



Consolidated Financial Results for the Fiscal Year ended March 31, 2016

(April 1, 2015 through March 31, 2016)

(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.

May 10, 2016

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
 Contact: Akio Kita, Executive Officer, Deputy Division Manager, Administration Division
 Phone: +81 3-5338-2272

Scheduled dates

Annual general shareholders' meeting: June 24, 2016
 Filing of statutory financial report: June 27, 2016
 Commencement of dividend payments: June 27, 2016

Supplementary materials to the full-year results: Available
 Full-year 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 Fiscal Year ended March 31, 2016 (FY2016) (April 1, 2015 – March 31, 2016)

	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	%
FY2016	382,689	6.0	24,436	15.7	24,521	15.4	12,678	23.4
FY2015	361,025	4.1	21,121	8.3	21,251	12.0	10,275	29.8

Note: Comprehensive income: FY2016: (2,476) million yen (-); FY2015: 33,173 million yen (213.3%)

	Net income per share – basic	Net income per share – diluted	Return on shareholders' equity	Ratio of recurring profit to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY2016	145.22	-	7.0	7.2	6.4
FY2015	117.40	-	6.0	6.4	5.9

For reference:

Equity in earnings (losses) of affiliated companies: FY2016: (157) million yen; FY2015: (205) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2016	336,495	180,539	52.5	2,031.07
End-FY2015	345,851	188,789	53.3	2,108.19

For reference: Total equity: End of FY2016: 176,549 million yen End of FY2015: 184,400 million yen

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	millions of yen	millions of yen	millions of yen	millions of yen
FY2016	25,496	8,688	(14,979)	48,651
FY2015	22,938	(17,744)	(19,067)	29,485

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share					Total dividends paid (full year) millions of yen	Payout ratio (consolidated) %	Dividends paid to net assets (consolidated) %
	End-Q1	End-Q2	End-Q3	Year-end	Total			
FY2015	yen -	yen 10.00	yen -	yen 20.00	yen 30.00	2,624	25.6	1.5
FY2016	-	11.00	-	22.00	33.00	2,874	22.7	1.6
FY2017 (forecast)	-	12.00	-	24.00	36.00		20.9	

3. Forecast of Consolidated Results for FY2017 (April 1, 2016 – March 31, 2017)

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 FY2017 (six months ending Sep. 30, 2016)	185,000	1.3	10,000	6.7	10,000	1.0	5,500	(1.8)	63.27
Full FY2017 (year ending Mar. 31, 2017)	390,000	1.9	26,500	8.4	26,000	6.0	15,000	18.3	172.56

※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) 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: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Common stock issued
 - 1) Issued shares as of period-end (including treasury stock):

End-FY2016 (March 31, 2016):	87,789,098 shares
End-FY2015 (March 31, 2015):	87,789,098 shares
 - 2) Treasury stock as of period-end:

End-FY2016 (March 31, 2016):	864,683 shares
End-FY2015 (March 31, 2015):	320,444 shares
 - 3) Average number of shares (during the fiscal year):

FY2016 (ended March 31, 2016):	87,305,015 shares
FY2015 (ended March 31, 2015):	87,522,469 shares

*Audit Status

These materials are not subject to the audit procedure requirements of Japan's Financial Instruments and Exchange Act. As of this report's publication, an audit of the 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 "(1) Analysis of Consolidated Operating Results" on page 2 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations	2
(1) Analysis of Consolidated Operating Results	2
(2) Analysis of Financial Condition	4
(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2016 and Fiscal 2017	5
(4) Business and Other Risks	6
2. Status of the Group	8
3. Management Policy	9
(1) Basic Management Policy	9
(2) Key Business Indicators	9
(3) Medium- to Long-term Management Strategies	9
(4) Issues Requiring a Response	9
(5) Other Important Management Matters	10
4. Basic Policy on Selecting Accounting Standards	11
5. Consolidated Financial Statements	12
(1) Consolidated Balance Sheets	12
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	14
Consolidated Statements of Income	14
Consolidated Statements of Comprehensive Income	15
(3) Consolidated Statements of Changes in Net Assets	16
(4) Consolidated Statements of Cash Flows	18
(5) Notes on the Going-concern Assumption	19
(Additional Information)	19
(Significant Subsequent Events)	19
(Reference) New Management Structure	20

1. Results of Operations

(1) Analysis of Consolidated Operating Results

Results for fiscal 2016 (ended March 31, 2016)

In fiscal 2016 (April 1, 2015 – March 31, 2016), the Japanese economy continued its moderate recovery owing mainly to improved corporate earnings. Caution over the future economic outlook grew, however, due to concerns over the impact of slowing growth in China and other Asian emerging countries, as well as the steep decline in oil prices.

In the IT services industry, to which the IT Holdings Group belongs, the business environment in Japan remained robust. The quarterly Bank of Japan's Short-term Economic Survey of Enterprises in Japan indicated that corporate software investment plans (all manufacturing & financial institutions) continued to improve in each quarter compared with the same periods of the previous year.

Under these circumstances, the IT Holdings Corporation ("ITHD") Group promoted 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 for fiscal year increased 6.0% year on year to ¥382,689 million. Operating income rose 15.7% year on year to ¥24,436 million, recurring profit increased 15.4% year on year to ¥24,521 million, and net income attributable to owners of the parent company rose 23.4% year on year to ¥12,678 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 well as the impact of unprofitable projects.

For the entire fiscal year, ITHD posted extraordinary income of ¥18.6 billion and extraordinary loss of ¥21.3 billion yen, most of which were recognized in the second quarter. In the second quarter, ITHD recorded a gain on sale of investment securities of ¥16.0 billion in conjunction with the sale of a portion of its investment securities to improve the efficiency of held assets and bolster the financial structure. Additionally, in conjunction with its decision to review the future strategy for the data center operations, ITHD recorded an impairment loss of ¥14.3 billion related to some of its data centers.

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

1) IT Infrastructure Services

Consolidated sales rose 6.5% year on year to ¥125,929 million and operating income rose 24.3% to ¥8,924 million. Net sales increased on the back of steady growth in the data center and BPO businesses, along with the added revenues of two BPO companies that became consolidated subsidiaries in the first half. Despite reduced profitability of some projects and a reduction in the scale of projects with some existing clients, operating income increased year on year due to the sales growth and a decline in costs, primarily a reduction in depreciation expenses in conjunction with impairment to prior-generation data center assets.

2) Financial IT Services

Consolidated sales declined 0.0% year on year to ¥79,519 million, while operating income declined 39.4% to ¥3,361 million. While there was solid overall expansion in clients' IT investments, the reduction in IT investment by some existing customers restrained sales to the same level as the previous year. Operating income declined due to both stagnant sales and the impact of unprofitable projects.

3) Industrial IT Services

Consolidated sales increased 8.2% year on year to ¥180,000 million, while operating income increased by 41.5% to ¥9,972 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 9.7% year on year to ¥16,095 million, and operating income increased 22.7% to ¥2,649 million.

As previously stated, the Group has initiated its third medium-term management plan 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	Raise even further the dedication to profit-oriented management.
IT Brain (expansion of value-added business)	Expand value-added services designed to expand clients' businesses.
Portfolio Management	Pursue the optimization of the entire Group and promote business portfolio management.

IT Holdings Group's key initiatives and results in the fiscal year were as follows.

Regarding "Profit Emphasis," ITHD recorded a 15.7% year-on-year increase in operating income for the year, while the operating income ratio rose to 6.4%. ROE also increased to 7.0%, driven by improved financial performance and the promotion of measures to raise asset efficiency, including revamping data center assets and unwinding cross-shareholdings. During the third quarter, ITHD acquired 540,400 shares of treasury stock (total acquisition cost of ¥1,599 million) as part of measures to execute a flexible capital policy adaptive to changes in the operating environment, as well as to improve shareholder returns and capital efficiency. Regarding the reduction in unprofitable projects, a major issue for the Group, although various measures were taken, they did not have the intended effects. ITHD therefore intends to formulate new measures.

Regarding "IT Brain," in October 2015, initial steps were taken to consolidate the BPO business dispersed throughout the Group into AGREX Inc., with the aim of focusing on distinctive competencies and growth engines. In the energy field, which has become active due to Electricity System Reform, the Group to measures to expand its proposal-oriented business, with the result that new business in this area made significant contributions to the year's performance. Additionally, the Group made a capital investment in a subsidiary of Mitsubishi Corporation to promote a collaborative business structure for cloud-based system services for the construction industry (construction ASP business), while also promoting the use of CareQube, a remote monitoring and preventive maintenance system for the forestry industry. In these ways, the Group made steady progress expanding added-value business by broadening applications in new business spheres.

In terms of Portfolio Management, as the first step in optimizing the overall Group structure and achieving portfolio management, IT Holdings Corporation will merge with TIS Inc. in July 2016 and the new company will serve as a holding company for the Group. As part of this plan, representative directors will be appointed to new positions and the company name of IT Holdings Corporation 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. To pave the way for the merger, core Group companies TIS Inc. and INTEC Inc. reorganized some businesses between them

in April 2016.

Regarding corporate governance, ITHD formulated and announced its basic policy on corporate governance in December 2015 following the adoption of a corporate governance code in Japan in June 2015. At the same time, the company expanded the number of outside directors and took other measures to reinforce its corporate governance system.

The Group also made progress integrating and consolidating its offices in conjunction with the integration and consolidation of common functions. Office consolidation has been completed in the Tokyo and Osaka areas. Preparations have also begun to consolidate offices in the Nagoya area in July 2016.

Outlook for fiscal 2017

Despite uncertainty over the economic outlook, customers' IT investment needs are expected to continue expanding amid heightened interest in digital-based management. As a result, the business environment is expected to remain positive.

Amid this environment, the Group will take a new step ahead as the TIS INTEC Group in conjunction with the shift to a new management structure. For fiscal 2017, the Group will strive to further raise the Group's corporate value by promoting various initiatives on the basis of the Group management strategy carried out in accordance with the basic concepts of "Profit Emphasis," "IT Brain," and "Portfolio Management."

Third medium-term management plan basic concepts	Group management strategy for fiscal 2017
Profit Emphasis	Thoroughly implement profit-oriented management.
IT Brain (expansion of value-added business)	Promote the optimization of the entire Group by leveraging the new holding company structure, while expanding added-value business to support customers' digital-based management.
Portfolio Management	Reorganize the business portfolio, while nurturing and attracting talent suited for the business models.

The consolidated earnings forecast for the year ending March 31, 2017 are as follows.

Net sales	¥390,000 million	(+1.9% year on year)
Operating income	¥26,500 million	(+8.4% year on year)
Recurring profit	¥26,000 million	(+6.0% year on year)
Net income attributable to owners of the parent company	¥15,000 million	(+18.3% year on year)

The Group expects both sales and profits to increase year on year. The Group plans to expand business and steadily execute large projects by accurately grasping the IT investment needs of customers, while raising profitability by improving productivity, preventing unprofitable projects, and promoting other measures.

Note: The above performance forecast reflects ITHD's plans and expectations based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. They are not guarantees of future performance. Actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Consolidated assets totaled ¥336,495 million at the end of the fiscal year (March 31, 2016), of which, current assets accounted for ¥166,666 million and fixed assets accounted for ¥169,828 million.

Liabilities totaled ¥155,955 million. Net assets totaled ¥180,539 million, of which non-controlling interests accounted for ¥3,990 million.

2) Cash flow

Cash and cash equivalents (“cash”) totaled ¥48,651 million as of March 31, 2016, up ¥19,166 million versus the end of the previous fiscal year (March 31, 2015). Contributions to cash flow were as follows.

(Cash flow from operating activities)

Operating activities generated net cash of ¥25,496 million. This mainly reflects income before income taxes of ¥21,817 million and the positive cash flow effect of ¥11,952 million in depreciation. These were partly offset by a ¥4,470 million increase in notes and accounts receivable and ¥5,762 million in income taxes paid.

(Cash flow from investing activities)

Investing activities generated net cash of ¥8,688 million. An inflow of ¥24,504 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥4,697 million in payments for the acquisitions of property and equipment, ¥5,073 million for the acquisitions of investment securities and ¥6,633 million for the acquisitions of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥14,979 million. Cash inflows of ¥5,012 million in proceeds from long-term debt were outweighed by outflows of ¥12,862 million for repayments of long-term debt, ¥2,711 million for dividends paid, and ¥1,610 million for purchase of treasury stock.

For reference: Cash flow indicators

	Fiscal 2015	Fiscal 2016
Equity ratio (%)	53.3	52.5
Equity ratio based on market capitalization (%)	55.7	68.8
Ratio of interest-bearing debt to cash flow (years)	2.3	1.8
Interest-coverage ratio (times)	43.0	56.2

Equity ratio: Total equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest paid

Notes:

1. All indicators were calculated using consolidated financial statement data.
2. Market capitalization is based on the number of shares issued and outstanding (excluding treasury stock).
3. Cash flow from operating activities is used as the cash flow variable.
4. “Interest-bearing debt” is all debt on the consolidated balance sheet on which interest is payable.

(3) Basic Policy on Profit Distribution and Dividends for Fiscal 2016 and Fiscal 2017

Taking into account the need to secure sufficient internal reserves to fund continued growth, the Company plans to pay a year-end dividend of ¥22 per share for fiscal 2016.

Regarding the basic policy on profit distribution, the Company has striven to maintain a stable dividend using the dividend payout ratio of around 30% as a benchmark. The Company has raised, however, its total return ratio benchmark, including dividends and share buybacks, to around 35% to provide even higher shareholder returns. On the basis of this guideline, for fiscal 2017, the Company plans to pay an annual dividend of ¥36 per share including, including an interim dividend of ¥12 per share, and conduct share buybacks.

(4) Business and Other Risks

The following are the risks with the potential to have a significant impact on the business (business results and financial condition) of the IT Holdings Group. All forward-looking statements in this document are based on information available to the company as of May 10, 2016.

1) Price competition, intensified competition

Competition among businesses is intense in the information services industry. In addition to competition from new entrants from other industries, clients are restraining their IT investments. As a result, price competition may intensify. The Group is offering higher added-value information services and taking other measures to differentiate itself from competitors, while raising productivity. If price competition intensifies more than expected, however, it may impact the Group's business results.

2) Legal systems, compliance

The Group conducts its various business activities in compliance with laws and regulations in and outside Japan. In conducting these activities, the Group has established a compliance structure on the basis of the IT Holdings Group's Basic Direction on CSR and thoroughly complies with all laws. If the Group were to contravene the law, or a new law or regulation were introduced, it may impact the Group's business results.

3) Overseas business

As part of its growth strategy, the Group is pursuing growth in overseas markets, with a focus on ASEAN. The overseas business may be impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, business practices, and labor-related issues. If one of these risks were to manifest, it may impact the Group's business results.

4) System development

The Group performs development and outsourced development of various client company information systems. In recent years, projects have become larger and development schedules have shortened. If planned quality levels cannot be met or the projects are not completed within the development schedule, larger-than-expected costs may be incurred. Furthermore, in developing systems, parts of projects are typically outsourced to many different companies in order to ensure production capacity, raise productivity, utilize technical capabilities and for other reasons. There is the possibility, however, that productivity and quality fail to meet expectations. In this event, the Group's business results may be impacted.

5) System operation

The Group uses large-scale IT facilities such as data centers to provide outsourcing 24 hours a day, 365 days a year, cloud services, and other services. The Group expends a large amount of capital to operate these businesses, from initial capital investments to ongoing capital investments to ensure stable facility maintenance and operation. If the operational status of these facilities declines significantly due to a decline in demand, it may negatively impact the Group's business results. Furthermore, in the system operation business, if losses were to result from problems or failures to client systems, the Group's business results may be impacted as a result of a decline in the Group's social trust and brand, claims for damages, or other reasons.

6) Information security

From system development to operation, the Group is in a position to learn of various types of confidential information in the conduct of its business, including personal information held by clients and clients' technological system information. Although the Group strives to manage information appropriately based on the IT Holdings Group Information Security Policy, in the event that confidential information were leaked or manipulated due to a computer virus, unauthorized access, or other reason, the Group's business results may be impacted by claims for damages from

client companies or the loss of trust.

7) Human resources

The Group's business relies heavily on human resources and is greatly affected by its ability to secure and develop superior human resources who can offer specialized, high added value to clients. The Group's business results may be impacted in the event the Group cannot secure and develop superior human resources according to its plans.

8) Technological innovation

In the information services industry, companies must rapidly respond to progress in information technologies and the accompanying changes in market needs. The Group continually conducts research into information technologies and production as well as development technologies, and is strengthening its ability to conduct this research. The Group's business results may be impacted, however, in the event the Group is unable to appropriately respond to rapid progress in innovation over a broad realm of technologies.

9) Intellectual property

To execute its business, the Group applies for and acquires patents for necessary technologies and business models as well as registers various trademarks in and outside Japan. The Group continually takes precautions to ensure that it does not infringe the intellectual property rights of third parties during the execution of its business activities. The Group may, however, be subject to claims for damages in the event that it infringes the intellectual property rights of another company. In any circumstance in which the Group infringes the rights of a third party, the Group's business and business results may be impacted considerably.

10) Natural disasters and accidents

The Group uses data centers and other large-scale IT facilities to perform its outsourcing business and provide cloud services. The data centers use various kinds of equipment to deal with disasters and accidents. Despite these measures, a longer-than-expected power blackout, large-scale natural disaster, international conflict, act of terrorism or major crime, or other such events that impede the smooth operation of the data centers may affect the Group's business results.

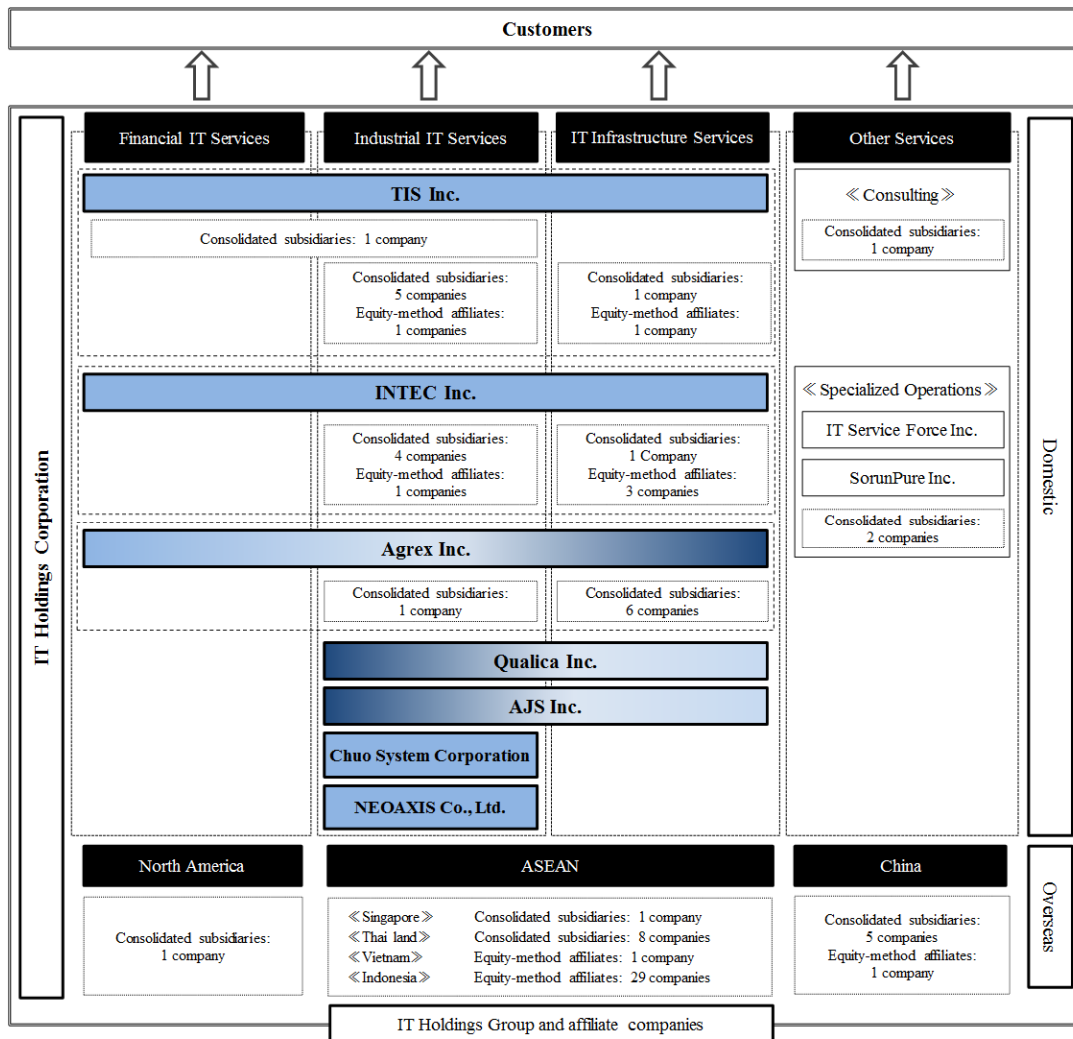
11) Owned securities

The Group owns shares as a way to strengthen relations with business partners or bonds as part of its fund operations. The Group adequately confirms the reliability of these securities by determining the issuers' financial condition, business results, credit rating and using other indicators. In the event of significant fluctuations in stock markets, however, the Group's financial condition and business results may be impacted from the recognition of losses.

2. Status of the Group

The Group consists primarily of IT Holdings Corporation (the parent company), 46 consolidated subsidiaries, and 37 affiliated companies accounted for under the equity method. The Group's core activities comprise the provision of outsourcing and cloud services, software development, and solution services, and the Group also engages in businesses connected with these core activities such as consulting services. The Group also provides other services, such as real estate rental and management services.

As a pure holding company, IT Holdings handles business administration issues for the Group and supports Group companies in executing their respective business activities, which center on information and communication services. The Group's structure and business flow are shown below.



3. Management Policy

(1) Basic Management Policy

IT Holdings has established, and discloses, the following management philosophy, which is the corporate cornerstone of the IT Holdings Group.

(Management Philosophy)

The IT Holdings Group seeks to be a corporate citizen, whose activities, namely, the provision of various services maximizing the power of information technology, match its status as a leading corporate group, and as a group, we will raise corporate value, supported in this effort by the high regard of all stakeholders, not only shareholders but also clients as well as employees and their families.

We will cultivate a vibrant corporate culture that encourages companies and individuals under the Group umbrella to work together, embracing new challenges and striving to reach higher goals, and thereby ensure continued growth as a corporate entity.

We will always provide our clients with the very best products and services, through excellent quality and technology built on the composite strengths of the Group.

We will uphold high corporate morals and fulfill our social obligations.

(2) Key Business Indicators

Amid dramatic business environment changes, such as the trend toward more complex and larger-scale systems, the rise of service-oriented approaches, ongoing globalization, and rapidly advancing technology innovation, the IT Holdings Group, a leading IT services group, endeavors to play an integral role in creating a prosperous future for society.

The Group has established profit-oriented management (strengthening of earnings power) as part of its targeted management image. ROE and other specific targets have been introduced to raise corporate value.

(3) Medium- to Long-term Management Strategies

Management has defined the corporate image—the vision—that the Group should strive to achieve.

Everyone under the Group umbrella shares this vision. It guides each person in the execution of daily activities, which in turn, underpins attainment of the ideals to which the Group aspires and further enhances corporate value.

(Group Vision)

1. Play an integral role in realizing the comfortable lifestyles of tomorrow through IT

As the leading IT services group, we will design the template and develop the businesses that support several facets of tomorrow's society—where IT is the driving force of brisk activity in all industries as well as the creation of pleasant living environments where people feel safe and secure.

2. Act with initiative and a sense of enterprising spirit

We will be a group with a corporate culture that makes work enjoyable for employees. This atmosphere will encourage people to quickly pinpoint currents of change rippling across various realms, including society and technology, and resourcefully tackle emerging issues from a fresh perspective.

3. Secure the highest level of technological expertise

We will be a group that is constantly evolving, with an emphasis on new-technology R&D, production techniques and quality control, to achieve the highest level of quality and sharpen cost competitiveness.

4. Contribute to societal and industry advances

As part of the IT services industry, we will be a group that plays a pioneering role in the overall development of our industry, and as a member of society, we will be a group that faithfully carries out our social responsibility and contributes to the communities in which we share a presence. This two-fold commitment will earn us a solid reputation from all directions.

(4) Issues Requiring a Response

The three basic concepts of the third medium-term management plan are “Profit Emphasis,” “IT Brain—Expansion of Value-added Business,” and “Portfolio Management.”

Regarding “Profit Emphasis,” the prevention of unprofitable projects is an ongoing issue. The amount of losses increased in fiscal 2016 over the previous year. Although various measures were taken, the results were insufficient. Moving forward, it will be necessary to integrate measures to strengthen engineering, introduce new tools, optimize processes, nurture new engineers, and implement risk management laterally across the company. More specifically, the strengthening and enhancement of project management training, upgrading of high-level engineering, improvement in partner procurement, and implementation of reforms in the maintenance business will be promoted laterally across the Group. Additionally, cutting-edge initiatives and know-how will be shared to standardize and improve the level of processes throughout the Group.

Regarding the improvement of productivity, productivity reform activities at worksites, including the establishment of a foundation to raise system development efficiency and the development of production technology solutions, yielded higher gross profit margins. Moving forward, the Group will promote the development foundation and production technologies as Group standards to further reform productivity.

Regarding the improvement in asset efficiency, since the previous fiscal year the Group has made a full-scale effort to unwind cross-shareholdings, including shares of unlisted companies, and reduce the level of idle assets. The Group as a whole is also taking measures to effectively use data center and other assets.

Regarding “IT Brain—Expansion of Value-added Business,” the Group has already started to develop platform businesses in certain industries. The ratio of this business to total consolidated sales is still low, however. The Group recognizes the need to further expand the service menu and promote new services in industries that have not yet been addressed. In the areas of IoT and AI, the Group will accelerate the application of cutting-edge research into specific business areas. Regarding settlement services, the Group will promote these services in Thailand and Indonesia in partnership with local companies in which it owns capital stakes.

To promote service-based businesses, it will be necessary to make timely upfront investments matching market needs. The Group will further enhance its marketing function and sales capabilities, along with its investment management to make accurate investment decisions. Highly talented staff with expertise in each of the business models will be necessary to promote these services businesses. The Group will develop talent internally while also acquiring external specialists and experienced personnel with expertise in specific industries.

Regarding “Portfolio Management,” the Group plans to make a smooth transition to a new holding company structure in July 2016. This will facilitate efficient Group operations and the overall optimization of business.

The Group has already made progress consolidating the BPO, energy, and national health insurance-related businesses and will continuously strive to reorganize and integrate businesses in order to optimize the business portfolio. Moving ahead, the Group will leverage the advantages of the holding company structure and enhance the implementation of reforms to prevent delay in responding to changes in the external environment. This approach will enable the Group to make flexible investments, accelerate the incubation of new businesses, and eliminate unprofitable businesses, thereby refocusing initiatives clearly on specific business areas.

Regarding the enhancement of corporate governance reforms, the effectiveness of ITHD’s board of directors will be researched and evaluated to promote operational reforms and ensure that the board can facilitate sustainable growth and higher corporate value over the medium and long term. Furthermore, regarding the establishment and operation of an internal control system, the Group will make a concerted effort raise the quality of its system by enhancing internal audits, strengthening risk management, improving the training curriculum, and bolstering responsiveness to regulatory reform. The Group also recognizes that diverse viewpoints and values, in terms of experience, skills, and character, are necessary to ensure sustainable growth. In keeping with this, the Group is striving to maintain a diverse workforce, including the active involvement of female staff. The advancement

of female employees is a particularly important requirement of society. Unfortunately, as of fiscal 2016, the ratio of female managers at the Group's five main companies averaged 6%. The Group recognizes that building work systems and environments in which female staff can further demonstrate their abilities is an urgent issue. Executive management will take the lead in promoting skill development, career-building and the revamping of working systems across the Group.

(5) Other Important Management Matters

At the Board of Directors' meeting held on October 29, 2015, ITHD approved a resolution to conduct an absorption-type merger (simplified absorption-type merger), effective 1 July, 2016, in which ITHD will be the surviving company and TIS Inc., a wholly owned subsidiary of ITHD, is the expiring company. A merger contract between ITHD and TIS Inc. was concluded the same day.

4. Basic Policy on Selecting Accounting Standards

The IT Holdings Group is conducting an analysis to determine the differences between International Financial Reporting Standards (IFRS) and Japanese standards, as well as the impact of adopting IFRS. At the current time, the adoption of IFRS has yet to be decided.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of Mar. 31, 2015	As of Mar. 31, 2016
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	29,211	46,741
Notes and accounts receivable	78,874	84,722
Lease receivables and lease investment assets	6,711	6,381
Marketable securities	661	2,201
Merchandise and finished goods	4,552	4,145
Work in process	5,546	5,278
Raw materials and supplies	243	264
Deferred tax assets	6,007	7,161
Other current assets	8,784	9,952
Allowance for doubtful accounts	(143)	(181)
Total current assets	140,450	166,666
Fixed assets		
Property and equipment		
Buildings and structures, net	53,670	38,497
Machinery and equipment, net	4,853	5,433
Land	24,342	22,583
Leased assets, net	3,995	4,092
Other property and equipment, net	4,552	4,623
Total property and equipment	91,413	75,229
Intangible assets		
Goodwill	1,197	724
Other intangible assets	15,555	17,509
Total intangible assets	16,752	18,233
Investments and other assets		
Investment securities	71,256	49,205
Net defined benefit asset	7,028	4,369
Deferred tax assets	5,199	6,558
Other assets	14,034	16,465
Allowance for doubtful accounts	(283)	(234)
Total investments and other assets	97,235	76,365
Total fixed assets	205,401	169,828
Total assets	345,851	336,495

	As of Mar. 31, 2015	As of Mar. 31, 2016
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	21,681	22,617
Short-term borrowings	12,521	13,069
Income taxes payable	3,140	11,998
Accrued bonuses to directors and employees	11,331	11,860
Other allowances	1,318	3,134
Other current liabilities	27,673	28,827
Total current liabilities	77,666	91,508
Non-current liabilities		
Long-term debt	39,593	31,460
Lease obligations	5,497	6,050
Deferred tax liabilities	10,720	440
Deferred tax liabilities from revaluation of land	663	403
Accrued retirement benefits to directors	90	76
Net defined benefit liability	16,874	18,363
Other non-current liabilities	5,955	7,651
Total non-current liabilities	79,395	64,447
Total liabilities	157,062	155,955
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	83,601	82,920
Retained earnings	67,019	77,485
Less treasury stock, at cost	(514)	(2,124)
Total shareholders' equity	160,107	168,282
Accumulated other comprehensive income		
Net unrealized gains on other securities	26,191	13,659
Revaluation reserve for land	(1,898)	(2,375)
Foreign currency translation adjustments	396	125
Remeasurements of defined benefit plans	(397)	(3,141)
Total accumulated other comprehensive income	24,292	8,266
Non-controlling interests	4,388	3,990
Total net assets	188,789	180,539
Total liabilities and net assets	345,851	336,495

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

	FY2015	FY2016
	millions of yen	millions of yen
Net sales	361,025	382,689
Cost of sales	294,927	312,153
Gross profit	66,097	70,535
Selling, general and administrative expenses	44,976	46,099
Operating income	21,121	24,436
Non-operating income		
Interest income	74	69
Dividend income	744	1,201
Foreign exchange gains	206	-
Rental income from real estate	265	289
Other	472	541
Total non-operating income	1,762	2,101
Non-operating expense		
Interest expenses	519	471
Equity in losses of affiliated companies	205	157
Foreign exchange losses	-	283
Rent expenses on real estates	238	185
Other	668	919
Total non-operating expenses	1,632	2,016
Recurring profit	21,251	24,521
Extraordinary income		
Gain on sale of investment securities	377	18,374
Gain on termination of retirement benefit plan	59	-
Gain on reversal of stock acquisition rights	58	-
Other	3	267
Total extraordinary income	500	18,641
Extraordinary loss		
Loss on disposal of fixed assets	354	264
Impairment loss	1,566	16,617
Loss on business liquidation	67	-
Other	1,578	4,463
Total extraordinary loss	3,567	21,344
Income before income taxes	18,184	21,817
Income taxes: current	5,417	14,335
Income taxes: deferred	1,865	(5,624)
Total income taxes	7,282	8,710
Net Income	10,901	13,107
Net income attributable to non-controlling interests	626	429
Net income attributable to owners of the parent company	10,275	12,678

Consolidated Statements of Comprehensive Income

	FY2015	FY2016
	millions of yen	millions of yen
Net Income	10,901	13,107
Other comprehensive income		
Net unrealized gains on other securities	20,239	(12,526)
Revaluation reserve for land	68	22
Foreign currency translation adjustments	379	(295)
Remeasurements of defined benefit plans	1,569	(2,742)
Share of other comprehensive income of equity-method affiliates	14	(42)
Total other comprehensive income	22,271	(15,584)
Comprehensive income	33,173	(2,476)
(Composition)		
Comprehensive income attributable to owners of the parent company	32,474	(2,848)
Comprehensive income attributable to non-controlling interests	698	371

(3) Consolidated Statements of Changes in Net Assets
FY2015 (April 1, 2014 through March 31, 2015)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	86,786	57,579	(6)	154,360
Cumulative effects of changes in accounting policies			1,532		1,532
Restated balance	10,001	86,786	59,111	(6)	155,892
Changes during the fiscal year					
Dividends from surplus			(2,367)		(2,367)
Net income attributable to owners of the parent company			10,275		10,275
Acquisition of treasury stock				(508)	(508)
Disposal of treasury stock					-
Purchase of shares of consolidated subsidiaries		(3,184)			(3,184)
Reversal of revaluation reserve for land					-
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(3,184)	7,908	(508)	4,215
Balance at end of fiscal year	10,001	83,601	67,019	(514)	160,107

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen			
Balance at beginning of fiscal year	5,975	(1,967)	48	(1,964)	2,092	45	8,004	164,502
Cumulative effects of changes in accounting policies								1,532
Restated balance	5,975	(1,967)	48	(1,964)	2,092	45	8,004	166,035
Changes during the fiscal year								
Dividends from surplus								(2,367)
Net income attributable to owners of the parent company								10,275
Acquisition of treasury stock								(508)
Disposal of treasury stock								-
Purchase of shares of consolidated subsidiaries								(3,184)
Reversal of revaluation reserve for land								-
Items other than changes in shareholders' equity, net	20,216	68	347	1,566	22,199	(45)	(3,615)	18,538
Net changes during the fiscal year	20,216	68	347	1,566	22,199	(45)	(3,615)	22,753
Balance at end of fiscal year	26,191	(1,898)	396	(397)	24,292	-	4,388	188,789

FY2016 (April 1, 2015 through March 31, 2016)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	83,601	67,019	(514)	160,107
Changes during the fiscal year					
Dividends from surplus			(2,711)		(2,711)
Net income attributable to owners of the parent company			12,678		12,678
Acquisition of treasury stock				(1,610)	(1,610)
Disposal of treasury stock				0	0
Purchase of shares of consolidated subsidiaries		(680)			(680)
Reversal of revaluation reserve for land			499		499
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(680)	10,465	(1,610)	8,174
Balance at end of fiscal year	10,001	82,920	77,485	(2,124)	168,282

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen		
Balance at beginning of fiscal year	26,191	(1,898)	396	(397)	24,292	4,388	188,789
Changes during the fiscal year							
Dividends from surplus							(2,711)
Net income attributable to owners of the parent company							12,678
Acquisition of treasury stock							(1,610)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(680)
Reversal of revaluation reserve for land							499
Items other than changes in shareholders' equity, net	(12,532)	(477)	(271)	(2,744)	(16,025)	(398)	(16,424)
Net changes during the fiscal year	(12,532)	(477)	(271)	(2,744)	(16,025)	(398)	(8,249)
Balance at end of fiscal year	13,659	(2,375)	125	(3,141)	8,266	3,990	180,539

(4) Consolidated Statements of Cash Flows

Items	FY2015	FY2016
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	18,184	21,817
Depreciation	12,809	11,952
Impairment loss	1,566	16,617
(Gain) loss on sale of investment securities	(293)	(18,356)
Loss on disposal of fixed assets	354	264
Amortization of goodwill	863	209
Increase (decrease) in accrued bonuses to directors and employees	388	448
Increase(decrease) in allowance for doubtful accounts	38	(19)
Increase (decrease) in net defined benefit liability	(389)	1,292
Interest and dividend income	(819)	(1,270)
Interest expenses	519	471
(Increase) decrease in notes and accounts receivable	(10,229)	(4,470)
(Increase) decrease in inventories	(148)	658
Increase (decrease) in notes and accounts payable	2,516	748
Increase (decrease) in accrued consumption taxes	3,466	(3,830)
Other, net	(121)	3,902
Subtotal	28,707	30,437
Interest and dividend income received	831	1,276
Interest expenses paid	(533)	(453)
Income taxes paid	(6,067)	(5,762)
Net cash provided by (used in) operating activities	22,938	25,496
Cash flows from investing activities		
Purchase of marketable securities	(3,400)	(400)
Proceeds from sale and redemption of marketable securities	3,425	410
Acquisitions of property and equipment	(7,482)	(4,697)
Acquisitions of intangible assets	(5,400)	(6,633)
Acquisitions of investment securities	(5,150)	(5,073)
Proceeds from sale and redemption of investment securities	2,423	24,504
Payment of lease and guarantee deposits	(967)	(1,001)
Collection of lease and guarantee deposits	537	659
Proceeds from transfer of business	259	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(926)	(73)
Other, net	(1,062)	992
Net cash provided by (used in) investing activities	(17,744)	8,688
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(412)	(752)
Proceeds from long-term debt	7,300	5,012
Repayments of long-term debt	(13,949)	(12,862)
Purchase of treasury stock	(508)	(1,610)
Dividends paid	(2,367)	(2,711)
Dividends paid to non-controlling interests	(351)	(202)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(7,031)	(1,324)
Other, net	(1,747)	(526)
Net cash provided by (used in) financing activities	(19,067)	(14,979)
Effect of exchange rate changes on cash and cash equivalents	217	(39)
Net increase (decrease) in cash and cash equivalents	(13,656)	19,166
Cash and cash equivalents at beginning of year	43,142	29,485
Cash and cash equivalents at end of year	29,485	48,651

(5) Notes on the Going-concern Assumption
Not applicable

(Additional Information)

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 applied

This business combination is scheduled to be accounted for as a transaction under common control based on "Accounting Standard for Business Combinations" and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(Significant Subsequent Events)

Stock Repurchases

At the Board of Directors' meeting held on May 10, 2016, 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

1,100,000 shares (maximum)

(3) Total repurchase cost

¥2,100 million (maximum)

(4) Repurchase period

From May 11, 2016 to August 10, 2016

(5) Repurchase method

Market purchases on Tokyo Stock Exchange

(Reference) New Management Structure

A new management structure at IT Holdings Corporation (hereafter, “ITHD” and “the Company”) will be presented to shareholders for approval at the 8th General Meeting of Shareholders, scheduled for June 24, 2016, and then, if approved, be authorize by a resolution by the Board of Directors at the meeting that follows the shareholders’ meeting. The proposed new management structure is described below.

The Company and wholly owned subsidiary TIS, Inc., will undergo an absorption-style merger, effective July 1, 2016, wherein TIS is absorbed into ITHD and dissolved and ITHD continues to operate as the surviving company. The Company’s management plans to change the corporate name to TIS Inc., effective July 1, 2016, conditioned upon approval of the proposal for partial revision of the Articles of Incorporation put before the 8th General Meeting of Shareholders scheduled for June 24, 2016.

Chairman and Representative Director:	Norio Maenishi
President and Representative Director:	Toru Kuwano
Representative Director:	Mitsushi Nishida
Director and Managing Executive Officer:	Josaku Yanai
Director (Part-time):	Katsuki Kanaoka (Chairman and Representative Director of INTEC Inc.)
Director (Part-time):	Shigeki Kusaka (President and Representative Director of INTEC Inc.)
Director (Part-time):	Yoshiyuki Suzuki (Executive Vice-President and Representative Director of INTEC Inc.)
External Director (Part-time):	Shingo Oda
External Director (Part-time):	Yoshinobu Ishigaki
External Director (Part-time):	Kouichi Sano
Standing Audit & Supervisory Board Member:	Takuho Shimodaira
Standing Audit & Supervisory Board Member:	Katsuhiko Ishii
External Audit & Supervisory Board Member (Part-time):	Taigi Ito (Chief of Ito CPA Firm)
External Audit & Supervisory Board Member (Part-time):	Muneaki Ueda (Chairman and Representative Director of Professional Bank Inc.)
External Audit & Supervisory Board Member (Part-time):	Sadahei Funakoshi

Note: Mitsushi Nishida is set to assume the position of representative director, executive vice-president and executive officer on July 1, 2016, the effective date of the merger.

END