



**TIS Inc.**

TIS INTEC Group Business Briefing (Modernization Services)

December 3, 2024

## Event Summary

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<b>[Company Name]</b>	TIS Inc.	
<b>[Company ID]</b>	3626-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Analyst Meeting	
<b>[Event Name]</b>	TIS INTEC Group Business Briefing (Modernization Services)	
<b>[Fiscal Period]</b>		
<b>[Date]</b>	December 3, 2024	
<b>[Number of Pages]</b>	29	
<b>[Time]</b>	16:00 – 17:22 (Total: 82 minutes, Presentation: 43 minutes, Q&A: 39 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Satoru Tayasu	Managing Executive Officer, Division Director, Industries & Public Solutions SBU
	Hidehiko Shimoyama	Managing Executive Officer, Division Director, Financial Industry SBU
	Hiroki Kumagai	Senior Executive Fellow, Technology & Innovation SBU
<b>[Analyst Names]*</b>	Chikai Tanaka	Goldman Sachs
	Satoru Kikuchi	SMBC Nikko Securities
	Makoto Ueno	Daiwa Securities
	Hiroko Sato	Jefferies

\*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

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**Moderator:** Ladies and gentlemen, thank you for your patience. TIS Inc.'s business briefing session will be held from now.

As you have been informed, today's business briefing will focus on TIS's modernization business. We hope that this will provide you with an opportunity to gain a deeper understanding of our group's initiatives and activities.

The briefing will begin with a 40-minute presentation on modernization business strategies, followed by a 30-minute Q&A session for a total of 70 minutes, but please note that the entire session may last up to 90 minutes depending on the situation. Please refer to the Company's website for the documents as appropriate.

I would now like to briefly introduce today's speakers.

The first one is Satoru Tayasu, Managing Executive Officer, Division Director, Industries & Public Solutions SBU of TIS Inc.

The second one is Hidehiko Shimoyama, Managing Executive Officer, Division Director, Financial Industry SBU, TIS Inc.

The third speaker is Hiroki Kumagai, Senior Executive Fellow, Technology & Innovation SBU, TIS Inc.

We will now hold a briefing session. Mr. Tayasu, Managing Executive Officer, thank you very much for your time.

**Tayasu:** Thank you very much for taking time out of your busy schedules today to attend the TIS Inc.'s business briefing.

The modernization business, which is the theme of this year's event, solves the challenges faced by many of our customers with legacy IT and computer assets. We have chosen to focus on this theme from the perspectives of both corporate and social contribution and the growth of our group's business. We hope that this presentation will be a good opportunity for you to deepen your understanding of our group.

I would now like to begin the explanation. Thank you for your cooperation.

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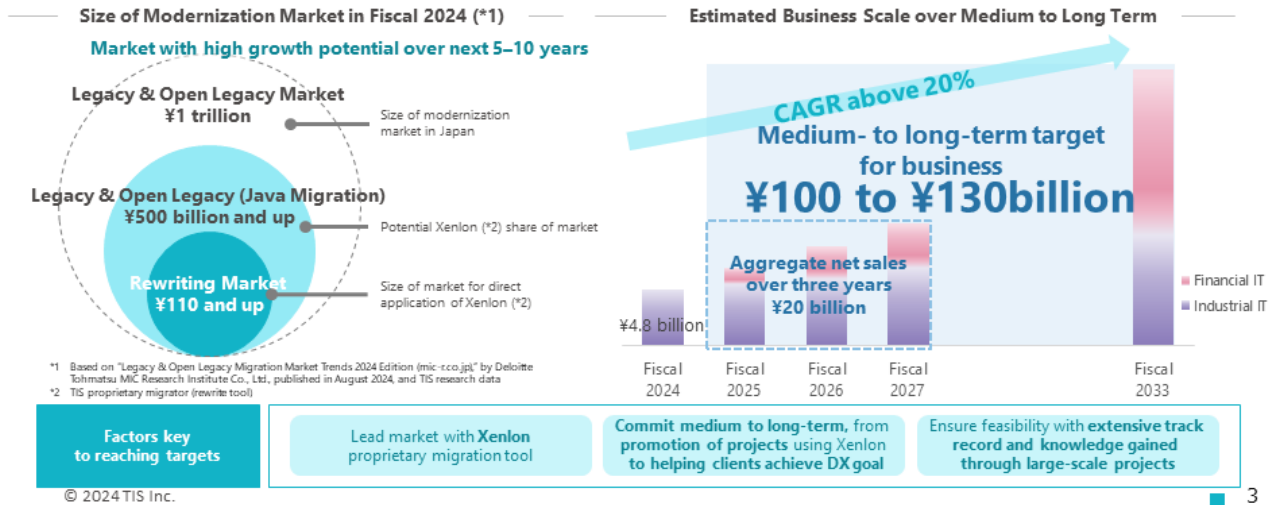
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# TIS' Modernization Services



Position modernization as growth driver in Industrial IT Business and Financial IT Business pursuits under the current medium-term management plan (2024-2026) and work on **measures (modernization services) to address the risk of social and corporate stagnation and decline inherent with legacy systems.**



First, I would like to talk about the envisioned view of the modernization project. First, the size of the market.

In the single fiscal year of 2024, the legacy or open legacy market was about JPY1 trillion, of which about half was to be migrated to the Java system using some means or methodology.

As for our company, we are proposing the methodology and means of rewriting to the market, and the rewrite market, which is our direct target, is just over one-fifth of the Java conversion market. Naturally, we will actively propose rewrite methodologies, and we are aware that the market region we will focus on is between approximately JPY100 billion and JPY500 billion.

The scale of business we are aiming for in the medium term is JPY20 billion, which is the quantitative target we have already announced to you in our current three-year medium-term plan. The market is expected to expand over the next five years, and we are aiming to promote and expand the market at an annual rate of more than 20%. We are aware that the scale of business we are aiming for in the medium to long term is more than JPY100 billion.

There are three key factors that bring this view of goals toward achievement. One is to market proposals that make full use of our own migration tool and engine, Xenlon~Shinryu.

And in addition to the solid promotion of projects centered on this Xenlon~Shinryu, we would like to make medium- to long-term proposals and commitments to our customers for the DX beyond that.

Third, we have extensive experience and knowledge in promoting large-scale projects. We would like to propose a mistake-free completion backed by our experience and knowledge.

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1. Market trends in modernization services and TIS engagement
2. Xenlon’s track record and strengths
3. Efforts to further expand business activities

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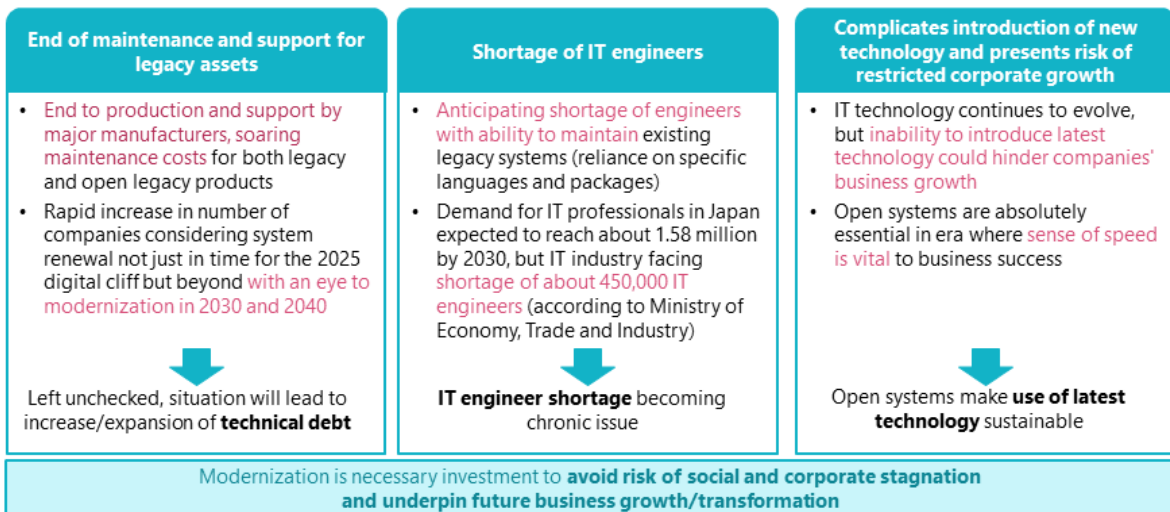
Please see page four.

The following sections will provide a step-by-step explanation of market trends in the modernization business, TIS’s initiatives, Xenlon~Shinryu’s achievements and strengths, and initiatives for further business expansion.

### Trends and Issues in Modernization Market



- Such legacy assets as mainframes, which have long supported corporate activities, run risk of becoming liabilities that lead to social and corporate stagnation and decline.
- Trend toward open standards rapidly gaining momentum as major manufacturers end production and support for legacy systems and maintenance costs soar.



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First, I would like to discuss market trends and TIS’s efforts in the modernization business. Please see page six. These are market trends and challenges.

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We recognize that legacy assets are now a risk of sedimentation and stagnation for society and businesses, and that this trend will become stronger in the future. There are three factors that contribute to this perception of the situation.

One is the problem of legacy assets running out of maintenance and support. There is a prospect of discontinuation of production and support, mainly by major manufacturers. In the process, there is the problem of escalating and expensive costs.

There seems to be a growing momentum to update the system toward modernization, not only for the 2025 barrier, but also for a sense of urgency when looking ahead to 2030 and 2040. The sense of urgency is that if this situation continues, the technical debt will become a very big risk.

Second, there is a shortage of IT technicians. A serious shortage of IT technicians to take care of existing legacy systems is foreseen. Demand for IT personnel is projected to be approximately 1.6 million by 2030, compared to a projected shortage of 450,000.

Given the nature of IT professionals, they tend to shift to the latest technology trends, and we are aware of the risk that there will almost certainly be a serious shortage of human resources in the older legacy technology areas.

Third, there is a sense of crisis in the fact that we do not have a system that can introduce the latest technology toward the original direction of using the latest IT technology to promote the business promotion of our companies.

In the pursuit of business speed, there is a risk that the IT structure that originally supports the speed of business may become a hindrance to the speed of corporate business promotion. In response to this, I believe that there is a recognition that we must quickly create the groundwork to make more than adequate use of the latest sustainable technologies through openness.

In general, we believe that modernization is a necessary investment to avoid the risk of social and corporate stagnation and for future business growth/transformation.

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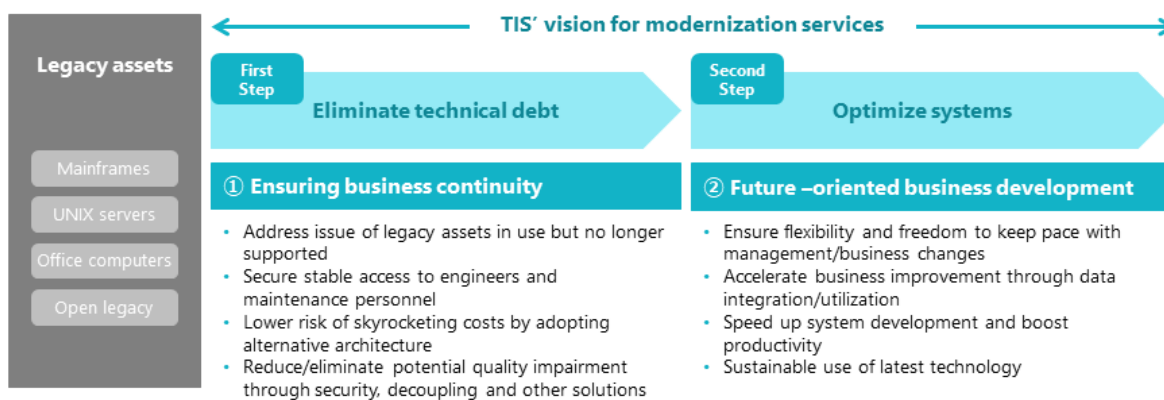
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## Definition and Scope of Modernization Services

- Modernization services are not one-off pursuit but rather a business category that will support future corporate expansion through continuous efforts to optimize client IT systems.
- Modernization services are defined under the following two steps.
  - First step: Approach aimed at ensuring business continuity by eliminating technical debt, namely, efforts to reduce costs and sidestep EOS (End of Support) issue.
  - Second step: Approach aimed at optimizing systems to promote DX shift, including measures to ensure system agility and flexibility, and expanding clients' corporate activities for the future.



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Page seven please. This is the definition and area of business.

We do not view our modernization business only as a narrowly defined migration or transient migration. We define it as a medium- to long-term commitment to continuously optimize our clients' IT systems for the future.

As shown in the diagram below, there are two steps in the business area.

The first is the phase of resolving the technical debt I mentioned earlier, in other words, ensuring the continuity of the business. After that, we will optimize the system toward IT that contributes to the original business. TIS's stance and definition is to firmly support companies and customers with these two steps.

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- Combination of proprietary rewrite tool Xenlon and long-standing expertise as a system integrator (Sler) afford TIS with capability to demonstrate strengths and advantages in modernization services.

<p><b>Ownership of proprietary migration tool Xenlon</b></p>	<p><b>Offer access to Xenlon migration tool boasting high migration rate, accuracy, performance and maintainability</b></p> <ul style="list-style-type: none"> <li>• Having our own migration tool underpins continuity of improvement and growth and drives constant expansion of scope and breadth of support to clients</li> <li>• In core system upgrade projects where long-term use is a given, we preclude risk of issues and problems arising from black box created by other companies' tools including speed of resolving technical issues, change in direction due to acquisition of manufacturer, and change/increase in price.</li> </ul>
<p><b>Support for projects hinging on Xenlon, from project promotion to DX</b></p>	<p><b>Commit, with medium- to long-term perspective, to projects utilizing Sler advantage</b></p> <ul style="list-style-type: none"> <li>• Underlying advantages, such as Xenlon's high migration rate, support methodology, track record and implementation know-how that enable us to realize stable progress and high productivity on projects</li> <li>• We not only eliminate technical debt but also commit to meeting needs of corporate clients by accompanying them on journey of subsequent processes, such as maintenance, development and operation after system cutover, as well as proposing and realizing optimal architecture</li> </ul>
<p><b>Apply extensive experience and knowledge related to large-scale projects to ensure feasibility</b></p>	<p><b>Possess capability and track record to carry out long-term, large-scale projects</b></p> <ul style="list-style-type: none"> <li>• Boast project management know-how for successful completion of large-scale projects beyond rewriting as well as ability to mobilize domestic and international partners involved in project execution</li> <li>• Apply risk and troubleshoot reduction approaches, such as assessment by engineers familiar with characteristics of rewriting, and efficient methods and know-how for quality assurance at testing phase</li> </ul>

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Page eight please. I would like to talk about the features/advantages of TIS to the modernization market. I would like to make three points.

First, we have absolute confidence in our own migration tool, Xenlon~Shinryu. There are four points regarding the superiority of the Xenlon~Shinryu tool itself.

First, the conversion function itself has two advantages: it has an extremely high conversion rate and an extremely accurate conversion function. Next, there are two advantages in the converted program and system. One is that it eliminates performance degradation in conversion modernization, and in addition, it establishes extremely high readability to ensure maintainability for future improvement and maintenance. The Xenlon~Shinryu tool itself is superior in these four respects.

In addition, project promotion using tools and mechanisms has the negative aspect that it is more or less subject to the constraints of the tools. There is also the negative factor of not being able to 100% precisely determine the results of the tool's output, i.e., not knowing what will happen with the tool's output.

There are not such negative factors for Xenlon~Shinryu. We will tune Xenlon~Shinryu itself for each project, and we believe that we have a great advantage in being able to promote the output of Xenlon~Shinryu 100% within our own hands.

Next, we would like to offer our support for the promotion of the project and DX, with Xenlon~Shinryu as the axis of the project.

Based on the high conversion rate and other advantages of Xenlon~Shinryu, we have a methodology and know-how based on solid results. We would like to show our clients that this will ensure efficient project promotion, and that after updating the system base, we will provide ongoing proposals and support for improvement and enhancement throughout the promotion process.

Secondly, there is the solid feasibility of large-scale projects based on our wealth of experience and knowledge.

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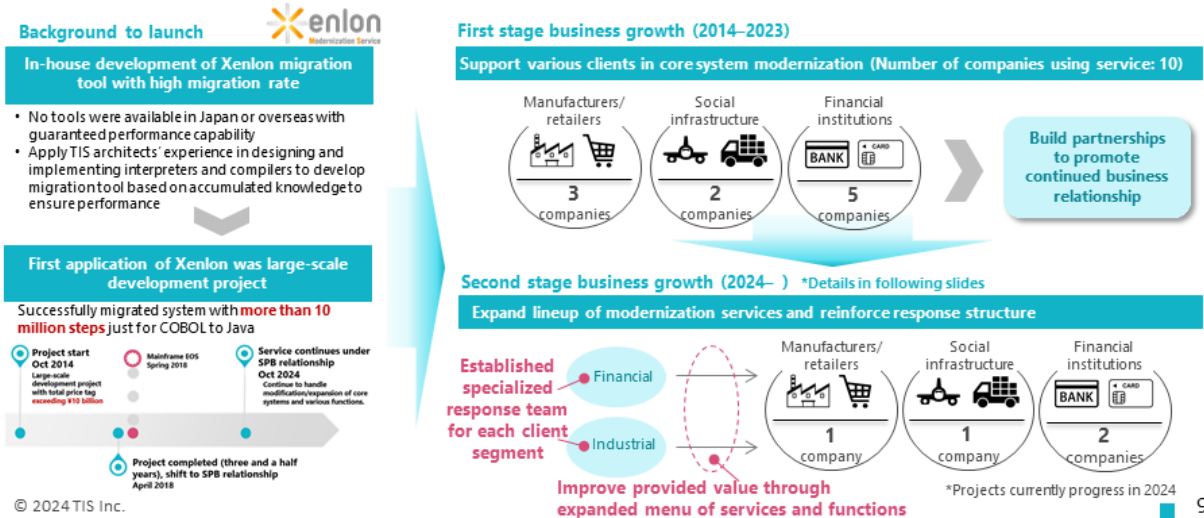
We have a solid track record of completing numerous large-scale project promotions. We are proud of our project management know-how and our solid mobilization capabilities to ensure that it is implemented and promoted.

In the rewrite aspect of this modernization project, we have the necessary perspectives, means, and frames for the rewrite in the pre-assessment, PoC, and testing phases, which are the most important phases. Our strength lies in our ability to offer reliable and productive promotion.



## Efforts to Date

- Xenlon, a focus of attention now, launched about 10 years ago, in 2014, and over the years has been adopted by a wide variety of companies across different industries/sectors and introduced to more than 10 companies in total.
- For some clients, business relationship with TIS continues even after system cutover, with TIS addressing large-volume requests covering system maintenance and operation.



Page nine, please. Next, I would like to discuss the results of our efforts to date.

I would like to talk a little about the birth of Xenlon~Shinryu, a tool that we are proud to offer.

In 2014, we had the opportunity to facilitate a very large and challenging project to convert a computer resource with over 10 million steps in COBOL at the time to Java.

At that time, we were considering tools, including automation, to efficiently and reliably promote the project, which was highly challenging. We conducted extensive research, not only in Japan but also overseas, but we could not find a tool at the time that we were satisfied with and could apply with confidence. Then, we decided to create the framework ourselves.

Since then, Xenlon~Shinryu has been applied to the case in question. We worked with the client to resolve several issues during the promotion and process, and over the course of approximately three and a half years, we were able to complete the project to a level that firmly exceeded the client's initial requirements. We have continued to support the client up to the present day.

Since then, we have proposed and promoted the modernization of mission-critical systems for a variety of customers, as shown in the upper right-hand column. Three companies are in manufacturing and retail, two in social infrastructure, and five in financial institutions.

Until last fiscal year, the Industrial and Public Sector Business Division, of which I am in charge, was in charge of promoting the project, but in light of the recent situation, we have established a modernization promotion

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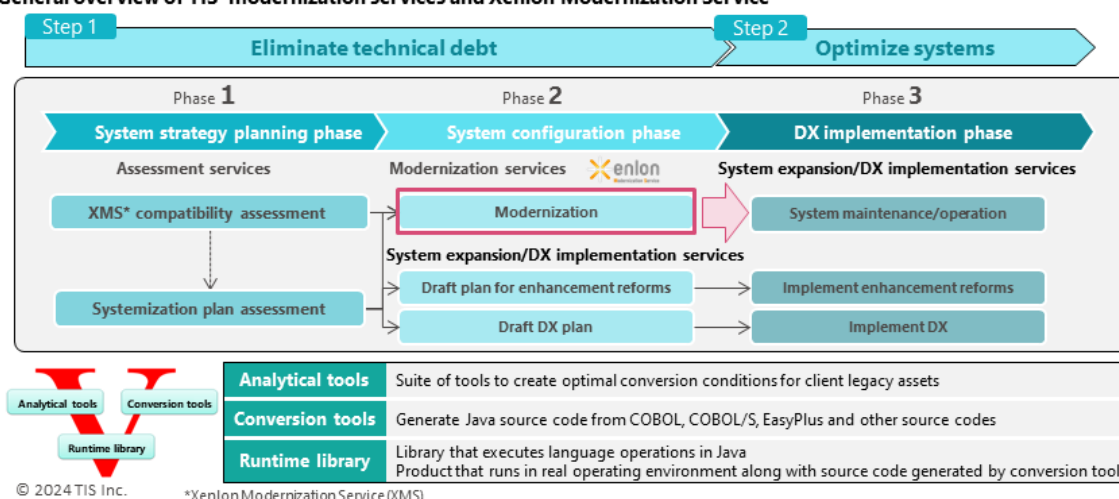
unit in the Financial Business Division to further strengthen the promotion of the project, and we have restarted the project with a twin cam system of finance and industry. Currently, we have one project in manufacturing and retail, one in social infrastructure, and two in financial institutions.



## What is Xenlon?

- TIS' modernization services will be moving into two steps. Step 1 was split into two phases, with services offered in each phase. Xenlon Migrator, our own rewriting tool, is vital to Phase 2 modernization services and in combination with other tools, that is, analytical and conversion tools, will underpin modernization of clients' legacy assets.

### General overview of TIS' modernization services and Xenlon Modernization Service



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Next, Mr. Kumagai will explain Xenlon~Shinryu's achievements and strengths.

**Kumagai:** I will continue to explain.

First, modernization of Xenlon~Shinryu is achieved in two steps. This will eliminate technical debt and optimize the system. We migrate your systems from legacy environments to open environments such as the cloud.

To be a little more specific, we will migrate legacy languages represented by COBOL and PL/I to Java. This will create a base for promoting and practicing DX.

The customer has multiple systems. Some of its customers' systems are very closely related to its legacy systems. Such things are inevitably affected by legacy systems, which tend to slow down the system's construction schedule. We will accelerate and promote DX by eliminating these technical liabilities.

The first step consists of assessment and modernization services.

The modernization service is realized through the process of converting the customer's system to Java with a tool known as Xenlon~Shinryu. The core of this modernization by Xenlon~Shinryu is a conversion tool called Xenlon~Shinryu's Migrator.

This conversion tool is composed of three parts: an analysis tool, a conversion tool, and a runtime library. The analysis tool analyzes your system and produces a configuration for optimal conversion patterns. Depending on its configuration, the conversion tool will convert your code into open Java.

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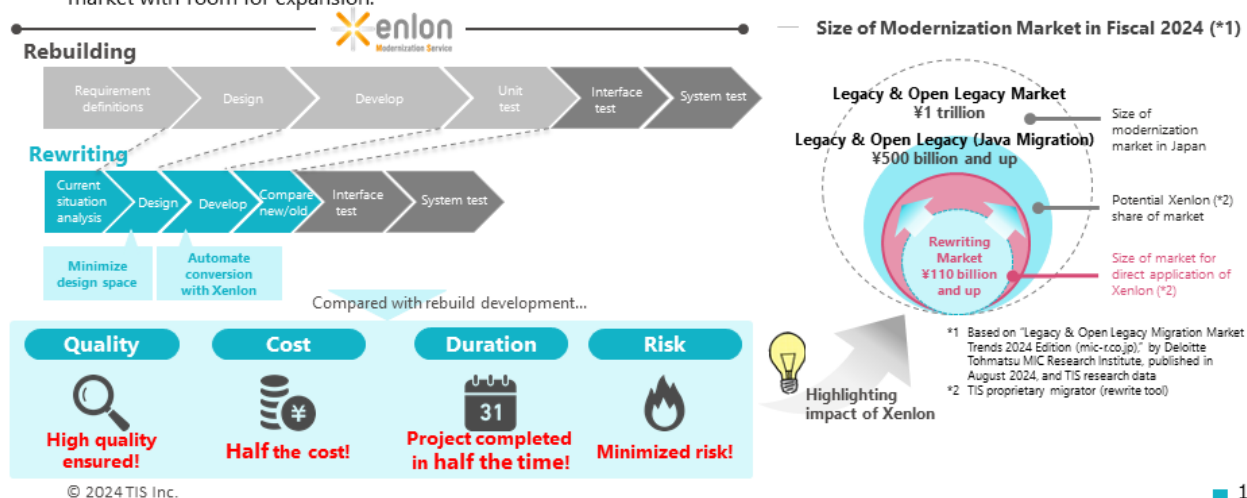
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## Xenlon Impact and Market Size

- Rebuilding requires that the person in charge has a good grasp of current operations and be closely involved in the project and the project itself moves forward in a waterfall style with documentation already in place (or in preparation). Also, system freeze periods tend to be longer, incurring significant cost.
- For the above reasons, many companies are shifting their focus from rebuilding to rewriting, and we see rewriting as a market with room for expansion.



At the beginning of this briefing, I mentioned the modernization market.

Here I would like to talk about how we approach this market.

There are several possible ways to modernize legacy systems.

One is called rebuilding. It will be reconstructed. This would mean redesigning the system from the ground up and building it in a different language from the existing one.

Rewriting, as mentioned on the previous page, is a method of revamping the language of an existing system into a new language using tools. By reworking the logic that is currently running correctly into the new language, we can compress and reduce the time and cost of all processes compared to rebuilds.

As for quality, we ensure high quality by transferring all the logic that was running in the existing system to the new system. The risk of extending the construction period due to current analysis, which is common in rebuilds and reconstructions, can be minimized.

If we are talking about radically improving a system, including its internal flow, and we want to renovate 70% or 80% of the existing system, I can imagine that a rebuild would be a good candidate. However, in most cases, when the system is to be migrated to a new system, we believe that this rewrite method will satisfy the customer in terms of both time and cost.

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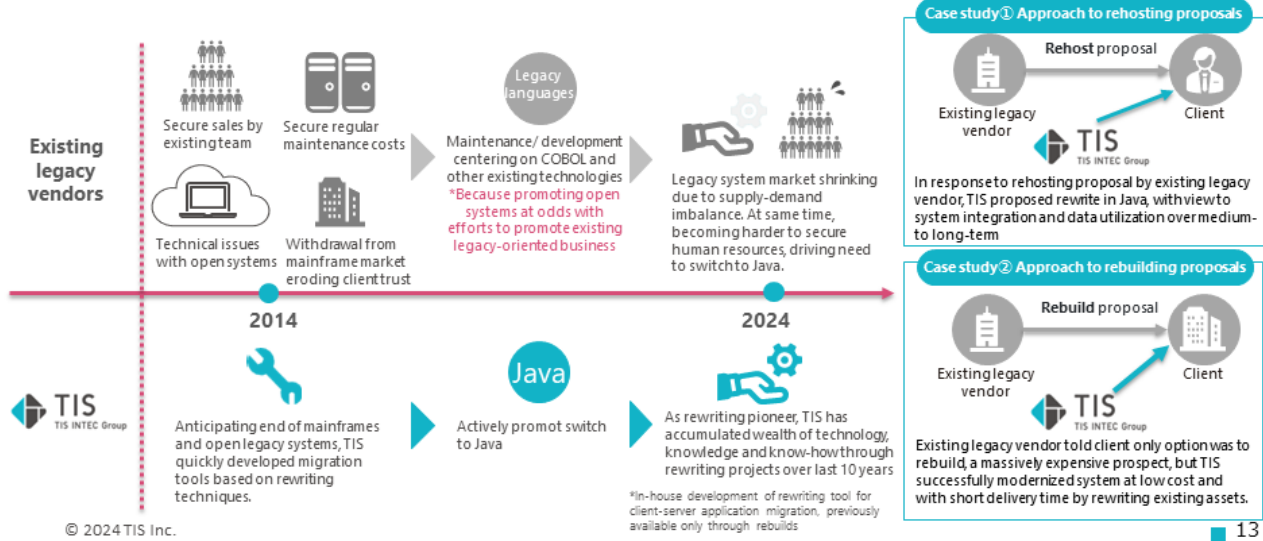
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# Initiatives and Strengths in Modernization Services Driven by Xenlon



- TIS does not manufacture mainframes, UNIX servers or any kind of hardware. Therefore, take client perspective in actively pursuing research and investment into Java so as to ensure current program assets contribute to business over medium to long term. Believe experience and know-how accumulated so far differentiates TIS' solutions from rivals in industry.



Next, I would like to talk about each company's response to modernization.

No domestic mainframe or UNIX server vendor has ever offered a solution that supports such a rewrite method.

That being said, it is still a positive for business if a certain number of units are secured. However, as the number of hosts subject to modernization decreases to some extent, costs related to their support and maintenance will inevitably put pressure on sales and profits.

In 2014, when we were developing this type of business, it was probably still viable. At that time, we were already innovating our clients' businesses through rewrites. We have also developed our skills over the past 10 years by rewriting systems with various customers.

Recently, mainframe vendors have proposed this type of rewrite method, using tools from other companies, but we believe that there is a gap between our technology and the technology of the past 10 years.

In fact, one of our press releases a while back was a solution for migrating client-server applications to web applications. This is another example where we were able to win a project by using our technology to do what current vendors could not do.

Case 1 is an example of how we proposed a rewrite to a rehost and won the project, and Case 2 is an example of how we proposed a rewrite to a rebuild and won the project.

In Case 1, the customer chose Java if the cost and timeframe were the same, and in Case 2, the customer chose rewrite in consideration of cost and timeframe.

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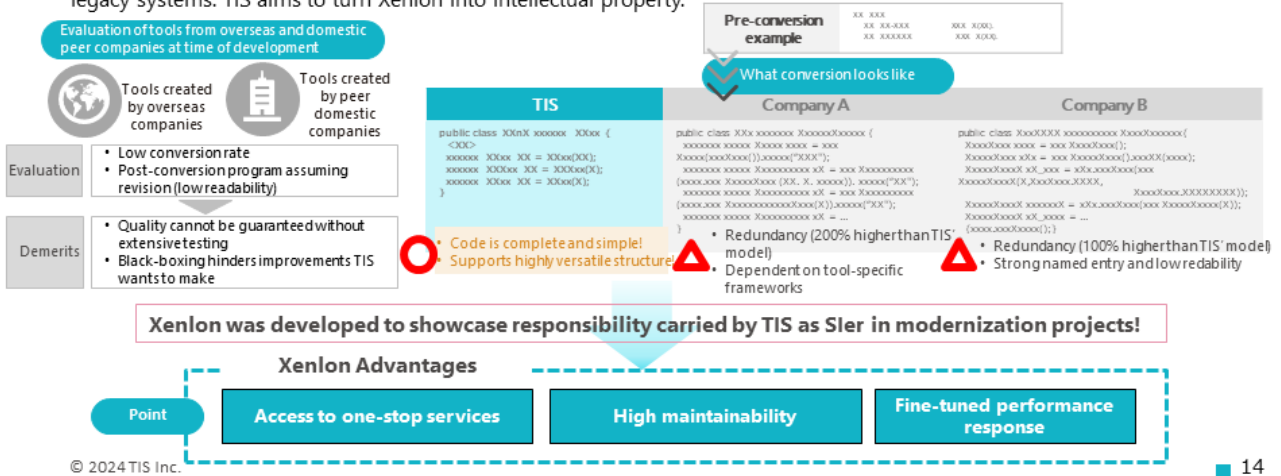
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# Xenlon Advantages

- Reason behind independent development of Xenlon was a lack of tools, even from overseas vendors, that satisfied client requirements and provided guaranteed performance. Xenlon was thus a response to an obvious need for a **tool that could ensure maintainability** of core systems over medium to long term following switch to Java (cutover).
- Xenlon goes beyond maintainability, however, bringing together **wealth of insights and know-how** on technical elements needed for open source development and **measures to address performance issues** that pop up when migrating from legacy systems. TIS aims to turn Xenlon into intellectual property.



There is a reason why we developed Xenlon~Shinryu independently.

As I mentioned earlier, when we received a request from a client to convert to Java, we conducted a survey that included overseas tools. However, many of the tools lacked consideration for maintenance after conversion to Java.

For example, what was about 10 lines of code in the system before the migration was three times that amount when converted from COBOL to Java. Using such a tool will degrade the productivity of subsequent maintenance. As I mentioned earlier, productivity will deteriorate after the rewrite.

Also, these tool vendors basically only do language conversion. Therefore, verification of tests, etc., is the customer's role. This also means that if performance issues arise during testing, they will be addressed with individual modifications.

This is why we needed to develop our own tools so that we, as Slers, can confidently recommend them to our clients and take responsibility for their projects.

The key points are to provide customers with one-stop service, maintainability, and performance assurance.

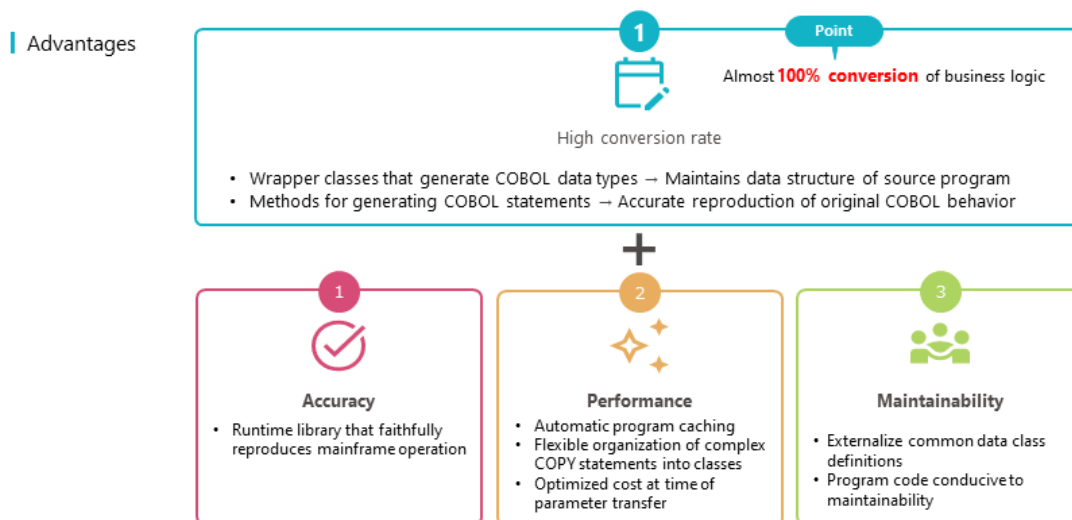
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## Xenlon Advantages

- Xenlon is a high-performance migrator boasting a high conversion rate plus advantages of accuracy, performance and maintainability, and covers all key elements of a rewrite project.



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I would like to further discuss the strengths of Xenlon~Shinryu. When explaining to our customers, we promote the strengths of this Xenlon~Shinryu in 1 plus 3.

The first is the conversion rate. Without a high conversion rate, the project will inevitably go astray. Xenlon~Shinryu holds a conversion rate of 100% for its customers.

If the conversion rate is 70%, for example, if the remaining 30% that cannot be converted is known, then it should be possible to analyze it and make it 100%. However, this means that there is a 30% portion where we do not know where the conversion is not possible. This would mean that we would have to test all the converted sources.

Second, accuracy. If the current and true results do not match, customers will not feel comfortable migrating their systems.

Next is performance. This is another system that cannot be migrated if the batch that the customer was running on a daily or monthly basis does not finish on time.

As for maintainability, we must say that it would be a real downfall if, despite having gone to the trouble of converting COBOL to Java, maintainability was lower than with COBOL and development productivity was lower.

The main point is that Xenlon~Shinryu has cleared all of these issues with technical support.

As for maintainability, I am not an engineer who has been doing COBOL all my life. I am an engineer of open, mainly Java. From the point of view of those engineers, we have made this tool mainly for the point where Java engineers can maintain and develop even with automatic conversion, so it is something that can be maintained with peace of mind.

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## Xenlon Advantages

- Xenlon not only converts COBOL, a representative legacy language, but also supports other programming languages and presents advanced technical capabilities applicable to modernization of databases and peripheral systems including those for form- and file-processing. Patented for performance and maintainability, which are key challenges in migration projects, Xenlon distinguishes TIS from the competition.


**Xenlon's extensive reach**

Supports wide range of languages and processing methods!  
Facilitates modernization in short period of time and at low cost!

Current



New





Migration challenges

Current	Migration challenges	New
Language (procedural) COBOL, PL/I, Easy, RPG, COBOL/S, IDL II, JCL	Differences in language specifications (data types, operations)	Language (object-oriented) Java
Database (Networks) IMS (IBM), AIM (Fujitsu)	Differences in data structures (network structure, table structure)	Database (Relational) DB2, Oracle, postgres, ...
Screen processing methods IPF, Message, ...	Support for web frameworks	Screen processing methods Nablarch, Spring...
Form processing method FORM (Fujitsu)	Differences in overlays and form definitions	Form processing method SVF
Hardware (OS) IBM, Fujitsu, Hitachi, NEC	Differences in job-control methods by manufacturer	Hardware (OS) Linux, windows

**Patents showcasing technological power of Xenlon**

Six patents held by TIS





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Next, I would like to talk a little bit about modernization technology from a bird's eye view.

It is not enough to be able to do Java from COBOL; the customer's system may be built using a very wide variety of languages. We have Java solutions for COBOL, PL/I, Easy, and many others, and the key point is not just a matter of migrating the language, but also of migrating the database, screen processing method, form processing method, and hardware characteristics.

The key point of Xenlon~Shinryu is to realize migration in response to these various methods.

In addition, Xenlon~Shinryu has a patent. We have four patents on performance measures and two patents on improving maintainability. By having these patents, we are able to ensure that our customers can safely adopt the Xenlon~Shinryu solution.

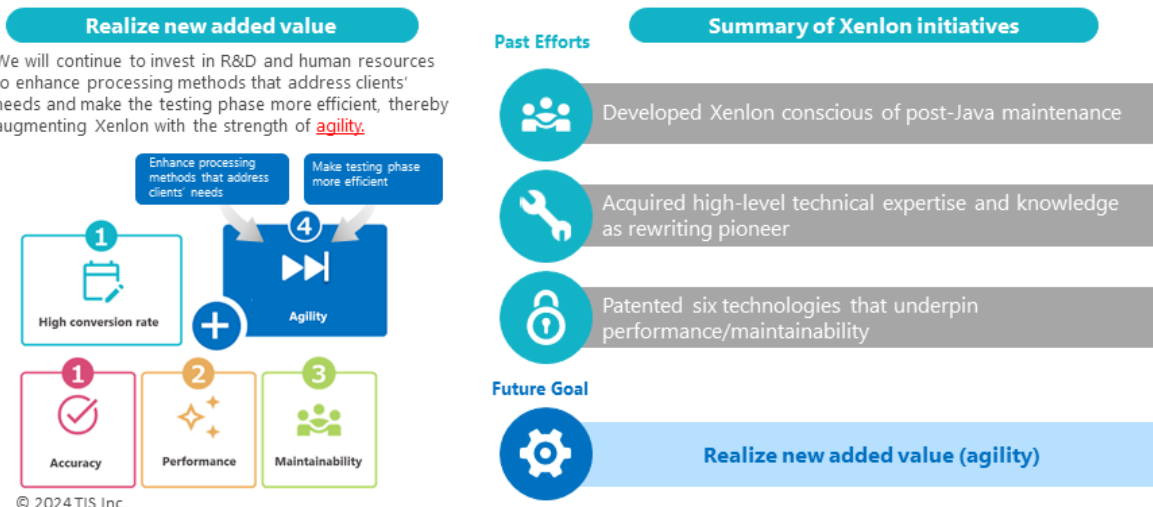
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## Further Evolution of Xenlon

- Will leverage Xenlon's advanced technology and competitive advantages in modernization market to support clients in their efforts to shift away from legacy systems and build and operate systems that will contribute to medium- to long-term business growth. In addition, seeking further evolution of services, TIS remains committed to upfront investment and further evolution of Xenlon by augmenting high conversion rate (Advantage 1) with agility (Advantage 4).



The evolution and development of Xenlon~Shinryu is not the end of the story. The modernization business is still going strong. Increased competition is also possible. Therefore, we will continue to evolve further to take the initiative in this market.

Earlier, we talked about one plus three, but we will add an additional one here. That extra element will be agility. It is called agility.

The first of agility will be the further enhancement of the corresponding processing method. As explained on the previous page, there are various hardware vendors and various processing methods. The circumstances that led to the creation of such a thing are nothing short of a Galapagosized evolution of the mainframe-based evolution in Japan.

It is important to respond to this Galapagos-like evolution with a variety of processing methods, and we will further enhance our methods to realize the agile and quick modernization of our customers' systems.

The second aspect of agility is further streamlining the testing phase. We use the rewrite method. Therefore, bugs rarely occur in programs created by rewrites. If there are bugs in the current system, they can sometimes be passed on, but rewrites rarely create bugs.

Therefore, in the case of a rebuild, it is still necessary to test the entire system that was created, but in the case of a rewrite, by analyzing and responding to the areas that need to be tested, the testing man-hours can be significantly reduced compared to a rebuild.

Therefore, we would like to suggest to our clients where to test and compress this testing to make it more efficient.

Now I would like to conclude with a summary.

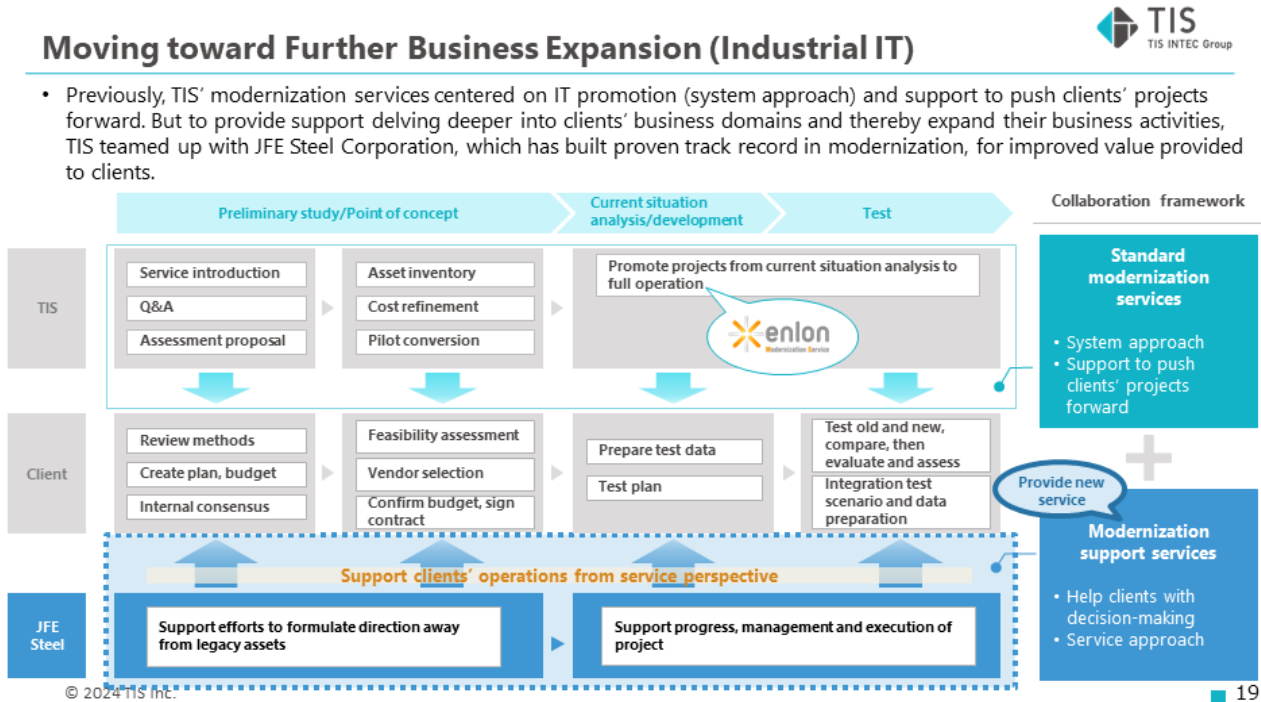
Xenlon~Shinryu is developed in consideration of post-Java maintenance. And, as a pioneer in rewrites, we have acquired and possess a high level of technical skills and knowledge from a variety of projects. We also hold six patented technologies related to performance and maintainability.

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As part of our future efforts, we will strive to enhance this new added value and agility.

Kumagai has explained the above. Thank you for your attention.



**Tayasu:** I would like to continue our discussion on how to further expand our business in the future.

First, industrial IT.

As shown in the table below, we have been supporting the modernization of our clients' systems from an IT perspective. Through our experience and achievements, we have seen that although we can responsibly propose, respond to, and take countermeasures for IT issues, our clients are very troubled by their viewpoints on business issues.

This time, we will focus on this service, and in cooperation with the business side people of JFE Steel, with whom we actually worked together on the modernization using Xenlon~Shinryu, we will add the service option of business support for customers in addition to the conventional IT support of TIS, to further support customers' reliable promotion of modernization in the future.

We sent out a press release last week, and we are already working with them on a few things. We expect this to be a very responsive and positive addition that will strongly strengthen our promotion in the future.

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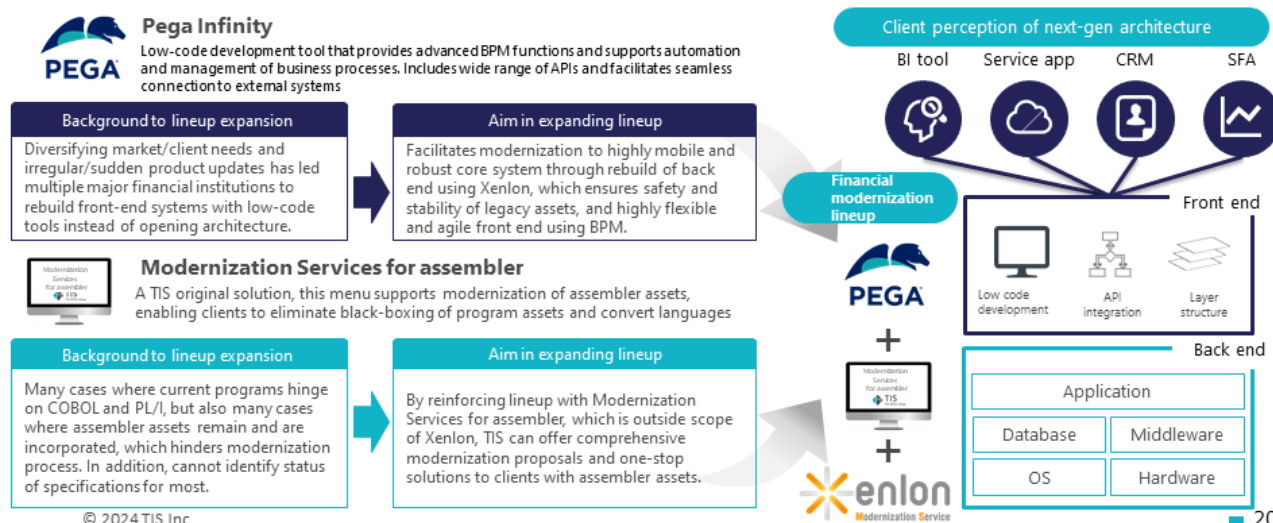
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## Moving toward Further Business Expansion (Financial IT)

- To help clients address current legacy asset status and associated issues, TIS will continue to expand modernization menu, with Xenlon at core. Enhancing existing Modernization Services for assembler and implementing Pega Infinity™ as Pega partner, TIS will broaden scope of solutions to meet diverse client needs.



Page 20, please. Mr. Shimoyama will talk about financial IT and the last overall summary.

**Shimoyama:** Now then, I would like to explain our efforts here as financial modernization.

In my presentation earlier, I mentioned that our modernization business using Xenlon~Shinryu has so far focused on industrial IT, and when we have received inquiries from the financial sector, we have responded to them in cooperation with the industrial modernization team. However, in response to the recent increase in modernization needs in the financial market, we have set up a specialized organization starting in FY2024 and are currently focusing on the proposal and assessment phases, which are being handled by financial IT on its own.

We have visited more than 30 clients so far, and we have more than 10 companies in our ongoing pipeline.

In this context, we found that there is not only a need to simply modernize the core system from COBOL and PL/I to Java technology, but also a need to divide the system renewal into two areas: the back-end area that needs to run robustly, safely, and securely to ensure that the core system will be used for the next 10 to 20 years, and the front-end area that needs to be flexible and agile enough to follow changes according to market and business needs.

Also, as mentioned in Kumagai's presentation, we know that in some cases, the legacy systems that are currently in operation are not only COBOL and PL/I, but also the assemblers that Xenlon~Shinryu is targeted to rebuild are still in existence.

To meet these diverse needs, we will continue to strengthen our product lineup independently.

First, to meet the needs for flexible and agile front-end system operation, we are planning to conclude a partnership agreement soon and make a formal announcement to enable modernization using Pega Infinity, a well-known BPM solution in the United States.

In parallel with the conclusion of the partnership agreement, we are currently supporting a Pega implementation project at a leasing company, and based on the results of the project, we are now discussing

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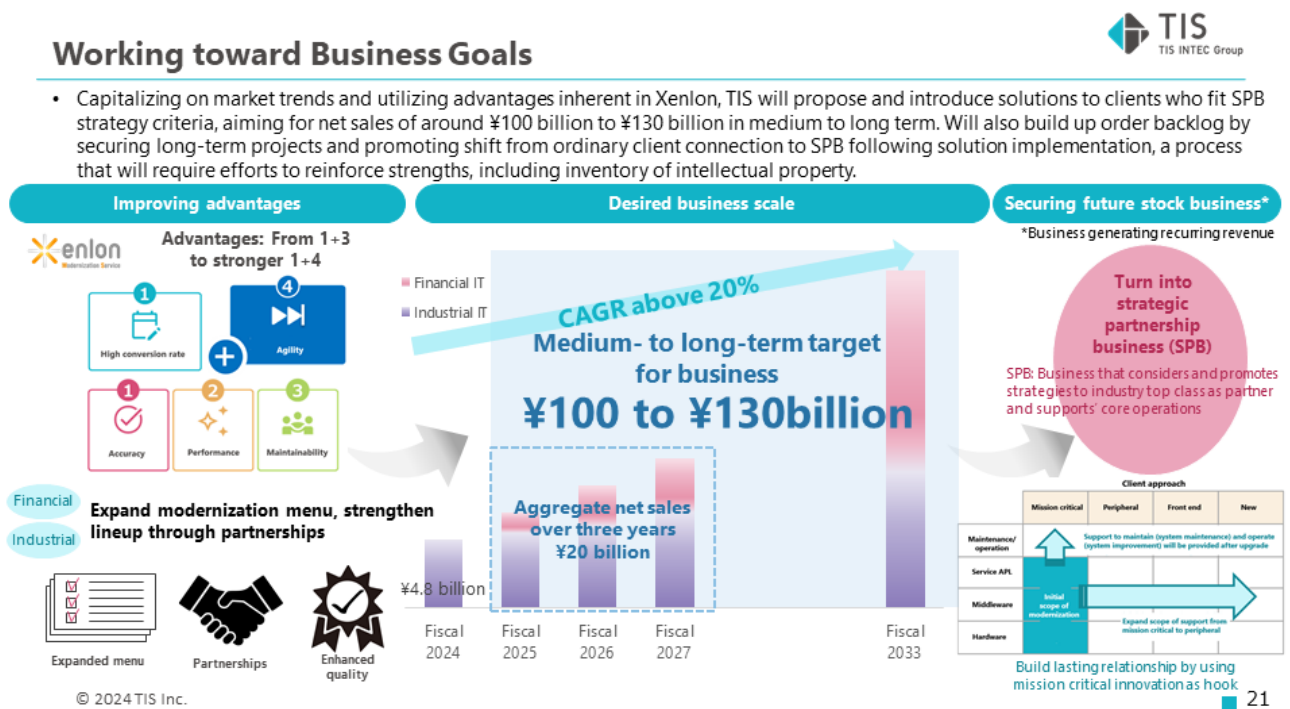
with Pega Japan to develop a plan to support the introduction of Pega to all financial customers, including leasing, banking, and credit card companies, as part of financial modernization.

For more details, please refer to the news release to be announced soon.

As for the assembler business, we have been researching and developing our own services for about two years in an up-front investment type of way.

Last year, a regional bank introduced our specification writing service when they wanted to visualize the remaining black box assembler assets in their core system. We are currently assisting another financial institution in preparing specifications to determine whether an aging legacy system is a necessary asset for modernization, and to provide input for test specifications to conduct comparison tests between current and new systems.

Thus, in addition to Xenlon~Shinryu’s existing strengths, Financial IT will continue to respond to these needs, including expanding its product lineup to meet further needs.



See page 21. This is the last part of my presentation, and I would like to wrap up.

First, I explained the size of the market targeted by Xenlon~Shinryu, the volume of business we are responsible for, our track record of success in capturing those markets, and the technological strengths and differentiators of our main solution, Xenlon~Shinryu. We then explained further initiatives tailored to each industry and customer’s situation, including industrial IT and financial IT.

Based on our past efforts, achievements, and strengths, as well as further initiatives, we aim to achieve cumulative sales of JPY20 billion over the three-year period of this medium-term business plan, and a business scale of JPY100 billion to JPY130 billion over the medium to long term.

In addition, the areas to be modernized are often the core systems of the client’s business, and the projects are multi-year, with large projects taking 5 to 10 years to complete. Therefore, we have the characteristics that enable us to build a solid relationship of trust with our customers.

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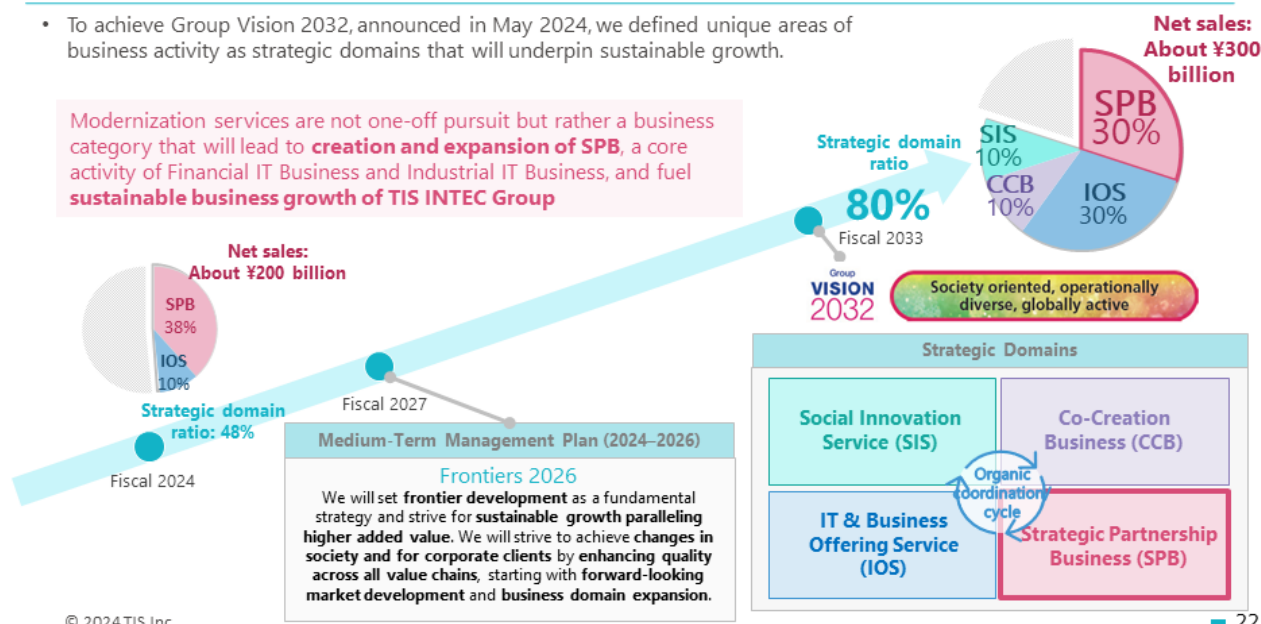


In other words, given these characteristics, transactions with customers are not to be transitory, just modernized, but rather maintenance and operation of the modernized core system after cutover. In addition, we will have the opportunity to propose the restructuring of other systems related to the DX shift, which will be in line with our strategic domain SPB strategy and will lead to the acquisition of stock business over the medium to long term.

## Toward Sustainable Corporate Growth



- To achieve Group Vision 2032, announced in May 2024, we defined unique areas of business activity as strategic domains that will underpin sustainable growth.



Finally, see page 22.

Since FY2024, the Group has adopted a new long-term management policy, Group Vision 2032. Originally, we announced our 10-year vision in 2016 as Group Vision 2026, but in light of new technological advances such as the Corona environment, DX and generative AI, and external trends such as ESG and SDGs, we have revised the vision to Group Vision 2032.

In this context, we have changed some of our strategic domains, but we will continue to follow the concept of the SPB strategy, which is the Group's current core domain, with the goal of growing from approximately JPY200 billion to JPY300 billion in FY2032, the final year of the Group Vision 2032.

For this reason, the modernization business is positioned as one of the priority businesses in this medium-term business plan, Frontiers 2026. As indicated earlier, this is not only a short-term flow business, but also a major business over the medium to long term that will lead to the SPB strategy in the future. We intend to expand and grow this business firmly.

With that, I would like to conclude the presentation of the business briefing for the modernization project. Thank you for your attention.

**Moderator:** Thank you very much.

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## Question & Answer

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**Moderator [M]:** Okay, we will now move on to the question-and-answer session.

First, let us explain how to ask questions. If you have been nominated, please say your company name and name followed by your question. 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. If you have a question about a particular slide, please specify the slide number as well, as the slide will be projected. Please keep your questions in line with the theme of today. We will now begin the question-and-answer session.

First of all, Mr. Tanaka, Goldman Sachs, would you like to ask a question?

**Tanaka [Q]:** My name is Tanaka from Goldman. I would like to make two points.

The first point is on page 12 of the presentation materials. You mentioned rewrites, but I think the actual needs of customers in the market are not only rewrites but also rehosts and rebuilds for COBOL applications and beyond. What would these three look like in terms of the order of actual needs?

I think the market might be a bit larger if that is the case, as you explained earlier that a significant portion of the market is shifting from rebuilds to rewrites. In other words, I was under the impression that rebuilds are the main focus to some extent, with some people moving on to rewrites as an added bonus. Could you please explain what the actual customer needs are if you divide them into these three categories? The first point.

**Tayasu [A]:** As you say, rewrite, rebuild, and rehost are great options. Naturally, the customer/company side will first consider rebuilding.

However, in many cases, the cost and time required are too high, or the requirements and direction have not been decided, and after two or three changes, they are considering the option of rewriting or rehosting once again.

We have been offering rewrite proposals for nearly 10 years now, and there have been cases where a project that was proposed two years ago was revived two years later, and the project was launched based on our rewrite proposal.

Therefore, while it is natural that clients may decide what to prioritize, we feel that rewriting has become one of the major options for clients over time.

In addition, some customers choose to rehost because it is a way of buying time or postponing problems, but we do not recommend it. That is all.

**Tanaka [Q]:** I'm sorry, I'd like to add something, but I understand that the shift to this direction is a very real movement in the world, but is it a major part of the movement? Is this a movement that is just an added bonus, or does the majority of the world think mainly in terms of rewrites? I would like to know how much of the rewrite work is for your company as a percentage of the orders you receive.

**Tayasu [A]:** As you say, I think rebuilds are the most common in terms of total volume. However, there are not so many cases in which we rethink a project from scratch at a level close to 100%, and in fact, there are quite a few cases in which 70% or 80% of the work is done in the style of a rebuild, but in reality, the current work is still being carried out.

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We believe that rewriting is a quicker and more efficient way to address these areas, so we propose those. As you say, rebuilds are the most common.

**Tanaka [Q]:** Thank you very much. So, if the user moves to rewriting, it will be an area in which your company excels. If the user chooses to completely rebuild the project, would your company be technically able to take on the project?

**Tayasu [A]:** When we talk about modernization, this time we are focusing on TIS's offensive proposal based on Xenlon~Shinryu. However, there are many cases where modernization is completely within the base frame of a specific company. That, of course, is also a case that TIS will accept.

In fact, there are two large modernization projects under my supervision in Nagoya right now, but they are not Xenlon~Shinryu projects, and they are being worked on within the customer's policy and framework.

So, as a modernization, I believe that there are two aspects: one is the acceptance of the customer's completely individual premise, and the other is the offensive response in which TIS actively proposes Xenlon~Shinryu. That is all.

**Tanaka [Q]:** Thank you very much. The second point I would like to make is on page 21 of the presentation material, where the business scale is shown as JPY20 billion for the three years from the current fiscal year. When viewed at this axis, the shape appears to extend relatively linearly. If you do so, perhaps the calculations would lead to a figure of JPY1 billion increase in revenue each single year and a few hundred-million-yen accumulation in terms of profit, is that correct?

If the speed and scale of growth in this area is different from the current level, such as growth in the second half of the current pipeline, would you please comment on this?

**Tayasu [A]:** I believe there is a very wide range of modernization projects that we are aware of. Although we do not have very small-scale volume or scale, I believe that each project will be small and large, with the smallest project being about JPY1 billion and the largest exceeding JPY10 billion.

In this sense, there is a big difference between 10 projects costing JPY1 billion and 10 projects costing JPY10 billion, but we do not necessarily give priority to projects that are larger in scale. We will focus on customers who we can continue to support and contribute to beyond the point where we have worked with them to overcome the challenges of migration, and as a result, we are aware that the scale and business volume will be commensurate with the results.

In addition, though, the construction period per project is still not six months or a year. This will be for two years, or more than two years.

We are aware of the difficulty of continuously linking such long-lasting projects with the maximum use of our resources, and we expect that there will be ups and downs in terms of periods and fiscal years, but when viewed over a 5- or 10-year period, we are confident that the expansion will be commensurate with the expansion. That is what we at TIS are striving to achieve. That is all.

**Tanaka [Q]:** I'm sorry, I just wanted to ask if you could add something about the growth potential of the cumulative sales over the past three years, do you see some linear growth, or does the growth lean toward the latter half of the year?

**Tayasu [A]:** Basically, we have the image of a gradual buildup in direct proportion rather than linear growth in H2.

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

**Moderator [M]:** Thank you very much. Now, please wait a moment while I appoint the next person. Continuing on, Mr. Kikuchi, SMBC Nikko Securities, would you like to ask a question?

**Kikuchi [Q]:** I have heard some very interesting things about your company, and I think it is wonderful.

It could be on page 12 and page 21 now, but there is a three-page summary, so the first point I would like to understand is that there is now a JPY110 billion rewrite market. In 2024, if we assume that the JPY6 billion in the vertical bar on the right side of the chart corresponds to the JPY110 billion, the share may not be appropriate, but it is a few percent.

Still, this is much higher than your company's share of the Japanese IT services market, but what about the rest of the rewrite market?

There are probably various definitions of the rewrite market, but if it were your company, using Xenlon~Shinryu, but just Xenlon~Shinryu alone would probably not generate these billions in sales, so I think it would include a combination of various other things, such as hardware and some rewrites of applications.

The first point is that I would like to know the relationship between this JPY110 billion and your company's vertical bar, the percentage of Xenlon~Shinryu, the pure Xenlon~Shinryu, and various other ancillary operations, hardware and other application operations.

**Tayasu [A]:** Thank you for your question. First, the view of goals presented here does include Xenlon~Shinryu. There is no world without the Xenlon~Shinryu. Basically, the goal view is to apply Xenlon~Shinryu and work on it.

In this context, as you pointed out, the total is a combination of the narrowly defined portion of the initiative by Xenlon~Shinryu and the portion that includes the surrounding plus-plus. I don't have exact figures at the moment, so I can only give you a sense of what I think the volume of so-called software modernization centered on Xenlon~Shinryu is, around 70% of the total. That is all.

**Kikuchi [Q]:** I'm sorry, when you say 70%, what do you mean by 70%? If it was last year, does that mean that 70% of the JPY4.8 billion is pure Xenlon~Shinryu?

**Tayasu [M]:** What does pure Xenlon~Shinryu represent?

**Kikuchi [Q]:** In other words, can we consider JPY4.8 billion as the price for the services of Xenlon~Shinryu alone?

**Tayasu [A]:** This will be all costs associated with the promotion of the project using Xenlon~Shinryu to achieve modernization.

**Kikuchi [Q]:** I see. Also, what is your relationship to JPY110 billion?

**Tayasu [A]:** I recognize that it is basically the same relationship. Our model is not to sell the Xenlon~Shinryu tool, but to propose the promotion of modernization through the use of the Xenlon~Shinryu tool.

**Kikuchi [Q]:** I see. Then, the remaining ninety something percent of the rewrites that do not use Xenlon~Shinryu are rewrites that are done by other than your company? Is that what you were referring to earlier, and I didn't get a specific name, but are you using overseas tools, etc., to do this?

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**Tayasu [A]:** There is the volume that we are aware of and the overall market volume, which of course exceeds that, but we don't know exactly what methodologies and means are being used. I think there are really diverse ways of doing things. In extreme cases, I believe that this includes cases where translation is done by many people.

**Kikuchi [Q]:** I see. So, I'm not sure how Deloitte's numbers are defined, but from your company's perspective, you are still the leader in rewrites, and you are already the representative and leader in rewrites that use tools. I think you wrote that you are a pioneer and that your company has a very high market share.

**Tayasu [A]:** I don't see it in terms of sharing. I believe that this is not a project that will go on and on forever. In a sense, we are proposing a fixed-term solution, a solution, a method.

Therefore, as long as we are given the opportunity, we will be proactive in our efforts. However, I believe that this theme has a definite duration of 5 to 10 years or more, and I am aware that one of the peaks may be around the year 2035. In the meantime, it is our hope that TIS will contribute as much as possible under a twin-cam structure that includes the Financial Business Division starting this fiscal year. That is all.

**Kikuchi [Q]:** Thank you very much. And secondly, can you tell us a little bit about the actual status of your efforts on page nine?

Basically, I think you are making proposals to existing vendors, but I also think you're using the means of attracting new customers as leverage. I see on page nine that you have a track record and also a pipeline, but what percentage of these are existing clients or new clients?

Also, when you propose a new product, if you don't feel like you are only providing a tool, that is, if your use this as a tool to cause a vendor switch or to capture new customers, do you really want to make a decision like, "Xenlon~Shinryu is great, so you will leave the core system to your company from now on"?

Is there a case study of a new customer for whom your company does not know much about the company's applications and business processes, and can you break through with Xenlon~Shinryu alone? I would be interested to know the current status of new and existing.

**Tayasu [A]:** First of all, I think you asked about the percentage of new and existing client companies that have ordered our services in terms of past results and cases.

When we say "new," we mean that the client itself is new to the transaction. In addition, we will apply Xenlon~Shinryu to existing clients who are not yet being handled by TIS, and we believe that this is also a new area for existing clients.

In that sense, whether the client is existing or new, the project is almost entirely new. In terms of new and existing customers, approximately 60% to 70% are new customers.

**Kikuchi [Q]:** I see, that's great. And since you mentioned that maintenance of applications after new rewrites using Xenlon~Shinryu is also a strength of your company, is it correct to understand that the application area that your company is in charge of is expanding rapidly, of course, with the rewrite as a starting point, Xenlon~Shinryu? Is that correct?

**Tayasu [A]:** Yes. It is true that there are some cases in which some customers who have been involved in the modernization of Xenlon~Shinryu will become linear customers who can immediately continue to do major business with us, and some will not.

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The 10 million step COBOL customer on slide nine, which shows how Xenlon~Shinryu was born, has been one of the most important customers of TIS since the completion of the modernization. I believe that there will be shades of gray between customers who are in a mode of increasing the volume of support and who will take the time to do business with us on a firm and continuous basis, and customers who, as I mentioned earlier, will take this opportunity to work with us on a strong and continuous basis.

However, that is a matter of time frame. The bottom line is that TIS, with Xenlon~Shinryu at its core, is working with our clients to seriously consider the future of their mission-critical systems and to complete them well with awareness and motivation, with the understanding that this is the most important thing for the future. That is all.

**Kikuchi [Q]:** Thank you very much. Then, would it be correct to say that there are still more cases where an application is created by an existing vendor for corporate, and your company only rewrites it and returns it to the existing vendor, and the existing vendor maintains it?

**Tayasu [A]:** Basically, there are very few cases where we receive existing resources from existing vendors, rewrite them, and then revert back to existing.

Basically, the basic model is for TIS to take responsibility for switching the client's system, or conducting preliminary testing in preparation for the switchover, in cooperation with the client's IT and business sides. We take responsibility for almost all projects in this way.

As you pointed out, it is possible to have a situation where operations are handed over to an existing vendor after implementation, but we will take responsibility for that and hand it over to the vendor. That is all.

**Kikuchi [Q]:** Okay. Sorry, I was persistent. So, you told us that there are four companies that are currently working on the projects mentioned on page nine, and more than ten companies that are currently running a few projects, so more than ten companies are new ideas, and the applications that you have rewritten can continue to be maintained as an expansion of your company's domain, in other words, we can assume that your rewritten applications will continue to be maintained as an expansion of your company's domain and lead to an expansion of your customers and domain.

**Tayasu [A]:** Yes. The 10 companies in the upper row of this slide on page nine have already completed their achievements, and the 4 companies in the lower row are currently in progress. We believe that we should complete the ongoing projects and continue to work with them in the future. That is all.

**Kikuchi [M]:** Thank you very much.

**Moderator [M]:** Thank you very much. Now, please wait a moment while I appoint the next person. Please continue with your question, Mr. Ueno, Daiwa Securities.

**Ueno [Q]:** I'm sorry, this is just a simple confirmation of the numbers, but on page three, we see JPY20 billion by 2027, so let's assume sales of around JPY60 billion, JPY70 billion, and JPY80 billion for the fiscal year ending March 31, 2027, and let's say we see sales of around JPY8 billion for the fiscal year ending March 31, 2027. Will you be able to generate close to 30% of operating profit as in the case of a package-based solution?

For the time being, we would like to get a rough idea, for example, whether the profit margin will be a little lower than for regular IT services because the accumulation of know-how will precede it.

**Tayasu [A]:** To conclude, I would like to answer in terms of trends in appearance, as it is on a case-by-case basis.

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Compared to the case of a rebuild, which was explained today, the profitability is a little better. Naturally, there will be cases where we will make a slightly more aggressive offer because we really want to do something about it, depending on the situation, so it will depend on the case and individual circumstances. In general, we believe that this is a framework that allows us to work with at least 30% to 40% better targets than the average profit performance of a rebuilt project.

**Ueno [Q]:** I see. If the 20% growth continues through the fiscal year ending March 31, 2033, this will be exactly three times the amount of the previous year's growth, which is approximately JPY20 billion or so, or a cumulative total of JPY100 billion to JPY130 billion, is that correct?

**Tayasu [A]:** Yes. I think you are generally correct.

**Ueno [Q]:** So, my last question, and I apologize if it's a bit vague, but generative AI is very popular these days. Your company itself is doing this, and looking at other companies' examples or prospects, it is possible to reduce man-hours in the testing process by about 60% if the project can be adapted, and it is said that code generation can be done quite well in the next year or two.

For example, in the current case study, we see examples of how you can cut costs by half even with a rebuild, but the rewrite of large legacy projects that your company does and the field of using generative AI such as the one just described are quite separate, so are they not direct rivals?

Since your company is also using generative AI, what do you think, what are your thoughts on the possibility that program code generation and testing using generative AI will be a game changer or even by 2030?

**Kumagai [A]:** Kumagai will answer. There are vendors using generative AI in the rewrite field as well, and the percentages are also in the news.

However, as I see it, it is still a generated AI, so it still cannot be converted 100% automatically. It is said to be about 70%. When something like that occurs, we don't know where the remaining 30% that can't be done ends up being.

In that case, we have to test everything. At the moment, there is some talk of using AI to generate rewrites, but I have not heard of any rewrites that have led to actual projects. However, when creating a system from scratch, I think it is possible that coding is smoother than human coding and more productive than human coding all together.

Therefore, we believe that it is possible and effective to use AI for code generation when adding systems or functions after rewriting with Xenlon~Shinryu.

**Ueno [Q]:** I see, I understand very well. Incidentally, you have mentioned several times that 30% will remain in the generated AI, but is there something that you can't do completely as a model, and can your Xenlon~Shinryu still have the advantage of 100% conversion as far as rewrites are concerned?

**Kumagai [A]:** Yes, that's right. We are applying compiler technology to achieve this conversion. So the approach is to transfer what was originally working correctly to the correct language.

Generative AI does not do so, but uses existing knowledge to analyze behavior, so the code will still vary from case to case. Sometimes it is one line of code, but sometimes it is two lines of code for the same logic, which inevitably makes it difficult to maintain and test.

Therefore, the reality is that the current domain of generative AI is still basically limited to improving productivity on the premise that humans check what the generative AI produces.

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**Ueno [Q]:** Since it is based on compiler technology, or it is a logical one-to-one correspondence, it does not produce strange code on a case-by-case basis, though it is not hallucination, like generative AI, and it complies with a technology that is guaranteed in a sense, rather does that mean that mistakes will not appear in the first place?

**Kumagai [A]:** You are right. As I mentioned, we have a library to absorb the differences between languages, and our approach is to use the library to absorb the differences between languages and produce the same results.

**Ueno [Q]:** So, you are saying that the language differences can be stored as a library of case-by-case parts and processed as a kind of rule-based AI?

**Kumagai [A]:** Yes, that's right. We are basically converting to a rule-based system.

**Ueno [M]:** I understand very well. Thank you very much.

**Moderator [M]:** Thank you very much. Now, since it is almost time to end, next person will be the last. Jefferies Securities, Mr. Sato, please start.

**Sato [Q]:** Thank you very much for your very informative presentation today. I also have two questions.

First is the number of people. How many engineers in the Company can handle this Xenlon~Shinryu? For example, how many more engineers would you have to train and add to your staff to increase your CAGR by 20% to JPY100 billion? Please tell us about the lineup of the number of engineers in your company. The first point.

**Tayasu [A]:** As far as dealing with Xenlon~Shinryu, I would say that about 10% of the organizations I have jurisdiction over are very familiar with Xenlon~Shinryu now.

I would like to inform you that we are not organizing a modernization development project with only people who are familiar with Xenlon~Shinryu. Basically, we organize a project by composing various elements, such as knowledge of the business to which the client's system is applied, knowledge of the industry, or purely skills and know-how in project promotion.

Although it may be just a sensuous image, it is possible to manage a project if at least 20-30% of the staff is familiar with Xenlon~Shinryu, and of course if nearly half of the staff is familiar with Xenlon~Shinryu, the project will be more systematically promoted. That is the image I have. That is all.

**Sato [Q]:** Thank you. So, do you feel that you will work hard within the Company to nurture them in the future?

**Tayasu [A]:** Yes.

**Sato [Q]:** Secondly, I'm sorry, I don't understand this question very well, so I'm afraid it's a layman's question, but I think Canon Marketing Inc. has a lot of mainframe applications that are migrating from COBOL to Java. I would like to know if there are any differences between Canon Marketing and your company's Xenlon~Shinryu. Thank you.

**Tayasu [M]:** Thank you very much. Kumagai will answer your question.

**Kumagai [A]:** I'm sorry, but I can't give you a detailed technical answer, but Canon Marketing originally has frames and templates for building web applications, so I have a feeling that they are mainly migrating

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according to those frames and templates. We are aware that this is not a proactive, tool-oriented approach to converting COBOL to Java.

**Sato [Q]:** So, if we compare your company's tools with Canon Marketing's, is your company better in terms of speed and accuracy?

**Kumagai [A]:** Yes, that's right. Our main focus is on the fact that we can use this tool to migrate customers' assets as long as they have the source code, so in that sense, we think we have an advantage in that we can migrate customers that we do not support.

**Sato [M]:** Thank you very much. That is all.

**Moderator [M]:** Thank you very much. This concludes the question-and-answer session.

Shimoyama would like to conclude with a few words. Thank you for your cooperation.

**Shimoyama:** Thank you very much for attending today's business presentation of TIS Inc. This was a valuable opportunity for us as well, and we hope to use the insights and feedback from this meeting as a reference for future business development.

By promoting today's modernization business and the new value it will provide, we will fulfill our role in solving our customers' issues and transforming society, and we will continue to focus on achieving business growth.

**Moderator [M]:** With that, I would like to close today's briefing. If you have any questions, please contact our IR staff during an individual interview or by phone. Thank you for your continued support.

Thank you very much for taking time out of your busy schedules to join us today.

[END]

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