Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2015
(April 1, 2014 through September 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.

October 30, 2014

Company name: IT Holdings Corporation
Stock exchange listings: The First Section of the Tokyo Stock Exchange
Stock code: 3626
URL: http://www.itholdings.co.jp/e/
Representative: Norio Maenishi, President
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Scheduled dates
Submission of quarterly report: November 10, 2014
Commencement of dividend payments: December 10, 2014

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 Half of the Fiscal Year Ending March 31, 2015 (April 1, 2014 – September 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 Half, FY2015	172,851	5.8	7,670	0.2	7,981	1.6	3,889	0.8
First Half, FY2014	163,365	0.5	7,652	5.5	7,859	11.0	3,857	27.7

Note: Comprehensive income: First Half FY 2015: 2,792 million yen (-57.5%), First Half FY 2014: 6,562 million yen (133.1%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Half, FY2015	44.42	44.40
First Half, FY2014	43.95	43.91

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2015	304,917	166,620	52.0
End of FY2014	313,610	164,502	49.9

For reference: Total equity: End of first half, FY2015: 158,522 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

	Cash dividends per share				
Record date or period	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2014	-	8.00	-	17.00	25.00
FY2015	-	10.00			
FY2015 (forecast)			-	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
Full FY 2015 (year ending Mar. 31, 2015)	355,000	2.4	21,500	10.2	20,500	8.1	10,000	26.4	114.26

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 5 in the Accompanying Materials.

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Half, FY2015 (September 30, 2014): 87,789,098 shares
End-FY2014 (March 31, 2014): 87,789,098 shares
2) Treasury stock as of period-end:
End-First Half, FY2015 (September 30, 2014): 317,875 shares
End-FY2014 (March 31, 2014): 4,337 shares
3) Average number of shares (during the respective six-month period):
First Half, FY2015 (ended September 30, 2014): 87,574,388 shares
First Half, FY2014 (ended September 30, 2013): 87,769,209 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 4 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first half of fiscal 2015 (April 1, 2014 – September 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 and concern over economic trends overseas.

In the IT services industry, to which the IT Holdings Group belongs, the Bank of Japan's quarterly Short-term Economic Survey of Enterprises in Japan (September 2014 survey) pointed to a continued improvement in IT investment on the back of economic indicators such as a 4.2% increase year on year in software investment plan (all industries including 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 the Group in the first half increased 5.8% versus the same period of the previous fiscal year to ¥172,851 million. Operating income rose 0.2% to ¥7,670 million from a year earlier, recurring profit increased 1.6% to ¥7,981 million, and net income rose 0.8% to ¥3,889 million.

Consolidated net sales on the whole significantly exceeded the level for the same period of the previous fiscal year, as the Group accurately grasped the IT investment needs of the customers. Profits remained at levels similar to the previous fiscal year as the number of sales projects with low profitability and expenses for strengthening the structure to acquire and execute multiple large-scale development projects increased, even as revenues increased and unprofitable projects were controlled.

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

1) IT Infrastructure Services

Consolidated sales rose 2.4% year on year to ¥58,235 million and operating income declined 1.0% to ¥3,510 million. While net sales increased compared with a year earlier on the back of strong growth of the data center business, operating income declined slightly 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 half increased 7.6% from the same period a year ago to ¥38,839 million, while operating income declined 4.0% to ¥2,732 million from the same period of the previous fiscal year. Sales in this segment grew year on year, as companies led by major customer credit card companies expanded their IT-related investments. Operating income declined from a year ago due to the expenses for structural reinforcement aimed at acquiring and executing large-scale development projects.

3) Industrial IT Services

Consolidated sales increased 8.8% year on year to ¥77,205 million, and operating income declined 4.5% to ¥829 million. Sales of the segment exceeded the previous year's level reflecting overall strength in manufacturing, service and retail industries. Operating income fell from a year earlier because of an increase in the number of sales projects with low profitability and the expenses for structural reinforcement aimed at acquiring and executing large-scale development projects, even as revenues increased and unprofitable projects were controlled.

4) Other

Consolidated sales in this segment declined 16.8% year on year to ¥7,290 million, and operating income increased 4.0% to ¥1,150 million. This is mainly due to the impact of the sale of lease assets of TIS Leasing Co., Ltd. and withdrawal from the leasing business as of the end of the previous fiscal year as part of efforts to promote the development of a structure that would allow 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 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 half of fiscal 2015 are as follows:

1. "Top-Line Emphasis"

In October 2014, the Group merged TIS First Manage Inc. into TIS Solution Link Inc. 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. At the same time, the Group transferred 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.

2. "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 decided to consolidate the offices of Group companies in Osaka district in summer of 2015 in order to ensure smooth communications among the Group companies and promote cooperation among them.

Furthermore, IT Holdings at its Board of Directors Meeting held on October 30, 2014 decided to make a tender offer for the shares in consolidated subsidiary AGREX Inc. in order to make it a wholly owned subsidiary. The objective of making AGREX a wholly owned subsidiary is to achieve improvement in corporate value by strengthening competitiveness through reorganization of functions in the Group and making consolidated management more efficient through total Group optimization. To achieve it, IT Holdings judged that it was necessary to rebuild capital relationship of the IT Holdings Group so as to enable dynamic and flexible businesses and reorganization of functions, and arrived at a decision to make AGREX its wholly owned subsidiary at an early date. IT Holdings positions AGREX as the core entity of its BPO business after making it wholly owned subsidiary, and will centralize the BPO business that is scattered throughout the Group to further strengthen collaboration with AGREX.

For details, please refer to the press release issued on October 30, 2014, “Start of Tender Offer Targeting Subsidiary AGREX Inc. (Stock Code: 4799) Shares.”

3. “Enterprising and Bold”

In its efforts towards globalization, the Group has been promoting further business expansion targeting Japanese as well as local companies in the respective countries through lateral expansion based on alliance strategies. As part of these efforts, TIS, 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 it made I AM Consulting Co., Ltd., a SAP total solution provider in Thailand, a consolidated subsidiary.

As part of shift to services-oriented business, INTEC Inc. was selected to provide municipal cloud services to be shared by cities, towns and villages of Toyama prefecture and is currently engaged in the development of the system environment. INTEC, which has been providing municipal cloud services such as an electronic bidding system and tax document search system, will jointly offer a backbone system that will be central to the local government’s operations and services, utilizing CIVION-7th, a general administrative information system. It will be the first time such a shared use of a backbone system is implemented in Toyama prefecture.

At the same time, Qualica Inc., with the aim of expanding its core aftermarket business, took over a part of Komatsu Ltd.’s CSS-Net business in April, 2014. The move enables the company to combine CSS-Net’s document computerization and Web broadcasting system and CareQube, a remote monitoring and preventive maintenance system developed by Qualica, and it will pursue business expansion by providing services that offer higher satisfaction to customers.

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

Net sales have been strongly proceeding in line with the full-year plan. While the progress on the profit side has been slightly behind the plan, the Group expects the business environment to remain favorable. The Group expects profits to recover in the second half, as preparatory expenses are eliminated following the start of large-scale system development project and unprofitable projects are brought under control.

Based on above, 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 half 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 half of the financial year ending March 31, 2015, is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of Mar. 31, 2014	As of Sep. 30, 2014
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	43,248	29,838
Notes and accounts receivable	68,301	62,890
Lease receivables and lease investment assets	6,654	6,280
Marketable securities	226	4,861
Merchandise and finished goods	3,207	3,721
Work in process	6,757	7,519
Raw materials and supplies	229	260
Deferred tax assets	6,603	6,305
Other current assets	8,450	7,894
Allowance for doubtful accounts	(159)	(70)
Total current assets	143,519	129,500
Fixed assets		
Property and equipment		
Buildings and structures, net	56,565	55,044
Machinery and equipment, net	4,428	4,548
Land	20,726	24,638
Leased assets, net	4,738	4,630
Other property and equipment, net	5,153	4,396
Total property and equipment	91,612	93,258
Intangible assets		
Goodwill	771	1,376
Other intangible assets	14,802	16,036
Total intangible assets	15,573	17,413
Investments and other assets		
Investment securities	38,787	39,619
Net defined benefit asset	4,103	4,915
Deferred tax assets	6,881	6,498
Other assets	13,362	14,068
Allowance for doubtful accounts	(229)	(356)
Total investments and other assets	62,905	64,745
Total fixed assets	170,091	175,416
Total assets	313,610	304,917

Items	As of Mar. 31, 2014	As of Sep. 30, 2014
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	18,828	16,417
Short-term borrowings	14,299	11,909
Income taxes payable	3,495	2,033
Accrued bonuses to directors and employees	10,932	11,131
Other allowances	1,007	446
Other current liabilities	24,226	23,682
Total current liabilities	72,790	65,621
Non-current liabilities		
Long-term debt	44,570	41,842
Lease obligations	6,160	6,044
Deferred tax liabilities	470	476
Deferred tax liabilities from revaluation of land	732	732
Accrued retirement benefits to directors	88	88
Net defined benefit liability	18,688	17,467
Other non-current liabilities	5,606	6,024
Total non-current liabilities	76,316	72,675
Total liabilities	149,107	138,296
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	86,786	86,736
Retained earnings	57,579	61,509
Less treasury stock, at cost	(6)	(509)
Total shareholders' equity	154,360	157,736
Accumulated other comprehensive income		
Net unrealized gains on other securities	5,975	4,657
Revaluation of land	(1,967)	(1,967)
Foreign currency translation adjustments	48	(22)
Remeasurements of defined benefit plans	(1,964)	(1,882)
Total accumulated other comprehensive income	2,092	785
Stock acquisition rights	45	58
Minority interests	8,004	8,039
Total net assets	164,502	166,620
Total liabilities and net assets	313,610	304,917

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

Consolidated Statements of Income

Items	First Half FY2014 (Apr. 1 – Sep. 30, 2013)	First Half FY2015 (Apr. 1 – Sep. 30, 2014)
	millions of yen	millions of yen
Net sales	163,365	172,851
Cost of sales	134,256	142,971
Gross profit	29,109	29,880
Selling, general and administrative expenses	21,456	22,210
Operating income	7,652	7,670
Non-operating income		
Interest income	19	25
Dividend income	538	623
Other	541	454
Total non-operating income	1,099	1,104
Non-operating expense		
Interest expenses	300	259
Equity in losses of affiliated companies	153	130
Other	437	402
Total non-operating expenses	891	792
Recurring profit	7,859	7,981
Extraordinary income		
Gain on sale of investment securities	37	376
Gain on transfer of business	69	—
Other	3	2
Total extraordinary income	111	379
Extraordinary loss		
Loss on disposal of fixed assets	58	171
Impairment loss	39	254
Other	46	969
Total extraordinary loss	145	1,394
Income before income taxes and minority interests	7,825	6,966
Income taxes: current	2,884	2,029
Income taxes: deferred	713	829
Total income taxes	3,598	2,859
Income before minority interests	4,227	4,107
Minority interests in earnings of consolidated subsidiaries	370	217
Net income	3,857	3,889

Consolidated Statements of Comprehensive Income

Items	First Half FY2014 (Apr. 1 – Sep. 30, 2013)	First Half FY2015 (Apr. 1 – Sep. 30, 2014)
	millions of yen	millions of yen
Income before minority interests	4,227	4,107
Other comprehensive income		
Net unrealized gains on other securities	2,177	(1,305)
Foreign currency translation adjustments	147	(84)
Remeasurements of defined benefit plans	—	83
Share of other comprehensive income of equity-method affiliates	10	(8)
Total other comprehensive income	2,335	(1,315)
Comprehensive income	6,562	2,792
(Composition)		
Comprehensive income attributable to owners of the parent	6,143	2,582
Comprehensive income attributable to minority interests	419	209

(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

(Significant Subsequent Events)

The Group's Board of Directors made a resolution at its meeting of October 30, 2014, to undertake a tender offer and thereby to fully acquire the outstanding shares and rights of AGREX Inc., its consolidated subsidiary.

1. Outline of the Business Combination

1) Name and Business Activity of the Combined Company

Name of the Combined Company: AGREX Inc.

Business Activity: Business Process Outsourcing (BPO), Software Solution (SS), System Integration (SI)

2) Date of the Business Combination (Expected Date of Additional Share Purchase)

December 22, 2014

3) Legal Form of the Business Combination

Additional share purchase by tender offer

4) Name of the Combined Company after the Business Combination

AGREX Inc.

5) Other Remarks concerning Outline of the Business Combination

As at October 30, 2014, the Group owns 5,254,000 shares of AGREX Inc., (the "Said Company"), making the Said Company as its consolidated subsidiary. The Group's Board of Directors meeting of October 30, 2014, has, however, resolved to undertake a tender offer in a move to acquire all of the Said Company's outstanding common shares (except the treasury shares owned by the Said Company) and all of the stock acquisition rights, and thereby to fully own the Said Company.

The objective of this 100%-ownership is to strengthen the Group's competitiveness by means of the Group-wide functional restructuring and to achieve improvement in its corporate value through the efficiency of consolidated management aiming at the Group's total optimization. For this purpose, it is deemed necessary to rebuild the capital structure of the Group, so that business and functional restructuring could be carried out in an agile and flexible manner. Hence, it has been decided to wholly own the Said Company early. Upon completion of this 100%-ownership, the Group plans to position the Said Company as a core entity for the Group's BPO business, to consolidate the BPO business, which is currently spread over among different Group companies, and thereby to further strengthen the intra-Group integration and coordination.

In case the Group fails, through this tender offer, to acquire all of the Said Company's shares (except for those shares already owned by the Group and the treasury shares owned by the Said Company), it is planning to conduct, upon closing the tender offer, a proceeding for the 100%-ownership of the Said Company by means of a Class Shares subject to Wholly Call. However, in case the Group's ownership of the Said Company does not reach two-thirds of the outstanding shares and rights after the closing of the tender offer, the Group shall not resort to the above-mentioned proceeding.

2. Summary of the Accounting Method Adopted

In accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013) and with "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of September 13, 2013), the said operations shall be reported as operations with minority shareholders in the accounting method for operations and transactions with entities under common control.

3. Information Concerning Additional Acquisition of Subsidiaries' Shares

Cost of the acquisition and related information: To be determined.