Consolidated Financial Results for the Fiscal Year ended March 31, 2024
(April 1, 2023 through March 31, 2024)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan.
This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

May 8, 2024

Company name:	TIS Inc.
Stock exchange listings:	Tokyo Stock Exchange, Prime Market
Stock code:	3626
URL:	https://www.tis.com/
Representative:	Yasushi Okamoto, President
Contact:	Masahiro Hiwasa, Department Manager of Finance & Accounting Dept., Corporate Planning SBU.
Phone:	+81 50-1702-4115

Scheduled dates

Annual general shareholders' meeting:	June 25, 2024
Filing of statutory financial report:	June 26, 2024
Commencement of dividend payments:	June 26, 2024

Supplementary materials to the full-year results:	Available
Full-year results presentation held:	Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the Fiscal Year ended March 31, 2024 (FY2024) (April 1, 2023 – March 31, 2024)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY2024	549,004	8.0	64,568	3.6	68,553	8.5	48,873	-11.9
FY2023	508,400	5.4	62,328	13.9	63,204	13.5	55,461	40.5

Note: Comprehensive income: FY2024: 56,622 million yen (18.6%); FY2023: 47,746 million yen (27.4%)

	Net income per share – basic	Net income per share – diluted	Return on shareholders' equity	Ratio of recurring profit to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY2024	203.28	-	16.0	13.9	11.8
FY2023	227.11	-	18.8	13.5	12.3

For reference: Equity in earnings (losses) of affiliated companies: FY2024: (20) million yen; FY2023: (1,088) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
End-FY2024	525,456	324,725	59.5	1,333.32
End-FY2023	462,320	309,226	64.2	1,227.44

For reference: Total equity: End of FY2024: 312,409 million yen End of FY2023: 297,039 million yen
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	millions of yen	millions of yen	millions of yen	millions of yen
FY2024	62,578	(32,817)	(21,889)	102,722
FY2023	33,634	11,300	(64,573)	94,306

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout ratio (consolidated)	Dividends paid to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
FY2023	-	15.00	-	35.00	50.00	12,167	22.0	4.2
FY2024	-	17.00	-	39.00	56.00	13,314	27.5	4.4
FY2025 (forecast)	-	34.00	-	34.00	68.00		35.3	

Note: Total dividends paid includes dividends (39 million yen for FY2023, 75 million yen for FY2024) paid to TIS INTEC Group Employees' Shareholding Association Trust and dividends (10 million yen for FY2023, 10 million yen for FY2024) paid to Board Incentive Plan (BIP) Trust.

3. Forecast of Consolidated Results for FY2025 (April 1, 2024 – March 31, 2025)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net Income attributable to owners of the parent company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
First half of FY2025 (six months ending Sep. 30, 2024)	270,000	0.9	30,000	-1.3	30,000	-5.8	20,300	-0.0	87.13
Full FY2025 (year ending Mar. 31, 2025)	555,000	1.1	66,500	3.0	66,500	-3.0	44,800	-8.3	192.55

※Notes

(1) Material reclassifications of subsidiaries during the period: None

(Changes in specified subsidiaries resulting in change in scope of consolidation)

Additions: None

Exclusions:None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: None

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Common stock issued

1) Issued shares as of period-end (including treasury stock):

End-FY2024 (March 31, 2024): 236,233,411 shares

End-FY2023 (March 31, 2023): 244,445,411 shares

2) Treasury stock as of period-end:

End-FY2024 (March 31, 2024): 1,924,351 shares

End-FY2023 (March 31, 2023): 2,446,057 shares

3) Average number of shares (during the fiscal year):

FY2024 (ended March 31, 2024): 240,427,703 shares

FY2023 (ended March 31, 2023): 244,212,296 shares

Note: Treasury stock includes the number of the Company's own shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

Audit Status

Financial reports are not subject to review procedures to be conducted by certified public accountants or an audit firm.

Caution on Forward-Looking Statements and Other Important Matters

At a Board of Directors' Meeting held on May 8, 2024, TIS Inc. (TIS) resolved to acquire its own (treasury) shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said Act. Accordingly, "Net income per share – basic" in the Forecast of Consolidated Results for FY2025 has been presented taking into account the effect of this acquisition of treasury shares.

This report contains forward-looking statements that reflect TIS's plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(4) Outlook for fiscal 2024" in the "1. Results of Operations" section on page 12 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

During fiscal 2024, the Japanese economy recovered moderately, albeit with some stagnation, due in part to the effects of various policies, as the new employment and income environment improved. Looking ahead, although a moderate recovery is expected to continue, it will be necessary to watch carefully for the risk of downward pressure on Japan's economy due to the effects of a downturn in overseas economies following the worldwide monetary tightening as well as rising prices, fluctuations in financial and capital markets, and other factors.

The IT services industry, to which the TIS INTEC Group ("the Group") belongs, is expected to see further increases in IT investment demand as the transformation of business processes and business models utilizing digital technologies progresses globally. This is demonstrated by factors such as the Bank of Japan's quarterly Short-term Economic Survey of Enterprises in Japan announced during the period under review, which all showed year-on-year increases in corporate software investment plans (all industries, including financial institutions).

Fiscal 2024 is the last year of the medium-term management plan (2021–2023), which was formulated as a second step towards realizing "Group Vision 2026." Under the slogan of "Be a Digital Mover 2023," the Group continued to strengthen its focus on Strategic Domains and took various measures to accelerate business restructuring, with enhancing the value provided by digital transformation as the keystone.

Consolidated net sales for the Group during fiscal 2024 rose 8.0% year on year to ¥549,004 million. Operating income rose 3.6% to ¥64,568 million and recurring profit was up 8.5% to ¥68,553 million, while net income attributable to owners of the parent company decreased 11.9% to ¥48,873 million.

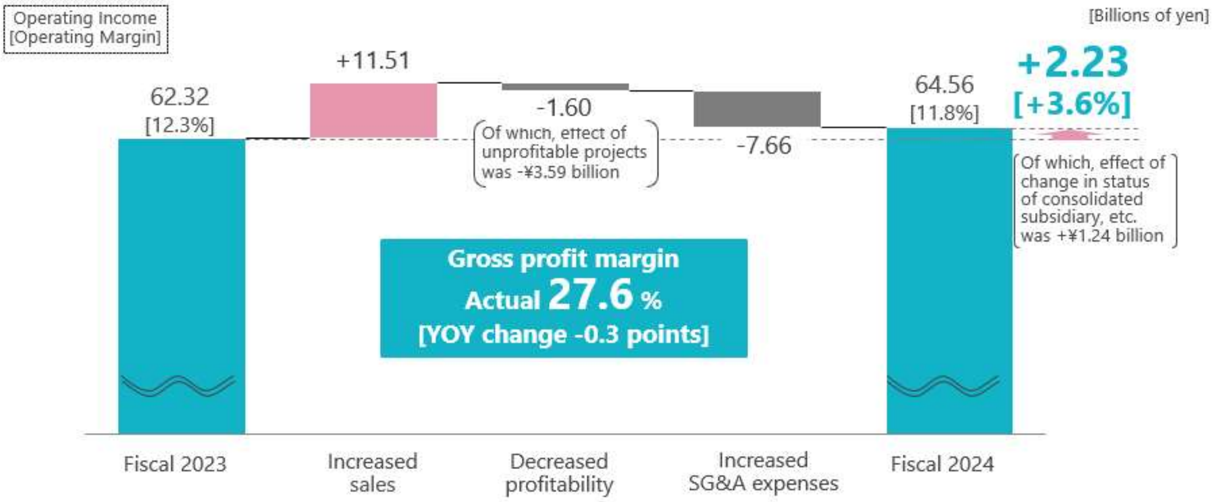
(Unit: millions of yen)

	Fiscal 2023	Fiscal 2024	Year-on-year change
Net sales	508,400	549,004	+8.0%
Cost of sales	366,668	397,365	+8.4%
Gross profit	141,732	151,639	+7.0%
Gross profit ratio	27.9%	27.6%	-0.3P
Selling, general and administrative expenses	79,403	87,070	+9.7%
Operating income	62,328	64,568	+3.6%
Operating income ratio	12.3%	11.8%	-0.5P
Recurring profit	63,204	68,553	+8.5%
Net income attributable to owners of the parent company	55,461	48,873	-11.9%

Net sales were higher than the previous year, in part because the company expanded its business by precisely responding to IT investment demand, such as customers' demand for digital transformation. The Company recorded a year-on-year increase in operating income due to the increase in income from higher revenue, provision of high value-added business, and promotion of productivity improvement measures, while aggressively investing in human resources and other investments that will contribute to future growth. However, the gross profit ratio decreased 0.3 percentage points to 27.6% compared with the previous year and the operating income ratio fell 0.5 percentage points to 11.8% due to the significant impact of unprofitable projects. The year-on-year increase in recurring profit reflects the growth in operating income and the improvement in non-operating income and expense. Net income attributable to owners of the parent company decreased year on year, mainly due to the non-recurrence of the increase in extraordinary income resulting from a reduction in cross-shareholdings in the previous fiscal year.

The results of Nihon ICS Co., Ltd., which became a consolidated subsidiary in April 2023, are reflected from the second quarter of the fiscal year. The Company's consolidated financial results for fiscal 2024 include Nihon ICS's net sales of ¥5.8 billion and operating income of ¥1.8 billion, as well as amortization of goodwill related to the company of ¥1.2 billion.

<Analysis of the increase/decrease in key factors of operating income (YOY change)>



Prior investment costs for promoting structural transformation:
Up ¥0.78 billion (YOY change)
(Cost of sales: +¥0.80 billion, SG&A expenses: -¥0.01 billion)
Software investment / Investment in human resources / Investment in R&D
\+
Cost of investment in human resources (additional):
Up ¥5.21 billion (YOY change)
(Cost of sales : +¥3.58 billion, SG&A expenses : +¥1.63 billion)

Changes in SG&A expenses

Effect of change in status of consolidated subsidiary, etc.	+2.58
Prior investment (excludes investment in human resources)	-0.01
Prior investment (investment in human resources)	+1.63
Others	+3.46
Total	+7.66

Segment results for the period are as follows. The sales figures for each segment include inter-segment sales.

(Unit: millions of yen)

		Fiscal 2023	Fiscal 2024	Year-on-year change
Offering Service Business	Net sales	111,752	130,759	+17.0%
	Operating income	6,426	7,659	+19.2%
	Operating income ratio	5.8%	5.9%	+0.1P
BPM	Net sales	43,255	41,953	-3.0%
	Operating income	5,123	4,551	-11.2%
	Operating income ratio	11.8%	10.8%	-1.0P
Financial IT Business	Net sales	101,184	106,304	+5.1%
	Operating income	13,896	15,185	+9.3%
	Operating income ratio	13.7%	14.3%	+0.6P
Industrial IT Business	Net sales	113,632	121,896	+7.3%
	Operating income	16,728	18,287	+9.3%
	Operating income ratio	14.7%	15.0%	+0.3P
Regional IT Solutions	Net sales	160,010	172,376	+7.7%
	Operating income	19,343	18,497	-4.4%
	Operating income ratio	12.1%	10.7%	-1.4P
Other	Net sales	8,957	9,581	+7.0%
	Operating income	878	777	-11.5%
	Operating income ratio	9.8%	8.1%	-1.7P

1) Offering Service Business

Configures services through own investment based on best practices the Group accumulated and provides knowledge-intensive IT services.

Segment sales during fiscal 2024 totaled ¥130,759 million, up 17.0% year on year, and operating income increased 19.2% to ¥7,659 million. In addition to the expansion in IT investment in the settlement solutions, platforms, and business management fields, overseas operations contributed to growing sales, the business results, etc. of Nihon ICS Co., Ltd., which became a consolidated subsidiary in April 2023, started to be reflected in the consolidated financial results from the second quarter of fiscal 2024, resulting in a year-on-year increase in both sales and profits with operating income ratio of 5.9%, up 0.1 percentage points year on year.

2) Business Process Management

Addresses issues related to business processes with IT technology, business know-how and skilled human resources to provide more sophisticated, more efficient outsourcing services.

Segment sales during fiscal 2024 totaled ¥41,953 million, down 3.0% year on year, and operating income decreased 11.2% to ¥4,551 million. Data entry operations were sluggish, which led to a decrease in both sales and profits year on year, and pushed down the segment’s operating income ratio to 10.8%, a year-on-year decrease of 1.0 percentage points.

3) Financial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to the finance industry.

Segment sales during fiscal 2024 totaled ¥106,304 million, up 5.1% year on year, and operating income increased 9.3% to ¥15,185 million. Driven mainly by large development projects by credit card companies and other core clients as well as public-sector financial institutions in the first half of the fiscal year, both sales and profits increased over the same period of the previous fiscal year, and the operating income ratio rose to 14.3% (up 0.6 percentage points year on year).

4) Industrial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to industry sectors other than finance.

Segment sales during fiscal 2024 totaled ¥121,896 million, up 7.3% year on year, and operating income increased 9.3% to ¥18,287 million. Despite a decrease due to the non-recurrence of large-scale development projects in the manufacturing sector, the trend of expanding IT investments in a wide range of industries, including manufacturing and distribution, and activities related to enterprise resource planning (ERP) led overall growth, resulting in a year-on-year increase in sales and profit, and the operating income ratio increased 0.3 percentage points to 15.0%.

5) Regional IT Solutions

Provides IT professional services extensively, across regions and client sites, and collects and develops this know-how as the source of solutions to support efforts to address issues and promote business activities.

Segment sales during fiscal 2024 totaled ¥172,376 million, up 7.7% year on year, and operating income decreased 4.4% to ¥18,497 million. Segment sales increased year on year owing to the trend of expanding IT investments, mainly by the medical, banking and network businesses. On the other hand, operating income decreased year on year due to the significant impact of unprofitable projects, resulting in the segment’s operating income ratio dropping to 10.7%, a year-on-year decrease of 1.4 percentage points.

6) Other

Consists of ancillary businesses offering IT services, and other activities.

Segment sales totaled ¥9,581 million, up 7.0% year on year, and operating income decreased 11.5% to ¥777 million and the operating income ratio was down 1.7 percentage points at 8.1%.

As mentioned above, fiscal 2024 is the last year of the medium-term management plan (2021–2023). The plan has the five basic policies of “Virtuous cycle of value created jointly with society and employees,” “Improve value provided by DX,” “Expand investment to generate strengths,” “Deepen and expand global operations,” and "Diversification of human resources, sharper skills," and the Group also has the slogan of "Be a Digital Mover 2023." Based on these, the Group continued to strengthen its focus on Strategic Domains and worked to accelerate business restructuring, with further enhancing the value provided by digital transformation as the keystone. Having achieved the key management indicators specified in the plan one year ahead of schedule in the previous fiscal year, the Group has set the following Group management policies and implemented various measures during fiscal 2024 with the aim of achieving further sustainable growth and enhancing its corporate value.

*Note: "Strategic Domains" are the four business domains designated to be built into the core businesses of the Group by 2026, as set forth in "Group Vision 2026."

The status of main initiatives in the five basic policies of the medium-term management plan for fiscal 2024 are presented below.

1) Virtuous cycle of value created jointly with society and employees

The Company will continue to promote the resolution of social issues through co-creation with stakeholders, further deepen awareness of corporate social responsibility, and strengthen corporate sustainability initiatives, while developing its management foundation through the sophistication and efficiency of its head office functions.

As the Company seeks to establish its presence as a leading sustainability company, it has changed the positioning and composition of the Corporate Sustainability Committee since April 2023. Composed mainly of all Directors, including External Directors, the committee identifies trends in the practice of sustainability management, determines the issues to be focused on and the direction of our response through discussion, and supervises the execution of duties through the Board of Directors, aiming to continuously upgrade the sustainability activities.

As part of efforts to improve management transparency through detailed disclosure, the Company has published an ESG Data Book that comprehensively summarizes the Group's overall sustainability management, ESG initiatives, and related non-financial information.

In accordance with the Basic Policy on Corporate Sustainability, the Group is promoting human rights and environmental initiatives, which are of the most important pressing social issues. To address human rights issues, we have clarified a human rights risk management system that meets the United Nations Guiding Principles on Business and Human Rights. With regard to environmental issues, recognizing the importance of reducing emissions of greenhouse gases (hereinafter referred to as "GHG"), which are considered to be a cause of climate change, the Group raised the targets for reducing GHG emissions (Scope 1 + 2) (Note 1) at its offices in fiscal 2030 from a 27.5% reduction to a 50% reduction compared with fiscal 2019, while setting targets of carbon neutrality of GHG emissions (Scope 1 + 2) in fiscal 2040 and net zero (Note 2) GHG emissions (Scope 1 + 2 + 3) in fiscal 2050. The Company's targets have been validated by the Science Based Targets initiative (SBTi) (Note 3) as being scientifically in line with the "1.5°C target," which is an upgrade from the SBTi validation of the "2°C target" obtained in 2021.

Furthermore, in April 2023, the Company formulated the Multi-Stakeholder Policy to promote appropriate collaboration and co-creation with diverse stakeholders. We view that proper distribution of earnings and outcomes generated by value creation and productivity enhancement to multi-stakeholder groups will help maintain momentum for wage increases and sustainable economic development. Given the importance of distribution to employees and respect to business partners, we will continue to engage in our initiatives.

In addition, as part of the Group's contribution to regional communities, the Group is continuing the corporate version of hometown tax donations and the projects in cooperation with NPOs in three domains that cannot be covered by its business activities (activities to support future users, activities to spread the benefits of digital technology to society, and activities to mitigate the negative impacts of digital technology on society).

From the perspective of improving the management foundation by upgrading and increasing the efficiency of head office functions, the Company expanded the scope of the "G20 Head Office Function Upgrade Project," which it has been working on for some time. In addition, as part of our efforts to share and further upgrade indirect business activities, the Company also promoted a shift to shared services and digital transformation of back-office operations for the whole group through a system centered on TIS Business Service Inc.

Note 1: An aggregation method that serves as an international standard for GHG calculation and aggregation methods. It was stipulated by the GHG Protocol around 2001. Scope 1 is direct emissions from the company, Scope 2 is indirect emissions from purchased electricity, and Scope 3 is indirect emissions from other sources, including the value chain

Note 2: Net zero GHG emissions is the condition where anthropogenic GHG emissions and removals are balanced, with net zero GHG emissions into the atmosphere

Note 3: Targets consistent with reductions required to meet the Paris Agreement targets of the United Nations Framework Convention on Climate Change based on the latest climate change science

2) Improve value provided by DX

The Group will continue to promote co-creation with stakeholders, strengthen digital transformation consulting functions, and advance IT delivery in order to enhance our vision for transforming society.

As we further strengthen the front line, which is the point of contact with stakeholders, the Group is taking measures to further strengthen DX consulting functions to formulate strategies and address business issues with the aim of enhancing value for clients. In addition to active recruitment from outside the Group and internal training rotation measures for the entire Group based on the DX Strategy Human Resources Conference, the Company's unique training programs geared to job types and skills are applied to the entire Group to expand the Group's consulting methodology and increase the number of talented DX consultants. The Group is enhancing the collaboration with Miotsukushi Analytics Co., Ltd., a consolidated subsidiary with strengths in data analysis and AI consulting, and Fixel Inc., a subsidiary with excellent design consulting capabilities, from a human resource aspect, as well as a business aspect. Through strategic allocation of management resources, we will continue to focus on enhancing our system to provide value to help with customers' digital transformation.

We have been promoting employees' work-style reforms with the introduction of a human resource system that enables employees to work in a variety of ways as well as the development of office and IT environments. In addition to them, as work-style reforms with DX, we consolidated the data that had been stored in each system within the Company into one place and built a database to further sophisticate work styles and enhance overall performance. Based on the analysis results derived from these pieces of data, we will develop measures to further sophisticate the work styles of our employees.

The Group continues to focus on digital transformation in three domains. We will aim, from an integrated perspective, to create a virtuous cycle of new value by treating "social digital transformation" to realize a better society, "business digital transformation" to innovate our customers' businesses, and "internal digital transformation" to evolve the Group itself, as a single group of steps that strongly influence each other. As part of internal digital transformation efforts, we have released TIS AIChatLab, an in-house dedicated ChatGPT environment powered by Microsoft's Azure OpenAI Service environment. In the midst of rapid technological development, the field of generative AI, including ChatGPT, is particularly remarkable for its evolution. We develop an environment where generative AI can be used securely so that all employees can actually use generative AI, thereby improving operational efficiency and leading to its effective use in business.

In March 2024, the Company and INTEC Inc. entered into a capital and business alliance agreement with Nippon Life Insurance Company and Nissay Information Technology Co., Ltd. The Group and Nippon Life Group have been involved in exchanging personnel and developing systems in the IT field, and this alliance is set to enhance Nippon Life Group’s IT strategy and DX initiatives to better adapt to changes in the market environment and the diverse needs of customers.

3) Expand investment to generate strengths

Aiming to enhance our ability to realize business structure transformation, the Company will continue working to allocate management resources to priority areas such as social issue solution services, as well as measures to upgrade management.

In the payments domain, which is one of the Group’s strengths, we are developing our business in the overall settlement area under “PAYCIERGE,” a total brand of retail settlement solutions. The credit card processing service, which went into service in the second half of the previous fiscal year, is operating steadily, and we are promoting sales activities to further expand transactions. In addition, the Group is preparing to develop the “Embedded Finance” business and made it possible to embed a full range of settlement services by combining the front-end settlement functions owned by ULTRA Inc., a consolidated subsidiary, and the Group’s existing expertise in building settlement back-end functions. Moreover, in collaboration with Sumitomo Mitsui Card Company, Limited (SMCC), we launched a new payment platform, the SMCC Mobile Payment Package, which enables businesses to incorporate payment functions into their own applications. Prepared with functions needed to install payment functions in their apps, this package service allows businesses to select the necessary functions according to their strategies and to install payment functions in their apps at a lower price and in a shorter period of time. Evolving the service so that it can respond to changes in business needs and strategies, we work to provide businesses with comprehensive support for their cashless initiatives according to their needs and changes in strategies. In these circumstances, we have formulated a new payment strategy focusing on the four areas of credit, digital accounts, next-generation payments, and new value creation, in response to the market environment and trends in customer needs, such as the recent spread of light payment needs. Under the new strategy, we provide complex services combining products and services, which were previously provided in units, to promote evolution and expansion of payments. The aim is to reduce barriers to entry into the financial sector, and develop payments with the theme of social changes to solve social issues. With these efforts, we continue to contribute to the development of a cashless society.

As various measures for structural transformation are promoted in the medium-term management plan (2021–2023), the Company made Nihon ICS Co., Ltd. (“Nihon ICS”) a consolidated subsidiary in April 2023. The aim is to accelerate the growth of IT Offering Services (Note 1), one of our Strategic Domains, by welcoming the company, which mainly targets tax accountant offices and their corporate clients and is engaged in providing financial accounting packages and related services. By combining the Company’s business for financial institutions and Nihon ICS’s business for professionals such as tax accountants, we are working to sophisticate professional services, enhance financial institutions, and expand our initiatives into new companies. Aiming to grow our client base and realize new business schemes, Nihon ICS has formulated the “Tax Accountant 360 Initiatives” to address the various issues facing tax accountants in the medium- to long-term. We will contribute to the growth of tax accountants and their corporate clients by developing a 360-degree support menu for tax accountants, while maintaining the main focus on providing existing tax and accounting software. This will be achieved by leveraging digital technologies such as generative AI and strengthening partnerships and collaborations with companies within and outside the Group. In cooperation with the Company, Nihon ICS has worked to establish management and operation systems, strengthen and integrate governance, and introduce the Company’s proprietary quality management system, “Trinity,” among others. We continue to strengthen the linkage of the Company’s services for the sophistication of professional services and advancement of DX in corporate clients with expense settlement and the incorporation of financial statements by financial institutions. We will share our R&D outcomes, collaboration know-how, and cutting-edge technologies to further consider the possibility of collaboration between the Company’s clients and Nihon ICS, strengthen the development system, and enhance the management process for better quality. In July 2023, we entered into a capital and business alliance agreement with Financie, Inc., a Web3 platformer, which can realize the token ecosystem in one go. In order to address the various issues and to meet diverse needs that have emerged during the large-scale transition from Web2 to Web3, we will leverage the knowledge, experience, and extensive personal connections held by the Company and Financie, Inc. to develop measures to drive the spread and development of Web3.

Furthermore, as part of the efforts to address “health issues,” one of the social issues that the Group aims to solve through its business, the Company joined the PHR Service Business Association, which was established in July 2023. The aim is “Promoting cooperation among diverse stakeholders and contributing to the extension of the healthy life expectancy of the people and to the well-being of the people through the development of the PHR (Personal Health Record, Note 2) service industry” and our President became Executive Officer (Vice President) and Chairperson of the Technical and Education Committee. The Company provides a healthcare platform that develops health data managed mainly by medical institutions into PHR so that it can be utilized for health promotion. Utilizing know-how and digital technology, the Group will contribute to the development of guidelines for data utilization and play a role in promoting standardization as an IT company providing PHR services, and thereby contributing to the development of the PHR service industry. In addition, as part of our efforts to expand the network to realize optimal prevention and treatment for individuals using PHR, we invested in GENEX, Inc., a start-up company that operates a whole genome testing business.

In December 2023, we made RESCHO, INC., a provider of electronic medical records for psychiatric hospitals, a consolidated subsidiary to further expand our healthcare platform. We will leverage our network to develop a linkage between various industries, centering on the medical industry, and the knowledge and information assets that RESCHO, INC. has cultivated in the electronic medical record system market for psychiatry, and mutually utilize our system personnel and security technology, aiming to promote DX in the medical, insurance and pharmaceutical sectors, and create new businesses in the mental health care field.

Note 1: A business area in which the Group’s accumulated know-how and broad range of leading-edge technologies are combined to create and rapidly deploy IT solutions and services that anticipate the future needs of our customers

Note 2: Lifetime personal health information (medical examination (screening) information, vaccination history, drug information, medical test results and other medical-care-related information, and vitals, etc. that individuals measure on a daily basis.)

4) Deepen and expand global operations

The Group intends to enhance its global operations and expand the global partnership network by further deepening markets through strengthening relationships with investee companies and developing joint ventures based on its business strategy.

Aiming to form an ASEAN Top Class IT Syndicate, the Group is expanding its partnerships through capital and business alliances with leading companies in each domain, focusing on our three axis: “channels” for local market expansion, “technology” for new business/service creation and next-generation technology development, and “consulting” for delivering value chain expansion.

In “channels,” Thailand’s MFEC Public Company Limited is accelerating its investment activities to expand the Group’s business through Synergy Group Ventures Co., Ltd., which was established as a corporate venture capital (CVC), and is promoting investments in promising start-up companies in Thailand and collaborations with the companies invested in.

In “technology,” the Company made minor investments in Atom Computing Inc. and QuEra Computing Inc., quantum computer startups in the U.S., with the aim of further expanding leading technologies and services. In quantum computer technology, for which intensified competition is expected in the future, we will accelerate the collection of information on cutting-edge technologies and consider long-term cooperation. In addition, by investing in and collaborating with Vista Equity Partners Management, LLC in the U.S., which is a company specialized in investing in enterprise software companies, we seek to provide high-value-added IT services with the products provided by the company and its group companies and to gain expertise in the success stories of the companies it invested in.

In “consulting,” the Company made Vector Management Consulting Pvt. Ltd., a major local management consulting firm in India, an equity-method affiliate and is now working to develop new global clients. By leveraging Vector Consulting’s expertise in the domain of management consulting, the Group aims to realize high-value-added IT services for the clients in India, Japan, the ASEAN region, and China, and promote collaboration.

The Group will continue to expand its business domain by making maximum use of alliances forged through strategic investments, integrating the strengths of each company, and building and strengthening alliances that can cover the ASEAN region, aiming to achieve the FY2026 target of ¥100 billion of consolidated net sales in our global business.

5) Diversification of human resources, sharper skills

Aiming at added value improvement, the Company will continue to invest in human resources, including reviewing compensation and investing in education, so that diverse employees can be engaged and thrive as professionals.

The Company is promoting initiatives such as creating an environment and organizational culture where diverse individuals can thrive, promoting next-generation work-style reforms looking towards a new work environment, advancing human resource portfolio management by digitalizing our human resources database, and supporting engagement with employees and autonomous career development through the full-scale operation of HR business partners. Also, to further accelerate structural transformation, the Company is striving to strategically secure and foster advanced human resources in areas such as consulting, global business, and service business and to place human resources optimally.

To achieve structural transformation toward the realization of Group Vision 2026, the Group is focusing on increasing added value through the growth of human resources, which is the most important management capital in order to carry this forward. For some time, the Company has been promoting investment in human resources to increase employee engagement based on the three axes of the meaning of work, the working environment, and compensation. In order to further promote the reform of the meaning of work and compensation, the Company introduced a new personnel system in April 2023 that completely revamps the compensation, evaluation, grading, and other systems. Under the compensation system, the Company prioritizes investments in high-level personnel and young employees who drive the business forward, with base salary increases of up to 17% and an average increase of 6%, and the whole Group is working to improve compensation. As a result, personnel expenses increased approximately ¥5.2 billion in fiscal 2024 compared with the previous year, but this is positioned as an upfront investment in human capital, which is essential for the sustainable growth of the Group. By continuing to implement these measures and enhancing employee engagement, the Company aims to accelerate corporate growth and increase added value by enhancing corporate competitiveness through the growth of human resources by encouraging employees to actively think and move, and to achieve higher performance than expected.

In addition, under the Group Diversity and Inclusion Policy, the Group is promoting measures to achieve “physical and mental health,” “enhanced job satisfaction,” and “improved life skills,” aiming to improve the quality of life of each and every employee working in the Group. Amid such circumstances, in order to achieve advanced health and productivity management, greater productivity and engagement of employees, and enhanced value exchange with society, the Company and INTEC Inc. joined, in July 2023, the Health and Productivity Management Alliance. This is a group of 148 companies and organizations (as of June 30, 2023) that share the vision of “revitalizing Japanese companies and realizing the sustainability of employees’ health insurance system through the enhancement of employees’ health condition.” With the progress of health management initiatives, the number of Group companies certified as a Health and Productivity Management Outstanding Organization by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council) has increased, bringing the total number of companies certified as 2024 Health and Productivity Management Outstanding Organization to six. The Company and INTEC Inc. were also certified as 2024 Health and Productivity Management Outstanding Organization (White 500). In addition, as a result of our continuous promotion of various measures for “enhanced job satisfaction” by analyzing the results of the awareness survey and employee feedback, the Company was selected as a “Great Place to Work Certified Company” by the Great Place to Work® Institute Japan in its “Great Place to Work” survey conducted in December 2023.

Group-wide proactive investments will continue to be made to increase the value of human resources, and create a virtuous cycle of high added value for the Company, our employees, and society, aiming for the realization of further growth of the Group and improved corporate value, thereby creating a more prosperous society.

In addition, from May to July 2023, the Company acquired treasury stock of ¥6,199 million (total of 1,678,900 shares) in total based on its basic policy for shareholder returns, which targets a total return ratio of 45%, as part of its efforts to enhance shareholder returns and capital efficiency by implementing flexible capital policies that can swiftly respond to changes in the business environment. The Company also acquired ¥22,422 million (6,766,000 shares) of treasury shares through an off-auction trading of own shares (ToSTNeT-3) in

February 2024, in light of the intention of several of our corporate shareholders to sell their shares, and in order to reduce the impact of such sales on the near-term supply and demand for our shares and our existing shareholders. Taking into account the Company's general rule of holding up to 5% of the number of issued shares and retiring any holdings exceeding 5% of the number of issued shares, as well as the need to address concerns about future share dilution, the Company retired 8,212,000 shares of treasury stock (3.4% of the total number of issued shares before retirement), almost all of which it held, including the aforementioned acquisition, on March 2024.

(2) Analysis of Financial Condition

(Unit: millions of yen)

	As of March 31, 2023 (A)	As of March 31, 2024 (B)	Increase/decrease (B − A)
Current assets	268,682	291,556	+22,873
Fixed assets	193,637	233,899	+40,261
Total assets	462,320	525,456	+63,135
Current liabilities	117,179	140,277	+23,098
Non-current liabilities	35,914	60,453	+24,538
Total liabilities	153,094	200,730	+47,636
Total net assets	309,226	324,725	+15,498

(Assets)

Consolidated total assets as of March 31, 2024 amounted to ¥525,456 million, an increase of ¥63,135 million from ¥462,320 million at the end of the previous fiscal year. This was mainly due to an increase of ¥12,653 million in notes and accounts receivable and contract assets, a ¥30,202 million increase in goodwill and other intangible fixed assets arising mainly from the acquisition of Nihon ICS Co., Ltd. and RESCHO, INC. shares (making them consolidated subsidiaries), a ¥6,842 million increase in buildings and structures and land resulting from the split acquisition of beneficial interests in real estate trust for the purpose of ensuring long-term stable business continuity in the system management business, and a ¥3,597 million increase in investment securities due to changes in the market value of shares held.

(Liabilities)

As of March 31, 2024, total liabilities amounted to ¥200,730 million, a ¥47,636 million increase from ¥153,094 million at the end of the previous fiscal year. This was mainly due to a ¥21,863 million increase in borrowings arising mainly from M&As and the split acquisition of beneficial interests in real estate trust and an ¥8,162 million increase in deferred tax liabilities resulting mainly from the acquisition of Nihon ICS Co., Ltd. and RESCHO, INC. shares (making them consolidated subsidiaries), despite a ¥4,330 million decrease in income tax payable following the payment.

(Net assets)

Consolidated net assets amounted to ¥324,725 million, an increase of ¥15,498 million from ¥309,226 million at the end of the previous fiscal year. The increase primarily consisted of a ¥36,269 million increase in retained earnings, a ¥3,815 million increase in net unrealized gains on other securities due to changes in the market value of shares held, and a ¥28,155 million decrease in additional paid-in capital due to the retirement of treasury stock after its acquisition.

The increase in retained earnings resulted from a ¥48,873 million increase of net income attributable to owners of the parent company and a decrease of ¥12,604 million due to dividend of surplus.

(3) Analysis of Cash Flows

Cash and cash equivalents (“cash”) totaled ¥102,722 million as of March 31, 2024, up ¥8,415 million from March 31, 2023.

Contributions to cash flow were as follows.

(Cash flow from operating activities)

Operating activities generated net cash of ¥62,578 million. This mainly reflects income before income taxes of ¥69,193 million and the positive cash flow effect of ¥17,340 million in depreciation and an increase in other current liabilities of ¥12,956 million. These inflows were partially offset by the negative cash flow effect of ¥23,636 million in income taxes paid and increase in receivables and contract assets of ¥10,568 million, etc.

(Cash flow from investing activities)

Financing activities used net cash of ¥32,817 million. An inflow of ¥6,995 million in proceeds from sale and redemption of marketable securities was offset by outflows of ¥20,724 million for purchase of shares of subsidiaries resulting in a change in the scope of consolidation, ¥13,081 million for acquisitions of property and equipment and ¥5,850 million for acquisitions of intangible assets.

(Cash flow from financing activities)

Financing activities used net cash of ¥21,889 million. A cash inflow of ¥23,159 million in proceeds from long-term debt was offset by outflows such as ¥34,585 million for purchase of treasury stock, and ¥12,604 million for dividends paid.

(Reference) Cash flow indicators

	Fiscal 2023	Fiscal 2024
Equity ratio (%)	64.2	59.5
Equity ratio based on market capitalization (%)	182.7	146.7
Ratio of interest-bearing debt to cash flow (years)	0.5	0.6
Interest-coverage ratio (times)	140.4	166.9

Equity ratio: Total equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest paid

Note 1: All indicators were calculated using consolidated financial statement data.

Note 2: Market capitalization is based on the number of shares issued and outstanding, excluding treasury stock. Treasury shares deducted from the number of shares issued to determine number of shares used to calculate market capitalization include the Company’s shares held by TIS INTEC Group Employees’ Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

Note 3: Cash flow from operating activities is used as the cash flow variable.

Note 4: Interest-bearing debt does not include lease obligations.

(4) Outlook for Fiscal 2025

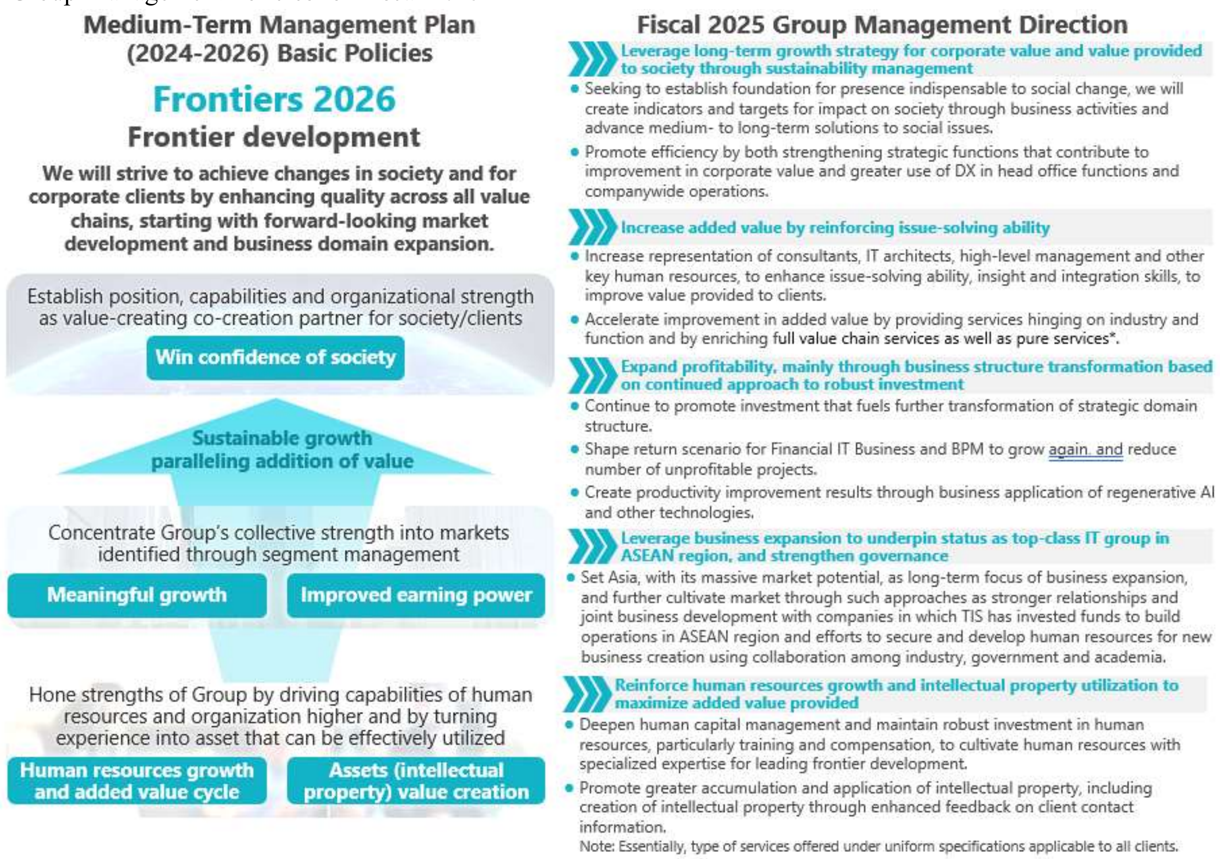
In the business environment surrounding the Group, as the elements required of companies, including solutions to social issues, become more diverse, activities to transform business processes utilizing digital technologies and business model transformation are expanding more than ever, and IT investment demand is expected to increase further. However, the Group must pay close attention to the risk of downward pressure on the Japanese economy due to a downturn in overseas economies caused by global monetary tightening and other factors.

Under these circumstances, we have created the new “Group Vision 2032” as a management policy from a long-term perspective based on the current situation in the face of drastic changes both inside and outside the Group and formulated the medium-term management plan (2024–2026) as the first stage toward achieving the “Group Vision 2032.” In the plan, we set frontier development as a fundamental strategy and strive for sustainable growth paralleling higher added value. We will strive to achieve changes in society and for corporate clients by enhancing quality across all value chains, starting with forward-looking market development and business domain expansion.

*Note: For details of “Group Vision 2032” and the medium-term management pan (2024–2026), please refer to the “Notice regarding the Group Vision 2032 and New Medium-Term Management Plan (2024–2026)” dated May 8, 2024, and other documents.

In the fiscal year ending March 31, 2025, the first year of the medium-term management plan (2024–2026), the Group will vigorously implement measures to achieve sustainable, value-added growth by setting the following group management policies in line with the basic policies of the plan.

<Group Management Policies for Fiscal 2025>



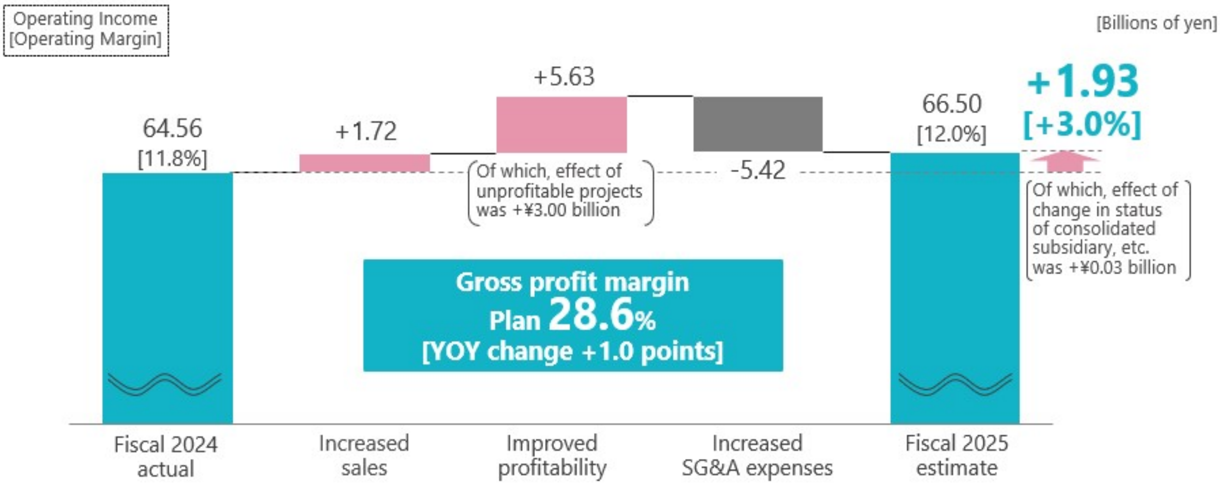
The consolidated earnings forecast for fiscal 2025 is as follows. Under the fundamental strategy “frontier development” of the medium-term management plan (2024–2026), we will provide high-added-value businesses and promote productivity enhancement measures, etc., while continuing to expand business by accurately responding to customers’ demand for digital transformation. Through these measures, we aim to achieve sustainable growth and further improve profitability, even as we face the impact of passing the peak of large-scale development projects that have driven our business growth in recent years and the prospect of extensive investments that will contribute to future growth, including upfront investments in human resources, our most crucial management capital. Note that the decrease in recurring profit and net income attributable to owners of the parent company is due to non-operating income and extraordinary income recorded in fiscal 2024.

<Consolidated earnings forecast for fiscal 2025 (April 1, 2024 – March 31, 2025)>

(Unit: millions of yen)

	Fiscal 2024 Actual results	Fiscal 2025 Forecast	Year-on-year change
Net sales	549,004	555,000	+1.1%
Cost of sales	397,365	396,000	-0.3%
Gross profit	151,639	159,000	+4.9%
Gross profit ratio	27.6%	28.6%	+1.0P
Selling, general and administrative expenses	87,070	92,500	+6.2%
Operating income	64,568	66,500	+3.0%
Operating income ratio	11.8%	12.0%	+0.2P
Recurring profit	68,553	66,500	-3.0%
Net income attributable to owners of the parent company	48,873	44,800	-8.3%

<Analysis of key factors in the increase/decrease in operating income (forecast, year-on-year change)>



Growth investment

(Investment in human resources / Investment in R&D / Software investment)

Up ¥0.60 billion (YOY change)

(Cost of sales: +¥0.30 billion, SG&A expenses: +¥0.30 billion)

Changes in SG&A expenses	
Effect of change in status of consolidated subsidiary, etc.	+1.58
Growth investment	+0.30
Progress on measures	+1.86
Other expenses	+1.68
Total	+5.42

<By segment>

(Unit: millions of yen)

		Fiscal 2024 Actual results	Fiscal 2025 Forecast	Year-on-year change
Offering Service Business	Net sales	130,759	140,800	+7.7%
	Operating income	7,659	8,600	+12.3%
	Operating income ratio	5.9%	6.1%	+0.2P
BPM	Net sales	41,953	43,000	+2.5%
	Operating income	4,551	4,500	-1.1%
	Operating income ratio	10.8%	10.5%	-0.3P
Financial IT Business	Net sales	106,304	98,500	-7.3%
	Operating income	15,185	12,000	-21.0%
	Operating income ratio	14.3%	12.2%	-2.1P
Industrial IT Business	Net sales	121,896	125,500	+3.0%
	Operating income	18,287	19,600	+7.2%
	Operating income ratio	15.0%	15.6%	+0.6P
Regional IT Solutions	Net sales	172,376	171,000	-0.8%
	Operating income	18,497	21,500	+16.2%
	Operating income ratio	10.7%	12.6%	+1.9P
Other	Net sales	9,581	10,000	+4.4%
	Operating income	777	700	-10.0%
	Operating income ratio	8.1%	7.0%	-1.1P

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2024 and Fiscal 2025

1) Policy on determining dividends from surplus, etc.

The Company regards the return of profits to shareholders as a key management decision and has adopted a basic policy of maintaining sufficient internal reserves required for business growth from a medium- to long-term management perspective, while continually paying a stable dividend in consideration of its consolidated financial results.

Based on this policy, the Company seeks in the medium-term management plan (2021–2023) to raise the target total return ratio from 40% to 45% and to continuously enhance the dividend per share based on a balance between promoting growth investments, securing financial soundness, and strengthening shareholder returns. Note that in order to increase the distribution of profits to shareholders in accordance with business growth in a sustained manner, the Company believes it is desirable to base shareholder returns on profits derived from operating activities, as they are not affected by one-time gains or losses.

2) Fiscal 2024 dividends from retained earnings

With regard to the distribution of retained earnings for fiscal 2024, as the results for the fiscal year exceeded targets, the Company intends to pay a year- end dividend of ¥39 per share, ¥3 more than planned. As a result, the annual dividend for fiscal 2024, including the interim dividend, will be ¥56. Including the approximately ¥6.2 billion buyback of shares of the Company (excluding the ¥22.4 billion buyback of shares in response to the intention of corporate shareholders to sell their shares), the total shareholder return ratio for fiscal 2024 will come to 39.9%, while the total return ratio calculated based on the above policy will be 44.9%, which accords with the basic policy.

3) Fiscal 2025 dividends from retained earnings

In the medium-term management plan (2024–2026), the Company seeks to raise the target total return ratio to 50% from 45%, aiming to improve shareholder engagement. Based on this policy, the Company plans to pay an annual dividend of ¥68 per share for fiscal 2025 (including an interim dividend of ¥34 per share) and to repurchase approximately ¥6.5 billion of its own shares. The Company will change the ratio of interim to year-end dividends to 1:1 beginning in fiscal 2025, based on the balance of earnings, the source of dividends, that are generated between the first and second half of the fiscal year.

(6) Business and Other Risks

The following are the main risks deemed to have the potential to have a significant impact on the business results, financial condition, and cash flow (hereinafter referred to collectively as “business results, etc.”) of the TIS INTEC Group. The Group defines “risk” as “any factor that may hinder the achievement of the management philosophy, goals, and strategies of the Company and the Group by causing economic loss; the interruption, stagnation, or suspension of business operations; and/or damage to the Company’s credit or brand image.” In addition, the Group-wide risks are classified into strategic risks, financial risks, hazard risks, and operational risks according to the Group’s rules on risk management.

Using the Group’s risk management evaluation method, all risks are comprehensively evaluated from the viewpoint of occurrence frequency and degree of damage caused. However, the nature and degree of the impact that each risk will have on the Company’s business results, etc. will vary depending on the nature of each risk event, the likelihood that the risk will emerge, and the timing of that emergence. Since more specific explanations of each risk are difficult, detailed descriptions of the potential damage to the Company’s business results, etc. have been omitted.

Note that all forward-looking statements in this document are based on information available to the Group as of May 8, 2024.

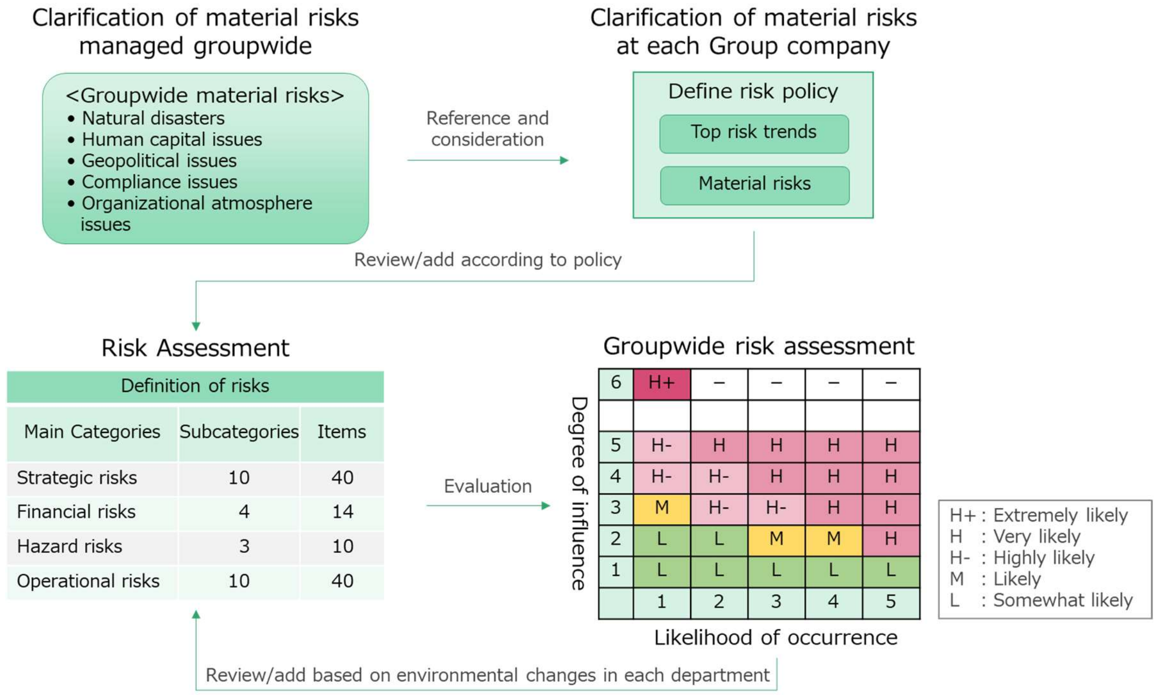
The Group has established rules for risk management to ensure an accurate understanding of the risks facing the Group and prevent losses from occurring. In accordance with these rules, we have appointed an executive to oversee risk management of the entire Group. Also, a risk management department has been established to prepare a risk management system. In addition, we have established a risk management policy for the entire group and regularly check the implementation status of measures to control risk. When a group company becomes exposed to a serious risk, a task force is set up and appropriate measures are taken to minimize damage.

As for the status of the risk management system, we will promote various measures to maintain and improve Group-wide internal controls according to a basic policy and various regulations regarding the internal control system and monitor the development of internal control system and operation status and establish the process of reporting deliberation results to the Board of Directors upon deliberation at Group Internal Control Committee.

<Risk Assessment Process>

Both the risk policies (top risk direction and major risks) prepared by the president of each group company based on the Group’s priority risks as well as the risks identified by each division are evaluated. The Group Internal Control Committee examines the risks faced by the Group twice a year, confirming issues related to those risks and evaluating the status of improvement measures, and these matters are reported to the Board of Directors. Based on its reports to the Board of Directors, initiatives are implemented to strengthen and improve the Group-wide internal control system.

<Risk Management Process>



Definition of risks		
Main Categories	Subcategories	Items
Strategic risks	10	40
Financial risks	4	14
Hazard risks	3	10
Operational risks	10	40

6	H+	–	–	–	–
5	H-	H	H	H	H
4	H-	H-	H	H	H
3	M	H-	H-	H	H
2	L	L	M	M	H
1	L	L	L	L	L
	1	2	3	4	5

1) Strategic risks

a. Human resources

Human resources are the Group’s most important management resource, and its business activities are significantly influenced by its ability to secure and develop superior individuals capable of providing specialized, high-value-added services to clients. The Group’s business and operating results, etc., may therefore be negatively affected if the Group cannot secure and develop superior human resources according to its plans. To this end, the Group has visualized its human resources portfolio based on the current situation, and is strengthening investment to acquire and grow specific personnel who will drive structural transformation toward the realization of its business and business strategies, as well as focused human resources that need to be continuously strengthened in each business area. In order to enhance the effectiveness of human resources strategies tailored to the business, we share business and organizational issues with top management and are strengthening our “HR business partner function”, which supports the acquisition, development, placement, organizational climate reform, and realization of business strategies on the job site in line with the business environment and issues, while promoting the “development of the HRDX platform”, which monitors and analyzes the execution status and support its implementation. The Group therefore, with the aim of enhancing work-style reform and job satisfaction, strives to secure talented human resources by means such as providing a corporate culture, HR systems, and an office environment in which a diverse group of people can thrive. Additionally, the Group focuses on human resources training by means such as providing support for acquiring certifications, career development support, systemizing its training program, and creating plans and targets for the number of training days.

b. Changes in the market and economy

As the Group’s business domain changes and society changes, the technologies and services required by society are expected to change significantly. As a result, there is a risk that the Group’s technology and services may become obsolete due to delays in identifying the technology seeds that will be required in the future, resulting in a decline in competitiveness. With these changes, the Group’s business and operating results, etc., may be negatively affected if technological competitive advantage is lost due to price competition beyond expectations and the Group becomes unable to provide the high-quality services that customers have come to expect because of a failure to take appropriate measures or allowing technologies and know-how to become obsolete.

The Group continues to analyze the environment in its management plans to understand market needs, differentiate the Group from competitors by adding more value to the services the Group provides, constantly conducting investigation and research in areas such as information technologies as well as production and development technologies, selecting from a broad technology portfolio of core technologies that will enable the Group to sustain and improve its development competitiveness. Likewise, it is advancing R&D and deploying the results, while carrying out productivity innovation activities and enhancing the digital transformation value it provides, as well as controlling unprofitable projects and productivity innovation activities.

Furthermore, if the Japanese yen depreciates sharply due to economic fluctuations, business performance is expected to deteriorate due to foreign exchange losses. To manage this risk, the Company hedges foreign currency exposures, particularly for large transactions, taking into account volatility and hedging costs.

c. Investments

The Group invests in companies in Japan and overseas, including venture companies, to establish capital and business alliances mainly for the purpose of expanding business, acquiring cutting-edge technologies, and executing mergers and acquisitions. It also makes investments in large IT facilities, such as data centers operating 24 hours a day, 365 days a year, which support the deployment of outsourcing and cloud service businesses (including continued capital investments to fund initial construction and the stable operation of existing facilities), software needed to promote service-based business, and human capital. Unanticipated changes in the business environment may result in investments failing to yield the expected result or return or make assets obsolete, thereby impacting the Group’s business and operating results, etc. In addition, any potential misconduct or system failures by a corporate counterparty immediately after an investment or M&A transaction may result in a loss of credibility and brand image of the Group, lawsuits, and other repercussions.

Accordingly, all investment decisions are made after thorough examination of the business plan by either the Board of Directors, the CVC Investment Committee, or the Investment Committee, depending on the investment project, and the progress of the business plan is periodically confirmed after investments have been made. In addition, for companies with which we have entered into large-scale capital tie-ups or mergers and acquisitions, we continuously implement necessary measures based on prior verification and examination of the risks involved in their business activities, and dispatch executives to them so that we can quickly ascertain their status.

d. Overseas business

Overseas business may be impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, local business practices, and labor-management relations. If one of these factors manifests itself in an unanticipated manner, it may impact the Group’s business and operating results, etc.

As part of its growth strategy, the Group is pursuing capital and business alliances as well as M&A with local companies in order to achieve expansion of overseas businesses, with a focus on ASEAN countries. In making such investments, the Company conducts detailed investigations on the business performance and financial position of the target company, and after the investment, business promotion and corporate planning business units work together to conduct monitoring and report periodically to the Board of Directors.

Additionally, the Company is dispatching personnel to operating companies, and promoting efforts to strengthen the governance of overseas subsidiaries and affiliates led by the Global Financial Planning Office, a dedicated body established within the Company.

e. Human rights

The Group’s business activities may have a direct or indirect negative impact on certain stakeholders. The occurrence and disclosure of such events could result in damaging the reputation and credibility of the Group, and could affect the Group’s business and operating results, etc.

The Group’s human rights policy is based on the “Guiding Principles on Business and Human Rights” adopted by the United Nations Human Rights Council in June 2011. Furthermore, by promoting human rights due diligence in line with this policy, the Group will take appropriate measures to identify and correct any negative impacts of the Group’s business activities on society at an early stage. The progress of these efforts will be appropriately disclosed on the Company’s website, etc.

f. Geopolitical risks

Newly emerging international pressures, exchange rate trends, trade issues, or effects on procurement costs due to warfare, civil strife, political upheaval, revolution, terrorism, rioting, etc., may impact the Group’s business and operating results.

When such events occur, the Group will promptly ascertain the impact on the Group and quickly engage in activities to prevent losses due to each risk. In addition, the Group has developed a Business Continuity Plan (BCP) that includes crisis response for expatriates and what to do when offshore transactions are interrupted.

g. Reputational risk

If risks are not properly managed and have a negative impact on society, or if the Company is recalled to be associated with any negative impact that other companies have had on society, the Company's business may be interrupted, stagnate, or be suspended due to loss of credibility and brand image, or it may potentially lose customers or business partners. The Company believes that this risk increases particularly in proportion to the expansion of the Company's business and the increase in its name recognition, and that if the Company fails to manage the risk promptly, even an incident that occurs at a subsidiary of the Group could spread to the entire group. Therefore, in order to respond promptly to this risk, the Group has established a cross-group escalation system and prepared a response manual in the event of a crisis.

2) Financial risks

a. Owned securities

The Group buys and holds the equity shares of suppliers and other business partners in cases where it deems such investments will enable it to establish stable alliances and cooperative relations that lead to new business opportunities and will support the sustainable growth of the Group and enhance its medium- and long-term corporate value. The Group also invests in bonds as part of its short-term surplus fund management operations. However, the Group's business and operating results, etc. may be impacted if sharp fluctuations in the market prices of these marketable securities or deterioration in management conditions of issuing entities requires the posting of accounting losses or other similar measures.

Accordingly, the Group carefully confirms the reliability of these securities by thoroughly examining issuers' financial condition, business results trends, credit ratings, and other relevant indicators. In addition, the Group regularly reviews the suitability of continuing to hold the securities and reduces them if continued holding is deemed to lack meaningfulness.

3) Hazard risks

a. Pandemics (the global spread of infectious and communicable diseases)

Restrictions on activities both domestic and foreign due to a pandemic will affect the Group's business and operating results, etc., if it sharply constricts the productive activities of our employees and those of our business partners.

For this reason, the Group has formulated a BCP for a potential pandemic outbreak.

b. Natural disasters and accidents

As the likelihood of natural disasters, including floods, occurring in unconventional locations and frequencies is increasing due to global warming, large-scale natural disasters and the accompanying longer-than-expected power outages could affect outsourcing and cloud services businesses, which use large-scale IT facilities such as data centers which the Group operates.

In accordance with the Group's business continuity plan therefore, the Group is preparing various equipment environments that will facilitate data centers' response to all manner of disasters. In addition, the Group has been gradually closing older data centers and focusing on the development of state-of-the-art data centers with seismic-isolation structures, robust disaster-mitigation equipment, emergency power generators, fuel storage equipment, and other highly reliable electric power equipment as well as contracts for prioritized power supply. In addition, the Group will establish a basic IT-BCP and continue to conduct operational inspections and implement preventive measures against the recurrence of system failures.

4) Operational risks

a. System development

Outsourced development and maintenance of various information systems for client companies is one of the Group's core businesses. As system development becomes more sophisticated, complex, and subject to tighter time constraints, larger-than-expected costs may be incurred if additional work is required to secure the planned level of quality or if a project cannot be completed on schedule. These increased costs and the possibility of claims for damages from clients, etc., could impact the Group's business and operating results, etc.

The Group has therefore developed its own original "Trinity" quality management system based on the ISO 9001 standard. Using this system, the Group is continually enhancing quality management and raising productivity by using dedicated organizations to thoroughly screen business proposals and review projects at each stage of development. In addition, the Group has established the Group Quality Executive Meeting to lead efforts to improve quality and promote production innovation measures throughout the Group while also enhancing management and technological capabilities by strengthening training programs for each employee rank. The Group continues to update its proprietary quality management system, "Trinity," to keep pace with the latest trends.

Meanwhile, some system development tasks are being outsourced to domestic and overseas business partners for reasons such as securing production capacity, raising productivity, and utilizing technical capabilities. If the productivity or quality do not meet expectations, smooth project management may not be realized and the Group's business and operating results, etc., may be impacted.

The Group therefore seeks to secure superior business partners in Japan and overseas. That effort includes regular meetings with and questionnaire surveys of our partners so that we fully understand their situation and are able to build strong relationships.

b. System operation

The Group uses data centers and other large IT facilities to provide its outsourcing business and cloud services business. If system problems arise due to human error or equipment malfunctions during system operation and the Group is unable to provide services at the level agreed upon with the client, the Group's business and operating results, etc., may be impacted.

The Group has therefore developed a system maintenance/operation framework based on ITIL (Information Technology Infrastructure Library) practices and is using this framework to direct constant efforts to improve system operation quality and to establish and strengthen measures for early detection and confirmation of system failures and measures to reduce and prevent the occurrence of failures.

c. Information security

Through its wide-ranging business activities, from system development to operation, the Group is in a position to handle various types of confidential information, including personal information held by clients and information about their systems' technologies, etc. of the clients. If such confidential information were to be leaked or manipulated, the Group's business and operating results, etc., could be impacted by claims for damages from client companies and by a loss of trust in the Group's services. And with the Internet having become part of the social infrastructure and various forms of information easily spreading in an instant, the range of users has expanded and convenience increased. However, the risk of accidents and system failures due to unauthorized external access is increasing. If the Group fails to respond appropriately to such a situation, its business and operating results, etc., could be impacted by claims for damages from clients and by a loss of trust in the Group's services.

The Group has therefore established an information management system based on its Information Security Policy. The system is contributing to appropriate information management while also assisting our efforts to raise awareness through employee education and training programs. In addition, the Group applies the Group's information security promotion guidelines to guide its checks and evaluations of the levels of information security management across the entire group, as well as subsequent promotion of improvement measures. When an information security breach does occur, the Group takes responsibility and establishes an investigative committee to look into the cause, implement countermeasures, and prevent recurrence. In the current fiscal year, we consolidated planning functions related to information security and personal information protection into TIS to improve operational efficiency. Regarding the personal information the Group handles, we have established a group-wide information management system based on Japan's Act on the Protection of Personal Information and regulations on the handling of Individual Numbers and information about specific individuals. The Group also takes the necessary security control measures through periodic compliance checks with the Act on the Protection of Personal Information. In addition, the Group is also conducting education and training programs for employees to thoroughly raise their awareness of the importance of protecting personal information. And the Group is implementing security measures using a zero-trust security model to address the diversification of workplaces with the full-scale implementation of working from home. Furthermore, TIS and other Group companies have obtained Information Security Management System (ISMS) certification and the JIPDEC's PrivacyMark.

Additionally, the Group has defined a group-wide CSIRT (Computer Security Incident Response Team) system to respond to cyber attacks and share information at the Group Security Promotion Meeting, and also operates "TIS-CSIRT" as an in-house CSIRT for early detection of incidents and quick and accurate emergency response. In addition, the Group collects, analyzes, and disseminates a wide range of security-related information, including the latest attack methods and incidents, and also monitors communications, responds to emergencies, and coordinates with external parties.

d. Legal systems, compliance

The Group conducts its various business activities in compliance with laws and regulations in Japan and other countries. If the Group were to contravene a law or regulation, or a new law or regulation were introduced, the Group's business and operating results, etc., could be affected. In addition, in the event of discrimination or harassment, should there be a reduction in productivity, an increase in costs, and/or a decline in employee engagement, the Group's business and operating results, etc., may be affected.

The Group therefore has established a compliance structure based on its Basic Direction on Corporate Sustainability and Group Compliance Declaration, and it works to educate all employees regardless of employment status and comply with all laws in an endeavor to conduct its business activities fairly. In accordance with the Group's compliance regulations, important compliance issues for the entire Group are discussed, measures to prevent recurrence are decided, and the status of the implementation of these measures is then monitored in an effort to ensure their adoption throughout the Group. One such measure is the tightening of regulations on contracted work and temporary staffing, an important issue for the Group because of the transactional nature of the IT service industry. The Group has established a dedicated risk management system and has also developed an "Operation Manual for Proper Contracted Work and Temporary Staffing" to ensure appropriate operation of the system. In addition, to prevent illegal activities and detect and correct them at an early stage, the Group has introduced a whistle-blowing system and established a reporting and consultation desk, thereby raising awareness of legal compliance throughout the Group. Furthermore, the Group will conduct education and awareness-raising activities aimed at building good relationships and establishing smooth communication in order to help prevent discrimination and harassment, and will take fair and strict measures in the event that such incidents should occur.

e. Intellectual property rights

The Group's business activities entail the use of technologies, licenses, business models and various trademarks that may be subject to intellectual property rights. Accordingly, the Group takes great care to ensure that it does not infringe the intellectual property rights of third parties. Nonetheless, if the Group were to infringe another company's intellectual property rights, it could be presented with an injunction and a claim for damages. In such a case, the Group's business and operating results, etc., could be impacted. To prevent such an event, the Group is strengthening its framework for preventing violations of intellectual property rights and is conducting education and training programs to raise employees' awareness of this issue. Meanwhile, the Group also regards its own intellectual property as an important management resource and takes all necessary means to protect this valuable resource.

f. Climate change

In response to climate change, companies are gradually becoming more committed to, and responsible for, both mitigation involving reducing greenhouse gas emissions and adaptation involving reducing the adverse effects of climate change, and as a result, there is a growing demand to promote the use of renewable energy in business and corporate activities. Therefore, if the Group's energy costs are significantly impacted by fluctuations in demand for renewable energy, or if the Group's transition to renewable energy is delayed, the Group's business and operating results, etc., may be affected.

The Group has therefore endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), carries out continuous assessments in accordance with the TCFD recommendations framework, and discloses the results to the public to explain our efforts to help mitigate climate change.

2. Status of the Group

The Group consists primarily of TIS Inc. (the parent company), 51 consolidated subsidiaries, and 59 affiliated companies accounted for under the equity method. The Group's core activities comprise the provision of outsourcing and cloud services, software development, and solution services, all of which are related to digitalization investment. The Group also engages in businesses connected with these core activities, such as consulting services. The Group also provides other incidental and related business, such as management services.

The following is a breakdown of the Group's businesses and the positioning of consolidated subsidiaries and equity method affiliates in relation to these businesses by reportable segment. The Company plays the central role in the Offering Service Business, Financial IT Business, and Industrial IT Business segments.

(1) Offering Service Business

Configures services through own investment based on best practices accumulated Group-wide and provides knowledge-intensive IT services.

(Main consolidated subsidiaries)

TIS System Service Inc., Nihon ICS Co., Ltd., MFEC Public Company Limited

(2) BPM

Addresses issues related to business processes with IT technology, business know-how and skilled human resources to provide more sophisticated, more efficient outsourcing services.

(Main consolidated subsidiaries)

AGREX Inc.

(3) Financial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to the finance industry.

(4) Industrial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to industry sectors other than finance.

(Main consolidated subsidiaries)

Qualica Inc., AJS Inc.

(5) Regional IT Solutions

Provides IT professional services extensively, across regions and client sites, and collects and develops this know-how as the source of solutions to support efforts to address issues and promote business activities.

(Main consolidated subsidiaries)

INTEC Inc., TIS Solution Link Inc.

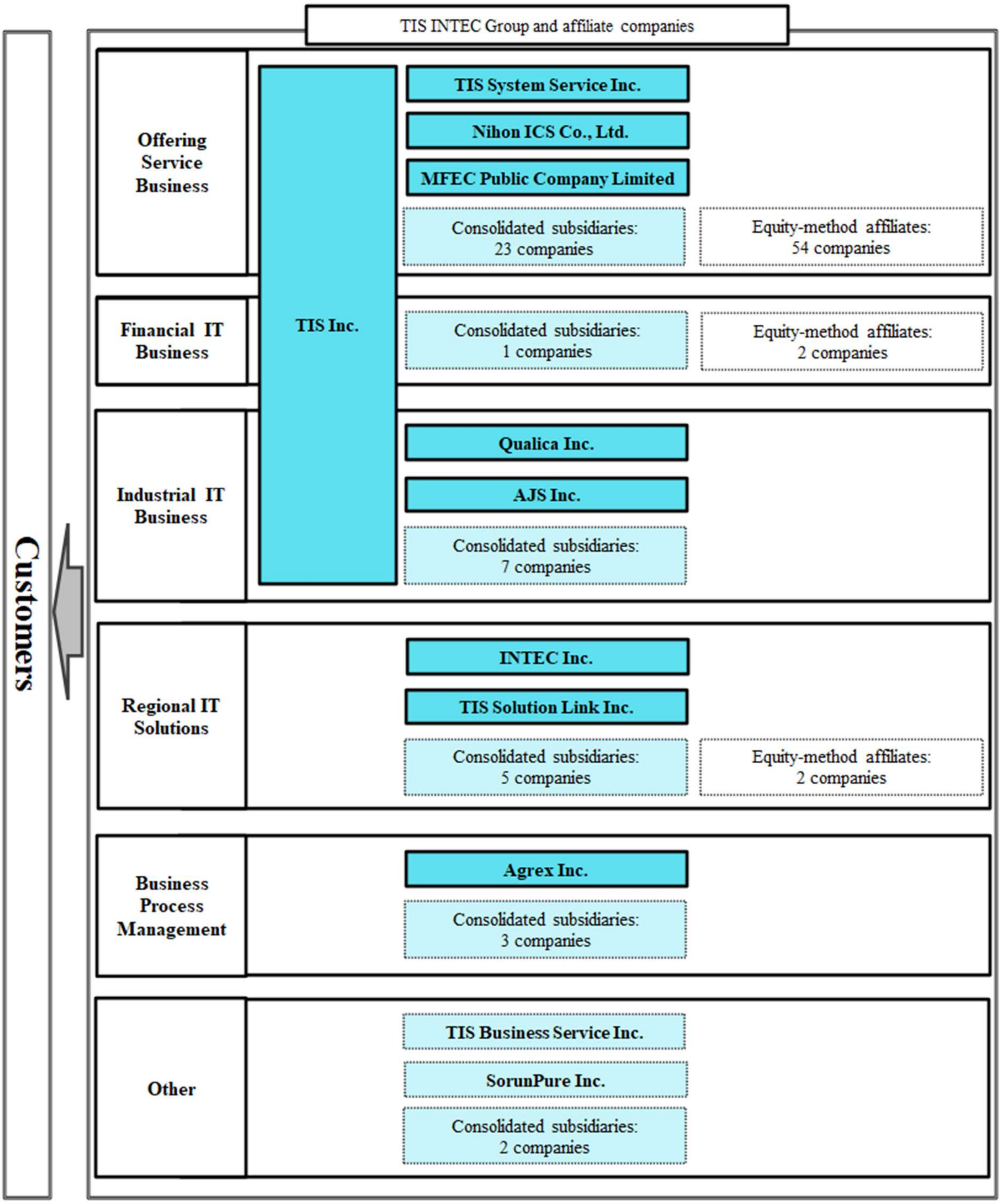
(6) Other

Consists of ancillary businesses offering IT services, and other activities.

(Main consolidated subsidiaries)

TIS Business Service Inc., Sorun Pure Inc.

The segments mentioned above are shown in the following chart



3. Management Policy

(1) Basic Management Policy

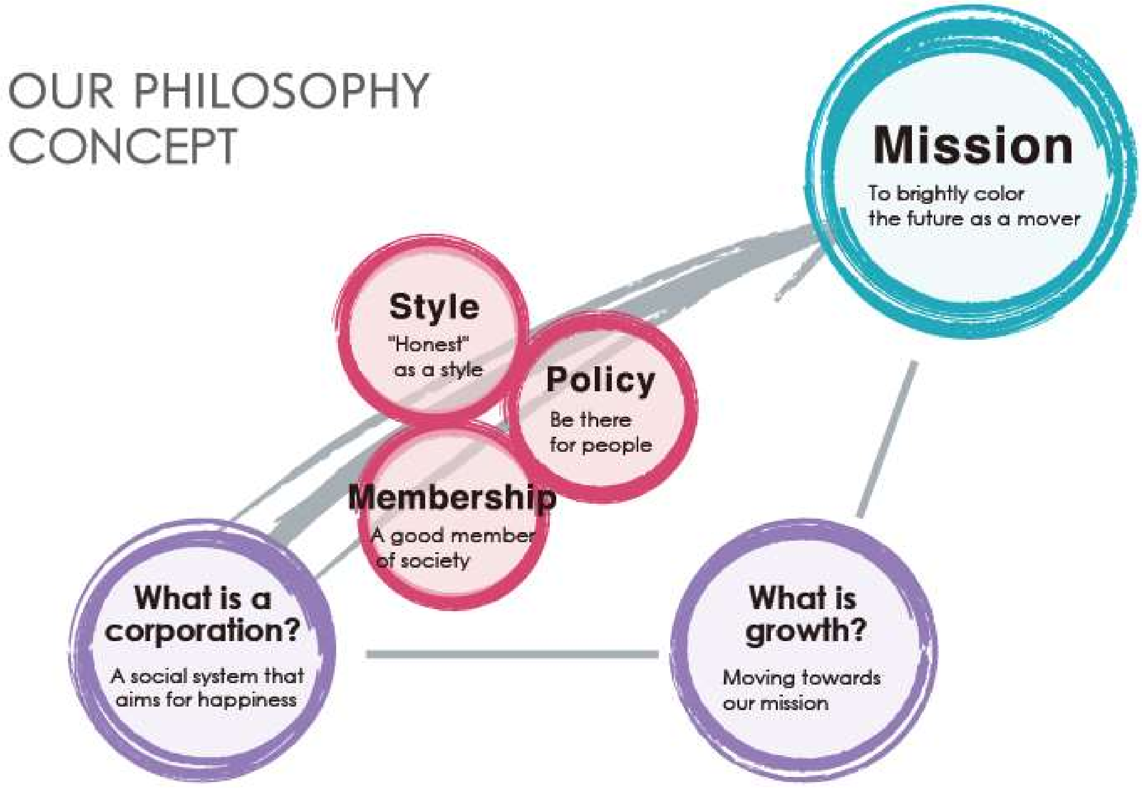
"OUR PHILOSOPHY," established by the Group, is a basic Group philosophy outlining the common values.

"OUR PHILOSOPHY" clearly and broadly delineates the thinking and ideals that the TIS INTEC Group highly values in its group's management, corporate activities, and constituent members, and serves as the axis of all activities.

The Group aims to contribute to a sustainable society and continuously increase its corporate value by executing sustainability management based on the Group's basic philosophy "OUR PHILOSOPHY," solving social issues through its business activities, and enhancing value exchange with stakeholders through management sophistication in response to social demands.

In addition, we have formulated a Group Vision that outlines our aspirations for the next 10 years so that all members of the Group can work together to realize our ideals and sustainably increase our corporate value. In April 2024, we created the latest version of our Group Vision, "Group Vision 2032," in light of changes both inside and outside the Group.

(OUR PHILOSOPHY: The Group's basic philosophy)



https://www.tis.co.jp/company/policy/philosophy/

(Group Vision 2032: Long-term management policy)

With the theme of "Society oriented, operationally diverse, globally active," the Company strives to become a progressive global IT group that is both socially conscious and innovative. To solve social problems, we will achieve business innovation and market creation by diversifying and globalizing our business while actively adopting innovative technologies and integrating capabilities from various industries.

The Group defined its unique business activity areas for sustainable growth as Strategic Domains and seeks to explore and create markets through each segment, with the best mix of Strategic Domains based on market characteristics.

<Strategic domains>

Social Innovation Services	A business in which the Group is directly involved in solving social problems with the use of social impact indicators
Co-Creation Business	A business that combines the strengths of the Group and its co-creation partners to create new markets in areas that the Group could not achieve alone
Strategic Partnership Business	A business in which the Group will jointly plan and promote business strategies with world-class companies in their respective industries by leveraging our industry insight and unmatched expertise, playing a central role in their business as their partners
IT & Business Offering Services	A business that provides services that anticipate industry needs in specific industries and operations and that can establish de facto standards in the future through the use of accumulated technology and know-how

(2) Medium-Term Management Plan (2021–2023) Review

In Japan and overseas, clients' strong appetite for IT investment, backed by DX demand and other factors, created a favorable business environment for the Group.

Under these circumstances, the Group has positioned its three-year medium-term management plan (2021–2023), which ends in the current fiscal year, as a period of upgrading the value chain by increasing the value provided by digital transformation, and has sought to solve social issues through the Group's growth by promoting further structural transformation. In the medium-term management plan (2021–2023), we set key business indicators from the perspective of sustainably increasing corporate value by improving business growth and profitability through structural transformation into the four Strategic Domains. We largely achieved these indicators, namely, "net sales of ¥500 billion," "operating income (operating income ratio) of ¥58 billion (11.6%)," "EPS (net income per share) CAGR of more than 10%," "strategic domain ratio of 60%," and "societal issue solution service business net sales of ¥50 billion."

Moreover, we have set a target for return on shareholders' equity (ROE) of 12.5% to 13% in our medium-term management plan (2021–2023), driven by the improvement in net income margin in line with the enhancement of business profitability. In the long term, we have aimed to become a company that can achieve a stable 15% ROE by promoting structural transformation, and we have also been successful in promoting financial measures through enhanced balance sheet management, etc., resulting in a 16.0% ROE for the current fiscal year, meeting our target.

<Level of Success in Reaching Key Numerical Targets>

Medium-Term Management Plan (2021–2023) Key Numerical Targets	Fiscal 2021 Actual	Fiscal 2024 Management Plan Targets	Fiscal 2024 Actual
Net sales	¥448.3 billion	¥500 billion	¥549 billion
Operating income	¥45.7 billion	¥58 billion	¥64.5 billion
Operating margin	10.2%	11.6%	11.8%
EPS (Earnings Per Share) growth CAGR	11.1%	Above 10%	22.5%
Strategic domain ratio	51%	60%	61%
Sales of societal issue solution services	¥38.0 billion	¥50 billion	¥49.7 billion

<ROE Growth Structure>

	Fiscal 2021 Actual	Fiscal 2024 Management Plan Targets		Fiscal 2024 Actual
ROE	10.8%	12.5%～13%		16.0%
Net profit margin	6.2%	7.8%	(Structural transformation, creation of growth investment)	8.9%
Total asset turnover	1.08	Somewhat low	(Increase in business assets through growth investment)	1.11
Financial leverage	1.63	Same level	(Maintain financial soundness)	1.62

(3) Management Decisions

The Group believes that the business environment will remain favorable, although a number of events need to be closely monitored, such as growing political and social tensions and the global economic uncertainty.

As society demands both economic development and solutions to social problems, innovative technologies such as generative AI are rapidly entering the practical stage, and the need for digital applications in society is expected to continue expanding and diversifying. Regarding these evident business opportunities, we anticipate significant fluctuations in the competitive landscape on both the demand and supply sides. This will be due to the advancement of global IT platforms and consulting firms, as well as the increased activity of new entrants from peripheral industries, etc.

As we foresee major changes in the business environment, we believe it is crucial for the Group to enhance its ability to solve problems by further refining its in-depth understanding of clients and technology, which is its strength, and to broaden its ability to solve problems through co-creation with players with diverse capabilities. We recognize the following management challenges.

1) Aggressively expanding in growing business areas
We must strengthen the revenue base further and create an environment that generates value-added services, technologies and human resources.

2) Strengthening and extending problem-solving capabilities
We must gain deeper insights into the real issues facing society and clients and acquire problem-solving methodologies that go beyond conventional frameworks.

3) Upgrading of human resources
We must develop value-added human resources and achieve competitive compensation levels.

4) Gaining agility in the practical application of new technologies
We must develop high-level technical personnel who can lead the continuous evaluation of new technologies and their on-site application and build a knowledge base.

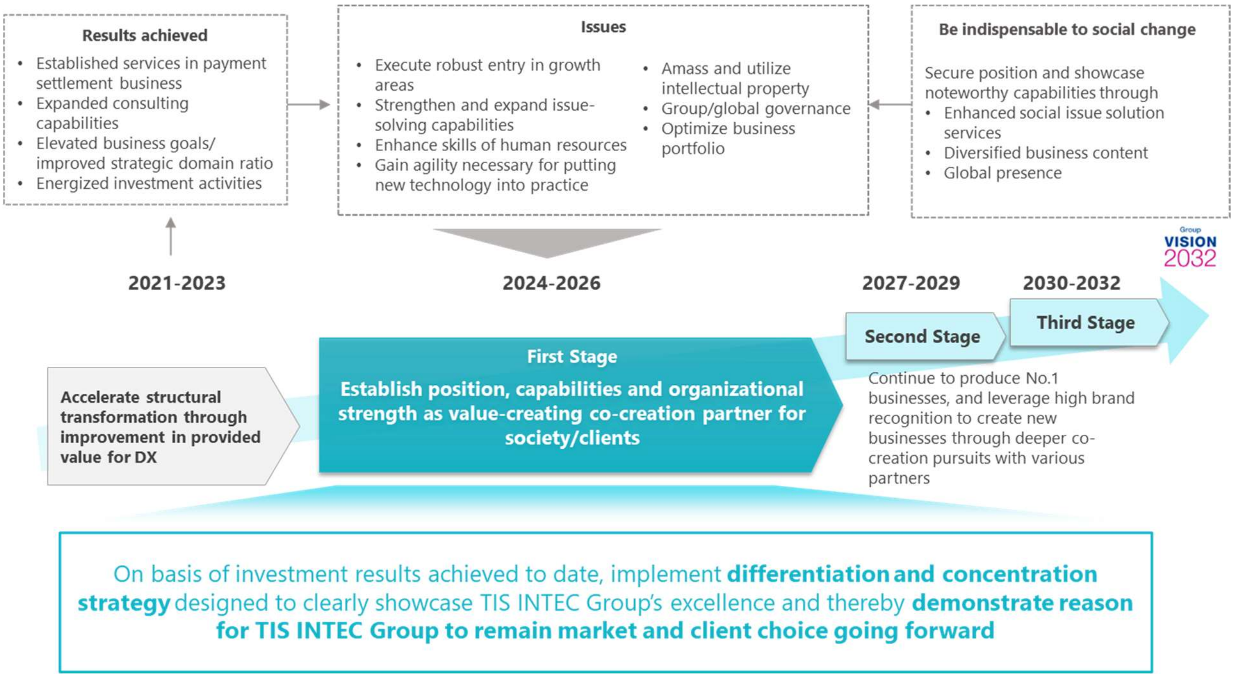
5) Encouraging the accumulation and use of intellectual property
We must accumulate and promote the use of high-value intellectual property to achieve business restructuring and scale-up.

6) Upgrading governance
We must upgrade governance further to support ambitious growth plans.

7) Optimizing business portfolio
We must pursue an optimal business structure to accomplish the above and maximize results with minimum capital.

Based on the above, we will launch our medium-term management plan (2024–2026): Frontiers 2026, formulated as a three-year plan starting in April 2024. While translating the various investments and customer relationship-building activities undertaken in the previous medium-term management period into positive results, as the first stage toward realizing the Group Vision 2032, we will build on our achievements to date to create a clear advantage and, through differentiation and concentration, accumulate reasons to be the lasting choice of markets and customers in the future.

<Positioning of Medium-Term Management Plan (2024–2026): “Frontiers 2026”>



(4) Medium-Term Management Plan (2024–2026): “Frontiers 2026”

The Group aims to achieve continuous business expansion and contribute to the realization of a sustainable society through value exchange with all stakeholders, as well as to deliver value through a seamless process from strategic planning to the implementation of solutions to address social issues.

Under the medium-term management plan (2024–2026) “Frontiers 2026,” we will enhance quality across all value chains, starting with forward-looking market development and business domain expansion under the basic policy of frontier development.

Basic policy	**Frontiers 2026** • We will set **frontier development** as a fundamental strategy and strive for **sustainable growth paralleling higher added value**. We will strive to achieve **changes in society and for corporate clients** by **enhancing quality across all value chains**, starting with **forward-looking market development** and **business domain expansion**.

Key performance indicators	Human resources growth and added value cycle	Improved earning power	Asset (=intellectual property) value creation	Winning confidence of society	Meaningful growth
	Operating income per person **More than ¥3.5 million**	Operating margin **13.1%** Adjusted operating margin 13.4%※1	ROIC/ROE **Above 13%/ above16%**	Sales **¥620 billion**	EPS CAGR **Above 10%**

Priority strategies

Market Strategies

• Concentrate investment of management resources into defined growth areas, based on social issues and in-house strengths
• Balancing efforts to increase added value of services and reinforce technology investment, expand business with sense of speed, especially in ASEAN region

Service Strategies	Technology Strategies	Intellectual Property Strategies	Human Resources Strategies
• All services, from upstream to business process outsourcing, will benefit under full value chain status • Enrich pure services*3, focusing on four social issues*2	• Leverage knowledge distribution, IT architect development and redeployment structure • Promote process redevelopment using AI x automation	• Seek balance between higher added value and expanded business scale, with greater accumulation and utilization of intellectual property • Accelerate intellectual property creation through internal use of information on points of client contact	• Bolster issue resolution capabilities by increasing number consultants to create 700-person structure and by standardizing basic consulting skills • Secure and develop top talent and establish structure for flexible redeployment of human resources

*1 Adjusted operating income margin: Calculated by adding goodwill amortization cost back to operating income.
*2 Financial inclusion, urban concentration/rural decline, low-carbon/decarbonization, and health concerns. These issues were determined by backcasting from what the world might be like in 2050 and selected on the basis of TIS INTEC Group’s ability to contribute to issue resolution.
*3 Type of services essentially offered under uniform specifications applicable to all clients.

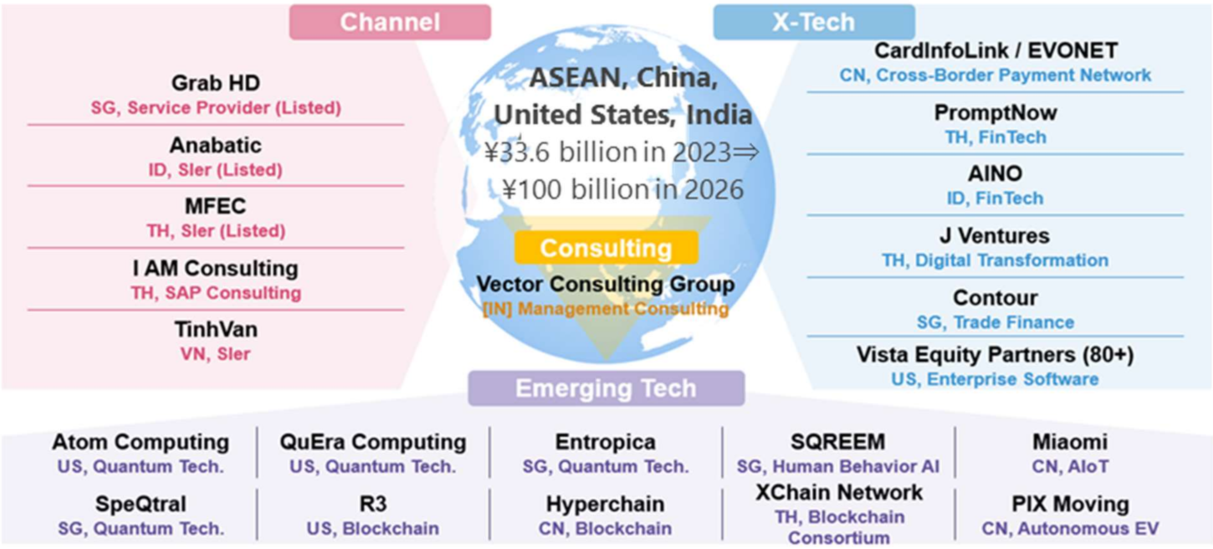
■ Market Strategy / Overall Segment Strategy

We will expand our business area by developing various services based on the characteristics of each segment, and continue to strengthen our business foundation for sustainable growth. The growth strategies for each segment are as follows.

Offering Service Business	• Respond to diversified cashless payment needs and expand the business domain as a business operator with strengths in finance and settlement that newly address social issues • Improve profitability by upgrading investment management
BPM	• Amid a shrinking market for some BPO operations, the Company is returning to a growth path by reviewing its business portfolio, such as expanding the customer experience (CX) domain, where demand is strong, and expanding services in collaboration with other segments
Financial IT Business	• This segment will pass its peak after the completion of a major project. However, it will lay the next foundation for growth by co-creating businesses with these clients, developing modernization businesses, acquiring new clients, and diversifying its client base
Industrial IT Business	• Deepen customer relationships and expand services with a focus on manufacturing, energy, and social infrastructure • Drive growth with existing customers and attract new ones by leveraging a variety of services such as ERP and modernization
Regional IT Solutions	• Nationwide deployment of original IT solutions developed in close contact with clients in five priority areas (public administration, healthcare, finance, industry and infrastructure)

■ Market Strategy/Global Strategy

The Company positions Asia, which has enormous market potential, as a long-term target, and aims to grow its business in ASEAN while expanding its global partnerships, with the goal of achieving consolidated net sales of ¥100 billion in fiscal 2026. We will develop our business with agility, both by striving for greater value across the business through the integration of IT and consulting on business restructuring, and by upgrading our technology investment function.



■ Service Strategy

Our customers' needs are diversifying with changing social trends and emerging innovative technologies. Under these circumstances, we will continue to expand our services and develop the market by adding higher value in order to support the transformation of society and our customers. The Financial IT Business and Industrial IT Business will mainly develop markets based on industries, while Offering, BPM, and Regional IT will develop markets based on functions and develop services in accordance with the guidelines of each business segment.

		Develop market from industry perspective	Develop market from function perspective
Business direction		• Apply knowledge laterally, cultivate client base from industry perspective, deepen relationships with clients as core partner. • Develop relationships with clients as strategic partner, including launch of co-creation businesses.	• Provide services with potential to become de facto standard for specific operations and functions in the future. • Strengthen approach to address social and industry issues, shifting from emphasis on large-scale to include small- and medium-sized businesses as well.
Service strategies		**Establish competitive services aimed at cultivating core business areas** ✓ Differentiate ERP by enriching software system with original industry templates and optional modules → Mainly chemicals and assembly-based manufacturing sectors ✓ Modernization services will expand banking systems and address need for large-scale removal of legacy systems	**Expand and promote pure services for specific operations and functions and social issue solutions** ✓ Develop payment settlement solutions into pillar of business with strengths in finance and payment settlement to address social issues → Digitize transactions, including B2B ✓ Expand and promote specialized-function, top-selling niche services → Including accounting/business management, CRM/SFA/digital marketing, healthcare/medical services, government administration, IT- managed services
	Shared	✓ Promote full value chain of services to address clients' wide-ranging transformation needs → Covering consulting, UX design, analytics, BPO expansion ✓ Hone sharper competitive edge in services by reinforcing feedback cycle of client comments	

■ Technology Strategy

The evolution and diversification of elemental technology is remarkable, and the Company recognizes that early adaptation to these technologies will have a significant impact on its competitiveness. With a technology portfolio, which is a selection of technologies on the market that are important to the Group, we continue to implement comprehensive measures to study these technologies upfront and apply them in the field as quickly as possible.

In the short-term, we will promote measures such as creating an environment that encourages employees to use generative AI, redesigning processes based on the use of AI in various internal operations, and developing a generative AI training program and conducting training. Meanwhile, through industry-academic collaborations, we will promote research into a series of technologies and their combined applications that will form the core of the differentiation of our business in three to ten years, such as the mass data transfer technologies and related algorithms that will be required as the digital and physical worlds continue to converge.

■ Human Resources Strategy

In order to continue to enhance the value exchange between employees and Group companies, the Group will promote a human resources strategy focusing on diversification and advancement of individuals. In that, the Group will take on the challenge of improving engagement with employees through creation of an environment and organizational culture where diverse individuals can thrive, promotion of next-generation work-style reforms looking towards a new work environment, and advancement of human resource portfolio management by digitalization of a human resources database.

The Company has regarded human resources as its most important management capital and has actively promoted up-front investment in human resources. Regarding the human resource strategy, the Company is investing in human resources to increase employee engagement based on the three axes of the meaning of work, the working environment, and compensation. We will continue striving for further growth and securing excellent talent inside and outside the Company that will contribute to growth by strengthening a virtuous cycle of high added value for the Company, our employees, and society.

The medium-term management plan (2024–2026), under the theme of strengthening problem-solving, insight, and integration capabilities, will focus on expanding DX consultants, advanced sales personnel, and IT architects and will promote investment and the creation of mechanisms to develop and acquire such personnel.

■ Intellectual Property Strategy

We believe that the accumulation and advanced utilization of intellectual property will become increasingly important to strengthen the Group’s services and service delivery processes and to achieve both business scale expansion and high-value creation. In the medium-term management plan (2024–2026), we will work to promote the creation of intellectual property by strengthening the feedback of customer touchpoint information. We will strengthen a virtuous cycle of providing high-value services through satisfactory service delivery processes, which will improve the quality of communication with clients, and thereby updating existing intellectual property and generating valuable information that will lead to the creation of new intellectual property.

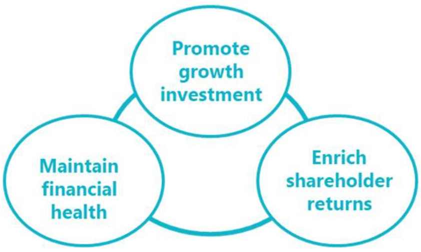
■ Financial Strategy

The basic principle of the Company’s capital policy is to promote an appropriate capital structure from a medium- to long-term management perspective. This policy takes a balanced approach to promoting investments for growth, ensuring financial soundness, and strengthening shareholder returns to continuously increase corporate value.

Specifically, to strengthen our ability to generate cash through sustained business profit growth and improved profitability, we will aggressively invest for growth, and as part of this effort, we will continue to discuss and implement a review of our business portfolio.

In addition, we will strive to optimize our capital structure in line with our business structure by strengthening balance sheet management and implementing measures to generate sustainable returns above the cost of capital while maintaining financial health. We aim to improve and increase shareholder returns consistent with business growth.

Based on the above, the medium-term management plan (2024–2026) calls for a cumulative investment of ¥100 billion over three years for growth, a total return ratio of 50%, and an appropriate capital structure in line with the Company’s ability to generate cash.



Promote growth investment

- ✓ Total growth investment over three years **About ¥100 billion**
- ✓ Robust investment to optimize business portfolio
- ✓ Sustainable generation of returns exceeding cost of capital, and wider equity spread

Enrich shareholder returns

- ✓ Raise **total return ratio to 50%** (yardstick)*from 45%
- ✓ Continue to enrich dividends per share
- ✓ Maintain upper limit on treasury stock holdings at 5% of total shares outstanding, and cancel the excess

Maintain financial health

- ✓ Allow debt-equity ratio up to 0.5, understanding **optimization of capital structure** comes with improved ability to generate cash
- ✓ Maintain “A” rating * ”A+” as of November 13, 2023
- ✓ Maintain level of cash and deposits, plus commitment line, equivalent to about two months’ worth of sales

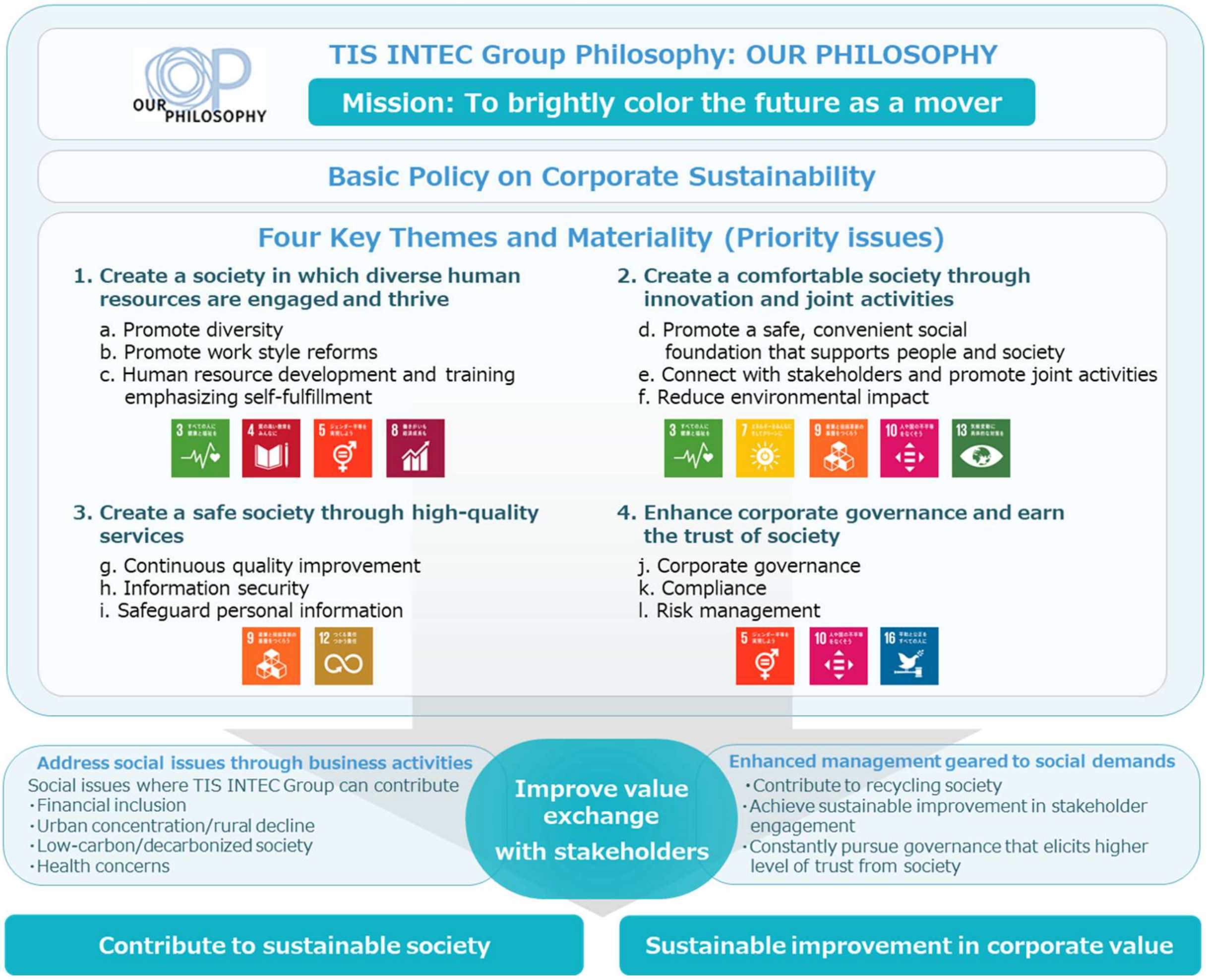
(5) Objective indicators to measure the achievement of management goals, etc.

In the medium-term management plan (2024–2026), we set the following objective indicators to measure our contribution to society: “net sales of ¥620 billion,” “operating income (operating income ratio) of ¥81 billion (13.1%),” “EPS CAGR of more than 10%,” “ROIC and ROE of over 13% and over 16%,” and “operating income per employee of ¥3.5 million.”

(Reference) Sustainability policy and initiatives

Based on the Group's basic philosophy of "OUR PHILOSOPHY", the Group will strive to solve social issues through its business activities and enhance value exchange with stakeholders through management sophistication in response to social demands, thereby promoting sustainability management that seeks to both contribute to a sustainable society and continuously increase corporate value.

<Overall picture of sustainability management>



To date, the Group has established a system for enhancing sustainability management by means such as setting up a Corporate Sustainability Committee, identifying materiality and the four societal issues to resolve, and putting in place an implementation system to advance sustainability management, while promoting initiatives related to human rights and the environment, which are high-priority themes as urgent and important social issues based on the Basic Direction on Corporate Sustainability. In addition to continuing these initiatives, the Group recognizes that it is important to reevaluate not only the Group's direct corporate activities but also its corporate activities throughout the value chain, and the Group will strengthen its management system to establish a presence as a leading sustainability company by further deepening sustainability management.

In addition, the Group will continue to develop and strengthen its management foundation to achieve sustainable growth in an increasingly uncertain environment. The Group has established segment owners to clarify the focus of authority and responsibility, and is promoting the realization of growth strategies that leverage the strengths of each group company. The Group is also pursuing optimal group formation by restructuring the business portfolio through capital cost-conscious business management and M&A of domestic and overseas companies, and further upgrading and streamlining the head office functions including sharing inter-Group administrative operations. In addition, the Group will also promote the sophistication of investment management to earn appropriate returns as it aggressively executes growth investments (software investment, human resource investment, R&D investment, M&A and capital tie-ups, etc.) that will contribute to future growth.

At the same time, the Group will continue with strategic brand activities, including placing commercials on television and articles in advertising materials as part of efforts to increase corporate value and consumer recognition. At this point, the Group is beginning to see steady results in terms of improved recognition of the

Group and corresponding benefits in terms of employee satisfaction and recruitment, but will continue efforts to strengthen the appeal of its service brand based on its corporate brand.

4. Basic Policy on Selecting Accounting Standards

The TIS INTEC Group uses Japanese accounting standards for financial reporting. The Group continues to review the possibility of optional application of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2023	As of March 31, 2024
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	94,675	103,554
Notes and accounts receivable, and contract assets	131,488	144,141
Lease receivables and lease investment assets	4,542	4,312
Marketable securities	284	281
Merchandise and finished goods	3,518	3,946
Work in process	1,758	1,432
Raw materials and supplies	207	193
Prepaid expenses	27,810	30,217
Other current assets	4,858	3,868
Allowance for doubtful accounts	(461)	(392)
Total current assets	268,682	291,556
Fixed assets		
Property and equipment		
Buildings and structures, net	33,635	34,325
Machinery and equipment, net	8,336	8,205
Land	9,650	15,802
Leased assets, net	3,835	4,720
Other property and equipment, net	6,861	6,662
Total property and equipment	62,318	69,715
Intangible assets		
Software	22,039	20,329
Software in progress	3,609	3,246
Goodwill	692	9,659
Other intangible assets	1,329	22,565
Total intangible assets	27,671	55,801
Investments and other assets		
Investment securities	52,799	56,396
Net defined benefit asset	8,089	10,754
Deferred tax assets	21,159	20,397
Other assets	24,174	21,092
Allowance for doubtful accounts	(2,575)	(258)
Total investments and other assets	103,647	108,382
Total fixed assets	193,637	233,899
Total assets	462,320	525,456

Items	As of March 31, 2023	As of March 31, 2024
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	26,976	26,206
Short-term borrowings	11,990	17,398
Income taxes payable	13,354	9,024
Accrued bonuses to directors and employees	17,540	16,952
Provision for loss on order received	607	1,955
Other allowances	160	114
Contract liabilities	18,878	26,946
Other current liabilities	27,670	41,678
Total current liabilities	117,179	140,277
Non-current liabilities		
Long-term debt	4,052	20,509
Lease obligations	4,011	4,763
Deferred tax liabilities	344	8,507
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	0	0
Other allowances	218	131
Net defined benefit liability	12,038	12,808
Asset retirement obligations	6,924	6,617
Other non-current liabilities	8,051	6,844
Total non-current liabilities	35,914	60,453
Total liabilities	153,094	200,730
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	40,470	12,314
Retained earnings	247,263	283,533
Less treasury stock, at cost	(7,614)	(6,395)
Total shareholders' equity	290,120	299,453
Accumulated other comprehensive income		
Net unrealized gains on other securities	7,900	11,715
Deferred gains or losses on hedges	(31)	(2)
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	628	983
Remeasurements of defined benefit plans	1,093	2,931
Total accumulated other comprehensive income	6,918	12,956
Non-controlling interests	12,186	12,315
Total net assets	309,226	324,725
Total liabilities and net assets	462,320	525,456

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Items	FY2023	FY2024
	millions of yen	millions of yen
Net sales	508,400	549,004
Cost of sales	366,668	397,365
Gross profit	141,732	151,639
Selling, general and administrative expenses	79,403	87,070
Operating income	62,328	64,568
Non-operating income		
Interest income	563	401
Dividend income	779	689
Foreign exchange gains	385	497
Reversal of allowance for doubtful accounts	52	2,501
Other	707	923
Total non-operating income	2,488	5,012
Non-operating expense		
Interest expenses	235	380
Equity in losses of affiliated companies	1,088	20
Financing expenses	-	224
Loss on investments in investment partnerships	-	142
Other	289	206
Total non-operating expenses	1,612	1,027
Recurring profit	63,204	68,553
Extraordinary income		
Gain on sales of investment securities	19,201	2,254
Gain on sales of shares of subsidiaries	2,774	-
Gain on reversal of asset retirement obligations	-	551
Other	64	484
Total extraordinary income	22,040	3,291
Extraordinary loss		
Loss on sales of investment securities	887	-
Loss on valuation of investment securities	631	1,382
Impairment loss	969	1,094
Loss on valuation of investments in capital	1,121	-
Other	141	175
Total extraordinary loss	3,752	2,652
Income before income taxes	81,492	69,193
Income taxes: current	21,552	18,277
Income taxes: deferred	1,370	664
Total income taxes	22,922	18,942
Net income	58,570	50,250
Net income attributable to non-controlling interests	3,108	1,376
Net income attributable to owners of the parent company	55,461	48,873

Consolidated Statements of Comprehensive Income

Items	FY2023	FY2024
	millions of yen	millions of yen
Net income	58,570	50,250
Other comprehensive income		
Net unrealized gains on other securities	(13,086)	3,824
Deferred gains or losses on hedge	(55)	58
Foreign currency translation adjustments	812	444
Remeasurements of defined benefit plans	1,315	1,836
Share of other comprehensive income of equity-method affiliates	190	206
Total other comprehensive income	(10,823)	6,372
Comprehensive income	47,746	56,622
(Composition)		
Comprehensive income attributable to owners of the parent company	44,356	54,911
Comprehensive income attributable to non-controlling interests	3,389	1,711

(3) Consolidated Statements of Changes in Net Assets
FY2023 (April 1, 2022 through March 31, 2023)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	64,960	203,256	(3,117)	275,100
Changes during the fiscal year					
Dividends from surplus			(11,451)		(11,451)
Net income attributable to owners of the parent company			55,461		55,461
Acquisition of treasury stock				(30,005)	(30,005)
Disposal of treasury stock		8		1,009	1,017
Cancellation of treasury stock		(24,498)		24,498	-
Change in scope of consolidation		(112)	(2)		(115)
Change in scope of equity method			(1)		(1)
Capital increase of consolidated subsidiaries		112			112
Sale of shares of consolidated subsidiaries		0			0
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(24,490)	44,006	(4,496)	15,019
Balance at end of fiscal year	10,001	40,470	247,263	(7,614)	290,120

	Accumulated other comprehensive income							
	Net unrealized gains on other securities	Deferred gains or losses on hedge	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	20,990	(4)	(2,672)	(70)	(219)	18,024	9,867	302,993
Changes during the fiscal year								
Dividends from surplus								(11,451)
Net income attributable to owners of the parent company								55,461
Acquisition of treasury stock								(30,005)
Disposal of treasury stock								1,017
Cancellation of treasury stock								-
Change in scope of consolidation								(115)
Change in scope of equity method								(1)
Capital increase of consolidated subsidiaries								112
Sale of shares of consolidated subsidiaries								0
Items other than changes in shareholders' equity, net	(13,090)	(27)	-	699	1,312	(11,105)	2,319	(8,786)
Net changes during the fiscal year	(13,090)	(27)	-	699	1,312	(11,105)	2,319	6,233
Balance at end of fiscal year	7,900	(31)	(2,672)	628	1,093	6,918	12,186	309,226

FY2024 (April 1, 2023 through March 31, 2024)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	10,001	40,470	247,263	(7,614)	290,120
Changes during the fiscal year					
Dividends from surplus			(12,604)		(12,604)
Net income attributable to owners of the parent company			48,873		48,873
Acquisition of treasury stock				(34,585)	(34,585)
Disposal of treasury stock		(0)		7,649	7,648
Cancellation of treasury stock		(28,155)		28,155	-
Items other than changes in shareholders' equity, net					-
Net changes during the fiscal year	-	(28,155)	36,269	1,219	9,333
Balance at end of fiscal year	10,001	12,314	283,533	(6,395)	299,453

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedge	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balance at beginning of fiscal year	7,900	(31)	(2,672)	628	1,093	6,918	12,186	309,226
Changes during the fiscal year								
Dividends from surplus								(12,604)
Net income attributable to owners of the parent company								48,873
Acquisition of treasury stock								(34,585)
Disposal of treasury stock								7,648
Cancellation of treasury stock								-
Items other than changes in shareholders' equity, net	3,815	28	-	354	1,838	6,037	128	6,165
Net changes during the fiscal year	3,815	28	-	354	1,838	6,037	128	15,498
Balance at end of fiscal year	11,715	(2)	(2,672)	983	2,931	12,956	12,315	324,725

(4) Consolidated Statements of Cash Flows

Items	FY2023	FY2024
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	81,492	69,193
Depreciation	15,700	17,340
Impairment loss	969	1,094
(Gain) loss on sale of investment securities	(18,313)	(2,249)
(Gain) loss on valuation of investment securities	631	1,382
Loss on disposal of fixed assets	127	109
Amortization of goodwill	157	619
(Gain) loss on sales of shares of subsidiaries	(2,774)	-
Loss on valuation of investments in capital	1,121	-
Increase (decrease) in accrued bonuses to directors and employees	1,700	(673)
Increase(decrease) in allowance for doubtful accounts	(89)	(2,385)
Increase (decrease) in net defined benefit liability	(495)	(415)
Interest and dividend income	(1,343)	(1,090)
Interest expenses	235	380
Equity gains (losses) of affiliated companies	1,088	20
(Increase) decrease in notes and accounts receivable, and contract assets	(18,792)	(10,568)
(Increase) decrease in inventories	(2,317)	258
Increase (decrease) in notes and accounts payable	4,198	(1,277)
Increase (decrease) in accrued consumption taxes	(947)	2,013
Increase (decrease) in other current liabilities	3,578	12,956
Other, net	(3,622)	(1,395)
Subtotal	62,306	85,310
Interest and dividend income received	1,279	1,278
Interest expenses paid	(239)	(374)
Income taxes paid	(29,712)	(23,636)
Net cash provided by (used in) operating activities	33,634	62,578
Cash flows from investing activities		
Purchase of marketable securities	(400)	(400)
Proceeds from sale and redemption of marketable securities	400	500
Acquisitions of property and equipment	(4,337)	(13,081)
Proceeds from sales of property and equipment	50	495
Acquisitions of intangible assets	(6,045)	(5,850)
Acquisitions of investment securities	(4,191)	(2,887)
Proceeds from sale and redemption of investment securities	23,685	6,995
Payment of lease and guarantee deposits	(228)	(365)
Collection of lease and guarantee deposits	827	275
Proceeds from collection of loans to subsidiaries and associates	-	2,961
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(20,724)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,435	-
Other, net	(895)	(736)
Net cash provided by (used in) investing activities	11,300	(32,817)

Items	FY2023	FY2024
	millions of yen	millions of yen
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	10,399	(77)
Proceeds from long-term debt	3,500	23,159
Repayments of long-term debt	(35,450)	(1,802)
Purchase of treasury stock	(30,005)	(34,585)
Proceeds from sales of treasury stock	1,017	7,648
Dividends paid	(11,451)	(12,604)
Dividends paid to non-controlling interests	(1,155)	(1,754)
Other, net	(1,429)	(1,873)
Net cash provided by (used in) financing activities	(64,573)	(21,889)
Effect of exchange rate changes on cash and cash equivalents	271	543
Net increase (decrease) in cash and cash equivalents	(19,367)	8,415
Cash and cash equivalents at beginning of year	113,820	94,306
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	11	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(158)	-
Cash and cash equivalents at end of year	94,306	102,722

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable.

(Significant Subsequent Events)

(Share buyback)

The Company resolved at a Board of Directors' meeting held on May 8, 2024, to acquire its own (treasury) shares in accordance with the provisions of Article 156 of the Companies Act of Japan as applied pursuant to Paragraph 3, Article 165 of said Act.

1. Reason for share buyback

To enhance shareholder returns and capital efficiency by implementing an agile capital strategy that is flexibly responsive to changes in the operating environment.

2. Details of resolution on share buyback

(1) Class of shares to be repurchased
Common shares

(2) Total number of shares to be repurchased
2,500,000 shares (upper limit)

(3) Total cost of repurchase
¥6,500 million (upper limit)

(4) Period for repurchase
May 9, 2024 - July 31, 2024

(5) Method for repurchase
Market purchase on the Tokyo Stock Exchange

6. Other Information

INTEC Inc., a consolidated subsidiary of the Company, is currently in litigation with Mitsubishi Shokuhin Co., Ltd., which filed a claim for compensation in connection with services including system development provided by INTEC Inc. (Amount of compensation demanded as of November 13, 2018 was ¥12,703 million. It was changed to ¥15,485 million on December 8, 2023).