



**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018**  
(April 1, 2017 through June 30, 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.

July 28, 2017

Company name: TIS Inc.  
 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: August 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 Quarter of the Fiscal Year Ending March 31, 2018**  
(April 1, 2017 – June 30, 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	%
First Quarter., FY2018	91,778	3.0	5,053	25.8	5,574	27.5	3,694	34.0
First Quarter., FY2017	89,128	4.1	4,017	85.1	4,373	44.6	2,757	40.7

Note: Comprehensive income: First Quarter., FY 2018: 5,056million yen (52.6%), First Quarter., FY 2017: 3,314million yen (68.9%)

	Net income per share – basic	Net income per share – diluted
First Quarter., FY2018	Yen 42.96	yen -
First Quarter., FY2017	31.77	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2018	328,461	200,024	59.6
End of FY2017	337,622	199,202	57.8

For reference: Total equity: End of first quarter, FY2018: 195,877million yen End of FY2017: 195,053million 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
FY2017	yen -	yen 12.00	yen -	yen 24.00	yen 36.00
FY2018	-	-	-	-	-
FY2018 (forecast)	-	14.00	-	26.00	40.00

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

### 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	79.30
Full FY2018 (year ending Mar. 31, 2018)	400,000	1.7	30,000	11.0	30,000	10.7	18,000	10.4	210.20

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, FY2018 (June 30, 2017):	87,789,098 shares
End-FY2017 (March 31, 2017):	87,789,098 shares
  - 2) Treasury stock as of period-end:
 

End-First Quarter, FY2018 (June 30, 2017):	2,276,626 shares
End-FY2017 (March 31, 2017):	1,701,923 shares
  - 3) Average number of shares (during the respective three-month period):
 

First Quarter, FY2018 (ended June 30, 2017):	85,987,828 shares
First Quarter, FY2017 (ended June 30, 2016):	86,811,601 shares

#### \*Quarterly review status

These materials are not subject to the quarterly review 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 "(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 three months of fiscal 2018 (April 1, 2017 ~ June 30, 2017), the Japanese economy continued a moderate recovery owing to high corporate earnings and an improvement in employment conditions. Regarding the outlook, although it is necessary to monitor the impact of uncertainties surrounding the global economy and financial market fluctuations, the Japanese economy is expected to continue its moderate recovery trend.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, was robust during the period. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (June 2017) revealed companies' growing IT investment, as reflected in a 5.8% 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 for the first quarter increased 3.0% year on year to ¥91,778 million. Operating income rose 25.8% from a year earlier to ¥5,053 million, recurring profit increased 27.5% to ¥5,574 million, and net income attributable to owners of the parent company rose 34.0% to ¥3,694 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 and measures to improve profitability, including measures to restrain unprofitable projects. These positive factors absorbed higher selling, general and administrative expenses for measures to enhance competitiveness, including the establishment of specialized organizations and measures to bolster the corporate structure.

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 3.1% year on year to ¥31,308 million while operating income declined 7.5% to ¥2,382 million for the year. Sales grew as the data center business expanded steadily with contributions from large public-sector projects and growth in cloud-related business. Operating income declined due to higher expenses for business-reinforcing initiatives and a decline in the profitability of some BPO business.

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

Consolidated sales increased 10.8% year on year to ¥20,398 million, while operating income increased 86.7% to ¥1,099 million. Sales and profits increased as a result of contributions from large-scale projects for credit card companies and business expansion driven by growing IT investment in the settlement field.

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

Consolidated sales totaled ¥41,941 million, a change of 0.0%, while operating income increased 86.5% to ¥1,415 million. While sales from large-scale projects declined from robust levels in the same period of the previous year, sales grew in the manufacturing sector owing to ERP upgrade demand and overall expanding IT investment, underpinning segment sales on level with the previous year. Operating income grew on the success of initiatives to raise profitability, including measures to restrain unprofitable projects.

#### **4) Other**

Consolidated sales declined 3.9% year on year to ¥2,635 million, and operating income increased 10.8% to ¥254 million.

As previously stated, the Group is implementing its third medium-term management plan, which ends with the current 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 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 2018</b>
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.

Regarding more thorough implementation of profit-oriented management, the Group recognizes that the steady promotion of large-scale projects and the vigorous promotion of productivity innovation are critical initiatives. Regarding the steady promotion of large-scale projects, we are implementing each of the projects according to schedule through company-wide management and monitoring systems. Regarding the vigorous promotion of productivity innovation measures, the Group Production Innovation Committee is sharing information on issues and countermeasures for unprofitable projects at each company. Measures are being taken in accordance with the level of priority of each project, while Group-wide information sharing conferences and working groups are being held to enhance technological capabilities. Through these and other measures, we are steadily implementing productivity innovation.

Regarding further upfront investments to establish new growth engines, the Group is taking initiatives to further strengthen its settlement business, a core strength. The Group has taken steps to establish an API platform as a shared platform for the retail settlement solution "PAYCIERGE 2.0" to maintain and enhance its competitiveness in the financial field amid growing open API movements and open API trends for various services. In this way, the Group is establishing environments in which services can be securely and rapidly implemented.

Additionally, to develop new initiatives in rapidly evolving new technologies fields, the Group is promoting new business in the AI and robotics fields through investments in and collaborations with start-ups and ventures. A new organization was also established in April 2017 to spearhead these initiatives and ensure the development of a structure under which high value-added proposals can be made to customers.

Regarding efforts to strengthen collaboration among Group companies by leveraging the operating holding company structure and rapidly execute structural reforms, the Group is actively deliberating and promoting priority and collaborative initiatives. As one example, Group companies have begun connecting to the closed area network "DCAN" (Datacenter and cloud services - Customer Adapted Network) to enable a structure under which cross-selling can be actively promoted among Group companies.

In conjunction with the transition to a holdings company system in July 2016, the Group formulated and announced in May 2017 a new Group vision as its ideal corporate image for 2026: "Create Exciting Future" ~ Utilize advanced technologies and know-how to realize business innovation and market creation. Amid dramatic changes in the business environment, the Group is uniting to leverage its accumulated IT strengths and expand its business fields beyond traditional frameworks to ensure sustainable growth. Currently, the Group is holding seminars for executives and distributing vision booklets to raise awareness and foster a sense of unity. Additionally, the Group has begun to create specific measures as part of the ongoing

effort to formulate the fourth medium-term management plan, including initiatives to transition to four strategic domains.

The Group recognizes that a diverse workforce is critical to ensuring the Group's sustainable growth and is actively implementing workstyle reforms to fully utilize employee talents. Reflecting the success of Group initiatives, INTEC Inc. was certified by Japan's Minister of Health, Labor and Welfare as an outstanding company for promoting women's participation in the workplace, receiving the highest certification, the Grade 3 "Eruboshi" symbol.

Between May and July 2017, in accordance with its basic policy on shareholder returns, TIS Inc. acquired 908,300 shares of treasury stock (aggregate acquisition cost of ¥2,859 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, 2017.

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. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Items	As of March 31, 2017	As of June 30, 2017
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	26,137	38,911
Notes and accounts receivable	92,915	64,898
Lease receivables and lease investment assets	5,179	4,900
Marketable securities	100	100
Merchandise and finished goods	4,341	3,998
Work in process	4,526	7,410
Raw materials and supplies	240	246
Deferred tax assets	6,889	6,033
Other current assets	12,003	15,455
Allowance for doubtful accounts	(170)	(152)
Total current assets	152,162	141,803
Fixed assets		
Property and equipment		
Buildings and structures, net	37,118	37,277
Machinery and equipment, net	6,665	6,799
Land	21,435	21,435
Leased assets, net	3,937	3,819
Other property and equipment, net	6,723	6,520
Total property and equipment	75,878	75,851
Intangible assets		
Goodwill	803	763
Other intangible assets	17,863	18,128
Total intangible assets	18,666	18,891
Investments and other assets		
Investment securities	64,156	65,649
Net defined benefit asset	5,027	4,938
Deferred tax assets	6,129	5,785
Other assets	15,810	15,778
Allowance for doubtful accounts	(210)	(237)
Total investments and other assets	90,914	91,914
Total fixed assets	185,459	186,657
Total assets	337,622	328,461

Items	As of March 31, 2017	As of June 30, 2017
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	24,047	17,766
Short-term borrowings	6,084	5,961
Income taxes payable	5,932	956
Accrued bonuses to directors and employees	12,402	6,381
Provision for loss on order received	3,379	2,496
Other allowances	297	339
Other current liabilities	26,532	35,988
Total current liabilities	78,676	69,891
Non-current liabilities		
Long-term debt	26,263	25,055
Lease obligations	5,304	5,031
Deferred tax liabilities	2,676	3,042
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	66	65
Other allowances	419	359
Net defined benefit liability	16,876	16,986
Other non-current liabilities	7,735	7,601
Total non-current liabilities	59,743	58,545
Total liabilities	138,420	128,437
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,918	82,742
Retained earnings	90,846	92,474
Less treasury stock, at cost	(4,230)	(6,062)
Total shareholders' equity	179,535	179,155
Accumulated other comprehensive income		
Net unrealized gains on other securities	20,478	21,756
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	51	(34)
Remeasurements of defined benefit plans	(2,636)	(2,623)
Total accumulated other comprehensive income	15,517	16,721
Non-controlling interests	4,149	4,146
Total net assets	199,202	200,024
Total liabilities and net assets	337,622	328,461



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

Items	First Quarter, FY2017	First Quarter, FY2018
	(Apr. 1 – Jun. 30, 2016)	(Apr. 1 – Jun. 30, 2017)
	millions of yen	millions of yen
Net sales	89,128	91,778
Cost of sales	73,303	74,241
Gross profit	15,824	17,536
Selling, general and administrative expenses	11,807	12,482
Operating income	4,017	5,053
Non-operating income		
Interest income	16	15
Dividend income	705	738
Other	162	139
Total non-operating income	884	893
Non-operating expense		
Interest expenses	96	94
Equity in losses of affiliated companies	137	130
Foreign exchange losses	106	-
Other	188	147
Total non-operating expenses	528	372
Recurring profit	4,373	5,574
Extraordinary income		
Gain on sales of fixed assets	0	2
Gain on sale of investment securities	-	0
Total extraordinary income	0	3
Extraordinary loss		
Loss on retirement of fixed assets	28	9
Loss on valuation of investment securities	106	-
Other	38	-
Total extraordinary loss	174	9
Income before income taxes	4,199	5,567
Income taxes: current	1,026	739
Income taxes: deferred	365	1,039
Total income taxes	1,391	1,778
Net income	2,808	3,789
Net income attributable to non-controlling interests	50	95
Net income attributable to owners of the parent company	2,757	3,694

**Consolidated Statements of Comprehensive Income**

Items	First Quarter, FY2017 (Apr. 1 – Jun. 30, 2016)	First Quarter, FY2018 (Apr. 1 – Jun. 30, 2017)
	millions of yen	millions of yen
Net income	2,808	3,789
Other comprehensive income		
Net unrealized gains on other securities	477	1,287
Foreign currency translation adjustments	51	1
Remeasurements of defined benefit plans	10	13
Share of other comprehensive income of equity-method affiliates	(33)	(35)
Total other comprehensive income	506	1,266
Comprehensive income	3,314	5,056
(Composition)		
Comprehensive income attributable to owners of the parent company	3,221	4,898
Comprehensive income attributable to non-controlling interests	93	157

**(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