



Consolidated Financial Results for the Six Months Ended September 30, 2024 (Based on 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.

October 31, 2024

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 Stock exchange listings: Tokyo Stock Exchange, Prime Market
 Stock code: 3626
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Scheduled dates
 Submission of semi-annual securities report: November 13, 2024
 Commencement of dividend payments: December 5, 2024

Preparation of supplementary materials on financial results: Yes
 Holding of financial results presentation: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the Six Months Ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(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	%
Six months ended September 30, 2024	275,558	3.0	30,509	0.4	31,299	-1.7	20,840	2.6
Six months ended September 30, 2023	267,488	9.0	30,387	9.7	31,835	8.9	20,307	7.8

Note: Comprehensive income: Six months ended September 30, 2024: 24,126 million yen (-8.9%)
 Six months ended September 30, 2023: 26,471 million yen (58.7%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Six months ended September 30, 2024	89.44	-
Six months ended September 30, 2023	84.16	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of September 30, 2024	517,463	331,881	61.7
As of March 31, 2024	525,456	324,725	59.5

For reference: Total equity: As of September 30, 2024: 319,499 million yen As of March 31, 2024: 312,409 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
FY2024	yen -	yen 17.00	yen -	yen 39.00	yen 56.00
FY2025	-	34.00			
FY2025 (forecast)			-	34.00	68.00

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

3. Forecast of Consolidated Results for FY2025 (April 1, 2024 – March 31, 2025)

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 FY2025 (year ending Mar. 31, 2025)	555,000	1.1	66,500	3.0	66,500	-3.0	44,800	-8.3	192.55

Note: 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 semi-annual consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accordance with amendments to accounting standards, etc.: Yes
 - 2) Changes other than noted in 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
(Note) For further details, please refer to “2. Semi-Annual Consolidated Financial Statements and Principal Notes, (3) Notes on the Semi-Annual Consolidated Financial Statements, (Notes on Changes in Accounting Policies)” on page 15 of the accompanying materials
- (4) Common stock issued
 - 1) Issued shares as of period-end (including treasury stock):

As of September 30, 2024:	236,233,411 shares
End-FY2024 (March 31, 2024):	236,233,411 shares
 - 2) Treasury stock as of period-end:

As of September 30, 2024:	4,137,088 shares
End-FY2024 (March 31, 2024):	1,924,351 shares
 - 3) Average number of shares (during the respective semi-annual period):

Six months ended September 30, 2024:	233,020,634 shares
Six months ended September 30, 2023:	241,299,894 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.

Semi-annual review status

Semi-annual financial statements are exempt from review 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 8, 2024, 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 FY2025 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 9 in the Accompanying Materials.

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first six months (first half) of fiscal 2025 (April 1, 2024 – September 30, 2024), the Japanese economy recovered moderately, albeit with some stagnation, 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 amid the continued high interest rate levels in Europe and the U.S. 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 2024), which showed a 14.9% year-on-year increase in company software investment plans (all industries, including financial institutions).

Under these circumstances, the Group has launched a new three-year Medium-Term Management Plan (2024–2026) at the start of fiscal 2025 as the first stage toward achieving "Group Vision 2032" which was formulated in April 2024. While translating the various investments and customer relationship-building activities undertaken in the previous medium-term management plan into positive results, we will build on our achievements to date to create a clear advantage and, through differentiation and concentration, accumulate reasons to be the lasting choice of markets and customers in the future, aiming at sustainable growth with added value.

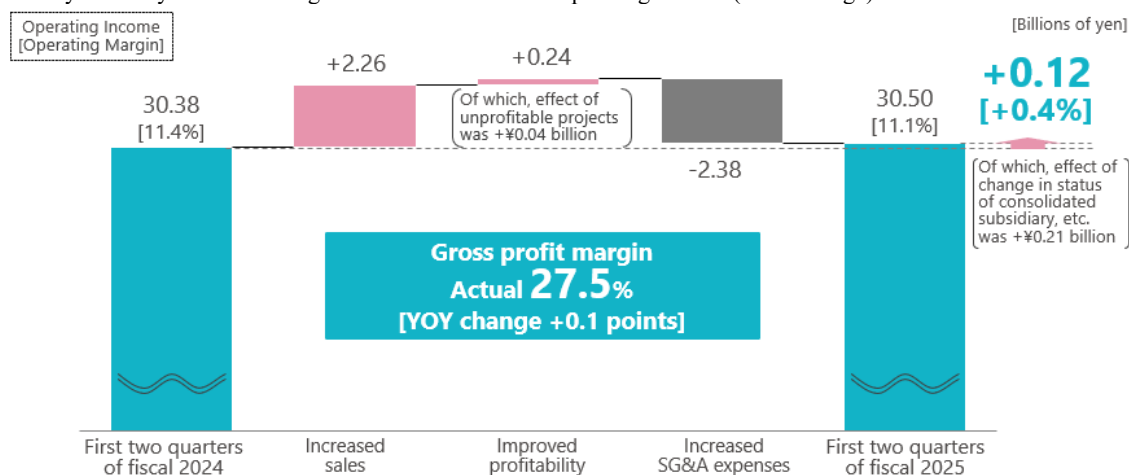
Consolidated net sales for the Group in the first six months (first half) of fiscal 2025 rose 3.0% year on year to ¥275,558 million. Operating income rose 0.4% year on year to ¥30,509 million, recurring profit was down 1.7% year on year to ¥31,299 million, and net income attributable to owners of the parent company rose 2.6% year on year to ¥20,840 million.

(Unit: millions of yen)

	First Six Months (First Half), FY2024 (Apr. 1 – Sep. 30, 2023)	First Six Months (First Half), FY2025 (Apr. 1 – Sep. 30, 2024)	Year-on-year changes
Net sales	267,488	275,558	+3.0%
Cost of sales	194,156	199,716	+2.9%
Gross profit	73,332	75,841	+3.4%
Gross profit ratio	27.4%	27.5%	+0.1P
Selling, general and administrative expenses	42,945	45,332	+5.6%
Operating income	30,387	30,509	+0.4%
Operating income ratio	11.4%	11.1%	-0.3P
Recurring profit	31,835	31,299	-1.7%
Net income attributable to owners of the parent company	20,307	20,840	+2.6%

Net sales were higher than in the same period of the previous year because we expanded our business by precisely responding to IT investment demand, such as customers' demand for digital transformation. Operating income increased slightly year on year, despite the impact of passing the peak of large-scale development projects that have driven our business growth in recent years, due in part to the increase in income from higher revenue, provision of high-added-value businesses, and promotion of productivity enhancement measures, etc. As for profitability, the gross profit ratio increased 0.1 percentage point year on year to 27.5% and the operating income ratio fell 0.3 percentage points year on year to 11.1% partly due to the impact of unprofitable projects as in the same period of the previous fiscal year. In addition, recurring profit decreased year on year mainly due to the impact of exchange rate fluctuations, but net income attributable to owners of the parent company increased due to an improvement in extraordinary income and loss. During the first six months (first half) of fiscal 2025, we recorded extraordinary income of 4,558 million yen and extraordinary loss of 3,770 million yen. The main components were a gain on sales of investment securities of 4,296 million yen resulting from a reduction of cross-shareholdings recorded as extraordinary income, and impairment loss of 2,432 million yen recorded as extraordinary loss.

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



Growth investment costs (Cost of investment in human resources / Investment in R&D / Software investment)		Changes in SG&A Expenses	
YOY change +¥0.25 billion (Cost of sales : +¥0.40 billion, SG&A expenses : -¥0.15 billion)		Effect of change in status of consolidated subsidiary, etc.	+1.48
		Growth investment	-0.15
		Progress on measures	+0.59
		Other expenses	+0.46
		Total	+2.38

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 (First Half), FY2024 (Apr. 1 – Sep. 30, 2023)	First Six Months (First Half), FY2025 (Apr. 1 – Sep. 30, 2024)	Year-on-year changes
Offering Service Business	Net sales	60,148	70,405	+17.1%
	Operating income	2,659	4,468	+68.0%
	Operating income ratio	4.4%	6.3%	+1.9P
BPM	Net sales	20,994	20,848	-0.7%
	Operating income	2,108	2,317	+9.9%
	Operating income ratio	10.0%	11.1%	+1.1P
Financial IT Business	Net sales	54,106	50,041	-7.5%
	Operating income	7,886	6,090	-22.8%
	Operating income ratio	14.6%	12.2%	-2.4P
Industrial IT Business	Net sales	58,326	61,295	+5.1%
	Operating income	8,470	9,022	+6.5%
	Operating income ratio	14.5%	14.7%	+0.2P
Regional IT Solutions	Net sales	85,535	83,948	-1.9%
	Operating income	9,013	8,300	-7.9%
	Operating income ratio	10.5%	9.9%	-0.6P
Other	Net sales	4,653	4,785	+2.8%
	Operating income	360	399	+10.7%
	Operating income ratio	7.7%	8.3%	+0.6P

1) Offering Service Business

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

Segment sales during the first half of fiscal 2025 totaled ¥70,405 million, up 17.1% year on year, and operating income increased 68.0% year on year to ¥4,468 million. In addition to the expansion in IT investment in the enterprise, platforms, and settlement fields, and contributions by overseas operations, the business results of Nihon ICS Co., Ltd. and other subsidiaries, which became consolidated subsidiaries in fiscal 2024, were reflected in the consolidated financial results of fiscal 2025, resulting in a year-on-year increase in both sales and profits with an operating income ratio of 6.3%, up 1.9 percentage points year on year.

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 during the first half of fiscal 2025 totaled ¥20,848 million, down 0.7% year on year, and operating income increased 9.9% year on year to ¥2,317 million. Although some existing BPO operations remained sluggish, continued cost reductions through streamlining operations, etc. resulted in a decrease in revenue and growth in income year on year, and pushed up the segment's operating income ratio to 11.1%, a year-on-year increase of 1.1 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 during the first half of fiscal 2025 totaled ¥50,041 million, down 7.5% year on year, and operating income decreased 22.8% year on year to ¥6,090 million. Due to significant effects of passing the peak of large-scale development projects for credit card companies and other core clients as well as public-sector financial institutions, both sales and profits decreased year on year, and the segment's operating income ratio fell to 12.2% (down 2.4 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 during the first half of fiscal 2025 totaled ¥61,295 million, up 5.1% year on year, and operating income increased 6.5% year on year to ¥9,022 million. Despite the impact of a decrease due to the non-recurrence of large-scale development projects in the manufacturing sector, etc., the trend of expanding IT investments in a wide range of industries, including services, manufacturing and distribution led overall growth, resulting in a year-on-year increase in sales and decrease in profit, and the operating income ratio rose 0.2 percentage points year on year to 14.7%.

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 during the first half of fiscal 2025 totaled ¥83,948 million, down 1.9% year on year, and operating income decreased 7.9% year on year to ¥8,300 million. Sales and profits decreased year on year mainly due to the recording of one-off expenses in addition to the non-recurrence of medical distribution projects, resulting in the segment's operating income ratio dropping to 9.9%, a year-on-year decrease of 0.6 percentage points.

6) Other

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

Segment sales in the first half of fiscal 2025 totaled ¥4,785 million, up 2.8% year on year, and operating income grew 10.7% to ¥399 million with the operating income ratio increasing 0.6 percentage points year on year to 8.3%.

As mentioned earlier, the Group has launched a new three-year Medium-Term Management Plan (2024–2026) at the start of fiscal 2025. We will set frontier development as a fundamental strategy and strive for sustainable growth paralleling higher added value. We will strive to achieve changes in society and for corporate clients by enhancing quality across all value chains, starting with forward-looking market development and business domain expansion.

Basic policy	Frontiers 2026				
	<ul style="list-style-type: none"> We will set frontier development as a fundamental strategy and strive for sustainable growth paralleling higher added value. We will strive to achieve changes in society and for corporate clients by enhancing quality across all value chains, starting with forward-looking market development and business domain expansion. 				
Key performance indicators	Human resources growth and added value cycle	Improved earning power	Asset (=intellectual property) value creation	Winning confidence of society	Meaningful growth
	Operating income per person More than ¥3.5 million	Operating margin 13.1% Adjusted operating margin 13.4%*1	ROIC/ROE Above 13%/above16%	Sales ¥620 billion	EPS CAGR Above 10%
Priority strategies	Market Strategies				
	<ul style="list-style-type: none"> Concentrate investment of management resources into defined growth areas, based on social issues and in-house strengths Balancing efforts to increase added value of services and reinforce technology investment, expand business with sense of speed, especially in ASEAN region 				
	Service Strategies	Technology Strategies	Intellectual Property Strategies	Human Resources Strategies	
	<ul style="list-style-type: none"> All services, from upstream to business process outsourcing, will benefit under full value chain status Enrich pure services*3, focusing on four social issues*2 	<ul style="list-style-type: none"> Leverage knowledge distribution, IT architect development and redeployment structure Promote process redevelopment using AI x automation 	<ul style="list-style-type: none"> Seek balance between higher added value and expanded business scale, with greater accumulation and utilization of intellectual property Accelerate intellectual property creation through internal use of information on points of client contact 	<ul style="list-style-type: none"> Bolster issue resolution capabilities by increasing number consultants to create 700-person structure and by standardizing basic consulting skills Secure and develop top talent and establish structure for flexible redeployment of human resources 	

*1 Adjusted operating income margin: Calculated by adding goodwill amortization cost back to operating income.

*2 Financial inclusion, urban concentration/rural decline, low-carbon/decarbonization, and health concerns. These issues were determined by backcasting from what the world might be like in 2050 and selected on the basis of TIS INTEC Group's ability to contribute to issue resolution.

*3 Type of services essentially offered under uniform specifications applicable to all clients.

■ Market Strategy / Overall Segment Strategy

We will expand our business area by developing various services based on the characteristics of each segment, and continue to strengthen our business foundation for sustainable growth. The growth strategies for each segment are as follows.

Offering Service Business	<ul style="list-style-type: none"> Respond to diversified cashless payment needs and expand the business domain as a business operator with strengths in finance and settlement that newly address social issues Improve profitability by upgrading investment management
BPM	<ul style="list-style-type: none"> Amid a shrinking market for some BPO operations, the Company is returning to a growth path by reviewing its business portfolio, such as expanding the customer experience (CX) domain, where demand is strong, and expanding services in collaboration with other segments
Financial IT Business	<ul style="list-style-type: none"> This segment will pass its peak after the completion of a major project. However, it will lay the next foundation for growth by co-creating businesses with these clients, developing modernization businesses, acquiring new clients, and diversifying its client base
Industrial IT Business	<ul style="list-style-type: none"> Deepen customer relationships and expand services with a focus on manufacturing, energy, and social infrastructure Drive growth with existing customers and attract new ones by leveraging a variety of services such as ERP and modernization
Regional IT Solutions	<ul style="list-style-type: none"> Nationwide deployment of original IT solutions developed in close contact with clients in five priority areas (public administration, healthcare, finance, industry and infrastructure)

■ **Market Strategy / Global Strategy**

The Company positions Asia, which has enormous market potential, as a long-term target, and aims to grow its business in ASEAN while expanding its global partnerships, with the goal of achieving consolidated net sales of ¥100 billion in fiscal 2026. We will develop our business with agility, both by striving for greater value across the business through the integration of IT and consulting on business restructuring, and by upgrading our technology investment function.

■ **Service Strategy**

Our customers' needs are diversifying with changing social trends and emerging innovative technologies. Under these circumstances, we will continue to expand our services and develop the market by adding higher value in order to support the transformation of society and our customers. The Financial IT Business and Industrial IT Business will mainly develop markets based on industries, while Offering, BPM, and Regional IT will develop markets based on functions and develop services in accordance with the guidelines of each business segment.

■ **Technology Strategy**

The evolution and diversification of elemental technology is remarkable, and the Company recognizes that early adaptation to these technologies will have a significant impact on its competitiveness. With a technology portfolio, which is a selection of technologies on the market that are important to the Group, we continue to implement comprehensive measures to study these technologies upfront and apply them in the field as quickly as possible. In the short-term, we will promote measures such as creating an environment that encourages employees to use generative AI, redesigning processes based on the use of AI in various internal operations, and developing a generative AI training program and conducting training. Meanwhile, through industry-academic collaborations, we will promote research into a series of technologies and their combined applications that will form the core of the differentiation of our business in three to ten years, such as the mass data transfer technologies and related algorithms that will be required as the digital and physical worlds continue to converge.

■ **Human Resource Strategy**

In order to continue to enhance the value exchange between employees and Group companies, the Group will promote a human resource strategy focusing on diversification and advancement of individuals. In that, the Group will take on the challenge of improving engagement with employees through creating an environment and organizational culture where diverse individuals can thrive, promoting next-generation work-style reforms looking towards a new work environment, and advancing human resource portfolio management by digitalization of a human resources database.

The Company has regarded human resources as its most important management capital and has actively promoted up-front investment in human resources. Regarding the human resource strategy, the Company is investing in human resources to increase employee engagement based on the three axes of the meaning of work, the working environment, and compensation. We will continue striving for further growth and securing excellent talent inside and outside the Company that will contribute to growth by strengthening a virtuous cycle of high added value for the Company, our employees, and society.

The Medium-Term Management Plan (2024–2026), under the theme of strengthening problem-solving, insight, and integration capabilities, will focus on expanding DX consultants, advanced sales personnel, and IT architects and will promote investment and the creation of mechanisms to develop and acquire such personnel.

■ **Intellectual Property Strategy**

We believe that the accumulation and advanced utilization of intellectual property will become increasingly important to strengthen the Group's services and service delivery processes and to achieve both business scale expansion and high-value creation. In the Medium-Term Management Plan (2024–2026), we will work to promote the creation of intellectual property by strengthening the feedback of customer touchpoint information. We will strengthen a virtuous cycle of providing high-value services through satisfactory service delivery processes, which will improve the quality of communication with clients, and thereby updating existing intellectual property and generating valuable information that will lead to the creation of new intellectual property.

■ Financial Policy / Basic Principle of Capital Policy

The basic principle of the Company's capital policy is to promote an appropriate capital structure from a medium- to long-term management perspective. This policy takes a balanced approach to promoting investments for growth, ensuring financial soundness, and strengthening shareholder returns to continuously increase corporate value.

Specifically, to strengthen our ability to generate cash through sustained business profit growth and improved profitability, we will aggressively invest for growth, and as part of this effort, we will continue to discuss and implement a review of our business portfolio.

In addition, we will strive to optimize our capital structure in line with our business structure by strengthening balance sheet management and implementing measures to generate sustainable returns above the cost of capital while maintaining financial health. We aim to improve and increase shareholder returns consistent with business growth.

Based on the above, the Medium-Term Management Plan (2024–2026) calls for a cumulative investment of ¥100 billion over three years for growth, a total return ratio of 50%, and an appropriate capital structure in line with the Company's ability to generate cash.

Fiscal 2025 Group Management Direction based on the Medium-Term Management Plan (2024–2026) is as follows:

- Leverage long-term growth strategy for corporate value and value provided to society through sustainability management
- Increase added value by reinforcing issue-solving ability
- Expand profitability, mainly through business structure transformation based on continued approach to robust investment
- Leverage business expansion to underpin status as top-class IT group in ASEAN region, and strengthen governance
- Reinforce human resource growth and intellectual property utilization to maximize added value provided

The status of main initiatives during the first half of fiscal 2025 is as follows:

As part of the initiative to promote service strategy for the payment business, the Company entered into a capital and business alliance agreement with Nudge Inc. in April 2024 and launched "Light version of Credit Card Processing Service" targeting the digital native generation. Through this initiative, the Company will strengthen the asset of "PAYCIERGE", its brand of digital payment settlement platform, aiming for a top share in the light credit card market.

Moreover, as part of our market strategies, we clarified our direction in the "Business Process Management" segment in order to increase the probability of achieving the targets of the medium-term management plan. In order to realize structural reforms such as a shift to a new value provision model, the BPO business will promote a shift of resources to the customer experience (CX) domain, where there is high demand, and will also strengthen collaboration within the Group to accelerate the growth of the BPM business, which is positioned as the core business of the future, aiming to improve the value it provides through the full value chain, including promotion of the "BPaaS business (BPO + SaaS)" model.

In addition, from May to June 2024, the Company acquired treasury stock of approximately ¥6,499 million (total of 2,216,200 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

(Unit: millions of yen)

	As of March 31, 2024 (A)	As of September 30, 2024 (B)	Increase/decrease (B)- (A)
Current assets	291,556	279,025	-12,531
Fixed assets	233,899	238,438	4,538
Total assets	525,456	517,463	-7,992
Current liabilities	140,277	133,651	-6,625
Non-current liabilities	60,453	51,930	-8,522
Total liabilities	200,730	185,582	-15,148
Total net assets	324,725	331,881	7,156

(Assets)

Consolidated total assets as of September 30, 2024 amounted to ¥517,463 million, a decrease of ¥7,992 million from ¥525,456 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥15,563 million in notes and accounts receivable, and contract assets due to collection, etc., an increase of ¥6,119 million in buildings and structures and land resulting from the split acquisition of beneficial interests in real estate trust, and an increase of ¥3,415 million in investment securities due to newly purchased shares and market valuation, etc.

(Liabilities)

As of September 30, 2024, total liabilities amounted to ¥185,582 million, a drop of ¥15,148 million from ¥200,730 million at the end of the previous fiscal year. This was mainly due to payment of accrued consumption tax included in other current liabilities, a ¥6,161 million decrease due to reversal of contract liabilities, and a ¥4,387 million decrease due to repayment of borrowings.

(Net assets)

As of September 30, 2024, consolidated net assets amounted to ¥331,881 million, an increase of ¥7,156 million from ¥324,725 million at the end of the previous fiscal year. The increase primarily consisted of an ¥11,627 million increase in retained earnings, and a ¥6,490 million rise in treasury stock after its acquisition, etc. (net assets decreased).

The increase in retained earnings resulted from a ¥20,840 million increase in net income attributable to owners of the parent company and a decrease of ¥9,213 million due to payment of dividend of surplus.

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

The Company's consolidated business performance has been generally in line with the plan, 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 8, 2024.

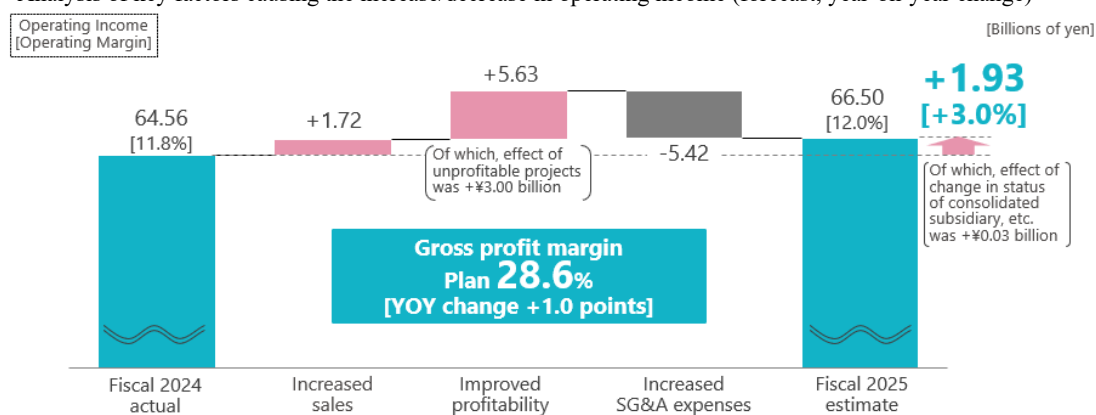
As was initially planned, we aim to achieve sustainable growth and further improve profitability under the Medium-Term Management Plan (2024–2026), through providing high-added-value businesses and promoting productivity enhancement measures. We will do so even as we face the impact of passing the peak of large-scale development projects that have driven our business growth in recent years and the prospect of extensive investments that will contribute to future growth, including investments in human resources positioned as our most crucial capital. Note that the decrease in recurring profit and net income attributable to owners of the parent company is due to non-operating income and extraordinary income recorded in fiscal 2024.

<Consolidated earnings forecast for fiscal 2025 (April 1, 2024 – March 31, 2025)>

(Unit: millions of yen)

	Fiscal 2024 Actual results	Fiscal 2025 Forecast	Year-on-year change
Net sales	549,004	555,000	+1.1%
Cost of sales	397,365	396,000	-0.3%
Gross profit	151,639	159,000	+4.9%
Gross profit ratio	27.6%	28.6%	+1.0P
Selling, general and administrative expenses	87,070	92,500	+6.2%
Operating income	64,568	66,500	+3.0%
Operating income ratio	11.8%	12.0%	+0.2P
Recurring profit	68,553	66,500	-3.0%
Net income attributable to owners of the parent company	48,873	44,800	-8.3%

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



Growth investment
(Investment in human resources / Investment in R&D / Software investment)
Up ¥0.60 billion (YOY change)
(Cost of sales: +¥0.30 billion, SG&A expenses: +¥0.30 billion)

Changes in SG&A expenses	
Effect of change in status of consolidated subsidiary, etc.	+1.58
Growth investment	+0.30
Progress on measures	+1.86
Other expenses	+1.68
Total	+5.42

<By segment>

(Unit: millions of yen)

		Fiscal 2024 Actual results	Fiscal 2025 Forecast	Year-on-year change
Offering Service Business	Net sales	130,759	140,800	+7.7%
	Operating income	7,659	8,600	+12.3%
	Operating income ratio	5.9%	6.1%	+0.2P
BPM	Net sales	41,953	43,000	+2.5%
	Operating income	4,551	4,500	-1.1%
	Operating income ratio	10.8%	10.5%	-0.3P
Financial IT Business	Net sales	106,304	98,500	-7.3%
	Operating income	15,185	12,000	-21.0%
	Operating income ratio	14.3%	12.2%	-2.1P
Industrial IT Business	Net sales	121,896	125,500	+3.0%
	Operating income	18,287	19,600	+7.2%
	Operating income ratio	15.0%	15.6%	+0.6P
Regional IT Solutions	Net sales	172,376	171,000	-0.8%
	Operating income	18,497	21,500	+16.2%
	Operating income ratio	10.7%	12.6%	+1.9P
Other	Net sales	9,581	10,000	+4.4%
	Operating income	777	700	-10.0%
	Operating income ratio	8.1%	7.0%	-1.1P

The Company's Medium-Term Management Plan (2024–2026) includes a basic shareholder return policy that targets a total return ratio of 50%. 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 2025 is expected to be in line with the basic policy.

*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. Semi-Annual Consolidated Financial Statements and Principal Notes

(1) Semi-Annual Consolidated Balance Sheets

Items	As of March 31, 2024	As of Sep 30, 2024
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	103,554	103,270
Notes and accounts receivable, and contract assets	144,141	128,578
Lease receivables and lease investment assets	4,312	3,871
Marketable securities	281	409
Merchandise and finished goods	3,946	5,455
Work in process	1,432	1,003
Raw materials and supplies	193	303
Other current assets	34,085	36,467
Allowance for doubtful accounts	(392)	(334)
Total current assets	291,556	279,025
Fixed assets		
Property and equipment		
Buildings and structures, net	34,325	34,670
Machinery and equipment, net	8,205	7,269
Land	15,802	21,577
Leased assets, net	4,720	4,670
Other property and equipment, net	6,662	6,780
Total property and equipment	69,715	74,968
Intangible assets		
Software	20,329	18,771
Software in progress	3,246	3,544
Goodwill	9,659	8,197
Other intangible assets	22,565	21,094
Total intangible assets	55,801	51,608
Investments and other assets		
Investment securities	56,396	59,811
Net defined benefit asset	10,754	10,925
Deferred tax assets	20,397	19,841
Other assets	21,092	21,538
Allowance for doubtful accounts	(258)	(256)
Total investments and other assets	108,382	111,861
Total fixed assets	233,899	238,438
Total assets	525,456	517,463

Items	As of March 31, 2024	As of Sep 30, 2024
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	26,206	25,258
Short-term borrowings	17,398	16,533
Income taxes payable	9,024	10,860
Accrued bonuses to directors and employees	16,952	17,591
Provision for loss on order received	1,955	655
Allowance for performance-linked compensation	—	169
Other allowances	114	118
Other current liabilities	68,625	62,463
Total current liabilities	140,277	133,651
Non-current liabilities		
Long-term debt	20,509	16,986
Lease obligations	4,763	4,384
Deferred tax liabilities	8,507	8,985
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	0	0
Allowance for performance-linked compensation	119	192
Other allowances	11	176
Net defined benefit liability	12,808	12,941
Asset retirement obligations	6,617	6,434
Other non-current liabilities	6,844	1,557
Total non-current liabilities	60,453	51,930
Total liabilities	200,730	185,582
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	12,314	12,314
Retained earnings	283,533	295,160
Less treasury stock, at cost	(6,395)	(12,885)
Total shareholders' equity	299,453	304,591
Accumulated other comprehensive income		
Net unrealized gains on other securities	11,715	12,726
Deferred gains or losses on hedges	(2)	72
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	983	1,952
Remeasurements of defined benefit plans	2,931	2,829
Total accumulated other comprehensive income	12,956	14,908
Non-controlling interests	12,315	12,381
Total net assets	324,725	331,881
Total liabilities and net assets	525,456	517,463

(2) Semi-Annual Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Semi-Annual Consolidated Statements of Income

Items	Six months ended Sep. 30, 2023	Six months ended Sep. 30, 2024
	(Apr. 1 – Sep. 30, 2023)	(Apr. 1 – Sep. 30, 2024)
	millions of yen	millions of yen
Net sales	267,488	275,558
Cost of sales	194,156	199,716
Gross profit	73,332	75,841
Selling, general and administrative expenses	42,945	45,332
Operating income	30,387	30,509
Non-operating income		
Interest income	133	189
Dividend income	532	620
Equity in earnings of affiliated companies	255	352
Foreign exchange gains	510	—
Other	334	309
Total non-operating income	1,766	1,471
Non-operating expense		
Interest expenses	127	215
Foreign exchange losses	—	154
Financing expenses	65	29
Compensation expenses	—	142
Other	126	139
Total non-operating expenses	318	681
Recurring profit	31,835	31,299
Extraordinary income		
Gain on sales of investment securities	177	4,296
Gain on reversal of asset retirement obligations	551	—
Gain on liquidation of investment securities	248	0
Other	155	261
Total extraordinary income	1,134	4,558
Extraordinary loss		
Impairment loss	427	2,432
Loss on valuation of investment securities	1,093	351
Loss on valuation of shares of subsidiaries	—	861
Other	41	124
Total extraordinary loss	1,563	3,770
Income before income taxes	31,406	32,087
Income taxes: current	9,160	9,644
Income taxes: deferred	1,237	575
Total income taxes	10,398	10,219
Net income	21,007	21,867
Net income attributable to non-controlling interests	700	1,026
Net income attributable to owners of the parent company	20,307	20,840

Semi-Annual Consolidated Statements of Comprehensive Income

Items	Six months ended Sep. 30, 2023 (Apr. 1 – Sep. 30, 2023)	Six months ended Sep. 30, 2024 (Apr. 1 – Sep. 30, 2024)
	millions of yen	millions of yen
Net income	21,007	21,867
Other comprehensive income		
Net unrealized gains on other securities	4,291	1,003
Deferred gains or losses on hedge	190	153
Foreign currency translation adjustments	710	856
Remeasurements of defined benefit plans	(19)	(101)
Share of other comprehensive income of equity- method affiliates	289	346
Total other comprehensive income	5,463	2,258
Comprehensive income	26,471	24,126
(Composition)		
Comprehensive income attributable to owners of the parent company	25,430	22,793
Comprehensive income attributable to non- controlling interests	1,041	1,332

(3) Notes on the Semi-Annual Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of the “Accounting Standard for Current Income Taxes,” etc.)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “2022 Revised Accounting Standard”), etc., have been applied from the beginning of the six months ended September 30, 2024.

Regarding the revisions to the categories in which current income taxes should be recorded (taxation on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in the proviso to Paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “2022 Revised Implementation Guidance”). These changes in accounting policies have no impact on the semi-annual consolidated financial statements.

In addition, with regard to revisions related to the treatment in consolidated financial statements when gains or losses arising from the sale of subsidiary shares, etc., among consolidated companies are deferred for tax purposes, the 2022 Revised Implementation Guidance has been applied from the beginning of the six months ended September 30, 2024. These changes in accounting policies have been applied retroactively, and the semi-annual consolidated financial statements and consolidated financial statements for the previous semi-annual period and the previous fiscal year have been prepared on a retroactive basis. These changes in accounting policies have no impact on the semi-annual consolidated financial statements of the previous semi-annual period and the consolidated financial statements for the previous fiscal year.

(Notes on Segment Information)

I. Six months ended September 30, 2023 (Apr. 1 - Sep. 30, 2023)

1. Information on net sales and income by reportable segment

(millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the semi- annual consolidated statement of income (Note 3)
	Offering Service Business	Business Process Managem ent	Financial IT Business	Industrial IT Business	Regional IT Solutions	Total				
Net sales										
Net sales to external customers	53,821	19,947	53,348	58,073	81,288	266,479	1,009	267,488	-	267,488
Inter-segment sales or transfers	6,326	1,047	757	253	4,247	12,632	3,644	16,276	(16,276)	-
Total	60,148	20,994	54,106	58,326	85,535	279,111	4,653	283,765	(16,276)	267,488
Segment income	2,659	2,108	7,886	8,470	9,013	30,139	360	30,499	(112)	30,387

(Notes) 1. “Other” refers to business segments not included in the reportable segments, and consists of businesses incidental to the provision of various IT services, etc.

2. The adjustment of segment income of ¥-112 million includes the elimination of unrealized income of ¥8 million.

3. Segment income has been adjusted for operating income recorded in the semi-annual consolidated statements of income.

2. Information on impairment loss on fixed assets or goodwill by reportable segment

(Significant changes in goodwill amount)

In the “Offering Service Business” segment, the amount of goodwill for the business combination with Nihon ICS Co., Ltd., which was implemented in the first quarter of the previous fiscal year, was calculated provisionally. However, since the allocation of acquisition costs was completed and the provisional accounting treatment was finalized in the second quarter of the previous fiscal year, the amount of goodwill was changed from the provisionally calculated amount of ¥23,093 million to ¥8,356 million.

II. Six months ended September 30, 2024 (Apr. 1 - Sep. 30, 2024)

1. Information on net sales and income by reportable segment

(millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the semi- annual consolidated statement of income (Note 3)
	Offering Service Business	Business Process Managem ent	Financial IT Business	Industrial IT Business	Regional IT Solutions	Total				
Net sales										
Net sales to external customers	64,192	19,830	49,374	60,996	79,995	274,389	1,168	275,558	-	275,558
Inter-segment sales or transfers	6,212	1,018	666	299	3,953	12,150	3,616	15,767	(15,767)	-
Total	70,405	20,848	50,041	61,295	83,948	286,540	4,785	291,325	(15,767)	275,558
Segment income	4,468	2,317	6,090	9,022	8,300	30,199	399	30,599	(89)	30,509

- (Notes)
1. "Other" refers to business segments not included in the reportable segments, and consists of businesses incidental to the provision of various IT services, etc.
 2. The adjustment of segment income of ¥-89 million includes the elimination of unrealized income of ¥-5 million.
 3. Segment income has been adjusted for operating income recorded in the semi-annual consolidated statements of income.

2. Information on impairment loss on fixed assets or goodwill by reportable segment

(Significant impairment losses on fixed assets)

In the "Offering Services Business" segment posted impairment losses of 510 million yen on software and 1,922 million yen on goodwill and other intangible assets were recorded for the six months ended September 30, 2024.

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Notes on Semi-Annual Consolidated Statements of Cash Flows)

Depreciation (including amortization related to intangible assets, excluding goodwill) and amortization of goodwill for the six months ended September 30 are as follows.

	Six months ended Sep. 30, 2023 (Apr. 1 - Sep. 30, 2023)	Six months ended Sep. 30, 2024 (Apr. 1 - Sep. 30, 2024)
Depreciation	8,128 million yen	8,958 million yen
Amortization of goodwill	218 million yen	444 million yen

(Revenue recognition)

Disaggregated information on revenue from contracts with customers

Six months ended September 30, 2023 (Apr. 1 - Sep. 30, 2023)

(millions of yen)

	Reportable segment						Other (Note 1)	Total
	Offering Service Business	Business Process Manage ment	Financial IT Business	Industrial IT Business	Regional IT Solutions	Total		
Software development	21,527	6,667	30,905	38,286	41,481	138,869	-	138,869
Operating and Cloud services	18,341	12,730	19,669	13,389	27,995	92,126	-	92,126
Product and Software Sales	13,952	548	2,774	6,397	11,811	35,483	-	35,483
Other	-	-	-	-	-	-	1,009	1,009
Total	53,821	19,947	53,348	58,073	81,288	266,479	1,009	267,488

(Notes) 1. "Other" refers to business segments not included in the reportable segments, and consists of businesses incidental to the provision of various IT services, etc.

2. The above includes income from lessor leases, as the amounts are insignificant and so they are not presented separately from revenue from contracts with customers.

Six months ended September 30, 2024 (Apr. 1 - Sep. 30, 2024)

(millions of yen)

	Reportable segment						Other (Note 1)	Total
	Offering Service Business	Business Process Manage ment	Financial IT Business	Industrial IT Business	Regional IT Solutions	Total		
Software development	24,825	6,295	25,487	41,578	41,378	139,566	-	139,566
Operating and Cloud services	21,099	12,766	21,256	12,280	28,903	96,305	-	96,305
Product and Software Sales	18,267	767	2,631	7,137	9,712	38,517	-	38,517
Other	-	-	-	-	-	-	1,168	1,168
Total	64,192	19,830	49,374	60,996	79,995	274,389	1,168	275,558

(Notes) 1. "Other" refers to business segments not included in the reportable segments, and consists of businesses incidental to the provision of various IT services, etc.

2. The above includes income from lessor leases, as the amounts are insignificant and so they are not presented separately from revenue from contracts with customers.

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 as of November 13, 2018, was ¥12,703 million. It was changed to ¥15,485 million on December 8, 2023).