TIS Inc.

Financial Results Briefing for the Fiscal Year Ended March 2022

May 11, 2022

Event Summary

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[Participants]	

[Number of Speakers]	2	
	Yasushi Okamoto	President
	Masakazu Kawamura	Executive Officer, Division Manager of Corporate Planning SBU
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	Hiroko Sato	Jefferies Japan Limited
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	Jun Tanabe	UBS Securities Japan Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

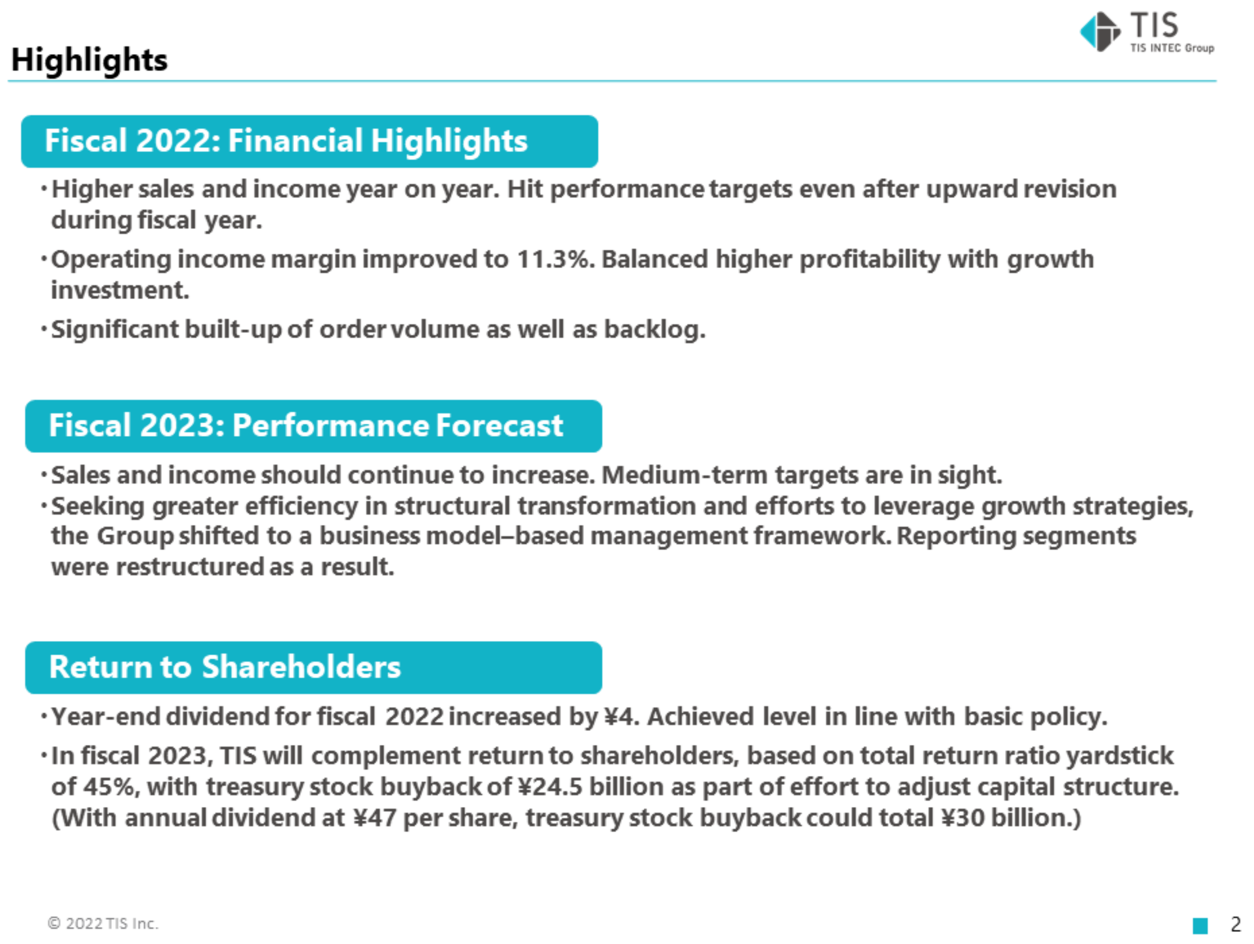
Moderator: Thank you very much for participating in the financial results briefing of TIC Inc., for the fiscal year ending March 31, 2022. Please refer to our website for financial results presentation materials as appropriate.

We will now begin our explanation. First, I would like to introduce today's attendees: Yasushi Okamoto, President and Representative Director; and Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU.

We will now give you a brief overview of today's proceedings. First, Kawamura and Okamoto will give an explanation, followed by a question-and-answer session. This briefing is scheduled to last one hour, including the question-and-answer session.

Please refer to our website for documents as appropriate. A video of this briefing will be available on our website later.

Mr. Kawamura, Executive Officer, will now give an overview of our business performance for the fiscal year ending March 31, 2022, the outlook for the fiscal year ending March 31, 2023, and shareholder returns. Thank you.



Kawamura: This is Kawamura of TIS Inc. Thank you. I will now explain our financial results and shareholder returns for the fiscal year ending March 31, 2022, which we announced at 3:00 PM today.

Please see page two. These are the highlights of our financial results.

First, for the fiscal year ending March 31, 2022, we achieved strong YoY growth in both sales and income, exceeding our revised plan for the first half of the year, and our operating income margin improved by 11.3%. We believe we have achieved a solid balance between profitability and investment in growth. In addition, orders received, and order backlogs have also increased significantly.

Next, we plan to continue to increase sales and profits for the fiscal year ending March 31, 2023, and to keep the numerical targets of the Medium-Term Management Plan in sight. In this context, we have now changed to a management structure based on a business model in order to improve the effectiveness of structural transformation and the promotion of growth strategies. Accordingly, the reportable segments will be changed.

Finally, with regard to shareholder returns, we have decided to increase the year-end dividend by JPY4 for the fiscal year ending March 31, 2022, to a level consistent with our basic policy, and for the fiscal year ending March 31, 2023, in addition to shareholder returns targeting a total return ratio of 45%, we have decided to purchase treasury stock as part of our efforts to optimize the capital structure.

The annual dividend per share will be JPY47, up JPY3 from the previous year. The total amount of treasury stock repurchased will be JPY30 billion.

Fiscal 2022: Performance Highlights (YOY change)

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- Response to clients' IT investment needs, including digital transformation demand, as well as positive effect of M&A activity, underpinned higher sales and income.
- Net income increased significantly, buoyed by extraordinary income through the sale of subsidiary stock and a reduction in strategic shareholdings.
- ROE rose to 14.0%, reflecting improvement in profitability.

[Millions of yen]	Fiscal 2021	Fiscal 2022	YOY change	
Net Sales	448,383	**482,547**	+34,163	[+7.6%]
Operating Income	45,748	**54,739**	+8,990	[+19.7%]
Operating Margin	10.2%	**11.3%**	+1.1P	-
Net Income Attributable to Owners of the Parent Company	27,692	**39,462**	+11,769	[+42.5%]
Net Income to Net Sales Ratio	6.2%	**8.2%**	+2.0P	-
Net Income per Share (Yen)	110.51	**157.69**	+47.18	[+42.7%]
ROE	10.8%	**14.0%**	+3.2P	-

- Non-operating income: ¥2,572 million
(YOY change +¥560 million)
→Dividend income: ¥813 million, etc.
- Non-operating expenses: ¥1,601 million
(YOY change -¥6,900 million)
→Equity in losses of affiliates: ¥1,012 million, etc.

- Extraordinary income: ¥11,293 million
(YOY change +¥1,583 million)
→Gain on sales of shares of subsidiaries: ¥6,362 million
Gain on sales of investment securities: ¥4,910 million, etc.
- Extraordinary loss: ¥5,521 million
(YOY change +¥1,371 million)
→Loss on valuation of investment securities: ¥2,593 million, etc.

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Now please see page five.

This is a financial overview of the first half of the fiscal year ending March 31, 2022. The business environment remained favorable, resulting in strong financial results.

Net sales increased JPY34.1 billion from the previous year to JPY482.5 billion, operating income increased JPY8.9 billion to JPY54.7 billion, and the operating margin improved from 10.2% to 11.3%.

Net income attributable to shareholders of the parent company increased by JPY11.7 billion from the previous year to JPY39.4 billion. This was due to business portfolio review and gains on sales of investment securities due to reduction of strategic stock holdings.

The impact of the change in subsidiaries will be explained later.

Fiscal 2022: Performance Highlights (Compared with estimate)

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・All figures exceeded revised estimates disclosed when first-half results were announced.

[Millions of yen]	Fiscal 2022 Estimate *	Fiscal 2022 Actual	Compared with estimate	
Net Sales	480,000	**482,547**	+2,547	[+0.5%]
Operating Income	52,000	**54,739**	+2,739	[+5.3%]
Operating Margin	10.8%	**11.3%**	+0.5P	-
Net Income Attributable to Owners of the Parent Company	38,000	**39,462**	+1,462	[+3.8%]
Net Income to Net Sales Ratio	7.9%	**8.2%**	+0.3P	-
Net Income per Share (Yen)	151.94	**157.69**	+5.75	[+3.8%]
ROE	13.2%	**14.0%**	+0.8P	-

* Latest estimates announced by TIS, and ROE estimate for fiscal 2022 is a calculated value.

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Then on page six, the plan ratio.

As I mentioned at the beginning of this report, all figures exceeded the plan that was raised at the time of the announcement of the first half results. The operating income margin exceeded the plan by 0.5 percentage points due to productivity improvement efforts and control of SG&A expenses.

Fiscal 2022: Sales and Income for Key Business Segments (YOY change)

[Millions of yen]		Fiscal 2021	Fiscal 2022	YOY change	
Service IT Business	Net Sales	136,946	**155,104**	+18,157	[+13.3%]
	Operating Income	8,695	**11,095**	+2,400	[+27.6%]
	Operating Margin	6.3%	**7.2%**	+0.9P	-
BPO	Net Sales	35,453	**36,617**	+1,163	[+3.3%]
	Operating Income	3,105	**3,453**	+347	[+11.2%]
	Operating Margin	8.8%	**9.4%**	+0.6P	-
Financial IT Business	Net Sales	110,660	**124,937**	+14,276	[+12.9%]
	Operating Income	15,320	**16,765**	+1,444	[+9.4%]
	Operating Margin	13.8%	**13.4%**	-0.4P	-
Industrial IT Business	Net Sales	194,414	**191,232**	-3,182	[-1.6%]
	Operating Income	18,710	**22,959**	+4,248	[+22.7%]
	Operating Margin	9.6%	**12.0%**	+2.4P	-

- **Service IT Business:** Captured IT investment demand in payment and marketing segments, paralleling client embrace of digital transformation, which was complemented by successful M&A activity, leading to higher sales and income.
- **BPO:** With rising corporate outsourcing needs in such sectors as the insurance industry, demand moving in favorable direction, sending sales and income higher.
- **Financial IT Business:** Sales and income grew, driven by several factors, particularly trend toward expansion in IT investment among core clients in the credit card industry.
- **Industrial IT Business:** Lower sales, paralleling sale of subsidiary and application of accounting standard for revenue recognition, but income was up, largely due to progress on measures to improve productivity.

This is followed by the status by major segments.

In Service IT, BPO, and Financial IT, revenues and profits increased, largely unchanged from previous trends.

The decrease in Industrial IT revenue is due to the impact of the sale of a subsidiary of approximately JPY4 billion and the impact of the application of revenue recognition standards of approximately JPY5 billion, resulting from a review of the business portfolio, which will lead to an increase in revenue on an actual basis. In addition, profitability improved due to productivity improvement measures and other factors, resulting in an increase in income.

Fiscal 2022: Sales and Income for Key Business Segments (Compared with estimate)

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[Millions of yen]		Fiscal 2022 Estimate	Fiscal 2022 Actual	Compared with estimate	
Service IT Business	Net Sales	156,000	**155,104**	-896	[-0.6%]
	Operating Income	11,300	**11,095**	-205	[-1.8%]
	Operating Margin	7.2%	**7.2%**	+0.0P	-
BPO	Net Sales	36,500	**36,617**	+117	[+0.3%]
	Operating Income	3,400	**3,453**	+53	[+1.6%]
	Operating Margin	9.3%	**9.4%**	+0.1P	-
Financial IT Business	Net Sales	121,500	**124,937**	+3,437	[+2.8%]
	Operating Income	16,700	**16,765**	+65	[+0.4%]
	Operating Margin	13.7%	**13.4%**	-0.3P	-
Industrial IT Business	Net Sales	194,500	**191,232**	-3,268	[-1.7%]
	Operating Income	20,800	**22,959**	+2,159	[+10.4%]
	Operating Margin	10.7%	**12.0%**	+1.3P	-

- **Service IT Business:** Saw brisk demand for payment services but sluggish demand for other services. Results also impacted by unprofitable projects. Fell short of targets.
- **BPO:** Exceeded estimates, thanks to brisk outsourcing demand, fueled by clients' emphasis on business continuity plans and acceleration of telework and decentralization of operations.
- **Financial IT Business:** Sales greatly exceeded target, driven by trend toward greater IT investment by core clients. Operating income buoyed by higher sales to reach just above target.
- **Industrial IT Business:** Sales fell short of target, owing to lackluster growth in sales. Efforts to improve profitability successful, with operating income topping estimate.

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Next, page eight shows the planned ratio.

In Service IT, while Payments performed well, other areas were sluggish and unprofitable projects caused the business to land slightly below plan.

In Industrial IT, sales did not reach the plan due to lack of sales and other growth, but operating income exceeded the plan due to efforts to improve profitability.

Fiscal 2022: Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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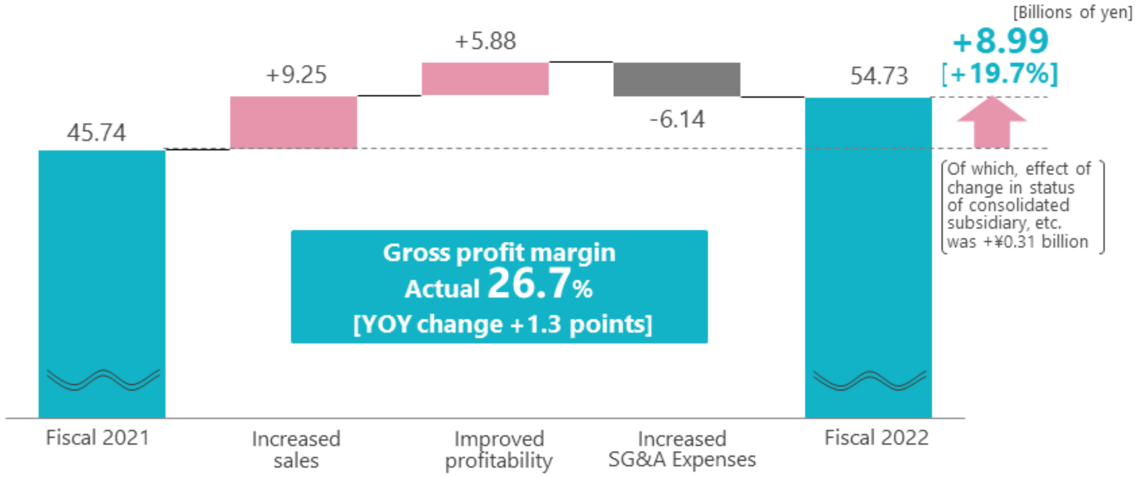
・Maintained robust prior investment activity while pushing profitability higher. Gross profit margin climbed to 26.7%.



Prior investment costs for promoting structural transformation: Up ¥2.18 billion (YOY change)
(Cost of sales: +¥0.80 billion, SG&A expenses: +¥1.38 billion)

- ✓ Software investment to create new services
- ✓ Investment in human resources to fuel structural transformation
- ✓ Investment in R&D to acquire advanced technologies

Costs related to

Cost of office reform to promote new workstyles: Up ¥2.82 billion (YOY change)
(Cost of sales : +¥0.94 billion, SG&A expenses : +¥1.87 billion)

Changes in SG&A Expenses

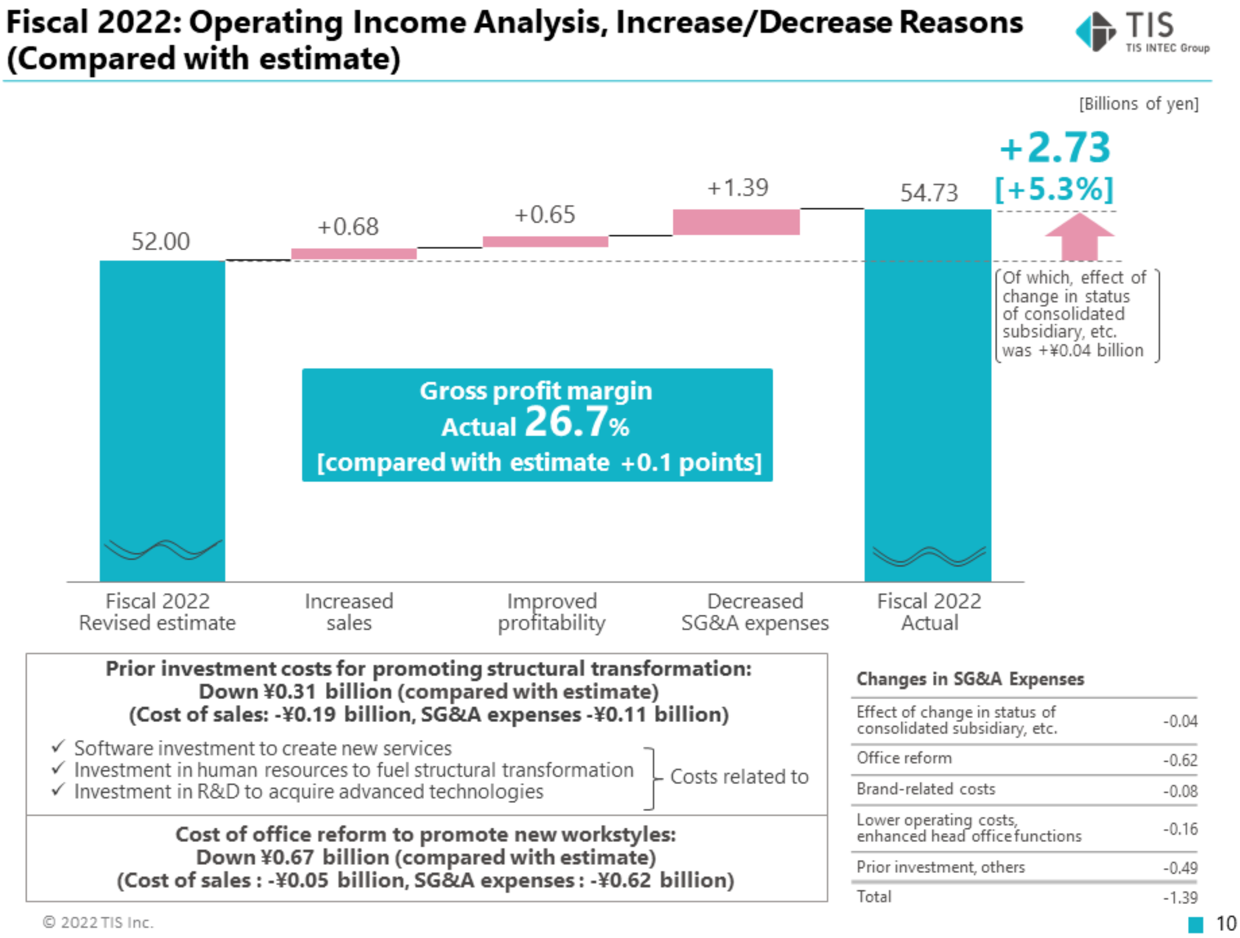
Effect of change in status of consolidated subsidiary, etc.	+1.73
Office reform	+1.87
Brand-related costs	-0.08
Lower operating costs, enhanced head office functions	-0.33
Prior investment, others	+2.95
Total	+6.14

Page nine shows changes in operating income by factor.

The increase in gross profit due to higher sales and improved profitability offset the increase in SG&A expenses, resulting in an increase in operating income of JPY8.99 billion from the previous year.

The gross profit margin rose 1.3 percentage points from the previous year to 26.7%, thanks to the provision of high value-added businesses and the promotion of productivity improvement measures.

Unprofitable projects totaled JPY1.85 billion, down approximately JPY100 million from the previous year.



Page 10 shows an analysis of changes in operating income compared to the plan by factor.

Unprofitable projects unfortunately exceeded the plan and were a negative factor but were compensated for by productivity improvements and other factors. SG&A expenses were controlled by office reform costs and other factors.

Reference: Fiscal 2022 Fourth Quarter (January-March) Sales and Income for Key Business Segments

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[Millions of yen]		Fourth Quarter of Fiscal 2021	Fourth Quarter of Fiscal 2022	YOY change	
Net Sales		130,350	**129,414**	-936	[-0.7%]
Operating Income		15,660	**16,481**	+821	[+5.2%]
Operating Margin		12.0%	**12.7%**	+0.7P	-
Net Income Attributable to Owners of the Parent Company		9,570	**10,047**	+477	[+5.0%]
Net Income to Net Sales Ratio		7.3%	**7.8%**	+0.5P	-
Key Business Segments					
Service IT Business	Net Sales	43,251	**43,010**	-240	[-0.6%]
	Operating Income	3,572	**3,478**	-93	[-2.6%]
	Operating Margin	8.3%	**8.1%**	-0.2P	-
BPO	Net Sales	9,427	**9,379**	-48	[-0.5%]
	Operating Income	962	**965**	+2	[+0.3%]
	Operating Margin	10.2%	**10.3%**	+0.1P	-
Financial IT Business	Net Sales	30,062	**32,648**	+2,585	[+8.6%]
	Operating Income	4,639	**4,634**	-4	[-0.1%]
	Operating Margin	15.4%	**14.2%**	-1.2P	-
Industrial IT Business	Net Sales	56,508	**51,697**	-4,811	[-8.5%]
	Operating Income	6,280	**7,197**	+917	[+14.6%]
	Operating Margin	11.1%	**13.9%**	+2.8P	-

Reference: Fiscal 2022 Fourth Quarter (January-March) Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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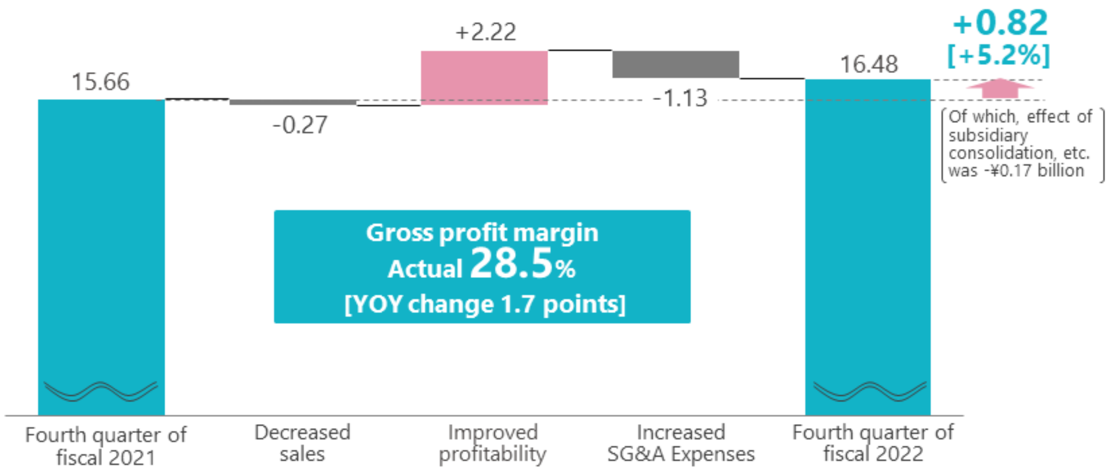
[Billions of yen]



Prior investment costs for promoting structural transformation: Up ¥0.44 billion (YOY change)
(Cost of sales: +¥0.13 billion, SG&A expenses: +¥0.30 billion)

Costs related to:
- ✓ Software investment to create new services
- ✓ Investment in human resources to fuel structural transformation
- ✓ Investment in R&D to acquire advanced technologies

Cost of office reform to promote new workstyles: Up ¥0.33 billion (YOY change)
(Cost of sales : +¥0.37 billion, SG&A expenses : -¥0.03 billion)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	-0.18
Office reform	-0.03
Brand-related costs	+0.07
Lower operating costs, enhanced head office functions	-0.08
Prior investment, others	+1.35
Total	+1.13

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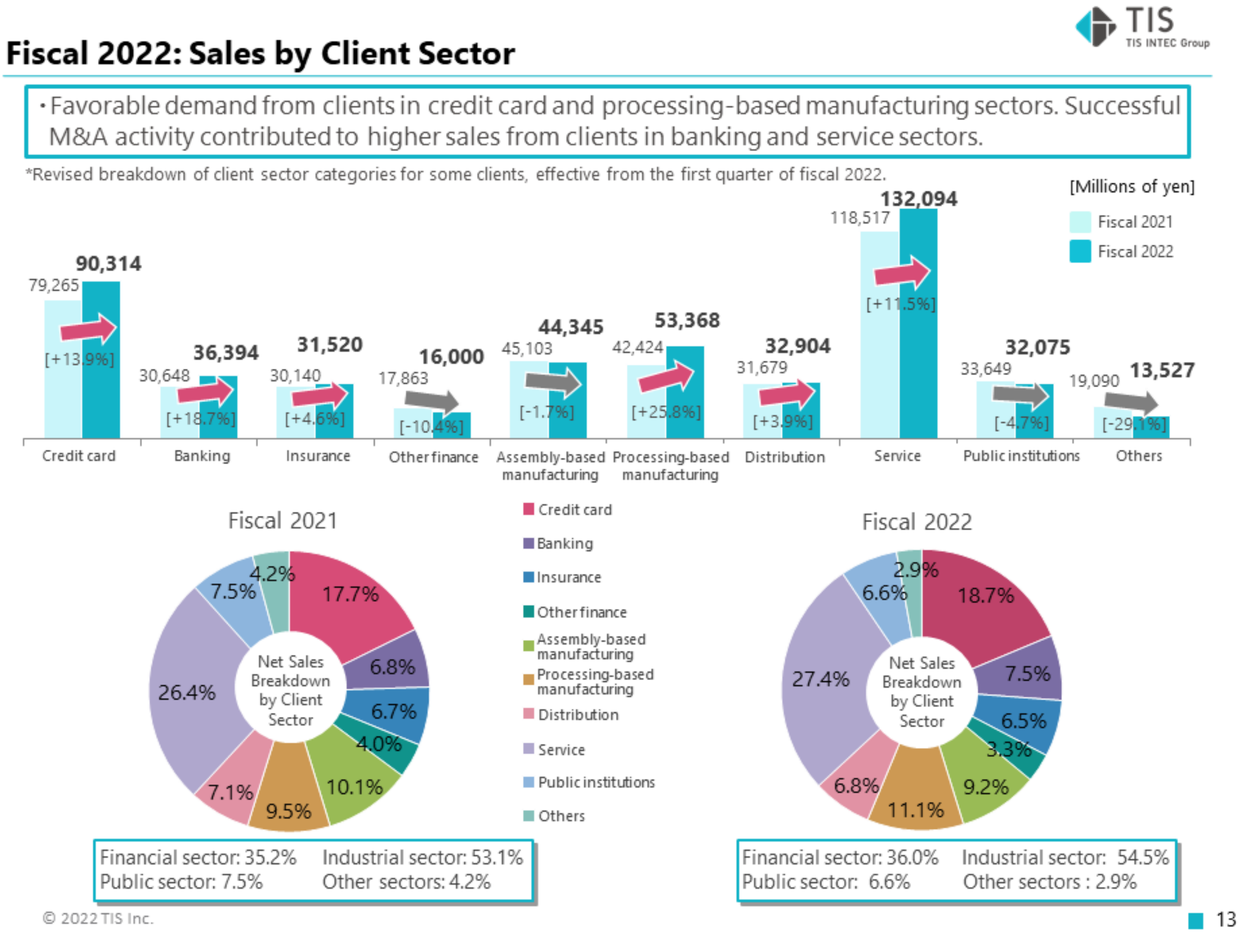
Pages 11 and 12 show the three-month results for the fourth quarter.

The impact of the decline in revenues from Industrial IT resulted in an overall decline in revenues, but as explained in the full-year results, this was mainly due to the sale of subsidiaries and the application of the revenue recognition standard and is not a problem on an actual basis.

We believe that the operating income of Financial IT is not low at 14.2% this fiscal year, although it was negative YoY due to the relatively high profitability of many projects and the costs incurred to improve the quality of operations.

Gross profit margin, which was sluggish in the third quarter and of concern to us, grew steadily in the fourth quarter and was the driving force behind the increase in profit.



Please refer to page 13. Sales by client industry.

The trend remained the same, with cards and processing-based manufacturing performing well, especially for our core customers.

In addition, MFEC's performance, which contributed significantly to the M&A effect until the third quarter, is mainly reflected in the banking services.

Fiscal 2022: Order Status (Total)

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• Order volume and backlog were up year on year, driven by software development.

[Millions of yen]	Fiscal 2021	Fiscal 2022	YOY change	
Orders received during fiscal year	452,284	**493,755**	+41,470	[+9.2%]
Service IT Business	128,507	**151,526**	+23,019	[+17.9%]
BPO	32,702	**34,519**	+1,817	[+5.6%]
Financial IT Business	113,921	**125,419**	+11,498	[+10.1%]
Industrial IT Business	177,153	**182,289**	+5,135	[+2.9%]
Order backlog at year-end	147,214	**161,453**	+14,239	[+9.7%]
Service IT Business	44,421	**53,555**	+9,134	[+20.6%]
Financial IT Business	48,114	**49,117**	+1,003	[+2.1%]
Industrial IT Business	54,678	**58,780**	+4,101	[+7.5%]

Beginning on page 14 is an explanation of the status of orders. First, page 14 shows the overall order situation, including operations.

Orders received increased 9.2% from the previous fiscal year to JPY493.7 billion, and orders backlog increased 9.7% to JPY161.4 billion, also driven by software development, both increasing strongly and reaching record levels.

Fiscal 2022: Order Status (Software Development)

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・Against backdrop of active approach to IT investment by clients, all segments posted year-on-year increases in both order volume and order backlog.

[Millions of yen]		Fiscal 2021	Fiscal 2022	YOY change	
Orders received during fiscal year		237,323	**271,350**	+34,027	[+14.3%]
	Service IT Business	55,037	**64,248**	+9,211	[+16.7%]
	Financial IT Business	68,490	**78,349**	+9,858	[+14.4%]
	Industrial IT Business	113,795	**128,752**	+14,956	[+13.1%]
Order backlog at year-end		83,797	**94,016**	+10,219	[+12.2%]
	Service IT Business	20,367	**22,447**	+2,079	[+10.2%]
	Financial IT Business	28,541	**30,559**	+2,017	[+7.1%]
	Industrial IT Business	34,887	**41,009**	+6,122	[+17.5%]

Page 15 shows the status of software development orders.

Both orders and order backlogs grew strongly in all segments. In Financial IT and Industrial IT, the strong appetite for investment, especially from core customers, drove the business, while in Service IT, individual projects in payments and digital marketing drove the business.

Reference: Fiscal 2022 Forth Quarter (January-March): Order Status

Order Status (Total)

[Millions of yen]	Fourth quarter of fiscal 2021	Fourth quarter of fiscal 2022	YOY change	
Orders received during fourth quarter	156,188	**167,264**	+11,075	[+7.1%]
Service IT Business	45,595	**56,160**	+10,565	[+23.2%]
BPO	8,646	**8,899**	+252	[+2.9%]
Financial IT Business	43,690	**45,019**	+1,328	[+3.0%]
Industrial IT Business	58,255	**57,184**	-1,070	[-1.8%]

Order Status (Software Development)

[Millions of yen]	Fourth quarter of fiscal 2021	Fourth quarter of fiscal 2022	YOY change	
Orders received during fourth quarter	75,303	**83,008**	+7,705	[+10.2%]
Service IT Business	13,974	**20,774**	+6,800	[+48.7%]
Financial IT Business	24,784	**25,010**	+226	[+0.9%]
Industrial IT Business	36,544	**37,223**	+678	[+1.9%]

Page 16 shows orders received for the fourth quarter.

In the third quarter, there was a wave of orders for service IT, but customers' appetite for IT investment was brisk regardless, and in the fourth quarter, both orders and order backlogs in all segments increased significantly.

The most significant impact of the revenue recognition standard on the decrease in orders received in Industrial IT was, in addition, mainly due to the effect of the sale of a subsidiary. We recognize that the order backlog is well built up and is not a problem.

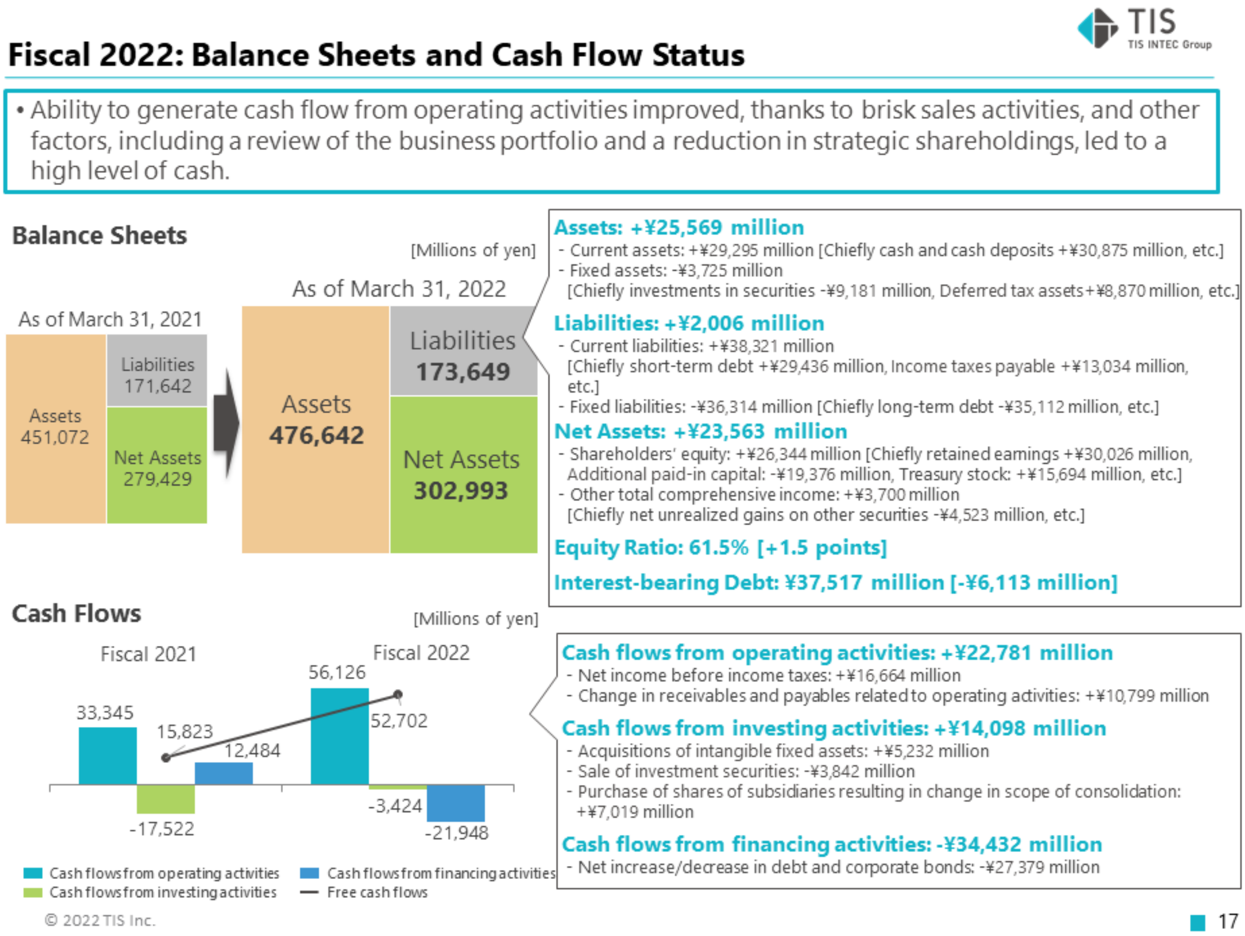
Now, let me start with the full-year figures for the impact of the transfer of subsidiaries on consolidated results.

Positive factors are for three companies: Miotsukushi Analytics, TIS Chiyoda Systems, and MFEC.

Net sales are approximately JPY14 billion, and operating income is less than JPY700 million after deducting goodwill amortization.

Overall orders received will be approximately JPY15 billion, of which software development orders will be JPY4.5 billion, with no impact on order backlogs.

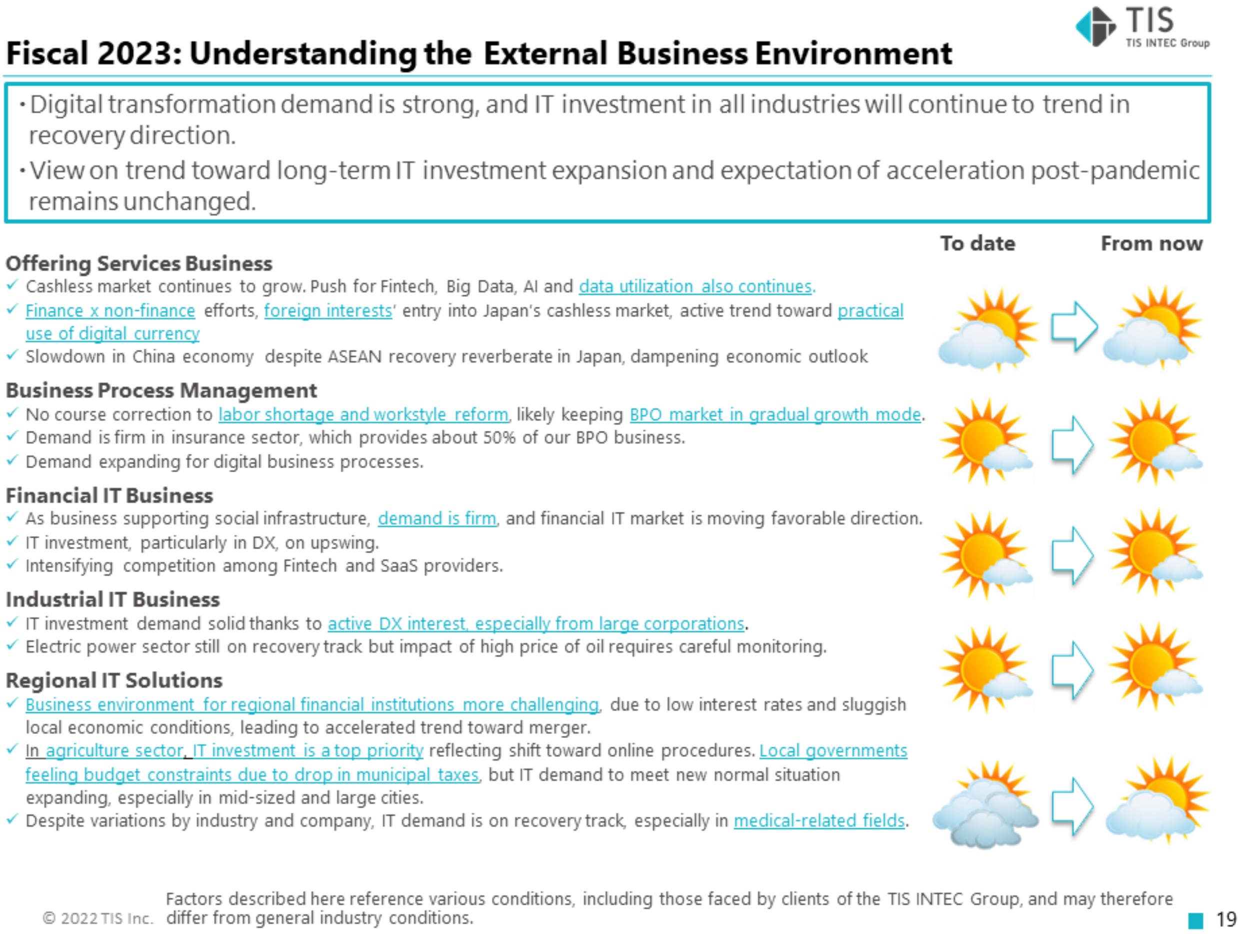
The negative factor is regarding System IT. Sales amounted to approximately JPY4 billion, and operating income was less than JPY400 million. Both overall orders and software development orders are in the mid JPY3 billion range, and order backlogs are also in the JPY1 billion range for both overall and development. For the fourth quarter, there are only negative factors. In terms of sales, both overall orders and software development order backlogs are in the mid JPY1 billion range, and both overall and software development order backlogs are in the JPY1 billion range as well.



Please refer to page 17. Next are the balance sheet and the cash flow statement.

What we would like to highlight is the cash flow. Free cash flow was also up significantly from the previous year due to a large increase in cash flow from operating activities as a result of strong business activity.

This was an explanation of the results for the fiscal year ended March 31, 2021.



Next, I would like to explain our forecast for the full year ending March 2022.

First, on page 19, we explain our perception of the business environment.

Demand for digital transformation is strong, and IT investment is expected to grow. We, therefore, expect a favorable business environment to continue.

Fiscal 2023: Performance Forecasts

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- Against backdrop of brisk IT investment demand, expect higher sales and higher income, with medium-term management plan targets in sight. Possible drop in net income due to decrease in extraordinary income. ROE to hover at target level despite year-on-year decrease.
- To realize structural transformation, will reinforce investment in human resources, who are the driving force that fuels this effort.

[Millions of yen]	Fiscal 2022 Actual	Fiscal 2023 Estimate	YOY change	
Net Sales	482,547	**500,000**	+17,453	[+3.6%]
Operating Income	54,739	**57,000**	+2,261	[+4.1%]
Operating Margin	11.3%	**11.4%**	+0.1P	-
Net Income Attributable to Owners of the Parent Company	39,462	**37,500**	-1,962	[-5.0%]
Net Income to Net Sales Ratio	8.2%	**7.5%**	-0.7P	-
Net Income per Share (Yen)	157.69	**154.22**	-3.47	[-2.2%]
ROE *1	14.0%	**12.9%**	-1.1P	-

*1 ROE estimate for fiscal 2023 is a calculated value.

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Page 21 shows the full year forecast for the fiscal year ending March 31, 2023.

The plan is designed to capture the targets of the Medium-Term Management Plan in sight, with net sales of JPY500 billion, up 3.6% YoY; operating income of JPY57 billion, up 4.1% YoY; and net income attributable to owners of the parent of JPY37.5 billion, down 5% YoY, due to a decrease in extraordinary income that was posted significantly in the previous fiscal year.

We believe that ROE will be able to maintain the target level for the final year of the Medium-Term Management Plan, partly due to the effects of measures based on our financial strategy.

We believe that we can achieve the target of JPY58 billion in operating income in the Medium-Term Management Plan, however, in order to further ensure structural transformation and sustainable growth, we are planning to further strengthen investments in human resources, which will be the driving force of the Company.

The target for unprofitable projects is JPY1 billion or less. Once again, we will make a firm effort to control the situation.

Segment Restructuring

- Seeking greater efficiency in structural transformation and efforts to leverage growth strategies, the Group shifted to a business model–based management framework, effective from fiscal 2023, ending March 31, 2023.
- Paralleling the above, reporting segments were changed based on management approach.

Key points in segment restructuring

- Improve effectiveness of measures to promote growth strategy through stricter application of management approach perspective
- Offering Service Business will become separate business unit under prior investment style business model, accelerating service transformation
- Regional IT Solutions, with broad client base, will become separate business unit, providing IT professional services and solutions

Old reporting segment classification	New reporting segment classification		Strategic domains critical to growth
Service IT Business	Offering Service Business	Configures services through own investment based on best practices accumulated groupwide and provides knowledge-intensive IT services	IT Offering Service (IOS)
BPO	Business Process Management	Addresses issues related to business processes with IT technology, business know-how and skilled human resources to provide more sophisticated, more efficient outsourcing services	Business Function Service (BFS)
Financial IT Business	Financial IT Business	Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to the finance industry	Strategic Partnership Business (SPB)
Industrial IT Business	Industrial IT Business	Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to industry sectors other than finance	Strategic Partnership Business (SPB)
	Regional IT Solutions	Provides IT professional services extensively, across regions and client sites, and collects and develops this know-how as the source of solutions to support efforts to address issues and promote business activities	Strategic Partnership Business (SPB), IT Offering Service (IOS)

*In addition to segments noted above, there is the Other segment.

22

Please refer to page 22. As I mentioned at the beginning of this report, as of March 2023, we have five main reporting segments, Offering Services, BPM, Financial IT, Industrial IT, and Wide-Area IT Solutions.

Three points are listed as key points.

The purpose of this change is to improve the effectiveness of growth strategy promotion through a more rigorous application of the management approach perspective. To achieve this, we will redefine the traditional positioning of service IT and position Offering Services, an up-front business model, as a business unit to accelerate the transformation of services with a focus on payments.

In addition, we will provide IT professional services and solutions to a wider area by carving out Wide-Area IT Solutions with a broad customer base as a business unit.

Okamoto will explain the purpose and intent of this project later.

Fiscal 2023: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]		Fiscal 2022 Actual*	Fiscal 2023 Estimate	YOY change	
Offering Service Business	Net Sales	103,167	**106,300**	+3,133	[+3.0%]
	Operating Income	4,692	**6,100**	+1,408	[+30.0%]
	Operating Margin	4.5%	**5.7%**	+1.2P	-
Business Process Management	Net Sales	42,951	**44,900**	+1,949	[+4.5%]
	Operating Income	4,991	**5,250**	+259	[+5.2%]
	Operating Margin	11.6%	**11.7%**	+0.1P	-
Financial IT Business	Net Sales	91,651	**95,700**	+4,049	[+4.4%]
	Operating Income	12,355	**13,000**	+645	[+5.2%]
	Operating Margin	13.5%	**13.6%**	+0.1P	-
Industrial IT Business	Net Sales	108,751	**110,700**	+1,949	[+1.8%]
	Operating Income	15,356	**15,900**	+544	[+3.5%]
	Operating Margin	14.1%	**14.4%**	+0.3P	-
Regional IT Solutions	Net Sales	156,231	**158,500**	+2,269	[+1.5%]
	Operating Income	16,492	**17,200**	+708	[+4.3%]
	Operating Margin	10.6%	**10.9%**	+0.3P	-

- **Offering Service Business:** Expect higher sales and higher income, hinging on expansion of payment-related business. CreditSaaS will launch and begin to contribute to segment performance.
- **Business Process Management:** Expect higher sales and higher income, reflecting response to BPO needs and robust support for greater business optimization demand from clients.
- **Financial IT Business:** Expect higher sales and higher income, hinging on wider demand from core clients in credit card sector.
- **Industrial IT Business:** Some aspects of multiple projects are likely to hit peak, but still expect higher sales and higher income, hinging on wider demand from core clients.
- **Regional IT Solutions:** Expect higher sales and higher income through wider demand from existing clients and lateral development of solutions.

 *Figures for fiscal 2022 have been restated under new segment classification.

23

On page 23 is the forecast for each new segment.

We plan to increase sales and profits in all segments.

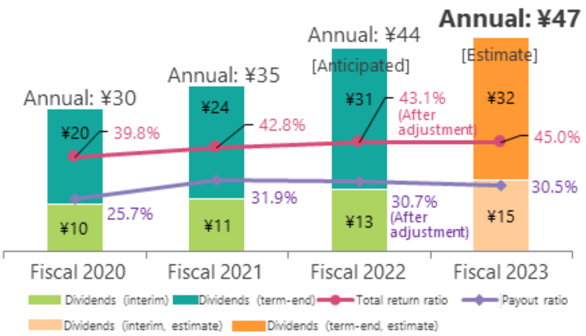
Status/Targets for Return to Shareholders

TIS
TIS INTEC Group

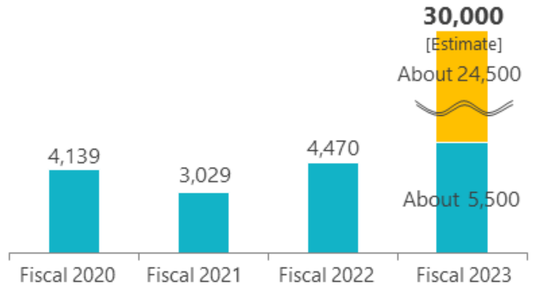
- Implemented ¥4 increase in year-end dividend for fiscal 2022. In line with policy on total return ratio (after adjustment) of 45%.
- In fiscal 2023, TIS will complement normal portion of return to shareholders with treasury stock buyback of ¥24.5 billion.

[Millions of yen]	Fiscal 2022	Fiscal 2023		
		[Normal]	[Capital optimized]	[Total]
Annual dividend per share	¥44 [Compared with estimate +¥4]	¥47 [YOY change +¥3]	-	¥47
Total dividends	¥11.0 billion	¥11.3 billion	-	¥11.3 billion
Payout ratio [After adjustment *1]	27.9% [30.7%]	30.5%	-	30.5%
Acquired treasury shares	¥4.47 billion	¥5.5 billion	¥24.5 billion	¥30.0 billion *2
Total return ratio [After adjustment *1]	39.3% [43.1%]	45.0%	-	110.3%

Changes in Dividends per Share



Total Acquired Treasury Shares [Millions of yen]



*1 Based on profit (after income taxes and income attributable to non-controlling interests)
*2 Upper limit based on treasury stock buyback announced May 11, 2022.

27

In the last part of my explanation, I'd like to talk about shareholder returns.

Let me skip the basic policy on page 26 and turn to page 27.

For the fiscal year ending March 31, 2022, we will increase the year-end dividend per share by JPY4 to JPY44 per share, for an annual dividend of JPY44 per share, in response to business growth exceeding our plan. The adjusted total return ratio will be 43.1%, which is in line with the basic policy of shareholder return.

For the fiscal year ending March 31, 2023, the annual dividend per share will be increased by JPY3 to JPY47, and in addition to the regular dividend and share buyback, the Company will also repurchase its own shares for the purpose of optimizing its capital structure.

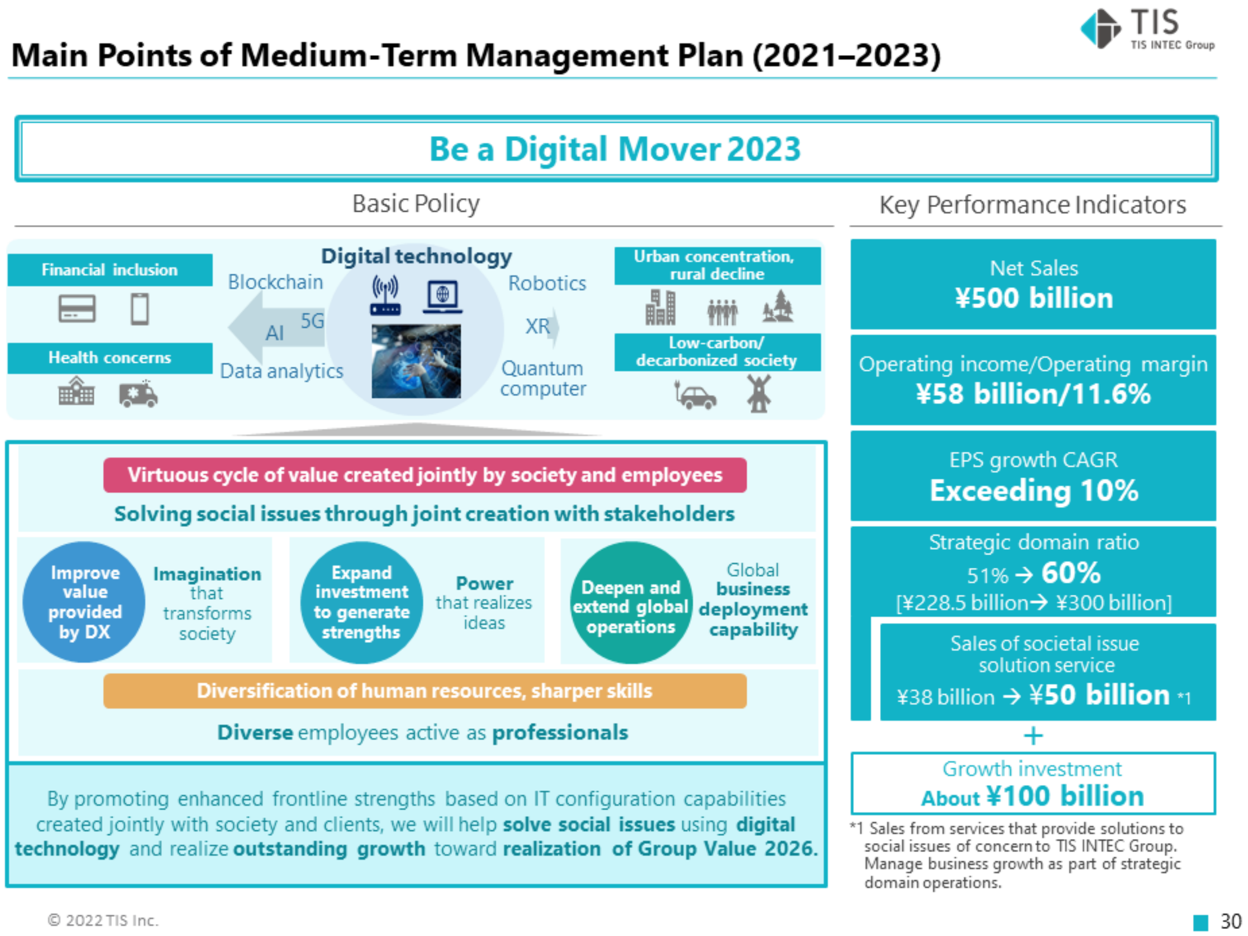
The total amount of treasury stock repurchased will total JPY30 billion. Okamoto will explain this background later as well.

As we expand our business performance, we are determined to enhance shareholder returns accordingly. This is the end of our explanation.

Moderator: Thank you. President Okamoto will continue with an explanation of the progress of the Medium-Term Management Plan. Thank you.

Okamoto: Thanks. I am Okamoto from TIS. Once again, thank you very much for participating in our financial results briefing today.

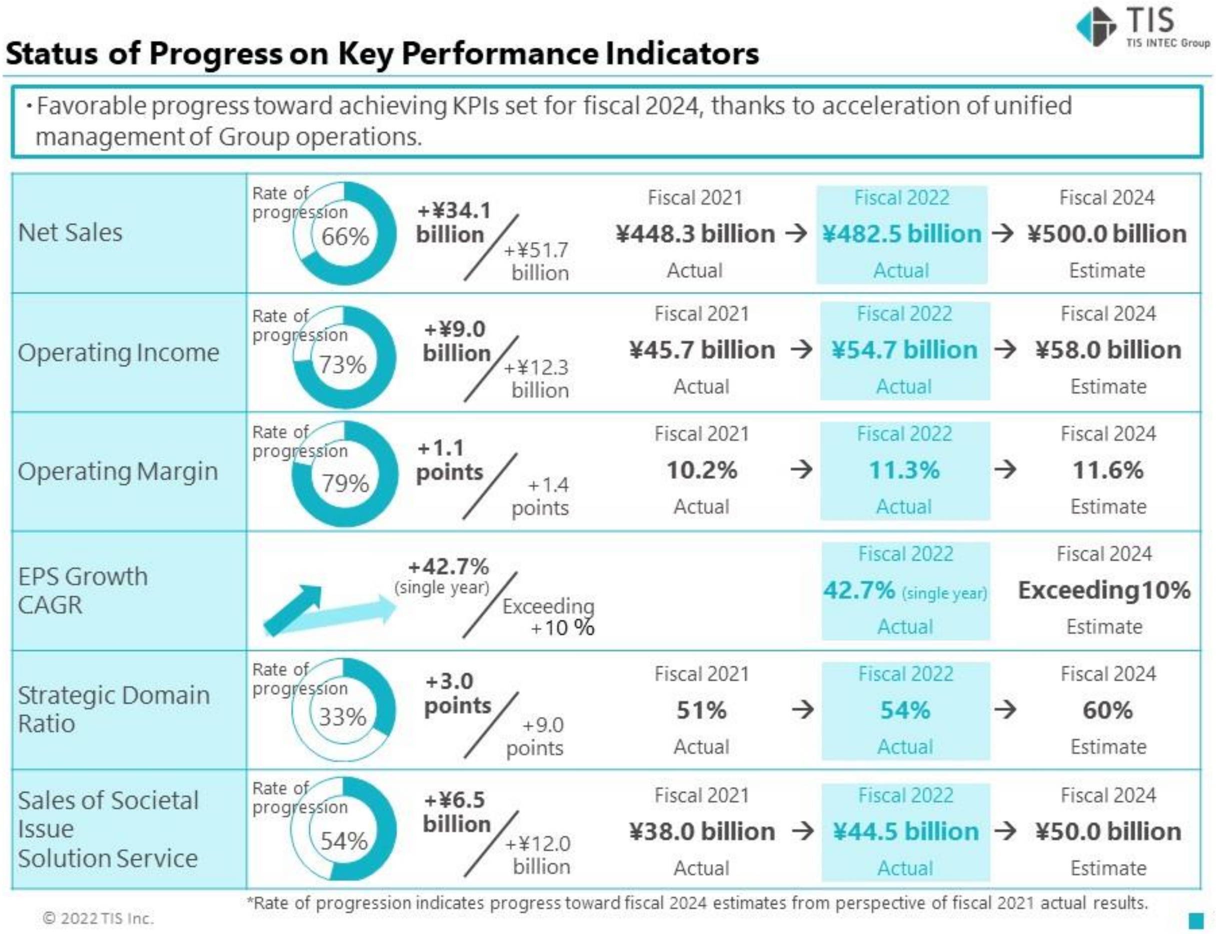
I would like to explain the progress of our Medium-Term Management Plan.



First of all, I would like you to look at pages 29 and 30 of the documents.

This is actually a reprint of the material we presented a year ago, and page 29 is the overall picture of the sustainability management that our group aims for. Page 30 outlines the Medium-Term Management Plan, basic policies, and important management guidelines.

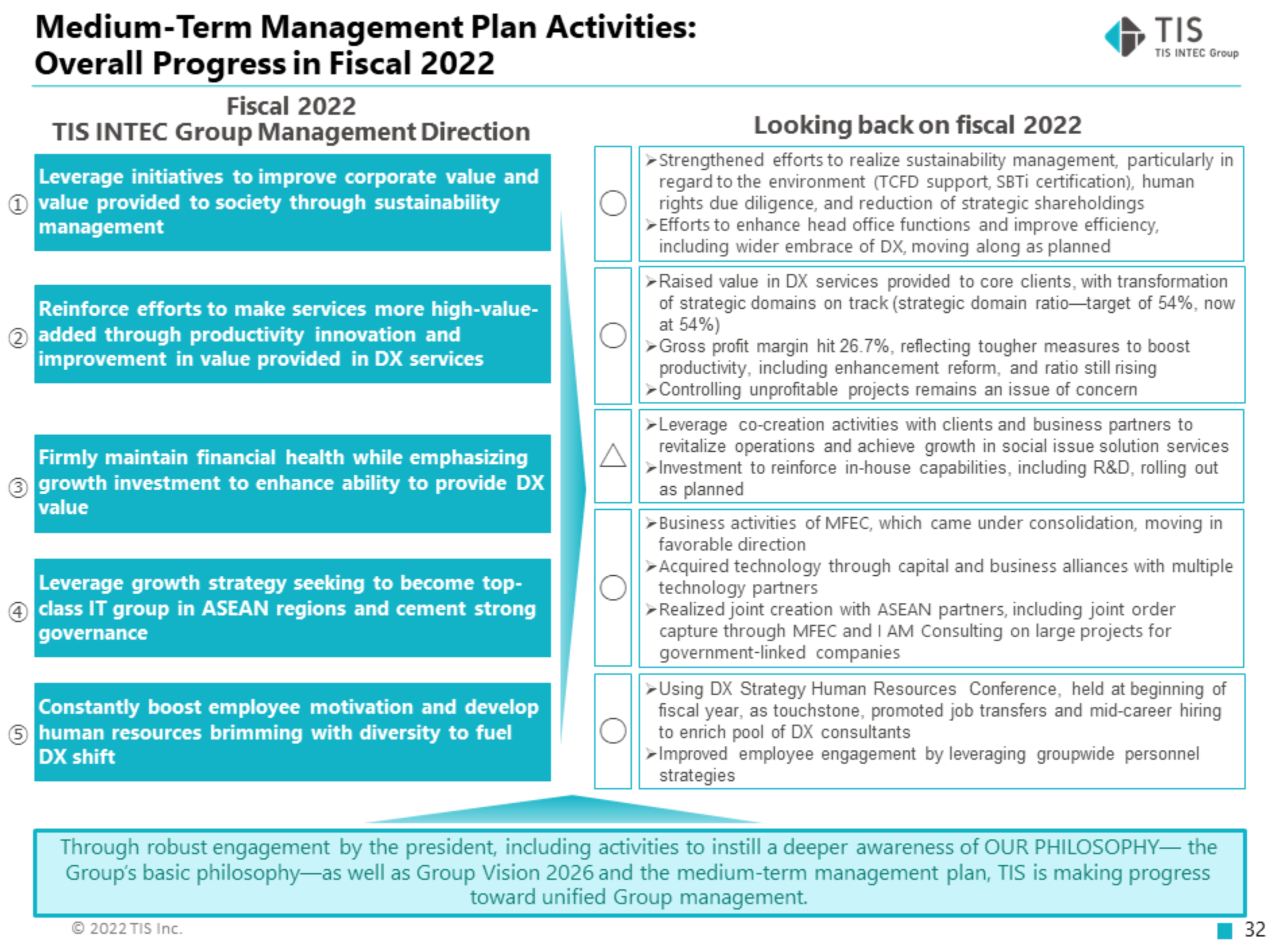
I would like to skip the first part of the explanation.



I would now like to explain how the fiscal year ended March 31, 2022, the first year of our Medium-Term Management Plan, went.

This slide, which presents the figures with a tachometer, shows the progress of key management indicators.

As you can see, we are currently making good progress toward achieving our plans for the fiscal year ending March 31, 2024, the final year of the plan.



Continued on page 32.

This is an overall summary of the fiscal year ended March 31, 2022, and we have included a look back based on the Group's management policy.

As I mentioned at the first half results meeting, we have made steady progress in fostering integrated group management, which is the foundation for implementing all measures, through continuous efforts to disseminate the Group's basic philosophy, "OUR PHILOSOPHY" and other initiatives.

I have also said that this is the most important theme. In terms of strengthening the front line, we have actually been promoting this over the past year, including a discussion caravan with employees.

Although we cannot yet be satisfied with the results, I believe that the change in employees' awareness and their active participation in the Company is steadily increasing.

Now, let me evaluate and explain the five items listed here.

The review of each of these items shows that overall, steady progress has been made, with the exception of item (3). The item with good progress is marked with a circle.

Regarding (1), I would like to give it a circle because I believe we have made steady progress in our efforts related to the environment and human rights, which are socially prioritized themes.

As for point (2), this is a major issue that focuses only on unprofitable projects, which can be regarded as an X in this situation, but we must once again strengthen our efforts to eradicate the restraint.

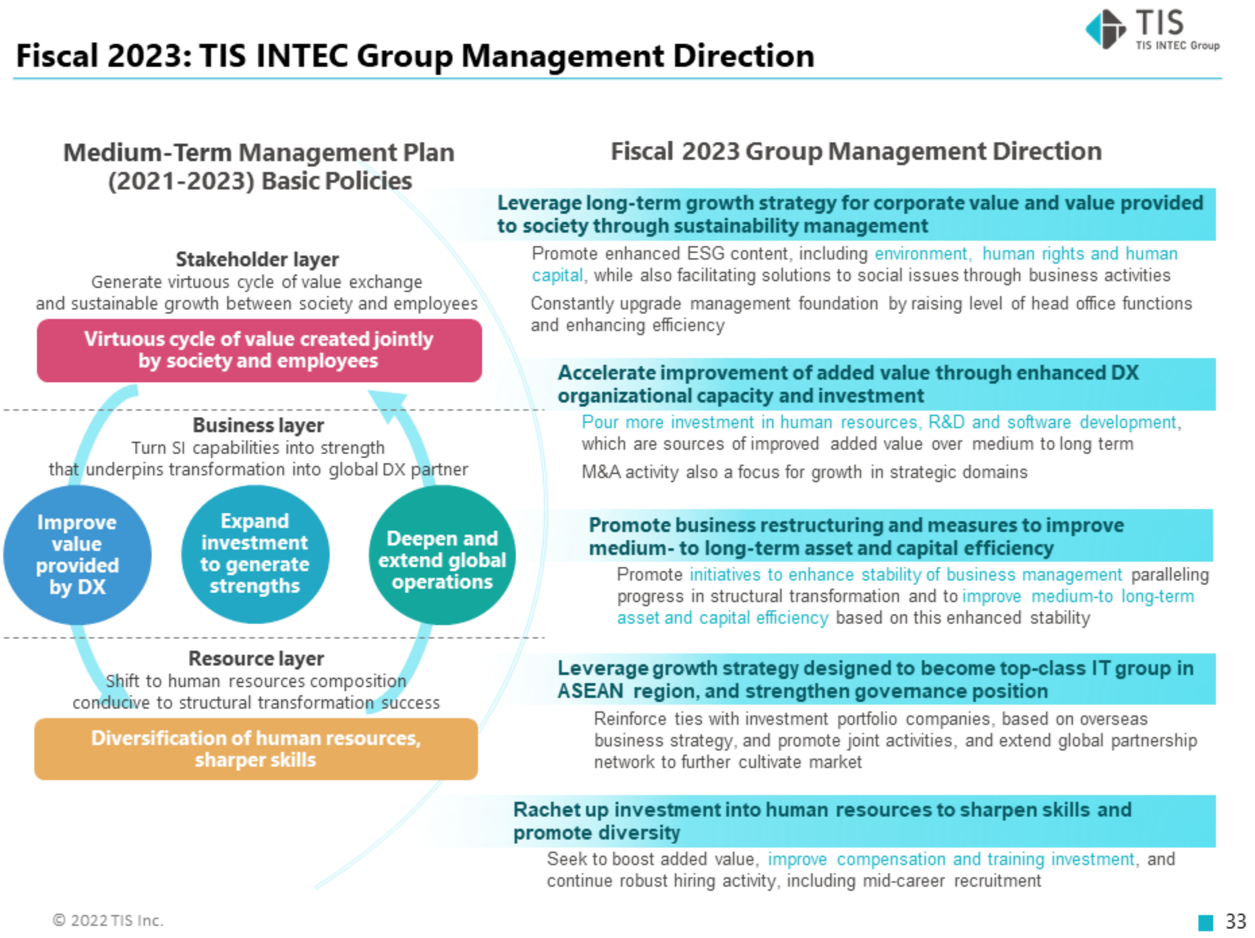
However, when we look at (2) as a whole, we were able to absorb the negative impact by improving productivity, etc., and we continue to improve the gross profit margin, so we gave it a circle.

(3) is now set to a triangle mark. This is, of course, an initiative that is in progress, but it is highly expected to be a growth driver in the future.

Also, considering that we continue to face challenges in terms of profitability due to the upfront investment phase, I am putting it in the negative because I feel that it is not yet sufficient.

Next is (4). The overseas business environment has been difficult due to COVID-19, but even so, I believe we have made steady progress in what we need to do now and what we can do now toward the realization of our mid- to long-term goal of becoming a top-class ASEAN IT consortium. Accordingly, we will mark it as a circle.

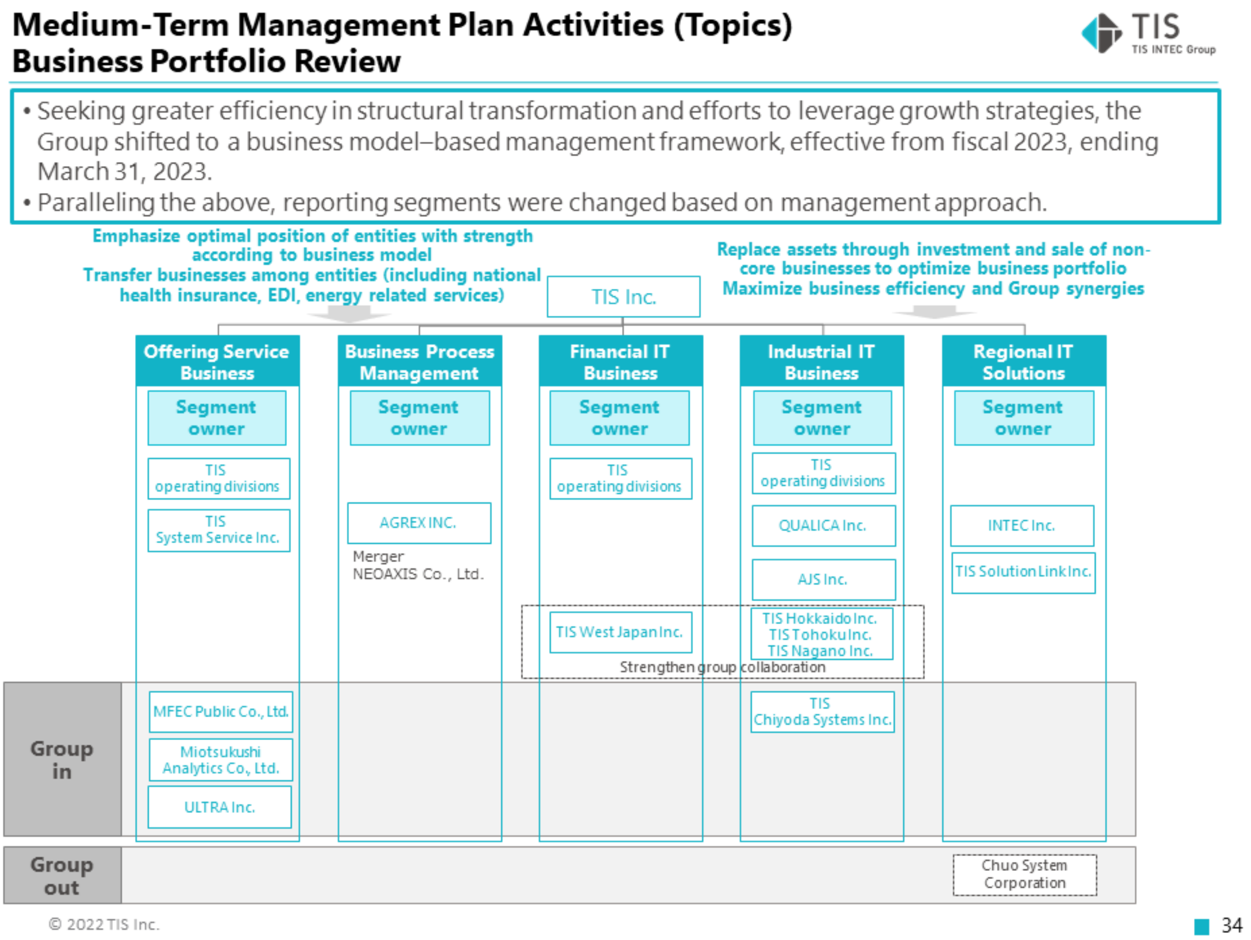
Lastly, regarding point (5), we continue to actively promote initiatives for human resources, our most important management resource, and we have included external evaluations to see if we are achieving results.



Page 33.

This is the Group's management policy for the fiscal year ending March 31, 2023, the second year of the Medium-Term Management Plan.

There will be no major theme changes. We intend to promote each of these initiatives with a firm commitment to further evolving them to achieve the goals of the Medium-Term Management Plan.



Starting on page 34, I would like to introduce some topics related to the progress of the Medium-Term Management Plan.

First, we are reviewing our business portfolio.

As Kawamura mentioned earlier in his explanation, in the course of constantly considering the optimal group formation, we have been transferring and consolidating businesses within the Group, as well as conducting M&As and transfers. In order to further accelerate the concentration and shift to strategic domains and improve effectiveness, we have decided to adopt a management structure that is appropriate to our business model.

Also, we have decided to change the segment accordingly.

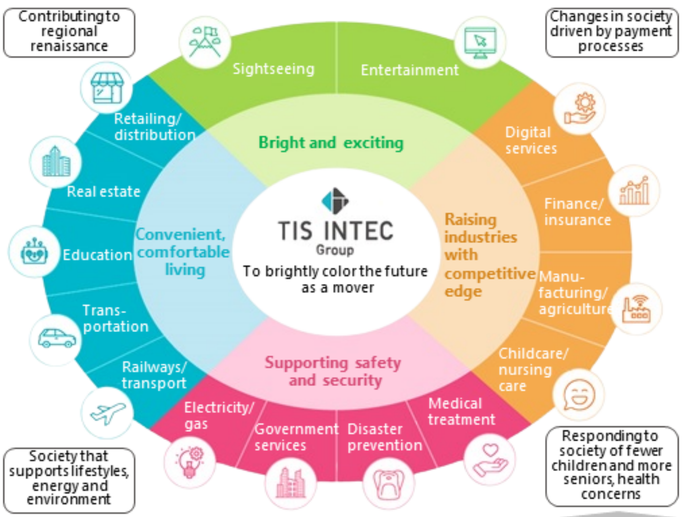
In the past year, as a preliminary step, we have been experimenting with a group supporter officer system, which we have now sublimated to clarify the authority and responsibilities of segment owners in the new segment.

Medium-Term Management Plan Activities (Topics)
DX Business Strategy

TIS
TIS INTEC Group

・As a partner keen to raise corporate value of client companies in various industry sectors, the Group has steadily built a track record of results using reliable implementation capabilities ranging from DX strategy proposals to system configuration to help clients deliver solutions to social issues.

Seek happiness for people in a sustainable future society



Fiscal 2022 Topics

- **DX on RoboticBase**
  - Platform integrating and controlling multiple robots that will be introduced at Tokyo Midtown Yaesu.
- **PAYCIERGE: Community wallet**
  - Linked Aizu Wallet with smartphone payment service J-Coin Pay
- **MaaS platform**
  - Okinawa MaaS and CCC Marketing Group collaboration
  - Use of transportation-based e-ticket service in Northern Kanto and Tohoku areas
- **IoT platform for Local Government**
  - Accelerated regional DX aimed at creating digital Denentoshi
- **Healthcare platform**
  - Launched SustainaCare, a personalized healthcare program to achieve strategic healthcare investment
- **Decarbonization solution (VPP platform)**
  - Announced Carbony decarbonization solution brand
- **XR Campas**
  - Opened virtual space event using XR technology

Promote stronger DX consulting expertise
(Staffing level expanded from 250 to 300 people in fiscal 2021, with goal to exceed 500 people by fiscal 2024. Expansion results on track)

35

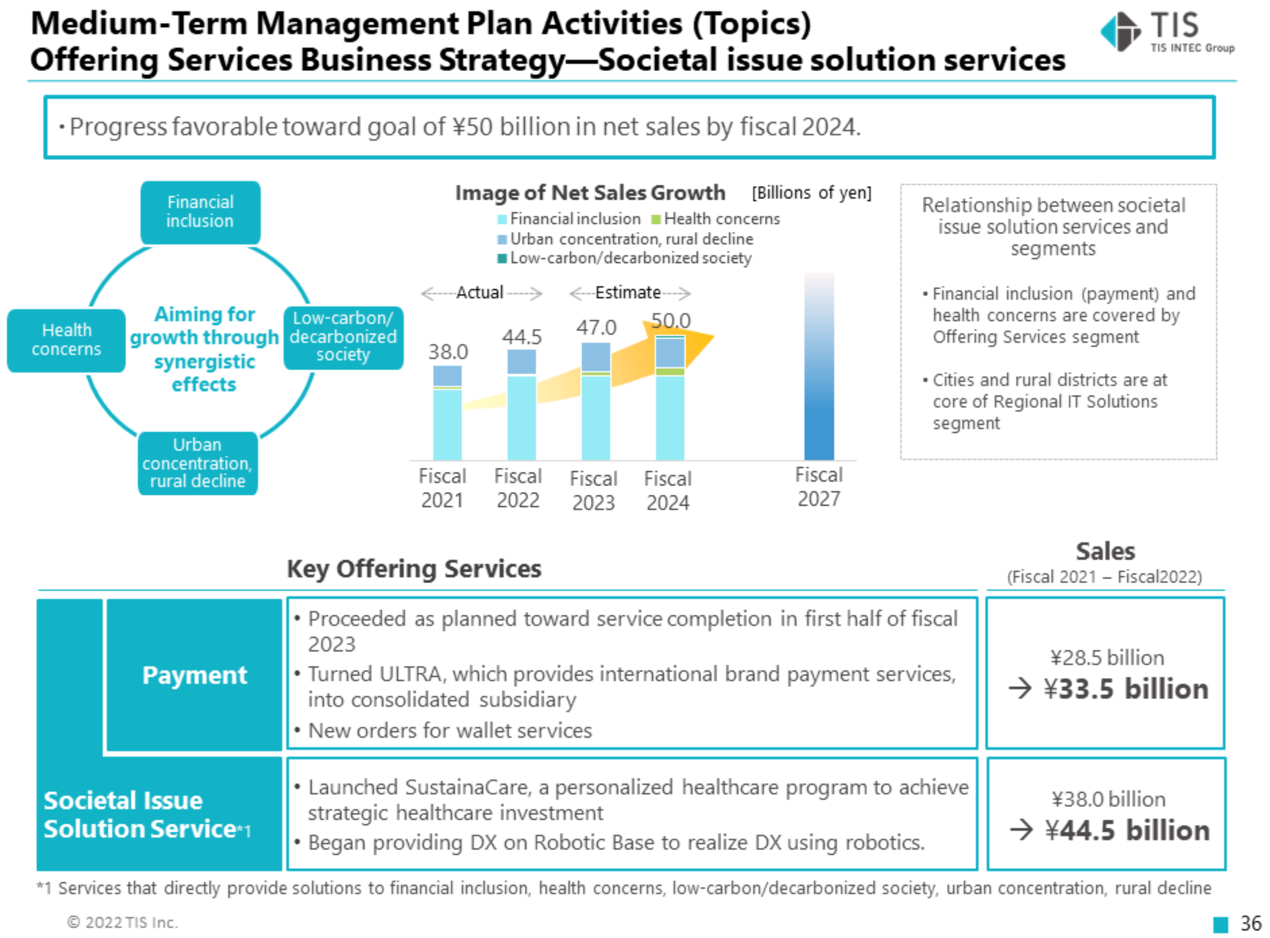
This is the digital transformation business strategy.

Again, we believe that one of the key words in this Medium-Term Management Plan is to strengthen the front line.

The expansion and strategic placement of digital transformation consultants, an important management resource to support this realization, is progressing according to plan.

We are not yet in a position to say that this is sufficient, but we will naturally need to continue to focus on this issue, and we are seeing more and more examples of initiatives that utilize digital transformation consulting functions in various fields.

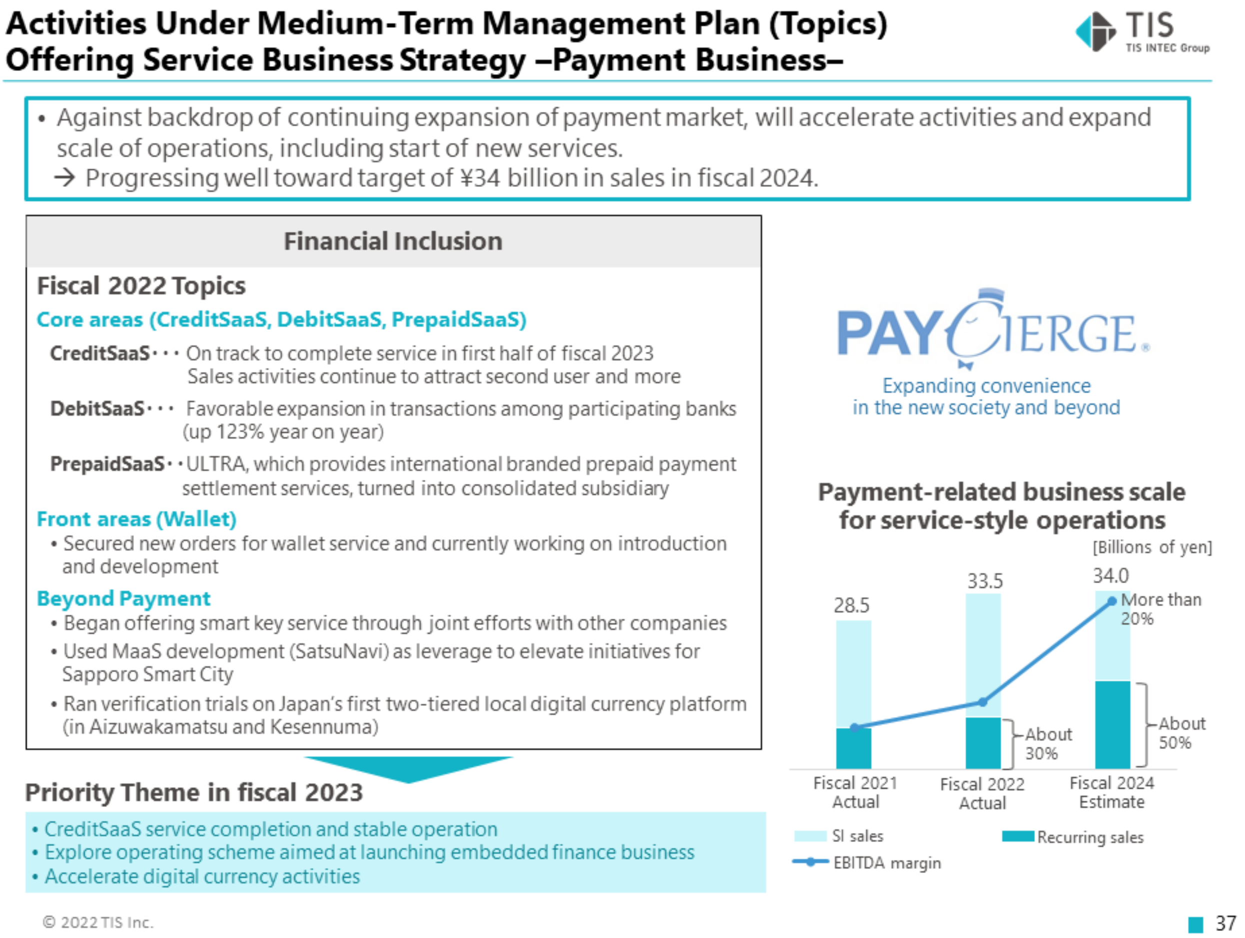
It is difficult to say what indicators should be used to measure the degree of realization of front-line reinforcement or figure out what the best way to do this is, but I feel that we are making progress, albeit qualitatively, and we would like to continue our efforts to increase the value of our business by improving the value we provide through digital transformation.



Continued on page 36. This Service business strategy.

In particular, I would like to focus on the business of services that solve social issues, and we are making steady progress, with the payment business playing a leading role.

Other areas are in a state of preparation for future business expansion and are recognized as such.



Please see page 37. This page focuses on the Payments business. Overall, we are making progress in accordance with the plan.

The Credit SaaS service will be completed in the first half of the fiscal year ending March 31, 2023, as planned.

Although the degree of contribution to our business performance is not that large, we expect further development and contribution to our business performance in the future, as this is a growth driver for our group, not only through obtaining first users but also through the expansion of business scale by acquiring second and subsequent users. We hope that you will look forward to our further development and contribution to our business performance in the future.

In addition, we are making steady progress in the areas of debit SaaS, prepaid SaaS, wallet-related services, and Beyond Payment, which we are working on from a long-term perspective.

Embedded Finance business and M&A with a view to launching this business were also carried out. This is still in the future.

Activities Under Medium-Term Management Plan (Topics)
Global Business Strategy

TIS
TIS INTEC Group

- Given prolonged effects of COVID-19 pandemic and challenges for cross-border businesses, focus on creating synergies among overseas subsidiaries and with portfolio companies. Global business scale expanding well.

Fiscal 2022 Activities

Capital and business ties with technology partners

- (CN) Top-class blockchain technology company in China "Hangzhou Qulian Technology (HyperChain)"
- (CN) Start-up with wireless sensing AIoT technology "Miaomi Technology"
- (SG) Provides trade financing using blockchain technology "Contour"
- (SG) Venture firm developing space-based quantum systems for delivery of secure encryption keys "SpeQtral"

Growth of existing business in ASEAN region

- (TH) Joint orders through MFEC and I AM Consulting on large projects to introduce SAP into state-run Electricity Generating Authority of Thailand
- (TH) Linked J Ventures cryptocurrency JFIN Coin and point system of BTS, Bangkok's largest train operator
- (TH) Expanded service to Grab Driver, using base of Jaymart Group, the parent company of J Ventures
- (ID) Tech company Aino, which provides transportation payment solutions, signed strategic alliance agreement with Grab to integrate Grab service and JakLingko, an intermodal payment system for public transportation operators

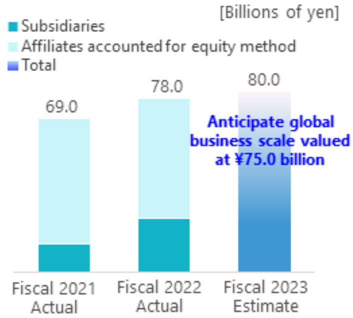
Strengthening human resources base for global business

- (CN) Support for start-up development program at Tsinghua University, a top-class post-secondary institution in Asia
- (TH) Set up MFEC Venture Lab, specializing in new business, to develop entrepreneurs

Priority Theme in fiscal 2023

- Value chain expansion: Reinforce upstream consulting capabilities
- New market cultivation: Explore new markets, building on presence in China and ASEAN region
- Acquire new technologies: Strengthen sourcing and promote localization

Global Business Scale



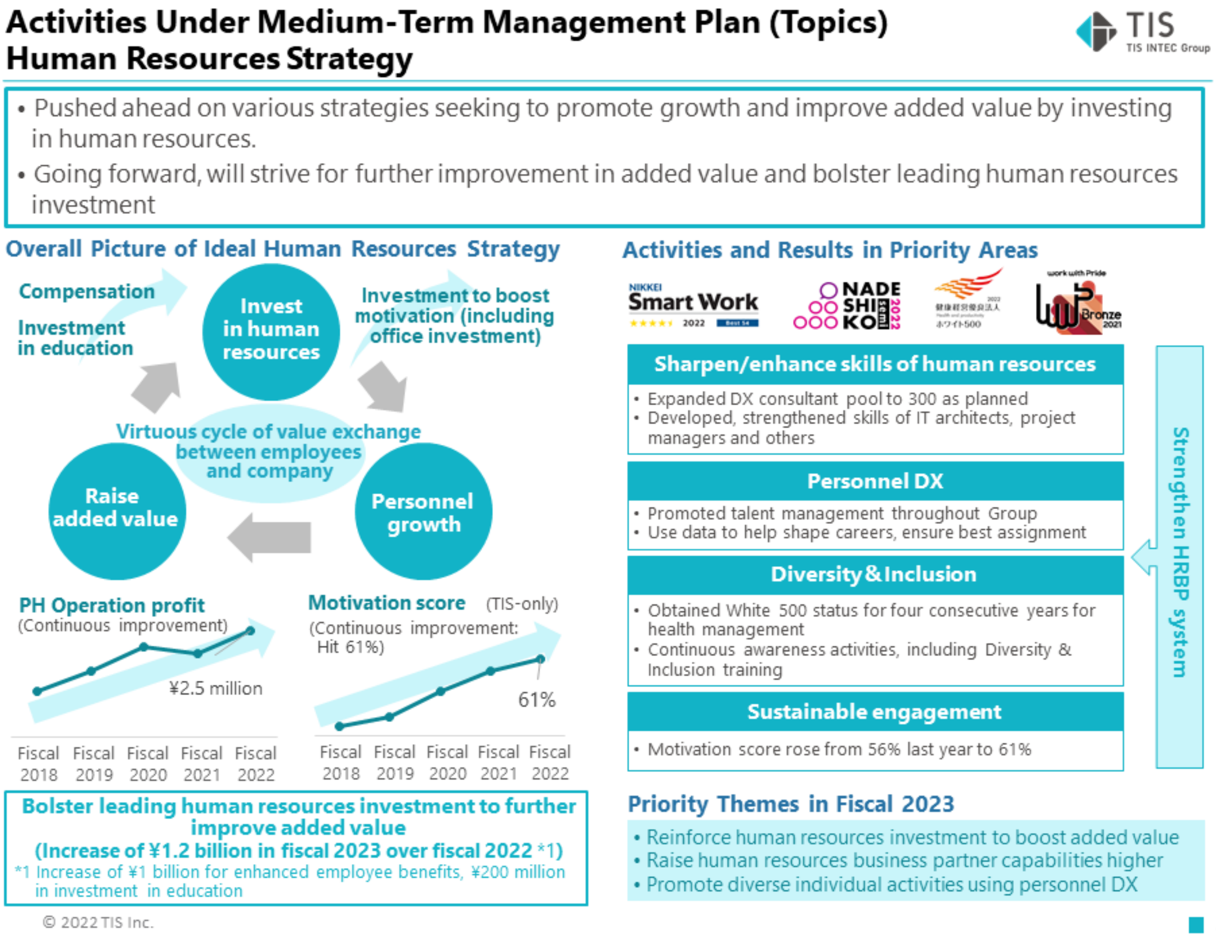
Global business scale:
Subsidiaries (consolidated and nonconsolidated)
+ Affiliates accounted for by equity method

38

This is our Global business strategy.

As mentioned earlier on page 32, the cross-border business, which is something to look forward to in the future, is also in a difficult situation. Various developments are underway in each of the technology and channel axes, and the scale of our global business, including equity-method affiliates, is steadily expanding.

Our stance is that we are not only seeking synergies between Japan and other countries. Of course, we are working on synergies between Japan and other countries, for example, cashless, but we believe that we can create more synergies if we do not stick to that, and if we work together with a light footwork between overseas countries. I believe that this will be a major strength of our group. We would like to continue to look forward to cooperation among foreign countries in the future.



Next, about human resources strategy.

As I have always said, human resources are our strength and the source of our corporate value creation, so there is no doubt that they are our most important management resource.

Based on this recognition, we have been actively investing in human resources and implementing a variety of initiatives that will lead to the growth of our human resources and increase their added value. In response, operating income per employee has also been steadily increasing.

We strongly believe that investment in human resources will continue to be the driver of a virtuous cycle of value exchange between employees and the Company, which in turn will lead to increased corporate value. This is how we intend to implement and invest in human resources as aggressively as possible.

Activities Under Medium-Term Management Plan (Topics)

Strategy to Raise Level of Management Capabilities –Promoting sustainability management and ESG–

- Drafted human rights policy and taxation policy, looking to contribute to sustainable society and realize higher corporate value.
- Aim for higher level of corporate governance and highly transparent information disclosure befitting a company listed on Prime Market.

Environment

Contribute to decarbonized society and recycling society

Activities in Fiscal 2022

- Obtained SBTi certification (June 2021), captured CDP-B score
- Committed to TCFD, disclosed information based on recommendation (January 2022)
- Encouraged use of renewable energy

Priority Theme in Fiscal 2023

- Explored further reduction of GHG emissions and obtaining various certifications
- Began looking into water and waste management

Social

Sustainable improvement in stakeholder engagement

Activities in Fiscal 2022

- Implemented human rights due diligence in line with Group human rights policy (Plan to disclose results of risk evaluation in first half of 2022)
- Promote diversity, elevate engagement inside and outside the company

Priority Theme in Fiscal 2023

- Strengthen and enhance management practices to address latent human rights risk
- Update human resources strategy and investment level matched to human capital management

Governance

Constantly pursue level of corporate governance that elicits greater trust from society

Activities in Fiscal 2022

- Responded to revised Corporate Governance Code and prepared disclosure document (Revised December 2021)
- Drafted Group Taxation Policy (Disclosed April 2022)
- Streamlined strategic shareholdings (Total disposal: 8 issues; partial disposal: 1 issue; reduced ¥7.5 billion)

Priority Theme in Fiscal 2023

- Lift management and governance practices to higher level

Status on Progress toward Medium-Term Management Plan KPI

Sustainable improvement in stakeholder engagement	Fiscal 2021 Actual	Fiscal 2022 Actual	Fiscal 2024 Estimate
Motivation level	51%	56%	62%
Client/service satisfaction	53%	60%	60%
Business partner satisfaction	-	69%	81%

This page is about ESG compliance.

I will not go into the details of individual initiatives, but I believe that we are making steady progress in promoting the E, S, and G, each of which is a trend that responds to the demands of society.

We are also pleased to see improvement in stakeholder satisfaction, which we consider an important management indicator in the social sector.

In fact, a short-term response to this theme is not sufficient. We recognize that it is extremely important to take a long-term viewpoint, and to take a serious approach from now on.

Going forward, we will continue to evolve our ESG response as our foundation for value creation support, and we aim to contribute to a sustainable society and achieve grow our corporate value sustainably.

Medium-Term Management Plan Activities (Topics)
Financial Investment Strategy-1

- Robust prior investment, in line with estimate, to reinforce in-house capabilities. Stance on M&A-oriented investment (capital contribution) calls for vigorous activity while carefully watching the situation, taking into account changes in economic environment.
- Still earmarking investment of about ¥100 billion but will be flexible, revising allocation as conditions warrant.

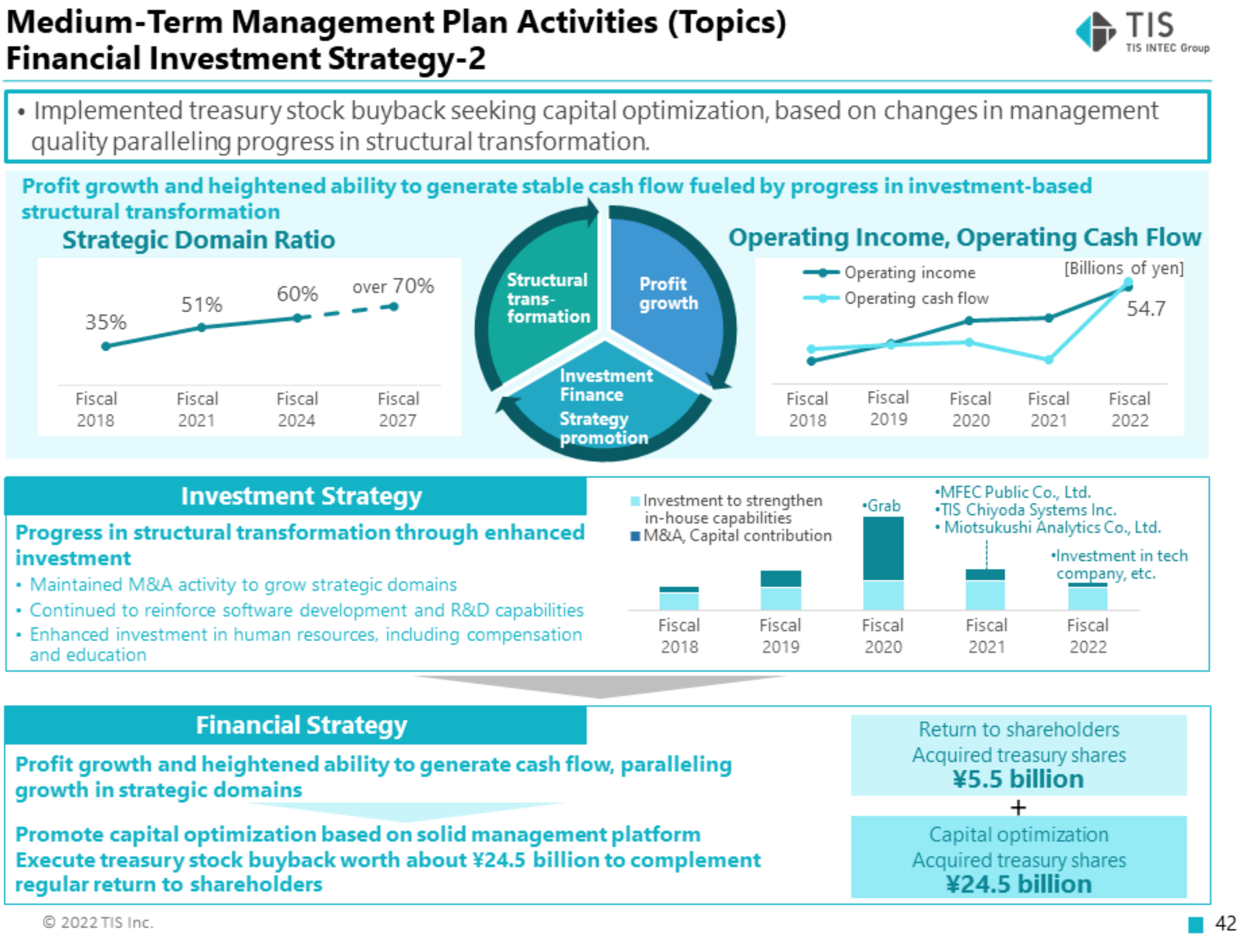
[Billions of yen]		Medium-term management plan (Three-year cumulative total)	Fiscal 2022 Actual	Fiscal 2023 Estimate (*Rough calculation)
Reinforce in-house capabilities	Software investment to create new services	10.0	**5.7**	3.0
	Investment in human resources to fuel structural transformation	8.0	**2.0**	2.5
	Investment in R&D to acquire advanced technologies	12.0	**2.7**	3.5
Subtotal		30.0	**10.6**	9.0
M&A (Capital contribution)		70.0	**2.4**	Undecided
Total		100.0	**13.0**	-

This page 41 and the next page 42 are the investment and financial strategy.

First, this is page 41.

In our Mid-Term Management Plan, we are considering making aggressive growth investments of approximately JPY100 billion over three years, combining the perspectives of internal strengthening and M&A investments. This idea has not changed.

However, I believe it is important for management to respond flexibly to various changes, including the economic environment, without sticking to initial assumptions. For example, if we decide that we should invest more in human resources, we will increase the allocation of human resources investment, and we will consider such a decision.



Page 42. I would like to provide an explanation regarding this and other major financial measures.

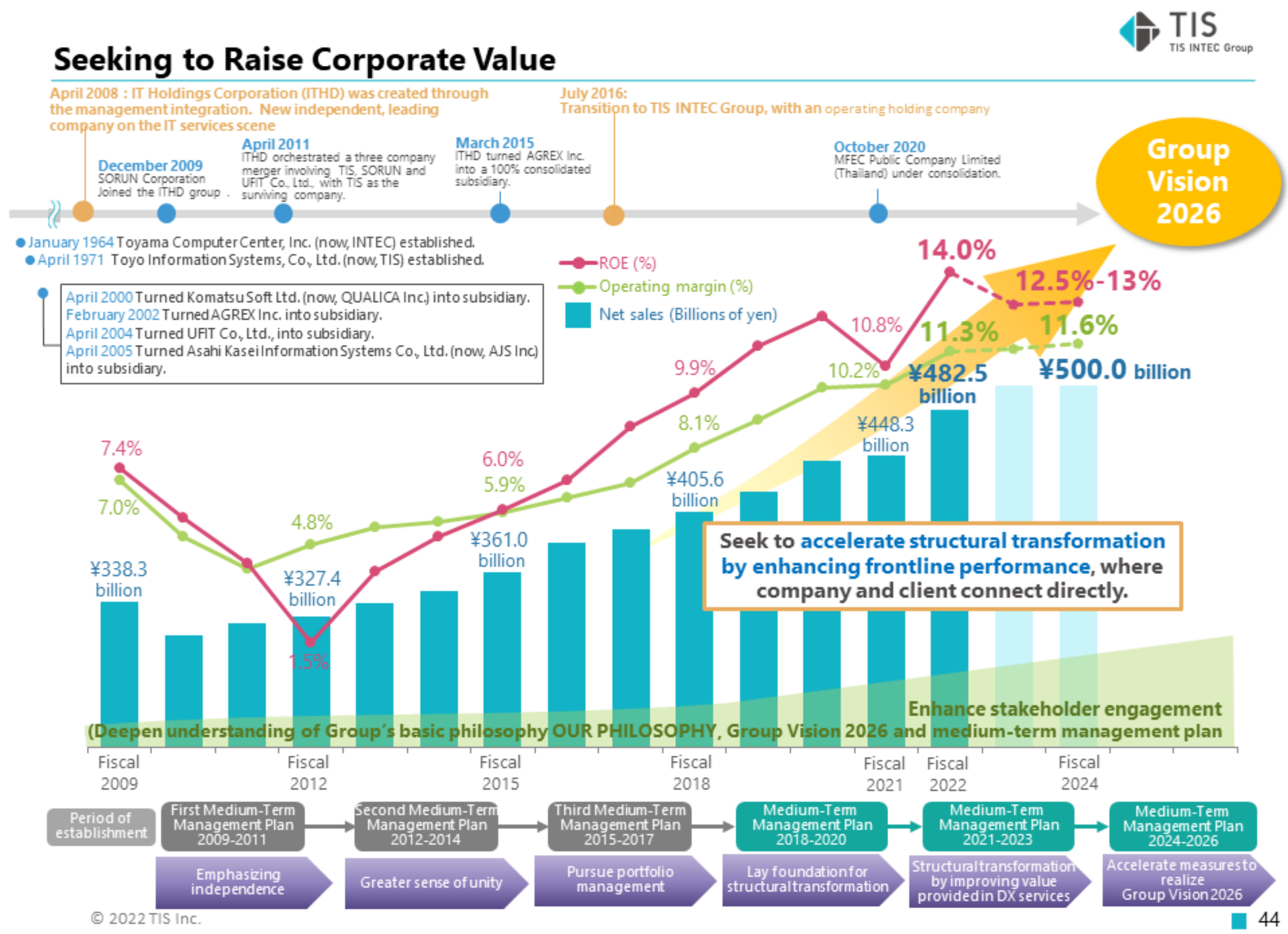
This is now the second step. In total, three Medium-Term Management Plans have been formulated as steps toward realizing the Group Vision 2026. This is as we have explained in the past.

Under these circumstances, the individual strategies I have explained so far are aimed at realizing the Group's vision, and the common axis and approach is structural transformation through concentration of management resources in the strategic domains.

Structural transformation by concentrating management resources in strategic domains is making steady progress, thanks in part to aggressive investment. We believe that we have come to bring about a stronger management foundation, with improved profit growth and cash generation capabilities.

The quality of management has been transforming, and now that we have a stronger sense of our ability to make further progress, we believe that we can take actions to optimize our capital structure and improve our capital structure and efficiency.

We have, therefore, decided to implement a total of JPY30 billion in share repurchases, including those based on the total return ratio.



This page is the last of my explanation.

It has been one year since I assumed the position of President. This was the first year of our Medium-Term Management Plan, and fortunately, we managed to make progress in terms of both measures and numbers during the year. But, of course, as a company, we have many challenges.

The external environment is changing at a dizzying pace, and there is still a mountain of work to be done.

We must be aware of this situation and, once again, we must be very careful and careful in dealing with each and every situation, which is extremely important in times like these.

For the Group's sustainable growth and to enhance its corporate value, it must never stop its progress in structural transformation. I believe that the driving force behind the movement toward structural transformation is the strengthening of the front line.

As I mentioned before, strengthening the front line requires a change in the mindset of employees, which is very important. However, when doing something different or new, I believe that the success or failure in the early stages will have a great impact on subsequent phases.

Looking at the past year, we are still not satisfied with the results, of course, but we have been vigorously conducting discussion caravans and other activities with our employees, and in some places, we have sensed a change in their awareness, so active communication is extremely important.

I believe that we are slowly getting better at seeing active communication in motion at key points.

If we can make this more pervasive, it will spontaneously activate more and more movements and lead to larger and larger movements.

We will continue to dedicate all our energy to achieving sustainable growth and further enhancing the corporate value of the Group. We are dedicated to making all the necessary efforts, no matter how small, to promptly cross the finish line of our race towards Group Vision 2026.

This concludes my explanation.

Question & Answer

Moderator [M]: Thank you. We will now have a question-and-answer session.

If you have been nominated, please mention your company name and name, followed by your question. Please note that each person is limited to two questions at a time.

Due to time constraints, we may not be able to answer all of your questions.

Now. let me begin with the first question.

First of all, Mr. Tanaka of Mitsubishi UFJ Morgan Stanley Securities, please ask your question.

Tanaka [Q]: My name is Tanaka from Mitsubishi UFJ. I have two questions.

This is my first question, regarding the orders and software development. In the fourth quarter, the service IP amounted to about JPY20.8 billion, an increase of nearly 50% YoY, but I feel that there were other factors that contributed to the growth, besides the individual requirements for Credit SaaS. Please tell us about the background behind the large growth here, and also about the sustainability.

Company Representative [A]: Okay. I understand that your question refers to development orders for Service IT in the fourth quarter. In this regard, the Payment segment, in particular, continues to boom. We have received inquiries from several customers, and we are also developing additional functions for Credit SaaS, which is contributing about JPY2 billion to the total.

In addition, demand from other customers, such as municipalities and public sector, will continue to grow, resulting in a total increase of JPY2.8 billion. The overseas portion, MFEC, contributed JPY1.4 billion to the total, so the domestic contribution to development orders was about JPY5.4 billion.

Tanaka [Q]: Alright. Thank you very much. Then, I would like to know more specifically about the contents of the Service IT for municipalities and the public sector.

Also, for Payments, other than the Credit SaaS, should we see that there was not that much movement, and also, is it likely that this municipality and Payments will still continue in the future?

Company Representative [A]: Okay. As you pointed out, the new segment, Wide-Area IT Solutions, which includes local governments and our service, F^3, will contribute several hundred million yen to this segment.

In addition to Payments, we have received inquiries from several customers in the area of digital marketing, which together have added about JPY500 million to JPY600 million to our development order book.

In the area of Payments and its digital market, we are receiving strong inquiries from customers, and we will continue to work hard to secure orders. That’s all from me.

Tanaka [Q]: Alright. Thank you very much. The second point is on page 37 of the document, regarding Payment.

If we look at the graph on the right, we can see that the recurring business grew by about JPY10 billion or 20% during the period when the recurring business ended, and that the recurring business will probably grow by JPY17 billion or almost 70% in the new fiscal year.

I think the Credit SaaS recurring revenue will be a major contributor, but I'm not sure what other areas of growth there are. Please tell us about the status here, and what the attachments, or rather negotiations, are like for other customers, in order to sign contracts with second users. That's all from me.

Company Representative [A]: I will explain about recurring business first. Including the launch of the first user of Credit SaaS, we expect that the percentage of recurring revenue will rise from 30% to about 40% this fiscal year.

While the recurring ratio of overall payments will increase, the majority of the increase will come from Credit SaaS, which will continue to operate at a steady pace toward the final year of the Medium-Term Management Plan, when the ratio will be approximately 40% or 50%.

Tanaka [M]: I see.

Company Representative [M]: I hope I answered your question.

Tanaka [Q]: I understand now. I'm sorry, I interpreted wrong. As for the fiscal year ending March 2024, will the 30% will go up to about 40% this fiscal year?

Company Representative [A]: Yes.

Tanaka [Q]: In terms of the overall impression of sales, the term when this was completed was JPY335 billion, and two years later it will be JPY340 billion, but there will be no major change in sales.

Company Representative [A]: Yes, The SI development portion in particular contributed to the sales in the last fiscal year, but for the new fiscal year, the recurring portion will be replaced by the SI development portion, so please understand that sales will not change that much, but the contents will change.

Tanaka [Q]: Alright. Thank you very much. Please tell us about the status of the negotiations.

Okamoto [A]: Alright. I would like to start with a few words from me. I would like to talk about the Credit SaaS situation in summary.

First of all, as I have explained, the first users are progressing very well, and we will be able to provide the service in the first half of the fiscal year ending March 31, 2023, as scheduled.

Second users continue to do well. We are also building up other pipelines, and there is a possibility that the third and fourth companies will be brought forward. That's all from me.

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

Moderator [M]: Thank you. We will move on to the next question.

Next, Mr. Kikuchi, SMBC Nikko Securities.

Kikuchi [Q]: Thank you very much. I would like to know more about the shareholder return share buyback.

I think the past two years, with the share buyback and ToSTNeT-3, it was probably used to eliminate cross-holdings and was directed at absorbing customers, investors, and shareholders who wanted to sell their holdings, and so on. I wondered what to think about the JPY30 billion this time.

Is it JPY30 billion composed with an additional JPY20 billion with things other than what you buy from that market? I would like to know your policy on whether the entire JPY30 billion will be used for ToSTNeT-3, as it was last year and the year before.

If possible, I think the elimination of cross-holding, or rather the elimination of one shareholding, would have a slightly different meaning from that of shareholder return. The background is that we think it would be more appreciated if the portion from the market were prepared in a separate line. This is my first question.

Company Representative [A]: Yes. The share repurchase is as disclosed in a timely manner. We are making this timely disclosure because we expect to purchase the shares from the market and may use Sonnet 3 as one of the methods.

We have not decided on this at this time. We are doing this using several methods, and I understand that there is also a method using ToSTNeT-3. We do not want everything to be done that way, so we have indicated our policy that we would like to make purchases from the market in general.

Kikuchi [Q]: For the past two years, I think it was a purchase from a specific, maybe a major shareholder, but is it safe to assume that this policy will not change this year?

Company Representative [A]: That is a possibility, but I do not think that all will be the case.

Kikuchi [Q]: I see, I understand. I would like to confirm the wording, but what would be the wording if you could say that the capital structure is appropriate, if you could break it down a little more?

Company Representative [A]: Yes. When you look at our balance sheet, you can see that our business earnings have been very strong and that our policy stock holdings have been reduced to a very low level, resulting in a solid accumulation of cash and cash equivalents.

At the same time, the capital adequacy ratio has also increased in light of these factors. When we think of capital efficiency, we would like to raise the capital efficiency to a higher level, and to accumulate profits from shareholders' capital, we have decided to rebalance the ROIC and ROE levels again, and to do so at this time.

Kikuchi [Q]: Thank you very much. The second point, Credit SaaS.

You mention in the text that the service will be completed in the first half of the year, but I was wondering if it is correct to understand that the expression "service completion" does not mean the start of the service, and that the timing of the start is still in flux.

Earlier, you explained that the profit contribution is not yet significant, but when the service is launched, the impact on the PL, the amortization will start, but the income will also increase. What kind of impact should we expect?

Company Representative [A]: Yes. Regarding the first half, Okamoto will answer.

Basically, the Credit SaaS itself, which we provide as a service, is almost complete and ready to be delivered to customers during the first half of this fiscal year. In such a case, the customer will decide how and when to have the event.

Okamoto [A]: Alright. As for the contribution to revenue from Credit SaaS, since it is our first year after the launch, we will naturally have to bear the burden of amortization, but we are basically aiming to proceed with business in the black.

However, we believe that the business model is even more leveraged when the second and third companies are able to acquire the business. We are aiming for a more profitable business model with EBITDA in excess of 20%, and we will do our best to contribute to this goal as soon as possible. That's all from me.

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

Moderator [M]: Thank you. Please wait a moment as we move on to the next question.

Now, Mr. Tanabe of UBS Securities.

Tanabe [Q]: Thank you very much. This is Tanabe from UBS. I have two questions.

I would like to ask a follow-up to Mr. Tanaka's question on page 37.

One simple confirmation is about this JPY34 billion figure for the third quarter of FY2024 and this SI potion. Is it correct to assume that if a second or third company were to appear, there should be a natural upside, correct? I would like to confirm that this is not the only place where we have a chance of getting the upsides.

I would also like to know a little more about the progress of ERP and DCs other than Payment for social issues within Service IT, as well as a little about the outlook. This is above the first point.

Company Representative [A]: Yes. As to your current question, we have created this EBITDA of 20% for the fiscal year ending March 2020, the year for which we initially created our Medium-Term Management Plan, on the assumption that we will have multiple companies and a second company, so we are aiming for this level by adding the stock-type and SI portions.

In terms of the first company, the volume of SI development has been increasing up to the previous fiscal year, and we are now aiming for this level of JPY34 billion or even higher by firmly acquiring the second and third companies and increasing SI and recurring sales.

Also, as for the status of ERPs, etc. ERP has also been struggling for some time due to unprofitable projects, but we have explained to you that we will be making a recovery. The solid recovery has been successful, and orders are coming in.

We are looking forward to making a solid contribution to earnings in the new fiscal year with an eye on large-scale projects, so please understand that we are in the phase of making a solid contribution to earnings.

Tanabe [Q]: Excuse me. If possible, can you give us the numbers for the term that ended?

Company Representative [Q]: For the ERP?

Tanabe [Q]: You disclosed ERP and DC cloud networks all together, so I would like to know the breakdown.

Company Representative [A]: Regarding ERPs, the number of ERPs has increased from about JPY22 billion to JPY23 billion, and in the DC and other areas, the number of DC has increased from JPY42 billion to just under JPY44 billion.

Tanabe [Q]: Do you also have a forecast?

Company Representative [A]: We don't have prospects, since we have a new segment.

Tanabe [Q]: Okay. I understand. Thank you very much.

Secondly, regarding guidance for quarter. The guidance states that the gross margin will continue to improve, though by 0.3%. However, the improvement of unprofitable operations was also included, and if we include this area, the improvement was only about 0.1 percentage points. The gross profit margin has been improving for quite a long time, and now it is suddenly coming to a halt. I would appreciate it if you could explain the background behind your assumption that there will be a slowdown, as I am fine with a top-down approach. That's all from me.

Company Representative [A]: Yes. We were a little concerned about the gross profit margin in the third quarter, but as you can see, profitability was solid in the fourth quarter. As I mentioned at that time, we have not changed our steady efforts to improve profitability. In the new term, we are taking firm measures to improve profitability.

However, as I mentioned in the policy section, we will continue to invest in human resources in terms of personnel expenses, and we have set this gross margin target after taking such factors into consideration.

We will continue to invest in human resources, and we will also continue to increase our earnings by improving value-added products and services. We have started the fiscal year by incorporating these points into the current plan. That's all from me.

Tanabe [Q]: Just to confirm, are there no particular trend of improvement apart from the area of personnel expenses?

Company Representative [A]: Yes, that is correct.

Tanabe [M]: I understand. Thank you very much.

Moderator [M]: Thank you.

Next, Mr. Hori of Mizuho Securities.

Hori [Q]: This is Hori from Mizuho Securities. Thank you. I have one point, and I would like to confirm the acquisition of the second and subsequent users of the Credit SaaS.

In the case of a story like this, which is a little innovative, without seeing stable operation, it is difficult for users to make a move. I think there are many cases where a decision is made after seeing stable operation by the first user. Basically, I'm wondering if that's the right way to think about it.

Earlier, you explained that the first user service will be completed in the first half of the year, but it is up to the customer to decide when to start using it. If there is a discrepancy in this area, I have the impression that it will be difficult for the second or third company to determine stable operation and decide to use our company as well, but I have the impression that it will be difficult to decide in the first half of the year. Is it correct to see the situation like this?

I feel that there are many people in the stock market who are expecting a Credit SaaS, a second or third company, to come today already or in the forefront, so I would be very grateful if you could speak objectively on this point.

Okamoto [A]: Alright. I, Okamoto will answer this question.

First of all, you mentioned that the second and third customers will probably start using Credit SaaS after the first Credit SaaS has been used and proven, but I do not think that this is the case with Credit SaaS.

We have a track record of providing a very solid credit system. There are no customers who say that they will not use the service until after the first company has moved, so I think it will be fine.

However, it is not a matter, of course, of how many companies we will have in the first half of the year. We have to negotiate with our clients, find the fit gap, and do various other things. I can't make any promises on this point yet, but I am aware that it will not be until we see the results you mentioned in the previous section. That is all.

Hori [M]: Okay. Thank you very much.

Moderator [M]: Thank you.

Next, Mr. Watanabe of Sumitomo Mitsui DS Asset Management.

Watanabe [Q]: Thank you very much. I am Watanabe.

I'm sorry, I'm sorry for all the Credit SaaS, but here, do we start amortization after we give it to them, or is the start of this customer's use going to be the start point? In short, I'm not sure about that part, so I don't know how the plan for this fiscal year is incorporated.

The point is that depreciation and amortization are expected to fall by about JPY2 billion in your plan, so I wonder how the service company is looking at the end of the fourth quarter and so on in your plan. Also, in your brief explanation, you commented on the additional JPY2 billion in development. Is it my understanding that that is the first of these? Can you tell me if you were saying that earlier because you see that as a possibility now, after the additional development is completed, customers are likely to start using it?

Company Representative [A]: Yes. First of all, we are unable to mention the timing of the customer's offering, so we would appreciate it if you would ask on that assumption. The order for the production operation has already been booked in the operation order at the end of March, and we hope that it will develop into sales.

Although overall depreciation for the current fiscal year will be slightly lower, depreciation for this Credit SaaS has been factored into the plan based on the assumption that it will start during the current fiscal year. We are not amortizing the asset only at the last minute, as you just mentioned, but are planning to amortize the asset for the current fiscal year.

Earlier, you mentioned additional features in the development section, and we have received new inquiries for this, including some new specifications. It is not involved with the first launch, as we have additional and separate development. Sorry for the misunderstanding. I hope you can think of it as part of our desire to increase that inner share of our customers. That’s all from me.

Watanabe [Q]: Thank you very much. Just one more point, please.

When you mentioned earlier that you are looking at an increase in personnel costs, do you mean that the compensation is commensurate with the increase in personnel costs since the past fiscal year, since you are dealing with the current tight supply-demand situation? Please comment on whether you are looking at something special for this fiscal year, something extra than what you have been doing in the past, such as paying it as a full allowance already in the system.

Company Representative [A]: Yes. At TIS and its group companies, we still recognize that making solid investments in human resources is a common management issue. We have invested in various measures to improve job satisfaction, including investments in offices.

Considering the current supply and demand of human resources, we believe that it is necessary to take further measures to increase compensation and improve job satisfaction. We would like to take action in the future, including a solid personnel system.

The JPY1 billion figure for the current fiscal year is based on the current level of compensation, including bonuses, which will be raised to a higher level. We are making this announcement with the intention of further investing in human resources in the future. That's all from me.

Watanabe [Q]: I'm sorry, I guess the institutional allowance would be in the next Medium-Term Management Plan?

Company Representative [A]: We are still considering the timing, but we have a sense that we need to do it sooner rather than later.

Watanabe [M]: I understand. Thank you very much.

Moderator [M]: Thank you.

Now, Mr. Sato of Jefferies Securities. I am sorry, but the time for closing is drawing near, so I will end the question-and-answer session with a question from Mr. Sato. We kindly ask for your understanding.

Sato [Q]: My name is Sato from Jefferies. I'm afraid I'm only asking for confirmation, but how much did the unprofitable projects amount to for the full year and the fourth quarter of the fiscal year that ended? This is my first question.

Company Representative [A]: Yes. The total amount of unprofitable projects was JPY1.85 billion, of which JPY650 million were unprofitable in the fourth quarter.

We had one new project, about JPY400 million, and some projects are exceeding JPY1 billion a month. As Okamoto mentioned earlier, we will do our best to curb unprofitable operations. That's all from me.

Nakayama [Q]: Thank you very much. Is the one that came out of this fourth quarter from Service IT? You mentioned earlier that the number of unprofitable projects has increased.

Company Representative [A]: Yes, it is Service IT.

Sato [Q]: Okay. Also, in the third quarter, I think you commented that orders for ERP were a little weak. I remember you commenting earlier that this unprofitable project probably came from the ERP area.

This time, orders were very strong for Service IT, weren't they? I think the Credit SaaS part is really highlighted and in the spotlight right now, but the as for ERP’ s orders, are they coming back? I think the third quarter was weak and maybe this has collapsed. Other SI's are all strong at ERP, so I would appreciate your comments on how things are going here.

Okamoto [A]: I will answer. As I explained earlier, we were having some trouble with the ERP project, and now that the situation has settled down, we are receiving more orders for the ERP project.

We are ready to respond, so I hope you see the situation this way.

Sato [Q]: So, I understand that you are getting ERP projects in the fourth quarter, is that correct? Understood.

Lastly, I would like to ask President Okamoto, as we enter the second year of the Medium-Term Management Plan, I believe that the consensus for this year's guidance was a little on the low side. I think the numbers are pretty realistic, but if there is a middle range of strong and conservative, do you expect to be in the middle of the range?

Okamoto [A]: Yes. It is very difficult to know how to answer this question, but I would say it is somewhere in the middle.

Sato [Q]: So, there is still room perhaps?

Okamoto [A]: We have talked about how we would like to continue to nurture our ability to increase profitability, and to increase our earnings even more. At the same time, what is needed to increase profits is, of course, human resources and R&D. As you mentioned earlier about personnel expenses, we want to make a firm investment in this area, so we are keeping our investment at about the middle of the range.

Sato [M]: I understand. You have a solid backlog of orders, so I have high hopes for this season. Thank you very much. That's all from me.

Okamoto [M]: Thank you very much.

Moderator [M]: Thank you. Now, let us conclude the question and answer session.

In closing this briefing, Mr. Okamoto would like to say a few words. Thank you.

Okamoto [M]: Thanks. This is Okamoto. Thank you very much for joining us today for our financial results briefing for the fiscal year ending March 31, 2022. If you have any further questions, please feel free to contact our IR department by phone or at an individual meeting.

We look forward to your continued interest in our company. Thanks.

Moderator [M]: With that, we would like to close today's briefing.

Thank you very much for taking time to join us today.

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