



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

July 28, 2016

Company name: TIS Inc.  
 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: August 10, 2016  
 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 Quarter of the Fiscal Year Ending March 31, 2017**  
(April 1, 2016 – June 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 Quarter., FY2017	89,128	4.1	4,017	85.1	4,373	44.6	2,757	40.7
First Quarter., FY2016	85,653	7.0	2,170	191.0	3,025	191.8	1,959	463.5

Note: Comprehensive income: First Quarter., FY 2017: 3,314 million yen (68.9%), First Quarter., FY 2016: 1,961 million yen (-%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Quarter., FY2017	31.77	-
First Quarter., FY2016	22.40	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2017	305,723	179,687	57.5
End of FY2016	336,495	180,539	52.5

For reference: Total equity: End of first quarter, FY2017: 175,757 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
FY2016	yen -	yen 11.00	yen -	yen 22.00	yen 33.00
FY2017	-	-	-	-	-
FY2017 (forecast)	-	12.00	-	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
First Half of FY2017 (six months ending Sep. 30, 2016)	185,000	1.3	10,000	6.7	10,000	1.0	5,500	(1.8)	63.62
Full FY2017 (year ending Mar. 31, 2017)	390,000	1.9	26,500	8.4	26,000	6.0	15,000	18.3	173.87

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

#### ※ Notes

- (1) Material reclassifications of subsidiaries during the period: None  
(Changes in specified subsidiaries resulting in change in scope of consolidation)  
Additions: None Exclusions: None
- (2) Accounting methods specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accordance with amendments to accounting standards, etc.: None
  - 2) Changes other than noted in 1) above: 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 Quarter, FY2017 (June 30, 2016):	87,789,098 shares
End-FY2016 (March 31, 2016):	87,789,098 shares
  - 2) Treasury stock as of period-end:
 

End-First Quarter, FY2017 (June 30, 2016):	1,699,937 shares
End-FY2016 (March 31, 2016):	864,683 shares
  - 3) Average number of shares (during the respective three-month period):
 

First Quarter, FY2017 (ended June 30, 2016):	86,811,601 shares
First Quarter, FY2016 (ended June 30, 2015):	87,468,022 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 quarter of fiscal 2017 (April 1, 2016 ~ June 30, 2016), the Japanese economy continued its moderate recovery owing to solid corporate earnings and an improvement in employment conditions. Regarding the economic forecast, it will be necessary to consider the potential impact of rapid market fluctuations caused by slowing economic growth in China and emerging Asian nations 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 June 2016) revealed growth in corporate IT investment, as reflected in such economic indicators as a 5.3% 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 quarter increased 4.1% year on year to ¥89,128 million. Operating income rose 85.1% to ¥4,017 million from a year earlier, recurring profit increased 44.6% to ¥4,373 million, and net income attributable to owners of the parent company rose 40.7% to ¥2,757 million.

Consolidated net sales grew year on year as the Group accurately grasped the IT investment needs of its customers in areas where IT investment is growing.

Profits also increased as a result of the increase in sales and measures to improve profitability.

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 3.5% year on year to ¥30,374 million and operating income rose 137.0% to ¥2,575 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 8.0% year on year to ¥18,404 million, while operating income increased 26.9% to ¥588 million. Sales and income increased as a result of business expansion driven by customers' growing IT investment, mostly among credit card companies.

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

Consolidated sales increased 6.3% year on year to ¥41,925 million, while operating income increased by 165.0% to ¥759 million. Sales and income grew due to 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 31.8% year on year to ¥2,742 million, and operating income declined 49.9% to ¥230 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 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 will establish 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 dispersed throughout the Group into AGREX Inc. In the first quarter, the Group furthered this strategy by reorganizing and consolidating among its core companies the national health insurance-related business and electric power and gas-related business (April 2016), as well as a part of the overseas business (May 2016).

Moving forward, the Group will continue to hone the strengths of businesses with a competitive advantage and further enhance businesses with a relatively superior position versus competitors (regional and BPO businesses), while promoting organic collaboration between its businesses to maximize the overall competitiveness of the Group and raise the Group's corporate value.

The Group is actively responding to developments in the fields of Fintech, IoT, AI and to various industry trends in recognition of the importance of these technologies to performing customers' digital-based management. As part of this strategy, the Group raised its shareholding ratio in Digital Garage, Inc., with which it has a capital alliance, to promote collaborative development in the EC field (June 2016). This investment bolsters the strategic IT partnership with Digital Garage and supports the Group's participation as a technology development partner in the open-innovation R&D organization DG Lab, established by Digital Garage, Kakaku.com, Inc. and Credit Saison Co., Ltd. (July 2016). 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. (March 2016) and a capital and business alliance with settlement company QUADRAC Co., Ltd. (May 2016). The Group has also strengthened its investment promotion structure by establishing a corporate venture capital system (May 2016) to enable rapid investments in promising technologies.

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 (May 2016). PromptNow was formerly a subsidiary of MFEC Public Company Limited, a listed Thai company with which the Group has a capital and business alliance.

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.

The Company has adopted a total return ratio benchmark of around 35%. As a result of the previously mentioned share buyback, the Company 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) 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.

(Merger between IT Holdings Corporation and Consolidated Subsidiary)

At its meeting on October 29, 2015, the Board of Directors of IT Holdings Corporation approved a resolution to conduct an absorption-type merger of TIS Inc., a wholly owned subsidiary and the expiring company in the merger. The merger was executed on July 1, 2016.

### Overview of Business Combination

#### (1) Company name and business description of acquired company

Name of acquired company: TIS Inc.

Business description: Outsourcing services, software development, and solutions services related to information technology investments

#### (2) Combination date (effective date)

July 1, 2016

#### (3) Legal form of business combination

In the absorption-type merger, IT Holdings Corporation is the surviving company and TIS Inc. is dissolved.

#### (4) Company name after business combination

TIS Inc.

#### (5) Overview of transaction, including purpose

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

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Items	As of March 31, 2016	As of June 30, 2016
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	46,741	28,626
Notes and accounts receivable	84,722	64,801
Lease receivables and lease investment assets	6,381	5,984
Marketable securities	2,201	201
Merchandise and finished goods	4,145	4,229
Work in process	5,278	8,716
Raw materials and supplies	264	269
Deferred tax assets	7,161	6,111
Other current assets	9,952	12,672
Allowance for doubtful accounts	(181)	(165)
Total current assets	166,666	131,448
Fixed assets		
Property and equipment		
Buildings and structures, net	38,497	38,417
Machinery and equipment, net	5,433	6,129
Land	22,583	22,485
Leased assets, net	4,092	4,120
Other property and equipment, net	4,623	4,393
Total property and equipment	75,229	75,546
Intangible assets		
Goodwill	724	1,066
Other intangible assets	17,509	17,828
Total intangible assets	18,233	18,895
Investments and other assets		
Investment securities	49,205	52,411
Net defined benefit asset	4,369	4,398
Deferred tax assets	6,558	7,010
Other assets	16,465	16,284
Allowance for doubtful accounts	(234)	(272)
Total investments and other assets	76,365	79,832
Total fixed assets	169,828	174,274
Total assets	336,495	305,723

Items	As of March 31, 2016	As of June 30, 2016
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	22,617	18,837
Short-term borrowings	13,069	10,772
Income taxes payable	11,998	1,208
Accrued bonuses to directors and employees	11,860	6,150
Provision for loss on order received	2,472	2,160
Other allowances	661	185
Other current liabilities	28,827	34,239
Total current liabilities	91,508	73,553
Non-current liabilities		
Long-term debt	31,460	19,876
Lease obligations	6,050	5,841
Deferred tax liabilities	440	458
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	76	71
Other allowances	570	570
Net defined benefit liability	18,363	18,505
Other non-current liabilities	7,081	6,754
Total non-current liabilities	64,447	52,481
Total liabilities	155,955	126,035
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,920	82,920
Retained earnings	77,485	78,331
Less treasury stock, at cost	(2,124)	(4,225)
Total shareholders' equity	168,282	167,027
Accumulated other comprehensive income		
Net unrealized gains on other securities	13,659	14,136
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	125	101
Remeasurements of defined benefit plans	(3,141)	(3,131)
Total accumulated other comprehensive income	8,266	8,730
Non-controlling interests	3,990	3,930
Total net assets	180,539	179,687
Total liabilities and net assets	336,495	305,723



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

Items	First Quarter, FY2016 (Apr. 1 – Jun. 30, 2015)	First Quarter, FY2017 (Apr. 1 – Jun. 30, 2016)
	millions of yen	millions of yen
Net sales	85,653	89,128
Cost of sales	71,806	73,303
Gross profit	13,847	15,824
Selling, general and administrative expenses	11,676	11,807
Operating income	2,170	4,017
Non-operating income		
Interest income	36	16
Dividend income	1,022	705
Other	181	162
Total non-operating income	1,240	884
Non-operating expense		
Interest expenses	141	96
Equity in losses of affiliated companies	75	137
Other	168	294
Total non-operating expenses	385	528
Recurring profit	3,025	4,373
Extraordinary income		
Gain on sales of fixed assets	0	0
Gain on sale of investment securities	173	-
Total extraordinary income	173	0
Extraordinary loss		
Impairment loss	228	-
Loss on valuation of investment securities	1	106
Other	47	67
Total extraordinary loss	277	174
Income before income taxes	2,921	4,199
Income taxes: current	841	1,026
Income taxes: deferred	112	365
Total income taxes	953	1,391
Net income	1,967	2,808
Net income attributable to non-controlling interests	7	50
Net income attributable to owners of the parent company	1,959	2,757

**Consolidated Statements of Comprehensive Income**

Items	First Quarter, FY2016 (Apr. 1 – Jun. 30, 2015)	First Quarter, FY2017 (Apr. 1 – Jun. 30, 2016)
	millions of yen	millions of yen
Net income	1,967	2,808
Other comprehensive income		
Net unrealized gains on other securities	76	477
Foreign currency translation adjustments	(50)	51
Remeasurements of defined benefit plans	(29)	10
Share of other comprehensive income of equity-method affiliates	(1)	(33)
Total other comprehensive income	(5)	506
Comprehensive income	1,961	3,314
(Composition)		
Comprehensive income attributable to owners of the parent company	1,950	3,221
Comprehensive income attributable to non-controlling interests	11	93

**(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