May 22, 2019

(Translated from the Japanese original)

Company Name:	TIS Inc.
Representative:	Toru Kuwano, Chairman, President and Representative Director
Stock Listing:	First Section of the Tokyo Stock Exchange
Stock Code:	3626
Contact:	Masakazu Kawamura, Department Manager of Corporate Management Dept.
Phone:	+81-3-5337-4569 (in Japan, 03-5337-4569)

(Revised) Notice of Partial Correction to Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

TIS Inc. (hereafter, "TIS" and "the Company") has made corrections to Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese GAAP), originally announced May 13, 2019. The changes are presented below. Please note that the numerical data (XBRL) has not been changed.

Details

1. Correction content

Attached materials page 2 and page 3, Results of Operations (1) Analysis of Consolidated Operating Results

Revisions have been underlined.

Before Corrections

1) Service IT Business

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

Segment sales in fiscal 2019 totaled ¥<u>104,154</u> million, up <u>11.1</u>% year on year, and operating income increased 4.7% to ¥8,519 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. The segment's operating income ratio was 7.2%, 0.8 percentage points below the ratio in fiscal 2018. The decline primarily reflects increased spending related to forward-looking investments targeted at strengthening the business.

2) BPO

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

Segment sales totaled ¥<u>33,134</u> million, <u>5.1</u>% less than in fiscal 2018, but operating income rose 12.6% to ¥1,843 million. Sales were generally stable, but year-on-year sales declined owing to the large impact from the transfer of all the equity shares of certain Group companies to non-Group companies in line with management's policy of concentrating on core businesses. Meanwhile, the increase in operating income reflects the BPO business's initiatives to improve profitability, such as its successful effort to improve transaction margins. As a result, the segment's operating income ratio improved 0.8 percentage point to 5.1%.

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 totaled ¥106,103 million, 0.3% less than in fiscal 2018, and operating income increased 12.9% to ¥12,797 million. Sales were generally strong, with support from the expansion in IT investment by our core client base, especially investment in credit card–related IT. However, the slight year-on-year decline in sales reflects the drop after the end of some large development projects. Nonetheless, the segment's efforts to promote higher value-added business and improve productivity enabled it to increase its operating income and boost the operating income ratio to 12.0%, 1.4 percentage points higher than in fiscal 2018.

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 totaled ¥172,949 million, up 4.4% year on year, and operating income expanded 28.4% to ¥14,777 million. The increases in sales and profits were driven by expanding IT investment by customers in energy-related sectors and a wide range of other industrial sectors. As a result, the segment's operating income ratio rose by 1.3 percentage points to 7.8%.

5) Other
The Other segment includes a number of ancillary businesses that provide leasing and other information systems to clients.
Segment sales declined 9.6% year on year to ¥4,427 million, and operating income fell 4.8% to ¥961 million. The operating income ratio, however, improved by 1.3 percentage points to 10.7%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned subsidiary responsible for the TIS INTEC Group's shared services, and inclusion of that business' results in the Other segment from the second quarter of the fiscal 2019.

After Corrections
1) Service IT Business
This segment comprises Group businesses providing knowledge intensive IT services that leverage TIS's service and industry know-how to create universalized, template-oriented solutions for its customers (includes default configuration and ERP).
Segment sales in fiscal 2019 totaled ¥117,617 million, up 16.9% year on year, and operating income increased 4.7% to ¥8,519 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. The segment's operating income ratio was 7.2%, 0.8 percentage points below the ratio in fiscal 2018. The decline primarily reflects increased spending related to forward-looking investments targeted at strengthening the business.

2) BPO
This segment comprises businesses that leverage the Group's extensive service menu and IT know-how to deliver business process outsourcing (BPO) services, including marketing and sales services and office and contract operations.
Segment sales totaled ¥36,231 million, 5.3% less than in fiscal 2018, but operating income rose

12.6% to ¥1,843 million. Sales were generally stable, but year-on-year sales declined owing to the large impact from the transfer of all the equity shares of certain Group companies to non-Group companies in line with management's policy of concentrating on core businesses. Meanwhile, the increase in operating income reflects the BPO business's initiatives to improve profitability, such as its successful effort to improve transaction margins. As a result, the segment's operating income ratio improved 0.8 percentage point to 5.1%.

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 totaled ¥106,436 million, 0.2% less than in fiscal 2018, and operating income increased 12.9% to ¥12,797 million. Sales were generally strong, with support from the expansion in IT investment by our core client base, especially investment in credit card–related IT. However, the slight year-on-year decline in sales reflects the drop after the end of some large development projects. Nonetheless, the segment's efforts to promote higher value-added business and improve productivity enabled it to increase its operating income and boost the operating income ratio to 12.0%, 1.4 percentage points higher than in fiscal 2018.

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 totaled ¥189,595 million, up 7.4% year on year, and operating income expanded 28.4% to ¥14,777 million. The increases in sales and profits were driven by expanding IT investment by customers in energy-related sectors and a wide range of other industrial sectors. As a result, the segment's operating income ratio rose by 1.3 percentage points to 7.8%.

5) Other
The Other segment includes a number of ancillary businesses that provide leasing and other information systems to clients.
Segment sales declined 16.0% year on year to ¥8,982 million, and operating income fell 4.8% to ¥961 million. The operating income ratio, however, improved by 1.3 percentage points to 10.7%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned subsidiary responsible for the TIS INTEC Group's shared services, and inclusion of that business' results in the Other segment from the second quarter of the fiscal 2019.

2. Reason for corrections
Errors in the descriptions presented above were discovered and thus corrected.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese GAAP) after correction is attached for reference.

END

Consolidated Financial Results for the Fiscal Year ended March 31, 2019

(April 1, 2018 through March 31, 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.

May 13, 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

Annual general shareholders' meeting:	June 25, 2019
Filing of statutory financial report:	June 26, 2019
Commencement of dividend payments:	June 26, 2019

Supplementary materials to the full-year results:	Available
Full-year 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 Fiscal Year ended March 31, 2019 (FY2019) (April 1, 2018 – March 31, 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	%
FY2019	420,769	3.7	38,043	16.2	38,603	17.7	26,034	26.3
FY2018	405,648	3.1	32,743	21.2	32,795	21.0	20,620	26.5

Note: Comprehensive income: FY2019: 16,814 million yen (-50.0%); FY2018: 33,619 million yen (40.3%)

	Net income per share – basic	Net income per share – diluted	Return on shareholders' equity	Ratio of recurring profit to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY2019	307.83	-	11.5	10.5	9.0
FY2018	241.44	-	9.9	9.3	8.1

For reference:
Equity in earnings (losses) of affiliated companies: FY2019: (293) million yen; FY2018: (805)million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2019	370,657	234,408	62.0	2,719.79
End-FY2018	366,954	226,298	60.4	2,602.07

For reference: Total equity: End of FY2019: 229,633 million yen End of FY2018: 221,634 million yen
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	millions of yen	millions of yen	millions of yen	millions of yen
FY2019	37,558	(1,213)	(16,773)	57,083
FY2018	36,386	(14,202)	(10,543)	37,545

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2018	-	14.00	-	26.00	40.00	3,420	16.6	1.6
FY2019	-	20.00	-	50.00	70.00	5,941	22.8	2.6
FY2020 (forecast)	-	30.00	-	50.00	80.00		24.8	

Note: Total dividends paid includes dividends (13 million yen for FY2018, 27 million yen for FY2019) paid to TIS INTEC Group Employees' Shareholding Association Trust and dividends (nil for FY2018, 5 million yen for FY2019) paid to Board Incentive Plan (BIP) Trust. Payout ratio is obtained by dividing the total dividends by net income attributable to owners of the parent company.

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	133.35
Full FY2020 (year ending Mar. 31, 2020)	425,000	1.0	40,000	5.1	40,500	4.9	27,100	4.1	324.10

※Notes

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

(2) 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

(3) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-FY2019 (March 31, 2019): 87,789,098 shares
End-FY2018 (March 31, 2018): 87,789,098 shares
2) Treasury stock as of period-end:
End-FY2019 (March 31, 2019): 3,358,468 shares
End-FY2018 (March 31, 2018): 2,613,034 shares
3) Average number of shares (during the fiscal year):
FY2019 (ended March 31, 2019): 84,574,660 shares
FY2018 (ended March 31, 2018): 85,406,766 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.

Audit Status

Financial reports are not subject to 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'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 "(4) Outlook for fiscal 2020" in the "1. Results of Operations" section on page 7 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In fiscal 2019 (April 1, 2018 ~ March 31, 2019), the Japanese economy continued a moderate recovery owing to improvements in corporate earnings and employment conditions.

The business environment surrounding the IT services industry, to which the TIS INTEC Group ("the Group") belongs, was robust during the fiscal year. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan demonstrated year-on-year increases in software investment plans (all manufacturing & financial institutions) in each of the quarterly surveys conducted during the year, 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.

Under these circumstances, 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 current 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 fiscal year increased 3.7% year on year to ¥420,769 million. Operating income rose 16.2% to ¥38,043 million, recurring profit increased 17.7% to ¥38,603 million, and net income attributable to owners of the parent company expanded 26.3% to ¥26,034 million.

Consolidated net sales grew year on year as the Group accurately grasped the IT investment needs of its customers in areas where IT investment is growing. The increase in operating income reflects the higher sales and improvements in the gross profit ratio, which rose 1.7 percentage points year-on-year to 22.5%, boosting gross profit and offsetting 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 improved 0.9 percentage points to 9.0%.The growth in recurring profit primarily reflects the increase in operating income. The year-on-year growth in net income attributable to owners of the parent company reflects the positive flow from the above factors and an improvement in net extraordinary income/loss. The consolidated results for fiscal 2019 include extraordinary income of ¥19,051 million and extraordinary losses totaling ¥18,876 million. The main components of these two figures are a ¥17,829 million extraordinary gain on the sale of investment securities and extraordinary expenses of ¥8,800 million related to data center migration and ¥2,935 million related to the sale and disposal of a subsidiary.

In August 2018, TIS Inc. was selected as a constituent stock of the JPX-Nikkei Index 400, which is composed of "companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives."

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 fiscal 2019.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's service and industry know-how to create universalized, template-oriented solutions for its customers (includes default configuration and ERP).

Segment sales in fiscal 2019 totaled ¥117,617 million, up 16.9% year on year, and operating income increased 4.7% to ¥8,519 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. The segment's operating income ratio was 7.2%, 0.8 percentage points below the ratio in fiscal 2018. The decline primarily reflects increased spending related to forward-looking investments targeted at strengthening the business.

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

Segment sales totaled ¥36,231 million, 5.3% less than in fiscal 2018, but operating income rose 12.6% to

¥1,843 million. Sales were generally stable, but year-on-year sales declined owing to the large impact from the transfer of all the equity shares of certain Group companies to non-Group companies in line with management's policy of concentrating on core businesses. Meanwhile, the increase in operating income reflects the BPO business's initiatives to improve profitability, such as its successful effort to improve transaction margins. As a result, the segment's operating income ratio improved 0.8 percentage point to 5.1%.

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Segment sales totaled ¥106,436 million, 0.2% less than in fiscal 2018, and operating income increased 12.9% to ¥12,797 million. Sales were generally strong, with support from the expansion in IT investment by our core client base, especially investment in credit card–related IT. However, the slight year-on-year decline in sales reflects the drop after the end of some large development projects. Nonetheless, the segment's efforts to promote higher value-added business and improve productivity enabled it to increase its operating income and boost the operating income ratio to 12.0%, 1.4 percentage points higher than in fiscal 2018.

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 totaled ¥189,595 million, up 7.4% year on year, and operating income expanded 28.4% to ¥14,777 million. The increases in sales and profits were driven by expanding IT investment by customers in energy-related sectors and a wide range of other industrial sectors. As a result, the segment's operating income ratio rose by 1.3 percentage points to 7.8%.

5) Other

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

Segment sales declined 16.0% year on year to ¥8,982 million, and operating income fell 4.8% to ¥961 million. The operating income ratio, however, improved by 1.3 percentage points to 10.7%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned subsidiary responsible for the TIS INTEC Group's shared services, and inclusion of that business' results in the Other segment from the second quarter of the fiscal 2019.

As noted above, the TIS INTEC Group embarked on a new three-year medium-term management plan 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 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.

In fiscal 2019, the first year of the new medium-term management plan, the Group energetically implemented various measures in line with Group management policies for the plan's initial year.

Medium-term management plan (2018 -2020) Basic policies	Group management policies for fiscal 2019
Sustainable profit growth Emphasis on employee self-fulfillment Constant transformation, with sense of speed	・Charge forward on switch to service-style business ・Robust prior investment to create new services ・Added-value and productivity improvements in domains of expertise ・Promote growth strategy aimed at becoming a top-class IT group in the ASEAN region ・Boost motivation and reinforce human resource management

The major initiatives taken in fiscal 2019 are presented below.

1) Charge forward on switch to service-style business

During fiscal 2019, 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 services consulting to managed services, which we are now using to accelerate business expansion, including the creation of new services.

A key initiative in the settlement-related business domain was our cooperation with MUFG Bank to develop a "token requester agency service," which is also being offered to other mobile digital wallet operators. This service uses TIS technology to securely store tokenized settlement ID information on the full range of devices that might be used to make payments, including smartphones, wearable devices, and IoT-capable equipment. We will be working with MUFG Bank to develop services that leverage MUFG Bank's expertise in payment operations and TIS's expertise in the construction and operation of payment IT infrastructure. Through such services, we aim to provide the security infrastructure that will ensure peace of mind for those using a diverse range of IoT devices to make online payments. In another cooperative venture aimed at making payments in Japan easier for foreigners visiting the country, we are working with Sumitomo Mitsui Card Company, Limited., to adapt our QRxDrive settlement service so that it can be used with the UnionPay QR code payment service provided by China's UnionPay International, a leader in cross-border QR code settlement services. As Japan's first IT processing service operator, in addition to our QRxDRIVE payment app TIS will be providing a QR payment gateway service that is based on an application programming interface (API) that enables our service to be used with POS terminals, self-service checkout terminals and other payment devices.

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 startup company 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 other connections. In line with our efforts to promote open innovation through corporate venture capital, we have been making investments through an AI-specialized corporate venture capital framework we established in fiscal 2019 to speed up decision-making and facilitate closer collaboration with startup companies in the AI field, where the remarkable pace of technological advance is attracting keen attention from companies in all fields. In addition, we started the TIS Co-Creation Innovation Consortium to foster business collaborations between large corporations and startup companies and are accelerating our efforts toward the early realization of an innovation ecosystem.

We also established a group laboratory at a WeWork community work space with the aim of strengthening our research and analysis functions as well as information sharing and collaboration by bringing together R&D departments from the entire TIS INTEC Group. We hope that providing a venue for greater collaboration among Group R&D staff will facilitate the transition from the research stage to commercialization and lead to the realization of a business creation ecosystem.

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

During fiscal 2019, our preparations to launch CreditCube+ were advanced by the start of several projects with potential first users. CreditCube+ is 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. In addition, 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 customer payments for merchants and acquirers.

Group company INTEC Inc. continued its efforts to develop new high-value-added services. In fiscal 2019, INTEC succeeded in cloudifying its integrated CRM solution F3 (F Cube) which leverages the company's years of experience providing services for regional banks. INTEC also developed and began offering new optional services, such as an anti-money laundering system and an automated loan screening service.

During the period, we continued our efforts to eliminate unprofitable projects and promote enhancement reforms aimed at further improving profitability. The success of these efforts is evident in the steady rise in the Group's gross profit margin.

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

As part of our effort to accelerate the development of our global business by strengthening relationships and promoting collaborations with overseas companies through capital and business tie-ups, we strengthened our partnership with our Indonesian equity-method affiliate PT Anabatic Technologies Tbk, by purchasing convertible bonds with stock acquisition rights issued by the company. To help Anabatic achieve further growth by accelerating the development of new businesses, such as settlement services using QR codes and blockchains, we are working on the establishment of Group-led cooperative schemes with R3 HoldCo LLC, with which we entered into a capital and business alliance tie-up as noted above, and with Shanghai-based CardInfoLink, which has extensive experience in such areas as the provision of QR code settlement solutions. We strengthened our ties to another equity-method affiliate in the ASEAN region when we acquired additional shares and increased our equity stake in MFEC Public Company Limited, a leading provider of enterprise IT solutions in Thailand.

We have also entered into a new capital and business tie-up with TinhVan Technologies JSC, a major IT firm in Vietnam, with which we will work to develop the settlement business in Vietnam, starting with a QR settlement service.

5) Boost motivation and reinforce human resource management

In fiscal 2019, we continued our efforts on the human resources front to promote the growth of each member of our diverse group of employees as well as the sustainable growth of the Company by implementing various "workstyle reform" and "health management" measures. For example, in April 2018 we established a new Human Resources SBU, which has since issued a personnel manifesto. We also publicly proclaimed our plans to make TIS a company where employees are highly motivated. The manifesto presents the new Human Resources SBU's three-point mission and various measures being taken to fulfill the mission's objectives in the areas of "evaluation, treatment, and remuneration", "workstyle reform, health management, and diversity" and "hiring, training, and assignment". We also resolved to introduce, as part of these reforms, a new employment policy that extends the mandatory retirement age to 65, with no changes in the employee's treatment after 60, meaning that basic salary and bonus remain based on job function and personnel evaluations. The group-wide effort to promote health management led to the recognition of the Group's two core units, TIS and INTEC Inc., being selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for inclusion in the 2019 Certified Health & Productivity Management Outstanding Organizations - White 500 (large enterprise category), which recognizes enterprises that view the management of employee health from a business management standpoint and approach it as a strategic initiative. We are also pleased to announce that our promotion of telework to create an employment environment that enables employees to choose when and where they perform the tasks required by their jobs has been recognized by the Ministry of Internal Affairs and Communications, which included TIS among its "top hundred telework pioneers"—as a company advancing the introduction and utilization of teleworking.

Also in fiscal 2019, as part of our efforts to optimize our Group's organizational structure and the review of our business portfolio from a profitability perspective, we sold all the equity shares of two domestic BPO consolidated subsidiaries (AC MEDICAL INC. and Koushin INC.). We also signed an agreement to transfer our entire equity stake in Tianjin TIS Hi-tech Information System Service Co., Ltd., a consolidated subsidiary in China, to a non-Group company.

During fiscal 2019 we also launched cross-group projects centered on TIS and INTEC to promote enhancement and greater efficiency of headquarters functions and are now considering multifaceted approaches to realize these goals. As part of this effort, the Company absorbed group company IT Service Force Inc., which was responsible for the shared services of the TIS INTEC Group, and consolidated its functions with existing Group headquarter functions. In line with the Group's policy of flexibly managing its capital position to enable flexible responses to its operating environment while continuing to enhance shareholder returns and capital efficiency, we carried out a share buyback from May to July 2018, resulting in the acquisition of 809,100 shares at a total acquisition cost of ¥4,209 million.

In January 2019, we announced a new Group basic philosophy, “OUR PHILOSOPHY.” With " OUR PHILOSOPHY” providing the common values that will serve as the axis for all the activities of the entire TIS INTEC Group, we aim to be “A mover that utilizes digital technology to help to paint a brighter future” by carrying out our corporate activities with confidence and conviction.

(2) Analysis of Financial Condition

Consolidated total assets as of March 31, 2019, amounted to ¥370,657 million (up 1.0% versus March 31, 2018). Current assets totaled ¥176,231 million (up 8.7%), while fixed assets were at ¥194,426 million (down 5.1%). On the liabilities side, current liabilities amounted to ¥91,126 million (up 12.1%) and non-current liabilities ¥45,121 million (down 24.0%). Net assets therefore came to ¥234,408 million (up 3.6%).

(3) Cash Flow

Cash and cash equivalents (“cash”) totaled ¥57,083 million as of March 31, 2019, up ¥19,538 million from March 31, 2018.

Contributions to cash flow were as follows.

(Cash flow from operating activities)

Operating activities generated net cash of ¥37,558 million. This mainly reflects income before income taxes of ¥38,778 million and the positive cash flow effect of ¥12,783 million in depreciation and a ¥4,809 million decrease in notes and accounts receivable. These inflows were partially offset by the negative cash flow effect of a ¥17,550 million gain on the sale of investment securities.

(Cash flow from investing activities)

Investing activities used net cash of ¥1,213 million. An inflow of ¥20,897 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥6,657 million for acquisitions of property and equipment, ¥8,029 million for acquisitions of investment securities, and ¥8,160 million for acquisitions of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥16,773 million. A cash inflow of ¥10,049 million in proceeds from long-term debt was outweighed by outflows of ¥15,173 million for repayments of long-term debt, ¥3,925 million for dividends paid, and ¥4,673 million for the purchase of treasury stock.

For reference: Cash flow indicators

	Fiscal 2018	Fiscal 2019
Equity ratio (%)	60.4	62.0
Equity ratio based on market capitalization (%)	97.7	119.4
Ratio of interest-bearing debt to cash flow (years)	1.1	0.7
Interest-coverage ratio (times)	115.0	117.0

Equity ratio: Total equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest paid

1. All indicators were calculated using consolidated financial statement data.

2. Market capitalization is based on the number of shares issued and outstanding, excluding treasury stock. Treasury shares deducted from the number of shares issued to determine number of shares used to calculate market capitalization include the Company's shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.
3. Cash flow from operating activities is used as the cash flow variable.
4. "Interest-bearing debt" is all debt on the consolidated balance sheet on which interest is payable.

(4) Outlook for Fiscal 2020

The Japanese economy is expected to continue its moderate recovery, but it will be necessary to monitor the impact of uncertainties clouding the outlook, including uncertainties in overseas economies, such as trade friction-related developments, and fluctuations in financial markets.

The business environment surrounding the IT services industry, to which the TIS INTEC Group belongs, is expected to be favorable in fiscal 2020. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (March 2019) showed a 5.7% 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.

Given these circumstances, we have established the following Group management policies for fiscal 2020 and will energetically implement various measures to ensure steady progress toward the goals of our medium-term management plan for fiscal 2019-2021.

Medium-term management plan (2018 -2020) Basic policies	Group management policies for fiscal 2020
Sustainable profit growth Emphasis on employee self-fulfillment Constant transformation, with sense of speed	・Robust prior investment to fuel business expansion and structural transformation ・Promote measures and review business portfolio with view toward higher profitability ・Promote growth strategy aimed at becoming a top-class IT group in ASEAN region ・Boost motivation and take human resource management to higher level ・Realize enhanced management practices and higher efficiency

The consolidated earnings forecast for the year ending March 31, 2020 is as follows. Based on the favorable business environment, the Group plans to continue measures to expand business and raise profitability by accurately grasping the IT investment needs of customers. Through these measures, the Group plans to absorb higher costs for active investments to promote structural transformations, and both sales and profits are expected to increase year on year.

Net sales	¥425,000 million	+1.0% year on year
Operating income	¥40,000 million	+5.1% year on year
Recurring profit	¥40,500 million	+4.9% year on year
Net income attributable to owners of the parent company	¥27,100 million	+4.1% year on year

Note: The above performance forecast reflects the Company's plans and expectations based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. They are not guarantees of future performance. Actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2019 and Fiscal 2020

1) Basic policy on profit distribution

The Company regards the return of profits to shareholders as a key management issue and has adopted a basic policy of maintaining sufficient internal reserves required for business growth from a medium- to long-term management perspective, while continually paying a stable dividend based on consideration of its consolidated financial results.

Based on this policy, during the current three-year medium-term management plan in effect from fiscal 2019 through fiscal 2021, the Company seeks to optimize its capital structure and improve capital efficiency by balancing its promotion of growth investments with securing financial soundness and strengthening shareholder returns. The Company's basic policy regarding shareholder returns aims to raise the total payout, including share buybacks, from 35% to 40% and achieve a dividend payout ratio of 30% in the final year of the plan through stable dividend growth.

2) Fiscal 2019 dividends from retained earnings

With regard to the distribution of retained earnings for fiscal 2019, the Company plans to pay a year-end dividend of ¥50 per share, ¥10 more than the initial plan of ¥40, as earnings also came in above plan. As a result, the annual dividend for fiscal 2019, including the interim dividend, will be ¥70.

Including the ¥4,209 million buyback of 809,100 shares of the Company, the fiscal 2019 total shareholder return ratio comes to 39.3%.

3) Fiscal 2020 dividends from retained earnings

Based on the basic policy's targeted total return ratio of 40%, in fiscal 2020 the Company plans to pay an annual dividend of ¥80 per share, including an interim dividend of ¥30 per share, and conduct share buybacks worth approximately ¥4,140 million.

(6) Business and Other Risks

The following are the risks with the potential to have a significant impact on the business (business results and financial condition) of the TIS INTEC Group. All forward-looking statements in this document are based on information available to the Company as of May 13, 2019.

1) Price competition, intensified competition

Competition among businesses is intense in the information services industry. Competition from new entrants from other industries is progressing, and as a result, price competition may intensify. The Group is offering higher value-added services and taking other measures to differentiate itself from competitors, while raising productivity. If price competition intensifies more than expected, however, it may impact the Group's business and business results.

2) Legal systems, compliance

The Group conducts its various business activities in compliance with laws and regulations in and outside Japan. In conducting these activities, the Group has established a compliance structure based on the Group's Basic Direction on CSR and thoroughly complies with all laws. If the Group were to contravene the law, or a new law or regulation were introduced, it may impact the Group's business and business results.

3) Overseas business

As part of its growth strategy, the Group is pursuing growth in overseas markets, with a focus on ASEAN. The overseas business may be impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, business practices, and labor-related issues. Regarding risk management of overseas business, the Group is improving the management structure by ensuring coordination between overseas Group companies and business sites and corporate management organizations in Japan in order to maintain an accurate understanding of local conditions and consult on ways to implement rapid response measures. If an unanticipated risk emerged, however, it may impact the Group's business and business results.

4) System development

The Group performs development and outsourced development of various client company information systems. In conducting its business, the Group uses quality management systems to continually enhance quality management and raise productivity by thoroughly screening business proposals by dedicated organizations and reviewing projects at each stage of development. At the same time, the Group strives to improve management and technological capabilities by enhancing training programs for each rank of employee. Additionally, the Group Production Innovation Committee is used to thoroughly implement quality improvement and production innovation initiatives throughout the Group. However, as system development becomes more sophisticated, complex and subject to tighter time constraints, larger-than-expected costs may be incurred for additional work to complete projects in response to changing customer requirements and other issues which make it difficult for the Group to achieve the planned level of quality or complete a project within its development schedule. Furthermore, in developing systems, parts of projects are typically outsourced to many different companies in order to ensure production capacity, raise productivity, and utilize technical capabilities and for other reasons. The Group strives to secure with superior partner companies in and outside Japan. There is the possibility, however, that productivity and quality fail to meet expectations, impacting the Group's ability to achieve smooth project management and raising the risk of customer claims for loss compensation. In this event, the Group's business and business results may be impacted.

5) System operation

The Group uses large-scale IT facilities such as data centers to provide outsourcing 24 hours a day, 365 days a year, cloud services, and other services. The Group expends a large amount of capital to operate these businesses, from initial capital investments to ongoing capital investments, to ensure stable facility maintenance and operation. The Group manages the progress of business plans to ensure a return on capital. However, if the operational status of these facilities declined significantly due to a larger-than-expected decline in demand, it may negatively impact the Group's business results. Furthermore, in the system operation business, the Group continually improves operational quality based on quality management systems. However, if system problems arose due to human error or equipment malfunctions during operation and the Group were unable to provide services at a level agreed upon with the client or when changes in conditions for clients' use of data centers or other services are greater than had been assumed, the Group's business and business results may be impacted.

6) Investments

The Group makes investments in companies in and outside Japan, including venture companies, with the purpose of expanding business and acquiring new technologies, while also making software investments to develop new services. In making decisions, the Group appropriately reviews investments based on business plans. After investments are made, the Group conducts regular reviews of the progress in business plan achievement. However, in the event of unanticipated changes in the business environment, investments may not yield results as planned, and the Group's business and business results may be impacted.

7) Information security

From system development to operation, the Group is in a position to learn of various types of confidential information in the conduct of its business, including personal information held by clients and clients' technological system information. Although the Group strives to manage information appropriately based on the TIS INTEC Group Information Security Policy, in the event that confidential information was leaked or manipulated due to a computer virus, unauthorized access, or other reason, the Group's business and business results may be impacted by claims for damages from client companies or the loss of trust.

8) Human resources

The Group's business relies heavily on human resources and is greatly affected by its ability to secure and develop superior human resources who can offer specialized, high added value to clients. The Group strives to secure talented human resources by providing a corporate culture, human resource systems, and an office environment in which a diverse group of people can thrive. Additionally, the Group strives to develop human resources by providing support for acquiring certifications, systemizing its training program, and creating plans and targets for the number of training days. However, the Group's business and business results may be impacted in the event the Group cannot secure and develop superior human resources according to its plans.

9) Technological innovation

In the information services industry, companies must rapidly respond to progress in information technologies and the accompanying changes in market needs. The Group continually conducts research into information technologies and production as well as development technologies, and is strengthening its ability to conduct this research. The Group's business and business results may be impacted, however, in the event it is unable to appropriately respond to rapid progress in innovation over a broad realm of technologies.

10) Intellectual property
To execute its business, the Group applies for and acquires patents for necessary technologies and business models as well as registers various trademarks in and outside Japan. The Group continually takes precautions to ensure that it does not infringe the intellectual property rights of third parties during the execution of its business activities. The Group may, however, be subject to claims for damages in the event that it infringes the intellectual property rights of another company. In any circumstance in which the Group infringes the rights of a third party, the Group's business and business results may be impacted.

11) Natural disasters and accidents
The Group uses data centers and other large-scale IT facilities to perform its outsourcing business and provide cloud services. The data centers use various kinds of equipment to deal with disasters and accidents. Despite these measures, a longer-than-expected power blackout, large-scale natural disaster, international conflict, act of terrorism or major crime, or other such events that impede the smooth operation of the data centers may affect the Group's business and business results.

12) Owned securities
To support the sustainable growth of the Group and enhance its medium- and long-term corporate value, the Group owns shares in other companies as a means of building long and stable relations with business partners and promoting sales activities. The Group also invests in bonds as part of its fund management operations. The Group adequately confirms the reliability of these securities by determining the issuers' financial condition, business results, and credit rating, and by using other indicators. In the event of significant fluctuations in stock markets, however, the Group's business and business results may be impacted from the recognition of financial losses.

2. Status of the Group

The Group consists primarily of TIS Inc. (the parent company), 40 consolidated subsidiaries, and 67 affiliated companies accounted for under the equity method. The Group's core activities comprise the provision of outsourcing and cloud services, software development, and solution services, all of which are related to digitalization investment, and the Group also engages in businesses connected with these core activities such as consulting services. The Group also provides other services, such as real estate rental and management services.

The positioning of the Group's businesses and those of its consolidated subsidiaries and equity-method affiliates in reportable segments are as shown below. As the core unit of the Group, TIS is developing its business in three main business segments—Service IT Business, Financial IT Business, and Industrial IT Business.

(1) Service IT Business

This segment comprises businesses providing knowledge-intensive IT services that leverage TIS's service and industry know-how to create universalized, template-oriented solutions for its customers.

(Main consolidated subsidiaries)

INTEC Inc., AGREX INC., QUALICA Inc., TIS System Service Inc.

(2) BPO

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

(Main consolidated subsidiaries)

AGREX INC.

(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.

(Main consolidated subsidiaries)

INTEC Inc., AGREX INC., TIS Solution Link Inc., TIS System Service Inc.

(4) Industrial IT Business

This segment comprises businesses that 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.

(Main consolidated subsidiaries)

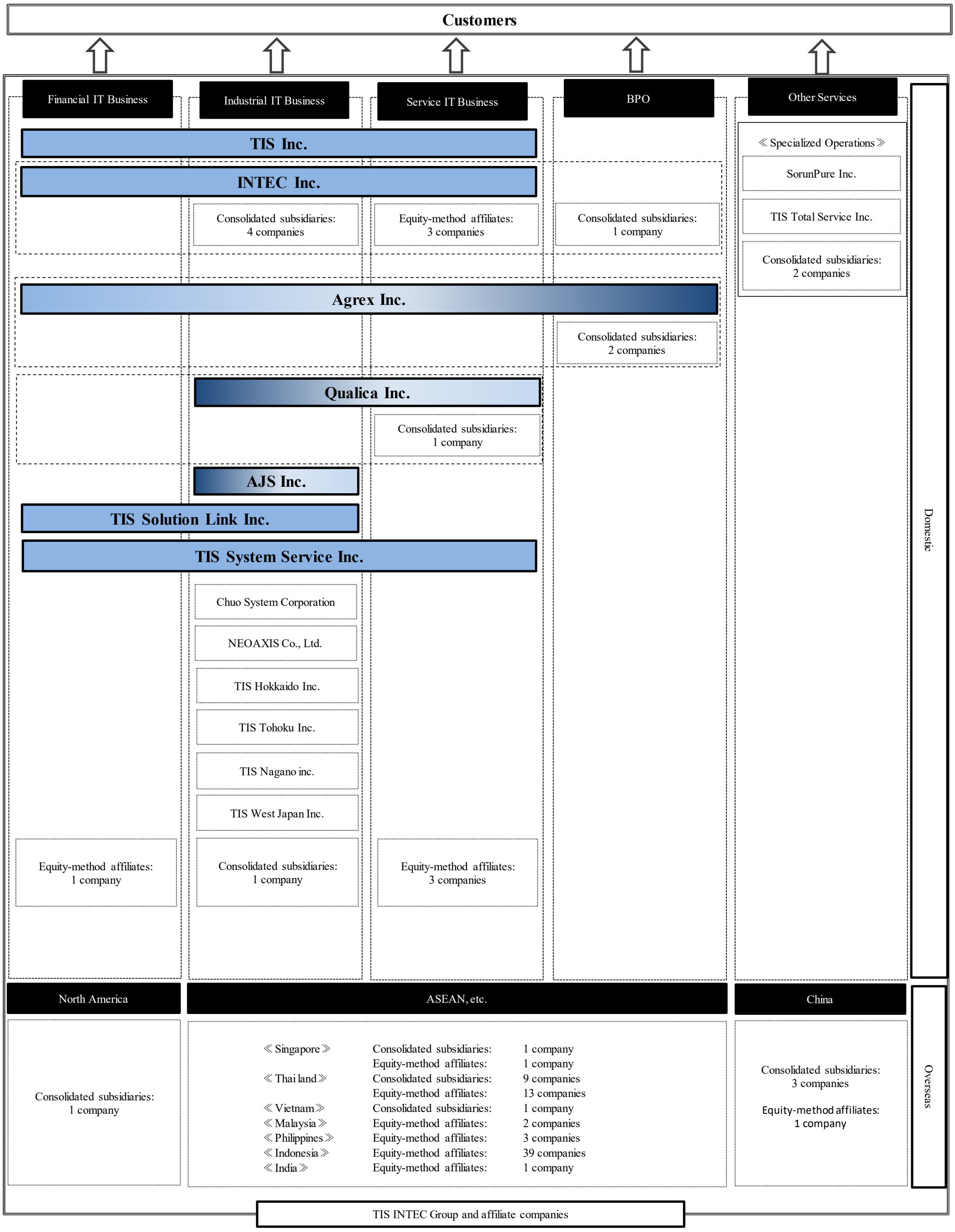
INTEC Inc.; AGREX INC.; QUALICA Inc.; AJS Inc.; TIS Solution Link Inc.; TIS System Service Inc.; Chuo System Corporation; NEOAXIS Co., Ltd.; TIS Hokkaido Inc.; TIS Tohoku Inc.; TIS Nagano Inc.; TIS West Japan Inc.

(5) Other

The Other segment includes subsidiaries and other Group companies that are engaged in businesses not included in the above segments, such as real estate rental and management services.

(Main consolidated subsidiaries)

Sorun Pure Inc., TIS Total Service Inc.


Customers
Financial IT Business
Industrial IT Business
Service IT Business
BPO
Other Services
TIS Inc.
INTEC Inc.
Consolidated subsidiaries: 4 companies
Equity-method affiliates: 3 companies
Consolidated subsidiaries: 1 company
≪Specialized Operations≫
SorunPure Inc.
TIS Total Service Inc.
Consolidated subsidiaries: 2 companies
Agrex Inc.
Consolidated subsidiaries: 2 companies
Qualica Inc.
Consolidated subsidiaries: 1 company
AJS Inc.
TIS Solution Link Inc.
TIS System Service Inc.
Chuo System Corporation
NEOAXIS Co., Ltd.
TIS Hokkaido Inc.
TIS Tohoku Inc.
TIS Nagano inc.
TIS West Japan Inc.
Equity-method affiliates: 1 company
Consolidated subsidiaries: 1 company
Equity-method affiliates: 3 companies
Domestic
North America
ASEAN, etc.
China
Consolidated subsidiaries: 1 company
≪Singapore≫ Consolidated subsidiaries: 1 company
Equity-method affiliates: 1 company
≪Thailand≫ Consolidated subsidiaries: 9 companies
Equity-method affiliates: 13 companies
≪Vietnam≫ Consolidated subsidiaries: 1 company
≪Malaysia≫ Equity-method affiliates: 2 companies
≪Philippines≫ Equity-method affiliates: 3 companies
≪Indonesia≫ Equity-method affiliates: 39 companies
≪India≫ Equity-method affiliates: 1 company
Consolidated subsidiaries: 3 companies
Equity-method affiliates: 1 company
Overseas
TIS INTEC Group and affiliate companies

3. Management Policy

(1) Basic Management Policy

(Basic philosophy)

The Group has established and disclosed "OUR PHILOSOPHY" as a new Group basic philosophy outlining the common values shared across the entire TIS INTEC Group. "OUR PHILOSOPHY" clearly and broadly delineates the thinking and ideals that TIS INTEC Group highly values in its group's management, corporate activities, and constituent members including directors and employees. This new basic philosophy provides the axis around which the Group's entire business revolves. The TIS INTEC Group aims to fulfill its role in the broader society as "A mover that utilizes digital technology to help to paint a brighter future."

In May 2017, the Group also formulated a Group Vision that sets forth the corporate image the Group seeks to achieve over the next 10 years. This Vision is shared by all the members of the TIS INTEC Group, and each employee puts the Vision into practice in their daily work activities as a way of realizing the TIS INTEC Group ideals and further raising corporate value.

(Group Vision)

1. Ideal corporate image
"Create Exciting Future" represents the Group's common values. Based on these values, the Group leverages next-generation technologies and know-how to make business innovations and create new markets. It is an honor to be a strategic partner to customers, and the Group repays this trust by aiming to be a true innovator which continually brings about change in existing industries and markets and creates new markets.

2. Strategic domains
In order to realize our ideal corporate image, the Group has defined the following as our four strategic domains.

Strategic partnership business	As partners to world-class companies in their respective industries, we will jointly plan and promote business strategies and play a central role in their business by leveraging our industry insight and our unmatched business expertise.
IT offering service	We will combine our Group's accumulated know-how and broad range of leading-edge technologies to create and rapidly deploy IT solutions and services that anticipate the future needs of our customers.
Business function service	We will combine the Group's accumulated expertise in industries and business processes and utilize cutting-edge technologies to anticipate the business function needs within our customers' value chains and offer them as services.
Frontier Market Creation Business	We will leverage our Group's technologies, business know-how, and customer base to create entirely new markets and business models responsive to the emerging needs of society and industry, promoting these as our own new business ventures.

TIS INTEC Group is also strengthening its efforts in the area of corporate sustainability in order to enhance its medium- and long-term corporate value. This includes efforts to deepen the Group's recognition that one of the original purposes of a company is to use its business activities to solve social issues and contribute to sustainable social development. Reflecting the basic philosophy behind those efforts, TIS became a signatory to the UN Global Compact in July 2018 and identified four important themes and materiality (important issues) that reflect social trends, stakeholder expectations, the Group's own characteristics and the importance of growth. Through its materiality-related initiatives, the Group is contributing to the achievement of the UN's social development goals (SDGs).

In addition, the Group is promoting management that emphasizes the fulfillment of corporate social responsibility (CSR) based on the Group's Basic Direction on CSR, which declares the Group's commitment to cultivate a vibrant corporate culture that encourages the companies and individuals under the Group's umbrella to work toward higher goals and embrace new challenges, to be honest and fair in business pursuits based on respect for the law and high moral standards, and to fulfill social obligations.

(2) Key Business Indicators

The Group has established a strategic business domain ratio of 50%, operating income of ¥43.0 billion, an operating income ratio of 10%, and ROE of 12% as its targeted business indicators for the medium-term management plan (from fiscal 2019 through fiscal 2021).

(3) Medium- to Long-term Management Strategies

Amid dramatic business environment changes, such as the trend toward more complex and larger-scale systems, the rise of service-oriented approaches, ongoing globalization, and rapidly advancing technology innovation, the TIS INTEC Group, a leading IT services group, endeavors to play an integral role in creating a prosperous future for society.

To guide its efforts to achieve “Sustainable profit growth”, an “Emphasis on employee self-fulfillment”, and “Constant transformation, with a sense of speed”—the basic policies of the current medium-term management plan (fiscal 2019–2021)—the Company has established key business indicators and set targets for each to be achieved in fiscal 2021, the final year of the current plan, ending March 31, 2021. The Company substantially exceeded all of the yearly targets for these indicators in the plan’s first year, fiscal 2019.

Medium-term management plan Key business indicators	Fiscal 2021	Fiscal 2019	
	Plan’s target	Plan’s target	Result
Strategic business domain ratio	50%	40%	42%
Operating income	¥43,000 million	¥35,000 million	¥38,000 million
Operating income ratio	10%	8.5%	9.0%
ROE	12%	10.2%	11.5%

Note: The plan’s targets for fiscal 2021 were set when the medium-term management plan (fiscal 2019–2021) was formulated.

(4) Issues Requiring a Response

Regarding key issues facing the TIS INTEC Group, the Group is striving to achieve its Group Vision for 2026, “Create Exciting Future,” and further raise corporate value by implementing structural transformation with a sense of urgency and expanding business in the four strategic domains.

The Group views structural transformation as imperative to its success, and it has set the two targets of “Sustainable profit growth” and “Emphasis on employee self-fulfillment.” “Constant transformation, with a sense of speed” will be critical to achieving these two targets. More specifically, the Group will implement various measures based on the management policies of “concentrate on core businesses,” “shift to prior investment style of business development” and “expand global business.”

Regarding “concentrate on core businesses,” the Group will promote various measures to bolster fields of expertise in such traditional areas of strength as system integration and IT services, along with critical and priority customer business. To further raise the profitability of existing businesses, the Group Production Innovation Committee is promoting various measures to evolve the Group’s strengths through increasing added value and carrying out productivity reforms including minimizing unprofitable projects and implementing enhancement and innovation activities to raise maintenance and development productivity. In addition, assuming a business environment shaped by insufficient human resources in Japan due to future nationwide population declines, the Group is accelerating the structural transformation to a business model that does not rely on increases in staffing. We also continue to revise our business portfolio from a profitability perspective.

In regard to “shift to prior investment style of business development,” the Group aims to transform its own business structures to prioritize speed and flexibility, enabling a shift towards business which anticipates the needs of customers from the perspective of social issues. Specifically, the Group is promoting business creation by furthering leading edge research on AI, IoT, and robots being conducted at its research facilities, while deepening coordination between Group-backed ventures and the Group's business to maximize know-how. The Group will also seek to create business based on the concept of connecting customers to each other and connecting customers to society in order to accelerate the growth of all partners.

In regard to "expand global business," the Group has accelerated the establishment of capital and business partnerships with leading IT companies in ASEAN in order to acquire new business in a region which has shown particularly dramatic expansion in recent years. The Group will strive to extend its traditional strengths in settlement, banking, and ERP into global strengths as it aims to be a top-class ASEAN IT business group. In addition, the Group is enhancing the solutions it provides for clients in Japan and ASEAN markets by actively forming partnerships with leading IT companies in Europe, the United States, China and other regions.

To robustly support the achievement of these policies, the Group will continue to promote "human resources enhancement" and "management enhancement."

Regarding "human resources enhancement," the Group is striving to raise motivation even further by establishing work systems and corporate cultures which prioritize emphasis on employee self-fulfillment and enable a diverse range of human resources to thrive. The Group recognizes that raising the motivation of its employees is the most important means for achieving sustainable growth. The Company has formulated the "TIS Human Resources SBU Manifesto" outlining its measures to realize a workplace spirit and work environments that enable employees to achieve self-fulfillment through their work and generate better work results based on the Human Resources SBU's We are steadily implementing these measures, which include the introduction of a new employment policy that extends the mandatory retirement age to 65, with no changes in the employee's treatment after 60. The efforts have led to the Group's two core companies being selected by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi for inclusion among the 2019 Certified Health & Productivity Management Outstanding Organizations (large enterprise category), which recognizes enterprises that include the health management of employees among their strategic initiatives. We will continue to aggressively promote "workstyle reform" and "health management" measures and endeavor to create the systems and workplace environment that facilitate the growth of each of our employees as well as the sustainable growth of the Company.

Regarding "management enhancement," the Group has carried out structural reforms in conjunction with its transition to an operating holding company structure. These reforms include the creation of " OUR PHILOSOPHY" as the Group's basic philosophy outlining the common values shared across the entire TIS INTEC Group as well as the Group Vision. Other measures have included the promotion of awareness activities, an increase in the number and diversity independent outside directors, the establishment of a Nomination Committee and a Compensation Committee for directors, and the establishment and consolidation of internal control systems and unification of management under the Group Internal Control Committee. In addition, we are carrying out the headquarters function enhancement project "G20", which seeks to improve the efficiency of head office functions through the integration of core group systems and other measures targeted at achieving more sophisticated Group management.

In consideration of the above management issues, the Group has established the three-year medium-term management plan from fiscal 2018 with the slogan "Transformation to 2020: Unifying as a Group and achieving structural reforms to become a leader in solving society's issues," and the following targets for key business indicators: A strategic business domain ratio of 50%, operating income of ¥43.0 billion, an operating income ratio of 10%, and ROE of 12%. The Company substantially exceeded all of the yearly targets for these indicators in the plan's first year, fiscal 2019. Going forward, the Group will vigorously implement various initiatives to realize structural transformation with a sense of urgency and further raise the Group's corporate value to serve as a stepping stone for achieving the Group Vision for 2026.

4. Basic Policy on Selecting Accounting Standards

The TIS INTEC Group uses Japanese accounting standards for financial reporting. The Group will continue to review the possibility of optional application of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2018	As of March 31, 2019
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	38,032	57,591
Notes and accounts receivable	94,438	88,121
Lease receivables and lease investment assets	4,747	4,122
Marketable securities	100	100
Merchandise and finished goods	3,526	5,043
Work in process	5,432	4,064
Raw materials and supplies	263	234
Other current assets	15,884	17,331
Allowance for doubtful accounts	(360)	(377)
Total current assets	162,064	176,231
Fixed assets		
Property and equipment		
Buildings and structures, net	39,990	38,001
Machinery and equipment, net	7,547	8,124
Land	19,373	18,399
Leased assets, net	2,952	2,523
Other property and equipment, net	5,815	6,073
Total property and equipment	75,680	73,123
Intangible assets		
Software	12,506	12,542
Software in progress	4,359	6,635
Goodwill	707	371
Other intangible assets	1,341	965
Total intangible assets	18,915	20,514
Investments and other assets		
Investment securities	78,766	67,719
Net defined benefit asset	5,610	5,134
Deferred tax assets	8,958	10,013
Other assets	17,230	18,017
Allowance for doubtful accounts	(271)	(96)
Total investments and other assets	110,293	100,788
Total fixed assets	204,889	194,426
Total assets	366,954	370,657

Items	As of March 31, 2018	As of March 31, 2019
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,246	23,338
Short-term borrowings	4,460	6,285
Income taxes payable	6,139	9,299
Accrued bonuses to directors and employees	13,184	13,935
Provision for loss on order received	1,075	581
Provision for loss on liquidation of subsidiaries and associates	—	2,248
Other allowances	72	219
Other current liabilities	33,131	35,218
Total current liabilities	81,310	91,126
Non-current liabilities		
Long-term debt	25,482	18,498
Lease obligations	3,997	3,238
Deferred tax liabilities	3,925	58
Deferred tax liabilities from revaluation of land	403	272
Accrued retirement benefits to directors	65	56
Other allowances	650	406
Net defined benefit liability	17,296	12,497
Asset retirement obligations	3,471	4,103
Other non-current liabilities	4,051	5,989
Total non-current liabilities	59,344	45,121
Total liabilities	140,655	136,248
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	83,384	82,945
Retained earnings	108,298	130,703
Less treasury stock, at cost	(7,742)	(11,816)
Total shareholders' equity	193,941	211,834
Accumulated other comprehensive income		
Net unrealized gains on other securities	31,922	22,701
Revaluation reserve for land	(2,375)	(2,672)
Foreign currency translation adjustments	128	(257)
Remeasurements of defined benefit plans	(1,983)	(1,972)
Total accumulated other comprehensive income	27,692	17,799
Non-controlling interests	4,664	4,775
Total net assets	226,298	234,408
Total liabilities and net assets	366,954	370,657

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

Consolidated Statements of Income

Items	FY 2018	FY 2019
	millions of yen	millions of yen
Net sales	405,648	420,769
Cost of sales	321,286	325,985
Gross profit	84,362	94,784
Selling, general and administrative expenses	51,618	56,740
Operating income	32,743	38,043
Non-operating income		
Interest income	28	196
Dividend income	1,047	1,043
Rental income from real estate	210	78
Other	598	533
Total non-operating income	1,885	1,852
Non-operating expense		
Interest expenses	330	327
Financing expenses	58	250
Equity in losses of affiliated companies	805	293
Other	640	422
Total non-operating expenses	1,834	1,293
Recurring profit	32,795	38,603
Extraordinary income		
Gain on sales of fixed assets	517	913
Gain on sales of investment securities	881	17,829
Gain on sales of investments in capital	208	2
Other	7	306
Total extraordinary income	1,613	19,051
Extraordinary loss		
Impairment loss	1,845	1,654
Data center transfer cost	－	8,800
Loss on liquidation of subsidiaries and associates	－	2,248
Other	1,018	6,172
Total extraordinary loss	2,864	18,876
Income before income taxes	31,545	38,778
Income taxes: current	10,115	13,414
Income taxes: deferred	85	(1,385)
Total income taxes	10,201	12,029
Net income	21,343	26,749
Net income attributable to non-controlling interests	723	715
Net income attributable to owners of the parent company	20,620	26,034

Consolidated Statements of Comprehensive Income

Items	FY 2018	FY 2019
	millions of yen	millions of yen
Net income	21,343	26,749
Other comprehensive income		
Net unrealized gains on other securities	11,470	(9,206)
Revaluation reserve for land	—	(296)
Foreign currency translation adjustments	146	(312)
Remeasurements of defined benefit plans	655	13
Share of other comprehensive income of equity-method affiliates	3	(132)
Total other comprehensive income	12,276	(9,935)
Comprehensive income	33,619	16,814
(Composition)		
Comprehensive income attributable to owners of the parent company	32,795	16,141
Comprehensive income attributable to non-controlling interests	824	672

(3) Consolidated Statements of Changes in Net Assets
FY 2018 (April 1, 2017 through March 31, 2018)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	82,918	90,846	(4,230)	179,535
Changes during the fiscal year					
Dividends from surplus			(3,258)		(3,258)
Net income attributable to owners of the parent company			20,620		20,620
Acquisition of treasury stock				(4,914)	(4,914)
Disposal of treasury stock		641		1,403	2,045
Purchase of shares of consolidated subsidiaries		(175)			(175)
Increase (decrease) resulting from merger of consolidated subsidiary and unconsolidated subsidiary			90		90
Items other than changes in shareholders' equity, net					
Net changes during the fiscal year	—	465	17,452	(3,511)	14,406
Balance at end of fiscal year	10,001	83,384	108,298	(7,742)	193,941

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	20,478	(2,375)	51	(2,636)	15,517	4,149	199,202
Changes during the fiscal year							
Dividends from surplus							(3,258)
Net income attributable to owners of the parent company							20,620
Acquisition of treasury stock							(4,914)
Disposal of treasury stock							2,045
Purchase of shares of consolidated subsidiaries							(175)
Increase (decrease) resulting from merger of consolidated subsidiary and unconsolidated subsidiary							90
Items other than changes in shareholders' equity, net	11,444	—	77	653	12,174	515	12,690
Net changes during the fiscal year	11,444	—	77	653	12,174	515	27,096
Balance at end of fiscal year	31,922	(2,375)	128	(1,983)	27,692	4,664	226,298

FY 2019 (April 1, 2018 through March 31, 2019)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	83,384	108,298	(7,742)	193,941
Changes during the fiscal year					
Dividends from surplus			(3,925)		(3,925)
Net income attributable to owners of the parent company			26,034		26,034
Acquisition of treasury stock				(4,673)	(4,673)
Disposal of treasury stock		0		599	599
Purchase of shares of consolidated subsidiaries		(438)			(438)
Reversal of revaluation reserve for land			296		296
Items other than changes in shareholders' equity, net					—
Net changes during the fiscal year	—	(438)	22,405	(4,074)	17,892
Balance at end of fiscal year	10,001	82,945	130,703	(11,816)	211,834

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	31,922	(2,375)	128	(1,983)	27,692	4,664	226,298
Changes during the fiscal year							
Dividends from surplus							(3,925)
Net income attributable to owners of the parent company							26,034
Acquisition of treasury stock							(4,673)
Disposal of treasury stock							599
Purchase of shares of consolidated subsidiaries							(438)
Reversal of revaluation reserve for land							296
Items other than changes in shareholders' equity, net	(9,221)	(296)	(386)	10	(9,893)	110	(9,782)
Net changes during the fiscal year	(9,221)	(296)	(386)	10	(9,893)	110	8,109
Balance at end of fiscal year	22,701	(2,672)	(257)	(1,972)	17,799	4,775	234,408

(4) Consolidated Statements of Cash Flows

Items	FY 2018	FY 2019
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	31,545	38,778
Depreciation	12,572	12,783
Impairment loss	1,845	1,654
Data center transfer cost	—	8,800
Loss on liquidation of subsidiaries and associates	—	2,248
(Gain) loss on sale of investment securities	(881)	(17,550)
Loss on disposal of fixed assets	156	289
Amortization of goodwill	171	171
Increase (decrease) in accrued bonuses to directors and employees	779	1,637
Increase(decrease) in allowance for doubtful accounts	251	(155)
Increase (decrease) in net defined benefit liability	416	(4,628)
Interest and dividend income	(1,076)	(1,240)
Interest expenses	330	327
(Increase) decrease in notes and accounts receivable	(1,616)	4,809
(Increase) decrease in inventories	(109)	(227)
Increase (decrease) in notes and accounts payable	(900)	329
Increase (decrease) in accrued consumption taxes	99	682
Other, net	1,019	7,287
Subtotal	44,603	55,997
Interest and dividend income received	1,253	1,305
Interest expenses paid	(316)	(321)
Income taxes paid	(9,154)	(10,623)
Data center transfer cost paid	—	(8,800)
Net cash provided by (used in)operating activities	36,386	37,558
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	400	404
Acquisitions of property and equipment	(10,017)	(6,657)
Proceeds from sales of property and equipment	3,202	2,739
Acquisitions of intangible assets	(6,447)	(8,160)
Acquisitions of investment securities	(1,553)	(8,029)
Proceeds from sale and redemption of investment securities	3,579	20,897
Payment of lease and guarantee deposits	(594)	(2,207)
Collection of lease and guarantee deposits	296	889
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(32)	-
Other, net	(2,635)	(690)
Net cash provided by (used in) investing activities	(14,202)	(1,213)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	37	(31)
Proceeds from long-term debt	14,117	10,049
Repayments of long-term debt	(16,559)	(15,173)
Purchase of treasury stock	(4,914)	(4,673)
Proceeds from sales of treasury stock	2,045	599
Dividends paid	(3,258)	(3,925)
Dividends paid to non-controlling interests	(286)	(397)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(193)	(639)
Other, net	(1,530)	(2,582)
Net cash provided by (used in) financing activities	(10,543)	(16,773)
Effect of exchange rate changes on cash and cash equivalents	51	(44)
Net increase (decrease) in cash and cash equivalents	11,692	19,526
Cash and cash equivalents at beginning of year	25,730	37,545
Increase in cash and cash equivalents resulting from merger	122	11
Cash and cash equivalents at end of year	37,545	57,083

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

(Transaction involving delivery of the Company's own shares to employees, etc. through a trust)

The Company has delivered treasury shares through the trust account of the TIS INTEC Group Employees' Shareholding Association ("Employees' Shareholding Association").

(1) Overview of the transaction

The Company has established a trust whose beneficiaries are employees who belong to the Employees' Shareholding Association and who meet certain requirements. The trust has acquired in advance, through third-party allotment, a number of treasury shares of the Company equivalent to the number of treasury shares likely to be purchased by the Employees' Shareholding Association over a three-year period from March 2018. The trust subsequently began selling these shares on a certain day each month to the Employees' Shareholding Association. If, at the time of the termination of the trust, there is any trust fund revenue resulting from an increase in share price, employees who are beneficiaries of the trust shall be allocated sums in proportion to the size of their respective contributions. If there is a loss on the sale of shares due to a decrease in share price leading to a trust fund debt, the Company shall reimburse the bank in one lump sum in accordance with the loan agreement, meaning therefore that employees will not incur any additional costs.

(2) Treasury shares remaining in the possession of the trust

Treasury shares remaining in the possession of the trust are recorded as "Less treasury stock, at cost" under "Net assets" at the trust's book value (exclusive of ancillary expenses).

There were 365,000 treasury shares remaining in the possession of the trust at the end of the fiscal year under review with a book value of ¥1,446 million.

(3) Book value of borrowings recorded in accordance with the adoption of the gross accounting method

As of March 31, 2019, the book value of borrowings recognized in accordance with the gross accounting method was ¥1,265 million.

(Subsequent Events)

(Share buyback)

At the Board of Directors' meeting held on May 13, 2019, based on the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the Act, the Company made a resolution on repurchase of its own shares.

(1) Reason for share buyback

To implement flexible capital strategy responding to changes in the operating environment.

(2) Details of resolution on share buyback

1) Class of shares to be repurchased: common shares
2) Total number of shares to be repurchased: 1,000,000 shares (upper limit)
3) Total cost of repurchase: 4,140 million yen (upper limit)
4) Period for repurchase: May 14, 2019 through July 31, 2019
5) Method for repurchase: Purchase on the Tokyo Stock Exchange

6. 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).