Consolidated Financial Results for the Fiscal Year ended March 31, 2020
(April 1, 2019 through March 31, 2020)
(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 12, 2020

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
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Scheduled dates

Annual general shareholders' meeting:	June 24, 2020
Filing of statutory financial report:	June 25, 2020
Commencement of dividend payments:	June 25, 2020

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, 2020 (FY2020) (April 1, 2019 – March 31, 2020)

(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	%
FY2020	443,717	5.5	44,839	17.9	46,070	19.3	29,411	13.0
FY2019	420,769	3.7	38,043	16.2	38,603	17.7	26,034	26.3

Note: Comprehensive income: FY2020: 23,911 million yen (42.2%); FY2019: 16,814 million yen (-50.0%)

	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	%	%	%
FY2020	350.35	-	12.5	12.2	10.1
FY2019	307.83	-	11.5	10.5	9.0

For reference:

Equity in earnings (losses) of affiliated companies: FY2020: 50 million yen; FY2019: (293) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2020	382,899	247,957	63.3	2,890.27
End-FY2019	370,657	234,408	62.0	2,719.79

For reference: Total equity: End of FY2020: 242,310 million yen End of FY2019: 229,633 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
FY2020	38,569	(26,437)	(14,544)	54,684
FY2019	37,558	(1,213)	(16,773)	57,083

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share: End-Q1	End-Q2	End-Q3	Year-end	Total	Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2019	-	20.00	-	50.00	70.00	5,941	22.7	2.6
FY2020	-	30.00	-	60.00	90.00	7,571	25.7	3.2
FY2021 (forecast)	-	11.00	-	24.00	35.00		29.7	

Notes

(1) Total dividends paid includes dividends (27 million yen for FY2019, 21 million yen for FY2020) paid to TIS INTEC Group Employees' Shareholding Association Trust and dividends (5 million yen for FY2019, 7 million yen for FY2020) 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.

(2) The Company carried out a three-for-one common stock split on April 1, 2020, but the dividends for FY2019 and FY2020 above are the dividends paid prior to said stock split. Note that the interim and year-end dividends for FY2021 (forecast) reflect the impact of the stock split.

3. Forecast of Consolidated Results for FY2021 (April 1, 2020 – March 31, 2021)

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 FY2021 (six months ending Sep. 30, 2020)	-	-	-	-	-	-	-	-	-
Full FY2021 (year ending Mar. 31, 2021)	440,000	-0.8	44,000	-1.9	44,000	-4.5	29,500	0.3	117.95

Notes:

(1) As it is currently not possible to reasonably predict when the novel coronavirus outbreak will come to an end, it is difficult to calculate forecast figures with a high degree of certainty. Therefore, the Forecast of Consolidated Results for FY2021 includes only the Full FY2021 figures, and these have been calculated based on the assumption that the impact of novel coronavirus outbreak will begin to come to an end during the second quarter and that economic activity will gradually recover, with normalization of the TIS INTEC Group's operating environment from the third quarter. Note that the forecast of consolidated results may be revised depending on when the novel coronavirus outbreak comes to an end.

(2) The Company carried out a three-for-one common stock split on April 1, 2020. The impact of said stock split is reflected in "Net income per share – basic" presented in the Forecast of Consolidated Results for FY2021. For reference, net income per share – basic without taking into account the effect of this stock split would be 353.86 yen.

※Notes

(1) Material reclassifications of subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

Additions: 1 (Sequent Software Inc.)　Exclusions: 1 (Tianjin Xiangming Technology Co., Ltd.)

(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-FY2020 (March 31, 2020):	87,789,098 shares
End-FY2019 (March 31, 2019):	87,789,098 shares

2) Treasury stock as of period-end:

End-FY2020 (March 31, 2020):	3,952,316 shares
End-FY2019 (March 31, 2019):	3,358,468 shares

3) Average number of shares (during the fiscal year):

FY2020 (ended March 31, 2020):	83,948,457 shares
FY2019 (ended March 31, 2019):	84,574,660 shares

Notes:

(1) 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.

(2) The Company carried out a three-for-one common stock split on April 1, 2020, but the number of common stock shares issued as of end-FY2019 and end-FY2020 represent the number of shares prior to the stock split.

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 12, 2020, 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 FY2021 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 2021" in the "1. Results of Operations" section on page 9 in the Accompanying Materials.

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In fiscal 2020 (April 1, 2019 - March 31, 2020), the Japanese economy continued a moderate recovery through the first three quarters, but with the impact of the novel coronavirus outbreak in the fourth quarter the economy began to rapidly deteriorate and the future outlook is also now uncertain.

The business environment surrounding the IT services industry, to which the TIS INTEC Group ("the Group") belongs, was robust during the fiscal year under review, with the Bank of Japan's Short-term Economic Surveys of Enterprises in Japan conducted during the period each showing year-on-year increases 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. However, the novel coronavirus outbreak toward the end of the fiscal year led some companies to curtail investments in response to deteriorating business conditions.

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 fiscal year increased 5.5% year on year to ¥443,717 million. Operating income rose 17.9% to ¥44,839 million, recurring profit increased 19.3% to ¥46,070 million, and net income attributable to owners of the parent company rose 13.0% to ¥29,411 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 the higher sales and improvements in the gross profit ratio, which rose 1.4 percentage points year-on-year to 23.9%, 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 and to build stronger brand value. The operating income ratio improved 1.1 percentage points to 10.1%. The increases in recurring profit and net income attributable to owners of the parent company mainly reflect the growth in operating income.

Fiscal 2020 results also include extraordinary income of ¥10,696 million and extraordinary losses totaling ¥12,128 million. The extraordinary income, as reported in our September 10, 2019 press release "Booking of Gain on Sale of Investment Securities (Extraordinary Income)", came mainly from a ¥5,445 million extraordinary gain on sale of investment securities and a ¥3,178 million gain on sales of fixed assets as part of a reduction and consolidation of property and equipment. The extraordinary losses include two main components. First is a ¥4,112 million charge related to the Group's efforts to create next-generation offices, which resulted in expenses for the transfer and consolidation of Group offices in the Tokyo area (provision for office restructuring cost) and an impairment loss on the reorganization of some existing offices. Second is an impairment loss of ¥2,254 million related to the amortization of goodwill arising from the acquisition of a new subsidiary, as reported in our January 21, 2020 press release "Notice regarding Acquisition of Stock in Sequent Software Inc. and Subsequent Change to Subsidiary Status".

Segment results for fiscal 2020 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 fiscal 2020 totaled ¥125,518 million, up 6.7% year on year, but operating income decreased 3.8% to ¥8,198 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 0.7 percentage points year on year to 6.5%.

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 totaled ¥33,699 million, 7.0% less than in fiscal 2019, but operating income expanded 42.2% to ¥2,622 million. The growth in operating income despite the decline in sales resulted from initiatives aimed at enhancing profitability, and 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 2.7 percentage points to 7.8%.

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 ¥114,472 million, up 7.6% year on year, and operating income increased 16.7% to ¥14,936 million. Sales and income increased due to the growth in IT investment by core clients, despite the reactionary drop after the conclusion of some large-scale system development projects, and the operating income ratio improved 1.0 percentage points to 13.0%.

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 totaled ¥202,701 million, up 6.9% year on year, and operating income expanded 29.7% to ¥19,159 million. The increases in sales and profits were driven by expanding IT investment by clients in a wide range of sectors, including energy-related sectors and core clients in manufacturing-related sectors. The operating income ratio rose 1.7 percentage points to 9.5%.

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 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 declined 2.0% year on year to ¥8,806 million, and operating income fell 3.0% to ¥932 million. The operating income ratio slipped 0.1 percentage points to 10.6%. 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’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 second year of the current medium-term management plan (2018 – 2020), the Group energetically implemented 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 fiscal 2020 are presented below. The successful implementation of these initiatives enabled the Group to achieve the target levels for the medium-term plan’s four key business indicators (strategic business domain ratio, operating income, operating income ratio, and ROE) a year ahead of plan. For details, please see 3. Management Policy (2) Key Business Indicators on page 20.

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, a new 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 as a new payment-related service-type businesses 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 for securing payment and card information in the Digital Wallet Service. Sequent Software is now 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 a consolidated subsidiary has enabled us to bring its industry-leading technologies into the Group, thus accelerating the expansion of the Digital Wallet Service and supporting 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. The Yaeyama Islands MaaS demonstration test, which began in November 2019, has been selected by Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as a “Pioneering Model Project” among the “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 in fiscal 2020 increased 1.4 percentage points year on year to 23.9% despite the impact of losses booked in relation to the 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 fiscal 2020, as we work to further strengthen our platform businesses (such as cloud, security, data center, and network-related businesses), we are aiming to achieve further growth and further enhance our competitiveness by pursuing optimization through business strategy promotion units established within the Company, with focus on such growth areas as “Cloud & Security”, by consolidating the Group’s various platform service brands under the EINS WAVE brand. As part of this effort, the Company transferred the EDI (Electronic Data Interchange) business to its wholly owned subsidiary INTEC, Inc. through an absorption-type company split in April 2020. 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, thus helping to raise the overall value of the Group.

In February 2020, we agreed to acquire shares in a new company to be created by spinning off the IT business of Chiyoda System Technologies Corporation, a wholly owned subsidiary of Chiyoda Corporation. The new company will become a consolidated subsidiary of the Group in October 2020. Going forward, the Group and Chiyoda Corporation will form a strategic partnership to facilitate the Chiyoda Group’s digital transformation and leverage the accumulated knowhow of the new company to provide IT solutions.

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

The Group is pursuing an overseas business strategy aimed at becoming a top-class IT group in the ASEAN region and is aggressively expanding its business domains through capital and business alliances and other forms of cooperation with leading companies from the perspective of channels (office networks and client bases) and technology in key business domains, namely payment settlement, banking and enterprise resource planning (ERP).

From the channel perspective, in March 2020 we decided to make a consolidated subsidiary of our Thailand equity-method affiliate MFEC Public Company Limited (“MFEC”), by increasing our shareholdings through a tender offer in conformance with the Securities and Exchange Law of Thailand and local laws and regulations. MFEC is a leading provider of IT solutions to enterprises in Thailand. Our high evaluation of MFEC’s strong presence in the Thai market and its high service quality led to the signing of a capital and business alliance agreement with MFEC in April 2014. Since then, the two companies have deepened their mutual understanding, which has led to efforts by the Group to strengthen the relationship through joint schemes across a wide range of pursuits and through additional investment. Turning MFEC into a consolidated subsidiary enables the Group to accelerate the restructuring of MFEC’s business and expansion of the Group’s overseas operations, which will help raise the Group’s corporate value. From the technology perspective, we entered into a capital and business tie-up with Singapore-based SQREEM Technologies PTE. LTD. as part of efforts to acquire state-of-the-art technologies and deploy these in global markets. 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. Another technology-related move, which complements the abovementioned consolidation of Sequent Software Inc., was our decision to make Shanghai-based CardInfoLink, which has extensive experience in such areas as QR code settlement solutions, an equity-method affiliate.

We also invested US$150 million (approximately ¥16.5 billion) in Grab Holdings Inc. (“Grab”; head office: Singapore), the provider of Southeast Asia’s leading super app, entering into a capital alliance aimed at forming a strategic partnership. We plan to use this new alliance with Grab, the largest digital payments platform in Southeast Asia, to accelerate the achievement of our aim of developing optimal payments solutions and services for global markets. We will strengthen our alliance with Grab with the aim of expanding cooperation in the financial and settlement business domains in Southeast Asia. In addition, the two companies will collaborate on enhancing the digital payment infrastructure in Southeast Asia and Japan to enhance the convenience of cashless payment options, such as GrabPay. We will also collaborate on developing new payment technologies.

4) Boost motivation and take human resource management to a 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. In addition, in April we introduced a “re-employment system” for employees who have reached the mandatory retirement age of 65. Under this system, re-employed personnel will be able to work until 70 and receive the same treatment as younger regular employees, including personnel evaluations and working systems. In line with our aim of being a highly rewarding company for employees, we will continue to provide an environment in which motivated employees can fully demonstrate their abilities and play an active role, regardless of their age.

In addition, TIS and INTEC Inc. were selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for inclusion in the 2020 Certified Health & Productivity Management Outstanding Organizations (White 500), the second straight year in which the TIS Group’s two core units have been included in this list. Aiming to be a Group where employees can pursue their tasks with vitality, we will continue to promote measures that help realize our three main “health management” policies of “healthy body and mind”, “enhanced job satisfaction”, and “greater vitality”, and thereby enhance the quality of life of each and every employee of the Group.

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, the project to build a new core Group system moved forward on schedule toward its planned launch in April 2020. We also made steady progress toward establishment of a future framework for promoting Group-wide shared services, including the designation of target operations and the setting of deployment schedules. The new core Group system and framework for promoting shared services both kicked off as scheduled in April 2020 and are now helping us to further advance Group management with a sense of unity.

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, since the third quarter of fiscal 2020 and continuing into fiscal 2021, we have been making concentrated investments based on a communication plan designed to enhance brand awareness as rapidly as possible. As part of this communication plan, TV commercials were aired, mainly in the Tokyo, Nagoya and Osaka areas, in February and March 2020.

Meanwhile, to further facilitate the promotion of 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. This consolidation of Group offices also facilitates asset downsizing, including the decision to sell some existing offices.

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

Consolidated total assets as of March 31, 2020, amounted to ¥382,899 million (up 3.3% versus March 31, 2019). Current assets totaled ¥181,543 million (up 3.0%), while fixed assets were at ¥201,356 million (up 3.6%). On the liabilities side, current liabilities amounted to ¥88,479 million (down 2.9%) and non-current liabilities were at ¥46,462 million (up 3.0%). Net assets therefore came to ¥247,957 million (up 5.8%).

(3) Cash flow

Cash and cash equivalents ("cash") totaled ¥54,684 million as of March 31, 2020, down ¥2,399 million from March 31, 2019.

Contributions to cash flow were as follows.

(Cash flow from operating activities)
Operating activities generated net cash of ¥38,569 million. This mainly reflects income before income taxes of ¥44,638 million and the positive cash flow effect of ¥12,020 million in depreciation. These inflows were partially offset by the negative cash flow effect of ¥15,207 million in income taxes paid.

(Cash flow from investing activities)
Investing activities used net cash of ¥26,437 million. An inflow of ¥14,863 million in proceeds from sales of property and equipment was offset by outflows of ¥28,587 million for acquisitions of investment securities and ¥9,997 million for acquisitions of intangible assets.

(Cash flow from financing activities)
Financing activities used net cash of ¥14,544 million. A cash inflow of ¥3,500 million in proceeds from long-term debt was outweighed by outflows of ¥7,185 million for repayments of long-term debt, ¥6,767 million for dividends paid, and ¥4,153 million for the purchase of treasury stock.

For reference: Cash flow indicators

	Fiscal 2019	Fiscal 2020
Equity ratio (%)	62.0	63.3
Equity ratio based on market capitalization (%)	119.4	117.4
Ratio of interest-bearing debt to cash flow (years)	0.7	0.6
Interest-coverage ratio (times)	117.0	155.4

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 2021

The outlook for the TIS Intec Group's business environment is extremely uncertain, especially considering the continued need to keep in mind the impact from the spread of the novel coronavirus. As for the IT services industry, to which the TIS INTEC Group belongs, corporations' software investment is expected to be somewhat resilient, as indicated by the 1.4% year-on-year increase in company software investment plans (all manufacturing & financial institutions) revealed by the Bank of Japan's most recent (March 2020) Short-term Economic Survey of Enterprises in Japan. That said, at this point in time there is no telling what the future holds.

Given the current situation, we have established the following Group management policies for fiscal 2021, the final year of the Group's medium-term management plan (2018-2020), and will energetically implement various measures to ensure steady progress toward the plan's goals and the achievement of sustainable growth. In addition, we will closely monitor changes in the external environment, such as changes in industrial structure and societal issues, and make every effort to seize new business growth opportunities by anticipating customer needs.

<Group Management Policies for Fiscal 2021>

1. Realize a safe and secure work environment and operational efficiency that will enable us to overcome sudden changes in the environment and strengthen Group-wide management
2. Continue to make aggressive forward-looking investments to create social value and strengthen our ability to provide value amid digitalization trends while maintaining financial soundness
3. Promote measures to establish a stable profit base while continuing to review our business portfolio
4. Promote a growth strategy aimed at becoming a top-class IT group in the ASEAN region
5. Enhance employee job satisfaction and promote the growth of our highly-diversified human resources to drive our shift to service-oriented business and digitalization business.

The consolidated earnings forecast for the year ending March 31, 2021 is as follows. Given the uncertain timing of an end to the spread of the novel coronavirus, it is difficult to make forecasts with a high degree of certainty. The consolidated forecast for the year ending March 31, 2021 (fiscal 2021) presented here assumes that the spread of the novel coronavirus will be brought under control in the second quarter of the fiscal year, enabling economic activity to gradually recover and the Group's business environment to return to more normal conditions from the third quarter. This forecast is therefore subject to change depending on the when the spread of novel coronavirus will come to an end.

Given this difficult operating environment, we expect net sales in fiscal 2021 to fall below the previous year's level. While we also expect operating income to be less than in fiscal 2020, management policy will continue to emphasize profitability while sustaining investment in future growth. Accordingly, we will continue to implement productivity enhancement measures and strengthen cost controls in an effort to maintain profitability at the fiscal 2020 level, on a continuing business basis that excludes the impact from newly consolidated subsidiaries. More specifically, we will endeavor to maintain the 10% operating income margin achieved in fiscal 2020.

Net sales	¥440,000 million	-0.8% year on year
Operating income	¥44,000 million	-1.9% year on year
Recurring profit	¥44,000 million	-4.5% year on year
Net income attributable to owners of the parent company	¥29,500 million	+0.3% year on year

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2020 and Fiscal 2021

1) Basic policy on profit distribution

The Company regards the return of profits to shareholders as a key management decision 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 in 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 2020 dividends from retained earnings

With regard to the distribution of retained earnings for fiscal 2020, the Company plans to pay a year-end dividend of ¥60 per share, ¥10 more than the initial plan of ¥50, as earnings also came in above plan. As a result, the annual dividend for fiscal 2020, including the interim dividend, will be ¥90. Including the ¥4,139 million buyback of 749,800 shares of the Company, the fiscal 2020 total shareholder return ratio comes to 39.8%.

3) Fiscal 2021 dividends from retained earnings

Based on the basic policy's targeted total return ratio of 40% and dividend payout ratio of 30%, in fiscal 2021 the Company plans to pay an annual dividend of ¥35 per share, including an interim dividend of ¥11 per share, and conduct share buybacks worth approximately ¥3,030 million.

Note that the Company carried out a three-for-one stock split for ordinary stock held by shareholders who were listed or recorded in the final register of shareholders on the date of record on March 31, 2020. The ¥30 per share annual dividend is equivalent to a ¥90 per-share dividend based on the number of shares before the stock split.

(6) Business and Other Risks

The following are the main risks deemed to have the potential to have a significant impact on the business results, financial condition, and cash flow (hereinafter referred to collectively as "business results, etc.") of the TIS INTEC Group. The Group defines "risk" as "any factor that may hinder the achievement of the management philosophy, goals, and strategies of the Company and the Group by causing economic loss; the interruption, stagnation, or suspension of business operations; and/or damage to the Company's credit or brand image. In addition, the Group-wide risks are classified into strategic risks, financial risks, hazard risks, and operational risks according to the Group's rules on risk management.

Using the Group's risk management evaluation method, all risks are comprehensively evaluated from the viewpoint of occurrence frequency and degree of damage caused. However, the nature and degree of the impact that each risk will have on the Company's business results, etc. will vary depending on the nature of each risk event, the likelihood that the risk will emerge, and the timing of that emergence. Since more specific explanations of each risk are difficult, detailed descriptions of the potential damage to the Company's business results, etc. have been omitted.

All forward-looking statements in this document are based on information available to the Company as of May 12, 2020.

The Company has established rules for risk management to ensure an accurate understanding of the risks facing the Group and prevent losses from occurring. In accordance with these rules, we have appointed an executive to oversee risk management of the entire Group. In addition, a risk management department has been established to prepare a risk management system. In addition, we have established a risk management policy for the entire group and regularly check the implementation status of measures to control risk. When a group company becomes exposed to a serious risk, a task force is set up and appropriate measures are taken to minimize damage.

The risk management system falls under the jurisdiction of the Group Internal Control Committee, which promotes various measures to maintain and improve Group-wide internal controls according to a basic policy and various regulations regarding the internal control system. The Committee then monitors the implementation of those measures and the operational status of the internal control system and reports its findings to the Board of Directors. Based on its reports to the Board of Directors, initiatives are being implemented to strengthen and improve the Group-wide internal control system.

The Group Internal Control Committee examines the risks faced by the Group twice a year, confirming issues related to those risks and evaluating the status of reform measures.

<Risk Management Process>

Definition of risks		
Main categories	Subcategories	Items
Strategic risks	10	39
Financial risks	4	14
Hazard risks	3	9
Operational risks	10	40

Evaluation

Degree of damage	Risk occurrence frequency: 1	2	3	4	5
Great	6	7	8	9	10
Large	5	6	7	8	9
Medium	4	5	6	7	8
Small	3	4	5	6	7
Slight	2	3	4	5	6

7－10	**High risk** Prioritize the implementation of countermeasures and constantly monitor risk trend
5－6	**Medium risk** Implement countermeasures and check risk trends periodically
2－4	**Low risk** In principle, adopt a wait-and-see stance

Identify those high risk items that require prioritized Group efforts to address (mitigate) them

<Priority risks shared by all Group companies>
Implement Group-wide response

Evaluate & Improve (each half-term)
Risk review (each term)

1) Strategic risks

a. Human resources

Human resources are the Group’s most important management resource, and its business activities are significantly influenced by its ability to secure and develop superior individuals capable of providing specialized, high value-added services to clients. The Group’s business and business results may therefore be negatively affected if the Group cannot secure and develop superior human resources according to its plans.

The Group therefore, with the aim of enhancing workstyle reform and job satisfaction, strives to secure talented human resources by providing a corporate culture, HR systems, and an office environment in which a diverse group of people can thrive. Additionally, the Group focuses on human resources training by providing support for acquiring certifications, systemizing its training program, and creating plans and targets for the number of training days.

b. Technological innovation

In the information services industry to which the Group belongs, providers must respond quickly to advances in information technology and to changing market needs that parallel these advances. In this environment, the Company’s business and business results may be negatively affected if we lose our competitive advantage and become unable to provide the high-quality services that our customers have come to expect because we fail to take appropriate measures or let our technologies and know-how become obsolete.

The Group is therefore strengthening its ability to meet customer expectations by constantly conducting research into information technologies as well as production and development technologies, selecting from a broad technology portfolio the core technologies that will enable us to sustain and improve our development competitiveness, advancing R&D and deploying the results, and constantly carrying out enhancement and innovation activities.

c. Price competition, intensification of competition

In the information services industry to which the Group belongs, competition among businesses is intense. In addition, there are increasing numbers of new entrants from other industries who could further increase price competition. If this price competition intensifies more than expected, it could impact the Group’s business and business results, etc.

The Group is therefore responding by constantly analyzing the business environment to better grasp customer needs, offering higher value-added services and taking other measures to differentiate itself from competitors, and improving productivity by curbing unprofitable projects and engaging in enhancement and innovation activities.

d. Investments

The Group invests in companies in Japan and overseas, including venture companies, to establish capital and business alliances mainly for the purpose of business expansion and acquisition of cutting-edge technologies. It also makes investments in large IT facilities, such as data centers that support the development of its outsourcing and cloud service businesses that operate 24 hours a day, 365 days a year (including continued capital investments to fund initial construction and the stable operation of existing facilities), and in software needed to promote service-based business. Unanticipated changes in the business environment may result in investments failing to yield the expected result or return or make assets obsolete. In such cases, the Group’s business and business results, etc. may be impacted.

Accordingly, all investment decisions are made after thorough examination of the business plan by either the Board of Directors, the CVC Investment Committee, or the Investment Committee, depending on the investment project, and the progress of the business plan is periodically confirmed after investments have been made. We also keep abreast of such progress by dispatching directors to our larger capital investment partners.

e. Overseas business

As part of our growth strategy, the Group is pursuing growth in overseas markets, with a focus on ASEAN. Overseas business may be impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, local business practices, and labor-management relations. If one of these factors manifests itself in an unanticipated manner, it may impact the Group’s business and business results, etc.

With regards to risk management of overseas business therefore, 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 countermeasures.

2) Financial risks

a. Owned securities

The Group buys and holds the equity shares of suppliers and other business partners in cases where it deems such investments will enable it to establish stable alliances and cooperative relations that lead to new business opportunities and will support the sustainable growth of the Group and enhance its medium- and long-term corporate value. The Group also invests in bonds as part of its short-term surplus fund management operations. However, the Group’s business and business results, etc. may be impacted if sharp fluctuations in the market prices of these marketable securities or deterioration in management conditions of issuing entities requires the posting of accounting losses or other similar measures.

Accordingly, the Group carefully confirms the reliability of these securities by thoroughly examining issuers' financial condition, business results trends, credit ratings, and other relevant indicators. In addition, the Group regularly reviews the suitability of its securities holdings and divests as soon as possible if continued holding is deemed to lack meaningfulness.

3) Hazard risks

a. Pandemics (the global spread of infectious and communicable diseases)

The Group's business relies heavily upon its human resources, its most important management resource. A pandemic may therefore affect the Group's businesses and business results, etc. if it sharply constricts the productive activities of our employees and those of our business partners.

During the current novel coronavirus pandemic, we are making every effort to properly ascertain the responses of the World Health Organization (WHO), the Japanese government, and other relevant authorities, and are taking action to strengthen hygiene at our offices, data centers, and other work sites, based on the Group's business continuity plan. We also are refraining from sending employees to work in areas heavily stricken by infections. In addition, we are establishing a work environment that facilitates working from home.

b. Natural disasters and accidents

The Group uses data centers and other large IT facilities to perform its outsourcing business and provide cloud services. A large natural disaster or resultant longer-than-anticipated power outage that interrupts the smooth operation of data centers could affect the Group's business and business results, etc.

In accordance with the Group's business continuity plan therefore, we are preparing various equipment environments that will facilitate our data centers' response to all manner of disasters. In addition, we have been closing older data centers and focusing on the development of state-of-the-art data centers with seismic-isolation structures, robust disaster-mitigation equipment, emergency power generators, fuel storage equipment, and other highly reliable electric power equipment as well as contracts for prioritized power supply.

4) Operational risks

a. System development

Outsourced development and maintenance of various information systems for client companies is one of the Group's core businesses. As system development becomes more sophisticated, complex, and subject to tighter time constraints, larger-than-expected costs may be incurred if additional work is required to secure the planned level of quality or if a project cannot be completed on schedule. These increased costs and the possibility of customer claims for loss compensation could impact the Group's business and business results, etc.

The Group has therefore developed its own original "Trinity" quality management system based on the ISO9001 standard. Using this system, we are continually enhancing quality management and raising productivity by using dedicated organizations to thoroughly screen business proposals and review projects at each stage of development. In addition, we have established the Group Quality Executive Meeting to lead our efforts to improve quality and promote production innovation measures throughout the Group while also enhancing management and technological capabilities by strengthening training programs for each employee rank.

Meanwhile, some systems development tasks are being outsourced to domestic and overseas business partners in order to secure production capacity, raise productivity, utilize technical capabilities and for other reasons. If the productivity or quality do not meet expectations, smooth project management may not be realized and the Group’s business and business results, etc. may be impacted.

We therefore seek to secure superior business partners in Japan and overseas. That effort includes regular meetings with our partners so that we fully understand their situation and are able to build strong relationships.

b. System operation

The Group uses data centers and other large IT facilities to provide its outsourcing business and cloud services. If system problems arise due to human error or equipment malfunctions during system operation and the Group is unable to provide services at the level agreed upon with the client, the Group’s business and business results, etc. may be impacted.

We have therefore developed a system maintenance/operation framework based on ITIL (Information Technology Infrastructure Library) practices and are using this framework to direct our constant efforts to improve system operation quality and to establish and strengthen measures for early detection and confirmation of system failures and measures to reduce and prevent the occurrence of failures.

c. Information security

Through its wide-ranging business activities on behalf of clients, from system development to operation, the Group is in a position to learn of various types of confidential information, including personal information held by clients and information about their systems’ technologies, etc. If such confidential information were to be leaked or manipulated due to a computer virus, unauthorized access, or other reason, the Group’s business and business results, etc. could be impacted by claims for damages from client companies and by a loss of trust in the Group’s services.

The Group has therefore established an information management system based on its Information Security Policy. The system is contributing to appropriate information management while also assisting our efforts to raise awareness through employee education and training programs. In addition, we apply the Group’s information security promotion guidelines to guide our checks and evaluation of the levels of information security management across the entire group, as well as subsequent promotion of improvement measures. When an information security breach does occur, we take responsibility and establish an investigative committee to look into the cause, implement countermeasures, and prevent recurrence. To protect personal information, we have established an information management system based on Japan’s Act on the Protection of Personal Information and regulations on the handling of Individual Numbers and information about specific individuals. We are also conducting education and training programs for employees to thoroughly raise their awareness of the importance of protecting personal information. These efforts are contributing to more appropriate handling of personal information, including stronger management of client information. TIS and other Group companies have obtained Information Security Management System (ISMS) certification and the JIPDEC’s PrivacyMark.

d. Legal systems, compliance

The Group conducts its various business activities in compliance with laws and regulations in Japan and other countries. If the Group were to contravene a law or regulation, or a new law or regulation were introduced, the Group’s business and business results, etc. could be affected.

The Group therefore has established a compliance structure based on its Basic Direction on CSR and Group Compliance Declaration and endeavors to conduct its business activities fairly and in compliance with all laws. In accordance with the Group’s compliance regulations, important compliance issues for the entire Group are discussed, measures to prevent recurrence are decided, and the status of the implementation of these measures is then monitored in an effort to ensure their adoption throughout the Group. One such measure is the tightening of regulations on contracted work and temporary staffing, an important issue for the Group because of the transactional nature of the IT services industry. We are working on dedicated risk management system and the creation of group guidelines and independent inspection checklists that will contribute to the appropriate operation of the system. In addition, to prevent illegal activities and detect and correct them at an early stage, we have introduced a whistle-blowing system and established a reporting and consultation desk—another measure to raise awareness of legal compliance throughout the Group.

e. Intellectual property rights

The Group's business activities entail the use of technologies, licenses, business models and various trademarks that may be subject to intellectual property rights. Accordingly, the Group takes great care to ensure that it does not infringe the intellectual property rights of third parties. Nonetheless, if the Group were to infringe another company's intellectual property right, it could be presented with an injunction to cease the use of the intellectual property concerned and a claim for damages. In such a case, the Group's business and business results, etc. could be impacted.

To prevent such an event, the Group is strengthening its framework for preventing violations of intellectual property rights and is conducting education and training programs to raise employees' awareness of this issue. Meanwhile, the Group also regards its own intellectual property as an important management resource and takes all necessary means to protect this valuable resource.

2. Status of the Group

The Group consists primarily of TIS Inc. (the parent company), 40 consolidated subsidiaries, and 82 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. The Group also engages in businesses connected with these core activities, such as consulting services. The Group also provides other services, such as 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.; ,Sequent Software 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)

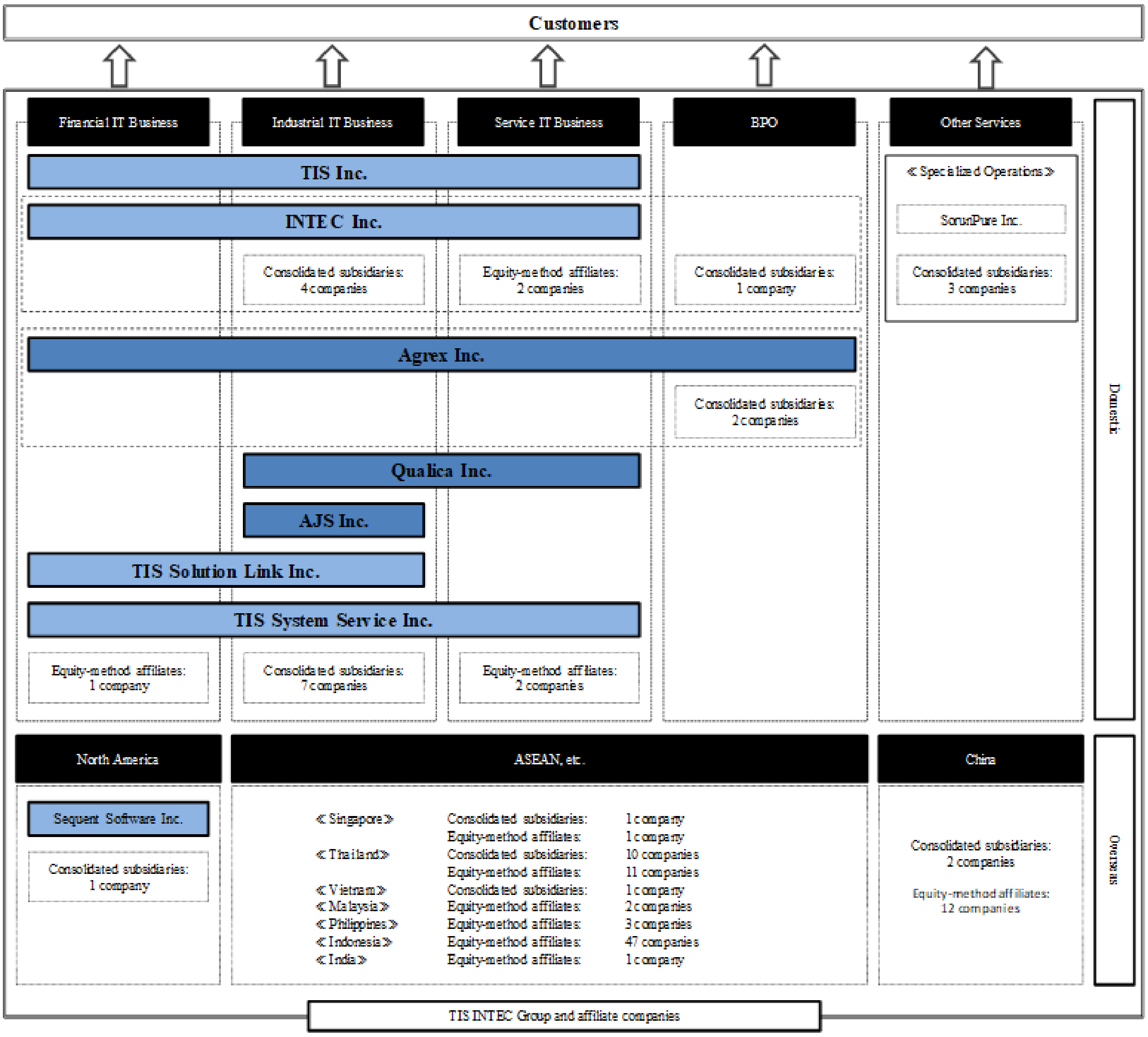
INTEC Inc., AGREX Inc., QUALICA Inc., AJS Inc., TIS Solution Link Inc., TIS System Service Inc.

(5) Other

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

(Main consolidated subsidiaries)

Sorun Pure 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: 2 companies
Consolidated subsidiaries: 1 company
≪Specialized Operations≫
SorunPure Inc.
Consolidated subsidiaries: 3 companies
Agrex Inc.
Consolidated subsidiaries: 2 companies
Qualica Inc.
AJS Inc.
TIS Solution Link Inc.
TIS System Service Inc.
Equity-method affiliates: 1 company
Consolidated subsidiaries: 7 companies
Equity-method affiliates: 2 companies
Domestic
North America
ASEAN, etc.
China
Sequent Software Inc.
Consolidated subsidiaries: 1 company
≪Singapore≫ Consolidated subsidiaries: 1 company
Equity-method affiliates: 1 company
≪Thailand≫ Consolidated subsidiaries: 10 companies
Equity-method affiliates: 11 companies
≪Vietnam≫ Consolidated subsidiaries: 1 company
≪Malaysia≫ Equity-method affiliates: 2 companies
≪Philippines≫ Equity-method affiliates: 3 companies
≪Indonesia≫ Equity-method affiliates: 47 companies
≪India≫ Equity-method affiliates: 1 company
Consolidated subsidiaries: 2 companies
Equity-method affiliates: 12 companies
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. 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 broader society: “To fill the future—still essentially a blank canvas—with vibrant colors as a mover using digital technology”.

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 that 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 make a contribution 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

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 sense of speed"—the basic policies of the current medium-term management plan (2018–2020)—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's fiscal 2020 results substantially exceeded the targets for all four of the key business indicators in the medium-term management plan (2018–2020), achieving the plan's numerical goals one year ahead of schedule.

Medium-term management plan Key business indicators	Fiscal 2019		Fiscal 2020		Fiscal 2021
	Plan	Result	Plan (Note 1)	Result	Plan's target (Note 2)
Strategic business domain ratio	40%	42%	45%	50%	50%
Operating income	¥35.0 billion	¥38.0 billion	¥42.0 billion	¥44.8 billion	¥43.0 billion
Operating income ratio	8.5%	9.0%	9.6%	10.1%	10%
ROE	10.2%	11.5%	12.1%	12.5%	12%

Note 1: Fiscal 2020 plan figures are the figures for the revised plan announced with first-half results in November 2019.

Note 2: Fiscal 2021 plan targets are the targets established when the medium-term management plan (2018-2020) was formulated.

(3) Medium- to Long-term Management Strategies

The Group has established the following Group management policies for fiscal 2021, the final year of the current medium-term management plan (2018–2020). The Group will continue to implement various measures to achieve the goals of the medium-term plan and enhance its corporate value.

Medium-term management plan (2018–2020) Basic policies	Group management policies for fiscal 2021
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 the ASEAN region • Boost motivation and take human resource management to higher level • Realize enhanced management practices and higher efficiency

In accordance with the its management policy, the Group will continue to make efforts to achieve higher profitability, including expanding business by accurately grasping customers' IT needs and improving productivity by reducing unprofitable projects, while also carrying out robust prior investment to achieve structural transformation.

(4) Issues Requiring a Response

To continue raising the value provided to customers and realize its Group Vision for 2026, “Create Exciting Future”, the Group will expand business in its four strategic domains while working to achieve structural transformation. The challenges that must be addressed while also resolutely moving forward with structural transformation are (1) strengthen the Group’s ability to provide value in the digital age, (2) expand global business, (3) enhance Group management, and (4) promote the diversification and enhancement of the Group’s human resources. In addition, the Group’s responses to these four challenges must be carried out with due precautions required in an environment clouded by the uncertainties presented by the spread of the novel coronavirus.

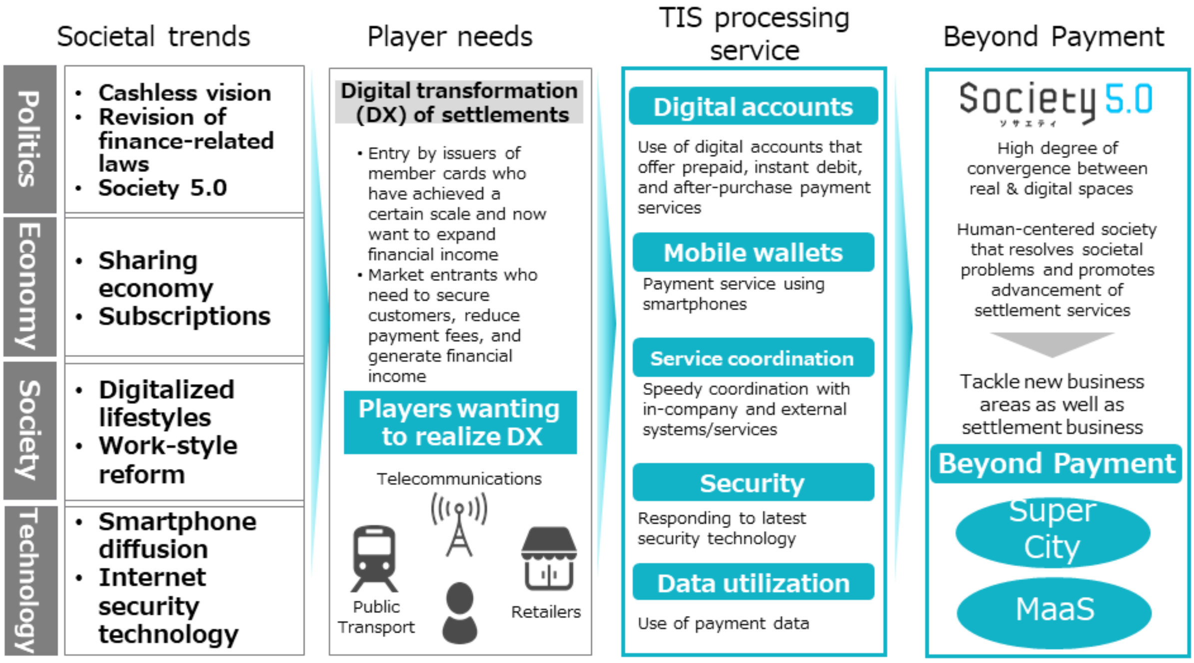
1. Strengthen the Group’s ability to provide value in the digital age

With the number of businesses working on digitalization of society and lifestyles increasing rapidly and our customers proactively integrating new technologies into their businesses and creating new businesses, the TS INTEC Group will strengthen its value proposition to customers as their partner in the digitalization process.

In the settlement business, a defining feature of the Group, the growing number of businesses working on digitalization of society and lifestyles is increasing the need for digital payments and wider customer contact points in many business sectors.

We will use credit SaaS (Software as a Service), the core of the Group’s processing service, to meet the growing demand for comprehensive processing services, including finance functions. We will also continue our efforts to expand our business to cover all aspects of digitalized payments, including digital accounts, mobile wallets, service coordination, security, and data utilization.

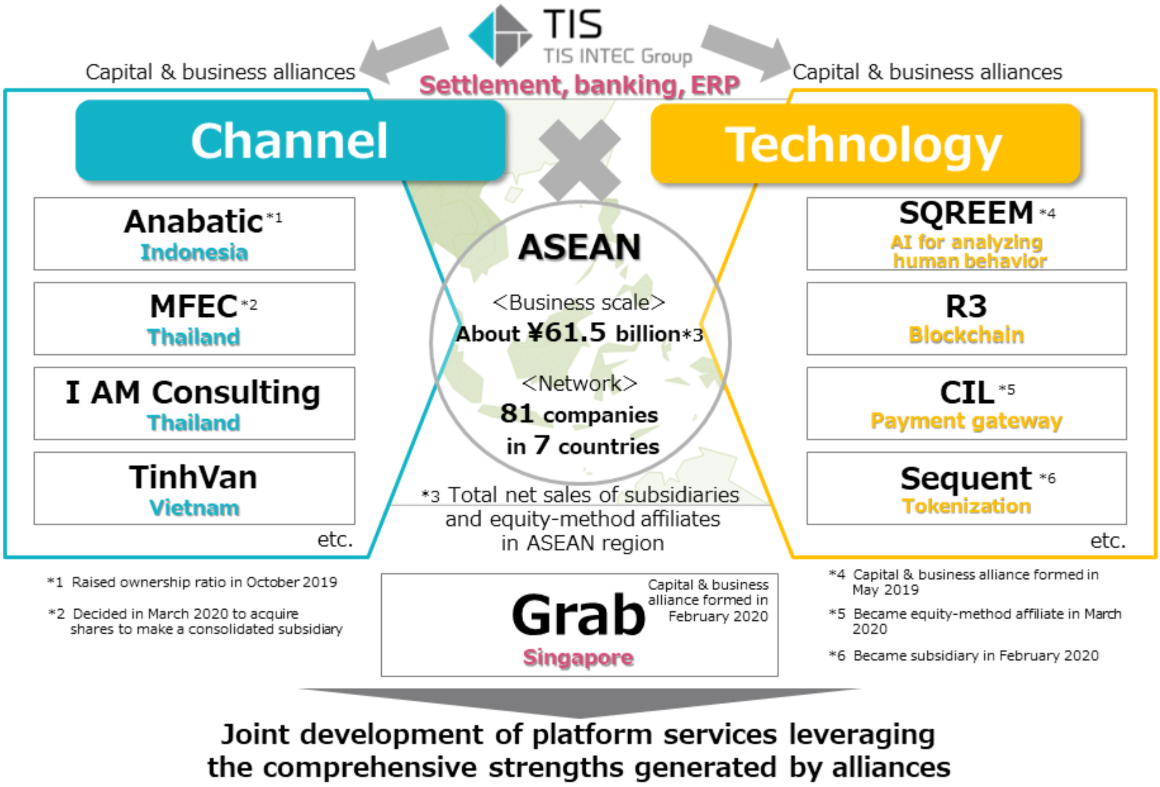
This effort will not be limited to the settlement business. We will also contribute to the creation of a society made more convenient by digitalization by supporting Japan’s super city concept for regions and cities and providing settlement platforms in the MaaS (Mobility as a Service) domain, such as the TOYOTA Wallet service supported by TIS. The Group is currently involved in the super city project in Fukushima Prefecture’s Aizuwakamatsu City, providing support for the city’s efforts to promote cashless payments, greater use of AI and robotics, and IT solutions in the healthcare field. Going forward, we will expand our efforts in this area to other regions and cities.



2. Expand global business

To establish a strong position in the ASEAN market, which has grown dramatically in recent years, we have been forming capital and business partnerships with leading IT companies in the region. To further our progress toward achieving our goal of being a top-class ASEAN IT business group, we recently decided to make a consolidated subsidiary of our Thailand equity-method affiliate MFEC Public Company Limited, by increasing our shareholdings through a tender offer in conformance with the Securities and Exchange Law of Thailand and other local laws and regulations. Making the company a consolidated subsidiary will facilitate the creation of yet more business synergies and help us to enhance our competitiveness and expand business in the settlement, banking, and ERP domains that we have designated as priority areas.

We will continue to use capital and business tie-ups to strengthen our relationships with the most influential platformers in Southeast Asia and together promote investment in new payment methods, as we aim to grow our settlement business by providing optimal payment services to the global market.



3. Promote the diversification and enhancement of the Group’s human resources

Regarding “human resources diversification and 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 Company has formulated the “TIS Human Resources 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. This initiative includes 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 also led to the Group being selected for a second straight year by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi for inclusion among the 2020 Certified Health & Productivity Management Outstanding Organizations (White 500) (large enterprise category), which recognizes enterprises that include the health management of employees among their strategic initiatives. The Group was also included among METI’s New Diversity Management Selection 100 companies.

To further accelerate the Group’s structural transformation, the highly-diversified human resources that are driving our transformation to digitalized services will need to be flexible and constantly create change and unprecedented value. Given the intense competition for talented IT human resources, the Group continues to strengthen its recruitment and training activities, strengthen relationships with partners, and continuously secure human resources, including diversity and inclusion policies focused on promoting active participation by women, health management, and workstyle reforms. Through such measures, we will continue to enhance the value exchange between employees and Group companies.

4. Enhancement of Group management

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 of independent outside directors and other measures to secure diversity, 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.

With the spread of the novel coronavirus adding to the uncertainties in its operating environment, to strengthen its ability to provide value in the digital age and expand global business, the Group must continue its growth-oriented investments, including investing in software to create new services as well as in human resources, R&D, M&A and capital partnerships, all the while firmly maintaining financial soundness. The Group will also endeavor to further enhance investment management in order to improve investment efficiency and obtain appropriate returns above the cost of capital. In addition, to establish long-term relationships as a strategic partner to customers and further accelerate the shift to services, the Group will solidify the stability of its business base by strengthening business management and transitioning to a recurring revenue model profit structure.

With the awareness of the need for a safe, secure and sustainable society on the rise, the TIS Intec Group will strengthen ESG management from the standpoint of long-term risks and opportunities. In addition, as a corporate group that supports social infrastructure, we will continuously work to contribute to the solving of societal issues through our business activities.

In addition, with regard to the “G20” headquarters function enhancement project, which is aimed at improving the efficiency of head office functions through the integration of core group systems, the new system was launched on schedule in April 2020. Going forward, we will continue to consolidate Group operations and make them more efficient as we promote the further enhancement of Group management.

4. Basic Policy on Selecting Accounting Standards

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

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2019	As of March 31, 2020
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	57,591	55,175
Notes and accounts receivable	88,121	97,386
Lease receivables and lease investment assets	4,122	4,679
Marketable securities	100	100
Merchandise and finished goods	5,043	4,052
Work in process	4,064	3,155
Raw materials and supplies	234	268
Other current assets	17,331	17,188
Allowance for doubtful accounts	(377)	(462)
Total current assets	176,231	181,543
Fixed assets		
Property and equipment		
Buildings and structures, net	38,001	29,053
Machinery and equipment, net	8,124	7,092
Land	18,399	9,690
Leased assets, net	2,523	1,773
Other property and equipment, net	6,073	6,431
Total property and equipment	73,123	54,041
Intangible assets		
Software	12,542	14,940
Software in progress	6,635	7,946
Goodwill	371	244
Other intangible assets	965	1,001
Total intangible assets	20,514	24,133
Investments and other assets		
Investment securities	67,719	79,111
Net defined benefit asset	5,134	3,433
Deferred tax assets	10,013	13,539
Other assets	18,017	27,437
Allowance for doubtful accounts	(96)	(342)
Total investments and other assets	100,788	123,181
Total fixed assets	194,426	201,356
Total assets	370,657	382,899

Items	As of March 31, 2019 millions of yen	As of March 31, 2020 millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,338	23,387
Short-term borrowings	6,285	1,190
Income taxes payable	9,299	8,788
Accrued bonuses to directors and employees	13,935	15,148
Provision for loss on order received	581	438
Provision for loss on liquidation of subsidiaries and associates	2,248	-
Provision for office restructuring cost	-	1,553
Other allowances	219	66
Other current liabilities	35,218	37,905
Total current liabilities	91,126	88,479
Non-current liabilities		
Long-term debt	18,498	19,793
Lease obligations	3,238	2,497
Deferred tax liabilities	58	16
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	56	5
Provision for office restructuring cost	-	432
Other allowances	406	216
Net defined benefit liability	12,497	12,654
Asset retirement obligations	4,103	3,163
Other non-current liabilities	5,989	7,408
Total non-current liabilities	45,121	46,462
Total liabilities	136,248	134,942
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,945	82,950
Retained earnings	130,703	153,347
Less treasury stock, at cost	(11,816)	(15,336)
Total shareholders' equity	211,834	230,962
Accumulated other comprehensive income		
Net unrealized gains on other securities	22,701	16,785
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(257)	157
Remeasurements of defined benefit plans	(1,972)	(2,922)
Total accumulated other comprehensive income	17,799	11,348
Non-controlling interests	4,775	5,646
Total net assets	234,408	247,957
Total liabilities and net assets	370,657	382,899

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

Consolidated Statements of Income

Items	FY 2019	FY 2020
	millions of yen	millions of yen
Net sales	420,769	443,717
Cost of sales	325,985	337,820
Gross profit	94,784	105,896
Selling, general and administrative expenses	56,740	61,057
Operating income	38,043	44,839
Non-operating income		
Interest income	196	259
Dividend income	1,043	885
Equity in profit of affiliated companies	-	50
Other	611	786
Total non-operating income	1,852	1,982
Non-operating expense		
Interest expenses	327	233
Financing expenses	250	130
Equity in losses of affiliated companies	293	-
Other	422	386
Total non-operating expenses	1,293	751
Recurring profit	38,603	46,070
Extraordinary income		
Gain on sales of fixed assets	913	3,178
Gain on sales of investment securities	17,829	6,927
Other	308	590
Total extraordinary income	19,051	10,696
Extraordinary loss		
Impairment loss	1,654	7,343
Data center transfer cost	8,800	-
Loss on liquidation of subsidiaries and associates	2,248	-
Provision for office restructuring cost	-	1,985
Other	6,172	2,799
Total extraordinary loss	18,876	12,128
Income before income taxes	38,778	44,638
Income taxes: current	13,414	15,250
Income taxes: deferred	(1,385)	(979)
Total income taxes	12,029	14,270
Net income	26,749	30,367
Net income attributable to non-controlling interests	715	956
Net income attributable to owners of the parent company	26,034	29,411

Consolidated Statements of Comprehensive Income

Items	FY 2019	FY 2020
	millions of yen	millions of yen
Net income	26,749	30,367
Other comprehensive income		
Net unrealized gains on other securities	(9,206)	(5,896)
Revaluation reserve for land	(296)	-
Foreign currency translation adjustments	(312)	20
Remeasurements of defined benefit plans	13	(945)
Share of other comprehensive income of equity-method affiliates	(132)	365
Total other comprehensive income	(9,935)	(6,456)
Comprehensive income	16,814	23,911
(Composition)		
Comprehensive income attributable to owners of the parent company	16,141	22,960
Comprehensive income attributable to non-controlling interests	672	950

(3) Consolidated Statements of Changes in Net Assets

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	Remeasur-ements 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

FY 2020 (April 1, 2019 through March 31, 2020)

	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	82,945	130,703	(11,816)	211,834
Changes during the fiscal year					
Dividends from surplus			(6,767)		(6,767)
Net income attributable to owners of the parent company			29,411		29,411
Acquisition of treasury stock				(4,153)	(4,153)
Disposal of treasury stock		4		633	638
Items other than changes in shareholders' equity, net					―
Net changes during the fiscal year	―	4	22,643	(3,520)	19,127
Balance at end of fiscal year	10,001	82,950	153,347	(15,336)	230,962

	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	22,701	(2,672)	(257)	(1,972)	17,799	4,775	234,408
Changes during the fiscal year							
Dividends from surplus							(6,767)
Net income attributable to owners of the parent company							29,411
Acquisition of treasury stock							(4,153)
Disposal of treasury stock							638
Items other than changes in shareholders' equity, net	(5,915)	―	414	(949)	(6,450)	871	(5,578)
Net changes during the fiscal year	(5,915)	―	414	(949)	(6,450)	871	13,549
Balance at end of fiscal year	16,785	(2,672)	157	(2,922)	11,348	5,646	247,957

(4) Consolidated Statements of Cash Flows

Items	FY 2019	FY 2020
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	38,778	44,638
Depreciation	12,783	12,020
Impairment loss	1,654	7,343
Data center transfer cost	8,800	-
Loss on liquidation of subsidiaries and associates	2,248	-
Provision for office restructuring cost	-	1,985
(Gain) loss on sale of investment securities	(17,550)	(6,926)
Loss on disposal of fixed assets	289	374
Amortization of goodwill	171	141
Increase (decrease) in accrued bonuses to directors and employees	886	1,213
Increase(decrease) in allowance for doubtful accounts	(155)	330
Increase (decrease) in net defined benefit liability	(4,628)	157
Interest and dividend income	(1,240)	(1,145)
Interest expenses	327	233
(Increase) decrease in notes and accounts receivable	4,809	(9,989)
(Increase) decrease in inventories	(227)	1,879
Increase (decrease) in notes and accounts payable	329	35
Increase (decrease) in accrued consumption taxes	682	2,681
Other, net	8,038	(2,232)
Subtotal	55,997	52,740
Interest and dividend income received	1,305	1,284
Interest expenses paid	(321)	(248)
Income taxes paid	(10,623)	(15,207)
Data center transfer cost paid	(8,800)	-
Net cash provided by (used in)operating activities	37,558	38,569
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	404	624
Acquisitions of property and equipment	(6,657)	(6,093)
Proceeds from sales of property and equipment	2,739	14,863
Acquisitions of intangible assets	(8,160)	(9,997)
Acquisitions of investment securities	(8,029)	(28,587)
Proceeds from sale and redemption of investment securities	20,897	8,765
Payment of lease and guarantee deposits	(2,207)	(2,809)
Collection of lease and guarantee deposits	889	322
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(734)
Other, net	(690)	(2,389)
Net cash provided by (used in) investing activities	(1,213)	(26,437)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(31)	(16)
Proceeds from long-term debt	10,049	3,500
Repayments of long-term debt	(15,173)	(7,185)
Purchase of treasury stock	(4,673)	(4,153)
Proceeds from sales of treasury stock	599	638
Dividends paid	(3,925)	(6,767)
Dividends paid to non-controlling interests	(397)	(460)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(639)	(50)
Other, net	(2,582)	(49)
Net cash provided by (used in) financing activities	(16,773)	(14,544)
Effect of exchange rate changes on cash and cash equivalents	(44)	13
Net increase (decrease) in cash and cash equivalents	19,526	(2,399)
Cash and cash equivalents at beginning of year	37,545	57,083
Increase in cash and cash equivalents resulting from merger	11	-
Cash and cash equivalents at end of year	57,083	54,684

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

(Announcement of Commencement of Tender Offer)

The Board of Directors at TIS Inc. (hereafter, “TIS” and “the Company”) resolved on this date that the Company would acquire shares in MFEC Public Company Limited (hereafter, “MFEC”) through a tender offer (hereafter, “the Tender Offer”), in accordance with the securities exchange law and local laws of Thailand. MFEC is currently a TIS affiliate accounted for by the equity method. Details are provided below.

Note that the Tender Offer does not fall under tender offers described in Article 27 Paragraph 2-1 of Japan’s Financial Instruments and Exchange Law.

1. Reason for Acquisition of Stock and Tender Offer

The TIS INTEC Group seeks to realize sustained corporate growth and higher corporate value, guided by the slogan “Transformation to 2020 — Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues” that underpins Medium-Term Management Plan (2018-2020). Various measures are being pursued toward this destination. As part of this journey, TIS is pursuing an overseas business strategy aimed at becoming a top-class IT group in the ASEAN region and is driving robust expansion of business domains through capital and business alliances and other forms of cooperation with leading companies from the perspective of channels—that is, office networks and client bases—and technology in select business domains, namely, payment settlement, banking and enterprise resource planning.

MFEC, listed on the Thai stock exchange, is a leading provider of IT solutions to enterprises in Thailand. To TIS management, MFEC earned top marks for its high profile in Thailand, the service quality inherent in the solutions it provides to its clients, and its extensive, well-balanced client base. This solid reputation in the market led TIS to sign a capital and business alliance agreement with MFEC in April 2014. In the time since then, the two companies have deepened their understanding of each other, which has underpinned TIS’ efforts to strengthen their relationship through the creation of joint schemes across a wide range of pursuits as well as additional investment.

At this time, turning MFEC into a consolidated subsidiary, accelerating business restructuring at MFEC, and expanding the scale of the TIS INTEC Group’s overseas operations hold major significance in forming a top-class IT group in the ASEAN region. Management sees the Tender Offer approach contributing to enhanced corporate value of the TIS INTEC Group and thus decided to acquire additional shares in MFEC and turn it into a consolidated subsidiary.

2. Overview of the Tender Offer

(1)	Tender offeror	TIS Inc.
(2)	Target company	MFEC Public Company Limited
(3)	Tender offer period	To be determined Note: The tender offer will be implemented after permission is granted by Thailand's Securities and Exchange Commission.
(4)	Class of shares for tender offer	Common stock
(5)	Tender offer price	5.0 Thai baht (¥16.70) per share of common stock Note: The tender offer price will be based on the company's stock price level and take various factors generally into account, including marketability of the stock (such as volume and pricing rate) and the performance forecast for MFEC.
(6)	Capital required for tender offer	532 million Thai baht (¥1,776 million)
(7)	Number of shares to be purchased	106,390,307 shares Note: If the total number of tendered shares is less than the number of shares (106,390,307) that TIS planned to purchase, all tendered shares will be purchased. If the total number of tendered shares exceeds the number of shares (106,390,307) that TIS planned to purchase, the Company will purchase neither the entire amount nor any partial amount of the excess shares, and the transfer of shares and other settlements of the sale and purchase of the tendered shares will be made using the proportional distribution method.
(8)	Change in number of shares as a result of the purchase	Shareholding prior to change 109,921,999 shares (Number of voting rights: 109,921,999) (Percentage of voting rights: 24.90%) Shareholding after change 216,312,306 shares (Number of voting rights: 216,312,306) (Percentage of voting rights: 49.00%)
(9)	Other	The Board of Directors at the target company, MFEC, have expressed agreement to the tender offer.

Notes: 1. Details regarding conditions for this tender offer will be announced in Thailand, in accordance with Thai laws and rules set by Thailand's Securities and Exchange Commission.
2. Equity stakes held by foreign shareholders are limited to 49% of total shares in accordance with MFEC's Articles of Incorporation, which take into consideration restrictions on foreign investment under the laws of Thailand. Therefore, the number of acquired shares may change, based on the shareholding ratios of other foreign shareholders when the Tender Offer closes.
3. Converted at a rate of 1 Thai baht = ¥3.34, the rate prevailing at the end of March 2020

3. Overview of Company Subject to Tender Offer (MFEC Public Company Limited)

(1)	Name	MFEC Public Company Limited
(2)	Address	699 Modernform Tower, Srinakarind Road, Patthanakan Suan Luang, Bangkok, Thailand
(3)	Representative	Siriwat Vongjarukorn, Chief Executive Officer
(4)	Business activities	IT services, system integration
(5)	Paid-in capital	441 million Thai baht (¥1,472 million)
(6)	Date of establishment	March 3, 1997

Notes: Converted at a rate of 1 Thai baht = ¥3.34, the rate prevailing at the end of March 2020

(Significant Subsequent Events)

(Share buyback)

The Company resolved at a Board of Directors' meeting held on May 12, 2020 to acquire its own (treasury) shares in accordance with the provisions of Article 156 of the Companies Act of Japan as applied pursuant to Paragraph 3, Article 165 of said Act.

(1) Reason for share buyback

To implement flexible capital strategy responsive 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

2,200,000 shares (upper limit)

3) Total cost of repurchase

3,030 million yen (upper limit)

4) Period for repurchase

May 13, 2020 through July 31, 2020

5) Method for repurchase

Purchase through the Tokyo Stock Exchange (ToSTNeT-3) and purchase on the Tokyo Stock Exchange

2. 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).