



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

October 29, 2015

Company name: IT Holdings Corporation
 Stock exchange listings: The First Section of the Tokyo Stock Exchange
 Stock code: 3626
 URL: <http://www.itholdings.co.jp/e/>
 Representative: Norio Maenishi, President
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Scheduled dates
 Submission of quarterly report: November 9, 2015
 Commencement of dividend payments: December 10, 2015
 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, 2016
(April 1, 2015 – September 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 Half, FY2016	182,683	5.7	9,373	22.2	9,900	24.0	5,601	44.0
First Half, FY2015	172,851	5.8	7,670	0.2	7,981	1.6	3,889	0.8

Note: Comprehensive income: First Half, FY 2016: (7,891) million yen (-%), First Half, FY 2015: 2,792 million yen (-57.5%)

	Net income per share – basic	Net income per share – diluted
First Half, FY2016	yen 64.04	yen -
First Half, FY2015	44.42	44.40

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2016	324,457	177,725	53.6
End of FY2015	345,851	188,789	53.3

For reference: Total equity: End of first half, FY2016: 173,906 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
FY2015	yen -	yen 10.00	yen -	yen 20.00	yen 30.00
FY2016	-	11.00			
FY2016 (forecast)			-	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
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 Half, FY2016 (September 30, 2015):	87,789,098 shares
End-FY2015 (March 31, 2015):	87,789,098 shares
- 2) Treasury stock as of period-end:

End-First Half, FY2016 (September 30, 2015):	322,444 shares
End-FY2015 (March 31, 2015):	320,444 shares
- 3) Average number of shares (during the respective six-month period):

First Half, FY2016 (ended September 30, 2015):	87,467,547 shares
First Half, FY2015 (ended September 30, 2014):	87,574,388 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.

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first half of fiscal 2016 (April 1, 2015 - September 30, 2015), the Japanese economy continued its moderate recovery owing mainly to improved corporate earnings. Caution over the future economic outlook strengthened, however, due to slowing pace of growth in China and other Asian emerging countries.

The business environment surrounding the IT services industry, to which the IT Holdings Group belongs, remained robust. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (issued in September 2015) revealed growth in corporate IT investment, as reflected in such economic indicators as a 7.9% 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 half increased 5.7% year on year to ¥182,683 million. Operating income rose 22.2% to ¥9,373 million from a year earlier, recurring profit increased 24.0% to ¥9,900 million, and net income attributable to owners of the parent company rose 44.0% to ¥5,601 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 measures to improve profitability absorbed the impact of a decline in sales from some existing clients which restrained IT investment or reduced the scale of projects.

As announced on September 30, 2015 in the "Notice of Extraordinary Loss and Extraordinary Income," IT Holdings Corporation ("ITHD") has decided to review the future strategy for the data center operations of subsidiary TIS Inc. and to sell investment securities held by TIS Inc. As a result, ITHD recorded an impairment loss of approximately ¥14.0 billion as an extraordinary loss as well as a gain on sale of investment securities of ¥16.0 billion as extraordinary income in the second quarter.

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

1) IT Infrastructure Services

Consolidated sales rose 4.9% year on year to ¥61,101 million and operating income declined 7.2% to ¥3,257 million. Net sales increased year on year on the back of steady growth in the data center and BPO businesses, along with the added revenues of two companies that became consolidated subsidiaries in the second quarter. 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 declined 3.0% year on year to ¥37,693 million, while operating income declined 33.5% to ¥1,816 million. While there was solid overall expansion in clients' IT investments, the reduction in IT investment by some existing customers had a significant impact on results, leading to lower year-on-year sales and operating income.

3) Industrial IT Services

Consolidated sales increased 10.4% year on year to ¥85,226 million, while operating income increased by 310.7% to ¥3,405 million. Sales grew primarily due to robust IT investment in the energy field in conjunction with Electricity System Reform in Japan. Operating income rose significantly as a result of the higher sales and successful measures to improve profitability.

4) Other

Consolidated sales rose 5.5% year on year to ¥7,688 million, and operating income increased 1.0% to ¥1,161 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 half of fiscal 2016 were as follows:

In May 2015, the IT Holdings Group began to review its organizational structure and plan a reorganization in order to establish an optimal organizational structure. The final aim is to optimize the overall Group and achieve portfolio management. Decisions have been made through discussions about a specific organizational structure after the Group reorganization to shift toward a new organizational structure under which ITHD serves as a holding company. Specifically, ITHD will merge with its wholly owned subsidiary TIS Inc. in July 2016 to become the Group's new holding company. Preceding the merger, TIS Inc. and INTEC Inc. plan to reorganize businesses between them in April 2016.

As part of this plan, representative directors will be appointed to new positions to implement the transition to a new management structure, and the company name of ITHD will be changed to TIS Inc. as of July 1, 2016. These plans are conditional on their proposal and approval at ITHD's eighth general shareholders' meeting scheduled for June 24, 2016.

This reorganization is aimed at further raising corporate value and shareholder value by maximizing the Group's business competitiveness and strengthening governance. For more information, please refer to the following announcements made today: “Notice regarding Group Reorganization (Merger of Subsidiaries (Simplified and Short-Form)), Name Change and Partial Revision of Articles of Incorporation” and “Notice regarding a Change in Representative Director.”

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 Inc. in October 2015. The Group will continue to review and deliberate measures to further consolidate the business.

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 had considered rationalizing the entire business. As announced on September 30,

2015 in the “Notice of Extraordinary Loss and Extraordinary Income,” the Group has decided on a comprehensive plan to reform TIS Inc.’s approach to the data center business and the future direction of this business. To provide continuous services into the future, it was decided that sweeping measures would be required to deal with ageing equipment. As a result, measures will be taken to integrate data center operations in Tokyo and Osaka areas as a way to minimize large future costs to upgrade ageing facilities. At the same time, an impairment was made against some data center facilities.

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 was implemented in the Osaka area in July 2015. Preparations have also begun to consolidate offices 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, operating income, recurring profit, and income before income taxes for the first half of the year under review rose by ¥102 million respectively.

(2) Additional Information

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

The prior year financial statements for the second 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 Sep. 30, 2015
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	29,211	25,317
Notes and accounts receivable	78,874	72,401
Lease receivables and lease investment assets	6,711	6,255
Marketable securities	661	201
Merchandise and finished goods	4,552	4,945
Work in process	5,546	8,656
Raw materials and supplies	243	225
Deferred tax assets	6,007	6,798
Other current assets	8,784	30,467
Allowance for doubtful accounts	(143)	(165)
Total current assets	140,450	155,103
Fixed assets		
Property and equipment		
Buildings and structures, net	53,670	40,091
Machinery and equipment, net	4,853	4,320
Land	24,342	22,865
Leased assets, net	3,995	4,396
Other property and equipment, net	4,552	4,528
Total property and equipment	91,413	76,202
Intangible assets		
Goodwill	1,197	789
Other intangible assets	15,555	15,253
Total intangible assets	16,752	16,042
Investments and other assets		
Investment securities	71,256	50,076
Net defined benefit asset	7,028	7,222
Deferred tax assets	5,199	6,281
Other assets	14,034	13,872
Allowance for doubtful accounts	(283)	(344)
Total investments and other assets	97,235	77,107
Total fixed assets	205,401	169,353
Total assets	345,851	324,457

Items	As of March 31, 2015	As of Sep. 30, 2015
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	21,681	19,135
Short-term borrowings	12,521	13,905
Income taxes payable	3,140	9,312
Accrued bonuses to directors and employees	11,331	11,779
Other allowances	1,318	788
Other current liabilities	27,673	23,848
Total current liabilities	77,666	78,771
Non-current liabilities		
Long-term debt	39,593	36,589
Lease obligations	5,497	5,833
Deferred tax liabilities	10,720	435
Deferred tax liabilities from revaluation of land	663	424
Accrued retirement benefits to directors	90	75
Net defined benefit liability	16,874	17,402
Other non-current liabilities	5,955	7,199
Total non-current liabilities	79,395	67,960
Total liabilities	157,062	146,731
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	83,601	82,920
Retained earnings	67,019	71,371
Less treasury stock, at cost	(514)	(519)
Total shareholders' equity	160,107	163,773
Accumulated other comprehensive income		
Net unrealized gains on other securities	26,191	12,646
Revaluation reserve for land	(1,898)	(2,397)
Foreign currency translation adjustments	396	346
Remeasurements of defined benefit plans	(397)	(462)
Total accumulated other comprehensive income	24,292	10,133
Non-controlling interests	4,388	3,818
Total net assets	188,789	177,725
Total liabilities and net assets	345,851	324,457

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

Items	First Half, FY2015	First Half, FY2016
	(Apr. 1 – Sep. 30, 2014)	(Apr. 1 – Sep. 30, 2015)
	millions of yen	millions of yen
Net sales	172,851	182,683
Cost of sales	142,971	149,949
Gross profit	29,880	32,733
Selling, general and administrative expenses	22,210	23,360
Operating income	7,670	9,373
Non-operating income		
Interest income	25	55
Dividend income	623	1,077
Other	454	365
Total non-operating income	1,104	1,499
Non-operating expense		
Interest expenses	259	266
Equity in losses of affiliated companies	130	182
Other	402	522
Total non-operating expenses	792	971
Recurring profit	7,981	9,900
Extraordinary income		
Gain on sale of investment securities	376	16,755
Other	2	223
Total extraordinary income	379	16,978
Extraordinary loss		
Impairment loss	254	15,726
Other	1,139	1,844
Total extraordinary loss	1,394	17,570
Income before income taxes	6,966	9,309
Income taxes: current	2,029	9,381
Income taxes: deferred	829	(5,837)
Total income taxes	2,859	3,544
Net income	4,107	5,765
Net income (loss) attributable to non-controlling interests	217	163
Net income attributable to owners of the parent company	3,889	5,601

Consolidated Statements of Comprehensive Income

Items	First Half, FY2015 (Apr. 1 – Sep. 30, 2014)	First Half, FY2016 (Apr. 1 – Sep. 30, 2015)
	millions of yen	millions of yen
Net income	4,107	5,765
Other comprehensive income		
Net unrealized gains on other securities	(1,305)	(13,543)
Revaluation reserve for land	-	0
Foreign currency translation adjustments	(84)	(48)
Remeasurements of defined benefit plans	83	(64)
Share of other comprehensive income of equity-method affiliates	(8)	(0)
Total other comprehensive income	(1,315)	(13,656)
Comprehensive income	2,792	(7,891)
(Composition)		
Comprehensive income attributable to owners of the parent company	2,582	(8,058)
Comprehensive income attributable to non-controlling interests	209	166

(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

(3) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on Substantial Changes in the Amount of Shareholders' Equity)
Not applicable

(Significant Subsequent Events)

Stock Repurchases

At the Board of Directors' meeting held on October 29, 2015, ITHD approved a resolution to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the Act.

1. Reason for repurchasing shares
To utilize for executing a dynamic capital strategy in response to the changes in the management environment.
2. Details of Board of Directors' resolution to repurchase shares
 - (1) Class of shares to be repurchased
Common stock
 - (2) Total number of shares repurchased
800,000 shares (maximum)
 - (3) Total repurchase cost
¥1,600 million (maximum)
 - (4) Repurchase period
From October 30, 2015 to January 31, 2016
 - (5) Repurchase method
Market purchases on Tokyo Stock Exchange

Conclusion of Merger Contract

At the Board of Directors' meeting held on October 29, 2015, ITHD approved a resolution to conduct an absorption-type merger of TIS Inc., a wholly owned subsidiary. A merger contract between ITHD and TIS Inc. was concluded the same day.

1. Overview of business combination
 - (1) Company names and business descriptions of combining companies
(Surviving company of absorption-type merger)
Company name: IT Holdings Corporation
Business description: Management of Group companies and related business
(Expiring company of absorption-type merger)
Company name: TIS Inc.
Business description: Outsourcing services, software development, and solutions services related to information technology investments
 - (2) Date of business combination
July 1, 2016 (current schedule)
 - (3) Legal form of business combination
An absorption-type merger will be conducted in which ITHD will be the surviving company and TIS Inc. will be dissolved.
 - (4) Allotment of shares in business combination

ITHD owns all shares of TIS Inc., and therefore ITHD will neither issue new shares nor allot outstanding shares in this business combination.

(5) Company name after business combination

IT Holdings Corporation

The company name will be changed to TIS Inc. as of July 1, 2016, conditional on the approval of a proposal to change a part of the articles of incorporation at ITHD's eighth general shareholders' meeting scheduled for June 24, 2016.

(6) Overview of transaction, including purpose

The purpose of the merger is to establish an optimal Group organization by reviewing and reorganizing the current Group organizational structure, thereby achieving the goals of optimizing the overall Group and achieving portfolio management as stated in the third medium-term management plan.

2. Overview of accounting treatment

This merger will be conducted as a transaction under common control based on the provisions of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).