

6. Investment

The Group invests in businesses (including startups) in Japan and overseas with the aim of achieving business growth and acquiring cutting-edge technologies, and it also invests in software to develop services. Investment decisions are made in line with business plans after careful consideration, and progress is periodically confirmed once an investment has been made. However, investments may not always deliver the planned outcomes due to factors such as unexpected changes in the business environment, and the Group's business results may be affected as a result.

7. Information security

The Group may gain access to confidential information, including personal information held by clients as well as information on clients' systems and technologies, in the course of developing and running systems for them. Efforts are made to properly manage information in accordance with the TIS INTEC Group Information Security Policy. However, the Group's business activities and results may be affected if such information is leaked, altered, or otherwise affected by such means as a computer virus or unauthorized access, and a claim for damages is made against the Group or the Group suffers damage to its reputation as a result.

8. Human resources

The Group relies heavily on human resources and its business activities are significantly influenced by its ability to attract, retain, and train people capable of providing specialized, high value-added services to clients. The Group endeavors to attract and retain talent by such means as creating a corporate culture, personnel systems, and office environment that allow diverse individuals to maximize their potential, and it places a focus on development of human resources by, for example, helping employees to acquire qualifications, systematizing training programs, and setting targets for the number of days that training should be provided. However, the Group's business activities and results may be affected if recruitment, retainment, and training of talented personnel does not proceed as well as expected.

9. Technological innovation

In the information services industry, providers must respond quickly to advances in information technology and to changing market needs that parallel these advances. The Group is constantly exploring and researching information technologies, production, development technologies, and other relevant fields to improve its ability to respond to market needs. Given the pace of innovation in a wide range of fields, however, the Group's business results may be affected if it responds inadequately.

10. Intellectual property rights

The Group applies for and obtains necessary patents on technologies and business models and registers trademarks in Japan and overseas to assist its business operations. Although care is always taken to avoid infringing the intellectual property rights of third parties, a claim for damages may nevertheless be made against the Group for infringement of another company's intellectual property rights. The Group's business activities and results may be affected if this occurs.

11. Natural disasters

The Group offers outsourcing and cloud services through data centers and other large IT facilities. These facilities are equipped with various systems and structures to deal with a range of disasters. However, the Group's business activities and results may be affected in the event of a longer than anticipated power outage, major natural disaster, international conflict, act of terrorism, serious crime, or similar event that interrupts the smooth running of data center operations.

12. Securities portfolio

The Group holds stocks to build stable and long-term relationships with suppliers and promote sales, and bonds to utilize surplus capital. Every effort is made to ensure the security of these investments by checking the financial status, performance, and credit rating of the issuers and other relevant factors. However, the Group's business activities and results may be affected in the event of marked fluctuations in the stock market that lead to accounting losses or other such consequences.

Consolidated Financial Summary

TIS Inc., and consolidated subsidiaries
Years ended March 31

	(Millions of yen)							
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Net sales	323,173	327,417	337,834	346,647	361,025	382,689	393,398	405,648
Cost of sales	261,145	266,159	276,935	283,881	294,927	312,153	317,440	321,286
Gross profit	62,027	61,258	60,899	62,766	66,097	70,535	75,958	84,362
Selling, general and administrative expenses	49,209	45,636	42,727	43,255	44,976	46,099	48,938	51,618
Operating income	12,818	15,621	18,171	19,510	21,121	24,436	27,019	32,743
Recurring profit	12,625	15,393	17,440	18,971	21,251	24,521	27,092	32,795
Net income attributable to owners of the parent company	5,985	2,135	5,868	7,913	10,275	12,678	16,306	20,620
Current assets	128,455	142,442	138,219	143,519	140,450	166,666	152,162	168,670
Fixed assets	172,620	167,560	164,083	170,091	205,401	169,828	185,459	200,833
Total assets	301,076	310,003	302,302	313,610	345,851	336,495	337,622	369,504
Current liabilities	73,090	83,065	91,063	72,790	77,666	91,508	78,676	81,312
Non-current liabilities	76,875	75,972	53,079	76,316	79,395	64,447	59,743	61,893
Total liabilities	149,965	159,038	144,143	149,107	157,062	155,955	138,420	143,205
Net assets	151,110	150,965	158,159	164,502	188,789	180,539	199,202	226,298
Total liabilities and net assets	301,076	310,003	302,302	313,610	345,851	336,495	337,622	369,504
Total interest-bearing debt	77,454	76,515	60,550	58,869	52,115	46,158	35,144	32,876
Cash flow from operating activities	27,236	23,658	21,515	25,770	22,938	25,496	18,952	36,386
Cash flow from investing activities	(18,957)	(15,158)	(14,391)	(5,334)	(17,744)	8,688	(23,488)	(14,202)
Cash flow from financing activities	(18,755)	(4,230)	(19,883)	(5,872)	(19,067)	(14,979)	(18,327)	(10,543)
Cash and cash equivalents at the end of the term	36,492	41,119	28,433	43,142	29,485	48,651	25,730	37,545
Free cash flow	8,279	8,500	7,124	20,436	5,194	34,184	(4,536)	22,184
Capital expenditures	18,325	14,096	12,287	12,544	16,873	14,210	15,159	16,907
Depreciation	12,308	12,745	12,920	12,454	12,809	11,952	11,801	12,572
Research and development expenses	1,062	962	1,002	853	1,097	1,086	1,178	996
Amortization of goodwill	1,901	1,882	1,741	1,166	1,052	339	326	289
Goodwill balance at the end of the term	5,551	3,672	1,914	830	2,021	1,393	1,332	1,118
Net income per share—basic (yen)	68.19	24.33	66.86	90.16	117.40	145.22	189.02	241.44
Net income per share—diluted (yen)	—	24.33	66.83	90.12	—	—	—	—
Dividends per share (yen)	32.00	18.00	21.00	25.00	30.00	33.00	36.00	40.00
Payout ratio (%)	46.9%	74.0%	31.4%	27.7%	25.6%	22.7%	19.0%	16.6%
Net assets per share (yen)	1,636.56	1,636.72	1,714.88	1,782.23	2,108.19	2,031.07	2,265.76	2,602.07
Interest-bearing debt ratio (%)	25.7%	24.7%	20.0%	18.8%	15.1%	13.7%	10.4%	8.9%
Equity ratio (%)	47.7%	46.3%	49.8%	49.9%	53.3%	52.5%	57.8%	60.0%
Net income to equity capital ratio (ROE) (%)	4.2%	1.5%	3.9%	5.1%	6.0%	7.0%	8.8%	9.9%
Recurring profit to total assets ratio (ROA) (%)	4.1%	5.0%	5.7%	6.2%	6.4%	7.2%	8.0%	9.3%
Number of employees at the end of the term	20,831	20,347	19,553	19,081	19,090	19,393	19,843	19,877
Number of new-graduate recruits	928	649	356	455	620	688	674	712
Number of regular recruits	370	450	379	549	499	687	575	840

Notes: 1. Total interest-bearing debt indicates the total sum of borrowed money and corporate bonds.
2. Free cash flows indicate the total sum of cash flows from operating activities and cash flows from investing activities.

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Sales and Income by Business Segment								
Net sales	323,173	327,417	337,834	346,647	361,025	382,689	393,398	405,648
IT Infrastructure Services	110,916	111,358	112,666	115,360	118,200	125,929	126,581	131,700
Financial IT Services	72,665	70,099	71,499	75,148	79,543	79,519	84,051	92,983
Industrial IT Services	141,294	149,466	155,689	158,234	166,357	180,000	189,409	188,626
Other business	16,595	16,234	16,232	16,498	14,667	16,095	11,885	10,791
Inter-segment elimination/adjustments	(18,298)	(19,740)	(18,253)	(18,593)	(17,742)	(18,855)	(18,528)	(18,453)
Operating income	12,818	15,621	18,171	19,510	21,121	24,436	27,019	32,743
IT Infrastructure Services	8,131	8,049	7,101	7,652	7,179	8,924	10,158	11,743
Financial IT Services	3,922	4,534	6,021	6,385	5,549	3,361	3,626	8,042
Industrial IT Services	1,625	2,658	4,992	4,687	7,049	9,972	12,496	12,835
Other business	1,313	2,277	2,153	2,152	2,159	2,649	1,084	1,006
Inter-segment elimination/adjustments	(2,174)	(1,898)	(2,097)	(1,367)	(816)	(471)	(345)	(884)
Sales by Client Sector								
Net sales	323,173	327,417	337,834	346,647	361,025	382,689	393,398	405,648
Credit card	52,614	45,084	48,846	49,402	53,743	59,274	65,006	73,314
Banking	25,819	26,702	26,230	29,049	25,444	27,867	28,233	27,452
Insurance	23,448	22,931	23,836	25,269	24,972	26,339	25,356	26,262
Other finance	19,178	23,416	21,337	23,481	23,312	20,406	20,857	22,127
Assembly-based manufacturing	46,323	40,363	38,824	40,904	45,785	49,455	42,723	43,777
Processing-based manufacturing	26,135	31,074	38,468	33,843	34,960	35,061	36,953	38,366
Distribution	22,870	26,267	27,398	30,009	31,775	32,702	31,773	28,872
Services	70,017	71,012	73,425	72,666	77,535	79,601	89,607	93,258
Public institutions	28,015	30,107	28,225	30,393	29,891	36,603	37,002	35,923
Others	8,754	10,456	11,241	11,626	13,604	15,376	15,882	16,292
Order Status (Software development)								
Orders received during the term	162,287	174,680	179,352	172,721	199,842	207,345	208,307	219,225
Financial IT Services	60,697	63,117	65,367	63,927	69,226	73,861	75,361	84,039
Industrial IT Services	101,590	111,562	113,985	108,794	130,616	133,483	132,946	135,186
Order backlog at year-end	47,967	57,778	62,055	58,869	71,095	69,961	64,751	67,716
Financial IT Services	18,229	24,452	26,057	23,824	23,983	25,796	25,547	28,461
Industrial IT Services	29,738	33,325	35,997	35,044	47,111	44,164	39,204	39,255

Notes: 1. From the fiscal 2017 ended March 31, 2017, TIS reviewed the business segment of the partial clients in accordance with the change, fiscal 2016 figures are recalculated.
2. Net sales include inter-segment sales.

Corporate Data

TIS INTEC Group (As of July 1, 2018)

Domestic Group Companies

[Principal Companies]

TIS Inc.

● INTEC Inc.

● AGREX INC.

● QUALICA INC.

● AJS Inc.

● iBPS, LTD.

● IUK Inc.

● AC MEDICAL INC.

● INTEC Solution Power Inc.

● Cloud Scope Technologies, Inc.

● KOUSHI INTEC Inc.

● KOUSHIN INC.

● SKY INTEC INC.

● SorunPure Inc.

● Chuo System Corporation

● TIS System Service Inc.

● TIS Solution Link Inc.

● TIS Tohoku Inc.

● TIS Total Service Inc.

● TIS Nagano Inc.

● TIS West Japan Inc.

● TIS Business Consultants Inc.

● TIS Beijing Inc.

● TIS Hokkaido Inc.

● DATATRON Inc.

● Registration Network, Ltd.

● NEOAXIS Co., Ltd.

● Nexway Co., Ltd.

● HOKKOKU INTEC SERVICE Inc.

● MicroMates Corp.

Overseas Subsidiaries

[China]

● INTEC Information Technology (Wuhan) Co., Ltd.

● INTEC Information Technology (Shanghai) Co., Ltd.

● QUALICA (SHANGHAI) Inc.

● TISI (Shanghai) Co., Ltd.

● Tianjin TIS Hi-tech Information System Service Co., Ltd.

● Tianjin TIS Software Co., Ltd.

[Singapore]

● QUALICA Asia Pacific Pte. Ltd.

● TISI (Singapore) Pte. Ltd.

[Thailand]

● Baseline Technology Consultants Co., Ltd.

● CODE IT Consulting Co., Ltd.

● ECM Consulting Co., Ltd.

● I-AGREX (Thailand) Co., Ltd.

● I AM Consulting Co., Ltd.

● i Coach Co., Ltd.

● iHR Consulting Co., Ltd.

● ITS-Tradeship Co., Ltd.

● PromptNow Co., Ltd.

● TISI (Thailand) Co., Ltd.

[Vietnam]

● AGREX (Vietnam) Co., Ltd.

● INTEC Vietnam Co., Ltd.

[Myanmar]

● PromptNow (Myanmar) Co., Ltd.

[United States]

● INTEC Innovative Technologies USA, Inc.

● TIS R&D Center, Inc.

● Consolidated Subsidiaries
● Non-Consolidated Subsidiaries