



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016
(April 1, 2015 through June 30, 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.

July 30, 2015

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 12, 2015
 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, 2016
(April 1, 2015 – June 30, 2015)

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

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Quarter, FY2016	85,653	7.0	2,170	191.0	3,025	191.8	1,959	463.5
First Quarter, FY2015	80,057	10.8	745	-	1,036	-	347	-

Note: Comprehensive income: First Quarter, FY 2016: 1,961 million yen (-%), First Quarter, FY 2015: (983) million yen (-%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Quarter, FY2016	22.40	-
First Quarter, FY2015	3.97	3.96

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2016	338,019	187,580	54.4
End of FY2015	345,851	188,789	53.3

For reference: Total equity: End of first quarter, FY2016: 183,917 million yen End of FY2015: 184,400 million yen.

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

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2015	-	10.00	-	20.00	30.00
FY2016	-	-	-	-	-
FY2016 (forecast)	-	11.00	-	22.00	33.00

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

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

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

※ Notes

- (1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None Exclusions: None
- (2) Accounting methods specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with amendments to accounting standards, etc.: None
 - 2) Changes other than noted in 1) above: Yes
 - 3) Changes in accounting estimates: Yes
 - 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, FY2016 (June 30, 2015):	87,789,098 shares
End-FY2015 (March 31, 2015):	87,789,098 shares
 - 2) Treasury stock as of period-end:

End-First Quarter, FY2016 (June 30, 2015):	321,713 shares
End-FY2015 (March 31, 2015):	320,444 shares
 - 3) Average number of shares (during the respective three-month period):

First quarter, FY2016 (ended June 30, 2015):	87,468,022 shares
First quarter, FY2015 (ended June 30, 2014):	87,678,294 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 2016 (April 1, 2015 ~ June 30, 2015), the Japanese economy continued its moderate recovery owing mainly to improved corporate earnings.

The business environment surrounding the IT services industry, to which the IT Holdings Group belongs, was robust. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (issued in June 2015) revealed growth in corporate IT investment, as reflected in such economic indicators as a 5.1% year-on-year increase in software investment plans (all manufacturing & financial institutions).

Under these circumstances, the Group is promoting various measures for implementing Group-wide reform to achieve further growth and raise corporate value, based on the Group management strategy developed under the third medium-term management plan (from fiscal 2016 through fiscal 2018) launched in the year under review.

Consolidated net sales for the Group in the first quarter increased 7.0% year on year to ¥85,653 million. Operating income rose 191.0% to ¥2,170 million from a year earlier, recurring profit increased 191.8% to ¥3,025 million, and net income attributable to owners of the parent company rose 463.5% to ¥1,959 million.

Consolidated net sales grew year on year as the Group accurately grasped the IT investment needs of its customers in areas where IT investment is growing.

Profits also increased, as the increase in sales and the reduction in unprofitable projects absorbed the impact of a decline in sales from some existing clients which restrained IT investment or reduced the scale of projects.

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

1) IT Infrastructure Services

Consolidated sales rose 4.4% year on year to ¥29,361 million and operating income declined 23.4% to ¥1,087 million. While net sales increased year on year on the back of steady growth in the data center and BPO businesses, operating income declined due to a reduction in the scale or reduced profitability of projects with some existing clients.

2) Financial IT Services

Consolidated sales increased 3.2% year on year to ¥17,049 million, while operating income declined 29.0% to ¥463 million. While expanded IT investments by major customer credit card companies, banks and other customers led to higher year-on-year sales, operating income declined year on year due to the significant impact of the reduction in IT investment by some existing customers.

3) Industrial IT Services

Consolidated sales increased 10.1% year on year to ¥39,441 million, while operating income totaled ¥286 million (compared with an operating loss of ¥1,504 a year earlier). Sales grew primarily due to robust IT investment in the energy field in conjunction with Electricity System Reform in Japan. Operating income improved significantly and the business returned to profitability as a result of the higher sales and the reduction in unprofitable projects.

4) Other

Consolidated sales rose 3.8% year on year to ¥4,022 million, and operating income declined 10.3% to ¥459 million.

As previously stated, the Group has initiated its third medium-term management plan (from fiscal 2016 through fiscal 2018) from the year under review. In the initial year of the plan, the Group has formulated the following management strategy in accordance with the management plan's basic concepts, and is promoting various measures for implementing Group-wide reform to achieve further growth and raise 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

IT Holdings Group’s key initiatives in the first quarter of fiscal 2016 were as follows:

In May 2015, the IT Holdings Group decided to review its organizational structure and begin planning a reorganization in order to establish an optimal organizational structure. The final aim is to optimize the overall Group and achieve portfolio management. The reorganization will transition the entire Group, including IT Holdings Corporation, TIS, Inc., and INTEC Inc., to a new organizational structure from April 2016 with IT Holdings Corporation as the holding company. Currently, detailed planning is progressing on organizational structures to be established after the reorganization. As part of these plans, corporate reorganizing departments were newly established at IT Holdings Corporation, TIS, Inc., and INTEC Inc. on July 1, 2015.

Additionally, in order to strengthen the distinctive businesses of each Group company, optimize the entire Group, and bolster the business foundation, the BPO business currently dispersed throughout the Group is being consolidated into AGREX Inc. As the first step in this strategy, a part of the BPO business managed by a subsidiary of TIS, Inc. will be transferred to AGREX in October 2015.

Regarding the data center business, the business environment is changing dramatically due to the expansion of cloud computing and other factors. In response to the declining profitability of the business, the Group is planning to rationalize the entire business.

Regarding the promotion of industry platform business, the Group has made a capital investment in a subsidiary of Mitsubishi Corporation through INTEC Inc. Leveraging a collaborative business structure, the companies will seek to further expand cloud-based system services for the construction industry (construction ASP business), which is already one of the largest such services in Japan.

The Group is also integrating and consolidating its offices in conjunction with the integration and consolidation of common functions. Office consolidation has been completed in the Tokyo area and will be implemented in the Osaka area in July 2015, and then in the Nagoya area in the summer of 2016.

(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 8, 2015.

2. Other Information

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

Change in an accounting policy which is difficult to distinguish from a change in accounting estimates

(Change in depreciation method for property and equipment)

Until the year under review, the IT Holdings Group has mainly used the straight-line method for buildings, structures, and transportation equipment excluding leased assets, and the declining balance method for machinery and equipment excluding leased assets. From the first quarter of the year under review, the Group will also use the straight-line method for machinery and equipment excluding leased assets.

In recent years, the external environment surrounding the IT market has changed significantly due to the emergence of cloud services and other trends. In order to achieve medium- to long-term growth, the Group has promoted the establishment of a management structure that can more effectively use its diverse management resources.

Starting with the year under review, the Group has launched a new third medium-term management plan with the slogan, “Beyond Borders 2017.” Under this plan, assets related to the cloud services business will assume greater importance as the business delivers stable profits, leading the Group to reconsider depreciation methods that would best reflect the use conditions of equipment. As a result, the Group decided that recognizing expenses evenly over the period of asset use was the most reasonable method and would more appropriately demonstrate actual management conditions.

As a result of this change, first-quarter operating income, recurring profit, and income before income taxes and non-controlling interests each rose by ¥47 million.

(2) Additional Information

The provisions of Article 39 of the “Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan, Statement No. 22 of September 13, 2013)” are made applicable. As a result, income before minority interests has been changed to income before non-controlling interests, and minority interests has been changed to non-controlling interests, among other changes.

The prior year financial statements for the first quarter and the full year have been reclassified to reflect the change in the method of presentation.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2015	As of June 30, 2015
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	29,211	33,142
Notes and accounts receivable	78,874	58,851
Lease receivables and lease investment assets	6,711	6,500
Marketable securities	661	211
Merchandise and finished goods	4,552	4,995
Work in process	5,546	8,976
Raw materials and supplies	243	249
Deferred tax assets	6,007	5,847
Other current assets	8,784	13,517
Allowance for doubtful accounts	(143)	(170)
Total current assets	140,450	132,122
Fixed assets		
Property and equipment		
Buildings and structures, net	53,670	53,141
Machinery and equipment, net	4,853	4,893
Land	24,342	24,377
Leased assets, net	3,995	4,428
Other property and equipment, net	4,552	4,382
Total property and equipment	91,413	91,223
Intangible assets		
Goodwill	1,197	1,665
Other intangible assets	15,555	15,354
Total intangible assets	16,752	17,019
Investments and other assets		
Investment securities	71,256	71,627
Net defined benefit asset	7,028	7,066
Deferred tax assets	5,199	5,165
Other assets	14,034	14,109
Allowance for doubtful accounts	(283)	(316)
Total investments and other assets	97,235	97,653
Total fixed assets	205,401	205,897
Total assets	345,851	338,019

Items	As of March 31, 2015	As of June 30, 2015
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	21,681	18,490
Short-term borrowings	12,521	14,109
Income taxes payable	3,140	1,085
Accrued bonuses to directors and employees	11,331	5,858
Other allowances	1,318	1,185
Other current liabilities	27,673	31,160
Total current liabilities	77,666	71,888
Non-current liabilities		
Long-term debt	39,593	37,962
Lease obligations	5,497	5,846
Deferred tax liabilities	10,720	10,496
Deferred tax liabilities from revaluation of land	663	663
Accrued retirement benefits to directors	90	75
Net defined benefit liability	16,874	17,235
Other non-current liabilities	5,955	6,270
Total non-current liabilities	79,395	78,550
Total liabilities	157,062	150,439
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	83,601	82,920
Retained earnings	67,019	67,230
Less treasury stock, at cost	(514)	(517)
Total shareholders' equity	160,107	159,634
Accumulated other comprehensive income		
Net unrealized gains on other securities	26,191	26,262
Revaluation reserve for land	(1,898)	(1,898)
Foreign currency translation adjustments	396	347
Remeasurements of defined benefit plans	(397)	(427)
Total accumulated other comprehensive income	24,292	24,283
Non-controlling interests	4,388	3,663
Total net assets	188,789	187,580
Total liabilities and net assets	345,851	338,019

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

Items	First Quarter, FY2015	First Quarter, FY2016
	(Apr. 1 – Jun. 30, 2014)	(Apr. 1 – Jun. 30, 2015)
	millions of yen	millions of yen
Net sales	80,057	85,653
Cost of sales	68,077	71,806
Gross profit	11,979	13,847
Selling, general and administrative expenses	11,233	11,676
Operating income	745	2,170
Non-operating income		
Interest income	11	36
Dividend income	599	1,022
Other	147	181
Total non-operating income	758	1,240
Non-operating expense		
Interest expenses	132	141
Equity in losses of affiliated companies	96	75
Other	238	168
Total non-operating expenses	467	385
Recurring profit	1,036	3,025
Extraordinary income		
Gain on sale of investment securities	375	173
Other	1	0
Total extraordinary income	377	173
Extraordinary loss		
Impairment loss	18	228
Special severance pay	94	-
Other	240	49
Total extraordinary loss	353	277
Income before income taxes	1,060	2,921
Income taxes: current	748	841
Income taxes: deferred	(29)	112
Total income taxes	718	953
Net income	341	1,967
Net income (loss) attributable to non-controlling interests	(5)	7
Net income attributable to owners of the parent company	347	1,959

Consolidated Statements of Comprehensive Income

Items	First Quarter, FY2015 (Apr. 1 – Jun. 30, 2014)	First Quarter, FY2016 (Apr. 1 – Jun. 30, 2015)
	millions of yen	millions of yen
Net income	341	1,967
Other comprehensive income		
Net unrealized gains on other securities	(1,357)	76
Foreign currency translation adjustments	(41)	(50)
Remeasurements of defined benefit plans	79	(29)
Share of other comprehensive income of equity-method affiliates	(6)	(1)
Total other comprehensive income	(1,325)	(5)
Comprehensive income	(983)	1,961
(Composition)		
Comprehensive income attributable to owners of the parent company	(978)	1,950
Comprehensive income attributable to non-controlling interests	(5)	11

(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