Consolidated Financial Results for the Fiscal Year ended March 31, 2018
(April 1, 2017 through March 31, 2018)
(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, 2018

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
Annual general shareholders' meeting: June 26, 2018
Filing of statutory financial report: June 27, 2018
Commencement of dividend payments: June 27, 2018

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, 2018 (FY2018) (April 1, 2017 – March 31, 2018)

(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	%
FY2018	405,648	3.1	32,743	21.2	32,795	21.0	20,620	26.5
FY2017	393,398	2.8	27,019	10.6	27,092	10.5	16,306	28.6

Note: Comprehensive income: FY2018: 33,619 million yen (41.2%); FY2017: 23,961 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	%	%	%
FY2018	241.44	-	9.9	9.3	8.1
FY2017	189.02	-	8.8	8.0	6.9

For reference:
Equity in earnings (losses) of affiliated companies: FY2018: (805) million yen; FY2017: (457) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2018	369,504	226,298	60.0	2,602.07
End-FY2017	337,622	199,202	57.8	2,265.76

For reference: Total equity: End of FY2018: 221,634 million yen End of FY2017: 195,053 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
FY2018	36,386	(14,202)	(10,543)	37,545
FY2017	18,952	(23,488)	(18,327)	25,730

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	%	%
FY2017	-	12.00	-	24.00	36.00	3,099	19.0	1.7
FY2018	-	14.00	-	26.00	40.00	3,420	16.6	1.6
FY2019 (forecast)	-	20.00	-	40.00	60.00		21.9	

Note: Total dividends paid includes dividends (13 million yen for FY2018) paid to a trust account dedicated to TIS INTEC Group Employees' Shareholding Association. Payout ratio is obtained by dividing the total dividends by net income attributable to owners of the parent company.

3. Forecast of Consolidated Results for FY2019 (April 1, 2018 – March 31, 2019)

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 FY2019 (six months ending Sep. 30, 2018)	201,000	3.2	14,000	3.0	14,200	3.2	9,300	8.1	109.19
Full FY2019 (year ending Mar. 31, 2019)	414,000	2.1	35,000	6.9	35,500	8.2	23,300	13.0	273.55

※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) 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-FY2018 (March 31, 2018): 87,789,098 shares
End-FY2017 (March 31, 2017): 87,789,098 shares
2) Treasury stock as of period-end:
End-FY2018 (March 31, 2018): 2,613,034 shares
End-FY2017 (March 31, 2017): 1,701,923 shares
3) Average number of shares (during the fiscal year):
FY2018 (ended March 31, 2018): 85,406,766 shares
FY2017 (ended March 31, 2017): 86,268,685 shares
Note: Treasury stock includes the number of the Company's own shares held by a trust account dedicated to TIS INTEC Group Employees' Shareholding Association.

Audit Status

Financial reports are not subject to review procedures to be conducted by certified public accountants or an audit firm.

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 "(4) Outlook for fiscal 2019" in the "1. Results of Operations" section on page 5 in the Accompanying Materials.

Accompanying Materials – Contents

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

In fiscal 2018 (April 1, 2017 ~ March 31, 2018), the Japanese economy continued a moderate recovery owing to improvements in corporate earnings and employment conditions.

The business environment surrounding the IT services industry, to which the TIS INTEC Group ("the Group") belongs, was robust during the fiscal year. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan demonstrated year-on-year increases in software investment plans (all manufacturing & financial institutions) in each of the quarterly surveys conducted during the year, reflecting growing IT investment among companies embracing digital management.

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).

Consolidated net sales for the Group in the fiscal year increased 3.1% year on year to ¥405,648 million. Operating income increased 21.2% from a year earlier to ¥32,743 million, recurring profit increased 21.0% to ¥32,795 million, and net income attributable to owners of the parent company increased 26.5% to ¥20,620 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 employee benefits, along with increased selling, general and administrative expenses for measures to enhance competitiveness, including the establishment of specialized organizations to expand AI and other new businesses and measures to bolster the corporate structure.

Segment results for the period are as follows. The sales figures for each segment include inter-segment sales.

1) IT Infrastructure Services

Consolidated sales rose 4.0% year on year to ¥131,700 million while operating income increased 15.6% to ¥11,743 million. The data center business expanded steadily with contributions from large public-sector projects and growth in cloud-related business, while the BPO business also expanded. This growth absorbed higher expenses for business-reinforcing initiatives and led to higher sales and profit for the segment.

2) Financial IT Services

Consolidated sales increased 10.6% year on year to ¥92,983 million, while operating income increased 121.8% year on year to ¥8,042 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 by customers in the settlement field, along with successful efforts to restrain unprofitable projects.

3) Industrial IT Services

Consolidated sales declined 0.4% year on year to ¥188,626 million, while operating income increased 2.7% to ¥12,835 million. While sales from large-scale projects showed a reactionary decline from robust levels in the previous year, overall sales remained about on par due to ERP upgrade demand in the manufacturing sector and overall expanding IT investment. Although progress was made on initiatives to enhance profitability, profit rose only slightly year on year due to higher expenses for measures to enhance competitiveness, including the establishment of specialized organizations for AI and areas of business expansion and measures to bolster the corporate structure.

4) Other
Consolidated sales declined 9.2% year on year to ¥10,791 million, and operating income declined 7.2% to ¥1,006 million.

As previously stated, the Group’s third medium-term management plan ended with the fiscal year under review. In accordance with the management plan's basic concepts, the Group implemented its management strategy for the fiscal year by promoting various measures for implementing Group-wide reform to achieve further growth and raise corporate value.

Third medium-term management plan basic concepts	**Group management strategy for fiscal 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.

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, the Group thoroughly implemented company-wide management monitoring systems to ensure that each project progressed according to schedule, as reflected by the completion of measures for large-scale public projects. Regarding the vigorous promotion of productivity innovation measures, the Group shared information on issues and countermeasures for unprofitable projects through the Group Production Innovation Committee, leading to the implementation of new initiatives and improved technological capabilities. These production reform initiatives were steadily promoted to successfully restrain unprofitable projects, which has been a critical issue for the company.

Regarding further upfront investments to establish new growth engines, the Group took initiatives to further strengthen its settlement business, a core strength. As one initiative, in September 2017 a capital and business alliance was concluded with CardInfoLink, a Chinese FinTech company offering processing services in the QR code and credit card settlement fields. The Group will collaborate with CardInfoLink to expand the QR code settlement business in Japan and Southeast Asia using CardInfoLink's QR code settlement solutions, while jointly promoting the credit card processing business in China by utilizing TIS's long track record of success and know-how in settlement system development.

The Group also took measures to support the full-scale growth of business in such fast-growing new technology fields as AI and IoT. The Group developed and tested various types of new solutions, while also creating new business structures through the establishment of specialized organizations and investments in and collaborations with start-ups and ventures. Additionally, in November 2017, the TIS INTEC Group Silicon Valley Innovation Lab was established in the United States. The lab aims to create innovative new businesses and leading-edge products and rapidly launch them in Japan and the rest of Asia through open innovation among U.S. start-ups, mainly in Silicon Valley, and the local offices and new business divisions of major Japanese companies. Furthermore, in March 2018, INTEC Inc. acquired shares of Toyo Business Engineering Corporation to strengthen relations with the company for expanding and bolstering manufacturing industry solutions.

Regarding efforts to strengthen collaboration among Group companies by leveraging the operating holding company structure and rapidly execute structural reforms, the Group is vigorously deliberating and promoting priority and collaborative initiatives. As one example, Group companies have integrated their data centers into the closed area network "DCAN"

(Datacenter and cloud services - Customer Adapted Network) to strengthen competitiveness by promoting cross-selling among Group companies and raising convenience. Additionally, the Group's BPO business, which was merged into AGREX INC., has been consolidated into the new BPO center "Biz TRUXIA" in the Tama district of Tokyo as a way to fully realize the benefits of integration, including improved service levels.

In conjunction with the transition to an operating holding 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 business fields beyond traditional frameworks, thereby ensuring sustainable growth. To this end, the Group has begun to plan specific measures for its transition to four strategic domains, while fostering a sense of unity by holding seminars for Group executives led by top company management, distributing vision booklets, and implementing awareness training.

The Group is actively implementing workstyle reforms to fully utilize the talents of a diverse workforce, which is a critical management resource for the Group's sustainable growth. These initiatives are being implemented from the viewpoints of raising motivation, improving workplace environments, and enhancing labor environments. The success of these measures has been gradually reflected in increased training days per employee, lower monthly average overtime hours, and a higher rate of expending annual paid leave. Reflecting the success of Group initiatives, TIS Inc., INTEC Inc., AGREX INC., and IT Service Force Inc. were certified by Japan's Minister of Health, Labor and Welfare as outstanding companies for promoting women's participation in the workplace, receiving the highest certification, the Grade 3 "Eruboshi" symbol.

Between May and July 2017, TIS Inc. ("the Company") 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 flexibly responsive to changes in the business environment and raising shareholder profit and capital efficiency.

By implementing the above initiatives, the Group's results for its third medium-term management plan significantly exceeded the plan's targets. Overall, dramatic progress was achieved, although some issues remain with measures based on the plan's concept.

	Targets for fiscal 2018	Results for fiscal 2018
Net sales	¥400,000 million	¥405,648 million
Operating income	¥30,000 million	¥32,743 million
Operating income ratio	7.5%	8.1%
Net income attributable to owners of the parent company	¥16,000 million	¥20,620 million
Net income ratio	4.0%	5.1%
Return on equity (ROE)	8.0%	9.9%

Note: The quantitative management targets for fiscal 2018 are the figures determined at the formulation of the third medium-term management plan.

(2) Analysis of Financial Condition

Consolidated assets totaled ¥369,504 million at March 31, 2018 (up 9.4% versus March 31, 2017), of which current assets accounted for ¥168,670 million (up 10.8%) and fixed assets accounted for ¥200,833 million (up 8.3%). Current liabilities totaled ¥81,312 million (up 3.4%) and non-current liabilities totaled ¥61,893 million (up 3.6%). Net assets totaled ¥226,298 million (up 13.6%).

(3) Cash flow

Cash and cash equivalents (“cash”) totaled ¥37,545 million as of March 31, 2018, up ¥11,815 million versus March 31, 2017. Contributions to cash flow were as follows.

(Cash flow from operating activities)

Operating activities generated net cash of ¥36,386 million. This mainly reflects income before income taxes of ¥31,545 million and the positive cash flow effect of ¥12,572 million in depreciation. These were partly offset by a ¥1,616 million increase in notes and accounts receivable and ¥9,154 million in income taxes paid.

(Cash flow from investing activities)

Investing activities used net cash of ¥14,202 million. An inflow of ¥3,579 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥10,017 million for the acquisitions of property and equipment, ¥1,553 million for the acquisitions of investment securities, and ¥6,447 million for the acquisitions of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥10,543 million. A cash inflow of ¥14,117 million in proceeds from long-term debt were outweighed by outflows of ¥16,559 million for repayments of long-term debt, ¥3,258 million for dividends paid, and ¥4,914 million for purchase of treasury stock.

For reference: Cash flow indicators

	Fiscal 2017	Fiscal 2018
Equity ratio (%)	57.8	60.0
Equity ratio based on market capitalization (%)	72.2	97.0
Ratio of interest-bearing debt to cash flow (years)	1.9	1.1
Interest-coverage ratio (times)	57.2	115.0

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 2019

Reviewing the business environment surrounding the TIS INTEC Group, despite uncertainties over global economic trends, IT investment needs are expected to continue expanding amid strengthening demand among customers for digital-based management.

Amid this environment, the Group has begun a new three-year medium-term management plan as a stepping stone to achieving the Group Vision for 2026. The plan features five basic management policies: Sustainable profit growth, an emphasis on employee self-fulfillment, concentration on core businesses, the shift to a prior investment style of business development, and global business expansion. Based on these policies, the Group will aim to realize structural transformation with a sense of speed and higher corporate value.

The fiscal year ending March 31, 2019 marks the initial year of the new medium-term management plan. The Group has formulated the following management strategy for the initial year of the plan and will vigorously implement measures to accomplish the strategy.

(1) Charge forward on switch to service-style business
(2) Robust prior investment to create new services
(3) Added-value and productivity improvements in domains of expertise
(4) Promote growth strategy aimed at becoming a top-class IT group in ASEAN region
(5) Boost motivation and reinforce human resource management

The consolidated earnings forecast for the year ending March 31, 2019 is as follows. The Group plans to continue measures to expand business and raise profitability by accurately grasping the IT investment needs of customers. Through these measures, the Group plans to absorb higher costs for active investments to promote structural transformations, and both sales and profits are expected to increase year on year.

Net sales	¥414,000 million	(+2.1% year on year)
Operating income	¥35,000 million	(+6.9% year on year)
Recurring profit	¥35,500 million	(+8.2% year on year)
Net income attributable to owners of the parent company	¥23,300 million	(+13.0% year on year)

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 2018 and Fiscal 2019

The Company has a basic policy of maintaining sufficient internal reserves required for business growth from a medium- to long-term management perspective, while continually paying a stable dividend in consideration of consolidated financial results.

Based on this policy, for the period of the third medium-term management plan, the Company adopted a total return ratio benchmark of around 35%, including share buybacks. The Company plans to pay a year-end dividend of ¥26 per share. As a result, for fiscal 2018, the annual dividend will be ¥40 per share including the interim dividend. Reflecting the share buybacks worth ¥2,859 million (908,300 shares), the total payout ratio for the fiscal year will be 30.5%.

The new three-year medium-term management plan starting in fiscal 2019 seeks a balance between promotion of growth investments and securing financial soundness, while strengthening shareholder returns. The Company has a basic policy of aiming for a total payout ratio of 40%, and a dividend payout ratio of 30% in the final year of the plan through continued stable dividend growth.

On the basis of this policy, for fiscal 2019, the Company plans to pay an annual dividend of ¥60 per share, including an interim dividend of ¥20 per share, and conduct share buybacks worth approximately ¥4.2 billion.

(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, 2018.

1) Price competition, intensified competition

Competition among businesses is intense in the information services industry. Competition from new entrants from other industries is progressing, and as a result, price competition may intensify. The Group is offering higher value-added 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 and 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 based on the 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 and 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. Regarding risk management of overseas business, the Group is improving the management structure by ensuring coordination between overseas Group companies and business sites and corporate management organizations in Japan in order to maintain an accurate understanding of local conditions and consult on ways to implement rapid response measures. If an unanticipated risk emerged, however, it may impact the Group's business and business results.

4) System development

The Group performs development and outsourced development of various client company information systems. In conducting its business, the Group uses quality management systems to continually enhance quality management and raise productivity by thoroughly screening business proposals by dedicated organizations and reviewing projects at each stage of development. At the same time, the Group strives to improve management and technological capabilities by enhancing training programs for each rank of employee. Additionally, the Group Production Innovation Committee is used to thoroughly implement quality improvement and production innovation initiatives throughout the Group. However, as system development becomes more sophisticated, complex and subject to tighter time constraints, larger-than-expected costs may be incurred for additional work to complete projects in response to changing customer requirements and other issues which make it difficult for the Group to achieve the planned level of quality or complete a project within its development schedule. 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. The Group strives to secure with superior partner companies in and outside Japan. There is the possibility, however, that productivity and quality fail to meet expectations, impacting the Group's ability to achieve smooth project management. In this event, the Group's business and 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. The Group manages the progress of business plans to ensure a return on capital. However, if the operational status of these facilities declined significantly due to a larger-than-expected decline in demand, it may negatively impact the Group's business results. Furthermore, in the system operation business, the Group continually improves operational quality based on quality management systems.

However, if system problems arose due to human error or equipment malfunctions during operation, and the Group were unable to provide services at a level agreed upon with the client, the Group’s business and business results may be impacted.

6) Investments

The Group makes investments in companies in and outside Japan, including venture companies, with the purpose of expanding business and acquiring new technologies, while also making software investments to develop new services. In making decisions, the Group appropriately reviews investments based on business plans. After investments are made, the Group conducts regular reviews of the progress in business plan achievement. However, in the event of unanticipated changes in the business environment, investments may not yield results as planned, and the Group’s business and business results may be impacted.

7) 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 was leaked or manipulated due to a computer virus, unauthorized access, or other reason, the Group’s business and business results may be impacted by claims for damages from client companies or the loss of trust.

8) 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 strives to secure talented human resources by providing a corporate culture, human resource systems, and an office environment in which a diverse group of people can thrive. Additionally, the Group strives to develop human resources by providing support for acquiring certifications, systemizing its training program, and creating plans and targets for the number of training days. However, the Group’s business and business results may be impacted in the event the Group cannot secure and develop superior human resources according to its plans.

9) 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 and business results may be impacted, however, in the event it is unable to appropriately respond to rapid progress in innovation over a broad realm of technologies.

10) 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.

11) Natural disasters and accidents

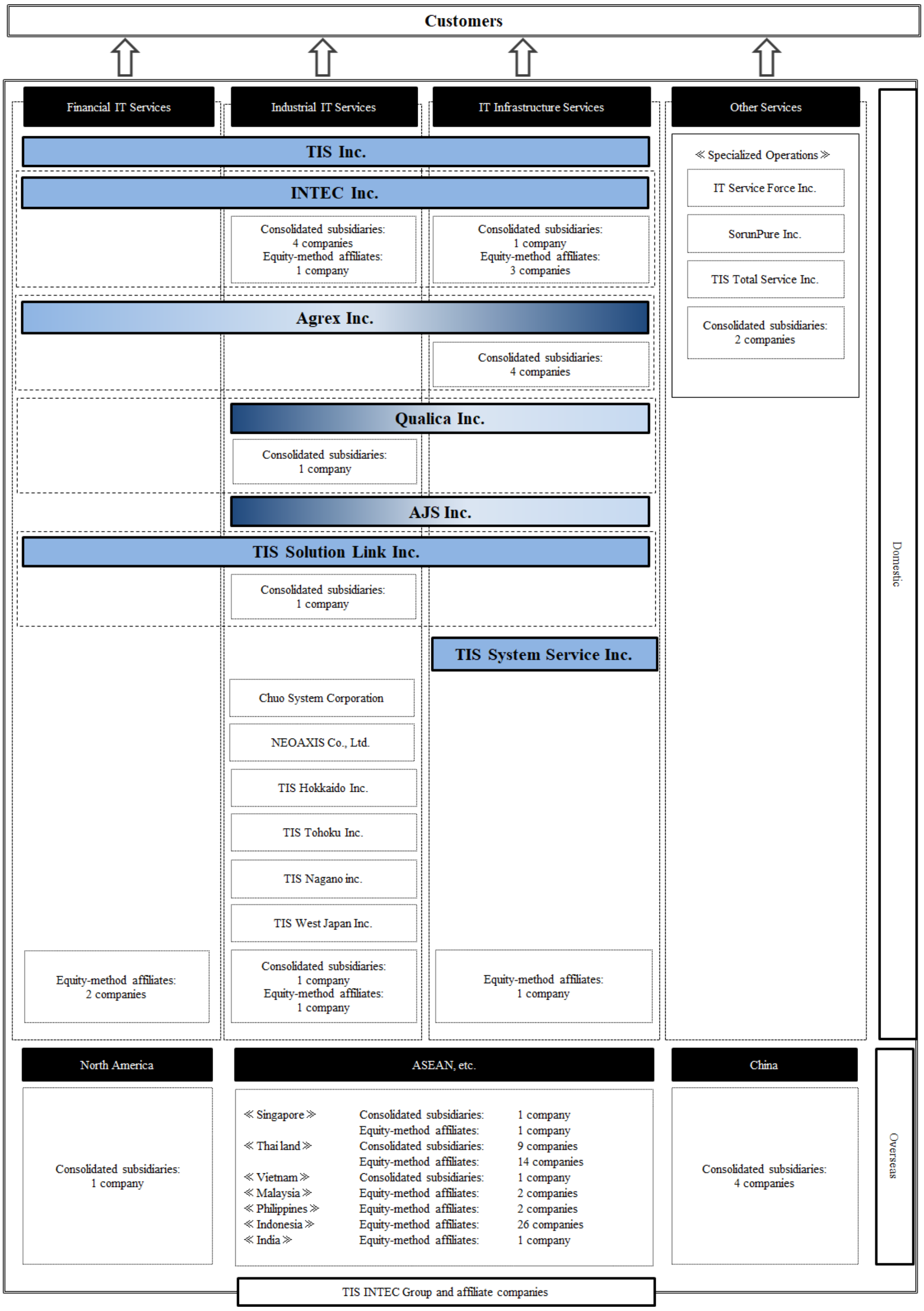
The Group uses data centers and other large-scale IT facilities to perform its outsourcing business and provide cloud services. The data centers use various kinds of equipment to deal with disasters and accidents. Despite these measures, a longer-than-expected power blackout, large-scale natural disaster, 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 and business results.

12) 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 by using other indicators. In the event of significant fluctuations in stock markets, however, the Group's business and business results may be impacted from the recognition of financial losses.

2. Status of the Group

The Group consists primarily of TIS Inc. (the parent company), 45 consolidated subsidiaries, and 54 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, all of which are related to digitalization investment, 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.

In July 2016, the Group took a new step ahead as the TIS INTEC Group in order to optimize the entire Group and achieve business portfolio management.

The new governance structure features a central operating company which can leverage its centripetal force and make overall Group optimization the primary goal. The new structure enables 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.

As part of the Group reforms, a new Group Vision was formulated and announced in May 2017 as the corporate image the Group 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, the Group leverages next-generation technologies and know-how to make business innovations and create new markets. It is an honor to be a strategic partner to customers, and the Group repays 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, the Group has 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 services	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 services	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.

TIS INTEC Group has a Group Compliance Declaration which serves as the basic policy for the Group's compliance activities. The Declaration was formulated as a way to deepen the Group's recognition that one of the original purposes of a company is to use its business activities to solve social issues and make a contribution to sustainable development of society, as well as to strengthen Group-wide activities in this regard. Compliance is one of the Group's highest management priorities, and the Group will continue striving to ensure that compliance is thoroughly implemented.

(2) Key Business Indicators

The Group has established a strategic business domain ratio of 50%, operating income of ¥43.0 billion, an operating income ratio of 10%, and ROE of 12% as its targeted business indicators for the medium-term management plan (from fiscal 2019 through fiscal 2021).

(3) Medium- to Long-term Management Strategies

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.

To this end, the Group has formulated a three-year medium-term management plan beginning in fiscal 2019 with the slogan, "Transformation to 2020 ~Unifying as a Group and achieving structural reforms to become a leader in solving society's issues~." This new management plan will serve as a stepping stone to achieving the Group Vision for 2026. The Group will vigorously implement a number of policies to realize structural transformation with sense of speed and raise corporate value.

(4) Issues Requiring a Response

Regarding key issues facing the TIS INTEC Group, the Group is striving to achieve its Group Vision for 2026, "Create Exciting Future," and further raise corporate value by implementing structural transformation with sense of speed and expanding business in the four strategic domains.

The Group views structural transformation as imperative to its success, and it has set the two targets of "sustainable profit growth" and "emphasis on employee self-fulfillment." "Continual structural transformation with sense of speed” will be critical to achieving these two targets. More specifically, the Group will implement various measures based on the management policies of “concentrate on core businesses,” “shift to prior investment style of business development” and “expand global business.”

Regarding “concentrate on core businesses,” the Group will promote various measures to bolster fields of expertise in such traditional areas of strength as system integration and IT services, along with critical and priority customer business. To further raise profitability, the Group Production Innovation Committee will be used to promote various measures to minimize unprofitable projects and implement enhancement and innovation activities to raise maintenance development productivity. Additionally, the Group will incorporate leading-edge technologies into existing businesses and promote agile scrum-style development skills, which are a core part of Mode 2 development concepts. Through these and other initiatives, the Group will seek to raise added value and enhance its strengths through productivity innovations.

In regard to “shift to prior investment style of business development,” the Group aims to transform its own business structures to prioritize speed and flexibility, enabling a shift towards business which anticipates the needs of customers from the perspective of social issues. Specifically, the Group is promoting business creation by furthering leading edge research on AI, IoT, and robots being conducted at its research facilities, while deepening coordination between Group-backed ventures and the Group’s business to maximize know-how. The Group will also seek to create business based on the concept of connecting customers to each other and connecting customers to society in order to accelerate the growth of all partners.

In regard to “expand global business,” the Group has accelerated the establishment of capital and business partnerships with leading IT companies in ASEAN in order to acquire new business in a region which has shown particularly dramatic expansion in recent years. The Group will strive to extend its traditional strengths in settlement, banking, and ERP into global strengths as it aims to be a top-class ASEAN business group. Additionally, the Group will actively form partnerships with leading IT companies in Europe, the United States, China and other regions in order to enhance the solutions it develops for Japan and ASEAN markets.

To robustly support the achievement of these policies, the Group will continue to promote “human resources enhancement” and “management enhancement.”

Regarding “human resources enhancement,” the Group is striving to raise motivation even further by establishing work systems and corporate cultures which prioritize emphasis on employee self-fulfillment and enable a diverse range of human resources to thrive. The Group recognizes that the most important factor behind its sustainable growth is realizing a high quality of life for its employees. The Group aims to be a place where employees can work in health and peace of mind by emphasizing the three policies of “healthy body and mind,” “higher vitality,” and “higher motivation.” With these policies, the Group is also establishing a workplace spirit and work environments to enable employees to achieve self-fulfillment through their work and generate even better work results. The Group has created a human resources vision to develop its talent and drive its structural transformation, while also optimizing the allocation of personnel.

Regarding “management enhancement,” the Group has carried out structural reforms in conjunction with its transition to an operating holding company structure, including the creation of a Group Vision, promotion of awareness activities, an increase in independent outside directors, establishment and consolidation of internal control systems and unification of management under the Group Internal Control Committee. Furthermore, in March 2018, a Nomination Committee and Compensation Committee were established on a voluntary basis as consultative bodies to the Board of Directors for the purpose of ensuring objectivity and transparency in the decision-making processes for nominating executive officers and determining their compensation. In terms of coordinating business activities, the Group is building and maintaining its management governance systems to achieve structural transformation with sense of speed. These initiatives include organizational reforms to support the refocusing of business units on the four strategic domains, as well as measures to strengthen and promotion a sense of unity throughout the Group.

In consideration of the above management issues, the Group has established the three-year medium-term management plan from fiscal 2018 “Transformation to 2020: Unifying as a Group and achieving structural reforms to become a leader in solving society’s issues,” and a strategic business domain ratio of 50%, operating income of ¥43.0 billion, an operating income ratio of 10%, and ROE of 12% as its targeted business indicators for the plan. The Group will vigorously implement various initiatives to realize structural transformation with urgency and further raise the Group’s corporate value to support the achievement of the medium-term management plan and the business indicators and serve as a stepping stone for achieving the Group Vision for 2026.

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

Items	As of March 31, 2017	As of March 31, 2018
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	26,137	38,032
Notes and accounts receivable	92,915	94,438
Lease receivables and lease investment assets	5,179	4,747
Marketable securities	100	100
Merchandise and finished goods	4,341	3,526
Work in process	4,526	5,432
Raw materials and supplies	240	263
Deferred tax assets	6,889	6,606
Other current assets	12,003	15,884
Allowance for doubtful accounts	(170)	(360)
Total current assets	152,162	168,670
Fixed assets		
Property and equipment		
Buildings and structures, net	37,118	39,990
Machinery and equipment, net	6,665	7,547
Land	21,435	19,373
Leased assets, net	3,937	2,952
Other property and equipment, net	6,723	5,815
Total property and equipment	75,878	75,680
Intangible assets		
Software	12,561	12,506
Software in progress	3,494	4,359
Goodwill	803	707
Other intangible assets	1,807	1,341
Total intangible assets	18,666	18,915
Investments and other assets		
Investment securities	64,156	78,766
Net defined benefit asset	5,027	5,610
Deferred tax assets	6,129	4,902
Other assets	15,810	17,230
Allowance for doubtful accounts	(210)	(271)
Total investments and other assets	90,914	106,238
Total fixed assets	185,459	200,833
Total assets	337,622	369,504

Items	As of March 31, 2017	As of March 31, 2018
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	24,047	23,246
Short-term borrowings	6,084	4,460
Income taxes payable	5,932	6,139
Accrued bonuses to directors and employees	12,402	13,184
Provision for loss on order received	3,379	1,075
Other allowances	297	72
Other current liabilities	26,532	33,133
Total current liabilities	78,676	81,312
Non-current liabilities		
Long-term debt	26,263	25,482
Lease obligations	5,304	3,997
Deferred tax liabilities	2,676	6,473
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	66	65
Other allowances	419	650
Net defined benefit liability	16,876	17,296
Other non-current liabilities	7,735	7,522
Total non-current liabilities	59,743	61,893
Total liabilities	138,420	143,205
Net assets		
Shareholders’ equity		
Common stock	10,001	10,001
Additional paid-in capital	82,918	83,384
Retained earnings	90,846	108,298
Less treasury stock, at cost	(4,230)	(7,742)
Total shareholders’ equity	179,535	193,941
Accumulated other comprehensive income		
Net unrealized gains on other securities	20,478	31,922
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	51	128
Remeasurements of defined benefit plans	(2,636)	(1,983)
Total accumulated other comprehensive income	15,517	27,692
Non-controlling interests	4,149	4,664
Total net assets	199,202	226,298
Total liabilities and net assets	337,622	369,504

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

Consolidated Statements of Income

Items	FY2017	FY2018
	millions of yen	millions of yen
Net sales	393,398	405,648
Cost of sales	317,440	321,286
Gross profit	75,958	84,362
Selling, general and administrative expenses	48,938	51,618
Operating income	27,019	32,743
Non-operating income		
Interest income	63	28
Dividend income	912	1,047
Rental income from real estate	269	210
Gain on investments in partnership	203	160
Other	288	437
Total non-operating income	1,737	1,885
Non-operating expense		
Interest expenses	352	330
Equity in losses of affiliated companies	457	805
Foreign exchange losses	104	―
Rent expenses on real estates	217	167
Other	533	531
Total non-operating expenses	1,664	1,834
Recurring profit	27,092	32,795
Extraordinary income		
Gain on sales of fixed assets	7	517
Gain on sales of investment securities	1,956	881
Gain on sales of investments in capital	―	208
Other	102	7
Total extraordinary income	2,066	1,613
Extraordinary loss		
Loss on disposal of fixed assets	216	156
Impairment loss	3,423	1,845
Other	678	861
Total extraordinary loss	4,318	2,864
Income before income taxes	24,840	31,545
Income taxes: current	8,210	10,115
Income taxes: deferred	(113)	85
Total income taxes	8,097	10,201
Net income	16,742	21,343
Net income attributable to non-controlling interests	436	723
Net income attributable to owners of the parent company	16,306	20,620

Consolidated Statements of Comprehensive Income

Items	FY2017	FY2018
	millions of yen	millions of yen
Net income	16,742	21,343
Other comprehensive income		
Net unrealized gains on other securities	6,833	11,470
Foreign currency translation adjustments	(104)	146
Remeasurements of defined benefit plans	508	655
Share of other comprehensive income of equity-method affiliates	(17)	3
Total other comprehensive income	7,218	12,276
Comprehensive income	23,961	33,619
(Composition)		
Comprehensive income attributable to owners of the parent company	23,556	32,795
Comprehensive income attributable to non-controlling interests	404	824

(3) Consolidated Statements of Changes in Net Assets

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		16,306
Acquisition of treasury stock				(2,106)	(2,106)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		(2)			(2)
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)
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

FY2018 (April 1, 2017 through March 31, 2018)

	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	82,918	90,846	(4,230)	179,535
Changes during the fiscal year					
Dividends from surplus			(3,258)		(3,258)
Net income attributable to owners of the parent company			20,620		20,620
Acquisition of treasury stock				(4,914)	(4,914)
Disposal of treasury stock		641		1,403	2,045
Purchase of shares of consolidated subsidiaries		(175)			(175)
Increase (decrease) resulting from merger of consolidated subsidiary and unconsolidated subsidiary			90		90
Items other than changes in shareholders' equity, net					
Net changes during the fiscal year	—	465	17,452	(3,511)	14,406
Balance at end of fiscal year	10,001	83,384	108,298	(7,742)	193,941

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements 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	20,478	(2,375)	51	(2,636)	15,517	4,149	199,202
Changes during the fiscal year							
Dividends from surplus							(3,258)
Net income attributable to owners of the parent company							20,620
Acquisition of treasury stock							(4,914)
Disposal of treasury stock							2,045
Purchase of shares of consolidated subsidiaries							(175)
Increase (decrease) resulting from merger of consolidated subsidiary and unconsolidated subsidiary							90
Items other than changes in shareholders' equity, net	11,444	—	77	653	12,174	515	12,690
Net changes during the fiscal year	11,444	—	77	653	12,174	515	27,096
Balance at end of fiscal year	31,922	(2,375)	128	(1,983)	27,692	4,664	226,298

(4) Consolidated Statements of Cash Flows

Items	FY2017	FY2018
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	24,840	31,545
Depreciation	11,801	12,572
Impairment loss	3,423	1,845
(Gain) loss on sale of investment securities	(1,800)	(881)
Loss on disposal of fixed assets	216	156
Amortization of goodwill	206	171
Increase (decrease) in accrued bonuses to directors and employees	542	779
Increase(decrease) in allowance for doubtful accounts	(35)	251
Increase (decrease) in net defined benefit liability	(1,489)	416
Interest and dividend income	(976)	(1,076)
Interest expenses	352	330
(Increase) decrease in notes and accounts receivable	(7,852)	(1,616)
(Increase) decrease in inventories	603	(109)
Increase (decrease) in notes and accounts payable	1,310	(900)
Increase (decrease) in accrued consumption taxes	405	99
Other, net	1,800	1,019
Subtotal	33,349	44,603
Interest and dividend income received	976	1,253
Interest expenses paid	(331)	(316)
Income taxes paid	(15,041)	(9,154)
Net cash provided by (used in) operating activities	18,952	36,386
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	400	400
Acquisitions of property and equipment	(9,533)	(10,017)
Proceeds from sales of property and equipment	220	3,202
Acquisitions of intangible assets	(7,115)	(6,447)
Acquisitions of investment securities	(7,548)	(1,553)
Proceeds from sale and redemption of investment securities	3,506	3,579
Payment of lease and guarantee deposits	(905)	(594)
Collection of lease and guarantee deposits	665	296
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(362)	(32)
Other, net	(2,414)	(2,635)
Net cash provided by (used in) investing activities	(23,488)	(14,202)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(158)	37
Proceeds from long-term debt	10,905	14,117
Repayments of long-term debt	(23,021)	(16,559)
Purchase of treasury stock	(2,106)	(4,914)
Proceeds from sales of treasury stock	0	2,045
Dividends paid	(2,945)	(3,258)
Dividends paid to non-controlling interests	(300)	(286)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(4)	(193)
Other, net	(695)	(1,530)
Net cash provided by (used in) financing activities	(18,327)	(10,543)
Effect of exchange rate changes on cash and cash equivalents	(56)	51
Net increase (decrease) in cash and cash equivalents	(22,920)	11,692
Cash and cash equivalents at beginning of year	48,651	25,730
Increase in cash and cash equivalents resulting from merger	—	122
Cash and cash equivalents at end of year	25,730	37,545

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

The Company has conducted a transaction of delivering its own stock through the trust account of TIS INTEC Group Employees' Shareholding Association ("Association").

(1) Overview of the transaction

The Company set up a trust whose beneficiaries are the employees who belong to the Association and satisfy certain requirements. The trust in advance buys the Company's own stock through third-party allotment in the volume supposed to be acquired by the Association over the three years from March 2018; then, the trust sells the Company's stock to the Association every month on a fixed day. If the Company's stock price rises and the trust holds a gain at the expiration of the trust, the gain will be distributed to the employees who are beneficiaries of the trust depending on their ratio of contribution. If the stock price falls and the trust holds liabilities, at the expiration of the trust, related to the trust assets due to the loss on transfer of stock, pursuant to the guarantee provisions for loan agreements, the Company repays the liabilities to the bank in a lump so that employees will not be required additional payment.

(2) The Company's stock held by the trust

The Company's own stock held by the trust is included in treasury stock under net assets at its book value for the trust (subtracting ancillary expenses).

As of March 31, 2018, the book value of the treasury stock held by the trust is 2,044 million yen for 516,000 shares.

(3) The book value of borrowings recognized in accordance with the adoption of the gross accounting method

As of March 31, 2018, the book value of borrowings recognized in accordance with the adoption of the gross accounting method is 2,045 million yen.

(Subsequent Events)

(Share buyback)

At the Board of Directors' meeting held on May 10, 2018, based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the Act, the Company made a resolution on repurchase of its own shares.

(1) Reason for share buyback

To implement flexible capital strategy responding to changes in the operating environment.

(2) Details of resolution on share buyback

1) Class of shares to be repurchased: common shares
2) Total number of shares to be repurchased: 1,200,000 shares (upper limit)
3) Total cost of repurchase: 4,210 million yen (upper limit)
4) Period for repurchase: May 11, 2018 through July 31, 2018
5) Method for repurchase: Purchase on the Tokyo Stock Exchange

(Changes to segment)

The Company's business operations were segmented to three reportable segments in the fiscal year ended March 31, 2018, namely, "IT Infrastructure Services," "Financial IT Services," and "Industrial IT Services." In line with change in the management system, however, the Company decided to change its reportable segments to "Service IT Business," "BPO," "Financial IT Business" and "Industrial IT Business" from the fiscal year ending March 31, 2019.