# TIS Inc.

Financial Results Briefing for the Fiscal Year Ended March 31, 2023

May 9, 2023

# Event Summary

| | | |
|---|---|---|
| **[Company Name]** | TIS Inc. | |
| **[Company ID]** | 3626-QCODE | |
| **[Event Language]** | JPN | |
| **[Event Type]** | Earnings Announcement | |
| **[Event Name]** | Financial Results Briefing for the Fiscal Year Ended March 31, 2023 | |
| **[Fiscal Period]** | FY2023 Annual | |
| **[Date]** | May 9, 2023 | |
| **[Number of Pages]** | 50 | |
| **[Time]** | 17:00 – 18:05<br>(Total: 65 minutes, Presentation: 29 minutes, Q&A: 36 minutes) | |
| **[Venue]** | Webcast | |
| **[Venue Size]** | | |
| **[Participants]** | | |
| **[Number of Speakers]** | 2 | |
| | Yasushi Okamoto | President and Representative Director |
| | Masakazu Kawamura | Executive Officer, Division Manager of Corporate Planning SBU |
| **[Analyst Names]*** | Makoto Ueno | Daiwa Securities |
| | Chikai Tanaka | Goldman Sachs |
| | Hideaki Tanaka | Mitsubishi UFJ Morgan Stanley Securities |
| | Satoru Kikuchi | SMBC Nikko Securities |
| | Jun Tanabe | UBS Securities |
| | Hiroko Sato | Jefferies |

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

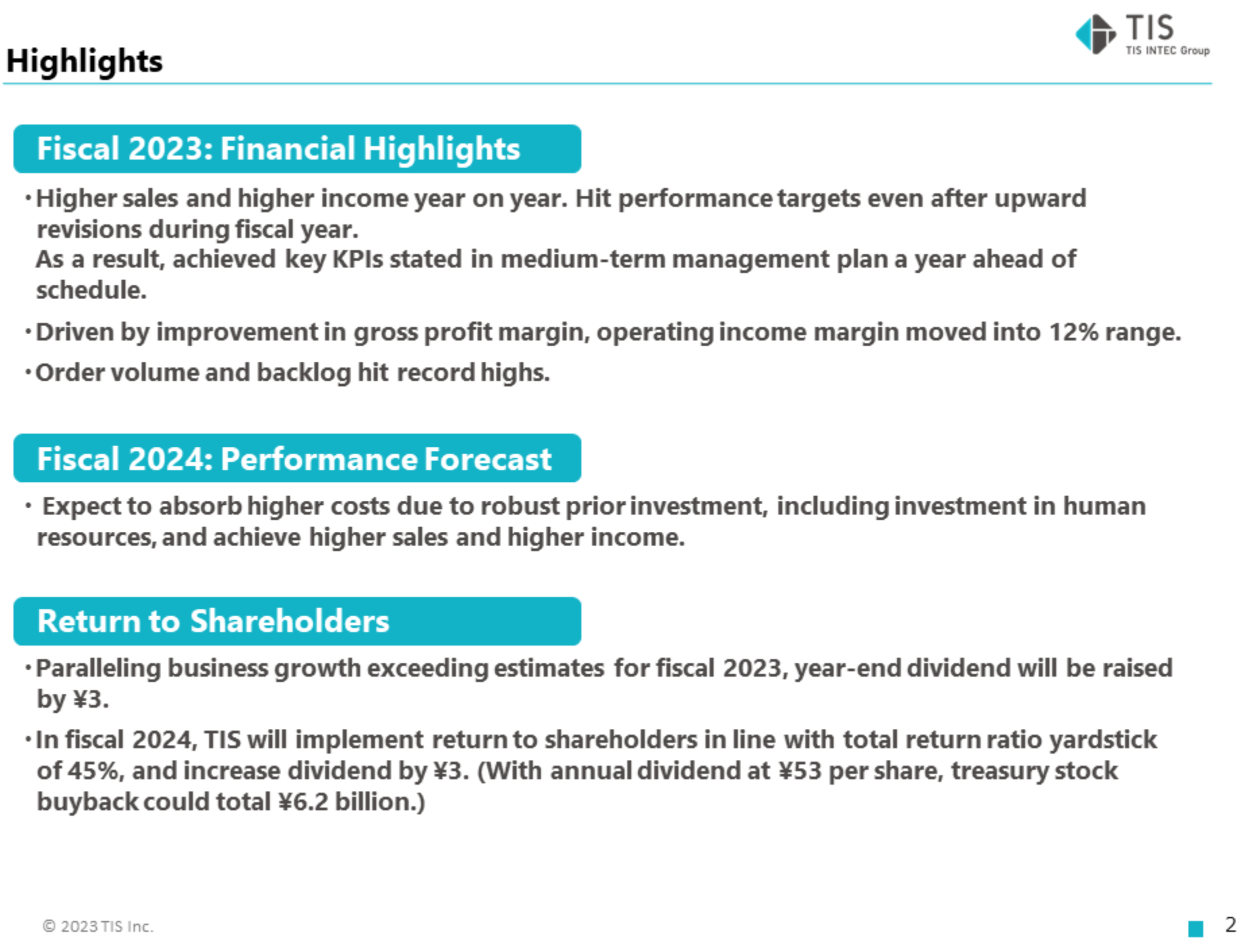
# Presentation

**Moderator**: Ladies and gentlemen, thank you for standing by. We will start the Financial Results Briefing for the Fiscal Year Ended March 2023 of TIS Inc.

First, let me introduce today's two presenters. The first one is Yasushi Okamoto, President and Representative Director, on your left as you face us. Next is Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU.

I'll explain today's proceedings briefly. First, Kawamura and then Okamoto from our company will give an explanation, followed by a Q&A session with everyone. The briefing is scheduled to end at 19:15, including a question-and-answer session. Please refer to our website for the documents as appropriate. A video of the briefing will be available on our website at a later date.

Kawamura will now give an overview of our business performance for the fiscal year ending March 2023, the outlook for the fiscal year ending March 2024, and shareholder returns. Thank you.




**Kawamura:** My name is Kawamura from TIS. Thank you. I will now explain the details of the financial results for the fiscal year ending March 31, 2023, which were announced at 3:00 PM today, as well as shareholder returns and other items.

Please see page two. Three highlights of the current financial results are listed below.

First of all, we were able to achieve strong results for the fiscal year ending March 31, 2023, with YoY increases in both sales and income, exceeding our upwardly revised plan, and achieving the major KPIs of the medium-term management plan one year ahead of schedule. In terms of profitability, the operating margin improved to the 12% range, driven by an increase in gross margin. Orders and order backlogs also increased significantly, reaching record highs.

Next, for the fiscal year ending March 31, 2024, we plan to increase both sales and income even as we make investments in human resources and other upfront investments for growth more vigorously than ever before.

Finally, in terms of shareholder returns, we have decided to increase the year-end dividend by JPY3 for the fiscal year ending March 31, 2023, in line with business growth exceeding our plan. For the fiscal year ending March 31, 2024, we plan to pay an annual dividend of JPY53 per share, up JPY3 from the previous year, and repurchase JPY6.2 billion of our own shares, in line with our basic policy of aiming for a total return ratio of 45%.

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## Fiscal 2023: Performance Highlights (YOY change)

- Higher sales and higher income, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Continued to achieve strong profit growth ratio, with operating income margin landing in 12% range for first time on full-year basis.

| [Millions of yen] | Fiscal 2022 | Fiscal 2023 | YOY change | |
|---|---|---|---|---|
| Net Sales | 482,547 | **508,400** | +25,853 | [+5.4] |
| Operating Income | 54,739 | **62,328** | +7,589 | [+13.9%] |
| Operating Margin | 11.3% | **12.3%** | +1.0P | - |
| Net Income Attributable to Owners of the Parent Company | 39,462 | **55,461** | +15,999 | [+40.5%] |
| Net Income to Net Sales Ratio | 8.2% | **10.9%** | +2.7P | - |
| Net Income per Share [Yen] | 157.69 | **227.11** | +69.42 | [+44.0%] |
| ROE | 14.0% | **18.8%** | +4.8P | - |

- Non-operating income: ¥2,488 million
(YOY change -¥84 million)
→ Dividend income: ¥779 million, etc.

- Non-operating expenses: ¥1,612 million
(YOY change +¥11 million)
→ Equity in losses of affiliates: ¥1,088 million, etc.

- Extraordinary income: ¥22,040 million
(YOY change +¥10,747 million)
→Gain on sales of investment securities: ¥19,201 million
Gain on sales of shares of subsidiaries: ¥2,774 million, etc.

- Extraordinary loss: ¥3,752 million
(YOY change -¥1,769 million)
→Loss on valuation of investments in capital ¥1,121 million
Impairment loss ¥969 million, etc.



5

Now, please see page five. This is the overview of the performance for the fiscal year ending March 2023.

The business environment remained favorable, and we were able to achieve solid increases in both sales and income during the period under review. Net sales increased JPY25.8 billion from the previous year to JPY508.4 billion, operating income increased JPY7.5 billion to JPY62.3 billion, and the operating margin improved from 11.3% to 12.3%.

Net income attributable to shareholders of the parent company increased by JPY15.9 billion from the previous year to JPY55.4 billion, due in large part to the contribution of gain on sales of investment securities resulting from the reduction of policy stockholdings.

## Fiscal 2023: Performance Highlights (Compared with estimate)

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• All figures exceeded revised estimates disclosed during the fiscal year under review.

| [Millions of yen] | Fiscal 2023 estimate * | Fiscal 2023 actual | Compared with estimate | |
|---|---|---|---|---|
| Net Sales | 505,000 | **508,400** | +3,400 | [+0.7%] |
| Operating Income | 59,000 | **62,328** | +3,328 | [+5.6%] |
| Operating Margin | 11.7% | **12.3%** | +0.6P | - |
| Net Income Attributable to Owners of the Parent Company | 52,000 | **55,461** | +3,461 | [+6.7%] |
| Net Income to Net Sales Ratio | 10.3% | **10.9%** | +0.6P | - |
| Net Income per Share [Yen] | 213.50 | **227.11** | +13.61 | [+6.4%] |
| ROE | 17.8% | **18.8%** | +1.0P | - |

* Latest estimates announced by TIS, and ROE estimate for fiscal 2023 is a calculated value.



6

Then please see page six for the comparison with the plan.

The result was strong exceeding the revised plan, which was raised during the period. This was mainly due to our ability to capture IT investment demand, especially from our core customers, as well as further progress in productivity and quality improvement initiatives.

## Fiscal 2023: Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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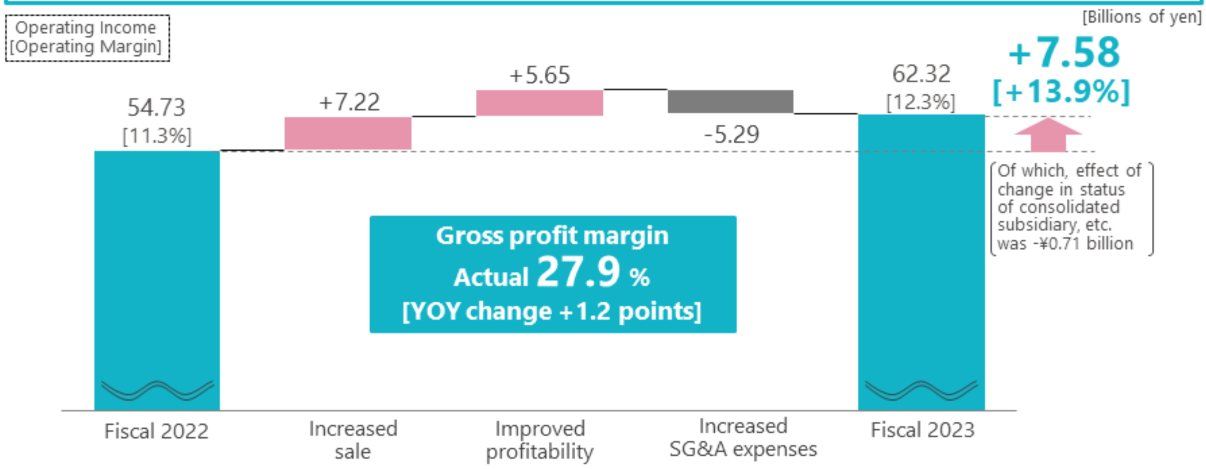
• Operating income increased, enabling TIS to cover robust prior investment.
Gross profit margin rose to 27.9%.




**Prior investment costs for promoting structural transformation:**
**Up ¥1.72 billion (YOY change)**
**(Cost of sales: +¥1.17 billion, SG&A expenses: +¥0.54 billion)**
Software investment / Investment in human resources / Investment in R&D
+
**Cost of investment in human resources (additional):**
**Up ¥5.15 billion (YOY change)**
**(Cost of sales : +¥2.83 billion, SG&A expenses : +¥2.32 billion)**

**Cost of office reform to promote new workstyles:**
**Down ¥0.95 billion (YOY change)**
**(Cost of sales : -¥0.34, SG&A expenses : -¥0.61 billion)**

**Changes in SG&A expenses**

| | |
|---|---|
| Effect of change in status of consolidated subsidiary, etc. | +0.05 |
| Office reform | -0.61 |
| Prior investment (includes enhanced employee benefits) | +2.87 |
| Lower operating costs, enhanced head office functions | -0.20 |
| Others (includes brand-related costs) | +3.17 |
| Total | +5.29 |



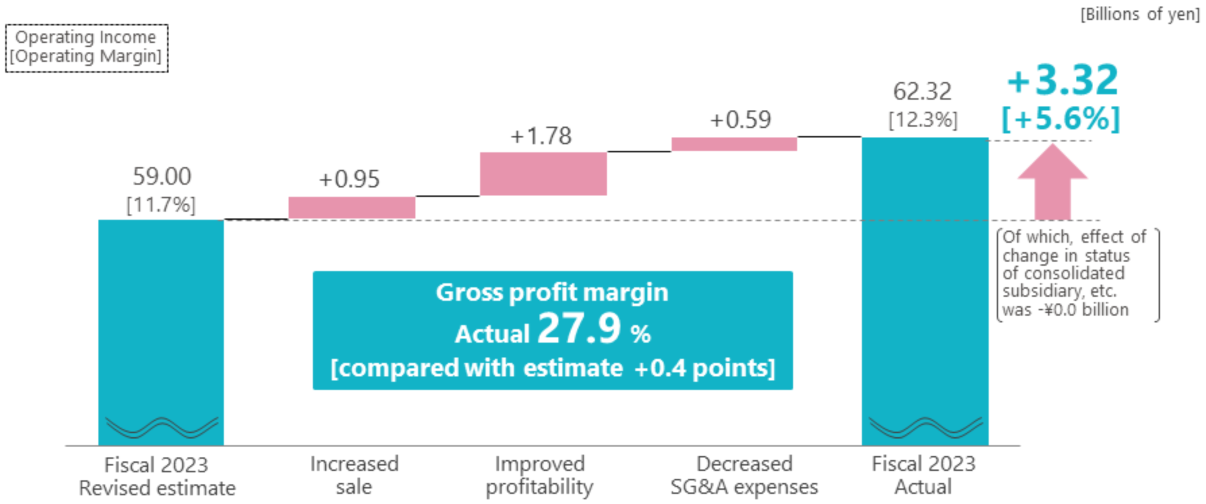
7

Page seven shows the factors behind the increase or decrease in operating profit.

The increase in gross profit due to higher sales and improved profitability absorbed the increase in SG&A expenses, resulting in a JPY7.58 billion increase in operating income over the previous year. Although human resource investment costs increased by JPY5.1 billion from the previous year, mainly as a result of performance-based compensation improvements, the high profitability of the company was able to firmly absorb these costs.

The gross profit margin rose 1.2 percentage points from the previous year to 27.9%, thanks to the provision of high value-added businesses and the promotion of productivity improvement measures. Unprofitable projects were firmly controlled at just JPY400 million for the full year, a decrease of JPY1.45 billion from the previous year.

## Fiscal 2023: Operating Income Analysis, Increase/Decrease Reasons (Compared with estimate)




**Prior investment costs for promoting structural transformation:**
**Down ¥0.54 billion (compared with estimate)**
**(Cost of sales: -¥0.17 billion, SG&A expenses: -¥0.36 billion)**
Software investment / Investment in human resources / Investment in R&D
+
**Cost of investment in human resources (additional):**
**Up ¥2.50 billion (compared with estimate)**
**(Cost of sales : +¥1.51 billion, SG&A expenses : +¥0.99 billion)**

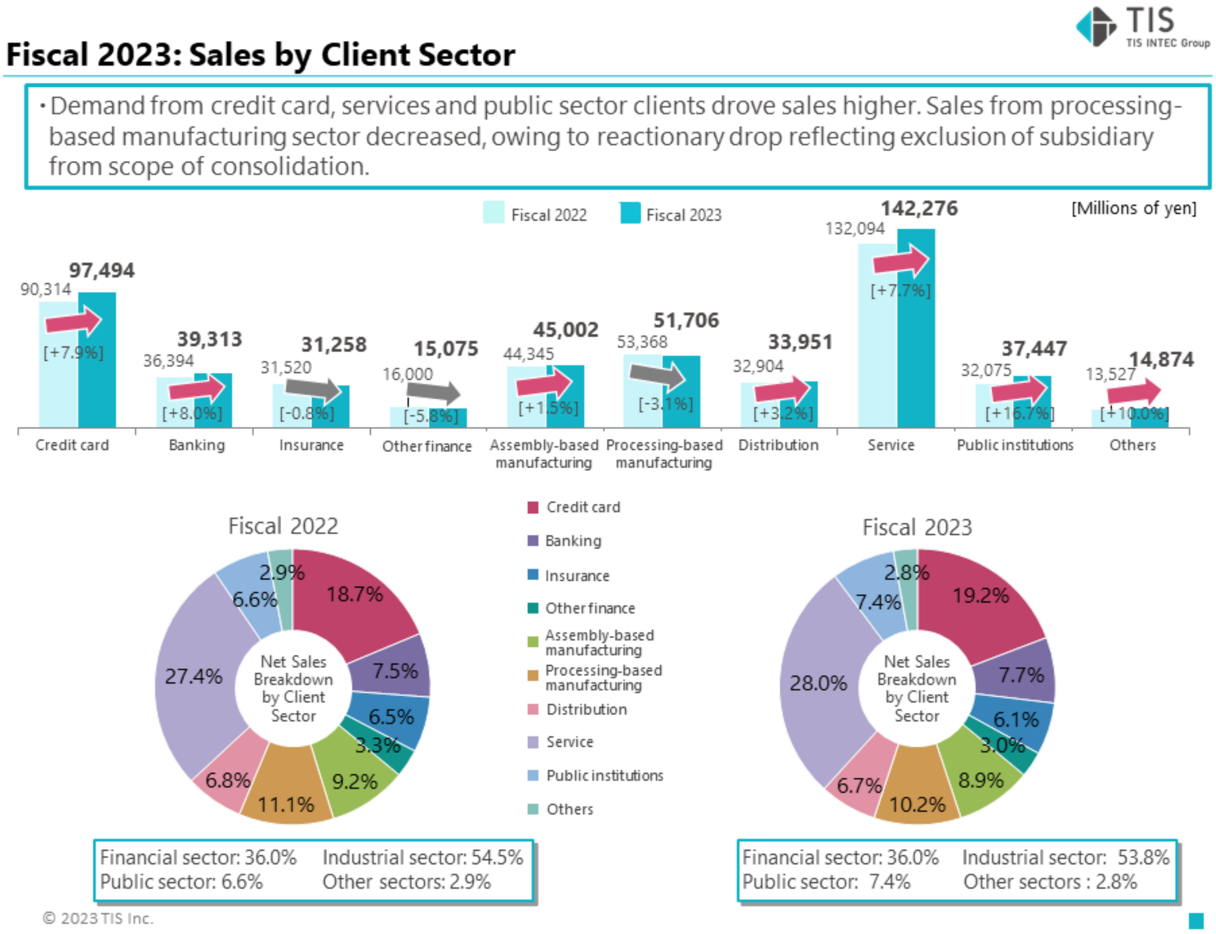
**Cost of office reform to promote new workstyles:**
**Down ¥0.03 billion (compared with estimate)**
**(Cost of sales : ±¥0.00, SG&A expenses : -¥0.03 billion)**

| Changes in SG&A expenses | |
|---|---|
| Effect of change in status of consolidated subsidiary, etc. | +0.01 |
| Office reform | -0.03 |
| Prior investment (includes enhanced employee benefits) | +0.62 |
| Lower operating costs, enhanced head office functions | +0.00 |
| Others (includes brand-related costs) | -1.21 |
| Total | -0.59 |

 8

Page eight shows the comparison with the plan.

Although the investment in human resources, including the improvement of compensation as mentioned earlier, increased by JPY2.5 billion compared to the plan, this was absorbed by improved profitability through productivity enhancement and curtailment of unprofitable projects, etc., resulting in an operating income increase that exceeded the plan.




Please see page nine. This is a breakdown of sales by client industry.

The trend remained unchanged, with strong growth in cards and public, mainly due to the contribution of large projects at our core customers. The service is the buildup of sales to a wide range of customers.

The slight decrease in process manufacturing was due to the impact of deconsolidation from the sale of a subsidiary in the previous fiscal year and a reactionary decrease. The increase in banking and services was also due to the growing performance of our overseas subsidiary, MFEC.

## Fiscal 2023: Sales and Income for Key Business Segments (YOY change)

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| [Millions of yen] | | Fiscal 2022 | Fiscal 2023 | YOY change | |
|---|---|---|---|---|---|
| Offering Service Business | Net Sales | 103,167 | **111,752** | +8,585 | [+8.3%] |
| | Operating Income | 4,692 | **6,426** | +1,733 | [+36.9%] |
| | Operating Margin | 4.5% | **5.8%** | +1.3P | - |
| Business Process Management | Net Sales | 42,951 | **43,255** | +304 | [+0.7%] |
| | Operating Income | 4,991 | **5,123** | +131 | [+2.6%] |
| | Operating Margin | 11.6% | **11.8%** | +0.2P | - |
| Financial IT Business | Net Sales | 91,651 | **101,184** | +9,533 | [+10.4%] |
| | Operating Income | 12,355 | **13,896** | +1,541 | [+12.5%] |
| | Operating Margin | 13.5% | **13.7%** | +0.2P | - |
| Industrial IT Business | Net Sales | 108,751 | **113,632** | +4,880 | [+4.5%] |
| | Operating Income | 15,356 | **16,728** | +1,372 | [+8.9%] |
| | Operating Margin | 14.1% | **14.7%** | +0.6P | - |
| Regional IT Solutions | Net Sales | 156,231 | **160,010** | +3,779 | [+2.4%] |
| | Operating Income | 16,492 | **19,343** | +2,851 | [+17.3%] |
| | Operating Margin | 10.6% | **12.1%** | +1.5P | - |

| | |
|---|---|
| **Offering Service Business:** | Overseas business contributed to sales growth. Higher sales and higher income reflect trend toward greater IT investment in payment settlement and platform systems as well as improved profitability. |
| **Business Process Management:** | Existing data entry business struggled but situation was stabilized by rising demand paralleling digital shift. |
| **Financial IT Business:** | Higher sales and higher income, thanks to wider IT investment by core clients in credit card sector as well as financial institutions in the public sector. |
| **Industrial IT Business:** | Sales and income grew, reflecting improvement in profitability, complemented by growing trend toward IT investment, especially among existing clients in manufacturing and energy sectors. |
| **Regional IT Solutions:** | Progress in solution deployment complemented by success in business activities emphasizing profitability to knock back effect of reduced scope of consolidation in first half, ultimately leading to higher sales and higher income. |

 10

Page 10 shows the status by segment.

Profits increased in all sub-segments. In financial IT, relatively profitable projects, such as large-scale projects, contributed to a turnaround in the operating profit margin, which had been negative YoY until Q3, to a positive trend.

For the non-financial IT segment, the trend is largely unchanged from previous years.

## Fiscal 2023: Sales and Income for Key Business Segments (Compared with estimate)

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| [Millions of yen] | | Fiscal 2023 estimate | Fiscal 2023 actual | Compared with estimate | |
|---|---|---|---|---|---|
| Offering Service Business | Net Sales | 109,000 | **111,752** | +2,752 | [+2.5%] |
| | Operating Income | 6,000 | **6,426** | +426 | [+7.1%] |
| | Operating Margin | 5.5% | **5.8%** | +0.3P | - |
| Business Process Management | Net Sales | 44,000 | **43,255** | -744 | [-1.7%] |
| | Operating Income | 5,300 | **5,123** | -176 | [-3.3%] |
| | Operating Margin | 12.0% | **11.8%** | -0.2P | - |
| Financial IT Business | Net Sales | 98,500 | **101,184** | +2,684 | [+2.7%] |
| | Operating Income | 12,700 | **13,896** | +1,196 | [+9.4%] |
| | Operating Margin | 12.9% | **13.7%** | +0.8P | - |
| Industrial IT Business | Net Sales | 111,900 | **113,632** | +1,732 | [+1.5%] |
| | Operating Income | 16,700 | **16,728** | +28 | [+0.2%] |
| | Operating Margin | 14.9% | **14.7%** | -0.2P | - |
| Regional IT Solutions | Net Sales | 158,800 | **160,010** | +1,210 | [+0.8%] |
| | Operating Income | 18,200 | **19,343** | +1,143 | [+6.3%] |
| | Operating Margin | 11.5% | **12.1%** | +0.6P | - |

| | |
|---|---|
| **Offering Service Business:** | Overseas business contributed to sales growth. Sales and income above estimates, thanks to trend toward greater IT investment in payment settlement and platform systems as well as improved profitability. |
| **Business Process Management:** | Digital shift spurred steady demand, but existing data entry services struggled, causing sales and income to fall below estimates. |
| **Financial IT Business:** | Sales and income above estimates, thanks to wider IT investment by core clients in credit card sector as well as public sector financial institutions. |
| **Industrial IT Business:** | Income was flat against estimate even though sales exceeded estimate. Achieved higher sales thanks to build-up of projects offseting impact of peak in IT investments, which had been in expansion mode, especially among existing clients. |
| **Regional IT Solutions:** | Progress in solution deployment complemented by several factors, including acceleration of business activities with emphasis on profitability, pushing sales and income above estimates. |

 11

Page 11 shows the comparison with the plan.

BPM reported lower revenues and earnings due to the impact of reduced workloads in existing data entry and other operations. Industrial IT failed to achieve its operating margin, but this was due to the peak-out effect of IT investments, which had been expanding mainly among existing customers.

## Reference: Fiscal 2023 Fourth Quarter (January-March) Sales and Income for Key Business Segments (YOY change)

| [Millions of yen] | | Fourth quarter of fiscal 2022 | Fourth quarter of fiscal 2023 | YOY change | |
|---|---|---|---|---|---|
| Net Sales | | 129,414 | **138,017** | +8,603 | [+6.6%] |
| Operating Income | | 16,481 | **17,884** | +1,402 | [+8.5%] |
| Operating Margin | | 12.7% | **13.0%** | +0.3P | - |
| Net Income Attributable to Owners of the Parent Company | | 10,047 | **23,303** | +13,256 | [+131.9%] |
| Net Income to Net Sales Ratio | | 7.8% | **16.9%** | +9.1P | - |
| **Key Business Segments** | | | | | |
| Offering Service Business | Net Sales | 28,249 | **30,236** | +1,987 | [+7.0%] |
| | Operating Income | 1,248 | **1,926** | +678 | [+54.3%] |
| | Operating margin | 4.4% | **6.4%** | +2.0P | - |
| Business Process Management | Net Sales | 10,910 | **11,032** | +121 | [+1.1%] |
| | Operating Income | 1,436 | **1,478** | +41 | [+2.9%] |
| | Operating margin | 13.2% | **13.4%** | +0.2P | - |
| Financial IT Business | Net Sales | 23,811 | **27,105** | +3,293 | [+13.8%] |
| | Operating Income | 3,223 | **3,988** | +764 | [+23.7%] |
| | Operating margin | 13.5% | **14.7%** | +1.2P | - |
| Industrial IT Business | Net Sales | 29,888 | **31,011** | +1,122 | [+3.8%] |
| | Operating Income | 4,836 | **4,604** | -232 | [-4.8%] |
| | Operating margin | 16.2% | **14.8%** | -1.4P | - |
| Regional IT Solutions | Net Sales | 41,755 | **44,588** | +2,832 | [+6.8%] |
| | Operating Income | 5,425 | **5,773** | +348 | [+6.4%] |
| | Operating margin | 13.0% | **12.9%** | -0.1P | - |

# Reference: Fiscal 2023 Fourth Quarter (January-March) Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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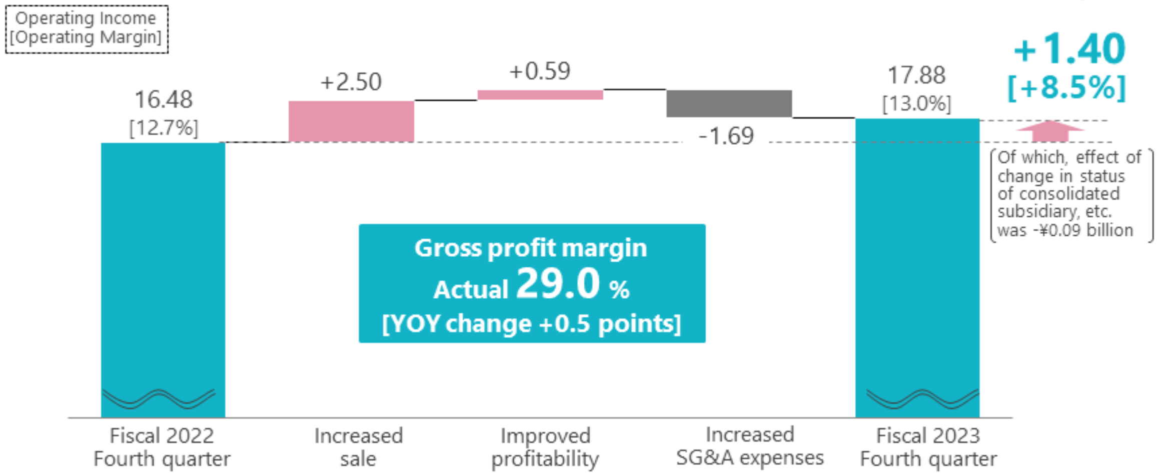
[Billions of yen]




**Prior investment costs for promoting structural transformation:**
**Up ¥0.64 billion (YOY change)**
**(Cost of sales: +¥0.58 billion, SG&A expenses: +¥0.06 billion)**
Software investment / Investment in human resources / Investment in R&D
+
**Cost of investment in human resources (additional):**
**Up ¥2.81 billion (YOY change)**
**(Cost of sales : +¥1.80 billion, SG&A expenses : +¥1.01 billion)**

**Cost of office reform to promote new workstyles:**
**Down ¥0.06 billion (YOY change)**
**(Cost of sales : -¥0.08, SG&A expenses : +¥0.02 billion)**

**Changes in SG&A expenses**

| | |
|---|---|
| Effect of change in status of consolidated subsidiary, etc. | +0.11 |
| Office reform | +0.02 |
| Prior investment (includes enhanced employee benefits) | +1.07 |
| Lower operating costs, enhanced head office functions | -0.07 |
| Others (includes brand-related costs) | +0.54 |
| Total | +1.69 |

## Reference: Fiscal 2023 Fourth Quarter (January-March) Sales by Key Business Segment and Operating Activity *For external clients

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| [Millions of yen] | | Fourth quarter of fiscal 2022 | Fourth quarter of fiscal 2023 | YOY change | |
|---|---|---|---|---|---|
| Offering Service Business | | 25,080 | **26,626** | +1,545 | [+6.2%] |
| | Software development | 12,452 | **11,607** | -844 | [-6.8%] |
| | Operating/cloud services | 6,951 | **8,708** | +1,757 | [+25.3%] |
| | Product/software sales | 5,677 | **6,309** | +632 | [+11.1%] |
| Business Process Management | | 10,369 | **10,453** | +84 | [+0.8%] |
| | Software development | 4,616 | **4,773** | +157 | [+3.4%] |
| | Operating/cloud services | 5,753 | **5,680** | -73 | [-1.3%] |
| | Product/software sales | - | **-** | - | - |
| Financial IT Business | | 23,417 | **26,596** | +3,179 | [+13.6%] |
| | Software development | 12,636 | **15,882** | +3,245 | [+25.7%] |
| | Operating/cloud services | 9,455 | **9,238** | -217 | [-2.3%] |
| | Product/software sales | 1,324 | **1,475** | +151 | [+11.4%] |
| Industrial IT Business | | 29,406 | **30,848** | +1,442 | [+4.9%] |
| | Software development | 19,318 | **19,867** | +548 | [+2.8%] |
| | Operating/cloud services | 5,939 | **6,207** | +268 | [+4.5%] |
| | Product/software sales | 4,148 | **4,773** | +624 | [+15.1%] |
| Regional IT Solutions | | 40,533 | **42,879** | +2,345 | [+5.8%] |
| | Software development | 20,945 | **21,779** | +833 | [+4.0%] |
| | Operating/cloud services | 12,916 | **14,063** | +1,147 | [+8.9%] |
| | Product/software sales | 6,671 | **7,035** | +364 | [+5.5%] |



15

Pages 13 through 15 present the results for the three months of Q4.

Overall, sales continued to be strong.

## Fiscal 2023: Order Status (Total)

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- Solid year-on-year increases in order volume and backlog. Results driven by Financial IT Business and Regional IT Solutions.
- Decreases for Business Process Management and Industrial IT Business reflect order volume for software development.

| [Millions of yen] | Fiscal 2022 | Fiscal 2023 | YOY change | |
|---|---|---|---|---|
| Orders received during Fiscal year | 495,291 | **523,956** | +28,665 | [+5.8%] |
| Offering Service Business | 96,020 | **100,617** | +4,596 | [+4.8%] |
| Business Process Management | 41,900 | **39,904** | -1,995 | [-4.8%] |
| Financial IT Business | 90,665 | **108,841** | +18,176 | [+20.0%] |
| Industrial IT Business | 114,269 | **113,115** | -1,154 | [-1.0%] |
| Regional IT Solutions | 152,435 | **161,477** | +9,042 | [+5.9%] |
| Order backlog at year-end | 161,453 | **180,373** | +18,919 | [+11.7%] |
| Offering Service Business | 30,780 | **33,199** | +2,419 | [+7.9%] |
| Business Process Management | 8,503 | **7,449** | -1,054 | [-12.4%] |
| Financial IT Business | 39,390 | **48,799** | +9,409 | [+23.9%] |
| Industrial IT Business | 37,865 | **38,064** | +199 | [+0.5%] |
| Regional IT Solutions | 44,914 | **52,861** | +7,946 | [+17.7%] |




This is an explanation of the status of orders. First, page 16 shows the overall order situation, including operations.

Orders received totaled JPY523.9 billion, up 5.8% from the previous fiscal year, and orders backlog was JPY180.3 billion, also up 11.7%, both reaching record highs.

Although BPM and industrial IT orders decreased from the previous fiscal year due to a decline in software development orders, financial IT and wide-area IT solutions led the overall strong growth in both orders and order backlogs.

## Fiscal 2023: Order Status (Software Development)

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- Fueled by Financial IT Business, particularly several large projects handled by this segment. Regional IT Solutions capturing broad-based demand.
- Decreases for Offering Service Business and Industrial IT Business largely due to projects reaching peak demand stage.

| [Millions of yen] | Fiscal 2022 | Fiscal 2023 | YOY change | |
|---|---|---|---|---|
| Orders received during Fiscal year | 271,350 | **282,739** | +11,389 | [+4.2%] |
| Offering Service Business | 46,950 | **42,831** | -4,119 | [-8.8%] |
| Business Process Management | 18,579 | **16,800** | -1,778 | [-9.6%] |
| Financial IT Business | 48,576 | **65,666** | +17,089 | [+35.2%] |
| Industrial IT Business | 76,999 | **73,849** | -3,150 | [-4.1%] |
| Regional IT Solutions | 80,243 | **83,591** | +3,348 | [+4.2%] |
| Order backlog at year-end | 94,016 | **103,282** | +9,265 | [+9.9%] |
| Offering Service Business | 15,993 | **13,616** | -2,377 | [-14.9%] |
| Business Process Management | 8,503 | **7,449** | -1,054 | [-12.4%] |
| Financial IT Business | 21,878 | **31,824** | +9,946 | [+45.5%] |
| Industrial IT Business | 24,139 | **22,694** | -1,444 | [-6.0%] |
| Regional IT Solutions | 23,502 | **27,697** | +4,195 | [+17.9%] |



17

Page 17 shows the status of software development orders.

In financial IT, both orders and order backlogs increased by double digits, but this was due to strong investment appetite, especially among core customers.

The decrease in offering services was mainly due to a decline in development orders as projects related to service-type businesses moved from the development phase to the operation phase. As indicated on the previous page, both orders and order backlogs for offering services as a whole increased from the previous period, which we believe is in line with our expectations.

Similar to the sales movement, the decline in industrial IT is mainly due to the peak out of projects. We believe that the decrease in BPM is mainly due to the withdrawal or reduction of low-profit projects and that this is a transitional period in the shift from simple outsourcing, such as data entry, to the digitalization of business processes, including development.

In wide-area IT solutions, we captured IT investment demand in a wide range of industries by developing solutions. Orders received were significantly higher than the previous fiscal year after offsetting the JPY4 billion impact of the sale of a subsidiary in the previous fiscal year, which resulted in the exclusion of the company from the consolidation process.

## Fiscal 2023 Fourth Quarter (January-March): Order Status

TIS
TIS INTEC Group

**Order Status (Total)**

| [Millions of yen] | Fourth quarter of fiscal 2022 | Fourth quarter of fiscal 2023 | YOY change | |
|---|---|---|---|---|
| Orders received during fourth quarter | 167,657 | **179,259** | +11,601 | [+6.9%) |
| Offering Service Business | 34,968 | **36,393** | +1,424 | [+4.1%) |
| Business Process Management | 10,503 | **9,142** | -1,361 | [-13.0%) |
| Financial IT Business | 34,588 | **41,102** | +6,513 | [+18.8%) |
| Industrial IT Business | 37,730 | **38,374** | +643 | [+1.7%) |
| Regional IT Solutions | 49,865 | **54,246** | +4,380 | [+8.8%) |

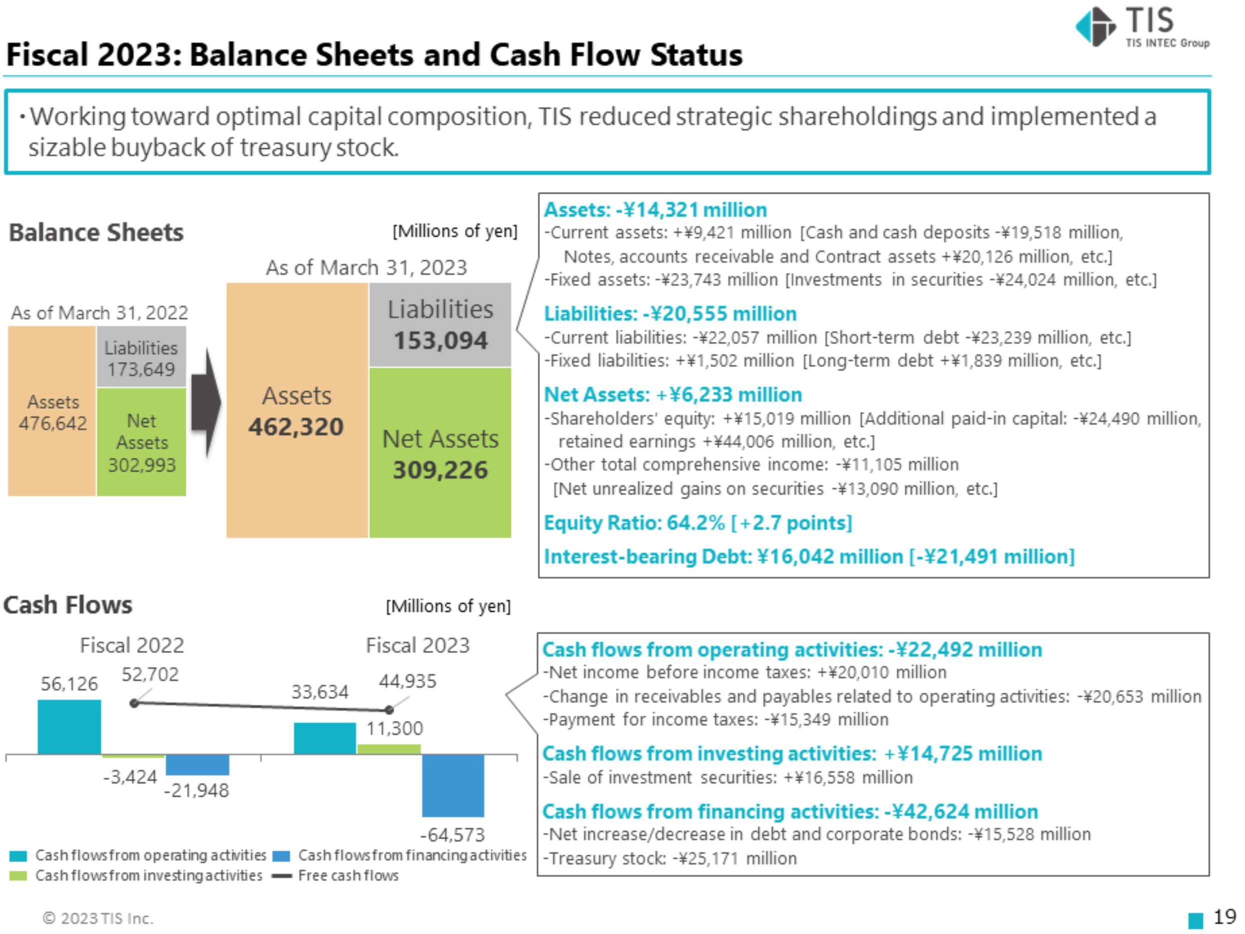
**Order Status (Software Development)**

| [Millions of yen] | Fourth quarter of fiscal 2022 | Fourth quarter of fiscal 2023 | YOY change | |
|---|---|---|---|---|
| Order backlog during fourth quarter | 83,008 | **85,522** | +2,513 | [+3.0%] |
| Offering Service Business | 15,614 | **12,622** | -2,991 | [-19.2%] |
| Business Process Management | 4,749 | **3,461** | -1,287 | [-27.1%] |
| Financial IT Business | 16,010 | **22,567** | +6,557 | [+41.0%] |
| Industrial IT Business | 21,998 | **21,516** | -482 | [-2.2%] |
| Regional IT Solutions | 24,635 | **25,353** | +718 | [+2.9%] |


18

Page 18 shows orders received for the three months of Q4.

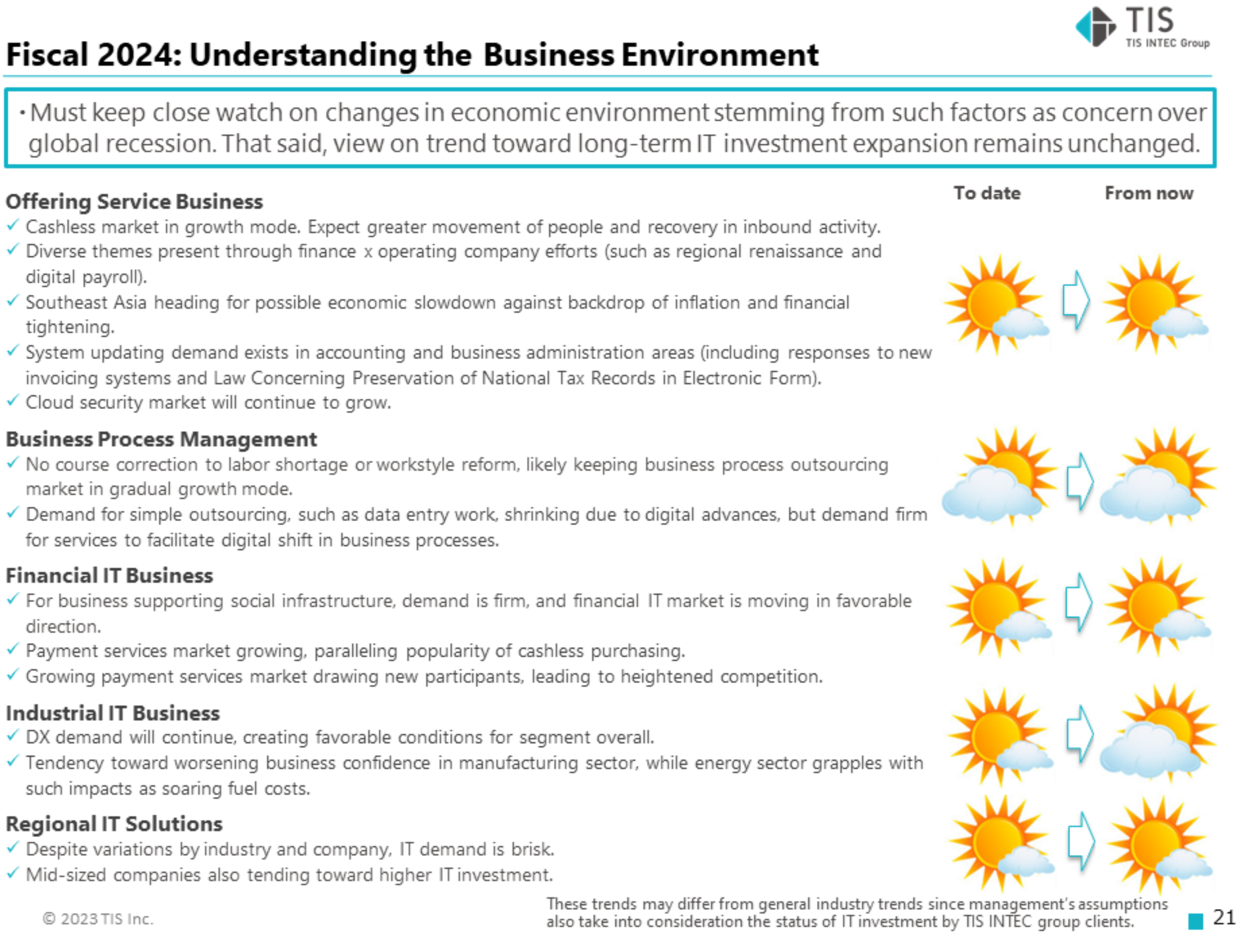
This overlaps with what I mentioned before, so I will skip explanation here.




Page 19 shows the balance sheet and cash flows.

During the period under review, the Company reduced the number of shares held by the policyholders and conducted a significant share buyback in order to optimize its capital structure. We will continue our ongoing efforts to achieve capital efficiency and cost of capital conscious management.

This is the end of the explanation regarding the results for the fiscal year ending March 31, 2023.




I would like to continue by explaining our forecast for the fiscal year ending March 2024.

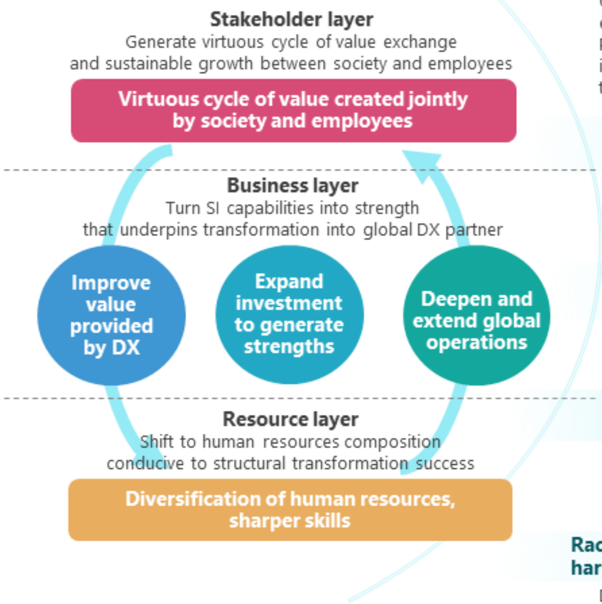
First, on page 24, we explain our perception of the business environment.

Although changes in the economic environment due to concerns about a global recession and other factors require close monitoring, we expect that IT investment will continue to expand, mainly due to the strength of demand for digital transformation. Therefore, we expect a favorable business environment to continue.

## Fiscal 2024: TIS INTEC Group Management Direction

TIS
TIS INTEC Group

### Medium-Term Management Plan (2021-2023) Basic Policies




### Fiscal 2024 Group Management Direction

**Leverage long-term growth strategy for corporate value and value provided to society through sustainability management**

Continue to facilitate solutions to social issues through business activities and extend efforts to value chain.
Promote efforts to strengthen strategic functions that contribute to improvement in corporate value, while also working to enhance efficiency through digital transformation of head office functions.

**Improve value provided to clients and stakeholders through DX**

Improve value provided to clients by constantly enhancing DX organizational capacity with deeper reservoir of expertise, including consultants and IT architects.

**Constantly promote investment that facilitates business restructuring**

Constantly promote investment that fuels progress toward establishing strategic domains, and deliver results.

**Leverage growth strategy designed to become top-class IT group in ASEAN region, and strengthen governance position**

Reinforce ties with investment portfolio companies, based on overseas business strategy, and promote joint activities, and extend global partnership network to further cultivate market.

**Rachet up investment into human resources to sharpen skills and harness diversity, and encourage improvement in added value**

Deepen investment—compensation and training—in human resources, promote higher added value over medium to long term, and generate results from such investment. Strengthen management capabilities and capacity.

## Fiscal 2024: Performance Forecasts

TIS
TIS INTEC Group

- Anticipate higher sales and higher income as effect of changes, decided on in fiscal 2023, regarding status of consolidated subsidiaries, will help to absorb higher costs stemming from prior investment activities, including robust investment in human resources.
- The anticipated decrease in net income is primarily due to a reactionary drop in extraordinary income due to such factors as a reduction in strategic shareholdings in fiscal 2023.

| [Millions of yen] | Fiscal 2023 actual | Fiscal 2024 estimate | YOY change | |
|---|---|---|---|---|
| Net Sales | 508,400 | **530,000** | +21,599 | [+4.2%] |
| Operating Income | 62,328 | **63,500** | +1,171 | [+1.9%] |
| Operating Margin | 12.3% | **12.0%** | -0.3P | - |
| Net Income Attributable to Owners of the Parent Company | 55,461 | **42,000** | -13,461 | [-24.3%] |
| Net Income to Net Sales Ratio | 10.9% | **7.9%** | -3.0P | - |
| Net Income per Share (Yen) | 227.11 | **174.19** | -52.92 | [-23.3%] |
| ROE * | 18.8% | **13.7%** | -5.1P | - |

* ROE estimate for fiscal 2024 is a calculated value.

 23

Based on the management policy shown on page 22, we explain our full-year forecast for the fiscal year ending March 31, 2024 on page 23.

The Company plans to increase both sales and operating income, with net sales of JPY530 billion, up 4.2% from the previous year, and operating income of JPY63.5 billion, up 1.9% from the previous year. Net income attributable to shareholders of the parent company is estimated to be JPY42 billion, down 24.3% from the previous year, due to a decrease in extraordinary income, which was posted significantly in the previous year.

The impact of the change in consolidated subsidiaries, such as the group-in of Japan ICS and the group-out of Sequent, has been factored in as a positive effect of approximately JPY5 billion in net sales and approximately JPY1 billion in operating income.

The operating income margin is expected to decline 0.3 percentage points from the previous year due to factors such as a JPY5 billion increase in human resources investment. However, as in the past, we will continue to make aggressive upfront investments that contribute to growth while aiming for further improvement in profitability.

Although net income and ROE will be lower than the previous year due to the absence of extraordinary gains and other factors, we will work to firmly achieve levels that exceed the targets of the medium-term management plan, respectively. The target for unprofitable projects is still set at JPY1 billion or less.

## Fiscal 2024: Sales and Income by Key Business Segment [Forecast]

TIS
TIS INTEC Group

| [Millions of yen] | | Fiscal 2023 actual | Fiscal 2024 estimate | YOY change | |
|---|---|---|---|---|---|
| Offering Service Business | Net Sales | 111,752 | **122,800** | +11,047 | [+9.9%] |
| | Operating Income | 6,426 | **7,450** | +1,023 | [+15.9%] |
| | Operating Margin | 5.8% | **6.1%** | +0.3P | - |
| Business Process Management | Net Sales | 43,255 | **44,000** | +744 | [+1.7%] |
| | Operating Income | 5,123 | **5,150** | +26 | [+0.5%] |
| | Operating Margin | 11.8% | **11.7%** | -0.1P | - |
| Financial IT Business | Net Sales | 101,184 | **105,500** | +4,315 | [+4.3%] |
| | Operating Income | 13,896 | **13,900** | +3 | [+0.0%] |
| | Operating Margin | 13.7% | **13.2%** | -0.5P | - |
| Industrial IT Business | Net Sales | 113,632 | **115,700** | +2,067 | [+1.8%] |
| | Operating Income | 16,728 | **16,800** | +71 | [+0.4%] |
| | Operating Margin | 14.7% | **14.5%** | -0.2P | - |
| Regional IT Solutions | Net Sales | 160,010 | **165,100** | +5,089 | [+3.2%] |
| | Operating Income | 19,343 | **19,900** | +556 | [+2.9%] |
| | Operating Margin | 12.1% | **12.1%** | -0.0P | - |

| | |
|---|---|
| **Offering Service Business:** | Expect higher sales and higher income, mainly from effect of change in status of consolidated subsidiaries. Expanding demand for payment settlement and other broad-based services will be key contributor to sales. |
| **Business Process Management:** | Re-expanding business process outsourcing business, fueled by enhanced added value of services, and concerted efforts, especially to support business optimization, should lead to gradual increase in sales and income. |
| **Financial IT Business:** | Anticipate higher sales, underpinned by steady progress on large projects and capture of IT investment demand centered on existing clients. Income on a par. |
| **Industrial IT Business:** | Income likely to be flat, despite higher sales through capture of investment demand, particularly from core clients. |
| **Regional IT Solutions:** | Expect higher sales and higher income, reflecting capture of IT investment demand from medical services and existing clients. |


25

On page 25, we present our forecasts by segment.

We plan to increase sales and profits in all segments. Operating profit margins in some segments are down from the previous year, but this is due to the aggressive investment in human resources that I mentioned earlier.

## Basic Policy on Return to Shareholders

TIS
TIS INTEC Group

| Total return ratio* | Dividends per share | Upper limit on treasury stock holdings |
|---|---|---|
| 45% | Constantly enrich the dividend | at 5% |

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

Seek more appropriate capital composition and enhanced capital efficiency, with efforts to promote growth investment, maintain financial health and strengthen return to shareholders —all in the right balance.


### Promote growth investment

- Take vigorous approach to investment in human resources as well as upfront investment, M&As and other growth investment opportunities. Respect investment discipline ROIC of 8%, with maximum investment of ¥100 billion over three years. Provide higher level of DX value and work to acquire new technology to achieve strategic domain ratio of 60% and operating margin of 11.6%.

### Maintain financial health

- Have cash and deposits equivalent to two months' worth of monthly sales, mindful of maintaining A rating.

### Strengthen return to shareholders

- With yardstick of 45% for total shareholders' return ratio, goal is to continuously enrich dividend per share.
- The amount of treasury stock held by TIS will, in principle, be no more than 5% of total number of shares issued, and any shares exceeding this limit will be canceled.



27

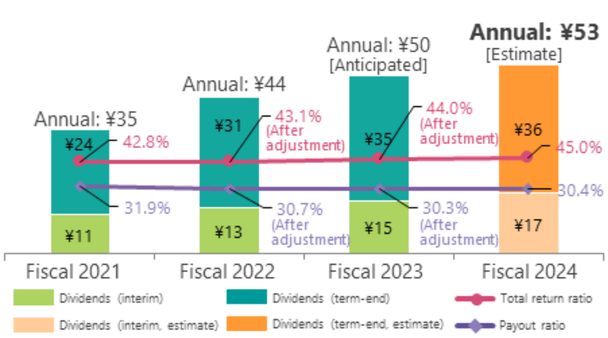
## Status/Targets for Return to Shareholders

TIS
TIS INTEC Group

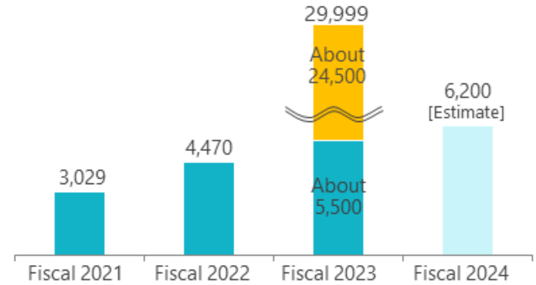
- Offer ¥3 increase in year-end dividend for fiscal 2023. Marks 11th straight year of increase in annual dividend.
- For fiscal 2024, planning for ¥53 annual dividend and treasury stock buyback, in line with basic policy on return to shareholders.

| | Fiscal 2023 | | | Fiscal 2024 |
|---|---|---|---|---|
| | [Normal] | [Capital optimized] | [Total] | |
| Annual dividend per share | ¥50 [YOY change +¥6] [Compared with estimate +¥3] | - | ¥50 | **¥53 [YOY change +¥3]** |
| Total dividends | ¥12.1 billion | - | ¥12.1 billion | **¥12.7 billion** |
| Payout ratio [After adjustment *1] | 22.0% [30.3%] | - | 22.0% | **30.4%** |
| Acquired treasury shares | About ¥5.5 billion | About ¥24.5 billion | About ¥30.0 billion | **¥6.20 billion** *2 |
| Total return ratio [After adjustment *1] | 31.9% [44.0%] | - | 76.0% | **45.0%** |

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 9, 2023.



28

This is the last part of my explanation, shareholder returns. Please skip page 27, which is a restatement of the basic policy, and turn to page 28.

In response to business growth exceeding the plan for the fiscal year ending March 31, 2023, we plan to increase the year-end dividend per share by JPY3 from the plan, to an annual dividend of JPY50 per share.

The total return ratio, which is calculated based on the concept that the Company will return profits to shareholders from its operating activities, is 44%, which is in line with the Company's basic policy of 45%.

For the fiscal year ending March 31, 2014, we plan to increase the annual dividend per share by JPY3 to JPY53 and repurchase JPY6.2 billion of our own shares, in line with our policy of a 45% total return ratio. If this is achieved, it will be the 12th consecutive fiscal year of dividend increases, and we are very much looking forward to achieving this goal.

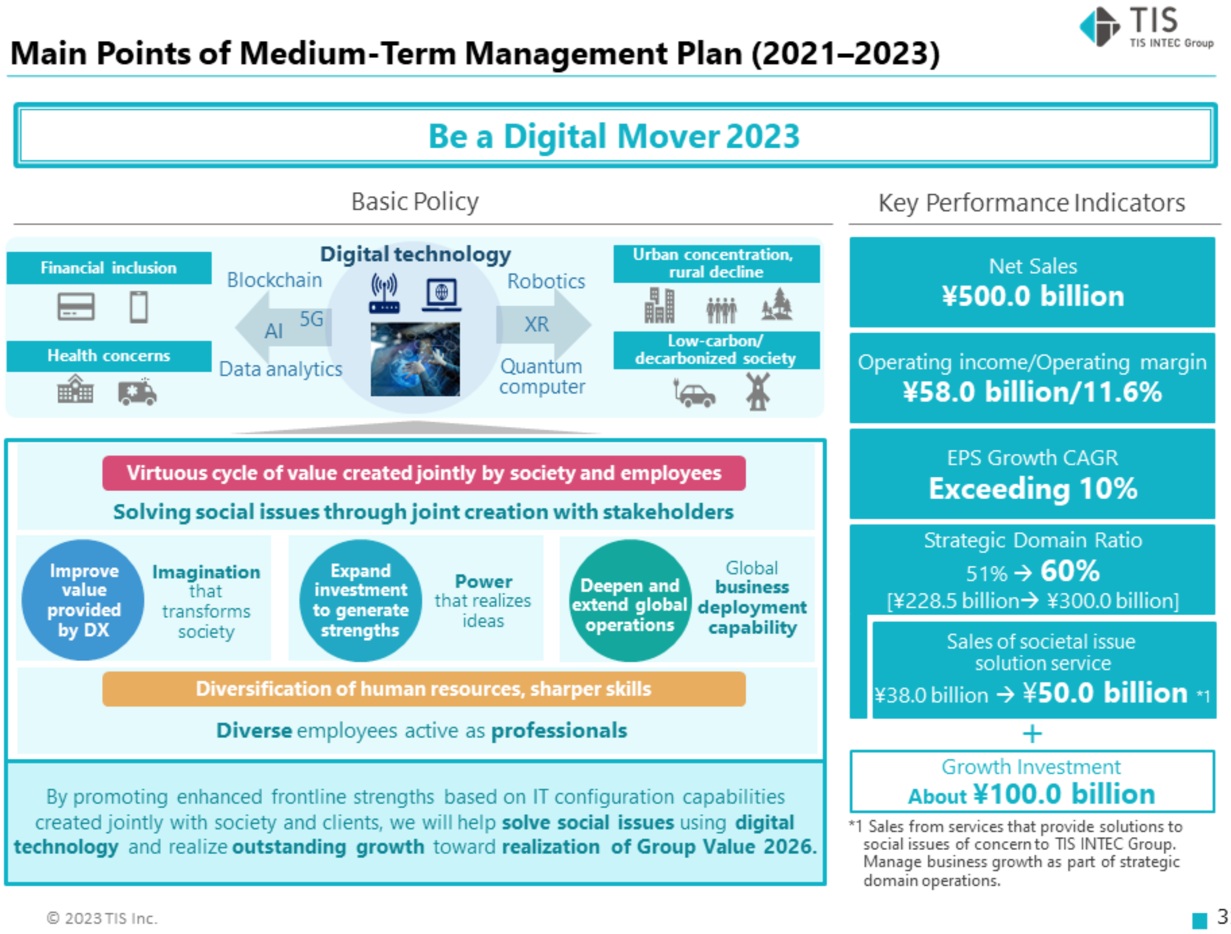
This concludes the explanation.

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

**Okamoto:** My name is TIS Okamoto. Thank you very much for participating in our earnings results briefing today. I would now like to explain the progress of the medium-term management plan.

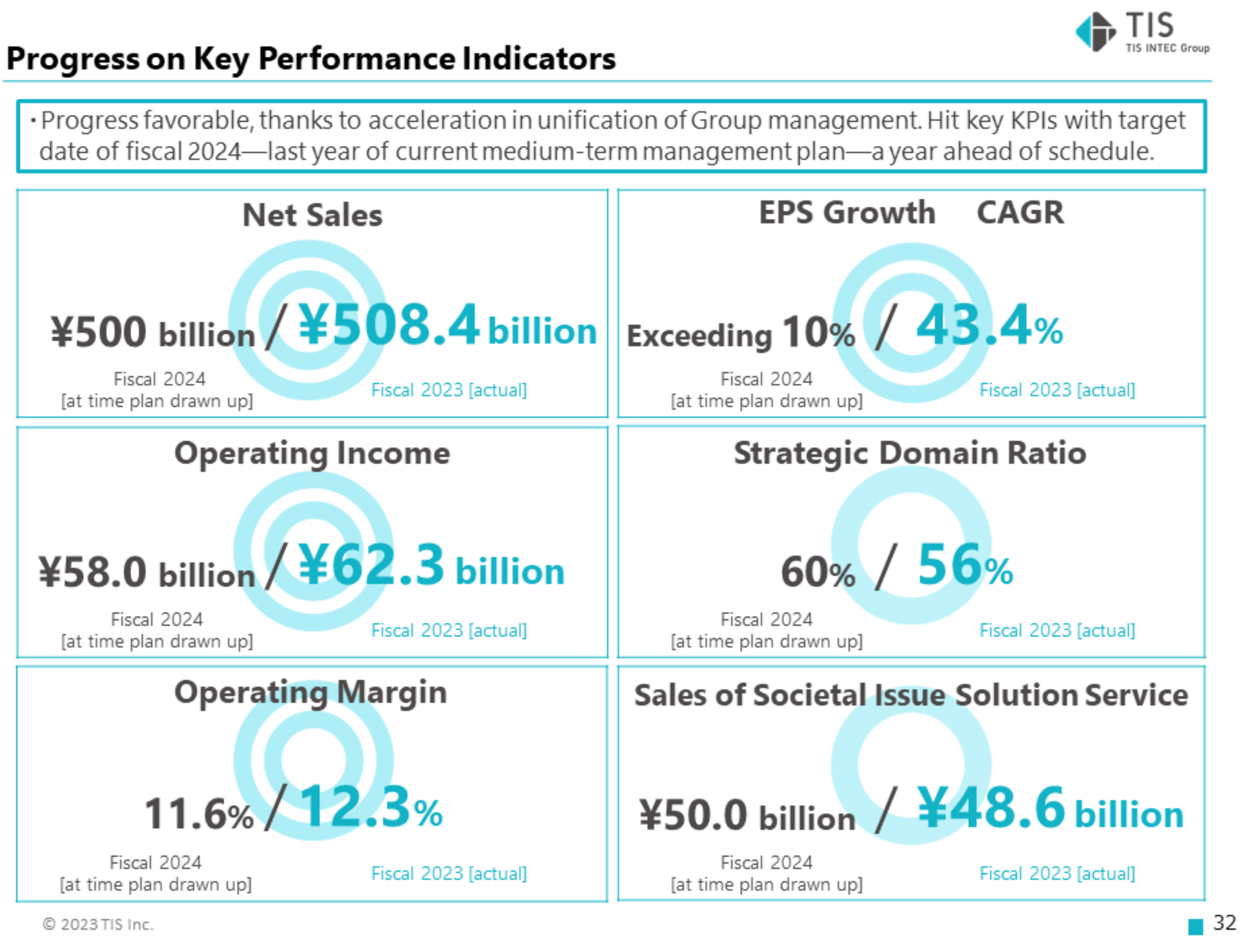

Page 30 and 31 are the first part of the explanation of what is to come.

This is the overall picture of the Group's sustainability management.




Page 31 shows the outline of the medium-term management plan, basic policies, and key management indicators.

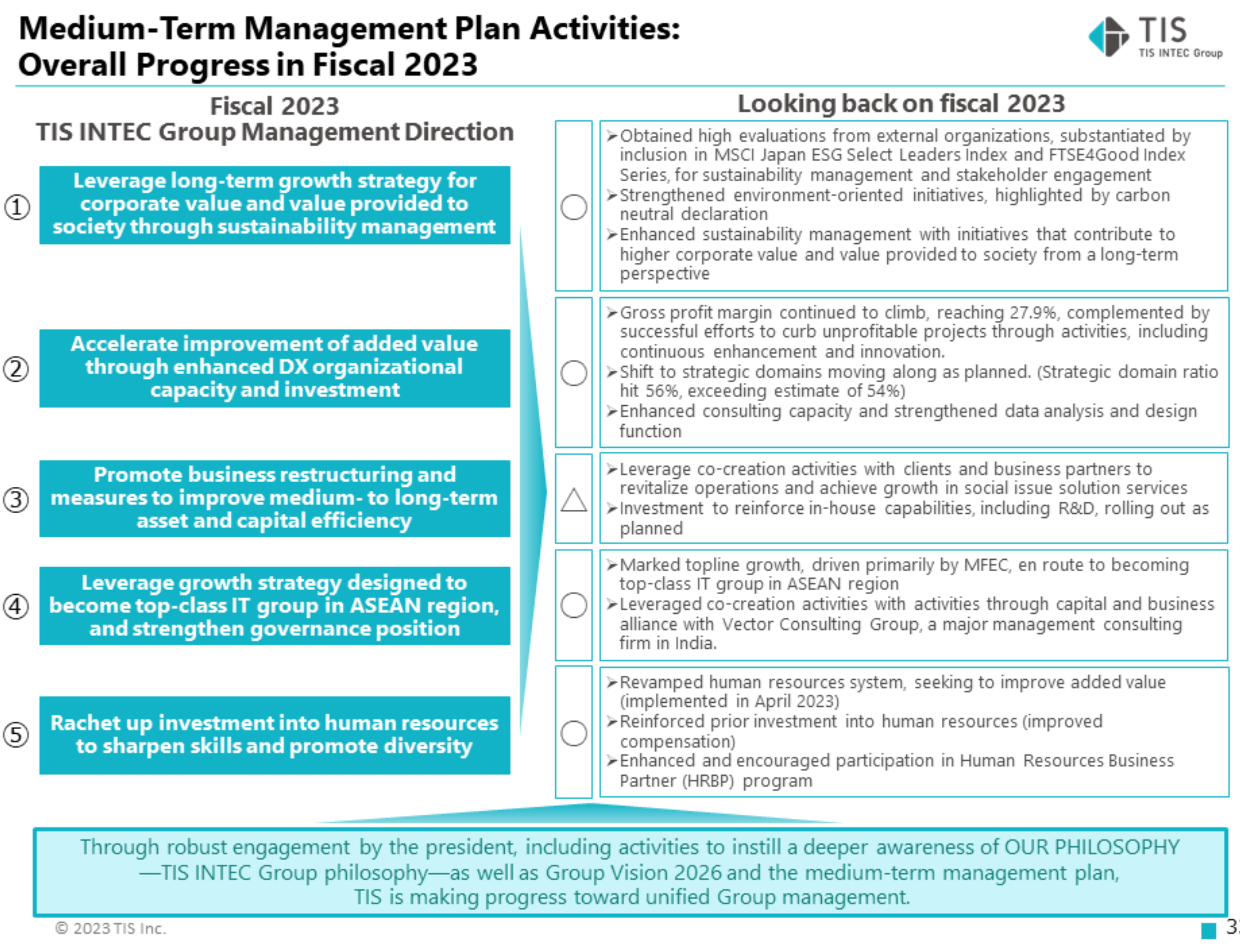
Since this is a reiteration of materials that we have presented in the past, we would like to skip the explanation here.




I would now like to explain how the fiscal year ended March 2023, the second year of our medium-term management plan, went.

First of all, on page 32 is the progress of key management indicators.

In terms of key management indicators, we have achieved our targets for the fiscal year ending March 31, 2024, the final year of the medium-term management plan, one year ahead of schedule. I hope you can see that we are making good progress.




Please see 33. This is an overall summary of the fiscal year ending March 31, 2023, including a review based on the Group's management policy.

Except the triangle rating for point three, all of the items are rated with the circle. I believe that we have made steady progress overall. Let me explain key points for each item briefly.

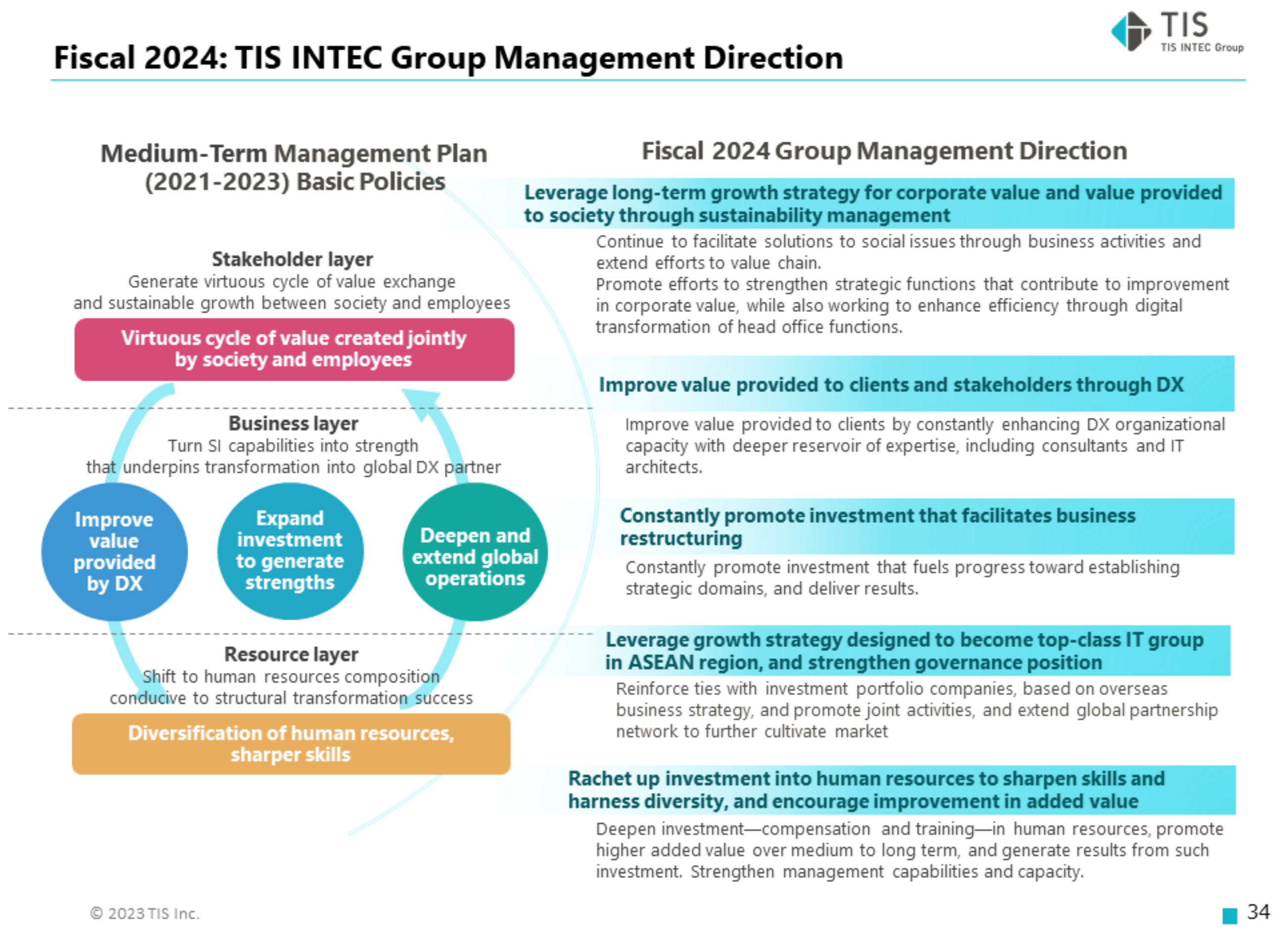
First, please see item one. As a result of our efforts to enhance sustainability management, including the strengthening of environmental initiatives, we have received high evaluations from external organizations.

Next, item two. I believe that our efforts to continuously improve profitability and to curb unprofitable projects have been well represented in the figures.

Item four. With respect to the promotion of growth strategies and establishment of governance with the aim of becoming a top-class ASEAN IT consortium, the scale of our business expanded significantly, centering on MFEC.

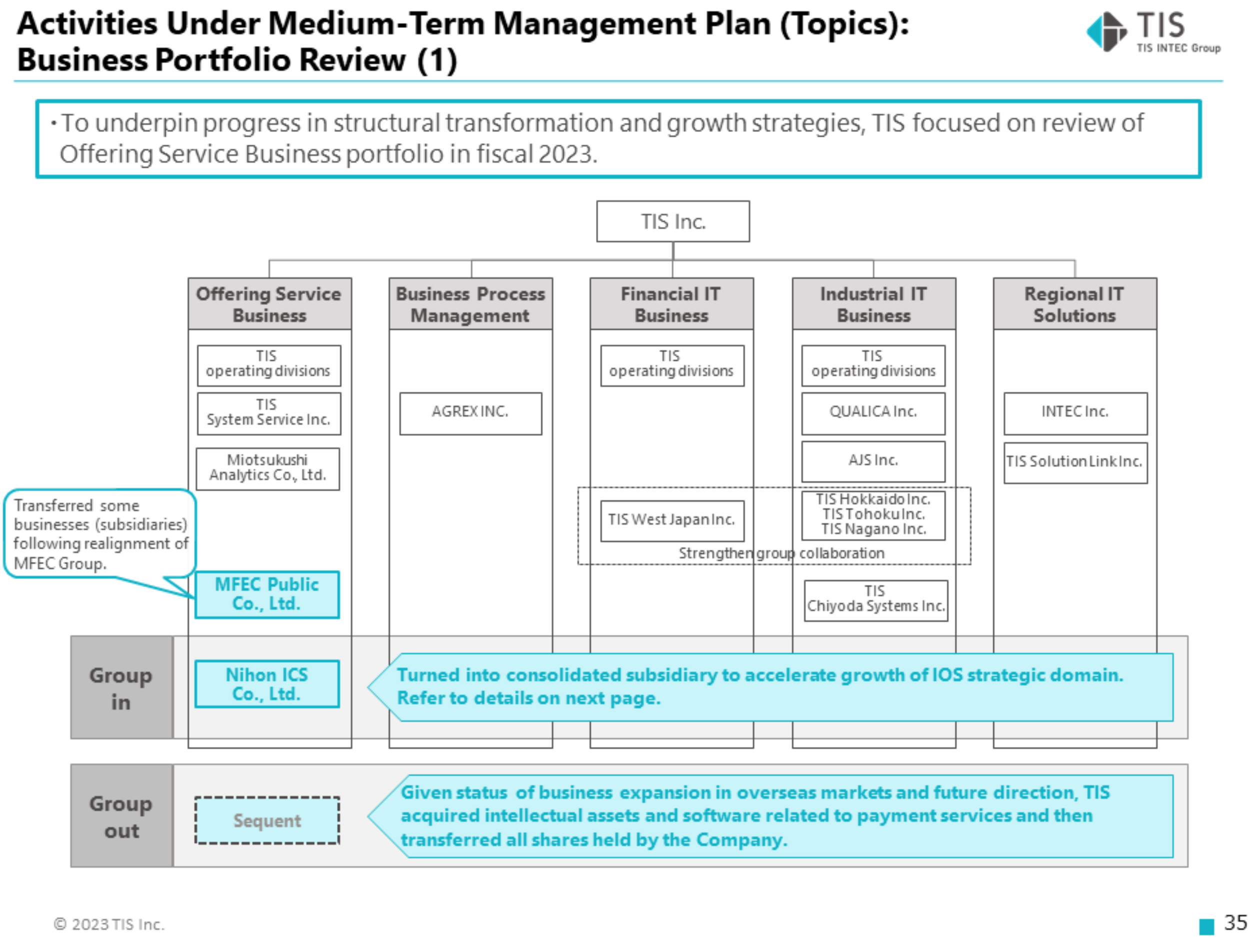
And item five. With regard to the further expansion of investment in human resources for the advancement and diversification of human resources, we are aware that we have made solid progress in our efforts for the advancement and diversification of human resources through proactive investment in human resources, including the revision of the personnel system.

On the other hand, point three is the only item that was rated with the triangle. Structural transformation is a medium- to long-term theme, and we believe that we are currently in the investment phase for the realization of business transformation and structural transformation. We are continuing to implement various initiatives, but we believe that it will take some time before we can generate high added value commensurate with our investment and become a major growth driver for our group. Given the continued challenges in terms of profitability, we have rated this with the triangle as we would not be able to say that it is sufficient at this time.




Page 34 shows the Group's management policy for the fiscal year ending March 2024, which is the final year of the medium-term management plan.

Although there are no major changes in the themes, we intend to further evolve each of our initiatives to achieve the goals of the medium-term management plan.




On page 35, I would like to explain the progress of each key strategic measure of the medium-term management plan. The first is the review of the business portfolio.

As we pursue our structural transformation and growth strategies, we have always been reviewing our business portfolio with an awareness of optimal group formation. In the fiscal year ending March 2023, we focused on the review of business portfolio in the offering services.

As described, while ICS Japan was made a consolidated subsidiary, some businesses were transferred in conjunction with the reorganization of the MFEC Group in Thailand, and Sequent in the US was sold in consideration of the future direction of business development.

## Activities Under Medium-Term Management Plan (Topics): Business Portfolio Review (2)

TIS
TIS INTEC Group

・Seeking to strengthen IOS strategic domain, TIS turned Nihon ICS into a consolidated subsidiary in April 2023.

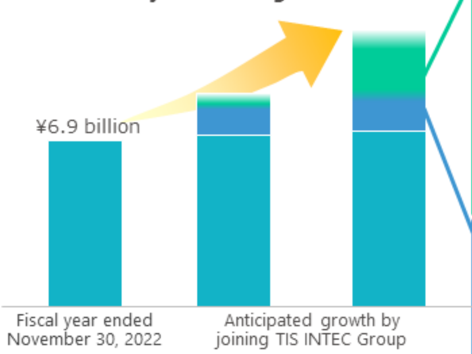
| | |
|---|---|
| Name of company | Nihon ICS Co., Ltd. |
| Business activities | • Provide accounting/tax packages used by tax accounting offices<br>• Offer IT introduction support<br>• Provide packages to client companies for back-office operations, such as accounting and payroll |
| Business results | Net sales: ¥6.9 billion<br>Operating income: ¥2.0 billion<br>[Fiscal year ended November 30, 2022] |
| Number of employees | 370 [as of April 1, 2023] |

| | |
|---|---|
| Investment amount | ¥22.5 billion |
| Goodwill* | Goodwill: About ¥9.0 billion<br>Client-related assets: About ¥22.0 billion<br>Deferred tax liabilities: About ¥6.5 billion |
| Amortization policy | Client-related assets: 20 years; goodwill: 15 years |
| Deemed acquisition date | June 30, 2023 |

*Acquisition cost allocation not determined yet, so goodwill amounts might change.

**Combine TIS' business content for financial institutions and Nihon ICS' business content for tax accountants and others to expand client base and realize new business schemes.**

Projected sales growth




**Synergy: Create new added value**

**Efforts to achieve dramatic growth at Nihon ICS possible through co-creation with TIS**

■ Strengthen capabilities of financial institutions
Provide solutions to small- and medium-sized companies that help business partners connected to financial institutions in the TIS client base as they shift toward greater use of IT and strive to achieve digital transformation.

■ Extend services of both companies to new companies
Form business matching community linking tax accounting offices numbering more than 10,000 across Japan, a client base of more than 400,000 companies that receive advice, and more than 100 financial institutions, and create business opportunities that go beyond regional borders.

**Value up: Sustain existing business growth, then accelerate pace**

**Efforts to sustain and then accelerate growth at Nihon ICS, given market trends**

■ Raise level of professional services
Enhance the efficiency of tax accounting services and improve certainty of such services for tax accounting offices and small- and mid-sized companies in Nihon ICS' client base by boosting the features in accounting and tax packages and applying new technologies.

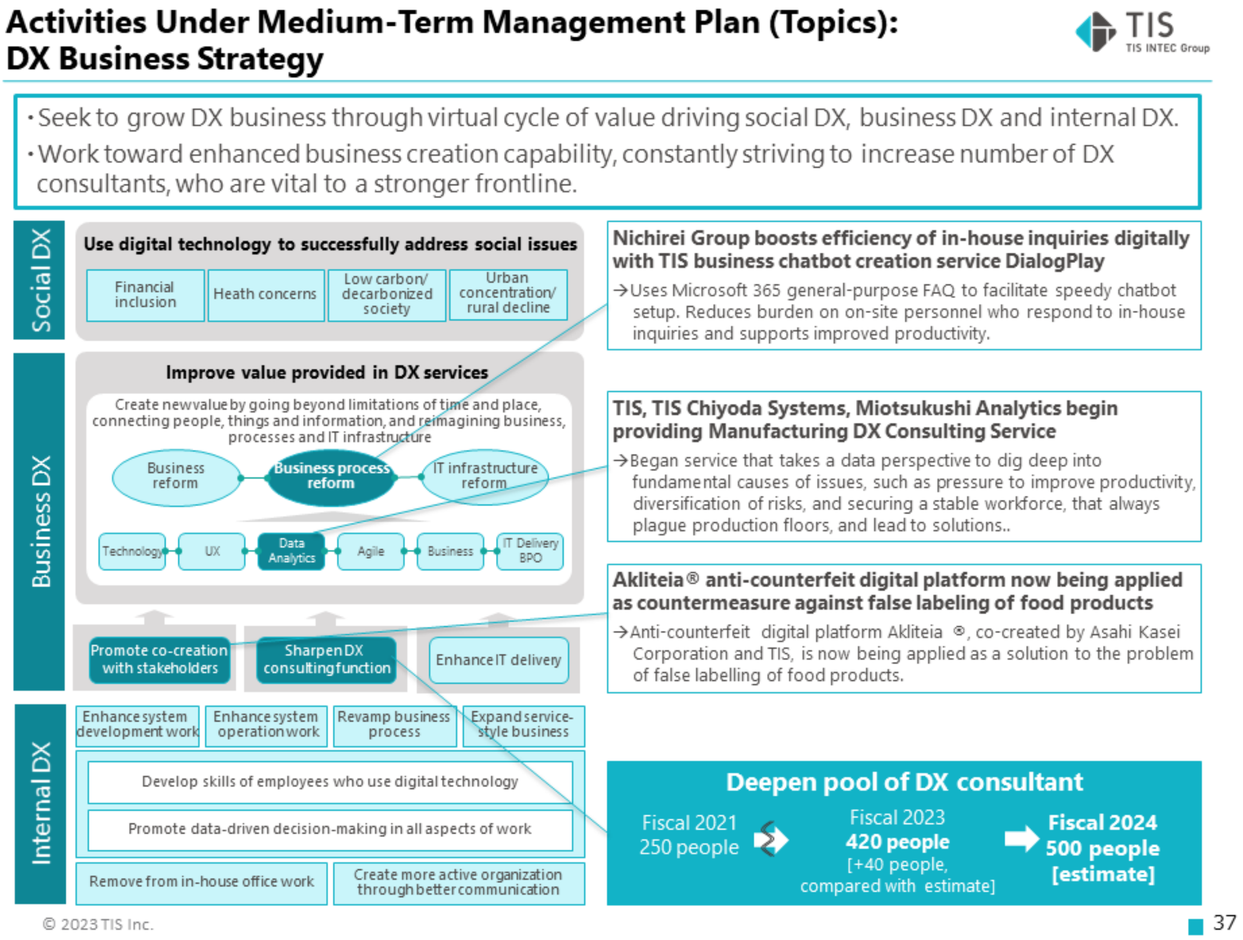

36

This page is about the consolidation of Japan ICS as I mentioned earlier.

The consolidation of Nihon ICS Co., Ltd. is aimed at strengthening one of our strategic domains, IT Offering Services, or IOS as we call it.

Nihon ICS owns a stock business that provides its services to a stable market, and has a long track record of providing the business model we are aiming for in our IOS. In the short term, we expect to grow mainly by increasing the value of the existing business of Nihon ICS, but in the medium to long term, we would like to achieve further growth by creating synergies.

I have high expectations for Nihon ICS that joined our Group, and hope to grow its sales to JPY10 billion in the not-too-distant future. We would like to achieve such a goal, and we are now moving forward to firmly promote cooperation and collaboration for this purpose.

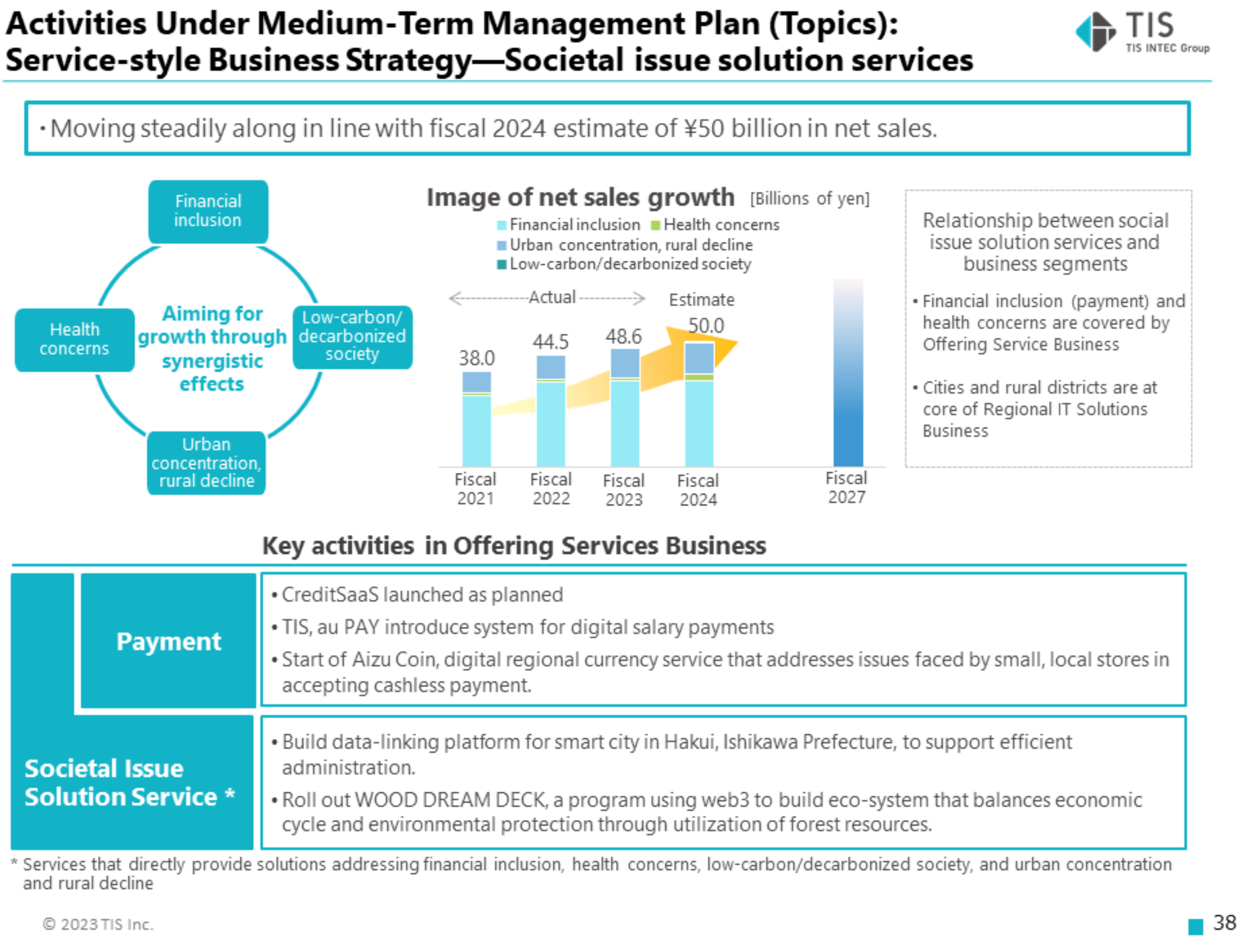



This is the DX business strategy.

As I have repeatedly mentioned in the past, one of the key words in this medium-term management plan is to strengthen the front line. The expansion of DX consultants and the use of M&A to support the realization of this plan are progressing at a pace exceeding the plan.

We are aware that our situation is not yet satisfactory, given there are strong customer needs for DX, and the industry as a whole is making progress in this area. We need to continue to focus on this, but it is also true that there are a growing number of cases in various fields where DX consulting functions are being utilized.

Through our SI development capability, which is one of the strengths of our group, and our conceptualization capability on top of it, we are steadily adding value to the business we provide, and we feel that the level of trust and expectations of our customers is increasing.




The next page is about our service business strategy, particularly our business in the area of services that solve social issues, which is one of the key indicators of our medium-term management plan.

Overall, we are making steady progress in accordance with the plan. Although the scale of our business is still small in some areas, we are still in the preparation stage for future business expansion, and we intend to continue to focus on these areas.

## Activities Under Medium-Term Management Plan (Topics) : Offering Service Business Strategy — Payment Business

TIS
TIS INTEC Group

・Business is steadily growing against backdrop of continued expansion of payment settlement market overall. Will maintain robust approach to investment to create new services and broaden forward-looking activities.
→Progress in sales on track toward achieving overall PAYCIERGE target, but must work on turning this into recurring sales

### Fiscal 2023 topics

**Core areas (CreditSaaS, DebitSaaS, PrepaidSaaS)**

**CreditSaaS** Stable operation since service launch as scheduled in fiscal 2023
Continue to push marketing activities to attract second user and more.

**DebitSaaS** Brisk expansion in transactions for all participating banks.

**PrepaidSaaS** Working with major credit card companies to promote new programs utilizing prepaid solutions, expanding use, and accelerating preparations for embedded finance business

**Front areas**

- Provided F Village Pay for Nippon Ham Fighters, with launch in March 2023
- Rolled out room key delivery service for hotels through collaboration with Miwa Lock Co., Ltd.

**Beyond Payment**

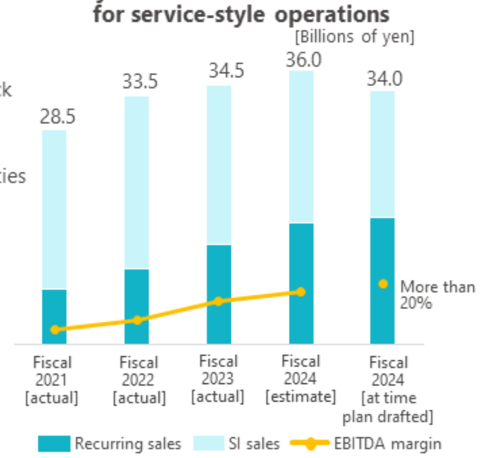
- Supported selection of digital garden city projects in Sapporo, and accelerate activities
- Began providing Aizu Coin, digital regional currency service that addresses issues faced by small, local stores in accepting cashless payments
- au Payment Corporation decides to introduce gateway service to facilitate digital salary payments

### Priority themes in fiscal 2024

➢ Start up embedded finance business, and attract users
➢ Launch new PrepaidSaaS Program
➢ Kickstart activities for B-to-B payments

PAYCIERGE
Expanding convenience
in the new society and beyond

**Payment-related business scale for service-style operations**






39

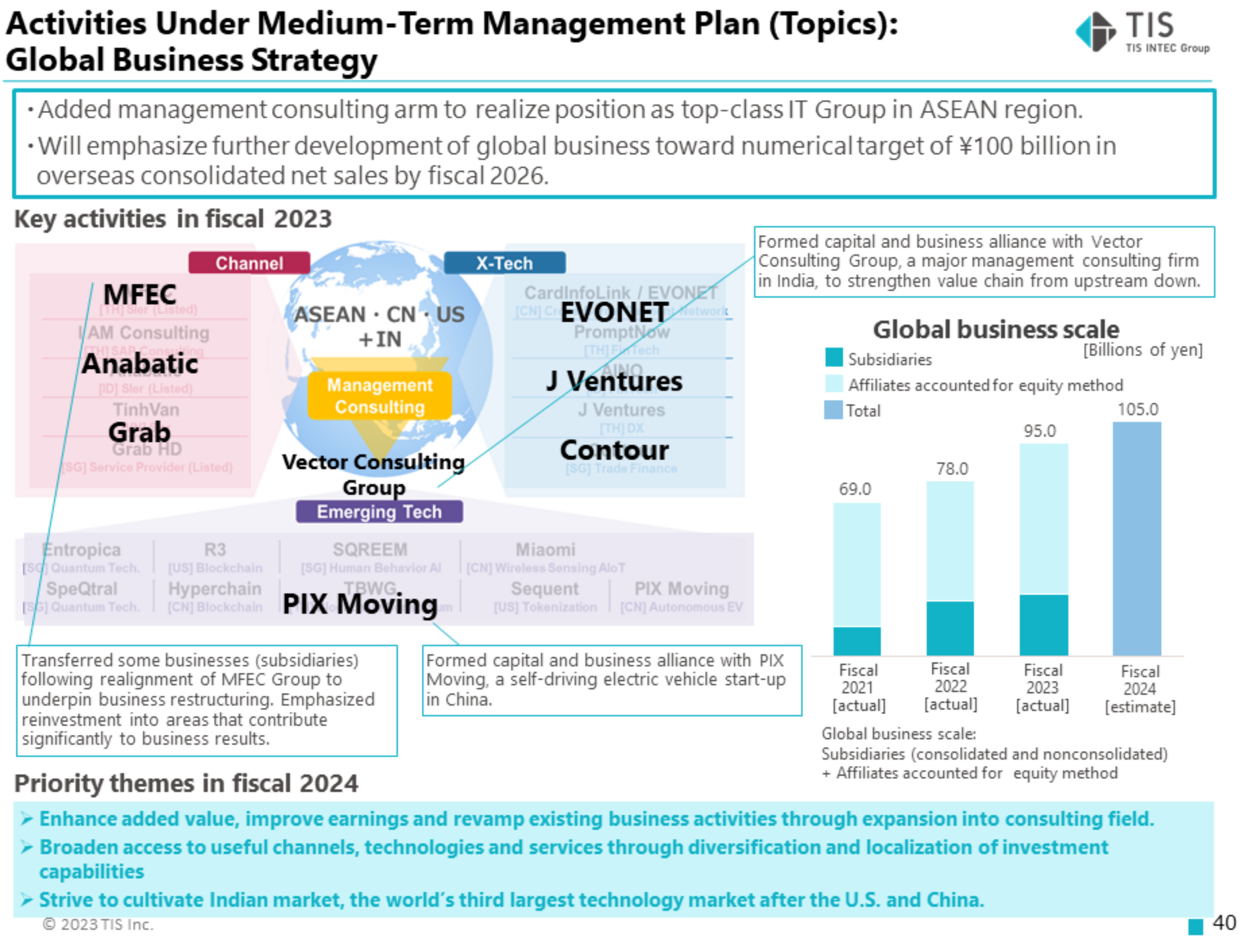
This is the status of the payment business.

Although there has been no major change in the overall situation, we believe that we are making steady progress overall, including efforts to create new services in addition to existing initiatives.

Credit SaaS has been operating stably since its launch. We will continue our efforts to further expand the scale of our business by acquiring second users and beyond, and to increase the ratio of the recurring type business.

In addition to the core areas, we are also making steady progress in the front office area, and in the area of "beyond payment," which is being promoted from a long-term perspective.

The environment surrounding the payment business, such as the lifting of the ban on digital salary payments and embedded finance, is constantly changing, and we will continue to aim for growth in the entire payment business while ensuring that we respond to these changes.

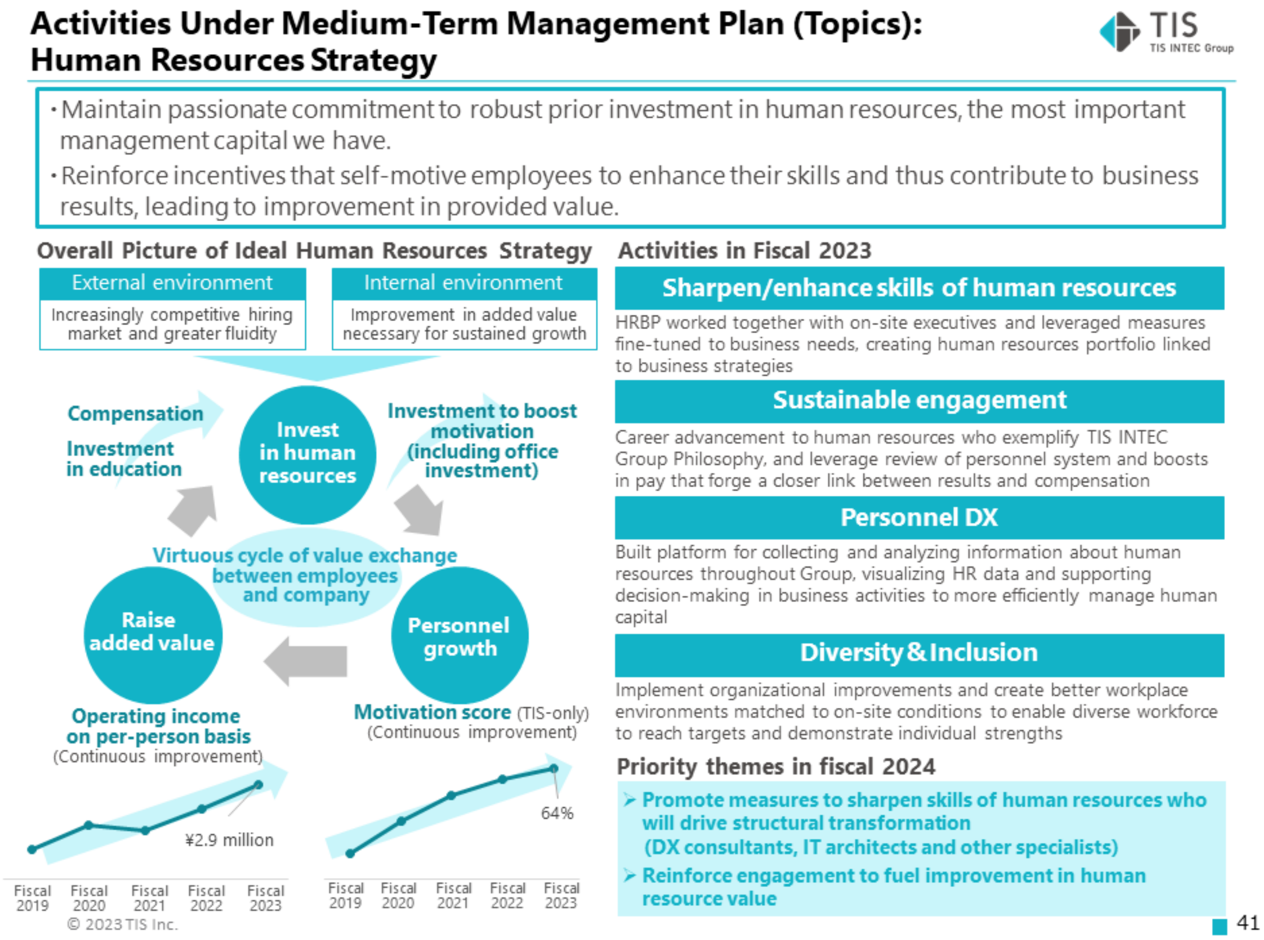



This is our global business strategy.

At the time of the H1 results, we reported that we would be adding a consulting axis. As the first step in this development, we have formed a capital and business alliance with Vector Consulting Group, a leading management consulting firm in India, and made it an equity method affiliate. With this partnership, we have started to expand our business in India, the fastest growing market in the world, and have begun to approach Japanese clients in India as a first step.

As for the Channel axis, we are reorganizing the MFEC group in order to change its business structure, and we intend to focus on areas that will make a high contribution to our business performance.

We will continue to focus on the development of our global business, and will continue to make efforts along the three axes to achieve our goal of becoming one of the top IT companies in ASEAN by FY2026, with consolidated net sales of JPY100 billion.

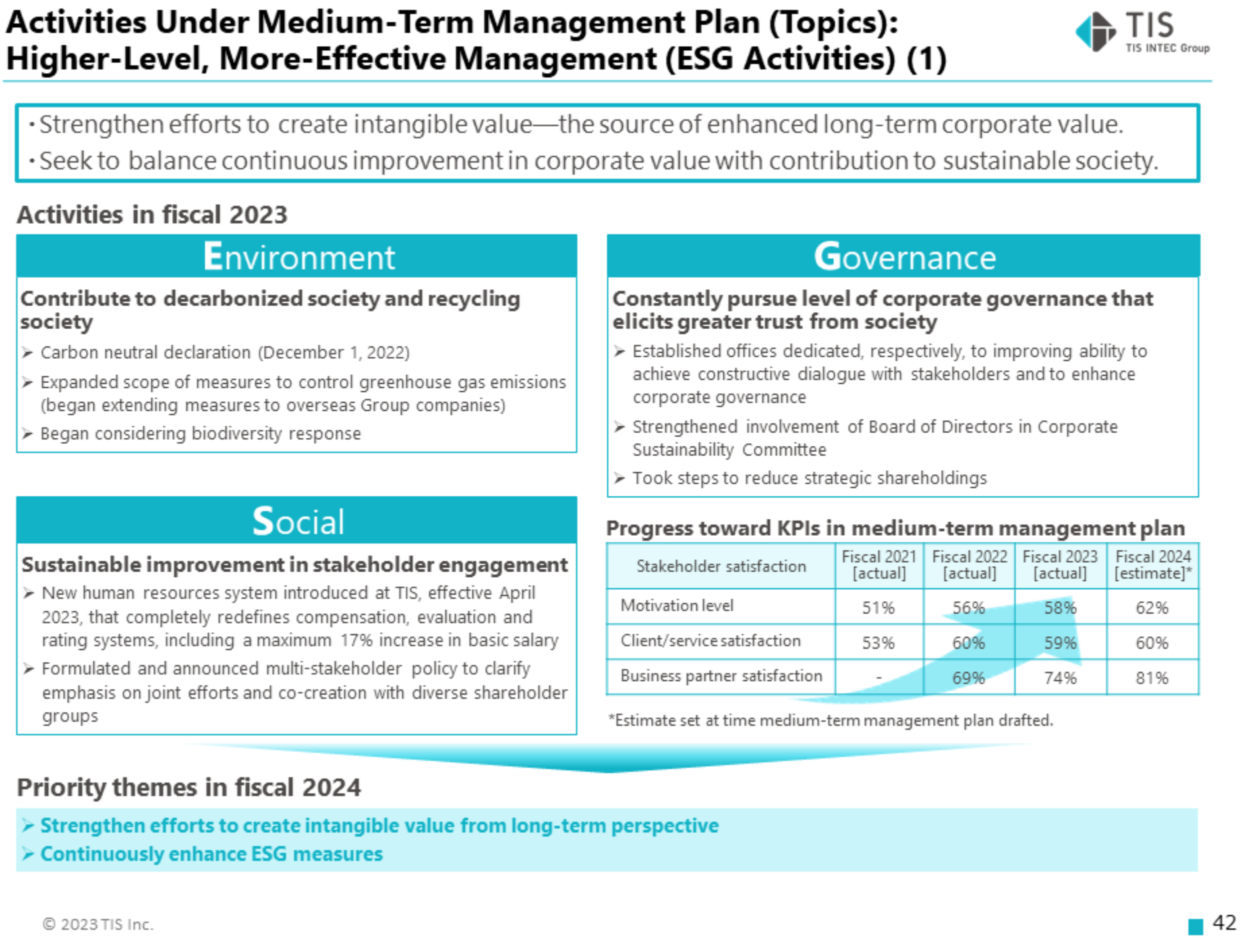



On page 41 is our human resources strategy.

As I have always said, human resources are the source of our corporate value creation and are without a doubt our most important management capital. Traditionally, we have actively implemented a variety of initiatives that lead to the growth of our human resources and the enhancement of their added value. As a result, employee job satisfaction scores and operating income per employee have steadily improved.

We have decided to make an aggressive upfront investment in human resources, and we believe that investment is indispensable in order to secure excellent human resources and help them grow. We also believe that it is our responsibility as management to respond to the performance and growth of our human resources by having them think and act proactively.

Although it will take some time for the results of the investment to show up in figures, we are confident that the investment in human resources will lead to an increase in added value and competitiveness of the company. We will continue to actively promote the good cycle of value exchange between employees and the company.




On page 42, ESG initiatives are also being steadily promoted.

We also believe that management sophistication is progressing in response to the demands of society.

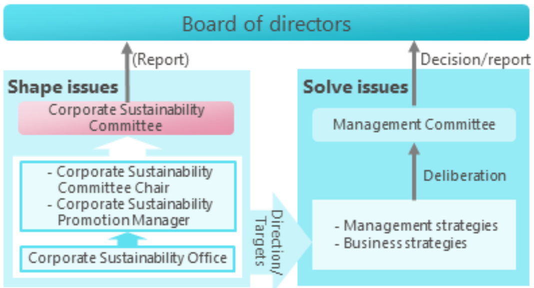
# Activities Under Medium-Term Management Plan (Topics): Higher-Level, More-Effective Management (ESG Activities) (2)

TIS
TIS INTEC Group

## Building a stronger Corporate Sustainability Committee

✓ To reinforce and enhance depth of understanding of sustainability management, establish Corporate Sustainability Committee, hinging on participation of all directors, including outside directors, and place this committee under Board of Directors in executive hierarchy.

✓ Through discussion about issues related to sustainability, committee sets direction of responses and desired targets.




## Carbon neutral declaration

**~Realize carbon neutral status for Scope 1, 2 by fiscal 2040~**

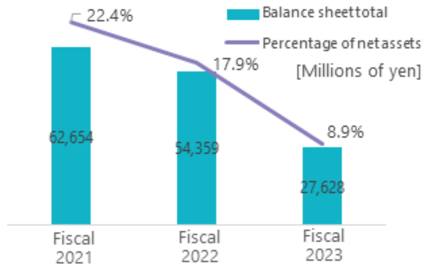
✓ Scope 1, 2 : Realize carbon neutral status by fiscal 2024
(Cut greenhouse gas emissions 100% from fiscal 2019 level)

✓ Scope 1, 2, 3 : Realize net zero by fiscal 2050

For the above targets, TIS applies SBTi's recommendation of 1.5˚C as the value conforming to the 1.5˚C target in the Paris Agreement, the parent treaty of the United Nations Framework Convention on Climate Change.

## Reducing strategic shareholdings

✓ Strategic shareholdings as of March 31, 2022, stood at ¥54.3 billion. This amount was reduced to ¥27.6 billion as of March 31, 2023. Welcomed early achievement of goal to push ratio of strategic shareholdings on balance sheet to consolidated net assets to 10% level.





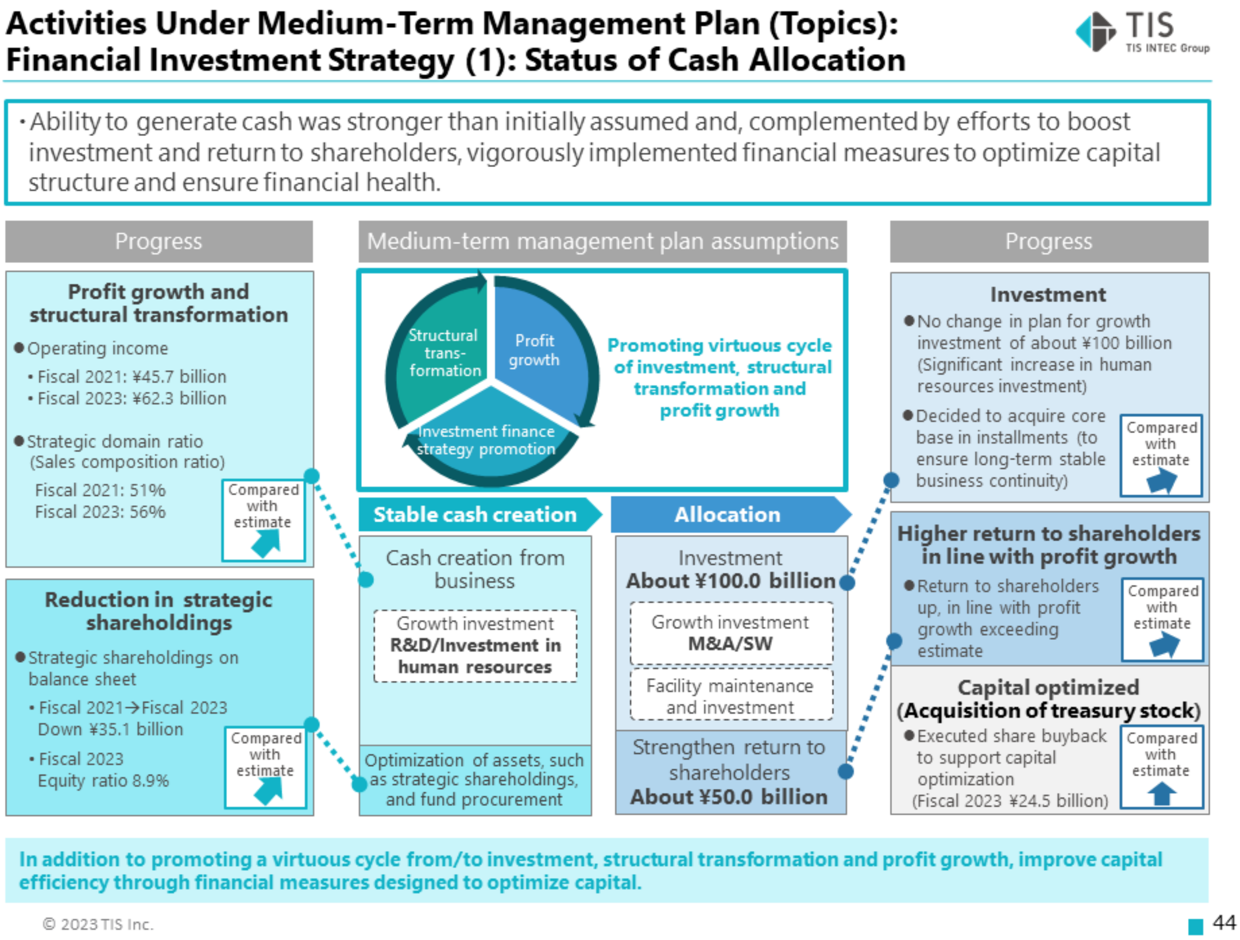

43

This page contains three topics related to ESG initiatives.

We have been actively engaged in sustainability promotion activities. In the fiscal year ended March 31, 2023, we declared ourselves carbon neutral and reduced our strategic shareholdings. As a result, we are pleased that we have been able to establish a system and structure that has produced a certain level of results.

By establishing the Corporate Sustainability Committee under the control of the Board of Directors, we intend to strongly promote the committee on a top-down basis to further strengthen and upgrade our activities.

With regard to ESG initiatives, we will continue to contribute to a sustainable society and achieve sustainable enhancement of corporate value, based on the recognition that such initiatives will further strengthen the foundation that supports the value creation of our group.




This is a financial investment strategy.

We have achieved profit growth through business expansion and a reduction in strategic shareholdings, which has increased our ability to generate cash more than we had expected in the mid-term plan, and we believe we have been able to aggressively allocate that cash.

We will continue to respond flexibly to various changes, including those in the economic environment, while accelerating the cycle of investment, structural transformation, and profit growth to enhance corporate value.

## Topics: Acquisition of Fixed Assets (Real Estate Trust Beneficiary Rights)

TIS
TIS INTEC Group

・Switch from leasing to ownership of facility as hub for providing system operation services and own-brand of cloud services, and ensure long-term stable business continuity.

**Key points underpinning decision to acquire**

1) Large-scale business-use facilities, such as data centers, are a huge rarity, and ownership is desirable from the perspective of ensuring long-term, stable business continuity.
2) Given such factors as a changing business environment and aging structures, outmoded facilities are being shuttered with operations gradually being consolidated at new, modern facilities.
3) This particular facility is a hub for providing system operation services and TIS' own brand of cloud services, and will continue to be extremely crucial to the Company in the long term.
4) TIS expects cost reduction benefit—decrease of about ¥1.7 billion/year after final step of acquisition is complete—related to this facility through switch from the leasing format to ownership.
5) TIS' current financial position allows for execution of large-scale investment.

**Decision was made to acquire real estate trust beneficiary rights in this facility, in allotments, because TIS would be able to enjoy the benefits of ownership and grab the opportunity to ensure long-term, stable business continuity.**

| Item | Details |
|---|---|
| Building overview | Gotenyama SH Building<br>(Shinagawa-ku, Tokyo, [Land]Site area 6,858.68 ㎡, [Building]Total floor area 19,812.85 ㎡ ) |
| Seller | Sekisui House Reit, Inc. |
| Acquisition price | ¥72 billion<br>(real estate trust beneficiary rights ¥70 billion/Portion of land held 100%, brokerage fees about ¥2 billion) |
| Acquisition method | Will gradually acquire quasi-co-ownership interest, with total amount broken in single payments of ¥7 billion a total of 10 times. First payment will be on October 31, 2023, with nine subsequent payments made every six months. Payment process will be complete with final payment on April 30, 2028. |
| Acquisition capital | Planning to use cash on hand and loans from financial institutions |

 46

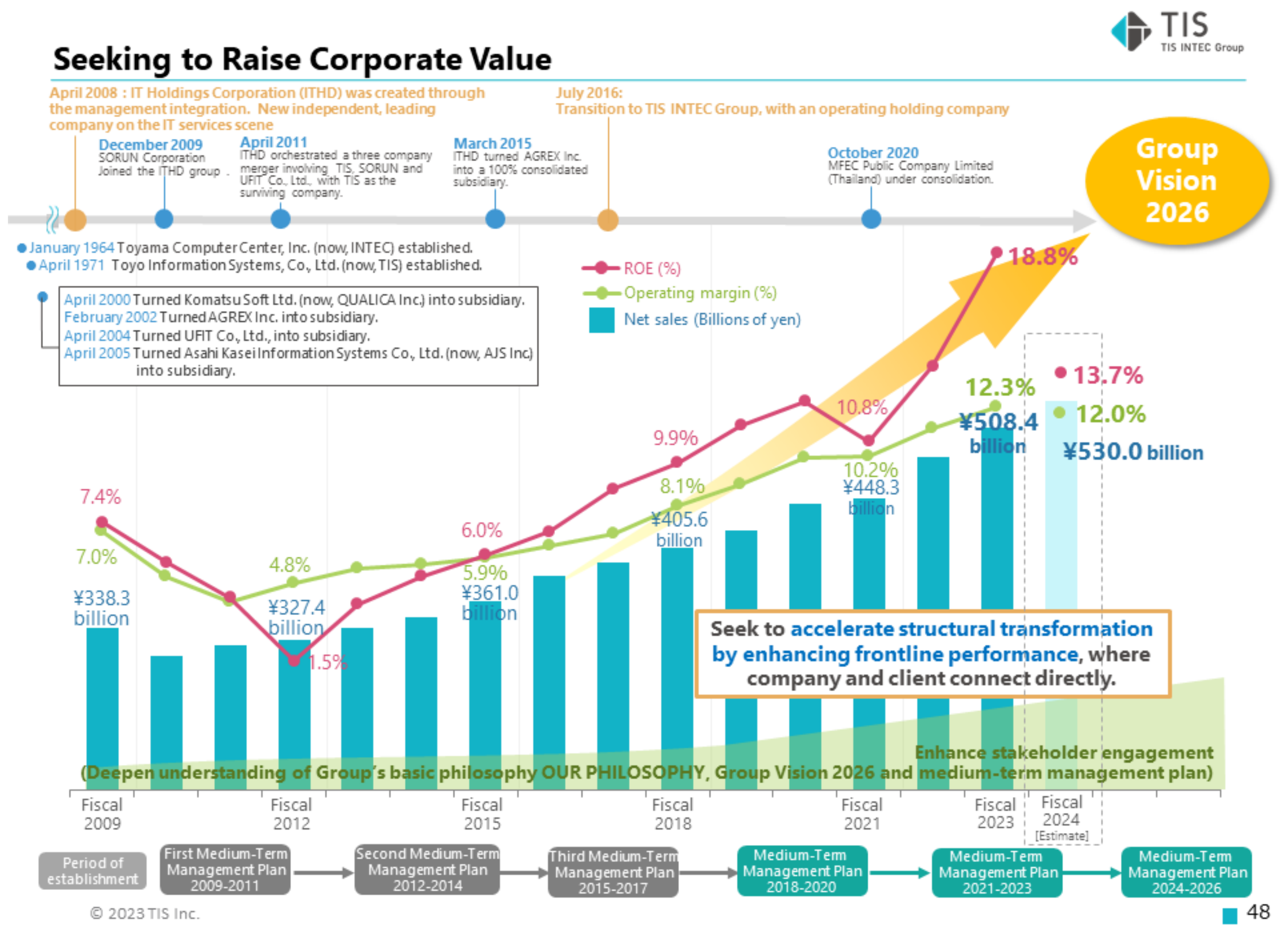
Please see page 46. This page reiterates the details regarding the acquisition of fixed assets that were disclosed in a timely manner at the end of March.

Basically, we aim to manage our business with an awareness of capital profitability, and based on this concept, we have been consolidating our offices and data centers, keeping the ownership of facilities for business use to a minimum.

On the other hand, we believe that it is desirable to own only those facilities that are essential to ensure long-term stable business continuity.

This includes the facility that is positioned as a core base for the long-term stable provision of high-quality system operation services and our own-brand cloud services, which we are promoting, even as the business environment undergoes major changes, such as the spread of cloud computing. Because of the extreme importance of ownership, we are continually looking for the right time to convert rents to ownership.

In addition to the opportunity to own the property this time, we have made a comprehensive judgment based on the cost reduction effect of switching from renting to owning the property and our current financial situation, and have decided that the acquisition will contribute to the enhancement of our group's corporate value over the medium to long term. We hope that you will understand the decision we have made.




Please turn to page 48, the last of my explanations.

It has been exactly two years since I assumed the position of President. As I have explained so far, we have achieved record performance in terms of numbers. We feel that the corporate value of the Group is steadily increasing as the measures are generally progressing well.

However, we recognize that there are many challenges that need to be addressed in order to achieve further growth, as we are naturally a company. We are also keeping a watchful eye on the external environment, including concerns about a global economic recession.

However, I believe that the initiatives that we have carefully implemented one by one so far are steadily bearing fruit, cultivating our strength and taking root as a solid management foundation, and are leading to the driving force for further growth.

Although this is the final year of our medium-term management plan, we do not intend to set this as the goal, but rather to continue to work as a unified group to achieve structural transformation toward the goal of pioneering and shaping a bright future that lies ahead, aiming for sustainable growth and further enhancement of corporate value.

This concludes my presentation. Thank you.

**Moderator**: Thank you.

## Question & Answer

**Moderator [M]:** We will now begin a question-and-answer session.

First, I would like to explain how to ask your questions. When you speak, please give your company name and your name followed by the question you wish to ask. Please note that up to two questions can be asked per person at a time. Please note that due to time constraints, we may not be able to answer all questions.

We will now begin the question-and-answer session. First of all, Daiwa Securities, Mr. Ueno, please ask a question.

**Ueno [Q]:** This is Ueno from Daiwa Securities. Please turn to page 23. In Q3 of this fiscal year, you have already announced a significant improvement in your company's compensation. While you are planning to secure a reasonable increase in profits, your company's announcement indicates a 6% increase in labor costs on average, which must have been significant even in monetary terms.

Is it safe to assume that the planned increase in profit will be achieved without any problem, since most of your customers, say 30%, 50%, or 70%, will agree on the increase in unit price knowing this increase in labor costs? Can you start by telling us how customers react to the price pass-through of increased labor cost to improve compensation?

**Okamoto [A]:** Yes. I would like to answer. In fact, this 6% increase is not an opportunity for us to negotiate with our customers on unit price. We have been working on increasing compensation continuously from the past. At the same time, we have been negotiating for a higher unit price for the past several years, and have actually been able to increase the unit price.

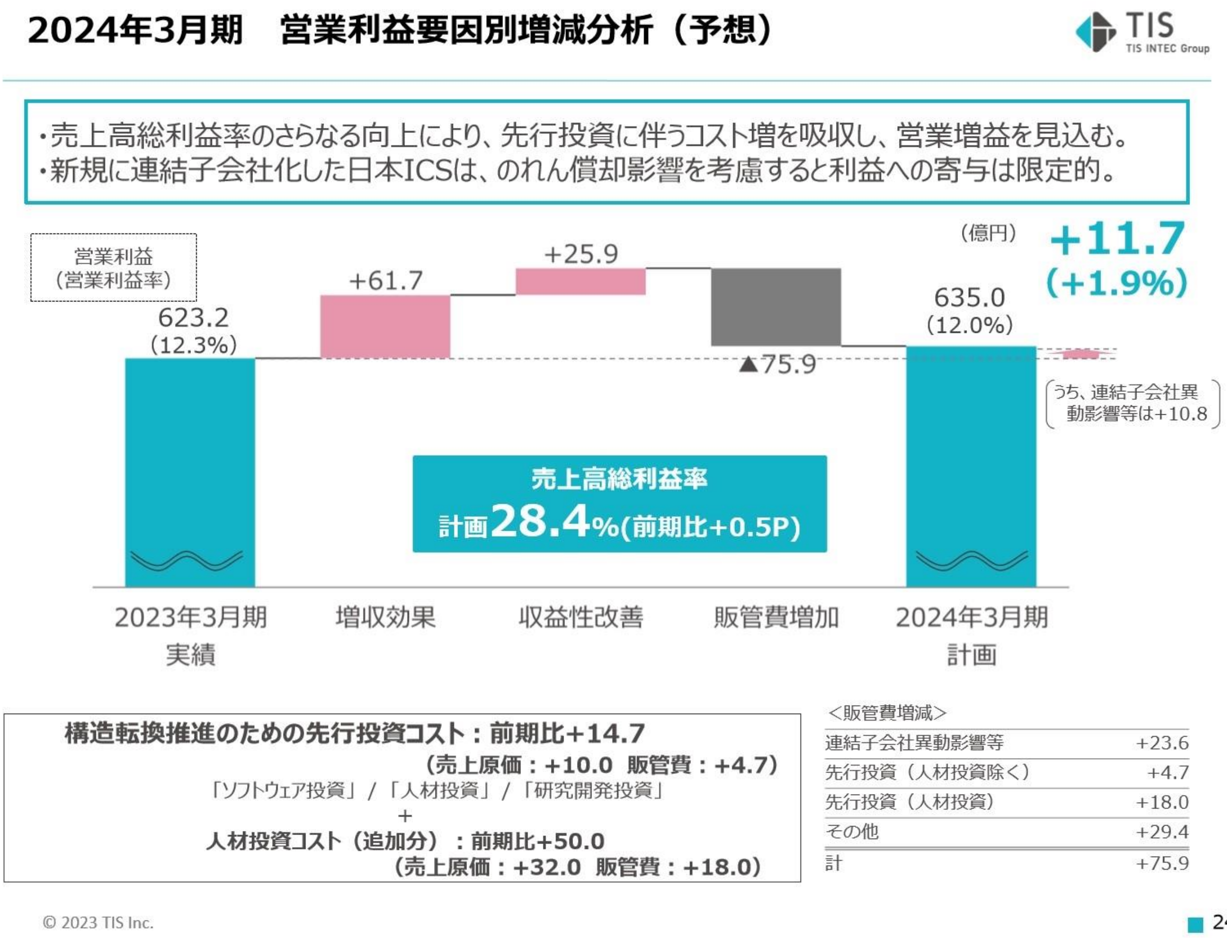
Although the 6% rate is a little higher than before, we have not heard from any customers regarding this, and we will continue to negotiate with them on unit prices. There is no particularly significant response.

**Ueno [Q]:** I see. It is not a case that customers would agree on price rise after your announcement of 6% raise, but instead, you can absorb 6% price rise in the course of negotiation you have had for unit price increase in an effort to increase added value. Is it correct?

**Okamoto [A]:** Yes, that is how we are proceeding.

**Ueno [Q]:** If customers agree on the increase in unit price due to the increase of 6% in labor costs, a 4.2% increase in sales mentioned on this page seems bit conservative for me. What do you think? Is it that you have factored in organic part only but not the increase in unit price?

**Okamoto [A]:** My personality may be the same as ever, but you can consider that we have a slightly conservative forecast overall.




**Ueno [Q]:** I see. I understand. The last question is on revenue improvement on page 24.

As shown in the breakdown of SG&A expenses, the upfront investment and investment in human resources are clear. In the case of your company, the number of employees should, of course, appear largely in this cost. Is it correct to assume that the basic scenario is that the increase of JPY2.59 billion in profit due to the improvement in profitability will offset the increase in labor cost in SG&A expense to secure the overall profit?

First, the key point is the main factor of profitability improvement shown here. Of course, if you look within the pages, there is talk of various services, improvement in operating margin per capita, etc.

Excluding Asahi Kasei and Komatsu, which are your specific companies, I see a huge number of DX projects in the small to medium-sized projects, which are the tail section of the long tail, and the overall profitability has been improving. Is there something easy to understand that is the key to improving profitability?

**Kawamura [A]:** I will answer the question. As Okamoto mentioned earlier, we are not making a renewed effort to improve profitability in preparing this plan, but we have been improving profitability for a long time.

As I have already explained in various ways, we do not have any special remedy for this, but I believe that our efforts to control unprofitability have been extremely effective, especially through productivity improvement and curbing quality in the previous fiscal year.

We have also improved our overall utilization rate, and we have become very efficient, including the small and medium-sized companies you mentioned. In addition, we are actively offering solutions, especially for small and medium-sized companies, in order to reproduce our products. We have also been actively developing solutions, especially for small and medium-sized companies, so our efficiency has also improved considerably.

As Mr. Ueno mentioned, we have made this plan after firmly confirming with the management that we will take this increase in personnel expenses into account and further improve profitability.

In fact, we are proceeding with measures to ensure that we must produce a positive effect on profit growth beyond the apparent figures. We will do our best to achieve this plan firmly. That is all.

**Ueno [Q]:** From our point of view, it would be nice if there are some kind of clear factors such as an increase in unit price, a new service, or an improvement in mix. There is no such thing that can be narrowed down to a single factor, but it will be the accumulation of various small factors in one project of one engineer or consultant. Is it correct?

**Kawamura [A]:** Basically, it is a composite process, but I think it is the accumulation of each of these, such as adding value through upstream DX and increasing productivity through solution development, as I mentioned earlier.

This has made a positive contribution, and if we break it down in an easy-to-understand manner, it would be very easy to understand, but for our company, we have been and will continue to be committed to improving profitability by firmly building on these small efforts.

**Ueno [Q]:** Then we can only look at it as a totality, but what about continuity into the future, for example, is it three years or five years? Or, will the profitability improvement excluding labor cost increase continue at the same pace as the previous year? Please let me know about the pace and time frame?

**Kawamura [A]:** Well. Originally, we had set out to raise gross profit margin to nearly 30% in this medium-term plan. We are slightly short of that in this plan, but we believe we have been raising the bar well ahead of the pace we have been setting. We still believe that overall improvement is possible, and we will continue to work on this.

However, from this point forward, as we will continue to raise labor costs and thoroughly implement high value-added measures, we will work on the reform of our manufacturing productivity. Also, we will work on service-type business which are focused in the offering service segment, to further improve profitability, as not much service-type business is profitable.

**Ueno [M]:** I understand very well. Thank you. That’s all from me.

**Moderator [M]:** Thank you. Mr. Tanaka from Goldman Sachs Japan Co., Ltd., please ask your question.

**Chikai Tanaka [Q]:** This is Tanaka from Goldman Sachs Japan. Thank you. I would like to ask you two major questions. First, could you give us a little more background on the growth of the offering services this fiscal year?

I wonder if the impact of new consolidation, etc. is also included, but I would like to know the organic part including whether there is the assumption that the development plan will start for the second company in credit SaaS, or there will be no plan. Could you explain the impact of consolidation and this organic part separately? This is the first question.

**Kawamura [M]:** I see. I assume you mean the fiscal year ending March 31, 2024. Is that correct?

**Chikai Tanaka [M]:** Yes, that's right.

**Kawamura [A]:** First, in terms of the impact of consolidation, over JPY5 billion in sales and over JPY1 billion in operating income are the portion that is newly added by M&A. The decrease in the cost burden from the sale of Nihon ICS and Sequent resulted in the increase of more than JPY1 billion in total operating income.

Regarding business activities, we will focus on settlements in other areas. In the current fiscal year, platform businesses such as settlement and cloud security in particular continued to contribute to earnings. We are planning to further increase revenues and profits through these businesses, so rather than something specific, we would like to further grow our sales and profit by further progressing the services in this segment.

As for the second company for credit SaaS, we are continuing our sales activities, but we have not factored in any significant figures at this point, and we will continue to work on organic growth first. That is all.

**Chikai Tanaka [Q]:** Thank you. I think that most of the increases in profit can be explained by this increase in profit. You mentioned that the second company for credit SaaS is not expected at this point. However, I think you were talking about the progress of obtaining a second company and beyond at the result briefing one year ago. Is there any clear reason why there has been no movement at all after one year, or is there any reason why there is a delay in the process than expected?

**Okamoto [A]:** Okamoto will answer. As I may have explained in the H1 and Q2 financial results, one of the reasons is that we need to invest certain amount of money as it is the core systems of our customers in our services. There is a timing issue about how to match the timing of the system renewal.

We are currently conducting sales activities for the second and third companies, including fit-and-gap activities with customers, but I think the most important point is how and when to conduct the project. That is all.

**Chikai Tanaka [Q]:** I understand. Thank you. Second, I would like to ask about the finance and industry part. In terms of profit and loss, the impact of the wage hikes and other factors are included, so profits for both businesses are not expected to grow much. However, even excluding the impact of the wage hikes, the plan does not appear to be growing very much.

Specifically, in the case of financial IT, for example, why would profits turn down significantly in H2 all at once in the plan? Also, the industry IT is assumed to have almost no growth on a sales basis for the entire year. Is this some kind of large customer investment cycle issue? These are two minor points, but could you comment on them?

**Kawamura [A]:** We are planning for a very large reactionary decline in both financial IT and industrial IT.

In the area of financial IT, we are working on several large credit card projects, and one of them has changed its process from H2, which is reflected in a slight drop in earnings as a reaction to the previous fiscal year. We are working to make up for this in other areas, but because of the large difference, especially in H2, we are currently projecting a somewhat difficult H2.

As for industrial IT, we are trying to hit back firmly with SAP business, and we hope to generate enough sales to cover the decline in our core customers. However, overall, we are also taking a cautious look at the future business climate and other factors. At this point, we would like to consider this point after we achieve the plan solidly. That is all.

**Chikai Tanaka [Q]:** You mentioned business confidence in the industrial IT segment, but did you mean this as a general statement, or did you mean that there is already such a trend on an order basis?

**Kawamura [A]:** As for H1 of the current fiscal year, looking at the current order backlog, I believe that we have a solid order backlog, so I believe that we will be able to promote a solid business plan for H1.

On the other hand, there are some aspects of H2 that are not yet clear at this time. I am making this statement based on a general approach, but I believe that we need to firmly uncover IT investment needs with our customers and accumulate orders during the term. Therefore, our approach is to accumulate orders in H2 through firm sales activities. That is all.

**Chikai Tanaka [M]:** I understand. Thank you.

**Moderator [M]:** Thank you. Next, Mr. Tanaka from Mitsubishi UFJ Morgan Stanley Securities, please ask your question.

**Hideaki Tanaka [Q]:** My name is Tanaka. Thank you. I have two questions. The first is about the credit SaaS.

I got the sense that the plan is moving forward from the fact that second and third companies are also working on fit and gap as you mentioned. I would like to know the timing of the public release of the core systems. I think you have some idea of the timing of the public release. Could you first tell us about the timing of the second and third companies you are currently considering?

**Okamoto [A]:** It is difficult to give a specific timing for the release, since it is also customer information, but I think I can answer that it will not be this year.

**Hideaki Tanaka [Q]:** I see. As same as the previous person, I was expecting a bit of earlier timing of release at the time when you mentioned about one year ago that the plan was progressing.

Is this the timing of release that you had assumed at that time? Considering President Okamoto's past comments, I honestly had an image that it would be earlier.

**Okamoto [A]:** There is one company for which we were hoping to release at earlier timing, but it is true that the release is taking a long time due to various considerations at customer's side. It seems they are considering various things.

There is another project that is coming up with a third or fourth company, and we are now considering that project.

**Hideaki Tanaka [Q]:** I understand. The plan is a little off again from what I was expecting with a second company.

**Okamoto [A]:** I'm sorry. I should comment properly. After the first company finished, the second company was working hard, but due to various circumstances on the customer's side, the discussions with the customer were taking a long time. What I just mentioned is that the third and fourth companies are making considerations.

**Hideaki Tanaka [Q]:** I understand. So, it will not happen this year, but somewhere after next year.

**Okamoto [A]:** Yes, I would like to do my best.

**Hideaki Tanaka [M]:** I understand. Thank you. Also, the next question I would like to ask you is on page 40, the global business section. Inbound tourists started to come gradually. Could you tell me recent status of EVONET? That is all.

**Okamoto [A]:** Finally, people are beginning to flow into Southeast Asia, and there is a gradual movement. Although we will not immediately receive a large amount of revenue, we have seen some movement in the cross-border settlement that we had originally planned, so I have high expectations for it.

**Hideaki Tanaka [Q]:** Do you have any idea of the amount of settlement or any kind of guidance?

**Kawamura [A]:** We do not have any specific figures to present at this time, but the key point of EVONET is to increase the number of connection points, and since there have been some interruptions and stagnation due to COVID-19, we would like to increase the number of points from now on so that transactions can be captured. As soon as we have something we can show you in those areas, we would be happy to talk to you. That is all.

**Hideaki Tanaka [M]:** Yes. Thank you very much. That is all.

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

**Moderator [M]:** Thank you. Then, Mr. Kikuchi from SMBC Nikko Securities, please ask your question.

**Kikuchi [Q]:** This is Kikuchi. Thank you. I have two questions. The first point is quite similar to Mr. Ueno's question, which is on slide number 24.

The improvement in profitability over the past two years has been supported, I think, by productivity gains from large projects, as well as by the reduction of unprofitable projects. You mentioned that the unprofitable projects shrank by about JPY1.4 billion in the fiscal year that ended.

However, since unprofitable project is already reduced to JPY400 million in the new fiscal year, it would not be effective even if you reduce it further. Also, the number of large projects has peaked out, which may lead to a slight decrease or a negative effect. If labor cost and upfront investment cost increase in this situation, it would be difficult to increase productivity more than that in past two years unless there is some kind of special factors.

Looking at the segments on the next 25 pages, the numbers seem to have been made with a determination to just barely absorb the various cost increases in each segment. The offering service segment will cover the increase by the effect of consolidation. There is some concern whether the increase will be truly absorbed.

You mentioned earlier that you will make various efforts. Again, I would like to know if there is any new factors that will be effective. That is the first point.

The second point is credit SaaS. You mentioned that it is taking longer for the second and third companies. Originally, you mentioned several years ago about taking 80% of shares with the expression of emerging platformer. If that is the case, I think you will need to get a few more companies.

It is difficult to identify each of those second, third, and fourth companies, but is the 80% of the market for emerging platformers something that will be approached if any of those are taken?

Also, I believe you do quite a bit of capitalization in credit SaaS, but with the delay in acquiring new customers, should we be concerned about the possibility of disposing of that capitalized amount somewhere, or something like that? I think many people would prefer to process it once because it would lighten the cost, but I would like to know how you see the capitalization, the future prospects for credit SaaS, and the prospects for acquiring customers.

**Kawamura [A]:** Yes, let me first answer your first point. My answer may be a bit repetitive, but as Mr. Kikuchi said, the improvement in earnings up to this time was due in large part to the fact that the projects, including large projects, were very active.

However, the efforts of each segment, as well as the conditions of each customer and the way in which sales activities are conducted, have varied over the years, and the timing of the effects coming out in each segment has also varied. For example, in the previous fiscal year, the profitability of wide-area IT solutions has been improving, and I believe that it is now driving profits.

We are doing this one step further based on the increase in personnel costs. To achieve this, it is necessary to further improve productivity and thoroughly promote value-added improvement and productivity reforms. In order to do so, we are investing in human resources in a proactive manner, especially to attract excellent human resources and have them work more effectively. We will work as one to add enough value to absorb this upfront investment.

We would like to make a profit based on such a concept, although it is not a special remedy here today. For this fiscal year, profit increase is modest as investment is made upfront before labor cost is absorbed. However, for the next fiscal year and beyond, we will make consideration firmly for further growth.

Regarding the second point of impairment, as I have repeatedly explained, at this point, the operational part of the credit SaaS is not in the red, but it is making a solid surplus in earnings.

We do not expect any immediate concerns to arise, and we will focus our efforts on developing a solid plan and proceeding with sales activities to raise the top line as soon as possible.

**Okamoto [A]:** Yes. As for the credit SaaS plan, you mentioned 80%, but I think it will take a little longer than originally planned. Honestly speaking, we have to review the plans carefully toward the goal of 80%.

However, we are continuing steady activities such as having former as well as existing customers of the current credit cube switch to Credit SaaS, so we will have to revise our plan a little, but we are determined to achieve our goal. That is all.

**Kikuchi [M]:** Thank you. That is all.

**Moderator [M]:** Thank you. Next, Mr. Tanabe from Daiwa Securities Co. Ltd., please ask your question.

**Tanabe [Q]:** I am Tanabe from UBS. Thank you. I would like to ask two quick questions. I would like to know a little bit more about the plan for the offering service, which was asked by the person before me.

Even if the increase due to new consolidation is excluded, the existing portion still shows a 5% increase in revenue and almost no change in profit, while profitability will be lower. I would like to confirm whether this can be explained simply by the fact that credit SaaS is not incorporated or by the fact that the development portion will decrease.

In addition, looking at the plan for H1 and H2, it appears that there will be considerable improvement in H2 in the plan. I would like to know if this is due to the consolidation effect and a seasonal factor of Nihon ICS, or if there are other factors. This is the first question.

**Kawamura [A]:** Yes. First, in terms of the overall Offering Services, this is the same as the other segments, but as we need to absorb the labor cost of upfront investment, the profit growth will be slow compared to the sales, for organic part, as you pointed out.

As was the case in the previous fiscal year, sales of overseas subsidiaries increased, but their contribution to profits was somewhat small, so it appears that profit growth relative to sales has been sluggish. We would like to improve profitability on an actual basis and increase profits for organic part as well.

As for the plan for H1 and H2, the consolidation of Nihon ICS will start in Q2, so it is not the large increase factor for H1. If we break it down, H1 was just over JPY300 million, and H2 was about JPY700 million, so I think we need to make up the difference in the organic sector. Deficit improvement will be slight this time. We intend to firmly build up the profit improvement from H1. That is all.

**Tanabe [Q]:** Thank you very much. Basically, I understood that you expect profit to grow both in H1 and H2 due to the effect of consolidation, and existing part to be almost flat. Thank you.

On the second point, I would also like you to tell me briefly what the JPY2.8 billion in gain on sales of subsidiary stock and the JPY1.1 billion in loss on valuation of investments in extraordinary gains and losses are, respectively. Regarding the loss on valuation of investments, please let me know if there is anything that would cause a loss or gain in the future.

**Kawamura [A]:** Yes. The gain on the sale of the subsidiary, which I mentioned as a subsequent event in Q3, includes the sale of the MFEC subsidiary, resulting in a gain of over JPY2 billion. Since this is a one-time factor, you can interpret that this is a move to further accelerate the transformation of our overseas subsidiaries. As for the JPY1.1 billion in losses on the revaluation of investments, this is the accumulations of several cases.

They are mostly related to overseas, and rather than a decline in performance, it is due to the restriction caused by COVID-19 pandemic. Since the prospect of the plan becomes uncertain, evaluation loss was recorded for now. Since the restrictions are lifted now, we would like to proceed with the plan by ensuring the recovery.

As part of our aggressive investment in growth, we also invest in overseas companies, so we do have such cases time to time. We will make every effort to ensure that they are linked to earnings. That is all.

**Tanabe [M]:** Thank you very much for the detailed answer. That is all.

**Moderator [M]:** Thank you. As the scheduled time is approaching, next question will be the last one. Ms. Sato from Jefferies Japan, please ask your questions.

**Sato [Q]:** Thank you. This is Sato from Jefferies. I have two short questions.

Page 18 of orders received and backlog for Q4. Orders and backlog in the financial sector are very strong, but I heard that the mainstay credit card project peaked out in the last quarter. What are the orders and backlog in the financial sector in Q4, or what projects are included that are expected to be the drivers for the financial IT segment's performance this fiscal year? The first question.

**Kawamura [A]:** Yes. Financial IT segment was deteriorated in Q3, which caused you some concern. In Q4, however, public-sector financial institutions were very willing to invest, and a large volume of orders received was the driving force behind the positive growth in Q4. Naturally, we expect this to make a solid contribution to development sales in H1 of FY2023.

In addition, we received orders for several large credit card projects in Q4, so the results did not change significantly from the previous year. I believe that the additional projects I mentioned earlier have had a positive effect in in the financial IT segment. As we have a solid order backlog for H1, I think it is essential for us to prepare to counter the lower performance in H2. That is all.

**Sato [Q]:** So there is public finance included in this. Is it correct?

**Kawamura [A]:** Well, this accounted for a large portion in Q4.

**Sato [Q]:** Thank you. My last question. Hearing the question-and-answer and comment by the president, is it safe to say that the guidance for this fiscal year is conservative in a nut shell?

**Okamoto [A]:** We are investing in human resources, so rather than being conservative, I think we need to take on the challenge. It is true that we are looking at sales a little conservatively. I am aware that this is a number that must be challenged firmly.

**Sato [Q]:** I think everyone would be more motivated if they were paid more, but I wonder if that is not reflected in the profits. I'm hoping for it.

**Okamoto [A]:** I also think that if the salary goes up, everyone will be motivated and work harder. However, it is a question whether it will be reflected in profit immediately. I think some time will be needed.

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

**Moderator [M]:** Thank you. That concludes the question-and-answer session. In closing, President Okamoto would like to offer a few words.

**Okamoto [M]:** Thank you very much for joining us today at the financial results briefing for the fiscal year ending March 2022 of TIS Inc. If you have any questions or comments, please continue to contact our IR staff during individual interviews or by phone as in the past.

I ask for your continued support. Thank you.

**Moderator [M]:** This concludes today's briefing.

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

[END]

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