Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 through June 30, 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.

August 1, 2018

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, Chairman and President
Contact:	Tsuneyoshi Ito, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.
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Scheduled dates

Submission of quarterly report:	August 9, 2018
Commencement of dividend payments:	-
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 Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – June 30, 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	%
First Quarter., FY2019	96,467	5.1	5,822	15.2	6,466	16.0	4,331	17.3
First Quarter., FY2018	91,778	3.0	5,053	25.8	5,574	27.5	3,694	34.0

Note: Comprehensive income: First Quarter., FY 2019 8,161million yen (61.4%), First Quarter., FY 2018: 5,056million yen (52.6%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Quarter., FY2019	50.92	-
First Quarter., FY2018	42.96	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2019	374,100	229,021	60.0
End of FY2018	366,954	226,298	60.4

For reference: Total equity: End of first quarter, FY2019: 224,423million yen End of FY2018: 221,634million yen.
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

2. Cash Dividends for Shareholders of Common Stock

	Cash dividends per share				
Record date or period	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2018	-	14.00	-	26.00	40.00
FY2019	-				
FY2019 (forecast)		20.00	-	40.00	60.00

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

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	109.62
Full FY2019 (year ending Mar. 31, 2019)	414,000	2.1	35,000	6.9	35,500	8.2	23,300	13.0	275.04

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 Quarter, FY2019 (June 30, 2018): 87,789,098 shares
End-FY2018 (March 31, 2018): 87,789,098 shares
2) Treasury stock as of period-end:
End-First Quarter, FY2019 (June 30, 2018): 3,196,710 shares
End-FY2018 (March 31, 2018): 2,613,034 shares
3) Average number of shares (during the respective three-month period):
First Quarter, FY2019 (ended June 30, 2018): 85,079,633 shares
First Quarter, FY2018 (ended June 30, 2017): 85,987,828 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.

***Quarterly review status**
These materials are not subject to the quarterly 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 "(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" 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 the first three months of fiscal 2019 (April 1, 2018 ~ June 30, 2018), the Japanese economy continued a moderate recovery owing to high 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 (June 2018) showed a 6.4% year-on-year increase in company software investment plans (all manufacturing & financial institutions), reflecting a strong trend for increased IT investment by companies embracing digital management and aiming to realize their business strategies through the aggressive application of IT.

In this environment, the TIS INTEC Group promoted various measures to achieve a speedy structural transformation and raise corporate value under a new three-year medium-term management plan launched at the start of the new fiscal year. The new three-year plan will build the foundation from which the Group will work to realize its Group Vision 2026.

Consolidated net sales for the Group in the first quarter of fiscal 2019 increased 5.1% year on year to ¥96,467 million. Operating income rose 15.2% to ¥5,822 million, recurring profit expanded 16.0% to ¥6,466 million, and net income attributable to owners of the parent company increased 17.3% to ¥4,331 million.

The increase in consolidated net sales was driven by the Group's ability to accurately grasp the IT investment needs of its customers in areas where IT investment is growing. The increase in operating income reflects sales growth and higher gross profit realized through continued efforts to improve profitability. These positives offset an increase in selling, general and administrative expenses related to expenditures targeted at strengthening the Group's efforts to achieve structural reforms. The increases in recurring profit and net income attributable to owners of the parent company reflect mainly the growth in operating income.

Segment results for the period are as follows. Following changes to the Group's management structure for the purpose of accelerating the ongoing structural transformation, reporting business segments have been realigned and changed, effective from the start of the first quarter of current fiscal year. The sales figures for each segment include inter-segment sales. Year-on-year percent changes are based on calculations of previous-year results that reflect the new segmentation.

1) Service IT Business

This segment comprises Group businesses providing knowledge-intensive IT services that leverage TIS' service and industry know-how to create universalized, template-oriented solutions for its customers (includes default configuration and ERP).

Segment sales in the first quarter totaled ¥26,668 million, up 19.0% year on year, and operating income expanded 22.4% to ¥1,477 million. Expansion of settlement-related business and strong demand for ERP updates contributed to strong sales growth, which offset spending on forward-looking investment to strengthen the business, thus enabling the segment to post growth in sales and profits.

2) BPO

This segment comprises businesses that leverage the Group's extensive service and IT know-how to deliver business process outsourcing (BPO) services, including marketing and sales services and office and contract operations.

Segment sales in the first quarter totaled ¥9,153 million, up 1.9% year on year. Operating income expanded by 42.7% to ¥403 million. Taking advantage of the favorable business environment, we strengthened efforts to improve transaction margins. As a result, the segment achieved growth in sales and profits.

3) Financial IT Business

This segment comprises businesses that leverage business and operating know-how specific to the financial sector to raise the value-added of clients' operations, expand their use of IT, and provide support to operations using IT.

Segment sales in the first quarter totaled ¥26,211 million, up 9.4% year on year, and operating income increased 11.7% to ¥2,294 million. Sales and profits increased on strong contributions from large-scale projects for credit card companies and expanding IT investment by core clients.

4) Industrial IT Business

This segment's businesses leverage business and operating know-how specific to non-finance industries to raise the value-added of clients' operations, expand their use of IT, and provide support to operations using IT.

Segment sales in the first quarter totaled ¥40,959 million, up 2.1% year on year, and operating income expanded 18.2% to ¥1,604 million. The increases in sales and profits were driven by expanding IT investment by clients in a wide range of industrial sectors, including energy-related sectors.

5) Other

The Other segment includes a number of ancillary businesses that provide leasing and other information systems to clients.

Segment sales in the first quarter totaled ¥2,285 million, down 13.1% year on year, and operating income fell 9.5% to ¥233 million.

As noted above, the TIS INTEC Group embarked on a new three-year medium-term management plan from the start of this fiscal year. The new plan will build the foundation from which the Group will work to realize its Group Vision 2026. By striving to fulfill the new plan's five basic policies—"Sustainable profit growth", "Emphasis on employee self-fulfillment", "Concentrate on core businesses"; "Shift to prior investment style of business development", and "Expand Global Business"—we aim to achieve a speedy structural transformation and raise corporate value.

Fiscal 2019 is the first year of the new medium-term management plan. The Group has formulated the following management strategy for the plan's initial year and will energetically implement measures to accomplish the strategy.

Group Management Policies for Fiscal 2019

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 major initiatives taken in the first quarter of fiscal 2019 are presented below.

1) Charge forward on switch to service-style business

During the period, we strengthened our cloud and security business when we launched the new Platform Square brand, which is based on the concept of providing one-stop added-value services by combining our Cloud & Security solutions with our Consulting & Managed

Services. The new Platform Square brand brings together our specialists in cloud and security-related solutions and various other fields. In addition to strengthened staff numbers, the new brand brings together a wide range of solutions, from service consulting to managed services, which it is now using to accelerate business expansion, including the creation of new services.

2) Robust prior investment to create new services

As part of our efforts to acquire state-of-the-art technology and enter the global market, we established a capital and business tie-up with R3 HoldCo LLC, a US-based technology startup that has established one of the world's leading brands in distributed ledger technology (DLT), a blockchain-related technology for corporate users. In addition, to promote business development of robot integration (the linking of robotics and ICT technologies) in the enterprise domain, we made an additional investment in SEQSENSE Inc., a venture enterprise engaged in the development of autonomous mobile robots that we have previously been involved with through seed investments from our corporate venture capital system and through the dispatch of directors and employees.

In line with our efforts to promote open innovation through corporate venture capital, during the period we established an AI-specialized corporate venture capital framework to speed up decision-making and facilitate closer collaboration with venture companies in the AI field, where the remarkable pace of technological advance is attracting keen attention from companies in all fields.

3) Added-value and productivity improvements in domains of expertise

During the period, we moved forward with preparations to launch CreditCube+, a next-generation card processing service that fully leverages the technologies and expertise cultivated through our CreditCube credit-card core operations system. The new system will enable customers to improve competitiveness and reduce costs by using a system that optimally balances the merits of shared data with customers' proprietary data. Also, we joined five other companies participating in a test run of the use of electronic payment service Alipay directly on ticket gates of the Yui Rail monorail line operated by Okinawa Urban Monorail, Inc. The test was part of TIS's effort to contribute to solutions that make travel in Japan easier for foreign visitors and create new opportunities for business expansion through the construction and operation of settlement centers that handle payment processing for merchants and acquirers.

We also continued efforts to eliminate unprofitable projects and promote enhancement reforms aimed at further improving profitability. These efforts contributed firmly to the improvement in the Group's gross profit margin in the first quarter of the year.

4) Promote growth strategy aimed at becoming a top-class IT group in ASEAN region

During the period, we strengthened partnerships that increase our ability to promote the development and provision of IT services to local companies and Japanese companies operating in the ASEAN region. First, we formed a capital and business tie-up with TinhVan Technologies JSC., a major IT firm in Vietnam. The two partners will jointly promote QR settlement services and other settlement-related business. Meanwhile, we strengthened an existing partnership with the Group's Indonesian equity-method affiliate PT Anabatic Technologies Tbk by purchasing convertible bonds with stock acquisition rights issued by the company.

5) Boost motivation and reinforce human resource management

In April 2018, our newly established Human Resources SBU issued a personnel manifest that set forth our plans to make TIS a company where employees are highly motivated by implementing various of "workstyle reforms" and "health management" measures that will promote the growth of each member of our diverse group of employees as well as the sustainable growth of the Company.

In addition, we have launched cross-group projects centered on TIS and INTEC Inc. to promote enhancement and greater efficiency of headquarters functions and are now considering multifaceted approaches to realize these goals. As part of this effort, in July 2018, the Company absorbed group company IT Service Force Inc., which was responsible for the shared services of the Group, consolidating its functions with those of Group headquarters.

In line with the Group's policy of flexibly managing its capital position to enable flexible responses in its operating environment while continuing to enhance shareholder returns and capital efficiency, a share buyback was carried out from May to July 2018, resulting in the acquisition of 809,100 shares at a total acquisition cost of ¥4,209 million.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the first quarter on June 30, 2018, came to ¥374,130 million, an increase of ¥7,146 million from ¥366,954 million at the end of the previous fiscal year on March 31, 2018.

Current assets totaled ¥159,782 million, down from ¥162,064 million, primarily owing to a ¥23,146 million decrease in notes and accounts receivable.

Fixed assets totaled ¥214,348 million, up from ¥204,889 million three months earlier owing mostly to a ¥6,580 million increase in investment securities.

(Liabilities)

As of the end of the first quarter, total liabilities amounted to ¥145,109 million, a ¥4,454 million increase from ¥140,655 million at the end of the previous fiscal year.

Current liabilities totaled ¥72,458 million, down from ¥81,310 million three months earlier, mainly reflecting a ¥6,556 million decrease in accrued bonuses to directors and employees.

Non-current liabilities amounted to ¥72,650 million, up from ¥59,344 million, primarily owing to a ¥9,448 million increase in long-term debt.

(Net assets)

Net assets at the end of the first quarter totaled ¥229,021 million, up from ¥226,298 million at the end of the previous fiscal year, primarily reflecting a ¥3,931 million increase in net unrealized gains on other securities.

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

The Company achieved a solid consolidated business performance in the period under review and will continue striving to achieve full-year targets by steadily implementing various measures. As of the release of this quarterly earnings report, management has not changed the consolidated earnings forecast announced on May 10, 2018.

From this fiscal year, the Company has adopted a total return ratio benchmark of 40%. Considering the previously mentioned share buyback and the current consolidated earnings forecast, the Company estimates the total return will come to 40.1% 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, 2018	As of June 30, 2018
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	38,032	52,073
Notes and accounts receivable	94,438	71,292
Lease receivables and lease investment assets	4,747	4,751
Marketable securities	100	100
Merchandise and finished goods	3,526	4,542
Work in process	5,432	6,946
Raw materials and supplies	263	282
Other current assets	15,884	20,085
Allowance for doubtful accounts	(360)	(290)
Total current assets	162,064	159,782
Fixed assets		
Property and equipment		
Buildings and structures, net	39,990	39,956
Machinery and equipment, net	7,547	7,599
Land	19,373	19,374
Leased assets, net	2,952	3,175
Other property and equipment, net	5,815	6,194
Total property and equipment	75,680	76,300
Intangible assets		
Software	12,506	12,754
Software in progress	4,359	4,667
Goodwill	707	660
Other intangible assets	1,341	1,284
Total intangible assets	18,915	19,366
Investments and other assets		
Investment securities	78,766	85,316
Net defined benefit asset	5,610	5,662
Deferred tax assets	8,958	9,605
Other assets	17,230	18,335
Allowance for doubtful accounts	(271)	(269)
Total investments and other assets	110,293	118,651
Total fixed assets	204,889	214,318
Total assets	366,954	374,100

Items	As of March 31, 2018	As of June 30, 2018
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,246	18,412
Short-term borrowings	4,460	4,029
Income taxes payable	6,139	1,128
Accrued bonuses to directors and employees	13,184	6,628
Provision for loss on order received	1,075	797
Other allowances	72	58
Other current liabilities	33,131	41,375
Total current liabilities	81,310	72,428
Non-current liabilities		
Long-term debt	25,482	34,931
Lease obligations	3,997	4,132
Deferred tax liabilities	3,925	7,459
Deferred tax liabilities from revaluation of land	403	403
Accrued retirement benefits to directors	65	56
Other allowances	650	647
Net defined benefit liability	17,296	17,217
Asset retirement obligations	3,471	3,917
Other non-current liabilities	4,051	3,884
Total non-current liabilities	59,344	72,650
Total liabilities	140,655	145,079
Net assets		
Shareholders’ equity		
Common stock	10,001	10,001
Additional paid-in capital	83,384	83,384
Retained earnings	108,298	110,402
Less treasury stock, at cost	(7,742)	(10,773)
Total shareholders’ equity	193,941	193,014
Accumulated other comprehensive income		
Net unrealized gains on other securities	31,922	35,854
Revaluation reserve for land	(2,375)	(2,375)
Foreign currency translation adjustments	128	(201)
Remeasurements of defined benefit plans	(1,983)	(1,868)
Total accumulated other comprehensive income	27,692	31,408
Non-controlling interests	4,664	4,597
Total net assets	226,298	229,021
Total liabilities and net assets	366,954	374,100

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

Consolidated Statements of Income

Items	First Quarter, FY2018 (Apr. 1 – Jun. 30, 2017)	First Quarter, FY2019 (Apr. 1 – Jun. 30, 2018)
	millions of yen	millions of yen
Net sales	91,778	96,467
Cost of sales	74,241	77,136
Gross profit	17,536	19,331
Selling, general and administrative expenses	12,482	13,509
Operating income	5,053	5,822
Non-operating income		
Interest income	15	25
Dividend income	738	656
Other	139	191
Total non-operating income	893	873
Non-operating expense		
Interest expenses	94	85
Equity in losses of affiliated companies	130	68
Other	147	75
Total non-operating expenses	372	230
Recurring profit	5,574	6,466
Extraordinary income		
Gain on sales of fixed assets	2	0
Gain on sale of investment securities	0	10
Total extraordinary income	3	10
Extraordinary loss		
Loss on retirement of fixed assets	9	20
Office transfer expenses	-	75
Other	-	56
Total extraordinary loss	9	152
Income before income taxes	5,567	6,324
Income taxes: current	739	914
Income taxes: deferred	1,039	939
Total income taxes	1,778	1,854
Net income	3,789	4,469
Net income attributable to non-controlling interests	95	137
Net income attributable to owners of the parent company	3,694	4,331

Consolidated Statements of Comprehensive Income

Items	First Quarter, FY2018 (Apr. 1 – Jun. 30, 2017)	First Quarter, FY2019 (Apr. 1 – Jun. 30, 2018)
	millions of yen	millions of yen
Net income	3,789	4,469
Other comprehensive income		
Net unrealized gains on other securities	1,287	3,941
Foreign currency translation adjustments	1	(246)
Remeasurements of defined benefit plans	13	115
Share of other comprehensive income of equity-method affiliates	(35)	(119)
Total other comprehensive income	1,266	3,691
Comprehensive income	5,056	8,161
(Composition)		
Comprehensive income attributable to owners of the parent company	4,898	8,047
Comprehensive income attributable to non-controlling interests	157	113

(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

(Additional Information)

As the Company has adopted *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019, "deferred tax assets" is presented in the category of investments and other assets, and "deferred tax liabilities" is presented in the category of non-current liabilities.