Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2021

(April 1, 2020 through December 31, 2020)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan. This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

February 5, 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:	Toru Kuwano, Chairman and President
Contact:	Takashi Nakamura, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.
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Scheduled dates

Submission of quarterly report:	February 10, 2021
Commencement of dividend payments:	-
Supplementary materials to the quarterly results:	Available
Quarterly results presentation held:	Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – December 31, 2020)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Three Qtrs., FY2021	318,033	-0.3	30,088	-0.1	27,531	-12.3	18,121	-11.3
First Three Qtrs., FY2020	319,009	5.3	30,103	20.3	31,393	23.0	20,436	20.4

Note: Comprehensive income: First Three Qtrs., FY2021 24,423 million yen (-2.5%), First Three Qtrs., FY2020 25,043 million yen (338.8%)

	Net income per share – basic	Net income per share – diluted
	Yen	yen
First Three Qtrs., FY2021	72.32	-
First Three Qtrs., FY2020	81.11	-

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 Third Quarter, FY2021	403,854	264,417	63.4
End of FY2020	382,899	247,957	63.3

For reference: Total equity: End of Third Quarter, FY2021: 256,001 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	117.77

Notes:
(1) Revisions from the latest release of earnings forecasts: None
(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: Yes
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: 1 MFEC Public Company Limited
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-Third Quarter, FY2021 (December 31, 2020): 263,367,294 shares
End-FY2020 (March 31, 2020): 263,367,294 shares
2) Treasury stock as of period-end:
End-Third Quarter, FY2021 (December 31, 2020): 12,823,388 shares
End-FY2020 (March 31, 2020): 11,856,948 shares
3) Average number of shares (during the respective nine-month period):
First Three Qtrs., FY2021 (ended December 31, 2020): 250,576,110 shares
First Three Qtrs., FY2020 (ended December 31, 2019): 251,969,805 shares

Notes:
(1) Treasury stock includes the number of the Company's own shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.
(2) The Company carried out a three-for-one common stock split on April 1, 2020. "Issued shares as of period-end (including treasury stock)", "Treasury stock as of period-end", and "Average number of shares" were calculated as if the stock split had been effected at the beginning of FY2020 (April 1, 2019).

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

Caution on Forward-Looking Statements and Other Important Matters
At a Board of Directors' Meeting held on May 12, 2020, TIS Inc. ("TIS") resolved to acquire its own (treasury) shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said Act.
Accordingly, "Net income per share – basic" in the Forecast of Consolidated Results for FY2021 has been presented taking into account the effect of this acquisition of treasury shares.

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

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" in the "1. Results of Operations" section on page 8 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first three quarters of fiscal 2021 (April 1, 2020 – December 31, 2020), the Japanese economy continued to face difficult conditions as a result of the spread of the novel coronavirus (COVID-19). Looking ahead, economic conditions are expected to pick up but the outlook has been clouded by factors such as the government's declaration of a second state of emergency in January 2021. 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 (December 2020) which showed a 0.7% year-on-year increase in company software investment plans (all manufacturing & financial institutions). However, we remain 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 three quarters 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 COVID-19, which hampered sales activities, including new proposals, especially in April and May under the state of emergency declared by the Japanese government. Thereafter, however, business activities gradually recovered and are now generally back to normal.

Consolidated net sales for the Group during the first three quarters of fiscal 2021 declined 0.3% year on year to ¥318,033 million. Operating income slipped 0.1% to ¥30,088 million, recurring profit decreased 12.3% to ¥27,531 million, and net income attributable to owners of the parent company declined 11.3% to ¥18,121 million.

Sales were supported by firm business with existing accounts, but new orders were stagnant, especially in the Industrial IT Business segment. As a result, consolidated net sales were largely the same as in the first three quarters of fiscal 2020. Operating income benefitted from successful initiatives to improve profitability, which contributed to a 1.4 percentage point improvement in the gross profit ratio to 24.8%. However, the operating income ratio was largely the same as a year earlier, increasing 0.1 percentage point to 9.5% owing to 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 ¥ 3,719 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 COVID-19 pandemic. In addition, extraordinary income of ¥4,063 million and an extraordinary loss of ¥2,250 million were recorded during the first three quarters of fiscal 2021.

The difficult business environment during the first two quarters of the fiscal year resulted in year-on-year declines in sales and profits in each quarter, but third-quarter sales and profits both increased year on year on a return to generally normal business conditions.

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 three quarters of fiscal 2021 totaled ¥93,695 million, up 4.2% year on year, and operating income increased 0.2% to ¥5,123 million. Sales increased on the back of expansion in settlement-related and cloudcomputing-related business, which offset a decrease in ERP-related business. The smaller increase in operating income reflects the impact from higher expenses related to forward-looking investment to strengthen business and lower profits arising from the newly consolidated subsidiaries. As a result, the segment's operating income ratio was 5.5%, 0.2 percentage points lower than in the first three quarters of fiscal 2020.

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

2) BPO

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

Segment sales in the first three quarters of the fiscal year totaled ¥26,025 million, up 5.7% year on year, and operating income increased 21.2% to ¥2,142 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 8.2%, 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 in the first three quarters totaled ¥80,597 million, down 1.7% year on year, but operating income increased 1.6% to ¥10,680 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 0.5 percentage-point improvement in the segment's operating income ratio, to 13.3%.

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 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-added of clients' operations, expand their use of IT, and provide support to operations using IT.

Segment sales in the first three quarters totaled ¥137,905 million, down 4.6% year on year, and operating income declined 1.4% to ¥12,430 million. Despite the positive contributions from firm IT investment by the Group's core clients and a subsidiary newly consolidated during the first three quarters, segment sales and profits both declined owing to the curbing of IT investments by the manufacturing, distribution, healthcare, and other industries, which was particularly evident among small to medium sized companies and companies in the regions, due to the COVID-19 outbreak. In this environment, project profitability improved, resulting in a 0.3 percentage-point increase in the segment's operating income ratio, to 9.0%.

5) Other

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

Segment sales in the first three quarters totaled ¥6,180 million, down 4.9% year on year, operating income fell 12.1% to ¥590 million, and the operating income ratio was 9.6%, down 0.7 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 new plan's five basic policies—"Sustainable profit growth", "Emphasis on employee self-fulfillment", "Concentrate on core businesses"; "Shift to prior investment style of business development", and "Expand global business"—we aim to achieve a speedy structural transformation and raise corporate value.

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, in fiscal 2021, the final year of the current plan, the Group is energetically implementing 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 three quarters of 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, 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 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. 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. 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 makes full use of 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 consolidating Group operations in the Tokyo area in two core offices. By consolidating head office functions mainly at the Nishi-Shinjuku office we will be able to strengthen group governance. Meanwhile, bringing the Group's business functions together at the new Toyosu office, which will open in mid-February 2021, 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 will have dramatically reduced office seating areas and newly created communication booths adaptable for remote work-related needs.

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 next medium-term management plan. The Group is aiming to further expand this digital account service 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. Another initiative in the MaaS domain was our participation in Okinawa MaaS, a proof-of-concept experiment 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 to establish partnerships with leading companies and other initiatives 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 fiscal 2020 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 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.

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 with voting rights rose to 49%, 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 high evaluation 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, in May, the Group 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 Pte. Ltd. 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, and a re-employment system that enables employees who so desire to continue working until 70, again with the no change in treatment after 65. 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 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 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, to fuel the sustainable growth of the Group and raise corporate value through steady implementation of the next medium-term management plan, which will be come into effect from April 2021, the Board of Directors has decided to appoint a new representative director under a new management execution structure. The new representative director (president), selected after consultations with the Nomination Committee, an advisory body to the Board of Directors, will take office from April 1, 2021.The outgoing president will become a non-executive director and chairman tasked with chairing board meetings, thus establishing a clear line of separation between execution and supervision. In addition, to further strengthen the corporate governance structure, independent outside directors were appointed as chairs of the Nomination Committee and the Compensation Committee effective February 1, 2021.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the third quarter amounted to ¥403,854 million, an increase of ¥20,955 million from ¥382,899 million at the end of the previous fiscal year.

Current assets totaled ¥196,646 million, up from ¥181,543 million at the end of the previous fiscal year, primarily owing to an ¥11,234 million increase in cash and deposits.

Fixed assets totaled ¥207,208 million, up from ¥201,356 million at the end of the previous fiscal year, due mainly to a ¥5,690 million increase in investment securities.

(Liabilities)

As of the end of the third quarter, total liabilities amounted to ¥139,437 million, a ¥4,495 million increase from ¥134,942 million at the end of the previous fiscal year.

Current liabilities totaled ¥69,922 million, down from ¥88,479 million at the end of the previous fiscal year, mainly reflecting an ¥8,046 million decrease in income taxes payable.

Non-current liabilities totaled ¥69,515 million, up from ¥46,462 million, primarily owing to a ¥19,146 million increase in long-term debt.

(Net assets)

As of the end of the third quarter, total net assets came to ¥264,417 million, a ¥16,459 million increase from ¥247,957 million at the end of the previous fiscal year. This increase primarily reflects a ¥10,313 million increase in retained earnings mainly 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 three quarters of fiscal 2021 was broadly in line with the revised fiscal 2021 forecast announced on November 10, 2020. Accordingly, as of the release of this quarterly earnings report, management has made no changes to its full-year forecast. While the conversion of several companies to consolidated subsidiaries during the first three quarters 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 expected to decline year on year but be largely even with the previous fiscal year on a real-term basis that excludes the impact from newly consolidated subsidiaries. While adhering to a management policy that emphasizes profitability and sustaining our investment in future growth, we will continue to implement productivity enhancement measures and accelerate efforts to 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.

<Fiscal 2021 Consolidated Earnings Forecast Assumptions>

Given the uncertain timing of an end to the COVID-19 pandemic, 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 COVID-19 pandemic will be contained.

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

1. Consolidated Financial Statements
(1) Consolidated Balance Sheets

Items	As of March 31, 2020	As of Dec. 31, 2020
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	55,175	66,410
Notes and accounts receivable	97,386	90,556
Lease receivables and lease investment assets	4,679	4,586
Marketable securities	100	274
Merchandise and finished goods	4,052	3,884
Work in process	3,155	6,073
Raw materials and supplies	268	218
Other current assets	17,188	24,879
Allowance for doubtful accounts	(462)	(236)
Total current assets	181,543	196,646
Fixed assets		
Property and equipment		
Buildings and structures, net	29,053	27,794
Machinery and equipment, net	7,092	6,679
Land	9,690	9,682
Leased assets, net	1,773	4,388
Other property and equipment, net	6,431	8,372
Total property and equipment	54,041	56,918
Intangible assets		
Software	14,940	14,862
Software in progress	7,946	12,046
Goodwill	244	1,838
Other intangible assets	1,001	1,052
Total intangible assets	24,133	29,800
Investments and other assets		
Investment securities	79,111	84,801
Net defined benefit asset	3,433	3,403
Deferred tax assets	13,539	7,913
Other assets	27,437	25,003
Allowance for doubtful accounts	(342)	(632)
Total investments and other assets	123,181	120,490
Total fixed assets	201,356	207,208
Total assets	382,899	403,854

Items	As of March 31, 2020	As of Dec. 31, 2020
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	23,387	19,474
Short-term borrowings	1,190	1,121
Income taxes payable	8,788	742
Accrued bonuses to directors and employees	15,148	7,460
Provision for loss on order received	438	902
Allowance for office restructuring cost	1,553	923
Other allowances	66	118
Other current liabilities	37,905	39,179
Total current liabilities	88,479	69,922
Non-current liabilities		
Long-term debt	19,793	38,940
Lease obligations	2,497	4,705
Deferred tax liabilities	16	1,869
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	5	6
Allowance for office restructuring cost	432	-
Other allowances	216	190
Net defined benefit liability	12,654	12,722
Asset retirement obligations	3,163	3,328
Other non-current liabilities	7,408	7,479
Total non-current liabilities	46,462	69,515
Total liabilities	134,942	139,437
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	82,950	83,009
Retained earnings	153,347	163,660
Less treasury stock, at cost	(15,336)	(17,791)
Total shareholders' equity	230,962	238,880
Accumulated other comprehensive income		
Net unrealized gains on other securities	16,785	22,931
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	157	(681)
Remeasurements of defined benefit plans	(2,922)	(2,456)
Total accumulated other comprehensive income	11,348	17,121
Non-controlling interests	5,646	8,415
Total net assets	247,957	264,417
Total liabilities and net assets	382,899	403,854

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

Consolidated Statements of Income

Items	First Three Qtrs., FY2020 (Apr. 1 – Dec. 31, 2019)	First Three Qtrs., FY2021 (Apr. 1 – Dec. 31, 2020)
	millions of yen	millions of yen
Net sales	319,009	318,033
Cost of sales	244,518	239,265
Gross profit	74,491	78,767
Selling, general and administrative expenses	44,388	48,679
Operating income	30,103	30,088
Non-operating income		
Interest income	191	186
Dividend income	858	874
Other	911	495
Total non-operating income	1,962	1,556
Non-operating expense		
Interest expenses	177	203
Financing expenses	125	1
Equity in losses of affiliated companies	141	3,719
Other	226	187
Total non-operating expenses	672	4,113
Recurring profit	31,393	27,531
Extraordinary income		
Gain on sale of investment securities	6,482	3,854
Other	750	209
Total extraordinary income	7,232	4,063
Extraordinary loss		
Impairment loss	3,628	893
Provision of allowance for office restructuring cost	1,985	-
Loss on valuation of investment securities	542	970
Other	1,040	386
Total extraordinary loss	7,196	2,250
Income before income taxes	31,428	29,344
Income taxes: current	8,614	6,531
Income taxes: deferred	1,690	4,206
Total income taxes	10,304	10,738
Net income	21,124	18,605
Net income attributable to non-controlling interests	687	483
Net income attributable to owners of the parent company	20,436	18,121

Consolidated Statements of Comprehensive Income

Items	First Three Qtrs., FY2020 (Apr. 1 – Dec. 31, 2019)	First Three Qtrs., FY2021 (Apr. 1 – Dec. 31, 2020)
	millions of yen	millions of yen
Net income	21,124	18,605
Other comprehensive income		
Net unrealized gains on other securities	3,499	6,174
Foreign currency translation adjustments	(79)	(353)
Remeasurements of defined benefit plans	417	467
Share of other comprehensive income of equity-method affiliates	82	(470)
Total other comprehensive income	3,919	5,818
Comprehensive income	25,043	24,423
(Composition)		
Comprehensive income attributable to owners of the parent company	24,349	23,894
Comprehensive income attributable to non-controlling interests	694	528

(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

2. Other Information

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