



**TIS**

TIS INTEC Group

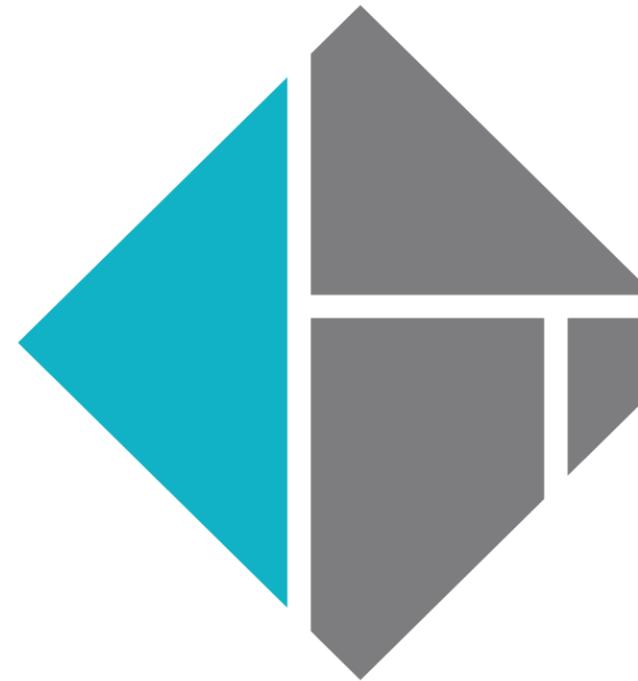
Go Beyond

# **Information Meeting Materials for the Fiscal Year Ended March 31, 2018**

---

**May 10, 2018**

**TIS Inc.**



## **Fiscal 2018 Financial Highlights**

## **Fiscal 2019 Performance Forecast**

## **Reference Materials**

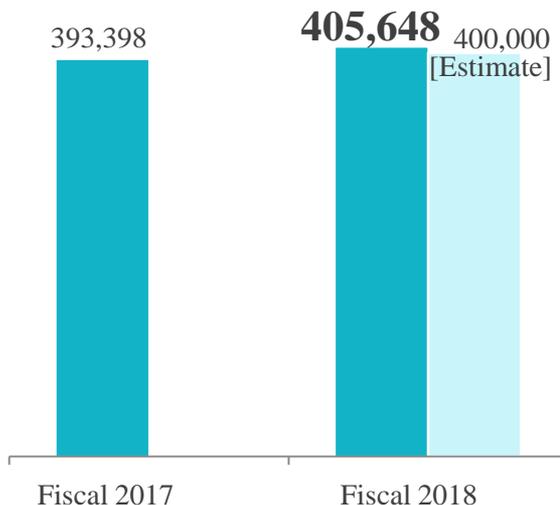
# Fiscal 2018: Performance Highlights (1)

[Millions of yen]

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

## Net Sales

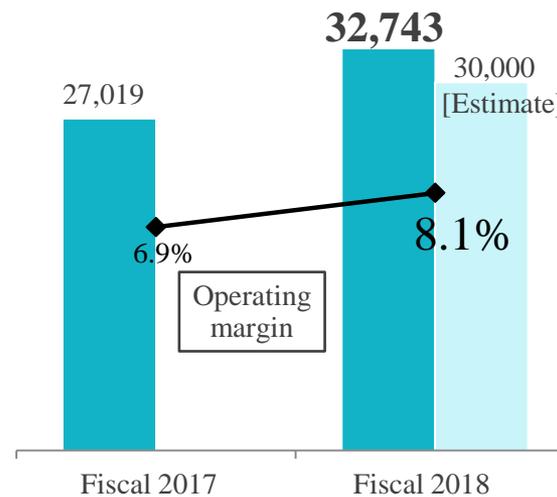
YOY change +¥12,249 million [+3.1%]  
Compared with estimate: +¥5,648 million [+1.4%]



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. Exceeded target.

## Operating Income

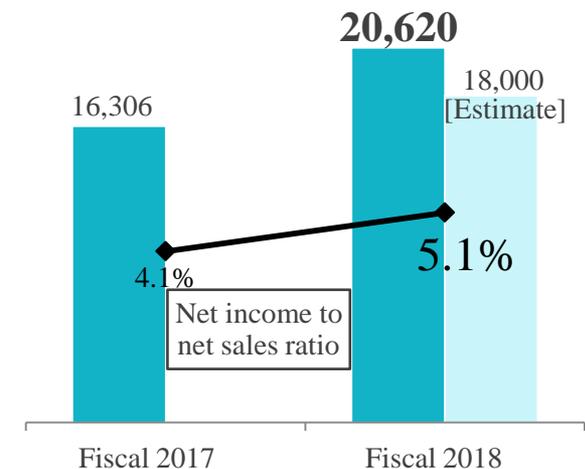
YOY change +¥ 5,724 million [+21.2%]  
Compared with estimate: +¥ 2,743 million [+9.1%]



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 enhance employee benefits and sharpen competitiveness. Exceeded target.

## Net Income Attributable to Owners of the Parent Company

YOY change +¥ 4,314 million [+26.5%]  
Compared with estimate: +¥ 2,620 million [+14.6%]



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

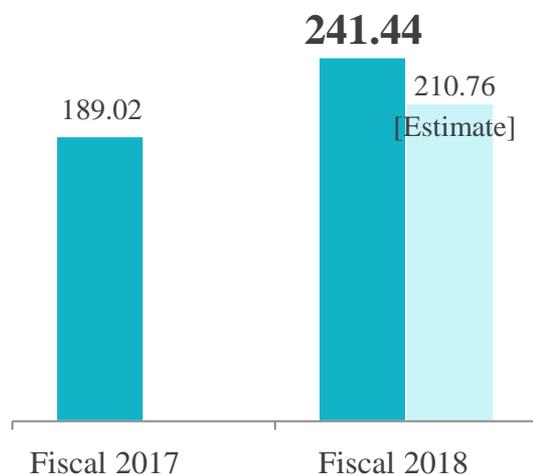
## Fiscal 2018: Performance Highlights (2)

[Yen]

- ROE improved year-on-year, thanks to higher profitability. Exceeded initial target.

### Net Income per Share

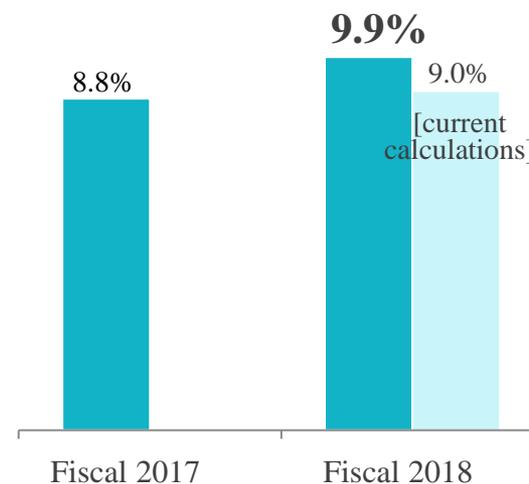
YOY change: +¥52.42 [+27.7%]  
Compared with estimate: +¥ 30.68 [+14.6%]



Year-on-year improvement, paralleling higher net income attributable to owners of parent. Exceeded target.

### ROE

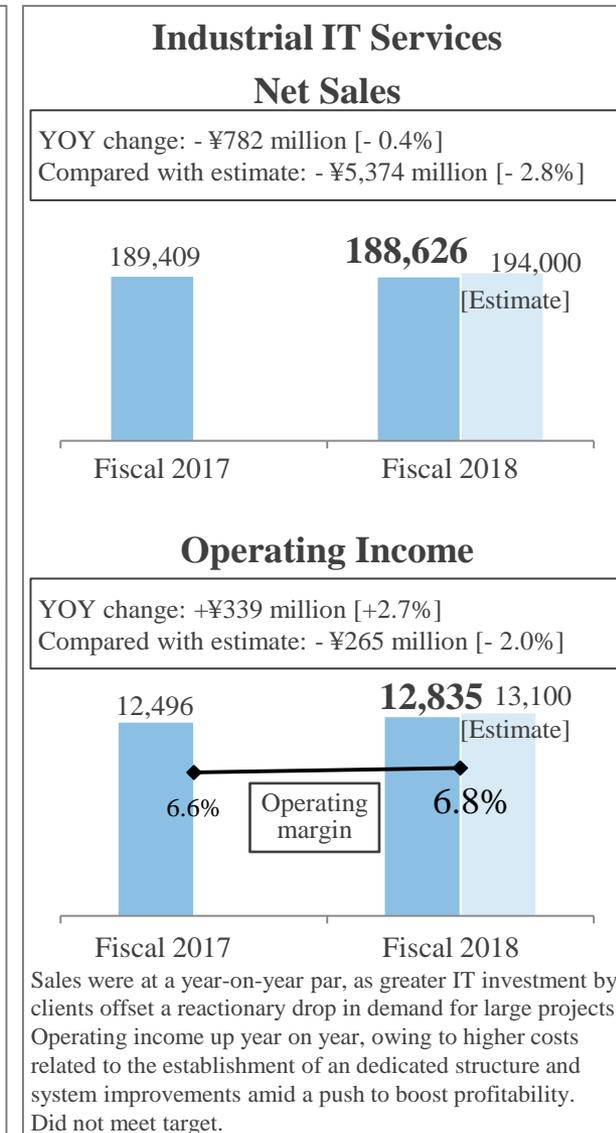
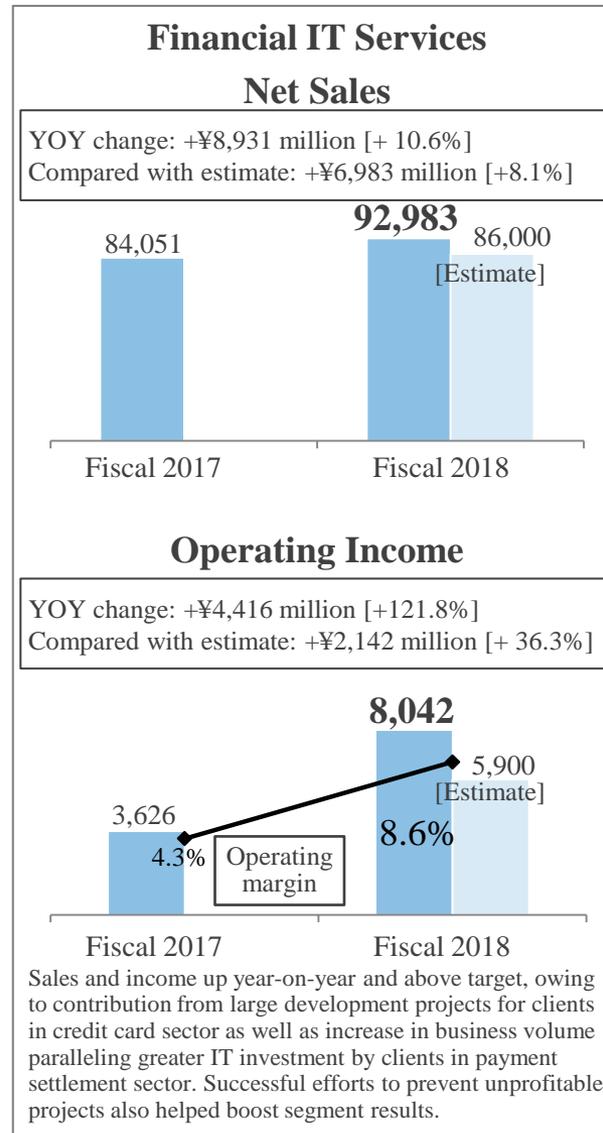
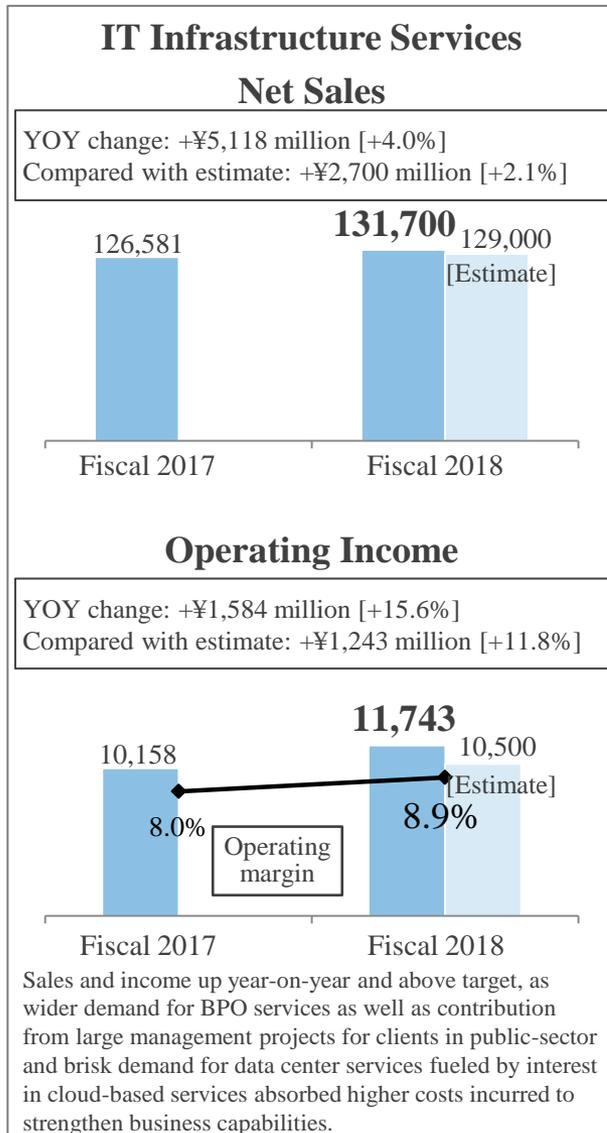
YOY change: +1.1 %  
Compared with preliminary calculation: +0.9%



Year-on year improvement, mainly reflecting higher profitability. Better than initially projected.

# Fiscal 2018: Sales and Income for Key Business Segments

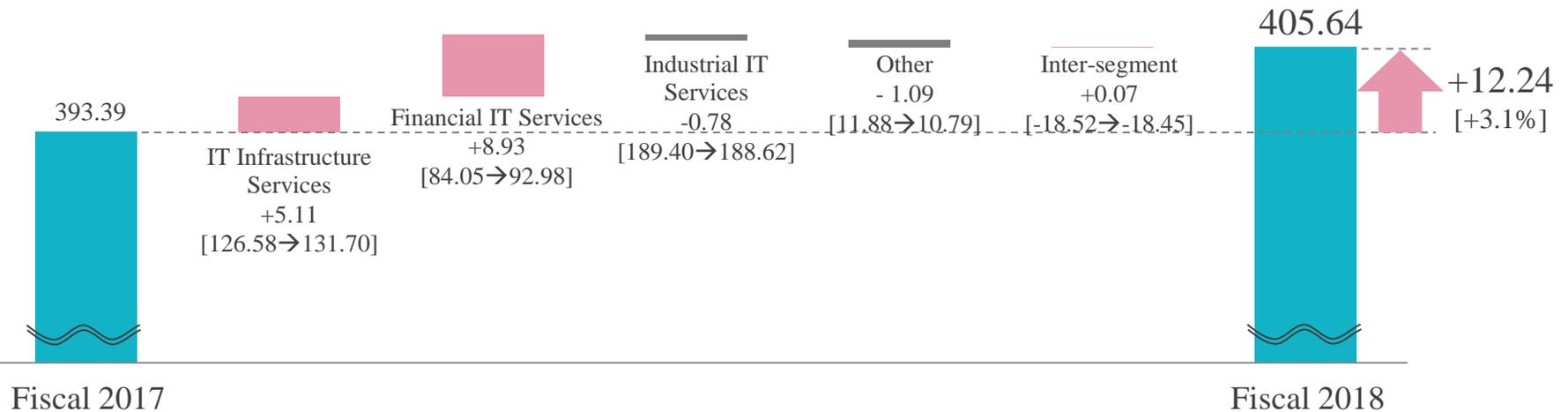
[Millions of yen]



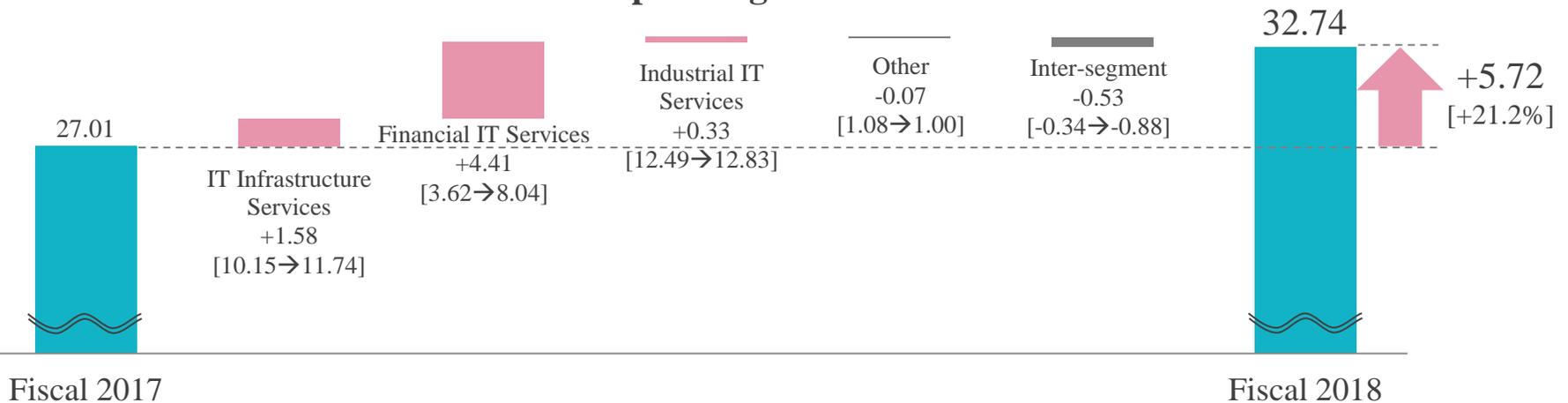
# Fiscal 2018: Net Sales and Operating Income Analysis

[Billions of yen]

## Net Sales

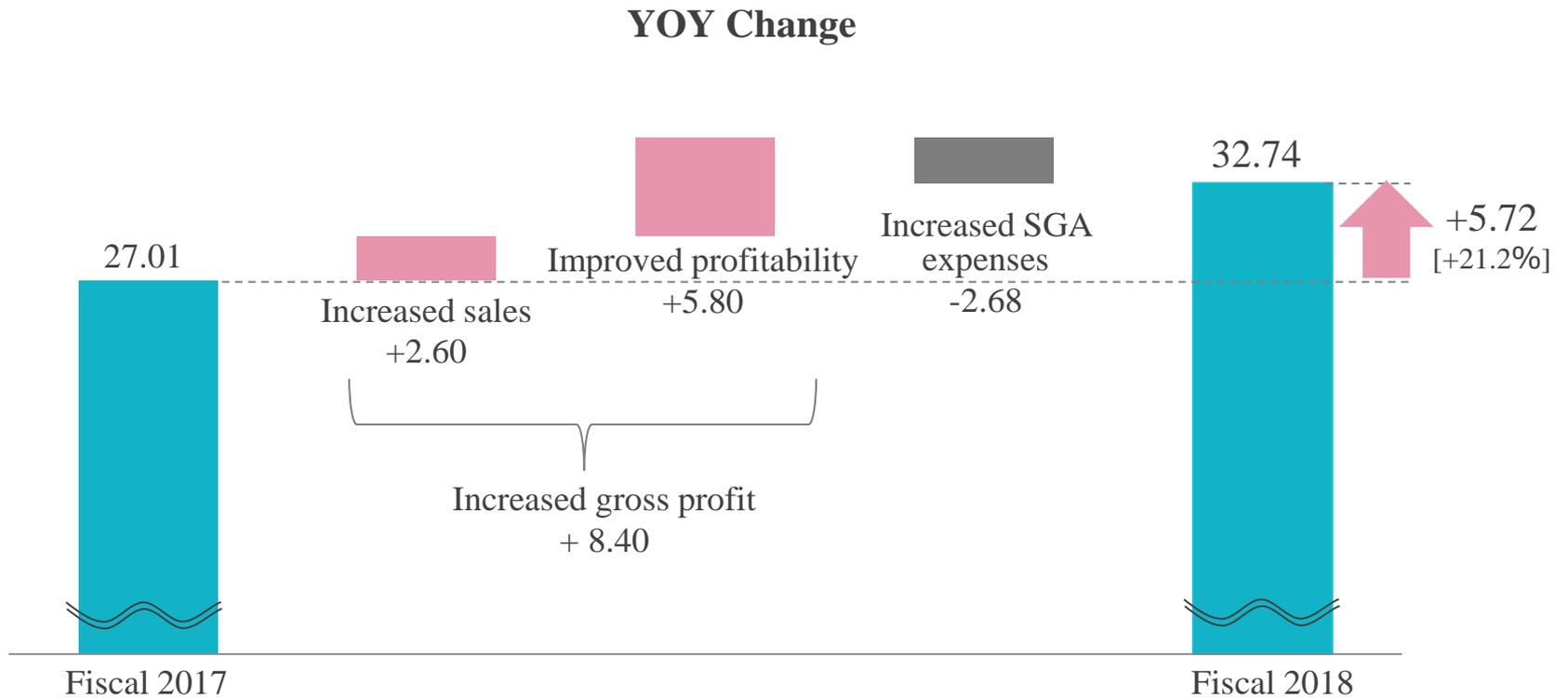


## Operating Income



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

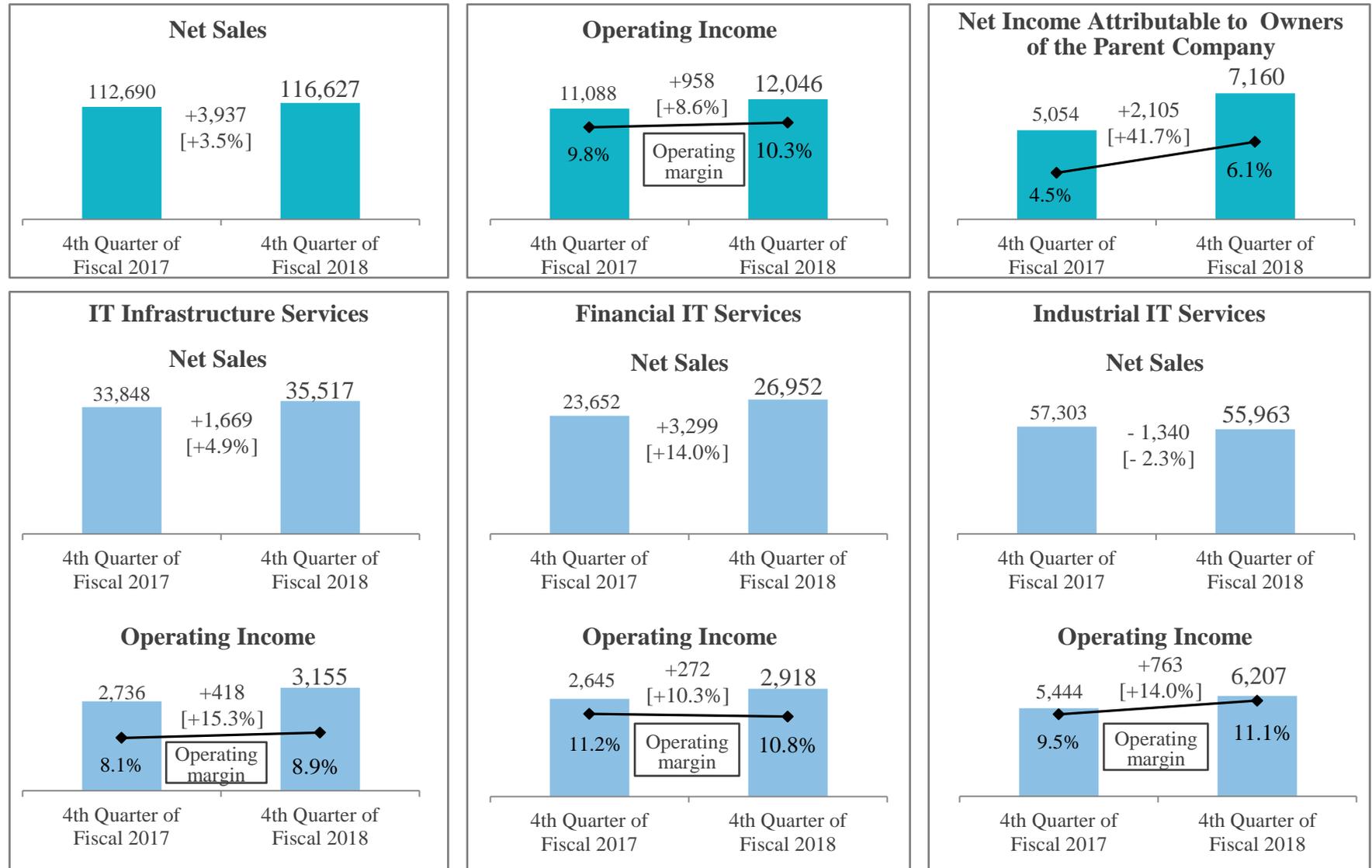
[Billions of yen]



# Reference: Fiscal 2018 Fourth Quarter (January - March)

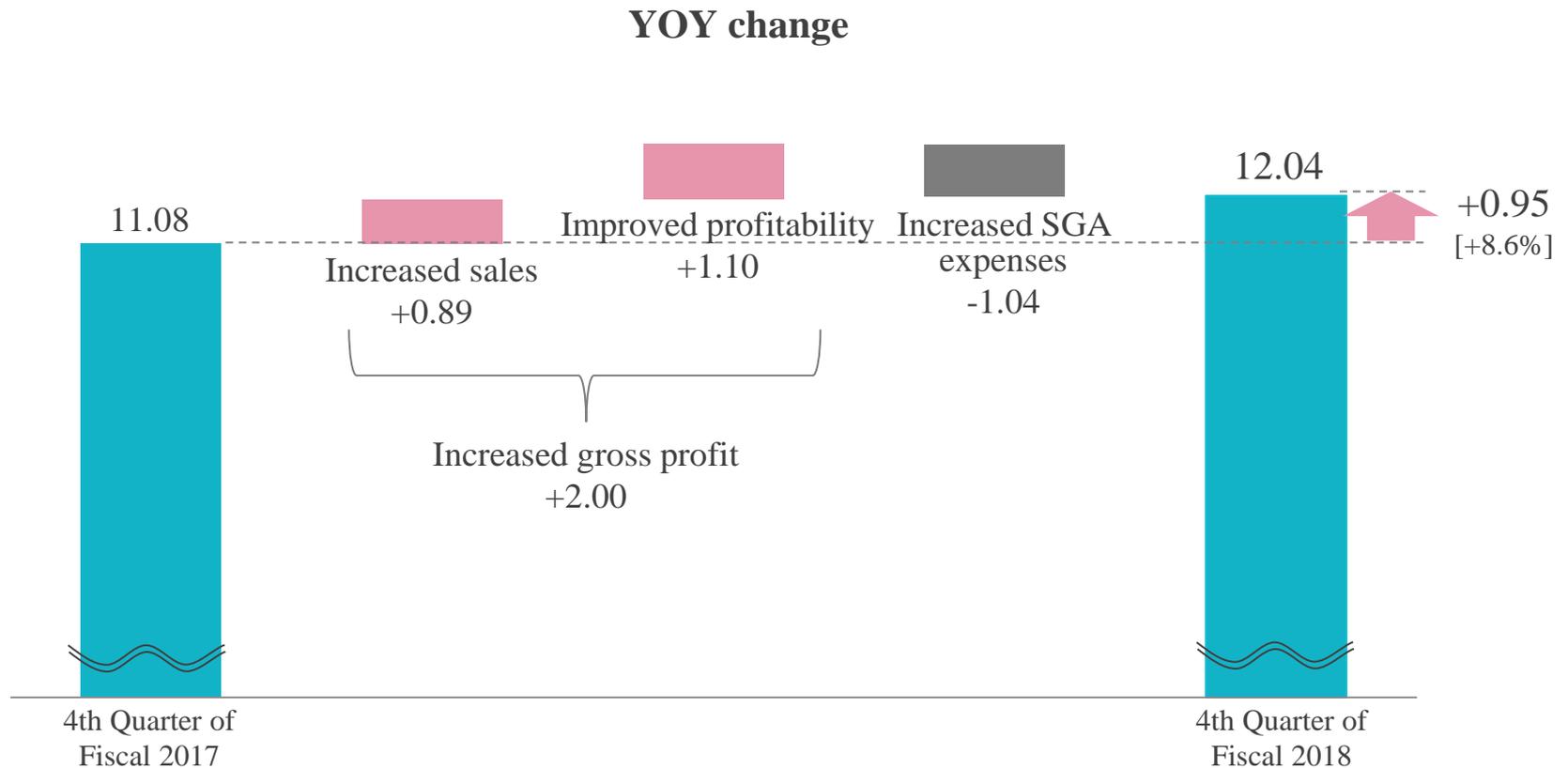
## Sales and Income for Key Business Segments

[Millions of yen]



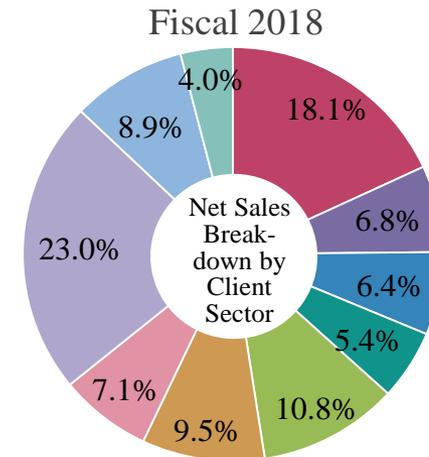
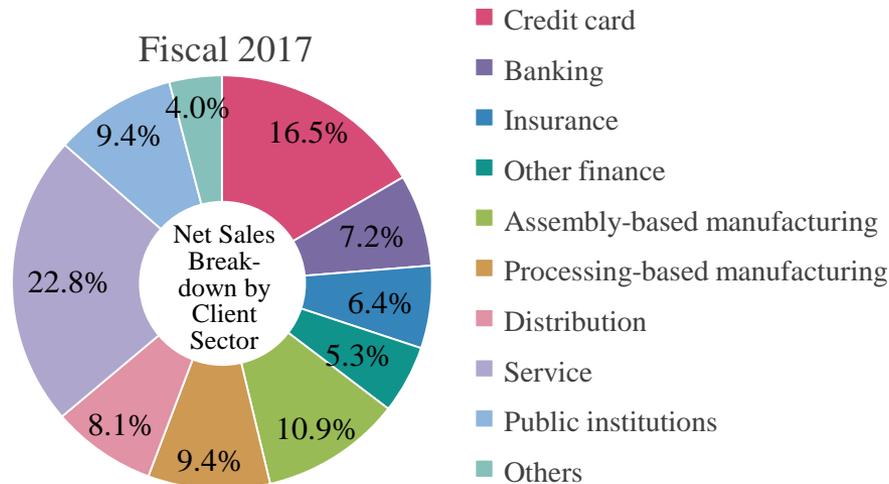
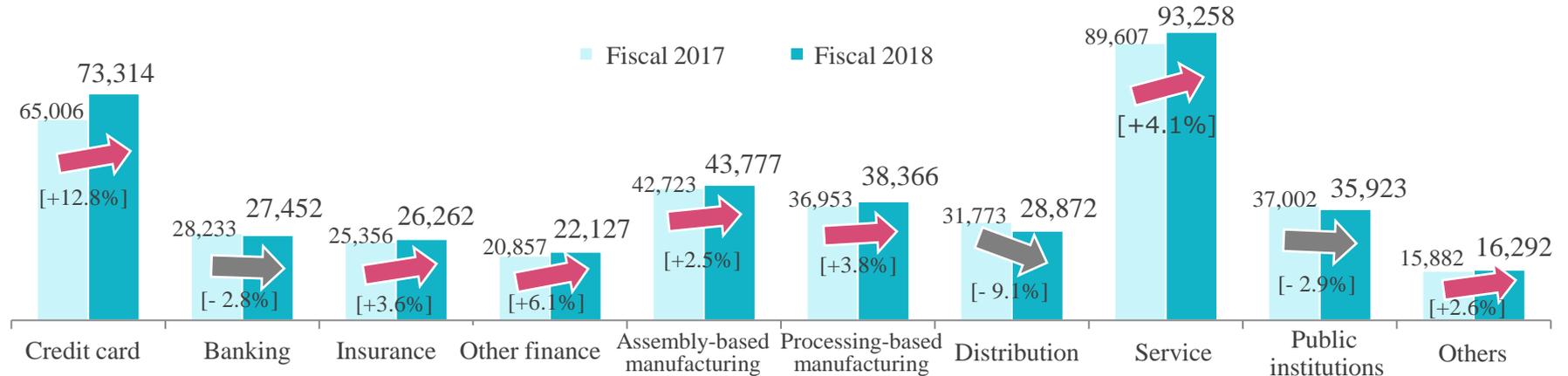
# Reference: Fiscal 2018 Fourth Quarter (January - March) Operating Income Analysis, Increase/Decrease Reason

[Billions of yen]



# Fiscal 2018 : Sales by Client Sector

[Millions of yen]



Financial sector: 35.4 %    Industrial sector: 51.2 %  
Public sector: 9.4 %    Other sectors: 4.0%

Financial sector: 36.7 %    Industrial sector: 50.4 %  
Public sector: 8.9 %    Other sectors: 4.0%

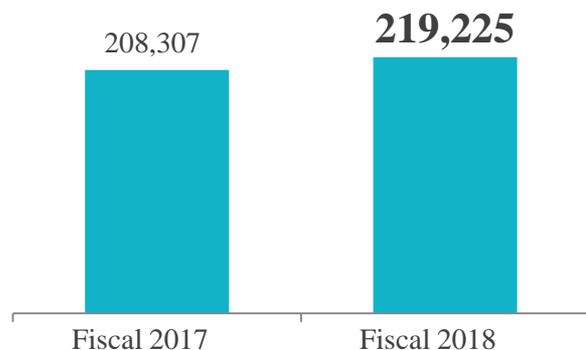
# Fiscal 2018 : Order Status

[Millions of yen]

- Absorbed factors such as reactionary drop in large software development projects and kept order volume and backlog at year-end above fiscal 2017 levels.
- Second-half recovery in order volume for industrial IT services, which had trended low in the first half, led to full-year improvement year on year.

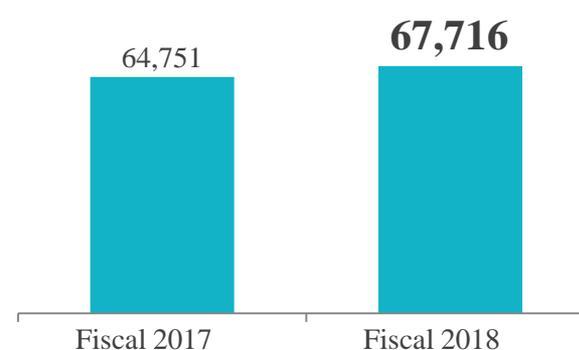
## Order received during fiscal year

YOY change: + ¥10,918 million [+5.2%]

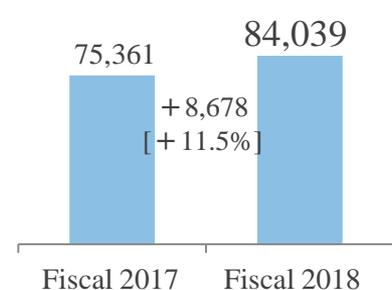


## Order backlog at year-end

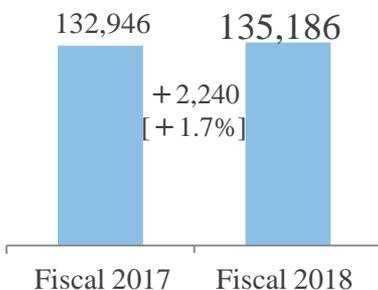
YOY change: + ¥2,965 million [+4.6%]



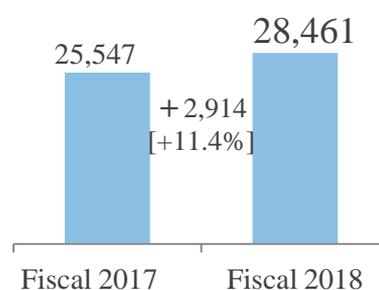
### Financial IT Services



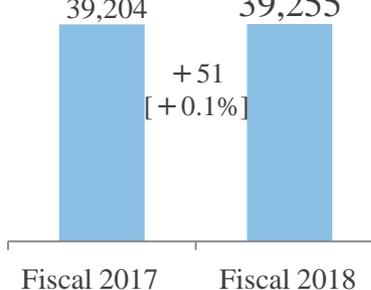
### Industrial IT Services



### Financial IT Services

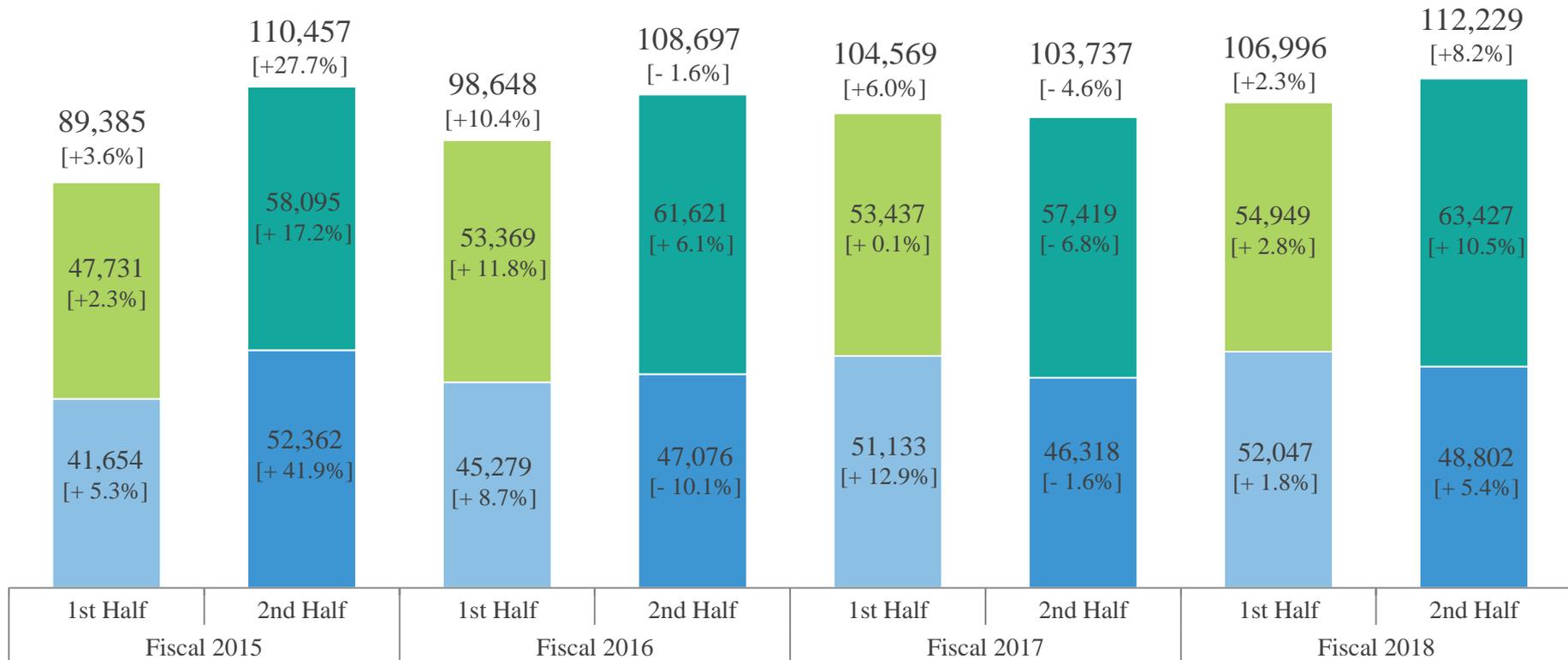


### Industrial IT Services



# 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

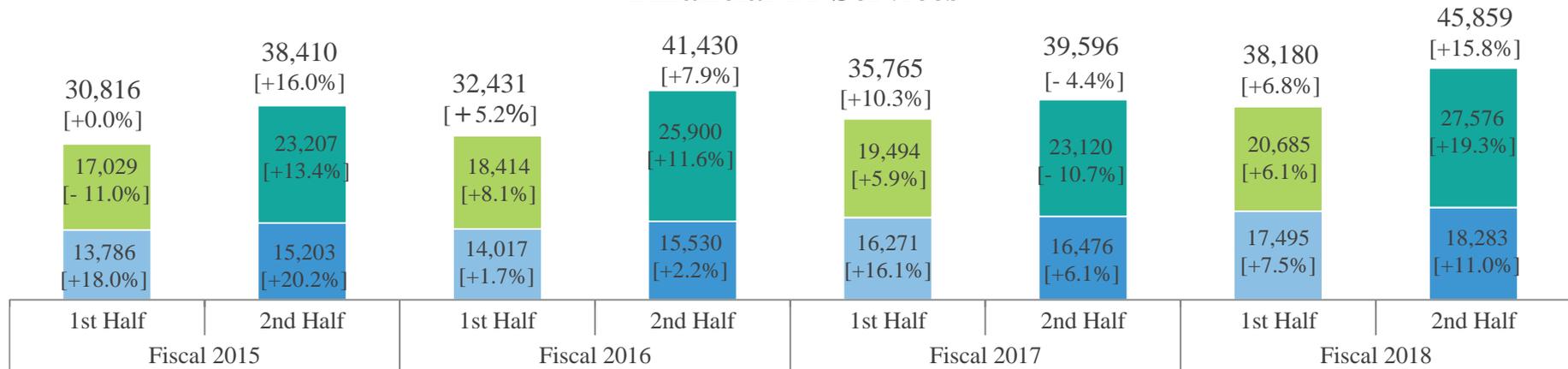
\* Orders received during the term apply to Software Development only.

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

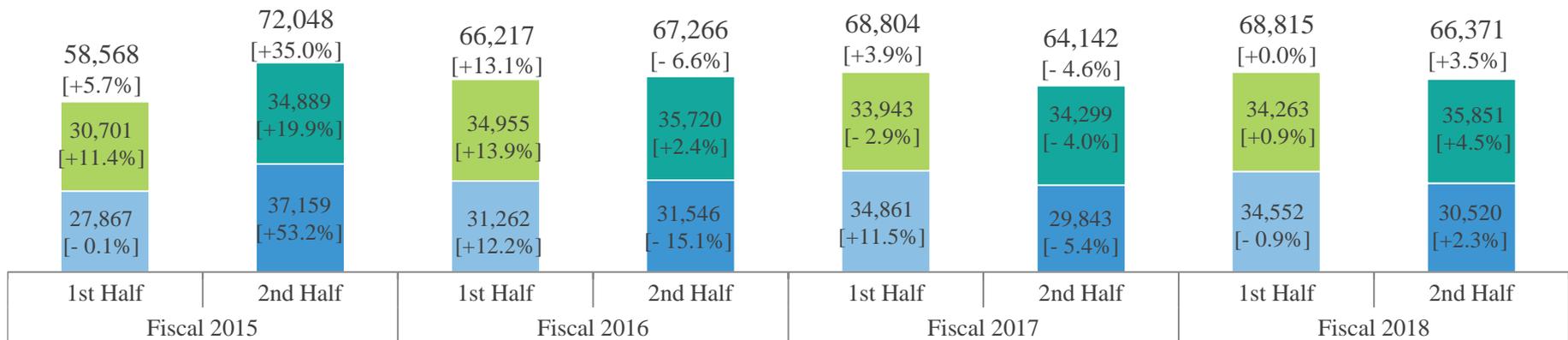
# Changes in Orders Received

[Millions of yen]

## Financial IT Services



## Industrial IT Services

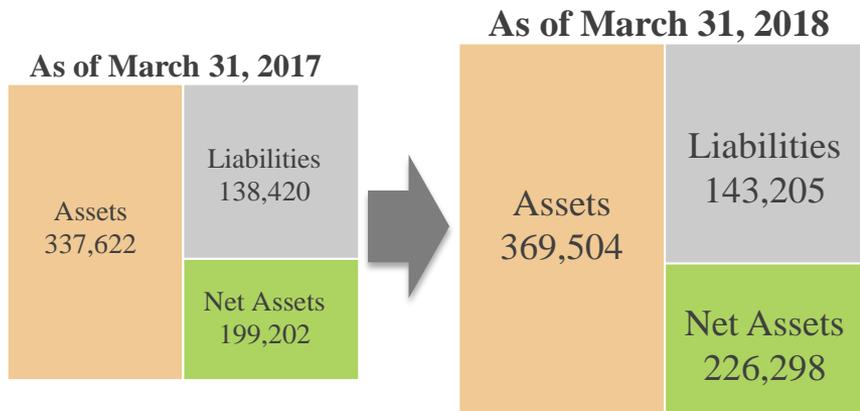


# Fiscal 2018: Balance Sheets and Cash Flow Status

[Millions of yen]

- Total assets increased, mainly due to the impact from higher market value of marketable securities.
- Continued to reduce assets, primarily strategic stockholdings and real estate.

## Balance Sheets



### Assets: +¥31,881 million

- Current assets : +¥16,507 million  
[Includes cash and deposits +¥11,895 million]
- Fixed assets : +¥15,373 million  
[Includes investments in securities +¥14,610 million]

### Liabilities: +¥ 4,785 million

- Current liabilities: +¥2,635 million
- Fixed liabilities: +¥2,149 million

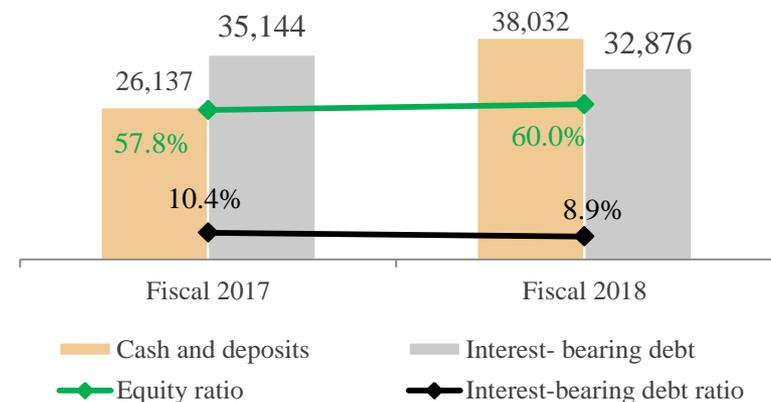
### Net Assets : +¥ 27,096 million

- Shareholders' equity: + ¥ 14,406 million  
[Includes retained earnings + ¥ 17,452 million]
- Other total comprehensive income : + ¥ 12,174 million  
[Includes net unrealized gains on other securities + ¥ 11,444 million]

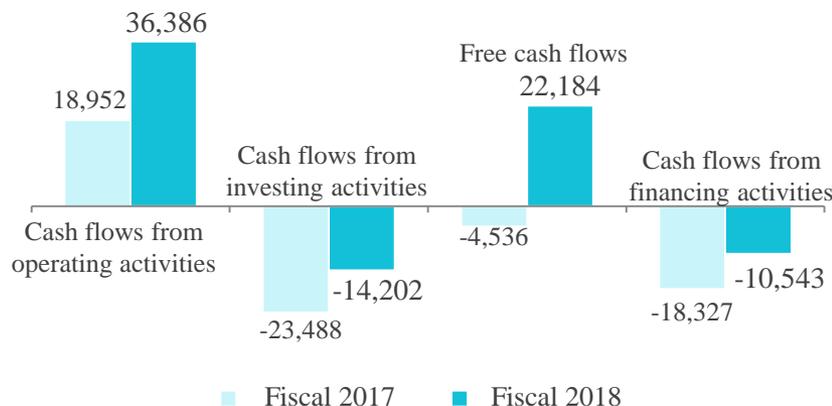
### Equity Ratio: 60.0% [+2.2%]

### Interest-bearing Debt:

+¥ 32,876 million [- ¥2,266 million]



## Cash Flows



**Fiscal 2018 Financial Highlights**

**Fiscal 2019 Performance Forecast**

**Reference Materials**

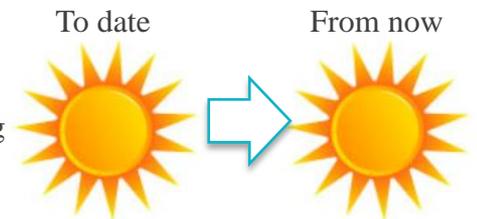
**Note: Reporting segments have changed, paralleling application of new management approach, effective as of fiscal 2019.**

# Understanding the External Environment

- Business environment should continue to move in a favorable direction, against a backdrop highlighted by wider IT investment needs among clients increasingly keen to embrace digital management.
- Factors indispensable to business growth are perceptively identifying changes in the external environment, including social issues, namely changes in industry structure and new workstyles, and corporate transformation that helps solve social issues.

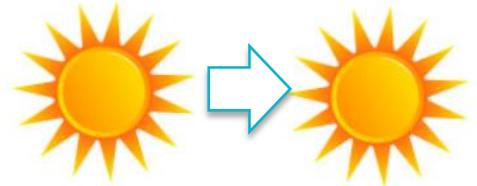
## Service IT Business

- ✓ Trend toward greater use of cloud services to continue. Cloud procurement likely to account for majority of services provided in 2020.
- ✓ Domestic security market to continue high growth up to 2020, with information security becoming a major management issue.
- ✓ IT investment to remain at high level in wide range of industry sectors, owing to changing structure of retail payment settlement business.



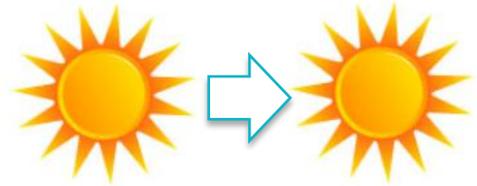
## BPO

- ✓ BPO business should see sustained increase in demand for outsourced administration services contributing to improved corporate management.
- ✓ Digital innovation demand expanding in response to changing environment caused by persistent shortage of personnel and evolving workstyle reform.



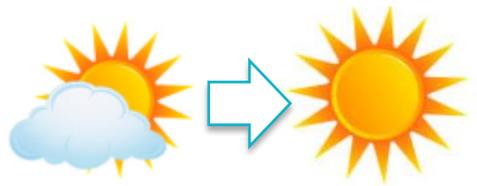
## Financial IT Business

- ✓ In the credit card sector, IT investment will remain high, especially for core system replacement demand and to address changing structure of retail payment settlement business.
- ✓ Sense of uncertainty exists in banking and insurance sectors but IT investment appears to be on recovery trend, hinging on industry majors, owing to progress on business and service reforms.



## Industrial IT Business

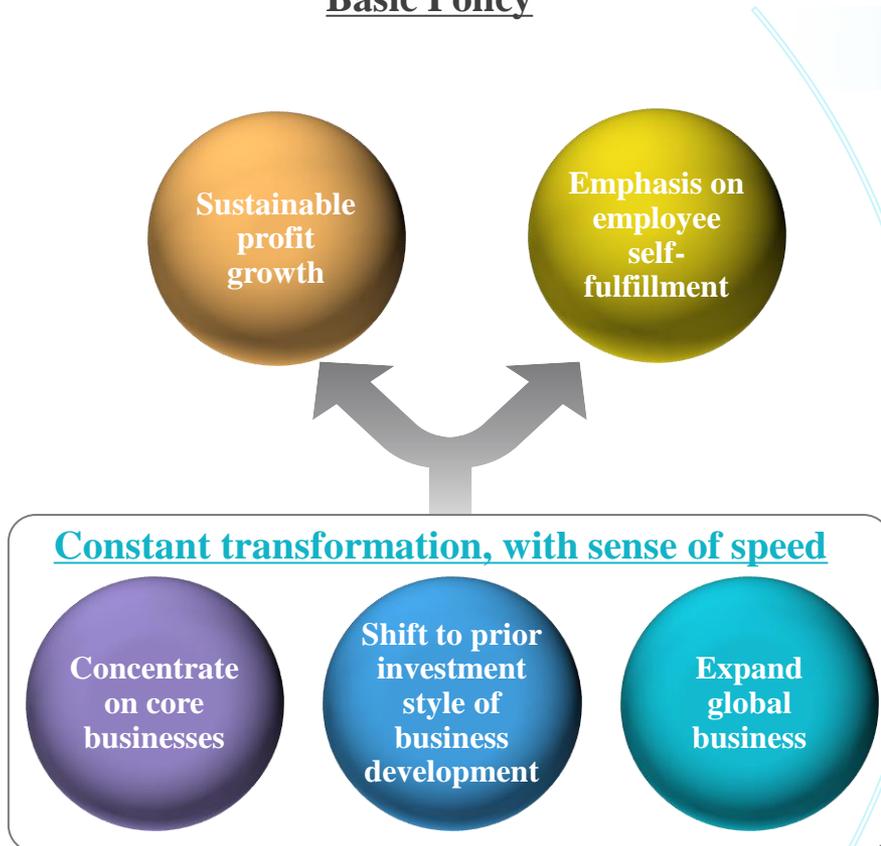
- ✓ In manufacturing, service and distribution sectors, companies will continue to invest in front-office IT to sharpen competitive edge, especially in marketing-related pursuits.
- ✓ IT investment to underpin electric power and gas system reforms should lead to increase in inquiries owing to new demand, including approaches to deal with corporate spin-offs.



# Fiscal 2019 Group Management Direction

## Medium-Term Management Plan (2018-2020)

### Basic Policy



## Fiscal 2019 Group Management Direction

### **Charge forward on switch to service-style business**

Push vigorously ahead on structural transformation, seeking new set of values and style emphasizing speed and flexibility as well as knowledge-intensive style business structure

### **Robust prior investment to create new services**

Selectively invest in growth and forte fields to turn service-style businesses into growth engines

### **Added-value and productivity improvements in domains of expertise**

Focus on forte fields and key client businesses, eliminate unprofitable projects, implement enhancement reforms, and improve order profitability in good business environment

### **Promote growth strategy aimed at becoming a top-class IT group in ASEAN region**

Expand business domains established through cooperation built over time with overseas partners in line with global strategy and pursue strategic investments

### **Boost motivation and reinforce human resource management**

Strive to create framework and corporate culture in which employees—the driving force behind the Group’s growth—can thrive, and steadily realize measures described in personnel manifest

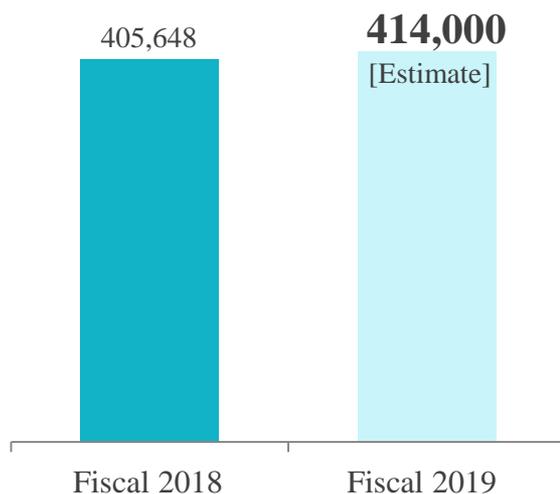
# Fiscal 2019: Performance Forecasts-1

[Millions of yen]

- Amid brisk business conditions, absorb reactionary drop in large projects and work toward higher sales and higher income.
- Vigorously invest into growth domains and forte fields to facilitate structural transformation described in new medium-term management plan.

## Net Sales

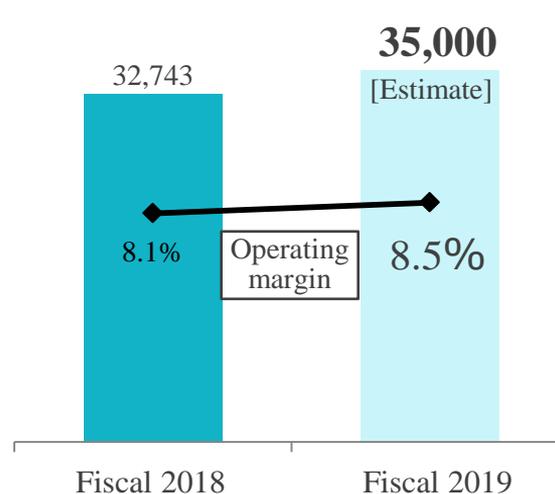
YOY change +¥8,352 million [+2.1%]



Focusing on service IT and industrial IT demand, strive to expand business through accurate responses to IT investment needs of clients,. Expect year-on-year increase in sales.

## Operating Income

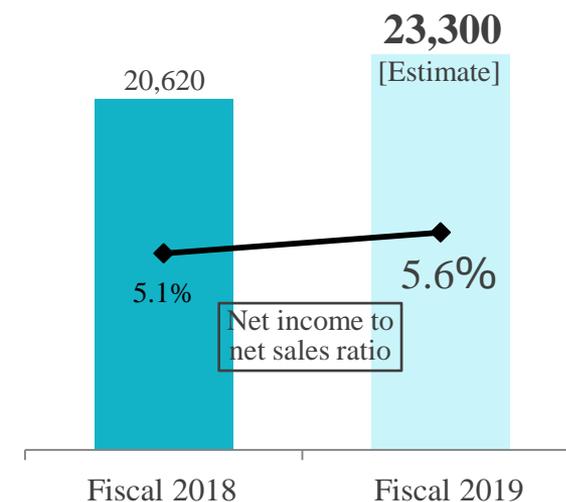
YOY change +¥ 2,257 million [+6.9%]



Higher sales effect and ongoing effort to boost productivity. Will absorb higher cost burden associated with structural transformation, including embrace of prior investment approach. Should lead to year-on-year increase in operating income.

## Net Income Attributable to Owners of the Parent Company

YOY change +¥ 2,680 million [+13.0%]



Increase in operating income and higher extraordinary income should deliver year-on-year improvement in income attributable to owners of parent.

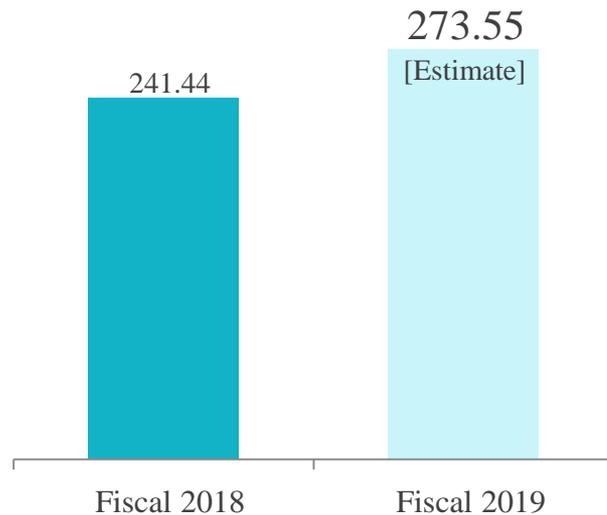
## Fiscal 2019: Performance Forecasts-2

[Yen]

- Seeking to exceed initial 10% ROE target.

### Net Income per Share

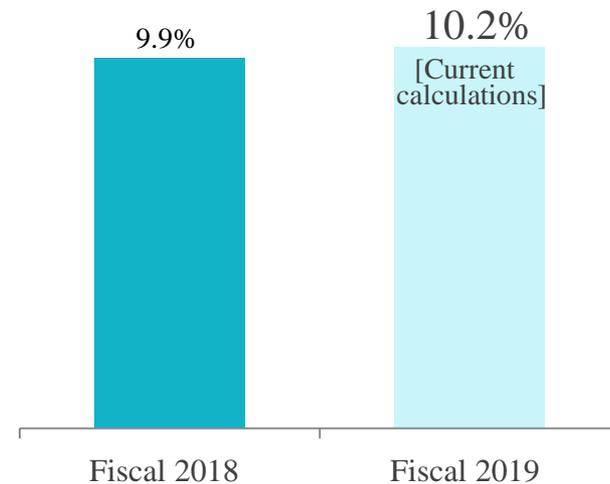
YOY change: + ¥32.11 [+13.3%]



Anticipating year-on-year improvement, paralleling higher net income attributable to owners of parent.

### ROE

YOY change: + 0.3 %



Anticipating further growth, mainly due to higher profitability.

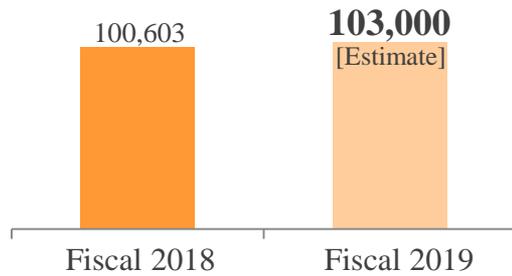
# Fiscal 2019: Key Business Segment Performances [Forecast]

[Millions of yen]

## Service IT Business

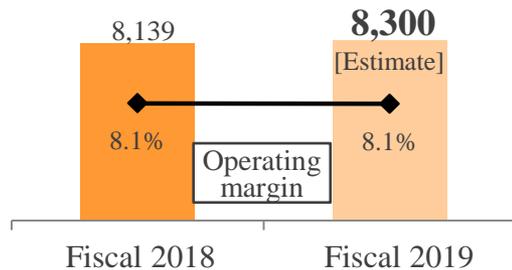
### Net Sales

● YOY Change: +¥2,397 million [+2.4%]



### Operating Income

● YOY Change: +¥ 161 million [+2.0%]

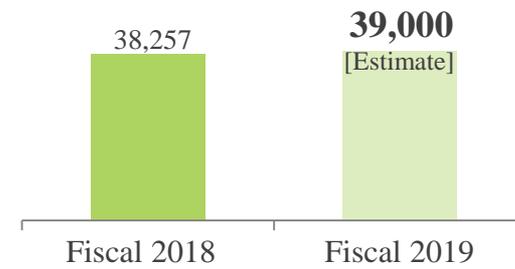


IT investment activities in growth fields, such as the cloud and networks, as well as definite efforts to expand payment settlement business and ERP demand will absorb cost burden of prior investments and should lead to higher sales and income.

## BPO

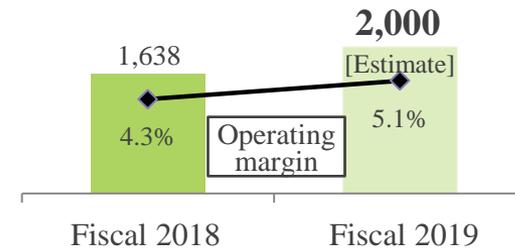
### Net Sales

● YOY Change: +¥ 743million [+ 1.9%]



### Operating Income

● YOY Change: +¥362 million [+ 22.1%]



Promote enhanced profitability through restructuring, by integrating BPO business locations and ensuring thorough profitability management, and through a shift to high-level, combined BPO services. Sales and income should increase year on year.

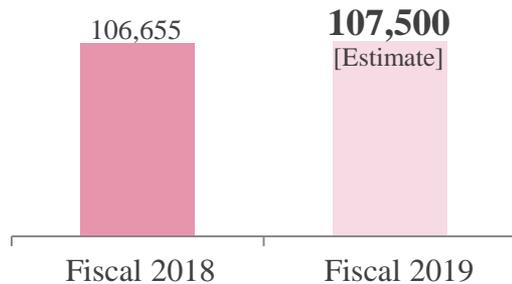
# Fiscal 2019: Key Business Segment Performances [Forecast]

[Millions of yen]

## Financial IT Business

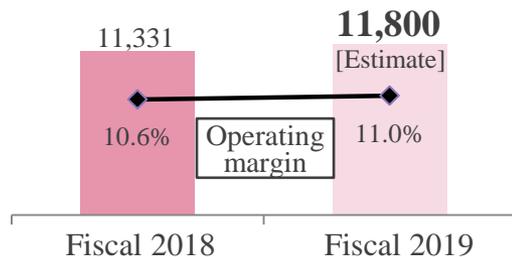
### Net Sales

● YOY Change: +¥ 845 million [+0.8%]



### Operating Income

● YOY Change: +¥ 469 million [+4.1%]

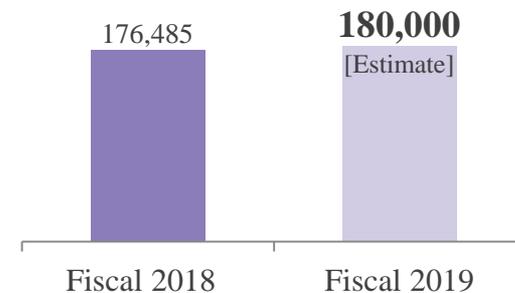


Steady execution of big projects, business expansion through stronger connections to primary clients, including those in credit card, banking and insurance sectors, and proposals anticipating client needs, and higher productivity should lead to higher sales and income year on year.

## Industrial IT Business

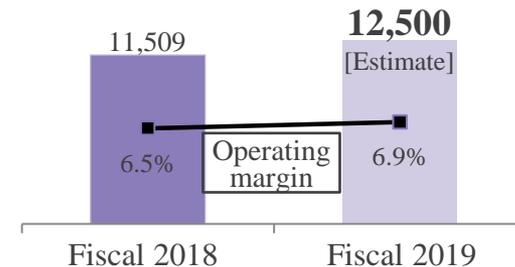
### Net Sales

● YOY Change: +¥ 3,515million [+ 2.0%]



### Operating Income

● YOY Change: +¥991 million [+ 8.6%]



Will absorb reactionary drop in big projects, mainly by promoting high-value-added services underpinned by consultations and enhanced upstream operations and by improving productivity. Should lead to higher sales and income year on year.

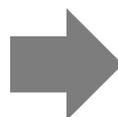
# Fiscal 2019: Return to Shareholders

## Basic Policy on Return to Shareholders in Medium-Term Management Plan (2018-2020)

Promote growth investment, maintain financial health and strengthen return to shareholders—all in the right balance.

### To date

- Target 35% total return ratio  
(Stable, continuous dividends + share buybacks)



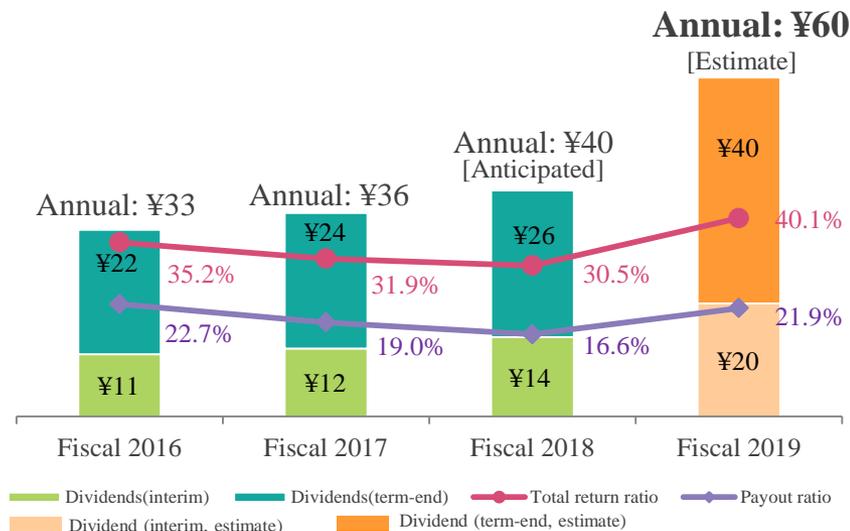
### From now

- Total return ratio (yardstick): 40%
- Payout ratio (yardstick): 30% (by March 31, 2021)
- Set upper limit on treasury stock holdings to 5% of total number of issued shares, with excess of this amount cancelled.

## Annual dividend per share

Target for Fiscal 2019: ¥60 (up ¥20 year on year)

### Changes in Dividends per Share



## Acquisition of Treasury Shares

Total ¥ 4.21billion (upper limit)\*

\*Amount of treasury stock buyback announced May 10, 2018

### Total Acquired Treasury Shares [Millions of yen]



**Fiscal 2018 Financial Highlights**

**Fiscal 2019 Performance Forecast**

**Reference Materials**

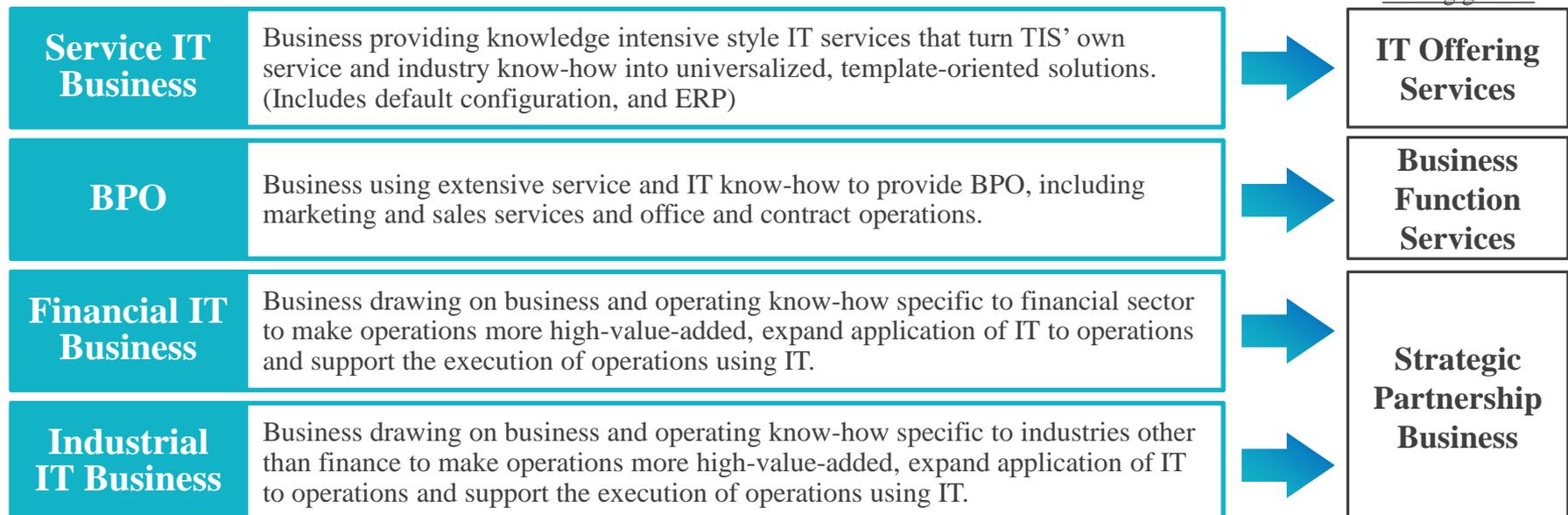
# Change in Reporting Segments to Promote Structural Transformation

TIS changed its management system to promote structural transformation and restructured Service Strategy Sector and Industry Strategy Sector. Consequently, TIS changed its reporting segments from a management approach perspective, effective from the fiscal year ending March 31, 2019. Note that the Company has also started disclosing order information related to operations.

## Key Points Regarding Change in Segments

- Service IT created as business unit, facilitating visualization of progress in structural transformation into service-style business, which is positioned as future core operations.
- BPO created as business unit, promoting business through high-level BPO combining service know-how and use of advanced technologies
- Data center business positioned as IT platform supporting SI business and service-style business, and integrated into each segment.

## New Reporting Segments



\*In addition to the above, there is an "Other" segment.  
Copyright © 2018 TIS Inc. All rights reserved.

# Fiscal 2018 Performance Results, New Business Segment Basis (Net Sales and Operating Income)

[Millions of yen]

## ■ Net Sales and Operating Income

Old Business Segment	Fiscal 2018
<b>Net Sales</b>	<b>405,648</b>
IT Infrastructure Services	131,700
Financial IT Services	92,983
Industrial IT Services	188,626
Other business	10,791
Intersegment elimination/adjustments	(18,453)
<b>Operating Income</b>	<b>32,743</b>
IT Infrastructure Services	11,743
Financial IT Services	8,042
Industrial IT Services	12,835
Other business	1,006
Intersegment elimination/adjustments	(884)



New Business Segment	Fiscal 2018
<b>Net Sales</b>	<b>405,648</b>
Service IT Business	100,603
BPO	38,257
Financial IT Business	106,655
Industrial IT Business	176,485
Other business	10,688
Intersegment elimination/adjustments	(27,041)
<b>Operating Income</b>	<b>32,743</b>
Service IT Business	8,139
BPO	1,638
Financial IT Business	11,331
Industrial IT Business	11,509
Other business	1,010
Intersegment elimination/adjustments	(884)

# Fiscal 2018 Performance Results, New Business Segment Basis (Orders Received and Order Backlog at Year-End)

[Millions of yen]

## ■ Order Status (Software development only)

Old Business Segment	Fiscal 2018
<b>Orders Received</b>	<b>219,225</b>
IT Infrastructure Services	—
Financial IT Services	84,039
Industrial IT Services	135,186
<b>Old Business Segment</b>	<b>At March 31, 2018</b>
<b>Order Backlog at Year-End</b>	<b>67,716</b>
IT Infrastructure Services	—
Financial IT Services	28,461
Industrial IT Services	39,255



New Business Segment	Fiscal 2018
<b>Orders Received</b>	<b>219,225</b>
Service IT Business	42,757
BPO	—
Financial IT Business	70,963
Industrial IT Business	105,505
<b>New Business Segment</b>	<b>At March 31, 2018</b>
<b>Order Backlog at Year-End</b>	<b>67,716</b>
Service IT Business	12,142
BPO	—
Financial IT Business	23,324
Industrial IT Business	32,249

## Reference

### ■ Order Status (Total)

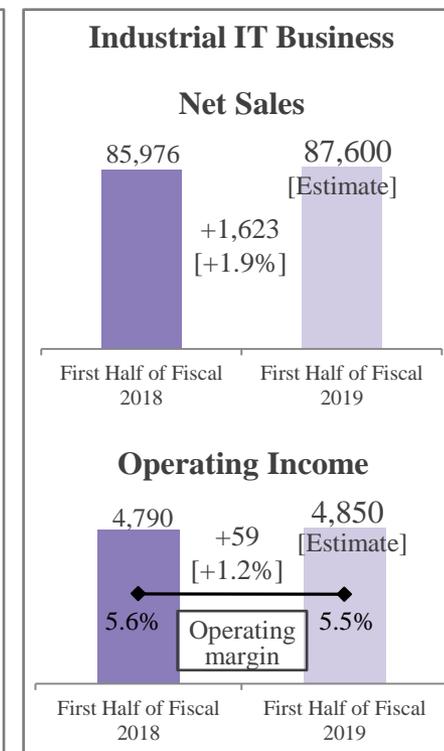
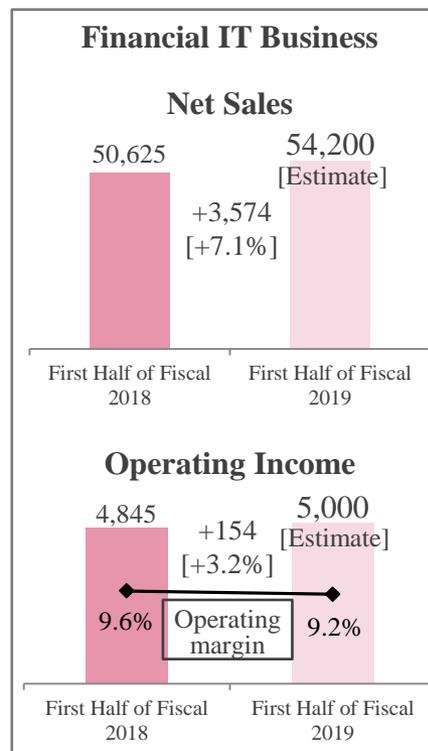
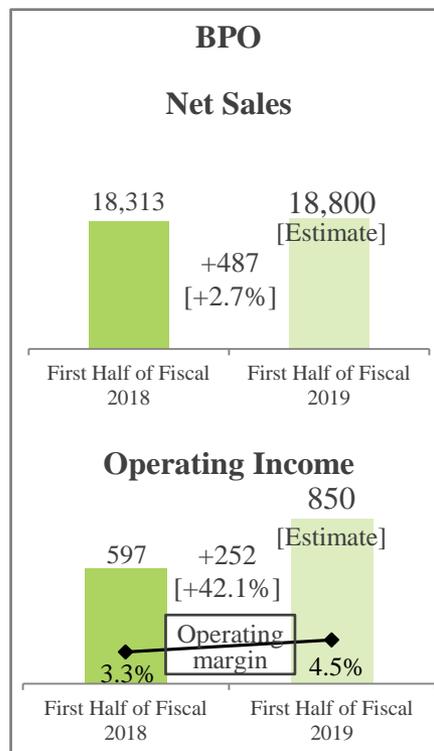
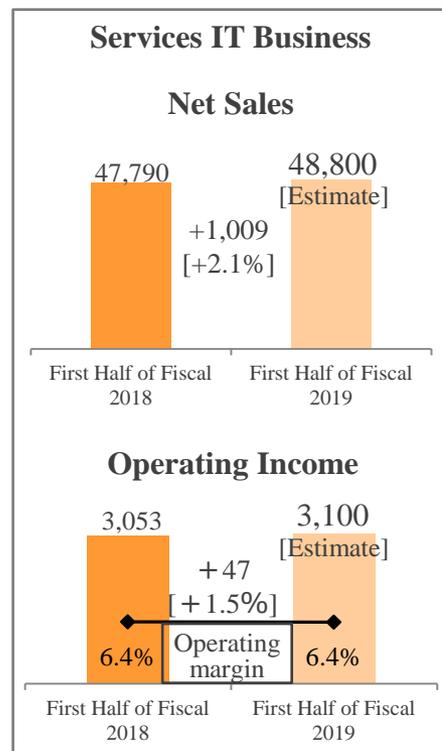
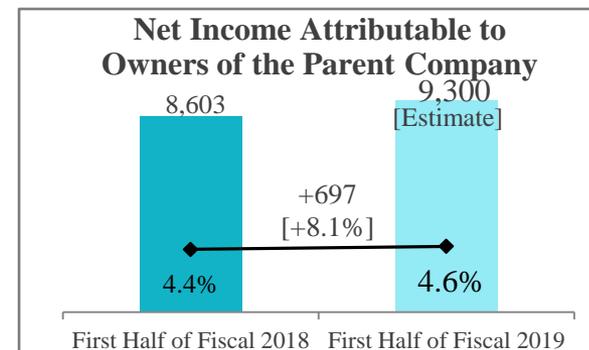
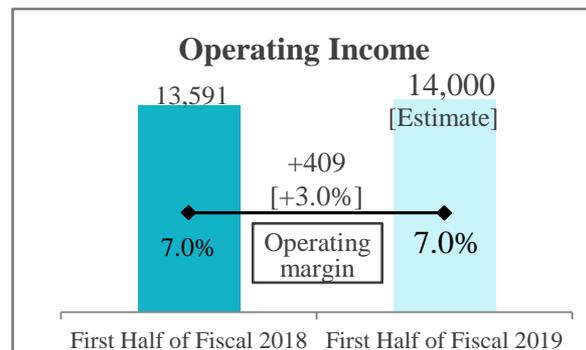
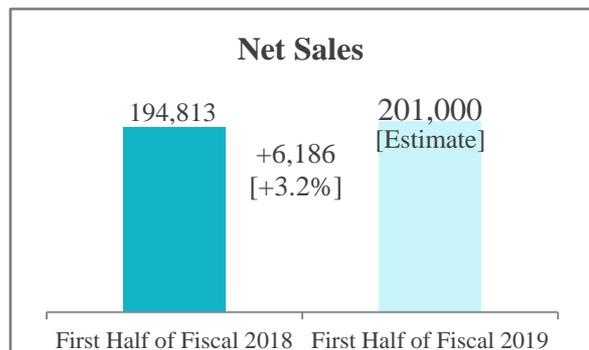
Disclosure of order information related to system operations will start from fiscal 2019, ending March 31, 2019 (Disclosure every six months as transitional measure)

→ Order Backlog at Year-End : From Fiscal 2018  
Orders Received : From the Second Quarter of Fiscal 2019

New Business Segment	At March 31, 2018
<b>Order Backlog at Year-End</b>	<b>122,067</b>
Service IT Business	30,693
BPO	—
Financial IT Business	39,254
Industrial IT Business	52,120

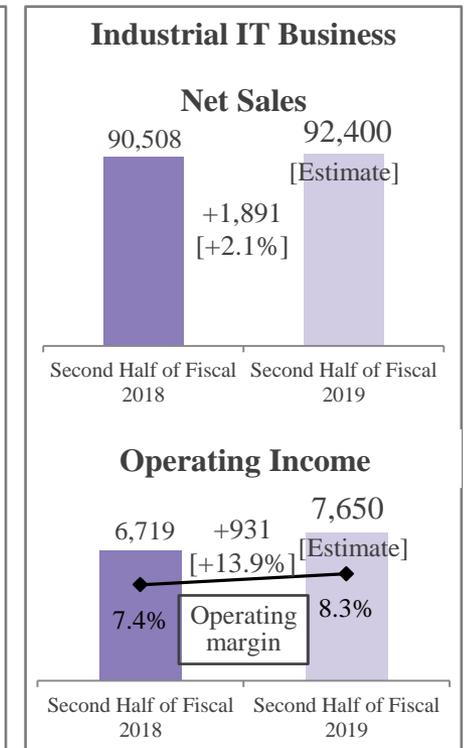
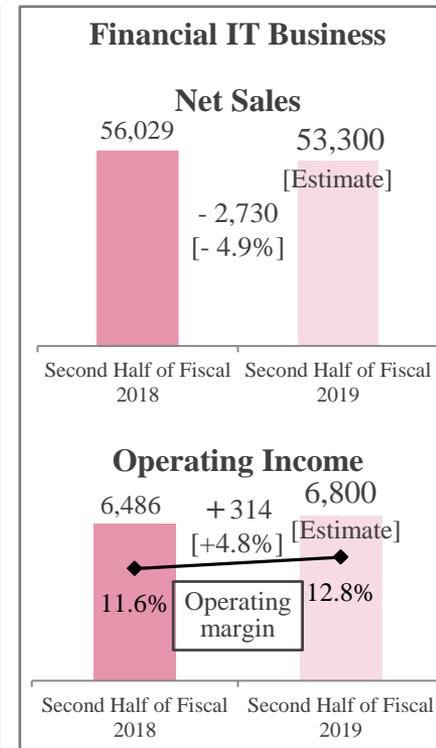
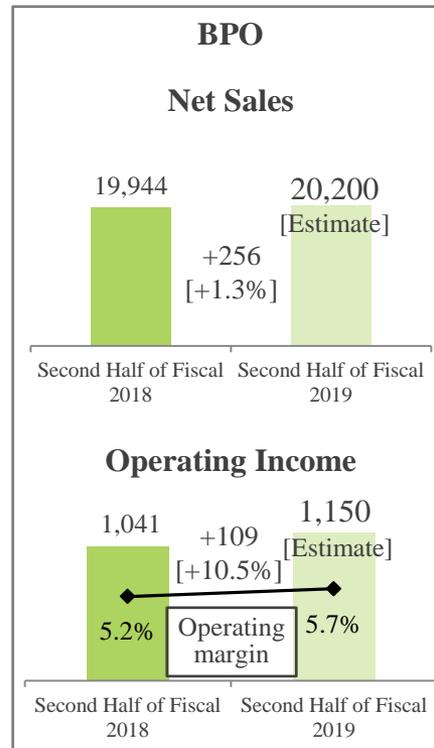
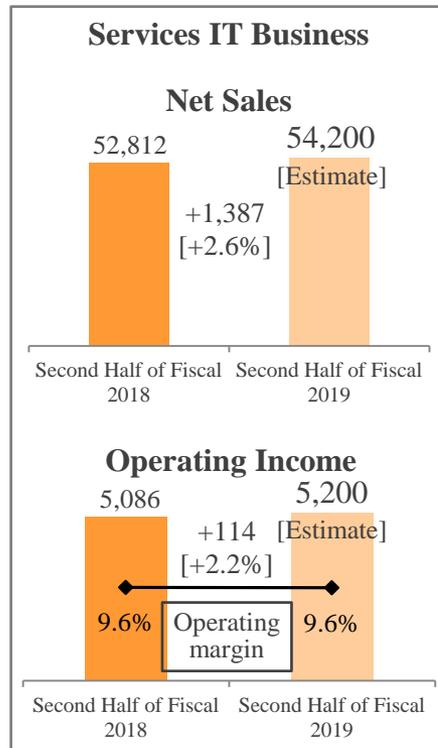
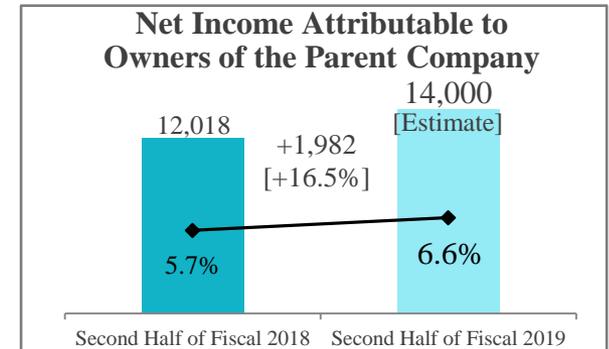
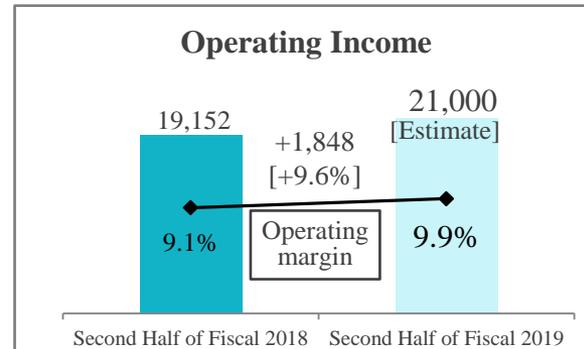
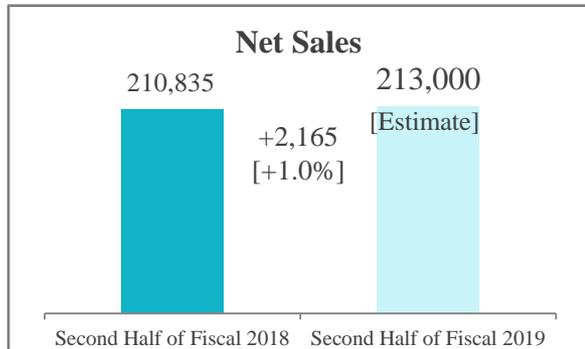
# Fiscal 2019 First Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



# Fiscal 2019 Second Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]





### TIS INTEC Group Logo Underlying Concepts

The logo portrays the TIS INTEC Group as a tightly knit team, powered forward by the different sets of expertise that each member brings to the table. It features our two main corporate colors: “ocean blue” for the new challenges that we are constantly tackling, and “intelligent gray” for the solid technological foundations that underpin our business.

### Brand Message

The brand tagline, “Go Beyond,” embodies our constant quest into the beyond in search of new challenges. It represents our firm commitment as a group to delivering solutions that are always one step ahead, not only solving clients’ problems but anticipating and meeting their own customers’ needs too.

#### **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.
- From the fiscal year ended March 31, 2019, TIS applied new management approach and changed business segment. Fiscal 2018 figures have been recalculated and reclassified according to the new segment breakdowns for comparison purposes.