



**Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2017**  
(April 1, 2016 through September 30, 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.

October 28, 2016

Company name: TIS Inc. (Former company name: IT Holdings Corporation)  
 Stock exchange listings: The First Section of the Tokyo Stock Exchange  
 Stock code: 3626  
 URL: <http://www.tis.com/>  
 Representative: Toru Kuwano, President  
 Contact: Tsuneyoshi Ito, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.  
 Phone: +81 3-5337-4232

Scheduled dates  
 Submission of quarterly report: November 9, 2016  
 Commencement of dividend payments: December 9, 2016

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, 2017**  
(April 1, 2016 – September 30, 2016)

(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, FY2017	189,023	3.5	9,423	0.5	9,526	(3.8)	5,681	1.4
First Half, FY2016	182,683	5.7	9,373	22.2	9,900	24.0	5,601	44.0

Note: Comprehensive income: First Half, FY2017: 7,465 million yen (-%), First Half, FY2016: (7,891) million yen (-%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Half, FY2017	65.72	-
First Half, FY2016	64.04	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2017	308,071	183,796	58.4
End of FY2016	336,495	180,539	52.5

For reference: Total equity: End of first half, FY2017: 179,784 million yen End of FY2016: 176,549 million yen.

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

**2. Cash Dividends for Shareholders of Common Stock**

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2016	-	11.00	-	22.00	33.00
FY2017	-	12.00	-	-	-
FY2017 (forecast)	-	-	-	24.00	36.00

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

### 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
Full FY2017 (year ending Mar. 31, 2017)	390,000	1.9	26,500	8.4	26,000	6.0	15,000	18.3	173.88

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

#### ※ Notes

- (1) Material reclassifications of subsidiaries during the period: Yes  
(Changes in specified subsidiaries resulting in change in scope of consolidation)  
Additions: None Exclusions: 1 company: TIS Inc.  
Note: For details, please refer to P. 4, “Other Information (1) Change in important subsidiary during the period”
- (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: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Common stock issued
  - 1) Issued shares as of period-end (including treasury stock):
 

End-First Half, FY2017 (September 30, 2016):	87,789,098 shares
End-FY2016 (March 31, 2016):	87,789,098 shares
  - 2) Treasury stock as of period-end:
 

End-First Half, FY2017 (September 30, 2016):	1,700,338 shares
End-FY2016 (March 31, 2016):	864,683 shares
  - 3) Average number of shares (during the respective six-month period):
 

First Half, FY2017 (ended September 30, 2016):	86,448,331 shares
First Half, FY2016 (ended September 30, 2015):	87,467,547 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 TIS Inc. (“TIS”)’s plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS 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	2
(1) Analysis of Consolidated Operating Results	2
(2) Consolidated Earnings Forecast and Caution on Forward-Looking Statements	4
2. Other Information	4
(1) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatement	4
3. Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statements of Income	
For the First Half	7
Consolidated Statements of Comprehensive Income	
For the First Half	8
(3) Notes on the Consolidated Financial Statements	9
(Notes on the Going-concern Assumption)	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9

## **1. Results of Operations**

### **(1) Analysis of Consolidated Operating Results**

In the first half of fiscal 2017 (April 1, 2016 ~ September 30, 2016), the Japanese economy continued an overall moderate recovery owing to high corporate earnings and an improvement in employment conditions. Regarding the economic forecast, it will be necessary to monitor the potential impact of slowing growth in China and emerging Asian economies, as well as Britain's decision to exit the European Union.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, was robust during the quarter. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (issued in September 2016) revealed companies' growing orientation towards digital management, as reflected in such economic indicators as a 6.9% year-on-year increase in software investment plans (all manufacturing & financial institutions).

Under these circumstances, the TIS INTEC 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) currently being implemented.

Consolidated net sales for the Group in the first half increased 3.5% year on year to ¥189,023 million. Operating income rose 0.5% from a year earlier to ¥9,423 million, recurring profit decreased 3.8% to ¥9,526 million, and net income attributable to owners of the parent company rose 1.4% to ¥5,681 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 remained on par with the previous year. Although net sales increased and measures to raise earnings yielded positive results, the Group's profitability was significantly impacted by unprofitable projects.

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 1.4% year on year to ¥61,930 million and operating income rose 59.0% to ¥5,179 million. Sales and income increased as a result of the steady performance of the data center business, the expansion of the BPO business through M&As and other initiatives, as well as cost reductions generated by business efficiency measures.

#### **2) Financial IT Services**

Consolidated sales increased 6.3% year on year to ¥40,057 million, while operating loss totaled ¥527 million (compared to operating income of ¥1,816 million in the same period of the previous year). Sales increased as a result of business expansion driven by customers' growing IT investment, mostly among credit card companies. The segment posted a decline in operating income, however, due to the significant impact of unprofitable projects.

#### **3) Industrial IT Services**

Consolidated sales increased 5.8% year on year to ¥90,188 million, while operating income increased by 28.7% to ¥4,383 million. Sales and income grew due to continued robust IT investment in the energy field in conjunction with electric power and natural gas system reforms, large-scale investments by public-sector institutions, along with successful measures to improve profitability.

#### **4) Other**

Consolidated sales declined 22.0% year on year to ¥5,994 million, and operating income declined 54.9% to ¥523 million. Sales and income declined due primarily to the impact of Group reorganization.

As previously stated, the Group is implementing its third medium-term management plan (from fiscal 2016 through fiscal 2018). For the fiscal year under review, the Group has formulated the following Group 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.

<b>Third medium-term management plan basic concepts</b>	<b>Group management strategy for fiscal 2017</b>
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 IT Holdings Group took a new step forward on July 1, 2016 through its reorganization as the TIS INTEC Group. The purpose of this reorganization is to optimize the overall Group and achieve portfolio management. In the reorganization, IT Holdings Corporation merged with wholly owned subsidiary TIS Inc. through an absorption-type merger and then changed its company name to TIS Inc. in order to unify the Group brand.

Prior to the reorganization, the Group had operated a decentralized governance system organized under a pure holding company. The new governance structure features a central operating company which can leverage its centripetal force and make overall Group optimization the primary goal. This new structure will enable the Group to reallocate management resources rapidly in response to changes in the external environment and strategic shifts, while facilitating further reforms to the Group's organizational structure.

The TIS INTEC Group is refocusing its viewpoint on markets and customers in order to support "customers' digital-based management" through unified Group initiatives. To this end, the Group is establishing a business structure to generate the maximum value from the current management resources within the Group. With the aim of advancing its distinctive competencies and growth engines, the Group has promoted the consolidation of the previously dispersed BPO business into AGREX Inc. In the first half of the fiscal year, the Group furthered this strategy by reorganizing and consolidating the national health insurance-related business and electric power and gas-related business, as well as a part of the overseas business.

The Group recognizes that responding to developments in the fields of Fintech, IoT, AI, robotics and other technologies as well as to various industry trends is critical to performing customers' digital-based management. The Group is taking active measures to build new strengths using these technologies and promote the expansion of value-added business.

As part of this strategy, the Group strengthened collaboration with Digital Garage, Inc., with which it has had a capital alliance to promote collaborative development in the EC field. The Group participates as a technology development partner in the open-innovation R&D organization DG Lab, established by Digital Garage and two other companies, and jointly established strategic technology development company DG Technologies, Inc. with Digital Garage for the development of Fintech-related business. In support of this strengthened collaboration, TIS is raising its shareholding ratio in Digital Garage to reinforce its role as an IT strategic partner. The Group also founded the "Toyama Blockchain Research Society" to promote blockchain technologies in which many parties share transaction data over the internet for mutual monitoring. The purpose of the society is to propose technology field testing to companies and organizations in regional areas where interest is growing. In the field of robotics,

the Group leveraged motion recognition technologies for smartwatches to develop a self-executing presentation system for the Pepper humanoid robot developed and sold by SoftBank Robotics Corp., as well as a remote site monitoring system utilizing a platform-based mobile robot.

The Group is also making strategic investments through various venture companies with the aim of offering new added value. These include seed money investment in AI company Elvez, Inc. and a capital and business alliance with settlement company QUADRAC Co., Ltd. The Group has also established a “Corporate venture capital” system to enable rapid investments in promising technologies. Furthermore, the Group newly established “bit&innovation” as a business creation site which will leverage multifaceted communication and collaboration schemes for open innovation.

The Group is promoting global business development as part of the expansion of its business sphere. In the settlement solutions field, a core strength, the Group made PromptNow Co., Ltd., a leading Thai developer of applications in the banking, insurance and other financial industries, a consolidated subsidiary. PromptNow was formerly a subsidiary of MFEC Public Company Limited, a listed Thai company with which the Group has a capital and business alliance.

The reduction of unprofitable projects is a critical management issue for the Group. The Group continues to strengthen and reform of existing systems, improve training to enhance on-site risk monitoring and project management capabilities, among other measures. In the first half of the current year, however, unprofitable projects had a significant impact on the Group’s consolidated performance. The Group recognizes this as a serious issue and will redouble its efforts to reduce unprofitable projects through necessary measures.

In the first quarter, TIS Inc. acquired 834,900 shares of treasury stock (aggregate acquisition cost of ¥2,099 million) as part of its policy of executing a dynamic capital strategy responsive to changes in the business environment and raising shareholder profit and capital efficiency.

## **(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 10, 2016.

TIS has adopted a total return ratio benchmark of around 35%. As a result of the previously mentioned share buyback, TIS estimates a total return of 35% in the current fiscal year.

\*Total return ratio: The ratio of the combined value of dividend payments and share buybacks versus net income attributable to owners of the parent company.

## **2. Other Information**

### **(1) Change in important subsidiary during the period**

IT Holdings Corporation conducted an absorption-type merger of TIS Inc., a specified subsidiary, on July 1, 2016, with IT Holdings Corporation as the surviving company. In conjunction with this merger, TIS Inc. was excluded from the scope of consolidation beginning with the second quarter of the fiscal year under review. After the merger, the company name was changed to TIS Inc.

### **(2) Additional information**

(Adoption of “Guidance on the Recoverability of Deferred Tax Assets”)

The Company has applied “Guidance on the Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26, issued on March 28, 2016) from the first quarter of the fiscal year under review.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Items	As of March 31, 2016	As of Sep. 30, 2016
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	46,741	21,828
Notes and accounts receivable	84,722	74,204
Lease receivables and lease investment assets	6,381	5,556
Marketable securities	2,201	100
Merchandise and finished goods	4,145	5,371
Work in process	5,278	7,284
Raw materials and supplies	264	241
Deferred tax assets	7,161	6,840
Other current assets	9,952	12,088
Allowance for doubtful accounts	(181)	(172)
Total current assets	166,666	133,342
Fixed assets		
Property and equipment		
Buildings and structures, net	38,497	38,436
Machinery and equipment, net	5,433	6,262
Land	22,583	22,485
Leased assets, net	4,092	3,791
Other property and equipment, net	4,623	5,102
Total property and equipment	75,229	76,077
Intangible assets		
Goodwill	724	985
Other intangible assets	17,509	18,118
Total intangible assets	18,233	19,103
Investments and other assets		
Investment securities	49,205	53,803
Net defined benefit asset	4,369	4,514
Deferred tax assets	6,558	5,151
Other assets	16,465	16,318
Allowance for doubtful accounts	(234)	(240)
Total investments and other assets	76,365	79,547
Total fixed assets	169,828	174,729
Total assets	336,495	308,071

Items	As of March 31, 2016	As of Sep. 30, 2016
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	22,617	19,522
Short-term borrowings	13,069	9,990
Income taxes payable	11,998	2,879
Accrued bonuses to directors and employees	11,860	12,322
Provision for loss on order received	2,472	3,643
Other allowances	661	317
Other current liabilities	28,827	24,094
Total current liabilities	91,508	72,769
Non-current liabilities		
Long-term debt	31,460	19,103
Lease obligations	6,050	5,296
Deferred tax liabilities	440	181
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	76	71
Other allowances	570	433
Net defined benefit liability	18,363	18,761
Other non-current liabilities	7,081	7,254
Total non-current liabilities	64,447	51,504
Total liabilities	155,955	124,274
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,920	82,920
Retained earnings	77,485	81,254
Less treasury stock, at cost	(2,124)	(4,226)
Total shareholders' equity	168,282	169,950
Accumulated other comprehensive income		
Net unrealized gains on other securities	13,659	15,473
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	125	(149)
Remeasurements of defined benefit plans	(3,141)	(3,113)
Total accumulated other comprehensive income	8,266	9,833
Non-controlling interests	3,990	4,012
Total net assets	180,539	183,796
Total liabilities and net assets	336,495	308,071



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

Items	First Half, FY2016	First Half, FY2017
	(Apr. 1 – Sep. 30, 2015)	(Apr. 1 – Sep. 30, 2016)
	millions of yen	millions of yen
Net sales	182,683	189,023
Cost of sales	149,949	155,353
Gross profit	32,733	33,670
Selling, general and administrative expenses	23,360	24,246
Operating income	9,373	9,423
Non-operating income		
Interest income	55	28
Dividend income	1,077	777
Other	365	272
Total non-operating income	1,499	1,078
Non-operating expense		
Interest expenses	266	178
Equity in losses of affiliated companies	182	211
Other	522	585
Total non-operating expenses	971	975
Recurring profit	9,900	9,526
Extraordinary income		
Gain on sale of investment securities	16,755	6
Gain on sale of fixed assets	223	6
Total extraordinary income	16,978	12
Extraordinary loss		
Impairment loss	15,726	144
Loss on sale of investment securities	1	156
Loss on valuation of investment securities	1	115
Other	1,841	145
Total extraordinary loss	17,570	562
Income before income taxes	9,309	8,977
Income taxes: current	9,381	2,401
Income taxes: deferred	(5,837)	715
Total income taxes	3,544	3,117
Net income	5,765	5,860
Net income attributable to non-controlling interests	163	178
Net income attributable to owners of the parent company	5,601	5,681

**Consolidated Statements of Comprehensive Income**

Items	First Half, FY2016 (Apr. 1 – Sep. 30, 2015)	First Half, FY2017 (Apr. 1 – Sep. 30, 2016)
	millions of yen	millions of yen
Net income	5,765	5,860
Other comprehensive income		
Net unrealized gains on other securities	(13,543)	1,813
Revaluation reserve for land	0	-
Foreign currency translation adjustments	(48)	(130)
Remeasurements of defined benefit plans	(64)	28
Share of other comprehensive income of equity-method affiliates	(0)	(106)
Total other comprehensive income	(13,656)	1,605
Comprehensive income	(7,891)	7,465
(Composition)		
Comprehensive income attributable to owners of the parent company	(8,058)	7,248
Comprehensive income attributable to non-controlling interests	166	217

**(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