TIS Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 31, 2024

February 2, 2024

Event Summary

[Company Name]	TIS Inc.	
[Company ID]	3626-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 31, 2024	
[Fiscal Period]	FY2024 Q3	
[Date]	February 2, 2024	
[Number of Pages]	23	
[Time]	17:00 – 17:31 (Total: 31 minutes, Presentation: 11 minutes, Q&A: 20 minutes)	
[Venue]	Dial-in	
[Venue Size]		
[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
	Satoru Kikuchi	SMBC Nikko Securities
	Hideaki Tanaka	Morgan Stanley MUFG Securities
	Hiroko Sato	Jefferies

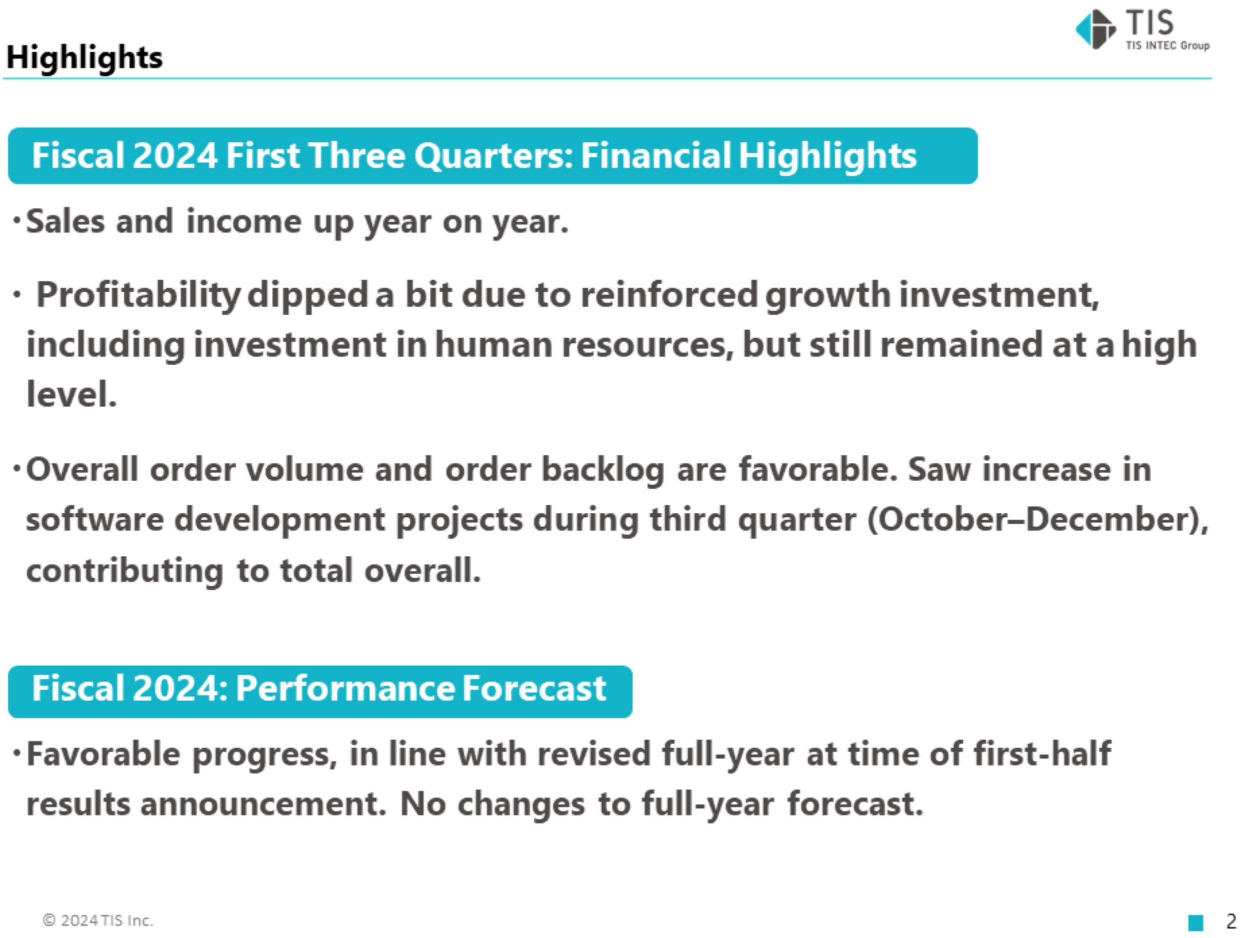
*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: Thank you very much for your patience. We will now hold the financial results briefing for Q3 of the fiscal year ending March 2024 for TIS Inc.

Masakazu Kawamura, Executive Officer, Division Manager of Corporate Planning SBU, and Takahiro Kimura, Department Manager of Corporate Management Dept., are attending today's conference call. 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 Inc. 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 Q3 of the fiscal year ending March 31, 2024, which were announced at 3:00 PM. today.

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

First, let me discuss the Q3 results. The cumulative Q3 results continued to be strong from H1, with YoY increases in both sales and income.

Profitability remained at a high level, albeit slightly lower, mainly due to aggressive investment in growth. Orders and order backlogs accumulated to a record high in Q3 cumulative period. Particularly in the most recent Q3, both overall and development have increased significantly YoY.

Next, regarding the outlook for the fiscal year ending March 31, 2024, we have not revised our full-year plan, as we are making steady progress in line with the plan raised in H1.

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

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- Higher sales, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Solidified increase in operating income even amid efforts to reinforce growth investment, including investment in human resources.

[Millions of yen]	First three quarters of fiscal 2023	First three quarters of fiscal 2024	YOY change	
Net Sales	370,382	**404,744**	+34,361	[+9.3%]
Operating Income	44,444	**47,579**	+3,134	[+7.1%]
Operating Margin	12.0%	**11.8%**	-0.2P	-
Net Income Attributable to Owners of the Parent Company	32,158	**32,190**	+32	[+0.1%]
Net Income to Net Sales Ratio	8.7%	**8.0%**	-0.7P	-

- Non-operating income: ¥2,899 million
  (YOY change +¥1,157 million)
  →Reversal of allowance for doubtful accounts ¥1,017 million
  Dividend income ¥674 million, etc.
- Non-operating expenses: ¥726 million
  (YOY change +¥10 million)
- Extraordinary income: ¥1,141 million
  (YOY change -¥3,552 million)
  →Gain on reversal of asset retirement obligations ¥551 million , etc.
- Extraordinary loss: ¥1,838 million
  (YOY change +¥725 million)
  →Loss on valuation of investment securities ¥1,285 million , etc.

* Impact on consolidated results, paralleling inclusion of Nihon ICS in scope of consolidation from second quarter, added ¥4.3 billion to net sales and ¥700 million to operating income (after amortization of goodwill).

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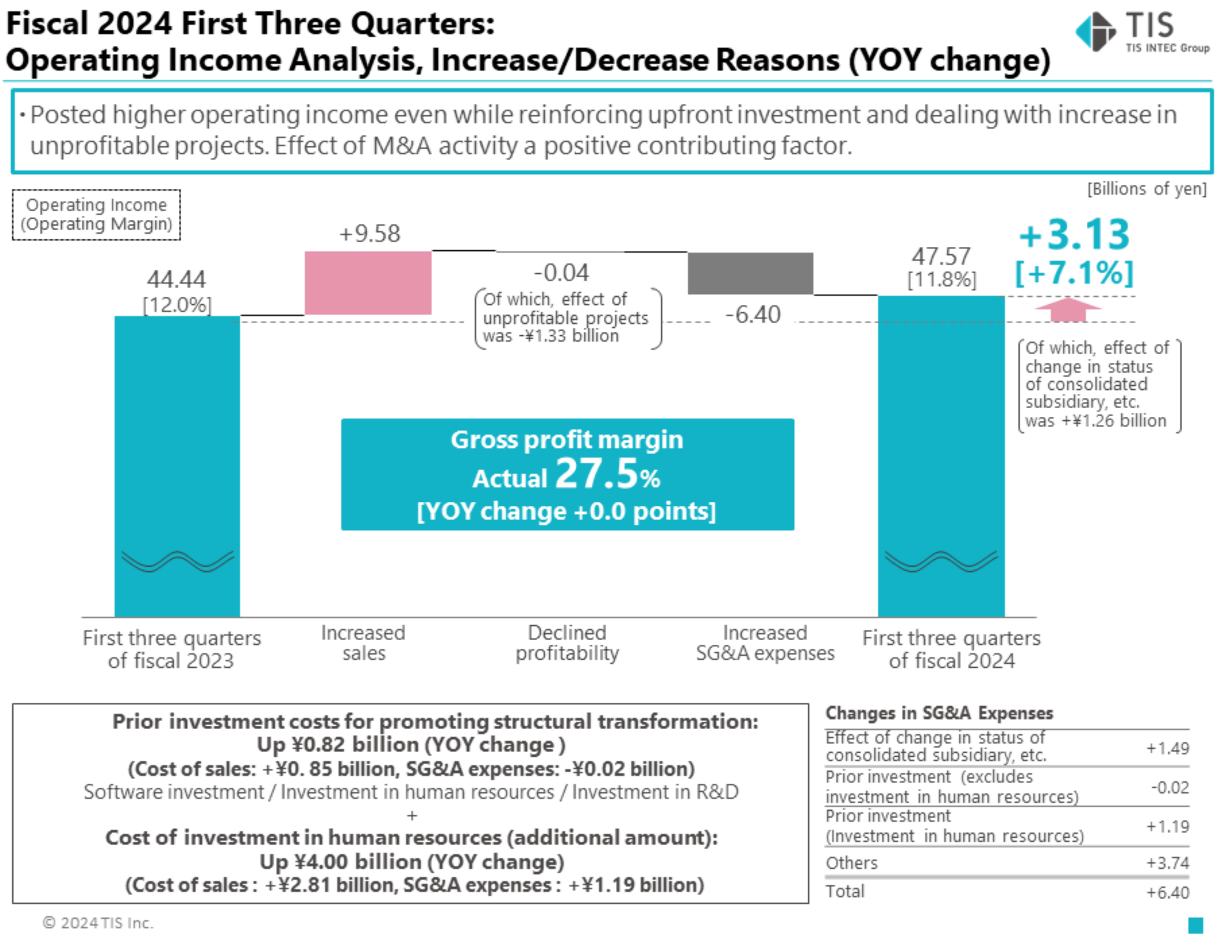
Now, please see page five. Summary of results for Q3 of the fiscal year ending March 2024.

With the favorable business environment continuing from H1, we were able to achieve increased sales and profits by steadily expanding our business.

Net sales increased 9.3% YoY to JPY404.7 billion, and operating income increased 7.1% to JPY47.5 billion, and the operation margin improved to 11.8%. Net income attributable to owners of the parent company increased to JPY32.1 billion, up 0.1% YoY.

The decline in quarterly net income margin of 0.7 percentage points was attributable to a rebound in extraordinary income recorded in the previous fiscal year due to a reduction in cross-shareholdings. The impact of the consolidation of Japan ICS as a consolidated subsidiary is JPY4.3 billion in net sales and JPY0.7 billion in operating income for the cumulative period from Q2.



Page six shows changes in operating profit by factor.

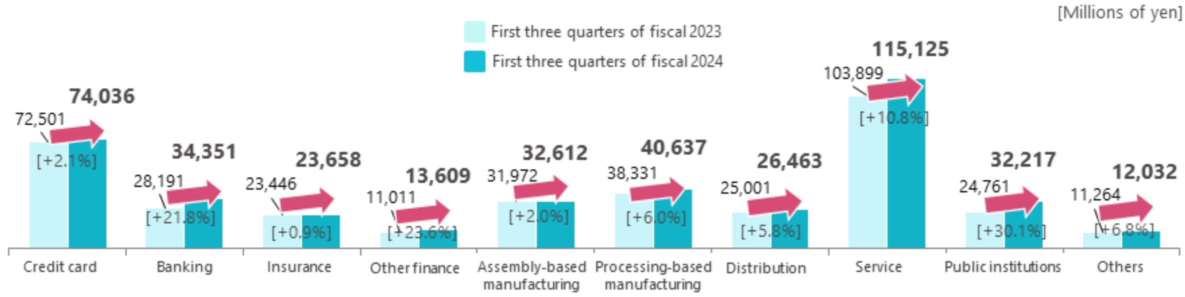
The increase in profits, mainly due to the effect of higher revenues, offset increased investment in human resources and other growth investments, resulting in JPY3.13 billion increase in operating income compared to the same period last year.

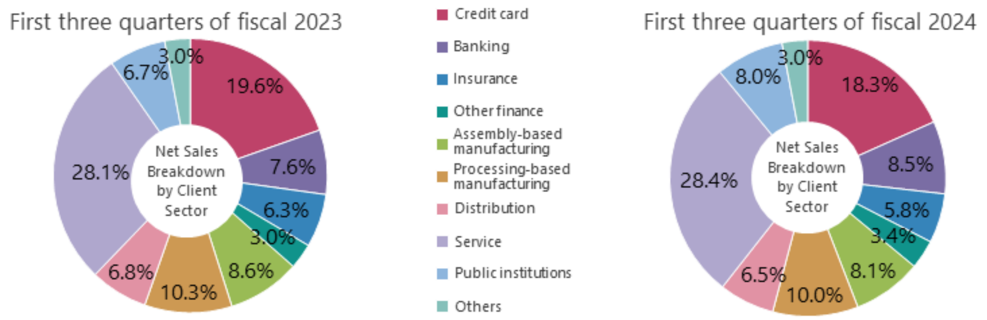
Although we were able to make steady progress in improving profitability through the provision of high value-added business and the promotion of productivity improvement measures, the gross profit margin remained unchanged and the operating profit margin declined by 0.2 percentage points from the same period last year, mainly due to unprofitable projects that occurred in Q2.

Unprofitable projects amounted to JPY1.6 billion in Q3 cumulative period. In Q3, the amount was controlled to approximately JPY200 million. We will continue to promote quality improvement measures and strive to prevent unprofitable projects from occurring.

Fiscal 2024 First Three Quarters: Sales by Client Sector

- Year-on-year increases in sales in all client sectors. Driven by demand from businesses providing services and banking operations as well as the public sector.





Financial sector: 36.5% Industrial sector: 53.8%
Public sector: 6.7% Other sectors: 3.0%

Financial sector: 36.0% Industrial sector: 53.0%
Public sector: 8.0% Other sectors: 3.0%

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Please refer to page seven. Sales by client industry.

The trend remained unchanged from H1, with increases in all industries. For services, the results reflected the performance of Japan ICS, and for public services, large projects for public financial institutions contributed to the results. As for banks, they are growing strongly, especially overseas.

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

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[Millions of yen]		First three quarters of fiscal 2023	First three quarters of fiscal 2024	YOY change	
Offering Service Business	Net Sales	81,516	**93,701**	+12,185	[+14.9%]
	Operating Income	4,499	**5,493**	+994	[+22.1%]
	Operating Margin	5.5%	**5.9%**	+0.4P	-
Business Process Management	Net Sales	32,223	**31,239**	-983	[-3.1%]
	Operating Income	3,644	**3,073**	-571	[-15.7%]
	Operating Margin	11.3%	**9.8%**	-1.5P	-
Financial IT Business	Net Sales	74,079	**79,820**	+5,740	[+7.7%]
	Operating Income	9,907	**11,256**	+1,348	[+13.6%]
	Operating Margin	13.4%	**14.1%**	+0.7P	-
Industrial IT Business	Net Sales	82,621	**89,679**	+7,058	[+8.5%]
	Operating Income	12,124	**13,268**	+1,143	[+9.4%]
	Operating Margin	14.7%	**14.8%**	+0.1P	-
Regional IT Solutions	Net Sales	115,422	**127,285**	+11,862	[+10.3%]
	Operating Income	13,569	**14,178**	+608	[+4.5%]
	Operating Margin	11.8%	**11.1%**	-0.7P	-

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 underpinned by wider IT investment across spectrum of client sectors, particularly manufacturing and distribution, as well as solid ERP demand.
Regional IT Solutions:	Higher sales and higher income, reflecting wider IT investment in such sectors as healthcare and banking as well as investment into networks and other industrial IT infrastructure. Profitability decreased, mainly due to impact of unprofitable projects.

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Page eight shows the status by major segments.

Offering Services posted increases in both revenue and income due to the firm capture of IT investment business in the settlement, infrastructure-related, and business management fields in line with the progress of digitization, as well as the impact of changes in consolidated subsidiaries, including Japan ICS. Overseas operations also contribute to sales growth.

As for BPM, both sales and profits declined as existing data entry operations continued to struggle. In financial IT, both sales and profits increased, driven by credit-card-related core customers, which peaked in H1, and large projects for public-sector financial institutions.

As for Industrial IT, sales and profits increased, driven by ERP-related activities, in addition to the trend of expanding IT investments in a wide range of industries, including manufacturing and distribution. In Regional IT solutions, sales and profits increased due to strong sales of bank-related and medical-related products and expanded IT investments in networks, but profitability declined due to unprofitable projects that occurred in Q2.

Reference: Fiscal 2024 First Three Quarters: Sales by Key Business Segment and Operating Activity *For external clients

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[Millions of yen]		First three quarters of fiscal 2023	First three quarters of fiscal 2024	YOY change	
Offering Service Business		72,506	**84,166**	+11,660	[+16.1%]
	Software development	34,055	**33,197**	-858	[-2.5%]
	Operating/cloud services	22,732	**28,732**	+6,000	[+26.4%]
	Product/software sales	15,718	**22,236**	+6,518	[+41.5%]
Business Process Management		30,505	**29,700**	-804	[-2.6%]
	Software development	13,082	**9,864**	-3,217	[-24.6%]
	Operating/cloud services	17,423	**19,056**	+1,633	[+9.4%]
	Product/software sales	-	**779**	+779	-
Financial IT Business		72,836	**78,683**	+5,846	[+8.0%]
	Software development	39,837	**45,165**	+5,328	[+13.4%]
	Operating/cloud services	27,713	**29,522**	+1,809	[+6.5%]
	Product/software sales	5,284	**3,994**	-1,290	[-24.4%]
Industrial IT Business		82,067	**89,260**	+7,192	[+8.8%]
	Software development	55,426	**58,113**	+2,687	[+4.8%]
	Operating/cloud services	17,870	**19,914**	+2,043	[+11.4%]
	Product/software sales	8,769	**11,231**	+2,461	[+28.1%]
Regional IT Solutions		110,651	**121,380**	+10,728	[+9.7%]
	Software development	57,616	**62,376**	+4,760	[+8.3%]
	Operating/cloud services	40,729	**42,188**	+1,459	[+3.6%]
	Product/software sales	12,305	**16,814**	+4,508	[+36.6%]

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In addition, on page nine, we have listed sales to external customers by business segment, which we hope will be helpful in confirming more detailed conditions by segment.

Reference: Fiscal 2024 Third Quarter (October-December): Sales and Income for Key Business Segments

[Millions of yen]		Third quarter of fiscal 2023	Third quarter of fiscal 2024	YOY change	
Net Sales		125,077	**137,255**	+12,178	[+9.7%]
Operating Income		16,734	**17,191**	+457	[+2.7%]
Operating Margin		13.4%	**12.5%**	-0.9P	-
Net Income Attributable to Owners of the Parent Company		13,323	**11,882**	-1,440	[-10.8%]
Net Income to Net Sales Ratio		10.7%	**8.7%**	-2.0P	-
Key Business Segments					
Offering Service Business	Net Sales	27,628	**33,552**	+5,924	[+21.4%]
	Operating Income	2,004	**2,834**	+830	[+41.4%]
	Operating margin	7.3%	**8.4%**	+1.1P	-
Business Process Management	Net Sales	10,732	**10,245**	-487	[-4.5%]
	Operating Income	1,239	**964**	-274	[-22.2%]
	Operating margin	11.5%	**9.4%**	-2.1P	-
Financial IT Business	Net Sales	25,361	**25,713**	+352	[+1.4%]
	Operating Income	3,596	**3,370**	-226	[-6.3%]
	Operating margin	14.2%	**13.1%**	-1.1P	-
Industrial IT Business	Net Sales	27,401	**31,353**	+3,951	[+14.4%]
	Operating Income	4,361	**4,797**	+436	[+10.0%]
	Operating margin	15.9%	**15.3%**	-0.6P	-
Regional IT Solutions	Net Sales	39,117	**41,749**	+2,631	[+6.7%]
	Operating Income	5,216	**5,164**	-52	[-1.0%]
	Operating margin	13.3%	**12.4%**	-0.9P	-

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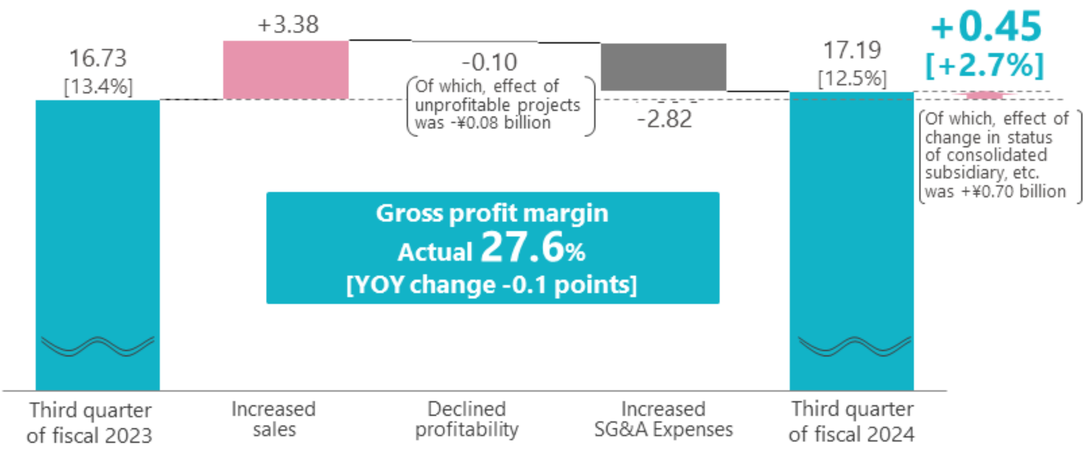
Reference: Fiscal 2024 Third Quarter (October-December): Operating Income Analysis, Increase/Decrease Reasons (YOY change)

Operating Income
(Operating Margin)

[Billions of yen]



Prior investment costs for promoting structural transformation: Down ¥0.11 billion (YOY change)
(Cost of sales: -¥0.04 billion, SG&A expenses: -¥0.07 billion)
Software investment / Investment in human resources / Investment in R&D
+
Cost of investment in human resources (additional amount): Up ¥1.60 billion (YOY change)
(Cost of sales : +¥1.13 billion, SG&A expenses : +¥0.46 billion)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	+0.73
Prior investment (excludes investment in human resources)	-0.07
Prior investment (Investment in human resources)	+0.46
Others	+1.70
Total	+2.82

Reference: Fiscal 2024 Third Quarter (October-December): Sales by Key Business Segment and Operating Activity *For external clients

[Millions of yen]		Third quarter of fiscal 2023	Third quarter of fiscal 2024	YOY change	
Offering Service Business		24,626	**30,344**	+5,718	[+23.2%]
	Software development	11,225	**11,669**	+444	[+4.0%]
	Operating/cloud services	8,380	**10,391**	+2,010	[+24.0%]
	Product/software sales	5,020	**8,284**	+3,264	[+65.0%]
Business Process Management		10,188	**9,753**	-435	[-4.3%]
	Software development	4,345	**3,196**	-1,149	[-26.4%]
	Operating/cloud services	5,842	**6,325**	+482	[+8.3%]
	Product/software sales	—	**231**	+231	-
Financial IT Business		24,924	**25,334**	+409	[+1.6%]
	Software development	14,127	**14,260**	+133	[+0.9%]
	Operating/cloud services	9,193	**9,853**	+659	[+7.2%]
	Product/software sales	1,604	**1,220**	-384	[-23.9%]
Industrial IT Business		27,222	**31,186**	+3,964	[+14.6%]
	Software development	18,383	**19,827**	+1,444	[+7.9%]
	Operating/cloud services	6,012	**6,525**	+513	[+8.5%]
	Product/software sales	2,826	**4,833**	+2,007	[+71.0%]
Regional IT Solutions		37,476	**40,091**	+2,614	[+7.0%]
	Software development	19,622	**20,895**	+1,272	[+6.5%]
	Operating/cloud services	13,726	**14,193**	+466	[+3.4%]
	Product/software sales	4,128	**5,003**	+875	[+21.2%]

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Results for the three months in Q3 are shown on pages 10 through 12.

Overall, both sales and income increased YoY. Although the operating margin declined by 0.9 percentage points, we recognize that this 12.5% is also a high level, as it was a very high 13.4% in the same period last year.

Gross profit margin was roughly on par with the same period of the previous year, despite the impact of enhanced investment in human resources and the peak-out of large projects, but this was due to a particularly low SG&A in the previous Q3, a wave effect, so to speak. Since the level of SG&A expenses this time is not particularly high, we do not believe that this is a situation that should cause us to worry too much about our full-year plan.

As mentioned at the beginning of this report, the decrease in net profit was due to a decrease in the amount of extraordinary income recorded compared to the same period of the previous year.

Fiscal 2024 First Three Quarters:
Order Status (Orders received during first three quarters)

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- Year-on-year increase in overall order volume.
- Tough conditions in software development for Business Process Management and Financial IT Business, which saw reactionary drop in demand, but Offering Services Business and Industrial IT Business achieved commendable increases.

[Millions of yen]		First three quarters of fiscal 2023	First three quarters of fiscal 2024	YOY change	
Orders received during first three quarters		344,697	**364,551**	+19,853	[+5.8%]
Software development		197,217	**193,889**	-3,328	[-1.7%]
Key Business Segments					
Offering Service Business	Orders received during first three quarters	64,223	**78,143**	+13,919	[+21.7%]
	Software development	30,208	**34,589**	+4,380	[+14.5%]
Business Process Management	Orders received during first three quarters	30,762	**28,943**	-1,818	[-5.9%]
	Software development	13,338	**8,924**	-4,414	[-33.1%]
Financial IT Business	Orders received during first three quarters	67,739	**62,623**	-5,115	[-7.6%]
	Software development	43,099	**34,413**	-8,685	[-20.2%]
Industrial IT Business	Orders received during first three quarters	74,741	**82,871**	+8,130	[+10.9%]
	Software development	52,333	**57,085**	+4,752	[+9.1%]
Regional IT Solutions	Orders received during first three quarters	107,231	**111,969**	+4,737	[+4.4%]
	Software development	58,237	**58,877**	+639	[+1.1%]

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Beginning on page 13 is an explanation of the status of orders.

First, overall orders received were up 5.8% YoY to JPY364.5 billion, reflecting a solid buildup of orders. In terms of development orders, although there was YoY decrease, this was largely due to a reactionary decline from the large financial IT projects in H1. We had expected this reactionary decline from the beginning, and we view the results as generally in line with our expectations.

Fiscal 2024 First Three Quarters: Order Status (Order backlog at end of third quarter)

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・Year-on-year increase, with trend in orders received during the term generally unchanged. Third quarter hit record high.

[Millions of yen]		First three quarters of fiscal 2023	First three quarters of fiscal 2024	YOY change	
Order backlog at end of third quarter		138,543	**143,272**	+4,728	[+3.4%]
Software development		91,682	**88,768**	-2,914	[-3.2%]
Key Business Segments					
Offering Service Business	Orders received during first three quarters	23,456	**28,713**	+5,256	[+22.4%]
	Software development	12,614	**15,322**	+2,708	[+21.5%]
Business Process Management	Orders received during first three quarters	8,760	**6,692**	-2,068	[-23.6%]
	Software development	8,760	**6,509**	-2,251	[-25.7%]
Financial IT Business	Orders received during first three quarters	34,293	**32,739**	-1,553	[-4.5%]
	Software development	25,139	**21,071**	-4,067	[-16.2%]
Industrial IT Business	Orders received during first three quarters	30,539	**31,676**	+1,137	[+3.7%]
	Software development	21,045	**21,666**	+620	[+2.9%]
Regional IT Solutions	Orders received during first three quarters	41,494	**43,450**	+1,955	[+4.7%]
	Software development	24,123	**24,197**	+74	[+0.3%]

Page 14 shows the order backlog at the end of the period.

Orders generally remained unchanged from the trend of orders received and increased YoY, piling up to a record high for Q3. We believe that we can continue to develop our business on a firm footing.

Reference: Fiscal 2024 Third Quarter (October-December): Order Status

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[Millions of yen]		Third quarter of fiscal 2023	Third quarter of fiscal 2024	YOY change	
Orders received during third quarter		78,703	**92,179**	+13,475	[+17.1%]
Software development		53,727	**60,712**	+6,984	[+13.0%]
Key Business Segments					
Offering Service Business	Orders received during third quarter	13,482	**20,151**	+6,669	[+49.5%]
	Software development	8,377	**10,742**	+2,365	[+28.2%]
Business Process Management	Orders received during third quarter	10,745	**9,318**	-1,427	[-13.3%]
	Software development	4,902	**2,825**	-2,077	[-42.4%]
Financial IT Business	Orders received during third quarter	8,482	**12,905**	+4,423	[+52.1%]
	Software development	6,731	**10,873**	+4,142	[+61.5%]
Industrial IT Business	Orders received during third quarter	20,994	**24,049**	+3,054	[+14.6%]
	Software development	16,840	**19,931**	+3,091	[+18.4%]
Regional IT Solutions	Orders received during third quarter	24,999	**25,754**	+755	[+3.0%]
	Software development	16,875	**16,339**	-536	[-3.2%]

Page 15 shows orders received for the three months of Q3.

Overall, the development built up strongly with a 17.1% increase over the same period last year and a 13% increase in development. Although the BPM situation remains difficult, in offering services, overseas operations and Japan ICS operations and sales have accumulated.

In financial IT, development projects were accumulated mainly by existing core customers. In industrial IT, ERP-related and modernization are leading the way.

No changes to estimates announced on November 1, 2023

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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, from second quarter, will likely add ¥5.4 billion to net sales and ¥400 million to operating income (after amortization of goodwill).

*2 ROE estimate for fiscal 2024 is a calculated value.

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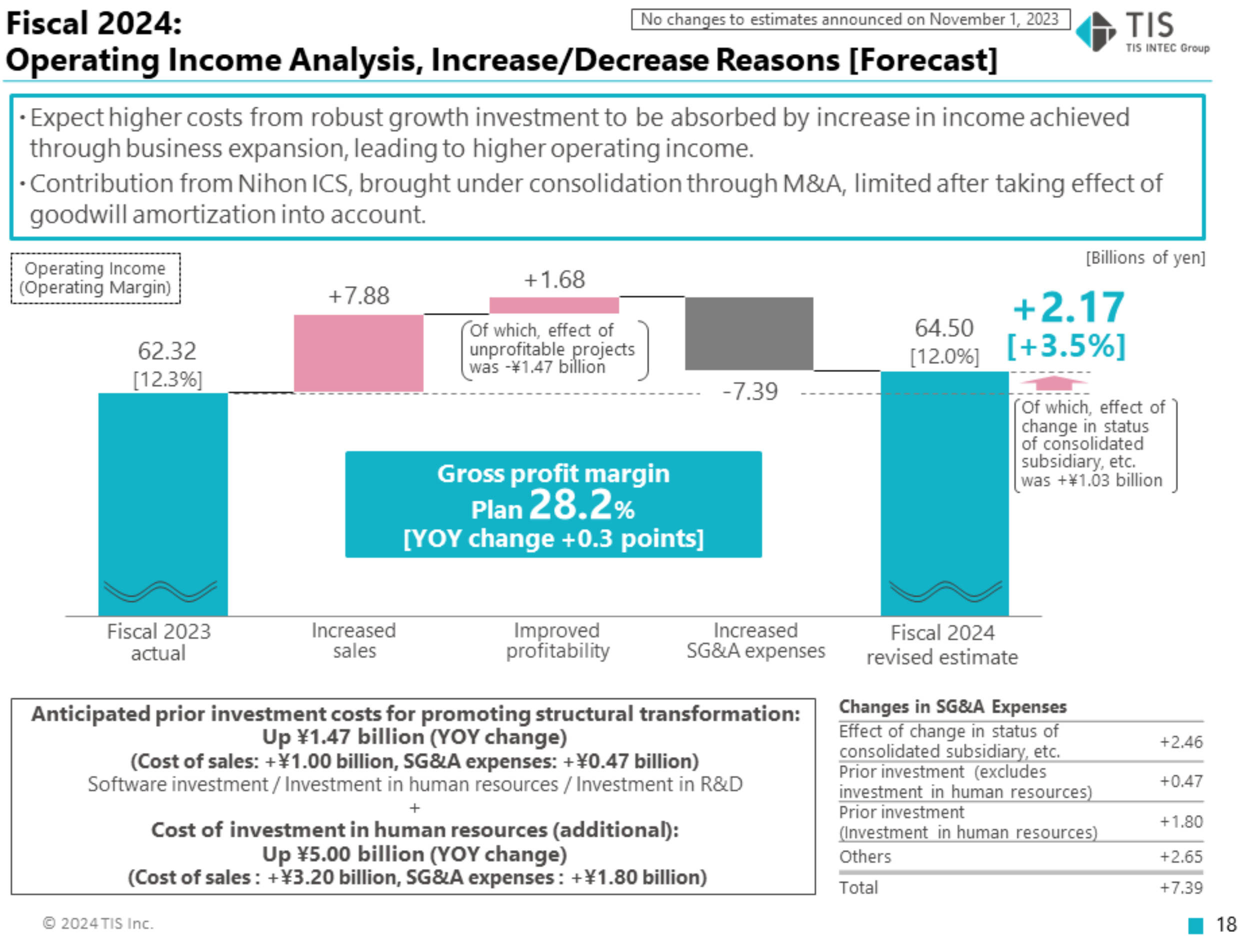
Next, I would like to explain our forecasts for the full year ending March 2024. Please refer to page 17.

The full-year forecast for the fiscal year ending March 31, 2024 remains unchanged from the revised figure on November 1, 2023. Net sales are projected to increase by 5.4% YoY to JPY536 billion, operating profit by 3.5% to JPY64.5 billion, and net profit attributable to owners of the parent is projected to decrease by 24.3% to JPY42 billion.



In terms of progress against the full year in the Q3 cumulative period, sales are slightly stronger than planned for the full year, while profits are progressing along the expected lines.

No changes to estimates announced on November 1, 2023

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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In Q4, despite the impact of the peak-out of large-scale projects, we will continue to steadily promote various measures, such as business development that precisely meets customer needs, in areas where IT investment is showing signs of strengthening.

Finally, I would like to briefly explain the timely disclosure announced at 4:30 PM today.

We have been informed by several business corporations of their intention to sell our shares, and have decided to repurchase our shares. After considering the total number of shares expected to be sold, we have chosen to conduct an off-auction purchase of our own shares in order to mitigate the short-term impact of such sales on the supply and demand of our shares and to reduce the impact on our existing shareholders.

The total amount of share repurchase is planned to be approximately JPY22 billion. The acquisition of treasury stock is expected to raise ROE to the 14% range. We intend to continue our efforts to achieve capital efficiency and cost of capital-conscious management.

This is the end of my presentation.

Moderator: Thank you very much.

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.

First, Mr. Tanaka of Goldman Sachs, please ask your question.

Chikai Tanaka [Q]: My name is Tanaka from Goldman Sachs. I would like to ask two points. The first point is that the three-month figures for orders received are very strong, and I think there has been strong growth in various segments. I would like you to let me know if there are any major projects in each segment.

In addition, I would like to confirm whether there is an upward trend in terms of orders, putting a little bit of a reactionary decline in the order environment. This is my first question.

Kawamura [A]: Thank you very much. Regarding the overall order situation, we were able to accumulate a solid volume of stock orders, mainly for operations, which covered the decline in development orders, and both orders and order backlogs were in very good condition.

By segment, first of all, with regard to offering services, operations and sales were particularly strong in the accumulation of overseas subsidiaries and Japan ICS.

In terms of development orders, we have received small orders of about JPY400 to JPY500 million in the settlement and business management fields, but we were able to increase these orders mainly from existing customers. This is not a specific increase, but rather an increase in consolidated subsidiaries and an increase in some existing customers.

Tanaka Chikai [Q]: Excuse me, Mr. Kawamura. Perhaps you are now talking about the Q3 total, but can you give us a figure for the three-month period?

Kawamura [A]: Okay, thank you. In terms of the impact of the consolidated subsidiaries, Nippon ICS had a positive impact of about JPY1.9 billion during the three-month period. The impact of MFEC and overseas subsidiaries was also positive, amounting to about JPY1.9 billion.

In addition to that, business such as settlement and business management of TIS added about JPY1 billion. This is where the offering service makes a significant contribution.

Next is financial IT, and this is also a card business in particular. In addition to an increase of about JPY1.5 billion at our major customers, we have received new orders from public-sector financial institutions, which have also added about JPY1.5 billion.

The rest of the banking business was generally strong, resulting in a total positive JPY4.1 billion. Development orders are the main focus.

In the industrial IT sector, there was a very strong increase mainly in the ERP and SAP-related areas, with an increase of about JPY500 million. In addition to that, please consider that there is a positive accumulation of about JPY200 to 300 million, mainly in the core business.

As for the regional IT, there was a slight negative impact on development here. On the other hand, it has contributed positively to operations and sales in particular, and the breakdown seems to be positive due to the accumulation of operations in the medical and network sectors.

Chikai Tanaka [Q]: Thank you. Just to confirm, is my understanding correct that it is not so much that you have received a huge number of projects, but rather that you have been able to grow through the accumulation of various projects, especially development projects, centered on major customers?

Kawamura [A]: Yes. You are correct.

Chikai Tanaka [Q]: So, the environment for orders has improved a little bit, although orders were weak in H1 due to a reactionary decline.

Kawamura [A]: Yes. We believe that the environment for orders was good this fiscal year as well, but there was a very large reactionary decline, which may have given this impression. We believe that we have been able to build up our business while we have been steadily returning to our respective businesses.

Chikai Tanaka [Q]: Thank you. Secondly, I would like to ask about the relationship between gross profit margin and large projects. First of all, large projects in the financial sector have probably dropped since this Q3, and I think Q4 and another customer are also in a situation of dropping.

Is the reactionary decline still likely to be stronger than expected relative to the level we saw at the beginning of the period, or is it coming in roughly in line with our expectations? I would like to ask you again about your current outlook, especially for the next fiscal year.

In this Q3, the gross profit margin did not have much of an impact from unprofitable operations, so it appears that it is very difficult to increase the gross profit margin. Given the backlash from large customers, should we expect it to become a little more difficult to improve gross margins? I have two points in this area, and I would like to ask for the last one.

Kawamura [A]: Thank you very much. First of all, the first large project is generally progressing as planned at the beginning of the fiscal year. I believe this is a corollary of the fact that the development project itself is also progressing as expected, so please consider that it is going as expected in relation to the process and in various other plans.

In light of your second question, the hurdle to achieving a positive gross profit level is gradually rising, and our labor costs and those of our partners are also rising, making it difficult to raise the gross profit level. However, our intention to somehow raise gross profit margins as we continue to improve profitability remains unchanged.

In this sense, we are hoping to achieve results in the form of a further increase in profit margin by shifting to a service-type business, as there has been a positive contribution from Japan ICS since Q2 of the previous fiscal year. That's all from me.

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

Moderator [M]: Thank you very much. Next, Mr. Kikuchi from SMBC Nikko Securities.

Kikuchi [Q]: I am Kikuchi. Thank you. I have two points to make. The first is that the large-scale projects that Mr. Tanaka has just asked about are still not easily seen.

In the next fiscal year, are you stocking up on projects that can be absorbed, or are there any new prospects that can be absorbed in the last three months, or not so much? The first point is that we would like to know if you have any figures, even qualitative, if possible.

Kawamura [A]: Regarding your question, we are aware that the situation is progressing as we explained at the beginning of the term. On the other hand, as I explained earlier, in Q3, we are not only working with specific credit-card-related customers, but also with a variety of other customers, and we have been able to beat back the overall order volume.

It is true that it will be very difficult to win back the orders for this project itself, but we are hoping to win back the orders by accumulating orders in each segment, although this may be a bit qualitative.

In this context, for example, in the industrial sector, ERP-related investments by manufacturing customers have been strong, and in the regional IT sector, IT investments by small and midsize companies have been strong, so we must firmly establish a plan to return to profitability as a whole.

In that sense, we would like to ensure the start of the next fiscal year's plan by building up a solid volume of orders in Q4. That's all from me.

Kikuchi [Q]: Thank you very much. As for the second point, I think the human resource investment cost in this fiscal year is very good, but the salary level has been raised considerably, and I heard before that the next fiscal year will be in a similar direction. Is the impact on the scale the same or less than this fiscal year? Please let us know if you are seeing anything.

In addition, I would like to know if you can see any other investments for the next fiscal year, such as investments in systems, or any upfront investments in structural reforms, or any other investments other than human resource investments for the next fiscal year.

Kawamura [A]: First of all, regarding personnel expenses, as I explained here a year ago, we have decided to raise our personnel expenses by about JPY5 billion per year for the entire group, which is a firm increase from the level of our personnel expenses.

At that time, the average increase in TIS alone was approximately 6%. First of all, with this increase, we have shown a solid level of compensation.

On the other hand, for the next fiscal year, we have been raising the level of remuneration in stages, and the level has been approximately 2% to 3%, so our current plan is based on that level of remuneration. We may raise wages one step higher than last year, depending on the situation, but for the next fiscal year, we feel that we need to raise wages as usual.

As for other areas, of course we will continue to make upfront investments as we have always planned to do so, but I do not think there is anything to worry about in terms of investments that will have a significant impact on our business performance today.

We hope to be able to present the amount of investment and the effects of the investment in the next fiscal year's plan. That's all from me.

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

Moderator [M]: Thank you very much. Next, Mr. Tanaka of Morgan Stanley MUFG Securities, Inc.

Hideaki Tanaka [Q]: My name is Tanaka from Morgan Stanley MUFG Securities. I have two questions. First, please comment on whether or not there are any changes to the business meeting on the credit SaaS side.

Kawamura [A]: We held a financial result briefing in December, and the situation has not changed significantly from what we explained at that time. We are working diligently on our sales activities and will do our best to share our achievements with you again. That's all from me.

Hideaki Tanaka [M]: Thank you very much. The second point is the ToSTNeT-3 part of the treasury stock you mentioned earlier. Please tell us if there are any other companies that have policy holdings other than this one, or if there are still quite a few lefts, or if you have any rough estimates in that area. That's all from me.

Kawamura [A]: As we have disclosed, we are taking steps to reduce our policy shareholdings. We believe that the progress has been made on a firm footing, as we have kept the balance sheet at 9% or less from the end of the last fiscal year.

We believe that we have made appropriate progress in reducing the number of shares we own, and we are not considering any further announcements at this time. That's all from me.

Hideaki Tanaka [M]: Thank you very much. Rather, I understand that your company is moving forward with this, but I'm not sure what else can be done at your shareholder's place.

It's like this is no longer the case, because your company is reducing its policy holdings, so the other party is also reducing its policy holdings, and nothing else. I have a question about the impact of this business corporation wanting to sell shares of your company, and whether this is about the last time we should consider it.

Kawamura [A]: We are not sure if it is possible for us to mention the possibility of receiving an offer from the other party rather than from us. However, based on the remaining balance, I understand that a large portion is no longer remaining. That's all from me.

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

Moderator [M]: Thank you very much. Now, Mr. Sato of Jefferies Securities.

Sato [Q]: My name is Sato from Jefferies. Since you all have asked me so many questions, I only have one, and it is this Q3 financial results, and I was looking at it thinking that sales were up quite normally. Also, in the area of orders, I had the impression at the first-half briefing and during the interviews that Q3 might not be so bad, but when I opened the door, I found that the numbers were very strong.

What were your orders, sales, and operating income like in relation to the internal figures this time? Was it higher or lower than expected, was it inline, or was it possible to give the order a really good rating? I would appreciate it if you could give me a detailed assessment of this area.

Furthermore, looking at this Q3 now, I don't think you have tinkered with the full-year or H2 figures, but it is sensitivity, isn't it? I think what you just said was that you will do your best to get orders, so I am wondering if you can clear up the issue of guidance, but I would appreciate your comments on this as well. Thank you.

Kawamura [A]: Thank you very much. On a Q3 stand-alone basis, sales, profits, and orders received were slightly better than expected, and we believe that we were able to achieve results for Q3.

However, as you have already heard, in Q4, there was a reactionary decline from the very large orders received from large public-sector financial institutions in the previous fiscal year. We are not optimistic because we recognize that we still need to build up.

As I mentioned earlier, we believe that the environment is generally favorable, and we are determined to build up our orders and create a master plan for the next phase of the project. We recognize that we still need to make solid progress toward our mid-term plan. That's all from me.

Sato [Q]: Excuse me, speaking about public, maybe it means housing, but this is a reactionary decline in sales as well, isn't it? Let me check this first.

Kawamura [A]: No, we received a lump-sum order of about JPY5 billion in Q4, so I think this is one of the highest hurdles for orders.

Sato [Q]: Okay. When your company's operating income is slightly higher in H2, you sometimes say in Q4 that you are going to invest a little more for the next fiscal year. You said that such things are not planned for this fiscal year.

Kawamura [A]: I'm sorry. I am not aware that we are making such plans, but I believe that the situation is unpredictable, and we will do our best to stay on top of it.

On the other hand, as I mentioned earlier, there are bright spots in general, such as SAP, for example, and the firm uptake of IT investments by small and midsize companies, so we will continue to look forward and do our best. That's all from me.

Sato [Q]: If you don't make up JPY25 billion in Q4.

Kawamura [A]: Excuse me, Mr. Sato. It is 50, not 250.

Sato [M]: I'm sorry, I was surprised. Thank you very much for your answer. That's all from me.

Moderator [M]: Thank you very much. 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 Q3 of the fiscal year ending March 2024. If you have any questions, please contact our IR staff during an individual [inaudible] or by phone, and we will be happy to answer them. Thank you for your continued support.

Moderator [M]: This concludes the teleconference. Thank you all for your participation.

[END]

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