

Platform for Value Creation

The Group is promoting efforts focusing on E (environment), S (social) and G (governance) as an important framework to support its value creation. In addition, TIS strives to build bonds of trust through active communication with all stakeholders and to promote sustainable corporate value in harmony with the evolving values of society.

Platform that supports value creation of the Group



Environment

Contribute to decarbonized society and recycling society

P.81

Social

Sustainable improvement in stakeholder engagement

P.85

Governance

Constantly strive for governance that promotes higher level of trust from society

P.61

Stakeholder Engagement

The TIS INTEC Group strives to build bonds of trust through communication with all stakeholders, including clients, employees, shareholders and investors, and business partners, and to boost corporate value.

- Customer service points of contact (call center, website, main number)
- Seminars, fairs and forums for clients
- Publication of newsletters and technical brochures
- Client satisfaction surveys
- Regular meetings and others

- Local event participation
- Cooperation and support for NGO/NPO social contribution activities
- Charity concerts
- Opinion posts from website
- Responses to relevant ministries/agencies and industry associations and others

Clients
P.87

Community/
Society
P.89

Employees
P.85

TIS INTEC Group

Primary methods of communication with stakeholders

Shareholders
and Investors
P.88

Business
Partners
P.87

- Company news, Group news
- Intranet
- Personnel exchange groups, opinion exchange groups
- Day at the office for children of employees
- President's Caravan and others

- General meeting of shareholders
- Results briefing
- Small meetings, domestic and overseas roadshows, participation in conferences
- Information disclosure on IR section of corporate websites
- Integrated Report
- Business Report and others

- Information meetings on policy (guidelines)
- Creating opportunities for discussion (project information)
- Engineer development and support (educational support, seminars)
- New Year celebrations, informal social gatherings
- Questionnaires, opportunities for opinion exchange and others

The pursuit of diversity, guided by OUR PHILOSOPHY, is the starting point for sustaining the corporate value of the TIS INTEC Group and is also an essential element of governance.

Looking back on fiscal 2022
I will utilize my insights as an experienced executive to strengthen governance.

Fiscal 2022 is notable in that we made progress on the separation of business execution and supervision. In April 2021, I handed over the corporate reins to Mr. Okamoto and took on the role of chairman with no representative rights. This means that I do not sit with the Management Committee or attend any other executive business meetings, instead being entirely focused on supervision of executive activities as Chairman of the Board of Directors.

In addition, over the past year, I have emphasized my role as a bridge between business execution and supervision to promote fair and transparent, fast and clear-sighted corporate decisions, knowing the importance of having both sides on the same page and closing any gaps in the information that is made available to decision-makers. I believe this to be a role that I, as the only non-executive in-house director at TIS, can fulfill.

Since joining the Company in 1976, I have held positions on the business execution side of operations, and I am proud to have mastered the finer points of moving large-scale system development projects forward. With this kind of expertise, I am certainly qualified to participate in discussions on the executive demands of business, but I am always conscious of the limits that my current supervisory role impose from a governance standpoint. This past year, I tried to raise the vantage point of executive activities by providing a risk management perspective—an ever-present topic for the Board of Directors—and by recounting first-hand experiences about the challenges that accompany the rollout of large-scale projects. At the same time, I endeavored to provide external directors with information, including explanations of technical

jargon and my interpretation of IT industry trends, so that they were suitably prepared to participate in important boardroom discussions. This facilitated more in-depth discussions and promoted good decision-making.

Seeking stronger governance
An issue going forward is how to deepen discussions on medium- to long-term management strategies, based on sustainability management.

I believe the Board of Directors is effective at this point in time, but to achieve a higher level of effectiveness, it is extremely important to pursue discussions on medium- to long-term management strategies more deeply with the involvement of external directors as they bring different experience and knowledge to the conversation. It is true that TIS would benefit greatly by being able to appoint external directors from a pool of candidates who are highly knowledgeable about the IT industry. But the Company's status as an independent systems integrator limits access to IT-specific expertise potentially available to a *keiretsu* network of companies with interlocking business relationships and shareholdings across different industries, a situation compounded by challenges stemming from provisions under Japan's Companies Act. Nevertheless, for TIS, maintaining diversity—including acquired expertise—is vital to enhance Board effectiveness and thereby support a stronger corporate governance structure.

Meanwhile, the revised Corporate Governance Code describes various sustainability-related guidelines for action. But from its earliest days, TIS incorporated the concept of a company as a public entity of society and the concept of *sanpo yoshi* equally, so it is only natural that we stand with society and move forward together. We have always maintained programs in Japan to promote the concepts inherent in OUR PHILOSOPHY, but last year, we began organizing seminars in Thailand, home base to several Group companies, including MFEC. Today, the world is characterized by intense change, and precisely for this reason, diversity becomes a strength. But to realize this, we need a foundation of shared ideology. From this perspective, I believe the most crucial task for us right now is to ensure that growth strategies designed from a business execution point of view align with OUR PHILOSOPHY. This will inevitably lead to sustainable improvement in corporate value for the Group. Going forward, we will stay true to this plan and consistently strive to elevate corporate governance practices.

Toru Kuwano
 Chairman (Chairman of the Board of Directors)



External directors share their thoughts on topics to pursue in the future, and expectations and issues of concern for the TIS INTEC Group as it pushes ahead with structural transformation.



Koichi Sano
 Director (external)

Targeting enhanced corporate governance, conscious of the balance between growth-oriented and profit-driven policies

I commend TIS for constantly striving to improve corporate governance practices, as demonstrated by evaluations looking at the effectiveness of the Board of Directors as well as the implementation status of internal controls. But to sustain improvement in corporate value through more sophisticated business management and a stronger corporate governance structure, the Company must delve deeper into discussion of such topics as organizational design and the concept of creating shared value. I will participate in such discussions from an objective perspective, conscious of the need to strike a balance between growth-oriented and profit-driven policies.

In regard to the Board of Directors, I think TIS needs to embrace a different style, moving from an executive management to a monitoring function by investing greater authority in the divisions actually executing operations and increasing diversity in the Board composition. To this end, an essential step would be to apply Board members' broad range of skills to corporate governance practices when implementing Group strategies. It is also important to assume a proactive approach to strengthening the independence and monitoring function of the Board of Directors, emphasizing and respecting the diversity derived from the varied careers and backgrounds of Board members. Consequently, I am of the opinion that it would be a good idea for the Company to increase the number of external directors on the Board annually so that they eventually become a majority.

In an environment characterized by intense market changes, predictions fluctuate wildly, so diversity management—where diverse values held by diverse human resources are respected and shared—becomes a condition of successful growth strategies and sustainability management. This concept must be firmly rooted in the Company's corporate culture.

TIS has to concentrate on more strategic projects if the Company is to address the four social issues identified as priorities for the TIS INTEC Group. All external directors will vigorously participate in discussion to promote sustainable portfolio management, and I, personally, will strive to utilize accumulated experience and focus specifically on balance-sheet control and cash flow allocation.



Fumio Tsuchiya
 Director (external)

Seeking higher corporate value through business execution divisions and the Board of Directors

The current Board of Directors at TIS comprises three external directors, one of whom is a woman. I believe this to be a suitable balance. Also, ahead of any Board of Directors' meeting, a briefing on the agenda is set up for external directors, giving us sufficient access to information to make decisions. As needed, the Company also provides opportunities for opinion exchange on important management issues so that we can make constructive comments when the Board meets. These efforts definitely underpin animated discussions. However, the emphasis on providing information to the Board of Directors is so great that the number of items on the agenda can swell to the extent that the meeting falls into a classic management style—too many things to discuss for the amount of time available—precluding a move to a more monitoring style.

The role required of the Board of Directors these days is to establish an environment that gives business execution divisions the ability to vigorously pursue business opportunities with speed and flexibility. This can be accomplished by expanding the scope of delegated authority for decisions made by business execution divisions while ensuring regulatory compliance under the Companies Act. In addition, business execution divisions as well as the Board of Directors would perform better if the Board of Directors pivots to a role that monitors and evaluates the execution of business. For TIS to assume an appropriate level of risk to expand business content and realize sustainable improvement in corporate value, this is the direction that the Company must move in.



Naoko Mizukoshi
 Director (external)
 (Partner, Leftright Law & IP)

Working toward realization of corporate governance that draws on diverse human resources to support global growth

As a member of the Board of Directors over the last year, I ascertained that the new business management and execution structure was working properly and driving progress toward targets for the first year of the new medium-term management plan. I also tracked the status of important management issues. I was involved in deliberations on a range of topics, such as attracting human resources and enabling these people to deploy their inherent skills, as they are indispensable to improved value provided in DX services and underpin higher productivity through optimization of Group formation; strengthening governance and generating synergies globally; creating services and businesses in new domains; and shrinking cross-shareholdings. I also participated in vigorous opinion exchange and discussions on initiatives related to groupwide intellectual property, with thought to the revised Corporate Governance Code, and efforts to maintain diversity among core personnel. Going forward, I will strive to sustain and further improve the effectiveness of the Board of Directors by allocating sufficient time to discuss key issues.

As a member of the Nomination Committee and Compensation Committee, I actually chaired meetings in fiscal 2022 because of a change in structure giving the role of committee chair to an external director. To run the committees more effectively, I set agenda content from the perspective of Group solidarity and other factors so that committee members would see what topics were to be discussed over the course of the year. I was also involved in framing a structure to promote active discussion through collection and dissemination of information useful for deliberations.

I expect the TIS INTEC Group to acquire a wider global presence, underpinned by the diversity of its human resources, and to boost its corporate value over the medium to long term. Toward this end, I will strive to achieve a good balance in stakeholder perspectives and continue to be an active voice on the Board of Directors.

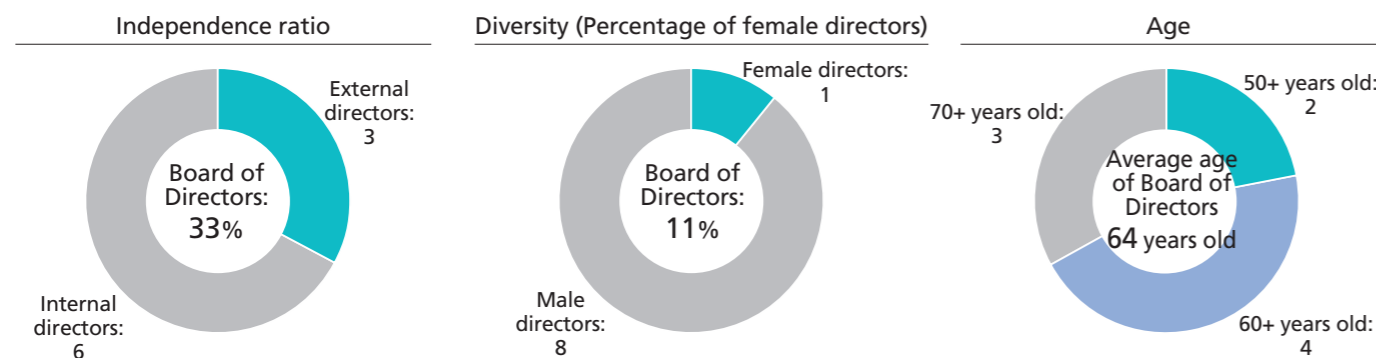
The Group seeks to enhance corporate governance and internal controls, which are its core subjects. The focus is also on promoting quality control/ production innovations, essential for the business of information systems—a key social infrastructure—to function and steadily evolve, as well as evolving risk management processes, including information security and compliance.

Basic Policy

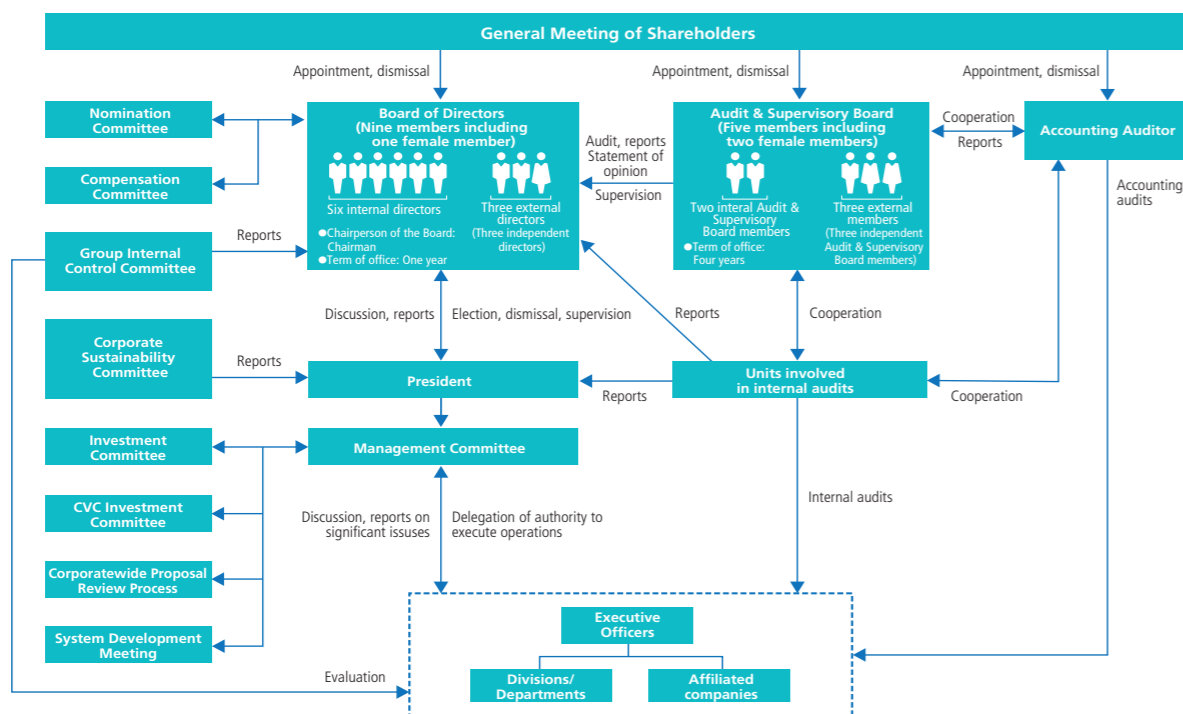
Based on basic corporate governance policies, TIS consistently pursues the best corporate governance practices and constantly works to enhance corporate governance. Management believes that the key to good corporate governance is to ensure transparency and fairness in decision making processes, make full and effective use of management resources, and raise the integrity of management practices through swift and accurate assessment of situations, from the viewpoint of promoting sustainable corporate growth and boosting medium- and long-term corporate value. Accordingly, management at the Company is committed to upholding good corporate governance in line with the following basic principles.

1. To respect the rights of shareholders and to ensure equality in their treatment.
2. To consider the interests of stakeholders, including shareholders, and work with stakeholders in an appropriate manner to achieve stated goals.
3. To disclose corporate information appropriately and ensure transparency.
4. To engage in constructive dialogue with shareholders based on a medium- to long-term investment perspective.

Board of Directors (As of June 24, 2022)



Corporate Governance Structure



Compliance with the Corporate Governance Code

TIS complies with all principles of the Corporate Governance Code. The status of the Company's responses to each principle of the Corporate Governance Code is described in the Corporate Governance Report.

Reason for Selection of Current Corporate Governance Structure

TIS has an Audit & Supervisory Board, a model chosen for its double-check function through which the Board of Directors oversees the execution of business activities and the Audit & Supervisory Board audits activities to ensure operations are legal and appropriate. In addition, the Company aims to strengthen the supervisory function of the Board of Directors by appointing external directors with industry- and corporate-management-related experience and insight. Drawing on advice and recommendations from an independent standpoint ensures the validity and appropriateness of decision-making by the Board of Directors.

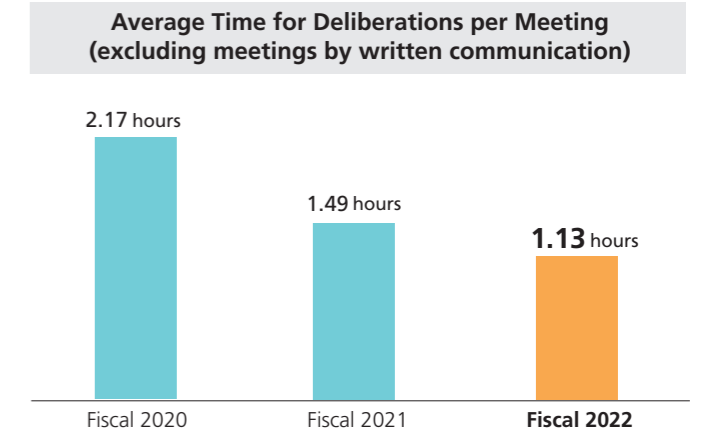
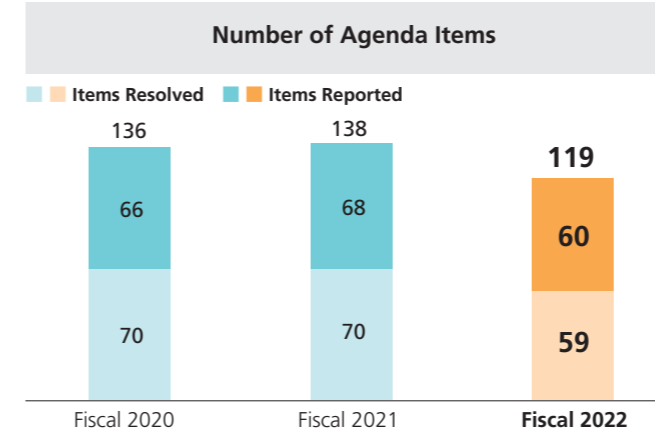
Directors and Board of Directors

As stipulated in its Articles of Incorporation, the Company's Board of Directors will comprise at least three and no more than 15 directors, and to strengthen the supervisory functions of the Board of Directors, a policy has been established that one-third or more of the directors must be independent external directors. At present, three independent external directors have been appointed.

For swift and dynamic decision-making by the Board of Directors, it convenes in principle once monthly and also meets on an ad hoc basis whenever necessary. TIS holds an information meeting once a year to present management direction as

well as meetings ahead of Board of Directors' meetings—in principle, twice a month—to give external directors and outside members of the Audit & Supervisory Board sufficient background information to participate in discussions. In addition, the Company organizes study sessions with experts—in-house and external—and arranges visits to local Group facilities and offices. TIS also creates opportunities for external directors to exchange opinions with the President and convenes meetings that involve only external directors and external members of the Audit & Supervisory Board. This facilitates smooth but vigorous discussion by the Board of Directors.

Year ended March 31, 2022 **Board of Directors: 22 meetings held; 119 agenda items discussed**
(59 items resolved and 60 items reported)



Fiscal Year	Number of Meetings
Fiscal 2020	17 (One other by written communication)
Fiscal 2021	20 (One other by written communication)
Fiscal 2022	22 (One other by written communication)

Management Committee

The Management Committee convenes twice a month in principle, where members deliberate and report important matters related to the execution of business activities throughout TIS and the Group. The committee consists of the President and Representative Director, as the chairperson, and general managers, directors in charge, division managers, and the head of the Corporate Planning Department, as attendees. If necessary,

the chairperson can request the attendance of Directors and Executive Officers. If deemed necessary for agenda items related to a Group company, the chairperson can request the attendance of its president and others to get explanations, opinions or reporting. Audit & Supervisory Board members can attend the committee meeting and, if necessary, express opinions.

Year ended March 31, 2022 **Management Committee: 40 meetings held; 262 agenda items discussed**
(142 items resolved and 120 items reported)

Nomination Committee and Compensation Committee

The Nomination Committee and the Compensation Committee were established as advisory bodies to the Board of Directors to ensure objectivity and transparency in decision-making processes for appointment of directors and associated compensation and to strengthen the corporate governance structure.

	Nomination Committee	Compensation Committee
Role of committee members	Provide advice for selecting candidates to the position of director and matters related to the appointment of such individuals	Provide advice on matters related to decisions on compensation for directors
Status of activities by committees (Fiscal 2022)	<ul style="list-style-type: none"> Held four times in fiscal 2022 with 100% attendance of all the members Provided advice on the appointment and retirement of key individuals, including directors, and presented proposals on changes to director composition, based on discussions by Committee members.	<ul style="list-style-type: none"> Held five times in fiscal 2022 with 100% attendance of all the members Provided advice on the appropriateness of the Company's compensation package through a comparative analysis of director compensation amounts at other companies and at TIS, based on the findings of a research company, as well as the appropriateness of the calculation method used to determine performance-linked compensation. Made proposals to the Board of Directors on director compensation upon approval of Committee members.

Committees and Other Bodies

Group Internal Control Committee	Promote various measures to maintain and improve the internal controls of the Company and its subsidiaries, to evaluate the operational status of the internal control systems and to recommend any corrective action to be taken to the Board of Directors, if necessary.
Corporate Sustainability Committee	Check and evaluate the status of the corporate sustainability activities of the Group as a whole.
Investment Committee	Verify/advise on plans for investment projects, monitor ongoing projects and assess whether to continue them with the aim of minimizing related risks and earning higher returns on investments.
CVC Investment Committee	Before making corporate venture capital (CVC) investments for the purpose of enhancing alignment with venture capital companies in the form of open innovation in order to (1) create new business, (2) expand existing businesses, and (3) promote business collaboration with customers, decide whether or not to execute an investment and monitor the executed investment.
Corporatwide Proposal Review Process	For large-scale projects to be addressed by the Group as a whole, review drafts prior to actual proposals to customers, in order to detect and reduce risks as early as possible.
System Development Meeting	Identify potential risk factors in large-scale projects to be undertaken by the Group as a whole, develop measures to prepare for risks and resolve materialized issues, and terminate any project with losses.

Policy and Procedures for Election, Dismissal, and Nomination of Directors, etc.

In nominating candidates for directors, Audit & Supervisory Board members and executive officers, the Board of Directors will nominate persons with abundant experience, a high level of insight and advanced specialization based on the Company's election criteria that make them suitable as directors or Audit & Supervisory Board members in order to realize effective corporate governance and contribute to the sustainable growth of the Company as well as the enhancement of its medium- to long-term corporate value while also considering aspects of diversity such as gender, internationality, career and age. For

directors, the Board of Directors considers nominations based on the advice of the Nomination Committee, which is chaired by an independent external director and comprises a number of directors, the majority of whom are independent external directors.

If a situation arises where a management executive should be dismissed, the Board of Directors shall determine a dismissal proposal. However, the dismissal of a director shall be conducted in accordance with the Companies Act and other relevant provisions.

Training Policy for Directors and Audit & Supervisory Board Members

For directors and auditors, including external directors and external auditors, the Company will arrange and support the cost of training opportunities that are appropriate. The objective of such training is to provide an opportunity to acquire necessary knowledge regarding the Group's businesses, financial

affairs and organization and to understand the duties and responsibilities required of directors and Audit & Supervisory Board members when assuming office, as well as to continuously develop these attributes during the term of office.

Summary of Results of Analysis and Evaluation of Effectiveness

Since fiscal 2016, ended March 31, 2016, the Company has evaluated the effectiveness of the Board of Directors each fiscal year. This process reveals issues and points for improvement and leads to initiatives that will raise the effectiveness of the Board of Directors to a higher level. For the fiscal 2022 evaluation, all directors and members of the Audit & Supervisory Board were given a questionnaire to be submitted anonymously. The questionnaire asked them to conduct a comprehensive self-evaluation and self-analysis of the composition and operation of the Board of Directors, and then the Board of Directors held discussions based on the results. The method and results of the evaluation, as well as future issues brought to light through this process and measures to address such issues are described below.

1. Method of evaluation

TIS distributed a questionnaire regarding the effectiveness of the Board of Directors to all directors and members of the Audit & Supervisory Board. In addition, personnel of its administrative office conducted an interview to all directors and members of the Audit & Supervisory Board. The Company's Board of Directors used the results to analyze and evaluate the effectiveness of the Board of Directors.

Note that TIS conducted this evaluation based on advice and verification by an external attorney.

2. Results of analysis and evaluation of effectiveness of the Board of Directors

The Company's Board of Directors concluded that a certain degree of effectiveness had been ensured to appropriately

supervise the approval of important management matters and business execution, such as the execution status of business activities and investments at the Company and Group companies, through deliberation based on Company regulations. In addition, the Board of Directors concluded that the level of effectiveness continues to trend upward, reflecting improvement measures based on the results of effectiveness evaluations conducted in the previous year.

However, management acknowledged the importance of promoting discussions to further improve the functions of the Board of Directors in order to promote more sophisticated management of the Company.

3. Future issues and associated responses, based on analysis and evaluation

In light of the analysis and evaluation previously mentioned, TIS will focus particular efforts on the following issues.

(1) Further improve the functions of the Board of Directors
Aiming at promoting more sophisticated management, the Company will sort out issues, such as the Board of Directors' supervisory function for the medium- to long-term growth and sharing roles of executive officers, to create the management structure for the future.

(2) Promote discussions to improve medium- to long-term corporate value

The Board of Directors will plan and discuss themes for improved corporate value, such as medium- to long-term strategies, and carry out proactive activities to enhance corporate value.

Summary of Content of Liability Agreements

In accordance with Article 427, Paragraph 1, of the Companies Act, each of the external directors and the external Audit & Supervisory Board members enters into an agreement with the Company that limits legal responsibility for liability

compensation as set forth under Article 423, Paragraph 1, of the same law. The limit of liability compensation, based on these agreements, is an amount provided as Minimum Liability Amount in Article 425, Paragraph 1, of the same law.















(Reference) Our Efforts on Group Management

To improve corporate value through unified group management, the Group focuses on improving performance by completing a PDCA (plan-do-check-act) cycle with reference to current key performance indicators (KPIs).

TIS and Group companies evaluate their performance based on financial indicators, including shared Group KPIs and process indicators related to customers, internal processes, and learn

and growth initiatives. In addition, to ensure completion of the PDCA cycle, a Group Business Meeting is held on a quarterly basis to report on budgets and the progress of major activities at Group companies, and to discuss measures taken to address important issues. A Group President Meeting is also held on a monthly basis to share information on Groupwide issues and performance.

■ Board of Directors and Audit & Supervisory Board Members (As of June 24, 2022)

Directors							Audit & Supervisory Board Members								
															
Chairman	Representative Director, President	Representative Director, Executive Vice President	Representative Director, Executive Vice President	Director	Director		Director	Director	Director	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	
							External/Independent	External/Independent	External/Independent			External/Independent	External/Independent	External/Independent	
Toru Kuwano	Yasushi Okamoto	Masahiko Adachi	Josaku Yanai	Takayuki Kitaoka	Akira Shinkai		Koichi Sano	Fumio Tsuchiya	Naoko Mizukoshi	Tetsuya Asano	Tatsufumi Matsuoka	Yukio Ono	Akiko Yamakawa	Hiroko Kudo	
Date of birth	May 3, 1952	March 3, 1962	May 9, 1956	November 14, 1963	December 14, 1960	March 24, 1959	August 30, 1948	May 10, 1948	September 23, 1967	October 22, 1960	December 2, 1957	January 1, 1950	April 5, 1973	February 28, 1968	
Cumulative term of office	9 years	4 years	4 years	6 years	4 years	4 years	6 years	5 years	4 years	2 years	3 years	2 years	2 years	—	
Number of shares owned (thousand shares)	171	55	45	58	15	18	3	—	1	8	10	1	—	—	
Attendance at meetings															
Board of Directors Attendance/ Number of meeting (Attendance rate)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	21/22 (95.5%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	22/22 (100%)	— (Assumed office on June 24, 2022)	
Audit & Supervisory Board Attendance/ Number of meeting (Attendance rate)	—	—	—	—	—	—	—	—	—	12/12 (100%)	12/12 (100%)	12/12 (100%)	12/12 (100%)	— (Assumed office on June 24, 2022)	
Nomination Committee ●Chairperson ○Committee member		○					●	○	○			○			
Compensation Committee ●Chairperson ○Committee member		○					●	○	○			○			
Skills															
Corporate Management	●	●	●	●	●	●	●	●	●	●	●				
Industry Knowledge	●	●	●	●	●	●		●	●	●				●	
International Experience	●	●		●				●	●			●	●	●	
Finance & Accounting			●				●		●	●	●	●			
Intellectual property and legal									●				●		

Executive Officers

Senior Managing Executive Officer	Masahiro Hosokawa	Executive Officer	Hirofumi Akashi	Executive Officer	Masakazu Kawamura
Senior Managing Executive Officer	Shinichi Horiguchi	Executive Officer	Masahiro Mikami	Executive Officer	Kensaku Furusho
Senior Managing Executive Officer	Kiyotaka Nakamura	Executive Officer	THANAWAT LERTWATTANARAK	Executive Officer	Reiko Oka
Senior Managing Executive Officer	Masahiro Ueda	Executive Officer	Hiroto Ito	Executive Officer	Tetsuya Yuzuri
Managing Executive Officer	Kei Ando	Executive Officer	Manabu Yano	Executive Officer	Hiroyuki Kawai
Managing Executive Officer	Naoto Kita	Executive Officer	Kyoko Takayanagi	Executive Officer	Takuma Tanaka
Managing Executive Officer	Akira Ogane	Executive Officer	Ikuo Shimizu		
Managing Executive Officer	Satoru Tayasu	Executive Officer	Isao Otokita		
Managing Executive Officer	Hidehiko Shimoyama	Executive Officer	Yoshiyuki Hayashi		
Managing Executive Officer	Tsuneyoshi Ito				

■ Criteria for Independence of External Directors and External Audit & Supervisory Board Members

To strengthen the supervisory function of the Board of Directors, the Company has established criteria for ensuring the independence of External Directors and External Audit & Supervisory Board Members. Here, we referred to the requirements of Japan's Companies Act and the rules of the Tokyo Stock Exchange. Please refer to our website for specific details.

<https://www.tis.com/ir/policy/governance/index.html>

■ Message from Newly Appointed Audit & Supervisory Board Member



Hiroko Kudo
External Audit & Supervisory Member

I will draw on my track record of international research activities to fulfill an oversight function.
 As a researcher, I have been studying public sector management and governance. One common central research theme I have addressed is the use of ICT and digitization to enhance the efficiency of an organization's internal management and the services it provides, as well as to improve the quality of life of all citizens. To this end, I have conducted studies in three main areas: (1) Methods to secure human resources needed by an organization, as well as systems for skills development and training, improving motivation, and raising employee satisfaction (ES) and engagement; (2) Soliciting the active participation of citizens, the recipients of services, in order to improve customer satisfaction (CS) and decision-making; and (3) Methods for measuring, evaluating and verifying the results of those activities. Although the purpose and mission of a company as an organization are different from those of a government agency, there are certain things in common. These include the importance of human resources, relationships with customers, communities and other stakeholders, and the need for assessment and monitoring. I would like to demonstrate my knowledge and skills in these areas at the Company.

The Group is aggressively expanding its global operations, particularly in ASEAN regions. Expanding and strengthening overseas partnerships also entails a certain amount of risk. As an external Audit & Supervisory Board Member, I will draw on my track record of international research activities to provide appropriate advice and fulfill an oversight function.

Outline of Policy on Officers' Remuneration

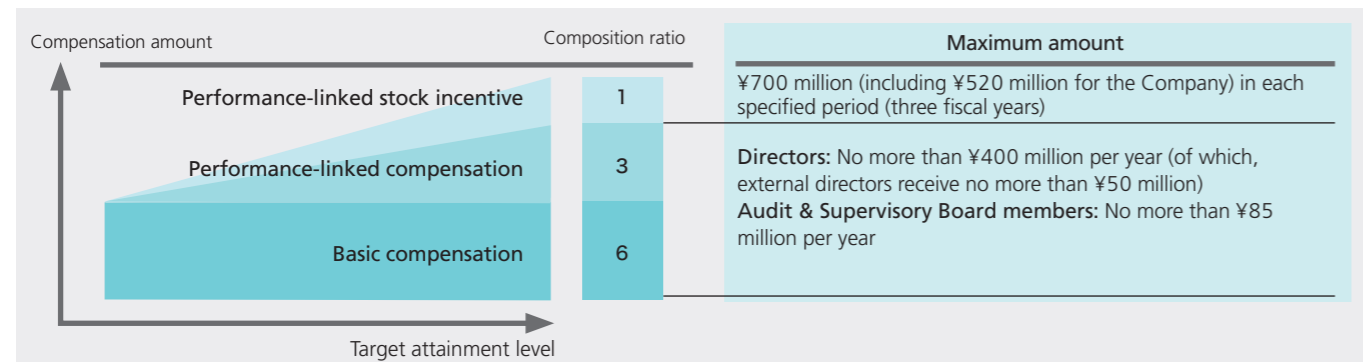
(1) Determination of compensation

The Company has established the Compensation Committee, comprising mainly independent external directors, as an advisory body to the Board of Directors to ensure objectivity and transparency in the process for determining compensation and to strengthen the corporate governance structure.

The basic policy on officers' compensation is to provide greater incentive to improve business results through a system of compensation linked to measures of Company performance, and such amounts are determined through a decision by the Board of Directors, based on discussion with and suggestions by the Compensation Committee.

(2) Structure of officers' compensation

As shown below, compensation to Company directors consists of a basic component, a performance-linked component and performance-linked stock incentive. When measures of Company performance are achieved to the maximum degree, compensation will comprise the basic component, the performance-linked component and the performance-linked stock incentive in a ratio of 6:3:1.



(3) Structure of compensation for External Directors and Audit & Supervisory Board members

Compensation paid to external directors is limited to basic compensation only, with no performance-linked component.

Compensation for Audit & Supervisory Board members is decided through discussion by corporate auditors. From the perspective of maintaining a high degree of independence, compensation is not linked to business performance and consists solely of basic compensation.

(4) Other

- Upon the introduction of the performance-linked stock incentive plan, the Board of Directors decided to stipulate a provision for illegal acts in the Stock Delivery Regulations. The provision allows the Company to reclaim the amount equivalent to the shares delivered to violators and cancel any points accrued under the performance-linked stock incentive scheme explained below.
- To reflect medium- to long-term business performance, directors (excluding outside directors) are asked to contribute a certain portion of their basic compensation toward the purchase of treasury stock through the Company's share ownership plan for directors and officers, and they are expected to retain such stock in full for the duration of their time in office so that the acquired stock shares value with all shareholders.

● Method for calculating executive compensation

(1) Basic compensation

Basic compensation is paid according to the size of the role and scope of responsibilities of each position.

(2) Outline of calculating performance-linked compensation

Performance-linked compensation is paid for the specified period of one year from July of the following fiscal year. The amount is determined by the degree to which measures of corporate performance have been achieved, on the basis of the management plan for each fiscal year, and by applying a performance evaluation coefficient of between 0% and 50% to basic compensation amount for each position.

The amount to be paid is calculated using five-point scale evaluations of organizational performance (with the score of A to E) and individual performance (with the score of a to e) for each director and Audit & Supervisory Board member, based on the amount determined by corporate performance evaluation (the ratio of organizational performance evaluation and individual performance evaluation = 3:7). Under the standard model, 33% is applied to the payment to an individual with A in organizational performance evaluation and a in individual performance evaluation when the corporate performance-linked coefficient is 30%. Similarly, 27%, 20%, 13% and 7% are for B and b, C and c, D and d, and e and E evaluations, respectively.

In fiscal 2022, the amount of performance-linked compensation was determined by applying a performance-linked coefficient of 30% based on the level of attainment of predetermined targets with the corporate performance indicators, including Consolidated Sales, Consolidated Operating Income and Consolidated ROE.

Financial index (Consolidated)	Fiscal 2021	
	Estimates	Actual
Net sales	¥445,000 million	¥448,383 million
Operating income	¥44,500 million	¥45,748 million
ROE	12.0%	10.8%

Organizational Performance Evaluation	Individual Performance Evaluation				
	a	b	c	d	e
	A				
B					
C					
D					
E					

Distribution composition (image)

● Performance-linked stock incentive

For the performance-linked stock incentive, the Board of Directors established the Stock Delivery Regulations when the performance-linked stock incentive plan was introduced. Points are granted to directors on a scale between 0% and 15% of basic compensation set for each position according to the level of achievement made toward reaching performance targets stated in the management plan and as provided for in the Regulations. The number of shares delivered will correspond to the number of points accumulated.

For corporate performance indicators, Consolidated Operating Income, Net Income per Share (EPS), and Service Business Gross Profit were adopted as financial indicators to encourage pursuit of business growth, and Job Satisfaction, Customer/Service Satisfaction, and Business Partner Satisfaction were adopted as nonfinancial indicators to encourage pursuit of higher stakeholder satisfaction, and to ensure attainment of enhanced corporate value as expected by the shareholders.

In fiscal 2022, the amount of performance-linked stock incentive was determined by applying a performance-linked coefficient of 150% based on the evaluation of actual results of the indicators relative to estimates (100% performance-linked coefficient when attained) conducted in accordance with the Stock Delivery Regulations.

Relation between evaluation score and level for each item

Category	Item	Score scale	Standard score	Fiscal 2022	
				Estimate	Actual result
Financial	Profit				
	Consolidated operating income	11-point scale	7	¥48,500 million	¥54,739 million
	Consolidated EPS	11-point scale	7	¥129.00	¥157.69
Business transformation	Service-style Business gross profit	5-point scale	B	¥27,800 million	¥25,389 million
	Calculated score based on the actual result relative to the target of gross profit of Service Business				
Nonfinancial	Stakeholder engagement				
	Job satisfaction	4-point scale	B	55% or over	56%
	Customer/service satisfaction	4-point scale	B	55% or over	60%
	Business partner satisfaction ratio	4-point scale	B	77% or over	69%

Category	Item	Score scale	Standard score	Score allocation
Profit	Consolidated operating income	11-point scale	7	17.5
	Consolidated EPS	11-point scale	7	17.5
Business transformation	Service-style Business gross profit	5-point scale	B	17.5
Stakeholder engagement	Job satisfaction	4-point scale	B	8.75
	Customer/service satisfaction	4-point scale	B	4.38
	Business partner satisfaction	4-point scale	B	4.38

Evaluation level	Total score	Performance-linked coefficient
A	75 points or over	150%
B	65 points or over	100%
C	45 points or over	50%
D	35 points or over	25%

● Outline of performance-linked stock compensation system

An Executive Compensation BIP Trust (hereafter, "BIP Trust scheme") has been introduced as a performance-linked stock compensation system. Those eligible for benefits are directors, executive officers, and executive fellows (excluding external directors, non-full-time directors and residents outside Japan; hereafter, "Directors, etc."), directors (excluding outside directors and non-full-time directors) and executive officers of INTEC Inc., a subsidiary of the Company (hereafter, "Subsidiary Directors, etc.", collectively with Directors, etc., "Eligible Directors, etc.").

a. Organization of the BIP Trust scheme

On introducing the BIP Trust scheme, the Company established the Stock Delivery Regulations for Executive Compensation BIP Trust (Stock Delivery Regulations), under which TIS entrusts a nominated trust bank with money (not exceeding ¥700 million (including ¥520 million for the Company)), and the trust bank acquires TIS shares with the entrusted money.

The scheme grants points to Directors, etc., in accordance with the Stock Issuance Regulations. The number of shares to be delivered will correspond to the number of points accumulated, which is calculated by the formula below.

Calculation Formula

The number of TIS shares to be delivered (points*) = Base amount × Performance fluctuation coefficient ÷ Acquisition cost per unit
* Decimals rounded down

b. 132,100 shares (including 99,000 shares for the Company) in one financial year (upper limit)

c. Scope of individuals able to receive beneficiary rights and other rights under the BIP Trust scheme: Individuals who have retired from being a Director, etc., and meet the beneficiary conditions specified in the Stock Issuance Regulations.

● Establishment of clawback clauses

TIS has established a clause that enables the Company to request an individual who commits an illegal act, as defined under internal rules, to pay restitution equivalent to the value of shares granted, and another clause that enables the Company to confiscate points awarded.

Remuneration for Directors and Audit & Supervisory Board Members (Year Ended March 31, 2022)

(Millions of yen)	Remuneration	Remuneration by type				Recipients (Persons)
		Basic remuneration	Performance-linked remuneration	Performance-linked stock compensation	Nonfinancial compensation included in Performance-linked stock compensation	
Directors (excluding External Directors)	232	164	45	21	21	6
Audit & Supervisory Board members (excluding External Auditors)	41	41	–	–	–	2
External Directors and External Auditors	61	61	–	–	–	6

Notes: 1. For the fiscal year ended March 31, 2022, compensation for directors does not include the employee portion for directors who serve concurrently as employees. The Company has not introduced a retirement benefit system for directors, and does not pay any directors' bonuses.
2. The performance-linked stock incentive is booked as an expense for four directors (excluding external directors and non-full-time directors) in the current business year.

Status of Audits

1. Audits conducted by Audit & Supervisory Board Members

The Audit & Supervisory Board of the Company holds a meeting once a month, in principle, and may meet on an ad hoc basis whenever necessary.

The Audit & Supervisory Board carries out an audit of the execution of operations by directors, an audit of the internal control systems, an audit of the execution of duties by the accounting auditor, and an audit of the status of compliance and risk management on a recurring basis based on the policies and plan determined at its meeting.

In addition, audits were conducted with an emphasis on the progress of the new Medium-term Management Plan (Be a Digital Mover 2023) in the first fiscal year, application status of new accounting standard for revenue recognition, the operational status of Group risk management and compliance structure, the status of measures regarding strategies for human resources as a source of growth and the creation of on-the-job skills, and the impact brought by the novel coronavirus (COVID-19), as key audit items in the year ended March 31, 2022.

2. Internal audits

The department responsible for internal audits (the Auditing Department) at TIS is staffed by 26 people. This department informs the Board of Directors of the annual plan, following approval by the president, and also performs internal audits independent of business units that execute operations, based on the annual plan, presents the results of each internal audit to the president and regularly reports to the Board of Directors. The Auditing Department also draws up plans for internal audits

of the Group as a whole, monitors the status of internal audits at subsidiaries, performs internal audits at subsidiaries that do not have auditing departments and for TIS divisions, offers necessary advice and provides supervision. Complementing these activities, the Auditing Department regularly exchanges information with internal auditing departments at Group companies, sets up information exchange opportunities that involve the department, members of the Audit & Supervisory Board and the independent auditor, and shares information on auditing measures and the results of audits as required.

3. Accounting audits

The Company has appointed Ernst & Young ShinNihon LLC to conduct accounting audits pursuant to the Companies Act, and financial statement audits, quarterly reviews and internal control audits pursuant to the Financial Instrument the Financial Instruments and Exchange Act.

● Key audit matters

Estimate of provision for loss on order received associated with contracts for ordered software development

In calculating provision for loss on order received, critical estimates relate to gross costs, involving key assumptions of man-hours and outsourcing costs expected to be incurred for software development works. As man-hours and outsourcing costs necessary to complete projects for software development may significantly increase from the initial expectation, high uncertainty is involved in the estimate of gross costs which requires judgment by management.

Accordingly, the item was considered as a key audit matter.

Constructive Dialogue with Shareholders

TIS will engage in constructive dialogue with shareholders based on the IR Policy in order to contribute to the Company's sustainable growth and the enhancement of its medium- to long-term corporate value. In addition, the Company will strive to develop a system to promote constructive dialogue with shareholders. The director of the IR Department will supervise the dialogue with shareholders, consider response methods with the President and Representative Director, executive officers in charge, and the IR Department, and will respond appropriately. The IR Department will share information and exchange opinions in a timely manner based on the respective specialist standpoints of relevant departments and will support dialogue with shareholders through organic collaboration.

In relation to shareholders, TIS will strive to broaden the means of dialogue such as through individual face-to-face

interviews as well as telephone interviews, and holding business results briefings and small meetings. Furthermore, in addition to active information disclosure, which will be the premise for dialogue, the Company will strive to expand the contents of the Integrated Report, which will be positioned as an effective tool for dialogue.

TIS will share opinions put forward in constructive dialogue with capital market participants such as shareholders, investors and securities analysts within the Company through reports and briefings to the Board of Directors, and use them in reviewing the Company's management strategy, and for other purposes.

In the case of dialogue with shareholders, TIS will pay attention to the fairness of information disclosure and manage internal information appropriately in accordance with the Rules for Prevention of Insider Trading.

Cross-Shareholdings

1. Criteria for and approach to categorizing investment shares

While TIS has made reduction of domestically listed shares a priority issue and adheres to this as much as possible in accordance with Company-defined basic policy on corporate governance, the Company holds shares in other companies, including start-ups and venture companies, only when management believes that it will contribute to the sustainable growth and higher medium- to long-term corporate value of the Company and the Group.

Specifically, when cooperation, co-creation and stable partnerships with such companies are deemed essential to continuous creation of business opportunities and utilization of technologies to actively promote business development particularly in the areas of financial inclusion, urban concentration and regional decline, low-carbon/decarbonization and health concerns, which are all social issues where the TIS INTEC Group can help to realize a more sustainable society, then such cross-shareholdings are considered investments consistent with the Group's growth strategy and defined as strategic shareholdings.

TIS and other companies under the Group umbrella hold shares in other companies including start-ups and venture companies, only when management believes that it will contribute to the sustainable growth and higher medium- to long term corporate value of the Company and the Group. For the shares held based on the judgment that they would contribute to the sustainable growth and higher medium- to long-term corporate value of the Group, the Board of Directors reviews the relevance of continuous cross-shareholdings each year. It is corporate policy

that TIS reduces any cross-shareholding with diminished significance, as identified through the review.

In the review, shareholdings are divided into the three categories ("capital alliance partners", "customers" and "others" - not applicable to the first two categories) and examined using the method set by category.

Please visit the following page for the details of the examination methods.

<https://www.tis.com/group/sustainability/governance/governance/>

TIS pursues reduction of cross-shareholdings in line with the aforementioned policy and corporate stance, management seeks to push the cross-shareholdings on a balance sheet basis as a percentage of consolidated net assets below to the 10% benchmark.

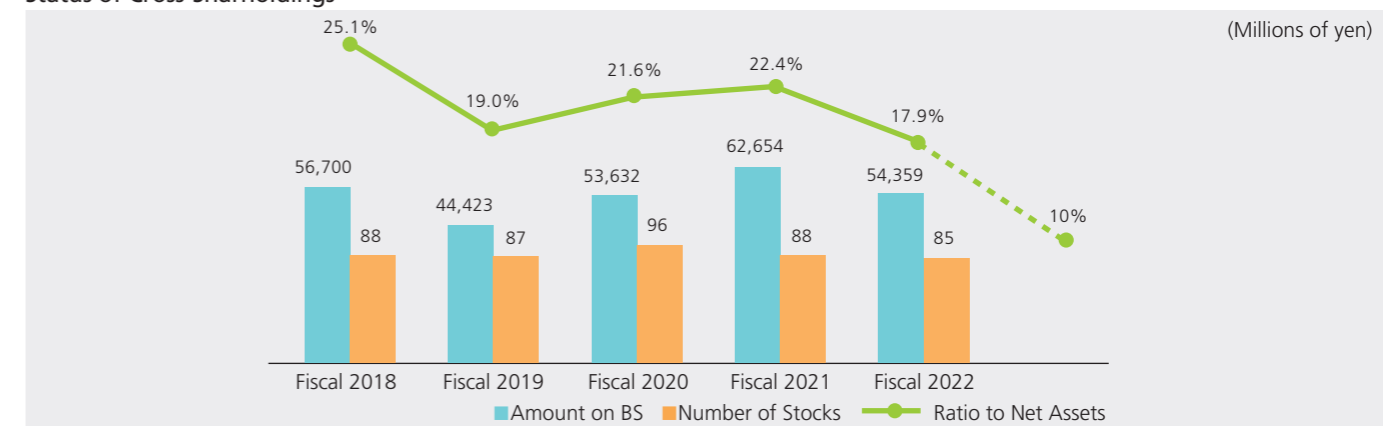
2. Criteria for exercising voting rights for strategically held shares

TIS appropriately exercises voting rights for the listed shares in its possession after comprehensively determining whether such action will contribute to the sustainable corporate growth and higher medium- to long-term corporate value of the TIS INTEC Group and investee company, taking into consideration policy advice from proxy advisory firms.

3. Relationships with strategic shareholders

If strategic shareholders of TIS indicate an intention regarding the sale of TIS shares, we will respond appropriately without preventing such a sale. Moreover, we will not conduct transactions that lack economic rationality with strategic shareholders.

Status of Cross-Shareholdings



Amounts on Balance Sheets [Number of Stocks]

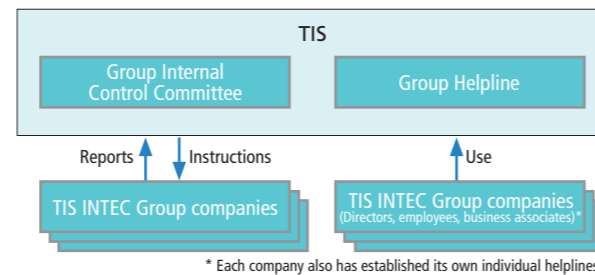
		Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	YOY Changes (Millions of yen)		
							Sold	Acquired	Change in Fair Value, etc.
Unlisted stock	Cross-shareholdings				3,836 [23]	3,832 [21]	-1 [-1]	0 [0]	-2 [-1]
	Strategically held shares				20,453 [45]	4,814 [47]	-112 [-1]	646 [5]	-16,173 [-2]
	Subtotal		5,734 [52]	23,889 [65]	24,289 [68]	8,646 [68]	-114 [-2]	646 [5]	-16,175 [-3]
Listed stock	Cross-shareholdings				36,936 [17]	31,580 [12]	-6,739 [-6]	1 [0]	1,381 [1]
	Strategically held shares				1,427 [3]	14,132 [5]	0	0 [0]	12,704 [2]
	Subtotal		38,689 [35]	29,742 [31]	38,364 [20]	45,713 [17]	-6,739 [-6]	1 [0]	14,086 [3]
Total		56,700 [88]	44,423 [87]	53,632 [96]	62,654 [88]	54,359 [85]	-6,853 [-8]	648 [5]	-2,089 [0]

According to the criteria for and approach to categorizing investment shares, TIS sold its entire holdings of eight stocks and partial holdings of one stock for the year ended March 31, 2022. As a result, the number of listed stocks decreased from 35 as of March 31, 2019, to 17, and the amount of previously held cross-shareholdings is steadily reducing. On the other hand, as part of its growth strategy, TIS actively makes investments in start-ups with the objective of developing strategic partnerships to facilitate open innovation and forms capital and business alliances with leading foreign companies, and has newly acquired five unlisted stocks for cross-shareholdings. The graph above shows significant increase in the amount on the balance sheet in the year ended March 31, 2022, mainly due to the listing of Grab Holdings Inc.

Compliance

TIS established TIS INTEC Group Internal Control Committee to ensure appropriate compliance throughout TIS INTEC Group and to guide TIS INTEC Group in activities to further improve compliance practices.

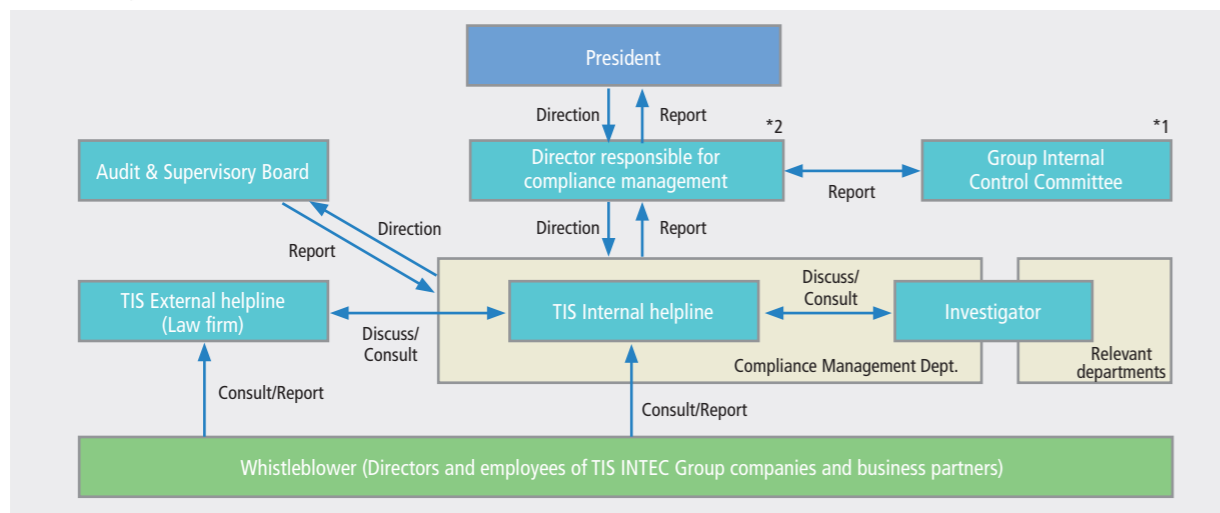
In addition to internal helplines at each company under TIS INTEC Group umbrella, TIS maintains an open channel for use by TIS INTEC Group as a whole. TIS strives to prevent, detect, and correct misconduct as early as possible. The Company is addressing various internal issues in an effort to strengthen compliance management.



Establishment of helplines

TIS maintains a helpline available to all directors and employees, including contract staff and temporary staff, as well as retired employees in addition to employees at providers, such as businesses with contracts to supply products or services to TIS. This helpline (External helpline, Internal helpline) can be accessed by email or telephone and meetings can also be arranged to get advice or report an issue in the event actions within the Company are thought to violate laws, internal rules or social standards or the potential for such misconduct becomes known.

Every effort is made to ensure the privacy of helpline users. In addition, no one who asks for advice or makes a report to the helpline shall suffer any disadvantage in a professional sense. Lawyers with expertise specific to the issue raised or staff at the helpline desk will respond to requests for advice and, when necessary, management will be informed of situations, with the consent of the helpline user, to expedite a solution to the issue.



*1 Group Internal Control Committee members include TIS full-time directors/full-time Audit & Supervisory Board members, presidents of key operating subsidiaries, and others.
*2 Director responsible for compliance management: Division Manager of Corporate Management SBU

Internal Control

Whistleblower System

In January 2020, TIS obtained whistleblower system certification under the Whistleblowing Compliance Management System (WCMS).

WCMS is a system through which Japanese companies evaluate their own whistleblowing programs and apply to have them registered. Each program undergoes a review by the designated registration organization (the Japan Institute of Business Law) to determine if it meets certification standards. If the application is approved, the submitting company is registered and is granted the right to use the WCMS mark, which indicates that the business has in place an excellent management system to underpin compliance.



Released TIS INTEC Group Tax Policy

The TIS INTEC Group carries out corporate activities as a good member of society based on OUR PHILOSOPHY, which represents the values of the TIS INTEC Group. Under the philosophy, we formulated and released the TIS INTEC Group Tax Policy in April 2022 in order to pay taxes appropriately in compliance with the laws and regulations of each country.

<https://www.tis.com/group/sustainability/policies/taxation/>

We will continue to maintain tax compliance, remit appropriate tax obligations as a company, and conduct initiatives to improve tax transparency for our various stakeholders.

Preventing Corruption

Preventing bribery and corruption

- The TIS INTEC Group declares its commitment to preventing bribery and other forms of corruption in its "Group Code of Conduct (Conducting business with fairness)" and other statements, and works to ensure a full understanding by all officers and employees.
- In addition to TIS (parent company), we apply our "Anti-Bribery Regulations" to domestic and overseas Group companies in order to strengthen our system for preventing bribery.

Oversight of anti-corruption measures at Board of Directors meetings

- As part of our Groupwide compliance promotion activities, we are working to establish a system for preventing corruption, which has been approved by the Board of Directors. Going forward, the system will be developed to involve continuous reporting at the Board of Directors meetings.

Assuring confidentiality and anonymity of whistleblowers

- In addition to setting up a Groupwide helpline at TIS, we have established outside lawyers' contact points at each Group company. In these ways, we are creating an environment that makes it easy to report and receive advice, not only on corruption but also on overall compliance issues.
- We take care to protect whistleblowers in accordance with the Whistleblower Protection Act. This includes ensuring the confidentiality of whistleblowers and being open to receive anonymous notifications.

Conveying our anti-corruption policy to officers and employees

- We conduct Groupwide compliance education based on our "Group Compliance Declaration" and "Group Code of Conduct." We also convey information about preventing bribery and corruption through e-learning and face-to-face meetings.

Corruption risk assessments and countermeasures

- As part of our risk management system, we determine the presence of risk, undertake assessment of risk level, and implement countermeasures.
- Outside Japan, where corruption risks are higher, we undertake individual corruption risk assessments, the results of which are reflected in our risk countermeasures.

Information Security

The TIS INTEC Group has formulated Group Information Security Promotion Rules in accordance with our Group Information Security Policy. Initiatives are promoted to verify, assess, and improve the level of information security management across the Group in accordance with these rules, and the status of these activities is audited. In addition, the Internal Control Committee monitors progress and the audit results.

Safeguarding personal information

TIS has established its rules for protection of personal information in accordance with Group Information Security Policy, Privacy Policy and Policy on Handling of Specific Personal Information and aims at promoting measures to confirm, evaluate and improve the management of personal information received from its customers, suppliers, business partners and shareholders.

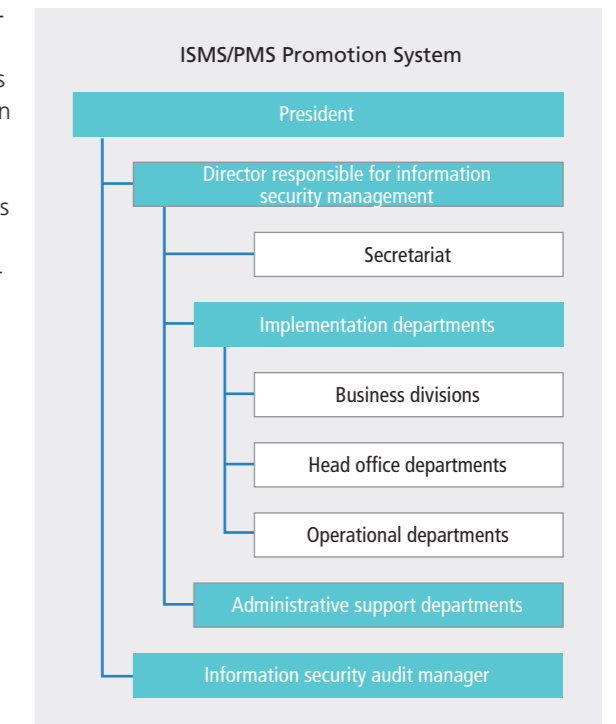
In addition, TIS conducts education and training programs for its officers, employees and partner employees to thoroughly raise their awareness of the importance of protecting personal information, and appropriately operates the personal information protection management system in compliance with Privacy Mark (JIS Q 15001).

Management

TIS has appointed a director to be responsible for information security management to oversee the establishment and operation of a Groupwide information security management system. An information security audit manager, independent from the director responsible for information security management, confirms the effectiveness of the management system.

Employee education

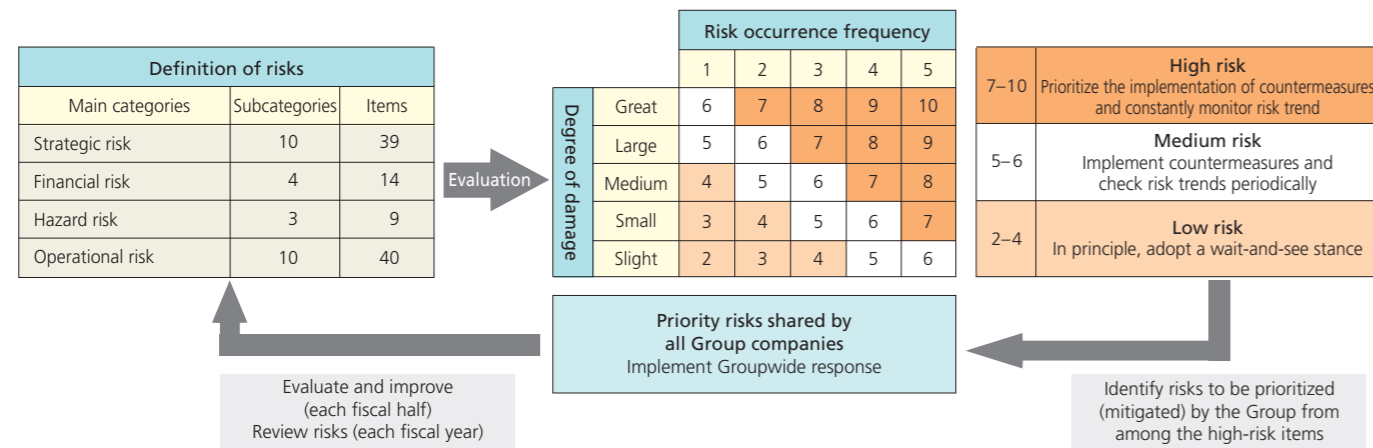
We conduct education programs for all employees (regardless of employment status) based on our "Group Information Security Policy (Education and Training)" and "Handling of Personal Information (VIII-2. Human Security Control Measures)."



The Company strives to enhance the development of risk management system to prevent any losses.

Management process

The Company has established rules for risk management to ensure an accurate understanding of the risks facing the Group and prevent losses from occurring. In accordance with these rules, we have appointed an executive to oversee risk management of the entire Group, and a risk management department has been established to administer a risk management system. In addition, we have established a risk management policy for the entire Group and regularly check the implementation status of measures to control risk. When a Group company becomes exposed to a serious risk, a task force is set up and appropriate measures are taken to minimize damage. As for the development of the risk management system, based on our basic policy and various rules governing internal control systems, we are implementing specific measures for the maintenance and improvement of the internal control of the entire Group, monitoring the development and operational status of the internal control system, deliberating at the Group Internal Control Committee, and developing a process to report the results of these deliberations to the Board of Directors. Based on the reports to the Board of Directors, initiatives will be implemented to further strengthen and improve the Groupwide internal control system.



The Group's risk recognition

The Group defines "risk" as "any factor that may hinder the achievement of the management philosophy, goals, and strategies of the Company and the Group by causing economic loss; the interruption, stagnation, or suspension of business operations; and/or damage to the Company's credit or brand image" and identifies risks.

Strategic risk

Risk items	Overview of risk	Main countermeasures
Human resources	<ul style="list-style-type: none"> High-quality human resources are not secured and developed according to plan. Productivity reduces, costs increase and employee engagement lowers. 	<ul style="list-style-type: none"> Develop human resources portfolio and enhance investments for the purposes of acquisition and growth of personnel. With the aim of enhancing workstyle reform and employee motivation, strive to secure talented human resources by providing a corporate culture, HR systems, and an office environment in which a diverse group of people can thrive. Focus on human resource training by providing support for acquiring certifications, systemizing training programs, and creating plans and targets for the number of training days.
Innovation of production technology	<ul style="list-style-type: none"> Loss of competitive advantage because we fail to respond quickly to advances in information technology and to changing market needs that parallel these advances. 	<ul style="list-style-type: none"> Constantly conduct research into information technologies as well as production and development technologies. Select from a broad technology portfolio the core technologies that will enable us to sustain and improve our development competitiveness, advance R&D and deploy the results. Continuously carry out productivity innovation activities and enhance the digital transformation value it provides.
Intensification of competition, price competition	<ul style="list-style-type: none"> Price competition intensifies more greatly than expected. 	<ul style="list-style-type: none"> Constantly analyze the business environment to better grasp customer needs, offer higher value-added services and take other measures to differentiate from competitors. Improve productivity by curtailing unprofitable projects and engaging in productivity innovation activities.
Investment	<ul style="list-style-type: none"> The expected result or return cannot be obtained. Assets become obsolete. 	<ul style="list-style-type: none"> All investment decisions are made after thorough examination of business plans by either the Board of Directors, the CVC Investment Committee, or the Investment Committee. Progress of each business plan is periodically confirmed after an investment has been made. Keep abreast of such progress by dispatching directors to larger capital investment partners.
Overseas business	<ul style="list-style-type: none"> Overseas business is impacted by various factors, including global economic and foreign exchange trends, legal regulations on investment and competition, local business practices, and labor-management relations. 	<ul style="list-style-type: none"> Improve the management structure by ensuring coordination between overseas Group companies and business sites and corporate management in Japan to maintain an accurate understanding of local conditions and consult on ways to implement rapid countermeasures. Dispatch human resources to operating companies and enhance the system for governance of overseas subsidiaries and affiliates.
Human rights	<ul style="list-style-type: none"> The occurrence and disclosure of any events which may have a direct or indirect negative impact on certain stakeholders result in damage to the reputation and credibility of the Group. 	<ul style="list-style-type: none"> Promote human rights due diligence in line with the Group's human rights policy.
Changes to social conditions due to warfare, civil strife, political upheaval, revolution, terrorism, rioting, etc.	<ul style="list-style-type: none"> Newly emerging international pressures, exchange rate trends, trade issues, or effects on procurement costs affect the Group. 	<ul style="list-style-type: none"> Prepare a system which enables us to quickly conduct analysis of the impact and engage in activities to prevent losses due to the identified risk.

Financial risk

Risk items	Overview of risk	Main countermeasures
Owned securities	<ul style="list-style-type: none"> Sharp fluctuations in the market prices of marketable securities or deterioration in management conditions of issuing entities requires the posting of accounting losses or other similar measures. 	<ul style="list-style-type: none"> Thoroughly examine issuers' financial condition, business results trends, credit ratings, and other relevant indicators. Regularly review the suitability of our securities holdings and reduce them if the significance of continued holding is deemed diminished.

Hazard risk

Risk items	Overview of risk	Main countermeasures
Pandemics	<ul style="list-style-type: none"> A sharp constriction of the productive activities of our employees and those of our business partners 	<ul style="list-style-type: none"> Keep abreast of the responses of the World Health Organization (WHO), the Japanese government, and other relevant authorities. Take action to improve hygiene at our offices, data centers and other work sites, based on the Group's business continuity plan, and refrain from sending employees to work in areas heavily stricken by infection. Establish a work environment that facilitates working from home.
Natural disasters	<ul style="list-style-type: none"> A large natural disaster results in an extended power outage that interrupts the smooth operation of data centers. 	<ul style="list-style-type: none"> Make preparations to facilitate our data centers' response to all manner of disasters based on the Group's business continuity plan. Close older data centers and focus on the development of state-of-the-art data centers equipped with seismic-isolation structures, robust disaster-mitigation equipment, emergency power generators, fuel storage equipment, and highly reliable electric power equipment, and negotiate contracts for prioritized power supply. Establish stockpiles, conduct drills, establish a remote work system aimed at mitigating the impact when conditions make commuting to work difficult, and promote a paperless workflow.

Operational risk

Risk items	Overview of risk	Main countermeasures
System development	<ul style="list-style-type: none"> As systems development is growing more sophisticated and complex and turnaround times are shortening, extra work may be required in order to achieve the planned level of quality or complete the project during the development period, leading to considerably higher-than-expected costs and customer claims for damages. Tasks outsourced to business partners do not meet expectations for productivity or quality and smooth project management is not realized. 	<ul style="list-style-type: none"> Use our proprietary Trinity quality management system based on the ISO 9001 standard to continually enhance quality management and raise productivity by using dedicated work-groups to thoroughly screen business proposals and review projects at each stage of development. Through the Group Quality Executive Meeting, improve quality and promote production innovation throughout the Group while also enhancing management and technological capabilities by strengthening training programs for each employee position. Hold meetings with business partners regularly. Seek to understand the situation and capabilities of business partners using questionnaires and other means and build strong relationships, and secure superior business partners in Japan and overseas.
System operation	<ul style="list-style-type: none"> System problems arise due to human error or equipment malfunctions during system operation and the Group is unable to provide services at the level agreed upon with the client. 	<ul style="list-style-type: none"> Develop a systems maintenance/operation framework based on ITIL (Information Technology Infrastructure Library) practices and improve system operation quality using this framework. Establish and strengthen measures for early detection and confirmation of system failures and measures to reduce and prevent the occurrence of failures.
Information security	<ul style="list-style-type: none"> Confidential information is leaked or manipulated due to a computer virus, unauthorized access, or other reason leading to claims for damages from client companies and to a loss of trust in the Group's services. 	<ul style="list-style-type: none"> Establish and operate an information security management system based on our Information Security Policy that seeks to ensure appropriate information management. Raise employee awareness through education and training programs. Apply the Group's information security promotion guidelines to check and evaluate the status of information security management across the entire Group, and promote continuous improvement in information security. When an information security breach does occur, establish an investigative committee and set up the structure of responsibilities, including looking into the cause, implementing countermeasures, and preventing recurrence, for problem resolution. To protect personal information <ul style="list-style-type: none"> Establish an information management system based on Japan's Personal Information Protection Act and regulations on the handling of individual numbers and information about specific individuals. Conduct education and training programs for employees to thoroughly raise their awareness of the importance of protecting personal information, which will contribute to more appropriate handling of personal information, including stronger management of client information Implement security measures using a zero-trust security model to address the diversification of workplaces with the full-scale implementation of working from home. <p>*TIS and other Group companies have obtained Information Security Management System (ISMS) certification and the JIPDEC PrivacyMark.</p>
Legal systems, compliance	<ul style="list-style-type: none"> A law or regulation is contravened, or a new law or regulation is introduced. 	<ul style="list-style-type: none"> Establish a compliance structure based on our Basic Direction on Corporate Sustainability and Group Compliance Declaration and endeavor to conduct our business activities fairly and in compliance with all laws. In accordance with the Group's compliance regulations, discuss important compliance issues for the entire Group, decide measures to prevent recurrence, and ensure the adoption throughout the Group by monitoring the status of the implementation of these measures. Especially for the tightening of regulations on contracted work and temporary staffing, work on a dedicated risk management system as Group priority because of the transactional nature of the IT services industry, and create Group guidelines and independent inspection checklists that will contribute to the appropriate operation of the system. To prevent illegal activities and detect and correct them at an early stage, introduce a whistle-blowing system and establish a reporting and consultation desk. Raise awareness of legal compliance throughout the Group. Conduct education and awareness-raising activities aimed at building good relationships and establishing smooth communication in order to help prevent discrimination and harassment.
Intellectual property rights	<ul style="list-style-type: none"> The Group is accused of infringing another company's intellectual property rights and presented with an injunction and a claim for damages. 	<ul style="list-style-type: none"> Strengthen our framework for intellectual property rights. Conduct education and training programs to raise employees' awareness. Regard the Company's own intellectual property as an important management resource and take all necessary means to protect this valuable resource.
Climate change	<ul style="list-style-type: none"> The Group's energy costs are significantly impacted by fluctuations in demand for renewable energy. The Group's transition to renewable energy is delayed. 	<ul style="list-style-type: none"> Carry out assessments in accordance with the TCFD recommendations framework, continuously implement countermeasures to the identified risks and opportunities, and disclose the results.

For risks identified during our risk management process, we designate a department in charge of crisis management and promote initiatives to mitigate such risks on a Groupwide basis.

Risk mitigation approaches we focus on, in consideration of the current business environment, are as follows.

Risk mitigation approach for human resources

The TIS INTEC Group sees human resources as our most prized management capital in carrying out our business. When each and every person involved in our business, including those who belongs to our partner companies, embraces the direction aimed at by Group management and upholds appropriate professional values, our management goals will be attained. We also believe that our investments in human resources to attain our business goals will mitigate various management risks as well as realize a comfortable society through IT.

Investments in human capital

Employees

- Investments in compensation
- Investments in education

Outcome

- Accelerated raise in annual salary
- Improved quality of education and enhanced motivation

Business partners

- Support for capacity building
- Promotion of dialogue

Outcome

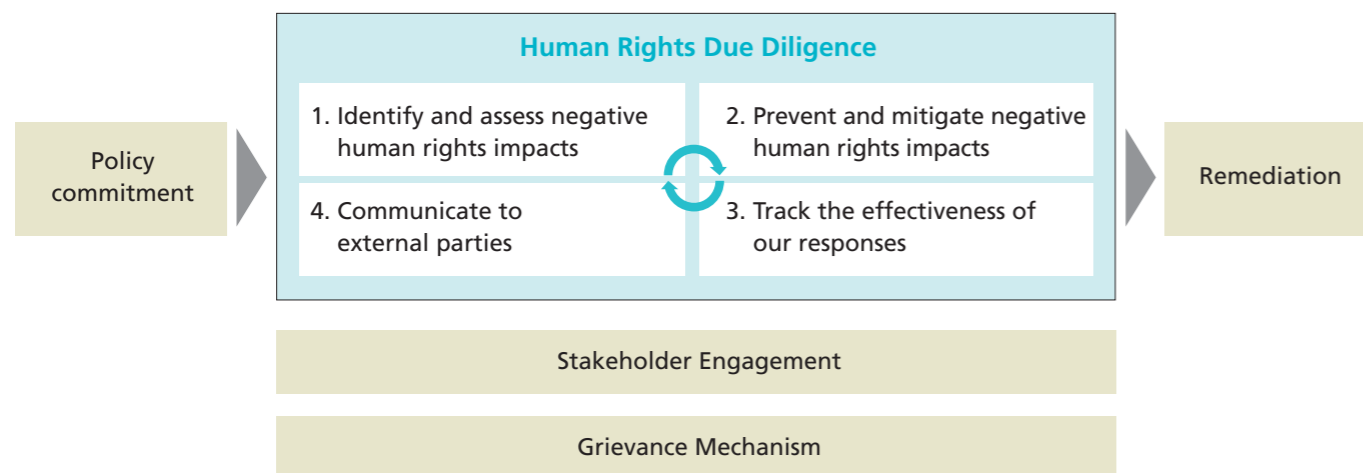
- Stable acquisition of high-caliber partner companies

Risk mitigation approach to human rights issues

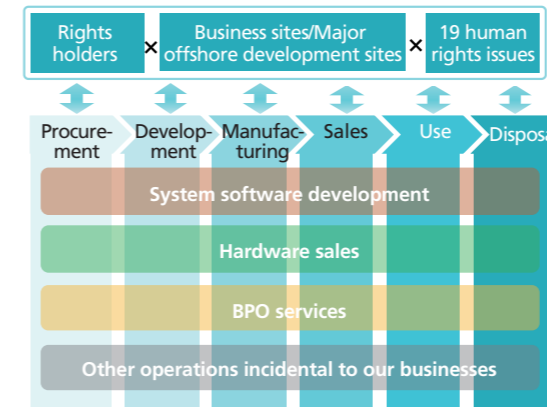
To seriously address human rights issues throughout the value chain, the TIS INTEC Group has established a human rights due diligence system in accordance with the TIS INTEC Group Human Rights Policy, which is based on the United Nations Guiding Principles on Business and Human Rights.

In fiscal 2022, with the cooperation of NPO Caux Round Table Japan, we conducted a human rights risk assessment for the first process, "1. Identify and assess negative human rights impacts". Specifically, we evaluated the potential for negative human rights impacts at each stage of the value chain (procurement, development, manufacturing, sales, use, and disposal) of the Group's operations. Through this process, we identified potential human rights risks and clarified the countries, operations, and rights holders (subjects who may be negatively affected by human rights issues) that should be prioritized for future action. Based on the results of the human rights risk assessment, we will implement countermeasures to prevent and mitigate each of the potential human rights risks identified and make efforts toward remediation of negative human rights impacts in the value chain.

<https://www.tis.com/group/sustainability/social/hrdd/>



Human rights risk assessment conducted



Potential human rights risks identified

Human rights risks	Rights holders	Countermeasures
(1) Labor issues related to TIS Group employees	TIS Group employees	Build a mechanism for engagement Develop systems for diversity
(2) Labor issues related to outsourced employees	Employees of contracted companies	Spread awareness of the Group's human rights policies, and provide education and training Share of the Group's Code of Conduct Establish a grievance mechanism
(3) Labor exploitation in equipment supplier supply chain	Workers of equipment suppliers	Prepare Supplier Code of Conducts
(4) Right to privacy in the handling of personal information	Individuals whose personal information is managed by a Group customer	Assume potential risks and sort out response policies
(5) Unintended use of our products/services	End-users/individuals in society in general	Include provisions to prohibit unintended use in the contracts Assume potential risks and sort out response policies

Risk mitigation approach post service launch (system operation)

To establish a "trusted top brand that epitomizes quality", the TIS INTEC Group aims to be a company to continuously "create a safe society through high-quality services". We have established a structure to conduct quality inspections so that we can stably provide high-quality services after service launch, as well as we elaborate service quality in planning and development phases.

	Quality of operation and maintenance	Quality of system/software
Quality for security	Implementation of examination under ISO/IEC 27017 <ul style="list-style-type: none"> Carry out third-party examination based on checklist compliant with ISO/IEC 27017 Expand acquisitions of ISO/IEC 27017 certification 	Development of environment to verify security vulnerability <ul style="list-style-type: none"> Require using SAST and IAST tools Implement third-party verification of security vulnerability
Quality for areas other than security	Improvement of delivery quality <ul style="list-style-type: none"> Implement third-party examination based on checklist for delivery quality Implement regular inspection of operation and maintenance 	Sophistication of system quality evaluation <ul style="list-style-type: none"> Conduct whole-process quality evaluation in quality evaluation for each phase Incorporate viewpoints of ISO 25000 into quality evaluation

Risk mitigation approach for information security

Once we allow any leakage or manipulation of confidential information due to computer virus infections or unauthorized accesses, claims for damages from client companies and a loss of trust in the Group's services would result from such incidents. Therefore, we have realized an appropriate management of information on a Groupwide basis by unifying information security policies under the Group Information Security Policy throughout the Group and raising them to certain level.

Examples of information security countermeasures in response to recent changes in the environment

Increased external threats ⇒ Standardize countermeasures to be taken on development Monitor behavior of terminals, implemented automatic isolation on infection	Diversity of workplaces ⇒ Assume workstyle which enables employees to work at anywhere Introduce a zero-trust security model And take other measures	Strengthening of regulations related to personal information ⇒ Address Japan's Personal Information Protection Act Consider addressing foreign laws related to personal information protection
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Aiming to be a "trusted top brand that epitomizes quality"

The TIS INTEC Group strongly recognizes the role that information systems play as social infrastructure. For this reason, we work continuously to improve our quality, productivity and technical capabilities.

By always providing high-value-added services while responding flexibly to diversifying business formats, solutions, development techniques and technologies, we aim to entrench TIS INTEC as a "trusted top brand that epitomizes quality" and realize the mission set forth in OUR PHILOSOPHY.

Trinity: Original quality management system based on ISO 9001 and ISO 20000



We strive to provide customers with optimal services based on our policy of "promoting improvement by making use of onsite ingenuity." At sites, we employ ingenuity to tailor each business model appropriately while applying processes, techniques and tools in project management engineering service management.

We are expanding the scope of coverage to include not only scratch development but also a wide variety of business formats.

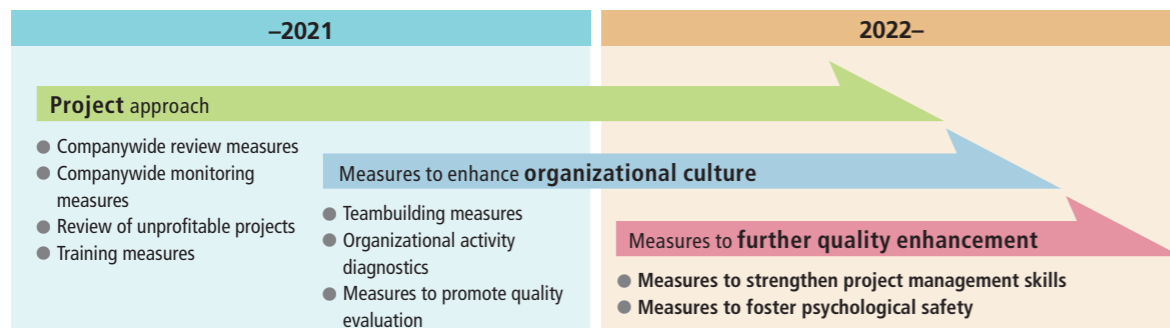
* In fiscal 2022, a number of our service-development offices were certified under ISO 20000, the international standard for IT service management.

* For more details:
<https://www.tis.com/group/csr/report/social/quality/>

Further Quality Enhancement Initiatives

Efforts to Dispose of Unprofitable Projects

We are strengthening our efforts to dispose of unprofitable projects. In addition to our current approaches to projects, organizational structure, and culture, our priorities will be to further strengthen project management skills and foster psychological safety.



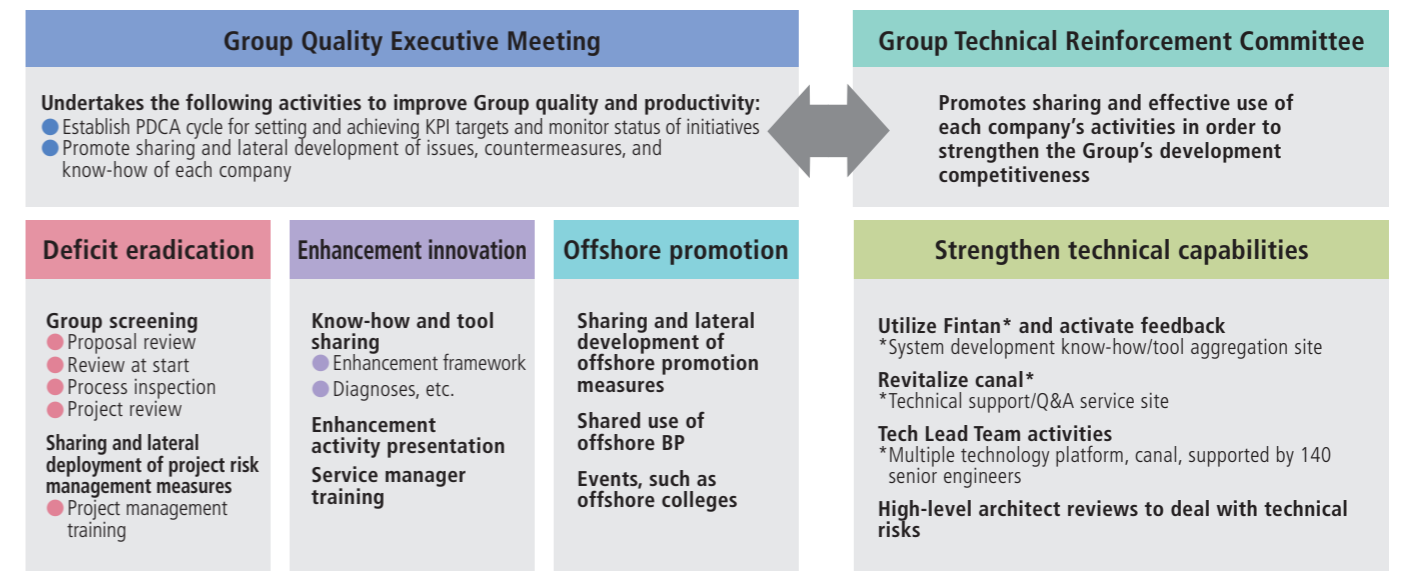
Initiatives to foster psychological safety

Our activities to date have shown that building a team that enjoys a high level of psychological safety is important to curb unprofitable projects. The following three steps will be taken to foster a culture in which employees can safely and securely express their opinions.



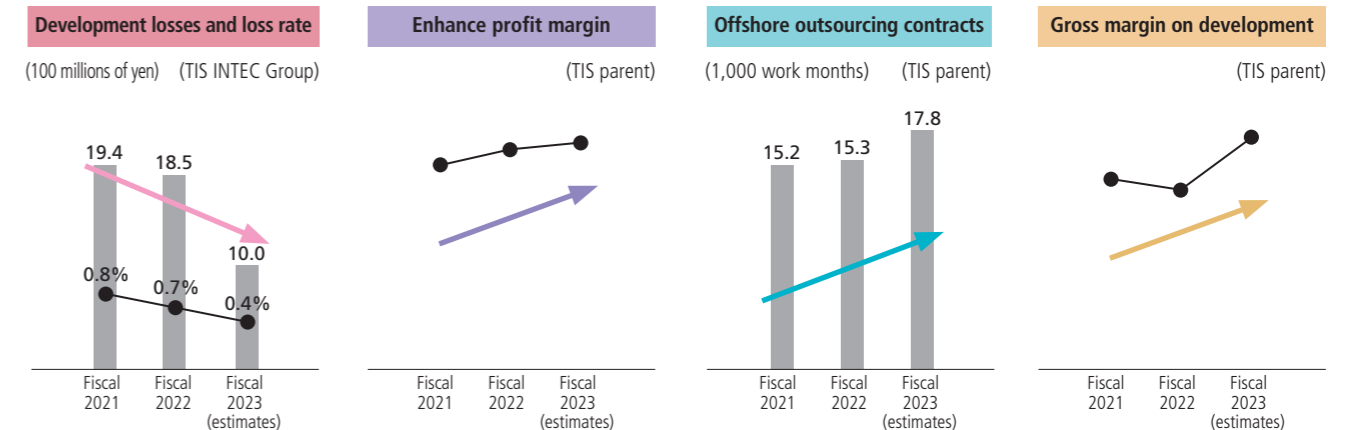
Activities aimed at improving standards across the entire Group

The TIS System Development & Quality Management Innovation SBU and the Technology & Innovation SBU are spearheading the following activities aimed at improving the quality, productivity and technical capabilities of the entire Group and harnessing Group synergies.



Results in fiscal 2022, ended March 31, 2022

- TIS companywide review proposals: 70
- TIS system development meetings: 198
- Group Quality Executive Committee meetings: 35
- Group Technology Enhancement Committee meetings: 12
- Number of Group screenings: 191



The gross margin on development rose through the employment of various measures



Ikuo Shimizu
TIS Executive Officer,
Division Manager of
System Development &
Quality Management
Innovation SBU

Unprofitable projects and major incidents not only affect our Group's business performance, but also have a negative impact on client companies, end users, and the employees who deal with them. The eradication and deterrence of such issues is a key management priority and responsibility. To this end, in addition to the approaches we have taken to date to avoid bad news regarding projects and to foster our organizational culture, we will further strengthen and implement concrete measures to enhance project management skills and foster psychological safety.

When it comes to fostering psychological safety, it is important how we ensure safety and improve the quality of our relationships with each other. While confronting real problems, we aim to build the team best able to create value by gathering wisdom that will lead us closer to our ideals and who we want to be. We have named the activities, re:Bornk (Technology KI), fostering psychological safety *kaika*, meaning "opening" or "blossoming". This focus will maximize the potential of our Group to open itself to new opportunities and experiences.

Initiatives to address climate change

The Group has addressed preservation of the global environment in its Basic Policy on Corporate Sustainability, which is based on its basic philosophy, OUR PHILOSOPHY. In order to realize a sustainable society, we are promoting efforts to preserve the global environment both by reducing the environmental impact of our business activities and by contributing to our customers' and society's efforts to mitigate and adapt to climate change through the provision of our services.

Environmental targets for climate change in the medium and long term

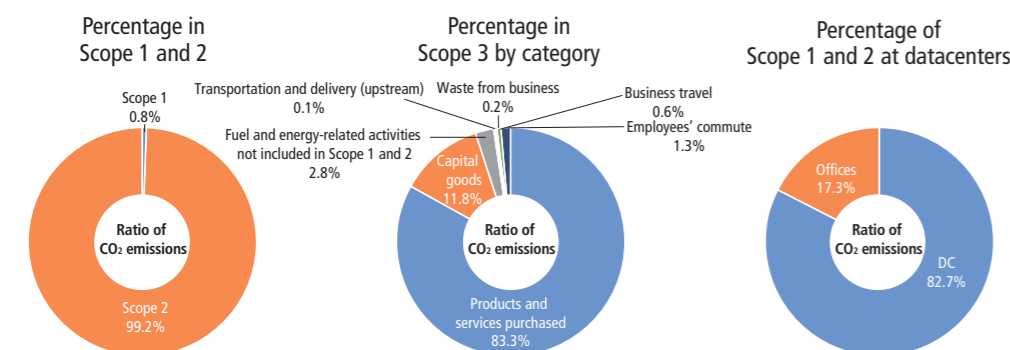
With the aim of becoming carbon neutral in 2050, the Group aims to reduce GHG emissions in fiscal 2031 by 27.5% compared to fiscal 2020, based on the reduction target (WB2C scenario) in line with the 2°C target of the Paris Agreement. This reduction target satisfies the SBT (Science Based Target)* requirement and has been certified as such.



Group GHG emission reduction target for fiscal 2031
Scope 1+2 : 27.5% reduction versus fiscal 2020
Scope 3 : 27.5% reduction versus fiscal 2020

*One of the metrics for GHG reduction targets. A framework that encourages the setting of GHG reduction targets, consistent with the 2°C/1.5°C targets (limiting the temperature increase from pre-industrial revolution levels to less than 2°C and referring to efforts to limit the increase to 1.5°C) called for by the Paris Agreement adopted in 2015.

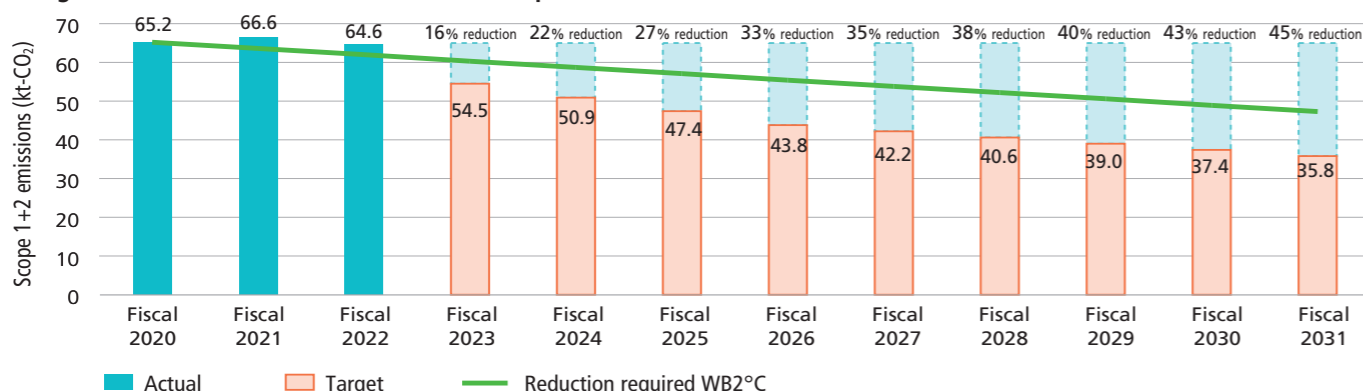
Ratio of GHG emissions in the Group (actual results for fiscal 2022)



*The Group is engaged in the data center business, which accounts for more than 80% of the Group's total Scope 1 and 2 GHG emissions.

	GHG emissions in Scopes 1 and 2		Data center and office GHG emissions in Scopes 1 and 2		GHG emissions by category in Scope 3							Total GHG emissions in Scopes 1-3
	Scope 1	Scope 2	Data centers	Offices	Category 1 Purchased goods and services	Category 2 Capital goods	Category 3 Fuel- and energy-related activities not included in Scopes 1 and 2	Category 4 Transportation and distribution (Upstream)	Category 5 Waste generated in operations	Category 6 Business travel	Category 7 Employee commuting	
Fiscal 2022 (t-CO ₂)	513	64,157	53,483	11,187	300,905	42,690	9,987	405	651	2,000	4,778	426,085
Fiscal 2021 (t-CO ₂)	760	65,867	55,382	11,246	287,633	65,782	9,794	215	345	2,025	6,256	438,678
YoY change (t-CO ₂)	-32.6%	-2.6%	-3.4%	-0.5%	+4.6%	-35.1%	+2.0%	+88.5%	+88.4%	-1.2%	-23.6%	-2.9%

Long-term simulation of GHG reduction in Scopes 1 and 2



Under Scope 1+2, we have established GHG reduction plans for each fiscal year. In line with this, we will manage our GHG emissions by tracking budgets versus actuals and work to achieve our targets.

*The reason for the increase in emissions in fiscal 2021 compared to the previous year is due to the addition of data centers for calculation.

Initiatives to achieve the Group's GHG reduction targets

Measures to reduce GHG emissions in data centers

- Consolidation (optimization) through data center consolidation
Reduce GHG emissions per unit through consolidation
- Implementation of systematic switchover to renewable energy sources
- Improvement of air conditioner efficiency (reduction of air conditioner power consumption)

We have already set a goal of raising the renewable energy utilization rate to 50% by fiscal 2030 for eight of our 14 data centers nationwide.

Together with the effects of the planned data center consolidation by fiscal 2024, we estimate a potential reduction of GHG emissions from data centers of 67% (as compared with fiscal 2020). We plan to expand our efforts to other data centers in due course.

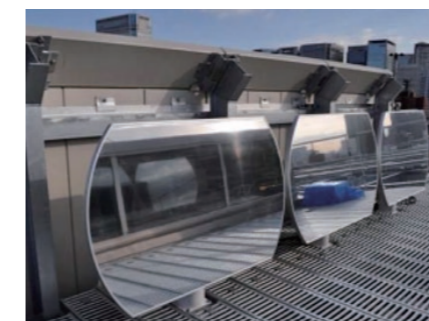
Measures to reduce GHG emissions in offices

- Consolidation of group offices by region
- Implementation of systematic switchover to renewable energy sources
- Consideration and implementation of energy conservation measures involving building owners
Inquiring about LED lighting, energy conservation of air conditioning equipment, etc.

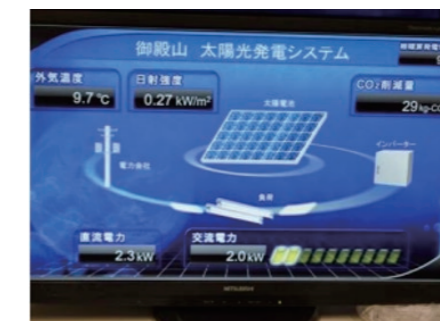
Other measures to reduce GHG emissions

- Further promotion of telework and remote meetings
Reduce the use of public transportation for commuting and business travel, thereby indirectly reducing GHG emissions
- Considering reduction measures in collaboration with suppliers

In addition to the above initiatives, at data centers we are also promoting natural lighting, installation of small-scale solar power generation systems, and rooftop greening.



Natural light (solar tracking equipment)



Solar power generation monitor



Rooftop greening

We are accelerating our environmental response, including the development of reduction targets in line with the 1.5°C target



Tsuneyoshi Ito
TIS Managing Executive Officer,
Division Manager of Corporate
Management SBU

Six and a half years have passed since the Paris Agreement was adopted in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC). 2015 was also the year that the Sustainable Development Goals (SDGs) were adopted at the UN Summit. I think there has been a lot of progress in the last few years, especially in the area of climate change, as exemplified by the Japanese government's 2020 declaration that it will achieve carbon neutrality by 2050.

The Group has been promoting various measures to mitigate the effects of climate change. For GHG emissions reduction, we calculated emissions for each fiscal year, identified business risks associated with climate change, and set reduction targets based on financial impact analysis. We also discussed a transition plan on how to realize the reduction target in concrete terms, mainly with experts within the Group.

As a result, we announced that we aim to achieve a 27.5% reduction in emissions by fiscal 2031 compared to fiscal 2020, based on a reduction target in line with the 2°C target of the Paris Agreement (WB2C scenario).

On the other hand, there are some concerns. Over the past year, the electricity supply situation has changed dramatically on a global scale. Soaring prices of non-fossil fuels have a significant impact on renewable energy prices, and unstable power supply conditions due to repeated power shortages can be a major variable for the data center business, one of the Group's core businesses. As a data center service provider, we recognize that one of the most important management issues for our Group is to be able to purchase energy with low environmental impact at a stable and appropriate price and provide data center services to our customers.

The role that companies must play in addressing global environmental issues has become increasingly important in recent years. The Group believes it should aim for even higher targets without slowing down its efforts to become carbon neutral, and is now considering moving the plan forward and is in the process of formulating new reduction targets in line with the 1.5°C target of the Paris Agreement.

The Group will continue to contribute to the realization of a sustainable society by addressing climate change and other global environmental issues.

Information disclosure in line with TCFD recommendations

The Group endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We disclose information regarding our initiative progress in line with TCFD recommendations, strengthening our measures for climate change.



What are the TCFD recommendations?

The TCFD was established under the Financial Stability Board (FSB), an international organization working to stabilize the financial system, and in June 2017 released recommendations calling for disclosure of information on the risks and opportunities posed by climate change. The recommendations stress the importance of companies recognizing the risks and opportunities of climate change and incorporating them into their business strategies.

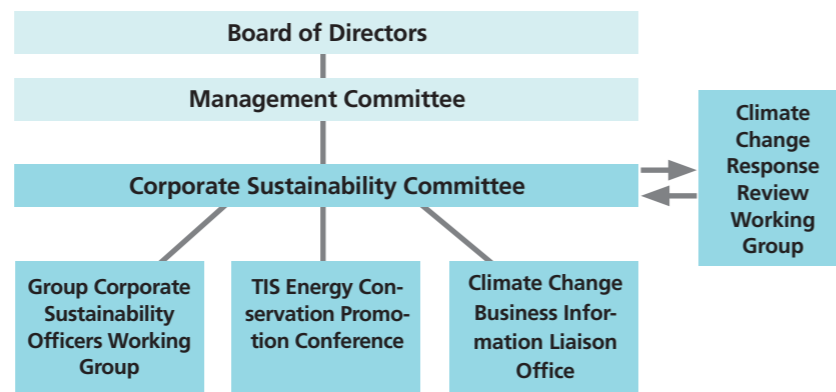
The TCFD requires disclosure in four core areas: governance, strategy, risk management, and metrics and targets.

Governance

The Sustainability Committee assumes a groupwide perspective to explore measures that address issues related to sustainability, including environmental issues such as climate change, and to track progress on implemented measures. This committee is chaired by the president of TIS and meets twice a year with the participation of full-time directors, full-time auditors, the presidents of principal Group companies, and managers of divisions that oversee TIS's progress on materiality. Topics considered by the committee are discussed by the Management Committee and then put forward to the Board of Directors.

As part of the push to embrace sustainability measures and activities, TIS extends measures related to environmental issues groupwide through the Group Corporate Sustainability Officers Working Group. We also set up the TIS Energy Conservation Promotion Conference and the Climate Change Business Information Liaison Office as structures that constantly leverage awareness of risks and opportunities related to measures aimed at mitigating the impact of climate change.

In addition, we take a nimble approach by setting up working groups and assigning specific issues for each to address. The cross-divisional Climate Change Response Review Working Group was created in fiscal 2022 to identify and evaluate risks and opportunities related to climate change and facilitate disclosure in line with TCFD requirements.

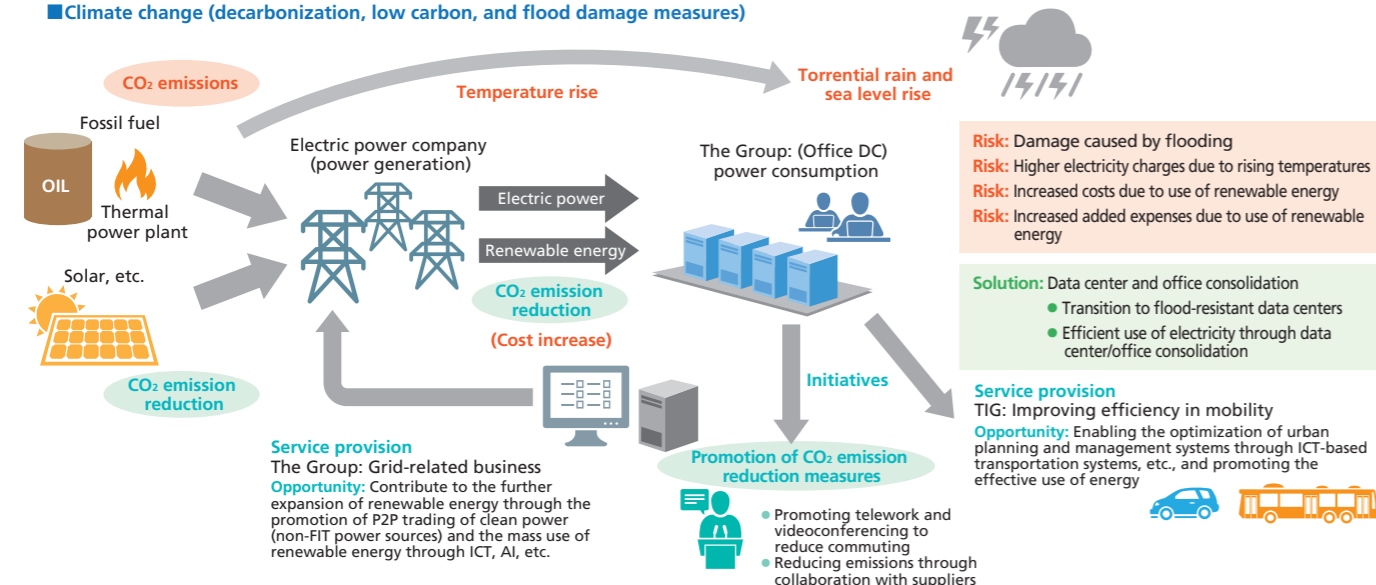


Strategy

Climate-related risks, financial impacts, and opportunities

Based on the correlation diagram between the Group and environmental issues, we organize risks and opportunities in the Group.

Climate change (decarbonization, low carbon, and flood damage measures)



Climate-related risks and financial impacts

Based on the correlation diagram, we listed the short-, medium- and long-term climate-related risks in the Group and assessed the financial impacts in fiscal 2031.

Risk	Short Term	Medium Term	Long Term	Fiscal 2031 Financial Impact	Financial Impact Overview
Risks related to GHG reduction	—	Transition risk (Regulatory) Rising energy prices Regulations based on regional ordinances	Transition risk (Reputation) Trust of society eroded and clients distancing themselves from us because we are unable to achieve GHG reduction Transition risk (Regulatory) Higher costs due to carbon tax	¥8,008 million - ¥8,508 million	Possible loss that could be averted if difficult GHG reduction targets, such as carbon neutral status, are achieved
Risks related to method of GHG reduction	—	Transition risk (Market) Cost to introduce renewable energy	Transition risk (Market) Higher costs due to GHG reduction and introduction of renewable energy	¥100 million - ¥203 million	Potential additional expenses that might be incurred by reducing GHG emissions
Risk of physical impacts	—	Physical risk (acute) Heightened risk due to unusual weather events, including floods	Physical risks (chronic) Higher costs due to rising temperatures	¥9 million	Possible additional expenses caused by physical impacts of climate change

*GHG: Greenhouse gas; short term: immediate impact; medium term: 1–3 years; long term: 4–20 years

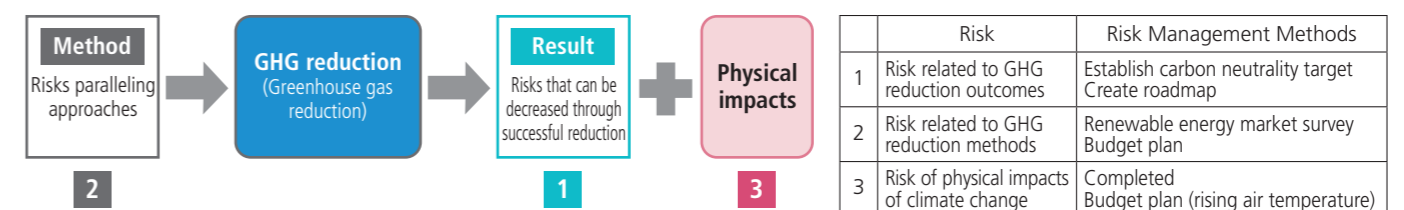
Climate-related opportunities

Based on the correlation diagram, we have also identified the following climate-related opportunities.

No.	Opportunity	Duration	Needs, Increasing in Line with Measures and Targets to Address Climate Change	TIS and TIS Intec Group Responses
1	More opportunities to provide data center services and cloud services to meet needs of low-carbon/decarbonized society	Short term to long term	More companies are taking advantage of on-premise cloud setups and using renewable energy to power highly energy-efficient hardware. Notably, we anticipate wider demand from companies that have set reduction targets under RE100 and TCFD standards.	We see expanding opportunities to provide data center services by raising the renewable energy ratio and energy efficiency at TIS INTEC Group data centers. The current target is to lift the renewable energy ratio at data centers to 50% by fiscal 2031. (TIS seeks to integrate data center operations at environmentally favorable locations and cut GHG emissions by 67% relative to fiscal 2020 levels.)
2	Greater need for system upgrades to improve environment for electric power companies and redesign power infrastructure	Short term to long term	Society urgently needs to transition from its reliance on thermal power generation to renewable energy, with an emphasis on hydro, wind and solar power, to reduce GHG emissions in the energy conversion sector, which accounts for 40% of emissions in Japan. In conjunction with this shift, demand is sure to rise for power transmission / distribution network rebuilds and upgrades suitable for a society using distributed energy resources.	Drawing on business know-how amassed over 30 years of business with energy companies, we are indirectly involved in shaping electric power infrastructures and promoting the decarbonization of energy companies, driven by their embrace of DX in power generation and system changes based on legal revisions.
3	More opportunities to provide IT services and solutions to address new needs related to climate change	Short term to long term	We apply AI and IoT technologies used to automatically control virtual power plants (VPPs), the pinnacle of energy conservation and energy production, and achieve energy efficiency. We anticipate an increase in the need for various IT services that help to better materialize hidden power sources and for resilience services to address climate change risk.	To make it a future strength, we are promoting various IT services and we are in the process of planning and developing such services through development driven by forward-looking investment and through collaboration and co-creation with stakeholders. We will vigorously engage in initiatives to promote VPP solutions and non-financial information reference and checking services for companies, and to set up businesses based on new technologies, such as environmental value exchange and transfer certification.

Risk Management

We have classified and organized risks into three categories—risks that can be decreased by reducing greenhouse gases, risks related to methods for reducing greenhouse gases, and risks that accompany the physical impacts of climate change—and are considering approaches to deal with these risks.



Metrics and Targets

TIS uses groupwide greenhouse gas emissions, renewable energy introduction ratio and financial impacts as metrics for evaluating climate-related risks. For evaluating climate-related opportunities, TIS uses market scale, sales and other factors as reference values to assess opportunities.

Aiming to realize a human resources strategy that supports management

Expansion of human resources that contribute to business strategy

The Group is pushing forward with structural transformation toward its medium-term management goal, **Group Vision 2026**, and has formulated a human resource strategy that contributes to business innovation and market creation in four strategic domains.

Collaboration among HR Business Partners and SBUs

The skill levels, areas of expertise, and number of personnel required to execute each strategic domain are analyzed using career frames* to create human resources portfolios based on the current situation. We conduct periodic reviews based on actual performance and expand our human resources taking a medium- to long-term perspective.

*The "career frame" clarifies the human resources required by the Company and their levels to realize the longer-term business strategy.

In terms of human resource development, recruitment, appointment, and assignment, senior executives and HR business partners (HRBPs) share business and organizational issues and work through a cycle of activities aimed at achieving business goals.



HRBP support menu tailored to site needs

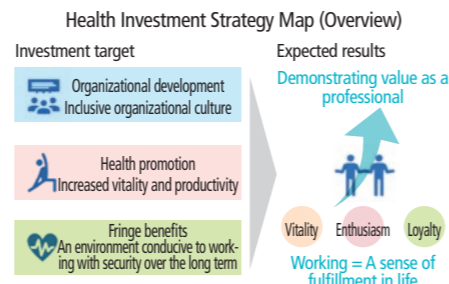
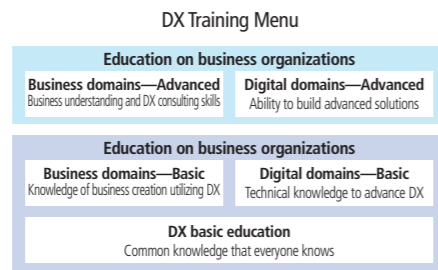
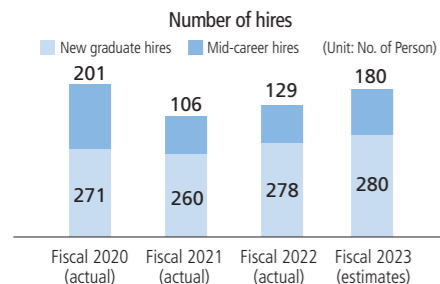
- Organizational management**: Data-driven decision making, Recruitment and selection talent
- Employment**: Recruitment plan for structural transformation personnel, Recruitment analysis, onboarding
- Education**: Employee skills, career analysis, Development of DX consultants and business leaders
- Placement**: Rotation for right person in right position, Providing opportunities for diverse work experiences
- Organizational culture**: Improving employee engagement, Retention, wellbeing

Acquisition of diverse human resources: Investments to promote participation

In addition to promoting human resource strategies through collaboration between HRBP and business organizations, TIS is making investments aimed at **acquiring diverse talent and promoting their participation** throughout the Company. The medium-term management plan sets a goal of adding 500 DX consultants, and 300 were hired during fiscal 2022. We will continue to invest in areas such as increases to employee recompense in conjunction with the HR system reforms scheduled in fiscal 2024 that will strengthen career recruitment, developing a foundation for growth and success, and bolstering our corporate culture.

Major Investments in Talent at TIS (Fiscal 2022)

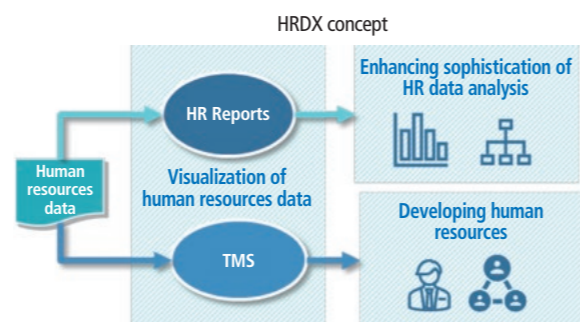
Investment in recruiting ¥480 million In addition to consistent hiring of new graduates, the Company is strengthening its hiring of personnel with diverse work experience, careers, and expertise . This is contributing to the acquisition of DX consultants. In fiscal 2023, we will continue to invest aggressively in mid-career recruitment with the aim of acquiring high-level human resources.	Investment in education ¥1 billion To respond flexibly to changes in society and business, and to enhance our ability to transform our business, we focus on developing human resources who will play a key role in the DX of society . We provide opportunities to learn the thinking and skills required in each of the DX business and digital domains.	Investment in health ¥410 million We promote measures in line with the Health Investment Strategy Map to improve the quality of life and strong performance of our employees. We are promoting communication and organizational revitalization measures, with particular emphasis on social health.
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HRDX supporting the human resources strategy participation

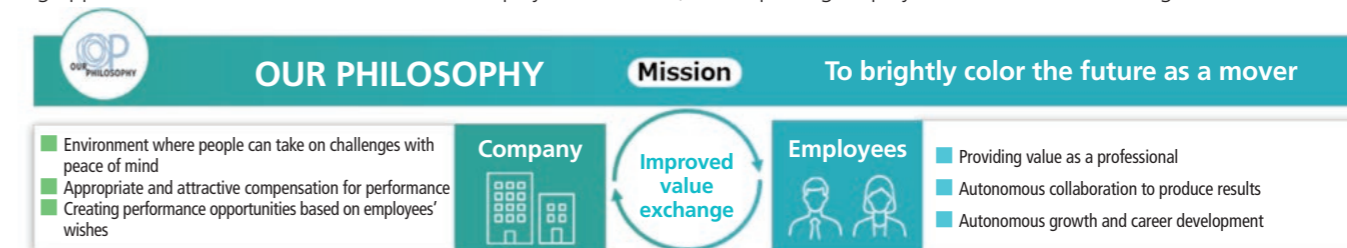
TIS has begun to **develop an HRDX platform** to measure the results of its human resource strategies and visualize the value of its human resources. Through HR reports and our Talent Management System (TMS), we support the execution of data-driven management strategies and the autonomous career development of each employee.

HR Reports: Monitoring performance indicators, supporting data-driven decision making
Talent Management System (TMS): Supporting employees' autonomous career development by integrating human resource portfolios and employee career plans



Sustainable engagement, the cornerstone of our human resources strategy

In our Medium-Term Management Plan (2021–2023), we have positioned "sustainable engagement" as the cornerstone of our human resources strategy. To enable employees to demonstrate their strengths as professionals with a high level of motivation to contribute, the TIS INTEC Group will increase the value it provides to society by enhancing the value exchange between employees and the Company through active investment in human resources, including evaluation and compensation commensurate with human resource value, providing opportunities for diverse human resources to play an active role, and improving employee health and the working environment.



To be a company where diverse human resources share the company's values and philosophy, and can enjoy job satisfaction and professional development

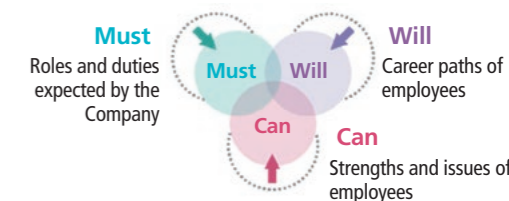
Create a corporate culture in which all employees become movers and continue to change and take on a variety of challenges

A human resources system that encourages each employee to act autonomously and achieves the development of human resources

TIS will introduce a new HR system from April 2023. The new HR system will encourage employee growth and the development of human resources by recognizing actions that provide value as independent professionals and embody the Group's basic philosophy, OUR PHILOSOPHY.

Must/Will/Can framework

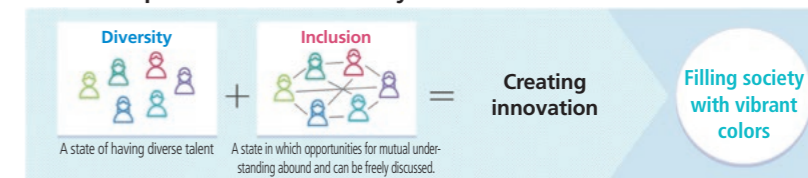
We have introduced the "Must/Will/Can framework" as a management foundation to improve the value exchange between the Company and individuals, and to work towards becoming a company where employees feel fulfillment and growth and can play an active role by having employees share the Company's corporate philosophy and direction, and increasing the overlap between the Company's goals and what they want to do. Based on the concept of the new personnel system, each Group company plans to align its approach to goal-setting and performance evaluation while taking business characteristics into consideration.



Diversity and Inclusion that leverages diverse individuals to provide value to society

We promote diversity management with the aim of achieving "diversity fusion", a state in which diverse personalities are fused together to create continuous change and new value.

We will promote measures based on the three concepts of development of diverse talent, health management, and work style reform so that employees with different ideas, careers, knowledge, and values, in addition to gender and age differences, can be active movers.



Development of diverse talent: All employees grow and demonstrate individual strengths
Health management: Nurturing the performance of employees and the organization as a whole
Work style reform: Providing different work options and encouraging employee independence

*For more information on individual D&I measures, please visit our corporate website.
<https://www.tis.com/group/sustainability/social/diversity/>

Performance monitoring of talent strategies

In the Group, each company sets performance indicators based on its own issues and priorities, and implements the PDCA cycle. In particular, we set group targets (KPIs) for indicators that we deem important, monitor and analyze them over time, and use them to make management decisions.

Group-wide monitoring indicators

Human resource strategy	Measures of effectiveness	Performance indicators	Group performance	TIS parent results	Shared goals (KPIs)
Education	Increased value as a professional	Number of training days per person	13.3 days	15.2 days	9 days (Annually)
Diversity	Demonstration of individuality and strength Creation of new value	Percentage of female employees in management positions	10.3%	11.0%	11.2% (April 2024)
Desire to contribute	Identification with the corporate philosophy	Employee satisfaction (Questionnaire)	51% (up 5 points)	61% (up 5 points)	50% or more company-wide (Increased by 3-5pt annually)
Health	Enhancing employee vitality and performance	Absenteeism (Injury and sickness absence rate)	1.0%	1.1%	1.1% or less (Annually)

*Actual figures for fiscal 2022 (Group includes 7 major companies)

With Clients

TIS INTEC Group Business Summit 2022 held

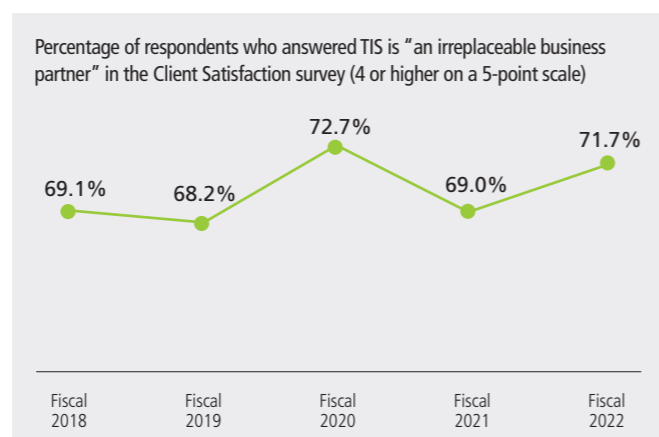
The TIS INTEC Group holds the TIS INTEC Group Business Summit every year as a forum to introduce its services and initiatives that make full use of advanced technologies and know-how to realize a sustainable digital society. In fiscal 2022, in addition to a keynote speech on the theme of “Metaverse” by Koji Koizumi, President of IoTNEWS, 35 sessions and 33 exhibited solutions were presented by Group companies. We will continue to strive to invigorate communication with our clients so that we can catch up with their issues as quickly as possible and provide proactive support.

*This event was held online in July 2022 and attracted many clients.



Implementation of Client Satisfaction Survey

We conduct an annual Client Satisfaction Survey of clients with whom we have continuous business relationships, which is used as a tool to determine our improvement activities. As the percentage of respondents who answered we are “an irreplaceable business partner” continues to increase, backed by the high evaluation of our earnest and sincerity in response and quality, more proactive proposals and information provision are expected of us. To live up to such expectations, it’s important to strengthen our sales and consulting capabilities, which serve as touchpoints with clients and society. We are therefore pursuing initiatives in this area. As part of the groupwide promotion of improvement activities, similar initiatives that have been conducted by each major Group company have been gradually integrated into this survey.



*The survey covered TIS Inc.

With Business Partners

TIS Business Partner Forum/Business Policy Briefing 2022 convened

We held the online TIS Business Partner Forum/Business Policy Briefing 2022 for our business partners to help them better understand our management policy and various other initiatives and measures. This year, under the main theme of “promoting collaboration with business partners”, each organization presented its new initiatives and measures and ambitions for collaboration and co-creation. Going forward, we will continue to strive to expand our business and improve satisfaction through collaboration.

*This event was held online in July 2022 and attracted many business partners.

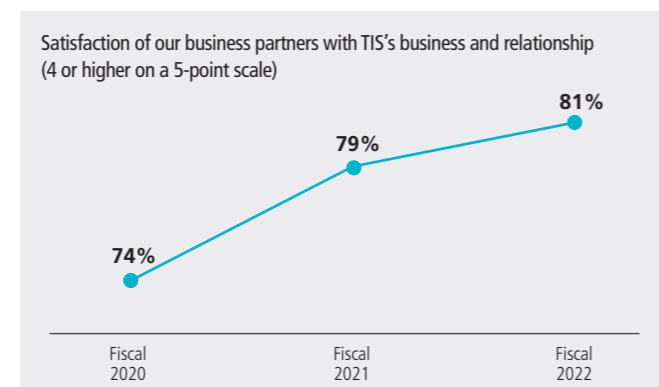


Implementation of Business Partner Satisfaction Survey

We conduct a Business Partner Satisfaction Survey every year to learn from our business partners about changes in the environment, trends in guidelines and unit prices, and their level of satisfaction with us.

This time, we added “good points/bad points” of the Company as perceived by surveyed business partners and received valuable feedback that will undoubtedly lead to improvements.

We will continue to analyze the survey to surface issues and make improvements to expand collaboration with our business partners and improve their satisfaction with our services.



*Fiscal 2021 and fiscal 2022 results indicate that clients are satisfied doing business with us.

*The survey covered TIS Inc.

Fast, fair and impartial information disclosure, and dialogue with shareholders

We provide performance results and the latest news on our business activities through events, such as results briefings and individual meetings, and through production of pamphlets and our website. In addition, we engage in constructive dialogue with stakeholders to achieve sustainable improvement in corporate value.

IR Events in Fiscal 2022	Frequency	Contents
Results briefings for analysts and institutional investors	4 times	Quarterly briefings (in May, August and November 2021 and February 2022).
Business briefings for analysts and institutional investors	Once	Held a meeting regarding sustainability management (in December 2021).
Small meetings for analysts and institutional investors*	221 times	Over course of fiscal year, provided IR-oriented information to analysts and institutional investors. Total coverage: 363 companies (454 people). Of these meetings, 95 were for overseas investors.
Small meetings by President	Twice	President held two meetings with analysts (sell-side analysts: once, buy-side analysts: once).
Overseas roadshows	Twice	President, director responsible for overseas IR and other members of senior management met with shareholders and investors (in Europe, the United States and other regions) (in June and November 2021).
IR conference for individual investors	Once	Live-streamed conference (628 participants) (in March 2022).
Production of materials for individual investors	Twice	Issued Business Report (in June and December 2021)

*With some exceptions, meetings were held online.

Initiatives to revitalize the General Meeting of Shareholders and facilitate the exercise of voting rights

Initiatives	Contents
Early notification of General Meeting of Shareholders	It is Company policy to physically distribute the convocation notice at least three weeks before the General Meeting of Shareholders takes place. The notice for the 14th Annual General Meeting of Shareholders scheduled for June 24, 2022, was sent out on June 1, 2022.
Disclosure of convocation notice prior to physical distribution	The convocation notice is posted on our corporate website before it is physically distributed. Based on Company policy to post the convocation notice about one month prior to the date of the General Meeting of Shareholders, we uploaded the convocation notice for the latest General Meeting of Shareholders on May 19, 2022.
Setting dates for the General Meeting of Shareholders that avoid the peak day	To enable as many shareholders as possible to attend our General Meeting of Shareholders, we avoid dates when most other companies hold their meetings. The most recent General Meeting of Shareholders was held on June 24, 2022
Voting by electronic means	We have adopted an electronic voting system that allows shareholders to exercise their voting rights via the Internet (PC, smartphone or mobile phone).
Participation in electronic voting platforms and other initiatives to improve the environment for institutional investors to exercise voting rights	We participate in the voting platform for institutional investors operated by Investor Communications Japan (ICJ, Co., Ltd.).
Access to Notice of Convocation (summary) in English	A summary of the Notice of Convocation for the General Meeting of Shareholders, in English, was posted to our corporate website on May 19, 2022, the same day that the full Japanese original was posted in advance of physical distribution of the document.
Other	To prevent the spread of COVID-19 and to facilitate attendance by all shareholders at the General Meeting of Shareholders, without disadvantage to regional shareholders, and provide greater opportunity to observe the proceedings, we live-streamed the event.

IR Policy

Purpose of IR Activities

As part of its pursuit of fair and transparent management, the Company engages in investor relations activities in order to fulfill its accountability obligations to not only the shareholders who entrust management to it, but also to investors, securities analysts and capital market participants in general. By engaging in proper disclosure and constructive dialogue through its investor relations activities, the Company also aims to promote understanding of the Group, develop long-term trusting relationships, and earn fair assessments of its corporate value.

Basic Policy on IR Activities

Recognizing that investor relations activities are an important element of its management activities, the Company is committed to fulfilling its accountability obligations to shareholders, investors, securities analysts, and other capital market participants and to building trusting relationships based on full communication achieved through ongoing conscientious and positive engagement in investor relations activities.

To promote understanding of the Group, the Company will endeavor to disclose and explain its management policies, details of its business operations, business strategies, earnings performance, finances and other corporate information in a timely, fair, accurate and clear manner by participating in interviews and responding to inquiries pertaining to investor relations, holding earnings briefings and small meetings, and engaging in other such activities. Opinions and other feedback on the Group obtained through constructive dialogue will be shared within the Company through reports to the Board of Directors and similar channels, and will be used for purposes such as reviewing the Company’s management strategies.

Basic Policy on Disclosure

1. Disclosure standards

To ensure transparency by promoting information disclosure, the Company discloses material information that could influence investment decisions, including information disclosed in conformance with the Securities Listing Regulations of the Tokyo Stock Exchange and the Financial Instruments and Exchange Law (meaning information on decisions made by the Company, occurrences of material facts, and business results and similar information; the same applies hereinafter). In addition to the above, the Company also discloses, to the maximum extent possible, information judged useful for furthering understanding of the Company and the Group.

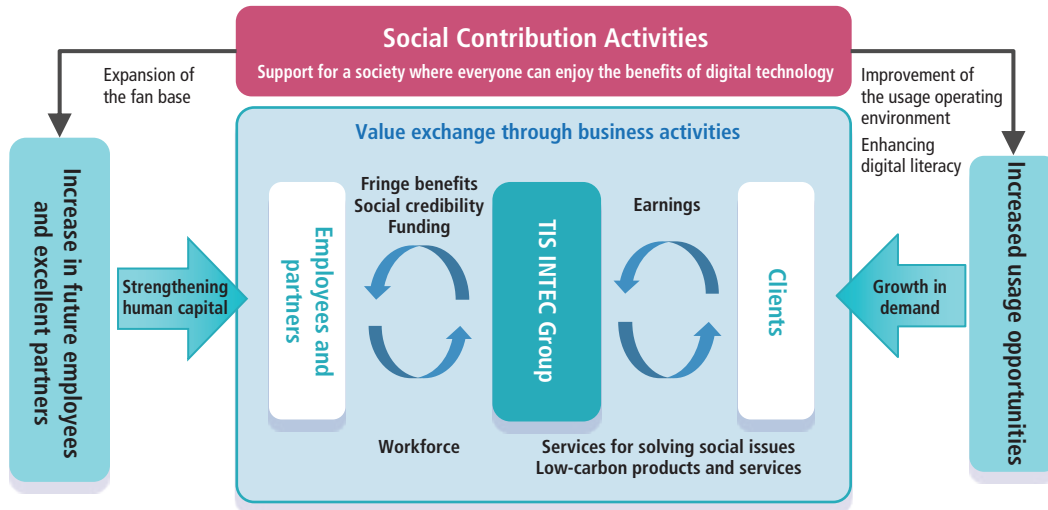
2. Information disclosure system

The Company has developed a communications structure linking divisions and member companies of the Group, and it has established a structure for disclosing material information that could influence investment decisions, including information disclosed in conformance with the Securities Listing Regulations of the Tokyo Stock Exchange and the Financial Instruments and Exchange Law, in a fair and timely manner. The Company is committed to rigorous information management and preventing insider trading.

* Please see the Company’s web site regarding “3. Methods of Disclosure”, “4. Spokespersons for Investor Relations Activities”, “5. Yet-to-Be-Released Material Information”, “6. Quiet Period”, “7. Response to Rumors, etc.”, “8. Earnings Forecasts, etc. by Third Parties”, “9. Framework for Disclosing Information on Company Website” of Basic Policy on Disclosure.
<https://www.tis.com/ir/other/policy/>

Social contribution activities

The Group will accelerate value exchange with local communities by promoting social contribution activities that support the realization of a society in which everyone can enjoy the benefits of digital technology. We expect the continuation of these activities to lead to an increase in demand for our services by strengthening our human capital through the expansion of our fan base and increasing opportunities to use our services.



■ Social Contribution Activities at TIS Inc.

Support for a society where everyone can enjoy the benefits of digital technology based on the following three themes

(1) Activities to support future users

We will conduct activities to enhance the ability of children—the next generation—to use digital technology.

(2) Activities to spread the benefits of digital technology to society

We aim to reduce the number of people who do not have access to digital technology due to economic and location factors through activities such as support for infrastructure projects.

(3) Activities to mitigate the negative impacts of digital technology on society

We will work to prevent the misuse of digital technology and help people having difficulty adapting to change.

Project to Develop an Information Infrastructure around Three Inhabited Islands (Setouchi Town, Kagoshima Prefecture)

As part of our activities to spread the benefits of digital technology to society, we supported the installation of submarine optical fiber cables and provision of services on three inhabited islands (Kakeroma, Hojima, and Yoroshima) in Setouchi Town, Kagoshima Prefecture, via the corporate version of hometown tax donations. These locals face information disparity due to the lack of an optical broadband connection to the islands.

We expect that the installation of submarine optical fiber cables will improve the communication conditions for mobile phone carriers and develop an information infrastructure to realize the introduction of ICT in the educational field.

Through such activities, we hope to reduce the number of people who cannot benefit from digital technology due to their location and contribute to the realization of a society in which all members of society can enjoy the benefits of digital technology.

We also hope that this will be an opportunity to promote the development of telework/shared office space, attract more companies to Setouchi Town, and increase opportunities for moving to and settling in the town, thereby revitalizing the local community.



* For more information on other activities, please refer to the TIS INTEC Group website.
Social contribution activities: <https://www.tis.com/group/sustainability/social/community/>