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

November 10, 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:	November 12, 2020
Commencement of dividend payments:	December 10, 2020
Supplementary materials to the quarterly results:	Available
Quarterly results presentation held:	Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – September 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 Half, FY2021	211,308	-2.3	18,211	-4.7	15,392	-23.1	10,277	-22.5
First Half, FY2020	216,296	6.5	19,100	22.9	20,009	26.3	13,266	24.1

Note: Comprehensive income: First Half., FY 2021 15,846 million yen (41.6%), First Half, FY 2020 11,190 million yen (3.3%),

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Half, FY2021	41.00	-
First Half, FY2020	52.58	-

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 Half, FY2021	396,389	255,927	63.1
End of FY2020	382,899	247,957	63.3

For reference: Total equity: End of first half, FY2021: 250,069 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	-	11.00			
FY2021 (forecast)			-	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
Full FY2021 (year ending Mar. 31, 2021)	445,000	0.3	44,500	-0.8	44,000	-4.5	29,500	0.3	117.80

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, the figures in the Forecast of Consolidated Results for FY2021 have been calculated based on the assumption 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 Half, FY2021 (September 30, 2020): 263,367,294 shares
End-FY2020 (March 31, 2020): 263,367,294 shares
2) Treasury stock as of period-end:
End-First Half, FY2021 (September 30, 2020): 12,997,519 shares
End-FY2020 (March 31, 2020): 11,856,948 shares
3) Average number of shares (during the respective six-month period):
First Half, FY2021 (ended September 30, 2020): 250,666,830 shares
First Half, FY2020 (ended September 30, 2019): 252,292,932 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 7 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first six months of fiscal 2021 (April 1, 2020 – September 30, 2020), the Japanese economy continued to face 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 adopt 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 (September 2020) which showed a 3.2% 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 stagnant economic activity and deterioration of corporate earnings are affecting IT investment demand.

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 half of the current 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 extremely difficult conditions presented by the spread of novel coronavirus, especially in April and May under 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 during the first six months of fiscal 2021 declined 2.3% year on year to ¥211,308 million. Operating income fell 4.7% to ¥18,211 million, recurring profit decreased 23.1% to ¥15,392 million, and net income attributable to owners of the parent company declined 22.5% to ¥10,277 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 lower than in the first half of fiscal 2020. Operating income benefitted from initiatives to improve profitability, which contributed to a 1.4 percentage point improvement in gross profit ratio to 23.8%, but operating income ratio fell 0.2 percentage points to 8.6% due to lower sales, an increase in selling, general and administrative expenses mainly for future strategic investments, including expenses associated with efforts to improve working conditions and strengthen brand position, and the impact from newly consolidated subsidiaries. In addition, recurring profit and net income attributable to owners of the parent company fell by large margins from the previous first half due to the booking of equity in losses of affiliated companies of ¥3,722 million. The main reason for this loss was the application of impairment treatment of goodwill of overseas equity-method affiliates due to reviews of business reliant on cross-border transactions in response to the negative impact of the novel coronavirus pandemic.

In addition, extraordinary income of ¥3,662 million and extraordinary loss of ¥1,653 million were recorded during the first half.

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 (including default configuration and ERP).

Segment sales in the first half of fiscal 2021 totaled ¥62,869 million, up 5.0% year on year, and operating income rose 4.7% year on year to ¥2,572 million. Despite the negative influence of postponement of some ERP-related projects, sales grew on the back of expansion in settlement-related business and the Group's efforts to cultivate demand for IT investment in cloud computing. Operating income also grew due to the successful absorption of higher expenses arising from forward-looking investment to strengthen business and lower profits arising from the newly consolidated subsidiaries. Operating income ratio was unchanged at 4.1%.

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 half of fiscal 2021 totaled ¥17,066 million, up 5.2% year on year. Operating income increased 31.8% year on year to ¥1,309 million and the operating income ratio grew by 1.6 percentage points to 7.7%. These gains mainly reflect the increase in demand for our call center operations and other outsourcing 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 half of fiscal 2021 totaled ¥53,590 million, down 3.4% year on year, and operating income fell 3.6% year on year to ¥6,675 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 unchanged at 12.5%.

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 increase the value-addition of clients' operations, expand their use of IT, and provide support to operations using IT.

Segment sales in the first half totaled ¥91,473 million, down 8.0% year on year, and operating income fell 8.4% year on year to ¥7,799 million. Along with the impact of the novel coronavirus outbreak, curbing of IT investments by the manufacturing, distribution, healthcare, and other industries, particularly small to medium sized companies and companies in the regions, grew more pronounced and the subsequent year-on-year decline in sales and profits contributed to a decline in the operating income ratio of 0.1 percentage points to 8.5%.

5) Other

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

Segment sales in the first half totaled ¥4,112 million, down 5.4% year on year, operating income fell 12.3% year on year to ¥410 million, and operating income ratio was 10.0%, down 0.8 percentage points.

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 half 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 during April and May. 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 the previous fiscal year the Group has been strongly pursuing increased exposure through television commercials and other advertising, and this effort is beginning to bear fruit, including a steady increase in consumer recognition.

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. Currently, while reconsidering the very nature of our offices, the Group is making preparations for the establishment of new facilities for offices to be opened in spring 2021 that include dramatically reduced office seating areas and newly created communication booths adapted to remote work with a view to post-COVID 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.

Also, M&A to establish partnerships with leading companies and other initiatives will be actively pursued as described below to strengthen our ability to provide digital transformation value.

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

Targeting further strengthening of our business competitiveness, we are 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 gross profit margin to 23.9% in the previous fiscal year and are producing positive results reflecting progress in the implementation of measures.

As part of efforts to advance Group restructuring to achieve optimal management of the entire Group, in April 2020 the EDI (Electronic Data Interchange) Business was transferred to wholly-owned subsidiary INTEC, Inc., through an absorption-type company split, as subsequently were some of the businesses targeting government agencies including central government offices and municipal governments. Through these business consolidation efforts, the TIS INTEC Group will unite in fortifying the competitiveness and branding of its businesses to achieve further enhancements in corporate value.

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. Through strengthening coordination with Miotsukushi Analytics, the Group will leverage data analysis to enhance its contributions to the advancement of customers' 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 affiliate MFEC Public Company Limited ("MFEC") into a consolidated subsidiary. Consequently, the Group's holdings of MFEC's outstanding shares rose to 49.00%, and included MFEC and its subsidiaries (11 companies in total) as 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 high evaluation of MFEC's strong presence in the Thailand 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 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 announced in May 2020 it had entered into a capital and business alliance 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 its own technicians, who will then be able to provide customers with quantum computing technologies and cultivate new markets.

The Group formed a capital and business alliance with the goal of creating a strategic partnership with Grab Holdings Inc. (“Grab”), the provider of Southeast Asia’s leading super app, and discussions are on a wide variety of topics are currently underway. 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. Also, the Group plans to connect the mobile payment settlement network “EVONET”, which was launched jointly by our Group and equity-method affiliate CardInfoLink, to the “GrabPay” service.

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 roles in order to improve employee job satisfaction and strengthen 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. 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 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.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the second quarter amounted to ¥396,389 million, an increase of ¥13,489 million from ¥382,899 million at the end of the previous fiscal year.

Current assets totaled ¥193,181 million, up from ¥181,543 million at the end of the previous fiscal year, due primarily to a ¥14,727 million increase in cash and deposits.

Fixed assets amounted to ¥203,208 million, up from ¥201,356 million at the end of the previous fiscal year, due mainly to a ¥5,898 million increase in investment securities.

(Liabilities)

As of the end of the second quarter, total liabilities amounted to ¥140,462 million, a ¥5,520 million increase from ¥134,942 million at the end of the previous fiscal year.

Current liabilities totaled ¥74,981 million, down from ¥88,479 million at the end of the previous fiscal year, mainly reflecting a ¥5,073 million decline in notes and accounts payable.

Non-current liabilities totaled ¥65,480 million, up from ¥46,462 million at the end of the previous fiscal year, due primarily to a ¥19,296 million increase in long-term debt.

(Net assets)

As of the end of the second quarter, total net assets amounted to ¥255,927 million, a ¥7,969 million increase from ¥247,957 million at the end of the previous fiscal year. This increase primarily reflects a ¥5,229 million increase in retained earnings due to recording of net income attributable to owners of the parent company.

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

The Group's consolidated business performance in the first half of fiscal 2021 was broadly in line with full-year forecasts. Based on this, the Group has revised the fiscal 2021 consolidated earnings forecast as outlined below, to reflect earnings forecasts for MFEC, TIS Chiyoda Systems, and Miotsukushi Analytics, which became subsidiaries during the first half.

Revised consolidated earnings forecast for fiscal 2021

	Net sales	Operating income	Recurring profit	Net income attributable to owners of the parent company	Net income per share – basic
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecast (A)	440,000	44,000	44,000	29,500	117.86
Revised forecast (B)	445,000	44,500	44,000	29,500	117.80
Change (B-A)	5,000	500	—	—	—
% change	1.1	1.1	—	—	—
(Reference) FY2020 results	443,717	44,839	46,070	29,411	116.78

Note: TIS carried out a three-for-one common stock split on April 1, 2020. The net income per share-basic in the consolidated earnings forecast for fiscal 2020 reflects the impact of the stock split.

The outlook for the 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 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. Accordingly, the earnings forecast for fiscal 2021 is premised on the following assumptions.

<Fiscal 2021 Consolidated Earnings Forecast Assumptions>

Given the uncertain timing of an end to the spread of the novel coronavirus, the fiscal 2021 consolidated earnings forecast has been formulated based on the assumption that there will be a gradual recovery in economic activity with a return to a normal business environment from the third quarter. This forecast is subject to change depending on when the spread of novel coronavirus will be contained.

Under the state of emergency declaration announced in April and May 2020 in particular, some sales activities, such as proposals to new customers, were significantly impacted. However, corporate activities gradually resumed after the lifting of the state of emergency. Implementation of non-face-to-face meetings have allowed sales activities to begin returning to normal, but some customers and some industries have been curbing their IT investments mainly for new projects, making the operating environment through the second quarter especially difficult. As mentioned above, the business environment is expected to return to normal beginning in the third quarter. In addition, while the conversion of several companies to consolidated subsidiaries during the first half of fiscal 2021 is expected to help increase sales, we expect net sales to only slightly exceed the level in the previous fiscal year due to the severe conditions seen in the first half. 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 Sep. 30, 2020
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	55,175	69,902
Notes and accounts receivable	97,386	88,838
Lease receivables and lease investment assets	4,679	4,857
Marketable securities	100	100
Merchandise and finished goods	4,052	3,460
Work in process	3,155	3,275
Raw materials and supplies	268	222
Other current assets	17,188	22,712
Allowance for doubtful accounts	(462)	(187)
Total current assets	181,543	193,181
Fixed assets		
Property and equipment		
Buildings and structures, net	29,053	28,126
Machinery and equipment, net	7,092	6,436
Land	9,690	9,682
Leased assets, net	1,773	2,132
Other property and equipment, net	6,431	7,506
Total property and equipment	54,041	53,885
Intangible assets		
Software	14,940	14,668
Software in progress	7,946	10,141
Goodwill	244	990
Other intangible assets	1,001	943
Total intangible assets	24,133	26,743
Investments and other assets		
Investment securities	79,111	85,010
Net defined benefit asset	3,433	3,518
Deferred tax assets	13,539	10,252
Other assets	27,437	24,431
Allowance for doubtful accounts	(342)	(634)
Total investments and other assets	123,181	122,579
Total fixed assets	201,356	203,208
Total assets	382,899	396,389

Items	As of March 31, 2020	As of Sep. 30, 2020
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,387	18,314
Short-term borrowings	1,190	905
Income taxes payable	8,788	5,563
Accrued bonuses to directors and employees	15,148	15,112
Provision for loss on order received	438	1,016
Provision for office restructuring cost	1,553	1,711
Other allowances	66	46
Other current liabilities	37,905	32,312
Total current liabilities	88,479	74,981
Non-current liabilities		
Long-term debt	19,793	39,090
Lease obligations	2,497	2,678
Deferred tax liabilities	16	58
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	164
Net defined benefit liability	12,654	12,543
Asset retirement obligations	3,163	3,333
Other non-current liabilities	7,408	7,334
Total non-current liabilities	46,462	65,480
Total liabilities	134,942	140,462
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,950	82,948
Retained earnings	153,347	158,577
Less treasury stock, at cost	(15,336)	(18,022)
Total shareholders' equity	230,962	233,504
Accumulated other comprehensive income		
Net unrealized gains on other securities	16,785	21,841
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	157	7
Remeasurements of defined benefit plans	(2,922)	(2,611)
Total accumulated other comprehensive income	11,348	16,565
Non-controlling interests	5,646	5,857
Total net assets	247,957	255,927
Total liabilities and net assets	382,899	396,389

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

Consolidated Statements of Income

Items	First Half, FY2020 (Apr. 1 – Sep. 30, 2019)	First Half, FY2021 (Apr. 1 – Sep. 30, 2020)
	millions of yen	millions of yen
Net sales	216,296	211,308
Cost of sales	167,800	161,048
Gross profit	48,496	50,260
Selling, general and administrative expenses	29,395	32,048
Operating income	19,100	18,211
Non-operating income		
Interest income	128	127
Dividend income	671	675
Other	591	376
Total non-operating income	1,391	1,179
Non-operating expense		
Interest expenses	123	134
Financing expenses	123	0
Equity in losses of affiliated companies	56	3,722
Other	177	140
Total non-operating expenses	481	3,998
Recurring profit	20,009	15,392
Extraordinary income		
Gain on sale of investment securities	6,220	3,660
Other	150	2
Total extraordinary income	6,371	3,662
Extraordinary loss		
Loss on valuation of investment securities	111	625
Impairment loss	3,594	701
Provision for office restructuring cost	1,985	-
Other	352	326
Total extraordinary loss	6,044	1,653
Income before income taxes	20,336	17,401
Income taxes: current	8,471	6,114
Income taxes: deferred	(1,877)	713
Total income taxes	6,594	6,827
Net income	13,742	10,573
Net income attributable to non-controlling interests	476	296
Net income attributable to owners of the parent company	13,266	10,277

Consolidated Statements of Comprehensive Income

Items	First Half, FY2020 (Apr. 1 – Sep. 30, 2019)	First Half, FY2021 (Apr. 1 – Sep. 30, 2020)
	millions of yen	millions of yen
Net income	13,742	10,573
Other comprehensive income		
Net unrealized gains on other securities	(2,897)	5,091
Revaluation reserve for land	-	-
Foreign currency translation adjustments	(38)	(61)
Remeasurements of defined benefit plans	285	311
Share of other comprehensive income of equity-method affiliates	97	(68)
Total other comprehensive income	(2,551)	5,272
Comprehensive income	11,190	15,846
(Composition)		
Comprehensive income attributable to owners of the parent company	10,709	15,494
Comprehensive income attributable to non-controlling interests	480	351

(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)

(Regarding accounting estimates relating to the novel coronavirus outbreak)

As it is currently not possible to reasonably predict when the novel coronavirus outbreak will come to an end, the Group has chosen to reflect accounting estimates in its accounting based on the assumption that the Group's business environment will normalize in the third quarter of fiscal 2021. With regard to some of the Group's overseas affiliated companies that are dependent on cross-border business, assumptions have been revised to reflect the potential for the effects of the novel coronavirus outbreak to linger on for a certain amount of time into the next fiscal year and these revised assumption reflected in first-half accounting. Note that there are high levels of uncertainty in the assumptions used in the Group's estimates and the Group's financial condition and operating results may be impacted depending on the timing of the end of the novel coronavirus pandemic or if there are changes in the pandemic's effects on the economic environment.

(Significant Subsequent Events)

(Business combination through additional acquisition of affiliated company shares)

With the objective of converting the equity-method affiliate MFEC Public Company Limited (“MFEC”) in Thailand into a consolidated subsidiary, the Board of Directors at TIS resolved on March 6, 2020, to acquire shares in MFEC through a tender offer in accordance with the Securities and Exchange Law of Thailand and local laws and regulations. An additional acquisition of shares was completed on October 5, 2020.

1. Business Combination Overview

(1) Name and business details of acquired company

Name of company acquired: MFEC Public Company Limited

Business details: System integration, maintenance, consulting businesses

(2) Reason for Business Combination

The Group endeavors 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 the 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 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 Group and thus decided to acquire additional shares in MFEC and turn it into a consolidated subsidiary.

(3) Business Combination

October 5, 2020

(4) Legal Form of Business Combination

Acquisition of shares in exchange for cash

(5) Company Name after Combination

There is no change in the company name.

(6) Voting Rights Ratio Acquired

Voting rights immediately before business combination: 24.9%

Additional voting rights acquired on day of business combination: 24.1%

Voting rights after acquisition: 49.0%

(7) Rationale for the decision to acquire the company

For TIS to acquire 49% of voting rights by acquiring shares through exchange of cash and recognition from the decision-making body of MFEC that it is to be controlled substantially by the Group.

2. The acquisition cost of the acquired company and detailed consideration by type

Market value on the business combination date of MFEC shares owned immediately before the date: ¥1,835 million

Market value of MFEC shares additionally acquired on the business combination date: ¥1,803 million

Acquisition cost: ¥3,639 million

3. Details and value of main expenses associated with acquisition

Remuneration and commissions paid to advisory company ¥198 million

4. Difference between acquisition cost of acquired company and total acquisition cost for each transaction
   Yet to be determined

5. Value, reason for occurrence, and amortization method and period for goodwill generated
   Yet to be determined

6. Value and main details of assets acquired and liabilities assumed on the business combination date
   Yet to be determined

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).