



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2015
(April 1, 2014 through June 30, 2014)
(Prepared pursuant to Japanese GAAP)

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

July 30, 2014

Company name: IT Holdings Corporation
 Stock exchange listings: The First Section of the Tokyo Stock Exchange
 Stock code: 3626
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Scheduled dates
 Submission of quarterly report: August 13, 2014
 Commencement of dividend payments: -
 Supplementary materials to the quarterly results: Available
 Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2015
(April 1, 2014 – June 30, 2014)

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

| | Net sales | | Operating income | | Recurring profit | | Net income | |
|-----------------------|-----------------|-------|------------------|---|------------------|---|-----------------|---|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % |
| First Quarter, FY2015 | 80,057 | 10.8 | 745 | — | 1,036 | — | 347 | — |
| First Quarter, FY2014 | 72,223 | (0.5) | (725) | — | (450) | — | (670) | — |

Note: Comprehensive income: First Quarter FY 2015: (983) million yen (- %), First Quarter FY 2014: (23) million yen (- %)

| | Net income per share – basic | Net income per share – diluted |
|-----------------------|------------------------------|--------------------------------|
| First Quarter, FY2015 | yen 3.97 | yen 3.96 |
| First Quarter, FY2014 | (7.64) | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|------------------------------|-----------------|-----------------|--------------|
| | millions of yen | millions of yen | % |
| End of First Quarter, FY2015 | 304,687 | 162,963 | 50.9 |
| End of FY2014 | 313,610 | 164,502 | 49.9 |

For reference: Total equity: End of first quarter, FY2015: 155,012 million yen End of FY2014: 156,452 million yen.

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

2. Cash Dividends for Shareholders of Common Stock

| Record date or period | Cash dividends per share | | | | |
|-----------------------|--------------------------|-------------|----------|--------------|--------------|
| | End-Q1 | End-Q2 | End-Q3 | Year-end | Total |
| FY2014 | yen - | yen 8.00 | yen - | yen 17.00 | yen 25.00 |
| FY2015 | - | - | - | - | - |
| FY2015 (forecast) | - | 10.00 | - | 20.00 | 30.00 |

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

3. Forecast of Consolidated Results for FY2015 (April 1, 2014 – March 31, 2015)

Percentages indicate year-over-year changes

| | Net sales | | Operating income | | Recurring profit | | Net income | | Net income per share – basic |
|---|-----------------|-----|------------------|------|------------------|------|-----------------|------|------------------------------|
| | millions of yen | % | millions of yen | % | millions of yen | % | millions of yen | % | Yen |
| First half of FY 2015 (six months ending Sep. 30, 2014) | 165,000 | 1.0 | 9,000 | 17.6 | 9,000 | 14.5 | 4,500 | 16.7 | 51.38 |
| Full FY 2015 (year ending Mar. 31, 2015) | 355,000 | 2.4 | 21,500 | 10.2 | 20,500 | 8.1 | 10,000 | 26.4 | 114.25 |

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

※ Notes

- (1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None; Exclusions: None
- (2) Accounting methods specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with amendments to accounting standards, etc.: Yes
 - 2) Changes other than noted in 1) above: Yes
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

Note: For further details, please refer to “(1) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement” in the “2. Other Information” on page 4 in the Accompanying Materials.
- (4) Common stock issued
 - 1) Issued shares as of period-end (including treasury stock):
 - End-First Quarter, FY2015 (June 30, 2014): 87,789,098 shares
 - End-FY2014 (March 31, 2014): 87,789,098 shares
 - 2) Treasury stock as of period-end:
 - End-First Quarter, FY2015 (June 30, 2014): 317,042 shares
 - End-FY2014 (March 31, 2014): 4,337 shares
 - 3) Average number of shares (during the respective three-month period):
 - First quarter, FY2015 (ended June 30, 2014): 87,678,294 shares
 - First quarter, FY2014 (ended June 30, 2013): 87,769,659 shares

*Quarterly review status

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

Caution on Forward-Looking Statements and Other Important Matters

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

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

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first quarter of fiscal 2015 (April 1, 2014 – June 30, 2014), the Japanese economy on the whole continued its steady recovery, despite a temporary slowdown due to the reversion to the last-minute demand caused by the rise in consumption tax.

In the IT services industry, to which the IT Holdings Group belongs, the Bank of Japan's quarterly Short-term Economic Survey of Principal Enterprises in Japan (issued in June 2014) pointed to a continued improvement in IT investment on the back of economic indicators such as a 3.3% increase year on year in software investment plan (all manufacturing & financial institutions), as the business environment remained strong.

Under these circumstances, the Group focused on the implementation of the various measures based on the Group management strategy under the three basic concepts of "Top-Line Emphasis," acting "as One Company" and being "Enterprising and Bold" of the ongoing second medium-term management plan.

Consolidated net sales for Group in the first quarter increased 10.8% versus the same period of the previous fiscal year to ¥80,057 million. Operating income recovered to ¥745 million from a loss of ¥725 million a year earlier, while the Group recorded a recurring profit of ¥1,036 million compared with a loss of ¥450 million in the previous fiscal year, and a net income of ¥347 million versus a loss of ¥670 million a year earlier.

Consolidate net sales on the whole expanded significantly in all three segments compared with the same period of the previous fiscal year, as the Group accurately grasped the IT investment needs of the customers and the number of projects to which the percentage of completion method is applied increased following further improvement in project management structure. Profits also increased markedly as revenues increased along with projects to which the percentage of completion method is applied, and we returned to profitability.

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

1) IT Infrastructure Services

Consolidated sales rose 3.8% year on year to ¥28,131 million and operating income declined 6.6% to ¥1,418 million. While net sales increased compared with a year earlier on the back of strong growth of the data center business, operating income declined from the same period a year earlier due to the impact of reduction in scale of business with some existing clients.

2) Financial IT Services

Consolidated sales in the first quarter increased 12.6% from the same period a year ago to ¥16,513 million, and operating income rebounded to ¥653 million from a loss of ¥22 million for the same period of the previous fiscal year. Sales in this segment grew year on year and profit levels recovered, as companies led by major customer credit card companies expanded their IT-related investments and the number of projects to which the percentage of completion method is applied increased.

3) Industrial IT Services

Consolidated sales increased 16.9% year on year to ¥35,834 million, and operating loss narrowed to ¥1,504 million from ¥2,270 million for the same period of the previous fiscal year. Sales of the segment exceeded the previous year's level and profit level improved, as the number of projects to which the percentage of completion method is applied increased and that of unprofitable projects declined amid overall strength in manufacturing and service industries.

4) Other

Consolidated sales in this segment declined 9.7% year on year to ¥3,876 million, and operating income fell 1.8% to ¥512 million. Sales and profits of the segment declined from the same period of the previous fiscal year 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 it to focus on the core businesses and growth fields.

With the aim of becoming an IT business that will implement reforms as a single unit, the Group in the previous

fiscal year embarked on implementing measures under the second medium-term management plan (from fiscal 2013 through fiscal 2015) and positions the current fiscal year, which is the final year of the plan, as the year to give the finishing touches. The Group set forth the following group management strategy for fiscal 2015 based on the basic concepts of the medium-term management plan and by reflecting the achievements through fiscal 2014 and the implementation status of various measures and has been focusing its attention on promotion of these measures.

| | |
|---|--|
| The 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 the first quarter of fiscal 2015 are as follows:

In "Top-Line Emphasis," the Group decided to merge TIS First Manage Inc. into TIS Solution Link Inc. in June 2014 as part of transplant and consolidation of business domains to pursue growth through business collaboration between group companies. The move enables consolidation of customer onsite service business and the Group decided to transfer TIS First Manage's embedded-type business 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, Inc. agreed with Nomura Research Institute, Ltd. to cooperate on the joint operation of a new data center and the two companies signed a basic agreement in April 2014.

Under the concept of "as One Company," the Group decided to unify the group brands to develop a sense of togetherness and strengthen the brand to succeed in operating the Group with a sense of unity, and all Group companies in June 2014 started using the common Group logo. Furthermore, the Group in April 2014 decided to consolidate the offices of Group companies in Osaka district in order to ensure smooth communications among the Group companies and promote cooperation among them.

As for being "Enterprising and Bold," TIS, in a bid to deepen its efforts towards globalization, in April 2014 agreed on a capital and business alliance with MFEC Public Co., Ltd., a publicly traded IT company in Thailand and a leading player in IT solution for the enterprise, while in June 2014 making AM Consulting Co., Ltd., a SAP total solution provider in Thailand, a consolidated subsidiary, to further expand its business targeting Japanese as well as local companies in the country.

Further, the Group will continue to discuss and promote various measures from the perspectives of "achieving Group total optimum" and "development of unique and clear strengths (growth engines) and collaboration."

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

As the Group's consolidated business performance has been proceeding largely in line with the plan, the Group did not make any changes to the consolidated earnings forecast announced on May 9, 2014.

2. Other Information

(1) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement

Changes in Accounting Policy

(Application of Accounting Standard for Retirement Benefits, etc.)

“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan - ASBJ - Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012) have been applied, effective from the first quarter of the current consolidated financial year ending March 31, 2015 (April 1, 2014 to June 30, 2014), in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits.

As a result, the methods for calculating retirement benefit obligations and service costs have been revised, and the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis. As to the discount rate, it used to be calculated based on the bond duration, comparable to employees’ average remaining years of service. Under the new accounting standard, however, the method of determining the discount rate has now been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for every such period.

In accordance with the transitional treatment provided in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in calculation method for retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the first quarter of the financial year ending March 31, 2015.

Consequently, as at the beginning of the first quarter of the current financial year ending March 31, 2015, net defined benefit liability decreased by ¥1,657 million, while net defined benefit asset increased by ¥660 million, resulting in ¥1,532 million increase in retained earnings. Yet, the effect of this change on the consolidated income statement for the first quarter of the financial year ending March 31, 2015, is immaterial.

(Application of Accounting Standard for Business Combination)

“Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of September 13, 2013), “Accounting Standard for Business Divestiture” (ASBJ Statement No. 7 of September 13, 2015) and related standards are made applicable to the consolidated financial year starting April 1, 2014 and onwards.

These accounting standards (except the provisions of Article 39 of Accounting Standard for Consolidated Financial Statements) have now been applied, effective from the first quarter of the current consolidated financial year (April 1, 2014 to June 30, 2014). Under this new application of these standards, differences caused by change in the Company’s equity in the subsidiaries and affiliates with controlling interests shall be now adjusted in additional paid-in capital, and acquisition-related expenses shall be all reported as expenses accruing during the consolidated financial year in which said acquisition takes place.

As to a business combination to take place after April 1, 2014, i.e. the beginning of the first quarter of the current consolidated financial year, appraisal of purchase price allocation, pursuant to the final determination of provisional accounting treatments, shall now be changed to be reflected in the quarterly consolidated financial statements where the date of the business combination falls.

The implementation of Accounting Standards for Business Combinations and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestiture, and has been and will be under way since the beginning of the first quarter of the current consolidated financial year and going forward.

The effect of this change on the consolidated income statement for the first quarter of the financial year ending March 31, 2015, is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| Items | As of March 31, 2014 | As of June 30, 2014 |
|---|----------------------|---------------------|
| | millions of yen | millions of yen |
| Assets | | |
| Current assets | | |
| Cash and deposits | 43,248 | 39,292 |
| Notes and accounts receivable | 68,301 | 50,201 |
| Lease receivables and lease investment assets | 6,654 | 6,620 |
| Marketable securities | 226 | 2,201 |
| Merchandise and finished goods | 3,207 | 3,859 |
| Work in process | 6,757 | 9,776 |
| Raw materials and supplies | 229 | 249 |
| Deferred tax assets | 6,603 | 7,711 |
| Other current assets | 8,450 | 9,290 |
| Allowance for doubtful accounts | (159) | (77) |
| Total current assets | 143,519 | 129,126 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings and structures, net | 56,565 | 55,900 |
| Machinery and equipment, net | 4,428 | 4,367 |
| Land | 20,726 | 24,637 |
| Leased assets, net | 4,738 | 4,657 |
| Other property and equipment, net | 5,153 | 4,151 |
| Total property and equipment | 91,612 | 93,714 |
| Intangible assets | | |
| Goodwill | 771 | 2,445 |
| Other intangible assets | 14,802 | 15,126 |
| Total intangible assets | 15,573 | 17,572 |
| Investments and other assets | | |
| Investment securities | 38,787 | 39,553 |
| Net defined benefit asset | 4,103 | 4,897 |
| Deferred tax assets | 6,881 | 5,999 |
| Other assets | 13,362 | 14,148 |
| Allowance for doubtful accounts | (229) | (323) |
| Total investments and other assets | 62,905 | 64,274 |
| Total fixed assets | 170,091 | 175,560 |
| Total assets | 313,610 | 304,687 |

| Items | As of March 31, 2014 | As of June 30, 2014 |
|---|----------------------|---------------------|
| | millions of yen | millions of yen |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 18,828 | 16,760 |
| Short-term borrowings | 14,299 | 14,070 |
| Income taxes payable | 3,495 | 730 |
| Accrued bonuses to directors and employees | 10,932 | 5,413 |
| Other allowances | 1,007 | 1,128 |
| Other current liabilities | 24,226 | 30,534 |
| Total current liabilities | 72,790 | 68,637 |
| Non-current liabilities | | |
| Long-term debt | 44,570 | 42,096 |
| Lease obligations | 6,160 | 6,207 |
| Deferred tax liabilities | 470 | 730 |
| Deferred tax liabilities from revaluation of land | 732 | 732 |
| Accrued retirement benefits to directors | 88 | 88 |
| Net defined benefit liability | 18,688 | 17,184 |
| Other non-current liabilities | 5,606 | 6,047 |
| Total non-current liabilities | 76,316 | 73,086 |
| Total liabilities | 149,107 | 141,724 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 10,001 | 10,001 |
| Additional paid-in capital | 86,786 | 86,786 |
| Retained earnings | 57,579 | 57,966 |
| Less treasury stock, at cost | (6) | (508) |
| Total shareholders' equity | 154,360 | 154,246 |
| Accumulated other comprehensive income | | |
| Net unrealized gains on other securities | 5,975 | 4,604 |
| Revaluation of land | (1,967) | (1,967) |
| Foreign currency translation adjustments | 48 | 14 |
| Remeasurements of defined benefit plans | (1,964) | (1,885) |
| Total accumulated other comprehensive income | 2,092 | 766 |
| Stock acquisition rights | 45 | 45 |
| Minority interests | 8,004 | 7,904 |
| Total net assets | 164,502 | 162,963 |
| Total liabilities and net assets | 313,610 | 304,687 |

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

| Items | First Quarter FY2014 (Apr. 1 – Jun. 30, 2013) | First Quarter FY2015 (Apr. 1 – Jun. 30, 2014) |
|--|--|--|
| | millions of yen | millions of yen |
| Net sales | 72,223 | 80,057 |
| Cost of sales | 61,845 | 68,077 |
| Gross profit | 10,378 | 11,979 |
| Selling, general and administrative expenses | 11,103 | 11,233 |
| Operating income (loss) | (725) | 745 |
| Non-operating income | | |
| Interest income | 7 | 11 |
| Dividend income | 507 | 599 |
| Other | 232 | 147 |
| Total non-operating income | 748 | 758 |
| Non-operating expense | | |
| Interest expenses | 158 | 132 |
| Equity in losses of affiliated companies | 125 | 96 |
| Other | 188 | 238 |
| Total non-operating expenses | 473 | 467 |
| Recurring profit (loss) | (450) | 1,036 |
| Extraordinary income | | |
| Gain on sale of investment securities | 8 | 375 |
| Gain on transfer of business | 26 | — |
| Other | 0 | 1 |
| Total extraordinary income | 34 | 377 |
| Extraordinary loss | | |
| Loss on disposal of fixed assets | 20 | 24 |
| Impairment loss | - | 94 |
| Other | 9 | 234 |
| Total extraordinary loss | 30 | 353 |
| Income (loss) before income taxes and minority interests | (445) | 1,060 |
| Income taxes: current | 983 | 748 |
| Income taxes: deferred | (876) | (29) |
| Total income taxes | 107 | 718 |
| Income (loss) before minority interests | (552) | 341 |
| Minority interests in earnings (losses) of consolidated subsidiaries | 118 | (5) |
| Net income (loss) | (670) | 347 |

Consolidated Statements of Comprehensive Income

| Items | First Quarter FY2014 (Apr. 1 – Jun. 30, 2013) | First Quarter FY2015 (Apr. 1 – Jun. 30, 2014) |
|---|--|--|
| | millions of yen | millions of yen |
| Income (loss) before minority interests | (552) | 341 |
| Other comprehensive income | | |
| Net unrealized gains on other securities | 437 | (1,357) |
| Foreign currency translation adjustments | 84 | (41) |
| Remeasurements of defined benefit plans | — | 79 |
| Share of other comprehensive income of equity- method affiliates | 7 | (6) |
| Total other comprehensive income | 528 | (1,325) |
| Comprehensive income | (23) | (983) |
| (Composition) | | |
| Comprehensive income attributable to owners of the parent | (161) | (978) |
| Comprehensive income attributable to minority interests | 137 | (5) |

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable