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

(April 1, 2023 through September 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.

November 1, 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: November 13, 2023
Commencement of dividend payments: December 5, 2023

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

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

1. Consolidated Results for the First Half of the Fiscal Year Ending March 31, 2024 (April 1, 2023 – September 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 Half, FY2024	267,488	9.0	30,387	9.7	31,835	8.9	20,307	7.8
First Half, FY2023	245,305	4.7	27,709	16.1	29,225	21.3	18,834	21.3

Note: Comprehensive income: First Half, FY2024: 26,471 million yen (58.7%); First Half, FY2023: 16,683 million yen (-31.6%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Half, FY2024	84.16	-
First Half, FY2023	76.54	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of First Half, FY2024	492,940	320,448	62.6
End of FY2023	462,320	309,226	64.2

For reference: Total equity: End of first half, FY2024: 308,425million 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	-	17.00			
FY2024 (forecast)			-	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
Full FY2024 (year ending Mar. 31, 2024)	536,000	5.4	64,500	3.5	64,500	2.0	42,000	-24.3	174.19

Notes: Revisions from the latest release of earnings forecasts: Yes

※ Notes

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

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

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

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-First Half, FY2024 (September 30, 2023): 244,445,411 shares
End-FY2023 (March 31, 2023): 244,445,411 shares
2) Treasury stock as of period-end:
End-First Half, FY2024 (September 30, 2023): 3,836,173 shares
End-FY2023 (March 31, 2023): 2,446,057 shares
3) Average number of shares (during the respective six-month period):
First Half, FY2024 (ended September 30, 2023): 241,299,894 shares
First Half, FY2023 (ended September 30, 2022): 246,079,938 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 six months of fiscal 2024 (April 1, 2023 – September 30, 2023), the Japanese economy recovered moderately, due in part to the effects of various policies, as the new employment and income environment improved. Looking ahead, although a moderate recovery is expected to continue, 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 following the worldwide monetary tightening as well as rising prices, fluctuations in financial and capital markets, 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 (September 2023), which showed a 10.8% 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 enhancing the value provided by digital transformation as the keystone.

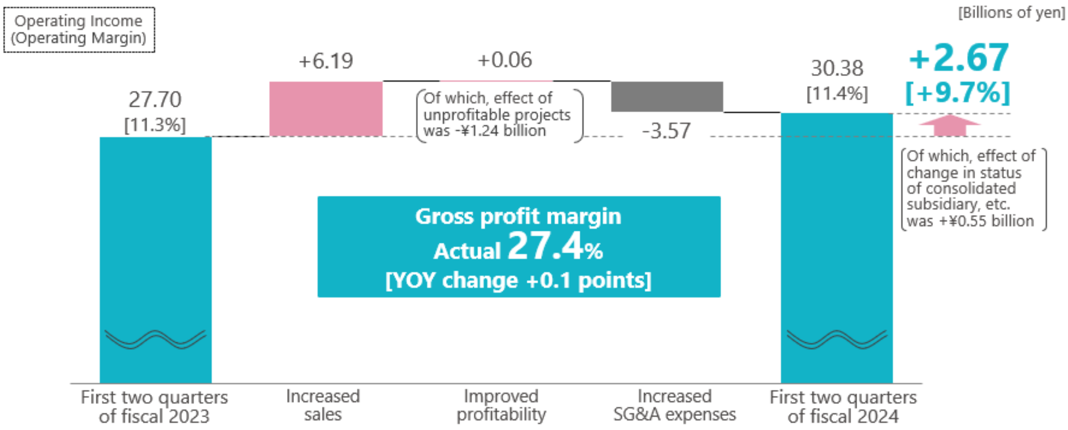
Consolidated net sales for the Group in the first six months of fiscal 2024 rose 9.0% year on year to ¥267,488 million. Operating income rose 9.7% to ¥30,387 million, recurring profit grew 8.9% to ¥31,835 million, and net income attributable to owners of the parent company rose 7.8% to ¥20,307 million.

(Unit: millions of yen)

	First Six Months, FY2023 (Apr. 1 – Sep. 30, 2022)	First Six Months, FY2024 (Apr. 1 – Sep. 30, 2023)	Year-on-year changes
Net sales	245,305	267,488	+9.0%
Cost of sales	178,229	194,156	+8.9%
Gross profit	67,075	73,332	+9.3%
Gross profit ratio	27.3%	27.4%	+0.1P
Selling, general and administrative expenses	39,365	42,945	+9.1%
Operating income	27,709	30,387	+9.7%
Operating income ratio	11.3%	11.4%	+0.1P
Recurring profit	29,225	31,835	+8.9%
Net income attributable to owners of the parent company	18,834	20,307	+7.8%

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 0.1 percentage points year-on-year to 11.4%. This was 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, despite active investments in human resources and other fields that will contribute to our future growth. The gross profit ratio improved to 27.4%, a year-on-year increase of 0.1 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 ¥0.94 billion (YOY change)
(Cost of sales: +¥0.89 billion, SG&A expenses: +¥0.04 billion)
Software investment / Investment in human resources / Investment in R&D
+
Cost of investment in human resources (additional):
Up ¥2.40 billion (YOY change)
(Cost of sales : +¥1.67 billion, SG&A expenses : +¥0.73 billion)

Changes in SG&A Expenses	
Effect of change in status of consolidated subsidiary, etc.	+0.76
Prior investment (excludes investment in human resources)	+0.04
Prior investment (Investment in human resources)	+0.73
Others	+2.03
Total	+3.57

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

(Unit: millions of yen)

		First Six Months, FY2023 (Apr. 1 – Sep. 30, 2022)	First Six Months, FY2024 (Apr. 1 – Sep. 30, 2023)	Year-on-year changes
Offering Service Business	Net sales	53,887	60,148	+11.6%
	Operating income	2,494	2,659	+6.6%
	Operating income ratio	4.6%	4.4%	-0.2P
Business Process Management	Net sales	21,490	20,994	-2.3%
	Operating income	2,405	2,108	-12.3%
	Operating income ratio	11.2%	10.0%	-1.2P
Financial IT Business	Net sales	48,718	54,106	+11.1%
	Operating income	6,311	7,886	+25.0%
	Operating income ratio	13.0%	14.6%	+1.6P
Industrial IT Business	Net sales	55,219	58,326	+5.6%
	Operating income	7,763	8,470	+9.1%
	Operating income ratio	14.1%	14.5%	+0.4P
Regional IT Solutions	Net sales	76,304	85,535	+12.1%
	Operating income	8,352	9,013	+7.9%
	Operating income ratio	10.9%	10.5%	-0.4P
Other	Net sales	4,293	4,653	+8.4%
	Operating income	394	360	-8.5%
	Operating income ratio	9.2%	7.7%	-1.5P

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 six months of fiscal 2024 totaled ¥60,148 million, up 11.6% year on year, and operating income increased 6.6% to ¥2,659 million. In addition to an increase in the number of projects in the settlement solutions, platforms, and business management fields, overseas operations contributed to growing sales, and the business results of Nihon ICS Co., Ltd., which became a consolidated subsidiary in April 2023, started to be reflected in the consolidated financial results from the second quarter of fiscal 2024, resulted in a year-on-year increase in both sales and profits. Operating income ratio, however, decreased 0.2 percentage points year-on-year to 4.4% mainly due to an increase in upfront investment.

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 six months of fiscal 2024 totaled ¥20,994 million, down 2.3% year on year, and operating income decreased 12.3% to ¥2,108 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 10.0%, a year-on-year decrease of 1.2 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 six months of fiscal 2024 totaled ¥54,106 million, up 11.1% year on year, and operating income increased 25.0% to ¥7,886 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 14.6% (up 1.6 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 six months of fiscal 2024 totaled ¥58,326 million, up 5.6% year on year, and operating income increased 9.1% to ¥8,470 million. Despite a decrease due to the non-recurrence of large-scale projects in the manufacturing sector, the trend of expanding IT investments in a wide range of industries, including manufacturing and distribution, and the expansion of businesses related to enterprise resource planning (ERP) resulted in a year-on-year increase in sales and profit, and the operating income ratio increased 0.4 percentage points to 14.5%.

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 six months of fiscal 2024 totaled ¥85,535 million, up 12.1% year on year, and operating income increased 7.9% to ¥9,013 million. Both sales and profits increased year-on-year owing to the trend of expanding IT investments, mainly by the medical, banking and network businesses, while the operating income ratio decreased 0.4 percentage points year-on-year to 10.5% mainly due to unprofitable projects which resulted in a decline in profitability.

6) Other

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

Segment sales in the first six months of fiscal 2024 totaled ¥4,653 million, up 8.4% year on year, while operating income declined 8.5% to ¥360 million with the operating income ratio decreasing 1.5 percentage points to 7.7%.

As noted above, the Group has formulated its medium-term management plan (2021–2023) as a second step to achieve further growth 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 enhancing the value provided by digital transformation 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: "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."

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 overall sustainability management, ESG initiatives, and related non-financial information.

In accordance with the Basic Policy on Corporate Sustainability, the Group is promoting human rights and environmental initiatives, which are of the most important pressing social issues. To address human rights issues, we have clarified a human rights risk management system that meets the United Nations Guiding Principles on Business and Human Rights. With regard to environmental 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, while setting 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 to formulate strategies and address business issues with the aim of enhancing value for clients. 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.

The Group continues 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. As part of internal digital transformation efforts, we have released TIS AIChatLab, an in-house dedicated ChatGPT environment powered by Microsoft's Azure OpenAI Service environment. In the midst of rapid technological development, the field of generative AI, including

ChatGPT, is particularly remarkable for its evolution. We develop an environment where generative AI can be used securely so that all employees can actually use generative AI, thereby improving operational efficiency and leading to its effective use in business.

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. Against this backdrop, in collaboration with Sumitomo Mitsui Card Company, Limited (SMCC), we launched a new payment platform, the SMCC Mobile Payment Package, which enables businesses to incorporate payment functions into their own applications. Prepared with functions needed to install payment functions in their apps, this package service allows businesses to select the necessary functions according to their strategies and to install payment functions in their apps at a lower price and in a shorter period of time. Evolving the service so that it can respond to changes in business needs and strategies, we work to provide businesses with comprehensive support for their cashless initiatives according to their needs and changes in strategies. We will continue helping to develop a cashless society by expanding our service lineup and business scale of the entire PAYCIERGE in the payment area, which is expected to grow.

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. Aiming to expand our client base and realize new business schemes, we have worked to establish management and operation systems and strengthen and integrate governance. We will continue to strengthen the linkage of Nihon ICS's services and the Company's services including expense settlement and digital payroll, which are closely related to Nihon ICS's services; consider the possibility of collaboration between Nihon ICS's and the Company's clients; and enhance the quality control process to further improve the quality of Nihon ICS.

In July 2023, we entered into a capital and business tie-up with Financie, Inc., a web3 platformer, which can realize the token ecosystem in one go. Creating a linkage between Financie's many token economics projects in the regional and sports sectors and the Company's social system platform centered on the payment function, we can add the web3 service to our clients' existing services. Through the collaboration, we will aim to provide new values.

Furthermore, 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 expand 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 the companies invested in.

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., a major local management consulting firm 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 and promoting initiatives to instill the philosophy of the new personnel system, 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 second quarter amounted to ¥492,940 million, an increase of ¥30,620 million from ¥462,320 million at the end of the previous fiscal year.

Current assets were ¥264,328 million, compared with ¥268,682 million at the end of the previous fiscal year. The decrease of ¥4,354 million primarily consists of a ¥11,091 million decrease in cash and deposits.

Fixed assets totaled ¥228,612 million, compared with ¥193,637 million at the end of the previous fiscal year. The increase of ¥34,974 million primarily consists of an ¥8,185 million increase in goodwill and a ¥20,947 million increase in other intangible assets following the completion of the business combination and the allocation of related acquisition costs.

(Liabilities)

As of the end of the second quarter, total liabilities amounted to ¥172,492 million, a ¥19,398 million increase from ¥153,094 at the end of the previous fiscal year.

Current liabilities totaled ¥120,857 million, compared with ¥117,179 million at the end of the previous fiscal year. The increase of ¥3,678 million primarily consists of a ¥1,424 million increase in short-term borrowings.

Fixed liabilities amounted to ¥51,634 million, compared with ¥35,914 million at the end of the previous fiscal year. The increase of ¥15,719 million primarily consists of a ¥7,355 million increase in deferred tax liabilities.

(Net assets)

Consolidated net assets as of the end of the second quarter amounted to ¥320,448 million, an increase of ¥11,222 million from ¥309,226 million at the end of the previous fiscal year. The increase primarily reflects a ¥11,804 million increase in retained earnings as a result of quarterly net income attributable to owners of the parent and dividends of surplus.

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

In light of the fact that the consolidated financial results for the first half of fiscal 2024 exceeded the plan, the consolidated financial forecast for the full fiscal year ending March 31, 2024, released on May 9, 2023, has been revised as follows.

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. are 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. Goodwill and other items related to the acquisition had been tentatively accounted for based on values as of May 9, 2023, estimated with reasonable information available. Since the allocation of acquisition costs was completed in the second quarter of fiscal 2024, goodwill of ¥8.3 billion (to be amortized on a straight-line basis over 15 years), customer-related intangible assets of ¥21.2 billion (to be amortized on a straight-line basis over 20 years) and deferred tax liabilities of ¥6.5 billion have been confirmed.

((Unit: millions of yen)

	Previously released forecast (A)	Current released forecast (B)	Increase /decrease (B-A)	Ratio of Increase/decrease (%)
Net sales	530,000	536,000	+6,000	+1.1%
Cost of sales	379,500	384,700	+5,200	+1.4%
Gross profit	150,500	151,300	+800	+0.5%
Gross profit ratio	28.4%	28.2%	-0.2P	-
Selling, general and administrative expenses	87,000	86,800	-200	-0.2%
Operating income	63,500	64,500	+1,000	+1.6%
Operating income ratio	12.0%	12.0%	-	-
Recurring profit	63,500	64,500	+1,000	+1.6%
Net income attributable to owners of the parent company	42,000	42,000	-	-

<By segment>

((Unit: millions of yen)

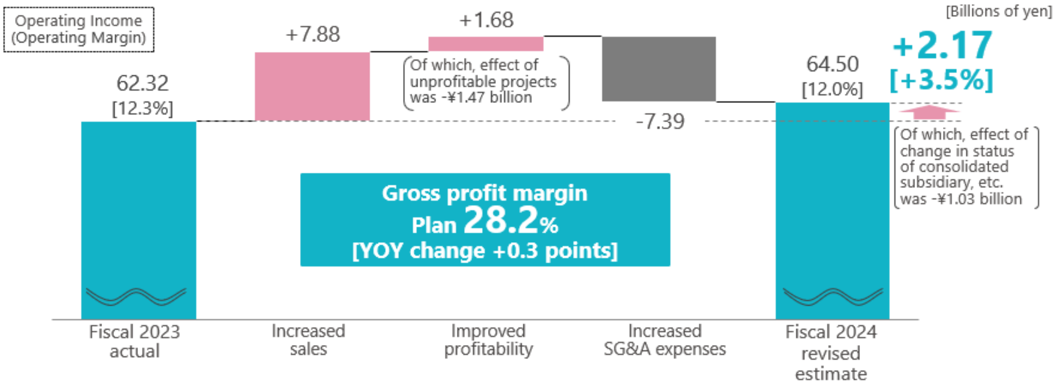
		Previously released forecast (A)	Current released forecast (B)	Increase /decrease (B-A)	Ratio of Increase /decrease (%)
Offering Service Business	Net sales	122,800	124,300	+1,500	+1.2%
	Operating income	7,450	7,300	-150	-2.0%
	Operating income ratio	6.1%	5.9%	-0.2P	-
Business Process Management	Net sales	44,000	43,000	-1,000	-2.3%
	Operating income	5,150	4,850	-300	-5.8%
	Operating income ratio	11.7%	11.3%	-0.4P	-
Financial IT Business	Net sales	105,500	105,500	-	-
	Operating income	13,900	14,300	+400	+2.9%
	Operating income ratio	13.2%	13.6%	+0.4P	-
Industrial IT Business	Net sales	115,700	117,700	+2,000	+1.7%
	Operating income	16,800	17,600	+800	+4.8%
	Operating income ratio	14.5%	15.0%	+0.5P	-
Regional IT Solutions	Net sales	165,100	169,100	+4,000	+2.4%
	Operating income	19,900	20,000	+100	+0.5%
	Operating income ratio	12.1%	11.8%	-0.3P	-
Other	Net sales	9,600	9,600	-	-
	Operating income	700	750	+50	+7.1%
	Operating income ratio	7.3%	7.8%	+0.5P	-

The comparison between the latest full-year consolidated earnings forecast and fiscal 2023 actual results is as follows.

(Unit: millions of yen)

	Fiscal 2023 Actual results	Fiscal 2024 Forecast	Year-on-year change
Net sales	508,400	536,000	+5.4%
Cost of sales	366,668	384,700	+4.9%
Gross profit	141,732	151,300	+6.8%
Gross profit ratio	27.9%	28.2%	+0.3P
Selling, general and administrative expenses	79,403	86,800	+9.3%
Operating income	62,328	64,500	+3.5%
Operating income ratio	12.3%	12.0%	-0.3P
Recurring profit	63,204	64,500	+2.0%
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
+
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.	+2.46
Prior investment (excludes investment in human resources)	+0.47
Prior investment (Investment in human resources)	+1.80
Others	+2.65
Total	+7.39

<By segment>

((Unit: millions of yen)

		Fiscal 2023 Actual results	Fiscal 2024 Forecast	Year-on-year change
Offering Service Business	Net sales	111,752	124,300	+11.2%
	Operating income	6,426	7,300	+13.6%
	Operating income ratio	5.8%	5.9%	+0.1P
Business Process Management	Net sales	43,255	43,000	-0.6%
	Operating income	5,123	4,850	-5.3%
	Operating income ratio	11.8%	11.3%	-0.5P
Financial IT Business	Net sales	101,184	105,500	+4.3%
	Operating income	13,896	14,300	+2.9%
	Operating income ratio	13.7%	13.6%	-0.1P
Industrial IT Business	Net sales	113,632	117,700	+3.6%
	Operating income	16,728	17,600	+5.2%
	Operating income ratio	14.7%	15.0%	+0.3P
Regional IT Solutions	Net sales	160,010	169,100	+5.7%
	Operating income	19,343	20,000	+3.4%
	Operating income ratio	12.1%	11.8%	-0.3P
Other	Net sales	8,957	9,600	+7.2%
	Operating income	878	750	-14.6%
	Operating income ratio	9.8%	7.8%	-2.0P

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 Sep. 30, 2023
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	94,675	83,583
Notes and accounts receivable, and contract assets	131,488	136,606
Lease receivables and lease investment assets	4,542	4,172
Marketable securities	284	364
Merchandise and finished goods	3,518	4,868
Work in process	1,758	1,428
Raw materials and supplies	207	182
Other current assets	32,668	33,473
Allowance for doubtful accounts	(461)	(351)
Total current assets	268,682	264,328
Fixed assets		
Property and equipment		
Buildings and structures, net	33,635	33,013
Machinery and equipment, net	8,336	8,089
Land	9,650	10,246
Leased assets, net	3,835	3,873
Other property and equipment, net	6,861	7,195
Total property and equipment	62,318	62,417
Intangible assets		
Software	22,039	20,882
Software in progress	3,609	4,314
Goodwill	692	8,878
Other intangible assets	1,329	22,276
Total intangible assets	27,671	56,352
Investments and other assets		
Investment securities	52,799	60,469
Net defined benefit asset	8,089	8,189
Deferred tax assets	21,159	19,626
Other assets	24,174	24,258
Allowance for doubtful accounts	(2,575)	(2,702)
Total investments and other assets	103,647	109,842
Total fixed assets	193,637	228,612
Total assets	462,320	492,940

Items	As of March 31, 2023	As of Sep. 30, 2023
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	26,976	27,912
Short-term borrowings	11,990	13,415
Income taxes payable	13,354	7,958
Accrued bonuses to directors and employees	17,540	17,331
Provision for loss on order received	607	1,219
Other allowances	160	162
Other current liabilities	46,549	52,858
Total current liabilities	117,179	120,857
Non-current liabilities		
Long-term debt	4,052	11,000
Lease obligations	4,011	3,933
Deferred tax liabilities	344	7,700
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	0	0
Other allowances	218	139
Net defined benefit liability	12,038	13,167
Asset retirement obligations	6,924	7,067
Other non-current liabilities	8,051	8,353
Total non-current liabilities	35,914	51,634
Total liabilities	153,094	172,492
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	40,470	40,486
Retained earnings	247,263	259,067
Less treasury stock, at cost	(7,614)	(13,172)
Total shareholders' equity	290,120	296,383
Accumulated other comprehensive income		
Net unrealized gains on other securities	7,900	12,184
Deferred gains or losses on hedges	(31)	62
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	628	1,395
Remeasurements of defined benefit plans	1,093	1,072
Total accumulated other comprehensive income	6,918	12,041
Non-controlling interests	12,186	12,023
Total net assets	309,226	320,448
Total liabilities and net assets	462,320	492,940

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

Consolidated Statements of Income

Items	First Half, FY2023 (Apr. 1 - Sep. 30, 2022)	First Half, FY2024 (Apr. 1 - Sep. 30, 2023)
	millions of yen	millions of yen
Net sales	245,305	267,488
Cost of sales	178,229	194,156
Gross profit	67,075	73,332
Selling, general and administrative expenses	39,365	42,945
Operating income	27,709	30,387
Non-operating income		
Interest income	276	133
Dividend income	601	532
Equity in profit of affiliated companies	-	255
Gain on foreign exchange	420	510
Other	457	334
Total non-operating income	1,755	1,766
Non-operating expense		
Interest expenses	139	127
Equity in losses of affiliated companies	5	-
Financing expenses	-	65
Other	95	126
Total non-operating expenses	239	318
Recurring profit	29,225	31,835
Extraordinary income		
Gain on sales of investment securities	324	177
Gain on reversal of asset retirement obligations	-	551
Gain on liquidation of investment securities	-	248
Other	54	155
Total extraordinary income	378	1,134
Extraordinary loss		
Loss on valuation of investment securities	316	1,093
Impairment loss	655	427
Other	94	41
Total extraordinary loss	1,066	1,563
Income before income taxes	28,537	31,406
Income taxes: current	8,326	9,160
Income taxes: deferred	608	1,237
Total income taxes	8,935	10,398
Net income	19,602	21,007
Net income attributable to non-controlling interests	768	700
Net income attributable to owners of the parent company	18,834	20,307

Consolidated Statements of Comprehensive Income

Items	First Half, FY2023 (Apr. 1 - Sep. 30, 2022)	First Half, FY2024 (Apr. 1 - Sep. 30, 2023)
	millions of yen	millions of yen
Net income	19,602	21,007
Other comprehensive income		
Net unrealized gains on other securities	(4,380)	4,291
Deferred gains or losses on hedge	27	190
Foreign currency translation adjustments	859	710
Remeasurements of defined benefit plans	207	(19)
Share of other comprehensive income of equity-method affiliates	366	289
Total other comprehensive income	(2,918)	5,463
Comprehensive income	16,683	26,471
(Composition)		
Comprehensive income attributable to owners of the parent company	15,594	25,430
Comprehensive income attributable to non-controlling interests	1,089	1,041

(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).