



TIS

TIS INTEC Group

Go Beyond

Information Meeting Materials for the First Two Quarters of the Fiscal Year Ending March 31, 2017

October 28, 2016

TIS Inc.

Fiscal 2017 First Two Quarters Financial Highlights

Fiscal 2017 Performance Forecast

Status of Progress on Key Strategies

Reference Materials

Fiscal 2017 First Two Quarters: Financial Highlights

[Millions of yen]

- Net sales grew against favorable business backdrop, leading to year-on-year improvement. Exceeded target.
- On profit front, efforts to expand business volume and boost profitability were successful, but unprofitable projects had larger impact, holding profit levels to year-on-year par, with operating income falling below expectations.

Net Sales ¥189,023 million

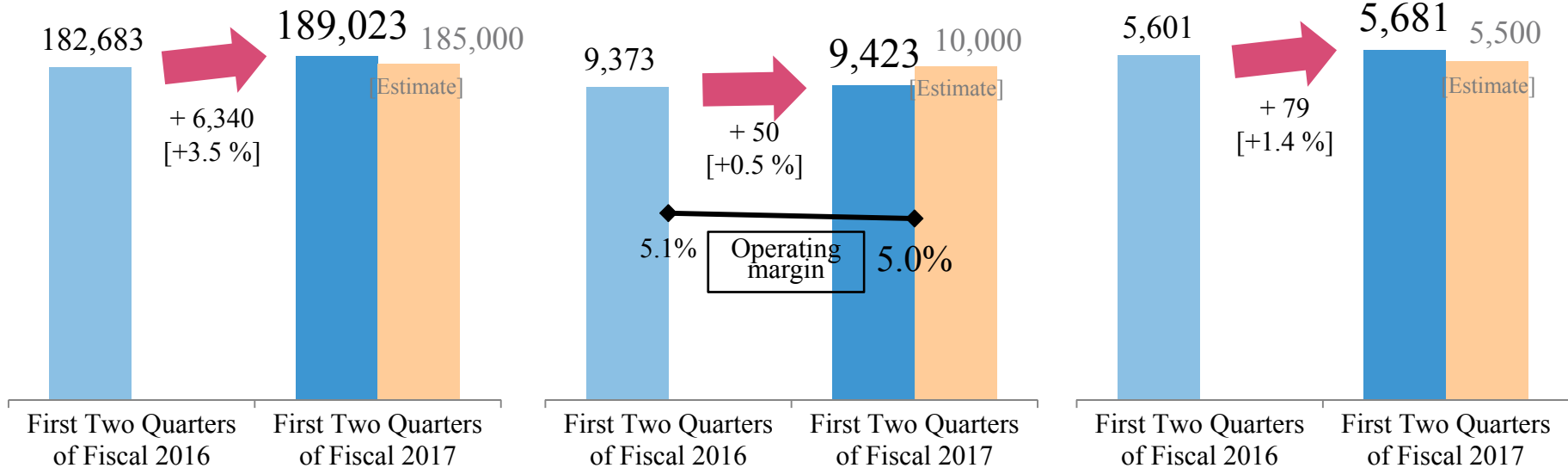
YOY change: +¥6,340 million [+5%]
Compared with estimate: +¥4,023 million [+2.2%]

Operating Income ¥9,423 million

YOY change: +¥50 million [+0.5%]
Compared with estimate: -¥577 million [-5.8%]

Net income attributable to owners of the parent company ¥5,681 million

YOY change: +¥79 million [+1.4%]
Compared with estimate: +¥181 million [+3.3%]



In sectors where IT investment is showing renewed interest, we emphasized accurate identification of client needs and were rewarded with higher net sales year-on-year. Exceeded target.

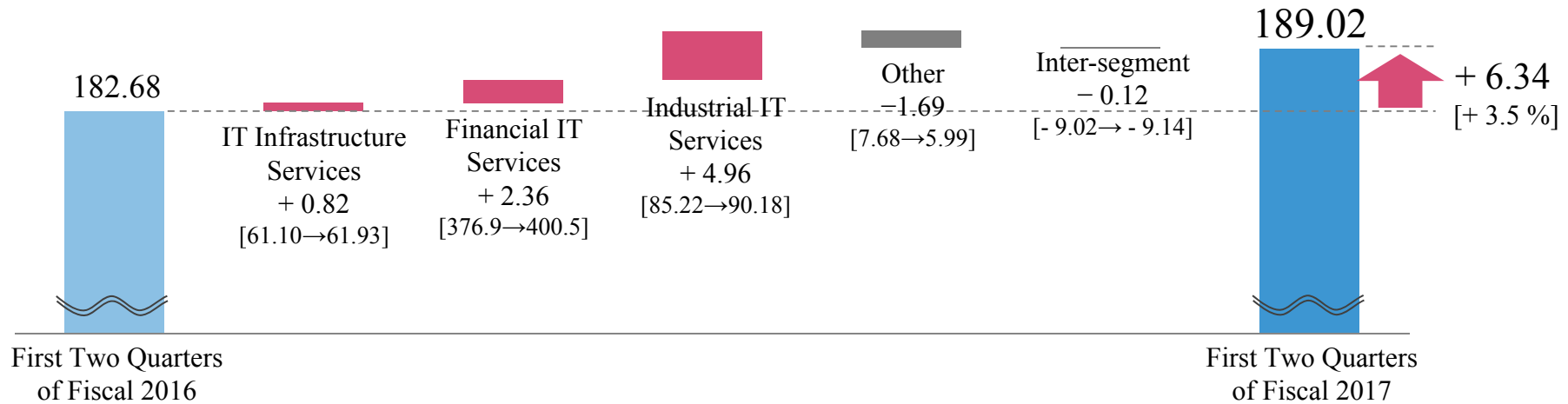
Higher net sales starting point was complemented by steady progress on measures to boost profitability, but larger impact from unprofitable projects held operating income at year-on-year par. Did not reach target.

Net income attributable to owners of parent hovered at year-on-year par, paralleling operating income result. Extraordinary loss was less than predicted, which lifted income above target.

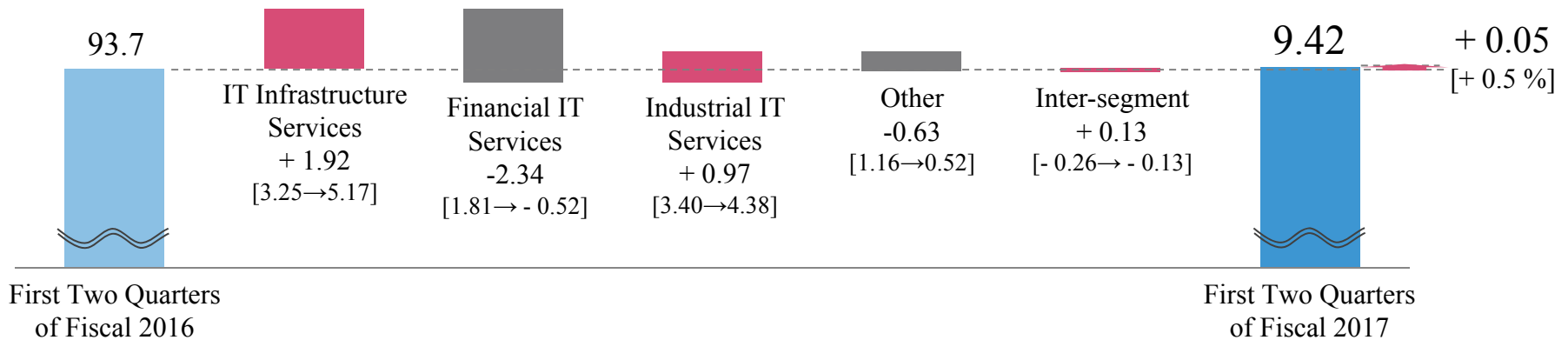
Fiscal 2016 First Two Quarters: Net Sales and Operating Income Analysis

[Billions of yen]

Net Sales



Operating Income



Fiscal 2017 First Two Quarters: Sales and Income for Key Segments

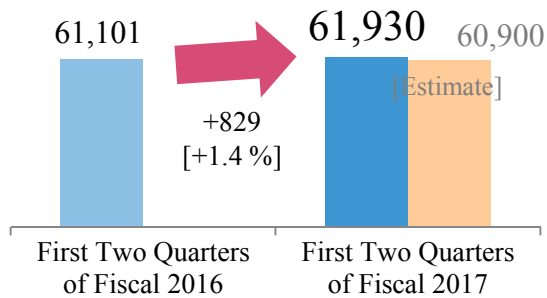
[Millions of yen]

IT Infrastructure Services

Net Sales ¥61,930 million

YOY change: +¥829 million [+1.4%]

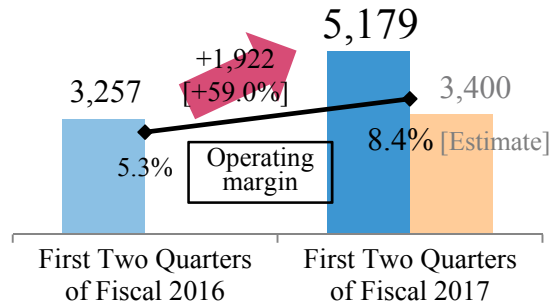
Compared with estimate: +¥1,030 million [+1.7%]



Operating Income ¥5,179million

YOY change: +¥1,922 million [+59.0%]

Compared with estimate: +¥1,779 million [+52.3%]



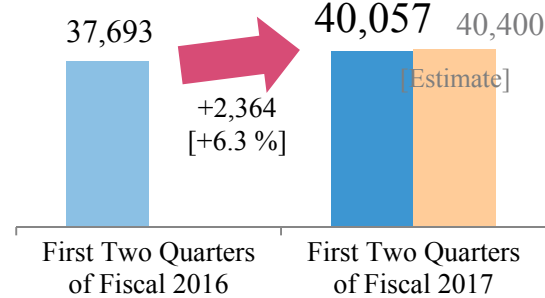
Sales and income up year-on-year, owing to stable shift in data center business, expansion in BPO operations through M&A effect, and cost reduction through successful efforts to boost efficiency. Exceeded target.

Financial IT Services

Net Sales ¥40,057million

YOY change: +¥2,364 million [+6.3%]

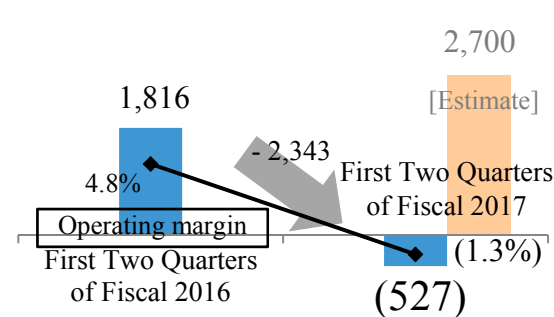
Compared with estimate: - ¥343 million [-0.8%]



Operating Income - ¥527million

YOY change: -¥2,343 million

Compared with estimate: - ¥3,227 million



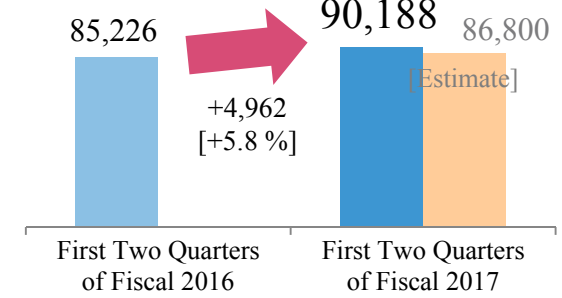
Sales up year-on-year, owing to expanded business volume on renewed IT investment interest, particularly from clients in credit card sector. On target. Operating income eroded by larger impact from unprofitable projects, leading to year-on-year decrease and well below target.

Industrial IT Services

Net Sales ¥90,188million

YOY change: +¥4,962 million [+5.8%]

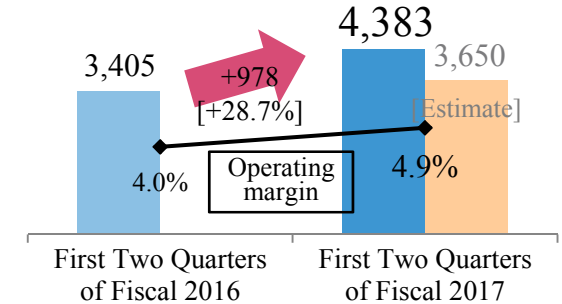
Compared with estimate: +¥3,388 million [+3.9%]



Operating Income ¥4,383million

YOY change: +¥978 million [+28.7%]

Compared with estimate: +¥733 million [+20.1%]

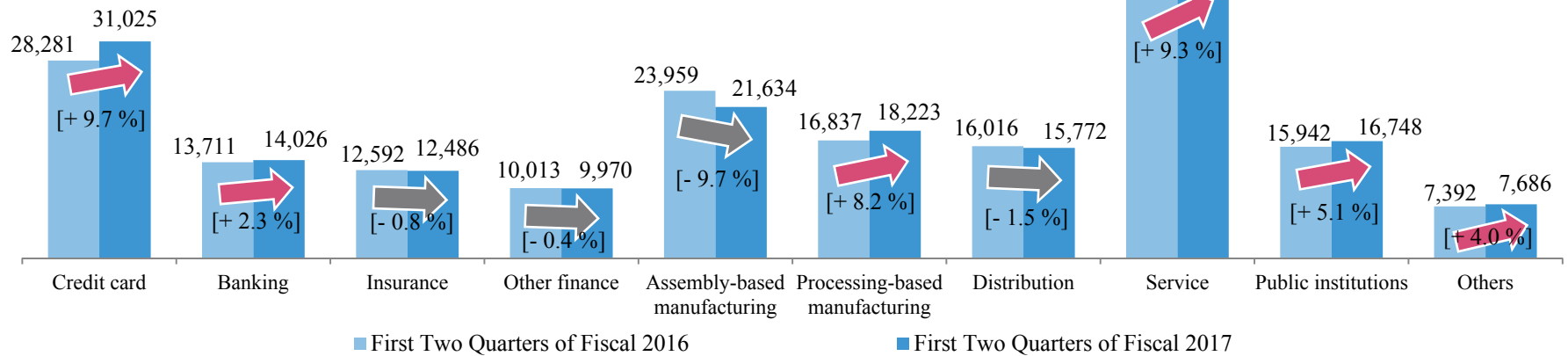


Sales and income up year-on-year, owing to expanded business volume, which stems primarily from consistently active IT investment by clients in energy-related fields paralleling electric power and gas system reform, as well as contributions from large projects for clients in public sector. Also fueled by successful efforts to improve profitability. Exceeded target.

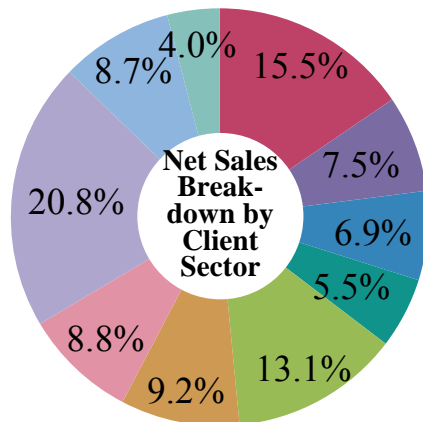
Fiscal 2017 First Two Quarters: Sales by Client Sector

[Millions of yen]

* We revised the breakdown of client sector categories for some clients, effective from the first quarter of fiscal 2017. Values for the previous term have been reviewed and restated under the new category breakdown.

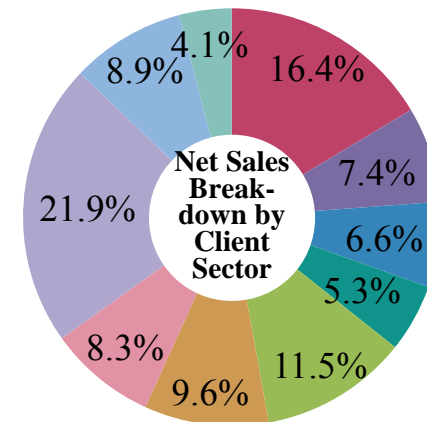


First Two Quarters of Fiscal 2016



Financial sector: 35.4 % Industrial sector: 51.9 %
Public sector: 8.7 % Other sectors: 4.0 %

First Two Quarters of Fiscal 2016



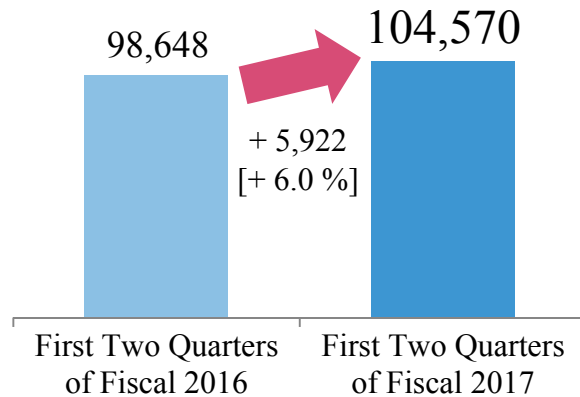
Financial sector: 35.7 % Industrial sector: 51.3 %
Public sector: 8.9 % Other sectors: 4.1 %

Fiscal 2017 First Two Quarters: Order Status

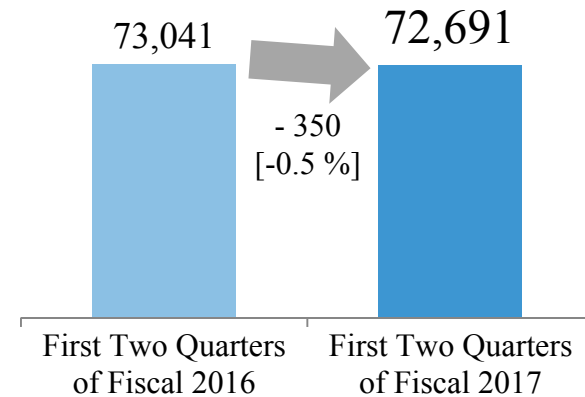
[Millions of yen]

- Higher order activity year-on-year against favorable business conditions.
Aggregate results for first two quarters marked new record.
- Backlog of orders on a par with corresponding period a year ago, holding at high level.

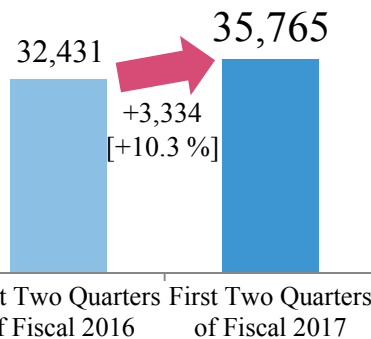
Orders received during the term
¥104,570 million
YOY change : +¥5,922 million [+6.0 %]



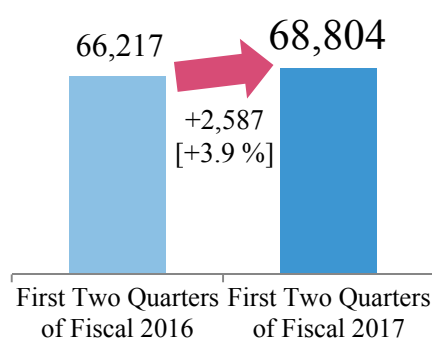
Order backlog at term-end
¥72,691 million
YOY change : - ¥350 million [-0.5 %]



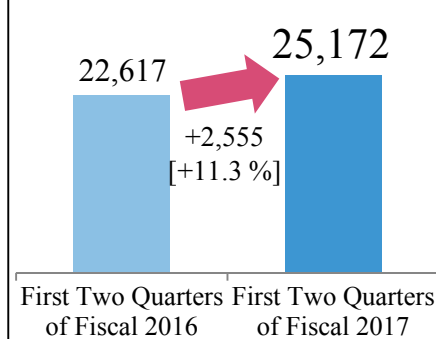
Financial IT Services



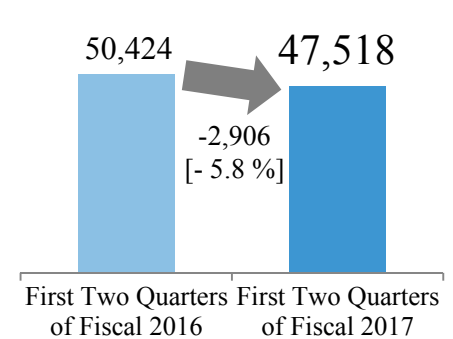
Industrial IT Services



Financial IT Services

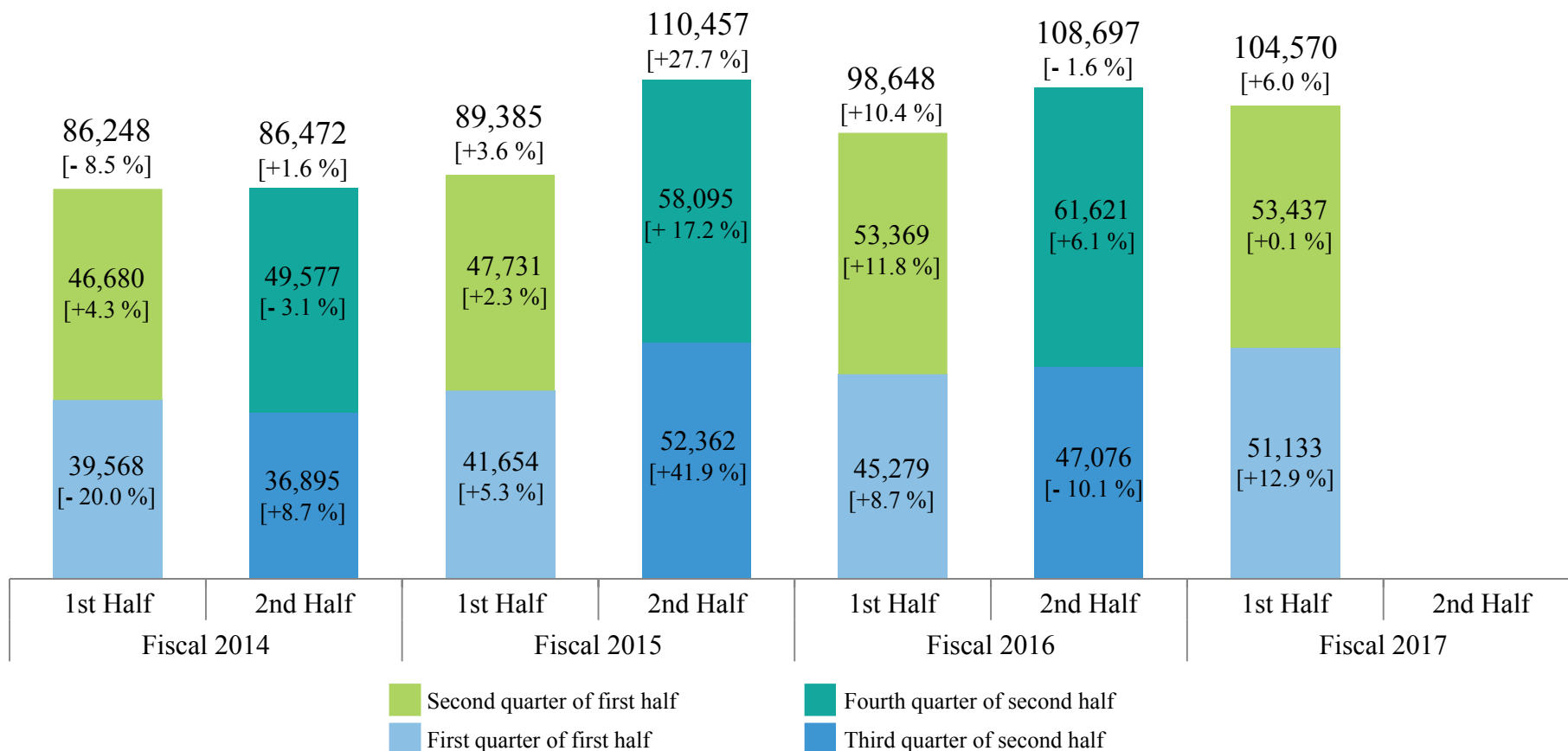


Industrial IT Services



Changes in Orders Received

[Millions of yen]

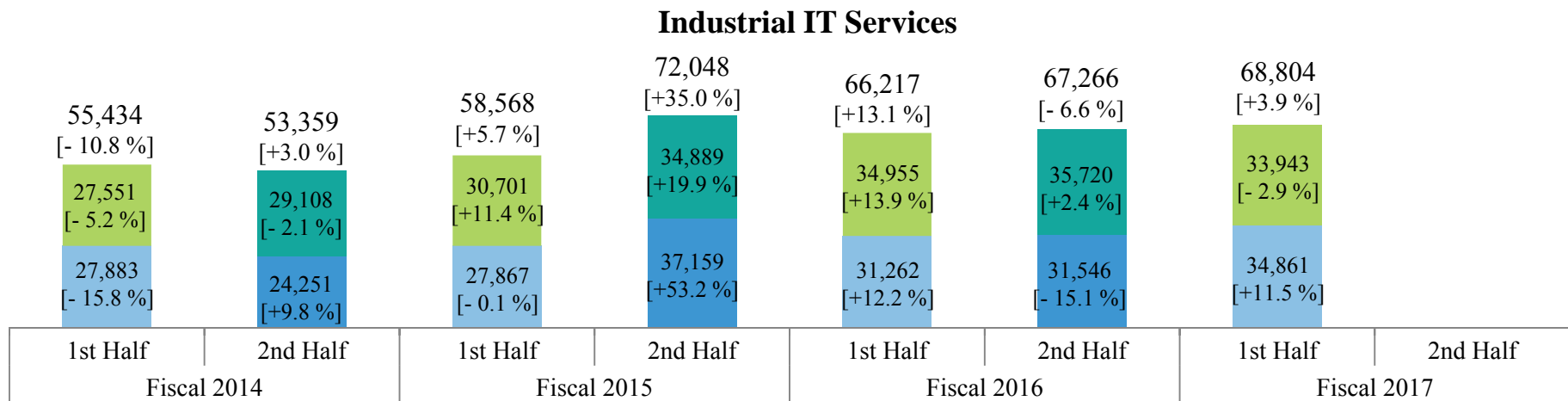
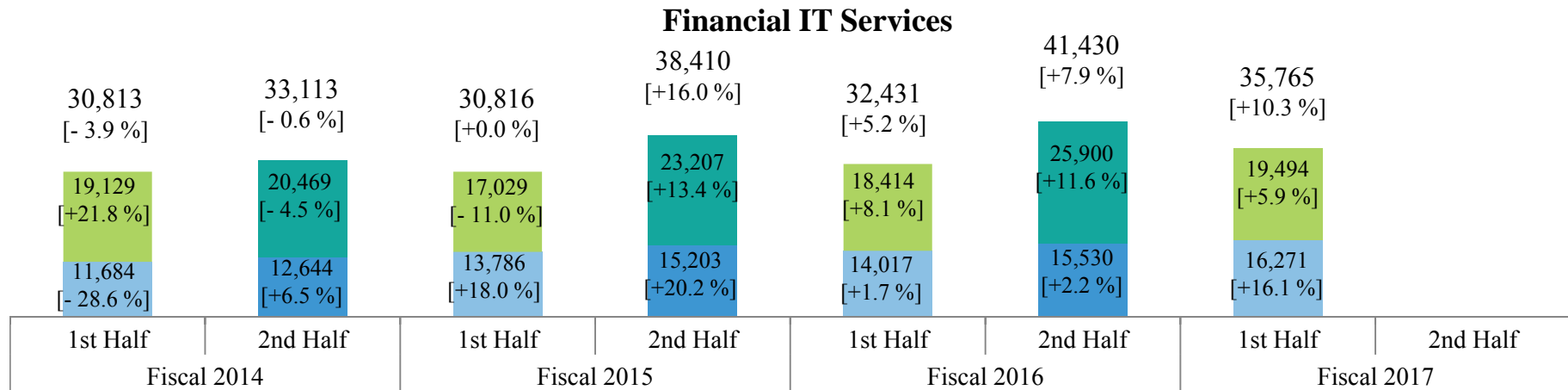


* Orders received during the term apply to Software Development only.

* Percentage figures in columns indicate increase or decrease from the previous term.

Changes in Orders Received

[Millions of yen]



■ Second quarter of first half
■ First quarter of first half

■ Fourth quarter of second half
■ Third quarter of second half

* Orders received during the term apply to Software Development only.

* Percentage figures in columns indicate increase or decrease from the previous term.

Fiscal 2017 First Two Quarters Financial Highlights

Fiscal 2017 Performance Forecast

Status of Progress on Key Strategies

Reference Materials

Understanding the External Environment

Business environment should continue to move in a favorable direction, against a backdrop highlighted by wider IT investment needs among clients increasingly keen to embrace digital management. However, uncertainty clouds the economic path ahead, and given such factors, some clients are taking a very cautious approach to IT investment, which will require attention to possible shifts in the direction of demand.

IT Infrastructure Services

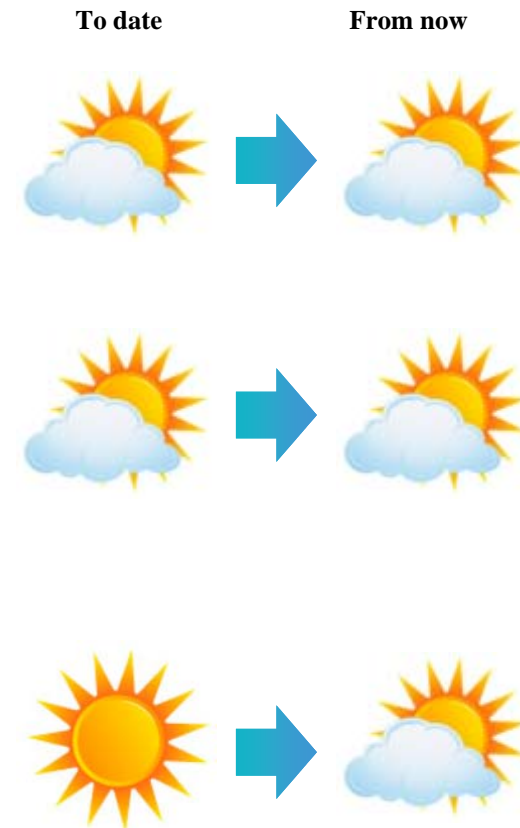
- Data center business should continue to benefit from trend toward wider use of cloud services. Expect demand for facilities with robust security features and high-value-added services to grow.
- BPO operations should see sustained increase in demand for outsourced administration services that contribute to improved corporate management.

Financial IT Services

- In credit card sector, IT investment, especially backbone system replacement, will remain high.
- Among banks, system integration and overhauls by the majors are drawing to a close, but interest in fintech, including blockchain architecture, and other IT investment for innovating businesses and services, is in expansion mode.
- Negative interest rate situation is prompting banks and insurers to be cautious in IT investment.

Industrial IT Services

- In manufacturing, service and distribution sectors, companies will continue to invest in front-office IT to sharpen competitive edge, especially in marketing-related pursuits. However, concerns are building over possible downtrend in IT investment, paralleling sluggish market sentiment and faltering business results.
- Utilities sector IT investment remains strong, paralleling reform of electric power and gas systems.
- Public sector IT investment is brisk, especially in connection with My Number social security and tax identification system and to ensure data security.



* These trends may differ from general industry trends since management's assumptions also take into consideration the status of IT investment by clients

Fiscal 2017: Key Points in Core Segments

IT Infrastructure Services

- In data center business, will strive to enhance the operating structure, primarily through centralization of offices under an initiative launched in fiscal 2016 as well as a review of revenue structure and implementation of measures to reinforce status.
- On the business front, emphasis will be on stronger security-related business through joint efforts with Trustwave, expanded EDI business, wider scale and more extensive coverage in cloud business, and enhanced network service capabilities, and goal is to build and reinforce pillars of revenue.
- In BPO operations, associated activities within the Group will be concentrated at AGREX. The objective is to realize greater efficiency while expanding business volume through M&A opportunities and access to large projects.

Financial IT Services

- All-out effort toward steady execution of large projects.
- Using fintech, expand payments business from financial realm to all industries and, given prevailing awareness, that is, a push for use of fintech even by the Japanese government, target a wider client base beyond major providers of retail settlement services to include startups in the payments business as well as companies providing distribution and transportation services.
- With burgeoning IT demand from principal clients, maintain and then expand solutions to meet client needs.

Industrial IT Services

- With integration and realignment of operations within the Group, raise profile of the Group in energy and national health insurance sectors. Promote wider presence in assigned domains through responses to project inquiries and new orders.
- In manufacturing sector, IT investment, particularly ERP, is back in the spotlight. Emphasis will be on efforts to strengthen consulting expertise and reinforce business content based on client needs, especially delivery and globalization.

Fiscal 2017: Performance Forecasts

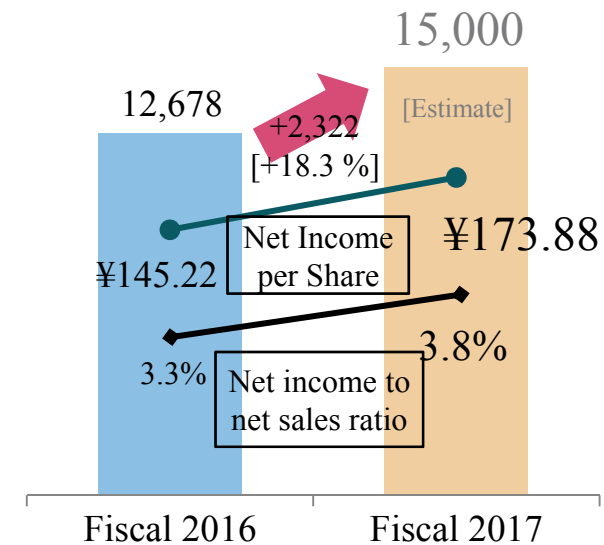
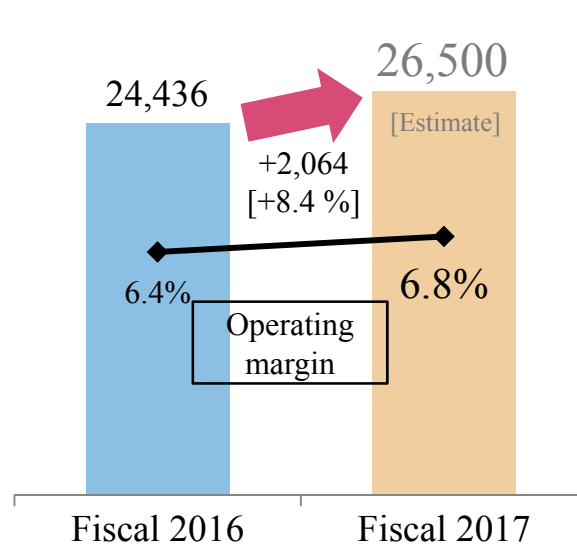
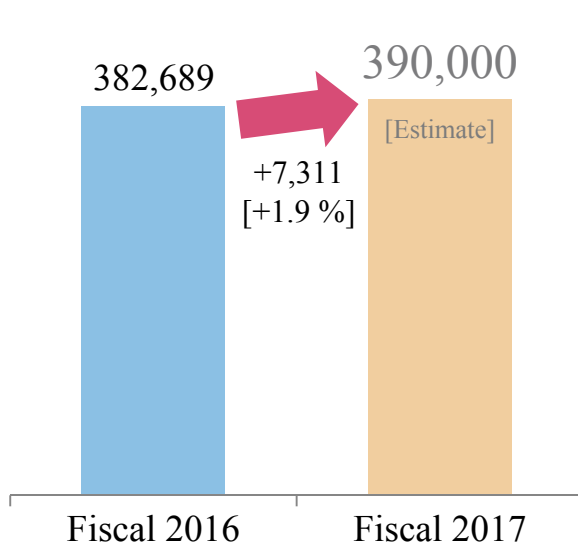
[Millions of yen]

- Higher sales and income are expected. Will strive to expand business volume by accurately responding to IT investment needs of clients and steadily executing large projects, in addition to promoting strategies to boost profitability, including measures to raise productivity.
- ⇒ Results are generally on track, obviating the need to revise initial targets.

Net Sales ¥390,000 million
YOY change: +¥7,311 million [+1.9 %]

Operating Income ¥26,500 million
YOY change: +¥2,064 million [+8.4 %]

Net income attributable to owners of the parent company 15,000 million
YOY change: +¥2,322 million [+18.3 %]



Anticipate higher net sales year-on-year, mainly from expanded business volume achieved through accurate responses to clients' IT investment needs and from steady execution of large projects.

Expect higher operating income year-on-year, buoyed by higher net sales as well as progress on strategies to boost profitability, such as measures to improve productivity. Emphasis also on approaches to prevent projects from turning unprofitable.

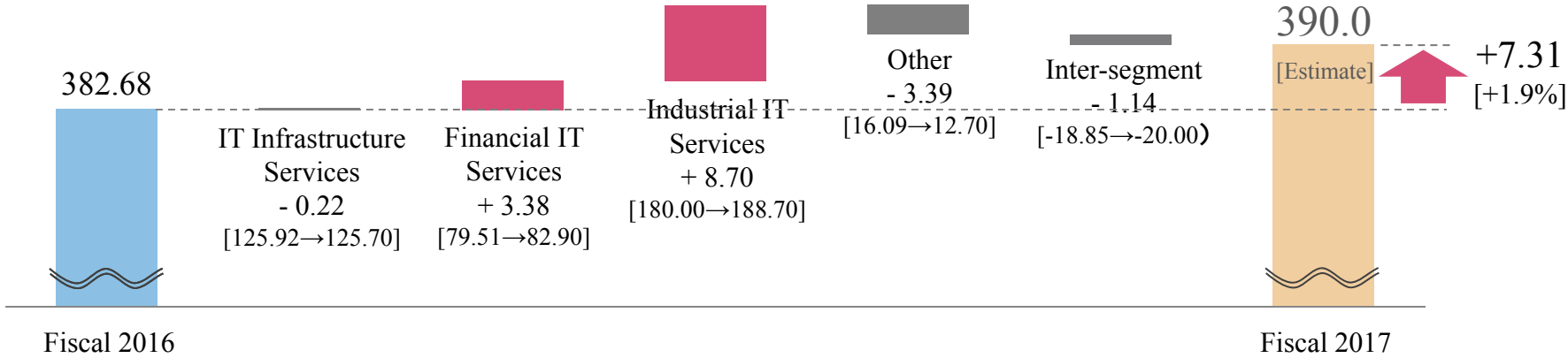
Net income attributable to owners of parent should rise year-on-year, mainly due to boost from operating income.

Fiscal 2017:

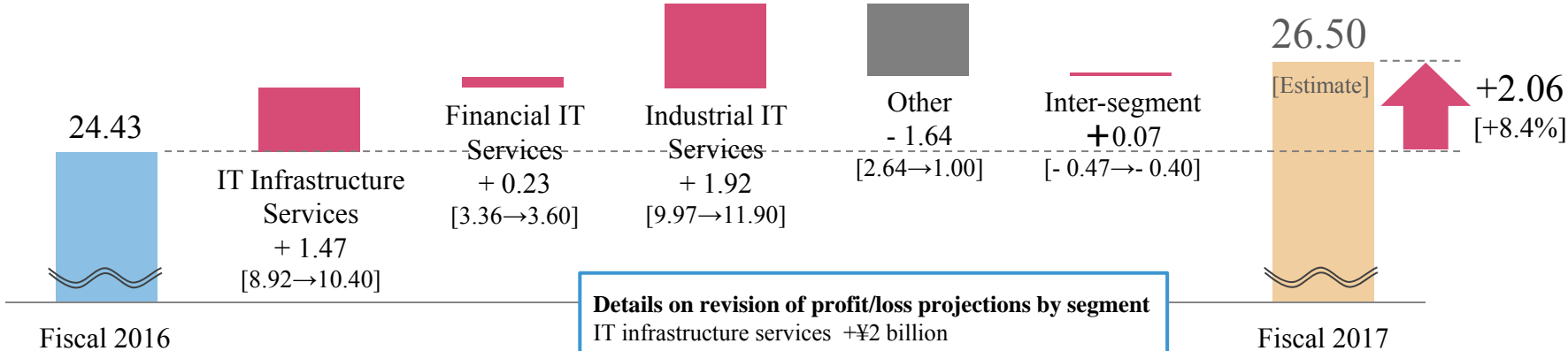
Net Sales and Operating Income Analysis [Forecast]

[Billions of yen]

Net Sales



Operating Income



Details on revision of profit/loss projections by segment
 IT infrastructure services +¥2 billion
 Financial IT services -¥2.5 billion
 Industrial IT services +500 million

Fiscal 2017:

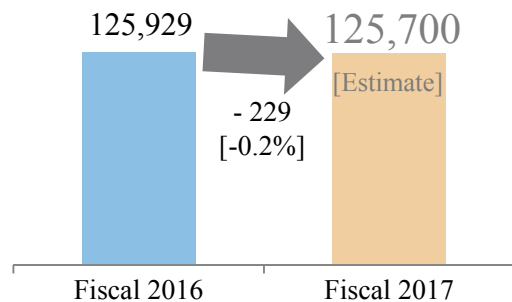
Key Business Segment Performances [Forecast]

[Millions of yen]

IT Infrastructure Services

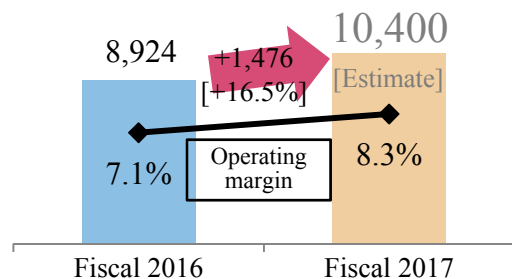
Net Sales ¥125,700 million

YOY change: - ¥229 million [- 0.2 %]



Operating Income ¥10,400 million

YOY change: +¥1,476 million [+16.5 %]



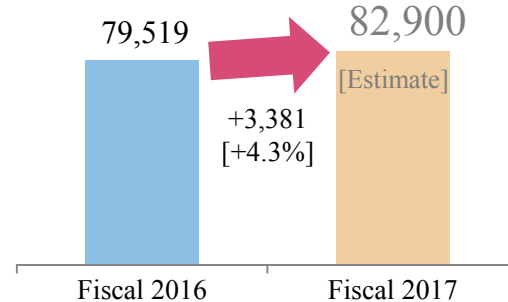
Comparison to the forecast at the beginning of the term +¥2,000

Although segment sales are likely to decrease year-on-year, mainly due to impact of restructuring, segment sales should increase on a real basis. Note, income forecast has been revised upward, reflecting success of cost-cutting efforts in first half.

Financial IT Services

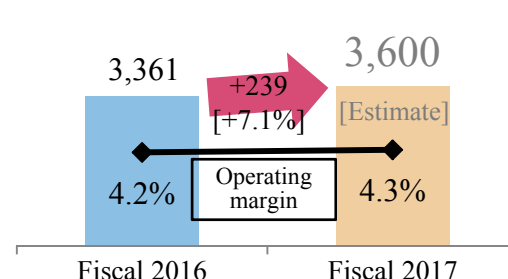
Net Sales ¥82,900 million

YOY change: +¥3,381 million [+4.3 %]



Operating Income ¥3,600 million

YOY change: +¥239 million [+7.1 %]



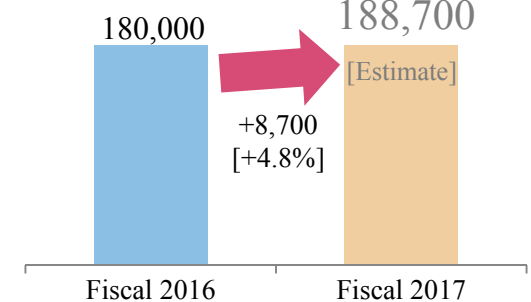
Comparison to the forecast at the beginning of the term - ¥2,500

Expect year-on-year growth in sales and income, mainly due to contributions from large development projects. Impact of unprofitable projects on operating income in first half led to downward revision of full-year forecast but segment should still post year-on-year income increase.

Industrial IT Services

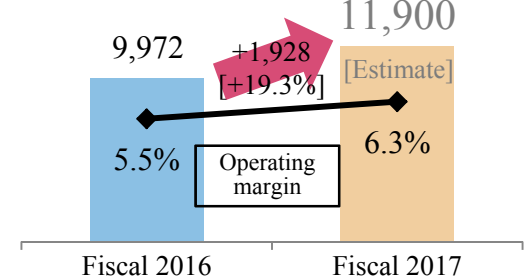
Net Sales ¥188,700 million

YOY change: +¥8,700 million [+4.8 %]



Operating Income ¥11,900 million

YOY change: +¥1,928 million [+19.3 %]



Comparison to the forecast at the beginning of the term +¥500

Expect higher sales and income year-on-year, mainly due to wider demand paralleling overall increase in IT investment and also due to successful efforts to prevent unprofitable projects while improving productivity. Note that income forecast revised upward, based on first-half results.

Fiscal 2017: Policy on return to shareholders, Dividend Forecast

<Policy on return to shareholders>

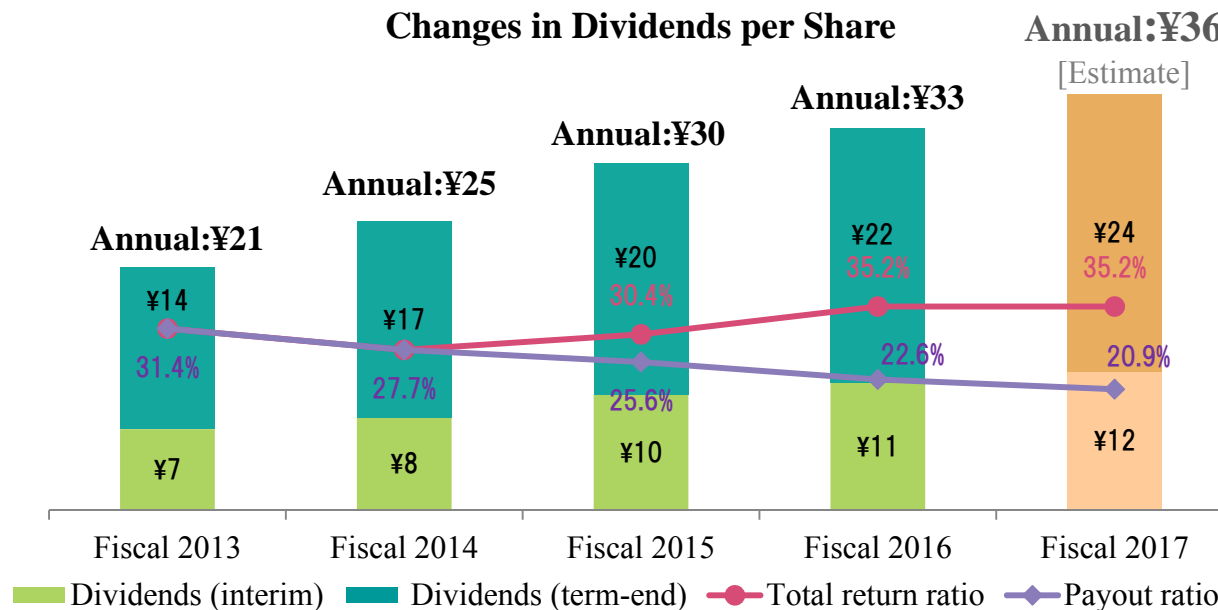
Will adopt total shareholder return measure (total return ratio) to promote shareholder returns through dividends and an appropriate capital structure through treasury stock buyback.

Target 35% total return ratio (Stable, continuous dividends + share buybacks)

Fiscal 2017 Dividend forecast: Annual dividend per share: ¥36 (YOY change: +¥3)

Fiscal 2017 Treasury stock buyback (actual) :

total number of shares: 834,900 shares, total acquisition amount: ¥2,099 million



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Reference Materials

TIS INTEC Group: Fiscal 2017 Group Management Direction

Third Medium-term Management Plan Basic Concepts

Profit Emphasis

IT Brain

(Expand value-added business)

Portfolio Management

Fiscal 2017 Group Management Direction

Ensure management with emphasis on profitability

Seek full optimization of Group, utilizing operating holding company structure
Broaden value-added services that contribute to digital management at client companies

Organize business portfolio and develop and attract/keep human resources who are well-suited to each business model

Key Points

1. Steadily undertake big projects

2. Reduce unprofitable projects

3. Restructure data center business

4. Promote service-style businesses

5. Promote global businesses

6. Get more involved, with focus on field of “FinTech”—integrating finance and information technology—IoT and AI

Status of Unprofitable Projects

Two unprofitable projects having major impact on recent business results

(Project outlines)

Backbone system overhaul for credit card company

Causes: (1) Scale of project far greater than anticipated at external design stage

(2) Revision of process plan to ensure delivery and quality standard

Actions: (1) Individual in top management position with considerable project experience to respond as large project specialist

(2) Client dialogue and project structure to be made more scale-appropriate

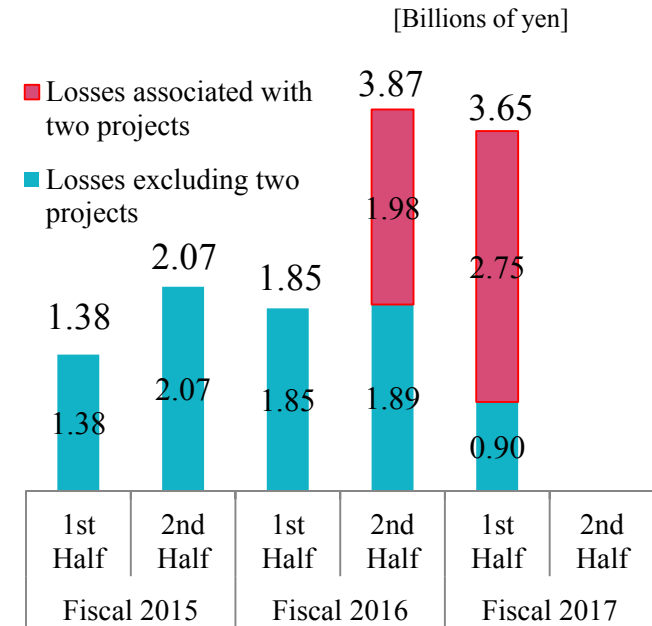
(3) Personnel structure to be strengthened

Information solution implementation project for bank

Cause: Design quality not satisfactory

Action: Strengthen project structure and revise timeframe for completion

Note: Project completed in second quarter of fiscal 2017



- Of projects currently under development, the only one seen to need a higher level of monitoring than usual is the above-mentioned backbone system overhaul for a credit card company.
- For the above-mentioned project, a review of the process plan was undertaken to ensure standard of quality and delivery time. Risk can be contained as long as progress is made within the parameters of the revised plan.
⇒ Given the booking of reserve for possible losses at this time, efforts will be made to execute thorough status control, under a strict supervision format.

Steps to Prevent Projects from Turning Unprofitable

Measures Previously Used to Prevent Unprofitable Projects

- Strengthen corporate review system and revise as necessary
- Improve on-site risk monitoring capabilities
 - Study sessions for division managers and continuous efforts to reinforce project-by-project follow-up with divisions where unprofitable projects have occurred proving successful
- Project status checks—serve extremely useful function
 - Promote the process at all companies within the Group
- Enhance project manager training to reinforce project management capabilities and raise to higher level
- Strengthen engineering capabilities
 - Enrich content of Nablarch required definition framework, cultivate and expand skills of architects, emphasize next-generation AXION
 - Going forward, reinforce test stage and establish enhancement framework

Further Efforts to Prevent Unprofitable Projects

Operating holding company TIS in leadership role, emphasizing efforts to prevent projects from turning unprofitable by drawing on knowledge and know-how throughout the Group

- Designate person responsible for the Group's response to unprofitable projects and constantly engage in dialogue and research with experts at companies under the Group umbrella
 - Some measures, such as project status checks, have already been rolled out at Group companies
- Establish TIS INTEC Group Production Innovation Committee, as an internal third party, to underpin objective check function and ensure the effectiveness of measures to prevent projects from turning unprofitable
 - Analyze root cause of unprofitable projects and draft policies matched to characteristics of each company to preclude reoccurrence
 - Provide report to Board of Directors on quarterly basis on PDCA status of Group's measures to prevent projects from turning unprofitable

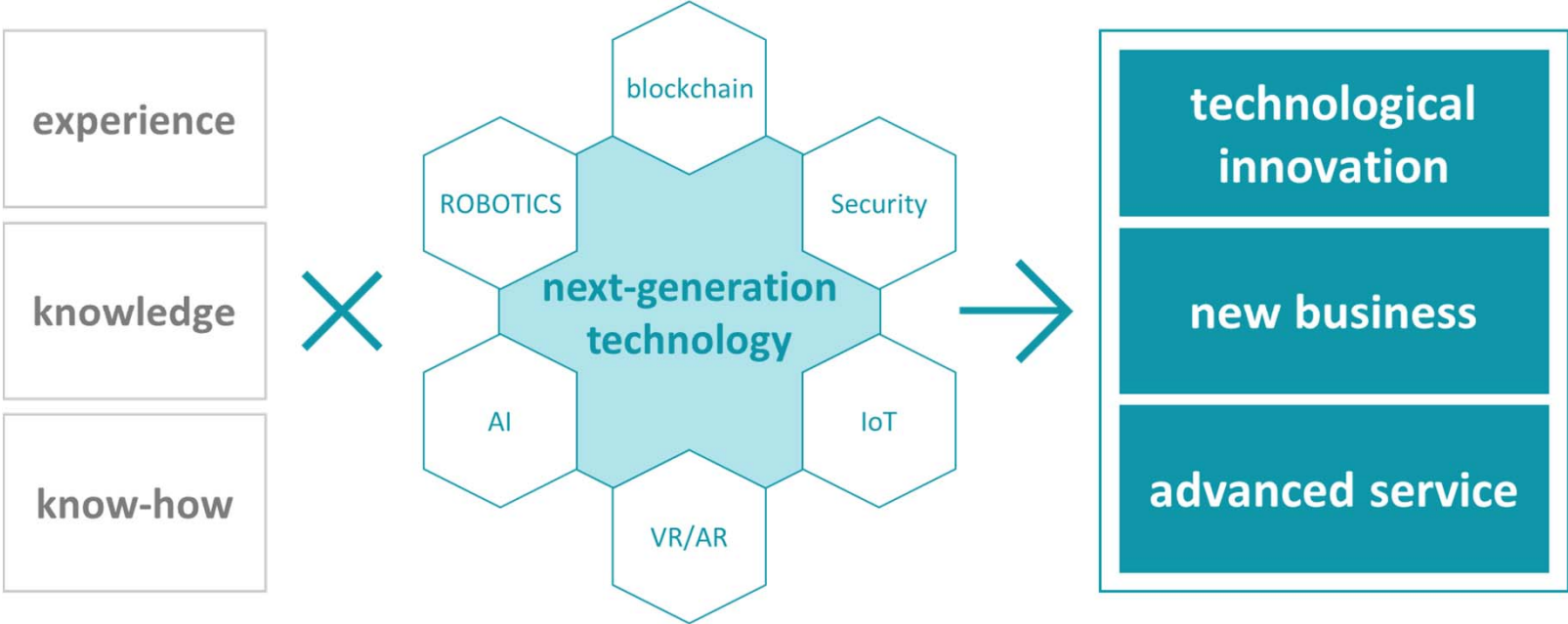
Technological Innovation and New Services Strategy to Expand Value-Added Businesses

Basic Policy on Technological Innovation and New Services Strategy

- Combine inherent experience, knowledge and know-how with next-generation technologies
- Combine TIS' own approaches and joint research and other pursuits with venture companies and universities



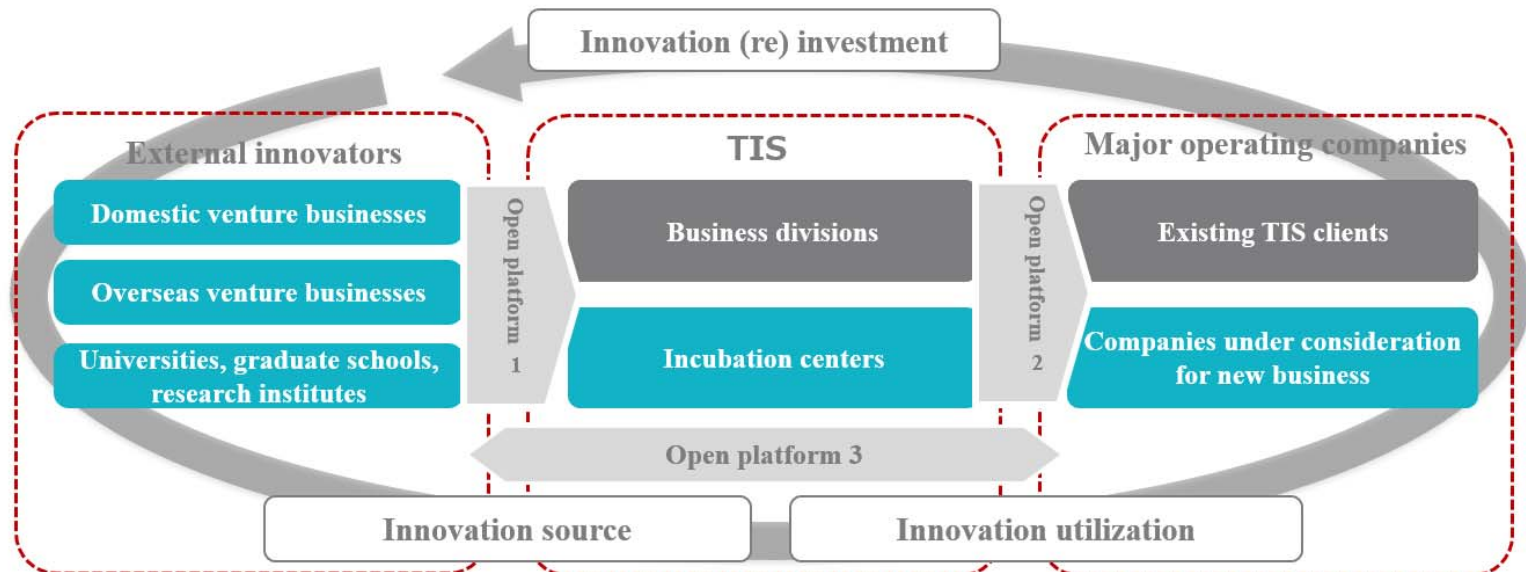
Create technological innovation, new businesses and progressive services through open platform



Efforts in New Technology Areas to Expand Value-Added Businesses

- To help clients embrace digital management, it is essential that we have the ability to respond to the advent of new technologies, including FinTech, IoT and AI, as well as currents in the industry. We seek to turn such responses into new business strengths and will actively work toward this end.
 - ⇒ Our goal is to utilize open innovation to quickly reshape business models and launch new core businesses. We are currently working on various strategies to achieve this goal

TIS' Innovation Ecosystem Ideal

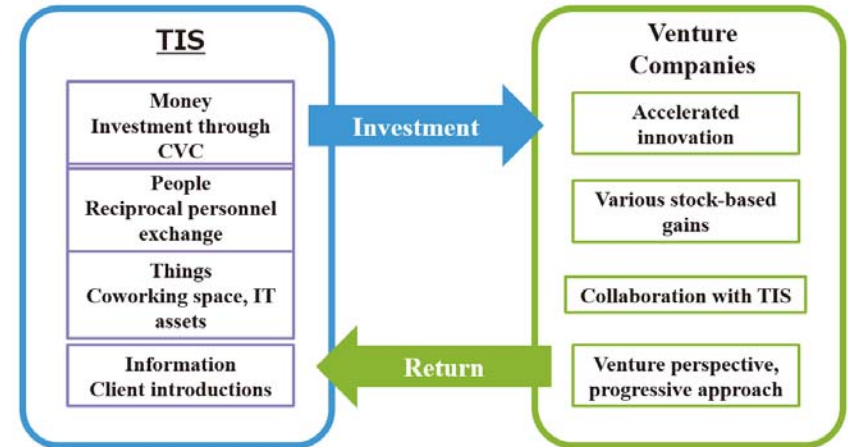


- Devise new businesses by linking external innovators and TIS's client companies
- Collaboration through corporate venture capital and joint research between industry and universities
- Access to leading-edge technologies, such as blockchain and AI

Efforts to Promote Innovation Eco-system

Launched venture investment system — Corporate Venture

- Make investment decisions in as short as one month.
- Take multifaceted approach to involvement, investing not only capital into targeted companies but also people, including TIS engineers, as well as things, such as workspace and IT assets.
- Offer solid support beyond simple capital involvement to accelerate new business startup even after the initial investment.



Set up “bit & innovation,” a new point for promoting open innovation

- Three-party coworking space for innovators, including venture companies, startup teams and freelance engineers, managers from new business and R&D divisions at major corporations, and people connected to TIS INTEC Group.
- Hold various regular events, such as presentations from startup companies and major corporations, and study sessions on recent technology and market trends, and encourage active opportunities for business creation.



Stronger Joint Activities with Digital Garage

Participating in DG Lab as technology development partner

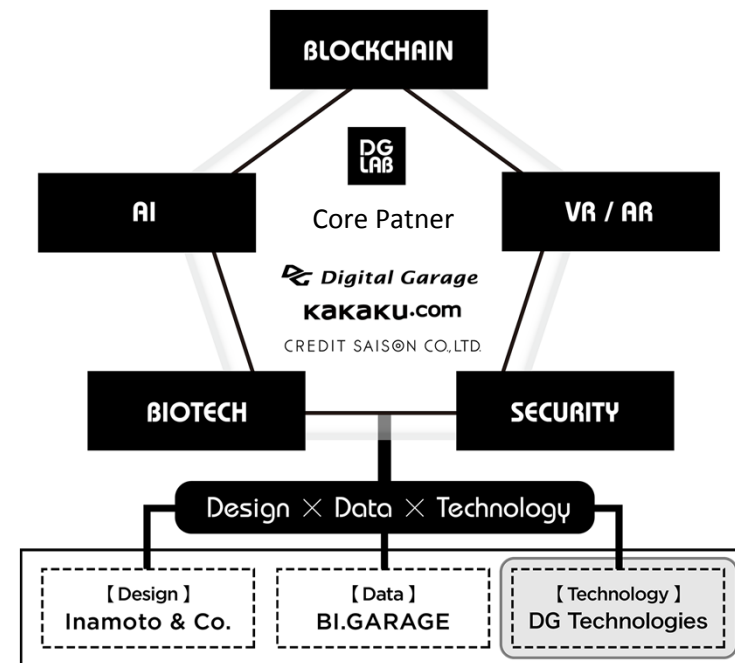
- TIS is a technology development partner in DG Lab, an open platform R&D organization established by Digital Garage, Inc., and two other companies.
- Will utilize inherent knowledge and solutions used in payments operations as well as accumulated technologies and know-how in AI to support technology development for blockchain architecture, which is an area of concentration for DG Lab.

Jointly established DG Technologies, a strategic technology development company

- DG Technologies, Inc., working with DG Lab, will get started with fintech-related technology development utilizing blockchain technology.
- TIS plans to apply the newest technologies and platforms, including fintech-related results, from DG Technologies, to system development for client companies on a global scale where appropriate.
- Ownership ratio: Digital Garage: 80%; TIS: 20%

Raising stake in Digital Garage

- To further solidify its relationship as a strategic partner in IT pursuits, TIS raised its equity stake in Digital Garage to 5.0%. TIS formed a capital alliance with Digital Garage in 1999, and the two companies have worked together, particularly in the area of payments solutions, since then.

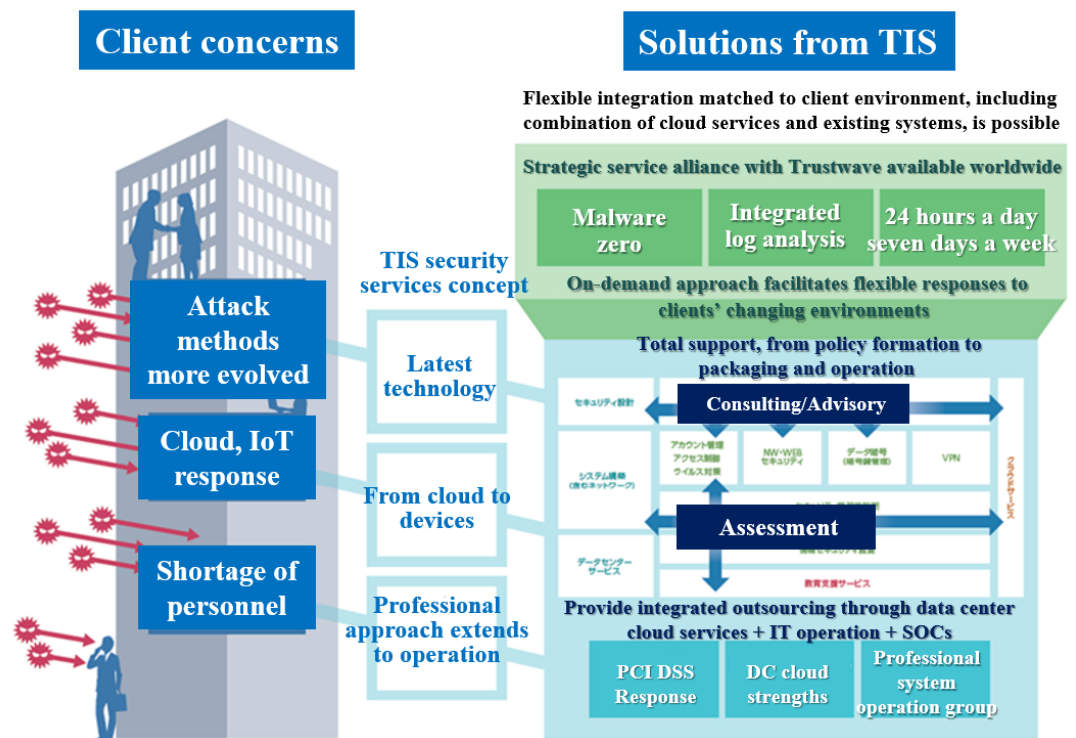


Strategic Alliance with Singtel

- Signed a strategic alliance agreement on managed security services with Singtel, a major telecommunications carrier in Singapore. Will offer managed security services in Japan powered by Trustwave Holdings, one of the largest managed security services providers in North America and a subsidiary of Singtel.
 - ⇒ Intend to provide integrated security response, which is gaining interest in Japan, and expand security business in this market.

Real-Time Security Concept from TIS

- Realize real-time cyber security response that quickly gathers and analyzes threat intelligence occurring “now” somewhere in the world and initiates instantaneous action through the managed services.
- Offer as cloud-based service that holds down cost of initial investment for security response and facilitates start of necessary security services.
- Security experts located around the world will monitor customer networks 24/7 through Trustwave’s global network of security operation centers.



Status of Group Reorganization

- Transferred some businesses between TIS and INTEC
 - Business activities related to national health insurance program (TIS ⇒ INTEC) Net sales: ¥1.6 billion
 - Business activities related to electric power and gas sectors (INTEC ⇒ TIS) Net sales ¥2.2 billion
- ⇒ Gradually deriving tangible advantages on the operating front, such as a higher profile by expanding scope of potential demand response, wider application of know-how and knowledge, and improved information-gathering capabilities.

- Transitioned to operating holding company structure through merger of IT Holdings and TIS; changed corporate name
 - Consolidated group brands under single “TIS INTEC Group” banner
- ⇒ Accelerated management decision-making process, still cultivating deeper sense of solidarity within the Group

- Integrated BPO business in Thailand, centralized at I-AGREX (Thailand) Co., Ltd.
- ⇒ Leveraging strengths, promoting business from two complementary fronts — offshore outsourcing services for Japanese clients building a presence overseas and local outsourcing rooted in the local market.

- Businesses being reviewed in line with business reorganization
 - Bank-related business
 - Regional hubs, local area subsidiaries
 - Service platforms
 - BPO business
 - IT infrastructure
- ⇒ For each business area, we are pursuing discussions through task force and other meeting structures based on business model, client base and the merits/demerits of reorganization. Business strategies are being drafted that will utilize the special characteristics of each company.

Overseas Activities (1)

- F-AGREX GLOBAL, a strategic BPO company in Vietnam, contributes to outsourcing capacity for large-scale application processing services.
 - ⇒ Utilizes overseas offshore bases with cost-lowering potential but maintains quality at Japanese standards. Model case to ascertain effectiveness of Vietnam as new order destination, replacing Dalian, China, as mainstay location for offshore data entry services
- To hone sharper cost competitiveness, management decided to turn F-AGREX GLOBAL, an offshore data entry company in Vietnam, into a consolidated subsidiary. Goal is to have a structure in place within three years from establishment that underpins ability to handle large-scale projects. Personnel built on two members from Japan and 205 local hires. Main clients are life insurers, non-life insurers and public sector companies.
- Through the application of a data entry method and training system developed by AGREX itself, Vietnamese staff can, even without understanding Japanese, enter data in *kanji* characters, *hiragana* and *katakana* — the three primary writing formats in Japanese. Training has been going on since the company's establishment, and data accuracy by local staff is now as high as that achieved by employees in Japan.



* Presentation of Excellent Employee Award, October 2016, in Hanoi, Vietnam

Overseas Activities (2)

Seeking to promote retail settlement-related operations — payments business — in Thailand and draw on advanced overseas technologies, we welcomed PromptNow under our corporate umbrella as a consolidated subsidiary

⇒ Intend to utilize reciprocal strengths and expand payments business in Thailand, a market exhibiting outstanding growth.

- PromptNow is a leading company in Thailand with strength in the development of mobile applications primarily for financial institutions, including banks and insurance companies.
- While exploring the potential of joint activities in new growth fields with Thai-listed MFEC Public Company Limited, with which TIS had formed a capital and business alliance in 2014, a strategy to expand the payments solution services offered by PromptNow, then MFEC's subsidiary, in Thailand was very well received. PromptNow is seen as a vital component of the payments business in Thailand, and was subsequently turned into a consolidated subsidiary under the TIS INTEC Group.

Solutions from PromptNow

Covering mobile applications, from front-end to middleware



*MEAP: Mobile Enterprise Application Platform. Product for efficient, low-cost development and operation of service applications by tablet and smartphone where previously only used with computers

Fiscal 2017 First Two Quarters Financial Highlights

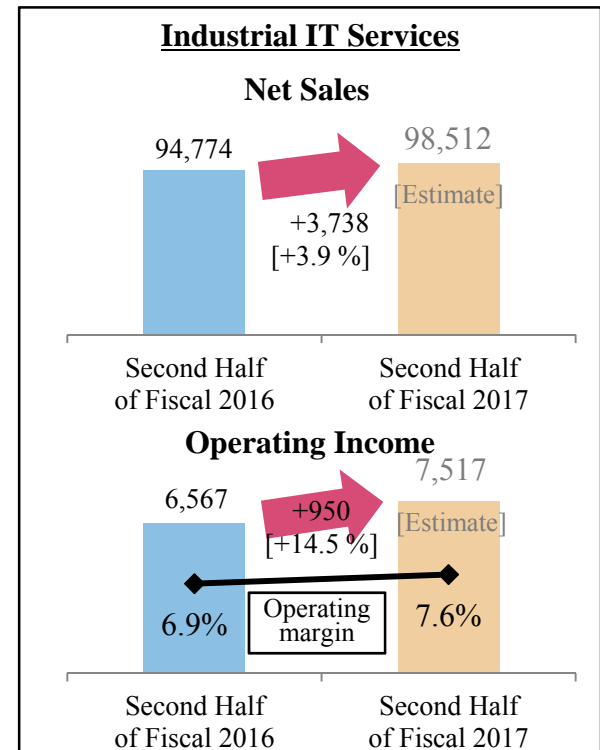
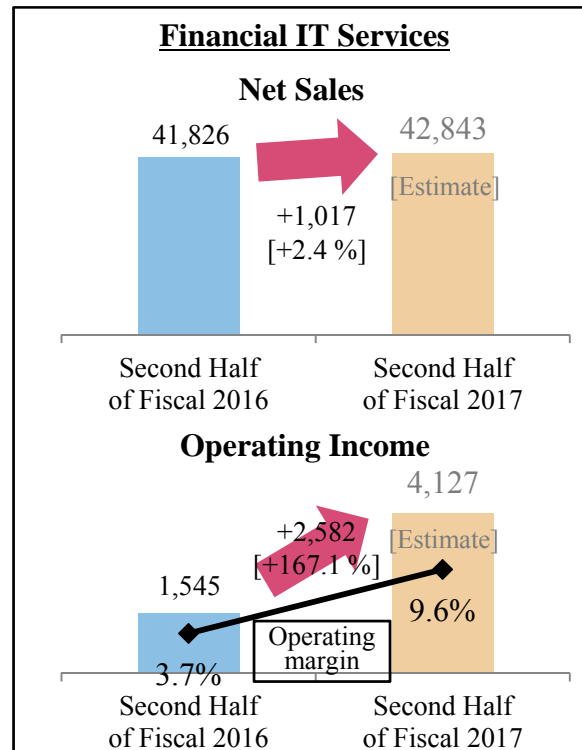
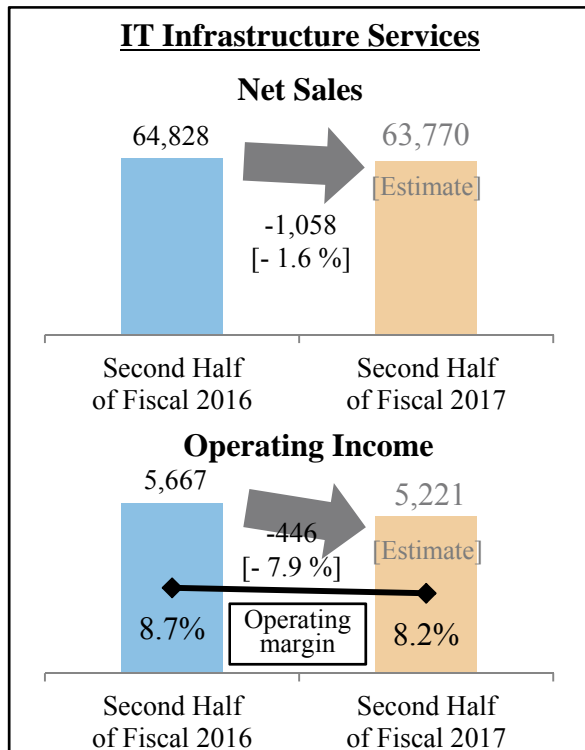
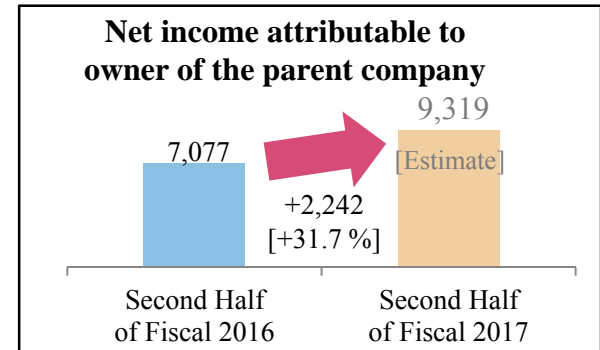
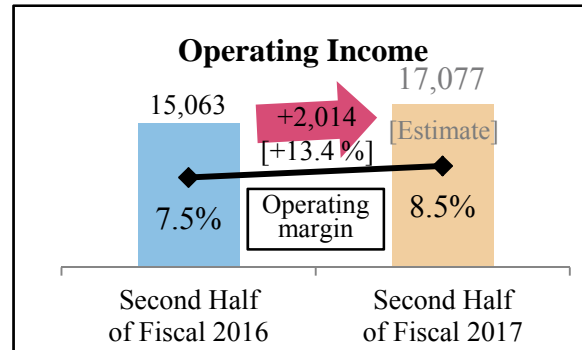
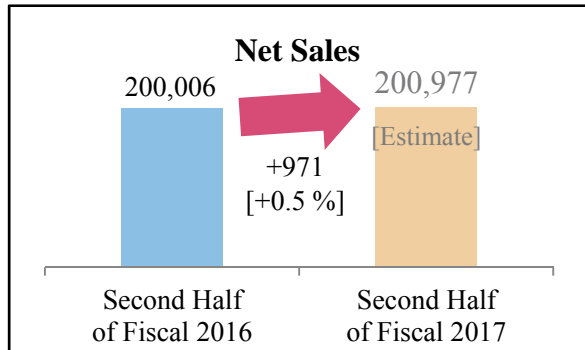
Fiscal 2017 Performance Forecast

Status of Progress on Key Strategies

Reference Materials

Fiscal 2017 Second Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



*Estimated amounts for the second half of Fiscal 2016 are calculated by subtracting the first half estimates from the annual estimates of Fiscal 2016. *Segment sales include intersegment sales.



Cautionary Statements

- All statements described in these materials are based on information available to management regarding the TIS INTEC Group—that is, TIS and the subsidiaries under its umbrella—as of the presentation date and certain assumptions deemed reasonable at this time. No intent is implied of promise by the Company to achieve such forward-looking statements. Indeed, various factors may cause future results to be substantially different from the assumptions presented in these materials.
- Amounts for each three-month quarter are calculated by subtracting data for the respective period from the cumulative total.