

TIS INTEC Group Value Creation Process

We will balance efforts to realize a sustainable society with efforts to achieve sustainable improvement in corporate value by leveraging unified Group management.

Management Philosophy	TIS INTEC Group Philosophy OUR PHILOSOPHY	Mission: To brightly color the future as a mover	P.2
Vision	Group Vision 2026 (2026 Corporate ideal) "Create Exciting Future"	Utilizing leading-edge technology and know-how to realize business innovation and market creation	P.22

Management Resources
Diverse workforce

Number of employees (consolidated basis) (As of March 31, 2020)
19,744

High technological capabilities

Ample experience and know-how

Extensive service menu

Aggregate number of solutions (As of March 31, 2020)
About 500

State-of-the-art outsourcing network in Japan

Broad customer base

Number of clients (As of March 31, 2020)
About 15,000 companies in Japan

Solid financial position

Net assets (Year ended March 31, 2020)
¥ 247.9 billion

Equity ratio (Year ended March 31, 2020)
63.3 %

Rating (Long-term) (At November 15, 2019)
A / stable

etc

Materiality
P.17

Create a society in which diverse human resources are engaged and thrive

3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Create a comfortable society through innovation and joint activities

3 GOOD HEALTH AND WELL-BEING 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 13 CLIMATE ACTION

Create a safe society through high-quality services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Enhance corporate governance and earn the trust of society

5 GENDER EQUALITY 10 REDUCED INEQUALITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABLE DEVELOPMENT GOALS

Management strategies/measures for sustainable growth
Medium-Term Management Plan (2018–2020)
"Transformation to 2020" P.21

TIS INTEC Group Business Activities
Providing optimum, one-stop support across client system lifecycles and all types of IT-related services

Everything from system operation to full business process outsourcing (BPO)

Consulting services Helping clients use IT to raise business value

System integration services Providing one-stop access to systems perfectly matched to client needs

Research into and access to leading-edge technology Always on a quest for the latest IT technology to provide systems a step ahead of expectations

IT platform configuration services Building safe and secure computer networks, from host to public cloud, matched to client needs

Contract development style Provide systems matched to client requirements

Service offering style Provide services that anticipate client needs

Service IT Business P.43

BPO P.44

Financial IT Business P.45

Industrial IT Business P.46

Systems to support sustainable growth

Corporate Governance ————— **P.48**

Risk Management ————— **P.63**

Quality Control, Product Innovation — **P.65**

Secure growth opportunities fueled by trust and fulfilling expectations

Improve value exchange through virtuous cycle

Help solve social issues through use of digital technology

Value provided to society

Make society's wishes come true through IT.

Economic value (Fiscal 2020)

Net sales **¥443.7 billion**

Operating income **¥44.8 billion**

ROE **12.5 %**

Social value

Shareholders and Investors

- Sustainable improvement in shareholder value and return to shareholders
- Highly transparent disclosure
- Engaging in constructive dialogue

Clients

- Provide the best services
- Plan/propose new application formats for IT
- Lead/support realization of vision and strategies

Business Partners

- Create new added-value
- Fair, transparent, open competition and appropriate business practices
- Responsible procurement

Employees

- Provide opportunities for growth and personal development
- Provide environment that is safe and comfortable
- Promote diversity

Community / Society

- Provide systems that support a high-level information society
- Living life feeling safe and secure
- Reduce environmental impact



Toru Kuwano,
Chairman and President

桑野 徹

As a mover using digital technology, we will transform into a company that takes the lead in delivering solutions to social issues.

Toru Kuwano, TIS President and Chairman, talks about the progress under the Medium-Term Management Plan (2018–2020), future initiatives and the social role of the TIS INTEC Group in a post-COVID-19 world.

Q1. TIS realized the four key performance indicators (KPIs) set for the last year of the Medium-Term Management Plan (2018–2020) in fiscal 2020, ended March 31, 2020. This was a year ahead of schedule. How do you evaluate the results achieved over the first two years of the plan?

We saw success through transition to an operating holding company and progress on unified Group management.

Currently, the TIS INTEC Group is working through the Medium-Term Management Plan (2018–2020)—the first step toward achieving Group Vision 2026—under the concept “Transformation to 2020—Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues.” We promoted various measures, underpinned by a basic policy of constant, rapid transformation through sustainable profit growth, an emphasis on employee self-fulfillment, a concentration on core businesses, a shift to prior investment style of business development and expanded global business. The success of these measures is reflected in the fact that we reached the four KPI targets—strategic domain sales ratio of 50%, operating income of ¥43 billion, operating margin of 10% and ROE of 12%—set for the final year of the current medium-term plan a year ahead of schedule. And we were successful, I feel sure, because of unified Group management, driven by the strong leadership of TIS, which became an operating holding company through Group restructuring in July 2016. By promoting various measures expeditiously and widely throughout the Group and getting everyone actively behind these measures, driven by an emphasis on profitability, we held unprofitable projects to a low level. In addition, we welcomed a major improvement in the gross profit margin—up from around 18% before TIS became an operating holding company to around 24% as of fiscal 2020—which created tremendous momentum and propelled us toward an operating margin of 10%. Not everything unfolded as expected, but areas where we made great strides forward were sufficient to effectively offset areas where we still have room for improvement. Overall, we carried out robust prior investment while elevating our position to a level that compares favorably with top-ranked companies in our industry. I feel we made wonderful progress in enhancing our corporate capabilities.

We are moving vigorously forward on prior investment but must address profitability in service-style business.

Under the Medium-Term Management Plan (2018–2020), we are taking a vigorous approach on growth investment, to the tune of ¥80 billion over three years, to promote structural transformation. We have tapped a total of ¥30 billion for software investment to create new services, human resources investment to fuel structural transformation and R&D investment to acquire advanced technologies, and ¥50 billion for investment, including M&As, to grow strategic domains. Of these applications, software investment to create new services that will underpin service-style business, such as credit SaaS, exceeds initial plans, as we constantly work to develop growth engines for the future. In addition, investment to expand business activities in strategic domains has emphasized alliances with leading companies in terms of marketing channels and technologies as we seek to become a top-class IT group in the ASEAN region. A recent highlight of this investment focus is the capital and business alliance formed in February 2020 with Grab Holdings Inc., a top-class ASEAN super app. These are the components of a more extensive operating presence in the ASEAN region and, I would say, mark the start of a dramatic new stage in the expansion in the scale of the Group’s overseas operations. Going forward, as the pace of activity grows, we will need to provide updates on the status of overseas expansion and other aspects of business development abroad based on concrete numerical targets.

Against this backdrop, sales by the service IT business, which consists of service-style business, are expanding favorably, particularly on demand for payment services. But this segment may have a hard time reaching its operating income and operating margin targets, and this is something we must address. A primary example of the issues currently faced is efforts to promote CreditSaaS. The start of services has been pushed back to the next medium-term management plan, paralleling certain developments, including a larger scale of investment than initially envisioned given the potential for business expansion in the future. Also, we pursued M&A opportunities from the perspective of investment into promising technology for the future but this put pressure on profits in the short term.

Going forward, our policy to vigorously promote prior investment with a view toward business growth for the future and higher corporate value will not change. But we will seek greater sophistication in investment management to facilitate careful tracking of risks and solid capture of investment returns. Through this approach, we will be able to foster growth in service-style businesses and create new markets, and we will be able to boost profitability to the next level through structural transformation.


* Service-style business: Business that delivers an unspecified number of accessible, standardized services to a certain sector/industry instead of customizing configuration and installation of standard formats, including systems, to individual requirements.
* For details on strategic domains and service-style business, please go to page 25.
* SaaS (Software as a Service): Method, service or business model for providing software through communication networks or other online channels so that the user can access and utilize the required software whenever needed.

Q2. Describe issues that must be addressed to ensure further progress in structural transformation.

We will seek greater diversification of human resources—our No.1 emphasis—and a higher level of capabilities.

I say this all the time but it really is such a key factor of success. Human resources are the Group's most valuable management resource. To truly achieve structural transformation, each and every employee must change and become stronger. With this in mind, we made our human resources strategy a priority in the Medium-Term Management Plan (2018–2020), and we are vigorously pursuing various measures in line with the personnel manifesto. As a result, we have seen a steady rise in employee motivation—an achievement that has earned positive external reviews as well.

Nevertheless, for the TIS INTEC Group to play a role in solving social issues, we must grow beyond the conventional structure of passive system engineers. We must cultivate human resources who anticipate market needs, look beyond social issues and pinpoint service requirements. These are qualities not yet prevalent among our workforce. So we will put more emphasis on personnel exchanges within the Group than before, we will encourage cooperation with various companies and organizations outside the Group, and we will welcome external expertise—people with different know-how and experience—and through this approach, employees will gain enthusiasm and awareness that effervesce, like a chemical reaction, to energize Group activities.



It is imperative that we transform into a corporate group that leads the way in finding solutions to social issues.

Brand strategy is vital, fueling motivation, attracting and keeping human resources, and boosting corporate value.

Currently, the Group is unfurling strategic brand activities. One of the trigger points for this process was an improvement in the enthusiasm that employees have for their work and for the company that they work for. The brand power that a company—or a corporate group—wields is a reflection of the trust that society places in it. Strong brand power is the indispensable fuel that will accelerate growth of the TIS INTEC Group as a truly strong corporate group. Boosting brand power will not only have a favorable impact on recruitment but also elicit greater pride among existing employees and encourage them to strive harder for success. This will perpetuate a virtuous cycle, with a highly motivated workforce delivering enhanced services, which translate into higher sales, which allow us to engage in robust business investment and attract people who have the excellent qualifications we need to keep that cycle going. In the end, we will achieve sustainable improvement in corporate value.

Q3. Describe the activities designed to deepen unified, groupwide management practices.

We will move steadily forward on common systems and core office centralization.

The TIS INTEC Group is working on the “G20” project to elevate head office functions, which will lead to enhanced management efficiency. In April 2020, we began introducing common systems groupwide and shared services. In spring 2021, we will open a new, large-scale office in Toyosu, an area of Tokyo recently attracting attention for huge commercial development projects. This office will be a new base for the Group. Bringing together the business functions of TIS and INTEC, the office will accelerate unified, groupwide management practices and reinforce cooperation from a business perspective, while the Nishi-Shinjuku office will centralize the head office functions of TIS and INTEC and enhance Group management capacity and Group governance. The Toyosu office has been designed with spacious online conference booths and other features compatible with today's new lifestyles as well as spaces where people inside and outside the Group can engage in free and open discussion. We will make effective use of facilities and the office space to best support our human resources, and this is sure to motivate people and cultivate an innovative corporate atmosphere, which in turn generates momentum.

Q4. What do you see as the Group's social role in a post-COVID-19 world, and what business opportunities and risks will characterize the new landscape?

With all aspects of society going digital, the emphasis on IT—and associated expectations—is sure to grow.

The COVID-19 pandemic has been a turning point, reshaping society in major and irreversible ways that continue to unfold. Against this backdrop, the digitization of society is expected to advance at a rapid pace. Going forward, we will analyze short-term effects on client businesses caused by the COVID-19 pandemic as well as other factors, such as climate change and natural disasters, in addition to possible medium- to long-term effects caused by changes to industry structure. The use of IT will increase like never before, becoming absolutely indispensable to companies in continuing their business activities and to people in maintaining safety and peace of mind in their daily routines. The key issue for us, then, is the kind of role we will fulfill. In that sense, I am reminded of the considerable role that the TIS INTEC Group plays in society as a mover using digital technology. This idea is conveyed in our recent genie-themed television commercial which carries the slogan “Make society's wishes come true through IT.” We will transform into a company—and by extension, a corporate group—that takes the lead in delivering solutions to social issues.

A corporation is a social system that fulfils social expectations and contributes to people's happiness via value exchange with stakeholders.

Under OUR PHILOSOPHY, a Group concept announced in January 2019, we made it our mission to fill the future—as yet an unpainted backdrop—with vibrant colors as a mover using digital technology. The meaning of “mover” implies our movement as a corporate group as well as driving changes in society through our activities.

Companies are increasingly viewed as the key to achieving the United Nations' sustainable development goals (SDGs). Given such expectations, TIS will incorporate into the next medium-term management plan strategies and measures built on businesses that have been identified in discussions by the Corporate Sustainability Committee as having the potential to contribute solutions to social issues. Our goal is to leverage activities as only the TIS INTEC Group can to realize a sustainable society.

Integral to these activities is an idea contained within OUR PHILOSOPHY—“A corporation is a social system that fulfils social expectations and contributes to people's happiness via value exchange with stakeholders.” Seeing a corporation as a public instrument, we will not promote business expansion merely in pursuit of economic gain but rather emphasize business activities that help solve social issues at home and abroad, generate social value, meet society's expectations and contribute to people's happiness. Once we accomplish this, we will achieve truly sustainable growth as a corporate group and boost corporate value.

Everyone under the TIS INTEC Group umbrella—directors and employees alike—will continue to work as a cohesive team. I ask for the continued support of all stakeholders as we travel toward future success together.

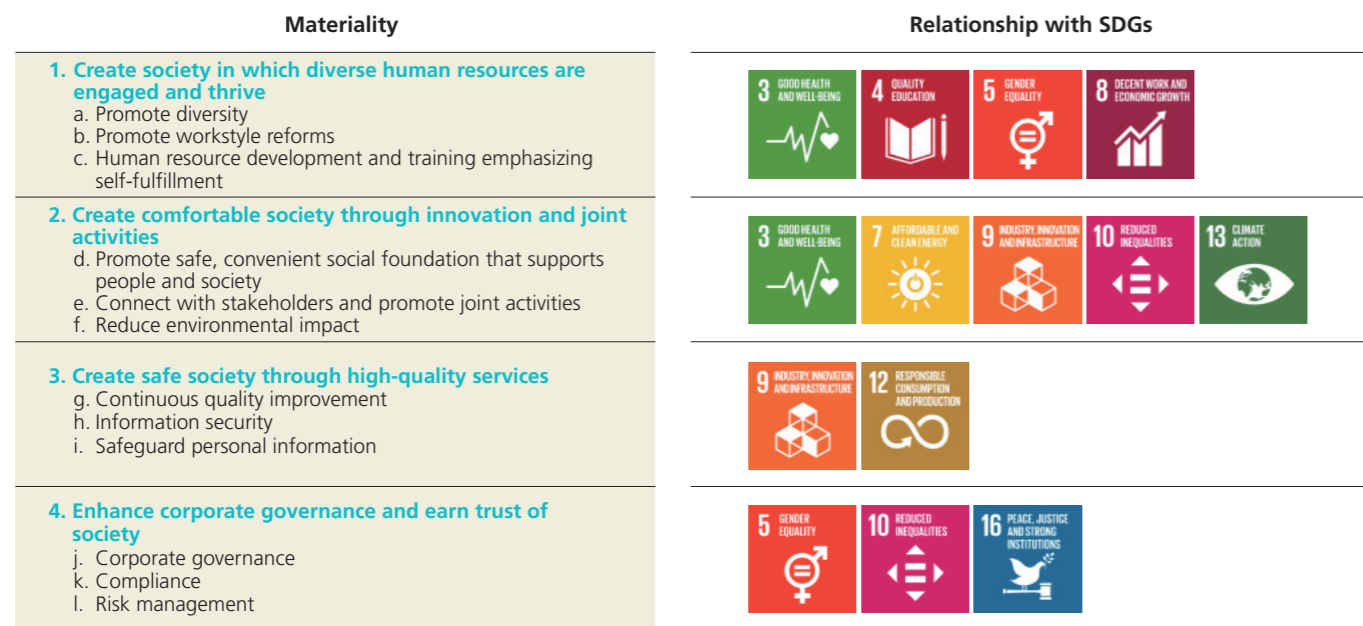
Seeking to deepen sustainability management

In OUR PHILOSOPHY, the Group's basic philosophy, a corporation is defined as "a social system that contributes to realization of social expectations as well as people's happiness through value exchange with stakeholders." Guided by this philosophy, we will strive to deepen sustainability management to realize a sustainable society.

Materiality (Key Issues) for TIS INTEC Group

TIS identified materiality for the Group, taking into account the expectations of stakeholders, impact on society and strengths of the Group, and clarified priority themes where efforts would be focused.

The TIS INTEC Group will contribute to the achievement of the United Nations' social development goals (SDGs) through initiatives that address materiality.



TIS engages in dialogue with external experts to confirm the appropriateness of Group materiality and assessment of the importance assigned to each materiality theme. For details, follow the link below.
<http://www.tis.com/group/csr/gcsr/materiality/#dia>

Sustainable Development Goals

These international goals, running from 2016 to 2030, are described in the 2030 Agenda for Sustainable Development, adopted at the U.N. Summit in September 2015. The agenda comprises 17 goals and 169 targets aimed at putting the world on a sustainable path and pledges that no one will be left behind. To achieve these objectives, companies are expected to participate as vital partners, contributing to the SDGs through their respective core businesses.



Takayuki Kitaoka, Director Sustainability Project Team Manager

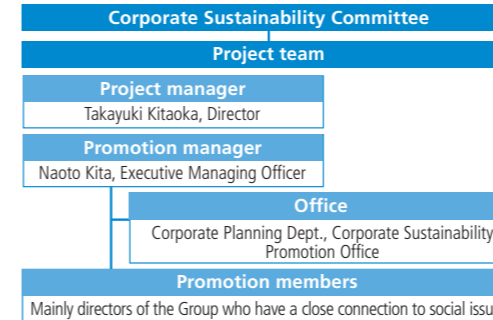
We are keenly aware of our social responsibilities and will contribute to value creation from a long-term perspective.

In OUR PHILOSOPHY, TIS has defined a company as a social system that contributes to happiness. As an extension of this definition, the TIS INTEC Group has an obligation to face social issues head-on and present solutions to them through business activities. At the same time, we recognize that our ability to do this requires sustainable growth of the Group itself and improved corporate value. Conscious of this, the Sustainability Project Team imagines what the world might be like in 2030 and 2050, backcasting from those points in time to consider how best to demonstrate the Group's capabilities and potential to find solutions to social issues. This approach—to connect an ultra-long-term view with actual business know-how—was a first for

TIS INTEC Group welcomes start of Sustainability Project

The Sustainability Project was formed to promote a more in-depth approach to finding solutions to social issues and to unifying management within the TIS INTEC Group. Through this project team, TIS will pinpoint social issues and business domains where efforts will be focused over the long term. These issues and domains will be integrated into the next medium-term management plan.

Promotion structures of project team



Approaches



World in 2050

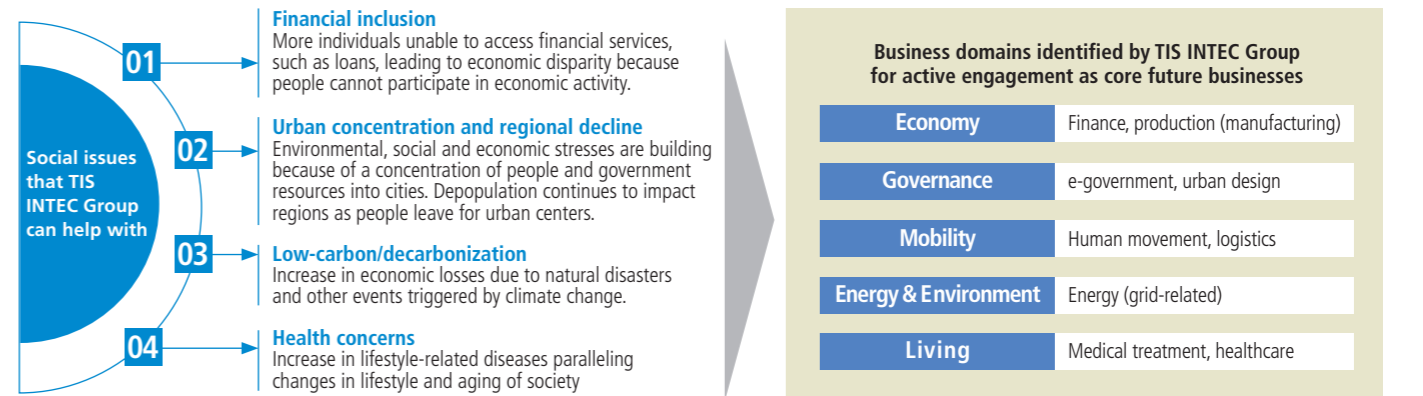
In making assumptions for 2050, we took into account 24 political, economic and social themes, in parallel with technological progress and the impact that such advances might have, and performed PEST analysis.

Results of PEST Analysis

Politics	<ul style="list-style-type: none"> Predict pension and social security system failure due to changing demographics Trend to limit impact of corporate activities on society, with tougher restrictions on use of fossil fuels and use of resources as measures to deal with climate change
Economy	<ul style="list-style-type: none"> Hub of global economy will shift to emerging countries of Asia that continue to enjoy high economic growth Disparity between countries will shrink, paralleling economic growth, but personal income gap will widen
Society	<ul style="list-style-type: none"> Population growth is particularly noticeable in Asia, where the benefits of economic progress have extended average life expectancy and produced an aging society Technological innovation is fueling economic growth in urban areas while regional economies, impacted by a decrease in population and little promise of a demographic turnaround, are in decline
Technology	<ul style="list-style-type: none"> Technological innovation will accelerate, technological breakthroughs will become more frequent, and technology will have a major impact on political, economic and social activity

TIS INTEC Group activity trajectory

- Identify four social issues where we have the expertise to apply to solutions, based on long-term trends
- Seek to create core businesses for medium to long term, and identify five business domains of particular interest
- Work with business partners to create new value



Providing safe, convenient social platforms for people and society

The TIS INTEC Group provides safe, convenient solutions to various daily life predicaments through technology and experience built over many years, and contributes to the realization of a resilient society.



Cashless

Convenient and smart cashless payments that eliminate the hassle of paying with coins and bills. We will realize smooth, safe and secure payment environments using leading-edge technologies, including facial recognition.



Energy

Livable communities for all through the use of power generation systems and the application of power data. The focus will be on smart, local production/local consumption of green energy: generated in the area and used efficiently in the same area.



Robotics

Smart office building management, including guidance and information, will draw on active use of robots. We will create workplaces where leading-edge robotic technology leads to higher productivity.



Healthcare

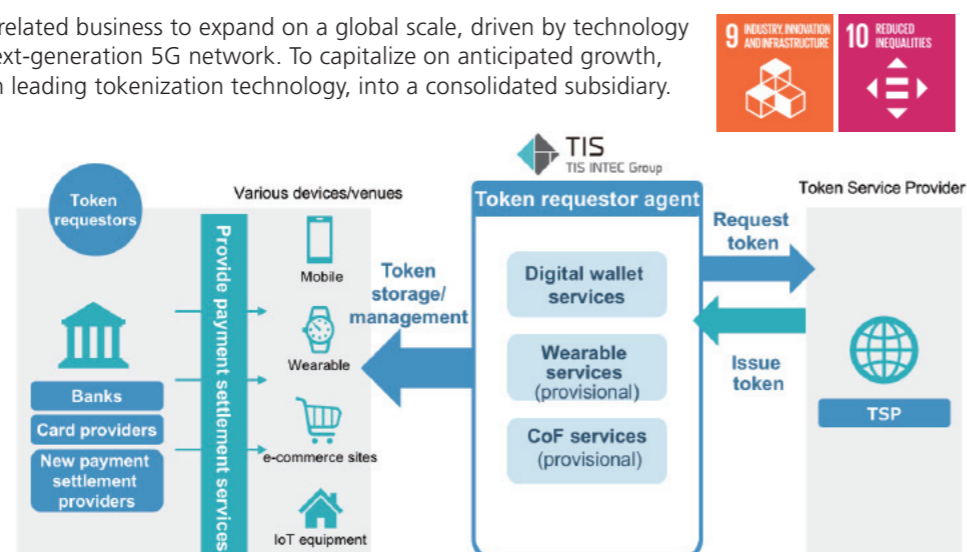
Smart health management integrating health information, including exercise records, photo data of meals, and health check results. We will realize a dynamic society through health platforms.

Drawing on TIS INTEC Group technology to design a vibrant future

The concept of society is currently undergoing a major shift. To make society better, we will apply our inherent strengths to design highly reliable social platforms that deliver greater convenience to secure a comfortable future. We will become more attuned to social issues and contribute solutions to concerns to remain an indispensable partner in supporting people's lives.

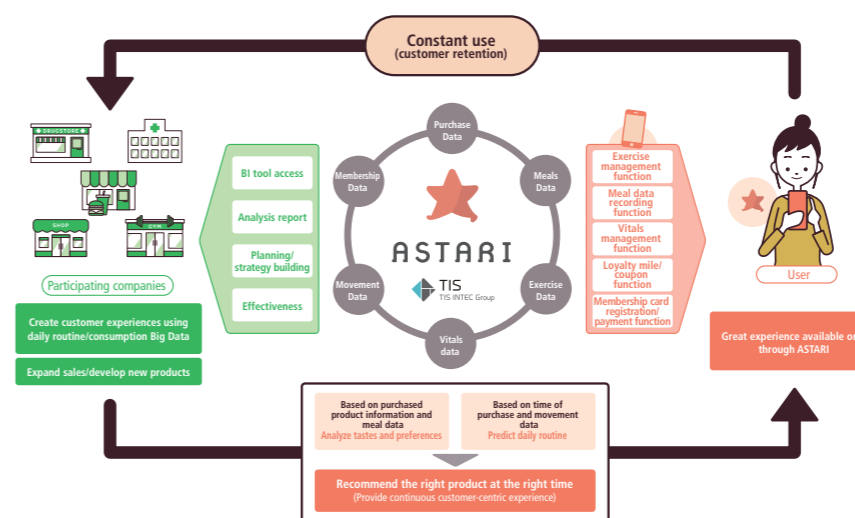
Case study Seek to expand digital wallet service with payment technology compatible with range of devices, even those using newest 5G network

Market-watchers expect tokenization-related business to expand on a global scale, driven by technology for IoT payment solutions using the next-generation 5G network. To capitalize on anticipated growth, TIS turned Sequent Software Inc., with leading tokenization technology, into a consolidated subsidiary. TIS will apply Sequent's tokenization technology to digital wallet services, which integrate different payment methods and interfaces, including in-app payment, into a single app. Against a backdrop of growing demand for cashless payment solutions, TIS will promote digital wallet services and leverage IoT payment solutions using smartphones, wearable devices and other connectivity products to provide convenience, peace of mind and even an aspect of fun when making purchases.



Details: https://www.tis.co.jp/news/2019/tis_news/20200121_1.html

Case study Digital service ASTARI uses daily routine/consumption Big Data to facilitate customer services



ASTARI is a service that connects health-conscious users to ASTARI participating companies, such as retailers, distributors and manufacturers, whose customer base includes these users. For companies that lack a system or structure to deal with Big Data, the service supports efforts to analyze ASTARI data and build strategies for utilizing the data. As a data business, ASTARI draws on TIS' own data to promote the digital transformation of manufacturers and retailers.

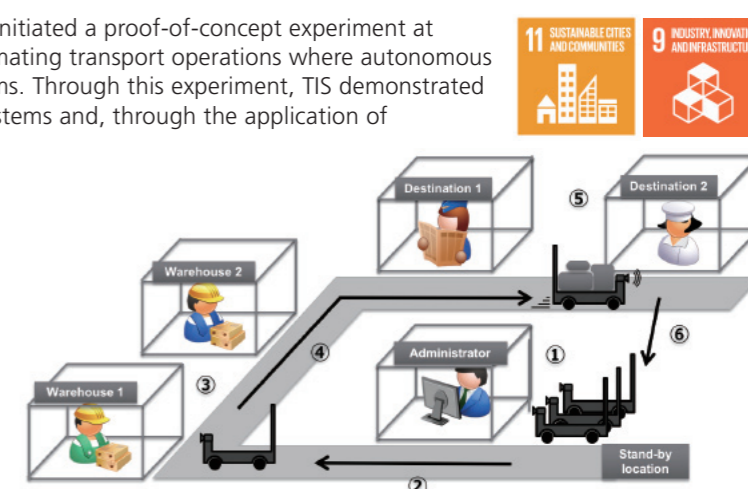
Details: https://www.tis.jp/service_solution/astari/

Case study Standardizing data model for autonomous mobile robots

In November 2019, TIS and the University of Aizu jointly initiated a proof-of-concept experiment at LICTiA (Laboratory for leading-edge ICT in Aizu) on automating transport operations where autonomous mobile robots are linked to inventory management systems. Through this experiment, TIS demonstrated easy connection of RoboticBase and various operating systems and, through the application of standardized interfaces, connection with different types of robots. TIS will now work toward future application of this format to create business services integrating various operating systems and service robots.

By incorporating various service robots into business services, such as logistics and facility management, we will present new approaches to help address social issues.

Details: https://www.tis.co.jp/news/2019/tis_news/20191113_1.html



Case study Proof-of-Concept for MaaS in Okinawa

In Okinawa, car use by local residents and car rental by tourists are both high, while use of public transportation is only about 4% compared with the national average of about 30%. Consequently, the impact of local and tourist traffic has become an issue requiring attention.

In fiscal 2020, TIS ran a proof-of-concept experiment for MaaS—Mobility as a Service—using public transportation for tourists in the Yaeyama district of Okinawa Prefecture. In addition, in fiscal 2021, the scope of this experiment will be expanded beyond Yaeyama, promoting use of MaaS by tourists all over Okinawa and residents in some areas of the prefecture. The experiment has been selected by Japan's Ministry of Land, Infrastructure, Transport and Tourism under an initiative called "Project for Promoting and Supporting Japanese MaaS."

All participants in this project seek to boost the use of public transportation by making it more convenient and to utilize data to seamlessly connect multiple modes of transportation as well as diverse services, including commercial and tourist-related services.

Details: https://service.paycierge.com/solution/maas_platform/

