Consolidated Financial Results for the Fiscal Year ended March 31, 2021
(April 1, 2020 through March 31, 2021)
(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, 2021

Company name:	TIS Inc.
Stock exchange listings:	The First Section of the Tokyo Stock Exchange
Stock code:	3626
URL:	http://www.tis.com/
Representative:	Yasushi Okamoto, President
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Scheduled dates

Annual general shareholders' meeting:	June 24, 2021
Filing of statutory financial report:	June 25, 2021
Commencement of dividend payments:	June 25, 2021

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, 2021 (FY2021) (April 1, 2020 – March 31, 2021)

(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	%
FY2021	448,383	1.1	45,748	2.0	39,258	-14.8	27,692	-5.8
FY2020	443,717	5.5	44,839	17.9	46,070	19.3	29,411	13.0

Note: Comprehensive income: FY2021: 38,573 million yen (61.3%); FY2020: 23,911 million yen (42.2%)

	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	%	%	%
FY2021	110.51	-	10.8	9.4	10.2
FY2020	350.35	-	12.5	12.2	10.1

For reference:

Equity in earnings (losses) of affiliated companies: FY2021: (4,799) million yen, FY2020: 50 million yen

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	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2021	451,072	279,429	60.0	1,078.60
End-FY2020	382,899	247,957	63.3	963.42

For reference: Total equity: End of FY2021: 270,481 million yen End of FY2020: 242,310 million yen

*Total equity = Shareholders' equity plus total accumulated other comprehensive income

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

(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
FY2021	33,345	(17,522)	12,484	82,924
FY2020	38,569	(26,437)	(14,544)	54,684

2. Cash Dividends for Shareholders of Common Stock

	Cash dividends per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
Record date or period	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2020	-	30.00	-	60.00	90.00	7,571	25.7	3.2
FY2021	-	11.00	-	24.00	35.00	8,823	31.9	3.4
FY2022 (forecast)	-	13.00	-	27.00	40.00-		31.1	

Notes

(1) Total dividends paid includes dividends (21 million yen for FY2020, 42 million yen for FY2021) paid to TIS INTEC Group Employees' Shareholding Association Trust and dividends (7 million yen for FY2020, 7 million yen for FY2021) 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 FY2020 above are the dividends paid prior to said stock split. Note that the interim and year-end dividends for FY 2021 and FY2022 (forecast) reflect the impact of the stock split.

3. Forecast of Consolidated Results for FY2022 (April 1, 2021 – March 31, 2022)

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 FY2022 (six months ending Sep. 30, 2021)	225,000	6.5	20,500	12.6	20,500	33.2	13,700	33.3	54.75
Full FY2022 (year ending Mar. 31, 2022)	470,000	4.8	48,500	6.0	48,500	23.5	32,200	16.3	128.78

Note: The forecast of consolidated results may be revised depending on when the novel coronavirus outbreak comes to an end.

※Notes

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

Additions: 1 MFEC Public Company Limited

Exclusions: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: None

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Common stock issued

1) Issued shares as of period-end (including treasury stock):

End-FY2021 (March 31, 2021): 263,367,294 shares

End-FY2020 (March 31, 2020): 263,367,294 shares

2) Treasury stock as of period-end:

End-FY2021 (March 31, 2021): 12,595,655 shares

End-FY2020 (March 31, 2020): 11,856,948 shares

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

FY2021 (ended March 31, 2021): 250,574,916 shares

FY2020 (ended March 31, 2020): 251,845,371 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).

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, 2021, 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 FY2022 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 2022" in the "1. Results of Operations" section on page 9 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In fiscal 2021 (April 1, 2020 - March 31, 2021), difficult conditions continued due to the impact of the spread of the novel coronavirus (COVID-19). Looking ahead, there are expectations for a recovery in the future, but the outlook has been clouded by factors such as a need to monitor how trends in infection impact the Japanese and global economy.

The IT services industry, to which the TIS INTEC Group ("the Group") belongs, was generally robust, with increased investment demand due to accelerated moves to digitalization of corporate management and anticipation of a new normal, despite some companies experiencing a slowdown in investment demand due to poor business. This is demonstrated by factors such as the Bank of Japan's quarterly Short-term Economic Survey of Enterprises in Japan conducted during the period each showing year-on-year increases in company software investment plans (all industries including financial institutions).

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. This fiscal year is the final year of the medium-term management plan (2018 - 2020) established to build the foundation for realizing Group Vision 2026, and the Group promoted various measures to achieve a speedy structural transformation and raise corporate value.

Meanwhile, the Group's business activities were conducted under the extremely difficult conditions presented by the spread of COVID-19, which hampered sales activities, including new proposals, especially in April and May of 2020 under the state of emergency declared by the Japanese government. Subsequently, however, business activities gradually recovered and have been generally back to normal since the third quarter.

Consolidated net sales for the Group for fiscal 2021 rose 1.1% year on year to ¥448,383 million. Operating income was up 2.0% to ¥45,748 million, recurring profit decreased 14.8% to 39,257 million, and net income attributable to owners of the parent company declined 5.8% to ¥27,692 million.

Although the first half of the fiscal year saw a difficult situation in terms of consolidated net sales due to the stagnation of new orders and other factors, sales picked up in the second half as the business environment normalized. This, combined with an increase from companies made subsidiaries during the fiscal year, resulted in a year-on-year increase in earnings for the full year. As for operating income, the gross profit ratio rose 1.5 percentage points year on year to 25.4% due to productivity improvements and other factors. That offset the increase in selling, general and administrative expenses, mainly due to strategic investments for the future, such as improving treatment and building stronger brand value, resulting in a 0.1 percentage point year-on-year improvement in operating income ratio to 10.2%. Recurring profit, meanwhile, was down greatly over the previous fiscal year due to appropriation of investment loss of ¥6,033 million by the equity method and ¥2,053 million transferred as allowance for bad debts with some overseas affiliated companies accounted for under the equity method who perform business that relies on specific geographic regions or cross-border transactions being impacted by the spread of COVID-19. Net income attributable to owners of the parent company was down year on year due to a decline in recurring profit despite improvement to extraordinary loss. Fiscal 2021 results also include extraordinary income of ¥9,709 million, down ¥986 million year on year, and extraordinary losses totaling ¥4,150 million, down ¥7,978 million. The extraordinary income includes a gain on sale of investment securities, and the extraordinary losses include impairment loss and loss on valuation of investment securities.

Segment results for fiscal 2021 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 (including default configuration and ERP).

Segment sales totaled ¥136,946 million, up 9.1% year on year, and operating income expanded 6.1% to ¥8,695 million. Sales growth was spurred by expanded business mainly related to payment and cloud services as well as the contribution from companies that became subsidiaries in fiscal 2021, covering losses related to enterprise resource planning (ERP). Operating income increased year on year, as the increase in income due to higher revenue absorbed the negative factors such as the increase in forward-looking investment to strengthen the business. As a result, the segment's operating income ratio decreased 0.2 percentage points year on year to 6.3%.

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 totaled ¥35,453 million, up 5.2% year on year, and operating income expanded 18.4% to ¥3,105 million. The gains in sales and profits, which were driven by services connected with Japanese government subsidies related to the COVID-19 outbreak as well as increased demand for our call center operations and other outsourcing services, pushed up the segment's operating income ratio to 8.8%, a year-on-year improvement of 1.0 percentage points.

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 ¥110,660 million, down 3.3% year on year, while operating income rose 2.6% to ¥15,320 million. Although IT investment by the Group's core clients was steady, sales declined as the halt in corporate activities led to some projects being delayed. The increase in operating income reflects improvements in project profitability, which contributed to a 0.8 percentage-point year-on-year improvement in the segment's operating income ratio to 13.8%.

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. Therefore, the Financial IT Business's results were solid in real terms.

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.

Segment sales totaled ¥194,414 million, down 4.1% year on year, and operating income declined 2.3% to ¥18,710 million. Despite the positive contributions from firm IT investment by the Group's core clients and a subsidiary newly consolidated during fiscal 2021, segment sales and profits both declined owing to the manufacturing, distribution, healthcare, and other industries curbing IT investments due to the COVID-19 outbreak, a phenomenon particularly evident among small to medium sized companies and companies in the regions. In this environment, project profitability improved, resulting in a 0.1 percentage-point year-on-year increase in the segment's operating income ratio, to 9.6%.

5) Other

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

Segment sales totaled ¥8,837 million, up 0.3% year on year, and operating income expanded 0.7% to ¥938 million. The operating income ratio remained unchanged at 10.6%.

As noted above, fiscal 2021 was the final year of the current medium-term management plan (2018-2020), and we promoted measures under 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"—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) a year ahead of plan in fiscal 2020, the following Group management policies were set with the goal of sustaining growth and further enhancing corporate value, and various measures were implemented energetically.

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 fiscal 2021, the Group conducted its business activities under the difficult conditions presented by the spread of COVID-19, including the state of emergency declared by the Japanese government during April and May of 2020. 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 promoting new working styles, and by making swift and decisive management decisions.

The status of the main initiatives being implemented under the five Group management policies 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-wide management made possible by the shift to a business holding company structure in July 2016. We therefore recognize the importance of applying Group-wide 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 as initially scheduled in April 2020 and are now helping us further advance Group-wide 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. In addition, the Group's aggressive efforts to increase exposure through television commercials and other advertising have been having a positive impact in many areas, including an increase in consumer recognition of the TIS brand. As part of this effort to strengthen the TIS brand, from February 2021 we have adopted a new corporate identity/logo and brand message. In particular, the new brand message "Make society's wishes come true through IT" expresses our aim to be a corporate group that solves societal issues and creates new value as a "mover that utilizes digital technology", as set forth in the Group's basic philosophy, "OUR PHILOSOPHY".

To further facilitate the promotion of the Group's work-style reforms and foster greater communication within the Group, we are gradually consolidating Group operations in the two core offices in the Tokyo area. By consolidating corporate functions mainly at the Nishi-Shinjuku office we will be able to strengthen group governance. Meanwhile, we brought the Group's business functions together at the new Toyosu office, which opened in mid-February 2021, which will help strengthen group unity across all our businesses and help accelerate our structural transformation. Based on a revised concept of the very nature of our offices given the new working styles that will be part of the emerging "new normal", we have reduced total office floor space at these two Tokyo area offices. The Toyosu office is being positioned as a "communication and collaboration site" that has dramatically reduced office seating areas and newly created communication booths adaptable for remote work-related needs.

In order to heighten commitment to achieving the next medium-term management plan (2021-2023), which will start from fiscal 2022, a decision was made to submit a proposal to the 13th Annual General Shareholders Meeting scheduled for June 24, 2021 regarding continuation and partial revision of the performance-linked stock compensation system employed from the current medium-term management plan (2018-2020) as introduced at the Board of Directors Meeting held on May 12, 2021. The goal of that system is to heighten awareness of contributing to improving performance and increasing corporate value over the medium to long term, thereby sharing interests with shareholders. With the revision this time, a decision was made to expand targets from “Company directors, etc.” to “Company directors, etc. and directors, etc. of some subsidiaries” from a perspective of further promoting Group management with a sense of unity. Likewise, a decision was made to increase the ratio of performance-linked compensation for directors.

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 COVID-19 pandemic 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 Group’s core payment services domain, 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. Digital accounts is one of the service-type businesses that we expect to expand by demonstrating the Group’s competitive advantage in this area. We are currently moving aggressively forward with preparations for a Credit Card Processing Service that will provide the complete environment necessary for a card issuing business. We plan to launch this new service during the period covered by the medium-term management plan (2021-2023). The Group is aiming to further expand digital account service and other business to cover all aspects of digitalized settlements, including digital wallets, security, and data utilization. This effort will not be limited to the payment 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. Another initiative in the MaaS domain was our participation in Okinawa MaaS, a demonstration test for MaaS conducted throughout Okinawa with support from the Ministry of Land, Infrastructure, Transport and Tourism under its “Project for Promoting and Supporting Japanese MaaS”. TIS helped plan the project and provided it with a platform utilizing the Group's “MaaS Platform service”.

In addition, as described under 3) below, we are actively pursuing M&A and the like to establish partnerships with leading companies and other initiatives to strengthen our ability to provide digital transformation value.

3) Promote measures to establish a stable profit base while continuing to review our business portfolio

Targeting further strengthening of our business competitiveness, we are continuously making efforts to eliminate unprofitable projects, promote reforms aimed at further improving the profitability of enhancement areas, and review our business portfolio. These efforts increased the gross profit ratio 1.5 points to 25.4% in fiscal 2021 and continue to generate positive results as we continue to implement various measures.

As part of the ongoing effort to increase our competitiveness by achieving optimal management of the entire Group, in April 2020 the EDI (Electronic Data Interchange) Business was transferred to TIS subsidiary INTEC, Inc., through an absorption-type company split. In November 2020, management decided to also transfer to INTEC some of the businesses targeting central government agencies and municipal governments. Similarly, management decided in February 2021 to merge Group subsidiaries AGREX INC. and NEOAXIS Co., Ltd. to strengthen competitiveness by developing BPO services that combine their digital technologies.

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 became 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. Moreover, Miotsukushi Analytics Co., Ltd., which conducts data analysis and artificial intelligence (AI) consulting business, was converted into a consolidated subsidiary in August 2020 to fortify the Group’s data analysis and AI consulting business. By strengthening coordination with Miotsukushi Analytics, the Group will leverage data analysis to enhance its contributions to the advancement of customers’ digital transformation.

Additionally, the Group will work to further enhance its business portfolio in order to create new services and value. One effort is establishing joint venture tance, Inc. together with Japan Card Network Co., Ltd., which provides a cashless settlement network, to provide business support platforms for shops and support promotion of digital transformation.

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 two perspectives of channels (office networks and client bases) and technologies in key business domains, namely payment settlement, banking and enterprise resource planning (ERP).

From the channel perspective, in March 2020 the Group conducted a tender offer between July and September 2020 in conformance with the Securities and Exchange Law of Thailand and local laws and regulations to convert Thailand equity-method company MFEC Public Company Limited (“MFEC”) into a consolidated subsidiary. Consequently, the Group’s holdings of MFEC’s outstanding shares with voting rights rose to 49.0%, and MFEC and its subsidiaries (11 companies in total) became consolidated subsidiaries effective October 5, 2020, in accordance with the control criteria. MFEC is a leading provider of IT solutions to enterprises in Thailand. Our positive assessment of MFEC’s strong presence in the Thailand market, its high service quality, and its extensive, well-balanced client base 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 investments resulting in the inclusion of MFEC as a consolidated subsidiary. In the future, the Group will accelerate the restructuring of MFEC’s businesses and expand the Group’s overseas operations, which will enhance the Group’s corporate value.

From the technology perspective, the Group entered into a capital and business alliance in May 2020 with Entropica Labs Pte. Ltd. (“Entropica”), 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 our own technicians, who will then be able to provide customers with quantum computing technologies and cultivate new markets. In February 2021, we concluded a capital and business alliance agreement with digital transformation company J Ventures Company Limited, a subsidiary of major Thai logistics company Jay Mart Public Company Limited (“Jay Mart”), which drives use of technology in Jay Mart group business. We are thus aiming to enhance our partnership with Jay Mart group and co-create business with them in areas such as digital transformation platforms into the future.

Additionally, the Group formed a capital and business alliance in February 2020 with Grab Holdings Inc. (“Grab”), the provider of Southeast Asia’s leading super app, with the goal of creating a strategic partnership, and discussions are currently underway on a wide variety of topics. As part of these efforts, the Group will be leveraging its strengths in the payment domain to provide an IT platform for Grab settlement services through joint venture company GrabLink Pte. Ltd. Also, the Group plans to connect the “GrabPay” service to the mobile payment settlement network “EVONET”, which was launched jointly by TIS and equity-method affiliate CardInfoLink.

Consequently, the strategic partnership with Grab, which operates the largest digital payment platform in Southeast Asia, will allow the Group to pursue its goal of developing optimal payment solutions for global markets. The Group will continue to strengthen its relationship with Grab to expand cooperation in the financial and settlement business domains in Southeast Asia. In addition, the two companies will collaborate on enhancing digital payment infrastructure and developing new settlement technologies in Southeast Asia and Japan to increase the convenience of GrabPay and other cashless payment services.

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 role. This is done by improving employee job satisfaction and strengthening human resource management. TIS 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, and we are actively promoting various measures though that. These efforts have led to TIS and INTEC Inc. being selected for a third consecutive year by the Ministry of Economy, Trade and Industry (“METI”) and the Nippon Kenko Kaigi for inclusion among the 2021 Certified Health & Productivity Management Outstanding Organizations (White 500). The Group has also received many outside evaluations, such as the “Good Career Company Award 2020” Grand Prize (Ministry of Health, Labor and Welfare Award) from the Ministry of Health, Labor and Welfare.

To further accelerate the structural transformation, which the Group has been focusing its efforts on, 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 will focus on securing sustainable talented human resources by strengthening its recruitment and training activities and forming strong relationships with business 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 strive to enhance the value exchange between employees and Group companies. As part of this effort, we are developing programs that will contribute to creation of a corporate culture that recognizes and accepts diversity in employees’ sexuality and family situations, enabling employees with diverse backgrounds to work together with peace of mind. Toward this end, we are promoting awareness-raising activities that promote understanding of SOGI (Sexual Orientation & Gender Identity) and acceptance of sexual minorities such as the LGBT community. We also have established a special consultation office to respond to employee questions and concerns about these issues.

In addition to the above-mentioned 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, the Group 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.

Furthermore, we changed representative directors on April 1, 2021 and are steadily implementing the medium-term management plan (2021-2023), which will be come into effect from April 2021, under a new management execution structure.

(2) Analysis of Financial Condition

Consolidated total assets as of March 31, 2021, amounted to ¥451,072 million (up 17.8% from March 31, 2020). Current assets totaled ¥229,965 million (up 26.7%), while fixed assets were at ¥221,106 million (up 9.8%). On the liabilities side, current liabilities amounted to ¥100,915 million (up 14.1%) and non-current liabilities were at ¥70,726 million (up 52.2%). Net assets therefore came to ¥279,429 million (up 12.7%).

(3) Cash flow

Cash and cash equivalents ("cash") totaled ¥ 82,924 million as of March 31, 2021, up ¥28,240 million from March 31, 2020.

Contributions to cash flow were as follows.

(Cash flow from operating activities)
Operating activities generated net cash of ¥33,345 million. This mainly reflects income before income taxes of ¥44,816 million and the positive cash flow effect of ¥13,318 million in depreciation. These inflows were partially offset by the negative cash flow effect of ¥16,484 million in income taxes paid.

(Cash flow from investing activities)
Investing activities used net cash of ¥17,522 million. An inflow of ¥10,969 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥11,464 million for acquisitions of intangible assets and ¥10,059 million for acquisitions of property and equipment.

(Cash flow from financing activities)
Financing activities generated net cash of ¥12,484 million. A cash inflow of ¥23,536 million in proceeds from long-term debt was offset by outflows such as ¥7,808 million for dividends paid, ¥6,567 million for the purchase of treasury stock, and ¥1,468 million for repayments of long-term debt.

For reference: Cash flow indicators

	Fiscal 2020	Fiscal 2021
Equity ratio (%)	63.3	60.0
Equity ratio based on market capitalization (%)	117.4	146.8
Ratio of interest-bearing debt to cash flow (years)	0.6	1.3
Interest-coverage ratio (times)	155.4	152.8

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 2022

The outlook for the TIS Intec Group's business environment is uncertain, considering factors such as concern over the economy worsening due to the impact from the spread of COVID-19. However, there are expectations for further increases in IT investment demand with global advancement in business processes utilizing digital transformation technologies and business model transformation as seen by rapid introduction of remote working and the like.

Given the current situation, the Group will start the new three-year "medium-term management plan (2021-2023)" from fiscal 2022 as a second step toward achieving Group Vision 2026. In that plan, we aim to achieve speedy structural transformation and further raise corporate value by enhancing front-line functions for co-creation with society and customers based on our IT construction capabilities as well as add ability to realize solutions to societal issues through digital technology.

*For details on the medium-term management plan (2021-2023), see materials such as the notice concerning formulation of the new medium-term management plan (2021-2023), released on May 12, 2021.

In fiscal 2022, the first year of the new medium-term management plan (2021-2023), we will prescribe the following Group Management Policies and work vigorously to realize the growth strategies set forth in that plan.

<Group Management Policies for Fiscal 2022>

1. Promote efforts in improving value provided to society and corporate value by sustainability management.
2. Enhance efforts in achieving high value-added by innovating production and improving provided digital transformation value.
3. Invest in growth for enhancing ability to provide digital transformation value while maintaining fiscal soundness.
4. Promote a growth strategy aimed at becoming a top-class IT group in the ASEAN region and establish governance.
5. Continuously enhance employee job satisfaction and promote the growth of our highly-diversified human resources to drive the shift to digital transformation.

The consolidated earnings forecast for the year ending March 31, 2022 is as follows. We expect to expand our business by accurately responding to customers' demand for digital transformation and expand earnings by adding the increase due to the impact of consolidating subsidiaries. Furthermore, we will provide high value-added business and promote productivity enhancement measures and the like while sustaining our investment in future growth in an aim to achieve even higher profitability.

This forecast is therefore subject to change depending on the when the spread of COVID-19, for which uncertainties remain, will come to an end.

<Fiscal 2022 Consolidated Earnings Forecast (April 1, 2021 to March 31, 2022)>

Net sales	¥470,000 million	+4.8% year-on-year
Operating income	¥48,500 million	+6.0% year-on-year
Recurring profit	¥48,500 million	+23.5% year-on-year
Net income attributable to owners of the parent company	¥32,200 million	+16.3% year-on-year

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2021 and Fiscal 2022

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, the Company seeks in the medium-term management plan (2018-2020) to optimize its capital structure and improve capital efficiency based on a balance in promotion of growth investments with securing financial soundness and strengthening shareholder returns. This is done while raising total payout, including share buybacks, from 35% to 40% as shareholder returns. And we are aiming for a dividend payout ratio of 30% in fiscal 2021, the final year of the medium-term management plan (2018-2020) plan through stable dividend growth.

For the basic policy regarding shareholder returns in the medium-term management plan (2021-2023) starting in fiscal 2022, please see 3), below.

2) Fiscal 2021 dividends from retained earnings

With regard to the distribution of retained earnings for fiscal 2021, the Company plans to pay a year-end dividend of ¥24 per share as planned. As a result, the annual dividend for fiscal 2021, including the interim dividend, will be ¥35 and dividend payout ratio will be 31.9%. Including the ¥3,029 million buyback of 1,395,600 shares of the Company, the fiscal 2021 total shareholder return ratio comes to 42.8%, resulting in total shareholder return ratio and dividend payout ratio both meeting medium-term management plan (2018-2020) target levels.

3) Fiscal 2022 dividends from retained earnings

For shareholder return in the medium-term management plan (2021-2023), the total shareholder return ratio will be raised from 40% to 45% in order to heighten shareholder engagement.

Based on this policy, the Company plans in fiscal 2022 to pay an annual dividend of ¥40 per share, including an interim dividend of ¥13 per share, and conduct share buybacks worth approximately ¥4,470 million.

(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, 2021.

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. Also, 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, etc. may therefore be negatively affected if the Group cannot secure and develop superior human resources according to its plans. Furthermore, the Group's business and business results, etc. may be negatively affected if discrimination or harassment occur if that leads to reduction in productivity, increase in costs, and lower employee engagement.

The Group therefore, with the aim of enhancing workstyle reform and job satisfaction, strives to secure talented human resources by means such as 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 means such as providing support for acquiring certifications, systemizing its training program, and creating plans and targets for the number of training days. And in order to prevent discrimination and harassment, the Group will provide education and enlightenment activities aimed at building good interpersonal relationships and establishing smooth communication, and will take fair and strict action in the event that incidents occur. And with an eye to the future global social situation, the Group has begun to promote human rights due diligence based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council in June 2011.

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 Group’s business and business results, etc. 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 investigation and research in areas such as 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. Likewise, it is advancing R&D and deploying the results, and continuously carrying out productivity innovation activities and enhancing the digital transformation value it provides.

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 productivity 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 operating 24 hours a day, 365 days a year, which support the deployment of outsourcing and cloud service businesses (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, thereby impacting the Group’s business and business results, etc.

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

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.

As part of our growth strategy, the Group is pursuing capital and alliances as well as M&A with local companies in order to achieve expand overseas business, with a focus on ASEAN countries. In making this investment, we conduct detailed investigations on the business performance and financial position of the target company, and after the investment, business promotion and corporate planning business units work together to conduct monitoring and report periodically to the Board of Directors.

And in order to enhance the system for governance of overseas subsidiaries and affiliates, efforts such as dispatching human resources to the business company and setting up a "Global Financial Planning Office" at TIS are underway.

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 continuing to hold the securities and reduces them 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 business and business results, etc. if it sharply constricts the productive activities of our employees and those of our business partners.

During the current COVID-19 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 we 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 and conducing operations including institutional decisions on important matters of the Group by work procedures based on the premise of 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 gradually 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 claims for damages from clients and 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 ISO 9001 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 for reasons such as securing production capacity, raising productivity, and utilizing technical capabilities. 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 and questionnaire surveys of 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 business. 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. And with the Internet having become part of the social infrastructure and various forms of information easily spreading in an instant, the range of users has expanded and convenience increased. However, the risk of information leakage due to cyberattacks and other unauthorized external access is subsequently on the increase, and if information is leaked, the Group’s business and business results, etc. could be impacted by claims for damages from clients 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. And we are implementing security measures using a zero-trust security model to address the diversification of workplaces with the full-scale implementation of working from home. Furthermore, 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 Corporate Sustainability and Group Compliance Declaration, and it works to educate all employees regardless of employment status and comply with all laws in an endeavor to conduct its business activities fairly. 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, thereby raising 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 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), 54 consolidated subsidiaries, and 79 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 incidental and related business, 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., MFEC Public Company Limited, 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 subsidiary)

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.

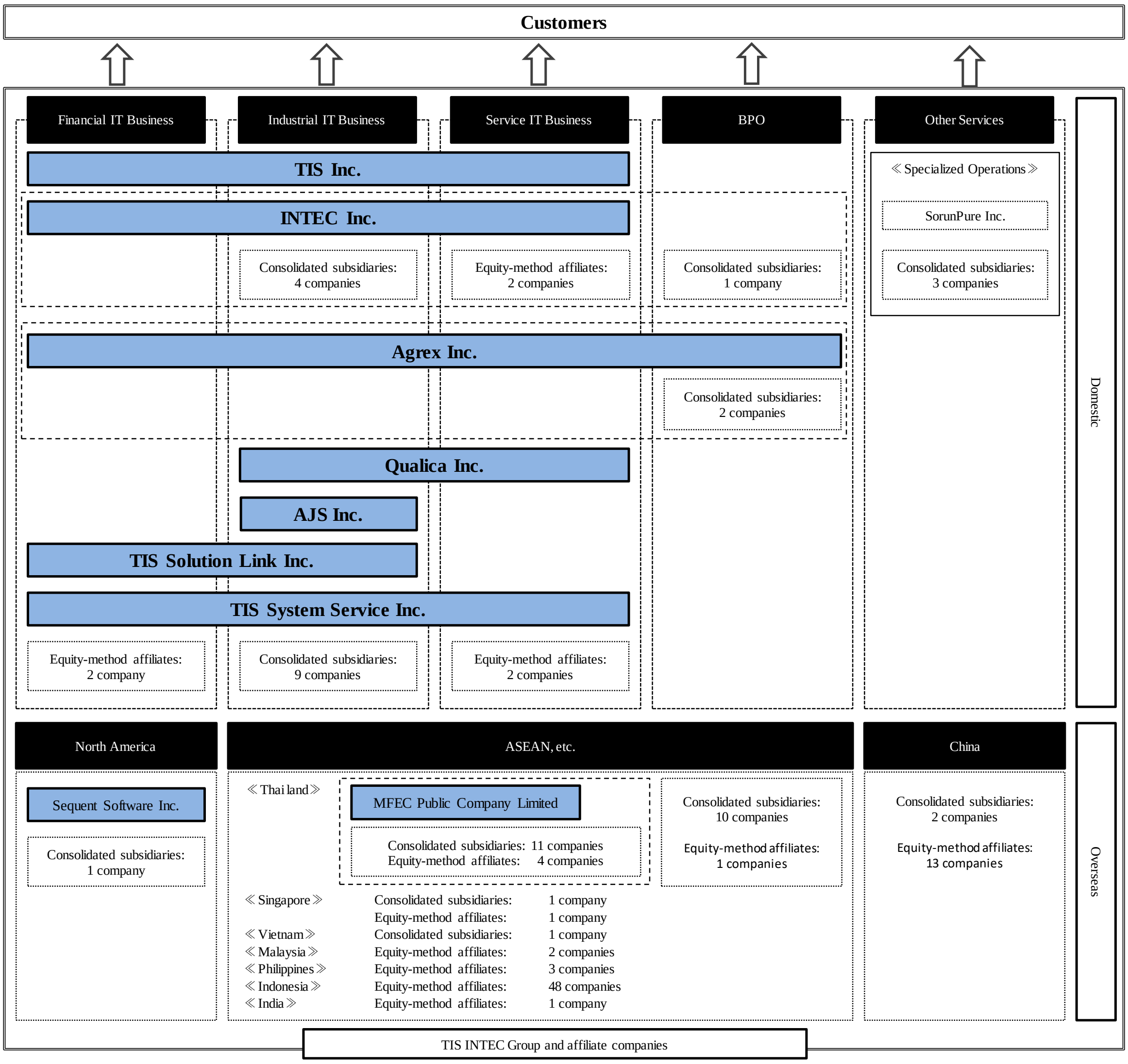
(5) Other

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 subsidiary)

Sorun Pure Inc.

The items covered above are as shown in the organizational chart below.



3. Management Policy

(1) Basic Management Policy

(Basic philosophy)

The Group has established and disclosed “OUR PHILOSOPHY” as a basic Group 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 brightly color the future 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 by leveraging our industry insight and our unmatched business expertise, playing a central role in their business.
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.

(2) Key Business Indicators

In order to facilitate the structural transformation into four strategic domains, the Group aims to improve business growth and profitability to sustainably raise corporate value. Important business indicators set in the medium-term management plan (2021-2023) are “sales of ¥500 billion”, operating income (operating income ratio) of ¥58 billion (11.6%)”, “EPS annual average growth rate of greater than 10%”, “strategic domain ratio of 60%”, and “societal issue solution service business sales of ¥50 billion”. Under those, we are promoting various measures to raise corporate value.

(3) Medium- to Long-term Management Strategies

The business and competitive environment is changing dramatically with the spread of COVID-19 infections, the establishment of a “new normal”, the rapid growth of global IT platformers, and intensifying competition in the digital transformation market. The TIS INTEC Group, a leading IT services group, endeavors to play an integral role in creating a prosperous future for society.

In the medium-term management plan (2021-2023), we are working under a slogan of “Be a Digital Mover 2023” to achieve business restructuring with enhancing provided digital transformation value as the keystone in order to accelerate growth as we work to fulfill the Group Vision 2026.

(4) Issues Requiring a Response

With increasing uncertainty about the global economy, business process and business model innovations utilizing digital transformation technologies in the “new normal” environment are advancing globally. And companies other than conventional system integration operators are increasing their presence in the market, changing the competitive environment.

We recognize that, in order for the Group to achieve sustainable growth to fulfill its mission of supporting critical social infrastructure in such an environment, we need to further enhance our predominance in existing business domains in Japan and to create and develop new businesses that will lead to solutions to societal issues. The Group thus aims to establish trust and a track record in the digital transformation area and improve value provided to customers and society in order to promote those efforts.

Furthermore, we recognize that global value chain coordination may be a force that rapidly accelerates such efforts. We will introduce the rapid response seen overseas and combine that with the Group's strengths in Japan in order to establish global competitiveness and our dominant position in the market.

To achieve this goal, we will rapidly promote the selection and concentration of management resources, and develop and secure human resources to promote business.

The Group aims to achieve continuous business expansion and the realization of a sustainable society through value exchange with all stakeholders.

And we have set the four challenges to focus on in realizing that goal: “enhance provided digital transformation value”, “expand global business”, “advance and diversify human resources”, and “enhance Group management”.

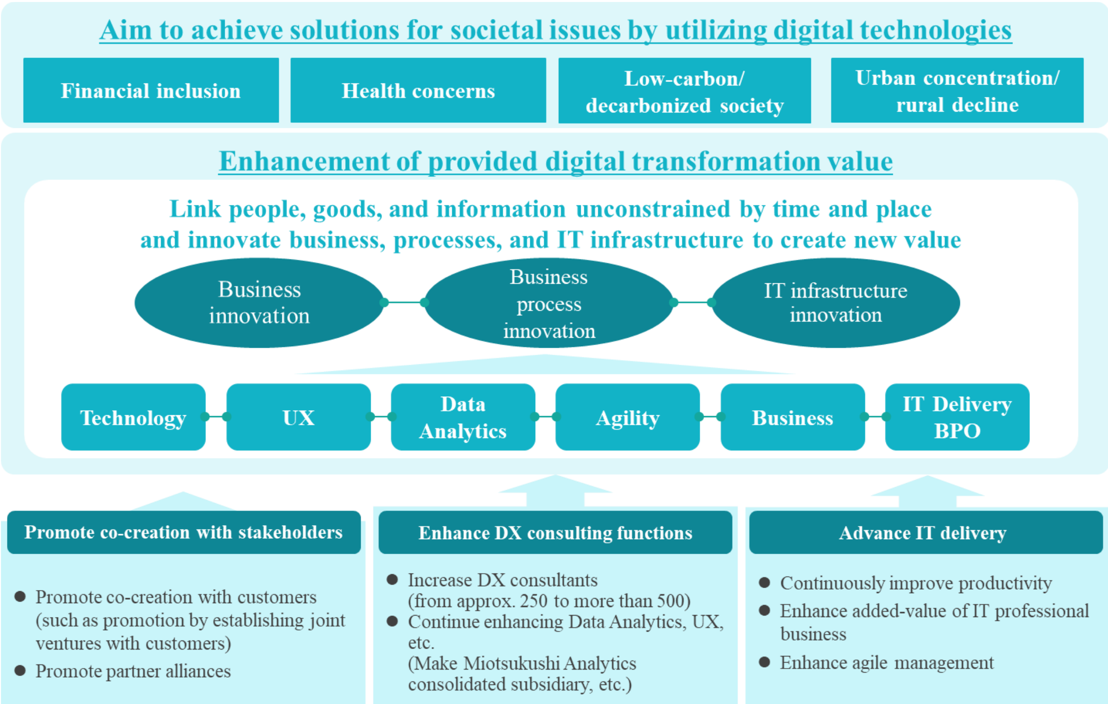
1. Enhance provided digital transformation value

To fulfil the Group’s mission: “To brightly color the future as a mover”, we are aiming to harness digital technology to provide end-to-end value relating to digitalization-related issues, from strategy proposals through to the provision of solutions to customers and wider society.

In the Group’s strength of settlement business, we will a establish credit card processing service where systems centering on business processing services related to membership-based service user management and affiliate shop management are provided as a service and expand lending services where systems for loans and other finance service operators are provided on the cloud. Additionally, we will enhance data analysis functions that connect to those and heighten functionality. And by making microservices out of those functions per application and purpose and promoting the provision of flexible services that are responsive to change, we will improve our ability to provide comprehensive services in digitalization of settlement and finance, in aim to further enhance our strengths and expand our business domains.

Of those, we will use credit card processing service to ensure we 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.

And we will promote strategic management resource placement and human resources development to enhance consulting functions in upstream areas such as strategy proposal and issue formation in order to promote digital transformation.

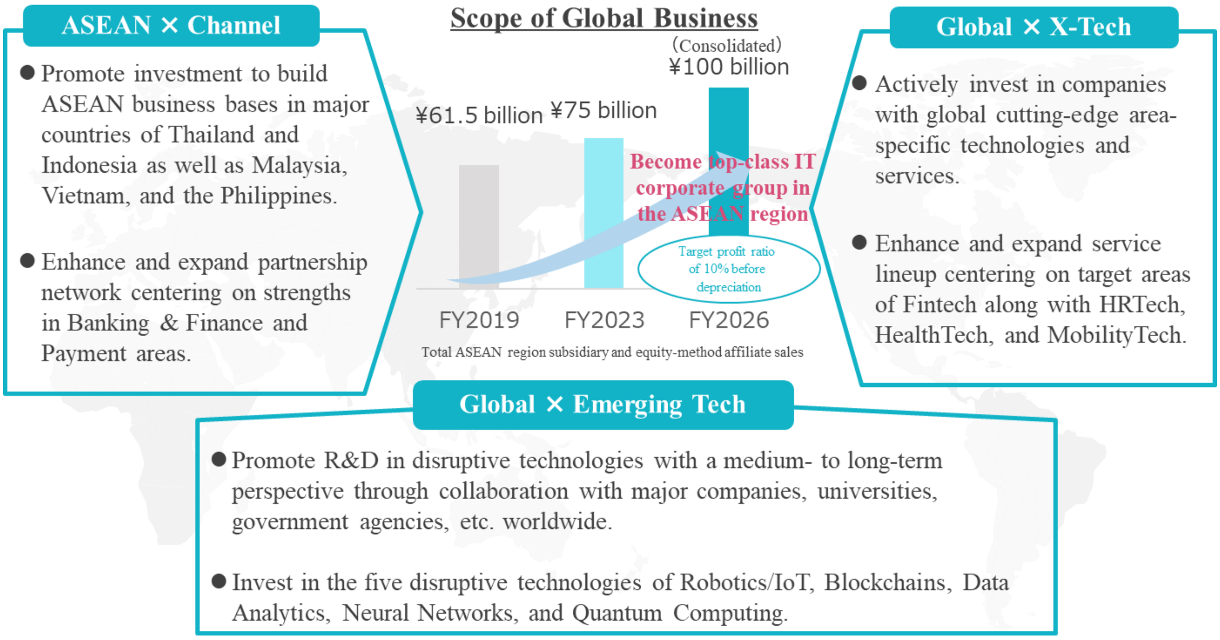


2. Expand global business

By strengthening the partnerships and alliances in ASEAN nations established in the previous medium-term management plan and utilizing cutting-edge technologies and disruptive technologies, the Group will expand IT offering service and the Frontier Market Creation Business globally.

We will create yet more business synergies with newly consolidated subsidiary MFEC Public Company Limited, a leading player in providing IT solutions for enterprises in Thailand, in an aim to enhance our competitiveness and expand business.

Moreover, we will further strengthen the strategic partnership with Grab Holdings Inc., which operates the largest digital payment platform in Southeast Asia, collaborating on enhancing digital payment infrastructure and developing new settlement technologies in Southeast Asia and Japan.



3. Advance and diversify human resources

In order to continue to enhance the value exchange between employees and Group companies, the Group will promote a human resources strategy focusing on diversification and advancement of individuals. In that, we will take on the challenge of improving engagement with employees through creation of an environment and organizational culture where diverse individuals can thrive, promotion of next-generation workstyle reforms looking towards a “new normal”, and advancement of human resource portfolio management by digitalization of a human resources database. Additionally, to further accelerate structural transformation, we will make an effort to strategically secure and foster advanced human resources in areas such as management, consulting, global business, and service business and will place them optimally.

4. Enhance Group management

The Group has established a system for enhancing sustainability management by means such as setting up a Corporate Sustainability Committee, identifying materiality, and identifying four societal issues to resolve. In the medium-term management plan (2021-2023), the Group will promote achievement of priority management resource distribution in business activities that contribute to societal issue solutions identified. And it will enhance ESG, promoting contribution to a decarbonized and recycling-oriented society, sustained improvement of stakeholder engagement, and pursuit of corporate governance that enhances trust from society.

At the same time, the Group will continue placing commercials on television and articles in advertising materials in an effort to increase corporate value and consumer recognition and also work on strategic brand activities.

In an aim for continuous growth in this operating environment with increasing uncertainties, we will continue making growth-oriented investments in four areas (software investment, human resources investment, R&D investment, M&A and capital tie-ups) and further advance investment management to gain appropriate returns, thereby achieving more growth than ever.

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).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2020	As of March 31, 2021
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	55,175	83,318
Notes and accounts receivable	97,386	111,356
Lease receivables and lease investment assets	4,679	4,641
Marketable securities	100	286
Merchandise and finished goods	4,052	2,970
Work in process	3,155	2,979
Raw materials and supplies	268	237
Other current assets	17,188	24,465
Allowance for doubtful accounts	(462)	(290)
Total current assets	181,543	229,965
Fixed assets		
Property and equipment		
Buildings and structures, net	29,053	34,258
Machinery and equipment, net	7,092	6,798
Land	9,690	9,682
Leased assets, net	1,773	4,321
Other property and equipment, net	6,431	9,135
Total property and equipment	54,041	64,197
Intangible assets		
Software	14,940	15,463
Software in progress	7,946	12,334
Goodwill	244	1,593
Other intangible assets	1,001	1,757
Total intangible assets	24,133	31,148
Investments and other assets		
Investment securities	79,111	86,005
Net defined benefit asset	3,433	6,375
Deferred tax assets	13,539	8,443
Other assets	27,437	27,505
Allowance for doubtful accounts	(342)	(2,567)
Total investments and other assets	123,181	125,760
Total fixed assets	201,356	221,106
Total assets	382,899	451,072

Items	As of March 31, 2020	As of March 31, 2021
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,387	26,467
Short-term borrowings	1,190	5,793
Income taxes payable	8,788	8,829
Accrued bonuses to directors and employees	15,148	15,405
Provision for loss on order received	438	938
Provision for office restructuring cost	1,553	413
Other allowances	66	109
Other current liabilities	37,905	42,958
Total current liabilities	88,479	100,915
Non-current liabilities		
Long-term debt	19,793	37,326
Lease obligations	2,497	4,628
Deferred tax liabilities	16	1,023
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	5	5
Provision for office restructuring cost	432	-
Other allowances	216	169
Net defined benefit liability	12,654	12,895
Asset retirement obligations	3,163	6,095
Other non-current liabilities	7,408	8,311
Total non-current liabilities	46,462	70,726
Total liabilities	134,942	171,642
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,950	84,337
Retained earnings	153,347	173,230
Less treasury stock, at cost	(15,336)	(18,812)
Total shareholders' equity	230,962	248,756
Accumulated other comprehensive income		
Net unrealized gains on other securities	16,785	25,513
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	157	(667)
Remeasurements of defined benefit plans	(2,922)	(449)
Total accumulated other comprehensive income	11,348	21,724
Non-controlling interests	5,646	8,948
Total net assets	247,957	279,429
Total liabilities and net assets	382,899	451,072

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

Consolidated Statements of Income

Items	FY 2020	FY 2021
	millions of yen	millions of yen
Net sales	443,717	448,383
Cost of sales	337,820	334,671
Gross profit	105,896	113,712
Selling, general and administrative expenses	61,057	67,973
Operating income	44,839	45,748
Non-operating income		
Interest income	259	246
Dividend income	885	847
Equity in profit of affiliated companies	50	-
Other	786	918
Total non-operating income	1,982	2,011
Non-operating expense		
Interest expenses	233	227
Financing expenses	130	1
Equity in losses of affiliated companies	-	6,033
Provision of allowance for doubtful accounts	-	2,053
Other	386	186
Total non-operating expenses	751	8,502
Recurring profit	46,070	39,257
Extraordinary income		
Gain on sales of fixed assets	3,178	3
Gain on sales of investment securities	6,927	9,497
Other	590	209
Total extraordinary income	10,696	9,709
Extraordinary loss		
Loss on valuation of investment securities	911	1,111
Impairment loss	7,343	2,467
Provision for office restructuring cost	1,985	-
Other	1,888	571
Total extraordinary loss	12,128	4,150
Income before income taxes	44,638	44,816
Income taxes: current	15,250	15,319
Income taxes: deferred	(979)	1,243
Total income taxes	14,270	16,563
Net income	30,367	28,253
Net income attributable to non-controlling interests	956	561
Net income attributable to owners of the parent company	29,411	27,692

Consolidated Statements of Comprehensive Income

Items	FY 2020	FY 2021
	millions of yen	millions of yen
Net income	30,367	28,253
Other comprehensive income		
Net unrealized gains on other securities	(5,896)	8,679
Foreign currency translation adjustments	20	(381)
Remeasurements of defined benefit plans	(945)	2,474
Share of other comprehensive income of equity-method affiliates	365	(452)
Total other comprehensive income	(6,456)	10,320
Comprehensive income	23,911	38,573
(Composition)		
Comprehensive income attributable to owners of the parent company	22,960	38,068
Comprehensive income attributable to non-controlling interests	950	505

(3) Consolidated Statements of Changes in Net Assets

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	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	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

FY 2021 (April 1, 2020 through March 31, 2021)

	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	82,950	153,347	(15,336)	230,962
Changes during the fiscal year					
Dividends from surplus			(7,808)		(7,808)
Net income attributable to owners of the parent company			27,692		27,692
Acquisition of treasury stock				(6,567)	(6,567)
Disposal of treasury stock		1,329		3,092	4,422
Capital increase of consolidated subsidiaries		6			6
Sales of shares of foreign consolidated subsidiaries		(8)			(8)
Purchase of shares of consolidated subsidiaries		59			59
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	1,387	19,883	(3,475)	17,794
Balance at end of fiscal year	10,001	84,337	173,230	(18,812)	248,756

	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	16,785	(2,672)	157	(2,922)	11,348	5,646	247,957
Changes during the fiscal year							
Dividends from surplus							(7,808)
Net income attributable to owners of the parent company							27,692
Acquisition of treasury stock							(6,567)
Disposal of treasury stock							4,422
Capital increase of consolidated subsidiaries							6
Sales of shares of foreign consolidated subsidiaries							(8)
Purchase of shares of consolidated subsidiaries							59
Items other than changes in shareholders' equity, net	8,728	-	(825)	2,472	10,376	3,301	13,677
Net changes during the fiscal year	8,728	-	(825)	2,472	10,376	3,301	31,472
Balance at end of fiscal year	25,513	(2,672)	(667)	(449)	21,724	8,948	279,429

(4) Consolidated Statements of Cash Flows

Items	FY 2020	FY 2021
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	44,638	44,816
Depreciation	12,020	13,318
Impairment loss	7,343	2,467
Provision for office restructuring cost	1,985	-
(Gain) loss on sale of investment securities	(6,926)	(9,479)
(Gain) loss on valuation of investment securities	911	1,111
Loss on disposal of fixed assets	374	363
Amortization of goodwill	141	226
Increase (decrease) in accrued bonuses to directors and employees	1,213	87
Increase(decrease) in allowance for doubtful accounts	330	2,053
Increase (decrease) in net defined benefit liability	157	(47)
Interest and dividend income	(1,145)	(1,093)
Interest expenses	233	227
(Increase) decrease in notes and accounts receivable	(9,989)	(8,901)
(Increase) decrease in inventories	1,879	3,819
Increase (decrease) in notes and accounts payable	35	403
Increase (decrease) in accrued consumption taxes	2,681	(3,326)
Other, net	(3,143)	2,708
Subtotal	52,740	48,849
Interest and dividend income received	1,284	1,198
Interest expenses paid	(248)	(218)
Income taxes paid	(15,207)	(16,484)
Net cash provided by (used in)operating activities	38,569	33,345
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	624	400
Acquisitions of property and equipment	(6,093)	(10,059)
Proceeds from sales of property and equipment	14,863	898
Acquisitions of intangible assets	(9,997)	(11,464)
Acquisitions of investment securities	(28,587)	(2,643)
Proceeds from sale and redemption of investment securities	8,765	10,969
Payment of lease and guarantee deposits	(2,809)	(236)
Collection of lease and guarantee deposits	322	143
Payments of loans receivable from subsidiaries and associates	(1,117)	(3,306)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(734)	(1,655)
Other, net	(1,272)	(168)
Net cash provided by (used in) investing activities	(26,437)	(17,522)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(16)	-
Proceeds from long-term debt	3,500	23,536
Repayments of long-term debt	(7,185)	(1,468)
Purchase of treasury stock	(4,153)	(6,567)
Proceeds from sales of treasury stock	638	4,422
Dividends paid	(6,767)	(7,808)
Dividends paid to non-controlling interests	(460)	(588)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(50)	-
Other, net	(49)	960
Net cash provided by (used in) financing activities	(14,544)	12,484
Effect of exchange rate changes on cash and cash equivalents	13	(50)
Net increase (decrease) in cash and cash equivalents	(2,399)	28,256
Cash and cash equivalents at beginning of year	57,083	54,684
Increase in cash and cash equivalents resulting from merger	-	(16)
Cash and cash equivalents at end of year	54,684	82,924

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

(Regarding accounting estimates relating to the novel coronavirus pandemic)

While there is still a high degree of uncertainty concerning the impact of the pandemic, accounting estimates have been formulated based on the Group's business environment, which has largely normalized since the third quarter of fiscal 2021. However, the accounting estimates take into consideration the assumption that some overseas equity-method affiliates operating businesses reliant on certain overseas regions or cross-border transactions will continue to be impacted by the pandemic in fiscal 2022.

There are many uncertainties concerning the impact of the pandemic, which has the potential to affect the Group's financial position and operating results in fiscal 2022.

(Significant Subsequent Events)

(Share buyback)

The Company resolved at a Board of Directors' meeting held on May 12, 2021 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

3,200,000 shares (upper limit)

3) Total cost of repurchase

4,470 million yen (upper limit)

4) Period for repurchase

May 13, 2021 through December 30, 2021

5) Method for repurchase

Market purchase on the Tokyo Stock Exchange

6. Other Information

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