



**TIS**

TIS INTEC Group

Go Beyond

# **Information Meeting Materials for the First Quarter of the Fiscal Year Ending March 31, 2018**

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**July 28, 2017**

**TIS Inc.**

## **Fiscal 2018 First Quarter: Financial Highlights**

**Fiscal 2018 Performance Forecast**

**Reference Materials**

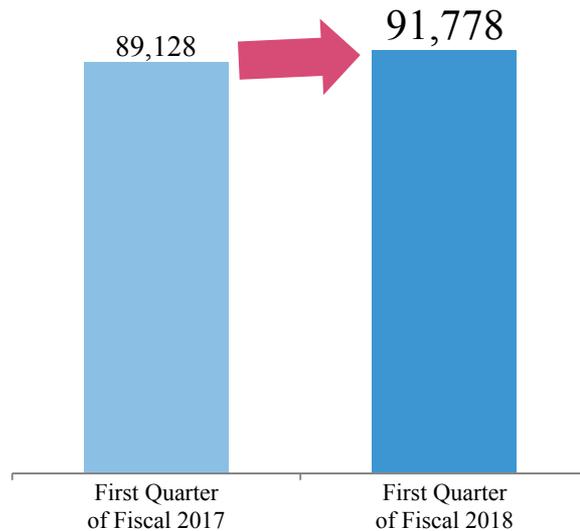
# Fiscal 2018 First Quarter: Financial Highlights

[Millions of yen]

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

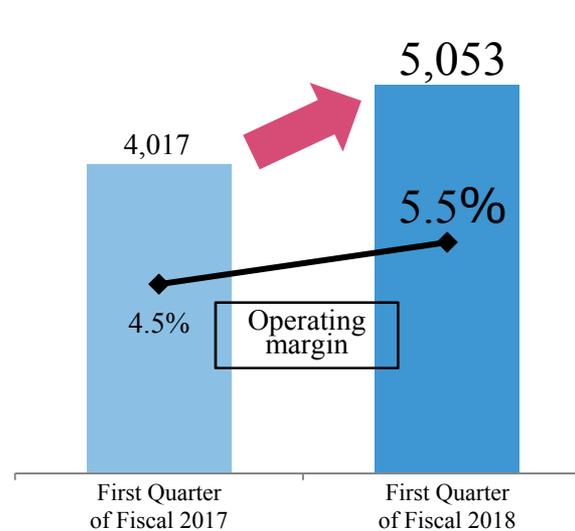
## Net Sales

YOY change: +¥2,649 million [+ 3.0%]



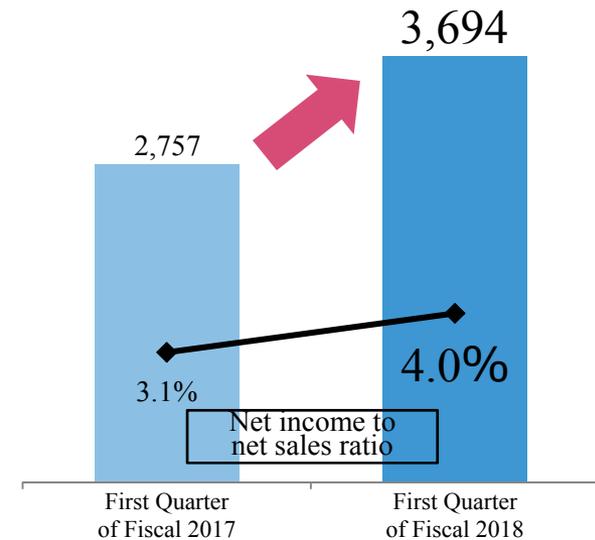
## Operating Income

YOY change: +¥ 1,036 million [+ 25.8%]



## Net Income Attributable to Owners of the Parent Company

YOY change: +¥ 936 million [+ 34.0%]



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.

Year-on-year improvement in income reflects higher net sales starting point and successful efforts to boost profitability, including steps to prevent unprofitable projects, which absorbed cost increases incurred to sharpen competitiveness.

Net income attributable to owners of parent was up year-on-year, buoyed mainly by higher operating income.

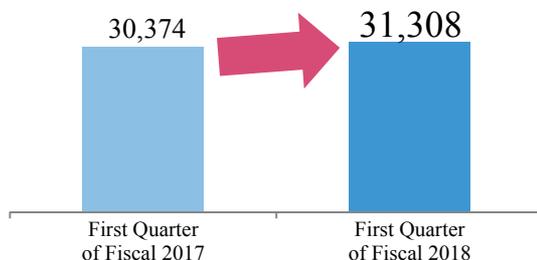
# Fiscal 2018 First Quarter: Sales and Income for Key Business Segments

[Millions of yen]

## IT Infrastructure Services

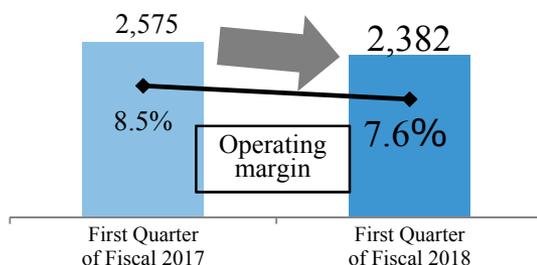
### Net Sales

YOY change: +¥934 million [+3.1%]



### Operating Income

YOY change: - ¥193 million [-7.5%]

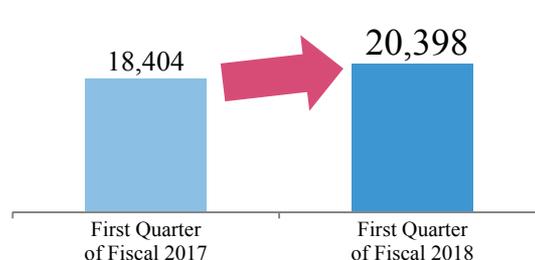


Sales up year-on-year, underpinned by large projects for public sector clients and brisk shift in data center business, reflecting demand for cloud-related services. But higher costs incurred to enhance operations and lower profitability from some BPO services were factors causing income drop.

## Financial IT Services

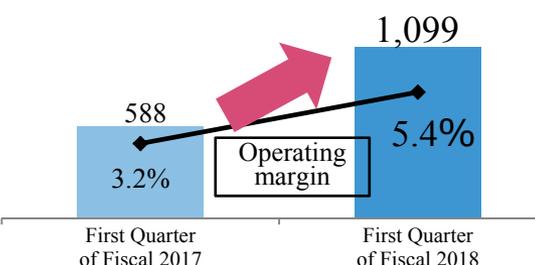
### Net Sales

YOY change: +¥1,993 million [+10.8%]



### Operating Income

YOY change: +¥510 million [+86.7%]

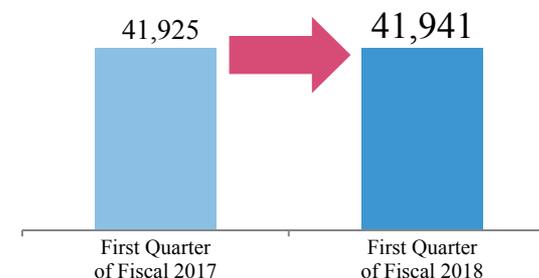


Sales and income up year-on-year, owing to contribution from large projects for clients in credit card sector as well as increase in business volume paralleling greater IT investment by clients in payment settlement sector.

## Industrial IT Services

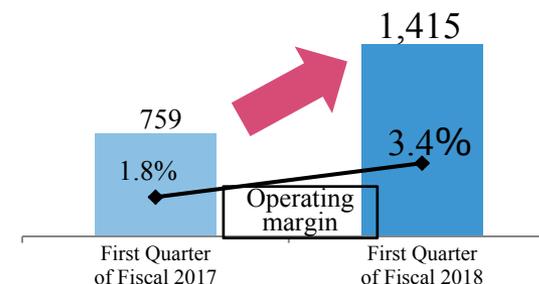
### Net Sales

YOY change: +¥15 million [+0.0%]



### Operating Income

YOY change: +¥656 million [+86.5%]

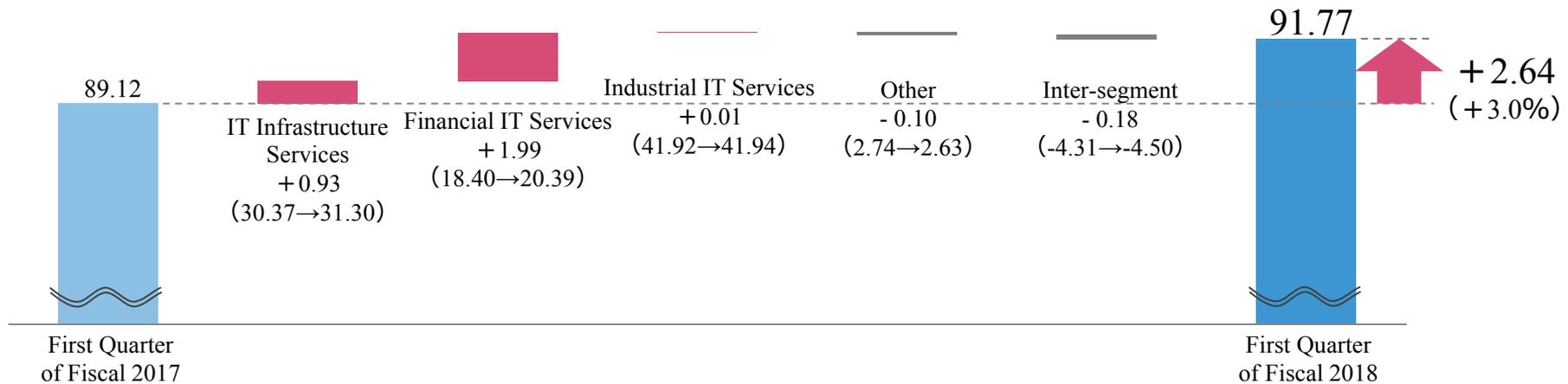


Despite reactionary drop in large projects, ERP replacement demand for clients in manufacturing sector and wider IT investment pushed sales up year-on-year. Progress on efforts to boost profitability, mainly by preventing unprofitable projects, led to higher income.

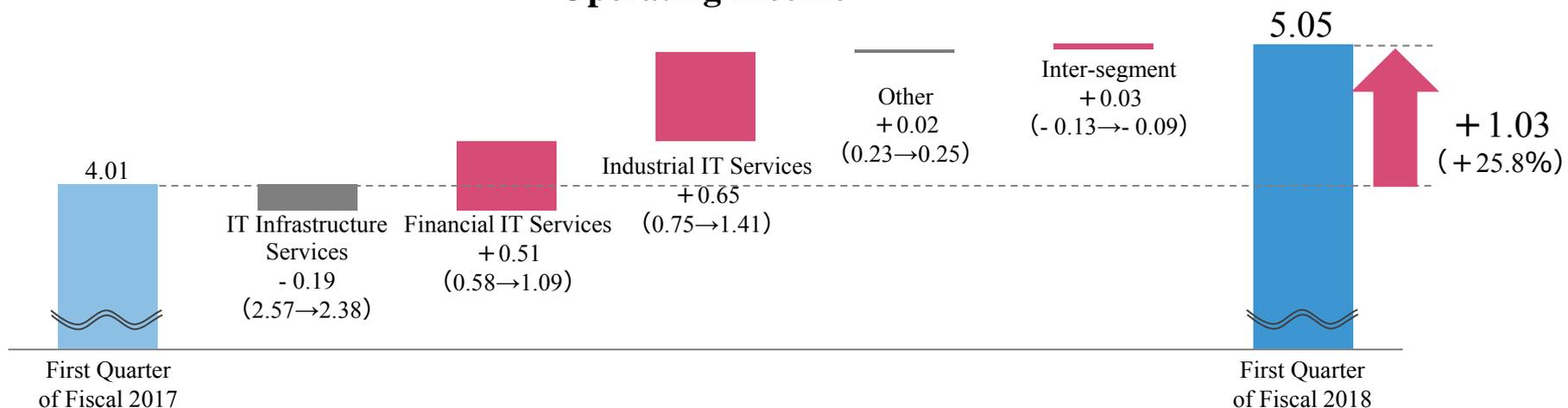
# Fiscal 2018 First Quarter: Net Sales and Operating Income Analysis

[Billions of yen]

## Net Sales

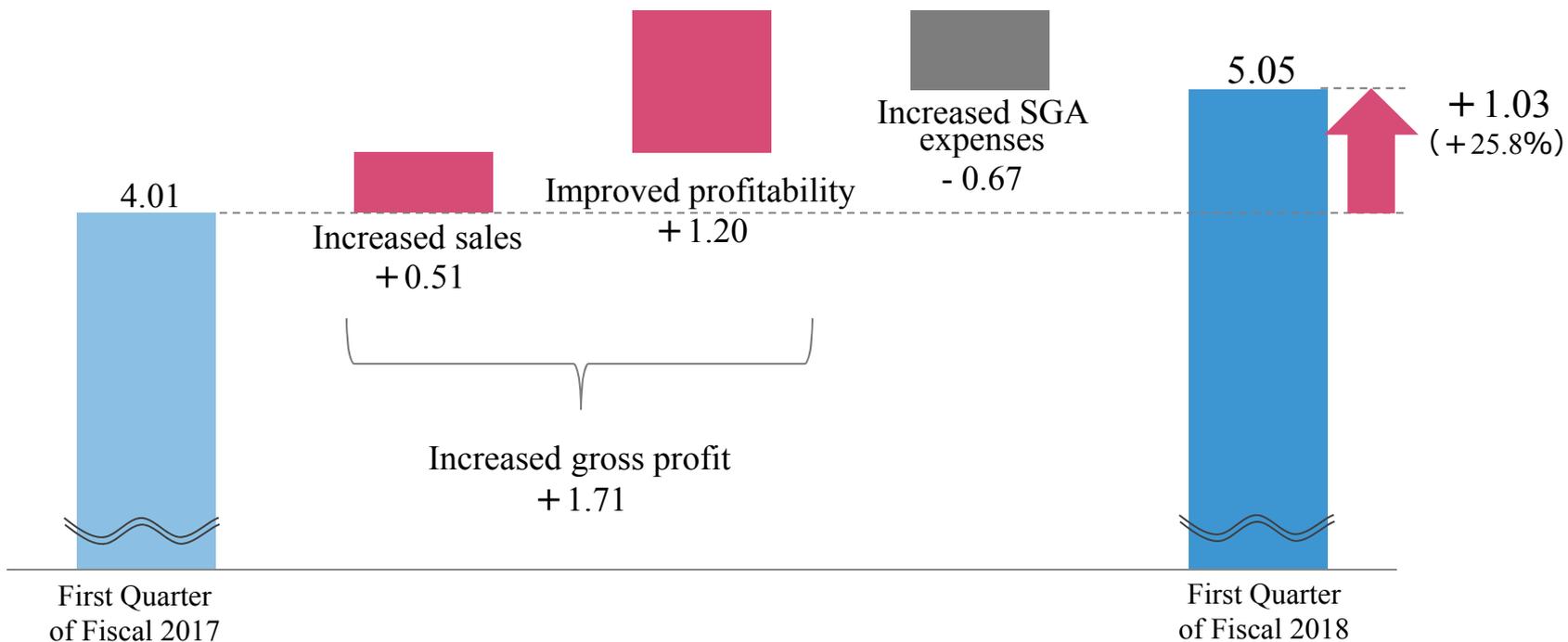


## Operating Income



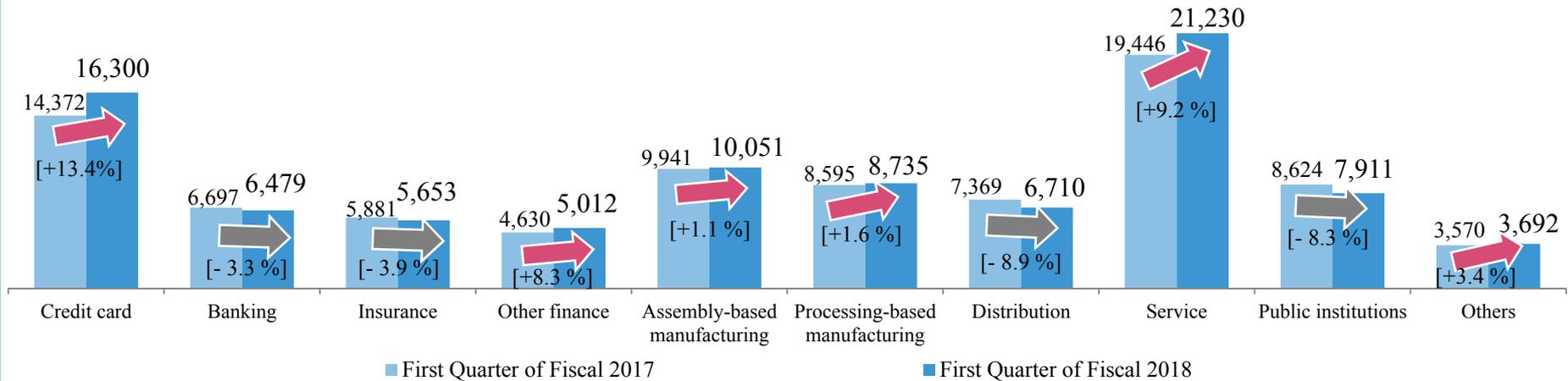
# Fiscal 2018 First Quarter: Operating Income Analysis, Increase/Decrease Reasons

[Billions of yen]

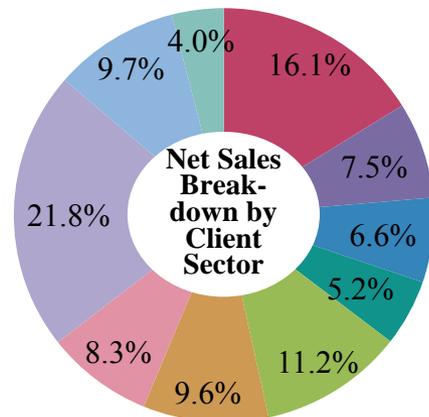


# Fiscal 2018 First Quarter: Sales by Client Sector

[Millions of yen]

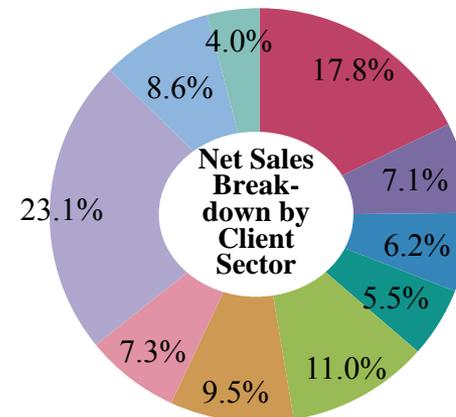


<First Quarter of Fiscal 2017>



Financial sector: 35.4%    Industrial sector: 50.9%  
Public sector: 9.7%    Other: 4.0%

<First Quarter of Fiscal 2018>



Financial sector: 36.4%    Industrial sector: 50.9%  
Public sector: 8.6%    Other: 4.0%

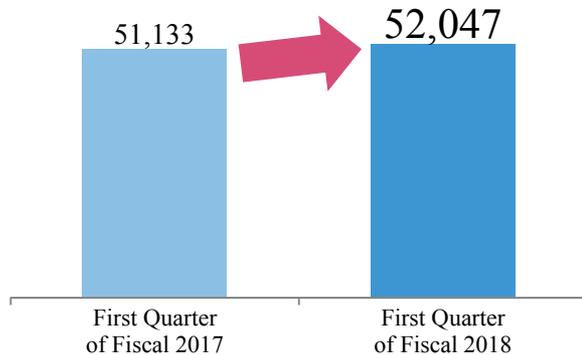
# Fiscal 2018 First Quarter: Order Status

[Millions of yen]

- Against a brisk business backdrop, order volume high enough to offset adverse factors, such as reactionary drop in demand, pushed results above the previous fiscal year go.
- Backlog decreased year-on-year, but primary cause was drop due to progress on large projects for clients in financial and public sectors.

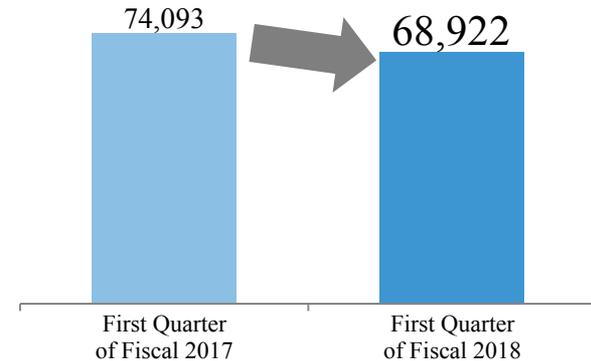
## Orders received during first quarter

YOY change: +¥914 million [+1.8%]

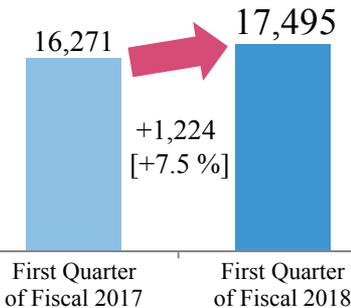


## Order backlog at end of first quarter

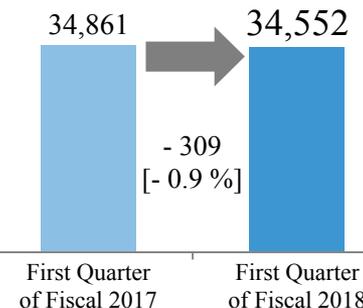
YOY change: -¥5,171 million [-7.0%]



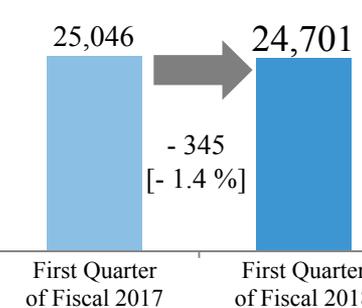
### Financial IT Services



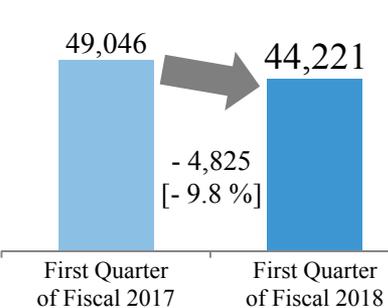
### Industrial IT Services



### Financial IT Services

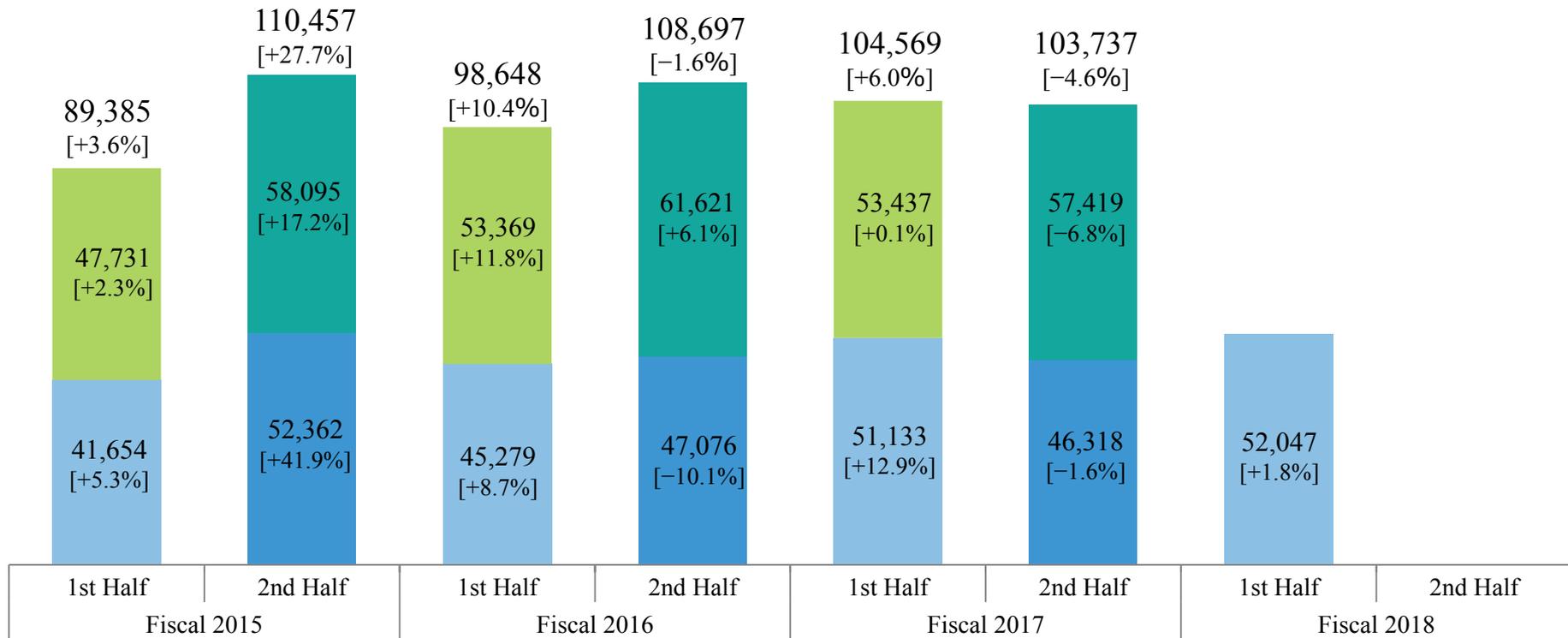


### Industrial IT Services



# Changes in Orders Received

[Millions of yen]



■ Second quarter of first half      ■ Fourth quarter of second half  
■ First quarter of first half      ■ Third quarter of second half

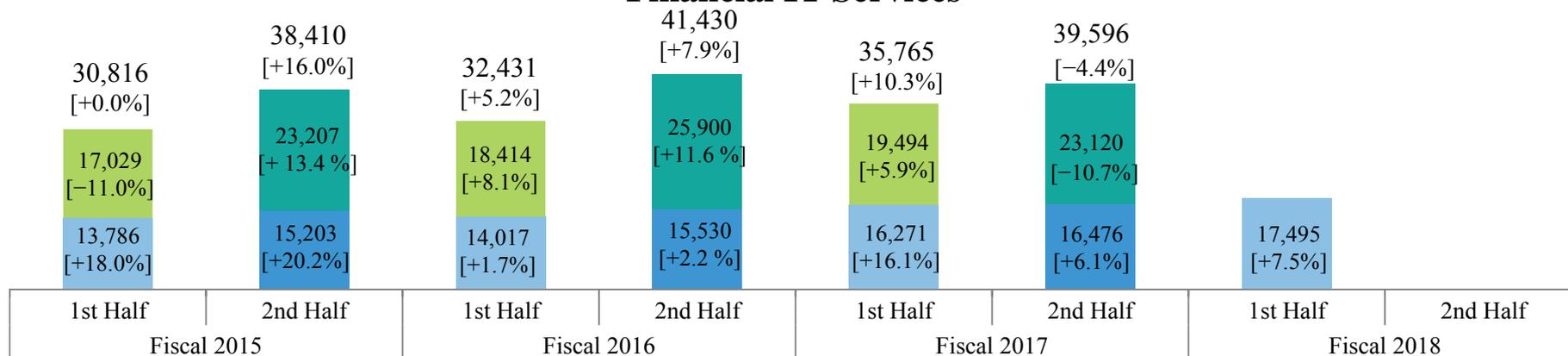
\* Orders received during the term apply to Software Development only.

\* Percentage figures in columns indicate increase or decrease from the previous term.

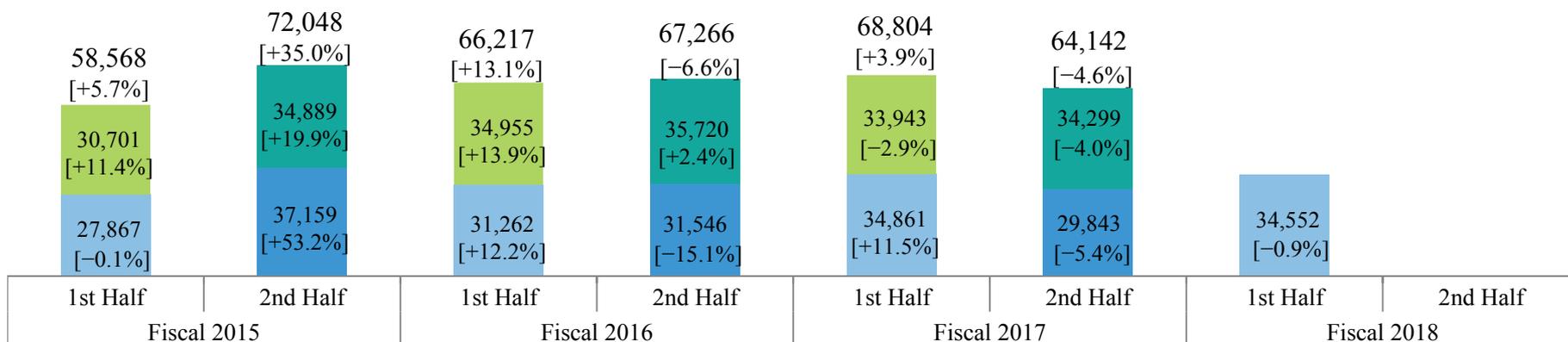
# Changes in Orders Received

[Millions of yen]

## Financial IT Services



## Industrial IT Services



■ Second quarter of first half      ■ Fourth quarter of second half  
■ First quarter of first half      ■ Third quarter of second half

\* Orders received during the term apply to Software Development only.

\* Percentage figures in columns indicate increase or decrease from the previous term.

**Fiscal 2018 First Quarter: Financial Highlights**

**Fiscal 2018 Performance Forecast**

**Reference Materials**

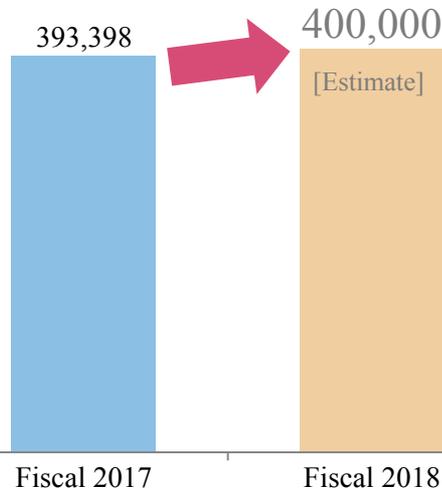
# Fiscal 2018: Performance Forecasts Highlights (1)

[Millions of yen]

- Expecting higher sales and income year on year. Net sales and operating income set at medium-term management plan targets.
  - Seek to push net income attributable to owners of parent, which hit the target stated in the medium-term management plan a year ahead of schedule, even higher.
- ⇒ Moving generally in line with plans, so no changes made to initial target amounts.

## Net Sales

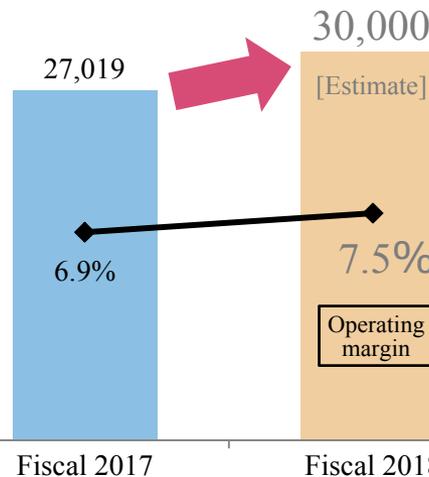
YOY change: +¥ 6,602 million [+1.7%]



Anticipate higher net sales, underpinned by business expansion through accurate responses to clients' IT investment needs and by steady execution of large projects.

## Operating Income

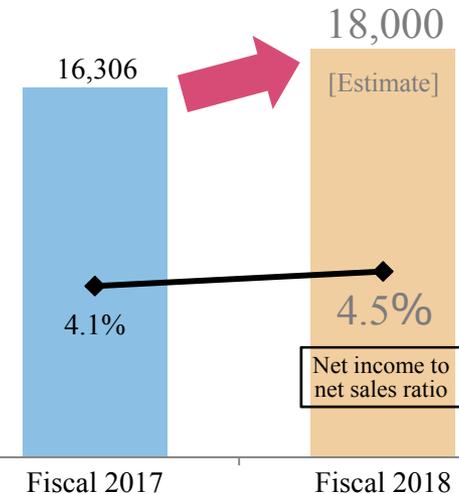
YOY change: +¥2,981 million [+11.0%]



Continued boost not only from higher sales but also from successful efforts to keep projects from turning unprofitable and to enhance productivity. Should be able to absorb higher costs, including prior investments, and post year-on-year increase in operating income.

## Net Income Attributable to Owners of the Parent Company

YOY change: +¥1,694 million [+10.4%]



Looking at higher net income attributable to owners of parent, mainly because of higher operating income.

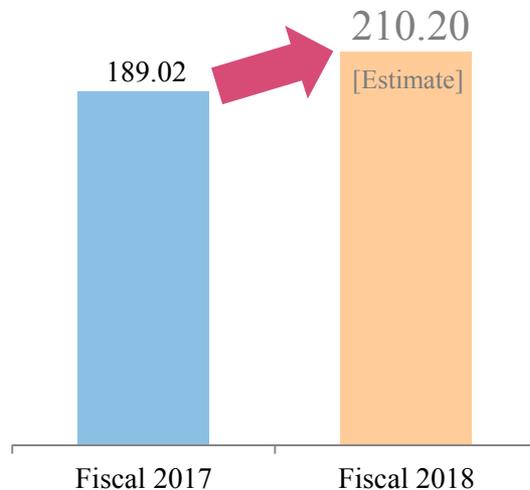
## Fiscal 2018: Performance Forecasts Highlights (2)

[Yen]

- Seeking ROE improvement, with goal to exceed 10% by fiscal 2021.

### Net Income per Share

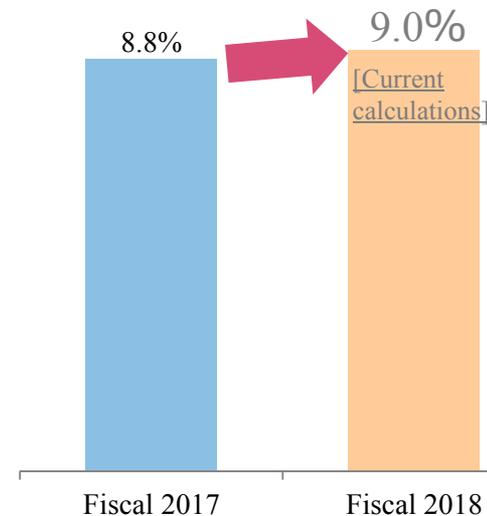
YOY change: +¥21.18 [+11.2 %]



Anticipating year-on-year improvement, paralleling higher net income attributable to owners of parent. (Initial target raised, paralleling purchase of treasury stock)

### ROE

YOY change: +0.2 %



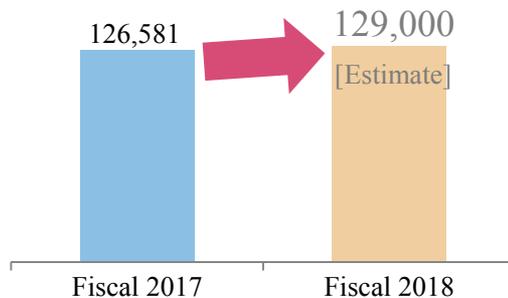
Anticipating further growth, mainly due to higher profitability.

# Fiscal 2018: Key Business Segment Performances [Forecast]

[Millions of yen]

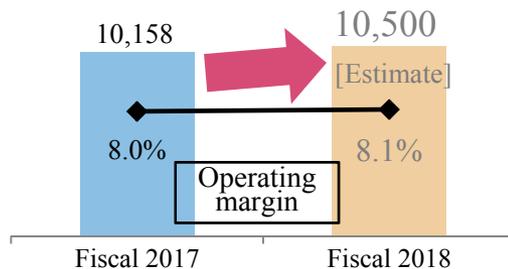
## IT Infrastructure Services Net Sales

YOY change: +¥2,419 million [+1.9%]



## Operating Income

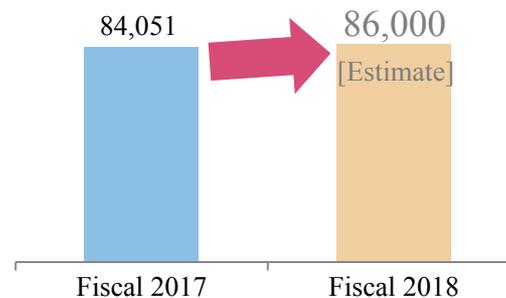
YOY change: +¥ 342 million [+3.4%]



Positive factors, such as expanding data center-related business through Group connections and rising BPO revenue, will absorb some of cost burden and lead to year-on-year improvement in sales and income.

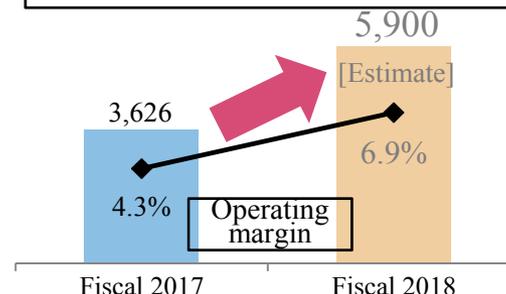
## Financial IT Services Net Sales

YOY change: +¥1,949 million [+2.3%]



## Operating Income

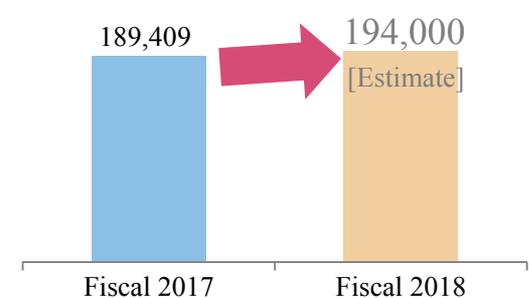
YOY change: +¥2,274 million [+62.7%]



Anticipate year-on-year increase in sales and income, reflecting steady execution of big projects and wider business volume achieved by decisively capitalizing on growing demand for payment settlement services.

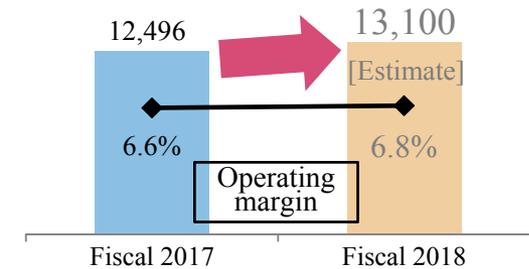
## Industrial IT Services Net Sales

YOY change: +¥4,591 million [+2.4%]



## Operating Income

YOY change: +¥604 million [+4.8%]

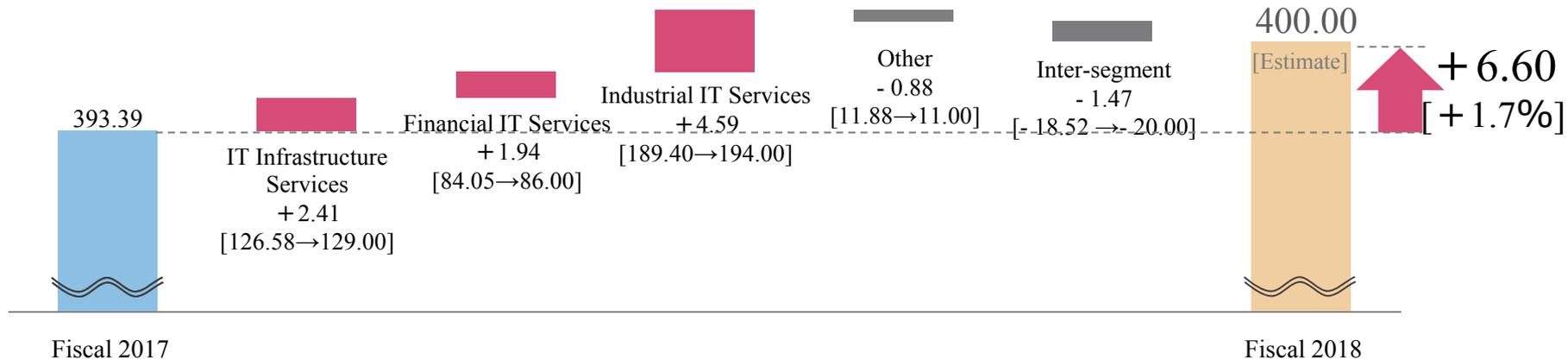


Looking at year-on-year increase in sales and income, as impact of reactionary drop in large projects largely offset by decisive capture of growing ERP demand from manufacturing sector and efforts to promote greater cooperation among Group companies at core.

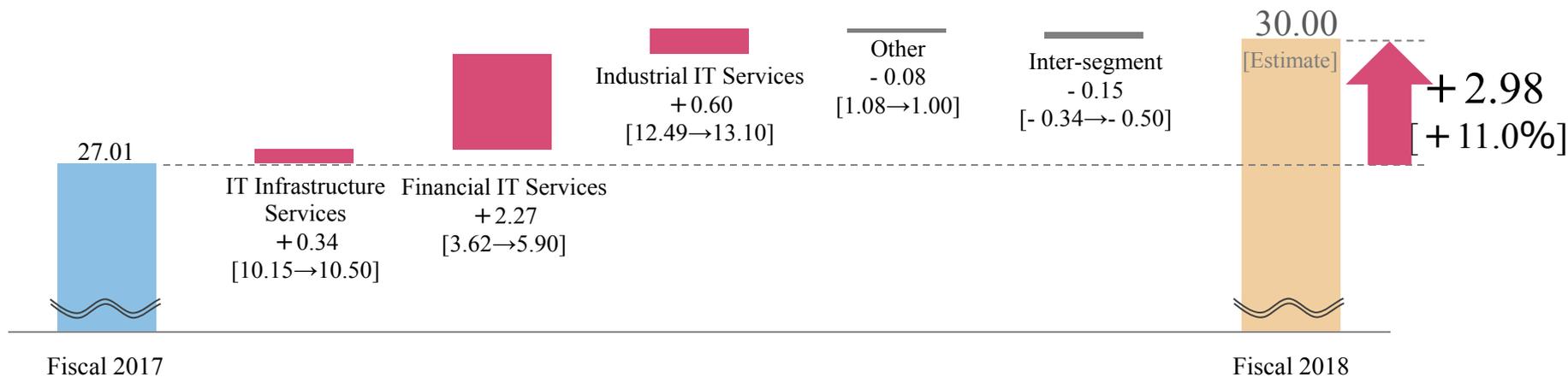
# Fiscal 2018: Net Sales and Operating Income Analysis [Forecast]

[Billions of yen]

## Net Sales



## Operating Income



## Fiscal 2018: Progress on Priority Focus by Key Business Segment

### IT Infrastructure Services

- Accelerate shift toward service-style business through expansion of value-added services, including security, and expand cloud services
- Actively promote cross-selling within the Group for data center/network business, including groupwide Datacenter and cloud services – Customer Adapted Network (DCAN) connection start
- Improve profitability through creation of BPO integration effect and wider base of high-profit projects

### Financial IT Services

- Steadily execute large projects for clients in card-based operations, and embrace themes of strategic importance to core clients
- Expand payment settlement services business by enhancing PAYCIERGE 2.0 presence and accelerating monetization
- Pinpoint diversifying needs in payment settlement sector and expand client base to include payment settlement service providers, and clients in distribution and transportation sectors
- Business sentiment among banks and insurers is unclear, but marketing will target key themes, especially core client operations

### Industrial IT Services

- Steadily execute large projects for clients in public sector
- Cultivate demand by embracing themes of strategic importance to core clients and by drawing on Group connections
- Expand client base by embracing ERP replacement demand, especially among manufacturers
- IT strategies are viewed as having a direct link to management strategies, so promote “untiring pursuit of high-value-added businesses” by reinforcing consulting and upstream businesses to complement existing SI business

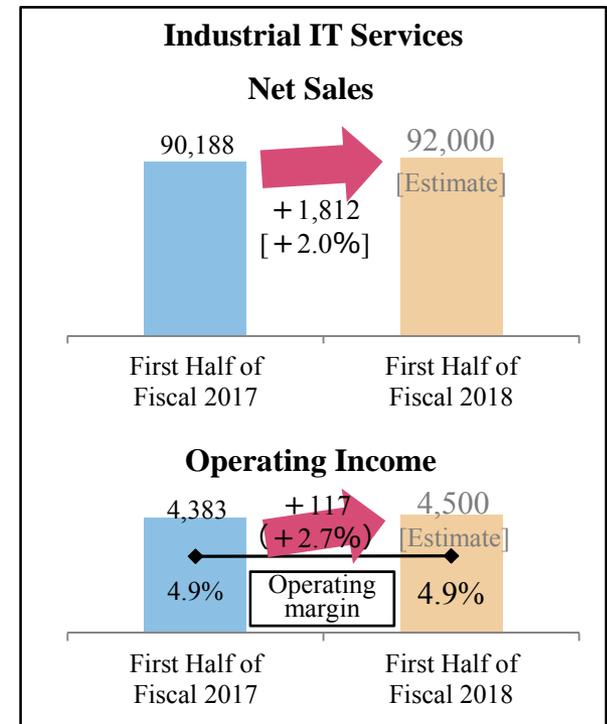
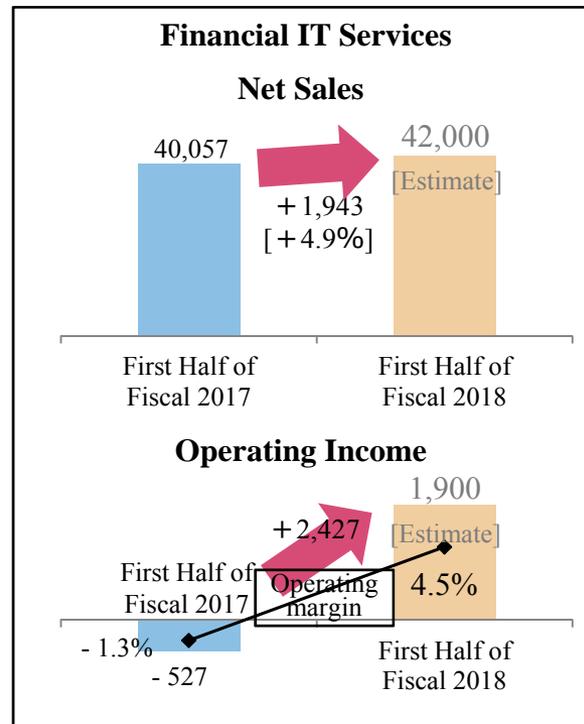
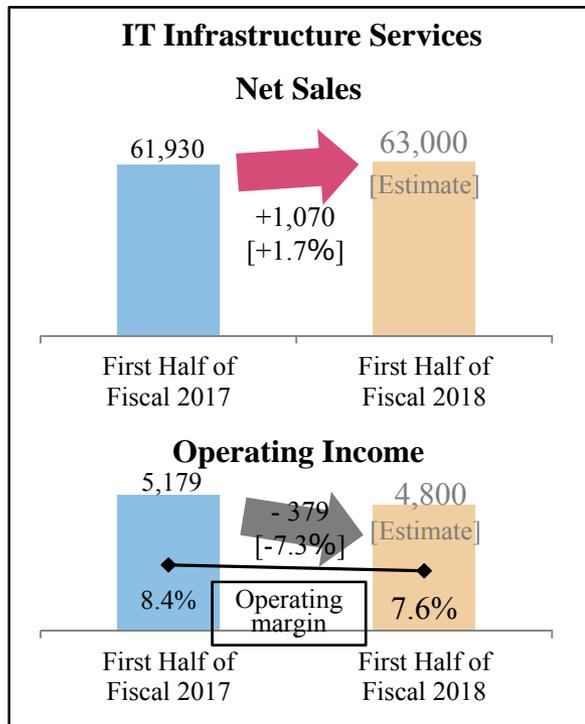
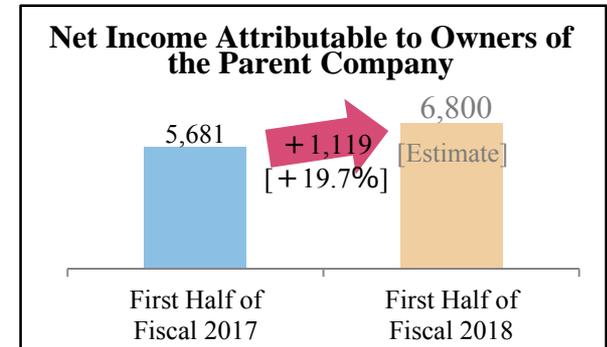
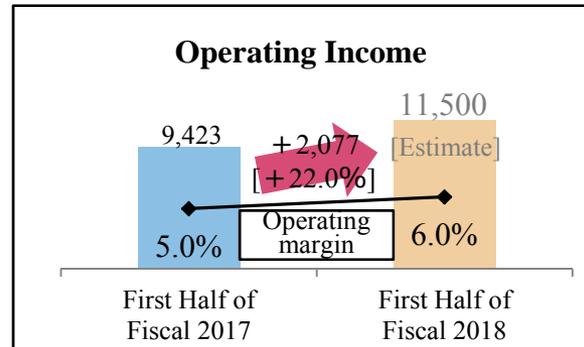
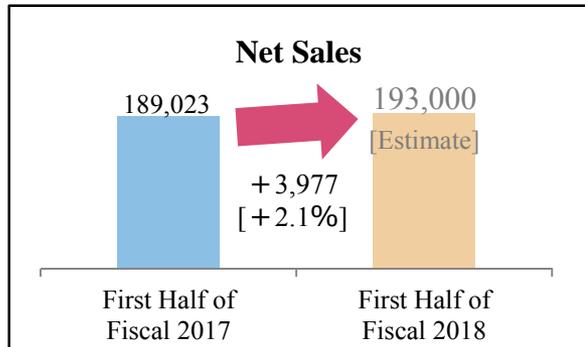
**Fiscal 2018 First Quarter: Financial Highlights**

**Fiscal 2018 Performance Forecast**

**Reference Materials**

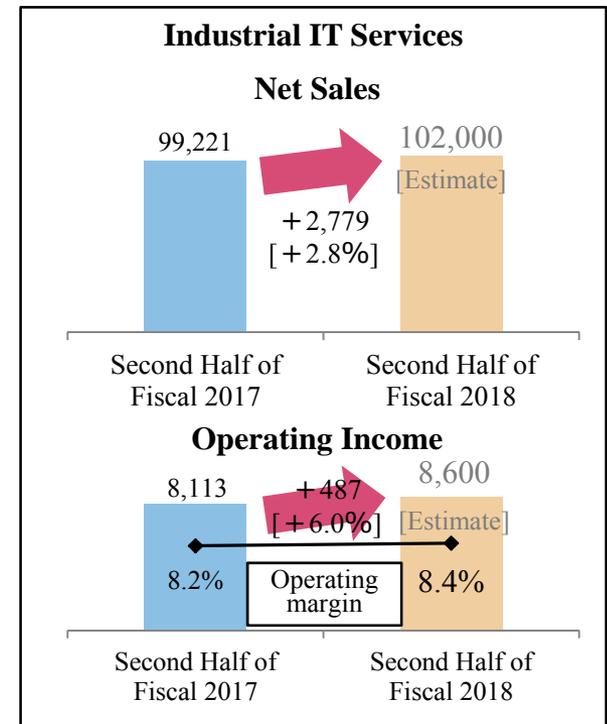
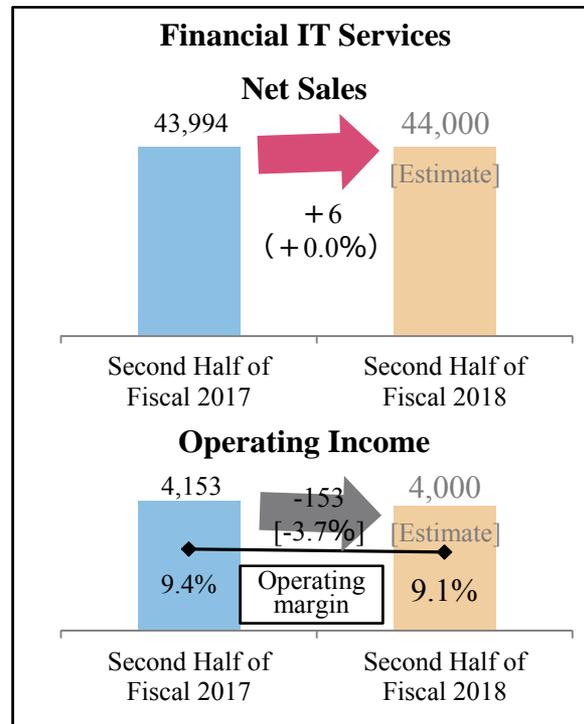
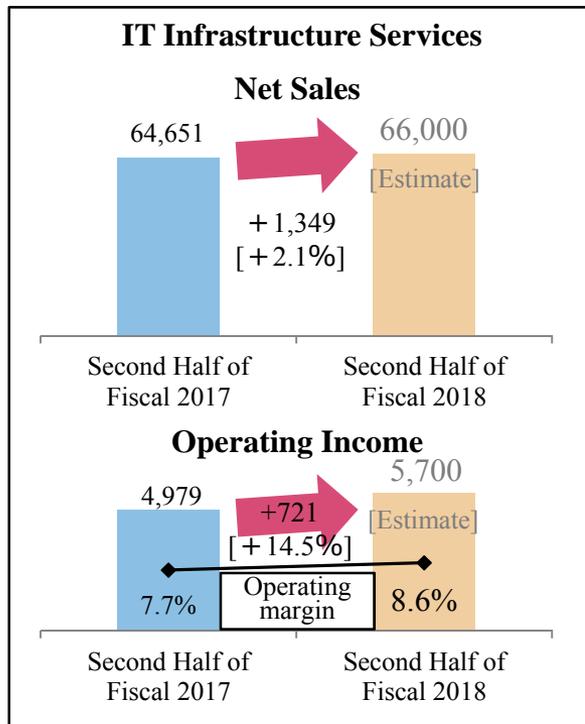
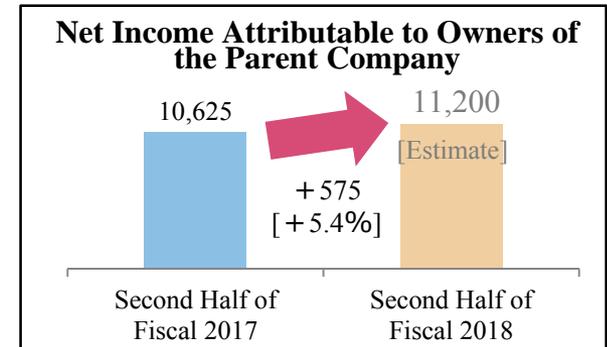
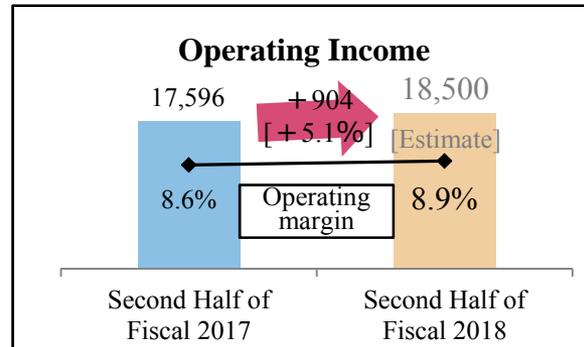
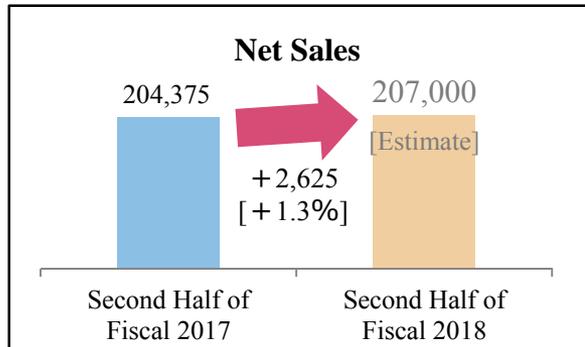
# Fiscal 2018 First Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



# Fiscal 2018 Second Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



**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.