

Outsourcing Services

Software Development

The Theory of Evolution

ANNUAL REPORT 2003 Year ended March 31, 2003

Solution Services

'03

TIS—PRIMARY SYSTEMS INTEGRATOR

PROFILE

Originally established in 1971 as Toyo Information Systems Co., Ltd., the Company adopted a new name—TIS Inc.—in January 2001 to mark its 30th anniversary. With core operations hinging on information services, TIS has become one of Japan's leading providers of system integration services, substantiated by consolidated net sales of ¥164.5 billion and operating income of ¥10.7 billion for fiscal 2003, ended March 31, 2003.

Fiscal 2003 Sales:
¥51.1 billion
(31.0% of net sales)

Outsourcing Services

Through operating centers in Tokyo and Osaka, TIS provides system operation services, system warehousing services, outsourcing management services, 24-hour maintenance services and Internet data center services. This lineup is augmented by the activities of Group companies, which offer networking services and registered trademark database services.

**24 Hours a Day,
365 Days a Year**

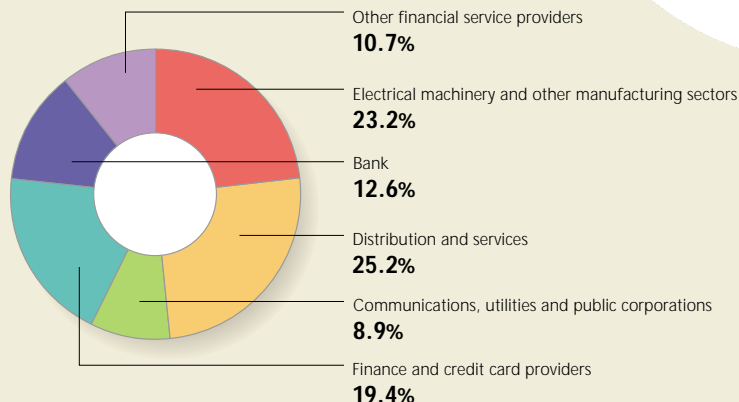
Boasting a client base that features top-ranked companies in Japan, from nonbank financial institutions and credit card companies to businesses in such industries as electronics, machinery and services, TIS demonstrates comprehensive capabilities that facilitate one-stop shopping for all that is needed, from consultations to maintenance and operation, under a support system that offers assistance 24 hours a day, 365 days a year.

Fiscal 2003 Sales:
¥64.3 billion
(39.1% of net sales)

Software Development

TIS develops software tailored to each client's needs. Activities include comprehensive system integration services, covering all aspects, from design to configuration, as well as support for implementing Enterprise Resource Planning (ERP), creating databases and building Internet environments.

Sales by Client Segment
(March 31, 2003)



Consolidated Financial Summary

	Millions of yen				
	2003	2002	2001	2000	1999
<i>For years ended March 31</i>					
Net sales	¥164,585	¥146,908	¥141,398	¥93,673	¥85,085
Operating income	10,723	8,808	7,636	6,686	6,656
Net income	3,696	3,609	4,616	3,495	1,596
<i>At year-end:</i>					
Total assets	142,322	131,551	124,766	101,836	100,432
Total shareholders' equity	60,912	58,804	57,041	52,142	44,323
Property, plant and equipment	39,256	38,596	38,858	30,453	30,224
Long-term debt	28,045	28,124	24,517	11,086	22,145
<i>Per share data (¥):</i>					
Net income (basic)	81.88	82.43	106.06	82.10	39.05
Net income (diluted)	74.35	75.32	99.29	79.45	37.99
Cash dividends	22.00	20.00	20.00	14.00	12.00
Total shareholders' equity	1,388.82	1,343.15	1,303.33	1,205.90	1,082.79
<i>Ratios:</i>					
Return on assets ROA (%)	2.6	2.8	4.1	3.5	1.6
Return on equity ROE (%)	6.2	6.2	8.5	7.2	3.7
Equity ratio	42.8	44.7	45.7	51.2	44.2
Price earning ratio (PER) (times)	19.4	36.0	40.5	87.7	89.9
Number of employees	5,667	5,209	3,870	3,039	—

Note: ROE and ROA are calculated using the average of the beginning and ending balances for equity and assets.

Fiscal 2003 Sales:
¥44.1 billion
 (26.8% of net sales)

Solution Services

(Sale of information equipment and software)

TIS supports clients in their efforts to plan and implement the best arrangement of systems and equipment by combining software, including packaged software, with hardware, such as servers, storage devices and equipment already in use at client companies.

30 Years of Expertise

Our consultation services and systems configuration know-how are underpinned by advanced information technology and a keen awareness of clients' needs. As an independent provider unfettered by ties to specific hardware and software vendors, we are able to present each client with solutions best suited to prevailing requirements.

Fiscal 2003 Sales:
¥5.1 billion
 (3.1% of net sales)

Other

Subsidiaries expand the scope of activities to include leasing and market research.

26 Group Companies

As of March 31, 2003, the TIS Group comprised 20 consolidated subsidiaries and six affiliates accounted for under the equity method. The specialized expertise of Group members contributes a full range of building blocks, from legacy systems to leading-edge technology, to the formation of a knowledge base that covers all aspects of our business, from services to engineering and networks.

A Message from the President

Fiscal 2003 Review



Takao Funaki
President

I am pleased to report that TIS marked increases in both net sales and net income in fiscal 2003, ended March 31, 2003. On a consolidated basis, net sales grew 12.0%, to ¥164.6 billion, while net income rebounded from last year's decline and rose 2.4%, to ¥3.7 billion.

These results reflect the accomplishments achieved through SEA-Change 21, a medium-term management plan launched in April 2000 with four primary goals: to boost client satisfaction; to demonstrate the comprehensive capabilities of the Group; to expand the scale of the TIS Group; and to expand the client base. Of note, a major investment that underpins realization of the first goal was the establishment of Internet Data Center (IDC) services. These services are well on their way to becoming a successful aspect of our business. Progress on the second goal is evident in steady growth fostered through progressive steps, such as mergers and acquisitions, that reinforce the operations of Group capabilities.

The prolonged economic downturn in Japan has caused companies to assume a cautionary posture on information technology (IT) investment. Signs of streamlined growth have thus emerged in the IT service sector. So-called survivor companies in each industry are seeking ways to enhance the efficiency of existing operations, support moves into new business areas and share information across new alliances. With these objectives in mind, companies have prioritized IT strategies, which in turn creates wider demand for strategic outsourcing services. IT vendors are frequently expected to act as clients' strategic business partners in these pursuits.

But the full-scale entry of hardware makers into the IT service sector has intensified competition, even for the best in the business. The sector is thus approaching a fork in the road that will lead some participants to the winners' circle and others to oblivion.

T-GET 5: New Medium-Term Management Plan

Against this backdrop, we embarked on TIS Growth & Evolution Theory, a medium-term management plan nicknamed T-GET 5 that runs from April 2003 through March 2006. The plan highlights three goals that will lead to a fourth, our primary objective. Specifically, we will reinforce client-oriented capabilities, hone a sharper competitive edge and elevate the skills of staff and management, all of which will help us maximize corporate value.

Through T-GET 5, we will enhance productivity and acquire the technical capabilities that distinguish us from our rivals. We will thereby augment our ability to expand the number of excellent companies in our client base and grow as an IT services company in the winners' circle.

The buzzword of T-GET 5 is "strategy." Viewed from a medium-term perspective, the Group's growth strategy is pegged to the development of strategic marketing activities and to the formation of a business structure built around the Technology Platform Center. We will carefully select strategic

technologies from a range of breakthrough advances for application within the Group. Meanwhile, the efficiency strategy spotlights higher productivity through standardized software development processes, and lower expenses through overseas procurement of services and other cost-cutting approaches.

Improved efficiency will accelerate growth. Our growth strategy and our efficiency strategy thus represent opposite sides of the same corporate coin.

For Further Growth

In recent years, we have strengthened the function of external auditors as part of our emphasis on good corporate governance. We will maintain a flexible executive system, with 18 directors, including the participation of non-full-time members, and pursue multifaceted discussions to ascertain the structure best suited to our needs. These efforts will further enhance corporate governance.

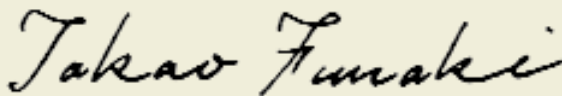
The management policy that underscores our existence as a company is to provide services that exceed established standards. This effort requires strict adherence to the Charter of Corporate Behavior produced by the Japan Business Federation, known more familiarly as Keidanren. We are currently drafting our own rules of conduct for employees in which our confidentiality policy features prominently.

We also aim to demonstrate our own style of community involvement. We will expand our activities, not only in welfare works and culture subsidies but also in promotion activities for social informatization utilizing our specialty. We also welcome ideas from employees on potential activities that would help us contribute to society.

In Japan, the Group already counts many excellent companies in its client base and boasts solid technological capabilities. With these stepping stones to further growth, the TIS Group expects to post ¥500 billion in net sales by 2010. With all employees working toward this numerical goal and sharing management's vision of success, TIS will realize stable growth over the medium to long term on good fiscal results.

The support of clients, shareholders and other investors gives us the added momentum to reach our stated goals. On behalf of everyone at TIS, I ask for your continued encouragement of our efforts.

September 2003



Takao Funaki, President

Evolution: Toward Sophisticated Solutions

Toward a Stronger Corporate Structure

T-GET 5 Summary

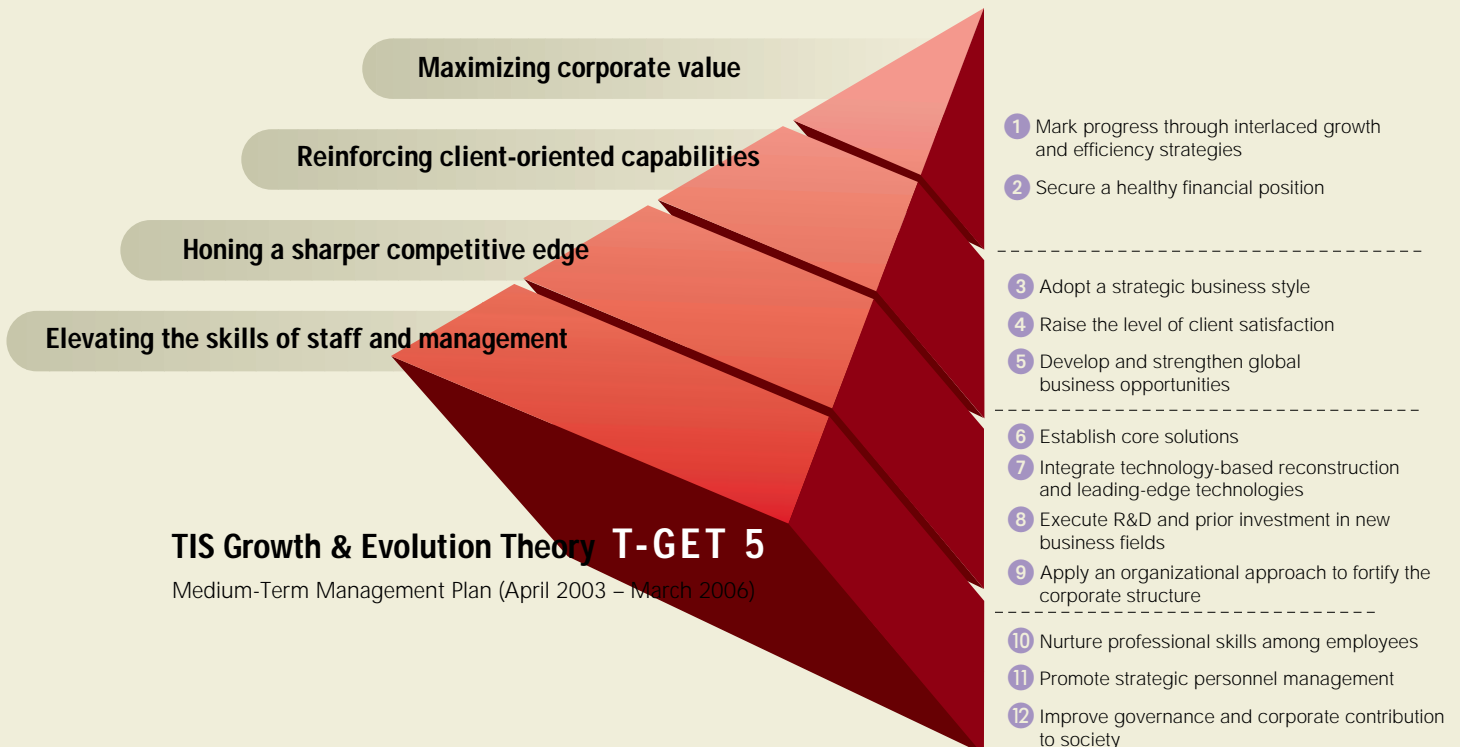
In April 2003, TIS embarked on a new medium-term management plan nicknamed T-GET 5. Through this three-year plan, the Company will become recognized as the leading brand in IT services and valued as a strategic partner for companies seeking to survive amid heightened competition and industry realignment.

The basic concept of T-GET 5 is evolution, a process that will lead to a stronger company. The primary goals are to polish our ability to meet clients' needs, sharpen our competitive edge, and take personnel skills and overall business capabilities to higher levels. A complementary goal is to maximize corporate value.

Given prevailing business conditions, the most fundamental objective is for TIS to attract the business of more clients in the "excellent" company category. Toward this end, we must secure the best technologies in the market. We must also establish a more resolute client base by upholding the good points of the existing bottom-up style for divisions while applying a top-down strategy-oriented approach to business. T-GET 5 charts our course.

On the strategy front, we must achieve a practical balance among three core strategies: the growth strategy, which targets results above the industry average; the efficiency strategy, which identifies higher productivity and lower outsourcing costs through overseas procurement to give our operating structure a high-return quality; and the financial strategy, which calls for achieving and retaining a firm financial footing, supported by strong benchmark ratios, such as return on equity, return on assets and debt-equity. We will emphasize a suitable balance for financial health factors while pursuing certain forward-looking investments, including capital investment related to our data centers, M&As, marketable securities investment, and research and development connected to software development.

By March 2006, we expect these activities to result in consolidated net sales of ¥210 billion, operating profit of ¥19.9 billion and an operating profit margin of 9.5%.



Key to Growth: Strategic Links for Customer Satisfaction

Excellent Companies in the Client Base

TIS has secured a solid client base with many users, particularly among banks, nonbank financial institutions, credit card companies and other finance-related sectors. The Company aptly demonstrates comprehensive capabilities, from upstream to downstream mainframe services, under a support system that offers assistance 24 hours a day, 365 days a year.

A prime example of our expertise is in the provision of integrated services, from configuration of key systems to business process outsourcing (BPO), in some form or another, according to our calculations, for about one-quarter of all the credit cards issued in Japan.

The pillars of our divisional structure are outsourcing

services, software development, and solution services, primarily the sale of equipment. By connecting these activities, we reinforce outsourcing services for the excellent companies in our client base and lay a solid foundation for fiscal stability and groupwide expansion.

From a medium-term perspective, clients in the excellent company category are vitally important to our business, and we must strive to reinforce this segment of our client base. In recent years, TIS has increasingly captured the business of excellent companies. We have expanded the number of clients with net sales in the range of ¥1 billion, and revenues from our top 20 clients is on the rise.

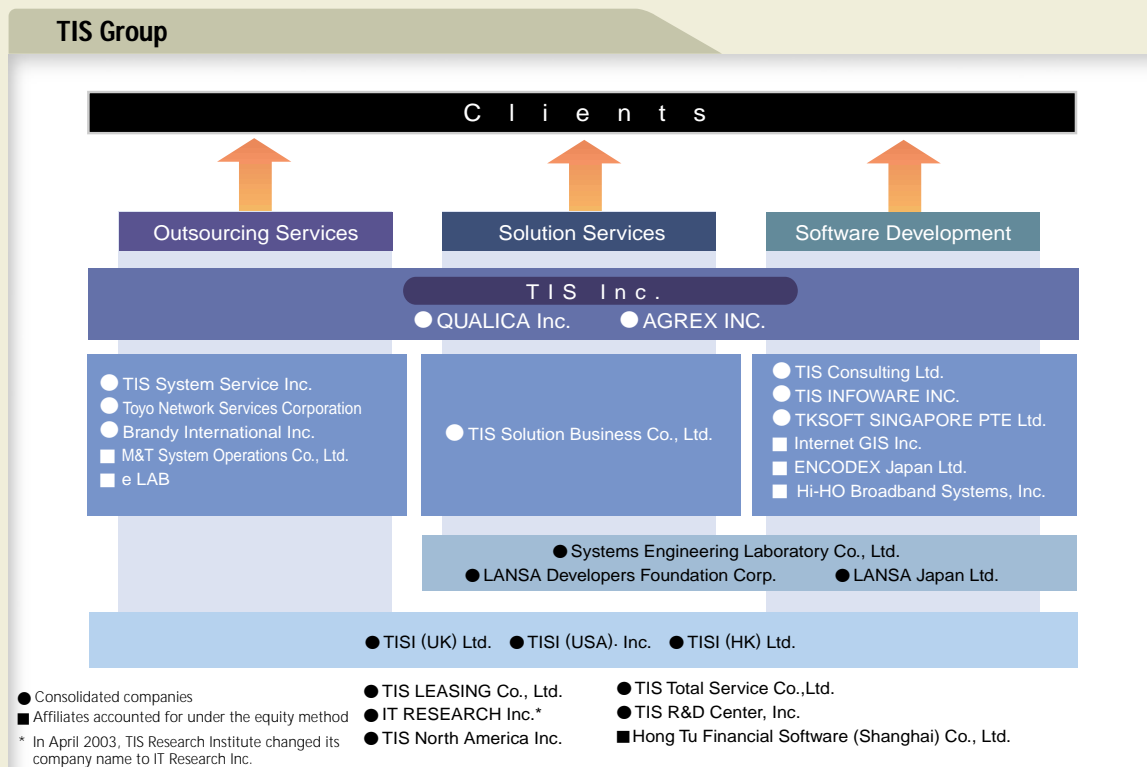
Building a Strong Client Base (non-consolidated)		March 2003 (Results) (A)	March 2006 (Targets) (B)	Net Sales Growth (times) (B/A)
Sales by Client Segment	Electrical machinery and other manufacturing sectors	18.4%	20%	1.3 times
	Distribution, services	25.0%	22%	1.1 times
	Communications, utilities, public corporations	10.6%	12%	1.3 times
	Finance and credit card providers	22.9%	26%	1.4 times
	Other financial services providers	23.1%	20%	1.1 times
	Total	100%	100%	1.2 times
Sales by Service Segment	Outsourcing	25.2%	30%	1.4 times
	Software development	39.9%	44%	1.3 times
	Solutions	34.9%	26%	0.9 times
	Total	100%	100%	1.2 times
Major Clients	Clients with annual sales above ¥2 billion	6	15	+ 9 clients
	Clients with annual sales above ¥1 billion but less than ¥2 billion	13	25	+12 clients
	Total	19	40	+21 clients (2.1times more clients)
Overseas Sales	about 9.4 billion	20 billion	2.1 times	
Enterprise-Based Solutions (ERP, SCM, CRM, etc.)	about 25 billion	100 billion	4 times	
Information Platform-Based Solutions (EDI, integrated solutions, modem-over-Internet protocol (MoIP), public key infrastructure (PKI), etc.)	about 25 billion	100 billion	4 times	

Group Strengths and Alliance Strategies

Paralleling the greater size and complexity of corporate information systems, the TIS Group must expand the scale of composite operations beyond the standard level to fortify its position as a prime contractor. To date, we have resourcefully broadened our sphere of business through capital alliances, particularly M&As with companies that not only augment but fortify our client base and accentuate our fields of specialty.

Of note, the three companies brought under our umbrella in fiscal 2002 dramatically enhanced the power

of the Group, especially in terms of net sales in fiscal 2003. The three companies are Qualica Inc., which complements the stable client base of Komatsu Soft Ltd. with core activities in retail and distribution; Systems Engineering Laboratory Co., Ltd., which has expertise as a provider of services for IBM's iSeries™ servers and thrives in the manufacturing sector; and Agrex Inc., which has experience in BPO, especially for clients in the financial sector, including insurance companies.



TIS also favors an alliance strategy to supplement management resources through joint ventures with client companies, and operational tie-ups with vendors and partners. A recent example is one that took place

overseas in April 2002, when we formed a global alliance with Atos Origin SA, a French IT service provider with a high profile in Europe.

Reinforcing Our Response to Clients' Needs

To give our services a competitive edge in the market, we draw on Group strengths, business alliances and a global network and strive to reinforce our response to the increasingly sophisticated needs of clients. In addition to strategic outsourcing, through financing and M&As, we apply various approaches, including joint operations in new businesses. Paralleling the globalization of clients' operations, we also offer support through our office in Shanghai.

A particular focus of corporate attention is the establishment of first-rate solutions. Concrete actions are aimed at enriching services for the credit card sector with key systems, service menus geared to specific processes—such as settlement, credit checks and collection—and a wider choice of options for such services as BPO.

We will actively promote enterprise solutions, such as Enterprise Resource Planning (ERP), Supply Chain Management (SCM) and Customer Relationship Management (CRM), for inventory controls and fiscal management, where clients can see the benefits of these IT investments in enhanced revenues. Through this effort, we will enrich our product lineup and expand our client base. We will also utilize templates for specific sectors.

Another avenue of approach is information platform solutions, which hinge on security and integrated services for storage, servers, networks, data and centers, as well as Enterprise Application Integration (EAI) and Enterprise Information Portal (EIP) services.

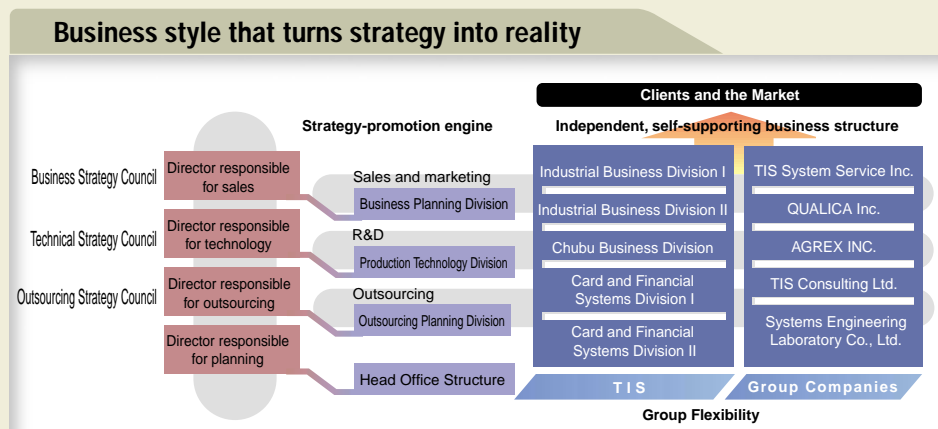
Adopting a More Strategic Marketing Format

The distinctive capabilities demonstrated by each member of the TIS Group represent strengths in specific markets and sectors within these markets. TIS has endeavored to widen the Group's sphere of activities while respecting the corporate and divisional independence of each member.

The Company intends to preserve this independent quality but will establish a common direction to incorporate top-down approaches, such as methods to attract strategic clients, for the entire Group, in accordance with medium-term goals. This integration of individual and shared objectives will promote synergy among parent-company divisions and Group members, while extending the range of activities undertaken by the Group and fortifying the client base. To facilitate the process, we established strategic councils for marketing, technology and outsourcing and made the

president and designated directors responsible for decisions coming out of these councils.

As part of our groupwide strategy, we continue to develop our consulting capacity by focusing on the key service systems used in our clients' operations and by utilizing in-house expertise, such as outsourcing services. We are also actively pursuing greater contact with members of the public sector.



Strategic Technology Buys Management Efficiency

Promote Efficiency Strategies

To establish a higher profile in the industry, we must ensure that clients are satisfied with the services we provide. That is, we must help clients achieve a sufficient return on their IT investments. This task demands that the services we provide, as a group, must be of a sufficiently high standard and supported by solid technological capabilities. In addition, we must elevate productivity and efficiency levels within our own organization.

Strive for Cost-Efficient Operations

To improve cost competitiveness, we are working to trim expenses by making software development more efficient. One way to do this is to utilize the skills of overseas resources. We are particularly interested in extending our outsourcing circle to include software development companies in the People's Republic of China (PRC). We are considering procurement from Asia, especially from Vietnam, as well as the establishment of development bases and the possible move of our manufacturing segment out of Japan.

Raise Productivity through Standardization

TIS would like production technology to be consistent throughout the Company so that it can serve to raise quality and productivity levels. Toward this end, we created a database of system development design documents and established a set of standard frameworks for system development that can be used as a reference source. These tools went online in March 2003. We aim to promote the use of standardized production processes by members of the TIS Group as well.

Make Groupwide Management and Services More Efficient

In fiscal 2003, we teamed up with TIS System Service Inc. (TSS) to promote the Total Inspection for Operations Program as well as the Z Project—an effort at TSS to concentrate capabilities at the TIS head office and review office configurations—and the C-21 Project, which spotlights efficiency. Through this cooperative effort, we will eliminate obstacles to smooth operations and reduce costs.

To enhance the efficiency of management and services within the Group, we introduced TITAN, a new information system based on the R/3 ERP® software of Germany's SAP AG. A system common throughout the Group will facilitate monitoring of revenues, budgets and services, and make overall business management more efficient.

Corporate Governance

Basic Policy

Recognizing its obligation to stakeholders, including shareholders, TIS has made management transparency and management efficiency top priorities. The Company's corporate governance structure hinges on the Board of Directors and the Board of Auditors, which

includes two external auditors. In addition, we maintain open channels to the market through disclosure practices and investor relations activities and apply relevant comments to enhance operations.

Concrete Measures and Current Status

To elicit greater management flexibility, the Board of Directors—the highest decision-making body in the Company—meets at least once a month, in principle, and the Executive Council, which assists the Board and the president by discussing pertinent issues, also meets whenever necessary.

The 18 members of the Board, each of whom is elected at the General Shareholders' Meeting, adhere to decision-making procedures described in internal regulations to monitor and direct the business activities undertaken by employees below the rank of divisional manager.

In its capacity as an auditing service, TIS maintains four auditors who keep a close watch on the Board and the Executive Council and who offer positive advice on the status of business activities through divisional audits.

To raise levels of compliance, the Company established the Examination Office, which undertakes internal audits, and the Security Observation Office, which works to elevate overall information management capabilities. These units act as internal control mechanisms.

With greater weight placed on confidentiality, particularly the protection of personal information, TIS set up the Security Council, a horizontally integrated body. The Company has complemented this effort with measures to appropriately safeguard information assets.

Of note, we formulated Rules for Information Security in July 2002. These comprehensive rules target directors and employees, including part-timers and temporary staff, and cover all aspects of information management, from basic policies on handling information to technical responses and training. The goal is to establish a single objective throughout the Company in regard to preserving confidentiality.

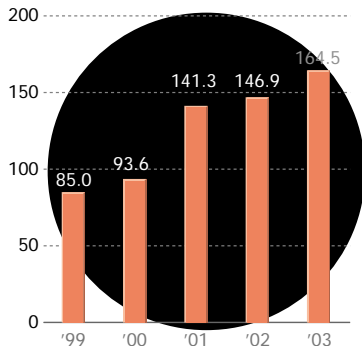
We also executed a complete review of in-house regulations and procedures used in executing operations and revised regulations related to organizational management, specifically the structure of the Company, the authority granted to veteran staff, and the decisions made through the well-established process of obtaining approval for a plan from senior executives. In addition, we have prepared a manual for office work that will help to prevent administrative mistakes and oversights.

In the area of disaster countermeasures, we have created a risk-management structure that centers on the General Affairs Division and we promote various programs aimed at raising awareness of pertinent issues among employees. We have also introduced TITAN, an internal information system that pinpoints loss conditions in real time, and are reinforcing our ability to identify business conditions.

Management's Discussion and Analysis

Net Sales

(Billions of yen)



The scope of consolidation for fiscal 2003, ended March 31, 2003, covers TIS, 20 consolidated subsidiaries and six affiliates accounted for under the equity method. From fiscal 2003, Lansa Japan Limited is included in the scope of consolidation as a consolidated subsidiary.

The primary function of the TIS Group is to provide outsourcing services, software development services and solution services that support investment in information technology. We also engage in peripheral activities, such as leasing and market research, associated with the design and installation of information systems.

Business Summary

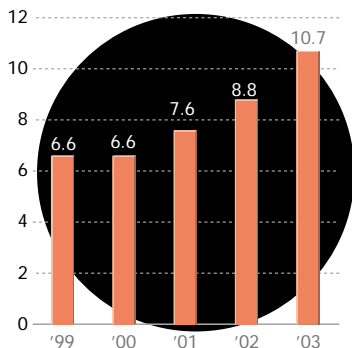
Net Sales

TIS posted consolidated net sales of ¥164,585 million, up 12.0% year-on-year, extending the upward trend for nine consecutive years. This achievement is largely thanks to steady growth in the parent's core businesses of outsourcing, software development and solution services, which hinge on equipment sales, as well as efforts to expand the scale of the Group by turning Agrex Inc. into a consolidated subsidiary. A breakdown of net sales by segment is presented below.

	Millions of yen		
	2003	2002	% change
Net sales	¥164,585	¥146,908	+12.0%
Outsourcing services	51,101	42,050	+21.5
Software development	64,282	55,569	+15.7
Solution services	44,059	43,430	+1.4
Other	5,141	5,856	-12.2

Operating Income

(Billions of yen)



Outsourcing Services

Revenues from outsourcing services jumped 21.5%, to ¥51,101 million. We saw a movement among clients to concentrate corporate resources in core businesses, a trend that underpins wider demand for outsourcing services, such as high-level system operation, in non-core businesses. To meet this demand, we unveiled proposal-style marketing plans. These plans were favorably received, substantiated by orders for long-term, all-inclusive outsourcing services as well as orders from regional government-affiliated organizations, and reinforced not only our client base but also our fiscal performance.

Competition in Internet Data Center (IDC) operations, which we began in earnest in 2001, intensified, particularly because a steady stream of newcomers entered this field from many different sectors. Drawing on a wealth of business execution know-how and our vanguard position as a pioneer in outsourcing services, we secured numerous orders, especially from clients in the communications industry. As a result, we were able to push profits above the breakeven point in the second half of the fiscal year.

Software Development

Revenues from software development climbed 15.7%, to ¥64,282 million. Several factors contributed to this increase. We successfully attracted clients, particularly from the manufacturing sector, with enterprise-based solutions, such as Enterprise Resource Planning (ERP) and supply chain management. We also amassed orders from the finance industry and the public sector for various projects, including the development of credit card administration systems,

the creation of a system shared by several major life insurers, and the configuration of a system for the Ministry of Economy, Trade and Industry geared to electronic processing of administrative data.

In our commitment to embrace new activities, we are independently participating with JCB in BLADE, a promising electronic authentication platform promoted by NTT Communications Corp. We also maintain an interest in software development with leading-edge technologies, and toward this end have begun building a Linux-based web site platform for Tsutaya Online Corp., a provider of entertainment-related news and services.

In April 2002, we welcomed the start of operations at TIS Consulting Ltd., a strategic subsidiary that utilizes the experience and expertise of the entire TIS Group to focus on SAP's ERP. This subsidiary will draw on knowledge acquired through ERP implementation and support for Mitsui Chemicals, Inc., to foster more business, especially with members of the chemical industry, and contribute to higher consolidated results.

Solution Services

Sales from solution services, primarily the sale of computer and peripheral devices and software, reached ¥44,059 million, up 1.4%, thanks to large orders arising through revision of existing systems by clients in the credit card industry, as well as projects connected to the electronic authentication platform and requests from the public sector.

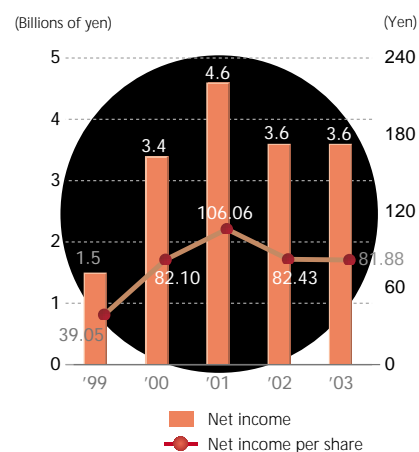
Other

Revenues from other operations, chiefly the results of a leasing subsidiary, fell 12.2%, to ¥5,141 million.

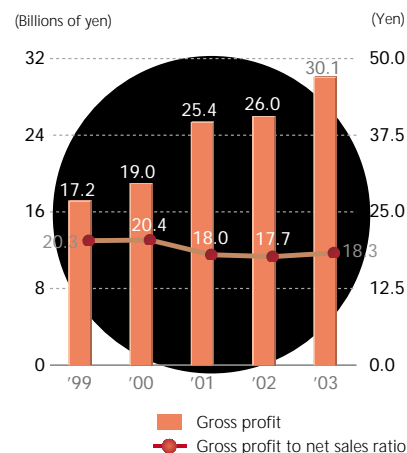
Costs, Expenses and Earnings

	Millions of yen		
	2003	2002	% change
Cost of sales	¥ 134,462	¥ 120,885	+11.2%
<i>Cost of sales ratio</i>	81.7%	82.3%	-0.6
Gross profit	30,123	26,023	+15.8
<i>Gross profit ratio</i>	18.3%	17.7%	+0.6
Selling, general and administration (SGA) expenses	19,400	17,215	+12.7
<i>SGA expenses ratio</i>	11.8%	11.7%	+0.1
Operating income	10,723	8,808	21.7
<i>Operating income ratio</i>	6.5%	6.0%	+0.5
Net income	3,696	3,609	+2.4
<i>Net income ratio</i>	2.2%	2.5%	-0.3

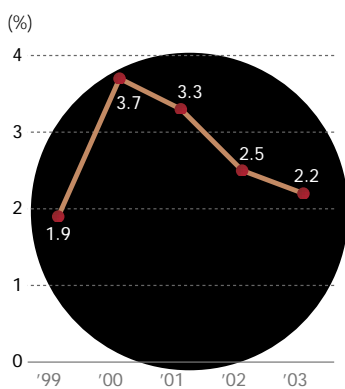
Net Income, Net Income per Share



Gross Profit, Gross Profit to Net Sales Ratio



Net Income to Net Sales Ratio



Cost of sales reached ¥134,462 million, up 11.2%, but the ratio of cost of sales to net sales improved 0.6-percentage-point to 81.7%. The reduction stems largely from enhanced productivity and a lower proportion of costs on sales generated in the solution services segment. Consequently, gross profit grew 15.8%, to ¥30,123 million, and the gross profit margin rose 0.6 percentage point, to 18.3%.

Selling, general and administrative expenses climbed 12.7%, to ¥19,400 million, largely from a slight increase in personnel and outsourcing costs as well as amortization of goodwill on consolidated companies. A breakdown of goodwill by company shows ¥953 million for Qualica Inc., ¥116 million for Systems Engineering Laboratory Co., Ltd., ¥397 million for Agrex, and ¥75 million for TIS Consulting.

Operating income surged 21.7%, to ¥10,723 million. This reflects a ¥1,123 million rise in parent-only results, a ¥693 million gain by TIS consulting, and a ¥165 million improvement by Agrex. The ratio of operating income to net sales reached 6.5%, up 0.5 percentage point.

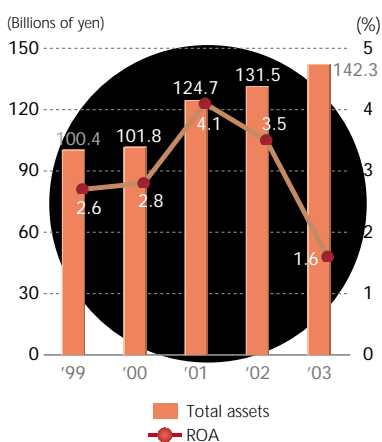
Unfortunately, extraordinary losses soared 47.4%, to ¥3,547 million. The major components of this change were amortization of goodwill on Systems Engineering Laboratory, evaluation losses on investment securities paralleling the slump in stock prices, and losses incurred through rationalization of operations at affiliates, including evaluation losses on low-profit assets at Qualica.

Consequently, net income edged up only 2.4%, to ¥3,696 million, and return on sales slipped 0.3 percentage point, to 2.2%.

Financial Position

	Millions of yen		
	2003	2002	% change
Current assets	¥ 69,415	¥ 60,060	+15.6%
Property and equipment	68,902	68,734	+0.2
Total assets	142,322	131,551	+8.2
Current liabilities	47,014	38,391	+22.5
Non-current liabilities	29,561	29,760	-0.7
Total liabilities	76,575	68,151	+12.4
Minority interests	4,835	4,596	+5.2
Total shareholders' equity	60,912	58,804	+3.6

Total Assets, ROA



Assets

Total assets stood at ¥142,322 million as of March 31, 2003, up 8.2% from a year earlier. Current assets, accounted for ¥69,415 million, up 15.6%, as higher product sales for the parent company at the end of the fiscal year pushed up payables and overshadowed a lower balance of marketable securities, partially because commercial paper in the parent's name came due.

Fixed assets inched up 2.0%, to ¥72,907 million—despite evaluation losses on the low-profit facilities of Qualica, and decreases in the consolidation adjustment account and the balance of investment securities—owing to an increase in other investments, including outlays on liquidations.

Liabilities and Shareholders' Equity

Non-current liabilities fell 0.7%, to ¥29,561 million, even though long-term debt grew with increased borrowing by the parent company, because the recording of the first redemption of convertible bonds under liquid liabilities caused the total to contract. As a result, total liabilities climbed 12.4%, to ¥76,575 million.

Minority shareholders' interests reached ¥4,835 million, and shareholders' equity rose 3.6%, to ¥60.912 million, chiefly owing to higher retained earnings. The equity ratio slipped 1.9 percentage points, to 42.8%.

Cash Flow Analysis

Cash and cash equivalents expanded ¥3,695 million, to ¥19,384 million, as of March 31, 2003, thanks to a big boost from net cash provided by operating activities.

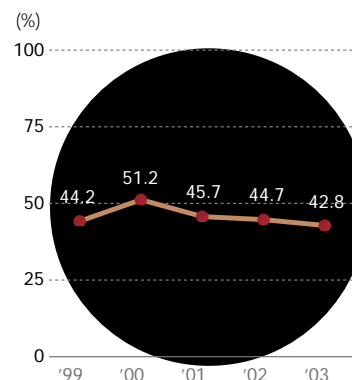
Net cash provided by operating activities amounted to ¥12,441, up ¥6,947 million. The major components of the increase included higher income before income taxes and minority interests as well as higher notes and accounts payable. The interest coverage ratio (net cash provided by operating activities as a percentage of interest payments on interest-bearing liabilities) improved 15.4 percentage points, to 80.8%.

Net cash used in investing activities came to ¥12,691 million. The major components of this change were outlays for acquiring tangible fixed assets primarily for installation at center facilities, for investments geared to reinforce client relationships, and for purchasing equity in subsidiaries to strengthen Group capabilities.

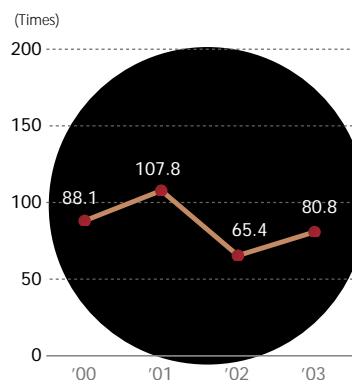
Net cash provided by financing activities was ¥4,185. The major components of the increase included higher long-term debt and a capital injection following a capital increase in subsidiaries.

	Millions of yen		
	2003	2002	% change
Cash flows from operating activities	¥12,441	¥ 5,495	+126.4
Cash flows used in investment activities	12,691	11,805	—
Cash flows from financing activities	4,185	2,432	+72.0
Cash and cash equivalents at end of year	19,384	15,688	+23.6

Equity Ratio



Interest Coverage Ratio



Fiscal 2004 Outlook

The challenging operating environment of fiscal 2003 is likely to persist in fiscal 2004. However, guided by our T-GET 5 medium-term management plan, we will strive to maximize corporate value.

We expect to post growth in fiscal 2004, the first year of T-GET 5, and will seek to achieve this goal by establishing new divisions—the Business Planning Division, the Platform Technology Center and the Outsourcing Proposal Division—and enhancing marketing and promotion skills as well as the ability to apply leading-edge technologies to business situations. We will also work to heighten the profile of outsourcing operations.

In our efforts to develop business opportunities, we will spotlight the PRC, which boasts a rich source of highly skilled individuals and expanding market potential. We will energetically pursue a global strategy that hinges on the PRC. This focus should lead to higher sales and income in fiscal 2004.

Targets:

Net sales	¥168,000 million (up 2.1%)
Ordinary income	¥12,400 million (up 15.7%)
Net income	¥5,200 million (up 40.7%)

Forward-Looking Statements

Performance estimates are based on data available to management as of May 7, 2003, and actual results may differ substantially from such estimates, due to various unforeseen factors.

Focus

Basic Policy on Income Distribution

TIS makes it a policy to enhance its quality as a "value exchanger." That is, the Company functions like an apparatus that exchanges value between itself and its shareholders, clients and employees, and seeks to return more benefits to stakeholders and to ensure a higher level of satisfaction regarding the efforts expended by the Company.

In our relationship with shareholders, we will prudently utilize investors' capital and deliver a suitable return through stable dividends. At the same time, we will formulate measures that underpin growth into the future and earn the high regard of investors as a company worthy of long-term investment.

Guided by these principles, TIS plans to distribute annual dividends of ¥22.00 per share for fiscal 2003, an increase of ¥2.00 over fiscal 2002.

At the General Meeting of Shareholders in 2002, a decision was approved on a share-buyback program, based on Article 210 of the Commercial Code, that enables the Company to execute flexible capital policy measures in response to changes in the business environment. The limit on the total number of shares authorized for buyback was set at one million shares, with a maximum value of ¥4 billion.

Supplementary Data

Nonconsolidated Financial Summary

	Millions of yen				
	2003	2002	2001	2000	1999
For the year:					
Net sales	¥ 107,546	¥ 105,041	¥ 102,682	¥ 78,274	¥ 71,422
Outsourcing services	27,176	26,314	23,192	21,059	21,965
Software development	42,869	42,332	39,453	31,249	29,287
Solution services	37,502	36,395	40,036	25,965	20,168
Cost of sales	88,649	86,938	85,441	63,467	57,673
Gross profit	18,896	18,102	—	—	—
Selling, general and administrative expenses	9,747	10,076	9,930	8,968	8,224
Operating income	9,149	8,026	7,311	5,839	5,524
Income before income taxes	7,100	6,949	7,134	4,994	3,981
Net income	4,065	4,053	4,040	2,801	2,028
At year-end:					
Total assets	116,115	104,267	102,096	83,884	74,314
Total shareholders' equity	62,537	59,962	57,907	53,384	46,259
Property, plant and equipment	29,443	28,009	28,583	21,741	19,461
Convertible debt	14,999	18,415	18,448	4,628	9,832
Long-term debt	5,900	3,200	—	—	—
Per share data (¥):					
Net income (basic)	90.55	92.60	92.84	65.79	49.62
Net income (diluted)	82.13	84.51	87.02	63.89	48.23
Cash dividends (annual)	22.00	20.00	20.00	14.00	12.00
Total shareholders' equity	1,426.17	1,369.62	1,323.13	1,234.58	1,129.96
Ratios (%):					
Return on equity (ROE)*	6.6	6.9	7.3	5.6	4.4
Equity ratio	53.9	57.5	56.7	63.6	62.2
Operating income to net sales ratio	8.5	7.6	7.1	7.5	7.7
Number of employees	2,163	2,080	1,934	1,836	1,700

* ROE is calculated using the average of the beginning and ending balances for equity.

Consolidated Balance Sheets

TIS Inc. and its consolidated subsidiaries

March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
ASSETS			
Current Assets:			
Cash and time deposits (Note 2 (b))	¥ 17,584	¥ 13,531	\$ 146,289
Marketable securities (Note 4)	1,967	2,360	16,364
Notes and accounts receivable	41,767	37,104	347,479
Allowance for doubtful accounts	(96)	(133)	(798)
Inventories (Note 5)	3,698	4,032	30,768
Deferred tax assets (Note 7)	2,148	1,745	17,868
Prepaid expenses and other current assets	2,347	1,421	19,522
Total current assets	69,415	60,060	577,492
Property and Equipment: (Note 8)			
Land	7,083	8,142	58,926
Buildings and structures	30,588	28,888	254,473
Machinery and equipment	6,363	5,578	52,937
Equipment for lease	21,150	21,564	175,958
Construction in progress	—	186	—
Other	3,718	4,376	30,931
	68,902	68,734	573,225
Accumulated depreciation	(29,646)	(30,138)	(246,640)
Net property, plant and equipment	39,256	38,596	326,585
Investments and Other Assets:			
Investments in affiliates	70	531	585
Investments in securities (Note 4)	10,078	11,371	83,848
Goodwill	4,447	5,702	36,994
Long-term loans	933	955	7,762
Guarantee deposits	5,843	6,187	48,611
Prepaid pension costs (Note 9)	—	253	—
Deferred tax assets (Note 7)	2,564	1,030	21,329
Deferred tax assets for revaluation of land	212	212	1,762
Other	10,533	7,557	87,636
Allowance for doubtful accounts	(1,029)	(903)	(8,559)
Total investments and other assets	33,651	32,895	279,968
Total assets	¥142,322	¥131,551	\$1,184,045

See Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Bank loans (Note 6)	¥ 2,407	¥ 2,201	\$ 20,028
Current portion of long-term debt (Note 6)	9,735	5,759	80,987
Notes and accounts payable	19,994	16,596	166,340
Deposits received	—	2,567	—
Allowance for bonuses to employees	1,944	1,862	16,170
Income taxes payable (Note 7)	3,438	2,345	28,604
Other current liabilities	9,496	7,061	79,000
Total current liabilities	47,014	38,391	391,129
Non-Current Liabilities:			
Long-term debt (Note 6)	28,045	28,124	233,320
Allowance for retirement benefits to employees (Note 9)	1,040	1,314	8,651
Other	476	322	3,961
Total non-current liabilities	29,561	29,760	245,932
Minority Interests	4,835	4,596	40,225
Shareholders' Equity:			
Common stock			
Authorized: 82,400 thousand shares			
Issued and outstanding: 43,782 and 43,780 thousand shares in 2003 and 2002, respectively	21,338	21,337	177,523
Additional paid-in capital	20,667	20,665	171,938
Retained earnings (Note 12)	20,492	17,844	170,485
Loss on revaluation of land	(1,528)	(1,528)	(12,710)
Unrealized gain on available-for-sale securities	107	557	883
Foreign currency translation adjustments	(158)	(70)	(1,312)
	60,918	58,805	506,807
Treasury stock, at cost: 2,200 and 400 shares in 2003 and 2002, respectively	(6)	(1)	(48)
Total shareholders' equity	60,912	58,804	506,759
Total liabilities and shareholders' equity	¥142,322	¥131,551	\$1,184,045

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Income

TIS Inc. and its consolidated subsidiaries

For the years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Net sales	¥164,585	¥146,908	¥141,398	\$1,369,259
Cost of sales (Notes 8 and 9)	134,462	120,885	115,918	1,118,648
Gross profit	30,123	26,023	25,480	250,611
Selling, general and administrative expenses (Notes 8, 9 and 10)	19,400	17,215	17,844	161,402
Operating income	10,723	8,808	7,636	89,209
Other income (expenses):				
Interest and dividend income	198	141	250	1,645
Interest expenses	(101)	(85)	(135)	(838)
Gain on sale of investments in securities	246	899	4,377	2,045
Valuation loss on investments in securities	(1,405)	(937)	(1,253)	(11,685)
Loss on disposal of fixed assets, net	(261)	(552)	(638)	(2,169)
Bond issuance expenses	—	—	(368)	—
Expense for conversion of convertible bonds	0	(3)	(14)	0
Expense for head office relocation	—	—	(232)	—
Equity in net loss of affiliates	(15)	(249)	(322)	(125)
Amortization of goodwill	(405)	—	—	(3,373)
Provision for allowance for doubtful accounts	(137)	(351)	(110)	(1,136)
Gain from the transfer of the substitution portion of the employee pension fund liabilities	444	—	—	3,692
Reversal of allowance for retirement benefits to employees on the revision of retirement benefit plan for employees	255	—	—	2,121
Restructuring charges in affiliates	(980)	—	—	(8,152)
Write-off of bad debts	—	—	(34)	—
Gain on contribution of securities to pension fund	—	—	761	—
Cumulative effect of accounting change in retirement benefits (Note 9)	—	—	(2,067)	—
Other, net	(427)	(434)	114	(3,553)
	(2,588)	(1,571)	329	(21,528)
Income before income taxes and minority interests	8,135	7,237	7,965	67,681
Income taxes (Note 7):				
Current	5,692	4,140	4,567	47,358
Deferred	(1,501)	(523)	(1,046)	(12,487)
	4,191	3,617	3,521	34,871
	3,944	3,620	4,444	32,810
Minority interests	(248)	(11)	172	(2,063)
Net income	¥ 3,696	¥ 3,609	¥ 4,616	\$ 30,747
		Yen		U.S. dollars
Per share (Note 2(n)):				
Net income —basic	¥81.88	¥82.43	¥106.06	\$0.68
—diluted	74.35	75.32	99.29	0.62
Cash dividends applicable to the year	22.00	20.00	20.00	0.18

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Retained Earnings

TIS Inc. and its consolidated subsidiaries

For the years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Retained earnings at beginning of year	¥17,844	¥15,302	¥11,366	\$148,452
Increase due to change in scope of consolidation	—	—	17	—
	17,844	15,302	11,383	148,452
Appropriations				
Cash dividends	(920)	(963)	(607)	(7,649)
Directors' and corporate auditors' bonuses	(108)	(104)	(90)	(901)
Decrease in retained earnings due to change in investment in affiliates under the equity method	(20)	—	—	(164)
Net income	3,696	3,609	4,616	30,747
Retained earnings at end of year	¥20,492	¥17,844	¥15,302	\$170,485

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TIS Inc. and its consolidated subsidiaries

For the years ended March 31, 2003, 2002 and 2001

Thousands of
U.S. dollars
(Note 3)

	Millions of yen			
	2003	2002	2001	2003
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 8,135	¥ 7,237	¥ 7,965	\$ 67,681
Depreciation	7,152	7,448	6,973	59,497
Bond issuance expenses	—	—	368	—
Loss on revaluation of membership rights	40	38	293	332
Increase in allowance for doubtful accounts	100	426	107	835
(Decrease)/Increase in allowance for retirement benefits	(37)	(599)	1,388	(304)
Amortization of goodwill	1,911	887	826	15,900
Interest and dividend income	(198)	(141)	(250)	(1,645)
Interest expenses	101	85	135	838
Equity in net loss of affiliates	15	249	322	125
Loss/(Gain) on sales and/or unrealized loss of investments in securities	1,160	41	(3,564)	9,650
Loss on sales and/or disposal of property and equipment, and intangible assets	241	552	639	2,006
Restructuring charges in affiliates	637	—	—	5,295
Increase in notes and accounts receivable	(4,674)	(2,416)	(2,618)	(38,885)
Decrease/(Increase) in inventories	321	(349)	221	2,671
Increase/(Decrease) in notes and accounts payable	3,165	(450)	4,041	26,328
(Decrease)/Increase in other operating liabilities	(1,651)	(2,873)	447	(13,738)
Other, net	553	578	(205)	4,604
Subtotal	16,971	10,713	17,088	141,190
Interest and dividend income received	167	147	253	1,395
Interest expenses paid	(98)	(70)	(101)	(815)
Income taxes paid	(4,599)	(5,295)	(2,691)	(38,265)
Net cash provided by operating activities	12,441	5,495	14,549	103,505
Cash flows from investing activities:				
Payments for deposit of time deposits	(343)	(396)	(711)	(2,856)
Proceeds from withdrawal of time deposits	366	629	1,301	3,049
Proceeds from sales/redemption of securities	—	—	3,000	—
Acquisitions of property and equipment	(6,342)	(6,936)	(12,819)	(52,765)
Acquisitions of intangible assets	(1,233)	(2,515)	(1,046)	(10,256)
Acquisitions of investments in securities	(1,516)	(5,065)	(2,580)	(12,613)
Proceeds from sales/redemption of investments in securities	1,103	3,193	3,129	9,176
Acquisitions of newly consolidated subsidiaries	—	(448)	(5,415)	—
Additional investments in a consolidated subsidiary	(1,581)	(458)	—	(13,150)
Loans offered	(6)	(7)	(24)	(50)
Proceeds from collection of loans receivable	43	45	1,041	355
Payments for other investments	(3,771)	(255)	(556)	(31,368)
Proceeds from collection of other investments	563	370	426	4,684
Other, net	26	38	10	214
Net cash used in investing activities	¥ (12,691)	¥ (11,805)	¥ (14,244)	\$ (105,580)
Cash flows from financing activities:				
Increase/(Decrease) in short-term debt, net	197	176	(6,780)	1,641
Proceeds from long-term debt	10,550	9,600	5,100	87,770
Repayments of long-term debt	(6,641)	(6,293)	(8,341)	(55,253)
Proceeds from issuing bonds	—	—	14,632	—
Capital injection by minority shareholders	1,128	—	598	9,384
(Acquisition)/Sales of Treasury stock, net	(4)	(1)	13	(35)
Dividends paid	(1,045)	(1,050)	(611)	(8,693)
Net cash provided by/(used in) financing activities	4,185	2,432	4,611	34,814
Effect of exchange rate changes on cash and cash equivalents	(54)	104	(38)	(452)
Net increase/(decrease) in cash and cash equivalents	3,881	(3,774)	4,878	32,287
Cash and cash equivalents at beginning of year	15,688	19,462	14,584	130,515
Decrease due to exclusion from consolidation	(185)	—	—	(1,540)
Cash and cash equivalents at end of year (Note 2 (b))	¥ 19,384	¥ 15,688	¥ 19,462	\$ 161,262
Major non-cash transactions:				
Convertible bonds converted into common stock	¥ —	¥ 16	¥ 590	\$ —
Convertible bonds converted into additional paid-in capital	—	16	590	—
Decrease in convertible bonds	¥ —	¥ 33	¥ 1,180	\$ —

See Notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TIS Inc. and its consolidated subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by TIS Inc. ("the Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Commercial Code, the Securities Exchange Law and other applicable rules and regulations in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of six overseas consolidated subsidiaries are based on their financial statements prepared in conformity with accounting principles and practices generally accepted in the respective countries in which the subsidiaries have been incorporated.

Certain items presented in the consolidated financial statements filed with the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Significant Accounting Policies

(a) Principles of consolidation

The Company had 20 subsidiaries (controlled or majority-owned companies) as of March 31, 2003 and 2002. The consolidated financial statements include the accounts of the Company and all of its subsidiaries (together referred to as "the Group").

Overseas consolidated subsidiaries have adopted accounting principles generally accepted in their respective countries and no adjustments have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan. The accounts of overseas subsidiaries whose fiscal year-ends are December 31 are included in the consolidated financial statements after making appropriate adjustments for any material transactions during the period between January 1 and March 31.

For the purposes of preparing the consolidated financial statements, all intercompany transactions, account balances and unrealized profits among the Group have been eliminated.

All assets and liabilities of consolidated subsidiaries are valued to fair market value as of the date of establishment of control.

The excess of the cost of investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary, has been recorded as goodwill on the consolidated balance sheets and has been amortized over five years.

The Company had goodwill recognized at an acquisition of Systems Engineering Laboratory Co., Ltd., a consolidated subsidiary of the Company, as of March 31 2002. As the Company determined that the goodwill was impaired, the Company fully amortized the goodwill in the amount of ¥405 million for the year ended March 31, 2003.

The six affiliates are accounted for using the equity method.

(b) Cash and cash equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Cash and cash equivalents as of March 31, 2003 and 2002, are as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Cash and time deposits	¥17,584	¥13,531	\$146,289
Marketable securities	1,967	2,360	16,364
Total	19,551	15,891	162,653
Time deposits with original maturity over three months	(167)	(203)	(1,391)
Cash and cash equivalents	¥19,384	¥15,688	\$161,262

(c) Valuation of securities

Other securities for which market quotations are available are stated at fair value prevailing at the end of the fiscal year. Net unrealized gains or losses on those securities are reported as a separate component of shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

(d) Derivatives valuation

Derivative financial instruments are valued at fair value.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential to be paid or received under the swap agreements are accrued and included in interest expense or income. This is permitted under accounting principles generally accepted in Japan.

(e) Allowance for doubtful accounts

An allowance for doubtful accounts is made against potential losses on collection at an amount measured using historical default ratio, plus an amount individually measured on collectibility of receivables that are expected to be uncollectible due to bad financial condition or insolvency.

(f) Allowance for bonuses to employees

An allowance for bonuses to employees is determined by certain consolidated subsidiaries based on estimated bonuses to be paid to employees.

(g) Inventories

Merchandise is stated at cost, determined by the first-in first-out method. Work in process is determined by the specific cost method.

Supplies are determined by the last purchase cost method.

(h) Property and equipment

Buildings and structures have been depreciated using the straight-line method; machinery and equipment have been depreciated using the declining-balance method at rates based on the estimated useful lives of the assets. Equipment for lease has been depreciated using the straight-line method over the lease period. Repair and maintenance costs are charged to income when incurred.

(i) Computer software included in Investments and Other Assets—Other

The Company amortized expenses related to development activities of computer software as follows:

(i) Computer software for internal use

Capitalized costs are amortized using the straight-line method over its estimated useful life, which is in the range of three to five years.

(ii) Computer software for sale

Capitalized costs are amortized based on the higher ratio of current year sales divided by total estimated sales or ratio on a straight-line basis over an estimated sales period of three years.

(j) Accounting for leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(k) Allowance for retirement benefits to employees

The allowance for retirement benefits of the Company as of March 31, represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized actuarial differences are amortized on a straight-line basis over eight to 10 years from the next year in which they arise. Prior service costs are fully charged to income when incurred.

Following the enactment of the Welfare Pension Insurance Law in Japan, on January 30, 2003, the TIS Group Employee Pension Fund, which the Company and its domestic consolidated subsidiaries participate in, obtained approval from Japan's Ministry of Health, Labor and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company and its domestic consolidated subsidiaries operate on behalf of the government (the so-called substitutional portion).

The Company applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labor and Welfare. The amount of plan assets to be returned was ¥4,265 million (\$35,482 thousand) as of March 31, 2003.

Effective March 31, 2003, Qualica, Inc, a consolidated subsidiary of the Company, made a plan amendment of the defined benefit plan and also newly applied a defined contribution pension plan for a certain part of the defined benefit plan. As a result, Qualica, Inc., recorded reversal of allowance for retirement benefits to employees on the revision of the retirement benefit plan for employees in the amount of ¥255 million for the year ended March 31, 2003.

(l) Income taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(m) Appropriation of retained earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including cash dividend payments) proposed by the Board of Directors should be approved by the shareholders' meeting, which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated statements of income and retained earnings represents the results of such appropriations, which are applicable to the immediately preceding financial year, but were approved by the shareholders' meeting and disposed of during that year.

Dividends are paid to shareholders on the shareholders' register at the end of each financial year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income of the year, and constitute a part of appropriations cited above.

(n) Net income and cash dividends per share

Net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the respective years. Fully diluted net income per share reflects the potential dilution that could occur if convertible bonds were fully converted into common stock.

Effective from the year ended March 31, 2003, the Company and its domestic subsidiaries adopted the Financial Accounting Standard No.2 "Financial Accounting Standards for Earnings per Share" and the Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standards for Earnings per Share" issued by the Accounting Standards Board of Japan on September 25, 2002.

Basis for the calculation of net income per share is as follows:

Net income per share

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2003	2003
Net income	¥3,696	\$ 30,747
Less: Components not pertaining to common shareholders		
Directors' and corporate auditors' bonuses	(112)	(923)
Net income pertaining to common shareholders	¥3,584	\$(29,824)
Average outstanding shares of common stock	43,780 thousand shares	

Net income per share (fully diluted)

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2003	2003
Adjustment to net income:		
Interest expenses (net of tax)	¥40	\$336
Increase number of shares:		
Convertible bonds	4,980 thousand shares	

By applying the new accounting standard methods, the amounts of net income per share for fiscal 2002 would be calculated as follows:

	Millions of yen
	2002
Per share:	
Net income—basic	¥79.85
—diluted	72.99

Cash dividends per share, shown for each year, represent dividends approved by the shareholders and paid during the respective years.

(o) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net income for the period.

Assets and liabilities of the overseas subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" under shareholders' equity.

(p) Hedge accounting

Group companies use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are principally utilized by Group companies to reduce the risks arising from the factors mentioned above. Group companies do not enter into derivatives for trading or speculative purposes.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential to be paid or received under the swap agreements are accrued and included in interest expense or income. This is permitted under accounting principles generally accepted in Japan.

(q) Consumption tax

The consumption tax withheld by the Company on revenues and the consumption tax paid by the Company on purchases of goods and expenses are recorded as an asset or a liability and not included in the respective account items in the statements of income.

(r) Reclassification of accounts

Certain prior years' amounts have been reclassified to conform to the current year's presentation.

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.20=U.S.\$1, the rate of exchange on March 31, 2003, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Marketable Securities and Investments in Securities

(1) The cost, book value and unrealized gain or loss for other securities with fair value as of March 31, 2002 and 2003, were as follows:

		Millions of yen		
		2002		
	Description	Acquisition cost	Book value (Fair market value)	Unrealized gain/(loss)
Case 1	Shares	¥ 280	¥1,608	¥1,328
	Others	90	91	1
		370	1,699	1,329
Case 2	Shares	¥ 842	¥ 605	¥ (237)
	Corporate bonds	550	546	(4)
	Others	760	484	(276)
		2,152	1,635	(517)
Grand total		¥2,522	¥3,334	¥ 812

		Millions of yen			Thousands of U.S. dollars (Note 3)		
		2003			2003		
	Description	Acquisition cost	Book value (Fair market value)	Unrealized gain/(loss)	Acquisition cost	Book value (Fair market value)	Unrealized gain/(loss)
Case 1	Shares	¥ 159	¥ 667	¥ 508	\$ 1,320	\$ 5,549	\$ 4,229
Case 2	Shares	¥1,234	¥ 923	¥(311)	\$10,266	\$ 7,680	\$(2,586)
	Corporate bonds	50	50	(0)	416	415	(1)
	Others	410	359	(51)	3,408	2,987	(421)
		1,694	1,332	(362)	14,090	11,082	(3,008)
Grand total		¥1,853	¥1,999	¥ 146	\$15,410	\$16,631	\$ 1,221

Note:

Case 1: Fair market value exceeds acquisition cost.

Case 2: Fair market value does not exceed acquisition cost.

(2) Other securities sold during this fiscal year

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Proceeds from sales of available-for-sale securities	¥1,342	¥2,451	\$11,167
Realized gain	247	1,076	2,059
Realized loss	(3)	(180)	(22)

(3) Book value of major securities without fair value as of March 31, 2002 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Unlisted stocks	¥ 8,079	¥ 8,097	\$67,217
Commercial paper	—	1,000	—
MMF, etc.	1,967	1,166	16,364
Mid-term JGB fund	—	103	—
	¥10,046	¥10,366	\$83,581

(4) Schedule for redemption of other securities with maturity as of March 31, 2003.

	Millions of yen			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Corporate bonds	—	50	—	—

	Thousands of U.S. dollars (Note 3)			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Corporate bonds	—	415	—	—

5. Inventories

Inventories at March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Merchandise	¥ 843	¥ 1,139	\$ 7,012
Work in process	2,828	2,850	23,528
Supplies	27	43	228
	¥3,698	¥ 4,032	\$30,768

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans are principally unsecured notes payable to banks generally due in one year.

It is normal business custom in Japan for short-term borrowings to be rolled over each year.

Long-term debt at March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Loans principally from banks and other financial institutions, with an average interest rate 1.72% and 2.25%, respectively	¥19,368	¥15,468	\$161,128
0.4% Unsecured convertible bonds, due 2004	3,413	3,416	28,395
0.3% Unsecured convertible bonds, due 2007	9,999	9,999	83,186
0.2% Unsecured convertible bonds, due 2005	5,000	5,000	41,597
	37,780	33,883	314,306
Less: current portion of long-term debt	9,735	5,759	80,986
	¥28,045	¥28,124	\$233,320

The aggregate annual maturities of the non-current portion of long-term loans at March 31, 2003, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 4)
2005	¥ 9,365	\$ 77,913
2006	3,931	32,704
2007	13,659	113,635
2008	1,090	9,068
	¥28,045	\$233,320

7. Income Taxes

The Company is subject to a number of different taxes in Japan, based on income, which in the aggregate, resulted in an effective statutory tax rate of approximately 42.0% for the years ended March 31, 2003 and 2002. Due to the change in local tax law during the year ended March 31, 2003, the effective tax rate used in the calculation of deferred tax assets and liabilities is reduced to 41.0% for the current fiscal year from 42.0% for the prior fiscal years. (See Note 7 (c)).

(a) The components of deferred tax assets and liabilities as of March 31, 2003 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Deferred tax assets:			
Accrued enterprise tax	¥ 307	¥ 225	\$ 2,555
Non-deductible portion of allowance for doubtful accounts	457	501	3,806
Non-deductible portion of allowance bonus to employees	1,544	1,108	12,844
Non-deductible portion of depreciation	309	316	2,572
Tax loss carried forward	355	512	2,955
Retirement benefits	1,310	1,464	10,900
Loss on write down of investments in shares	1,087	401	9,042
Other, net	1,047	669	8,707
	6,416	5,196	53,381
Less—Valuation allowance	(469)	(820)	(3,903)
	5,947	4,376	49,478
Deferred tax liabilities:			
Reserve for development of computer programs	307	418	2,556
Gain on contribution of securities to pension fund	307	314	2,550
Unrealized gain on available-for-sale securities	61	403	508
Amortization on unrecognized prior service costs	389	—	3,238
Gain from the transfer of the substitution portion of the employee pension fund liabilities	119	—	991
Other, net	213	470	1,773
	1,396	1,605	11,616
Net deferred tax assets	¥4,551	¥2,771	\$37,862

Deferred income taxes at March 31, 2002 and 2003, are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Current assets—Deferred income taxes	¥2,148	¥1,745	\$17,868
Other assets	2,564	1,030	21,329
Other current liabilities	(3)	(3)	(23)
Other liabilities	(158)	(1)	(1,312)
Net deferred tax assets	¥4,551	¥2,771	\$37,862

(b) The reconciliation between the statutory tax rate and the Company's effective tax rate as of March 31, 2003 and 2002, is as follows:

	2003	2002
Statutory tax rate	42.0%	42.0%
Non-deductible expense (such as entertainment expense)	1.4	1.5
Non-taxable income (such as dividend income)	(0.4)	(0.4)
Tax loss carried forward	1.1	2.6
Amortization of goodwill	9.9	5.1
Equity in net loss of affiliates	0.1	1.4
Loss on liquidation of affiliates	—	(1.6)
Valuation loss on investments in subsidiaries	(1.2)	—
Other, net	(1.4)	(0.6)
Effective tax rate	51.5%	50.0%

(c) Adjustment of deferred tax assets and liabilities due to the change in tax rate

Due to the change in local tax laws during the year ended March 31, 2003, the effective tax rate used in the calculation of deferred tax assets and liabilities is reduced to 41.0% for the current fiscal year from 42.0% for the prior fiscal years. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥40 million as of March 31, 2003, and income taxes—deferred and unrealized gain on available-for-sale securities increased by ¥39 million and ¥1 million, respectively, for the year ended March 31, 2003.

8. Leases

(a) As Lessee

The following summarizes information concerning finance leases other than those which are deemed to transfer substantially all the risks and rewards of ownership of the leased assets to the Company:

(1) Acquisition cost, accumulated depreciation and net balance as at March 31, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Acquisition costs	Accumulated depreciation	Balance	Balance
March 31, 2003				
Machinery and vehicles	¥2,392	¥ 987	¥1,405	\$11,688
Equipment	2,720	1,433	1,287	10,709
Other	69	39	30	249
	¥5,181	¥2,459	¥2,722	\$22,646
March 31, 2002				
Machinery and vehicles	¥1,211	¥ 592	¥ 619	
Equipment	1,256	745	511	
Other	130	124	6	
	¥2,597	¥1,461	¥1,136	

(2) The amount of outstanding future lease payments at March 31, 2003 and 2002, which included the portion of interest, categorized by contractual maturity

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Within one year	¥1,027	¥ 450	\$ 8,541
Over one year	1,856	743	15,443
Total	¥2,883	¥1,193	\$23,984

(3) Lease expenses, depreciation and interest expenses for the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Lease expense	¥ 988	¥637	\$8,216
Depreciation	1,021	514	8,493
Interest expenses	64	58	535

Depreciation is calculated by the straight-line method, useful life is equal to the lease term and the residual value is zero.

The amounts of outstanding future lease payments on operating leases at March 31, 2003 and 2002, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Within one year	¥23	¥ 46	\$193
Over one year	42	61	345
Total	¥65	¥107	\$538

(b) As Lessor

The following summarizes information concerning finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees:

(1) Acquisition cost, accumulated depreciation and net balance at March 31, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Acquisition costs	Accumulated depreciation	Balance	Balance
March 31, 2003				
Equipment	¥16,620	¥10,138	¥6,482	\$53,924
Software	6,919	3,930	2,989	24,866
	¥23,539	¥14,068	¥9,471	\$78,790

	Millions of yen		
	Acquisition costs	Accumulated depreciation	Balance
March 31, 2002			
Equipment	¥16,275	¥10,300	¥5,975
Software	7,890	5,040	2,850
	¥24,165	¥15,340	¥8,825

(2) The amount of outstanding future lease payments receivable at March 31, 2003 and 2002, which included the portion of interest, are categorized by contractual maturity.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Within one year	¥3,703	¥3,548	\$30,804
Over one year	6,138	5,681	51,066
Total	¥9,841	¥9,229	\$81,870

(3) Rentals received, depreciation and interest income for the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Rentals received	¥4,217	¥4,854	\$35,087
Depreciation	4,224	4,227	35,141
Interest income	500	512	4,157

9. Retirement Benefits

(1) Overview of retirement benefit plans

The Company and its consolidated subsidiaries except Qualica, Inc., have a funded contributory pension plan, a qualified pension plan and an unfunded benefit plan on a lump-sum payment basis as their defined benefits system.

Effective March 31, 2003, Qualica, Inc., a consolidated subsidiary of the Company, made a plan amendment of the defined benefit plan and also newly applied a defined contribution plan for a certain part of the defined benefit plan.

(2) Funded status

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Projected benefit obligation	¥(9,226)	¥(15,717)	\$(76,756)
Plan assets	4,484	9,578	37,306
Unfunded retirement benefits	(4,742)	(6,139)	(39,450)
Unrecognized net actuarial differences	3,702	5,078	30,799
Allowance for retirement benefits	(1,040)	(1,061)	(8,651)
Prepaid pension costs	—	(253)	—
Total	¥(1,040)	¥ (1,314)	\$ (8,651)

Certain subsidiaries calculate the projected benefit obligation by the simple method permitted under the accounting standard generally accepted in Japan.

(3) Components of the net periodic pension expense

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Service costs	¥1,420	¥1,245	\$11,812
Interest costs	412	470	3,431
Recognition of transition loss	473	286	3,935
Reduction of prior service costs (Note)	—	(1,227)	—
Expected return on plan assets	(377)	(522)	(3,140)
	1,928	252	16,038
Gain from the transfer of the substitution portion of the employee pension fund liabilities	(444)	—	(3,692)
Reversal of allowance for retirement benefits to employees on the revision of retirement benefit plan for employees	(255)	—	(2,121)
Net periodic pension expense	¥1,229	¥ 252	\$10,225

Note: Reduction was made due to revision of the relevant rules, which accelerated the date of starting payment of pension, following the amendment of the Welfare and Pension Laws in March 2000.

Following the enactment of the Welfare Pension Insurance Law in Japan, on January 30, 2003, the TIS Group Employee Pension Fund, which the Company and its domestic consolidated subsidiaries participate in, obtained approval from Japan's Ministry of Health, Labor and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company and its domestic consolidated subsidiaries operate on behalf of the government (the so-called substitutional portion).

The Company applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labor and Welfare. The amount of plan assets to be returned was ¥4,265 million (\$35,482 thousand) as of March 31, 2003.

Effective March 31, 2002, Qualica, Inc., a consolidated subsidiary of the Company, made a plan amendment of the defined benefit plan and also newly applied a defined contribution plan for certain part of the defined benefit plan. As a result, Qualica, Inc., recorded reversal of allowance for retirement benefits to employees on the revision of the retirement benefit plan for employees in the amount of ¥255 million for the year ended March 31, 2003.

(4) Major assumptions used in calculating retirement benefits

	2003	2002
Discount rates	2% to 2.5%	2% to 3%
Rate of expected return on plan assets	2% to 4.5%	2% and 4.5%
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis

(5) Cumulative effect on accounting change in retirement benefits

Effective April 1, 2000, the Company adopted the new accounting standard for retirement benefits.

The unrecognized transition losses at initial application of ¥2,067million were charged to income for the year ended March 31, 2001.

10. Supplementary Notes to the Statement of Income

The major elements of selling, general and administrative expenses for each of the three years ended March 31, 2003, are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Salaries	¥5,858	¥4,874	¥5,246	\$48,731
Bonuses	2,005	1,765	1,811	16,682
Depreciation and amortization	596	652	541	4,961
Net periodic pension expense	468	51	308	3,897
Provision for bonus reserve	266	65	123	2,217
Amortization of goodwill	1,506	887	826	12,527

11. Segment Information

(1) Industry segment information

The TIS Group responded to customer needs through the supply of a comprehensive range of information services ranging from information system planning through software development, hardware selection, and system operation. As the Group's marketing policies do not separate these operations into industry segment classifications, industry segment information is not disclosed.

(2) Geographic segment information

Since the domestic share of net income and total assets for all segments are both in excess of 90%, geographic segment information is not separately disclosed.

(3) Overseas sales

Since the overseas share of consolidated net sales was less than 10%, overseas sales information is not separately disclosed.

12. Subsequent Events

(1) Appropriation of retained earnings

On June 27, 2003, the following appropriations of retained earnings was approved at the shareholders' meeting of the Company:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Cash dividends	¥525	\$4,371
Officers' and corporate auditors' bonuses	101	840

Report of Independent Auditors

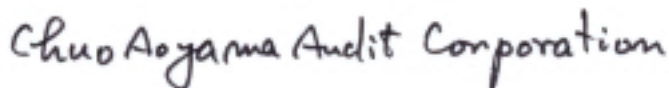
To the Board of Directors and Shareholders of TIS Inc.

We have audited the accompanying consolidated balance sheets of TIS Inc. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income and retained earnings, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in Japanese Yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TIS Inc. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.



ChuoAoyama Audit Corporation

Tokyo, Japan

June 27, 2003

Consolidated Companies

TIS System Service Inc.

Osaka Head Office:

11-30, Enoki-cho, Suita-shi, Osaka 564-0053, Japan

Tel: +81-6-6339-3036 Fax: +81-6-6386-2529

Tokyo Head Office:

Kosugi Toyo Center Bldg., 29-15, Toyo-cho 5-chome, Koto-ku, Tokyo 135-0016, Japan

Tel: +81-3-3699-1321 Fax: +81-3-3699-4500

Business activities:

Software development system operation

TIS LEASING Co., Ltd.

Head Office:

No. 2 Yanagiya Bldg., 12-8, Nihombashi 1-chome, Chuo-ku, Tokyo 103-0027, Japan

Tel: +81-3-3242-0201 Fax: +81-3-3242-0230

Osaka Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6821-7271 Fax: +81-6-6821-7003

Business activities:

Package leases for computer and computer-related equipment, industrial machinery, office machines and others

Toyo Network Services Corporation

Head Office:

Yanagiya Taiyo Bldg., 3-16, Muromachi, Nihombashi 4-chome, Chuo-ku, Tokyo 103-0022, Japan

Tel: +81-3-3271-0671 Fax: +81-3-3271-3093

Osaka Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6378-3000 Fax: +81-6-6378-3330

Business activities:

Private leased circuit services and fax-mail services

IT RESEARCH Inc.

Tokyo Office:

USC Bldg., 11-38, Toyo 4-chome, Koto-ku, Tokyo 135-0016, Japan

Tel: +81-3-5606-8081 Fax: +81-3-5606-8090

Osaka Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6821-1801 Fax: +81-6-6821-1805

Business activities:

Basic and applied research into computer use

TIS Solution Business Co., Ltd.

Osaka Head Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6339-5300 Fax: +81-6-6339-5377

Tokyo Office:

USC Bldg., 11-38, Toyo 4-chome, Koto-ku, Tokyo 135-0016, Japan

Tel: +81-3-5683-7600 Fax: +81-3-5683-7677

Business activities:

Solution services

Brandy International Inc.

Tokyo Head Office:

Toyo Ekimae Bldg., 2-20, Toyo 2-chome, Koto-ku, Tokyo 135-0016, Japan

Tel: +81-3-5683-7211 Fax: +81-3-5683-7213

Osaka Office:

Shin-Osaka Mori Bldg. No. 2, 5-36, Miyahara 3-chome, Yodogawa-ku, Osaka 532-0003, Japan

Tel: +81-6-6350-6400 Fax: +81-6-6350-6621

Business activities:

Name brand and trademark-related activities

TIS Total Service Co., Ltd.

Tokyo Head Office:

Fuji Bldg., 5-3, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan

Tel: +81-3-3276-0171 Fax: +81-3-3276-0195

Osaka Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6338-7045 Fax: +81-6-6338-9996

Business activities:

Staff services, supply services and agency operations

TIS Consulting Ltd.

Tokyo Head Office:

Suzue Bay Dium Bldg, 15-1, Kaigan 1-chome, Minato-ku, Tokyo 105-0022, Japan

Tel: +81-3-5733-1780 Fax: +81-3-5733-1781

Osaka Office:

Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan

Tel: +81-6-6821-1777 Fax: +81-6-6821-1755

Business activities:

Total integration services for ERP system implementation

TIS INFOWARE INC.

Yoshikuni-Komagata Bldg. 4-11, Komagata 2-chome, Taito-ku, Tokyo 111-0043, Japan

Tel: +81-3-5828-6631 Fax: +81-3-5828-6632

Business activities:

Internet system development and consulting business

QUALICA Inc.

29-15, Toyo 5-chome, Koto-ku, Tokyo 135-0016, Japan

Tel: +81-3-5857-8111 Fax: +81-3-5857-8118

Business activities:

Software development, system operations and solution services

Systems Engineering Laboratory Co., Ltd.

2nd Kinsmen Bldg, 23-15, Higashi-Ikebukuro 4-chome, Toshima-ku, Tokyo 170-0013, Japan

Tel: +81-3-3988-3998 Fax: +81-3-3988-5983

Plus three other offices

Business activities:

Software development and solution services

LANSA Developers Foundation Corp.

23-15, Higashi-Ikebukuro 4-chome, Toshima-ku, Tokyo 170-0013, Japan

Tel: +81-3-3988-0917 Fax: +81-3-3988-0927

Business activities:

Development and sales of the LANSA package software and product-related services

AGREX INC.

Sato Bldg., 5-2, Kitashinjyuku 1-chome,
Shinjyuku-ku, Tokyo 169-0074, Japan
Tel: +81-3-3365-3651 Fax: +81-3-3366-3072
Plus 15 other offices

Business activities:

Business process outsourcing, software solutions
and systems integration

LANSA Japan Ltd.

2nd Kinsmen Bldg, 23-15, Higashi-Ikebukuro
4-chome, Toshima-ku, Tokyo 170-0013, Japan
Tel: +81-3-3988-6861 Fax: +81-3-3988-6862

Business activities:

Software development and solution services

Systems Trust Co., Ltd.

4th Floor, ST Bldg. Yoyogi-koen, 9-19, Tomigaya
1-chome, Shibuya-ku, Tokyo 151-0063, Japan
Tel: +81-3-3466-4141 Fax: +81-3-3466-4174

Business activities:

Planning, development, design and administration
for information networking systems

TIS R&D Center, Inc.

2001 Gateway Place, Suite 360, San Jose, CA
95110, U.S.A.
Tel: +1-408-452-1560

Business activities:

Research and development

TISI (UK) Ltd.

3rd Floor, 35 Moorgate, London EC2R 6AR, U.K.
Tel: +44-20-7786-5800

Business activities:

Software development and information services

TISI (USA), Inc.

15th Floor, One Dag Hammarskjold Plaza,
885 Second Avenue, New York, NY 10017, U.S.A.
Tel: +1-212-750-2288

Business activities:

Software development and information services

TISI (HK) Ltd.

607-10, Dah Sing Financial Centre, 108 Gloucester
Road, Wanchai, Hong Kong, China
Tel: +852-2598-5112

Business activities:

Software development and information services

TIS North America Inc.

1209 Orange Street, Willmington, DE 19801,
U.S.A.
Tel: +1-408-452-1560

Business activities:

Supervision of the U.S. subsidiaries

TKSOFT SINGAPORE PTE Ltd.

135 Middle Road, #05-11 Bylands Bldg.,
Singapore 188975
Tel: +65-333-4186 Fax + 65-333-4187

Business activities:

Software development and solution services

TISI (Shanghai) Co., Ltd.

Room 1405, Qiangsheng Bldg. 145, Pujian Road,
PuDong New District, Shanghai, China
Tel: +86-21-5090-0247

Business activities:

Systems integration, package solution services
such as ERP, production management and
accounting, and Chinese customs software,
systems outsourcing

Affiliates Accounted for Under the Equity Method

**Hong Tu Financial Software
(Shanghai) Co., Ltd.**

Room 1403, Qiangsheng Bldg. 145, Pujian Road,
PuDong New District, Shanghai, China
Tel: +86-21-5889-0744 Fax: +86-21-5839-9908

Business activities:

Development and sales of software and technical
services

ENCODEx Japan Ltd.

11th Floor, Esaka Toyo Bldg., 9-1, Toyotsu-cho,
Suita-shi, Osaka 564-0051, Japan
Tel: +81-6-6190-5063 Fax: +81-6-6387-5191

Business activities:

Internet information services, licensed sales of
construction tool for web-based " ENCODEx++"

Internet GIS Inc.

7th Floor, KCA Bldg., 7-11, Kaji-cho 1-chome,
Chiyoda-ku, Tokyo 101-0047, Japan
Tel: +81-3-3526-4117 Fax: +81-3-3526-4118

Business activities:

Planning and development of geographic infor-
mation system (GIS) for mobile devices and
Internet access, application service provider
(ASP) through geographic data center, web-site
construction, consulting business and education
for GIS

M&T System Operations Co., Ltd.

29th Floor, Twin 21 MID Tower, 1-61, Shiromi
2-chome, Chuo-ku, Osaka 540-6129, Japan
Tel: +81-6-6945-4526 Fax: +81-6-6945-4534

Business activities:

Consultation and administration services for
system operation.

Hi-HO Broadband Systems, Inc

Koraibashi-Wako Bldg., 6-8, Koraibashi 1-chome,
Chuo-ku, Osaka 541-0043, Japan
Tel: +81-6-6203-7311 Fax: +81-6-6203-7321

Business activities:

Comprehensive system services including
planning, design, introduction, operation and
maintenance

e LAB

4th Floor, Sankyo Bldg., 8-5-31, Asakusabashi
3-chome, Taito-ku, Tokyo 111-0053, Japan
Tel: +81-3-5825-1100 Fax: +81-3-5825-1101

Business activities:

ASP business

Board of Directors and Auditors

As of July 1, 2003

<i>President</i>	Takao Funaki
<i>Senior Managing Directors</i>	Ryosuke Ariga
	Susumu Okamoto
	Takashi Hashimoto
<i>Managing Directors</i>	Yukio Urata
	Norio Maenishi
<i>Directors</i>	Yoichi Arama
	Toru Kuwano
	Nobuyoshi Sasaki
	Shigeru Mikawa
	Mitsushi Nishida
	Kazunori Kawasaki
	Yasuaki Kawamura
	Tatsuya Nishiyama
	Yasuo Goto
<i>Directors (non-full-time)</i>	Hiroaki Fujimiya
	Yoshiyuki Uenishi
	Satoshi Miyamoto
<i>Standing Corporate Auditor</i>	Naoki Kimura
<i>Corporate Auditors</i>	Yoshinobu Tanaka
	Kentaro Fukumoto
	Eisuke Ito

Corporate Data

As of March 31, 2003

<i>Corporate Name</i>	TIS Inc. http://www.tis.co.jp
<i>Established</i>	April 1971
<i>Tokyo Head Office</i>	TIS Takeshiba Bldg., 14-5, Kaigan 1-chome, Minato-ku, Tokyo 105-8624, Japan Tel: +81-3-5402-2111 Fax: +81-3-5402-2412
<i>Osaka Head Office</i>	Esaka Toyo Bldg., 9-1, Toyotsu-cho, Suita-shi, Osaka 564-0051, Japan Tel: +81-6-6385-0888 Fax: +81-6-6821-1991
<i>Operation Centers</i>	Tokyo No. 1-3 Operation Center: Koto-ku, Tokyo, Japan Osaka Operation Center: Suita-shi, Osaka, Japan
<i>Number of Employees</i>	2,412 (including seconded staff)
<i>Paid-in Capital</i>	¥21,338 million
<i>Common Stock</i>	Authorized: 82,400,000 shares Issued: 43,781,000 shares
<i>Number of Shareholders</i>	12,241
<i>Listings</i>	Tokyo Stock Exchange, Osaka Securities Exchange
<i>Transfer Agent</i>	UFJ Trust Bank Limited 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
<i>Independent Certified Public Accountants</i>	ChuoAoyama Audit Corporation

All company and product names indicated in this report are registered trademarks.

Brief History of TIS

Apr. 1971	▶ Toyo Information Systems Co., Ltd., established in Osaka with capital of ¥600 million. Software development service begun.
Aug. 1973	▶ Head Office building completed in Suita, Osaka Prefecture. Full-scale mainframe time-sharing service and online transaction processing service started.
Oct. 1975	▶ Merger with Toyo Computer Service Co., Ltd., effected. Tokyo Branch (now Tokyo Head Office) established. Full-scale entry into Tokyo metropolitan area achieved.
July 1976	▶ Fukuoka Branch Office established (now Kyushu Branch Office).
Nov.	Toyo Data Services Co., Ltd., established (now TIS System Service Inc. (TSS)).
Oct. 1980	▶ Awarded the Ministry of International Trade and Industry (MITI) Award for Contributions to the Development of Information Systems.
Dec. 1984	▶ Tokyo Operation Center completed in Koto-ku, Tokyo.
Nov. 1987	▶ Stock listed on the Second Section of the Osaka Securities Exchange. Registered with the Ministry of Posts and Telecommunications as a special type 2 telecommunications carrier.
July 1988	▶ Wholly owned subsidiary TIS R&D Center, Inc., established in California.
Dec.	Authorized as system integrator by MITI.
Dec. 1989	▶ Wholly owned subsidiary TISI (UK) Ltd. established in London.
Feb. 1990	▶ Stock listed on the Second Section of the Tokyo Stock Exchange.
Apr.	Registered with the Ministry of Posts and Telecommunications as a special international type 2 telecommunications carrier.
Jan. 1991	▶ Wholly owned subsidiary TISI (USA), Inc., established in New York.
Aug.	Wholly owned subsidiary TISI (HK) Ltd. established in Hong Kong.
Sep.	Stock listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Oct. 1993	▶ TIS Solution Business Co., Ltd., established.
Feb. 1995	▶ Brandy International Inc. (BII) established.
Mar.	Authorized as a system operator by MITI. Full-scale entry into Internet business effected.
Aug.	ISO 9001 certification received.
May 1997	▶ Osaka Head Office moved.
Dec.	TIS and Origin Consulting Ltd. (T&O) established.
Dec. 1998	▶ First convertible bonds (given "A" credit rating) issued.
Mar. 2000	▶ 34.2% stock ratio of Agrex Inc. acquired.
Apr.	65% share of Komatsu Soft Ltd. acquired.
Jan. 2001	▶ Official corporate name changed to TIS Inc. Tokyo Head Office moved.
Apr.	30th anniversary celebrated. Full-scale iDC services begun at Tokyo No. 2 and No. 3 Centers.
Sep.	51.0% stock ratio of Systems Engineering Laboratory Co., Ltd. (SEL), acquired.
Oct.	TIS System Service Inc. (TSS) and TIS System Management Inc. (TSM) merged into TSS.
Feb. 2002	▶ 57.74% share of Agrex Inc. acquired, making it a subsidiary (ownership: 50.04% after going public in April 2002).
Mar.	TIS and Origin Consulting Ltd. (T&O) name changed to TIS Consulting Ltd. and made a wholly owned subsidiary of TIS.

