



TIS

TIS INTEC Group

Go Beyond

Information Meeting Materials for the First Quarter of the Fiscal Year Ending March 31, 2020

August 1, 2019

TIS Inc.

Fiscal 2020 First Quarter: Financial Highlights

Fiscal 2020 Performance Forecast

Reference Materials

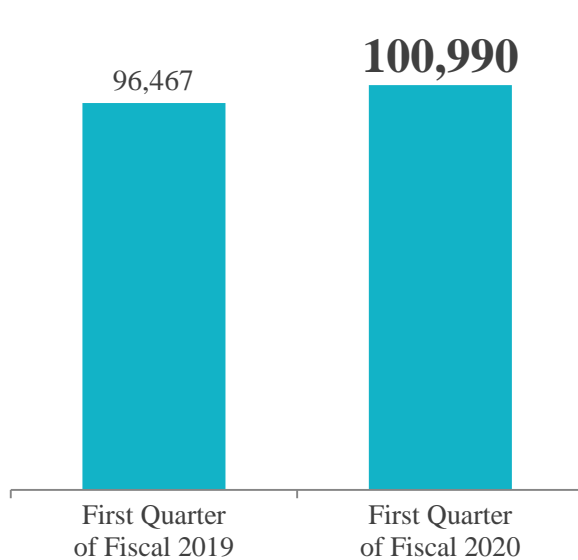
Fiscal 2020 First Quarter: Performance Highlights

[Millions of yen]

- Against a favorable business backdrop, sales and income were up over the corresponding period a year ago, thanks to higher business volume and efforts to improve profitability.

Net Sales

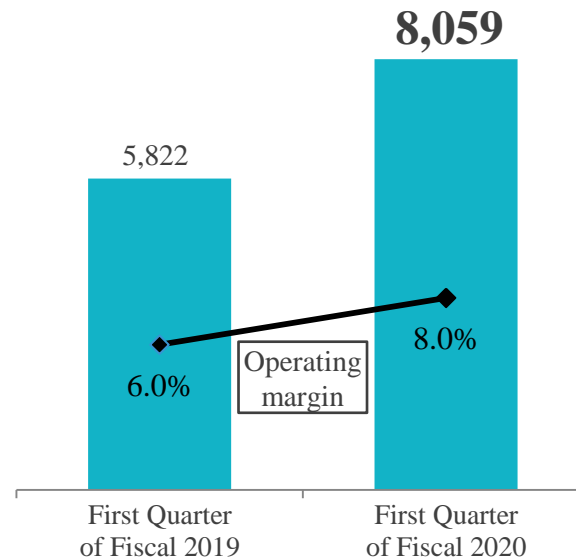
- YOY change +¥4,522 million [+ 4.7%]



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

Operating Income

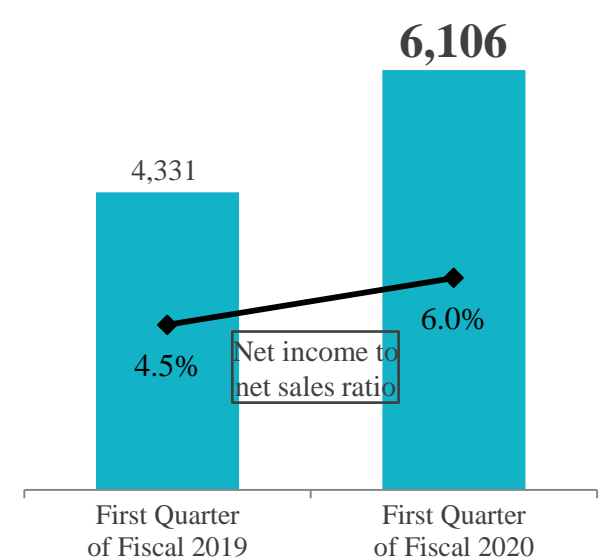
- YOY change +¥2,237 million [+ 38.4%]



Increase in gross profit, reflecting higher net sales starting point and enhanced profitability, absorbed rising selling, general and administrative expenses, primarily costs associated with stronger response to restructuring. Operating income was up year-on-year.

Net Income Attributable to Owners of the Parent Company

- YOY change +¥1,774 million [+ 41.0%]



Up year on year, mainly paralleling increase in operating income.

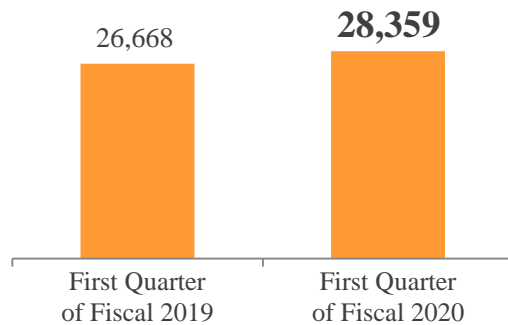
Fiscal 2020 First Quarter: Sales and Income for Key Business Segments -1

[Millions of yen]

Service IT Business

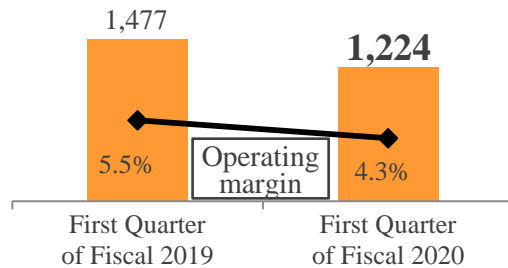
Net Sales

● YOY change: + ¥ 1,690 million [+ 6.3%]



Operating Income

● YOY change: - ¥ 252 million [-17.1%]

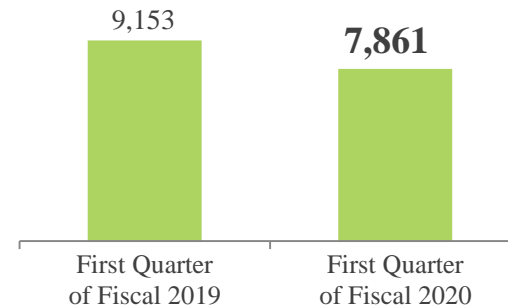


Sales increased year on year, reflecting such factors as expanded payment settlement-related business and stronger ERP replacement demand. Operating income decreased year on year, largely owing to higher prior investment to reinforce business pursuits.

BPO

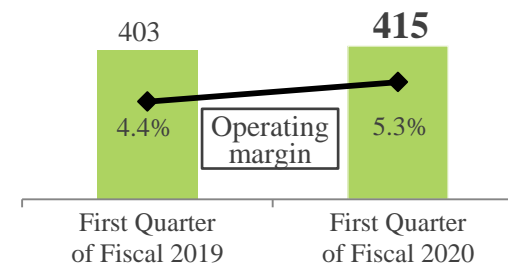
Net Sales

● YOY change: - ¥ 1,292 million [-14.1%]



Operating Income

● YOY change: + ¥ 11 million [+3.0%]



Impact from sale of subsidiary, undertaken in previous fiscal year as part of effort to concentrate resources into core operations, had big impact, leading to lower sales but higher income.

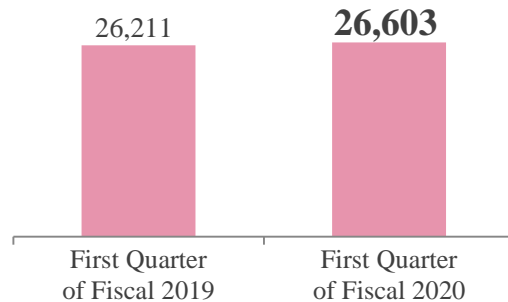
Fiscal 2020 First Quarter: Sales and Income for Key Business Segments -2

[Millions of yen]

Financial IT Business

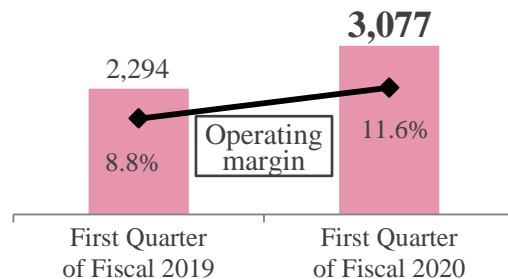
Net Sales

● YOY change: + ¥ 391 million [+1.5%]



Operating Income

● YOY change: + ¥ 783 million [+34.1%]

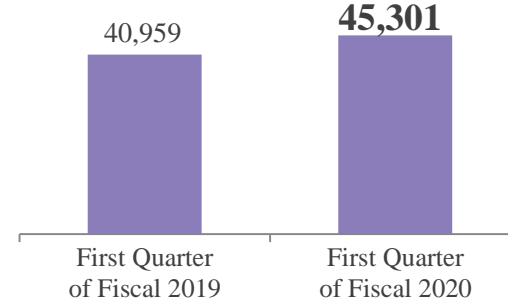


Despite impact from reactionary drop in demand for large system development projects, segment recorded higher sales and income, mainly due to wider IT investment activity by core clients.

Industrial IT Business

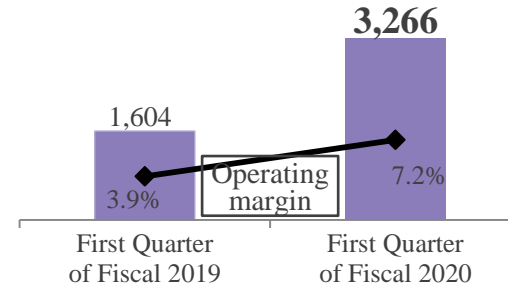
Net Sales

● YOY change: + ¥ 4,342 million [+10.6%]



Operating Income

● YOY change: + ¥ 1,661 million [+103.6%]



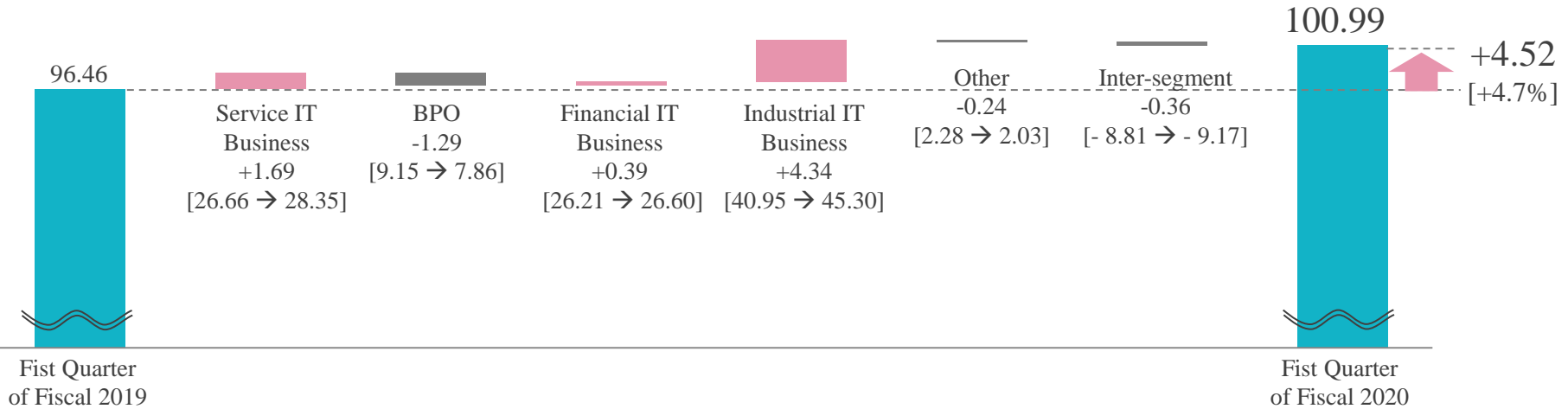
Higher sales and income year on year, largely the result of greater IT investment activity among wide range of clients, including core clients in energy- and manufacturing-based industries.

Note: Paralleling a shift—from Industrial IT Business to Financial IT Business—in know-how used in services provided to specific clients, transactions with such clients were booked under Industrial IT Business up to fiscal 2019 and Financial IT Business from fiscal 2020.

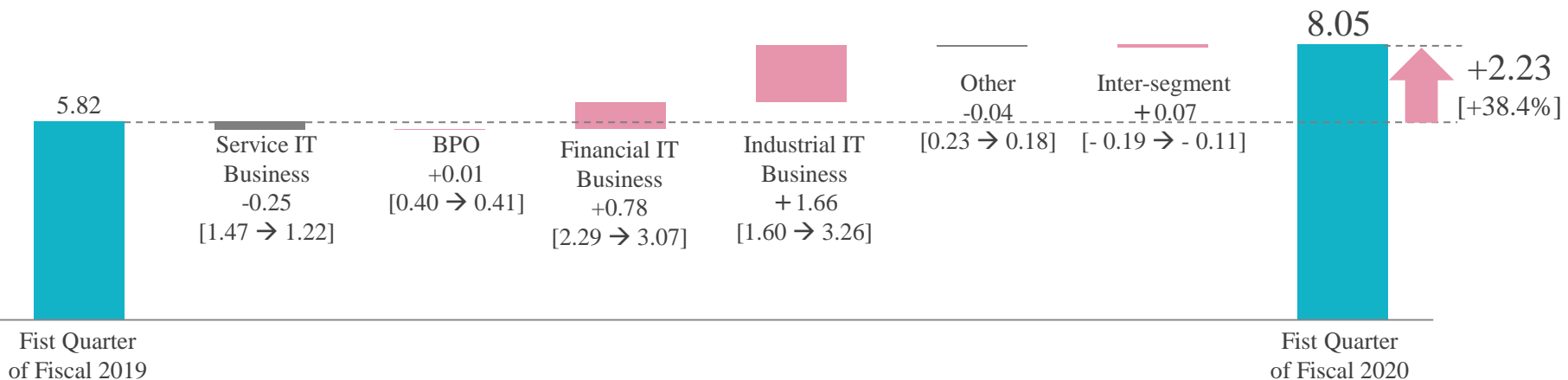
Fiscal 2020 First Quarter: Net Sales and Operating Income Analysis

[Billions of yen]

Net Sales

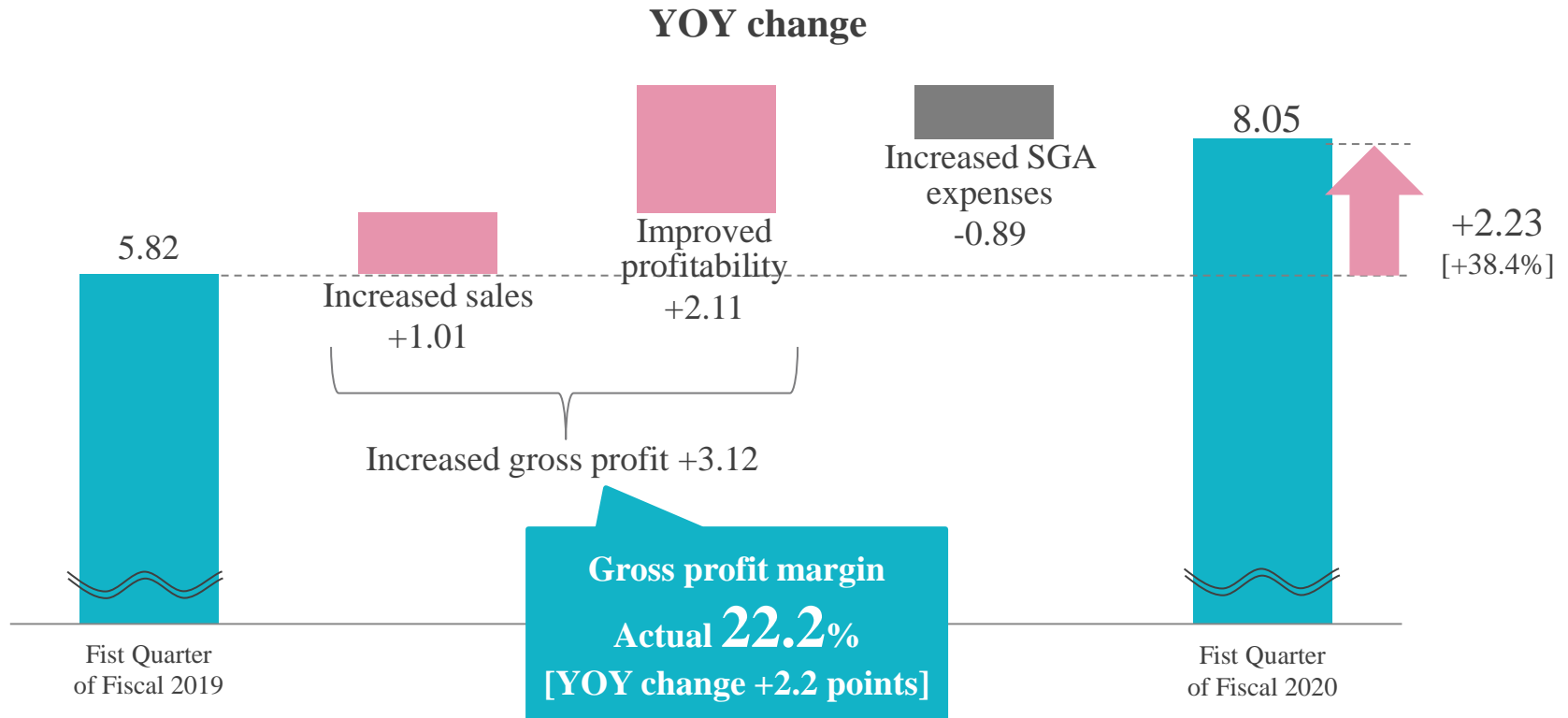


Operating Income



Fiscal 2020 First Quarter: Operating Income Analysis, Increase/Decrease Reasons

[Billions of yen]

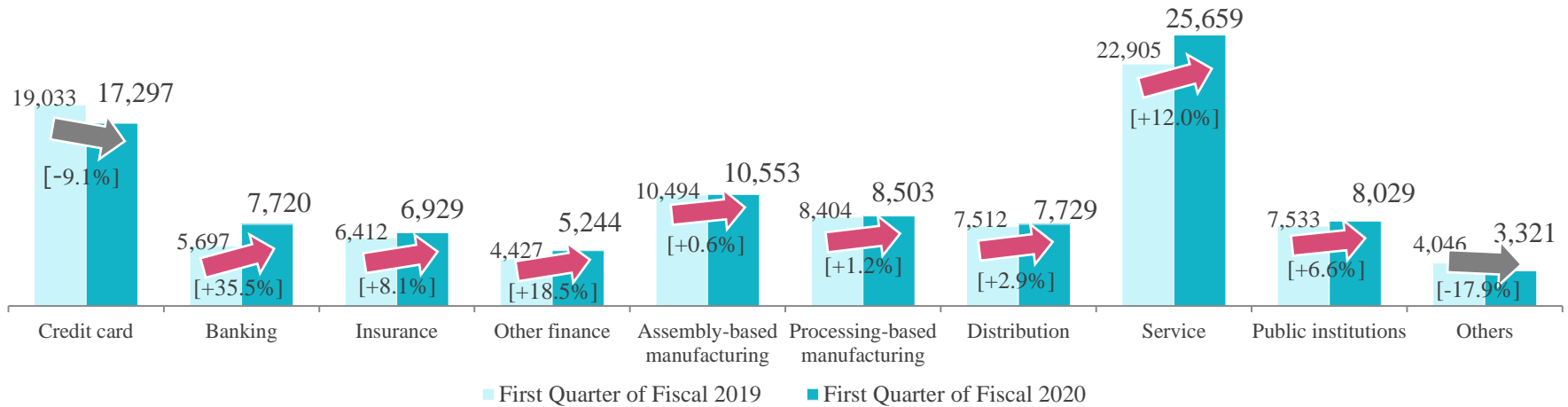


Prior investment costs incurred in promoting structural transformation: Up ¥410 million (YOY)

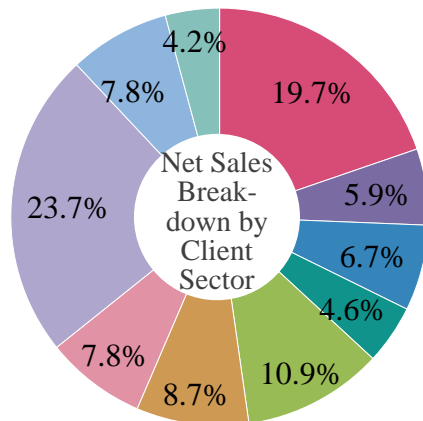
- ✓ Software investment to create new services
 - ✓ Investment in human resources to fuel structural transformation
 - ✓ Investment in R&D to acquire advanced technologies
- } Costs related to

Fiscal 2020 First Quarter: Sales by Client Sector

[Millions of yen]

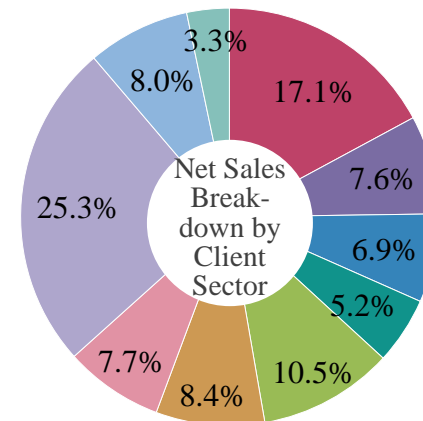


First Quarter of Fiscal 2019



Financial sector: 36.9% Industrial sector: 51.1%
Public sector: 7.8% Other sectors: 4.2%

First Quarter of Fiscal 2020



Financial sector: 36.8% Industrial sector: 51.9%
Public sector: 8.0% Other sectors: 3.3%

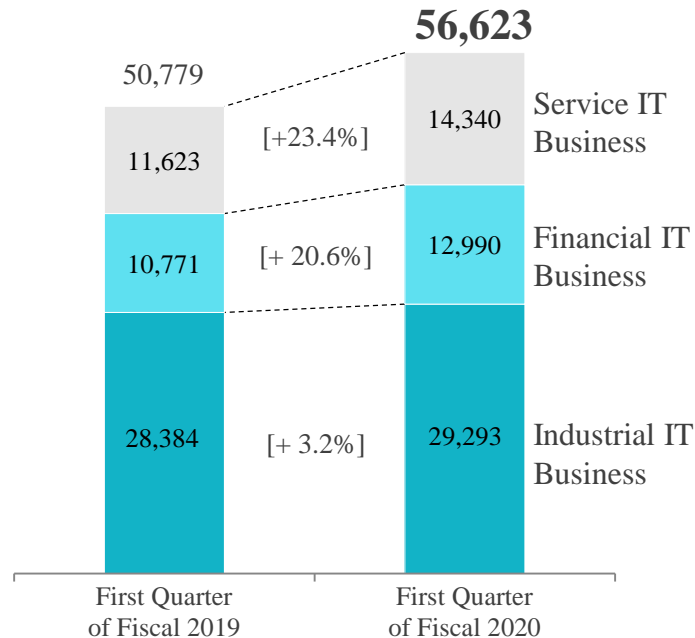
Fiscal 2020 First Quarter: Order Status (Software Development)

[Millions of yen]

• TIS saw orders received during the fiscal year as well as order backlog at the end of the fiscal year increase year on year, as favorable demand pushed amounts in both accounting categories above the 10% level. Note that the year-on-year change in orders received for the Industrial IT Business was narrow but demand remained favorable for the business segment.

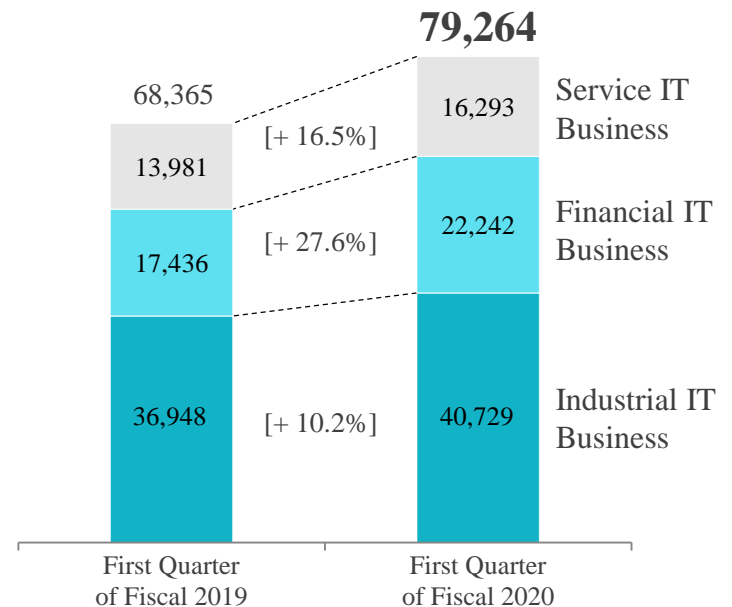
Order received during first quarter

● YOY change + ¥5,844 million [+11.5%]



Order backlog at end of first quarter

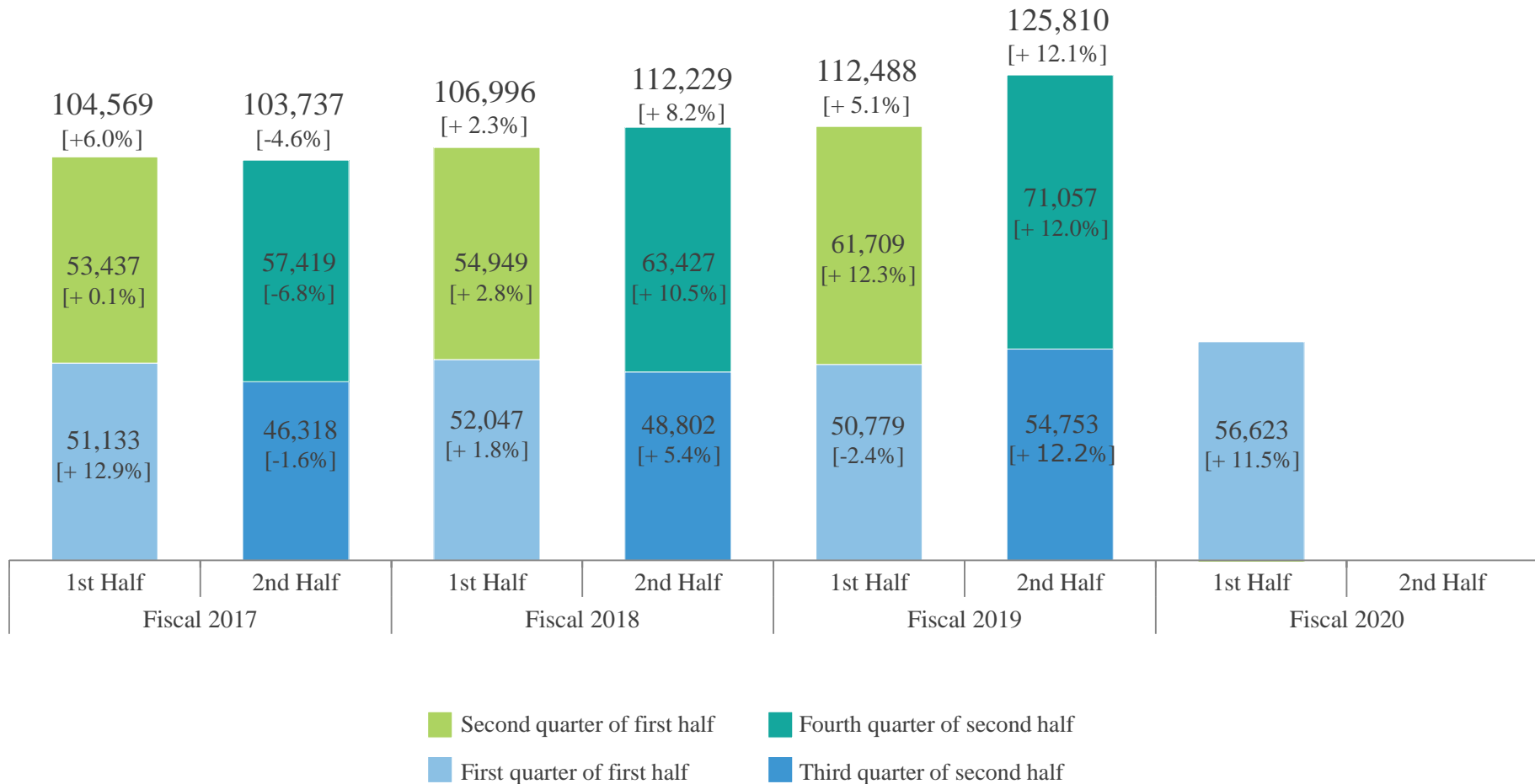
● YOY change + ¥ 10,899 million [+ 15.9%]



Note: Paralleling a shift—from Industrial IT Business to Financial IT Business—in know-how used in services provided to specific clients, transactions with such clients were booked under Industrial IT Business up to fiscal 2019 and Financial IT Business from fiscal 2020.

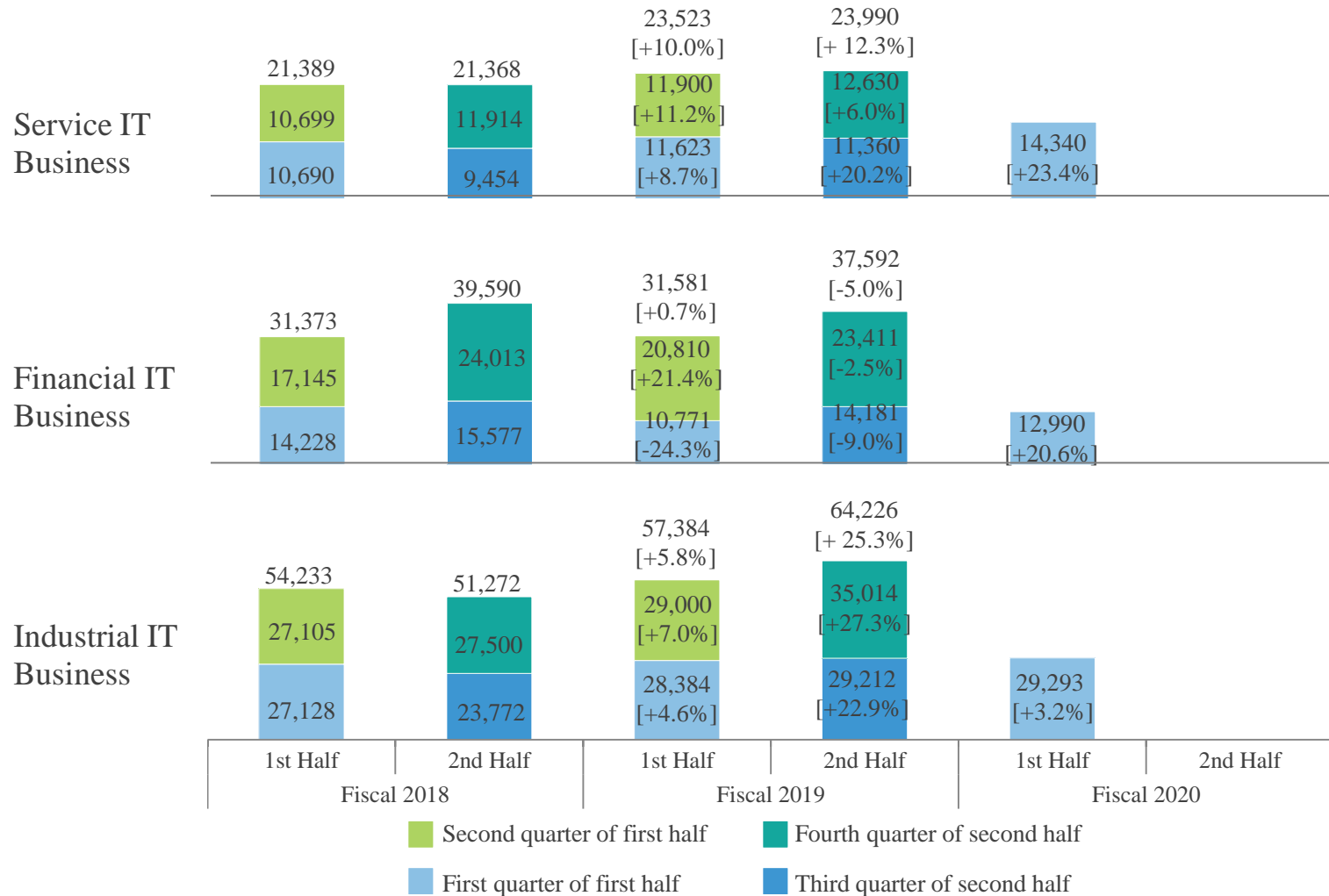
Changes in Orders Received (Software Development)

[Millions of yen]



Changes in Orders Received (Software Development, by Business Segment)

[Millions of yen]



Note: Paralleling a shift—from Industrial IT Business to Financial IT Business—in know-how used in services provided to specific clients, transactions with such clients were booked under Industrial IT Business up to fiscal 2019 and Financial IT Business from fiscal 2020.

Fiscal 2020 First Quarter: Financial Highlights

Fiscal 2020 Performance Forecast

Reference Materials

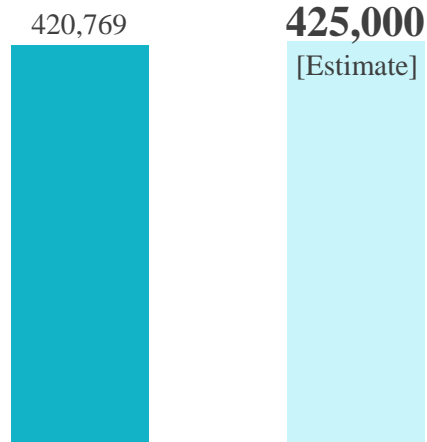
Fiscal 2020: Performance Forecasts -1

[Millions of yen]

- Amid a brisk demand environment, vigorously invest in growth domains and forte fields to facilitate structural transformation described in medium-term management plan. Offset reactionary drop in large projects and absorb investment costs, in pursuit of higher sales and income.
Aware that transformation into corporate group that leads in solutions to issues that clients face is indispensable to business growth. → No change from initial targets

Net Sales

●YOY Change: + ¥ 4,231 million [+1.0%]



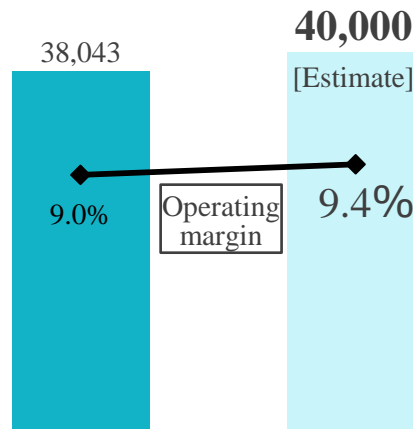
Fiscal 2019

Fiscal 2020

Focusing on service IT and industrial IT demand, strive to expand business through accurate responses to IT investment needs of clients. Will absorb impact from sale of subsidiaries and expect high sales year on year.

Operating Income

●YOY Change: + ¥ 1,957 million [+5.1%]



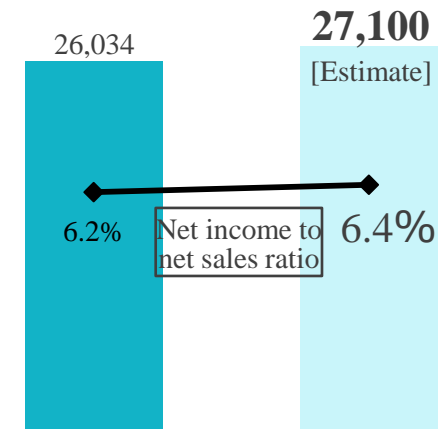
Fiscal 2019

Fiscal 2020

Continued efforts to utilize high sales effect and improved productivity. Will absorb higher cost burden on investments to fuel structural transformation including shift to prior investment approach. Should see year-on-year increase in operating income.

Net Income Attributable to Owners of the Parent Company

●YOY Change: + ¥ 1,066 million [+4.1%]



Fiscal 2019

Fiscal 2020

Increase in operating income and net extraordinary income should deliver year-on-year improvement in income attributable to owners of the parent company.

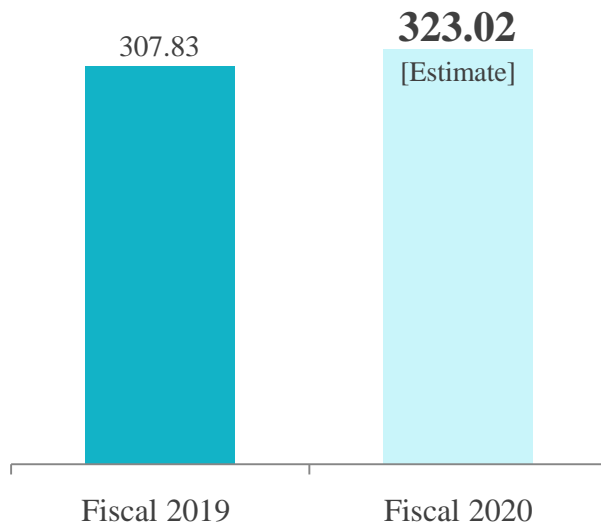
Fiscal 2020: Performance Forecasts -2

[Yen]

- Will maintain ROE at initial target of 11.5% on way toward 12% by fiscal 2021.

Net Income per Share

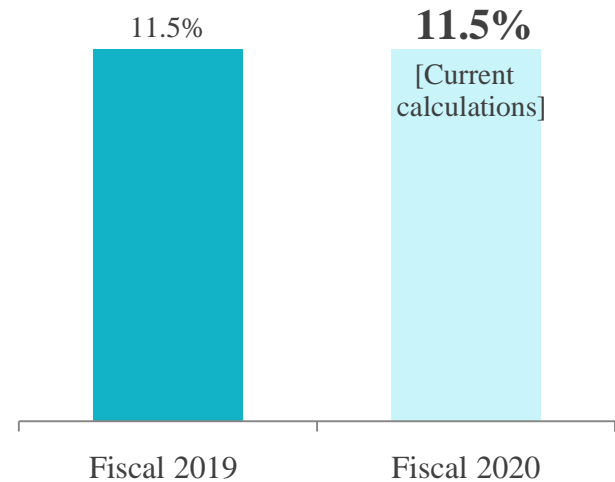
- YOY change: + ¥ 15.19 [+4.9%]



Anticipating year-on-year improvement, paralleling higher net income attributable to owners of parent. (Changed from initial forecast, reflecting status of treasury stock acquisition)

ROE

- YOY change: + 0.0 points



Will maintain ROE at initial target of 11.5% on way toward 12% by fiscal 2021.

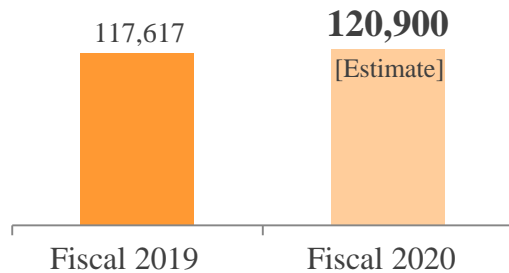
Fiscal 2020: Key Business Segment Performances [Forecast] -1

[Millions of yen]

Service IT Business

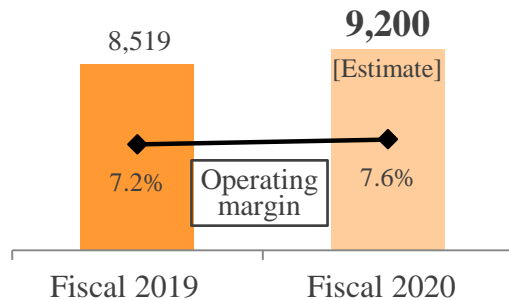
Net Sales

● YOY change: + ¥ 3,283 million [+2.8%]



Operating Income

● YOY change: + ¥ 681 million [+8.0%]

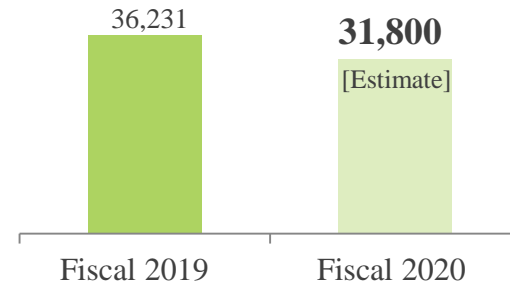


Will take advantage of IT investment activities in growth fields, such as the cloud and networks, as well as expanding payment settlement business and ERP demand to absorb cost burden of prior investments. Should lead to higher sales and operating income.

BPO

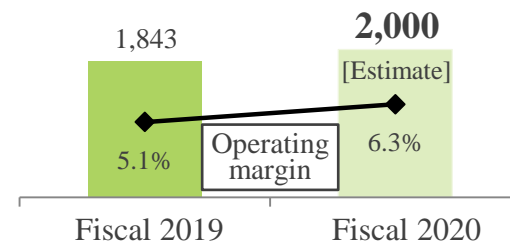
Net Sales

● YOY change: - ¥ 4,431 million [-12.2%]



Operating Income

● YOY change: + ¥ 157 million [+8.5%]



Despite year-on-year drop in sales due to sale of subsidiaries, operating income should rise, reflecting efforts to improve profitability through restructuring based on thorough profit management and a shift toward high-level, combined BPO services.

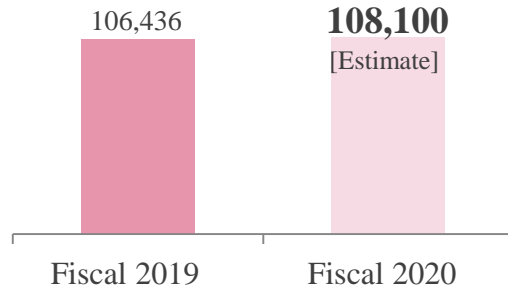
Fiscal 2020: Key Business Segment Performances [Forecast] -2

[Millions of yen]

Financial IT Business

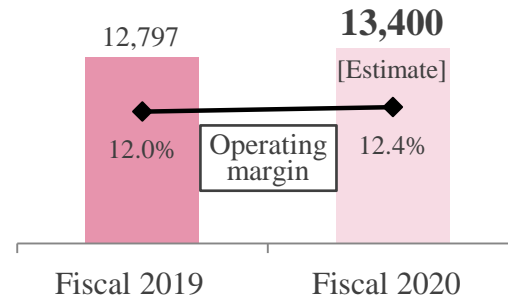
Net Sales

● YOY change: + ¥ 1,664 million [+ 1.6%]



Operating Income

● YOY change: + ¥ 603 million [+ 4.7%]

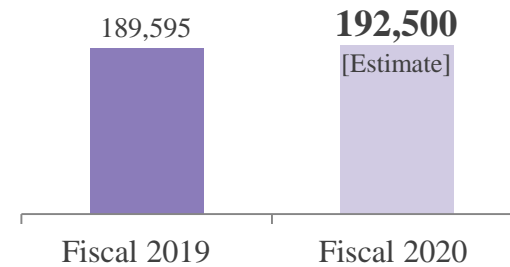


Despite reactionary drop in sales associated with large projects, operating income should increase year on year, reflecting efforts to strengthen ties to core clients, engage in value-added services and improve productivity.

Industrial IT Business

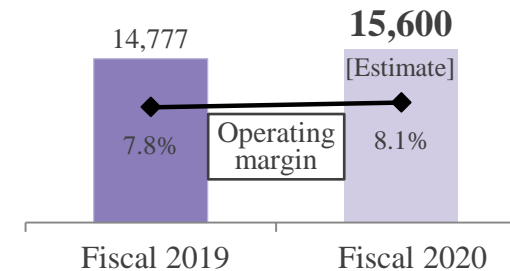
Net Sales

● YOY change: + ¥ 2,905 million [+ 1.5%]



Operating Income

● YOY change: + ¥ 823 million [+ 5.6%]

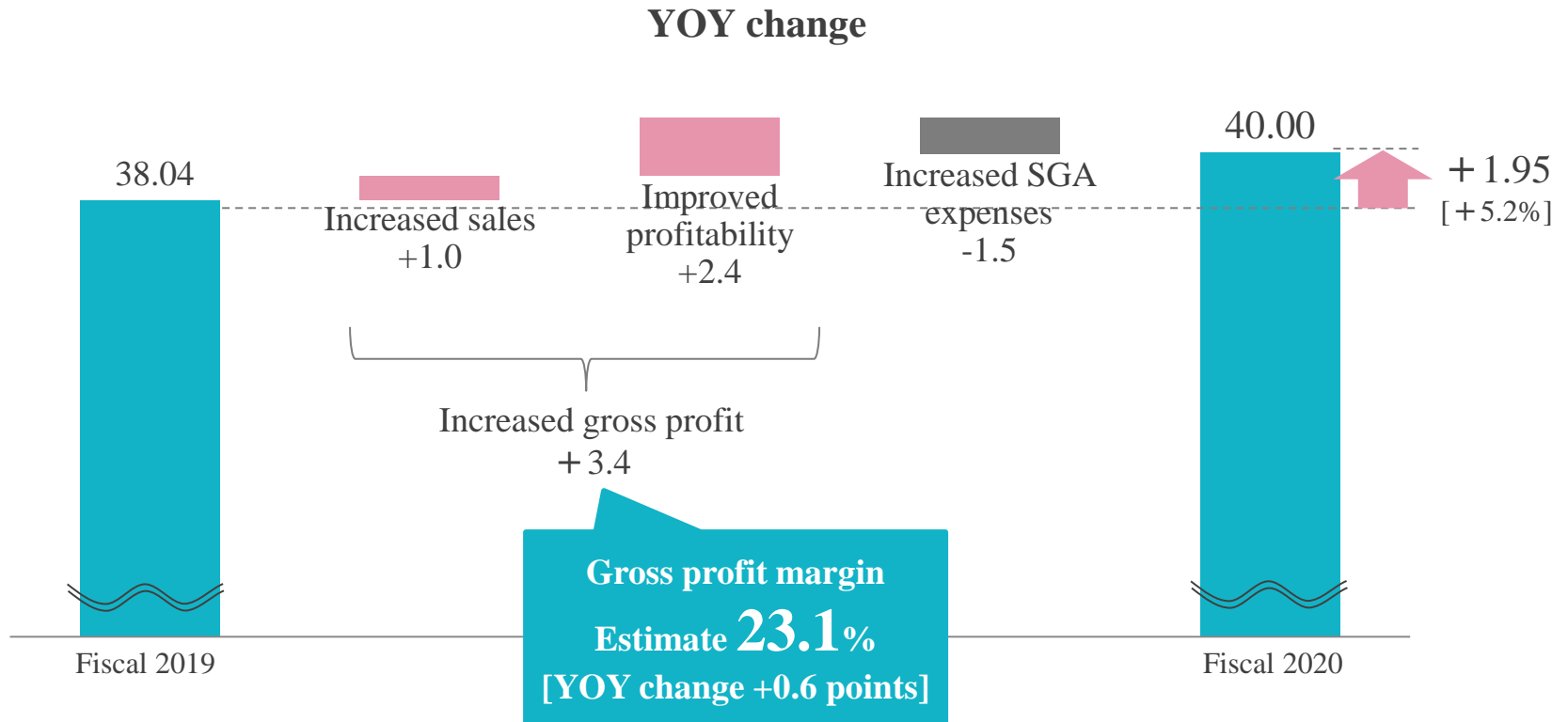


Anticipating higher sales and income year on year through high-value-added services underpinned by consultations and enhanced upstream operations as well as higher productivity.

Note: Paralleling a shift—from Industrial IT Business to Financial IT Business—in know-how used in services provided to specific clients, transactions with such clients were booked under Industrial IT Business up to fiscal 2019 and Financial IT Business from fiscal 2020.

Fiscal 2020: Operating Income Analysis, Increase/Decrease Reasons [Forecast]

[Billions of yen]



Anticipated prior investment costs for promoting structural transformation: Up ¥2.5 billion (YOY)

- ✓ Software investment to create new services
 - ✓ Investment in human resources to fuel structural transformation
 - ✓ Investment in R&D to acquire advanced technologies
- } Costs related to

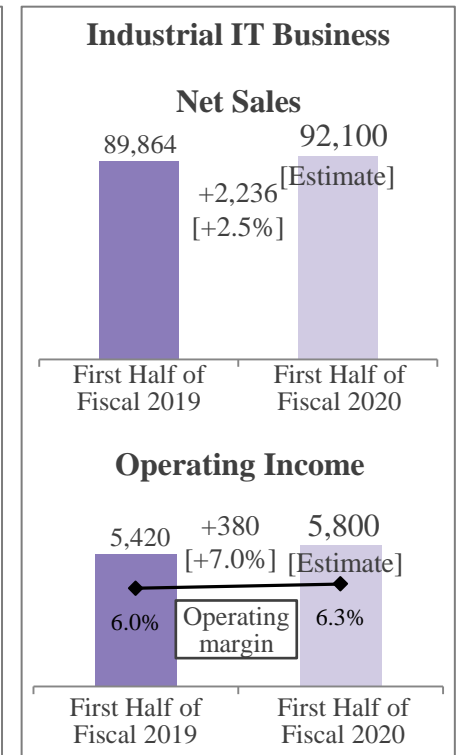
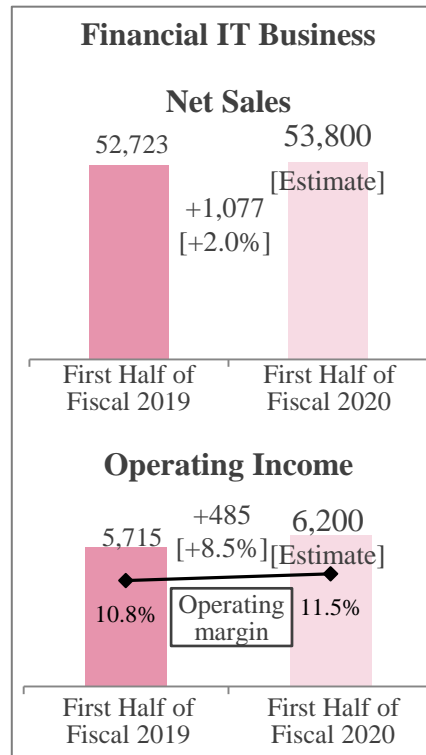
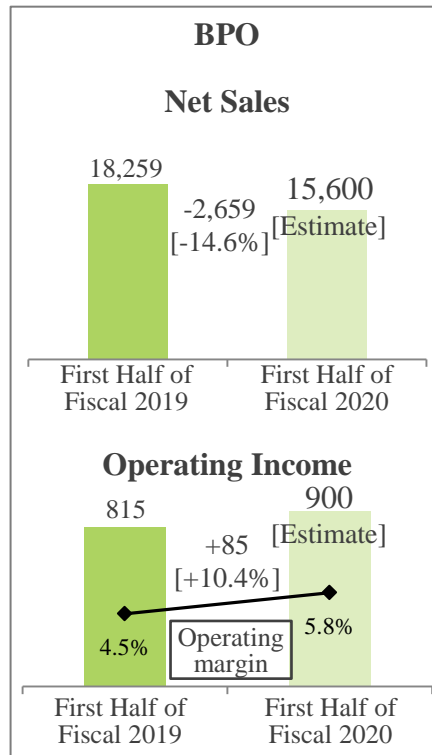
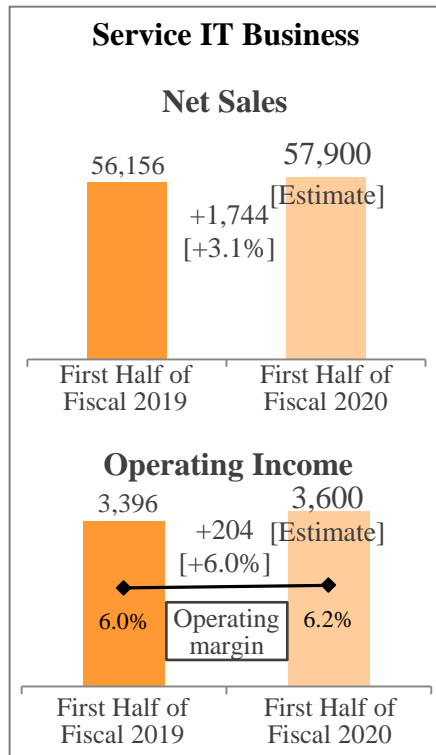
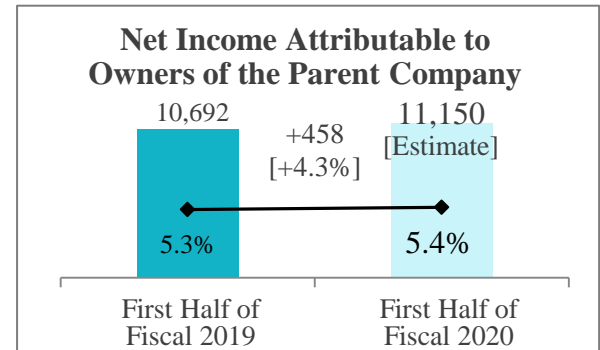
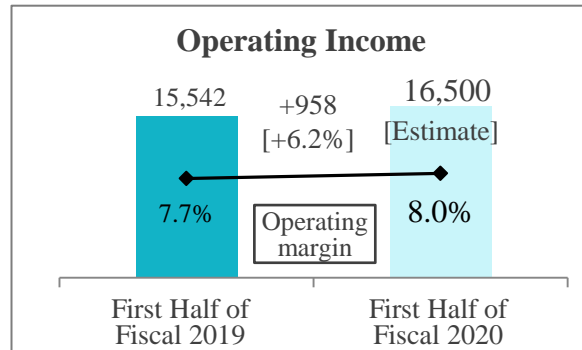
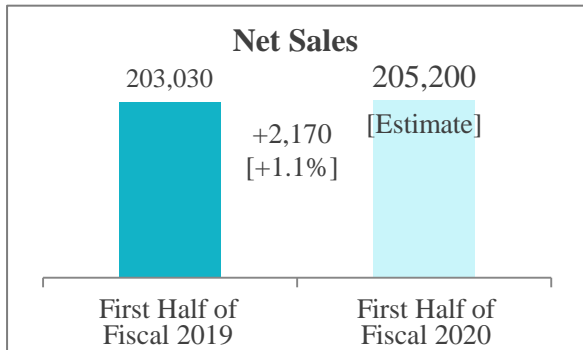
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Fiscal 2020 Performance Forecast

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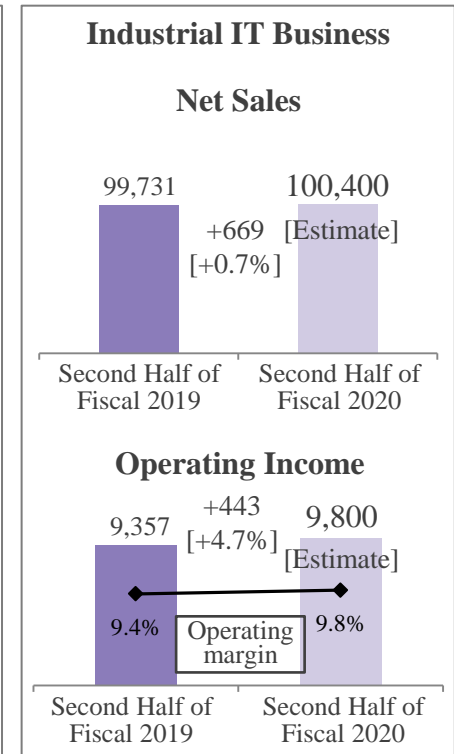
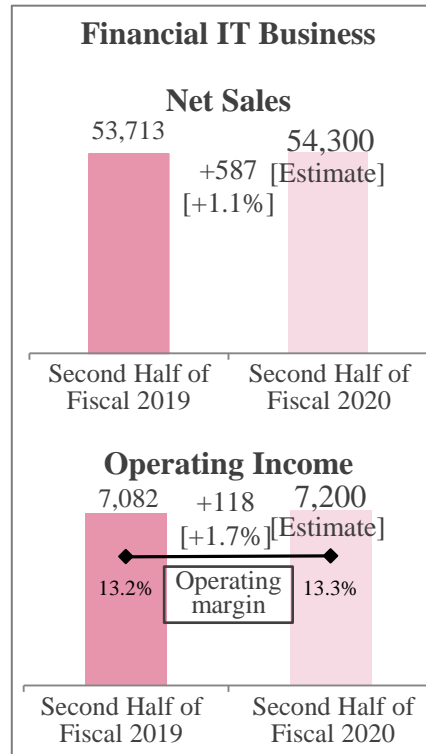
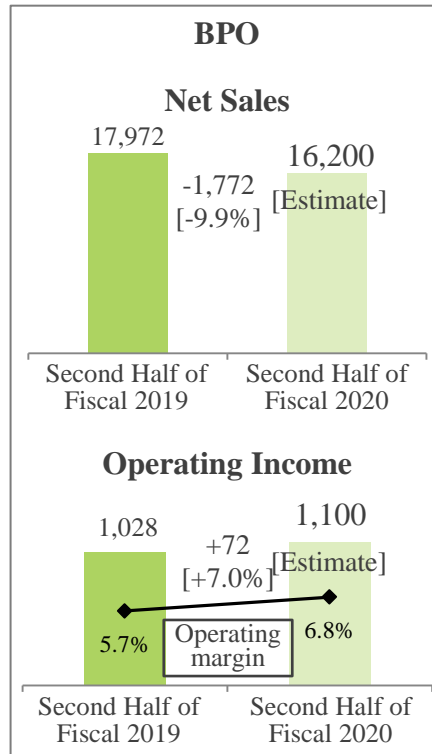
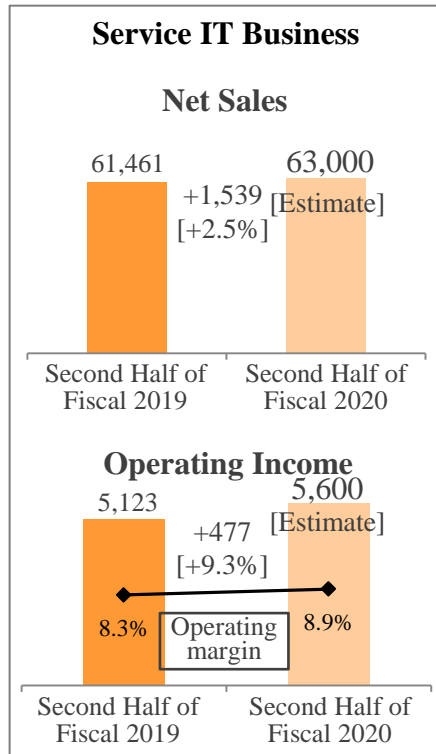
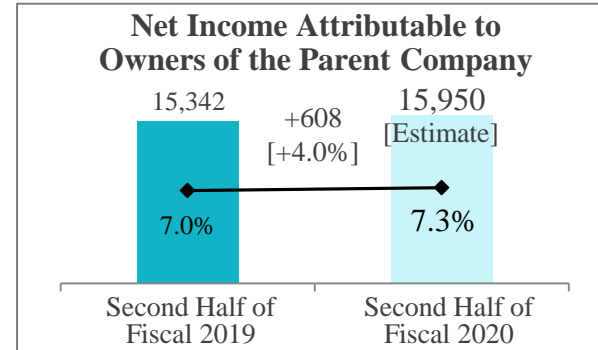
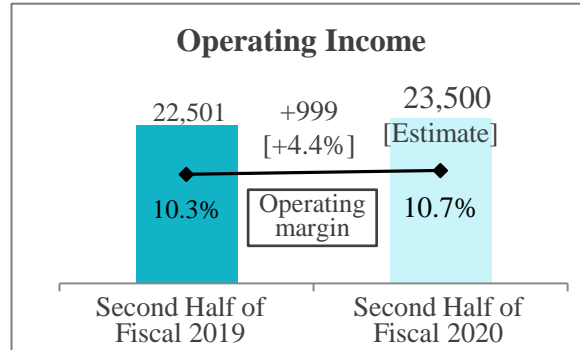
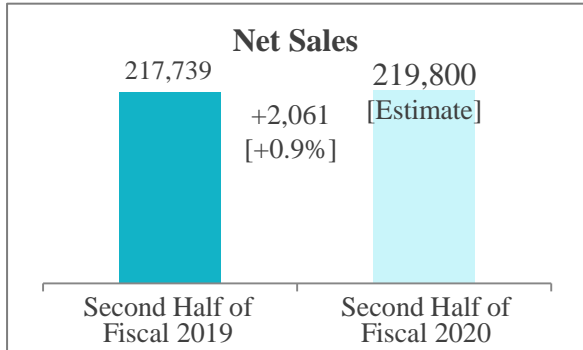
Fiscal 2020 First Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



Fiscal 2020 Second Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]





TIS INTEC Group Logo Underlying Concepts

The logo portrays the TIS INTEC Group as a tightly knit team, powered forward by the different sets of expertise that each member brings to the table. It features our two main corporate colors: “ocean blue” for the new challenges that we are constantly tackling, and “intelligent gray” for the solid technological foundations that underpin our business.

Brand Message “Go Beyond”

The brand tagline, “Go Beyond,” embodies our constant quest into the beyond in search of new challenges. It represents our firm commitment as a group to delivering solutions that are always one step ahead, not only solving clients’ problems but anticipating and meeting their own customers’ needs too.

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.
- From the fiscal year ended March 31, 2019, Business segments were reclassified at TIS, paralleling changes in the management structure designed to promote the shift to a new business structure. For comparison purposes, figures for fiscal 2018 have been recalculated and are presented according to the new segment breakdown