

TIS INTEC Group Business Information Meeting (Payment Services)

December 9, 2019

TIS Inc.



**Kiyotaka
Nakamura**

TIS Inc.
Managing Executive Officer
Service Strategy Sector
in charge of
Digital Transformation Sales & Planning Unit
Payment Services Unit
CreditCube Services Unit
Digital Marketing Services Unit



**Isao
Otokita**

TIS Inc.
Executive Officer
Service Strategy Sector
Digital Transformation Sales & Planning Unit
General Manager



Koji Tachi

TIS Inc.
Executive Fellow
Service Strategy Sector
Digital Transformation Sales & Planning Unit

1. What's in store for TIS' PAYCIERGE?
 - 1-1. TIS' vision
 - 1-2. TIS and payment services
 - 1-3. Outlook for PAYCIERGE

2. Market changes and strategies in payment processing
 - 2-1. Payment service market structure and changes in operating environment
 - 2-2. Area-specific strategies

3. Beyond Payment
 - 3-1. Background and purpose
 - 3-2. Initiatives

1. What's in store for TIS' PAYCIERGE?

Kiyotaka Nakamura

OUR PHILOSOPHY (TIS INTEC Group Philosophy)

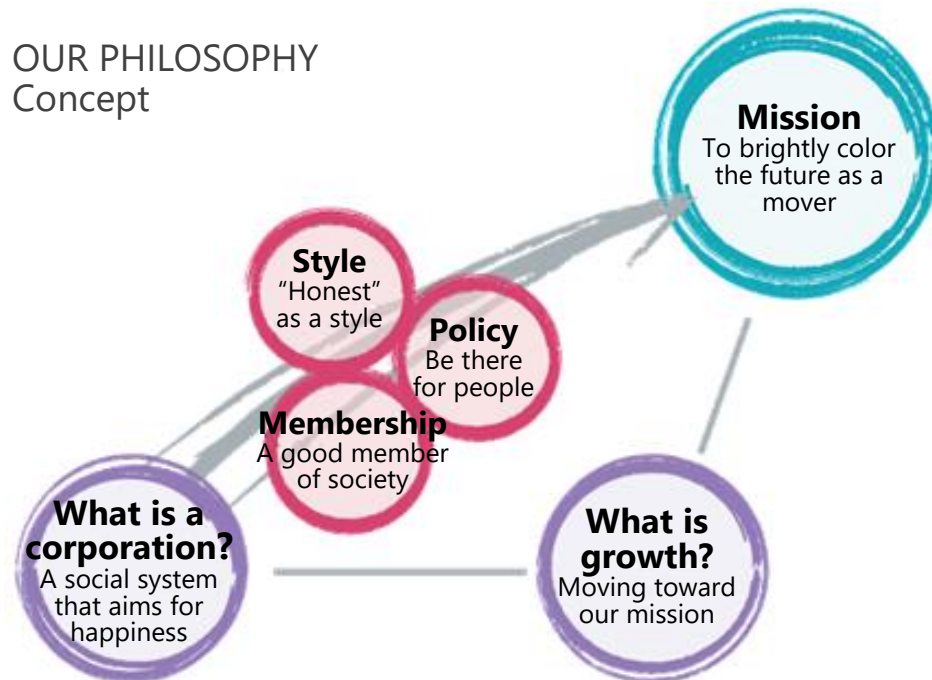


OUR PHILOSOPHY represents a sense of value shared throughout the TIS INTEC Group. OUR PHILOSOPHY broadly clarifies Group management, corporate activities and vital concepts and ideals for members of the Group, including directors and employees. The TIS INTEC Group’s entire business revolves around OUR PHILOSOPHY. The Group pursues this mission as a social role to fill the future — still essentially a blank canvas — with vibrant colors as a mover using digital technology.

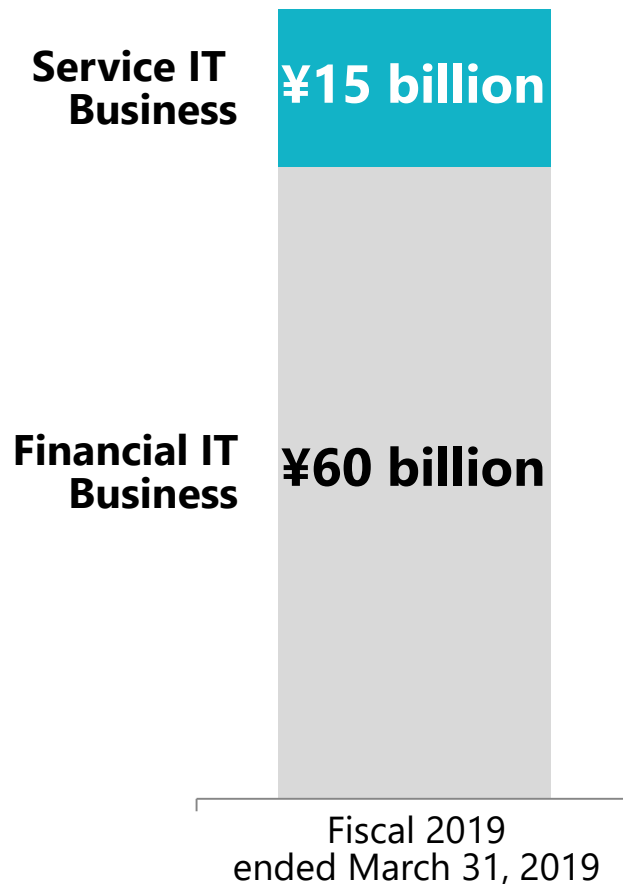
Mission (TIS INTEC Group's social role)

To fill the future - still essentially a blank canvas - with vibrant colors as a mover using digital technology

OUR PHILOSOPHY
Concept



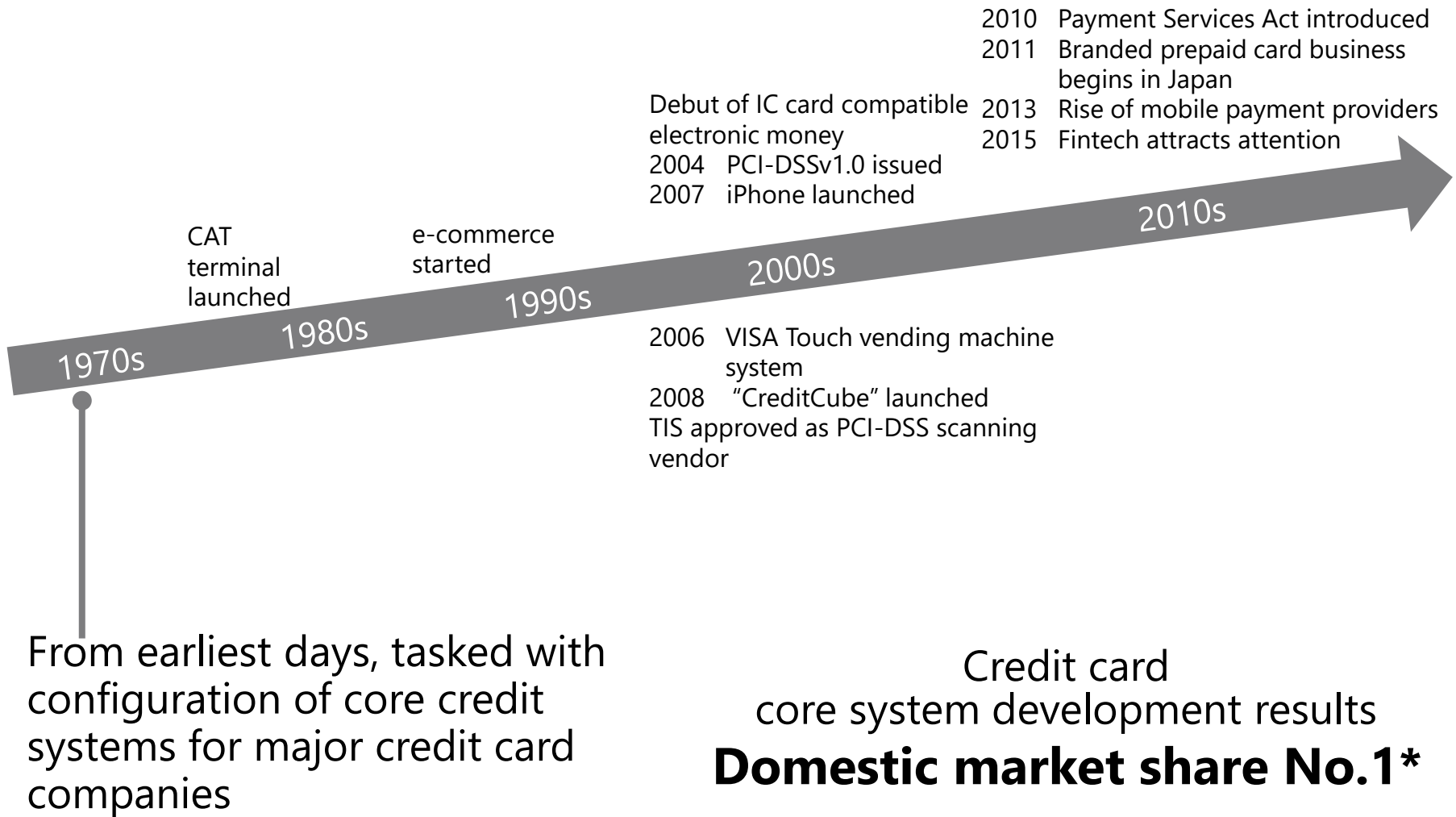
Net sales from payment services



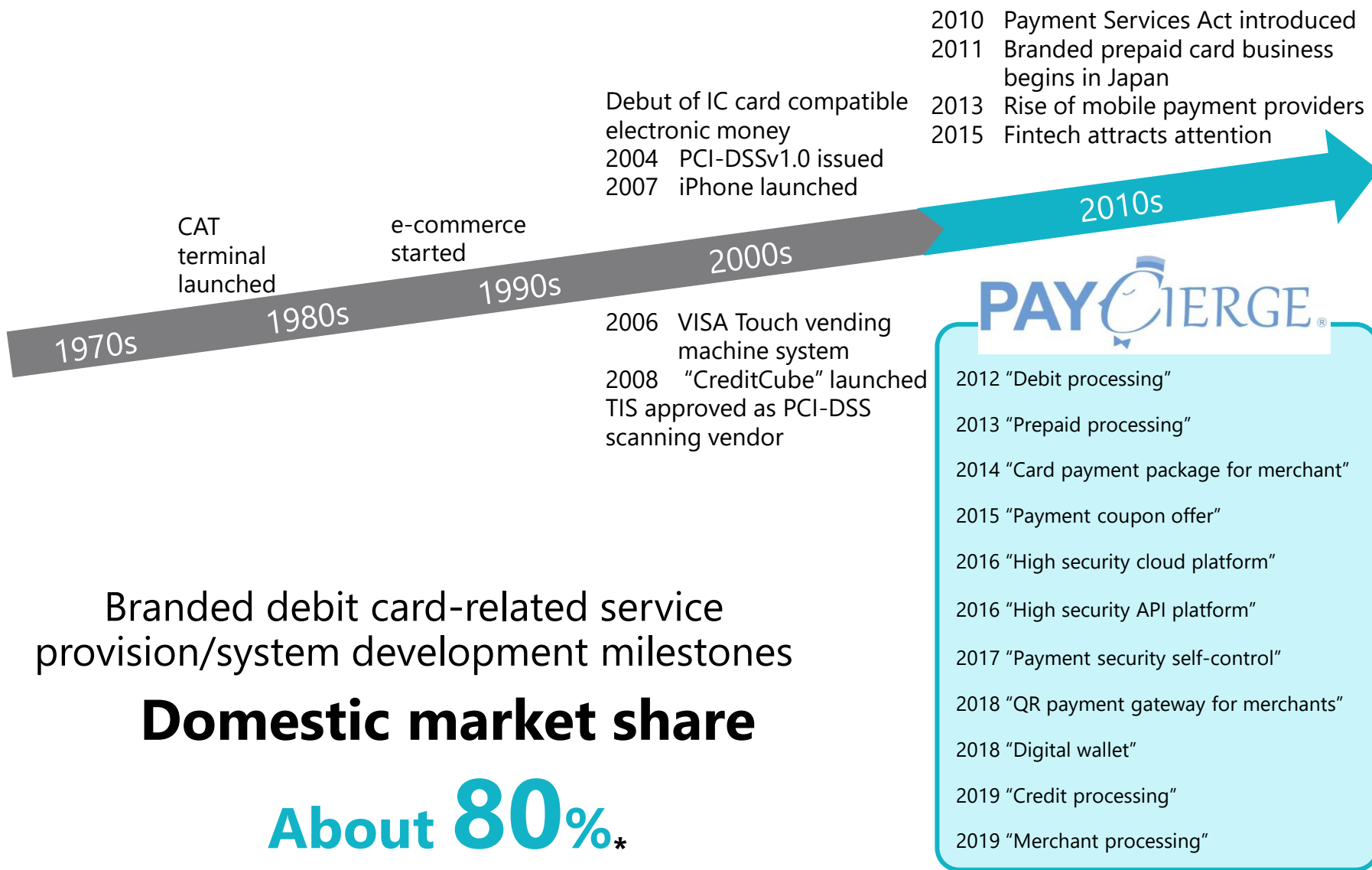
About 20% of consolidated net sales
¥75 billion
from payment services

Payment services
is Group's biggest strength
Driver of growth

Milestones in Credit Card Sector



Shifted to service emphasis, using SI business as management basis, and introduced various services



To Date: Have polished expertise through SI business, primarily for clients in credit card sector

Clients



Credit card companies



Financial institutions



Entrusted with system development and operation

Quality



Stable quality needed for core credit card systems

Expertise in payment services



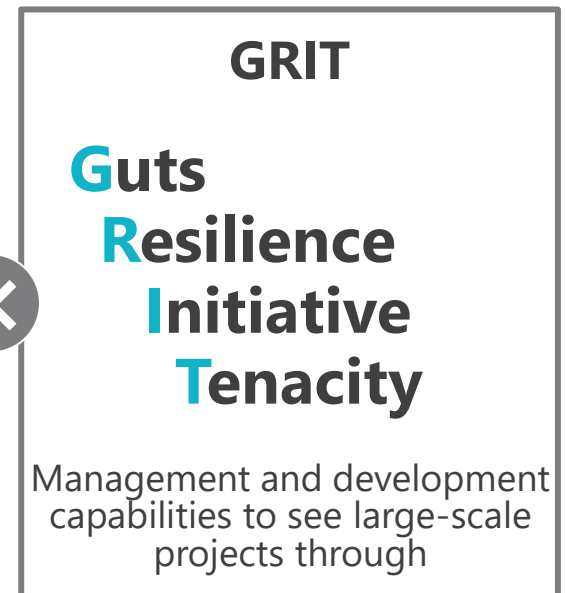
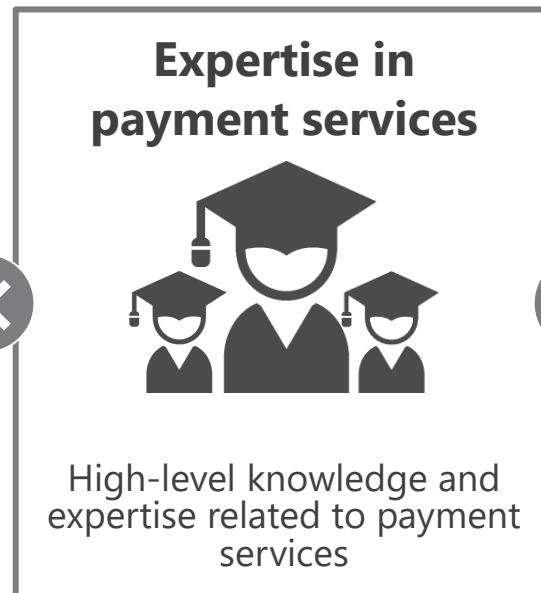
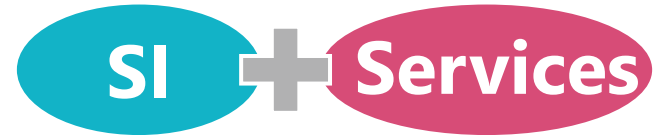
High-level knowledge and expertise related to payment services

GRIT

Guts
Resilience
Initiative
Tenacity

Management and development capabilities to see large-scale projects through

Going Forward: Provide services built on accumulated strengths to clients in diverse industries





For a new, more convenient society and beyond

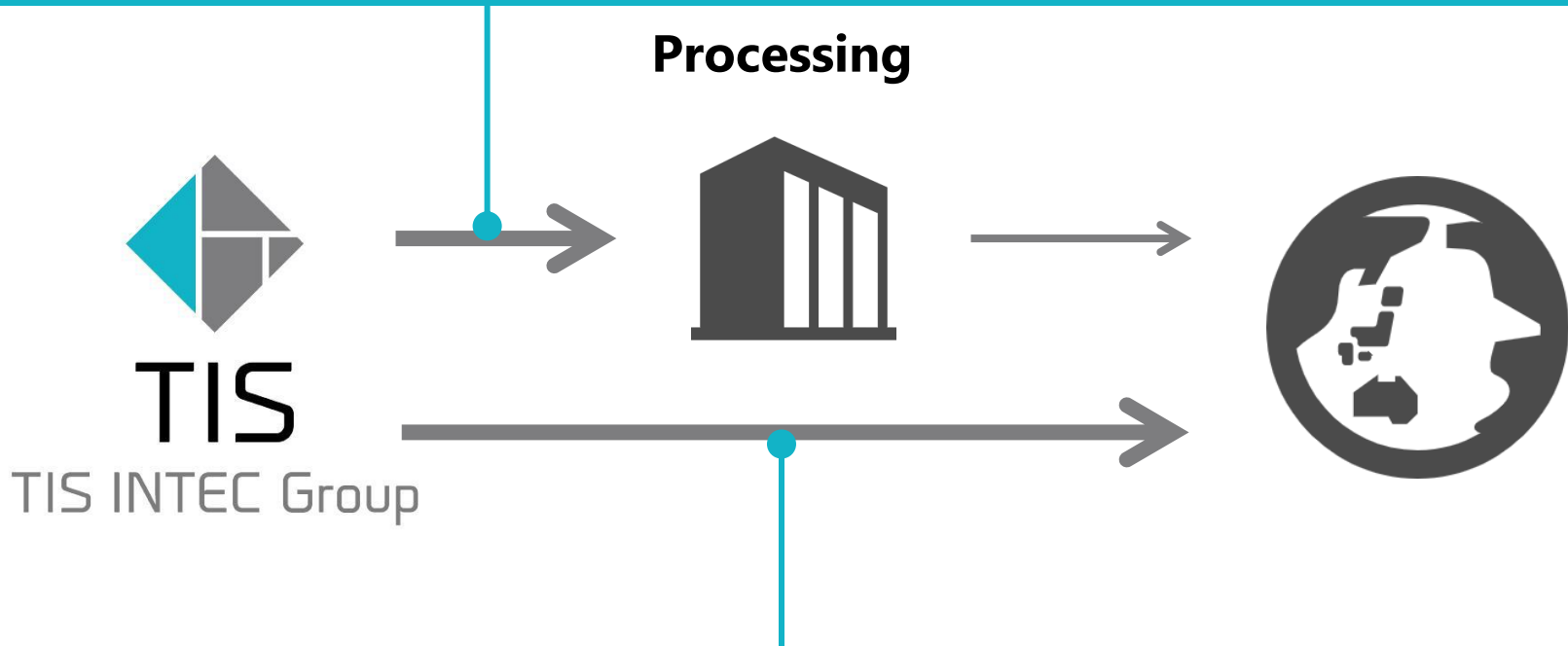
PAYCIERGE is a total-brand retail payment solution that provides a highly convenient and secure structure to all who require retail payment. Looking toward the evolution of a new society where the convenience of cashless payment extends to so many areas of daily life, TIS will contribute widely to business success by combining secure operation and reliable systems utilizing leading-edge technology and a wealth of know-how underpinned by an overwhelming share of the credit card solutions market.



For a new, more convenient society and beyond

**Bring new value to society
through payment solution**

Support providers who bring about new society and grow with them



**With exponential power of its payment solution,
TIS itself will help solve social issues**

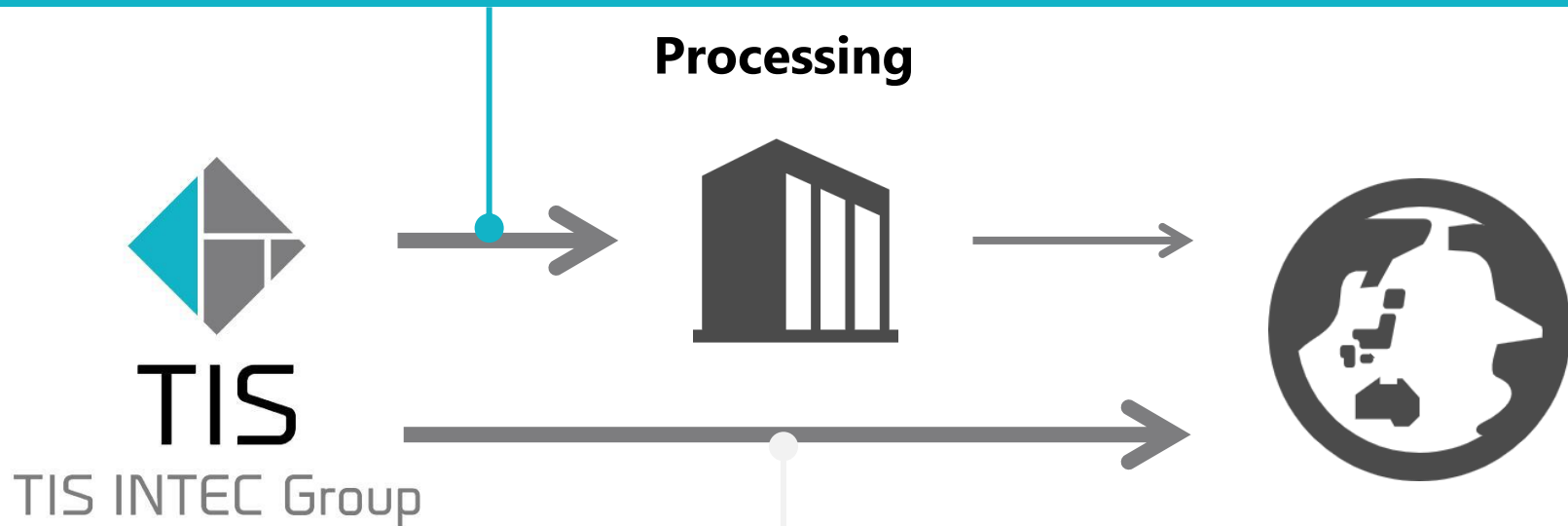
Beyond Payment

2. Market changes and strategies in payment processing

Koji Tachi

2. Market Changes and Strategies in Payment Processing

Support providers who bring about new society and grow with them

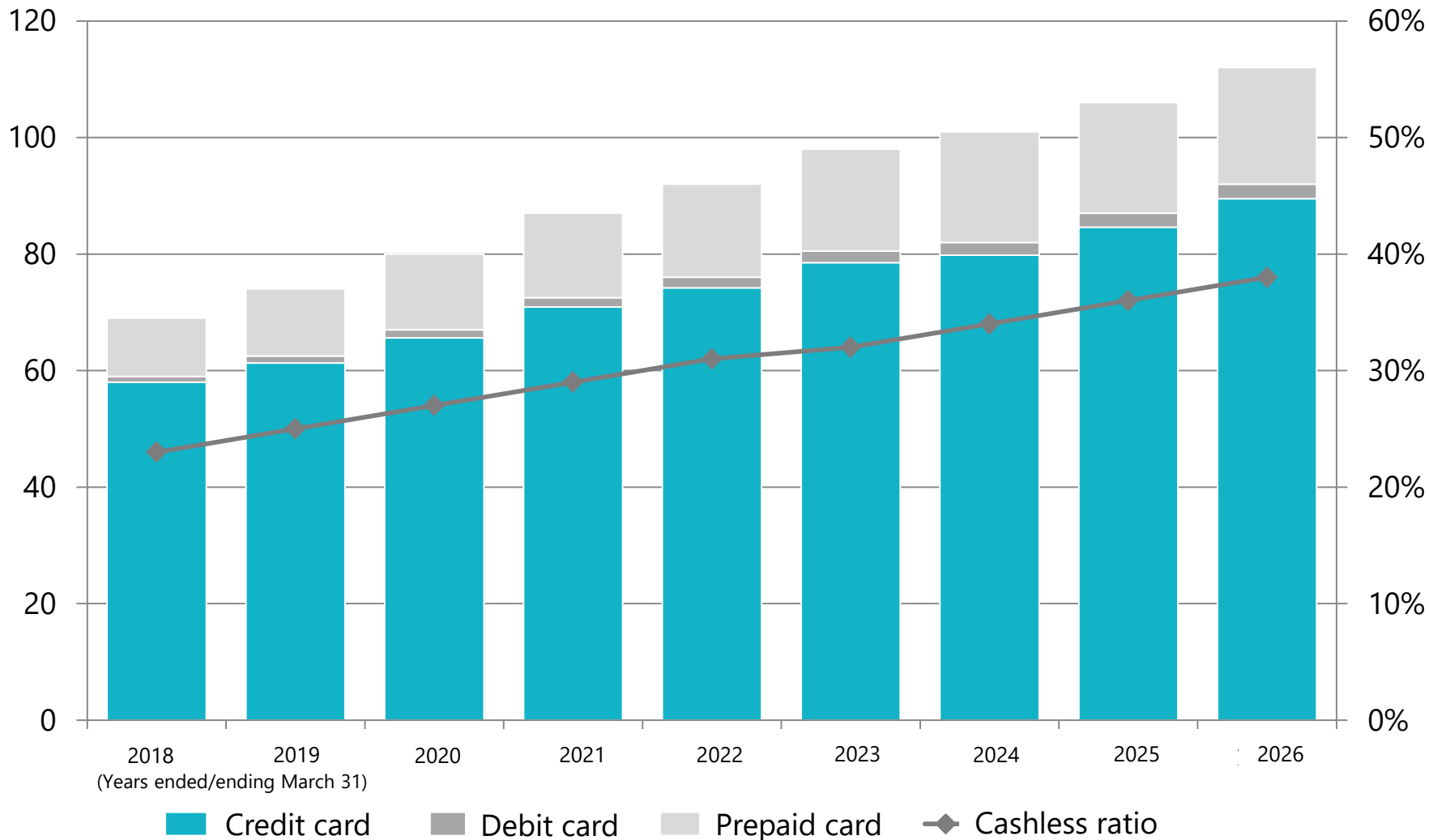


With exponential power of its payment solution,
TIS itself will help solve social issues

Beyond Payment

Cashless amounts and ratios, particularly in credit card sector, increasing annually

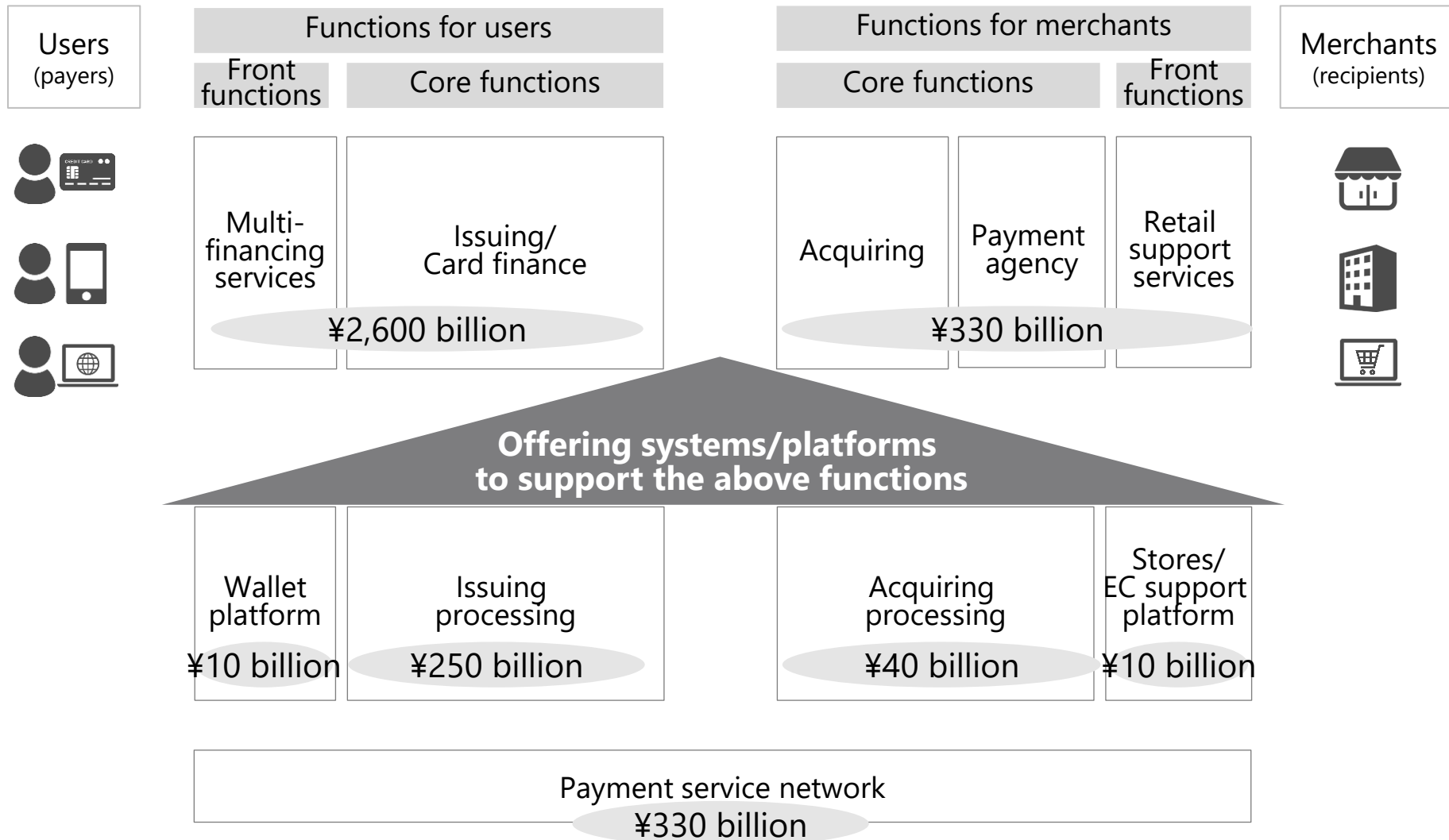
(Trillions of yen)



Figures used in the above graph were calculated by TIS based on data prepared by ePayments Laboratory Inc., Yamamoto International Consultants, CardWave "Electronic Payment Overview 2017-2018", and NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.

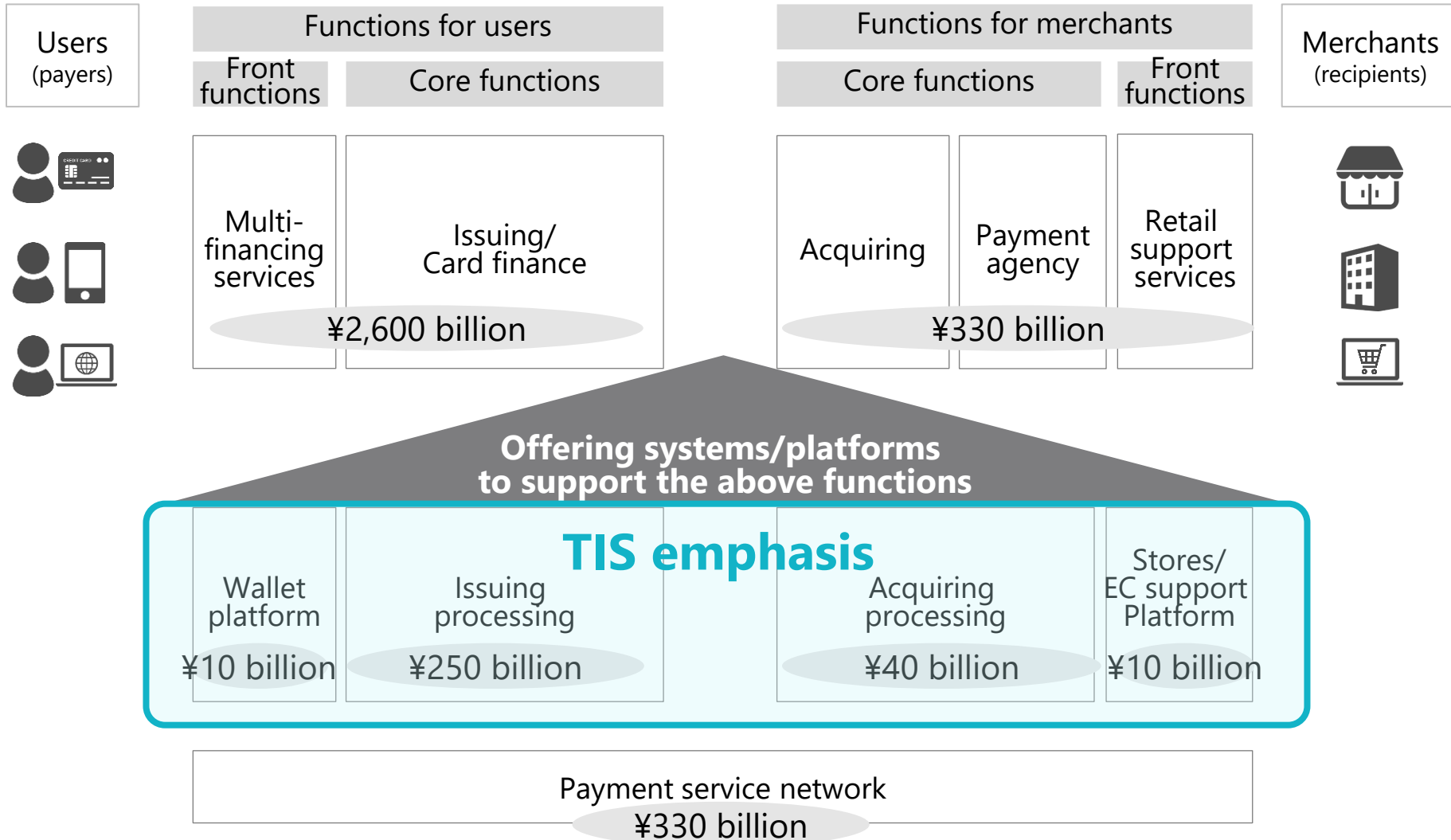
Payment Service Market Structure and Anticipated Scale in 2025

Anticipated market scale in 2025



TIS' Focus on Payment Processing

Anticipated market scale in 2025

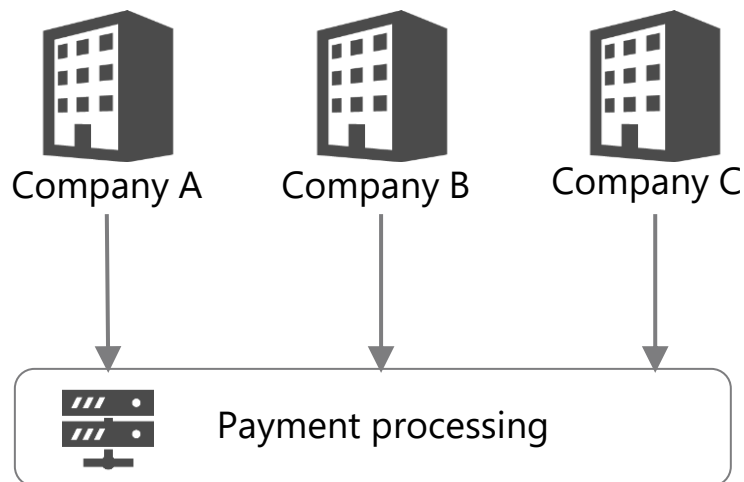


What are processing services?

A platform service that provides a package of various payment solutions to clients when they first get into payment operations and thus facilitates low-cost configuration of a payment infrastructure in a short period of time.

Payment processing concept

- ✓ Builds system of common specifications as a platform. Provides service-style access to multiple companies
 - Facilitates **low-cost** introduction of payment infrastructure in **short time**



Primary features of payment processing

Issuing (for users)	<ul style="list-style-type: none"> • Member management • Card issuing • Credit management • Payment transactions • Debt management • Clearance
Acquiring (for merchants)	<ul style="list-style-type: none"> • Merchant screening • Merchant contract management • Payment transactions • Clearance

Changing Market

— Heightened demand for new forms of payment processing

Market trends

P	<ul style="list-style-type: none"> • Cashless vision • Revision of Financial Instruments and Exchange Act • Society 5.0
E	<ul style="list-style-type: none"> • Sharing economy • Subscription
S	<ul style="list-style-type: none"> • Digitalization of life • Workstyle reform
T	<ul style="list-style-type: none"> • Popularity of smartphones • Internet security technology

Needs of market players

Payment services integral to digital transformation

- Partner card issuers of certain scale entering market in bid to expand financial revenue
- New companies entering market, driven by need to retain customer loyalty, reduce payment fees and capture financial revenue

Players keen to achieve digital transformation



Communication
Transportation
Retail
Services

Components required for payment processing

Digital accounts

Use of digital accounts encompassing mix of deferred, instant and prepaid payment options

Mobile wallet

Development of smartphone-based payment services

Service links

Fast links to in-house and external systems and services

Security

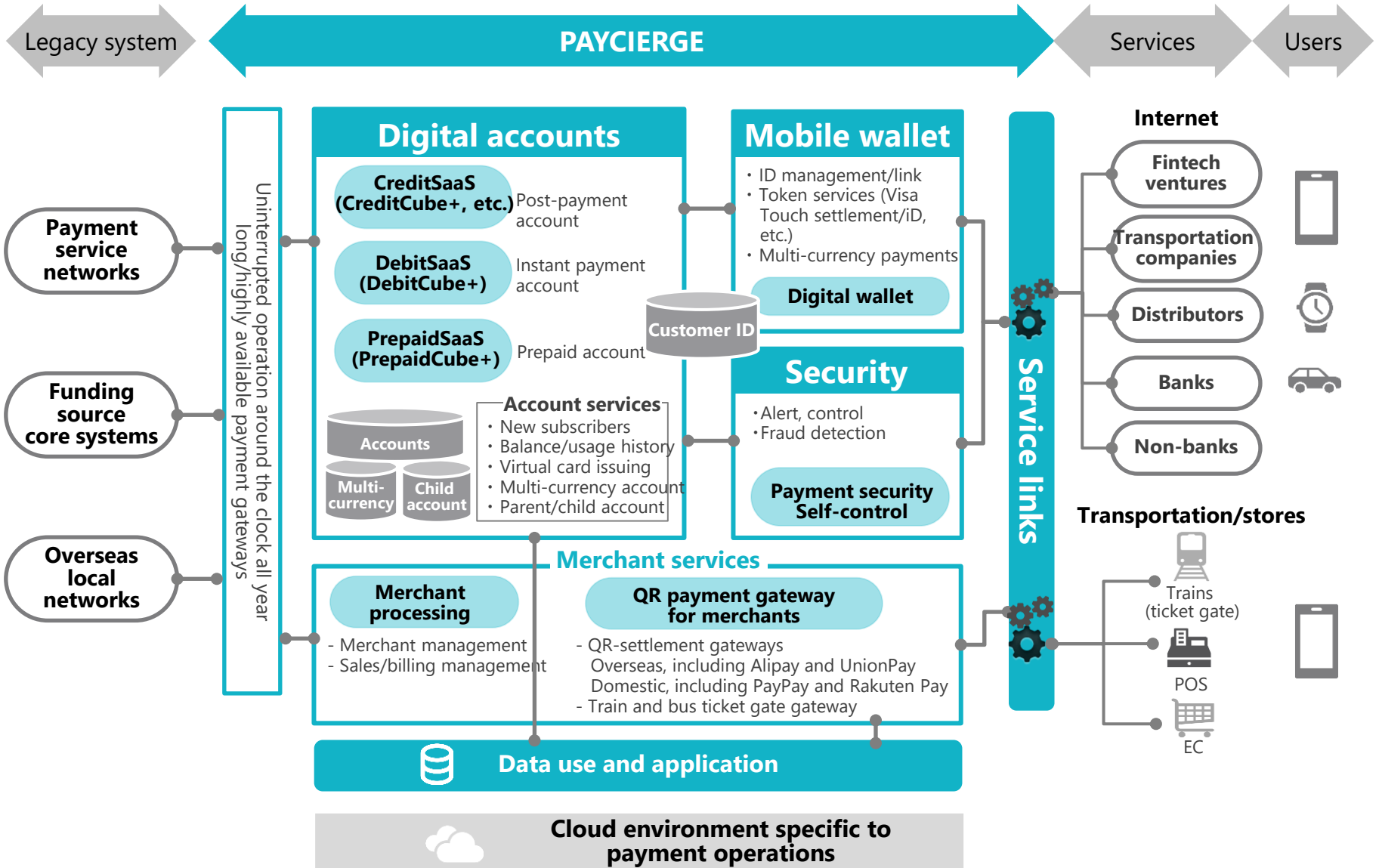
Compatible with latest security technology

Data utilization

Use and application of payment data

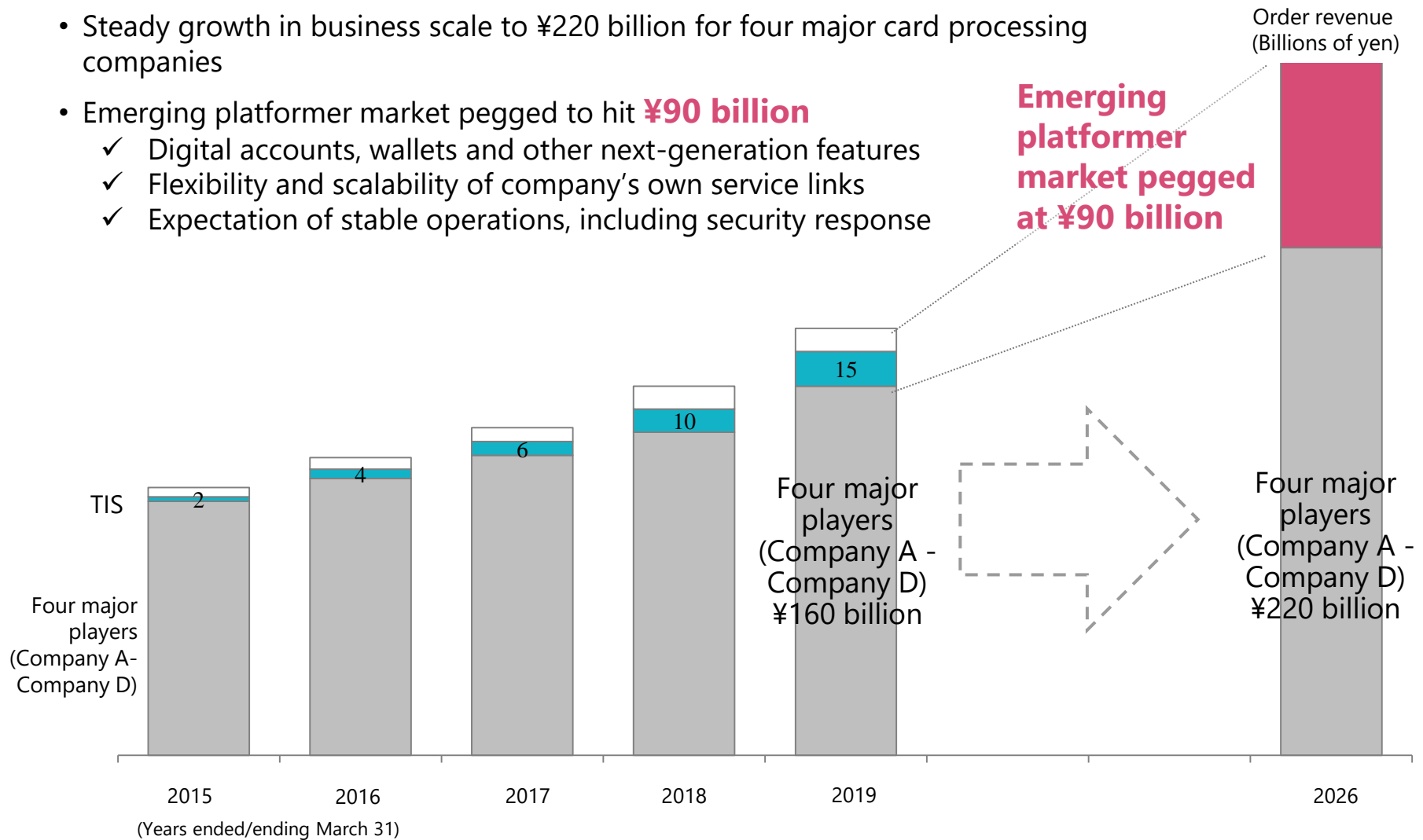
More providers are keen to enter payment business on their own as they embrace digital transformation
 → Seek to handle payment processing, including digital accounts, mobile payments, shift to API, ID links, and data utilization

For players keen on digital transformation that includes payment operations, TIS delivers one-stop access to required services



Scale of emerging platformer market expanding toward ¥90 billion

- Payment processing market to reach ¥310 billion by fiscal 2026.
- Steady growth in business scale to ¥220 billion for four major card processing companies
- Emerging platformer market pegged to hit **¥90 billion**
 - ✓ Digital accounts, wallets and other next-generation features
 - ✓ Flexibility and scalability of company's own service links
 - ✓ Expectation of stable operations, including security response



Structure of Emerging Platformer Market

Core area for issuers comprises 70% of total

High level of specialization required
Limited number of players

Pace of change in underlying technology is fierce
Various players in the arena

Emerging platformer market
¥90 billion

Order revenue
(Billions of yen)



Fiscal 2026
ending March 31, 2026

Core area		Front area
Core market for issuers ¥62 billion		Front market for issuers ¥10 billion
Core market for merchants ¥8 billion		Front market for merchants ¥10 billion

Data prepared by TIS

Yen amounts above indicate market scale

Structure of Emerging Platformer Market

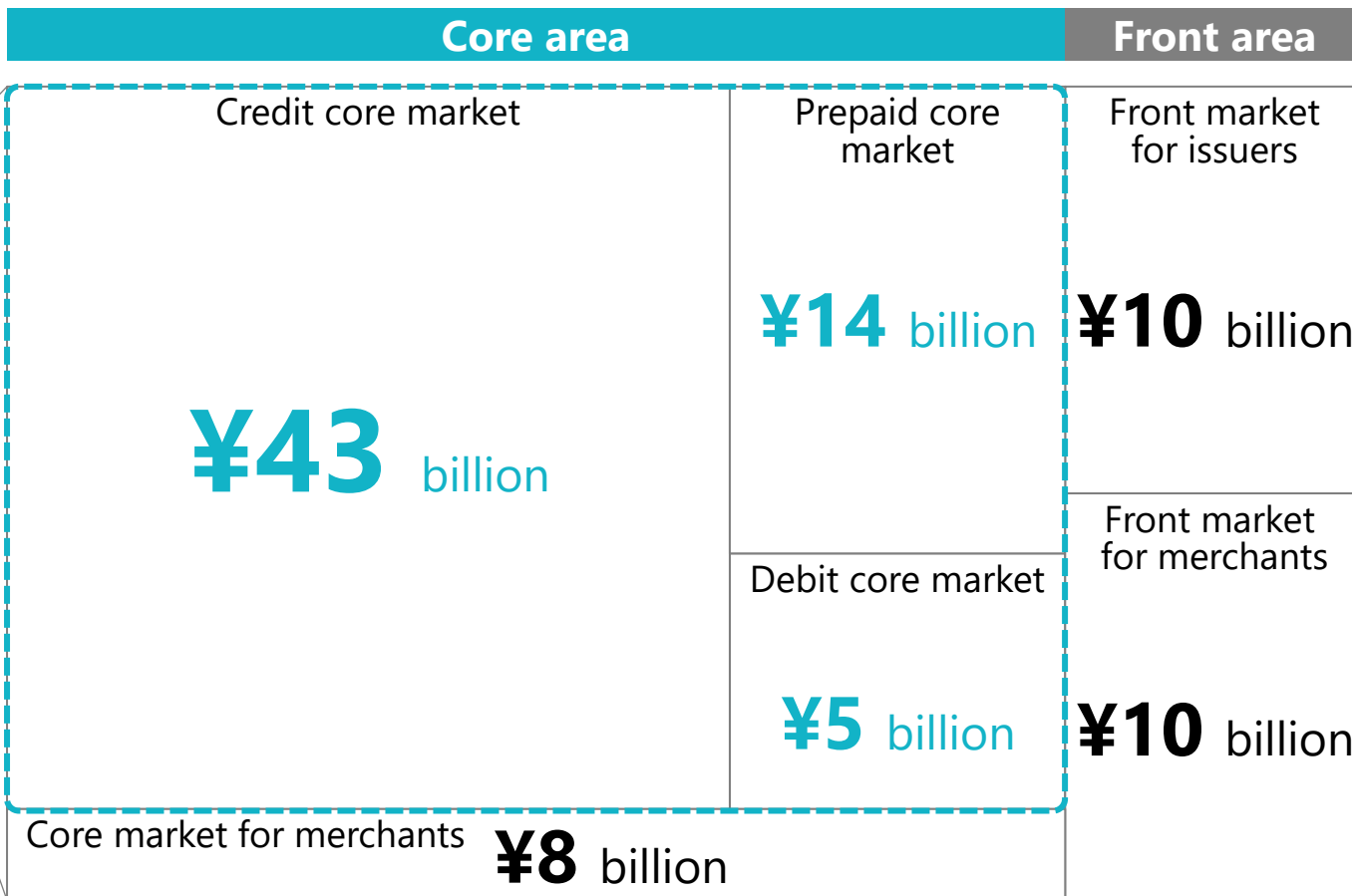
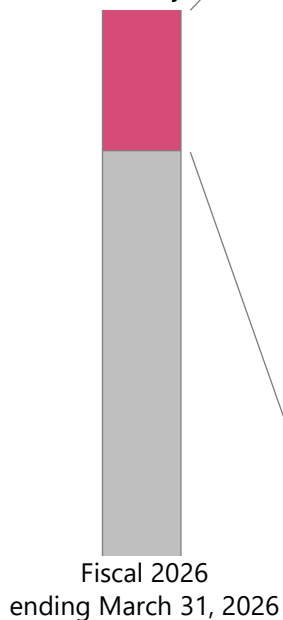
Scale of credit market is huge

High level of specialization required
Limited number of players

Pace of change in underlying technology is fierce
Various players in the arena

Emerging platformer market
¥90 billion

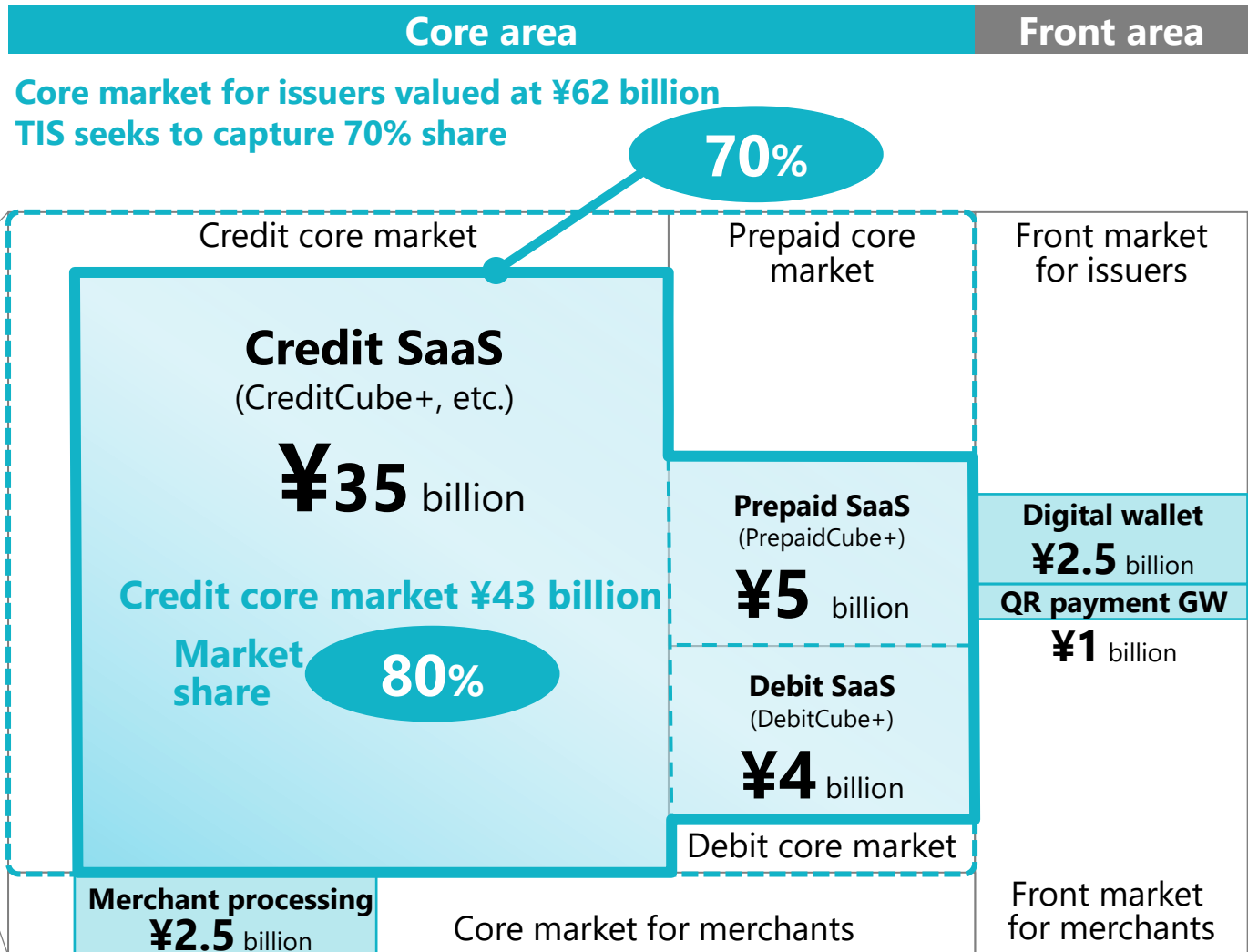
Order revenue
(Billions of yen)



Data prepared by TIS

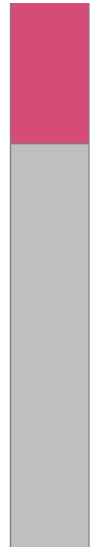
Yen amounts above indicate market scale

Core market for issuers comprises 70% of total Seek 80% of credit core market



Emerging platformer market
¥90 billion

Order revenue
(Billions of yen)

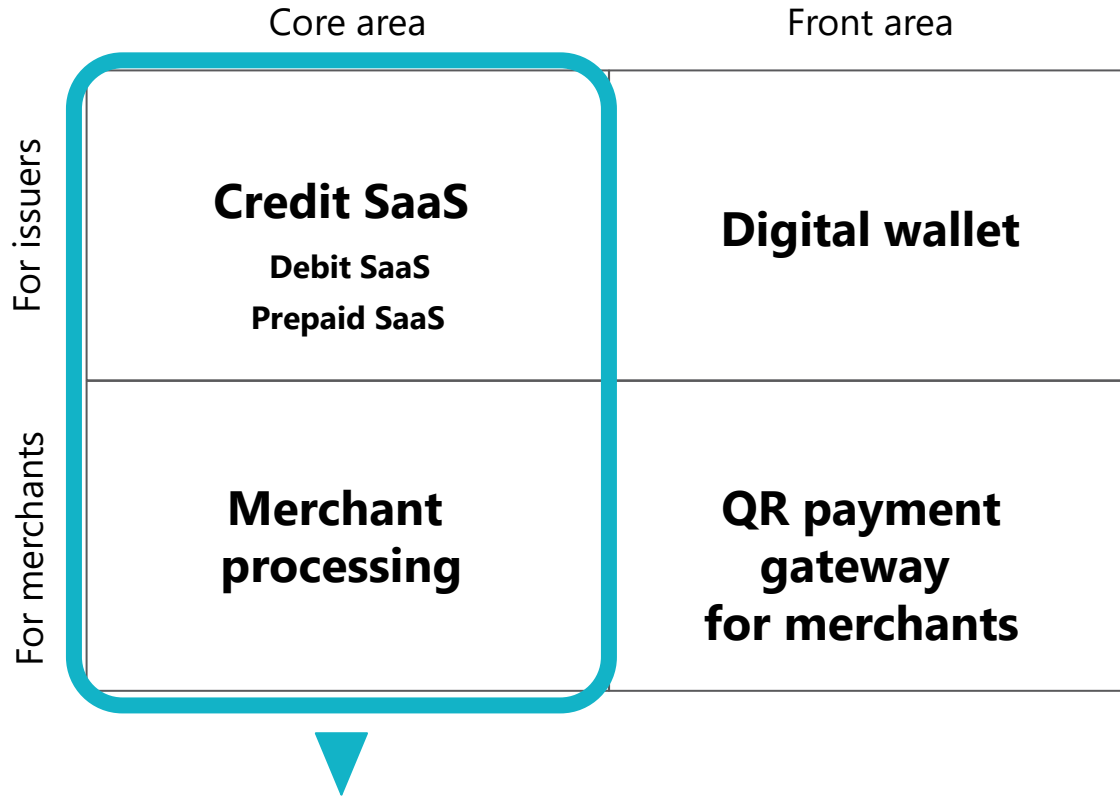


Fiscal 2026
ending March 31, 2026

Data prepared by TIS

TIS service area

Core Area Strategies



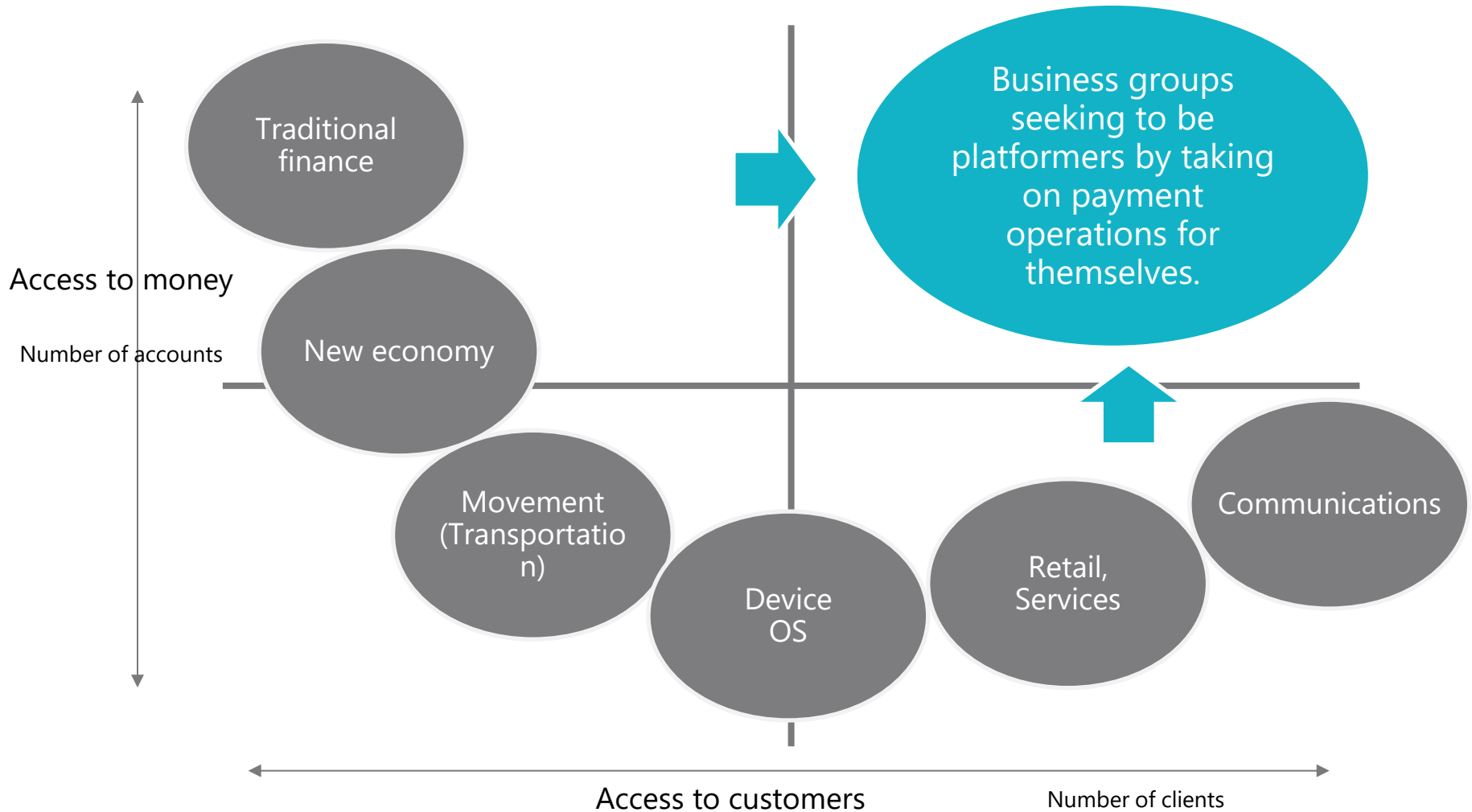
Bring in-house
Creating new account services market

Areas where TIS can best demonstrate its strengths

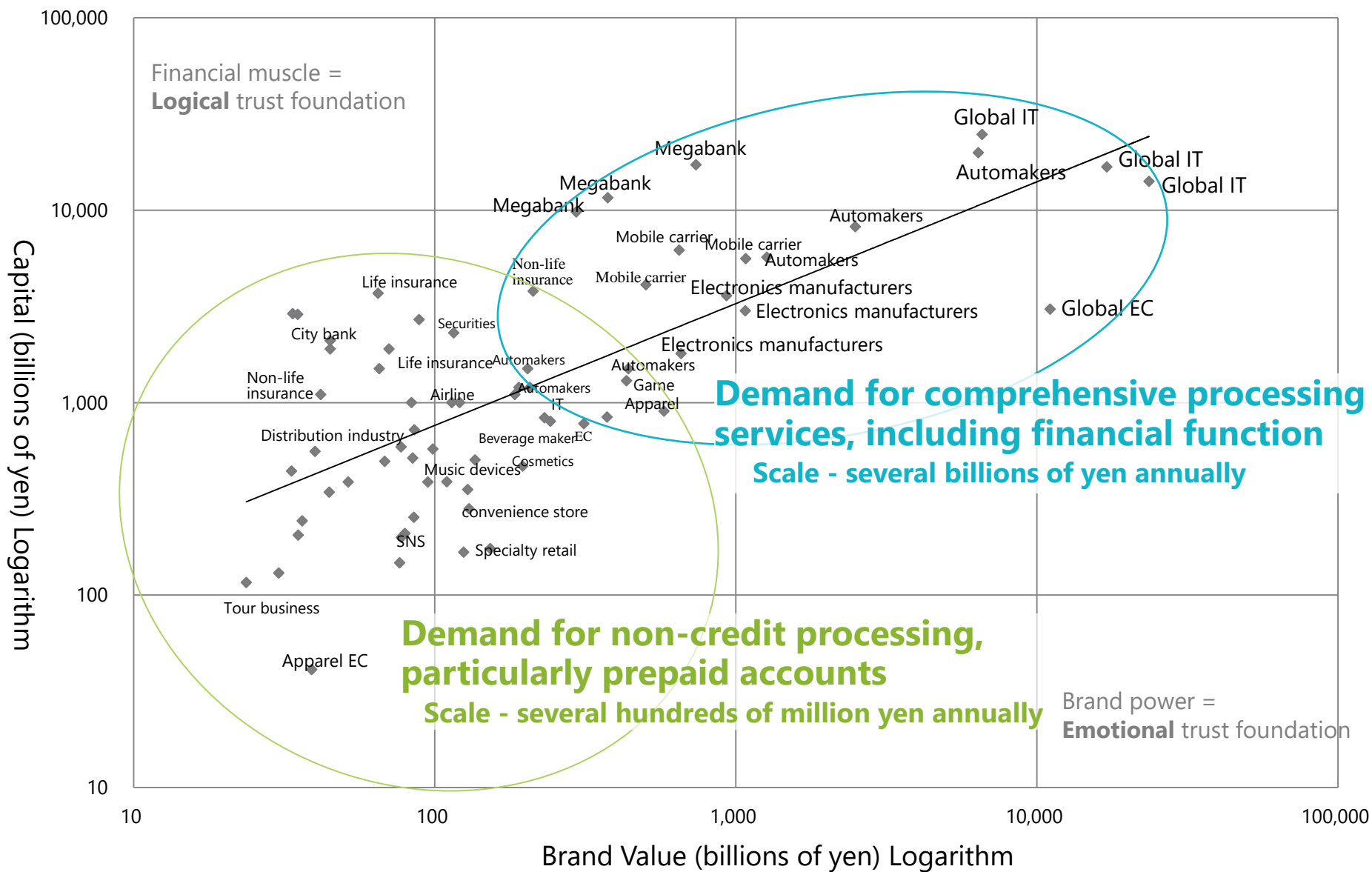
High-level specialization and ability to anticipate market needs

Targeting emerging platformers

Core Functions for Issuers — Target Clients

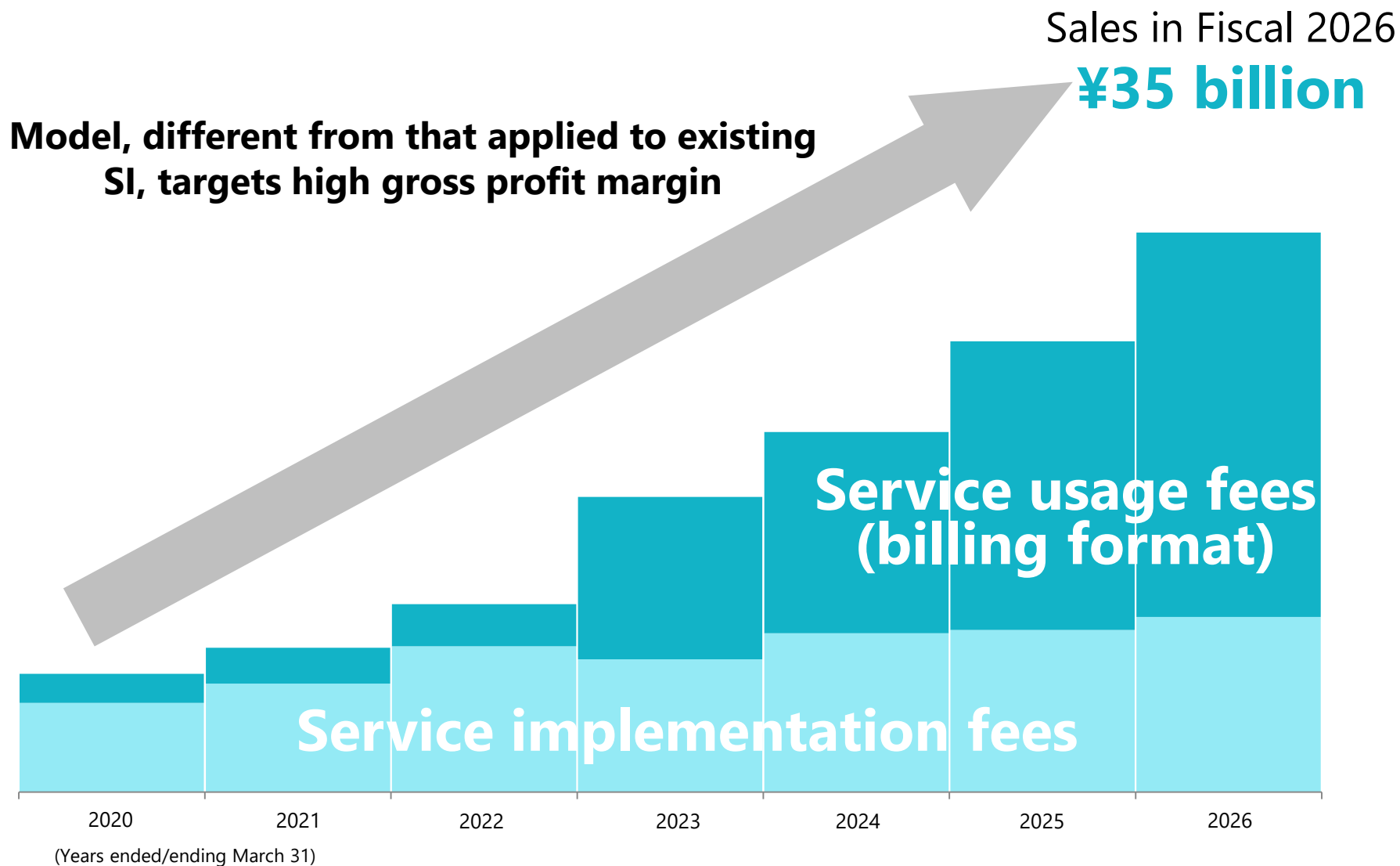


Players under various business formats seek payment processing services



Credit SaaS — Perspective on Sales

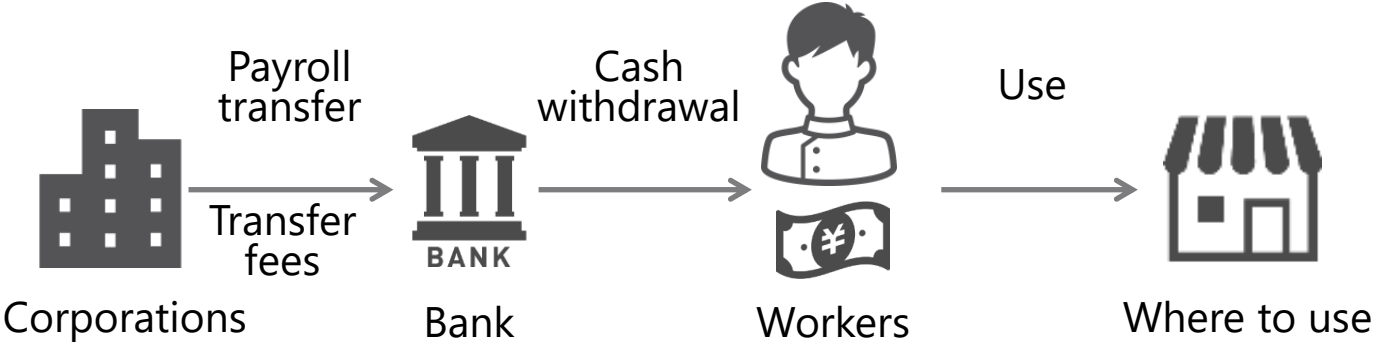
(including CreditCube+)



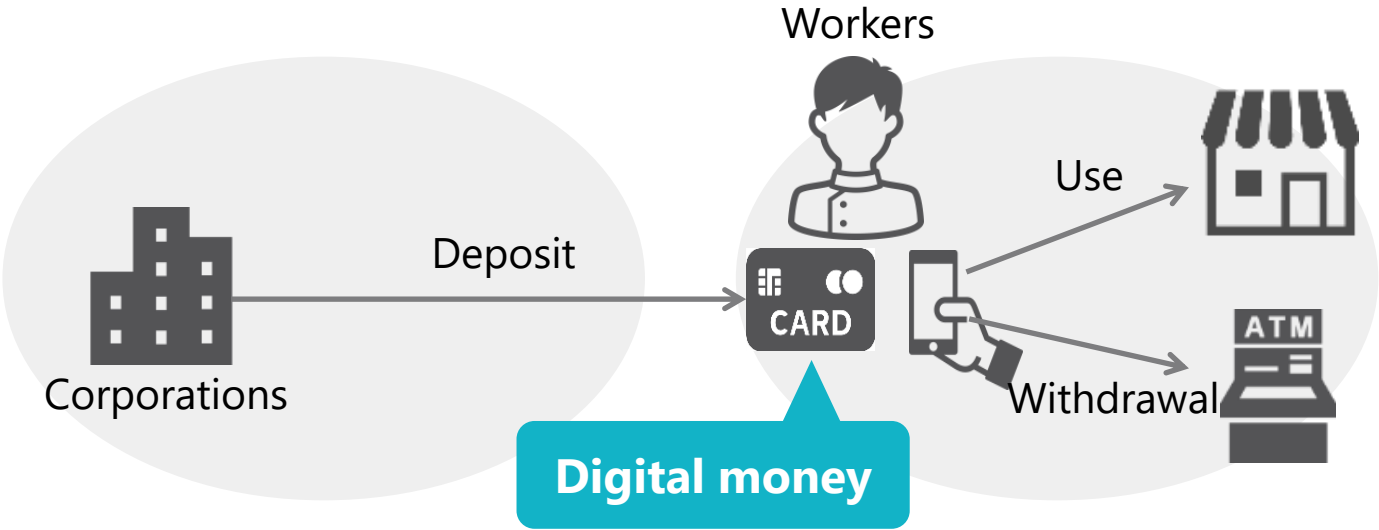
New Digital Account Needs

Example: Payroll Service

Now

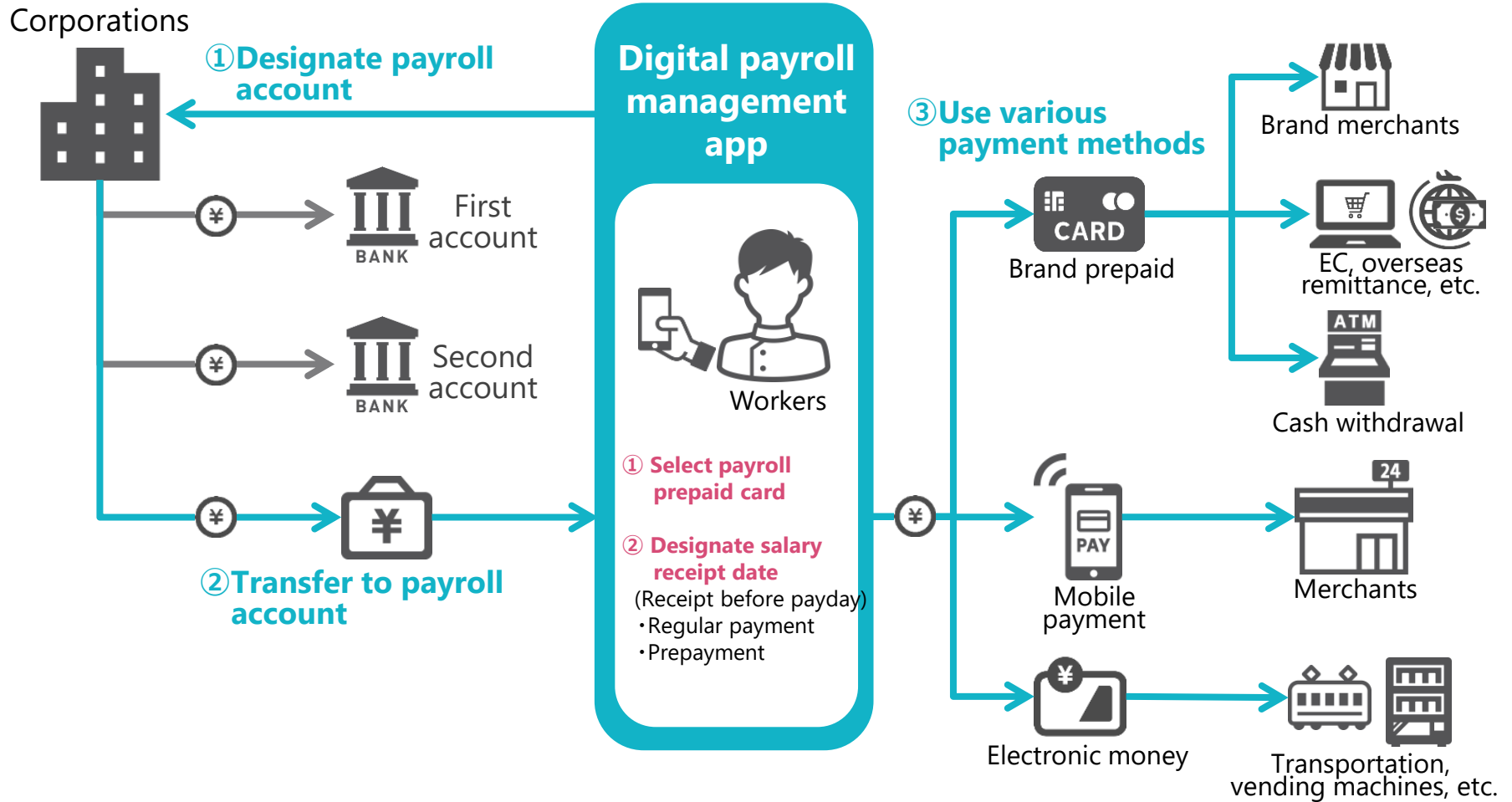


Later

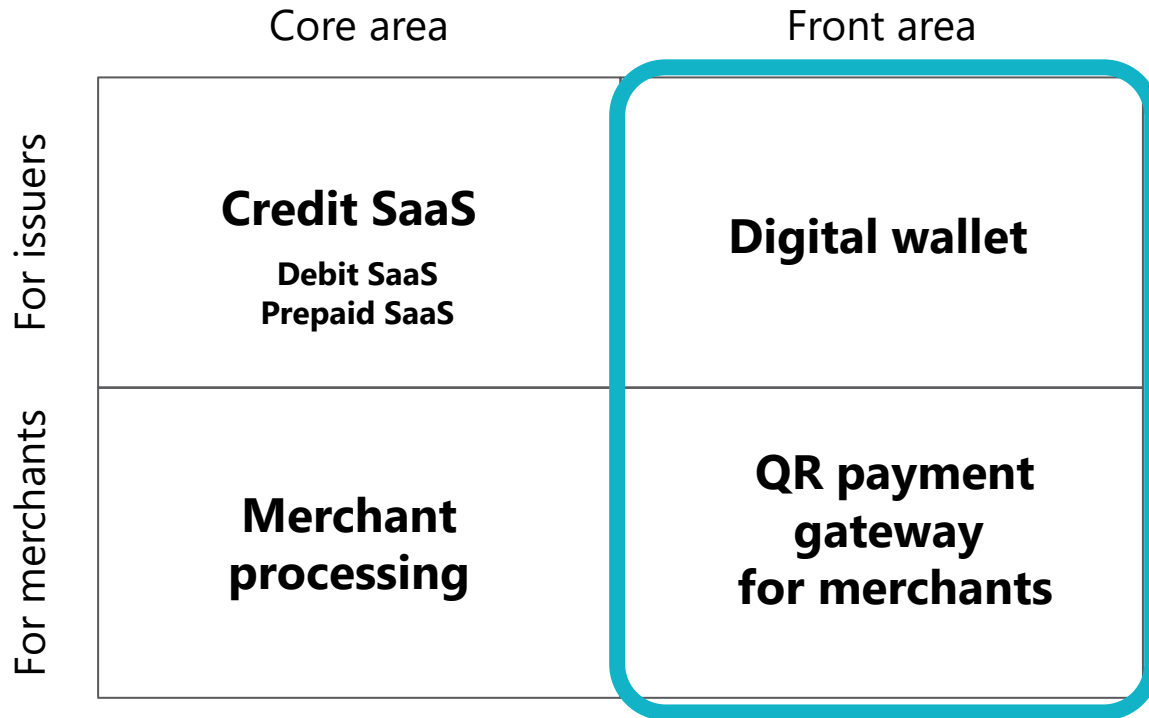


New Digital Account Needs

Example: Payroll Service



Front Area Strategies



Alliances

Providing various emerging technologies with speed

We will form strategic alliances with partners

Respond to mobile payment needs and promote not only in Japan but through ASEAN region as well

Digital wallet service in fiscal 2019, ended March 31, 2019

Gradually implementing processing services for core function clients



Capital and business alliance with U.S.-based fintech company Sequent as partner on Visa/Mastercard token technology partner

Compatible with either NFC or QR code interface

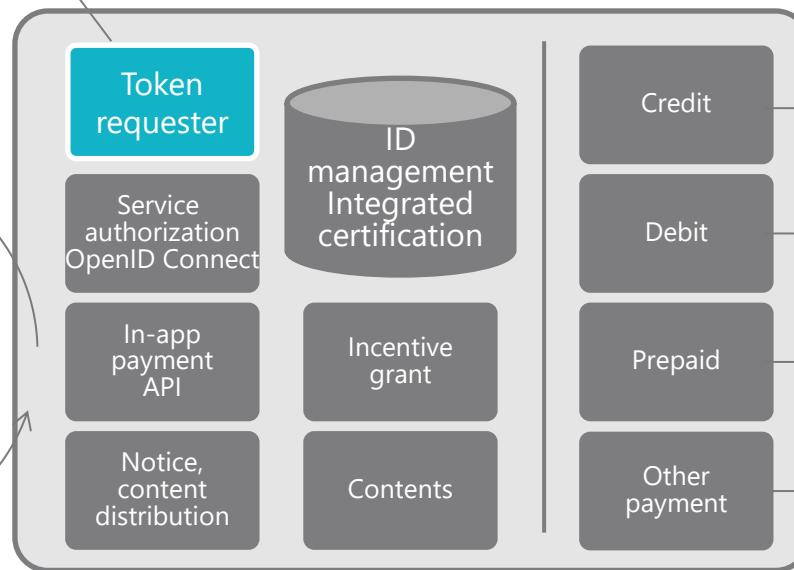


Create eco-system based on data use and application

Partner services

- Retail
- Financial services
- Mobility
- Energy
- Health care
- Entertainment
- Education

Digital wallet



Promoting sets of issuer-oriented core function front services

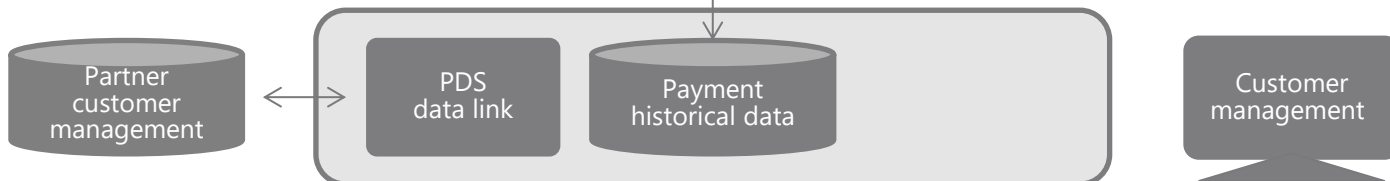
Credit SaaS

Debit SaaS

Prepaid SaaS

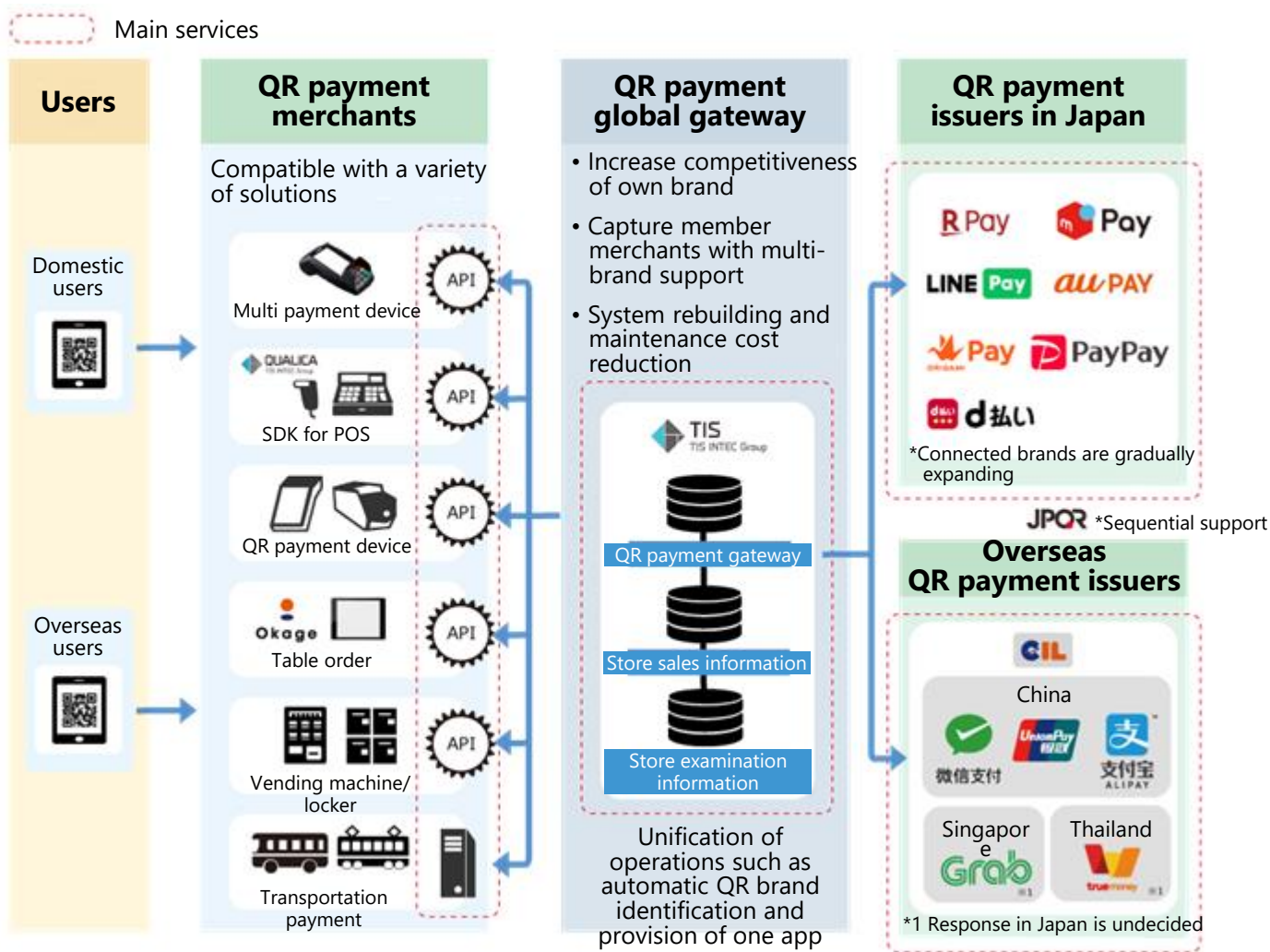
Rewards

Data use and application













QR Payment Gateway Services for Merchants Used at 8,000 stores throughout Japan

Capital and business alliance with China's CIL wherein TIS functions as technology partner on QR payments



QR Payment Gateway Services

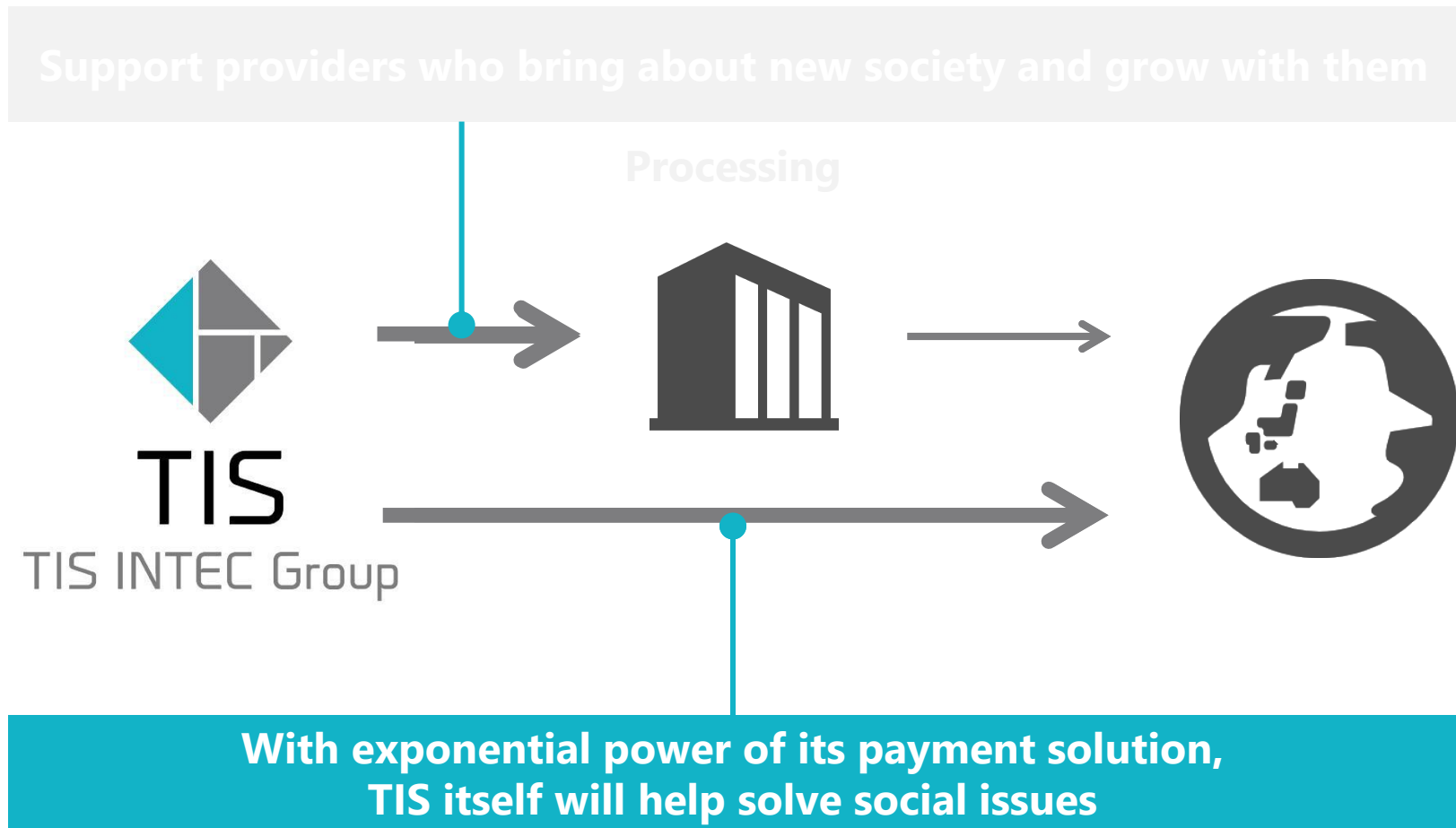
Promoting services in five points overseas

Points overseas, country/territory	Business entities	QR code payment				Credit card payment			
		Alipay	WeChat	UnionPay	Others	VISA	Mastercard	JCB	UnionPay
 HKG		●	●	●					
 CHN		●	●	●		●	●	●	●
 THA		●	●	●	● truemoney				●
 SGP		●	●	●	● Grab				
 IDN	 (Scheduled for second half of fiscal 2020, ending March 31, 2020)	●	●						

3. Beyond Payment

Isao Otokita

3. Beyond Payment



Beyond Payment

Society 5.0
ソ サ エ テ イ

New society "Society 5.0"

5.0



4.0



High-level fusion of physical and digital worlds

People-oriented society balancing economic development with solutions to social issues

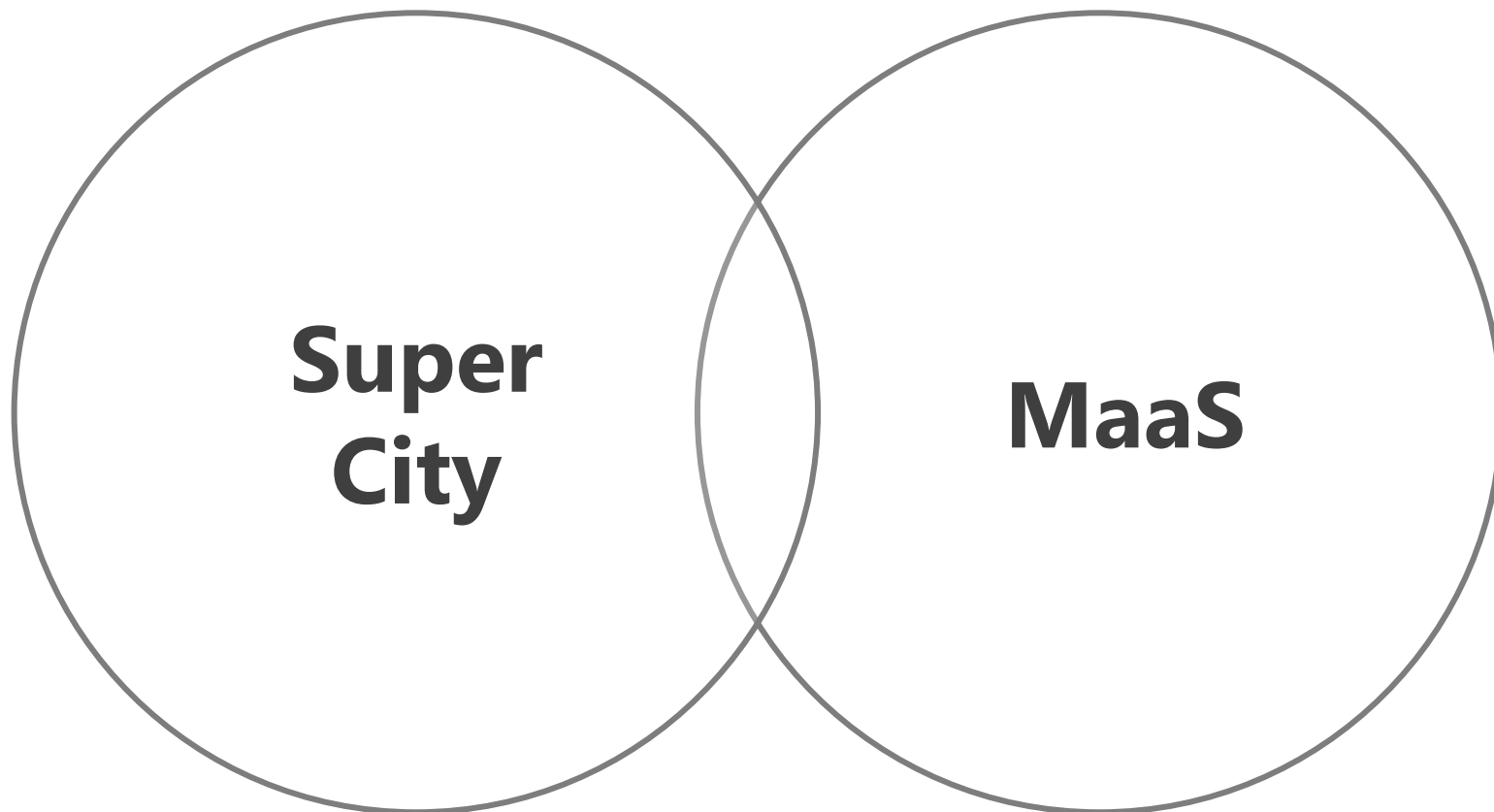


To make Society 5.0 a reality
Take on the challenge of building a presence in other areas beyond payment services

Beyond Payment

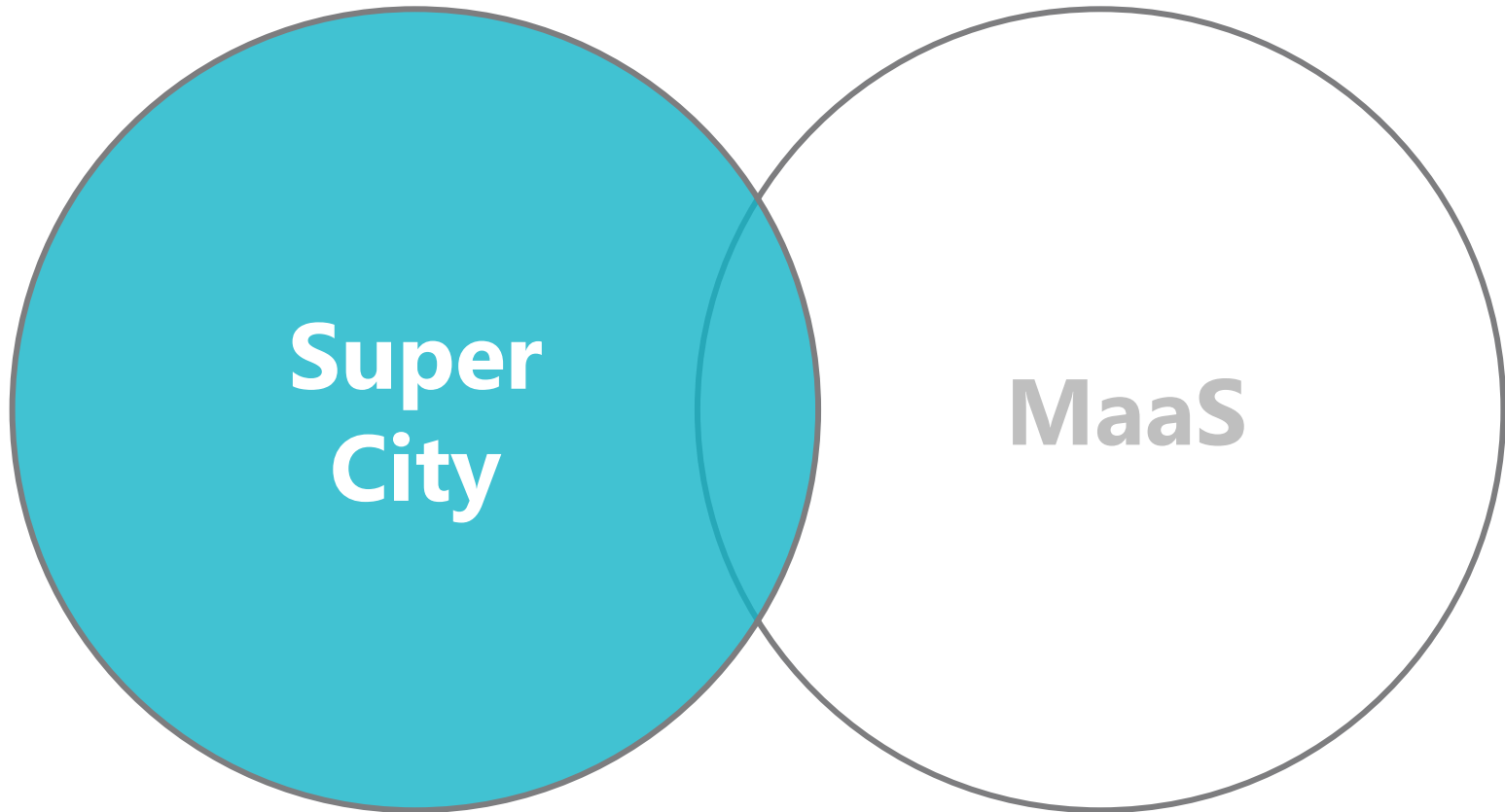
Source: Cabinet Office, Government of Japan
https://www8.cao.go.jp/cstp/english/society5_0/index.html

Society 5.0 → **Beyond Payment**
ソ サ エ テ イ



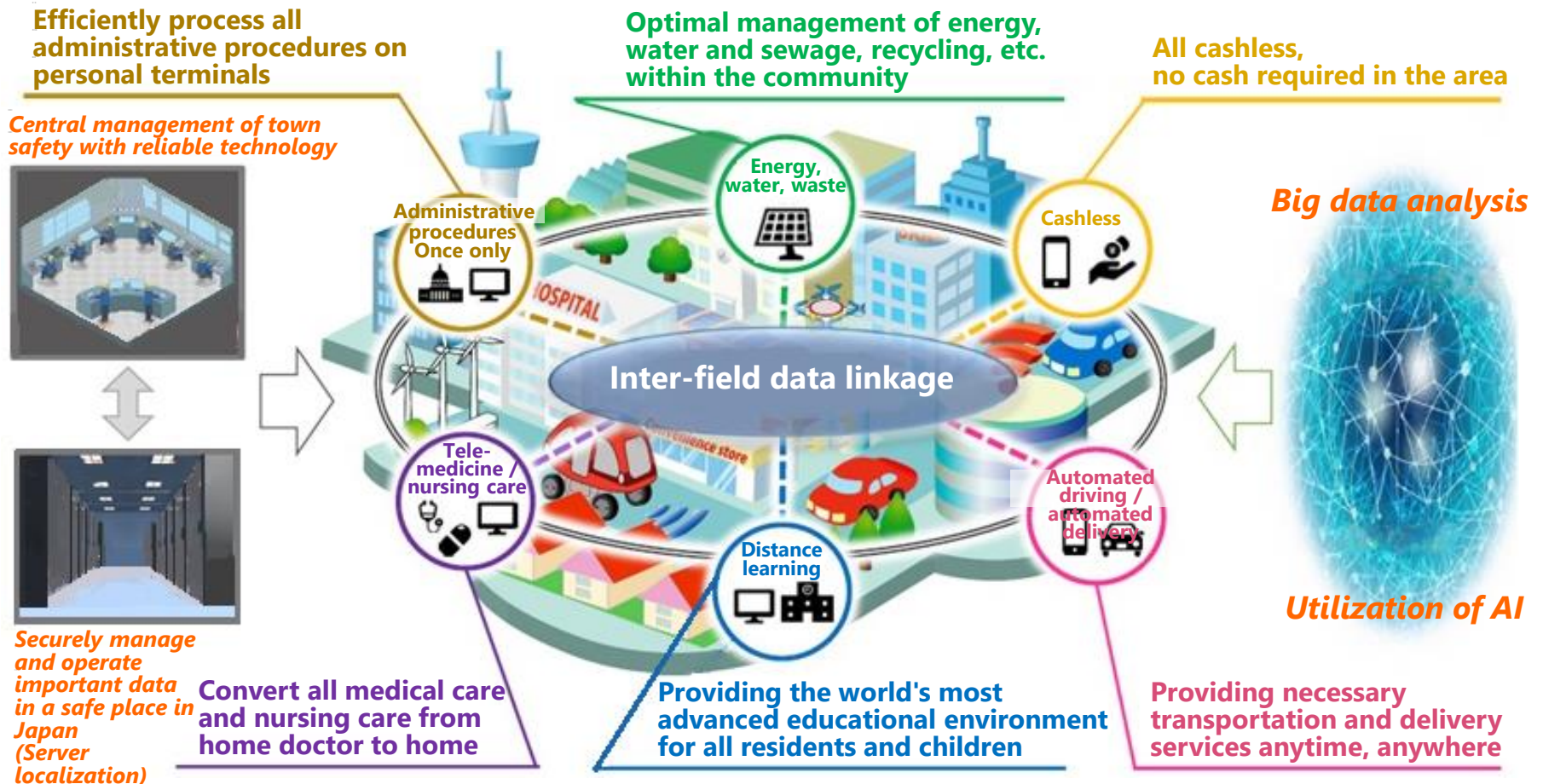
Society 5.0 Beyond Payment

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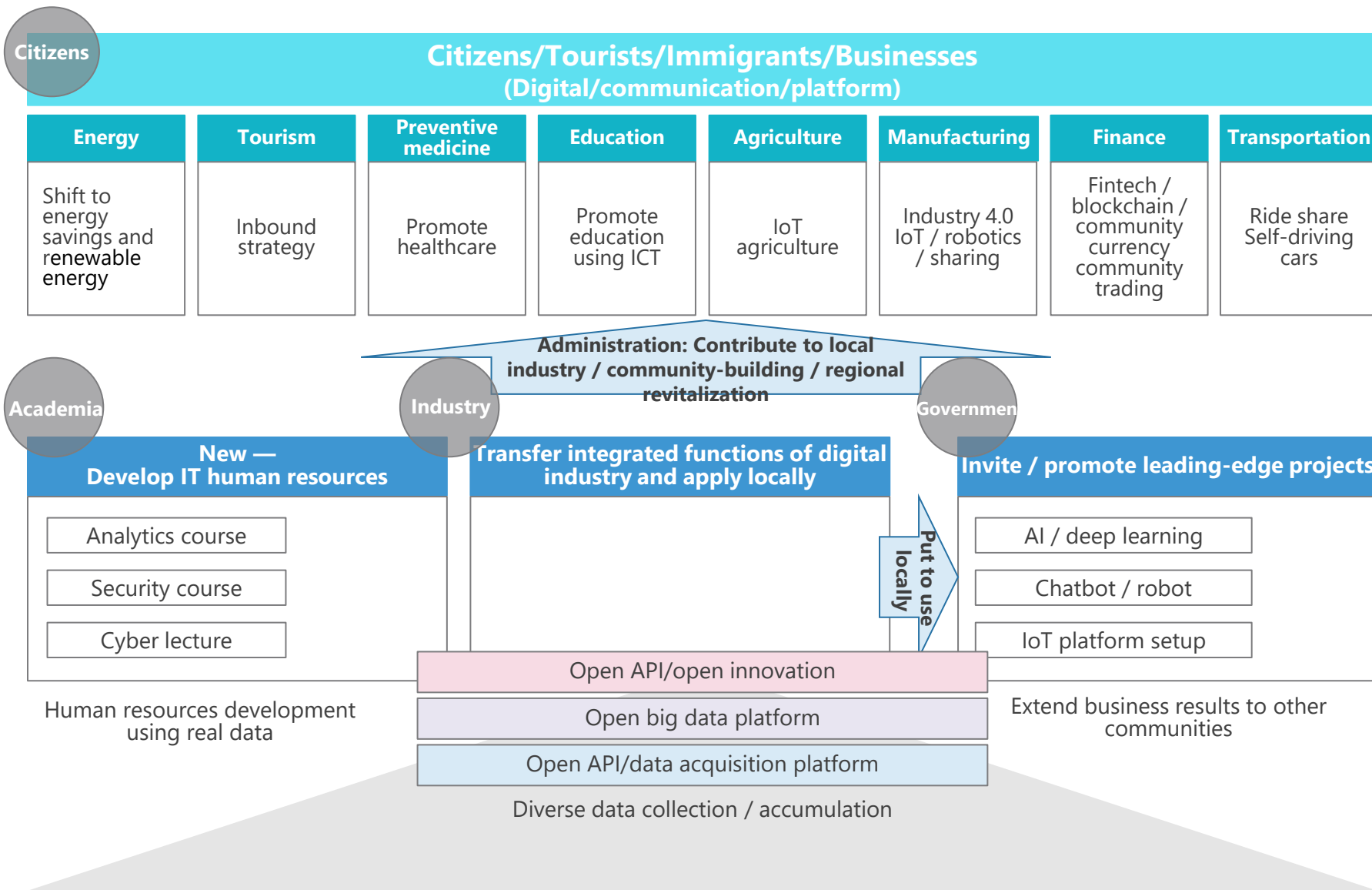


Super City Concept = Create totally new cities of the future

- Seeking to create future cities, ideal from residents' perspective, that balance Japan's economic development with solutions to social issues.
- Unlike existing Smart City initiative, which is closed to certain segments, such as energy and transportation, Super City concept emphasizes **creation of totally new cities of the future**.

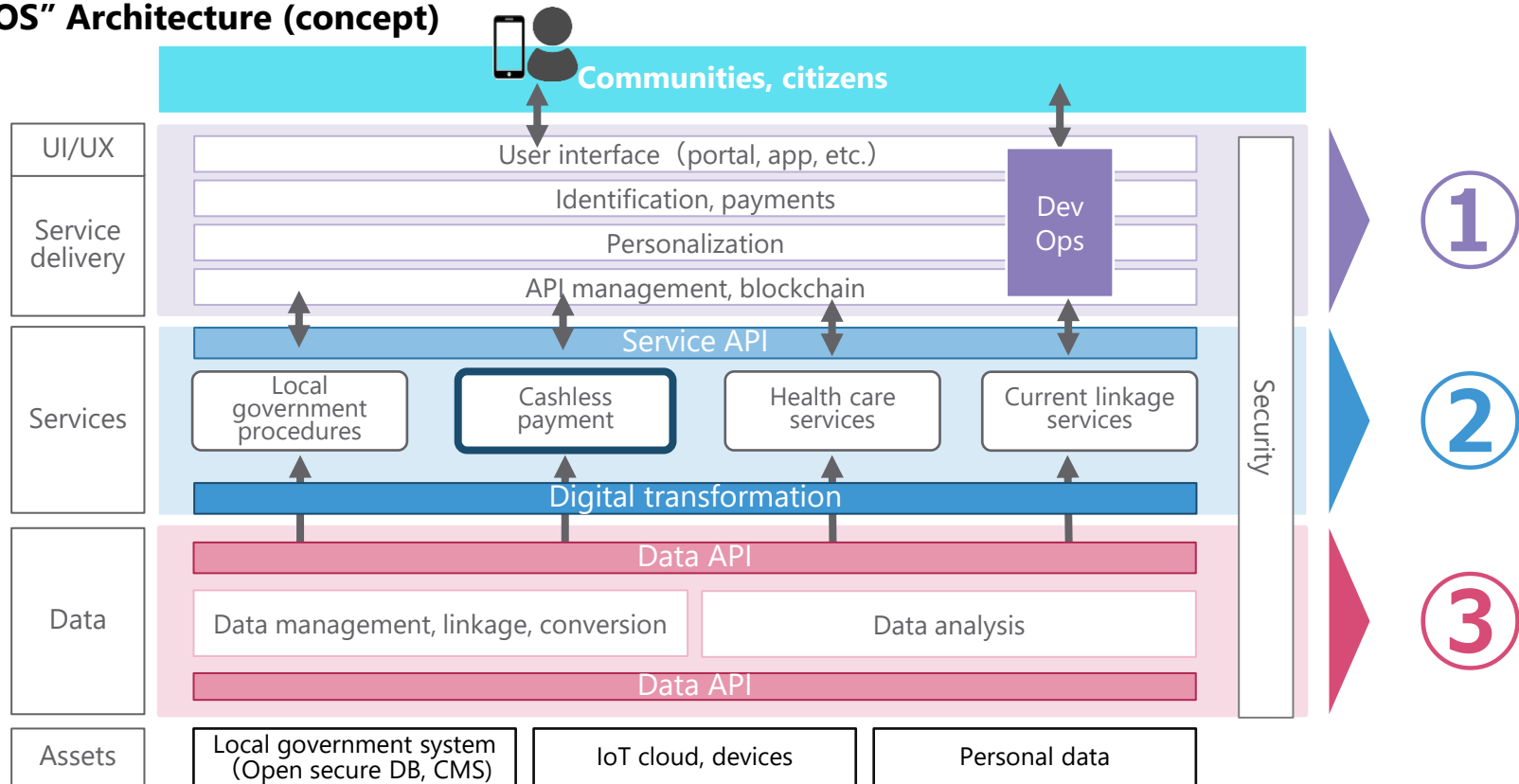


TIS selected for SIP/experimental study using Aizu as model case



Payment services for “City OS” underpin Super City reality

“City OS” Architecture (concept)



R&D contents

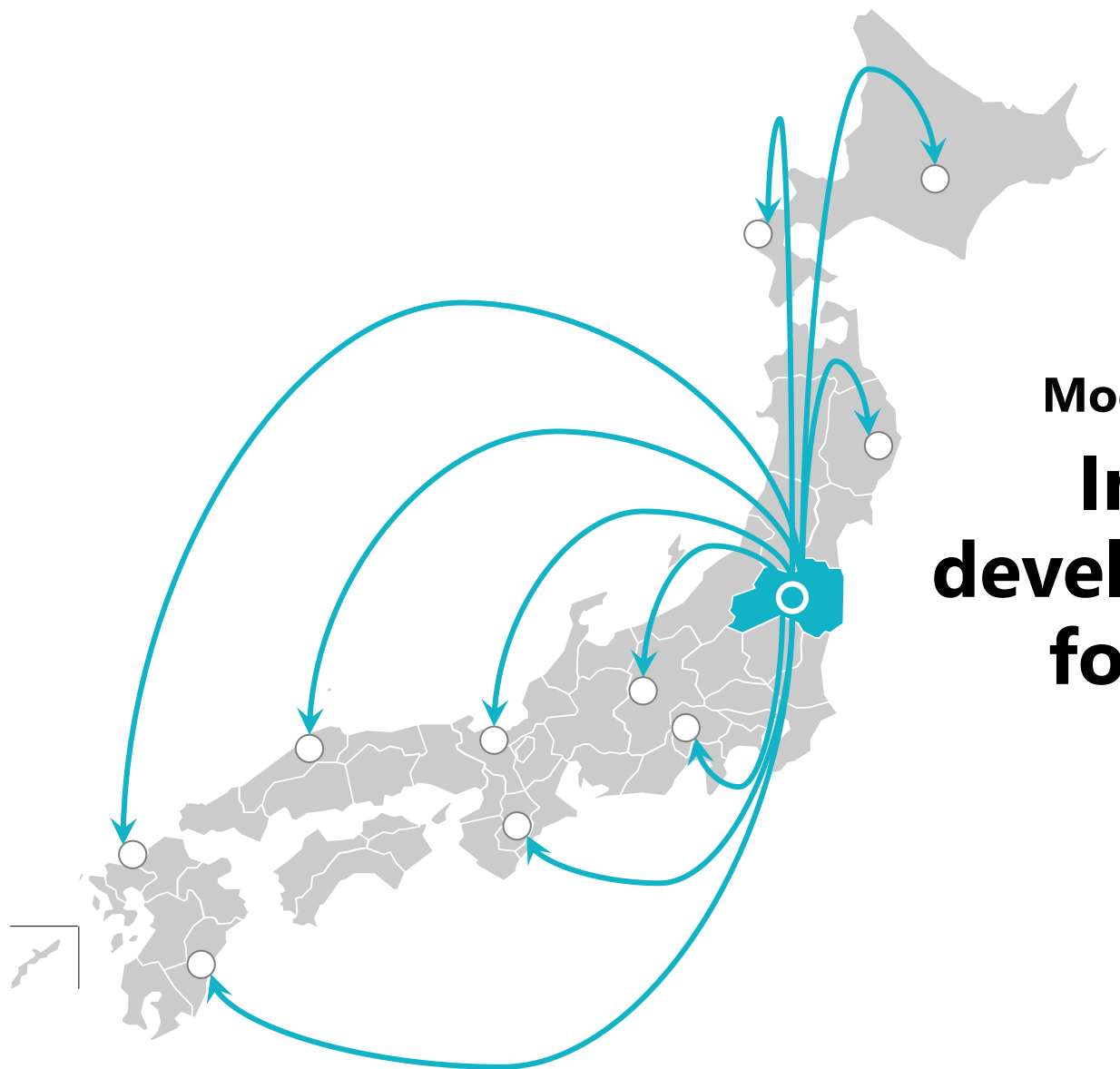
① Strengthen common functions for City OS delivery and establish connecting interface to platforms in other areas

② Verify services by connecting various service platforms to “City OS”

Verification related to authentication at time of settlement using payment platform and “City OS,” and exchange of payment information

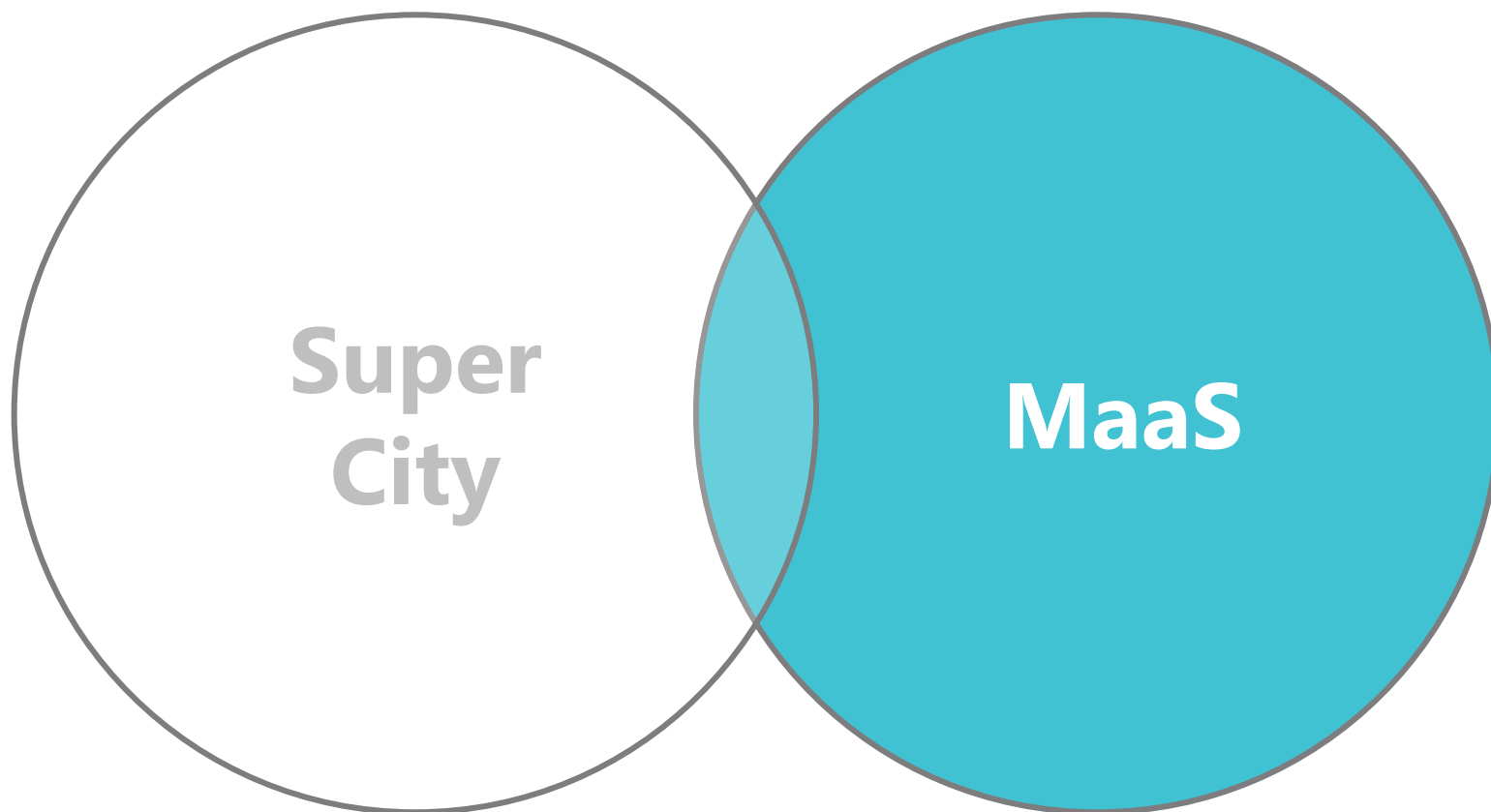
③ Standardize data API and establish data use and application rules

TIS one of several companies involved in model case development efforts in Aizu

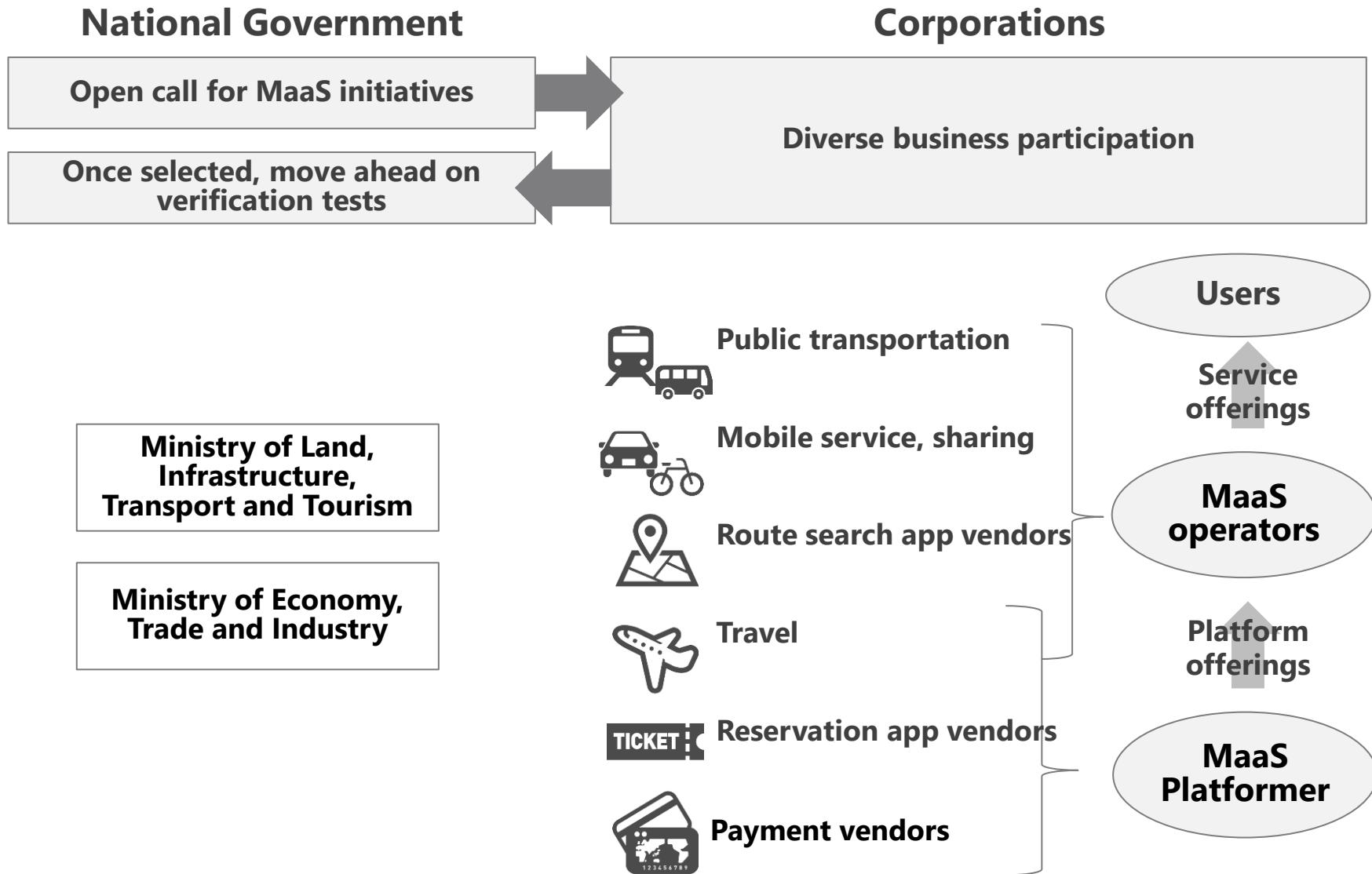


Model case in Aizu
Involved in
development plans
for **38** cities*

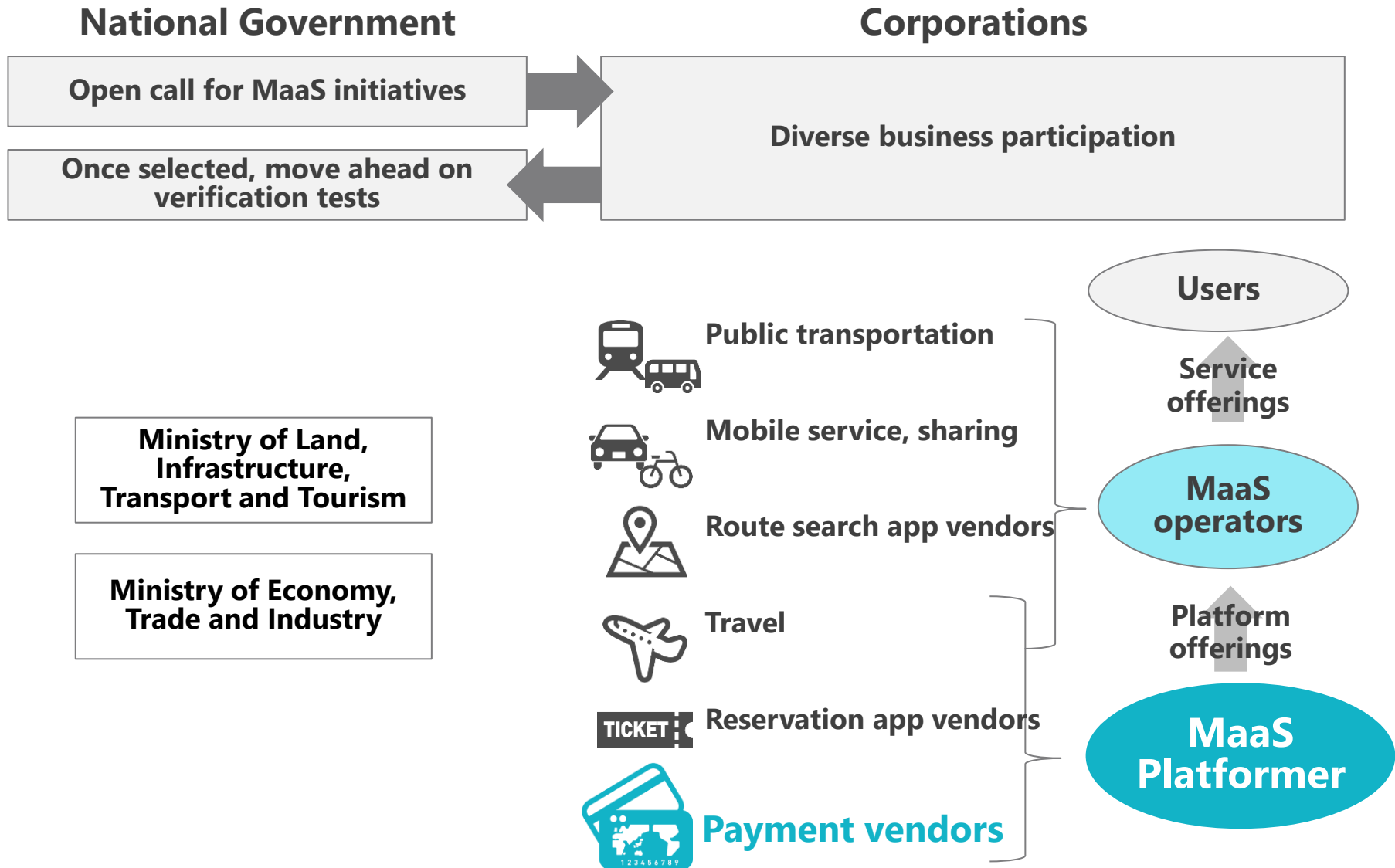
Society 5.0 → Beyond Payment
ソ サ エ テ イ



Environment for MaaS



TIS keen to be platformer/operator, with focus on payment services



1

Yaeyama MaaS



2

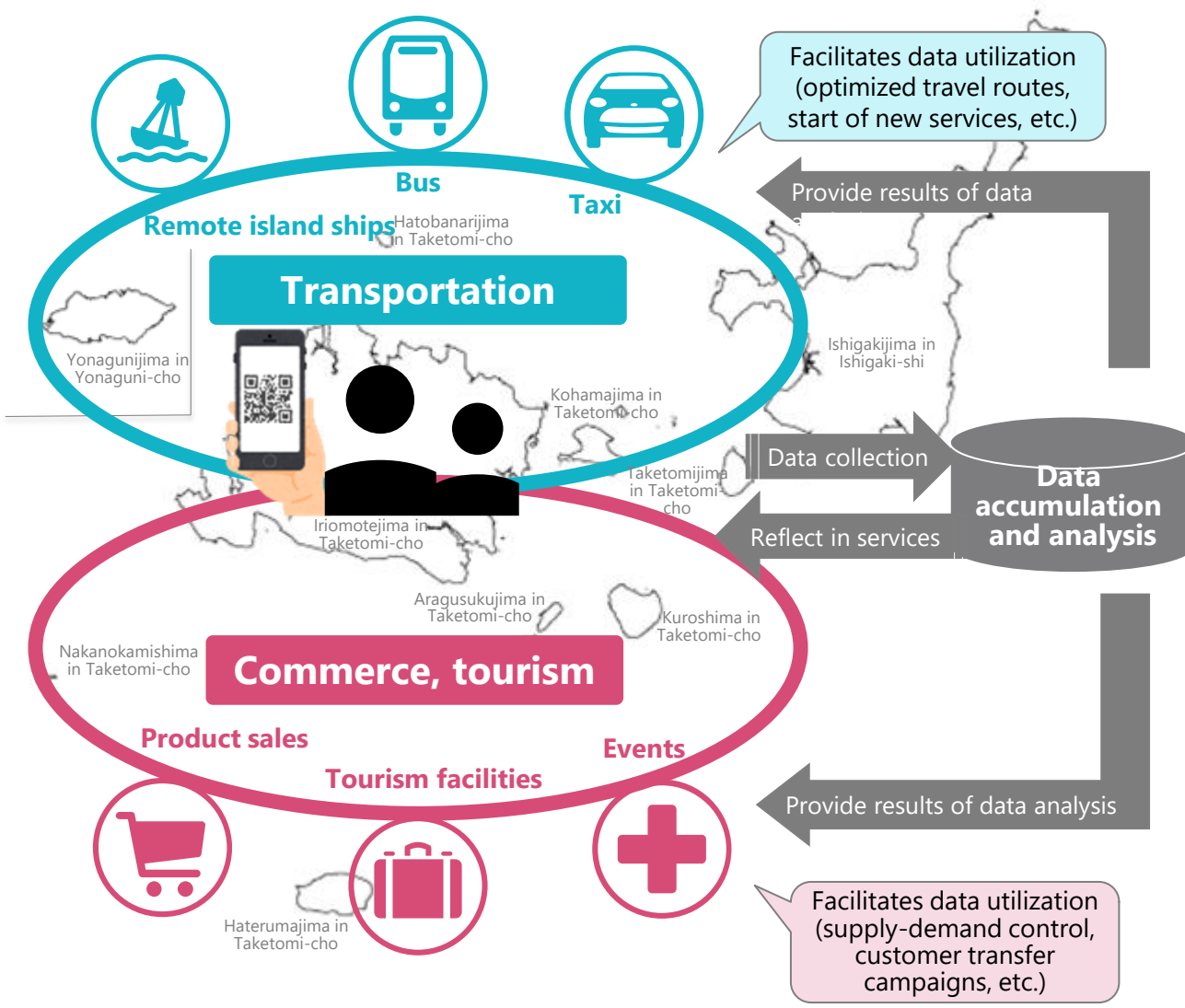
TOYOTA
wallet

M  **N E T**



m
route

KINTO






Selected by MLIT*

*Ministry of Land, Infrastructure, Transport and Tourism

Tourism-type MaaS

Press Release, dated November 20, 2019

TIS support for TOYOTA Wallet, a cashless payment app from Toyota Motor Corporation - Providing "Digital Wallet Service" component of PAYCIERGE platform bundling various payment services -

	TOYOTA Wallet 残高	TOYOTA TS CUBIC Origami Pay	銀行Pay
決済サービス			
支払い方式	事前チャージ型 (プリペイド)	後払い型 (クレジット)	即時引き落とし型 (デビット)
決済方法	かざして決済	QRコード / バーコード 決済	
利用可能店舗	iD/Mastercardコンタクトレス 加盟店(国内) / Mastercard加盟店(国内EC)	Origami 加盟店	銀行Pay 加盟店


*「iD」ロゴは株式会社NTTドコモの登録商標です。

Note: The above information and chart are based on a joint announcement released on November 19, 2019, in Japanese, from Toyota Motor Corporation, Toyota Financial Services Corporation and Toyota Finance Corporation regarding the launch of TOYOTA Wallet, a cashless payment app that bundles e-money, credit and debit payment options into one platform.

In future, merge various approaches and raise standard

1

Yaeyama MaaS



2

TOYOTA
wallet

MONET

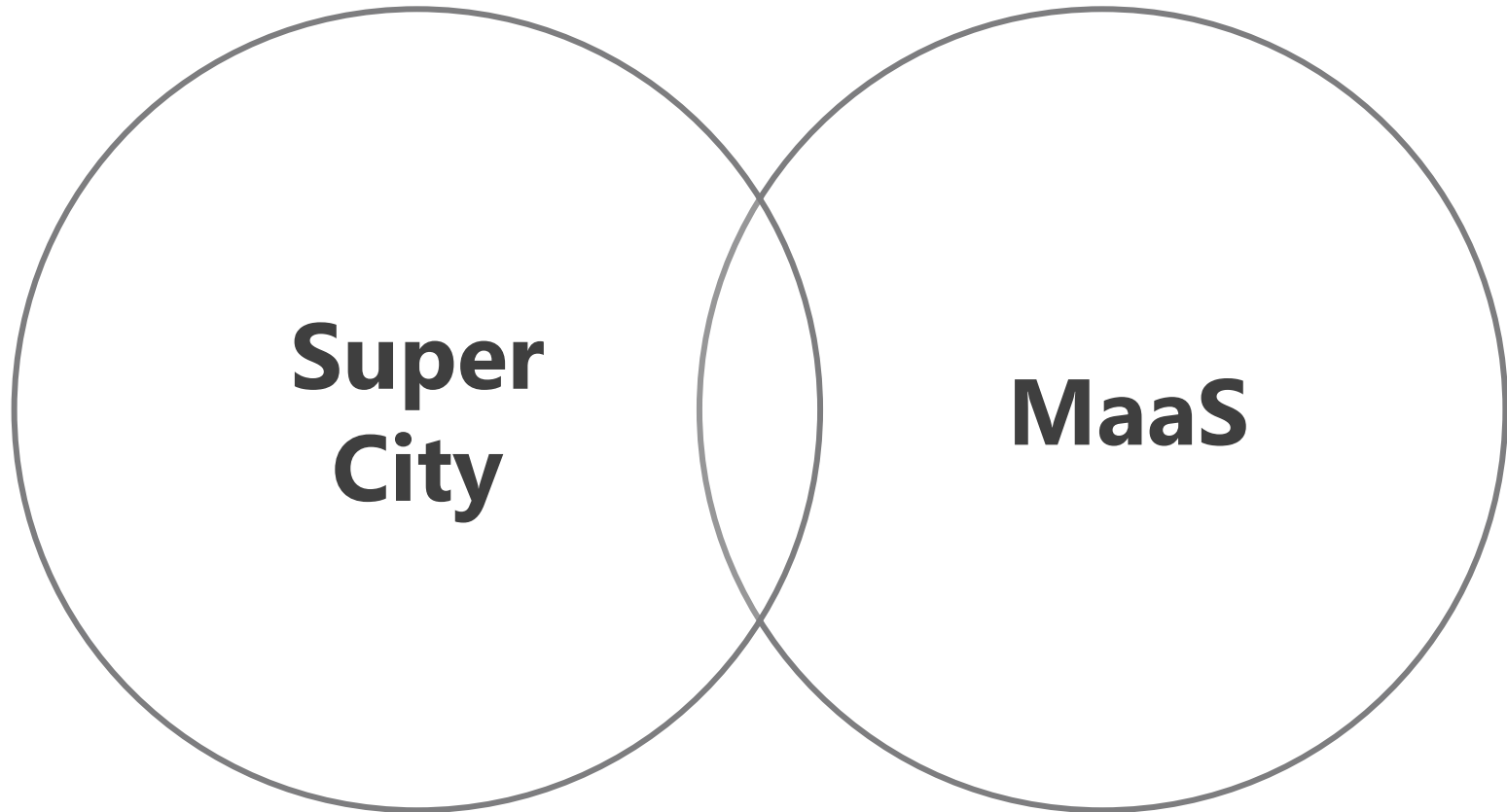
route KINTO

Seamless use of existing
modes of transportation



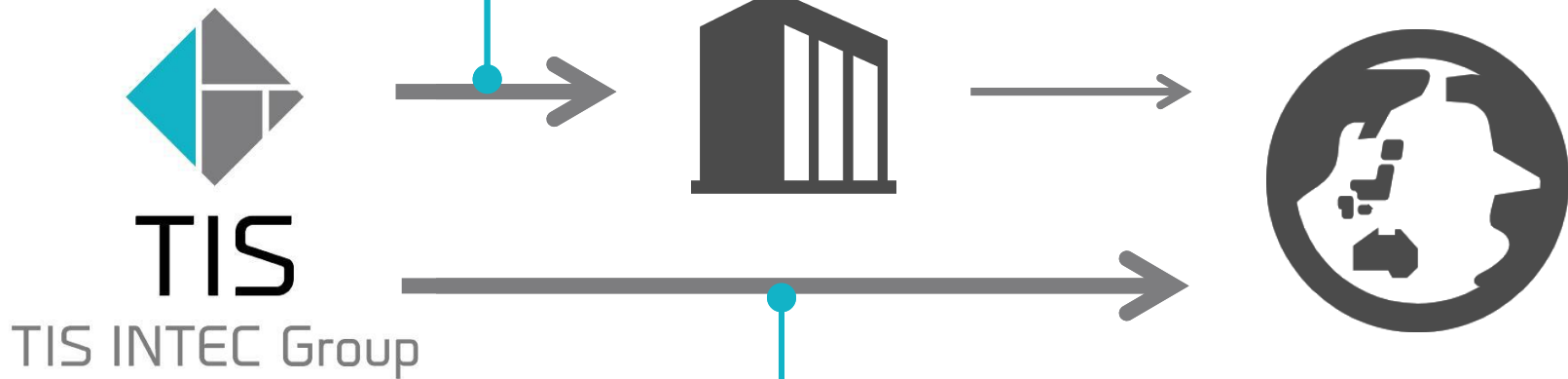
AI / IoT
on-demand transportation

Society 5.0 → **Beyond Payment**
ソ サ エ テ イ



Support providers who bring about new society and grow with them

Processing



With exponential power of its payment solution, TIS itself will help solve social issues

Beyond Payment

Thank you for your attention.



TIS INTEC Group Logo Underlying Concepts

The logo portrays the TIS INTEC Group as a tightly knit team, powered forward by the different sets of expertise that each member brings to the table. It features our two main corporate colors: “ocean blue” for the new challenges that we are constantly tackling, and “intelligent gray” for the solid technological foundations that underpin our business.

Brand Message “Go Beyond”

The brand tagline, “Go Beyond,” embodies our constant quest into the beyond in search of new challenges. It represents our firm commitment as a group to delivering solutions that are always one step ahead, not only solving clients’ problems but anticipating and meeting their own customers’ needs too.

Cautionary Statements

All statements described in these materials are based on information available to management regarding the TIS INTEC Group—that is, TIS and the subsidiaries under its umbrella—as of the presentation date and certain assumptions deemed reasonable at this time. No intent is implied of promise by the Company to achieve such forward-looking statements. Indeed, various factors may cause future results to be substantially different from the assumptions presented in these materials.