Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2020
(April 1, 2019 through December 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.

February 6, 2020

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:	February 13, 2020
Commencement of dividend payments:	-
Supplementary materials to the quarterly results:	Available
Quarterly results presentation held:	Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – December 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	%
First Three Qtrs., FY2020	319,009	5.3	30,103	20.3	31,393	23.0	20,436	20.4
First Three Qtrs., FY2019	302,961	4.8	25,022	20.9	25,516	21.8	16,979	26.1

Note: Comprehensive income: First Three Qtrs., FY 2020 25,043 million yen (338.8%), First Three Qtrs., FY 2019 5,707 million yen (-77.2%),

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Three Qtrs., FY2020	243.32	-
First Three Qtrs., FY2019	200.64	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of Third Quarter, FY2020	369,320	248,640	66.0
End of FY2019	370,657	234,408	62.0

For reference: Total equity: End of Third Quarter, FY2020: 243,617 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	343.07

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

※ Notes

(1) Material reclassifications of subsidiaries during the period: Yes
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None Exclusions: 1 (Tianjin Xiangming Technology Co., Ltd.)

(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-Third Quarter, FY2020 (December 31, 2019): 87,789,098 shares
End-FY2019 (March 31, 2019): 87,789,098 shares
2) Treasury stock as of period-end:
End-Third Quarter, FY2020 (December 31, 2019): 3,973,288 shares
End-FY2019 (March 31, 2019): 3,358,468 shares
3) Average number of shares (during the respective nine-month period):
First Three Qtrs., FY2020 (ended December 31, 2019): 83,989,935 shares
First Three Qtrs., FY2019 (ended December 31, 2018): 84,627,327 shares
Note: Treasury stock includes the number of the Company’s own shares held by TIS INTEC Group Employees’ Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

***Quarterly review status**

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

Caution on Forward-Looking Statements and Other Important Matters

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

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

This report contains forward-looking statements that reflect TIS Inc. (“TIS”)’s plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to “(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements” in the “1. Results of Operations” section on page 7 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first nine months of fiscal 2020 (April 1, 2019 – December 31, 2019), the Japanese economy continued a moderate recovery on the back of solid corporate earnings, an improvement in employment conditions, and other factors, which combined to overcome some weakening mainly in the manufacturing sector. 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 (December 2019) showed a 10.6% 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 nine months of fiscal 2020 increased 5.3% year on year to ¥319,009 million. Operating income rose 20.3% to ¥30,103 million, recurring profit grew 23.0% to ¥31,393 million, and net income attributable to owners of the parent company expanded 20.4% to ¥20,436 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 1.5 percentage points year on year to 23.4%). 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 9.4%. The increases in recurring profit and net income attributable to owners of the parent company mainly reflect the growth in operating income.

The consolidated results for the first three quarters of fiscal 2020 include extraordinary income of ¥7,232 million and extraordinary losses totaling ¥7,196 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 ¥5,445 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 (a provision for office restructuring cost) 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 three quarters of fiscal 2020 totaled ¥89,901 million, up 6.8% year on year, while operating income fell 2.8% to ¥5,112 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 0.5 percentage points year-on-year to 5.7%.

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 three quarters totaled ¥24,619 million, down 11.2% year on year. Operating income increased 30.5% to ¥1,767 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 2.3 percentage points to 7.2%.

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 three quarters totaled ¥81,963 million, up 5.1% year on year, and operating income expanded 16.9% to ¥10,510 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 1.3 percentage points to 12.8%.

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 three quarters totaled ¥144,506 million, up 8.3% year on year, and operating income expanded 36.6% to ¥12,601 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 1.8 percentage points to 8.7%.

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 three quarters totaled ¥6,497 million, down 4.5% year on year, operating income fell 6.7% to ¥671 million, and the operating income ratio slipped 0.3 percentage points to 10.3%. These results primarily reflect the absorption merger of IT Service Force Inc., a wholly owned subsidiary responsible for the Group’s shared services, and inclusion of 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. This 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 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 taken in the first three quarters 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.

In the payment services domain, where we expect changes in the market environment due to the shift to cashless services to lead to new IT investments, we are leveraging the insight and know-how cultivated over many years to expand a service-type business under our PAYCIERGE total-brand payment solution.

As a part of this, we are moving forward with preparations to launch the Credit Card Processing Service that fully leverages the technologies and expertise cultivated through our credit-card core operations system. The new service 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 preparation for the expected emergence of a variety of new services due to the advance of the cashless economy and IoT (the Internet of Things), we have launched and promoted the Digital Wallet Service, a new payment-related service-type business that integrates services for various payment methods and consumer interfaces, including physical stores, e-commerce, and online apps, into one app. We provided the Digital Wallet Service in support of the creation of the payment app TOYOTA Wallet launched in November 2019 by Toyota Motor Corporation, Toyota Financial Services Corporation, and Toyota Finance Corporation. TOYOTA Wallet is a smartphone app that can be used with multiple payment methods, including electronic money, QR codes, and barcodes. In January 2020, the Company decided to acquire Sequent Software Inc., a US fintech company with tokenization technology, a key technology used in the Digital Wallet Service. The acquisition was completed in February and Sequent Software became a consolidated subsidiary. Tokenization-related business is expected to expand globally with the spread, for example, of IoT payments utilizing next-generation 5G networks. Making Sequent Software a consolidated subsidiary enables us to promptly bring its leading tokenization technologies into the Group, which will accelerate the expansion of the Digital Wallet Service and support our development of IoT payments.

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 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. Demonstration testing started in November 2019.

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 1.5 percentage points year on year in the first three quarters to 23.4% 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.

As part of this effort, the Company decided to transfer the EDI (Electronic Data Interchange) business to its wholly owned subsidiary INTEC, Inc. through an absorption-type company split. Consolidating the EDI business under INTEC will contribute to the ongoing effort to achieve optimal management of the entire Group. In addition to advancing Group restructuring, the transfer will strengthen the competitiveness of the EDI business and contribute to its expansion, therefore also helping to raise the overall value of 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. In addition, we are strengthening our corporate sustainability initiatives. As

part of this effort, we established policies targeting the environment, sustainable procurement, and diversity and inclusion.

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 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 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 third quarter on December 31, 2019, amounted to ¥369,320 million, a decrease of ¥1,336 million from ¥370,657 million at the end of the previous fiscal year on March 31, 2019.

Current assets totaled ¥167,849 million, down from ¥176,231 million, primarily owing to a ¥11,229 million decrease in notes and accounts receivable.

Fixed assets totaled ¥201,471 million, up from ¥194,426 million, owing mostly to a ¥8,141 million increase in investment securities.

(Liabilities)

As of the end of the third quarter on December 31, 2019, total liabilities amounted to ¥120,680 million, a ¥15,568 million decrease from ¥136,248 million at the end of fiscal 2019.

Current liabilities totaled ¥71,035 million, down from ¥91,126 million, mainly reflecting a ¥7,317 million decrease in income taxes payable.

Non-current liabilities amounted to ¥49,644 million, up from ¥45,121 million, primarily owing to an increase of ¥1,994 million in long-term debt.

(Net assets)

Net assets as of the end of the third quarter totaled ¥248,640 million, up ¥14,232 million from ¥234,408 million at the end of the previous fiscal year. The increase primarily reflects a ¥13,668 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

The Group achieved a solid consolidated business performance in the first nine months of fiscal 2020. Over the remainder of the fiscal year, the Group aims to achieve its full-year targets by steadily implementing various measures. As of the release of this quarterly earnings report, management has made no changes to the consolidated earnings forecast announced on November 1, 2019.

From fiscal 2019, the Company has adopted a total return ratio* benchmark of 40% as a basic policy for shareholder returns. Considering the previously mentioned share buyback and the current consolidated earnings forecast, the Company estimates the total return 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 Dec. 31, 2019
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	57,591	57,130
Notes and accounts receivable	88,121	76,891
Lease receivables and lease investment assets	4,122	3,932
Marketable securities	100	200
Merchandise and finished goods	5,043	5,260
Work in process	4,064	8,005
Raw materials and supplies	234	240
Other current assets	17,331	16,808
Allowance for doubtful accounts	(377)	(621)
Total current assets	176,231	167,849
Fixed assets		
Property and equipment		
Buildings and structures, net	38,001	34,258
Machinery and equipment, net	8,124	7,172
Land	18,399	17,015
Leased assets, net	2,523	1,877
Other property and equipment, net	6,073	6,443
Total property and equipment	73,123	66,767
Intangible assets		
Software	12,542	14,547
Software in progress	6,635	8,900
Goodwill	371	274
Other intangible assets	965	1,030
Total intangible assets	20,514	24,753
Investments and other assets		
Investment securities	67,719	75,861
Net defined benefit asset	5,134	5,283
Deferred tax assets	10,013	7,889
Other assets	18,017	21,680
Allowance for doubtful accounts	(96)	(764)
Total investments and other assets	100,788	109,950
Total fixed assets	194,426	201,471
Total assets	370,657	369,320

Items	As of March 31, 2019	As of Dec. 31, 2019
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,338	19,811
Short-term borrowings	6,285	1,755
Income taxes payable	9,299	1,981
Accrued bonuses to directors and employees	13,935	7,083
Provision for loss on order received	581	533
Provision for loss on liquidation of subsidiaries and associates	2,248	-
Provision for office restructuring cost	-	1,166
Other allowances	219	110
Other current liabilities	35,218	38,592
Total current liabilities	91,126	71,035
Non-current liabilities		
Long-term debt	18,498	20,493
Lease obligations	3,238	2,602
Deferred tax liabilities	58	1,596
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	56	34
Provision for office restructuring cost	-	819
Other allowances	406	224
Net defined benefit liability	12,497	12,463
Asset retirement obligations	4,103	2,836
Other non-current liabilities	5,989	8,302
Total non-current liabilities	45,121	49,644
Total liabilities	136,248	120,680
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,945	82,950
Retained earnings	130,703	144,372
Less treasury stock, at cost	(11,816)	(15,418)
Total shareholders' equity	211,834	221,905
Accumulated other comprehensive income		
Net unrealized gains on other securities	22,701	26,181
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(257)	(239)
Remeasurements of defined benefit plans	(1,972)	(1,556)
Total accumulated other comprehensive income	17,799	21,712
Non-controlling interests	4,775	5,022
Total net assets	234,408	248,640
Total liabilities and net assets	370,657	369,320

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

Consolidated Statements of Income

Items	First Three Qtrs., FY2019 (Apr. 1 – Dec. 31, 2018)	First Three Qtrs., FY2020 (Apr. 1 – Dec. 31, 2019)
	millions of yen	millions of yen
Net sales	302,961	319,009
Cost of sales	236,676	244,518
Gross profit	66,284	74,491
Selling, general and administrative expenses	41,261	44,388
Operating income	25,022	30,103
Non-operating income		
Interest income	132	191
Dividend income	983	858
Other	475	911
Total non-operating income	1,591	1,962
Non-operating expense		
Interest expenses	254	177
Financing expenses	302	125
Equity in losses of affiliated companies	148	141
Other	393	226
Total non-operating expenses	1,098	672
Recurring profit	25,516	31,393
Extraordinary income		
Gain on sale of investment securities	13,145	6,482
Gain on sales of fixed assets	913	94
Other	301	655
Total extraordinary income	14,360	7,232
Extraordinary loss		
Impairment loss	457	3,628
Data center transfer cost	8,800	-
Provision for office restructuring cost	-	1,985
Other	3,989	1,582
Total extraordinary loss	13,247	7,196
Income before income taxes	26,628	31,428
Income taxes: current	6,465	8,614
Income taxes: deferred	2,641	1,690
Total income taxes	9,106	10,304
Net income	17,522	21,124
Net income attributable to non-controlling interests	542	687
Net income attributable to owners of the parent company	16,979	20,436

Consolidated Statements of Comprehensive Income

Items	First Three Qtrs., FY2019 (Apr. 1 – Dec. 31, 2018)	First Three Qtrs., FY2020 (Apr. 1 – Dec. 31, 2019)
	millions of yen	millions of yen
Net income	17,522	21,124
Other comprehensive income		
Net unrealized gains on other securities	(11,589)	3,499
Revaluation reserve for land	(296)	-
Foreign currency translation adjustments	(327)	(79)
Remeasurements of defined benefit plans	524	417
Share of other comprehensive income of equity-method affiliates	(127)	82
Total other comprehensive income	(11,815)	3,919
Comprehensive income	5,707	25,043
(Composition)		
Comprehensive income attributable to owners of the parent company	5,193	24,349
Comprehensive income attributable to non-controlling interests	513	694

(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

(Significant Subsequent Events)

(Business Combination through Acquisition)
The Company resolved at a Board of Directors meeting held on January 21, 2020 to acquire additional shares of Sequent Software Inc. to make it a subsidiary. On February 6, 2020, the Company bought additional shares of Sequent Software Inc. and made it a subsidiary.

1. Overview of business combination
(1) Name of acquired company and its business
Name:Sequent Software Inc.
Business: Development of software and services relating to mobile payments
(2) Main reasons for business combination
Management expects that tokenization-related business will see worldwide growth, fueled by the spread of tokenization technology for IoT payment solutions using next-generation 5G networks. In light of this and other factors, management came to the conclusion that, promptly bringing Sequent’s tokenization technology into the TIS INTEC Group to accelerate expansion of its digital wallet services and actively apply tokenization to IoT payment solutions, would contribute to medium- to long-term enhancement of the Group’s corporate value.
(3) Date of business combination
February 6, 2020
(4) Legal form of business combination
Acquisition of shares
(5) Name of acquired company after business combination
No change.
(6) Ratio of voting rights acquired
Ratio of voting rights held by the Company before the business combination: 13.1%
Ratio of voting rights additionally acquired on the date of the business combination: 46.9%
Ratio of voting rights held by the Company after the business combination: 60.0%
(7) Main reason for deciding on the acquired company
The Company acquired the shares of Sequent Software Inc. primarily with cash as consideration.

2. Acquisition cost of the acquired company and breakdown of consideration by type

Consideration for acquisition:	Cash and deposits:	1,649 million yen
	Other:	1,101 million yen
Acquisition cost:		2,750 million yen

3. Type and amount of major acquisition-related expenses
Advisory fees and commissions and other related expenses: 134 million yen

4. Goodwill amount, cause, amortization method, and amortization period
(1) Amount of goodwill
2,688 million yen
The amount has been calculated on a provisional basis because allocation of the acquisition cost is yet to be completed.
(2) Cause
Because the acquisition cost was higher than the amount of net assets at market value at the time of the business combination, the difference is recognized as goodwill.
(3) Amortization method and amortization period
The Company examined the recoverable amount of the goodwill based on the expected future cash flow. As a result, the amount of unamortized balance of goodwill is expected to be recorded as impairment loss at the end of the fiscal year ending March 31, 2020.

5. Amounts and breakdown of assets and liabilities accepted on the date of the business combination

Current assets:	74 million yen
Fixed assets:	554 million yen
Total assets:	628 million yen
Current liabilities:	887 million yen
Non-current liabilities:	534 million yen
Total liabilities:	1,422 million yen

(Stock Split and Partial Amendment of Articles of Incorporation Accompanying Stock Split)

TIS resolved at a Board of Directors meeting held on February 6, 2020, to implement a stock split.

1. Purpose of the stock split

The purpose of the stock split is to enhance the liquidity of the Company's stock and expand its investor base by lowering the stock price per investment unit.

2. Overview of the stock split

(1) Method

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Tuesday, March 31, 2020, shall be split into three shares.

(2) Number of shares to be increased by the stock split

a) Total number of shares outstanding prior to stock split	87,789,098 shares
b) Increase in number of shares due to stock split	175,578,196 shares
c) Total number of shares outstanding following stock split	263,367,294 shares
d) Total number of authorized shares following stock split	840,000,000 shares

(3) Schedule of the stock split

a) Public notice of record date	March 13, 2020 (provisional)
b) Record date	March 31, 2020 (provisional)
c) Effective date	April 1, 2020 (provisional)

(4) Impact on per share information

Per share information of the case given that the stock split had been conducted at the beginning of the prior fiscal year is as follows.

	First Three Qtrs., FY2019 (Apr. 1 – Dec. 31, 2018)	First Three Qtrs., FY2020 (Apr. 1 – Dec. 31, 2019)
Net income per share – basic	¥66.88	¥81.11

Note: "Net income per share – diluted" is not presented as there are no diluted shares.

3. Partial amendment of Articles of Incorporation

(1) Reason for amendment

The total number of authorized shares prescribed in Article 5 of the Company's Articles of Incorporation shall be amended in conjunction with the stock split as provided for in Article 184, Paragraph 2 of the Companies Act, effective Wednesday, April 1, 2020.

(2) Details of amendment

Details of the amendment shall be as follows:

(Amended part is as underlined below)

Prior to amendment	After amendment
(Total number of shares authorized to be issued) Article 5: The total number of shares authorized to be issued by the Company shall be <u>280,000,000</u> shares.	(Total number of shares authorized to be issued) Article 5: The total number of shares authorized to be issued by the Company shall be <u>840,000,000</u> shares.

(3) Schedule of amendment

Effective date of partial amendment to Articles of Incorporation: April 1, 2020

4. Other information

(1) Change in amount of capital

The amount of the Company's capital shall not change as a result of the stock split.

(2) Dividends

The effective date of the stock split is April 1, 2020. Hence, with regard to the year-end dividends for the fiscal year ending March 31, 2020 (which have a date of record of March 31, 2020), the dividend payment shall be executed based on the number of shares held prior to the stock split. In addition, there is no change to the forecast for fiscal 2020 year-end dividends as a result of the stock split.

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).