TIS Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 31, 2024

November 1, 2023

Event Summary

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[Participants]	
[Number of Speakers]	2

Yasushi Okamoto	President and Representative Director
Masakazu Kawamura	Executive Officer, Division Manager of Corporate Planning SBU

[Analyst Names]*

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

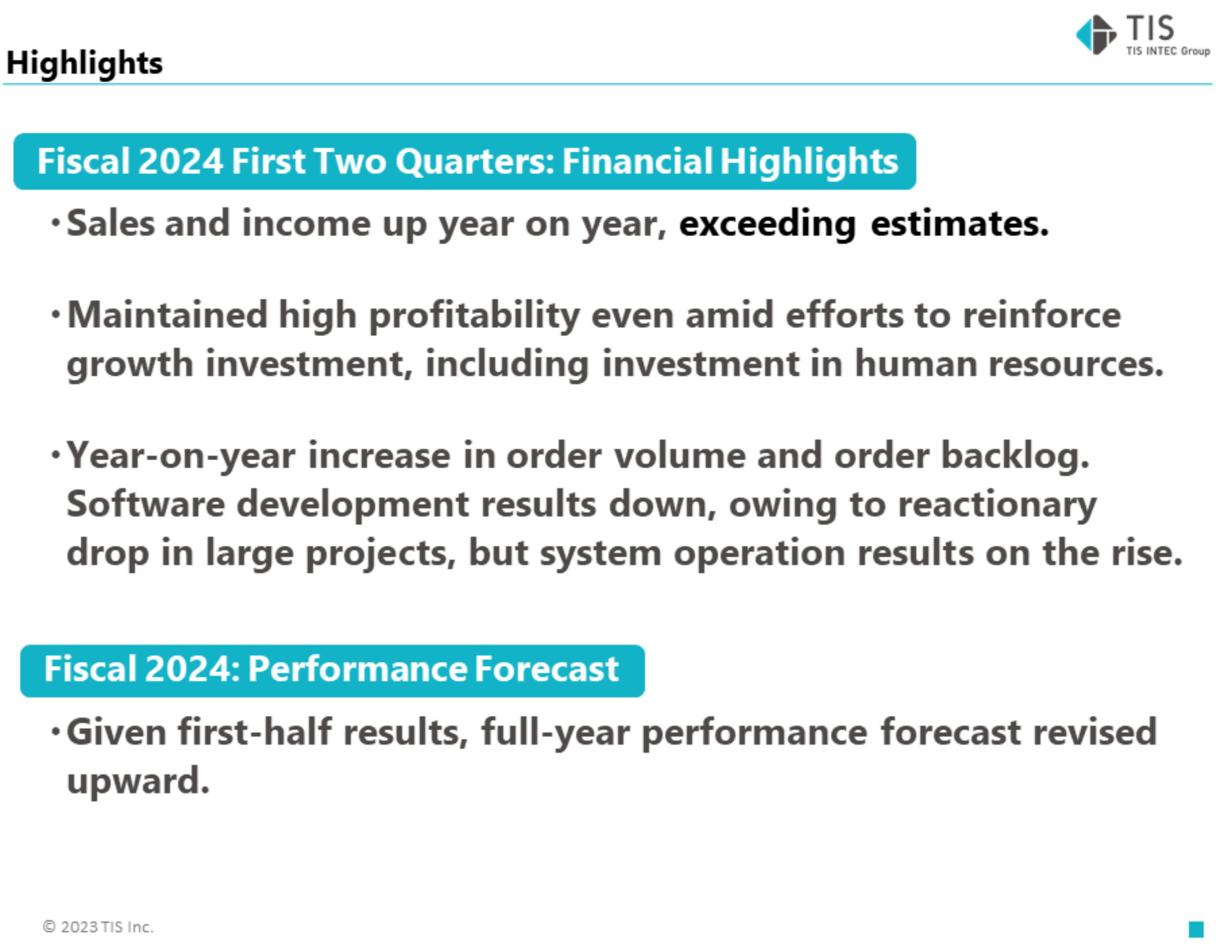
Presentation

Moderator: Thank you very much for taking time out of your busy schedules today to participate in the quarterly financial results briefing session for Q2 of the fiscal year ending March 2024 of TIS Inc.

TIS Inc. will now hold a financial result briefing for Q2 of the fiscal year ending March 31, 2024. First, let me introduce today's 2 presenters. The first one is Yasushi Okamoto, President, and Representative Director, on your left as you face us. Next, I am Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU.

We will then give a brief overview of today's proceedings. First, Kawamura and Okamoto from our company will give an explanation in that order, followed by a Q&A session with everyone. This briefing is scheduled to last 1 hour, including Q&A. 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.

Now, Mr. Kawamura will explain the overview of business results for Q2 of the fiscal year ending March 31, 2024, the outlook for the fiscal year ending March 31, 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 Q2 of the fiscal year ending March 31, 2024, which were announced at 3:00 PM today.

To begin, please see page 2. Here are the highlights of the current financial results.

First, H1 results for the fiscal year ending March 31, 2024, exceeded H1 plan with year-on-year increases in both sales and income. Profitability remained at a high level even as we stepped up investments in human resources and other growth investments.

Overall orders received and order backlogs increased from the same period of the previous year. Development orders were affected by a reactionary decline in large projects, but operational orders were solidly accumulated. Based on the above three points, we believe that we have made a good turnaround toward achieving our full-year plan for the fiscal year ending March 31, 2024.

Next, regarding the outlook for the fiscal year ending March 31, 2024, we have revised our earnings forecast upward, albeit slightly, based on H1 results.

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Fiscal 2024 First Two Quarters: Performance Highlights (YOY change)

- Higher sales and higher income, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Maintained high profitability even amid efforts to reinforce growth investment, including investment in human resources.

[Millions of yen]	First two quarters of fiscal 2023	First two quarters of fiscal 2024	YOY change	
Net Sales	245,305	**267,488**	+22,183	[+9.0%]
Operating Income	27,709	**30,387**	+2,677	[+9.7%]
Operating Margin	11.3%	**11.4%**	+0.1P	-
Net Income Attributable to Owners of the Parent Company	18,834	**20,307**	+1,472	[+7.8%]
Net Income to Net Sales Ratio	7.7%	**7.6%**	-0.1P	-

- Non-operating income: ¥1,766 million (YOY change +¥11 million)
  →Dividend income ¥532 million
  Gain on foreign exchange ¥510 million, etc.
- Non-operating expenses: ¥318 million (YOY change +¥79 million)
- Extraordinary income: ¥1,134 million (YOY change +¥755 million)
  →Gain on reversal of asset retirement obligations ¥551 million, etc.
- Extraordinary loss: ¥1,563 million (YOY change +¥496 million)
  →Loss on valuation of investment securities ¥1,093 million, etc.

* Inclusion of Nihon ICS in scope of consolidation affects consolidated results from second quarter onward. Impact of ¥2 billion on net sales, and ¥200 million on operating income (after amortization of goodwill).

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Now, please see page 5. This is a summary of results for H1 of the fiscal year ending March 31, 2024.

We were able to achieve a solid increase in sales and profit amidst a continuing favorable business environment. Net sales increased JPY22.1 billion YoY, operating income increased JPY2.6 billion year-on-year to JPY30.3 billion, with an operating margin of 11.4%. Net income attributable to shareholders of the parent company increased by JPY1.4 billion year-on-year to JPY20.3 billion due to increased operating income.

Fiscal 2024 First Two Quarters: Performance Highlights (Compared with estimate)

・Achieved estimate against backdrop of high IT investment activity among broad client base.

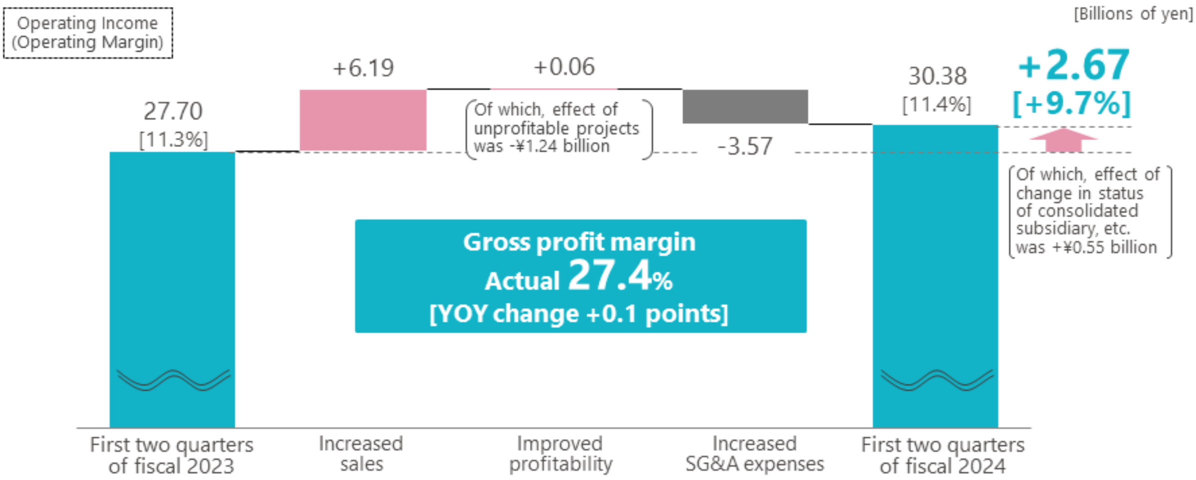
[Millions of yen]	First two quarters of fiscal 2024 estimate	First two quarters of fiscal 2024 actual	Compared with estimate	
Net Sales	261,000	**267,488**	+6,488	[+2.5%]
Operating Income	29,500	**30,387**	+887	[+3.0%]
Operating Margin	11.3%	**11.4%**	+0.1P	-
Net Income Attributable to Owners of the Parent Company	19,500	**20,307**	+807	[+4.1%]
Net Income to Net Sales Ratio	7.5%	**7.6%**	+0.1P	-

The next page, page 6, shows the ratio of first half results to the plan.

We believe that we were able to exceed our plan because we were able to firmly capture IT investment demand from a wide range of customers.

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

- Posted higher operating income even while reinforcing upfront investment and dealing with increase in unprofitable projects.



Prior investment costs for promoting structural transformation: Up ¥0.94 billion (YOY change)
(Cost of sales: +¥0.89 billion, SG&A expenses: +¥0.04 billion)
Software investment / Investment in human resources / Investment in R&D
+
Cost of investment in human resources (additional): Up ¥2.40 billion (YOY change)
(Cost of sales : +¥1.67 billion, SG&A expenses : +¥0.73 billion)

Changes in SG&A Expenses	
Effect of change in status of consolidated subsidiary, etc.	+0.76
Prior investment (excludes investment in human resources)	+0.04
Prior investment (Investment in human resources)	+0.73
Others	+2.03
Total	+3.57

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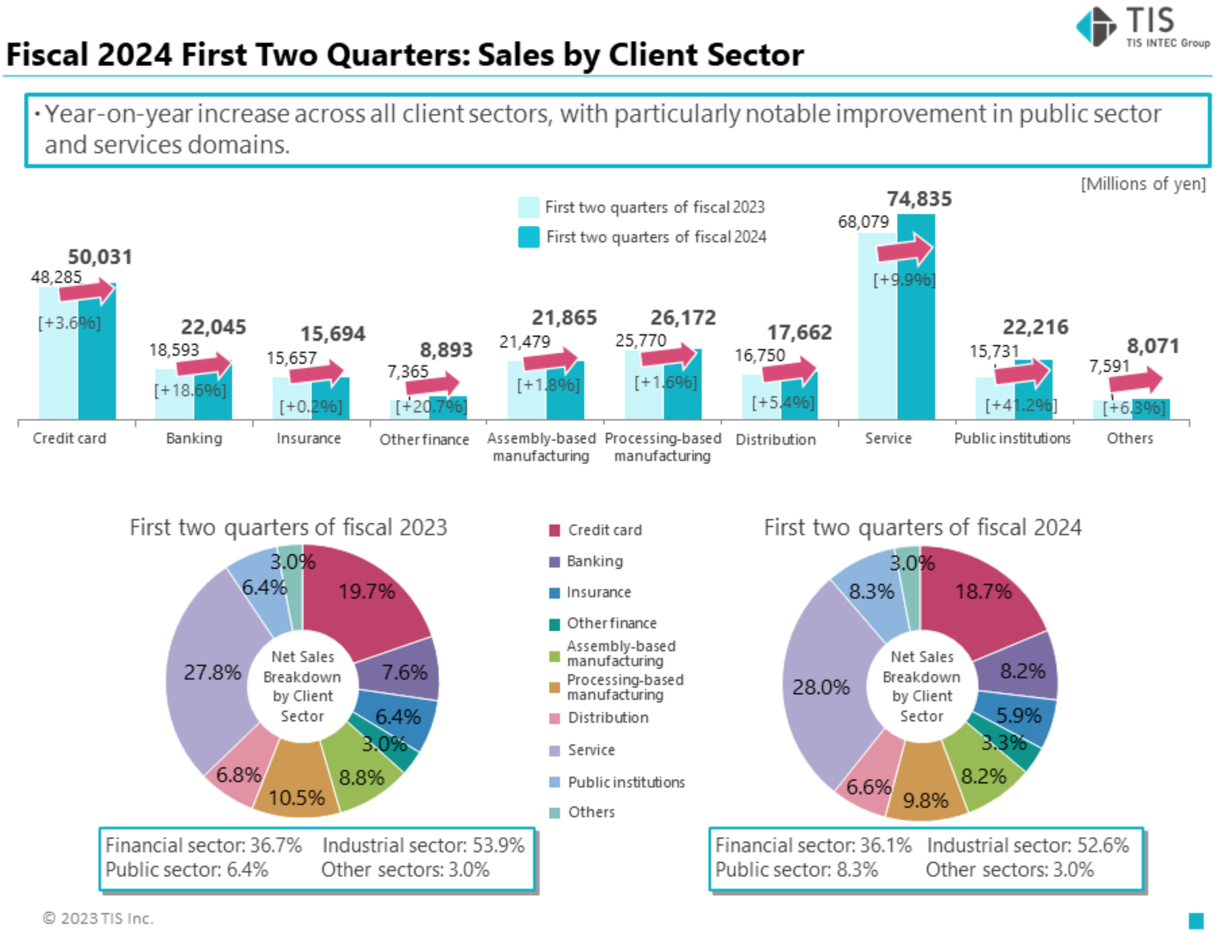
Page 7 shows changes in operating income by factor.

The increase in profits, mainly due to the effect of higher revenues, offset increased investments in human resources and other growth investments, resulting in a JPY2.67 billion increase in operating income over the same period of the previous year.

Although we were able to make steady progress in improving profitability through the provision of high value-added business and the promotion of productivity improvement measures, both the gross profit margin and operating income margin rose only 0.1 percentage points year-on-year due to the impact of unprofitable projects.

Unprofitable projects in H1 amounted to JPY1.38 billion, which unfortunately exceeded the full-year projection of JPY1 billion. Once again, we will strongly promote quality improvement measures and strive to curb unprofitable projects.



See page 8. Sales by client industry.

The increase in all industries, particularly public and services, indicates that overall business was strong. In the public sector, large projects for public-sector financial institutions made a significant contribution, and in the services sector, Nihon ICS, which develops business for tax accountant firms, also contributed to the results.

As before, the increase in the number of banks was due to the contribution of the local business of MFEC, a subsidiary in Thailand.

Fiscal 2024 First Two Quarters: Sales and Income for Key Business Segments (YOY change)

[Millions of yen]		First two quarters of fiscal 2023	First two quarters of fiscal 2024	YOY change	
Offering Service Business	Net Sales	53,887	**60,148**	+6,260	[+11.6%]
	Operating Income	2,494	**2,659**	+164	[+6.6%]
	Operating Margin	4.6%	**4.4%**	-0.2P	-
Business Process Management	Net Sales	21,490	**20,994**	-496	[-2.3%]
	Operating Income	2,405	**2,108**	-296	[-12.3%]
	Operating Margin	11.2%	**10.0%**	-1.2P	-
Financial IT Business	Net Sales	48,718	**54,106**	+5,388	[+11.1%]
	Operating Income	6,311	**7,886**	+1,575	[+25.0%]
	Operating Margin	13.0%	**14.6%**	+1.6P	-
Industrial IT Business	Net Sales	55,219	**58,326**	+3,106	[+5.6%]
	Operating Income	7,763	**8,470**	+707	[+9.1%]
	Operating Margin	14.1%	**14.5%**	+0.4P	-
Regional IT Solutions	Net Sales	76,304	**85,535**	+9,231	[+12.1%]
	Operating Income	8,352	**9,013**	+660	[+7.9%]
	Operating Margin	10.9%	**10.5%**	-0.4P	-

Offering Service Business:	Higher sales and higher income, largely due to wider IT investment in areas of payment settlement, platform and business management as well as positive impact of M&A activity. Overseas operations contributed to sales growth.
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:	Higher sales and higher income, fueled by wider IT investment across all client sectors as well as solid ERP demand.
Regional IT Solutions:	Wider IT investment by healthcare facilities, banks and network builders/operators. Despite impact from unprofitable projects, sales and income grew.

Page 9 shows the situation by major segment.

In Offering Services, both sales and income increased due to the firm capture of IT investment demand in the settlement, infrastructure, and business management fields in line with the progress of digitization, as well as the impact of changes in consolidated subsidiaries, including Japan ICS.

BPM was significantly impacted by the continued struggles of existing data entry operations, resulting in lower sales and profits.

In financial IT, revenues and profits increased due to a significant boost in revenues from the peak of large-scale projects for credit card-affiliated core customers and public-sector financial institutions in H1 of this fiscal year.

Industrial IT posted increases in both sales and profit, driven by the trend of expanding IT investments in a wide range of industries and the ERP business, despite a reactionary decline from large-scale projects.

Regional IT solutions continued the strong trend from the previous year. Despite the impact of unprofitable projects, the Company was able to capture a wide range of IT investment demand, resulting in an increase in both sales and profit.

Fiscal 2024 First Two Quarters: Sales and Income by Key Business Segment (Compared with estimate)

[Millions of yen]		First two quarters of fiscal 2024 estimate	First two quarters of fiscal 2024 actual	Compared with estimate	
Offering Service Business	Net Sales	58,400	**60,148**	+1,748	[+3.0%]
	Operating Income	2,800	**2,659**	-140	[-5.0%]
	Operating Margin	4.8%	**4.4%**	-0.4P	-
Business Process Management	Net Sales	21,800	**20,994**	-805	[-3.7%]
	Operating Income	2,400	**2,108**	-291	[-12.1%]
	Operating Margin	11.0%	**10.0%**	-1.0P	-
Financial IT Business	Net Sales	54,200	**54,106**	-93	[-0.2%]
	Operating Income	7,500	**7,886**	+386	[+5.2%]
	Operating Margin	13.8%	**14.6%**	+0.8P	-
Industrial IT Business	Net Sales	56,100	**58,326**	+2,226	[+4.0%]
	Operating Income	7,700	**8,470**	+770	[+10.0%]
	Operating Margin	13.7%	**14.5%**	+0.8P	-
Regional IT Solutions	Net Sales	81,600	**85,535**	+3,935	[+4.8%]
	Operating Income	9,000	**9,013**	+13	[+0.2%]
	Operating Margin	11.0%	**10.5%**	-0.5P	-

Offering Service Business:	Reached sales goal thanks to increase in sales to clients in areas of platform and business management systems, complemented by sales by overseas operations, but income fell short of estimate.
Business Process Management:	Steady demand from clients keen on digital shift, but existing data entry services in particular continued to struggle, and segment failed to reach estimate for sales and income.
Financial IT Business:	Sales followed predicted trajectory, and efficient progress on large projects underpinned profitability improvement, but segment did not achieve anticipated income.
Industrial IT Business:	IT investment across broad range of client sectors, including manufacturing, as well as ERP demand exceeded expectations, driving segment sales and income above estimate.
Regional IT Solutions:	Wider IT investment by healthcare facilities, banks and network builders/operators exceeded expectations. Sales hit estimate but income held to par owing to impact from unprofitable projects.

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The next page 11 shows the ratio of first-half results to the plan.

In Offering Services, while net sales exceeded the plan due to an increase in sales projects in overseas operations, operating income and operating income margin fell short of the plan.

BPM was significantly impacted by difficulties in some existing operations, and both sales and profits fell short of the plan.

Although unprofitable projects had an impact on Regional IT solutions, we believe that we were generally able to produce solid results in other segments.

Reference: Fiscal 2024 Second Quarter (July-September): Sales and Income for Key Business Segments

[Millions of yen]		Second quarter of fiscal 2023	Second quarter of fiscal 2024	YOY change	
Net Sales		127,232	**138,059**	+10,826	[+8.5%]
Operating Income		15,207	**16,076**	+868	[+5.7%]
Operating Margin		12.0%	**11.6%**	-0.4P	-
Net Income Attributable to Owners of the Parent Company		10,071	**10,160**	+88	[+0.9%]
Net Income to Net Sales Ratio		7.9%	**7.4%**	-0.5P	-
Key Business Segments					
Offering Service Business	Net Sales	27,695	**32,130**	+4,434	[+16.0%]
	Operating Income	1,026	**1,502**	+475	[+46.3%]
	Operating Margin	3.7%	**4.7%**	+1.0P	-
Business Process Management	Net Sales	10,909	**10,693**	-215	[-2.0%]
	Operating Income	1,317	**1,380**	+62	[+4.8%]
	Operating Margin	12.1%	**12.9%**	+0.8P	-
Financial IT Business	Net Sales	25,758	**27,369**	+1,611	[+6.3%]
	Operating Income	3,515	**3,805**	+289	[+8.2%]
	Operating Margin	13.6%	**13.9%**	+0.3P	-
Industrial IT Business	Net Sales	28,518	**29,655**	+1,136	[+4.0%]
	Operating Income	4,218	**4,077**	-141	[-3.4%]
	Operating Margin	14.8%	**13.7%**	-1.1P	-
Regional IT Solutions	Net Sales	39,906	**43,751**	+3,845	[+9.6%]
	Operating Income	4,948	**4,952**	+3	[+0.1%]
	Operating Margin	12.4%	**11.3%**	-1.1P	-

Reference: Fiscal 2024 Second Quarter (July-September): Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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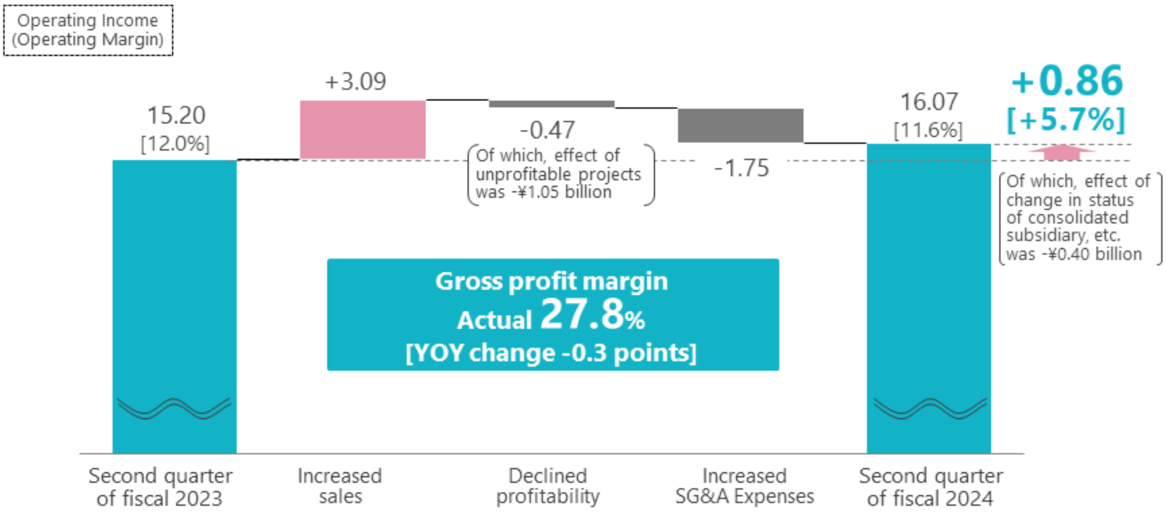
[Billions of yen]



Prior investment costs for promoting structural transformation: Up ¥0.45 billion (YOY change)
(Cost of sales: +¥0.50 billion, SG&A expenses: -¥0.04 billion)
Software investment / Investment in human resources / Investment in R&D
+
Cost of investment in human resources (additional amount): Up ¥1.04 billion (YOY change)
(Cost of sales : +¥0.74 billion, SG&A expenses : +¥0.29 billion)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	+0.92
Prior investment (excludes investment in human resources)	-0.04
Prior investment (Investment in human resources)	+0.29
Others	+0.57
Total	+1.75

Reference: Fiscal 2024 Second Quarter (July-September): Sales by Key Business Segment *For external clients

[Millions of yen]		Second quarter of fiscal 2023	Second quarter of fiscal 2024	YOY change	
Offering Service Business		24,521	**28,893**	+4,371	[+17.8%]
	Software development	11,652	**11,239**	-413	[-3.5%]
	Operating/cloud services	7,367	**9,815**	+2,447	[+33.2%]
	Product/software sales	5,501	**7,838**	+2,337	[+42.5%]
Business Process Management		10,319	**10,148**	-170	[-1.7%]
	Software development	4,446	**3,445**	-1,001	[-22.5%]
	Operating/cloud services	5,872	**6,345**	+472	[+8.0%]
	Product/software sales	—	**358**	+358	-
Financial IT Business		25,340	**26,982**	+1,641	[+6.5%]
	Software development	13,594	**15,568**	+1,974	[+14.5%]
	Operating/cloud services	9,417	**10,034**	+617	[+6.6%]
	Product/software sales	2,329	**1,378**	-950	[-40.8%]
Industrial IT Business		28,318	**29,532**	+1,214	[+4.3%]
	Software development	19,285	**19,340**	+55	[+0.3%]
	Operating/cloud services	6,030	**6,872**	+841	[+14.0%]
	Product/software sales	3,002	**3,319**	+316	[+10.6%]
Regional IT Solutions		38,169	**42,011**	+3,841	[+10.1%]
	Software development	20,110	**21,417**	+1,307	[+6.5%]
	Operating/cloud services	13,399	**14,073**	+674	[+5.0%]
	Product/software sales	4,659	**6,519**	+1,860	[+39.9%]

Pages 12 through 14 show results for the first 3 months of Q2.

Fiscal 2024 First Two Quarters: Order Status (Orders received during first two quarters)

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- Year-on-year increase in overall order volume.
- Software development results down, owing to reactionary drop in large financial IT projects, but demand for system operation on the rise in each segment.

[Millions of yen]		First two quarters of fiscal 2023	First two quarters of fiscal 2024	YOY change	
Orders received during first two quarters		265,993	**272,371**	+6,377	[+2.4%]
Software development		143,489	**133,176**	-10,312	[-7.2%]
Key Business Segments					
Offering Service Business	Orders received during first two quarters	50,740	**57,991**	+7,250	[+14.3%]
	Software development	21,831	**23,846**	+2,015	[+9.2%]
Business Process Management	Orders received during first two quarters	20,016	**19,625**	-391	[-2.0%]
	Software development	8,436	**6,099**	-2,337	[-27.7%]
Financial IT Business	Orders received during first two quarters	59,256	**49,717**	-9,538	[-16.1%]
	Software development	36,367	**23,539**	-12,828	[-35.3%]
Industrial IT Business	Orders received during first two quarters	53,746	**58,822**	+5,075	[+9.4%]
	Software development	35,492	**37,153**	+1,661	[+4.7%]
Regional IT Solutions	Orders received during first two quarters	82,232	**86,214**	+3,982	[+4.8%]
	Software development	41,361	**42,537**	+1,176	[+2.8%]

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Now, starting on page 15, we will explain the status of orders.

First, overall orders received increased 2.4% year-on-year to JPY272.3 billion. In terms of development orders, the year-on-year decline was largely due to a reactionary drop in large financial IT projects. We had anticipated this reactionary decline from the beginning, and we view the results as generally in line with our expectations.

We are aware that the business environment remains favorable, with solid accumulation in offering services, industrial IT, and Regional IT solutions. In addition, a solid buildup of orders for operations in each segment offset the decline in development orders.

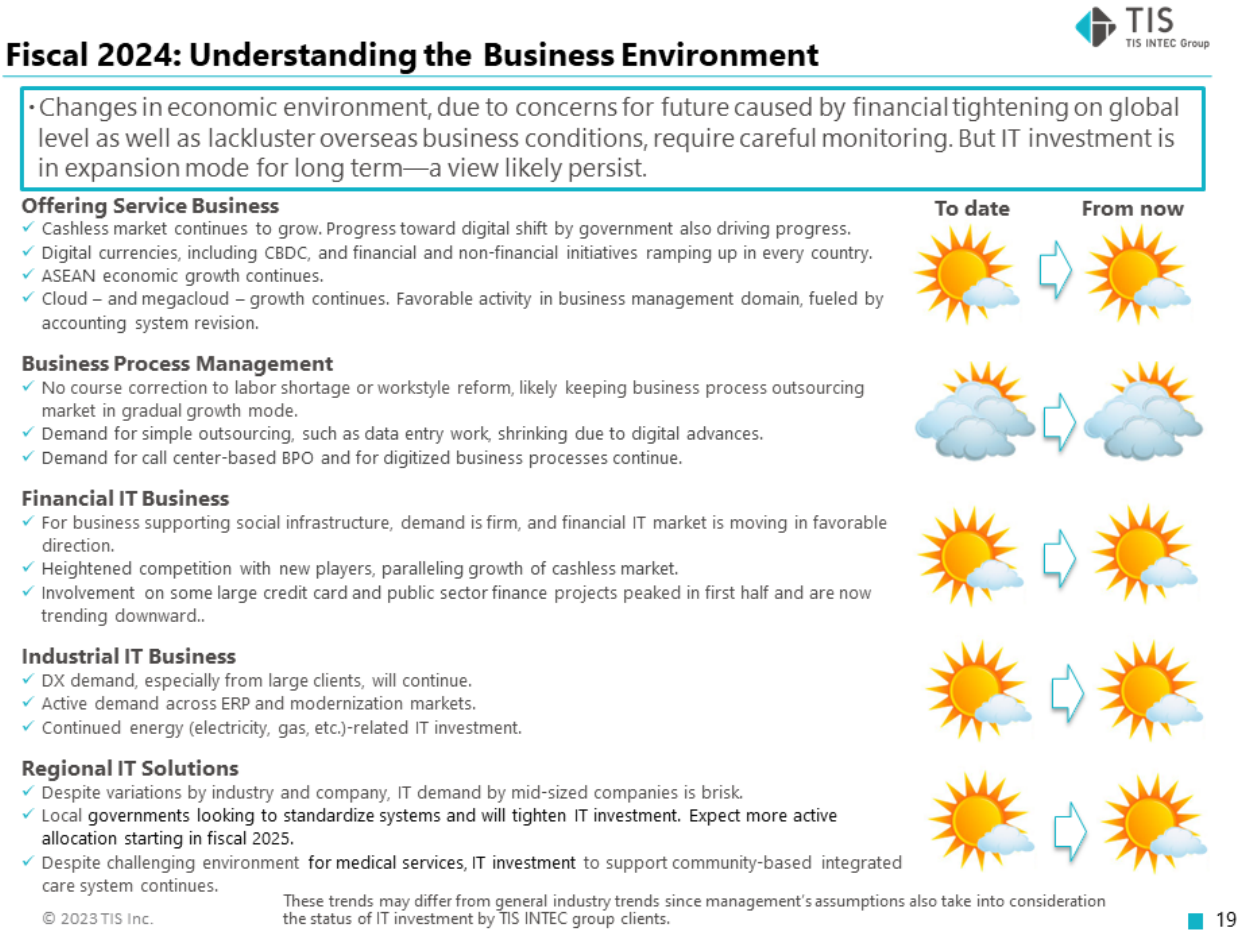
Fiscal 2024 First Two Quarters: Order Status (Order backlog at end of second quarter)

- Year-on-year increase, with trend in orders received during the term generally unchanged.
- Industrial IT development results affected by decrease due to progress on projects for public sector clients that were batch-booked in past.

[Millions of yen]		First two quarters of fiscal 2023	First two quarters of fiscal 2024	YOY change	
Order backlog at end of second quarter		184,379	**187,533**	+3,153	[+1.7%]
Software development		105,707	**97,863**	-7,844	[-7.4%]
Key Business Segments					
Offering Service Business	Order backlog at end of second quarter	34,701	**38,636**	+3,934	[+11.3%]
	Software development	15,511	**16,208**	+697	[+4.5%]
Business Process Management	Order backlog at end of second quarter	8,203	**7,127**	-1,076	[-13.1%]
	Software development	8,203	**6,880**	-1,323	[-16.1%]
Financial IT Business	Order backlog at end of second quarter	50,735	**45,168**	-5,567	[-11.0%]
	Software development	32,535	**24,458**	-8,076	[-24.8%]
Industrial IT Business	Order backlog at end of second quarter	36,766	**38,814**	+2,047	[+5.6%]
	Software development	22,587	**21,561**	-1,026	[-4.5%]
Regional IT Solutions	Order backlog at end of second quarter	53,971	**57,786**	+3,815	[+7.1%]
	Software development	26,869	**28,753**	+1,883	[+7.0%]

Page 16 shows the order backlog at the end of the period.

Overall order backlogs increased from the same period of the previous year. While the trend of orders received in each segment is generally unchanged, the decrease in the development order backlog in Industrial IT is due to the progress of projects for public-sector clients that were booked in a lump sum in previous years, as noted.



I will now explain our full-year forecast for the fiscal year ending March 31, 2024. First, on page 19, we explain our perception of the business environment.

Although changes in the economic environment due to global monetary tightening and concerns about a downturn in overseas economies require close monitoring, we remain of the view that the long-term expansionary trend in IT investment will continue. Overall, we expect the business environment to remain favorable.

Revisions to Fiscal 2024 Performance Forecast (1)

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・Raised initial estimates, given fact that first-half results are significantly higher than previously forecast. Second-half forecast unchanged.

[Millions of yen]	Fiscal 2024 initial estimate	Fiscal 2024 revised estimate	Compared with initial estimate	
Net Sales	530,000	**536,000**	+6,000	[+1.1%]
Operating Income	63,500	**64,500**	+1,000	[+1.6%]
Operating Margin	12.0%	**12.0%**	+0.0P	-
Net Income Attributable to Owners of the Parent Company	42,000	**42,000**	-	-
Net Income to Net Sales Ratio	7.9%	**7.8%**	-0.1P	-
Net Income per Share (Yen)	174.19	**174.19**	-	-
ROE *	13.7%	**13.7%**	-	-

* ROE estimate for fiscal 2024 is a calculated value.

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On page 20, we will explain the details of this revision of the earnings forecast.

Based on the better-than-expected first half performance, we have raised our full-year forecast, albeit slightly. Based on the idea that the assumptions for H2 of the plan will remain unchanged from the beginning of the period, we have increased net sales by JPY6 billion to JPY536 billion and operating income by JPY1 billion to JPY64.5 billion. There is no change in net income attributable to owners of the parent from JPY42 billion.

Although the unprofitable projects unfortunately exceeded our expectations in H1 of the fiscal year, we have reiterated our goal of achieving an unprofitable project cost of JPY500 million or less in H2 of the fiscal year.

In order to further ensure the achievement of the revised full-year plan, we will focus on acquiring new projects and accumulating orders, while strongly promoting quality control throughout the Group.

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Revisions to Fiscal 2024 Performance Forecast (2)

[Millions of yen]		Fiscal 2024 initial estimate	Fiscal 2024 revised estimate	Compared with initial estimate	
Offering Service Business	Net Sales	122,800	**124,300**	+1,500	[+1.2%]
	Operating Income	7,450	**7,300**	-150	[-2.0%]
	Operating margin	6.1%	**5.9%**	-0.2P	-
Business Process Management	Net Sales	44,000	**43,000**	-1,000	[-2.3%]
	Operating Income	5,150	**4,850**	-300	[-5.8%]
	Operating margin	11.7%	**11.3%**	-0.4P	-
Financial IT Business	Net Sales	105,500	**105,500**	-	-
	Operating Income	13,900	**14,300**	+400	[+2.9%]
	Operating margin	13.2%	**13.6%**	+0.4P	-
Industrial IT Business	Net Sales	115,700	**117,700**	+2,000	[+1.7%]
	Operating Income	16,800	**17,600**	+800	[+4.8%]
	Operating margin	14.5%	**15.0%**	+0.5P	-
Regional IT Solutions	Net Sales	165,100	**169,100**	+4,000	[+2.4%]
	Operating Income	19,900	**20,000**	+100	[+0.5%]
	Operating margin	12.1%	**11.8%**	-0.3P	-

Page 21 shows the revised forecast by segment.

This is a new plan for each segment that considers the changes in H1 results in line with the change in the overall full-year forecast.

Fiscal 2024: Performance Forecasts

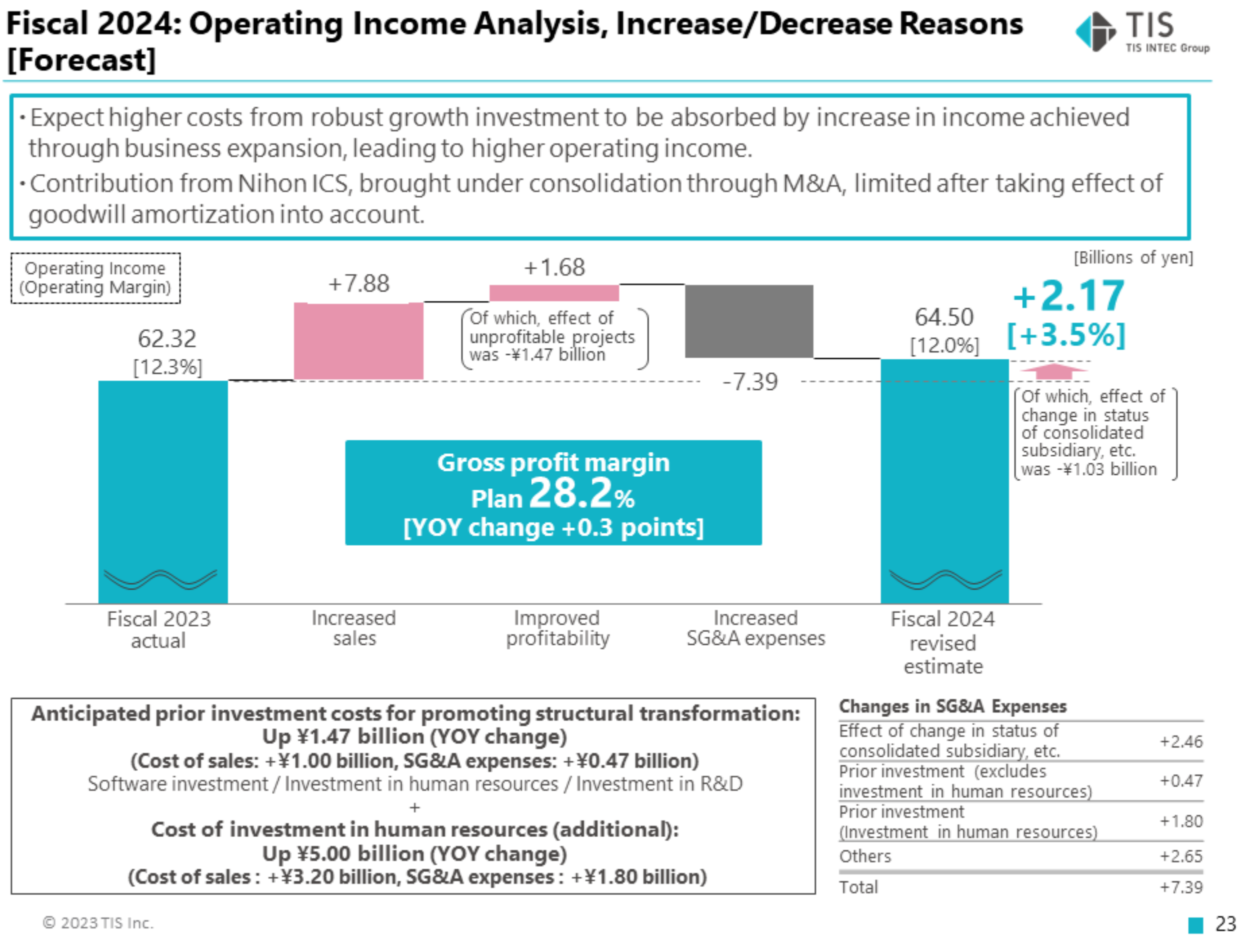
- Expect to achieve higher sales and higher income through expanding business pursuits while reinforcing growth investment, including investment in human resources. Changing status of consolidated subsidiaries will also have positive effect on results. Note that results by Nihon ICS, brought under consolidation through M&A, are reflected from second quarter. (*1)
- 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 revised estimate	YOY change	
Net Sales	508,400	**536,000**	+27,599	[+5.4%]
Operating Income	62,328	**64,500**	+2,171	[+3.5%]
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%	**7.8%**	-3.1P	-
Net Income per Share (Yen)	227.11	**174.19**	-52.92	[-23.3%]
ROE *2	18.8%	**13.7%**	-5.1P	-

*1 Impact of turning Nihon ICS into consolidated subsidiary will likely add ¥5.4 billion to net sales and ¥400 million to operating income (after amortization of goodwill) to full-year consolidated performance.
*2 ROE estimate for fiscal 2024 is a calculated value.

Page 22 shows the revised plan I just mentioned in comparison to the previous year.

Net sales are projected to increase 5.4% y-o-y, operating income 3.5% y-o-y, and the operating margin 0.3 percentage points below the previous year's level, at 12%. The decrease in net income and the decline in ROE are due to the absence of extraordinary gains, but we believe that we will be able to achieve levels that exceed the targets of the medium-term management plan, unchanged from the assumptions made at the beginning of the period.



Page 23 is an analysis of changes in operating income by factor based on the revised plan.

The gross profit margin will decline to 28.2% from 28.4% in the initial plan due to unprofitable projects that occurred in H1 of the fiscal year but is expected to increase 0.3 percentage points from the previous fiscal year. As in the past, there is no change in our approach of aiming for further improvement of profitability while promoting aggressive upfront investments that contribute to growth.

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

[Millions of yen]		Fiscal 2023 actual	Fiscal 2024 revised estimate	YOY change	
Offering Service Business	Net Sales	111,752	**124,300**	+12,547	[+11.2%]
	Operating Income	6,426	**7,300**	+873	[+13.6%]
	Operating margin	5.8%	**5.9%**	+0.1P	-
Business Process Management	Net Sales	43,255	**43,000**	-255	[-0.6%]
	Operating Income	5,123	**4,850**	-273	[-5.3%]
	Operating margin	11.8%	**11.3%**	-0.5P	-
Financial IT Business	Net Sales	101,184	**105,500**	+4,315	[+4.3%]
	Operating Income	13,896	**14,300**	+403	[+2.9%]
	Operating margin	13.7%	**13.6%**	-0.1P	-
Industrial IT Business	Net Sales	113,632	**117,700**	+4,067	[+3.6%]
	Operating Income	16,728	**17,600**	+871	[+5.2%]
	Operating margin	14.7%	**15.0%**	+0.3P	-
Regional IT Solutions	Net Sales	160,010	**169,100**	+9,089	[+5.7%]
	Operating Income	19,343	**20,000**	+656	[+3.4%]
	Operating margin	12.1%	**11.8%**	-0.3P	-

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:	Despite emphasis on improving added value and optimizing operations, struggling businesses, namely, existing data entry business, will probably lead to higher sales but lower income.
Financial IT Business:	Anticipate higher sales and higher income, underpinned by steady progress on large projects and capture of IT investment demand centered on existing clients.
Industrial IT Business:	Expect higher sales and higher income, reflecting capture of IT investment demand across wide client base as well as strong interest in ERP.
Regional IT Solutions:	Expect higher sales and higher income, reflecting wider demand for medical services, and solutions and capture of IT investment demand from existing clients.

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Page 24 shows the forecast by segment.

Although BPM, which continues to struggle, is expected to fall below the previous year's level as a result of this revision, the other segments will remain unchanged from the beginning of the fiscal year, and we will aim to achieve the plan of increased sales and profit compared to the previous year.

Fiscal 2024: Return to Shareholders

TIS
TIS INTEC Group

- Implemented return to shareholders in line with total return ratio yardstick of 45%.
- No change to dividend plan for fiscal 2024. Interim dividend will be ¥17 per share, up ¥2 year on year.

Basic Policy on Return to Shareholders under Medium-Term Management Plan (2021-2023)

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

Total return ratio 45% [up from 40%]	Dividends per share Constantly enrich the dividend	Upper limit on treasury stock holdings at 5% [excess amount cancelled]

	Fiscal 2023 actual			Fiscal 2024 estimate
	[Normal]	[Capital optimized]	[Total]	
Interim dividend per share	¥15 [YOY change +¥2]	-	¥15	**¥17 [YOY change +¥2]**
Annual dividend per share	¥50 [YOY change +¥6]	-	¥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%** *2
Acquired treasury shares	About ¥5.5 billion	About ¥24.5 billion	About ¥30.0 billion	**¥6.2 billion**
Total return ratio [After adjustment *1]	31.9% [44.0%]	-	76.0%	**45%**

Treasury stock buyback conducted from May through July 2023, ending with purchase amount totaling about ¥6.2 billion.

*1 Based on profit (after income taxes and income attributable to non-controlling interests)
*2 Upper limit based on treasury stock buyback announced May 9, 2023.

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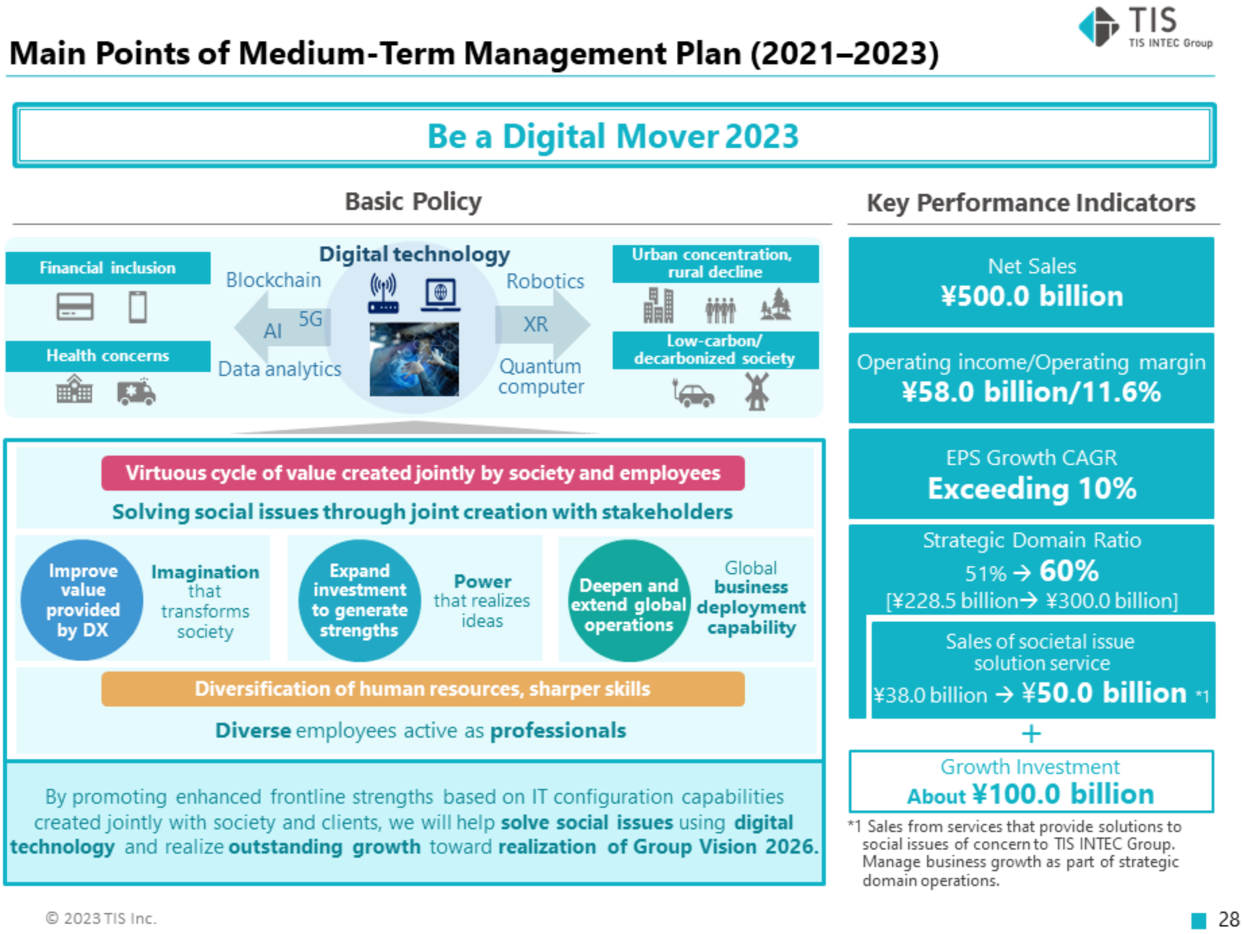
To wrap up my presentation, I would like to explain our shareholder return policy. See page 26.

There is no change in our shareholder return policy, and the interim dividend per share will be JPY17, an increase of JPY2 from the previous fiscal year, as planned at the beginning of the fiscal year. We intend to continue to enhance it in line with our performance growth.

Regarding the repurchase of treasury stock, the Company has already repurchased approximately JPY6.2 billion from May to July.

This concludes my explanation.

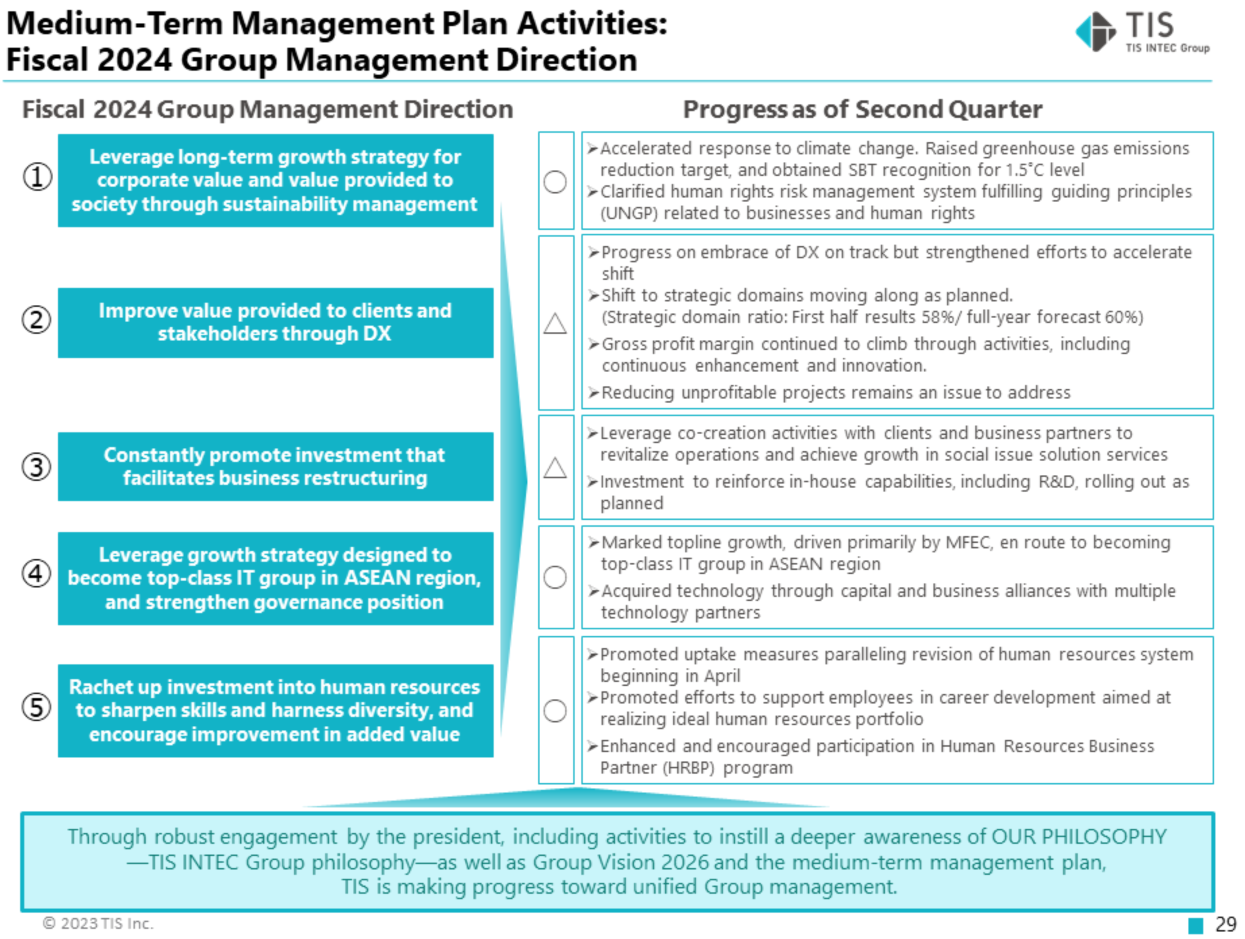
Moderator: Thank you very much. Next, Mr. Okamoto will explain the progress of the medium-term management plan.



Okamoto: This is Okamoto of TIS. Once again, thank you for attending our financial results briefing today.

I would like to explain the progress of our medium-term management plan.

Page 28. As a first part of the explanation, I would like to present the outline of the medium-term management plan, basic policies, and key management indicators, which I have presented in the past. Since this is a reiteration, I would like to skip to the explanation.



Page 29. The following is a summary of the progress made as of H1 of the fiscal year under review in accordance with the Group's management policy.

In H1 of this fiscal year, I believe that we were able to make steady progress in each of our measures toward the realization of the structural transformation that we are aiming for. We evaluated (2) and (3) as triangles. I would like to explain a little about this point.

First, regarding point (2), as I have already mentioned, we have strengthened our investment in human resources, in particular, by substantially raising the level of compensation during this fiscal year. We believe that business profitability has continued to improve in spite of this.

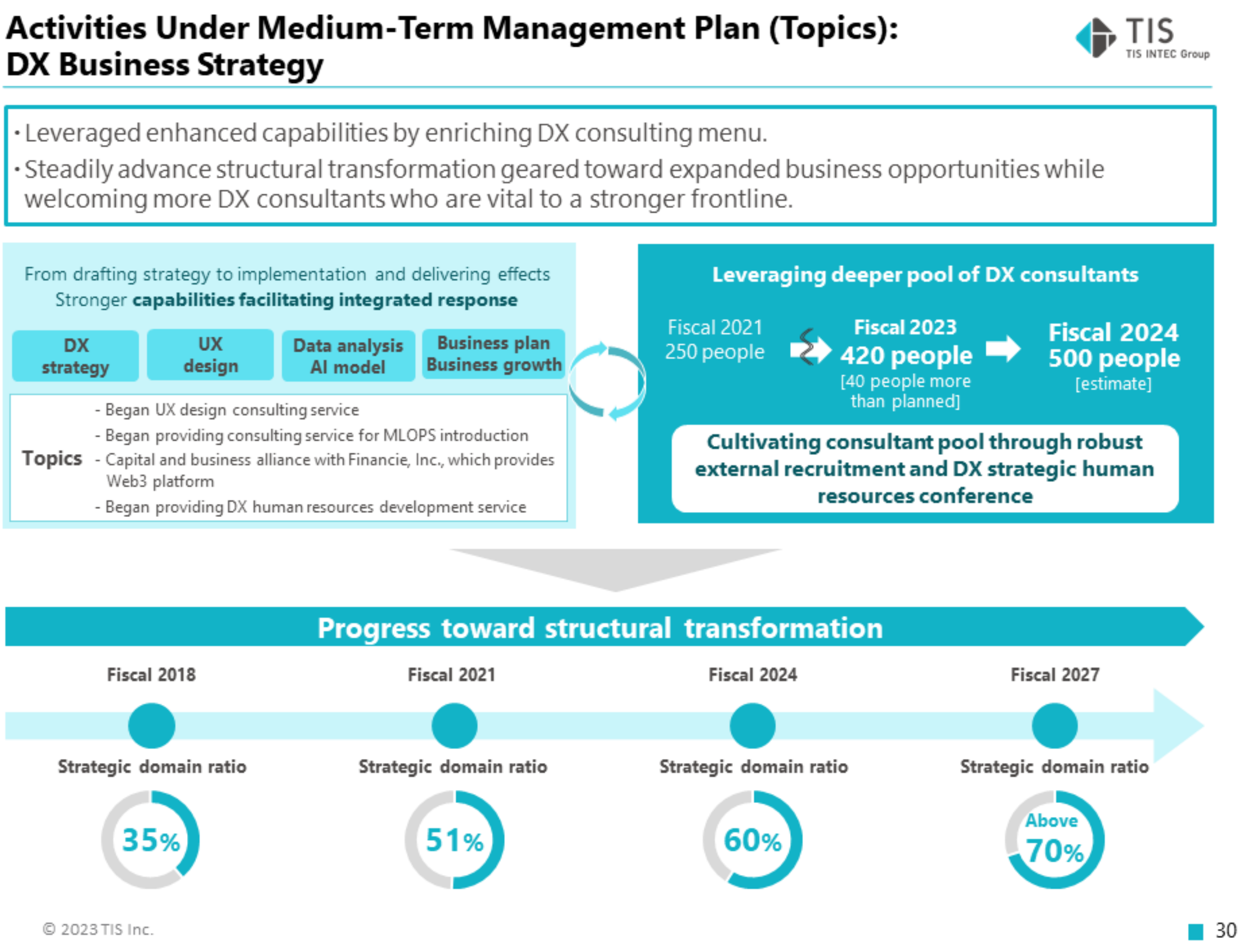
I believe that this is a result of our employees' active efforts to enhance the value we provide, such as the promotion of DX and continuous innovation in enhancement, by firmly accepting the message from our management to strengthen investment in human resources. I think this is a point that can be well evaluated.

On the other hand, unfortunately, it is also true that we have had some major unprofitable projects. In this regard, we have marked it with a triangle overall, because we have to take it seriously and not turn away from it.

In order to improve the value, we provide to our stakeholders, it is essential that we live up to their trust and expectations. From this perspective, with renewed determination, we will firmly strengthen our quality initiatives to curb and eliminate unprofitable projects. We are determined to achieve this goal.

Regarding point (3), we continue to invest aggressively in strategic growth, but as before, we have not yet reached the stage where we can generate the added value commensurate with the investment and achieve tangible results in the form of improved profitability. In this respect, the evaluation indicates that there are some issues, so we have assigned it a triangle.

We will continue to promote each of these initiatives with the aim of achieving a state in which all items can be evaluated as a circle at the end of H2 of the fiscal year.



Starting on page 30, we will introduce topics related to the progress of the medium-term management plan.

The first is the DX business strategy.

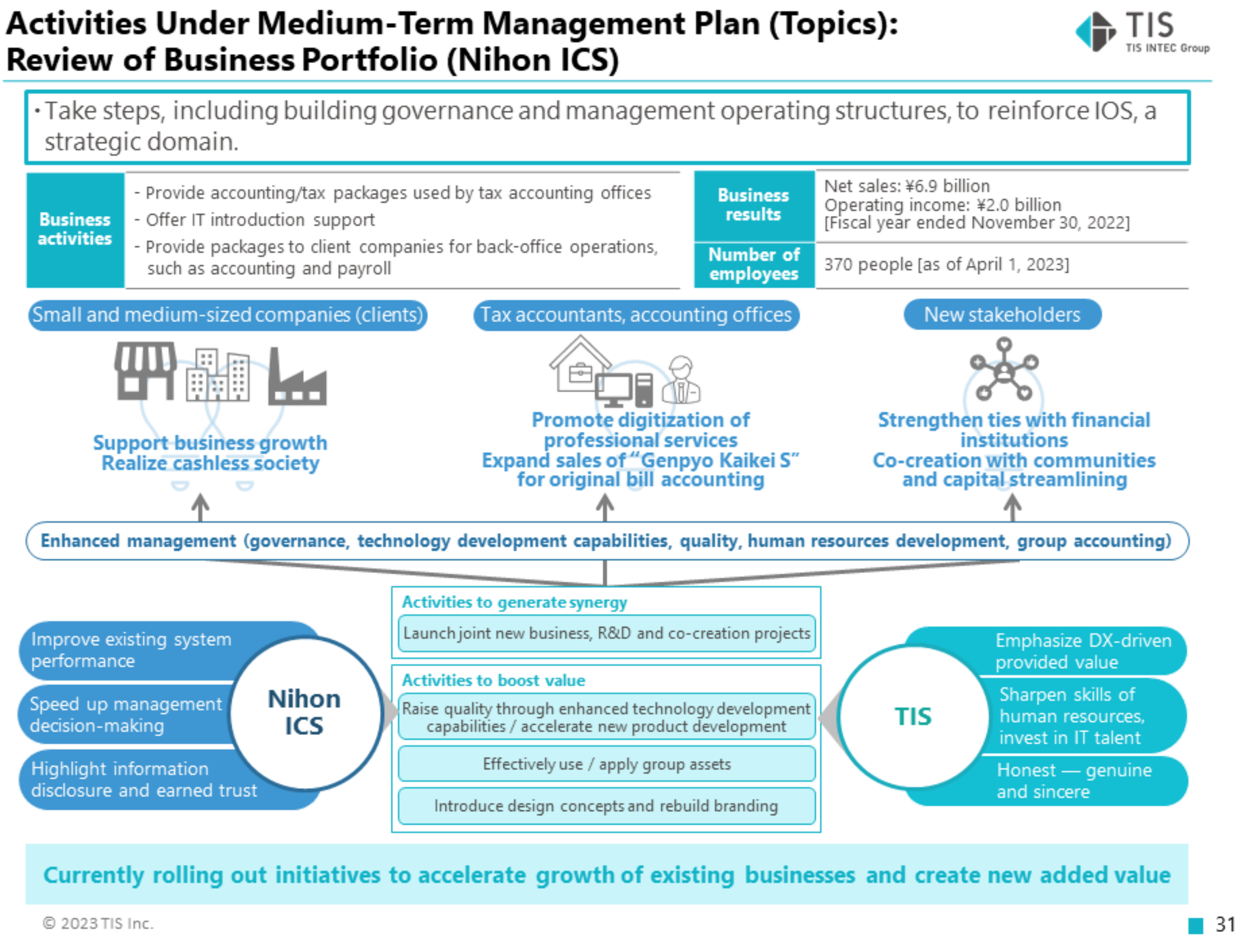
As we introduced at last year's business briefing, we believe that strengthening front-line functions, which are the points of contact with customers, is a major driving force in our DX business strategy that will link the value chain of the entire group's business domain and lead to business expansion.

Our group's strength lies in our ability to handle the entire process from strategic planning to implementation and creation of benefits, and by expanding and strengthening this strength, we are striving to further enhance our consulting menu in H1 of this fiscal year in order to provide a wide range of support to our customers and the demands of society.

Regarding DX consultants, who are the key to strengthening the front line, we are steadily increasing the number of DX consultants through career recruitment and internal training, and we believe we are making steady progress in structural transformation to expand business opportunities.

Although it is still not enough, we are promoting cooperation with account organizations, and we are seeing positive results, such as the acquisition of strategic projects.

We will continue to create business opportunities based on DX consulting, and by linking the SPB and iOS businesses, which are strategic domains, more broadly and deeply, we will aim for further growth as a business that leads the transformation of strategic domains.



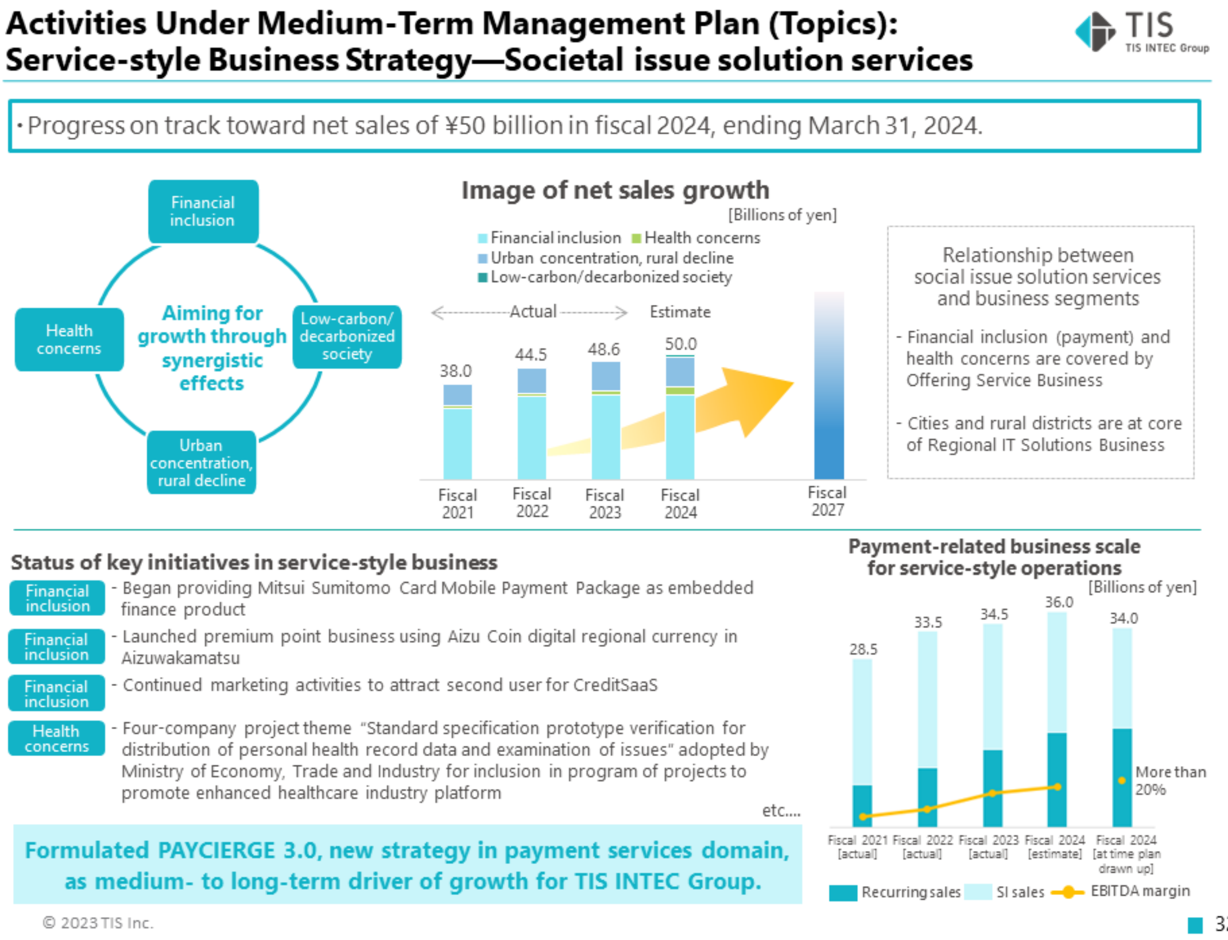
On page 31, as part of the review of our business portfolio, I would like to explain the status of Japan ICS, which became a consolidated subsidiary in April of this year with the aim of strengthening our iOS.

In H1 of this fiscal year, we have focused on building a foundation for future growth by establishing governance, management infrastructure, and speeding up decision-making.

There were some initial differences in business models, corporate structure, and culture, which naturally led to some confusion, but we have deepened our discussions and cooperation in a future-oriented manner toward the major goals of further growth of Japan ICS and the realization of our future vision. I believe that we have all been able to scramble together and a sense of unity has been growing.

Based on this sense of unity, we have already begun to consider specific business aspects, such as linking with our services, such as expense reimbursement and digital payroll payment, which are highly compatible with the Company's services, and promoting co-creation activities.

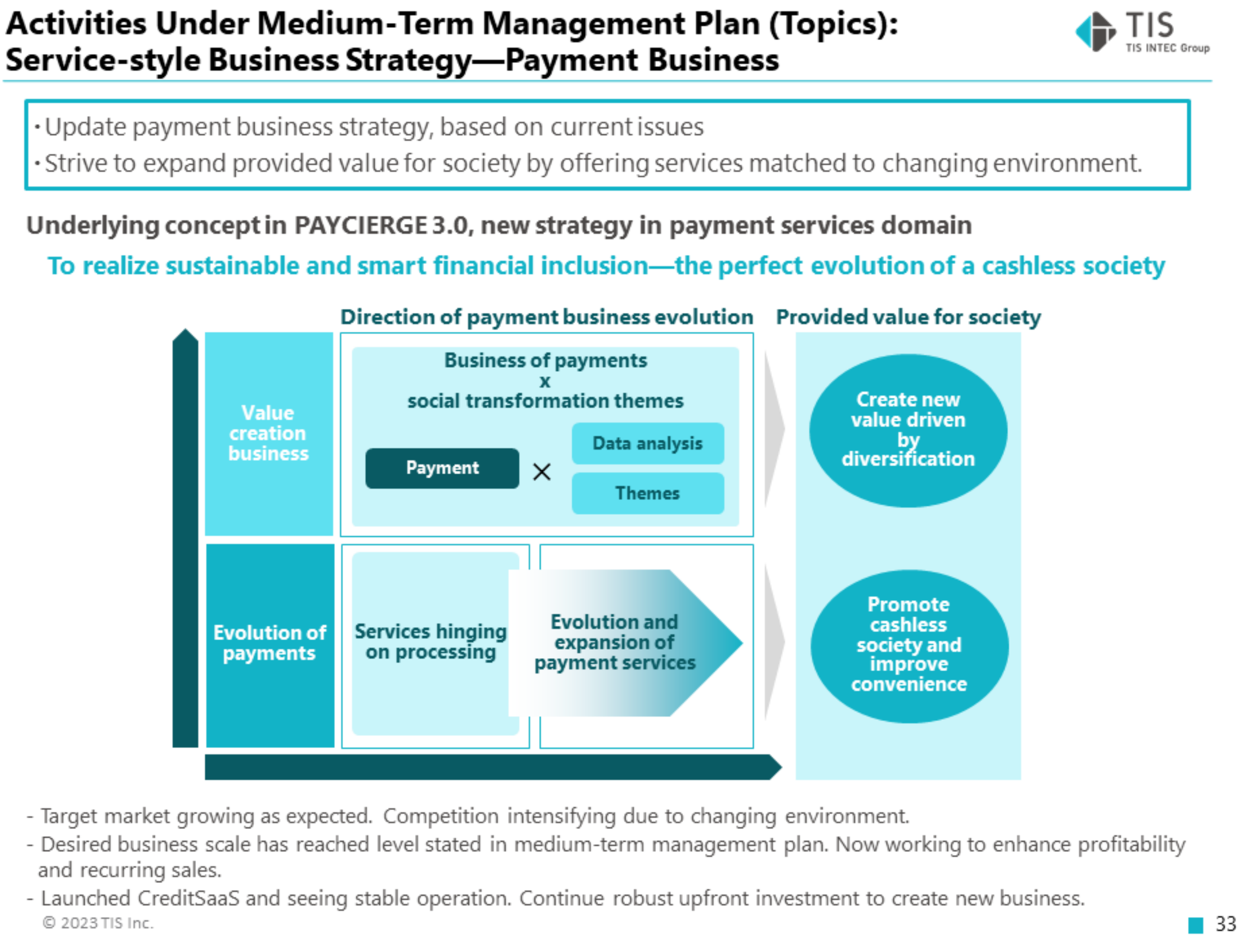
We will accelerate our efforts to increase the value of the Company as soon as possible, and to show you the results of synergies in a tangible form. Please look forward to our development.



Continued on page 32. This is an update on our service business strategy, particularly in the area of social problem-solving service business.

As a whole, the Payment business continues to be a driving force and is steadily expanding its business scale. Other areas are still in the preparation stage, and it will be some time before they show up in significant numbers, but we are continuing to take on challenges for future growth.

In the Payment business, we have updated our strategy in light of changes in the business environment and our past efforts to achieve further growth. I would like to explain a little about this on the next page.



Page 33 focuses on the Payment business.

To date, PAYCIERGE 2 has focused on processing services in addition to expanding existing debit and prepaid-related businesses against a backdrop of rising cashless payment trends. As you know, Credit SaaS was also launched in H2 of last fiscal year.

We are still working on new themes such as digital wallets, embedded finance, and the lifting of the ban on the payment of salaries in digital money, and we will continue to expand our service lineup while developing new areas.

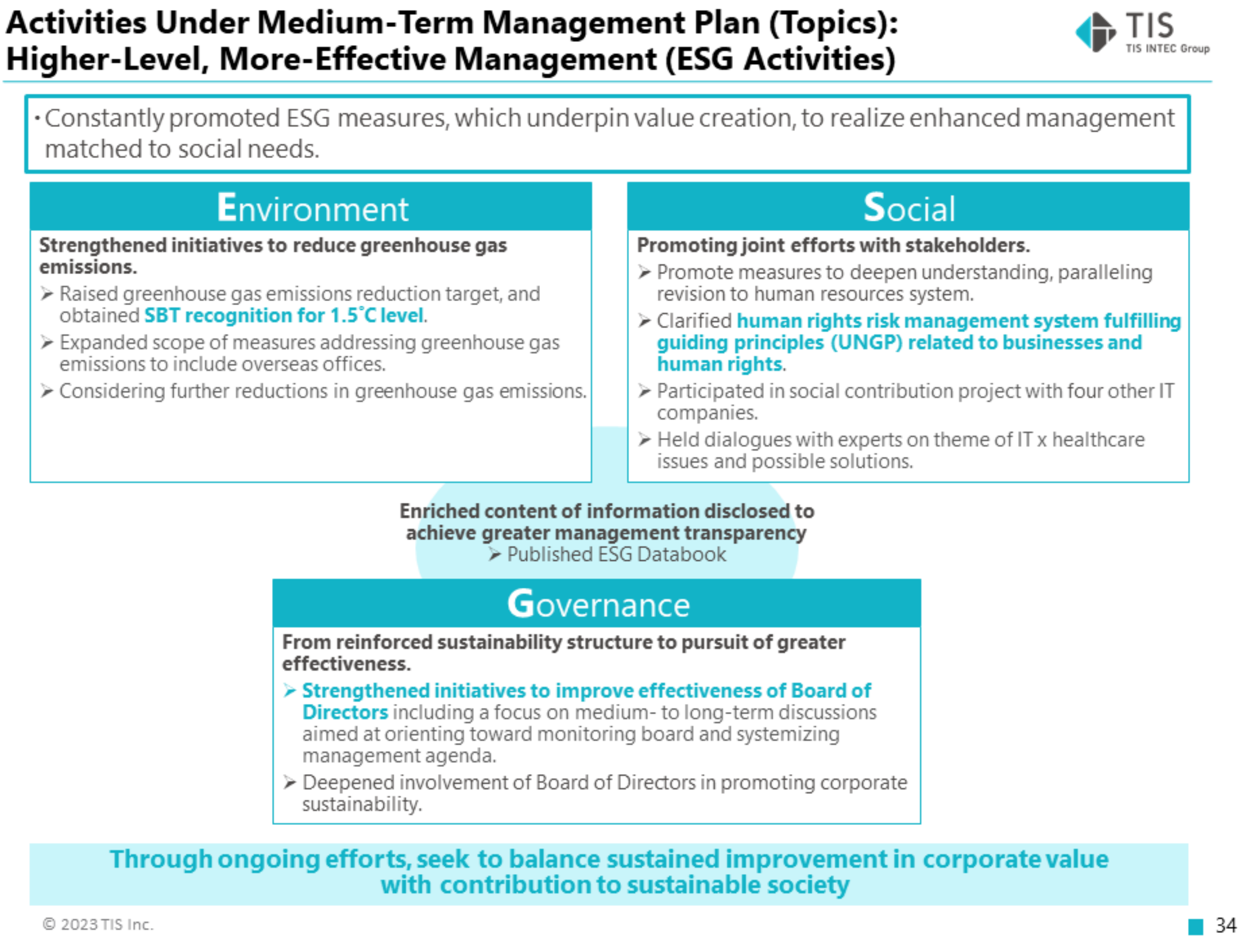
As a result of these efforts, as shown on the previous page, our business scale and sales have exceeded the targets set at the time of formulating the medium-term management plan. However, there are still issues to be solved in terms of overall profitability and conversion to a liquor-type business due to the burden of prior investments.

On the other hand, in the payment and settlement field, market needs are constantly, rapidly, and drastically changing due to the progress of digitalization and other factors. In order to achieve further growth and expand the value we provide to society, we have reviewed the best policy to respond to the market environment and trends in customer needs and have updated it as PAYCIERGE 3.0.

Our new strategy, PAYCIERGE 3.0, is based on the concept of "aiming for the evolution of a cashless society and the realization of sustainable and smart financial inclusion," and we will work on a two-tiered structure of payment evolution and value creation business.

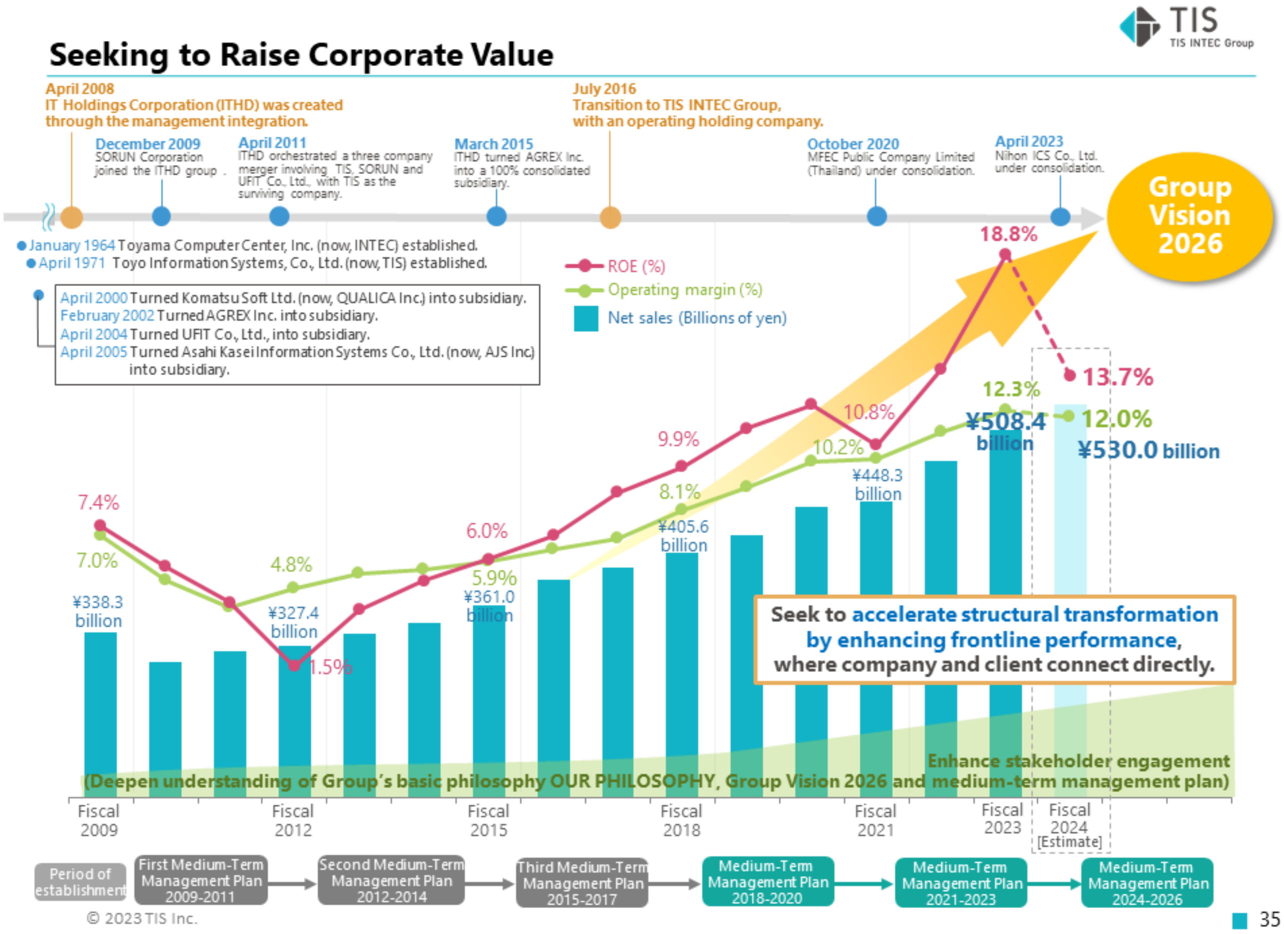
We plan to present the details at the business presentation scheduled for December 7, but I would like to take this opportunity to say that the payment field is a market that is expected to continue to grow, and we recognize that it is a field in which we can fully demonstrate the strengths that our group has cultivated over the years.

We will continue to aggressively promote the development of our business multi-dimensionally, and we hope to achieve evolution and growth as a high value-added business that will bring about a revolutionary change in society by leveraging our unique comprehensive strengths. We hope that you will look forward to it again.



Page 34. ESG initiatives.

In promoting sustainability management, this is an important theme that must be addressed from a long-term perspective as the foundation for sustainable value creation. I believe that in H1 of this fiscal year, we were able to steadily advance management sophistication in response to social demands in each of the ESG aspects. We will continue to make steady progress in our efforts to achieve both sustainable enhancement of corporate value and contribution to a sustainable society, one by one.



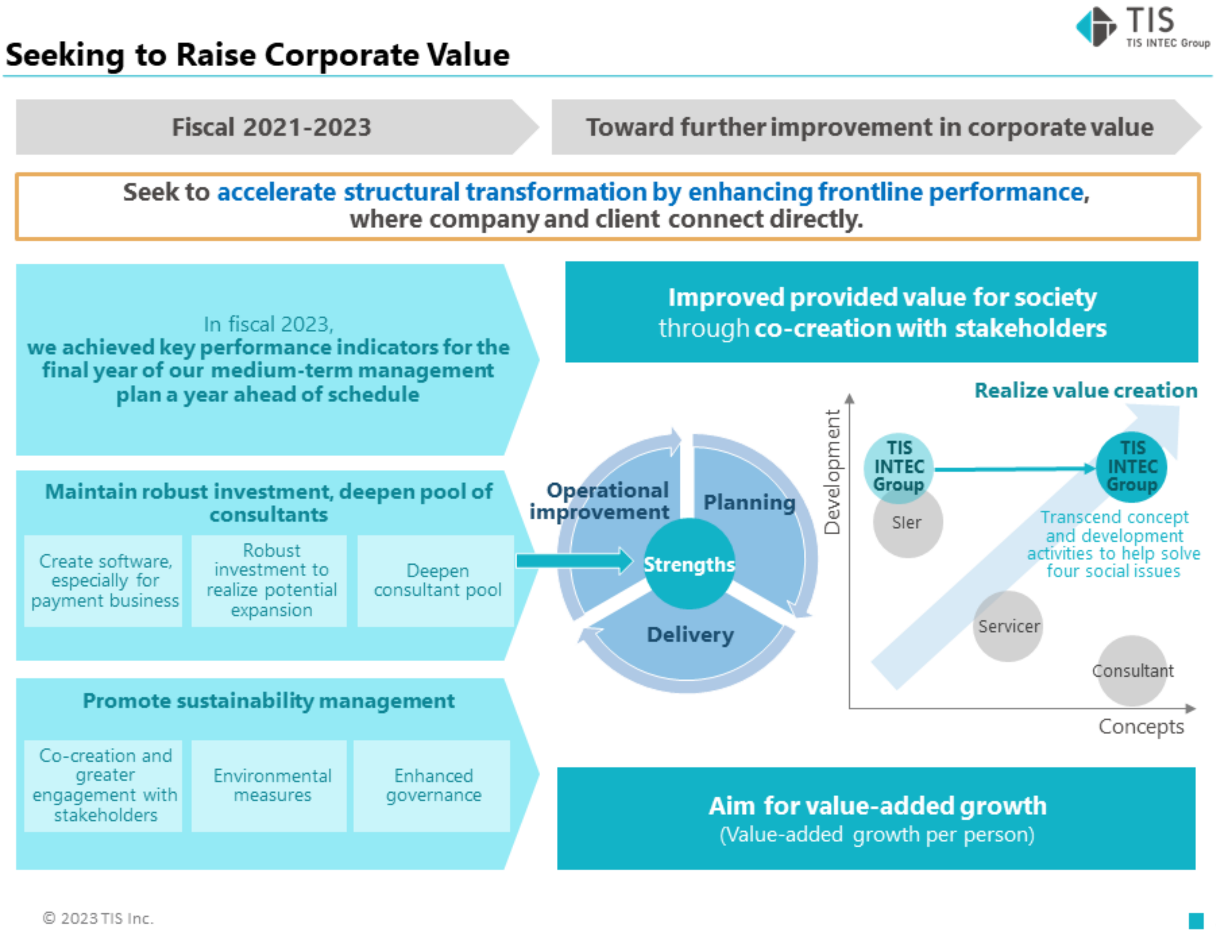
Page 35 and 36, this is the last page of my explanation. First, page 35.

Two and a half years have passed since I took office as president and the current mid-term plan was launched. We have been able to continue our sustained growth for the past two and a half years and even before that, and I feel that the corporate value of our group is steadily increasing. However, changes in the external environment are occurring on a different scale and at a faster pace than in the past, and conditions in the Group's business may not always be the same as before.

The main challenges we are facing in our business today are: in SI, re-growth after the peak of large-scale projects; in services, further business expansion and the accompanying realization of high profitability; and in BPM-related businesses, leveraging our strengths and upgrading the Group's value chain. We will continue to overcome these and other challenges in order to achieve further growth.

For example, in H1 of this fiscal year, we have strengthened our investment in human resources, including a large increase in compensation levels, and even in the midst of these efforts, business profitability continues to improve. We feel that the value we provide and our ability to overcome difficult situations has been enhanced even more than before.

I am confident that if we continue to do so, we will be able to face and overcome the challenges ahead in the same way.



On page 36, we present our direction for future growth.

The current fiscal year is the final year of the current medium-term management plan, and a new medium-term management plan will be launched in the next fiscal year. Our mid-term management plan is based on the same major goal of realizing the Group Vision 2026. Therefore, the basic direction will remain the same: to strengthen front-line functions and accelerate structural transformation.

We are currently in the process of formulating our next medium-term management plan, and as I mentioned earlier, we are considering various issues, and the strategy update for the payment business that I introduced today is part of that.

However, our corporate management will not end in 2026, the year targeted in the Group vision. It will continue. We are currently considering the foundation for sustainable growth and improvement of corporate value, including what the Group should be in the long term and what we should aim for, with a view to the future.

The framework of the plan is to leverage our strengths to achieve value-added growth, thereby enhancing social value and the value we provide to society through co-creation with our stakeholders.

We will naturally never stop moving forward and will do our utmost to ensure the sustainable growth of the Group and further enhance corporate value through front-line reinforcement and structural transformation, and we hope that you will look forward to our continued efforts.

This concludes my explanation.

Moderator: Thank you very much.

Question & Answer

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

First, let us explain how to ask questions. If you have been nominated, please tell your company name and name followed by your question. Please note that each person may ask no more than 2 questions at a time. Please understand that we may not be able to answer all of your questions due to the progress of the project. If you have a question about a particular slide, please specify the slide number so that we can project the corresponding slide.

We will now begin the question-and-answer session. Let us begin with a question from Mr. Tanaka, Goldman Sachs Securities.

Tanaka [Q]: My name is Tanaka from Goldman Sachs. Thank you.

First of all, unprofitable projects, I would like you to clarify this a bit more. I can calculate the amount in terms of changes in the data, but I would like to know how each segment is calculated, and if there are any special factors such as the timing of cutover for each project, please explain first.

Kawamura [A]: Yes. Now, let me explain about unprofitable projects. The overall unprofitability in H1 was JPY1.38 billion, but in Q2 it was over JPY1 billion. The largest segment is Regional IT solutions, which amounted to more than JPY800 million in Q2. Other than that, it is a pile of small things, but it is a service. The offering service has accumulated about JPY100 million in unprofitability.

In addition, in the Regional IT solutions, a process manufacturing client was cancelled due to quality issues that arose during the course of the project, so we have included the overall liquidation in the loss this time. In that sense, the project has been cut off for now.

As for the remaining projects, we have taken firm measures and are moving forward to cut over the remaining projects by the end of this fiscal year, and we will continue to monitor them closely as we work to control them. That is all.

Tanaka [Q]: Thank you very much. Is my understanding correct that the follow-up, or rather the cancellation of the project, will be finished in this Q2 and the people who were involved in it will be released to regular projects from H2?

Kawamura [A]: Yes, that's right. We are thinking that it could be in the form of a reward project or another project.

Tanaka [Q]: I understand. Thank you very much.

The second major point is in financial IT and orders. I think that the number of orders decreased significantly, mainly in this development area, but first of all, there were probably about two reactions from customers in Q2, 3 months, so I would like to know what the reactionary decrease was and, excluding this, what the actual financial situation is like now in terms of actual inquiries. Please answer that point.

Kawamura [A]: Regarding the reactionary decline, we estimate about JPY1 billion for the card-related business. There was a reactionary decrease of about JPY8 billion in public finance, which is the main reason for the decline. Excluding the above, unfortunately, the year-on-year decrease was about JPY2 billion. We feel that this was a bit of a bottom in the wave of customer projects and their orders coming in.

Overall, we believe we are maintaining a high level of orders, especially from credit card-related customers, and we intend to make a recovery in H2 of the fiscal year by firmly building up orders. That is all.

Tanaka [Q]: I'm sorry, are these figures for Q2?

Kawamura [A]: Yes, I mean Q2 alone.

Tanaka [Q]: In the follow-up, I think you mentioned before that the reactionary decline in that card area will peak out from Q3 in terms of sales and projects, and if you have any additional information on the outlook for that at this point, or at what pace it will decline, please tell us about the large projects of cards.

Kawamura [A]: Regarding the plan for financial IT projects for H2, we have been planning a decrease in revenue since the beginning of the fiscal year, and we expect H2 to be generally in the same shape as H1, so if you look at the plan for H2, you will see that the change is about the same. Since it is difficult to explain individual projects, we are assuming that overall revenue will decrease as initially expected.

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

Moderator [M]: Thank you very much. Next, Mr. Tanaka, Mitsubishi UFJ Morgan Stanley Securities, would you like to ask a question?

Hideaki Tanaka [Q]: My name is Tanaka. Thank you. There are two points, first, confirmation of the order placements.

Now, you have told us the amount of the reactionary loss at the finance section, and the other JPY2 billion. However, I thought that the high level of card-centered sales means that cards are a bit difficult where you have had a reactionary decline, but I would appreciate your comments on this, the difference between different customers, and the genera situation. Also, industrial IT and Regional IT are also positive. Please explain the future outlook for them.

Kawamura [A]: Yes, I understand. In the financial IT business, we have seen negative results for major projects, but for other customers, we believe that both orders and sales remain at very high levels.

Under these circumstances, since orders received in Q2 were negative year-on-year, we are determined to make up for the negative impact of financial IT in Q3 and Q4 by firmly building up orders for H2 or the next fiscal year. We believe that we will hit it back hard at another customer.

The second point, industrial IT and Regional IT, each showed positive results. In the industrial IT business, there was a reactionary decline in major projects, but we have been accumulating major projects with other core customers, and I believe that overall, the business has been positive. We are determined to achieve the plan for H2 of the fiscal year by firmly building up orders, especially in the SAP and assembly and manufacturing sectors.

In the Regional IT business, there were some unprofitable projects in H1 of the fiscal year that had a significant impact on profits, but even so, we were able to increase both sales and profits, and we consider the environment itself to be very favorable. We have a solid accumulation of projects in the banking, life and non-life insurance, medical, and municipal sectors, and we will continue to work hard in H2 of the fiscal year.

If anything, we will continue to capture IT demand from a wide range of customers rather than specific ones, and we are determined to achieve this in H2. That is all.

Hideaki Tanaka [Q]: Thank you very much. When you think about it, the revised plan for industrial IT and Regional IT shows a second-half revenue decline, but are there areas where you are holding back a little?

Kawamura [A]: Overall, we have traced the initial plan for H2, and we are making some adjustments within that plan, but we believe that we have a solid order backlog, and we will do our best to achieve this plan. That is all.

Hideaki Tanaka [Q]: Thank you very much. The second point is the credit SaaS or credit card processing service. You have also released about the first user, DOCOMO, but please let us know if there are any updates on the current status of business negotiations with other customers.

Okamoto [A]: Okay, Okamoto will. The name of the credit SaaS has not been changed. Sorry. We have released about the first company, and after a successful first term, we are steadily expanding into the second and third terms. We have been going that direction.

The status of the second and third companies has not changed significantly, and we are continuing to work together with them on the fit and gap. Therefore, we have not yet received the order from the second company.

As I may have mentioned before, the timing of the renewal and the fact that it involves a certain amount of investment means that they are carefully considering the various aspects of the project. We will continue to operate the business with a firm commitment. That is all.

Hideaki Tanaka [Q]: Thank you very much. I'm sorry, the first part of your opening statement, about the second and third terms after the first term, is simply that time has passed?

Okamoto [A]: No, first of all, the first company started successfully in H2 of last fiscal year, which we called the first phase, and after that, including various additional developments, the expansion is progressing smoothly.

Hideaki Tanaka [Q]: I understand. That they are also expanding for NTT DOCOMO, INC.?

Okamoto [A]: That is what I mean.

Hideaki Tanaka [M]: I understand. Thank you, that's all.

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

Kikuchi [Q]: I am Kikuchi. Thank you very much. I have two points too.

The first point is a continuation of Mr. Tanaka's question, but I feel that you are not able to talk much about individual companies. NTT DOCOMO, INC. is non-telecommunications, and non-telecommunications has been quite a factor in the decline in profits. I was thinking that they are paying quite a bit of money, and that there must be quite a bit of income for your company, but I am not sure if it is visible or not in your company's profits. How should we look at the profitability of that credit SaaS now, how should we look at it next year and the year after that?

Should we assume that NTT DOCOMO, INC. alone will not generate much profit even in the second or third fiscal year? If you can answer my question, I would like to know the first point.

Kawamura [A]: First of all, regarding our credit SaaS business, as we have said before since its launch, it is now generating revenue from operations. Although there is a significant burden of amortization, I think we have always answered that it is not enough to cause a deficit at this point in time. This situation has not changed.

As Mr. Okamoto mentioned earlier, we have also received some card-related projects including credit SaaS, so I feel that our business volume is growing steadily if these are included.

However, in terms of the next fiscal year and the fiscal year after that, as you mentioned, we will naturally need to increase profitability by building up orders from the second company onward. We are not very satisfied with this profitability, so we are working to quickly bring profitability up to the original plan by building it up. That is all.

Kikuchi [Q]: Thank you very much. Second point, I don't think people are that worried about this quarter. Unprofitable projects are also not going to be pulled in H2. However, I am sure that investors and analysts are still wondering what will happen in the next fiscal year.

First, there can be a trough once a large card deal is done for a great long period of time. Whether it is deep or not, and how long it lasts, may not be essential, but I feel that the depth, width, and length of the valley will have a considerable impact on your company's performance. I think we would also feel a little more comfortable if you could give us an outlook on this area.

Also, I think it is very good that you have revised the treatment of your employees so drastically this term, but I would like to know what your policy is for the next term and beyond, if you can see any now. I feel that this way, everyone will be able to watch with peace of mind next term. That is all.

Okamoto [A]: Okamoto will answer. Certainly, the peak out of large-scale projects is a reality. This was a fairly large scale, so when it peaked out, it would go down. Since the credit industry itself is constantly working on new projects, I do not think that there will be a big valley that will continue for a long time in terms of securing new projects.

In addition, there are several companies, such as NTT DOCOMO, INC., which was mentioned earlier, and we would like to ensure their profitability.

We are also aware that, although there were certainly some major losses, there is no reason to believe that we are going to hit the bottom of the valley. This is the first point.

The second point is that we raised salaries by 6% this fiscal year, an average of 6%, but in the next fiscal year or thereafter, it does not mean that we do not intend to raise salaries at all as a base-up. This year, we raised the amount all at once, but from now on, we are considering raising the amount little by little. However, a final decision has not yet been made. That is all.

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

Moderator [M]: Thank you very much. Please continue with your question, Mr. Segawa, Morgan Stanley MUFG Securities.

Segawa [Q]: My name is Segawa from Morgan Stanley Securities. Thank you for your assistance. Thank you. I would like to ask 2 questions.

The first point is regarding your plans for H2. There are still some parts that have not been changed from the assumptions made at the beginning of the fiscal year, and there may be some discrepancies, but I would like to confirm the gross profit margin.

In H2, as mentioned earlier, projects for major credit card companies are peaking out, so I thought that gross profit margins might be facing a slight headwind from where they had been profitable to a certain extent. Even if such large projects disappear, are you still able to secure profitability in existing areas, and are you putting in improvements in gross margins on the assumption that gross margins will continue to improve year-on-year? I would appreciate your explanation in terms of gross profit margin for H2. This is the first point.

Kawamura [A]: I will now answer. First of all, we have a gross margin forecast at the beginning of the year for H2, but we will continue to add value to existing projects and the customer base as before. Therefore, we have a plan in place with a firm response to increase gross margins.

In addition, from Q2, we added a company called Japan ICS to our group, which is more of a service provider with a high gross margin. This will make a full contribution in H2, and with these factors in mind, we will continue to promote our business, believing that the gross margin level is attainable. That is all.

Segawa [Q]: I understand. Thank you very much.

The second point is about BPM projects. Revenues and profits have declined as the outlook for data entry operations has become more difficult. In your explanation today, you mentioned leverage, so I was wondering if there is any way to shift resources or cut costs a little bit in the future. Can you tell us what, if any, measures, or thoughts you have regarding the BPM business? That is all.

Okamoto [A]: Okamoto will answer. First of all, as the results of the BPM business show, the situation for entry, printing, and other so-called old-style BPO is quite difficult due to the disappearance of the special demand for Coronavirus.

In H2 of this fiscal year, we will work to increase profitability and return to profitability, while considering cost reductions and other measures, but we will also consider how we can firmly support BPO in the Group's business portfolio, including the services we provide. Depending on the results of this study, we would like to decide on future measures to be taken. That is all.

Segawa [Q]: Thank you very much. Sorry, I would like to confirm the purpose of your last part of your statement. Are you saying that you are considering or taking measures to reduce the priority of the BPM business, or in some cases, to reduce the priority of the BPM business in your company?

Okamoto [A]: Before deciding whether to downsize or not, it is time to rethink how to make the most of the situation within our company.

Segawa [Q]: So, rather than saying that we are going to do something drastic right away, we are going to look at the business environment for a while and see what kind of role is appropriate [inaudible]?

Okamoto [A]: Yes, as you say.

Segawa [M]: I understand. I understand very well. Thank you very much. That is all.

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

Hori [Q]: Mizuho Securities, this is Hori. Thank you. I have 2 simple questions as well.

The first point is similar to the one asked by Mr. Kikuchi, but it is the idea for the next fiscal year. When they decided to increase costs in February of this year, it was already clear that they were going to invest in human resources and for the current fiscal year. You have clearly stated that you will balance the cost increase in human resource investment with profit growth, and you are doing exactly that in this fiscal year. You said that stable growth and profitable growth is your basic policy, and you will continue to pursue it.

However, as the current fiscal year goes quite well, you mentioned earlier about large-scale projects in the financial sector, and you also mentioned that you are going to make various preparations for the reacceleration of the BPO business. When you think about the next fiscal year, the first year of the medium-term plan, I imagine that rather than suddenly running forward, you might want to squat a little and prepare for a jump in the second or third year.

With the situation changing a bit, is it correct to say that the idea of stable growth itself has not changed at all, or is it still under consideration, including that, I'm sorry, please let me know your idea.

Okamoto [A]: Okamoto will answer. I have been president for two and a half years, and I have not talked about it much, but as long as I am president, I am determined to achieve absolute stable growth, and although we are still considering the percentage, I have a strong determination to achieve stable growth. I hope you will understand that we will continue to achieve stable growth.

Hori [Q]: Thank you very much. Secondly, I would also like to ask you about credit SaaS. The bottom right-hand diagram on page 32, here is your plan for the current year, which shows a steady increase in recurring. This is probably more of a total payment related business, and I think credit SaaS is a part of this. I still think that no matter how we look at it, the pace of credit SaaS sales growth seems to be a bit slow from the image of credit SaaS sales growth that your company presented in the business presentation in 2019.

Looking at the increase in offering services, excluding the effect of overseas M&A, you also said that there are some challenges in the recurring business, considering the fact that the number has not increased to that extent. I wonder...

Is there something deviating against the business plan that makes me a little doubtful about the asset's value? I wonder if we have to worry a little about something like impairment at this rate, or if it's not about that at all. Please give me any comments you can in terms of a gap from the original plan in that area.

Okamoto [A]: First of all, I would like to mention the impairment. As you pointed out at the outset, this is true that we are actually behind the original plan for credit SaaS.

As I mentioned earlier, this is due to factors such as the timing of renewal and the size of the customer's investment, but of course we will not give up and will continue to operate. As for the items that we have followed, the first company has been making good use of them, so I hope you understand that we are not considering any particular impairment.

In addition, on December 7, for PAYCIERGE 3.0, we will be holding the event, where we will once again refine our plan and explain how we will work on payments as a whole, including credit SaaS. That is all.

Hori [M]: Thank you very much.

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

Tsuruo [Q]: I have 2 questions. Thank you. All of these questions are related to the next medium-term plan. Of course, to the extent possible, comments please.

The first is the medium-term, three-year outlook for profitability. You have been saying for some time that you are looking at improving the gross profit margin to around 30%, but I think there will be a lot of problems if you say that you can achieve these figures, so can you discuss the positive and negative factors that can be achieved in the next medium-term plan? Please.

Okamoto [A]: We are in the process of discussing the 30% target in the next medium-term management plan. It's also hard to say what the positive and negative factors are, as the study is not completely finished now. One is, of course, that unprofitable projects, which failed this time as well, must be thoroughly controlled.

I think this is one major point, of course, that we need to deploy the know-how that TIS alone has more broadly throughout the Group.

The other thing is, of course, steady QCD activities, such as steady enhancement. I think it is important to continue to work steadily on this issue.

In addition, there is a possibility that we will continue to make acquisitions of various companies in accordance with a certain portfolio. We believe that another major point is how to make acquired companies more profitable. I hope the above has answered your question.

Tsuruo [Q]: Yes, of course. Thank you very much.

The second point is management resource allocation. As the chart on page 35 shows, as your company's profitability increases, so does its ability to generate cash flow, resulting in a very fast pace of net asset accumulation. As a result, ROE is often at the top of the range, and I wonder if there is any room to revise the concept of total return ratio.

Kawamura [A]: I will answer your question. First of all, we have been working on the current medium-term plan with a 45% return ratio until the current fiscal year. We are still in the process of discussing what to do about this, and we would like to have a thorough discussion on the issue, as our direction to enhance shareholder returns and other benefits remains unchanged.

First of all, we will continue to invest in growth and allocate resources to M&A and various software development projects.

We have been making solid efforts to achieve such growth, enhance shareholder returns, and pay attention to the balance sheet, and we will continue to consider such measures in the future.

I would be happy to explain again what our approach will be for the next medium-term management plan period, but first of all, we would like to make a solid investment. That is all.

Tsuruo [Q]: Excuse me, but what is your policy on the area of M&A, the areas to be considered and how it should be done, from transformational to bolt-on? Please comment if possible, on whether there will be any changes in the next medium-term plan there.

Okamoto [A]: This is a bit sensitive, so I can't talk about specifics, but first of all, we would like to invest in M&A in the areas that we are aiming for in our services.

We have also been involved in M&A activities in the past, but we are also considering acquiring an information division or an information subsidiary that is in charge of a client's business.

We are also looking to expand PAYCIERGE globally, especially in Southeast Asia, and to support our customers' own systems in Southeast Asia. We will continue to invest in M&A in these areas, as we have done for the past 3 years, and we intend to do more. That is all.

Tsuruo [M]: I understand. Thank you very much. That's more than my question.

Moderator [M]: Thank you very much. Now, since it is almost time, I will conclude the question-and-answer session. Finally, Mr. Okamoto would like to make a few remarks.

Okamoto [M]: My name is Okamoto. Thank you very much for participating in today's financial results briefing for Q2 of the fiscal year ending March 31, 2024, of TIS Inc. If you have any further questions, please contact our IR department during an individual interview or by phone and we will be happy to answer them.

As we have mentioned, we are planning to hold a business briefing on December 7, 2023. We hope you will join us for a detailed explanation of our payment business from the organization in charge. Thank you for your continued support.

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

[END]

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