Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2018

(April 1, 2017 through September 30, 2017)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

October 31, 2017

Company name:	TIS Inc.
Stock exchange listings:	The First Section of the Tokyo Stock Exchange
Stock code:	3626
URL:	http://www.tis.com/
Representative:	Toru Kuwano, President
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Scheduled dates
Submission of quarterly report: November 10, 2017
Commencement of dividend payments: December 8, 2017

Supplementary materials to the quarterly results: Available
Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2018 (April 1, 2017 – September 30, 2017)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Half, FY2018	194,813	3.1	13,591	44.2	13,759	44.4	8,602	51.4
First Half, FY2017	189,023	3.5	9,423	0.5	9,526	(3.8)	5,681	1.4

Note: Comprehensive income: First Half, FY 2018: 14,777million yen (97.9%), First Half, FY 2017: 7,465million yen (-%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Half, FY2018	100.46	-
First Half, FY2017	65.72	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2018	341,693	208,799	59.8
End of FY2017	337,622	199,202	57.8

For reference: Total equity: End of first half, FY2018: 204,447million yen End of FY2017: 195,053million yen.
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2017	-	12.00	-	24.00	36.00
FY2018	-				
FY2018 (forecast)		14.00	-	26.00	40.00

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

3. Forecast of Consolidated Results for FY2018 (April 1, 2017 – March 31, 2018)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full FY2018 (year ending Mar. 31, 2018)	400,000	1.7	30,000	11.0	30,000	10.7	18,000	10.4	210.76

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

※ Notes

(1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None Exclusions: None

(2) Accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
1) Changes in accordance with amendments to accounting standards, etc.: None
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Half, FY2018 (September30, 2017): 87,789,098 shares
End-FY2017 (March 31, 2017): 87,789,098 shares
2) Treasury stock as of period-end:
End-First Half, FY2018 (September30, 2017): 2,611,585 shares
End-FY2017 (March 31, 2017): 1,701,923shares
3) Average number of shares (during the respective six-month period):
First Half, FY2018 (ended September30, 2017): 85,635,467 shares
First Half, FY2017 (ended September30, 2016): 86,448,331 shares

***Quarterly review status**
These materials are not subject to the quarterly review procedure requirements of Japan’s Financial Instruments and Exchange Act.

Caution on Forward-Looking Statements and Other Important Matters
This report contains forward-looking statements that reflect TIS Inc. (“TIS”)’s plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to “(2) Consolidated Earnings Forecast and Caution on Forward-Looking Statements” in the “1. Results of Operations” section on page 4 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first six months of fiscal 2018 (April 1, 2017 ~ September 30, 2017), the Japanese economy continued a moderate recovery owing to strong corporate earnings and an improvement in employment conditions. Regarding the outlook, although it is necessary to monitor the impact of uncertainties surrounding the global economy and financial market fluctuations, the Japanese economy is expected to continue its moderate recovery trend.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, was robust during the period. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (September 2017) revealed growth in IT investment among companies embracing digital management, as reflected in a 6.3% year-on-year increase in software investment plans (all manufacturing & financial institutions).

Under these circumstances, the TIS INTEC Group promoted various measures for implementing Group-wide reform to achieve further growth and raise corporate value, based on the Group management strategy developed under the third medium-term management plan (from fiscal 2016 through fiscal 2018) currently being implemented.

Consolidated net sales for the Group in the first six months increased 3.1% year on year to ¥194,813 million. Operating income increased 44.2% from a year earlier to ¥13,591 million, recurring profit increased 44.4% to ¥13,759 million, and net income attributable to owners of the parent company increased 51.4% to ¥8,602 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 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 3.1% year on year to ¥63,825 million while operating income increased 3.6% to ¥5,368 million.

Sales grew as the data center business expanded steadily with contributions from large public-sector projects and growth in cloud-related business. 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 8.9% year on year to ¥43,616 million, while operating income totaled ¥3,019 million (compared to an operating loss of ¥527 million for the same period of the previous year).

Sales and profits increased as a result of contributions from large-scale projects for credit card companies and business expansion driven by growing IT investment in the settlement field, along with successful efforts to restrain unprofitable projects.

3) Industrial IT Services

Consolidated sales increased 1.0% year on year to ¥91,088 million, while operating income increased 11.8% to ¥4,899 million.

While sales from large-scale projects declined from robust levels in the same period of the previous year, manufacturing sector sales grew owing to ERP upgrade demand and overall expanding IT investment. Initiatives to improve profitability were also successful, leading to an increase in both sales and profits.

4) Other

Consolidated sales declined 12.2% year on year to ¥5,264 million, and operating income declined 6.1% to ¥491 million.

As previously stated, the Group is implementing its third medium-term management plan, which ends with the current fiscal year. For the fiscal year under review, the Group formulated the following Group management strategy in accordance with the management plan's basic concepts, and is promoting various measures for implementing Group-wide reform to achieve further growth and raise corporate value.

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

Regarding further upfront investments to establish new growth engines, the Group is taking initiatives to further strengthen its settlement business, a core strength. As one initiative, in September 2017 we concluded a capital and business alliance with CardInfoLink, a Chinese FinTech company offering processing services in the QR code and credit card settlement fields. We 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 the TIS's long track record of success and know-how in settlement system development. TIS INTEC Group and CardInfoLink will collaborate to provide IT services with high value-added in Japan, China, and Southeast Asia.

Additionally, the Group has taken steps to establish an API platform as a shared platform for the retail settlement solution “PAYCIERGE 2.0” to maintain and enhance its competitiveness in the financial field amid growing open API movements and open API trends for various services. In this way, the Group is establishing environments in which services can be securely and rapidly implemented. The Group is also taking measures to support the full-scale growth of business in such fast-growing new technology fields as AI and IoT. We are developing and testing 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.

Regarding efforts to strengthen collaboration among Group companies by leveraging the operating holding company structure and rapidly execute structural reforms, the Group is actively deliberating and promoting priority and collaborative initiatives. As one example, Group companies have 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 a new BPO center 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 its business fields beyond traditional frameworks to ensure sustainable growth. Company management is leading seminars for Group executives, vision booklets are being distributed, and training is being implemented to raise awareness and foster a sense of unity. Additionally, the Group has begun to create specific measures as part of the ongoing effort to formulate the fourth medium-term management plan, including initiatives to transition to four strategic domains.

The Group 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 training days per employee, monthly average overtime hours, and the rate of expending annual paid leave. Reflecting the success of Group initiatives, INTEC 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, in accordance with its basic policy on shareholder returns, 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 responsive to changes in the business environment and raising shareholder profit and capital efficiency.

(2) Consolidated Earnings Forecast and Caution on Forward-Looking Statements

The Group achieved strong consolidated business performance for the first six months of the fiscal year, as results exceeded the business plan targets. The Group will continue striving to achieve full-year targets by steadily implementing various measures. At the current time, there is no change to the consolidated earnings forecast announced on May 10, 2017.

The Company has adopted a total return ratio benchmark of around 35%*. As a result of the previously mentioned share buyback, the Company estimates a total return of 35% in the current fiscal year.

*Total return ratio: The ratio of the combined value of dividend payments and share buybacks versus net income attributable to owners of the parent company.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2017	As of Sep. 30, 2017
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	26,137	35,166
Notes and accounts receivable	92,915	77,659
Lease receivables and lease investment assets	5,179	4,659
Marketable securities	100	100
Merchandise and finished goods	4,341	3,671
Work in process	4,526	6,987
Raw materials and supplies	240	229
Deferred tax assets	6,889	6,425
Other current assets	12,003	14,119
Allowance for doubtful accounts	(170)	(149)
Total current assets	152,162	148,869
Fixed assets		
Property and equipment		
Buildings and structures, net	37,118	37,541
Machinery and equipment, net	6,665	6,987
Land	21,435	20,078
Leased assets, net	3,937	3,479
Other property and equipment, net	6,723	8,149
Total property and equipment	75,878	76,237
Intangible assets		
Goodwill	803	720
Other intangible assets	17,863	18,148
Total intangible assets	18,666	18,869
Investments and other assets		
Investment securities	64,156	71,707
Net defined benefit asset	5,027	4,889
Deferred tax assets	6,129	5,652
Other assets	15,810	15,713
Allowance for doubtful accounts	(210)	(245)
Total investments and other assets	90,914	97,717
Total fixed assets	185,459	192,824
Total assets	337,622	341,693

Items	As of March 31, 2017	As of Sep.30, 2017
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	24,047	18,329
Short-term borrowings	6,084	5,403
Income taxes payable	5,932	4,104
Accrued bonuses to directors and employees	12,402	12,979
Provision for loss on order received	3,379	1,748
Other allowances	297	70
Other current liabilities	26,532	29,693
Total current liabilities	78,676	72,329
Non-current liabilities		
Long-term debt	26,263	24,777
Lease obligations	5,304	4,544
Deferred tax liabilities	2,676	5,027
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	66	65
Other allowances	419	564
Net defined benefit liability	16,876	17,064
Other non-current liabilities	7,735	8,117
Total non-current liabilities	59,743	60,564
Total liabilities	138,420	132,893
Net assets		
Shareholders’ equity		
Common stock	10,001	10,001
Additional paid-in capital	82,918	82,742
Retained earnings	90,846	97,473
Less treasury stock, at cost	(4,230)	(7,095)
Total shareholders’ equity	179,535	183,121
Accumulated other comprehensive income		
Net unrealized gains on other securities	20,478	26,310
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	51	(2)
Remeasurements of defined benefit plans	(2,636)	(2,605)
Total accumulated other comprehensive income	15,517	21,325
Non-controlling interests	4,149	4,352
Total net assets	199,202	208,799
Total liabilities and net assets	337,622	341,693

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

Consolidated Statements of Income

Items	First Half, FY2017 (Apr. 1 – Sep. 30, 2016)	First Half, FY2018 (Apr. 1 – Sep. 30, 2017)
	millions of yen	millions of yen
Net sales	189,023	194,813
Cost of sales	155,353	156,060
Gross profit	33,670	38,752
Selling, general and administrative expenses	24,246	25,161
Operating income	9,423	13,591
Non-operating income		
Interest income	28	19
Dividend income	777	756
Other	272	411
Total non-operating income	1,078	1,186
Non-operating expense		
Interest expenses	178	172
Equity in losses of affiliated companies	211	541
Other	585	304
Total non-operating expenses	975	1,018
Recurring profit	9,526	13,759
Extraordinary income		
Gain on sale of investment securities	6	42
Gain on sales of fixed assets	6	153
Total extraordinary income	12	196
Extraordinary loss		
Impairment loss	144	512
Loss on sales of investment securities	156	−
Loss on valuation of investment securities	115	18
Other	145	141
Total extraordinary loss	562	673
Income before income taxes	8,977	13,283
Income taxes: current	2,401	3,635
Income taxes: deferred	715	761
Total income taxes	3,117	4,397
Net income	5,860	8,886
Net income attributable to non-controlling interests	178	283
Net income attributable to owners of the parent company	5,681	8,602

Consolidated Statements of Comprehensive Income

Items	First Half, FY2017 (Apr. 1 – Sep. 30, 2016)	First Half, FY2018 (Apr. 1 – Sep. 30, 2017)
	millions of yen	millions of yen
Net income	5,860	8,886
Other comprehensive income		
Net unrealized gains on other securities	1,813	5,851
Foreign currency translation adjustments	(130)	34
Remeasurements of defined benefit plans	28	31
Share of other comprehensive income of equity-method affiliates	(106)	(26)
Total other comprehensive income	1,605	5,891
Comprehensive income	7,465	14,777
(Composition)		
Comprehensive income attributable to owners of the parent company	7,248	14,410
Comprehensive income attributable to non-controlling interests	217	367

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable