

# 05

## Platform for Value Creation

The Group is promoting environmental, social and governance initiatives to underpin 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.89

### Social

Sustainable improvement in stakeholder engagement

P.93

### Governance

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

P.69

Quality Control and Production Innovation P.101

Intellectual Property P.103

Research and Development P.104



**To improve corporate value of the TIS INTEC Group, I am working to enhance the efficiency of the Board of Directors.**

**Background**

An identified priority for the Board of Directors is to “supervise the execution of duties by upper management and thereby ensure sound corporate management,” according to the Corporate Governance Code. Based on the definition and underlying concept of OUR PHILOSOPHY, which likens a corporation to a social system that aims for happiness, TIS naturally opted to promote separation of management supervision and business execution functions to better fulfill its function as a corporation working for the benefit of society. It is my role as a director and chairman without the right of representation to chair meetings of the Board of Directors.

**Looking Back on Fiscal 2023**

In fiscal 2023, the Board of Directors made extremely significant and large-scale investment decisions affecting the TIS INTEC Group. These decisions included the acquisition of shares in Nihon ICS, a switch from leasing to ownership for a core facility used primarily in system operation activities, and bold investment in human resources. Given that each investment would have a huge impact on Group operations, I took it upon myself, even though I am Chairman of the Board, to encourage Board directors to fully demonstrate their supervisory function through rigorous discussion of the proposed investments.

Once discussions got rolling, the most important part of the decision-making process was to stay true to the Group’s medium- to long-term vision. Take the equity stake in Nihon ICS, for example. This would usher the TIS INTEC Group, with a current client base largely comprising big corporations, into the small and medium-sized business market, where the approach to services is considerably different. For that reason,

we had to weigh the intrinsic value and significance that this acquisition would bring to the Group against the risks of venturing into uncharted territory. Regarding the purchase of fixed assets, our basic policy had been to refrain from ownership of such assets, including the head office, so the switch from leasing to ownership required a deep rethink of this particular facility and how it would contribute to our ability to continuously provide high-quality services to clients into the future. A robust discussion ensued.

However, the Board of Directors agrees that, generally, more than one meeting is needed to decide whether an investment will enhance the Group’s corporate value over the medium to long term and whether it will meet the expectations of shareholders. This is especially so for big-picture themes, such as the Group’s management stance and growth strategies, which require a fine-tuned approach, and I am all for holding more meetings when necessary. We hold regular briefings for external directors ahead of Board of Directors’ meetings to provide background pertinent to the stated agenda, but the importance of investments may call for irregular meetings as well, where executive officers and external directors exchange opinions. Constructive comments are then put forward to the Board of Directors. Repeated discussions from diverse viewpoints lead to effective decisions.

**Striving for a More Effective Board of Directors**

I believe the Board of Directors already operates effectively at the present time. That said, further improvement is always welcome, and deepening discussions with external directors—who bring varied experience and insights to the conversation on medium- to long-term management strategies—is a constructive way to enhance Board effectiveness. Currently, our external directors have diverse expertise and skills that are not necessarily specific to the IT sector. Therefore, we must create enough opportunities to share information and exchange opinions about the industry, technology trends and other details that will enrich discussions. In addition, we need to have a proper discussion about balancing skillset with TIS INTEC Group diversity and the monitoring format that best enables a great team to demonstrate maximum capabilities.

The role of Chairman of the Board carries with it a heavy burden of responsibility, but for me, an improvement in the Group’s corporate value is worth the weight I bear. Indeed, it is my greatest joy. Going forward, I will continue to apply the knowledge and experience I have accumulated over a long career as an executive within the TIS INTEC Group. At the helm of the Board of Directors, I will ensure seamless cooperation with internal and external directors and do my utmost to enhance corporate governance.

**Toru Kuwano**  
 Chairman of the Board of Directors



**In this section, we provide messages from external directors regarding future themes, expectations, and challenges for the TIS INTEC Group, which is undergoing a structural transformation.**



**Koichi Sano**  
 External Director

**Aiming to further strengthen corporate governance and cash flow generation**

As a company listed on the Prime Market of the Tokyo Stock Exchange, the Group must constantly pursue the best and highest level of corporate governance. As a policy, I believe the Board of Directors should embrace a monitoring-oriented approach and aim for higher effectiveness by clarifying the roles of execution and supervision, ensuring true independence and diversity, respecting diverse viewpoints, and being properly accountable as executives for addressing issues that have been raised.

Medium-term challenges and risks for further growth include: (1) Creating and nurturing businesses that will be subsequent growth engines, (2) Competing to secure human capital, and (3) Strengthening internal controls as the number of Group companies increases.

We have been working hard to achieve our goal of sustainability-oriented management. However, we need to accelerate our efforts through proper enterprise risk management (ERM) and a spirit of challenge without resorting to the status quo. We must also visualize the contribution of each segment and strategic target. I believe that evaluating the achievement level of each business strategy and four-quadrant evaluation of KPI values will facilitate the development of subsequent strategies. By also clarifying our focal business areas and rating each business by time frame, we will be able to determine appropriate resource allocations and exit strategies.

As in the past, we will continue focusing on three areas: whether our ability to generate cash flow, which is the source of corporate value, has been strengthened through the business restructuring, whether cash flow growth is exceeding net sales growth, and whether our ROIC and ROE spreads relative to cost of capital have expanded.



**Fumio Tsuchiya**  
 External Director

**Realizing our Group mission through a BtoBtoC approach**

One of the key themes of our materiality is to provide “create a comfortable society through innovation and joint activities” As a provider of IT services as its main business, the Group aims to create and deliver new value to not only direct business partners but also end-users (consumers/society), by working together with business partners to uncover and anticipate consumer needs. To achieve this, it is important to have a “BtoBtoC” approach to business, not just BtoB. From my standpoint and experience as a long-time management of a BtoC company, I feel that the Group, as a conventional system integrator, was lacking in this approach. I hope that the Group, which is engaged in business structural transformation based on improving the value provided by DX, will once again deeply embrace the BtoBtoC concept and bring to society our mission: “To brightly color the future as a mover.”

To realize our mission, I hope to shift the emphasis of the Board of Directors to a monitoring-oriented style so that the executive departments can take on future challenges quickly and aggressively. As an external director, I will continue supporting the Board of Directors by providing candid opinions and necessary advice from the shareholders’ viewpoint.



**Naoko Mizukoshi**  
 External Director  
 (Partner of Leftright Law & IP)

**Targeting sustainable growth by improving Board functionality and diversity**

Over the past year, we discussed how the Board should be managed to promote business promptly while properly monitoring risks and opportunities from the perspective of improving medium- to long-term corporate value. We also discussed the optimal ratio and composition of independent external directors and internal directors from the viewpoint of fostering useful and transparent deliberations, as well as the skills they should possess. In addition, we clarified areas to be addressed in the short, medium, and long terms, based on an evaluation of the Board’s current state and its ideal future state. As an external director myself, I have worked to improve the functions of the Board of Directors by encouraging open, unpredictable, in-depth discussions from the perspectives of each stakeholder category and by striving for self-improvement.

While I am pleased with our strong performance in fiscal 2023, I will monitor the implementation and progress of priority measures targeting future growth. At the same time, I will work to swiftly realize synergies with Japan ICS, a new member of the Group, to accelerate growth in overall offering services. In addition, I will monitor the efficiency of assets as a particularly important theme. This includes utilizing system operation bases we have decided to acquire.

Recognizing the paramount importance of human resources, meanwhile, we must continue striving to attract promising and diverse talent and provide a great workplace environment. At this point, I think there is room for further improvement, including with respect to the advancement of women. Therefore, we need to constantly scrutinize conventional assumptions and identify better ways of doing things. I will closely monitor improvements in compensation and diversity to ensure that we create a positive cycle for the sustainable growth of the Group.

The Group seeks to enhance corporate governance and internal controls, which are its core subjects. The focus is also on promoting quality control and 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.

**History of Initiatives to Strengthen Corporate Governance**

	Fiscal 2009	Fiscal 2012	Fiscal 2015	Fiscal 2018	Fiscal 2021
Separation of executive and supervisory functions		● Established IT Holdings Corporation		● Established TIS INTEC Group	
External directors		● 2 persons (out of 8 members)		● 3 persons (total 10 members)	● 3 persons (decreased to 9 members)
External Audit & Supervisory Board members		● 3 persons (out of 4 members)		● 3 persons (total 5 members)	
Diversity				● 1 person (total 9 members)	● 1 person (total 5 members)
Female directors					● 2 persons (total 5 members)
Female Audit & Supervisory Board members					
Institutional design and other matters				● Established the Nomination Committee and Compensation Committee, of which the majority of members are independent external directors	● Appointed external director as Chairperson of each committee
				● Introduced the performance-linked stock incentive plan (Compensation ratio: basic compensation : performance-linked compensation : performance-linked stock incentive = 7 : 2 : 1)	● Revised the compensation ratio to 6 : 3 : 1
				● Established the Corporate Sustainability Committee	
Improvement of effectiveness of Board of Directors				● Conducted evaluation of the effectiveness of the Board of Directors	

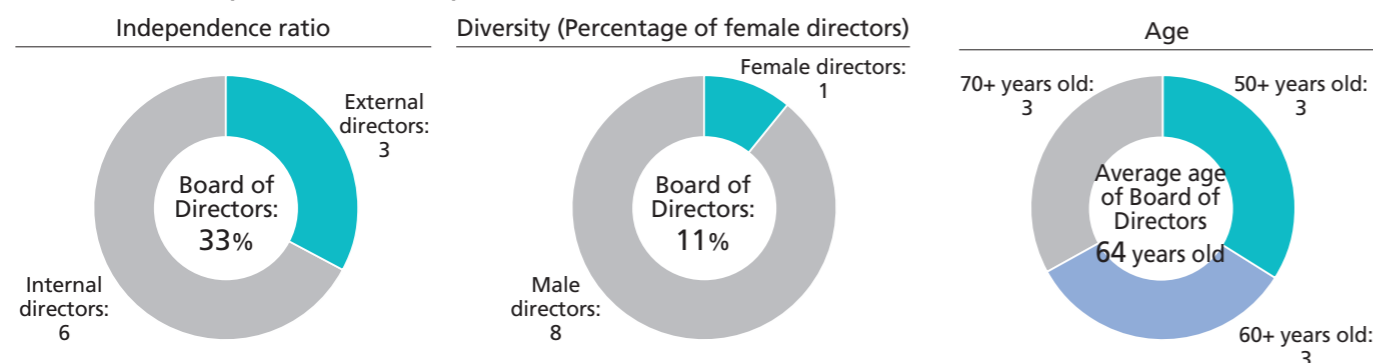
**Compliance with the Corporate Governance Code**

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.

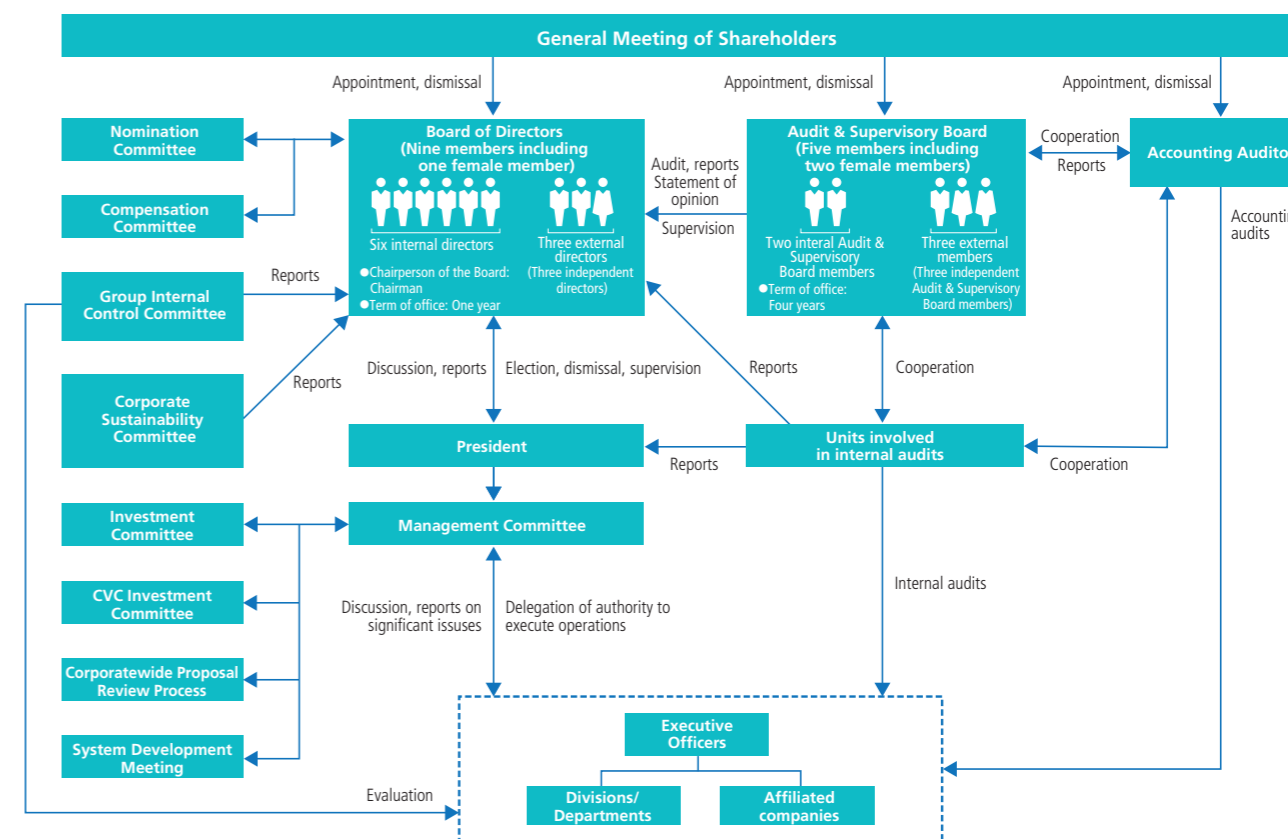
**Reason for Selection of Current Corporate Governance Structure**

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.

**Board of Directors (As of June 23, 2023)**



**Corporate Governance Structure**



**Operational Status of the Board of Directors**

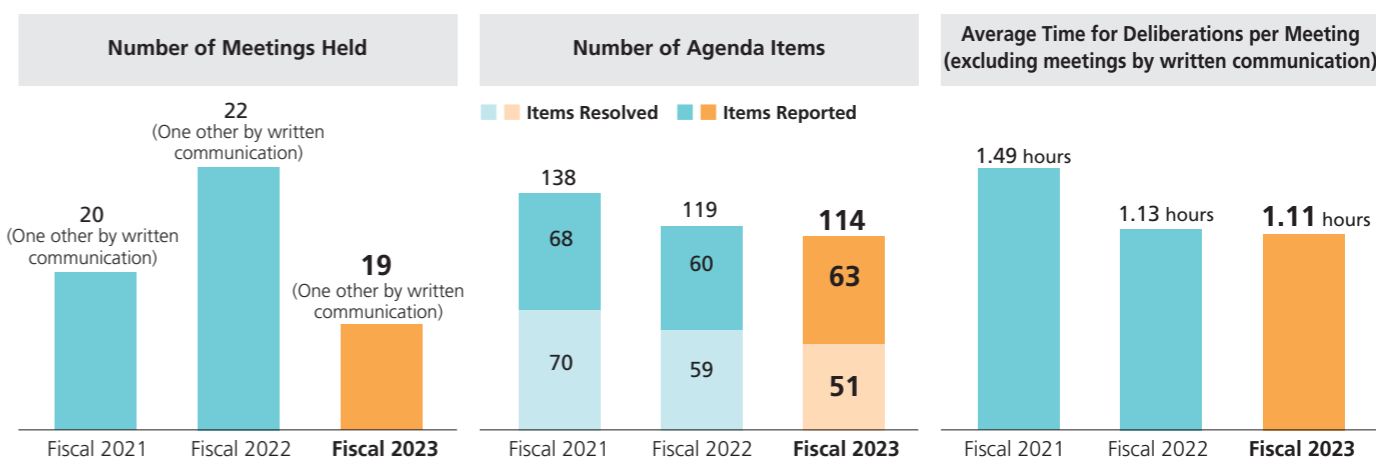
As stipulated in its Articles of Incorporation, the Company's Board of Directors will comprise at least three and no more than 15 directors, and to strengthen the supervisory functions of the Board of Directors, a policy has been established that one-third or more of the directors must be independent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

business direction, as well as meetings ahead of Board of Directors' meetings—in principle, twice a month—to give external directors and external 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, 2023** Board of Directors: **19** meetings held; **114** agenda items discussed (**51** items resolved and **63** items reported)



## ■ Activities by Other Meeting Bodies

### 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, 2023 Management Committee: **37** meetings held; **237** agenda items discussed (**132** items resolved and **105** items reported)

### Nomination Committee and Compensation Committee

	Nomination Committee	Compensation Committee
Status of activities by committees (Fiscal 2023)	Met four times (attendance rate: 100%) The committee provided advice on the appointment and retirement of key individuals, including directors, and presented proposals on changes to director composition, based on the results of the advice given by committee members. Seeking to engage in consultation with greater transparency, two opinion exchange sessions were held separately from the consultation to share understanding of the purpose of executive appointments and the like, as well as to discuss the direction of such appointments.	Met three times (attendance rate: 100%) The committee discussed 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. Proposals were made to the Board of Directors on director compensation, based on the results of the advice given by the committee. In addition to the consultation, two sessions were held to exchange opinions on the topic of officers' compensation as an incentive with a view to revising officers' compensation to better contribute to the improvement of corporate value.

### 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	Identify trends of sustainability management, discusses sustainability issues, selects issues to focus on, and provides direction on how to address them.
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

TIS strives for optimal corporate governance and works continuously to make improvements in that area. Since fiscal 2016, the Company has evaluated the effectiveness of the Board of Directors each fiscal year with the aim of identifying issues and areas for improvement and linking them to initiatives to improve the Board's effectiveness. For the fiscal 2023 evaluation, all directors and Audit & Supervisory Board members

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. Individual interviews were also conducted, and the Board of Directors held discussions based on these results. The method and results of the evaluation 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 and obtained responses. In addition, personnel of its administrative office conducted interviews with all directors and members of the Audit & Supervisory Board. The Company's Board of Directors then used these results to analyze and evaluate its own effectiveness.

Importantly, TIS conducted this effectiveness evaluation based on advice and verification by an external attorney.

### 2. Actions to address issues identified in the previous fiscal year

In fiscal 2023, TIS took the following actions to address issues identified in the effectiveness evaluation conducted in the previous year.

#### (1) Further improving the function of the Board of Directors

At multiple meetings, the Board of Directors discussed the state of the Company's governance with a view to medium- and long-term growth. The main topics discussed included the role and function of the Board of Directors, institutional design, delegation of authority to the executive, desired skills of Board members, number and composition of Board members, and succession planning for external directors. As a result, the Board of Directors has become more focused on monitoring with an emphasis on medium- and long-term discussions. Specifically, the Board revised the criteria for submission of proposals to the Board of Directors and delegated authority to the executive starting in the current fiscal year.

#### (2) Discussions on improving medium- to long-term corporate value

The Board of Directors identified themes of high importance for improving medium- to long-term corporate value and drafted an annual schedule for addressing those themes. The Board also established a system to ensure that each

theme is addressed in a timely and appropriate manner, with particular emphasis on improving the functions of the Board as described above.

### 3. Results of analysis and evaluation of effectiveness of the Board of Directors

The Board of Directors concluded that sufficient effectiveness had been ensured to appropriately supervise the status of business activities at the Company and Group companies, the approval of important management matters, such as investments, and business execution, 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 the effectiveness evaluation conducted in the previous fiscal year.

At the same time, management acknowledged the need to improve the quality of discussions in line with the Company's growth and to further focus on medium- to long-term management themes in order to promote more advanced management of the Company.

### 4. Responses based on analysis and evaluation

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

#### (1) Improving the quality of discussions

To further enhance and facilitate discussions at Board of Directors' meetings, TIS will continue improving the method of operation, the format of materials used, and the composition of the meeting body.

#### (2) Focus on medium- to long-term discussions

The Board of Directors will prepare an annual agenda covering management and strategic themes to be discussed regarding the formulation of medium- to long-term strategies and their implementation. Through more active discussion and confirmation of progress, the Board will also engage in activities aimed at enhancing corporate value.

## (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 23, 2023)

Directors							Audit & Supervisory Board Members								
Chairman	Representative Director, President	Representative Director, Executive Vice President	Director, Senior Managing Executive Officer	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	
<b>Toru Kuwano</b>	<b>Yasushi Okamoto</b>	<b>Josaku Yanai</b>	<b>Shinichi Horiguchi</b>	<b>Takayuki Kitaoka</b>	<b>Shuzo Hikida</b>		<b>Koichi Sano</b>	<b>Fumio Tsuchiya</b>	<b>Naoko Mizukoshi</b>	<b>Tetsuya Asano</b>	<b>Makoto Tsujimoto</b>	<b>Yukio Ono</b>	<b>Akiko Yamakawa</b>	<b>Hiroko Kudo</b>	
Date of birth	May 3, 1952	March 3, 1962	November 14, 1963	June 23, 1962	December 14, 1960	October 24, 1964		August 30, 1948	May 10, 1948	September 23, 1967	October 22, 1960	December 7, 1960	January 1, 1950	April 5, 1973	February 28, 1968
Cumulative term of office	10 years	5 years	7 years	—	5 years	—		7 years	6 years	5 years	3 years	—	3 years	3 years	1 year
Number of shares owned (thousand shares)	173	57	60	24	17	3		4	—	1	9	61	2	—	0
Attendance at meetings															
Board of Directors Attendance/ Number of meeting (Attendance rate)	19/19 (100%)	19/19 (100%)	17/19 (89.5%)	—*1	19/19 (100%)	—*1		19/19 (100%)	19/19 (100%)	19/19 (100%)	19/19 (100%)	—*1	18/19 (94.7%)	19/19 (100%)	15/15 (100%)*2
Audit & Supervisory Board Attendance/ Number of meeting (Attendance rate)	—	—	—	—	—	—		—	—	—	12/12 (100%)	—*1	12/12 (100%)	12/12 (100%)	10/10 (100%)*2
Nomination Committee ●Chairperson ○Committee member		○						○	●	○			○		
Compensation Committee ●Chairperson ○Committee member		○						○	●	○			○		
Skills															
Corporate Management	●	●	●		●			●	●		●	●			
Industry Knowledge	●	●	●	●	●	●			●	●		●			●
International Experience	●	●	●						●	●		●	●		●
Finance & Accounting			●					●			●		●		
Intellectual property and legal										●				●	

\*1 Assumed office on June 23, 2023

\*2 Based on Board of Directors meeting and Audit & Supervisory Board Member's meeting held after assumed office on June 24, 2023

### Executive Officers

Senior Managing Executive Officer	<b>Kiyotaka Nakamura</b>	Managing Executive Officer	<b>Isao Otokita</b>	Executive Officer	<b>Tetsuya Yuzuri</b>
Senior Managing Executive Officer	<b>Masahiro Ueda</b>	Managing Executive Officer	<b>Ikuo Shimizu</b>	Executive Officer	<b>Hiroyuki Kawai</b>
Managing Executive Officer	<b>Kei Ando</b>	Executive Officer	<b>THANAWAT LERTWATTANARAK</b>	Executive Officer	<b>Takuma Tanaka</b>
Managing Executive Officer	<b>Naoto Kita</b>	Executive Officer	<b>Manabu Yano</b>	Executive Officer	<b>Yukino Fuchigami</b>
Managing Executive Officer	<b>Akira Ogane</b>	Executive Officer	<b>Yoshiyuki Hayashi</b>	Executive Officer	<b>Kazuto Nakamura</b>
Managing Executive Officer	<b>Satoru Tayasu</b>	Executive Officer	<b>Masakazu Kawamura</b>	Executive Officer	<b>Takashi Fujii</b>
Managing Executive Officer	<b>Hidehiko Shimoyama</b>	Executive Officer	<b>Kensaku Furusho</b>	Executive Officer	<b>Kiichiro Sasaki</b>
Managing Executive Officer	<b>Tsuneyoshi Ito</b>	Executive Officer	<b>Reiko Oka</b>		
Managing Executive Officer	<b>Kyoko Takayanagi</b>				

### 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. We adhere 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 Director: Shuzo Hikida

#### Leveraging our diversity to help resolve social issues.

Major advances in AI and other technological innovations are causing rapid changes in society. In this context, I recognize that expectations for the Group, which is heavily involved in digital technologies, are increasing more and more. Under our current medium-term management plan, we have made steady progress with measures to transform our business structure, centered on DX. To address rapid changes in the market environment in the future, however, we must grow our service-based business, which is the symbol of the Group. We also need to accelerate efforts to make our high value-added services available to more customers.

We will strive to help resolve various social issues through our business activities. Here, we will leverage our knowledge and experience in system integration services and platform services, cultivated through our relationships with customers in various industries, while taking advantage of the diversity of the TIS INTEC Group.

### Message from Newly Appointed Audit & Supervisory Board Member: Makoto Tsujimoto

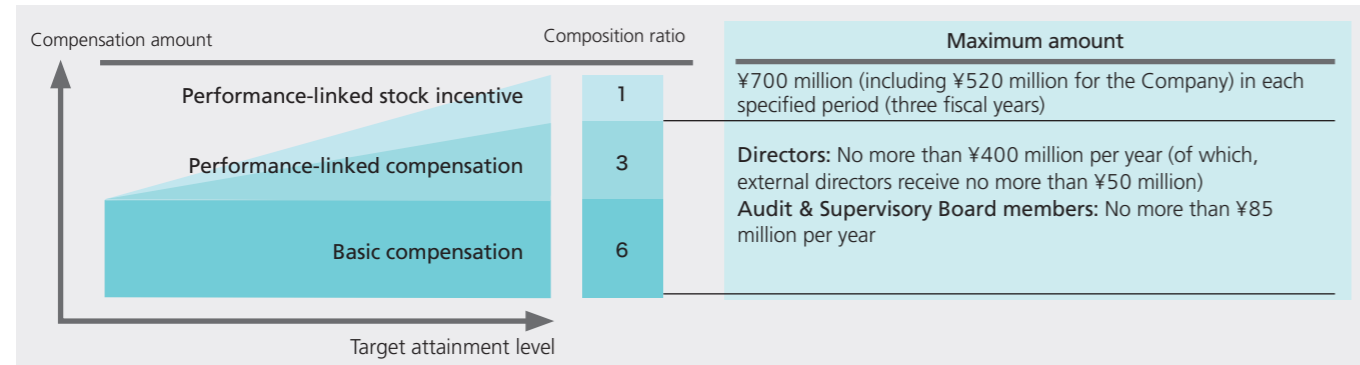
#### Further improving group governance

I have been with the Company for a long time. In addition to secondments to several Group companies, I have served as representative director and non-executive director of Group companies. As a new Audit & Supervisory Board member, I would like to use the knowledge and experience I have gained through these positions.

While emphasizing harmony with society, the Group aims to achieve sustainable growth and increase corporate value over the medium and long terms through sustainability-oriented management. To achieve this, we conduct audits of legality and appropriateness to ensure transparency and fairness and foster prompt and accurate decision making, in accordance with our Basic Policies on Corporate Governance. In particular, I intend to play a role in improving the governance of the entire Group and make it more effective.

## Outline of Policy on Officers' Remuneration

### Decision Policy and Structure of Officers' Compensation



#### (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 above, 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

a. 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.

b. To reflect medium- to long-term business performance, directors (excluding external 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 2023, the amount of performance-linked compensation was determined by applying a performance-linked coefficient of 50% based on the level of attainment of predetermined targets with the corporate performance indicators, including Consolidated Sales, Consolidated Operating Income and Earnings per Share (EPS).

Financial index (Consolidated)	Fiscal 2022	
	Estimates	Actual
Net sales	¥470,000 million	¥482,547 million
Operating income	¥48,500 million	¥54,739 million
EPS	¥128.78	¥157.69

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 2023, 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 Stock Delivery Regulations.

Performance indicator				Weight	Fiscal 2023	
					Estimate	Actual result
Financial	Profit	Consolidated operating income		25%	¥52,500 million	¥62,328 million
		EPS		25%	¥141.00	¥227.11
	Business transformation	Service-style business gross profit	Calculated score based on the actual result relative to the target of gross profit of service business	25%	¥31,349 million	¥32,162 million
Nonfinancial	Stakeholder engagement	Job satisfaction	Calculated score according to the ratio of respondents who chose the answer "(4) Often applies" or higher in the overall evaluation (Good company to work) in the Employee Awareness Survey	12.5%	59% or over	58%
		Customer/service satisfaction	Calculated score according to the ratio of responses of (4) or higher in the questions to measure satisfaction for account service in the Customer Satisfaction Survey	6.25%	57% or over	59%
		Business partner satisfaction ratio	Calculated score according to the ratio of responses of (4) or higher in the questions to measure satisfaction "as a business and a partner" in the Business Partner Satisfaction Survey	6.25%	79% or over	74%

#### Relation between evaluation score and level for each item

Category	Item	Score scale	Standard score	Score allocation
Profit	Consolidated operating income	11-point scale	7	17.5
	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 external 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\*) =  
 $\text{Base amount} \times \text{Performance fluctuation coefficient} \div \text{Acquisition cost per unit}$  \* 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.

## Remuneration for Directors and Audit & Supervisory Board Members (Year Ended March 31, 2023)

(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)	249	160	67	21	21	6
Audit & Supervisory Board members (excluding external auditors)	41	41	–	–	–	2
External directors and external auditors	61	61	–	–	–	7

Notes: 1. For the fiscal year ended March 31, 2023, 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.

## 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.

## 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 and management seeks to push the cross-shareholdings on a balance sheet basis as a percentage of consolidated net assets below the 10% benchmark.

### 2. Criteria for exercising voting rights for strategically held shares

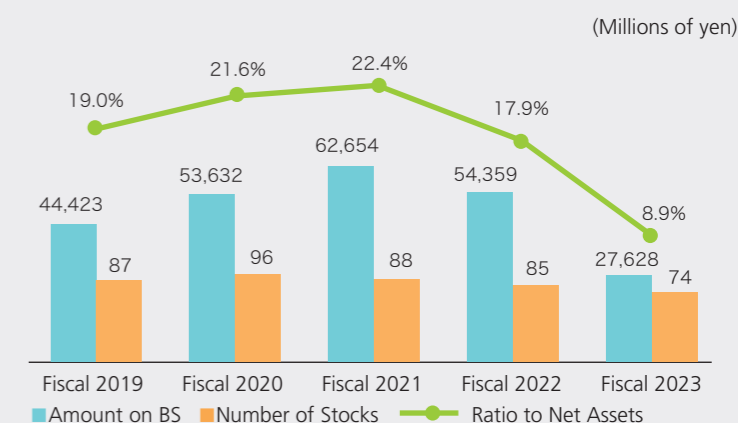
TIS appropriately exercises voting rights for the listed shares in its possession after comprehensively determining whether such action will contribute to the sustainable corporate growth and higher medium- to long-term corporate value of the TIS INTEC Group and investee company, taking into consideration 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 with strategic shareholders that lack economic rationality.

## Status of Cross-Shareholdings

While proceeding with reduction in line with the above-mentioned policies and strategies, we aim to lower the percentage of the amount of the cross-shareholding shares recorded on the balance sheet against consolidated net assets to a level of 10%. To achieve this goal, we reduced 17 issues of shares held for cross-holdings including 14 issues sold in full. Due to fluctuations in market value in addition to the above-mentioned reduction, the amount recorded on the balance sheet for fiscal 2023 decreased by ¥26.7 billion, to ¥27.6 billion. As a result, the above-mentioned percentage in fiscal 2023 is 8.9% (down 9.0 percentage points year on year). The percentage excluding strategically held shares is 4.0%.



## Number of issues held for purposes other than portfolio investment and total amounts recorded on the balance sheet

Category	Fiscal 2022	Fiscal 2023
Number of issues	85 issues	74 issues
(Composition) Strategic shareholdings	52 issues	50 issues
Cross-shareholdings	33 issues	24 issues
Total balance-sheet amount	¥54,359 million	¥27,628 million
(Composition) Strategic shareholdings	¥18,946 million	¥15,185 million
Cross-shareholdings	¥35,413 million	¥12,443 million

## Number of issues and total amounts recorded on the balance sheet

	Number of issues	Total balance-sheet amount
Unlisted stock	63 issues	¥6,947 million
Stock other than unlisted stock	11 issues	¥20,681 million

## Status of Audits

**1. Audits conducted by Audit & Supervisory Board members**  
The Company's Audit & Supervisory Board consists of five Audit & Supervisory Board members (two full-time members and three external members). In addition, one person has been assigned to assist Audit & Supervisory Board members to improve the effectiveness of audits conducted by Audit & Supervisory Board members and facilitate the audit process. The person in this position works under instruction and orders from Audit & Supervisory Board members, and personnel affairs related to the position are decided based on the consent of 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 Medium-term Management Plan (Be a Digital Mover 2023) in its second fiscal year, the application status of the new accounting standard for revenue recognition, the operational status of Group's 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 of COVID-19, as key audit items in the year ended March 31, 2023.

Starting in the fiscal year ended March 31, 2023, each Audit & Supervisory Board member conducts evaluations based on evaluation criteria determined by that Board. Following discussions on the results of those evaluations, they evaluate the effectiveness of the Audit & Supervisory Board. The Board confirms that a certain level of effectiveness has been maintained and that it is committed to making continuous improvements.

### 2. Internal audits

The Auditing Department, staffed by 24 people, is responsible

for internal audits at TIS. 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 offers necessary advice and provides supervision for TIS divisions. 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 software development

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

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

## Launched Initiatives to Further Enhance Corporate Governance

At multiple meetings in fiscal 2023, the Board of Directors discussed the state of the Company's governance with a view to medium- and long-term growth. The main topics discussed included the role and function of the Board of Directors, organizational design, delegation of authority to the executive, desired skills of Board members, number and composition of Board members, and succession planning for external directors. As a result, the Board of Directors has made a conscious decision to focus more on medium- and long-term discussions, under which the following initiatives have been launched.

### (1) Delegation of authority to the executive

To realize agile and appropriate group cooperate governance (in both supervision and execution) within the TIS INTEC Group, authority has been delegated to the executive. While maintaining the supervisory functions of corporate governance, the Board of Directors has started delegation of authority by combining the following three measures from fiscal 2024.

- Revision to the criteria for submission of proposals to the Board of Directors
- Review of the criteria for business execution by the executive
- Regular reporting on the status of execution to the Board of Directors after delegation of authority (included in annual agenda)

### (2) Focus on medium- and long-term discussions

In the fiscal year ended March 31, 2023, the Board of Directors set up the following themes for medium- to long-term strategies, and had discussions among its members, including external directors.

#### ●Human resources/diversity and inclusion

Recognizing that human resources are a source of added value in the medium to long term, an employee survey was conducted at TIS INTEC Group companies, personnel information and diversity data at individual companies was collected, and ongoing initiatives were reported on, under the auspices of the Chairman of the Board of Directors. At the Board of Directors meetings, topics discussed included the need to enhance a feeling of solidarity in the new work style and measures to improve the gender gap.

#### ●Sustainability management

Recognizing the importance of a long-term strategy to grow value provided to society and corporate value through sustainability management, corporate sustainability activities were undertaken and reported upon by the TIS INTEC Group. The Board of Directors discussed topics such as the need for committed efforts to be made by all Group companies with sense of ownership, for enhancement of

initiatives to develop sustainability into mainstream business activities, resulting in new business creation, and for the creation of business activities to address social issues.

#### ●Global business

Aiming to establish itself as a "top-class IT group in the ASEAN region," the Board of Directors recognizes the importance of making optimal use of alliances based on strategic investments to expand its business domain, and consequently deliberated over relevant strategies and investments. The current business environment, opportunities and risks for medium- to long-term global business policy, fostering next-generation management personnel and other pertinent matters.

#### ●Discussions about significant medium- to long-term corporate issues

Company decisions on medium- to long-term corporate issues are made after deliberating whether outcomes will contribute to the Company's sustainable growth and medium- to long-term improvement of corporate value. In fiscal 2023, amongst other things, discussions were held on acquisition of facilities to support core system management operations, leading to the decision to make Nihon ICS Co., Ltd., a subsidiary.

Going forward, the Board of Directors plans to cover medium- to long-term management and strategic themes as a standing agenda item at its meetings, with an active focus on activities that are intended to enhance corporate value.

### (3) Further enhancement of corporate governance

In April 2023, strategic functions were integrated into the Corporate Planning SBU of TIS to promote formulation and development of strategies to realize corporate value creation, in line with the objective stated in the Company's Medium-Term Management Plan. At the same time, governance functions—which had been the responsibility of the Corporate Administration Dept. of the Corporate Management SBU—were also transferred to the Corporate Planning SBU, managed by the newly established Corporate Governance Promotion Dept. Through these measures, we aim to integrate and enhance decision-making and strategic functions, and facilitate a smooth progression from strategy formulation to implementation.

In the future, we will focus on further enhancing the Company's decision-making capabilities, and will work to strengthen the operation of the general meetings of shareholders and Board of Directors meetings with a view to better addressing social needs, enhanced governance (including from a legal perspective), and deepen value exchange with the Company's broad range of stakeholders.



**Compliance**

The President is the chief compliance system officer for the TIS INTEC Group, while the director responsible for compliance coordinates the confirmation and evaluation of TIS and Group-wide compliance-related matters and the promotion of improvement measures.

● Compliance Education

E-learning modules are undertaken annually by all officers and employees to affirm and deepen their understanding of the Group Code of Conduct.

● Regular Investigation of Code of Conduct Effectiveness and Implementation Results

TIS conducts an annual compliance awareness survey, confirming the extent to which the Group Code of Conduct has been assimilated by employees.

● Preventing Corruption

As part of Group-wide compliance promotion activities, we are building Group-wide anti-corruption mechanisms.

● Punishment for Noncompliance

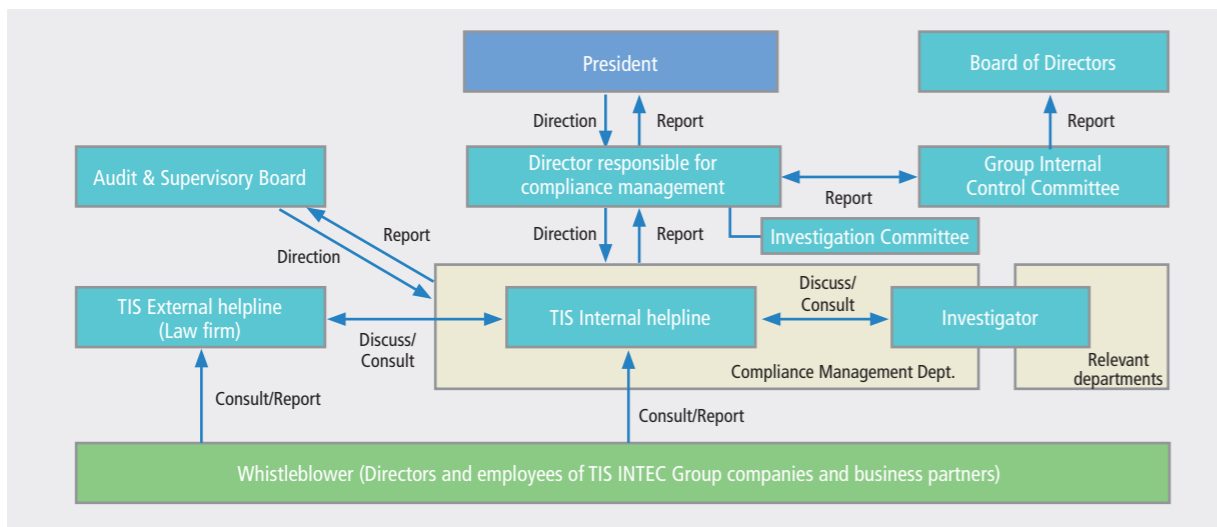
Officers and employees who engage in noncompliant behavior are subject to disciplinary action and legal measures in accordance with Japan's laws and regulations as well as the Company's Articles of Incorporation and internal rules.

● Establishment of Helplines

<TIS>

TIS maintains helplines available to all officers and employees, including contract staff and temporary staff, as well as retired employees and employees at business partners, such as companies with contracts to supply products or services to TIS. These helplines (external and internal) can be accessed via email, telephone, or in person to get advice or report an issue in the event that actions taken by an officer of the Company are thought to violate laws, regulations, internal rules, or social norms, or that 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 a helpline will 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, the Company will be informed of situations, with the consent of the helpline user, to expedite a solution to the issue.



<Group>

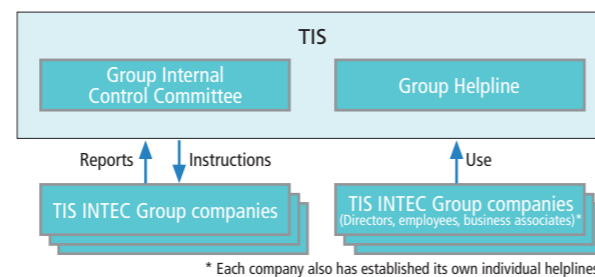
In addition to internal helplines at each Group company, TIS maintains an internal helpline for use by the TIS INTEC Group as a whole. We strive to detect, prevent and correct misconduct as early as possible, addressing relevant internal issues in an effort to strengthen compliance management.

When a compliance issue arises within TIS or a Group company, we work to resolve the issue by immediately establishing an Investigation Committee, investigating the cause, taking countermeasures, and also implementing measures to prevent a recurrence.

● Assuring Whistleblower Confidentiality and Anonymity

In addition to setting up a internal helpline at TIS, we have established external helpline (lawyers' contact points) for each Group company to create an environment that makes it easy to report and receive advice.

We take care to protect whistleblowers in accordance with the *Whistleblower Protection Act*. This includes ensuring the confidentiality of information reported and being open to receiving anonymous reports.



**Information Security and Personal Information Protection**

If confidential information were to be leaked or manipulated due to a computer virus or unauthorized access, it could result in claims for damages from clients and other companies and a loss of trust in the Group. Our Group Information Security Policy, Personal Information Protection Policy, and Policy on Handling of Specific Personal Information have been formulated for application to the entire Group. We make Group-wide efforts to maintain information security, such as protection against cyber attacks from external sources and prevention of information leaks due to internal misconduct. These activities have been prioritized to effect appropriate information management.

Following our Group Information Security Policy, security measures are implemented by Group companies around the world in accordance with the Group's common information security standards so that digital technologies can be applied to personal information and to expeditiously provide services that exceed customer expectations while also protecting that information.

● Ensuring Safe and Secure Commercial Systems

There have been frequent security incidents in recent years involving the leak of personal and confidential information arising from unauthorized access, as well as extortion using ransomware, both of which exploit information systems' security flaws (vulnerabilities). In addition to known attacks—that is, cyber attacks that we already know how to address—a growing number of attacks exploit vulnerabilities of which even software developers and system development vendors are not aware. Security measures that factor in these unknown attacks need to be implemented across the whole system without exception.

The TIS INTEC Group has put in place mechanisms whereby the latest security technology trends and information regarding vulnerabilities are shared promptly within the Group, and processes ensuring the necessary levels of security are embedded in system building and operation to guarantee that the completed systems have the best possible security. We conduct regular vulnerability checks on the systems we have built and deal appropriately with newly discovered vulnerabilities, continuing to strive to provide safe and secure systems and services.

● Information Security Education and Awareness-Raising

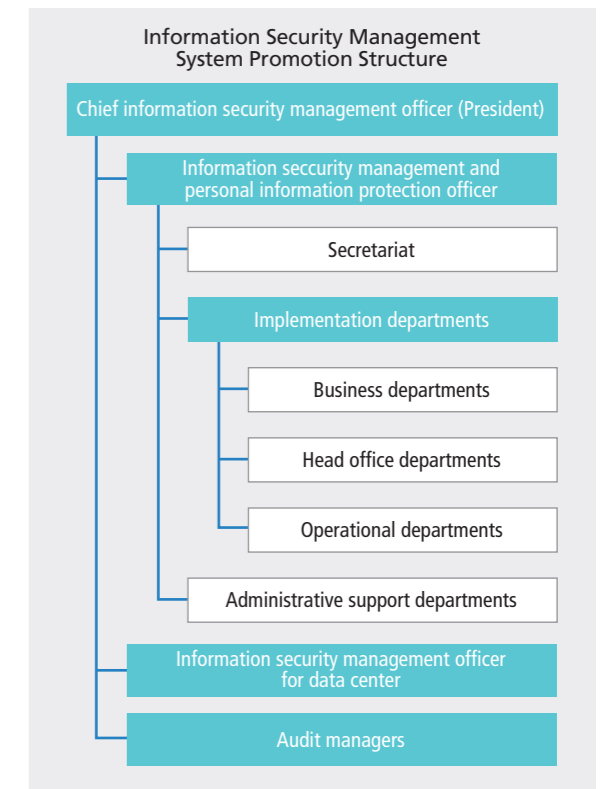
We conduct information security education in the form of e-learning so as to facilitate understanding of the rules stipulated in our Group-wide information security policies and to instill information security-conscious behavior among officers and employees, both in-house and at partner companies. We implement various measures on an ongoing basis to embed basic information security awareness in each employee.

In addition, we conduct Group-wide education and training for officers, employees, and partner company employees to increase awareness of the importance of personal information protection.

● Personal Information Protection Initiatives

Following the Group Personal Information Protection Policy, Group companies in Japan and overseas have formulated rules on the handling of personal information in accordance with Group standards. We comply with the laws and regulations that apply not only in the countries in which the Group has bases but also in those in which we conduct business activities, handling personal information entrusted to us by customers and stakeholders appropriately and lawfully.

The TIS INTEC Group has established its own personal information protection management system, engaging in information coordination within the Group management system and implementing risk management education and training. Group companies, too, operate personal information protection management systems in compliance with the above policy.



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

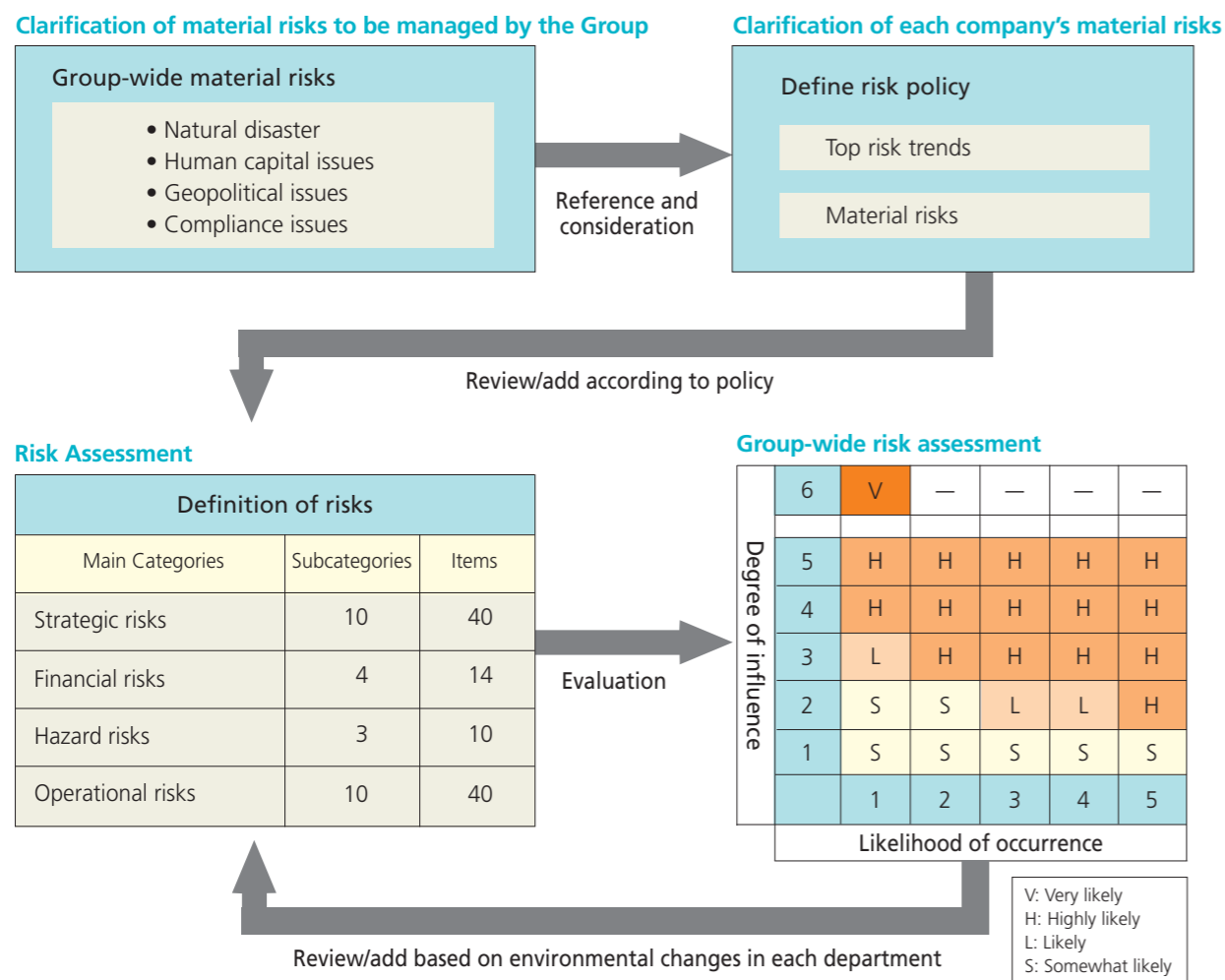
**Management Process**

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.

**Risk Assessment Process**

An evaluation is conducted of both the top risk trends and material risks, as presented by the president of each Group company based on the Group's priority risks as well as the risks identified by each division. The Group Internal Control Committee examines the risks faced by the Group twice a year, corroborating issues related to those risks and evaluating the status of improvement measures, and reports to the Board of Directors. Based on these reports, the Board of Directors issues instructions, which are embodied in initiatives to strengthen and improve Group-wide internal control systems.

**Risk Assessment Process**



**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
Human resources	<ul style="list-style-type: none"> <li>High-quality human resources are not secured and developed according to plan.</li> <li>Productivity reduces, costs increase and employee engagement lowers.</li> </ul>
Changes in the market	<ul style="list-style-type: none"> <li>As the Group's business domain changes and society changes, competitive advantage may be lost by failing to promptly address changes in the technologies and services required by society. Price competition may also intensify more than expected.</li> </ul>
Investment	<ul style="list-style-type: none"> <li>The expected result or return cannot be obtained.</li> <li>Assets become obsolete.</li> <li>Misconduct or system failures by a corporate counterparty following an investment or M&amp;A transaction may result in a loss of credibility, brand damage and potentially lawsuits.</li> </ul>
Overseas business	<ul style="list-style-type: none"> <li>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.</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>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.</li> </ul>
Geopolitical risks	<ul style="list-style-type: none"> <li>International pressures, exchange rate trends, trade issues, or effects on procurement costs may occur due to warfare, civil strife, political upheaval, revolution, terrorism, rioting, and so on.</li> </ul>
Reputational risk	<ul style="list-style-type: none"> <li>If risks are not properly managed and have a negative impact on society, or if the Company becomes associated with any negative impact that other companies have had on society, the Company's business may be interrupted, stagnate, or be suspended due to loss of credibility and brand damage, or it may potentially lose customers or business partners.</li> </ul>

**Financial risk**

Risk items	Overview of risk
Owned securities	<ul style="list-style-type: none"> <li>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.</li> </ul>

**Hazard risk**

Risk items	Overview of risk
Pandemics	<ul style="list-style-type: none"> <li>A sharp constriction of the productive activities of our employees and those of our business partners</li> </ul>
Natural disasters	<ul style="list-style-type: none"> <li>A large natural disaster results in an extended power outage that interrupts the smooth operation of data centers.</li> </ul>

**Operational risk**

Risk items	Overview of risk
System development	<ul style="list-style-type: none"> <li>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.</li> <li>Tasks outsourced to business partners do not meet expectations for productivity or quality and smooth project management is not realized.</li> </ul>
System operation	<ul style="list-style-type: none"> <li>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.</li> </ul>
Information security	<ul style="list-style-type: none"> <li>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.</li> </ul>
Legal systems, compliance	<ul style="list-style-type: none"> <li>A law or regulation is contravened, or a new law or regulation is introduced.</li> </ul>
Intellectual property rights	<ul style="list-style-type: none"> <li>The Group is accused of infringing another company's intellectual property rights and presented with an injunction and a claim for damages.</li> </ul>
Climate change	<ul style="list-style-type: none"> <li>The Group's energy costs are significantly impacted by fluctuations in demand for renewable energy.</li> <li>The Group's transition to renewable energy is delayed.</li> </ul>

## Risk Mitigation

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

Human resources are the Group's most important capital. In order to realize medium- to long-term business strategies and enhance corporate value, the Group promotes human resources investments in the following four fields: recruitment and education, to create a human resource pool with the acuity and enhanced skills to tackle new business domains; and environment and compensation, to increase personnel engagement and bring out better performance. Investments in human capital will reduce management risks surrounding personnel as well as realize a more comfortable society through IT.

With a focus on job satisfaction and attractive compensation as measures to increase employee engagement, in April 2023 TIS introduced a new HR system, which drastically changed compensation, evaluation and rank structures. Under the new compensation structure, there is strong investment in high-level human resources who will drive TIS' business—focusing on young employees in particular—with basic salaries being raised by a maximum of 17%, and 6% on average.

#### Human Capital Investment at TIS

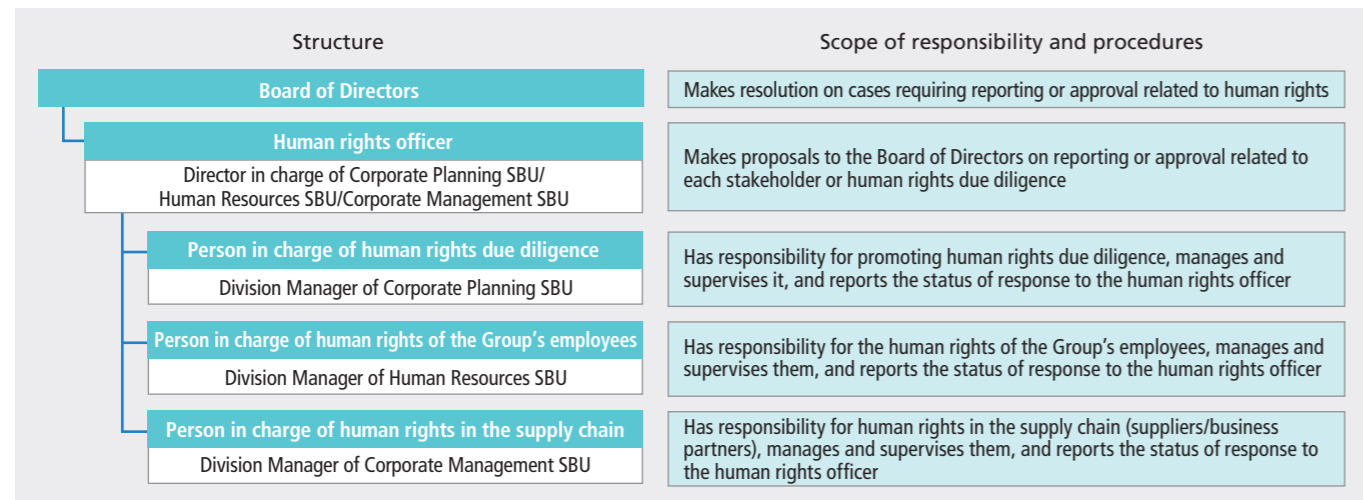
Amount of investment	Major initiatives	Aim	Indicator and target	Fiscal 2023 results
Education ¥1.1 billion	<ul style="list-style-type: none"> <li>Provide opportunities to learn and improve skills</li> <li>Support autonomous career development</li> <li>Provide opportunities to diversify experiences</li> </ul>	 <b>Improve value of human capital</b>	Number of training days per person per annum <b>12</b> days/person (fiscal 2024)	<b>15.5</b> days/person (+0.3 days/person year on year)
Recruitment ¥0.52 billion	<ul style="list-style-type: none"> <li>Recruitment branding</li> <li>Onboarding</li> <li>Raise starting salary for new graduates</li> </ul>		Percentage of female employees in management positions <b>12.8</b> % (fiscal 2024)	<b>11.9</b> % (+0.9 points year on year)
Environment and health ¥0.42 billion	<ul style="list-style-type: none"> <li>Involving employees</li> <li>Diverse human resources playing active roles</li> <li>Revision to HR system and compensation</li> <li>Organizational development x psychological safety</li> </ul>	 <b>Develop environment to bring out good performance</b>	Employee awareness survey result* <b>70</b> % (fiscal 2024)	<b>64</b> % (+3 points year on year)
			Absenteeism due to injury or sickness <b>1.1</b> % (fiscal 2024)	<b>1.1</b> % (±0 points year on year)

\*Percentage of employees who responded positively to the question, "Overall, the company is a good place to work", in the employee awareness survey.

### Risk Mitigation Approach to Human Rights Issues

The Group understands that its business activities may directly or indirectly have a negative human rights impact. In managing human rights for the business, a structure has been put in place whereby overall responsibility for human rights is invested in a single officer, another is in charge of human rights due diligence, another assigned to look after employee human rights, and yet another to oversee human rights issues in the supply chain. Final rulings on cases related to human rights are made by resolution of the Board of Directors.

Potential human rights risks are also identified at the earliest opportunity through appropriate due diligence. The Group will work toward prevention of negative human right impacts in the value chain by conducting educational sessions for its employees.



### Risk mitigation approach to 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	<b>Implementation of examination under ISO/IEC 27017</b> <ul style="list-style-type: none"> <li>Carry out third-party examination based on checklist compliant with ISO/IEC 27017</li> <li>Introduce a certification logo to signify the quality level of security for provided cloud services</li> <li>Expand acquisitions of ISO/IEC 27017 certification</li> </ul>	<b>Development of environment to verify security vulnerability</b> <ul style="list-style-type: none"> <li>Require using SAST and IAST tools</li> <li>Provide standard SAST, IAST and DAST tools for all companies</li> <li>Implement third-party verification of security vulnerability</li> <li>Promote the use of SAST tool by business partners</li> </ul>
Quality for areas other than security	<b>Improvement of delivery quality</b> <ul style="list-style-type: none"> <li>Carry out third-party examination based on checklist for delivery quality compliant with the Non-Functional Requirements Grade 2018 (Information Technology Promotion Agency, Japan)</li> <li>Implement inspection based on checklist for handover of management to prevent any trouble caused by failures in the handover process</li> <li>Implement regular inspection of operation and maintenance</li> </ul>	<b>Sophistication of system quality evaluation</b> <ul style="list-style-type: none"> <li>Conduct whole-process quality evaluation in quality evaluation for each phase</li> <li>Incorporate viewpoints of ISO 25000 into quality evaluation</li> <li>Strengthen training for project managers in quality evaluation</li> <li>Provide quality-related training to business partners</li> </ul>

### Risk mitigation approach for information security

An information security management system has been established and operates under the Group Information Security Policy to ensure information is managed appropriately. At the same time, the Group strives to improve awareness of information security among employees through education and training. When an information security breach does occur, we establish an investigative committee and set in motion a structured response, including looking into the cause, implementing countermeasures, and putting measures in place to prevent a recurrence.

The following table outlines the Company response to different types of information security issue.

Points to respond	Measures
Response to work style reform (telework, ABW*, and others)	Promote expansion of zero-trust environment to all Group companies both to preserve safety and improve productivity
Response to cyber attack	Revise Security Operation Center (SOC) and Security Information and Event Management (SIEM). Disseminate the Computer Security Incident Response Team (CSIRT) system to the Group as a whole, share information at the Group Security Promotion Conference, and conduct regular preparedness drills for incidents.
Response to personal information	Develop Group Privacy Policy and regulations for protection of personal information applicable to all Group companies in Japan and overseas to establish a Group-wide management framework as utilization of personal information is expected to increase as a result of development of related laws and regulations in different countries.

\*Activity-based working: work time and location can be selected by workers to align with both the specific tasks and personal preferences.

## 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.

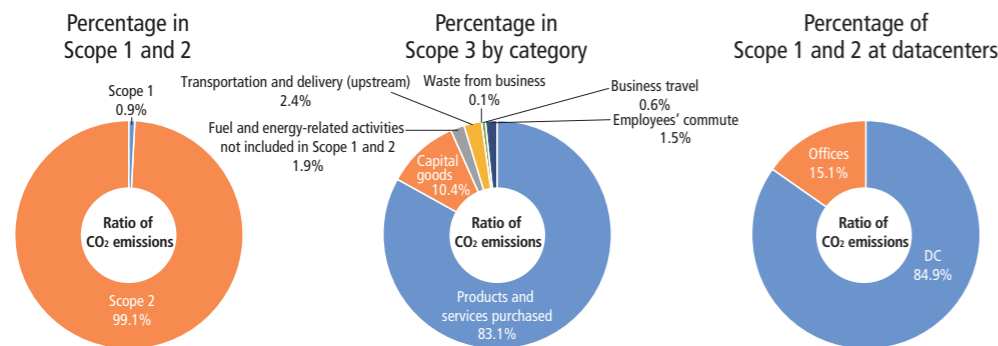
### Medium- to Long-Term Environmental Targets for Climate Change

The TIS INTEC Group declared its commitment to carbon neutrality in December 2022. To achieve a decarbonized society, the Group aims to achieve carbon neutrality in terms of greenhouse gas (GHG) emissions by fiscal 2041 and net zero GHG emissions throughout its value chain by fiscal 2051.

### TIS INTEC Group's Carbon Neutrality Declaration

- Fiscal 2041**  
Achieve carbon neutrality in Scope 1 and 2
- Fiscal 2051**  
Achieve net zero in Scope 1, 2, and 3

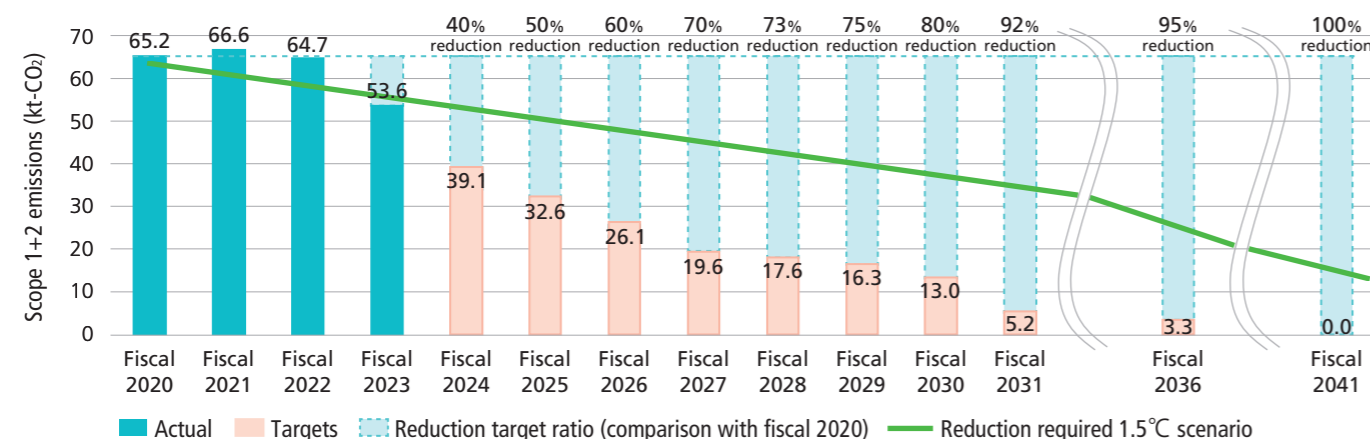
### Ratio of GHG emissions in the Group (actual results for fiscal 2023)



\*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 2023 (t-CO <sub>2</sub> )	481	53,076	45,453	8,104	386,392	48,317	9,026	11,392	580	2,752	6,766	518,782
Fiscal 2022 (t-CO <sub>2</sub> )	513	64,157	53,483	11,187	333,379	57,694	10,269	8,215	703	2,449	6,052	483,430
YoY change (t-CO <sub>2</sub> )	-6.2%	-17.3%	-15.0%	-27.6%	+15.9%	-16.3%	-12.1%	+38.7%	-17.4%	+12.4%	+11.8%	+7.3%

### GHG reduction targets and results in Scopes 1 and 2



\*We revised the SBT 2°C scenario to a 1.5°C scenario in response to rising environmental awareness.

Under Scope 1 and 2, we have established GHG reduction plans for each fiscal year. We achieved a 17.8% reduction in fiscal 2023 comparing to the base year (fiscal 2020) and are making steady progress. We will continue to manage our GHG emissions by tracking projections versus actuals in order to keep on track 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

#### Accelerate renewable energy adoption in data centers and offices

- Six of the 14 data centers owned by the Group use electricity derived from renewable energy sources. Additionally, six office locations use electricity derived from renewable energy sources. Through these initiatives, we plan to reduce the Group's overall GHG emissions (Scope 1 and 2) by approximately 40% in fiscal 2024 (versus fiscal 2022). We plan to expand the use of renewable energy to data centers and offices that have not yet adopted it.

#### We promote energy conservation in data centers and offices

- We will promote the consolidation of group offices by region, the switch to LED lighting, and energy-saving air-conditioning equipment, among other environment-friendly measures. At data centers, we will continue to improve energy efficiency, mainly in air conditioning systems.

Adoption of renewable energy		
Main data centers	Adoption timing	Adoption rate
Tokyo 1 DC	10/2022-	2%*1
Tokyo 4 DC	4/2023-	100%
Osaka 2 DC	4/2023-	100%
Osaka 3 DC	4/2023-	100%
Osaka 4 DC	4/2022-	100%
Offices	Adoption timing	Adoption rate
Tokyo Head Office	4/2022-	100%
Nagoya Head Office	4/2022-	100%
Osaka Head Office	12/2021-	100%
Toyosu Office	4/2022-	84%*2
Kyushu Branch	1/2023-	100%
Dokita Daibiru	4/2022-	100%

\*1 We intend to increase the rate of renewable energy use in the future.

\*2 Due to exceeding the maximum amount of renewable energy use set at the time of the contract.

### Other initiatives

In our data centers and offices, 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 greenery

In light of future changes in the market environment—including social conditions, government policies, and electric power company trends—we will purchase energy with less environmental impact at stable and appropriate prices. We thus aim to achieve carbon neutrality as well as data center and office environments that minimize their environmental impact.



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

In light of the Japanese government's carbon neutrality declaration (made in 2020) and the "Green Transformation (GX) Basic Policy" (approved by the Cabinet in February 2023), we feel that domestic interest in global environmental issues, especially climate change, has been increasing in recent years. On the other hand, the power supply situation has changed dramatically on a global scale over the past several years, and power supply instability, caused by soaring fossil fuel prices and power shortages, has become a major concern for the data center business, one of Group's core businesses.

Despite such circumstances, I believe that the Group's announcement of its Carbon Neutral Declaration in December 2022 was a major achievement. In an effort to achieve goals set forth in the declaration, TIS is on track to achieve 100% renewable energy adoption in its main data centers and offices by fiscal 2026. Other Group companies will follow suit and consider plans to introduce renewable energy in their data centers and offices. We also need to consider corporate power purchase agreements (PPAs), which are not influenced by energy market prices, and the installation of solar panels on the Company's own premises.

As a data center (DC) service provider, we recognize that one of our most important management priorities is to be able to purchase energy with low environmental impact at stable and appropriate prices while providing DC services to our customers.

We must also strive to reduce greenhouse gas emissions not only within our own Group but throughout the entire supply chain. To this end, we will first work closely with each of our business partners on information cooperation, which we consider to be a society-wide initiative.

Interest in conserving biodiversity has been growing in recent years as an environmental issue separate from climate change. Although the Group is not directly involved in biodiversity issues, we recognize that we are indirectly involved through our customers' businesses because we provide system development, operation, and maintenance services to them. Therefore, we need to consider what initiatives the Group can take in the future.

The role that companies must play in addressing global environmental issues has become increasingly important in recent years. With this in mind, the Group will continue working to realize a sustainable society through its efforts to address global environmental issues, such as climate change and biodiversity, without slowing down its efforts to become carbon neutral.

## 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.



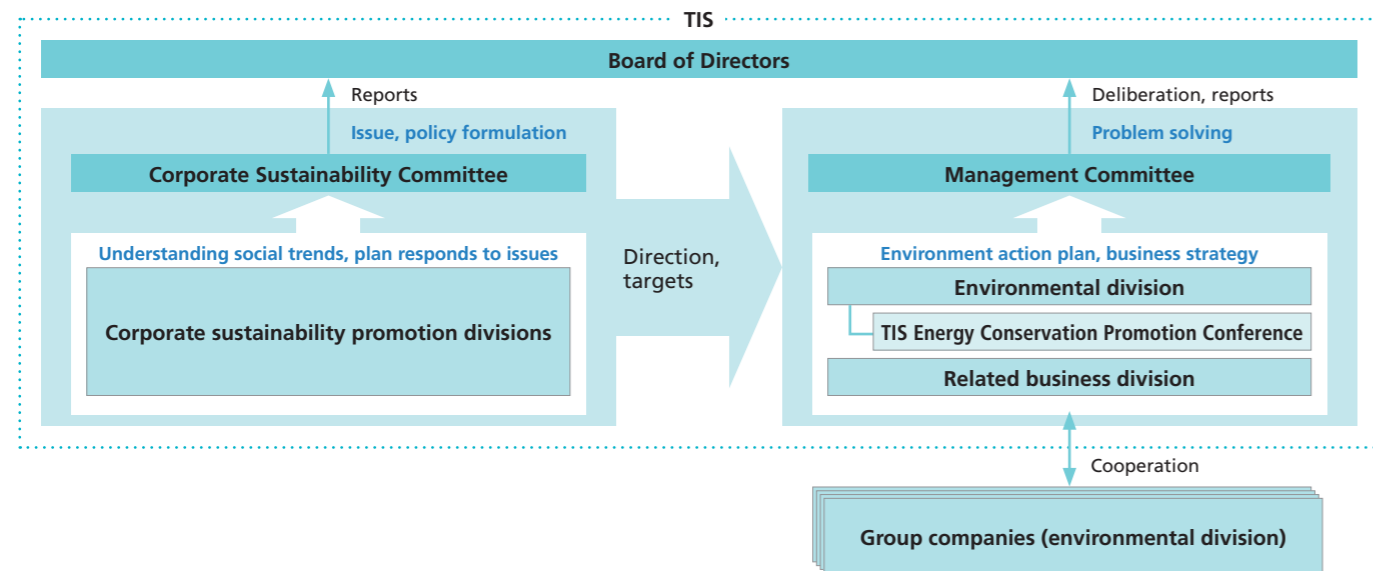
The TCFD requires disclosure in four core areas: **governance**, **strategy**, **risk management**, and **metrics and targets**.

### Governance

Climate change policy is evaluated and deliberated by the Corporate Sustainability Committee as an environmental measure and activity and reported to the Board of Directors. Climate change measures are evaluated and deliberated by the Management Committee and reported to the Board of Directors.

We also setup the TIS Energy Conservation Promotion Conference and the Climate Change Business Working Group as structures that consistently leverage awareness of risks related to measures aimed at mitigating the impact of climate change.

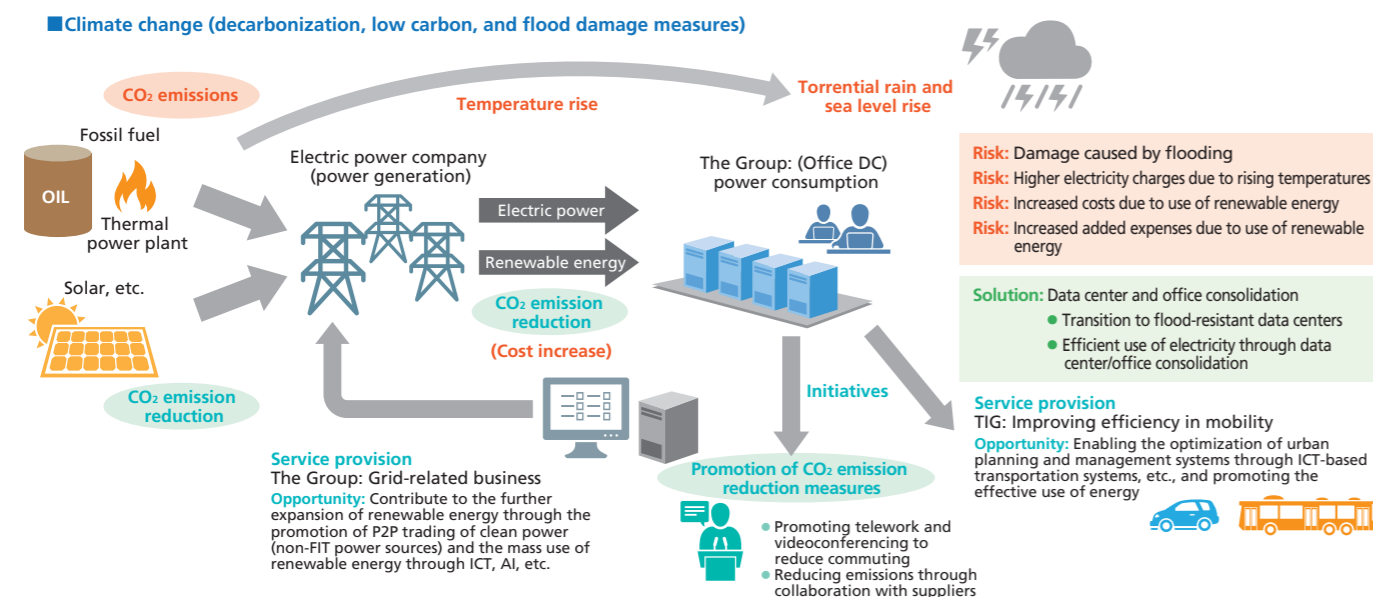
In addition, we take a flexible approach by setting up working groups and assigning specific issues for each to address. The cross-divisional Climate Change Response Review Committee was created in fiscal 2022 to identify and evaluate risks and opportunities related to climate change in order to facilitate 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-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.

No.	Risk	Short Term	Medium Term	Long Term	Financial Impact in Fiscal 2031	Financial Impact Overview
1	Risks related to GHG reduction	—	<b>Transition risk (Regulatory)</b> Rising energy prices Regulations based on regional ordinances	<b>Transition risk (Reputation)</b> Trust of society eroded and clients distancing themselves from us because we are unable to achieve GHG reduction <b>Transition risk (Regulatory)</b> Higher costs due to carbon tax	¥8,010 million - ¥8,810 million	Possible loss that could be averted if difficult GHG reduction targets, such as carbon neutral status, are achieved
2	Risks related to method of GHG reduction	—	<b>Transition risk (Market)</b> Cost to introduce renewable energy	<b>Transition risk (Market)</b> Higher costs due to GHG reduction and introduction of renewable energy	¥203 million	Potential additional expenses that might be incurred by reducing GHG emissions
3	Risk of physical impacts	—	<b>Physical risk (acute)</b> Heightened risk due to unusual weather events, including floods	<b>Physical risks (chronic)</b> Higher costs due to rising temperatures	¥20 million	Possible additional expenses caused by physical impacts of climate change

Short term: immediate impact; medium term: 1–3 years; long term: 4–20 years

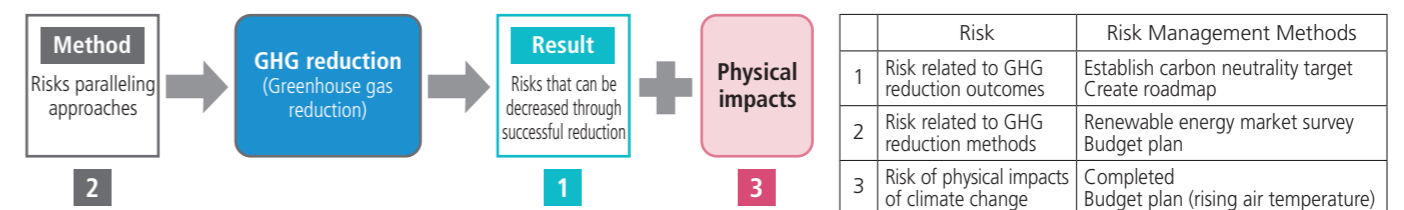
### Climate-related opportunities

Based on the correlation diagram, we have also identified short-, medium-, and long-term 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/energy efficiency status at data centers under the TIS INTEC Group umbrella. A current goal is to push renewable energy utilization rate at data centers to 100% by fiscal 2031. (We seek to push the renewable energy utilization rate at TIS data centers to 100% by fiscal 2026 in tandem with efforts to consolidate operations into environmentally conscious data centers.)
2	Greater need for system upgrades to improve environment for electric power companies and redesign power infrastructure	Short term to medium 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.

Progress on the goals is also described in the Initiatives to Address Climate Change section on the previous pages.

## Aiming to Realize a Human Resources Strategy that Supports Management

### Overview of Human Resources Strategy

We have set targets for the expansion of our human resources portfolio to mitigate potential future risks and secure the talent who will help bring about structural transformation to fulfil the Company's business strategies and support business growth.

The Group's human resources strategy consists of talent acquisition, talent development, and talent deployment to successfully manage its human resources portfolio, as well as an engagement strategy that serves as a common foundation underpinning the active participation of diverse talent. We are also developing an HR digital transformation (HRDX) platform to better understand and analyze the implementation status of these various strategies and support their execution.



- **Strategies that Contribute to the Enhancing the Value of Human Capital**
  - ▶ **Talent acquisition**  
We employ diverse human resources regardless of gender, age, and other attributes to be able to respond to changes in the external environment and contribute to sustainable business growth.
  - ▶ **Talent development**  
We foster self-driven professionals by supporting the career advancement of all employees based on our human resources portfolio.
  - ▶ **Talent deployment**  
We perform human resource analyses and devise deployment plans to expedite human resource redeployment and reskilling, and to encourage employees to take on new challenges.
- **Creating an Environment that Brings out the Best Outcomes**
  - ▶ **Sustainable engagement**  
We aspire to create a culture that engages with society, takes on new challenges, and drives change by understanding who our people are, drawing out the full, unique potential of every individual, and boosting their levels of engagement.
  - ▶ **HRDX to support strategy**  
We make use of human resources data to better understand our current circumstances and where we would like to be—the “As Is – To Be” model—and to support the execution of data-driven business strategies.

### Human Resources Strategy Initiatives to Date

Group Topics	Improving the value of human capital (Talent acquisition, talent development, talent deployment)	Building an environment that drives results (HRDX to support sustainable engagement strategies and tactics)
<b>Before fiscal 2019</b> ● Group Vision 2026 ● OUR PHILOSOPHY ● Published “Manifesto for Human Resource Strategies”	<b>Talent development</b> <ul style="list-style-type: none"> <li>Established education investment budget/ Started operational KPI deployment</li> <li>Started allowing dual-employment</li> </ul> <b>Talent deployment</b> <ul style="list-style-type: none"> <li>Open application programs</li> <li>Employee referral program</li> </ul> <b>Talent acquisition</b> <ul style="list-style-type: none"> <li>Employee rehiring program</li> </ul>	<b>Engagement</b> <ul style="list-style-type: none"> <li>Started employee awareness (engagement) survey</li> <li>Set up a promotion guide for female employees</li> <li>Started division head training for female employees</li> <li>Abolished dress code</li> <li>Telework program (within agreed limits)</li> <li>Flexible working hour program (with core hours)</li> </ul>
<b>Fiscal 2020</b> ● Group D&I Policy ● Group Health & Productivity Management Policy	<b>Talent development</b> <ul style="list-style-type: none"> <li>Introduction of 1-on-1 meetings</li> </ul>	<b>Engagement</b> <ul style="list-style-type: none"> <li>Telework program (elimination of limits)</li> <li>Flexible working hour program (no core hours)</li> <li>Discretionary work system and annual salary system</li> <li>Interval system between shifts (11 hours)</li> <li>Selective retirement age up to 65</li> <li>Started Smart Work Allowance (deemed overtime allowance)</li> </ul>
<b>Fiscal 2021</b>	<b>Talent development</b> <ul style="list-style-type: none"> <li>Introduction of career plan sheets</li> <li>Started regular career progression meetings</li> </ul> <b>Talent deployment</b> <ul style="list-style-type: none"> <li>Started operation of Group Human Resources PF</li> </ul>	<b>HRDX</b> <ul style="list-style-type: none"> <li>Renewal of Talent Management System</li> </ul> <b>Engagement</b> <ul style="list-style-type: none"> <li>Reemployment program until age 70</li> <li>Reduction of prescribed working hours (7.5 hours)</li> <li>Implemented biannual promotions</li> </ul>
<b>Fiscal 2022</b>	<b>Talent development</b> <ul style="list-style-type: none"> <li>Growth Support System</li> </ul> <b>Talent acquisition</b> <ul style="list-style-type: none"> <li>Building of alumni network</li> </ul>	<b>HRDX</b> <ul style="list-style-type: none"> <li>HRBP system started</li> <li>Started providing HR Report</li> </ul> <b>Engagement</b> <ul style="list-style-type: none"> <li>Started survey feedback and organizational development</li> <li>Started executive mentoring for female employees</li> <li>Started teleworking operations</li> <li>Started measures regarding transfers away from home</li> </ul>
<b>Fiscal 2024</b>	<b>Talent development</b> <ul style="list-style-type: none"> <li>Started Career Frame</li> <li>Started DX Basic Skillset “Plus One” training</li> </ul>	<b>Engagement</b> <ul style="list-style-type: none"> <li>OP Competency Assessment</li> <li>New personnel system (Must/Will/Can)</li> <li>Job type system for management ranks</li> </ul>

### Human Resource Strategy Development and Promotion System

In the Group's sustainability management, “development of diverse talent” is positioned as one of the medium- to long-term materialities. In response to direction provided by management regarding risks surrounding human resources and measures to mitigate these risks, we are working to incorporate measures into human resource policies and disseminate them throughout the business through the four functions of the human capital management system.

#### Feature 1: Smooth Separation of Strategic Planning and Service Functions

##### Human Resource Strategy Planning Function

After identifying the key human resource issues for the Group, we formulate the overall human resource strategy and policies, incorporate them into specific measures, and roll them out to Group companies.

##### HR Service Delivery Function

We design HR services (recruitment, deployment, promotion, labor relations, fringe benefits, etc.) based on human resource strategies and business characteristics, and provide services to employees.



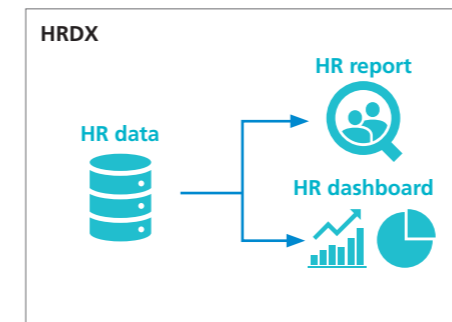
#### Feature 2: Establishment of a Foundation to Support the Execution of Human Resource Strategies

##### HRDX Functionality to Support Human Resource Strategies

We are developing an HRDX platform to measure the results of our human resource strategy and realize the value of our human resources. We collect data on human resources in a centralized manner and use HR reports to understand our current state and improved future state (As-Is and To-Be), and support the execution of data-driven business strategies.

##### HRBP Functionality Accelerates the Effectiveness of Our Human Resources Strategy

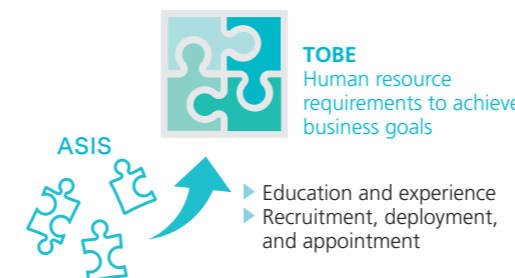
We support management of the business in terms of medium- to long-term human resources business strategies and structure. HR business partners (HRBPs) discuss issues with senior management while utilizing HRDX in line with individual business characteristics and organizations. Together, they undertake various activities such as human resource strategy planning, recruitment, training, appointment, and deployment, as well as organizational development.



### Human Resource Portfolio Management Using “Career Frame”

TIS introduced a career development model called “Career Frame” effective April 2023 to adapt to the new business model and to create multilayered career paths for employees. Using Career Frame, we define the human resource requirements, levels and numbers required to achieve the medium-term goals of the business. We also identify current gaps, and leverage recruitment, training, and deployment for business and expansion.

Employees utilize Career Frame to chart their medium- to long-term career paths, allowing them to develop expertise in multiple areas and assume the roles required of them. Employees are not limited to one career path, but rather are encouraged to view their careers as several multilayered paths, and to seek to improve their own abilities and expertise through education and work experience.



#### Structure of Career Frame

Field (Area of expertise)		Stage (Role)
Sales	Data Scientist	Stage 4 (Industry Leader)
Management planning	IT Consultant	Stage 3 (Representative)
Producer	Project Manager	Stage 2 (Supervisor)
UX Designer	IT Architect	Stage 1-2 (Member)
Business Consultant	Application Specialist	Stage 1-1 (Learning and Practice)
Business Function Consultant	IT Specialist	

## Directed Career Development

### Career Development Support

Employees use Career Frame to create multiple career plans on their own and share them with their managers. Managers utilize daily 1-on-1s to provide ongoing support in achieving goals.

Individual career plans are registered in the Talent Management System (TMS) along with work history, goals, and performance review results, and are used for work assignments and various growth opportunities.



### Diverse Work Experiences

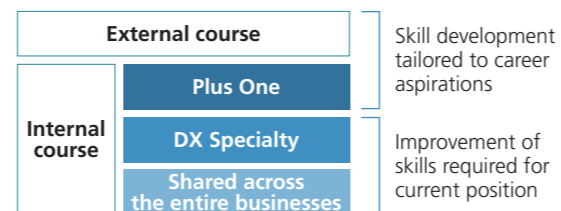
#### Growth Support System

We have a Growth Support System in place to help employees develop a broader perspective and sensitivity to changes in society. Vacations, temporary leaves of absence, and shortened working hours are available for participation in outside activities.

Social contribution	Learning	Dual-employment
[Vacation/leave of absence] 10 days a year Total 1 year	[Leave of absence] Total 2 years	[Leave of absence] Total 1 year
[Shortened working hours] Total 2 years	[Shortened working hours] Total 2 years	[Shortened working hours] Total 2 years

### Training Protocols

The Company encourages study and learning that is tailored to an individual's career aspirations as well as in line with DX specialties required for current duties and interests shared across the business.



### Policy of Internal Rotation

We have devised and adopted systems to optimize staff deployment to further the professional development of employees through diversifying their work experience. We also conduct open recruitment twice a year to encourage employees to take on self-directed challenges.

#### Relevant Deployment Strategies

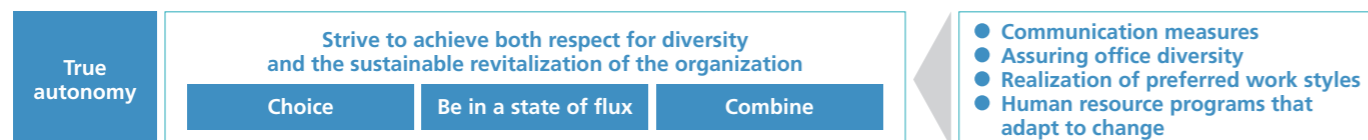
- "10 years, 3 businesses": Employees are encouraged to gain experience in three different businesses by their 10th year of employment.
- "5-year rule": Employee are encouraged to consider changing their position if they have been in the same position for five years or more.

## Flexible Work Styles to Encourage Employee Independence and Autonomy

To increase flexibility in working hours and location, we encourage a combination of telework and flextime without core hour restrictions, and provide a seamless IT environment to support this.

Promoting flexible working hours	Location flexibility	Improvements to the office environment
<b>For work-life balance (shortened working hours and extended leave)</b> 	<b>Telework program</b> <b>Casual workers</b> : Flexible use of office and telework <b>Telework</b> : In principle telework. Coming to the office as needed <b>Full-time teleworker</b> : Telework that does not presume coming to the office	<b>IT infrastructure</b> 
<b>No core hours</b> ▶ Minimum working hours per day: 2 hours ▶ Start time (5:00-20:00) ▶ End time (7:00-22:00)	<b>Measures to eliminate transfers away from home</b> ▶ Seeking prior agreement for transfers away from home ▶ Removing need for transfers away from home through the use of telework	<b>Office</b> ▶ Introduction of hot-desking ▶ Satellite office ▶ Installation of multipurpose areas

We regularly conduct questionnaires among employees about their preferred work styles, encouraging them to exchange their opinions with management with regard to the direction we should take. Since the COVID-19 pandemic, employees have established their own work styles according to their lifestyles and values. We respect the diversity of our employees, and we pursue a responsive management style as a means to foster a culture of collaboration and thereby continuously revitalize our organization.



## Diversity & Inclusion

The development of diverse talent is a key management theme for the Group. Through human resource management that leverages diverse perspectives, we are creating an organization that benefits from ideas generated by the diverse personalities, values, sensibilities, expertise, and experiences of each and every employee.



### Diversity Means Ensuring Diversity of Human Resources

In addition to the diversity of the organization as a whole, we also emphasize efforts to enhance the diversity of experience of each employee.

- ▶ Hiring experienced personnel: Hiring personnel with the expertise and experience necessary for business growth
- ▶ Women's participation: Incorporating diverse perspectives into various decisions and choices
- ▶ Support for growth: Providing opportunities for experiences that enhance individual diversity

### Inclusion Means Management that Integrates the Value of Each Individual

We are moving forward with a shift to management that harmonizes and aligns diverse human resources with the Company's objectives.

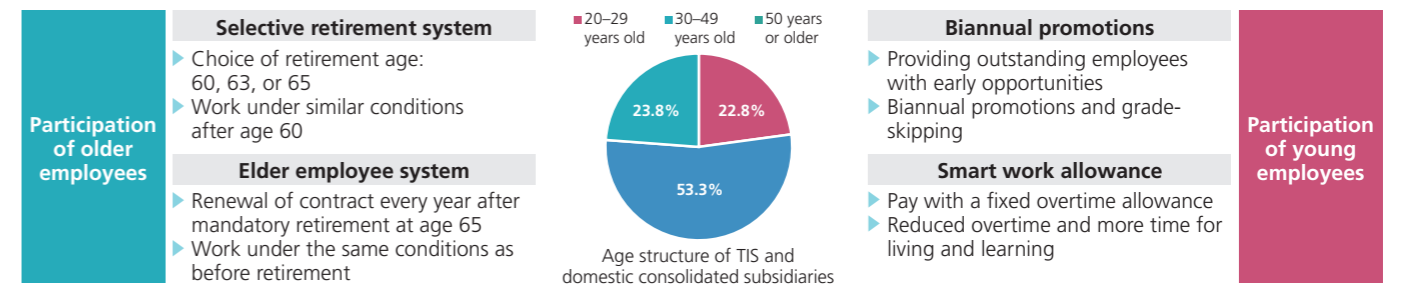
- ▶ Implementing training for all executives and managers on *Iku-Bosses* (inclusive leaders) and unconscious bias
- ▶ Implementing evaluator training and 1-on-1 training to enhance leadership skills for all executives and managers
- ▶ Promoting understanding and support for LGBTIQ+ and other social minorities and building out programs

## Key Themes Common to the Group

We emphasize the ability to play an active role regardless of gender and age as a theme to be addressed over the medium- to long-term by the Group as a whole.

### Promoting Age Diversity

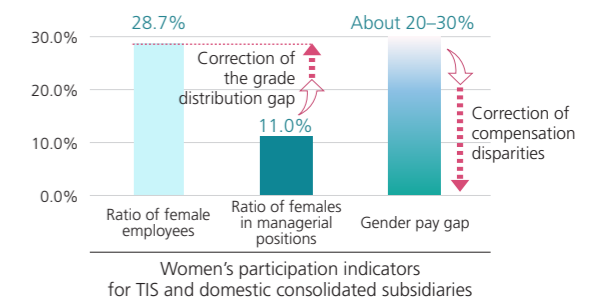
The percentage of employees aged 50 and over in the Group exceeds 20% and is expected to increase in the future. In addition to creating an environment that allows older employees to take on new challenges by making use of the skills they have cultivated over the years, we also provide young, talented employees with opportunities to take on new challenges and assign them to new positions as early as possible.



### Promoting Gender Diversity

In the Group, 28.7% of employees are female, but just 11% of management positions are held by women. The gap in compensation between men and women is due to differences in grade distribution and benefits, resulting in a gender pay gap of approximately 20–30%.

We will work to correct gender disparities by promoting women to higher positions with more authority, and to proactive job assignments that contribute to faster career development.



## Job Satisfaction and Well-Being

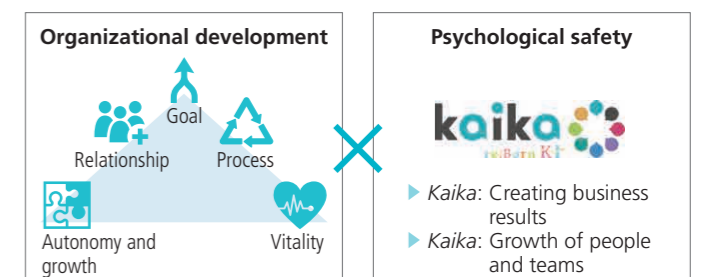
### Promotion of Health and Productivity Management

We promote health and productivity management, believing that it is an important management issue for employees to maintain high energy levels at work in order to continue to perform well. With the goal of improving the quality of life of our employees, we have established the Group Health and Productivity Management Policy and are working to improve job satisfaction, mental and physical health, and life skills.

### Focus on Social Well-Being

We support employees who are willing to make social contributions and promote Group-wide efforts to become a "highly motivating company to work for."

TIS has focused on social health and HRBP-led organizational development to improve employee vitality and the value created by the organization. In fiscal 2023, we are collaborating with the Kaika initiatives to foster psychological safety, and are promoting its dissemination into the workplace with the aim of creating an organization where employees are willing and able to express their opinions and continue to achieve unprecedented results.



### TIS INTEC Group Business Summit 2023

The TIS INTEC Group holds an annual TIS INTEC Group Business Summit as a forum to introduce its services and initiatives that make good use of advanced technologies and know-how to realize a sustainable digital society.<sup>1</sup>

In addition to the keynote speech entitled “Sharing Life: A New Way of Living in a New Society” by Anju Ishiyama, who serves as an evangelist for the sharing economy for the Digital Agency, our Group companies presented a total of 35 sessions (presentations) and 56 solutions (online catalogs).

Each session not only introduced our own services and solutions, but also provided examples of co-creation, where we have grown together with our clients. With approximately 3,400 viewers<sup>2</sup> and 9,000 session views<sup>3</sup>, the event clearly provided many clients an opportunity to learn about the Group’s services.

We will continue to foster communication with our clients so that we can provide them active support with a view to solving the issues they face and, beyond them, those faced by society.

1 The event was held in July 2023 in an online format.

2 Total number of viewers for online distribution + on-demand distribution

3 Total number of session video views



### Implementation of Client Satisfaction Survey

We conduct an annual Client Satisfaction Survey for clients with whom we have an ongoing business relationship. The survey is used as a point of reference to determine activities toward self-improvement from a client perspective.

In the survey for companies who have accounts with us, the ratio of respondents who considered us an irreplaceable business partner, one of the overall evaluation indicators, was slightly lower than last year. On the other hand, as in the past, we continue to receive high marks for our technical capabilities, particularly for our ability to define requirements and design systems, on-site responsiveness, and for our ability to meet deadlines. We understand that it is becoming increasingly important to make proposals that are one step ahead of the growing expectations of clients—and society—in respect of digital transformation, and we will strengthen proactive initiatives.

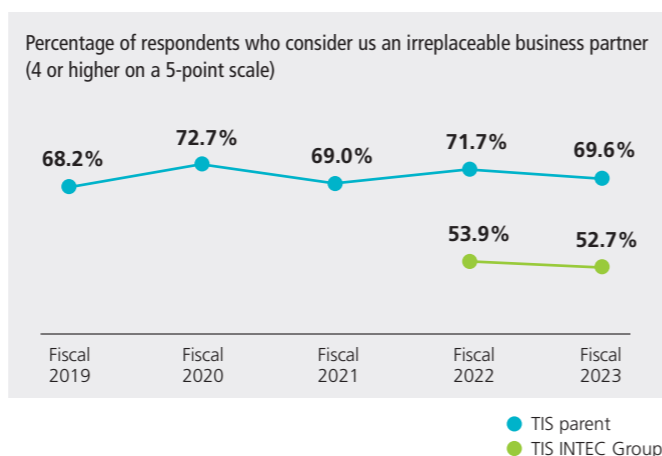
Since fiscal 2022, a similar survey has been conducted for the entire Group as part of the promotion of Group-wide activities to improve client satisfaction. The percentage of respondents who considered us an irreplaceable business partner for the Group as a whole was approximately 50%, indicating that there is still room for improvement in deepening our relationships with clients.

We don't just review the survey results, we also engage in dialogue with our clients based on the survey results, to gain a more in-depth understanding of their responses, and their future requirements and expectations, allowing us to formulate more specific improvement plans, and undertake appropriate continuous improvement activities.

We also hold information-sharing meetings with Group companies regarding the survey results and improvement activities to stimulate improvements throughout the Group.

In the survey for companies to whom we provide service-style business, there is an uptrend in the level of intention to continue doing business with us, indicating that respondents have high expectations for our service-style business.

We will continue to take client feedback seriously and will strengthen our front line, the touchpoint with our clients, helping them solve social issues as a true business partner.



■ Survey scope:  
Survey form sent by email or post, with responses by post or online.  
The survey period was from October 3 to October 31, 2022.

### Organizational Strategy Partner Forum 2023

We hold events and social gatherings for our business partners every year to help them better understand our management policy and various initiatives and measures we have instituted during the year.

We have previously held similar events in an online format, but, in response to requests from business partners, have renamed the event Organizational Strategy Partner Forum 2023 and plan to hold it in October 2023 a face-to-face format with our leadership team for the first time in four years.

The theme of this event is “Reaffirming the ties among our strategic partners,” and its aim is to increase value exchange through collaboration among our business partners and the Company’s business units, and also to reassert our commitment to mutual growth.

We will continue to listen carefully to feedback from our business partners and will seek to expand business and increase satisfaction through nurturing deeper collaboration with the Company.

### Business Partner Satisfaction Survey

We conduct an annual Business Partner Satisfaction Survey to gain feedback on changes in the environment, trends in guidelines and pricing structures, as well as their level of satisfaction with us.

We are including more detailed questions than in previous surveys in order to better understand our key partners’ circumstances and the issues they currently face.

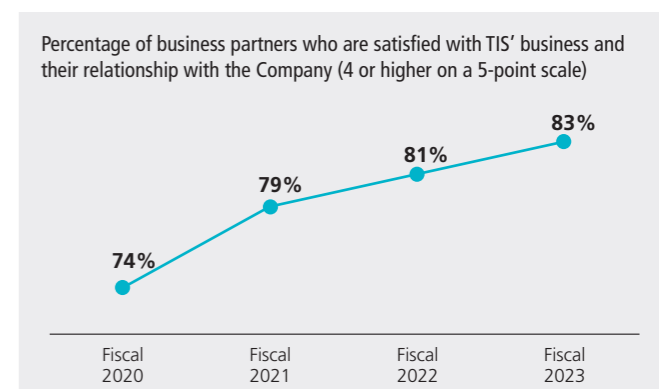
The survey results showed that while business continuity, co-creation, our ability to handle large-scale projects, and our proficiency in policy-making were cited as positive attributes of TIS, clients found issues with our project management and made proposals for structures that might make it easier to work with TIS. Taking this into account, we will strive to create an environment in which we and our partners can make proposals that benefit both parties.

These surveys enable us to better visualize the expectations of our business partners and the issues they face, and help forge a path for continuous improvement to achieve greater value exchange and expanded collaboration, thereby boosting their satisfaction.

### Promotion of Collaboration with Overseas Partners

We cooperate with overseas partner companies to support TIS’ business growth. We continue to strengthen our ties with several leading IT companies, including in China, regularly engaging in dialogue at management level to discuss issues relevant to the Company and its overseas partners. Due to the COVID-19 pandemic, we have been unable to make in-person visits to overseas partners, but from June 2023 we were able to resume our face-to-face meetings with local leadership teams.

In tandem with the growth of our business, the number of person-hours logged and the amount of outsourced work have been steadily rising, and our use of offshore resources has also been diversifying. In addition to conventional offshoring activities that seek cost advantages by using overseas companies, which constitute the majority of our offshore operations, we have begun to strengthen in-country support for the Japanese clients in each local market. As a result, we are beginning to see benefits in terms of better support for upstream processes such as requirement definition, entry into service development using agile methods, and locking in cutting-edge tech talent such as those skilled in AI, XR, and blockchain.



\*The survey covered TIS Inc.

■ The survey was conducted online between August 19 and September 20, 2022 among all business partners with whom we conducted transactions in fiscal 2023.



### Partnership Building

We have identified the areas we will focus on to build new partnerships by promoting cooperation, co-existence and co-prosperity with our supply chain partners and value-creating businesses.

<https://www.tis.com/group/sustainability/policies/multi-stakeholder/>

### Promoting a Sustainable Procurement Policy

The Group believes in the importance of working together with stakeholders throughout the supply chain. It is promoting the dissemination of procurement guidelines based on its sustainable procurement policy.

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



**Constructive Dialogue with Shareholders**

TIS proactively engages in constructive dialogue with shareholders based on its 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 is developing processes to promote further dialogue with shareholders. While the director of the IR Department supervises the relationship with shareholders, the President, executive officers, and the IR Department all deliberate on how best to address issues and take appropriate actions. The IR Department shares information with relevant departments promptly and seeks to capitalize on their respective specialist expertise to support more meaningful dialogue with its shareholders.

The Company will seek to broaden the channels of communication with its shareholders through individual face-to-face and telephone interviews, and by holding business results briefings and other more intimate meetings. Furthermore, in addition to information disclosure—the foundation for meaningful dialogue—the Company will further develop the content of the Integrated Report, which we see as a valuable communication tool.

TIS will give serious consideration to opinions put forward by capital market participants such as shareholders, investors and securities analysts within the Company through reports and briefings to the Board of Directors, and will use them to review the Company's management strategy, among other purposes.

TIS remains acutely aware of the importance of fair disclosure and manages its internal information appropriately in accordance with the Rules for Prevention of Insider Trading.

\*Please refer to the IR policy at <https://www.tis.com/ir/other/policy/>

**Engaging with Shareholders**

In fiscal 2023, with the leadership of the President and CEO, we pursued engagement with active management-type shareholders in Japan and overseas, mainly in the U.S., Europe, and Asia. Participants are both analysts and fund managers, and their active management style are diversified centering on growth and value trading. The main themes and other pertinent feedback are shared through quarterly reports to the Board of Directors, are disseminated for discussion throughout the Company, and are used to review management strategies and formulate management plans.

Main areas of interest to shareholders:

- Progress in structural transformation to enhance corporate value
- Status of initiatives for business growth, improvement in profitability and the outlook for the future
- The importance of investment in human resources—the most vital management capital—and Company recruitment policies
- Financial strategy in relation to capital efficiency and shareholder returns

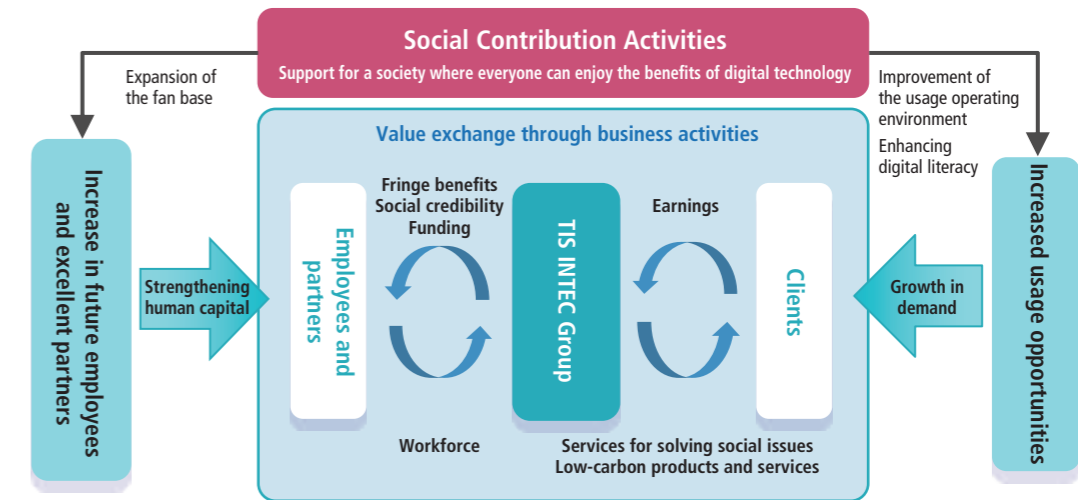
IR events in fiscal 2023	Frequency	Contents
Results briefings for analysts and institutional investors	4 times	
Other briefings for analysts and institutional investors	Twice	One business briefing, and one extraordinary briefing for timely disclosure
Small meetings for analysts and institutional investors	257 times	Of these meetings, 151 were for overseas investors. Total coverage 464 companies
Small meetings by President	Twice	Sell-side analyst: once, buy-side analysts: once
Overseas roadshows	Twice	
IR conference for individual investors	Twice	

**Initiatives to Revitalize the General Meeting of Shareholders and Facilitate The Exercise of Voting Rights**

Initiatives	Contents
Early notification and distribution of General Meeting of Shareholders	As to the notice for the 15th Annual General Meeting of Shareholders held on June 23, 2023, 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 notice on our corporate website and TSE website on May 19, 2023. And based on Company policy to distribute the convocation notice at least three weeks before the General Meeting of Shareholders takes place, the convocation notice was sent out on June 1, 2023.
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 23, 2023.
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 (full text) in English	We started to post the convocation notice in English (full text) to provide further information to overseas investors.
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.

**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.**

TIS endeavors to contribute to a society where everyone can enjoy the benefits of digital technology principally through the following activities.

**(1) Activities to support future users**

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

**(2) Activities to disseminate the benefits of digital technology throughout society**

Our support for infrastructure projects is one of the ways in which we aim to reduce the number of people who do not have access to digital technology due to economic and location factors.

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

We put measures in place to prevent the misuse of digital technology and help people having difficulty adapting to technological change.

**Kamikochi Regeneration and Safety Project (Matsumoto City, Nagano Prefecture)**

As part of its activities to disseminate the benefits of digital technology throughout society, the Company is supporting the Kamikochi Regeneration and Safety Project through donations from the corporate version of the Hometown Tax Payment System, which is uniquely Japanese tax system, to ensure a stable supply of electricity by burying power and optical cables, strengthening disaster prevention systems, and creating a safe and secure usage environment. The burial of power and optical cables will help Kamikochi evolve into a safer tourist destination, utilizing digital technology to collect and provide real-time information quickly and reliably.

Through activities such as these, the Company is helping to reduce the number of people who aren't benefiting from digital technology for geographical reasons, thereby contributing to the creation of a society in which no one misses out.



\* For more information on other activities, please refer to our website.

Social contribution activities: <https://www.tis.com/group/sustainability/social/community/>

## 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.

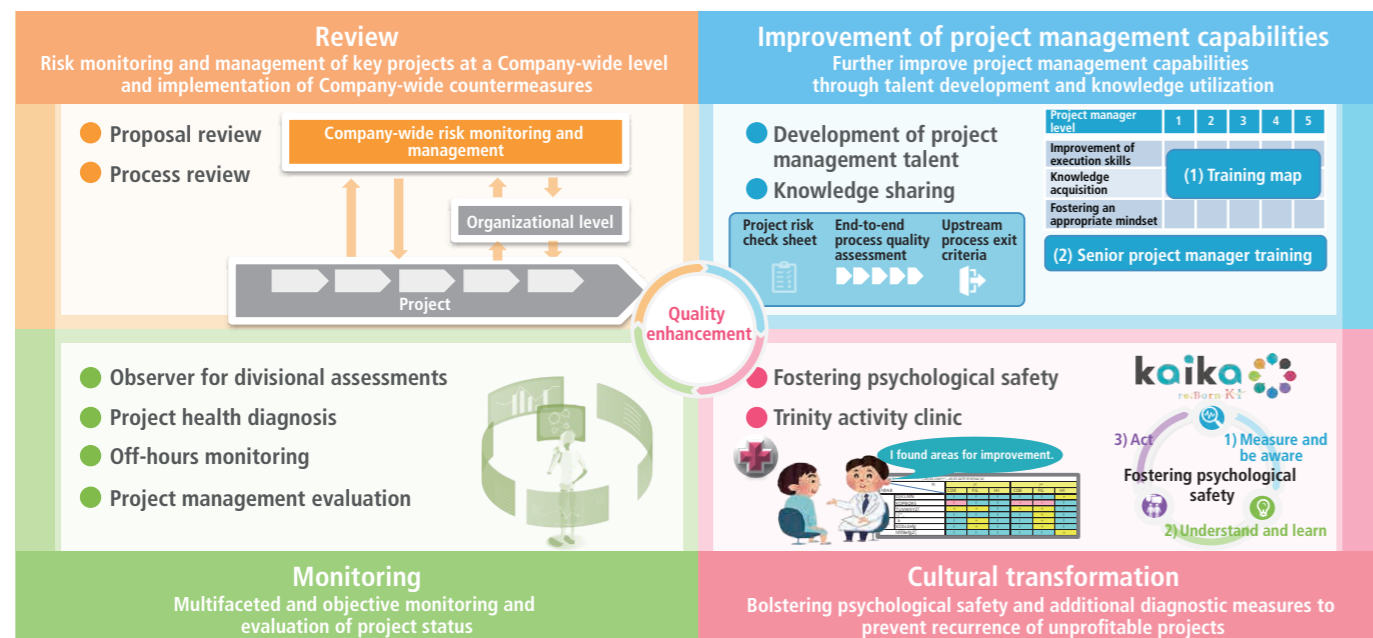
\* For more details: <https://www.tis.com/group/csr/report/social/quality/>

### Significant Reduction in Development Losses

Development losses were significantly reduced for the Group as a whole, to ¥400 million in fiscal 2023, compared to ¥1.85 billion in fiscal 2022.

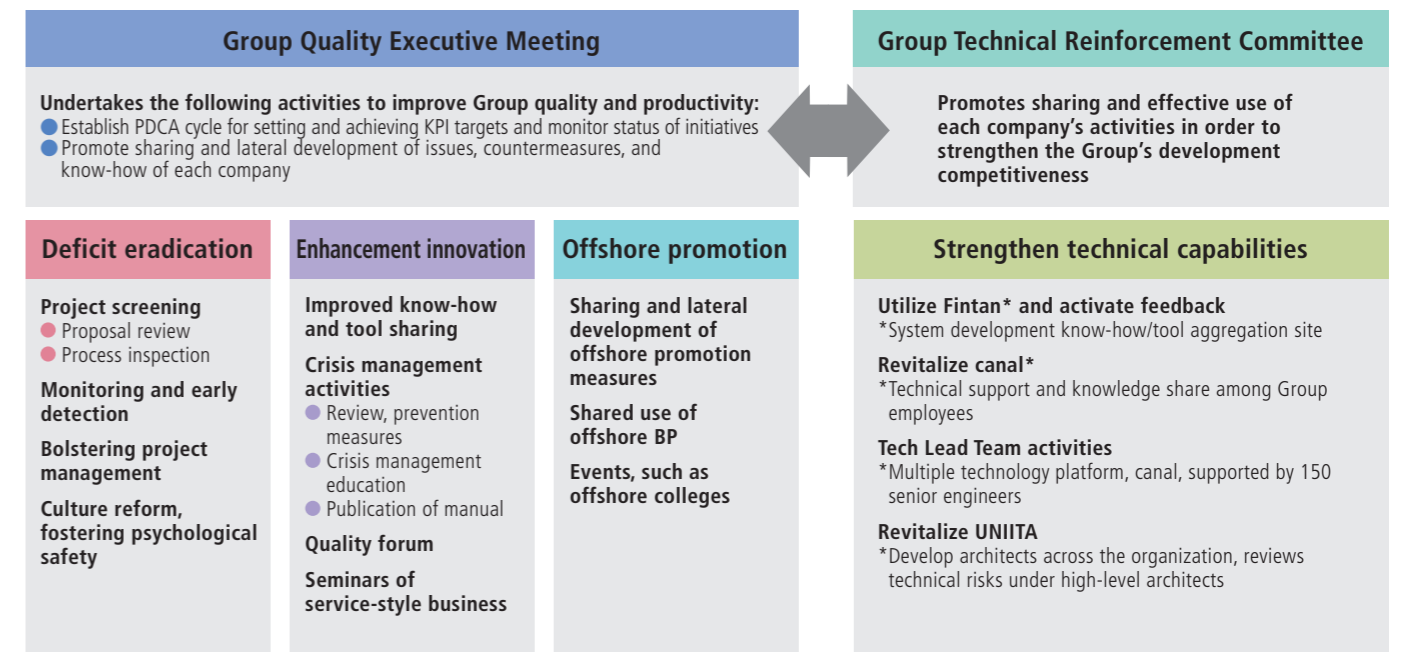
The following four activities were specifically targeted for development loss reduction measures.

- Project review activities (proposal review, process review) by the TIS System Development & Quality Management Innovation SBU
- Monitoring activities for early detection of high-risk projects
- Measures to improve project management capabilities (education, knowledge development)
- Fostering psychological safety through cultural transformation



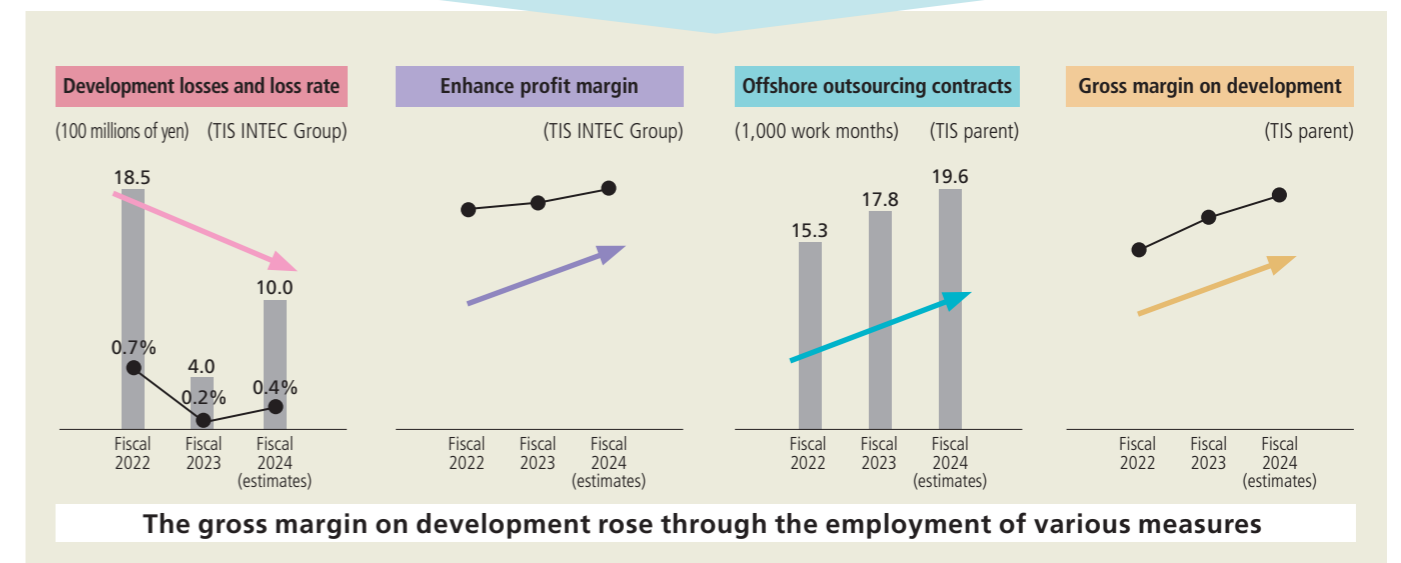
### Activities Aimed at Improving Standards Across the Entire Group

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 2023, ended March 31, 2023

- TIS companywide review proposals: 60
- TIS system development meetings: 248
- Group Technology Enhancement Committee meetings: 12
- Number of Group screenings: 222



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



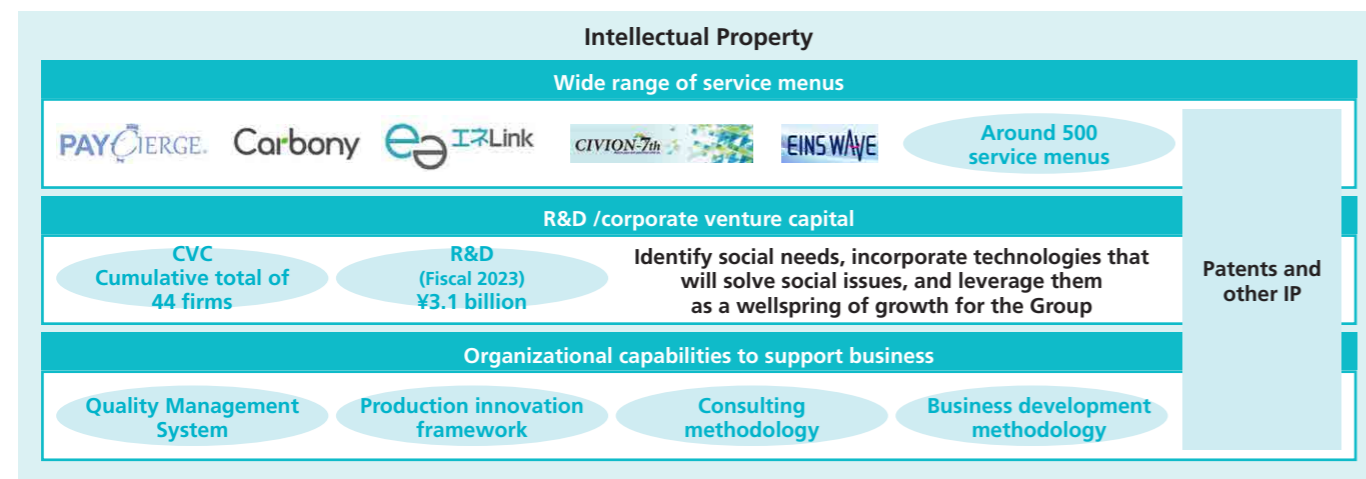
**Ikuo Shimizu**  
TIS Managing Executive Officer,  
Division Manager of System  
Development & Quality  
Management Innovation SBU

Preventing unprofitable projects is an important management issue and responsibility, and we are promoting various initiatives to ensure this. In addition to our traditional approach to development projects, in fiscal 2023 we focused on fostering psychological safety to enhance the quality of relationships of our teams while ensuring safety. This proved to be a success, as we were able to prevent unprofitable projects of significant value (forecast: ¥1 billion; actual ¥400 million). Going forward, we will continue targeting steady progress in this area.

To reiterate, quality is essential for not only preventing unprofitable projects but also exchanging value with client companies and their end users through provision of high-value-added solutions. Moreover, the level of quality demanded of us is increasing as society, customer needs, business models, and development methods evolve. To meet the expectations of our stakeholders, therefore, we will continue working relentlessly to deliver innovations. By also improving value exchangeability, we aim to become a "trusted top brand that epitomizes quality."

## Aiming to Enhance Corporate Value Utilizing Intellectual Property

Over many years, the Group has strengthened its organizational capacity by accumulating technologies and knowhow cultivated in collaboration with clients, business partners and employees to develop various services to solve issues faced by clients and society.



### Wide Range of Service Menus

The Group offers a broad menu of services, with approximately 500 differentiated services in Japan. In fiscal 2023, the Group's strengths in the settlement area—such as the incorporation of a credit processing service as one of the services under the PAYCIERGE total payment solutions brand—have resulted in further growth by combining our knowledge of core credit operations and systems.

### R&D and Corporate Venture Capital Initiatives

Given the dramatic escalation of competition in the technology environment, we believe it is important to identify social needs and incorporate technologies that can help solve social issues into our core business. We are focusing on R&D in three areas.

1. R&D into technologies that contribute to the realization of a sustainable society and offer solutions to social issues\*
2. R&D focusing on fundamental technologies that will form the core of new businesses in the future
3. R&D into advanced software production and infrastructure-related technologies

\*We have identified financial inclusion, urban concentration/rural decline, low-carbon/decarbonized society, and health concerns as social issues to be addressed and are conducting R&D with the aim of developing solutions to these as part of our core businesses over the medium to long term.

In addition, in 2016, the Group commenced corporate venture capital investments, with the aim of promoting open innovation and establishing innovation ecosystems, and is encouraging business collaboration with promising startups. As well as through a multi-faceted collaboration providing funds to our investees, we also provide access to human resources such as engineers and goods such as workspace and IT resources.

\*Please refer to the following for more information on TIS' corporate venture capital activities. <https://incubation.tokyo/cvc/en/>

### Organizational and Should Capabilities to Support Business

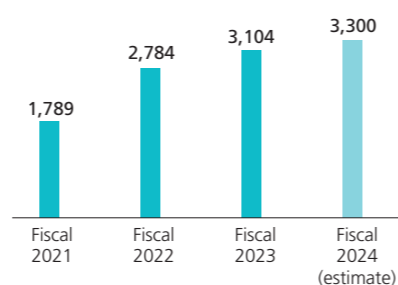
The experience and knowledge of system development accumulated by the Group over the years has been developed into a quality management system and a production innovation framework to promote quality improvement and productivity enhancement. (See page 101 for details.)

The Company is also promoting the expansion of consulting methodologies, such as training to increase the number of DX consultants, systematizing management issues into four key themes, and categorizing problem-solving goals into a menu of three needs based on our consulting experience and know-how.

Also, to expand forward-looking investment-style service businesses, we have developed business development methodologies such as Stage Gate, and we are continuing to innovate and establish such methodologies.

Moreover, understanding the increasing importance of IP management, we will incorporate IP administration into corporate planning, and build an integrated system incorporating management strategy with IP strategy to enhance the effectiveness of IP management, which will in turn enhance corporate value.

Changes in R&D Expenses (Millions of yen)



## Creating Innovation that Will Lead to Future Corporate Value

The Group's continuous R&D activities are focused on creating new businesses, achieving medium- and long-term business growth, and strengthening competitiveness. As competition in the business and technological arenas continues to escalate dramatically, we will continue to focus on R&D that will enable us to better meet social needs and incorporate technologies into our business that will help solve social issues.

### Development of Advanced Software and Infrastructure-Related Technologies

When it comes to software production technology, to bolster our ability to respond to the speed of business transformation at client companies, we are strengthening our capabilities in agile development, UI/UX design, Dmobile applications, and generative AI, as well as developing technologies to improve development productivity.

### R&D Focusing on Core Technologies that Will Form the Basis of Future New Businesses

The Company's R&D focuses on XR\* research, multi-level edge computing, large-scale processing using quantum and classical computers, and data labeling for AI. Each of these technologies is subject to R&D as a differentiating technology for new businesses, while fundamental technologies are being promoted through industry-academia collaboration with universities and research institutions both in Japan and abroad.

A joint XR research project is being undertaken with the University of Tokyo and Tokyo City University, with the goal of producing new remote communication technology for social applications. Using the knowledge gained from this joint research, we have released BURALIT, a live-action sightseeing Metaverse app, and XR Pay, which allows users to build virtual stores, complete with payment functionality.

\*XR (extended reality): A collective term for various virtual space technologies such as VR (virtual reality), AR (augmented reality) and MR (mixed reality).



Let's go find your favorite place. BURALIT

### Initiatives for Business Implementation of the Latest Technologies

We are also supporting business start-ups engaged in new technologies such as blockchain and Web 3.0 technologies. Generative AI has seen explosive user growth recently, and we are promoting initiatives to improve the efficiency and sophistication of engineering and internal workflow in this area, in addition to exploring business applications. In July 2023, Dialog Play, an AI-powered chatbot creation service, was engineered to work with the Azure OpenAI Service. A beta version of Dialog Play can use OpenAI's generative AI models such as ChatGPT and GPT-3/3.5/4 to enhance its FAQ search and answer functionality.

### Lab and Showroom to Promote Business Co-Creation

The TIS Digital Innovation Center at Toyosu office consists of a co-creation lab for research and demonstration of new technologies, including 5G, and a showroom where visitors can experience the latest digital technologies. It is also used as a base for co-creation, including technology verification through the Tokyo 5G Boosters Project and Be Smart Tokyo, which are promoting smart services, by startups supported by the Tokyo Metropolitan Government, and as an exhibition space for service models.



## Connecting business strategy to human resources strategy to realize sustainable improvement in corporate value

Raising the value of human resources is essential to ensure sustainable growth of the TIS INTEC Group and improve corporate value over the medium to long term. With this in mind, TIS pursues a human resources strategy that connects closely with its business strategy.



### Human Resources Strategy for Sustainable Growth through Sustainability Management



**Kawamura:** Taking advantage of the transition to the operating holding company structure in July 2016 that created the TIS INTEC Group, TIS identified materiality—priority issues—that the Group must strive to fulfill. Based on these points of materiality,

we have steadily promoted sustainability through various steps, such as drafting a business strategy that seeks to balance social value and economic value.

As sustainability management gains momentum during the current medium-term management plan, the Board of Directors is evolving into a place for big-picture discussion of what sustainability management should look like for the TIS INTEC Group and the medium- to long-term business strategy that will achieve this ideal. Against this backdrop, the Corporate Sustainability Committee was put directly under the Board of Directors, effective from April 2023, with participation primarily by directors.

Determined to further efforts under this new structure, management aims to accelerate structural transformation, with an emphasis on service-style operations and global business, and this will certainly fuel sustainable growth of the TIS INTEC Group overall. It goes without saying, of course, but improvement in the value of our human resources is indispensable to achieving growth. The human resources strategy we apply must enable everyone to demonstrate

maximum performance, and it must be closely tied to business strategy as well.

The Human Resources SBU has always worked to build trust and promote engagement between company and employees. This was highlighted by the declaration of a new human resources policy in 2018 and visualization of a roadmap for that policy, right?

**Takayanagi:** That's right. The human resources strategy at that time, in 2018, emphasized self-fulfillment. To support employees in realizing personal goals, we made a declaration—a promise between company and employees—in the form of the TIS Human Resources SBU Manifesto to improve the work environment and personnel system, and we began reporting the results achieved through this commitment. Since then, we have revisited the manifesto every six months, issuing updates. But our perspective has changed. The current medium-term management plan puts a spotlight on investment in human resources, and as our people develop new and better skills, they support progress in structural transformation and enhanced corporate value. The connection between business strategy and human resources strategy has become much clearer.

Typically, a company recruits people who meet specific job criteria, but if employees lack a shared understanding of and trust in the direction that management is taking the company, the company will not be able to achieve enhanced value exchange with stakeholders, and then neither the employees nor the company will grow. In the April 2023 revision of the human resources structure, TIS introduced a “Must/Will/Can

Framework,”\* to get that virtuous cycle into vigorous rotation. By combining the roles that the company expects employees to fulfill (Must) with employees’ work-related aspirations (Will) and inherent strengths and issues for improvement (Can), and expanding the overlap where these three components converge, we will generate active momentum among employees to accelerate structural transformation.

\*The Must/Will/Can Framework is explained on page 52.

**Kawamura:** Sustainable growth of the Group—and OUR PHILOSOPHY touches on this as well—requires the vibrant, dynamic, enthusiastic actions of thinking people who actively weigh up the needs of the market and of society, and embrace challenges that crop up along the way. The skills TIS is looking for in potential employees and the methods used to develop and upgrade skills are much different than in the past. Right now, the Corporate Planning SBU and the Human Resources SBU are working to build a human resources portfolio for the medium to long term, and discussion centers on the training and recruitment required to build that portfolio.

**Takayanagi:** Although we are always looking for people who have strengths consistent with the business model of each business segment, the model for securing the necessary human resources is ever-changing. What we need, actually, are people who look at changes in society and issues of concern to clients that shift in response to such changes, consider solutions, and then put thought into action. For the TIS INTEC Group, a one-size-fits-all human resources model isn't ideal. Instead, we have to aim for a portfolio of people with various ideas built on diverse upbringing, experiences and capabilities, and through these human resources, we will be able to respond flexibly to a changing world and issues of concern to clients.

### Human Resources Strategy to Encourage Employee Development

**Kawamura:** Investment activities with a human resources focus have already led to the creation of office environments leveraging workstyle reform and delivering better employee benefits. But TIS boldly increased base salary, effective from fiscal 2024, on the premise that upfront investment in human resources is the same as upfront investment in businesses—both underpin future growth. A higher base salary will motivate employees to take the initiative when appropriate and encourage personal growth and development, which will support the virtuous cycle of value exchange with clients and with society and lead to confidence in the path laid out in our stated business strategy. In this sense, fiscal 2024 marks an extremely important fresh start from a strategic perspective.

**Takayanagi:** The introduction of a new evaluation system is another big change. Accelerating structural transformation is a theme in the current medium-term management plan, but progress can't be fully assessed by short-term performance numbers alone. It's therefore hard to evaluate progress by the divisions and the people who implement upfront investment

for future structural transformation. Without proper evaluation of the challenges ahead, favorable trends in organizational and individual growth might be disrupted. The new evaluation system incorporates assessment of processes and actions to properly identify employees’ contribution to structural transformation, and provides incentive to persevere when faced with challenging circumstances. When a human resources system is aligned to the direction in which a company is traveling and management has the support and trust of employees, it's as if everyone is running toward the same finish line. We will promote a human resources strategy that prioritizes shared awareness and company–employee engagement, thereby underpinning the establishment of a corporate culture unique to the TIS INTEC Group.

TIS, as the holding company, took the initiative and implemented this recent revision to its own human resources system. But the evaluation system will continue to evolve from a medium- to long-term perspective to encompass the whole TIS INTEC Group.

**Kawamura:** Uniform application of TIS’ approach may not be appropriate for all companies under the Group umbrella since each company works on a different business model. However, the management accounting system, core systems and business processes are consistent throughout the Group, and I would say that human resources systems and work environments are already aligned across the Group. TIS respects compensation strategies and systems based on differences in value exchange with respective client groups while encouraging a shared perspective through a shift toward upfront investment groupwide.



**Takayanagi:** We are also working on initiatives to encourage employee development commensurate with human resources investment. Under the current medium-term management plan, we seek to leverage DX business strategy and have emphasized basic

training in DX for employees. Through further initiatives, all employees could become DX professionals. That's the goal. Toward this end, we started Plus ONE Kyoiku in April 2023. This is an opportunity for employees to choose a DX skill, such as consulting or data analysis, that is not necessarily related to their current assignment, and learn about DX from basic to applied technology. Acquiring new skills makes individuals stronger—reinforcing the “can” factor—and opens doors to dream jobs—the “will” inspiration—and, in providing these opportunities, we support the self-directed growth of employees.

## Accountability to Stakeholders

**Kawamura:** Even if shareholders and investors understand the need for bold, upfront investment, they still often ask when the investment will deliver returns. Investment in human resources doesn't generate immediate returns, but it's extremely important that stakeholders are made aware of results that inevitably meet expectations as well as the timeline. We will continue to show, quantifiably, just how much human resources investment translates into higher corporate value, as this is sure to be a key theme going forward.

A yardstick could be operating income per person—a productivity-related indicator—or it could be an employee engagement index or a satisfaction level, be that for clients or for business partners. For corporate officers, we go a step further though. Based on the idea that enhancing value exchange with stakeholders is a crucial responsibility of corporate officers, we have already incorporated this into other measurements as a KPI for determining directors' compensation. I will continue to emphasize this point.

**Takayanagi:** A company can't grow and develop if the individuals within that company don't grow and develop, so I firmly believe that investment in human resources will lead to higher corporate value. We monitor various human resources indicators, too, but when we publicly disclose results, we provide not only numbers but also some backstory, if you will, about what those numbers mean in terms of the goals we seek to achieve. I think it's extremely important to explain numbers.

For example, we see the Employee Awareness Survey as a way to monitor the results of our human resources strategy. Every year, the survey delivers an increasingly higher level of satisfaction among employees regarding the environment and programs that create a comfortable workplace. But satisfaction in the sense of rewarding work, such as feeling pride in one's job, still trends low in comparison. TIS is keen to be a rewarding company to work for, where employees travel together toward stated corporate goals—that's the "must" component—while pursuing personal aspirations ("will") and building strengths ("can") to grow and develop. TIS will be the model for the TIS INTEC Group to follow. Therefore, even in external announcements, we have to clarify the direction we are taking, the indicators and targets that represent this trajectory, and how we are going to reach our destination.

**Kawamura:** The goal is to achieve sustainable improvement in corporate value. From a financial perspective, it's incredibly important to have a plan on how to boost operating income per person. Even if we don't hit the target right away, the narrative on reaching an improvement in corporate value by linking various components—that is, disclosing information on our approach as well as strategies and status—will bring stakeholders on side, reinforce engagement and help us grow.

However, all operations can't be lumped under one corporate indicator. Operations have to be broken down by business model, and indicators of success must be set

accordingly. Take the Offering Services Business as an example. This segment is in an upfront investment phase, so right now, operating income per person is lower than that of other segments. But the segment promises high earnings in the future. Therefore, it's important to consider the impact on the client base and business transactions of rising client satisfaction with service-style operations in the Offering Services Business, and the impact on progress in developing service-style operations of more consultants and an enriched portfolio of intellectual property. Positive impacts would help link the achievement of targets in key business domains with operating income per person, and if a concrete correlation between targets and associated indicators of success can be shown, then explanations to stakeholders will be more convincing and stakeholders themselves will gain a deeper understanding of our growth strategy.

**Takayanagi:** That means taking a multifaceted approach showing the correlation of factors, such as human resources portfolio targets, degree of progress toward these targets, sales and recruitment ranking for each segment, to explain how DX consultants and IT architects—both key to our growth strategy—and other solution professionals contribute to growth. I don't think you or I have sufficient information and analysis of existing data to provide a full explanation right now, and we'll have to get those details and fine-tune the message for use at a later date.

**Kawamura:** You and I are part of the corporate hierarchy, and we aren't able to show results directly in terms of sales and income. But we do have an extremely important responsibility—to enhance management quality. More and more situations require close coordination of quality control, governance, legal affairs and human resources, and I am keenly aware of the pressing urgency to apply our corporate-side perspective and a change in behavior in a unified rather than job-delineated manner to actively coordinate a response to in-house issues. Going forward, I would like TIS to set the stage for business activities that support greater speed in the structural transformation process, as this will underpin enhanced management quality, and I will work to balance the Group's contribution to a sustainable society with sustainable improvement in corporate value.

