Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

(April 1, 2023 through June 30, 2023)

(Prepared pursuant to Japanese GAAP)

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

August 2, 2023

Company name:	TIS Inc.
Stock exchange listings:	Tokyo Stock Exchange, Prime Market
Stock code:	3626
URL:	https://www.tis.com/
Representative:	Yasushi Okamoto, President
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Scheduled dates
Submission of quarterly report: August 10, 2023
Commencement of dividend payments: -

Supplementary materials to the quarterly results: Available
Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 – June 30, 2023)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Quarter, FY2024	129,429	9.6	14,310	14.5	15,328	11.1	10,147	15.8
First Quarter, FY2023	118,072	4.0	12,502	21.9	13,792	27.0	8,763	25.1

Note: Comprehensive income: First Quarter, FY2024: 14,032 million yen (173.0%); First Quarter, FY2023: 5,139 million yen (-57.5%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Quarter, FY2024	41.94	-
First Quarter, FY2023	35.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Quarter, FY2024	466,617	309,388	63.9
End of FY2023	462,320	309,226	64.2

For reference: Total equity: End of first quarter, FY2024: 297,984 million yen End of FY2023: 297,039 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
FY2023	-	15.00	-	35.00	50.00
FY2024	-				
FY2024 (forecast)		17.00	-	36.00	53.00

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

3. Forecast of Consolidated Results for FY2024 (April 1, 2023 – March 31, 2024)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
First half of FY2023 (six months ending Sep. 30, 2023)	261,000	6.4	29,500	6.5	29,500	0.9	19,500	3.5	80.71
Full FY2024 (year ending Mar. 31, 2024)	530,000	4.2	63,500	1.9	63,500	0.5	42,000	-24.3	174.19

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

※ Notes

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

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

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

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Quarter, FY2024 (June 30, 2023): 244,445,411 shares
End-FY2023 (March 31, 2023): 244,445,411 shares
2) Treasury stock as of period-end:
End-First Quarter, FY2024 (June 30, 2023): 3,515,300 shares
End-FY2023 (March 31, 2023): 2,446,057 shares
3) Average number of shares (during the respective three-month period):
First Quarter, FY2024 (ended June 30, 2023): 241,933,529 shares
First Quarter, FY2023 (ended June 30, 2022): 248,187,625 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 9, 2023, 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 FY2024 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 10 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first three months of fiscal 2024 (April 1, 2023 – June 30, 2023), the Japanese economy showed a moderate recovery trend, due in part to the effects of various policies, as the new employment and income environment improved. Looking ahead, it will be necessary to watch carefully for the risk of downward pressure on Japan's economy due to the effects of a downturn in overseas economies, rising prices, and fluctuations in financial and capital markets amid worldwide monetary tightening, and other factors. The IT services industry, to which the TIS INTEC Group ("the Group") belongs, is expected to see further increases in IT investment demand as 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 (June 2023), which showed a 11.1% year-on-year increase in company software investment plans (all industries including financial institutions).

In this environment, in accordance with its medium-term management plan (2021–2023) currently being implemented for further growth in achieving "Group Vision 2026," the Group is continuing to work to accelerate business restructuring, with improving the value provided by DX as the keystone.

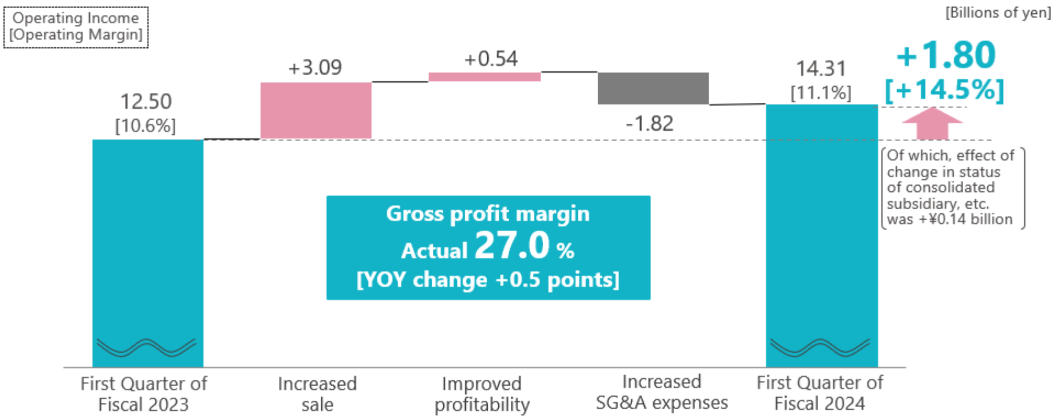
Consolidated net sales for the Group in the first quarter of fiscal 2024 rose 9.6% year on year to ¥129,429 million. Operating income rose 14.5% to ¥14,310 million, recurring profit grew 11.1% to ¥15,328 million, and net income attributable to owners of the parent company rose 15.8% to ¥10,147 million.

(Unit: millions of yen)

	First Quarter, FY2023 (Apr. 1 – Jun. 30, 2022)	First Quarter, FY2024 (Apr. 1 – Jun. 30, 2023)	Year-on-year changes
Net sales	118,072	129,429	+9.6%
Cost of sales	86,745	94,467	+8.9%
Gross profit	31,326	34,961	+11.6%
Gross profit ratio	26.5%	27.0%	+0.5P
Selling, general and administrative expenses	18,824	20,651	+9.7%
Operating income	12,502	14,310	+14.5%
Operating income ratio	10.6%	11.1%	+0.5P
Recurring profit	13,792	15,328	+11.1%
Net income attributable to owners of the parent company	8,763	10,147	+15.8%

Net sales were higher than in the same period of the previous year as a result of meeting the demand for IT investment, such as customers' demand for digital transformation. Operating income was higher than in the same period of the previous year and the operating income ratio increased 0.5 percentage points year-on-year to 11.1%. This was due to factors such as the provision of high value-added businesses and the promotion of productivity and quality improvement measures, in addition to the increase in income due to higher revenue, despite active investments in human resources and other fields that will contribute to our future growth. The gross profit ratio improved to 27.0%, a year-on-year increase of 0.5 percentage points. The increase in recurring profit and net income attributable to owners of the parent company mainly reflects the growth in operating income.

<Analysis of the increase/decrease in key factors of operating income (YOY change)>



Prior investment costs for promoting structural transformation: Up ¥0.48 billion (YOY change)
(Cost of sales: +¥0.39 billion, SG&A expenses: +¥0.09 billion)
Software investment / human resources investment / R&D investment
+
Human resources investment costs (additional): Up ¥1.36 billion (YOY change)
(Cost of sales: +¥0.92 billion, SG&A expenses: +¥0.43 billion)

Changes in SG&A expenses	
Effect of change in status of consolidated subsidiary, etc.	-0.16
Prior investment (excludes cost of investment in human resources)	+0.09
Prior investment (cost of investment in human resources)	+0.43
Others	+1.46
Total	+1.82

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

(Unit: millions of yen)

		First Quarter, FY2023 (Apr. 1 – Jun. 30, 2022)	First Quarter, FY2024 (Apr. 1 – Jun. 30, 2023)	Year-on-year changes
Offering Service Business	Net sales	26,192	28,018	+7.0%
	Operating income	1,467	1,157	-21.2%
	Operating income ratio	5.6%	4.1%	-1.5P
Business Process Management	Net sales	10,581	10,300	-2.7%
	Operating income	1,087	727	-33.1%
	Operating income ratio	10.3%	7.1%	-3.2P
Financial IT Business	Net sales	22,960	26,737	+16.5%
	Operating income	2,795	4,081	+46.0%
	Operating income ratio	12.2%	15.3%	+3.1P
Industrial IT Business	Net sales	26,701	28,670	+7.4%
	Operating income	3,544	4,393	+23.9%
	Operating income ratio	13.3%	15.3%	+2.0P
Regional IT Solutions	Net sales	36,397	41,784	+14.8%
	Operating income	3,404	4,061	+19.3%
	Operating income ratio	9.4%	9.7%	+0.3P
Other	Net sales	2,164	2,265	+4.7%
	Operating income	192	124	-35.1%
	Operating income ratio	8.9%	5.5%	-3.4P

1) Offering Service Business

Configures services through own investment based on best practices the Group accumulated and provides knowledge-intensive IT services.

Segment sales in the first quarter of fiscal 2024 totaled ¥28,018 million, up 7.0% year on year, while operating income decreased 21.2% to ¥1,157 million. The overseas business contributed to growing sales, and higher sales in a wide range of fields, including settlement solutions, resulted in a year-on-year increase in sales. Operating income decreased year on year with the operating income ratio decreasing 1.5 percentage points year-on-year to 4.1% mainly due to an increase in upfront investment aimed at promoting service-based businesses.

2) Business Process Management

Addresses issues related to business processes with IT technology, business know-how and skilled human resources to provide more sophisticated, more efficient outsourcing services.

Segment sales in the first quarter of fiscal 2024 totaled ¥10,300 million, down 2.7% year on year, and operating income decreased 33.1% to ¥727 million. Data entry operations remained sluggish, which led to a decrease in both sales and profits year-on-year, and pushed down the segment’s operating income ratio to 7.1%, a year-on-year decrease of 3.2 percentage points.

3) Financial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to the finance industry.

Segment sales in the first quarter of fiscal 2024 totaled ¥26,737 million, up 16.5% year on year, and operating income increased 46.0% to ¥4,081 million. Driven by large projects by credit card companies and other core clients as well as public-sector financial institutions, both sales and profits increased over the same period of the previous fiscal year, and the operating income ratio rose to 15.3% (up 3.1 percentage points year-on-year).

4) Industrial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to industry sectors other than finance.

Segment sales in the first quarter of fiscal 2024 totaled ¥28,670 million, up 7.4% year on year, and operating income increased 23.9% to ¥4,393 million. The trend of expanding IT investments, mainly by manufacturing sector core clients, and the expansion of the Enterprise Resource Planning (ERP) business resulted in an increase in both sales and profits year-on-year, and the operating income ratio increased 2.0 percentage points to 15.3%.

5) Regional IT Solutions

Provides IT professional services extensively, across regions and client sites, and collects and develops this know-how as the source of solutions to support efforts to address issues and promote business activities.

Segment sales in the first quarter of fiscal 2024 totaled ¥41,784 million, up 14.8% year on year, and operating income increased 19.3% to ¥4,061 million. In addition to progress in solutions development, the trend of expanding IT investments, mainly by the medical and banking sectors, resulted in an increase in sales and profits year-on-year and the operating income ratio rose 0.3 percentage points to 9.7%.

6) Other

Consists of ancillary businesses offering IT services, and other activities.

Segment sales in the first quarter of fiscal 2024 totaled ¥2,265 million, up 4.7% year on year, while operating income declined 35.1% to ¥124 million with the operating income ratio decreasing 3.4 percentage points to 5.5%.

As noted above, the Group has formulated its medium-term management plan (2021–2023) since the previous fiscal year as a second step towards realizing its “Group Vision 2026.” Under the slogan of “Be a

Digital Mover 2023," the Group is continuing to increasingly focus on Strategic Domains* and is working to accelerate business restructuring, with further improving the value provided by DX as the keystone. In fiscal 2024, the last year of the medium-term management plan (2021–2023), the Group will promote various measures in line with the basic policy of the medium-term management plan by adopting the following Group management policies.

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

The status of main initiatives in the five basic policies of the medium-term management plan for fiscal 2024 are presented below.

1) Virtuous cycle of value created jointly with society and employees

The Company will continue to promote the resolution of social issues through co-creation with stakeholders, further deepen awareness of corporate social responsibility, and strengthen corporate sustainability initiatives, while developing its management foundation through the sophistication and efficiency of its head office functions.

As the Company seeks to establish its presence as a leading sustainability company, it has changed the positioning and composition of the Corporate Sustainability Committee since April 2023. Composed mainly of all Directors, including External Directors, the committee identifies trends in the practice of sustainability management, determines the issues to be focused on and the direction of our response through discussion, and supervises the execution of duties through the Board of Directors, aiming to continuously upgrade the sustainability activities.

As part of efforts to improve management transparency through detailed disclosure, the Company has published an ESG Data Book that comprehensively summarizes the Group's sustainability management, ESG initiatives, and related non-financial information.

With regard to environmental issues, one of the most important pressing social issues, recognizing the importance of reducing emissions of greenhouse gas (hereinafter referred to as "GHG"), which is considered to be a cause of climate change, the Group raised the targets for reducing GHG emissions (Scope 1 + 2) (Note 1) at its offices in fiscal 2030 from a 27.5% reduction to a 50% reduction compared with fiscal 2019, as well as set targets of carbon neutrality of GHG emissions (Scope 1 + 2) in fiscal 2040 and net zero (Note 2) GHG emissions (Scope 1 + 2 + 3) in fiscal 2050. The Company's targets have been validated by the Science Based Targets initiative (SBTi) (Note 3) as being scientifically in line with the "1.5°C target," which is an upgrade from the SBTi validation of the "2°C target" obtained in 2021.

Furthermore, in April 2023, the Company formulated the Multi-Stakeholder Policy to promote appropriate collaboration and co-creation with diverse stakeholders. We view that proper distribution of earnings and outcomes generated by value creation and productivity enhancement to multi-stakeholder groups will help maintain momentum for wage increases and sustainable economic development. Given the importance of returns to employees and respect to business partners, we will continue to engage in our initiatives.

In addition, as part of the Group's contribution to regional communities, the Group is continuing the corporate version of hometown tax donations and the projects in cooperation with NPOs in three domains that cannot be covered by its business activities (activities to support future users, activities to spread the benefits of digital technology to society, and activities to mitigate the impacts of digital technology on society).

From the perspective of improving the management foundation by upgrading and increasing the efficiency of head office functions, the Company will expand the scope of the "G20 Head Office Function Upgrade Project," which it has been working on for some time. In addition, as part of our efforts to share and further upgrade indirect business activities, the Company is also promoting a shift to shared services and digital transformation of back-office operations for the whole group through a system centered on TIS Business Service Inc.

Note 1: An aggregation method that serves as an international standard for GHG calculation and aggregation methods. It was stipulated by the GHG Protocol around 2001. Scope 1 is direct emissions from the company, Scope 2 is indirect emissions from purchased electricity, and Scope 3 is indirect emissions from other sources, including the value chain

Note 2: Net zero GHG emissions is the condition where anthropogenic GHG emissions and removals are balanced, with net zero GHG emissions into the atmosphere

Note 3: Targets consistent with reductions required to meet the Paris targets of the United Nations Framework Convention on Climate Change based on the latest climate change science

2) Improve value provided by DX

The Group will continue to promote co-creation with stakeholders, strengthen digital transformation consulting functions, and advance IT delivery in order to enhance our vision for transforming society.

As we further strengthen the front line, which is the point of contact with stakeholders, the Group is taking measures to further strengthen DX consulting functions for clients, who are important stakeholders, to formulate strategies to enhance their value and address business issues. In addition to active recruitment from outside the Group and internal training rotation measures for the entire Group based on the DX Strategy Human Resources Conference, the Company's unique training programs geared to job types and skills are applied to the entire Group to expand the Group's consulting methodology and increase the number of talented DX consultants. The Group is enhancing the collaboration with Miotsukushi Analytics Co., Ltd., a consolidated subsidiary with strengths in data analysis and AI consulting, and Fixel Inc., a subsidiary with excellent design consulting capabilities, from a human resource aspect, as well as a business aspect. Through strategic allocation of management resources, we will continue to focus on enhancing our system to provide value to help with customers' digital transformation.

We have been promoting employees' work-style reforms with the introduction of a human resource system that enables employees to work in a variety of ways as well as the development of office and IT environments. In addition to them, as work-style reforms with DX, we consolidated the data that had been stored in each system within the Company into one place and built a data base to further sophisticate work styles and enhance overall performance. Based on the analysis results derived from these pieces of data, we will develop measures to further sophisticate the work styles of our employees.

Going forward, the Group will continue to focus on digital transformation in three domains. We will aim, from an integrated perspective, to create a virtuous cycle of new value by treating "social digital transformation" to realize a better society, "business digital transformation" to innovate our customers' businesses, and "internal digital transformation" to evolve the Group itself, as a single group of steps that strongly influence each other.

3) Expand investment to generate strengths

Aiming to enhance our ability to realize business structure transformation, the Company will continue working to allocate management resources to priority areas such as social issue solution services, as well as measures to upgrade management.

In the payments domain, which is one of the Group's strengths, we are developing our business in the overall settlement area, including digital accounts, mobile wallets, service coordination, security, and data utilization, under "PAYCIERGE," a total brand of retail settlement solutions. The credit card processing service, which went into service in the second half of the previous fiscal year, is operating steadily, and we are promoting sales activities to further expand transactions. In addition to this, the Group is preparing to develop the "Embedded Finance" business and made it possible to embed a full range of settlement services by combining the front-end settlement functions owned by ULTRA, a consolidated subsidiary, and the Group's existing expertise in building settlement back-end functions. We will continue helping to further popularize cashless settlement services by expanding the service lineup and business scale of the entire "PAYCIERGE" in the payment area, which is expected to grow in step with the development of a cashless society.

As various measures for structural transformation are promoted in the medium-term management plan (2021–2023), the Company made Nihon ICS Co., Ltd. ("Nihon ICS") a consolidated subsidiary in April 2023. The aim is to accelerate the growth of IT Offering Services (Note 1), one of our Strategic Domains, by welcoming the company, which mainly targets tax accountant offices and their corporate clients and is engaged in providing financial accounting packages and related services. By combining the Company's business for financial institutions and Nihon ICS's business for professionals such as tax accountants, we are working to sophisticate professional services, enhance financial institutions, and expand our initiatives into new companies. As we aim to expand our client base and realize new business schemes, we have already begun to consider the possibility of collaboration between Nihon ICS's and the Company's clients, as well as the linkage of Nihon ICS's products and the Company's services including expense settlement and digital payroll, which are closely related to Nihon ICS's products.

As part of the efforts to address "health issues," one of the social issues that the Group aims to solve through its business, the Company joined the PHR Service Business Association, which was established in July 2023 with the aim of "Promoting cooperation among diverse stakeholders and contributing to the extension of the healthy life expectancy of the people and to the well-being of the people through the development of the PHR (Personal Health Record, Note 2) service industry" and became Executive Officer (Vice President) and Chairperson of the Technical and Education Committee. The Company provides a healthcare platform that develops health data managed mainly by medical institutions into PHR so that it can be utilized for health promotion. Utilizing know-how and digital technology, the Group will contribute to the development of guidelines for data utilization and play a role in promoting standardization as an IT company providing PHR services, thereby contributing to the development of the PHR service industry.

Note 1: A business area in which the Group's accumulated know-how and broad range of leading-edge technologies are combined to create and rapidly deploy IT solutions and services that anticipate the future needs of our customers

Note 2: Lifetime personal health information (medical examination (screening) information, vaccination history, drug information, medical test results and other medical-care-related information, and vitals, etc. that individuals measure on a daily basis.)

4) Deepen and extend global operations

The Group intends to enhance its global operations and expand the global partnership network by further deepening markets through strengthening relationships with investee companies and developing joint ventures based on its business strategy.

Aiming to form an ASEAN Top Class IT Syndicate, the Group is expanding its partnerships through capital and business alliances with leading companies in each domain, focusing on our three axis: "channels" for local market expansion, "technology" for new business/service creation and next-generation technology development, and "consulting" for delivering value chain expansion.

In the "channels," Thailand's MFEC Public Company Limited is accelerating its investment activities to expand the Group's business through Synergy Group Ventures Co., Ltd., which was established as a Corporate Venture Capital (CVC), and is promoting investments in promising start-up companies in Thailand and collaborations with invested companies.

In "technology," the Company made minor investments in Atom Computing Inc. and QuEra Computing Inc., quantum computer startups in the U.S., with the aim of further expanding leading technologies and services. In quantum computer technology, for which intensified competition is expected in the future, we will accelerate the collection of information on cutting-edge technologies and consider long-term cooperation. In addition, by investing in and collaborating with Vista Equity Partners Management, LLC in the U.S., which is a company specialized in investing in enterprise software companies, we seek to provide high value-added IT services with the products provided by the company and its group companies and to gain expertise in the success stories of the companies it invested in.

In “consulting,” the Company made Vector Management Consulting Pvt. Ltd., one of the largest local management consulting firms in India, an equity-method affiliate and is now working to develop new global clients. By leveraging Vector Consulting’s expertise in the domain of management consulting, the Group aims to realize high value-added IT services for the clients in India, Japan, the ASEAN region, and China, and promote collaboration.

The Group will continue to expand its business domain by making maximum use of alliances forged through strategic investments, integrating the strengths of each company, and building and strengthening alliances that can cover the ASEAN region, aiming to achieve the FY2026 target of ¥100 billion of consolidated net sales in our global business.

5) Diversification of human resources, sharper skills

Aiming at added value improvement, the Company will continue to invest in human resources, including reviewing compensation and investing in education, so that diverse employees can be engaged and thrive as professionals.

The Company is promoting initiatives such as creating an environment and organizational culture where diverse individuals can thrive, promoting next-generation work-style reforms looking towards a new work environment, advancing human resource portfolio management by digitalizing our human resources database, and supporting engagement with employees and autonomous career development through the full-scale operation of HR business partners. Also, to further accelerate structural transformation, the Company is striving to strategically secure and foster advanced human resources in areas such as consulting, global business, and service business and will place human resources optimally.

To achieve structural transformation toward the realization of Group Vision 2026, the Group is focusing on increasing added value through the growth of human resources, which is the most important management capital in order to carry this forward. For some time, the Company has been promoting investment in human resources to increase employee engagement based on the three axes of the meaning of work, the working environment, and compensation. In order to further promote the reform of the meaning of work and compensation, the Company introduced a new personnel system in April 2023 that completely revamps the compensation, evaluation, grading, and other systems. Under the compensation system, the Company prioritizes investments in high-level personnel and young employees who drive the business forward, with base salary increases of up to 17% and an average increase of 6%, and the whole Group is working to improve compensation. As a result, personnel expenses are expected to increase approximately ¥5 billion in fiscal 2024 compared with the previous year, but this is positioned as an upfront investment in human capital, which is essential for the sustainable growth of the Group. By continuing to implement these measures, the Company aims to “accelerate corporate growth by enhancing corporate competitiveness through the growth of human resources” by encouraging employees to actively think and move, and to achieve higher performance than expected, leading to increased added value.

In addition, under the Group Diversity and Inclusion Policy, the Group is promoting measures to achieve “physical and mental health,” “enhanced job satisfaction,” and “improved life skills,” aiming to improve the quality of life of each and every employee working in the Group. Amid such circumstances, in order to achieve advanced health and productivity management, greater productivity and engagement of employees, and enhanced value exchange with society, the Company and INTEC Inc. joined, in July 2023, the Health and Productivity Management Alliance. This is a group of 148 companies and organizations (as of June 30, 2023) that share the vision of “revitalizing Japanese companies and realizing the sustainability of employees’ health insurance system through the enhancement of employees’ health condition.”

Group-wide proactive investments will continue to be made to increase the value of human resources, and create a virtuous cycle of high added value for the Company, our employees, and society, aiming for the realization of further growth of the Group and improved corporate value, thereby creating a more prosperous society.

In addition, from May to July 2023, the Company acquired treasury stock of approximately ¥6,199 million (total of 1,678,900 shares) in total as part of its efforts to enhance shareholder returns and capital efficiency by implementing flexible capital policies that can swiftly respond to changes in the business environment. As a general rule, the Company holds up to 5% of the number of issued shares, and any holdings exceeding 5% of issued shares would be retired.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the first quarter amounted to ¥466,617 million, an increase of ¥4,296 million from ¥462,320 million at the end of the previous fiscal year.

Current assets were ¥246,958 million, compared with ¥268,682 million at the end of the previous fiscal year. The decrease primarily reflects a decrease of ¥16,773 million in notes and accounts receivable, and contract assets.

Fixed assets totaled ¥219,659 million, compared with ¥193,637 million at the end of the previous fiscal year. The increase primarily reflects a ¥23,074 million increase in goodwill.

(Liabilities)

As of the end of the first quarter, total liabilities amounted to ¥157,228 million, a ¥4,134 million increase from ¥153,094 at the end of the previous fiscal year.

Current liabilities totaled ¥110,471 million, compared with ¥117,179 million at the end of the previous fiscal year. The decrease primarily reflects a ¥11,448 million decrease in income taxes payable, etc.

Fixed liabilities amounted to ¥46,757 million, compared with ¥35,914 million at the end of the previous fiscal year. The increase primarily reflects a ¥9,447 million increase in long-term debt.

(Net assets)

Consolidated total net assets as of the end of the first quarter came to ¥309,388 million, an increase of ¥162 million from ¥309,226 million at the end of the previous fiscal year. The increase primarily reflects a ¥2,999 million increase in net unrealized gains on other securities.

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

The Company's consolidated business performance in the first quarter of fiscal 2024 was robust, and we will continue to steadily promote various measures to achieve the full-year plan. As of the release of this quarterly earnings report, management has made no changes to the consolidated earnings forecast released on May 9, 2023.

In the business environment surrounding the Group, as the elements required of companies, including solutions to social issues, become more diverse, activities to transform business processes utilizing digital technologies and business model transformation are expanding more than ever, and IT investment demand is expected to increase further. However, the Group must pay close attention to the risk of downward pressure on the Japanese economy amid continued global monetary tightening.

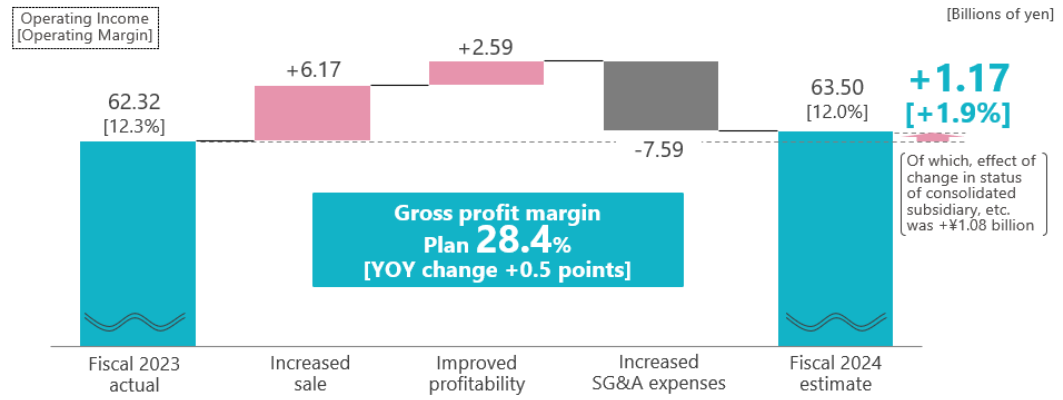
Amid such circumstances, the Group will continue to expand business by accurately responding to customers' demand for digital transformation, and aim to further improve profitability by providing high added-value businesses and promoting productivity and quality enhancement measures, etc., while aggressively making investments that will contribute to future growth, including upfront investments in human resources, which are the most important management capital. Note that the decrease in net income attributable to owners of the parent company is due to extraordinary income of ¥22,040 million recorded in the previous fiscal year.

In addition, the business results of Nihon ICS Co., Ltd. will be reflected in the consolidated financial results from the second quarter of fiscal 2024. The Company's consolidated earnings forecast below includes their net sales of ¥5.4 billion and operating income of ¥1.7 billion as well as amortization of goodwill related to Nihon ICS of ¥1.2 billion. In association with the acquisition, the Company estimates goodwill of approximately ¥9 billion (to be amortized on a straight-line basis over 15 years), customer-related intangible assets of approximately ¥22 billion (to be amortized on a straight-line basis over 20 years) and deferred tax liabilities of approximately ¥6.5 billion, as of May 9, 2023; however, they may change in the future as the allocation of acquisition costs has yet to be determined.

(Unit: millions of yen)

	Fiscal 2023 Actual results	Fiscal 2024 Forecast	Year-on-year change
Net sales	508,400	530,000	+4.2%
Cost of sales	366,668	379,500	+3.5%
Gross profit	141,732	150,500	+6.2%
Gross profit ratio	27.9%	28.4%	+0.5P
Selling, general and administrative expenses	79,403	87,000	+9.6%
Operating income	62,328	63,500	+1.9%
Operating income ratio	12.3%	12.0%	-0.3P
Recurring profit	63,204	63,500	+0.5%
Net income attributable to owners of the parent company	55,461	42,000	-24.3%

<Analysis of key factors in the increase/decrease in operating income (forecast, year-on-year change)>



Anticipated prior investment costs for promoting structural transformation: Up ¥1.47 billion (YOY change)
(Cost of sales: +¥1.00 billion, SG&A expenses: +¥0.47 billion)
Software investment / Investment in human resources / Investment in R&D
+
Anticipated cost of investment in human resources (additional): Up ¥5.00 billion (YOY change)
(Cost of sales : +¥3.20 billion, SG&A expenses : +¥1.80 billion)

Changes in SG&A expenses	
Effect of change in status of consolidated subsidiary, etc.	+2.36
Prior investment (excludes investment in human resources)	+0.47
Prior investment (investment in human resources)	+1.80
Others	+2.94
Total	+7.59

<By segment>

(Unit: millions of yen)

		Fiscal 2023 Actual results	Fiscal 2024 Forecast	Year-on-year change
Offering Service Business	Net sales	111,752	122,800	+9.9%
	Operating income	6,426	7,450	+15.9%
	Operating income ratio	5.8%	6.1%	+0.3P
Business Process Management	Net sales	43,255	44,000	+1.7%
	Operating income	5,123	5,150	+0.5%
	Operating income ratio	11.8%	11.7%	-0.1P
Financial IT Business	Net sales	101,184	105,500	+4.3%
	Operating income	13,896	13,900	+0.0%
	Operating income ratio	13.7%	13.2%	-0.5P
Industrial IT Business	Net sales	113,632	115,700	+1.8%
	Operating income	16,728	16,800	+0.4%
	Operating income ratio	14.7%	14.5%	-0.2P
Regional IT Solutions	Net sales	160,010	165,100	+3.2%
	Operating income	19,343	19,900	+2.9%
	Operating income ratio	12.1%	12.1%	-0.0P
Other	Net sales	8,957	9,600	+7.2%
	Operating income	878	700	-20.3%
	Operating income ratio	9.8%	7.3%	-2.5P

The Company'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 2024 is expected to be 45.2%.

*Note: 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, 2023	As of June 30, 2023
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	94,675	85,021
Notes and accounts receivable, and contract assets	131,488	114,714
Lease receivables and lease investment assets	4,542	4,415
Marketable securities	284	380
Merchandise and finished goods	3,518	3,803
Work in process	1,758	1,588
Raw materials and supplies	207	203
Other current assets	32,668	37,219
Allowance for doubtful accounts	(461)	(388)
Total current assets	268,682	246,958
Fixed assets		
Property and equipment		
Buildings and structures, net	33,635	33,439
Machinery and equipment, net	8,336	8,615
Land	9,650	10,246
Leased assets, net	3,835	3,769
Other property and equipment, net	6,861	6,957
Total property and equipment	62,318	63,028
Intangible assets		
Software	22,039	21,680
Software in progress	3,609	4,138
Goodwill	692	23,767
Other intangible assets	1,329	1,298
Total intangible assets	27,671	50,884
Investments and other assets		
Investment securities	52,799	58,015
Net defined benefit asset	8,089	8,257
Deferred tax assets	21,159	17,549
Other assets	24,174	24,721
Allowance for doubtful accounts	(2,575)	(2,799)
Total investments and other assets	103,647	105,745
Total fixed assets	193,637	219,659
Total assets	462,320	466,617

Items	As of March 31, 2023	As of June 30, 2023
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	26,976	24,670
Short-term borrowings	11,990	10,971
Income taxes payable	13,354	1,905
Accrued bonuses to directors and employees	17,540	8,840
Provision for loss on order received	607	712
Other allowances	160	161
Other current liabilities	46,549	63,209
Total current liabilities	117,179	110,471
Non-current liabilities		
Long-term debt	4,052	13,500
Lease obligations	4,011	3,943
Deferred tax liabilities	344	499
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	0	0
Other allowances	218	141
Net defined benefit liability	12,038	13,188
Asset retirement obligations	6,924	7,062
Other non-current liabilities	8,051	8,149
Total non-current liabilities	35,914	46,757
Total liabilities	153,094	157,228
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	40,470	40,470
Retained earnings	247,263	248,907
Less treasury stock, at cost	(7,614)	(11,716)
Total shareholders' equity	290,120	287,663
Accumulated other comprehensive income		
Net unrealized gains on other securities	7,900	10,899
Deferred gains or losses on hedges	(31)	8
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	628	928
Remeasurements of defined benefit plans	1,093	1,156
Total accumulated other comprehensive income	6,918	10,320
Non-controlling interests	12,186	11,404
Total net assets	309,226	309,388
Total liabilities and net assets	462,320	466,617

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

Consolidated Statements of Income

Items	First Quarter, FY2023 (Apr. 1 – Jun. 30, 2022)	First Quarter, FY2024 (Apr. 1 – Jun. 30, 2023)
	millions of yen	millions of yen
Net sales	118,072	129,429
Cost of sales	86,745	94,467
Gross profit	31,326	34,961
Selling, general and administrative expenses	18,824	20,651
Operating income	12,502	14,310
Non-operating income		
Interest income	114	13
Dividend income	579	516
Gain on foreign exchange	383	491
Other	336	144
Total non-operating income	1,414	1,165
Non-operating expense		
Interest expenses	47	63
Equity in losses of affiliated companies	18	8
Financing expenses	—	47
Other	58	27
Total non-operating expenses	124	147
Recurring profit	13,792	15,328
Extraordinary income		
Gain on sales of investment securities	0	176
Gain on reversal of asset retirement obligations	—	551
Gain on change in equity	48	—
Other	0	45
Total extraordinary income	49	773
Extraordinary loss		
Loss on valuation of investment securities	325	196
Other	17	26
Total extraordinary loss	343	223
Income before income taxes	13,498	15,879
Income taxes: current	1,540	2,241
Income taxes: deferred	2,921	3,190
Total income taxes	4,461	5,431
Net income	9,036	10,447
Net income attributable to non-controlling interests	273	300
Net income attributable to owners of the parent company	8,763	10,147

Consolidated Statements of Comprehensive Income

Items	First Quarter, FY2023 (Apr. 1 – Jun. 30, 2022)	First Quarter, FY2024 (Apr. 1 – Jun. 30, 2023)
	millions of yen	millions of yen
Net income	9,036	10,447
Other comprehensive income		
Net unrealized gains on other securities	(4,736)	3,004
Deferred gains or losses on hedge	18	80
Foreign currency translation adjustments	(167)	275
Remeasurements of defined benefit plans	215	63
Share of other comprehensive income of equity-method affiliates	773	160
Total other comprehensive income	(3,897)	3,584
Comprehensive income	5,139	14,032
(Composition)		
Comprehensive income attributable to owners of the parent company	4,653	13,548
Comprehensive income attributable to non-controlling interests	485	483

(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

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).