinery and materials management**

- Don’t notice breakdown/unusual condition of equipment
- Can’t pinpoint status of operating equipment
- Can’t position equipment in best place

**System features**

- Enables operators to gather machinery operation data and positioning information remotely
- Enables operators to determine timing for equipment maintenance
- Information-gathering terminal has excellent anti-shock and anti-vibration features

**Enhancing efficiency through remote monitoring of forestry equipment in operation**

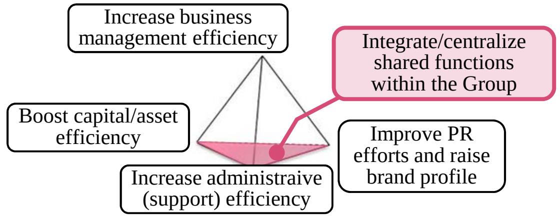



**Next steps**

-Create forestry supply chain through visualization of bucking operations

-System to ensure safety and peace of mind of forestry workers

# Fiscal 2016: Progress on Key Strategies




| Category | Theme | Strategies/Approaches | Fiscal 2015 | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2016 Grade | Comment |
|---|---|---|---|---|---|---|---|---|
| Integrate /consolidate shared functions within the Group | Increase administrative efficiency | ▪ Standardize administrative processes<br>▪ Expand shared systems groupwide | → | → | → | → | × | Pursuing discussions in line with next stage of Group formation |
| | | ▪Integrate/consolidate offices | | Osaka | Nagoya | Other areas (Overseas) | ○ | Office consolidation in Nagoya set for July 2016 |
| | Boost capital/asset efficiency | ▪ Improve capital efficiency | | → | → | → | △ | Raise level of capital management on groupwide basis |
| | | ▪ Improve asset efficiency | | → | → | → | ○ | Reviewed stockholdings, based on capital policy, and data center operations |
| | | ▪ Investment strategies | | → | → | → | △ | |
| | Raise Group awareness and cultivate sense of unity | ▪ Improve public relations efforts and raise brand profile<br>▪ Enhance in-house communication | → | → | → | → | △ | All logos to be unified from July 2016 |

| Category | Theme | Strategies/Approaches | Fiscal 2015 | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2016 Grade | Comment |
|---|---|---|---|---|---|---|---|---|
| Realize higher level of administrative management | Management with profitability emphasis | ▪ Introduce new key performance indicators (ROE, ROIC) | | → | → | → | ○ | Introduced indicators linked to ROE |
| | Greater sophistication in accounting, taxation and finance | ▪ Raise level of accounting and revenue control capabilities | | → | → | → | △ | Promoting projects toward IFRS implementation |
| | | ▪ Tackle local accounting and taxation topics (overseas) | → | → | → | → | ○ | Analyzed response to base erosion and profit shifting (BEPS) initiative |
| | Shareholder structure and IR practices | ▪ Stabilize shareholder structure<br>▪ Enhance corporate governance and IR practices | → | → | → | → | ○ | Expect to issue integrated report from fiscal 2017 |
| | Group human resources strategy | ▪ Embrace diversity in employment practices<br>▪ Train and utilize human resources | → | → | → | → | △ | Focused on steps to promote greater activity by women in the workplace |

Fiscal 2016 Financial Highlights

Fiscal 2016 Progress on Key Strategies

**New Management Structure, Management Direction, Priority Measures**

Fiscal 2017 Performance Forecast

Progress on Integration and Reorganization

Reference Materials

# New Management Structure

**New Representative**
- Pesident and Representative Director : Toru Kuwano
- Planned date of appointment: June 24, 2016

**New Management Structure**
- 10-director structure (includes three external directors)
- 5-member structure for Audit & Supervisory Board (includes three external members)

**Noteworthy Features of New Management Structure**

**(1)** Group management leveraging benefits of operating holding company structure
- Optimum placement of human resources within the Group
- Stronger cooperation between business segments

**(2) Enhanced corporate governance**
- Better monitoring capabilities for the Board of Directors
- Increase number of outside Audit & Supervisory Board members to three, from two

## (New) TIS *After affiliation of ITHD and TIS on July 1, 2016

**Candidates for Board of Directors and Audit & Supervisory Board Members**

-Chairman and Representative Director: Norio Maenishi
-President and Representative Director: Toru Kuwano
-Representative Director : Mitsushi Nishida
-Director: Josaku Yanai
-Part-time Director: Katsuki Kanaoka
-Part-time Director: Shigeki Kusaka
-Part-time Director: Yoshiyuki Suzuki
-External Director: Shingo Oda
-External Director: Yoshinobu Ishigaki
-External Director: Kouichi Sano

-Audit & Supervisory Board Member: Takuho Shimodaira
-Audit & Supervisory Board Member: Katsuhiko Ishii
-External Audit & Supervisory Board Member: Taigi Ito
-External Audit & Supervisory Board Member: Muneaki Ueda
-External Audit & Supervisory Board Member: Sadahei Funakoshi

**Group corporate planning division**

## INTEC Inc.

**Candidates for Board of Directors and Audit & Supervisory Board Member**

-Chairman and Representative Director : Katsuki Kanaoka
-President and Representative Director : Shigeki Kusaka
-Representative Executive Vice President: Yoshiyuki Suzuki
-Executive Vice President: Tomoki Sato
-Senior Managing Director: Katsuya Hirai
-Managing Director Tadayasu Ueno
-Part-time Director: Norio Maenishi
-Part-time Director: Josaku Yanai
-Audit & Supervisory Board Member: Seiichi Noguchi
-Audit & Supervisory Board Member: Yoshie Otaki
-Part-time Audit & Supervisory Board Member: Takuho Shimodaira

# Management Direction (1)

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**Mission**
**Work toward blended corporate group, as TIS INTEC Group, and promote portfolio management**

With market- and client-oriented perspective,
- quickly solve internal management issues, and
- as a cohesive group, contribute externally to digital management at client companies.

**Leverage features of operating holding company structure**

**Overall optimization of Group capabilities**

**Strive to build structure that derives maximum value from management resources available within the Group**

- Reinforce forte capabilities in businesses showcasing competitive excellence
- Raise level of excellence even higher in regions where Group enjoys comparative advantage over industry rivals and in businesses, such as BPO, and connect organically with existing businesses.

## Key Strategies

**Cultivate corporate culture with sense of solidarity**
- Establish Group vision
- Strengthen Group brand power

**Generate frontline energy and build a business portfolio**
- Train and keep human resources in management positions who bring capabilities well suited to the business model
- Improve and expand added-value/market-cultivating businesses

**Establish new Group governance**
- Promote best practices
- Apply Corporate Governance Code
- Enhance internal controls

**Underpinned by the new management structure of the TIS INTEC Group, we will raise corporate value.**

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# Management Direction (2)

**Given the huge change in client needs that now characterizes the IT services industry, our goal will be to accelerate efforts to promote portfolio management under the TIS INTEC Group banner.**

## Environment surrounding IT services industry

- Today, IT connects countless companies in the corporate world to each other as well as companies to customers, all in real time. The trend toward “digital management” is gaining steam, and clients’ requirements are changing as they look beyond existing improvements to the future and the potential to realize businesses geared to forward-looking perspectives.
- We, ourselves, are keen to move beyond simply providing clients with systems, and seek to work alongside clients and move forward together to achieve success.

## Accelerate efforts to promote portfolio management

- With clients becoming more selective in their choice of IT service providers, we run the risk of rapidly losing our competitive edge if we are not in the top provider group under each business model.
- We will take an inventory of current management resources within the Group and then select-and-concentrate to identify priority resources. We will boldly invest in segments with growth potential.
- We will prioritize the capabilities of employees as a management resource to respond flexibly to the changing market environment. We will augment the training budget and promote new approaches to work.

## Desired Growth Cycle

**New business investment**

**Provider selection by clients**

**Businesses where the Group enjoys a competitive advantage, namely, status as top corporate group in the industry**

**Improve profitability in applicable businesses**

**Lateral application across applicable industries**

**Reinforce training and redesign approaches to work to enable employees throughout the Group to maximize their capabilities**

# Priority Measures (1)

## 1. Steadily undertake big projects

Big projects will be driver of profit growth during Third Medium-term Management Plan. Highest priority projects will draw on composite capabilities.
⇒ Establish corporate risk monitoring structure different from usual to enhance responsiveness. Apply standardized development platform approach.

## 2. Reduce unprofitable projects

Huge problem for the Group and eradication is urgent issue.
⇒ Work at early-stage identification of unprofitable projects through such processes as regular "project health checks."

## 3. Restructure data center business

Flexible responses to fast-paced changes in the business environment, such progress in cloud computing and increasing commoditization, are generating new business opportunities.
⇒ Write off impairment losses, mainly conventional data center assets. Reinforce position as service centers.

## 4. Promote service-style businesses

Crucial factor in successful business restructuring underpinned by value-added creation style and market-cultivating style services.
⇒ Buds of growth steadily appearing, highlighted by EneLink for the energy sector and remote monitoring/preventative maintenance system CareQube

## 5. Promote global businesses

With the domestic IT services market maturing, efforts to extend range of business pursuits essential for long-term growth.
⇒ Accelerate business development with focus on ASEAN local markets through M&A opportunities. Also seek to streamline operations within the Group.

## 6. Get more involved, with focus on field of "fintech"—integrating finance and information technology—IoT and AI

Ability to respond to advance of new technologies and emerging industry currents is essential to support clients in their embrace of digital management.
⇒ Promote business development through presence in such fields as online settlement (payment market). Establish corporate venture capital system that facilitates fast, strategic investment activity, and offer new forms of added-value through business synergy with venture firms.

# Priority Measures (2)
# — Expand and promote services that create added value

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- The TIS INTEC Group will have a business portfolio noted for competitiveness, notably, INTEC's customer relationship management product (F$^3$) for clients in the finance industry and IoT responses from QUALICA.
  ⇒ Draw on huge advantages to fuel aggressive investment in growth fields, such as financial technologies and IoT.
- Will secure position as representative system integrator in Japan in payment settlement field. Utilize ability to visualize and implement business concepts from many years of experience to identify market trends and application techniques that support competitive superiority. Accelerate business development.

## Perception of Business Development in Payment Settlement Sector

### Traditional Credit Card Market

**Human Resources Training**

Handle platform systems for multiple credit card majors

**Human Resources Training**

**Applied investment in new technology**

Developed CreditCube, original solution based on know-how acquired through big projects.

### Market Creation Players in Growth Domains: Steady stream of new entries from other industries

**Human Resources Training**

**Application to service-style businesses**

Developed DebitCube+ and PrepaidCube+ to reflect diversification in payment settlement needs

**Investment matched to changing business environment**

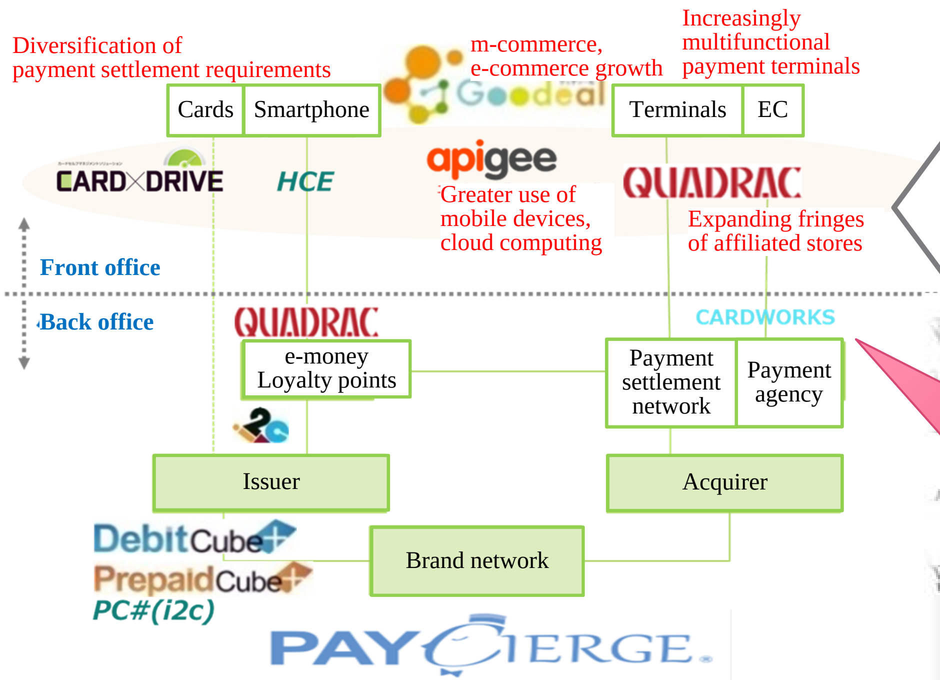
Tie in "fintech" and utilize Apigee for application program interface response

**Group Excellence: About 1,400 system engineers under Group umbrella with experience in payment settlement services and IT**

# Priority Measures (2)
# — Expand and promote services that create added value



- Offer one-stop access to rich assortment of payment settlement solutions, from front to back office.
- Anticipate needs, such as diversifying payment settlement requirements and increasingly multifunctional payment terminals, and establish No.1 service-style business model.
- Promote robust market cultivation by forming capital and business alliances with local companies in growth markets.




Consolidate know-how accumulated over many years in serving credit card and consumer finance companies to reinforce business development in payment settlement sector

Enter e-money sector through alliances

Goals are to —
- establish No.1 settlement solution
- turn a profit on new services, and
- create No.1 service-style business model

Provided above solutions and know-how to local companies in which an equity stake taken to encourage local market cultivation

1) Bangkok, Thailand
   MFEC Public Company Limited (PromptNow Co., Ltd.): 18% stake (majority shareholder status)

2) Jakarta, Indonesia
   Anabatic Technologies: 20% stake (equity method affiliates)

# Priority Measures (3)
# — Efforts to prevent occurrence of unprofitable projects

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- Promote best practices within the Group and strive to keep occurrence of unprofitable projects to between 1.0% and 1.5% of software development sales.

## Corporate-level risk management/process optimization

- Head office system design x Frontline implementation capabilities = Fewer unprofitable projects
  (Head office) Will focus on high-risk projects and selectively monitor, follow-up and support activities
- Strengthen project risk monitoring
- Take part in/support project management divisions
  (Frontline) Small-scale and maintenance projects, in particular, will be checked out on premises and stick to a process where measures have been drawn up to address issues

## Enhanced engineering capabilties

- Turning well-honed production technology into solutions (C2J, reactive systems)
- Better upstream engineering
  Synthesis with Nablarch*

## Training for technicians

- More extensive and enhanced teaching materials for project management and engineer training
- Boost partner procurement capability

**Establish and then enhance standards from groupwide perspective and promote application**

*Nablarch: TIS' original Java application development/ implementation platform comprehensively designed for developing corporate information systems

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# Understanding the External Environment

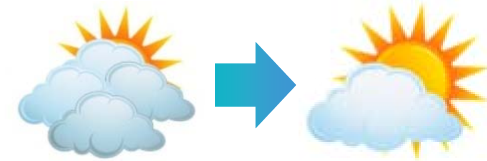
- Although economic path ahead is uncertain, the business environment should remain favorable, against a backdrop of growing IT investment needs among clients who are increasingly keen on digital management.
- With the business environment humming with activity, ongoing issues will be to secure human resources to meet demand and to make project management more efficient.

To date From now

## IT Infrastructure Services

➢Data center business should continue to benefit from trend toward greater use of cloud services. Inquiries on appropriate management of My Number system should increase.

➢BPO business should see sustained increase in demand for outsourced administrative services contributing to improved corporate management.

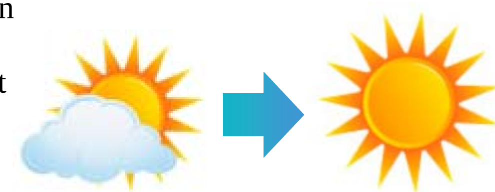


## Financial IT Services

➢In the credit card sector, IT investment, especially core system replacement demand, will remain high.

➢Among banks, system integration and overhauls by the majors have come to an end, but interest in "fintech" and other IT investment will continue to grow as banks push ahead on business and service reforms.

➢Introduction of negative interest rates could impact the IT investment trends of financial institutions.

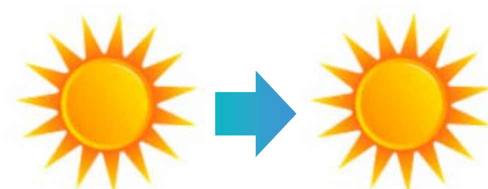


## Industrial IT Services

➢In manufacturing, service and distribution sectors, companies will continue to invest in front-office IT to sharpen competitive edge, especially in marketing-related pursuits, but temporary lull is a worry, given business sentiment.

➢In the public sector, IT investment directed toward the start of the My Number social security and tax identification system is coming full circle.

➢In the utilities sector, IT investment following changes in the power system structure should remain brisk even after the start of fully deregulated sales of power in April 2016. IT investment to facilitate gas system reform should also expand.



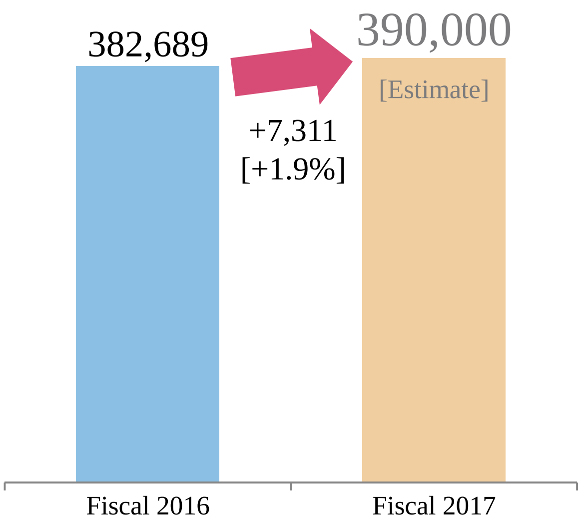
* These trends may differ from general industry trends since management's assumptions also take into consideration the status of IT investment by clients

# Fiscal 2017: Performance Forecasts Highlights

**[Millions of yen]**

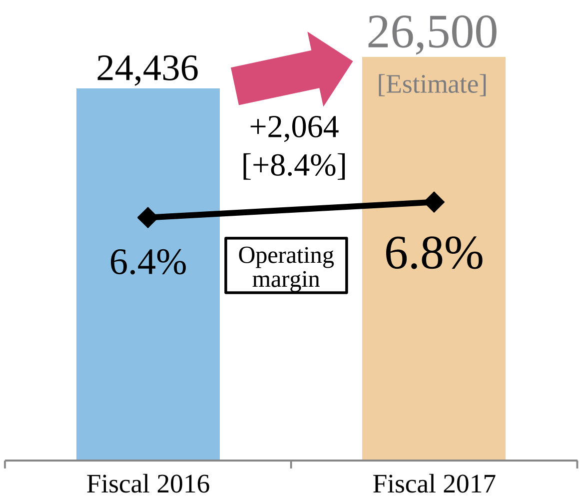
- Expect year-on-year increases in sales and income.
- Aim to expand business by responding accurately to clients' IT investment needs and by steadily executing big projects. Will also roll out profit-improvement measures, including steps to boost productivity and reduce the number of unprofitable projects.

**Net Sales ¥390,000 million**
YOY change: +¥ 7,311 million [+ 1.9 %]



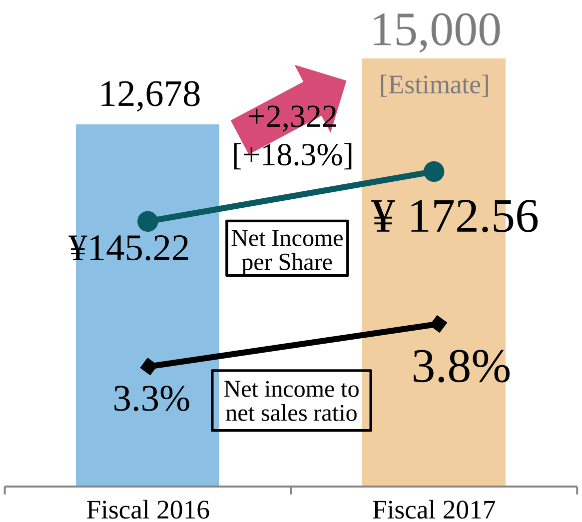

Anticipate higher net sales, underpinned by business expansion through accurate responses to clients' IT investment needs and by steady execution of big projects.

**Operating Income ¥ 26,500 million**
YOY change: +¥2,064 million [+ 8.4%]




Expect higher operating income, buoyed by the higher net sales starting point as well as measures to boost income, namely, a reduction in the number of unprofitable projects and an improvement in productivity.

**Net income attributable to owners of the parent company ¥ 15,000 million**
YOY change: +¥2,322 million [+ 18.3%]




Looking at higher net income attributable to owners of the parent company, thanks to higher operating income.

# Fiscal 2017:
# Net Sales and Operating Income Analysis [Forecast]

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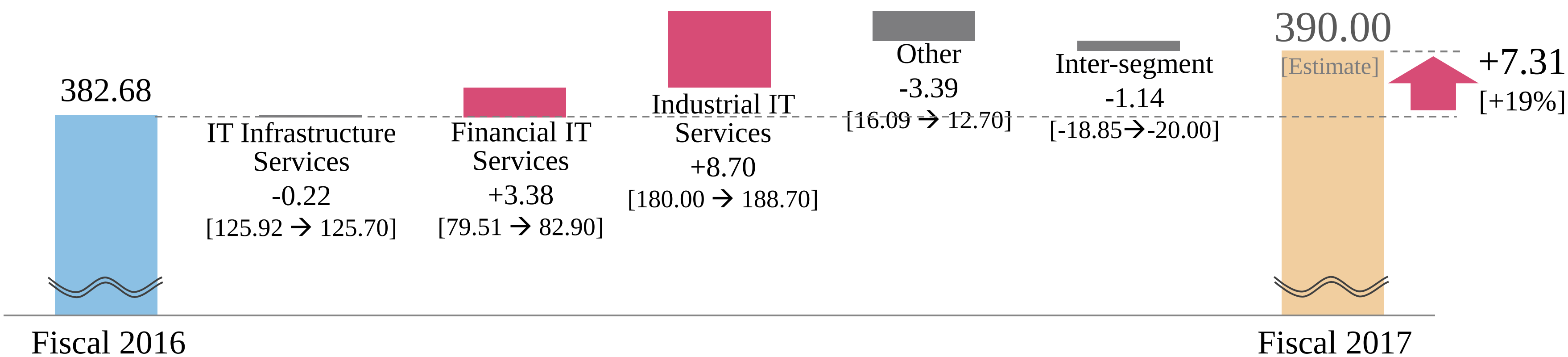
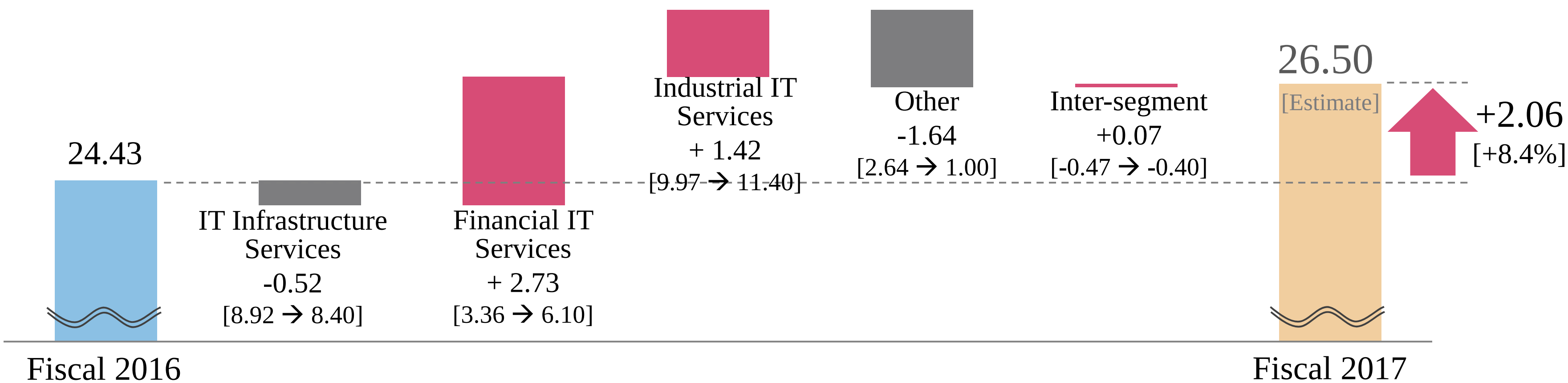
**[Billions of yen]**

## Net Sales




## Operating Income



# Fiscal 2017:
# Key Business Segment Performances [Forecast]

[Millions of yen]

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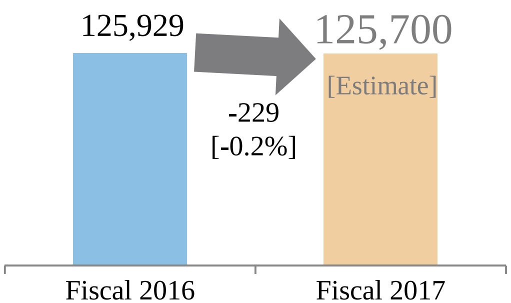
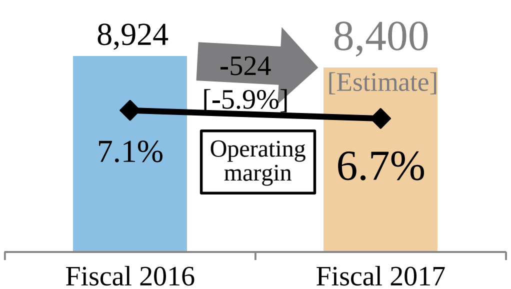
## IT Infrastructure Services

**Net Sales ¥125,700 million**
YOY change: - ¥229 million [-0.2%]



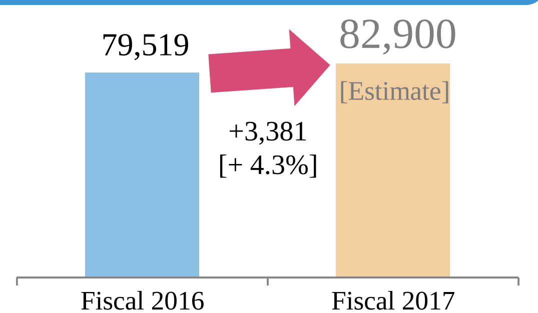

**Operating Income ¥ 8,400 million**
YOY change: - ¥ 524 million [-5.9%]



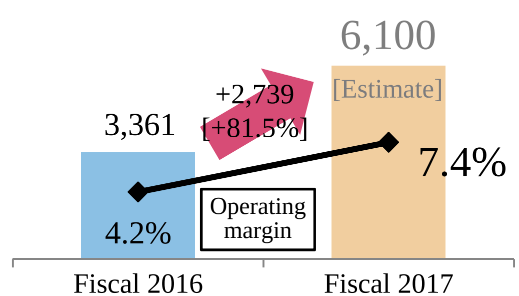

Sales and income are expected to decrease year-on-year, but this due to the impact of organizational restructuring. In actual fact, sales and income should increase.

## Financial IT Services

**Net Sales ¥82,900 million**
YOY change: + ¥ 3,381 million [+4.3%]



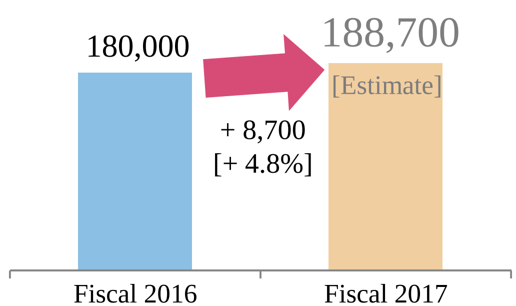

**Operating Income ¥ 6,100 million**
YOY change: + ¥ 2,739 million [+ 81.5 %]



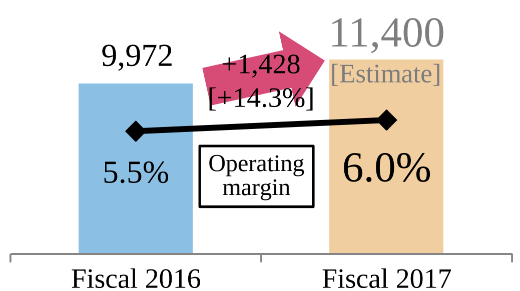

Anticipating higher sales and income year-on-year, buoyed by contribution from big development projects and fewer unprofitable projects.

## Industrial IT Services

**Net Sales ¥188,700 million**
YOY change: +¥ 8,700 million [+4.8%]




**Operating Income ¥ 11,400 million**
YOY change: +¥ 1,428 million [+ 14.3 %]




Looking at an increase in sales and income year-on-year, thanks to growth accompanying an overall increase in IT investment as well as a reduction in unprofitable projects and an improvement in productivity.

*Segment sales include intersegment sales.

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# Fiscal 2017: Dividend Forecast

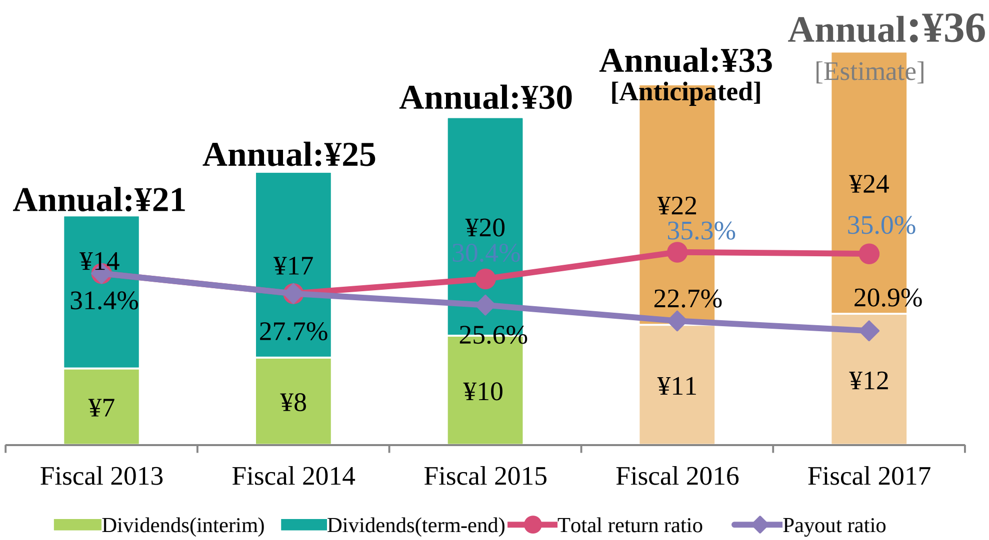
**<Policy on return to shareholders>**

Will adopt total shareholder return measure (total return ratio) to promote shareholder returns through dividends and an appropriate capital structure through treasury stock buyback.

**Target 35% total return ratio**
**(Stable, continuous dividends + share buybacks)**

## Annual dividend per share (planned): ¥ 36 (up ¥3 from fiscal 2016)

### Changes in Dividends per Share




**Details on Treasury Stock Buyback**
**Announced May 10, 2016**

**1. Reason for acquisition of own shares**
To achieve flexibility in capital policy adapted to changes in the operating environment, and to improve shareholder returns and capital efficiency.

**2. Details on buyback**
(1) Class of shares to be acquired: Common stock
(2) Total number of shares to be acquired: 1,100,000 (maximum)
(3) Aggregate acquisition amount: ¥2,100,000,000 (maximum)
(4) Period of acquisition: May 11, 2016 – August 10, 2016
(5) Method of acquisition: Market purchase through the Tokyo Stock Exchange

*Total return ratio: Total amount of dividends and treasury stock buybacks as a percentage of net income.

*Total return ratio: Total amount of dividends and treasury stock buybacks as a percentage of net income.

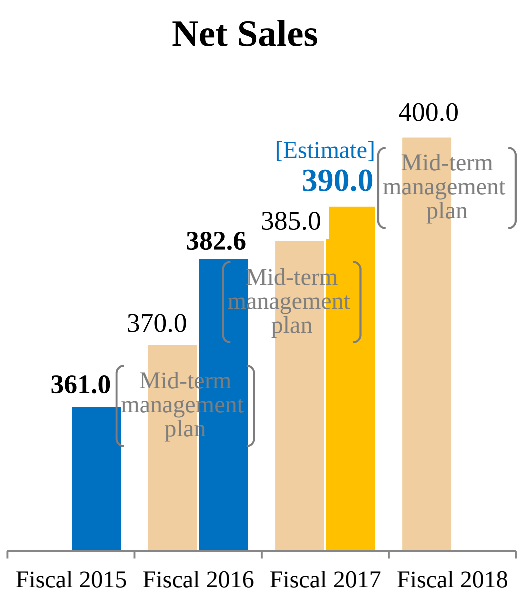
# Third Medium-term Management Plan: Status of Key Performance Indicators

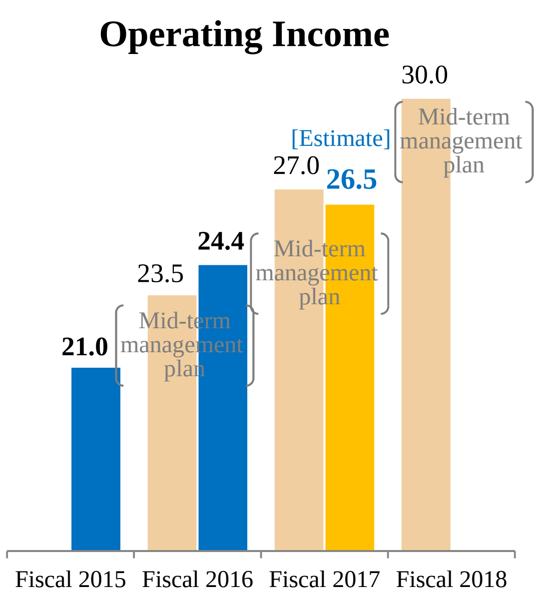
**[Billions of yen]**

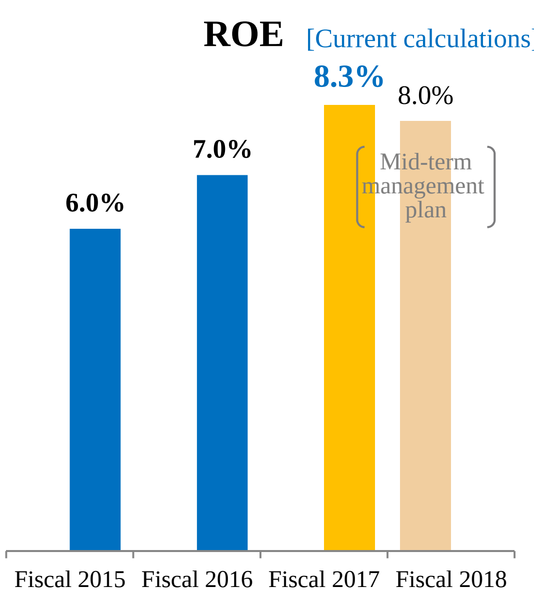
**Net sales**
Progress trending above target in medium-term management plan. Prospects good for reaching fiscal 2018 target.

**Operating income**
Fiscal 2016 result surpassed target. Fiscal 2017 result may come in slightly below target, owing to increased burden from selling, general and administrative expenses paralleling revision of tax law. Progress will get back on track in fiscal 2018 toward ¥30 billion medium-term target.

**ROE**
Improved, paralleling higher performance results. By current calculations, could reach medium-term target of 8.0% by fiscal 2017, a year ahead of schedule.



Fiscal 2016 Financial Highlights

Fiscal 2016 Progress on Key Strategies

New Management Structure, Management Direction, Priority Measures

Fiscal 2017 Performance Forecast

**Progress on Integration and Reorganization**

Reference Materials

# Overall Image of Integration and Reorganization

**Day1**
April 2016

- Some operations at TIS will be transferred to INTEC and vice versa
  - Transfer from TIS to INTEC : Business activities related to national health insurance program
  - Transfer from INTEC to TIS : Business activities related to electric power and gas sectors, overseas business activities

Now

**Day1**
July 2016

- Transition to operating holding company structure through merger of ITHD and TIS
- Corporate name will change from IT Holdings to TIS
- Consolidate group brands: Under TIS INTEC Group banner

**Business Realignment during Gap between Day 1 and Day 2**

- Businesses/operations under consideration for realignment
  - Bank-related business
  - Regional hubs, local area subsidiaries
  - IT infrastructure
  - Service platforms
  - BPO business

**Day2**

- Realign and integrate operations under organizational and corporate structures that best demonstrate business strengths, such as business model and management style

# Progress to Date

## Day1

| | |
|---|---|
| **Day 1 (April 2016)** | ● Completed the following transfer of businesses as of Day 1 (April)<br>(1) Business activities related to national health insurance program (TIS⇒INTEC)<br>➢ TIS transfers ¥1.6 billion in net sales to INTEC<br>(2) Business activities related to electric power and gas sectors (INTEC⇒TIS)<br>➢ INTEC transfers ¥2.2 billion in net sales to TIS<br>● In overseas business, BPO business in Thailand centralized under AGREX (May) |
| **Day 1 (July 2016)** | ● Preparations moving steadily ahead. |

## Business Realignment during Gap between Day 1 and Day 2

| | |
|---|---|
| **Bank-related business** | ● Priority on discussions to determine approach to integration of some banking-related business activities |
| **Regional hubs, local area subsidiaries** | ● Select several areas as candidates for integration and reorganization<br>● Plan to pursue detailed discussions later |
| **IT infrastructure** | ● Considering specific measures to achieve efficient operations at data centers (some measures started) |
| **Service platforms** | ● (To be discussed later) |
| **BPO business** | ● Promoting centralization of domestic and international BPO business under AGREX |

# Toward Day 2
# Basic Concepts: (1) Optimized Group Formation

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| Based on Day 1 status | **Group formation based on multi-company structure utilizing strengths and special qualities of each company**<br>• Through discussions on integration and reorganization, we realized that carelessly combining management styles and various systems, such as personnel systems, could weaken respective strengths of each company<br>• To prevent erosion of strengths and in fact polish these strengths further, we opted for a Group formation built on multi-company structure |
|---|---|

**Implement the following steps to build structure that derives maximum value from management resources available within the Group**

**1 Realign and integrate businesses and then apply select-and-concentrate approach to redefine business activities**

- Resolutely promote realignment and integration of businesses scattered among all companies under Group umbrella
  - ➢ In business realignment and integration, find formation that best demonstrates business strengths, based not just upon business model similarities but also on management styles and personnel expenditure structures
- Try to predict management environment of the future and fine-tune businesses currently under the umbrella

**2 Establish matrix-style cooperation-inspiring group structure (corporations x business domains)**

- For businesses best left to Group companies to pursue, a format will be introduced—a system designed to reinforce connections between businesses and functions—to encourage lateral cooperation among companies under the Group umbrella

# Toward Day 2
# Basic Concepts: (2) Strengthening Group Management Platform

- **Efforts to reinforce the Group management platform will parallel efforts to redefine the Group formation.**

## 1 Instill new Group vision

- Start fostering corporate culture shared throughout the Group. Cultivate shared sense of values groupwide, establish a vision, and let these qualities and forward-looking perspective be the unifying force that pulls the whole organization together.

## 2 Promote measures that cut laterally across the Group to improve development and operating productivity

- Identify best practices from measures undertaken at each company to boost development and operating productivity, and promote these practices across the Group structure. This will help to improve the value of the services provided and prevent projects from turning unprofitable.

## 3 Encourage innovation that draws on groupwide know-how

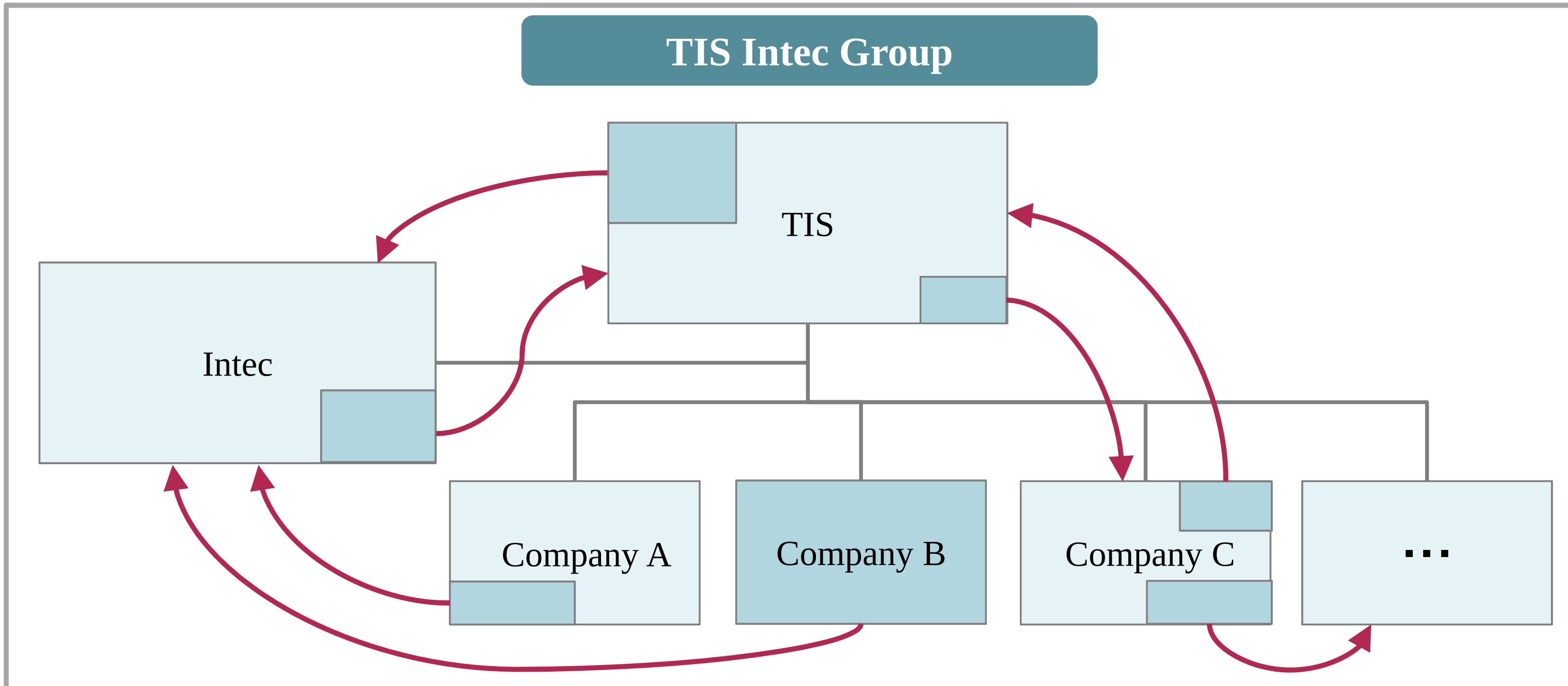
- Encourage innovation that consolidates lead-edge technology know-how, such as IoT, financial technologies, AI and robotics, from Group companies and link the knowledge to new value creation for companies, industry and society

## 4 Integrate head office functions and promote common access to such functions

- Push toward integration of head office functions and reinforce Group governance.
- Expand scope of applicable shared services, which have been available to some Group companies already, reduce management and indirect costs within the Group, and raise service levels.

# Toward Day 2
# View of Business and Organizational Realignment and Integration

- Realign and integrate the businesses of Group companies into a formation that achieves the maximum value out of management resources, based on such key factors as business model, management style and personnel expense structure.
- In the realignment and integration process, look beyond the current allocation of business at Group companies and build a formation from the perspective of overall Group optimization.




**By ensuring diversity in management styles and personnel cost structures, we will be able to respond flexibly to changing market conditions, changing client needs and changing competitive forces.**

Fiscal 2016 Financial Highlights

Fiscal 2016 Progress on Key Strategies

New Management Structure, Management Direction, Priority Measures

Fiscal 2017 Performance Forecast

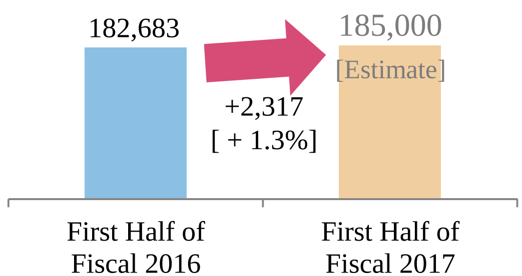
Progress on Integration and Reorganization

**Reference Materials**

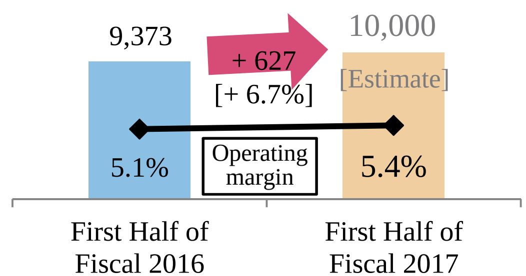
# Fiscal 2017 First Half:
# Sales and Income for Key Business Segments [Forecast]

[Millions of yen]

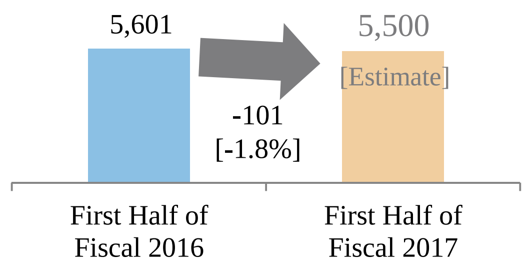
### Net Sales




### Operating Income

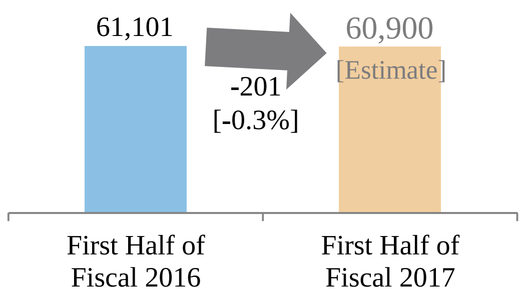



### Net income attributable to owners of the parent company

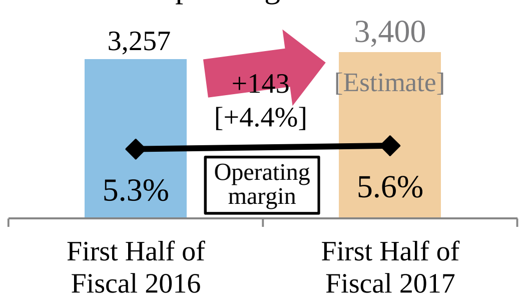



### IT Infrastructure Services

<Net Sales>

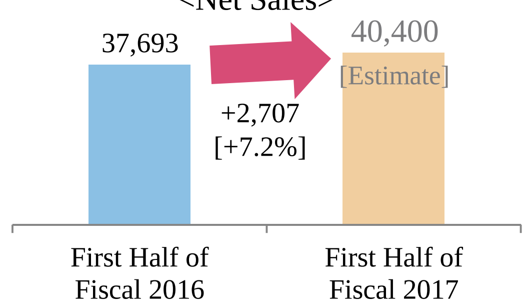



<Operating Income >

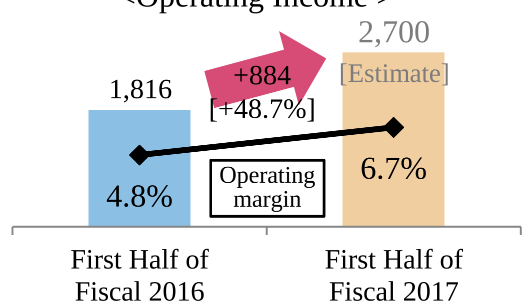



### Financial IT Services

<Net Sales>

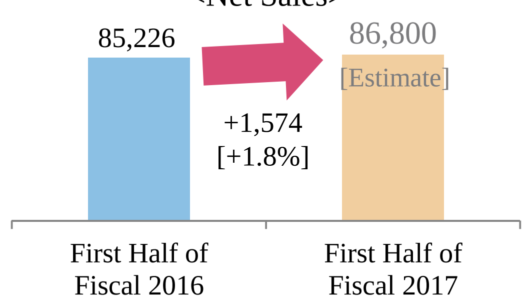



<Operating Income >




### Industrial IT Services

<Net Sales>

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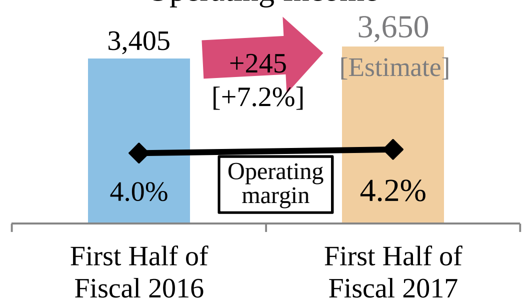
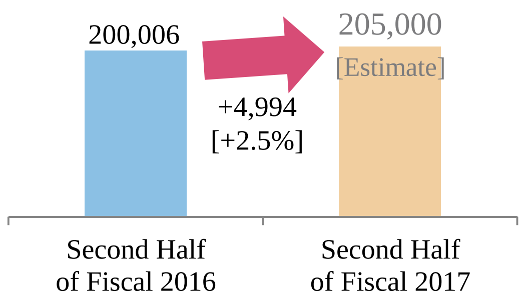



*Segment sales include intersegment sales.

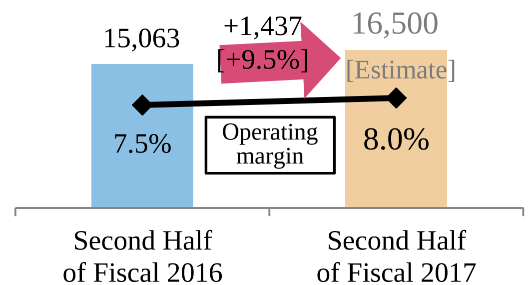
# Fiscal 2017 Second Half:
# Sales and Income for Key Business Segments [Forecast]

[Millions of yen]

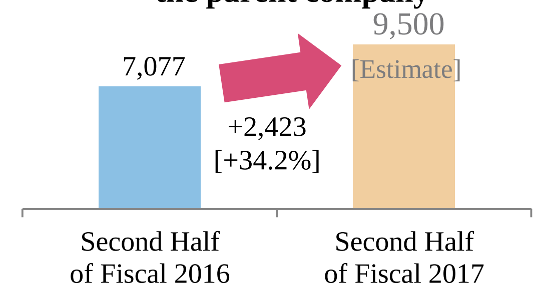
## Net Sales




## Operating Income

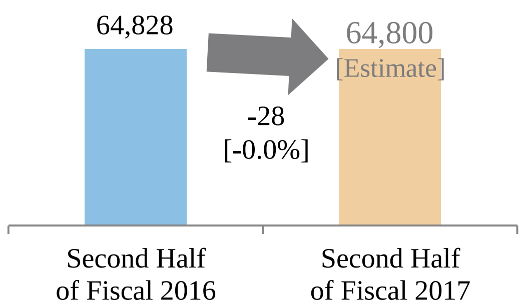



## Net income attributable to owners of the parent company

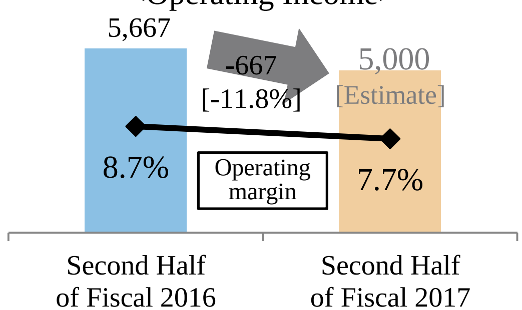



## IT Infrastructure Services

<Net Sales>

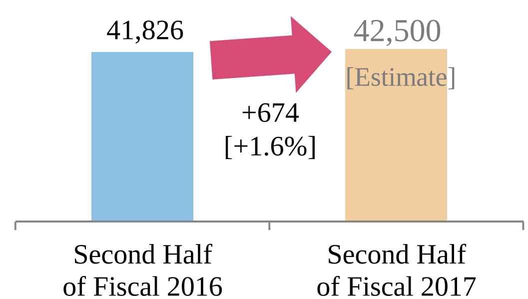



<Operating Income>

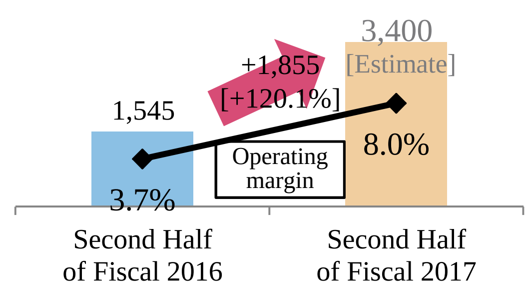



## Financial IT Services

<Net Sales>

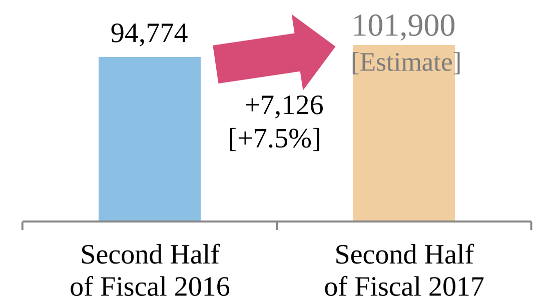



<Operating Income>

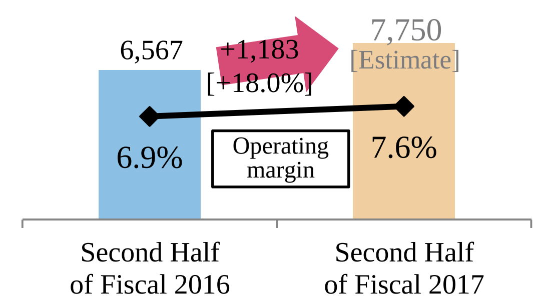



## Industrial IT Services

<Net Sales>




<Operating Income>




*Estimated amounts for the second half of Fiscal 2016 are calculated by subtracting the first half estimates from the annual estimates of Fiscal 2016. *Segment sales include intersegment sales.

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**Cautionary Statements**
- In these materials, IT Holdings is abbreviated ITHD.
- All statements described in these materials are based on information available to management regarding the ITHD Group—that is, ITHD and the subsidiaries under its umbrella—as of the presentation date and certain assumptions deemed reasonable at this time. No intent is implied of promise by the Company to achieve such forward-looking statements. Indeed, various factors may cause future results to be substantially different from the assumptions presented in these materials.
- Amounts for each three-month quarter are calculated by subtracting data for the respective period from the cumulative total.