



January 21, 2020

(Translated from the Japanese original)

Company Name: TIS Inc.  
Representative: Toru Kuwano, Chairman, President and Representative Director  
Stock Listing: First Section of the Tokyo Stock Exchange  
Stock Code: 3626  
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### **Notice regarding Acquisition of Stock in Sequent Software Inc. and Subsequent Change to Subsidiary Status**

The Board of Directors at TIS Inc. (hereafter, “TIS” and “the Company”) resolved on this date that the Company would acquire shares in Sequent Software Inc. (hereafter, “Sequent”) and turn the company into a consolidated subsidiary. Details are provided below.

#### **Details**

##### **1. Reason for Acquisition of Stock**

The TIS INTEC Group seeks to realize sustained corporate growth and higher corporate value, guided by the slogan “Transformation to 2020 — Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues” that underpins Medium-Term Management Plan (2018-2020). Various measures are being pursued toward this destination. As part of this journey, TIS is keen to utilize insights, know-how and other strengths accumulated over many years in payment services — a market that is being reshaped by new payment methods, notably, the trend toward cashless payments, and where new IT investment associated with such payment methods is expected. The Company is working to expand service-style business, which has been positioned as a driver of growth and is fueled by the total-brand payment solution PAYCIERGE.

Sequent is a U.S. fintech company established in 2010 with tokenization technology that facilitates secure payments using various devices, including mobile devices. The company is one of very few tokenization vendors in the world, recognized by multiple international brands for technology that provides digital authentication information for which payment ID data has been tokenized and thus enables secure, contactless payments. Currently, the company is working to develop services, particularly for financial

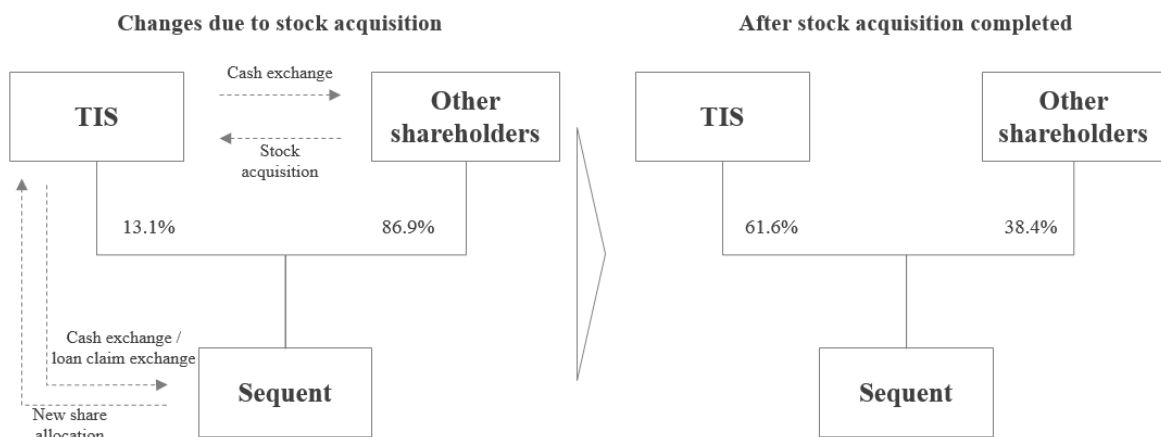
institutions, for use in many parts of the world, with a focus on the West, Europe and the ASEAN region.

The trend toward cashless transactions and wider application of IoT are signs pointing to the debut of new settlement options and services. Given this backdrop, TIS launched digital wallet services as a type of service-style business for the payment services market. Tokenization is extremely integral to such services, and the Company, looking to Sequent as a partner with technology necessary and indispensable to digital wallet services, formed a capital and business alliance with the company in 2017. Since then, TIS has worked jointly with Sequent on projects, including application of Sequent’s technology to services provided by TIS, while strengthening the existing relationship through additional capital participation and capital loans from the perspective of prior investment to reinforce Sequent’s business foundation and expand business activities.

Now, after considering such factors as worldwide growth in tokenization-related businesses fueled by the spread of tokenization technology for IoT payment solutions using the next-generation 5G network, and repeated discussions on the relationship between TIS and Sequent, management came to the conclusion that bringing Sequent’s tokenization technology into the TIS INTEC Group as quickly as possible, accelerating expansion of its digital wallet services and actively applying tokenization to IoT payment solutions would contribute to an improvement in the Group’s medium- to long-term corporate value. With this in mind, management decided to acquire additional shares in Sequent and turn the company into a consolidated subsidiary.

## 2. Stock Acquisition Method

TIS will execute this acquisition of Sequent stock through transfer by way an exchange of cash for issued shares held by 13 existing shareholders, including a fund and individuals, through subscription by way of an exchange of cash for newly issued shares in a third-party allocation of shares undertaken by Sequent, and through conversion to shares of claims on loans extended to Sequent (debt-equity swap).



### 3. Overview of Subsidiary Changing Status (Sequent Software Inc.)

(1) Name	Sequent Software Inc.												
(2) Address	4699 Old Ironsides Dr., Santa Clara, CA 95054												
(3) Name and title of representative	Joan Ziegler, CEO												
(4) Business activities	Develops software and services for mobile payment settlement												
(5) Paid-in capital	US\$51,808 thousand												
(6) Date of establishment	April 16, 2010												
(7) Major shareholders and shareholding ratios	<table> <tr> <td>Chardon Holdings Limited</td> <td>40.7%</td> </tr> <tr> <td>SBT Venture Fund I, L.P.</td> <td>13.1%</td> </tr> <tr> <td>TIS Inc.</td> <td>13.1%</td> </tr> <tr> <td>Jado Investments, LLC</td> <td>12.5%</td> </tr> <tr> <td>Opus Capital Venture Partners VI, L.P.</td> <td>6.9%</td> </tr> </table>			Chardon Holdings Limited	40.7%	SBT Venture Fund I, L.P.	13.1%	TIS Inc.	13.1%	Jado Investments, LLC	12.5%	Opus Capital Venture Partners VI, L.P.	6.9%
Chardon Holdings Limited	40.7%												
SBT Venture Fund I, L.P.	13.1%												
TIS Inc.	13.1%												
Jado Investments, LLC	12.5%												
Opus Capital Venture Partners VI, L.P.	6.9%												
(8) Relationships with TIS	Capital relationship	TIS holds 13.1% of issued shares.											
	Personnel relationship	TIS and Sequent have no personnel relationships requiring disclosure. Neither are there any notable personnel relationships between anyone at TIS or an affiliated company and anyone at Sequent or an affiliated company. However, after the acquisition of shares, TIS plans to send a director to Sequent.											
	Business relationship	TIS purchases technology from Sequent for its tokenization-related business. In addition, TIS has provided a capital loan to Sequent.											
(9) Non-consolidated performance and financial position for the past three years (Notes 1, 2)													
Fiscal year	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019										
Net assets (thousands of US dollars)	(2,372)	(961)	(6,911)										
Total assets (thousands of US dollars)	5,507	5,879	5,738										
Net assets per share (US dollars)	(0.012)	(0.004)	(0.030)										
Net sales (thousands of US dollars)	700	952	864										
Operating income/(loss) (thousands of US dollars)	(5,633)	(5,644)	(6,439)										
Recurring profit/(loss) (thousands of US dollars)	(6,086)	(5,653)	(6,447)										
Net income/(loss) (thousands of US dollars)	(6,086)	(5,653)	(6,447)										
Net income/(loss) per share (US dollars)	(0.027)	(0.025)	(0.028)										
Dividend per share (US dollar)	—	—	—										

- Notes:
1. The above amounts are unaudited.
  2. Sequent's insolvency status (liabilities exceeding assets) will be eliminated through a debt-equity swap, whereby outstanding loan obligations to TIS will be converted into shares.

#### 4. Overview of Main Counterparty to Acquisition of Shares

(1) Name	Chardon Holdings Limited	
(2) Address	Tortola, British Virgin Islands	
(3) Name and title of representative	Geoff Rosenhain, General Manager	
(4) Business activities	Fund business	
(5) Paid-in capital	Omitted due to request for nondisclosure.	
(6) Date of establishment	June 30, 2011	
(7) Major shareholders and shareholding ratios	Omitted due to request for nondisclosure.	
(8) Relationships with TIS	Capital relationship	TIS and Chardon Holdings have no capital relationships requiring disclosure. Neither are there any notable capital relationships between anyone at TIS or an affiliated company and anyone at Chardon Holdings or an affiliated company.
	Personnel relationship	TIS and Chardon Holdings have no personnel relationships requiring disclosure. Neither are there any notable personnel relationships between anyone at TIS or an affiliated company and anyone at Chardon Holdings or an affiliated company.
	Business relationship	TIS and Chardon Holdings have no business relationships requiring disclosure. Neither are there any notable business relationships between anyone at TIS or an affiliated company and anyone at Chardon Holdings or an affiliated company.
	Related party status	Not applicable.

Note: TIS plans to acquire shares from an additional 12 shareholders, including individuals and a fund. No notable capital, personnel or business relationships exist between TIS and these shareholders nor do any such relationships exist with any related parties.

#### 5. Number of Shares Acquired, Acquisition Price and Shareholding Status Before and After Acquisition

(1) Shareholding prior to change	29,416,896 shares (Number of voting rights: 29,416,896) (Percentage of voting rights: 13.1%)
(2) Number of shares acquired	153,375,755 shares (Number of voting rights: 153,375,755)
(3) Acquisition price	Sequent Software Inc. shares about US\$25 million Acquisition-associated costs about US\$1 million Total (approximate amount) about US\$26 million
(4) Shareholding after change	182,792,651 shares (Number of voting rights: 182,792,651) (Percentage of voting rights: 61.6%)

Note: It is possible that the number of shares actually acquired will be different than noted above because the plan is to combine the principal and accumulated interest on a capital loan extended to the company as of the date of the debt-equity swap and use this number to convert the amount into shares.

## 6. Schedule

- |  |                               |
|--|-------------------------------|
| (1) Resolution by the Board of Directors   | January 21, 2020              |
| (2) Date of agreement signing              | January 21, 2020 (planned)    |
| (3) Date of share transfer/new share issue | January 31, 2020 (planned)    |
| (4) Effective date of debt-equity swap     | Early February 2020 (planned) |

## 7. Outlook

Given Sequent's current financial status, TIS plans to book about ¥700 million and about ¥1.5 billion in the third and fourth quarters, respectively, of fiscal 2020, ending March 31, 2020, on amortization of goodwill arising from this acquisition of stock. These amounts will be recorded under extraordinary loss.

Also, while this acquisition of stock will result in Sequent becoming a consolidated subsidiary of TIS, its inclusion in the Company's consolidated performance following consolidation will likely be from fiscal 2021, ending March 31, 2021.

(Reference)

### Forecast for Fiscal 2020 (announced November 1, 2019), and Fiscal 2019 Results on Consolidated Basis

	Net Sales	Operating Income	Recurring Profit	Net income attributable to owners of the parent company
	Million	Million	Million	Million
Current Fiscal Year, ending March 31, 2020 (forecast)	¥436,000	¥42,000	¥43,000	¥28,000
Previous Fiscal Year, ended March 31, 2019 (actual)	¥420,769	¥38,043	¥38,603	¥26,034

END