TIS Inc.

Q1 Financial Results Briefing for the Fiscal Year Ending March 31, 2024

August 2, 2023

Event Summary

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[Participants]		
[Number of Speakers]	2	
	Masakazu Kawamura	Executive Officer, Division Manager of Corporate Planning SBU
	Takahiro Kimura	Department Manager of Corporate Management Department
[Analyst Names]*	Chikai Tanaka	Goldman Sachs
	Hideaki Tanaka	Mitsubishi UFJ Morgan Stanley Securities
	Makoto Ueno	Daiwa Securities
	Hiroto Segawa	Morgan Stanley MUFG Securities
	Mitsunobu Tsuruo	Citigroup Global Markets

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

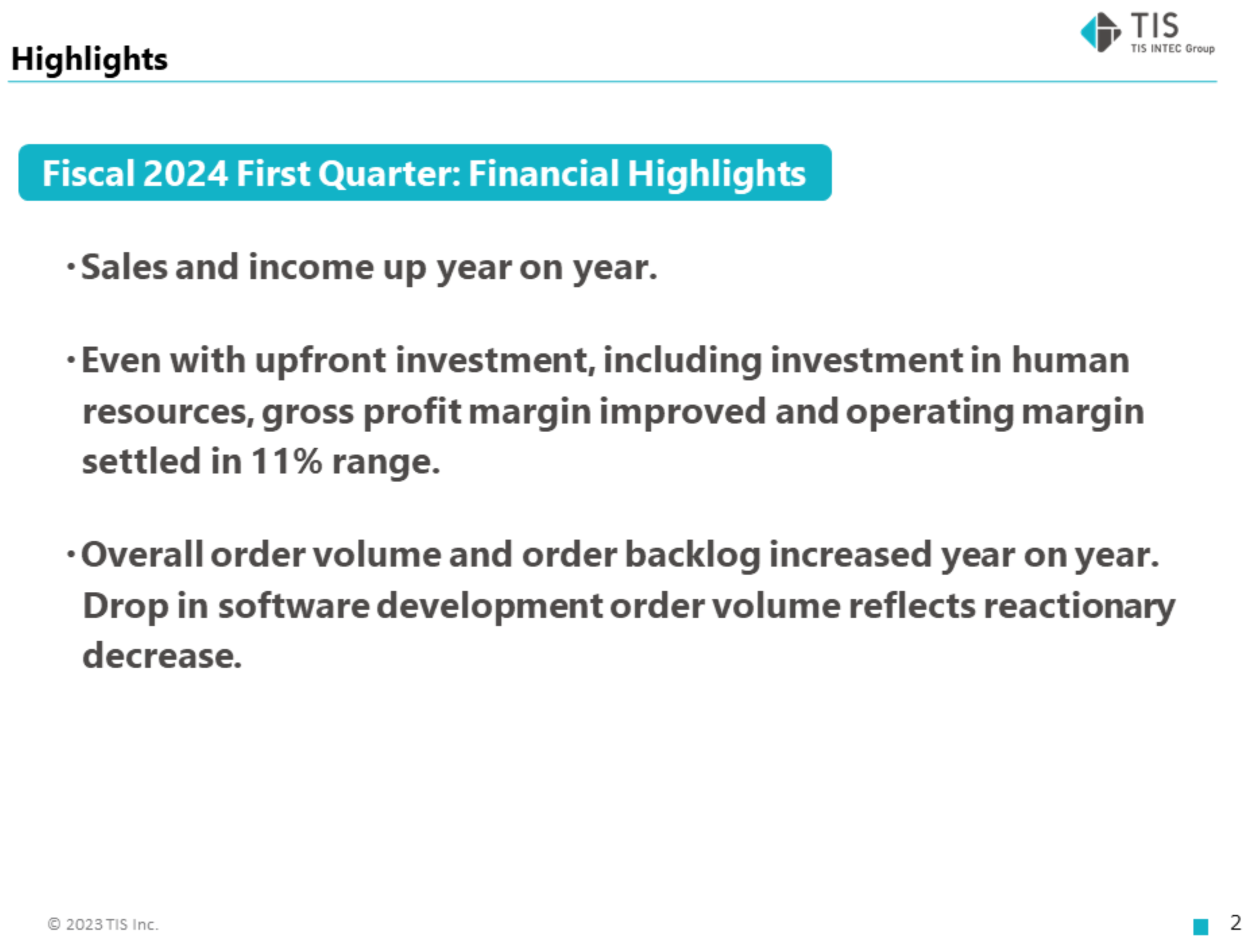
Presentation

Moderator: Thank you very much for your patience. We will now hold the financial results briefing for Q1 of the fiscal year ending March 2024 for TIS Inc.

Mr. Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU, is attending today's conference call. Mr. Takahiro Kimura, Department Manager of Corporate Management Department is also attending.

Kawamura will first give a 10-minute presentation, followed by a Q&A session. Kimura will join the Q&A session, and the two of them will be available to answer questions. The entire meeting will last a maximum of 30 minutes. The explanatory materials are available on the website of TIS for your reference.

We will now start the presentation.



Kawamura: This is Kawamura from TIS. Thank you. I will now explain the details of the Group's financial results for Q1, which were announced at 3:00 PM today.

Please see page two.

The highlights of this Q1 financial results are the increase in sales and profit YoY. The gross profit margin has improved, and the operating profit margin is now in the 11% range, despite upfront investments, including investments in human resources. Despite a reactionary decline in development orders, overall orders received increased YoY.

Based on the above three points, we can say that the fiscal year ending March 2024 is off to a good start.

Fiscal 2024 First Quarter: Performance Highlights (YOY change)

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- Higher sales and higher income, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Operating margin moved into 11% range for first time in a first quarter. Will maintain solid profit growth ratio.

[Millions of yen]	First Quarter of Fiscal 2023	First Quarter of Fiscal 2024	YOY change	
Net Sales	118,072	**129,429**	+11,357	[+9.6%]
Operating Income	12,502	**14,310**	+1,808	[+14.5%]
Operating Margin	10.6%	**11.1%**	+0.5P	-
Net Income Attributable to Owners of the Parent Company	8,763	**10,147**	+1,384	[+15.8%]
Net Income to Net Sales Ratio	7.4%	**7.8%**	+0.4P	-

-Non-operating income: ¥1,165 million (YOY change -¥248 million)

-Non-operating expenses: ¥147 million (YOY change +¥22 million)

-Extraordinary income: ¥773 million (YOY change +¥724 million)

-Extraordinary loss: ¥ 223 million (YOY change -¥120 million)

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Now, please see page five, summary of results for Q1 of the fiscal year ending March 2024.

The business environment remained favorable, resulting in a strong performance. Net sales increased JPY11.3 billion YoY to JPY129.4 billion. We believe that we were successful in accurately responding to IT investment needs, such as customers' demand for digital transformation.

Operating profit increased JPY1.8 billion YoY to JPY14.3 billion, and the operating profit margin rose from 10.6% to 11.1%. Net profit attributable to owners of the parent increased by JPY1.3 billion YoY to JPY10.1 billion, backed by an increase in operating profit.

Fiscal 2024 First Quarter:
Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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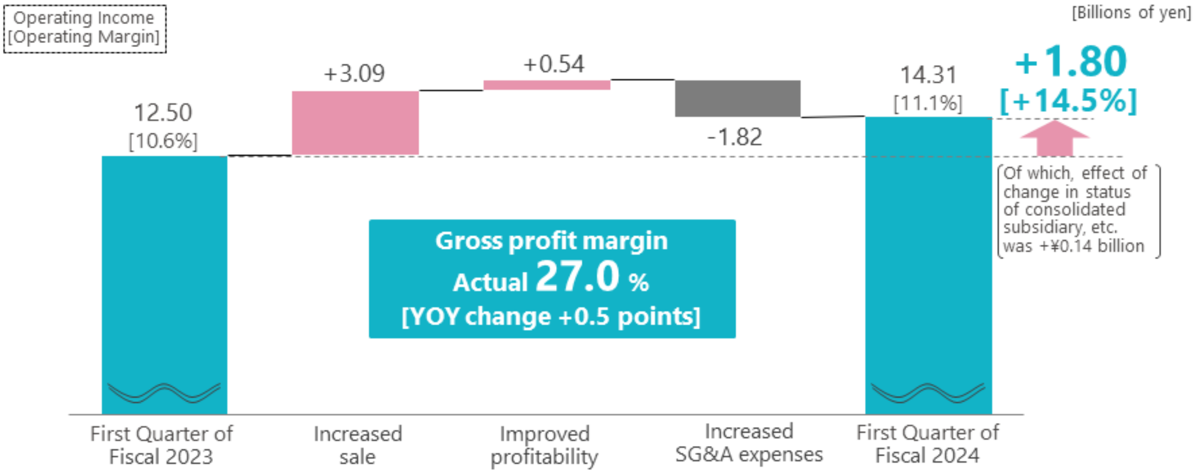
・Even with robust upfront investment, achieved increase in operating income.
Gross profit margin rose to 27.0%.



Prior investment costs for promoting structural transformation: Up ¥0.48 billion (YOY change)
(Cost of sales: +¥0.39 billion, SG&A expenses: +¥0.09 billion)
Software investment / human resources investment / R&D investment
+
Human resources investment costs (additional): Up ¥1.36 billion (YOY change)
(Cost of sales: +¥0.92 billion, SG&A expenses: +¥0.43 billion)

Changes in SG&A expenses

Effect of change in status of consolidated subsidiary, etc.	-0.16
Prior investment (excludes cost of investment in human resources)	+0.09
Prior investment (cost of investment in human resources)	+0.43
Others	+1.46
Total	+1.82

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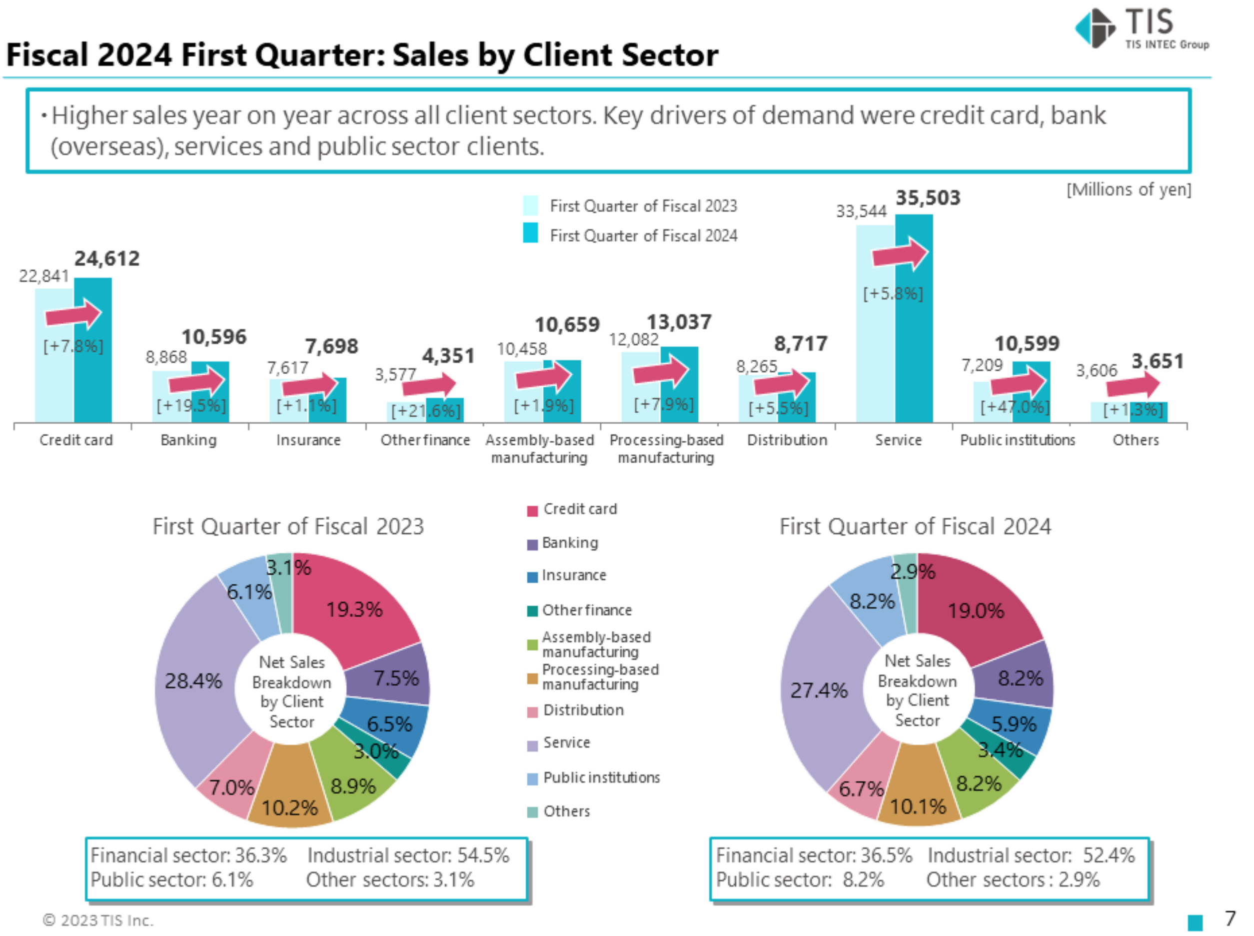
Page six shows changes in operating profit by factor.

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 JPY1.8 billion from the previous year. The gross profit margin rose 0.5 percentage points YoY to 27%, thanks to the effect of increased revenues, including large projects, and the promotion of productivity and quality improvement measures, while making aggressive upfront investments.

The high profitability of the business has led to an increase in the operating margin. In addition, profitable projects in Q1 were approximately JPY300 million.



Please see page seven, sales by client industry.

Overall, all industries performed well, with all sectors reporting an increase in revenues. Large projects at core customers contributed significantly to the strong performance of the credit card and public sectors. The service is due to the buildup of sales to a wide range of customers. The increase in the number of banks was mainly due to the growth in the performance of MFEC, our overseas subsidiary.

Fiscal 2024 First Quarter:
Sales and Income by Key Business Segment (YOY change)

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[Millions of yen]		First Quarter of Fiscal 2023	First Quarter of Fiscal 2024	YOY change	
Offering Service Business	Net Sales	26,192	**28,018**	+1,826	[+7.0%]
	Operating Income	1,467	**1,157**	-310	[-21.2%]
	Operating Margin	5.6%	**4.1%**	-1.5P	-
Business Process Management	Net Sales	10,581	**10,300**	-280	[-2.7%]
	Operating Income	1,087	**727**	-359	[-33.1%]
	Operating Margin	10.3%	**7.1%**	-3.2P	-
Financial IT Business	Net Sales	22,960	**26,737**	+3,777	[+16.5%]
	Operating Income	2,795	**4,081**	+1,285	[+46.0%]
	Operating Margin	12.2%	**15.3%**	+3.1P	-
Industrial IT Business	Net Sales	26,701	**28,670**	+1,969	[+7.4%]
	Operating Income	3,544	**4,393**	+848	[+23.9%]
	Operating Margin	13.3%	**15.3%**	+2.0P	-
Regional IT Solutions	Net Sales	36,397	**41,784**	+5,386	[+14.8%]
	Operating Income	3,404	**4,061**	+656	[+19.3%]
	Operating Margin	9.4%	**9.7%**	+0.3P	-

Offering Service Business:	Overseas business contributed to sales growth. Posted higher sales but lower income, reflecting expanding IT investment across a broad spectrum of sectors, including payment services, and increased upfront investment costs.
Business Process Management:	Existing data entry business struggled, impacting segment results, leading to lower sales and lower income.
Financial IT Business:	Higher sales and higher income, driven by large-scale projects ordered by core clients in credit card sector as well as public-sector financial institutions.
Industrial IT Business:	Sales and income were up, reflecting trend toward expanded IT investment, especially among existing clients in manufacturing sector, and buoyed by ERP demand.
Regional IT Solutions:	Progress in solution deployment complemented by successful capture of IT demand, particularly from healthcare and banking clients, leading to higher sales and higher income.

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Page eight shows the status by major segments.

In the offering services segment, the overseas business contributed to sales growth and sales increased due to the accumulation of a wide range of transactions, including settlement. However, profits decreased due to an increase in upfront investment costs to promote service-based businesses.

BPM sales and earnings declined due to the impact of a decline in existing data entry operations, along with the development of related peripheral operations.

In financial IT, both sales and profits increased, driven by large deals by core customers in credit card and public financial institutions. Both of these large projects peaked in H1 of the fiscal year, and both boosted earnings significantly.

Industrial IT reported an increase in both sales and profit due to the expansion of IT investments, mainly by manufacturing clients and ERP businesses.

Regional IT solutions continued the trend of the previous fiscal year, capturing a wide range of IT investment demand, as well as lateral deployment of solutions, resulting in higher sales and income.

Fiscal 2024 First Quarter: Order Status (Total)

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・Overall, year-on-year increase in order volume and backlog.
・Lower order volume for Financial IT Business reflects changes in demand for software development.

[Millions of yen]	First Quarter of Fiscal 2023	First Quarter of Fiscal 2024	YOY change	
Orders received during first quarter	88,249	**89,536**	+1,287	[+1.5%]
Offering Service Business	15,733	**16,531**	+798	[+5.1%]
Business Process Management	10,237	**10,236**	-1	[-0.0%]
Financial IT Business	14,415	**12,423**	-1,992	[-13.8%]
Industrial IT Business	19,827	**21,534**	+1,707	[+8.6%]
Regional IT Solutions	28,034	**28,809**	+775	[+2.8%]
Order backlog at end of first quarter	132,876	**141,830**	+8,954	[+6.7%]
Offering Service Business	23,786	**25,634**	+1,847	[+7.8%]
Business Process Management	8,744	**7,887**	-856	[-9.8%]
Financial IT Business	31,235	**34,855**	+3,620	[+11.6%]
Industrial IT Business	31,166	**31,059**	-107	[-0.3%]
Regional IT Solutions	37,943	**42,393**	+4,450	[+11.7%]

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Beginning on page 10 is an explanation of the status of orders. First, page 10 shows the overall order situation, including operations.

Orders received increased by 1.5% YoY to JPY89.5 billion. Financial IT decreased YoY due to the impact of lower software development orders, but overall, orders increased YoY. The backlog of orders also remained high at JPY141.8 billion, up 6.7% YoY.

Fiscal 2024 First Quarter: Order Status (Software Development)

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- Drop in order volume due to reactionary decrease in demand for large-scale projects in Financial IT Business as well as reduced Business Process Management demand.
- Order backlog reflects impact of reactionary decrease in demand for large projects in Industrial IT Business.

[Millions of yen]	First Quarter of Fiscal 2023	First Quarter of Fiscal 2024	YOY change	
Orders received during first quarter	61,232	**59,070**	-2,161	[-3.5%]
Offering Service Business	9,561	**10,630**	+1,069	[+11.2%]
Business Process Management	4,530	**3,524**	-1,005	[-22.2%]
Financial IT Business	11,872	**9,018**	-2,853	[-24.0%]
Industrial IT Business	16,839	**17,430**	+590	[+3.5%]
Regional IT Solutions	18,427	**18,465**	+37	[+0.2%]
Order backlog at end of first quarter	92,331	**94,606**	+2,275	[+2.5%]
Offering Service Business	14,684	**14,070**	-614	[-4.2%]
Business Process Management	8,744	**7,751**	-993	[-11.4%]
Financial IT Business	21,635	**25,507**	+3,872	[+17.9%]
Industrial IT Business	23,220	**21,178**	-2,041	[-8.8%]
Regional IT Solutions	24,046	**26,099**	+2,052	[+8.5%]

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Page 11 shows the status of software development orders.

Orders received were lower than in the same period of the previous fiscal year, mainly due to the impact of a reactionary decline in large orders from credit card-related core customers in the financial IT sector. BPM was also down from the same period of the previous year, but this was due to a decline in existing data entry operations, as well as the development of peripheral operations, which also struggled in relation to the sales situation.

Regarding order backlogs, there was a significant YoY decline in industrial IT, mainly due to the absence of large projects.

This is the explanation for Q1 of the current fiscal year.

Fiscal 2024: Performance Forecasts *No change

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- 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.

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I will now explain the outlook for the fiscal year ending March 31, 2024.

Page 13 shows the full year forecast for the fiscal year ending March 31, 2024. As I mentioned at the beginning of this report, Q1 results were a good start.

Although there are some differences among segments, overall progress against the full year plan is generally in line with our expectations, so we have not changed our forecast for the fiscal year ending March 31, 2024.

To achieve the overall plan, we will continue to promote the acquisition of projects and the accumulation of orders to ensure that we achieve the initial plan.

This is the end of my presentation.

Moderator: Thank you.

Question & Answer

Moderator [M]: We will now take your questions.

When it is your turn and the moderator calls your name, please mention your company name and your name, followed by your question. Please note that only two questions can be asked per person at a time.

Now, first, Mr. Tanaka, Goldman Sachs Securities, please ask your question.

Chikai Tanaka [Q]: My name is Tanaka from Goldman Sachs. Thank you very much. I have two questions.

First of all, can you please elaborate on the background of the decrease in profit for the offering services? I think it is due to the effect of the sale, et cetera, but while the full year profit is expected to increase, Q1 profit is expected to decrease. That background and continuity is my first question.

Kawamura [A]: In offering services, sales are increasing, but profits are decreasing. This was mainly due to an increase of JPY400 million in amortization of software, especially service-type software, as well as an increase in SG&A expenses due to more active sales activities. The decrease in income was due to a large increase in investment in human resources, which is not limited to this segment, but also to the entire business in general.

As for the future, of course, we need to make sure that we pay back, but the upfront investment, especially in Q1 and Q2, software write-offs have increased compared to last year, so that is the situation, although we would like to pay back in terms of profits. That's all from me.

Chikai Tanaka [Q]: As for the progress itself, I think the overall performance is quite strong, but is this the expected performance in this segment? I think we probably won't be able to cover this without further sales growth though, since many of the things you just mentioned are likely to continue after Q2. What is your view on the timing of the movement versus plan and the increase in profit?

Kawamura [A]: I have the impression that we are slightly behind in terms of the plan, but this is due to the fact that we will be making firm progress in turning things around in H2 of the fiscal year. That's all from me.

Chikai Tanaka [Q]: Okay, thank you very much.

My second question is about the decline in financial IT orders. I think you mentioned that last year's growth was driven by large card projects, but could you tell us first how much of the decline was due to the reactionary effect, and excluding this, what was the order environment like for the financial sector?

Kawamura [A]: The reactionary decline is in the range of about JPY3 billion to JPY3.5 billion. Excluding this, there was a slight increase, but in general, we were not able to beat back the result.

Chikai Tanaka [Q]: Since it is only slightly positive, is it a gradual recovery rather than a huge financial boom elsewhere?

Kawamura [A]: Yes. We are not focusing on any particular customer, but we have been accumulating mainly from our core customers. We are currently making a little bit of a comeback in general, and we would like to further increase the number of customers in the future.

Chikai Tanaka [Q]: As for this project, which has seen an increase in orders last year and is still seeing an increase in sales recently, I think you mentioned it, at the time of your presentation about the full year, that it will peak in H1 and the development scale will peak a bit after H2. Is there any particular change regarding the direction of these areas?

Kawamura [A]: Yes. Our major projects are progressing as planned, so there is no change in our direction, as I explained at the beginning of the fiscal year.

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

Moderator [M]: Thank you. Please wait a moment as we move on to the next question. Next, Mr. Tanaka from Mitsubishi UFJ Morgan Stanley Securities, please ask your questions.

Hideaki Tanaka [Q]: Thank you very much. My name is Tanaka. I also have two questions.

First, to add to what you just said about orders, I was wondering if the negative impact of orders on YoY basis in Q2, Q3, and Q4 for this card project will still be felt to a certain extent.

The other companies, while orders have been strong in general so far, are not so strong in the industrial sector, for example, because there is a problem with their core customers. I guess that regional IT should have a little more energy for receiving orders and that small- and mid-sized companies in rural areas are getting more enthusiastic, and I feel somewhat unsatisfied. Please give me a detailed follow-up on this financial, industrial IT, and future outlook.

Kawamura [A]: All right. First of all, regarding the large projects in financial IT, the decline in Q1 was particularly large. We expect that Q2 will be negative in terms of YoY basis, since we received orders last year, but it will be much lower than Q1, and we estimate that the YoY negative figure will be about JPY1 billion.

As for the second point, regarding orders received in general, as you mentioned, we are in a situation in which we are trying to recover from the drop-off of large projects in the industrial IT sector in general.

As for regional IT, the backlog of orders was also at a very high level at the end of last year, so we hope that you can understand that it continues to be at a good level in Q1 of this fiscal year. We would like to build on this, but at the present time, we assess that we are maintaining a very high level of performance. That's all from me.

Hideaki Tanaka [Q]: Thank you very much. As for credit cards, I understand that there is likely to be a negative impact of about JPY1 billion in YoY on the card business alone for Q2 and that the balance of regional IT is solid but orders as a flow have not increased YoY. Is this just to maintain the level, or if you look at the pipeline now or if you look at the inquiries, is it positive, or is it going to be more energetic in the future? I appreciate your comment about it.

Kawamura [A]: Financial IT is as you said, and the numbers are in perspective now, so I hope I can give you more details in Q2.

As for regional IT, development is flat, with a slight increase in operations and sales. There are some areas where orders have gone up since last year and are coming in with a little bit of turnover, so we have municipalities, public- and hospital-related sectors, and then there is the manufacturing sector. We have a wide range of customers, but we are currently maintaining positive growth by sorting out the bumps in the road while firmly capturing the waves of demand.

We will continue to build up the pipeline in this area, and although it is not a large and sudden increase, we hope to build it up. We do not think the overall situation is bad.

Hideaki Tanaka [Q]: Thank you very much.

The second question is also somewhat similar, but you mentioned on page eight the increase in the upfront cost of offering services. This is a direct effect of the prior investment, about equal to the increase in service-type amortization, so is there anything else that you are spending more money on or anything like that?

Kawamura [A]: First, the big part is that depreciation has increased. In addition, there is a slight increase in upfront investments, as well as PMI costs for acquired companies. I hope you will understand that these things have accumulated a little less than JPY100 million and come up in this way.

Hideaki Tanaka [Q]: Excluding PMI or an increase of JPY400 million in write-offs is one thing, but considering that, from a business perspective, things are actually moving in a positive direction. Is that correct?

Kawamura [A]: Yes. Since business activities in general have remained positive, we would like to somehow expand the business activities part of our business activities.

Hideaki 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. Ueno, Daiwa Securities, please ask your questions.

Ueno [Q]: Thank you. I know it's a simple matter, but on page six, you have human resource investment in SG&A expenses, which was JPY1.8 billion in the initial plan, but you immediately used only JPY400 million, 4x4=16, so they are close, but is it safe to say that the annual human resource investment on this page is almost complete?

Kawamura [A]: Basically, we believe that the project will continue along these lines as planned.

Ueno [Q]: In the initial announcement, you said that the burden would increase by JPY3 billion for the full year, so this is 18 in SG&A expenses, so in terms of the fiscal year, the rest will come from labor costs.

Kawamura [A]: Yes. Basically, the concept is as explained at the beginning of the period.

Ueno [Q]: You have been asked several questions after Q2. First, regarding sales, there is a rebound in the chemical industry in the manufacturing sector and a peak out in the government sector in the financial sector. Looking at the low level of orders, I am not sure if it can be covered. Is this at the level or a little behind the Company's plans for these two, large declines in manufacturing and finance, so far as originally planned, or can you fill it with a large number of other projects? Please share with me your perspectives.

Kawamura [A]: Regarding orders, although the flow of orders is weaker than last year, the order backlog has been building up, and we believe that we have enough orders in H1 of the fiscal year to meet our initial plan.

Ueno [Q]: The ample order backlog has managed to unload its savings for now, and H1 will be fine?

Kawamura [A]: Yes. For H1, we will proceed to achieve the plan firmly.

Ueno [Q]: We are now well into August. How is H2 going for you, including inquiries and pipelines?

Kawamura [A]: The trend has not changed that much, and IT demand is very strong, so we are working hard to accumulate orders. We are now working as a group to increase orders.

Ueno [Q]: I understand. Lastly, I understand that your company announced an increase in labor costs quite early on and that customers have been willing to accept a higher unit price since then, given the current climate. Your company had originally planned for a decline in profit margins, both for H1 and the full year. In Q1, the figures are quite good, so I wonder how the price pass-through of this part, such as the increase in labor costs, compares with the expectations. Will the profitability upswing in Q1 continue? Please tell us about this.

Kawamura [A]: As I have explained since the beginning of the fiscal year, we have been steadily investing in improving the value we provide to customers rather than doing so simply because we achieved higher QoQ this time. The business environment is also very favorable, and we believe that we have continued to produce solid results.

However, the steady progress of large-scale projects is also contributing to the increase in profit, and we need to make further progress so that we can absorb the increase in profit from Q2 onward. We recognize that we still need to further promote value to our customers. That's all from me.

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

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

Next, Mr. Segawa, Morgan Stanley MUFG Securities, please ask your questions.

Segawa [Q]: I'm Segawa from Morgan Stanley MUFG Securities. Thank you. I have a question that overlaps with the previous ones, but let me ask it in the area of orders and profit margins.

Regarding overall orders, you mentioned that the reactionary decline in the financial sector is likely to continue in Q2, but is it safe to say that overall orders are likely to turn strongly positive from Q3? In Q3, to some extent, I think things have settled down compared to last year's Q3, so can you tell us when we are likely to see a strong positive turnaround?

Kawamura [A]: Thank you. As for Q2, I believe I told you last year that in addition to large credit card-related projects, we received large orders from government financial institutions in Q2 of last year.

I explained that orders for this project amounted to about JPY6.5 billion at the time. It will be difficult to beat this trend, so we are determined to turn orders into a positive trend from Q3 onward.

Segawa [Q]: Thank you very much. The second point is that the profit margins of the financial and industrial sectors in Q1 improved significantly from the previous year, and I think the credit card projects contributed to the financial sector. I would appreciate it if you could explain the background to the good operating profit margin for both the financial and industrial sectors. That's all from me.

Kawamura [A]: First of all, as I have already mentioned, in the area of financial IT, we have been able to make very solid progress in large-scale projects and in the businesses of our core customers, and we intend to continue to do so.

In industrial IT, we have several major projects that are progressing well, and we believe that this is contributing to the improvement in the operating margin.

We are also providing projects for various customers, including customers in the ERP and manufacturing industries, and we intend to improve our profit margin by continuing to make solid progress in this area in Q2 and beyond. That's all from me.

Segawa [Q]: Thank you very much. In the follow-up, in the financial IT area, I think it is the impact of the large scale, and I wonder if the profit margin will go down a little once that subsides. In the industrial area, the pull is strong overall, and is there likely to be continuity in Q2 and beyond? Could you please comment on that at the end?

Kawamura [A]: I think Q1 was very strong. Although it remains to be seen whether the profit ratio will continue to increase at this rate, we are determined to improve the profit ratio, and we will continue to work to achieve this plan in H2 of the fiscal year and beyond. That's all from me.

Segawa [M]: Thank you very much.

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

Next, Mr. Tsuruo, Citigroup Global Markets, please ask your questions.

Tsuruo [Q]: Thank you very much. Please forgive me if this results in a question very similar to the previous one. My first question.

We expect the profit margin for H1 to be on par with the previous year at the operating margin level, but Q1 was very good and the profit margin improved. In your explanation, you said that progress in Q1 was generally in line with expectations, but in fact, the performance was good, mainly in terms of profit margins and other factors. Is it correct to assume that the situation will be maintained in Q2 as well?

Kawamura [A]: First of all, we saw some upside in Q1, but I think it was the stronger one. As I have explained in particular, the financial and industrial projects were well advanced.

We are confident that there will be no problems in Q2 as well, and we intend to continue with these efforts so that we can firmly achieve the plan for H1 of the fiscal year.

Tsuruo [Q]: Yes, I understand, thank you. The second point is a somewhat smaller question. You say the overall business situation is not good with BPM, but what kind of action are you taking on that? What are your thoughts on where you expect this trend of lower profits to stop?

Kawamura [A]: All right. In terms of BPM, we have been struggling with BPO since H2 of last year, as some of our existing clients have been decreasing their workloads.

Although we have taken countermeasures, the volume of business has not recovered in Q1, so we are aware that it is quite difficult to achieve the plan for H1 of this fiscal year.

We have begun to receive orders for some projects, although they are still small, by providing BPO services that are compatible with digitalization. The point is that it is important to expand such areas with a sense of speed.

In the short term, we will also conduct a thorough review of the cost side of the business, not only BPO, but also the overall business process, including IT support, in order to make improvements and turnaround. We still have some time left, and we are determined to move forward to achieve our full year plan.

Tsuruo [M]: It's clear. Thank you very much. That's all from me.

Moderator [M]: Thank you. Now, since it is almost time to end, I will conclude the question-and-answer session.

In closing, Mr. Kawamura will offer a few words.

Kawamura [M]: Thank you very much for participating in this conference call today to discuss TIS Inc.'s financial results for Q1 of the fiscal year ending March 2024.

If you have any questions, please contact our IR staff during an individual interview or by phone, and we will be happy to answer them. Thank you for your continued support.

Moderator [M]: That concludes the conference call. Thank you all for your participation.

[END]

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Document Notes

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