TIS Inc.

Financial Results Briefing for the Fiscal Year Ended March 31, 2024

May 8, 2024

Event Summary

[Company Name]	TIS Inc.	
[Company ID]	3626-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 31, 2024	
[Fiscal Period]	FY2024 Annual	
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[Time]	17:00 – 17:55 (Total: 55 minutes, Presentation: 33 minutes, Q&A: 22 minutes)	
[Venue]	Webcast	
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[Participants]		
[Number of Speakers]	2	
	Yasushi Okamoto	President and Representative Director
	Masakazu Kawamura	Managing Executive Officer, Division Manager of Corporate Planning SBU
[Analyst Names]*	Chikai Tanaka	Goldman Sachs Japan Co., Ltd.
	Hideaki Tanaka	Morgan Stanley MUFG Securities Co., Ltd.
	Satoru Kikuchi	SMBC Nikko Securities Inc.

*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: Hello, everyone, thank you for your patience. We will now hold the Financial Results Briefing for the Fiscal Year Ended March 31, 2024 and the briefing on the new medium-term management plan of TIS Inc.

First, let me introduce today's two presenters.

The first one is Yasushi Okamoto, President and Representative Director, on your left as you face us. Next is Masakazu Kawamura, Managing Executive Officer, Division Manager of Corporate Planning SBU.

Let me explain today's proceedings briefly. First, Kawamura will explain the financial results for the fiscal year ended March 31, 2024, followed by an explanation of the new medium-term management plan by Okamoto, and then we will have a question-and-answer session with the audience.

This briefing is scheduled to last one hour, including Q&A, but may be extended slightly depending on the situation. Please refer to our website for the documents as appropriate. A video of the briefing will be available on our website at a later date.

Kawamura will now give an overview of our business performance for the fiscal year ended March 2024, the outlook for the fiscal year ending March 2025, and shareholder returns. Thank you.

Highlights

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Fiscal 2024: Financial Highlights

- Higher sales and higher income year on year. Achieved revised estimates.
- Operating margin fell year on year and below estimate, owing to impact from unprofitable projects.
- Favorable order volume and order backlog.

Fiscal 2025: Performance Forecast

- Expect higher sales and income but at gradual climb due to huge impact from reactionary drop in large projects. Maintain robust growth investment.

Return to Shareholders

- Paralleling business growth exceeding estimates for fiscal 2024, year-end dividend will be raised by ¥3.
- Will raise total shareholder return ratio to 50% in fiscal 2025 and increase dividend by ¥12. With annual dividend at ¥68 per share, treasury stock buyback could total ¥6.5 billion.

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Kawamura: This is Kawamura from TIS. Thank you. I would like to explain three points: our business performance for the fiscal year ended March 31, 2024, our outlook for the fiscal year ending March 31, 2025, and shareholder returns.

Please see page two. This is the highlight of the financial result for the year under review.

First, for the fiscal year ended March 31, 2024, although revenue and operating income increased from the previous year, the operating margin unfortunately fell short of the previous year and the revised plan due to the impact of unprofitable projects.

Orders received and order backlogs increased from the previous fiscal year due to increased operational services and other areas, despite a reactionary decline in development services.

Next, for the fiscal year ending March 31, 2025, we plan to achieve modest increases in both sales and income, taking into account the reactionary impact of large-scale development projects and continued aggressive investment in growth.

Lastly, shareholder returns. For the fiscal year ended March 31, 2024, we will increase the year-end dividend per share by JPY3. For the fiscal year ending March 31, 2025, we plan to pay an annual dividend of JPY68 per share, up JPY12 from the previous year along with the increase in total payout ratio, and repurchase JPY6.5 billion of our own shares.

Fiscal 2024: Performance Highlights (YOY change)

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- Higher sales, thanks to business expansion through accurate responses to clients' IT investment needs, including demand for digital transformation.
- Even while reinforcing growth investment, achieved increase in operating income, mainly thanks to demand for high-value-added services.

[Millions of yen]	Fiscal 2023	Fiscal 2024	YOY change	
Net Sales	508,400	**549,004**	+40,604	[+8.0%]
Operating Income	62,328	**64,568**	+2,239	[+3.6%]
Operating Margin	12.3%	**11.8%**	-0.5P	-
Net Income Attributable to Owners of the Parent Company	55,461	**48,873**	-6,588	[-11.9%]
Net Income to Net Sales Ratio	10.9%	**8.9%**	-2.0P	-
Net Income per Share [Yen]	227.11	**203.28**	-23.83	[-10.5%]
ROE	18.8%	**16.0%**	-2.8P	-

- Non-operating income: ¥5,012 million
  (YOY change+¥2,523 million)
  →Reversal of allowance for doubtful accounts: ¥2,501 million, etc.
- Non-operating expenses: ¥1,027 million
  (YOY change -¥585 million)
- Extraordinary income: ¥3,291 million
  (YOY change -¥18,748 million)
  →Gain on sales of investment securities: ¥2,254 million, etc.
- Extraordinary loss: ¥2,652 million
  (YOY change -¥1,100 million)

*Inclusion of Nihon ICS in scope of consolidation affects consolidated results from second quarter onward.
Impact of ¥5.8 billion on net sales, and ¥600 million on operating income after goodwill amortization.

See page five. This is an overview of the performance for the fiscal year ended March 2024.

Although the peak out of large-scale projects that had been anticipated occurred in H2 of the fiscal year, and this had an impact, overall, the Company achieved an increase in revenue and operating income by promoting business expansion throughout the fiscal year.

Net sales increased 8% from the previous year to JPY549 billion, operating income increased 3.6% to JPY64.5 billion, and the operating margin decreased 0.5 percentage points from the previous year to 11.8% due to the significant impact of unprofitable projects that occurred in Q4.

Net income decreased 11.9% from the previous year to JPY48.8 billion, mainly due to the absence of extraordinary gains from the reduction of strategic shareholdings in the previous year.

ROE was 16%, lower than the previous year due to the decrease in net income, but improved on an operating activity basis.

The impact of Japan ICS, which became a consolidated subsidiary during the period, was JPY5.8 billion in net sales and JPY600 million in operating income after amortization of goodwill for the cumulative period from Q2.

Fiscal 2024: Performance Highlights (Compared with estimate)

- Net sales exceeded estimate, reflecting capture of IT investment demand, especially from existing domestic clients and in from operations overseas.
- Stuck near operating income estimate and inability to achieve estimated operating margin mainly reflect pressure from unprofitable projects.

[Millions of yen]	Fiscal 2024 estimate *	Fiscal 2024 actual	Compared with estimate	
Net Sales	536,000	**549,004**	+13,004	[+2.4%]
Operating Income	64,500	**64,568**	+68	[+0.1%]
Operating Margin	12.0%	**11.8%**	-0.2P	-
Net Income Attributable to Owners of the Parent Company	42,000	**48,873**	+6,873	[+16.4%]
Net Income to Net Sales Ratio	7.8%	**8.9%**	+1.1P	-
Net Income per Share [Yen]	174.19	**203.28**	+29.09	[+16.7%]
ROE	13.7%	**16.0%**	+2.3P	-

* Latest estimates announced by TIS, and ROE estimate for fiscal 2024 is a calculated value.

Page six shows the comparison with the plan.

Net sales exceeded the revised plan, which was raised during the period, as the Company was able to capture a wide range of IT investment demand.

Operating income was in line with the plan, and the operating margin fell short of the plan.

Net income for the period was much higher than planned due to non-operating income and extraordinary gains.

Fiscal 2024: Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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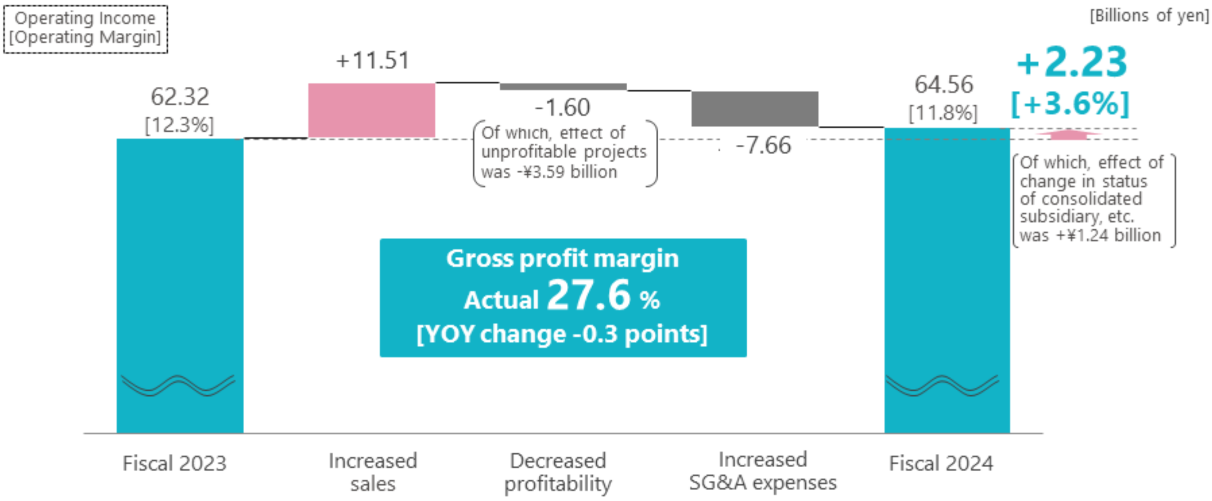
• Posted higher operating income even while reinforcing upfront investment and dealing with increase in unprofitable projects. M&A effect also contributed to results.



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

Changes in SG&A expenses

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

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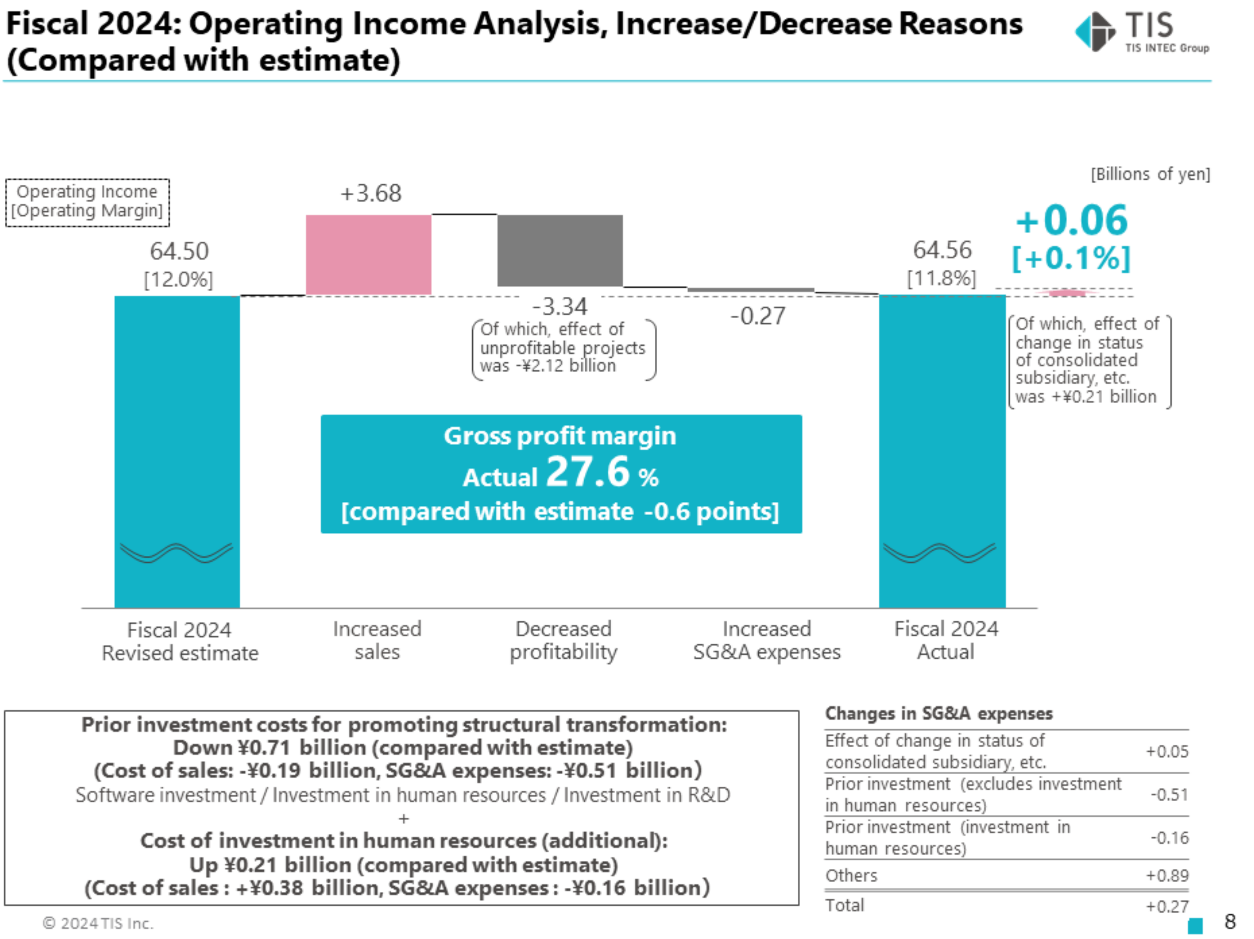
Page seven shows the factors behind the changes in operating income.

The increase in profits, mainly due to the effect of higher revenues, absorbed increased investment in growth, including enhanced investment in human resources, resulting in a JPY2.23 billion increase in operating income compared to the previous year.

Although we were able to steadily improve profitability by providing high value-added businesses and promoting productivity improvement measures, unprofitable projects totaling JPY4 billion caused the profit margin to decline. Among the unprofitable projects, I would like to explain here about the project that recorded approximately JPY2 billion in Regional IT Solutions in Q4.

The project in question was a renewal of an existing system for a new client that was the responsibility of another company. We have been dealing with issues such as the high degree of difficulty of the system requirements, which resulted in schedule delays due to deteriorating quality and other factors. The project was cancelled after discussions with the client, and the associated liquidation costs were recorded this time. Once again, we will strengthen group-wide quality improvement measures and strive to prevent unprofitable projects from occurring.

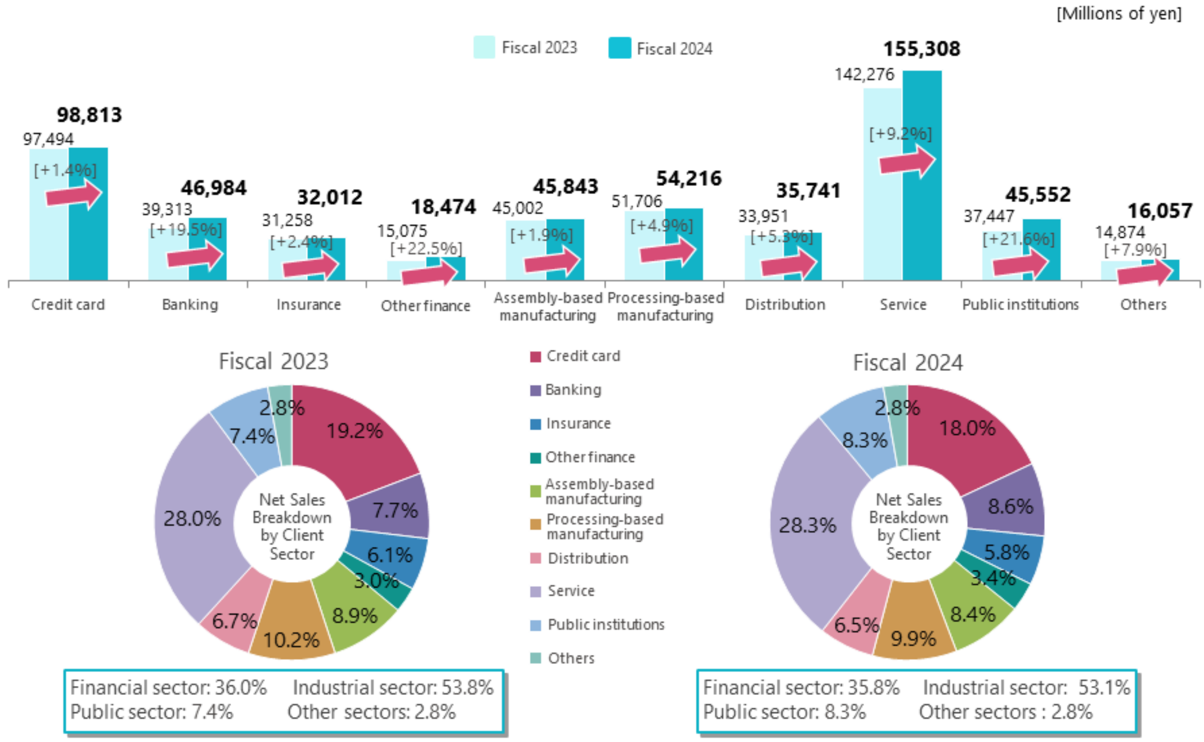


Page eight shows the comparison with the plan.

Operating income was in line with the plan, as unprofitable projects offset a large part of the increase in income due to the effect of higher revenues.

Fiscal 2024: Sales by Client Sector

- Increased year on year in all industries. Situation continues to be driven by service industry, public sector and banking industry.



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See page nine. This is a breakdown of sales by client sector.

The trend remained the same, with strong overall performance, especially in the public institutions sector and the service sector.

Regarding the public institutions sector, large-scale projects for our core customers made a significant contribution, and as for the service sector, the performance of Japan ICS also contributed to the results. The increase in the banking sector was mainly due to contributions from the local business of the overseas subsidiary MFEC.

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

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[Millions of yen]		Fiscal 2023	Fiscal 2024	YOY change	
Offering Service Business	Net Sales	111,752	**130,759**	+19,006	[+17.0%]
	Operating Income	6,426	**7,659**	+1,233	[+19.2%]
	Operating Margin	5.8%	**5.9%**	+0.1P	-
Business Process Management	Net Sales	43,255	**41,953**	-1,302	[-3.0%]
	Operating Income	5,123	**4,551**	-572	[-11.2%]
	Operating Margin	11.8%	**10.8%**	-1.0P	-
Financial IT Business	Net Sales	101,184	**106,304**	+5,119	[+5.1%]
	Operating Income	13,896	**15,185**	+1,288	[+9.3%]
	Operating Margin	13.7%	**14.3%**	+0.6P	-
Industrial IT Business	Net Sales	113,632	**121,896**	+8,263	[+7.3%]
	Operating Income	16,728	**18,287**	+1,558	[+9.3%]
	Operating Margin	14.7%	**15.0%**	+0.3P	-
Regional IT Solutions	Net Sales	160,010	**172,376**	+12,365	[+7.7%]
	Operating Income	19,343	**18,497**	-845	[-4.4%]
	Operating Margin	12.1%	**10.7%**	-1.4P	-

Offering Service Business:	Higher sales and higher income, largely due to wider IT investment in areas of payment settlement, platform and business management as well as positive impact of M&A activity. Overseas operations contributed to sales growth.
Business Process Management:	Existing data entry business struggled, impacting segment results, leading to lower sales and lower income.
Financial IT Business:	Higher sales and higher income, driven mainly by large-scale projects ordered in the first half of fiscal 2024 by core clients in credit card sector as well as public-sector financial institutions.
Industrial IT Business:	Higher sales and higher income underpinned by wider IT investment across spectrum of client sectors, particularly manufacturing and distribution, as well as solid ERP demand.
Regional IT Solutions:	Despite higher sales, reflecting wider IT investment in such sectors as healthcare, banking and network services, income decreased significantly, owing to impact from unprofitable projects.

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Page 10 shows the status by key segment.

The details are as described. The Regional IT Solutions segment saw a decrease in profit due to the impact of unprofitable projects.

Fiscal 2024: Sales and Income for Key Business Segments (Compared with estimate)

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[Millions of yen]		Fiscal 2024 estimate	Fiscal 2024 actual	Compared with estimate	
Offering Service Business	Net Sales	124,300	**130,759**	+6,459	[+5.2%]
	Operating Income	7,300	**7,659**	+359	[+4.9%]
	Operating Margin	5.9%	**5.9%**	-0.0P	-
Business Process Management	Net Sales	43,000	**41,953**	-1,046	[-2.4%]
	Operating Income	4,850	**4,551**	-298	[-6.2%]
	Operating Margin	11.3%	**10.8%**	-0.5P	-
Financial IT Business	Net Sales	105,500	**106,304**	+804	[+0.8%]
	Operating Income	14,300	**15,185**	+885	[+6.2%]
	Operating Margin	13.6%	**14.3%**	+0.7P	-
Industrial IT Business	Net Sales	117,700	**121,896**	+4,196	[+3.6%]
	Operating Income	17,600	**18,287**	+687	[+3.9%]
	Operating Margin	15.0%	**15.0%**	+0.0P	-
Regional IT Solutions	Net Sales	169,100	**172,376**	+3,276	[+1.9%]
	Operating Income	20,000	**18,497**	-1,502	[-7.5%]
	Operating Margin	11.8%	**10.7%**	-1.1P	-

Offering Service Business:	Achieved results well above estimates, thanks to greater IT investment in areas of platform and business management systems as well as favorable M&A effect. Overseas operations contributed to sales growth.
Business Process Management:	Digital shift spurred steady demand, but existing data entry services have encountered persistent challenges, precluding achievement of target.
Financial IT Business:	Sales followed predicted trajectory and, with steady progress on large projects underpinning improved profitability, segment achieved anticipated income.
Industrial IT Business:	IT investment across broad range of client sectors, including manufacturing, as well as ERP demand exceeded expectations, driving segment sales and income above estimate.
Regional IT Solutions:	Wider IT investment by healthcare facilities, banks and network builders/operators exceeded expectations. Sales hit estimate but segment did not achieve anticipated income owing to impact from unprofitable projects.

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Page 11 shows the comparison with the plan.

BPM, which fell short of the plan, was affected by the downsizing of existing data entry operations, etc., and Regional IT Solutions were affected by unprofitable projects.

Reference: Fiscal 2024 Fourth Quarter (January-March) Sales and Income for Key Business Segments

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[Millions of yen]		Fourth quarter of fiscal 2023	Fourth quarter of fiscal 2024	YOY change	
Net Sales		138,017	**144,260**	+6,242	[+4.5%]
Operating Income		17,884	**16,989**	-894	[-5.0%]
Operating Margin		13.0%	**11.8%**	-1.2P	-
Net Income Attributable to Owners of the Parent Company		23,303	**16,683**	-6,620	[-28.4%]
Net Income to Net Sales Ratio		16.9%	**11.6%**	-5.3P	-
Key Business Segments					
Offering Service Business	Net Sales	30,236	**37,058**	+6,821	[+22.6%]
	Operating Income	1,926	**2,166**	+239	[+12.4%]
	Operating margin	6.4%	**5.8%**	-0.6P	-
Business Process Management	Net Sales	11,032	**10,713**	-319	[-2.9%]
	Operating Income	1,478	**1,477**	-0	[-0.0%]
	Operating margin	13.4%	**13.8%**	+0.4P	-
Financial IT Business	Net Sales	27,105	**26,484**	-621	[-2.3%]
	Operating Income	3,988	**3,928**	-60	[-1.5%]
	Operating margin	14.7%	**14.8%**	+0.1P	-
Industrial IT Business	Net Sales	31,011	**32,216**	+1,205	[+3.9%]
	Operating Income	4,604	**5,018**	+414	[+9.0%]
	Operating margin	14.8%	**15.6%**	+0.8P	-
Regional IT Solutions	Net Sales	44,588	**45,091**	+502	[+1.1%]
	Operating Income	5,773	**4,319**	-1,454	[-25.2%]
	Operating margin	12.9%	**9.6%**	-3.3P	-

Reference: Fiscal 2024 Fourth Quarter (January-March) Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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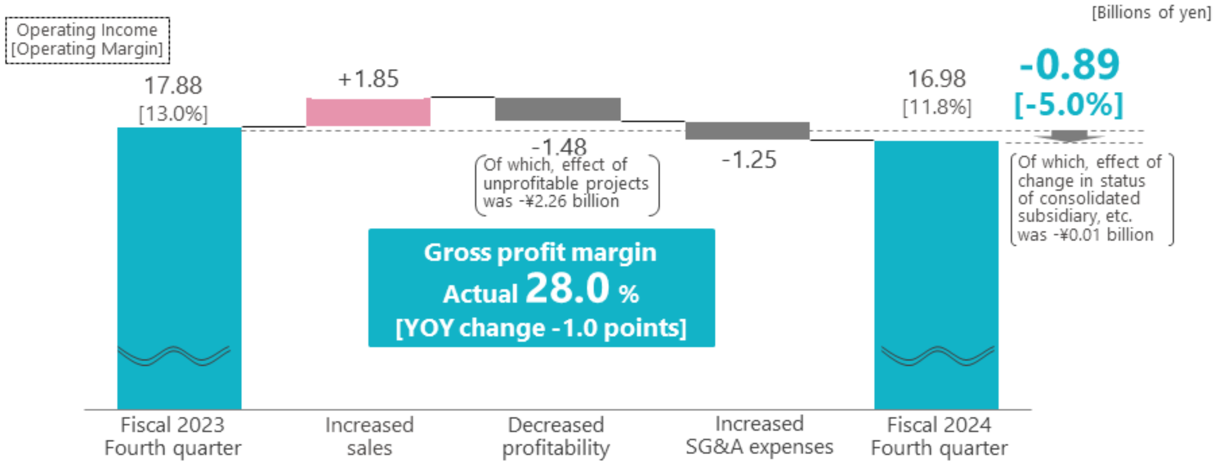

Prior investment costs for promoting structural transformation:
Down ¥0.04 billion (YOY change)
(Cost of sales: -¥0.04 billion, SG&A expenses: +¥0.00 billion)
Software investment / Investment in human resources / Investment in R&D
+
Cost of investment in human resources (additional):
Up ¥1.20 billion (YOY change)
(Cost of sales : +¥0.77 billion, SG&A expenses : +¥0.43 billion)

Changes in SG&A expenses

Effect of change in status of consolidated subsidiary, etc.	+1.08
Prior investment (excludes investment in human resources)	+0.00
Prior investment (investment in human resources)	+0.43
Others	-0.27
Total	+1.25

Reference: Fiscal 2024 Fourth Quarter (January-March)
Sales by Key Business Segment and Operating Activity *For external clients

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[Millions of yen]		Fourth quarter of fiscal 2023	Fourth quarter of fiscal 2024	YOY change	
Offering Service Business		26,626	**31,949**	+5,323	[+20.0%]
	Software development	11,607	**12,421**	+813	[+7.0%]
	Operating/cloud services	8,708	**10,758**	+2,050	[+23.5%]
	Product/software sales	6,309	**8,769**	+2,459	[+39.0%]
Business Process Management		10,453	**10,181**	-271	[-2.6%]
	Software development	4,773	**3,355**	-1,417	[-29.7%]
	Operating/cloud services	5,680	**6,479**	+799	[+14.1%]
	Product/software sales	-	**345**	+345	-
Financial IT Business		26,596	**26,139**	-457	[-1.7%]
	Software development	15,882	**14,128**	-1,754	[-11.0%]
	Operating/cloud services	9,238	**10,644**	+1,405	[+15.2%]
	Product/software sales	1,475	**1,366**	-109	[-7.4%]
Industrial IT Business		30,848	**32,049**	+1,200	[+3.9%]
	Software development	19,867	**20,763**	+896	[+4.5%]
	Operating/cloud services	6,207	**6,617**	+410	[+6.6%]
	Product/software sales	4,773	**4,668**	-105	[-2.2%]
Regional IT Solutions		42,879	**43,406**	+527	[+1.2%]
	Software development	21,779	**21,373**	-406	[-1.9%]
	Operating/cloud services	14,063	**14,382**	+318	[+2.3%]
	Product/software sales	7,035	**7,650**	+614	[+8.7%]

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Pages 13 through 15 present the results for the three months of Q4.

This overlaps with what I mentioned for full-year results, so I will skip the explanation here.

Fiscal 2024: Order Status (Orders received during fiscal year)

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- Higher order volume overall driven mainly by operations, increasing year on year. M&A effect also contributing factor.
- Drop in software development order volume largely due to sluggish order activity in Financial IT Business, which experienced reactionary decrease in large projects. Industrial IT Business and Offering Service Business saw notable growth.

[Millions of yen]		Fiscal 2023	Fiscal 2024	YOY change	
Orders received during fiscal year		523,956	**552,940**	+28,984	[+5.5%]
Software development		282,739	**278,508**	-4,231	[-1.5%]
Key Business Segments					
Offering Service Business	Orders received during fiscal year	100,617	**123,518**	+22,901	[+22.8%]
	Software development	42,831	**47,799**	+4,968	[+11.6%]
Business Process Management	Orders received during fiscal year	39,904	**39,976**	+71	[+0.2%]
	Software development	16,800	**13,030**	-3,770	[-22.4%]
Financial IT Business	Orders received during fiscal year	108,841	**101,977**	-6,864	[-6.3%]
	Software development	65,666	**52,209**	-13,457	[-20.5%]
Industrial IT Business	Orders received during fiscal year	113,115	**120,253**	+7,138	[+6.3%]
	Software development	73,849	**79,248**	+5,398	[+7.3%]
Regional IT Solutions	Orders received during fiscal year	161,477	**167,214**	+5,737	[+3.6%]
	Software development	83,591	**86,221**	+2,629	[+3.1%]

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Beginning on page 16 is an explanation of the status of orders.

First, overall orders received increased 5.5% from the previous year to JPY552.9 billion due to a solid accumulation of operational orders in each segment.

Development orders decreased from the previous fiscal year, but this was largely due to a reactionary decline from several large-scale projects in Financial IT, and we view the results as generally in line with our expectations.

Fiscal 2024: Order Status (Order backlog at year-end)

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- Year-on-year increase, with trend in orders received during the term generally unchanged. Decrease in Industrial IT Business due to reactionary drop in specific sales projects.

[Millions of yen]		Fiscal 2023	Fiscal 2024	YOY change	
Order backlog at year-end		180,373	**188,044**	+7,671	[+4.3%]
Software development		103,282	**101,386**	-1,896	[-1.8%]
Key Business Segments					
Offering Service Business	Order backlog at year-end	33,199	**42,248**	+9,049	[+27.3%]
	Software development	13,616	**16,152**	+2,536	[+18.6%]
Business Process Management	Order backlog at year-end	7,449	**7,543**	+94	[+1.3%]
	Software development	7,449	**7,259**	-189	[-2.5%]
Financial IT Business	Order backlog at year-end	48,799	**45,954**	-2,845	[-5.8%]
	Software development	31,824	**24,739**	-7,085	[-22.3%]
Industrial IT Business	Order backlog at year-end	38,064	**37,009**	-1,055	[-2.8%]
	Software development	22,694	**23,065**	+370	[+1.6%]
Regional IT Solutions	Order backlog at year-end	52,861	**55,289**	+2,428	[+4.6%]
	Software development	27,697	**30,169**	+2,471	[+8.9%]

Page 17 shows the order backlog at the end of the fiscal year.

The overall order backlog increased from the previous fiscal year. While generally unchanged from the trend in orders received, the decline in the Industrial IT segment was due to a pull-back from certain sales projects.

Reference: Fiscal 2024 Fourth Quarter (January-March): Order Status

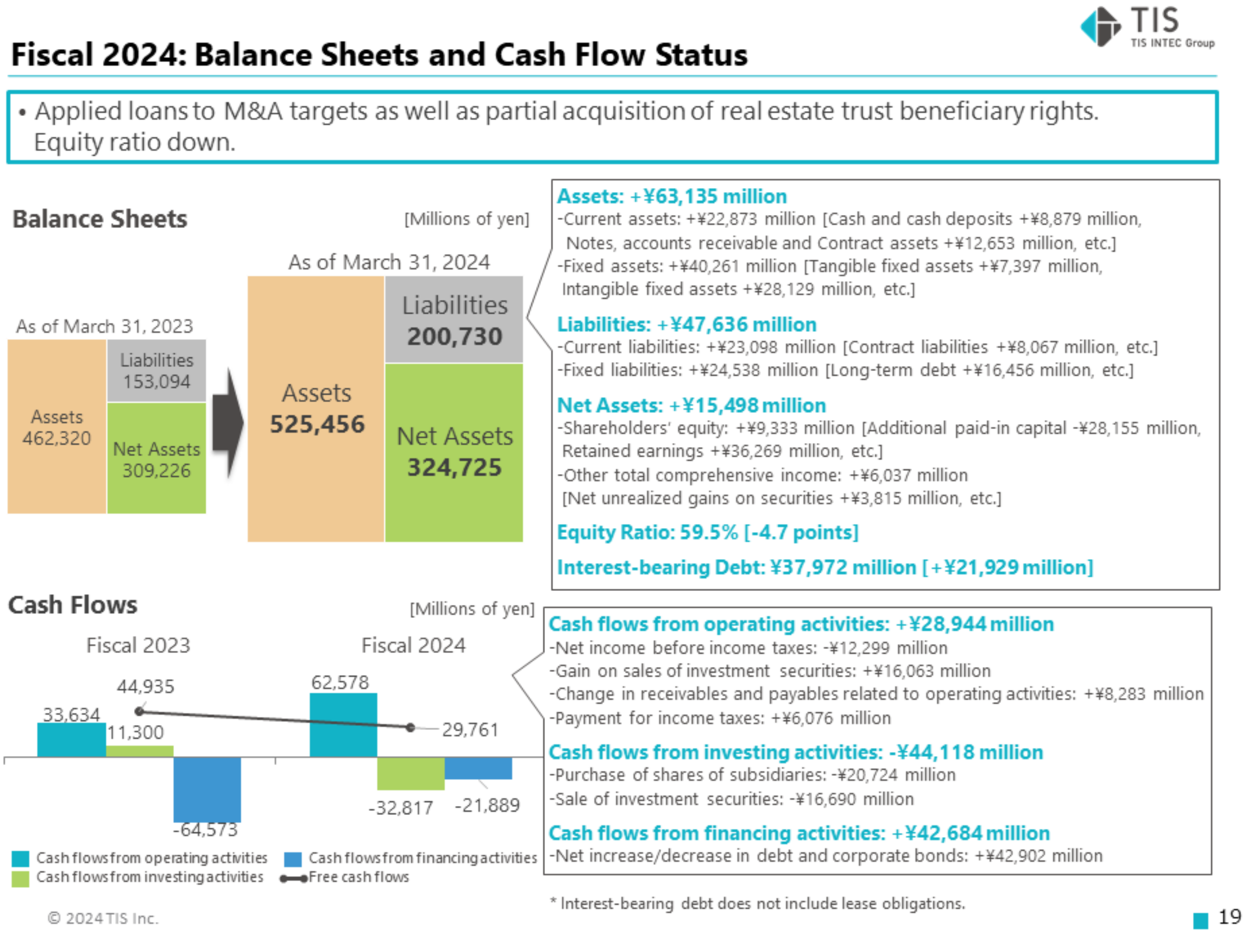
[Millions of yen]		Fourth quarter of fiscal 2023	Fourth quarter of fiscal 2024	YOY change	
Orders received during fourth quarter		179,259	**188,389**	+9,130	[+5.1%]
Software development		85,522	**84,619**	-903	[-1.1%]
Key Business Segments					
Offering Service Business	Orders received during fourth quarter	36,393	**45,375**	+8,981	[+24.7%]
	Software development	12,622	**13,210**	+587	[+4.7%]
Business Process Management	Orders received during fourth quarter	9,142	**11,032**	+1,890	[+20.7%]
	Software development	3,461	**4,105**	+643	[+18.6%]
Financial IT Business	Orders received during fourth quarter	41,102	**39,353**	-1,748	[-4.3%]
	Software development	22,567	**17,795**	-4,771	[-21.1%]
Industrial IT Business	Orders received during fourth quarter	38,374	**37,381**	-992	[-2.6%]
	Software development	21,516	**22,162**	+646	[+3.0%]
Regional IT Solutions	Orders received during fourth quarter	54,246	**55,245**	+999	[+1.8%]
	Software development	25,353	**27,344**	+1,990	[+7.8%]

Page 18 shows orders received for the three months of Q4.

In Offering Service, increases in overseas business and Japan ICS drove overall growth.

In financial IT, development orders declined due to a reactionary drop in large projects, but operational orders accumulated.

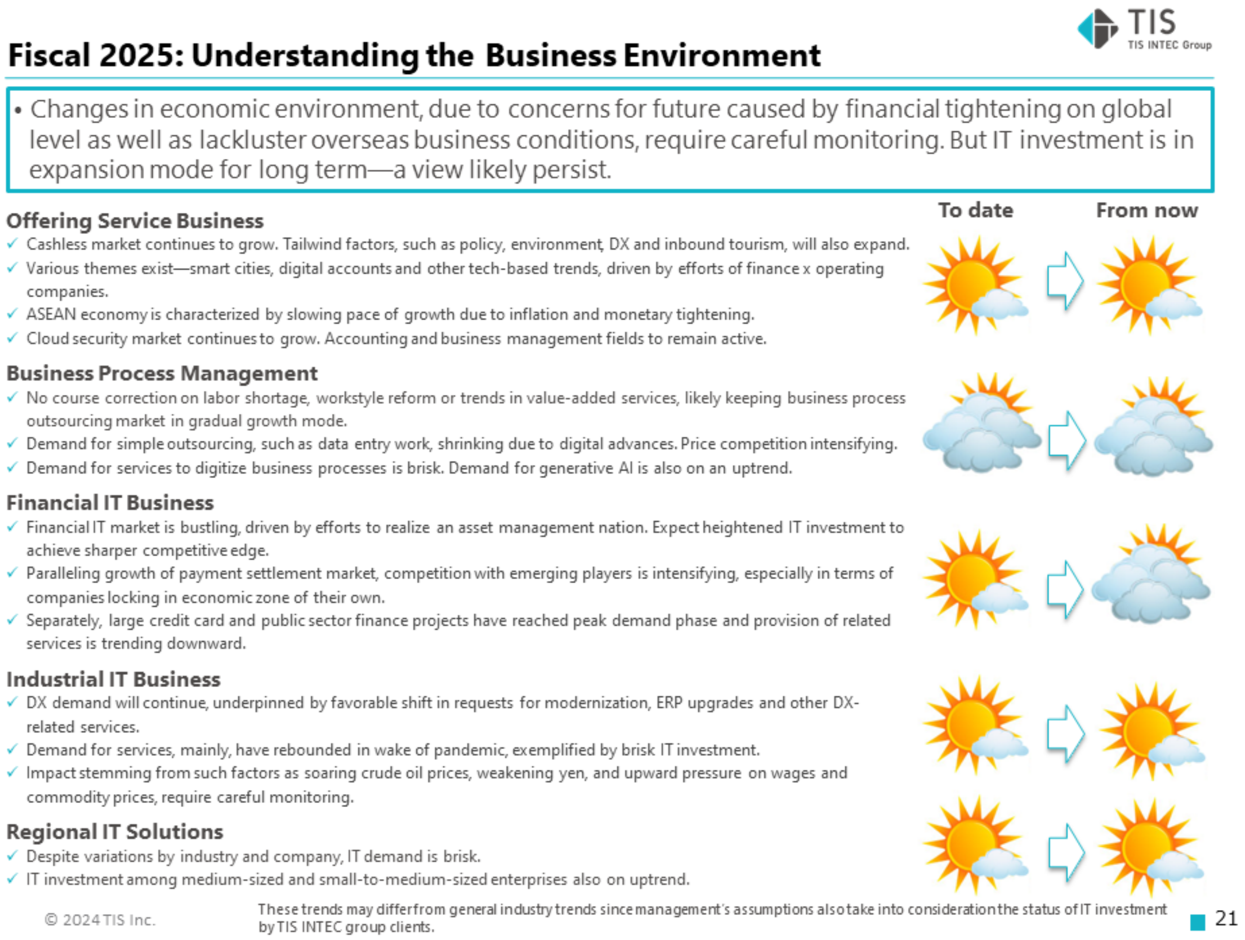
Projects were accumulated in industrial IT, mainly for ERP and energy-related projects, and in regional IT solutions, mainly development projects for banks and other financial customers.



Page 19 shows the balance sheet and cash flows.

In the period under review, the Company utilized borrowings to carry out M&A and the acquisition of real estate trust beneficiary interests in installments. The Company also carried out a large-scale share buyback as part of its efforts to optimize its capital structure. As a result, the equity ratio declined to less than 60%. We will continue to promote capital efficiency and cost of capital awareness.

This is the end of the explanation regarding the results for the fiscal year ended March 31, 2024.



I would like to continue by explaining our forecast for the fiscal year ending March 2025.

First, on page 21 is the perception of the business environment.

While changes in the general economic environment require close monitoring, we remain of the view that the long-term expansion trend in IT investment will continue. Overall, we expect the business environment to remain favorable, but we believe that each segment will have different shades of color depending on unique circumstances and other factors.

Fiscal 2025: TIS INTEC Group Management Direction

TIS
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Medium-Term Management Plan (2024-2026) Basic Policies

Frontiers 2026

Frontier development

We will strive to achieve changes in society and for corporate clients by enhancing quality across all value chains, starting with forward-looking market development and business domain expansion.

Establish position, capabilities and organizational strength as value-creating co-creation partner for society/clients

Win confidence of society

Sustainable growth paralleling addition of value

Concentrate Group's collective strength into markets identified through segment management

Meaningful growth | **Improved earning power**

Hone strengths of Group by driving capabilities of human resources and organization higher and by turning experience into asset that can be effectively utilized

Human resources growth and added value cycle | **Assets (intellectual property) value creation**

Fiscal 2025 Group Management Direction

Leverage long-term growth strategy for corporate value and value provided to society through sustainability management

- Seeking to establish foundation for presence indispensable to social change, we will create indicators and targets for impact on society through business activities and advance medium- to long-term solutions to social issues.
- Promote efficiency by both strengthening strategic functions that contribute to improvement in corporate value and greater use of DX in head office functions and companywide operations.

Increase added value by reinforcing issue-solving ability

- Increase representation of consultants, IT architects, high-level management and other key human resources, to enhance issue-solving ability, insight and integration skills, to improve value provided to clients.
- Accelerate improvement in added value by providing services hinging on industry and function and by enriching full value chain services as well as pure services*.

Expand profitability, mainly through business structure transformation based on continued approach to robust investment

- Continue to promote investment that fuels further transformation of strategic domain structure.
- Shape return scenario for Financial IT Business and BPM to grow again, and reduce number of unprofitable projects.
- Create productivity improvement results through business application of regenerative AI and other technologies.

Leverage business expansion to underpin status as top-class IT group in ASEAN region, and strengthen governance

- Set Asia, with its massive market potential, as long-term focus of business expansion, and further cultivate market through such approaches as stronger relationships and joint business development with companies in which TIS has invested funds to build operations in ASEAN region and efforts to secure and develop human resources for new business creation using collaboration among industry, government and academia.

Reinforce human resources growth and intellectual property utilization to maximize added value provided

- Deepen human capital management and maintain robust investment in human resources, particularly training and compensation, to cultivate human resources with specialized expertise for leading frontier development.
- Promote greater accumulation and application of intellectual property, including creation of intellectual property through enhanced feedback on client contact information.

Note: Essentially, type of services offered under uniform specifications applicable to all clients.

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Fiscal 2025: Performance Forecasts

TIS
TIS INTEC Group

- Despite impact of reactionary drop in large 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.

Based on the management policy shown on page 22, we explain our full-year forecast for the fiscal year ending March 31, 2025 on page 23.

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. We will continue to aim for business growth, although the growth rate will be moderate due to the significant reactionary impact from large projects and continued aggressive investment in growth.

Net income is expected to decrease due to the absence of non-operating income and extraordinary gains recorded in the previous year, and ROE is also expected to decline due to this impact for the fiscal year ending March 31, 2025.

Our target for unprofitable projects is JPY1 billion or less for the full year, and we will once again make firm efforts to curb these unprofitable projects.

Fiscal 2024: Sales and Income by Key Business Segment [Forecast]

[Millions of yen]		Fiscal 2024 actual	Fiscal 2025 estimate	YOY change	
Offering Service Business	Net Sales	130,759	**140,800**	+10,040	[+7.7%]
	Operating Income	7,659	**8,600**	+940	[+12.3%]
	Operating Margin	5.9%	**6.1%**	+0.2P	-
Business Process Management	Net Sales	41,953	**43,000**	+1,046	[+2.5%]
	Operating Income	4,551	**4,500**	-51	[-1.1%]
	Operating Margin	10.8%	**10.5%**	-0.3P	-
Financial IT Business	Net Sales	106,304	**98,500**	-7,804	[-7.3%]
	Operating Income	15,185	**12,000**	-3,185	[-21.0%]
	Operating Margin	14.3%	**12.2%**	-2.1P	-
Industrial IT Business	Net Sales	121,896	**125,500**	+3,603	[+3.0%]
	Operating Income	18,287	**19,600**	+1,312	[+7.2%]
	Operating Margin	15.0%	**15.6%**	+0.6P	-
Regional IT Solutions	Net Sales	172,376	**171,000**	-1,376	[-0.8%]
	Operating Income	18,497	**21,500**	+3,002	[+16.2%]
	Operating Margin	10.7%	**12.6%**	+1.9P	-

Offering Service Business:	Expect higher sales and higher income, reflecting expansion in settlement solutions and wide spectrum of other services as well as improved profitability in overseas operations.
Business Process Management:	Despite efforts to shift business portfolio away from data entry services in favor or more priority areas, such as process optimization, sales may grow while income falls during the transition period.
Financial IT Business:	Huge impact from reactionary drop in multiple large-scale projects for existing clients could result in lower sales and lower income.
Industrial IT Business:	Higher sales and higher income are likely, owing to success in cultivating demand from existing customers, especially in manufacturing and service sectors, and capturing ERP-related IT investment demand.
Regional IT Solutions:	Despite lower sales due to reactionary drop in sales year on year, improved productivity and successful efforts to reduce number of unprofitable projects should deliver higher income.

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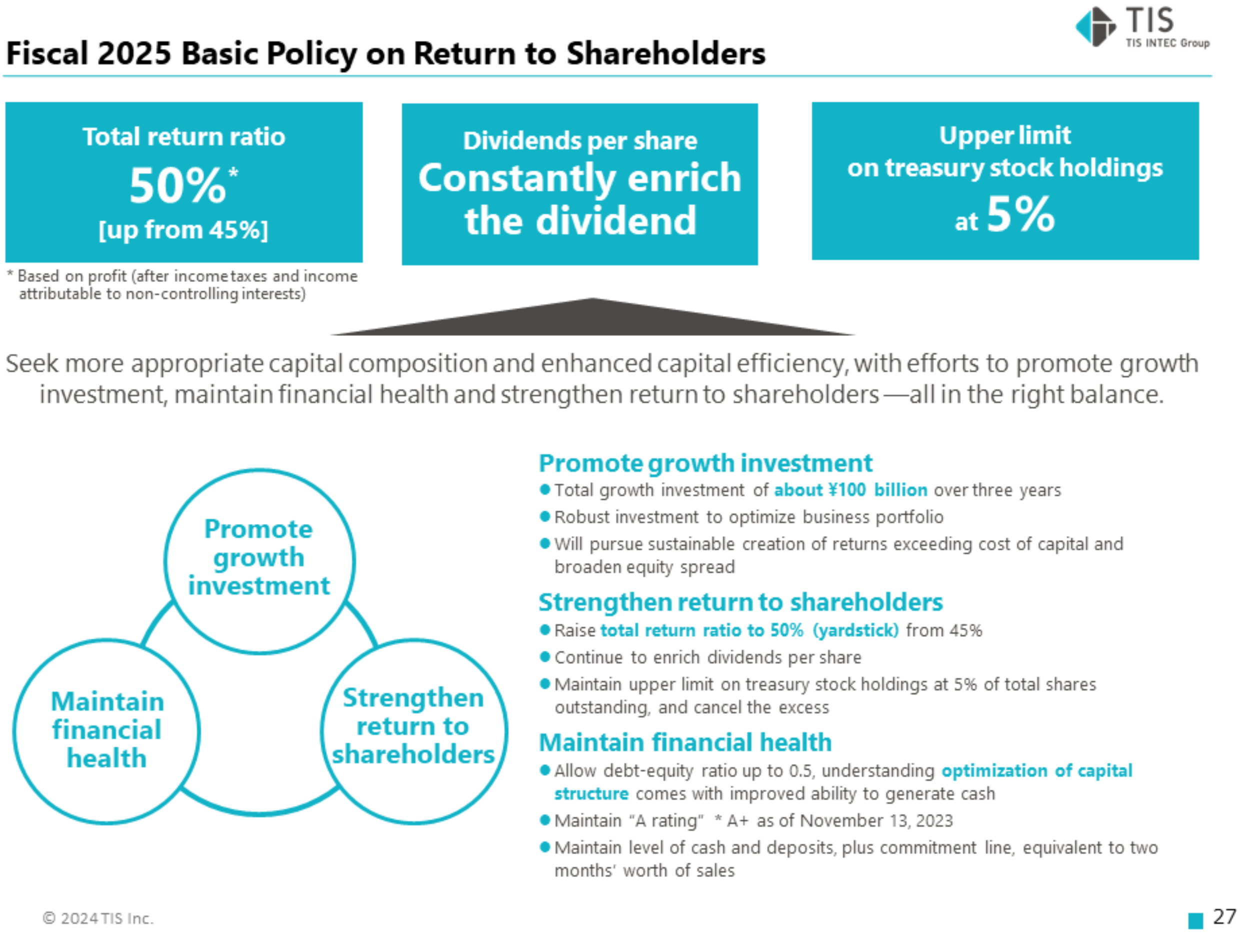
Page 25 shows the forecasts for each segment.

Although Offering Services and industrial IT will drive profit, financial IT expects lower revenues and profits, while the increase in regional IT solutions was due to the absence of the impact of unprofitable projects.



Lastly, I would like to explain about shareholder returns.

On page 27, you will find a cutout of the basic policy for shareholder returns in the new medium-term management plan, which will be explained later.

The target total payout ratio will be raised from 45% to 50%, and the dividend per share will be continuously enhanced, together with share buybacks.

Status/Targets for Return to Shareholders

TIS
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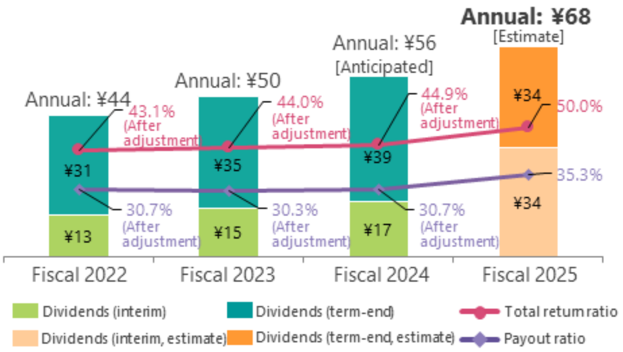
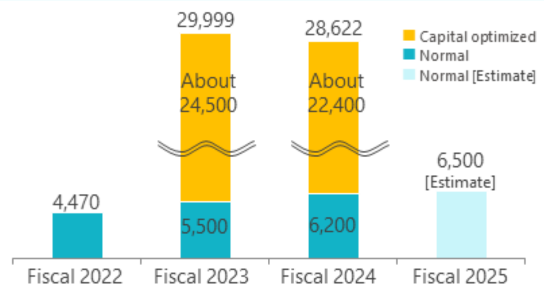
- Annual dividend of ¥56 for fiscal 2024, including a ¥3 increase in year-end dividend. Marks 12th consecutive year of dividend increases.
- Plan to offer annual dividend of ¥68 in fiscal 2025. Will respond to increase in total return ratio by raising dividend.

	Fiscal 2024			Fiscal 2025
	[Normal]	[Capital optimized]	[Total]	
Annual dividend per share	¥56 [YOY change +¥6] [Compared with estimate +¥3]	-	¥56	**¥68 [YOY change +¥12]**
Total dividends	¥15.9 billion	-	¥15.9 billion	**¥15.9 billion**
Payout ratio [After adjustment *1]	27.5% [30.7%]	-	27.5%	**35.3%**
Acquired treasury shares	About ¥6.2 billion	About ¥22.4 billion	About ¥28.6 billion	**¥6.5 billion** *2
Total return ratio [After adjustment *1]	39.9% [44.9%]	-	85.8%	**50.0%**

Changes in Dividends per Share



Total Acquired Treasury Shares [Millions of yen]



*1 Based on profit (after income taxes and income attributable to non-controlling interests)
*2 Upper limit based on treasury stock buyback announced May 8, 2024.

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Please see page 28.

Given that business growth exceeding the revised plan was achieved in the fiscal year ended March 2024, we will increase the year-end dividend per share by JPY3 from the plan to JPY56 per share for the full year, in line with our basic policy of 45% total payout ratio.

For the fiscal year ending March 31, 2025, we plan to increase the annual dividend by JPY12 to JPY68 per share by increasing the total return ratio from 45% to 50%.

Effective from the fiscal year ending March 31, 2025, the Company has decided to revise the dividend balance at the end of the interim period to a ratio of one to one. In addition, the Company has decided to repurchase JPY6.5 billion of its own shares.

We will continue to return profits to shareholders in line with business growth, while maintaining a balance between promoting investment in growth and ensuring financial soundness, based on our basic policy on shareholder returns.

This concludes my presentation.

Moderator: Thank you. Next, Okamoto will explain the new medium-term management plan. Thank you.

Level of Success in Reaching Key Numerical Targets

TIS
TIS INTEC Group

- Realized profit growth by advancing structural transformation and improving productivity, and reached key performance targets for operating income and strategic domain ratio.

	Fiscal 2021		Fiscal 2024			
	Actual		Management Plan Targets		Actual	Growth Ratio
Net Sales	¥448.3 billion	➡	¥500 billion	◎	**¥549 billion**	22.5%
Operating Income	¥45.7 billion	➡	¥58 billion	◎	**¥64.5 billion**	41.1%
Operating Margin	10.2%	➡	11.6%	○	**11.8%**	+1.6pt
EPS Growth CAGR	11.1%	➡	Above 10%	◎	**22.5%**	+11.4pt
Strategic Domains Ratio	51%	➡	60%	○	**61%**	+10pt
Sales of Societal Issue Solution Services	¥38.0 billion	➡	¥50 billion	△	**¥49.7 billion**	30.8%
ROE	10.8%	➡	12.5-13%	◎	**16.0%**	+5.2pt

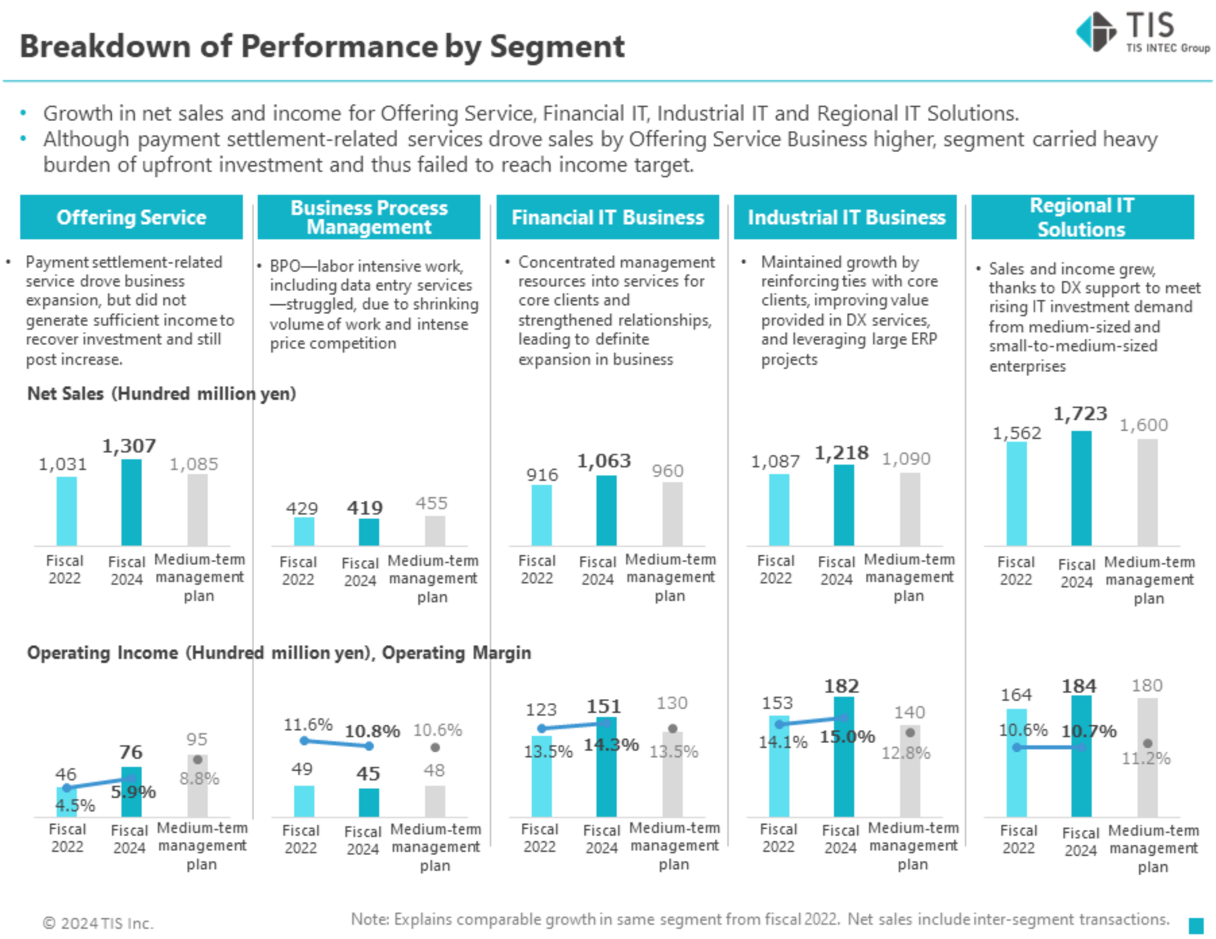
3

Okamoto: This is Okamoto of TIS. Thank you very much for participating in our earnings results briefing today. I would like to explain our medium-term management plan.

First, I would like to review the medium-term management plan that ended in the previous fiscal year.

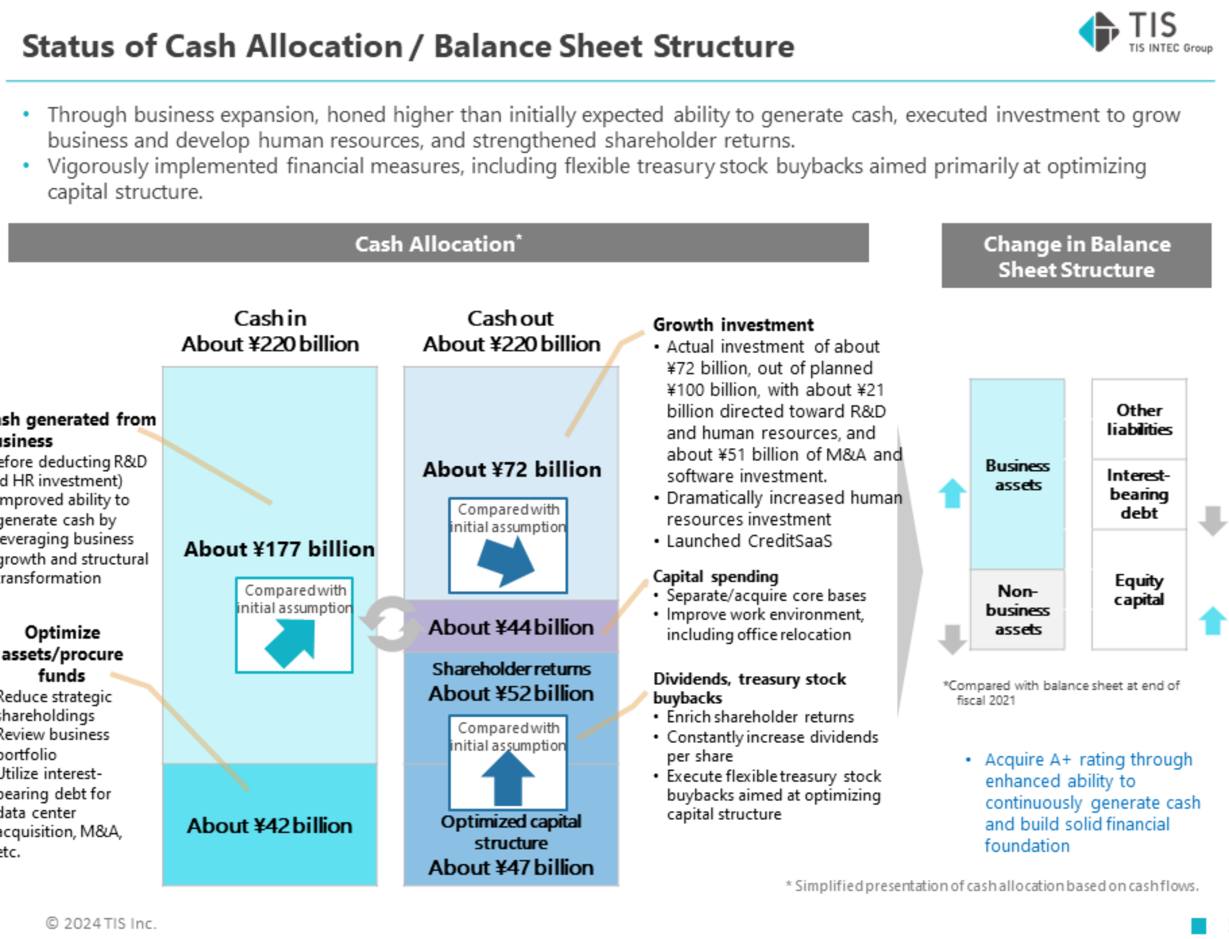
See page three. This is the status of achievement of key management indicators.

Against the backdrop of a favorable business environment, we were able to achieve almost all of our key management indicators, including the achievement of many of them one year ahead of schedule, through the promotion of structural transformation and the steady development of productivity improvements.



As noted on page four, looking at the performance by segment over the three-year period, we believe we have achieved solid growth, exceeding our targets in each segment with the exception of BPM, where the business environment has become more challenging.

In the Offering Service, settlement-related and other services drove the expansion of business scale. Profit margins have also increased compared to three years ago, but due to the heavy burden of upfront investment and other factors, operating profit margins have not yet reached a satisfactory level.



See page five. This is about cash allocation.

Cash generation from steady business growth and a reduction in strategic shareholdings exceeded expectations. In response, we have aggressively implemented financial measures such as share repurchases to optimize our capital structure, in addition to investing in growth in our business and human resources and strengthening shareholder returns.

Major Initiatives

TIS
TIS INTEC Group

- Revitalized various initiatives in accordance with basic policy of medium-term management plan.
- Many new initiatives only halfway through to producing concrete results pegged to profit, and bringing such initiatives to fruitful conclusion that sets stage for next-stage growth remains issue to address going forward.

Improve value of DX services provided	• **Strengthen client base through delivery of large-scale projects, enhance issue-solving capabilities by supplementing upstream functions** - Responded to orders and completed multiple large-scale projects for clients in finance, industry and public service sectors - Responded to orders for large-scale core upgrade projects by constantly reinforcing migration and ERP introduction services - Turned Fixel—company specializing in enterprise system UI/UX design—into subsidiary
Expand investment to generate new strengths	• **In addition to establishing credit/debit processing, expand scope of activities to new themes, with sights on embedded finance** - Launched CreditSaaS and began providing service to NTT DoCoMo - Turned Nihon ICS into wholly-owned consolidated subsidiary, and began collaborating on new business creation, including DX on business transactions for small and medium-sized enterprises - Achieved new business creation through co-creation, including release of Sumitomo Mitsui Card Mobile Payment Package and steps to turn ULTRA in to consolidated subsidiary • **Promote initiatives to grow existing businesses and fuel long-term business development** - Maintained continuous solution improvement and marked growth in core business solutions, such as ERP and modernization - Reinforced regional revitalization and healthcare activities, including area data usage service and electronic health record/medical information platform
Deepen and extend global operations	• **Form new global partnerships, especially in ASEAN region, and accelerate activities to create new businesses** - Received order for large-scale project through Group connections at MFEC Public Co., Ltd., and I AM Consulting Co., Ltd. - Turned Vector Consulting Group, a major management consulting firm in India, into an equity-method affiliate - Transportation payment package, developed jointly with PT Aino Indonesia, adopted by integrated transportation platform in Jakarta - Formed capital and business alliance with PIX Moving, a self-driving electric vehicle start-up
Diversify human resources, sharpen skills	• **Add more consulting staff through internal transfers and external recruitment** - Expanded number of DX consultants to 510, above target of 500, and worked to create new framework for human resources portfolio
Turn virtuous circle of value co-creation by society and employees	• **Review human resources system with goal to raise value provided by human resources and improve structure for dealing with ESG issues** - Revised human resources system, raised basic compensation to boost employee job satisfaction, and achieved certain level of success in attracting highly skilled individuals - Established structure to promote sustainability issues (human rights, corporate governance, human capital, taxes, etc.) and improved external evaluations

 6

The status of our initiatives is summarized on page six.

We feel that we have been able to revitalize various initiatives based on the five basic policies, but on the other hand, many of the new initiatives are still in the middle of the road in terms of deriving concrete results with benefits. We recognize that our future task is to bring these activities to fruition and lead to the next stage of growth.

Initiatives in Sustainability Management (External Evaluation)

- As a result of progress in sustainability activities and system development, especially related to the environment, human capital and information disclosure, TIS seen as ESG stock and has earned high marks from external rating organizations.

Key Initiatives

Quantitative Understanding of Ourselves

- Promote data-driven management
- Collect non-financial information

Incorporating Social Trends

- Environment (TCFD/SBT/carbon neutral)
- Human rights (Formulate policy/ implement due diligence)
- Revised corporate governance code

Improving Quality of Dialogue

- Produce ESG databook
- Promote robust external disclosure
- Offer more opportunities for discussion

Key External ESG Rating Organizations/Stock Indexes	Fiscal 2024 Achievements
S&P Global Corporate Sustainability Assessment (CSA) Score 2023	**67** Score continues to rise from 51 in fiscal 2021
MSCI Japan ESG Select Leaders Index	**Included** since fiscal 2023 [*1] **Rated AA** [*2]
Certified Health & Productivity Management Outstanding Organizations	**Certified as White 500 company for six straight years**
Certification from Great Place to Work® Institute Japan based on survey results	**Selected for "Great Place to Work" certification**, based on excellent workplace culture
CDP Climate Change	**A-** Maintained since fiscal 2023

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Initiatives in Sustainability Management (Internal Measures)

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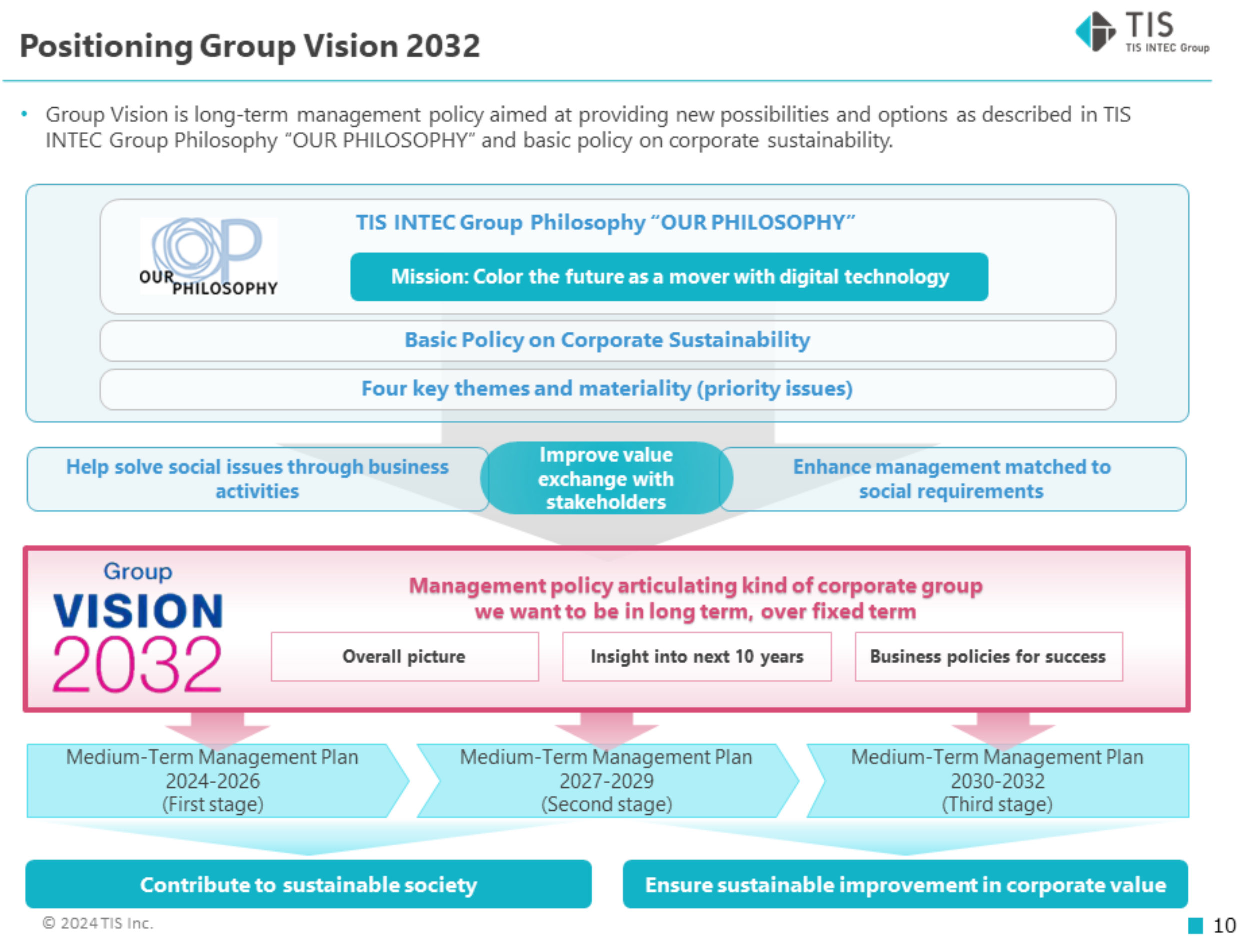
- Implemented internal measures corresponding to initial targets, and despite great progress on environmental and governance fronts, failed to reach targets on social front.
- Improving quality of value cycle with stakeholders, starting with increase in added value of services to clients, remains issue

	Initiative policy		Indicators	Targets	Fiscal 2024 actual
Resolving social issues through business activities	Promote growth strategy to contribute to solutions of four social issues based on long-term trends		Sales of societal issue solution service*1	Above ¥50 billion	¥49.7 billion
Environment	Contribute to decarbonized society and recycling society	Strengthen climate change/carbon neutral measures based on long-term environmental targets	GHG emission (comparison with fiscal 2020)*1	3% reduction	60% reduction (forecast)
			Adoption rate of renewable energy in major data centers	More than 10%	65% introduce (forecast)
			Disclosure in line with TCFD recommendation, endorse Science Based Targets initiative		Disclosed TCFD-based information, SBT 1.5℃ targets (endorsed June 2023)
		Understand current situation regarding water and waste, and formulation and promotion of reduction targets			Gathered data on waste generated by major Group companies (since fiscal 2020)
Social	Sustainable improvement in stakeholder engagement	Increase stakeholder satisfaction to deepen value exchange with stakeholders	Job satisfaction*3	62%	61%
			Client/service satisfaction*3	60%	56%
			Business partner satisfaction*3	81%	77%
		Strengthen human rights measures			Formulated human rights policy, implemented human rights due diligence
Governance	Constantly pursue level of corporate governance that elicits greater trust from society		Establish management system based on non-financial information		Expanded range of non-financial information obtained, partially provided with third-party guarantee, publish comprehensive ESG data book
			Optimization of management resource allocation from a capital cost perspective		Utilized cash paralleling optimization of non-business assets, including reduction of cross-shareholdings, and achieved both active growth investments and enhanced return to shareholders
			Foster awareness of improving corporate value, and improve officers' compensation system to share interests with stakeholders		Applied customer/service and business partner satisfaction to job satisfaction as performance criteria for officers' compensation to further improve corporate value
			Pursue further transparency and independence of the Board of Directors		Disclosed skill matrix of directors, and and operated committees, notably, Nomination Committee and Compensation Committee, chaired by external directors
			Enhance corporate governance (Strengthen management supervisory function, understand and respond to risks related to taxes and human rights)		Established Corporate Sustainability Committee under Board of Directors, and office to promote corporate governance

*1 Consolidated *2 Consolidated (domestic) *3 TIS and INTEC
*4 At planning stage, goal was to achieve 3% reduction, with 1% decrease each year for three years, in line with Energy Saving Act. But took robust approach to adoption of renewable energy at key data centers, paralleling higher SBT target, which caused large discrepancy between targets and actual results.

Next, see pages seven and eight. These are our sustainability initiatives.

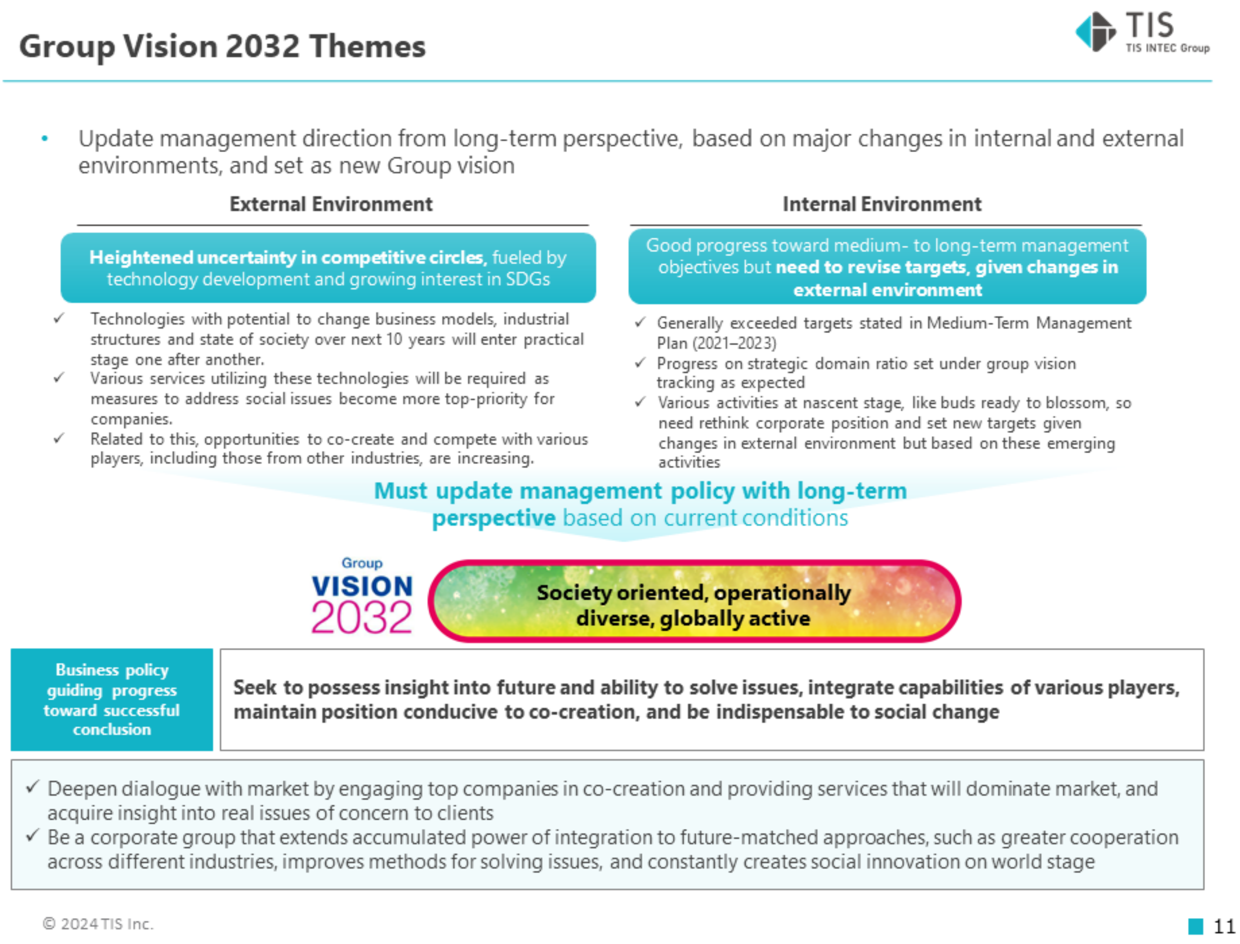
As a result of our steady activities and the development of our system, we have received a high external evaluation, and we intend to continue our efforts from a long-term perspective, aiming for even higher goals.



Next, I would like to introduce our newly formulated Group Vision 2032.

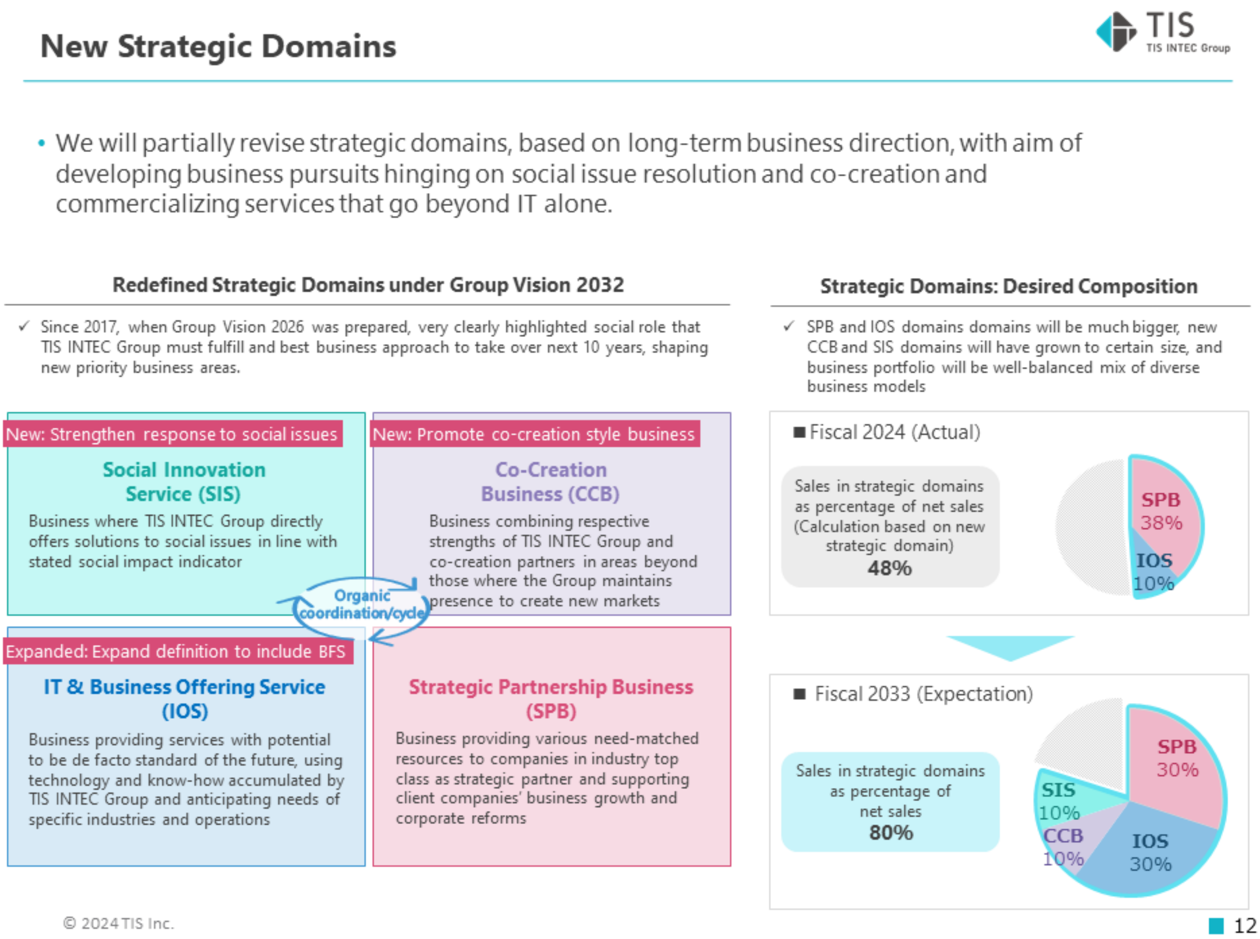
First of all, page 10 shows the positioning of the Group Vision 2032.

The Group Vision is a long-term management policy to realize new possibilities and options, which is clearly stated in our basic philosophy "OUR PHILOSOPHY" and our Corporate Sustainability Policy.

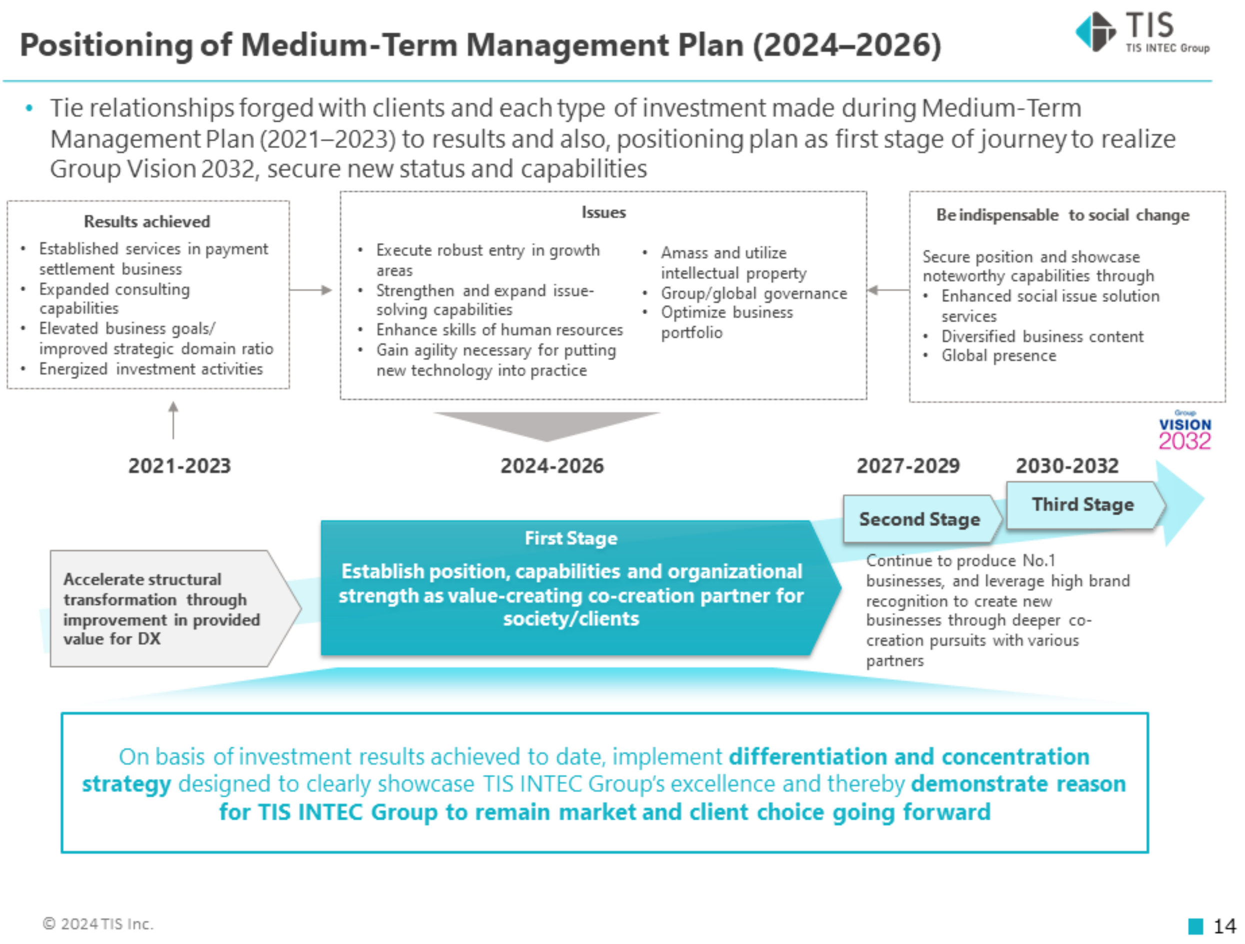


Page 11 provides an overview of the Group Vision 2032 that we have formulated this time.

We have had a group vision that targets the year 2026. However, in light of changes in the internal and external environment, we have updated it. That is the Group Vision 2032. We will further strengthen our corporate strength based on the business guidelines we have established to realize the theme "Society oriented, operationally diverse, globally active."



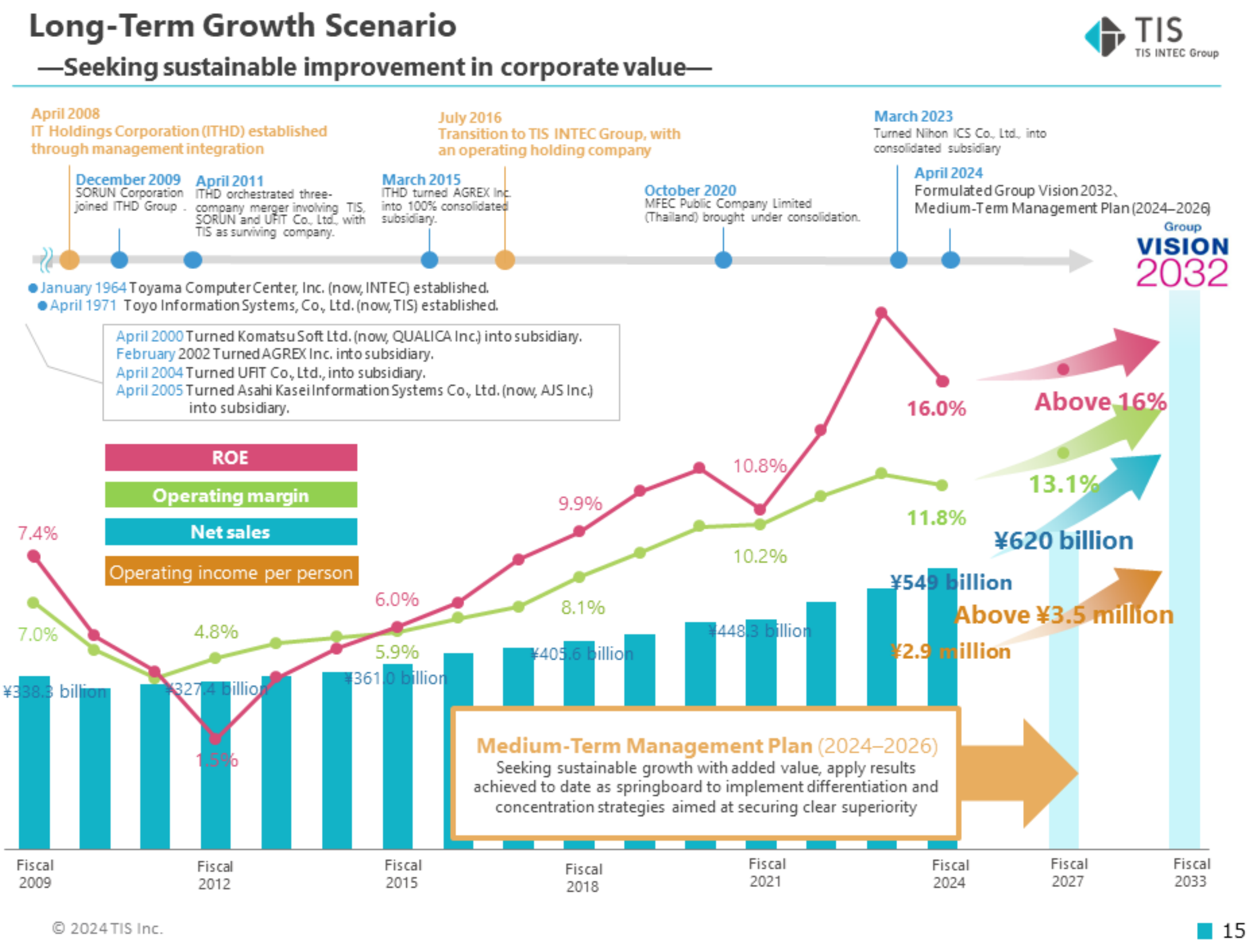
In light of this perspective, we have revised some of the existing strategic domains, as shown on page 12.



From here, I will explain the new medium-term management plan.

Page 14 shows the positioning.

The Mid-Term Management Plan is the first stage in realizing the Group Vision 2032, as I mentioned earlier, and aims to resolve the gaps and issues between what we need to do to become an indispensable presence in the social transformation we aim for in 2032 and the results we achieved in the previous Mid-Term Plan, and to acquire new positions and capabilities.



See page 15.

The diagram shows not only the medium-term management plan, but also a long-term growth scenario, which is the direction that the Group Vision aims to take. This is an ambitious one, but we will keep our eyes high and strive to realize this goal.

Medium-Term Management Plan (2024–2026) Overview

TIS
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Basic policy	**Frontiers 2026** • We will set **frontier development** as a fundamental strategy and strive for **sustainable growth paralleling higher added value**. We will strive to achieve **changes in society and for corporate clients** by **enhancing quality across all value chains**, starting with **forward-looking market development** and **business domain expansion**.				
Key performance indicators	Human resources growth and added value cycle	Improved earning power	Asset (=intellectual property) value creation	Winning confidence of society	Meaningful growth
	Operating income per person **More than ¥3.5 million**	Operating margin **13.1%** Adjusted operating margin 13.4%※1	ROIC/ROE **Above 13%/ above16%**	Sales **¥620 billion**	EPS CAGR **Above 10%**
Priority strategies	**Market Strategies** • Concentrate investment of management resources into defined growth areas, based on social issues and in-house strengths • Balancing efforts to increase added value of services and reinforce technology investment, expand business with sense of speed, especially in ASEAN region				
	Service Strategies • All services, from upstream to business process outsourcing, will benefit under full value chain status • Enrich pure services*3, focusing on four social issues*2	**Technology Strategies** • Leverage knowledge distribution, IT architect development and redeployment structure • Promote process redevelopment using AI x automation	**Intellectual Property Strategies** • Seek balance between higher added value and expanded business scale, with greater accumulation and utilization of intellectual property • Accelerate intellectual property creation through internal use of information on points of client contact	**Human Resources Strategies** • Bolster issue resolution capabilities by increasing number consultants to create 700-person structure and by standardizing basic consulting skills • Secure and develop top talent and establish structure for flexible redeployment of human resources	

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

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Page 16 is a summary of this medium-term management plan.

The slogan is "Frontiers 2026." With frontier exploration as our basic policy, we aim to achieve sustainable growth with added value, and to achieve social and customer transformation through qualitative improvements in the overall value chain, starting with future-oriented market development and business domain expansion.

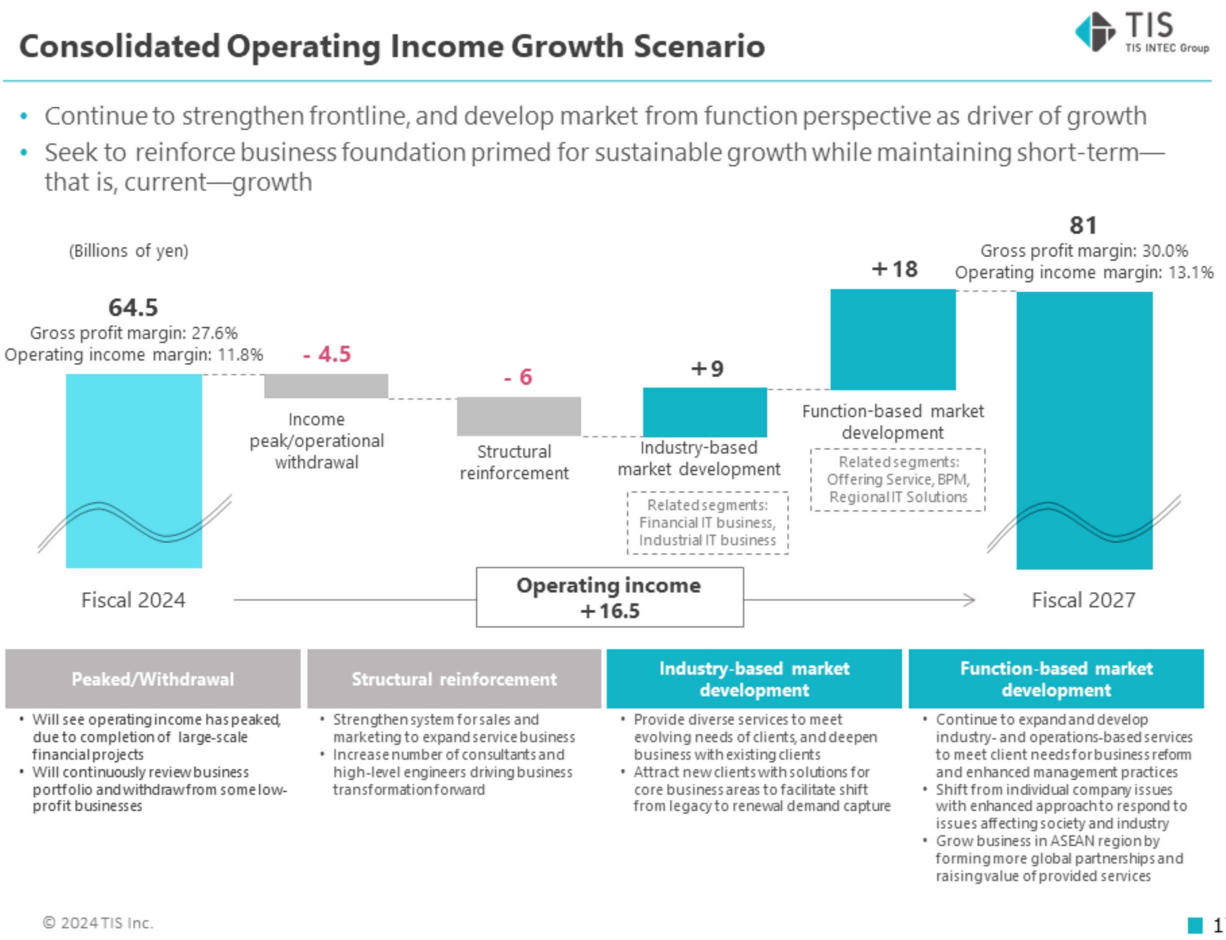
Moving onto key management indicators. First, from the perspective of human resource growth and value-added circulation, we aim to achieve an operating income of over JPY3.5 million per head.

Then, from the perspective of improving earning power, we set the operating margin at 13.1% and the adjusted operating margin at 13.4%.

In terms of creating value of asset which is equal to intellectual property, we have set ROIC at over 13% and ROE at over 16%.

From the perspective of earning the trust of society, we have set net sales of JPY620 billion, and from the perspective of valuable growth, we have set an average annual growth rate of over 10% for EPS. We have set these five indicators.

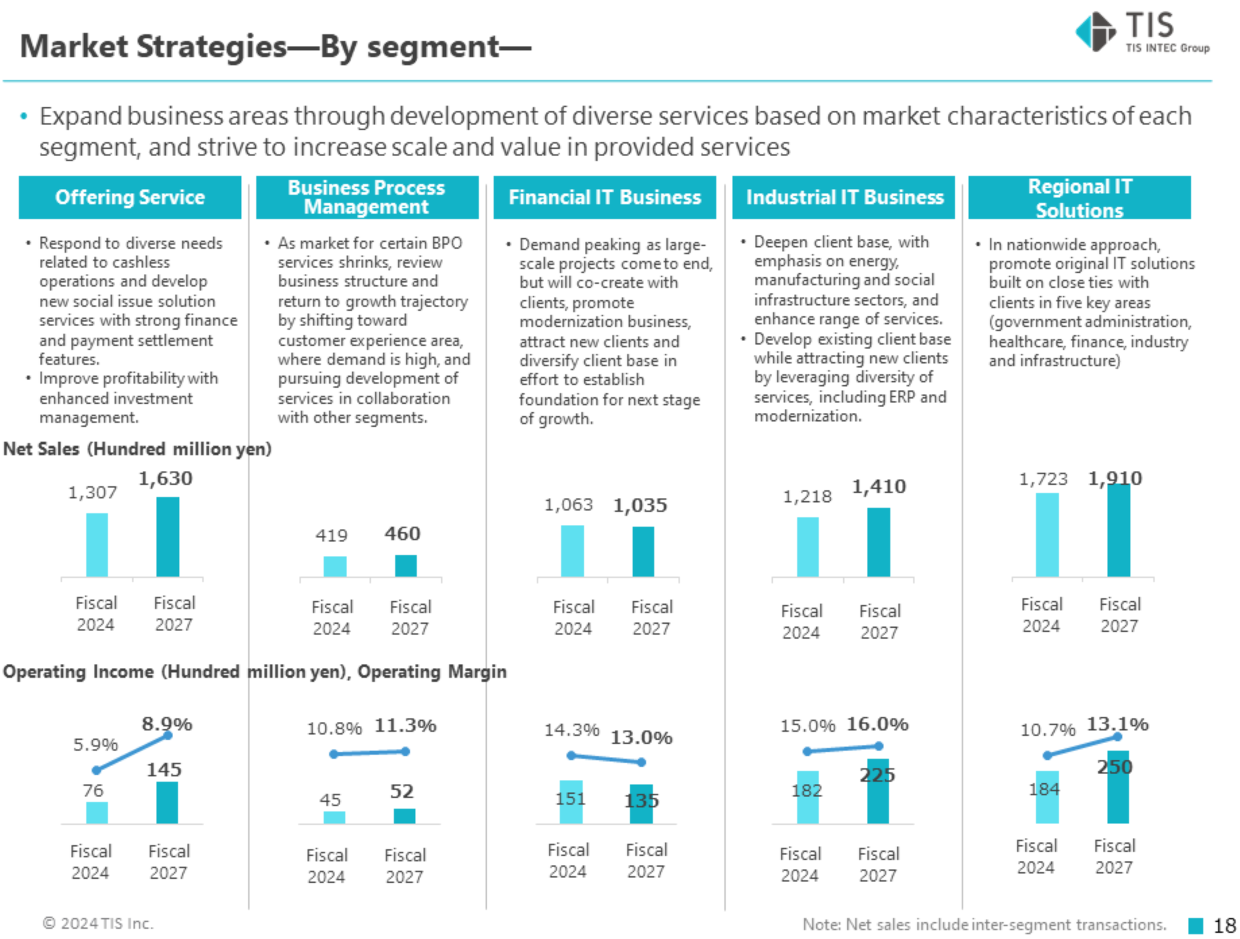
There are five basic strategies for achieving this goal, and I will explain each of them later.



Please see page 17. This section summarizes the growth scenarios for operating income in the medium-term management plan.

We plan to increase operating income by JPY16.5 billion, or 25%, over the three-year period to JPY81 billion, compared to the fiscal year ending March 31, 2014.

We intend to achieve this by continuing to strengthen our front line, especially by developing the market on the functional axis as a driver of growth, in addition to strengthening our business base for sustainable growth while securing current growth, including addressing issues.



From here, I would like to explain our basic strategy. Pages 18 and 19 show our market strategy.

Page 18 shows the direction and numerical plan for the five main segments.

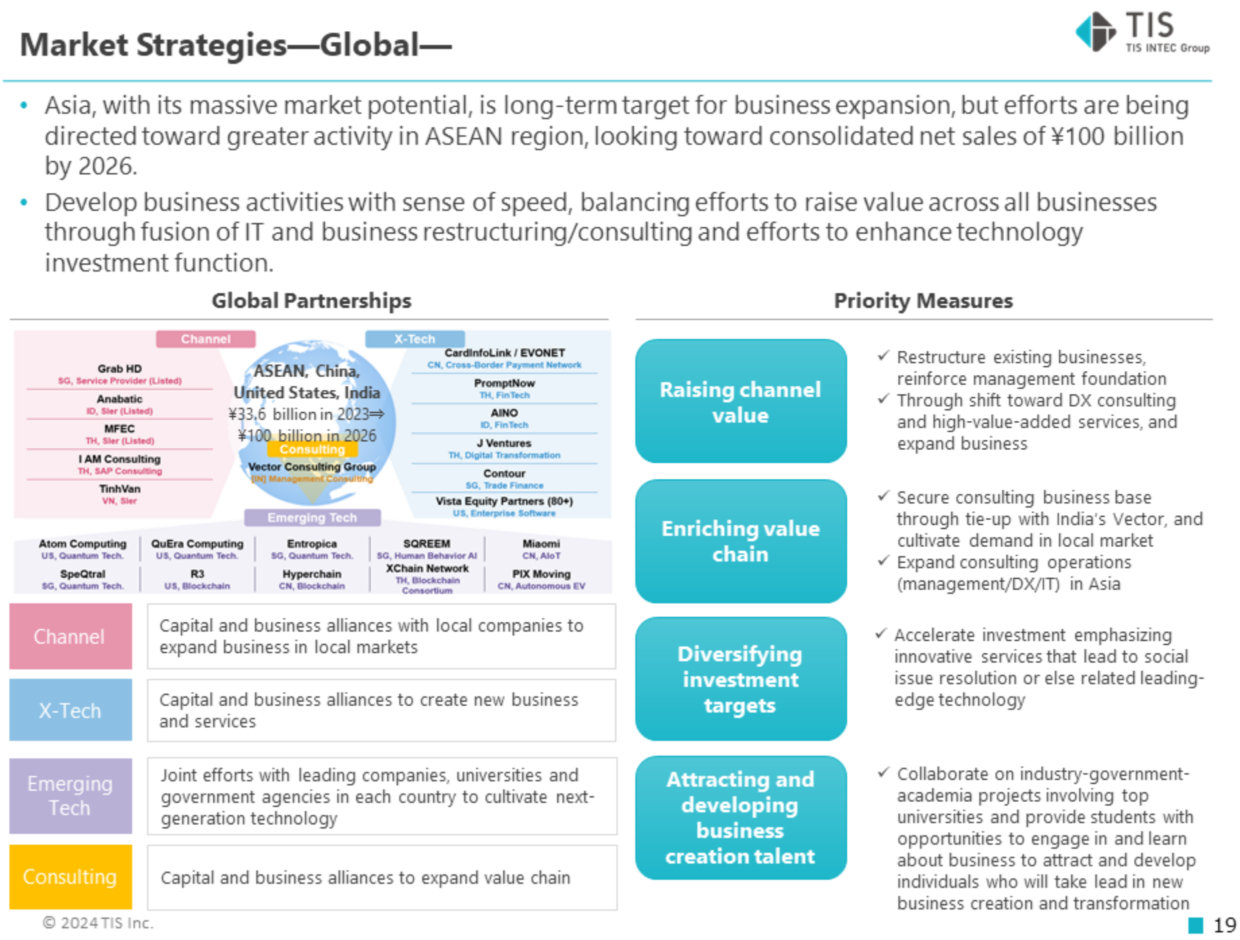
I would like to explain a few points.

First, in the area of Offering Service, we will continue to focus on our core strength in settlement services, and aim for strong growth by developing new businesses while incorporating peripheral areas. We believe that improving profitability is essential to continue aggressive investment, and we will continue to focus on improving the sophistication of our investment management.

Next is financial IT. Although the sector will peak out after the completion of a large-scale project, we intend to establish a foundation for renewed growth by acquiring new customers through the enhancement and expansion of the modernization service system in response to the de-legacy needs that are in full swing.

Although some businesses are struggling, customers' willingness to invest in IT is strong against a backdrop of DX demand and other factors. We believe that the favorable business environment will continue for the Group.

In this environment, we intend to grow as a whole, while developing diverse services that meet the market needs each segment confronts and promoting the renewal of our business.



Page 19 is the global strategy.

As a segment, it is in the Offering Service. Our goal of JPY100 billion in consolidated sales by FY2026 remains unchanged, as it has for some time, in order to realize a top-class ASEAN IT consortium.

We will continue to focus on expanding the scale of our business by making full use of M&A and capital and business alliances in the axes of channels, technology, and consulting, as well as promoting the value enhancement of our consolidated subsidiaries and other partner companies in each country that will serve as base camps for our business development.

Service Strategies

- Define priorities from both industry and function perspectives, concentrate investment of management resources into select targets, and promote expansion of services and raise added value.

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

Page 20 is the service strategy.

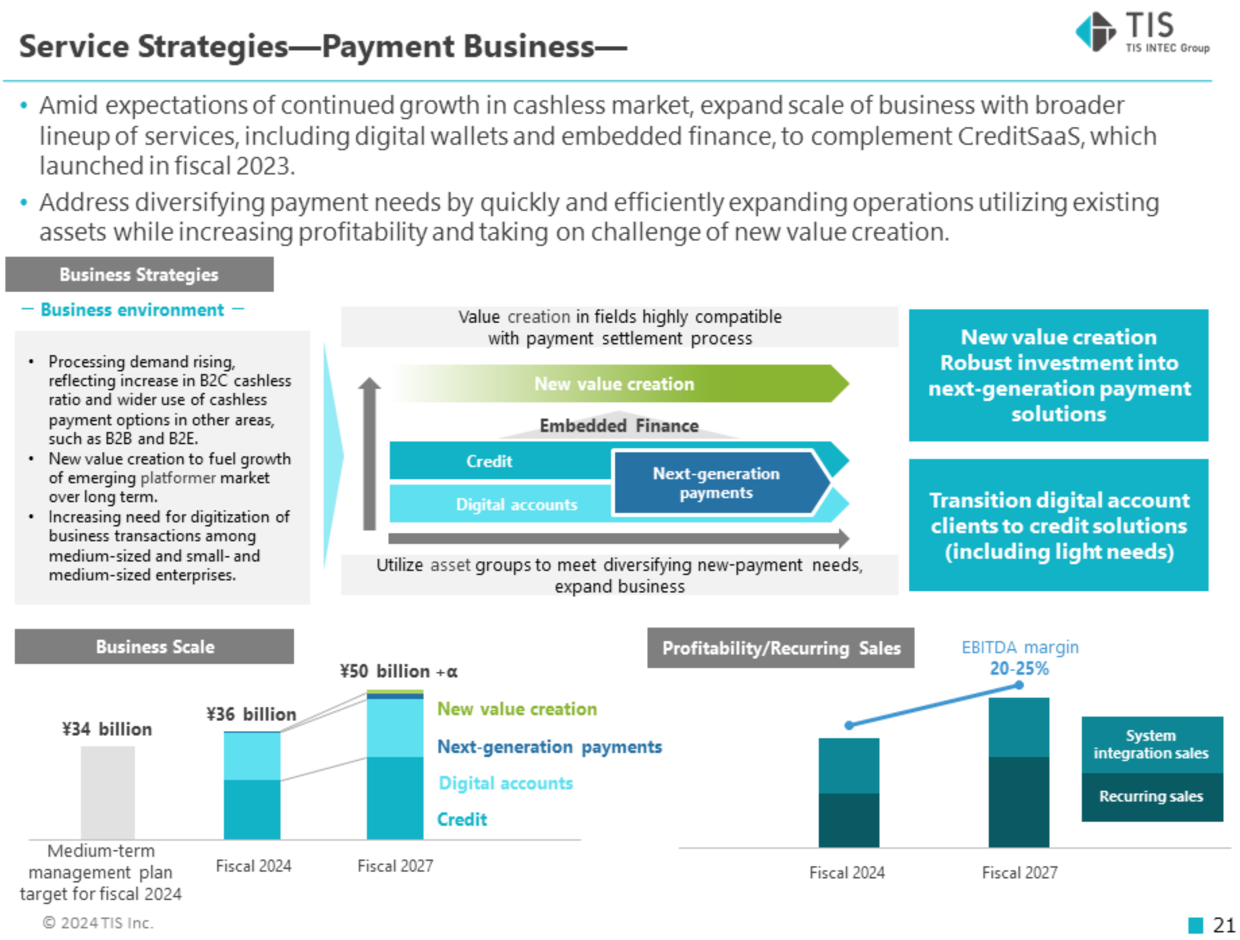
We will expand our services and add more value by determining our focus point from the perspective of industry axis and functional axis respectively, and concentrating investment of management resources.

The key to market development along the industry axis is the establishment of competitive services for deep penetration into the core business domain.

In terms of market development based on the functional axis, the key will be the expansion and development of specific operations and functions, as well as pure services to solve social issues.

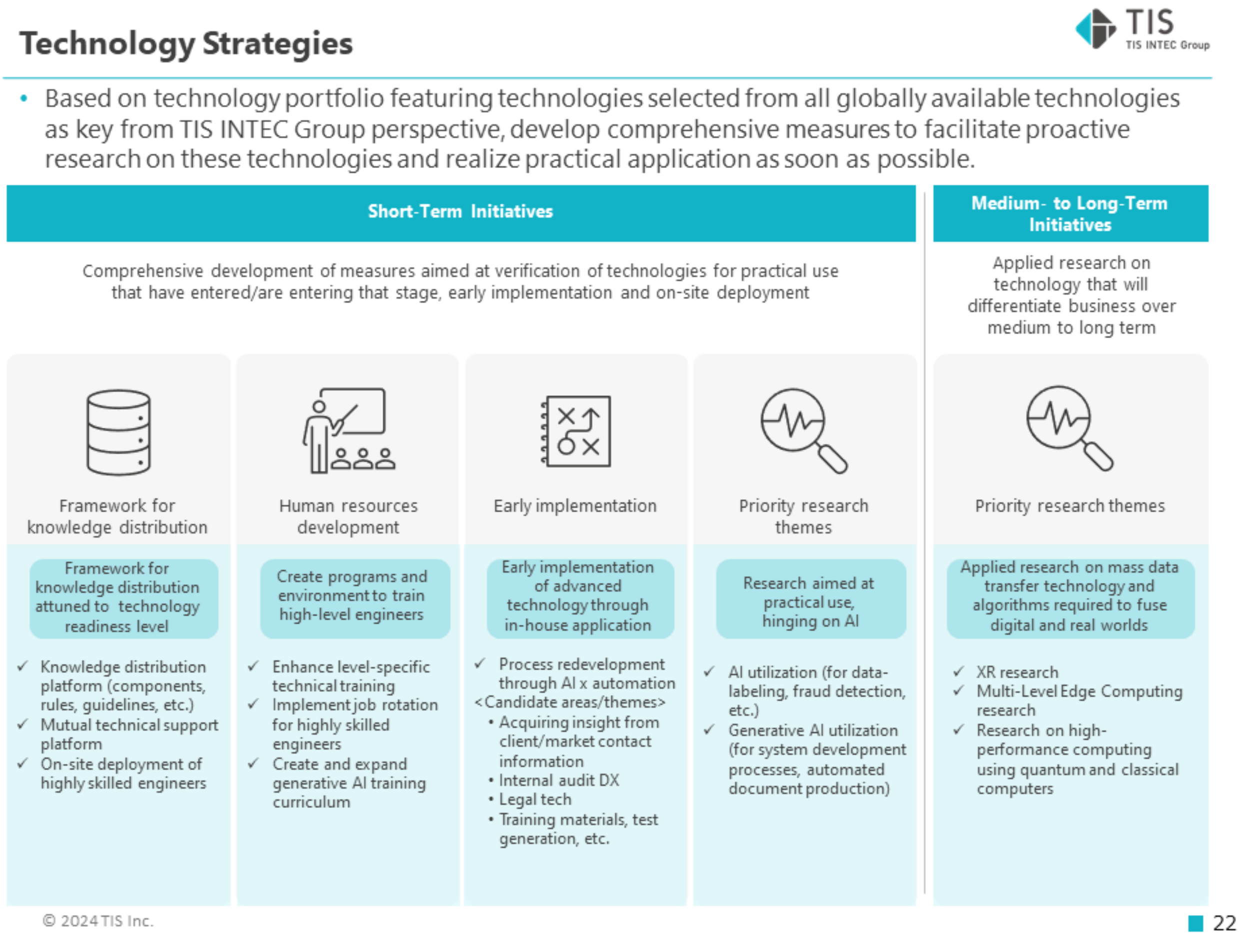
Common to both is the promotion of a full value chain of services to meet the wide-ranging transformation needs of customers through the expansion of consulting, UX design, analytics, and BPO, and the enhancement of service competitiveness by strengthening the feedback cycle of customer feedback.

In particular, with respect to market development along the functional axis, we are working to cultivate a recurring business that can realize high profitability, and we will once again actively focus on business development that solves the four important social issues.



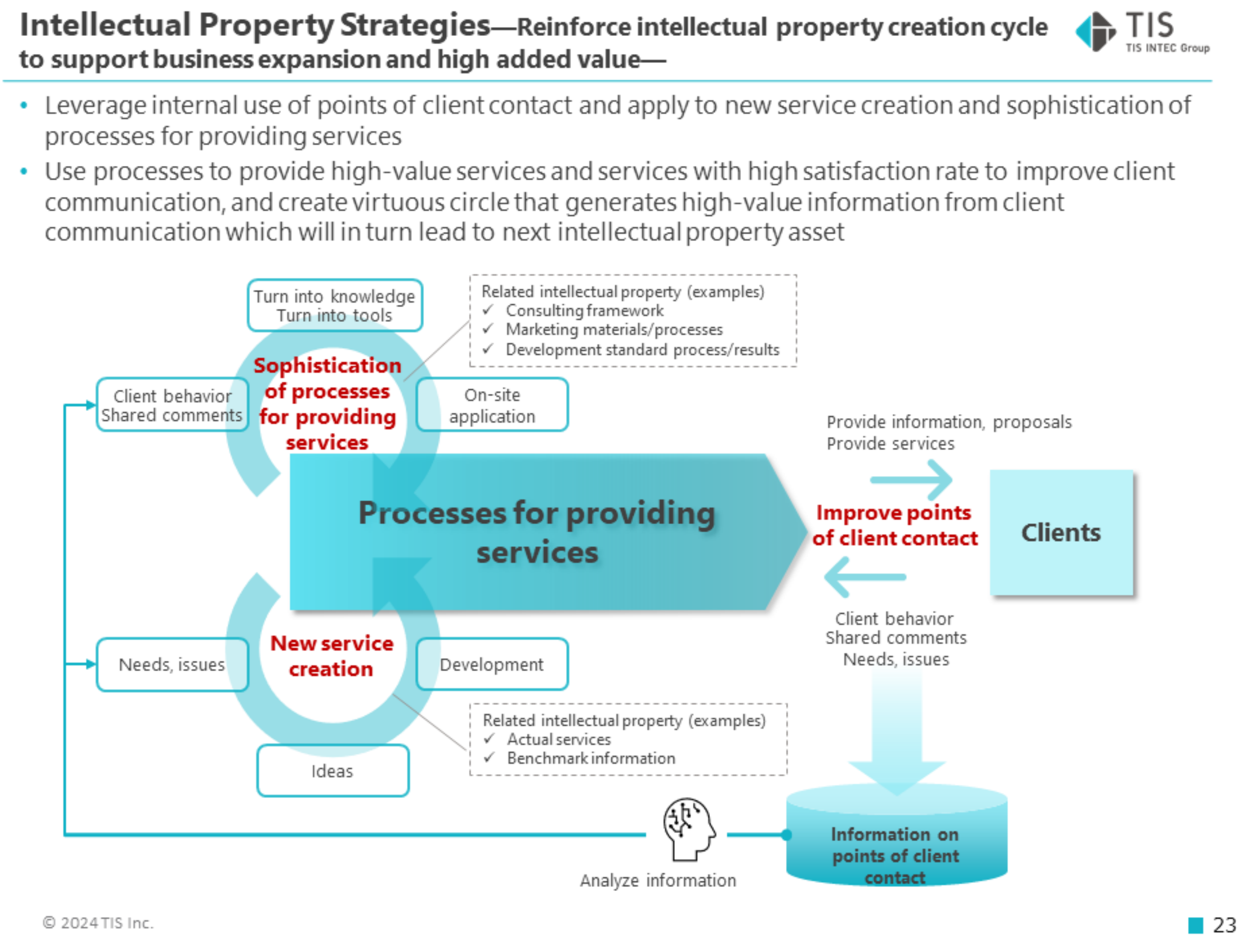
Among the service strategies, page 21 explains the payment business, which is particularly important.

Amid the tailwind of the expected continuous growth of the cashless market, we expect this business to make a leap forward as one of the growth drivers by leveraging our group's strengths and steadily promoting the new strategies introduced at the December 2023 business presentation through this medium-term management plan.



Page 22 is the technology strategy.

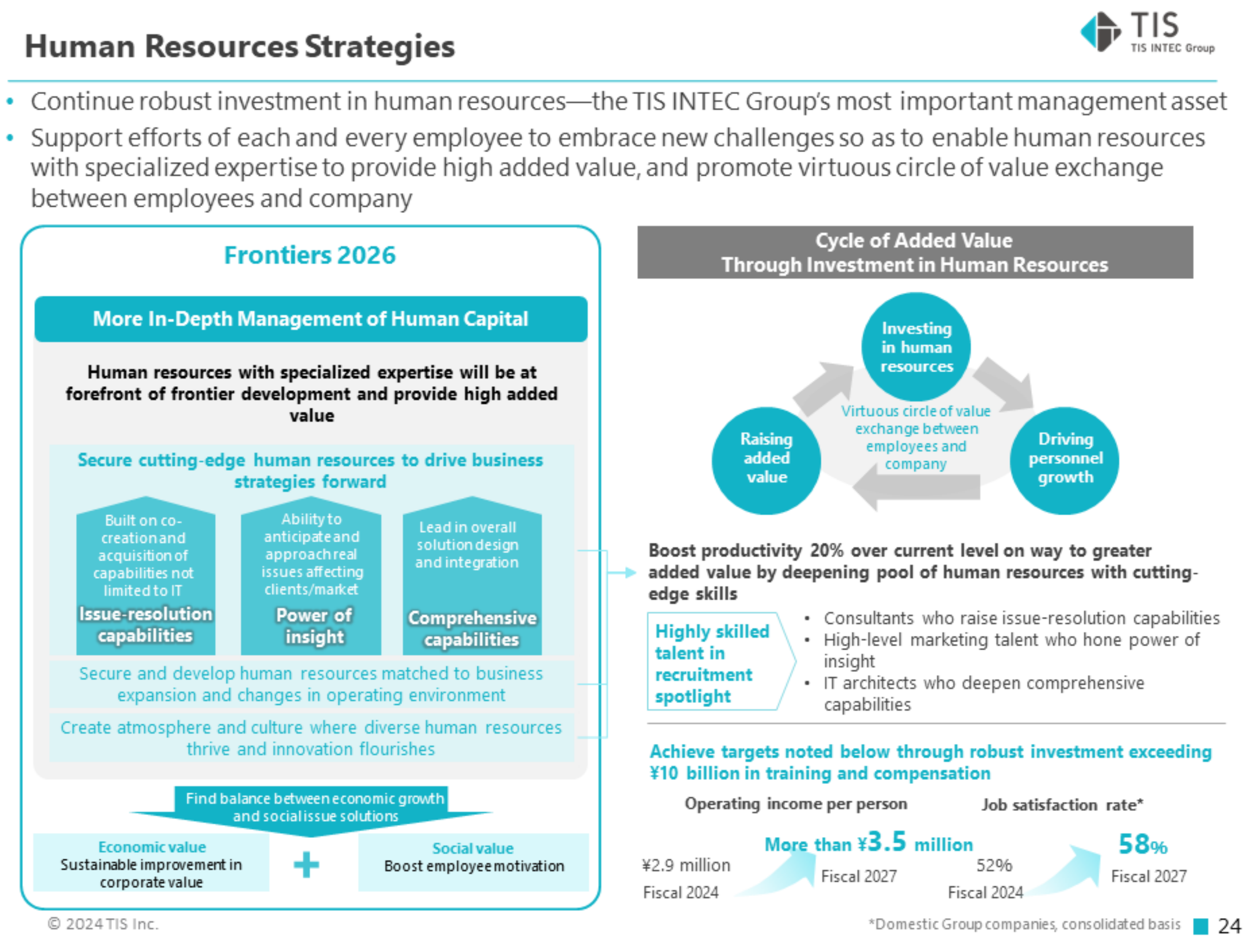
We will continue to develop comprehensive measures to improve productivity and competitiveness through anticipatory research and early application of these technologies, based on a technology portfolio that we have selected from among the rapidly changing technologies in the world, not limited to generative AI.



On page 23 is our intellectual property strategy.

The Group already has a large number of intellectual properties, but in order to achieve both business expansion and high value-added, it is necessary to refine these intellectual properties with a market-in approach and to stimulate the creation of new intellectual properties.

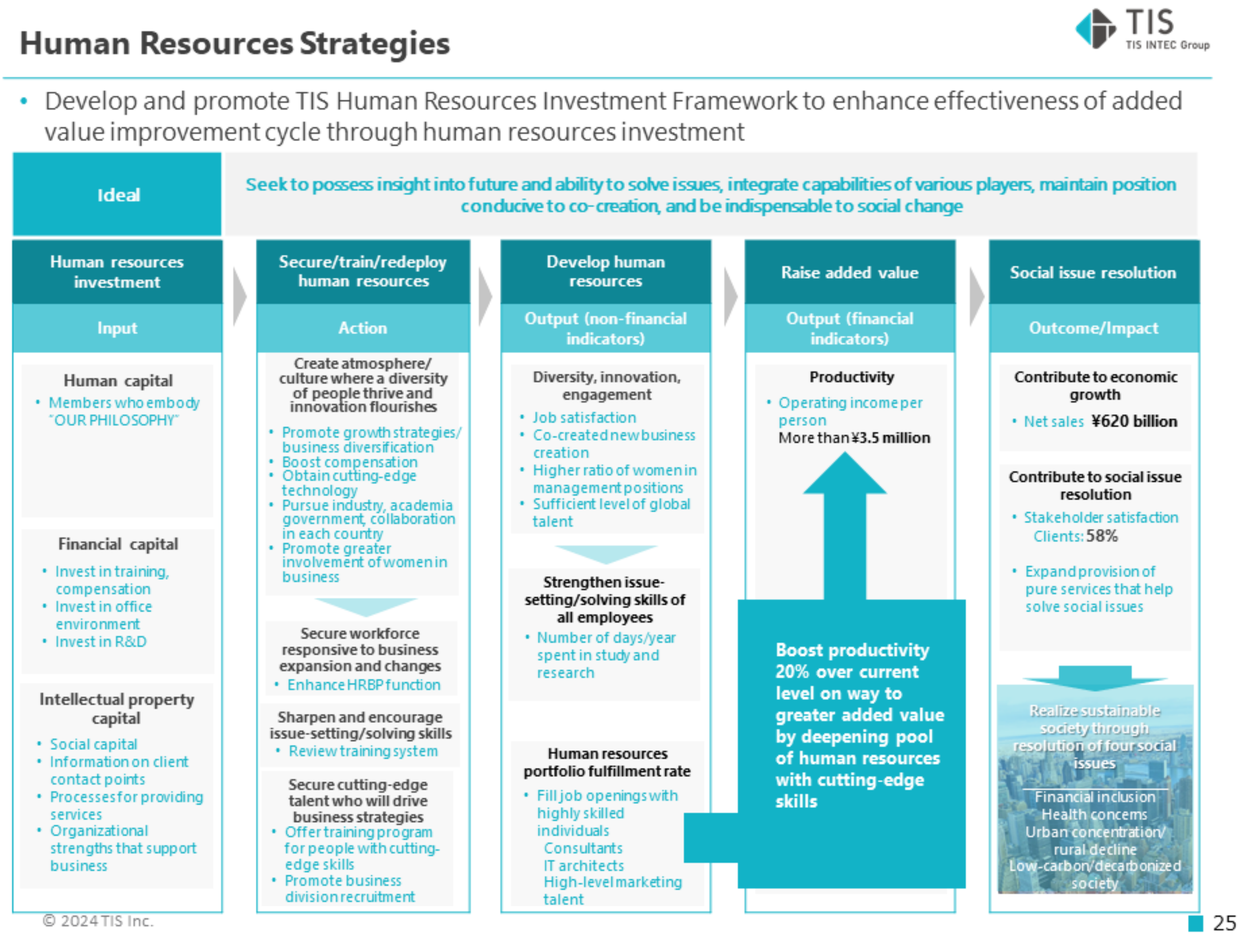
We will continue to digitize our customer contact points and reflect insights gained from customer feedback in various intellectual property, to create high-value services and create a process for providing services with a high level of satisfaction. We hope to create a virtuous cycle that will lead to better communication with our customers and the creation of high-value information that will lead to the next intellectual property.



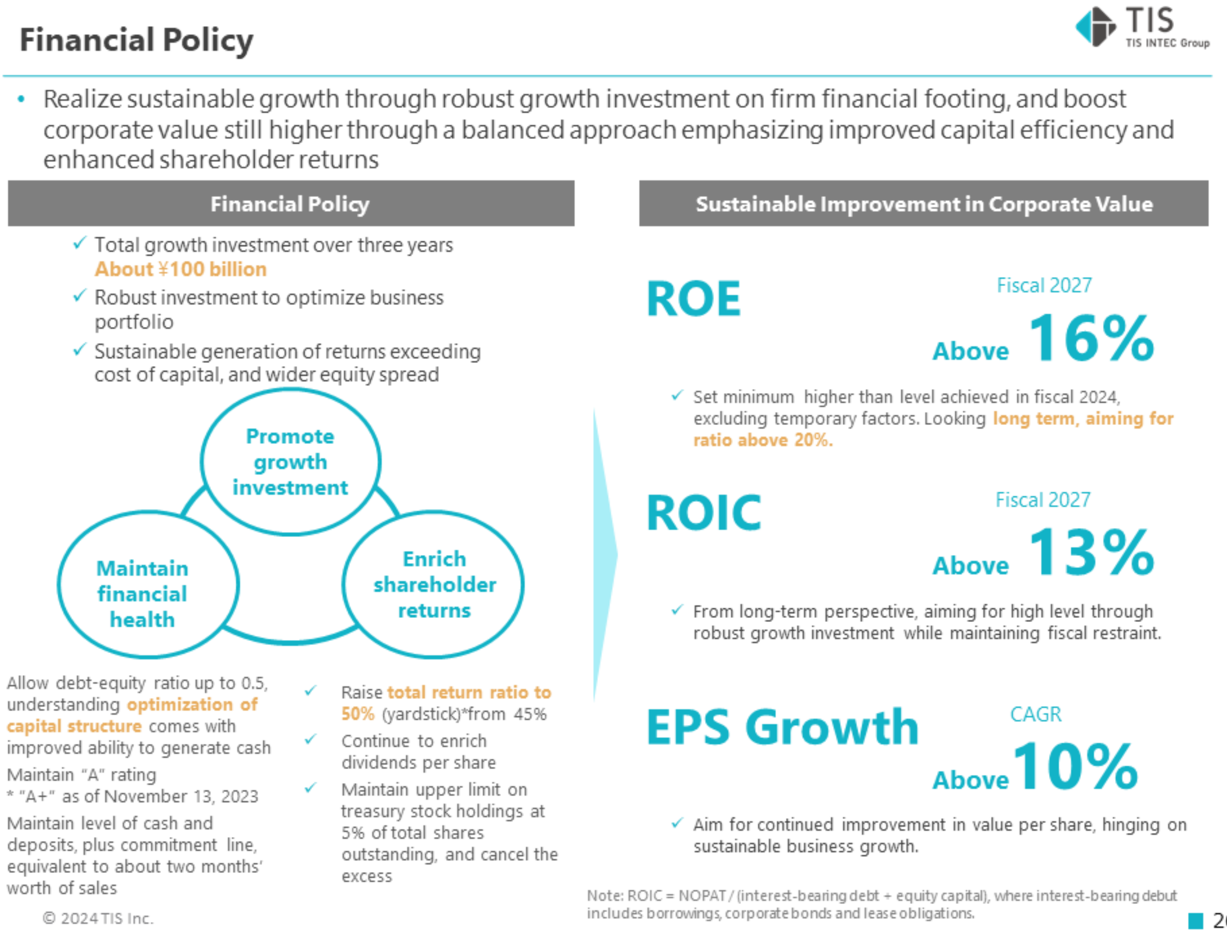
Pages 24 and 25 are human resources strategies. Please see page 24.

As I have said in the past, human resources are the most important management capital, and we will continue to actively invest in human resources, which are the sources of creating and enhancing corporate value, with absolutely no slackening.

In these three years, we expect to invest over JPY10 billion in education, compensation, and other areas. We aim to increase productivity and per capita operating income by 20% by supporting each employee's new challenges and promoting a good cycle of value exchange between society and the Company, so that personnel with a combination of expertise can provide high added value.



As part of this effort, as shown on page 25, we have established a human resource investment framework to enhance the effectiveness of the value-added improvement cycle through human resource investment.



Starting from page 26, we will explain our financial policy.

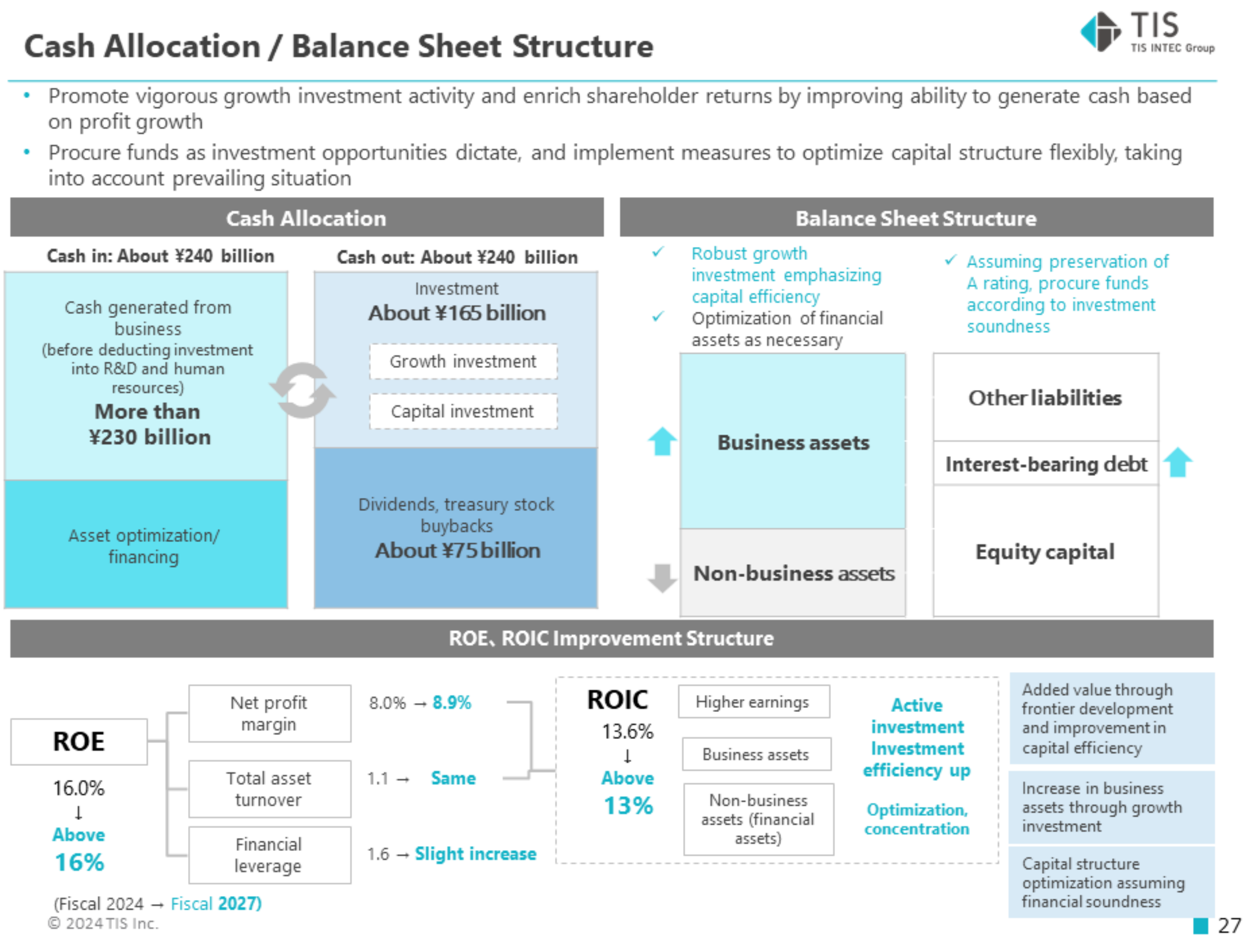
Based on a sound financial base, we will seek to achieve sustainable growth through aggressive growth investments, while striking a balance between improving capital efficiency and strengthening shareholder returns, in pursuit of further enhancement of corporate value.

The goals as specific indicators are threefold.

We have set our ROE target at over 16%. This means that we set the level in the fiscal year ending March 2024, excluding transitory factors, as a minimum standard, and we aim to achieve over 20% in the long term.

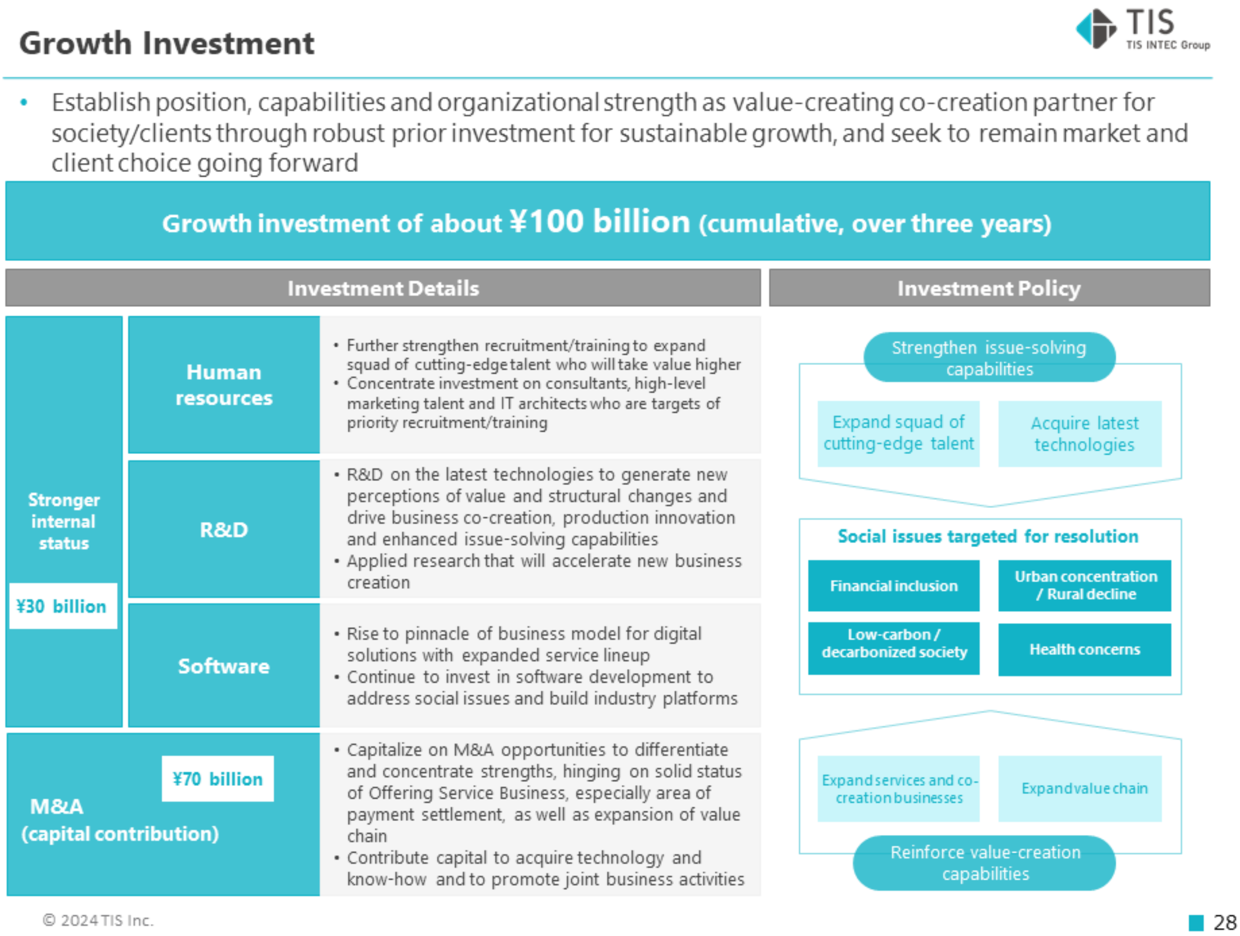
As for ROIC, which will be introduced as a new indicator starting with the new plan, we have set the target assuming a slight decline over the next three years due to aggressive growth investments, while maintaining financial discipline. However, from a long-term perspective, we believe that we can achieve a high level of financial discipline by generating the benefits of growth investments.

With regard to EPS growth, we have set a target of over 10% CAGR, the same as in the previous medium-term management plan, with the aim of continuing to achieve higher value per share, centered on sustainable business growth.



Page 27 shows the cash allocation and balance sheet structure assumed in the current medium-term plan.

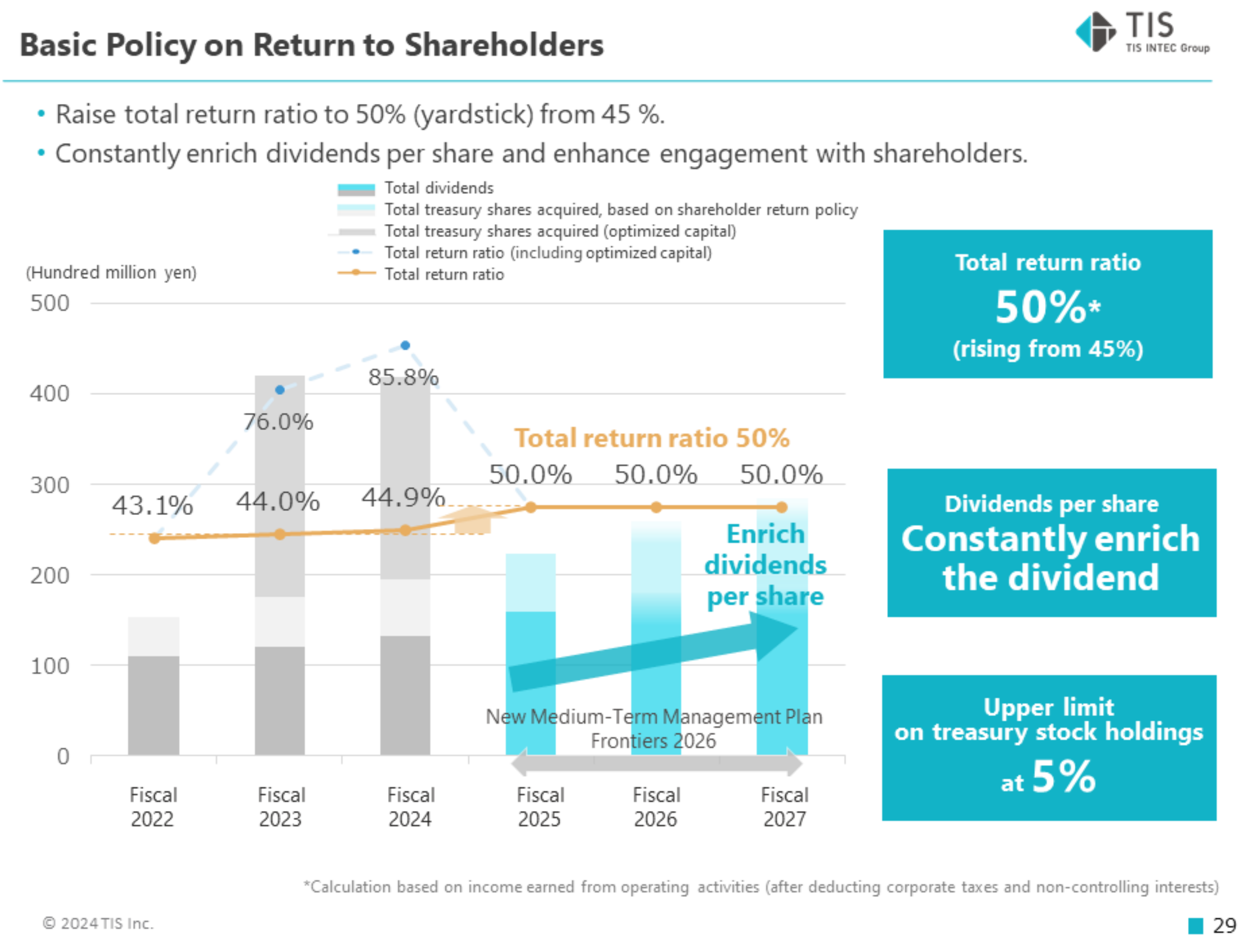
We intend to aggressively invest in growth and strengthen shareholder returns based on our ability to generate cash based on profit growth. In addition, we assume that financial leverage through the use of interest-bearing debt will be effective, based on the premise of ensuring financial soundness.



Page 28 summarizes the growth investments in the medium-term plan.

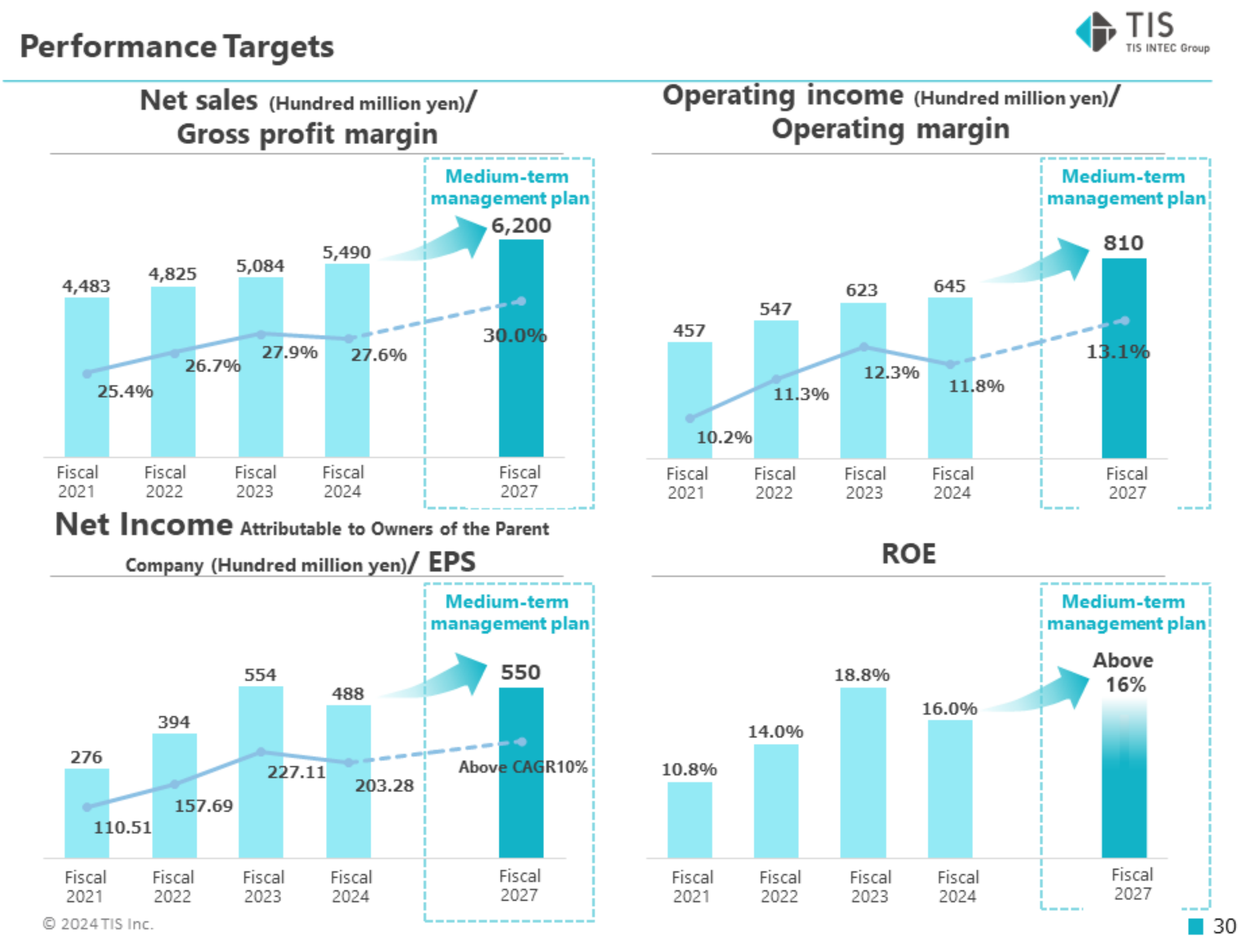
Our view that aggressive growth investment is essential for sustainable growth and enhancement of corporate value remains unchanged. We plan to invest approximately JPY100 billion in growth over the next three years.

In addition to internal reinforcement, we will actively consider M&A and other opportunities to review and strengthen our business portfolio. We would also like to be flexible in revising allocations, etc., depending on the situation.



Page 29 is the basic policy for shareholder returns.

As Kawamura explained earlier, in this medium-term plan we intend to increase engagement with our shareholders by raising the target total payout ratio from 45% to 50%, and by continuously enhancing the dividend per share.



Page 30 summarizes the main performance targets.

One point I would like to emphasize is that we have set a target of 30% for the gross profit margin, which we hope to achieve as a result of strengthening our business competitiveness.

Here, on page 31, is a brief introduction to our efforts to advance ESG in sustainability management.

As you know, the E, S, and G cannot be accomplished overnight, but we would like to continue our efforts from a long-term perspective and link them to the advancement of management.

As a supplemental note on solving social issues through business activities, we believe that we need to integrate business and sustainability, and that the promotion of business in line with our strategic domain itself creates social value. Based on this concept, we have reached the conclusion that we do not need to differentiate between the service-type business, which directly solves social issues, and the business that will contribute to customers with SI for solving social issues. As such, we have decided to dissolve the former category of social problem-solving service business, which we had previously defined as a service business that solves social issues.

Non-Financial Management Metrics

TIS
TIS INTEC Group

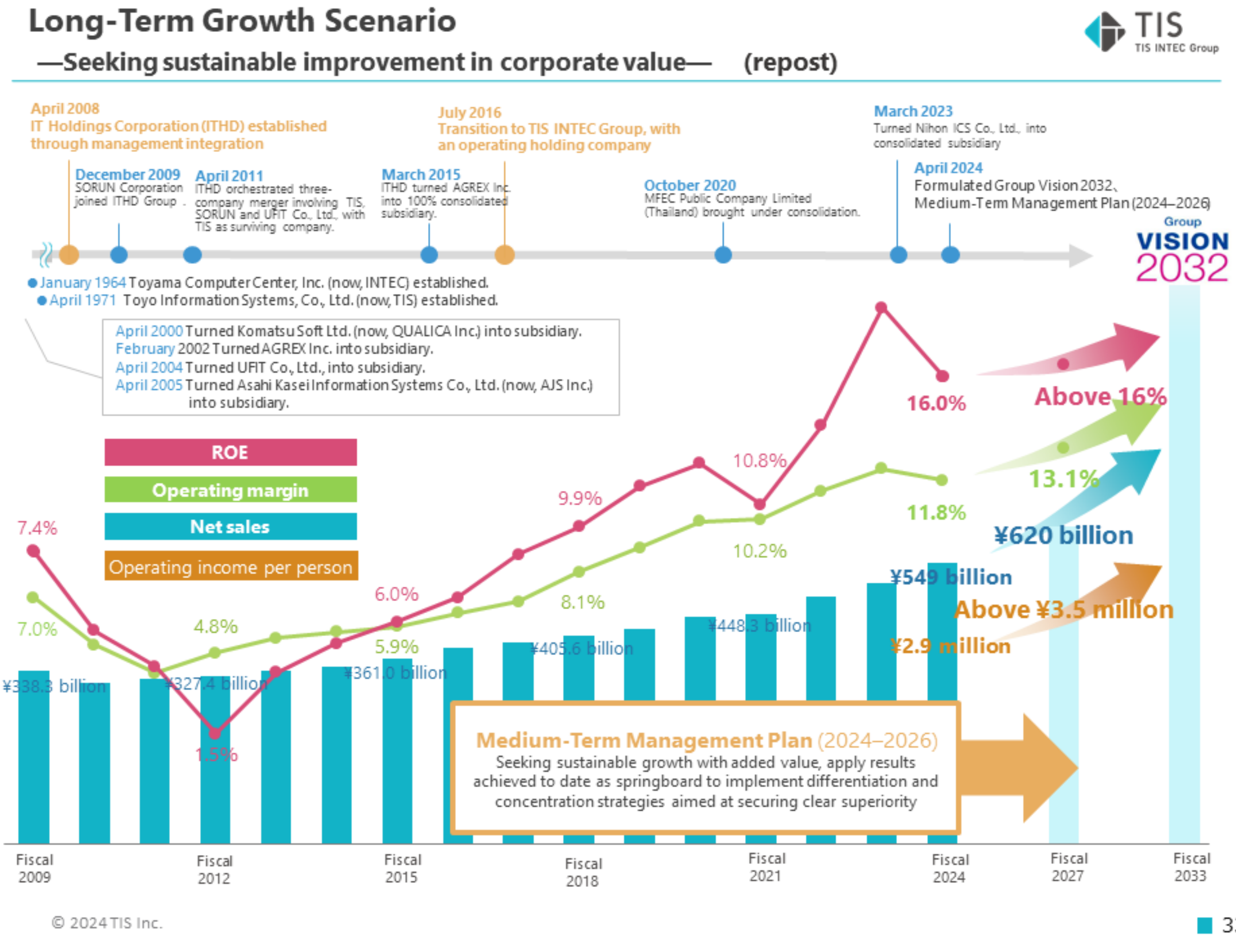
- Aim to realize change for society and client companies by improving quality across entire value chain, and set non-financial metrics alongside financial metrics to measure impact of Group business activities on society from broader perspective

	Materiality	Perspective/policy on measuring progress	Indicators	Scope of data collection[*2]	Fiscal 2027 targets	Fiscal 2024 results
1	Create a society in which diverse human resources are engaged and thrive	**Demonstrate capabilities of employees** Human resources with specialized expertise will be at forefront of frontier development and provide high added value	Job satisfaction	B	58%	52%
			Number of consultants	B	700	510
			Number of female employees in management positions	B	15%	12%
2	Create a society in which diverse human resources are engaged and thrive	**Provide value to society** Aim to integrate business and sustainability so that promoting business aligned to strategic domains itself creates social value	Strategic domain ratio[*1]	A	52% (new standard)	48% (new standard)
			Operating income per person	A	Above ¥3.5 million	¥2.9 million
			Growth investments	A	Three-year cumulative total ¥100 billion	Three-year cumulative total ¥72 billion
3	Create a safe society through high-quality services	**Quality demanded by society** Realize management attitude/practices supporting accumulation/distribution of intellectual property, and create appealing quality	Client/service satisfaction	C	59%	54%
			Business partner satisfaction	D	81%	77%
4	Enhance corporate governance and earn the trust of society	**Company chosen by society** Constantly reinforce internal controls on groupwide basis, and contribute to decarbonized society and recycling-oriented society	GHG emissions (Scope1+2)[*3] [compared with fiscal 2020]	A	70% reduction	60% reduction (forecast)
			Renewable energy utilization rate[*3] (Offices, data centers)	B	Fiscal 2031 Full introduction	55% introduced (forecast)

*1 Strategic domain ratio reached 61% in fiscal 2024, but because of stricter scrutiny paralleling a review of strategic domains for the new medium-term management plan, the ratio was reassessed at 48% under a new standard, with new target for fiscal 2027 based on this standard as well.
*2 Scope of data collection: A: Consolidated/ B: Consolidated (domestic) / C: TIS, INTEC, AGREX, QUALICA, AJS, and TIS Solution Link / D: TIS, and INTEC
*3 Scope of data collection for fiscal 2024 results: TIS, INTEC, AGREX, QUALICA, AJS, TIS Solution Link, TIS System Service, TIS Tohoku, TIS Nagano, TIS West Japan, TIS Hokkaido, TIS Business Service, SorunPure, MFEC Public, Business Application, Motif Technology Public, Hongson, MISO Digital, Prain Fintech, Msyne Innovations, and Playtorium Solutions

Please see page 32. These non-financial management indicators are based on the materiality theme.

I will not go into details here, but I believe that this is an important indicator, and we will continue to work hard to achieve it.



In my final explanation, on page 33, I would like to reiterate my thoughts on the medium-term plan and my message for the future. Frankly speaking, we recognize that this medium-term plan is a challenging one, and that it is not possible to achieve its goals by simply extending the previous plan. As you know, the external environment is changing from moment to moment, and the business conditions of our group are not guaranteed to be as smooth as they have been in the past.

As I mentioned before, the main issues we are currently facing are the further expansion of our service business and the accompanying realization of high profitability, re-growth after the peak of large financial projects, leveraging of BPM-related business, and upgrading of the Group's value chain. We are addressing each of these issues one by one, but we have not yet started the mid-term plan with a clear solution or path to resolution. However, we have a strong will to achieve even the highest goals by doing our utmost to achieve them, and to continue to grow by breaking through difficult situations. In addition to the various issues that exist today, there are new issues that will continue to emerge in the future. We would like to grow even more by facing and overcoming each challenge with sincerity and care, and we believe that we have the power to do so.

We will continue to realize sustainable growth of the Group and further enhancement of corporate value by strengthening the front line and structural transformation through each employee becoming a pioneer who moves one step further forward in his/her position, based on the basic policy of the new medium-term business plan, which is to explore the frontier. I hope that you will look forward to our efforts. This concludes my explanation.

Moderator: Thank you.

Question & Answer

Moderator [M]: We will now have a question-and-answer session. When you are nominated, please give your company name and your name followed by the question you wish to ask.

Please note that up to two questions can be asked per person at a time. Please note that due to time constraints, we may not be able to answer all questions. If you have a question about a particular slide, please specify the slide number as well, as the slide will be projected. We will now begin the question-and-answer session.

Mr. Tanaka from Goldman Sachs Japan Co., Ltd., please ask your question.

Chikai Tanaka [Q]: This is Chikai Tanaka from Goldman Sachs. Thank you. I have two major points, and I would like to ask you about the medium-term plan and unprofitability. First of all, in confirming the short-term unprofitability of the project, I would like to know the details of why the project was unprofitable this time, such as whether there were any technical difficulties, or whether you were not familiar with it because it was a project of another company.

In addition, please tell us what assumptions you are now making about the timing of the cutover. This is the first point.

Okamoto [A]: First of all, we were working on a project to replace an existing system that another company was in charge of, and we had to deal with the high degree of difficulty of the system requirements, but we were not able to keep up with them and the quality deteriorated. This is the cause.

In response to this, we have also introduced a quality process to deal with the problem, as it occurred in H1 in the regional IT solutions as well. In addition, as I explained in H1, we are now in the process of implementing concrete measures to properly assign personnel and introduce people from the TIS side to deal with the situation. That's all.

Chikai Tanaka [Q]: I'm sorry. Can you also tell us when the cutover will take place and whether this is a core renewal project or something peripheral that is not core to the project?

Okamoto [A]: As for the timing of the cutover, we have settled the account once with the customer and are in the process of discussing with them about what to do from now on, so it is not clear at this point. This is the first point.

The second point is whether the system is core or not. Some part is the combination of core system and peripheral system and some part is core system.

Chikai Tanaka [Q]: I think the fact that cutover has not been decided yet is that you are in the midst of discussing it. Does that mean that you are going to reevaluate the contract in some way and it will start profitably this quarter, or should we look at it as basically just not having a cutover set and running it at zero revenue for a while? Which is closer to your plan?

Okamoto [A]: We are thinking of a completely separate contract, and then re-signing it again.

Chikai Tanaka [Q]: Understood. Thank you. Second, I would like to ask about the outlook for the Offering Service part of the medium-term plan. The plan is to grow at an annual rate of more than 20%. Can you give us some background on this?

In particular, does this include, for example, the effect of the M&A that we have been doing for the past few years, and is there an assumption that the credit SaaS renewal project will be somewhere during this medium-term plan? Please elaborate on this part, as it appears to be a bit of discontinuous growth. That's all.

Kawamura [A]: Your question is about the growth of the Offering Service in the medium-term plan period. First of all, we are not including new M&A here, so the plan is based on organic growth at this point in time. In particular, regarding sales, the overseas business contributes to sales as well, which is strong. We are also looking to improve profitability by expanding our strengths in digital marketing and overall business management, with a focus on settlements.

Please note that credit SaaS is partially included in the plan, as we are eager to win an order from one company and start development during this mid-term plan period, but please understand that we are not relying on this to achieve such growth. That's all.

Chikai Tanaka [Q]: Just to confirm, is this one company based on the assumption of a very large project like before? You mentioned that you would be targeting mid-size customers. On what sense of size have you included that company in the assumption for the plan?

Okamoto [A]: It is safe to say that it is a middle-sized company. I hope you understand that it is not as big as the first company.

Chikai Tanaka [M]: I understand. Thank you very much for the detailed explanation. That is all from me.

Okamoto [M]: Thank you very much.

Moderator [M]: Thank you. Next, Mr. Kikuchi from SMBC Nikko Securities Inc., please go ahead.

Kikuchi [Q]: This is Satoru Kikuchi. Thank you. I would like to continue what you just said, or rather, I would like to ask you about the medium-term plan. In the breakdown page of the medium-term plan, President Okamoto repeatedly mentioned that you will keep your eye level high from the beginning, or it is challenging. I wonder which parts are particularly challenging and whether we should look at that part by discounting to 70% or 80%. I would like to know how we should understand what President Okamoto said about having eye level high and challenging. This is the first question.

Okamoto [A]: Basically, we have been doing the three years that have ended, and, given there was large-scale project, we have been trying to grow our Offering Services as much as possible during that time. In the next three years, we recognize that it is very important to put this Offering Service on a solid growth trajectory and on a profitable trajectory, and in some respects, this is a challenging task.

In the case of financial IT, the large-scale project has peaked out, and next we need to acquire more and more new customers. This is to be acquired through the business of modernization, and I think the main point is that we must take on the challenge of starting up this business.

Kikuchi [Q]: Do you mean this plan is not a most likely plan, but is a case where the Company is substantially successful, as the target was set high, although you may not be able to mention the minimum figures here? If we make our business performance forecasts according to this plan, consensus may become too high. Is it OK with the Company?

Kawamura [A]: The medium-term management plan that we are putting out this time is a plan that we have been making with solid planning, as we have been accomplishing our medium-term management plans well in the past.

As Okamoto mentioned earlier, all of the orders have not necessarily been received at this point in time, so there are some uncertainties in the areas of very strong growth, such as Offering Service and regional IT solutions. We are determined to achieve this plan by achieving solid organic growth, and we are determined to do so at this point.

Kikuchi [Q]: Thank you very much. The second point is that the regional IT solutions segment is expected to grow significantly this time. I think this is due to the effect of eliminating unprofitable projects in the term that has ended, but I think it's also the case with INTEC Inc. and SorunPure Inc. in regional IT solutions.

I think the Offering Service is an extension of the existing business rather than strategic, but I have the impression that you are aiming for a very high growth, especially in terms of profit. I would like to know specific measures, if any. This is the second point.

Kawamura [A]: First of all, we believe that we will be able to increase profits by first firmly controlling the unprofitability of regional IT solutions, which amounted to nearly JPY3 billion in the previous fiscal year. In addition, in this segment, we would like to capture the strong growth in IT investment demand from Japanese small- and medium-sized enterprises and regional areas.

In addition, we are oriented toward providing services to municipalities and financial institutions, and I believe we have a good track record in this area, so we have been making solid progress in increasing productivity. We have recorded unprofitable results this time, but apart from that, we have achieved solid profit growth. We now believe that we have a stretchy target view here for 2026, and that we can achieve this by taking firm action.

Kikuchi [Q]: Thank you very much. I would like to follow up, or add one more. I think you mean that financial IT will turn around and grow after peaking out. Is it correct to understand in this way?

Kawamura [A]: Yes. For the fiscal year ending March 31, 2025, we are planning a decrease in profits due in large part to the negative impact of large credit card-related projects, especially public-sector financial institutions. We expect that the credit card-related business will be negative until the fiscal year ending March 31, 2026, but based on this, for the fiscal year ending March 31, 2027, we plan to make a turnaround by winning modernization business, as Okamoto mentioned earlier, and more orders from new clients and core clients in the existing credit card sector. That's all.

Kikuchi [Q]: I see. Basically, I think modernization actually means renewal of systems for existing large and major customers and renewal of core systems. Do you have any specific orders in your sight?

Okamoto [A]: In fact, of course we have modernization business for existing customers, but please understand that we are using modernization as a weapon to acquire new customers. We have the order from one company which is already fixed and currently being worked out.

Kikuchi [M]: Thank you. That's all.

Okamoto [M]: Thank you very much.

Moderator [M]: Thank you. Mr. Tanaka from Morgan Stanley MUFG Securities Co., Ltd., please go ahead.

Hideaki Tanaka [Q]: This is Hideaki Tanaka of Morgan Stanley MUFG. Thank you. For the first point, regarding the overall personnel expenses, please tell us what is the amount and percentage for the fiscal year that has ended, and what is your assumption including across-the-board pay increase for the new fiscal year?

Kawamura [A]: For the fiscal year that ended, we had originally stated and declared a personnel cost increase of about JPY5 billion, but after the fiscal year ended, the final figure was JPY5.2 billion, so the personnel cost increase was roughly in line with the assumed plan.

For the fiscal year ending March 31, 2025, which has already started, we have of course factored in the usual compensation improvements, but basically, we have factored in a little over JPY1 billion in this fiscal year's forecast. Therefore, we are considering investing in human resources at a cruising speed at this point.

However, in achieving a medium-term management plan, as stated on the page of its material, our policy is to invest aggressively in human resources, and we intend to invest aggressively in human resources as well as business growth. That's all.

Hideaki Tanaka [Q]: Thank you. Considering your company's overall labor costs, isn't an increase of a little over JPY1 billion quite small? When we look at this world.

Kawamura [A]: In that sense, apart from the usual compensation improvement, there were some group companies whose salary level had not been raised last year, which was raised this year. This part is an increase of JPY1 billion. I'm sorry. In other words, JPY1 billion increase is equivalent to JPY5 billion increase done mainly for TIS in previous fiscal year. Apart from that, we factored in a salary raise of 2% to 3%.

Hideaki Tanaka [Q]: I see. Average wage increase is expected to be 2% to 3%. How much increase do you expect in headcount?

Kawamura [A]: We are not making any major changes in the composition of our workforce, so we are planning a slight increase in the number of employees, including those who will be hired and retire.

Hideaki Tanaka [Q]: In terms of total labor costs, do you see them moving in the range of 3% to 5%?

Kawamura [A]: Well, yes.

Hideaki Tanaka [Q]: Is this the same approach during the medium-term plan period?

Kawamura [A]: That is our baseline, but as I mentioned earlier, we would like to invest in compensation and human resources when we make aggressive investments, and we will consider this in conjunction with business growth.

Hideaki Tanaka [Q]: Thank you. The second point is the global strategy that President Okamoto mentioned. I'm not sure if the number of pages in the document I have and the one you have here match, but in the Market Strategy - Global Strategy section, you say you are aiming for JPY100 billion. Since this figure is expressed as consolidated net sales, the figure is calculated by adding up the sales of equity method affiliates. Is it correct to assume that the JPY33.6 billion in FY23 results is overseas sales within the consolidated total?

Kawamura [A]: Yes. To briefly supplement the figures, first of all, the consolidated net sales of JPY33.6 billion is the actual consolidated net sales at this point in time. As for the target of JPY100 billion in consolidated net sales in 2026, we are aiming for this scale of business, as it says.

At present, the organic growth of our consolidated subsidiaries is approximately JPY40 billion, and we are aiming for JPY100 billion, including inorganic growth. Let me say that the overseas business sales included in the plan are approximately JPY40 billion.

Hideaki Tanaka [Q]: So you have included JPY40 billion in your medium-term plan?

Kawamura [A]: Yes.

Hideaki Tanaka [Q]: What is the main area of growth in this?

Kawamura [A]: First of all, the biggest one is our listed subsidiary, MFEC in Thailand, and we will expand mainly through this.

Hideaki Tanaka [Q]: Thank you. Sorry, in relation to this, if you have any good stories on the cooperation with Grab, please share them with us. If you don't, that's fine.

Okamoto [A]: There has been no major change, although we continue to receive referrals, especially from Indonesian transportation companies.

Hideaki Tanaka [M]: Thank you. That's all.

Moderator [M]: Thank you.

As there are no further questions, this concludes the question-and-answer session.

In closing, President Okamoto would like to offer a few words.

Okamoto [M]: Thank you very much for joining us today at the Financial Results Briefing for the Fiscal Year Ended March 2024 of TIS Inc. If you have any further questions, please ask them during individual interviews or by phone to our IR staff.

Thank you very much for your time today.

Moderator [M]: This concludes today's briefing.

Thank you very much for taking time out of your busy schedule to join us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

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