



**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020**  
(April 1, 2019 through June 30, 2019)  
(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, 2019

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: Takashi Nakamura, Department Manager of Finance & Accounting Dept.,  
 Corporate Planning SBU.  
 Phone: +81 3-5337-4569

Scheduled dates  
 Submission of quarterly report: August 8, 2019  
 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, 2020**  
(April 1, 2019 – June 30, 2019)

(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, FY2020	100,990	4.7	8,059	38.4	8,770	35.6	6,106	41.0
First Quarter, FY2019	96,467	5.1	5,822	15.2	6,466	16.0	4,331	17.3

Note: Comprehensive income: First Quarter, FY 2020: 8,788 million yen (7.7%) First Quarter, FY 2019: 8,161 million yen (61.4%),

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Quarter, FY2020	72.39	-
First Quarter, FY2019	50.92	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2020	363,647	236,450	63.7
End of FY2019	370,657	234,408	62.0

For reference: Total equity: End of first quarter, FY2020: 231,684 million yen End of FY2019: 229,633 million 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
FY2019	-	20.00	-	50.00	70.00
FY2020	-	20.00	-	50.00	70.00
FY2020 (forecast)	-	30.00	-	50.00	80.00

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

### 3. Forecast of Consolidated Results for FY2020 (April 1, 2019 – March 31, 2020)

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 FY2020 (six months ending Sep. 30, 2019)	205,200	1.1	16,500	6.2	16,750	5.8	11,150	4.3	132.60
Full FY2020 (year ending Mar. 31, 2020)	425,000	1.0	40,000	5.1	40,500	4.9	27,100	4.1	323.02

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, FY2020 (June 30, 2019):	87,789,098 shares
End-FY2019 (March 31, 2019):	87,789,098 shares
  - 2) Treasury stock as of period-end:
 

End-First Quarter, FY2020 (June 30, 2019):	3,778,792 shares
End-FY2019 (March 31, 2019):	3,358,468 shares
  - 3) Average number of shares (during the respective three-month period):
 

First Quarter, FY2020 (ended June 30, 2019):	84,360,651 shares
First Quarter, FY2019 (ended June 30, 2018):	85,079,633 shares

Note: Treasury stock includes the number of the Company's own shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

#### \*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

At a Board of Directors' Meeting held on May 13, 2019, TIS Inc. (TIS) resolved to acquire its own (treasury) shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said Act.

Accordingly, "Net income per share – basic" in the Forecast of Consolidated Results for FY2020 has been presented taking into account the effect of this acquisition of treasury shares.

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 6 in the Accompanying Materials.

## Accompanying Materials – Contents

1. Results of Operations	2
(1) Analysis of Consolidated Operating Results	2
(2) Analysis of Financial Condition	6
(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements	6
2. Consolidated Financial Statements	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Comprehensive Income	9
Consolidated Statements of Income	
For the First Quarter	9
Consolidated Statements of Comprehensive Income	
For the First Quarter	10
(3) Notes on the Consolidated Financial Statements	11
(Notes on the Going-concern Assumption)	11
(Notes on Significant Changes in the Amount of Shareholders' Equity)	11
3. Other Information	11

## 1. Results of Operations

### (1) Analysis of Consolidated Operating Results

In the first three months of fiscal 2020 (April 1, 2019 – June 30, 2019), the Japanese economy continued a moderate recovery owing to solid corporate earnings, an improvement in employment conditions, and other factors. Regarding the economic outlook, although it is necessary to monitor the impact of uncertainties surrounding the global economy and financial and capital market fluctuations, the Japanese economy is expected to continue its moderate recovery.

The business environment surrounding the IT services industry, to which the TIS INTEC Group (“the Group”) belongs, was robust during the period. The Bank of Japan’s Short-term Economic Survey of Enterprises in Japan (June 2019) showed a 12.4% year-on-year increase in company software investment plans (all manufacturing & financial institutions), reflecting a strong trend for increased IT investment by companies aiming to realize their business strategies through the aggressive application of digital technologies.

In this environment, in order to build the foundation from which the Group will work to realize its Group Vision 2026, the Group promoted various measures to achieve a speedy structural transformation and raise corporate value under the current medium-term management plan (2018- 2020).

Consolidated net sales for the Group in the first quarter of fiscal 2020 increased 4.7% year on year to ¥100,990 million. Operating income rose 38.4% to ¥8,059 million, recurring profit grew 35.6% to ¥8,770 million, and net income attributable to owners of the parent company increased 41.0% to ¥6,106 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 improved profitability (the gross profit margin increased 2.2 percentage points year on year to 22.2%). These positives offset an increase in selling, general and administrative expenses primarily related to expenditures targeted at strengthening the Group’s efforts to achieve structural reforms. The operating income ratio increased 2.0 percentage points year on year to 8.0%. The increases in recurring profit and net income attributable to owners of the parent company mainly reflect the growth in operating income.

Segment results for the period are as follows. The sales figures for each segment include inter-segment sales.

#### 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 ¥28,359 million, up 6.3% year on year, and operating income declined 17.1% to ¥1,224 million. Sales increased due to the expansion of settlement-related business and stronger demand for ERP updates. The segment’s operating income ratio was 4.3%, 1.2 percentage points below the ratio recorded a year earlier. The decline was largely due to an increase in forward-looking investment to strengthen the business.

#### 2) BPO

This segment comprises businesses that leverage the Group's extensive services 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 ¥7,861 million, down 14.1% year on year. Operating income increased 3.0% to ¥415 million. The growth in operating income despite the decline in sales reflected the large impact from the transfer of all the equity shares of certain consolidated subsidiaries to non-Group companies in the previous fiscal year in line with management's policy of concentrating on core businesses. As a result, the operating income ratio improved 0.9 percentage points to 5.3%.

### 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 ¥26,603 million, up 1.5% year on year, and operating income increased 34.1% to ¥3,077 million. Sales and profits increased due to the growth in IT investment by core clients, despite the impact of the reactionary drop after the conclusion of large-scale development projects, and the operating income ratio improved 2.8 percentage points to 11.6%. The know-how utilized in services provided to specific clients was moved from the Industrial IT Business to the Financial IT Business. In conjunction with this change, transactions with these clients are recorded under the Financial IT Business in fiscal 2020, whereas such transactions were recorded under the Industrial IT Business in the previous fiscal year. This change contributed to increases in sales and profits in this segment.

### 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 ¥45,301 million, up 10.6% year on year, and operating income expanded 103.6% to ¥3,266 million. The increases in sales and profits were driven by expanding IT investment by clients in a wide range of sectors, including core clients in the energy-related and manufacturing-related sectors. The operating income ratio rose by 3.3 percentage points to 7.2%.

The know-how utilized in services provided to specific clients was moved from the Industrial IT Business to the Financial IT Business. In conjunction with this change, transactions with these clients are recorded under the Financial IT Business in fiscal 2020, whereas such transactions were recorded under the Industrial IT Business in the previous fiscal year. This change contributed to decreases in sales and profits in this segment.

### 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 ¥2,036 million, down 10.9% year on year, operating income fell 18.9% to ¥189 million, and the operating income ratio declined 0.9 percentage points to 9.3%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned

subsidiary responsible for the Group's shared services, and inclusion of results from that business in the Other segment from the second quarter of fiscal 2019.

As noted above, the Group has been implementing a medium-term management plan (2018 – 2020) from the start of fiscal 2019. The new plan will build the foundation from which the Group will work to realize its "Group Vision 2026". By striving to fulfill the 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.

In fiscal 2020, the Group will energetically implement various measures in line with the following Group management policies.

#### Group Management Policies for Fiscal 2020

- 1) Robust prior investment to fuel business expansion and structural transformation
- 2) Promote measures and review business portfolio with view toward higher profitability
- 3) Promote growth strategy aimed at becoming a top-class IT group in ASEAN region
- 4) Boost motivation and take human resource management to higher level
- 5) Realize enhanced management practices and higher efficiency

The major initiatives undertaken in the first quarter of fiscal 2020 are presented below.

- 1) Robust prior investment to fuel business expansion and structural transformation

The Group aims to shift towards business that anticipates the needs of customers from the perspective of social issues, and will carry out investment with an emphasis on the Group's growth and areas of strength, targeting the growth of service-style business which is positioned as a growth engine.

As a part of this, we are moving 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 that 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, in response to the progress of new technologies such as FinTech, IoT, and AI, as well as industry trends, we are proactively embracing open innovation, and are accelerating partnerships with start-up companies. This includes our investment in U.S. venture capital fund Sozo Ventures II-S.

Additionally, to prepare for future business development, we partially revised the Articles of Incorporation, adding "Electronic settlement agency and business relating to transfer of funds" as a new purpose in Article 2.

- 2) Promote measures and review business portfolio with view toward higher profitability

Targeting further strengthening of our business competitiveness, we are continuing our efforts to eliminate unprofitable projects and promote reforms aimed at further improving the profitability of enhancement areas. These efforts have steadily contributed to the improvement in the Group's gross

profit margin. In the first quarter, the gross profit margin increased 2.2 percentage points year on year to 22.2%. In the Cloud & Security field, we entered into a business alliance with LAC Co., Ltd., which possesses industry-leading insight in the security field. We will jointly develop a next-generation-type cloud and security service platform with which we will quickly realize “security by design.”

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

As part of our efforts to acquire state-of-the-art technology and enter the global market and deploy it in the global market, we entered into a capital and business tie-up with Singapore-based SQREEM Technologies PTE. LTD. SQREEM is one of the world’s largest behavioral pattern data aggregators, and is growing very fast in the fields of digital marketing and data analytics using proprietary AI technologies based on massive data collection. Leveraging SQREEM’s advanced AI technologies and the Group’s business insight cultivated in various industries, including financial services and manufacturing, the Group aims to become a leading company in AI-based data analytics in Japan and the ASEAN region.

4) Boost motivation and take human resource management to higher level

TIS has a policy of aiming to be a company where employees are highly motivated. In order to achieve the growth of each member of our diverse group of employees as well as the sustainable growth of the Company, we are implementing various “workstyle reforms” and “health management” measures.

As a part of this effort, in April 2019, TIS launched several new human resources-related programs, including “teleworkers” (employees who mainly work remotely on a full-day basis), as well as a “work-interval system” and a “smart-work allowance.” With these and other measures, we are creating an environment that considers employees’ health and makes diverse working styles possible.

5) Realize enhanced management practices and higher efficiency

In January 2019, we announced a new Group basic philosophy, “OUR PHILOSOPHY,” which provides the common values that will serve as the basis for all the activities of the entire Group.

The Group is energetically carrying out training on “OUR PHILOSOPHY” to ensure widespread awareness among all officers and employees in the Group, as a basis for carrying out our corporate activities with confidence and conviction and promoting unified, group-wide management. In addition, in order to realize more sophisticated Group management, we are continuing to carry out the “G20” project to enhance the headquarters functions. As part of this, a project to build a new core group system is progressing on schedule with an expected launch in fiscal 2021.

In addition to the above initiatives, in line with the Group’s policy of flexibly managing its capital policy to enable flexible responses in its operating environment while continuing to enhance shareholder returns and capital efficiency, we carried out a share buyback from May to July 2019, resulting in the acquisition of 749,800 shares at a total acquisition cost of ¥4,139 million.

## **(2) Analysis of Financial Condition**

### **(Assets)**

Consolidated total assets as of the end of the first quarter on June 30, 2019, came to ¥363,647 million, a decrease of ¥7,009 million from ¥370,657 million at the end of the previous fiscal year on March 31, 2019.

Current assets totaled ¥161,549 million, down from ¥176,231 million, primarily owing to a ¥17,651 million decrease in notes and accounts receivable.

Fixed assets totaled ¥202,097 million, up from ¥194,426 million, owing mostly to a ¥4,423 million increase in investment securities.

### **(Liabilities)**

As of the end of the first quarter, total liabilities amounted to ¥127,196 million, a ¥9,051 million decrease from ¥136,248 million at the end of the previous fiscal year.

Current liabilities totaled ¥81,358 million, down from ¥91,126 million, mainly reflecting a ¥7,951 million decrease in income taxes payable.

Non-current liabilities amounted to ¥45,838 million, up from ¥45,121 million, primarily owing to a ¥1,478 million increase in deferred tax liabilities.

### **(Net assets)**

Net assets as of the end of the first quarter totaled ¥236,450 million, up from ¥234,408 million at the end of the previous fiscal year, primarily reflecting a ¥2,198 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 13, 2019.

From fiscal 2019, the Company has adopted a total return ratio benchmark of 40% as a basic policy for shareholder returns. Considering the previously mentioned share buyback and the current consolidated earnings forecast, the Company estimates the total return ratio will come to 40.1% in fiscal 2020.

\*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, 2019	As of June 30, 2019
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	57,591	55,930
Notes and accounts receivable	88,121	70,470
Lease receivables and lease investment assets	4,122	4,271
Marketable securities	100	198
Merchandise and finished goods	5,043	4,372
Work in process	4,064	7,039
Raw materials and supplies	234	246
Other current assets	17,331	19,372
Allowance for doubtful accounts	(377)	(353)
Total current assets	176,231	161,549
Fixed assets		
Property and equipment		
Buildings and structures, net	38,001	37,667
Machinery and equipment, net	8,124	8,211
Land	18,399	18,399
Leased assets, net	2,523	2,284
Other property and equipment, net	6,073	6,133
Total property and equipment	73,123	72,697
Intangible assets		
Software	12,542	12,764
Software in progress	6,635	8,165
Goodwill	371	341
Other intangible assets	965	1,103
Total intangible assets	20,514	22,374
Investments and other assets		
Investment securities	67,719	72,143
Net defined benefit asset	5,134	5,183
Deferred tax assets	10,013	9,019
Other assets	18,017	20,777
Allowance for doubtful accounts	(96)	(97)
Total investments and other assets	100,788	107,025
Total fixed assets	194,426	202,097
Total assets	370,657	363,647

Items	As of March 31, 2019	As of June 30, 2019
	millions of yen	millions of yen
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	23,338	20,131
Short-term borrowings	6,285	6,263
Income taxes payable	9,299	1,347
Accrued bonuses to directors and employees	13,935	7,108
Provision for loss on order received	581	521
Provision for loss on liquidation of subsidiaries and associates	2,248	2,248
Other allowances	219	141
Other current liabilities	35,218	43,593
Total current liabilities	91,126	81,358
Non-current liabilities		
Long-term debt	18,498	18,147
Lease obligations	3,238	3,139
Deferred tax liabilities	58	1,537
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	56	34
Other allowances	406	306
Net defined benefit liability	12,497	12,459
Asset retirement obligations	4,103	4,147
Other non-current liabilities	5,989	5,793
Total non-current liabilities	45,121	45,838
Total liabilities	136,248	127,196
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,945	82,945
Retained earnings	130,703	132,566
Less treasury stock, at cost	(11,816)	(14,119)
Total shareholders' equity	211,834	211,393
Accumulated other comprehensive income		
Net unrealized gains on other securities	22,701	24,899
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(257)	(106)
Remeasurements of defined benefit plans	(1,972)	(1,830)
Total accumulated other comprehensive income	17,799	20,291
Non-controlling interests	4,775	4,766
Total net assets	234,408	236,450
Total liabilities and net assets	370,657	363,647

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

Items	First Quarter, FY2019	First Quarter, FY2020
	(Apr. 1 – Jun. 30, 2018)	(Apr. 1 – Jun. 30, 2019)
	millions of yen	millions of yen
Net sales	96,467	100,990
Cost of sales	77,136	78,530
Gross profit	19,331	22,459
Selling, general and administrative expenses	13,509	14,400
Operating income	5,822	8,059
Non-operating income		
Interest income	25	53
Dividend income	656	742
Other	191	142
Total non-operating income	873	938
Non-operating expense		
Interest expenses	85	59
Equity in losses of affiliated companies	68	80
Other	75	88
Total non-operating expenses	230	228
Recurring profit	6,466	8,770
Extraordinary income		
Gain on sales of fixed assets	0	2
Gain on sale of investment securities	10	44
Total extraordinary income	10	46
Extraordinary loss		
Loss on disposal of fixed assets	20	28
Loss on valuation of investment securities	24	86
Office transfer expenses	75	—
Other	32	24
Total extraordinary loss	152	138
Income before income taxes	6,324	8,677
Income taxes: current	914	1,021
Income taxes: deferred	939	1,366
Total income taxes	1,854	2,387
Net income	4,469	6,290
Net income attributable to non-controlling interests	137	183
Net income attributable to owners of the parent company	4,331	6,106

### Consolidated Statements of Comprehensive Income

Items	First Quarter, FY2019 (Apr. 1 – Jun. 30, 2018)	First Quarter, FY2020 (Apr. 1 – Jun. 30, 2019)
	millions of yen	millions of yen
Net income	4,469	6,290
Other comprehensive income		
Net unrealized gains on other securities	3,941	2,210
Foreign currency translation adjustments	(246)	12
Remeasurements of defined benefit plans	115	142
Share of other comprehensive income of equity- method affiliates	(119)	132
Total other comprehensive income	3,691	2,497
Comprehensive income	8,161	8,788
(Composition)		
Comprehensive income attributable to owners of the parent company	8,047	8,598
Comprehensive income attributable to non- controlling interests	113	190

**(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

**3. Other Information**

INTEC Inc., a consolidated subsidiary of the Company, is currently in litigation with Mitsubishi Shokuhin Co., Ltd., which filed a claim for compensation in connection with services including systems development provided by INTEC Inc. (Amount of compensation demanded: 12,703 million yen; date the complaint was received: December 17, 2018).