



TIS Inc.

Q1 Financial Results Briefing for the Fiscal Year Ending March 31,2026

July 30, 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]*	Satoru Kikuchi	SMBC Nikko Securities
	Makoto Ueno	Daiwa Securities
	Matthew Henderson	JPMorgan Securities

*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.

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Presentation

Moderator: We will now begin the conference call to present the financial results for Q1 of the fiscal year ending March 31, 2026 for TIS Inc. Attending today's call are 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 also participate in this session and both speakers will respond to questions. The entire meeting is scheduled to last approximately 30 minutes.

Please note that the presentation materials are available on the TIS Inc. website. We kindly ask that you review them in advance. We will now begin the presentation.

Kawamura: This is Kawamura from TIS. Thank you for your time. I will now provide an overview of the financial results for Q1 of the fiscal year ending March 31, 2026, which were announced at 3:30 PM today.

Highlights



Fiscal 2026 First Quarter: Financial Highlights

- Sales and operating income increased year on year.
- Operating margin hit the 11% level, driven by improvement in gross profit margin.
- Orders received and order backlog steadily increased, driven by Software Development.

Decision on Basic Policy for the Merger between TIS and INTEC

- TIS and INTEC have merged to further enhance corporate value.
- The new company name will be changed to TISI Inc.
- The company will transition to a company with an Audit and Supervisory Committee to further enhance governance.

(Note) The change in trade name and the transition to a company with an Audit and Supervisory Committee are subject to approval of the necessary amendments to the Articles of Incorporation at the ordinary general meeting of shareholders scheduled for late June 2026.

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Here are the highlights of the current financial results.

First, the results for Q1 of FY2026 were positive, with a favorable business environment continuing and increases in both sales and income YoY. The operating margin reached 11%, driven by an improvement in the gross profit margin. Additionally, orders received and order backlog remained robust, primarily due to software development.

Next, I would like to discuss the decision on the basic policy regarding the merger between TIS and INTEC. As announced today, TIS and INTEC will merge with the aim of establishing an even stronger management and business foundation than ever before and further enhancing our corporate value. The company name will

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change to TISI Inc. At the same time, we are planning to transition to a company with an audit and supervisory committee.

Fiscal 2026 First Quarter: Performance Highlights (YOY change)



- Sales and income increased, supported by contribution from business expansion realized by responding accurately to clients' IT investment demand, including digital transformation, and by promoting the provision of services.

[Millions of yen]	Fiscal 2025 Q1	Fiscal 2026 Q1	YoY change	
Net Sales	134,055	140,316	+6,261	[+4.7%]
Operating Income	14,061	16,353	+2,291	[+16.3%]
Operating Margin	10.5%	11.7%	+1.2P	-
Net Income Attributable to Owners of the Parent Company	10,679	12,520	+1,841	[+17.2%]
Net Income to Net Sales Ratio	8.0%	8.9%	+0.9P	-

• Non-operating income: ¥1,015 million (YOY change -¥201 million)
→ Dividend income ¥672 million, etc.

• Non-operating expenses: ¥304 million (YOY change +¥97 million)

• Extraordinary income: ¥2,054 million (YOY change +¥67 million)
→ Gain on sale of investment securities ¥1,354 million, etc.

• Extraordinary loss: ¥56 million (YOY change -¥659 million)

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This is a summary of the results for Q1 of the fiscal year ending March 31, 2026.

Against the backdrop of a favorable business environment, we continued to expand our business, achieving increased sales and income. Net sales increased by 4.7% YoY to JPY140.3 billion, operating income increased by 16.3% YoY to JPY16.3 billion, and the operating margin improved by 1.2 percentage points to 11.7%. Net income attributable to owners of the parent company increased by 17.2% YoY to JPY12.5 billion, reflecting the increase in operating income.

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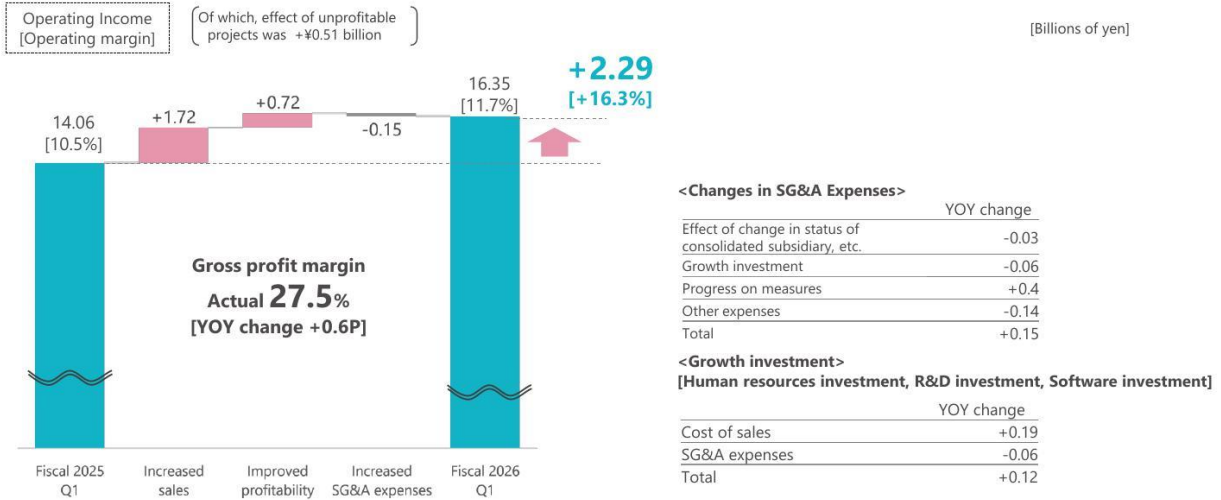


Fiscal 2026 First Quarter:

Analysis of Changes in Operating Income by Factor (YOY change)



- Operating income increased, driven by the promotion of high-value-added businesses and productivity improvements. Gross profit margin rose to 27.5%.



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This page shows the factors contributing to changes in operating income.

Operating income increased by JPY2.29 billion YoY, driven by higher profits from increased sales. Gross profit margin increased by 0.6 percentage points to reach 27.5% YoY.

In addition, we successfully contained unprofitable projects to JPY100 million in Q1. We will continue to promote and strengthen quality improvement measures across the entire group, striving to prevent unprofitable projects from arising in the first place.

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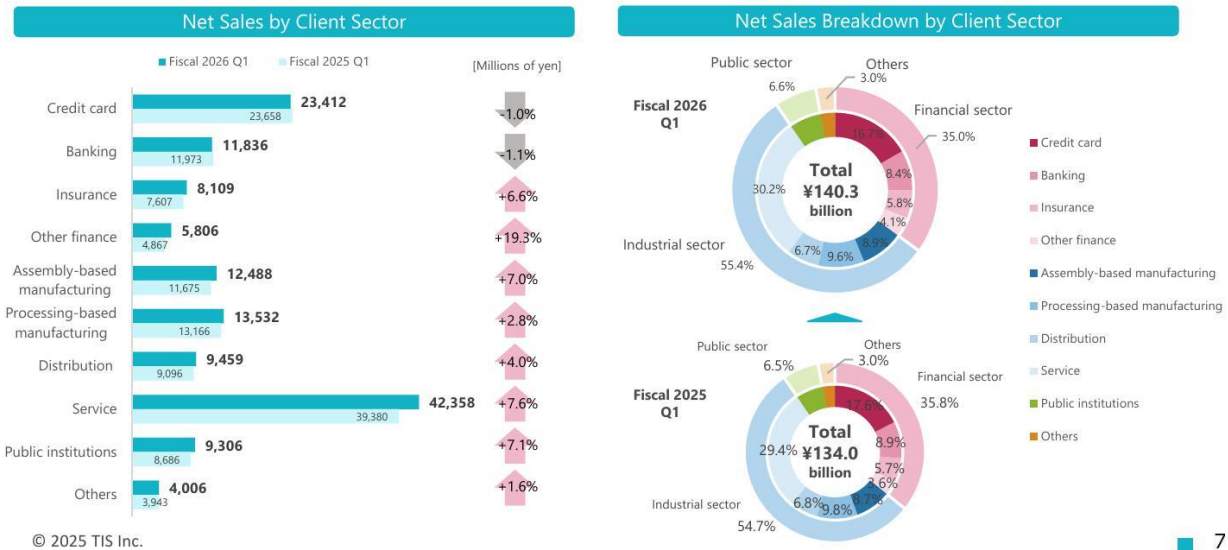
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Fiscal 2026 First Quarter: Sales by Client Sector



- Strong overall trend continued, with solid contributions from services, other finance, and assembly-based manufacturing, despite a slight decline in the credit card and banking sectors.



This page provides a breakdown of sales by client sector.

With the exception of credit card and banking, which saw a slight decline, the overall trend remained strong. The sectors leading the overall growth were service, other finance and assembly-based manufacturing.

Fiscal 2026 First Quarter: Sales and Income by Key Business Segment (YOY change)



[Millions of yen]		Fiscal 2025 Q1	Fiscal 2026 Q1	YOY change	Overview
Offering Service Business	Net Sales	34,001	36,246	+2,244 [+6.6%]	Higher sales but lower income, driven by increased IT investment in the enterprise and settlement sectors, while demand related to the system renewal cycle for tax accountant offices tapered off, and up-front investment in the settlement sector increased.
	Operating Income	2,206	1,730	-476 [-21.6%]	
	Operating Margin	6.5%	4.8%	-1.7P	
Business Process Management	Net Sales	10,008	10,686	+678 [+6.8%]	Sales and income increased, driven by project wins in the DX Business and continued cost control efforts.
	Operating Income	836	1,423	+586 [+70.1%]	
	Operating Margin	8.4%	13.3%	+4.9P	
Financial IT Business	Net Sales	24,974	23,631	-1,343 [-5.4%]	Sales and income declined, as large-scale development projects fell from peak levels, and certain clients' system operations ended—despite contributions from new client acquisition in modernization-related areas.
	Operating Income	3,075	2,979	-95 [-3.1%]	
	Operating Margin	12.3%	12.6%	+0.3P	
Industrial IT Business	Net Sales	29,840	32,349	+2,508 [+8.4%]	Sales and income grew, driven by increased IT investment across a wide range of industries, including services, manufacturing, and distribution.
	Operating Income	4,359	5,107	+748 [+17.2%]	
	Operating Margin	14.6%	15.8%	+1.2P	
Regional IT Solutions	Net Sales	41,060	43,800	+2,739 [+6.7%]	Sales and income grew, supported by strong IT investment demand from a wide range of clients, including municipalities, medical institutions, and other industrial sectors, as well as efforts to reduce unprofitable projects.
	Operating Income	3,355	4,837	+1,482 [+44.2%]	
	Operating Margin	8.2%	11.0%	+2.8P	

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This page shows the status by key business segment.

The offering service business experienced robust demand for IT investment in the enterprise and payment sectors. While sales increased, income decreased due to a decline in demand, primarily because the systems

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renewal cycle, mainly for tax accounting firms, had been completed, and due to increased upfront investment in the settlement sector.

The BPM business increased its sales and income thanks to the acquisition of new projects, including the DX business, as well as the ongoing success of its cost control measures.

The financial IT business played a key role in acquiring new customers related to modernization. However, sales and income decreased due to the peak-out effect of large projects that had continued from the previous fiscal year, as well as some customers terminating their operations.

The industrial IT business experienced increased sales and income thanks to greater investment in IT across industries such as services, manufacturing, and distribution.

The regional IT solutions business experienced increased sales and income thanks to growing demand for IT investment from various customers, including municipalities and medical institutions, as well as a reduction in unprofitable projects.

Fiscal 2026 First Quarter:

Order Status (Orders received during first quarter)



- Software development, mainly in the Financial IT and Regional IT businesses, drove year-on-year growth.
- The decline in development within Industrial IT was mainly due to a reactionary drop following multiple projects acquired in the previous fiscal year.

[Millions of yen]		Fiscal 2025 Q1	Fiscal 2026 Q1	YOY change	
Orders received		91,391	100,352	+8,961	[+9.8%]
Software development		62,124	70,123	+7,998	[+12.9%]
Key Business Segments					
Offering Service Business	Orders received	18,117	19,142	+1,024	[+5.7%]
	Software development	12,228	13,807	+1,578	[+12.9%]
Business Process Management	Orders received	9,204	9,897	+693	[+7.5%]
	Software development	2,677	3,152	+475	[+17.7%]
Financial IT Business	Orders received	10,933	13,135	+2,202	[+20.1%]
	Software development	8,581	12,208	+3,627	[+42.3%]
Industrial IT Business	Orders received	24,274	24,298	+23	[+0.1%]
	Software development	20,699	19,624	-1,074	[-5.2%]
Regional IT Solutions	Orders received	28,862	33,878	+5,016	[+17.4%]
	Software development	17,937	21,330	+3,392	[+18.9%]

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This page provides an explanation of order status.

The total number of orders received was primarily driven by software development in the financial IT and regional IT solutions businesses, resulting in a YoY increase of 9.8% to JPY100.3 billion.

However, development in the industrial IT business decreased due to the impact of multiple ERP and modernization projects acquired in the previous quarter. Nevertheless, we do not believe there is any cause for concern at this time, as these investments are expected to generate ongoing demand. There are also no particular signs of a slowdown in demand due to tariffs or other issues that are currently causing concern in certain areas.

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Fiscal 2026 First Quarter: Order Status (Order backlog at quarter-end)



- While there was a decline in Financial IT due to the termination of certain clients' system operations, overall performance showed steady growth, centered on software development.

[Millions of yen]		Fiscal 2025 Q1	Fiscal 2026 Q2	YOY change	
Order backlog		146,042	157,304	+11,262	[+7.7%]
Software development		96,687	104,856	+8,169	[+8.4%]
Key Business Segments					
Offering Service Business	Order backlog	29,510	34,507	+4,997	[+16.9%]
	Software development	16,663	18,526	+1,862	[+11.2%]
Business Process Management	Order backlog	7,224	7,519	+294	[+4.1%]
	Software development	6,982	7,302	+319	[+4.6%]
Financial IT Business	Order backlog	32,252	30,659	-1,592	[-4.9%]
	Software development	20,900	20,728	-171	[-0.8%]
Industrial IT Business	Order backlog	31,541	35,114	+3,572	[+11.3%]
	Software development	23,940	26,732	+2,791	[+11.7%]
Regional IT Solutions	Order backlog	45,512	49,503	+3,990	[+8.8%]
	Software development	28,200	31,566	+3,366	[+11.9%]

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This page shows the order backlog at the end of the period.

The overall order backlog increased by 7.7% YoY to reach JPY157.3 billion, primarily due to software development. Although order backlog in the financial IT business decreased due to some customers terminating operations, other segments showed strong growth.

Fiscal 2026: Performance Forecasts

***No change**



- Expect higher sales and higher operating income, reflecting business expansion and progress on measures to improve productivity.
- Net income is expected to decrease mainly due to a reduction in extraordinary income and expenses (net).

[Millions of yen]	Fiscal 2025 actual	Fiscal 2026 estimate	YOY change	
Net Sales	571,687	582,000	+10,312	[+1.8%]
Operating Income	69,047	73,000	+3,952	[+5.7%]
Operating Margin	12.1%	12.5%	+0.4P	-
Net Income Attributable to Owners of the Parent Company	50,012	49,000	-1,012	[-2.0%]
Net Income to Net Sales Ratio	8.7%	8.4%	-0.3P	-
Net Income per Share [Yen]	215.00	216.86	+1.86	[+0.9%]
ROE	15.3%	14.5%	-0.8P	-

* ROE estimate for fiscal 2026 is a calculated value.

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This page provides our full-year performance forecast for the fiscal year ending March 2026.

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The results for Q1 were a strong start to the fiscal year. Progress toward the full-year plan is generally in line with expectations; therefore, there are currently no changes to the forecast for full-year performance for the fiscal year ending in March 2026. Net sales are projected to increase by 1.8% YoY to JPY582 billion, and operating income is projected to increase by 5.7% YoY to JPY73 billion. We will continue to promote new business acquisition and order accumulation to ensure we achieve our initial targets.

Background and Objectives of the Merger



Accelerating Growth by Concentrating Management Capital to Achieve Group Vision 2032

- Through the management integration that began with the establishment of IT Holdings Corporation in April 2008 and the transition to an operating holding company structure in July 2016, TIS and INTEC have functioned as core companies of the Group, working to generate synergies, enhance the value delivered to customers, and increase corporate value.
- However, given changes in the management environment surrounding our Group, we believe that the early and certain realization of our long-term management policy, Group Vision 2032, is of critical importance. To achieve this, we have determined that merging TIS and INTEC is essential to build a stronger management and business foundation than ever before.
- Through this merger, we aim to strengthen value co-creation with customers and society, vigorously promote the optimal allocation of management capital—including strategic investment in technology and top talent—and further enhance the value provided by our core operations, ultimately leading to greater corporate value.

»»» Vision for the New Company «««

Become the best partner, further relied on by strategic clients

By vigorously promoting one-stop services and vertical integration, we aim to further deepen partnerships with strategic clients in the financial and industrial sectors by providing even more seamless, full value chain services than ever before.

Realize a sustainable future and greater happiness for more people

Based on the characteristics of each region, country, and enterprise, we will more effectively, efficiently, and rapidly deploy digital solutions—starting from leading examples and best practices in Japan's major cities and large enterprises—to regional areas across the country and eventually to global markets.

Become an even more indispensable presence in driving social change

We aim to maximize the value we provide by integrating management capital—including human resources, research, and M&A—toward addressing the four key social issues our Group seeks to solve through its business: financial inclusion, overconcentration in cities and regional decline, decarbonization, and health challenges. We will strengthen co-creation with customers and partners while also enhancing our own service offerings.

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Next, I will explain the basic policy decision regarding the merger between TIS and INTEC, which was disclosed today in a timely manner.

As mentioned at the beginning of this presentation, we have decided to merge TIS and INTEC to take a new step forward as a single entity. I will now provide additional information on the background to and purpose of the merger.

Until now, both companies have served as core companies within the Group, working to generate synergies, expand the value we offer our customers, and increase corporate value. However, given the changes in the management environment that surround us, we believe that establishing an even stronger management and business foundation is essential for moving forward.

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(Reference) Group Vision 2032

Reposted from "TIS INTEC Group Medium-Term Management Plan (2024–2026)" announced on May 8, 2024



- Update management direction from long-term perspective, based on major changes in internal and external environments, and set as new Group vision

External Environment

Heightened uncertainty in competitive circles, fueled by technology development and growing interest in SDGs

- Technologies with potential to change business models, industrial structures and state of society over next 10 years will enter practical stage one after another.
- Various services utilizing these technologies will be required as measures to address social issues become more top-priority for companies.
- Related to this, opportunities to co-create and compete with various players, including those from other industries, are increasing.

Internal Environment

Good progress toward medium- to long-term management objectives but need to revise targets, given changes in external environment

- Generally exceeded targets stated in Medium-Term Management Plan (2021–2023)
- Progress on strategic domain ratio set under group vision tracking as expected
- Various activities at nascent stage, like buds ready to blossom, so need rethink corporate position and set new targets given changes in external environment but based on these emerging activities

Must update management policy with long-term perspective based on current conditions

Group
**VISION
2032**

**Society oriented, operationally
diverse, globally active**

**Business policy guiding
progress toward
successful conclusion**

Seek to possess insight into future and ability to solve issues, integrate capabilities of various players, maintain position conducive to co-creation, and be indispensable to social change

- Deepen dialogue with market by engaging top companies in co-creation and providing services that will dominate market, and acquire insight into real issues of concern to clients
- Be a corporate group that extends accumulated power of integration to future-matched approaches, such as greater cooperation across different industries, improves methods for solving issues, and constantly creates social innovation on world stage

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Based on this understanding, we have determined that merging TIS and INTEC is necessary in order to achieve our Group Vision 2032 more quickly and reliably.

Through this merger, we aim to further increase our corporate value by enhancing value co-creation with our customers and society, and by optimally allocating management resources, focusing on strategic investment in technology and top talent.

Overview of the Merger



- TIS and INTEC have merged to expand the scale of the Group's core company. The new company name is TISI Inc.
- To further enhance corporate governance, the company will transition to a company with an Audit and Supervisory Committee.
- Preparations, including detailed discussions on the merger, have begun. Any undecided matters will be announced promptly once determined.

(Note) The change in trade name and the transition to a company with an Audit and Supervisory Committee are subject to approval of the necessary amendments to the Articles of Incorporation at the ordinary general meeting of shareholders scheduled for late June 2026.



July 1, 2026 (scheduled)



The new company name reflects our aspiration to respect the histories of both merging companies, while refining our core competencies—system integration and service integration—and pursuing technology and innovation. Through these efforts, we aim to become an even more indispensable presence amid social change.

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The merger is scheduled to take place on July 1, 2026.

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We plan to discuss the details at a later date. For now, we would prefer to refrain from providing any further explanation beyond the information that was disclosed in a timely manner. Please wait for further announcements. This concludes my explanation.

Moderator: Thank you very much.

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Question & Answer

Moderator [M]: We will now take questions from the audience. Please note that each person is limited to two questions.

Now, let's begin the question-and-answer session. Let's start with Mr. Kikuchi from SMBC Nikko Securities Inc.

Kikuchi [Q]: I think the results were very good. However, SG&A expenses only increased by a little over JPY100 million in Q1 and are expected to increase by JPY4.3 billion for the full year. Do you expect SG&A expenses to increase in Q2 and beyond, or will they not actually increase by that much over the course of the year?

The financial IT business is projected to see a decrease in sales for the full year, but the decrease in sales in Q1 was quite significant. We are hoping to see the effects of securing modernization projects for the full year at this pace, but it seems that the financial IT business's full-year sales may end up decreasing by more than expected. Could you please clarify this?

Kawamura [A]: Firstly, with regard to SG&A expenses, there will indeed be an increase of around JPY4.4 billion for the full year. Although SG&A expenses did not increase significantly in Q1, there are currently no plans to make major changes to increase them significantly to promote measures and other activities. We will continue to review the necessity and timing of these measures and implement them as required. There are currently no changes to the full-year plan.

Turning to the second point, financial IT, we believe that the Q1 results were better than expected. We have received orders for modernization projects and started new ones, and we will continue to work hard to achieve the initial plan. We are currently confident that we can achieve the initial plan and are moving forward accordingly.

Kikuchi [Q]: Second question. Although it took 17 years, I am very happy about the merger between TIS and INTEC, which was very emotional and wonderful.

Regarding the details, how will the schedule be determined? If operations and organizations remain separate even after the merger, I don't think it would make much sense. I sincerely hope that efforts will be made to integrate operations and organizations. While we understand that details will be disclosed once decisions have been made, we are eager to receive information on the contents of the merger and post-merger strategies. Could you please provide an update on the schedule?

Kawamura [A]: As you pointed out, we have been promoting integrated management across the Group, and we have decided to merge TIS and INTEC as the next step.

The timetable is scheduled for July 1, 2026 as this will involve changing the company name. We intend to implement measures steadily to realize the effects of the integration as soon as possible. Today, we are sharing this information with you for the first time, but from now on, we will set up a team for the integration and hold thorough discussions.

We will provide an update at the end of October, when the Q2 earnings announcement is scheduled. In the meantime, we kindly ask for your patience. We will do our best to address your concerns.

Moderator [M]: Next, Mr. Ueno from Daiwa Securities, please ask your question.

Ueno [Q]: I have two very simple questions.

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On page eight, under Regional IT Solutions, you show an income increase of around JPY1.5 billion, compared to a sales increase of around JPY2.7 billion. I believe this includes a reduction in unprofitable operations of around JPY500 million. Even excluding this, however, the increase in income is substantial. The explanations for local government- and healthcare-related services are satisfactory, but the increase in income still seems substantial even when unprofitable operations are excluded. Is there anything else to note? Is this due to a high profit margin on advance payments, or has productivity improved significantly compared to the previous fiscal year? This is my first question.

Kawamura [A]: It is true that the regional IT solutions business has seen significant growth in profits relative to sales. This is primarily because unprofitable projects totaling JPY340 million were recorded in the previous fiscal year, thereby boosting income this quarter. Additionally, we have secured a steady stream of orders from local governments and administrative agencies, which have been successfully converted into sales. The business environment has also been favorable, particularly in the hospital and medical sectors.

Regarding productivity improvement, although the previous quarter was affected by various unprofitable factors and was unprofitable, productivity has significantly improved since Q4 of last year. This improvement is not temporary, but has been achieved steadily. Last year, one factor that lowered productivity was the fact that price increases in the sales division were not fully passed on to customers, but this issue has been resolved this quarter. We believe this improvement is the result of solid income-enhancing measures.

Ueno [Q]: I don't recall Q1 of the previous fiscal year, but did you experience any sudden increases in procurement prices, or anything similar to what happened with VMware in the case of IIJ?

Kawamura [A]: Yes, the situation is as you described.

Ueno [Q]: So, resolving this issue had a significant impact.

Kawamura [A]: I hope you understand that this result was achieved through an overall improvement in profitability, including cases like this.

Ueno [Q]: I see. That's very clear.

Then, even though you said there would be no revision to the performance forecast of a 3% increase in sales and an 8% increase in income for H1, I think the 16% increase in income for Q1 stands out. What are your thoughts on Q2? For example, given that SG&A expenses increased by only JPY150 million and the full-year target is JPY4.4 billion, will the remaining three quarters need to increase by JPY4.4 billion each, or could the full increase occur in Q2?

Kawamura [A]: While the Q1 results were in line with our expectations, we believe they showed strong performance. With this in mind, while we recognize that as for H1, the outlook for Q2 is as you describe, we still intend to invest in appropriate measures and spend on SG&A expenses as necessary. For now, we will continue working toward the targets set at the beginning of the fiscal year.

Ueno [Q]: While we can predict parts linked to macroeconomic factors, internal costs decided solely by management are completely unpredictable from the outside and ultimately depend on the company itself. Regarding Q2, can we assume that the budget will align with the company's internal plans?

Kawamura [A]: At this point, we intend to cover the necessary costs, including SG&A expenses, to promote various productivity-enhancing measures, particularly within our services. Therefore, we intend to proceed as planned at the beginning of the fiscal year. However, given the favorable order intake and business environment, we will continue to make steady progress without slackening our efforts, while maintaining strict cost control, in order to achieve our initial plans.

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Moderator [M]: Now, Mr. Henderson from JPMorgan Securities, please go ahead.

Henderson [Q]: I have two questions. The first is regarding the merger with INTEC. What is the reasoning behind the timing, and what potential benefits does it offer? If the merger goes ahead, will TIS, for example, focus on improving the quality of its core business by leveraging INTEC's high-value-added human resources? Could you provide a brief overview of the potential benefits?

Kawamura [A]: At this stage, we would ask for your understanding that we can only disclose information that has been made public in a timely manner. However, regarding the advantages of the merger between our company and INTEC, we believe that it will accelerate value co-creation with our customers and society further, as stated in the timely disclosure.

We have been working to achieve synergies across various businesses through business exchanges and other initiatives. We believe that, by further integrating our organizations, we will be able to work together more seamlessly as a unified team. This will lead to a significant increase in the value we provide to our customers.

Additionally, there were previously overlaps in investments in generative AI and other technological areas because our entities were separate. However, by consolidating our strategic investment capital, we can now allocate our resources more efficiently, giving us a significant advantage.

We aim to share details of these merger benefits with you during the Q2 earnings announcement at the end of October. We are exploring various options from a forward-looking perspective and look forward to sharing the results with you.

Henderson [Q]: As a follow-up question, if the merger goes ahead, would it be reasonable to expect your company's ability to attract talent to be significantly strengthened?

Kawamura [A]: I believe that talent acquisition is a key item on the management agenda for the Group. While each company has been making every effort to acquire talent, I believe that combining the two entities will strengthen our presence and have a positive effect on talent acquisition. We intend to promote human resource policies that maximize this effect.

Henderson [Q]: Next, with regard to the decline in sales of operations and cloud services in the financial IT business, you mentioned that some of this has already been addressed. Were there no replacement projects for specific customers? If this has already been explained, that is fine, but could you please clarify?

Kawamura [A]: As explained in the presentation, the negative performance of operations in the financial IT business was due to the termination of services for certain customers. We had provided operation services to these customers for many years, but their termination will result in a decrease in sales of approximately JPY3 billion for the full year. The effects of this were first seen in Q1. While there are no other projects like this, as I mentioned earlier, we are making steady progress in acquiring new customers, including those involved in modernization projects. We expect to recover overall.

Moderator [M]: Next, Mr. Watanabe from Sumitomo Mitsui DS Asset Management, please ask your question.

Watanabe [Q]: The last time you announced the full-year results, you said that you had finalized your plan at the end of March. Therefore, it did not take into account the impact of tariffs after April. However, you said that you were not yet ready to revise the plan despite some manufacturing customers in the industrial IT sector postponing projects. You said that you would monitor the situation and provide an update with the next set of financial results. Could you please update us on any developments?

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Kawamura [A]: As you know, we expect the economic and political environments to be affected by factors such as tariffs. However, at this point, there has been no significant impact, and we are very pleased with the results for Q1. However, there is a slight lag effect in IT, so we will continue to monitor the situation closely and take the necessary measures.

Regarding the revision of our plans, we review them on a semi-annual basis. Taking the current situation into account, our first focus will be on implementing the initial plans. After that, we will review the situation and determine appropriate responses.

Watanabe [Q]: Your services are divided into three categories: software development, operating/cloud services, and product/software sales. In Q1 of the previous fiscal year, the main focus was on software development, and now, following some adjustments, it seems that the mix of software development has increased significantly. I would like to see improvements in the gross profit margin, both including and excluding unprofitable areas. Looking at this, I feel that software development has not actually changed much in terms of gross profit compared to last year's sales. Is it correct to attribute this solely to the mix effect, or have the gross profit margins for each service improved as well? Please comment on this.

Kawamura [A]: Although the audio quality was not ideal, I think I understand the gist of your question about whether profitability has improved due to mix improvements resulting from increased development, which has led to better profit margins in the development, operations and sales processes.

Watanabe [Q]: Yes, that is correct. When looking at the unprofitable area, what is the order of improvement in the gross profit margin for software development, operations, and products on a year-on-year basis for Q1? It does not seem that software development has changed much, so please confirm this.

Kawamura [A]: The software development segment experienced significant growth this quarter. I believe the steady improvement in this segment has greatly contributed to the increase in gross profit margin. Overall, I believe that progress on particularly profitable development projects has contributed more to the increase in profitability, rather than improving the mix. Going forward, we will continue to eliminate unprofitable areas and enhance development productivity to link profitability with an improvement in the gross profit margin.

Watanabe [Q]: I assume that the gross profit margin for software development is higher than for the other two segments. Is this improvement due to increased software sales? If we look at software development alone, is it right to think that the gross profit margin has got better, considering project conditions like selective orders?

Kawamura [A]: Yes. I believe that improving development productivity is extremely important. By growing this area, we can increase overall profitability. As I mentioned earlier with regard to regional IT, some unprofitable projects in the previous fiscal year impacted our overall profitability. However, we have now resolved these issues and can demonstrate our true profitability. Going forward, we will continue to strive to improve profitability in this area.

Watanabe [M]: Thank you very much. Thank you very much. I wasn't sure if you could break it down completely, but essentially, if we exclude unprofitable items, the improvement is 0.16. I thought perhaps the mix alone would cover it all.

Moderator [M]: We have received a few more questions, but since the time is up, we will conclude the question-and-answer session.

Now, we would like to conclude with a few words from Mr. Kawamura.

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Kawamura [A]: Thank you very much for participating in today's conference call for TIS' financial results for Q1 of the fiscal year ending March 31, 2026. 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.

Unfortunately, due to time constraints, we were unable to answer all your questions. However, we look forward to your continued support.

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

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
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