



**TIS**  
TIS INTEC Group



I'm a Mover.

# Integrated Report 2019

Year Ended March 31, 2019 (From April 1, 2018, to March 31, 2019)

Securities Code: 3626

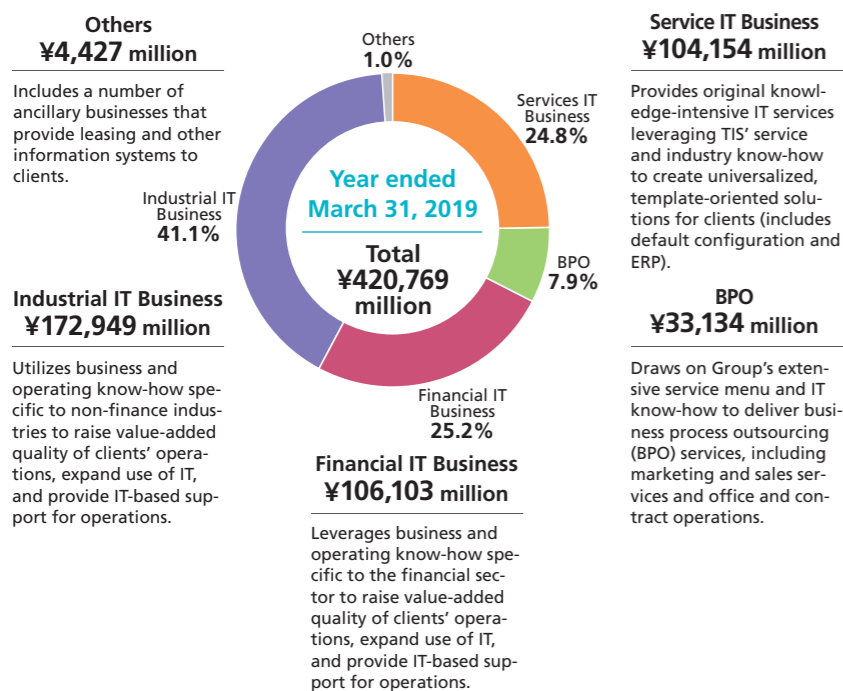
Profile

The TIS INTEC Group is a leading provider of IT services in Japan, with some 20,000 employees groupwide. As a corporate group, we draw on many years of combined insights and experience as well as high-level technical expertise in helping to solve various issues impacting society.

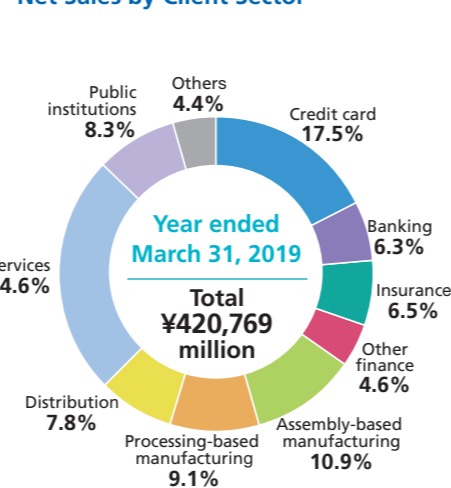
<b>Consolidated Net Sales</b> (Year ended March 31, 2019) <b>¥420.7 billion</b>	<b>Consolidated Operating Income</b> (Year ended March 31, 2019) <b>¥38.0 billion</b>	<b>Number of Employees, Consolidated</b> (As of March 31, 2019) <b>19,483</b>
<b>Number of Group Companies</b> (As of March 31, 2019) <b>108</b> <small>(TIS+consolidated subsidiaries+equity method affiliates)</small>	<b>Number of Clients</b> (Year ended March 31, 2019, domestic) <b>About 15,000 companies</b>	<b>Aggregate Number of Solutions</b> (Year ended March 31, 2019, domestic) <b>More than 500 cases</b>
<b>Consolidated ROE</b> (Year ended March 31, 2019) <b>11.5%</b>	<b>Consolidated Equity ratio</b> (Year ended March 31, 2019) <b>62.0%</b>	<b>Rating</b> (At November 10, 2018) <b>A /Stable</b> <small>(Long-term/Japan Credit Rating Agency, Ltd.)</small>

Net Sales by Business Segment

(Sales to outside customers, excludes intersegment sales)



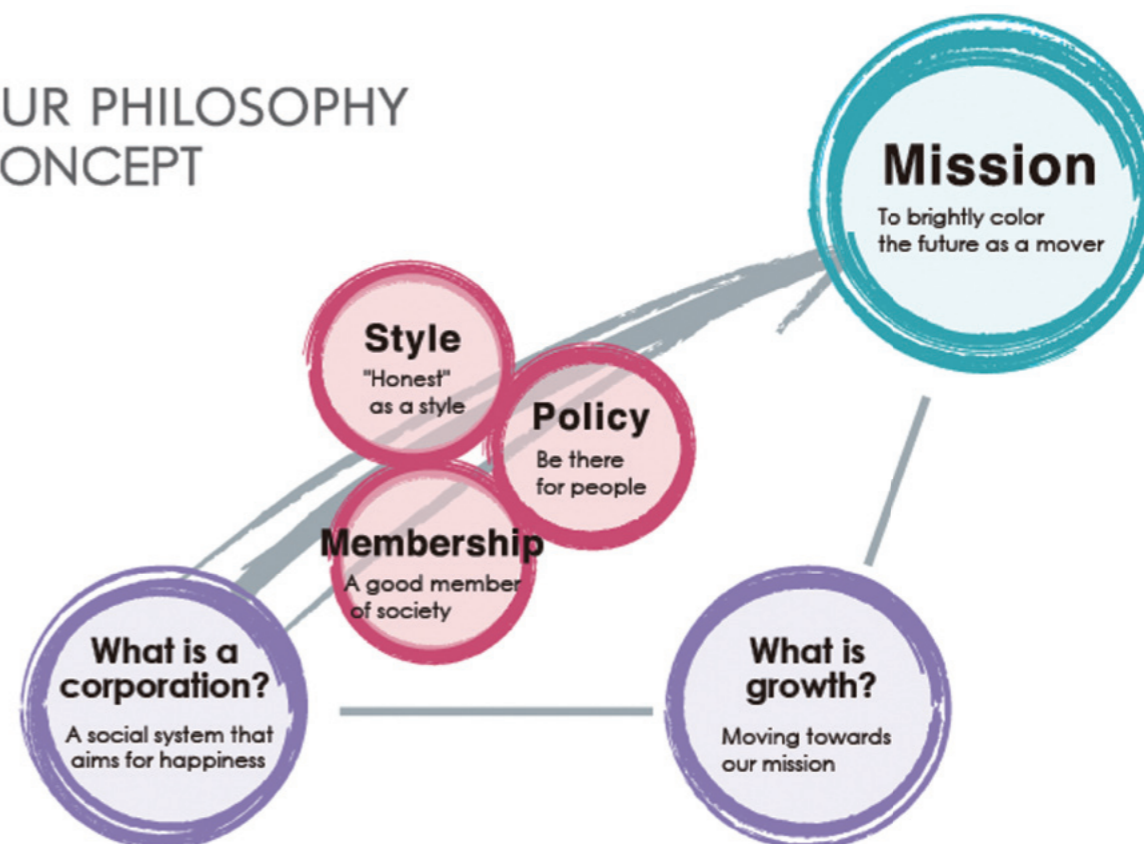
Net Sales by Client Sector



TIS INTEC Group Philosophy—OUR PHILOSOPHY

OUR PHILOSOPHY was announced in January 2019 as basic philosophy for the TIS INTEC Group. It represents a set of values shared throughout the Group and is basis for all corporate activity.

OUR PHILOSOPHY CONCEPT



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**Editorial Policy**  
From 2016, we have opted for an integrated report that provides key financial as well as non-financial content to enable all stakeholders, particularly shareholders and investors, to better understand the measures that we have taken to achieve sustainable improvement in the corporate value of the TIS INTEC Group. Please check our website, as well, for information, as many of the topics we cover in the report are updated on the website, as appropriate.  
<http://www.tis.com/>

**Scope of reporting:** TIS (parent) and TIS INTEC Group  
**Issued:** September 2019

**Disclaimer:** Forward-looking statements, such as performance forecasts, described in this report are based on information available to management regarding the TIS INTEC Group—that is, TIS and the subsidiaries under its umbrella—as of the production date and certain assumptions deemed reasonable at this time. No intent of promise is implied 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. The names of the products and services described in this report are trademarks or else registered trademarks of the respective company.



Toru Kuwano,  
Chairman and President

桑野徹

**Guided by OUR PHILOSOPHY, we will promote sustainable growth through unified group management.**

Toru Kuwano, TIS Chairman and President, provides details on OUR PHILOSOPHY—the recently announced basic philosophy for the TIS INTEC Group—and progress on Medium-Term Management Plan (2018-2020).

**Q1. Please summarize OUR PHILOSOPHY.**

**Our objective is to fill the future—still essentially a blank canvas—with vibrant colors as a mover using digital technology.**

We recently announced OUR PHILOSOPHY, a basic philosophy for the TIS INTEC Group that represents a sense of values shared throughout the Group. OUR PHILOSOPHY broadly clarifies Group management, corporate activities and vital concepts and ideals for members of the Group, including directors and employees. A company exists, essentially, for the diverse range of stakeholders connected to it and, by extension, all of society. Given this underlying perspective, we made it the mission of the TIS INTEC Group to fill the future—still essentially a blank canvas—with vibrant colors as a mover using digital technology. The meaning of “mover” implies our movement as a corporate group as well as driving the movement of society through our activities.

The spread of digital technology has transformed every aspect of society and is sure to continue to spur more changes. Positives are widely expected, but negatives are still a concern, particularly technological singularity—that is, a hypothetical point in time when artificial intelligence evolves beyond human intelligence and causes a major shift in the mode of human life. The future is a blank canvas, and we believe it is necessary to make it bright. With this in mind, a vivid pallet of color is required—that is, innovative possibilities and a range of choices that appeal to society. OUR PHILOSOPHY embraces this perspective as well as being a declaration of our mission, our duty as a corporate citizen to support the use of digital technology, establish a presence that brings about the realization of a brilliantly colored society through our own corporate activities, and contribute to society as a mover capable of creating a future in which people are happy. It is our *raison d’être*.

**Q2. Please describe the process involved in formulating OUR PHILOSOPHY.**

**OUR PHILOSOPHY is the equivalent of a corporate constitution for the TIS INTEC Group.**

The TIS INTEC Group was established, albeit under a different name, back in April 2008 through management integration and became today’s TIS INTEC Group in July 2016 through realignment of companies under the Group umbrella. The shift from a pure holding company structure to that of an operating holding company was a major turning point in our corporate history. Maybe for this reason, it was also the perfect opportunity to redefine our corporate philosophy and highlight the qualities that we seek to demonstrate as a corporate group while also addressing changes in the social landscape that had occurred over the years since our 2008 establishment.

The announcement of OUR PHILOSOPHY came after we unveiled Group Vision 2026 in May 2017 and Medium-Term Management Plan (2018-2020) in April 2018 because it was to be the axis around which the entire Group turned, and we needed time to carefully craft the content. Nevertheless, we had an idea of what OUR PHILOSOPHY should be, and the thinking behind this philosophy actually infuses Group Vision 2026 and Medium-Term Management Plan (2018-2020).

Group Vision 2026 describes the place we want the TIS INTEC Group to be in business markets 10 years from now. Toward this end, we invited participation from principal Group companies, specifically, division managers and deputy managers in their 30s and 40s who would likely play key roles in the TIS INTEC Group 10 years into the future. Through repeated dialogue opportunities, we formed the image we want the Group to present by 2026—that is, a Group able to create an exciting future by utilizing advanced technologies and know-how to realize business innovation and market creation—and also clarified our intention to secure a position on the global stage and defined specific strategic domains. We will travel through three three-year management plans to reach the final destination that is Group Vision 2026. Each medium-term management plan will be a detailed map, with specific milestones, for each stage along the way.

OUR PHILOSOPHY is essentially a corporate constitution premised on Group Vision 2026 and medium-term management plans. It represents a perspective—a way of thinking—that forms the foundation of all corporate activity. Striving to generate sales and income is a given for any profit-seeking company. However, real corporate growth is not determined by numbers alone. Success, from the OUR PHILOSOPHY perspective, will be measured by how well we fulfill our ultimate mission—social contribution through business activities—and how much we improve value for stakeholders. We will encourage each and every employee to recognize the underlying significance of groupwide corporate activities as this understanding will underpin achievement of quantitative targets.

### Q3. What is the connection between society's demands on companies and OUR PHILOSOPHY?

**The concepts under OUR PHILOSOPHY are style, policy and membership, creating a foundation that will underpin achievement of our mission.**

TIS—and by extension, the TIS INTEC Group—signed on to the U.N. Global Compact in July 2018 and has been involved in initiatives aimed at developing a sustainable society. Also, Medium-Term Management Plan (2018-2020) highlights the slogan “Transformation to 2020—Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues”. OUR PHILOSOPHY brings together several universal principles and, linked to our medium-term management targets, it will be integral to a structure that enables us to implement the activities that society requires companies to perform.

OUR PHILOSOPHY is built on three concepts—style, policy and membership—that support efforts to achieve our mission. Each concept is defined, respectively, as a code of conduct befitting a good corporate citizen, a people-oriented management policy, and a sense of honesty that provides the basis for the Group's corporate activities.

Amid heightened calls from society that companies improve their compliance and governance practices, we acknowledge, as a good corporate citizen, the importance of going beyond social norms and the expectations of society. At the same time, we must cultivate an open and free corporate culture and atmosphere that enables all employees to express their own opinions. Right now, we are working through a structural transformation. And for us to fulfill our role as a mover—to anticipate social issues and build a new business model—it is vitally important that we promote a flexible approach to communication inside and outside our corporate walls. We must be proactive. The code of conduct for the TIS INTEC Group is based on this perspective and embodies the three concepts of style, policy and membership noted above.

Information meetings on OUR PHILOSOPHY were held for employees, and then seminar programs were gradually rolled out according to job position, such as director, division manager, regular employee and new employee. Although we are diligently implementing awareness-building opportunities, it will take time for OUR PHILOSOPHY to permeate the consciousness of everyone—some 20,000 people—under the Group umbrella. But we are blessed with a phenomenal corporate culture, and just like a beautiful flower, OUR PHILOSOPHY will bloom and grow in this environment through consistent efforts to promote the underlying beliefs.



### Q4. What is the status of Medium-Term Management Plan (2018-2020)?

**On the performance front, results are better than expected, and business restructuring is leading to steady improvement on a qualitative basis as well.**

Fiscal 2019 was the first year of Medium-Term Management Plan (2018-2020), and it brought higher sales and income than initially predicted. In addition, strategic domains—the four business segments that will play a key role in our future success—contributed 42% on a net sales basis, surpassing expectations. I feel that this is a reflection of solid steps toward structural transformation but also sets the medium-term management plan off to a great start. The three years of the current medium-term management plan form the first step in building a platform for achieving Group Vision 2026. But a launchpad for the next step, that is, the next medium-term management plan, must be put in place as well, and this requires efforts to accelerate structural transformation of the Group. Balancing short-term improvement in business results with medium- to long-term progress on structural transformation is by no means an easy task since certain aspects cancel each other out. But we will diligently strive to achieve sustainable growth.

To promote structural transformation, TIS will attempt something during the current medium-term management plan that the Company has never tried before—split its operations into account-style business, which emphasizes Strategic Partnership Business, and service-style business, which focuses on IT Offering Services to create industry platform solutions under a prior investment style approach. Both sides of operations will interact to meet the needs of each client company while enabling TIS to capitalize on opportunities across a diverse business spectrum. This is another aspect of structural transformation. Going forward, we will introduce measures extensively throughout the Group to keep the structural transformation process moving ahead.

### Q5. In what direction will structural transformation take the TIS INTEC Group?

**To galvanize the Group's strengths, we will promote measures that emphasize cohesive power and diversity.**

People are, without a doubt, the most valuable management resource any company can have. For the TIS INTEC Group, it is therefore vital, above all else, that frontline employees—those who are closely involved in the process of structural transformation—acquire a new outlook for success. For example, service-style business presents many opportunities to work with startups and other companies with potential in the area of open innovation. I think we can deliver good results by taking a more proactive approach in deploying human resources with the right capabilities, regardless of age or level of experience, to build alliances using a more flexible organizational template. Toward this end, we will continue to vigorously invest in human resources, including training and performance evaluations matched to the new business model.

On a groupwide basis, we will concurrently strive to increase cohesive power and emphasize diversity while moving through structural transformation. As the operating holding company, TIS is the de facto leader and will promote unified group management in line with OUR PHILOSOPHY. But in practice, there is no one-size-fits-all method to bring out the best in each Group company. For example, it is okay for personnel systems to differ, matched to whatever business model is used at each company. If the system adheres to underlying Group policy, specific details can be left to the discretion of management at each company.

However, we are also looking to enhance management practices on a groupwide basis and improve efficiency by leveraging access to shared head office systems through the “G20” project to elevate head office functions. This process is inviting active dialogue within the Group. Recognizing the similarities and differences—that is, diversity—in our business activities is an indispensable component of unified group management. I expect this process to lead to new developments, such as the separation or concentration of future business activities and the creation of common platforms, that will strengthen the Group's overall capabilities.

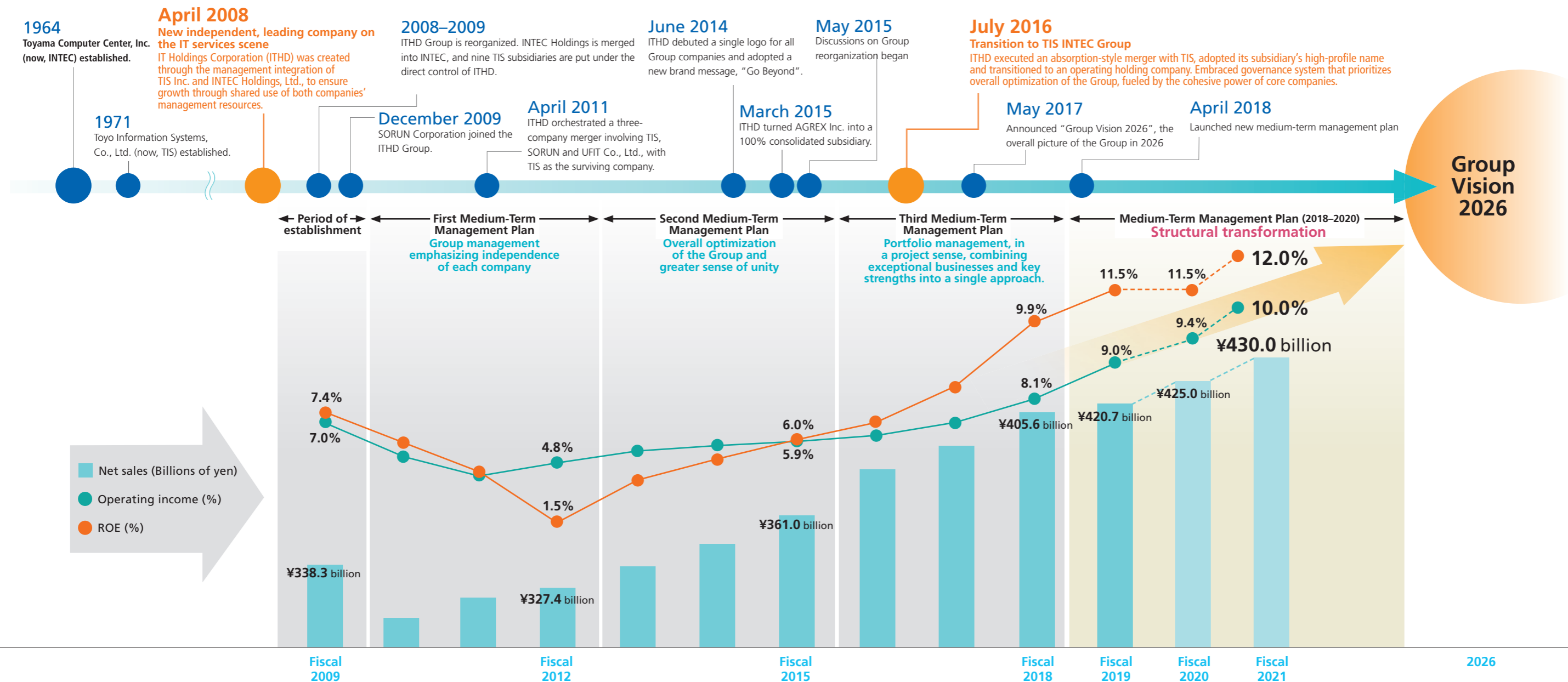
### Q6. Is there anything of particular importance you'd like to say to stakeholders?

**We will expand the possibilities of digital technology and help to solve social issues from a global perspective.**

Digital technology is indispensable in today's world. Its reach extends to so many facets of society now and is key in delivering solutions to all sorts of global issues, from disasters to sickness and poverty. Considering how reliant the world is on digital technology, the role that the TIS INTEC Group must fulfill is growing in size and so is the potential that we can achieve with the right responses. This situation is sure to continue. For example, I firmly believe that our strengths in the payment settlement business will meet the huge demand generated by a cashless society—a new payment culture increasingly embraced at home and abroad. Additionally, we are involved in various initiatives, including Utility 3.0 for a carbon-free society, next-generation transport services such as MaaS (Mobility as a Service), and application of digital technology in areas such as SDGs Future Cities (cities in Japan selected by the national government as models of urban planning with state-of-the-art environmental sustainability, strong disaster resilience and superb livability). Everyone under the TIS INTEC Group umbrella, from management to employees, is fully aware that realizing a bright future requires a heavy commitment and recognizes the social responsibility we must fulfill. As a team, we will strive to enhance corporate value by helping to solve social issues through our business activities and by contributing to the realization of a sustainable society. The support of our stakeholders is and always will be integral to success.

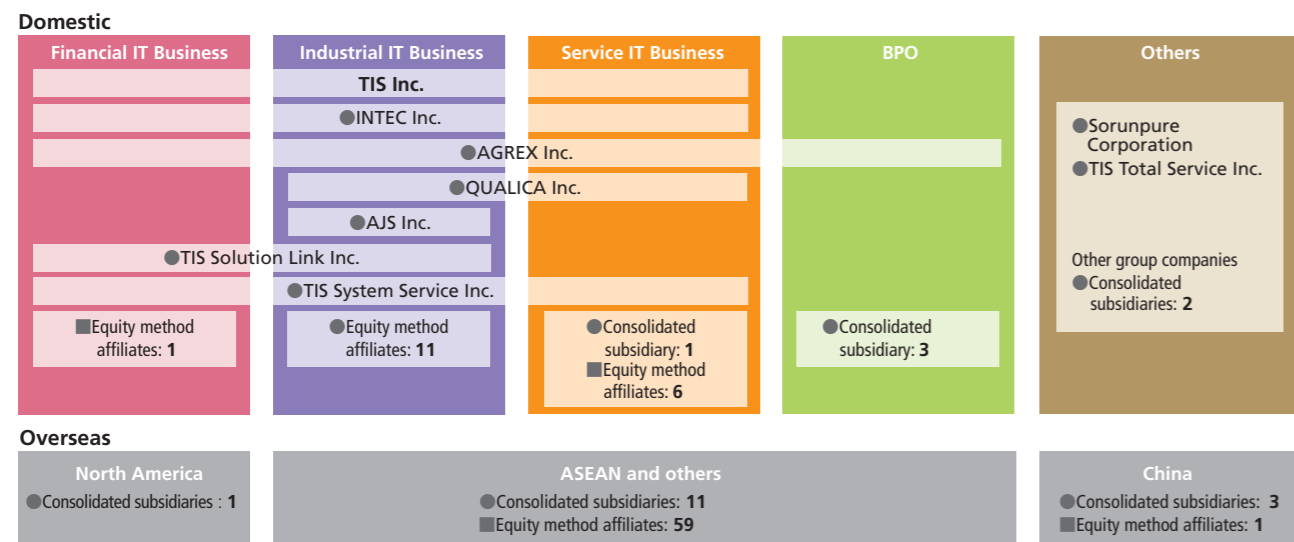
# TIS INTEC Group History

The TIS INTEC Group has, in one form or another, provided industry-leading services since the dawn of the domestic information services industry.



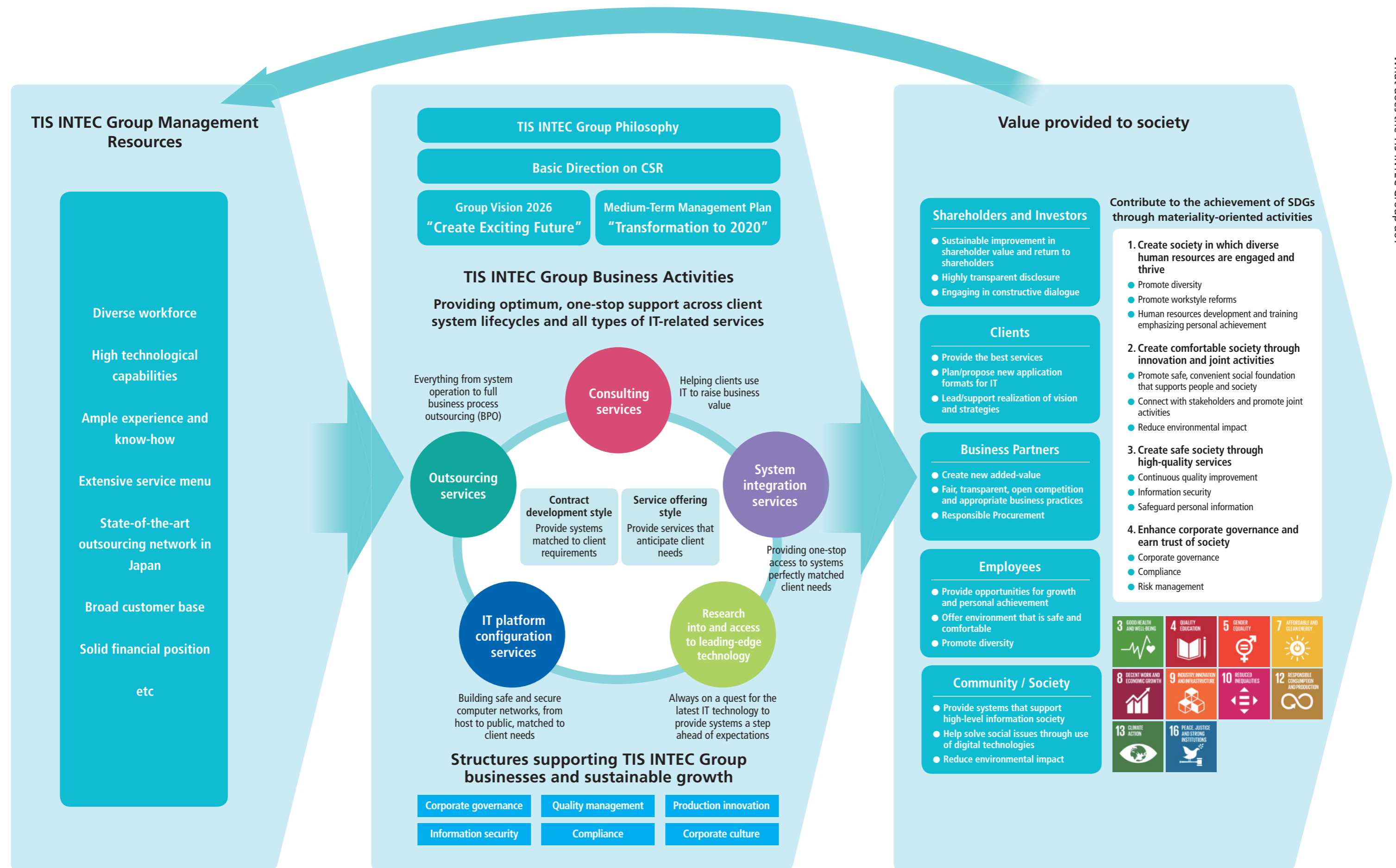
What does the TIS INTEC Group do?

As of March 31, 2019, the TIS INTEC Group consists of 108 companies, including the parent company, 40 consolidated subsidiaries, and 67 affiliated companies accounted for under the equity method.



## About the Group's Five Principal Companies

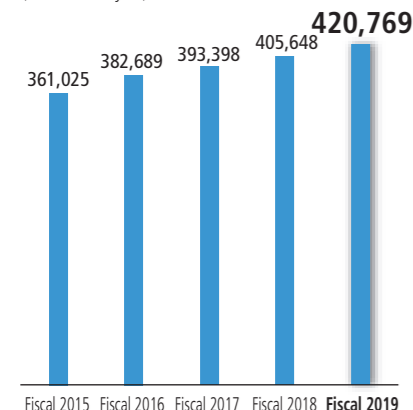
Company Name	Shareholding Ratios	Description of Business
TIS Inc.	—	Focuses on credit card companies but pursues business opportunities in a wide range of sectors, including services and manufacturing. Merged with SORUN and UFIT in April 2011 and implemented structural reforms. Merged with pure holding company IT Holdings Corporation in July 2016 and became operating holding company.
INTEC Inc.	TIS 100%	Focuses on megabanks and life insurers, and promotes CRM for regional banks and offers a wide selection of services to regional public corporations, particularly in the Hokuriku region.
AGREX INC.	TIS 100%	Leading company in mainstay BPO field. Began global BPO services in October 2013. Became wholly owned subsidiary in March 2015. Efforts to centralize Group's BPO operations at AGREX still in progress.
QUALICA Inc.	TIS 80%, Komatsu 20%	Formerly, information systems subsidiary of Komatsu. Focuses on assembly-based manufacturers, mainly those under the Komatsu Group umbrella, while expanding business with companies in the distribution and restaurant sectors.
AJS Inc.	TIS 51%, Asahi Kasei 49%	Formerly, information systems subsidiary of Asahi Kasei. Focuses on companies under the Asahi Kasei Group umbrella.



# Consolidated Financial/Non-Financial Highlights

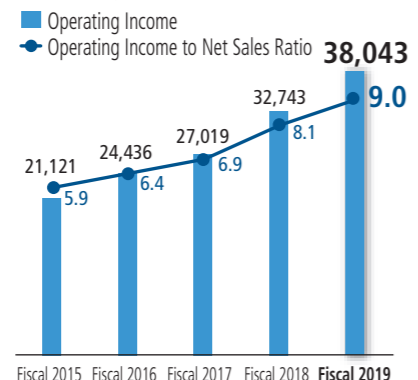
## Net Sales

(Millions of yen)



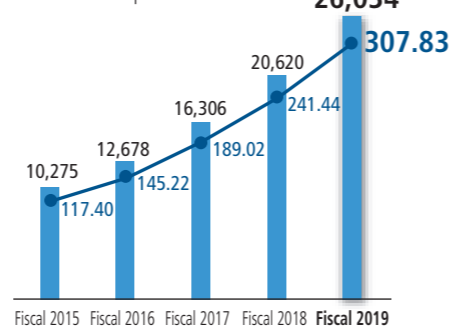
## Operating Income, Operating Income to Net Sales Ratio

(Millions of yen, %)



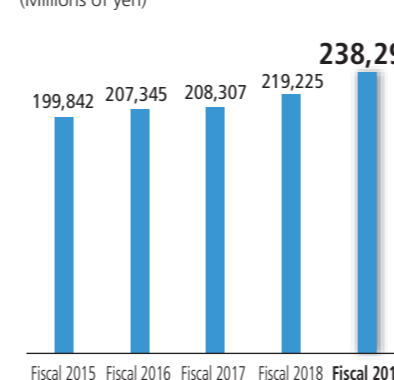
## Net Income Attributable to Owners of the Parent Company, Net Income per Share

(Millions of yen, Yen)



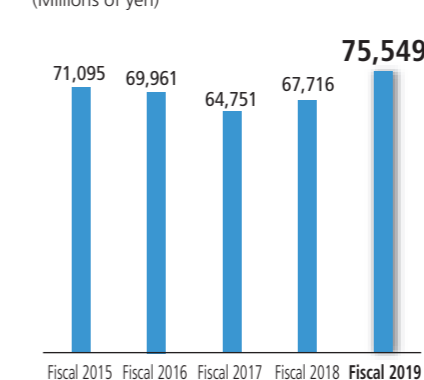
## Orders Received during the Term (Software Development)

(Millions of yen)



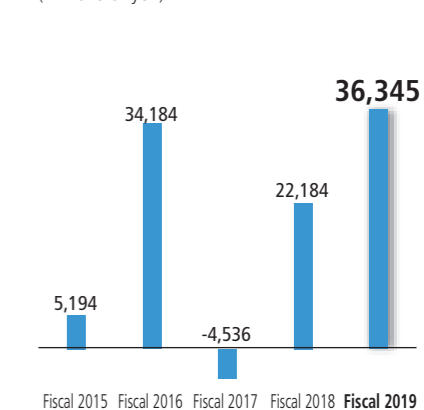
## Order Backlog at Year-End (Software Development)

(Millions of yen)



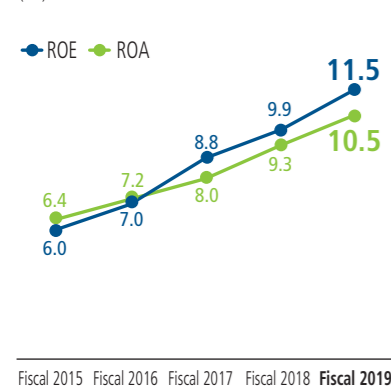
## Free Cash Flow

(Millions of yen)



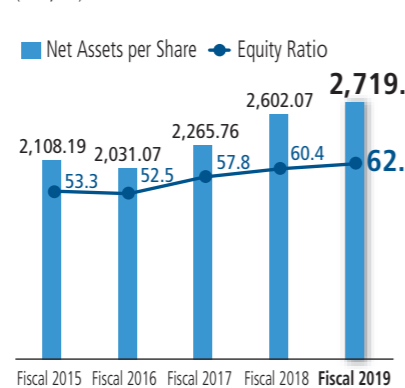
## ROE, ROA

(%)



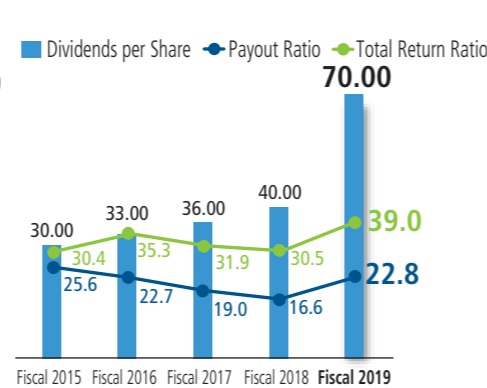
## Net Assets per Share, Equity Ratio

(Yen, %)



## Dividends per Share, Payout Ratio, Total Return Ratio\*

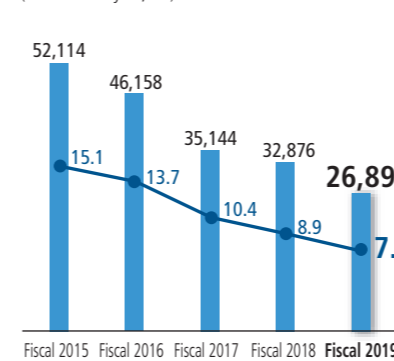
(Yen, %)



\*Total return ratio: Total amount of dividends and treasury stock buybacks as a percentage of net income.

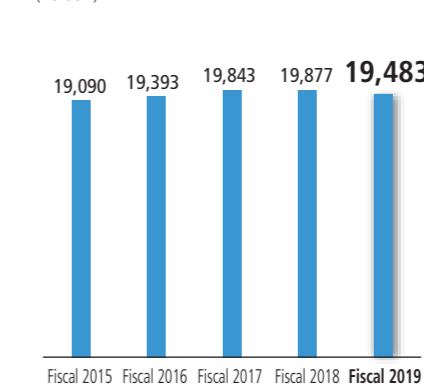
## Interest-Bearing Debt Balance, Interest-Bearing Debt Ratio

(Millions of yen, %)



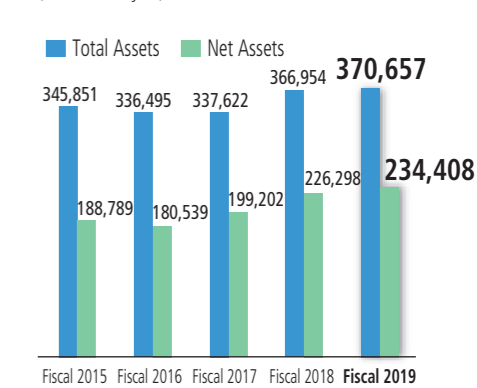
## Number of Employees at Year-End

(Person)



## Total Assets, Net Assets

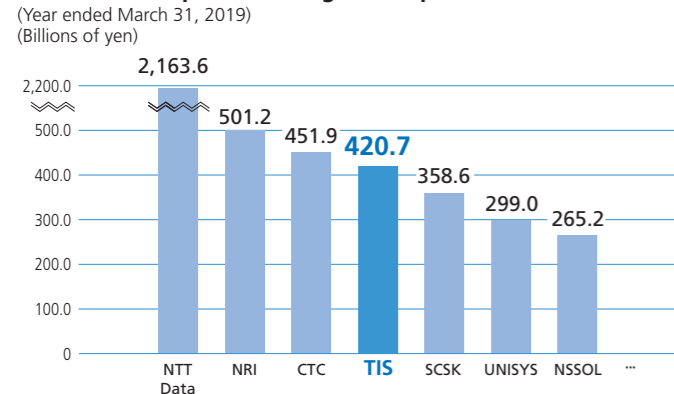
(Millions of yen)



\* From the first quarter of fiscal 2019, TIS applies "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan, Statement No. 28, February 16, 2018). Figures for fiscal 2018 have been retrospectively restated in line with the aforementioned partial amendments.

## Net Sales of Japan's Leading IT Companies

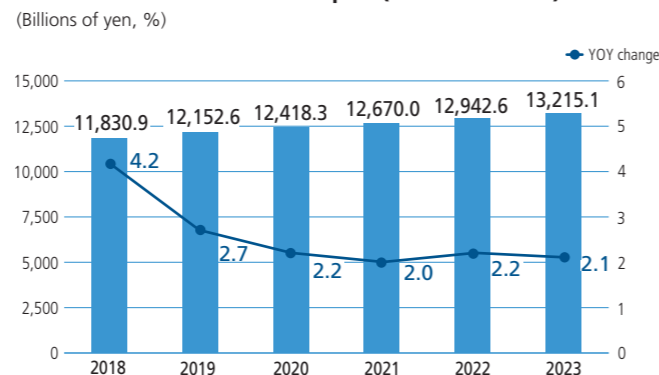
(Year ended March 31, 2019)  
(Billions of yen)



\* The graph data indicates net sales of NTT DATA Corporation, Nomura Research Institute, Ltd., ITOCHU Techno-Solutions Corporation (CTC), TIS Inc., SCSK Corporation, Nihon Unisys, Ltd., NS Solutions Corporation, and TIS INTEC Group.  
\* NTT DATA and CTC amounts are based on the IFRS (International Financial Reporting Standards).

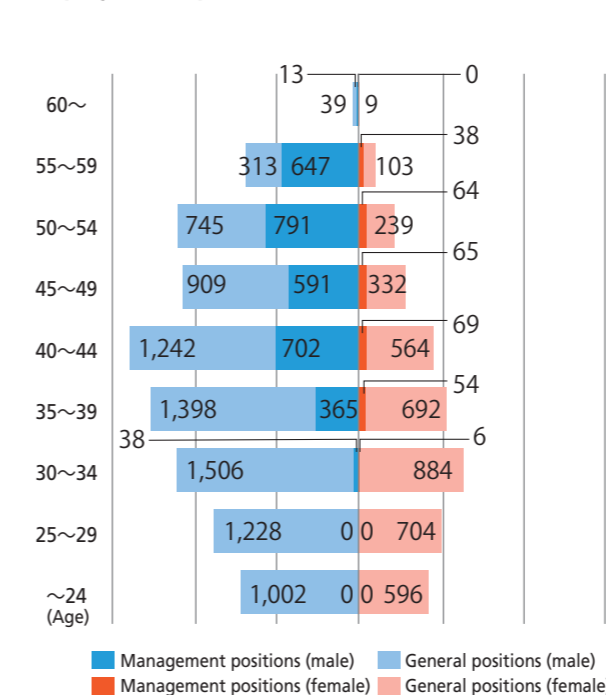
## IT Services Market Size in Japan (moderate case)

(Billions of yen, %)



\*Gartner "Forecast IT Service Japan by Vertical Industry 2Q19" M. Sawai/August 15, 2019 (PFSTJ1: PFSTJ1-MT-1912)  
End user spending based Graph created by TIS based on Gartner research The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

## Employee Composition (As of April 1, 2019) (Number of employees)



## Non-Financial Data (As of April 1, 2019)

Number of full-time employees	Male	11,529	Average total working hours	166.36
	Female	4,419	Non-scheduled hours worked	19.87
	Total	15,948	Ratio of annual paid leave taken	72.99
Average age	Male	40.24	Number of employees on maternity leave	447
	Female	36.09	Of this, men (paternity leave)	38
	Total	39.07	Number of employees working shorter hours to care for young children	681
Average length of service (years)	Male	13.69	Of this, men	9
	Female	10.78	Number of employees on nursing care leave	13
	Total	12.88	Number of employees working shorter hours to care for elderly family	3
Turnover rate		4.82	Number of non-Japanese employees (foreign nationals)	155
Number of employees in management positions	Male	3,147	Percentage of employees with a disability Note 2	2.23
	Female	296	Percentage of employees over the age of 60 Note 3	2.17
	Total	3,443		
Number of employees in general positions	Male	8,382		
	Female	4,123		
	Total	12,505		
Percentage of employees in management positions	Male	27.30		
	Female	6.70		
	Total	21.59		

Notes: 1. The above are simple combined averages or weighted averages for the TIS INTEC Group's seven principal companies (TIS, INTEC, AGREX, QUALICA, AJS, TIS System Service, and TIS Solution Link).  
2. The percentage of employees with a disability represents the combined total for TIS, SorunPure Inc. five affiliated specially recognized companies under the Group umbrella (employees hired under regular: 8,940.5 people; employees with a disability: 199.5 people). Percentage of employees with a disability is calculated based on June 1, 2019.  
3. Percentage of employees over the age of 60 is calculated based on June 1, 2019.

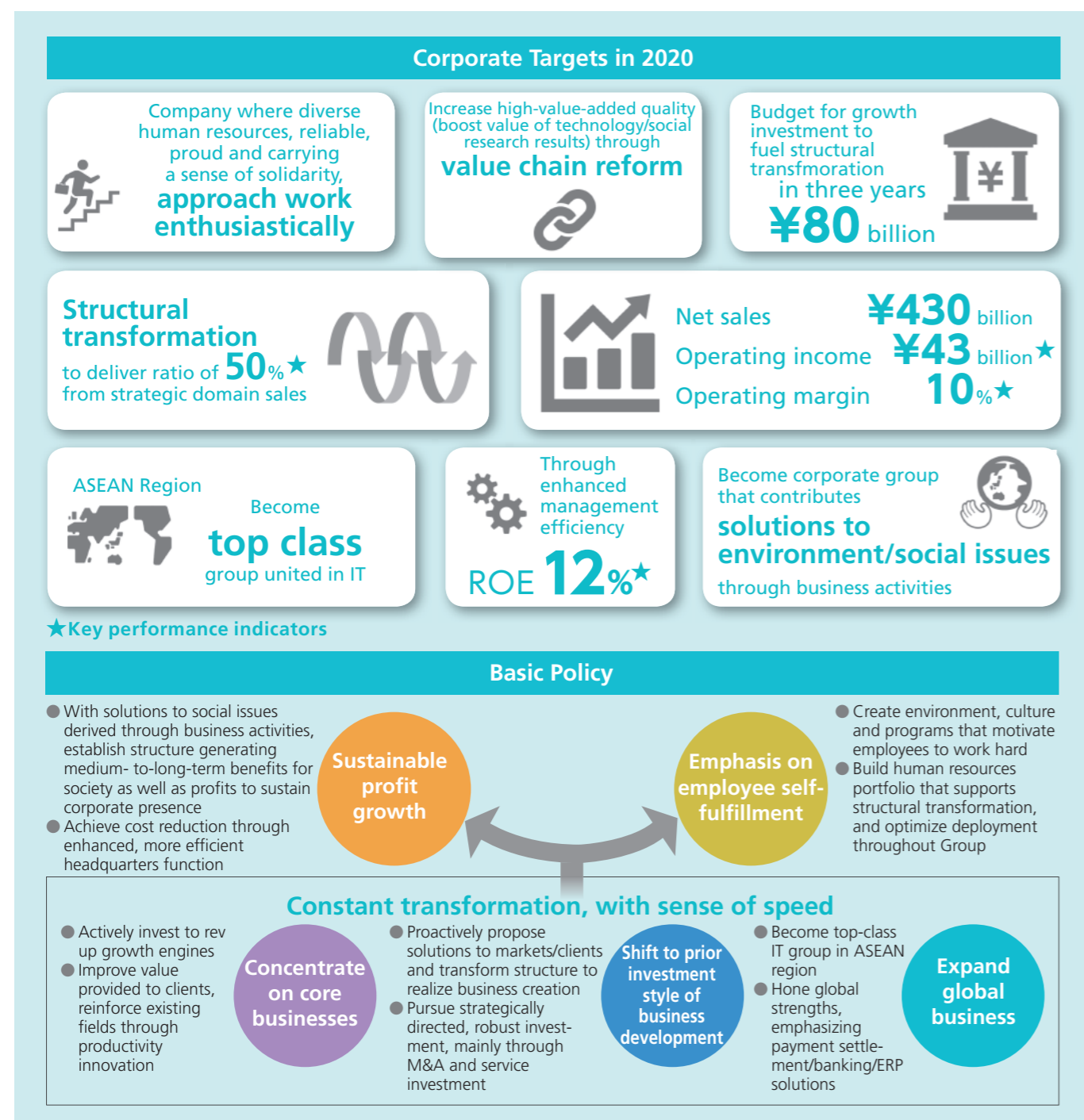
## Outline of Medium-Term Management Plan

To realize sustainable growth and higher corporate value, we have made the current medium-term management plan our first step toward achieving Group Vision 2026 and through further improvements within the Group, we will promote structural transformation and establish a resilient management foundation.

# Transformation to 2020

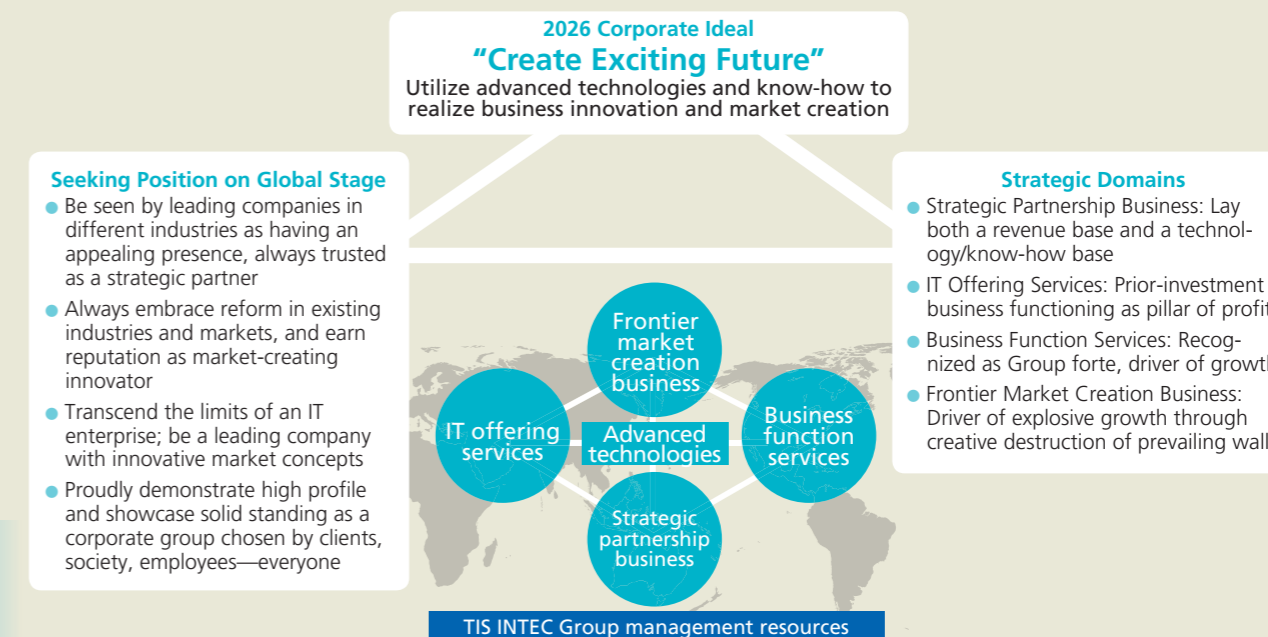
(From April 2018 to March 2021)

—Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues—

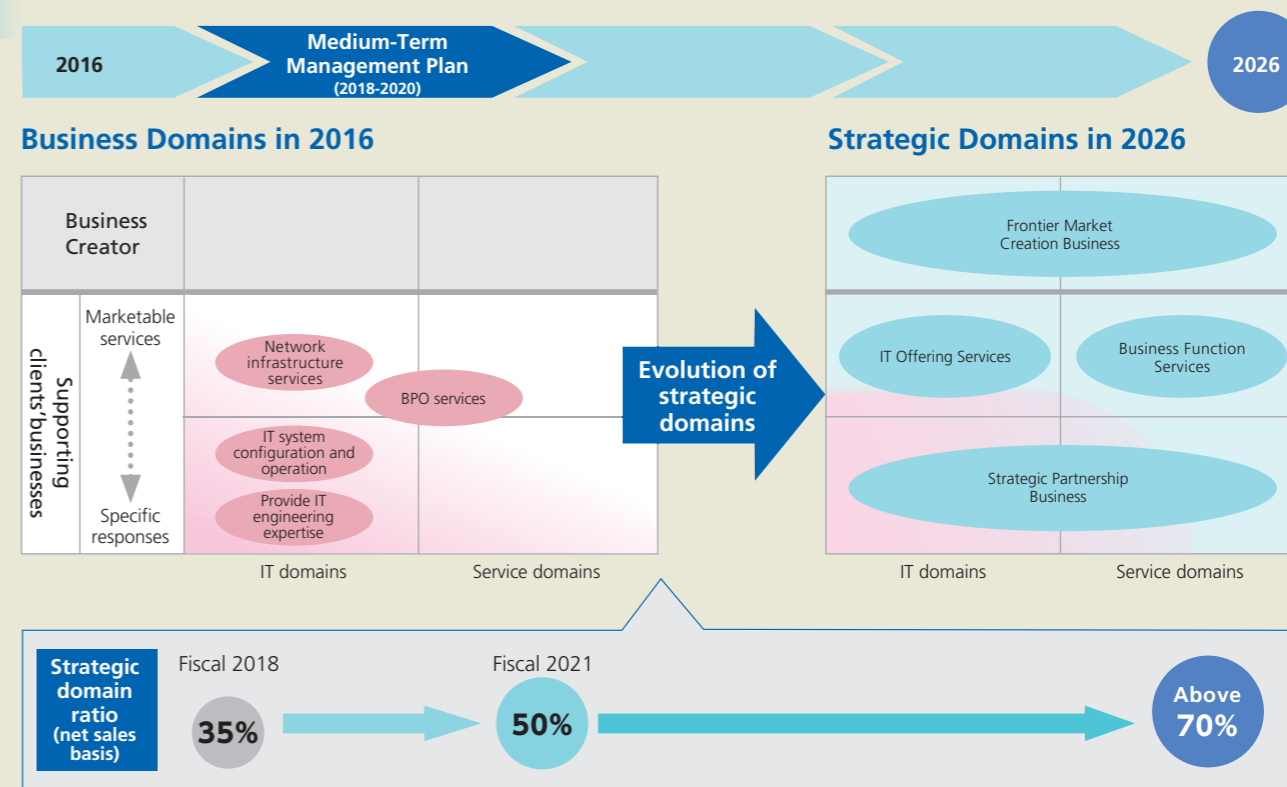


## Group Vision 2026

Taking advantage of the shift to an operating holding company in July 2016, TIS announced a new Group vision for the future in May 2017 to mobilize the capabilities of Group executives and employees alike and take corporate value higher. The new medium-term management plan is important because it is the first stage of a journey toward achieving Group Vision 2026.



Medium-Term Management Plan (2018-2020) will guide us in pursuit of structural transformation with a sense of speed to build a foundation for Group Vision 2026 success and expansion of strategic domains.





# Working toward Medium-Term Management Plan Targets ①

We are off to a great start in terms of business results and various measures based on group management policy are, overall, more or less on tract despite a few issues of concern.

## Overall Summary of Fiscal 2019

### Fiscal 2019 Group Management Direction

- Charge forward on switch to service-style business**  
Push vigorously ahead on structural transformation, seeking new set of values and style emphasizing speed and flexibility as well as knowledge-intensive style business structure
- Robust prior investment to create new services**  
Selectively invest in growth and forte fields to turn service-style businesses into growth engines
- Added-value and productivity improvements in domains of expertise**  
Focus on forte fields and key client businesses, eliminate unprofitable projects, implement enhancement reforms, and improve order profitability in good business environment
- Promote growth strategy aimed at becoming a top-class IT group in ASEAN region**  
Expand business domains established through cooperation built over time with overseas partners in line with global strategy and pursue strategic investments
- Boost motivation and reinforce human resource management**  
Strive to create framework and corporate culture in which employees—the driving force behind the Group’s growth—can thrive, and steadily realize measures described in personnel manifesto
- Pursue activities to enhance management practices and boost efficiency**  
Steadily implement “G20” project to elevate head office functions, and study and declare key sustainability issues

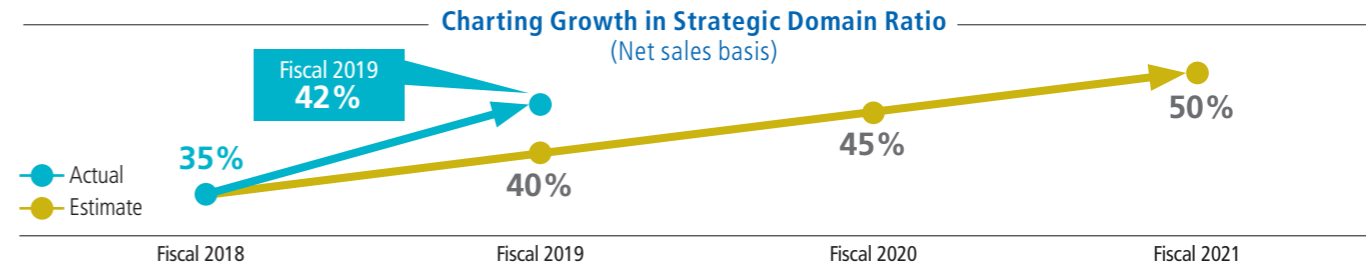
### Looking Back on Fiscal 2019

- ▲ Strategic domain ratio moved briskly upward, hitting 42%, or 7 points higher year on year. Emphasized concentration on core businesses.
- ▲ Service IT exceeded target, driven by demand for payment settlement, ERP and network solutions. Launched businesses requiring prior investment, including token requestor service.
- Quantitative transformation required to achieve medium-term targets, such as steady improvement in profitability on service-type businesses.
- ▲ Gross profit margin improved to 22.5%, reflecting enhancement upgrades and efforts to reinforce order profitability.
- ▲ Sold subsidiaries following review of business portfolio.
- Able to hold unprofitable projects to relatively low level, but development loss ratio settled at 0.9%, just off the 0.8% target.
- Continued to strengthen ties with existing targets of capital participation while pursuing new alliances.
- Accelerated business expansion through fusion of marketing channels and technologies as well as creation of joint schemes involving TIS.
- Encouraged employees to reach for their own career goals. Took steps, as planned, in line with TIS’ Human Resources SBU manifesto. Gradually extended approach groupwide.
- External recognition, such as METI’s “White 500” companies with excellent health and productivity management programs.
- “G20” project to elevate head office functions moving along as planned.
- Formulated OUR PHILOSOPHY and promoted sustainability-related activities, including identification of materiality.

## Progress of Structural Transformation Strategy 1

Medium-Term Management Plan (2018-2020) guiding structural transformation with sense of speed toward success of Group Vision 2026. Concerted effort to build content in strategic domains.

➡ Favorable progress, with ratios in Strategic Partnership Business and IT Offering Service charging upward. Maintain concentration on core businesses.



#### 1. Strategic Partnership Business

For clients at the top of their industry, we will draw on industry foresight and business knowledge that other companies cannot match—our business tools—to explore and promote business strategies with clients and underpin business basics.

**Desired Status**  
Building strong business partnerships to help clients expand operations by jointly exploring business strategies and identifying and solving business-related concerns.

#### 3. Business Function Service

We will combine industry and business knowledge accumulated within the Group and utilize advanced technologies to anticipate client needs and provide business functions as services to enhance their value chains.

**Desired Status**  
Complementing IT Offering Service with new businesses to enhance efficiency, mainly through automation, and providing high-value-added services to clients.

#### 2. IT Offering Service

We will combine leading-edge technologies and know-how accumulated as a corporate group to create and quickly provide IT solution services that anticipate client needs.

**Desired Status**  
Allowing TIS INTEC Group strengths to blossom under IT Offering Service banner; switch from labor-intensive style to non-price competition, knowledge-intensive style.

#### 4. Frontier Market Creation Business

We will utilize Group technology, operating know-how and customer bases to create new markets and business models matched to evolving industry and social needs and develop businesses for these markets on our own.

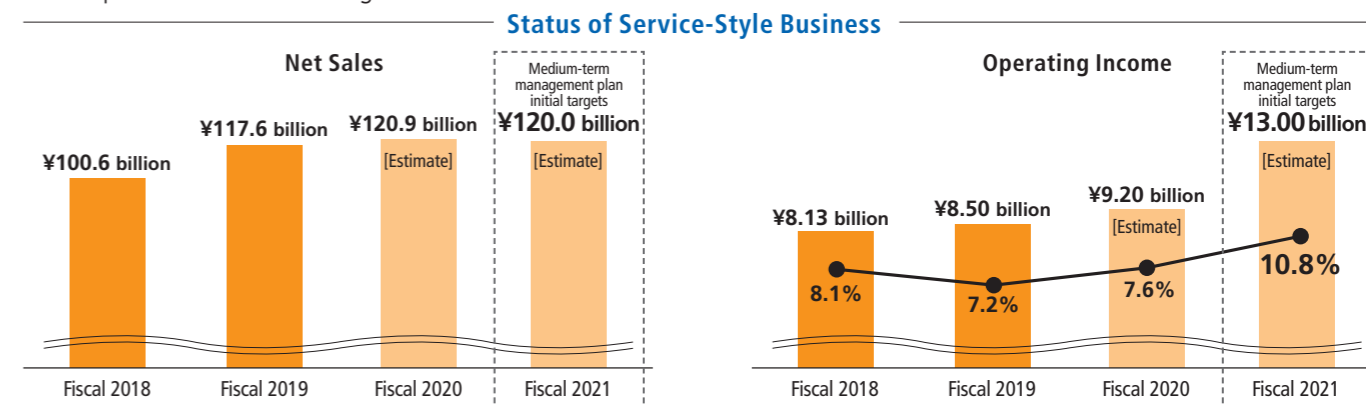
**Desired Status**  
Creating new markets that become pillars of business for the Group.

Growth Strategy/Business Strategy of the Group

## Progress of Structural Transformation Strategy 2

Turn service-style business—at the heart of IT Offering Service—into growth engine and vigorously leverage global business growth by expanding accumulated strengths, taking a robust approach to investment and emphasizing open innovation.

➡ Net sales moving in favorable direction. Operating income sluggish due to prior investment phase, but going forward, emphasis will be on boosting income.



### Anticipated Core Composition of Net Sales

(Billions of yen)	Fiscal 2018	Fiscal 2019	Fiscal 2020 (Estimate)	Status
Payment	10	15	20	Development aimed at introduction of credit SaaS-type services will drive growth.
ERP	28	28	28	Maintain high level through response to system upgrade demand.
Data centers/cloud/networks	42	42	42	Existing data center business will shrink and cloud will attract more interest.

## Working toward Medium-Term Management Plan Targets 2

Further improvement in ROE

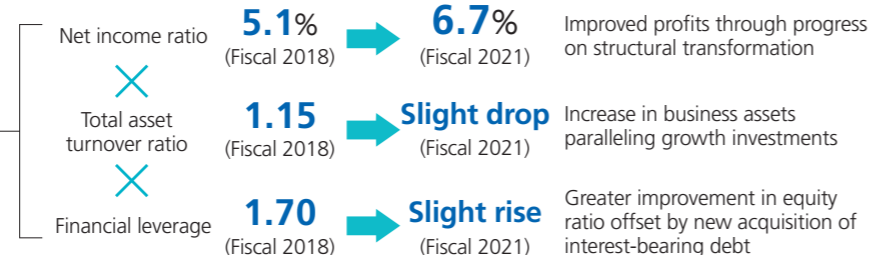
### Further improvement in ROE

TIS has always adhered to management practices conscious of capital cost, and set a target of 12% for return on equity (ROE) by March 31, 2021, as a key performance indicator measuring return exceeding capital cost. To reach this target, we will seek more appropriate capital composition and enhanced capital efficiency, with efforts to promote growth investment, maintain financial health and strengthen return to shareholders—all in the right balance.



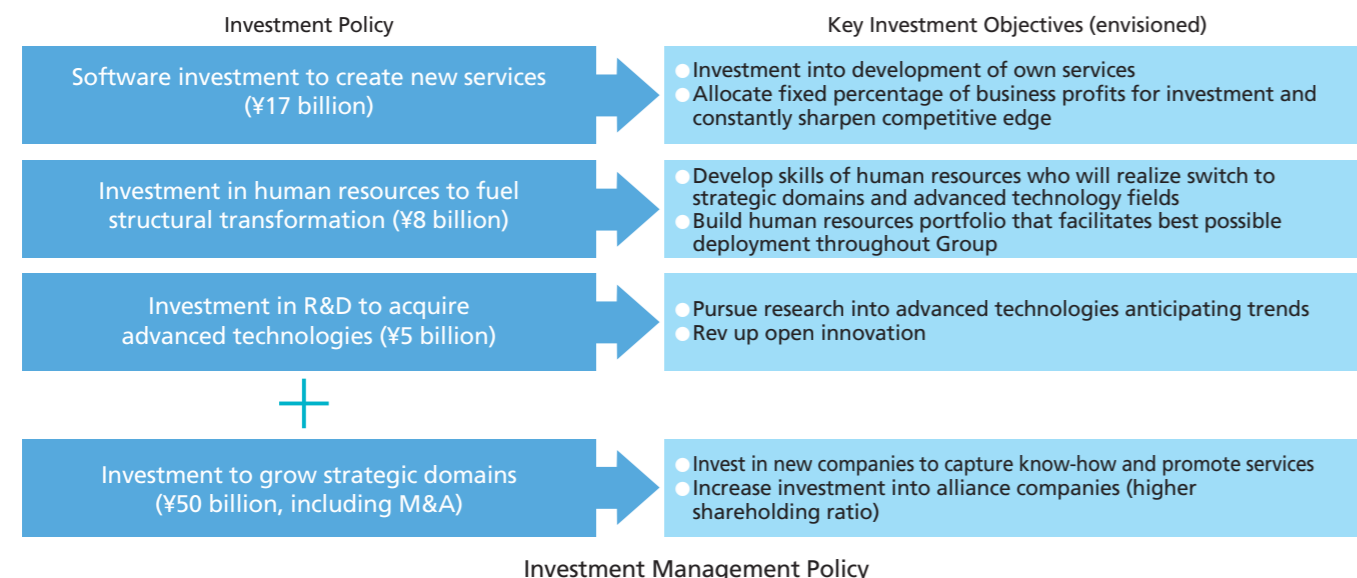
### Picture of ROE Success

**ROE**  
9.9% (Fiscal 2018) → 12.0% (Fiscal 2021)



### Investment Strategy

- Pursue growth investment activity, such as prior investment and M&As, more robustly to fuel transformation of business structure. Envision maximum ¥80 billion in investments over three years.



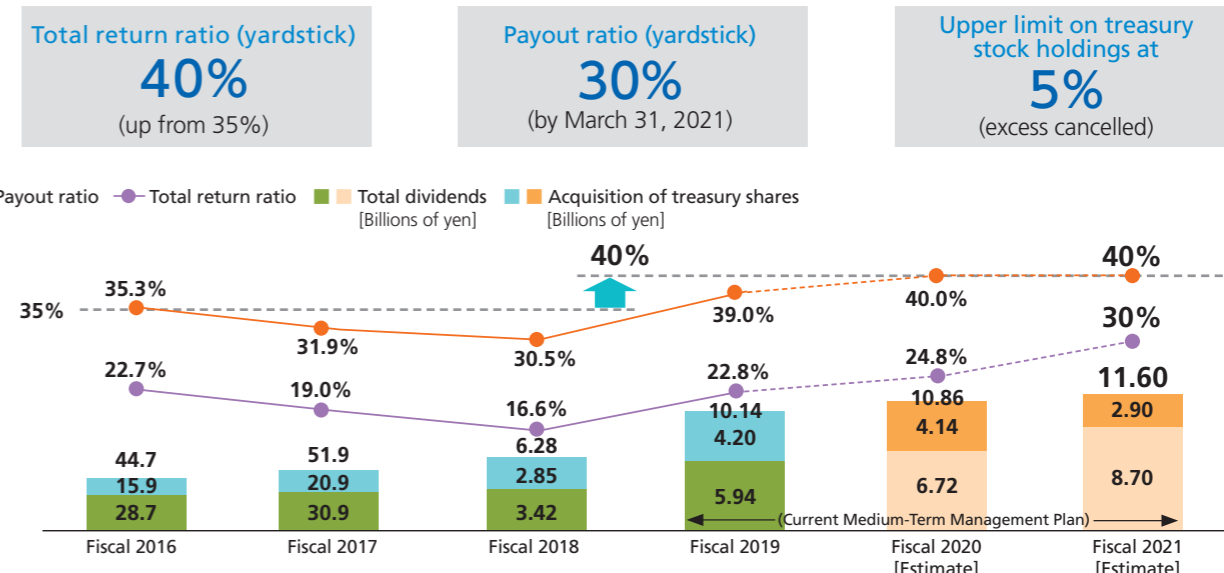
Fine-tune investment management practices to capture appropriate return from robust investment activity  
Carefully select investment targets, based on investment efficiency index and investment cost, and toughen up rules for exit management

### Investment Status (as of March 31, 2019): ¥18.8 billion

- Investment in software for creating new services: ¥7.5 billion
- Investment in personnel to promote structural transformation: ¥2.0 billion
- Investment in R&D to obtain leading-edge technologies: ¥1.0 billion
- Investment to grow strategic domains: ¥8.2 billion  
Emphasis on investments aimed at promoting global business, such as capital contributions in line with capital and business alliances, including purchase of convertible bond with stock acquisition rights issued by Anabatic Technologies.

### Basic Policy on Return to Shareholders

- Raise total return ratio yardstick to 40%, from 35%. Aim for dividend ratio of 30% by fiscal 2021 through stable dividend growth.
- Set upper limit on treasury stock holdings to 5% of total number of issued shares, with excess of this amount cancelled.



### Numerical Targets

Actual Estimate [Billions of yen]





We will leverage structural transformation and work toward higher corporate value, underpinned by a “profit emphasis” management policy.

**Masahiko Adachi,**  
Representative Director,  
Executive Vice President

Another year of record business results against a favorable business backdrop. Off to a great start.

**Summary of Fiscal 2019 Results**

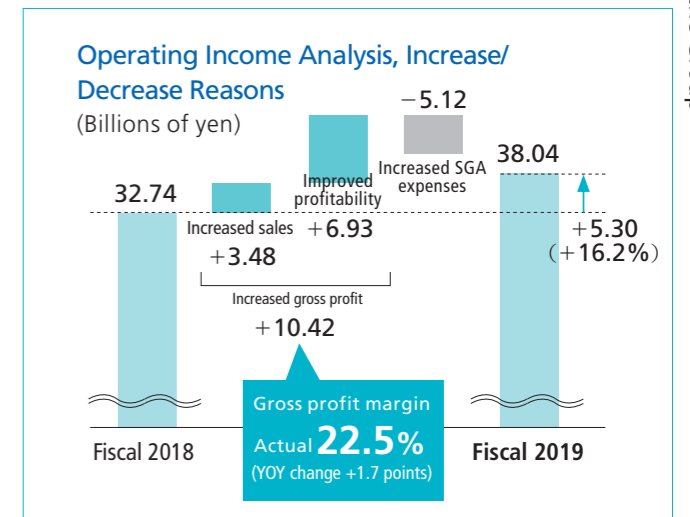
Fiscal 2019, ended March 31, 2019, was the first year of Medium-Term Management Plan (2018-2020). A good operating environment created a favorable tailwind that we rode to a solid landing, exceeding initial performance targets. Net sales increased for the ninth straight year and operating income grew for the eight straight year, marking all-time highs. We are definitely off to a great start.

Under good operating skies, we accurately identified client needs in sectors where the trend toward IT investment is particularly strong. This translated into a 3.7% increase in net sales, to ¥420.7 billion, which was 1.6% more than our original target. Operating income jumped 16.2% year on year, to ¥38.0 billion, or 8.7% better than we had expected, pushing the operating margin to 9.0%, compared with 8.1% a year ago. Net income attributable to owners of the parent company followed suit, climbing 26.3% year on year, to ¥26.0 billion, or 11.7% more than projected.

By key segment, the drivers of growth were the Service IT Business, which benefited mainly from wider demand for payment settlement-related services and ERP upgrades, and the Industrial IT Business, which enjoyed a positive shift in demand due to growing IT investment by a wide range of client groups, including companies in the energy business. The BPO Business and the Financial IT Business posted lower sales, but the downturn reflects, for BPO, a significant impact from the fourth-quarter sale of consolidated subsidiaries as part of management’s policy of concentrating on core operations and for Financial IT Business, a reactionary drop following the end of some large development projects. Operating income was up year on year in all segments, with a notable increase for the Industrial IT Business, thanks to the success of measures to boost profitability, including a review of transaction margins and steps to enhance productivity.

\*Please go to page 23 for details on business strategies and performances by segment.

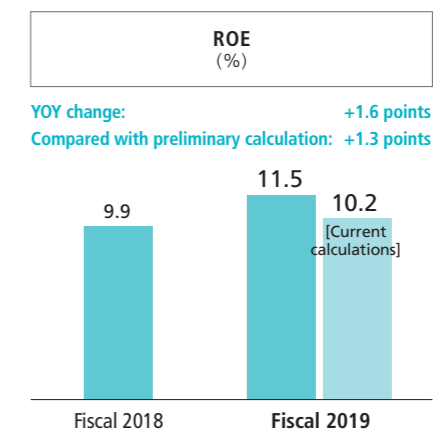
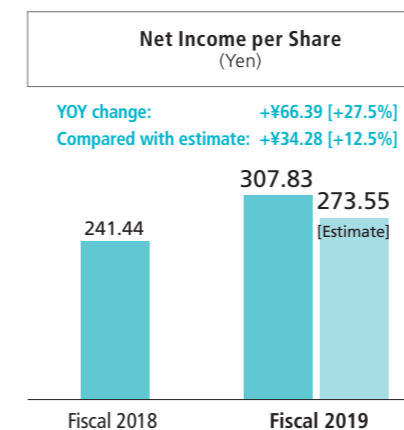
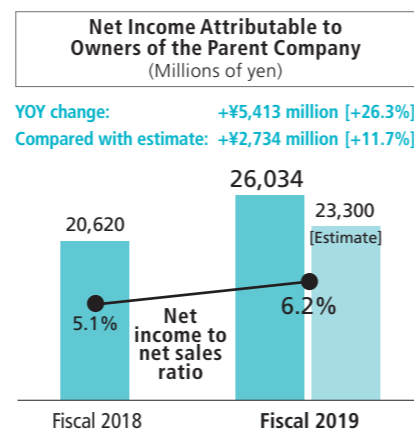
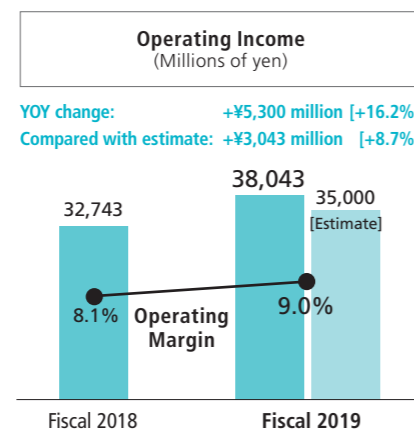
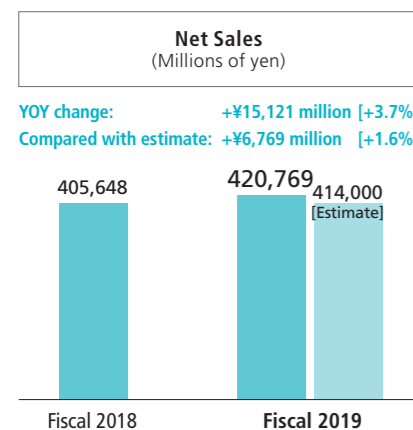
If we look at the changes that affected operating income, the effect of higher sales—¥3,480 million—and improved productivity—¥6,830 million—generated a ¥10,420 million increase in gross profit, with the gross profit margin rising 1.7 points, to 22.5%. This absorbed an increase of ¥5,120 million in selling, general and administrative expenses, which then left operating income ¥5,300 million higher than a year ago. The upward change in selling, general and administrative expenses is largely due to greater spending in support of structural transformation, and we considered this to be a forward-looking allocation of funds from the perspective of upfront investment contributing to growth in the medium term. Note that unprofitable projects in fiscal 2019 hovered at ¥2.2 billion, up about ¥400 million year on year. This may be lower than in the past, but we accept with all due sincerity the fact that we failed to hold the development loss ratio within the predicted level of 0.8%, or about ¥1.8 billion, on a full-year basis. Going forward, we will be more thorough in our efforts to control the appearance of unprofitable projects.



Prior investment costs incurred in promoting structural transformation: YOY change +¥750 million

**Fiscal 2019: Performance Highlights**

Actual Estimate



**We will make steady progress toward the targets stated in our medium-term management plan.**

**Performance Forecast for Fiscal 2020**

Business sentiment for fiscal 2020 is rather uncertain, but the operating environment for the TIS INTEC Group is expected to continue to shift in a favorable direction, reflecting greater interest in digital management and a stronger trend toward IT investment by companies keen to realize management strategies based on robust use of IT.

Against this backdrop, the Group will work energetically on various measures, making steady progress toward Medium-Term Management Plan (2018-2020) targets, based on stated management direction. We anticipate higher sales and income on a consolidated basis in fiscal 2020, with net sales inching up 1%, to ¥425 billion, operating income rising 5.1%, to ¥40 billion, the operating margin improving 0.4 point, to 9.4%, and net income attributable to owners of parent increasing 4.1%, to ¥27.1 billion. These estimates assume a net sales impact totaling about ¥12.0 billion, comprising about ¥6.0 billion from the sale of subsidiaries at BPO and others, and another ¥6.0 billion due to a drop in demand for system development following completion of large projects at Financial IT Business. Also, for operating income, we are assuming an increase of about ¥2.5 billion earmarked for robust upfront investment to leverage structural transformation. We are aiming for a gross profit ratio of 23.1%, up 0.6 point from fiscal 2019, which would see us achieve our target of 23%, which was internally assumed on the expectation of an operating margin of 10%, a year ahead of schedule.

**Group Management Direction in Fiscal 2020**

- 1 Robust prior investment to fuel business expansion and structural transformation**  
Selectively invest in growth fields and areas of expertise to turn service-style businesses into growth engines
- 2 Promote measures and review business portfolio with view toward higher profitability**  
Concentrate on forte fields and key client businesses, eliminate unprofitable projects, emphasize order profitability and thoroughly implement enhancement reforms
- 3 Promote growth strategy aimed at becoming a top-class IT group in ASEAN region**  
Expand business domains and pursue strategic investments through cooperation built over time with overseas partners in line with global strategy
- 4 Boost motivation and take human resource management to higher level**  
Strive to create framework and corporate culture in which employees—the driving force behind the Group’s growth—can thrive, and steadily realize measures described in personnel manifestos
- 5 Realize enhanced management practices and higher efficiency**  
Instill widespread awareness of unified, groupwide management, based on OUR PHILOSOPHY, promote “G20” project to elevate head office functions, and kick off new system “GAIA”

**Fiscal 2020 Performance Forecast**

	Fiscal 2020 (plan)	YOY changes
Net Sales	¥425,000 million	+¥4,231 million [+1.0 %]
Operating Income	¥40,000 million	+¥1,957 million [+5.1%]
Operating Margin	9.4%	+0.4 points
Net Income Attributable to Owners of Parent Company	¥27,100 million	+¥1,066 million [+4.1%]
Net income to Net Sales Ratio	6.4%	+0.2 points
Net Income per Share	¥324.10	+¥16.27 [+5.3%]
ROE	11.5%(current calculations)	+0.0 points

**We will enrich return to shareholders matched to growth in business results, based on a 40% total return ratio.**

**Return to shareholders**

TIS’ basic policy is to keep internal reserves at a level sufficient to ensure business growth from a medium- to long-term perspective, while continuing to pay a stable dividend in consideration of consolidated financial results. Based on this policy, we seek to enhance return to shareholders by boosting the total return ratio yardstick, to 40%, from 35%, during Medium-Term Management Plan (2018-2020) and then realize a payout ratio of 30% by fiscal 2021 through stable dividend growth.

The annual dividend for fiscal 2019 was higher than in fiscal 2018, extending the dividend growth for the seventh consecutive year. And given better-than-anticipated business results, we increased the year-end dividend by ¥10 per share, to ¥70 per share from the initial plan of ¥60 per share. Consequently, the total return ratio hit 39.0%, accounting for the repurchase of 809,100 shares of treasury stock for ¥4.2 billion.

Looking to fiscal 2020, we intend to pay an annual dividend of ¥80 per share, up 10% from fiscal 2019, for a payout ratio of 24.8%. The total return ratio will hover near 40%, accounting for the repurchase of 749,800 shares treasury stock between May and July 2019 for ¥4.1 billion.

	Fiscal 2019	Fiscal 2020
Annual dividends per share	¥70 (YOY change: +¥30) Compared with estimate: +¥10)	¥80 (YOY change: +¥10)
Acquisition of treasury share	Total acquisition amount ¥4.2 billion	Aggregate acquisition amount ¥4.1 billion
Total return ratio	39.0%	40.0%

**The “profit emphasis” management policy will become a major driving force, steadily pushing corporate value higher.**

**Toward further improvement in ROE**

Throughout the TIS INTEC Group, we emphasize management practices conscious of capital costs, and the medium-term management plan describes a target of 12.0% for ROE as a key performance indicator measuring a return that exceeds capital costs. To achieve this target, we will seek a more appropriate capital composition, underpinned by efforts to promote growth investment, maintain financial health and strengthen return to shareholders—all in the right balance.

ROE for fiscal 2019 reached 11.5%, up 1.6 points from fiscal 2018, putting us ever so close to our 12% target. The biggest factor for this was better business results and, subsequently, improved profitability. Taking advantage of our transition to an operating holding company in July 2016, we accelerated decision-making and delivery of strategies groupwide. This fueled the success of various measures, not limited to reducing the number of unprofitable projects, which had been a major issue, but extending to enhanced KPI management, including verification of potential profitability at time of order receipt and improved productivity in enhancement domains. In addition, we were able to implement the profit emphasis more thoroughly, exemplified by a careful review of the business portfolio from a profitability perspective. Comparing key numbers for fiscal 2016—which preceded the transition to an operating holding company—with the most recent fiscal year, that is, fiscal 2019, shows significant growth across the board. But what is particularly noteworthy is how fast the gross profit margin improved. Achieving 22.5% in fiscal 2019 means the inherent strength—the success factor—of our businesses is more robust. Consequently, earnings per share has more than doubled over the past three years, driving ROE higher. The profit emphasis has steadily propelled corporate value higher, and I feel it will continue to generate good results. Also, this breeds a positive cycle, represented by the fact that TIS’ total shareholder returns over the last five years exceed TOPIX (Tokyo Price Index) and results reported by industry rivals.

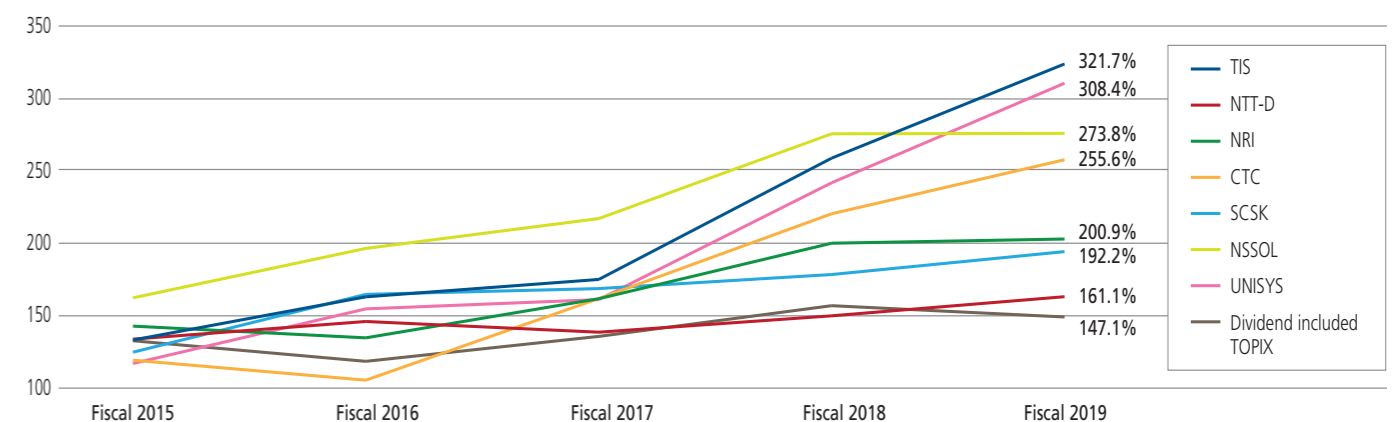
From this point forward, if we can realize structural transformation as planned, we will take profitability to new heights, which in turn fuel progress toward the 10% target we have set for operating margin, as per the medium-term management plan, as well as the 12% target for ROE. This will be our new starting point—a launchpad for the next medium-term management plan—and even higher targets.

To meet the expectations of our stakeholders, we will continue to promote structural transformation through steady implementation of various measures and work toward achievement of Group Vision 2026, which guides us through the current medium-term management plan and beyond, and then leads us to higher corporate value. I ask for the continued support of shareholders, investors and other stakeholders as we work toward new success.

**CAGR (Compound Annual Growth Rate) of Key Figures**

(Millions of yen)	Fiscal 2016	Fiscal 2019	Change during three years	Compound annual growth rate (CAGR)
Net Sales	382,689	420,769	+38,080	3.2%
Gross Profit Margin	18.4%	22.5%	+4.1 points	-
Operating Income	24,436	38,043	+13,607	15.9%
Operating Margin	6.4%	9.0%	+2.6 points	-
Net Income Attributable to Owners of the Parent Company	12,678	26,034	+13,356	27.1%
Net Income per Share (Yen)	145.22	307.83	+162.61	28.5%
ROE	7.0%	11.5%	+4.5 points	-

**Total shareholder return (TSR)**



Source: Based on fiscal 2019 securities report of each company

## Service IT Business

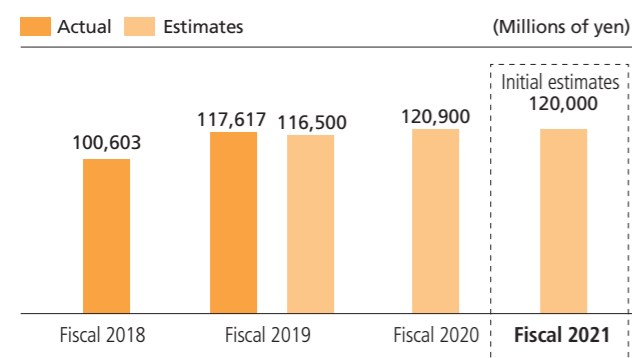
Provides original knowledge-intensive IT services leveraging TIS' service and industry know-how to create universalized, template-oriented solutions for clients (includes default configuration and ERP).

### Business Growth Strategies, Focus Points of Medium-Term Management Plan

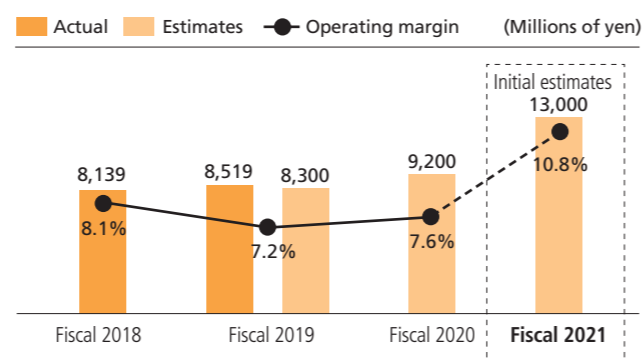
- With priority allocation of management resources toward growth engines and use of advanced technologies, expand business (IT Offering Services) through shift toward business anticipating prior investment by clients
- Watch for changes in structure of payment settlement business and expand prior investment style services not only for debit and prepaid card transactions but for credit card transactions as well

Segment sales include intersegment sales.

#### Net Sales



#### Operating Income



### Fiscal 2019 Performance Results

Expanded payment settlement-related business and greater ERP replacement demand covered prior investment costs aimed at strengthening business. Led to higher segment sales and income year on year. Exceeded target.

### Fiscal 2020 Performance Forecast

Will take advantage of IT investment activities in growth fields, such as the cloud and networks, as well as expanding payment settlement business and ERP demand to absorb cost burden of prior investments. Should lead to higher sales and operating income.

### Understanding the External Environment

- Sustained trend toward greater use of cloud services. Domestic security market should continue to present high demand.
- Structural changes in payment settlement market parallel progress toward cashless society in Japan. More companies in wide range of business sectors pursuing robust IT investment activity.



## BPO

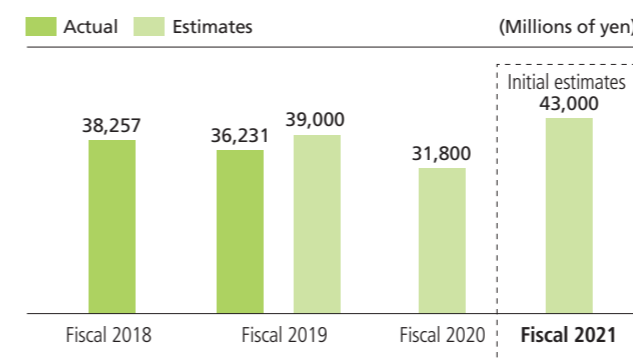
Draws on Group's extensive service menu and IT know-how to deliver business process outsourcing (BPO) services, including marketing and sales services and office and contract operations.

### Business Growth Strategies, Focus Points of Medium-Term Management Plan

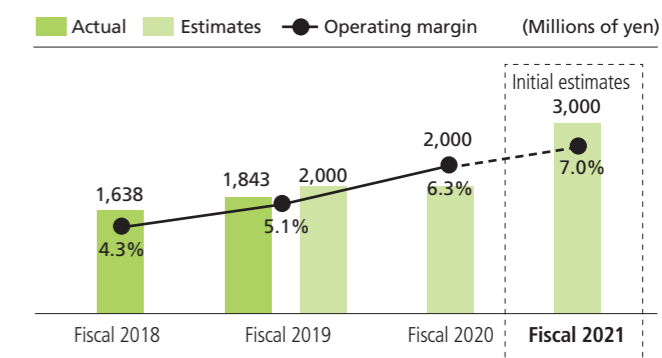
- Improve gross profit ratio on existing entry services through BPO concentration effect and business restructuring
- Expand business and boost profitability (Business Function Service) through more sophisticated BPO drawing on shift to high-level, combined BPO and use of forte business knowledge and advanced technologies.

Segment sales include intersegment sales.

#### Net Sales



#### Operating Income



### Fiscal 2019 Performance Results

Segment sales relatively stable, but sale of subsidiaries had significant impact, causing year-on-year decrease. Missed target. Segment income was up year on year, owing to tougher measures, such as review of transaction profitability, but still came in below target.

### Fiscal 2020 Performance Forecast

Despite year-on-year drop in sales due to sale of subsidiaries, operating income should rise, reflecting efforts to improve profitability through restructuring based on thorough profit management and a shift toward high-level, combined BPO services.

### Understanding the External Environment

- Growing demand for BPO services that help companies improve operations on an administrative level.
- Greater need for digital innovation due to prolonged labor shortage and progress in workstyle reform.
- Impact, mainly from requests for lower prices on existing BPO services, a cause for concern.



Example of IT services in the TIS INTEC Group portfolio that help support clients' businesses, the lifestyles of individuals and social infrastructure

Promoting cashless settlement in Japan  
**Branded debit card-related**  
Service provision/system development results

Domestic market share  
About **80%**

There are about 440 million debit cards affiliated with an international brand in Japan. Settlement transactions have reached about 260 million per year, with an aggregate value of about ¥1.4 trillion.

The TIS INTEC Group boasts an overwhelming share—about 80%—of the market, on a transaction-handling financial institution basis, through such solutions as DebitCube+, which provides one-stop access to services required or branded debit card issuance and operation.

Support centralized information management at financial institutions and raise efficiency and sophistication of operations

**F<sup>3</sup> (F Cube)**  
CRM implementation

**38 of 64** banks  
(regional banks)

Of note, share of top 30 regional banks (total funds) at 80%.

F<sup>3</sup> CRM System for financial institutions has been installed at more than half of the regional banks in Japan. In addition, demand for a cloud-based application is rapidly expanding, with overall delivery of the F<sup>3</sup> series reaching more than 90 financial institutions.

Supporting greater operating efficiency in e-commerce

**EDI**  
System configuration and operation track record

Number of connections  
About **100,000**  
ID connections

Electronic data interchange (EDI) services are used in a range of industries, and our approximately 100,000 ID connections make us the market leader. We also have extensive experience in developing and operating enterprise EDI platforms swiftly tailored for internet EDI.

Helping to promote management strategies using BPO services to boost productivity

**Data entry services**  
Handling volume

Annually  
About **80 million** entries

The TIS INTEC Group is the expert in domestic BPO services, with more than 50 years of history in the field.

Data entry services, facilitated primarily through top-class systems in Japan and networks at home and abroad, have reached about 80 million entries a year.

## Financial IT Business

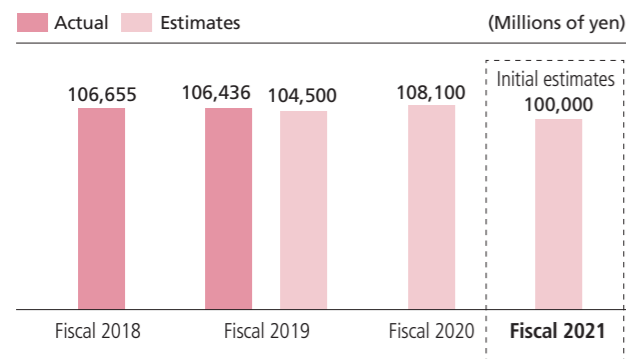
Leverages business and operating know-how specific to the financial sector to raise value-added quality of clients' operations, expand use of IT, and provide IT-based support for operations.

### Business Growth Strategies, Focus Points of Medium-Term Management Plan

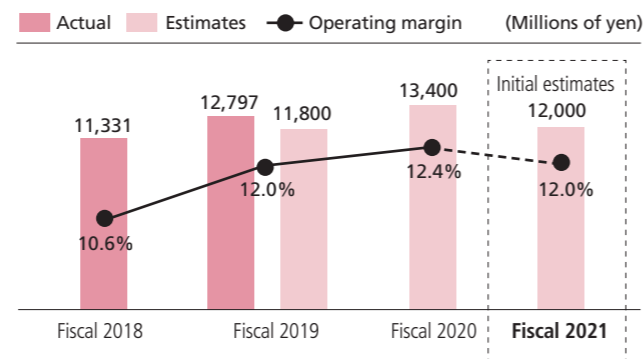
- Expand business (Strategic Partnership Business) by strengthening connection to extensive client base of credit card companies, banks and insurers, and creating business together
- Increase provided value by utilizing Mode2 and other digital innovations as well as AI and other advanced technologies, and boost profitability by promoting measures, such as enhancement innovation activities, to improve productivity

Segment sales include intersegment sales.

#### Net Sales



#### Operating Income



### Fiscal 2019 Performance Results

Despite year-on-year decrease in sales due to reactionary drop on large development projects, segment exceeded target, driven by trend toward greater IT investment by core clients, particularly those in credit card sector. Segment income was up year-on-year and surpassed target, thanks to enhanced productivity.

### Fiscal 2020 Performance Forecast

Despite reactionary drop in sales associated with large projects, operating income should increase year on year, reflecting efforts to strengthen ties to core clients, engage in value-added services and improve productivity.

### Understanding the External Environment

- Expect expanding demand related to cashless payment settlement, including reward points, paralleling hike in consumption tax.
- Banks, especially megabanks, resuming IT investment efforts, to underpin business reforms.



## Industrial IT Business

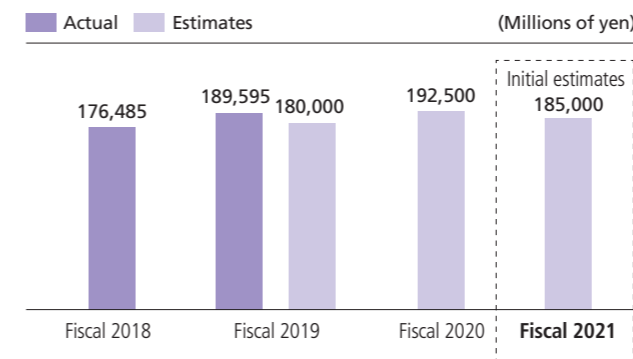
Utilizes business and operating know-how specific to non-finance industries to raise value-added quality of clients' operations, expand use of IT, and provide IT-based support for operations.

### Business Growth Strategies, Focus Points of Medium-Term Management Plan

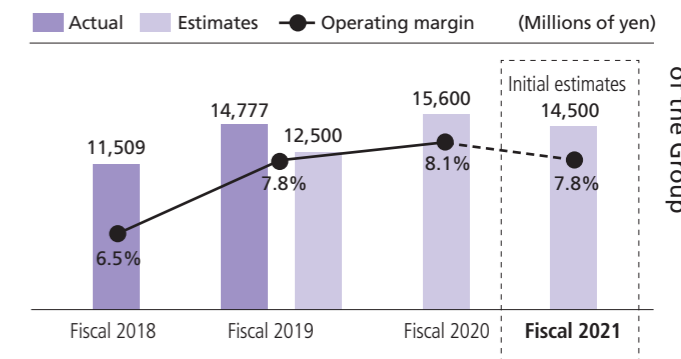
- Expand business (Strategic Partnership Business) by strengthening connection to extensive client base in industry and public sectors, and creating business together
- Increase provided value by utilizing Mode2 and other digital innovations as well as AI and other advanced technologies, and boost profitability by promoting measures, such as enhancement innovation activities, to improve productivity

Segment sales include intersegment sales.

#### Net Sales



#### Operating Income



### Fiscal 2019 Performance Results

Sales and income up year on year, owing to greater IT investment by a wide range of client groups, including companies in the energy business. Exceeded target.

### Fiscal 2020 Performance Forecast

Will absorb reactionary drop from large projects with high-value-added services underpinned by consultations and enhanced upstream operations and by boosting productivity, which should lead to higher sales and income year on year.

### Understanding the External Environment

- Sense of uncertainty about business climate for some members of manufacturing sector but IT investment needs for clients keen to embrace digital management, including use of AI, IoT and other new technologies, should remain firm.
- IT investment associated with electric power/gas system reform should stay a high level, underpinned by projects related to corporate splits.



Note: Paralleling a change in know-how used in services provided to specific clients—from industrial IT to financial IT—transactions with such clients were booked under industrial IT in fiscal 2018 and financial IT in fiscal 2019.

Example of IT services in the TIS INTEC Group portfolio that help support clients' businesses, the lifestyles of individuals and social infrastructure

Supporting safe and secure, daily credit card settlement

**Credit cards**  
Core system development results

Domestic market share

About **50%**

(On annual transaction volume basis for clients served)

Of 25 companies in Japan with significant consumer credit transaction volumes, 10 are in the Group's client base for core system development.

Credit extended for card-facilitated purchases has reached ¥67 trillion in Japan. The 10 companies that are in the TIS INTEC Group client base have aggregate membership of about 190 million people and credit transaction volume representing about 50% of the total market.

Aiding new entrants to the deregulated power market

**EneLink**  
Usage

Share of switchers in Japan

About **40%**

EneLink is the choice of about 40% of users switching to PPSs since deregulation of Japan's electricity retail market began in April 2016. In addition, the lineup is being expanded to meet wider market participation, including new entrants into city gas and aggregation businesses\*1.

\*1 Optimum control by bundling energy sources, such as storage batteries, power-generation facilities and demand-response providers, to stabilize the grid and avoid output control on renewable energy.

Highly evaluated as restaurant sector-specific shop management system

**TastyQube**  
System implementation

About **20%**

(Top 200 companies in the restaurant sector)

TastyQube is highly versatile and can be applied to any restaurant format, helps to visualize shop operations, and realizes enhanced operating efficiency.

The solution has been applied to about 20% of market share, mainly for restaurants, cafes and pubs.

Contributing to stable insurance system platform creation

**For Federation of National Health Insurance Associations**  
Track record in system implementation/operation/maintenance

**12 of 47** prefectures

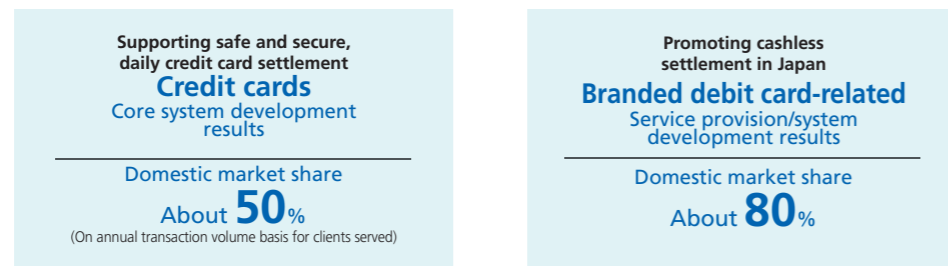
Of the 47 prefecture-based members of the Federation of National Health Insurance Associations in Japan, the TIS INTEC Group has been tapped to install, operate and maintain systems for 12 members.

About 6.1 million people are covered by these 12 insurance associations.

## Leveraging our strengths to accelerate business development and realize a cashless society

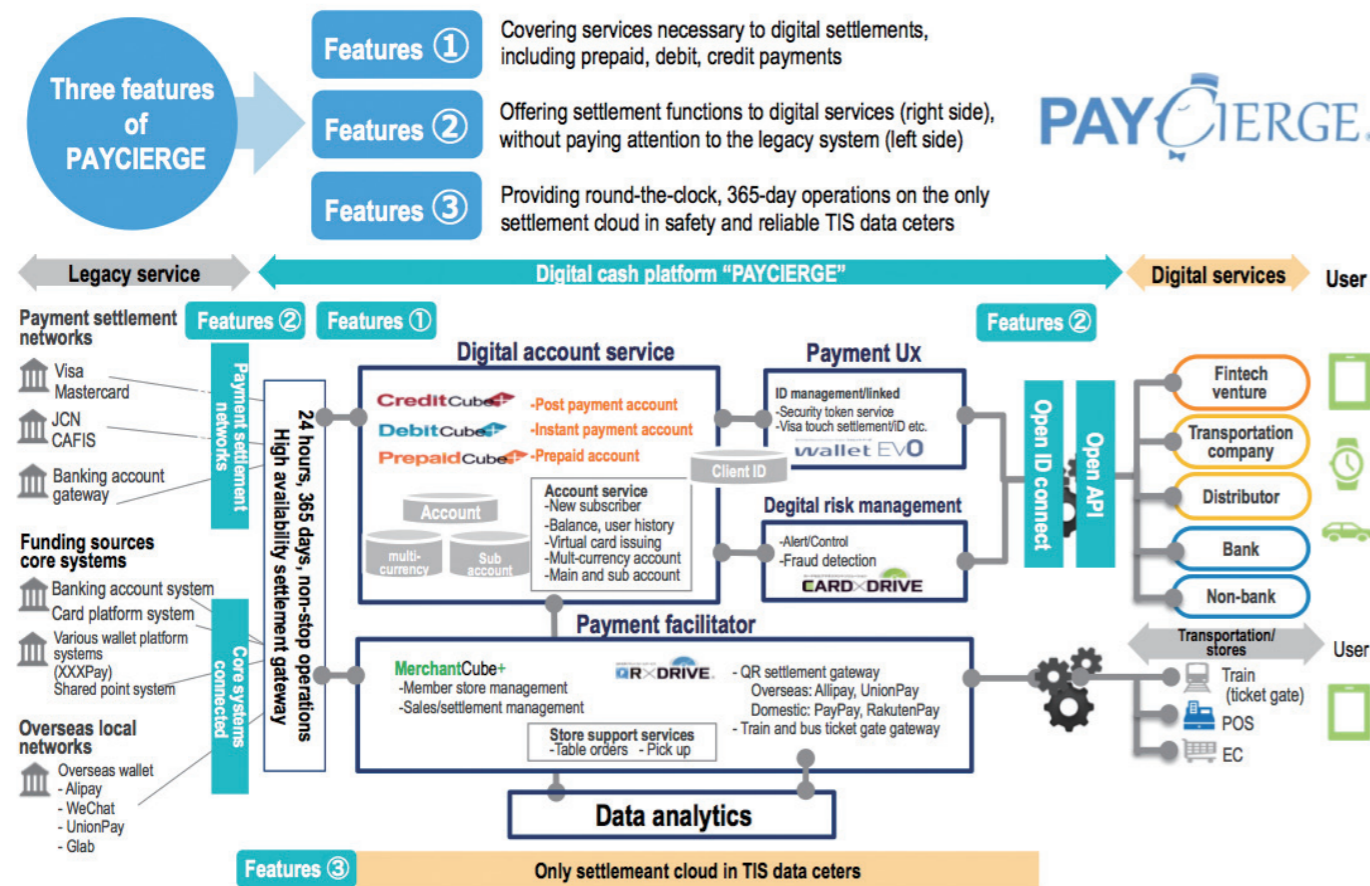
Our major strengths are the experience, technology, know-how, and abundant human resources we have cultivated over many years handling development and operation of core systems for major credit card companies. Deploying these strengths, we have established a position as the leading system integrator in the domestic settlement field.

Amid recent advances in cashless payments, conditions in the payment settlement market are changing dramatically due to progress in smartphone and other related technologies, the entry of companies from different sectors, and the rise of FinTech companies. Viewing this situation as a new growth opportunity, we develop and operate core systems for major credit card companies, which represent an important foundation of our business. We are also deploying our PAYCIERGE digital payment platform to accelerate business development.



### PAYCIERGE digital payment platform

PAYCIERGE is a comprehensive, highly convenient, and reliable payment solution for all people who require retail payments.

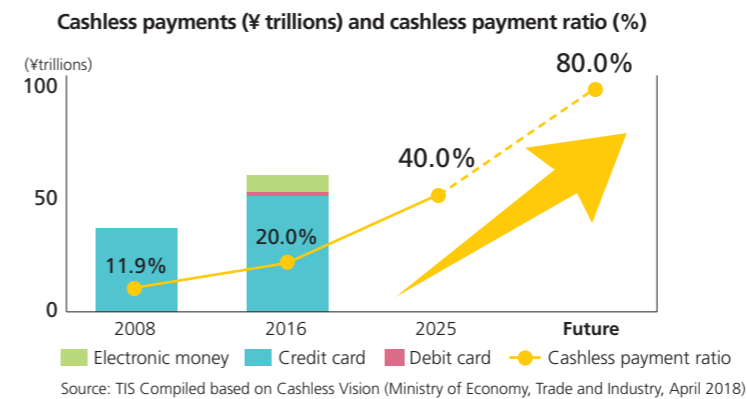


We have a particularly strong competitive advantage in the field of "digital account services," which enable us to provide all sorts of processing services, including prepaid, instant debit, and after-pay credit.

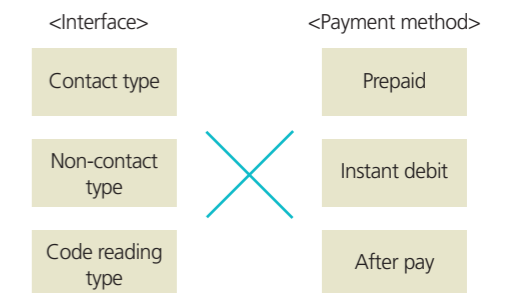
Among these digital account services, here we introduce CreditCube+, which provides the total environment necessary for credit card issuing operations. We are preparing for the launch of CreditCube+, which takes full advantage of the technologies and know-how of the core credit business system, CreditCube.

### Status of cashless payments in Japan

- The Japanese government is promoting cashless payments, which are expected to become more widespread in the future
- The credit card is a typical tool for making cashless payments, and the credit card transaction volume is expected to increase in the future alongside an increase in mechanisms for linking cards to code-based credit services, such as QR codes and bar-codes, that have become popular in recent years.



### Combination of cashless payment methods

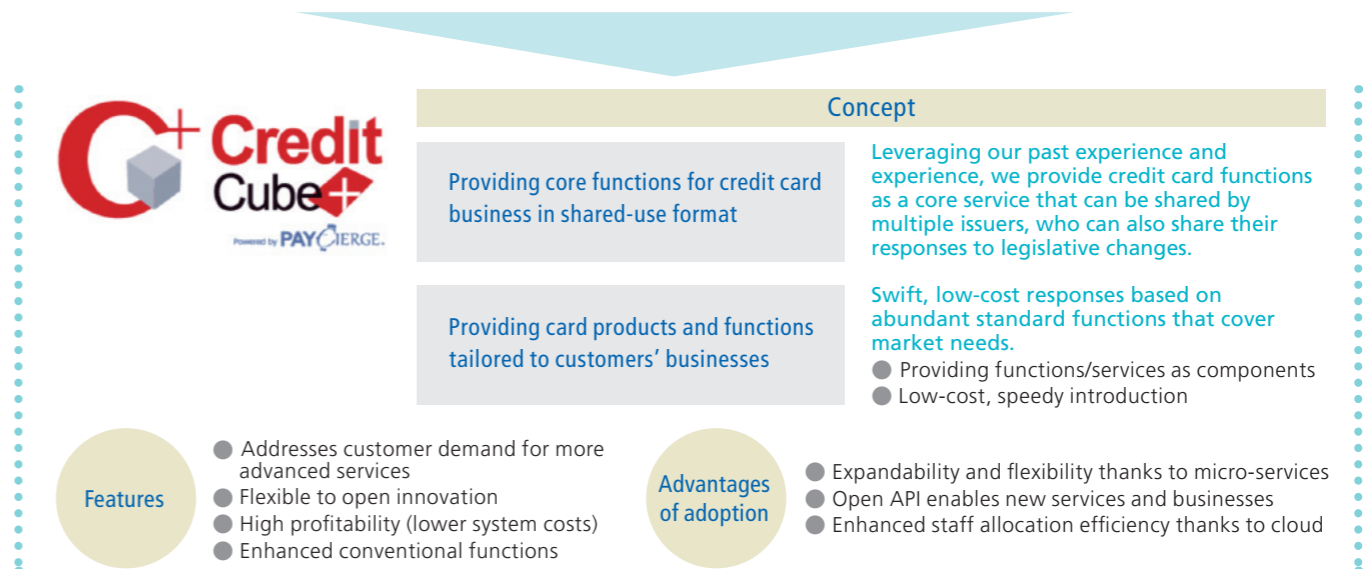


### Next-generation card processing service, CreditCube+

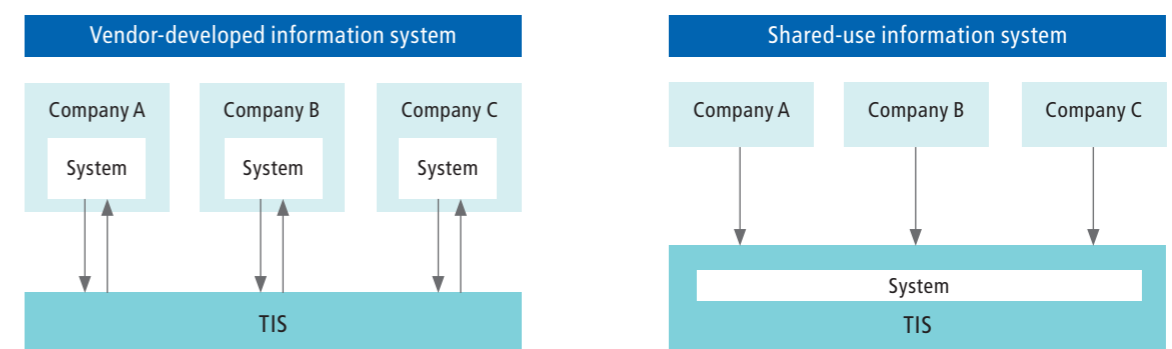
Alongside advances in cashless payments:

- Increasing entry of companies from different industries into the cashless payment business
- Increasing need for in-house operation of credit card business

Collects, analyzes, and utilizes detailed data related to payment information, consumption behavior, and the like in order to attract customers and create new services.



### (Reference) Difference between vendor-developed information system and shared-use information system (image)



The vendor designs and develops systems at the request of each company according to individual specifications, then provide the systems to the relevant companies.

Systems are built as platforms with common specifications, then provided to multiple companies in service format.

## Business domain expansion and strategic investment to create one of the ASEAN's leading IT consortiums

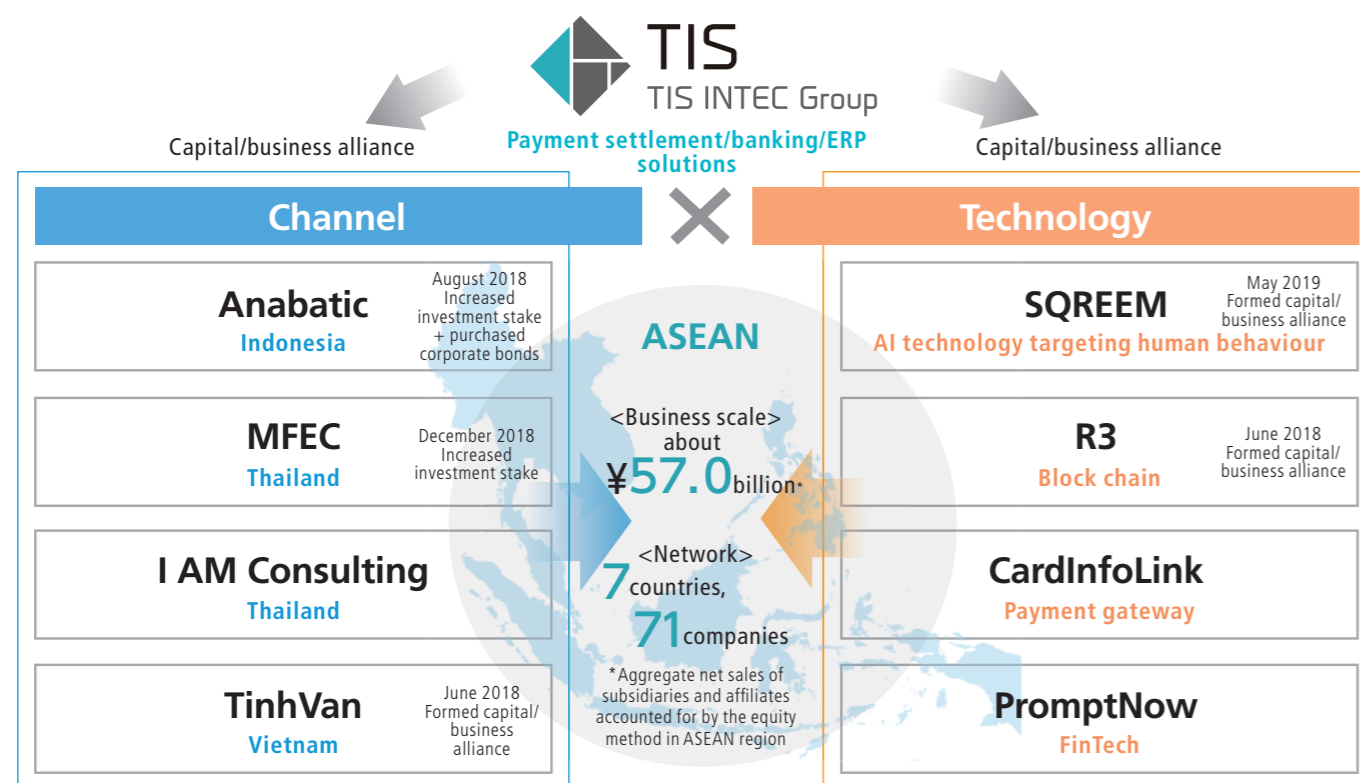
### Expanding business by fusing client bases with cutting-edge technologies

The Group's global expansion has rested on three pillars: the provision of local support for existing clients when they establish operations in other countries, the cultivation of local markets leveraging expertise developed in Japan, and the application in Japan of cutting-edge technologies derived from abroad to give us new edges in business. We first began developing a presence in ASEAN by establishing local subsidiaries, first in China and then in Thailand, Singapore, and Vietnam. More recently, however, we have accelerated our expansion geographically by forming alliances with leading firms in the region. We have so far entered capital and business alliances with such firms in Thailand, Indonesia, and Vietnam as we steadily build mutual understanding and ties to expand our coverage.

We see the acquisition of cutting-edge technologies and expansion in the global marketplace as key milestones, and we are actively pursuing capital and business alliances with leading firms that possess these technologies. We are also making use of cooperative schemes that integrate our strengths with those of our partners—their local customer bases and their cutting-edge technologies—to accelerate our business expansion.

Moving forward, we will continue to make maximum use of alliances on both the channel and technology fronts, while developing operations that integrate our respective strengths and enhancing our network strengths across ASEAN, so as to build one of the region's leading IT consortiums.

### Leverage business domain expansion and strategic investments to become top-class IT group in ASEAN region.



Steadily leverage business domain expansion and strategic investments to build top-class IT corporate association in ASEAN region. Going forward, continue to promote global business expansion through integration of alliance-reinforced customer base and leading-edge technologies.

### Key M&A Targets in Recent Years, Capital/Business Alliance Results

Category	Company	Equity Stake	Details	Net sales
Channel	PT Anabatic Technologies Tbk	(Equity-method affiliate = 30.5% stake)	Capital and business alliance in July 2015. Increased stake in August 2018, along with purchase of corporate bonds. Indonesia-listed, top-tier local IT company.	¥41.8 billion
	MFEC Public Company Limited	(Equity-method affiliate = 24.9% stake)	Capital and business alliance in April 2014. Increased stake in December 2018. Thai-listed, leading provider of enterprise IT solutions.	¥11.5 billion
	I AM Consulting Co., Ltd.	(Consolidated subsidiary = 99.9% stake)	Turned into consolidated subsidiary in June 2014. Thai-based consulting group producing total SAP-related IT solutions.	¥2.6 billion
	TinhVan Technologies JSC.	(Equity stake: 19.9%)	Capital and business alliance in June 2018. Leading IT service provider with considerable experience introducing solutions to Vietnamese government and financial institutions.	
Technology	SQREEM TECHNOLOGIES PTE. LTD.	(Equity stake: 6.8%)	Capital and business alliance in May 2019. A Singapore startup—the world's largest behavioral pattern data aggregator—growing very fast in fields of digital marketing and data analytics using proprietary AI technology based on massive data collection.	
	R3 HoldCo LLC	(Equity stake: 1.4%)	Capital and business alliance in June 2018. U.S. technology startup boasting global-caliber results and brand in blockchain-related technology for corporate users.	
	Shanghai CardInfoLink Data Service Co., Ltd. (CardInfoLink)	(Equity stake: 10%)	Capital and business alliance in September 2017. FinTech company developing presence in China and around the world, with particular strength in QR code payment settlement services.	
	PromptNow Co., Ltd.	(Consolidated subsidiary = 60% stake)	Turned into consolidated subsidiary in May 2016. Leading FinTech company with multiple proprietary mobile services for financial institutions.	

\*Net sales for fiscal year ended December 31, 2018, converted at exchange rate prevailing at year-end.

\*Equity stakes current as of May 13, 2019.

## Topics

### Capital and business alliance with Singapore startup developing AI technology to analyze human behavior patterns

In May 2019, TIS Inc. entered a capital and business alliance with SQREEM Technologies Pte. Ltd., a Singapore startup that has developed the world's first platform for analyzing patterns of human behavior. It combines proprietary AI technology with technology for gathering large volumes of data in order to analyze people's behavior, along with the context and logic behind it. This used to be a hugely complex task that was impossible to perform relying on humans alone. Using this platform, SQREEM has collected data on 450,000 behavior patterns from three billion people in 60 countries. This has been tied to 150,000 items of product data to allow analysis of consumers' personas and preferences, leading to rollout of a digital advertising service that dynamically stimulates demand. SQREEM has used this technology for forecasting and analysis in a number of other fields, including the prediction of election results, expansion of breast cancer treatment, development of corporate strategies, identification of crime syndicates, detection of financial fraud, and market analyses.

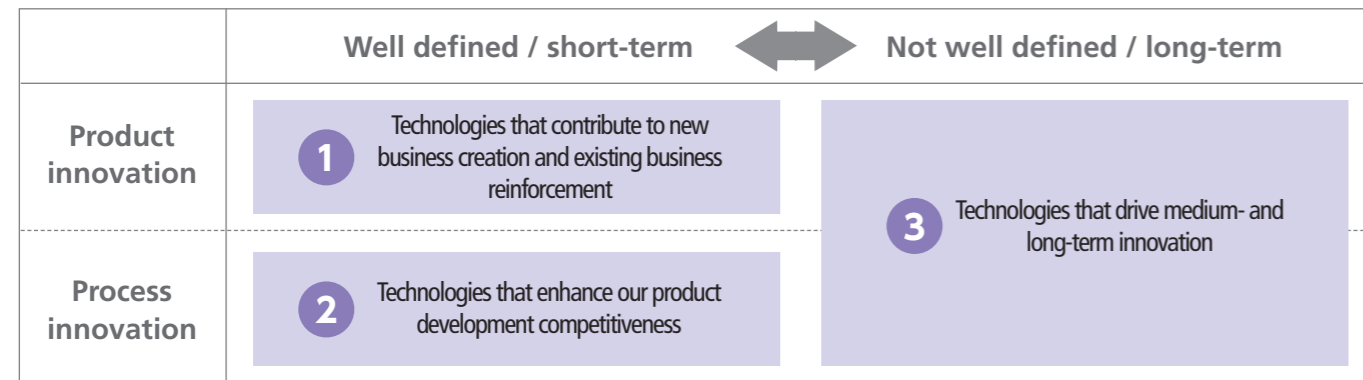
By combining SQREEM's global, industry-spanning experience and advanced AI technology with TIS's operational know-how of finance, manufacturing, and other industries, we aim to become a leading provider of data analysis services using IT in a variety of fields in Japan and ASEAN to help clients gain better insights into customers, detect fraud, analyze markets, and so on.



## Innovations that will generate future corporate value

The TIS INTEC Group is engaged in the information services industry, where market needs are changing as information technology evolves. Responding swiftly to such market needs is key to maintaining and improving our competitiveness. Our Group Vision 2026, "Create Exciting Future," calls for us to utilize advanced technologies and know-how to realize business innovation and market creation. To this end, we are working to generate innovation across the Group. From a technological perspective, we put together our Technology Portfolio, which summarizes important technologies on a two-dimensional axis. We then divided the Technology Portfolio into three areas to select core technologies and proceed with research and development.

### Technology Portfolio



#### 1 Technologies that contribute to new business creation and existing business reinforcement

We actively use technologies owned by startup companies to increase the speed of commercialization.

#### 2 Technologies that enhance our product development competitiveness

We develop and use on a Groupwide basis various software and processes for improving productivity and quality. These include Nablarch, a platform for developing mission-critical enterprise systems.

Since the end of 2018, meanwhile, engineers from major Group companies have participated in canal, TIS's reciprocal technical support platform.

#### 3 Technologies that drive medium- and long-term innovation

Aiming to resolve future social issues, we promote R&D with a focus on industry-academia-government collaboration. We engage in R&D that ensures our ongoing competitive advantage in the future, while making PoC and products/services at an early stage, creating markets, acquiring positions, and correcting core technologies.

The basic policy of open innovation is to accelerate and broaden our R&D outcomes in all areas.

#### Group Laboratory: Integrating the R&D departments of TIS INTEC Group companies Using our community workspace WeWork to drive open innovation outside the Group

The R&D departments of two Group companies, TIS Inc. and INTEC Inc., have combined to function as a "Group Laboratory" and established a community workspace called WeWork in Tokyo (Otemachi, Chiyoda-ku). WeWork, which is manned permanently by employees from the R&D departments of both companies, has three missions: (1) Strengthen our R&D capabilities, (2) Improve our market presence, and (3) Promote open innovation. While conducting joint research and development, we aim to strengthen our research and investigation capabilities, strengthen information dissemination and collaboration, facilitate the transition from research to commercialization, and establish ecosystems for business creation.



WeWork in action (Marunouchi North Exit, Tokyo Station)

Below are some initiatives related to "3 Technologies that drive medium- and long-term innovation."

#### Initiative 1



#### Robotics (roboticbase-core)

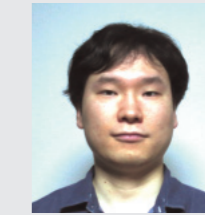
**Nobuyuki Matsui**  
Expert  
Strategic Technology Center  
Technology & Innovation SBU  
TIS Inc.

New technological innovations, such as IoT, AI, and robotics, are in the spotlight as key factors for realizing so-called "Society 5.0," which balances economic development and resolution of social issues in advanced nations like Japan. In this context, we are conducting R&D on open source software (OSS) called RoboticBase™ with the aim of realizing a "service robot platform that connects multiple service robots with varying functions and collaborates with corporate and social systems in order to replace or expand human capabilities."

We are developing RoboticBase around an OSS IoT platform called FIWARE, which has a proven track record in Europe. By opening up the core part of the system and/or the OSS, we are actively fostering the evolution of OSS ecosystems.

Currently, we are working jointly with the University of Aizu to refine RoboticBase. In the future, we hope to use the technology to resolve social challenges, such as last mile automation.

#### Initiative 2



#### Natural language processing (doccano)

**Mitsuki Nakayama**  
Chief  
Strategic Technology Center  
Technology & Innovation SBU  
TIS Inc.

doccano is open source software for creating training data that is essential for machine learning. We started creating this software in the course of developing automated machine learning technology. With advances in automation technologies, we will ultimately live in a world where good results can be obtained simply by providing data. In such a world, efficient creation of data necessary for learning is paramount. Numerous companies and universities are already using the technology and providing valuable feedback. By also expanding the community as an open source, we are receiving cooperation from outside the Company in our development efforts. It is thought that, sometime in the future, not only professional engineers but also application engineers and non-engineers will employ machine learning. With this in mind, we are working to create environments in which anybody can undertake annotation efficiently, anywhere and anytime.

#### Initiative 3



#### Financial AI research

**Tatsuo Kitahashi**  
Advanced Technology Laboratory  
INTEC Inc.

As part of our research into financial AI, we are conducting R&D on using machine learning and deep learning technologies with the aim of building a business in helping companies in the financial and insurance sectors to enhance their operational efficiency.

Currently, we are working with our business divisions to assess the reliability of insurance industry vendors and detect fraudulent payment claims. It is said that around 80% of data analysis PoCs do not advance beyond the PoC stage. In this context, the Advanced Technology Laboratory aims to develop practical AI that can be used in business applications without stopping at PoC. In assessing the reliability of vendors, we received evaluations of PoC results from customers and applied the results to their businesses.

To ensure that AI is applied in a practical manner, we are promoting a self-service analysis tool called Dataiku, and we are also fostering AI-capable human resources through data analysis experience workshops using Dataiku. In these ways, we are raising our AI-based technological expertise throughout the Company.

#### Initiative 4



#### Business digitalization research

**Etsuko Ichida**  
Manager  
Advanced Technology Laboratory  
INTEC Inc.

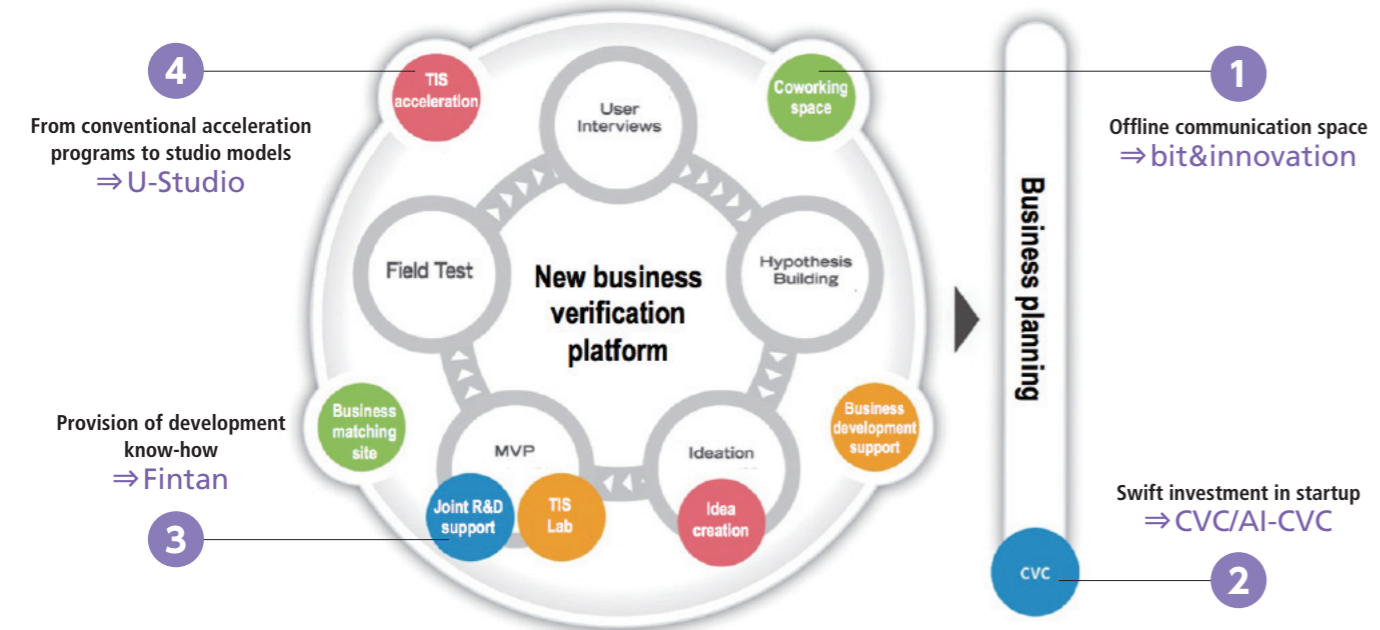
Recent years have seen an increasing need for digitalization of business, and the trend is expected to continue in the future. In our research into business digitalization, we are utilizing robotic process automation (RPA), AI, and other advanced technologies to digitalize business processes. Our aim is to improve value by enhancing the efficiency and quality of customers' business operations. In one current initiative, designed to digitalize large volumes of paper-based processes, we are conducting R&D on original object recognition AI technologies while also deploying existing technologies, such as RPA and optical character recognition (OCR). Object recognition AI technology is based on image recognition and machine learning technologies we have cultivated so far, and is used to extract specific information from forms. This allows data from complex and irregular documents to be read.

So far, we have performed verification tests with multiple customers, including government agencies and apparel companies. We are now conducting verification evaluations with a view to full-scale rollout. While monitoring potential customer needs, we will continue taking data utilization into account as we promote services related to business digitalization. Our aim is to help resolve social issues, including shortage of human resources.

## Deploying open innovation to expedite innovation

Advances in digital technologies are causing major social changes of paradigm-shift proportions, requiring swifter and more flexible responses from businesses. In addition, startup companies possessing unique and superior technologies are creating new business models that address social issues. This reflects vibrant "open innovation" initiatives based on collaboration between different industries and joint efforts between industry, academia, and government. The TIS INTEC Group is taking various measures through open innovation with the aim of creating new businesses.

Deploying various mechanisms, we are collaborating in multiple fields to promote new business creation for businesses in initial stages (0 → 1) to growing startup companies.



### 1 bit&innovation

bit & innovation is a communication space that brings together the resources of startup companies, business enterprises, and TIS INTEC Group companies to create new businesses through open innovation. Its aim is to promote seamless collaboration between companies. (<http://bit-innovation.tis.co.jp/>) (Japanese only)

**Location:** Nishi-Shinjuku  
**Members:** Approx. 300 companies (approx. 900 people)  
 (As of July 2019)  
 \* Total of startup companies and business enterprises

**Applications**

- Co-working
- Meeting
- Acceleration program base
- Hosting events, such as pitch sessions and ideathons

### 2 CVC/AI-CVC

We are operating a corporate venture capital (CVC) entity that plans to invest ¥2 billion by March 2021. The targets of these investments are rapidly growing venture companies (between seed round and middle stage). The CVC Investment Committee makes investment decisions, from discovery to final settlement, in as little as one month.

**CVC investment performance:** **19 cases** (cumulative; since April 2016)

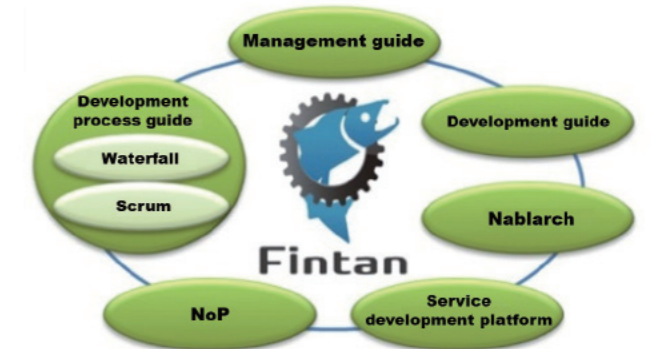
**AI-CVC investment performance:** **9 cases** (cumulative; since April 2018)

(As of July 2019)

### 3 Fintan

In 2018, TIS opened a service site called Fintan, which represents a culmination of the Company's SI and service development know-how amassed to date. By promoting open innovation in this way, we enable people to access the tools, processes, and know-how they require from any location. All of the tools and processes used by the TIS INTEC Group are available via Fintan site, and anyone can use them for free.

(<https://fintan.jp/>) (Japanese only)



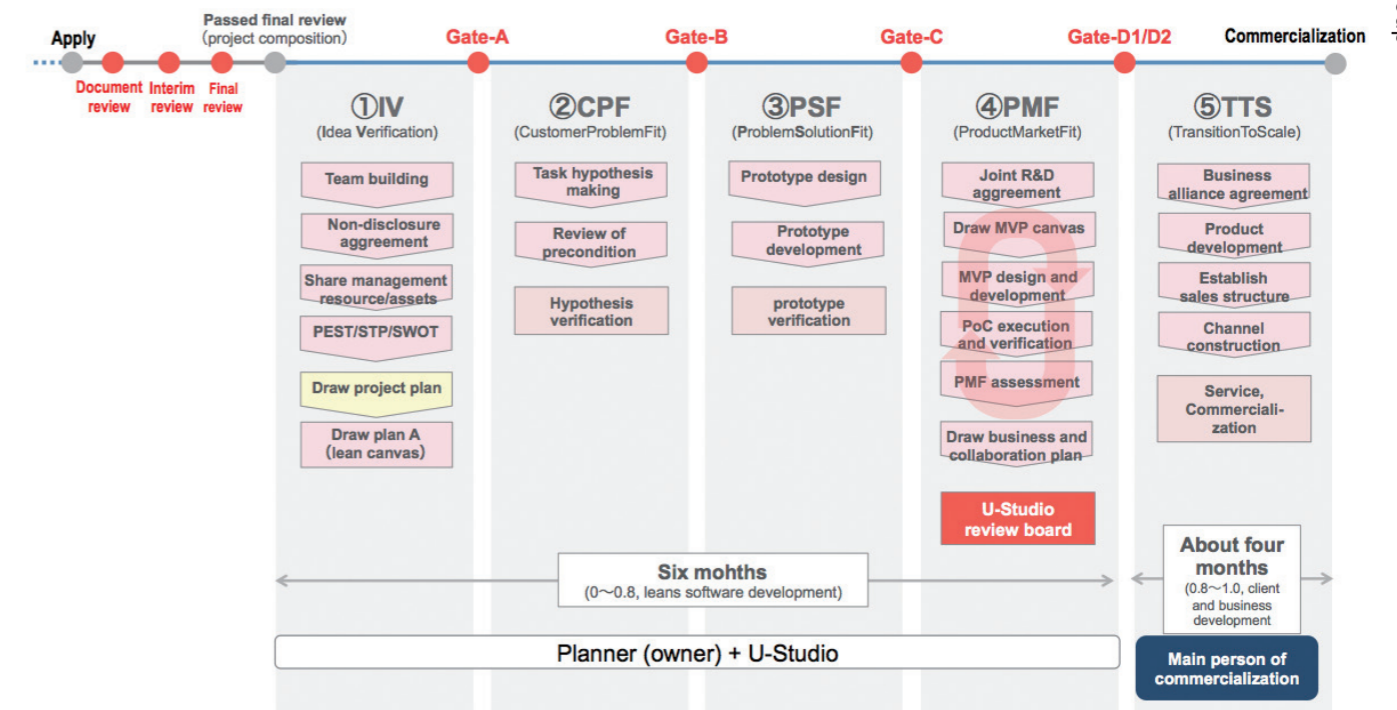
\*Fintan is a legendary figure in Celtic mythology who gains knowledge of all humanity. The name has been used for this site to convey the idea of access to all sorts of system development knowledge.

### 4 U-Studio

U-Studio is an open innovation platform for efficiently solidifying business ideas. It provides a mechanism for business co-creation with entities at the seed stage (startup preparation) and/or idea stage (pre-seed), as well as startups already in operation and business enterprises.

Participants in U-Studio from TIS include business producers (who formulate business strategies and build and verify hypotheses), UI/UX designers (who design prototypes from user perspectives), and full stack developers (engineers able to handle wide range of software development). Together, they have put together various projects, from brushing up ideas to building and verifying problem hypotheses, developing minimum viable products (MVPs), and field-testing.

(<https://incubation.tokyo/u-studio/>) (Japanese only)



### Investment in "Sozo Ventures II-S" (U.S. venture fund)

— Stepping up new business creation with focus on Silicon Valley startups —

Overseas, Silicon Valley-based TIS R&D Center, established in 1996, has greatly shifted its emphasis to business creation, and accordingly changed its name to TIS Ventures. Meanwhile, we have invested in the SOZO Ventures fund as a limited partnership (LP) to promote collaboration with local startups. Through this LP-based investment, we aim to accelerate initial business development of promising U.S. startups, research business seeds through trialing and prototyping in the United States, and promoting joint business development with customers.



## Aiming to be a "trusted top brand that epitomizes quality"

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

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

### TIS Quality Policy (from TIS "Quality Control Rules")

- Strive to improve stakeholder satisfaction, provide original and attractive services, and create abundant value.
- Provide optimal services to earn the trust of customers.
- Provide high-quality services through continuous business transformation with technology as the core.
- Use standard repetition and ingenuity to promote improvement activities aimed at enhancing quality, productivity, technical capabilities, and competitiveness.

### Trinity: Original quality management system based on ISO9001

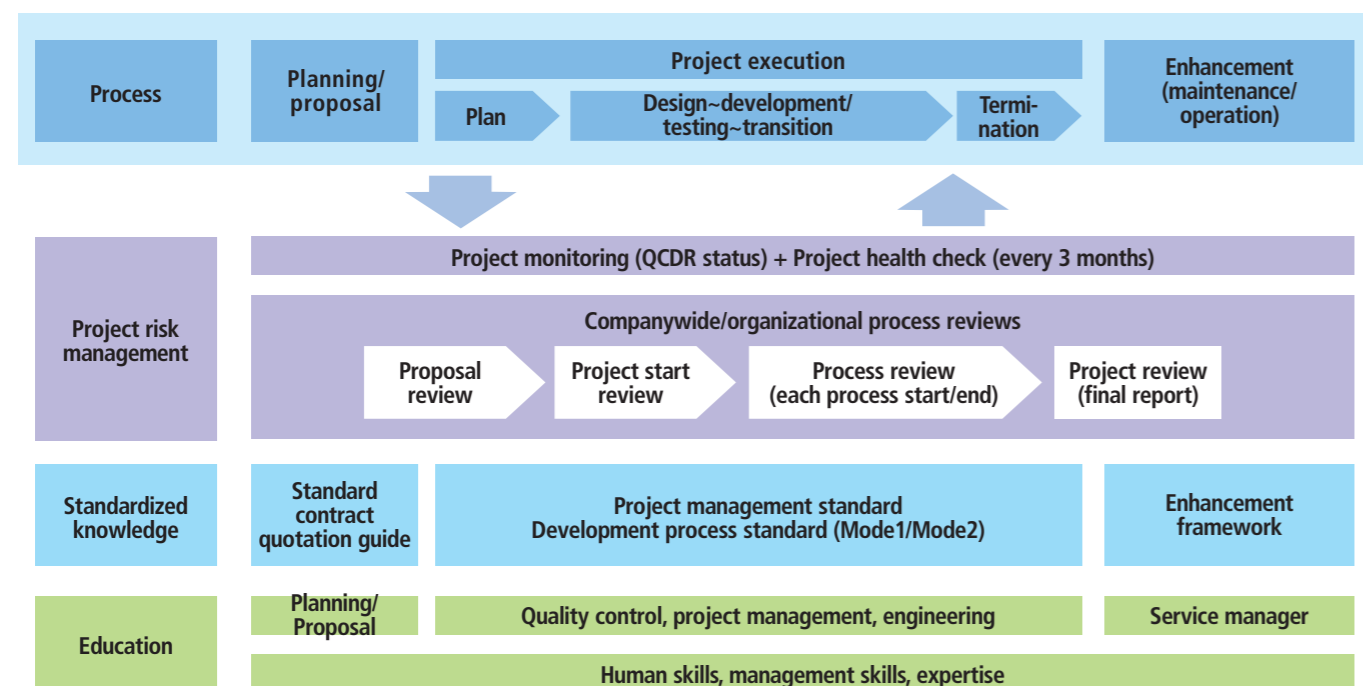


We strive to provide customers with optimal services based on our policies of "emphasizing proficiency through on-site standardization and its repeated use" and "promoting improvement by minimizing essential implementation items and making use of onsite ingenuity." At development sites, we add ingenuity to suit each business model while applying project management and engineering processes, techniques, and tools.

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

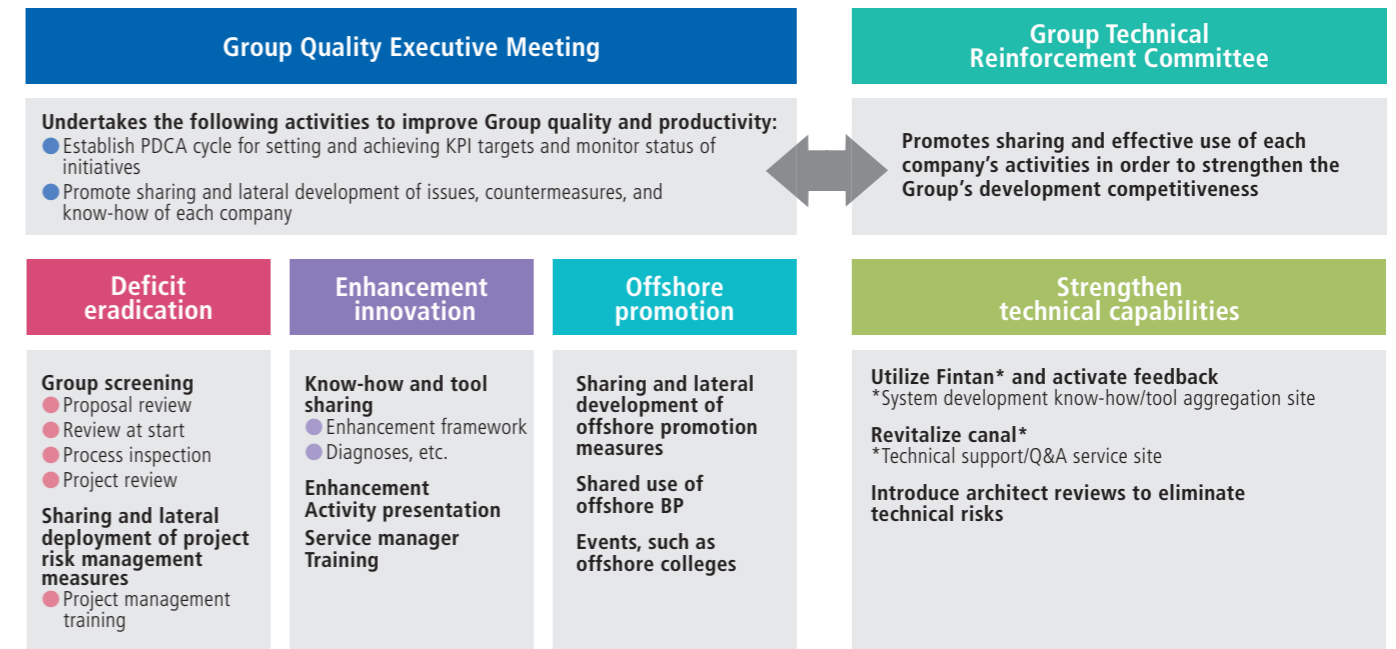
\* Trinity means the "three elements of quality, productivity, technological capabilities" and also incorporates the notion of "customers, TIS, and partners" working together to improve those elements.

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



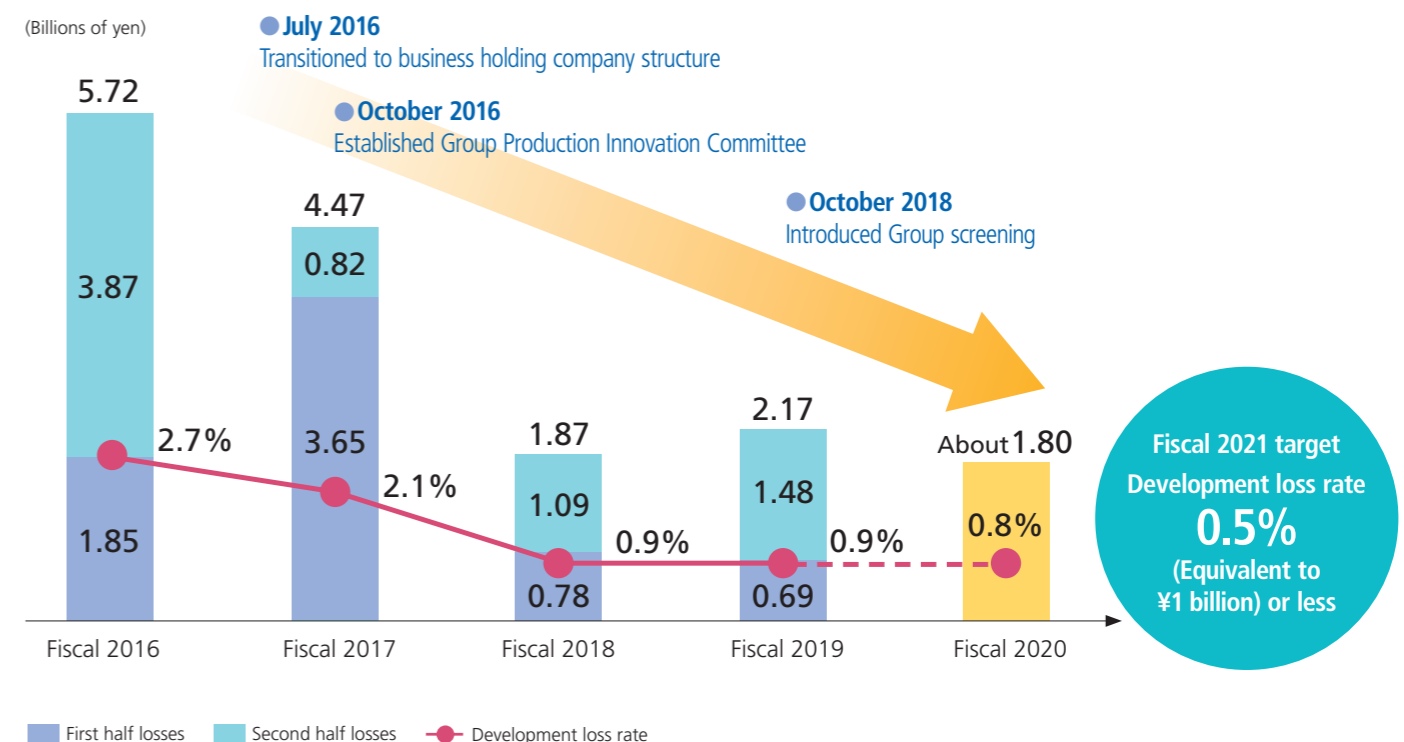
### Activities aimed at improving standards of entire Group

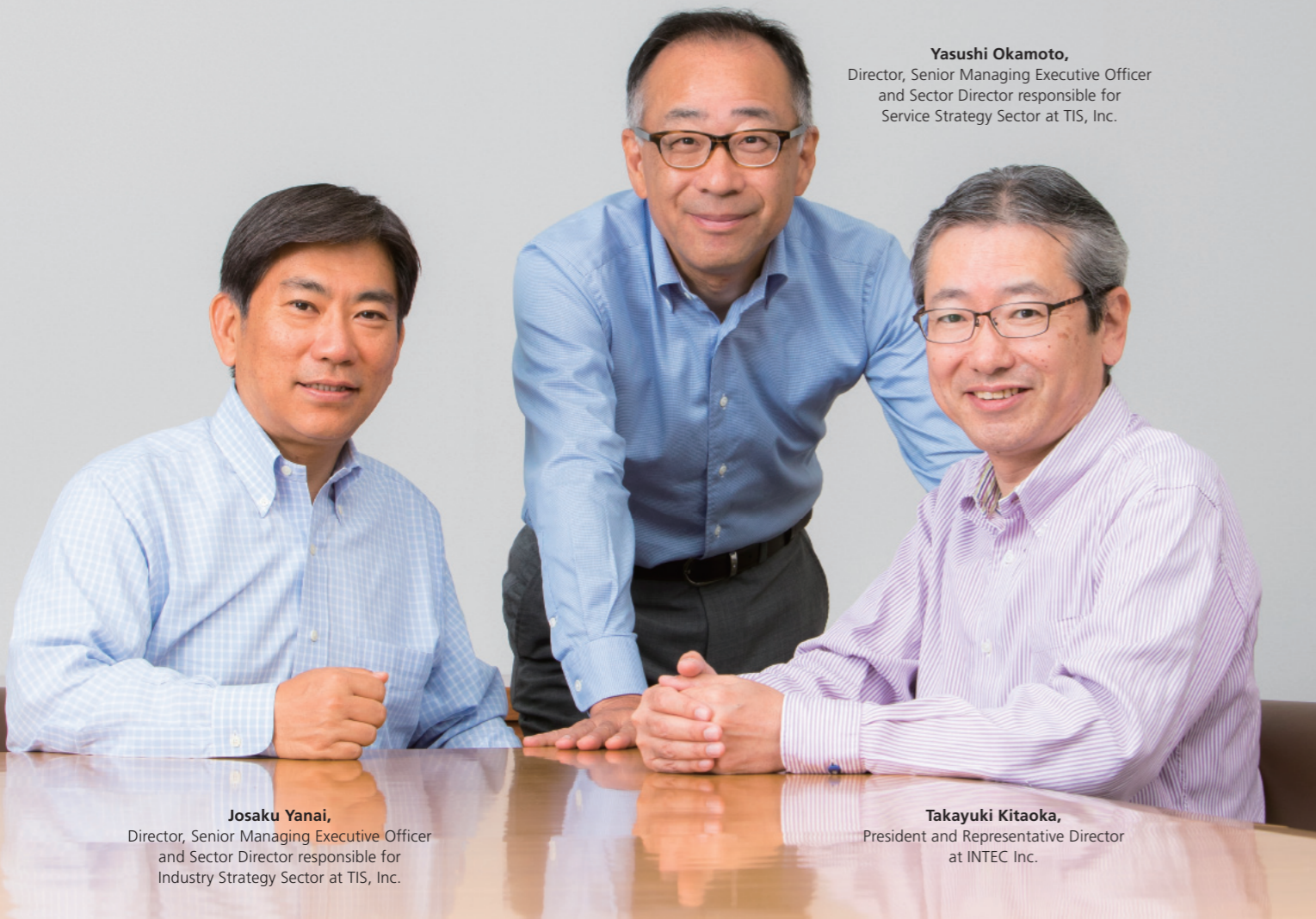
The TIS System Development & Quality Management Innovation SBU and the Technology & Innovation SBU are spearheading the following activities aimed at improving the quality, productivity, and technical capabilities of the entire Group and harness Group synergies.



### Trends in unprofitable projects

Thanks to our transition into a business holding company structure, we have accelerated production innovation measures and strengthened systems to guarantee effectiveness. Accordingly, unprofitable projects are on the decline. We will continue focusing on efforts to further curb unprofitable projects as an important management priority.





**Yasushi Okamoto,**  
Director, Senior Managing Executive Officer  
and Sector Director responsible for  
Service Strategy Sector at TIS, Inc.

**Josaku Yanai,**  
Director, Senior Managing Executive Officer  
and Sector Director responsible for  
Industry Strategy Sector at TIS, Inc.

**Takayuki Kitaoka,**  
President and Representative Director  
at INTEC Inc.

## We will lead the way in solutions to social issue through our business activities to achieve the objective of OUR PHILOSOPHY.

How will the Group's basic philosophy—OUR PHILOSOPHY—guide the TIS INTEC Group in helping to solve social issues through its business activities? The three executives involved in pilot discussions for OUR PHILOSOPHY talk about current initiatives and future business possibilities.

### What is the connection between OUR PHILOSOPHY and business activities?

**Okamoto:** The objective—our mission—under OUR PHILOSOPHY is to fill the future—still essentially a blank canvas—with vibrant colors as a mover using digital technology. I believe that a society in which people are happy is a society in which people have a range of choices. The future is a blank canvas, and we will help paint a bright, colorful future through our core IT services to give people all sorts of choices. This is the TIS INTEC Group's social mission. The ideal image we want our businesses to present to the market is expressed in OUR PHILOSOPHY.

Our own views of what we should be are key to accomplishing our mission. OUR PHILOSOPHY highlights the idea of committing to a style—one inspired by such qualities as honesty, openness and a pioneering spirit—that infuses Group management decision-making and all corporate activities. With an honest and sincere attitude, we will take an open approach to collaboration with external parties and be quick to address global social issues. The importance and significance of this perspective will be conveyed to employees and permeate business activities.

**Yanai:** Over repeated debate during pilot discussions, a common understanding emerged that the Group's duty to society

should be to tackle social issues through core business activities. In recent years, amid a string of corporate scandals, the definition of a good company has changed, I think, from society's perspective. OUR PHILOSOPHY was formulated to underpin development into a good company in the truest sense—virtuous and compassionate. To realize the image we see for ourselves, we must instill OUR PHILOSOPHY in the minds of employees so that it becomes second nature to them. We will try to use words and ideas that appear in OUR PHILOSOPHY in business plans to maintain consistency and promote understanding.

**Kitaoka:** A major theme for us at INTEC is how best to put OUR PHILOSOPHY into practice. OUR PHILOSOPHY prompted us to refine our corporate vision, as stated in the company's medium-term management plan, compared with the corporate vision of our early days in business. We also emphasize our mission to play a role in a productive digital society, again, reflecting the objectives of OUR PHILOSOPHY. So, essentially, OUR PHILOSOPHY underpins daily business activities at INTEC under two themes: contributing to society through the use of leading-edge technologies, and contributing to society through actual business activities.

### Solving social issues through business activities, creating possibilities in digital technology

**Okamoto:** Consider the transition to a cashless society. This is a development where the TIS INTEC Group will be intricately involved, thanks to strengths in the payment settlement-related business. "Society 5.0," dubbed by the Japanese government, will be a new society characterized by the use of digital technology to address social issues. The cashless trend of the new society will not only provide payment convenience but also curb the massive costs associated with cash management and control crime, including fraud and robbery, and this should give society a greater sense of safety and peace of mind. A business that will support the cashless society is TIS' PAYCIERGE, a digital payment settlement platform. PAYCIERGE will support the shift to a cashless society in three ways: 1) as a gateway connecting stores, both physical and online, as access points to end users—the front line—with payment settlement sites, such as those operated by credit card companies and banks; 2) as the back office, handling settlement and customer management for all pre-payment, immediate payment and deferred payment transactions, including those using credit cards, debit cards and prepaid cards to pay for purchases; and 3) for smartphone apps and management of affiliated merchants.

**Yanai:** One approach for realizing a sustainable society is the application of digital technology in the energy sector. Among the Group's principal clients are electric power and gas companies. Japan is right in the middle of deregulation of the electric power and gas sectors through energy system reform, and the Ministry of Economy, Trade and Industry has hammered out "Utility 3.0," a concept for promoting decentralization of operations, including power distribution and retail operations, fuel procurement, and power transmission. Utility 3.0 sets out how the energy industry should be structured by 2050. Against a backdrop of fewer children and more seniors

in the population, Utility 3.0 will promote labor-saving strategies through digital technologies as society also embraced decarbonization and will create new energy businesses. The TIS INTEC Group is responding with efforts geared toward Utility 3.0 for electric power companies and gas companies that are keen to participate in future-oriented businesses. For example, verification tests are underway with local governments on local production and local consumption of energy. Steps are also being taken to enhance EneLink, a total solution for the energy sector, and work started on the project, which will provide methods to resolve next-generation transportation and energy issues, particularly in report areas.

Also, with a shrinking labor force reflective of the low birthrate and graying of society in Japan, efforts to achieve the government's growth strategy are highly dependent upon reforms to productivity per person through the use of digital technologies. Given the indispensable nature of such reforms, the role of system integrators, including—collectively—the TIS INTEC Group, will become all the more important.

**Okamoto:** High expectations exist for the part that AI and robotics will play in offsetting the negative consequences of fewer children and more seniors in society. The use of robots goes beyond work that humans would do; robots can improve the quality of the work done. Within the TIS INTEC Group, we are involved in a service robot integration project to realize an environment that facilitates partial substitution or allocation of the work typically done by humans, such as security, guidance, conveyance and cleaning, to robots. Access has started for RoboticBase, a platform that integrates control of multiple service robots and connects multiple robots to each other as well as communicating between the robots and environments, such as sensor environments, and humans. Services related to RoboticBase have also started.

**Kitaoka:** In fiscal 2019, INTEC pursued business activities with an emphasis on two keywords—AI and cloud—and ultimately contributed to greater operating efficiency through the application of digital technologies. In AI applications, we began a service that detects anomalies using AI algorithms to boost yield ratios at manufacturing plants, and we improved the recognition rate of OCR (optical character recognition) using deep-learning AI. For cloud services, which are linked to data center operations and offer clients standardized services, we migrated a customer relationship management structure for regional banks and administrative systems and tax payment systems for local government offices in Toyama Prefecture to the cloud. This led to greater efficiency in operations, lower costs and a sharper competitive edge for the banks. Migration of local government office systems to the cloud is something we plan to promote to local governments throughout Japan.

Meanwhile, greater diversity in society is needed to deal with issues that parallel the low birthrate and graying of society and, subsequently, a shrinking labor force. Certain aspects of changing diversity are common to all issues and the necessary diversity-driven solutions. I believe digital technologies—or more specifically, applications of digital technologies—are meant to expand opportunities for people to thrive, unrestricted by such factors as gender, age or ability. From the perspective of wider diversity within the Group, it is important to encourage women to be more active on the management side of operations.

**Okamoto:** And then there's healthcare technology, where the use of digital technology will help to keep people healthy, transform medical treatment and reduce the burden on the social insurance system. The Group is working on a health information platform that will use AI to analyze health information collected by medical institutions and health information obtained via smartphone or other devices to prevent sickness. Platform-based applications, including services to support better food habits, are gradually being released.

Collaboration across industry, government and academic lines, including participation in state-of-the-art national projects and verification tests with universities, will be welcome opportunities that lead to new value creation and solutions to social issues. We are keen to maintain this vigorous approach.

**Kitaoka:** Toyama—the city of the same-named prefecture where INTEC was born and raised, in a corporate sense, and where its headquarters remain today—was selected as an SDGs future city. We are working with the city on various verification tests to realize objectives under the compact city concept, such as upgrades to various public transportation networks.

Looking at all of Japan from a regional perspective, depopulation in regional areas is becoming an increasingly serious problem. In many regional cities, shrinking populations have made it difficult to run hospitals, and the closure of hospitals has created a problematic shortage of facilities. Existing approaches will assume greater importance as well, paralleling the spread of healthcare technology and other progressive approaches. The emphasis will be on utilizing digital technology to enhance the efficiency of hospital management by reducing costs through more efficient hospital systems and the allocation of surplus funds toward the purchase of medical equipment and to cover the cost of doctors and other staff. In addition, a negative cycle is often perpetuated in depopulated areas, where a lack of job opportunities for young people prompts them to leave en masse in search of work and this causes communities to lose even more of their citizens. As a company, we know we must maintain sound management and provide employment and also help to curb the exodus of citizens and contribute to regional tax coffers. In addition, we must fulfill a vital social role in promoting regional activity.

**Yanai:** In Japan, the Ministry of Economy, Trade and Industry put forward a concept—the 2025 Digital Cliff—as a social issue that requires the involvement of system integrators to overcome. The TIS INTEC Group portfolio of services was expanded in 2018 with such services as Xenlon~Shinryu Migration Service, and a service was launched to efficiently revamp systems created with COBOL and other old programming languages.

**Kitaoka:** NTT Corporation will complete access to services based on ISDN—that is, the communication standards for digital telephone connection and transmission of voice and data over a digital line—using phone lines in 2024 and, like other approaches to deal with the 2025 Digital Cliff, this will have a big impact on society. As for us—the TIS INTEC Group as a whole—we have already been providing EDI (Electronic Data Interchange) services using ISDN digital lines to meet the needs of small and mid-sized businesses all over Japan, so the foundation is in place to support migration to equipment and

applications using the Internet.

#### Strength of TIS INTEC Group—leading social transformation

**Okamoto:** We have provided services to leading companies for many years, and I believe our market appeal lies in an attitude—earnestly embracing progressive approaches with our clients in mind—that clients appreciate. A fine example of this is subscription services, which have not been offered by system integrators before. Currently, TIS is guiding the Group through structural transformation from a business perspective. Service-style business, which anticipates market needs and provides standardized services cutting across industries, can be the polar opposite of a business model, which builds conventional customized services. In addition, we must change the corporate atmosphere to evoke a greater sense of speed.

**Yanai:** Our biggest assets are the results we have achieved and the trust we have built since our establishment, which underpin our ability to support the needs of companies across all industries and sectors. We have learned in providing services to top-of-industry clients, and this gives us that little bit more than other companies in terms of business knowledge across diverse sectors. For this very reason, I believe the Group's biggest strength during a time when clients are changing up their business models is the ability to envision the perfect solutions to management concerns and deliver consulting expertise matched to specific client needs.

**Kitaoka:** I think it's our ability to provide total solutions, from consulting through to system development and operation. With a proven track record and know-how in the very field of information processing, notably, payment settlement-related services and EDI services boasting industry's largest share, we have the high-level expertise to deliver service-style businesses as well. This includes building and operating upfront investment-style platforms.

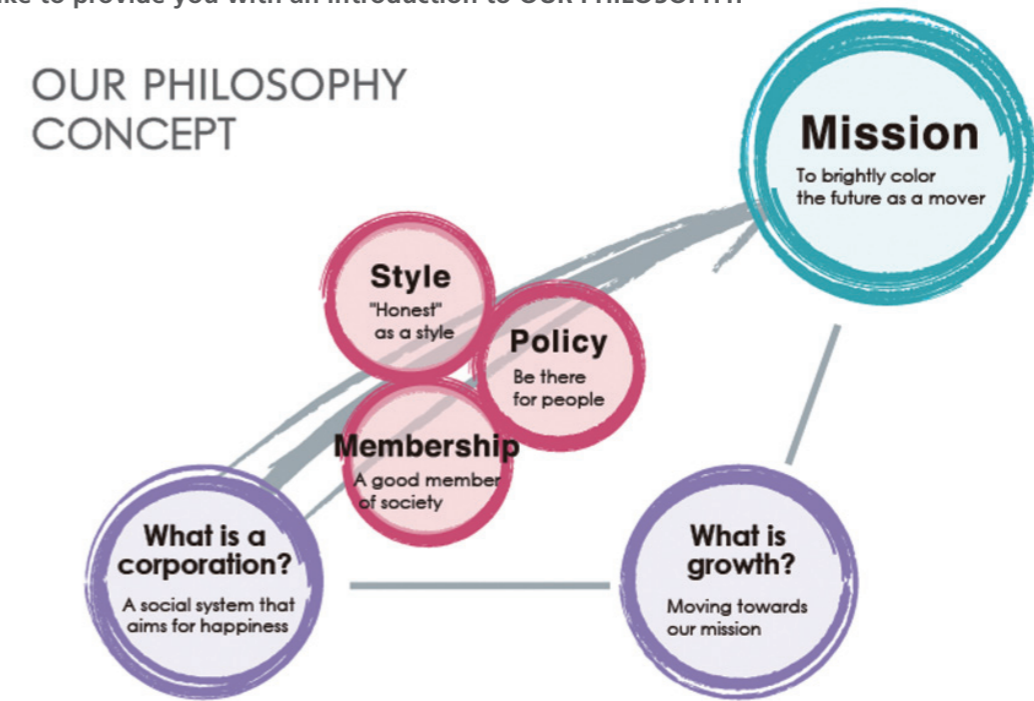
**Okamoto:** To be the kind of mover described in our mission requires more than just a progressive attitude. We must also display corporate personality. We will utilize OUR PHILOSOPHY to promote a shared awareness among each and every employee under the Group umbrella that contributing to society is the Group's ultimate goal in all corporate activities, including future business development and human resources training and hiring. This shared awareness is extremely important, especially at this point in time when the shape of tomorrow's society is undergoing such a huge transformation. If, based on OUR PHILOSOPHY, all employees perform their duties with the full understanding that we will properly contribute to society through our business activities, then this widespread perspective will become a great strength. This will result in growth for the Group and also lead to enhanced corporate value. As members of the pilot discussion group on OUR PHILOSOPHY, we know that we have a vital role to perform in driving home the ideas and spirit of OUR PHILOSOPHY that emerged as we worked through the concept creation process. Each and every employee must take OUR PHILOSOPHY to heart. I feel strongly that we are the ones who must lead the way.

## OUR PHILOSOPHY (TIS INTEC Group Philosophy) OUR PHILOSOPHY represents the values of TIS INTEC Group (January 2019).

It clearly and broadly delineates the thinking and ideals that TIS INTEC Group highly values in its group's management, corporate activities, and constituent members.

TIS INTEC Group's entire business revolves around OUR PHILOSOPHY.

We would like to provide you with an introduction to OUR PHILOSOPHY.



### Mission To brightly color the future as a mover

The Mission is TIS INTEC Group's social role as well as *raison d'être*. The word "mover" refers to the people who create objects, issues and systems that move our world to a new one. And, in this case, it refers to TIS INTEC Group and its constituent members.

As a mover that utilizes digital technology, TIS INTEC Group would like to be an entity that vividly colors the blank canvas of the future by providing novel potential and options that appeal to society.

### Style "Honest" as a style

The basis upon which a corporation may conduct itself is, beyond anything else, the concept of being "Honest" in other words, honesty and sincerity. This is because being honest is essential for trust and the basic premise in value exchange with stakeholders.

Besides being honest, TIS INTEC Group also places great importance on styles such as "Open" and "Pioneering." This is what we believe and aim to consistently manifest in everything from our top management's decisions to all our corporate activities.

### Policy Be there for people

TIS INTEC Group's most important management policy is "Be there for people," because a corporation is basically a gathering of people, and the stakeholders that encompass the corporation are people, too. Business management that forgets people will never lead to quality corporate activities.

In addition, TIS INTEC Group's other primary management policies include "Go beyond society," with TIS INTEC Group as a good member of society, going beyond social norms and the expectations of society, and "Move toward the goal," aiming toward purposeful business management.

### Membership A good member of society

Membership is a guideline for the activities conducted by TIS INTEC Group constituent members.

It is comprised of "As a good member of society," "As a member who expresses her/his intentions and opinions," and "As a member that strives for progress."

The first, "As a good member of society," refers to the company wanting its members to strive to be good members of society beyond their existence as constituent members of TIS INTEC Group.

The other two guidelines want TIS INTEC Group members to express their existence humanly and demonstrate their unique characteristics and capabilities to their fullest extent.

### What is a corporation? A social system that aims for happiness

There are various ways to think about the goal of a corporation, and corporate management can change greatly depending on how this is determined.

Based on TIS INTEC Group thinking in which "the corporation is a public instrument," with stakeholders we define the corporation as "a social system that aims for both happiness that contributes to social expectations and people's happiness via value exchange." Accordingly, the idea that the corporation exists for stakeholders and society is the foundation of all TIS INTEC Group's corporate activities.

### What is growth? Moving towards our mission

Growth is defined as "increased realization of the mission" as well as "increased value-exchangeability" with the stakeholders. The former refers to how TIS INTEC Group improves its level of mission realization, namely, increasing the significance of TIS INTEC Group's social existence. The latter refers to enhancing the quality and quantity of value exchanged between TIS INTEC Group and its stakeholders, in other words, a higher degree of satisfaction for both parties. TIS INTEC Group aims at the essential growth of these two.

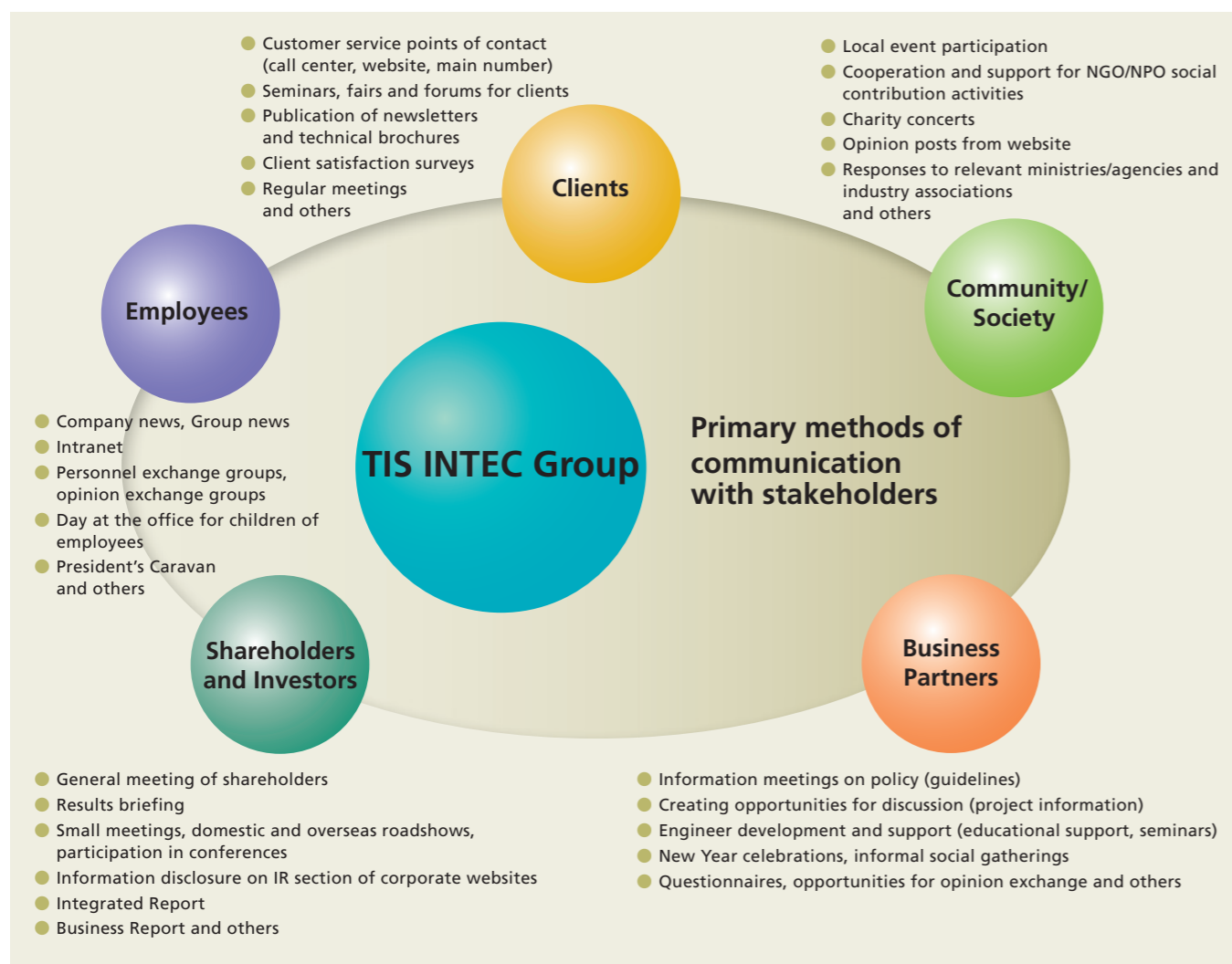


## TIS INTEC Group's Platform for Supporting Corporate Value Process (ESG Section)

Communication with TIS INTEC Group's stakeholders is a what supports improvement in corporate value. Consideration for the environment along with efforts in quality control and R&D are also essential for the business of information systems—a key social infrastructure—to function in harmony with society and steadily evolve. With this in mind, we strive to enhance corporate governance and internal controls, which form a vital cornerstone of business activities within the Group.

### Communication with Stakeholders

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



### Basic Direction on Group CSR

The management philosophy that permeates the TIS INTEC Group stresses the Group's development into a corporate citizen whose activities, hinging on the provision of various services utilizing IT, match its status as a leading corporate group. This philosophy also underpins the Group's efforts to raise corporate value, supported in this effort by the high regard of all its stakeholders, including clients and shareholders as well as employees and their families. The Group's stance on corporate social responsibility is evident in its commitment to cultivate a vibrant corporate culture that encourages the companies and individuals under the Group's umbrella to work toward higher goals and embrace new challenges, to be honest and fair in business pursuits based on respect for the law, of course, as well as high moral standards, and to fulfill social obligations. This is the Group's basic direction on CSR.

<b>Ensure sound, transparent management practices</b>	Acknowledge responsibilities as a leading corporate group in the IT services industry and undertake sound corporate activities with integrity and clarity of purpose. In addition, be sincere and fair in dealings with all stakeholders and proactively disclose pertinent corporate information.
<b>Provide optimum services</b>	Always provide the very best to clients and strive to raise customer satisfaction levels through excellent quality and technology built on the composite strengths of the Group.
<b>Develop talent</b>	Cultivate an environment in which employees always look ahead, striving to achieve higher goals and embracing new challenges. Provide opportunities to grow and realize personal goals, create a safe and productive work environment, and give each person the freedom to reach his or her potential.
<b>Respect the law</b>	Maintain high corporate morals, obey the law and uphold parameters of socially acceptable conduct, and respect the spirit of such standards. Have absolutely nothing to do with antisocial forces.
<b>Maintain fair business practices</b>	Ensure appropriate business transactions, based on fair and open competition.
<b>Protect the environment</b>	Recognize that environmental problems warrant universal attention and promote efforts to save resources and energy in the execution of corporate activities. Also, through IT services, support clients' efforts to enhance operating efficiency and reduce energy consumption, thereby contributing to lower environmental impact.
<b>Contribute to society</b>	Actively participate in community events as a corporate citizen whose social standing matches its leading industry status.
<b>Be a part of the international community</b>	Naturally, obey internationally recognized rules and local laws in the execution of cross-border projects, but also contribute to social and economic development in the countries where TIS INTEC Group maintains a presence by recognizing local culture and customs.

In line with Basic Policy on Group CSR, the TIS INTEC Group is considering and pursuing various measures from the perspectives described below.

#### Organizational Governance

- Human rights**  
Due diligence, crisis situations impacting human rights, avoidance of complicity, complaint resolution, prejudice, socially disadvantaged, citizen and political rights, economic, social and cultural rights, basic principles and rights in labor
- Labor practices**  
Hiring and hiring-related issues, working conditions and social safeguards, social dialogue, health and safety in the workplace, personnel instruction and training in the workplace
- Environment**  
Approaches to prevent pollution, use of sustainable resources, mitigating and dealing with climate change, environmental protection, preserving biodiversity and restoring natural habitats
- Fair business practices**  
Approaches to prevent corruption, responsible political ties, fair competition, promoting social responsibility in value chain, respect for property rights
- Consumer issues**  
Fair marketing, information and contract execution, protecting health and safety of consumers, sustainable consumption, services and support for consumers as well as complaint and dispute resolution, consumer data protection and privacy, improved access to required and indispensable services, education and awareness
- Community involvement and community development**  
Involvement in the community, education and culture, job creation and skill development, development of technology and access to technology, wealth and income creation, health, socially responsible investment

## Solving societal challenges through business to create a sustainable society

The TIS INTEC Group will deepen awareness of its position corporate social responsibility, namely, to contribute to social development through businesses that provide solutions to social issues, and will reinforce initiatives related to corporate sustainability.

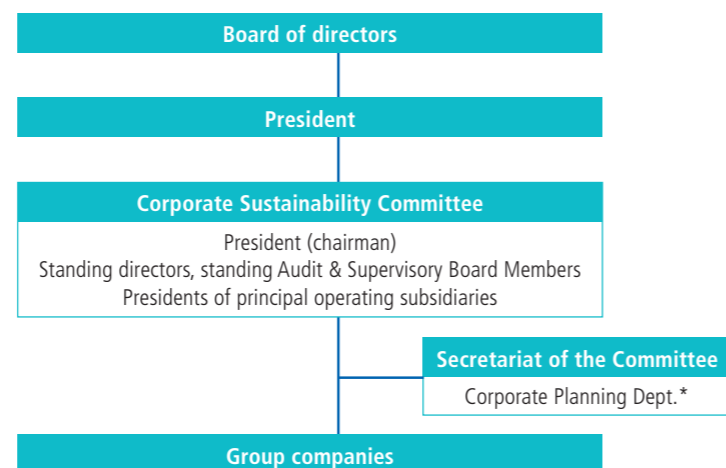
We are particularly committed to creating a sustainable society by making continuous mid- to long-term enhancements to initiatives designed to solve societal challenges through business and reduce the impact on the environment.

### Management structure to promote sustainability

The TIS INTEC Group has developed a management structure to promote sustainability. At the heart of this is the Corporate Sustainability Committee chaired by the president.

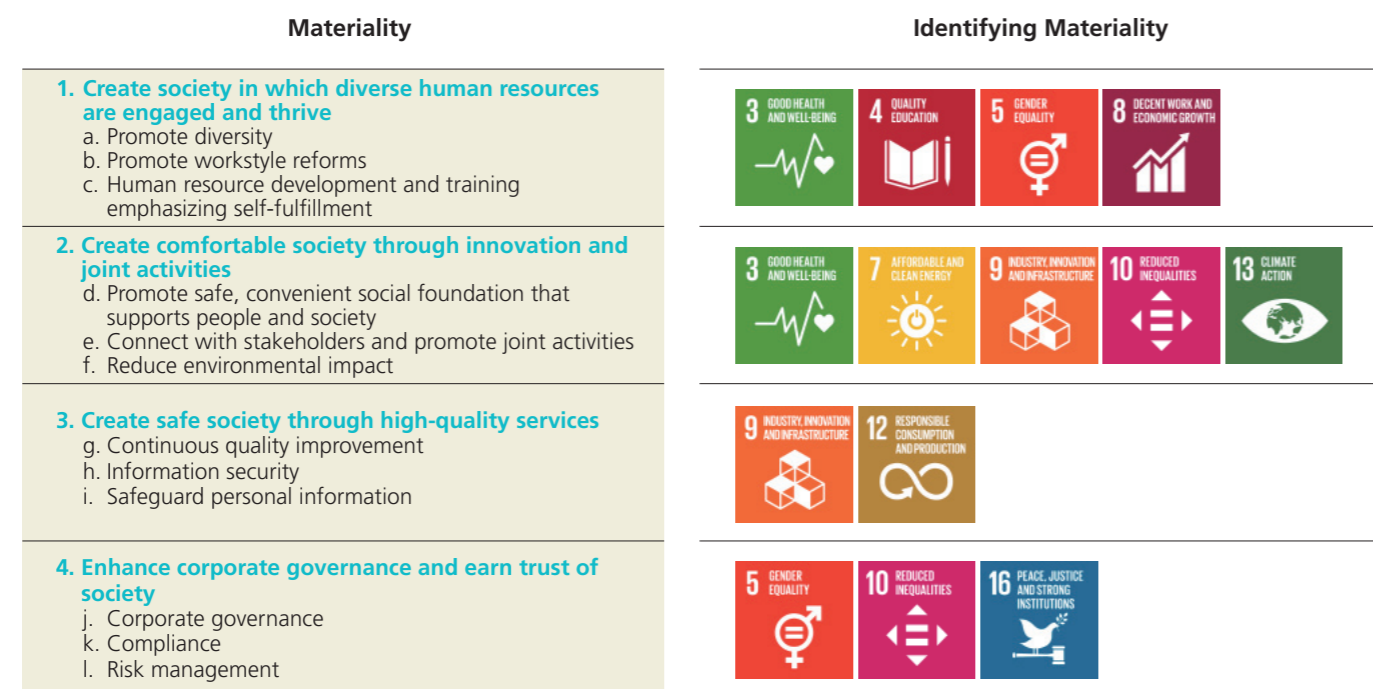
The committee discusses policies on sustainability, deliberates plans, reviews progress on implementing them, and promotes measures taken by group members in line with these policies and plans.

\*Plan to establish dedicated structure regarding sustainability within Corporate Planning Department in October 2019



### Materiality and SDGs

The TIS INTEC Group will contribute to the achievement of SDGs through materiality-oriented activities.



Outside experts had a discussion about the appropriateness of materiality issues identified by TIS for the TIS INTEC Group and how the Company assesses importance. For details, please go to the following site:  
<http://www.tis.com/group/csr/gcsr/materiality/#dia>

### Sustainable Development Goals (SDGs)

These international goals, running from 2016 to 2030, are described in the 2030 Agenda for Sustainable Development, adopted at the U.N. Summit in September 2015. The agenda comprises 17 goals and 169 targets aimed at putting the world on a sustainable path and pledges that no one will be left behind.

To achieve these objectives, companies are asked to participate as vital partners through respective core businesses.



### Signatory to the UN Global Compact

TIS—and by extension, the TIS INTEC Group—signed on to the U.N. Global Compact and was registered as a participant as of July 19, 2018. Through strategies and actions in line with 10 principles encompassing four categories—human rights, labor, environment and anti-corruption—we will encourage every employee to be involved in fulfilling our social responsibilities as a corporate citizen of the world and promote activities that support sustainable social development.



### External evaluation

FTSE Blossom Japan Index

FTSE4Good Index Series

MSCI Japan Empowering Women Index (WIN)



FTSE Blossom Japan



FTSE4Good



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### Enriching society through innovation and co-creation

The Group is pursuing a variety of measures to enrich society through innovation and co-creation in business. Working with our clients, business partners, and other stakeholders, we are making extensive use of advanced ICT to contribute to the development of a sustainable society.

#### Case File Hub established in Fukushima to contribute to regional revitalization

The Group is helping to create a more robust, sustainable society and realize safe and comfortable living by using ICT to address local challenges such as labor force decline. As part of this process, we have established a hub in AiCT, our ICT office in Aizuwakamatsu, Fukushima Prefecture, to promote projects that create new solutions and solve societal challenges in three fields: cashless payments, robotics, and health care. Working with the Open Government Consortium (of which we are a member), we will be involved in the following real-world trials.



#### (1) Cashless payments

A new cashless network will be developed in collaboration with local communities to provide residents with cashless means of payment for goods, transport, health care, and other services. Consumer data will additionally be used to revitalize local economies.

#### (2) AI and robotics

The project is intended to help address the problem of labor force decline in the provinces. The aim is to pilot and commercialize delivery of the RoboticBase platform allowing integrated control and coordination of multiple service robots with the ultimate goal of realizing Fukushima Prefecture's Fukushima Innovation Coast Initiative and Minamisoma Robot Development Vision.

#### (3) Health care field

The aim of this project is to produce information that delivers deeper insights for medical institutions by integrating the information held by local health care providers with vital information obtained regarding everyday life.



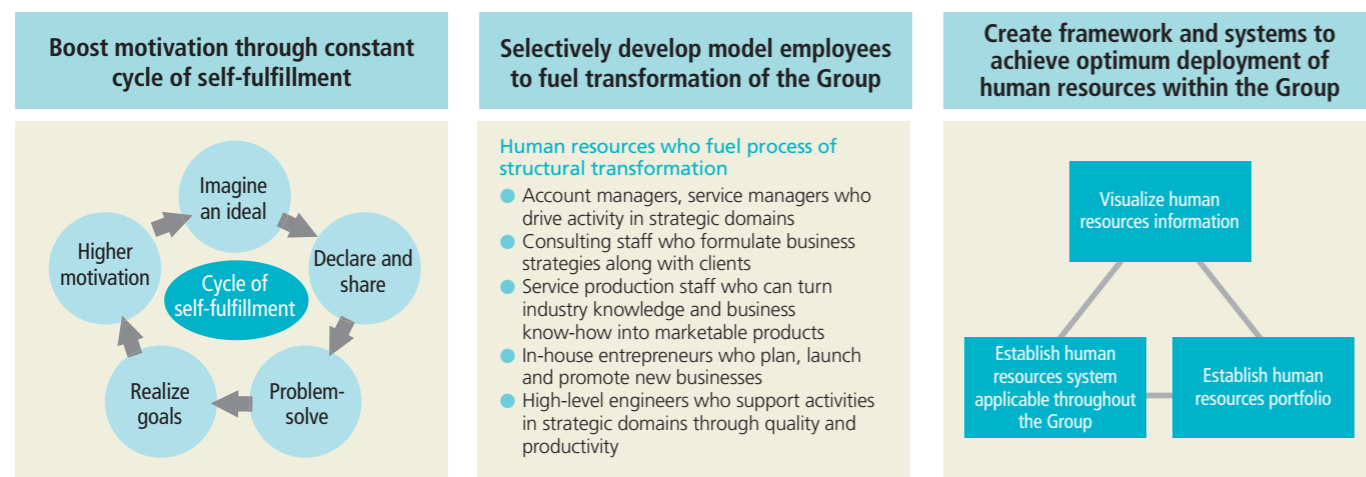
AiCT office building

**Emphasize measures to help employees achieve personal career goals and create framework/culture that enables diverse human resources to thrive ~Individual cycle of personal fulfillment will be driver of growth for the Group~**

Of all the management resources available to the TIS INTEC Group, employees are the most important. One of the basic policies described in Transformation 2020—the medium-term management plan that TIS launched in April 2018—is to emphasize employee self-fulfillment, and efforts will be directed toward the creation of an environment, corporate culture and systems that make diverse human resources excited about their work.

TIS will promote the environment and opportunities that enable each and every employee under the Group umbrella to fully demonstrate their skills, which will lead to sustainable growth of the Group overall.

**Human Resources Strategy in Medium-Term Management Plan (2018-2020)**



**Initiatives as of March 31, 2019, Activities to Implement in Fiscal 2020**

In fiscal 2019, TIS accelerated efforts to help employees—a huge source of corporate growth—reach personal career goals, based on the TIS Human Resources SBU Manifesto. This included a system that allows employees to remain active in the workplace after mandatory retirement at 65, workstyle reform and performance management. Going forward, we will raise motivation and reinforce personnel management, and we will create a framework/culture that enables diverse human resources to thrive within the Group and constantly cultivates top-level capabilities to underpin structural transformation.

**Initiatives as of March 31, 2019,**

- Boost motivation through constant cycle of self-fulfillment**
  - Increase standard wage, raise promotion ratio
  - Introduce system—“Retirement at 65”—that enables employees to continue to be active in the workplace if they are willing and able, regardless of their age.
  - Introduce superflex option
- Selectively develop model employees to fuel transformation of the Group**
  - Define personnel portfolio to facilitate Group reforms
  - Reinforce personnel management and develop skills of people who will be project leaders
- Create framework and systems to achieve optimum deployment of human resources within the Group**
  - Visualize personnel information and promote TIS approaches throughout the Group

**Initiatives in Fiscal 2020**

- Boost motivation through constant cycle of self-fulfillment**
  - Maintain robust investment in human resources (increase opportunities for learning, raise standard wage)
  - Promote activities that contribute to local communities, such as support for volunteer programs
  - Create culture and atmosphere conducive to praise and recognition of achievements and introduce peer bonus system
- Selectively develop model employees to fuel transformation of the Group**
  - Monitor pipeline for people suited to roles as project leaders and in management
  - Actively recruit people with the potential to contribute to structural transformation. Includes consultants, service producers, AI engineers and data scientists
- Create framework and systems to achieve optimum deployment of human resources within the Group**
  - Promote employee exchanges among Group companies
  - Consider approaches in human resources applicable throughout the Group to create shared platform

**Initiatives to Boost Motivation**

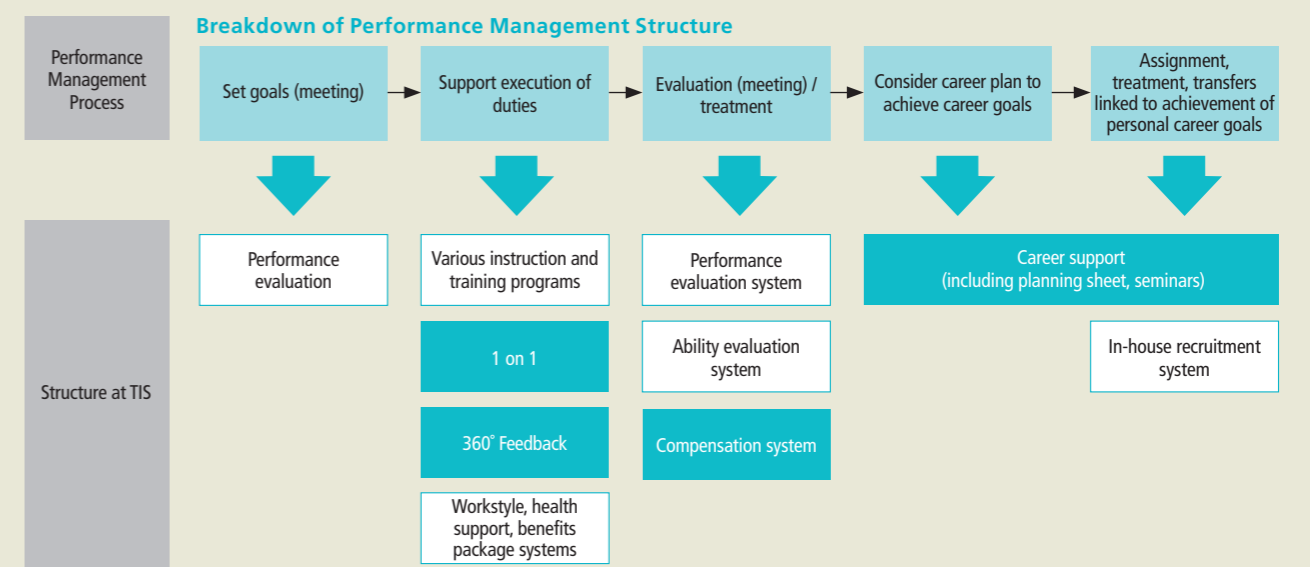
A shared understanding within the TIS INTEC Group is that efforts enabling employees to perform their duties with peace of mind and in good health, both physically and mentally, and to fully demonstrate their capabilities will lead to corporate growth and social contribution. Seeking to improve quality of life for each and every employee, TIS is on board with health management to realize good physical and mental well-being, boost motivation and create an atmosphere infused with vitality.

(Related content in Group Human Resources Roundtable Discussion starting on page 47)

**Promoting Performance Management**

To push added value higher through the personal growth of employees, TIS is working hard to reinforce human resources management. Part of this effort involves a performance management\* strategy. Through various measures, hinging on 1-on-1, the Company is keen to promote greater communication between managers and their staff and, through management with a stronger view on training, the Company will encourage interaction, enthusiasm and a greater sense of independence.

\*Performance management is a management technique designed to draw out employee skills and enthusiasm while working toward business targets.



**Topics**

**Teleworker option for all-day telework, work-interval system and work smart allowance**

In April 2019, TIS launched Teleworker, which hinges on all-day telework without an upper limit on telework days; a work-interval system, which ensures that a certain number of hours separate the end of one work day and the beginning of the next; and a work smart allowance that links increased productivity to personal growth. We will maintain these programs and follow up with workstyle reforms that promote growth of each and every member of our diverse human resources while ensuring sustainable development as a company, and we will tackle health management, as well, including measures to control long working hours and improve health literacy.

**External Evaluation**

Within the TIS INTEC Group, each member company has endeavoured to cultivate a corporate culture and work environment that enables diverse human resources to thrive and has been successful in reducing working hours, increasing the ratio of paid vacation days taken, and establishing various work systems, including shortened work days, work-at-home and flextime work. These activities have been recognized by various external organizations.





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Executive Officer, Department Manager  
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Deputy Division Manager of Human  
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**Jun Ikimune,**  
Senior Managing Executive Officer,  
Division Manager of Human  
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**Shinobu Masuda,**  
General Manager, Work Style Reform  
Promotion Department,  
Health Care Department,  
Human Resources Division, INTEC, Inc.

**Mayumi Akaba,**  
Department Manager,  
Human Resources Department,  
Corporate Planning SBU, AGREX, Inc.

**The goal is to promote initiatives that enable employees to demonstrate their capabilities to the fullest degree and thereby raise corporate value of the Group overall.**

Focusing on themes of health management and improved corporate value, roundtable participants talked about the human resources strategy that extends throughout the Group and the status of efforts at core companies under the Group umbrella—TIS, INTEC and AGREX.

**Earnestly developing human resources strategy applicable groupwide to create companies that are respected by employees, clients and society as a whole**

**Ikimune:** One of the basic objectives raised in the Medium-Term Management Plan, drafted by TIS for the TIS INTEC Group, is to promote employee self-fulfillment. The plan also describes efforts to create an environment, culture and programs that motivate employees to work hard and to build a human resources portfolio that supports structural transformation and places employees throughout the Group in posi-

tions that best use their skills. This approach will elevate the Group's profile and underpin development into a family of companies that enjoy the loyal support of employees, clients and society as a whole.

Business models and the content of business activities may differ among companies under the Group umbrella, but the belief that people are a most valuable management resource is a constant and unchanging concept. OUR PHILOSOPHY—a basic philosophy infused by a set of values common throughout the Group—and Group Vision 2026 are not only keys to a bright corporate future but also to solutions

that address social issues through business activities. Guided by OUR PHILOSOPHY and Group Vision 2026, the Group will work as a cohesive team to implement measures based on a groupwide human resources strategy that makes a diverse workforce excited to be members of the Group. This is vital because it is our people that will drive the Group forward.

**Personnel system highlighting work style reform nearly complete, moving into vital operation phase**



**Takayanagi:** Until the end of March 2019, I was working in a business division. The Human Resources SBU Manifesto conveyed to me a level of corporate commitment because it acknowledged that human resources are a vital asset and that forward-looking investment in a company's people leads to higher corporate value and also because it set out concrete, genuine measures for work style reform. I gave serious thought to how my staff would actually make use of new work styles and initiated a trial. Frontline staff felt the options had potential, so I think we've taken a big first step in driving work style reform ahead.

Going forward, it will be my mission—my priority—as manager of the Human Resources Department to promote widespread awareness of new work styles and to encourage the frontline to engage. Currently, as structural transformation unfolds, operating divisions with a focus on service-style business are more likely to find such options as telework easy to implement. But other divisions may find it difficult to suddenly change the style they are accustomed to. For the system to be used in good balance throughout TIS, it must be understood and accepted not only in-house but also by clients. Toward this end, as manager of the Human Resources Department, I will begin tagging along with operating division managers on their client visits to explain the system and our perspective.

**Masuda:** I, too, recently assumed a new role. I was in a management position in the Administration Control Division up until last fiscal year, and now I head up the Work Style Reform Promotion Department, which was established this past April. In April, INTEC executed a major review of its qualification system, wage structure, and salary raises and promotions—pillars of the personnel system—based on the idea that all employees are specialists, and embraced a structure that encourages employees to strive toward specialization and growth.

This recent personnel system review complements ongoing efforts, including time management, work-life balance management, child-raising support and initiatives to promote the role of women in the workplace. Against this backdrop, I see myself advocating for additional steps in work style reform and putting the system firmly into place. With regard to diversity in work styles, we have a number of business models that require INTEC employees to be on-premise at client offices, so telework, for example, isn't a practical work style option. This is a reality that must be acknowledged and addressed. That

said, employees who are dead-set against a change in work style need to be encouraged to change that attitude. Everyone needs to be receptive to the advantages that work style reform offers for career development. The Human Resources Division must be the guide that leads employees to a new understanding.

Looking back at the last couple of years, overtime work has decreased. These overtime hours are a total, combining data for office staff and frontline staff, but the result reflects a concerted and sustained effort at time management on a daily basis. To turn this into higher productivity requires a real change in the way we approach work.

**Akaba:** In fiscal 2019, AGREX relocated its headquarters and used the establishment of Biz TRUXIA—a new business resource center at the Tama Center that integrates know-how from all locations—to introduce a free-address system intended to promote active exchange between employees and take BPO to new heights. In addition, we made Biz TRUXIA a model for work style reform and promoted both telework and work-from-home options. AGREX also has businesses that require employees to be on-premises at client offices, and for them, options like telework would be hard to put into practice. The use of new work styles requires the understanding of clients, and I think they will see the benefits that come with this structure if it's properly explained to them. In April 2019, our personnel system was drastically revised, as well. The changes go beyond straight-line career advancement and are better matched to each individual's career interests, such as a management position or contributing to higher technological capabilities. Going forward, we will make preparations, such as instruction for people who evaluate employees, namely, training on how to conduct an evaluation, to ensure that the system is properly executed. To encourage women to be more active in the workplace, we are considering manager training to eliminate unconscious bias that precludes women from certain promotions. An issue that needs to be addressed is the small number of women in management positions in the system development division. We have to explore a framework that enables women to achieve diverse career advancement, complemented by suitable training and other support programs.



**Ikimune:** If we want clients to understand and accept work style reform, we have to explain that such reform has advantages not only for ourselves but for our clients as well. The 2020 Summer Olympics in Tokyo could provide some momentum. While the games are on, getting around Tokyo is going to be difficult. Public transportation is going to be crowded, and roads are sure to be congested. Work style reform can be presented as an approach to business that ensures seamless access to services despite commuting challenges. I think clients will support the idea. It's a great opportunity.

**Health management a recognized theme, underpinning better quality of life for employees**

**Ikimune:** People tend to think about health management in narrow terms—that it merely refers to not getting sick. If you acknowledge that work style reform allows people to work where and when they want—the place and time of their choosing—then health management also encompasses efforts to improve quality of life and motivate employees. The business activities of Group companies may differ, but improved quality of life for employees is a common theme when it comes to health management—same as for work style reform. When we convey information about health management to employees, we should also highlight our initiatives and results outside the TIS INTEC Group as well.

**Takayanagi:** I feel employees need to change their perception about health, too. Unlike specific policies, like working from home, effective policies for ensuring personal health are difficult to enforce. We have to plan some events, maybe starting off with sessions for managers, on the theme of health management to foster a new awareness.

I'd also like to see Group human resources divisions tackle responses together, such as discussing policies to boost employee resilience, which would underpin Group initiatives.

**Masuda:** Available data indicates a downward trend in overtime and the rate of annual paid vacation taken as well as the number of people absent from work and the number of days absent, particularly due to mental health issues. However—and this is referred to as absenteeism and presenteeism\*—just because someone shows up for work doesn't necessarily mean he or she is fine. Was time-off cut short? Do more employees have latent problems? It's also important to look closely at frontline conditions.

\*Absenteeism is being absent from work due to illness, while presenteeism is being at work but hindering efforts and unable to perform at top level due to health problems.

**Takayanagi:** For young employees, it's not only individual issues, such as job proficiency, that cause stress. Business moves at an overwhelmingly faster pace than it used to, and this tends to make people feel that they're always under pressure to perform. I think it's important to establish opportunities for managers and frontline staff to learn about health from a scientific perspective. I would consider training based on academic data, such as the positive effect on performance from a repeated process of good stress followed by a break, as well as good sleeping habits, and having meals at set times. Also, the national government introduced a law, effective from April 2019, that encourages employers to adopt a work-interval system\* as a goal to achieve, and TIS has incorporated a minimum interval into its rules of employment. There's no punishment if the minimum is not met, but the system is in place for divisions—not individuals—to consider how to improve the situation next time and to report on results.

\*System that sets a minimum limit on the interval of time between the end of one work day and the beginning of the next.

**Efforts to strengthen performance management groupwide**



**Akaba:** We equate health management with enhanced quality of life for employees, and in fiscal 2020, ending March 31, 2020, at AGREX, the Human Resources Department will be conveying a message to employees

about providing a "happiness platform." Each employee has a career plan as well as a life plan, and we at AGREX aim to put in motion support measures in fiscal 2020 that help build careers. In addition, through various approaches, such as family events, we will transform AGREX into a company that spreads happiness not only to employees but to their families as well.

**Ikimune:** How an employee evaluates his or her job is key to the level of motivation that person feels. With changes in work style, such as telework, motivation will not necessarily be determined through an evaluation of an employee in the line of sight. Therefore, going forward, we, as a group, have to strengthen performance management, which will lead to improved quality in employee evaluations. At TIS, we have applied a few approaches toward this end, including 1-on-1 Meetings between supervisors and staff to deepen communication and 360° Feedback, which invites comments from supervisors, staff and colleagues. Different approaches have been initiated at other Group companies, and I'd like to see the effective ones applied on a groupwide basis.

**Takayanagi:** For 1-on-1 Meetings, the decision was made to let staff present the themes each time, so this gives staff practice thinking up themes on their own and carrying the conversation, which instills confidence. For their part, managers will have to be able to accurately grasp conditions affecting staff. Each manager has a staff of five to eight people and meets with each one once every two weeks. It's not a huge dent in their schedules. I participated in 1-on-1 Meetings and found this to be a very valuable approach.

1-on-1 Meetings are intended to make staff excited about their work and boost motivation through improved communication, both in terms of quantity and quality. Managers—more than 1,500 of them—will have to be trained on the meeting format, and it may take more than a year before we see tangible results.

**Power of all employees under Group umbrella is source of higher composite corporate value of Group**

**Takayanagi:** With great timing, TIS presented a shared philosophy—OUR PHILOSOPHY—and a shared direction—Group Vision 2026—for the Group along with efforts to strengthen the personnel system. Frontline motivation is steadily rising. I feel that the power of all employees under the Group umbrella creates tremendous energy that will drive the composite corporate value of the Group consistently higher.

**Akaba:** If anyone were to feel uneasy about personnel system reform or organizational restructuring, it would be because management's message was not conveyed correctly. But management engages employees in discussion and consistently offers solid explanations about why changes are necessary. This turns apprehension into expectation and draws the power of individuals together for exponentially larger impact.



**Masuda:** INTEC also implemented major changes to its personnel system, seeking to improve corporate value. But as I mentioned at the top of our discussion, the next task is to create rules to run the system. What rules are needed?

I'm going to go to the frontline and talk with people to find out. In that sense, I will focus my energies on the critical moment that comes now to improve corporate value.

**Ikimune:** A priority measure for the Human Resources SBU is to raise the quality of human resources. Toward this end, we seek to build a human resources portfolio extending across the Group to develop business personnel with high-level capabilities. To accelerate this process, we will actively communicate with management and personnel divisions at core Group companies and focus on activities that cut across the Group.

We have made steady progress in developing the Group human resources strategy and must be at stage six of this corporate mountain climbing expedition by now. However, the personnel system is always in a state of change, evolving along with society. You might say it's a never-ending journey. One point of arrival is the establishment of a personnel system with the flexibility to adapt and a good corporate culture. We are making steady progress toward this goal, and I am confident this will lead to higher corporate value on a groupwide basis.

**Human Resources SBU Manifesto (Highlights)**  
**Human Resources SBU Declaration**  
 Become a company where all employees feel motivated to work hard

**1. Desired status (by March 2021)**  
 We seek to **accelerate improvement in the composite corporate value of the Group** by **raising the individual capabilities of diverse human resources.**

- 2. Human Resources SBU Three-Point Mission**
1. Create **company where motivation level is high, and quickly and vigorously** work toward this from system and environment perspectives.
  2. Achieve **optimized deployment of human resources** while providing an **environment conducive to self-fulfillment of career goals.**
  3. Ensure thorough **labor-related compliance** and create **safe and pleasant** company atmosphere.

- 3. Measures and Direction Through 2021**
- 1. Measures related to evaluation, treatment and compensation**
    - i. Raise standard compensation: Raise compensation to industry's top level
    - ii. Evaluation system that looks to boost motivation: Performance-based evaluation and compensation matched to capabilities and position
    - iii. Personnel system with groupwide perspective: Build new personnel system geared toward Group Vision 2026
  - 2. Measures related diversity, workstyle and health management**
    - i. Promote diverse workstyles: Offer greater freedom in terms of place and time to encourage innovation
    - ii. Engage in health management: Enrich employees' quality of life and be company full of vitality
    - iii. Enable diverse human resources to be active: Provide place where employee can thrive regardless of gender, nationality or age
  - 3. Measures related hiring, training and assignments**
    - i. Create human resources portfolio: Promote talent management throughout the Group
    - ii. Recruit people who will play a truly vital role in our success: Secure human resources with high contribution potential and specialized capabilities
    - iii. Optimum deployment of human resources: Implement strategic human resources deployment and regular rotation

### Fast, fair and impartial information disclosure

We provide performance results and the latest news on our business activities to analysts as well as institutional and individual investors through events, such as information meetings, the production of pamphlets and other materials, and also in the investor relations section on the TIS website.

IR Events in Fiscal 2019	Frequency	Contents
Results briefings for analysts and institutional investors	4 times	Quarterly briefings
Small meetings for analysts and institutional investors	176 times	Provide IR-oriented information for analysts and institutional investors. Of these meetings, 51 were for overseas investors. Total coverage: 260 companies (339 people)
Small meetings	2 times	President held one meeting with sell-side analysts, and one meeting with buy-side analysts.
Overseas roadshows	3 times	President, director responsible for overseas IR and other members of senior management met with shareholders and investors in Europe, United States, and Asia
IR conferences for individual investors	one time	Held a conference in Tokyo
Production of materials for individual investors	2 times	Issued "Business Report"

### TIS' IR Activities Recognized with Awards from External Organizations

At TIS, we believe that timely and objective information disclosure to shareholders and investors is an important obligation that any listed company must fulfill. Therefore, we strive to enrich our IR activities and improve the content and function of the IR pages on our website. The success of our efforts is substantiated in part by the following awards.



**2018 Internet IR Commendation Award (Daiwa Investor Relations Co., Ltd.)**  
Received award for excellence from 2013 in sixth consecutive year.

**Selected for candidates, 50 companies, of the 8th Corporate Value Improvement Award in fiscal 2019**



**Fiscal 2018 Homepage Quality Ranking Survey of All Listed Companies (Nikko Investor Relations Co., Ltd.)**  
Received highest award as excellent website in comprehensive ranking, from Fiscal 2015 in fourth consecutive year.

**Selected for inclusion in the JPX-Nikkei index 400 (since August 2018)**



**Gomez IR Site Comprehensive Ranking 2018 (Morningstar Japan K.K.)**  
Received award for excellence from 2015 in fourth consecutive year.

### IR Policy

#### Purpose of IR Activities

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

#### Basic Policy on IR Activities

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

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

#### Basic Policy on Disclosure

##### 1. Disclosure Standards

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

##### 2. Information Disclosure System

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

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

### Environmental measures

The Group actively addresses environmental issues through its business activities. At the data centers and offices that form the foundations of our business activities, we pursue a range of environmentally friendly steps, including measures to conserve energy and reduce emissions of greenhouse gases.

We are working in particular to consolidate our data center operations to make greater use of advanced, environmentally friendly facilities that are electrically more efficient. We are also expanding our use of natural energy sources (including geothermal power, outside air for cooling, rainwater, and solar power).

### Guiding principles for addressing environmental issues

1. We promote development and provision of environmentally friendly services.
2. We strive to address climate change and make effective use of resources in consideration of environmental impacts.
3. We comply with environment-related laws, regulations, voluntary standards, and other the like.
4. We conduct environmental education programs and work to raise environmental awareness of employees.

### Initiatives to combat global warming

TIS is working to reduce its rates of energy consumption by 1% from a year earlier.

#### INPUT

	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019	
Energy	Electricity <sup>1</sup>	Thousand kwh	169,907	157,623	147,921
	Heavy fuel oil A <sup>2</sup>	kl	26	28	32
	Light mineral oil <sup>2</sup>	kl	11	11	10
	City gas <sup>2</sup>	Thousand m <sup>3</sup>	389	379	343

#### OUTPUT

	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019	
Results	Electricity <sup>1</sup>	t-CO <sub>2</sub>	83,769	78,125	71,096
	Heavy fuel oil A <sup>2</sup>	t-CO <sub>2</sub>	71	75	87
	Light mineral oil <sup>2</sup>	t-CO <sub>2</sub>	28	29	25
	City gas <sup>2</sup>	t-CO <sub>2</sub>	877	854	773

#### Emissions by scope

	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019
Scope 1 <sup>2</sup>	t-CO <sub>2</sub>	976	958	885
Scope 2 <sup>1</sup>	t-CO <sub>2</sub>	83,769	78,125	71,096
Scopes 1+2	t-CO <sub>2</sub>	84,745	79,083	71,980

#### Coverage:

1. 13 group companies (TIS, INTEC, and key subsidiaries)
2. TIS and INTEC

### Case File A verification test of next-generation transit infrastructure in Assabu region

Responding to moves to eliminate coal dependence and switch to use of locally produced and consumed energy resources, which is a key element of the Japanese government's Society 5.0 vision, the Group is using its many years of business experience to help solve societal challenges.

To assist in this process, the Group has partnered with INDETAIL to implement the Project. The aim of this project is to overcome some of the problems generated by the decline of transport infrastructure caused by the falling birthrate, population aging, and depopulation of rural areas and the decline of regional economies caused by increases in energy costs. It will do so by developing a next-generation transport and energy platform that uses advanced ICT to deliver new modes of transport, revitalize regions, and create communities that are sustainable from the point of view of meeting residents' needs and reducing their energy use and environmental footprints.

The project is being led by INDETAIL and TIS and involves a group of other companies including Hokkaido Electric Power Company, Takaoka Toko, Oracle Japan, Mitsui Sumitomo Insurance, Smart Value, and Cle-Net.



**From August 2019, a verification test is underway in Assabu town on the northern island of Hokkaido, following which the platform will be rolled out on a full-scale basis.**

#### (1) Launch and management of local currency for limited uses

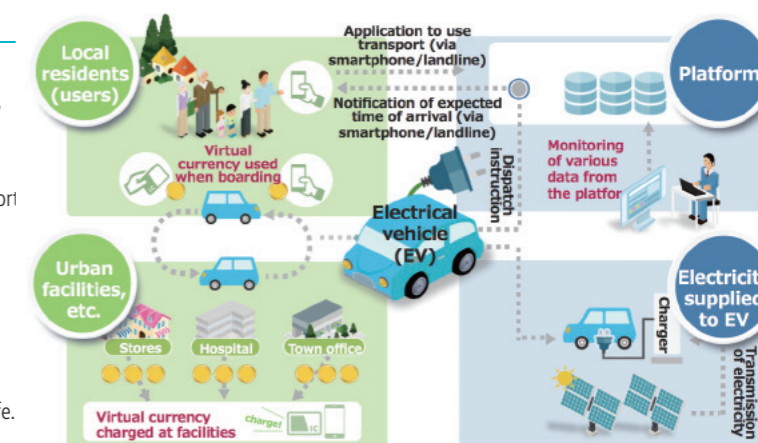
A new local currency will be launched to encourage use of local transport and revitalize centrally located shopping centers.

#### (2) Energy management scheme

Electricity providers and users will use renewable energies to promote local energy production and consumption.

#### (3) MaaS platform

This platform is tailored to the needs of older people and people with poor IT skills and access to deliver greater peace of mind in everyday life.





**We will draw on the experience and insights of external directors to improve the composite corporate value of the TIS INTEC Group.**

TIS' three external directors have provided comments on themes of importance and expectations regarding structural transformation of the TIS INTEC Group.

Photo: From left, external directors Fumio Tsuchiya, Koichi Sano and Naoko Mizukoshi

**Helping to solve social issues as a public entity of society through services that only TIS can provide**

Koichi Sano, External Director

The level of discussion has steadily improved, thanks to such approaches as briefing sessions held prior to Board of Directors' meetings, which promotes animated dialogue, as well as a review of discussion standards. In addition, TIS is very keen to maintain excellent corporate governance, guided by basic policy on corporate governance, and this stance has had a beneficial impact on the evaluated effectiveness of the Board of Directors.

Shareholders place their trust in directors and expect them to engage in multifaceted, constructive discussion of strategies regardless of whether they are from inside or outside the Company or the extent of their responses. The responsibilities of external directors are huge, given corporate governance reform, and even the choice of external directors is influenced by diversity requirements. It's important to promote a higher ratio of outside-to-inside directors on the Board and welcome a wider range of backgrounds and attributes. The appointment of directors responsible for certain aspects of business, such as ICT and AI, is part of this approach. Going forward, to ensure sustainable growth and higher corporate value for TIS and the TIS INTEC Group, I will offer advice and monitor status from an external perspective to reinforce the supervisory function of the Board of Directors and keep priorities pointed toward medium- to long-term strategy themes, such as building a strategic business structure and developing human resources, as well as enhanced governance of operations groupwide. While the improvement trend indicates that the number of unprofitable projects is shrinking, I think TIS should shift from ratios to value amounts and strengthen policies by applying approaches laterally across the Group. I will watch so that operating margin, order profitability to ROE growth, and productivity are not hemmed in by market evaluations.

TIS will have to raise the bar in terms of quality, content and speed in its decision-making process. Consequently, decisions will have to be made objectively, with attention given to such aspects as overall business, the appropriateness of prerequisites and strategies that successfully distinguish TIS from the competition or accurate risk management and flexible, effective business management. For projects to support the structural transformation that TIS seeks—where service-style business is the driver of growth—and then, from the perspective of ESG and SDGs, for this to be not only the profit center of the Company but also position the Company as a public entity of society, TIS must form decisions that enable the Company to be part of solutions to social issues through business activities that only TIS—and by extension, the TIS INTEC Group—can provide.

**Most important function of external directors is to provide opinions based on calm judgment**

Fumio Tsuchiya, External Director

In addition to the conventional idea that corporate governance is a practice or process for identifying, correcting and preventing illegal activity, corporate governance is shifting toward a new awareness—to make management more effective by aligning the interests of stakeholders, which ultimately leads to maximum corporate value. For that reason, a duty that the Board of Directors must fulfill is, when drafting a management plan, to adequately consider whether or not the ideas on which the plan is based are in good balance and then, through subsequent verification and evaluation of progress, reflect that status in the next plan.

Independent external directors comprise one-third of TIS' Board of Directors, and the Company ensures access to business information, including opportunities to get information on key projects before the Board meets, so that we external directors are able to present objective opinions from an external perspective. An issue that concerns me, given that TIS is promoting structural transformation for the future against a backdrop of solid corporate results—higher sales and higher income—with an emphasis on speed, is the pitfall of prioritizing speed at the expense of prudent risk evaluation. How will the opinions and advice of external directors be incorporated to realize more effective management?

Even as an external director, I know that there are watch points for corporate governance when business is good, just as there are when business is poor, and I am reminded of the need for calm judgment and the importance of stating opinions based on this perspective.

**I take special interest in organizational diversity and will actively contribute to discussions from this perspective.**

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

TIS formulated Group Vision 2026 to guide the TIS INTEC Group and seeks to shape an organization oriented for the future, contributing to society, brimming with vitality and boasting diversity in its human resources through efforts to instill OUR PHILOSOPHY in the minds of employees at all companies under the Group umbrella, training for employees and a fine-tuned human resources strategy. This is the cornerstone of structural transformation, based on the medium-term management plan, which will see the development of strategically anticipated businesses and increased created value. In addition to Board of Directors' meetings and briefing sessions held prior to these meetings, TIS sets up opportunities for directors to exchange opinions in a candid and open atmosphere, conducts dialogue on human resources, the future of stock-based business and overseas strategies, steadily undertakes structural transformation, and strives to create a corporate group that is trusted by and indispensable to society.

That said, issues I feel TIS must continue to address include improving group governance as a company heading up a corporate group of some 20,000 people and dealing with the increasingly fast-paced changes developing across the competitive landscape. For me, I take special interest in the perspective of diverse stakeholders, including shareholders; views based on experience as a lawyer and at an IT company; and organizational diversity from a woman's standpoint. My participation in discussions reflects these perspectives. I will continue to be an active voice in meetings of the Board of Directors, the Nomination Committee, the Compensation Committee and opportunities for opinion exchange, and I will strive to contribute to higher composite corporate value for the TIS INTEC Group.

**Based on OUR PHILOSOPHY (TIS INTEC Group Philosophy) and Group Vision, we have formulated basic corporate governance policies aimed at improving the Group's corporate value over the medium and long terms. We are working constantly to enhance corporate governance.**

**Basic Policy**

TIS will constantly strive to achieve the highest level of corporate governance and will work to maintain and further enhance its approaches to corporate governance.

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

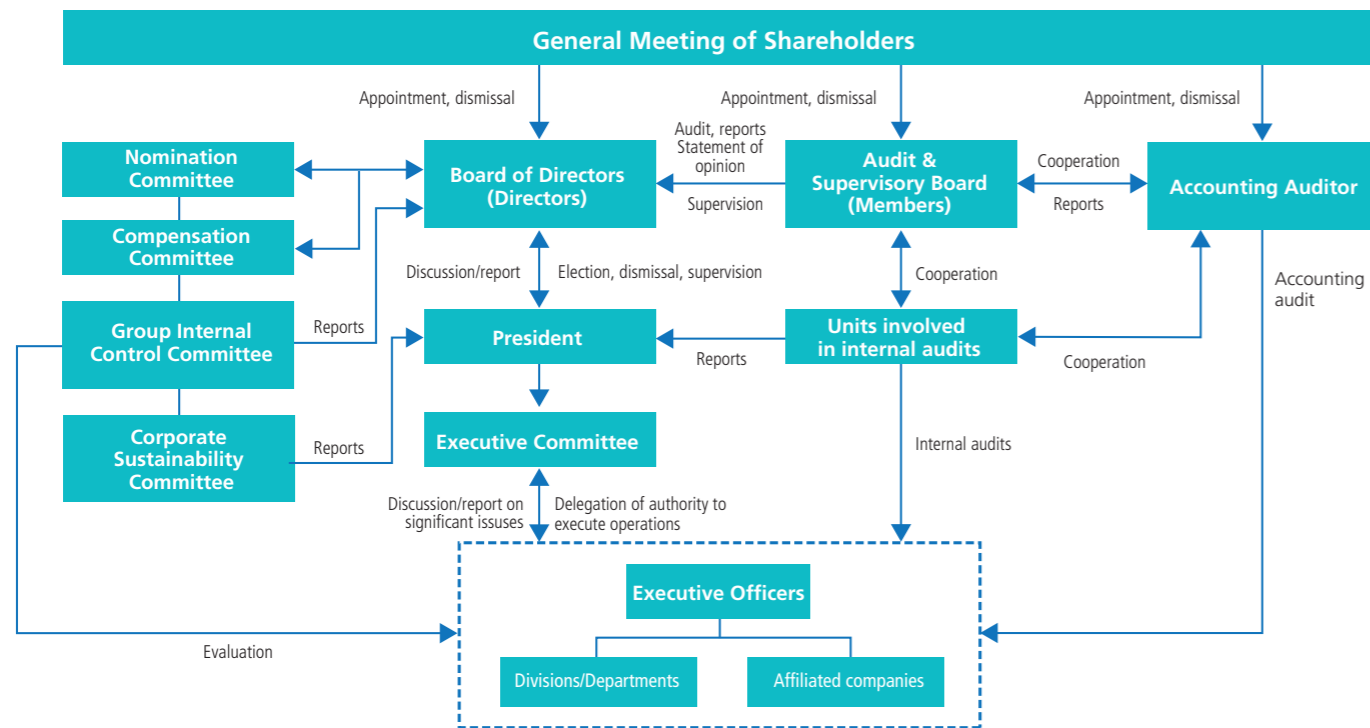
1. To respect the rights of shareholders and to ensure equality.
2. To consider the interests of stakeholders, including shareholders, and work with stakeholders in an appropriate manner to achieve stated goals.
3. To disclose corporate information appropriately and ensure transparency.
4. To engage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

(From Article 4, Basic Policies on Corporate Governance)

**Corporate Governance Structure**

Organizational Structure	Company with Audit & Supervisory Board
Chairman of the Board	Chairman and president
Number of Directors	Nine, including three external directors
Director's Term of Office	One year
Number of Audit & Supervisory Board Members	Five, including three external audit & supervisory board members
Term of Office for Audit & Supervisory Board Members	Four years
Number of Independent Directors	Six, including three external directors and three external audit & supervisory board members

## Organizational Chart



### Reason for Selection of Current Corporate Governance Organization

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

## Directors and Board of Directors

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

For swift and dynamic decision-making by the Board of Directors, the Board of Directors convenes in principle once monthly and also meets on an ad hoc basis whenever necessary.

TIS holds an information meeting once a year to present

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

## Summary of Results of Analysis and Evaluation of Effectiveness of Entire Board of Directors

Since fiscal 2016, ended March 31, 2016, the Company has evaluated the effectiveness of the Board of Directors each fiscal year. This process reveals issues and points for improvement and leads to initiatives that will raise the effectiveness of the Board of Directors to a higher level. For the fiscal 2019 evaluation, all directors and members of the Audit & Supervisory Board were given a questionnaire to be submitted anonymously. The questionnaire asked them to conduct a comprehensive self-evaluation and self-analysis of the composition and operation of the Board of Directors, and then the Board of Directors pursued discussions based on the results. The method and results of the evaluation, as well as future issues brought to light through this process and measures to address such issues are described below.

### 1. Method of evaluation

TIS distributed a questionnaire regarding the effectiveness of the Board of Directors to all directors and members of the Audit & Supervisory Board and obtained responses. The Company's Board of Directors then used these responses to analyze and evaluate the effectiveness of the Board of Directors.

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

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

The Company's Board of Directors concluded that a certain degree of effectiveness had been ensured to appropriately supervise the approval of important management matters and business execution, such as the execution status of business activities and investments at the Company and Group

companies, through deliberation based on Company regulations. In addition, the Board of Directors concluded that the level of effectiveness continues to trend upward, reflecting improvement measures based on the results of the effectiveness evaluation conducted in the previous fiscal year.

However, management acknowledged the importance of strengthening governance at each Group company through the Board of Directors and for more active opinion exchange on important themes at meetings of the Board of Directors to ensure greater effectiveness in running such meetings.

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

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

#### (1) Strengthen governance of the Group and respond to issues with sense of speed

Through the Board of Directors, the status of governance within the Group is always known and responses to issues are executed with a sense of speed.

#### (2) Promote more active opinion exchange on key themes at meetings of the Board of Directors

The Board of Directors exchanges opinions on shareholder composition, overseas business strategies and other issues of importance to the Group. Going forward, the Board of Directors will pursue a more robust approach to the exchange of opinions on key themes, such as business strategy, human resources strategy and investment strategy with market trends and the state of competition in mind. Opinions with potential will be reflected in management practices with a sense of speed.

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

In nominating candidates for directors, audit & supervisory board members and executive officers, the Board of Directors will nominate persons with abundant experience, a high level of insight and advanced specialization based on the following election criteria that make them suitable as directors or audit & supervisory board members in order to realize effective corporate governance and contribute to the sustainable growth of the Company as well as the enhancement of its medium-

to long-term corporate value while also considering aspects of diversity such as gender and internationality.

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

## Reason for Election of Directors and Audit & Supervisory Board Members

### Directors

#### Toru Kuwano, Chairman and President

Date of Birth: May 3, 1952

April 1976 Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.)  
 June 2000 Director of the Company  
 April 2004 Executive Director of the Company  
 April 2008 Executive Managing Director of the Company  
 April 2010 Executive Vice-President and Representative Director and General Manager of Financial Industry HQ of the Company  
 April 2011 President and Representative Director of the Company  
 June 2018 Chairman, President and Representative Director of the Company, in charge of Auditing Dept. (to present)

#### Reason for Election

After assuming the office of President and Representative Director of the Group company, Mr. Kuwano was appointed as a Director of the Company in June 2013. Since June 2016, he has assumed the office of President and Representative Director of the Company.

He has a wealth of experience and knowledge about the Company's and its Group's business, as well as in business administration.

He was appointed as a Director since he is highly expected to continue to promote the Medium-Term Management Plan (from 2018 to 2020) and fulfill the duties of significant decision-making for the Group as well as the administration and oversight of business management.

#### Masahiko Adachi, Representative Director, Executive Vice President

Date of Birth: May 9, 1956

April 1981 Joined Sanwa Bank, Limited (currently MUFG Bank, Ltd.)  
 April 2011 Executive Officer, Division Manager of Corporate Management Div. of TIS Inc.  
 April 2013 Managing Executive Officer, Division Manager of Financial Industry SBU. 1 of the Company  
 April 2016 Senior Managing Executive Officer, Division Manager of Financial Industry SBU. 1 and Division Manager of Financial Industry SBU. 3 of the Company  
 April 2018 Executive Vice President, in charge of Corporate Planning SBU of the Company  
 June 2018 Representative Director, Executive Vice President, in charge of Corporate Planning SBU of the Company (to present)

#### Reason for Election

Mr. Adachi has been in the office of Representative Director since June 2018 following the office of Division Manager of the corporate department and the financial system department of a financial institution and the Company's Group company.

Based on these experiences, he was appointed as a Director since he is highly expected to continue to promote group governance as set out in the Medium-Term Management Plan of the Group (from 2018 to 2020), centered on the corporate function, and fulfill the duties of significant decision-making for the Group and oversight of business management.

#### Yasushi Okamoto, Director and Senior Managing Executive Officer

Date of Birth: March 3, 1962

April 1985 Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.)  
 April 2011 Executive Officer, Department Manager of Corporate Planning & Control Dept. of the Company  
 April 2013 Managing Executive Officer, Division Manager of IT Solutions Services SBU. of the Company  
 April 2016 Senior Managing Executive Officer, Division Manager of Industries & Solutions SBU of the Company  
 June 2018 Director, Senior Managing Executive Officer and Sector Director of Service Strategy Sector of the Company (to present)

#### Reason for Election

Mr. Okamoto has been serving as Senior Managing Executive Officer and Division Manager of the planning and development department of industrial systems since July 2016, and has been in the office of Director since June 2018, after having been engaged in corporate business in the corporate planning department of the Company for many years.

Based on these experiences, he was appointed as a Director since he is highly expected to continue to promote the Medium-Term Management Plan (from 2018 to 2020), and fulfill the duties of significant decision-making for the Group and oversight of business management.

#### Josaku Yanai, Director and Senior Managing Executive Officer

Date of Birth: November 14, 1963

April 1987 Joined the Long-Term Credit Bank of Japan, Limited  
 January 2000 Joined Toyo Information Systems Co., Ltd. (currently TIS Inc.)  
 April 2009 Executive Officer, Department Manager of Corporate Planning & Control Dept., Corporate Planning & Control Div. of the Company  
 May 2015 Managing Executive Officer, Division Manager of Corporate Planning Division of the Company  
 June 2016 Director, Managing Executive Officer and Division Manager of Corporate Planning SBU of the Company  
 April 2018 Director, Senior Managing Executive Officer and Sector Director of Industry Strategy Sector of the Company (to present)

#### Reason for Election

Mr. Yanai was mainly engaged in corporate section in the corporate planning department of the Company and its Group company for many years. He assumed the office of Executive Officer and Division Manager of corporate planning division of the Company in April 2011. Since June 2016, he has been serving as a Director of the Company.

He has a wealth of experience and knowledge about the business of the Company's and its Group, as well as in business administration. Based on these experiences, he was appointed as a Director since he is highly expected to continue to promote the Medium-Term Management Plan (from 2018 to 2020), and fulfill the duties of significant decision-making for the Group and the administration and oversight of business management as a Director.

#### Takayuki Kitaoka, Director

Date of Birth: December 14, 1960

April 1984 Joined INTEC Inc.  
 April 2015 General Manager of BPO Division of INTEC Inc.  
 April 2016 Executive Officer, General Manager of Corporate Planning Division of INTEC Inc.  
 April 2017 Managing Executive Officer, General Manager of Corporate Planning Division of INTEC Inc.  
 April 2018 President and Representative Director of INTEC Inc. (to present)  
 June 2018 Director of the Company (to present)

#### Reason for Election

Mr. Kitaoka was engaged in business related to IT infrastructure of INTEC Inc., the Company's major subsidiary, and served in management administration of the Group companies at the Company for three years since April 2012.

Furthermore, he has assumed the office of President and Representative Director of INTEC Inc. since April 2018 and the office of Director of the Company since June 2018.

He was appointed as a Director since he is highly expected to continue to promote the duties of INTEC Inc. assigned by the Medium-Term Management Plan (from Fiscal 2018 to Fiscal 2020) and to fulfill the duties of significant decision-making for the Group and the administration and oversight of business management, based on the above experiences and from the viewpoint of Group management.

#### Akira Shinkai, Director

Date of Birth: March 24, 1959

February 1986 Joined Yokogawa U System Corporation  
 April 2000 Joined YDC Corporation  
 June 2001 Director of YDC Corporation  
 October 2009 Joined Nippon System Gijutsu Co., Ltd.  
 June 2010 Director and Managing Executive Officer of Nippon System Gijutsu Co., Ltd.  
 April 2011 Joined INTEC Inc. Deputy General Manager of NSG Department of INTEC Inc.  
 June 2012 Executive Officer, General Manager of NSG Department of INTEC Inc.  
 May 2015 Managing Executive Officer, General Manager of Industrial Solutions Business Division of INTEC Inc.  
 April 2016 Managing Executive Officer, General Manager of Metropolitan Social Service Headquarters of INTEC Inc.  
 April 2018 Director, Executive Vice President, in charge of Corporate Information Department, Business Strategy Promotion Division, and Metropolitan Distribution Service Headquarters, and General Manager of Metropolitan Distribution Service Headquarters of INTEC Inc. (to present)  
 June 2018 Director of the Company (to present)

#### Reason for Election

Mr. Shinkai was engaged in business of new service planning and marketing and has assumed the office of Director and Executive Vice President of INTEC Inc., the Company's major subsidiary, since April 2018, and the office of Director of the Company since June 2018.

Based on these experiences, he was appointed as a Director since he is highly expected to continue to promote the Medium-Term Management Plan (from 2018 to 2020), and fulfill the duties of significant decision-making for the Group and the administration and oversight of business management.

## External Directors

To help the Group post constant growth and achieve higher corporate value over the medium to long term, TIS strives to keep participation of external directors in good balance with inside directors and looks for people who possess diverse knowledge, experience and capabilities.

### Koichi Sano\*, External Director

■ Corporate management  
■ Financial accounting

Date of Birth: August 30, 1948	(Other Important Concurrent Positions)
April 1971 Joined Mitsui Petrochemical Industries, Ltd. (currently Mitsui Chemicals, Inc.)	External Director of Nippon Yakin Kogyo Co., Ltd. <a href="#">Reason for Election</a>
June 2003 Executive Officer and Manager of Finance Department of Mitsui Chemicals, Inc.	Mr. Koichi Sano worked mainly in the finance and accounting departments, and served as Executive Vice-President and Representative Director of Mitsui Chemicals, Inc., and has a wide range of experience and a wealth of expertise in corporate management. He was appointed as an External Director since his advice and suggestions from an independent perspective by utilizing these experiences and expertise in the Company's business will ensure that the decisions to be made by the Company's Board of Directors will be reasonable and appropriate, and he is highly expected to be a person who will contribute to the enforcement of the corporate governance of the Company.
June 2005 Executive Director of Mitsui Chemicals, Inc.	
June 2009 Executive Vice-President and Representative Director of Mitsui Chemicals, Inc.	
June 2013 Special Councilor of Mitsui Chemicals, Inc.	
June 2015 Retired from Mitsui Chemicals, Inc.	
June 2016 Director of the Company (to present)	

### Fumio Tsuchiya\*, External Director

■ Corporate management ■ Industry knowledge  
■ International experience

Date of Birth: May 10, 1948	August 2010 Section Manager of Internal Auditing Office of Faith, Inc.
July 1971 Joined Japan Airlines Co., Ltd.	June 2011 Full-time Audit & Supervisory Board Member of Faith, Inc.
May 1999 Director and Section Manager of Personnel & Corporate Planning Section of JAL Hotels Co., Ltd. (currently Okura Nikko Hotel Management Co., Ltd.)	June 2017 Director of the Company (to present) <a href="#">Reason for Election</a>
October 2002 Executive Officer, Deputy Section Manager of Corporate Planning Section of Japan Airlines System, Inc. (currently Japan Airlines Co., Ltd.)	Mr. Tsuchiya previously worked in an important position in overseas offices and the Corporate Planning Department of Japan Airlines Co., Ltd. After having assumed the office of Director of Japan Airlines in June 2004, he served as Managing Director and was thereafter appointed as President & CEO of JALCard, Inc. in June 2007, which is a group company of Japan Airlines. He has a wide range of experience and a wealth of expertise in corporate management.
June 2004 Director and Section Manager of Corporate Planning Section of Japan Airlines Corporation (currently Japan Airlines Co., Ltd.)	He was appointed as an External Director since his advice and suggestions from an independent perspective by utilizing these experiences and expertise in the Company's business will ensure that the decisions to be made by the Company's Board of Directors will be reasonable and appropriate, and he is highly expected to be a person who will contribute to the enforcement of the corporate governance of the Company.
April 2006 Managing Director, in charge of PR & IR, Legal Affairs and General Affairs of Japan Airlines Co., Ltd.	
June 2007 President & CEO of JALCard, Inc.	
June 2010 Retired from JALCard, Inc.	

### Naoko Mizukoshi\*, External Director

■ International experience ■ Legal work  
■ ICT

Date of Birth: September 23, 1967	March 2010 Founded Endeavour Law Office
April 1993 Joined Legal Training and Research Institute of Supreme Court of Japan	Partner of Endeavour Law Office
April 1995 Registered as a lawyer with Osaka Bar Association Joined Miyazaki Sogo Law Office (currently Legal Professional Corporation Miyazaki Sogo Law Office)	June 2018 Director of the Company (to present)
April 1998 Registered as a lawyer with Yokohama Bar Association (currently Kanagawa Bar Association) Joined Legal Department of Nomura Research Institute, Ltd.	December 2018 Partner of Leftright Law & IP (to present) <a href="#">Reason for Election</a>
September 1999 Registered as a lawyer with Daini Tokyo Bar Association Joined Legal Department of Autodesk, Ltd.	Ms. Mizukoshi is a qualified lawyer and has a wealth of professional knowledge of, and experiences in, intellectual property, ICT and international transactions.
September 2002 Joined Legal Headquarters of Microsoft Co., Ltd. Registered as a lawyer in the State of California, U.S.A.	Her advice and suggestions from an independent perspective will ensure that the decisions to be made by the Company's Board of Directors will be reasonable and appropriate by utilizing these experiences and expertise in the Company's business, and she is highly expected to be a person who will contribute to the enforcement of the corporate governance of the Company.
November 2006 Joined TMI Associates	She has not participated in corporate management but has expertise on corporate legal works. Therefore, she was appointed as an External Director since she could discharge duly the duties of External Director.
January 2008 Partner of TMI Associates	

## Audit & Supervisory Board Members

### Katsuhiko Ishii, Standing Audit & Supervisory Board Member

Date of Birth: November 5, 1953	April 2014 Managing Executive Officer and Division Manager of Corporate SBU. of the Company.
April 1976 Joined the Long-Term Credit Bank of Japan, Limited	April 2016 Advisor to the Company.
October 2001 Joined SORUN Corporation	June 2016 Full-time Audit & Supervisory Board Member of the Company (to present) <a href="#">Reason for Election</a>
June 2007 Director and Executive Officer of SORUN Corporation	Mr. Ishii worked for a financial institution and served as General Manager of the Corporate Department of a Group company. He also served as an advisor at the same Group company. Based on these experiences, he was appointed as an Audit & Supervisory Board Member as he can be expected to oversee the execution of duties of the Company's Directors in a fair and appropriate manner.
April 2011 Managing Executive Officer, Division Director of the Financial Industry SBU., Financial Industry HQ. and Division Manager of the Financial Systems Div. 3 of TIS Inc.	
October 2011 Managing Executive Officer and Deputy Division Manager of Financial Industry SBU. of the Company.	
April 2012 Managing Executive Officer and Deputy Division Manager of Corporate SBU. of the Company.	

### Tatsufumi Matsuoka, Standing Audit & Supervisory Board Member

Date of Birth: December 2, 1957	April 2016 Managing Executive Officer, Deputy Division Manager of Public Solutions & Services SBU and Deputy Division Manager of Industries SBU of the Company
April 1980 Joined the Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)	April 2019 Advisor to the Company
May 1999 General Manager, Ise Branch of the Tokai Bank, Ltd.	June 2019 Standing Audit & Supervisory Board Member of the Company (to present) <a href="#">Reason for Election</a>
January 2001 General Manager, Anjo Branch of the Tokai Bank, Ltd.	Mr. Matsuoka has a wealth of expertise in finance and accounting as well as corporate management based on experience accumulated through his service at financial institutions and management of companies over many years. He was appointed as an Audit & Supervisory Board Member, as he is expected to discharge audit and supervisory duties regarding the execution of duties of the Company's directors in a fair and appropriate manner.
January 2003 General Manager of Corporate Department, Corporate Sales Division and General Manager of Nagoyako Branch, UFJ Bank Limited (currently MUFG Bank, Ltd.)	
January 2006 Senior General Manager, The Bank of Tokyo-Mitsubishi UFJ Ltd.(currently MUFG Bank, Ltd)	
February 2007 General Manager, Hamamatsu Branch of The Bank of Tokyo-Mitsubishi UFJ Ltd.	
May 2009 Joined MST Insurance Service Co. Ltd.	
April 2013 Senior Managing Director and General Manager of Nagoya Corporate Sales Division of MST Insurance Service Co. Ltd.	
April 2015 Managing Executive Officer and Deputy Division Manager of Corporate SBU of TIS Inc. Chairman and Director of TIS System Service Inc.	

## External Audit & Supervisory Board Members

To help the Group post constant growth and achieve higher corporate value over the medium to long term, TIS strives to keep participation of external audit & supervisory board members in good balance with inside members and looks for people who possess diverse knowledge, experience and capabilities.

### Taigi Ito (Certified Public Accountant and President, Ito Office)\*, External Audit & Supervisory Board Member

■ Corporate management  
■ Financial accounting

Date of Birth: October 13, 1946	<a href="#">Reason for Election</a>
January 1970 Joined Tsuji Audit Corporation	Mr. Ito is a licensed Certified Public Accountant. His expertise and knowledge in the field of finance and accounting and professional experience are beneficial to the Company in enforcing its audit system. Although he was not directly involved in corporate management, he was appointed as an External Audit & Supervisory Board Member as he was considered to be well qualified to appropriately perform the duties of Audit & Supervisory Board Members given the above credentials.
February 1989 Representative Partner of MISUZU Audit Corporation	
July 2004 Deputy Chairman of the Japanese Institute of Certified Public Accountants	
August 2007 Chief of Ito CPA Firm (to present)	
April 2009 Professor at Graduate School of Accountancy, Waseda University	
June 2012 Audit & Supervisory Board Member of the Company (to present)	

### Muneaki Ueda (Chairman, Professional Bank, Inc.)\*, External Audit & Supervisory Board Member

■ Corporate management  
■ International experience

Date of Birth: January 1, 1948	August 2004 President and Representative Director of Professional Bank Inc.
August 1983 Joined Temporary Center Inc. (currently, Pasona Inc.)	April 2007 Chairman and Representative Director of Professional Bank Inc. (to present)
January 1988 Executive Director and Manager of International Division and Manager of Business Development Dept. of Pasona Inc.	June 2012 Audit & Supervisory Board Member of the Company (to present) <a href="#">Reason for Election</a>
April 1991 Executive Managing Director and General Manager of Sales Division of Pasona Inc.	Mr. Ueda has a wealth of experience and wide-ranging insight as a corporate executive. He was appointed as an External Audit & Supervisory Board Member in expectation of obtaining his overall management advisory and management oversight on execution of duties from an external perspective.
June 1993 Director and Vice-President of Pasona Inc.	
June 2000 President and Representative Director of Pasona Inc.	

### Sadahei Funakoshi\*, External Audit & Supervisory Board Member

■ Industry knowledge  
■ International experience

Date of Birth: August 15, 1954	May 2013 Statutory Auditor of IT Frontier Corporation
April 1977 Joined Mitsubishi Corporation	July 2014 Statutory Auditor of TATA Consultancy Services Japan, Ltd.
March 2003 Transferred to Mitsubishi Corporation Financial & Management Services (Japan) Ltd. as Director and Vice-President	June 2016 Audit & Supervisory Board Member of the Company (to present) <a href="#">Reason for Election</a>
April 2009 Transferred to Mitsubishi Corporation LT, Inc. as Advisor	Mr. Funakoshi has a wealth of experience and knowledge in corporate management, with his experience in the management of investment and loan, credit and administrative departments of Mitsubishi Corporation, as well as his service as an auditor at IT companies. He was appointed as an External Audit & Supervisory Board Member in expectation of obtaining his overall management advisory and management oversight on execution of duties from an external perspective.
June 2009 Director and Managing Executive Officer of Mitsubishi Corporation LT, Inc.	
June 2011 Director and Senior Managing Executive Officer of Mitsubishi Corporation LT, Inc.	
January 2013 Representative Director and Senior Managing Executive Officer of Mitsubishi Corporation LT, Inc.	

\* Designated for Independent Director/Auditor as specified by the Tokyo Stock Exchange in Japan.

Notes: 1. As of June 25, 2019.

2. As of July 1, 2016, the Company (previous name, IT Holdings Corporation) changed its name to TIS Inc. due to the absorption-type merger with the previous TIS Inc. (an absorbed company), wholly-owned subsidiary of the IT Holdings Corporation (a surviving company).

## Training Policy for Directors and Audit & Supervisory Board Members

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

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

## External Directors and External Audit & Supervisory Board Members

The Company has three external directors and three external Audit & Supervisory Board Members. The determination of the independence of external directors and external Audit & Supervisory Board Members is prescribed by the requirements

of the Companies Act as well as judgement criteria to ensure the independence of external directors and external Audit & Supervisory Board Members as described below, with reference to the rules and regulations of the Tokyo Stock Exchange.

## Primary Activities of External Directors and External Auditors (Year ended March 31, 2019)

### Attendance at Board of Directors

	Name	Attendance rate	Primary Activities
External Directors	<b>Koichi Sano</b>	100%	Attended all 17 meetings of the Board of Directors held in fiscal 2019
	<b>Fumio Tsuchiya</b>	100%	Attended all 17 meetings of the Board of Directors held in fiscal 2019
	<b>Naoko Mizukoshi</b>	100%	Attended all 12 meetings of the Board of Directors held after her appointment on June 26, 2018.
External Audit & Supervisory Board Members	<b>Taigi Ito</b>	94.1%	Attended 16 of 17 meetings of the Board of Directors held in fiscal 2019
	<b>Muneaki Ueda</b>	94.1%	Attended 16 of 17 meetings of the Board of Directors held in fiscal 2019
	<b>Sadahei Funakoshi</b>	100%	Attended all 17 meetings of the Board of Directors held in fiscal 2019

### Attendance at Audit & Supervisory Board

	Name	Attendance rate	Primary Activities
External Audit & Supervisory Board Members	<b>Taigi Ito</b>	91.7%	Attended 11 of 12 meetings of the Audit & Supervisory Board held in fiscal 2019
	<b>Muneaki Ueda</b>	91.7%	Attended 11 of 12 meetings of the Audit & Supervisory Board held in fiscal 2019
	<b>Sadahei Funakoshi</b>	100%	Attended all 12 meetings of the Audit & Supervisory Board held in fiscal 2019

## Summary of Content of Liability Agreements

In accordance with Article 427, Paragraph 1 of the Companies Act, each of Audit & Supervisory Board enters into an agreement with the Company that limits legal responsibility for liability compensation as set forth under Article 423, Paragraph 1 of

the same law.

The limit of liability compensation, based on these agreements, is an amount provided for in Article 425, Paragraph 1, of the same law.

## Outline of Policy on Officers' Remuneration

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

Compensation to Company directors consists of a basic component, a performance-linked component and performance-linked stock incentive. Basic compensation is paid according to the size of the role and scope of responsibilities of each position. Performance-linked compensation is determined by the degree to which measures of corporate performance have been achieved, on the basis of the management plan for each fiscal year, and shall fall within a performance evaluation coefficient of between 0% - 30% of basic compensation for each position.

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

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

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

Furthermore, to reflect medium- to long-term business performance, directors (excluding outside directors) are asked to contribute at least a certain portion of their basic compensation toward the purchase of treasury stock through the Company's share ownership plan for directors and officers, and they are expected to retain such stock in full for the duration of their time in office so that the acquired stock shares value with all shareholders.

Note that TIS introduced this performance-linked stock compensation system in fiscal 2019 for directors, executive officers and executive fellows (excluding external directors, non-executive directors and residents outside Japan) with the objective being to make eligible directors more aware of their contribution to enhanced business performance and improved corporate value over the medium to long term and to align their interests with those of shareholders.

### (1) Compensation rate by position

	Base compensation	Performance-linked compensation	Performance-linked stock compensation
Directors (excluding non-standing directors)	68%	21%	11%
External Directors	100%	—	—
Audit & Supervisory Board Members	100%	—	—
External Audit & Supervisory Board Members	100%	—	—

### (2) Process for determining executive compensation

- Attainment of business plans formulated at the beginning of the fiscal year in accordance with the mid-term management plan is confirmed by the Performance Evaluation Committee.
- The President and Representative Director evaluates the directors and Audit & Supervisory Board members at the meeting of the Performance Evaluation Committee referred to in a. above.
- The Compensation Committee meets to consult on the results of the evaluation in b. above and amounts of compensation based on the results of evaluation.
- The Board of Directors votes on whether to approve the amounts of executive compensation considered by the Compensation Committee in c. above.

Performance-linked stock compensation is calculated in accordance with the Stock Issuance Regulations. The Board of Directors and the Compensation Committee have no room for discretion.



### (3) Activities of the Advisory Committee on Determination of Executive Compensation

The Compensation Committee met four times during the fiscal year under review to consider the appropriateness of the Company's compensation based on a comparative analysis of the amounts of the Company's executive compensation and executive compensation at other companies by a research firm, and the method of calculation and appropriateness of the amounts of performance-linked compensation. A proposal was put to the Board of Directors concerning executive compensation based on the results of deliberation by said body.

### (4) Methods of calculation of performance-linked compensation and performance-linked stock compensation

Performance-linked compensation is determined based on a comprehensive assessment of the degree of attainment of corporate performance indicators determined based on the management plan for each fiscal year. In fiscal 2019, performance-linked compensation was determined by applying a 30% performance evaluation coefficient based on the level of attainment in the previous fiscal year of targets including Consolidated Sales, Consolidated Operating Income, and Consolidated ROE.

Corporate performance indicators	Previous fiscal year (Fiscal 2018, ended March 2018)	
	Estimates	Actual
Consolidated Sales	¥400,000 million	¥405,648 million
Consolidated Operating Income	¥30,000 million	¥32,743 million
Consolidated ROE	8.0%	9.9%

The amount of performance-linked stock compensation was determined by applying a performance-linked coefficient of 150%. This was because Consolidated Operating Income, Consolidated ROE, and Service Business Sales (employed as indicators of corporate performance in the Stock Issuance Regulations) and Employee Satisfaction (employed as an indicator of job satisfaction among employees) exceeded the targets set for the fiscal year ended March 2019 (100% performance-linked coefficient when attained) by a wide margin.

These indicators were adopted as performance measurements for the following reasons, so as to ensure attainment of enhanced corporate value as expected by the shareholders: Consolidated Operating Income, Consolidated ROE, and Service Business Sales were adopted as financial indicators to encourage pursuit of business growth, and Employee Satisfaction was adopted as a non-financial indicator to encourage pursuit of higher job satisfaction among employees.

### Method of calculation of performance-linked stock compensation

Calculation formula

Number of shares granted (points\*) = base amount x performance variation coefficient / unit acquisition price

\*Rounded down to the nearest decimal

Performance indicators	Fiscal 2019 ended March 2019		Remarks
	Estimates	Actual	
Consolidated Operating Income	¥35,000 million	¥38,044 million	
Consolidated ROE	10.2%	11.5%	
Service Business Sales	¥32,558 million	¥35,393 million	Note 1
Employee Satisfaction	40.0%	43.0%	Note 2

Notes: 1. Predefined as a target in the Stock Issuance Regulations based on operations selected for their contribution to the structural transformation of the Company on a non-consolidated basis. They do not represent service business sales on a consolidated basis.  
2. Determined by a questionnaire survey conducted by an outside organization. Satisfaction is scored based on the proportions of employees who answered "often applies (4)" regarding "trust."

### (5) Outline of performance-linked stock compensation system

An Executive Compensation BIP Trust (hereafter, "BIP Trust scheme") was introduced as a performance-linked stock compensation system by resolution of the 10th General Meeting of Shareholders held on June 26, 2018. Those eligible for benefits are directors (excluding external directors and non-executive directors), executive officers with portfolios, executive officers, and executive fellows (hereafter, "Directors, etc.").

#### a. Organization of the BIP Trust scheme

b. Total number of shares to be granted to Directors, etc.: 61,300 shares in one financial year (upper limit)

c. Scope of individuals able to receive beneficiary rights and other rights under the BIP Trust scheme:

Individuals who have retired from being a Director, etc. and meet the beneficiary conditions specified in the Stock Issuance Regulations.

### Remuneration for Directors and Audit & Supervisory Board Members (Year ended March 31, 2019)

(Millions of yen)	Recipients (Persons)	Remuneration	Remuneration by type		
			Basic remuneration	Performance-linked remuneration	Performance-linked Stock compensation
Directors (External Directors)	10 (4)	¥275 (¥27)	¥203 (¥27)	¥46 (—)	¥26 (—)
Audit & Supervisory Board Members (External Auditors)	6 (3)	68 (25)	68 (25)	— (—)	— (—)
Total (External Directors and External Auditors)	16 (7)	344 (53)	271 (53)	46 (—)	26 (—)

Notes: 1. For the fiscal year ended March 31, 2019, compensation for directors does not include the employee portion for directors who serve concurrently as employees. The Company has not introduced a retirement benefit system for directors, and does not pay any directors' bonuses.  
2. As of March 31, 2019, the Company has nine directors, including three external directors. The discrepancy between this number and the number of directors listed as recipients above is attributable to the inclusion of three directors, one being an external director, who retired at the conclusion of the 10th Annual General Meeting of Shareholders on June 26, 2018, and the inclusion of two directors who serve without compensation.  
3. As of March 31, 2019, the Company's Audit & Supervisory Board comprises five members, three of whom are external. The discrepancy between this number and the number of directors listed as recipients above is attributable to the inclusion of one member who retired at the conclusion of the 10th Annual General Meeting of Shareholders on June 26, 2018.  
4. Limits on compensation (basic compensation and performance-linked compensation) for directors and members of the Audit & Supervisory Board were approved at the First Annual General Meeting of Shareholders on June 25, 2009, with the limit on compensation for directors set at ¥400 million per year (of which, external directors receive no more than ¥50 million) and that for members of the Audit & Supervisory Board set at ¥85 million.  
5. The performance-linked stock incentive is booked as an expense for six directors (excluding external directors and non-full-time directors) in the current business year.  
Note that this performance-linked stock incentive was approved by shareholders at the 10th Annual General Meeting of Shareholders on June 26, 2018, wherein the upper limit on the number shares is 61,300 per business year, to be delivered through a trust into which the Company contributes up to ¥500 million in each specified period (three business years) for eligible directors (excluding external directors, non-full-time directors), executive officers and executive fellows.

### Nomination Committee, and Compensation Committee

Committee's Name, Composition, and Attributes of Chairperson

	Nomination Committee	Compensation Committee
All Committee Members	4	4
Inside Directors	1	1
Outside Directors	3	3
Chairperson	Inside director	Inside director

#### 1. Method of selecting committee members

Members of the Nomination Committee and the Compensation Committee are selected on the advice of the Nomination Committee, of which the majority of members are independent external directors, and given final approval by the Board of Directors. Note that the chairman of both committees is, at the present time, Toru Kuwano, president and representative director of TIS, and the other members of these committees are independent external directors (Koichi Sano, Fumiya Tsuchiya and Naoko Mizukoshi).

#### 2. Role of committee members

##### (1) Role of members on Nomination Committee

- Provide advice for selecting candidates to the position of director and matters related to the appointment of such individuals

##### (2) Role of members on Compensation Committee

- Provide advice on matters related to decisions on compensation for directors

#### 3. Status of activities by committees (including frequency of meetings, major topics of discussion, attendance on a member basis)

##### (1) Nomination Committee

In fiscal 2019, ended March 31, 2019, the committee met three times, provided advice on the appointment and retirement of key individuals, including directors, and presented proposals on changes to director composition, based on discussions by committee members.

The committee also gave advice on approaches for a successor plan.

The attendance ratio for members of this committee was 100% for everyone

##### (2) Compensation Committee

In fiscal 2019, the committee met four times and discussed the appropriateness of the Company's compensation package through a comparative analysis of director compensation amounts at other companies and at TIS, based on the findings of a research company, as well as the appropriateness of the calculation method used to determine performance-linked compensation. Proposals were made to the Board of Directors on director compensation, based on the results of discussion by the committee. The attendance ratio for members of this committee was 100% for everyone.

## Constructive Dialogue with Shareholders

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

In relation to shareholders, TIS will strive to enhance means of dialogue such as individual interviews as well as responses by

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

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

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

## Strategically Held Shares

### 1. Policy and viewpoint regarding reduction of strategically held shares

TIS and other companies under the Group umbrella hold shares in other companies only when management believes this is necessary for such purposes as establishing long-term, stable relationships with customers and promoting business that will contribute to sustainable growth and higher medium- to long-term corporate value of the Company and the Group.

Each year, the Board of Directors reviews the relevance of cross-shareholdings. It is corporate policy for any cross-shareholding that the Board of Directors deems to be of diminished significance for cross-shareholding to be sold at the earliest possible opportunity.

To determine relevance, TIS uses business-related revenue if the issuing company is a customer of a Group company or annual transaction amount if the issuing company is a strategic partner to calculate a percentage on a balance sheet basis, and management will consider selling any issue with a ratio that falls below a benchmark set by the Company.

For cross-shareholdings with diminished significance, as identified through the aforementioned method, TIS moves to reduce cross-shareholdings in accordance with basic policy.

### 2. Policy on exercising voting rights relating to strategically held shares

TIS appropriately exercises voting rights for the listed shares in its possession after comprehensively determining whether such action will contribute to sustainable corporate growth and higher medium- to long-term corporate value of the TIS INTEC Group and investee company.

### 3. Relationships with strategic shareholders

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

Numbers of stocks held by the Company for purposes other than portfolio investment and total amounts recorded in the balance sheet

	Fiscal 2018, ended March 2018	Fiscal 2019 ended March 2019
Number of stocks	88 stocks	87 stocks
Total amount on balance sheet	¥56,700 million	¥44,423 million

Notes: 1. Increase in number of stocks: 16 stocks were newly acquired focusing on startups with the objective of developing partnerships, etc. to facilitate open innovation.

2. Decrease in number of stocks: Entire holdings of 17 stocks were sold off in accordance with the policy of reducing cross-shareholdings.

## Takeover Defense Measures

TIS has not introduced takeover defense measures.

## Status of Internal Control System Operations

### 1. Status of compliance efforts

(1) TIS distributes the Group Code of Conduct Handbook to all directors and employees in the Group. This handbook covers the Group Compliance Declaration and the Group Code of Conduct. The Company constantly strives to instill a thorough understanding of compliance issues and practices, implements training programs and awareness activities, and seeks to improve the effectiveness of learning opportunities.

For the internal reporting (whistleblower) system, helplines are mentioned in the Group Code of Conduct Handbook as well, and steps are taken to promote awareness of these contact points and to put them to effective use.

(2) TIS established the Group Internal Control Committee to identify compliance-related problems, discuss responses, help directors and employees see the importance of compliance practices, and look into the content of internal reports and offer advice on corrective measures. In addition, the committee checks on the progress of specific approaches, such as steps to improve the accuracy of working hour management within the Group, efforts to promote education about issues such as harassment, and efforts to establish compliance systems at overseas subsidiaries.

### 2. Status of efforts to ensure appropriate and effective execution of business operations

(1) In principle, the Board of Directors convenes regularly once a month and also meets at other times as necessary. Directors strive to achieve swift and dynamic decision-making.

(2) An executive officer system was introduced to expedite management decisions by the Board of Directors and strengthen the Board's supervisory function. Directors delegate the execution of business to executive officers, and the executive officers who accept these duties provide specific instructions and orders to and supervision of each associated department manager.

(3) The Management Committee, which comprises full-time directors and executive officers, meets twice a month to discuss important issues related to the overall execution of business by TIS and by the Group as a whole. Note that full-time corporate auditors may sit in on meetings of the Management Committee.

(4) External directors and external corporate auditors, with knowledge and experience essential to appropriate business operations, are appointed to enhance the supervision and monitoring capabilities of the Board of Directors and members of the Audit & Supervisory Board.

### 3. Status of efforts to control the risk of loss

(1) TIS classifies risks facing the Company and the Group under hazard risk, operational risk, financial risk and strategic risk, according to Rules for Risk Management, and has systems in place for risk management and accountability in the event of a crisis.

(2) TIS shares risk evaluation indicators and management formats to facilitate identification of risks facing the Company and the Group and to underpin measures to reduce risks. In addition, the Group Internal Control Committee formulates risk management policy for the Group as a whole and verifies the implementation status of measures to control risk.

### 4. Status of efforts to ensure appropriate operations by the Group

TIS undertakes management of Group companies using an approval and reporting system, in accordance with Management Rules for the Group. For the implementation status of key strategies at Group companies and respective business results, TIS holds quarterly Group business meetings and monitors progress of strategy implementation.

Risks with the potential to significantly impact the operations—business results and financial position—of the Group are described below. Note that forward-looking statements mentioned in these materials are based on information available to management as of June 25, 2019.

### 1. Price competition and heightened competition

Competition in the information services industry is fierce and the rising number of entrants from other industries may further increase price competition. The Group seeks to distinguish itself from its competitors by adding greater value to the information services that it provides and by improving productivity. However, the Group's business activities and results may be affected if price competition is greater than expected.

### 2. Legal systems and compliance

Group companies pursue their business activities in line with prevailing laws and regulations in Japan and overseas. Individual companies have established their own compliance systems and pursue rigorous legal compliance in accordance with the Group's basic policy on CSR. However, the Group's business activities and results may be affected if legal violations occur or additional laws or regulations are put into force.

### 3. Overseas business

As part of its growth strategy, the Group seeks to expand its presence overseas, especially in the ASEAN region. Overseas business can be affected by a variety of factors, including global economic trends, exchange rate movements, legal regulations pertaining to investment and competition, business practices, and labor-management relations. Steps are being taken to strengthen risk management of overseas business by, among other things, having overseas group companies and operations work hand in hand with TIS's core organizations to keep a close track of circumstances and consult promptly on countermeasures. However, the Group's business activities and results may be affected if these risks materialize in an unexpected form.

### 4. System development

The Group provides information system services and contracted development services to other companies. Quality control and productivity are being continually improved by thoroughly reviewing project proposals and processes. These reviews are conducted by dedicated teams in accordance with our quality

management system. Level-specific training is also being enhanced to improve our management and technological capabilities. Measures to enhance quality and facilitate adoption of production innovations are additionally being implemented throughout the entire Group under the leadership of the Group Production Innovation Committee. As systems development is growing more sophisticated and complex and turnaround times are shortening, however, customer requirements may change in the course of a project and necessitate extra work in order to achieve the planned level of quality or complete the project during the development period. If this occurs, considerably higher than expected costs may be incurred.

We also outsource some systems development work to numerous companies for various reasons, including in order to gain access to more production capacity, improve production efficiency, or make use of other companies' technological resources. While we make every effort to work with partners of good standing in Japan and overseas, the Group's business activities and results may be affected if the productivity or quality of work produced by a partner does not meet expectations and project management is impeded with risk of damages from clients as a result.

### 5. System operation

The Group delivers 24/7/365 outsourcing and cloud services via data centers and other large IT facilities. Developing these services requires large outlays, ranging from initial investment in equipment to ongoing investment in keeping this equipment running. Although we track business projects and recover capital invested, business results may be adversely affected if capacity utilization is particularly low due to weaker than expected demand. In addition, although system operations are being continuously improved in adherence to our quality management system, the Group's business activities and results may be affected if disruptions caused by hardware failures or human error prevent delivery of the level of service agreed with clients.

### 6. Investment

The Group invests in businesses (including startups) in Japan and overseas with the aim of achieving business growth and acquiring cutting-edge technologies, and it also invests in software to develop services. Investment decisions are made in line with business plans after careful consideration, and progress is periodically confirmed once an investment has been made.

However, investments may not always deliver the planned outcomes due to factors such as unexpected changes in the business environment, and the Group's business results may be affected as a result.

### 7. Information security

The Group may gain access to confidential information, including personal information held by clients as well as information on clients' systems and technologies, in the course of developing and running systems for them. Efforts are made to properly manage information in accordance with the TIS INTEC Group Information Security Policy. However, the Group's business activities and results may be affected if such information is leaked, altered, or otherwise affected by such means as a computer virus or unauthorized access, and a claim for damages is made against the Group or the Group suffers damage to its reputation as a result.

### 8. Human resources

The Group relies heavily on human resources and its business activities are significantly influenced by its ability to attract, retain, and train people capable of providing specialized, high value-added services to clients. The Group endeavors to attract and retain talent by such means as creating a corporate culture, personnel systems, and office environment that allow diverse individuals to maximize their potential, and it places a focus on development of human resources by, for example, helping employees to acquire qualifications, systematizing training programs, and setting targets for the number of days that training should be provided. However, the Group's business activities and results may be affected if recruitment, retainment, and training of talented personnel does not proceed than expected.

### 9. Technological innovation

In the information services industry, providers must respond quickly to advances in information technology and to changing market needs that parallel these advances. The Group is constantly exploring and researching information technologies, production, development technologies, and other relevant fields to improve its ability to respond to market needs. Given the pace of innovation in a wide range of fields, however, the Group's business results may be affected if it responds inadequately.

### 10. Intellectual property rights

The Group applies for and obtains necessary patents on technologies and business models and registers trademarks in Japan and overseas to assist its business operations. Although care is always taken to avoid infringing the intellectual property rights of third parties, a claim for damages may nevertheless be made against the Group for infringement of another company's intellectual property rights. The Group's business activities and results may be affected if this occurs.

### 11. Natural disasters

The Group offers outsourcing and cloud services through data centers and other large IT facilities. These facilities are equipped with various systems and structures to deal with a range of disasters. However, the Group's business activities and results may be affected in the event of a longer than anticipated power outage, major natural disaster, international conflict, act of terrorism, serious crime, or similar event that interrupts the smooth running of data center operations.

### 12. Securities portfolio

For the sustainable growth and higher corporate value on a groupwide basis, the Group holds stocks to build stable and long-term relationships with suppliers and promote sales, and bonds to utilize surplus capital. Every effort is made to ensure the security of these investments by checking the financial status, performance, and credit rating of the issuers and other relevant factors. However, the Group's business activities and results may be affected in the event of marked fluctuations in the stock market that lead to accounting losses or other such consequences.

### (Reference information)

INTEC Inc., a consolidated subsidiary of the Company, is currently in litigation with Mitsubishi Shokuhin Co., Ltd., which filed a claim for compensation in connection with services including systems development provided by INTEC Inc. (Amount of compensation demanded: 12,703 million yen; date the complaint was received: December 17, 2018).

# Consolidated Financial Summary

TIS Inc., and consolidated subsidiaries  
Years ended March 31

(Millions of yen)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Net sales	338,302	313,856	323,173	327,417	337,834	346,647	361,025	382,689	393,398	405,648	<b>420,769</b>
Cost of sales	272,944	254,827	261,145	266,159	276,935	283,881	294,927	312,153	317,440	321,286	<b>325,985</b>
Gross profit	65,357	59,029	62,027	61,258	60,899	62,766	66,097	70,535	75,958	84,362	<b>94,784</b>
Gross profit ratio (%)	19.3%	18.8%	19.2%	18.7%	18.0%	18.1%	18.3%	18.4%	19.3%	20.8%	<b>22.5%</b>
Selling, general and administrative expenses	41,569	43,032	49,209	45,636	42,727	43,255	44,976	46,099	48,938	51,618	<b>56,740</b>
Selling, general and administrative expenses ratio (%)	12.3%	13.7%	15.2%	13.9%	12.6%	12.5%	12.5%	12.0%	12.4%	12.7%	<b>13.5%</b>
Operating income	23,787	15,996	12,818	15,621	18,171	19,510	21,121	24,436	27,019	32,743	<b>38,043</b>
Operating income ratio (%)	7.0%	5.1%	4.0%	4.8%	5.4%	5.6%	5.9%	6.4%	6.9%	8.1%	<b>9.0%</b>
Recurring profit	23,604	15,719	12,625	15,393	17,440	18,971	21,251	24,521	27,092	32,795	<b>38,603</b>
Recurring profit ratio (%)	7.0%	5.0%	3.9%	4.7%	5.2%	5.5%	5.9%	6.4%	6.9%	8.1%	<b>9.2%</b>
Net income attributable to owners of the parent company	9,406	7,659	5,985	2,135	5,868	7,913	10,275	12,678	16,306	20,620	<b>26,034</b>
Net income ratio (%)	2.8%	2.4%	1.9%	0.7%	1.7%	2.3%	2.8%	3.3%	4.1%	5.1%	<b>6.2%</b>
Current assets	140,799	141,967	128,455	142,442	138,219	143,519	140,450	166,666	152,162	162,064	<b>176,231</b>
Fixed assets	154,527	171,109	172,620	167,560	164,083	170,091	205,401	169,828	185,459	204,889	<b>194,426</b>
Total assets	295,327	313,077	301,076	310,003	302,302	313,610	345,851	336,495	337,622	366,954	<b>370,657</b>
Current liabilities	82,051	86,255	73,090	83,065	91,063	72,790	77,666	91,508	78,676	81,310	<b>91,126</b>
Non-current liabilities	67,058	71,746	76,875	75,972	53,079	76,316	79,395	64,447	59,743	59,344	<b>45,121</b>
Total liabilities	149,110	158,001	149,965	159,038	144,143	149,107	157,062	155,955	138,420	140,655	<b>136,248</b>
Net assets	146,216	155,075	151,110	150,965	158,159	164,502	188,789	180,539	199,202	226,298	<b>234,408</b>
Total liabilities and net assets	295,327	313,077	301,076	310,003	302,302	313,610	345,851	336,495	337,622	366,954	<b>370,657</b>
Total interest-bearing debt	80,532	91,646	77,454	76,515	60,550	58,869	52,114	46,158	35,144	32,876	<b>29,893</b>
Interest-bearing debt ratio (%)	27.3%	29.3%	25.7%	24.7%	20.0%	18.8%	15.1%	13.7%	10.4%	8.9%	<b>7.3%</b>
Cash flow from operating activities	34,311	31,400	27,236	23,658	21,515	25,770	22,938	25,496	18,952	36,386	<b>37,558</b>
Cash flow from investing activities	(20,079)	(25,726)	(18,957)	(15,158)	(14,391)	(5,334)	(17,744)	8,688	(23,488)	(14,202)	<b>(1,213)</b>
Cash flow from financing activities	(6,877)	6,139)	(18,755)	(4,230)	(19,883)	(5,872)	(19,067)	(14,979)	(18,327)	(10,543)	<b>(16,773)</b>
Cash and cash equivalents at the end of the term	35,104	46,987	36,492	41,119	28,433	43,142	29,485	48,651	25,730	37,545	<b>57,083</b>
Free cash flow	14,232	5,674	8,279	8,500	7,124	20,436	5,194	34,184	(4,536)	22,184	<b>36,345</b>
Capital expenditures	13,139	15,676	18,325	14,096	12,287	12,544	16,873	14,210	15,159	16,907	<b>13,334</b>
Depreciation	10,996	11,978	12,308	12,745	12,920	12,454	12,809	11,952	11,801	12,572	<b>12,783</b>
Research and development expenses	946	912	1,062	962	1,002	853	1,097	1,086	1,178	996	<b>1,003</b>
Amortization of goodwill	1,149	1,389	1,901	1,882	1,741	1,166	1,052	339	326	289	<b>289</b>
Goodwill balance at the end of the term	5,053	6,863	5,551	3,672	1,914	830	2,021	1,393	1,332	1,118	<b>503</b>
Number of employees at the end of the term	15,259	20,476	20,831	20,347	19,553	19,081	19,090	19,393	19,843	19,877	<b>19,483</b>
Number of new-graduate recruits	919	974	928	649	356	455	620	688	674	712	<b>892</b>
Number of regular recruits	1,117	512	370	450	379	549	499	687	575	840	<b>661</b>
<b>Order Status (Software development)</b>											
Orders received during the term	156,385	146,621	162,287	174,680	179,352	172,721	199,842	207,345	208,307	219,225	<b>238,298</b>
Order backlog at year-end	52,808	49,569	47,967	57,778	62,055	58,869	71,095	69,961	64,751	67,716	<b>75,549</b>

Notes: 1. Total interest-bearing debt indicates the total sum of borrowed money and corporate bonds.  
2. Free cash flows indicate the total sum of cash flows from operating activities and cash flows from investing activities.  
3. From the first quarter of fiscal 2019, TIS applies "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan, Statement No. 28, February 16, 2018). Figures for fiscal 2018 have been retrospectively restated in line with the aforementioned partial amendments.

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Equity ratio (%)	44.4%	44.2%	47.7%	46.3%	49.8%	49.9%	53.3%	52.5%	57.8%	60.4%	<b>62.0%</b>
Net income to equity capital ratio (ROE) (%)	7.4%	5.7%	4.2%	1.5%	3.9%	5.1%	6.0%	7.0%	8.8%	9.9%	<b>11.5%</b>
Net income ratio (%)	2.8%	2.4%	1.9%	0.7%	1.7%	2.3%	2.8%	3.3%	4.1%	5.1%	<b>6.2%</b>
Total asset turnover ratio	1.16	1.03	1.05	1.07	1.10	1.13	1.09	1.12	1.17	1.15	<b>1.14</b>
Financial leverage	2.28	2.26	2.18	2.13	2.08	2.01	1.93	1.89	1.81	1.69	<b>1.63</b>
Recurring profit to total assets ratio (ROA) (%)	8.0%	5.2%	4.1%	5.0%	5.7%	6.2%	6.4%	7.2%	8.0%	9.3%	<b>10.5%</b>
Net income per share—basic (yen)	110.74	89.25	68.19	24.33	66.86	90.16	117.40	145.22	189.02	241.44	<b>307.83</b>
Net income per share—diluted (yen)	110.72	—	—	24.33	66.83	90.12	—	—	—	—	—
Annual dividends per share (yen)	32.00	32.00	32.00	18.00	21.00	25.00	30.00	33.00	36.00	40.00	<b>70.00</b>
Payout ratio (%)	28.9%	35.9%	46.9%	74.0%	31.4%	27.7%	25.6%	22.7%	19.0%	16.6%	<b>22.8%</b>
Total return ratio (%)	28.9%	35.9%	46.9%	74.0%	31.4%	27.7%	30.4%	35.3%	31.9%	30.5%	<b>39.0%</b>
Net assets per share (yen)	1,541.17	1,602.77	1,636.56	1,636.72	1,714.88	1,782.23	2,108.19	2,031.07	2,265.76	2,602.07	<b>2,719.79</b>
Stock price at fiscal year-end (yen)	1,134	1,138	870	968	1,243	1,694	2,193	2,664	2,832	4,210	<b>5,240</b>
Highest stock price during the term	2,355	1,995	1,377	978	1,328	1,854	2,257	3,085	2,959	4,410	<b>6,040</b>
Lowest stock price during the term	900	952	655	654	798	1,020	1,524	2,156	2,180	2,742	<b>4,060</b>
Price earning ratio (PER) (times)	10.2	12.8	12.8	39.8	18.6	18.8	18.7	18.3	15.0	17.4	<b>17.0</b>
Price book-value ratio (PBR) (times)	0.74	0.71	0.53	0.59	0.72	0.95	1.04	1.31	1.25	1.62	<b>1.93</b>
Aggregate market value (millions of yen)	97,946	98,293	76,376	84,979	109,121	148,714	192,521	233,870	248,618	369,592	<b>460,014</b>
Number of outstanding shares at fiscal year-end (thousands)	86,372	86,373	87,789	87,789	87,789	87,789	87,789	87,789	87,789	87,789	<b>87,789</b>
Number of treasury stock at fiscal year-end (thousands)	1,337	22	15	16	19	4	320	864	1,701	2,613	<b>3,358</b>
Average number of shares during the term (thousands)	84,943	85,821	87,772	87,773	87,771	87,774	87,522	87,305	86,268	85,406	<b>84,574</b>
Total shareholder return (TSR) (%)	62.2%	64.1%	51.5%	57.7%	73.5%	98.9%	127.1%	154.0%	164.9%	240.5%	<b>295.9%</b>
Comparison index: dividend included TOPIX (%)	65.2%	83.8%	76.1%	76.5%	94.7%	112.3%	146.8%	130.9%	150.1%	173.9%	<b>165.2%</b>
<b>Sales by Client Sector</b>											(Millions of yen)
<b>Net sales</b>	338,302	313,856	323,173	327,417	337,834	346,647	361,025	382,689	393,398	405,648	<b>420,769</b>
Credit card	71,761	57,151	52,614	45,084	48,846	49,402	53,743	59,274	65,006	73,314	<b>73,648</b>
Banking	26,862	23,480	25,819	26,702	26,230	29,049	25,444	27,867	28,233	27,452	<b>26,583</b>
Insurance	22,084	21,088	23,448	22,931	23,836	25,269	24,972	26,339	25,356	26,262	<b>27,279</b>
Other finance	19,857	19,062	19,178	23,416	21,337	23,481	23,312	20,406	20,857	22,127	<b>19,502</b>
Assembly-based manufacturing	44,977	40,196	46,323	40,363	38,824	40,904	45,785	49,455	42,723	43,777	<b>46,028</b>
Processing-based manufacturing	32,764	29,630	26,135	31,074	38,468	33,843	34,960	35,061	36,953	38,366	<b>38,081</b>
Distribution	26,602	24,983	22,870	26,267	27,398	30,009	31,775	32,702	31,773	28,872	<b>32,908</b>
Services	55,296	61,874	70,017	71,012	73,425	72,666	77,535	79,601	89,607	93,258	<b>103,531</b>
Public institutions	29,046	28,217	28,015	30,107	28,225	30,393	29,891	36,603	37,002	35,923	<b>34,863</b>
Others	9,055	8,175	8,754	10,456	11,241	11,626	13,604	15,376	15,882	16,292	<b>18,343</b>

# Board of Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 25, 2019)



Front row from the left, Yasushi Okamoto, Director and Senior Managing Executive Officer, Toru Kuwano, Chairman and President, Masahiko Adachi, Representative Director and Executive Vice President, and Josaku Yanai, Director and Senior Managing Executive Officer. Back row from the left, Fumio Tsuchiya, External Director, Akira Shinkai, Director, Takayuki Kitaoka, Director, Koichi Sano, External Director, and Naoko Mizukoshi, External Director



Standing Audit & Supervisory Board Members, front row from the left, Katsuhiko Ishii, and Tatsufumi Matsuoka. External Audit & Supervisory Board Members, back row from the left, Muneaki Ueda, Taigi Ito, and Sadahei Funakoshi.

<b>Chairman and President</b>	<b>Toru Kuwano</b>
<b>Representative Director, Executive Vice President</b>	<b>Masahiko Adachi</b>
<b>Director and Senior Managing Executive Officer</b>	<b>Yasushi Okamoto</b>
<b>Director and Senior Managing Executive Officer</b>	<b>Josaku Yanai</b>
<b>Director</b>	<b>Takayuki Kitaoka</b> (President and Representative Director of INTEC Inc.)
<b>Director</b>	<b>Akira Shinkai</b> (Director, Executive Vice President of INTEC Inc.)
<b>External Director</b>	<b>Koichi Sano*</b>
<b>External Director</b>	<b>Fumio Tsuchiya*</b>
<b>External Director</b>	<b>Naoko Mizukoshi*</b> (Partner of Leftright Law & IP)
<b>Standing Audit &amp; Supervisory Board Member</b>	<b>Katsuhiko Ishii</b>
<b>Standing Audit &amp; Supervisory Board Member</b>	<b>Tatsufumi Matsuoka</b>
<b>External Audit &amp; Supervisory Board Member</b>	<b>Taigi Ito*</b> (Certified Public Accountant and President, Ito Office)
<b>External Audit &amp; Supervisory Board Member</b>	<b>Muneaki Ueda*</b> (Chairman, Professional Bank, Inc.)
<b>External Audit &amp; Supervisory Board Member</b>	<b>Sadahei Funakoshi*</b>

\* Designated for Independent Director/Auditor as specified by the Tokyo Stock Exchange in Japan.

<b>Senior Managing Executive Officer</b>	<b>Jun Ikimune</b>
<b>Managing Executive Officer</b>	<b>Masahiro Hosokawa</b>
	<b>Tetsuya Asano</b>
	<b>Takashi Mori</b>
	<b>Kiyotaka Nakamura</b>
	<b>Saburo Kato</b>
	<b>Tsuyoshi Fukuda</b>
	<b>Hiroyuki Kodake</b>
	<b>Kei Ando</b>
	<b>Shinichi Horiguchi</b>
	<b>Naoto Kita</b>
	<b>Masahiro Ueda</b>
<b>Executive Officer</b>	<b>Fumiyasu Mase</b>
	<b>Hidehiko Shimoyama</b>
	<b>Teruaki Akutsu</b>
	<b>Kyoko Takayanagi</b>
	<b>Akira Ogane</b>
	<b>Tsuneyoshi Ito</b>
	<b>Satoru Tayasu</b>
	<b>Yasushi Tajima</b>
	<b>Thanawat Lertwattanak</b>
	<b>Ikuo Shimizu</b>
	<b>Hiroto Ito</b>
	<b>Isao Otokita</b>
	<b>Manabu Yano</b>
	<b>Yoshiyuki Hayashi</b>

**TIS INTEC Group** (As of July 1, 2019)

**Domestic Group Companies**

**[Principal Companies]**

**TIS Inc.**

- INTEC Inc.
- AGREX INC.
- QUALICA INC.
- AJS Inc.

- IUK Inc.
- INTEC Solution Power Inc.
- KOUSHI INTEC Inc.
- SKY INTEC INC.
- SorunPure Inc.
- Chuo System Corporation
- TIS System Service Inc.
- TIS Solution Link Inc.
- TIS Tohoku Inc.
- TIS Total Service Inc.
- TIS Nagano Inc.
- TIS West Japan Inc.
- TIS Business Consultants Inc.
- TIS Beijing Inc.
- TIS Hokkaido Inc.
- Registration Network, Ltd.
- NEOAXIS Co., Ltd.
- Nexway Co., Ltd.
- HOKKOKU INTEC SERVICE Inc.
- MicroMates Corp.

**Overseas Subsidiaries**

**[China]**

- INTEC Information Technology (Wuhan) Co., Ltd.
- QUALICA (SHANGHAI) Inc.
- TISI (Shanghai) Co., Ltd.

**[Singapore]**

- QUALICA Asia Pacific Pte. Ltd.
- TISI (Singapore) Pte. Ltd.

**[Thailand]**

- Baseline Technology Consultants Co., Ltd.
- CODE IT Consulting Co., Ltd.
- ECM Consulting Co., Ltd.
- I-AGREX (Thailand) Co., Ltd.
- I AM Consulting Co., Ltd.
- i Coach Co., Ltd.
- iHR Consulting Co., Ltd.
- ITS-Tradeship Co., Ltd.
- PromptNow Co., Ltd.
- TISI (Thailand) Co., Ltd.

**[Vietnam]**

- AGREX (Vietnam) Co., Ltd.
- INTEC Vietnam Co., Ltd.

**[Myanmar]**

- PromptNow (Myanmar) Co., Ltd.

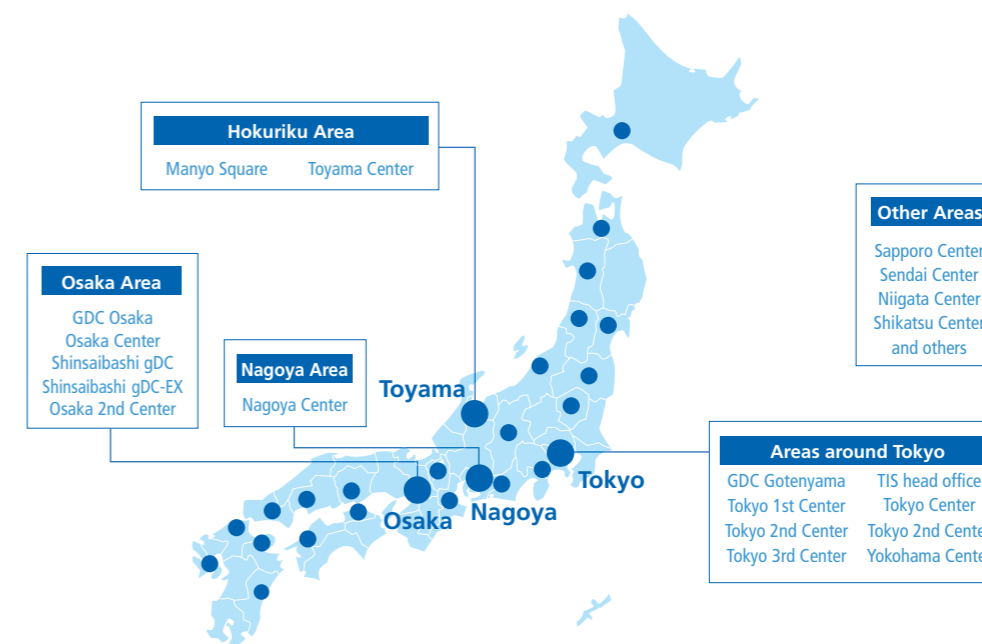
**[United States]**

- INTEC Innovative Technologies USA, Inc.
- TIS Ventures, Inc.

- Consolidated Subsidiaries
- Non-Consolidated Subsidiaries

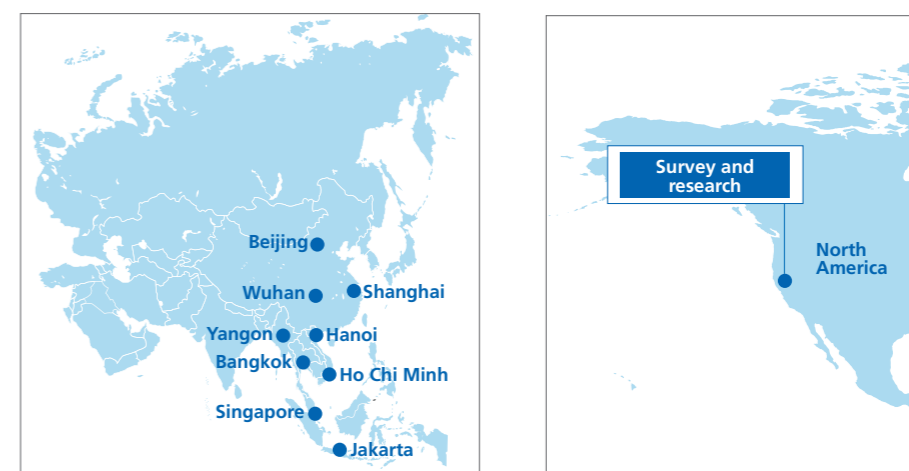
**Domestic Business Hubs**

We have an extensive business presence, particularly in Tokyo, Nagoya, Osaka and Toyama. We have the largest data center network in Japan, with locations in major urban centers.



**International Business Hubs**

We are pursuing development mainly in the ASEAN region. (Shifting from offshore development hub to business hub)



The TIS INTEC Group has data centers in major cities in Japan, including Tokyo, Nagoya, Osaka and Toyama, as well as in Asian major cities. The Group, as a whole, has earned a solid reputation for reliability from clients for providing a cloud environment that boasts the experience and know-how accumulated over more than 40 years through round-the-clock, 365-day operation of data centers equipped with state-of-the-art facilities and highly secure features to protect against the risk of natural disasters and power failures.

**Key Features of the TIS INTEC Group Data Center Network**

- High operating quality and latest equipment
- Enables clients to achieve business continuity through access to Japan's largest data center network
- Highly reliable cloud environment platform

## Corporate Data

(As of June 30, 2019)

Company name	TIS Inc.
Founded	April 28, 1971
Established	April 1, 2008
Main business	Outsourcing services, software development, and solution services regarding investments in information technology. Management and business execution of group companies that carry on information and communication business
Head office	Sumitomo Fudosan Shinjuku Grand Tower, 17-1, Nishi-shinjuku 8-chome, Shinjuku-ku, Tokyo, 160-0023, Japan TEL. +81-3-5337-7070 FAX. +81-3-5337-7555
Paid-in capital	¥10 billion
Number of shares authorized	280,000,000 shares
Number of shares issued	87,789,098 shares (As of March 31, 2019)
Number of shareholders	10,759 (As of March 31, 2019)
Stock listing	Tokyo Stock Exchange, First Section (Securities code: 3626)
Number of employees (consolidated)	19,483 (full-time employees) (As of March 31, 2019)

## Major Shareholders

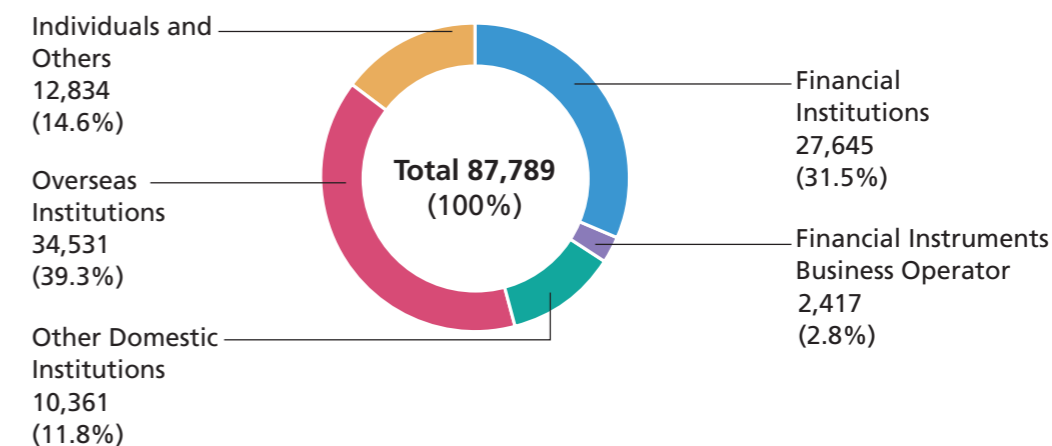
(As of March 31, 2019)

Name	Number of shares (Thousands)	Shareholding ratio (%)
ICHIGO TRUST PTE. LTD.	5,798	6.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,560	5.37
Japan Trustee Services Bank, Ltd. (Trust Account)	3,458	4.07
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,509	2.96
Employees' Shareholding Association of TIS INTEC Group	2,226	2.62
Nippon Life Insurance Company	2,073	2.44
MUFG Bank, Ltd.	1,654	1.95
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	1,598	1.88
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT AC (M) LBM FE	1,500	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,283	1.51

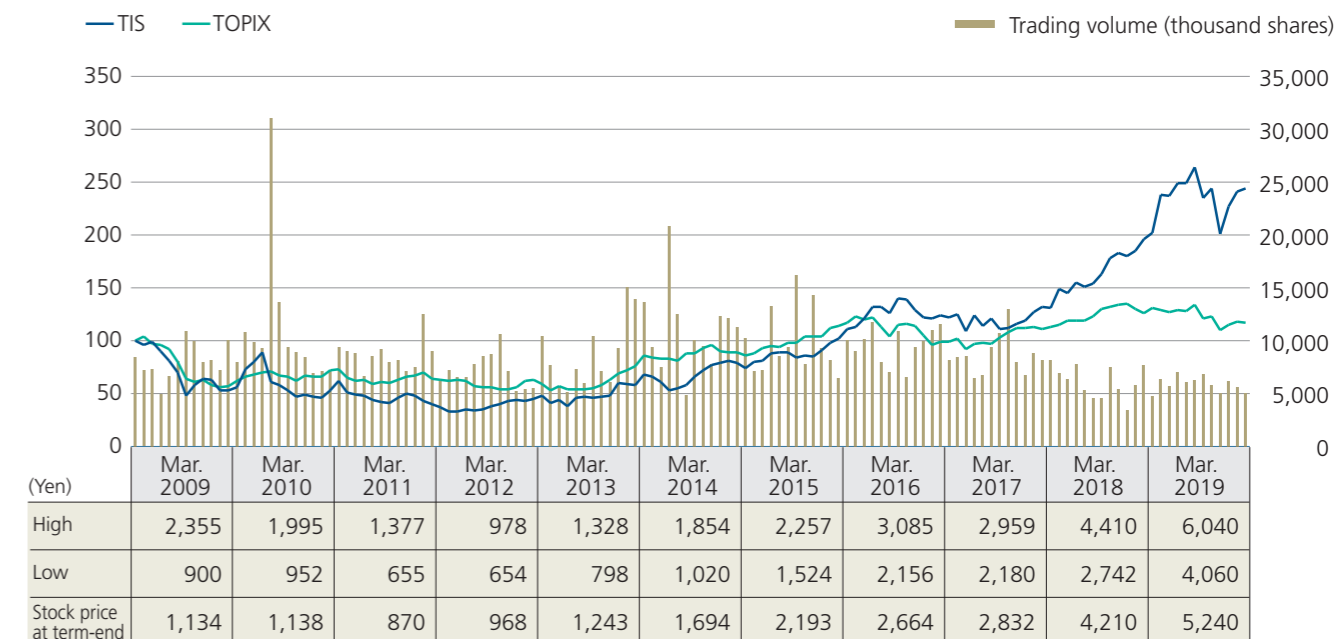
Notes: 1. The Company holds 2,908 thousand shares of treasury stock. These are excluded from the table of major shareholders above. The 2,908 thousand shares of treasury stock do not include 365 thousand shares of Company stock held by TIS INTEC Group Employees' Shareholding Association Exclusive Trust, and 84 thousand shares of Company stock held by Board Incentive Plan (BIP) Trust.  
2. Percentage shareholdings are calculated after deducting treasury stock.  
3. Regarding 1,598 thousand shares held by The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account), Mitsubishi Electric Corporation reserves exercise of voting rights by Instruction.

## Share Composition by Shareholder

(As of March 31, 2019; Thousands of Shares)



## Stock Price Range



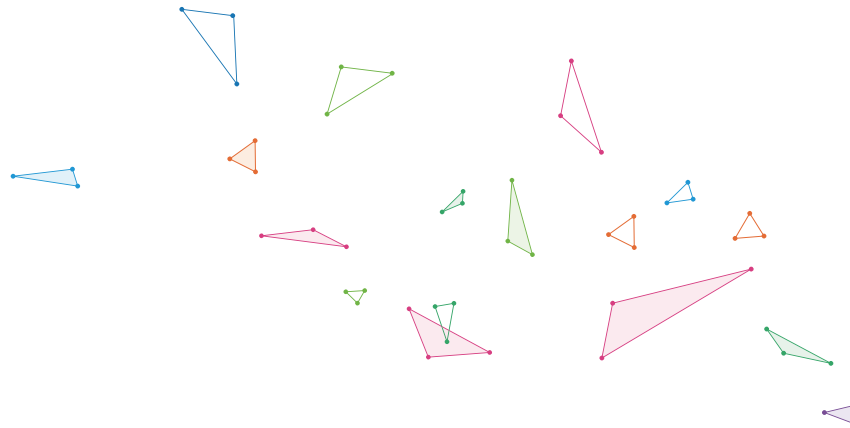
Note: The TIS stock price and TOPIX (Tokyo Stock Exchange Price Index) are indexed at 100 based on the closing price of stock on April 30, 2008.





# TIS INTEC GROUP

Go Beyond



## 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

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.

## TIS Inc.

Sumitomo Fudosan Shinjuku Grand Tower,  
17-1, Nishishinjuku 8-chome, Shinjuku-ku, Tokyo, 160-0023, Japan

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<http://www.tis.com/>