



TIS Inc.

TIS INTEC Group Business Briefing (Consulting – DX Business Strategy)

December 5, 2022

Event Summary

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[Participants]		
[Number of Speakers]	2	
	Masahiro Ueda	Senior Managing Executive Officer, Business Innovation Unit Division
	Wataru Ihara	Representative Director, President
[Analyst Names]*	Chikai Tanaka	Goldman Sachs
	Satoru Kikuchi	SMBC Nikko Securities
	Mitsunobu Tsuruo	Citigroup Global Markets

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Thank you for your patience. We will now hold TIS Inc.'s financial results briefing.

Today's briefing will focus on the consulting business of the TIS INTEC Group. We hope that this will provide you with an opportunity to gain a deeper understanding of our group's initiatives and activities.

This briefing is scheduled to last 40 minutes for presentation and 30 minutes for Q&A. However, the entire session may last up to 1.5 hours depending on the situation. Please refer to our website for the documents as appropriate.

Let me briefly introduce today's speakers. First, Mr. Masahiro Ueda, Senior Managing Executive Officer, Business Innovation Unit Division Director, TIS Inc., who is on your left.

Ueda: I'm Ueda.

Moderator: Next, Mr. Wataru Ihara, Representative Director, President, Miotsukushi Analytics Co., Ltd.

Ihara: I'm Ihara.

Moderator: Now, Mr. Ueda of TIS will explain the business strategy of the consulting business. Please go ahead.

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Masahiro Ueda, TIS Inc.

Senior Managing Executive Officer,

Division Director, Business Innovation Unit, and

Division Director, Digital Society Services Planning Unit

Experience as a director at several consulting firms through work at Shinwa Audit Corporation (now, KPMG AZSA LLC). Later, as partner at KPMG AZSA, set up in-house consulting division. In 2017, involved in creation of Business Innovation Unit at TIS, and is currently director of this unit.



Wataru Ihara, Miotsukushi Analytics Co., Ltd.

President

Established consulting firm in Japan for foreign-owned company in 2006. Later, engaged in large-scale data analysis for research facility under A*STAR SERC umbrella, and as analytics consultant for major call center operator. In 2014, established Miotsukushi Analytics. Got involved with TIS INTEC Group in 2020 and continues relationship.

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Ueda: Once again, I'm Ueda, and I will be giving an explanation today.

First, I would like to briefly introduce myself.

As you can see on this slide, I originally joined an auditing firm, then I have been in the consulting business for about 30 years. I was in the field for about 10 years, but for the remaining 20 years or so, I basically managed the consulting business.

I joined TIS in 2017 and have consistently focused on strengthening the consulting business of the TIS INTEC Group, and I am the Division Director of the Business Innovation Unit, which primarily promotes the consulting business.

We will have time at the end of this presentation for another speaker, Mr. Ihara, Representative Director, President of Miotsukushi Analytics, and I would like to introduce him to you again at that time.

Now I would like to get down to business.

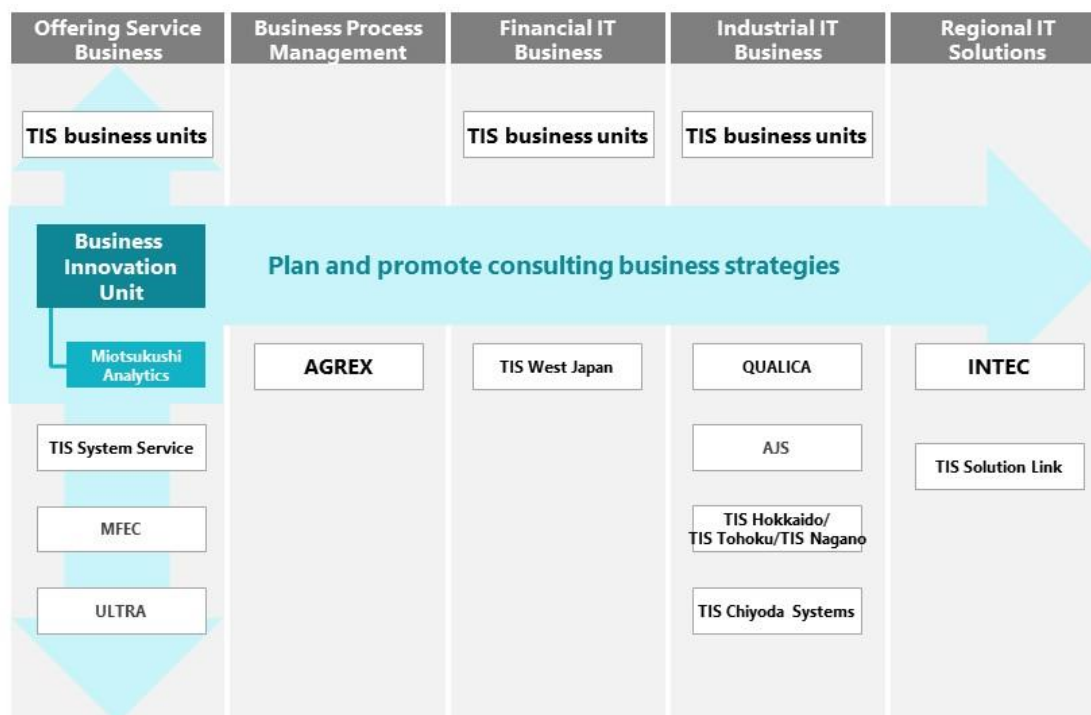
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Positioning of Consulting Services in Group Structure

- Along with Miotsukushi Analytics, the Business Innovation Unit (BIU) is responsible for planning and promoting all consulting business strategies for the TIS INTEC Group.



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Before I begin my presentation, I would like to talk about the position of the consulting organization within our group.

The business innovation unit, which I am in charge of, is a part of the TIS business organization and is responsible for planning and promoting the consulting business strategy for the entire TIS INTEC Group in cooperation with Miotsukushi Analytics, which belongs to the same offering service segment.

Of course, as a business organization, we are responsible for our own performance, but we are not solely engaged in the consulting business. Beyond the segments, we are also working with each company in the Group to enhance the value we provide in SI, system integration, and other businesses by jointly strengthening the front line and advancing the sophistication of the value chain.

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Consulting Business — DX Business Strategy

- 1 Basic Philosophy,
Medium-Term Management Plan
- 2 Consulting Business Strategies
- 3 Topics

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Now, this is today's agenda.

As described here, I would like to talk about three parts: first, our basic philosophy and medium-term management plan; second, our consulting business strategy; and third, topics including examples of what kind of business we are doing.

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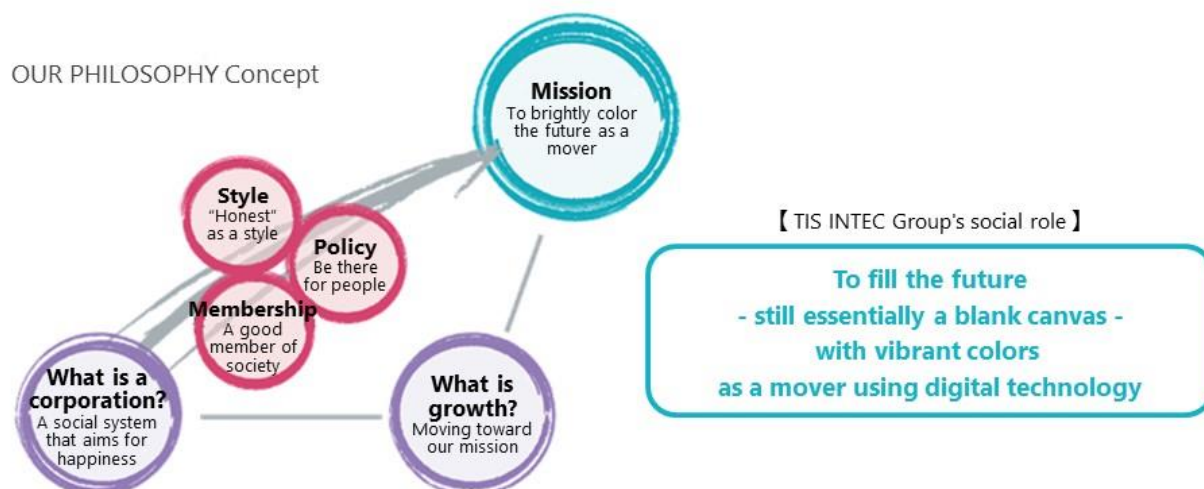
OUR PHILOSOPHY (TIS INTEC Group Philosophy)



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.



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The first is our basic philosophy and medium-term management plan.

First, I would like to introduce our group's basic philosophy and medium-term management plan, and in the process, I would like to touch on the transition of our consulting business.

The mission of the TIS INTEC Group is to solve the world's problems by using advanced digital technology and know-how to come up with new ideas and methods that have never been seen before. The basic philosophy of the TIS INTEC Group, OUR PHILOSOPHY, expresses this concept. OUR PHILOSOPHY is the very core value of our group, and we are guided by it in our corporate activities.

To realize our mission statement, To brightly color the future as a mover, we believe it is necessary to promote business activities in unison with the Group. In this context, the consulting business, which I will talk about today, is also a part of these activities, and we are making various efforts.

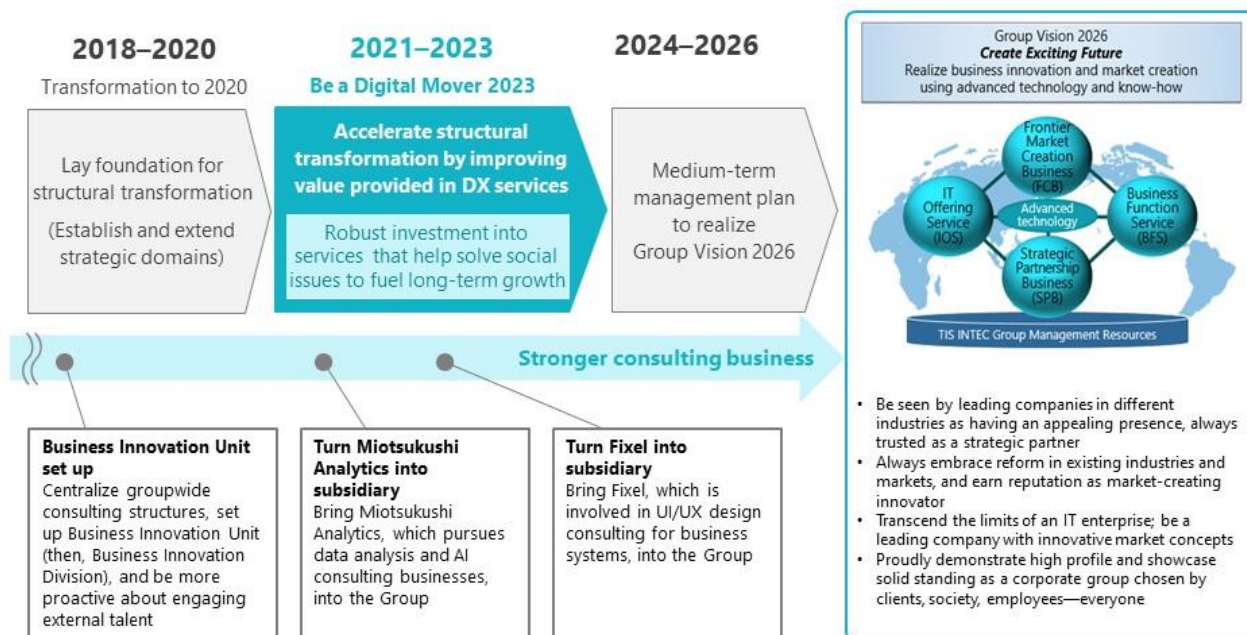
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Evolution of TIS INTEC Group's Consulting Business

- Consulting services centralized and realigned into Business Innovation Unit in 2017, paralleling gradual amplification of consulting capabilities.
- During medium-term management plan running from 2021 through 2023, Miotsukushi Analytics and Fixel are brought into Group, strengthening data analytics and UI/UX design capabilities and accelerating structural transformation.



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This next slide shows the transition of the consulting business of the TIS INTEC Group.

The Group has defined its corporate vision as Create Exciting Future as its Group Vision 2026. As mentioned earlier, we have established the four strategic domains shown on the right in order to realize business innovation and market creation by utilizing advanced technologies and know-how, and we are aiming to evolve the strategic domains while working on structural transformation.

The steps to achieve this goal are to carry out three medium-term management plans every three years, and we are now just at the turn of the second medium-term plan. Under these circumstances, we are also strengthening our consulting business through structural transformation, as is the case with the Group as a whole.

Digital transformation, or DX, has become an extremely important theme in the business environment surrounding our group and in the needs of our customers.

In this situation, our customers are aware of the necessity of DX, but they are not sure what exactly they should do and are having a hard time. To realize DX while successfully leading such customers, the consulting function will become very important.

Therefore, we have started this transformation with the leverage to improve the value we provide, which should not be an extension of the past.

At the same time as the previous medium-term management plan was formulated, starting in 2018, we started as the business innovation division and have strongly promoted the consolidation and strengthening

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of the consulting organizations that were scattered throughout the Group, in addition to inviting outside human resources. In addition, we are working to acquire resources and strengthen our functions through mergers and acquisitions.

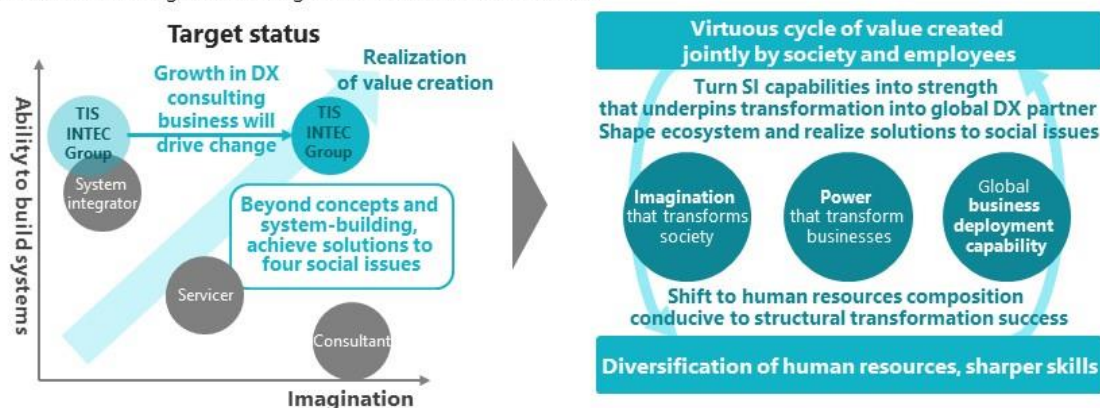
We will continue to take pride in the fact that our consulting business will lead the structural transformation of our group, and we will strive to further strengthen our business and increase the value that the Group as a whole provides to our customers and the society that lies beyond them.

Medium-Term Management Plan 2021–2023



Direction of DX Business Strategy

- Through efforts to improve value provided through implementation of DX across all business areas, expand strategic domains and grow business of solution-style services that address social issues, we seek to establish a position ready to tackle social changes and changes in clients' business activities.



Approaches to reach target status



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The next slide, DX business strategy direction.

The current medium-term management plan is the second step toward achieving the Group Vision 2026. In this context, we clearly articulate our DX business strategy.

The contents of this page are organized based on the concept of what the TIS INTEC Group aims to be, or what kind of existence it is recognized as by the world and the market, and how it can fully meet their expectations through value creation.

Our strength has always been our SI construction capability, which we have cultivated over many years. Here, we aim to be a corporate group that not only provide value to customers but also create value to solve social issues that lie beyond that by anticipating and helping customers find solutions to issues they have not yet identified and having the conceptual ability to raise issues and draw up solutions.

We believe that the core function of this conceptual capability is the consulting function. If we can possess this, we will be able to evolve and grow significantly from our current framework as a system integrator. We

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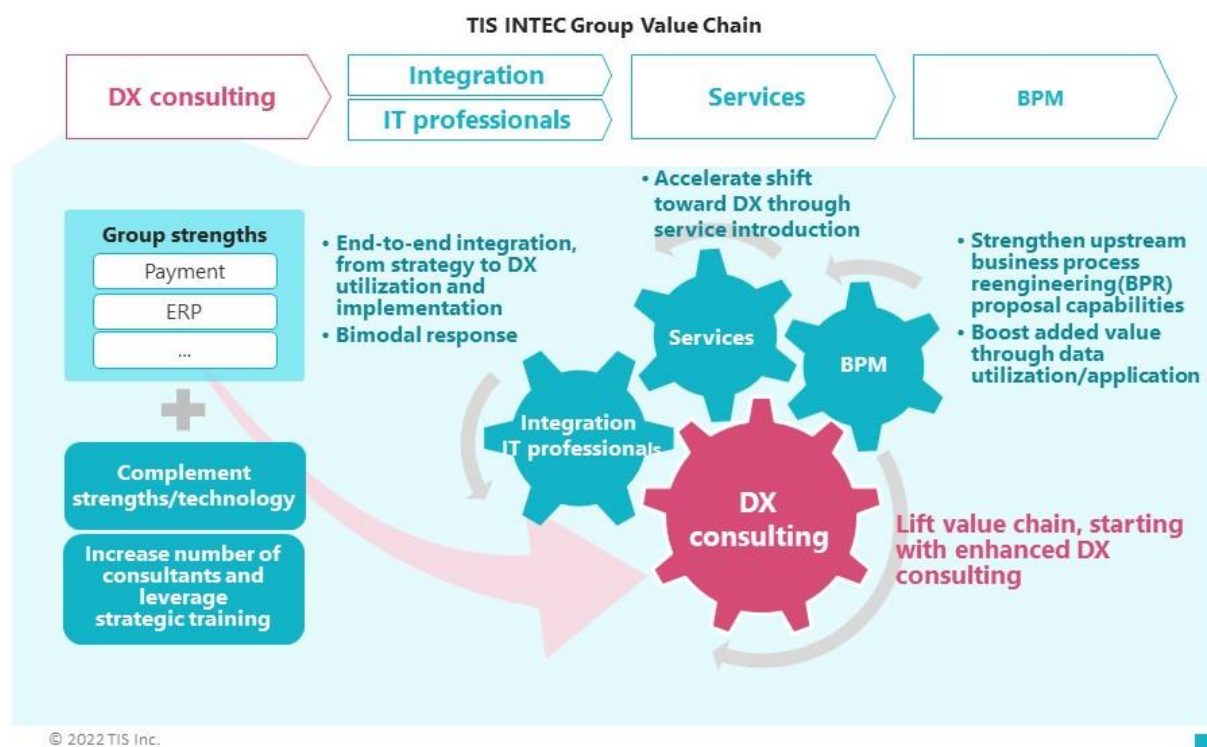
also believe that we will be able to establish a position in which we can play a role in social transformation and our clients' business transformation in order to solve social issues.

Medium-Term Management Plan 2021–2023



Aim of DX Consulting Services under DX Business Strategy

- DX consulting services will enhance value chain across all TIS INTEC Group businesses by improving value provided in DX services to clients and society, and by reinforcing frontline capabilities that are so vital to effective client contact.



The next slide shows what we have been saying at the time of formulating the current medium-term management plan. The power of IT is indispensable for solving social issues. There is no doubt that the transformation and evolution of business models through the promotion of DX is an irreversible trend that cannot be avoided anymore.

We believe that strengthening our DX consulting capabilities will be a major driving force for business expansion and sophistication by linking the entire value chain of integration and other existing business areas.

As you can see at the bottom in the middle, we believe that if the cogwheel of DX consulting tightly turns the existing business, it will lead to the strength of the entire TIS INTEC Group.

We believe that it is very important for each of our businesses to work together and demonstrate their strengths by having DX consulting capabilities revolve in the center, as described in the aim of this project.

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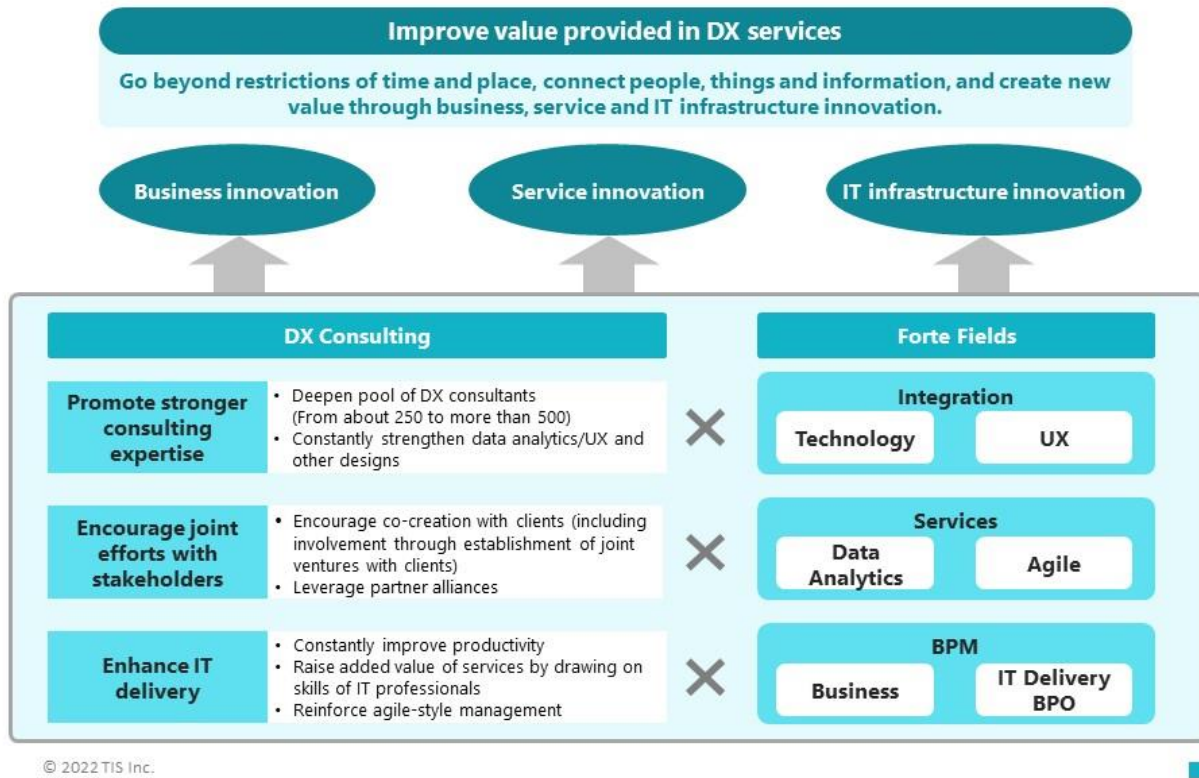
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Initiatives to Improve Value Provided Through DX Services

- To improve the value provided through DX services, we are focusing on efforts to promote co-creation with stakeholders, build stronger DX consulting capabilities and enhance IT delivery.



The next slide shows the efforts to improve the DX value we provide.

We will create new value by innovating business and operational processes and IT infrastructure by connecting people, goods, and information beyond the constraints of time and place.

To improve the DX value we provided, we are promoting co-creation with stakeholders, strengthening our DX consulting function and upgrading our IT delivery. The multiplications written in the middle are very important.

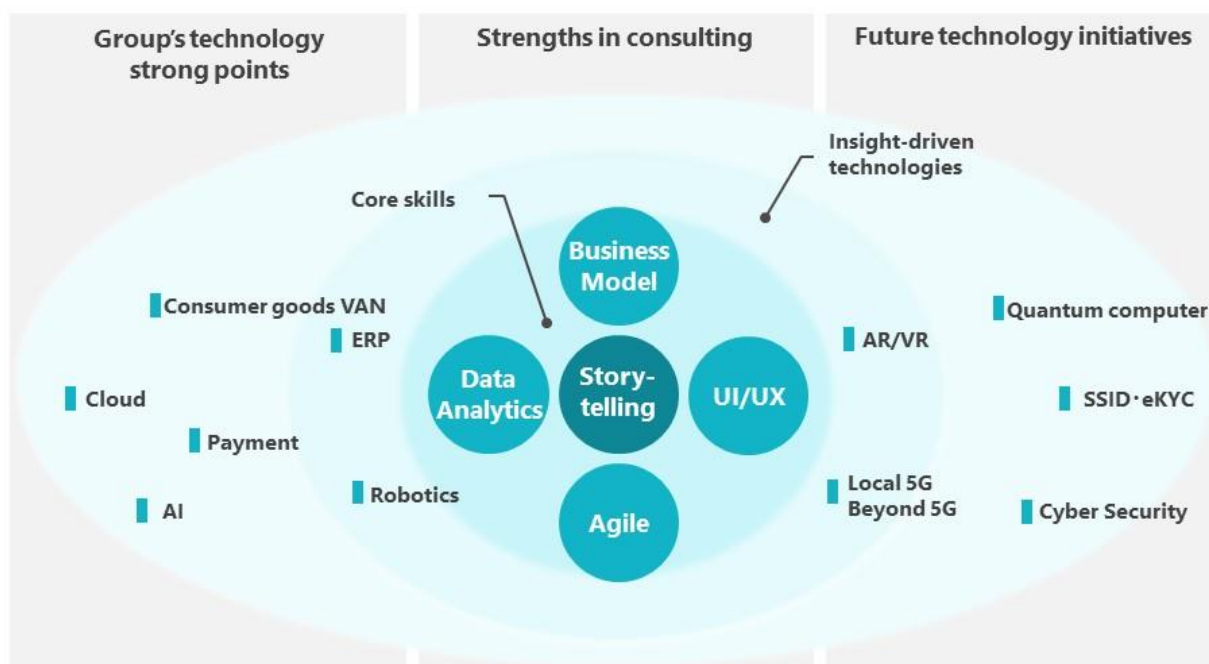
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Consulting Business Strengths

- The consulting business combines five core skills with insight-driven technologies—a vital corporate strength—to deliver very effective results in business innovation, service innovation and IT infrastructure innovation.
- By amassing more insight-driven technologies, we will be able to offer a wider array of consulting services.



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Next, I will explain the strategy of our consulting business.

First, let me explain the strengths of our group's consulting business.

As you can see in the middle of this slide, we currently have five core skills: storytelling, business model, agile, data analytics and UX. We are strengthening data analytics and UX through M&A.

By combining this with the strengths of the group as a whole, the technology we have possessed since before we started strengthening our consulting function mainly in IT deliveries, we have the ability to be highly effective in transforming businesses, services, and IT infrastructures. We believe that this is our advantage.

Technology is a rapidly evolving field, and we believe that we will be able to further refine our advantages by gathering and equipping a variety of technology knowledge from the market and combining them in the future.

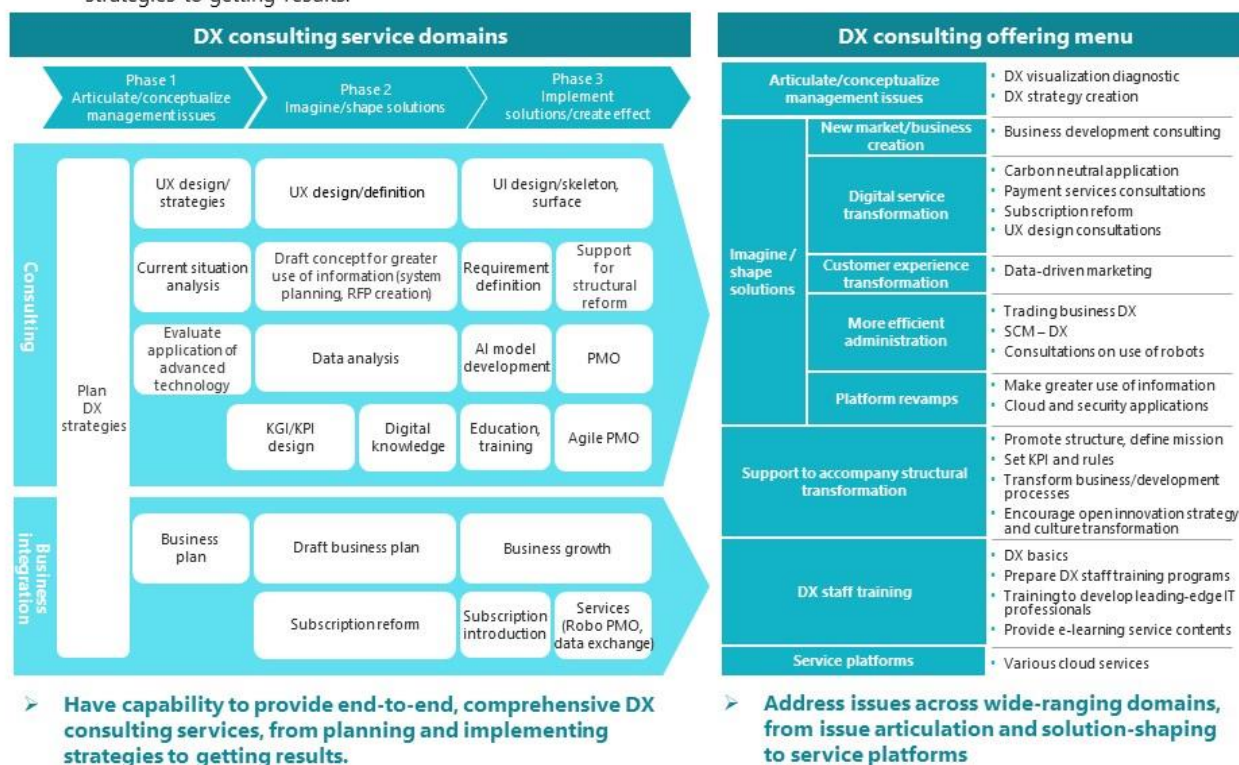
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Consulting Service Domains

- We have the capability to provide end-to-end, comprehensive DX consulting services, from planning and implementing strategies to getting results.



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This slide shows the consulting service areas we offer.

On the left, we have listed the service areas of DX consulting. We are considering our consulting services in three major phases.

The first is the formation and conceptualization of management issues. The second is the materialization of the conceptualized solutions. The third is the implementation of the solutions and the creation of its effects. We believe that our unique characteristics are that we have the capability to provide a wide variety of services in the areas of consulting and business integration and to consistently handle these services across all phases.

The figure to the right shows the menu of our DX consulting offerings.

I will not go into detail, but we believe that we already have a lineup that can solve customers' problems in a wide range of areas.

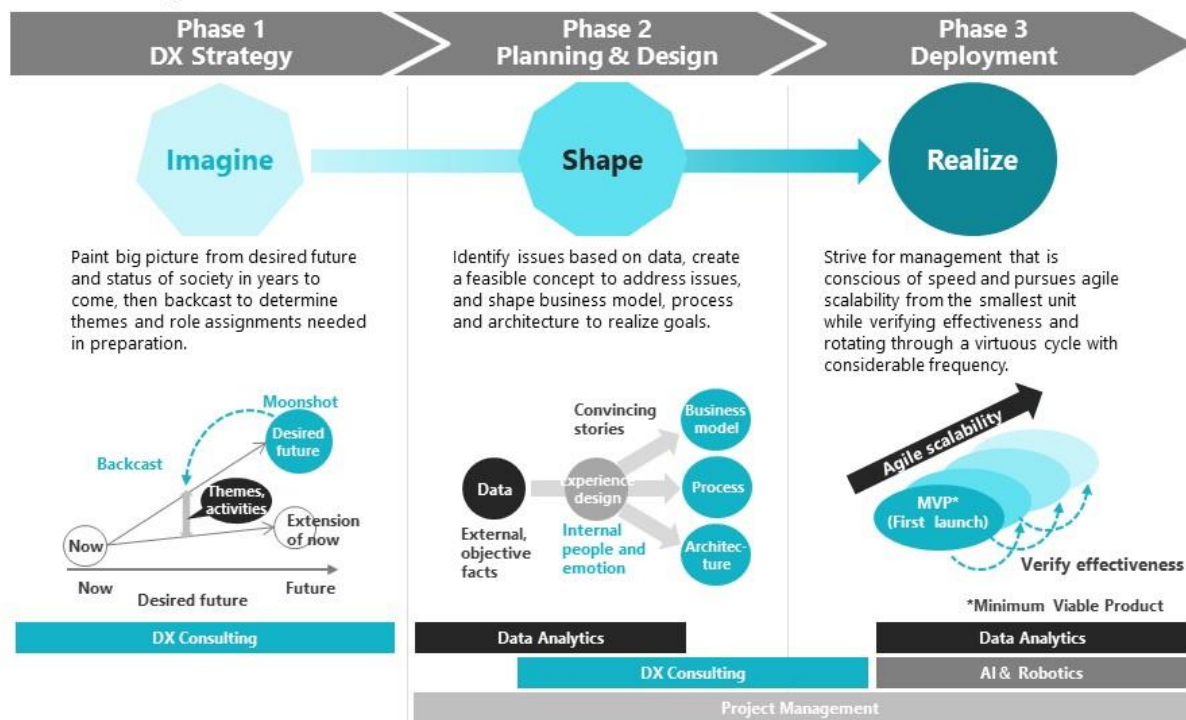
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Approach to DX Consulting

- TIS's one-stop DX consulting services combine data analytics, UI/UX design and agile methods and follow a path from imagining the ending result to realizing that outcome, seeking to achieve new experiences that link data and the real world through DX.



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The next slide shows our approach to DX consulting.

As I mentioned earlier, we will clarify the issues and conceptualize them, then materialize what we have conceptualized, and we will realize them. We believe that the source of our value provision is in promoting our business with a particular emphasis on realization and in taking responsibility to realize and accompany the business.

When thinking in the name of consulting, they often think of the concept and that's it, but we not only conceptualize, but also materialize and realize the concept. After implementing with the IT capabilities, we are expanding the scope of our SI business to include operations and improvements that will actually take root in the customer's business.

As you can see in the middle, we are going to use the data well and make it concrete. To do so, it is necessary to improve the feasibility of the project by turning around like hypothesis testing. We believe that the most important function of consulting is not to stop at the conceptualization, but to make it concrete, realize it, and even promote the hypothesis testing cycle with high frequency.

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Key Features of TIS' DX Consulting Services

- Our DX consulting services draw on the strength of a system integrator to respond comprehensively to clients' DX needs.
- In addition, we take a data-driven approach and subscribe to a point of view that our services can make a difference to society and client operations in the medium to long term.

	Key Features of TIS' DX Consulting Services	Typical Consulting Firms
<p>Comprehensive response culminating in successful DX</p>	<p>As a system integrator, we are with clients right through to completion of DX process. No pie-in-the-sky approach.</p> <ul style="list-style-type: none"> • Full support for system implementation, from consulting to realization, followed by continuous updates. • Power of organization, backed by actual results accumulated to date in building and operating mission critical systems, to carry through transformation aligned with a reality that may not be ideal. • Support for structural transformation and structural enablement, extending to DX staff training. 	<ul style="list-style-type: none"> ✓ Only go as far as strategy formation and concept, leaving clients and vendors to deal with implementation. ✓ Suggest perfect picture that Japanese companies cannot achieve because it is based on overseas case studies and best practices. ✓ "Difficult fit with our company."
<p>Data-driven approach</p>	<p>Make decisions based on data analysis and utilization, and realize data management that facilitates growth.</p> <ul style="list-style-type: none"> • Visualization of issues using data as starting point, data accumulation and mechanisms for improvement based on data. • Extensive results with Miotsukushi Analytics' specialized teams of data scientists. • UI/UX design also applied to mechanism for accumulating data to undertake experience design using design thinking and behavioral economics. 	<ul style="list-style-type: none"> ✓ Proposals lack knowledge of actual data content and operational handling. ✓ Data analysis and UI/UX design handled by different teams, with integrated consulting not properly developed.
<p>Consultant point of view and mode of involvement</p>	<p>Engage in businesses that can support social contribution and business continuity over medium to long term.</p> <ul style="list-style-type: none"> • Tackle social issues, including SDGs and ESG investment, that link directly to corporate raison d'être. • Precisely because TIS is itself an operating company providing solutions to social issues, the Company can be involved proactively and long term in such pursuits as joint investments and establishment of joint ventures. • Deploy consultants in roles of circular continuity that generates solutions to issues that cannot be solved by one company in isolation and paint future through backcasting from picture of ideal society. 	<ul style="list-style-type: none"> ✓ Efforts hinge on involvement with companies as provider of paid support. ✓ Relationship nothing more than external adviser.

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This slide summarizes that in a little more detail as a feature.

What are typical of large consulting firms, or rather, typical of their behaviors that can be seen from the market are also shown here.

We will provide full scope support until the realization of DX. This requires consistency, design, and a data-driven approach. We have the capability to handle such an approach with one team. Our approach is characterized by the fact that we also have the perspective of accompanying our clients over the medium to long term.

Accompanying them from a medium- to long-term perspective is basically because we have a mindset that we have cultivated in this SI business, and we think that the characteristic of our consulting services is that we value such a mindset very much and provide services with such awareness in the area of consulting.

In addition, as I have already mentioned, we have the ability to build systems that we have developed as a system integrator, so we are able to accompany our clients to the realization of their projects without ending up with a pie in the sky. We believe that taking responsibility until the very end is a very important factor in earning the trust of our customers.

We are not in the business of consulting alone, but rather we are still supposed to provide business together with SI. We are not a consulting firm that only provides consulting services or does business. We believe that consulting has value in our group as a function that improves the value provided by SI.

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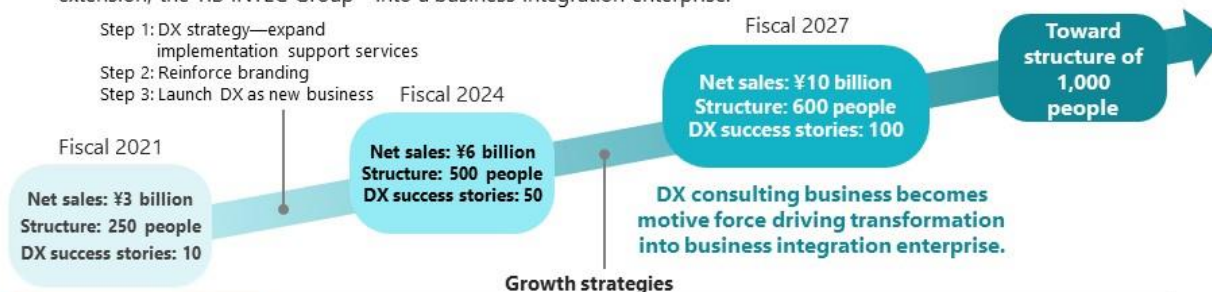
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To increase the value of the services we provide to our clients, the function of consulting has become a necessity, and by providing the necessary consulting function, we aim to increase the value we provide as a whole and exceed the expectations of our clients.

Growth Strategies for DX Consulting Business



- Through strategies based on five basic policies, we will use our focus on DX to drive change, transforming TIS—and by extension, the TIS INTEC Group—into a business integration enterprise.



Growth strategies	
Improve value provided by DX	<ul style="list-style-type: none"> Acquire skills in AI, robotics, local 5G, AR/VR and other digital technologies to respond to wide-ranging DX needs Acquire Agile PMO and UI/UX design technologies, and provide DX consulting that combines our strengths Cultivate market-recognized DX specialization (strength) by accumulating considerable measure of proven results Implement targeted branding in Group's forte domains
Expand investment to generate new strengths	<ul style="list-style-type: none"> Strive to create businesses through application of accumulated consulting methods To break away from man-hour-based business, pursue business investment (Robo PMO) in DX consulting business and highly compatible services To provide high-value-added DX consulting, execute M&As and equity contributions, with sense of speed, to reinforce capabilities
Diversify human resources, sharpen skills	<ul style="list-style-type: none"> Develop skills of generalists and specialists, and strengthen capabilities quantitatively and qualitatively Hire people under integrated corporate division and HRBP (Human Resource Business Partner) structure, and constantly reinforce ability to retain human resources through reassignment Enrich training framework paralleling business growth
Virtuous cycle of value co-creation between society and employees	<ul style="list-style-type: none"> Strengthen cooperation with Group companies and business divisions that maintain Strategic Business Partnership clients and other priority accounts Engage in R&D initiatives that contribute solutions to social issues Spur motivation and create career model to enable employees to achieve self-fulfillment in their work
Deepen and extend global operations	<ul style="list-style-type: none"> Reinforce DX consulting through networks built with TIS INTEC Group investment targets and business alliance partners Apply latest overseas examples of DX success to domestic operations Actively participate in TIS INTEC Group's ecosystem, which hinges on ASEAN region, and launch joint businesses Establish structure for collecting latest examples from overseas (tie-up with research companies, establishment of research center)

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This slide shows the growth strategy for DX consulting.

Our goal is to be the driving force behind the transformation from a system integrator to a business integration company and to transform ourselves through structural reform. The numbers here are for the business innovation unit and Miotsukushi Analytics.

In terms of numbers, we plan to expand from JPY3 billion in sales and 250 DX consultants in the fiscal year ending March 2021 to JPY6 billion in sales and 500 DX consultants by the final year of the current medium-term management plan.

This three-year period is positioned as a time when we are focusing on strengthening the system.

In the fiscal year ending March 2027, or FY2026, we are targeting JPY10 billion and 600 DX consultants by accelerating the development of the business itself, backed by a fuller structure. In addition, the 600 DX consultants at this time include those at Miotsukushi Analytics and Fixel, but a simple comparison with the number of employees at TIS alone indicates that we are aiming for a situation in which about 10% of the employees at TIS are developing business as DX consultants within TIS.

For the future, we feel the need to further expand our system. We hope to expand the number of employees to 1,000 at the earliest possible date.

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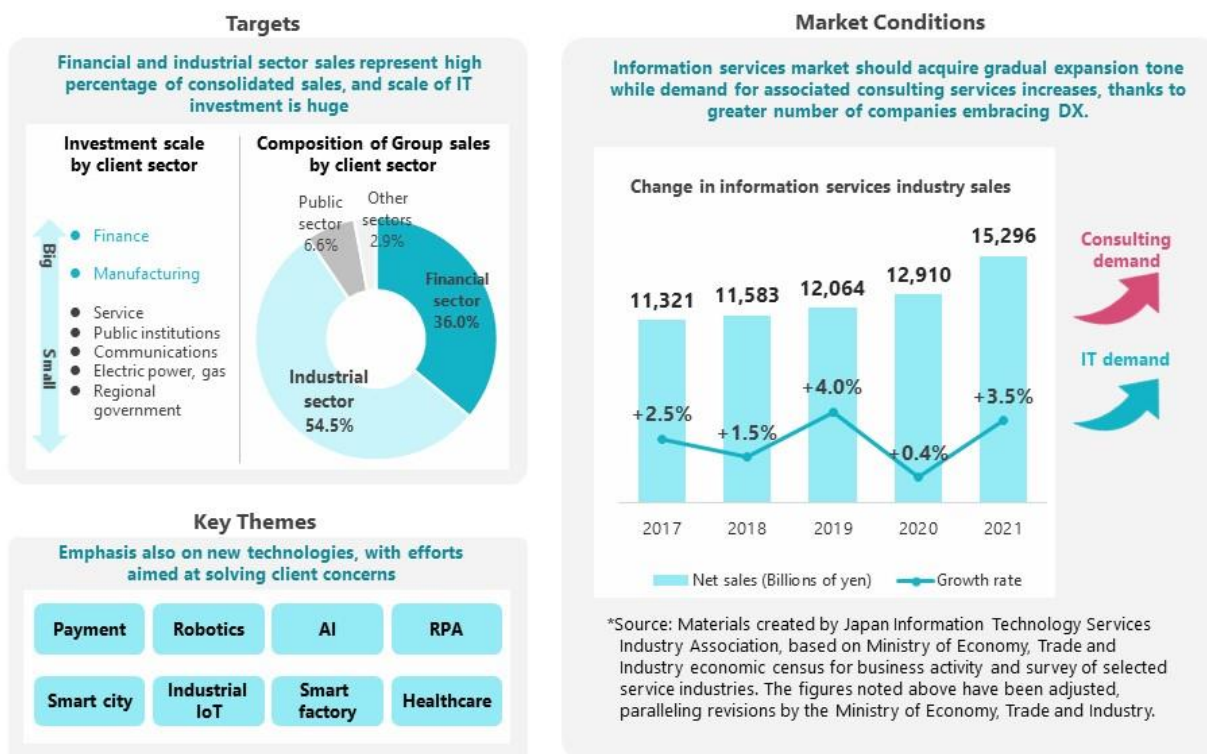


Growth strategies have been established for each of the five basic policies in the medium-term management plan. What I believe is particularly important in these policies is the advancement and diversification of our human resources. Ultimately, we believe that human resources, which are the source of value creation, are extremely important. This is because, especially in the consulting business, we do not offer a fixed product or service, and we believe that people themselves are our strength and weapon.



DX Consulting Targets

- Based on market trends and the composition of the TIS INTEC Group's client base, the financial and manufacturing sectors have been set as primary targets for DX consulting services.



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Next, what are the targets for our DX consulting business?

As for the main target industries for DX consulting, we are in the IT business, so we are focusing on the financial and manufacturing markets, targeting industries with large total IT investment.

Of course, the TIS INTEC Group has a solid customer base in these industries, mainly with clients at its root customers, and we can make use of our technology and expertise in the deep relationships that we have cultivated in SI. By doing so, we can further deepen our relationship with our customers and make a solid contribution to value.

In addition, considering the market trend, we believe that the demand for consulting services will follow the increase in the number of companies engaging in DX for the booming information service market. Among the themes we are focusing on are payment services and smart city, considering our strong customer base, etc., and we intend to achieve business growth with these as our core.

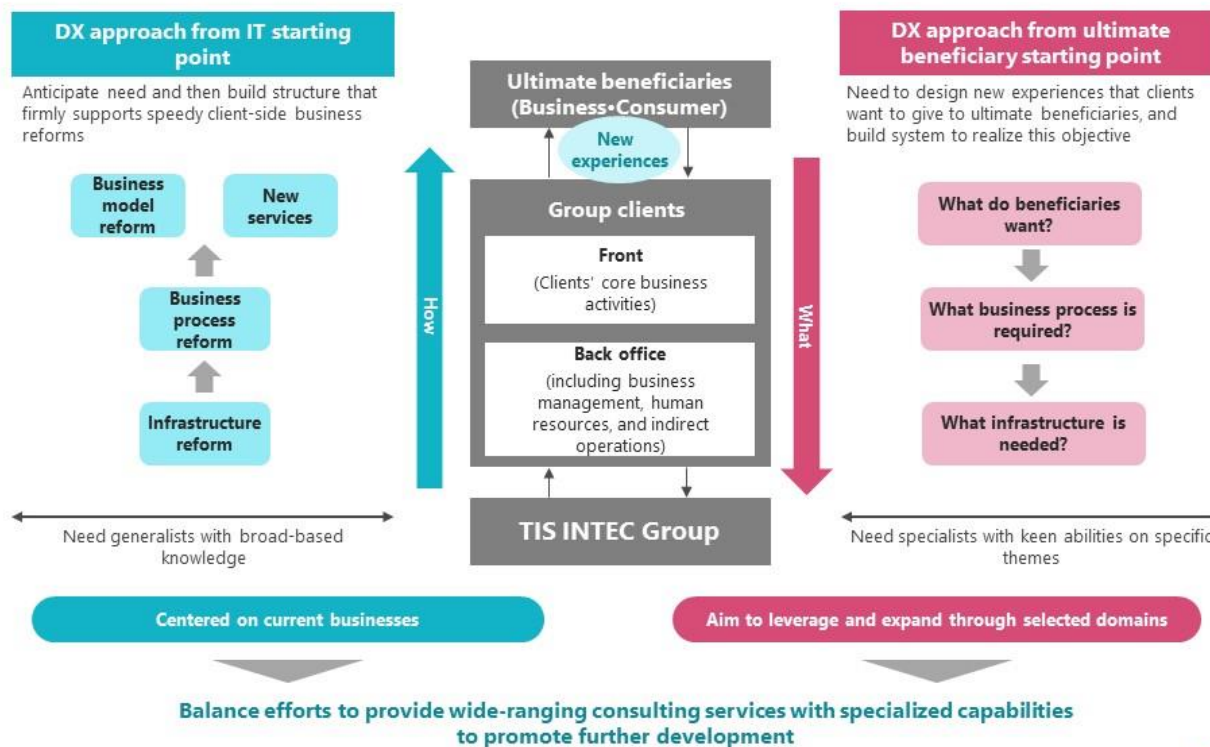
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Seeking Further Development of DX Consulting Business

- We aim to strengthen our DX approach not only from an IT starting point, which has been a source of strength to date, but also from an ultimate beneficiary starting point with clients and thereby further develop the consulting business.



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Furthermore, regarding the evolution of DX consulting business, the current business is not exactly in a situation where DX is being implemented in earnest yet but is focused on infrastructure transformation and business process transformation.

However, we believe that the essence of DX is to be able to provide value-added experiences to users and customers, who are the ultimate beneficiaries, and the number of customers who view DX from this perspective will increase.

In this regard, it is important to strengthen functions such as data analytics and UX design, and we are currently improving our DX capability while considering these aspects.

In addition to providing a wide range of consulting services with a step-by-step, general-purpose DX approach, we will also strengthen our DX approach with our specialized strengths. We think it will be very important to develop our business with both the left and right wheels as shown in this slide.

We will continue to evolve our consulting business with DX consulting as the starting point, and through solving the issues of our clients and society, we will drive the sustainable growth of our group with determination. We believe that our human resources are fully capable of doing so, and we hope you will look forward to it.

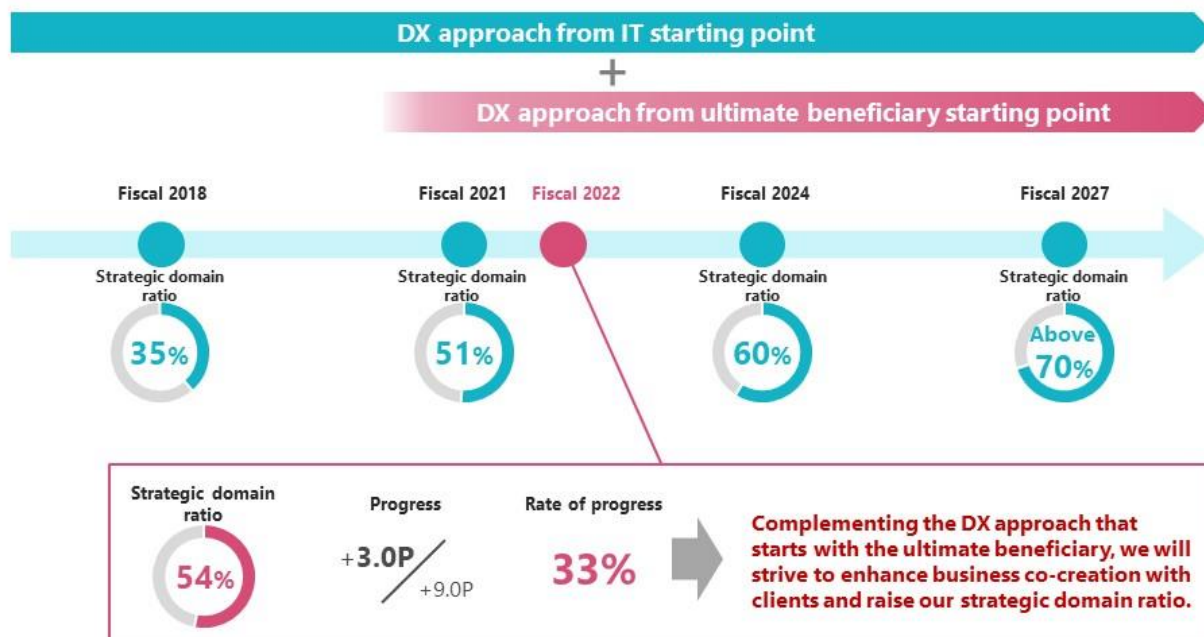
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Seeking Further Development of DX Consulting Business

- Ability to provide deeper value to core clients, through DX approach starting with IT, has fueled shift to strategic domain structure.
- Going forward, we will enhance business co-creation with clients under DX approach starting with ultimate beneficiary and raise strategic domain ratio even higher.



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Aiming for further evolution, the entire group will work on structural transformation, aiming to evolve the strategic domains we are considering in 2026. We are considering focusing on these strategic domains in our consulting business as well.

The IT-driven DX approach has continued to provide services, especially through providing value to the root customers. We have led the transformation and expansion of strategic domains such as those represented by the strategic partnership business.

In addition, as I mentioned earlier, with our specialized strengths, we have been able to add an ultimate beneficiary-driven DX approach, which we believe will further strengthen our co-creation business with our clients. In this sense, it will contribute to the transformation and growth of our strategic domains.

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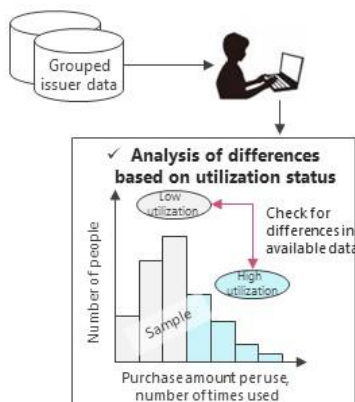
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- Data analysis and market surveys clarified active credit card utilization by cardholders.
- Used results to present suggestions for revising marketing strategy and associated measures, and contributed to client-side business innovation.

Project summary

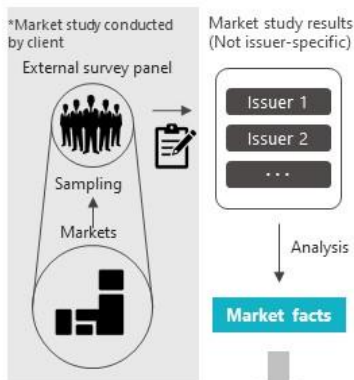
1. Analysis of issuer data in possession

Split client-held issuer data into two groups, based on card utilization, and check for differences in data categories



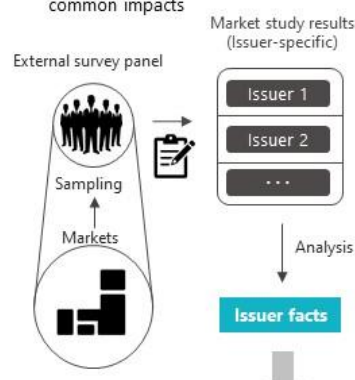
2. Preliminary review/analysis

Dissect results of preliminary review, explore differences as market facts, and figure out common elements affecting card utilization



3. Large-scale market study/analysis

Implement large-scale survey on issuer basis, conditioned upon market facts, and figure out elements affecting utilization of cards overall and issuer-common impacts



- Addressing assumption that no gap exists between issuers and trends in card usage, show differences in card utilization on issuer basis and clearly indicate attributes of cardholders who use their cards with high frequency
- Apply results to revise strategies and measures, contributing to client-side business innovation

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Lastly, I would like to introduce a few examples of our efforts during the three years of the previous mid-term plan and a little over a year of the current mid-term plan.

First, this is an example of our contribution to a financial client's business innovation.

We conducted market research based on the client's data, and through data analysis, we have been able to materialize issues that the client felt but could not depict or did not think of.

In addition, we raised issues that contributed to the decision-making process for the branding strategy. What made this approach possible was not only our ability to analyze data and consulting skills, which are very important, but also the combination of our long years of experience in card systems and the business knowledge we have acquired through this experience, which enabled us to provide consulting services to businesses while confirming in advance what data is available and what data would be effective.

Of course, the converse is also true. Knowledge alone does not increase value, and I believe that we were blessed with this example only if we had solid data and systems to analyze.

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- This example highlights first step in data-driven corporate activities for client that provides financial products, with focus on use of AI to predict financial product purchasers in following month and use of data to enhance marketing activities and to draft measures to promote products.

Background/Issues Behind Actions

- Looking to analyze attributes of customers with keen interest in and significant willingness to purchase financial products, and be able to provide suitable information to prospective customers
- Unable to ascertain quantifiable information on kind of customers for whom marketing activities would be successful, making marketing activities not sufficiently effective

Outline of Activities

Actions	1 Create AI models	Create AI models, one for each division A, B and C, that predict probability of customers purchasing a financial product in the coming month, based on recent purchasing behavior (past two months)	2 Analyze, evaluate	Analyze data using several algorithms (LightGBM), evaluate accuracy of each model, and then choose one model to be adopted based on comparison of results
	Comparing results from analysis of three patterns with current status shows enhanced effectiveness in marketing activities for A, B and C			
Results	As an added note, under this model, we were able to predict the people targeted for this marketing campaign, including customers who had never purchased a financial product before.			

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The third is a cross between DX consulting and services.

Using a data-driven approach, the business model, process, and architecture were each materialized in a convincing story of issues and policy formulation and led to realization.

The background of the initiative was that the client had requirements it wanted to promote and sales activities it wanted to streamline, but at that point, it was still hypothetical. We were able to demonstrate and realize the hypothesis through data-based analysis and evaluation, which gave us a great deal of confidence in our approach.

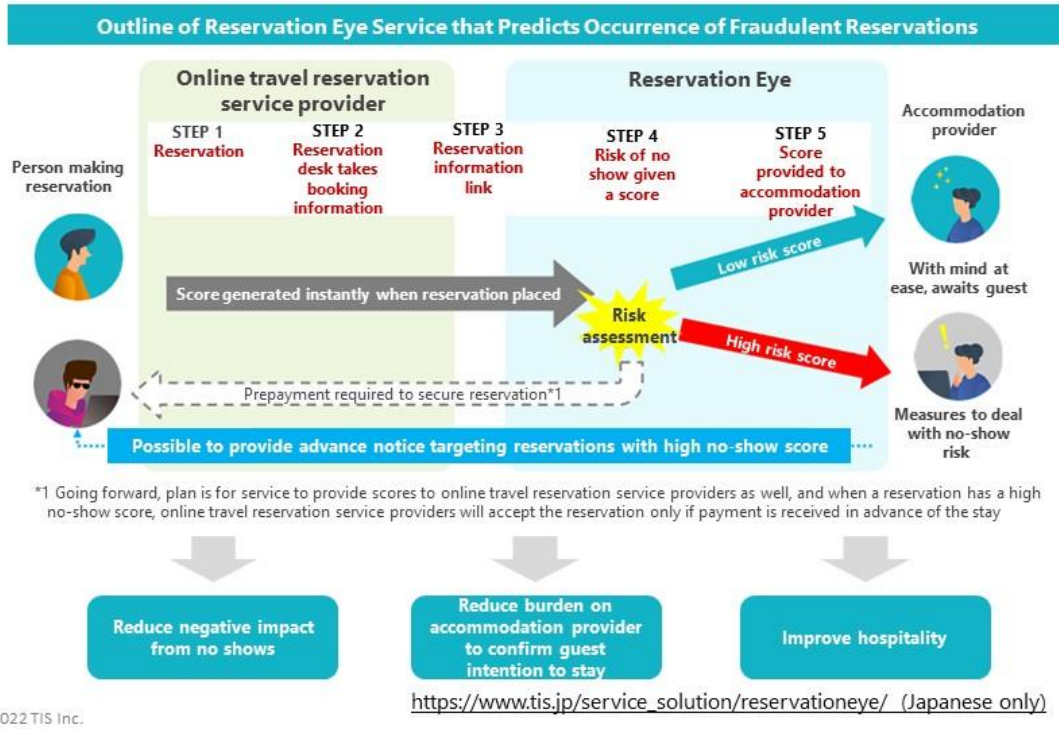
IT offering services, or IOS, one of our strategic domains, is defined as IT solution services that are ahead of customers by combining know-how and advanced technology, and we believe that providing such examples as IOS will lead to the evolution of our strategic domains.

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- Problem of fraudulent reservations in the travel industry is linked to a dramatic reduction in revenue and lost sales opportunities for accommodation providers.
- To address this issue, we analyzed actual data from travel agencies to create a service that predicts the occurrence of last-minute cancellations and no shows (guests with a reservation who do not show up).



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The next is the case in the travel industry.

In the travel industry, there is such a thing as fraudulent reservations, and last-minute cancellations or no-show can lead to a significant loss of sales and sales opportunities for lodging facilities. We believe that this kind of service was created by being able to provide predictions of the no-show occurrence through data analysis.

This not only reduced the damage of no-show, or customers not showing up, but also contributed to improving the hospitality of end users, which we believe was made possible by our ability to analyze data thoroughly.

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Example of Service Innovation

DX Consulting x Services (Business Co-Creation)



- Utilizing DX consulting capabilities, we engage with various clients on co-created businesses, beginning from service planning and launch stages.

T Square Solutions

T Square Solutions, a joint venture between Towa Pharmaceutical Co., Ltd., and TIS, has been selling comuoon, an interactive communication support device, since October 2019.



Interactive support device "comuoon"

The core technology is SonicBrain, which enhances the clarity of sounds through low distortion and extremely fine division of phonemes so that the brain can recognize the sounds more easily. Unlike conventional hearing aids that focus on the hearing-impaired listener, comuoon is a countertop, interactive support system that hinges on a compromise from the speaker-side of the conversation.

Devices have been set up at more than 4,500 locations, including medical institutions, treatment and learning facilities for people with disabilities, and at financial institutions, with total sales exceeding 9,000 units.

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tance

TIS and Japan Card Network established joint venture tance Co., Ltd. The company provides stores with a business-support app platform and supports the shift toward DX.



"tance mall" service menu

Access to tance mall, a service platform, began in July 2022.

Accessible on various devices, from payment terminals to general-use tablets, this platform allows users to draw on a wide selection of services helpful in running a store.

The platform makes it easy for store operators to enjoy the many benefits gained through DX, including the potential to attract more customers, enhance business efficiency and explore new sales routes.

Iwatani Gateway

Joining Iwatani Corporation, TIS co-created a new business—Iwatani Gateway—that demonstrates synergy with the LP gas business.



Overview of Iwatani Gateway business

TIS joined Iwatani Corporation and others in establishing Iwatani Gateway.

The plan is to jointly develop business platforms to bring the Internet of Things into homes using gas leak detectors equipped with a communication function and to go beyond simple extension of the LP gas business to create new businesses that demonstrate synergy with the LP gas business.

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In the next case, we are working from a business perspective that can contribute to society and our clients' businesses from a medium- to long-term perspective, which is a characteristic of DX consulting.

T Square Solutions, a joint venture with TOWA PHARMACEUTICAL; tance, a joint venture with Japan Card Network; and Iwatani Gateway, a joint venture with Iwatani Corporation, are examples of our long-term involvement in business co-creation with business companies that are working to solve social issues.

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Example of Service Innovation

DX Consulting x Services (Local 5G)



- As an initiative linked to regional renaissance, we teamed up with sake breweries in the Aizuwakamatsu area in September 2021, and conducted verification of remote customer service and live streaming video commerce operations for regional producer struggling due to pandemic-related restrictions on travel and tourism as well as issues with promotional activities.

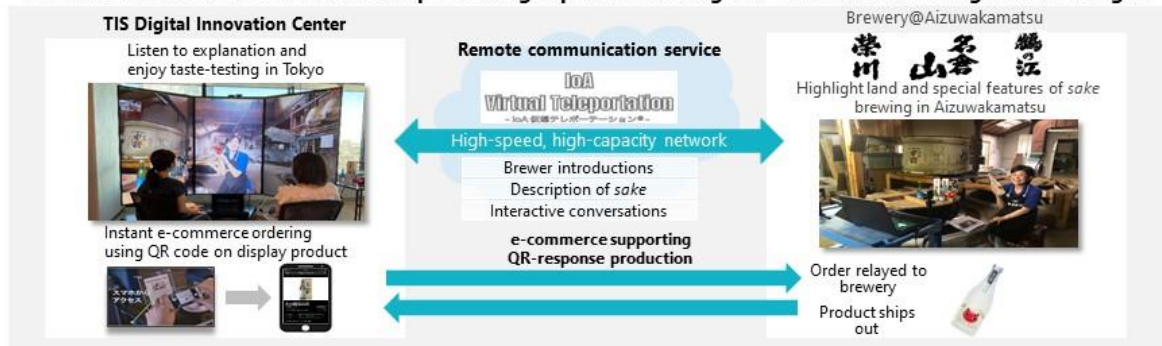
Used high-capacity communication tool to connect sake breweries in Aizuwakamatsu with location in Tokyo for remote customer experience

Issue: Business raised profile through participation at exhibitions throughout Japan, but restrictions on travel sidelined promotional and marketing activities.

Contribute to regional renaissance

Interactively convey the appeal and distinction of products and site even online, and verify perception of service solution for new remote customer service experience linked to regional renaissance

Provided remote customer service and purchasing experience through communication and digital technologies



Verification results indicated 60% of customers found experience comparable to in-person contact, and nearly everyone loved the products and would visit Aizuwakamatsu

→ Considering plan to provide framework for contacting customers and selling products despite physical distance

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Next case study. The pandemic has created restrictions on moving around and sightseeing. This is an example of using technology and other means to circumvent such restrictions, which can be useful for local development and can expand business beyond space.

This is an example of creating a model where products and local attractions are provided online while the providers are in the local area, and people in Tokyo make purchases.

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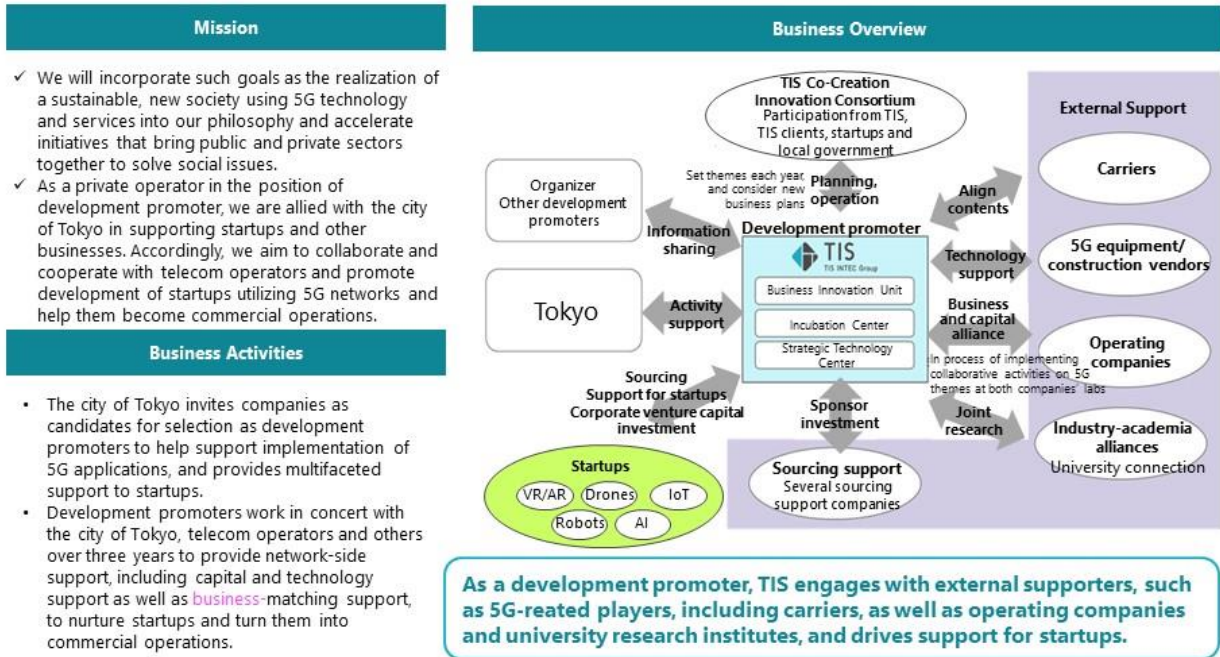


Example of Service Innovation

DX Consulting x Services (Local 5G)



- TIS was selected as a development promoter for the Tokyo 5G Boosters Project, a project to benefit society through development of applications utilizing 5G technology.
- We will also provide a verification environment using a local 5G network inside our own offices and leverage co-creation of 5G businesses with startups, emphasizing our own strengths, particularly in regard to cashless payments, healthcare and robotics.



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Next is a case study of Local 5G.

We are working on creating new business using Local 5G. This is an example of how we are working together with the Tokyo Metropolitan Government, not only with 5G, but also with startup companies using this technology.

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Example of Business Innovation DX Consulting x Services (UI/UX Design)

- When articulating a CRM plan for a client in the manufacturing industry, we provided DX consulting that included a UX design perspective on end-users.
- We suggested using data available to the client, prototyped a model based on actual data analysis to predict end-user cancellation of contracts (customer defection), and contributed to business innovation for the client.

Overview of concept for CRM plan incorporating UX design perspective

➤ Overall CRM design aimed at raising customer satisfaction and improving spending per customer

Five elements of CRM system configuration

1. Customer development scenario
2. Services and product sales from customer perspective
3. Overall design of hub
4. Data collection/method of utilization
5. Mechanism for evaluating measures

➤ Once outline of what best CRM would be is prepared, make repeated improvements by verifying theories and pursue planning premised on gradual expansion, taking into account alignment with existing core system and characteristics of sales companies and areas.

1. Constantly improve, starting with theories or assumptions

Shape idea → Verify theory → Implement strategy → First step—solidify ideas to prevent gaps in perception

2. Design coordinated with other systems

Marketing and customer comments → Systems → While designing CRM, consider best information management method and analysis environment

3. Gradual expansion by geographical area

Check the actual system → Check the actual system → Check the actual system

Data analysis to enhance end-user UX

➤ Determine data utilization steps and confirm if contract and customer data can be used to predict ways to prevent cancellation of contracts

Data first step → Data generating about some results → Data generating medium to long-term results → Data collection applied to support treatment

Illustrating data utilization steps

Actual defection rate vs Predicted probability

Illustrating predictions generated using AI prediction model

➤ Offer hints to clients on business obtained through data analysis

Change perceptions/habits → First, instill idea of marketing activities using data

Data collection → Collect customer information essentially uncaptured by current methods

Data management → Snapshot manage customer status that now only needs simple updating

Apply to analysis of factors underpinning enhanced UX

➤

Reflected in plan

←

Next, there is UX design as a core skill, agile.

This CRM design would also be an example of successfully setting up a CRM by repeated hypothesis testing while confirming what the beneficiaries want based on such UX design and agile capabilities.

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Example of Business and Service Innovation

DX Consulting x Services (UI/UX Design)



- Fixel, which is involved in UI/UX design consulting for business systems, joined the TIS INTEC Group. The combination of Fixel's excellent design consulting capability and TIS' responsiveness to client needs and system configuration capability will enhance the value provided in DX services.



Available services

UI/UX design consulting

- Support for building and operating design systems, underpinned by strength in UI/UX design consulting for business systems
- Ability to provide design services for various industries

DX design specialist team

- Start by pinpointing issues in product and service design as well as business, and offer ideas, develop concepts and provide other support
- Set up teams with expertise in DX design, co-created with clients, and help produce products and services based on client business or team purpose (reason for existence in society).

Seek to provide emotional DX and functional DX.

Emotional UX

Focus on motivation and meaning in design from a user perspective so that consumers and society as a whole will readily embrace new services and products.

Functional UX

Create digital product UI/UX designs that highlight convenience so that people are more likely to use and continue using these digital products.

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<https://www.tis.jp/branding/uxdesign/> (Japanese only)

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Next case study.

As I mentioned earlier, we have made Fixel, a company that provides UI/UX design consulting services for business systems, a subsidiary. This is an example of how we provide consulting services in a way that can provide new value along with our business.

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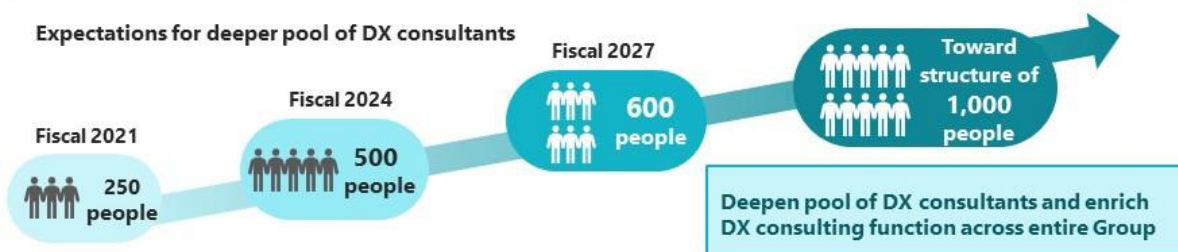
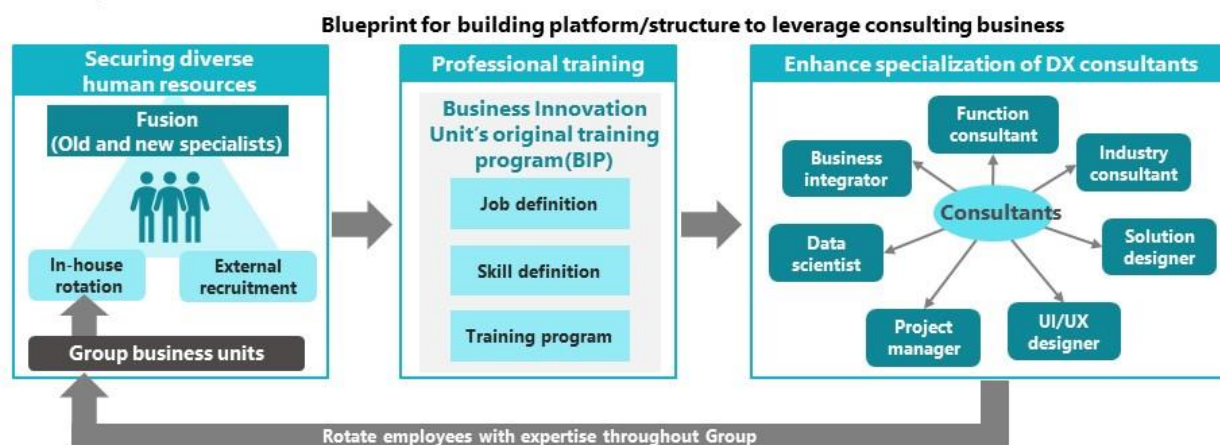
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Build Platform and Structure to Leverage Consulting Business

- To lead the push toward a stronger frontline across the entire TIS INTEC Group, we will deepen our pool of DX consultants by going beyond external recruitment with an internal rotation strategy and other measures that will create a pool of excellent consultants and enhance their skills.



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Finally, we are building a foundation and structure to promote our consulting business.

I have briefly introduced various examples, but these examples were created by none other than our own human resources. In order to accelerate the structural transformation, the slogan has been to strengthen the front line, but in order to lead the entire group in strengthening the front line, it is important to create a structure for DX consulting human resources, and this slide shows how we build the structure.

The IT department may have been the only stakeholder we had contact with on the front line as a system integrator, but when it comes to providing value for DX, the stakeholders will also be diverse. Therefore, we must also secure diverse human resources and strengthen our structure.

We train specialists not only by hiring from outside the Company, but also by rotating them throughout the Group. Regarding the training framework, we are offering unique training programs, defining job titles and skills according to DX consulting's offering menu and service areas.

We hope to produce professionals who can realize each of the services listed here, such as function consultants, industry consultants and solution designers.

While expanding this cycle in terms of both quality and quantity, we are aiming for a system of 1,000 DX consulting human resources, not only in the business innovation unit, but also in the various divisions and units that are developing the business of the TIS Group, with the goal of reaching 1,000 employees. We would like to accelerate the structural transformation toward the Group Vision 2026.

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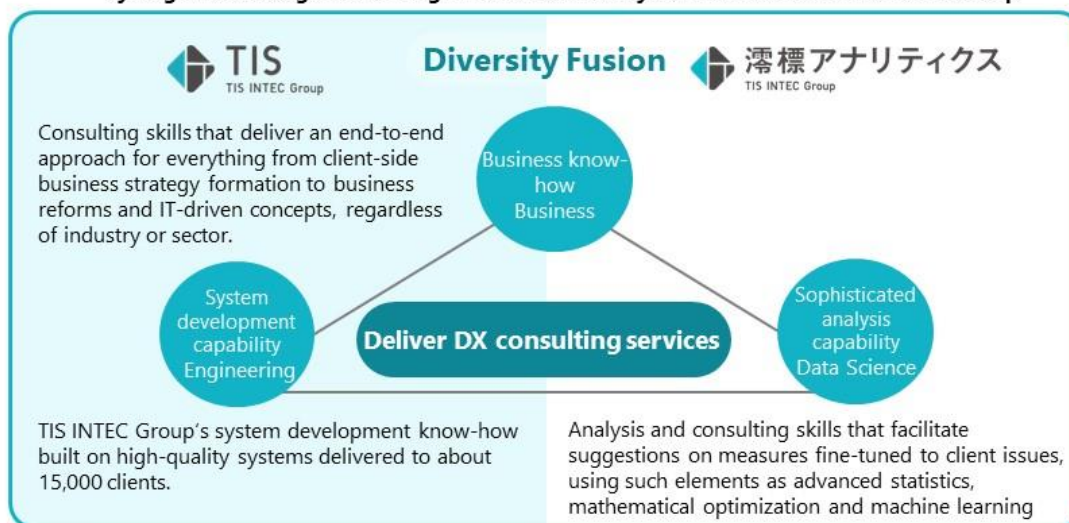
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TIS INTEC Group x Miotsukushi Analytics



- The reason Miotsukushi Analytics joined the TIS INTEC Group is because the relationship will **fuse** Miotsukushi Analytics' sophisticated data analysis capability with the diverse client base, business know-how, consulting expertise and system design and development skills of the TIS INTEC Group and, as a corporate colleague facilitating the shift toward DX using data analysis as the launch point and finding real solutions to business issues, Miotsukushi Analytics **can provide DX consulting services**.
- We are particularly keen to focus our expertise on sectors, such as the finance sector, where the need to go digital is high.

Synergistic effects gained through Miotsukushi Analytics' involvement in TIS INTEC Group



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Finally, I would like to introduce Miotsukushi Analytics. Miotsukushi Analytics, a group of data analysis specialists, was established in 2014 and was asked to join the TIS INTEC Group in 2020.

Mr. Ihara, the president of the company, is also participating today as a speaker, and would like to convey a message to you. Mr. Ihara, please.

Ihara: I'm Ihara. First, I would like to explain why we decided to join the TIS INTEC Group.

Miotsukushi Analytics is a company with advanced skills in data analysis. However, we believe that data analysis itself is only one part of providing value to our clients. Therefore, we decided to work together with the TIS INTEC Group's customers and with people who together possess business know-how, consulting, system design, and other capabilities.

At that time, we agreed with the concept of diversity fusion, included in the TIS INTEC Group's OUR PHILOSOPHY, that each diversity should be maintained, but also fused together, and we have decided to join this group.

In this context, as Mr. Ueda explained in the topics, in providing value to our customers by combining our capabilities in data analysis with the skills and system development capabilities of TIS, we still have a long way to go, but we believe that we are beginning to realize the potential of some of the topics.

We believe that we are gradually achieving these goals, especially in the financial industry, where there is a high need for digitalization.

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By providing these functions, we have already been able to improve the overall value of the Group in some areas, and we hope to continue to provide these skills in the future.

Moderator: Thank you very much.

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Question & Answer

Moderator [M]: We will have time for Q&A.

First, let me explain how to ask questions. If you have been nominated, please give your company name and your name followed by your question. Each person may ask up to two questions at a time. We may not be able to answer all of your questions due to the progress of the session.

We will now begin the Q&A session. First, Mr. Tanaka from Goldman Sachs.

Tanaka [Q]: I'm Tanaka from Goldman Sachs. I would like to ask you two major questions, one at a time.

The first is a status update, page 15 of the presentation materials. First, sales are shown here, but what is the current level of profitability and profit margin? Could you tell us whether the consulting projects you worked on are connected to the TIS Group's system development later, or whether the consulting was done only as a stand-alone project?

Ueda [A]: I am explaining. First, the profit margin is actually one or two levels higher than the gross profit margin of the Group as a whole. However, we are training a very large number of people now to raise the top line. The profit margin as a project is reasonably high, but if you look at the profit margin of the organization as a whole, for example, JPY3 billion and 250 employees may appear to be a little insufficient.

Tanaka [Q]: The second point is on the percentage connected to SI, please.

Ueda [A]: I also reply to your question. Basically, as I mentioned earlier, our business model is not one that ends with consulting alone. Basically, I think we are seeing more and more cases where we do the upstream work and then link it to system development.

Tanaka [Q]: A follow-up question on that point, please. First, you said the gross profit margin is higher than the company-wide average, but not enough. I would like to confirm whether the operating margin is also higher than the company-wide average due to some cost. And in the process of increasing the number of employees in the future, what level of margin do you expect for the fiscal years ending March 2024 and March 2027, for example? Is there a possibility of improvement?

You said that the number of projects that can be linked to SI development is increasing, but what percentage are these projects?

Ueda [A]: First, regarding the profit margin, as I mentioned earlier, basically, if there is an increase in personnel, the utilization ratio will be lower during the months of the increase. In this sense, we understand that the situation will become more and more profitable as the increase in personnel gradually becomes moderate. We believe that the organization can realize a significant improvement in profitability in the future.

Regarding the businesses linked to SI, if we are still upstream and the immediate development takes two or three years, I believe that there are still few cases where everything is contributing to sales.

However, when it is finally completed, the business volume will be considerable, and I understand that in 2023 and 2024, there will be a trend that these contributions will be realized more and more.

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Tanaka [Q]: Sorry to be persistent, but just to confirm the first part. You mentioned that the utilization ratio is not naturally high now that you are hiring people, but even taking that into account, the profit margin is higher than the company-wide average profit margin. Is this understanding correct?

Ueda [A]: Of course, you can understand it that way.

Tanaka [Q]: Okay. Thank you very much. Second, I would like to ask about hiring people. Compared to specialized consulting vendors or foreign-affiliated vendors, I have the impression that all Japanese system integrators are struggling to hire consultants because they are Japanese and cannot raise wages rapidly.

In terms of hiring human resources, what kind of measures will your company take in this area, and how many personnel have you increased in the fiscal year ended March 2022 as actual results?

Ueda [A]: First, I think your question is about whether the salary base is more severe compared to other firms. Basically, we have revised our personnel system accordingly and are preparing an environment in which we can make a competitive offer.

For such human resources, we are trying to have a personnel system that allows us to pay them as much as the pay for employees in foreign-affiliated companies. We are having them join us with appropriate treatment. Even with such treatment, I think we are still able to do business with the profit margin I mentioned earlier.

Regarding the increase in personnel, we are basically targeting a net increase of 60 to 80 employees this fiscal year, and we believe that we are on track to achieve this goal.

Tanaka [Q]: Is the increase of 60 to 80 employees in comparison to the results for the previous fiscal year ended March 2022?

Ueda [A]: Yes.

Tanaka [Q]: How many people were actually added?

Ueda [M]: Is it for FY2022?

Tanaka [Q]: At the end of the fiscal year ending March 2022.

Ueda [A]: At the end of the fiscal year ended March 2022, the number of employees increased by about 100.

Tanaka [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much. Next, Mr. Kikuchi from SMBC Nikko Securities, please.

Kikuchi [Q]: I'm Kikuchi. I have two questions, too. The first is a continuation of the question earlier. I would like to have a clearer image of the system and the business.

Regarding the areas, are there still many areas of data analysis? Your actual results were JPY3 billion, maybe a little more this term and also a little more last term, but I would like to know the breakdown of sales in terms of areas.

Also, simply breaking it down, it looks like JPY1 million per person per month business, and the profit margin seems low because of the fixed costs, but is it low because the utilization rate is low right now and many young people are not operating? That is the same for the fiscal year ended March 2024, which is like about JPY1 million per month, divided by sales. In the fiscal year ending March 31, 2027, sales per person per month will increase. Is it correct to say that this forecast assumes that operations will increase and that you are

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forecasting profitability based on the assumption that operations will continue to increase? That is the first question.

Ueda [A]: First, as for the percentage of business, how much is data analysis? Roughly 20% to 30% are in the business of data analysis. I believe that about 70% to 80% would be in the consulting business, which is a breakdown of the target of JPY6 billion. Basically, the situation has not changed much for the fiscal year ending March 2022.

You have asked various questions about profit margins, but when expanding business, people come first or work comes first. For us, people come first, and we are now hiring for business growth. This would mean that employees would not be able to go out and earn money for an average of three months, or six months at the most, which could result in a slightly lower utilization rate.

On average, the sales per person per month may appear to be about JPY1 million, but the actual project fee is not as low as that, and I believe that we are receiving a unit fee that is close to that of a major firm.

Kikuchi [Q]: Thank you very much. If so, I would guess that the number of people is between 250 and 500 now. If 70% to 80% are consultants, that is, if there are 300 to 400 people in the Company, 80% of them are business consultants or ordinary consultants, and I am sure there are many other consultants. Are they not in Miotsukushi Analytics, but in the main body of TIS, with 200 to 300 consultants in the organization under the Senior Managing Executive Officer, or something like that?

Ueda [A]: There are more than 250 consultants in our organization and a little more than 100 consultants in Miotsukushi Analytics.

Kikuchi [Q]: Okay. Thank you very much. Second, this may be a conceptual question, but in general, I think it is difficult for an IT company to be successful as a consultant, although there are some that are successful.

My understanding is that if you can connect the consulting to the solution, it will go well, but when the solution implements the consultant's concept, it usually doesn't go well, and they don't get along very well, or it is difficult to communicate. I have heard that in some case, they fight with each other and say, "Don't bring me projects because I'm too busy."

On the other hand, I have the impression that TIS has a very strong organization in a very specialized field, and that information sharing is not as common as it is in ordinary companies, since you are more specialized than others. Or hiding problems, which may not be the case. I think it is generally accepted that it is not easy for a consultant to make a horizontal attack.

It may be good for a consulting team from an accounting firm to take a project and hand it over to a solutions subcontractor or team in a consulting-led manner, but you have a strong organization with people with strong expertise in TIS, so I don't think you are really one team, and I don't think you will be in 2027, for example.

What kind of internal politics will there be in the future, or rather, how is it possible for your consulting team to lead TIS's business, as you mentioned at the beginning?

Ueda [A]: I would like to answer that too.

I would say that I, myself, have been in the consulting business for a long time, including with foreign-affiliated companies. As you pointed out, the situation is that we have been working as consultants for a long time on a business model where the system integrators simply implement what the consultant has created. I think you are asking how we can do it in an integrated manner, or how is that possible.

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In this sense, we do not invite from outside or build a team only with people we hire from outside. We have also begun to gather and train younger, more educated people from existing divisions and units in the consulting division over the past few years, starting with the previous mid-term plan.

It may sound very stereotypical, but a person with such development experience and who understands the hardships of development will join the consulting team to promote the project. When bridging the gap, such members would transfer knowledge to the development business unit appropriately.

We have been working on this kind of mechanism for the past several years. I think the current situation is that these efforts are beginning to function well, and we can smoothly transition to development projects. I know it sounds very stereotypical, but we are trying to keep people interacting with each other and doing things properly.

Kikuchi [Q]: Thank you very much. If so, the number of cases that are connected from consulting to solutions, which Mr. Tanaka asked about earlier, is small now, but it will increase visibly. Is it increasing at present? However, if the number of such cases will increase visibly, I think it will take a certain amount of time, 5 or 10 years, to train them. Is that what happens when you try to do it in a stereotypical way?

Ueda [A]: I don't think it will take 10 years. We have started working on it for about three years so far. The results of these efforts are finally beginning to bear fruit. I believe that we will be ready for a proper model in three years since we have created such a mechanism in the past years, and we will accelerate this process and see more expansion of profitable projects in the future.

Also, as I mentioned earlier, we are thinking of sending these people back to the development division after five years, rather than keeping them in the business innovation unit, so that we can create a situation where people who were in the consulting division are actually in the development division.

Kikuchi [M]: Thank you very much.

Moderator [M]: Thank you very much. Next, Mr. Tsuruo of Citigroup Global Markets.

Tsuruo [Q]: Thank you for the opportunity to ask a question. Thank you for your explanation today. Please tell me two points.

The first question concerns page 29 of the document. I have a question about hiring and training people. The combination of internal rotations and external hires are shown in the upper left-hand corner. For example, in the fiscal year ending March 2024, what will be the personnel composition of career hires, new graduates and internal rotations? And which of those three will likely be the driving force in future headcount expansion?

Ueda [A]: I would like to explain this. In terms of composition, I believe that when this division was first established, the emphasis was on external hires. It has been difficult to create a system for internal hiring and internal rotation, and we may have to depend a bit on external hires.

As I mentioned earlier, during the last medium-term management plan, we were able to create an internal rotation mechanism, and as indicated by BIP in the middle of the page, we were also able to establish a training program during this period. First, I believe that the current ratio is approximately 60% to 70% for external hires and 30% to 40% for internal rotations.

What needs a few considerations in this context are that, as I mentioned earlier, we have been able to secure at once outside resources through M&As such as Miotsukushi Analytics and Fixel, so I think 70% or more will be with the help of outsiders in the ratio.

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Tsuruo [Q]: I see. In that case, what do you think? Aside from internal rotations, isn't retention of outsiders a major issue? This is a follow-up just in case, as you are in a very competitive market for human capital right now.

Ueda [A]: I think we are in a very difficult situation on that point, as you pointed out.

However, as I mentioned earlier in my presentation, we have been able to create a reasonable personnel system for external hires, and we have also been able to attract consultants who share our vision of what we want to achieve in consulting and who have a reasonable career path. It is a fact that the retention rate of such people is relatively high, and that when slightly younger people work at our company, they sometimes quit because they feel that the work is not quite the same as they expected.

We do not aim to hire people who come to our firm because they can get higher compensation, as in other firms, but rather because they share our goals of consulting and consulting functions. Therefore, I think our retention rate is a little higher than that of foreign-affiliated firms.

Tsuruo [Q]: Understood. Secondly, reputation is very important in the consulting business, and your company is now less than one-tenth the size of NRI in terms of scale on a domestic basis. What kind of reputation would you describe your company as having now? And in the future, you have talked a lot about people today, but what do you think is the most important differentiator that you would like to use to improve your reputation?

Ueda [A]: I am answering this too. To improve reputation, I believe that what is very important is still the track record. This type of consulting business will grow because of the track record.

As I showed in my presentation, we have many existing clients, and we will clearly explain the superiority of our consulting services to these clients and achieve a track record of success. This is the kind of thing we must do.

It may be possible to do something by advertising or by hiring only one excellent person to increase reputation, but I believe that by having existing customers fully understand our services and by promoting the projects, including having them try it out and producing results that exceed their expectations, that customer will then move on to the next customer and the next.

Fortunately, in essence, the rate of consulting continuity, the probability of the same customer continuing with the next project and the next, has increased greatly. We think this is a very good thing. That is all.

Tsuruo [M]: Thank you very much. That's all I must ask.

Moderator [M]: Thank you very much. It is almost the scheduled end time, and we will now conclude the Q&A session. Lastly, Mr. Ueda would like to have a few words.

Ueda [M]: Thank you very much for attending today's business briefing of TIS Inc.

The consulting business we are engaged in will enhance and lead the DX value the Group provides and accelerate the structural transformation.

To solve social issues, we will establish a position to be responsible for social changes and transformation of our clients' businesses. We would appreciate your continued support. Thank you very much.

Moderator [M]: With that, we will close today's briefing. If you have any questions, please contact our IR staff during an individual interview or by phone. We would ask for your continued support.

Thank you very much for taking time out of your busy schedule to join us today.

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