



Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017
(April 1, 2016 through December 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.

February 2, 2017

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/>
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Scheduled dates
 Submission of quarterly report: February 10, 2017
 Commencement of dividend payments: -
 Supplementary materials to the quarterly results: Available
 Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017
(April 1, 2016 – December 31, 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 Three Qtrs., FY2017	280,708	3.7	15,931	12.7	16,108	11.5	11,251	58.2
First Three Qtrs., FY2016	270,595	6.2	14,139	30.9	14,448	33.4	7,113	46.2

Note: Comprehensive income: First Three Qtrs., FY 2017: 14,800 million yen (-%), First Three Qtrs., FY 2016: (4,335) million yen (-%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Three Qtrs., FY2017	130.34	-
First Three Qtrs., FY2016	81.36	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of Third Quarter, FY2017	315,829	190,001	58.9
End of FY2016	336,495	180,539	52.5

For reference: Total equity: End of Third Quarter, FY2017: 186,111 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. 5, “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-Third Quarter, FY2017 (December 31, 2016): 87,789,098 shares
End-FY2016 (March 31, 2016): 87,789,098 shares
 - 2) Treasury stock as of period-end:
End-Third Quarter, FY2017 (December 31, 2016): 1,701,146 shares
End-FY2016 (March 31, 2016): 864,683 shares
 - 3) Average number of shares (during the respective nine-month period):
First Three Quarters, FY2017 (ended December 31, 2017): 86,327,920 shares
First Three Quarters, FY2016 (ended December 31, 2016): 87,430,841 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.

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first nine months of fiscal 2017 (April 1, 2016 ~ December 31, 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, Britain's decision to exit the European Union, along with uncertainties in the global economy and fluctuations in financial markets stemming from the change in U.S. government administrations.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, was robust during the nine-month period. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (issued in December 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 nine months of the fiscal year increased 3.7% year on year to ¥280,708 million. Operating income rose 12.7% from a year earlier to ¥15,931 million, recurring profit increased 11.5% to ¥16,108 million, and net income attributable to owners of the parent company rose 58.2% to ¥11,251 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.

Operating income and recurring profit grew year on year due to the increased sales as well as the success of various initiatives to improve earnings, which absorbed the impact of unprofitable projects. Net income attributable to owners of the parent company grew significantly year on year for the same reasons, as well as an improvement in the balance of extraordinary income and losses.

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 1.0% year on year to ¥92,733 million and operating income rose 29.8% to ¥7,421 million during the nine-month period. The data center business expanded steadily with contributions from large public-sector projects and the BPO business also grew, while costs were reduced through the successful promotion of business efficiency measures. As a result, both sales and income increased year on year.

2) Financial IT Services

Consolidated sales increased 7.3% year on year to ¥60,399 million, while operating income declined 55.1% to ¥980 million during the nine-month period. Sales increased as a result of successfully capturing customers' growing IT investment demand in the settlement field, mostly among credit card companies. The segment posted a decline in operating income, however, due to the significant impact of large-scale unprofitable projects, mostly in the second quarter.

3) Industrial IT Services

Consolidated sales increased 5.8% year on year to ¥132,105 million, while operating income increased by 47.5% to ¥7,052 million during the nine-month period. Business expansion was driven by 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, and

successful measures to serve clients expanding their IT investments to support growth strategies. Measures promoting earnings improvement, including the reduction of unprofitable projects, were also successful. As a result, both sales and income increased.

4) Other

Consolidated sales declined 20.8% year on year to ¥8,886 million, and operating income declined 58.0% to ¥759 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.

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 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 BPO business, the national health insurance-related business, the electric power and gas-related business, and the overseas business. Moving forward, the Group will continue to steadily review and implement various measures to achieve portfolio management.

The Group recognizes that responding to developments in the fields of Fintech, IoT, AI, robotics and other new 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 has 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 with growing interest in the technology. 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 to offer new added value by collaborating with venture companies through open innovation. 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 active and 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 the expansion of its business sphere. 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. Through this initiative, the Group is introducing the settlement business, its core strength, outside Japan and expanding business.

The Group has also taken measures to offer comprehensive security solutions and expand the security business in Japan, where interest in security is rising. A strategic partnership contract was signed with major Singaporean telecom company Singapore Telecommunications Limited for managed security services. Through the partnership, a subsidiary of Singapore Telecommunications Limited has begun offering managed security services in Japan from Trustwave Holdings, Inc., one of the largest security vendors in North America.

The reduction of unprofitable projects is a critical management issue for the Group. The Group continues to strengthen and reform existing systems, while improving training to enhance on-site risk monitoring and project management capabilities, among other measures. The TIS INTEC Group Production Innovation Committee was established to strengthen objective monitoring functions and thoroughly promote effective measures to prevent unprofitable projects. In this way, the entire Group is working together to prevent unprofitable projects.

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 Dec. 31, 2016
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	46,741	31,247
Notes and accounts receivable	84,722	68,931
Lease receivables and lease investment assets	6,381	5,264
Marketable securities	2,201	100
Merchandise and finished goods	4,145	4,553
Work in process	5,278	10,316
Raw materials and supplies	264	240
Deferred tax assets	7,161	4,251
Other current assets	9,952	12,835
Allowance for doubtful accounts	(181)	(157)
Total current assets	166,666	137,584
Fixed assets		
Property and equipment		
Buildings and structures, net	38,497	38,377
Machinery and equipment, net	5,433	6,330
Land	22,583	22,485
Leased assets, net	4,092	4,344
Other property and equipment, net	4,623	5,598
Total property and equipment	75,229	77,136
Intangible assets		
Goodwill	724	926
Other intangible assets	17,509	18,517
Total intangible assets	18,233	19,443
Investments and other assets		
Investment securities	49,205	55,521
Net defined benefit asset	4,369	4,418
Deferred tax assets	6,558	5,571
Other assets	16,465	16,378
Allowance for doubtful accounts	(234)	(223)
Total investments and other assets	76,365	81,665
Total fixed assets	169,828	178,245
Total assets	336,495	315,829

Items	As of March 31, 2016	As of Dec. 31, 2016
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	22,617	18,471
Short-term borrowings	13,069	7,738
Income taxes payable	11,998	784
Accrued bonuses to directors and employees	11,860	5,928
Provision for loss on order received	2,472	3,209
Other allowances	661	238
Other current liabilities	28,827	28,937
Total current liabilities	91,508	65,307
Non-current liabilities		
Long-term debt	31,460	26,749
Lease obligations	6,050	5,613
Deferred tax liabilities	440	1,066
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	76	71
Other allowances	570	475
Net defined benefit liability	18,363	18,949
Other non-current liabilities	7,081	7,191
Total non-current liabilities	64,447	60,520
Total liabilities	155,955	125,828
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,920	82,920
Retained earnings	77,485	85,792
Less treasury stock, at cost	(2,124)	(4,228)
Total shareholders' equity	168,282	174,485
Accumulated other comprehensive income		
Net unrealized gains on other securities	13,659	17,322
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	125	(209)
Remeasurements of defined benefit plans	(3,141)	(3,111)
Total accumulated other comprehensive income	8,266	11,625
Non-controlling interests	3,990	3,890
Total net assets	180,539	190,001
Total liabilities and net assets	336,495	315,829

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

Items	First Three Qtrs., FY2016 (Apr. 1 – Dec. 31, 2015)	First Three Qtrs., FY2017 (Apr. 1 – Dec. 31, 2016)
	millions of yen	millions of yen
Net sales	270,595	280,708
Cost of sales	222,105	228,857
Gross profit	48,490	51,851
Selling, general and administrative expenses	34,351	35,919
Operating income	14,139	15,931
Non-operating income		
Interest income	49	43
Dividend income	1,173	889
Other	522	433
Total non-operating income	1,745	1,366
Non-operating expense		
Interest expenses	365	257
Equity in losses of affiliated companies	159	349
Other	911	582
Total non-operating expenses	1,435	1,189
Recurring profit	14,448	16,108
Extraordinary income		
Gain on sale of investment securities	16,781	1,811
Other	266	60
Total extraordinary income	17,048	1,871
Extraordinary loss		
Loss on disposal of fixed assets	203	168
Impairment loss	15,726	144
Other	3,152	451
Total extraordinary loss	19,081	764
Income before income taxes	12,415	17,215
Income taxes: current	8,584	2,683
Income taxes: deferred	(3,424)	3,117
Total income taxes	5,159	5,801
Net income	7,255	11,414
Net income attributable to non-controlling interests	141	162
Net income attributable to owners of the parent company	7,113	11,251

Consolidated Statements of Comprehensive Income

Items	First Three Qtrs., FY2016 (Apr. 1 – Dec. 31, 2015)	First Three Qtrs., FY2017 (Apr. 1 – Dec. 31, 2016)
	millions of yen	millions of yen
Net income	7,255	11,414
Other comprehensive income		
Net unrealized gains on other securities	(11,197)	3,671
Revaluation reserve for land	0	-
Foreign currency translation adjustments	(199)	(199)
Remeasurements of defined benefit plans	(81)	31
Share of other comprehensive income of equity- method affiliates	(112)	(116)
Total other comprehensive income	(11,591)	3,386
Comprehensive income	(4,335)	14,800
(Composition)		
Comprehensive income attributable to owners of the parent company	(4,417)	14,610
Comprehensive income attributable to non- controlling interests	81	189

(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