Consolidated Financial Results for the Fiscal Year ended March 31, 2017
(April 1, 2016 through March 31, 2017)
(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, 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/
Representative:	Toru Kuwano, President
Contact:	Tsuneyoshi Ito, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.
Phone:	+81 3-5337-4232

Scheduled dates

Annual general shareholders' meeting:	June 27, 2017
Filing of statutory financial report:	June 28, 2017
Commencement of dividend payments:	June 28, 2017

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, 2017 (FY2017) (April 1, 2016 – March 31, 2017)

(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	%
FY2017	393,398	2.8	27,019	10.6	27,092	10.5	16,306	28.6
FY2016	382,689	6.0	24,436	15.7	24,521	15.4	12,678	23.4

Note: Comprehensive income: FY2017: 23,961 million yen (-); FY2016: (2,476) million yen (-)

	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	%	%	%
FY2017	189.02	-	8.8	8.0	6.9
FY2016	145.22	-	7.0	7.2	6.4

For reference:

Equity in earnings (losses) of affiliated companies: FY2017: (457) million yen; FY2016: (157) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2017	337,622	199,202	57.8	2,265.76
End-FY2016	336,495	180,539	52.5	2,031.07

For reference: Total equity: End of FY2017: 195,053 million yen End of FY2016: 176,549 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
FY2017	18,952	(23,488)	(18,327)	25,730
FY2016	25,496	8,688	(14,979)	48,651

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2016	-	11.00	-	22.00	33.00	2,874	22.7	1.6
FY2017	-	12.00	-	24.00	36.00	3,099	19.0	1.7
FY2018 (forecast)	-	14.00	-	26.00	40.00		19.1	

3. Forecast of Consolidated Results for FY2018 (April 1, 2017 – March 31, 2018)

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 FY2018 (six months ending Sep. 30, 2017)	193,000	2.1	11,500	22.0	11,500	20.7	6,800	19.7	78.99
Full FY2018 (year ending Mar. 31, 2018)	400,000	1.7	30,000	11.0	30,000	10.7	18,000	10.4	209.09

※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: 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) 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-FY2017 (March 31, 2017):	87,789,098 shares
End-FY2016 (March 31, 2016):	87,789,098 shares

2) Treasury stock as of period-end:

End-FY2017 (March 31, 2017):	1,701,923 shares
End-FY2016 (March 31, 2016):	864,683 shares

3) Average number of shares (during the fiscal year):

FY2017 (ended March 31, 2017):	86,268,685 shares
FY2016 (ended March 31, 2016):	87,305,015 shares

Audit Status

These materials are not subject to the audit procedure requirements of Japan's Financial Instruments and Exchange Act.

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 "(1) Analysis of Consolidated Operating Results" on page 2 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations
(1) Analysis of Consolidated Operating Results

In fiscal 2017 (April 1, 2016 ~ March 31, 2017), the Japanese economy continued an overall moderate recovery owing to high corporate earnings and an improvement in employment conditions.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, was robust during the year. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan revealed companies' growing orientation towards digital management, as reflected in year-on-year increases in software investment plans in every report issued during the year (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 fiscal year increased 2.8% year on year to ¥393,398 million. Operating income rose 10.6% from a year earlier to ¥27,019 million, recurring profit increased 10.5% to ¥27,092 million, and net income attributable to owners of the parent company rose 28.6% to ¥16,306 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.

Profit grew year on year due to the increased sales, the success of various initiatives to improve earnings, and the decreased impact of 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 0.5% year on year to ¥126,581 million and operating income rose 13.8% to ¥10,158 million for the year. The data center business expanded steadily with contributions from large public-sector projects and the BPO business also grew. 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 5.7% year on year to ¥84,051 million, while operating income increased 7.9% to ¥3,626 million for the year. Sales and profits increased as a result of successfully capturing customers' growing IT investment demand in the settlement field, mostly among credit card companies.

3) Industrial IT Services
Consolidated sales increased 5.2% year on year to ¥189,409 million, while operating income increased by 25.3% to ¥12,496 million for the year. 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 26.2% year on year to ¥11,885 million, and operating income declined 59.1% to ¥1,084 million. Sales and income declined due primarily to the impact of Group reorganization.

The Group has been implementing its third medium-term management plan (from fiscal 2016 through fiscal 2018) since the previous fiscal year. For the fiscal year under review, the Group formulated the following Group management strategy in accordance with the management plan's basic concepts, and promoted 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	Introduce ROE and other management indicators to raise corporate value
IT Brain (expansion of value-added business)	Expand value-added business to contribute to customers' digital-based management
Portfolio Management	Optimize the entire Group by utilizing an operating holding company structure

Amid this business environment, the IT Holdings Group took a new step forward in July 2016 through its reorganization as the TIS INTEC Group. The purpose of this reorganization was 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.

(1) Profit Emphasis

The TIS Group achieved its consolidated earnings targets announced at the beginning of the fiscal year. The Group increased sales by conducting sales activities that accurately grasped customer needs, which overcame the impact of unprofitable projects in the second quarter. The Group also took various measures to improve earnings. As a result, the Group achieved the targets for net income attributable to owners of the parent company (¥16.0 billion) and ROE (8%) in the year under review, a year earlier than targeted under the third medium-term management plan. These achievements reflect the success of the plan's measures, which will be further promoted over the next year.

Regarding the reduction in unprofitable projects, which remains a major management issue, the Group took steps to bolster and review existing systems while enhancing training to improve on-site risk oversight and project management capabilities. Additionally, the TIS INTEC Group Production Innovation Committee was established to strengthen the objective monitoring function and raise the effectiveness of initiatives to reduce unprofitable projects. These measures have gradually produced positive effects, and the Group will continue to work together as a unified organization to tackle the issue of reducing unprofitable projects.

In regard to raising asset efficiency, the Group continued measures from the previous year intended to unwind cross-shareholdings, including for unlisted companies, while also reducing idle assets.

(2) IT Brain (expansion of value-added business)

The TIS INTEC Group is refocusing its viewpoint on markets and customers in order to contribute to "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.

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 electronic commerce (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.

(3) Portfolio Management

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.

The Group is promoting the expansion of its global business as an important part of the business portfolio. The Group acquired additional shares of MFEC Public Company Limited, a listed Thai company with which it has had a capital and business alliance, to foster a closer business alliance, making the company an equity-method affiliate. The Group also made PromptNow Co., Ltd., formerly a subsidiary of MFEC Public Company Limited and a leading Thai developer of mobile applications in the banking, insurance and other financial industries, a consolidated subsidiary. Additionally, the Group acquired additional shares of PT Anabatic Technologies, a listed Indonesian company with which it has had a capital and business alliance, to make it an equity-method affiliate. Through these initiatives, the Group is expanding the settlement business, its core strength, to markets outside Japan.

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.

In the first quarter, in accordance with its basic policy on shareholder returns, 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) Analysis of Financial Condition

Consolidated assets totaled ¥337,622 million at March 31, 2017 (up 0.3% versus March 31, 2016), of which current assets accounted for ¥152,162 million (down 8.7%) and fixed assets accounted for ¥185,459 million (up 9.2%). Current liabilities totaled ¥78,676 million (down 14.0%) and non-current liabilities totaled ¥59,743 million (down 7.3%). Net assets totaled ¥199,202 million (up 10.3%).

(3) Cash flow

Cash and cash equivalents (“cash”) totaled ¥25,730 million as of March 31, 2017, down ¥22,920 million versus March 31, 2016. Contributions to cash flow were as follows.

(Cash flow from operating activities)

Operating activities generated net cash of ¥18,952 million. This mainly reflects income before income taxes of ¥24,840 million and the positive cash flow effect of ¥11,801 million in depreciation. These were partly offset by a ¥7,852 million increase in notes and accounts receivable and ¥15,041 million in income taxes paid.

(Cash flow from investing activities)

Investing activities used net cash of ¥23,488 million. An inflow of ¥3,506 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥9,533 million in payments for the acquisitions of property and equipment, ¥7,548 million for the acquisitions of investment securities, and ¥7,115 million for the acquisitions of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥18,327 million. A cash inflow of ¥10,905 million in proceeds from long-term debt were outweighed by outflows of ¥23,021 million for repayments of long-term debt, ¥2,945 million for dividends paid, and ¥2,106 million for purchase of treasury stock.

For reference: Cash flow indicators

	Fiscal 2016	Fiscal 2017
Equity ratio (%)	52.5	57.8
Equity ratio based on market capitalization (%)	68.8	72.2
Ratio of interest-bearing debt to cash flow (years)	1.8	1.9
Interest-coverage ratio (times)	56.2	57.2

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 in payable.

(4) Outlook for fiscal 2018

Despite a clouded economic outlook due to uncertainties over global economic trends, customers’ IT investment needs in Japan are expected to continue expanding amid heightened interest in digital-based management, as evidenced by the Bank of Japan’s Short-term Economic Survey of Enterprises in March 2017 revealing a 3.6% year-on-year increase in FY2017 software IT investment plans (all manufacturing & financial institutions). As a result, the business environment surrounding the Group is expected to remain positive.

Amid this environment, the TIS INTEC Group has formulated the following Group management strategy for fiscal 2018, the final year of the third medium-term management plan currently being implemented. Under this strategy, the Group will promote various measures to meet the plan’s targets and raise corporate value.

Third medium-term management plan basic concepts	**Group management strategy for fiscal 2018**
Profit Emphasis	Implement profit-oriented management more thoroughly.
IT Brain (expansion of value-added business)	Make further upfront investments to establish new growth engines.
Portfolio Management	Strengthen collaboration among Group companies by leveraging the operating holding company structure and rapidly execute structural reforms.

The consolidated earnings forecast for the year ending March 31, 2018 are as follows.

Net sales	¥400,000 million	(+1.7% year on year)
Operating income	¥30,000 million	(+11.0% year on year)
Recurring profit	¥30,000 million	(+10.7% year on year)
Net income attributable to owners of the parent company	¥18,000 million	(+10.4% 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 the Company’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.

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2017 and Fiscal 2018

Taking into account the need to secure sufficient internal reserves to fund continued growth, the Company plans to pay a year-end dividend of ¥24 per share for fiscal 2017.

Regarding the basic policy on profit distribution, since fiscal 2017, the Company has raised 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 2018, the Company plans to pay an annual dividend of ¥40 per share including, including an interim dividend of ¥14 per share, and conduct share buybacks.

(6) 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 TIS INTEC Group. All forward-looking statements in this document are based on information available to the company as of May 10, 2017.

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 value-added 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 TIS INTEC 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 TIS INTEC 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.

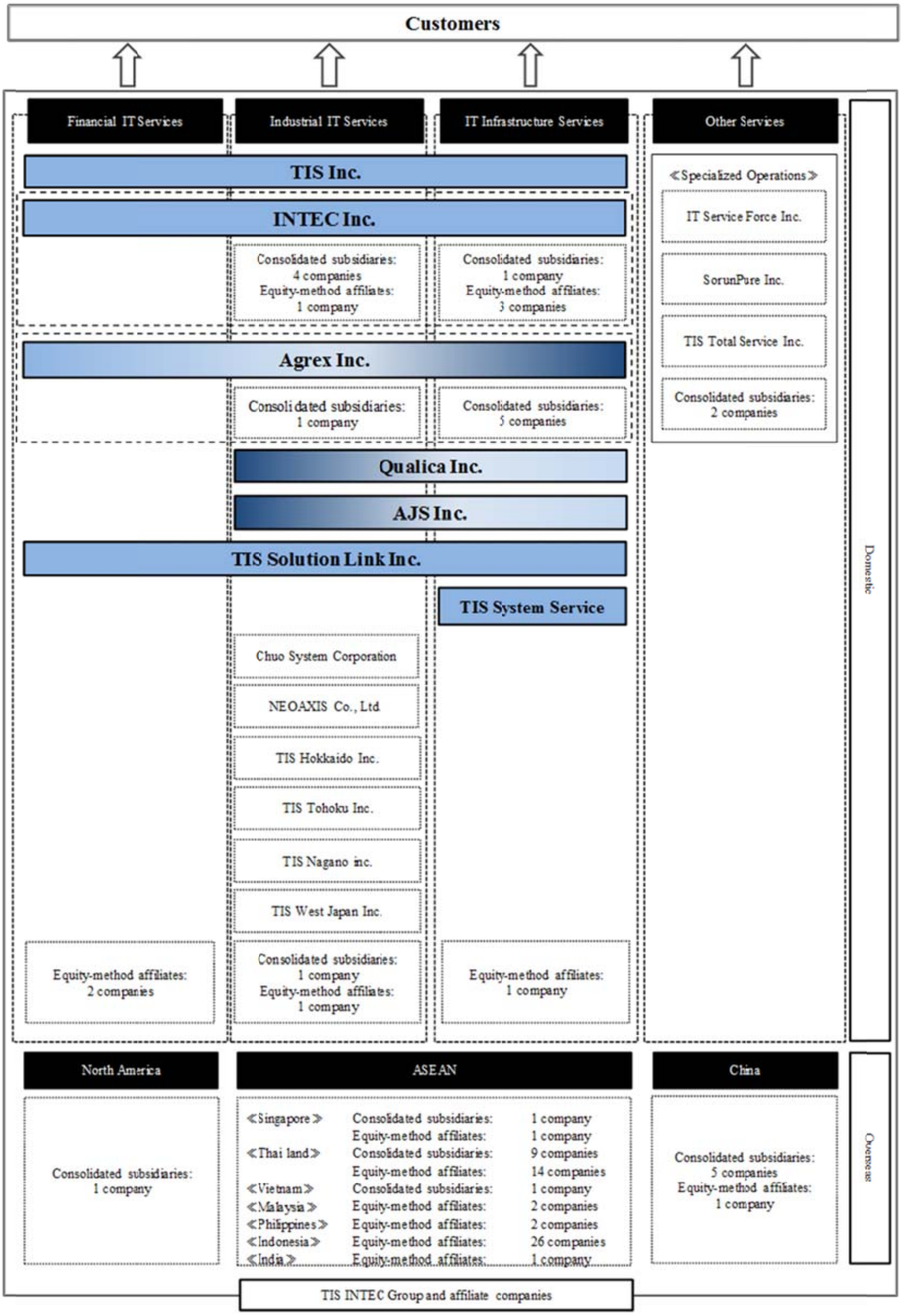
11) Owned securities

The Group owns shares as a way to build long and stable relations with business partners and to promote sales activities, while also owning 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 TIS Inc. (the parent company), 46 consolidated subsidiaries, and 55 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.

The Group's businesses and the relationship between each business, consolidated subsidiary and equity-method affiliate are shown below.



3. Management Policy

(1) Basic Management Policy

The TIS INTEC Group has established, and discloses, the following management philosophy, which is its corporate cornerstone.

(Management Philosophy)
The TIS INTEC 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 TIS INTEC 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 ideal management image. As specific targets, the Group aims to raise ROE through improvements to operating income ratio and net income ratio.

(3) Medium- to Long-term Management Strategies

The TIS INTEC Group has formulated a new Group Vision representing the corporate image it seeks to achieve over the next 10 years.

This Vision is shared by all the members of the TIS INTEC Group. Each employee puts the Vision into practice in their daily work activities as a way of realizing the TIS INTEC Group ideals and further raising corporate value.

(Group Vision)
1. Ideal corporate image
"Create Exciting Future" represents the Group's common values. Based on these values, we leverage next-generation technologies and know-how to make business innovations and create new markets. We are honored to be a strategic partner to our customers, and we repay this trust by aiming to be a true innovator which continually brings about change in existing industries and markets and creates new markets.

2. Strategic domains
In order to realize our ideal corporate image, we have defined the following as our four strategic domains.

Strategic partnership business	As partners to world-class companies in their respective industries, we will jointly plan and promote business strategies and play a central role in their business by leveraging our industry insight and our unmatched business expertise.
IT offering service	We will combine our Group's accumulated know-how and broad range of leading-edge technologies to create and rapidly deploy IT solutions and services that anticipate the future needs of our customers.
Business function service	We will combine the Group's accumulated expertise in industries and business processes and utilize cutting-edge technologies to anticipate the business function needs within our customers' value chains and offer them as services.
Frontier new market creation business	We will leverage our Group's technologies, business know-how, and customer base to create entirely new markets and business models responsive to the emerging needs of society and industry, promoting these as our own new business ventures.

(4) Issues Requiring a Response

In order to further raise corporate value, the TIS INTEC Group recognizes the need to further promote the three basic concepts of the third medium-term management plan, which are “Profit Emphasis,” “IT Brain—Expansion of Value-added Business,” and “Portfolio Management,” as well as promote “Generation of On-site Vitality,” “Management Enhancement,” and “Fostering of Unified Corporate Culture” to support these core concept initiatives.

Regarding “Profit Emphasis,” the Group has been implementing a range of measures to minimize unprofitable projects. A Production Innovation Committee comprising representatives from Group companies has been formed, the accuracy of project screening has been improved at the customer proposal level, and project monitoring functions have been strengthened. The Group will thoroughly implement these measures to raise profitability and productivity and thereby increase profits.

Regarding “IT Brain—Expansion of Value-added Business,” although the Group has promoted all types of platform business and expanded the range of services in existing fields, the results have not met expectations. Moving forward, the Group will develop new services in industries where it has yet to make inroads. Furthermore, in fields with a close relationship to IoT, AI and other cutting-edge technologies, the Group will develop specific links between its R&D activities and its business activities while also strengthening human resources to meet business needs when launching organizations for these fields. Additionally, the Group will strive to make more accurate investment decisions when launching these types of service-oriented businesses through timely upfront investments matching market needs.

Regarding “Portfolio Management,” the consolidated management of Group company business in and outside Japan has been promoted. The goals of portfolio management, however, are to identify strategically important fields for the Group, promote the acceleration of business tie-ups among the Group companies, and ensure the Group performs at a top level in each of its business areas. The Group will continually integrate and reorganize its businesses to optimize the business portfolio and ensure that management does not end with simple business consolidation. Regarding the BPO business, the Group has consolidated business sites located in multiple areas in order to improve earnings. In the IT infrastructure field, the Group has integrated the networks existing between the data centers operated by Group companies to both lower costs and create an environment in which Group companies can mutually utilize each other’s services.

In addition to the above issues, the Group is vigorously tackling the following issues.

Regarding “Generation of On-site Vitality,” raising the motivation of employees and generating more on-site vitality are recognized as the most important factors in ensuring sustainable corporate growth. To support this initiative, the Group is promoting the expanded use of telecommuting and other diverse types of work systems, the establishment of IT infrastructure to promote work efficiency, the establishment of satellite offices, trials with free address offices, and active investments in training. Led by its executive management, the Group will strive to create working environments which enhance employees’ passion for work and which ensure that a diverse group of people, including female employees, can thrive and make the most of their talents.

Regarding “Management Enhancement,” the number of independent outside directors has been raised from two to three in order to establish a new Group governance system and ensure that Group receives input on its management from multiple perspectives and based on a diverse range of experience and insight. From fiscal 2017, in order to realize greater benefits from the transition to a holdings company system, new programs have been implemented to strengthen the human resources and business relations between the TIS business units and Group companies. These programs will be continued and strengthened to support a more robust Group governance structure.

Regarding “Fostering of Unified Corporate Culture,” in conjunction with the transition to a holdings company system, the Group has formulated new Group Vision for the next 10 years. Under the new Vision to be achieved by 2026, the Group will strive towards the ideal corporate image of “Create Exciting Future” by leveraging next-generation technologies and know-how to make business innovations and create new markets. This Vision will be shared by all Group employees and various programs will be instituted to encourage employees to put this Vision into practice during their daily work activities. The Vision will serve as the basis for the fourth medium-term management plan beginning FY2019, with the Group striving to implement initiatives to realize the corporate image.

4. Basic Policy on Selecting Accounting Standards

The TIS INTEC Group uses Japanese accounting standards for financial reporting. The Group will continue to review the possibility of optional application of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of Mar. 31, 2016	As of Mar. 31, 2017
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	46,741	26,137
Notes and accounts receivable	84,722	92,915
Lease receivables and lease investment assets	6,381	5,179
Marketable securities	2,201	100
Merchandise and finished goods	4,145	4,341
Work in process	5,278	4,526
Raw materials and supplies	264	240
Deferred tax assets	7,161	6,889
Other current assets	9,952	12,003
Allowance for doubtful accounts	(181)	(170)
Total current assets	166,666	152,162
Fixed assets		
Property and equipment		
Buildings and structures, net	38,497	37,118
Machinery and equipment, net	5,433	6,665
Land	22,583	21,435
Leased assets, net	4,092	3,937
Other property and equipment, net	4,623	6,723
Total property and equipment	75,229	75,878
Intangible assets		
Goodwill	724	803
Other intangible assets	17,509	17,863
Total intangible assets	18,233	18,666
Investments and other assets		
Investment securities	49,205	64,156
Net defined benefit asset	4,369	5,027
Deferred tax assets	6,558	6,129
Other assets	16,465	15,810
Allowance for doubtful accounts	(234)	(210)
Total investments and other assets	76,365	90,914
Total fixed assets	169,828	185,459
Total assets	336,495	337,622

	As of Mar. 31, 2016	As of Mar. 31, 2017
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	22,617	24,047
Short-term borrowings	13,069	6,084
Income taxes payable	11,998	5,932
Accrued bonuses to directors and employees	11,860	12,402
Provision for loss on order received	2,472	3,379
Other allowances	661	297
Other current liabilities	28,827	26,532
Total current liabilities	91,508	78,676
Non-current liabilities		
Long-term debt	31,460	26,263
Lease obligations	6,050	5,304
Deferred tax liabilities	440	2,676
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	76	66
Other allowances	570	419
Net defined benefit liability	18,363	16,876
Other non-current liabilities	7,081	7,735
Total non-current liabilities	64,447	59,743
Total liabilities	155,955	138,420
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,920	82,918
Retained earnings	77,485	90,846
Less treasury stock, at cost	(2,124)	(4,230)
Total shareholders' equity	168,282	179,535
Accumulated other comprehensive income		
Net unrealized gains on other securities	13,659	20,478
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	125	51
Remeasurements of defined benefit plans	(3,141)	(2,636)
Total accumulated other comprehensive income	8,266	15,517
Non-controlling interests	3,990	4,149
Total net assets	180,539	199,202
Total liabilities and net assets	336,495	337,622

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

Consolidated Statements of Income

	FY2016	FY2017
	millions of yen	millions of yen
Net sales	382,689	393,398
Cost of sales	312,153	317,440
Gross profit	70,535	75,958
Selling, general and administrative expenses	46,099	48,938
Operating income	24,436	27,019
Non-operating income		
Interest income	69	63
Dividend income	1,201	912
Rental income from real estate	289	269
Gain on investments in partnership	17	203
Other	523	288
Total non-operating income	2,101	1,737
Non-operating expense		
Interest expenses	471	352
Equity in losses of affiliated companies	157	457
Foreign exchange losses	283	104
Rent expenses on real estates	185	217
Other	919	533
Total non-operating expenses	2,016	1,664
Recurring profit	24,521	27,092
Extraordinary income		
Gain on sale of investment securities	18,374	1,956
Other	267	110
Total extraordinary income	18,641	2,066
Extraordinary loss		
Loss on disposal of fixed assets	264	216
Impairment loss	16,617	3,423
Other	4,463	678
Total extraordinary loss	21,344	4,318
Income before income taxes	21,817	24,840
Income taxes: current	14,335	8,210
Income taxes: deferred	(5,624)	(113)
Total income taxes	8,710	8,097
Net Income	13,107	16,742
Net income attributable to non-controlling interests	429	436
Net income attributable to owners of the parent company	12,678	16,306

Consolidated Statements of Comprehensive Income

	FY2016	FY2017
	millions of yen	millions of yen
Net Income	13,107	16,742
Other comprehensive income		
Net unrealized gains on other securities	(12,526)	6,833
Revaluation reserve for land	22	-
Foreign currency translation adjustments	(295)	(104)
Remeasurements of defined benefit plans	(2,742)	508
Share of other comprehensive income of equity-method affiliates	(42)	(17)
Total other comprehensive income	(15,584)	7,218
Comprehensive income	(2,476)	23,961
(Composition)		
Comprehensive income attributable to owners of the parent company	(2,848)	23,556
Comprehensive income attributable to non-controlling interests	371	404

(3) Consolidated Statements of Changes in Net Assets

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	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	Remeasur-ements of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	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

FY2017 (April 1, 2016 through March 31, 2017)

	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	82,920	77,485	(2,124)	168,282
Changes during the fiscal year					
Dividends from surplus			(2,945)		(2,945)
Net income attributable to owners of the parent company			16,306		1,6306
Acquisition of treasury stock				(2,106)	(2,106)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		(2)			(2)
Reversal of revaluation reserve for land					-
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(2)	13,360	(2,105)	11,252
Balance at end of fiscal year	10,001	82,918	90,846	(4,230)	179,535

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasur-ements of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	13,659	(2,375)	125	(3,141)	8,266	3,990	180,539
Changes during the fiscal year							
Dividends from surplus							(2,945)
Net income attributable to owners of the parent company							16,306
Acquisition of treasury stock							(2,106)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							(2)
Reversal of revaluation reserve for land							-
Items other than changes in shareholders' equity, net	6,819	-	(74)	505	7,250	158	7,409
Net changes during the fiscal year	6,819	-	(74)	505	7,250	158	18,662
Balance at end of fiscal year	20,478	(2,375)	51	(2,636)	15,517	4,149	199,202

(4) Consolidated Statements of Cash Flows

Items	FY2016	FY2017
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	21,817	24,840
Depreciation	11,952	11,801
Impairment loss	16,617	3,423
(Gain) loss on sale of investment securities	(18,356)	(1,800)
Loss on disposal of fixed assets	264	216
Amortization of goodwill	209	206
Increase (decrease) in accrued bonuses to directors and employees	448	542
Increase(decrease) in allowance for doubtful accounts	(19)	(35)
Increase (decrease) in net defined benefit liability	1,292	(1,489)
Interest and dividend income	(1,270)	(976)
Interest expenses	471	352
(Increase) decrease in notes and accounts receivable	(4,470)	(7,852)
(Increase) decrease in inventories	658	603
Increase (decrease) in notes and accounts payable	748	1,310
Increase (decrease) in accrued consumption taxes	(3,830)	405
Other, net	3,902	1,800
Subtotal	30,437	33,349
Interest and dividend income received	1,276	976
Interest expenses paid	(453)	(331)
Income taxes paid	(5,762)	(15,041)
Net cash provided by (used in) operating activities	25,496	18,952
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	410	400
Acquisitions of property and equipment	(4,697)	(9,533)
Acquisitions of intangible assets	(6,633)	(7,115)
Acquisitions of investment securities	(5,073)	(7,548)
Proceeds from sale and redemption of investment securities	24,504	3,506
Payment of lease and guarantee deposits	(1,001)	(905)
Collection of lease and guarantee deposits	659	665
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(73)	(362)
Other, net	992	(2,194)
Net cash provided by (used in) investing activities	8,688	(23,488)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(752)	(158)
Proceeds from long-term debt	5,012	10,905
Repayments of long-term debt	(12,862)	(23,021)
Purchase of treasury stock	(1,610)	(2,106)
Dividends paid	(2,711)	(2,945)
Dividends paid to non-controlling interests	(202)	(300)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,324)	(4)
Other, net	(526)	(695)
Net cash provided by (used in) financing activities	(14,979)	(18,327)
Effect of exchange rate changes on cash and cash equivalents	(39)	(56)
Net increase (decrease) in cash and cash equivalents	19,166	(22,920)
Cash and cash equivalents at beginning of year	29,485	48,651
Cash and cash equivalents at end of year	48,651	25,730

(5) Notes on the Going-concern Assumption

Not applicable

(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 current fiscal year under review.

(Significant Subsequent Events)

Stock Repurchases

At the Board of Directors' meeting held on May 10, 2017, TIS 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
  1,200,000 shares (maximum)
(3) Total repurchase cost
  ¥2,860 million (maximum)
(4) Repurchase period
  From May 11, 2017 to August 10, 2017
(5) Repurchase method
  Market purchases on Tokyo Stock Exchange