TIS Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 31, 2025

February 4, 2025

Event Summary

[Company Name]	TIS Inc.	
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[Venue]	Dial-in	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Masakazu Kawamura	Managing Executive Officer, Division Manager of Corporate Planning SBU
	Daisuke Kawaguchi	Department Manager of Corporate Management Department
[Analyst Names]*	Makoto Ueno	Daiwa Securities
	Chikai Tanaka	Goldman Sachs
	Hiroko Sato	Jefferies
	Mitsunobu Tsuruo	Citigroup Global Markets

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

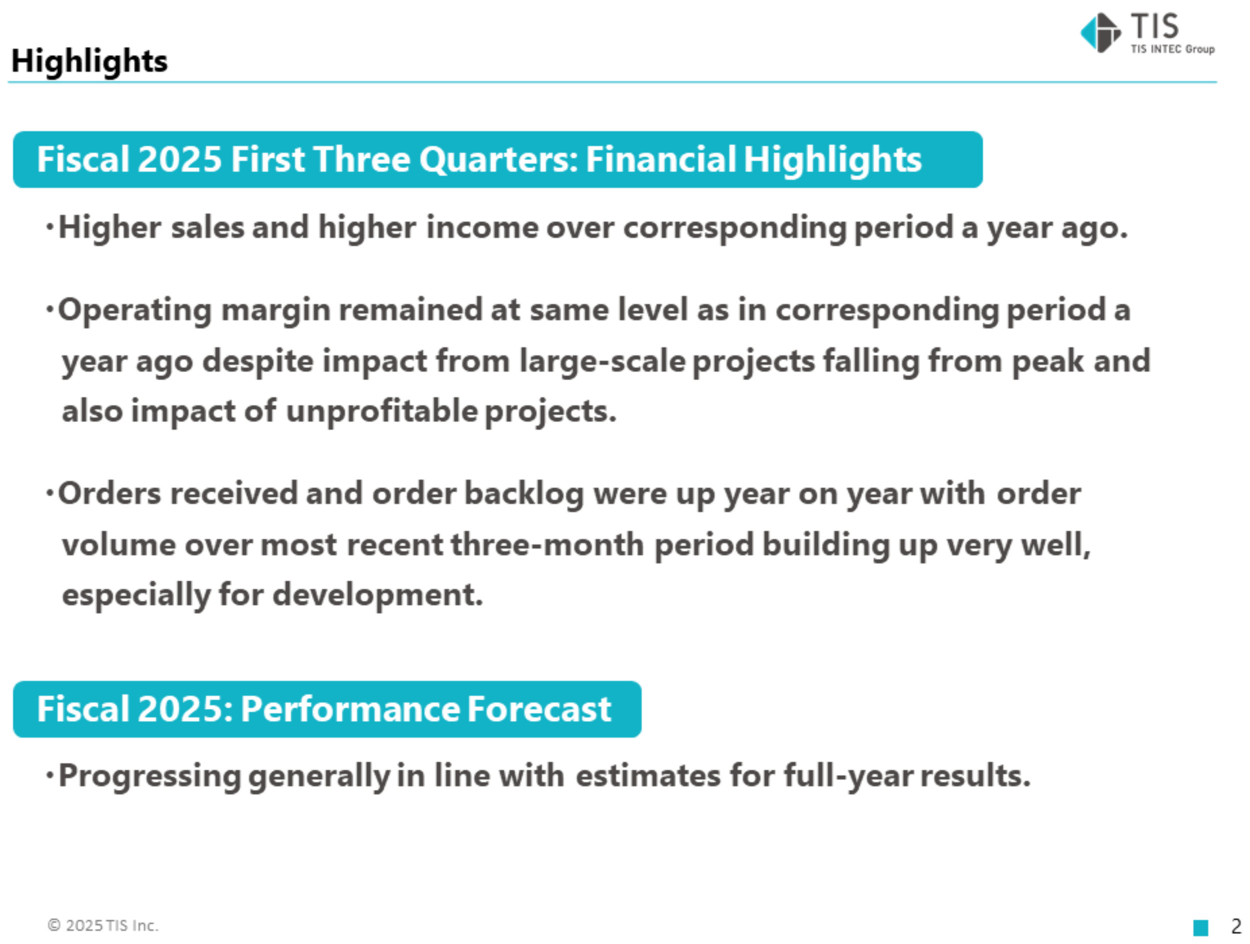
Presentation

Moderator: Thank you very much for your patience. We will now begin TIS Inc.'s Q3 earnings conference call for the fiscal year ending March 2025.

Today's conference call is being attended by Masakazu Kawamura, Managing Executive Officer, Division Manager of Corporate Planning SBU; and Daisuke Kawaguchi, Department Manager of Corporate Management Department.

First, Mr. Kawamura will give a 10-minute explanation, followed by a question-and-answer session. Mr. Kawaguchi will join the Q&A session, and the two of them will be available to answer questions. The entire meeting is scheduled to last approximately 30 minutes. The presentation materials are available on the website of TIS Inc. for your reference. We will now begin the presentation.

Kawamura: This is Kawamura from TIS. Thank you. I will now provide an overview of the financial results for Q3 of the fiscal year ending March 31, 2025, which were announced at 3:30 PM today.



Please see page two. Here are the highlights of the current financial results. First, let us discuss the Q3 results for the fiscal year ending March 31, 2025. Cumulative Q3 results continued to show YoY increases in both sales and income, as seen in H1. The operating margin was at a similar level to the same period last year, despite the impact of passing the peak of large-scale development projects and unprofitable projects.

Orders received and order backlogs increased steadily compared to the same period last year, with a particularly strong growth in the last three months, mainly in development.

Next, with regard to the outlook for the fiscal year ending March 31, 2025, there are no revisions to the full-year forecast as progress through Q3 was generally in line with the plan.

Fiscal 2025 First Three Quarters: Performance Highlights (YOY change)

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- Higher sales and higher income, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Operating margin at same level as in corresponding period a year ago despite pressure, namely, impact from large-scale project activity falling from peak as well as unprofitable projects.

[Millions of yen]	First three quarters of fiscal 2024	First three quarters of fiscal 2025	YOY change	
Net Sales	404,744	**416,561**	+11,816	[+2.9%]
Operating Income	47,579	**48,884**	+1,304	[+2.7%]
Operating Margin	11.8%	**11.7%**	-0.1P	-
Net Income Attributable to Owners of the Parent Company	32,190	**34,474**	+2,283	[+7.1%]
Net Income to Net Sales Ratio	8.0%	**8.3%**	+0.3P	-

- Non-operating income: ¥2,477 million
  (YOY change -¥422 million)
  →Dividend income ¥759 million
  Equity in earnings of affiliated companies ¥470 million, etc.
- Non-operating expenses: ¥777 million
  (YOY change +¥51 million)
  →Interest expenses ¥393 million, etc.
- Extraordinary income: ¥5,787 million
  (YOY change +¥4,646 million)
  →Gain on sales of investment securities ¥5,370 million, etc.
- Extraordinary loss: ¥3,907 million
  (YOY change +¥2,068 million)
  →Impairment loss ¥2,506 million
  Loss on valuation of shares in subsidiaries ¥844 million, etc.

*Bringing a company under scope of consolidation in previous fiscal year led to impact of ¥2.9 billion on net sales and ¥90 million on operating income (after goodwill amortization).

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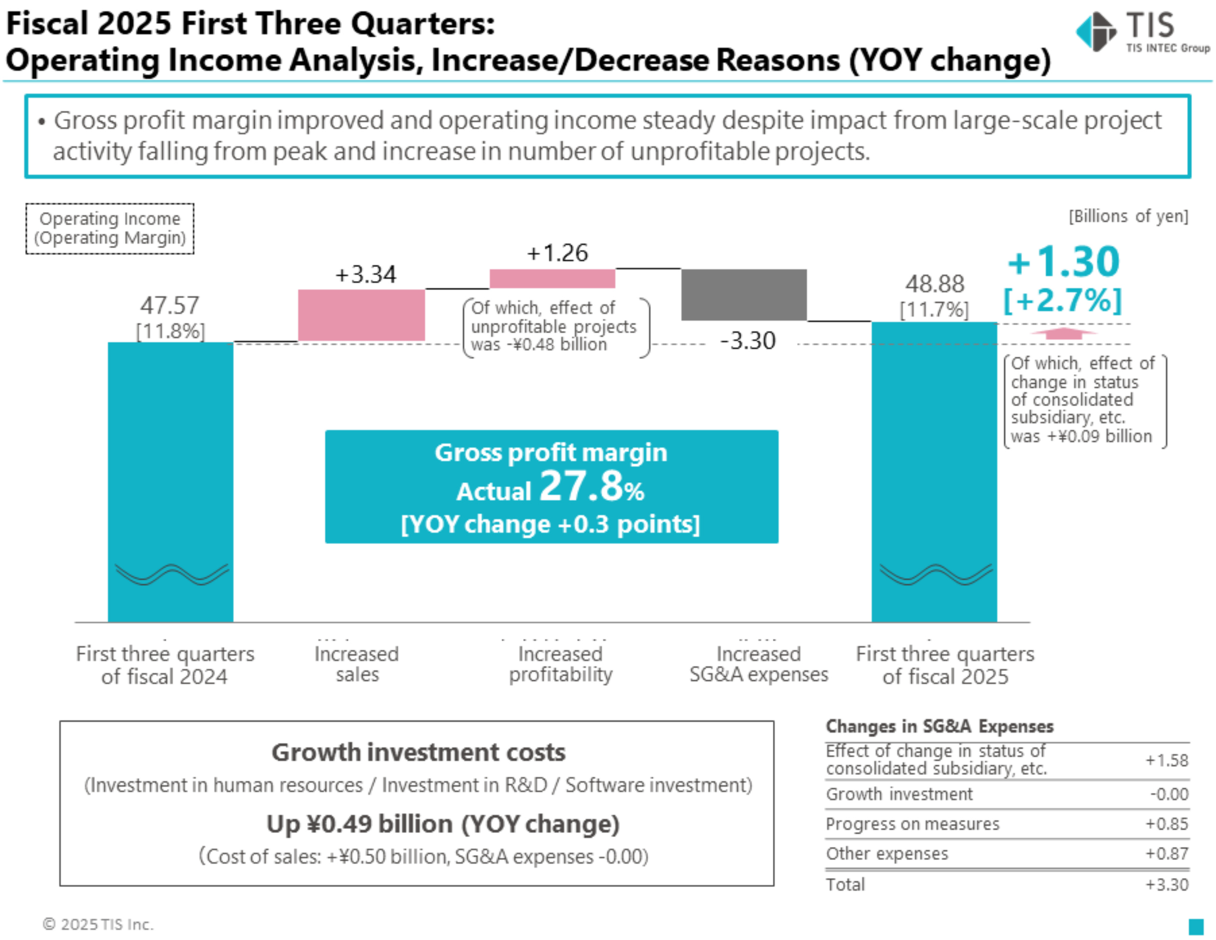
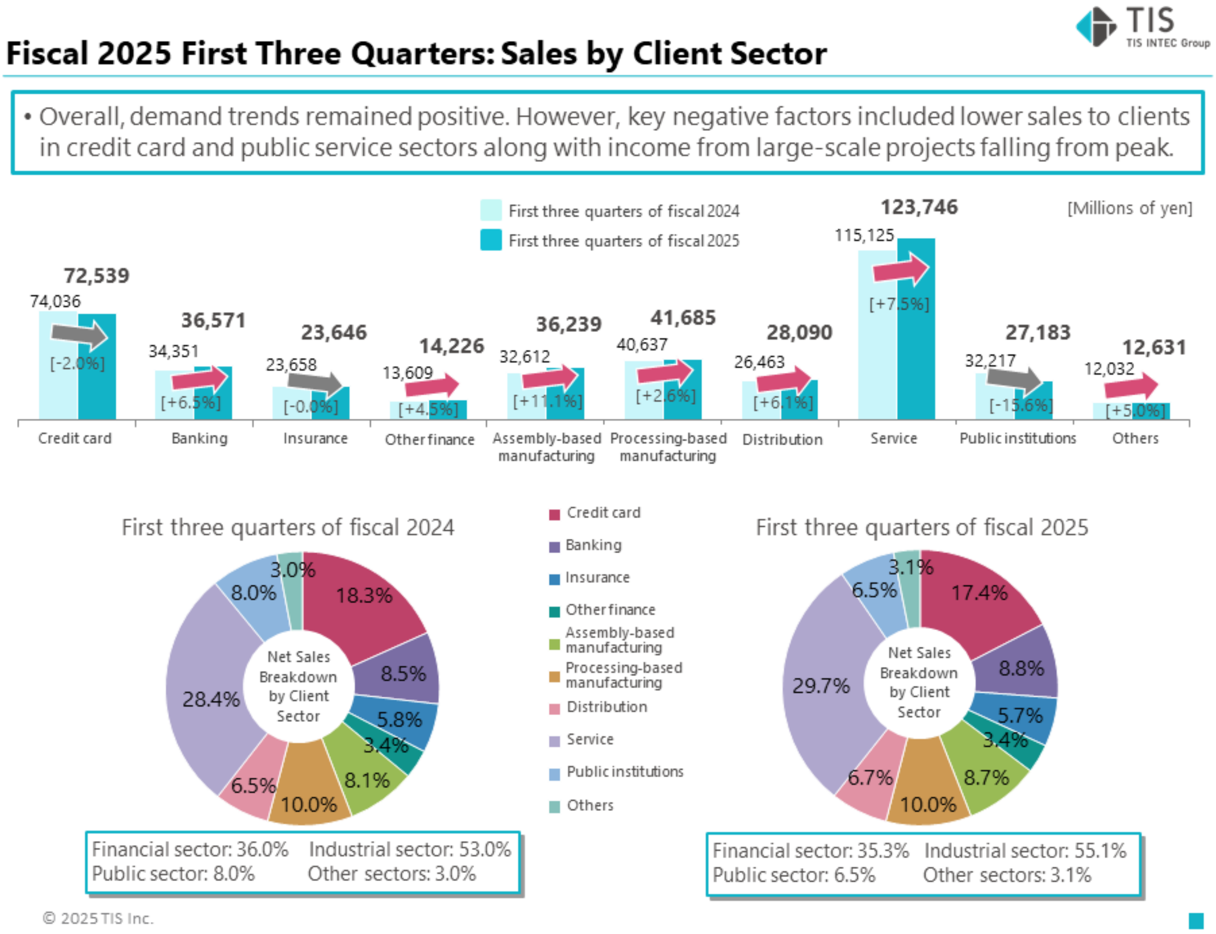
Please see page five. This is a summary of the business results for Q3 of the fiscal year ending March 2025. Despite the impact of passing the peak of large-scale development projects and unprofitable projects, we were able to achieve an increase in both sales and income. Net sales increased 2.9% YoY to JPY416.5 billion, and operating income increased 2.7% YoY to JPY48.8 billion, with an operating margin of 11.7%.

Net income attributable to owners of the parent company was JPY34.4 billion, up 7.1% YoY. As in H1, we recorded a gain on the sale of investment securities resulting from a reduction of cross-shareholdings as extraordinary income in Q3.



Page six shows the factors behind the changes in operating income. Despite the peak-out effect of large-scale projects and an increase in unprofitable projects, the gross profit margin rose by 0.3 percentage points YoY to 27.8%, driven by increased operating income due to the provision of high-value-added solutions and the promotion of productivity improvement measures, in addition to the increased income resulting from increased sales.

In the first three quarters, unprofitable projects amounted to approximately JPY2.1 billion. In Q3 alone, this figure was approximately JPY700 million, including JPY300 million in offering service business and approximately JPY300 million in industrial IT business. Although it is still taking time for the results of our efforts to be seen, we will continue to work to enhance and disseminate quality control measures throughout the Group.



Please refer to page seven. This is a breakdown of sales by client sector. Overall, the positive trend continued, with the exception of credit card and public sectors, where sales were down due to the peak-out effect of large-scale development projects. Among them, service and assembly-based manufacturing sectors led the overall performance.

Fiscal 2025 First Three Quarters: Sales and Income for Key Business Segments (YOY change)

[Millions of yen]		First three quarters of fiscal 2024	First three quarters of fiscal 2025	YOY change	
Offering Service Business	Net Sales	93,701	**106,605**	+12,904	[+13.8]
	Operating Income	5,493	**7,398**	+1,904	[+34.7%]
	Operating Margin	5.9%	**6.9%**	+1.0P	-
Business Process Management	Net Sales	31,239	**31,522**	+282	[+0.9%]
	Operating Income	3,073	**3,763**	+690	[+22.5%]
	Operating Margin	9.8%	**11.9%**	+2.1P	-
Financial IT Business	Net Sales	79,820	**74,602**	-5,217	[-6.5%]
	Operating Income	11,256	**9,112**	-2,143	[-19.0%]
	Operating Margin	14.1%	**12.2%**	-1.9P	-
Industrial IT Business	Net Sales	89,679	**93,520**	+3,840	[+4.3%]
	Operating Income	13,268	**14,127**	+858	[+6.5%]
	Operating Margin	14.8%	**15.1%**	+0.3P	-
Regional IT Solutions	Net Sales	127,285	**127,000**	-284	[-0.2%]
	Operating Income	14,178	**13,998**	-180	[-1.3%]
	Operating Margin	11.1%	**11.0%**	-0.1P	-

Offering Service Business:	Higher sales and higher income, as positive factors, including expanding IT investment by clients for enterprise and platform systems and payment settlement services, despite impact of unprofitable projects.
Business Process Management:	Some existing BPO operations continued to struggle but successful efforts to secure projects, including DX business, and cost-control measures led to higher sales and higher income.
Financial IT Business:	Sales and income declined, as large-scale projects for core clients in credit card sector as well as public-sector financial institutions fell from peak.
Industrial IT Business:	Sales and income grew, as wider IT investment across industries, including services, manufacturing and distribution, offset factors such as reactionary decrease in large development projects for companies in manufacturing sector.
Regional IT Solutions:	Lower sales and lower income, despite greater local government-related IT investment, as positive demand factors eclipsed by reactionary drop in opportunities for sales of medical systems as well as one-time expenses.

Page eight shows the status by segment. Offering service business saw increases in both sales and income, thanks to successfully capturing demand for IT investment in the enterprise, infrastructure and settlement areas, as well as the contribution to earnings from Nihon ICS, which became a subsidiary in the previous fiscal year, offsetting the impact of unprofitable projects.

BPM posted higher sales and income, thanks to the acquisition of projects in the relatively profitable DX business, such as data maintenance, and the success of ongoing cost controls, despite the continued struggles in some existing BPO operations.

Financial IT business saw a decline in both sales and income due to the peak-out effect of large-scale projects for core clients in the credit card sector and public financial institutions.

Industrial IT business recorded increased sales and income, thanks to expanded IT investment in a wide range of industries, including services, manufacturing and distribution, despite a reactionary decline in large-scale manufacturing development projects.

Regional IT Solutions saw sales and profits decline due to factors such as a reactionary drop in medical service solutions and one-off expenses recorded in Q2, despite the contribution to earnings from the expansion of IT investment demand from local governments from Q3.

Reference: Fiscal 2025 Third Quarter (October-December): Sales and Income for Key Business Segments

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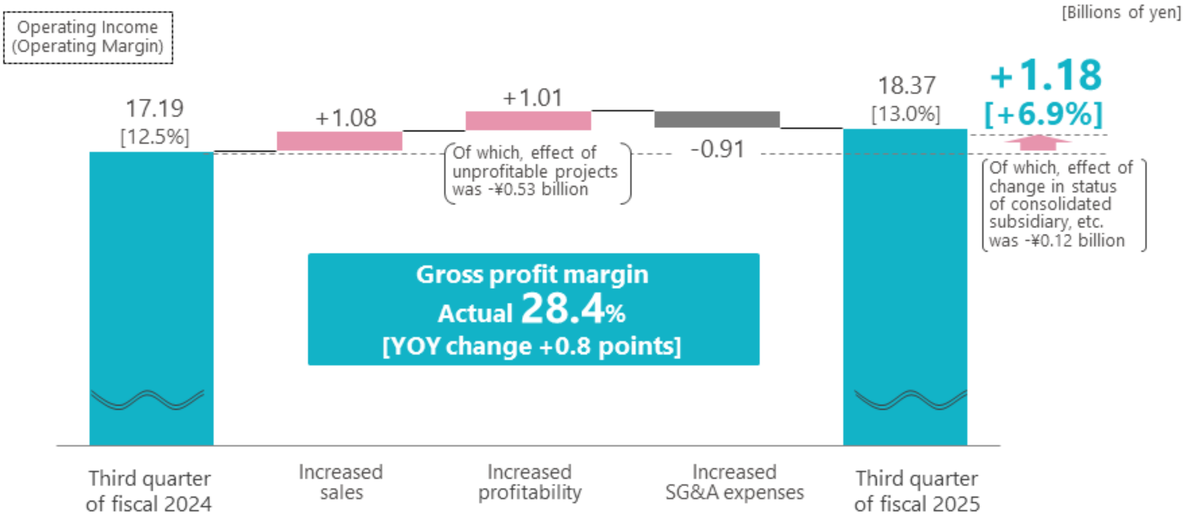
[Millions of yen]		Third quarter of fiscal 2024	Third quarter of fiscal 2025	YOY change	
Net Sales		137,255	**141,002**	+3,747	[+2.7%]
Operating Income		17,191	**18,374**	+1,182	[+6.9%]
Operating Margin		12.5%	**13.0%**	+0.5P	-
Net Income Attributable to Owners of the Parent Company		11,882	**13,633**	+1,750	[+14.7%]
Net Income to Net Sales Ratio		8.7%	**9.7%**	+1.0P	-
Key Business Segments					
Offering Service Business	Net Sales	33,552	**36,200**	+2,647	[+7.9%]
	Operating Income	2,834	**2,929**	+95	[+3.4%]
	Operating margin	8.4%	**8.1%**	-0.3P	-
Business Process Management	Net Sales	10,245	**10,673**	+428	[+4.2%]
	Operating Income	964	**1,446**	+481	[+49.9%]
	Operating margin	9.4%	**13.5%**	+4.1P	-
Financial IT Business	Net Sales	25,713	**24,560**	-1,152	[-4.5%]
	Operating Income	3,370	**3,022**	-347	[-10.3%]
	Operating margin	13.1%	**12.3%**	-0.8P	-
Industrial IT Business	Net Sales	31,353	**32,224**	+871	[+2.8%]
	Operating Income	4,797	**5,105**	+307	[+6.4%]
	Operating margin	15.3%	**15.8%**	+0.5P	-
Regional IT Solutions	Net Sales	41,749	**43,052**	+1,302	[+3.1%]
	Operating Income	5,164	**5,697**	+533	[+10.3%]
	Operating margin	12.4%	**13.2%**	+0.8P	-

Page nine through page 10 present the results for the three months of Q3. In particular, operating income increased by 6.9% YoY, and operating margin was 13%, marking a solid increase in profitability. Offering service business saw a more gradual increase in profits compared to H1, but continued to grow. Financial IT business was affected by the peak-out of large-scale development projects as expected, but we were able to limit the decline in sales and income by acquiring new projects, mainly from core clients in the credit card sector.

Regional IT Solutions was able to reverse the downward trend in sales and income seen in H1, and recorded higher sales and income in Q3.

Reference: Fiscal 2025 Third Quarter (October-December): Operating Income Analysis, Increase/Decrease Reasons (YOY change)



Growth investment costs

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

Up ¥0.24 billion (YOY change)

(Cost of sales: +¥0.10 billion, SG&A expenses +0.14)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	+0.09
Growth investment	+0.14
Progress on measures	+0.26
Other expenses	+0.41
Total	+0.91

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Fiscal 2025 First Three Quarters: Order Status (Orders received during first three quarters)

- Orders received were up year on year, driven by demand for software development.
- Decline in Financial IT Business offset by growth in Industrial IT Business and Offering Service Business, resulting in solid increase overall.

[Millions of yen]		First three quarters of fiscal 2024	First three quarters of fiscal 2025	YOY change	
Orders received during first three quarters		364,551	**382,874**	+18,322	[+5.0%]
Software development		193,889	**208,133**	+14,244	[+7.3%]
Key Business Segments					
Offering Service Business	Orders received during first three quarters	78,143	**86,216**	+8,073	[+10.3%]
	Software development	34,589	**37,476**	+2,886	[+8.3%]
Business Process Management	Orders received during first three quarters	28,943	**29,771**	+828	[+2.9%]
	Software development	8,924	**9,428**	+504	[+5.6%]
Financial IT Business	Orders received during first three quarters	62,623	**59,702**	-2,921	[-4.7%]
	Software development	34,413	**34,243**	-169	[-0.5%]
Industrial IT Business	Orders received during first three quarters	82,871	**90,750**	+7,878	[+9.5%]
	Software development	57,085	**65,112**	+8,026	[+14.1%]
Regional IT Solutions	Orders received during first three quarters	111,969	**116,433**	+4,463	[+4.0%]
	Software development	58,877	**61,873**	+2,995	[+5.1%]

Beginning on page 11 is an explanation of the order status. First, overall orders received increased by 5% YoY to JPY382.8 billion, driven by software development. Financial IT business saw a decrease in overall orders received due to factors such as the peak-out of large-scale projects, but we were also able to win new projects, and succeeded in increasing development orders to a level on par with the same period of the previous year. In addition, in other segments such as offering services and industrial IT, orders received were also strong, especially in development.

Fiscal 2025 First Three Quarters: Order Status (Order backlog at end of third quarter)

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- Despite lingering impact from large-scale project activity falling from peak in Financial IT Business, posted solid increase in order backlog overall, with emphasis on software development.

[Millions of yen]		First three quarters of fiscal 2024	First three quarters of fiscal 2025	YOY change	
Order backlog at end of third quarter		143,272	**157,175**	+13,902	[+9.7%]
Software development		88,768	**97,612**	+8,844	[+10.0%]
Key Business Segments					
Offering Service Business	Orders received at end of third quarter	28,713	**32,981**	+4,267	[+14.9%]
	Software development	15,322	**16,263**	+940	[+6.1%]
Business Process Management	Orders received at end of third quarter	6,692	**7,362**	+670	[+10.0%]
	Software development	6,509	**7,116**	+607	[+9.3%]
Financial IT Business	Orders received at end of third quarter	32,739	**32,041**	-697	[-2.1%]
	Software development	21,071	**20,810**	-261	[-1.2%]
Industrial IT Business	Orders received at end of third quarter	31,676	**34,640**	+2,963	[+9.4%]
	Software development	21,666	**24,654**	+2,987	[+13.8%]
Regional IT Solutions	Orders received at end of third quarter	43,450	**50,148**	+6,698	[+15.4%]
	Software development	24,197	**28,767**	+4,569	[+18.9%]

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Page 12 shows the order backlog at the end of the period. The overall order backlog also increased 9.7% YoY to JPY157.1 billion, driven by software development. In line with the trend in orders received, the order backlog increased strongly in all segments except for financial IT.

Reference: Fiscal 2025 Third Quarter (October-December): Order Status

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[Millions of yen]		Third quarter of fiscal 2024	Third quarter of fiscal 2025	YOY change	
Order backlog during third quarter		92,179	**101,633**	+9,453	[+10.3%]
Software development		60,712	**70,174**	+9,461	[+15.6%]
Key Business Segments					
Offering Service Business	Orders received during third quarter	20,151	**20,906**	+754	[+3.7%]
	Software development	10,742	**12,262**	+1,519	[+14.1%]
Business Process Management	Orders received during third quarter	9,318	**9,935**	+617	[+6.6%]
	Software development	2,825	**3,184**	+359	[+12.7%]
Financial IT Business	Orders received during third quarter	12,905	**13,716**	+811	[+6.3%]
	Software development	10,873	**12,775**	+1,901	[+17.5%]
Industrial IT Business	Orders received during third quarter	24,049	**28,234**	+4,185	[+17.4%]
	Software development	19,931	**23,377**	+3,445	[+17.3%]
Regional IT Solutions	Orders received during third quarter	25,754	**28,839**	+3,084	[+12.0%]
	Software development	16,339	**18,574**	+2,235	[+13.7%]

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Page 13 shows orders status for the three months of Q3. In particular, development orders increased by more than 10% YoY in all segments, and we believe that we were able to firmly capture our clients' aggressive IT investment appetite.

These are the results for Q3.

Fiscal 2025: Performance Forecasts

No change from estimates announced on May 8, 2024

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- Despite impact of reactionary drop in large-scale projects, anticipating business expansion that will support higher sales and higher operating income.
- Decrease in net income attributable to owners of the parent company largely due to reactionary drop in non-operating income and extraordinary income, booked in previous fiscal year.

[Millions of yen]	Fiscal 2024 actual	Fiscal 2025 estimate	YOY change	
Net Sales	549,004	**555,000**	+5,995	[+1.1%]
Operating Income	64,568	**66,500**	+1,931	[+3.0%]
Operating Margin	11.8%	**12.0%**	+0.2P	-
Net Income Attributable to Owners of the Parent Company	48,873	**44,800**	-4,073	[-8.3%]
Net Income to Net Sales Ratio	8.9%	**8.1%**	-0.8P	-
Net Income per Share (Yen)	203.28	**192.55**	-10.73	[-5.3%]
ROE *	16.0%	**13.9%**	-2.1P	-

* ROE estimate for fiscal 2025 is a calculated value.

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I would like to describe our earnings forecast for the fiscal year ending March 2025. Please refer to page 15. This is the full-year earnings forecast for the fiscal year ending March 2025. There are no revisions to the full-year earnings forecast for the fiscal year ending March 2025, as the results through Q3 were generally in line with the full-year plan.

The Company plans to increase both sales and operating income, with net sales of JPY555 billion, up 1.1% YoY, and operating income of JPY66.5 billion, up 3% YoY. Given the progress rate against the full-year plan in the first nine months of the fiscal year and the favorable order situation, we are confident that we can achieve the full-year plan.

Although the impact of passing the peak of large-scale development projects will continue in Q4 and beyond, we will continue to build up orders and curb unprofitable projects to further ensure the achievement of the medium-term management plan. This concludes my explanation.

Moderator: Thank you very much.

Question & Answer

Moderator [M]: We will now take questions from the audience.

Please note that up to two questions can be asked per person at a time. Now let's begin the question-and-answer session.

First of all, Mr. Ueno from Daiwa Securities, please ask your questions.

Ueno [Q]: Then, I have two questions, so please answer them.

The unprofitable projects generated JPY700 million in Q3, so simple math suggests that JPY700 million is incurred each quarter. Firstly, I would like to know the details of the JPY700 million incurred in Q3. Is it a project that still has some development time left, or is it something that involves risk, or is it fully reserved? You have also strengthened your development review system, but there is still a risk that some unprofitable projects will be abandoned this fiscal year. For example, in the case of orders received for the next fiscal year, the risk would be greatly reduced. First, please tell us about the unprofitable projects.

Kawamura [A]: First of all, I will explain the breakdown of unprofitable projects in Q3. In offering services business, we recorded a loss of over JPY200 million on a payment-related project that was originally booked in Q2, but unfortunately the final figures ended up exceeding our expectations. However, the project itself has already been completed, so we consider this to be the end of the matter.

Also, industrial IT business recorded the one for new order received from major client in the service industry. The reason for this is that we were taking over a project that was already underway, so we were not fully prepared for it. At this point, we have already dealt with the issues, including the re-planning, so we are now looking to make improvements from here. The remaining ones are small projects.

Ueno [Q]: Regarding industrial IT, since it was a new project, you were unfamiliar with it. For example, was there a slight deviation in the specification design?

Kawamura [A]: Since we are taking on this project, there were parts that we did not have sufficient know-how for. We are dealing with these areas, and have a plan to make this area our own and deal with it in the future.

Ueno [Q]: So, this will continue for a while yet?

Kawamura [A]: Yes.

Ueno [Q]: I understand. How about next fiscal year? You've strengthened your system a lot, and it looks like you're doing well with the orders you're taking and the projects you're working on.

Kawamura [A]: We carry out more stringent checks than before, both when orders are received and during the production process. In particular, there are issues with the accuracy of upstream processing, so we are re-evaluating our monitoring processes, as well as enhancing our PM capabilities and strengthening the screening of upstream process proposals. We will work to identify and respond to problems as early as possible, before they become too serious, and we will strive to prevent them from occurring.

Ueno [Q]: I understand.

My second question is about page 13 of the briefing materials. It shows the order status for the three-month period from October to December. Of these, the figures that are particularly strong are the 17.4% increase in industrial IT business and the 12% increase in Regional IT Solutions. These are the main drivers of the increase in orders received. As you mentioned earlier, is this the result of a build-up of small and medium-sized projects, or is it the result of a steady flow of large-scale projects? Please also tell us about the expected sales contribution of the orders received. Please let me know if their contributions will be made soon or next year.

Kawamura [A]: First of all, in industrial IT business, as we have been discussing, orders for SAP-related projects have been very strong, and orders for energy and business using Xenlon, which is one of our strengths, have also increased, contributing to the overall result. We think that these sales will be recorded from Q4 of this year to H1 of next year.

Meanwhile, in Regional IT Solutions, we received large orders from local governments in Q2. We also received orders in Q3, which were worth several hundred million yen. We are continuing to accumulate orders in this way, and in addition to this, we are working with medium-sized clients in the medical and manufacturing industries. We are accumulating orders from a wide range of sources.

Ueno [Q]: When should we look for sales contributions from these projects?

Kawamura [A]: I think that the contribution to sales from Regional IT Solutions is expected to be relatively soon, in Q4. I think it will also remain in Q1 of the next fiscal year. I think it will be firmly linked to sales performance.

Ueno [M]: Yes, I understand. My questions are over. Thank you for your answers.

Kawamura [M]: Thank you.

Moderator [M]: Thank you very much.

For next question, Mr. Tanaka from Goldman Sachs, please go ahead.

Tanaka [Q]: Thank you. I would like to ask you two questions. Firstly, you just explained the increase in orders for industrial IT. I would like to know whether these orders include a reasonable number of new projects that have become unprofitable this time. You said that this time you have already made provisions, but I think there is a risk that similar new projects could become unprofitable. How many of these new projects are included in this increase in orders? Please comment on this point.

Kawamura [A]: New projects include both new projects for existing clients and new projects for entirely new clients. For SAP-related projects, this includes new projects for new clients, but for other areas, the majority of projects are essentially for existing clients with an additional contract or additional work.

For new clients, we have also determined that there is currently no evidence of unprofitability, as the projects are related to Xenlon, which has led to successful projects. In terms of whether there are similar projects to the one we've just made a provision for; I don't think there are similar projects. We want to make a profit by responding to the orders we have received.

Tanaka [Q]: Okay, thank you. My second question relates to financial IT. Development orders increased significantly this quarter, so I would like to ask about the background to this increase. I think if you look at it on a quarterly basis, H1 was very volatile and tough. Is this a trend that is likely to continue? Could you please comment on the background and continuity of this trend?

Kawamura [A]: In financial IT, we received development orders worth JPY1.9 billion in Q3, which was extremely strong.

In terms of continuity, as mentioned earlier, it is difficult to assess on a quarterly basis. Looking at Q3 and Q4 as a whole, the increase in order intake in this quarter was due to growth in orders from existing core clients in the credit card and banking sectors. On the other hand, there were no negative factors for major projects, which were almost flat in Q3. If you look at H2 as a whole, there is still a peak-out effect from last year in this Q4, so I think that will be offset when you look at the total.

Tanaka [Q]: I'd like to ask about the outlook for orders. You said that there was some volatility in the quarterly numbers. When you think about the next quarter, I think you said that it would be difficult to get orders for the platform service against the market trend. After three months, is the outlook for financial IT in the next quarter such that you can accumulate orders while absorbing the reactionary decline? Has your outlook changed from three months ago? If there has been a change, could you give us your comments?

Kawamura [A]: I'm not saying there's going to be a big change, but this quarter we've had a lot of orders from existing clients. Also in financial IT, we have a lot of orders in the pipeline as we continue to drive our modernization business, so we are making sales efforts to win new orders in Q4. That's how we plan.

Tanaka [M]: I see, thank you very much. That is all from me.

Kawamura [M]: Thank you.

Moderator [M]: Thank you very much.

Ms. Sato from Jefferies, please ask your question.

Sato [Q]: I would like to ask two questions. I think the double-digit growth in order intake in Q3 was very good. Compared to H1, it was a completely different story. Is this trend expected to continue into Q4? This is my first question.

Kawamura [A]: Thank you. As mentioned in the previous question, the peak-out effect of major projects will still be reflected in Q4, so we expect this to have an impact of around JPY2 billion. In other areas we are steadily building up our track record. So as far as future trends are concerned, our aim is to steadily build up our order backlog.

Sato [Q]: I'd like to ask about the overall results for Q3. I think there are points that are evaluated internally, and points that are not evaluated for unprofitable projects. If there are any figures that are better or worse than expected, please let me know. How did the actual results compare with the internal forecasts?

Kawamura [A]: I think that we were able to exceed our internal targets for Q3. We believe that this is due to the fact that the overall order situation has been very good and we have been able to build up our order backlog, rather than any one area.

On the other hand, as mentioned in the opening question, the fact that we have had unprofitable projects is something we need to think about seriously. In order to continue this trend in our business performance, we will work to control unprofitable projects and promote business activities that directly link orders to earnings.

Sato [Q]: Is it correct to say that the orders received exceeded the internal figures?

Kawamura [A]: Yes.

Sato [M]: Thank you. That's all from me.

Kawamura [M]: Thank you very much.

Moderator [M]: Thank you very much.

Next, Mr. Tsuruo from Citigroup Global Markets.

Tsuruo [Q]: Thank you for allowing me to ask a question. Thank you.

Kawamura [M]: Please ask your questions.

Tsuruo [Q]: I have two questions. Firstly, if you have any thoughts on the outlook for unprofitable projects for the full year, please let us know. That is because you have not changed your forecast for operating income of JPY66.5 billion. Meanwhile, I think you said in Q2 that you planned to limit unprofitable projects to JPY500 million in H2, bringing the total to JPY1.8 billion. At this point, what figures have you factored in as unprofitable projects, and why are you maintaining your operating income forecast at JPY66.5 billion?

Kawamura [A]: Thank you. We are very disappointed with the unprofitable projects. On the other hand, we have been steadily improving profitability in a favorable order environment. It goes without saying that we will continue to minimize unprofitable projects and steadily increase orders in order to improve our profitability.

This time, we have not changed the operating profit of JPY66.5 billion, because we made this plan in the hope that we would be able to cover the increase in unprofitable projects with higher profitability, and that we would be able to achieve our target without affecting this plan. We slightly exceeded our plan of JPY500 million and ended up with JPY700 million, but we are confident that we can make up this JPY200 million by improving our profitability in Q3 and Q4.

Tsuruo [Q]: I see. So, it seems that you are not planning to take on any unprofitable projects in Q4.

Kawamura [A]: We try to minimize unprofitable projects, and even if there are some, we believe we can absorb them by improving our profitability.

Tsuruo [Q]: I see. The second question is about our approach to the next fiscal year. The next fiscal year will be the second year of the medium-term management plan. Could you give us some guidance on the outlook for next year, such as price increases and expected cost increases?

The reason I ask is that the profit margin is gradually increasing every quarter. When looking at the performance momentum for the next fiscal year, I wonder whether the growth rate will continue to improve, or not. I'm sorry, this may not be a very good question, but please answer it.

Kawamura [A]: Thank you. We will explain our plans for the fiscal year ending March 2026 again around May this year. This is currently under consideration. We are currently in the process of steadily implementing our plan to achieve the final targets of our medium-term management plan, which ends in FY3 2027. Admittedly, H1 of this fiscal year was particularly difficult due to the peak-out effect of major projects, and we had initially planned for a decline in profits. However, we were able to turn this around and achieve an increase in profits. We believe that we have also been able to steadily increase profits in Q3.

Of course, we believe that the plan for FY3/2026, the year before FY3/2027, is extremely important. Naturally, we believe that the plan for FY3/2026, the year before we reach FY3/2027, is extremely important. We have drawn up the plan with the idea of continuing this profit growth momentum and achieving our targets for FY3/2027. We hope to create a solid plan and share it with everyone. At a time when costs are rising and we need to invest more than ever in human resources, we would like to share with you our plans after careful consideration of these factors. That's all from me.

Tsuruo [M]: Thank you very much. That's all for my questions.

Moderator [M]: Thank you very much.

As there are no further questions, this concludes the question-and-answer session. Now, we would like to conclude with a few words from Mr. Kawamura.

Kawamura [M]: Thank you very much for participating in today's conference call for TIS Inc.'s financial results for Q3 of the fiscal year ending March 31, 2025. If you have any questions, please contact our IR staff during an individual interview or by phone, and we will be happy to answer them. We would like to ask for your continued support.

Moderator [M]: This concludes the conference call. Thank you very much for your participation.

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