Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021
(April 1, 2020 through June 30, 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.

August 6, 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

Submission of quarterly report:	August 12, 2020
Commencement of dividend payments:	-
Supplementary materials to the quarterly results:	Available
Quarterly results presentation held:	Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – June 30, 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	%
First Quarter, FY2021	100,399	-0.6	7,678	-4.7	8,543	-2.6	5,527	-9.5
First Quarter, FY2020	100,990	4.7	8,059	38.4	8,770	35.6	6,106	41.0

Note: Comprehensive income: First Quarter, FY2021: 9,974 million yen (13.5%) First Quarter, FY2020: 8,788 million yen (7.7%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Quarter, FY2021	22.02	-
First Quarter, FY2020	24.13	-

Note: The Company carried out a three-for-one common stock split on April 1, 2020. "Net income per share – basic" was calculated as if the stock split had been effected at the beginning of FY2020 (April 1, 2019).

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2021	389,404	249,617	62.7
End of FY2020	382,899	247,957	63.3

For reference: Total equity: End of first quarter, FY2021: 244,127 million yen End of FY2020: 242,310 million yen.
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

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
	yen	yen	yen	yen	yen
FY2020	-	30.00	-	60.00	90.00
FY2021	-				
FY2021 (forecast)		11.00	-	24.00	35.00

Notes:

(1) Revisions from the latest release of dividends forecasts: None

(2) The Company carried out a three-for-one common stock split on April 1, 2020, but the dividends for 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)	210,000	-2.9	17,500	-8.3	18,400	-8.0	12,000	-9.5	47.92
Full FY2021 (year ending Mar. 31, 2021)	440,000	-0.8	44,000	-1.9	44,000	-4.5	29,500	0.3	117.86

Notes:

(1) Revisions from the latest release of earnings forecasts: Yes

(2) 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. The figures in the Forecast of Consolidated Results for FY2021 have been calculated based on the assumption that the impact of the novel coronavirus outbreak will begin to abate 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.

(3) The Company carried out a three-for-one common stock split on April 1, 2020. The full FY2021 forecast for “Net income per share – basic” reflects the impact of the stock split.

※ Notes

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

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

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

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Quarter, FY2021 (June 30, 2020): 263,367,294 shares
End-FY2020 (March 31, 2020): 263,367,294 shares
2) Treasury stock as of period-end:
End-First Quarter, FY2021 (June 30, 2020): 13,184,497 shares
End-FY2020 (March 31, 2020): 11,856,948 shares
3) Average number of shares (during the respective three-month period):
First Quarter, FY2021 (ended June 30, 2020): 251,060,508 shares
First Quarter, FY2020 (ended June 30, 2019): 253,081,953 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. “Issued shares as of period-end (including treasury stock)”, “Treasury stock as of period-end”, and “Average number of

shares" were calculated as if the stock split had been effected at the beginning of FY2020 (April 1, 2019).

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

Caution on Forward-Looking Statements and Other Important Matters
At a Board of Directors' Meeting held on May 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 "(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" in the "1. Results of Operations" section on page 8 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first three months of fiscal 2021 (April 1, 2020 – June 30, 2020), the Japanese economy faced extremely difficult conditions as a result of the spread of the novel coronavirus. While the economy is expected to rebound eventually, the situation remains full of uncertainties. The IT services industry, to which the TIS INTEC Group ("the Group") belongs, is expected to see continued firm IT investment, supported by the strengthening tendency for companies to digital technologies. These expectations are supported by recent data, including the Bank of Japan's most recent Short-term Economic Survey of Enterprises in Japan (June 2020) which showed a 2.4% year-on-year increase in company software investment plans (all manufacturing & financial institutions). However, for the near term, we are in an unpredictable situation as IT investment demand could be slowed by stagnant economic activity and deterioration of corporate earnings.

In this environment, the Group is positioning business continuity as a top priority and implementing various initiatives to fulfill our mission of supporting important social infrastructure while ensuring the safety of Group employees. At the same time, we continued our efforts to build the foundation from which the Group will work to realize its Group Vision 2026. During the first quarter of the new fiscal year, we continued to promote various measures to achieve a speedy structural transformation and raise corporate value under the current medium-term management plan (2018–2020).

Meanwhile, the Group's business activities were conducted under the difficult conditions presented by the spread of novel coronavirus, including the state of emergency declared by the Japanese government, which made it difficult to continue sales activities, including making new proposals.

Consolidated net sales for the Group in the first quarter of fiscal 2021 slipped 0.6% year on year to ¥100,399 million. Operating income fell 4.7% to ¥7,678 million, recurring profit decreased 2.6% to ¥8,543 million, and net income attributable to owners of the parent company declined 9.5% to ¥5,527 million.

Sales were supported by firm business with existing accounts, but new orders were stagnant, especially in the Industrial IT Business segment. As a result, consolidated net sales were largely the same as in the first quarter of fiscal 2020. Operating income declined despite the positive effect of initiatives to improve profitability, which increased the gross profit ratio by 0.9 percentage points over the previous year's level to 23.1%. However, this positive effect was outweighed by somewhat lower sales, an increase in selling, general and administrative expenses primarily related to enhancing the Group's employment conditions, and the impact from newly consolidated subsidiaries. As a result, the operating income ratio was 7.6%, 0.4 percentage points lower than a year earlier. The declines in recurring profit and net income attributable to owners of the parent company mainly reflect the decrease in operating income.

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

1) Service IT Business

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

Segment sales in the first quarter of fiscal 2021 totaled ¥30,148 million, up 6.3% year on year, while operating income fell 6.5% to ¥1,144 million. Despite the postponement of some ERP projects and some other negative factors, sales were up year on year mainly due to the continued expansion of settlement-related business and the Group's efforts to meet demand for IT investment in cloud computing. The decline in operating income primarily reflects increased forward-looking investment to strengthen business and the impact from a newly consolidated subsidiary. The segment's operating income ratio was 3.8%, 0.5 percentage points lower than in the first quarter of fiscal 2020.

With expansion from business based on specialist operational know-how tailored to the financial industry to knowledge-intensive business based on the generalization and templatization of know-how relating to the industries of specific clients, transactions with such clients that were booked under financial IT up to fiscal 2020 are booked under service IT from fiscal 2021, and this had a positive impact on the segment's sales and profits.

2) BPO

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

Segment sales in the first quarter totaled ¥8,280 million, up 5.3% year on year. Operating income expanded 34.3% to ¥557 million, and the operating income ratio improved 1.4 percentage points to 6.7%. These gains mainly reflect the increase in overall demand for our call center services and services connected with Japanese government subsidies relating to the novel coronavirus outbreak.

3) Financial IT Business

This segment comprises businesses that leverage business and operating know-how specific to the financial sector to raise the value-added of clients' operations, expand their use of IT, and provide support to operations using IT.

Segment sales in the first quarter of fiscal 2021 totaled ¥25,721 million, down 3.3% year on year, and operating income fell 9.8% to ¥2,774 million. Although IT investment by the Group's core clients was steady, sales and profits declined as the halt in corporate activities led to some projects being delayed. The operating income ratio was 10.8%, 0.8 percentage points lower than a year earlier.

With expansion from business based on specialist operational know-how tailored to the financial industry to knowledge-intensive business based on the generalization and templatization of know-how relating to the industries of specific clients, transactions with such clients that were booked under financial IT up to fiscal 2020 are booked under service IT from fiscal 2021, and this had a negative impact on the segment's sales and profits. Excluding this impact, the Financial IT Business's results were solid in real terms.

4) Industrial IT Business

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

Segment sales in the first quarter of fiscal 2021 totaled ¥43,473 million, down 4.0% year on year, and operating income fell 5.0% to ¥3,104 million. The declines in sales and profits reflect the impact of the novel coronavirus outbreak on small and medium-sized enterprises in particular, many of which were forced to curtail their IT investment. The segment's operating income ratio was 7.1%, 0.1 percentage points less than a year earlier.

5) Other

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

Segment sales in the first quarter totaled ¥2,002 million, down 1.7% year on year, operating income was ¥186 million, down 1.6%, and the segment's operating income ratio was 9.3%, unchanged from the first quarter of fiscal 2020.

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

Having achieved all of the medium-term plan's key targets (strategic business domain ratio, operating income, operating income ratio, and ROE) in fiscal 2020, a year ahead of plan, in fiscal 2021, the final year of the current plan, the Group will energetically implement various measures in line with the following Group management policies with the goal of sustaining growth and further enhancing corporate value.

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 growth-oriented investments to create social value and strengthen our ability to provide digital transformation value while maintaining financial soundness
(3) Continue promoting measures to establish a stable profit base and reviewing 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 make investments for highly-diversified human resources to drive our shift to service-oriented business and digitalization business

In the first quarter of fiscal 2021, the Group conducted its business activities under the difficult conditions presented by the spread of novel coronavirus, including the state of emergency declared by the Japanese government. Operating under such conditions, the Group made business continuity a top priority and implemented various initiatives to fulfill its mission of supporting important social infrastructure while ensuring the safety of Group employees. With society undergoing dramatic changes, the Group is working to sustainably increase corporate value by flexibly rising to the challenges presented by this difficult environment, including introducing new working styles, and by making swift and decisive management decisions.

The status of the major initiatives being implemented under the five Group management policies for fiscal 2021 are presented below.

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

In recent years, the driving force of the Group's efforts to sustainably increase corporate value has been the initiatives taken under the integrated Group management made possible by the shift to a business holding company structure in July 2016. We therefore recognize the importance of applying Group management even more thoroughly in the coming years.

To realize more sophisticated and streamlined Group management, we are proceeding with the "G20" project to enhance headquarters functions. The new core Group system and the framework for Group-wide shared services were both launched on schedule in April 2020 and are now helping us further advance Group management.

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 the fiscal 2021, we have been making concentrated investments based on a communication plan designed to enhance brand awareness as rapidly as possible with increased exposure through television commercials and other advertising, and this effort is beginning to bear fruit.

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. In addition, we have begun reconsidering the very nature of our offices based on changing notions about new working styles.

2) Continue to make aggressive growth-oriented investments to create social value and strengthen our ability to provide digital transformation value while maintaining financial soundness

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. With the novel coronavirus outbreak increasing the uncertainties in our operating environment, strengthening the Group's ability to provide value in the digital age requires that we maintain financial soundness while making the growth-oriented investments (including in software, human resources, R&D, M&A, and capital tie-ups) that will enable us to create new services.

In the payment services domain, one of the Group's core strengths, we expect the shift to cashless payments, the advance of related technologies triggered by wider use of smartphones, and the entry of new competitors from other industries, including fintech firms, will lead to major changes in the business environment that will lead to new IT investments. To seize the new growth opportunities arising from this changing environment, the Group is accelerating the development of service-type businesses under our PAYCIERGE total-brand payment solution, which leverages the insight and know-how we have accumulated in the payment services domain over the years. One of these service-type businesses in which the Group has a particular competitive advantage is digital accounts, and we are currently steadily working on preparations for the Credit Card Processing Service to support this business, with the service launch scheduled for the period covered by the next medium-term management plan. This new service fully leverages the technologies and expertise cultivated through our credit-card core operations system and will enable customers to improve competitiveness and reduce costs by using a system that optimally balances the merits of shared data with customers' proprietary data. In addition to digital accounts utilizing the Credit Card Processing Service, the Group will continue its efforts to expand business to cover all aspects of digitalized settlements, including digital wallets, 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 by providing settlement platforms in the MaaS (Mobility as a Service) domain, such as the TOYOTA Wallet service supported by TIS.

3) Continue promoting measures to establish a stable profit base and reviewing our business portfolio

Targeting further strengthening of our business competitiveness, we continued to make efforts to eliminate unprofitable projects, promote reforms aimed at further improving the profitability of enhancement areas, and review our business portfolio. As a result of these efforts, the gross profit margin increased to 23.9% in the previous fiscal year.

In the cloud and security platform service business area, we have consolidated our various platform brands under the EINS WAVE brand, under which we aim to further strengthen competitiveness and grow the business. 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 take a 51% equity stake in TIS Chiyoda Systems Inc., a new company to be created by spinning off the IT business of Chiyoda System Technologies Corporation, a wholly owned subsidiary of Chiyoda Corporation. TIS Chiyoda Systems will become a TIS consolidated subsidiary 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 know-how of the new company to provide IT solutions.

4) Promote a 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. Having fulfilled all required conditions, we launched a tender offer for MFEC's shares from July 2020. 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 restructuring of MFEC's business and expansion of the Group's overseas operations, which will enhance the TIS Group's corporate value.

From the technology perspective, in May the Group announced it had entered into a capital and business alliance with Entropica Labs Pte. Ltd., a Singapore-based startup engaged in the development of software for quantum computers. By collaborating with Entropica's software developers and using their technologies, the Group will be able to train its own technicians, who will then be able to provide customers with quantum computer technologies and open up a new market.

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 payment solutions and services for global markets. We will strengthen the 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.

5) Enhance employee job satisfaction and make investments for highly-diversified human resources to drive our shift to service-oriented business and digitalization business

Human resources are the Group's most important management resource. Therefore, the Group is promoting the establishment of a system and corporate culture in which diverse human resources can play active roles in order to improve employee job satisfaction and strengthen human resource management. The Company has formulated the "TIS Human Resources Manifesto" outlining its measures to realize workplace spirit and work environments that enable employees to achieve self-fulfillment through their work and generate better work results. This initiative is promoting various measures, such as 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. These efforts have 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). 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. With competition for talented IT human resources growing increasingly intense, the Group continues to secure sustainable human resources by strengthening its recruitment and training activities and forming strong relationships with partners, while also implementing 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.

In addition to the above initiatives and in line with the Group's policy of flexibly managing its capital position to enable flexible responses to its operating environment while continuing to enhance shareholder returns and capital efficiency, we carried out a share buyback in May 2020, resulting in the acquisition of 1,395,600 shares at a total acquisition cost of ¥3,029 million.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the first quarter on June 30, 2020, came to ¥389,404 million, an increase of ¥6,504 million from ¥382,899 million at the end of the previous fiscal year on March 31, 2020.

Current assets totaled ¥185,287 million, up from ¥181,543 million, primarily owing to a ¥20,066 million increase in cash and deposits.

Fixed assets totaled ¥204,116 million, up from ¥201,356 million, owing mostly to a ¥6,191 million increase in investment securities.

(Liabilities)

As of the end of the first quarter, total liabilities amounted to ¥139,787 million, a ¥4,845 million increase from ¥134,942 million at the end of the previous fiscal year.

Current liabilities totaled ¥74,199 million, down from ¥88,479 million, mainly reflecting a ¥7,732 million decrease in accrued bonuses to directors and employees.

Non-current liabilities amounted to ¥65,588 million, up from ¥46,462 million, primarily owing to a ¥19,491 million increase in long-term debt.

(Net assets)

As of the end of the first quarter, total net assets amounted to ¥249,617 million, a ¥1,659 million increase from ¥247,957million at the end of the previous fiscal year. The increase primarily reflects a ¥4,810 million increase in net unrealized gains on other securities.

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

The Group’s consolidated business performance in the first quarter of fiscal 2021 was broadly in line with management’s forecasts based on certain assumptions at the beginning of the fiscal year. Accordingly, as of the release of this quarterly earnings report, management has not changed the consolidated earnings forecast announced on May 12, 2020. Note that only a full-year forecast was announced on May 12, 2020, but today we additionally disclosed an earnings forecast for the first half of the fiscal year, determined based on conditions in the first quarter.

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, corporation’s software investment is expected to be somewhat resilient. That said, however, the outlook remains uncertain and there is no telling what the future holds.

<Assumptions upon which the fiscal 2021 consolidated earnings forecast are based>

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 when the spread of novel coronavirus will be contained.

The Group’s sales activities, such as proposals to new customers, have already been affected to some extent. While corporate activities resumed after the declaration of a state of emergency was lifted in May and sales activities are gradually resuming, including on a non-face-to-face basis, we continue to expect to be dealing with a particularly difficult business environment in the second quarter. We therefore expect first-half sales to be lower than in the first half of fiscal 2020. Operating income is also expected to decline year on year. While sustaining our investment in future growth, we will steadfastly adhere to a management policy that emphasizes profitability. In addition to continuing to implement productivity enhancement measures, we will step up our efforts to rapidly strengthen cost control and optimize resource allocation. Through these efforts, we will strive to maintain the operating income margin of 10% achieved in the previous fiscal year, on a continuing business basis that excludes the impact from newly consolidated subsidiaries.

The Group’s current medium-term management plan includes a basic shareholder return policy that targets a total return ratio of 40% and a dividend payout ratio of 30% in fiscal 2021. Based on the current consolidated earnings forecast and considering the impact of the previously mentioned share buyback, the total return ratio for fiscal 2021 is expected to be 40.0%, and the dividend payout ratio is expected to be 29.8%.

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2020	As of June 30, 2020
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	55,175	75,241
Notes and accounts receivable	97,386	74,547
Lease receivables and lease investment assets	4,679	5,169
Marketable securities	100	100
Merchandise and finished goods	4,052	3,809
Work in process	3,155	4,841
Raw materials and supplies	268	254
Other current assets	17,188	21,784
Allowance for doubtful accounts	(462)	(460)
Total current assets	181,543	185,287
Fixed assets		
Property and equipment		
Buildings and structures, net	29,053	28,613
Machinery and equipment, net	7,092	6,814
Land	9,690	9,682
Leased assets, net	1,773	1,708
Other property and equipment, net	6,431	6,710
Total property and equipment	54,041	53,530
Intangible assets		
Software	14,940	15,440
Software in progress	7,946	8,409
Goodwill	244	194
Other intangible assets	1,001	971
Total intangible assets	24,133	25,016
Investments and other assets		
Investment securities	79,111	85,303
Net defined benefit asset	3,433	3,476
Deferred tax assets	13,539	9,723
Other assets	27,437	27,405
Allowance for doubtful accounts	(342)	(339)
Total investments and other assets	123,181	125,570
Total fixed assets	201,356	204,116
Total assets	382,899	389,404

Items	As of March 31, 2020	As of June 30, 2020
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,387	16,444
Short-term borrowings	1,190	1,588
Income taxes payable	8,788	1,148
Accrued bonuses to directors and employees	15,148	7,416
Provision for loss on order received	438	349
Provision for office restructuring cost	1,553	1,619
Other allowances	66	55
Other current liabilities	37,905	45,577
Total current liabilities	88,479	74,199
Non-current liabilities		
Long-term debt	19,793	39,285
Lease obligations	2,497	2,427
Deferred tax liabilities	16	35
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	5	5
Provision for office restructuring cost	432	193
Other allowances	216	141
Net defined benefit liability	12,654	12,537
Asset retirement obligations	3,163	3,349
Other non-current liabilities	7,408	7,339
Total non-current liabilities	46,462	65,588
Total liabilities	134,942	139,787
Net assets		
Shareholders’ equity		
Common stock	10,001	10,001
Additional paid-in capital	82,950	82,941
Retained earnings	153,347	153,827
Less treasury stock, at cost	(15,336)	(18,276)
Total shareholders’ equity	230,962	228,493
Accumulated other comprehensive income		
Net unrealized gains on other securities	16,785	21,595
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	157	(522)
Remeasurements of defined benefit plans	(2,922)	(2,766)
Total accumulated other comprehensive income	11,348	15,634
Non-controlling interests	5,646	5,489
Total net assets	247,957	249,617
Total liabilities and net assets	382,899	389,404

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

Consolidated Statements of Income

Items	First Quarter, FY2020 (Apr. 1 – Jun. 30, 2019)	First Quarter, FY2021 (Apr. 1 – Jun. 30, 2020)
	millions of yen	millions of yen
Net sales	100,990	100,399
Cost of sales	78,530	77,255
Gross profit	22,459	23,143
Selling, general and administrative expenses	14,400	15,465
Operating income	8,059	7,678
Non-operating income		
Interest income	53	47
Dividend income	742	810
Other	142	230
Total non-operating income	938	1,089
Non-operating expense		
Interest expenses	59	53
Equity in losses of affiliated companies	80	74
Other	88	96
Total non-operating expenses	228	224
Recurring profit	8,770	8,543
Extraordinary income		
Gain on sales of fixed assets	2	1
Gain on sale of investment securities	44	3
Total extraordinary income	46	5
Extraordinary loss		
Loss on disposal of fixed assets	28	21
Loss on valuation of investment securities	86	374
Other	24	51
Total extraordinary loss	138	448
Income before income taxes	8,677	8,099
Income taxes: current	1,021	913
Income taxes: deferred	1,366	1,541
Total income taxes	2,387	2,454
Net income	6,290	5,645
Net income attributable to non-controlling interests	183	117
Net income attributable to owners of the parent company	6,106	5,527

Consolidated Statements of Comprehensive Income

Items	First Quarter, FY2020 (Apr. 1 – Jun. 30, 2019)	First Quarter, FY2021 (Apr. 1 – Jun. 30, 2020)
	millions of yen	millions of yen
Net income	6,290	5,645
Other comprehensive income		
Net unrealized gains on other securities	2,210	4,828
Foreign currency translation adjustments	12	(262)
Remeasurements of defined benefit plans	142	155
Share of other comprehensive income of equity-method affiliates	132	(391)
Total other comprehensive income	2,497	4,329
Comprehensive income	8,788	9,974
(Composition)		
Comprehensive income attributable to owners of the parent company	8,598	9,813
Comprehensive income attributable to non-controlling interests	190	161

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable

(Additional Information)

(Announcement of Commencement of Tender Offer)

The Board of Directors at TIS resolved on March 6, 2020, 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. Since all conditions for implementation of the Tender Offer have been met, including approval at an ordinary general meeting of shareholders of MFEC, and approval from Thailand's Securities and Exchange Commission, the Tender Offer has now been launched. 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	July 23, 2020 through September 28, 2020 (scheduled)
(4)	Class of shares for tender offer	Common stock
(5)	Tender offer price	5.0 Thai baht (¥17.45) per share of common stock Note: The tender offer price is based on the company's stock price level and takes various factors comprehensively 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 (¥1,856 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. A proposal concerning the tender offer was also passed at an ordinary general meeting of shareholders of MFEC on April 27, 2020.

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 shares held by TIS at the time the series of steps to turn MFEC into a consolidated subsidiary 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 = ¥3.49, the rate prevailing at the end of June 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 (¥1,540 million)
(6)	Date of establishment	March 3, 1997

Note: Converted at a rate of 1 Thai baht = ¥3.49, the rate prevailing at the end of June 2020

3. Other Information

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