



TIS Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 31, 2025

October 31, 2024

Event Summary

[Company Name]	TIS Inc.	
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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 31, 2025	
[Fiscal Period]	FY2025 Q2	
[Date]	October 31, 2024	
[Number of Pages]	37	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Yasushi Okamoto	President and Representative Director
	Masakazu Kawamura	Managing Executive Officer, Division Manager of Corporate Planning SBU
[Analyst Names]*	Hideaki Tanaka	Mitsubishi UFJ Morgan Stanley Securities
	Chikai Tanaka	Goldman Sachs
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	Hiroko Sato	Jefferies
	Mitsunobu Tsuruo	Citigroup Global Markets
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Moderator: Thank you very much for your patience. We will now hold the financial results briefing for Q2 of the fiscal year ending March 2025 for TIS Inc. First, I would like to introduce today's attendees. Yasushi Okamoto, President and Representative Director. Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU.

We will then give a brief overview of today's proceedings. First, Kawamura and Okamoto from our company will give an explanation in that order, followed by a Q&A session. This briefing is scheduled to last one hour, including Q&A. Please refer to our website for the documents as appropriate. Kawamura will now give an overview of our business results for Q2 of the fiscal year ending March 31, 2025, the outlook for the fiscal year ending March 31, 2025, and shareholder returns. Thank you.

Kawamura: My name is Kawamura from TIS. Thank you. I will now explain the details of the financial results for Q2 of the fiscal year ending March 31, 2025, which were announced at 3:30 PM today.



Highlights

Fiscal 2025 First Two Quarters: Financial Highlights

- **Achieved better profit position, exceeding estimates for higher sales and lower income year on year.**
- **Operating margin slipped year on year, mainly because number of large projects fell from peak in corresponding period a year ago, but remained in line with estimate.**
- **Orders received and order backlog were up year on year with order backlog building to all-time high.**

Fiscal 2025: Performance Forecast

- **No revisions to full-year performance forecast since progress generally in line with expectations.**

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Please see page two. Here are the highlights of the current financial results. First, the H1 results for the fiscal year ending March 31, 2025, exceeded the plan, with YoY increases in both sales and income. In particular, we believe that the fact that we were able to achieve even a small increase in profit compared to the planned decrease in profit is a point that can be evaluated highly. The operating margin declined from the same period last year, but this was mainly due to the peak-out impact of large projects and was in line with the plan.

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In addition, both orders received and order backlogs increased steadily compared to the same period last year, with order backlogs in particular building up to a record high level. Based on the above three points, we believe that we have made a good turnaround toward achieving our full-year plan. Next, with respect to the outlook for the fiscal year ending March 31, 2025, there are no revisions to the full-year forecast, as progress is generally in line with the plan.



Fiscal 2025 First Two Quarters: Performance Highlights (YOY change)

- Higher sales and higher income, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Operating margin slipped, mainly due to decline in number of large projects from peak in corresponding period a year ago, but hovered at expected level nevertheless.

[Millions of yen]	First two quarters of fiscal 2024	First two quarters of fiscal 2025	YOY change	
Net Sales	267,488	275,558	+8,069	[+3.0%]
Operating Income	30,387	30,509	+121	[+0.4%]
Operating Margin	11.4%	11.1%	-0.3P	-
Net Income Attributable to Owners of the Parent Company	20,307	20,840	+533	[+2.6%]
Net Income to Net Sales Ratio	7.6%	7.6%	-0.0P	-
- Non-operating income: ¥1,471 million (YOY change -¥295 million) → Dividend income ¥620 million Equity in earnings of affiliated companies ¥352 million, etc.		- Extraordinary income: ¥4,558 million (YOY change +¥3,424 million) → Gain on sale of investment securities ¥4,296 million, etc.		
- Non-operating expenses: ¥681 million (YOY change +¥363 million) → Interest expenses ¥215 million, etc.		- Extraordinary loss: ¥ 3,770 million (YOY change +¥2,207 million) → Impairment loss ¥2,432 million Loss on valuation of shares in subsidiaries ¥861million, etc.		

*Bringing a company under scope of consolidation in previous fiscal year led to impact of ¥2.7 billion on net sales and ¥210 million on operating income (after goodwill amortization).

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Please see page five. This is a summary of results for H1 of the fiscal year ending March 31, 2025. Despite the peak out of large projects, we were able to achieve increases in both sales and income. Net sales increased 3% YoY to JPY275.5 billion, and operating income increased 0.4% YoY to JPY30.5 billion, with an operating margin of 11.1%.

Interim net income attributable to shareholders of the parent company was JPY20.8 billion, up 2.6% YoY. As a major extraordinary gain, the Company recorded a gain on the sale of shares held as policy stock reduction, while as a major extraordinary loss, the Company recorded an impairment loss on goodwill and other assets of a subsidiary.

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Fiscal 2025 First Two Quarters: Performance Highlights (Compared with estimate)



- Achieved estimates against backdrop of heightened IT investment activity across broad range of clients

[Millions of yen]	First two quarters of fiscal 2025 estimate	First two quarters of fiscal 2025 actual	Compared with estimate	
Net Sales	270,000	275,558	+5,558	[+2.1%]
Operating Income	30,000	30,509	+509	[+1.7%]
Operating Margin	11.1%	11.1%	-0.0P	-
Net Income Attributable to Owners of the Parent Company	20,300	20,840	+540	[+2.7%]
Net Income to Net Sales Ratio	7.5%	7.6%	+0.1P	-

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Page six shows the status of the H1 results compared to the plan. We believe that we were able to exceed our plan because we were able to firmly capture IT investment demand from a wide range of customers. Despite some challenges, we were able to increase profits in spite of the planned decrease in profits, and we believe that we can expect positive developments in the future.

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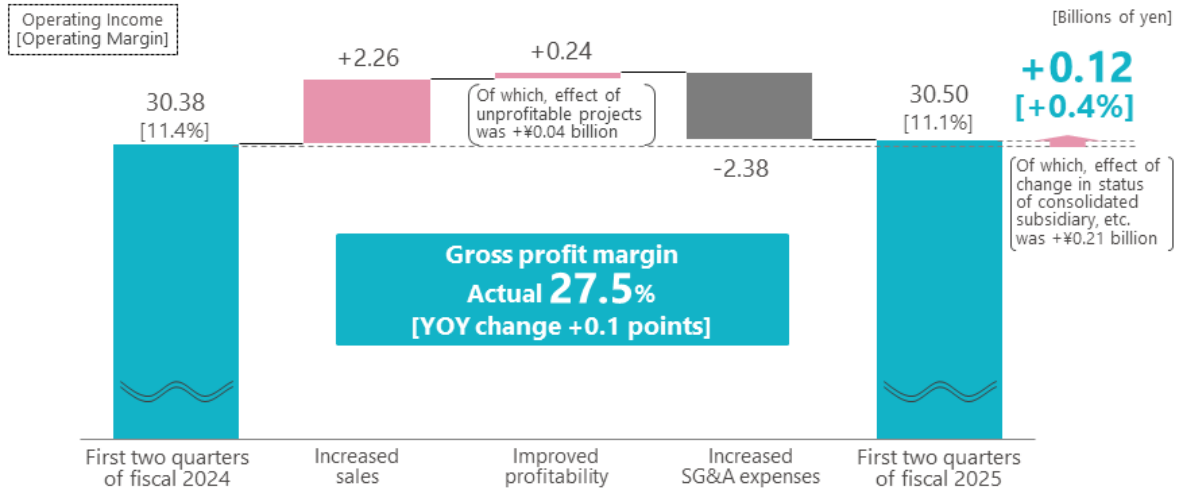
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Fiscal 2025 First Two Quarters: Operating Income Analysis, Increase/Decrease Reasons (YOY change)



- Maintained steady increase in operating income even though number of large projects fell from peak in corresponding period a year ago



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

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Page seven shows changes in operating income by factor. Despite the impact of the peak-out of large-scale projects, the Company was able to achieve an increase in operating income through the provision of high-value-added businesses and the promotion of productivity improvement measures, in addition to the increased profits resulting from increased revenues.

As in the same period of the previous year, the gross profit margin rose only 0.1 percentage points YoY to 27.5%, due in part to the impact of unprofitable projects. Unprofitable projects in H1 were slightly down from the same period last year, totaling approximately JPY1.3 billion. As for Q2, unprofitable projects totaled JPY700 million, including JPY500 million in offering services and JPY200 million in industrial IT.

We are very sorry that this result exceeded our full-year forecast of JPY1 billion, but we will once again focus on preventing unprofitable projects throughout the Group by strengthening our quality control system, tightening operational rules, and taking other measures to improve quality more thoroughly.

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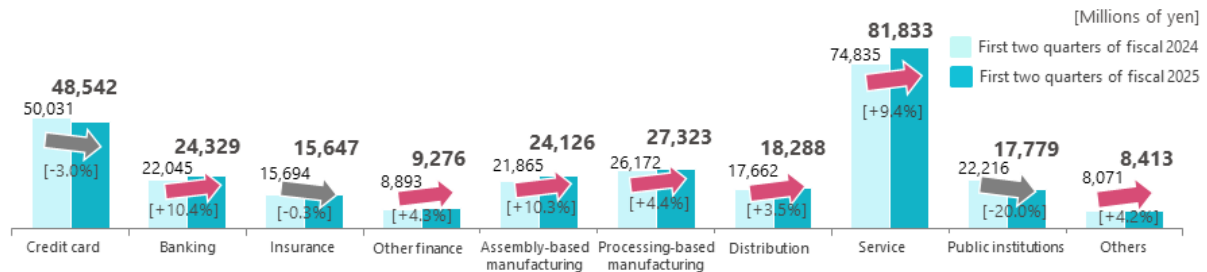
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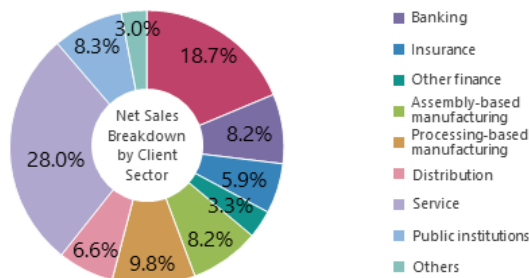


Fiscal 2025 First Two Quarters: Sales by Client Sector

• Overall, demand trends remained positive. However, key negative factors included lower sales to clients in credit card and public service sectors along with income from large-scale projects falling from peak.

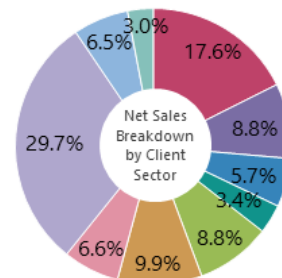


First two quarters of fiscal 2024



Financial sector: 36.1% Industrial sector: 52.6%
Public sector: 8.3% Other sectors: 3.0%

First two quarters of fiscal 2025



Financial sector: 35.5% Industrial sector: 55.0%
Public sector: 6.5% Other sectors: 3.0%

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Please refer to page eight. Here is a breakdown of sales by client industry. As in the past, the overall trend remained strong, except for cards and public, which were negatively impacted by the peak-out effect of large projects. Among them, banks and assembly-line manufacturing services led the overall market.

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Fiscal 2025 First Two Quarters: Sales and Income by Key Business Segments (YOY change)



[Millions of yen]		First two quarters of fiscal 2024	First two quarters of fiscal 2025	YOY change	
Offering Service Business	Net Sales	60,148	70,405	+10,256	[+17.1%]
	Operating Income	2,659	4,468	+1,809	[+68.0%]
	Operating Margin	4.4%	6.3%	+1.9P	-
Business Process Management	Net Sales	20,994	20,848	-145	[-0.7%]
	Operating Income	2,108	2,317	+209	[+9.9%]
	Operating Margin	10.0%	11.1%	+1.1P	-
Financial IT Business	Net Sales	54,106	50,041	-4,064	[-7.5%]
	Operating Income	7,886	6,090	-1,796	[-22.8%]
	Operating Margin	14.6%	12.2%	-2.4P	-
Industrial IT Business	Net Sales	58,326	61,295	+2,969	[+5.1%]
	Operating Income	8,470	9,022	+551	[+6.5%]
	Operating Margin	14.5%	14.7%	+0.2P	-
Regional IT Solutions	Net Sales	85,535	83,948	-1,586	[-1.9%]
	Operating Income	9,013	8,300	-713	[-7.9%]
	Operating Margin	10.5%	9.9%	-0.6P	-
Offering Service Business:	Higher sales and higher income, reflecting increase in IT investment by clients for enterprise, platform and payment settlement services. Overseas business activities also contributed to segment results.				
Business Process Management:	Some existing BPO services continued to struggle, putting pressure on sales results. Against this backdrop, cost control measures implemented, successfully boosting income.				
Financial IT Business:	Sales and income declined, as large-scale projects for core clients in credit card sector as well as public-sector financial institutions fell from peak.				
Industrial IT Business:	Sales and income grew, as wider IT investment across industries, including services, manufacturing and distribution, offset factors such as reactionary decrease in large development projects for companies in manufacturing sector.				
Regional IT Solutions:	Lower sales and income, primarily because of reactionary drop in projects related to medical services solutions as well as booking of temporary expenses.				

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Page nine shows the situation by major segment. We believe that offering services grew more strongly than expected. Both sales and income increased due to solid IT investment demand in the enterprise, infrastructure, and settlement areas, as well as the contribution of Japan ICS to our results. Overseas business also contributed.

BPM posted a decrease in revenue due to continued struggles in some existing BPO operations, but increased income thanks to ongoing cost control measures. In financial IT, revenues and earnings declined due to the expected peak-out effects of large projects for credit card-affiliated core customers and public-sector financial institutions. Industrial IT posted increases in both revenue and earnings due to expanded IT investments in a wide range of industries, including services, manufacturing, and distribution, despite a reactionary decline in large manufacturing-related development projects. In regional IT solutions, both sales and profits declined due to a reactionary drop in medical sales projects and the recording of one-time expenses in Q2.

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Fiscal 2025 First Two Quarters: Sales and Income by Key Business Segment (Compared with estimate)



[Millions of yen]		First two quarters of fiscal 2025 estimate	First two quarters of fiscal 2025 actual	Compared with estimate	
Offering Service Business	Net Sales	68,600	70,405	+1,805	[+2.6%]
	Operating Income	3,300	4,468	+1,168	[+35.4%]
	Operating Margin	4.8%	6.3%	+1.5P	-
Business Process Management	Net Sales	21,400	20,848	-551	[-2.6%]
	Operating Income	2,100	2,317	+217	[+10.4%]
	Operating Margin	9.8%	11.1%	+1.3P	-
Financial IT Business	Net Sales	50,000	50,041	+41	[+0.1%]
	Operating Income	6,000	6,090	+90	[+1.5%]
	Operating Margin	12.0%	12.2%	+0.2P	-
Industrial IT Business	Net Sales	60,300	61,295	+995	[+1.7%]
	Operating Income	9,200	9,022	-177	[-1.9%]
	Operating Margin	15.3%	14.7%	-0.6P	-
Regional IT Solutions	Net Sales	82,000	83,948	+1,948	[+2.4%]
	Operating Income	9,300	8,300	-999	[-10.7%]
	Operating Margin	11.3%	9.9%	-1.4P	-

Offering Service Business:	Sales and income higher than estimates, reflecting favorable contribution from Nihon ICS and better-than expected demand for enterprise and platform services.
Business Process Management:	Some existing BPO services faced bigger hurdles than anticipated, causing sales to come in below estimate. But cost-control measures helped push income above estimate.
Financial IT Business:	Results were on track with estimates overall, even taking into account decline in number of large projects from peak in corresponding period a year ago. Sales and income reached estimated levels.
Industrial IT Business:	Demand from clients in manufacturing and service sectors better than anticipated, boosting sales to estimated level. But negative factors, notably, unprofitable projects, prevented income from reaching estimate.
Regional IT Solutions:	Demand from clients in the life and non-life insurance sectors better than anticipated, boosting sales to estimated level. But negative factors, including recognition of temporary expenses and impact from unprofitable projects, prevented income from reaching estimate.

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The next page, page 10, shows the ratio of the H1 results to the plan. This section describes the segments that have increased or decreased significantly from the plan. Both sales and profits of offering services exceeded the plan due to strong performance of Japan ICS as well as better-than-expected demand for enterprise and infrastructure systems. In regional IT solutions, while sales exceeded the plan, profits fell short of the plan due to one-time expenses and the impact of unprofitable projects.

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Reference: Fiscal 2025 Second Quarter (July-September): Sales and Income by Key Business Segments



[Millions of yen]	Second quarter of fiscal 2024	Second quarter of fiscal 2025	YOY change	
Net Sales	138,059	141,503	+3,443	[+2.5%]
Operating Income	16,076	16,447	+370	[+2.3%]
Operating Margin	11.6%	11.6%	-0.0P	-
Net Income Attributable to Owners of the Parent Company	10,160	10,161	+1	[+0.0%]
Net Income to Net Sales Ratio	7.4%	7.2%	-0.2P	-
Key Business Segments				
Offering Service Business	Net Sales	32,130	36,403	+4,273 [+13.3%]
	Operating Income	1,502	2,262	+759 [+50.5%]
	Operating Margin	4.7%	6.2%	+1.5P -
Business Process Management	Net Sales	10,693	10,840	+146 [+1.4%]
	Operating Income	1,380	1,480	+100 [+7.3%]
	Operating Margin	12.9%	13.7%	+0.8P -
Financial IT Business	Net Sales	27,369	25,066	-2,302 [-8.4%]
	Operating Income	3,805	3,015	-790 [-20.8%]
	Operating Margin	13.9%	12.0%	-1.9P -
Industrial IT Business	Net Sales	29,655	31,454	+1,799 [+6.1%]
	Operating Income	4,077	4,662	+585 [+14.4%]
	Operating Margin	13.7%	14.8%	+1.1P -
Regional IT Solutions	Net Sales	43,751	42,888	-863 [-2.0%]
	Operating Income	4,952	4,945	-7 [-0.1%]
	Operating Margin	11.3%	11.5%	+0.2P -

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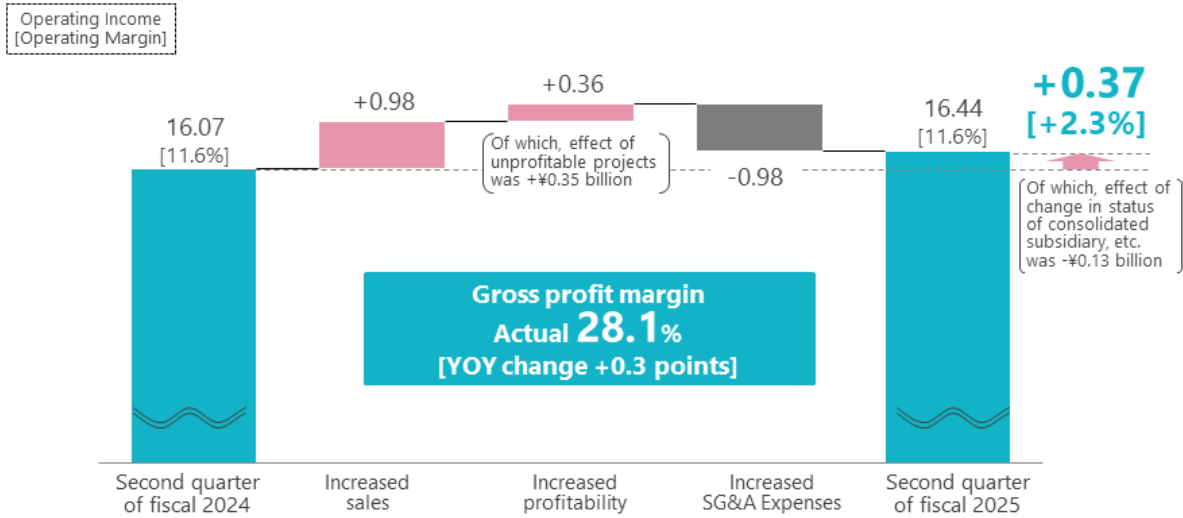
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**Reference: Fiscal 2025 Second Quarter (July-September):
Operating Income Analysis, Increase/Decrease Reasons (YOY change)**



[Billions of yen]



Growth investment costs
(Cost of investment in human resources / Investment in R&D / Software investment)

YOY change +¥0.25 billion
(Cost of sales: +¥0.33 billion, SG&A expenses: -¥0.80 billion)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	+0.17
Growth investment	-0.08
Progress on measures	+0.37
Other expenses	+0.51
Total	+0.98

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Page 11 to page 12 will show the results for the first three months of Q2.

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Fiscal 2025 First Two Quarters: Order Status (Orders received during first two quarters)



- Orders received were up year on year, driven by successful order activity by Industrial IT Business and Offering Service Business.
- Drop recorded by Financial IT Business reflects decrease in number of large projects from peak in corresponding period a year ago.

[Millions of yen]		First two quarters of fiscal 2024	First two quarters of fiscal 2025	YOY change	
Orders received during first two quarters		272,371	281,240	+8,869	[+3.3%]
Software development		133,176	137,959	+4,782	[+3.6%]
Key Business Segments					
Offering Service Business	Orders received during first two quarters	57,991	65,310	+7,318	[+12.6%]
	Software development	23,846	25,213	+1,366	[+5.7%]
Business Process Management	Orders received during first two quarters	19,625	19,835	+210	[+1.1%]
	Software development	6,099	6,244	+144	[+2.4%]
Financial IT Business	Orders received during first two quarters	49,717	45,985	-3,732	[-7.5%]
	Software development	23,539	21,468	-2,071	[-8.8%]
Industrial IT Business	Orders received during first two quarters	58,822	62,515	+3,692	[+6.3%]
	Software development	37,153	41,734	+4,581	[+12.3%]
Regional IT Solutions	Orders received during first two quarters	86,214	87,593	+1,379	[+1.6%]
	Software development	42,537	43,298	+760	[+1.8%]

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Next on page 13 is an explanation of the order situation. First, overall orders received increased 3.3% YoY to JPY281.2 billion, driven by offering services. In terms of development orders, industrial IT led the way.

The increase in regional IT was also related to orders received in Q2 for projects related to the standardization of municipal information systems. The decrease in financial IT was mainly due to the peak-out of large projects, which was generally in line with our expectations.

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Fiscal 2025 First Two Quarters: Order Status (Order backlog at end of second quarter)



- Order backlog hit all-time high, fueled by demand for Offering Service Business and Regional IT Solutions services.
- Decrease recorded by Industrial IT Business reflects reactionary drop on certain sales opportunities.

[Millions of yen]		First two quarters of fiscal 2024	First two quarters of fiscal 2025	YOY change	
Order backlog at end of second quarter		187,533	195,631	+8,098	[+4.3%]
Software development		97,863	99,974	+2,110	[+2.2%]
Key Business Segments					
Offering Service Business	Order backlog at end of second quarter	38,636	44,102	+5,466	[+14.1%]
	Software development	16,208	16,736	+527	[+3.3%]
Business Process Management	Order backlog at end of second quarter	7,127	7,548	+421	[+5.9%]
	Software development	6,880	7,207	+327	[+4.8%]
Financial IT Business	Order backlog at end of second quarter	45,168	42,564	-2,603	[-5.8%]
	Software development	24,458	20,720	-3,738	[-15.3%]
Industrial IT Business	Order backlog at end of second quarter	38,814	38,528	-286	[-0.7%]
	Software development	21,561	23,221	+1,660	[+7.7%]
Regional IT Solutions	Order backlog at end of second quarter	57,786	62,887	+5,100	[+8.8%]
	Software development	28,753	32,088	+3,334	[+11.6%]

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Page 14 shows the status of order backlogs at the end of the fiscal year. The overall order backlog also increased YoY to a record high. The decrease in Industrial IT was due to the absence of certain sales projects. In addition, regional IT solutions accumulated solidly, especially in development. For other segments, there is no change from the trend in orders received.

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Reference: Fiscal 2025 Second Quarter (July-September): Order Status

[Millions of yen]	Second quarter of fiscal 2024	Second quarter of fiscal 2025	YOY change		
Orders received during second quarter	182,835	189,849	+7,013	[+3.8%]	
Software development	74,106	75,834	+1,728	[+2.3%]	
Key Business Segments					
Offering Service Business	Orders received during second quarter	41,459	47,192	+5,733	[+13.8%]
	Software development	13,215	12,984	-230	[-1.7%]
Business Process Management	Orders received during second quarter	9,388	10,631	+1,243	[+13.2%]
	Software development	2,574	3,566	+991	[+38.5%]
Financial IT Business	Orders received during second quarter	37,294	35,051	-2,243	[-6.0%]
	Software development	14,520	12,887	-1,633	[-11.2%]
Industrial IT Business	Orders received during second quarter	37,287	38,241	+953	[+2.6%]
	Software development	19,723	21,035	+1,312	[+6.7%]
Regional IT Solutions	Orders received during second quarter	57,404	58,731	+1,326	[+2.3%]
	Software development	24,072	25,360	+1,288	[+5.4%]

Page 15 shows orders received for the three months of Q2.

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Fiscal 2025: Understanding the Business Environment

- View that IT investment is in expansion mode for long term persists. Changes in environment require careful monitoring.

Offering Service Business

- ✓ Cashless market continues to grow. Tailwind factors, such as political policies, business environment, DX and inbound tourism, will gain steam.
- ✓ Diverse themes and services abound, driven by efforts of finance x operating companies.
- ✓ Despite uncertainty over government policies, ASEAN economy continues to grow thanks to solid domestic demand.
- ✓ Cloud security market continues to grow. Robust activity in business management domain continues.

To date From now



Business Process Management

- ✓ No course correction to trends in business world, namely labor shortage and rising wages, keeping BPO market in gradual growth mode.
- ✓ Demand for simple outsourcing, such as data entry work, shrinking due to digital advances. Price competition intensifying.
- ✓ Major corporations utilizing opportunities, including M&A, to enter BPO market with high-value-added services.



Financial IT Business

- ✓ Forecasting increase in IT investment aimed at honing sharper competitive edge against backdrop of potential for future policy interest rate hikes.
- ✓ Payment market continues to grow, paralleling increased use of credit cards and cashless options for purchasing activities.
- ✓ Competition with new players intensifying as cashless market grows. Heightened efforts to retain own economic sphere and notable shift toward restructuring.
- ✓ Separately, large projects for core clients in credit card sector and public finance declined from peak.



Industrial IT Business

- ✓ Demand for DX solutions continues, while modernization and ERP upgrade services also continue to attract strong interest.
- ✓ Restaurant and service sectors experiencing post-COVID recovery but are short on staff. Must pay close attention to balance between IT investment and allocation of management resources.
- ✓ Impact of skyrocketing oil prices, exchange rate fluctuations and upward pressure on wages and commodity prices require close watch, especially for manufacturing sector.



Regional IT Solutions

- ✓ Local governments getting into full-scale IT investment, including efforts to standardize systems by end of fiscal 2025.
- ✓ IT investment needs continue to increase among providers of medical services in response to construction and integration of data infrastructure and wider user of information and communication technology.
- ✓ Anticipate greater IT investment, especially by megabanks. Regional banks moving ahead on local oligopoly restructuring.



These trends may differ from general industry trends since management's assumptions also take into consideration the status of IT investment
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I would like to continue by explaining our full-year forecast for the fiscal year ending March 31, 2025. First, on page 17, we explain our perception of the business environment. We remain of the view that the long-term expansionary trend in IT investment will continue. We expect the business environment to remain favorable, although changes in the environment will require close monitoring.

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Fiscal 2025: Performance Forecasts

No change from estimates announced on May 8, 2024



- Despite impact of reactionary drop in large projects, anticipating business expansion that will support higher sales and higher operating income.
- Decrease in net income attributable to owners of the parent company largely due to reactionary drop in non-operating income and extraordinary income, booked in previous fiscal year.

[Millions of yen]	Fiscal 2024 actual	Fiscal 2025 estimate	YOY change	
Net Sales	549,004	555,000	+5,995	[+1.1%]
Operating Income	64,568	66,500	+1,931	[+3.0%]
Operating Margin	11.8%	12.0%	+0.2P	-
Net Income Attributable to Owners of the Parent Company	48,873	44,800	-4,073	[-8.3%]
Net Income to Net Sales Ratio	8.9%	8.1%	-0.8P	-
Net Income per Share (Yen)	203.28	192.55	-10.73	[-5.3%]
ROE *	16.0%	13.9%	-2.1P	-

* ROE estimate for fiscal 2025 is a calculated value.

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Please refer to page 18. This is the full-year forecast for the fiscal year ending March 31, 2025. Since the H1 results are generally in line with the full-year plan, there is no change from the initial plan at this time.

We plan a 1.1% increase in net sales to JPY555 billion and a 3% increase in operating income to JPY66.5 billion, both up from the previous year. We will continue to win projects, accumulate orders, and strongly promote quality control throughout the Group to further ensure the achievement of the plan. As for unprofitable projects, we have set a new target of JPY500 million for H2 and JPY1.83 billion for the full year, based on the situation in H1.

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Fiscal 2025: Sales and Income by Key Business Segment [Forecast]



No change from estimates announced on May 8, 2024

[Millions of yen]		Fiscal 2024 actual	Fiscal 2025 estimate	YOY change	
Offering Service Business	Net Sales	130,759	140,800	+10,040	[+7.7%]
	Operating Income	7,659	8,600	+940	[+12.3%]
	Operating Margin	5.9%	6.1%	+0.2P	-
Business Process Management	Net Sales	41,953	43,000	+1,046	[+2.5%]
	Operating Income	4,551	4,500	-51	[-1.1%]
	Operating Margin	10.8%	10.5%	-0.3P	-
Financial IT Business	Net Sales	106,304	98,500	-7,804	[-7.3%]
	Operating Income	15,185	12,000	-3,185	[-21.0%]
	Operating Margin	14.3%	12.2%	-2.1P	-
Industrial IT Business	Net Sales	121,896	125,500	+3,603	[+3.0%]
	Operating Income	18,287	19,600	+1,312	[+7.2%]
	Operating Margin	15.0%	15.6%	+0.6P	-
Regional IT Solutions	Net Sales	172,376	171,000	-1,376	[-0.8%]
	Operating Income	18,497	21,500	+3,002	[+16.2%]
	Operating Margin	10.7%	12.6%	+1.9P	-
Offering Service Business:	Expect higher sales and higher income, reflecting expansion in settlement solutions and wide spectrum of other services as well as improved profitability in overseas operations.				
Business Process Management:	Despite efforts to shift business portfolio away from data entry services in favor of more priority areas, such as process optimization, sales may grow while income falls during the transition period.				
Financial IT Business:	Huge impact from reactionary drop in multiple large-scale projects for existing clients could result in lower sales and lower income.				
Industrial IT Business:	Higher sales and higher income are likely, owing to success in cultivating demand from existing customers, especially in manufacturing and service sectors, and capturing ERP-related IT investment demand.				
Regional IT Solutions:	Despite lower sales due to reactionary drop in sales year on year, improved productivity and successful efforts to reduce number of unprofitable projects should deliver higher income.				

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Page 20 is a description of the forecast by segment. Although progress toward the full-year plan by segment has varied, we have left the overall forecast unchanged, and therefore, we have also left the forecast by segment unchanged. Offering services are expected to continue to perform well in H2, as in H1.

On the other hand, the full-year plan for regional IT solutions presents a high hurdle. However, we will do our utmost to achieve the plan without giving up, taking the fact that we were able to firmly control unprofitable projects that had been occurring in the past in Q2 and the receipt of orders related to local governments as a tailwind.

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Fiscal 2025: Return to Shareholders

- Implemented return to shareholders in line with total return ratio yardstick of 50%.
- No change to dividend plan for fiscal 2025. Interim dividend will be ¥34 per share, up ¥17 year on year.

Basic Policy on Return to Shareholders under Medium-Term Management Plan (2024-2026)

Balance efforts to promote growth investment with efforts to maintain financial health, while strengthening return to shareholders.

Total return ratio

50% ^{*1}
[up from 45%]

**Dividends per share
Constantly enrich the
dividend**

**Upper limit on treasury stock holdings
at 5%**

	Fiscal 2024 actual			Fiscal 2025 estimate
	[Normal]	[Capital optimized]	[Total]	
Interim dividend per share	¥17 [YOY change +¥2]	-	¥17	¥34 [YOY change +¥17]
Annual dividend per share	¥56 [YOY change +¥6]	-	¥56	¥68 [YOY change +¥12]
Total dividends	¥13.3 billion	-	¥13.3 billion	¥15.9 billion
Payout ratio [After adjustment *1]	27.5% [30.7%]	-	27.5%	35.3%
Acquired treasury shares	About ¥6.2 billion	About ¥22.4 billion	About ¥28.6 billion	¥6.5 billion ^{*2}
Total return ratio [After adjustment *1]	39.9% [44.9%]	-	85.8%	50.0%

Treasury stock buyback conducted from May through June 2024, ending with purchase amount totaling about ¥6.5 billion.

*1 Based on profit (after income taxes and income attributable to non-controlling interests)

*2 Upper limit based on treasury stock buyback announced May 8, 2024.

As the last part of my explanation, I would like to explain about shareholder returns. Please see page 22. There is no change from the shareholder return planned at the beginning of the fiscal year, and the interim dividend per share is JPY34, up JPY17 from the previous fiscal year. In addition, the Company has already repurchased approximately JPY6.5 billion of its own shares during May and June.

We will continue to return profits to shareholders in line with business growth, while maintaining a balance between promoting investment in growth and ensuring financial soundness, based on our basic policy on shareholder returns. This concludes my explanation.

Moderator: Thank you. Next, Okamoto will explain the progress of the medium-term management plan. Thank you.

Okamoto: My name is Okamoto. Once again, thank you very much for attending our financial results presentation today. I would like to explain the progress of our mid-term management plan.

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Medium-Term Management Plan (2024-2026) Overview

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%/above 16%	Sales ¥620.0 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.

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On page 24, we have restated the basic policies and key management indicators of our medium-term management plan announced in May. As I explained in May, our basic policy for the past three years has been to explore the frontier, aiming for sustainable growth with added value. Furthermore, we would like to reiterate that we are eagerly awaiting the transformation of society and our customers.

From the next page, we will cover several topics regarding the medium-term management plan that I just mentioned. We would like to introduce the progress of those projects.

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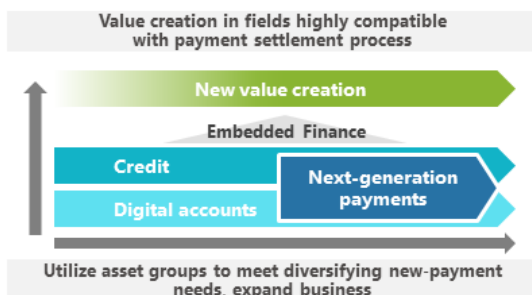
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Activities under Medium-Term Management Plan (Topics): Service Strategies — Payment Business



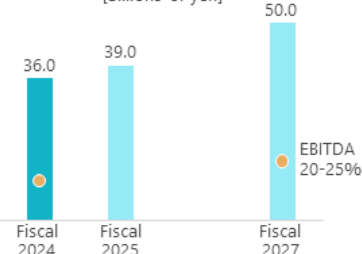
- Expand target segment through development of light version of CreditSaaS. Currently promoting marketing activities.
- Reinforce marketing activities for B2B model. Currently in progress.



New value creation
Robust investment into next-generation payment solutions

Transition digital account clients to credit solutions (including light needs)

Contribution of payment-related services to service-style business [Billions of yen]



Market trends and needs

- ✓ Demand for payment services growing along with wider use of credit cards and digital accounts. Notably steady increase in demand from small and medium-sized business operators for corporate transactions and companies involved in B2B transactions.
- ✓ With ban on digital wages lifted, countries and providers of money transfer services are ramping up efforts to implement responses. Expecting greater activity in B2E market as well.

Credit	Digital accounts
<p>Light version of CreditSaaS</p> <p>Pipeline</p> <p>More than 10 companies ¥5-10 billion</p> <ul style="list-style-type: none"> • Concluded capital and business alliance agreement with Nudge Inc., with sales of light version of CreditSaaS off to strong start. • Continuing to promote sales activities. 	<ul style="list-style-type: none"> • For B2B, working with regional banks and Nihon ICS to develop DX for corporate transactions executed by regional small and medium-sized business operators. Going forward, will expand to small and medium-sized business operators throughout Japan.

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Page 25. This is the payment business. Against the backdrop of the growing trend toward cashless payments, and in the face of constantly changing market needs, the Group aims to expand its business based on two major concepts: next-generation payments, which can be described as the evolution of payments, and new value creation. In the credit business, we signed a capital and business alliance agreement with Nudge in May of this year, and have launched a light version of credit SaaS, which is now well underway.

Currently, we have a pipeline of more than 10 companies at any given time, and we are continuously promoting sales activities. This is a traditional credit SaaS solution, and as we've mentioned before, it represents a significant investment for our customers. Therefore, it will take some time to see visible progress. We will continue our steady efforts, but at the same time, we are actively promoting a lighter version that allows for quicker implementation. Our goal is to revitalize the overall payment business as a whole.

On the other hand, digital accounts are also gaining momentum in the B to B area of corporate transactions and the B to E area with the lifting of the ban on digital salaries. Our group is also promoting a variety of initiatives to meet the needs of our customers.

We will not focus on only one of these areas, but rather will leverage our comprehensive strengths to aggressively promote the development of a wide range of areas in order to achieve evolution and growth that will bring about change in society.

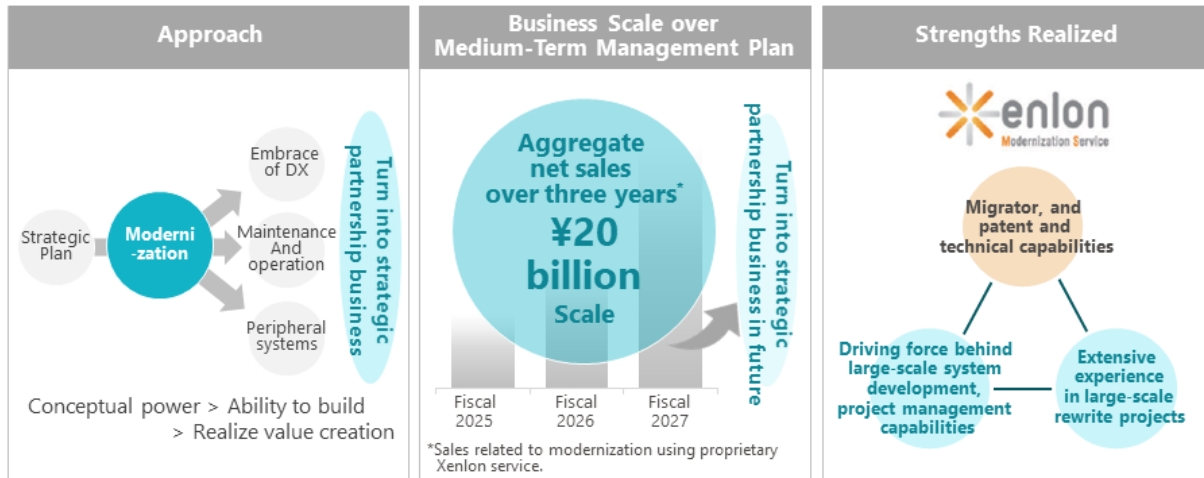
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Activities under Medium-Term Management Plan (Topics): Market Strategies — Modernization

- Anticipate booming demand for modernization of IT environments that support DX — the cornerstone of efforts to transform business.
- Position modernization as growth driver in Industrial IT Business and Financial IT Business pursuits, and promote initiatives using proprietary service Xenlon. Then, looking to the future, strive to develop and expand scope of strategic partnership business.



**Use modernization trend as opportunity to support core systems
Deepen business relationships and build strong partnerships underpinned by client trust**

Continued on page 26. This is the modernization business in the market strategy. Modernization of legacy systems has gained momentum over the past few years. The Group is actively working on this project, positioning it as an engine for future growth.

Our true aim is to gain the trust of our customers through support for modernization, thereby deepening our business relationships. We aim to expand our strategic domain known as the strategic partnership business, or SPB. In order to achieve this, we would like to promote the business so that the cumulative total of the business over the next three years will be JPY20 billion.

In April of this year, we established a specialized organization to focus our efforts on the financial sector, whereas we have been dealing with industrial sectors. Additionally, we have a tool called Xenlon, which features our unique rewriting technology.

I expect that we can make steady progress by fully demonstrating our strengths, including this area. For more details on the modernization business and Xenlon, we are planning to hold a business briefing on the evening of December 3 and explain the details again. We will send you an official invitation to the event at a later date and hope you will join us.

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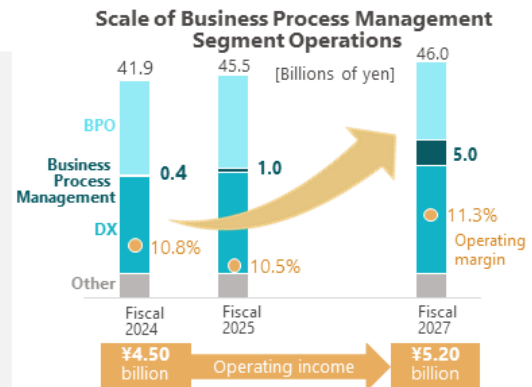
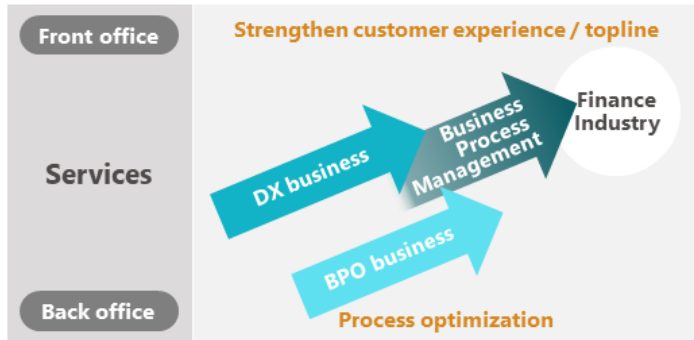
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Activities under Medium-Term Management Plan (Topics): Market Strategies — Transforming Business Process Management Segment



- Seek solid achievement of medium-term management plan targets through structural reforms designed to create leaner corporate structure.

Promote strategy of concentrating on key targets



Improve profitability of existing businesses	<ul style="list-style-type: none"> • Focus on finance industry, including insurance sector, which is an area of expertise, as well as front-office operations, which will reinforce customer experience and topline profitability. • In BPO business, shrink activities in non-growth areas and shift resources toward high-profit areas. • In DX business, grow and expand through original services that optimize and automate data processes and Salesforce and other platform services.
Establish Business Process Management model as high-value-added business	<ul style="list-style-type: none"> • Strengthen collaboration between segments and develop Business Process as a Service (BPaaS) through creation of full value chain combining Business Process Model and Notation (BPMN) consulting with SaaS and BPO. • Promote co-creation business with clients (lateral expansion of co-creation workshop “Process Transformation Challenge”). • Increase value provided to clients in finance industry by expanding alliances that further enhance capabilities.
Optimize cost structure	<ul style="list-style-type: none"> • Shift toward high-value-added services • Implement upfront investment to get back on growth track • Reduce selling and administrative expenses by streamlining and automating administrative and indirect operations.

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Continuing on page 27, I would like to explain the BPM segment, and the transformation of this segment. In the BPM segment, we intend to grow the BPM business as a new strength, not as an extension of our existing business, but through structural reforms based on a policy of frontier development.

In the BPM business, we will strengthen cooperation among segments and establish high value-added businesses by promoting a full value chain from consulting to services and then BPO, as well as co-creation businesses with customers.

Our target is the financial industry, which has a strong customer base, and we plan to leverage this strength to promote initiatives in this area. In addition, we will naturally promote the optimization of our cost structure and aim to transform our corporate structure into a muscular one by making up-front investments for re-growth and streamlining indirect operations.

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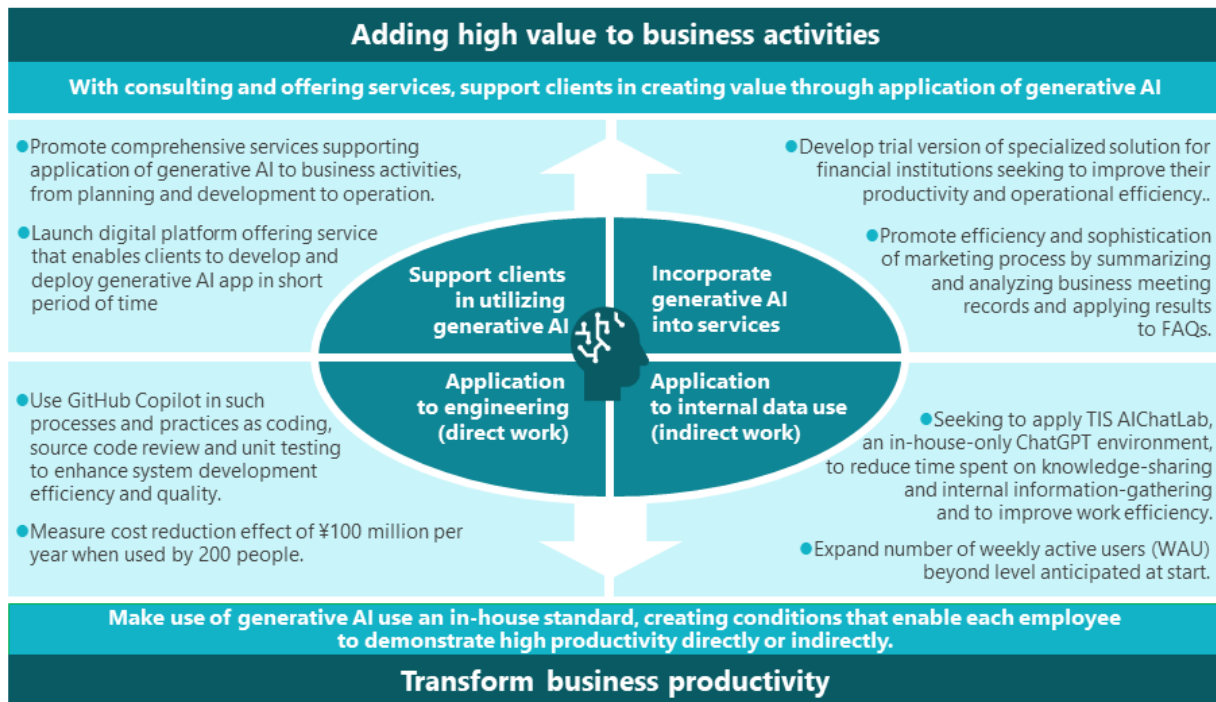
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Activities under Medium-Term Management Plan (Topics): Technology Strategies — Using Generative AI

- Promote use of generative AI broadly on two fronts: client-directed business activities and internal operations.
- Reveal of real results from adding high value to business activities is yet to come.



Next, I would like to discuss the use of generative AI. We are promoting a wide range of applications of generated AI, both in terms of high value-added business for our customers and productivity improvement through the use of AI in our internal operations. We will continue to promote efforts to create high value-added businesses, although we have yet to achieve full-scale results.

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Activities under Medium-Term Management Plan (Topics): Enhanced Management Practices



- Constantly strive to improve value exchange with stakeholders, in line with materiality themes.

Materiality themes	Perspective/Policy on Measuring Progress and Key Results for First Half of Fiscal 2025
1 Create a society in which diverse human resources are engaged and thrive	<p>Demonstrate capabilities of employees</p> <ul style="list-style-type: none"> • Initiated educational programs to develop human resources with high-level marketing skills. • Continued to promote qualitative and quantitative expansion of consulting expertise through strategic rotation of human resources.
2 Create comfortable society through innovation and joint activities	<p>Provide value to society</p> <ul style="list-style-type: none"> • Began light version of credit card processing service through capital and business alliance with Nudge Inc. • TIS Quantum Day 2024 held with business partners to showcase latest trends in quantum technology.
3 Create a safe society through high-quality services	<p>Quality demanded by society</p> <ul style="list-style-type: none"> • Expanded scope of introduction and established original quality management system, and reinforced risk management activities and monitoring practices • Further strengthened review system across the Group to ensure constant improvement in quality and quantity of reviews. • Promoted improvement in workplace culture and strengthened practical project management skills.
4 Enhance corporate governance and earn the trust of society	<p>Company chosen by society</p> <ul style="list-style-type: none"> • Promoted introduction of renewable energy and introduced off-site corporate power purchase agreements at some locations. • Promote deeper perspective on monitoring to enhance effectiveness of Board of Directors.

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On page 29 we have management upgrading. We will explain the progress of our initiatives in line with the materiality theme. As we promote sustainability management, we believe that ESG initiatives, which form the foundation for sustainable value creation, are extremely important.

We will continue to make steady progress, one by one, from a long-term perspective, aiming to both sustainably increase corporate value and contribute to a sustainable society. Of the four materiality themes, I would like to explain individually about human resources, which relates to the first, and quality, which relates to the third.

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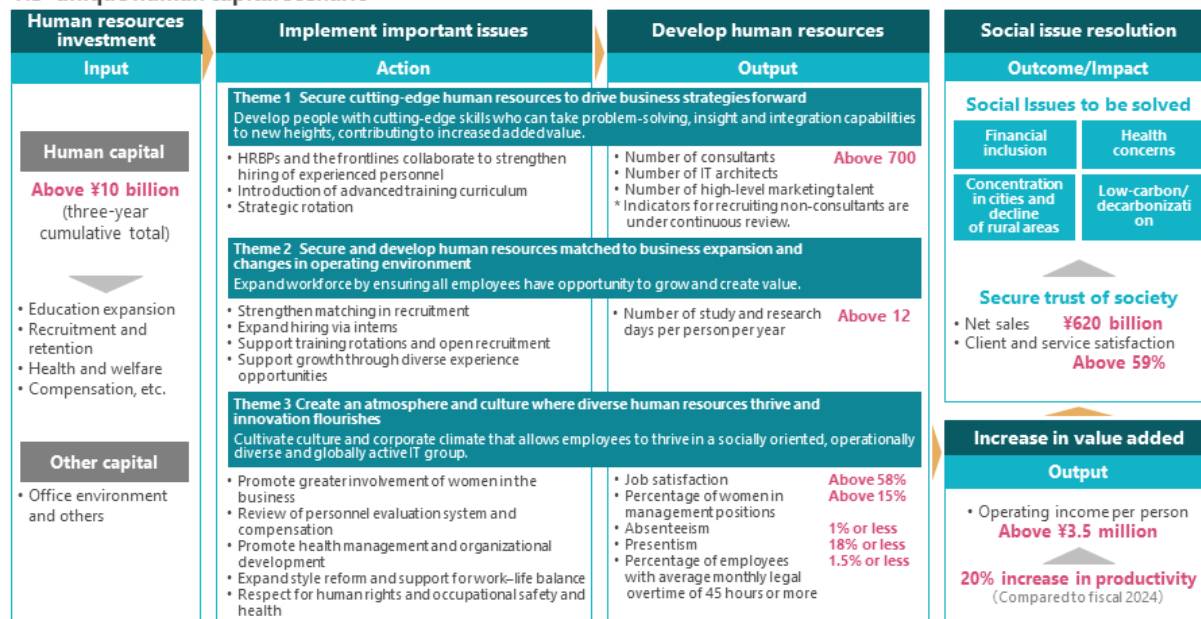
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Activities under Medium-Term Management Plan (Topics): Human Resources Strategies

- Prepare human capital scenario to raise effectiveness of cycle for increasing added value through investment in human resources.
- Constantly build stronger corporate talent, including project managers, who are critical to business pursuits, and complement this with efforts under three-tiered themes that will deepen pool of human resources with cutting-edge skills and the ability to lead frontier development and provide high added value to clients.

TIS' unique human capital scenario



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This page is about the human resource strategy. As we have always mentioned, human resources are the most important management capital for our group, and we believe that we need to actively implement measures to improve the quality of our human resources.

As part of this effort, we plan to invest more than JPY10 billion in human resources in this mid-term plan, and we are preparing our own human capital scenario to enhance the effectiveness of the value-added improvement cycle so that the results of this investment can be clearly shown in figures.

We aim to achieve over JPY3.5 million in operating profit per person by strengthening our core personnel, such as project managers, and expanding our cutting-edge talent to drive frontier development. We plan to implement measures based on these themes organized into three levels in this scenario.

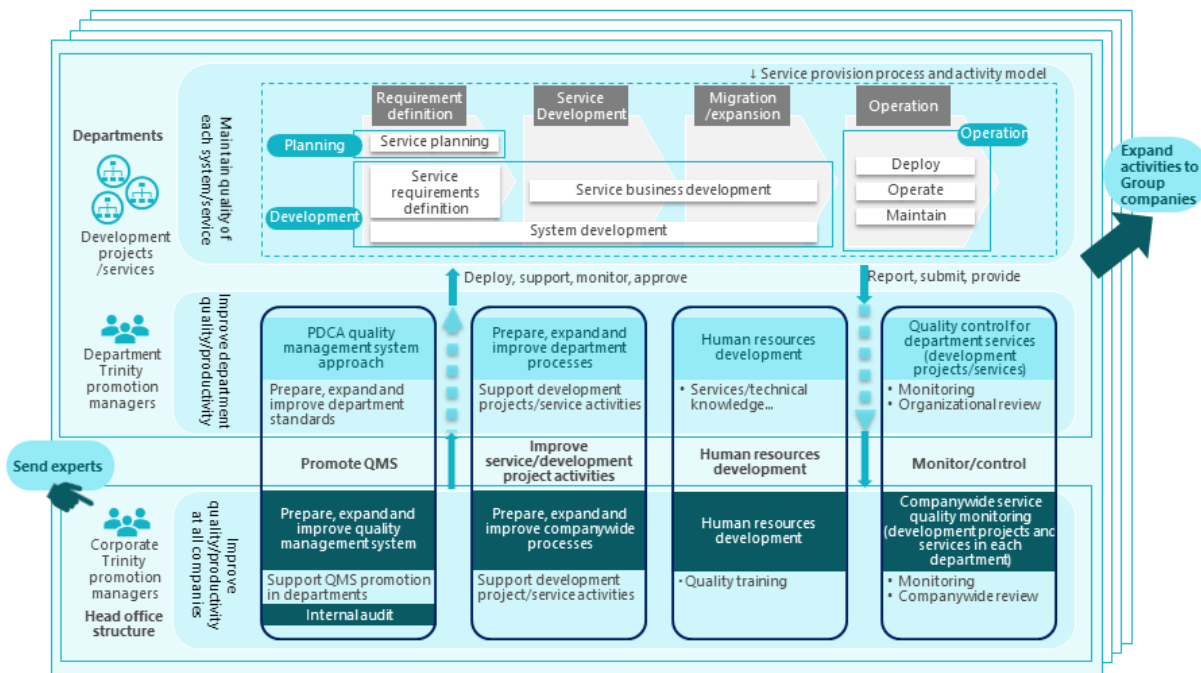
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Activities under Medium-Term Management Plan (Topics): Efforts to Improve Quality and Productivity

- Given the appearance of unprofitable projects, the Group as a whole is working to strengthen quality control at the head office. From the second half of fiscal 2025, TIS will be sending more experts to reinforce human resources development and monitoring/control functions.



Quality assurance is conducted at two levels within the Group: by business and by the head office. Businesses are responsible for ensuring quality of respective systems and services provided, while the head office takes a companywide perspective to improve quality/productivity.

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Continuing on page 31, we discuss quality productivity improvement initiatives. As in the previous fiscal year, unprofitable projects have already exceeded the full-year target of JPY1 billion in the current fiscal year. We strongly recognize that this is a very unfortunate situation.

To reduce unprofitable projects, we must correctly assess the risks involved in the project. We will also establish these countermeasures in advance. It is important to take thorough measures to improve quality, and the business divisions and the head office organization have been working together to promote quality improvement initiatives.

We are working on building a structure as a group and expanding it to our affiliated companies. By continuously providing guidance and support to these companies, we believe we can lead to early detection and suppression of issues. We must continue these efforts without interruption, as they need to be further advanced over time.

From this perspective, in H2 of the fiscal year, we plan to enhance human resource development focused on improving quality management skills, as well as strengthen monitoring and reinforce operational rules from a management and control standpoint. We will increase the deployment of experts to each group company to raise the quality of risk assessment and countermeasures. We are currently implementing this.

When we think about promoting and facilitating the challenge of new things, we must reduce the number of unprofitable projects to zero. While we cannot make any guarantees, we believe that through these initiatives, we can achieve our target of keeping costs within JPY1 billion annually next fiscal year. We are committed to making every effort necessary to ensure this goal is met.

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Activities under Medium-Term Management Plan (Topics): Brand Strategies



- Seek to be corporate group of choice to all stakeholders and will constantly strive to improve grand value.



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Page 32 is our brand strategy. Under the brand message of fulfilling societal wishes through IT, we have been implementing initiatives aimed at becoming a well-known entity. Thanks to your support, we have reached 70% group recognition.

Compared to the situation before the TV commercials were launched, we believe that we have achieved a certain level of success in raising awareness of our company. Starting this August, we have launched a new advertising campaign, and our goal from here on is to become a preferred choice. We will continue our efforts to enhance our brand value so that we can gain the sympathy of all our stakeholders.

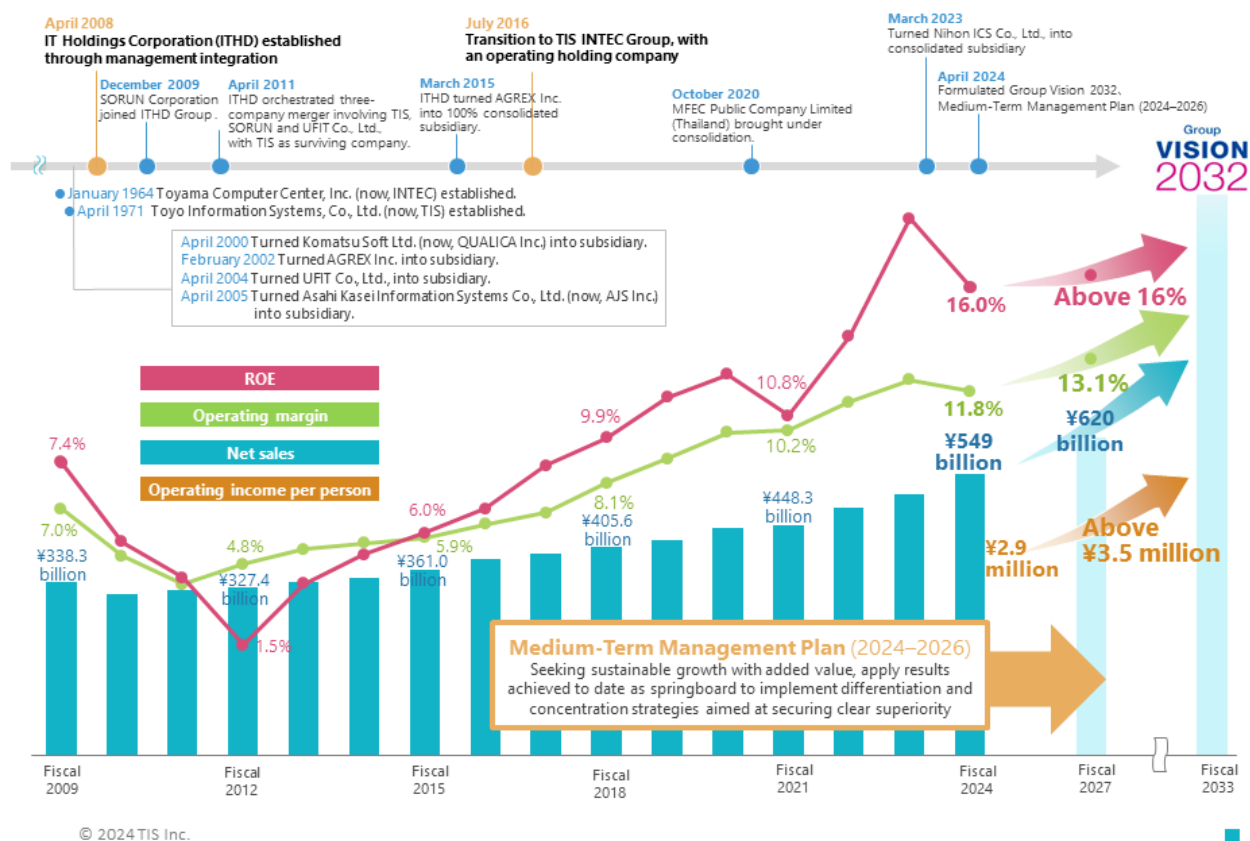
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Seeking Further Improvement in Corporate Value



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Please refer to page 33 for my last part of presentation. We have started our mid-term management plan for the next three years, and the first six months have now passed. As explained at the beginning of the term, we will be starting the first year of this plan while facing various challenges. In particular, the current fiscal year will be significantly affected by the peak-out of large-scale development projects in the financial sector, which have been the driving force behind our business growth in recent years. Under these circumstances, we planned to reduce profits in H1 of the fiscal year, but I believe that the fact that we managed to increase profits is a good result in itself.

However, there are still many issues to be addressed, including unprofitable projects. Today, we have presented our future direction and initiatives for some of these issues, but we will continue to address new issues that may arise in the future, one by one, with sincerity, and by carefully and steadily addressing them, we will solidify our footing and move forward toward further growth. We will take a firm footing and move forward with steps toward further growth. As I mentioned last time, I would like to reiterate that we are determined to achieve our lofty goals by doing our utmost, and that we will break through difficult times and continue to grow. We have not changed at all in our belief that we have the ability to accomplish this.

Moving forward, based on the fundamental policy of our new mid-term management plan, which focuses on frontier development, each of our employees will take a step forward as pioneers in their respective roles. We are committed to strengthening the frontline, transforming our structure, and achieving sustainable growth for the Group, as well as further enhancing our corporate value. We hope you will look forward to it. This concludes my explanation. Thank you.

Moderator: Thank you.

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Question & Answer

Moderator [M]: We will now have time for questions and answers. Each person may ask no more than two questions at a time. Please understand that we may not be able to answer all of your questions due to the progress of the project. To begin, Mr. Tanaka, Morgan Stanley MUFG Securities, would you like to ask a question?

Hideaki Tanaka [Q]: My name is Tanaka from Morgan Stanley MUFG Securities. Can you hear me? Thank you. Two simple things: first, what was the details and amount of the one-time cost of the regional IT solutions?

Company Representative [A]: I will answer. For regional IT solutions, we have incurred one-time costs related to projects that have had issues in the past. Since this pertains to a completed project, it will be recorded as a one-time expense. I will refrain from giving details, but the amount is approximately JPY500 million in SG&A expenses.

Hideaki Tanaka [Q]: I understand. You can't disclose details about past problematic or unprofitable projects that may have resulted in issues or claims, right? I guess I should think of it that way.

Company Representative [A]: Yes, we have handled this with additional costs for projects that have had issues in the past, and that is the end of the process.

Hideaki Tanaka [Q]: I understand. The second point is on slide 15. The bottom line, software development orders for regional IT solutions, is plus 5.4%. I have a candid impression that, despite securing standardization projects with local governments, our performance seems relatively weak. How much did it contribute as an impact on the amount of money, and also what is happening in areas where there are some materials that are depressed, and what is the outlook for the future?

Company Representative [A]: Thank you. Generally speaking, there was an increase of about JPY3 billion related to local governments, but there were some major projects last year. The negative amount of the software development is about JPY1.3 billion, but I hope you understand that this is about the same amount as the positive amount.

Regarding the local government projects, the timing of our orders has indeed been pushed back significantly. While we haven't secured all contracts yet, the plan to gradually receive and begin work on them remains unchanged. We intend to firmly record sales as we move into H2 of the fiscal year. That's all from me.

Hideaki Tanaka [M]: Thank you very much. That's all from me.

Moderator [M]: Thank you very much. Please continue with your question, Mr. Tanaka, Goldman Sachs Securities.

Chikai Tanaka [Q]: My name is Tanaka from Goldman Sachs. I have two questions. The first point is about unprofitable areas, which may be related to the previously mentioned JPY500 million. I'd like to ask specifically about the unprofitable aspects first. There are significant projects coming up in offerings, so I would like to inquire about the details and the timing for the cutover.

With regard to the unprofitable project for the regional IT data in Q4 last year, you mentioned that you were going to determine whether or not to continue the project. I was wondering if it might have been the JPY500 million project you mentioned earlier. If you have determined the situation, could you please let us know? That is my first question.

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Company Representative [A]: Thank you. I will explain about unprofitable projects. As I explained, we have JPY500 million in offerings and JPY200 million in the industrial sector. Within the offerings, there are about two projects totaling approximately JPY200 million. We have encountered issues related to testing transitions and quality challenges, and we are implementing measures such as re-planning. Therefore, we believe that there will not be a significant impact on our performance moving forward. We are now moving forward with the plan to release by the end of this fiscal year.

Regarding the past unprofitability of regional IT solutions, this has already been completed and the contract with the client has been terminated. We have already incorporated all of this into our financial results, so we hope you will understand that there will be no impact on our future performance. That's all from me.

Chikai Tanaka [Q]: Thank you very much, I just have a follow-up question. First, could you clarify which industries the offerings pertain to? Secondly, regarding regional IT, is it correct to understand that you are not restarting new projects, including contracts, correct?

Company Representative [A]: Yes. As for the regional IT, it has already been completed without being launched as a new project. As for the offerings, there is a small accumulation of items in each sub-segment, including the settlement area. We have taken all measures and will proceed to release them firmly. That's all from me.

Chikai Tanaka [Q]: Thank you. The second major point, I wanted to ask about that financial IT part. So far, things are coming along as planned, but I would like to ask again about the timing of the rebound from the large-scale projects.

It's anticipated that we will go through a full cycle this fiscal year, likely leading to a recovery next fiscal year. However, regarding the current card projects and whether it will reach a bottoming out this fiscal year, how has this perspective changed compared to the initial plan? Even if you can cover the situation elsewhere, the situation of orders continues to be too weak in the absence of that reactionary decline, so I would like to ask you about the general financial order environment as well.

Company Representative [A]: Okay. As I mentioned at the beginning of this report, the financial IT activities were generally in line with the plan, and the impact of the peak out was generally in line with our expectations. We also recognize that we have achieved a slight improvement over our original plan.

Regarding the future outlook, the public sector projects have peaked, so we expect to see year-over-year impacts this fiscal year. Additionally, large card projects have also peaked, so we expect year-over-year impacts this fiscal year. However, we believe that in H2, it will generally follow the projected line we provided, leading to a peak-out.

We also believe that the card will have an impact on the next fiscal year and beyond, as it is a longer-lasting project. Although we currently expect a slight negative figure for the next fiscal year, we do not believe that it will be several billion yen as in the current fiscal year, and we intend to make a solid recovery in this area as well as others.

Regarding the environment for orders in the financial IT sector that you pointed out, even excluding the impact of the peak out period, orders in H1 were down approximately JPY700 million. Although we have been steadily increasing sales and orders from other core credit card and megabank customers, we still believe that we do not have enough orders to build up our order situation. The modernization project that Okamoto just described has not yet led to any major orders, so we will try to make a comeback by linking such orders in H2 of the fiscal year. That's all for my explanation.

Chikai Tanaka [M]: Thank you very much for your detailed explanation. That's all from me.

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Moderator [M]: Thank you very much. Continuing on, Mr. Kikuchi, SMBC Nikko Securities, would you like to ask a question?

Kikuchi [Q]: I am Kikuchi. Thank you for your time today. There are two questions from me. I think there is a bit of overlap with Mr. Tanaka's question, but my understanding of large card deals is that they are no more than JPY10 billion or JPY20 billion, but I wonder if they had the effect of boosting annual sales by that amount.

With the decrease in H1 of the fiscal year, the revenue decline in the credit card business will be about JPY1.5 billion, which may amount to several billion yen for the full year. I don't think all the increases will disappear, but it feels like you are still in the early stages and haven't fully absorbed the rebound effect yet. I'm considering that this outlook may continue into the next fiscal year, and it seems likely that next year could be even stronger. However, I'm curious about the trajectory. How do you see it declining moving forward?

That relates to my second point: you are launching various offerings and services to absorb the changes. And I think the third year was already looking at that phenomenon as a big jump up, completely absorbing it. It's still early, but if there are any concrete results that can be considered achievements, such as specific figures you can discuss regarding the absorption of these offerings, especially in light of President Okamoto's mention of the light version being launched and sales activities underway, please let us know. That's all from me.

Company Representative [A]: Yes. Let me explain the first point. I know this overlaps with my earlier answer to Mr. Tanaka, but the scale of sales has declined considerably this fiscal year, and the impact will remain in the next fiscal year as well.

As indicated in our mid-term management plan, we are currently focusing our sales activities to ensure a solid recovery in the final year. For the FY2025, we will provide specific details when we announce the mid-term plan around May next year. At this point, I believe there will indeed be impacts from the decrease in revenue and profit. We are committed to making efforts to minimize those effects as much as possible. The impact will remain until the next fiscal year.

As for business development for recovery, we are not yet in a position to clearly name this customer, but we have several large sales projects in the field of modernization, and we would like to work on large projects based on such projects. We would like to do some big ones based on those projects. Regarding the offering services, we will continue our sales efforts, as that is the only way forward. This includes credit SaaS, and we aim to make solid progress in recovering our position in these areas. At this time, we do not have any specific customer names or confirmed orders that we can disclose.

Kikuchi [M]: Thank you very much. That's all from me.

Moderator [M]: Thank you very much. Please continue with your question, Ms. Sato, Jefferies Securities.

Sato [Q]: My name is Sato from Jefferies. Just one very simple question, but I wanted to ask how much was the ICS portion of Q2 orders and sales in the offering services? I believe this is something that was not included last term and is included this term.

Company Representative [A]: Yes, that's right. I will answer your question in terms of numbers. ICS sales were JPY2.7 billion in H1, JPY2.3 billion in Q1 due to the effect of new consolidation, and JPY400 million in H2 due to continued strong sales including IT subsidies, etc., for a total sales of JPY2.7 billion. Orders received were up JPY1.6 billion in Q1 and Q2 was almost the same as last year, so I hope you can understand that H1 was generally affected by these projects.

Sato [Q]: The JPY1.6 billion you just mentioned, is this only for Q2 or Q1?

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Company Representative [A]: Yes, please understand that Q1 was plus JPY1.6 billion due to the effect of new consolidation in YoY, and Q2 was about the same as last year, for a total plus of JPY1.6 billion.

Sato [Q]: Is it something like plus JPY1.6 billion in H1? Regarding the JPY47 billion, this is an order, right? Could you clarify how much of that is attributed to the ICS portion?

Company Representative [A]: You mean for the actual amount.

Sato [Q]: Of this JPY47.2 billion, how much was the impact of ICS?

Company Representative [A]: Yes, our sales are generally between JPY2 billion and JPY2.5 billion per half year, so please understand that the orders we receive are about the same.

Sato [Q]: So, we can think of it as a total of around JPY1.2 billion to JPY1.3 billion each, correct?

Company Representative [A]: No, I would like you to think that it is about JPY2 billion for the quarter.

Sato [M]: JPY2 billion for the quarter. I understand. Thank you. That's all from me.

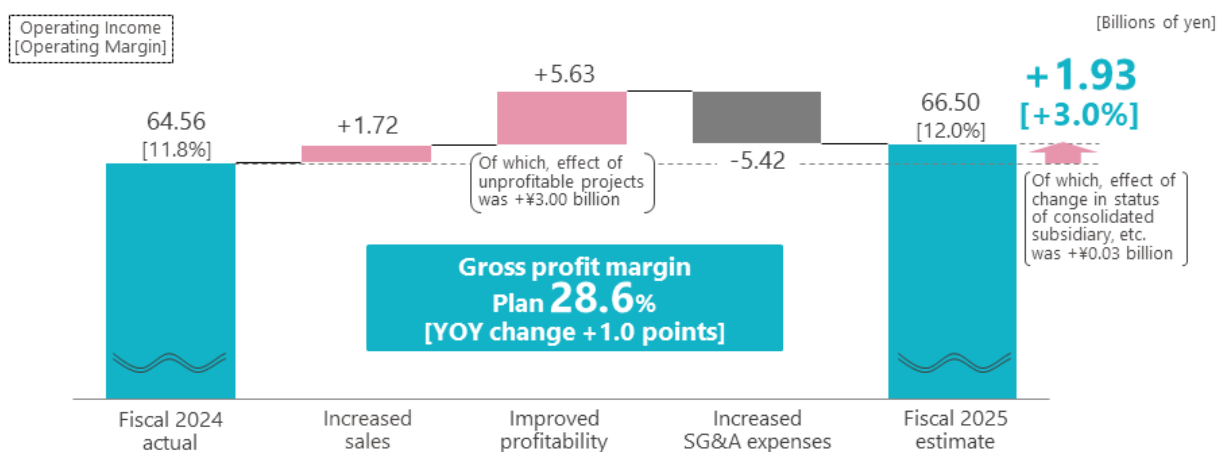
Moderator [M]: Thank you very much. Continuing on, Mr. Tsuruo, Citigroup Securities, would you like to ask a question?

Fiscal 2025: Operating Income Analysis, Increase/Decrease Reasons [Forecast]



No change from estimates announced on May 8, 2024

- Will maintain robust growth investment, including investment into human resources. Anticipate higher operating income, buoyed by an increase in profit achieved by providing high-value-added services, leveraging measures to boost productivity and other approaches.



Growth investment costs
 (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)

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

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Tsuruo [Q]: Thank you very much. Now the first question concerns page 19. Although the forecast on page 19 is unchanged from the beginning of the period, the unprofitability has already exceeded the Company's

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internal plan. I certainly don't think it's that big of a deal since the overall performance is in line with the assumed line plus or minus, but can you tell me a little bit about your thinking right now on this chart? In particular, how much of the unprofitable projects for the full year are likely to be this fiscal year after all? I would appreciate your comments on that.

Company Representative [A]: Yes. As for the full-year plan, we are planning to hold down the unprofitability to about JPY1.8 billion, JPY500 million more than the original plan for H1, by firmly controlling it in H2, despite the disappointing results.

When looking at the segments YoY, the offerings are indeed in the negative, while broad-area IT shows significant positive growth. However, as I mentioned at the beginning, there are currently no particular concerns regarding the offerings. We aim to maintain the momentum from H1 into H2 and steadily increase order sales, particularly in the payments sector.

As for regional IT solutions, I repeat, the hurdle is a little high, but we have begun to receive orders, so we will work hard to achieve a solid recovery in H2 and achieve our full-year target without giving up. That's all from me.

Tsuruo [Q]: Just to confirm, the plus JPY3 billion for unprofitable impact would be about plus JPY2.2 billion, according to what you just said. Where should I understand it to be covered? Increased revenues? Or is it to keep costs down?

Company Representative [A]: First of all, we are determined to increase revenues, so as you can see from the results of H1, we are determined to increase revenues from off-filing services. In the industrial IT field, we hope to win back orders for ERP and utilities, which is our forte.

Tsuruo [Q]: Just one more follow-up. I understand that you are still anticipating unprofitable plans for about JPY500 million in H2. Are there any projects that you are interested in right now? Is it safe to assume that the direction of convergence is a definite trend, such as a JPY1.3 billion increase in H1 but a decrease to JPY500 million on the downside?

Company Representative [A]: Yes. I will answer. I think you can understand why we are raising JPY500 million. We have set a goal of keeping the amount within half of the original JPY1 billion. There is no indication that we are about to incur a large loss on any major projects or that we are about to become unprofitable, as we promised in H1, of course. We will continue to monitor and control the situation by expanding our quality control activities to our members and groups. We intend to work firmly in the direction of not letting any loss. That's all from me.

Tsuruo [Q]: I understand your thoughts. On to the second question. This is my last question. Light version of credit SaaS, which means there are JPY5 billion to JPY10 billion to raise. I think it was late last year when you announced your involvement in this, so I think it has been about a year. How soon do you think sales will actually start to pick up or orders will start to rise? Or what percentage of sales should we expect to actually be generated in the next fiscal year?

Company Representative [A]: Yes. I'd like to discuss the next fiscal year separately and in more detail when the time comes. At the very least, we would like to bring our sales situation to a point where we can at least make sales in Q3 and Q4, or H2 of the fiscal year. Based on the status of introduction, we would like to make a firm plan for the next fiscal year. That's all from me.

Tsuruo [Q]: How much sales do you hope to generate this fiscal year? It would be great if you can give a range.

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Company Representative [A]: It depends on the timing of the order this fiscal year, but if we can get the order early enough, we will be able to introduce the system, so I think it would be fine to assume that the order will be a few hundred million yen or less.

Tsuruo [M]: Thank you. That's all the questions I have.

Moderator [M]: Thank you very much. Please continue with your question, Mr. Ueno, Daiwa Securities.

Ueno [Q]: I'm Ueno from Daiwa Securities. very much. In the Q&A session a little while ago, you said that measures are being taken to deal with the occurrence of unprofitable operations, etc. You mentioned two-step checks and sharing of know-how across departments and divisions.

I've been observing your company for a long time, and I've noticed that one of its strengths or weaknesses is that each department operates quite independently, with different business approaches. It seems challenging to share know-how across departments. Recently, has there been progress in standardizing platforms or in unifying development methods outside your company? Are there any mechanisms in place that encourage synergy between departments?

Company Representative [A]: First, regarding the development process, we have had the Quality Innovation Division for some time. Here, we have been able to platform all the information about the development process, as well as the causes of various past troubles and unprofitable projects, and we share that information in a structured way.

In addition, the Quality Innovation Division works with the field staff to assess risks from the time of proposal, and based on past cases, we are firmly establishing a situation where we can share information such as whether it is better to accept an order or not to accept an order. This is the first point.

Additionally, I would like to mention a technical aspect. We use various technologies across different areas, and we have a platform called canal. Our group's engineers are registered on this platform, and when technical questions, doubts, or requests for help are posted, thousands of engineers with expertise in various fields provide answers, working towards solutions. We have prepared and are actively utilizing this platform, so I believe we are effectively generating synergy in that regard. That's all from me.

Ueno [Q]: From what I've heard, it seems like the system is well-established and the organizational standardization is in place. The unprofitability this time appears to stem from areas outside this structure. For example, was there an issue with human-based communication skills during the early stages of engagement with customers? Or were there any cost-related issues that arose during the development progress? As for this time, what is the reason?

Company Representative [A]: Yes. In terms of TIS on a stand-alone basis, we have been somewhat unprofitable, but we are aware that we are basically responding well based on this platform.

Ueno [M]: I see.

Company Representative [A]: We are expanding to the Plus Alpha group, but as I mentioned in H1, we have yet to fully penetrate the market. It is a fact that the system has not been fully penetrated by the experts. If you could understand that we are working to firmly establish this by assigning members to pick up the pieces from this fiscal year.

Ueno [Q]: So, it seems that while this is working well within TIS itself, as you mentioned, the development may extend to partner companies or group companies, and it's the extension to those areas that hasn't fully penetrated yet. Is that correct?

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Company Representative [A]: If you take it in the sense of a group of companies, not in the sense of subcontractors.

Ueno [Q]: I see, within the Group. Is this in a sense a matter of time? Or, if I may ask, compared to the main body's standards, could it be that the quality of personnel within the Group is somewhat lower, which might lead to longer learning times and difficulties in reaching effective conclusions?

Company Representative [A]: I think one thing is a matter of time. Group companies are also involved in system development and SI, and naturally, they have strong technical capabilities and a good understanding of the landscape. We need to integrate our quality processes into their operations effectively. This is an understandable story, and I feel that we must do this properly, even if it takes time.

Ueno [Q]: Do you feel or sense that next year will be okay as management?

Company Representative [A]: I'm not optimistic by any means, but the problems with the project that you mentioned this time came up in the process of developing the process, which is a strange thing to say, but the process has been going on for a long time. We have not made any strong efforts in this area, but since 2024, we have been assigning our experts to this area, and we strongly hope that our efforts will be effective from the next fiscal year onward.

Ueno [Q]: I see. I share the same sentiment as others that, if it weren't for the unprofitability, the situation would have been quite positive, which is indeed a missed opportunity. I have high expectations. Thank you.

Company Representative [A]: We will do our best.

Moderator [M]: Thank you very much. This will be the last question. Morgan Stanley MUFG Securities, Mr. Tanaka, please go ahead.

Hideaki Tanaka [Q]: Excuse me. This is Tanaka from Morgan Stanley for the second time. On page 25, there is the light version of the credit SaaS. I think you mentioned a little bit about SI and other sales. Does the figure of JPY50 billion to JPY100 billion refer to SI sales, or is it meant to indicate annual recurring revenue? How should we interpret this?

Company Representative [A]: This is based on a similar concept to credit SaaS. While it is on a smaller scale, there is certainly also implementation SI involved, so you can understand it as encompassing both aspects.

Tanaka [Q]: Understood. So, if you have JPY50 billion to JPY100 billion from SI, what would the best-case scenario indicate for the annual recurring revenue? And in a more conservative outlook, how much annual revenue can we expect?

Company Representative [A]: At this point in time, we have not yet expanded that far, so we are thinking a little conservatively. We would like to be able to explain to you how much we can make in recurring revenue as we receive a few more orders.

Tanaka [M]: I understand. Thank you. That's all from me.

Moderator [M]: Thank you very much. We will now conclude the question-and-answer session. Lastly, Okamoto would like to offer his greetings.

Okamoto [M]: Thank you very much for participating in the TIS Q2 financial results briefing for the fiscal year ending March 2025. I would like to express my greatest gratitude. If you have any further questions, please continue to contact our IR staff during individual interviews or by phone as in the past.

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Also, as I informed you earlier, we are planning to hold a business briefing session. It will be on the evening of December 3. The theme of the session is the modernization business, which I am very passionate about. The responsible organization will provide a detailed explanation, so I hope you will join us for that. We look forward to your continued interest in our company. Thank you very much.

Moderator [M]: With that, we would like to close today's briefing. Thank you very much for taking time out of your busy schedule to join us today.

[END]

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