Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2022

(April 1, 2021 through December 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.

February 4, 2022

Company name:	TIS Inc.
Stock exchange listings:	The First Section of the Tokyo Stock Exchange
Stock code:	3626
URL:	https://www.tis.com/
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Scheduled dates
Submission of quarterly report: February 10, 2022
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, 2022 (April 1, 2021 – December 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	%
First Three Qtrs., FY2022	353,133	11.0	38,258	27.2	38,830	41.0	29,414	62.3
First Three Qtrs., FY2021	318,033	-0.3	30,088	-0.1	27,531	-12.3	18,121	-11.3

Note: Comprehensive income: First Three Qtrs., FY2022: 45,093 million yen (84.6%); First Three Qtrs., FY2021: 24,423 million yen (-2.5%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Three Qtrs., FY2022	117.46	-
First Three Qtrs., FY2021	72.32	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of Third Quarter, FY2022	469,815	310,410	64.1
End of FY2021	451,072	279,429	60.0

For reference: Total equity: End of Third Quarter, FY2022: 301,292 million yen End of FY2021: 270,481 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
FY2021	-	11.00	-	24.00	35.00
FY2022	-	13.00	-		
FY2022 (forecast)				27.00	40.00

Note: Revisions from the latest release of dividends forecasts: None

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
Full FY2022 (year ending Mar. 31, 2022)	480,000	7.1	52,000	13.7	52,000	32.5	38,000	37.2	151.94

Notes:
(1) Revisions from the latest release of earnings forecasts: None
(2) 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: 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.: Yes
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
Note: For details, please refer to "(Changes in Accounting Policies)" on page 12 under "(3) Notes on the Consolidated Financial Statements" in the "2. Consolidated Financial Statements" section of the Accompanying Materials.

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-Third Quarter, FY2022 (December 31, 2021): 251,160,894 shares
End-FY2021 (March 31, 2021): 263,367,294 shares
2) Treasury stock as of period-end:
End-Third Quarter, FY2022 (December 31, 2021): 1,468,344 shares
End-FY2021 (March 31, 2021): 12,595,655 shares
3) Average number of shares (during the respective nine-month period):
First Three Qtrs., FY2022 (ended December 31, 2021): 250,419,534 shares
First Three Qtrs., FY2021 (ended December 31, 2020): 250,576,110 shares
Note: 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.

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, 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 "(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 nine months of fiscal 2022 (April 1, 2021 – December 31, 2021), the Japanese economy showed signs of recovery as the severe situation caused by the impact of the spread of the novel coronavirus (COVID-19) began to gradually improve. However, there is still a need to carefully monitor supply side constraints, the risk of a downturn in raw material price trends, and the impact of new COVID-19 variants on domestic and overseas economies.

The IT services industry, to which the TIS INTEC Group ("the Group") belongs, is expected to see further increases in IT investment demand as the transformation of business processes and business models utilizing digital technologies progresses globally. This is demonstrated by factors such as the Bank of Japan's quarterly Short-term Economic Survey of Enterprises in Japan (December 2021), which showed a 14.2% year-on-year increase in company software investment plans (all industries, including financial institutions).

In this environment, the Group launched its new three-year medium-term management plan (2021-2023) in fiscal 2022 for further growth in achieving "Group Vision 2026" and is working to accelerate business restructuring with enhancing provided digital transformation value as the keystone.

Consolidated net sales for the Group in the first nine months of fiscal 2022 rose 11.0% year on year to ¥353,133 million. Operating income rose 27.2% to ¥38,258 million, recurring profit rose 41.0% to ¥38,830 million, and net income attributable to owners of the parent company rose 62.3% to ¥29,414 million.

Sales were up sharply year on year as a result of meeting the demand for IT investment, such as customers' demand for digital transformation and the contribution of the results of companies that became subsidiaries in the previous fiscal year. As for operating income, the gross profit ratio rose 1.2 percentage points to 26.0% over the previous year's level due to factors such as the provision of high value-added businesses and the promotion of productivity improvement measures, in addition to the increase in income due to higher revenue. This offset the increase in selling, general and administrative expenses, which were mainly due to investments such as office reform costs that will contribute to future growth. As a result, operating income was higher, and the operating income ratio increased 1.3 percentage points year on year to 10.8%. The year-on-year increase in recurring profit reflected the growth in operating income as well as improved non-operating income. Net income attributable to owners of the parent company increased year on year due to an increase in recurring profit and significant improvement in extraordinary income and loss, which included a gain on sales of shares of subsidiaries of ¥6,362 million from the transfer of shares of the consolidated subsidiary Chuo System Corporation, as outlined in "Notice regarding Change in Consolidated Subsidiary (Share Transfer)" released on October 12, 2021.

From the start of the first quarter of fiscal 2022, the Accounting Standard for Revenue Recognition, etc., has been applied, but the impact on overall results has been minimal.

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 nine months of fiscal 2022 totaled ¥112,093 million, up 19.6% year on year, and operating income increased 48.7% to ¥7,617 million. In addition to capturing demand for IT investments in areas such as settlement solutions and marketing, which is growing with the advance of digitalization, the contribution from the results of a company that became a subsidiary in the previous fiscal year (MFEC Public Company Ltd.) meant a year-on-year increase in both sales and profits, with the operating income ratio increasing 1.3 percentage points year on year to 6.8%.

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 nine months of 2022 totaled ¥27,238 million, up 4.7% year on year. Operating income expanded 16.1% to ¥2,487 million. Steady growth in response to growing outsourcing needs of companies in the insurance industry and other sectors led to an increase in both sales and profits year on year and pushed up the segment's operating income ratio to 9.1%, a year-on-year improvement of 0.9 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 nine months of fiscal 2022 totaled ¥92,288 million, up 14.5% year on year, and operating income increased 13.6% to ¥12,130 million. Expansion of IT investment by credit card companies and other core clients led to an increase in both sales and profits year on year. As a result, the operating income ratio was 13.1%, down 0.2 percentage points year on year.

4) Industrial IT Business

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

Segment sales in the first nine months of fiscal 2022 totaled ¥139,534 million, up 1.2% year on year, and operating income increased 26.8% to ¥15,761 million. There was steady IT investment by core clients in the manufacturing/service industries, and recovery of IT investment demand from regional and small and medium-sized companies, which had been subdued due to the spread of COVID-19. The impact of lower sales with the application of the Accounting Standard for Revenue Recognition, etc. was therefore offset, leading to a year-on-year increase in both sales and profits, with the operating income ratio increasing 2.3 percentage points year on year to 11.3%. While the results of companies that became subsidiaries in the previous fiscal year (Miotsukushi Analytics Co., Ltd. and TIS Chiyoda Systems Inc.) represent a positive factor and the exclusion of the results of a company whose shares were transferred outside the Group in the current fiscal year (Chuo System Corporation) represent a negative factor, the total impact on the segment results is minimal.

5) Other

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

Segment sales in the first nine months of fiscal 2022 totaled ¥6,729 million, up 8.9% year on year, operating income was up 12.6% to ¥664 million, and the segment's operating income ratio was 9.9%, up 0.3 percentage points.

As noted above, the Group launched its new three-year medium-term management plan (2021-2023) in fiscal 2022 as a second step towards realizing its "Group Vision 2026". Under the slogan of "Be a Digital Mover 2023", the Group is increasingly focusing on Strategic Domains* and is working to accelerate business restructuring, with enhancing provided digital transformation value as the keystone.

*Note: "Strategic Domains" are the four business domains designated to be built into the core businesses of the Group by 2026, as set forth in Group Vision 2026.

In fiscal 2022, the first year of the medium-term management plan (2021-2023), the Group will energetically implement various measures in line with the following Group management policies.

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 the 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 status of issues and initiatives in the Group management policies are presented below.

1) Promote efforts in improving value provided to society and corporate value by sustainability management

The Group has established a system for advancing 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 the achievement of priority management resource distribution in business activities that contribute to solving societal issues identified. And it will advance 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 strategic brand activities in an effort to increase corporate value and consumer recognition. As a result of continuing to place commercials on television and articles in advertising materials, the consumer recognition of the Group increased and resulted in improved employee satisfaction and hiring capabilities, demonstrating certain results based on brand activities.

In addition to establishing a Basic Direction on Corporate Sustainability, the Group has been implementing initiatives related to the high priority topics of the environment and human rights as urgent and important social issues. On the subject of human rights, we are proceeding with human rights due diligence risk assessments in line with the United Nations “Guiding Principles on Business and Human Rights” in addition to establishing a human rights policy. With regard to the issue of climate change, after endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have begun to implement information disclosure measures based on said recommendations. The Group will continue to deepen its sustainability management, aiming to contribute to a sustainable society and actualize continuous improvement in corporate values. In addition, we made the decision to conduct an absorption-type split of the Group's shared service business to a wholly owned subsidiary company, TIS Total Service Inc., as part of the ongoing “G20 Head Office Function Upgrade Project”. We will strive to facilitate the digitalization and shift to shared services for the whole of the Group's back office operations and further improve the promotion of operational efficiency based on integrated management of the Group.

Also, the Group has opted to list on the Prime Market, which is a market for companies focused on constructive dialogue with global investors, following the market restructuring that the Tokyo Stock Exchange is scheduled to implement in April 2022.

2) Enhance efforts in achieving high value-added by innovating production and improving provided digital transformation value

The Group is keenly aware of the social responsibility involved in providing information systems as social infrastructure and is continuing to work on improving quality, productivity, and technological capabilities. From the perspective of innovating production, in particular, we have continuously made efforts to eliminate unprofitable projects, carry out reforms aimed at further improving the profitability of enhancement areas, and promotion of offshoring. Currently, we are also continuing efforts toward improving the profitability of the entire Group by means such as going ahead with the deployment of “Trinity Ver. 2” as a quality management system that supports service-type business.

In order to fulfill the mission in the Group’s basic philosophy, “OUR PHILOSOPHY”: “To brightly color the future as a mover that utilizes digital technology”, 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, and we are going forward with efforts to achieve high value-added by improving provided digital transformation value. One example is being selected as a “DX certified business operator” by the Ministry of Economy, Trade and Industry in May of 2021. We were selected in recognition of the Group’s initiatives up to now relating to digital transformation for customers and ourselves that meet the certification standards of the Ministry of Economy, Trade and Industry, and appropriate disclosure of information for stakeholders.

In the settlement business field, a Group strength, we will a establish credit card processing service where systems centering on business processing services related to member management and affiliate shop management are provided as a service and expand lending services where systems for loans and other financial service operators are provided on the cloud. Additionally, we will enhance data analysis functions that connect to these and heighten functionality. And by making microservices out of those functions for each 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 the digitalization of settlements and finance, with the aim of further enhancing our strengths and expanding our business domains.

In particular, we will use the credit card processing service scheduled to launch in the first half of fiscal 2023 to ensure we meet the growing demand for comprehensive processing services, including finance functions. Additionally, we are rolling out business in all areas of the settlement business to cover all aspects of digitalized payments, including digital accounts, mobile wallets, service coordination, security, and data utilization.

Also, to “further strengthen the frontline” where we are connected with clients, we are promoting strategic management resource placement and human resources development to enhance consulting functions in upstream areas such as strategy proposal and issue/solution identification in order to promote digital transformation. As part of these efforts, we are coordinating with Miotsukushi Analytics

Co., Ltd., a subsidiary consolidated in August 2020 with strengths in data analysis/AI, to strengthen value provision for the digital transformation of core clients. We have also set up a DX Strategy Human Resources Committee and are engaging in a number of related initiatives, including commencing consideration and discussions of concrete measures and policies. We plan to proactively re-assign personnel and recruit mid-career personnel experienced in this field to increase the number of digital transformation consultants by about 50 and establish a 300-strong team by the end of fiscal 2022.

3) Invest in growth for enhancing the ability to provide digital transformation value while maintaining fiscal soundness

To achieve continuous corporate growth and corporate value enhancement in this operating environment with increasing uncertainties as an even more competitive corporate group, we will proactively make 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. In the three years of the medium-term management plan (2021-2023), the Group's policy is to conduct investment for growth totaling approximately ¥100 billion and promote improving provided digital transformation value and acquiring new technologies, and we are currently incrementally expanding our investments.

Also, the Group is currently considering optimal group structures from the perspective of promoting business focus on the four strategic domains targeted in Group Vision 2026. As part of this, in the current fiscal year, we transferred all of the shares of the consolidated subsidiary Chuo System Corporation outside the group. As part of promoting various measures aimed at structural transformation, we will continue to optimize the group structure and revise the business portfolio, appropriating the funds gained from these efforts to invest in growth in accordance with the cash flow allocation policy in our financial investment strategy.

4) Promote a growth strategy aimed at becoming a top-class IT group in the ASEAN region and establish governance

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 globally expand its "IT Offering Service" and "Frontier Market Creation Business" as set forth under Strategic Domains.

In this environment, we will create yet more business synergies with MFEC Public Company Limited, a leading player in providing IT solutions for enterprises in Thailand that became a subsidiary of TIS from October 2020, with the aim of enhancing our competitiveness and expanding 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.

Additionally, we are continuing to strengthen alliances with leading technology companies, including capital and business partnerships formed with Hangzhou Qulian Technology Co., Ltd., a leading blockchain technology company in China, and Contour Pte. Ltd., a Singapore-based company that operates a trade finance platform using blockchain technology.

5) Continuously enhance employee job satisfaction and promote the growth of our highly diversified human resources to drive the shift to digital transformation

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. We will take on the challenge of enhancing engagement with employees through the creation of an environment and organizational culture where all members of a diverse workforce can thrive, promotion of next-generation workstyle reforms looking towards the "new normal," and advancement of human resource portfolio management by the 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.

For example, we have established a teleworking program to promote flexible working styles for employees, and a growth support program that places value on autonomous career development, and are expanding and enhancing our life stage support program aimed at promoting self-actualization and supporting employees through various stages of life.

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, we conducted a buyback of a total of 1,430,400 shares in September 2021 (total acquisition cost: ¥4,470 million) and retired almost all treasury shares (a total of 12,206,400 shares; the equivalent of 4.6% of issued shares prior to retirement).

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the third quarter came to ¥469,815 million, an increase of ¥18,743 million from ¥451,072 million at the end of the previous fiscal year.

Current assets totaled ¥229,600 million, down from ¥229,965 million at the end of the previous fiscal year, primarily owing to a ¥6,920 million decrease in notes and accounts receivable, and contract assets.

Note that, as described in the (Changes in Accounting Policies) section, as a result of the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable" shown under "current assets" in the consolidated balance sheets for fiscal 2021 have been reclassified as "notes and accounts receivable, and contract assets" from the first quarter of fiscal 2022.

Fixed assets totaled ¥240,215 million, up from ¥221,106 million at the end of the previous fiscal year, due mainly to a ¥19,695 million increase in investment securities.

(Liabilities)

Total liabilities amounted to ¥159,404 million, a ¥12,237 million decrease from ¥171,642 million at the end of the previous fiscal year.

Current liabilities totaled ¥105,457 million, up from ¥100,915 million at the end of the previous fiscal year, primarily owing to a ¥24,935 million increase in short-term borrowings.

Non-current liabilities amounted to ¥53,946 million, down from ¥70,726 million, primarily owing to a ¥24,400 million decrease in long-term debt.

(Net assets)

As of the end of the third quarter, total net assets amounted to ¥310,410 million, a ¥30,980 million increase from ¥279,429 million at the end of the previous fiscal year. The increase was primarily impacted by a ¥19,978 million increase in retained earnings from 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 during the first nine months of fiscal 2022 is in line with the consolidated earnings forecast released on November 5, 2021, and as of the release of this quarterly earnings report, management has made no changes to the forecast. We will continue to expand our business by accurately responding to customers' demand for digital transformation. Furthermore, we will provide high value-added business and promote productivity enhancement measures and the like while sustaining our investment in future growth with the aim of achieving the targets in our full-year plan.

Note that this forecast is subject to change depending on the situation with the COVID-19 pandemic, which remains highly uncertain.

Note that the Group's medium-term management plan (2021-2023) includes a basic shareholder return policy that targets a total return ratio of 45%. Due to implementation of the above-mentioned share buyback, and based on the current consolidated earnings forecast and dividend forecast, the total return ratio for fiscal 2022 is expected to be 38.2%. Still, the effective total return ratio is expected to be 43.4% based on the Group's policy of using income acquired through operating activities, which is not affected by temporary gains or losses, as the capital for returning profits to our shareholders, in accordance with our basic policy.

*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, 2021	As of Dec. 31, 2021
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	83,318	91,435
Notes and accounts receivable	111,356	─
Notes and accounts receivable, and contract assets	─	104,436
Lease receivables and lease investment assets	4,641	3,974
Marketable securities	286	280
Merchandise and finished goods	2,970	2,308
Work in process	2,979	1,674
Raw materials and supplies	237	191
Other current assets	24,465	25,577
Allowance for doubtful accounts	(290)	(277)
Total current assets	229,965	229,600
Fixed assets		
Property and equipment		
Buildings and structures, net	34,258	35,700
Machinery and equipment, net	6,798	9,864
Land	9,682	9,682
Leased assets, net	4,321	3,902
Other property and equipment, net	9,135	6,996
Total property and equipment	64,197	66,147
Intangible assets		
Software	15,463	13,849
Software in progress	12,334	12,937
Goodwill	1,593	1,381
Other intangible assets	1,757	1,532
Total intangible assets	31,148	29,701
Investments and other assets		
Investment securities	86,005	105,700
Net defined benefit asset	6,375	6,491
Deferred tax assets	8,443	5,981
Other assets	27,505	28,862
Allowance for doubtful accounts	(2,567)	(2,669)
Total investments and other assets	125,760	144,366
Total fixed assets	221,106	240,215
Total assets	451,072	469,815

Items	As of March 31, 2021	As of Dec. 31, 2021
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	26,467	20,086
Short-term borrowings	5,793	30,729
Income taxes payable	8,829	3,425
Accrued bonuses to directors and employees	15,405	7,519
Provision for loss on order received	938	966
Provision for office restructuring cost	413	–
Other allowances	109	105
Other current liabilities	42,958	42,625
Total current liabilities	100,915	105,457
Non-current liabilities		
Long-term debt	37,326	12,925
Lease obligations	4,628	3,872
Deferred tax liabilities	1,023	9,045
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	5	5
Other allowances	169	206
Net defined benefit liability	12,895	12,534
Asset retirement obligations	6,095	6,877
Other non-current liabilities	8,311	8,207
Total non-current liabilities	70,726	53,946
Total liabilities	171,642	159,404
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	84,337	64,960
Retained earnings	173,230	193,209
Less treasury stock, at cost	(18,812)	(3,281)
Total shareholders' equity	248,756	264,889
Accumulated other comprehensive income		
Net unrealized gains on other securities	25,513	39,792
Deferred gains or losses on hedges	–	15
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(667)	(490)
Remeasurements of defined benefit plans	(449)	(242)
Total accumulated other comprehensive income	21,724	36,402
Non-controlling interests	8,948	9,118
Total net assets	279,429	310,410
Total liabilities and net assets	451,072	469,815

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

Consolidated Statements of Income

Items	First Three Qtrs., FY2021 (Apr. 1 – Dec. 31, 2020)	First Three Qtrs., FY2022 (Apr. 1 – Dec. 31, 2021)
	millions of yen	millions of yen
Net sales	318,033	353,133
Cost of sales	239,265	261,184
Gross profit	78,767	91,948
Selling, general and administrative expenses	48,679	53,690
Operating income	30,088	38,258
Non-operating income		
Interest income	186	325
Dividend income	874	801
Other	495	793
Total non-operating income	1,556	1,920
Non-operating expense		
Interest expenses	203	245
Equity in losses of affiliated companies	3,719	910
Other	189	192
Total non-operating expenses	4,113	1,348
Recurring profit	27,531	38,830
Extraordinary income		
Gain on sales of investment securities	3,854	494
Gain on sales of shares of subsidiaries	–	6,362
Other	209	5
Total extraordinary income	4,063	6,862
Extraordinary loss		
Loss on disposal of fixed assets	285	311
Loss on valuation of investment securities	970	136
Impairment loss	893	758
Other	101	81
Total extraordinary loss	2,250	1,287
Income before income taxes	29,344	44,404
Income taxes: current	6,531	10,065
Income taxes: deferred	4,206	3,861
Total income taxes	10,738	13,926
Net income	18,605	30,478
Net income attributable to non-controlling interests	483	1,064
Net income attributable to owners of the parent company	18,121	29,414

Consolidated Statements of Comprehensive Income

Items	First Three Qtrs., FY2021 (Apr. 1 – Dec. 31, 2020)	First Three Qtrs., FY2022 (Apr. 1 – Dec. 31, 2021)
	millions of yen	millions of yen
Net income	18,605	30,478
Other comprehensive income		
Net unrealized gains on other securities	6,174	14,277
Deferred gains or losses on hedges	–	32
Foreign currency translation adjustments	(353)	(214)
Remeasurements of defined benefit plans	467	207
Share of other comprehensive income of equity-method affiliates	(470)	312
Total other comprehensive income	5,818	14,615
Comprehensive income	24,423	45,093
(Composition)		
Comprehensive income attributable to owners of the parent company	23,894	44,092
Comprehensive income attributable to non-controlling interests	528	1,001

(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)

At a Board of Directors meeting held on September 1, 2021, TIS resolved to retire 12,206,400 shares of treasury stock on September 28, 2021, pursuant to the provisions of Article 178 of the Companies Act. This resulted in a 19,363 million yen decrease in both additional paid-in capital and treasury stock.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., have been applied from start of the first quarter of fiscal 2022. Accordingly, revenue is recognized when control of the promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services. The main changes that have been made are as follows.

(1) Revenue recognition pertaining to agent transactions

For transactions in which the Group's role in providing goods or services to the customer is that of an agent, the Group previously recognized revenue at the total amount of compensation received from the customer. However, from the first quarter of fiscal 2022, the Group recognizes revenue on a net basis, which is the amount received from customers less the amount paid to suppliers.

(2) Revenue recognition pertaining to cost recovery method

Previously, the completed-contract method was applied to transactions in which performance obligations are to be satisfied over a certain period of time and it was deemed that reasonable estimation of the degree of completion was not possible. From the first quarter of fiscal 2022, the Group recognizes revenue using the cost recovery method when it is probable that the costs incurred will be recovered.

The Group's application of the Accounting Standard for Revenue Recognition, etc., is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of fiscal 2022 was reflected from the retained earnings at the beginning of the first quarter of fiscal 2022. The new accounting policy was then applied from the balance of retained earnings at the beginning of the first quarter.

As a result, net sales and cost of sales in the first three quarters of fiscal 2022 decreased ¥2,880 million. The impact on the balance of retained earnings at the beginning of fiscal 2022 resulting from these changes is insignificant.

As a result of application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable" presented under "current assets" in the consolidated balance sheet for fiscal 2021 are shown as being included in "notes and accounts receivable, and contract assets" from the first quarter of fiscal 2022. Note that, in accordance with transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, fiscal 2021 statements have not been reclassified to conform to the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc., have been applied from start of the first quarter of fiscal 2022. In accordance with transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group has opted to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively.

Thus, the Group has decided to use the fair value calculated using inputs adjusted for quoted market prices for identical assets in active markets available to the Group at the date of calculating fair value as the quarterly consolidated balance sheet amount. Previously, the acquisition cost of convertible bonds with stock acquisition rights, which were considered to be financial instruments for which it was extremely difficult to determine market price, was the amount used in the quarterly Consolidated Balance Sheets.

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).