Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2020
(April 1, 2019 through September 30, 2019)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

November 1, 2019

Company name:	TIS Inc.
Stock exchange listings:	The First Section of the Tokyo Stock Exchange
Stock code:	3626
URL:	https://www.tis.com/
Representative:	Toru Kuwano, Chairman and President
Contact:	Takashi Nakamura, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.
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Scheduled dates

Submission of quarterly report:	November 7, 2019
Commencement of dividend payments:	December 10, 2019
Supplementary materials to the quarterly results:	Available
Quarterly results presentation held:	Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – September 30, 2019)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Half, FY2020	216,296	6.5	19,100	22.9	20,009	26.3	13,266	24.1
First Half, FY2019	203,030	4.2	15,542	14.4	15,837	15.1	10,692	24.3

Note: Comprehensive income: First Half, FY 2020 11,190 million yen (3.3%), First Half., FY 2019 10,832 million yen (-26.7%),

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Half, FY2020	157.75	-
First Half, FY2019	126.14	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2020	368,582	237,348	63.0
End of FY2019	370,657	234,408	62.0

For reference: Total equity: End of first Half, FY2020: 232,311 million yen End of FY2019: 229,633 million yen.
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

2. Cash Dividends for Shareholders of Common Stock

	Cash dividends per share				
Record date or period	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2019	-	20.00	-	50.00	70.00
FY2020	-	30.00			
FY2020 (forecast)			-	50.00	80.00

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

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

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full FY2020 (year ending Mar. 31, 2020)	436,000	3.6	42,000	10.4	43,000	11.4	28,800	10.6	343.13

Note: Revisions from the latest release of earnings forecasts: Yes

※ Notes

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

(2) Accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
1) Changes in accordance with amendments to accounting standards, etc.: None
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Half, FY2020 (September 30, 2019): 87,789,098 shares
End-FY2019 (March 31, 2019): 87,789,098 shares
2) Treasury stock as of period-end:
End-First Half, FY2020 (September 30, 2019): 4,020,911 shares
End-FY2019 (March 31, 2019): 3,358,468 shares
3) Average number of shares (during the respective three-month period):
First Half, FY2020 (ended September 30, 2019): 84,097,644 shares
First Half, FY2019 (ended September 30, 2018): 84,762,918 shares
Note: Treasury stock includes the number of the Companys own shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

***Quarterly review status**
These materials are not subject to the quarterly review procedures to be conducted by certified public accountants or an audit firm.

Caution on Forward-Looking Statements and Other Important Matters
At a Board of Directors' Meeting held on May 13, 2019, TIS Inc. (TIS) resolved to acquire its own (treasury) shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said Act.
Accordingly, "Net income per share – basic" in the Forecast of Consolidated Results for FY2020 has been presented taking into account the effect of this acquisition of treasury shares.
This report contains forward-looking statements that reflect TIS Inc. ("TIS")'s plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" in the "1. Results of Operations" section on page 6 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first six months of fiscal 2020 (April 1, 2019 – September 30, 2019), the Japanese economy continued a moderate recovery owing to solid corporate earnings, an improvement in employment conditions, and other factors. Regarding the outlook, in addition to the impact of uncertainties surrounding the global economy and financial market fluctuations, the impact of the recent consumption tax rate hike on consumer spending must also be monitored closely. Nonetheless, the Japanese economy is expected to continue its moderate recovery trend.

The business environment surrounding the IT services industry, to which the TIS INTEC Group ("the Group") belongs, was robust during the period. The Bank of Japan's Short-term Economic Survey of Enterprises in Japan (September 2019) showed a 13.1% year-on-year increase in company software investment plans (all manufacturing & financial institutions), reflecting a strong trend for increased IT investment by companies aiming to realize their business strategies through the aggressive application of digital technologies.

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

Consolidated net sales for the Group in the first six months of fiscal 2020 increased 6.5% year on year to ¥216,296 million. Operating income rose 22.9% to ¥19,100 million, recurring profit expanded 26.3% to ¥20,009 million, and net income attributable to owners of the parent company grew 24.1% to ¥13,266 million.

The increase in consolidated net sales was driven by the Group's ability to accurately grasp the IT investment needs of its customers in areas where IT investment is growing. The increase in operating income reflects sales growth and higher gross profit realized through improved profitability (the gross profit margin increased 1.1 percentage points year on year to 22.4%). These positives offset an increase in selling, general and administrative expenses primarily related to expenditures targeted at strengthening the Group's efforts to achieve structural reforms. The operating income ratio increased 1.1 percentage points year on year to 8.8%. The increases in recurring profit and net income attributable to owners of the parent company mainly reflect the growth in operating income.

First-half consolidated results include extraordinary income of ¥6,371 million and extraordinary losses totaling ¥6,044 million. The majority of these extraordinary items were posted in the second quarter. The extraordinary income, as reported in our September 10 press release "Booking of Gain on Sale of Investment Securities (Extraordinary Income)", came mainly from a ¥5,455 million extraordinary gain on the sale of investment securities. The extraordinary losses came mainly from the booking of a total of ¥4,112 million in expenses in connection with the transfer and consolidation of Group offices in the Tokyo area and impairment loss relating to the reorganization of some existing offices, conducted in accordance with the Group's plan to create next-generation offices.

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

1) Service IT Business

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

Segment sales in the first half of fiscal 2020 totaled ¥59,867 million, up 6.6% year on year, while operating income declined 27.7% to ¥2,457 million. Sales increased mainly owing to the expansion of settlement-related business. The decline in operating income was largely due to an increase in forward-looking investment to strengthen the business and to the posting of losses related to strategy revisions targeted at further expansion of our platform business. As a result, the segment's operating income ratio decreased 1.9 percentage points year-on-year to 4.1%.

2) BPO

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

Segment sales in the first half of fiscal 2020 totaled ¥16,221 million, down 11.2% year on year. Operating income increased 21.9% to ¥993 million. The growth in operating income despite the decline in sales reflected the large impact from the transfer of all the equity shares of certain consolidated subsidiaries to non-Group companies in the previous fiscal year in line with management's policy of concentrating on core businesses. As a result, the operating income ratio improved 1.6 percentage points to 6.1%.

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 in the first half totaled ¥55,456 million, up 5.2% year on year, and operating income increased 21.2% to ¥6,925 million. Sales and profits increased due to the growth in IT investment by core clients, despite the impact of the reactionary drop after the conclusion of large-scale development projects, and the operating income ratio improved 1.7 percentage points to 12.5%.

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

4) Industrial IT Business

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

Segment sales in the first half totaled ¥99,413 million, up 10.6% year on year, and operating income expanded 57.1% to ¥8,512 million. The increases in sales and profits were driven by expanding IT investment by clients in a wide range of sectors, including core clients in the energy-related and manufacturing-related sectors. The operating income ratio rose 2.6 percentage points to 8.6%.

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

5) Other

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

Segment sales in the first half totaled ¥4,345 million, down 5.3% year on year, operating income fell 6.5% to ¥468 million, and the operating income ratio slipped 0.1 percentage point to 10.8%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned subsidiary responsible for the Group's shared services, and inclusion of that business's results in the Other segment from the second quarter of the fiscal 2019.

As noted above, the Group has been implementing a medium-term management plan (2018 – 2020) from the start of fiscal 2019. The new plan will build the foundation from which the Group will work to realize its Group Vision 2026. By striving to fulfill the plan's five basic policies—"Sustainable profit growth," "Emphasis on employee self-fulfillment," "Concentrate on core businesses," "Shift to prior investment style of business development," and "Expand global business"—we aim to achieve a speedy structural transformation and raise corporate value.

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

Group Management Policies for Fiscal 2020

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

The major initiatives take in the first half of fiscal 2020 are presented below.

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

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

As a part of this, we are moving forward with preparations to launch CreditCube+, a next-generation card processing service that fully leverages the technologies and expertise cultivated through our CreditCube credit-card core operations system. The new system will enable customers to improve competitiveness and reduce costs by using a system that optimally balances the merits of shared data with customers' proprietary data. Also, in response to the progress of new technologies such as FinTech, IoT, and AI, as well as industry trends, we are proactively embracing open innovation and are accelerating partnerships with start-up companies. This includes our investment in investment in U.S. venture capital fund Sozo Ventures II-S.

As part of our preparations for future business development, we added "Electronic settlement agency and business relating to transfer of funds" as a new purpose in Article 2 of our the Articles of Incorporation and are also participating in demonstration tests for potential new businesses, such as a MaaS (Mobility as a Service) demonstration test to promote tourism in the Yaeyama Islands of Okinawa Prefecture by creating an interconnected transportation network comprising buses, taxis, and inter-island ships. Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has selected the Yaeyama Islands MaaS demonstration test as a "Pioneering Model Project" among "Projects for the Promotion of New Mobility Services" being carried out to pave the way for nationwide application.

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

Targeting further strengthening of our business competitiveness, we are continuing our efforts to eliminate unprofitable projects and promote reforms aimed at further improving the profitability of enhancement areas. These efforts have steadily contributed to improvement in the Group's gross profit margin, which increased 1.1 percentage points year on year in the first half to 22.4% despite the impact of losses booked in relation to revision of strategies aimed at further reinforcing the Group's platform business.

In the Cloud & Security field, we entered into a business alliance with LAC Co., Ltd., which possesses industry-leading insight in the security field. Together, our companies plan to introduce a next-generation-type cloud and security service platform that will quickly realize "security by design." In addition, during the period under review, we revised our strategy with the aim of further strengthening the key components of the platform business, including cloud, security, data center, and network-related business. To accelerate the development of business in such growth areas as "Cloud & Security," we established a business strategy promotion unit with the mission of handling investment strategy, marketing strategy, and human resources strategy within the Company. We are also consolidating our brands under Group company EINS WAVE, which brings together our cumulative knowhow to provide the full portfolio of platform services offered by the Group.

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

As part of our efforts to acquire state-of-the-art technologies and deploy these in global markets, we entered into a capital and business tie-up with Singapore-based SQREEM Technologies PTE. LTD. SQREEM is one of the world's largest behavioral pattern data aggregators. It is enjoying rapid growth in the fields of digital marketing and data analytics using proprietary AI technologies based on massive data collection. Leveraging SQREEM's advanced AI technologies and the Group's business insight cultivated in various industries, including financial services and manufacturing, the Group aims to become a leader in AI-based data analytics in Japan and the ASEAN region.

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

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

As a part of this effort, in April 2019, we launched several new human resources-related programs, including “teleworkers” (employees who mainly work remotely on a full-day basis), as well as a “work-interval system” and a “smart-work allowance.” With these and other measures, we are creating an environment that considers employees’ health and makes diverse working styles possible. The Company is constantly working to improve conditions for its employees by, for example, reducing overtime, increasing the annual vacation usage rate, and introducing various work-related systems. We have obtained “Kurumin” certification from the Ministry of Health, Labor and Welfare for four consecutive years and recently were awarded the “Platinum Kurumin” certification granted to “Kurumin” certified companies deemed to be making the greatest efforts to introduce and promote the use of systems that support and encourage employees balancing child-rearing and work.

5) Realize enhanced management practices and higher efficiency

In January 2019, we announced a new Group basic philosophy, “OUR PHILOSOPHY,” which provides the common values that will serve as the basis for all activities of the entire Group. The Group is energetically holding training sessions on “OUR PHILOSOPHY” to ensure widespread awareness among all officers and employees in the Group as a basis for carrying out our corporate activities with confidence and conviction under unified, group-wide management. Also, to realize more sophisticated Group management, we are continuing the “G20” project to enhance headquarters functions. As part of this, a project to build a new core Group system is progressing on schedule with an expected launch in fiscal 2021. We are also making steady progress with the establishment of a future framework for promoting Group-wide shared services along with the designation of target operations and the setting of deployment schedules.

As part of our efforts to strengthen the management foundation that supports the enhancement of corporate value, we are also bolstering our strategic branding activities with the aim of expanding business opportunities, improving our personnel recruitment capabilities, and raising employees’ pride in their work. Based on this policy, beginning in the third quarter and continuing into fiscal 2021, we will be making concentrated investments based on a communication plan designed to enhance brand awareness as rapidly as possible.

In addition, to promote the Group’s work-style reforms and foster greater communication within the Group, we decided to move and consolidate Group offices in the Tokyo area to a new base in Toyosu to be opened in fiscal 2021. This move will create a double-core office structure in the Tokyo area, with the business functions of TIS Inc. and Intec Inc. brought together in the new Toyosu office and both companies’ head-office functions housed in the Nishi-Shinjuku office. This consolidation of Group offices in the Tokyo area will strengthen the sense of unity with which we conduct our business and enable us to accelerate the structural transformation that is a goal of our medium-term plan as well as strengthen corporate governance.

In addition to the above initiatives and in line with the Group's policy of flexibly managing its capital positon 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 2019, resulting in the acquisition of 749,800 shares at a total acquisition cost of ¥4,139 million.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the second quarter on September 30, 2019, came to ¥368,582 million, a decrease of ¥2,074 million from ¥370,657 million at the end of the previous fiscal year on March 31, 2019.

Current assets totaled ¥171,996 million, down from ¥176,231 million, primarily owing to a ¥4,782 million decrease in notes and accounts receivable.

Fixed assets totaled ¥196,585 million, up from ¥194,426 million, owing mostly to a ¥3,126 million increase in software and software in progress.

(Liabilities)

As of the end of the second quarter on September 30, 2019, total liabilities amounted to ¥131,233 million, a ¥5,014 million decrease from ¥136,248 million at the end of the previous fiscal year.

Current liabilities totaled ¥84,533 million, down from ¥91,126 million, mainly reflecting a ¥2,380 million decrease in notes and accounts payable.

Non-current liabilities amounted to ¥46,699 million, up from ¥45,121 million, primarily owing to a ¥1,641 million increase in provision for office restructuring cost.

(Net assets)

Net assets as of the end of the second quarter totaled ¥237,348 million, up ¥2,940 from ¥234,408 million at the end of the previous fiscal year, primarily reflecting a ¥9,022 million increase in retained earnings, mostly from the increase in net income attributable to owners of the parent company.

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

In light of recent business trends and the fact that first-half results substantially exceeded forecasts, the Group has revised the fiscal 2020 full-year consolidated earnings forecast announced on May 13, 2019 as follows. While the economic outlook is uncertain, the Group will strive to achieve its revised full-year targets by steadily implementing various measures, including expanding business by accurately grasping the needs of its customers in areas where IT investment is growing.

Revised consolidated earnings forecast for fiscal 2020

	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
Previous forecast (A)	425,000	40,000	40,500	27,100	323.02
Revised forecast (B)	436,000	42,000	43,000	28,800	343.13
Change (B-A)	11,000	2,000	2,500	1,700	—
% change	2.6	5.0	6.2	6.3	—
(Reference) FY2019 results	420,769	38,043	38,603	26,034	307.83

Note: The above forecasts reflect 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 deems reasonable. Actual results may differ significantly due to various factors.

From fiscal 2019, the Company has adopted a total return ratio* benchmark of 40% as its basic policy for shareholder returns. Considering the previously mentioned share buyback and the above revised consolidated earnings forecast, the Company estimates the total return will come to 37.7% in fiscal 2020.

* Total return ratio: The ratio of the combined value of dividend payments and share buybacks versus net income attributable to owners of the parent company

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

Items	As of March 31, 2019	As of Sep. 30, 2019
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	57,591	58,365
Notes and accounts receivable	88,121	83,339
Lease receivables and lease investment assets	4,122	4,147
Marketable securities	100	100
Merchandise and finished goods	5,043	4,221
Work in process	4,064	5,474
Raw materials and supplies	234	204
Other current assets	17,331	16,479
Allowance for doubtful accounts	(377)	(335)
Total current assets	176,231	171,996
Fixed assets		
Property and equipment		
Buildings and structures, net	38,001	35,615
Machinery and equipment, net	8,124	8,264
Land	18,399	17,342
Leased assets, net	2,523	2,060
Other property and equipment, net	6,073	6,244
Total property and equipment	73,123	69,528
Intangible assets		
Software	12,542	13,553
Software in progress	6,635	8,750
Goodwill	371	307
Other intangible assets	965	1,071
Total intangible assets	20,514	23,683
Investments and other assets		
Investment securities	67,719	64,890
Net defined benefit asset	5,134	5,231
Deferred tax assets	10,013	12,701
Other assets	18,017	20,647
Allowance for doubtful accounts	(96)	(97)
Total investments and other assets	100,788	103,373
Total fixed assets	194,426	196,585
Total assets	370,657	368,582

Items	As of March 31, 2019	As of Sep. 30, 2019
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,338	20,957
Short-term borrowings	6,285	5,729
Income taxes payable	9,299	8,847
Accrued bonuses to directors and employees	13,935	15,024
Provision for loss on order received	581	516
Provision for loss on liquidation of subsidiaries and associates	2,248	432
Provision for office restructuring cost	-	344
Other allowances	219	176
Other current liabilities	35,218	32,503
Total current liabilities	91,126	84,533
Non-current liabilities		
Long-term debt	18,498	17,335
Lease obligations	3,238	2,872
Deferred tax liabilities	58	25
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	56	34
Provision for office restructuring cost	-	1,641
Other allowances	406	197
Net defined benefit liability	12,497	12,456
Asset retirement obligations	4,103	4,151
Other non-current liabilities	5,989	7,712
Total non-current liabilities	45,121	46,699
Total liabilities	136,248	131,233
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,945	82,945
Retained earnings	130,703	139,726
Less treasury stock, at cost	(11,816)	(15,604)
Total shareholders' equity	211,834	217,068
Accumulated other comprehensive income		
Net unrealized gains on other securities	22,701	19,790
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(257)	(187)
Remeasurements of defined benefit plans	(1,972)	(1,688)
Total accumulated other comprehensive income	17,799	15,242
Non-controlling interests	4,775	5,037
Total net assets	234,408	237,348
Total liabilities and net assets	370,657	368,582

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

Consolidated Statements of Income

Items	First Half, FY2019 (Apr. 1 – Sep. 30, 2018) millions of yen	First Half, FY2020 (Apr. 1 – Sep. 30, 2019) millions of yen
Net sales	203,030	216,296
Cost of sales	159,867	167,800
Gross profit	43,162	48,496
Selling, general and administrative expenses	27,619	29,395
Operating income	15,542	19,100
Non-operating income		
Interest income	87	128
Dividend income	691	671
Other	375	591
Total non-operating income	1,155	1,391
Non-operating expense		
Interest expenses	169	123
Financing expenses	226	123
Equity in losses of affiliated companies	175	56
Other	289	177
Total non-operating expenses	860	481
Recurring profit	15,837	20,009
Extraordinary income		
Gain on sale of investment securities	13,145	6,220
Gain on sales of fixed assets	913	2
Other	299	148
Total extraordinary income	14,357	6,371
Extraordinary loss		
Impairment loss	423	3,594
Data center transfer cost	8,800	-
Provision for office restructuring cost	-	1,985
Other	3,793	463
Total extraordinary loss	13,017	6,044
Income before income taxes	17,177	20,336
Income taxes: current	5,971	8,471
Income taxes: deferred	171	(1,877)
Total income taxes	6,142	6,594
Net income	11,034	13,742
Net income attributable to non-controlling interests	342	476
Net income attributable to owners of the parent company	10,692	13,266

Consolidated Statements of Comprehensive Income

Items	First Half, FY2019 (Apr. 1 – Sep. 30, 2018)	First Half, FY2020 (Apr. 1 – Sep. 30, 2019)
	millions of yen	millions of yen
Net income	11,034	13,742
Other comprehensive income		
Net unrealized gains on other securities	5	(2,897)
Revaluation reserve for land	(296)	-
Foreign currency translation adjustments	(342)	(38)
Remeasurements of defined benefit plans	595	285
Share of other comprehensive income of equity-method affiliates	(165)	97
Total other comprehensive income	(202)	(2,551)
Comprehensive income	10,832	11,190
(Composition)		
Comprehensive income attributable to owners of the parent company	10,527	10,709
Comprehensive income attributable to non-controlling interests	305	480

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

3. Other Information

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