



TIS Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 31, 2026

February 3, 2026

Event Summary

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[Venue]	Dial-in	
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[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]*	Chikai Tanaka	Goldman Sachs
	Makoto Ueno	Daiwa Securities
	Hideaki Tanaka	BofA Securities
	Moriya Koketsu	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.

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Presentation

Moderator: Thank you, everyone, for your patience. We will now begin the conference call for TIS Inc.'s Q3 Financial Results for the Fiscal Year Ending March 31, 2026. Masakazu Kawamura, Managing Executive Officer, Division Manager of Corporate Planning SBU; and Daisuke Kawaguchi, Department Manager of Corporate Management Department, are present on today's conference call.

Mr. Kawamura will first give a presentation of approximately 10 minutes, after which we will move on to the Q&A session. Mr. Kawaguchi will also join the Q&A session, and both speakers will respond to your questions. The entire conference call is scheduled to last approximately 30 minutes. The presentation materials are available on the TIS website, and we encourage you to review them. We will now begin the presentation.

Kawamura: This is Kawamura from TIS. Thank you for joining us. We will now explain the financial results for Q3 of the fiscal year ending March 31, 2026, which were announced at 3:30 PM today.

Highlights



Fiscal 2026 First Three Quarters: Financial Highlights

- Sales and operating income increased year on year.
- Operating margin remained stable at the 12% range.
- Order intake increased moderately year on year, while order backlog decreased year on year.

Fiscal 2026: Performance Forecast

- Performance is broadly in line with the revised full-year plan announced at the first-half results. No change to the full-year plan.

Please see page two. Here are the highlights of the current financial results.

First, for Q3 of the fiscal year ending March 31, 2026, we recorded YoY increases in both sales and income. Our operating margin remained in the 12% range, maintaining a consistently high level of profitability. While orders received increased moderately YoY, the order backlog fell below the level of the same period last year.

Second, the outlook for the fiscal year ending March 31, 2026, is generally tracking in line with the plan that was revised upward in H1, and we are not making any changes to the full-year forecast. These are the main highlights for this briefing.

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Fiscal 2026 First Three Quarters: Performance Highlights (YOY change)



- Sales and income increased, driven by business expansion through accurate response to clients' IT investment needs, including digital transformation, and promotion of service offerings.

[Millions of yen]	Fiscal 2025 Q3 [Cumulative]	Fiscal 2026 Q3 [Cumulative]	YoY change	
Net Sales	416,561	436,251	+19,690	[+4.7%]
Operating Income	48,884	54,803	+5,918	[+12.1%]
Operating Margin	11.7%	12.6%	+0.9P	-
Net Income Attributable to Owners of the Parent Company	34,474	38,196	+3,722	[+10.8%]
Net Income to Net Sales Ratio	8.3%	8.8%	+0.5P	-

• Non-operating income: ¥2,296 million (YOY change -¥180 million)
→ Dividend income ¥952 million
Foreign exchange gains ¥483 million, etc.

• Non-operating expenses: ¥1,392 million (YOY change +¥614 million)
→ Interest expenses ¥421 million
Loss from equity-method investments ¥358 million, etc.

• Extraordinary income: ¥3,944 million (YOY change -¥1,843 million)
→ Gain on sale of investment securities ¥3,202 million, etc.

• Extraordinary loss: ¥2,696 million (YOY change -¥1,211 million)
→ Impairment losses ¥1,393 million
Loss on contract ¥597 million, etc.

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Now, I would like to go into the details of what I have just outlined. Please see page five.

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

We continued to expand our business amid a favorable operating environment, resulting in increases in both sales and income. Net sales increased 4.7% YoY to JPY436.2 billion, operating income increased 12.1% YoY to JPY54.8 billion, and the operating margin rose 0.9 percentage points to 12.6%. Net income attributable to owners of the parent company increased 10.8% YoY to JPY38.1 billion.

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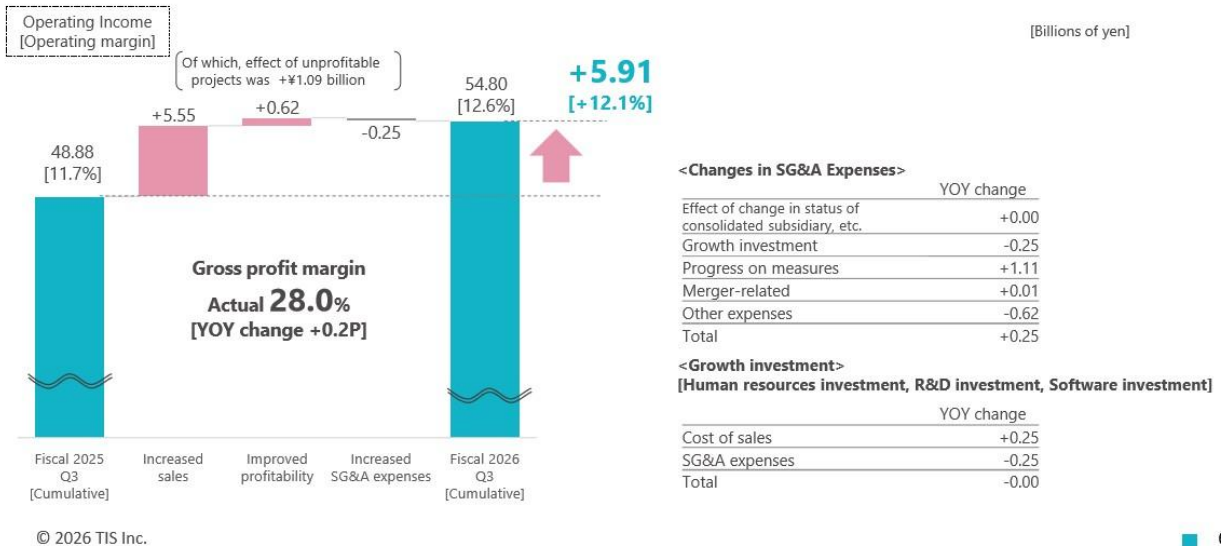
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Fiscal 2026 First Three Quarters: Analysis of Changes in Operating Income by Factor (YOY change)



- Despite continued growth investments, including investment in human resources, operating income increased, driven by higher sales and fewer unprofitable projects. The gross profit margin improved to 28.0%.



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Page six shows changes in operating income by factor.

Even with continued investment in growth, including investment in human resources, we achieved higher operating income, supported by increased revenue and a reduction in unprofitable projects.

The gross profit margin increased by 0.2 percentage points YoY to 28%. Unprofitable projects amounted to JPY1 billion for the first three quarters and JPY0.65 billion for the three months of Q3, mainly in the regional IT solutions segment.

We recognize that it is an issue that the figure has reached the level assumed for the full year. We will renew our efforts to control the situation and prevent any further accumulation.

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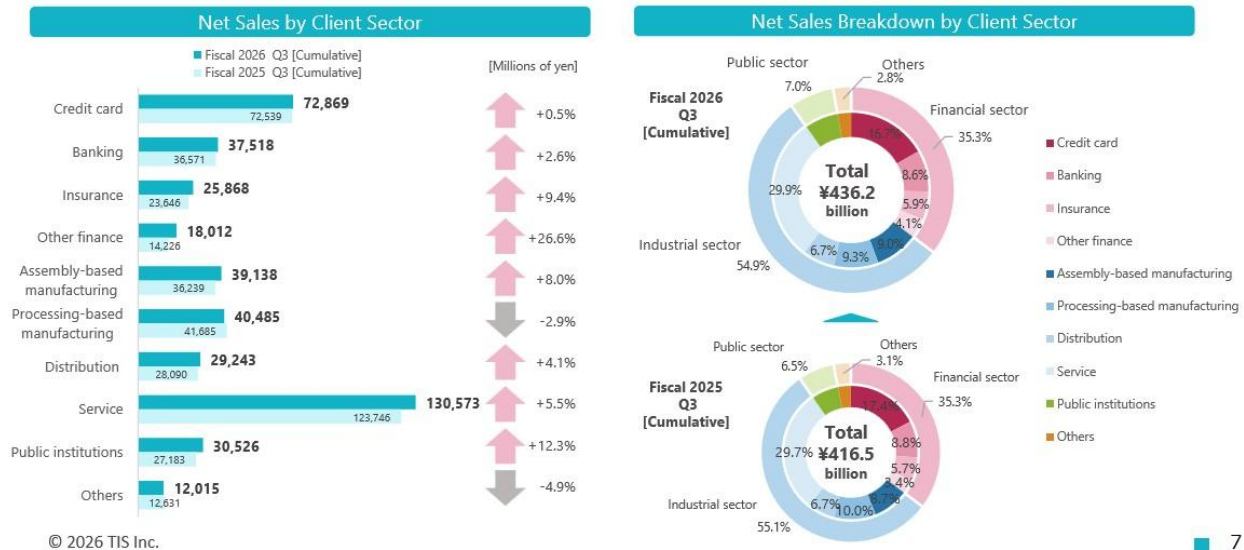
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Fiscal 2026 First Three Quarters: Sales by Client Sector



- Strong performance in financial sector, led by other finance (leasing). Growth in industrial sector driven by services and assembly-based manufacturing. Public sector also grew strongly.



Page seven shows the breakdown of sales by client sector.

The financial sector performed strongly, led by other finance, supported by a modernization project for a customer in the leasing industry. The industrial sector was led by services and assembly-based manufacturing. The public sector also showed strong growth.

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



[Millions of yen]		Fiscal 2025 Q3 [Cumulative]	Fiscal 2026 Q3 [Cumulative]	YOY change		Overview
Offering Service Business	Net Sales	106,605	116,244	+9,639	[+9.0%]	Sales and income increased, as demand leveled off following the renewal cycle for tax accountant offices. Despite higher upfront investment in the payment business, growth was driven by project wins in the payment and enterprise domains, and by effective control of unprofitable projects. Overseas business also contributed.
	Operating Income	7,398	7,818	+419	[+5.7%]	
	Operating Margin	6.9%	6.7%	-0.2P	-	
Business Process Management	Net Sales	31,522	32,716	+1,193	[+3.8%]	Sales and income increased, driven by project wins in the DX business and other areas, as well as ongoing cost control efforts.
	Operating Income	3,763	4,633	+869	[+23.1%]	
	Operating Margin	11.9%	14.2%	+2.3P	-	
Financial IT Business	Net Sales	74,602	73,340	-1,262	[-1.7%]	Sales declined but income increased, reflecting the peaking out of large-scale development projects from the previous fiscal year and the completion of certain clients' operation services, while growth in high-value-added businesses such as modernization-related projects contributed to higher profitability.
	Operating Income	9,112	9,593	+480	[+5.3%]	
	Operating Margin	12.2%	13.1%	+0.9P	-	
Industrial IT Business	Net Sales	93,520	97,851	+4,331	[+4.6%]	Sales and income increased, reflecting expanded IT investment across a wide range of industries, including services, manufacturing, and distribution.
	Operating Income	14,127	16,627	+2,500	[+17.7%]	
	Operating Margin	15.1%	17.0%	+1.9P	-	
Regional IT Solutions	Net Sales	127,000	133,560	+6,559	[+5.2%]	Sales and income increased, despite a deterioration in profitability on some public-sector projects due to changes in conditions, supported by broader IT investment demand from healthcare and other industrial clients and a decline in one-off expenses recorded in the previous fiscal year.
	Operating Income	13,998	15,578	+1,580	[+11.3%]	
	Operating Margin	11.0%	11.7%	+0.7P	-	

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Page eight shows the situation by key business segment.

In the offering service business segment, despite a lapse in renewal demand for systems for tax accountant firms and an increase in upfront investment in the payment domain, we steadily secured projects in both the payment and enterprise domains and made progress in curbing unprofitable projects, resulting in higher sales and income. Our overseas business also contributed to revenue growth.

The BPM segment saw increases in both sales and income. This was supported by project wins, primarily in the DX business, and ongoing cost-control measures.

In the financial IT segment, although revenue declined due to the peak-out of large-scale development projects carried over from the previous fiscal year and the termination of certain operation services, segment income increased as we promoted high-value-added businesses such as modernization projects.

The industrial IT segment reported higher sales and income, driven by expanded IT investments across a wide range of industries, including services, manufacturing, and distribution.

In the regional IT solutions segment, sales and income increased, supported by expanded IT investment demand from a wide range of customers, including those in the medical and other industrial sectors. This was despite a deterioration in profitability due to changes in conditions in public sector projects and a decrease in one-time expenses incurred in the previous fiscal year.

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Reference: Fiscal 2026 Third Quarter (Oct-Dec):



Performance Highlights / Sales and Income by Key Business Segment

[Millions of yen]	Fiscal 2025 Q3	Fiscal 2026 Q3	YOY change	
Net Sales	141,002	147,725	+6,723	[+4.8%]
Operating Income	18,374	19,249	+874	[+4.8%]
Operating Margin	13.0%	13.0%	-0.0P	-
Net Income Attributable to Owners of the Parent Company	13,633	14,469	+836	[+6.1%]
Net Income to Net Sales Ratio	9.7%	9.8%	+0.1P	-
Key Business Segments				
Net Sales	36,200	40,174	+3,973	[+11.0%]
Offering Service Business				
Operating Income	2,929	3,150	+220	[+7.5%]
Operating Margin	8.1%	7.8%	-0.3P	-
Business Process Management				
Net Sales	10,673	10,991	+317	[+3.0%]
Operating Income	1,446	1,666	+220	[+15.2%]
Operating Margin	13.5%	15.2%	+1.7P	-
Financial IT Business				
Net Sales	24,560	25,261	+700	[+2.9%]
Operating Income	3,022	3,431	+408	[+13.5%]
Operating Margin	12.3%	13.6%	+1.3P	-
Industrial IT Business				
Net Sales	32,224	32,699	+474	[+1.5%]
Operating Income	5,105	6,003	+898	[+17.6%]
Operating Margin	15.8%	18.4%	+2.6P	-
Regional IT Solutions				
Net Sales	43,052	44,134	+1,082	[+2.5%]
Operating Income	5,697	4,783	-914	[-16.0%]
Operating Margin	13.2%	10.8%	-2.4P	-

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Pages nine and 10 show the results for the three-month period of Q3. Turn to page nine.

Overall, sales and income increased YoY, and the operating margin remained high at 13%. The trends are generally consistent with those on the previous page, but I would like to provide some additional comments on the three-month period.

In the financial IT segment, sales had been on a downward trend for some time, but the acquisition of new customers through modernization and other initiatives contributed to performance, resulting in a return to sales growth in Q3. The operating margin also increased accordingly.

In the industrial IT segment, although the rate of revenue growth was modest, the operating margin increased significantly, supported by an improved business mix driven by project acquisitions from a wide range of clients in the service and manufacturing sectors, as well as more efficient project execution.

As explained earlier, the decrease in income in the regional IT solutions segment is attributable to deteriorating profitability resulting from changes in conditions in public sector projects.

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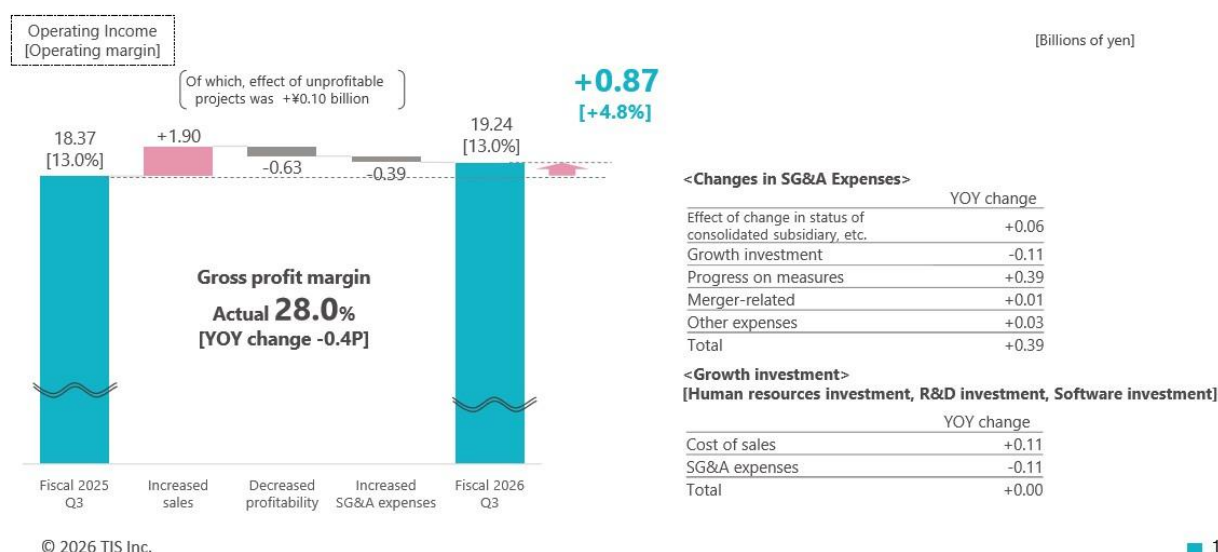
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Reference: Fiscal 2026 Third Quarter (Oct-Dec):

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



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Page 10 presents an analysis of the factors behind changes in operating income for the three-month period.

While operating income increased, the operating margin declined by 0.4 percentage points YoY to 28%. This was mainly due to lower profitability in the offering service business and regional IT solutions segments, while profitability continued to improve in the other segments.

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Fiscal 2026 First Three Quarters: Order Status (Orders received during first three quarters)



- Orders received increased steadily year on year.
- Development expanded in Offering Services Business, Business Process Management, and Financial IT Business, while Industrial IT Business declined year on year.

[Millions of yen]		Fiscal 2025 Q3 [Cumulative]	Fiscal 2026 Q3 [Cumulative]	YOY change	
Orders received		382,874	391,103	+8,228	[+2.1%]
Software development		208,133	214,007	+5,874	[+2.8%]
Key Business Segments					
Offering Service Business	Orders received	86,216	90,039	+3,822	[+4.4%]
	Software development	37,476	41,848	+4,372	[+11.7%]
Business Process Management	Orders received	29,771	31,405	+1,633	[+5.5%]
	Software development	9,428	10,514	+1,086	[+11.5%]
Financial IT Business	Orders received	59,702	61,172	+1,470	[+2.5%]
	Software development	34,243	37,800	+3,556	[+10.4%]
Industrial IT Business	Orders received	90,750	88,162	-2,587	[-2.9%]
	Software development	65,112	61,626	-3,485	[-5.4%]
Regional IT Solutions	Orders received	116,433	120,323	+3,890	[+3.3%]
	Software development	61,873	62,217	+344	[+0.6%]

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Starting on page 11, we explain the status of orders.

First, let us look at the status of orders received.

Orders received during the period totaled JPY391.1 billion, up 2.1% from the same period last year. While the overall increase has been stable, the most recent three-month period showed a shift from the previous trend, which we will explain on the next page.

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Reference: Fiscal 2026 Third Quarter (Oct-Dec): Order Status

[Millions of yen]		Fiscal 2025 Q3	Fiscal 2026 Q3	YOY change	
Orders received		101,633	96,833	-4,800	[-4.7%]
Software development		70,174	64,312	-5,861	[-8.4%]
Key Business Segments					
Offering Service Business	Orders received	20,906	22,394	+1,487	[+7.1%]
	Software development	12,262	12,447	+185	[+1.5%]
Business Process Management	Orders received	9,935	10,378	+442	[+4.5%]
	Software development	3,184	3,487	+302	[+9.5%]
Financial IT Business	Orders received	13,716	12,645	-1,070	[-7.8%]
	Software development	12,775	11,705	-1,069	[-8.4%]
Industrial IT Business	Orders received	28,234	23,341	-4,893	[-17.3%]
	Software development	23,377	19,465	-3,912	[-16.7%]
Regional IT Solutions	Orders received	28,839	28,073	-765	[-2.7%]
	Software development	18,574	17,207	-1,367	[-7.4%]

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Page 12 presents the order status for the Q3 three-month period.

Orders received in the most recent three-month period decreased YoY, mainly due to a decline in orders for development projects. In this section, we explain the status of the financial IT, industrial IT, and regional IT solutions segments, which are the main contributing factors.

First, in the financial IT segment, although we secured new projects such as modernization, they were not sufficient to offset fluctuations in orders for existing projects, resulting in a decline.

In the industrial IT segment, orders were mainly affected by a reactionary decrease following several modernization projects received in the previous fiscal year.

In the regional IT solutions segment, orders declined due to a decrease in projects in the government, medical, and other sectors.

Although orders received declined in Q3, we have secured a sufficient pipeline and intend to steadily convert these opportunities into orders going forward.

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Fiscal 2026 First Three Quarters: Order Status (Order backlog at end of third quarter)



- Overall, order backlog as of the end of Q3 declined year on year, due to lower software development in Financial IT Business and Industrial IT Business, as well as lower product/software sales in Regional IT Solutions.

[Millions of yen]		Fiscal 2025 end of Q3	Fiscal 2026 end of Q3	YOY change	
Order backlog		157,175	154,473	-2,701	[-1.7%]
Software development		97,612	96,192	-1,419	[-1.5%]
Key Business Segments					
Offering Service Business	Order backlog	32,981	33,865	+883	[+2.7%]
	Software development	16,263	17,774	+1,510	[+9.3%]
Business Process Management	Order backlog	7,362	7,612	+249	[+3.4%]
	Software development	7,116	7,309	+192	[+2.7%]
Financial IT Business	Order backlog	32,041	29,931	-2,110	[-6.6%]
	Software development	20,810	19,075	-1,734	[-8.3%]
Industrial IT Business	Order backlog	34,640	33,794	-846	[-2.4%]
	Software development	24,654	23,058	-1,595	[-6.5%]
Regional IT Solutions	Order backlog	50,148	49,270	-877	[-1.8%]
	Software development	28,767	28,973	+206	[+0.7%]

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Turning to page 13.

Order backlog totaled JPY154.4 billion, down 1.7% from the same period last year.

In the financial IT and industrial IT segments, development-related orders declined. While development projects for existing clients progressed steadily, the acquisition of new projects did not grow as much as expected.

In the offering services and regional IT solutions segments, non-development activities declined.

In offering services, this was due to a decrease in overseas business, while in regional IT solutions, it reflected a pull-back in sales in the municipal government and medical sectors.

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Fiscal 2026: Performance Forecasts

No changes to estimates announced on October 31, 2025



- Expect higher sales and operating income driven by business expansion, while continuing to strengthen growth investment, including in human resources. Merger-related expenses are included in the plan.
- Net income is projected to decline, mainly reflecting smaller net extraordinary gains.

[Millions of yen]	Fiscal 2025 actual	Fiscal 2026 revised estimate	YOY change	
Net Sales	571,687	588,000	+16,312	[+2.9%]
Operating Income	69,047	75,000	+5,952	[+8.6%]
Operating Margin	12.1%	12.8%	+0.7P	-
Net Income Attributable to Owners of the Parent Company	50,012	50,000	-12	[-0.0%]
Net Income to Net Sales Ratio	8.7%	8.5%	-0.2P	-
Net Income per Share [Yen]	215.00	220.70	+5.70	[+2.7%]
ROE	15.3%	14.8%	-0.5P	-

* ROE estimate for fiscal 2026 is a calculated value.

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I would now like to explain our full-year forecast for the fiscal year ending March 31, 2026. Please turn to page 15.

The full-year forecast for the fiscal year ending March 31, 2026, remains unchanged from the plan revised on October 31, 2025, as performance through Q3 has generally progressed in line with the revised plan.

Net sales are projected to increase by 2.9% YoY to JPY588 billion, and operating income is expected to rise by 8.6% YoY to JPY75 billion, after incorporating JPY0.5 billion in merger-related expenses. We will continue to build up orders and curb unprofitable projects to further ensure the achievement of the full-year plan.

Finally, I will briefly explain two topics, including the timely disclosure announced today.

First, I will discuss the completion of our share repurchase program and the cancellation of the repurchased shares. As already announced, the repurchase of approximately JPY42 billion in treasury stock was completed in December 2025. The Company has decided to cancel approximately 3% of its treasury stock, equivalent to JPY35 billion, for the purpose of optimizing its capital structure, as originally planned. The scheduled cancellation date is February 27, 2026.

Next, I would like to discuss the status of preparations for the merger scheduled for July 1, 2026.

Yesterday, we announced personnel and organizational changes effective April 1 in a news release. Preparations are progressing smoothly as we work toward realizing the vision for the new company. We appreciate your continued expectations and support. That concludes today's session.

Moderator [M]: Thank you very much.

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Question & Answer

Moderator [M]: We would now like to begin the Q&A session.

When it is your turn, the moderator will call your name. Please state your company name and your own name before asking your question. Please note that each person may ask a maximum of two questions. We will now start the Q&A session.

Mr. Tanaka from Goldman Sachs, please go ahead with your question.

Chikai Tanaka [Q]: This is Tanaka from Goldman Sachs. Thank you for giving me the opportunity to ask my questions. I have two questions. First, could you please explain the factors behind the decline in profits in the regional IT solutions segment?

Even if all the unprofitable projects had been recognized in this segment in Q3, I believe profits would still have declined on an excluding basis. It would therefore be helpful if you could provide a separate explanation of the unprofitable projects themselves, including their cutovers, as well as the other factors that contributed to the overall decline in profit. This is my first point.

Kawamura [A]: Yes, I understand. First, I would like to outline the main reasons for the decline in profits within the regional IT solutions segment. As for the breakdown, around JPY400 million of the previously mentioned unprofitable amount relates to this project in the regional IT segment. In addition, the decline was also influenced by several hundred million yen in lower profitability, resulting in a total impact of around JPY1 billion.

As outlined in the presentation materials, this project involves the simultaneous delivery of work to multiple public-sector clients based on a common theme. Due to the need for additional quality-related measures, as well as the unfortunate extension of parts of the project, we were unable to release personnel as planned. This has increased our costs and is the main reason for the lower profitability.

We are taking all the necessary action at this stage, including engaging with customers, to prevent any further impact. Although this project generated an impact of around JPY1 billion this time, we intend to make up for this in Q4 and beyond.

As the contracts involve multiple entities, some will be completed in March 2026, while others will take longer, extending into the fiscal year ending March 2028. We will continue to advance the project in line with the revised plan. That is all from me.

Chikai Tanaka [Q]: Thank you. So, if I understand correctly, there is about JPY400 million tied up in unprofitable projects, and around JPY600 million tied up in projects that have become low-profit but are not yet unprofitable. In that context, are the end users broadly the same for all these projects? Am I right in thinking that they are all public-sector projects, all of which are being carried out under a common theme?

Kawamura [A]: This is a public-sector project, so we will refrain from providing further details. The contracts span multiple entities, and together they result in the level of impact we explained today.

Chikai Tanaka [Q]: As for your follow-up question, while I understand that the situation becomes clearer when we say, "public sector," what was the fundamental reason behind the overall unprofitability?

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Kawamura [A]: As I mentioned earlier, the main factors were the additional costs required to address quality-related issues and the increase in costs caused by our inability to reallocate personnel in a timely manner, despite the extension already being decided. These factors together led to the overall cost increase.

Chikai Tanaka [Q]: Understood. Thank you.

Second, and more importantly, software development in both the financial and industrial IT segments appears to be very weak, not only in Q3 but also on a cumulative basis, and is likely to be much weaker than the market average.

In your earlier explanation, you mentioned various reactionary declines. Has there been any actual change in the number of enquiries? Alternatively, can we expect to see a clear return to positive growth in Q4, once these declines have run their course? I would be grateful for your final comments on the breakdown of these factors and your outlook.

Kawamura [A]: Understood. First, as the situations in the financial and industrial IT segments differ, I will explain them separately.

In the financial IT segment, we have been steadily securing orders for modernization projects, as I mentioned previously. These projects represent a positive contribution of around JPY2 billion. Conversely, orders from core clients in the credit card sector were subject to fluctuation, resulting in a negative impact and an overall decline. We will work to increase orders from newly acquired projects and from our core credit card clients. Our aim is to achieve a positive result in Q4.

In industrial IT, a relatively large number of projects were recorded in Q3 of last year. We then experienced a decline in reaction to this, which we were unable to fully offset. Overall, our pipeline remains solid, including modernization projects. Although there is still some uncertainty, we hope to secure a healthy order backlog for the next fiscal year by building up orders firmly in Q4. Although there has been no significant change to the overall environment, we will continue to prioritize securing orders. That is all from me.

Chikai Tanaka [Q]: Regarding the industrial IT segment, I don't recall much mention of a reactionary decline from last year in the previous discussion. Looking at the numbers this time, how should we quantify the extent of that decline? My question relates specifically to the industrial IT segment.

Kawamura [A]: In the industrial IT segment, we saw strong orders last year across a wide range of areas, including modernization and SAP projects. Although we were unable to communicate every detail at the time, the combined impact of these projects resulted in a reactionary decline of approximately JPY3 billion to JPY4 billion, which contributed to this year's negative performance. We are also seeing some softness in orders from our core clients, so we hope to recover in Q4 and offset this as much as possible. That is all from me.

Chikai Tanaka [M]: Understood. Thank you very much. That is all from me.

Kawamura [M]: Yes, I understand.

Moderator [M]: Thank you very much. Next, we would like to take a question from Mr. Ueno of Daiwa Securities.

Ueno [Q]: This is Ueno from Daiwa Securities. Sorry, this is just a quick follow-up on the same topic. Regarding industrial IT, pages eight and nine show the cumulative operating income for the regional IT solutions segment.

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It shows a YoY increase of JPY1.58 billion. However, in the Q2 materials, the increase at that point was JPY2.49 billion. So, based on that change, it appears that regional IT solutions posted a shortfall of about JPY910 million in Q3.

Separately, focusing on the industrial IT segment, the cumulative operating income has declined. If we look only at the three-month period in Q3, should we understand the breakdown as you explained earlier—JPY400 million in unprofitable projects plus several hundred million yen in low-profit projects—or were there additional negative factors beyond those? Looking solely at Q3, it appears to be a significant decline in profit.

Kawamura [A]: As for the breakdown shown on pages eight and nine, it is exactly as you described, Mr. Ueno. As I mentioned earlier, there was a project with an impact of around JPY1 billion, and that has had a significant effect. Other areas have continued to perform steadily, but unfortunately, we were not able to offset the roughly JPY1 billion impacts, and that is what is reflected in the results.

Ueno [Q]: On the point you just mentioned, if there was a JPY1 billion negative impact and the overall decline in profit is JPY900 million, does that mean that the other areas saw almost no growth? In other words, the increase was capped at around JPY100 million.

Kawamura [A]: Yes, unfortunately the increase was limited to JPY100 million to JPY200 million, and we intend to recover this firmly going forward.

Ueno [Q]: This is a two-year project, but that doesn't mean that all of the future excess costs or cost overruns were fully provisioned in Q3, correct?

Kawamura [A]: The project plan was revised, and additional costs were included as a result. All those costs have been incorporated into the current financial results.

Ueno [Q]: Including the cutover portion scheduled two years from now.

Kawamura [A]: Yes, we have recorded the necessary costs based on the new plan.

Ueno [Q]: Since this is regional IT, for example, in areas such as the national health insurance system handled by INTEC or, in some cases, municipal LGWAN infrastructure where the same system is provided to multiple customers; if a discrepancy occurs, would it affect multiple customers simultaneously?

Kawamura [A]: It is difficult to comment on each project individually, but since we are handling multiple public-sector projects that share common components, the impact extended across a relatively wide area. That is what led to the size of the impact this time.

Ueno [Q]: In that case, rather than having several completely different issues occurring across multiple projects and causing individual cost overruns, is it correct to understand that the root cause is essentially one, and that if the standard portion is fixed, the issues across multiple projects can be addressed?

Kawamura [A]: Yes, you may understand the root cause in that way.

Ueno [Q]: Regarding this point, rather than the logic or specifications being wrong from the beginning, is it not the case that, once the necessary modifications have been made, performance will improve and support for multiple customers will be complete, meaning that the end is in sight? Or is it something where bugs will continue to appear no matter how much work is done?

Kawamura [A]: In that sense, the main factor is the review of the overall project plan. We are taking appropriate quality measures on our side, so we do not have such concerns at this time.

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Ueno [Q]: So, the landing point is visible, but the cost overruns associated with the extended response period will simply be recorded as expenses. Is that the right way to understand it?

Kawamura [A]: Yes, these are the costs recorded based on the new project plan.

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

Moderator [M]: Thank you. Next, we would like to take a question from Mr. Tanaka of BofA Securities.

Hideaki Tanaka [Q]: This is Tanaka. I have two quick questions. First, with regard to industrial IT, you mentioned that orders have been weak and that growth among core clients has also been sluggish. Have you observed any signs of change or deterioration in demand for industrial IT and financial IT, both of which we consider to have core clients, under the current semi-macro environment?

Kawamura [A]: For our core clients, we continue to provide solid support across a substantial portion of their business. Various factors are at play, such as the timing of projects and areas where we have not yet secured orders. Compared with last year, we are experiencing a slight decline in orders.

We intend to recover this by proactively making proposals. Overall, we believe that this is an area in which we need to maintain a firm and consistent approach.

Hideaki Tanaka [Q]: Understood. So, given the current circumstances, is it fair to say that things are essentially stable—neither growing nor shrinking—depending on whether your proposals are accepted?

Kawamura [A]: Since these are our core clients, we are firmly maintaining the baseline level of business. On top of that, we aim to provide proposals that offer additional value, so that both sides can continue to grow together.

Hideaki Tanaka [Q]: Understood. My second question is about margins. Even when unprofitable projects are excluded, the gross margin has been declining. While you have already explained the situation for regional IT, I believe that the gross margin in the offering services business segment has also been trending downward. Could you please explain the current situation and your outlook for the future?

Kawamura [A]: There are several factors that are influencing the gross margin in the offering service business. As we explained in H1, one factor weighing on gross margin is the continued investment in platforms in the settlement area. While this has been a major driver of the decline in gross margin, we view it as a future investment and intend to continue investing steadily.

In addition, the enterprise-related business, which performed strongly in H1, saw a temporary slowdown, and we believe this had a negative impact in Q3. Improving profitability remains a key priority for us. As we work to grow the top line, we will continue our efforts to ensure that we maintain and enhance profitability.

Hideaki Tanaka [Q]: Thank you. When do you expect the burden of investing in the payment platform to ease and the profit margin to start improving?

Kawamura [A]: As we have mentioned, we are investing around JPY1 billion this fiscal year as part of our efforts to prepare for future growth. For the next fiscal year, we are currently reviewing our annual plan, including whether to continue the investment and how we assess the future growth potential. We expect to provide further details in the new plan to be presented in Q4.

Hideaki Tanaka [Q]: Thank you. That is all from me.

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Moderator [M]: Thank you. As we are approaching the end of the session, we would like to take one last question. Mr. Koketsu from Citigroup Global Markets, please go ahead.

Koketsu [Q]: This is Koketsu from Citigroup Global Markets. Thank you. I also have two quick questions. The first point is similar to Mr. Tanaka's question, but my impression is that even after excluding the JPY600 million in unprofitable projects and the JPY1 billion including low-profit projects, the gross profit margin is still down by about 0.3 percentage points YoY. Could you explain whether this is due to wage increases related to human-resource investment, or what factors are behind the decline in gross margin?

Kawamura [A]: Thank you. In this area, we expect to increase our human-resource investment by JPY2.5 billion for the full year, and we view this as a solid upfront investment. We intend to translate this investment into greater value for our customers and generate returns accordingly.

As I mentioned earlier, platform-related investments and the impact of low-margin projects have also contributed to a slight slowdown in growth. We recognize that the improvement in gross margin is still insufficient, and as we enhance the value we deliver to customers, we aim to raise our gross margin. Since our original target was 30%, we hope to make steady step-by-step progress toward that level.

Koketsu [Q]: Thank you. Second, even excluding the JPY1 billion low-profit project, the increase in operating income appears to be quite limited. I am wondering whether there were any other factors besides the JPY1 billion impact, and I also get the impression that the revenue growth rate is somewhat soft. Could you explain the profit and revenue trends in the regional IT solutions business?

Kawamura [A]: As for the projects I mentioned earlier, as well as our other businesses overall, the increase in profit was limited to around JPY200 million. In terms of overall orders, we continue to see strong demand from our core customers, particularly in the financial sector, and we believe our business activities remain on track.

Orders from medical, other manufacturing and distribution sectors, as well as from small and midsize enterprises, have also remained solid. However, the level of orders was still not sufficient to fully recover from the negative impact.

We simply need to continue building up orders, and since there are no major changes in the overall business environment, our focus is on avoiding unprofitable projects and working to bring Q4 results—both revenue and profit—back to the high level we achieved last year, particularly in solutions for the health care sector. That is all from me.

Koketsu [M]: Thank you very much for your thorough responses. That concludes my questions.

Moderator [M]: Thank you very much. This concludes the question-and-answer session.

Finally, we would like to invite Mr. Kawamura to offer a few closing remarks.

Kawamura: Thank you for joining the TIS Inc. financial results conference call for Q3 of the fiscal year ending March 2026. We appreciate your time and participation today. If you have any further questions, please feel free to contact our IR team during individual interviews or by phone. We appreciate your continued support.

Moderator [M]: This concludes today's conference call. Thank you for your participation.

[END]

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